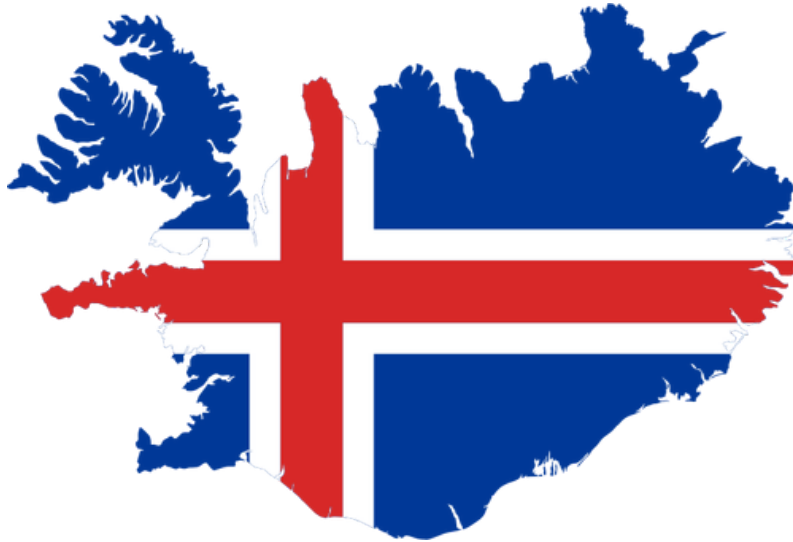


MKT-4270 International Marketing

Starbucks in Iceland

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Executive Summary

Introduction:

As coffee culture continuously evolves in Iceland, Starbucks has plans to open its first store in Reykjavik, Iceland in December 2024. Iceland is the #3 consumer of coffee in the world, regardless of their lower population. (*Icelandic coffee is the best*) With over 2,700 stores in Europe, it is a part of Starbucks' goal to expand into countries they do not yet have stores in. This new Starbucks location will offer coffee and food items that cater to the taste preferences of the citizens of Reykjavik, and introduce them to new coffee drinks that they will be sure to love. When the company first enters the Icelandic market, Starbucks will open a Roastery storefront. This will allow for the diversification of black coffee to be introduced to the Icelandic consumer,

but also for them to begin to expand their horizons to things such as oat milk lattes, cappuccinos, and more. Starbucks should also offer a subscription service to their customers for their coffee. This would allow the consumer to pay a certain monthly payment in exchange for a number of coffee cups a day.

Action Overview:

As Starbucks knows from entering other foreign markets, it is extremely important to know the culture of the country and their attitude toward coffee. Luckily, Iceland has a strong coffee culture that Starbucks can enter. The typical cup of coffee in Iceland is served with a splash of milk and some sugar and Icelanders have just recently started drinking Italian coffee beverages like cappuccinos (Þorkelsdóttir). Milk substitutes are a new but popular thing to Iceland. Starbucks plans to honor Icelandic culture by serving typical coffee with milk and sugar, but they will also slowly introduce new menu items based on inspiration from other countries near Iceland. Because Iceland is already diversifying their coffee taste buds with oat milk and cappuccinos, Starbucks will increase that by offering new and delicious menu items for them to try. Since Iceland only has about 4 to 5 hours of sunlight a day (Lucía), customers need coffee throughout the dark hours of the day to stay motivated. Starbucks plans to offer a subscription service where customers can pay 4,262 Krona (\$30) per month for five beverages per day. The corporation has a plan to open a roastery where they use strong Arabica beans to sell very strong coffee and espresso. There has been an increase in interest in coffee roasting in Iceland, according to Þorkelsdóttir, so they will also offer free classes at the roastery where customers can come and learn about the coffee roasting process. These ideas will help us build a customer base that they will connect with by serving them great coffee and treats that will leave them wanting to come back for more.

Conclusion:

In conclusion, Starbucks should enter the Reykjavik market in December of 2024. By opening a Roastery storefront, Starbucks will introduce a new world of coffee to the Icelandic community. Since most of their citizens are used to black coffee with a splash of milk, offering a roastery with many black coffee options but also other ones, such as lattes, will allow Starbucks to prosper. Also offering a subscription service to their coffee, Starbucks will dominate a market they might not have been able to if they were to enter it normally. Entering a market where the consumers are eager to learn more about coffee gives Starbucks the ability to introduce new ways of drinking it to their community. When competing with these smaller roasteries, Starbucks has the name recognition and resources available to offer this service and make a significant profit margin.

