



STUDYDADDY

**Get Homework Help
From Expert Tutor**

Get Help

**STARBUCKS INTERNATIONAL EXPANSION
TO AUSTRALIA:**

A Marketing Plan

Submitted by:
Mary Charleson & Darryl Laing

For:
City University MK515
Global Marketing

June 5, 1999

I. Starbucks International Expansion To Australia: Marketing Plan Executive Summary

History

Starbucks Coffee Company was founded in 1971 to bring European quality coffee to Seattle, WA. Starbucks changed hands in 1987, expanded steadily and went public in 1992. In 1992 they opened their first location outside of North America and now operate in several countries from North America, to Europe and Asia.

Situation Analysis

Starbucks has increased their product offerings from coffee to chilled coffee products, coffee-related appliances, ice cream, and CDs. They have developed these new product families through partnerships with PepsiCo, Dreyers Grand Ice Cream and Capitol Records. They have expanded their distribution through partnerships with Kraft Foods, PepsiCo, United Airlines, Horizon Airlines, Holland America Cruise Lines, Sheraton Hotels, Barnes & Noble Bookstores, Chapters, Washington State Ferries and Nordstroms.

USA is the single largest importer of goods into Australia. Australia is westernized and generally receptive to American products with few exceptions. Australians prefer a snack or meal with their beverage and tend to prefer to sit-down rather than take-out their purchases. This may favor the Café style of outlet that Starbucks has been testing.

Strength, Weakness, Opportunities, Threats Analysis Summary Starbucks is a globally popular brand with strong financial, marketing and distribution resources. However, Starbucks has no existing presence in Australia and has grown very quickly leaving little opportunity to develop a mature and vast foundation for expansion. Australia is a large market that is ripe for the entry of Starbucks, with a receptive government, established distribution channels, strategic global location and interest from the market. However there is no thriving premium coffee market to prove the readiness of the market on a large scale.

Target Market

Our target market ranges in age from 30 -45 years of age and of the urban or suburban demographic. The typical customer will be well traveled, technologically savvy, and have a significant interest in the arts and cultural events.

Product, Place, Price & Promotion

Starbucks product will be fresh brewed coffee, beans and related appliances and accessories. Diversification will include chilled coffee product, tea, ice cream and CDs. Product will be available at store locations as take-out or sit-in, and related products such ice cream and coffee beans will also be distributed in grocery stores. Starbucks will seek strategic alliances

and possible take-over targets for expanded distribution opportunities. Starbucks will focus initially on particular urban centers.

Starbucks controls its procurement, processing and distribution globally to control costs and to ensure high quality. The Starbucks product is a premium product and as such will be priced at a premium. Existing premium coffee in the market is priced very high, so Starbucks entry into the market will be one of setting the standard for price and quality.

Starbucks will maintain its successful store strategy combining a unique yet attractive atmosphere with great service. Starbucks will maintain existing joint affiliations for distribution and marketing and seek new ones as opportunities arise. Starbucks will maintain its publicity strategy of sponsoring a major arts event such as the Fringe Festival. Starbucks will charitably contribute to the community by sponsoring and operating a community based literacy program similar to it's North American Starbucks Foundation. Starbucks will operate a central public relations office in Melbourne. Starbucks will undertake several promotional initiatives, such as discount coupons, movie screen advertising, print ads, outdoor transit billboards, and radio.

Financial Projections

We have identified a positive cash flow potential from early in operations. Based on margins and average sales figures from existing stores globally, we project a net profit of \$250 million in the fourth quarter and \$900 million in the sixth quarter. These represent a 54% gross margin and a 10% net margin. Fixed costs for the first two quarters is \$300,000, \$1,830,000 in the first year and \$7,563,000 in the first six quarters.

Evaluation & Control

Starbucks expects to undertake continuous evaluation of all product families, marketing initiatives and sales levels. Modifications or elimination will be considered on a case-by-case basis. Sales levels are expected to approach levels proportionate to those of North America very quickly, giving Starbucks a 50% market penetration by June 2000.

Primary Research

A questionnaire survey was designed and undertaken in actual markets of Melbourne and Perth, yielding substantial insight into the preferences of the premium coffee market in Australia, their reaction to advertising possibilities and their knowledge and opinions of the Starbucks brand. This information was used to inform and modify our marketing plan.

II. Company History:

Starbucks Coffee Company was founded in 1971 by two college friends whose goal was to bring European quality coffee beans and products to the people of Seattle, WA. As a single location store in Pike Place Market, the operations focus was on educating the customer about the finest arabica coffees, selling whole or fresh ground beans, and retailing European espresso and coffee preparation products for use in the home. In 1987 the original founders sold the business and the name to Howard Schultz, the current company President. From 1987-1992 the company remained privately held.¹ During this time Starbucks expanded operations beyond Seattle to Portland OR, Vancouver BC and Chicago IL. The emphasis was to encompass the service and atmosphere of Italian style cafes, while maintaining the sale of coffees and preparation products for home use. Stores focused on the quality preparation of coffee drinks for sit down and take out. Space was created in stores to mimic those of European cafes. The goal was to create an engaging atmosphere to encourage camaraderie and community.²

“Coffee and coffee houses have been a meaningful part of community life for centuries in Europe as well as America. Starbucks resonates with people because it embraces this legacy. That’s what makes it more than a hot growth company or 1990’s fad. That’s what makes it sustainable.”³

Starbucks entered the California market in 1991. In 1992 they made a public stock offering with a listing on NASDAQ. Since going public, over 500 million has been raised.⁴ In 1993 they entered the American east coast market of Washington DC. During 1994-1995 they continued to expand in existing markets and enter new ones in eastern USA and Canada.

In August 1996 they opened their first location outside of North America in Tokyo, Japan which was followed by locations in Singapore.⁵ From 1987 - 1997 the company went from 6 stores and less than 100 employees to more than 1300 stores and 25,000 employees. In April 1998 Starbucks entered the European market with the acquisition of Seattle Coffee Company in the United Kingdom.⁶ The company converted 56 locations and added additional ones, now totalling 83. In May 1998 Starbucks signed a licensing agreement with Restaurant Brands of New Zealand, the franchisee for KFC and Pizza Hut brands. There are currently 3 locations in Auckland with expansion plans for 50 retail locations.⁷ At the end of fiscal 1998, the company was becoming a truly global brand with 2,000 stores and 26,000 dedicated employee partners.⁸

¹ Schultz, H (1997), Pour Your Heart Into It, Hypion, NY p110

² Schultz, H (1997), Pour Your Heart Into It, Hypion, NY p121

³ Schultz, H (1997), Pour Your Heart Into It, Hypion, NY p224

⁴ Schultz, H (1997), Pour Your Heart Into It, Hypion, NY p186

⁵ Schultz, H (1997), Pour Your Heart Into It, Hypion, NY p224

⁶ Business Wire (April 29, 1998), Starbucks to Acquire Seattle Coffee Company, www.elibrary.ca

⁷ Business Wire (May 20, 1998), Brands Sign Licensing Agreement, www.elibrary.ca

⁸ Starbucks 1998 Annual Report, p18

The company has achieved its goal of rapid growth through four key aspects of the business: rapid expansion of its retail operations, growth of its direct response mail order operations, growth of its specialty sales operations, and the pursuit of “branding” Starbucks products through strategic partnerships outside the traditional coffee industry. Examples of this branding include the development of Starbucks ice cream in partnership with Dreyer’s, theme music CD’s with Capital Records, Kraft Foods for supermarket distribution and the development of a coffee based beverage with Pepsi. The diversification of product sales has added substantially to the companies net revenues.

Starbucks has helped elevate its name and associated coffee experience to top of mind awareness through strategic partnerships with companies such as United Airlines, Horizon Airlines, Holland America Cruise line, Sheraton Hotels, Barnes & Noble book stores, Chapters, Washington State Ferry’s and Nordstrom’s. Exclusivity of product delivery through these venues has also helped achieve greater overall revenues.

Starbucks pioneered the the concept of “employee partnerships”. Employee medical and dental benefits, profit sharing and stock options were unheard of in the service sector prior to their introduction by Starbucks. The company recognized that much of their success was dependent on excellence in service to the customer, which was ultimately delivered through satisfied employees.

