

Starbucks business plan



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Submission date: The 6th of January 2011 Number of standard pages: 74, 98 pages of 2. 400 characters Anne Larsen Florian Lelong Carina Tordrup Nadia Nordberg Nielsen Simona Diana Saptebani Executive summary The project discusses the opportunities that the Danish market presents for the coffee shop chain industry and the details of conducting an expansion strategy for this industry in Denmark. For a better understanding of the project and for clarifying the theories and models, methodological aspects are analyzed and taken into consideration.

There are a presentation and comparison of Arbnor and Bjerke's and Burrell and Morgan's points of view which further will define the project as being situationalists, by using different methodology and paradigms in order to adapt to a certain situation and easily analyze it and solve the problem. In the theoretical chapter there is a presentation of the theories that are

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relevant for the problem formulation. The chosen framework for the theory combines the environmental analysis with the steps of creating a strategy.

The framework is composed by many parts that further are separately discussed: identify basic appeal of the market, macroenvironment, microenvironment and internal environment which are the base for the potential market analysis, creation, evaluation, choice and implementation of the strategy. To analyze the macroenvironment, the PEST model is used; it predicts the future by analyzing past events, also the stability (degree of turbulence analysis) of the environment are being taken into consideration. When going further with the environmental analysis the microenvironment is presented, this consists of several actors.

The customer is investigated with the help of the customer perceived value model, customer behavior theory and the five stage model for understanding the buying decision. With the intention of getting a deeper understanding of the problem formulation the segmentation theory is also taken into consideration in the terms of segmenting the Danish market in the search for potential customer for the coffee shop chain industry. Looking at the competitors, Porters strategic groups are chosen as the most relevant theory when talking about the coffee shop chain industry.

With the purpose of finding the elements that a company needs for having the capabilities to expand into a new market, The Business Model Canvas is used. The Market potential analysis gathers the information from the environmental analysis and deliberates the decision that is needed for conducting the expansion strategy. Pursuing the intention just mentioned,

the segmentation will merge with Ansoff's Matrix and there will be developed four strategic scenarios for expansion in terms of concentration and diversification.

In this stage of the project the entry modes strategies will also be discussed and analyzed according to the environmental rules and constraints, because they are considered important for the expansion strategy. Looking at another perspective, the strategy will be put on a time scale with the aim of deciding which type of strategy that is better for the company, the incremental or simultaneous strategy. There will be a research plan where there is an overview of the information which was not available for this project and there will be a plan over how this information would have been tried conducted had there been resources to do so.

Having the intention of clarifying the use of the proposed theories and methods an illustrative case will be presented. The American coffeehouse, Starbucks, which grew from a small regional business into the undisputed leader in the specialty coffee industry, will be used in this chapter. Analyzing Starbucks is interesting due to the internal capabilities that the company has, this making the expansion strategy a real opportunity, relevant to be evaluated. Introduction - what is Starbucks? Starbucks is an international coffee and coffeehouse chain with base in Seattle, Washington.

Starbucks is the largest coffeehouse company in the world, with over 16, 858 stores in 50 countries, including over 11, 000 in the United States, over 1000 in Canada, and over 700 in the UK. Starbucks sells drip brewed coffee, espresso-based hot drinks, other hot and cold drinks, coffee beans, salads,

hot and cold sandwiches, pastries, snacks, and items such as mugs and tumblers (Starbucks, 2010). Through the Starbucks Entertainment division and Hear Music brand, the company also markets books, music, and films. Many of the company's products are seasonal or specific to the locality of the store.

Starbucks' ice cream and coffee are also offered at grocery stores. In the 1990s, Starbucks was opening a new store every day, a pace that continued into the 2000s. The first store outside the United States or Canada opened in the middle of the 1990s, and overseas stores now constitute almost one third of Starbucks' stores (Starbucks, 2010). This project highlights some problems raised by a work group from Aalborg University about International Business and International Marketing issues when dealing with the coffee shop chain industry.

Here, Starbucks will be used as an illustrative case when dealing with expansion into the Danish market. Subject field This particular project will concentrate on the coffee shop chain industry and how a coffee shop chain can expand in the Danish market. As a part of the theme for this project, different methodology and scientific paradigms will be presented and used to explain the choices taken during the project. There will be used theories for this semester's course plus additional theories. There will also be a presentation of a research plan for the information that was not available for this project.

Lastly the worldwide chain of coffee shop chains originated in the United States with the name Starbucks will be used as an illustrative case. To fulfill

the project's purpose of dealing with expansion it is necessary to make an assumption regarding if there is a market for coffee shop chains in Denmark because of the fact that both Starbucks and Baresso and several others coffee shops are present in the market this proves that there is a market for coffee in Denmark (Starbucks i Danmark, 2010 and Baresso, 2010). Problem and problem formulation

Coffee is a widely consumed beverage and it would be interesting to look at how a player in the Coffee shop chain industry can enter the Danish market and how the existing players on the market can expand their position on the Danish market. In this context it would be interesting to look at different entry modes which can be applied when trying to enter the Danish market. Concurrently we will look at the theories which are applicable when an existing coffee shop chain already is in the Danish market and wants to expand.

