

Strategic analysis

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



Introduction to Business Submitted to: Miss. Rabia Hassan Assignment # 1

Section: K Topic: Strategic Alliance Tata and Starbucks Group Members: *

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Naqvi * Iqra Tariq * Huma Akram TATA Coffee and STARBUCKS Indian Coffee

Industry: India is the fifth largest producer of coffee in the world, producing more than four percent of the world's coffee, with the bulk production in southern states. In India the average coffee consumption per day is estimated to be ten cups per day. Only India produces its coffee in indoor facility.

Indian coffee has a unique historic flavor and aroma. Tata Coffee: Tata produces coffee on its private land. They process the beans and export green coffee. Tata also manufacture and exports Instant coffee. Starbucks: Starbucks is an International chain of coffee and coffeehouse based in Seattle and Washington. Starbucks prefers quality over price and is specialized in coffee and related beverages. Starbucks does the business of coffee, Italian-style espresso beverages, cold blended beverages, high quality teas and coffee related equipment and accessories. About the Deal:

Starbucks is joining hands with Tata to set up stores in Tata group's retail outlets and hotels other than sourcing and roasting beans at Tata Coffees Kodagu facility with its particular process. The deal includes opening cafes, roasting and sourcing beans. Both Tata and Starbucks will have to solve the franchisee-led business model of Starbucks. Both companies have agreed to set up a 50: 50% joint venture of growing hot beverages in India Market with a name called " Tata Starbucks Ltd". Starbucks will be operated and owned

across India through this venture. Their brand name will be named as Starbucks Coffee “ A Tata Alliance”.

Tata and Starbucks have agreed to open 50 cafes in several cities of India in 2012 starting with Delhi and Mumbai. Youth of India has increased the use of western Coffee Cafes. In India competitors of Starbucks includes Barista, Cafe coffee Day and Costa Coffee. Together Tata and Starbucks will control a market of Coffee Cafes which is estimated at over Rs. 700 crore a year. The agreement of separate roasting and sourcing between Tata Coffee Ltd and Starbucks Coffee Company Ltd in future will roast coffee to supply to Tata Starbucks and will export to Starbucks Coffee Company for its overseas operations.

India produces Coffee over Rs. 3, 000 crore a year. Objectives of Tata Coffee behind this Deal: * Opportunity for TATA coffee to provide roasted coffee beans to Starbucks in India. * Get a chance to jointly invest in facility for export to other market. * Starbucks will provide new technology to the promotion of responsible agronomy practices. * A long term relationship will be formed with this MOU signed with Starbucks. * Tata coffee becomes Asia’s biggest publicly traded coffee grower. Vision: * Tata coffee will become the preferred choice in elite market. Customer satisfaction, centricity, quality, sustainability, and an engaged workforce will be our drivers to achieve Rs. 1, 000 crore enterprise by 2015. * In Future Tata coffee shall be perceived as one of the most respected organizations in the plantation and extraction business. Mission: * To simultaneously improve value to stakeholders through our operations while ensuring and improving

the ecological wealth entrusted to us. * Enhance quality of life of the people.
 * Be an exemplary corporate citizen having

Tata values with total commitment to the communities in which we operate.

| Values: * Integrity * Understanding * Excellence * Unity *Responsibility*

Safe workingEnvironment| | | | Objectives of Starbucks Behind this deal: *

Through this MOU Starbucks will be able to India's market. * India can be a useful source of coffee in domestic market for Starbucks. * Starbucks will have the opportunity to get the knowhow of India market through Tata Global Beverages. * There will be synergy because Tata also has a business I retail market. Mission Statement:

To establish Starbucks as the premier producer and provider of the finest coffee in the world while maintaining our uncompromising principles as we grow. Environmental Mission Statement: * To understand and share environmental problems. * Inventing a flexible solution to bring a change. * Revolutionise to buy and sell products which are environment friendly. * Recognizing that fiscal responsibility is essential to our environmental future. * Instilling environmental responsibility as a corporate value. Guiding Principles: * To be assertive and provide a good working environment. An essential way of our business is to discouragediscrimination. * Apply the highest standards of excellence to the purchasing, roasting, and fresh delivery of our coffee. * Making the customers enthusiastically satisfied. * Positive contribution towards communities and our environment. * To understand that profitability is essential to our future success. Advantages: * Tata and Starbucks both are the companies are leading in their sector respectively. * It is going to be a social project in India. * High quality green

coffee beans are going to be produced. Considered jointly investing in additional facilities for exports to other markets. * Sources will be utilized by both in encouraging core competency. * The consumption of coffee is expected to grow at 6% annually. * Other companies can also approach Tata coffee for their raw product. * With the help of this deal Tata coffee will enhance to the branded coffee retail market. Competitive Advantage of Tata Coffee: Tata has maintained a strict consistency in quality whereas Tata is the world's largest indoor coffee plantation company producing heavy quantity of special, strain specific and premium coffee.

Tata's coffee has a major consumption in Arabic-centric markets. Competitive advantage of Starbucks: Starbucks has the largest number of coffee houses in the world having a very strong brand image. They have loyal customers all around the world. Disadvantages: * The selling price of Starbucks is not cheap. * The entry of Starbucks has on the out-of-home coffee consumption market and this will effect alliance of Tata coffee with Barista. * There is no exclusivity for each other from both sides. * The demand I India is highly elastic so Starbucks will have to address its pricing issues. There are several competitions in the segment of Starbucks. * Coffee price continue to rule at historical laws and this definitely has an effect on the bottom line of Tata coffee. Conclusion: * This deal will be beneficial for both Tata and Starbucks as it is opening new phases for both. * Starbucks will be able to enter India's market after having the MOU signed. * Tata will have the opportunity to enter into retail outlet business by joining hands with Starbucks. * A Revolution will take place in India's coffee retail outlet business.