Also key to the companies success has been vertical integration. Starbucks has achieved vertical integration by controlling its coffee sourcing, roasting and distribution channels. These systems are particularly important for achieving quality control, cost efficiencies and uninterrupted delivery systems. Though important at any stage of a companies development, vertical integration has proven to be a critical component for success in a competitive marketplace.

In 1999 emphasis is on rapid expansion of the European and Asian markets. Their goal is to have 500 stores in the Asia-Pacific region by 2003.⁹

⁹ Yeap, S (May 19, 1999), phone interview, [Starbucks media relations](#), Seattle

III. Starbucks and the Australian Market:

In keeping with the companies aggressive Asia/Pacific expansion goals is the development of a marketing plan for the yet untapped Australian market.

A. Situations Analysis:

The following is an analysis of the current market existing in Australia for the Starbucks product.

Existing Environment and Trends:

i/ Social:

The coffee culture is relatively new in Australia compared to European and North American markets. Most Australians have only been consuming brewed coffee for the past 20 years.¹⁰ Much of the culture originated in Italian, Greek and Turkish ethnic communities. However, in recent years there has been a proliferation of coffee house/cafes in urban areas.

Australia is just starting to come to terms with the franchise/multi-location store. The concept is still relatively new, and several notable American based franchise concepts (such as The Keg, Muffin Break and Sizzler) have folded or been remarketed.¹¹

Australia has a strong industry of independent private businesses. Research has indicated that there are many independent coffee shops in the 2 urban areas studied - Melbourne and Perth. Due to this strong affiliation with independents, sometimes the use of foreign or American names has had a backlash effect on new retailers. However depending on the product and the positioning, some US brands are very trendy.¹²

Most cafes/coffee houses in urban Australia areas offer sit down service and little counter services. Many are licensed for alcoholic beverages and most serve a variety of foods and light meals.¹³ Starbucks began testing an exciting new "European style" cafe concept in 3 greater Seattle locations in 1998. They offered a complete line of coffee and espresso beverages as well as a simple menu.¹⁴ This style of Starbucks might well be more suited to the Australian market. Our primary research revealed that 32% of respondents preferred to have their beverage with a meal, and 64% preferred it with a meal or light snack. Only 36% of respondents go to a cafe for a beverage only.

¹⁰ Hansen, C (May 1999) - secondary research on Perth market via email (hsm@optusnet.com.au)

¹¹ Joyce, D (May 1999) secondary research on Melbourne market via - email (dantan@connexus.net.au)

¹² Joyce, D (May 1999) secondary research on Melbourne market via - email (dantan@connexus.net.au)

¹³ Hansen, C (May 1999) - secondary research on Perth market via email (hsm@optusnet.com.au)

¹⁴ 1998 Annual Report

ii/Economic:

Nationally, the economic outlook in Australia is currently bright. Following an economic slowdown in the early 1990's, largely due to a domestic market inflationary recovery period, the country has spent much of the 1990's adjusting its economic outlook to a global focus.¹⁵ Regionally the states of New South Wales, Victoria, Western Australia, Queensland and South Australian are economically stable.

The economics of importing product from the US and exchange rates will affect the pricing of product in the Australian market. No significant importing hurdles are anticipated. Currently, the US is ranked as the #1 importer of goods to Australia with a 22.3% market share of all imported goods.¹⁶

The policy of the Federal Reserve of Australia is to pace the Australian dollar currency value close to that of the US dollar value. Despite this policy, the current strong US dollar has out paced the AUS dollar, making its current value about \$.70 to one US dollar. The current highly valued US dollar would have a net favourable impact on US imports.

iii/Political:

Nationally the country is governed by the Coalition Liberal Party, lead by Prime Minister John Howard. The parties platform is slightly more conservative or Republican leaning in Canadian and US terms, than its predecessor the Labour party. The policies tend to be very pro business and entrepreneurial in nature. They tend to promote business and break down barriers to entry rather than inhibit it. The policies are of foreign expansion rather than protectionism. These conditions are seen as favourable for Starbucks expansion plans.

iv/Cultural:

The Starbucks concept is currently founded on a take out mentality. The original concept was to provide a quick stand up to go service in downtown locations.¹⁷ Australia doesn't have the same take out (take away) mentality that North America does. However, this is rapidly changing with faster lifestyles and higher incomes.¹⁸ Our primary research revealed that 93.75% of respondents preferred to sit down when going to a cafe. Only 6.25% preferred to take away their purchase.

16% of Australians speak a language other than English in the home.¹⁹ Italian, Greek and Cantonese make up the largest percent of this group. Language barriers appear to offer little

¹⁵ Australian Trade Commission 1998 Report, www.autrade.gov.au

¹⁶ Australian Trade Commission, US/Australian Trade Policies, 1998 Report, www.autrade.gov.au

¹⁷ Schultz, H (1997), Pour Your Heart Into It, Hypion, NY p121

¹⁸ Joyce, D (May 1999) secondary research on Melbourne market via - email (dantan@connexus.net.au)

¹⁹ Australian Bureau of Statistics, www.abs.gov.au

threat to the successful market entry. The representation of Italian and Greek origin populations, particularly in the Melbourne market, further substantiates the support of a coffee culture.

Demographically, the age composition of the Australian population is similar to North American trends. They are an aging society with the percent of the population under 15 decreasing and those over 65 increasing markedly.²⁰ A similar “baby boom” phenomena took place in the country following the second world war as did in the US and Canada. A disproportionate number of the population are between the ages of 35-50 years old.²¹ This age group, clearly a target of Starbucks, has patronized the store readily in the North American market.

Most of Australia’s population is concentrated in two widely separated coastal regions. In both coastal regions the population is concentrated into urban centres. Half the area of the continent contains only 0.3% of the population.²² In many respects it is a population distribution similar to Canada with urban pockets separated by great distances. This concentration of inhabitants in urban areas is what makes the market particularly appealing.

v/ Technological/Infrastructure considerations:

The transportation and communications networks in Australia are well established, modern and reliable. The country’s infrastructure is very supportive to business. Trans Pacific and Trans Asian flights depart and arrive daily from Sydney with continental links to other major urban centres such as Perth, Melbourne, Brisbane and Adelaide. The distribution of goods from international import gateways is well supported. The electrical system functions on a 240 volt frequency, differing from North American standards. Some equipment adaptation would be anticipated. Given the company has entered the New Zealand market already, much of this has already been done.

vi/Legal:

There are no serious restrictions on foreign nationals running a 100% foreign owned company in Australia. There are however significant tax advantages to involving a local partner. Licensing and joint venture programs are a popular way for foreign business to enter the market. Liquor licensing and service restrictions are much more lenient in Australia than in many parts of North America. Given these rules, many cafes serve alcoholic drinks on their menu. Both Australia and the USA are members of APEC (Asia Pacific Economic Cooperation) where members are given preferred treatment by lower trade barriers. The Australian Federal Government recently passed legislation to introduce GST of 10%. The tax is to come into effect July 1, 2000²³

²⁰ Australian Bureau of Statistics, www.abs.gov.au

²¹ Foot, D (1996), *Boom Bust and Echo*, MacFarlane Walter & Ross, Toronto, p83

²² Australian Bureau of Statistics, www.abs.gov.au

²³ Staff reporter (May 29, 1999), *GST Approved*, The Age Newspaper, Melbourne, p1

vii/Ecological:

Australia, like many other developed trading nations has instituted environmental legislation to encourage the safe and responsible use and trade of consumer and industrial goods. Starbucks recycles all paper, plastics and glass products. They also offer discounts when the customer brings their own cup. The company also funds initiatives to help suppliers develop processing facilities designed to minimize environmental impact.²⁴

B. SWOT Analysis

i/ Internal Strengths and Weaknesses:

a. Company's Strengths:

1. Substantial Financial resources.
2. Established marketing package.
3. Established world-wide distribution network.
4. Popular established brand.
5. Variety of established product lines.

b. Company's Weaknesses:

1. Lack of presence in Australia.
2. Extremely rapid growth which typically puts a young company on weak foundation.

ii/ External Opportunities and Threats:

a. Market Opportunities:

1. Large westernised market that lacks a product to meet the Starbucks need.
2. Established distribution channels through existing strategic partners.
3. Government that is receptive to new brand introductions.
4. Strategic location globally for distribution and processing of product sourced from Southeast Asia.

iii/ Competitive Situation

a. Threats:

1. Established competition.
2. Market that may potentially reject American products.
3. Market that may reject gourmet coffee and related products.

b. Opportunities from Weaknesses of Competition:

1. No successfully established coffee house chain nationally.
2. No such player with strong global product distribution and control.
3. No recognised quality coffee products.

