

Starbucks going global

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



“ Starbucks - Going Global Fast. ” I. Saturation of Home market and existence of Foreign Untapped markets Starbucks is a well respected brand of coffee that is known globally. As they dominate the market in United States, they have realized the potential growth in overseas markets and open its doors to going global. However, competing internationally is not easy for every company that’s why Starbucks has encountered certain challenges and issues as it enters foreign markets and grows globally. II.

Problems Major Problems: Employee Discontent

Employee discontent is very far from the image that Starbucks obtains or would like to uphold. Dissatisfied employees could greatly affect the service that they provide to the customers. The company is focused on enthusiastic, happy baristas and friendly service. If employee morale dropped it could have an extremely negative effect on Starbucks’ image and sales as well. As stated in the case, 470 California stores sued Starbucks for refusing to pay legally mandated overtime pay. This is due to overworked and underappreciated workers. The salary Starbucks provide doesn’t match the workload that is required by the company.

The employees, especially the store managers feel exhausted and employee morale goes down. The employees are feeling less connected with the company mission and it affects the quality of service and products that they provide. Local challenges in Foreign Market Entry The influence of economic and political environment to its entry and operation in foreign countries is one of the challenges it faces. As Starbucks continue to open up stores in foreign markets, it also faces different challenges as local imitators try to steal market share.

In Japan, they expect loss for the full year. Aside from local competitors offering products with the same price, the economic depression in Japan affected the customer's income and buying behaviour. As a result the company is losing rather than gaining profit due to coffee pricing. In addition to political environment, Starbucks need to adapt into France's regulations and generous labour benefits which is legal and compulsory for them to enter the market. Another problem is the entry to foreign markets that has strong local coffee culture.

The company is still in its stage of assessing the right strategy to enter markets like Italy. Since it is struggling on its food and non food items, the competition in this market will be difficult due to the existence of anti-globalization movement and strong national responsiveness of local consumers to its own products. Minor Problems: Specified Target Audience Starbucks used the "Youth appeal" as a strategy to enter foreign markets and gained success, but in the home market attracting the next generation of customers seems to be an issue.

The result of the market study made the company aware about the image that it has with its target customers. Younger coffee drinkers can't afford to buy coffee at Starbucks or the reason they go there is not mainly because of coffee or its products but their peers working. The value associated with brand at some point doesn't convince the young people in embracing the brand itself. It depicts a pretentious environment for social climbers or yuppies. Aside from trying to reach a specific target market, the company eventually ended up in different markets as it grows rapidly.

Venture to Food and Non food items To keep up with competition and increase sales, Starbucks should not solely rely on coffee as its main product but other products they can take advantage of as well. As Starbucks wants to continually increase sales, it started offering food and other non food items to sell inside their stores during the late 90's but it seems to be a challenge because it still struggles in this area. The company started offering sandwiches and desserts, CD's and packaged coffees but growth rate doesn't seem to rise.

The company still has to work on the right approach as it continues to improve in this area. III. Solutions: A. Employee Discontent Employees are very important in the success of any company. They are considered as the first customer in every business. Satisfying employee needs is essential so that the company can achieve its goals and deliver proper service. Starbucks needs to be sensitive to their employee needs. They must equally match the compensation to the workload of the employees. Since the company is also going global, there are challenges in human resource that they need to focus on.

They have to be aware of the employees' local culture and needs to satisfy them. They should also conduct a survey internally to be aware about the employees' needs, wants and feelings towards the company. This will help them properly design employee compensation and benefits. There will be adaptation towards the company's approach in managing employees in overseas branches. They should take into consideration the legal environment of each local branch so that they can address specific needs and concerns as they manage the business across different cultures.

Happy and satisfied employees will result to quality in service and products.

B. Local Challenges in Foreign Market Entry Starbucks should conduct marketing research and environmental scanning as it enters foreign markets. They have to take into account the importance of economic and political environment and how it can greatly influence the operation of its business. They should be aware of the economic situation of the market and assess how it can affect the purchasing power of the market. They must be aware of the legal factors that would affect the way it operates its business overseas.

They should also conduct a different marketing strategy for different markets since one strategy in one market will not guarantee the success in another. There will be adaptation in marketing approach and local operations to cope up with the foreign market's needs and external environment. C. Specific Target Audience Since the company intended to reach a specific target market, it ended up catering to different markets as it grows rapidly. As they continually use the "Youth Appeal" because it gained success as they enter foreign markets, it cannot still be considered as a global strategy to enter the market to other countries.

Starbucks should make a study about coffee culture before it enters the market and formulate a strategy that would simply meet the demands of the potential market. They should carefully position the brand in accordance to what they want the market to perceive. As with the case of Starbucks to its home market, the brand was associated with being pretentious. They should associate positive and sophisticated value with the brand. D. Venture to Food and Non Food Items Limitation to product choices restricted the business

growth of Starbucks and there is a tendency that customers might get bored and switch to other others.

As Starbucks is going abroad they should not focus only to their core products but also find ways on how to improve the quality of their coffee, the services and their environment. This will be very helpful especially if they want to capture the market in France and Italy. They can also venture into bringing some new products especially food and non food items to its menu that would help fulfil the current and local demand of the market. IV. Recommendations A. Employee Discontent * Employee Survey Starbucks needs to conduct an internal employee survey to know the needs of their employees and what makes them content.

They should also initiate personality test to all employees especially with their branches abroad. This may be costly but if the results will be interpreted in the right way then the company could address the needs of the employees. This will also help them manage human resource despite the difference in culture and will help them appropriately design compensation and benefits to the employees. * Corporate Communication of Company Vision and Mission Since the employees feel less connected with company mission, Starbucks should promote awareness within the employees about the company's Vision and Mission.

This will make the value the corporate values set by the company. The importance of achieving the company Vision as it delivers quality service and product. This will make them brand hearted and will have this sense of connection with the mission of the company. B. Local challenges to Foreign Market Entry * In-depth Marketing Research and Environmental Scanning <https://assignbuster.com/starbucks-going-global/>

The company should be knowledgeable to all the factors in Macro and Micro Environment that could affect, influence and help them in their business operations. The company should always be updated with the data so that they could be prepared with the changes that may happen. Domestically designed Marketing Mix To avoid the errors to Ethnocentrism, the company should adapt to local cultures and needs of their foreign market. They should be able to use the approach as they communicate with their customers while implementing their market strategies. As for the case in France and Italy, the company should also create products that would suite the local taste of the market and recognize the market's own unique culture. C. Specified Target Audience * Marketing Research Starbucks should be able to properly address the demands of the local market they have in various countries.

The company should not only focus one approach as it enters foreign markets. In some countries, “ Youth appeal” worked, but in other countries the target market of Starbucks are adults. They have to sensitive with the target market that they serve in every country because for some Starbucks is unaffordable and pretentious. They should know more about what attracts the local market, purchasing power, buying behaviour. In other countries, pricing is not a barrier but they are more on value, ambience and status. Others are more on practicality and benefits. D.

Venture to Food and Non Food Items * Adaptation to local culture, demands and tastes Starbucks should introduce new products either food or non food items that would cater to the local demands of the market. They should blend with the local taste of the market. They could also recognize the culture of the market and include it on its menu. One example is in Italy,

they could launch one product like a local espresso as part of the menu so that local customers would feel that it's not just an American coffee, Starbucks are also sensitive to their local taste.