Project Proposal

Part 1

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Project Proposal: Expansion Opportunity to overseas of Starbucks Company

Introduction

Starbucks Company is a coffee company and the coffeehouse chain that is based in America. The company was started in 1971 in Seattle, Washington. The company was started by three friends namely Gordon, Jerry and Zev, who had a great interest in the sale of fresh coffee beans. The company operates a lot of locations around the globe including in the United States, China, Canada, Japan and in the United Kingdom. The locations of the Starbucks usually serve cold and hot drinks, micro-ground instant coffee, the whole-bean coffee, full-and loose-leaf teas, and espresso. Most of the Starbucks stores are involved in selling of pre-packaged food items, drink-ware and the cold and hot sandwiches (Bussing-Burks, 2009).

The company started being profitable for the first time in the 1980s, which led to the revitalized prosperity with its entry in California because of its expansion despite of the initial economic down. The company expanded their locations to Japan in 1996, and expansion to overseas now contributes to nearly one-third of the Starbuck's stores.

Growth opportunity of Starbucks

Starbucks has been reporting increased customer traffic of late and also experience a growth of 3% in the customer count. The expansion plans of the company involve opening more stores in different locations which will be major drivers of growth for the Starbucks. Considering the size of the company it may appear that the fast growth of the company will not be experienced any further. However, the company great opportunities for growth at a pace that is healthy in the decades to come (Hill, 2010). The following are growth opportunities for the Starbucks Corporation:

a. Growing beyond coffee

One of the major growth initiatives in the company has been involving enhancement of the non-coffee sales. The selling of food has been growing at a pace that is increased compared to the rest of the company sales. The company added lunch sandwich offering that are new in order to promote additional growth. The company is also beginning to test selling of the beer, wine, and the small-plate appetizers. These new investments for the have a promising pay off, which will lead to a tremendous growth of the company (Michelli, 2007).

b. Mobile order and pay

The company is also planning a potential game changer in planning to roll out the mobile order and pay functionality chain-wide. This will enable the customers to be in a position of placing orders in advance and collect them with no waiting in line. This will be the urban solution on the convenience of the drive-through. This provides a potential growth on the delivery services and convenience in the company (Michelli, 2007).

c. Lots of ways to grow

Starbucks is moving in a fast way searching various key opportunities for growth. Investors have come to realize that some of the initiatives for growth will be successful compared to others.

Country of Choice: Italy

The country of choice for expansion of Starbucks overseas is Italy. The company has a great opportunity to succeed in Italy because the country does not sell coffee and the competition will be minimized from the rivals. Italians are fond of taking coffee, and this will be a major boost for the Starbucks in the sale of coffee to Italians. The country has protected the coffee culture thus will welcome the investment of Starbucks in the country. The flavor profile of the Starbucks actually matches the tastes of Italians thus promising success. The country has a lot of tourists who will love the coffee and also coffee connoisseurship is on the rise in the country.

Entry modes of Starbucks in the Country

Technology and globalization are two main macro environment elements of the present business settings that have presented and assisted the international expansion tactics and strategies of the companies. The success that is beyond the borders of the country of a company it's an indication of the success of a company and also the company has grown to be required for survival in the market that is competitive. The entry modes in the foreign market include franchises, joint ventures, partnerships, exporting and the foreign direct investments. The choice of the entry mode is determined by some the factors which include the specific factors of the company, specific factors of the markets and the specific factors of the country of choice (Verbeke, 2013).

The most suitable method of entry into the Italy market by the Starbucks Corporation is the joint ventures and the wholly-owned subsidiaries. This is because using this mode of entry it will have an increased extent of monitoring the product quality or the coffee shop activities that usually trade the name of their company. The company will also be in a position to share costs and risks with the partners in the country of choice because of the reduced capital investments. The company needs to ensure that it makes a good choice of the entry mode in the foreign market because the methods it uses determines it the success in the new market (Verbeke, 2013).

Conclusion

The Starbucks is a company that has a promising future, and a lot of expansion and growth opportunities lies before. Some of the growth opportunities include expanding its stores around the globe, increasing delivery services and convenience through the mobile order and pay and also increase beyond coffee products to food items. The growth of the Starbucks in the foreign market is determined by the entry mode in the market and the marketing strategy it applies in the international market.