²⁴ Schultz, H (1997), Pour Your Heart Into It, Hypion, NY p294

IV. Target Market Selection:

A. Demographics:

The Starbucks customer ranges in age from 15 - 65+, but typically the bulk of customers fit into the 30-45 year old age group. Equally represented by gender, they are more highly educated than average and usually employed in professional positions. Our cafe/ coffee house survey showed the following age breakdown: 2.94% were 18-24yrs, 32.35% were 25-36yrs, 47.06% were 37-45yrs, 11.76% were 46-60yrs, and 5.8% were over 60yrs. Our randomly sampled survey skewed female in its gender representation, with 58.82% female and 41.18% male.

B. Geographics:

Stores are typically located in downtown areas frequented by business traffic in the day and entertainment traffic in the evening. However, the fastest growing stores currently are in urban or suburban residential neighbourhoods.²⁵ More and more people are working from home offices. They go to coffee bars for the human interaction they need on a regular basis.²⁶ The company strategy is to pick a region - target a large city to serve as a "hub" and rapidly open 20 stores in the "spokes" surrounding the area within 2 years.²⁷ Starbucks also goes to great lengths to secure prime real estate locations, favouring corner exposure where possible.

C. Psychographics:

Customers have been found in research to be well travelled, technologically savvy, and have a significant interest in the arts and cultural events.²⁸

Product Related Attributes:

Typically, existing customers are very loyal to the brand. Usage patterns vary from market to market, but a typical customer will visit a Starbucks at least 4 times per week.²⁹ Our primary research supported these numbers. 87.27% of those surveyed drank coffee 1-3 times/week dining out or take away.

V. The Marketing Mix:

A. Product:

Starbucks Corporation and its subsidiaries purchases and roasts high quality whole bean coffees and sells them, along with fresh, rich-brewed coffees, Italian-style espresso beverages, and a variety of pastries and confections, and coffee-related accessories and equipment,

²⁵ Schultz, H (1997), Pour Your Heart Into It, Hypion, NY p121

²⁶ Schultz, H (1997), Pour Your Heart Into It, Hypion, NY p121

²⁷ Schultz, H (1997), Pour Your Heart Into It, Hypion, NY p194

²⁸ Schultz, H (1997), Pour Your Heart Into It, Hypion, NY p191

²⁹ Schultz, H (1997), Pour Your Heart Into It, Hypion, NY p298

primarily through its company operated stores. In addition, Starbucks sells primarily whole bean coffees through its specialty sales operations. Through its joint venture partnerships, Starbucks also produces and sells a bottled Frappuccino coffee drink, a line of premium ice creams, and CD music products.

B. The coffee product:

The following products would be offered: Hot coffee, cappacino, espresso, marachino, regular and herbal teas. Flavoured milk and iced coffee would be added to the mix to compete with local offerings. The demand for decaffeinated coffee appears much lower than in North American markets (only 6.25% of survey respondents preferred decaffeinated coffee), as does low fat milk options. Tea, although a popular drink in the home, is consumed less frequently in cafes. 63.64% of our survey respondents said they drink tea, but of those only 38% said they drink it out of the home. Of those who did drink tea, 62% preferred it in loose leaf form, and 38% preferred it in a tea bag. Loose leaf tea would be added to the product mix.

Iced coffees are quite popular, and we would anticipate the popularity of Frappicinos, a creamed iced coffee drink, and Tiazza, an iced tea based beverage. Since the climate is decidedly warmer than most of the markets where Starbucks has experienced success, we would anticipate a higher demand for these products than in the established markets. Product demand might be expected to closely resemble that of the southern California market.

Our survey showed that there is a higher demand for a mild/lighter flavour coffee than for a strong/full bodied flavour. Starbucks has recently developed the "milder dimensions" roast, which would be appropriate for this market. As well, regionally, the preference for milder roasts was strongest in the western market of Perth. The majority of preferences for the stronger roast were from the Melbourne market.

Daily consumption patterns in our research revealed a skew to mornings and afternoons. 50% of respondents visited a cafe in the morning, 30.88% in the afternoon, and 19.12% in the evening. These numbers would help in the planning of staffing hours and sales promotions.

91% of survey respondents said they prepare coffee in their home. Of those, 58.06% use a coffee plunger/coffee press. Only 29.03% had a drip coffee maker, and only 22.58% had a cappacino maker in their home. 19.35% prepared instant coffee. These results indicate that there is a growing market for home preparation products in the future, but education about the product will be required.

C. Starbucks Branded Products:

i/ Frappicino Iced Coffee product:

Starbucks leveraged Pepsi's tremendous distribution in North America for the distribution to the mainstream market of its specialty canned and bottled beverages.

Pepsi has been a strong distribution channel in Australia, and it is anticipated that a similar arrangement would be made there.

ii/ Starbucks Ice-cream:

In 1995 Starbucks partnered with Dreyers to produce and distribute without co-branding, five flavours of coffee ice-cream products.³⁰ Dreyers parent company, Unilever, has distribution worldwide with existing channels in major supermarkets in Australia.³¹ The distribution of this product would be targeted for two years following entry to the market, to allow the Starbucks brand to be firmly established in the consumers mind first.

iii/ Music CD's:

Starbucks has co-developed, packaged and marketed with Capital Records, several themed music CD's available for sale in their cafes. These have been classical or jazz in nature, and have been used in tandem to promote the launch of such coffee products as the "blue note blend" in the past. The company would anticipate continuing to utilize this relationship with Capital Records in the Australian market. They are well established as a producer and distributor there.

D. The coffee house experience:

The take out (take away) culture is not as strong in the Australian market as in North America. Counter service would be provided, but more seating area would be required and table service would be added. To control costs, similar materials and furnishing are currently used, with careful assurance that no two stores look exactly alike. A regional design to integrate elements of local culture would be developed for the Australian market. The store would have a mix of stationary and flexible seating, and include a small merchandise section. Hot temperatures for much of the year would dictate the necessity for air conditioning and umbrella covered patio accommodation.

E. Service:

As noted above, table service would be necessary to compete with local offerings in the Australian market. A light food menu would also be offered. The demand for both of these services was substantiated in our primary research.

³⁰ Schultz, H (1997), Pour Your Heart Into It, Hypion, NY p227

³¹ Peel, B (May 17, 1999), phone interview, Dreyers Western Canada Marketing Manager

F. Competitive advantage:

The following factors would contribute to the companies competitive advantage. They would be emphasized in communications and positioning of the product.

- premium roast arabica European style coffee
- education of the consumer
- highly trained baristas
- strategic and convenient locations
- fast, accurate service of predictable quality
- a comfortable, welcoming atmosphere

VI. Place:

A. Outlets for distribution:

i/ Cafes:

Two urban centres have been identified initially for the launch of Starbucks in the Australian market; Melbourne and Perth. Sydney, Brisbane and Adelaide would follow within the year. As is the case with all Starbucks development plans, multiple core urban locations would be sought up front (the hub), with secondary locations (the spokes), being developed later.

ii/Melbourne:

Located in the South Eastern part of Australia, in the state of Victoria, the city is known for its ethnic diversity, vibrant arts community and a growing food, wine and coffee culture. With a population of 3.3 million³² the climate is relatively temperate year round with cooler, wetter conditions in July / Aug (winter) and very hot temperatures in Dec/Jan (summer). The chosen target location is on Chapel Street, Prahran, a busy, trendy streetscape frequented by the target group.

iii/Perth:

Perth is located in the state of Western Australia in the far western region of Australia. Approximately 1.3 million people live in the city.³³ The climate is temperate year round and relatively dry, with higher temperatures in the summer. The city centre is relatively small compared to other cities in Australia.³⁴ Perth has a very strong existing coffee house culture. The attitudes and lifestyle are “west coast” and typically more relaxed than their eastern counterparts. The location chosen is Bayview Terrace in Claremont, a suburb location of Perth. It is a known cafe precinct frequented by high income trendy shoppers.

iv/Sydney:

Located in New South Wales on the east coast, it is the largest city in Australia with a

³² Australian Bureau of Statistics, www.abs.gov.au

³³ Australian Bureau of Statistics, www.abs.gov.au

³⁴ Australian Bureau of Statistics, www.abs.gov.au

population of 3.9 million. The city is a gateway for international travellers and ethnically diverse. This site is to be developed following Melbourne and Perth. The area considered is "The Rocks", a trendy area close to the waterfront, frequented by high income shoppers and business clientele. It is also close to evening theatre and entertainment establishments.

v/ Brisbane:

Located in the mid-north eastern part of the country on the coast, in the state of Queensland, Brisbane has a population of 1.5 million.³⁵ The city was the host of the World Fair Expo '88. Initial locations would be considered in the business core and on the coastal ocean front.

vi/ Adelaide:

Located in the state of South Australia, Adelaide has a population of just over 1 million. As the state capital, Adelaide is the centre for many government offices, Initial locations would serve the downtown business community and theatre district.