In this regard it is also important to look at the macro-, micro- and internal environment. On the basis of this the problem formulation of this project is:

What are the market opportunities for the coffee shop chain industry in the Danish market and how should a coffee shop chain expand in this market?

Project design Below here there is an overview of the entire project. Starting with the methodology chapter there will be a presentation of the methodological views of Arbnor and Bjerke and the paradigms of Burrell and Morgan. Hereafter there will be a comparison of the two approaches.

Next, a theory chapter where all the used theories will be presented. After the methodology and theory chapter there will be a chapter which combines

these two chapters together. There will also be a chapter presenting a research plan giving an overview over the information that were not available for this analysis and a presentation of how this information would have been attempted collected had the needed resources been available in the process. Thereafter there will be an illustrative case where the coffee shop chain Starbucks is used.

The previously presented theory will here be analyzed with the available data about Starbucks and the Danish market to research if there is a market for Starbucks in Denmark. Lastly there will be a conclusion of the findings of the analysis. Methodology and theory of science In this chapter there will be made an analysis of Arbnor's and Bjerke's and Burrell's and Morgan's thought when concerning methodology and how to approach this aspect in a project. At the end these two approaches will be compared and additionally used in different parts of the project when appropriate.

When dealing with the theory of science aspect, the group sees themselves as situationalists, because of the fact that the group believes that it is possible to mix different paradigms and then afterwards choose which parts of the different paradigms that suits the best throughout the project. This means that different chapters and areas in the project will not be analyzed and examined with the same methodological view or paradigm. Because the group believes in mixing views and paradigms, it is not possible to undertake the project as purists, not possible to mix paradigms, or pragmatists, the problem decides the paradigm.

This means that in the overall the project will be processed through the eyes of situationalists. This is also one of the reasons why the group chooses to mix Arbnor and Bjerke with the Burrell and Morgan philosophy (Bryman, Bell 2007, p. 129). Three methodological views of Arbnor and Bjerke In the methodological science Arbnor and Bjerke suggest three different approaches, these are: the analytical view, the systems view and the actors view. Next all three approaches will be described.

In short the analytical view has a sole ambition to explain reality, the systems view may have as an ambition to explain or to understand the reality and the actors view has an ambition to only understand the reality as it is. Figure 1. The Boundary Between Explanatory and Understanding Knowledge (Arbnor, Bjerke 2006, p. 51). The analytical view The analytical view is based on the assumption that reality is factive. There are objective facts and subjective facts, both considered as being true. Objective facts are circumstances, which are unquestionable, which means not questionable by somebody's opinion.

The subjective factors are true opinions that people may hold. Because they are both facts, they are both treated as objective facts. When looking for these facts, the question of whether a finding is true or not often arises. When dealing with the analytical view one is faced with the task of discovering elements that invariant in spite of changes in the environment and variations in perceptions among different individuals. Because the analytical view is so concerned with invariance logic and mathematics have an important role. The ambitions in the analytical view are to work up pictures of factive reality, also called models.

This means that an analytical approach to a project is to look for representative models. In the analytical view one can say that theory contains models of factive reality, models that are valid for more than one case in real life. A very important concept in the analytical view is hypothesis, which is a suggestion of an explanation of certain facts and a guide in surveying others. This can also be built the other way around, by saying that the purpose of a project is to build hypothesis. The analytical view is rather formalistic and full of rules.

There are rules for what should be seen as reality, rules for what science is etc. There are basically three types of studies in this view, explorative, descriptive and explanatory studies. As mentioned earlier, the analytical view is always focused on facts; this means that the creators of knowledge first of all are collectors of facts, second, the creator of knowledge describes and third, they make a prediction based on their theories. In the analytical view it is also a main understanding that everything is connected and that there is a reason for why this is happening.

The most characteristic aspect of the analytical view and its operative paradigm is that they are cyclical, which mean that they begin with facts and end with facts. The following figure shows the cyclical nature of creating knowledge in this view (Arbnor, Bjerke 2006, p. 81-102). Figure 2. Cyclical Nature of Creating Knowledge in the Analytical View (Arbnor, Bjerke 2006, p. 91). The philosophical foundation of the analytical view is analytical philosophy. Analytical philosophy is from the twentieth century. Analytical philosophy is active today in many areas, particularly the philosophy of mind.

What one can call meaningful, how to find out about the factive world and what kind of facts it is composed of are central questions for analytical philosophers today. The background for this is positivism and this is the main ingredient in the analytical view. Positivism is the philosophical belief that the only viable knowledge we can know is scientific knowledge (those truths that have been put through rigorous testing and research). All other forms of knowledge (conceptual, second hand, inferred, etc) are not valid in explaining the universe and our perceptions of it.

A positivist is someone who emphasizes observable facts and excludes metaphysical speculation about origins or ultimate causes. To sum up this view, the following points give an idea of what the analytical view consists of in brief parts: Conception of reality: – The reality exists objectively. – The world can be divided into independent parts. – The world has a summative character. – The world is ruled by laws and rules. – That there is a causal relationship. Conception of science: – That knowledge is general and universal. – That knowledge is independent of the researcher. That knowledge is quantitative. – The knowledge is based on explanatory models. – The knowledge is typically based on cause-effect analysis. – The knowledge is generated through induction or deduction. Scientific ideals: – Physics is the ideal, that knowledge can be used to control and predict the world. Ethical aspects: – In principle, no considerations. Human nature: – Man is rational. – Man can be understood from a stimulus-response perspective (Arbnor, Bjerke 2006, p. 95). The systems view Three overlapping philosophies make up the thinking behind the systems view.