Situation Overview

Company

History:

Starbucks first opened its doors in 1971 in Seattle, Washington, US in the Pike Place Market. They began by offering teas, coffees, and spices from multiple countries for consumers to take home with them and enjoy in the comfort of their own living room. Ten years later, Howard Schultz joined the company and had been influenced by Italian cafés and wanted to bring the taste of Italy back to Seattle. By 1996, Starbucks had already developed its first store overseas and it has been dominating the world market ever since. (*About us: Starbucks Coffee Company*)

Culture:

Starbucks' mission is to inspire and nurture the human spirit- one person, one cup and one neighborhood at a time (Culture and Values). They cultivate an environment in their stores where everyone is welcome, while finding new ways to strengthen and grow the company. They also focus on sustainability with 99% of their coffee being ethically sourced. Starbucks has a plan to plant 100 million coffee trees by 2025. They focus on training their employees in hopes of developing their skills, furthering their careers, and achieving personal and professional goals. (Culture and Values)

Resources:

Starbucks has multiple partnerships with many different companies and have bought companies like La Boulange Bakery and Teavana. They partner with companies like Delta Airlines so that Delta SkyMiles members can earn a mile for every dollar they spend at Starbucks using their Starbucks Rewards app. They also recently announced a partnership with Danone yogurt, so they can sell it in their stores.

Offerings:

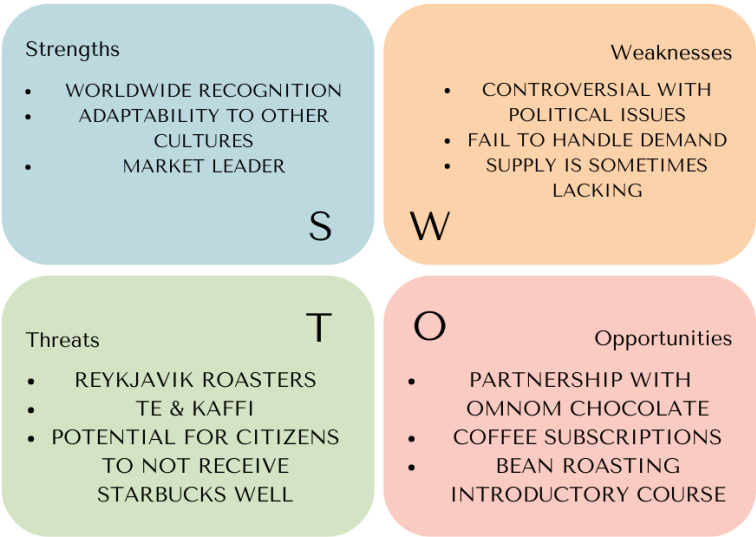
Starbucks began as a single store in Seattle that offered some of the world's finest fresh roasted coffee. (*About Us Starbucks*) After starting with just regular black coffee, Starbucks now offers many different varieties, ranging from that original black coffee to lattes, cappuccinos, macchiatos, and americanos. They also have a menu of food options now as well, such as breakfast sandwiches and yogurt parfaits. (*Products menu Starbucks*)

Ongoing Activities:

Starbucks has many activities that they participate in throughout the year. Whether that is a rewards member receiving a free drink every Tuesday to their Starbucks for Life giveaway, they are always finding new ways to engage with their customers. Currently, Starbucks is participating in Starbucks for Life. This is an online game where their rewards members can “shake a snowglobe” on their app and win things ranging from a \$5 Starbucks gift card to Starbucks free for the rest of their lives to Delta SkyLine miles. (*Starbucks for Life Is Back and more!*)

Market

Starbucks’ target market in other countries is middle to upper class workers who need to grab a quick coffee on the go. This would be the same in Iceland because they have a strong work culture with the men working an average of 47 hours per week and women working 37 hours per week (Work life balance). Because of the variety of coffee shops that Reykjavik already has where people can sit down with their friends and chat over a cup of coffee, our target audience will be people who are in need of a quick pick-me-up before they go to their next



errand or meeting. These people can be any age group from young people who need a coffee and a snack in between classes to middle age workers.

When entering a new market, there will always be threats and opportunities to do business there. With some small, well known to them, coffee shops already existing in Iceland such as Reykjavik Roasters and Te & Kaffi coffee, they already have a loyal customer base that might not be receptive to Starbucks entering the market. If consumers were to look down upon Starbucks before they even entered the market, they would be coming into Iceland already at a disadvantage. While there are some threats to them entering the market, there are also many opportunities. By partnering with Omnom Chocolate to create a specialty chocolate flavored coffee drink, they would be opening themselves up to the market that Omnom already possesses. By having a strong fan base already, this partnership could allow Starbucks to tap into a market they might not have had before. Along with this, having the coffee subscription service for the customers and the espresso bean education classes, Starbucks would be able to offer a once in a lifetime experience to their customers.