B. Strategic Alliances:

In 1996 Starbucks struck a strategic alliance with United Airlines to provide product for coffee service on the airline. A similar alliance would be pursued with their points partner Qantas Airlines.

Starbucks has set up several "breve bar" style locations, where they have become a store within a store. The company has struck this arrangement with Nordstrom's department stores in the US market. The possibility of a similar arrangement with Meyers Department stores in Australia, a well known, widely established chain having a similar position and clientele to Nordstroms would be pursued. Starbucks has also set up breve bar locations within Barnes and Noble bookstores in the US markets and Chapters bookstores in the Canadian markets. Although Barnes and Noble has no immediate plans to enter the Australian market³⁶ their primary competitor in the US market, Borders Books and Music, has just entered the Australian market in Sydney within the last 6 months. If Barnes and Noble were to enter the market, Starbucks would consider developing this strategic alliance in the Australian market. Although the big box book retail concept is relatively new in the Australian market, Starbucks would consider an alliance with a strong book retailer other than Borders.

C. Channel Management:

Starbucks does not franchise. Every store is company owned. Although it is tempting to share costs with franchisees, the company does not want to lose control of the all important link to the customer.³⁷

³⁵ Australian Bureau of Statistics, www.abs.gov.au

³⁶ Laurie Hyatte, Manager media relations, Barnes and Noble, New York, phone interview

³⁷ Schultz, H (1997), Pour Your Heart Into It, Hypion, NY p145

The company has entered foreign markets recently through an acquisition in the UK. They operate under a joint venture agreement in Japan, Taiwan and Hawaii. Licensing agreements have been secured in Singapore, the Phillipines and New Zealand. The preferred method of entry would be as a wholly owned subsidiary, however the possibility of a licensing agreement with Pepsico, the parent company of Restaurant Brands and the licensee in New Zealand, would be pursued. Licensing and joint venture agreements would only be considered if they offered strategic advantages to quick and extensive entry. The acquisition of an existing chain such as "Dome" in Perth with 8 locations would be considered if the style and corporate culture were a good fit. The following criteria would be used in this assessment:

- don't compete directly with retail stores
- same management orientation
- same attitude towards customers
- long term relationship good for brand and profits³⁸

Currently roasting plants exist in eastern and western USA and the UK. No current plant exists in the Asia Pacific. Flavour lock bags have been the key to making the expansion strategy possible.³⁹ They allow the company to sell coffee of the highest freshness standards in stores thousands of miles from the roasting facility. The bags meant they didn't have to build a roasting plant in every city they entered. With regular North America to Australia flights to all major cities, there is no immediate necessity to build a roasting plant in the country. However, given the lofty goal of 500 stores in the Asia-Pacific region by 2003, consideration would be given to securing a roasting facility in the Asia region within 3 years. Since much of the product is sourced in this area, this move would increase efficiencies and lower exporting costs.

VII. Price

A. Market-based Pricing

Starbucks has a premium product, and as such charges premium prices. In Australia however, gourmet and speciality coffee is in short supply and prices are already high. Prices range from \$1.80 to \$3.00 for brewed coffee. ⁴⁰ Starbucks products will remain at their global premium price and upon introduction into the Australian market, this price will be very competitive.

B. Cost-based Pricing

Starbucks buys and processes coffee around the world. Adding Australia to the world-wide mix of distribution hubs would not add an extra element of importation to the cost of the product. Australia would add to the market and volume of business that Starbucks enjoys

³⁸ Schultz, H (1997), Pour Your Heart Into It, Hypion, NY p267

³⁹ Schultz, H (1997), Pour Your Heart Into It, Hypion, NY p117

⁴⁰ Hansen, C (May 1999) - secondary research on Perth market via email (hsm@optusnet.com.au)

bringing the relative cost of their product down through economies of scale.

C. Distribution System impact on retail pricing

Starbucks controls its own processing and worldwide distribution systems. This is a critical factor in the competitive advantage Starbucks enjoys through cost control and quality control. Starbucks controls several upstream cost elements by controlling its processing and distribution. With a commodity like coffee, vast price fluctuations obtain due to factors such as regional environmental problems, social and political instability in coffee producing countries, and market cost fluctuations in roasting and packing plants. Starbucks maintains control over costs by diversifying their procurement globally and then internally controlling the rest of the process. Starbucks will seriously consider a processing and distribution hub in Australia. With existing processing plants only in UK and USA the entire Austral/Asia region of the globe is without a processing and distribution plant. Much of the world's coffee is grown in Southeast Asia. Any Southeast Asian coffee distributed by Starbucks must be shipped to USA for processing before it is distributed. A processing plant in Australia would allow Starbucks to roast and package all of the Southeast Asian coffee before it is shipped around the globe.

D. Competitive considerations in pricing

Starbucks has little direct competition in Australia. Starbucks will have the opportunity to open the Australian market with a strong influential position to determine the market price. Currently, the few retailers of premium coffee charge very high prices, and this is no competitive threat to Starbucks.

E. Pricing Strategy

Starbucks will have the luxury of setting the market price for speciality coffee products in Australia. This will allow Starbucks to set prices according to the current global pricing structure and monitor sales and margins on an ongoing basis.

VIII. Promotion:

A. Packaging:

Conventional Concept:

Starbucks' many product lines have a common general packaging concept that is consistent across the corporation. Starbucks is generally comfortable, trendy, and casual with subtle natural colours and hip graphics. Each store location is designed to be unique, yet to be distinctively Starbucks. There appears to be little demand for varied drink size options other than "regular" and "long" (slightly larger). The metric system is the standard of measure in Australia. Packages of coffee would be sold by the kilo rather than pound, and drink cups would not reference ounces, as is the standard in the US. The company periodically develops labels and stickers for specific promotions. It is anticipated that a series of labels would be

developed to highlight the countries arts/culture and heritage.

14.

Whether it is the bottled or iced coffee somewhere in Pepsi's distribution network, a bag of coffee beans, or the decor of a retail location, Starbucks has a universal style. Starbucks in Australia will be no exception. The Australian Starbucks package may include elements of local culture.

- Retail Locations will be consistent with the global Starbucks standard, offering premium coffee products, comfortable seating and a section of merchandise. In addition, Starbucks Australia will offer flavoured milk and iced coffee to meet the local expectations of the Australian market. Seating may be augmented from the North American standard to accommodate market expectations.
- Starbucks Frappicino, distributed by Pepsi, will be widely distributed through Pepsi's Australian channels. This will meet the demand for cool, refreshing, sweet drinks in supermarkets and convenience stores.
- Starbucks Ice Cream, distributed by Dreyers, is anticipated to be popular in Australia, and will be packaged as a premium gourmet ice cream, similar to other premium flavoured brands.

B. Joint Affiliations

- Kraft Foods Inc. - Starbucks will leverage the vast international distribution network that Kraft has established in order to distribute food products into grocery stores. Starbucks has already established this relationship in established markets. Kraft Foods has a strong market position in Australia.
- Capitol Records - Starbucks has partnered with Capitol Records to assemble collections of music for distribution through its retail outlets.
- Dreyers Grand Ice Cream, Inc. - Starbucks has established a relationship with Dreyers, the makers of popular gourmet Ice Cream to create the new Starbucks brand of coffee and chocolate flavoured ice creams. Starbucks expects this relationship to flourish in Australia with the existing popularity of ice cream products.
- Pepsi Cola Co. - Starbucks has established a joint venture with Pepsi to produce bottled Frappuccino. Pepsi has an established presence in Australia and Starbucks this relationship to flourish given the existing demand for cold refreshing drinks, especially flavoured milk.
- Barnes & Noble - Starbucks will seek a relationship with major bookstore Barnes & Noble when the major bookstore decides to open operations in Australia. Because Barnes & Noble have yet to make a firm commitment to open operations in Australia, Starbucks will entertain offers and seek a retail alliance with other major bookstore to emulate the success of the partnership with Barnes & Noble in North America.

