

Joint venture analysis of starbucks



**ASSIGN
BUSTER**

Introduction:

In 1971, Starbucks started their journey and now they are operating more than 50 countries in the world. Their total number of store is about 16, 706 in 16000 locations around the world. Most of them 8'850 stores are operated by the company and the rest of them are licensed store.[1]Globalization is a movement toward economic, financial, trade, and connections integration globally. In broader sense, globalisation implies free transfer of capital, goods, and services across around the globe. In business context, cooperation and competitiveness both are embraced by globalization. Major perceptive of depending on each other and shared responsibilities at work across company and nationwide boundaries come from idea of cooperation. The awareness developed by the idea of competitiveness that cooperation without motivation is fruitless to failure and that only practical encouragement can continuous development and growth become a normal way of life.(Globalization of business: practice and theory by Abbas Ali)

Theory of international trade:

The exchange of capital, goods, & services across international borders or territories is basically international trade. The crucial to the persistence of globalization is in increasing of international trade. The lacking of international trade and it caused limited goods and services produced within their own borders. There are different model of international trade for the business.

Ricardian model

Ricardian model mainly take in consideration on comparative advantage it is one of the most important concept in international trade theory. In this model, give importance on countries specialization in producing most excellent. The major drawback of this theory is that does not believe factor endowments like labour and capital with respective to country.

Heckscher-Ohlin model

The Heckscher-Ohlin theory focuses that resources required for countries producing and exporting goods. Accoding to Heckscher-Ohlin theory, a country should used most plentiful and cheapest resources in producing and exporting goods. It has some core assumption:

- Capital and labour flow freely between sectors
- Labour and capital may vary between two countries (difference in endowments)
- Free trade
- Technology is the same diagonally countries (long-term)
- Tastes are same.[i]
- Current situation and performance of Starbucks:

Starbucks has created a global chain in market industry around the world. This company is operating more than 50 countries and their estimated turnover is about \$5300 million in each year. Their main product is coffee and demand of the product is increasing globally. Starbucks cafe is very reputed and around 30 million customer visit in each week. This is one of the credit sides for the Starbucks.[2]Currently Starbucks seems a rising part of

their business and is going to become a leading global organisation in the world. Company's global market capturing and their effectiveness in ventures made them successful in achieving organizational goals. There are many countries where are operating their business. These are: Australia, Taiwan, Thailand, United Arab Emirates, Egypt, United Kingdom, and the United States, Bahrain, Canada, Hong Kong, Israel, Japan, Kuwait, Lebanon, Malaysia, New Zealand, Oman, and Peoples Republic of China, Philippines, Qatar, Saudi Arabia, Singapore, South Korea, and Switzerland. Their way of attracting customer attention is very important for the business to become worldwide brand that actually helping them to manage partnership of reputed company. This is positive side for Starbucks to move in future and its international market developments. This is one of the strengths for to be a foremost coffee retailer around the world.[3]

Human resource management evaluation:

Human resource management plays an important role in the organisation by managing human resource inside the organisation. In order to improve skills of employees requires learning. It does not matter how the candidate is, they can be best or 100% qualified. It can be solved by human resource management by implementing learning management system. (Beardwell & Holden, 1997). Every employee should have the knowledge about the various processes that they can develop skill in specified area. They need to respond 100% in their job. That's why human resource management and normal management need to cooperate with each other. The company's principle rules mainly focus on employees and how to guide them according to mission of the organisation. Moreover, Starbucks gives facilities to their

employees by creating good work environment as well as treat with them with friendly. Starbucks also provide training to their employees for the enhancement of knowledge, attitudes and skills that they need to perform task supplied by the employer. Starbucks also motivate their employee to perform task well. They also informed to their employees about everything. Employees are also capable to work under pressure easily. They also evaluate their employees through various programs as well as developed their employees to compete globally. When they recruit people newly then they must provide training for them.[4]

External environment analysis (opportunities and threats):

Starbucks is operating in more than 30 countries around the globe including United States by joint venture, licensing and entirely owned. For subsidiary company needs a lot of training, supervising, management assistance and technology transfer for the partner. Product innovation is very effective for them and it came out with new products. Starbucks also focused on diversification. It also entered into alliances with different company to serve coffee.

International Business Expansion Strategies of Starbucks:

Subsidiary

Starbucks Coffee International Inc. started its journey as subsidiary of Starbucks which was formed in 1995. As a subsidiary it is liable to introduce improvement challenges beyond North America which combines stores planning and financing, logics and operational management, merchandising of business, improvisation of skilled and matured managers of Starbucks international (Kotha and Glassman 2003) and introducing new strategy of <https://assignbuster.com/joint-venture-analysis-of-starbucks/>

business development. The international courses of expansion and strategies are managed by the International Starbucks as a separate owned subsidiary.

