Selecting Location of Service Facilities: Siting Strategy of Starbucks in Korea

*by Soo-Wook Kim**

In this study, we illustrate the siting strategy of service facilities via case study on Starbucks' success in Korea market. Starbucks achieved to settle down new coffee culture in Korea and dominated home market, gradually expanding to nearby regions and eventually to all over the country. The paper regards Starbucks' successful entry to the new market was possible due to the meticulous Siting Strategy, as Starbucks fulfilled 'First Mover Strategy' by securing the optimal business district along with the best location within this district.

This study underlines the location of firm's first branch and illustrates how Starbucks achieved this via 'Focused Destroy Strategy'. Also, main considerations for selecting location are explained in detail. This paper then analyzes the characteristics of Starbucks' location in Korea and specifically investigates Starbucks no.1 store in Myeongdong downtown to show what the first store means to the firm and how it influences the expansion or success of the firm. Finally, we discuss some future plans so that Starbucks can keep its competitive advantages over other coffee shops hence retain their customers.

Keywords *: Starbuck, Location, First Mover Strategy, Focused Destroy Strategy*

I. *Introduction*

Starbucks created coffee empire within 17 years by starting with six stores and 100 employees in Seattle, United States in 1987. Starbucks entered Korean market in 1997 and opened its first store, Ewha no.1. By opening 229 stores within 8 years, Starbucks showed rapid growth in Korean market and less than 10 years, Starbucks settled down espresso & Take-out coffee culture in Korea. Such a successful case followed by the continuous growth of Starbucks Korea is expected to give a lot of help in understanding the method and importance of service facilities' selection of location. Therefore, we will go through the success story of Starbucks and Starbucks Korea and discuss detailed analyses focused on the selection of location issue

1.1 Birth of Starbucks Coffee

Starbucks coffee was born in 1972, Seattle

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as three partners, Gorden Bowker, Jerry Baldwin and Zev Siegel started a coffee shop that sells roasting coffee. Three partners came up with the name 'Starbucks' from the chief officer, Starbuk, who loved coffee in the novel 'Moby Dick'. For Starbucks' symbol, they chose the mermaid Siren who appears in Norway woodcut (Starbucks Coffee, 2013).

Current CEO and president of Starbucks is Howard Schultz. Starbucks was not exactly founded by Howard Shultz but via his business management, it has been created into modern Starbucks that "Dig gold from coffee".

Howard Schultz was born in slum of Brooklyn, New York but luckily could enter the university as a scholarship student by virtue of American football. After his graduation, on the base of his experience of salesman in Xerox, he led a happy life as a America vice-president of Swedish firm. However, his cozy life thoroughly changes when he accidently spots strange phenomenon of a small-scale coffee shop purchasing numerous coffee machines. He visited Starbucks in Seattle, tried roasted coffee on the spot and became hypnotized as if he found a New World. Howard Schultz gave up his comfort life in New York in order to pioneer new world of coffee. Three years later, so as to realize his dream of creating an oasis where people can enjoy a cup of coffee and have discussion or listen to jazz, Howard Schultz became independent from Starbucks. Within one year of founding, he even took over original Starbucks which shepherded him to the New World of coffee and constructed the world best coffee empire (Harrison et al., 2005).

1.2 Starbucks's Expansion Into Korea

Starbucks, leading the coffee culture by permeating into everyone's life, has settled down new coffee culture in Korea as well. Starbucks opened its first store in Korea, Ewha shop, in July 1999 via starting a joint venture with Esco Korea, a subsidiary company of Shinsegae.

Starbucks Korea could rather easily enter Korean market by directly accepting Starbucks' unique strategies such as coffee related techniques, discriminated service strategy and shop image positioning from head office in United States. Starbucks aim to introduce a new coffee culture to Korea and therefore is opening more than one new shop every month. Every employee is considered as a partner so via Barista program, all employees are trained with both theory and practical education. Also, by aiming the "quality first" policy, service and branch's discrimination and business management adequate to the corporate management, Starbucks is taking the center stage as the third place and not just a normal café. Starbucks has expanded by opening branch no.229 after it entered Korean market in 1997 and opened its first store, Ewha no.1. The specific openings are shown in the table below (Starbucks Coffee Korea, 2013).

II. Strategy of Selecting Location

In this section, we will explain about corporate location strategy before discuss the Starbucks location strategy. When searching for the ideal location for the shop, there are a few rules to be considered.

Table 1
Branch openings of Starbucks Korea

- Year 1997 - Starbucks Korea founded a domestic corporation
- Year 1999 - The first Seoul Starbucks (Ewha Uni.) opened
- Year 2000 - Daehak-Ro (second location) ~ Yeoksam (10th location) opened
- Year 2001 - Shinsa (11th location) ~ NewcoreDhong Suwon (34th location)
- Year 2002 - Sinchon (35th location) ~ Hongik Uni. (58th location)
- Year 2003 - Samsung Station (59th location) ~ Young Poong Bookstore (83th location)
- Year 2004 - Konkuk Univ. (84th location) ~ Daejeon Eunhaeng-dong(110th location)
- Year 2005 - Dansungsa (111th location) ~ Hongik Uni. Front gate (144th location)
- Year 2006 - Gyeonggi-do Jeongia Station (145th location) ~ Coex no.2 (188th location)
- Year 2007 - Mok-dong Hillstate (189th location) ~ Nambuterminal no.2 (229th location)

2.1 Business District

In retail, the very last step of distribution process, location can be the crucial factor that decides the success or the failure of a new shop. The concept of location with good market conditions is known as 'business district' and selecting ideal business district is the very basic strategy that retail stores should fulfill. Deciding ideal business district is becoming more and more important as the society itself is becoming complicated, and this applies to all shop, from small-scale convenience stores to large department stores.