This is the systems theory, holism and structuralism. Systems theory is the interdisciplinary study of organizations with systems language and thinking. It is a framework by which a creator of knowledge can analyze or describe any group of objects that work in concert to produce some results. These objects can be the components of a single organism, any organization or society. Holism is the idea that all the properties of a given system cannot be determined by the sum of its component parts alone. Instead the system as a whole determines in an important way how the parts behave.

Reductionism is the opposite of holism. Scientific holism holds that the behavior of a system cannot be perfectly predicted, no matter how much data is available. Structuralism refers to various theories across the humanities and social sciences, which share the assumption that structural relationships can be usefully exposed and explored. This can be described as a perspective in academic disciplines in general that explores the relationship between principal elements in their fields, where these elements are built up as tangible structures, cultural structures or structural networks.

Structuralism is one of the most popular approaches when dealing with analysis of culture and society. In general the systems view could also be called structural or holistic view. Earlier we mentioned that the systems view can have both an ambition to explain the reality and to understand it. Picture one in the following figure is a model where the idea is to depict the reality as it is. Picture two is an interpretation. Apart from depicting reality as it is, something else is added. A common way to do this is to bring a metaphor into the picture; this is invented by the creator of knowledge.

Such a metaphor is placed on the systems model to give further insight into what is going on, that is to understand (Arbnor, Bjerke 2006, p. 102-130).

Figure 3. Systems Explanation and Systems Understanding (Arbnor, Bjerke 2006, p. 104). It is also possible to understand real systems without metaphors, by using other models and concepts. When working with the systems view it can be divided into three, being systems analysis, systems construction and systems theory. Systems analysis means to depict a real system in a systems model or interpretation without changing the real system.

Systems construction means to develop a totally new system. Systems theory can be divided into two categories called general systems theories and specific systems theories. The thoughts and ideas behind this system view, is neo positivism also called logic positivism. When dealing with neo positivism a sentence is only meaningful if it is verifiable and these sentences can only be verified in two ways: empirically, including scientific theories being verified by experiments and evidence and analytic truths, sentences that are true or false per. definition, and therefore are meaningful.

To sum up this view, the following points give an idea of what the systems view consists of in brief parts: Conception of reality: - That reality consists of systems and that there may be synergy between the elements meaning that the world is not summative. Conception of science: - That knowledge is independent of the researcher and it can be measured and weighed. - That the systems alone are pragmatic, meaning that knowledge is not independent of the researcher. - You achieve descriptions or explanatory models. - That knowledge is unique. - That knowledge, among others, is

created by analogy. Scientific ideals: That we gain a better understanding of the systems mode of action, including synergies and that we then can create new and better systems. Ethical aspects: – The values in the organizations. Human nature: – Human beings are subjects in the system (Arbnor, Bjerke 2006, p. 127). LytL? s fonetisk Ordbog – Vis detaljeret ordbog The actors view The actors view claims that man should be seen both as a particle and a wave with indefinite freedom. As creators of knowledge in this view one must never stand outside in order to observe. Because if one participate oneself then one will notice that things are moving around by one's own choice.

To talk about actor in the actors view is off course sensible. It indicates an interest in people as intentional, that is, as active, reflective and creative individuals. The thoughts and ideas behind the actors view is constructivism. Constructivism argues that humans generate knowledge and meaning from an interaction between their experiences and their ideas. In this paradigm it is also important that the learning process itself is more important than the knowledge absorbed (Arbnor, Bjerke 2006, p. 131-170). Ordbog – Vis detaljeret ordbog The central assumption of the actors view is social reality.

This means that reality is not independent of us, but consists of an interaction between our own experiences and the collected structure of experiences that we have over time created together with others. The process by which one creates one's experiences is called subjectification. When through ones common language one makes these subjective experiences externally available, one talk about externalization. The process by which an externalized human act might achieve the characteristics of

objectivity is called objectification. The fourth and last of these processes is called internalization.

This stands for taking over the world in which others already live, and so it constitutes the dialectic process through which human beings become members of society. We are not born as members but become it through this social construction. This means: Subjectification Humans are a subjective reality. Externalization Society is a human result. Objectification Society is an objective reality. Internalization Humans are a societal result. Figure 4.

Simultaneous Processes (Arbnor, Bjerke 2006, p. 145). To sum up this view, the following points give an idea of what the actors view consists of in brief parts: Conception of reality: – That reality is a social construction; we create that reality in a dialectical process in which we also are created. Conception of science: – That knowledge is dependent by the actor. – Seeks to understand the universe of the actors. – Knowledge is unique and cannot be generalized. Scientific ideals: – That we achieve a better understanding of the actor's life and the creation of the constructed reality. Ethical aspects: – The research is not neutral, but interferes with the actor's universe, trying to make man free. Human nature: That man is free and creative (Arbnor, Bjerke 2006, p. 131-170). Four sociological paradigms of Burrell and Morgan In the methodological science Burrell and Morgan suggest four different approaches, these are: functionalist paradigm, interpretive paradigm, radical humanist paradigm and radical structuralist paradigm. These are divided into two groups, being the subjective-objective dimension and regulation-radical change dimension. This is shown in the figure 5 below. It is clear from this

figure that each of the paradigms shares a common set of features and differences on the axes.

