

KEY SUCCESS FACTORS OF STARBUCKS COFFEE IN SOUTH KOREA



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ปัจจัยในการนำไปสู่ความสำเร็จของร้านกาแฟสตาร์บัคในสาธารณรัฐเกาหลีใต้



วิทยานิพนธ์นี้เป็นส่วนหนึ่งของการศึกษาตามหลักสูตรปริญญาศิลปศาสตรมหาบัณฑิต
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ฉันทิต สว่างเนตร : ปัจจัยในการนำไปสู่ความสำเร็จของร้านกาแฟสตาร์บัคในสาธารณรัฐ
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KOREA) อ.ที่ปรึกษาหลัก : รศ. ดร.พุทธกาล รัชชระ

อุตสาหกรรมอาหารและเครื่องดื่ม ถือเป็นอุตสาหกรรมที่มีความสำคัญต่อระบบเศรษฐกิจ
ของเกาหลีใต้ ไม่ว่าจะเปลี่ยนแปลงไปก็ยุคก็สมัย วัฒนธรรมการดื่มกาแฟก็ยังคงเป็น 1 ใน 3 ของ
เครื่องดื่มที่มีคนดื่มมากที่สุดในโลก นอกจาก น้ำเปล่า และชา อีกทั้งเมล็ดกาแฟยังเป็นพืชเศรษฐกิจ
ของหลายประเทศทั่วโลก ทว่าในปัจจุบันธุรกิจกาแฟในเกาหลีใต้มีการแข่งขันสูงและรุนแรงเป็น
อย่างมาก เป็นสงครามกาแฟระหว่างกาแฟยี่ห้อจากต่างประเทศ และยี่ห้อของในประเทศ การเข้า
มาของกาแฟสตาร์บัคในเกาหลีใต้ได้สร้างแรงขับเคลื่อนให้กับตลาดเครื่องดื่มกาแฟของเกาหลีใต้
อย่างมหาศาล ร้านกาแฟขนาดเล็ก และขนาดกลาง ได้มีการปรับตัวและพัฒนาทำให้การดื่มกาแฟ
ไม่ใช่เพียงเพื่อเพิ่มความสดชื่นเท่านั้น แต่ได้กลายเป็นส่วนหนึ่งของชีวิตประจำวันของคนเกาหลี
ใต้ การศึกษารุ่นนี้ ได้ใช้ การสังเกต และสัมภาษณ์เชิงลึก กับพนักงานและลูกค้าที่มาใช้บริการที่
ร้านสตาร์บัค โดยแบ่งออกเป็น 3 กลุ่ม กลุ่มนักศึกษามหาวิทยาลัย กลุ่มคนทำงาน และกลุ่ม
นักท่องเที่ยว เพื่อค้นหากลยุทธ์และกลวิธี และปัจจัยในการนำไปสู่ความสำเร็จของกาแฟสตาร์บัค
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ปัจจัยในความสำเร็จของสตาร์บัคในเกาหลีใต้

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Food and beverage is one of the industries that have been contributing economic growth toward South Korea economy for a decades; however, coffee market due to a relatively high competition and fierceness, coffee war, between international brands and local brands. This paper is trying to find the key success factors of Starbucks through various dimensions in South Korea market. This study is in order to find competitive advantages of Starbucks internationally and domestically. Observation is also held to find an insight data. The outcome shows that Korean coffee market has strength in it character conditions. The coffee quality and coffee experience with Americanization, third place, reward and class, and familiarity are key success factor of Starbucks in South Korea.



Field of Study: Korean Studies

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CHAPTER I

INTRODUCTION

1.1 Background

Food and service industry has been view as a trend affecting all areas of lifestyle. In the study of food industry, there are intense discussion emphasizing on identifying and implementing the best strategy in order to sustain and survive in the place of ever increasing competition and difficult to pleased buyer's requirement.