2.1.1 What is 'Business District'?

Business district (or trading area) is the spatial extent where commercial exchanges take place. Business district is normally used in two different meanings; first, the range which one branch can absorb customers and second, the spatial extent which several commercial facilities can absorb customers. When launching a new shop, it is very fundamental to set up the business district and figure out the existing competitors' business district. The range of business district is closely related to the industry of the launching shop and composition of products, level of price and customers' life styles (Mason et al., 1988).

Business district estimates purchasing power of population within the business district, provides data needed for setting up sales and decided the range of sales promotion activities. Also, regional scope which city's commercial function influences is formed by both shops that provide products or services and consumers who receives such goods and live their lives. As business district is normally explained from sellers' point of view, it can be called living zone in consumer' case.

In conclusion, business district includes regional and time-based scope where customers who allows certain business to maintain exist and also amount of sales that can be listed taking into account of frequency of consumers coming to the store.
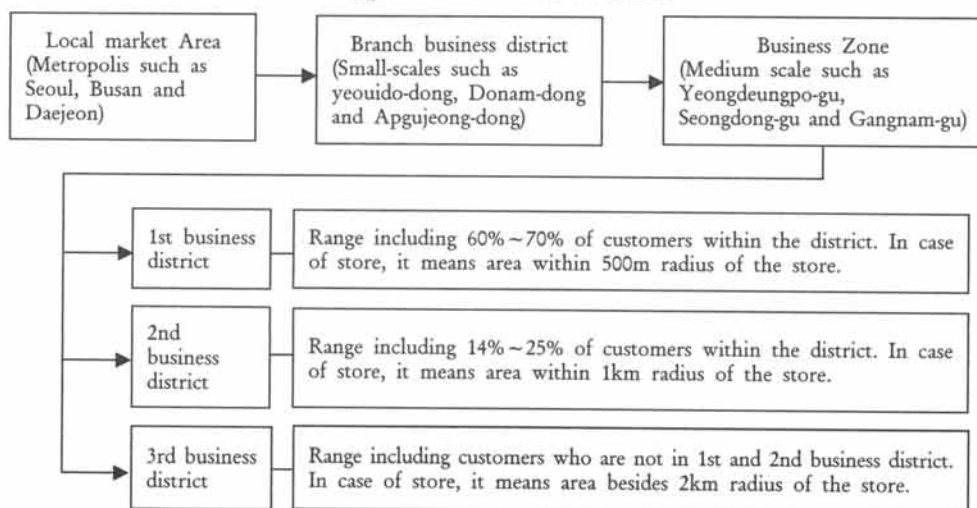
Types of business district are shown in the Diagram 1 as follows.

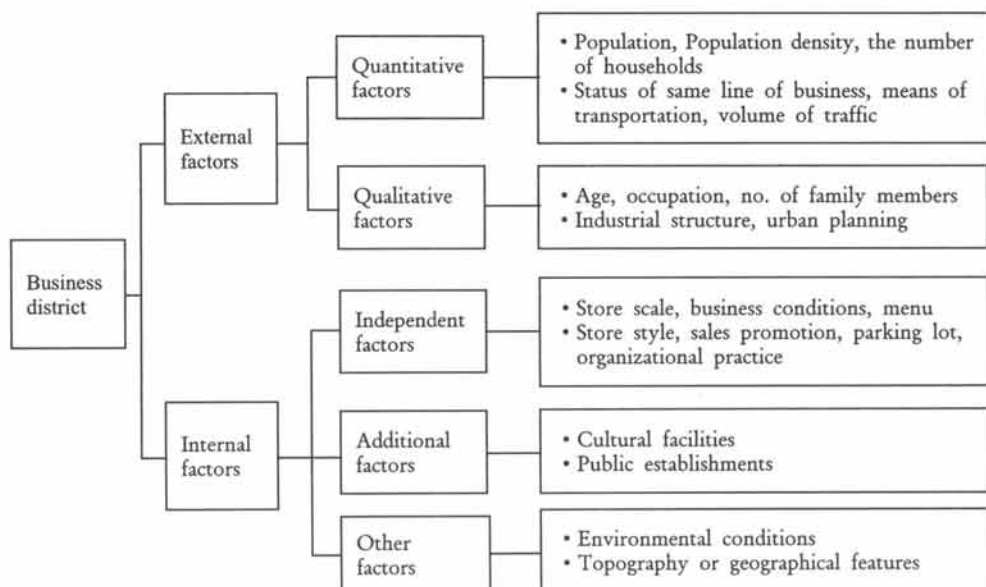Factors affecting such business districts are shown in Diagram 2.

