Starbucks Product Life Cycle in Indonesia

Establish itself in the market share, acquires loyal users and builds market share, needs more funds than they have earned are the characteristic of growth company. Starbucks in Indonesia are being categorized in growth but nearly to maturity, since it still expanding their company, but already become the market leader in coffee store industry.

Starbucks was developed easily in Indonesia market since the Starbucks brand itself has a strong recognition in Indonesia market. That is why Mitra Adi Perkasa, the Indonesia leader in retail brand franchising, interested in Starbucks and won the license agreement to operate Starbucks in Indonesia. MAP appointed seasoned hospitality expert Anthony Cottan to launch and manage the brand. Anthony with a team of 8 from Jakarta went to study for three months in Seattle before opening the first store on 17 May 2002, at Plaza Indonesia Ground Floor. This is the time Starbucks first introduced to Indonesia market.

Starbucks opens 10 branches every year in 6 Indonesia’s city, such as Jakarta, Bandung, Surabaya, Bali, Bogor and Medan. Starbucks café are usually located in department store or entertainment area, however in 2005 they open new branch at Cikampek highway as the first drive through in South-east Asian. In 2004, Starbucks creates program aim to build and maintain relationship with the customer, with arranging a seminar in the café or in the loyal customer offices. In Indonesia, Starbucks compete with other café, like Coffee Bean, Gloria Jean's from Canada and also local brand Excelso. However, these
companies seem to hardly fight Starbucks domination. This is where Starbucks become star and a fast growing brand in Indonesia.

In Jakarta itself, Starbucks has been part of metropolitan lifestyle. Almost every day, Starbucks café are full of customers. Visitors could sit there and enjoy the coffee, or else to do a meeting there with friends or colleagues, they also provide wi-fi to attract more customers. This is where Starbucks almost reach maturity stage.

**Starbucks Product Life Cycle in International Market**

![Starbucks Product Life Cycle](image)

**Development**

The original Starbucks was opened in Pike Place Market in Seattle, Washington, in 1971 by three partners: English teacher Jerry Baldwin, history teacher Zev Siegel, and writer Gordon Bowker. The company consists of people committed to serve their customers the world’s best coffee and the finest coffee experience.

The three were inspired by Alfred Peet, whom they knew personally, to open their first store in Pike Place Market to sell high-quality coffee beans and equipment. Entrepreneur Howard Schultz joined the company in 1983, and, after a trip to Milan, Italy, advised that the company sell coffee and espresso drinks as well as beans. The owners rejected this idea, believing that getting into the beverage business would distract the company from its primary focus. But Howard Schultz believes that the concept Starbucks would sell and force his idea to launch Starbucks as he imagined.

**Introduction**

Starbucks was introduced to the market which believed that coffee price is only for 50cent but was shocked when Starbucks sell a premium coffee for US $3. Howard Schultz, Starbucks Director stated that 18 August 1987 was the time that modern
Starbucks was born. This happened because the day is the first day Starbucks became a professional management company.

Growth

Starbuck has established itself in old or new market. It acquires loyal users and has build market shares. Starbucks continues to expand the company by acquiring 16,000 stores worldwide. Every day, the company opens 2 stores in the world making it one of the fastest growing company.

Maturity

Starbucks comes to maturity where the product becomes cash cow. This can be proven by how fast Starbucks growth and how fast it can change people's behavior and lifestyle. Starbucks sales always rose every year, the image strongly attached to people's mind, and the company have a strong financial to support all of its new retails.

**Starbucks PLC and BCG Matrix by Products**

![Product Life Cycle Stages Over Time](image)

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![Portfolio Analysis Changes Over Time](image)
By product, we can see that some of Starbucks product position in the market. In introduction, Starbucks product such as merchandise, ice cream and coffee in supermarket is a new product / question marks. Meanwhile, Starbucks stores in some countries like Japan, China, Singapore, Indonesia, and mostly in Asia are a star product because it has a high market growth where the company push Starbucks to become lifestyle for people especially in urban area in these countries.