C. Point-of-sale

Starbucks has developed a global point-of-sale strategy that works all over the world.

Starbucks is creating "a comfortable, inviting gathering place that is meaningful and

15.

welcoming in any location.⁴¹ This principle will be translated to the Australian market as it has been translated to all other markets that Starbucks has entered the world over. Stores would be merchandised with English signage similar to North American Stores. Measures and sizes would be posted in metric. Less emphasis and space would be devoted to merchandising “at home coffee preparation products” than in North American markets. The market demand for these products, while growing, is still in its infancy in the Australian market. A typical store in North America is 1400 square feet, with 300 square feet devoted to the merchandising of at home coffee preparation products⁴². The typical Australian store would be approximately 1400 square feet with 100 square feet devoted to merchandised product, and the balance to increased seating area.

D. Merchandising Strategy

- Store Locations - Starbucks will maintain its successful recipe for retail establishments as it has done in North America. Australia has a preference for sit down service rather than the take-out (take-away) style convenience sales. As a result sites with space for above average number of seats will be favoured for new store locations. All locations have a section for the sale of appliances for home preparation of coffee.
- Retail-ready products - Starbucks will exercise its relationships with strategic partners such as Kraft Foods, Pepsi-Cola, and Dreyers Grand Ice Cream, to distribute its retail-ready products.

E. Publicity

i/ Special Events

Starbucks will sponsor a notable arts/ music festival in major centres around Australia. This will allow Starbucks to associate its brand with quality leisure activities. Starbucks will erect a temporary store location within the grounds of the festival making the product widely available to all patrons of the event. Starbucks will sponsor the Fringe Festival as it sequentially tours all of the major urban centres, giving Starbucks a chance at exposure in all of these markets. The festival starts in Melbourne Sept 17, 1999 and tours after Oct 15.⁴³

ii/ Public interest hook

Starbucks has a universal philosophy of contributing to the community in a charitable way. Starbucks will sponsor a community based program similar to its Starbucks Foundation where Starbucks operates a literacy program. This program will make significant and tangible contributions to all communities in which Starbucks has a presence. The company would become involved in a funding program to support the Australian arts and actively promote events in its stores.

⁴¹ 1998 Annual Starbucks Report

⁴² Schultz, H (1997), Pour Your Heart Into It, Hypion, NY p316

⁴³ [www.home.vicnet.net.au/-fringe/melb fringe festival](http://www.home.vicnet.net.au/-fringe/melb%20fringe%20festival)

Sydney is the chosen location for the 2000 summer Olympics. The planned subsequent launch into the Sydney market would coincide with a pre-Olympic promotion and partner sponsorship of the games.

A company office employing local public relations professionals would be set up in Melbourne. This would be the key to maintaining good media relations locally and feeding publicity related stories for coverage, thereby stretching the paid advertising budget further. National, state and municipal leaders, as well as prominent sports, cultural arts celebrities and the media would be invited to the special grand opening of all stores.

F. Sales Promotion:

The entry to the market promotion would feature a FREE coffee drink voucher prominently placed in newspaper display ads. Test response to the free offer was extremely favourable, although the association of the voucher looking like a \$1.00 bill and the "buck" reference was seen by a few to be quite "American". Since this sensitivity was identified in secondary research as being potentially negative, the coupon voucher would likely be redesigned in its final execution to look "less American".

Since Starbucks is selling the superior taste of their product, product sampling is seen as key to the success of the launch. Therefore in addition to free vouchers, the company would also take samples to nearby businesses on an introductory level during the first month of launching. Starbucks would also set up a cross promotion with a movie theatre chain. Movie patrons would be offered a free sample with their movie ticket stub during the first month of the stores launch. A single slide screen ad would be purchased for projection in the movie theatre to promote the offer. The cost for a one month ad projection would be \$100 for a 5 screen multiplex. Movie screen advertising is common in the Australian market.

The company would capitalize on seasonal selling opportunities. Entry to the market is to be made in the 3rd quarter of 1999. This time period, in addition to being the premiere arts festival season, is also the Christmas season. Merchandising and sales promotions of special Christmas product would be planned.

G. Advertising:

Starbucks believes that a multi million dollar advertising program isn't a prerequisite for building a national brand. They promote word of mouth with patience and superior product over a period of years to achieve results.⁴⁴

Theme:

The theme of Starbucks advertising is to create the impression of a superior quality product, offered in an inviting setting, by a company which takes the time to educate its customers about the nuances of the product. All print ads feature the logo prominently, with extensive descriptive copy. Other graphic elements are of a simple, satisfying design.

Objective:

The primary objective of their print advertising when first entering a market is to educate the consumer, identify their locations, and drive traffic. Subsequent advertising is of a brand building and sustaining nature.

Entry Brand Building Phase:

This phase of advertising would be done during entry to the market over the first six months in an area. The objective would be to educate the consumer about the product and to position the product and the experience.

Sustaining Phase:

This would be carried out in periodic flights between six months to two years after entry. The objective would be to maintain top of mind awareness and introduce new product offerings.

Once strong brand recognition has been built, the company would rely primarily on word of mouth and street location signage to drive traffic. During this post two year time period greater emphasis would be placed on event sponsorships to maintain visibility and public awareness.

i/ Media Selection:

Two primary media vehicles were identified for the brand entry phase: print and outdoor. Radio would be used to supplement the drive of traffic for a specific event, such as a grand opening.

In both Melbourne and Perth markets, prominent newspaper ads would be purchased. Newspapers were selected for their extensive reach and ability to convey extensive copy in a time sensitive fashion. Because a promotional offer has been planned, they also make the medium extremely measurable. Outdoor transit shelter and billboards would also be used. This vehicle was selected for its reach, frequency and relatively low cost ratio. Since both Melbourne

⁴⁴ Schultz, H (1997), Pour Your Heart Into It, Hypion, NY p248

and Perth have extensively developed and utilized regional transit systems, the media choice would work very well.

A “test display ads” were developed based on secondary research into the market, and tested with the target group in both markets. Copies of the test ads are found in Appendix A.

A few modifications based on feedback would likely be made following this test phase. They would address the following concerns:

- the Starbucks “buck” and its visual reference to a \$1.00 bill for the free coffee voucher was seen as “too American”.
- the “today the world” portion of the headline was seen by some as “a bit pompous”
- logo recognition was very strong with those who were familiar with stores in other markets.
- reference to “an American company” would be minimized, since there seems to be considerable resistance to American big business.

a. Melbourne:

Print:

The Age newspaper was identified as the most read newspaper with 86.67% (followed by the Herald Sun with 46.67%) of respondents. Magazine size page ads (11 columns x 56 cm) would be placed as page dominant ads in The Age, a broadsheet style daily. The cost of one ad this size, full colour would be \$12,644 per insertion, based on a \$150,000 annual rate of \$34/column centimetre.⁴⁵ The paper has an average daily reach of 330,000 readers.

11 column x 56cm ads would be placed several days leading up to the opening and periodically during the entry building phase. Allowance would be made for 6 ads at \$12,644 each during the 4 week market penetration phase. The total print budget would be \$75,864.