2.1.2 What is 'ideal' business district?

In order to select location in the ideal business district, one has to first figure out the boundary lines of 1st, 2nd and 3rd business district and then selects the location

Diagram 1
Types of Business District

| Local market Area (Metropolis such as Seoul, Busan and Daejeon) | Branch business district (Small-scales such as yeouido-dong, Donam-dong and Apgujeong-dong) | Business Zone (Medium scale such as Yeongdeungpo-gu, Seongdong-gu and Gangnam-gu) |

1st business district	Range including 60%~70% of customers within the district. In case of store, it means area within 500m radius of the store.
2nd business district	Range including 14%~25% of customers within the district. In case of store, it means area within 1km radius of the store.
3rd business district	Range including customers who are not in 1st and 2nd business district. In case of store, it means area besides 2km radius of the store.

Diagram 2
Influence Factor of Business District

Business district	**External factors**	Quantitative factors	• Population, Population density, the number of households • Status of same line of business, means of transportation, volume of traffic
		Qualitative factors	• Age, occupation, no. of family members • Industrial structure, urban planning
	Internal factors	Independent factors	• Store scale, business conditions, menu • Store style, sales promotion, parking lot, organizational practice
		Additional factors	• Cultural facilities • Public establishments
		Other factors	• Environmental conditions • Topography or geographical features

considering such conditions. These are the components that have to be taken into account before choosing the business district; whether there are enough potential customers within the district, distributions status and pros & cons of businesses in same line, customers' requirements, accessibility of parking lot and transportation system to the business district and lastly, availability of purchasing products or techniques. In case of retail stores, accessibility of transportation system and availability of parking lot should be carefully considered for floating population as 80% of retail stores' success or failure is decided by the location. Also, shops can provide relatively low price products so as to attract customers in 2nd and 3rd business districts. The followings are things to consider when selecting ideal business districts (Weisbrod et al., 1984).

• It is more realistic to select the location first and then suitable type of business industry next. Even though it is more general to go other way around, economical factors might come into problem in such case.

• Selecting business district should be considered in long term. One should not be eager to success his/her business within 1 or 2 years. This means unless it is extremely remote area, any zone or building can be turned into new business district. As shops in new buildings or new districts do not require premium, founders can utilize their capitals for advertising or promoting, thus secure regular customers and form developed business district.

• Selecting business district suitable to the type of industry is important.

• In order to open retail stores, not only shop's business ability is important but also overall market forces should be considered as well. When powerful market forces exist in certain place, business runs fluently even though there are many other competitors in the same business line. For instance, restaurant is more likely to flourish when it locates near other restaurants rather than opening somewhere alone.

2.2 Location selection

Location is stable concept of place where houses, plants and shops exist. Selection of location is a dynamic concept as it indicates spotting the land that satisfies locating conditions of certain industry or business. It also accepts spatial concept along with suitable use of real estates. The followings are types of locations.

- Adaptive type: Station influence area where floating population is high, Office zone or food alley
- Life type: Residential area or apartment concentration area
- Purpose type: Concentration areas of complex facilities such as theme park, electron center or place where shopping district is formed in large-scale

Determinants required to locate in such types of areas are shown below (Lundberg and Walker, 1993).

On the other hand, followings should be considered when selecting ideal location.

- Are there enough potential customers within the certain area?
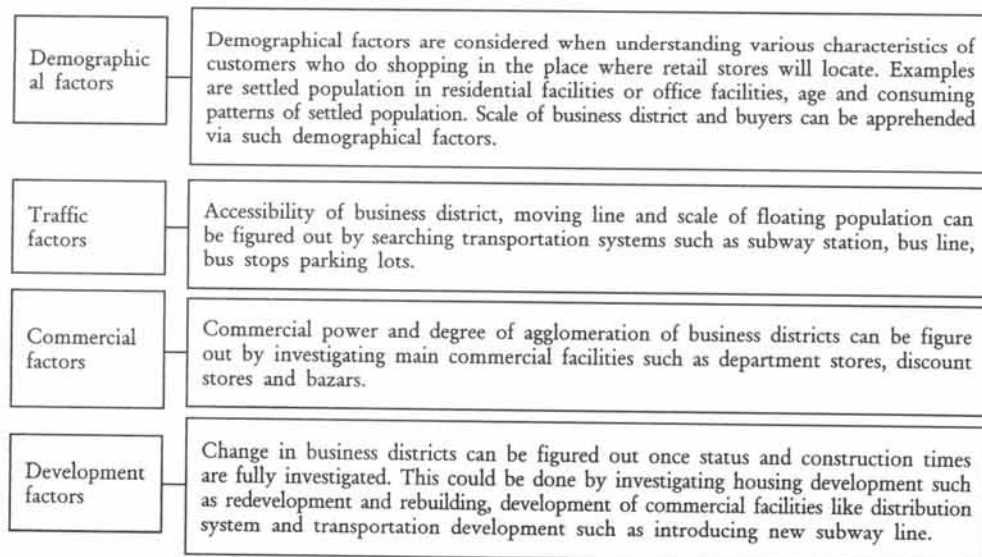- What are the pros and cons of competitors in same business line? Also, what is the distribution status of these competitors?
- What are the customers' requirements in areas relevant?
- Is the accessibility to parking lots and transportation system high enough?
- Is purchasing products or techniques available?
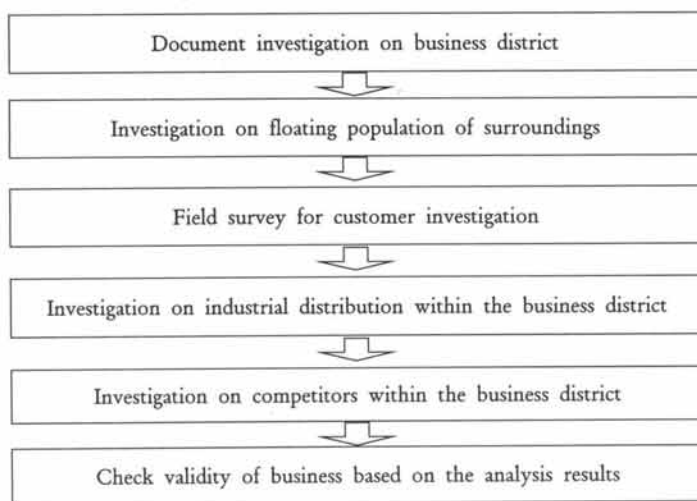- Are there no difficulties in living environment (education or transportation system) of founders?