Coffee is the most internationally trade goods and also mostly consumed in the world. In a good way, caffeine is one of the world's most famous medicines (Weinberg Bennett Alan and Bonnie K. Bealer, 2001). Coffee's status has owed its title that has been viewed as both pernicious and virtuous as to its pharmacological effects. In the US, coffee has become a part of the workplace, not only just for a breakfast drink as before, especially for white-collar type workers, when they need to break from their labor and socialize with their colleagues. More commonly, the strong dark beverage became embedded in popular speech: "Let's go for coffee" simply mean to have a conversation together (Gaudio Rudolf P., 2003).

Coffee is a holy creature from the history trade of spices. Since the late 1400s, coffee beans spread widely from Africa and go to Latin America, East Asia Arabia, and come back to East Asia to Africa. These days, coffee is grown almost on

every continent but not Antarctica or North Pole and South Pole. (Topik Steven, 2009). The consumption of coffee has also spread widely across the globe from Africa go to the Europe, North America, Latin America, and Middle East. Since the middle of 20th century, coffee consumption in in Asia increase substantially especially Korea, Japan, and the Philippines. There are at least nine different species that are classified as coffee, however, the first and still most wildy used bean is Arabica (the bean first discovered natively in Ethiopia and was a holy sacrament that used by group of indigenous human to give an honor to the god). In the sense, coffee was not only a commodity, nor a crop. It was a nature's bounty discovered and enjoyed by human and other animals.

At the beginning, specialty coffee beans are sold mostly by some small companies and café, and enjoyed by small group of coffee connoisseur. Until Starbucks has spanned its operation into North America that people became more willing to pay for higher price for a better coffee, and preferred to drink it at home or in the workplace.

Starbucks Company' profile

The spiritual grandfather of Starbucks is named Peet. Alfred Peet is Dutch man who introduced new roasted coffee to the American. The high quality coffee beans known as Arabica, grow under harsh weather conditions like intense heat, high

altitudes, or long dry period, are bought from different growing region at premium prices. Starbucks has used only Arabica beans in their product. This policy eventually gives Starbucks the competitive image of being uncompromised on quality.

The company history dated back in 1971 at Pike Place Market, Seattle, Washington when Gordon Bowker, Jerry Baldwin, and Zev Siegl opened a store to sell roasted whole bean coffee. They called Pequod, which named Moby-Dick, a whaling ship in Herman Melville's American classic. Not lucky, the name was a peculiar one, and then they changed the name to Starbuck, a chief mate of the Pequod. Altogether, Starbucks' logo was the picture of a twin-tailed mermaid. After 11 years of strong passion, Starbucks grew into five retailing stores, small roasting factory, and a wholesale business supplying to restaurants. In 1982, Howard Schultz, a young businessman from New York who had strong senses of interest in specialty coffee business, joined the Starbucks at a director position of retail operations and marketing. He is in charge of providing coffee to espresso bars and fine dining restaurants (Koehn, 2002). On a trip to Milan, Schultz was impressed and had discovered a tremendous potential for Starbucks when he saw the espresso bars where baristas prepared a cup of coffee from high quality Arabica beans. In 1984, the first Starbucks café's latte is served. This cup does not only come with the distinct characters of the coffee, but also the senses of communal of harmony. However, Schultz quit Starbucks in 1985. He raised money to launch his own coffee bar

business in 1986 selling espresso and brewed coffee beverages that made from Starbucks coffee beans as well as freshly made sandwiches and salads (Olsen, 1994).

In 1987, Schultz expanded his business by acquiring Starbucks's asset and came up with the new name as Starbucks Corporation. The espresso bar spreads very quickly. In 1994, Starbucks opened 145 stores with skyrocketed number of customers stepping through its doors. Starbucks uses joint venture and licensing agreement to take advantages of synergies power as well as to bring the company's name to places where they do not need to set up its own outlet. Starbucks made an agreement with Pepsi Co. to distribute its coffee-related product through Pepsi's mass logistic distribution network, thus, allowing Starbucks to advertise its own logo to a mass public. As much as the brand and public awareness increased, Starbucks could expect to attract a larger number of customers stepping through its retail stores.

