



Analysis of Starbucks' entry strategy into Vietnam market

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Abstract

Starbucks is one of the international F&B groups to enter the Vietnamese market at the latest while other competitors have been present and successfully doing business in this market. This article re-analyzes a new and cautious market penetration strategy like Vietnam in recent years and tries to answer whether such a slow and reliable strategy will ensure great success for Starbucks in the future.

Keywords: Starbucks, entry strategy, foreign market, Vietnam, food and beverage

1. Introduction

Vietnam market now has many brands with a variety of food and drinks such as Mc Donald's, KFC, Lotteria, Pizza hut, Popeyes, Jollibee and indispensable, is the Starbucks brand. Referring to starbubcks, many people often think of famous coffee brand but in fact StarBucks also serves cakes and snacks to customers with high quality service and quality. A simple, fast and nutritious lunch at Stabucks is a great option to recharge your afternoon for work [10, 13, 14, 15, 16]. At StarBucks there are many delicious cakes to choose from such as meat pie, Croissant almond cake, Danish Peach cake, coconut cookie cake, Blueberry Muffin. In 1971, three students Jerry Baldwin, Zev Siegl and Gordon Bowker knew each other at the University of San Francisco. Baldwin and Siegl later became teachers and Bowker was a writer. Starbucks is a famous coffee brand in the world. Starbucks Coffee is headquartered in Seattle, Washington, USA. Starbucks is currently the world's largest coffee company with a stock market value of \$ 51.6 billion, far ahead of its rival Costa Coffee. According to the latest statistics, Starbucks has 151,000 official employees working in 20,519 stores in 65 countries and territories around the world. Among them are more than 13,000 stores in the US, more than 1,900 stores in China and about 900 stores in Japan. In fact, some calculations indicate that on average, Starbucks opens two new stores a day. Starbucks's first store at 2000 Western Avenue, Seattle, Washington opened on March 30, 1971. Starbucks is present in every country, successful in every market [1, 4, 5]. So, will Starbucks succeed in conquering Vietnamese tastes? To answer that question, we had decided to conduct the project "Analysis of Starbucks' Vietnam F&B market penetration strategy" to gain a better understanding of Starbucks' penetration strategy into Vietnam market, from which we can give strategic solutions for Starbucks and its folowers to be more successful in Vietnam market.

2. Theoretical framework

2.1. Concept of strategy

The term strategic originated in Greek and was first used in the military to refer to large and long-term plans on the basis of believing what the opponent could do. According to Alfred Chandler, "Strategies include the long-term basic goals of an organization, and at the same time choose the way or process of action and allocate essential resources to achieve those goals." According to William J. Gluech: "Strategy is a unified, comprehensive and coordinated plan, designed to ensure that the organization's basic goals will be realized. According to Fred R. David, strategies are the means to achieve long-term goals. Business strategies include geographic development, diversification of operations and ownership, products development, market penetration, spending cuts, liquidation and joint ventures. According to Michael E. Porter, strategy is the art of building solid competitive advantages to defend. So, strategy is a collection of decisions and guidelines to achieve long-term goals, promote strengths, overcome weaknesses inside and help organizations accept opportunities and overcome challenges and risks from the outside in the best way [2, 5, 9, 11, 12].

2.2. Market entry strategy

Market penetration strategy is a strategy to increase market share for existing products or services of businesses through marketing efforts. It can be applied independently or in combination with other types of strategies. Strategies to enter the market include increasing the number of salespeople, increasing advertising costs, increasing sales promotion activities or increasing public relations efforts. Market entry strategies are often applied independently or in combination with other types of strategies. Strategies to enter the market include increasing the number of salespeople, increasing advertising costs, increasing sales

promotion activities or increasing public relations efforts. Specifically, promotion (sales promotion) is a collection of measures that can make customers buy now, buy more to increase sales immediately by providing additional physical or mental benefits to buyers. Public relations (PR) is a tool used to communicate products, people, places, ideas, activities, organizations, and even the whole country. People use PR to build good relationships with customers, investors, the media and the community where businesses operate. A market entry strategy can become a particularly effective competitive strategy in the following cases [6, 7, 8]:

- When the current market is not enthusiastic about a certain type of product or service.
- When the product usage rate of existing customers can increase significantly.
- When the market share of main competitors is decreasing while the consumption of the whole industry is increasing.
- When past sales and marketing costs are strongly correlated.
- When economies of scale increase, give businesses basic competitive advantages.

