***Introduction***

One of the benefits when a business moving from a domestic to an international strategy is the firm can earn a greater return on its investments. This means the firm can realize many advantages on resources and capabilities over its rival.

In 1995, because of the saturation of the United States market, Starbucks, an international coffee house chain, started to expand its business overseas. Starbucks first tested the Japanese market by establishing joint ventures with local retailers. By 2001, Starbucks had more than 150 stores and plans to continue its success at a brisk pace. The company began by entering into joint ventures with local businessmen that allowed Starbucks to retain control and have the benefits of a local operating partner, Starbucks was able to embark on an aggressive expansion campaign, and successfully opened in foreign markets by 2001. This plan made the opening of over 600 stores located out of the United States possible. The decision to expand internationally gave Starbucks the ability to reach a larger market and meet its stated growth goals. More than 200 units in other countries, including China, Japan, Kuwait, Lebanon, New Zealand, Malaysia, the Philippines, Singapore, South Korea, Taiwan, and Thailand.

<http://www.fundinguniverse.com/company-histories/Starbucks-Corporation-Company-History.html>

* An outline explanation of the chosen international organization

**Starbucks Mission Statement**

To inspire and nurture the human spirit– one person, one cup and one neighborhood at a time

**Product Strategy**

*Psychographics*

Changes in the social and economic structure of the country are resulting in higher levels of disposable income and a greater interest in Starbuck products and merchandise. At the same time, other coffee shops are trying to tap in on the fad created by Starbucks. There are many competitors trying to become successful selling franchises for competitors to Starbucks. Starbucks senior management realized some time ago that there was no real difference between the qualities of their coffee to that sold in competitor companies. Instead, the ubiquitous cup of Starbucks' coffee is a prop for many people. It makes a statement about the amount of disposable income and individual may have.

*Marketing Strategy Using the Internet*

In 1998 and 1999, Starbucks moved boldly, acting as if the Internet presented a can't-miss opportunity. Then the company stumbled again and again, as high-profile initiatives led to costly write-downs. Now Starbucks is pursuing what may be its wisest online strategy yet. No longer is the company trying to redefine its business in radical ways around the Internet.

This time, Starbucks is tying its online efforts closely to its central mission: building customer loyalty around cappuccinos, lattes, and other fancy beverages. "We aren't in the business of selling Internet access," says Darren Huston, senior vice president for new ventures. "Our job is to sell more coffee."

On its Web site, Starbucks now runs a simple, easy-to-use store that sells coffee beans, mugs, brewing machines -- and not much else. Gone are the dreams that the company once harbored of involving itself in the online merchandising of everything from furniture to videocassettes. And while the company is currently rolling out high-speed wireless connections in its physical stores, it's doing so in a way that minimizes any disruption of the traditional cafe experience.

*Retail Strategy*

Starbucks’ retail strategy is designed primarily to maintain loyalty and repeat business among its target market (upscale coffee drinkers) encompasses hiring and training knowledgeable counter servers, called *baristas* (bartenders) to educate customers about starbucks’ specialty coffee drinks and associated products, and to provide customers with an opportunity to take a break from their busy lives in a relaxing atmosphere. The company has also entered some creative partnerships to put its cafes in Nordstrom and Barnes & Noble and serve its coffee on United Airlines. Licensing the brand name for other food products such as ice cream and soft drinks also increases its brand awareness.

*Retail Mix*

Like every retailer, Starbucks supports its strategy with its retail mix.

With regard to location, individual sites are selected in the most highly visible places possible, and centralized cities serve as hubs or regional centers (clustering) for roll out expansion into nearby markets.

Its merchandize assortment based on sales distribution is composed of coffee beverage (58 percent), whole bean coffee by the pound (17 percent), food items (16 percent), and coffee-related equipment (9 percent). Coffee beverages are standized across outlets, but food offerings vary from store to store.

Its product pricing is premium, which is due to the company’s commitment to quality products and a high level of customer service. Its advertising and promotion budget is however, minimal.

Stores, which are spacious so that customers can wander around the store, drinking their coffee and considering the purchase of coffee paraphernalia ranging from coffee to preparation eauipment, are typically designed around a planned mix of ogranic and manufactured components.

Customer service and personal selling are promoted by training new hires to deal with product related customer complaints on the spot without having to check with a manager. They are also trained to customize each espresso drink and to explain the origins of different coffees.

*Environmental Stewardship*

Stabucks’ shared its commitment to the environment. The company believes in the importance of caring for the planet and encourages others to do the same. Its goal is that by 2015, 100% of the Starbucks cups will be reusable or recyclable. The company worked to significantly reduce our environmental footprints through energy and water conservation, recycling and green construction.

*Ethical Sourcing*

Starbucks developed a strong, long-term relationship with farmers all over the world that help ensure supply of high-quality coffee to the customers. By 2015, all of Starbucks coffee will be grown using ethical trading and responsible growing practices.

*Community Involvement*

Starbucks believes in being involved in the communities. Bringing people together, inspiring change and making a difference in people’s lives—it’s all part of being a good neighbor. By 2015, Starbucks plan to contribute one million volunteer hours each year to our communities.

