

INTERNATIONAL BUSINESS REPORT ON THE EXPANSION OF STARBUCK'S OPERATION IN PAKISTAN

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1. EXECUTIVE SUMMARY:

Over the past century, globalization is considered as a critical factor leading to positive development and growth for a nation, albeit with benefits and cost. It has been noted that globalization benefits world economies and market by mainly increasing (i) foreign direct investment, (ii) technological innovation; and (iii) economies of scale however it also has its fair share of issues which includes (i) interdependence between nations (ii) national sovereignty threat; and (iii) equity distribution.⁽¹⁾ With the dramatic rise of globalization, the need for organizations to have international reach is also seen to be increasing rapidly; organizations are planning for expansions across borders and creating strategies to conduct sustainable businesses in order to stay competitive and profitable. In this study paper, the organization chosen is “Starbucks”, which is a worldwide famous coffee chain, presently operating over about 29,000 coffee stores worldwide. The basic purpose of this study paper is to critically evaluate the expansion plan of the coffee chain into Pakistan. The study paper will discuss the global environment of the business while focusing on the conditions of macro-economic situations as well as micro-economics with regards to the expansion. The organization’s intent will be explored through environmental scanning analysis which will extensively evaluate the proposed expansion. The findings adapted in this study paper are based on the organization’s annual reports and website, the statistical data and other relevant data published by the Government of Islamic Republic of Pakistan. Conversely in this study paper, the shortcomings of the organizational expansion also could not be avoided, because of the noted complexities and issues in academic research and supporting business data to assist the critical analysis. Additionally, some of the non-scholastic sources have also been considered while conducting the research along with proposing some recommendations for the intended study paper.

2. INTRODUCTION:

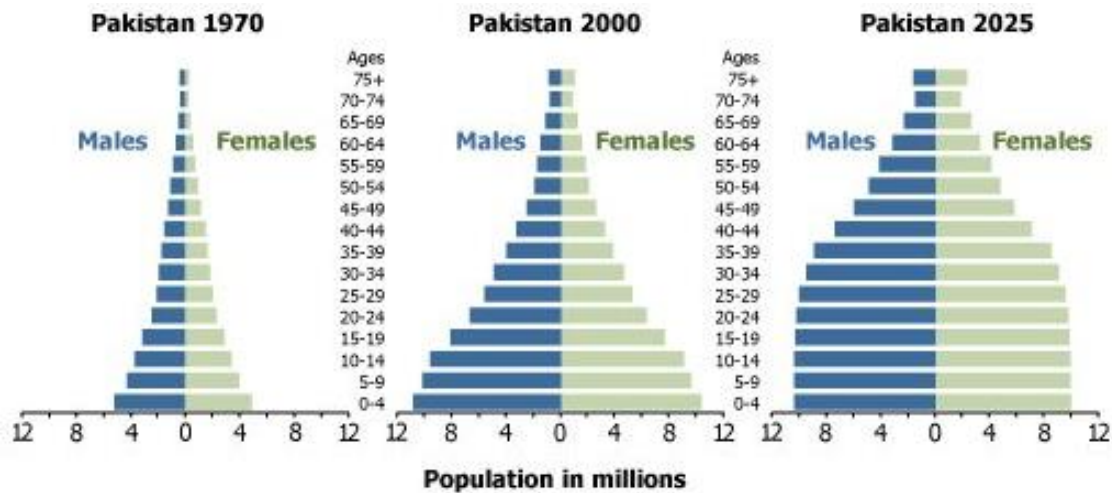
Inspire and nurture the human spirit – one person, one cup, and one neighborhood at a time ⁽²⁾

In the history of United States of America, Starbucks come under the tag of major stories of success. Initially, they started smoothly and with time, their coffee paved their way into the hearts of the people gaining high level of customer satisfaction and customer loyalty.⁽³⁾ The corporate goals and vision of Starbucks have prevailed in a rapid paced world, the loyal customers have held with their most favorite and lovable brand through everything. Innumerable times the organization has bagged various awards at International level, one of which is “World’s most admired Companies” by Fortune from 2009 till 2018.⁽⁴⁾

The first store of the coffee giant Starbucks was inaugurated by three individuals who met in the University of San Francisco; Zev Siegl, Gordon Bowker and Jerry Baldwin on March 1971 in Seattle, USA.⁽⁵⁾ As of February 2018, Starbucks was operating globally in more than 75 nations with over 28,000 stores globally.⁽⁶⁾ The uniformity of the organization in regard to the offering of the products is maintained by following the strategy of global standardization.

