# Starbucks' Global Journey: Internationalization, Challenges, and Brand Positioning

**Xinyi Zhang[1]**

[1] Lancaster University,  Lancaster, LA1 4YW, United Kingdom
Correspondence: Xinyi Zhang, Lancaster University, Lancaster, LA1 4YW, United Kingdom.

## Abstract

The irreversible trend of globalization has fostered increased cultural exchange and business interactions worldwide, prompting companies to internationalize. Understanding international marketing becomes imperative for marketers. This essay examines Starbucks' internationalization through the lens of international marketing theory. It analyzes the role of proactive and reactive motives in Starbucks' global expansion and delves into the significance of physical distance in internationalization decisions. The challenges encountered during Starbucks' internationalization journey, such as the failure in Australia, underscore the role of adapting to local cultures. The brand positioning of Starbucks as a global brand is explored, encompassing its transnational strategy, customer types, and value creation. By embracing a premium image and addressing quality, global mythology, and social responsibility dimensions, Starbucks successfully appeals to diverse global consumers.

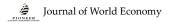**Keywords:** Starbucks, internationalization, global brand, brand positioning

## 1. Introduction

The whole trend of globalization is irreversible. Due to globalization, the exchange of cultures and businesses around the world has become more frequent. More and more companies are internationalizing. The world is a level playing field for business, and companies from all over the world will compete in the world market for resources (Hollensen, 2016). Therefore, understanding international marketing is crucial for marketers in companies.

In this essay, firstly, I will use the theory of international marketing to analyze the reasons for Starbucks' internationalization. Secondly, the physical distance factors considered in Starbucks' globalization process will be analyzed. Then, discuss the problems Starbucks encountered in the process of internationalization and how it can be improved. Finally, I will discuss the brand positioning of Starbucks and whether it is a global brand.

## 2. Motivations and Cultural Challenges in Global Expansion

Internationalization refers to a company's entry into international markets for research, production, sales, and other business activities (Hollensen, 2016). It is in the process of internationalization that Starbucks is undertaking. Hollensen (2016) argues that there are two reasons for firms to internationalize,

with different motivations, both proactive motives and reactive motives, and it can also be described as having push and pull reasons. For Starbucks, the push reason was the company's top management. Howard Schultz shaped the Starbucks that is known today, and under his leadership Starbucks became a global consumer brand, while he invites people who supported Starbucks expansion to join the company (TV Choice, 2015). Second, foreign market opportunities attracted Starbucks to expand. For example, the fast-growing Chinese market is the reason for Starbucks' expansion, and the Starbucks' China/Asia Pacific segment profits are growing year by year (Glowik, 2017).

In the process of internationalization, physical distance is also a reason for companies to consider. Physical proximity can play an important role in the internationalization process (Hollensen, 2016). The difficulty of analyzing and familiarizing information in countries with large environmental differences can create uncertainty and difficulties in internationalization (Håkanson & Ambos, 2010). In the early stages of internationalization, low psychic distance is the key. Starbucks initially chose to open stores in Canada because of the close geographic proximity to the United States. As the company grew larger, it could venture into more risky countries, for example, Starbucks opened its first store outside North America in Japan in 1996 (Glowik, 2017).

However, similarity to the environment of a foreign market does not necessarily mean that it will be accepted by foreign customers (Hollensen, 2016). For example, Australia and the United States are both English-speaking countries, yet Starbucks failed in its entry into Australia. Sometimes culture or other social habits can have an impact on the internationalization process. In Australia, there is a long culture of coffee and a preference to meet baristas through coffee, and coffee is more of a culture, while they think of Starbucks coffee as more of a product (CNBC, 2018).

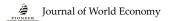## 3. Brand Image Crafting and Transnational Strategy

A major reason for the failure of Starbucks' entry into Australia was the failure to adapt the business model to a different environment (CNBC, 2018). Starbucks tried to bring its inherent model to Australia, but it did not take into account the local culture of Australia, where

people have a rich choice of coffee and Starbucks coffee is undifferentiated and overpriced. When Starbucks re-entered, it changed its positioning and chose to treat Australia as a tourist market (CNBC, 2018). This was the right choice because Australia has many American and Chinese tourists as well as a large number of international students (CNBC, 2018).

There are two main types of customers. The first is cosmopolitanism (Skrbis et al., 2004). This type of customer is open-minded and likes to experience the local culture and feel different things when traveling. For example, after visiting Australia, such tourists choose to go to Australian specialty cafes to talk with baristas and experience the local culture. However, the other type of customer, Ethnocentrism (Shimp and Sharma, 1987) is conservative and likes to find things that are familiar to them in different countries. Starbucks targets this type of customer, which is already well-known in the U.S. and China, and it is natural for this type of customer to consider a brand they are familiar with when traveling.

Starbucks' brand positioning is to provide a third space outside of home and work, creating a sense of community in a coffee shop (TV Choice, 2015) that can be used for business or study. Steenkamp (2014) suggests that there are different ways in which global brands create value, classifying brands into four categories, namely Prestige brands, Fun brands, Premium brands, and Value brands, based on price and whether the motivation for purchasing the brand is functional or emotional. Starbucks has created a formal premium brand, which is more expensive in the coffee category, and people will consider coming to Starbucks when they have a "third space" need.

According to Holt et al. (2004), consumers in different countries have different measures of global brands, and they consider the three dimensions of quality signa, global myth, and social responsibility when making a purchase decision.

First of all, in terms of quality signa, Starbucks is constantly introducing new products, offering more than 30 kinds of coffee drinks, sandwiches, yogurt, etc. (Glowik, 2017), providing customers with a variety of choices. Secondly, in terms of global myth, the global brand is a cultural symbol that provides a sense of belonging (Holt et al., 2004), and Starbucks represents the typical

American culture, which makes it attractive in the era of mainstream American culture. Lastly, a point of social responsibility, it is believed that global companies have an important role to play in solving global social problems, especially those related to the products they sell, which can lead to social well-being (Holt et al., 2004). Starbucks' use of coffee from developing countries addresses the issue of direct marketing and employment, however, farmers are controversially paid only a pittance (TV Choice, 2015).

Starbucks uses a transnational strategy when managing its global product, which is regionally oriented. The organizational benefits of a global brand add intangible value to the business. Starbucks uses a matrix organizational structure for management, dividing each organization by region (Glowik, 2017), so it manages to offer different products based on the characteristics of different regions, for example, tea has a larger audience in China and India. Also, Starbucks hires local designers to design the stores so that each Starbucks is unique and integrated into the local culture (TV Choice, 2015).

**4. Conclusion**

In a word, Starbucks began its internationalization process under the leadership of its management and the attractiveness of foreign markets. In its internationalization process, Starbucks has gradually become a global brand by adopting transnational strategy to manage the brand considering physical distance, customer type and other factors. At the same time, Starbucks is creating a premium brand with the Starbucks experience. It creates a sense of coffee community by creating a third space, and it claims to sell not just coffee but an experience from product, service to atmosphere. In addition, it is a global brand that is successful in signaling quality, global mythology and social responsibility. Through these three dimensions, it attracts consumers from all over the world to Starbucks.

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