Also, terms below should be taken into account as well.

- Traffics: Number of people going by the store relevant. Especially, traffic volume is a critical factor to the retail stores.
- Analysis of neighbor stores: Thorough analysis is required on 1st business district to decide whether it is a place to develop or decay.
- Accessibility: To attract customers more readily, main flow direction of customers should studied, both who pass by district entrance and competitors.

Diagram 3
Determinants of Location of Retail Stores

Demographical factors	Demographical factors are considered when understanding various characteristics of customers who do shopping in the place where retail stores will locate. Examples are settled population in residential facilities or office facilities, age and consuming patterns of settled population. Scale of business district and buyers can be apprehended via such demographical factors.
Traffic factors	Accessibility of business district, moving line and scale of floating population can be figured out by searching transportation systems such as subway station, bus line, bus stops parking lots.
Commercial factors	Commercial power and degree of agglomeration of business districts can be figure out by investigating main commercial facilities such as department stores, discount stores and bazars.
Development factors	Change in business districts can be figured out once status and construction times are fully investigated. This could be done by investigating housing development such as redevelopment and rebuilding, development of commercial facilities like distribution system and transportation development such as introducing new subway line.

Diagram 4
Selecting Location Process of Retail Stores

| Document investigation on business district |
| Investigation on floating population of surroundings |
| Field survey for customer investigation |
| Investigation on industrial distribution within the business district |
| Investigation on competitors within the business district |
| Check validity of business based on the analysis results |

- Visibility: Office signs are the actual 'face' of certain business. Therefore, they should be kept clean and outstanding at all times.
- Directing: Past sales record of stores should be analyzed and applied when directing attracting store image within the business district.

In conclusion, one should follow the process below to settle down in the ideal location.

III. Siting Strategy of Starbucks

The strategy of Starbucks considering above mentioned location strategy will be presented in this section. In addition, 'first mover strategy' and 'focused destroy strategy' will be also described.

3.1 Target Customers and Market Plans of Starbucks

Target customers of Starbucks are the professions in cities aged between 18 and 45 who earn high income and young women in twenties. So, what the way to find out target customers in more efficient way? Out of all means, by considering population characteristics, target market should be selected

first where market leaders are concentrated.

Then, analyze detailed characteristics of potential customer level (i.e. population density, house income, age), flow pattern of customers in commercial area and character of population. Once customer concentrated site is spotted, transit patterns of customers should be studied in order to understand how it effects on the business. This is because favorable transit patterns make the densely populated area more attractive whereas poor transit patterns offset the positive attributes of the location. As people hardly alters their pass routes, it is more important to grasp which way they go rather than where they reside. Accessibility also affects the transit patterns. Even though there are same passing vehicle numbers on two roads, customers' transit patterns alters dynamically according to the difference of accessibility. The customers' time taken to arrive to the certain shop determines to which shop the customers go (Head et al., 1995; Krugman, 1991).

Furthermore, selection of location can become more accurate if potent number of competitors, relative site to the surrounding buildings and surrogate index (i.e. trends of consumer goods related to the coffee sales) are apprehended. Based on these, prepare con-
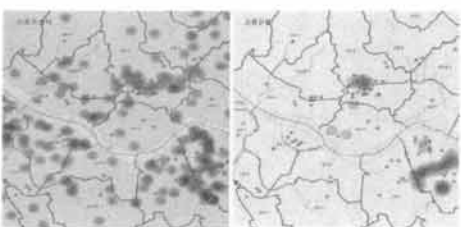
Diagram 5
Density of University/Floating Population and Location of Starbucks Branches
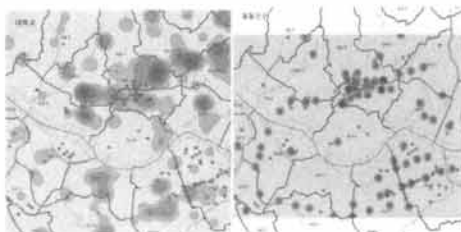
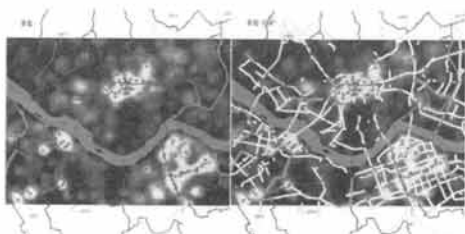## Diagram 6
Density of Department Stores/Movie Theatres and Starbucks Branches

Diagram 7
Density of Sports Centers/Skyscrapers and Starbucks Branches

Diagram 8
Location Analysis on the Road Level and Subjects and Starbucks

jugation map. Conjugation map and the location of Starbucks shops are as the following.

