

with the pursuit of pleasure. However, management would like to alter this perception. It would like to eliminate the perception of Club Med as a “swingers” paradise. Even if Club Med wanted it to be such a resort, it would be virtually impossible to compete with resorts that have sprung up in Europe, Asia and the Caribbean in recent years catering exclusively to hedonistic life styles. But Club Med has not just been renovating properties. A big change is the decision to concentrate its sales and marketing efforts on France, the United States, Canada, Belgium, Japan, Italy, Germany, and Switzerland. These countries account for 74 percent of visitors.

With Japan in an economic slump and American attendance lagging for the last six years, Club Med’s financial turnaround last year came largely from European vacationers. But with its millions of people with abundant disposable incomes, the United States is Club Med’s No. 1 target. Combined United States and Canadian visitors totaled 189,000 in 1998, far behind the

598,200 visitors from France. This is the lowest total in the last six years.

To increase U.S. visitors, Club Med is considering building another village in Florida, to complement its family village at Port St. Lucie, and plans to build its second United States ski resort in Colorado or Utah.

It has invested millions into advertising to rejuvenate its strong brand name, which has been misunderstood because of poor advertising campaigns. Each village is now ranked with two, three, or four tridents, based on amenities and comfort level, with the result that the thirteen budget Club Aquarius villages are being folded into the two-trident category. A major expansion is underway around the Pacific Rim, including new resorts in Indonesia, China, the Philippines and Vietnam. By 2003, Club Med intends to open minicenters in fifteen cities, including Paris, Singapore, Brussels, Montreal, and Barcelona, Spain, to give local residents a daylong sample of the Club Med experience and to reacquaint former customers with that experience.

CASE 2

STARBUCKS COFFEE: EXPANSION IN ASIA

HISTORY

Starbucks Coffee Company was founded in 1971 by three coffee aficionados. Starbucks, named after the coffee-loving first mate in *Moby Dick*, opened its first store in Seattle’s Pike Place Public Market. During this time, most coffee was purchased in a can directly from supermarket shelves. Starbucks’ concept of selling fresh-roasted whole beans in a specialty store was a revolutionary idea.

In 1987, Howard Schultz, a former Starbucks employee, acquired the company. When Schultz first joined Starbucks in the early 1980s as director of retail operations, Starbucks was a local, highly respected roaster and retailer of whole bean and ground coffees. A business trip to Milan’s famous coffee shops in 1983 opened Schultz’s eyes to the rich tradition of the espresso beverage. Schultz recalls, “What I saw was the unique relationship that the Italian people had with the ubiquitous coffee bars around Italy. People used the local coffee bar as

the third place from home and work. What I wanted to try and do was re-create that in North America.”¹ Inspired by the Italian espresso bars, Schultz convinced executives to have Starbucks’ stores serve coffee by the cup. And the rest is history!

Starbucks went public in 1993 and has done extremely well in turning an everyday beverage into a premium product. The green and white mermaid logo is widely recognized; the brand is defined by not only its products, but also by attitude. It is all about the Starbucks experience, the atmosphere and the place that is a refuge for most people to get away from everyday stresses. The average customer visits a Starbucks eighteen times in a month, and about 10 percent of all customers visit twice a day. They have created an affinity with customers that is almost cult-like. Today, Starbucks is the leading roaster and retailer of specialty coffee in North America with more than 1,000 retail stores in thirty-two markets.

This case was prepared by Valerie Darguste, Ana Su, Ai-Lin Tu, and Peggy Wei of New York University and John Graham of Temple University under the supervision of Professor Masaaki Kotabe for class discussion rather than to illustrate either effective or ineffective management of a situation described (January 2000).

MISSION STATEMENT

Starbucks’ corporate mission statement is as follows: “Establish Starbucks as the premier purveyor of the finest coffee in the world, while maintaining our uncompromising principles as we grow. The following guiding



principles will help us measure the appropriateness of our decisions”:

1. Provide a great work environment and treat each other with respect and dignity.
2. Apply the highest standards of excellence to the purchasing, roasting, and fresh delivery of our coffee.
3. Develop enthusiastically satisfied customers all of the time.
4. Contribute positively to our communities and our environment.
5. Recognize that profitability is essential to our future success.
6. Embrace diversity as an essential component in the way we do business.