Porter's Five Forces Model:

1. Competitors
 - a. Reykjavik Roasters is centrally located in the city and was one of the first coffee shops to serve regular milk substitutes like oat and almond milk and cappuccinos (An Introduction to Iceland's Coffee Culture). .
 - b. Te & Kaffi is the largest coffee house chain in Iceland that has a loyal customer base (An Introduction to Iceland's Coffee Culture).
 2. Supplier Power
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- a. Starbucks is committed to certain social responsibility standards when searching for suppliers (C.A.F.E. Practices: Starbucks Approach to Ethically Sourcing Coffee).
 - i. Their coffee suppliers must comply with Coffee and Farmer Equity (C.A.F.E) Practices which requires the farmers to meet a set of criteria for sustainability.
 - ii. Starbucks only sources arabica coffee (C.A.F.E. Practices: Starbucks Approach to Ethically Sourcing Coffee).
 - b. Because Starbucks only buys from ethical suppliers, they have less options to choose from when finding suppliers. Recently, suppliers have more bargaining power because of shortages of coffee beans due to droughts and frosts, so they can increase their prices because of the high demand and lack of adequate supply (Greenspan). The company bases the majority of their marketing strategy on ethical and sustainable practices, so ethical suppliers have the power to charge more for their coffee because Starbucks puts such an emphasis on their sustainability goals. However, because Starbucks only buys arabica coffee, they have the option of switching between arabica coffee suppliers because they sell the same kind of coffee (Greenspan).
3. Buyer Power
- a. The Starbucks consumer has the ability to influence groups and themselves when it comes to where they want to purchase their coffee. They have the power to make or break Starbucks in the end. Due to low costs of switching between coffee shops (Greenspan), meaning that it does not take much for a consumer to be
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willing to go down the street to Reykjavik Roasters, shows that the buyer has a lot of influence on the everyday operations of Starbucks.

4. Substitutes

- a. When looking at the potential substitutions of Starbucks Corporation, there seems to be a great threat to the substitution market. There is an excessive amount of substitutes available to the consumer (Greenspan), so it is easy for someone to be willing to purchase their coffee and breakfast item from a shop down the street. Also, there is a small cost of switching between these items (Greenspan), so the threat becomes even greater. Knowing that it does not cost much for the individual to walk to another shop shows Starbucks Corporation that the threat of substitute products is greater than one might believe it to be.

5. New Entrants

- a. Being a new entrant into the Icelandic market, Starbucks would have a pretty great business cost for their entry. With many local coffee shops in Reykjavik, Starbucks would have to put up a lot of money in order to even be considered a competitor to these well known shops. Their business cost is lower than that of Starbucks (Greenspan), so coming into the market, Starbucks would have to be willing to venture out and distribute some money.

Goals

FOCUS

Starbucks' goal for this store in Reykjavik, Iceland is to break into this market by December 2024. Doing so during one of the coldest months of the year for these citizens will

allow them to flock to Starbucks for their afternoon hot coffee. This new store will offer partnerships with Omnom Chocolate, a coffee subscription for their consumers, and espresso bean education classes. As a corporation, the expectation for this new storefront will be to put us ahead of the competition that surrounds us in the town of Reykjavik.

Collaborator Objectives

Starbucks in Iceland will partner with Omnom Chocolate to create a specialty chocolate flavored coffee drink. They will also sell their chocolates in our store in the food section. Also, for a limited time, with every purchase at Omnom Chocolates, customers will receive a “golden ticket” for a free drink at Starbucks to promote the new drink and our partnership. Omnom Chocolates is an already well known store, so to have a partnership with them will help attract more customers. As a corporation, they chose Omnom because they use sustainable practices and they have a “bean-to-bar” system with only the necessary ingredients for taste.

Competitor Objectives

Starbucks hopes to gain a competitive advantage over the small coffee shops in the area by bringing in new flavors and ideas. By showcasing things that these customers are not used to, Starbucks will be able to expand the taste buds of their audience and engage with their customer base as to what they are looking for in their coffee shops.

Company Objectives

Our Starbucks store will offer a coffee subscription service to the Icelandic citizens. This is a great opportunity for advancement in this market because, as mentioned above, Iceland does not get a lot of sunlight, so they need a great amount of caffeine to stay awake during the dark hours of the day. Starbucks will offer this subscription service for 4,262 Krona (or USD\$30) per

month for five beverages per day.