3.2 Field Survey

Once pre-scanning on selecting location is finished, it is crucial that field survey is fulfilled. As most of real estates and shops have their own attributes, they cannot be assessed if not seen visually. For instance, population characteristic model cannot measure convenience of parking lots of certain site. Therefore, not only the optimal location but also other candidates have to be checked visually. When investigating the candidate locations, attitude of mind should be as if you are having a first date. This means that you need to have interest and also some doubts to the location. However, if the candidates do not meet the conditions of ideal location, you should leave without any regrets (Mahajan et al., 1985).

Volume of vehicles and passing amount of customers should be investigated first. As the accessibility to the shop is crucial when selecting the location, the place even one block away from the street which affects the passing amount of customers should be abandoned. Also, check whether the surroundings are congested because customers might avoid coming to the shop if the environment is complex. Therefore, the visibility of the site should be good. Question yourself – can you see the sign easily even from the across the street? Furthermore, factors that show quality level of commercial area such as building conditions, attractiveness and cleanness of road and crime rates should be considered.

3.3 Field survey: Myeongdong Downtown

Myeongdong downtown is the best business district in Korea where there are many female customers around age 10 and 20. Mobility is the highest as a floating population is 1.5 ~ 2million on weekdays and 2.5million on weekends. Mobility increases rapidly in the evening. There is easy accessi-

Diagram 9
Fluidity of Myeongdong Downtown and Efficiency of Accessibility

Diagram 10
Starbucks in Myeongdong Downtown and Customer Flow

Diagram 11
Starbucks in Myeongdong Downtown

Diagram 12
Competitors of Starbucks in Myeongdong Downtown

bility of the area by transportation system (there are two subway stations nearby) and attraction of public is strong as there are many shopping malls close to Starbucks.

There are total 7 Starbucks in Myeongdong downtown, all in the center of customers' transit routes. Referring to the map, you can notice that Starbucks locate at the place with good visibility and 'Corner of Main & Main'.

Myeongdong Starbucks investigated via field research are as follows.

Competitor shops were more fancy and eye-catching than Starbucks in Myeongdong.

3.4 First Mover Strategy

In 1997, Starbucks signed licensing contract with Shinsegye Group and entered the Korean market by opening first store at Ewha Women's University in July. They carried out very thorough market and environment analysis and concluded that Korean market to be very "sensitive to changes and a place where trendy fashion leaders are". After that, from 2000, Starbucks started to open stores one by one, Gangnam in February, Myeongdong (in April), Samsungdong Coex (in May), Apgujungdong (in June). At this time, it was important to spread Espresso and the concept of Take-out coffee rather than selling products to create market. Before Starbucks' launch, Korea's coffee market was as follows.

Before 80s, people visited coffee houses or drank instant coffees. After 80s, café chains such as Jardin, Bremmer, Saka, started to appear. In 90s, drinking brewed coffee became very popular in university streets. Youngsters drank Hazelnut, Blue Mountain for relax. In 1997, due to IMF, café chains decreased rapidly but, espresso market was created and in 1999, Starbucks started their coffee business and attempted to expand their market and take-out started to invigorate.

People were not really familiar with coffee culture, and it was Starbucks core strategy to create their own Starbucks culture which resulted in Starbucks Myeongdong (No.4). Starbucks strategy then was the first-mover strategy. First mover strategy is entering the market before any rivals in order to have

competitive advantage. Therefore when companies chose for first mover strategy, companies can occupy very advantageous position in the market. Of course there can be difficulties economically. In this case, companies need to create demand and make large investments even though there would be huge loss temporarily. This is because when entering the growing market as a first mover, there are many benefits. This strategy helped Starbucks to become the icon of coffee shops.

Starbucks No.4 in Myeongdong was advantageous in location selection considering Korean characteristics. Unlike stores in America, Starbucks No.4 in Myeongdong was large in size. Starbucks knew that Koreans would use coffee shops as a place for gathering rather than just drinking coffees. Howard Shultz wrote in his book <Starbucks' secrets to success> that one of his business philosophies was 'Consumerism', meaning there is success when you find consumers' needs. So Starbucks always tries to provide their consumers luxurious and bright atmosphere where they can enjoy best coffees. Starbucks never advertise; they make each store as means of marketing and rely on consumer's evaluation. Therefore, they take extra care on location selection; when they are selecting spots, they consider whether this place would be the icon of this region. Myeongdong No.1 succeeded its role as the landmark.

Starbucks built entry barriers while enjoying its monopoly but its rivals are watching the changes of the trend in the market to enter the market. This can be explained by 'The law of Jungles' in Marketing.

Considering all factors above, Starbucks needed new strategy to make profits after creating brand image and succeeded in entering the market – 'Focused Destroy Strategy'. Pascucci, one of the followers, needed careful location selection to make their store as the landmark of the region to create strong brand image, just as Starbucks did. So, in 2005, Pascucci replaced Starbucks No.1 location, and Starbucks distributed to 7 small-sized stores in Myoengdong region.

3.5 Focused Destroy Strategy

While walking on the main street in the central city, you will encounter endless coffee store signs. In some areas, there are too many. You will see the same coffee brand signs on the same block, competing with each other for consumers. Did they make mistakes when selecting location? Of course not. This is all highly calculated strategic moves. This is the story of Starbucks, the company that brought huge turmoil in the coffee market by using Preemptive Strategy.