Starbucks’ corporate objective is to become the most recognized and respected brand of coffee in the world. To achieve this goal, Starbucks plans to continue to expand its retail operations rapidly in two ways. First, to increase its market share in existing markets and secondly, to open stores in new markets. Starbucks’ retail objective is to become a leading retailer and coffee brand in each of its target markets by selling the first quality coffees and related products. In addition, Starbucks provides a superior level of customer service, thereby building a high degree of customer loyalty.

SALES & PROFITS

Starbucks’ net earnings in 1998 were \$68.4 million, which is a significant increase from the \$26.1 million earnings three years earlier. Furthermore, its revenues grew more than twelve times from \$103.2 million in 1992 to \$1.3 billion in 1998 (see Exhibit 1). The increase in revenues and sales was a direct result of the numerous new stores that were opened. During this period Starbucks stores grew 508 percent from 165 stores to over 1,400.

EXHIBIT 1
NET REVENUES AND NET EARNINGS
FOR STARBUCKS (IN \$MILLIONS)

Year	<i>Net Revenues (in \$million)</i>	<i>Net Earnings (in \$million)</i>
1992	103.2	4.5
1993	176.5	8.3
1994	284.9	10.2
1995	465.2	26.1
1996	696.5	42.1
1997	966.9	57.4
1998	1,300.0	68.4

COMMITMENT TO COFFEE

Starbucks is committed to selling only the finest whole bean coffees and coffee beverages. Starbucks roasts more than thirty varieties of the world’s finest Arabica coffee beans; therefore, the company goes to extreme lengths to buy the very finest Arabica coffee beans available on the world market, regardless of price. Arabica beans have a very refined flavor and contain about 1 percent caffeine by weight. These beans account for 75 percent of the world production, and are sought by specialty roasters.

To ensure compliance with its rigorous standards, Starbucks is vertically integrated, controlling its coffee sourcing, roasting, and distribution through its company-operated retail stores. It purchases green coffee beans for its many blends and varieties from coffee-producing regions throughout the world and custom roasts them to its exacting standards. Currently, there are three roasting plants in the United States. Roasts that do not meet the company’s rigorous specifications, or beans that remain in bins more than a week, are all donated to charity. Starbucks sells the fresh beans, along with rich-brewed coffees and Italian-style espresso beverages, primarily through its company-operated and licensed stores.

COMMITMENT TO THE COMMUNITY

Despite becoming extremely profitable, Starbucks has not lost sight of being socially responsible. Starbucks has contributed to CARE, a nonprofit charity organization for the needy in coffee-growing countries, since 1991. As North America’s leading corporate sponsor, Starbucks has helped establish health and literacy programs in Guatemala, Indonesia, Kenya, and Ethiopia. This long-term charity program has helped improve living conditions in the coffee-producing countries that Starbucks buys from. It is the company’s way of providing assistance to those developing nations with which it does business. In addition, in 1996, Starbucks established a Code of Conduct policy, which is the first step in a long-term commitment to improving social conditions in the world’s coffee-growing nations.

CURRENT SITUATION

Coffee consumption in the United States has climbed to its highest level in nearly a decade. In 1989, there were only 200 specialty coffee stores in the United States. Today, there are more than 5,000; the Specialty Coffee Association projects 10,000 stores by 1999. The entire coffee market is estimated to be a \$30 billion industry.

In keeping with its corporate mission, Starbucks is expanding its retail outlets at an incredible rate. Most recently, Starbucks has entered several new markets

including Toronto, Rhode Island, North Carolina, and Tokyo. In 1997, Starbucks is looking forward to enter Phoenix, Miami, Hawaii, and Singapore, and by the year 2000, Starbucks plans to have 2,000 locations throughout North America. Today, three million people a week visit Starbucks.