3. CONSIDERATION FOR INTERNATIONAL EXPANSION IN PAKISTAN

As per a recent UN report for development, Pakistan presently has the biggest population of youngsters in the records of history.⁽⁷⁾ The rise of the middle class strata in Pakistan is ascending basically due to spending by young urban consumers (about 54% of the selective population) and measured through different age groups as recorded by the bureau of statistics Pakistan.⁽⁸⁾ Hence, the reason behind the international expansion within Pakistan is to understand Starbucks target market which is on-the-go urbanized spenders and coffee lovers. With adequate decision making and planning, this is a favorable factor for the organization to enter the market in Pakistan.

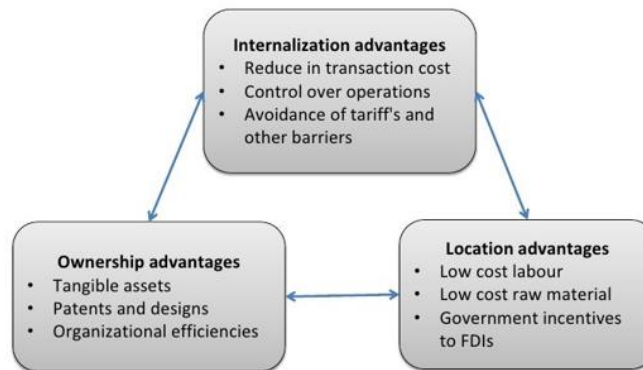


Source: UN, World Population Prospects.⁽⁹⁾

Since Pakistan has a high consumption of tea, however as per past data trend, it is also noted Pakistan's interest for coffee has also increased. Businessmen and students alike prefer to have meeting and socialize at coffee café.⁽¹⁰⁾

Pakistan is counted among one of the growing economies in South Asia where considerable investment in infrastructure has been made and this has been beneficial for small business owners, including restaurants, shopping malls, thus increasing disposable income, employment, etc. It has been noted that post 2004, there has been an increased consumption pattern for coffee which has led to increase retail sale, opening up of coffee houses across the country due to public awareness for the benefits of coffee on health while change in public mind set due to the impact of social media.⁽¹¹⁾ The production of the merchandise like accessories, mugs, packaged goods, items of gifts, sachets of coffee etc. similar to Nescafe, a coffee brand by Nestle, which has been dominating the coffee market in Pakistan for more than two decades.⁽¹²⁾ The figure beneath indicates the key components of the Eclectic Paradigm:

Fig 2: Eclectic Paradigm Economic Theory



The Eclectic Paradigm (adapted) ⁽¹³⁾

Companies follow Eclectic Paradigm when attempting to determine if it is beneficial to pursue foreign direct investment (FDI). According to Research, eclectic paradigm were applied by Shanghai Vision Technology Company in its decision to export its 3D printers and other innovative tech offerings. While their choice strongly considered the disadvantage of higher tariffs and transportation costs in a local environment, however, their internationalization strategy ultimately allowed them to flourish in new markets.⁽¹³⁾

Ownership advantages are typically considered to be intangible. They include that which gives a competitive advantage, such as a reputation for reliability.⁽¹³⁾ Starbucks basic competencies are the services offered to the consumer side by side with the best quality offered to them. Additionally, since Pakistan is a geo-strategic located country with borders to four countries while have marine access to the Middle Eastern countries through, it is viable for Starbucks have their business located in this region after entering Pakistan. It can be further identified with the utilization of various tools such Porter's diamond model which may assist in recognizing availability of cheap resources.⁽¹⁴⁾ Conclusively, benefit from internationalization is dependent on choosing in-house production or outsourcing the production to external parties. Choosing in-house production helps the organization to easily manage their assets by retaining the control on the processes.



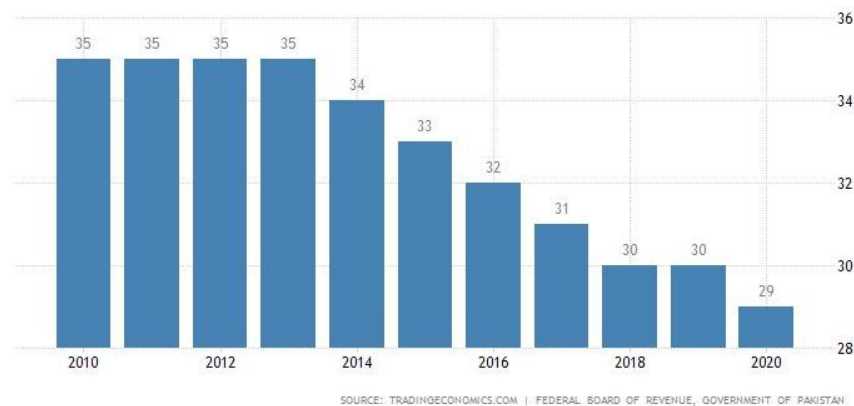
Porter's Diamond Model ⁽¹⁴⁾

4. ANALYSIS OF ENVIRONMENT

The utilization of the Political, Economic, Social and Technological (PEST) tool aids in the evaluation of the dynamic external environment impacting businesses. The analysis of the environment to enter into the emerging Pakistani market for Starbucks is as follows:

A. Political

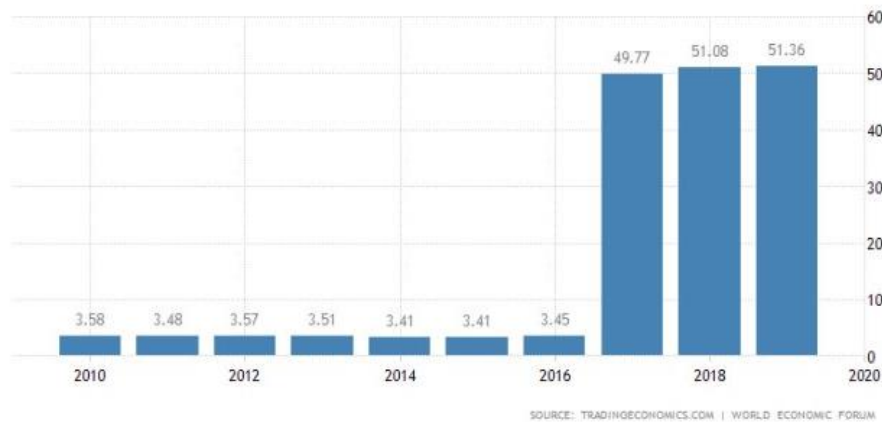
While considering the risk in political term, taxation is one of the key factor to be considered as it is among the biggest sources of income generation for the Pakistani government. According to BBC News report, Starbucks had disputes with the UK government due to accusation of taxation evasion practices in the United Kingdom during 2012-13.⁽¹⁵⁾ However, they were engaged in another lawsuit for tax evasion in the EU region which resulted in their favor.⁽¹⁶⁾



Source: Pakistan Corporate Tax rate ⁽¹⁷⁾

As shown in the above graph, corporate annual tax is levied on basis of the organizations net income in Pakistan. Presently, it is noticed that the corporate tax is at a low level of around 30% for 2019 and it is expected to decrease further in the financial year of 2020 till it reaches the rate of 29%.⁽¹⁸⁾ Pakistan is a democratic country but the hostility against the ruling party and unpredictable political outcome during the elections have created instability for businesses to function in the past.⁽¹⁹⁾

The Global Competitiveness Report published by the World Economic Forum (WEF) assesses economies for highest growth opportunities on the basis of 12 aspects including institutions; infrastructure; macroeconomic stability; health; skills; product market; labor market; financial system; market size; business dynamism; and others. It is used to measure a nation's competitiveness by assigning a score out of 100 where the higher average score means higher degree of competitiveness. Pakistan has scored 51.36 (the score was 3.45 in 2016) points out of 100 in the 2019 Global Competitiveness Report published by the World Economic Forum.⁽²⁰⁾ This significant jump in the global competitiveness ranking from 3.45 (2016) to 51.36 (2019) in Pakistan also favors the international expansion by Starbucks in Pakistan.



Source: Pakistan Competitiveness Index⁽¹⁵⁾

Governmental Regulations

Pakistan has a vibrant domestic market and the dynamic pace chased by Pakistan to increase development has resulted in lowering of poverty in recent years. The GDP was 5.7% in financial year 2018. The uplifting efforts of the government to revive the economy has also gained the attention of foreign direct investments with the commitment of proper balanced treatment among the domestic and foreign investors. ⁽²¹⁾

However, Starbucks have recently embroiled in a scandal for utilizing slave labor practices which was noted as per a recent inspection carried out in their operations at Brazil.⁽²²⁾ Like Brazil, Pakistan has a history of adopting slave labor in rural areas and as reported in a Human Rights Watch (HRW) report, Pakistan is one of the South Asian nations where millions of workers in Pakistan are held in contemporary forms of slavery.⁽²³⁾ It is imminent for Starbucks to properly ensure such reviews and timely audits be conducted and hire labors as per ethical standards and governmental regulations. Any form of legal action by Human Right Organizations or the government due to forced/slave labor might affect Starbucks reputation, operations and objectives