2.3. F&B market

F&B (Food and Beverage Service) means restaurant and drink service, a type of food and drink service for customers. F&B is a part of the hotel which is responsible for meeting the needs of dining when guests stay at the hotel. In big hotels, F&B is also responsible for some accompanying services such as organizing birthday parties, parties, buffet and banquets at the request of customers [1, 17, 18].

- Meeting customers' eating and drinking needs: Catering is an extremely important factor in every hotel unit. Not only helps improve the quality of service, but it is also one of the leading factors to increase the position of the hotel and contribute to increasing revenue. That is the reason why meeting the increasing demand for food and entertainment of customers is the leading role of F&B industry.
- Promoting revenue: Today, organizing parties at hotels is not too strange by professionalism, elegance and cleanliness. Undeniably this is a lucrative source of revenue, not small compared to other services in the hotel.
- Increase brand awareness: What do you think makes a customer happy and comes back to the hotel? Space, price or quality of service? In fact, these are 3 extremely important factors to conquer every customer. If a hotel has good prices, good food and great service quality, there is no reason that a passerby or a tourist will hesitate to leave positive feedback or reviews. Consumers often compare the quality of service between hotels and this is the fastest way for you to become the number 1 choice as well as successfully bring your brand to the minds of customers.

3. Research results

3.1. An overview of Starbucks Coffee

Starbucks Coffee is a worldwide famous brand of coffee, headquartered in Seattle, Washington, USA with 17,800 stores in 49 countries, including 11,068 in the United States, nearly 1,000 in Canada and more than 800 in Japan. and Hong Kong, China, England, France. Starbucks Coffee was

established at Pike Place Market in Seattle, Washington on March 30, 1971 by three people: English teacher Jerry Baldwin, history teacher Zev Siegl, and writer Gordon Bowker. All three were inspired by the business owner, Mr. Alfred Peet to sell high quality coffee beans and other types of coffee grinders. After Pequod's name was rejected by one of its co-founders, the company was named after its first mate [4, 5, 17].

- In 1987, with the support of local investors, Schultz bought Starbucks Coffee
- In 1998, Starbucks Coffee entered the UK market by acquiring 60 stores from the Seattle coffee company.
- In 2000, the annual Starbucks Coffee Christmas Bookdrive was published by the national truth publisher.
- In 2003, The Starbucks Coffee Master Program was founded.
- In 2006, two consecutive years Starbucks Coffee was awarded the Big Tick Award by the Business in the Community association for excellence in CSR.
- In 2008, Starbucks Coffee announced it had served 87,000 mixed drinks of all kinds.

The number of employees working for Starbucks Coffee is over 137,000. Starbucks Coffee is the first brand to reach 10 million likes on Facebook.

3.2. Introduction to brands and products

Starbucks Coffee says no to a franchise. Starbucks Coffee coffee shops fall into one of three business forms:

- The first (most), founded and managed by Starbucks Coffee.
- The second: Starbucks Coffee joint venture with local Company established and managed.
- The third (very few) Starbucks Coffee licenses its operations and controls under the strict conditions that accompany it.

With the slogan "Romanticizing coffee beans", "Romanticizing customers", Starbucks Coffee™ has made an unthinkable change in a whole culture. Among the many factors that create the prominence in economic activities are 4 factors: mass, originality, advertising and marketing capacity and Internal organizational strength. According to the assessment, the success of Starbucks Coffee™ is mainly due to the high mass popularity. CEO Howard Schultz said, we are not in the position of the coffee business class, but on the side of customers drinking coffee.

Design

Most Starbucks Coffee stores appear modestly and popularly, from colors, designs, furniture, exterior. All have a unique, simple, not too fussy, creating a cozy atmosphere, friendly, irrespective of every class, social class when entering any Starbucks Coffee shop.

Location

Even at the largest, most modern commercial center in a certain city, Starbucks Coffee is located in a very modest position throughout the mall, almost at any corner. With a modest area, without decoration, Starbucks Coffee always affirms its attraction and always proves the high spirit of Starbucks Coffee Group in psychology, technology, art and culture.

Mass service

Starbucks Coffee has always been aimed at the masses,

namely for "coffee" products for women and children who never drink coffee. Therefore, from the people addicted to home-grown coffee-drinkers "coffee silk" drowsiness "to earn a cup of coffee with his level and taste to enjoy.