Maturity of Starbucks comes in US Stores where it is hard for Starbucks to expand the company more as it already becomes market leader. Even though the company is one of the strongest company in the world, there are a product which already in decline stage which is the company web site sales. This may happened because people tend to drink at Starbucks, feel the atmosphere and the experience and not to purchase the product through website.

**SWOT Analysis**

**Strengths**

1. Starbucks is the leading retailer and roaster for brand specialty coffee in the world.
2. Strong brand image with the motto ‘The Starbucks Experience’.
3. Starbucks is a global organization with more than 16,000 retails in 48 countries in the entire world.
4. One of the strongest franchises in the world with more than 6500 licenses shops in the world.
5. Starbucks is known for providing superior products and services.
6. Starbucks offered both functional and emotional benefits.
7. Starbucks is number 7 on Fortune Magazine's "100 Best Companies to Work For" for 2008.
8. Have loyal customers in all of Starbucks’ existing countries.
9. High quality control in all Starbucks’ retails.
10. Have a consistent high quality of service.
11. Sophisticated atmosphere typical of the Italian Coffee houses, music, interior design and artwork.
12. Outlets positioned in high street locations, malls, within other businesses areas like offices building.
13. Wi-Fi Internet service in all of Starbucks retails.
15. The process of preparing the product does not need highly sophisticated technology.
16. Have a lot of flavors variation.
17. Limited number of strong competitors.
18. High market share and market growth.
19. Always aim to help support environment, ex: by using recyclable tissue.
20. Always treat the employees as a partner not just as employees.
21. Welcome all questions, comments and feedback where customers could send it by email, sms or just inform it in Starbucks retails.
22. Have a Starbucks Workers Union which helps employees to inform their thoughts to management.

Weaknesses

1. High pricing which cost not all kind of market could buy Starbucks’ products.
2. Starbucks considered ‘American Global’ which cost sentimental issue for customers in some countries.
3. Too focus on US domestic market.
4. Starbucks refuses to guarantee that milk, beverages, chocolate, ice cream, and baked goods sold in the company’s stores are free of genetically-modified ingredients.
5. Because of its perfectness of employees service, some employees complaints about the management which push them to always be perfect. That is why they make Starbucks Workers Union.

Opportunities

1. The potential employees are educated people which make it easier to train them.
2. Customer is not price sensitive.
3. Could be able to change negative image of coffee into positive one.
5. Easier to penetrate market because what it sells is the fulfillment of self esteem and need to be love or to belong to community which is the major reason why peoples buy a product.
6. Strong financial support.
7. High growth of economy and market in Indonesia, especially in urban areas.
8. The democratic economy policies in Indonesia make it easier for Starbucks to expand their business.
9. Peoples in Indonesia positioned Starbucks places as one of the best meeting point.
10. Could diverse their product not only in coffee.
11. Many of Starbucks coffee are using organic beans.
12. Some of Starbucks beans are harvested in Indonesia island of Sumatra and Sulawesi. Starbucks purchasing high quality beans in these island at premium prices to help farmers to support their families and invest in a sustainable production. Starbucks paid an average price of $1.20 per pound against the commodity average price of $0.40-0.50 per pound

Threats

1. Global financial crisis which make peoples tend not to spend too much money.
2. Low income in Indonesia makes it hard for Starbucks to penetrate more market segmentation.
3. Sentimental issue to the bad effect of coffee from society.
4. Some people believes that Starbucks turning the world into a giant corporate generic mess.
5. Critics said that it exploits farm workers in third countries.
6. It said that Starbucks domination driving small cafes out of business.
7. Issues stated that Starbucks exploit their workers by paying a very minimum wage with a very high standard of work they need to fulfill.
8. Threats of substitute products and services include other drink items such as colas, teas or juices that are sold in retails.