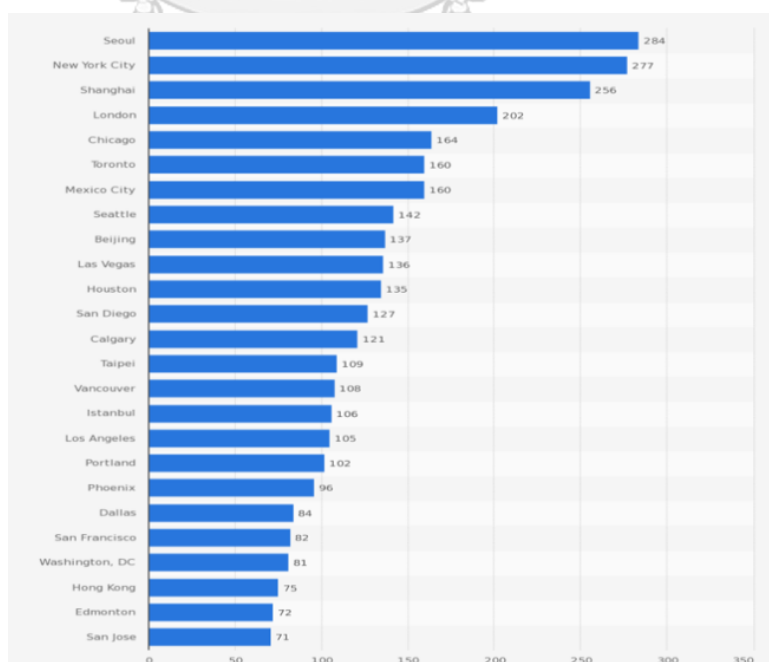
In 1995, Starbucks began serving Frappuccino and it was estimated that more than 3 million people visited the store each week. A year later, Starbucks sell bottled Frappuccino through its North American coffee partnership, and started opening the store outside North America, mainly in Asia Pacific region. Japan is a strategic country; the first shop in Japan was opened in 1996 in Tokyo's Ginza shopping district. Since then, Starbucks has opened more than 260 shops across the country. Within six months and become the landmark of the new coffee culture attracting millions number of customer around the globe every day.

Today Starbucks becomes one of the most admired and respected companies in the world. As of, the company reported over \$22 billion in revenue in 2017 with an enduring global business that today delivers the “Starbucks Experience” greater than 90 million times a week with over 28,500 stores in more than 76 countries (Starbucks Corporation, 2017).

Starbucks and South Korea

In 1999, Starbucks open its first store in Sinchon near the prestigious Ewha Woman University, Seoul. Starbucks introduced Korean to a new experience as a place for staying alone reading a book, doing homework, or meeting with friends.

Figure 1: Starbucks stores worldwide as of year 2014



Source: (The Statistics Portal, 2019)

About 15 years later, statistic shows that as of 2014, Seoul with 284 stores (larger than New York City) was city with the number of Starbucks in the world. (The Statistics Portal, 2019)

Starbucks Korea Model

Introducing Starbucks to South Korea market, some adaptations need to apply. Hangeul, the Korean alphabet, is used in the Starbucks sign about the Starbucks shop in Insa-Dong where the traditional art district of Seoul. This is how Starbucks listen to local and get along with local.