In order to seize the opportunity in the new market, Starbucks selected 4 or 5 best locations in a market. Starbucks is using their 'Focused Destroy Strategy' to take over the advantageous position in the market. This strategy is opening stores at crossways or stations, near shopping malls or other business zones where there are many floating population. This was very successful despite some concerns. Starbucks carried out investigation to find out streets that people frequently use and opened stores there. As Starbucks target sentimental generation, they targeted places where those generations tend to flock. This was one of ways of Starbucks' success.

Furthermore, Starbucks dominated home market and then gradually expanded to nearby regions and eventually to all over the country. By showing incredible driving force, rival companies were discouraged to enter the market, and therefore Starbucks could defend their home market. Opening multiple stores in one area not only maximizes marketing effect, but also enable easy management of labor force, training programs and other management systems. Starbucks maximizes its marketing promotion and through research, it relocated its stores and even removed stores that failed to reach certain amount of sales.

IV. Starbucks's Siting Strategy Per Subject

No company can be successful and grow continuously by only having ideal location

selections. Let's have a look what strategies Starbucks, who achieved location selection around universities or station influence areas, to expand their zones. Also, we will look at the characteristics that each location have.

4.1 Can hospitals be a good location for Starbucks stores?

Gunkuk Unverisity Hospital, Samsung Seould Hospital, Korea University Hospital, Ahjoo University Hospital have Starbucks stores inside their hospitals. Starbucks in Korea University Hospital for example, has 16 tables with 14 seats, and Ahjoo University Hospital has only take-out store.

It is easy to think that Starbucks stores in hospitals would have in- patients, their families and hospital workers (such as doctors) as target consumers. However, in case of multi-hospital, outpatients who visit hospitals during weekdays, and patients' visitors are also big part of demand.

When entering in a hospital, they might be competing with other industries but not with other coffee shops. Also, there is no big difference in the number of consumers during weekdays and weekends. Hospitals can be more occupied during weekdays because they have more outpatients which do not happen in shopping malls.

One of the characteristics of Starbucks stores in hospitals is that they have more sales of bread and cakes. This is because when people are visiting patients, they buy pieces of cakes or scones as small gifts.

Likewise hospitals can be good location.

4.2 Characteristics of Starbucks Located in Supermarkets

Marts are must-go places to many people. People visit marts to buy clothes or foods. Therefore Starbucks stores inside marts have enough potential consumers. However, unlike Starbucks stores around universities who have not only college students as consumers but also residents nearby, stores in marts have only mart-users as consumers. Let's have a look at the gains and losses.

Gayang Emart, Yeunpyeong Emart, Yeoksam Emart have starbucks inside their buildings. The sales are not affected by weather as mart-users are not. Of course, there are many sales on weekends as workers and couples prefer shopping on weekends.

The reason that marts were chosen as one of the location selection strategy is because marts are not bounded by age, gender and thus can have many various consumers. During weekday mornings, there are many housewives as consumers but it is difficult to distinguish consumers at time periods.

Yeoksam Emart was selected as an ideal location, as it is located in Gangnam area. The elderly people living in Gangnam are accustomed to youngster's family restaurants; they are happy to experience young

culture and therefore know how to enjoy coffees. They contribute quite much in Starbucks sales.

4.3 Advantages of Starbucks Located in Shopping Malls

The first target location was department stores where women in 20s and 30s are concentrated. Besides, Starbucks Korea is the joint corporation of Shinsegye Group and American Starbucks International which means it is very advantageous in entering the shopping malls. There are Starbucks in Shinsegye headquarter, Hyundai Deapartment Store in Mokdong, in Coex. Starbucks in Hyundai Department Store in Mokdong, is located where CGV, Bandi and Lunis, Hyundai shopping areas are all connected.

Starbucks in Hyundai says that their sales are affected by visitors of CGV rather than those who come for shopping. As there are many 20s and 30s, it is easy to have solid demands. While shopping, it is tiring to walk for long hours and people start to look for places to have a rest. Therefore shopping malls can be a very good location for Starbucks even though it might not be able to benefit as much as the one in Hyundai Department Store in Mokdong, which is located in multiplex area.

4.4 Siting Strategy of Starbucks located at the BEACH

Beach can be a very unusual location and can have a great number of consumers.

Currently, there are two Starbucks' at Haeeundae and Gwangahnri, where people can drink coffees while enjoying beach scenery. These stores mainly targets for tourists and workers nearby. These stores made their buildings in glasses so that users can look outside the beach. As Starbucks' here target tourists, unlike other Starbucks stores, they need to take parking areas into account. In summer, sales reach at the peak, and they have more consumers on weekends rather than weekdays. Tourists are normally around 30s and 40s.

Starbucks Gwangahnri, there are many consumers coming at might to get wonderful night views. So, this store opens for 24 hours during weekdays, and until 1 A.M on Friday and Saturday. There is a large sports center near Starbucks Gwangahnri. People visit this store after exercise and hence, it has regular consumers.

4.5 Charateristics of Starbucks Shops Located in the Bookstore

There are Starbucks coffee shops nearby Daegu Kyobo bookstore, Yeongpoong bookstore, Gwangju Chungjangseorim, and Bandi and Luni in Coex. Bookstores and Starbucks really fit. In case of large bookstore, it is easy to spot buyers and users who read books. Reading books for long hours might tempt coffees. If Starbucks could open stores inside the bookstore, these would not competition with other coffee shops therefore can have solid consumers.

