

STARBUCKS COFFEE A TATA ALLIANCE

MCRM Group Assignment – Group 8



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Introduction

Tata Global Beverages Limited and Starbucks Coffee Company launched a joint venture between the iconic international coffee brand and the 2nd largest branded tea company in the world.

The 50/50 joint venture, named TATA Starbucks Limited, owns and operates Starbucks cafés, branded as Starbucks Coffee “A Tata Alliance.” The first store opened in 2012 and as of Sept’17 it has a total tally of 97 stores in India spread over 8 locations

The Tata group and Starbucks Coffee Company Strengthen Global Partnership with Multiple New Commitments

- Starbucks offers a single origin coffee from India in the US
- Starbucks coffee to be offered exclusively in Vistara flights
- Starbucks extends its Teavana tea experience from US to India last December
- Expansion of Himalayan Water Program to Singapore

FACT FILE

- Starbucks reported 39% jump in FY16
- Starbucks narrowed its losses from 40Cr in FY16 to 16.13Cr in FY17



Indian Food & Beverage Industry Overview

- According to TechSci Research report, “[India Coffee Shops / Cafés Market](#) Forecast, Consumer Survey and Opportunities, 2021”, coffee shops / cafés market in India is projected to grow at a CAGR of over 11% during 2016-2021
- It take into account of the growing coffee culture among young population, increasing urbanization, rising disposable income levels and changing eating and drinking preferences of consumers. Changing work patterns of business executives is also driving demand for such coffee shops / cafés, as these outlets offer services such as free Wi-Fi, entertainment zones, etc.
- Sales of non-carbonated beverages along with foreign cuisines and fast food in India is exhibiting rapid growth, due to growing income levels and rising awareness among consumers.
- Although, changing consumer preferences and tastes is projected to motivate market players to introduce new variety of products.
- recommends players to focus on incorporating new types of drinks in their menus, and provide more options to consumers in order to increase sales and strengthen market position along with uncovering a lot of hidden market opportunities.

STP Analysis – Existing Segment

Socio Economic Segment

Segment A: Business Class Professionals and Executives

Segment B: People looking to go and hangout with friends with premium facilities and nice ambience

Geographic Segment

“Starbucks has segmented geographically and demographically by selecting the stores location where they can find educated people with money to spent”

Behavioural Segmentation

Segment A: Premium Coffee Lovers

Segment B: Tea Lovers (Teavana)

FACT FILE

- Starbucks stores are located only in the metropolitan cities as a part of its segmentation of the market
- Mumbai, Delhi, Gurugram, Noida, Chennai, Pune, Hyderabad & Bangalore

STP Analysis – Existing Target

- Starbucks in India and all over the globe targets the upper middle and above class of society who are ready to pay a premium price for its coffee

Overview of Starbucks Segment

- *“An educated urban resident with a disposable income to spend on fine coffee”*
- Age -> 18 to 40
- Men & Women
- High Income Group

STP Analysis – Positioning

- **Premium Product:** It position itself as a premium product with highest quality of coffee, provided by TATA and an unmatched experience of a good coffee.
- **Price:** The price tag of Starbucks is almost 1.5 times that of CCD and that because it position itself as a premium brand and the expensive tag is to portray itself as a “high Quality” coffee brand
- **Distribution & Service:** Starbucks has carefully positioned itself by tapping only major cities in India with “Consistency in it’s store formats” with large stores thereby giving premium comfort and service to the customers
- **Starbucks positions itself as a “Third Place”, after home and work where one can relax, have fun and coffee.**
- *The reason for alliance with TATA was because of its brand image as TATA is considered as one of the ethically driven brands in India. Starbucks wanted to position itself in the same way*

FACT FILE

- On valentine’s day in Feb’16, Starbucks invited 50 couples in association with dating app “Truly Madly” as an evening full of fun and entertainment

PESTLE Analysis

Political Influences

- The Economy of India is quite stable in terms of government and political issues as the current govt. might stay for the next 5-10 years. This creates a good working environment for companies like Starbucks..
- Starbucks need to vary about the possible opposition from existing competitors through the use of political influence and delaying tactics
- Indian subcontinent is huge enough in terms of demographics that can easily accommodate more players in the market

Economic Influences

- With fastest growing economy in the world, the current GDP of India stands at USD 2.2 trillion which shows strong economy prospect for the country.
- Implementation of GST and demonetization have certainly brought few hiccups but in a long term will boost the economy further.
- Since the last 10 years, there has been a shift from the agriculture to industrial and service sector which makes the economy more likable for Starbucks.
- Disposable income is on the rise and hence the spending culture among the youth is increasing

PESTLE Analysis

Social Influence

- **Demographics**

- India is set to become the youngest country by year 2020 with 64% of its population in the working age group. Every 3rd person on Indian city today is a youth.
- The population in the age-group of 15-34 increased from 353 million in 2001 to 430 million in 2011. Current predictions suggest a steady increase in the youth population to 464 million by 2021.

- **Change in life style**

- Indian consumers, are increasingly dining out, particularly in urban areas. Urbanizing double income households, changing lifestyles and food preferences are spurring the organized market with this sector. The beverage category contributes to 8-9 percent of the total F&B market.
- The emergence of various brands in all segments has given an unprecedented thrust to the category over the last couple of years. According to research conducted by IMAGES group for the India food report 2016, the market of beverages in India is close to Rs.195,000 crores and is growing at 20-23 percent.

- **Ethical Sourcing**

- Starbucks works directly with farmers to develop responsible growing methods and investing in their communities to ensure sustainable supply of quality coffee.