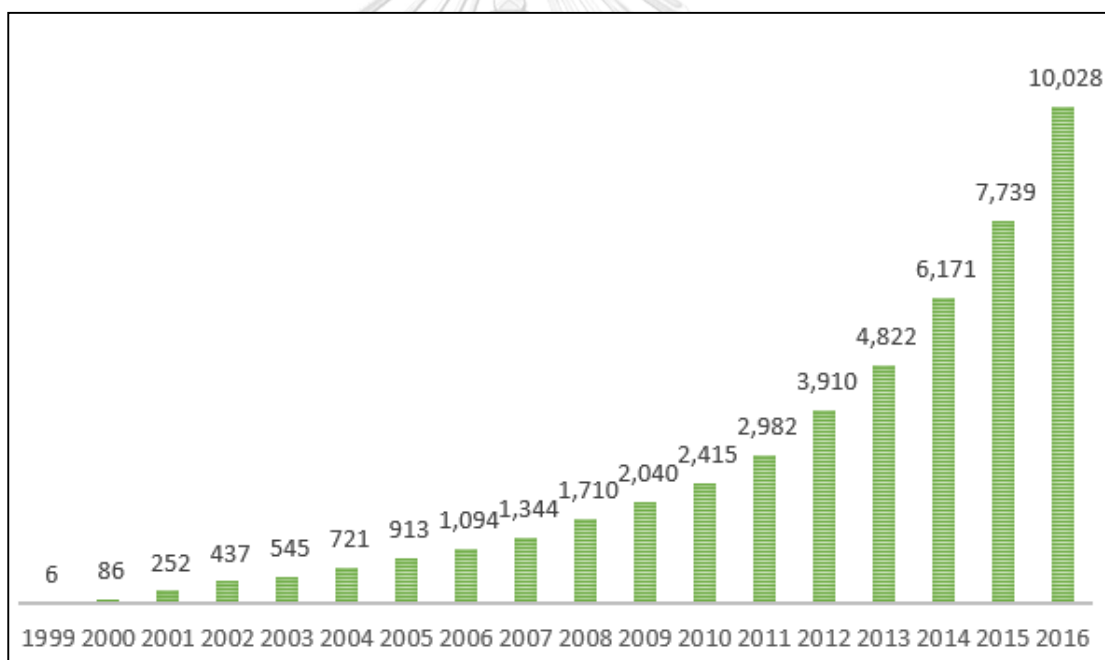
Starbucks coffee Korea Co., Ltd. is a 50/50 joint venture of Starbucks Coffee International Inc. and Shinsegae Group. From the record, as of the year 2015, Shinsegae Group is a retail company group has 33 subsidiaries and with the total asset amount of KRW 29 trillion and has sales recorded of KRW 20 trillion., Shinsegae Group has been leading the new trends in Korean retail in South Korea with the first discount retailer, first department store and also the first premium outlet. Shinsegae Group has two major businesses; there are Shinsegae department store and E-mart. Shinsegae department store operates 11 stores in South Korea. E-mart operates 157 stores in South Kora, and 10 stores outside South Korea; China, Vietnam and Mongolia (Keegan W.J., 2002)Starbucks 2018). Since then, Starbucks Coffee Korea, today has over 1,140 stores in 75 cities across South Korea. Approximately, meaning

one Starbucks shop for almost every 50,000 Koreans (as of November 2018, South Korea's population is 51.2 million, based on the latest United Nations estimates).

Starbucks Korea' performance

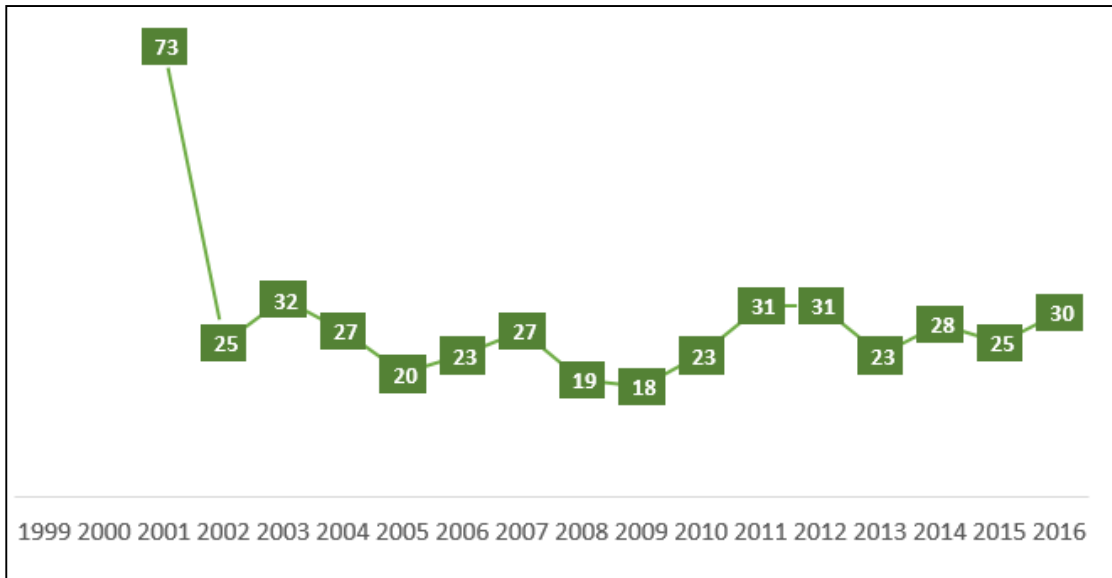
Since the first opened in 1999 to 2016, Starbucks Korea performance seems extraordinary and successful.

