

Starbucks failure in australia case studies examples

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



Introduction

There are key factors in business growth and sustainability. These factors are: reliability of the service offered, high product quality and management of the business operations. Undertaking the analysis of Starbucks reinforces the three concepts of control and quality management, providing reliable service and having efficient operations. Starbucks is a global American coffee company headquartered in Seattle, Washington and was founded in 1971. Starbucks one of the largest coffeehouse company, with approximately 23, 305 stores spread in more than 63 countries around the world. The stores offer hot and cold beverages, whole-bean coffee, snacks, pastries, teas and ground instant coffee. The also sell items such as mugs and tumblers as well as evening beers, wines and appetizers. In several localities they also offer Starbucks-brand ice cream. Through its improved operations, Starbucks has been able to steadily grow into a global company. Operations management is a process of transforming the raw materials and labor (inputs) into finished products or services (outputs). Operations management has a role of mixing the best marketing strategies (promotions, advertisement, market research), managing operation processes within the organization (inventory control, design, process analysis) and the management of finance/accounting (capital requirements, funds management) to come up with the most profitable management strategies, (Paryani, 2011). This paper will focus on the operations management loopholes in Starbucks, which lead to its failure within the Australian market, despite its success in other markets around the world.

Customers and competitors

Some of the major Starbucks competitors in the coffee industry are McDonald's and Dunkin Donuts. Most customers are known to visit Starbucks seeking its specialty coffee. The store offers excellent convenience. One of the advantage of the Starbucks over other competitors is the fact that it own all the stores unlike competitors such as McDonald's whose stores are franchised. This enables Starbucks to maintain consistency in all its locations. Starbucks have a convenient, elegant, homey as well as consistent setting that encourages their customer to want to relax and spend some more time at Starbucks stores. Although Starbucks prices are higher than other coffee shops, they offer a different quality of coffee. In this case, the customer is always pleased and is encouraged to return Starbucks stores because of the pleasant atmosphere. More to that, Starbucks have provided their customers with extra-ordinary opportunities such as access to wireless internet that encourages the customers to spend more time in their stores and possibly ordering more coffee or other goods when they are there. Starbucks has gone a step ahead by creating environmental friendly attitude. Starbucks has been supporting coffee farmers by making the shade trees for growing coffee. These trees encourage a healthier ecosystem, thus preserving the natural environment. Starbucks has four major strengths that keep them ahead of their competitors. First, is the quality of their products such that even those competitors who try to come close have not been able to go beyond the Starbucks brand. Secondly, Starbucks have made their customers experience top priority. This is by offering unique experience to their customers consisting of quality and atmosphere. Thirdly, Starbucks

have excellent management in all their stores with innovative minds across all their stores and finally, they work on their corporate social responsibility by having positive impacts on their own employees, the community around and the environment as a whole, (Geereddy, n. d.).

Starbucks have utilized five competitive objectives to compete effectively with its competitors. They have embraced quality, the speed at which the products are prepared and services are offered, dependability, flexibility at their stores and the cost of their products. The company has realized that having successful partnership will strengthen their competitive advantage. This is by ensuring quality products, having a fair trade as well as adopting an ethical sourcing of coffee. Starbucks has been developing a close relationship with the countries where it sources its coffee beans. For instance, Starbucks has collaborated with small town of Pasto. In this town, the company have grown Narino Supremo bean where the companies have arranged with locals to buy the yield thus the company have an exclusive Narino Supremo.

After Starbucks enjoyed a successful domestic market within United States, the company started noticing other potential markets abroad. The company entered the England market in 1998 by opening coffeehouses in countries such as Taiwan, Thailand, Malaysia as well as New Zealand. In early twenty first century, Starbucks penetrated Middle East market in countries such as Dubai, Qatar, Saudi Arabia and others. Starbucks entered Australian market in 2002-2004. As countries are different in both culture and values, every organization that expands internationally must overcome government limits, trading rules, salary benefits, and differences in culture imposed by each

environment in every country of its expansion. A marketing strategy that is good in Middle East may not work in Australia. Starbucks should practice due diligence when entering Australian market so that it could optimize its business as well increase its profitability, (Mercer, 2008).

Operations and facilities

The company (Starbucks) entered Australian market in the year 2000.

