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Entry Mode (E): Starbucks Goes Global

Starbucks Coffee Company (Starbucks) was founded in 1971 by three coffee aficionados. At the time, the concept of selling coffee drinks and fresh-roasted whole beans in a specialty store was revolutionary. By 2008, Starbucks was the leading roaster and retailer of specialty coffee in the United States, with more than eleven thousand retail stores.¹

As Starbucks reached the point of saturation and growth slowed in North America, the firm set its sights on overseas expansion. Two distinct strategies were used to navigate country-specific issues and manage risk:

1. In markets where it perceived significant economic, political, or cultural challenges, Starbucks looked for a reputable and capable local company with which it would establish a joint venture to develop and operate new stores.
2. In situations where it perceived lower risk and less “cultural distance,” Starbucks would invest directly using a subsidiary, Starbucks Coffee International, to develop and operate stores.

In 1996, Starbucks opened its first Japanese store (a joint venture) in Tokyo’s Ginza district. Almost immediately, Starbucks enjoyed huge success in Japan. Its stores became twice as profitable as its American outlets.² By 2008, more than six hundred stores were operating as joint ventures in Japan.

Starbucks’ experience in Britain was quite different. In the spring of 1998, Starbucks Coffee International acquired a local chain called Seattle Coffee Company. While this was the result of months of planning and negotiation, from the consumer perspective, more than sixty Starbucks cafés suddenly appeared out of nowhere—replacing a popular local brand. The initial reaction was negative and Starbucks was portrayed by the media as a ruthless corporate conquistador.

Starbucks responded with an aggressive marketing campaign and was able to overcome its early image problems. Since 2003, there has been a major shift in British tastes, with tea sales plunging and coffee sales soaring. In the end, the coffee culture infiltrated Britain and by 2007, Britons were spending more on coffee than on tea. In 2008, London had more Starbucks stores than New York City.³

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