B. Economic

Exchange rates and Economic growth

Positive efforts by Pakistan's Government to increase foreign investment and revamping of policies resulted in decreased tax rate and a positive impact on currency valuation. In Pakistan, currency crises hinders the way for foreign investments. In order to encourage the financial potential of the nation, the Pakistani Government is giving incentives to uplift the economic platform and attracting long term investments. Many mega projects such as the \$62 billion China-Pakistan Economic Corridor (CPEC) are also under development which will aid in infrastructure and utilities development.⁽²⁴⁾ As per the forex exchange rates of September, 2020, the fluctuation of the Pakistani Rupee to USD is PKR 160 to 1 USD.

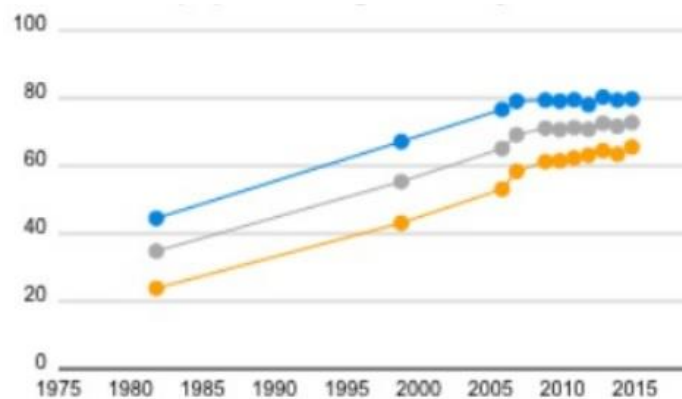
Market Rivalry and Competition

Pakistan predominantly being a milk-tea consuming country, inclusion of coffee on a everyday basis meant to break a habit instilled over decades and requires a change of perception towards coffee by the consumer. Another setback was competition from the beverages industry whereby it's consumed at a huge level such as soda, fruit juices, and elated carbonated drinks, etc. Additionally, the preexisting competitors in Pakistan i.e. Canadian coffee retailer known as **the second cup** and the Australian coffee chain namely **Gloria Jeans**, offer coffee shops with luxuries that are comparable and experience similar to Starbucks may give tough competition for Starbucks to capture the market.

C. Social

Education and the skills level

As per the report published by UNICE, Pakistan permits employment as soon as the individual reaches 14 years of age.⁽²⁵⁾ The measurements of social and living standards not been conducted in the financial years 2017-2019, the figure beneath shows the social standards of living of the financial year of 2015-2016 which can be regarded for the present year as mentioned in the Economic Survey of Pakistan, 2017.



In the figure above, yellow line shows females whereas the blue line indicates the Male, and the grey lines shows the total.

	TOTAL	MALE	FEMALE	
Literacy rate (%)				
15-24 years	72.8	79.77	65.55	(2014)
15 years and older	56.98	69.07	44.28	(2014)
65 years and older	25.29	35.71	9.96	(2014)

Source: The literacy rate of the population aged between 15-24 adapted from (Unesco.org, 2018).⁽²⁴⁾

It is visible from the figure above that the targeted age of employment normally is 15-24 years of age having the level of literacy of 79% and 65% in male and female, respectively. The increase in education level had a significant positive impact whereby Starbucks can have the options of selecting of an educated workforce which reduces the need for extensive training, thus reducing development costs while increasing productivity for the organization. In general, Pakistan is struggling to boost their growth economically, therefore Starbucks's expansion could be beneficial to drive economic prosperity in Pakistan.

Lifestyle and the Health of the people

As per Daily times, a recognized news publisher in Pakistan, over 50% of the population in the country is obese and facing obesity issues.⁽²⁶⁾ In regards to solve such issues, a recent study published by Scientists shows the health benefits of coffee consumption, especially in weight loss.⁽²⁷⁾ Starbucks could use this as their marketing tactic and furthermore, amend their menu with more healthy items with their coffee product lines. Younger generations wants to spend more on luxuries and enjoy a good lifestyle. Since, the consumption of the coffee is lower in rural areas where tea dominates the market in comparison to coffee, there is adequate data that shows increasing trend of high demand for coffee in urbanized areas.⁽²⁸⁾

D. Technological

Wi-Fi and Social Media's causal effect on revenue

With the emergence of social networking platforms such as; Facebook, Instagram, Snapchat, etc., this has helped in the development of the image for numerous brand. Social media not only acts as a bridge to market the good via the word of mouth publicity but also maintains an awareness platform for existing and changing consumer needs. By offering efficient and fast Wi-Fi facilities at the coffee shops, this attracts individuals to interact and socialize more and have more informal meetings in a peaceful environment and ambience. According to survey conducted with the costumers, about 62% of the customers stays more in the premises due to the facility of fast Wi-Fi connection as a result of which customer spends more on products and services.⁽²⁹⁾

E. VRIO Analysis

VRIO is an acronym for a four question framework of value, rarity, imitability and organization.⁽³⁰⁾ It serves as an analytical technique suited for the evaluation of company's resources and outlines factors for competitive advantage and addresses possible potentials for further improvement in the given area or for a given resource.