Context/Climate Objectives

Because Iceland is a very cold country, Starbucks will only sell hot beverages. To go along with this, the store in Reykjavik will open in December, one of the coldest months of the year, to attract customers to Starbucks to grab a hot beverage to warm them up. The store will sell typical Icelandic snacks to give customers the ability to grab a food item with their coffee on the go.

Customer Objectives

Starbucks always has a goal to provide delicious coffee and food items to happy, satisfied customers. The corporation hopes to create a network of people in Reykjavik who love the coffee and tell their friends about it. As a foreign business, Starbucks has a goal of fostering a good relationship with the people of Reykjavik and Iceland as a whole and that starts with serving great coffee.

Benchmarks

Starbucks has specific goals that need to be met in order to consider the expansion into Reykjavik successful. These benchmark goals are assessed quarterly.

Increase total company revenue by 3%: Opening the store in Reykjavik will increase the total company revenue by 3% by selling our products efficiently.

Increase global market presence: The store in Reykjavik is the first store in the Nordic area, increasing Starbucks' global market presence. After this store succeeds, there will be plans to open more stores in Iceland and other Nordic countries.

Increase brand awareness: Because Starbucks has not yet penetrated the market in Iceland, there will be many first time customers coming to the store in Reykjavik.

Strategy

Target Market

Customers

Starbucks is the largest coffeehouse brand in the world and has had great success in expanding their stores into a plethora of different countries. The expansion to Iceland is the next step in bringing great coffee to all different parts of the world. The target market in Iceland is a little different than in the United States or other countries because the Icelandic culture is unique, so they must target the correct groups of people. Icelanders are very busy people and consume an extreme amount of coffee per day, so they need a coffee house that will focus on getting them their coffee in a quick, efficient way, but without lacking taste or quality. The target market in Reykjavik is people ages 14-65 who have a busy lifestyle and need coffee throughout their day to keep them motivated.

Competitors

In downtown Reykjavik, there are many small, locally owned coffee shops. Our main competitors are Reykjavik Roasters and Te & Kaffi. They are important competitors



because they both roast their beans in house. However, Starbucks is a world renowned roastery that has the credibility of 6 successful roasteries all over the world. Other coffee shops are Café Babalú, Kaffi Grandi, Mokka Kaffi, and Kaktus Espessobar. These all offer a cozy atmosphere to enjoy your coffee in.

Collaborators

Starbucks' main collaborator in Iceland will be Omnom Chocolates. They are already an established brand in Reykjavik that people love, so they can help influence the citizens of Reykjavik to try Starbucks coffee. They believe in the same sustainable and ethical business practices that Starbucks does, which makes the two companies a great match.

- **Value Proposition**

Customers

Because of Starbucks' ability to combine flavors from stores all over the world into the new store in Iceland, they will be able to create value to our customers by introducing them to new tastes while serving the delicious coffee drinks that Icelanders are used to.

Collaborators

With the partnership with Omnom Chocolates, Starbucks is going to be selling their chocolates in store. This gives Omnom the opportunity to sell more of their products because they are being sold in a new location. It also gives them more

promotion because Starbucks will be posting about their partnership in advertisements.

Company Stakeholders

With every new store that Starbucks opens, it increases value for its company stakeholders. The new store in Reykjavik is no different. The new store will bring in more profits making the company more valuable. This can be the first step of Starbucks successfully expanding into the Nordic states.

Tactics

Market Offering

Product

The Starbucks store in the capital of Iceland will offer every type of coffee, ranging from black coffee to lattes, cappuccinos, and macchiatos. We will also be offering a partnership with Omnom Chocolate to produce some specialty made chocolate flavored drinks, to bring in their

local market and new consumers. In Omnom's personal storefront, for a limited time, we will be offering a "Golden Ticket" promotion where the finder can get a free drink of their choice at our Starbucks location. Besides this partnership, we will also offer the previously mentioned coffee subscription service and the espresso bean education classes.