In addition to retail operations expansion, the company plans to selectively pursue other opportunities to leverage and grow the Starbucks brand through the introduction of new products and the development of new distribution channels (see Exhibit 2). Joint ventures with companies like Dreyer's Grand Ice Cream, Inc., Pepsi-Cola, and Capitol Records have enabled Starbucks to introduce new product lines into the market. In 1994, the company entered a joint venture agreement with Pepsi-Cola to develop ready-to-drink coffee products. In the spring of 1996, the company launched a new

bottled coffee drink called Frappuccino™, a low-fat, creamy blend of Starbucks brewed coffee and milk. On October 31, 1995, a long-term joint venture with Dreyer's Grand Ice Cream was announced. The joint venture yielded a premium line of coffee ice creams distributed to leading grocery stores nationwide. This line has become the number-one-selling super-premium coffee-flavored ice cream in the nation. Finally, joint ventures with record companies such as Capitol Records have enabled Starbucks to sell customized music CDs in its stores.

Starbucks specialty sales and marketing team has continued to develop new channels of distribution as the company is growing. Its plan to become a nationally known brand is being pushed forward by last year's deal with United Airlines, which gives Starbucks exclusive access to 75 million domestic and international travelers.

EXHIBIT 2 STARBUCKS' BUSINESS VENTURES

March 1995	Released Blue Note blend coffee and CD jointly with Capitol Records.
September 1995	First Starbucks retail store opened within an existing and newly opened state-of-the-art Star Markets.
October 1995	Signed an agreement with SAZABY Inc., a Japanese retailer and restaurateur, to form a joint venture partnership to develop Starbucks retail stores in Japan. The joint venture was called Starbucks Coffee Japan, Ltd. The first store opened in Tokyo in the summer of 1996 and marked Starbucks' first retail expansion outside of North America.
October 1995	A long-term joint venture with Dreyer's Grand Ice Cream was formed to market a premium line of coffee ice creams. Nationwide distribution to leading grocery stores occurred in the spring of 1996.
November 1995	Formed a strategic alliance with United Airlines to become the exclusive coffee supplier on every United flight.
January 1996	The North American Coffee Partnership was formed between Pepsi-Cola and Starbucks New Venture Company, a wholly owned subsidiary of Starbucks. The partnership announced its plan to market a bottled version of Starbucks' Frappuccino™ beverage.
February 1996	Formed an agreement with Aramark Corp. to put licensed operations at various locations marked by Aramark. The first licensed location opened in the end of 1996.
September 1996	Introduced Double Black Stout™, a new dark roasted malt beer with the aromatic and flavorful addition of coffee with the Redhook Ale Brewery.
October 1996	Formed an agreement with U.S. Office Products Company, a nationwide office products supplier to corporate, commercial and industrial customers. The alliance will allow Starbucks to distribute its fresh-roasted coffee and related products to the workplace through U.S. Office Products' extensive North American channels.
1998	Formed a joint venture with Intel Corp. The venture will help push Starbucks into the market of cybercafes.
1998	Formed an alliance with eight companies to enable the gift of over 320,000 new books for children through the All Books for Children Holiday Book Buy.
1998	Acquired Seattle Coffee Company, UK's leading specialty coffee company.
1998	Formed a joint venture with Mack Johnson's Johnson Development Corp. to develop Starbucks locations in underserved, inner-city urban neighborhoods.
1998	Formed long-term licensing agreement with Kraft Foods to accelerate growth of the Starbucks brand into the grocery channel across the United States.

However, the company's goal of expansion does not stop at airports. For two years, Starbucks has been the only coffee brand served in ITT Sheraton Corporate Hotels. In 1996, it also became the coffee of choice in Westin Hotels & Resorts. More recently it formed an alliance with U.S. Office Products to sell Starbucks coffee to offices throughout the United States. This alliance is a tremendous opportunity for Starbucks to serve the workplace environment, and overall strengthen its customers' relationship with the Starbucks brand. Finally, Starbucks wants to grow its direct response and specialty sales operations. Starbucks' direct response group launched a new America Online Caffe Starbucks store to sell its products via Internet.

