

Starbucks coffee company: let's talk money

[Business](#)



M. A.: Good evening viewers. Welcome to your favorite business show where we are lucky to have the Chief Executive Officer Mr.

Howard Schultz (H. S) and the United States secretary of the Treasury Mr. Timothy Geithner (T. G). Today's show is exciting and sizzling hot arising from these two insightful, articulate and influential personalities in our economy.

I am your host Anthony Marks. Please, do not touch that dial! M. A.: I will start with you Mr. Schultz.

Give us a summary of Starbucks Coffee. Just who are you guys and what is the entire rave about Starbucks the world over? H. S.: I will be very brief on this one.

Starbucks is the best Coffee servers in the world. M. A.: Really a man of few words and straight to the point! Amazing. What is your take on this one Mr.

Geithner? T. G.: Thank you Marks. Being in charge of finance and talking from an insider's point of view, I have to side with Schultz on this one because the government has over the years benefitted directly in terms of tax revenue either within USA or from its foreign subsidiaries and employment for residents. M. A.

: Schultz, Starbucks being the best as you said earlier, what type of situations might your company run a high risk of violating antitrust laws? H. S.: The Antitrust law is a group of selected legislation that governs anti-competitive behavior. This is especially towards creating a monopoly in the market and regulations that govern practice of situations that highlight

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unfair business activities. This happens often due to legal or other advantages over other players in the same industry. Starbucks is privileged and we have worked hard to be where we are and we have a highly motivated and dedicated team of employees.

We run risk of violating antitrust laws through buying out competition and also aggressive marketing that sometimes employs actions that easily intimidate competitors though legal. Am sure Mr. Geithner is fully aware of the case Belvi Coffee and Tea Exchange, Inc. v. Starbucks Corp. during the year 2005 where as an officer in the Finance docket of the government he had to present some statistical data about our marketing campaign.

We were being sued for having our staff near entrances of the competitor issuing our brochures and free drinks in a customer predatory manner. M. A.: Mr. Geithner, provide us with details on how the government might react to assure fair competition within the beverage market. T.

G.: The government has set up heavy penalties to curb aggressive marketing that indicate trespassing traits at a significant level. This might include situations like direct and unauthorized mentioning of competitors in marketing campaigns. The government has also encouraged major companies to undergo strict scrutinizing whenever any sale is taking place. There is a set limit of number of acquisitions within a given time frame and an audit of the reasons for buying and handover is effected randomly.

M. A.: Tell us Schultz, in what ways might Starbuck Company create a benefit externality and also a cost externality? H. S.: Starbucks has been creating a lot of employment opportunities and on job training for employees.

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Starbucks has also been able to generate tax revenue for the government and also foreign exchange boosting through its subsidiaries outside the United States. With the offshore or foreign subsidiary income activities, we have been faced with fluctuation of percentage rates of charges on foreign earnings. This makes it difficult to carry out absolute income forecasting from foreign activities besides losing out on income in large amounts to the government. M. A.

: How might the government respond to the externalities created by Starbucks, Mr. Geithner? T. G.: The government has always adjusted the minimum wage rate with consideration of salary requirements and economic trends. This is meant to assist the companies maintain or employ more residents.

The government has also issued tax reliefs on occasions on foreign investment thus Starbucks and other companies have been motivated to bring back more foreign earnings and inject it into the American economy. M. A.: Mr. Geithner, just what is the importance of the government as a buyer in the market economy? T.

G.: The government plays a crucial role as a buyer because it regulates a share of the market thus fights monopoly as an active entity in the market. From an acquisition or selling point of view, it is rare for the government to run out of cash and sell its shares especially where an unpopular open plan for monopolization is exposed. M. A.

: Mr. Schultz, could you kindly explain that from a business perspective? H. S.: Well Marks, I believe the government has a duty of raising revenue to run <https://assignbuster.com/starbucks-coffee-company-lets-talk-money/>

public facilities and programs and one of the ways is through its Investments. Buying would enable it to own shares hence earn part of the income as shareholders.

M. A.: That was precise Mr. Schultz and I can see it through Geithner's affirmation nods. In what ways might Starbucks do business with the government? To you Mr.

Geithner. T. G.: Technically, I do not think the government has any keen interest in actively participating in business with Starbucks as a company except maybe if we consider shares and the budget allocation together with our policies allow for that. At this point I would say if such an opportunity arose, we would partner in public programs that address the welfare of the residents like joining in a clean drinking water production and distribution.

I believe that might happen sooner or later. The benefits of working with Starbucks as a government of course include earning more revenue from their already existing networks and our well distributed government stations. This would greatly make up a high quality low-budget. The main drawback will be the tedious exercise of merging the private company procedures with the government policies. This might be time consuming, involve more paperwork and finally a rigid decision making process will arise.

M. A.: Thank you Geithner for that insightful speculation. I believe it might happen someday too. What is the Company's version of the same, Schultz?

H. S.

: I believe we will someday do business with the government and it should probably be in line with welfare of the residents of America. Selling to the government would definitely give us a financial boost and this can only be in term of shares disposal. Assets can be sold too but this must be those in line with our business and I do not think the government intends to serve any coffee soon! That is on a light note. Seriously we would benefit from genuine business due to control of selling procedure by the government and we would be sure of getting full payment. This would also be a major marketing too because we will have developed an extra publicity page and a possible new market network. M.

A.: Schultz, in what situation would the Starbucks most likely consider the formation of a merger with another company? H. S.: Mark, I will leave you with this copy of the book titled, " The Starbucks experience: 5 principles for turning ordinary into extraordinary" published in the year 2007. Mitchell has clearly outlined our policies in business associations and a common trend in our growth is partnership mainly for expansion or new market generation. She has touched on our merger with Pepsi cola Company in a campaign during 1996 in North America whereby we came up with a bottled form of our Frapuccino, a blended beverage.

It was a success and we would love to take up such a merger soon in a convenient emerging market, preferably in Africa. M. A.: Thank you for the autographed copy of the book. Now let us know what risks and benefits a possible merger would present? H.

S.: The main risk of a merger with Pepsi- Cola would of course be the market presence share cut. Consumers have a tendency of sticking to one party to a merger whenever success occurs. Being a reputable partner, chances are that Pepsi-Cola may benefit more from publicity than we may despite owning the product. The merger often confuses the general consumer body to believe that it is always a permanent move yet in real sense it might only target a single product between the two companies.

Therefore reputation link and confusion may occur in that, if the other party got involved in a bad situation, our company may easily be dragged into the mess and vice versa. The advantage of a merger is that losses are equally shared and existing logistics are looked upon from a joint perspective especially cost wise. M. A.: To you Mr. Geithner, how might the government respond to the merger? T.

G.: The government would definitely encourage the move for it means spending which improves money circulation in the economy. The extra income would also generate extra revenue in taxes which would fund our projects. Extra jobs will be generated for our residents too. M.

A.: Time is running out but just before we close Schultz, do you think a merger would happen? H. S.: At the moment I have not seen a clear sign of that basing on our current market survey and global trends in the current business market. Being an investment addict and risk taker, I believe in Synergy and there is never any great output more than a well executed merger.

We at star bucks are hope minded and ready to embrace any like-minded partner because it is the current trend in the global market. M. A.: Well viewers, we have come to the end of today's show and we are thankful to these two great gentlemen for giving us their time and sharing their knowledge on Market associations interactively. Until next week, am your host Anthony marks wishing you a wonderful evening.