Strategy and Tactics for Starbucks

Strategy

Strategy for Starbucks in Indonesia for the next 1 year that we proposed is to make a campaign called Starbucks for health. This campaign will focus on the health benefits that peoples will get from drinking a cup of Starbucks. We will change people perception about coffee into positive one and cooperate with other companies in Indonesia to show our support in people health.

The fact is that coffee actually one of the healthiest beverages billions of people consume regularly. The average of 300mg coffee with exercise increase energy by 20% and decrease fatigue level while burning fat increased 107% greater than without caffeine. This can be happened because coffee contains hydroxycitric acid and chromium that can increase up to 30% in metabolic rate. It might guard against gout, diabetes and Alzheimer’s disease.

Studies has shown positive results that compare consumption with diabetes rates, including reports that suggest people who drink two cups a day were 50 percent less likely to develop diabetes and also has been proven by doctors. The trouble comes when people start adding sugar and cream to their coffee, or even worse, buying thick, blended drinks with whipped cream on top.

Coffee when consumed in excess can be very addictive, stimulate, and a mood charger. A large amount of coffee or caffeine consumed all at once can have a negative effect on blood. Too much coffee over time can stain people’s health.
We believe that this negative perception of coffee could be a threat to Starbucks. But we also see this as an opportunity when we can actually change people behavior in Indonesia to consume healthy coffee and make it as part of their life.

**Tactics**

**Product:**

We will create a new flavor of Dark Coffee with Fruits topping. This coffee can also be added with skim milk. Dark coffee is the best coffee for health considered it has not been mixed with full cream milk, whipped cream, etc. Fruits topping in this product is a real fruit, not blended with the coffee but just a complementary to add more vitamin while drinking the coffee. For people who want to add milk in it, we will just add skim milk because it contains low fat rather than full cream milk which contains fat for body.

This product will provide a free one fruit topping. But if people want to add more than one topping, they could by add Rp 5.000, - for each coffee. The size of the product is the usual size of Starbucks cup where a white cup for hot drinks and a transparent cup for cold drinks. This tactic will be launch and develop for one year and continue to be one of Starbucks flavor for years after.

**Price:**

The price for this product is Rp 29.500, - for tall size, Rp 34.500, - for grande size and Rp 39.500, - for venti size.

**Place:**

To support Starbucks for Health Campaign, more places will be a 24 hours Starbucks retails where Starbucks will also open 10 retails per year. This will be a convenience to customers where they can decide what time they would like to drink a hot or cold Starbucks coffee. Places that will be open for 24 hours are Starbucks Kemang Village, Citywalk, Rest area in Karawaci Freeway and Summarecon Serpong. This will support some of Starbucks 24 hours store in EX and Sarinah. This tactic will start immediately and finish in 2 months.
Promotion:

To communicate the message of healthy coffee we will use:

1. Advertising
   Advertising for Starbucks will be done by advertising in magazines and newspapers. This will be conducted by one advertising per month. Another kind of advertising is by creating roll banner in retail. The message of the advertising is to communicate the benefits of drinking a cup of coffee in daily life. The banner will be displayed for the first 3 months and there will be a change in design and displayed for another 3 months and continuously for one year.

2. Sales Promotion
   Sales promotion that will be conducted is a buy one get one Starbucks Dark Coffee with toppings by using BCA Credit Card. This will be implemented for one year. Other tactic is cooperating with GNC, companies that produce vitamins for health. When customers buy Starbucks for Rp 500.000, - by combining recipients in one month start from the first recipient, they will get 10% discount when buying GNC product in any amount. This will be conducted for the first 6 months. For the next 6 months, Starbucks will cooperate with Fitness First. If Starbucks customers buy a total of Rp 100.000, - in one transaction, they will get a free trial voucher in any Fitness First. This tactic will be implemented in 6 months after cooperating with GNC tactic.