



# Starbucks in Australia

Case Study  
Group - 15



# Our Team



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# Problem Statement



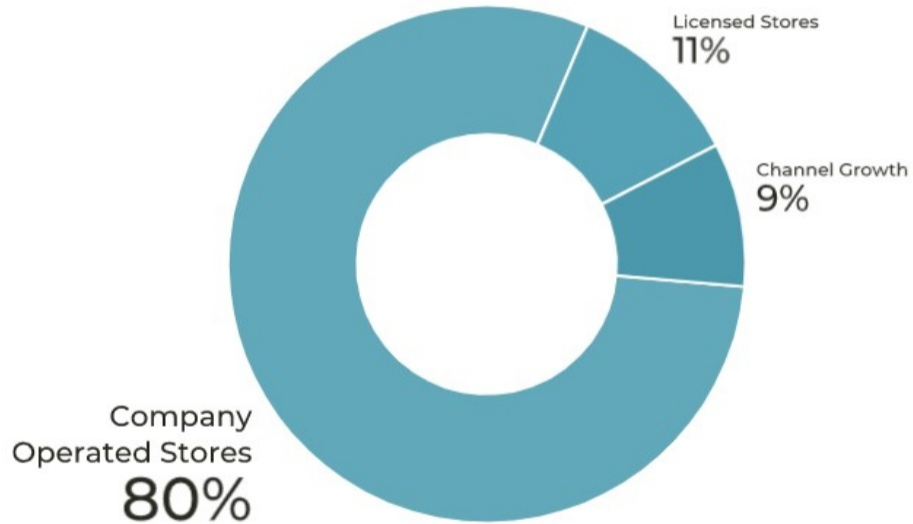
- Analyze why Starbucks failed in Australia and recommend alternative strategies that would avert the failure

# About Starbucks



- American MNC of coffeehouses, having its HQ in Seattle, is known for freshly roasted coffee beans.
- 35000+ offices in over 80 countries, with an operating staff of around 3.50 lakh employees globally
- Annual Revenue - 26.58 Bn USD
- Last raised 900 Mn USD in 2018, through a Post IPO equity round led by Pershing Square Capital Management
- 3 Acquisitions - Latest one being 'Teavana' acquired for 620 Mn USD in 2012
- Typically targets the age group of 22-60, consisting of both males and females
- Targets customers are educated, upper and middle class people comprising of both students and working professionals

# Revenue Model



- A major share of total revenue comes from Company Operated stores
- Licensed stores sell Starbucks products, generate royalties and license fees
- Through the sale of packaged items like premium coffee and tea pouches, packaged beverages, and also coffee machines



# Australian Market



- Market size of Australian coffee industry is 6.12 Bn USD
- Expected growth rate is 6.60% CAGR
- Highly fragmented market with 6700+ players, with no single player having a market share >5%
- Major competitors - Gloria Jeans (400 outlets), Michel's Patisserie (360 outlets) and The Coffee Club (260+ outlets)
- Australian consumer prefers having authentic Australian taste at a nearby barista instead of big coffee brands
- 56 outlets currently operated by Starbucks, most concentrated in and around major tourist hubs like Melbourne, Sydney and The Gold Coast
- Local coffee chains market themselves through franchises and popular social media platforms

# Reasons of Failure



- Too rapid expansion post entry, not allowing the consumers to develop a liking for the brand
- Entering the market assuming Australian coffee culture is similar to American culture
- Offering sugary coffee similarly like foreign market while Australian preferred the local taste
- Price of coffee being too high
- Local coffee chains offered many more options as compared to Starbucks which had a basic menu
- The great recession of 2008 negatively affected the business
- Starbucks customizes drinks and experiments with different flavors, which Australians didn't like

# Recommendations



- Recognizing the thriving local coffee market and its competitors.
- A local sourcing mechanism of their coffee beans would contribute to good PR in front of Australians who are big supporters of local businesses
- Taking the go slow, observe and adapt approach instead of rapidly expanding. This would have changed their positioning from a mass brand to an exclusive brand
- Understanding the varying coffee consuming habits of Australians across the continent would enable Starbucks to introduce coffee that would match the taste of local population



**Thank You**

