

Welcome to IF Consulting's weekly e-mail newsletter

August 30, 2002

Our regular email tackles the topical issues that surround all marketing channels and their underlying strategies.

This newsletter is also available as a PDF on our Website (<http://www.i-f.com/E-comLinks02.htm>) if you want to download a version for your hard copy file.

Starbucks - The franchise with a caffeine-induced growth rate

There is no greater evidence of America's love affair with caffeine than the city of San Francisco, where there are more Starbucks' coffee outlets than there are publicly traded Internet companies. Figures indicate that the fastest-growing take out franchise ever is not about to slow its expansion rate.

Starbucks is very well known in some U.S. metropolitan regions, however the coffee franchise has not yet penetrated the rest of the country. Analysts estimate that the company could safely double the number of U.S. outlets without hindering growth. They have also recognized an inviting growth opportunity in international markets, particularly in Europe.

Starbucks boosts sales at existing stores by continually adding new items to sell and new venues from which to sell them. Over the last decade, Starbucks has entered into arrangements with other retailers, such as Barnes & Noble, as well as adding a variety of innovative new products.

<http://www.business2.com/articles/mag/0,1640,41189,FF.html>

IF Comment

No one can question Starbucks success - but its future performance will not be assured without some keen attention to its channel strategy. Importantly, it must be tuned to the needs of the customers it serves - and all customers are not alike.

This is particularly true regarding the article's comments about growing abroad. While Europeans enjoy their coffee, it is quite a different variety to that served in America. To succeed, Starbucks must understand the local tastes and tailor their product offerings accordingly.

In addition, Starbucks must consider how their outlets are presented and how they blend in with the local environment. In Melbourne, Australia, a Starbucks outlet has opened in one of the heartlands of coffee drinking - Lygon Street. Yet, its presentation is quite different than the surrounding traditional outlets. Will Australians feel just as comfortable sitting at a Starbucks as they do in their traditional cafes? If Starbucks gets this wrong, you might get what has been observed at a Bangkok outlet - many foreigners, but not too many locals.

McDonald's is an example of a franchise group that can get this right. For example, in Thailand McDonald's has varied their product to suit the local market and now offers "McRice". At "McCafes" in Australia, one can purchase their coffee and sit outside at a



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sidewalk table - very attuned to the local culture. By tailoring their successful franchise format to serve local customer needs, McDonald's has ensured success in a number of different environments.

Snippets

As economics and convenience converge, a small but growing number of consumers have abandoned landline telephones altogether in favor of wireless service. The total number of business and residential telephone lines in the U.S declined last year for the first time since the Depression, a trend that will set alarm bells ringing at the nation's telephone companies.

<http://www.nytimes.com/2002/08/29/technology/circuits/29PHON.html> (free registration required)

Training programs delivered by new online technologies are more cost-effective and flexible than ever. Companies adopting e-learning programs can lift employee skill levels with minimum business disruption and can cut training costs significantly.

http://www.bolweb.com/magarticle.asp?doc_id=20158&listed_months=0

It seems that the excitement surrounding third generation mobile phone services is evaporating rapidly in Europe. It has been estimated that up to one half of the licenses for fast networks sold to West European countries two years ago will never be used - at a cost of approximately US\$50 billion.

<http://www.iht.com/articles/69229.html>