Figure 2: Starbucks Korea Revenue (million won)



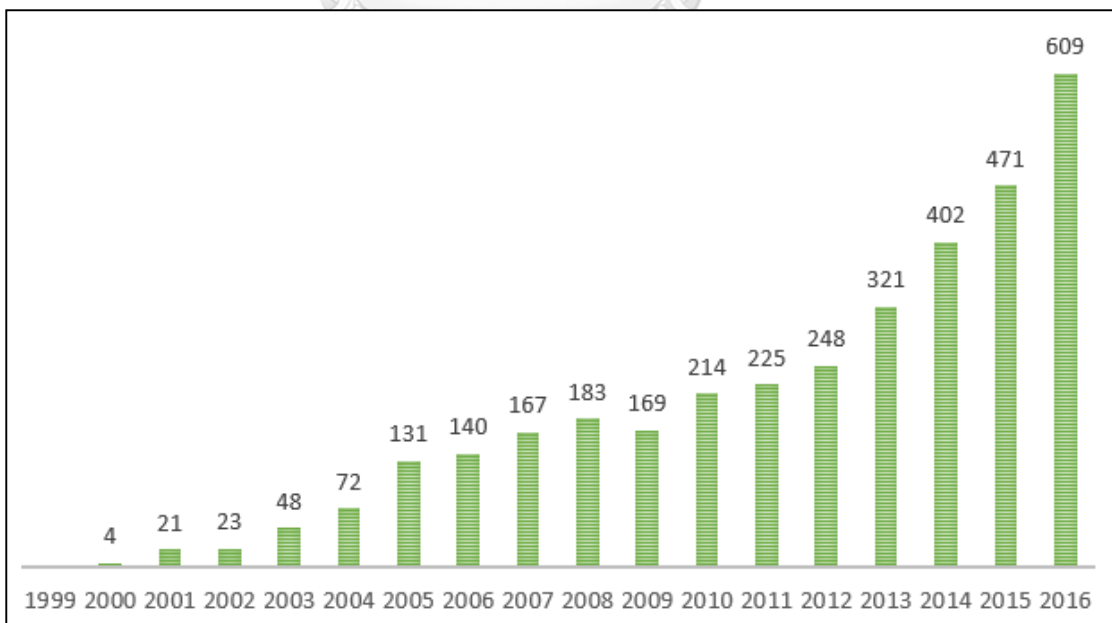
Source: (happist, 2017)

Figure 3: Starbucks Korea Growth Rate (%)



Source: (happist, 2017)

Figure 4: Starbucks Korea Operating Profit (million won)



Source: (happist, 2017)

Figure 5: Starbucks Korea Operating Profit Rate (%)



Source: (happist, 2017)

The graph shows the sales revenue goes up continuously. Even though, sales growth sharpen drop in 2002. However, the growth rate turnout steady from then to 2016. Saying that, the Starbucks Korea' business is stable over the last 10 years. In 2016, the operating profit raise up to 60.9 billion won. On the other hand, the profit margin gradually dropped to 6.1 % from the peaked in 2005 at 14.4%. The profit falls due to a coffee war with extreme competition.