Outdoor:

Transit shelter and billboards would be purchased in strategic locations throughout the city close to the store or on routes leading to it. This method of advertising is relatively new to the Australian market, and has a novel appeal. A GRP rating of 25 would be the target. 24 transit shelter faces would be purchased. These would cost approximately \$13,900 for a 4 week time period. A GRP rating of 25 would be the target for horizontal billboard posters as well. 25 faces would be purchased. These would cost approximately \$25,250 for a 4 week time period. The combined cost for transit shelter and billboards to achieve the overall 4 week outdoor campaign is estimated at \$39,150.⁴⁶

⁴⁵ The Age Newspaper Advertising rate card - www.theage.com.au

⁴⁶ www.melbourne.com.au

Radio:

Radio spots of :30 sec would be purchases in flights of 28/week/station for the week leading up to the grand opening of the store. Three radio stations would be purchased; Fox FM, 3LO, and 3AW, all identified by the target group in the survey as frequently listened to stations. Fox FM received the highest listenership with 46.67% of respondents listening to it. An average :30 sec spot costs for these three stations is \$135. The combined radio purchases would be approximately \$11,340.

b. Perth:

Print:

The West Australian was the most highly read newspaper in the market, with 68.42% of respondents reading it. The same 11 column x 56cm ads would be placed in page dominant positions in this broadsheet. The cost of a full colour magazine sized ad in this publication would be \$10,050. The paper has an average daily reach of 180,000 readers.⁴⁷

Outdoor:

Transit shelter and billboards would be purchased in strategic locations throughout the city close to the store or on routes leading to it. Perth's transit system is not as extensive as Melbourne's. 20 transit shelter faces would be purchased. These would cost approximately \$8,000 for a 4 week time period. 20 billboard faces would also be purchased. These would cost approximately \$15,000 for a 4 week time period. The combined cost for transit shelter and billboards to achieve the overall 4 week outdoor campaign is estimated at \$23,000 ⁴⁸

Radio:

Radio spots of :30 sec would be purchases in flights of 28/week/station for the week leading up to the grand opening of the store. ABC 720am was identified as being the most listen to station, however as a non commercial government broadcaster, the station does not accept commercial advertisements. 94.5fm and 61X radio stations would be purchased. These were identified by the target group in the survey as frequently listened to stations. An average :30 sec spot for these three stations would be \$135. The combined radio purchases would be approximately \$7,560.

IX. Sales Forecast:

A. Unit Forecasts

1. First Phase

Starbucks will aim to open the two anchor markets in Australia, Perth and Melbourne in the

⁴⁷ The West Australian - www.perthweb.net.au

⁴⁸ www.perthweb.net.au

third and fourth quarters of 1999. The goal will be to open six stores in each centre during this period. Following this initial penetration phase, Starbucks will open the remaining three major urban centres of Sydney, Brisbane, and Adelaide, adding an average of ten locations per quarter until Australia has achieved an adequate market penetration. Each major centre will boast a hub for distribution and exposure, and then support rapid expansion into surrounding areas within two years.

At predicted rate of growth, with typical gross and net margins translated from Starbucks Annual report and Quarterly Report.

Projected Income Statement by Quarter for first 6 Quarters

In \$000	Q1	Q2	Q3	Q4	Q5	Q6
# of stores	6	12	24	49	75	100
Revenue	150	500	1000	2500	4000	9000
Gross margin	54.1%					
Gross profit	81.15	270.5	541	1352.5	2164	4869
Net margin	10%					
Net profit	15	50	100	250	400	900

This Income Statement projection assumes that the start-up and initial market penetration stages will see substantially less than typical revenue per store compared to North American revenues.

B. Break even Analysis

The fixed costs for the first two quarters are projected to be slightly less than \$300,000, including only the long-term amortised amounts of capital expenditures. For the first year, fixed costs will be \$1,830,000 and for the first six quarters fixed costs are projected to be \$7,563,000. These are the absolute minimum targets for sales coverage of fixed costs to avoid fatal cash flow crisis.

X. Evaluation and Control:

Flag the Fatal Flaws

A. Define Critical Assumptions

- The demand exists for premium coffee and coffee related products. Starbucks has the culture for trendy, premium coffee. Australians will be open to appreciate strong, full-bodied coffee. The Australian market will be open to being educated into an appreciation of premium coffee.
- Starbucks has established enough of a positive international brand name to enable rapid expansion in Australia. Our primary research indicates that 66% of our sample group has heard of Starbucks, and 25% have actually visited a Starbucks store in another country.

- Starbucks has a global distribution network efficient and robust enough to serve a rapidly expanding Australian market

B. Define Monitoring Signals

- A predefined margin and sales level will define the financial success of the Australian launch.
- Starbucks will monitor the popularity of each of the various products and product families.
- Starbucks will follow-up the initial market introduction with an independent market survey to test consumers, response to Starbucks, marketing efforts.

C. Define Fatal Close Down Plan

- Starbucks will maintain a monitoring system and evaluate the success of each product and product family. Each month Starbucks will evaluate the success of each product family and review the marketing of each product family. Constant modifications will be made to tailor each product family to the Australian market.
- Should any particular product family fail to meet profitability goals over a six-month period, Starbucks will decide on a case by case basis if eliminating the product family from offerings in the Australian market is merited.

D. Monitor Key Milestones

i/ Achievement milestones

a. Timing

- Starbucks will begin by establishing a presence in Perth and Melbourne with 6 stores in each city by December 1999, and 20 stores in each city by June 2000.
- Starbucks will establish a presence in Sydney, Brisbane and Adelaide with 6 stores in each location by June 2000, and 20 stores in each city by December 2000.

b. Sales levels

- Starbucks expects to attain sales levels proportionate to North America by number of stores, by December 2000.

c. Share of market

- With the relatively small amount of established direct competition in Australia, Starbucks expects substantial penetration in the Australian market. Starbucks expects to have 50% of the Australian premium coffee market by June 2000.

d. Research levels

- Starbucks expects to have made a significant impact on the market by the 1-year mark. Starbucks plans to have reached every consumer with the initial message of the offerings of the company. Starbucks will hire an independent market research firm to poll the market and measure the success of Starbucks, marketing efforts.

Starbucks expects the rate of recall for the Starbucks brand to be 85%, recognition; 75%, and preference; 50%.

e. Standards of expected performance

- Starbucks has set lofty goals for its' marketing efforts in Australia. The targets for market penetration however are attainable and realistic. Starbucks expects to have 6 stores in both Melbourne and Perth by December 1999 and 20 stores in each city within 1 year of commencement. Starbucks expects to have 6 stores each in Sydney, Adelaide, and Brisbane by June 2000 and 20 stores in each city within 1 year of opening these markets. Starbucks expects to attain 50% market penetration by December 2000. Starbucks expects the rate of recall for the Starbucks brand to be 85%, recognition; 75%, and preference; 50%.
- These levels are the expected performance levels for Starbucks, marketing efforts. These will be evaluated constantly and reviewed monthly. Any significant shortfall (20% below target) will sound alarm for serious contemplation of a remarketing effort, possibly a cancellation of a particular program or family of products. Each such alarm will be evaluated on a case by case basis and will be subject to judgment of appropriate responsible executive or board.

APPENDIX A

Primary Market Research:

Overview:

Primary research was conducted in two target markets; Melbourne and Perth. A survey was developed to query coffee and tea drinking habits, preferences, lifestyles, and media consumption patterns. The survey was primarily quantitative in nature, but included several qualitative open ended comment style questions. Two test display ads were developed for each market and participants were asked to comment on them in the survey. The feedback would be used to further refine the creative message for each market. A basic data summary, cross tabulations, open comments and copies of test ads follow.

Objectives:

The following objectives were identified and used to develop the final survey questions.

- determine how often coffee and tea are consumed in a out of the home.
- determine preferences for types of beverages such as strong vs weak, regular vs decaffeinated, and flavoured vs regular.
- determine preferences in consumption patterns such as sit down vs take away, preference for beverage alone, with snack or with meal.
- determine frequency of use patterns such as what time to day they visit a cafe, and how long they stay.
- determine the degree of market demand for in the home coffee preparation products.
- determine print and broadcast media preferred by the target group in each market.
- receive objective feedback on test creative to allow the concept to be further edited prior to execution in the market.
- measure the perception of an "American product and service" concept and determine how to make the association positive.

Methodology:

The survey was developed to meet defined objectives and to obtain data not currently available through secondary means on the coffee culture in specific Australian markets. The survey was pretested and edited prior to execution. The test display ads were developed following some initial secondary research into the market. Both the survey and test ads were faxed to research correspondents in Melbourne and Perth. Surveys were conducted by an interviewer in person at a variety of coffee houses/cafes in both cities between May 17-24/99, during morning, afternoon and evening hours. Participants were selected at random. No incentives were offered. A total of 68 interviews were conducted. (30 in the Melbourne market and 38 in the Perth market.) Based on statistical calculations of a base population of 500,000 + the results have a 90% confidence interval + or - 10%. A large number of interviews would be necessary to ensure greater accuracy of data. However, the results are a valuable measure of current demand

in the markets considered.