Starbucks in Daegu Kyobo bookstore, its sales is also influenced by Hot Track. There

are 30 tables with 100 seats and the sales on weekends and during weekdays are relatively similar. During vacation, the sales tend to increase, which is another advantage of selecting bookstores as locations.

V. Discussion and Conclusion

5.1 Basic Siting Strategy of Starbucks

Starbucks chose 'Selection and Concentration' strategy to form brand image by opening multiple stores in an area where there is high density of floating population, based on the investigation above. In other words, Starbucks take a 'first mover strategy' to open stores in the region to become a major hub and then take 'focused destroy strategy' to concentrated in this area.

Starbucks made remarkable profits and succeeded gaining brand power by opening stores in Gangbuk downtown region that connects Gwanghwanoon-Jongno-Myungdong and Gangnam downtown region centered on Yeouido and Teheranno regions (the stores in Gwanghwamoon and Teherrano account for 33% of total number of stores in Seoul). Starbucks' siting strategy in Myeongdong was part of Starbucks Korea's 'Focused Destroy Strategy' and Starbucks kept making profits and is indeed growing. The role of forerunner in the coffee market was achieved through Starbucks Myeongdong No.4 and now, they are trying to maintain their first place in the coffee market by adopting 'Focused Destroy Strategy' to survive in the fierce competition.

Along with this, Starbucks Korea is attempting to open stores in various forms such as shop-in-shop retail concept. This shop-in-shop strategy is targeted to large department stores, banks or hospitals and this is very effective because it can attract elder generation without particular marketing strategies. In case of multi-shops, they are more advantageous than only product selling shops therefore this shop-in-shop strategy is also regarded as win-win strategy.

Starbucks Korea shows steady growth in sales until 2003. Then, Starbucks Korea's sales
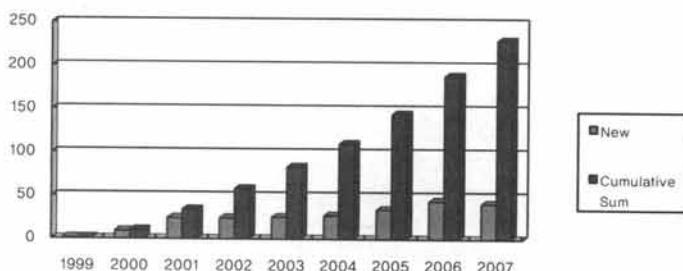
Chart 2
Sales of Starbucks Korea

(Unit: Won)

Section	2000	2001	2002	2003
Sales	8,632,085,548	25,163,010,835	43,635,530,428	54,533,013,147
Net Profit	323,920,274	1,601,012,255	1,527,971,658	3,263,763,571
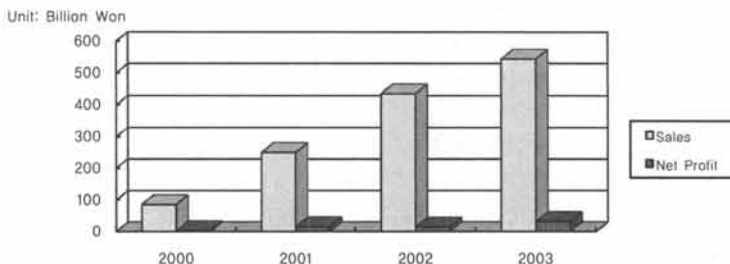
Chart 3
Number of Starbucks Korea Stores

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007
New	1	9	24	24	25	27	34	44	41
Cumulative Sum	1	10	34	58	83	110	144	188	229

surpassed 90 billion won in 2005 and 100 billion in 2006. On the other hand, the number of Starbucks stores continues to increase including Southern Terminal No.2 in November in 2007 (Starbucks, No. 229).

As shown above, after entering and creating the coffee market, Starbucks tried to settle its coffee brand and new espresso as well as take out coffee culture into people's lives. Follower companies need differentiation strategies as the size of the coffee market continues to grow and the competition is getting ever-fiercer. To 20s and 30s who are strongly influenced by Starbucks, in order to enhance their loyalty to the brand, Starbucks reinforced 'Focused Destroy Strategy' by blanketing their stores over the high-populated regions. As a result, Starbucks is maintaining No.1 coffee store in the Korean market, and is steadily growing. Even though the sales in each store declined, Starbucks total revenue rose by increasing the number or stores.

5.2 Negative Effect and the Solutions by Giving Up Symbolism of Myeongdong no.1 Store

There are disadvantages of giving up Myeongdong No.1 even though the 'Focused Destroy Strategy' has been successful.

First of all, Starbucks do not advertise their brand, and by giving up landmark they have lost one of the most effective means of advertising their stores. Even worse, Starbucks handed out that location to rivalry company Pascucci, so Starbucks gave Pascucci an opportunity to be in pursuit of Starbuck's market. It is sure that Starbucks has fixed image in the Korean market and they would not be affected by their giving up landmark location as they have distributed their stores all over Myeongdong. However, in the long run, they let their rivals to follow their steps to success and eventually created threatening rivals. Therefore, Starbucks needs new marketing strategies for promotion, their consumer maintaining strategy and expansion strategies to new market.