VRIO Analysis conducted for Starbucks is as follows:

Resource /Capability (Starbucks Inc)	Value	Rareness	Imitability	Organization
Scale 1-5 (5 being the highest and 1 being the lowest)				
WIFI	5	4	2	0
R&D Skills	5	4	2	0
Coffee Brewing equipment	5	4	2	0
HR Management	5	4	2	0
Coffee house setup	5	4	2	0
Employee engagement	5	4	2	0
Ability to raise capital	5	4	2	0

Employee Benefits	5	5	2	0
Corporate Social Responsibility	5	5	2	0
Buying Power	5	5	5	5
Cost Economies	5	5	5	5
Scale Economies	5	5	5	5
Innovation Potential	5	5	5	5
Supplier relationships (e.g. coffee producers)	5	5	5	5
Customer Experience	5	5	5	5
Leadership & Vision	5	5	5	5
Brand Equity	5	5	5	5

F. SWOT Analysis

SWOT analysis is among the most utilized tool by managers and business owners to gather information on the company's Strengths, Weaknesses, Opportunities and Threats in order for a company to achieve its desired objectives. The SWOT analysis for Starbucks is outlined below:

I. Strengths

- **Good Brand Image Globally:** the chain of coffee giant Starbucks has global recognition and a significance of presence geographically around the world as its operating in more than 75 nations across borders. It has a brand value of \$11.7 Billion as per 2019 Interbrand rankings.⁽³¹⁾
- **High quality Products:** Starbucks offers highest quality in their products. The company gives priority to the quality and even if they have high output and production, the company avoids the standardization in the quality.
- **Appealing Café and Locations:** Strategically, Starbucks café are mostly on prime locations which are of high visibility, higher traffic, premium locations which are near to the downtown, in the center of the suburban retails, etc. which provides advantage over their competitors. Other facilities such as friendly environment, music and the Wi-Fi make it stronger.
- **Employee treatment:** It treats its employees very well which eventually translates into happier employees serving customers well. Starbucks has been consistently listed as one of the Fortune's Top 100 Places to Work for.⁽³¹⁾
- **Utilization of technology and customer loyalty:** Starbucks effectively leverages the technological advancements to interact with the customers offering mobile application readily available for the android and IOS. Starbucks take care of their customers nicely by offering various loyalty programs and Starbucks customer loyalty card.⁽³²⁾

II. Weaknesses

- **Costly Products:** the differentiation is found in the products of the Starbucks with high quality but due to the higher cost of Starbucks products the customer might be shifting towards the competitors offering same products in a cheaper pricing.⁽³³⁾
- **Clash in the Cultures:** the culture of the coffee offered by Starbucks might not be compatible and commonly accepted in some nations as being an important aspect of the expansion strategy.
- **Negative large corporation:** Starbucks is undoubtedly a huge corporation and like all other huge business, Starbucks also faces scrutiny and been trying to invest in the activities of Corporate Social Responsibility (CSR) in order to gain control on the practices of labor.

III. Opportunities

- **Emerging markets and Expansions:** Starbucks has coffeehouses mainly in the US. Global expansion in a few areas like India, China and few regions of Africa can give a great opportunity to the company.
- **Business diversification and Products Specifications:** It can further diversify its business operations to improve overall revenue growth opportunities. Besides, developing products as per the customer preferences in the specific target market is also a profitable opportunity.
- **Introducing new products:** As the company is quite popular, introducing new products and holiday flavors (Peppermint Mocha, Eggnog Latte, Gingerbread Loaf) under its name would be profitable and welcomed in the markets.
- **Partnerships or alliances with other firms:** Co-branding always benefits. Starbucks has the opportunity to develop partnerships and alliances with major firms.⁽³¹⁾

