

Strategic Focus

GLOBALIZATION

Starbucks is a New Economy Multinational

Starbucks is not an ordinary purveyor of a cup of coffee. It is a large and innovative multinational firm that engages in major strategic actions to enter new international and product markets (e.g., acquisitions). It is a multibillion-dollar company with many stores operating in multiple countries. By 2015, Starbucks plans to have more than 12,500 stores in the United States, up from 11,128 in 2012. For example, Starbucks has become a major player in Asian markets, which is interesting because it took on a largely tea-drinking culture. By 2015, Starbucks expects to have 1,500 stores operating in China, a major increase over its 700 stores there in 2012. Starbucks adapts to local market tastes by developing larger stores where, for example, the Chinese can lounge and meet with friends. It also has introduced flavors specifically for the Chinese market, such as red-bean frappuccinos. It also has products that cater to tea drinkers as well. Starbucks' success in China is reflected by the fact that China is expected to become the company's second largest market by 2014. The average annual single store sales in China have increased by almost 75 percent since 2008 to \$886,000 at the end of 2012.

Starbucks has also entered Vietnam and India with high expectations. In 2013 it opened its first store in Vietnam. Interestingly, Vietnam is the second largest producer of coffee beans in the world behind only Brazil. Starbucks hopes to work with local Vietnamese farmers to grow a high-quality Arabica coffee bean. In partnership with the Tata Group, Starbucks also recently opened its first stores (three) in India with plans to have 50 stores there within a year.

Although Starbucks has experienced significant success in Asia, its experience in Europe has been mixed. It has had some success but has also encountered a different coffee culture. At first, it tried to have Europeans adapt to the Starbucks approach. Now, because of the importance Starbucks places on its future in Europe, the company is adapting to the European café culture. This means that Starbucks is building larger stores with additional seating to allow people to meet and spend time in their stores, as they have done in Asia. It has implemented other practices and products that adapt even more to local (country) cultures and tastes (e.g., France, England).



Customers line up to purchase drinks on the opening day of the first Starbucks outlet in Ho Chi Minh City on February 1, 2013. Starbucks opened its first store in coffee-loving Vietnam, seeking to compete with local rivals in a country known for its strong café culture.

In addition to Starbucks' international thrust, it also engages in significant innovation and strategic actions to add to its product line. In recent years, it has introduced Via, an instant coffee, and a single-cup coffee maker (named the Verismo) that allows customers to make their own lattes at home. Another attempt to add to its product line is evidenced in its recent acquisition of the tea chain, Teavana. In fact, it paid \$620 million to acquire the Atlanta-based company. In recent times it also acquired a juice maker, Evolution Fresh, and Bay Bread, the operator of La Boulange bakeries.

Starbucks' strategic actions have enjoyed much success. In fact, Starbucks announced major increases in stores' sales open at least 13 months (7 percent in the Americas and 11 percent in China) and in profits (13 percent overall) in the last quarter of 2012.

Sources: J. Gertner, 2013, For infusing a steady stream of new ideas to revive its business, *Fast Company*, www.fastcompany.com, accessed on January 30; A. Gasparro, 2013, Starbucks enjoys sales jolt from its U.S., China stores, *Wall Street Journal*, www.wsj.com, January 24; J. Noble, 2013, Starbucks takes on Vietnam coffee culture, *Financial Times*, www.ft.com, January 3; A. Gasparro, 2012, Starbucks: China to become no. 2 market, *Wall Street Journal*, www.wsj.com, December 6; 2012, A look at Starbucks' U.S. presence over the years, *Bloomberg Businessweek*, www.businessweek.com, December 5; L. Burkitt, 2012, Starbucks plays to local Chinese tastes, *Wall Street Journal*, www.wsj.com, November 26; J. Jargon, 2012, Starbucks CEO: 'We will do for tea what we did for coffee,' *Wall Street Journal*, www.wsj.com, November 14; V. Bajaj, 2012, Starbucks opens in India with pomp and tempered ambition, *New York Times*, www.nytimes.com, October 19; S. Strom, 2012, Starbucks to introduce single-serve coffee maker, *New York Times*, www.nytimes.com, September 20; L. Alderman, 2012, In Europe, Starbucks adjusts to a café culture, *New York Times*, www.nytimes.com, March 30.