PESTLE Analysis

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Technological Influences

- **Strategy behind TATA Joint Venture:** The main reason for joint venture with TATA is because of its Coffee Brewing Technology, which is at par with international standards. (TATA won the gold medal for best Robusta coffee in the world). This has ensured that Starbucks enjoys the best technology employed by Tata Coffee LTD in sourcing and producing good quality coffee.
- **Provides free wi-fi** in all its outlets which allows customers to work while sipping coffee.
- Partnership with Apple for **App based discount coupons**.
- Acceptance of new payment modes (**Starbucks Loyalty Card is an example**)

PESTLE Analysis

Legal Influences

- **Tax:** The recent GST reforms which brings complete India under one uniform tax code is set to ensure easier and simpler tax regime and is expected to support new businesses.
- **Legal changes:** Increase in the minimum wage and disability discrimination are few factors which has affected trade in India. However for Starbucks which is an international brand these factors are very much familiar. Even after increase in the minimum wage, cost arbitration can be maintained.

Environmental Influences: The quality of air has been adversely affected by industrialization in India and this has resulted in health problems. As a result there have been establishment of environmental pressure groups, noise controls and regulations on waste control and disposal.

- **Recycling:** Starbucks is trying to develop more environmental friendly cups through recycling in order to reduce the waste.
- **Climate Change:** Climate change poses a serious threat to the world's coffee-growing regions and Starbucks is aggressively pursuing strategies to address this problem and help farmers mitigate the impact.
- **Green Building:** Starbucks is making stores green by using responsible building materials and energy efficient designs to reduce environmental footprint.
- **Water:** Starbucks is evaluating store design, equipment and operations to identify ways to continue to reduce the amount of water used.

SWOT Analysis

Strengths

- High brand visibility. International popularity of Starbucks brand. It will help Starbucks in easily gaining popularity in the local markets of India
- Ethical Business and environmental practices.
- Excellent Ambience with its premium appeal & Service
- Access to TATA's premium Robusta and Arabica coffees
- Starbucks card and loyalty system

Weaknesses

- Reach. They are relatively new in the Indian Coffee chains and have reach of only close to 80. This will result in fewer sales.
- Image of Luxury coffee outlets.
- High pricing may results in less target audience.
- Coffee dominant business.
- Lack of items in the food category

Opportunities

- Huge untapped market (Tea base and Middle Class)
- Expansion into retail market
- Brand extension
- Growing middle class. Reach out by opening more stores in newly developing cities
- Tie up with entertainment industries and offices.
- Merchandising options.

Threats

- Tea-based culture of India.
- Markets can be easily penetrated.
- Huge. Competition with Cafe Coffee Day, Barista and India Coffee House
- CCD going for IPO.
- Low per capita income of India.
- Local coffee/tea shops popularity
- Food and restaurant joints entering into coffee business.



Segment Identification

Basis SWOT analysis **company can target the upper and affluent middle class population in tier 2 cities.** The following segmentation strategy was considered to decide on this specific segment.

- **Geographic segmentation: Tier 2 cities:** India being a developing country, the disposable income of middle class in tier 2 cities is on the rise and tier 2 cities are emerging as an attractive investment opportunities. Cities like Lucknow, Bhopal, Indore, Jaipur, Chandigarh, Nagpur has a high number of young and earning population which can be targeted by Starbucks.
- **Psychographic segmentation:** Due to high growth rate of tier 2 cities the young and earning population have good disposable income and wants to lead a similar lifestyle as their age group in tier 1 cities.

Segment Attractiveness

- The young and earning population of tier 2 cities are easily **differentiable** in terms of distinguished tastes and behavioral aspects. They have similar needs and respond similarly as their age group and income level in tier 1 cities.
- This market segment is easily **accessible** through various channels. Excellent internet access and television coverage in tier 2 cities makes it easy to advertise and promote any product.
- There is a **substantial** number of upper and affluent middle class in tier 2 cities which is capable of generating profits. This segment is easily **measurable** as well.
- **Actionable:** Effective programs can be designed to promote new products in this segment as they are open to new ideas and want to try new things.

Proposed Targeting Strategy

Increase Number of Outlets

- Expand by opening new outlets in Tier two cities with the Smart city initiatives and with big universities or colleges to attract the youth
- Increase the number of outlets in the metropolitan near & within the corporate parks to tap the Executive class in a more efficient manner

Expand Menu Options

- Include more beverage options other than coffee. Mainly Tea beverages and frappes/shakes to target both the Tea base consumer and age group of 8-16 (kids/teens)
- Diversify food options in the menu to give more options to Indian taste buds

Starbucks Subsidiary

- Open up subsidiaries in different cities to offer similar experience of Starbucks but at a lower price to tap the major part of the Indian demographics – **Middle Class**

Proposed Targeting Strategy

Retail Shops

- Open up retail shops in the posh areas to attract people with huge incomes to buy high quality coffee at a premium rate
- Offer special merchandises through the retail shops to target youth, who are willing to spend a little extra to attach themselves with the brand

Corporate Offerings

- Enter the coffee vending machines market by offering Starbucks associated Coffee vending machines and coffee to corporate prices
- Offer the services at a very premium prices so as to keep the brand uniqueness alive and only target companies who are willing to pay more

Starbucks Workplace

- Offer workplace-cum-café environment to the growing startup culture

Proposed Positioning Strategy

An affordable & Premium Café

- Start positioning itself as an affordable premium café by through its subsidiaries
- Add an Indian appeal through its subsidiaries while keeping the parent brand still a foreign brand

A Retail Unit

- Position itself as a premium coffee retail brand with finest quality of coffee beans in offering
- It should also promote its merchandise by tying up with some premium brands

Tea & Coffee Oriented Café

- In addition to a coffee house, Starbucks should start positioning itself as a Premium Tea outlet as well with some unique and blended tea offerings for the huge Tea market

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