Though profits for Starbucks have increased significantly over the years, there is still cause for the company to be worried. Overall sales are still growing quickly, but the rate of growth is slowing at existing stores. Annual sales growth at stores has slid from 19 percent in 1993 to 7 percent in 1996. The biggest cause of sluggish sales growth is attributed to store cannibalization. Starbucks has been known to open stores within one block of each other in hopes of saturating the market. In addition, growth has also been hurt by poor merchandising efforts that has left many products—like mugs and coffee makers—on display for years.

INTERNATIONAL EXPANSION

With a stable business in North America, Starbucks plans on extensively expanding abroad. Its international strategy is to utilize two expansion strategies—licensing and joint-venture partnerships. The success of expanding into foreign markets is dependent on Starbucks' ability to find the right local partners to negotiate local regulations and other country-specific issues.

Currently, Starbucks exists in only two foreign countries—Japan and Singapore. The company felt that Asia offered more potential than Europe. According to one executive, "The region is full of emerging markets. Consumers' disposable income is increasing as their countries' economies grow, and most of all, people are open to Western lifestyles." Finally, coffee consumption growth rates in Southeast Asia are estimated to increase between 20 percent to 30 percent a year. With this in mind, Starbucks has plans to invest \$10 million in developing its Asian operations and up to \$20 million with its joint venture partners in Asia. The countries Starbucks is currently looking at include Taiwan, South Korea, Hong Kong, Malaysia, and Indonesia.

Starbucks does not have a roasting plant in Asia as of yet. Instead, one shipment of coffee beans arrives in Asia every other week to supply the company's shops in Singapore and Japan.

Japan

On October 25, 1995, Starbucks Coffee International signed a joint venture agreement with SAZABY Inc., a Japanese retailer and restaurateur, to develop Starbucks retail stores in Japan. The joint venture partnership is called Starbucks Coffee Japan, Ltd. This alliance proves to be a strong one because it combines two major lifestyle companies that will provide the Japanese consumer a new and unique specialty coffee experience. Under this partnership, Starbucks opened its flagship Tokyo store in the upscale Ginza shopping district, its first retail store expansion outside of North America.

Japan is an essential part of Starbucks' international expansion plan because the nation is the third largest coffee consuming country in the world, behind the United States and Germany. Japan is also an ideal country because it has the largest economy in the Pacific Rim.

Demand for coffee blends in Japan has doubled in the past five years, and specialty blends are the fastest growing segment of the industry. One industry analyst said, "The Japanese have taken to coffee like a baby to milk." Gourmet coffee accounts for 2.5 percent of the 1.2 billion pounds of coffee bought by Japan each year. The average per capita consumption among gourmet drinkers in 1997 was 1.5 cups a day from more than a half cup in 1990. The company picked Japan for its first big overseas venture because it is the third-largest coffee-consuming country in the world, but the quality of its coffee products provides a major opportunity for Starbucks' specialty drinks. Japanese vending machines, for instance, dispense \$1 billion worth of cold, canned coffee drinks. A similar bottled beverage jointly produced by Starbucks and Pepsi is in the process.

Starbucks currently has nineteen stores in Tokyo and is expecting to open more. The stores offer the same menu as Starbucks does in its U.S. stores, although portions are smaller. The names of items, such as *tall* and *grande* are also the same as the ones used in the United States. All of the stores will also feature the company's trademark decor and logo. In addition, Japanese customers are able to purchase Starbucks coffee beans, packaged food, coffee-making equipment, as well as fresh pastries and sandwiches.

Currently Starbucks' Japanese sales are 25 percent above the originally expected sales figures. On opening day, the Japanese crowded into Starbucks and as many as 200 customers formed lines around the block to get a taste of Starbucks high-quality coffee. Starbucks hopes to cultivate the same kind of coffee craze in Japan as the one it had created in North America. However, profits from the Japanese venture will not happen for several years. Operating costs, like rent and labor, in Japan are extremely high, and Starbucks will also have to pay for

coffee shipment from its roasting facility in Kent to Japan. Retail space in downtown Tokyo is also more than double that of Seattle's rent.

Starbucks plans to eventually open a roasting plant in Japan to help keep costs down. However, this is contingent if the stores in Japan prove to be a success.

