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"Market Entry Strategies of Starbucks in India: Analyzing Starbucks' market entry strategies in India, including its partnership with Tata Global Beverages, localization efforts, and competition with established players like Café Coffee Day and Barista."

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ABSTRACT

This research aims to provide valuable insights for novice investors seeking to understand the dynamics of investing in Starbucks, a prominent player in the coffee industry, particularly in the context of its entry into the Indian market. Utilizing secondary data sources, the study employs both fundamental and technical analysis methods to evaluate Starbucks' performance and investment potential.

Real-time financial data from Starbucks and relevant industry sources are analyzed using fundamental metrics such as earnings per share (EPS), price-to-earnings (P/E) ratio, return on equity (ROE), price-to-book (P/B) ratio, dividend payout ratio, and dividend yield ratio. Additionally, the study explores the calculation of intrinsic value using technical indicators like the Relative Strength Index (RSI) chart.

Furthermore, the research sheds light on the broader investment landscape in India, considering factors such as inflation rates, interest rates on savings accounts, and increasing investor awareness promoted by regulatory bodies like SEBI and the Government of India. Traditional investment avenues such as Fixed Deposits and Public Provident Funds (PPFs) are compared with equity investments, reflecting evolving investor preferences over time.

By analyzing Starbucks alongside nine other firms across diverse sectors including IT, Banking, Automobile, Health, and Infrastructure, the research highlights the relevance of both fundamental and technical analysis in making informed investment decisions. The findings aim to assist investors in evaluating Starbucks' performance relative to its industry peers and understanding the sector's potential for investment.

Keywords: Starbucks, coffee industry

INTRODUCTION

Starbucks has typically relied on a premium pricing strategy, tailoring its menu and store layouts to suit local preferences, which has been successful in India. However, the landscape is changing with both local and international specialty coffee chains emerging as strong competitors. Major cities in India are reaching saturation point, prompting competitors to focus on expanding into smaller cities. India's market is intricate, segmented by factors such as age, geography, income, and demographics. Given these challenges, Starbucks faces uncertainty in maintaining its success and must determine the most effective adaptation strategy.

RESEARCH OBJECTIVES

1. To investigate the entry of Starbucks into the Indian market.
2. To analyze the strategies employed by Starbucks to establish its presence in India.
3. To assess the challenges faced by Starbucks in navigating the Indian market.
4. To examine the impact of Starbucks' entry on the competitive landscape of the Indian coffee industry.
5. To evaluate the consumer response and market acceptance of Starbucks in India.
6. To identify the factors contributing to the success or failure of Starbucks' expansion in India.

RESEARCH METHODOLOGY

This study relies on secondary data sources to analyze Starbucks' entry into the Indian market. Data is gathered from various sources, including Starbucks' official website, financial reports, industry publications, and news articles. Additionally, information regarding the Indian coffee market and consumer trends is sourced from reputable market research firms and government reports.

The analysis primarily utilizes qualitative techniques to examine Starbucks' strategies, challenges, and market response. This includes a thorough review of Starbucks' entry strategy, marketing initiatives, product offerings, pricing strategies, and partnerships with local entities like Tata Global Beverages.

Furthermore, quantitative analysis is conducted to assess Starbucks' financial performance in India, including revenue growth, store expansion, and market share. Financial data may be obtained from financial databases and annual reports.

Microsoft Excel is employed for data organization, tabulation, and visualization. Tables and charts are generated to present key findings and trends.

To ensure comprehensive coverage and relevance, Starbucks' performance is compared with industry benchmarks and competitor actions, providing insights into its competitive positioning and market dynamics.

Overall, this research paper adopts a mixed-method approach combining qualitative analysis of strategic factors with quantitative assessment of financial performance to provide a comprehensive understanding of Starbucks' entry into the Indian market.

Starbuck's History

Jerry Baldwin, Gordon Bowker, and Zev Siegel opened the first Starbucks at Pike Place Market in Seattle in 1971. The shop was called after Starbuck, a fictional character from a book by Herman Melville who was famous for his passion for coffee, since they sold freshly roasted coffee beans at first. The seafaring origins of coffee trade were represented in the famous emblem, which featured a two-tailed mermaid. A roastery and four shop sites were part of Starbucks' expansion by the early 1980s.

The large orders of drip coffee makers placed by Starbucks piqued the interest of Howard Schultz, who was employed for a Swedish homewares firm at the time. The speciality coffees and one-of-a-kind customer service in Seattle enchanted Schultz. In 1982, Starbucks appointed Schultz as director of marketing and operations, despite his initial reservations. Schultz saw the possibilities in the American market for the lively coffee bar culture when sent to an Italian home goods expo in 1983. After a successful trial run in one shop, Starbucks carefully implemented Schultz's idea nationwide. But the creators were wary about straying from their initial plan. In 1985, Schultz responded by opening Il Giornale, his own coffee shop, which became very popular.

