
Characteristic of Starbucks in Australia

Organizations in the advanced commercial market cannot stand to overlook the situations in which they work. To explore this huge and ever-changing scene, organizations must keep a sharp eye on outside variables which impact it. These variables include many factors like policy changes, changes in government regulation and changes in national and global macroeconomic indicators, changes in microeconomics factors, social factors all can affect an organization's success. The environmental business and its figures is a push to recognize these components and propose answers for the dangers they posture. It is important for regular resources to be overseen economically and utilized productively over all divisions of the economy. It is critical to mirror their incentive in all generation and utilization choices.

Background

The organization was established in Seattle, Washington State in 1971; today there are 15,000 Starbucks shops in 50 unique states. From all the way to Seattle (1971) to Australia (2000), Starbucks have been in the recent favorite list of the youth. In July 2000 in Sydney's CBD, Starbucks opened the ways to its first store in Australia. (Virtual Marketing, 2012) To date, Starbucks Australia has 34 cafés in Sydney, Brisbane, the Gold Coast and Melbourne. Starbucks cafés offer more than the best espresso sourced from over the globe. Amicable individuals, awesome music and an agreeable cheery gathering place make the acclaimed Starbucks Experience. Nonetheless, all through its vocation, it has likewise confronted numerous outer natural elements.

Environmental Factors Faced by a Business

Political Factors: The business associations can be affected by the political conditions from various perspectives. It could include a threat factor and a major misfortune can be prompted. Some of the factors involve: (Pest Analysis, 2015)

- Import restrictions on quality and quantity of product Tax policy (tax rates and incentives)
- Health and safety law
- Employment law
- Discrimination law
- Data protection law
- Environmental Law

Macroeconomic Factors: The factors that are related to a broader economy at a national level or a regional level are known Macroeconomic factors. Some of these factors are: (Pest Analysis, 2015)

- Economic Growth
- Inflation Interest Rates
- Local Currency Exchange Rates
- Taxation Laws

Microeconomic Factors: Microeconomic factors are based on resource availability that tend to cause impact on individuals or businesses. Some of these factors listed are:

- Customers
- Employees
- Competitors
- Investors
- Media and the general public

The newly operated company had to deal with rising labor and implementation costs during global economic recession. Customers could buy same quality coffee with cheaper prices. So, they preferred using their preferred local real espresso taste rather than sugary, burnt brand of Starbucks. (Pest Analysis, 2015). Social Factors: The social factors focuses on the general public and their habits. Based on these, they make their decisions. Some social factors are listed below: (Pest Analysis, 2015)

- Lifestyles
- Buying habits
- Educational levels
- Religions and belief
- Populated growth rate
- Immigration and emigration rates

Social Change: Long haul business arranging frequently mulls over target factors, for example, potential material costs expands, changes in the work supply and levels of rivalry. Social changes are harder to anticipate, however they can fundamentally influence your feasible arrangements. Seeing how individuals' changing needs as needs can influence your organization, will enable you to remain side by side of patterns and stay aggressive in your market.

Social Responsibility: Social responsibility has turned out to be progressively essential to organizations in the course of the most recent quite a long while. Regardless of whether it's by engaging ladies, helping nature, or endeavoring to end destitution, an ever-increasing number of organizations are fusing social obligation into their general business technique. The social issues might be related to neighborhood, national, or worldwide, however, a worry for the wellbeing and health of others that do not include deals can be viewed as admirable.

Effects of Environmental Factors on Starbucks

Starbucks made an entry in Australia when it was already enjoying the perks of Gloria Jeans and McDonalds in 2000. The chain was said to build its branches on areas which had low-traffic and demanded for prices which were higher than that of Australia's competitive restaurants and cafes. It reportedly handed over nearly all of its 84 Australian stores in the years 2013-2014 to Wither group who are responsible to run 7-11 in Australia. As known by the world, Australian's are coffee-fanatic. They have a coffee craving almost any second of the day, however Australian's did not really like the extra sweet coffee which Starbucks offered and that too, for such high prices. With a loss of \$105 million, Starbucks left the world in shock as to why it had to shut down in Australia. Like one of the reasons mentioned above, there are other reasons as

well that contributed to the failure of the company altogether in the continent of Australia.

The examples of sourcing raw materials have progressed into a critical political factor that impacts the business in a prompt way. Specifically, nowadays it has ended up being vital for Starbucks and other worldwide organizations to take an interest in the sourcing of raw materials consenting to ecological and social norms that are getting to be stricter. Government demeanor towards the business is another is another gigantic political factor impacting associations. Bureaucratic red tape likewise obstructs the development of the organization in Australia and in different states. Cost humiliation looked by Starbucks in the UK can be said to plot the impact of such a factor. Starbucks takes part in political campaigning exercises in participation practices in investment with firms, for instance, K&L Gates and Monument Policy Group to add to the improvement of political condition perfect for its business. Local integration is a trend nowadays and, the external factor that shows an open entryway for Starbucks to universally develop.