Singapore

Economic Background. According to the 1990 U.S. Department of State, Singapore, otherwise known as the Lion State, has an annual growth rate (1998-in real terms) of 11 percent. The country's per capita income is \$8,782, which is the third highest in Asia after Japan and Brunei. However, Singapore is a country that relies heavily on industry with the industrial sector (including food and beverages) making up about 17 percent of Singapore's real GDP. It imports about \$44 billion in crude oil, machinery, manufactured goods and food-stuff from the United States, European Community, Malaysia and Japan. In addition, Singapore is constantly looking for new products and new markets to drive its export-led economy. It is attempting to become a complete business center, offering multinationals, a manufacturing base, a developed financial infrastructure, and excellent communications to service region and world markets.

However, the late 1990s was not a very good period for Singapore as the country was affected to some extent by the Asian financial crisis. The economy grew at an annual rate of 8.7 percent from 1990 to 1996, but has since slowed down significantly. The main sector that was hurt by this slow growth was the manufacturing industry, which grew by less than 3 percent, down from 10 percent in 1995. In addition, the commerce sector grew by less than 4 percent, down from 9 percent in 1995. Analysts claim that weak economic growth, global competition, and a very slow tourist season made Singapore's retail industry very sluggish. The restaurants and hotels also recorded weak growth.

Living in Singapore. Singapore has one of the best living conditions in Asia. In 1999, its per capita GNP was U.S. \$27,480. Furthermore, Singapore is known for its diversity. There are 3.4 million Singaporeans: ethnic Chinese, Malays and Indians make 77 percent, 14 percent, and 7 percent of the population, respectively. The most practiced religions are Buddhism/Taoism (53.9%), Islam (14.9%), Christianity (12.9%) and Hinduism (3.3%). The main languages are Malay, Chinese (Mandarin), Tamil and English. English is the language of administration, while Malay is the national language.

With a moderately high cost of living, Singaporeans are able to indulge in luxury goods. Much of Singapore's entertainment is influenced by Western culture.

For instance, many theaters show Broadway musicals such as *Les Miserables* and pop concerts like Michael Jackson. Television programs are in English, Chinese, Malay, and Tamil. In 1992, pay TV channels such as CNN, Movievision, HBO, and Chinese Variety were introduced.

Singaporeans are known to indulge themselves with food. "So discriminating have the Singaporeans become on the subject of quality and price that eating has become a national obsession." Singapore has an array of restaurants, coffeehouses, fast-food outlets and food centers that are easily accessible and offer a variety of foods at affordable prices. Most of these food places are not air-conditioned except for those located in shopping complexes. However, eating in an air-conditioned restaurant, regardless of income level, is an affordable luxury. "The average lunch or high tea buffet spread offering a wide variety of dishes is available at many hotel coffee houses and restaurants, and it costs about \$15 (Singaporean currency) or more per person. Most restaurants and coffeehouses impose a 10 percent service charge, but tipping is not encouraged."

Singapore's Love Affair with Coffee. According to Singaporean social commentator Francis Yim, "Coffeehouses are a sign that Singaporeans have achieved the status of a developed nation and we are breaking new ground in the area of becoming a cultured society." In the past during the construction of Singapore, Singaporeans did not have the time to enjoy their cup of Java. Regardless of their religion and beliefs, Singaporeans went to coffeehouses in the evenings for their meals and drank coffee in order to keep themselves awake. Now coffee is viewed as a beverage instead of a drink. People want to take the time to savor their coffee. It is not just a drink, but a personality altogether. The various flavors that coffeehouses offer reflect the different moods as well as taste.

The first Starbucks coffee outlet in Singapore opened on December 14, 1996, in Liat Towers, with the help of BonStar Pte. Ltd., a subsidiary of Bonvests Holding Ltd., a Singaporean company with food services and real estate interests. The store in Liat Towers is located in Singapore's main shopping district on Orchard Road, which is a very trendy shopping center where the French department store, Gallery Lafayette, and Planet Hollywood reside. There are plans to open ten to twelve more Starbucks in Singapore within the next year. The licensing agreement with Starbucks currently only covers Singapore, but Bonvests hopes to expand the franchises into other Asian markets. Starbucks' expansion into Singapore is its first expansion into Southeast Asia. Bonvests Holdings anticipates that the Starbucks retail stores will generate at least \$40 million in sales over the next five to six years.

