

Two approaches to globalization



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1. Introduction There are two approaches to globalization. One is to buy local brands and gain market share while the second is to market existing assets such as technology, brands and experience in new foreign markets. The rationale behind this is that extending a successful product at home into the global arena can considerably increase the profitability of the firm. ¹ But is going global the only best way forward for firms to grow and survive? There are many success stories of companies growing and profiting from the globalization of their products. The success of Starbucks and The Body Shop serves as good examples of how companies can profit in making global brands.

3. The Case for Starbucks and The Body Shop

Starbucks, which purchases and roasts high-quality whole bean coffees and sells them along with espresso beverages basically belongs to the food industry. From the foregoing discussion, one might expect that their products should not have been successful. What happened, however, was entirely unexpected. The performance of Starbucks has become legendary. In just 20 years, the Seattle company has grown from 18 coffee shops to thousands making it a leading global brand. ² Starbucks hardly advertises but has experienced a 20% bump in global brand value. According to the company fact sheet, as of November 2006, Starbucks had 7,102 company-operated outlets worldwide: 5,668 of them in the United States and 1,434 in other countries and U.S. territories. In addition, the company has 5,338 joint-venture and licensed outlets, 3,168 of them in the United States and 2,170 in other countries and U.S. territories. This brings the total locations (as of November, 2006) to 12,440 worldwide. The number of weekly customers is 30 million. ³

Starbucks's success elucidates the fact that making a global brand is one sure way for the firm to survive and grow.

The Roddicks' first Body Shop opened on March 26, 1976 in Brighton, United Kingdom with only about 25 natural handmade products. The rights to the name of the firm was bought from a San Francisco beauty store which still remains today as The Body Time. Since then, the product portfolio has expanded to more than 600 skin and hair care solutions ranging from cosmetics, accessories, bath & body products, fragrances, hair care, products for men, and even an aroma therapy range -all containing only natural ingredients.

Realizing that there is a great potential for their product in markets abroad, Roddick (its owner) embarked on an aggressive semi-environmentalist campaign abroad. The Body Shop experienced rapid growth, expanding at a rate of 50 percent annually. Its stock was floated on London's Unlisted Securities Market in April 1984, opening at 95 pence. In January 1986, when it obtained a full listing on the London Stock Exchange, the stock was selling at 820 pence. By 1991 the company's market value stood at 350 million (\$591 million). 4

There are more than 1, 900 outlets of The Body Shop today located in 500 countries such as Canada, Malaysia, New Zealand, Denmark, France, and Germany to name a few. The company may have continued expanding under the leadership of Roddick if it wasn't bought by L'oreal. 5

4. Conclusion

What happened to Starbucks and The Body Shop leads us to conclude that making global brands can be the best way for the company to grow and to survive. If they haven't made global brands, The Body Shop owned by

Roddick could have suffered the same fate as the original The Body Shop in San Francisco Bay. It could not have such fortune. Starbucks could not have achieved its prime status if it wasn't for their making of their product as a global brand.

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