Most of the governments around the world are upgrading establishment, which makes the open entryway for Starbucks to get to more markets or suppliers. Customer purchasing power as an impression of the general financial circumstance in the nation is a standout amongst the biggest economic variables that decide Starbucks productivity. Currency exchange rate is another essential economic factor Starbucks needs to manage. In basic terms, as USD increments in esteem incomes created in outside business sectors in neighborhood economic standards purchase less USD, in this way lessening the aggregate benefits. Moreover, an expansion in the costs of raw materials, particularly, espresso beans is a standout amongst the most huge outside economic variables for the organization. The high economic development of creating nations and the declining joblessness rates make open doors for Starbucks to acquire incomes from different markets far and wide.

In the recent past, Starbucks have experienced a lot of events which proved unfavorable to the people and they refused to visit the place causing a huge loss. Many religious people also avoid going in these dining places due to trust issues. Moreover, the population growth of Australia is increasing with the passing years resulting in increasing customers. The social media is also playing a vital role in drawing, people to Starbucks and other eateries resulting in an increase in the business. Nonetheless, Starbucks has an opportunity to grow its earnings in light of extending enthusiasm for strong point coffee, which is a result of a creating coffee culture and a creating regular workers far and wide. Also, the association has the opportunity to expand its assortment of more remedial things to attract prosperity aware purchasers to Starbucks bistros. PEST investigation shows that the greater part of the external factors in Starbucks Coffee's far-flung/huge scale condition display openings Be that as it may, the organization should put it endeavors to address the recognized perils, especially the danger of substitution associated with the extended availability of home-use quality coffee machines. Then again, can't do much anyway to evade the danger of bureaucratic formality. All things considered, the PEST investigation structure demonstrates that Starbucks Coffee has a ton of room for encouraging overall advancement.

Although Starbucks put 'Financial global crisis' and 'Fear of Recession' as their primary reasons for shutting down their outlets, the records of the years says something different. Unlike other cafes like Gloria jeans which opened its outlet slowly and gradually, Starbucks rushed into this activity and opened 87 stores titling itself as the mass brand. According to some researches, Starbucks team drastically failed to understand the psychological and socio-cultural attributes of the continent it has just opened up to. Scattered in about 235 different cultures, the

people of Australia have different choices and needs. As mentioned in the social factors, the lifestyle of people is one the biggest factor that contributes to the success of the organization especially for restaurants. The attitudes and behavior of what people like and dislike is essential for a company to know in order to keep operating. This is the exact mistake which Starbucks made; they took every individuals like and dislikes that of another and even worst, offered American taste which the Australian's were not into.

In one month, the company came down to the levels of failures announcing their plan for the shutdown. Its failure not only put the overall company in a loss but also made 700 workers go through a rough patch called unemployment. According to Paul Patterson, a business marketing professor, the company made mistakes and did not look into the external challenges and factors due to which it suffered. It also failed to provide good customer service resulting in poor customer satisfaction overall. (UNSW Business Think, 2010). The reports says that it had suffered losses of at least \$143 million since its commencement of business in Australia 14 years ago. It has sold its many outlets to a multinational company 7-Eleven, a Japanese-owned American international company. According to a marketing guru, Paul Patterson, it will be extremely difficult for Starbucks to rebuild from here. "I think they're going to struggle to rebuild the brand and get people to fall in love with it," says Mr Patterson.

Reportedly, Starbucks has store in 63 countries. And as it is the most favorite coffee brand in USA, it has 11,500 store there alone. The company's growth is rapidly increasing in Canada where there are 1396 stores and in China where it is working with its 1219 stores. But it is struggling to survive with just 22 stable shops in Australia and has closed 60 shops in this process. The main cause is that Australian market has high standards in coffee industry while Starbucks started from a low level. (SBS, n.d.) Australian judge their coffees intakes by its filtered or not filtered ingredients and the blend and roasting of beans. And if these things are not up to their mark, the company is going to have a hard time to sell its product. Starbucks coffee quality had been with dark roasted beans which does not deepen the coffee's flavor, instead it destroys the substance of flavor. The Consumer Reports of March, 2007 shows that Starbucks coffees are "strong" but it is also burnt and bitter which ultimately kills the purpose of the coffee to open consumers' eyes. Similarly, in 2010 TIME criticized Starbucks for over-roasting beans.

Starbucks global marketing strategies are beneficial for running its investment in any country on economies of scale, but it ultimately neglects the local preferences. The company's vision statement says it all, in which it highlights its future vision to be a leader in world's coffee industry by following its uncompromising principles. It has achieved its vision of being a leader, because it is now the largest company in coffee industry. But the claim about its finest quality is not certain. As critics compare its products with McDonald's or Dunkin Donuts coffees and find their coffees better than Starbucks's. In the case of Australia, it had to compete with local market which were producing similar or better quality of coffees. It is all because Starbucks failed to understand local cultural values and preferences in Australia.

In its initial stage in Australian market, Starbucks opened its stores not only in populated cities like Sydney and Melbourne, but they also opened stores in less populated coastal regions of the country. Their main operational policies were similar with which they were running their stores in USA and other international markets successfully. In Australia, they tried to penetrate the local market with their standardized brand, internationally recognized flavor, premium prices and apathetic customer services. But Australians could not be impressed by all this. Customers

claimed local brands of coffees were better. Starbucks failed to understand that Australian coffee market was based on espresso coffee on 100 per cent. While USA and other markets consumed filtered or brewed coffees, Australians could not leave their unique taste of espresso base.

The following main points were the direct cause for the failure of Starbucks in Australian market: (Business Studies, n.d.) (UNSW Business Think, 2010)

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