Next all four approaches will be described. Figure 5. Four paradigms for analysis of social theory (Burrell, Morgan 1979, p. 22). Functionalist paradigm The functionalist paradigm approaches its subject from an objective point of view. Functionalist theorists have been at the forefront of the order. This paradigm approach the general concerns from a standpoint which is realist, positivist, determinist and nomothetic. In its overall approach it seeks to provide explanations of social affairs. It is a perspective which is very realistic oriented and it is concerned with understanding society in a way which is useful.

It is often also problem-oriented and tries to come up with practical solutions to practical problems. The functionalist paradigm has its roots in the sociological positivism. The functionalist approach to social science tends to assume that the social world is composed of concrete empirical artifacts and relationships (Burrell, Morgan 1979, p. 25-28). Interpretive paradigm Theorists within the perspective of the interpretive paradigm adopt an approach consonant with the view of the sociology of regulation, though its subjectivist approach to the analysis of the social world makes its link with this sociology more implicit than explicit.

The interpretive paradigm wants to understand the world as it is, to understand the fundamental nature of the social world at a subjective level. It tends to be nominalist, antipositivist, voluntarist and ideographic. It sees the social world as an emergent social process which is created by the

individuals that it is dealing with. This paradigm is very orientated towards obtaining an understanding of the subjectively created social world “ as it is”. Interpretive sociology is concerned with the actual understanding of the everyday world (Burrell, Morgan 1979, p. 28-32).

Radical humanist paradigm The radical humanist paradigm is seen in a subjective point of view. Its approach has a lot in common with the interpretive paradigm, in that it views the social world from a perspective which is nominalist, antipositivist, voluntarist and ideographic. The major concern for theorists approaching the human dilemma is the restrictions which existing social arrangements place on human development. This paradigm views society as anti-human. Because of the subjective approach to social science, the radical humanist perspective places importance on human awareness.

Its foundations are the same as the interpretive paradigm. The radical humanist paradigm is based on the opposite assumptions, which define the functionalist paradigm (Burrell, Morgan 1979, p. 32-33). **Radical structuralist paradigm** The radical structuralist paradigm is seen from an objective view. This paradigm shares many things with the functionalist paradigm. Its approach tends to be realist, positivist, determinist and nomothetic. The radical humanists focus on awareness as the basic for a radical critique of society, where the radical structuralists concentrate on structural relationships within a realistic world.

They emphasize the fact that radical change is built into the very nature and structure of modern society. Common to all theorists in this paradigm is the

view that modern society is characterized by conflicts which create radical change through political and economic crises (Burrell, Morgan 1979, p. 33-35). Next a brief overview of the four paradigms will be listed. The Functionalist paradigm: – Primary paradigm for organizational study. – Assumes rational human action and believes one can understand behavior through hypothesis testing. The Interpretive paradigm: Seeks to explain the stability of behavior from the individual's viewpoint. – Researchers attempt to observe “ on-going processes” to better understand individual behavior. The radical humanist paradigm: – Concerned with releasing social constraints that limit human potential. – They see the current dominant ideologies as separating people from their true selves. – This paradigm is used to justify radical change. – It is anti-organizational. Radical structuralist paradigm: – Theorists see structural conflicts within society that generate constant change, through political and economic crisis (Burrell, Morgan slides, 2007, slide 13-16).

Comparison of Arbnor ; Bjerke and Burrell ; Morgan When dealing with both Arbnor and Bjerke and Burrell and Morgan it is interesting to make a comparison of the two. The first step will be to try to say something about the overall things in the two approaches. Here it is possible to do the following figure. Figure 6. Combining Arbnor and Bjerke's thinking with Burrell and Morgan's (own creation with inspiration from the two main ideas). The figure shows that Burrell and Morgan's thinking can be mixed together with Arbnor and Bjerke's thinking.

Here the key thing is to see that the subjective aspect of Burrell and Morgan is possible to compare with Arbnor and Bjerke's analytical view, because this

view studies science from an objective as possible manner. If hereby moving further it shows that the systems view and the actors view is more and more becoming subjective. The reason for this is that studies done under the actors view or systems view, is being seen from a more subjective perspective, all though the systems view can be both objective and subjective. Next it is also possible to say something about which views and paradigms that are the most similar.

Here the interpretive paradigm can be connected to the actors view. The reason for this is the interpretive paradigm and the actors view has some similarities, such as the fact that they both have the subjective point of view and the fact that the focus of the study is to explain behavior from an individual point of view, both in the actors view and in the interpretive paradigm. Furthermore the interpretive paradigm and the actors view both deal with the social world and reality, where they seek to understand it as it is and the humans are free and creative.

The systems view can be connected to both the radical humanist paradigm and the radical structuralist paradigm primary because of the fact that studies in the systems view is seen both from a subjective and objective point of view. The analytical view is being placed between the radical structuralist paradigm and the functionalist paradigm. The reason for this is mainly because of the fact that if one do an analytical analysis, it will be from an objective point of view, and also because that positivism is one of the major elements in all these approaches.

