Executive Summary

Introduction

Starbucks Coffee Company is the world's largest coffeehouse, having various business operations and products under its umbrella. In 2006, Starbucks Entertainment was established with the belief that music enhances the coffeehouse ambience. However, the firm is concerned about delving too much into entertainment that it loses its core competency. Therefore, the job of the management team is to balance Starbucks Entertainment growth strategy with the focus on coffee.

Situation Analysis & Issues Concerned

The global music industry is changing due to the alteration of the retailing landscape, meaning that more consumers are buying music from non-traditional stores. The changes have granted Starbucks Entertainment another source of revenue. Also, the use of music can enhance the Starbucks experience. In consequence, Starbucks' music business looks very promising for both domestic and international markets. However, issues that need to be addressed before expanding the music business include the balance between physical/digital sales as well as how to answer local preferences through customized product mix.

As for the domestic coffee market, the decrease in sales per store indicates that the market is saturating. In contrast, the international markets are growing relatively fast. This presents a lucrative opportunity for Starbucks to aggressively expand its coffee business abroad. Then, the obvious question to answer is where to expand into.

Looking at the big picture, Starbucks is a globally recognized brand looking to incorporate music in order to enhance the international growth. In 5 years, it wants to successfully integrate its music business to enhance store experience while still maintaining the core focus on coffee.

Recommendations

I. Music Strategy

The first strategy deals with how Starbucks Entertainment can integrate music into the coffee business and expand internationally. It is divided into 3 sub parts:

Country Selection: In choosing 2 countries to enter, the criteria to filter down the choices are established. From the researched data, the logical selections are Japan and the United Kingdom.

Music Offering: For the two countries, the target markets will be the same. It is the adult audience whose music is a part of whom they are but have other priorities. Starbucks will create convenience for music purchase. The formats catered to the targeted group will be a combination of physical and digital forms, allowing customers to enjoy both advantages of exclusivity and customization. In addition, Starbucks can offer localized product range through partnering with local licensees to identify relevant music and through encouraging the surfacing of local artists (e.g. via Starbucks online community).

Experience Enhancement: The "Sound of Starbucks" Online community is dedicated to enhance Starbucks experience by allowing customers/partners to be a part in shaping Starbucks Culture through music, film, books, and various activities.

II. Coffee Strategy

Starbucks does not want to lose its focus on coffee. So the second strategy deals with how Starbucks can further expand its coffee business into the international arena. Starbucks' current growth strategy is allocated 50:50 to domestic and international. However, markets outside the US are more attractive; therefore, store expansions should be allocated more towards growing markets.

The next logical step is to identify which area is growing the most, in terms of coffee consumption. Research shows that Asia has the highest growth rate. Then, it must be decided which country in Asia to go into. Country selection criteria are coffee consumption per capita, population, population growth, GDP, GDP per capita and GDP growth. All in all, Starbucks should aggressively expand its retail stores into Japan and China.

Conclusion

In conclusion, the two above recommendations will facilitate Starbucks' international expansion and its integration of music to enhance the Starbucks experience. Moreover, the strategies result in a strong financial bottom line. And due to Starbucks strong financial health, firm can finance all its expenditures using internally generated fund. Therefore, Starbucks can then effectively maintain its core competency in the coffee business while growing its music unit.