**OUTWARD FOREIGN DIRECT INVESTMENT OF STARBUCKS**

by [Name]

Course

Professor’s Name

Institution

Location of Institution

Date

Executive Summary

Starbucks has achieved immense success in the global coffee industry by leveraging its ownership-specific advantages, location-specific advantages, and internalization advantages. By leveraging its strong brand reputation and focus on product quality, customer service, and corporate responsibility, Starbucks has been able to maintain a competitive edge in the market. Additionally, its careful selection of locations, focus on operational efficiency, and strategic partnerships with local businesses have enabled it to effectively capture the advantages offered by each market. To further strengthen its position in the global market, Starbucks should capitalize on its ownership-specific advantages and location-specific advantages, and focus on improving its internalization advantages through technology, streamlining processes, and forming strategic partnerships. By doing so, Starbucks will be able to continue its growth and success in the global market.

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# Introduction

Starbucks is a multinational coffee company that was founded in Seattle, Washington in 1971. Today, Starbucks has over 30,000 locations in over 80 countries, and has established itself as one of the largest coffee companies in the world (Starbucks., 2020). This paper critically analyzes the ownership-specific advantages, location-specific advantages, and internalization advantages of Starbucks.

Starbucks is a company that has a strong reputation for providing high-quality coffee and a unique customer experience. Its mission is to "inspire and nurture the human spirit - one person, one cup, and one neighborhood at a time." (Starbucks., 2020) To achieve this mission, Starbucks has focused on expanding its business globally, leveraging its brand and expertise to establish a strong presence in new markets.

In order to achieve this, Starbucks has utilized various strategies and advantages to grow its international operations. Firstly, Starbucks has leveraged its ownership-specific advantages to establish a strong brand identity and reputation for quality products. This has included investing in research and development to create new and innovative products, as well as investing in marketing campaigns to raise brand awareness and attract customers (Ren, Choe, and Song, 2023, p.103351).

In terms of location-specific advantages, Starbucks has carefully selected the countries in which it operates, taking into consideration factors such as market size, consumer purchasing power, and cultural factors. For example, Starbucks has established a strong presence in Asia where there is a growing middle class with a growing appetite for luxury goods and premium coffee. Additionally, Starbucks has taken advantage of internalization advantages, such as economies of scale and access to finance, to support its global expansion efforts (Ren, Choe, and Song, 2023, p.103351).

Starbucks' success in international trade and commerce can be attributed to a combination of its ownership-specific advantages, location-specific advantages, and internalization advantages. These advantages have enabled Starbucks to establish a strong brand identity, a reputation for quality products, and a presence in key markets around the world. This, in turn, has helped Starbucks to achieve its mission of inspiring and nurturing the human spirit one cup of coffee at a time (Ren, Choe, and Song, 2023, p.103351).

Starbucks has achieved this by pursuing international trade and commerce as a key aspect of its growth strategy. The company has adopted a franchise model, licensing local partners to open and operate Starbucks stores in new markets (Lal, 2020). This allows Starbucks to enter new markets quickly and effectively, leveraging local knowledge and resources to achieve success.

Starbucks has had to navigate a complex landscape of trade policies, cultural differences, and market dynamics in order to succeed in international trade and commerce. To do so, the company has had to take a proactive approach in building relationships and partnerships with local partners, suppliers, and governments. This has enabled Starbucks to gain access to new markets and resources, allowing for its continued growth and success. (Ren, Choe, and Song, 2023, p.103351).

# Ownership-specific Advantages

Starbucks has several advantages due to its ownership structure, allowing it to be successful in the global market. These advantages include a strong management team, access to financial resources, and a well-known brand. The company has been able to leverage these advantages to gain a competitive edge and increase its market share in the global coffee industry. (Lombardi, Chidiac, and Record, 2021, p.177).

Starbucks has a strong brand that is recognized and valued by customers around the world. This strong brand allows Starbucks to charge premium prices for its products and also provides a competitive advantage in attracting customers to its stores. Starbucks has a management team with extensive experience in the coffee industry. The management team has been able to leverage their knowledge and expertise to successfully expand Starbucks into new markets and develop new products that appeal to customers. Starbucks has a strong financial position, with significant resources to invest in new store openings, marketing initiatives, and product development. This financial strength provides Starbucks with the ability to overcome obstacles and pursue growth opportunities, both in new and existing markets (Lombardi, Chidiac, and Record, 2021, p.177).