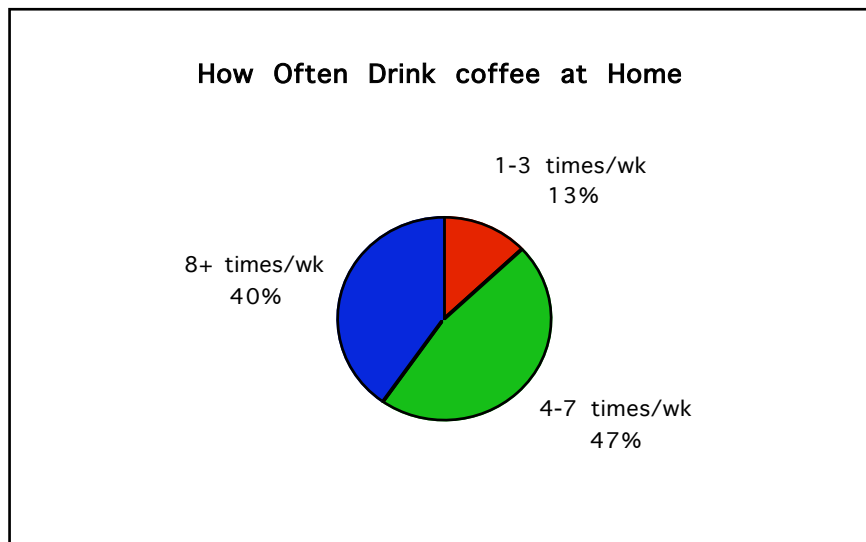
Cafe/Coffee House Survey Results:

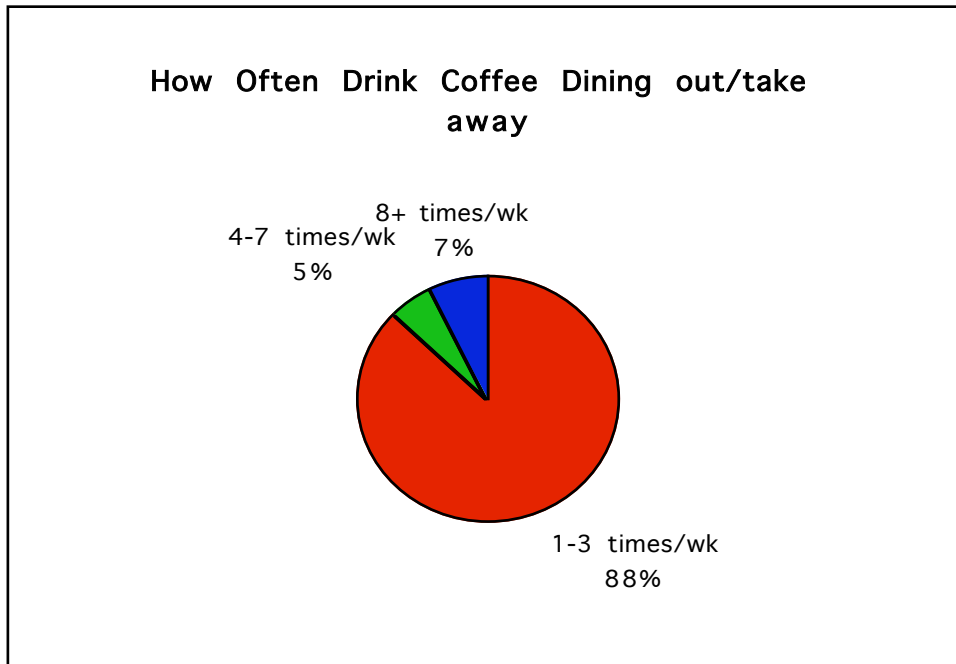
1. Do you drink coffee?

	<u># resp</u>	<u>% resp</u>
Yes	66	97.05%
No	2	2.95%
Total valid:	68	

2. How often do you drink coffee in an average week?

	<u>1-3 times/wk</u>	<u>4-7 times/wk</u>	<u>8+ times/wk</u>	<u>Total valid:</u>
At home	8 (13.33%)	28 (46.67%)	24 (40%)	60
Dining out/take away	48 (87.27%)	3 (5.45%)	4 (7.27%)	55





3. Given your choice, how do you prefer your coffee?

	<u># resp</u>	<u>% resp</u>
Strong/full bodied flavour	22	34.38%
Mild/lighter flavour	34	53.13%
Regular cafinated	42	65.63%)
Decaffeinated	4	6.25%
Flavoured (ie: Irish Cream, Mocha)	0	0
Total valid:	64	

4. Do you drink tea?

	<u># resp</u>	<u>% resp</u>
Yes	42	63.64%
No	24	36.36
Total valid	66	

5. How often do you drink tea in an average week?

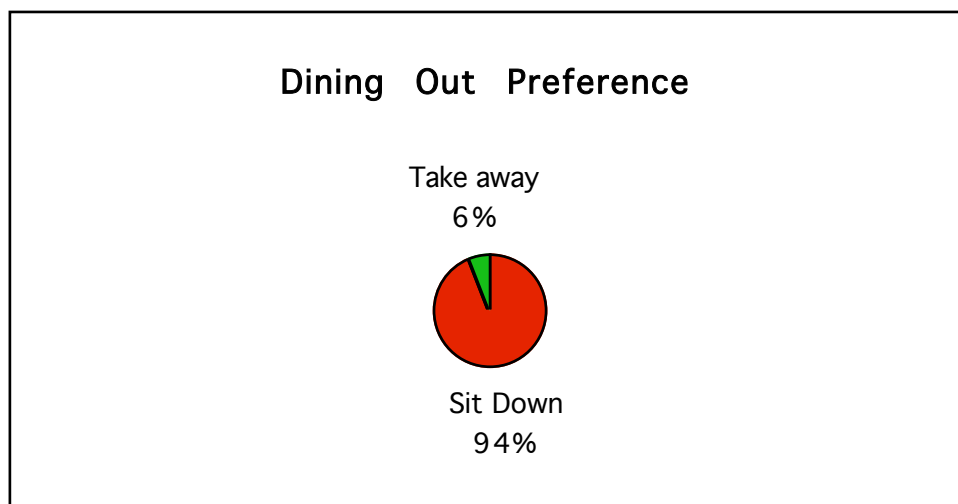
	<u>1-3 times/wk</u>	<u>4-7 times/wk</u>	<u>8+ times/wk</u>	<u>Total valid:</u>
At home	8 (18.18 %)	12 (27.27%)	24 (54.54%)	44
Dining out/take away	16 (100%)	0	0	16

6. Given your choice, how do you prefer your tea?

	<u># resp</u>	<u>% resp</u>
Loose leaf	26	62%
Tea bag	16	38.1%
Regular cafinated	14	33.33%
Decaffeinated	0	0
Herbal flavoured	4	9.52%
Total valid:	42	

7. When you drink tea or coffee outside the home, do you prefer to sit down or take away?

	<u># resp</u>	<u>% resp</u>
Sit down	60	93.75%
Take away	4	6.25%
Don't drink tea of coffee	0	0
Total valid:	64	