3.3. Market analysis

The first coffee tree was introduced to Vietnam in 1870 until the beginning of the 20th century and was developed in some French plantations. But our country's coffee industry has made great progress. Coffee in Vietnam is most developed in the Central Highlands, accounting for the majority of Robusta coffee. That is why coffee gradually becomes familiar with Vietnamese people. At work, when meeting, talking with partners or chatting with friends, relatives or when entertaining, Vietnamese people can sip a cup of coffee. Vietnamese people have their own style of enjoying coffee, they do not consider coffee as a quick drink, have anti-drowsiness effect like Americans but enjoy coffee as a culture: sipping and thinking. Southerners often wrap coffee in cloth and cook in pots, they prefer to drink iced coffee rather than hot drinks. And the Northern people, mainly drink coffee mixed with coffee, black or brown but all are very concentrated. Sitting by the cup of coffee, sipping small mouth while reading the newspaper, listening to music, chatting with friends, with business partners, or sitting at work, and also to ponder about life. Vietnamese people are: bold, bitter, fragrant almond, earthy. Depending on each type of coffee that gives the person the taste of the sourness, the oiliness, and the scent of different fruits. A good cup of coffee is a cup of coffee with a natural flavor, with acidity, freshness, clean tongue; has a more intense and special oil that emits almond, fruit, butter and earth.

Instant coffee market

The market is almost saturated and occupied by many big players such as Nescoffe (Nestlé) (32%), G7 (Trung Nguyen) (23%), Vinacafe (Vinacafe Bien Hoa) (38%), Moment (Vinamilk) and a number of other brands. This is a market with a high level of competition, requires large investment, and is unlikely to make a product difference.

Market of roasted coffee

Home-roasted roasted coffee, packed and sold at markets and supermarkets with many brands. The products focus on some major types of coffee in Vietnam market such as Arabica, Robusta, Cherry, Mink coffee plus some flavors such as butter, salt, vanilla, cocoa. From there we have many brands such as Moka, Mink, Creativity, Legendee, Vanilla and Hazelnut.

Roasted and ground coffee at the restaurant

Coffee shops appear everywhere, from popular to high-end places.

Coffee to go

Vietnamese people do not have the habit of walking and drinking coffee but often buying a cup of coffee and bringing it to the office or sitting somewhere to drink. Therefore, this type of coffee is still new and has the potential to grow even though it is not really clear.

In general, the market for roasted and ground coffee is huge and growing at a high rate. In Vietnam, although there are many brands of roasted coffee, but not many products are really breakthrough, really making a clear difference

compared to the products of other brands. There may also be some brands that have good products with good packaging (Illy, Gloria Jean Coffee) but still just coffee.

Research on coffee consumer behavior

Vietnam is a country with coffee culture. In Vietnam, the phrase "go to drink coffee" has become a habit when you want to invite your friends to go to the bar to talk or gather, but when it comes to it, it is not the best. This means you can drink coffee and you can drink other drinks. However, the amount of coffee used per capita is only about 0.7kg / person / year. According to IAM's study of coffee usage habits, 65% of Vietnamese coffee consumers drink coffee seven times a week, favoring men (59%).

SWOT analysis

Starbucks Coffee, when entering the Vietnamese market, will face major competitors such as famous coffee shop chains such as Trung Nguyen, Highlands and Gloria jeans. An overview from these three brands in Vietnam, can be seen as follows:

- Target customers: Highlands currently serving are middle-class consumers, office workers, young people; Gloria Jeans customers are young people under 35 years old, middle class, office workers; The customer base of Trung Nguyen is quite rich with all subjects, from young people, traders, freelance, non-job people to office workers, high-income people, elderly people.
- Coffee drinking habits: The three main factors that influence the decision to drink coffee in the cafe are the taste, the style of the cafe and the brand of coffee used.

In terms of style, Highlands learns Starbucks Coffee™'s market-driven approach, offers exceptional specialty coffee and a coffee-making environment by combining classic and modern, Eastern and Western, offering guests The restaurant feels modern life in line with Vietnam's long-standing cultural tradition. Trung Nguyen's coffee philosophy with the overarching message: Coffee develops creativity and knowledge. However, the way of expressing this style through the service, product development and design of Trung Nguyen's shop is fading while these at Highlands and Gloria Jeans are well done.

In terms of taste, Highlands chooses to harmonize domestic and foreign flavors and styles, Gloria Jeans is a foreign style and flavor, Trung Nguyen aims to define the taste of its coffee as coffee identity. Vietnamese coffee.

From these observations, the SWOT analysis for Starbucks Coffee can be made as follows:

Strengths and weaknesses :

-Famous coffee brand, style of coffee is affirmed, with presence in 55 countries.