Bonvests is an ideal partner for several reasons. Bonvests has acquired expertise in running food businesses, like the local Burger King chain. They also know and understand the local consumer market, government regulations, and the local real estate market.

Starbucks chose Singapore for its entry in the Southeast Asian market because of the highly “western-

ized” ideas and lifestyles it had adopted. Some have described Starbucks as being another American icon, like McDonald’s. Some even say that Starbucks has created an American coffee cult. Slowly, but surely, gourmet coffee bars have been penetrating into the food scene in Singapore. It is estimated that Singaporeans drink more than 10,000 gourmet cups a day. In addition, the market

EXHIBIT 3

COMPETITOR PROFILES

SPINELLI

Spinelli Coffee Company, long-regarded by many as San Francisco’s best coffee retailer, has been licensed by Equinox for expansion into Southeast Asia. Equinox is a joint venture between Golden Harvest, a Hong Kong film company, and Singapore Technologies Industrial Corp., a Singapore Conglomerate. Seven outlets were opened in Singapore’s central business district by the fall of 1997, with up to forty locations targeted for the region by the year 2000. In addition, Spinelli is also in the process of setting up roasting factories to supply the Asian Market. Spinelli brings to Asia years of experience in sourcing, producing and selling premium coffee drinks and whole bean coffee.

SUNTEC DOME HOLDINGS

Dome Café is a cafe modeled on European lines and was discovered by a Singaporean lawyer. It is best known for its distinctive sidewalk and atrium cafes, where, the food menu is longer than the coffee list. They serve light snacks and full meals served all day, from sandwiches made with foccacia (a flat, Italian bread) to exotic entrees like duck and pumpkin risotto.

Suntec Dome Holdings was formed in 1996 when Suntec Investment, an investment vehicle for a group of Hong Kong tycoons, bought 51 percent stakes in the Dome Chain. Ronald Lee and Sebastian Ong, founders of Dome, imported the European-style Dome concept from Australia. They are expecting to increase the numbers of outlets from seven to seventeen within three years, an estimated \$7 million is expected to be allocated for the expansion of outlets. Plans to build more roasting plants to distribute Dome’s coffee in Asia are to follow, though roasting factories in Singapore and Australia exist already. Their growth strategy is to expand into several Asian countries, with six outlets within two years in Malaysia and plans for further expansion into Indonesia, Thailand, Hong Kong, and China are in the development stage.

COFFEE CLUB

Established coffee trading company Hiang Kie, now sixty years old, sniffed out the gourmet coffee trend and whipped up its first outlet in Holland Village in 1991. There are thirty-seven variations, from the humble Kopi Baba to the spicy, vintage tones of Aged Kalossi Coffee. The best attraction is the Iced Mocha Vanilla—Macciato coffee and milk topped with vanilla ice cream and a drizzle of chocolate syrup. In addition, they serve light meals of cakes, salads, sandwiches, and home-made ice cream.

COFFEE CONNECTION

Coffee Connection is the latest, trendier incarnation of Suzuki Coffee House, started in the 1980s by Sarika Coffee to showcase its Suzuki Coffee Powder. So far it is the mothership of coffee bars, with sixty-nine different drinks ranging from cool coffee jelly to Bleu Mountain Chaser. The best attraction is the Cappuccino Italiano—espresso infused with hot milk, topped with a frothy milk cap and dusted lightly with chocolate powder. They also serve ice cream, pasta, pizza, and foccacia sandwiches.