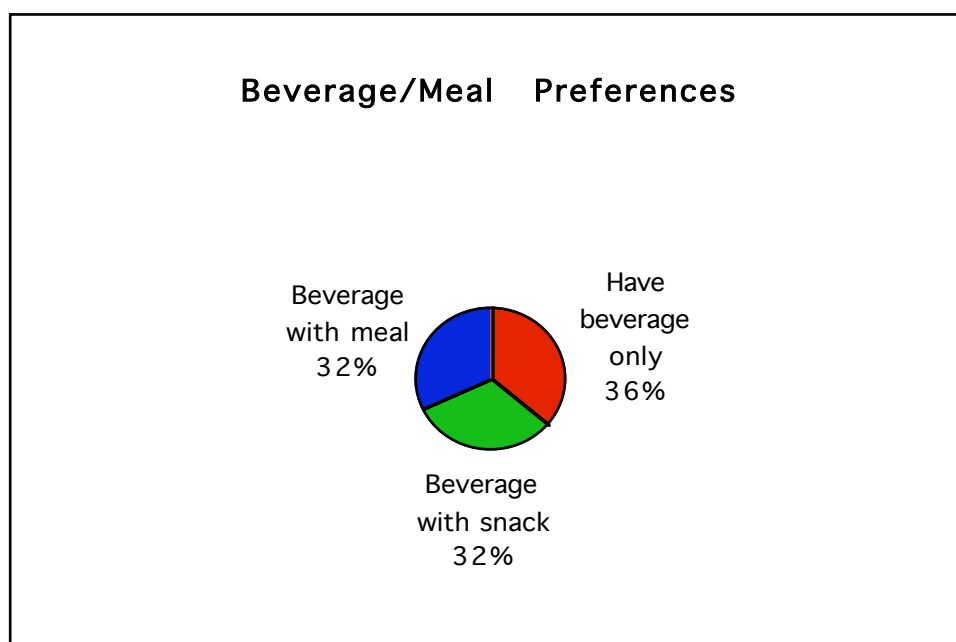


8. What time of day do you usually go to the cafe/coffee house?

	<u># resp</u>	<u>% resp</u>
Mornings	34	50%
Afternoons	21	30.88%
Evenings	13	19.12%
Total valid:	68	

9. When you go to a cafe/coffee house do you usually:

	<u># resp</u>	<u>% resp</u>
Have a beverage only	18	36%
Have a beverage with a snack	16	32%
Have a beverage with a meal	16	32%
Total valid:	50	



10. What type of beverage do you usually order at a cafe/coffee house?

	<u># resp</u>	<u>% resp</u>
Coffee (hot)	17	25%
Coffee (iced)	2	2.94%
Latte	20	29.41%
Cappacino	13	19.12%
Espresso	6	8.82%
Machiatta	0	0
Flavoured milk	4	5.89%
Tea	4	5.89%
Soft drink, juice	2	2.94%
Total valid:	68	

11. Do you prepare coffee in your home?

	<u># resp</u>	<u>% resp</u>
Yes	62	91.18%
No	6	8.82%
Total valid:	68	

12. What type of coffee preparation products do you currently own?

	<u># resp</u>	<u>% resp</u>
Cappacino machine	14	22.58%
Coffee perker	4	6.45%
Drip coffee machine	18	29.03%
Coffee plunger/coffee press	36	58.06%
Grinder	2	3.22%
Make instant coffee	12	19.35%
Total valid:	62	

13. Have you heard of "Starbucks Coffee?"

	<u># resp</u>	<u>% resp</u>
Yes	44	66.67%
No	24	33.33%
Total valid:	66	

14. Have you been to a Starbucks in the US, Canada, New Zealand, Asia or the UK?

	<u># resp</u>	<u>% resp</u>
Yes	14	25%
No	42	75%
Total valid:	56	

15. If yes, comment on your experience:

Melbourne:

- A wonderful idea - we have more cafe style places here not so much take away coffee. We sit down to enjoy the coffee and relax.
- Fantastic! Changed our coffee experience - we always bring Starbucks back home and love to visit when we are in the US or Canada.
- "woo hoo" - when are they coming to Australia?
- Fantastic experience - I loved the concept, brought a few pounds of coffee back to Australia.

Perth:

- different style then our cafes here.
- have heard of them, but never been to one.

16. What print media have you read in the last week?

Melbourne respondents:

	<u># resp</u>	<u>% resp</u>
<u>Magazines:</u>		
Australian Gourmet	2	6.67%
New Idea	8	26.67%
<u>Newspapers:</u>		
The Age (broadsheet)	26	86.67%
Herald Sun (tabloid)	14	46.67%

Total valid Melbourne resp: 30

29.

Perth respondents:

	<u># resp</u>	<u>% resp</u>
<u>Magazines:</u>		
Home Beautiful	2	5.26%
<u>Newspapers:</u>		
West Australian	26	68.42%
The Australian	14	36.84%
Australian Financial Review	6	15.79%
Total valid Perth resp:	38	

17. What radio stations do you listen to most often?

Melbourne respondents:

	<u># resp</u>	<u>% resp</u>
Fox FM	14	46.67%
3 LO	8	26.67%
3 AW	8	26.67%

Total valid Melbourne resp: 30

Perth respondents:

	<u># resp</u>	<u>% resp</u>
ABC 720am (gov't broadcaster)	10	26.32%
94.5fm	8	21.05%
61X	6	15.79%
92.1fm	2	5.26%
Total valid Perth resp:	38	

18. Response/comments to Starbucks "test ads":

Melbourne:

- bloody fantastic, bitterly disappointed to find the ads were fake!
- I like the concept of "drop in and stay a while"
- I'd prefer "this one's on us" for the headline
- voucher looks too American
- like idea of free introductory offer
- a bit pompous to suggest "today the world"... likes the "one on us"
- yeah, good
- like the "this one is on us" - recognized the logo immediately
- ok
- interesting

Perth:

- Americans are taking us over!
- happy to try it, not sure how it differs from Dome
- another cafe in Claremont?
- I'll have a FREE coffee
- sounds like a luxury
- Free coffee sounds good

19. Gender:

	<u># resp</u>	<u>% resp</u>
Male	28	41.18%
Female	40	58.82%
Total valid:	68	

20. Age:

	<u># resp</u>	<u>% resp</u>
18-24 yrs	2	2.94%
25-36 yrs	22	32.35%
37-45 yrs	32	47.06%
46-60 yrs	8	11.76%
Over 60 yrs	4	5.8%
Total valid:	68	

21. Time of interview:

	<u># resp</u>	<u>% resp</u>
Morning	23	33.82%
Afternoon	29	42.64%
Evening	16	23.53%

22. Location of interview:

	<u># resp</u>	<u>% resp</u>
Melbourne	30	44.12%
Perth	38	55.88%
Total valid:	68	

CONTENTS

I Executive Summary.....	1
II Company History.....	2
III Starbucks in the Australian Market.....	4
A. Situation Analysis.....	4
i/ Social.....	4
ii/ Economic.....	5
iii/ Political.....	5
iv/ Cultural.....	5
v/ Technological/Infrastructure.....	6
vi/ Legal.....	6
vii/ Ecological.....	7
B. SWOT Analysis.....	7
i/ Internal Strengths and Weaknesses.....	7
a. Company Strengths.....	7
b. Company Weaknesses.....	7
ii/ External Opportunities and Threats.....	7
iii/ Competitive Situation.....	7
a. Threats.....	7
b. Opportunities.....	7
iv/ Opportunities for Weakness of Competition.....	7
IV. Target Market Selection.....	8
A. Demographics.....	8
B. Geographics.....	8
C. Psychographics.....	8
V. The Marketing Mix.....	8
A. Product.....	8
B. The Coffee Product.....	9
C. Starbucks Branded Products.....	9
D. Coffee House Experience.....	10
E. Service.....	10
VI. Place.....	11
A. Outlets for distribution.....	11
i/ Melbourne.....	11
ii/ Perth.....	11
iii/ Sydney.....	11

iv/ Brisbane.....	12
v/ Adelaide.....	12
B. Strategic Alliances.....	12
C. Channel Management.....	12
VII. Price.....	13
A. Market-based Pricing.....	13
B. Cost-based Pricing.....	13
C. Distribution System Impact on Pricing.....	14
D. Competitive Considerations.....	14
E. Pricing Strategy.....	14
VIII. Promotion.....	14
A. Packaging.....	14
B. Joint Affiliations.....	15
C. Point of Sale.....	15
D. Merchandise Strategy.....	16
E. Publicity.....	16
i/ Special Events.....	16
ii/ Public Interest.....	16
F. Sales Promotion.....	17
G. Advertising.....	18
i/ Media Selection.....	18
a. Melbourne.....	19
b. Perth.....	20
IX. Sales Forecast.....	20
A. Unit Forecasts.....	20
B. Break Even Analysis.....	21
X. Evaluation and Control.....	21
A. Critical Assumptions.....	21
B. Monitoring Signals.....	22
C. Fatal Close Down Plan.....	22
D. Monitor Key Milestones.....	22
APPENDIX A	
Primary Research.....	24
Objectives.....	24
Methodology.....	24
Results.....	25
Copy of Survey.....	32
Sample Test Prints Ads.....	33



STUDYDADDY

**Get Homework Help
From Expert Tutor**

Get Help