# Location-specific Advantages

Starbucks has a number of location-specific advantages that have helped it become a successful global company (Hudson, 2020). These advantages include access to resources, infrastructure, and a favorable business environment in various locations. Additionally, the company has the ability to take advantage of local trends, cultures, and preferences in different markets, allowing it to tailor its products and services to the needs of customers in each region. These location-specific advantages have enabled Starbucks to remain competitive and profitable in the global market (Hudson, 2020).

An important aspect of business planning is determining strategic locations for operations. Starbucks has a strong focus on selecting the right locations to open its stores. The company has been successful in identifying and acquiring strategic locations that provide high visibility and foot traffic. This has helped Starbucks to reach a large number of customers and increase its brand awareness (Lombardi, Chidiac, and Record, 2021, p.177).

When looking to hire new employees, it is important to consider how well they fit in with the company's culture. Starbucks has been successful in adapting its business model to fit the local culture and customs in the countries it operates in. For example, in some Asian countries, the company has introduced tea-based drinks to cater to local tastes. This has helped Starbucks to establish a strong local presence and build a loyal customer base (Lombardi, Chidiac, and Record, 2021, p.177).

Governments often provide support to businesses in various forms, including tax incentives, grants, and loans: Starbucks has been able to receive support from the local government in the countries it operates in. This has been in the form of tax breaks, subsidies, and other incentives, which has helped Starbucks to reduce its operating costs and increase its competitiveness in the local market (Ren, Choe, and Song, 2023, p.103351).

Having access to critical resources is essential for any successful business: Starbucks has been able to access a range of resources in the countries it operates in, such as local suppliers of coffee beans, raw materials, and other ingredients. This has helped the company to reduce its dependence on imports and increase its efficiency.

Starbucks has access to a large number of coffee beans from various countries, which allows it to source high-quality beans for its coffee products (Lombardi, Chidiac, and Record, 2021, p.177). Starbucks has established operations in many countries around the world, which provides it with access to local expertise and knowledge about each market. This allows Starbucks to better understand and respond to the needs of customers in each market.

Starbucks has a strong presence in many countries, which provides it with access to favorable infrastructure and a supportive business environment. For example, Starbucks has established partnerships with local suppliers, which allows it to efficiently source materials and products for its stores (Lombardi, Chidiac, and Record, 2021, p.177).

# Internalization Advantages

One of the internalization advantages that Starbucks has is its organizational structure, which is designed to be flexible and agile. This allows Starbucks to quickly respond to changes in the global market and adapt to local market conditions (Starbucks., 2020). Additionally, Starbucks has invested heavily in its technology, which allows it to provide customers with an engaging and personalized experience. Finally, Starbucks has a well-developed and efficient supply chain that ensures its products are always of the highest quality and are always available to customers when needed.

First, Starbucks has a strong organizational structure that allows it to effectively manage its operations globally. The company has established clear lines of communication and decision-making processes, which allows it to efficiently coordinate its operations across different countries (Lombardi, Chidiac, and Record, 2021, p.177).

Second, Starbucks has invested heavily in technology, which allows it to streamline its operations and improve efficiency. For example, Starbucks has implemented a digital ordering system that allows customers to place their orders ahead of time, reducing wait times and improving the customer experience (Tsai, et al. 2020. p.102162).

Finally, Starbucks has a well-established supply chain that allows it to efficiently source and distribute products to its stores around the world. This strong supply chain provides Starbucks with the ability to quickly respond to changes in demand and ensure that its stores are always stocked. In the case of Starbucks, the company has been able to leverage its internalization advantages to expand its operations globally. Some of these advantages include control over the quality, intellectual property protection, and flexibility in operations (Tsai, et al. 2020. p.102162).

4.1 Advantages of the well-established supply chain at Starbucks

Starbucks has the control over quality of its goods and services it offers making it more competitive. By operating its business internally, Starbucks has been able to maintain a high level of control over the quality of its products and services. This has helped the company to establish a reputation for quality and to differentiate itself from its competitors (Tsai, et al. 2020. p.102162)

Starbucks has protected its intellectual property to prevent other businesses from copying its goods and services. By operating its business internally, Starbucks has been able to protect its intellectual property, such as its brand, trademarks, and recipes. This has helped the company to maintain a competitive advantage and to prevent others from copying its products and services.

Starbucks has been able to be more flexible in its operations which makes it more competitive. For example, the company has been able to quickly adapt its products and services to changing market conditions. This has helped Starbucks to remain competitive and to respond to customer needs.