As of Starbucks that currently operates in 75 countries, there are only five countries that its company annual sales more than 1 trillion won including U.S., China, Japan, Canada, and South Korea. The sale of surpass 1 trillion won have a very

big meaning that consider to the population and the size of domestic economy. This indicates that the business has been extremely successful.

1.2 Purpose of Study

With coffee as an officially the Western's favorite drink, how the coffee goes across the ocean to another part of the globe, the areas where have not originally been associated with a dark black bitter drink. South Korea is one of the countries which is a coffee revolution (Daniel Gray, 2015). About 50% of Korean populations live in Seoul and the surrounding area nearby. Seoul is the third world largest metropolitan after Tokyo and Delhi. So thus, entrepreneurs and investors have the significant potential view for new coffee market and the projection rate of expansion in the coffee industry has been growing every years. Starbucks Corporation is a very successful business in food and beverage industry. On the other hand, not much research had been done on cases involving the strategic competitiveness; the topic about products, branding, and the global expansion are more focused.

Therefore, the main purpose of this study was to analyze and to study the competitive advantage strategy on Starbucks Coffee Korea. This will be beneficial in analyzing and evaluating the factor that caused Starbucks's success in South Korea.

1.3 Research Question

This paper will emphasize on identifying the competitiveness how Starbucks become the most popular coffee house in South Korea. Is Starbucks really success in South Korea? The study concentrated on consumer behavior and perception in South Korea market through the Starbucks performance and growth success.

1.4 Scope of Study



Back to the early of the 20th century when Korea was still originally a tea-culture, Korea became more exposed to Western culture in the late of Joseon Dynasty and Korean Empire. According to Hoyoung Lee, a food historian of Sookmyung University, a number of popularity of coffee comes along from a multiple influences. One of the main influences was from Emperor Sunjong, who was the second and last emperor of Korea (1907-1910).

Since then, dabang (origin of tea ceremony, was established to emerge inspired by the Indian movie. In Korea, Dado culture was institutionalized at the national level and wad developed as compared to other oriental cultures in China and Japan. According to the literature, Daejeon Won was the place where tea was drunk in the Unified Silla period. The term “tea room” was established in the Goryeo period) has been replaced.

For the first time when Western come to Korea, they are also often brought back by the country's habit of drinking coffee, due to the pre-perception that Koreans prefer tea, like their other Asian countries. But in reality, however, coffee consumption in South Korea is reported higher than that in the U.S. or South America.

Based on Starbucks data, Korea positioning No. 4 of world ranks for most Starbucks store per population' income, and is the city with the most Starbucks branches, with more than 284 locations serving its signature one cup. Considering the ratio between consumption of coffee and total population, Korea wins the first prize. This leads one to wonder and question: Why are there so many Koreans favored for this non-traditional drink?

1.5 Research Significance

For more than four decades, Starbucks had earned history of being a good place to work, premium sourcing and roasting high-quality coffee beans, and also creating drinks for more than millions customers who went to Starbucks for coffee and for a sense of cozy community. This paper examines how social value, status, and space practice in time to time Korean life style are structured in the term of when, how, why, and people who choose and enjoy interact socially. The analysis is focus on the Starbucks Coffee in Korea from dabang, the origin of tea ceremony, to Starbucks experiences.

1.6 Research Objective

1. To study about the reasons those make Starbucks Korea successful.
2. To collaborate and provide some suggestion of competitiveness to develop the coffee market in South Korea.
3. Coffee businesses can use this research to be a guide to develop business plan on company strategy, marketing plan, and etc.

1.7 Scope of Population

Table 1: Starbucks' staff from 3 different locations; university, CBD, and shopping center during April 15 – June 30, 2018.

LOCATION	STORES	STAFFS
UNIVERSITY	6	12
CBD	8	24
SHOPPING CENTER	6	12
	20	40

Table 2: Starbucks' customers from 3 different locations; university, CBD, and shopping center during April 15 – June 30, 2018.