Schultz purchased Starbucks from Baldwin and Bowker in 1987. After rebranding as Starbucks Corporation, Il Giornale took over Starbucks' assets and trademark. Starbucks' meteoric rise from 11 locations in 1987 to 19,657 locations in 62 countries in 2013 is nothing short of remarkable.

An Adventure at Starbuck's

Success came to Starbucks as a result of the company's dedication to continuously improve both its menu and the customer experience. In addition to excellent coffee, the menu included a selection of drinks, sandwiches, and sweets. The store's warm ambiance, excellent service, and free, lightning-fast Wi-Fi enhanced the shopping experience for customers.While Schultz moved into the position of chairman in 2000, Jim Donald became CEO. Prior to 2007, when Americans cut down on spending, especially on premium coffee, due to the worsening US economy, Starbucks witnessed tremendous growth. The fast development of company-operated retailers throughout the US was followed by this decline. The $6.7

million net loss that Starbucks recorded in July 2008 was in sharp contrast to the $158.3 million profit that the company had in the same month of 2007. The need for strategic retreat was precipitated by this, since it was Starbucks' first defeat since 1992.

Closing 600 locations in the US was decided upon, leading to an extra $168 million in losses. At the same time, Starbucks had problems stemming from the impression that its brand experience was being watered down. There was a perception that initiatives like providing Wi-Fi and musical entertainment took away from what made Starbucks special. The Express shop style, which prioritizes speedy service above the more conventional social interactions with baristas, was an attempt to expand the business into grab-and-go sectors.

Market cannibalization and a decline in morale were consequences of the company's quick growth, however. Adding food, baked products, tea, and juice to the menu shifted focus to mass manufacturing and complicated procedures. The shift away from the upscale, homey image of the brand caused problems in day-to-day operations. Stores were packed, customers didn't interact as much, and mistakes were more common as a consequence of the slower service times caused by personalized orders and remote food preparation.

Customers who wanted their coffee fix quickly looked for cheaper and speedier options like Dunkin' Donuts and McDonald's, while those who wanted to grab and go went to other exclusive brands.

Revamps in Overarching Goal Setting

In 2008, Schultz took back his role as CEO and made significant changes to Starbucks' operations. He ordered the temporary closure of all US sites as part of a company-wide retraining program aimed at improving customer service. Furthermore, in sectors that do not directly interact with customers, Schultz implemented cost-cutting initiatives totaling $581 million.

Schultz had in-person meetings with Starbucks locations throughout the country, hired consultants, introduced a fresh advertising campaign, and named a chief technology officer to update the company's online presence. He replaced low-quality coffee with whole-bean, locally roasted Pike Place Roast, revamped the breakfast sandwich menu, strengthened the company's technological foundation, and closed underperforming locations. There was an emphasis on streamlining the supply chain and the launch of a rewards card program.

Store layouts were redesigned, executive compensation was changed to reflect performance, the number of books and CDs sold was reduced, and a new instant coffee brand was introduced with great success. As a result of these initiatives, Starbucks' financial performance greatly improved in 2013, with record-breaking global sales of $14.9 billion. An impressive yearly growth rate of 12% and fruitful worldwide development, especially in Asia, were the driving forces behind this achievement.

The Indian Coffee Market

Consumer Trends

Because of changes in population makeup, Indian laws governing foreign ownership and commerce have been known to swing wildly. A new generation, with half the population under 25 years old, emerged in the wake of economic liberalization in the early 1990s, attracted by the promise of better employment prospects offered by multinational corporations. This generation yearned for the prestige and aspirational goods sold by Western brands. Even though they were able to take advantage of these work prospects, young individuals still in the early stages of their professions did not have the same political clout as their parents and did not seem to be as invested in changing government policy.

On the other hand, government policies toward foreign corporations were more heavily influenced by the older generations due to their larger spending power and established contacts. Socialist policies that followed India's independence from Britain placed an emphasis on economic self-sufficiency, which they remembered. Proponents of protectionist policies included several politicians from this group who were worried about the influence of multinational firms and their desire to keep profits domestic.