Landmark buildings can be used as places for gathering in a region where it is highly populated. In people's memories landmark buildings are remembered as symbol of that region. As mentioned above, landmark buildings are not only very effective for advertising but also they can build trust and strong impression to consumers. Baskin Robbins and KFC stores in University streets, ABC bakery and Giordarno stores in Gangnam, Hyundai department store and Eagle Building in Shinchon are landmarks in their areas and places for appointments. Considering this 'landmark effect' Starbucks' distribution strategy could mean losing crucial landmark position. When considering gain and losses, it seems Starbucks gained more but the loss

does not only include financial losses. Therefore it would be wise for Starbucks to have landmark stores in other regions when entering other markets.

Recently, some started to criticize Starbucks due to its high price and too much premium strategies. Being the subject of criticism might show how Starbucks has been successful in the market but negative image does have influence on the sales. Even though Starbucks' negative image does not influence the Starbucks market share at the moment, but when the competition gets fierce, no one can predict how negative image could damage Starbucks. Therefore Starbucks should continue to make premium coffee image and it seems urgent that they do need a landmark stores in other regions.

5.3 New Siting Strategy for Starbucks to Maintain Top Market Share

5.3.1 What is the siting strategy of Coffee Bean which is in the second place?

Coffee Beans is a follower company when entering the Korean market. Main cities were already fully occupied by Starbucks thus Coffee Beans had difficulty in selecting ideal locations. So Coffee Beans targeted remote regions such as Yeongdeungpo, Suseo in Gyungi Province where Starbucks had not reached yet. After having Coffee Bean culture settled in those "not yet reached" areas, Coffee Beans gradually entered the Starbucks' zones. Coffee Beans opened their stores near Starbucks, within 1km, luring Starbucks' consumers.

5.3.2 What is 'Targeting' that Affects the Location Selection of Starbucks and Coffee Bean?

√ Starbucks' Targeting
- They target 20s and 30s who visit coffee shops very often
- Youngster oriented culture
- Currently, they are targeting young workers with aggressive strategies

√ Coffee Bean's targeting

- They target 20s and 30s who visit coffee shops very often
- They target tea-favoring workers and have rather aggressive strategy by opening stores near Starbucks stores
- They have celebrities as stock owners as teens are sensitive to celebrity's trends
- They target Starbucks consumers and carry out marketing by having new coffee tastes

5.3.3 What is the siting strategy for Starbucks to keep its top place from Coffee Bean?

Coffee Beans is having aggressive competition with Starbucks; not only occupying the regions where Starbucks have not yet entered but also intruding Starbucks zones. Also, Coffee Beans have celebrities as their stockholders to upgrade their brand image. To face keen competition from Coffee Beans, Starbucks should make "Only Starbucks Zones" where no other coffee chains can enter. Then how is this possible?

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It is predicted that Starbucks would be have high increase sales if they open stores in large-scale military base as they currently have stores in American Base Camp. Having stores in military camps not only has soldiers as consumers but also soldiers' families and acquaintances (visitors) as potential consumers. Moreover, military camps have tax benefits from the government, cheap rents, and during the period of contract, there are

no rival companies in the troops. However, in reality, this idea might be difficult to adopt. First of all, it is forbidden foreign companies to enter military camps. Plus Starbuck would have to lower the price as soldiers' power parity is not big.

Also, unlike other coffee companies, Starbucks is pursuing premium strategy by setting higher price. One of the strategies they have now is targeting the upper-class: Starbucks is making attempts to open stores at the entrance of high-rise apartments such as Towerpellis or I-Park or in those apartment blocks.

This strategy allows Starbucks to have locations with easy accessibility as there is high population density near apartments. Furthermore, if Starbucks can open stores in "to-be-apartment complex," they would attract more consumers and improve the brand quality therefore maintain their top place in the Korean market.

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서비스 시설의 입지선정: 스타벅스의 한국매장 입점 전략

김수욱[*]

스타벅스(Starbucks)는 1997년 한국 시장에 진출하여, 99년 이대점(1호)을 오픈 한 이후 불과 8년 만에 229호점(남부터미널 2점, 2007. 11. 29.)을 개설하는 등 눈부신 고도 성장을 거듭하고 있다. 불과 얼마 되지 않는 시간동안 비약적인 성장을 해온 스타벅스 코리아의 성공 사례가, 서비스 시설들의 입지 선정의 방법과 중요성 등을 이해하는데 있어, 많은 도움이 될 것으로 판단하여 본 연구를 수행하였다. 입지선정 측면에서 스타벅스의 전략을 살펴본 결과 기존 문헌에서 언급되어온 입지 전략들을 충실히 따른 것으로 나타났으며 여기에 더하여 '선점전략'과 '집중적 초토화전략'을 사용한 것으로 나타났다. 스타벅스의 성공은 입지 전략 뿐 아니라 다양한 요인들이 있는 것은 잘 알려져 있다. 그러나 스타벅스가 서비스 기업인만큼 입지 선정은 매우 중요하게 다루어져야 한다. 특히 본 연구가 스타벅스 만의 '선점 전략'과 '집중적 초토화 전략'이라는 입지 전략을 분석하였다는 점에서 의의가 있다고 생각되며 다른 서비스 기업에게 의미있는 시사점을 제공한다고 볼 수 있다.

주제어 : 스타벅스, 입지, 선점전략, 집중적 초토화 전략

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