# Recommendations

Based on the analysis of Starbucks' ownership-specific advantages, location-specific advantages, and internalization advantages, it is recommended that the company continues to focus on the following strategies:

1. Expansion in new markets: Starbucks should continue to explore opportunities to expand its operations in new markets, particularly in regions where it does not have a strong presence.
2. Innovation: Starbucks should continue to invest in research and development to bring new products and services to market, as well as to improve its existing offerings.
3. Customer engagement: Starbucks should continue to focus on building strong relationships with its customers, through initiatives such as loyalty programs, customer feedback mechanisms, and personalized marketing campaigns.

To further strengthen Starbucks’ position in the global market, it is recommended that they capitalize on their ownership-specific advantages, such as their brand recognition and customer loyalty, by utilizing innovative marketing techniques to increase customer engagement. Additionally, Starbucks should continue to focus on developing and expanding their location-specific advantages, like their international presence and selection of coffees, to meet the needs of their customers. Finally, Starbucks should continue to focus on internalization advantages, such as product differentiation, to ensure their products remain competitive and attractive to customers. (Lombardi, Chidiac, and Record, 2021, p.177).

First, Starbucks should continue to focus on leveraging its brand and reputation as its strongest ownership-specific advantage. This can be done through maintaining high standards in product quality, customer service, and corporate responsibility initiatives. Additionally, the company should continue to innovate and differentiate its offerings to stay ahead of competitors (Lombardi, Chidiac, and Record, 2021, p.177).

Starbucks should continue to expand its global presence by carefully selecting new locations that align with its target market and offer favorable conditions for business operations. They should also assess the local culture and customs of each region to ensure their offerings are tailored to meet local tastes and preferences. Additionally, they should consider the local economic and political climate to ensure they are able to establish and maintain a successful business in each market. By doing so, Starbucks will be able to build a solid foundation for further global expansion. (Chang., 2020, p. 220).

Starbucks should focus on improving its internalization advantages to ensure a steady and reliable supply of high-quality ingredients. To do this, the company should invest in technology and streamline processes to gain better control over the supply chain. Additionally, Starbucks should partner with local suppliers to enhance the efficiency of operations and ensure a reliable supply of ingredients. (Chang., 2020, p. 220).

Starbucks should form strategic partnerships and collaborations with local businesses in each location to gain access to new customers and distribution channels. Additionally, these partnerships will allow Starbucks to share resources and expertise, reducing the associated risks and costs of entering new markets. Lastly, this will also help the company to better understand the local markets and potentially develop unique product offerings that cater to the specific needs of the target audiences. (Lombardi, Chidiac, and Record, 2021, p.177).

# Conclusion

In conclusion, Starbucks has a strong presence in the global market due to its ownership-specific advantages, location-specific advantages, and internalization advantages. The company's strong brand reputation and focus on product quality, customer service, and corporate responsibility have helped it to maintain a competitive edge in the market. Additionally, its careful selection of locations, focus on operational efficiency, and strategic partnerships with local businesses have enabled it to effectively capture the advantages offered by each market. To continue its growth and success, Starbucks should focus on leveraging its strengths and addressing its weaknesses through innovative strategies and collaborations.

Starbucks has successfully used its ownership-specific advantages, location-specific advantages, and internalization advantages to enable its growth globally. Its strong brand recognition, focus on quality and commitment to innovation, have all been key factors in helping it stay competitive and meet the changing needs of its customers. Furthermore, Starbucks' strategic investments in digital technologies, customer service, and global expansion have been integral to its success.

One of the key dimensions of the complex field of international business is the need to balance local adaptation and global consistency. Starbucks has faced challenges in maintaining its brand standards and customer experience while also adapting to local cultural differences and market dynamics. For example, in some markets, Starbucks has had to adjust its menu offerings to suit local tastes and preferences.

Starbucks has achieved immense success by focusing on international trade and commerce. This has enabled the company to leverage its brand, expertise, and partnerships to enter new markets and expand its operations, allowing it to become a major player in the global coffee industry. With its commitment to providing quality coffee to customers around the world, Starbucks has established itself as a leader in the coffee industry.

Additionally, Starbucks has a strong financial position, which has allowed it to invest in its operations, expand into new markets, and acquire other companies. This financial strength provides Starbucks with the resources to weather economic downturns and to take advantage of growth opportunities. The company's ownership structure also provides it with stability, which is essential in the highly competitive and rapidly changing international market. Furthermore, Starbucks has a long history of profitability, which has enabled it to build a loyal customer base, attract and retain talented employees, and generate positive cash flows. These ownership-specific advantages have enabled Starbucks to establish itself as a leading player in the global coffee industry and set the foundation for future growth and success.

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