- Rich coffee taste.

- Business mode towards people and the environment.

- Starbucks Coffee does not accept franchises, only joint ventures, self-employment or operating and controlling licenses.

- The price is not really preferential

Opportunities and challenges:

- The majority of young people are ready to absorb new and modern consumption trends.

- The to go coffee segment (which is an advantage of Starbucks Coffee) is still empty.

- Compete with some famous coffee brands present in Vietnam.

- The habit of drinking coffee with strong and bitter taste of Vietnamese people is not easy to change.

3.4. Competitive strategy

Strategy:

- Business: continue to expand the brand to the world and position in the market.
- Marketing: change the logo, remove the word "Starbuck - coffee".
- Product: expand menu with tea and cake. The main competitor is the Dunkin 'Donuts brand in North America because the brand also sells coffee and quick drinks to serve individual customers who come to eat cake and drink coffee.

Competitive advantage:

- Specializing in fine product line targeting the high-end customer market.
- Starbucks has the advantage of quality coffee and space to enjoy music combined. At the same time, Starbucks is a brand associated with coffee that has been developed and has a longer standing position.

Develop broadly with 3 positionings:

- Premier coffee: serving excellent coffee with excellent service quality and enjoying environment.
- The third place: the goal of this strategy is that Starbucks will create customer loyalty, turning Starbuck stores into the third place behind the homes and offices of every citizen, especially in North America
- Take away: before the strong rise of strong rivals such as Dunkin Donuts and coffee companies small coffee shops, domestic coffee shops and fast consumption trends around the world. Therefore, this model must be further developed but still not losing the "Class" nature of Starbucks.

4. Conclusion

In 2017, Starbucks was the second chain in terms of revenue, just behind Highlands Coffee, but the rankings changed in 2018 when The Coffee House grew nearly 100% in revenue. According to data from VIRAC, The Coffee House's revenue reached VND 669 billion in 2018, while Starbucks was pushed down to the third position with nearly VND 600 billion. Phuc Long is the fourth ranked chain with 473 billion revenue, and Trung Nguyen maintains over 350 billion dong revenue. After 6 years in Vietnam, Starbucks has only 49 stores, the scale in Vietnam is far below the neighboring markets. In Thailand, Starbucks has more than 330 stores, in Indonesia more than 320 and Malaysia more than 190. With prices much higher than the domestic coffee chains, Starbucks' customer segment is also limited. This chain still maintained growth but somewhat slower than domestic rivals.

Starbucks Corporation and Dunkin Brands Group are the two largest specialty coffee chains in the US with similar menus and overall strategies. However, the business models of these two companies, including the scale, the way to build branches and brands are quite different. Although established 20 years later than Dunkin Donuts (1950), Starbucks (1971) has a faster growth rate with many significant successes. In 2014, Starbucks' sales reached \$ 16.4 billion while Dunkin only reached \$ 749 million. The total number of Starbucks branches is also more with 22,519 stores, higher than 11,460 Dunkin branches. Starbucks has also expanded strongly into non-US markets with about 10,000 stores in 65 different countries. Dunkin, meanwhile,

has a global business strategy, but most of its foreign affiliates are branded Baskin Robbins.

When Dunkin was first established, both Dunkin and Starbucks were in fact not rivals, because Dunkin served mainly Donut while Starbucks sold coffee. In 2006, Dunkin officially announced becoming a direct competitor to Starbucks on the front of the chain of specialized coffee shops. The interior of the Dunkin stores is also designed like a fast food store and this is different from Starbucks. The Starbucks store chain also specializes in coffee but serves additional snacks for customers. The design of Starbucks branches is quite comfortable and suitable for customers who want to relax, read or meet friends. Like Dunkin, Starbucks is focusing more on products that cater to customers who shop in the afternoon and evening.

Starbucks built a more premium brand than Dunkin as the menu of branch stores was more diverse and more selective. Starbucks stores are quite comfortable and quiet with free Internet, thereby attracting consumers to meet friends, study, listen to music or surf the web while using its products. In contrast, Dunkin implements a price-competitive strategy and focuses on middle-income customers. This retail chain chain always wants to lower input costs but still maintain the quality of its products and services at a standard level. With the above differences in quality and business strategy, the way Starbucks and Dunkin advertise is quite different. However, before the rapid expansion of Starbucks, Dunkin is now increasingly focused on advertising through social networks or new media to attract young people today.

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