IV. Threats

- **Competition with low-cost coffee sellers:** Many coffeehouses offer products at an affordable rate. This can threaten the future's stability of Starbucks which offers higher prices.
- **Competition with big outlets:** Aggressive competition with multinational companies like Dunkin Donuts and McDonald's can also pose a threat to its market position
- **Coronavirus:** Starbucks has temporarily closed estimated **2000 stores** in China due to the outbreak of coronavirus. Considering Starbucks has 4123 stores in China, and almost half the stores are closed, it will have negative impact on their financials in 2020.⁽³¹⁾

5. STRATEGY FOR INTERNATIONAL BUSINESS

The strategy of international business is determined as the efficient and effective combinations of the multinational enterprises opportunities with the strengths along with the identified issues dispersed geographically that cross the global borders.⁽³⁴⁾ Starbucks has always emphasized focus on its culture, local taste preferences so that it serves accordingly to the needs of the local consumers. However, Starbucks being a globally recognized brand, follows international standardization as the key strategy and integrates the best blend of the strategy via localization of the international standardized strategy (Daniels et. al., 2014).⁽³⁵⁾ The adaptation of the Chai Latte by Starbucks India was one way of localizing their product which mirrored the concept of traditional Indian tea, yet it was distinctive in its offering (Kohli, S., 2015).⁽³⁶⁾ India being a neighboring country of Pakistan while following similar traditions and taste preferences beverages like Chai latte will be preferred as an alternate to the local tea/chai served in Pakistan. Such implementation should not be limited to the terms of the goods but also should be implemented in an innovative manner and structured in order to match local traditions (such as in China). The culture of the coffee in America is vastly different on a huge scale in

comparison to the other cultures such as the Chinese culture. On the basis of the market research, it is seen that coffee shops have become a great place for socializing and people prefer to visit café's in groups rather than alone. Hence, Starbucks modified the café environment as per the preferences so that it will be easier to accommodate huge groups in contrast to the traditional sittings way.⁽³⁷⁾

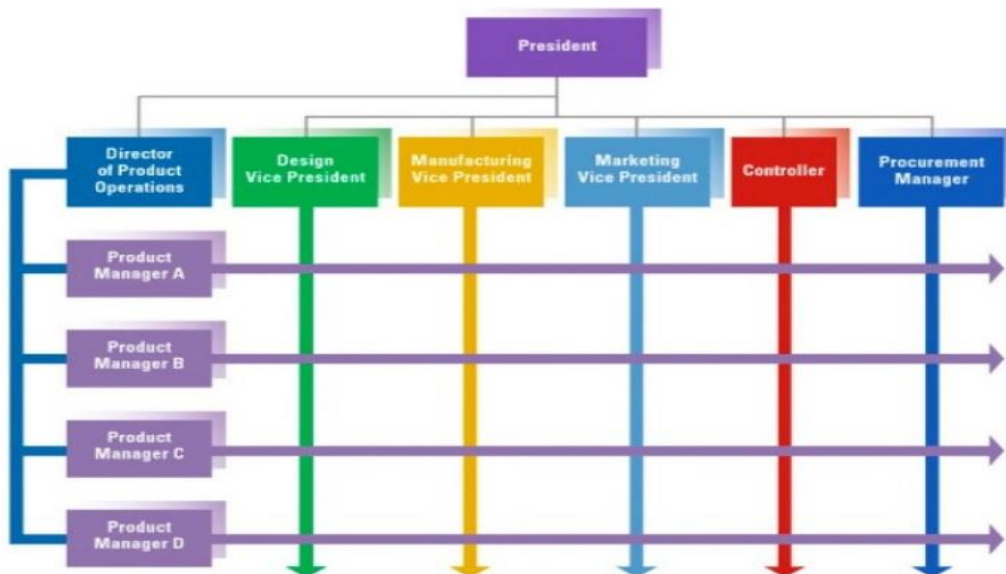


The Responsiveness Grid for strategies by Prahalad and Doz (1981)

In considerations with the figure above, it is observed that Starbucks is initiating higher pressures for cost reductions and lower pressure for local responsiveness. The strategy give surety to protect the brand righteously from the differences and changes in the brand offerings and the cost reductions gives Starbucks benefit by attaining economies of the scale.⁽³⁹⁾

Organizational Structure

The organization structural matrix can be considered as the structure which merges the divisional and the functional departments. Beneath is the figure depicting the structure of the organizational matrix which may be implemented in Starbucks;



Source: Structure of the Organizational Matrix

The organizational matrix structure supports the flow of the information and includes less human resources. Side by side the accountability is also ensured towards the 2 different chains of command which develops problem solving and sufficient feedback from different authorities in the firm. Hence, the operations of Starbucks in Pakistan operating as depicted in the form of organizational matrix or similar structure ensures proper job responsibilities are carried out with adequate supervision and direction.