Furthermore the analytical view focuses on hypotheses, and this is also an important element in the functionalist and radical structuralist paradigm. Analytical view Systems view Actors view Figure 7. Four paradigms for analysis of social theory and own interpretation (Own creation with inspiration from Burrell, Morgan 1979, p. 22). Limitations and Assumptions In the model "Screening process for potential markets and sites" (Wild, 2009, p. 355) only the "identifying basic appeal", "analyze the macroenvironment" and "market potential analysis" is used.

The reason for this is because Denmark will be analyzed as a whole market and it will not be split into parts to be compared (lack of information reasons). It is important to know if it is opportune to enter in the market from a general point of view and only after that, a deep analysis can be made. The selection of the market site will be skipped because there is only one country analyzed and the output of this analysis should be the decision of expanding in that market or not. The "Basic design school model for strategy" (Mintzberg, 1998, p. 6) will be used entirely and added to the "Screening process for potential market and sites", model in order to create the framework for the whole theory presented in the project. The PEST Analysis will be made only by analyzing two elements, the economical and the socio-cultural elements, the rest, political and technological are not taken into consideration because of its small importance. Discussing the actors in the microenvironment, the consumer markets, the customers and the competitors are more deeply touched upon. Other actors in the microenvironment are not presented because it is not found relevant for the project.

When choosing the segmentation theory for segmenting the Danish market, in order to find out who the potential customers are, the first limitation is the fact that a posterior segmentation will not be done because there will not be gathered primary data. For the priory segmentation there will be made a geographical segmentation to find out which are the five biggest cities and after that a demographical segmentation will be made, but only by age, because the other criteria are not considered relevant for the chosen illustrative case segmentation.

Some of the theoretical parts presented are not analyzed in the illustrative case because of the lack of information; this aspect will be discussed in the research plan chapter. In the research plan chapter Kotler and Keller's model called "the marketing research process" is used, but only the second step named "develop the research plan" is presented, because there is no relevance for the other five steps. Also the entry modes analysis is limited because of the fact that not all the entry modes are suitable for a coffee shop chain entry in one country and the exporting entry mode will not be taken into consideration.

In the segmentation of the potential customers an assumption is made, the people in the age group 0-14 and over 50 years old is not taken into consideration based on the health issues that concern the consumption of caffeine. Also concluding that the number of potential customers in Denmark is big enough to expand in the market represents an assumption. Validity and reliability of the project and data collection This following section will present the validity and reliability of the project. The definitions on validity

and reliability are as follows: Validity deals with the fact on, how safe the measurement or investigation we conduct is.

Is the security so great that the results are valid? The study should therefore be believable and trustworthy in every sense. Furthermore validity concerns with what we are measuring. When something needs to be examined, it is important to use methods that ensure reliability. This will give the study reliability. With the reliability aspect we are trying to assess if the investigation is done in a way that others will obtain the same results if they did the same investigation. Furthermore reliability concerns with what we are measuring with.

For the project, the data which best describe the chosen situation and that best help with solving the problem formulation, was collected. The data used in the project has been collected from different sources. Different literature from this semester and previous semesters has been used for the methodological and theoretical foundations. Additional relevant literature has been collected from the university library. This kind of literature is written by well known theorists and can, definitely, be seen as valid and well suited for this kind of project.

Different articles have been used for the theory chapter and to build the information used for the illustrative case. These articles come from different sources and have a more questionable validity than the academic literature mentioned above. Some of the articles about Starbucks are from the daily morning papers and this could imply some degree of untrustworthiness, but the articles used have been assumed reliable and therefore used in the

illustrative case. There has in the project been used different information from web pages.

The web pages used are primarily Starbucks' own webpage and the competitors' web pages. The information found here has, for example, been used in the illustrative case. The information on these web pages is the companies' own information and must assumably be colored by the companies own interests. Information from Danish Statistics has been used for the illustrative case and the information here is assumed valid for the project. The reason for this is that they get their information from reliable sourced and the information is overlooked by authorities.

A couple of reports have also been used in the project. The annual report of Starbucks from 2009 has been used and the information in this report can be colored by the company, but there must also be some validity to this information, because of the laws and rules there are for making such a report. A couple of weekly reports from the Ministry of Employment have been used in the project and they must also be valid, because this is a part of the government. The articles and the reports have been found on the Internet.

The attitudes and perceptions of the group can affect how they see the situation and how they record data. In the project some data is missing and the assumption that the missing data will show the same results as the collected data is wrong, it depends on the relevance that the missing data has for the project (illustrative case). The project is trying to be objective and this might imply the fact that the results are reliable. Another argument for

supporting the reliability of the project is the fact that there is made only one assumption and there are given arguments for supporting it.

The lack of information and the conclusions made upon the presented data can make the project unreliable. This lack of information is only influencing the illustrative case, which has the purpose of contributing with a better understanding of the theory and in this case the reliability of the study case is not so important. Theory In the following chapter there will be a presentation of the different theories which will be used in the analysis in this project. These theories are concerning: expansion, a company's environment, how to analyze market potential and strategy for such an expansion.