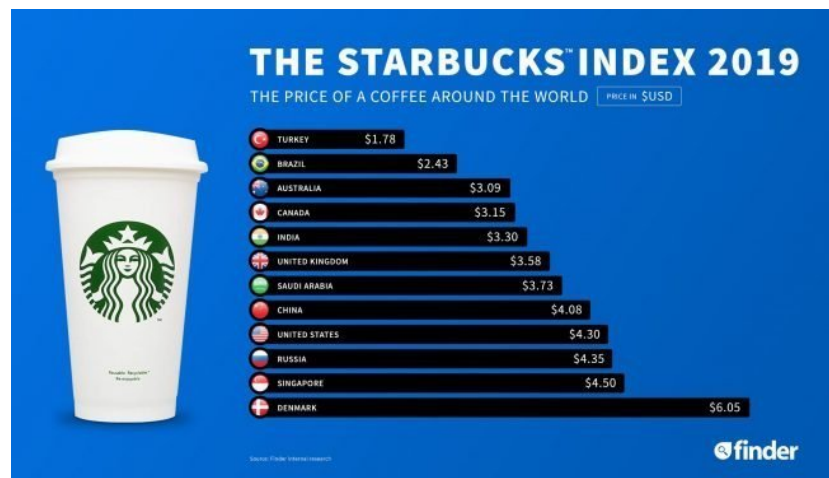
Brand

Starbucks as a brand is very focused on sustainability and serving some of the best coffee one could have. By entering a market that is one of the biggest coffee consumers, Starbucks will be able to focus on serving great coffee through these customers. As there are many other local coffee shops in Iceland, there will be somewhat of a tunnel vision on producing great coffee, because the opportunity cost of choosing another establishment for their mid-day pickup is high.

Price

Starting with black coffee by itself, it will be priced at USD \$4 or 41.33 Krona. Once we start getting into the fancier

drinks like lattes, customers will see them starting to get more expensive. A Venti Caramel Latte will run about 82.65 Krona or USD \$8. Iceland is an expensive country, so it will cost a lot



of money to operate there, thus making Starbucks prices a little more than they would in other countries. Menu items such as a sausage breakfast sandwich will be 61.98 Krona or USD \$6 whereas traditional Icelandic snacks will be a little cheaper, at 30.99 Krona or USD \$3.

Incentives

The incentives for this store include: coffee subscription service, the “Golden Ticket” promotion, and the coffee bean education program. This allows the consumers to learn more about what Starbucks offers, since they are not used to a big name coffee shop in their area.

Communication

Starbucks will make Facebook, Twitter, Instagram, and TikTok accounts to try and grow the awareness of their incoming arrival. By growing these platforms before they enter the market, they will be increasing the anticipation of this new storefront. Starbucks will also advertise in the local Reykjavik newspapers.

Distribution

This storefront is expected to be completed by December 2024. With its focus primarily on bringing new types of coffee to the Icelandic consumers, they will focus greatly on the art of making these exquisite coffees and making a personal connection. Starbucks is planning to get new shipments of supplies once a week from their corporate headquarters, thus enabling them to distribute mugs, syrups, coffee beans, and new specialty drinks quickly.

Implementation

Development

Starbucks will use their current headquarters as the stepping stone for this new storefront. They will need to find a specific location in the capital city where they think the customers and staff would benefit the most, then purchase this space. After purchasing, they will need to pay employees, stock the shelves, and plan for a brief training period. They will also need to have

coffee bean experts, as they are the ones who will be teaching the classes on what exactly everything is. In order to accurately supply this store, Starbucks Reykjavik will need to make sure they are on the same page with corporate, but also make sure they are appealing to the Icelandic market. Starbucks employees will hopefully be very knowledgeable about the coffee drinks that they are producing, and will be able to answer any questions that the customer might have.

Deployment

The goal of this store is to open by December 2024, when consumers are craving hot coffee. They will start their advertising campaigns months before this, probably around September or October, just to get the customer excited about what is to come in their city. By starting with ads in the local newspapers and social media accounts, they will be giving a taste as to what is to come when Starbucks finally opens their doors in December.

Control

Performance

Throughout their time in Iceland, Starbucks will be using their revenue growth and operating income to truly understand if they are being successful in the area or not. Through both of these channels, Starbucks will be able to understand if the customers are actually coming back to them to purchase these specialty drinks, or if they are choosing the store down the road. Starbucks will evaluate these frequently and see if there are changes that will be needed in the future to the store, whether that be increasing our supply or shutting our doors for good.

Environment

Store owners and managers will be constantly monitoring the environment around the Starbucks storefront. By doing so, they will be ready if there is anything to come both politically or socially. They will keep up with the trends of the Icelandic people to make sure that Starbucks is still something that they seem interested in and make sure to cater to the wants and needs of every individual that walks through the doors at Starbucks. By using customer feedback, they will be able to decipher exactly what people are looking for, and figure out if changes are needed.

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