Two strategies are followed when introducing in a brand new market.

Licensing and joint venture are the chosen two.

International Joint Venture

The joint venture introduces a strategy towards managerial liabilities . A strategy for new business entity comes with shared ownership which is implied by two or more firms. The agenda of venture strategy is mostly for short time period with some particular quoted mottoes. Starbucks (Briscoe and Schuler 2004) is an example of adopting such strategy in business internationally.(Schuler et al 2003) Two or more parent firms which deeply invest resources as well as financial momentum to convince particular aims that introduced International joint ventures(IJVs) which are different organizational entities both in legal and economical perspectives.

Joint venture introduces a strategy towards managerial liabilities . A strategy for new business entity comes with shared ownership which is implied by two or more firms. The agenda of venture strategy is mostly for short time period with some particular quoted mottoes. Starbucks (Briscoe and Schuler 2004) is an example of adopting such strategy in business internationally. (Schuler et al 2003) Two or more parent firms which deeply invest resources as well as financial momentum to convince particular aims that introduced International joint ventures(IJVs) which are different organizational entities both in legal and economical perspectives.

Manufacturing and foreign joint venture; licensing and joint venture; franchising and joint venture are example of combination market entry strategies. Licensing and joint ventures are the strategies that applied with Starbucks international. Mostly the stores located in USA are owned under corporation, other than USA the stores are under corporation or owned partially in joint ventures (Alexandrides and Bowers2005).

Licensing

Manufacturing or marketing someone's good(s) for international business success depends on licensing rights. The basic way of entering in new location of business through showing positivity to the binding of contract . Such as; licensing the goods, technology help to other farm and absolute services. In return for royalty payment; the corporation sells a particular right to introduce and advertise the good under these criteria. Starbucks does not need to undertake any monetary actions for partnership investment under this particular method. It is an amicable way to get access in international market. Starbucks can also benefit from granting license to a licensee that is more familiar with the market.[5]

Entry strategies in action:

Strategic alternative options for Starbucks:

Having analysed the external and internal forces of Starbucks it is now possible to generate three possible future strategic decisions. These strategies will be analysed thoroughly before one of them is recommended as the best way forward. The options I have chosen to analyse are Diversification, Mergers and Expansion. If a business is in diversification, it starts making new products or contribution new services. Businesses can <https://assignbuster.com/joint-venture-analysis-of-starbucks/>

diversify in two ways; related and unrelated. I propose Starbucks attempt related diversification; by this I mean diversification reflecting some connection with the organisation's activities.

Starbucks is successful in appropriate development method or not:

The path chosen by Starbucks is the appropriate way to expand the business globally considering every aspects and expertise of the business. Strategy like licensing and joint venture helped to uplift the quality and service of Starbucks. As mentioned earlier Starbucks adopts the partnership method with a local experienced farm. This method delivers vast opportunities to scrutinise the local consumers more closely. As a result it was easy to cope up with the local consumers' expectations and inject success in the business.

Alternative methods might be suitable for the company:

Strategy like franchising or cross-selling can be elected by Starbucks when entering in a new region. It is more licensing alike. Company like McDonald's which represents the perfect example of franchising. In the scenario of McDonald's, the real company allows franchising terms to other current farms to deliver their goods. Other than North America every business of Starbucks is owned partially. On the other hand, McDonald's is a representation of franchising which is owned by separate corporations.

Starbucks may adopt method like franchising. In the franchising method, the relation is more parallel between both parties. In this strategy the franchisee is more controlled by the franchisor.

Starbucks use of different methods in different markets:

While entering markets the strategy may vary place to place. Before making any further entry to a new market a company must keep certain countable factors to make the investment successful. Internal as well as external facts should not be ignored. Starbucks does assessments like ethical, economical, sociological, industrial positioning and other factors. There are three important groups of facts which are assessed prior accessing in a new market. Environment of business in that very country, environment of home country and important factors of company are the ' must do' three. Political stability of business, conditions like macroeconomics, potentiality of resources, size of the market and internal economical relation are included in host country environment. Factors like expansion of foreign economy, conditions of market and government positivity towards foreign exchange are included in host country environment. Resources of company and capabilities of the firm are included under company specific environment.

Development Mode can be combined with other Expansion Methods:

Starbucks believes to accumulate different methods to inject success in the business. It adopts the licensing strategy to ensure the quality of the product and services are good enough to please the consumers. Licensing is the way of expanding and at the same time; joint venture applies for the growth or development of the business.