According to Starbucks culture, their coffeehouses were elegant and gave a homey feeling to their customers. At Starbucks, coffee beans are sourced from one country while the milk comes from another country. Raw materials are taken through roasting; they are then manufactured and finally packaged. In total, the company has six roasting centers. This enable Starbucks to provide uniformly prepared beans by use of properly designed processes. At the time when Starbucks entered Australia, McDonald's, McCafe and Gloria Jeans had already been established in the market. Starbucks opened its facilities in low-traffic areas. Moreover, they charged much more for their coffee than their already established competitors, (Wong, 2014).

Starbucks entered Australia market at the time when the market had sophisticated coffee culture. Starbucks opened many company-owned stores in many towns around Australia. McDonalds and Krispy Kreme opened their franchised stores one by one in order to stimulate demand. Starbucks opened 87 stores across the Australian market. At this point, Starbucks did not bother to customize their products or the processes for the new market. The company did not bother to apply any promotional strategy for their new

products in the market thus failing to understand the Australian consumer behavior and culture. Australia has more than 235 different ethnic groups with a proud tradition. Important factors have caused Starbucks to close down over two-thirds of the stores. This has left over 600 employees jobless.

Management perspectives/Conclusions

Some attributes caused Starbucks to fail in Australia and succeed in other markets. First is the factor of endowment. For instance, infrastructure and technical expertise in Japan is much advanced compared to that in Australia. Starbucks could have used the skilled labor as well as the research facilities in Japan to come up with more innovative and new ways of improving their business unlike in Australia that may have poor infrastructure. Secondly, is about the demand conditions. Australia is rich in coffee culture. As a result, Starbucks may not need to educate the population the Australian population about their products. However, the population in Australia may not be attracted by the U. S. culture. Unlike in Japan where although population has no coffee culture but the people there may want to imitate the U. S. culture. Thirdly, in Japan there many relating or supporting industries unlike in Australia. The supporting industries may have similar values and vision that may be in support of Starbucks. Fourthly, the Starbucks strategy, the structure and rivalry in Australian market compared to other markets. Initially, Starbucks used to enter a new market using joint ventures and franchise modes. In Australia, Starbucks penetrated the market by opening wholly owned stores.

Of all the four factors, the fourth (firm strategy, structure and rivalry) is the

main determining factor to the failure of Starbucks in Australia. When Starbucks entered Australian market, they did not have a local partner. The local partner like in other markets could have assisted in guiding the company with what the local population like most. This would have helped the company to come up with innovative ideas that were based on the customer needs. For instance, through listening to the local population, Starbucks came up with variants of tea in Japan. In comparison with Japan, Australia has high competition. Australia is a lot rich in coffee culture and the population was comfortable with the coffee served in local coffee houses while in Japan, the coffee culture was new in the market. Moreover, Starbucks targeted some posh markets. The areas that they targeted in Australia were heavily invested by the local coffee houses thus posing a threat to the survival of Starbucks. In most cases, Starbucks has only been interested in a wider spreading of the coffee culture. They are not used to localize their menu to suit specific locality. The Australian local coffeehouses were aware of this and thus, the local population had less demand for Starbucks' products.

Another problem that caused the failure of Starbucks in Australia is that Starbucks overestimated their point of difference of their coffee to that offered by the local coffeehouses. As a result, Starbucks charged their coffee at a very price compared to local coffee houses. In this case, many Australians who sampled Starbucks coffee could not understand the reasons of Starbucks charging heavily for their coffee. Due to fast pace of growing of the company in Australian market, the company suffered lack of staff. Thus, that company started to employ young people who have less or no

experience. This created a serious problem to the survival of Starbucks in Australian market.

In markets such as Asian markets, coffee houses did not exist. In Australia, the market was competitive and the coffee market was mature. Starbucks relied on its reputation only and did not make any effort of advertising or even communicating its brand. For a new market like Australia with many coffee houses, brand education was important to Starbuck. In a highly competitive market such as Australia, the business model that Starbucks adopted was not sustainable. Starbucks owned large, expensive shops that allowed customers to spend much time idling while they spent very little. The management of Starbucks should have taken time to understand the market that they were entering. It was not necessarily that what could have worked in United States and Japan to work in Australia. Although some of methods may remain similar, global strategy must consider the local needs of the specific target population and try to adjust accordingly, (Mescall, n. d.).

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