Mode of the Entry

In penetration to new markets, there can be numerous modes available for the organization to choose from such as franchising, joint venture, wholly-owned subsidiary, turnkey projects and licensing. Selecting the mode of entry is extensively dependent on the organization industry and aspects legislations, technological advancements, culture, and competition etc. in the country of expansion.

Internal Factors

- ◆ Firm Size
- ◆ *Technological Capability*
- ◆ *International Experience*

External Factors

- ◆ Legal Barriers
- ◆ Cultural Differences
- ◆ Competition level

6. RECOMMENDATIONS

It is suggested that Starbucks keeps on pursuing global strategy model in regards to satisfy the requirements and the need of the entire market, along with maintaining traditional and cultural edge. Currently, Starbucks utilizes 3 different sorts of strategies; the wholly-owned subsidiaries, joint venture and the licenses. With reference to the classifications of all entry modes, it is best for Starbucks to adopt its wholly-owned subsidiary in the suitable manner as per the conditions of the market. The Wholly-owned Subsidiary are the entry modes in which the organization have completely established stake in the business or the complete ownership of an entity in a specific country (Daniel, 2019).⁽⁴⁰⁾ The subsidiary functions independently from the parent organization and they also have their own management structure. However, wholly-owned subsidiary have high cost of bearing as it bears the complete capital cost and operational risks but provides complete control on the supply chain vertical integration and operations.

The Greenfield Venture

In such ventures, the organization builds or purchases an entire facility and hires Managers while separately initiates the new operations without the interference of the main partners. Comparatively, it's hard to initiate as the structure needs to be constructed from scratch.⁽⁴¹⁾

The Acquisition

The organization purchases the ownership of the targeted company and takes the control. Comparatively, it's not difficult for Starbucks to acquire business due to high financial liquidity and as to some extent the risk is lower in acquisition rather than growing business organically.

The Joint Venture

In the joint venture, two organizations combine resources and divide the risk between them along with the incentives to attain mutual objectives.⁽⁴²⁾ In the past, Starbucks in the Indian market have penetrated as a joint venture business of 50-50 stake with the well-established Indian conglomerate, Tata group of companies.⁽⁴³⁾ As per Starbucks fiscal annual report of 2018, around USD 1.4 billion were not subjected to the income tax and was calculated as profits as an outcome to the joint venture as seen in the statements of consolidated earnings.⁽⁴⁴⁾ While it's easier for the organizations to unite their technological structures and financial information, this assists in integration of business processes, thus lowering of the costs. Another advantage is that the local partner has more knowledge and understanding of the local culture increasing convenience for the organization to penetrate and capture the targeted markets. In other words, it's a simple method to reach the markets locally. However, drawbacks of such a venture is the apprehension of the local partner's intervention which can hinder the process of decision making or due to misunderstandings, causing higher risk of the political and legal issues as the local partner is more aware/used to local laws and the structure of the country.⁽⁴⁵⁾ Alternatively, it's much likely for Starbucks to conduct expansion in Pakistan by forming joint venture with the famous food and beverages organizations such as Pakistan Beverage Limited (PBL) operating since 1950.

7. THE HR STRATEGY

Starbucks hires local individuals for the café instead sending US employees out of the country to serve in international destinations. This makes it much inexpensive to integrate and assist in the economic prosperity of the nation by providing local employment. Adversely, integrating such approach may bind the check on the managerial level expertise and the locally hired managers can be biased at the time of performance appraisals. According to the Pakistan Bureau of Statistics (as depicted in below figure), the absolute labor in the nation is roughly 61.04 million out of which 52 million individuals were employed' during 2017-18.⁽⁴⁶⁾ Pakistan have maintained friendly ties for visas with USA and other foreign nations. As proposed by the Board of Investment (BOI), Pakistan missions abroad are authorized to provide employment permit and visas to specialized administrative faculty for imparting technical skills and expertise for a minimum 1 year duration which can be extended if required.⁽⁴⁷⁾

Table 1: Selected key indicators of the labour market-Pakistan (%)