Starbucks scrutinises the external countable factors at the entry level of new locations. On the basis of three ' must do' assessments; it considers the strategies that should be undertaken. The best locations and targets are

chosen on the result of the analytical assessments. The success of the business depends on the entry level strategy and operation of assessments. The success of the business does not only a result of best location; it is also a accumulated events of proper planning, entry level operation and funding. The home country methods generally come along with the strategies named Corporate and business level.[6]

Starbucks joint venture and strategic alliance:

Starbucks need for joint ventures and strategic alliance to move forward:

In 2004, Starbucks was operating in more than 25 countries but now they are operating more than 50 countries around the globe. There are many advantages in being part of a joint venture. Through joint ventures it is possible to gather knowledge about the country's culture, language, political system, and business systems.[7] They are already holding strong joint ventures with good strategic alliance in different countries in the world. They have established strong reputed brand image of their product. They are now getting full culture support from different countries by understanding the need for people, which reflect their good strategy in business. If we compare with the current market situation, we found that their consumptions of coffee is around 50% in Europe with in big tradition of coffee consumption in people. And they are good in gaining market share. In Asian market coffee consumption is around 15% with high market impending. Starbucks don't need joint expansion of ventures because of high dominating power in current international market with established brand name and image. They have huge manpower as well and high standing reputation in the market and they don't need to spend more on advertising.[8]

Starbucks are now as a top level company in the world and also they are paying high salaries and benefits to their employees. Further if they will go for joint venture their might have the possibility of losing customers.

Employees who they are working now do not feel to leave because their way of treating is very friendly with employees by maintaining high standard.

They already have strong strategies and good product innovation system because of good holdings in the market. Starbucks are now selling ice cream outside of their different stores and super markets; they are getting good response from there, just because of their established brand name.

Starbucks are continuously developing their strategies for running business in different countries around the globe and with high effectiveness. They are also spending more on value chain recruitment and payment to customer service. Starbucks are now finding new locations for the business and their business plans, mission, aims and corporate social responsibilities these all they doing from the part of good strategy they have. Without these they can't move forward and cannot be competitive in the market as well.

Factors that can lead to Starbucks success:

- Innovation
- Through inducing of environmental friendly products
- Customer safety maintain
- Store facilities should be improved

Some steps should be taken on-Need employee motivation through incentives and job satisfaction as well. The location of their company must be strategic. They also need to improve corporate social responsibilities

though helping farmers in their livelihood as well as their houses, irrigation system etc. The company have focus on pricing strategies by comparing demand of product. They will have to focus on neglected customer and need research on tea speciality market.[9]

Conclusion:

Starbucks has now become leading multi-national company in the world by operating more than 50 countries in the world though establishing a leading global brand. Globally they are established and running their business effectively. They also change the concept of coffee shop into different manner like it can be meeting place, dating place or business place.

My research:

In 1971, Starbucks started their journey and now they are operating more than 50 countries in the world. Their total number of store is about 16, 706 in 16000 locations around the world. Most of them 8'850 stores are operated by the company and the rest of them are licensed store. In 2004, Starbucks was operating in more than 25 countries but now they are operating more than 50 countries around the globe. There are many advantages in being part of a joint venture. Through joint ventures it is possible to gather knowledge about the country's culture, language, political system, and business systems. They are now getting full culture support from different countries by understanding the need for people, which reflect their good strategy in business. If we compare with the current market situation, we found that their consumptions of coffee is around 50% in Europe with in big tradition of coffee consumption in people And they are good in gaining market share. In Asian market coffee consumption is around 15% with high

market impending. Starbucks are now as a top level company in the world and also they are paying high salaries and benefits to their employees. Further if they will go for joint venture their might have the possibility of losing customers. Employees who they are working now do not feel to leave because their way of treating is very friendly with employees by maintaining high standard. They already have strong strategies and good product innovation system because of good holdings in the market. Starbucks are continuously developing their strategies for running business in different countries around the globe and with high effectiveness. They are also spending more on value chain recruitment and payment to customer service. Starbucks are now finding new locations for the business and their business plans, mission, aims and corporate social responsibilities these all they doing from the part of good strategy they have. Without these they can't move forward and cannot be competitive in the market as well. To be successful in future Starbucks should focus on employee motivation through incentives and their job satisfaction as well. The location of their company must be strategic. They also need to improve corporate social responsibilities though helping farmers in their livelihood as well as their houses, irrigation system etc. The company have focus on pricing strategies by comparing demand of product.