Starbucks: Expansion in Asia

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Thirty years ago Starbucks was a single store selling roasted coffee in a Seattle fish market.

In the 1980s, Howard Shultz (director of marketing at the time and now CEO) was fascinated by the Italian coffeehouse experience that he pushed Starbucks to format their stores in a similar fashion.
Starbucks has a total of 11,300 locations around the world.
3,300 stores are international spread across 37 foreign countries.
The key to Starbucks strategy has been to go beyond simply selling just coffee but selling a “cookie cutter” experience and superior customer service with their product.
In October 1995, Starbucks entered the Asian market. Their first shop was in Japan and they began their move by using a method of licensing. The goal was to expand while maintaining their image and brand formula. They later formed a joint venture with Sazaby, Inc. in Tokyo. Today Starbucks has 722 stores in Japan.
In 1996, Starbucks formed a partnership with BonStar Pte. Ltd to open their first store. Singapore was a success because BonStar (subsidiary of Bonvests Holding Ltd.) had an established name in the target country. Also part of the success comes from Singaporeans love of coffee.
• This was Starbucks next target (and largest market) because of its massive population and growing economy.
• Starbucks took a much slower expansion strategy due to China’s historically strong preference for tea.
• In 1998 Starbucks spread out to Taiwan by opening its first store there. Taiwan was more reasonable since they had a more modern westernized economy.
• In Taiwan they partnered with The President’s Group and this company brought both industry and support operations to bridge the gap for Starbucks between its established locations and new market.
After their success in Taiwan, Starbucks set its goals on mainland China. The mainland represents the region with the fastest growth in all of China.

They partnered with H&Q Asia Pacific and Beijing Mei Da Coffee.

China’s desire for all status products coupled with the appeal of a western product continues to drive Starbucks expansion in its market.
- Partnership with Pantaloon Retail India and New Horizons.
- Entering India would mean Starbucks could triple its stores to 40,000 worldwide by expanding into emerging markets.
- Competition includes Barista Coffee and Café Coffee Day
In 2007 they opened their 100th outlet in Thailand.

They expanded into this market 9 years ago and today operate 101 coffee houses.

The working atmosphere is created by “passionate partners, and they play a significant role in the company’s success”
Today Starbucks has 88 locations in Malaysia.
Berjaya Starbucks Coffee Company Sdn Bhd is jointly owned by Starbucks and Berjaya.
The first store to open in this market was on KL Plaza on December 17, 1998.
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<th>SWOT Analysis</th>
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<td><strong>Strengths</strong></td>
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<td>- brand loyalty</td>
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<td>- “starbucks experience” – third place from home and work</td>
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<td>- good expansion strategies</td>
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<td><strong>Weaknesses</strong></td>
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<td>- slow expansion (like China) because customer base prefers another product (like tea)</td>
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<td>- “back seat” involvement with Olympic games this summer which is taking place in China</td>
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<td><strong>Opportunities</strong></td>
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<td>- Emerging markets</td>
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<td>- Olympic games this summer</td>
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<td>- establishing brand loyalty elsewhere</td>
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<td><strong>Threats</strong></td>
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<td>- Competitors like McDonalds</td>
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<td>- Competitors from local coffee shops who have established themselves</td>
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<td>- “copycat” branding</td>
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Starbucks China Woes

- Starbucks pushed out of the Forbidden City prior to the Olympics.
- Starbucks reluctance to openly partner with the Chinese summer Olympics.
- Samsung, Coke among international brands that could be burned by a possible China Backfire.
Starbucks: Green in the Red

Starbucks often regarded as one of the most environmentally friendly companies in the world.

• Recycling program estimated to have saved over 76,000 trees in 2006

Can Starbucks bring green ideas and policies to a country marred by generations of neglected environmental protections?
Recommendations

Work on Weaknesses & Threats:

Use market segmentation & possibly have a product line for tea

- Introduction and R&D costs

Marketing during the Chinese Summer Olympics

- Starbucks has not taken a partnership role with China in the Olympics
- Maybe a strong Olympic presence is unnecessary, (possible fallout)