# Essay about starbucks case study

Business, Company

1. Based on the case, “ Planet Starbucks” answer the following questions: (a) How does Starbucks’ strategy of expanding overseas create value for the company’s shareholders? (10points) The global expansion creates value because Starbucks as a company heavily invests in its own employees, providing stock options and medical benefits to part time employees. By moving on a global market Starbucks is able to establish a worldwide brand and thus more locations. This allows the company to gain more profits because of the increase in locations. And lastly, more profits circle back to moremoneyand payouts to shareholders. b) What kinds of strategy has Starbucks pursued to enter newer markets? Do you think it has chosen the right strategic posture? Provide examples from thecase study. (10 points) Starbucks uses mainly joint ventures to gain access to a country or new global market. It then grows its brand in the region through licensing of the Starbucks format. These two strategies to enter new markets seem to be the most logical for how the company operates. Starbucks had a 50/50 joint venture with Sazaby Inc, which turned into the name Starbucks Japan.

The advantage of having a joint venture would be that any potential or unforeseen risks or regulations can be shared with their 50/50 partner. It would also include protection of the sustainable competitive advantage, the reduction in financial risk incurred by the company, and the benefit of knowing how well the US product will do in the foreign market through local adaptation techniques. The disadvantage would be that Starbucks must give up some control and may face any of various conflicts due tomanagement, differences in expectations and/or objectives, and cultural differences.

They would also have to share their profits with their venture partner. The results from this venture were that the Starbucks brand was effectively transferred to the Japanese market. And through licensing the brand, Starbucks did what it could within its limits of control to do so and incentivize the growth with employee stock options for Japanese employees and requiring Japanese store managers and employees to attend training classes. (c) Why do you think that Starbucks has used joint ventures with local companies to enter many foreign markets?

Illustrate your answer with examples from the case study. (10 points) Starbucks has mainly used Foreign Direct Investment through joint ventures with local companies to enter many of the foreign markets; it provides them with a competitive advantage by teaming up with local companies who know and are already invested in thecultureof the country. By using joint ventures, Starbucks has been more successful integrating the company into the culture of these countries because of the newfound insider information they hold that determines what the customer is looking for in the varying locations.

Japan’s growth was due to local managers running the locations who had local knowledge and understanding of the market. Like the introduction of novel products like the green tea Frappuccino in Taiwan and Japan. (d)Why do you think that Starbucks chose Japan as its first foreign market? Why did it pick Britain as its second? Why did the company wait until 2002 to open its first stores on the European mainland? (10 points) Starbucks uses multiple lines of distribution in the US coffee market, its international operations consist only of a coffee-bar type restaurant; therefore they only have one channel of distribution internationally.

Starbucks must choose a partner that would facilitate their creation and expansion of coffee bars in the international arena. Japan and Asia, through Sazaby Inc. became the first international market. Starbucks coffee bar design seemed to have been a good match for the Japanese market. The Japanese had never been exposed to this type of coffee before, so the taste of espresso drinks was as foreign to them. But Starbucks were confident that Japan was ready to indulge in the fine taste of Italian espresso.

The partnership between Sazaby and Starbucks provided a moderately high benefit for local adaptation to be successful. Britain was the next market because of the success and growth of the Japanese/ Asian market. The opportunity for growth through the purchase of Seattle Coffee made the Britain available. Seattle Coffee had the intention to start Starbucks-like chains in UK, and Starbucks in the midst of global expansion decided that a venture would be appropriate to achieve both partiesgoals.

Expansion into the European mainland, which are the purveyors of coffee would take more of a strategic angle to enter into and be successful. The UK has an established tea drinking society so the market would have to be changed somewhat to allow Starbucks a market, and France to Italy have been drinking specialty coffee since before time. Starbucks needed to also grow profits from established markets in Asia and Britain to have enough capital to invest into a new market, especially after the purchase of assets like Sazaby and Seattle Coffee.