LOCATION	STORES	STAFFS
UNIVERSITY	6	12
CBD	8	24
SHOPPING CENTER	6	12
	20	40

1.8 Research Methodology

This research is qualitative approach using in-depth interview. After gathering the information about sample group, the number of people from sample group is limited. However, the interview is including staffs and customers who work and come to Starbucks at different locations.

1.9 Organization of the study

This paper consists of five chapters organized as following:

1. The first chapter is introduction covered the background, research questions, and research objectives, scope of the study, research significance, analytical framework and study organization.

2. The second chapter is review of the scholarly literature reviews.
3. The third chapter is empirical analysis of the variable factors.
4. The fourth chapter is about data analysis and result.
5. The last chapter is conclusion and suggestion.



CHAPTER II

LITERATURE REVIEW

The related data and theory has been studies from textbooks, journals, and research documents in order to determine the purpose and area of research study. The content includes Starbucks character, modern Korea, Korean with class, need of third place, and related literature.

Starbucks has the ability to “convert” Americans to a new coffee drinking culture. The way Americans drink, their coffee habits and preferences have been changed. According to Howard Schultz, Starbucks store are not only a coffee, but a coffee experience which convey the art of espresso making. It is a place to imagine and think that provide a touch of community to a third place and reward them for coming with a design that could serve fast service and quite moment.

In South Korea, there are no lacks of café or coffee shops. Nowadays, it is very common to find cafes on the street or at every single corner and even in the smallest nooks that cannot imagine. Also, if one who is in need of caffeine, there are plenty of coffee machines to serve dispensing instant coffee. South Korea is marked the 11th world largest coffee market. Although a brand new coffee shop has seen a booming in throughout the country. Far beyond from a cup of coffees, Starbucks experience is about a moment of the conversation with a friend, a time of solitude

after work at the end of the day, or a quick stop on the way to see movies. In the tradition of the coffee house, there is also the chance to immerse and relax in eclectic and enduring music while sipping favorite coffee (Starbucks Coffee Company).

2.1 South Korean's coffee at war

South Korea's once growing and flourishing franchised coffee shop market has reached a saturation point in 2015 following by a decline. On that year, a major Korea coffee franchised chains have seen their sale revenue falling in the face of strong competition from cheap to-go coffee with economic slowdown. Lee Khung-hee of Korea Business Strategy Institute described the situation as "a coffee war" (Lee Joyce and Kim Hooyeon, 2016).

Analyzing Starbucks with Porter's five forces model (Porter M.E., 1985), these five forces have impacts and varying intensities toward Starbucks' position,

Figure 6: Starbucks with five forces



Starbucks Coffee has a challenges viewing from the perspective of these five forces. According to these five forces analysis, the bargaining power of suppliers presents that is the least concern for the company. The Threat of new entrants or new entry is about moderate. However, Starbucks have to ensure effective measures to manipulate degree of rivalry, the bargaining power of customers, and the threat of substitution to remain competitive.

The Korea Franchise Association reported that the number of franchisees business in South Korea is 87,540 stores as of the year end of 2017, from a list of 118 franchise brands that registered. Likewise, 11,198 stores were coffee and beverage, representing as the third largest sector of the South Korean franchise market behind the convenience stores and fries chicken restaurants (Stockdill Robert, 2018).

Capitalizing on the growing population of coffee drinkers, local brand coffee businesses have sprung up. Korea is Asia's fourth-largest economy over the past ten years, but their growth performance has gone down in the rivalry of local market.

Coffee Bean & Tea Leaf is an American coffee chain owned by Seoul-based Mirae Asset Private Equity Fund, has shown 138.9 billion won (US\$ 121.3 million) in sale for the year 2015. The sales went down 5.1% from previous year. The operating profit has gone down 68.5% to 3.9 million won. During that period, the number of shops has increased to 234.