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Strategic Audit

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Italian Culture and Cultural Exchange

The Italian culture is usually steeped in the family, arts, music, food and also architecture. Nearly 96 percent of the Italy population is comprised of the Italians but also there are other ethnic groups in the country. The other ethnic groups in the country include Italo-Albanian, German, North African Arab, Albanian, Australians and some groups from the European. The composition of the population of Italy is thus appropriate for the investment of Starbucks Company from United States. The official language used in the country is Italian. Almost 93 percent of the population of Italy uses Italian as their native language. Apart from the official language of the country there is other languages used which are Friulian, Ligurian, Neapolitan and Sardinian (Killinger, 2005).

In the country of Italy the family usually serves as the center of the social structure and gives an influence that is stabilizing to its members. The family offers both financial support and the emotional support to its members. The Italians usually have family gatherings occasionally and enjoy taking time with their families. The children are normally brought up in a close relationship with the family until they become adults. The way of dressing is of much concern in Italy because one identifies his or her social status or class, educational level and the background of the family through dressing.

Cultural differences

In this world that is dynamic and globalizing one of the commonest thing that is certain are the cultural differences that exist between the countries around the world. The cultural practices of Italy can host the expansion of Starbucks from the United States which is the home country of Starbucks. America usually has a monochromic culture while Italy has a polychromic culture. The businesses in Italy open and close with no predestined way while in the United States the businesses usually have business hours that are set. Visiting different stores in the United States during the business hours you will find them open however in Italy the situation is different. Opening and closing times of the businesses do not have anticipated times for closing and opening. (Killinger, 2005).

Americans are usually fast in how business is carried out. We are more on run and take less time for meals between business hours. Nearly all the businesses in America are equipped in handling to go orders. The situation is different in Italy. The Italians usually like sitting and enjoying their food. They are very slow conducting business and it's very hard for them to find to-go food. The Italians usually walk but Americans run. The Americans usually value promptness however Italians value the relationships. Again, the level of efficiency in United States in at a higher level compared to Italy. The differences in the cultural practices does not equate to bad business. The differences between the U S and Italy can be overcome easily.

Cultural exchanges between the two countries are a common thing with expansion of Starbucks Company to Italy. For the success of the company the two parties will need to learn from each other. This will include the way of doing businesses and language. Learning the languages of each country will be important because it will eliminate language barriers which may be a setback for Starbucks investing in Italy. The company also needs to learn the cultural practices of Italians so that they are in a position to meet the taste and preferences of the Italians. The cultural exchanges between United States and Italy occur in nearly all fields including arts, sciences, social sciences and humanities. This is important for the company investing in Italy.

Cultural exchanges between the two countries will strengthen the ties between the countries thus creating enabling environment for business activities between the two nations (Killinger, 2005).

Distribution Methods

One of the major sections of the marketing strategy of Starbucks Company in Italy involves describing the way to distribute the products it's offering to the final users who are the customers. A number of the distribution methods or channels usually differ in terms of customer relationships, resources, complexity and the costs needed to operate the distribution channel. The distribution channel is supposed to match and support the objectives and goals of the company. The Starbucks Company utilizes several distribution channels to distribute its products to the customers. First the company uses a direct retail system. In this case, the company imports and processes coffee as well as sells it with its brand name in their own stores. Second, the company sells its products to the shopping centers and supermarkets. Starbucks also has agreements on distribution with hotels, suppliers of coffee and the airlines. Using of multiple distribution methods for the company will be the best choice as it assists the company in reaching a wider market (Bussing-Burks, 2009).

Product/Market

Starbucks Company continues the innovation of its product mix for the purpose of capturing more of the market. The company focuses on developing products that meet the needs of the customers. The Starbucks products include coffee, pastries, tea, smoothies, frappuccino beverages and merchandise such as instant coffee and mugs. This enables the company to meet a wide range of customer needs. The atmosphere of Starbucks Company makes the customers feel comfortable, relaxed, and listen to their favorite music and also purchase their favorite drinks.

Pricing

The company needs to use a premium pricing strategy which takes advantage of the behavioral tendency or perception of the people to buy products that are more expensive on the basis of the perceived relation between high value and high price. The coffee products of Starbucks are priced higher than the prices of their rivals. This pricing strategy is important as it maintains the company's image of high-end specialty. The business is also able to maintain its premium brand image using this strategy (Pham-Gia, 2009).

Positioning

It's essential for the company to determine the market position of its products effectively. The market positioning refers to the arrangement of the product to occupy places that are distinctive, clear and desirable relative to the rivaling products. Starbucks needs to develop a unique market position for its products in the new market to ensure customers buy their products. The company also needs to ensure that its high reputed brand is maintained in the market (Pham-Gia, 2009).

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