

established in the United States. In 2001, the company introduced a stock option plan for all Japanese employees, making it the first company in Japan to do so. Skeptics doubted that Starbucks would be able to replicate its North American success overseas, but by the end of 2009 Starbucks had some 850 stores and a profitable business in Japan.

After Japan, the company embarked on an aggressive foreign investment program. In 1998, it purchased Seattle Coffee, a British coffee chain with 60 retail stores, for \$84 million. An American couple, originally from Seattle, had started Seattle Coffee with the intention of establishing a Starbucks-like chain in Britain. In the late 1990s, Starbucks opened stores in Taiwan, China, Singapore, Thailand, New Zealand, South Korea, and Malaysia. In Asia, Starbucks' most common strategy was to license its format to a local operator in return for initial licensing fees and royalties on store revenues. As in Japan, Starbucks insisted on an intensive employee-training program and strict specifications regarding the format and layout of the store.

By 2002, Starbucks was pursuing an aggressive expansion in mainland Europe. As its first entry point, Starbucks chose Switzerland. Drawing on its experience in Asia, the company entered into a joint venture with a Swiss company, Bon Appetit Group, Switzerland's largest food service company. Bon Appetit was to hold a majority stake in the venture, and Starbucks would license its format to the Swiss company using a similar agreement to those it had used successfully in Asia. This was followed by a joint venture in other countries.

As it has grown its global footprint, Starbucks has also embraced ethical sourcing policies and environmental responsibility. Now one of the world's largest

buyers of coffee, in 2000 Starbucks started to purchase Fair Trade Certified coffee. The goal was to empower small-scale farmers organized in cooperatives to invest in their farms and communities, to protect the environment, and to develop the business skills necessary to compete in the global marketplace. In short, Starbucks was trying to use its influence to not only change the way people consumed coffee around the world, but also to change the way coffee was produced in a manner that benefited the farmers and the environment. By 2010, some 75 percent of the coffee Starbucks purchased was Fair Trade Certified, and the company has a goal of increasing that to 100 percent by 2015.⁸⁰

Case Discussion Questions

1. Where did the original idea for the Starbucks format come from? What lesson for international business can be drawn from this?
2. What drove Starbucks to start expanding internationally? How is the company creating value for its shareholders by pursuing an international expansion strategy?
3. Why do you think Starbucks decided to enter the Japanese market via a joint venture with a Japanese company? What lesson can you draw from this?
4. Is Starbucks a force for globalization? Explain your answer.
5. When it comes to purchasing coffee beans, Starbucks adheres to a "fair trade" program. What do you think is the difference between fair trade and free trade? How might a fair trade policy benefit Starbucks?

Notes

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3. Thomas L. Friedman, *The World Is Flat* (New York: Farrar, Straus and Giroux, 2005).
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