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**The Failure of Starbucks in Australia**

1. **Introduction**

Starbucks Corporation (often known as "Starbucks" or "the firm") is a leading speciality coffee roaster, marketer, and retailer. The firm sells a variety of coffee and tea and associated items such as packaged coffee as well as food and snack. It also makes and sells ready-to-drink beverages like Frappuccino coffee drinks, Starbucks Doubleshot espresso drinks, Starbucks Refreshers beverages, and chilled multi-serve beverages through various channels, including grocery stores, warehouse clubs, convenience stores, and speciality retailers (Starbucks Corp 2021). The brand expanded to the Australian market using a wholly owned subsidiary and joint ventures (“Starbucks International Operations” n.d.). This paper will analyse the key points and recommendations on why Starbucks has failed in Australia by applying the theories of International Business.

1. **Analysis**
2. **Catching Weak Local Culture and Consumer Tastes**

When Starbucks opened their first coffee shop in Australia, they did not know how hard it would be to open a coffee store in Australia. This is due to the fact that Australian had a strong and large culture of drinking coffee (Lukashevich 2020). Australian people already been enjoying espresso latte from a coffee shop set up by Greek and Italian immigrants before the first chain was even launch in America (Adams 2012). Australia has a different espresso-style as compared to the US because they make each drink individually which allows customer to have a minute to enjoy it while the US uses a drip-style filter coffee (Roasty Coffee n.d.). This means that Starbucks failed on the strengths of being an independent diverse café culture (Jolliffe 2010). The menu is not really consumer oriented as they copied the same one from the US.

Australian prefer having sandwiches and other types of small bites in the coffee shop which Starbucks didn’t offered those. The bulk of their sites failed due to a lack of attention and desire to investigate Australia's established coffee culture, resulting in poor performance and ultimate closure (Lukashevich 2020). Starbucks also offers a lot of sugary drinks on their menu which Australian do not like.

**B) Missed Applied Price Strategy**

Starbucks lacked an adequate understanding of customer preferences and depended on the assumption that Australia was sufficiently westernized to embrace them right away. There is no indication that Starbucks made any attempt to stand out from the competition once they started or offered any appealing promotions. Because the established cafés were meeting the needs of the residents, a lower-quality coffee at a considerably greater price in these densely crowded business cities was almost offensive to Australians (Lukashevich 2020).

A blogger has written that Starbucks in Australia has a flawed marketing plan and poor market research. There is a relationship between pricing offer and the elements of the marketing mix (Roy & Henry 1995). The brand positioning of Starbucks within the market is ambiguity. Chains such as McCafe and Gloria Jeans offered cheaper price in which a lot of people went their instead. People in Australia will not pay for an American cup of coffee, even if it is well made and the price is the same (Romenesko n.d). Starbucks will not continue to operate if they use a homogeneous marketing strategy, even if Australia and the USA are similar (Basu 2009).

**C) Bad Growth Strategy**

To expand abroad, they need to find out the cost of risk when operating and have detailed research of a particular market before doing so (Hitt, Li & Xu 2016). After the first cafe was open, Starbucks decided not to wait and open new stores every month, which Australians did not feel deficit about. The brand eventually has 40 stores by 2003 and up to 87 in 2007. According to Leo, Starbucks should only have started with 20 outlets in major cities such as Sydney, Melbourne, Brisbane, and Perth in order to build the loyal fan base (Saini 2019). This is considered to be an imposition of growth rather than organic (Basu 2009). It was because the total income did not show that new store is needed and losses grew gradually in the first years. Then the financial crisis happens in 2008, which many companies worldwide suffer (Toarna & Cojanu 2015). As a result, the number of cafes reduced from 87 to 26 (Now You Know That 2018).

2008 is also the year of the Great Recession. Although, the United States and Australia are far upon each other they still are greatly affected. Despite, Starbucks had the financial resources to continue operating, customers’ purchasing power was possibly impacted, and the last thing they wanted to spend money on was a new coffee brand (Saini 2019).

1. **Recommendation**
2. **Menu adjustment through surveys and applying multidomestic strategy**

In order to solve this issue, Starbucks need to start changing their strategy to multi-domestic. It is an international marketing approach which business will focus mainly on advertising and commercial effort to a particular market. This means having some local customization that fits consumer tastes and still provide global products. If they applied the strategy correctly their sales would increase rapidly. In addition, Starbucks could also do a consumer survey to gather information on what the customer is dissatisfied with (Needle 2010). As a result, they will need to modify their menu appropriately to their consumer needs, which could increase sales.

1. **Applying the Uppsala Model**

Starbucks should have used the Uppsala Model before entering the market. An Uppsala model means internationalising to lower physic distance to larger ones. Starbucks should have used this before entering the new market as the model focuses on the knowledge of the foreign market, operations, and increasing commitment of resources (Hansson et al. 2004). For example, McDonald has been successful in the Australian market for using the Uppsala theory. Without this international strategy, McDonald will not be able to offer similar products and make suitable adjustments to meet local conditions (Hak & Grebosz 2016).

1. **Using Small Scale of Entry**

Lastly, the company should have used the small scale of entry and did not risk expanding more stores across the countries. According to Shaw (2015), a small scale of entry enables firms to build up gradually by themselves while being used to the market and having limited exposure to the market. A small scale of entry will make it difficult for the firm to increase market share. However, it allows them to be more committed to the market. Moreover, they would be able to succeed if they have using this theory and slowly expand as the Cafes industry in Australia has been successfully overtime (Gargano 2015).

1. **Conclusion**

In conclusion, Starbucks has failed in Australia because they did not apply appropriate strategies. Consequently, they should have carefully considered the cultural specificities to understand more about the taste and preferences of Australian customers. It is reasonable to believe that Starbucks did some research before launching its sugary menu in Australia, yet the corporation overlooked the most essential component of any business: the consumers.

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