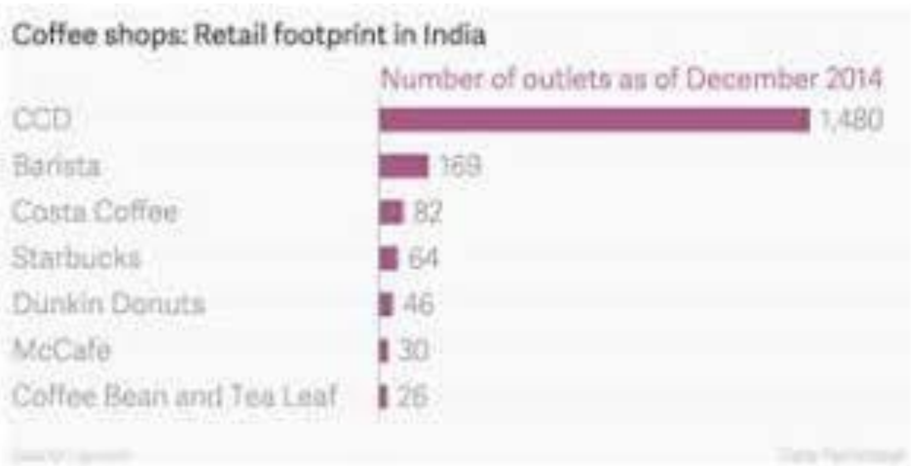
Although tea has traditionally been more popular in India, the country's growing coffee sector offered a fascinating potential. India was sixth in coffee output in 2013, but compared to nations like the US, France, and Japan, its citizens drank much less coffee per capita, ingesting just around 85 grams annually. While northern Indian cities did see an uptick in coffee consumption, the vast majority of the country's consumption occurred in the south, where 90% of the coffee was grown.

Indian coffee drinking habits are distinct from their Western counterparts. Unlike in the United States, where 80% of coffee is purchased for takeaway, in India the vast majority of sales are made in little mom-and-pop stores called kiranas. Regional retailers also contributed significantly to coffee sales, as did the growing number of workplaces and public areas that provided coffee vending machines. With an estimated $290 million in 2013, the coffee café industry was booming, thanks in large part to the growing popularity of these establishments among young urban people.

Established local enterprises and an increasing number of international competitors intensified rivalry in India's specialty coffee market, despite the potential for development. Businesses in India were vying for growth as Costa Coffee, Gloria Jeans, Barista Lavazza, and Di Bella catered to budget-conscious customers. Master franchise agreements between foreign companies and their Indian partners were constantly being renegotiated, which kept the competitive field fresh.

Starbucks competitor's in India

The below data of all competitors are based on the study of market in 2014.



Starbuck's Growth In India

There was a huge potential customer base in India, as there is in other nations with dense populations. Foreign food merchants examining the market saw encouraging signs despite the country's previous political swings. There has been a meteoric rise in the number of restaurants in India, serving everything from fast food to fine dining, thanks to factors such as urbanization, smaller family sizes, increased incomes, a wider

variety of menu options, and the widespread appeal of cooking TV shows. Even though they may have been slowed by problems in the US, Starbucks saw these prospects in 2007 and started looking into entering the Indian market.
Starbucks and Tata Global Beverages inked a deal in January 2011 for the purchase and roasting of high-quality coffee beans at a new plant in southern India. In January 2012, this alliance flourished into Tata Starbucks, a retail joint venture worth $80 million, demonstrating Tata's worth as a dependable and effective partner. Starbucks was able to get great sites in large shopping malls by using Tata's real estate skills. Additionally, Tata's upmarket retail enterprises and luxury Taj hotels were merged with Starbucks stores. Starbucks was able to adapt its menu, retail layout, logistical solutions for fresh food sales, and human resources tactics to the Indian market with the help of Tata's insights into local tastes and market circumstances. Employees had thorough training that included both theoretical and practical components, as well as product-specific instruction and regular opportunities for refresher courses. Partnerships with non-governmental organizations (NGOs) and an employee recommendation program were launched to attract and retain people with disabilities. Thanks to Tata's coffee bean farms and roasting facilities, Starbucks was able to launch India Estates Blend, a premium brand imported from India. This allowed them to keep prices low compared to local competitors and avoid paying high import duties. Supporting local farmers, improving bean quality, providing fair pricing, offering seasonal loans, mitigating environmental effects, and enhancing working conditions are all goals of Starbucks' Café Practices program, which was established via the relationship with Tata and is in line with the company's ethical sourcing policies.

Conclusion

By November 2013, 30 Starbucks locations have opened throughout important cities in India, including Mumbai, Delhi, Bangalore, and Pune. Its success in India may be attributed, in part, to the fact that it is not a retail company but rather a hospitality one, which has allowed it to avoid the difficulties caused by the ever-changing rules on foreign ownership. Starbucks plans to stick to its worldwide policy of identical pricing and uniform shops, but with a personalized menu. The reasoning for this categorization is yet unknown. Starbucks is trying to set itself apart from local competitors by highlighting its foreign heritage and premium social experience, a strategy that has been used by some European coffee chains. However, following standardized approaches outside of the West hasn't always worked out well for other retailers. Furthermore, in contrast to older, richer consumers, Starbucks recognizes that younger people may see its products as too expensive, even if they are receptive to international brands.
As it attempts to strike a balance between being true to its global roots and catering to local tastes and market trends, Starbucks faces an unclear future in the cutthroat Indian coffee industry.

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