This will be done by using literature from this semester's courses and additional relevant literature, web pages and articles. Expansion of the coffee shop chains in Denmark In this chapter there will be a presentation of a framework for analyzing if there is an expansion opportunity for the coffee shop chain industry in Denmark. After doing the analysis it will be decided if it is recommendable for the Coffee shop chains to expand their business in Denmark and also to build a strategy according to the consumer behavior and market competitors.

Screening process for expanding a coffee shop s chains business in Denmark In order to build an expansion strategy it is important to know, first of all, if there is a reason for expansion, if there is a potential demand for the products that a company might want to market and also how different the products, that the potential costumers want, are. Identify Basic Appeal

Assess the National Business Environment Measure Market or Site Potential
Select the Market or Site Figure 8. Screening Process for Potential Markets
and sites (Wild, 2010, p. 355).

The framework above in figure 8 is made for selecting in which country or site it is better to expand (Wild, 2010, p. 355). The first step is to identify the basic appeal which is very important because in one country there might be no competition, no economical and political barriers but no demand for the product. The reason that one country might not have any competition might be because there are no customers for that particular product. If it is impossible to find a basic appeal, it will be clear that there are no customers in that market for obvious reasons.

The next step is to analyze the environment and the internal capacity of the company to handle the environment (Wild, 2010, p. 355). Based on the environmental analysis it is important to measure the market potential in order to get a better overview of the opportunities presented in the analyzed market. At the end, when the market potential is clear a decision of market selection can be made. When one wants to go further with the expansion analysis and wants also to build a strategy based on the analysis, additional stages are needed but also a deep analysis of the market.

Figure 9. Basic Design School Model (Mintzberg, 1998, p. 26). The process of building a strategy shows what to do with the data from previous analysis (figure 8). In the figure above (figure 9) the strategic process starts with determining the internal capabilities (its strengths and weaknesses) of a company and the external possibilities (its opportunities and threats).

Afterwards it is needed to establish a fit between internal and external aspects. Further, when the internal and external analysis is done the creation of the strategy can start.

According to this model creating a strategy implies to plan alternative strategic trajectories, it is also needed to evaluate the adequacy of current strategies as well as new alternatives and then to choose a strategy according to the opportunities and the risks of the environment. When creating and choosing a strategy one has to take into consideration the social responsibility and managerial values. After all these steps of formulating the strategy follows the implementation of the strategy (Mintzberg, 1998, p. 30).

Based on the models presented in figure 8 and 9 a framework which combines the two models is built. The framework is presented in the figure below (figure 10). This figure combines the steps for screening the opportune place to expand but also the steps that the process of building a strategy implies. Figure 10. Framework for creating an expansion strategy (own creation with inspiration from Mintzberg, 1998, p. 26). Identify basic appeal According to Wild the companies go international in order to increase the sales and the profitability but also to access needed resources.

In the case of the coffee shop s chains the principal reason for going abroad is to increase the profitability. Only the companies that need resources look for places near their resources to create a subsidiary in order to reduce the costs and to simplify the logistics, this is not the case of the coffee shop chains (Wild, 2010, p. 355). If looking at an attractive aspect for increasing

the company profitability one has to determine if there is a basic demand for the company's products. One has to analyze the most important factors that might tell if there is a demand or not and discuss them from a general point of view.

Regarding the coffee shop chain industry the factors that can tell if there is a basic appeal are the culture, the habits of the citizens, the traditions, preferences etc.. Environmental analysis The environment of a company will now be presented. The figure 11 below shows the three layers of the environment: the macroenvironment, the microenvironment, and the internal environment. Different theories which have been found appropriate for this project will be presented with the aim to give a better understanding of a company's surroundings. Mass media

Technical conditions Socio-economic conditions Interest group Cultural conditions Political and legal conditions Macroenvironment Microenvironment Internal Suppliers Customers Competitors Figure 11. The marketing environment model (own creation) Macroenvironment A company has to know their macroenvironment because the company operates in that environment. An analysis, that can be used to analyze the macroenvironment, could be the PEST model (Lynch, 2009, p. 82). The PEST model is a checklist used to forecast the future. It consists of Political, Economic, Socio-cultural and Technological aspects of the environment (Lynch, 2009, p. 82). Because the PEST model is only a checklist, it is only good if the individual prepares it and not only list every potential item. It is better to go through two or three items that are explored and justified and

only use what is relevant for the particular company. One thing that needs to be remembered is that the PEST model relies on past events and therefore the analyzed facts are history. The PEST model is used to forecast the future on the basis of what happened in the past.

Here it is necessary to have in mind that there can be something hidden in the past and therefore the forecast of the future will not be truly right.

Another thing that needs to be considered when using the PEST model is that the environment has to be stable. This should be analyzed before using the PEST model for example with the Degree of turbulence analysis. The PEST model does not tell how to manage the different items and it is only good if the individual can make a proper analysis of each relevant item. Again, the analysis is only a checklist unlike other strategy environmental concepts.

These other strategy environmental concepts could be the Degree of turbulence analysis, market share and market growth analysis. These other analyses are some basic factors that sometimes are forgotten but they contribute to the strategic analysis (Lynch, 2009, p. 79). To analyze the macroenvironment of the coffee shop chain industry the PEST model is a model where one gets around many of the facts there are in the environment. When looking at this industry one has to know something about the culture, who is buying the coffee, something about how the economy is in the country e. g..

