

International marketing

[Business](#), [Company](#)



International Marketing Case1-1: Starbucks-Going Global Fast Q1) Identify the controllable & uncontrollable elements that Starbucks has encountered in entering global markets. A1) There are several controllable and uncontrollable elements that Starbucks has encountered in entering the global market. To begin with, some of the controllable elements are somewhat similar to them growing in the domestic market. Some of the factors include the 4 P's (Product, Price, Placement and Promotion). Starbucks has the advantage of being a global brand-it is recognized by millions around the world and is thus able to market according to its value. In addition, Starbucks can easily adjust to the different cultural sets and shift their prices according to the competitors in the region (without making much of an impact to their profit). As a result of being a global brand, Starbucks can market themselves as they wish to as well. An appropriate example would be the coffee in Italy-which is relatively cheaper than Starbucks regular coffee. An espresso in Northern Italy is around 67 cents whereas in the south it can fall close to 55 cents. Meanwhile, Americans pay around \$1.50 for their espresso-for such reason, Starbucks would have to lower the prices if they wish to enter the Italian market for the simple reason to be able to compete in such an environment-basically going back to the point of controlling their prices as their competitors do. Starbucks have faced uncontrollable elements as well-mostly to do with foreign markets. To begin with are the issues that the brand might face trying to balance between domestic and international markets. There are several different elements of risk that they face when entering a foreign market such as competitive forces, technology levels, distribution structures, the nation's infrastructure

and other forces that add in such a cultural, political and legal. All these elements tie in with how Starbucks runs its business in an international market. Moreover, as Starbucks continues to expand, it will have to be increasingly sensitive to cultural challenges. One example could be Starbucks facing grave challenges with Japan's 'chilled coffee' market with many lookalikes rivalling with the corporate brand making it more difficult for them to compete overseas. Being a global brand, Starbucks has mastered their skills to expand to other international markets-as long as they keep in check their controllable elements and try and resolve the uncontrollable ones.

Q2) What are the major sources of risk facing the company? Discuss potential solutions.

A2) Being such a major international brand-Starbucks is likely to face certain risks. To begin with, Starbucks has managed to saturate most of its market in United States. According to sources, there is a Starbucks for every 9, 400 people in Seattle. Blanketing areas with their stores is not necessarily an advantage for Starbucks, it has even led to consumers being frustrated with the low level of choice and causing a great dislike towards the global brand all together. Another risk facing Starbucks is the new, younger generation. Today's 20 and early thirty year old consumers are not ready to pay the high prices for their daily coffee. Due to the recession, much of this generation was brought up on less costly brands such as McDonald's McCafe, and is unlikely to shift to Starbucks or any other major brand even once recession has worn off. Consumer risks are not the only ones troubling Starbucks-the global brand also faces internal issues with employee burn out rate increasing over the years. Dissatisfaction over being over worked and under paid is starting to become synonymous with the

Starbucks name causing frustrated store managers and a higher percentage of employee turnover. An example of this internal risk was when a lawsuit caused Starbucks a good \$18 million, leaving them with decreased profit share. Analysts state that Starbucks can only maintain about 15% square footage growth in the United States, for only about two more years. After that, it will have to depend aggressively on overseas growth to maintain their annual 20% revenue growth. Expansion and cannibalization risk is also another element. Expanding at such an extreme rate with a constant growth in stores around the world have seen to cause some major cultural issues as well, for example Italy being threatened from changing their lifestyles of drinking coffee all together. Solutions: Advertising campaigns and positive public awareness could help improve their global image. Starbucks should be focusing on International expansion rather than saturating their domestic market-the more people they reach out to, the more the brand is likely to survive and make a profit. Having such an international image can have a disadvantage as well-Starbucks could learn to adapt to more cultural differences & requirements rather than concentrating on promoting their domestic image internationally as well. Through promotion and advertising Starbucks should begin to shift their target audience; the younger generation is a key element to their product life cycle-but re-positioning their products and focusing on the Middle class of today, Starbucks could find a solution within and continue to grow for years to come. Market research could be another solution that Starbucks can look into. By creating Global Strategies, success can be achieved by moulding according to the country's culture and belief and by introducing products that are more likely to be accepted by

people from different areas of the world. A certain kind of marketing is unlikely to appeal to an audience from all over the world-Starbucks should be flexible enough to create their image according to a different culture each time. The feeling of dissatisfaction from the employees of Starbucks should be resolved. This solution can be achieved by offering over time payment or incentive for every employee-as long as Starbucks is willing to take care of its people, employee turnover will be likely to reduce and their internal mechanics will run smoothly-thus causing them clarity to look at other major issues, such as international marketing and expansion. Q3) Critique Starbucks overall Corporate Strategy A3) In the case of Starbucks, the corporate strategy that they have implemented is unique to their industry which has allowed them to stand apart from their major competitors. It can be summarized shortly-Starbucks aims to provide quality coffee wherever they go. One of their strategies would be vertical integration, by having a close relationship from the start to the finish of their product by having their own supply chain and roasting their own coffee-Quality is one key element that Starbucks has never compromised on (and from the looks of it, will be unwilling to do so in the near future as well) Modification of their products is another way Starbucks handles its strategy, by aiming at partnering with other successful brands and going for products that they can also sell in stores apart from their chain's and focusing on the other services they provide such as pre order, Wi-Fi and partnering with the movie and music industry. Even without spending a lot on international advertisement, Starbucks makes sure to stay in the limelight, by making the right decisions to partner with companies that are appealing to their overall consumer base.

In addition, Starbucks has begun to target the younger generation (that is likely to stray from the higher priced quality coffee) by boosting other services they provide. Instead of succumbing to the lower price demand, Starbucks has upped their other services and began advertising accordingly and directly aiming at the new generation's consumer base. It is probably also worth mentioning how Starbucks has still managed to follow the usual, normal expansion routine as well. They began by aiming at their domestic market aggressively and once this had been saturated and developed completely, the organization began increasing their presence internationally. According to the Starbucks annual report in 2009, their international market grew by a rapid 7.7% in 2009. Overall, Starbucks aims at growing internationally, by using other sources apart from the regular stereotypes, but at the same time, Starbucks aims to keep its footing in their domestic market as strong as they have been since the inception itself. Q4) How might Starbucks improve profitability in Japan? A4) Due to the high level of competition that Starbucks faces in Japan, it should begin by reconsidering their pricing strategy. Most of Japan still believes that Starbucks is slightly overpriced, and since there are so many different competitors, it is an easy decision for the consumer in Japan to choose another brand-based simply on the lower price. They could begin by lowering their prices slightly, where they would still make a profit, but would fall within the range of other competitors so more consumers would be likely to choose Starbucks-mainly due to the great quality of product (and now better price as well) Another method that Starbucks could use is repositioning their product and service in Japan. According to sources, Japanese youth is more likely to spend their

time in a constructive manner. Due to Starbucks and the competitors in Japan providing similar fare, it is easy for the competitor to eat up the Starbucks share, thus it would be ideal for the global brand to increase their benefits (or reduce price further). One benefit could be introducing the online order system in Japan, so Japanese consumers could pre order online, saving them time and using this benefit over the other competitors. By advertising with the domestic brands in Japan, Starbucks could possibly make itself synonymous with Japan's youth-where they feel inclined to have Starbucks instead of competitor coffee because their other major brands/artists seem to be having Starbucks as well. Including customized products for its consumers in Japan is also helping Starbucks stay on top of their globalization plans. This strategy increased same store sales and overall profits. By adding the drive through service, Starbucks is targeting their Japanese audience the most fruitful and profitable way.