**Distribution Strategy**

Starbucks Corporation purchases and roasts high-quality whole bean coffees and sells them, along with fresh, rich-brewed coffees, Italian-style espresso beverages, cold blended beverages, a variety of pastries and confections, coffee-related accessories and equipment, a selection of premium teas and a line of compact discs, primarily through Company-operated retail stores. In addition to sales through its Company-operated retail stores, Starbucks sells coffee and tea products through other channels of distribution including its Business Alliances business unit and other specialty operations (collectively, Specialty Operations). Starbucks, through its joint venture partnerships, also produces and sells bottled Frappuccino coffee drink and a line of premium ice creams.

The Company sells whole bean and ground coffees to office coffee distributors, institutional foodservice companies that service business, industry, education and healthcare accounts, and to hotels, airlines, retailers and restaurants.

 **Pricing Strategy**

Current pricing of Starbucks coffees are:

Tall 12-ounce: $1.40 and $1.65

Lattes 12-ounce: $2.40 and $3.10

Tall Mocha: $2.70 and $3.40

* Paying premium prices stimulates production of high quality coffee.
	+ Allows farmers to increase income and reinvest in their farms and plan for the future.
	+ Promotes steady and sustainable growth in a market with price fluctuations.
	+ Upholds Starbucks commitment to purchase high-quality product in a socially responsible manner

**A description of the global business environment and the countries selected market**

Starbucks' strategy for expanding its retail business is to increase its market share in existing markets and to open stores in new markets where the opportunity exists to become the leading specialty coffee retailer. In support of this strategy, the Company opened 647 new stores during the fiscal year ended September 30, 2001 (fiscal 2001). At fiscal year end, Starbucks had 2,971 Company-operated stores in 38 states, the District of Columbia and five Canadian provinces (which comprise the Company-operated North American retail operations), as well as 252 stores in the United Kingdom, 25 stores in Thailand and 18 stores in Australia (which comprise the Company-operated international retail operations). Company-operated retail stores accounted for approximately 84% of net revenues during fiscal 2001. Starbucks retail stores are typically located in high-traffic, high-visibility locations. All Starbucks stores offer a choice of regular and decaffeinated coffee beverages, including at least one "coffee of the day," a broad selection of Italian-style espresso beverages, cold blended beverages, a selection of teas and distinctively packaged roasted whole bean coffees. Starbucks stores also offer a selection of fresh pastries and other food items, sodas, juices, coffee-making equipment and accessories and a selection of compact discs. Each Starbucks store varies its product mix depending upon the size of the store and its location.

**Competitive Environment**

Starbucks Corporation’s top competitors are McDonalds and Dunkin Donuts.

***Starbucks vs McDonalds***

MacDonald’s serves as “a pit stop for customers with little time, many kids and thin wallets.” Many argue that “McDonalds is a lot cheaper than Starbucks coffee in general, and they have the high quality to go with it.”

This competitor have significantly similar products with Starbucks. It offers lattes, cappuccinos and iced brews in 9,000 U.S. restaurants.

McDonald's has more locations and a lower price point for premium coffee.

***Starbucks vs Dunkin Donuts***

Dunkin Donuts has these features.

* Cost Advantage
* Complements the Main Product.
* Faster and Cheaper
* Half its revenue came from coffee sales

**Target Market**

Starbucks' target market is any person and any age. The store offers juices and cocoa for children, creamy blended drinks for those who don't particularly like coffee, and a number of different types of brewed coffee. Starbucks continues to refine and target their product offerings to the changing tastes of consumers. The stores now sell specialty breakfast foods such as scones and muffins as well as a variety of beverages and coffee. The chain's specialty flavors of coffee are popular among American consumers.

**Communication Strategy**

The Starbucks social media plan uses 4 primary digital touch points:

* Facebook—a page where fans can communicate internationally
* Twitter—serves mainly as a customer service channel
* You Tube—a channel where the company posts videos ranging from branded content to short pieces describing it’s charitable work
* MyStarbucksIdea.com—a digital suggestion box where customers can submit ideas for products and services

Even with its success on Twitter(more than 700,000 followers) and Facebook, the real heart of Starbuck’s is the social media platform because this is where customers can actually influence others with what the company offers. Since then, more than 180,000 customers have registered, and more than 80,000 suggestions have been submitted. There is even a restricted portion of the site where employees can make suggestions.

**An explanation of the impact of culture on their chosen business's activities around the world**

*China*

Starbucks’ venture into foreign territories created impacts and challenges. Selling an upscale, western-style products is easy in China except for one: Chinese are unfamiliar with the taste of coffee. Indeed, many Chinese consider that coffee is too bitter. They prefer tea.

*New York*

The ubiquitous presence of Starbuck’s outlet encourages students to stay and drink coffee. The late hours that most Starbucks stores have is great for business because customers know that there will always be a Starbucks open to sit down and have a cup of coffee. Some Starbucks are even open until midnight.

*Philippines*

December 4, 1997, the Philippines had its first taste of the Starbucks Experience with its very first branch at the 6750 Ayala Building in Makati City. Starbucks has since won the hearts of the Filipinos.

The opening of the 6750 Ayala store marked an important milestone in our history – the Philippines became the third market to open outside North America.

The tradition of warm hospitality, constant need for connection, and love for coffee – these are the qualities that make Starbucks Coffee and the Filipino people a great culture fit.

**Identification of the key management issues your chosen organization faces**

1. Lack of ownership of coffee farms can lead to price fluctuations.
2. There is a general perception of overexpansion.

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