If these facts do not represent a common knowledge one will be weakly positioned and it will be difficult if not impossible to develop a strategy as well as standing strong against the competitors. Therefore when going

through the PEST model and preparing these potential items it will be possible to know the macroenvironment and stand a lot stronger. The PEST model is chosen on the basis of that the Environmental and Legal aspect which are in the PESTEL analysis are not relevant for the coffee shop chain industry and to get the best result only the most relevant aspects should be analyzed.

The Political item will also not be analyzed further because this aspect also has a small importance for this industry. The political aspect deals with the political rules there are in Denmark. To open a coffee shop chain, the Danish laws and rules have to be followed but in this analysis this will not be the most important aspect because it is not an industry where there are many laws and rules. It is not an industry where the laws and rules changes all the time and to own a company in Denmark these rules just have to be followed and are not changeable.

Therefore this aspect is not the most important one and therefore it will not be more deeply analyzed. The Economic aspect will deal with the economy in the Danish market. Here, such elements as the unemployment rate will be looked at and how the economic situation is in Denmark after the financial crisis. The Socio-cultural aspect will be analyzed in the further analysis. It will deal with the coffee shop chain culture where there will be looked at the changes in the Danish coffee culture through the years and it will also deal with the age and geographic division in the Danish market.

The Technological aspect will not be analyzed further because this item has a small importance for the coffee shop chain industry. The Technological

aspect deals with the general technological development, new patents and products, research activities e. g.. These elements do not have a big influence on the coffee shop chain industry and therefore the technological aspect will not be discussed further. In order to give the right analysis one has to start with defining the market and the size of the market.

When talking about market size in a strategic perspective, the terms ' large' and ' small' markets are often used, where the ' large' market may be more attractive than the ' small' market (Lynch, 2009, p. 79). It is important to know what the size of the market is because it will assist in defining the strategic task and the market size will often be described in terms of annual sales and therefore will the ' large' market also be the most attractive market. In terms of market size, the market growth is also important.

The company has to know how much the market has grown over the previous period because it is more attractive to be in a market which is growing rapidly (Lynch, 2009, p. 79). Another problem will be that a company has to know which market they operate in. This means that they have to define the market, to do so, the company has to know something about the market and which products are substitutes and also how the customers see the products (Lynch, 2009, p. 79). Some market definitions would seem to be clearly defined but perhaps would a substitute product be included within the definition and therefore it cannot just be defined as the market because of the many substitute products. The last basic factor one has to know something about is the market share. The reason for this is that if the company has a large market share then it could be possible for it to influence prices and it may also be possible for it to reduce costs through

scope for economies of scale (Lynch, 2009, p. 79). In every industry it is needed to know the market size, something about the market share and also one has to know which market the company operates in, therefore they have to define the market.

This is also the case in the coffee shop chain industry, they have to know the size, to know if the market is small or big, to have a sense about how many competitors there are, and it is the same for the market share. If the company knows the market share that they operate in then they will have a feeling about how they stand in the market against their competitors. To know the company's competitors they have to start with defining the market they are operating in, if they have not defined the market then they cannot find the size of the market, market share and they will also not be able to make a PEST model.

Therefore the definition of the market is important not only in the coffee shop chain industry. To analyze the environment on the basis of the past, the company has to know if there is turbulence in the environment. To get the knowledge about that, the Degree of turbulence analysis is a good analysis to use. It can give the knowledge that the company needs to know to go further into the analysis. It could be difficult to use some of the analytical techniques for example the PEST model or perhaps Porter's Five Forces if the company does not know the degree of turbulence in a market (Lynch, 2009, p. 80).

The Degree of turbulence analysis deals with Changeability and Predictability. Changeability is ' the degree to which the environment is likely

to change' and predictability is ' the degree with which such changes can be predicted' (Lynch, 2009, p. 80). These two main measures can each be further subdivided into four units (Changeability: Complexity and Novelty, predictability: Rate of change and Visibility of the future.). When these factors are analyzed then the company can find the turbulence level, if the level of turbulence is low; it may be possible to predict the future with confidence (Lynch, 2009, p. 0). To be critical about the Degree of turbulence analysis, one can say that it is too simple and also limiting to analyze the environment and the model does not say anything about which things makes the environment turbulent and how one can deal with this turbulence. The model gives the general tendencies and if one wants to go more into depth with the turbulence analysis one have to find other more detailed analysis to make the specific conditions and action opportunities clear. To get a feeling about how the turbulence level is in the coffee shop chain industry, the turbulence will be analyzed.

This is done because the answer will let us know if the further analysis's can be made with certain results. Figure 12. Degree of turbulence (Lynch, 2010 p. 81). In the coffee shop chain industry the complexity is very low because it does not operate and compete with international companies and therefore one can say that it is very locale because it shall not be aware of the situation around the world. The novelty in the industry is also low because there do not happen many new things in this kind of industry's environment.

A thing to be mindful about is that the coffee shop chain industry is influenced by the rules about Shops Act e. g. therefore there can be some changes and therefore the coffee shop chain industry will be placed in

Extrapolable. In the next area, Rate of Change, the coffee shop chain industry will be placed in the middle, because if there for example is a law, which is changing, these changes can be changed pretty quickly, but because every shop in the country will be affected, there has to be a certain time so everyone has the chance to follow the new law. It is not an industry where things happen from day to day.