Indicators	2006-07	2007-08	2008-09	2009-10	2010-11	2012-13	2013-14	2014-15	2017-18
Labour force participation rate									
Both sex	52.5	52.5	53.1	53.5	53.4	53.1	53.1	53.3	51.9
Male	83.1	82.4	82.0	81.7	81.9	81.1	81.0	81.4	81.1
Female	21.3	21.8	23.1	24.1	24.4	24.3	25.0	25.0	22.8
Employment-to-population ratio									
Both sex	49.8	49.9	50.3	50.7	50.4	49.9	50.1	50.2	48.9
Male	79.6	79.1	78.5	78.3	78.0	77.0	77.3	77.5	77.2
Female	19.4	19.9	21.0	21.9	22.2	22.1	22.8	22.7	20.9
Unemployment rate									
Both sex	5.1	5.0	5.2	5.3	5.7	6.0	5.6	5.8	5.7
Male	4.2	4.0	4.2	4.1	4.8	5.1	4.6	4.7	4.9
Female	8.6	8.7	9.0	9.2	9.0	9.1	8.9	9.2	8.5

Source: Government of Pakistan Ministry of Statistics Pakistan Bureau of Statistics⁽⁴⁸⁾

8. MARKETING PLAN

Starbucks, being a well-known international coffee chain brand follows global uniformity, may utilize a standardized marketing strategy within Pakistan. The standardized strategy of marketing unites culture with similar environment and the demand of the customers

worldwide.⁴⁹ Such a strategy improves quality as the international standard supports the focus on single product along with the maintenance of the marketing mix. The economies of scale assists in the enhanced R&D, resulting in less cost of marketing expenses.

Marketing Mix Strategy and Plan

Product

Starbucks serves premium coffee with an innovative presentation, distinct ambience and exceptional service. As for the marketing plan of the company, it is suggested that Starbucks adapt to the Pakistani lifestyle in their product offerings during the expansion where the company must initially offer tailor made products to penetrate and become stable within the market. Moreover, priority should also be given to drinks suitable for the seasons (such as strawberry Frappuccino) which may be preferred during the hot and humid summers in Pakistan while various other products such as smoothies, tea, espresso, cookies, coffee pastries, ice-creams and other merchandise may be served to the customers.

Price

The most crucial component in the marketing mix is the pricing strategy which will have significant impacts on the turnover of the customers. The “Coffee Association of Shanghai (CAS)”, Director Mr. Wang Zhendong once said “Starbucks has been able to enjoy high prices in China, mainly because of the blind faith of local consumers in Starbucks and other Western brands.”⁽⁵⁰⁾ On one hand, high prices of Starbucks coffee is required to purchase quality coffee beans, provide the best ambience and decorum in all of their café’s and efficient training to the staff, etc. but it also results in unforeseen hike in operational costs and price hike in property rents.⁽⁵¹⁾ Availability of cheaper raw material and decreasing volatility in taxations can affect the price of the product.

Place

The company supply chain is directly linked from the producer to customers.⁽⁵²⁾ Starbucks uses different channels of distribution as goods are sold via self-owned stores and directly to the retailers. Specialized arrangements are made with airports, hotels in the form of kiosks/stalls etc. which encourages more penetration in the extensive market.

Promotion

The term promotion can be elaborated as the communication bridge utilized to disseminate company information and their products. Starbucks promotion via numerous sources e.g. sales promotions, printed and verbal promotions, public relation and other means of advertisement; while maintaining the reputation and the standard of Starbucks, the company can promote by utilizing catchy slogans in adaptation to local tastes. Moreover, in order to increase the sale of other baked confectionaries along with their main product, coffee, Starbucks can implement promotions for side products if a main product (coffee) is purchased. Another excellent initiative by Starbucks is their reward scheme where returning users earn points which can be redeemed in the form of free drinks and other favorite snacks.

9. Conclusion

In light of the above discussed literature, the major components impacting Starbucks entry and penetration in Pakistan, it can be said that Starbucks is among one of the coffee chain that has a perfect blend of international localization and the global standardization strategy in offering the products to match the local taste without diminishing the reputation of the coffee chain globally as well. In respect of the resources, Pakistan has a vast availability of agricultural raw materials and with recent focus of the newly elected government headed by Mr. Imran Khan, the focus to increase technological development will aid in achieving Starbucks' objectives in Pakistan (CCCC).⁽⁵³⁾ Along with increased awareness, the level of education and job seeking younger generations assisted with efficient training can bring notable gains. Therefore, as an expansion towards international strategy, I would like to recommend the CEO of Starbucks to enter into the Pakistani market as the new Government's continuous efforts for economic developments like CPEC and attracting foreign investments by the recent jump of 28 rankings (from 136 to 108) out of 180 countries in the "ease of doing business" index published by World Bank.⁽⁵⁴⁾ Pakistan makes an exceptional case. Moreover, also as an emerging market where standard of living is continually improving and local individuals are opening up to new experiences, Starbucks can bring together the society closer and act as the catalyst to attract individuals to socialize more.

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