BURKE’S COFFEE

The origins of Burke’s Coffee started from four Singaporean students who studied in Seattle, liked the espresso bars, and brought back the concept. Burke’s Coffee is a Seattle-styled cafe, bringing the lifestyle of the Pacific Northwest to Singapore. Burke has made a name for itself as a friendly and inviting place in the midst of the hustle and bustle of downtown Singapore. The store has established a loyal customer base of young professionals who visit the store frequently. Burke’s serve sandwiches, soups, and desserts. There are seven basic coffee drinks, plus twelve Italian syrups that you can add on request. The best attraction is the Mocha Freeze and Hazelnut Latte.

in Singapore has tremendous growth potential. According to Bruce Rolph, head of research at Saloman Brothers Singapore Pte. Ltd., “People should increasingly focus on Singapore not as a mature market with low earnings and growth potential, but as a uniquely positioned beachhead to get leverage over what’s happening in Asia.” Finally, the Singaporean market still has no clear leader in the specialty coffee industry. This means that Starbucks still has a good chance to become one of the top contenders in this market.

Despite the opportunities that exist for Starbucks in Singapore, there are still obstacles that it must overcome to be successful there. Competition is fierce, with fourteen players and thirty-eight stores between them (see Exhibit 3). With Starbucks’ entry into the Asian market, bigger retail stores are already gearing up for a coffee battle. However, smaller companies like Burke’s Cafe and Spinelli are welcoming Starbucks’ entry. Their strategy is to open an outlet right next to Starbucks to attract the customers that overflow from Starbucks.

One of Starbucks’ biggest competitors, Suntec Dome Holdings, has already established itself in Singapore. Suntec Dome Holdings already has good name recognition with Suntec Walk, Suntec City, Dome Cafe, and so on. Suntec is distinctive from the other retail coffee stores in that it is seen more as a restaurant than a coffee chain. It targets a broader market segment with a lower budget range. They are also backed by major supporters with the

capital to counter Starbucks’ expansion strategy. In addition to Singapore, Suntec Dome Holdings has plans to expand to other markets such as Malaysia, Indonesia, Thailand, Hong Kong, and China. Spinelli, a smaller competitor, also plans to expand into the region. With these plans of expansion to be completed by the year 2000, Spinelli will be potentially a major threat to Starbucks.

More well-known coffee spots to Singaporeans are Coffee Connection and Coffee Club, which are also direct competitors of Starbucks. The customers that go to Coffee Connection and Coffee Club like the atmosphere and the service they receive there. As reflected here, Singapore has seen a proliferation of gourmet coffee outlets in the past few years; therefore, the market is slowly becoming overcrowded.

Starbucks will need to turn some heads and create the brand equity they need to stay in competition with their competitors. However, they do have an advantage entering this market. Starbucks packages a coffee-drinking experience that the Singaporeans want, both trendy and American. As mentioned earlier, Singaporeans love American products and hopefully, that will translate into major dollars for Starbucks in Singapore.

Second, Starbucks faces a challenge in Singapore amid a prolonged and still-deepening crisis in the retail industry. Major retailers, like Kmart and France’s Galleries Lafayette, have recently left Singapore after much failure.

CASE 3

DOWBRANDS ZIPLOC™: THE CASE FOR GOING INTERNATIONAL

In October 1990, Stewart James, vice president of international for DowBrands, Inc., was reviewing the success of Ziploc™ brand zippered bags outside the United States:

The jury is still out. In Canada, we’re at about break even. In Latin America, we’ve built a plant—we’ve put a

This case was made possible by the cooperation of DowBrands, and is intended for classroom discussion rather than as an illustration of effective or ineffective handling of an administrative situation. Some names and data are disguised. Copyright © 1990 by the University of Virginia Darden School Foundation, Charlottesville, VA. All rights reserved. Rev. 9/91. Ziploc™ and Dow Bathroom Cleaner™ trademarks of DowBrands. Saran Wrap™ and Handi-Wrap™ trademarks of the Dow Chemical Company.

stake in the ground for Ziploc™—but have yet to show operating profits. We’re in the process of buying back a joint venture in Japan, after which we should make some money. We sell some product in Europe through our own organization, but none of our European subsidiaries is convinced that there is much of a future for Ziploc™; and some recent market research seems to support the conclusion that it will never be more than a niche product in those countries. Sometimes in these cases, the only way to find out for sure is to make a commitment and go for it.

In my view, DowBrands should grow Ziploc™ at all costs, and this means taking it to the rest of the world. It is our number one product in sales and profitability, and my experience has shown that estimating volume potential where behavioral changes are required is a very difficult