For placing the last area the industry shall know something about the future to get a high rating because the last area is about the visibility of the future. For the coffee shop chain industry, one do not know what is going to happen because each shop do not have that big of an influence that they can decide how for example a new Shops Act will sound. Therefore the coffee shop chain industry will be placed in the low end of the scale. It can therefore be concluded that the coffee shop chain industry is in the low end of the scale and therefore the degree of turbulence is very small, therefore this industry is stabile.

This also means that the future better can be predicted with confidence and therefore also further analysis' can be used to analyze the coffee shop chain industry. Microenvironment A company's microenvironment consists of different actors and the relevant ones for this project will here be examined. This will be done to get a better understanding of how a company works and how the different players in the microenvironment influence the company. This will be done through different theories primarily presented by Philip Kotler and Kevin Lane Keller in the book " Marketing Management".

Customers

A company's customers are one of the most important actors in the microenvironment because without customers there is no income and therefore no business to be conducted for the company. What the customers are looking for are products that provide them with the value that they require and looking at Customer Perceived Value (CPV) there are different factors that make up the CPV. What is crucial for getting a customer to choose a particular product is that it in some way supplies the customers' with value. The customer estimates which product supplies them with the most value and this is the product they purchase.

The satisfaction of the customer depends on that fact that the product supplies the value that the customer expects. If the customer gets the expected value the customer will be more inclined to purchase the product another time than if the value did not live up to the expectations of the customer. The figure 13 shows the CPV that are present with any given product. The perceived value is the difference between the total customer benefit that the customer gets out of the purchase and the total customers cost there are related to the purchase.

The total customer costs are consisting of the different costs the customer expects to offer on the product. As the figure states the total customer cost consists of monetary costs, time costs, energy costs and psychological costs. The total customer benefits are the benefits the customer gets from the product and consists of product benefits, service benefits, personal benefits and image benefits (Kotler - Keller, 2009, p. 161). Figure 13. Determinates of Customer Perceived Value (Kotler-Keller, 2009, p. 161).

This means that a customer in the coffee shop chain industry chooses the coffee shop that supplies them with the most value. It is different from customer to customer what they think is most valuable. One customer might go for the cheapest cup of coffee and not care too much about the image of the product benefits whereas another customer might go for the cup of coffee that that feel are most likely to boost their image, such as a coffee shop that provides organic coffee or is into being green and environmental friendly, or that cup of coffee with the higher quality and therefore be willing to pay a bit more for it.

A way in which a company can increase the value for its customers is, according to Kotler and Keller, by offering more benefits or lowering the costs. For example that could be in the coffee shop chain industry be offering organic coffee and thereby offering their customers a more emotional benefit or by offering some kind of system where loyal customers that come frequently can save money because they buy their coffee there often. It is very important for a company to satisfy its customers for the customers to be loyal and purchase another time.

As Kotler and Keller states it " In general, satisfaction is a person's feeling of pleasure or disappointment that result from comparing a product's perceived performance (or outcome) to their expectations" (Kotler - Keller, 2009, p. 164). If the customer does not get what he or she expected they will be disappointed and more reluctant to come back another time. On the other hand if the performance exceeds the customer's expectation that would result in the customer being highly satisfied and therefore this customer is more likely to purchase again another time.

It is different how customers judge the products performance because they have different ties to the product. A loyal and frequent customer is more likely to have a positive attitude towards the product than a customer that has only bought the product once. The customer's expectations to a product are a big factor in how satisfied the customer is with the product. If the customer has high expectations it will most likely be harder to highly satisfy the customers. A customer's expectation is usually influenced by previous purchases and by friends, family and associates advice and also by what the company and competitors promise.

The promises of the company have to stand up to the abilities of their product. It is, however, not always profitable to set the customers' expectations low because that might result in the customers using the competitor instead. Therefore it might be more profitable for a company to set the promises high and then offer products that live up to these promises and thereby satisfying the customers and having them come back another time. Segmenting consumer markets In the following the theory behind segmenting consumer markets will be presented.

This includes a definition of market segmentation, reasons for segmenting the market, and how to segment the Danish coffee shop chain industry. This will be done by using a mix of theorists. Defining market segmentation Market segmentation represents the division of the market into a number of distinctive categories. The aim of segmentation is therefore to identify and describe segments of buyers who would respond similarly to marketing alternatives. Segmentation usually ends up with the selection of which segments to serve. The selected segment then constitutes the company's

target market (Kuada, 2008, p. 7). Reasons for segmenting the market

Segmenting the market helps the company to have a better view of the opportunities presented in the market. The segmentation is important when matching the customer needs and retaining the customers. Identifying the segments to who to market the products to, helps the company identify the communication channels and to grow by gaining share of the market segment. When dealing with expansion opportunity analysis is crucial to identify if there are segments to market the products and how large those segments are.

How to segment the Danish coffee shop chain industry market There are two major approaches to market segmentation. The first is a priori approach in which the segmentation variables and their categories are decided before the data is collected. The second approach is a segmentation design, in which the segments are determined after data collection (posteriori) (Kuada, 2008, p. 88). For analyzing a market expansion