Paul Bassett is a specialty coffee chain operated by Maeil Dairies Co. in 2009. The sale posted 48.4 billion won (US\$42.3 million), unfortunately, the net profit gone to show a loss of 180 million won as a result of rising its marketing costs and aggressive to expand more stores (Paul Bassett, 2018).

The local coffee chains have been cutting their store networks and staff member to remain competitive (Korea Bizwire, 2017)

Café Bene, sale sank down 14.9% to 121 billion won. The expanding operating loss almost four times to 11.4 billion won cause of the slumping in other franchise subsidiaries, and applied for court protection from bankruptcy (Caffe Bene, 2019).

Ediya is a low-end coffee shop with the largest number of outlets. There are 1,500 shops nationwide; sale went up to 135.5 billion won, a 16.5% increasing from previous year (Ediya Coffee, 2018).

Cafée Droptop, a seven-year-old chain, which has 240 stores, down size by cutting its employee count by about one fifth (Cafe Droptop).

But Starbucks, giant US coffee chain, sales rose 25.4% to 773.9 billion won (US\$ 675.7 million) at edge of high-end market specialty in coffee service and pastry items.

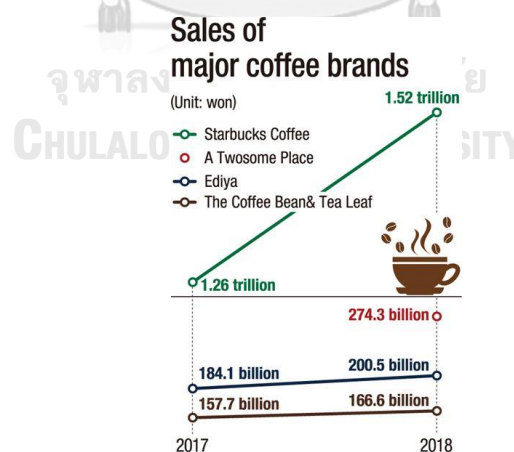
South Korea is becoming more familiar for high-frequency small-amount shopping. The convenience stores serve everything from lunch boxes to self-serve coffee. South Korea coffee franchise are being hit by major convenience stores that have been aggressively developing takeaway coffee services at price as low as 1000 won (US 90 cents) and expanding in-store coffee service nationwide. GS 25, a retail unit of GS Group, has installed premium Swiss-made espresso machines at about 1,000 stores, called “Cafée 25” (GS 25, 2019).

7-Eleven which is operated by Lotte’s affiliate Korea Seven has launched “Seven Cafée” at about 1,000 shops across the nation. CU by BGF Retail also debuted ‘Get’ coffee, charging 1200 won for their coffee it’s called “premium Coffee”.

However, it is a good year for Starbucks Korea. Its sale is expecting to exceed a record of 1 trillion won (US\$895 million) and mark it for the very first time as the US coffee chain’s popular booms. Starbucks remains the undisputed the first in Korea’s coffee industry and was the first such chain in the country to surpass 1 trillion won in sale. It has more than 1150 stores nationwide (Korea Bizwire, 2016).

These cannot say to some countries. In Australia, a country that Starbucks been launched their business at almost the same time with South Korea. After the first step in to the business date back in year 2000, the company opened nearly 100 stores across the country. In 2014, after losing to complete with local brand coffee shop, the company was acquired with 24 stores remaining on the east coast by the Withers Group, 7-eleven owner. In Italy is even more challenge. Italy has been maned as a house of espresso, the culture of drinking coffee in Italy is deepening in the vein of the society. With a price of espresso that cheap as one euro and there are plenty of private own café around the country, so thus, the oversea coffee house brand had a though to open its business.

Figure 7: Sale of major coffee brands



Source: (Kwak Yeon-soo, 2019)

According to audit reports released by the financial Supervisory service, the sales increase 20.5 percent to 1.52 trillion won in year of 2018 from previous year. The operating profit jumped 24.9 percent to 142 billion won. Starbucks keep continues to focus on its cold beverages include distinguish cold foam and cold brew which customers have been fascinating and craving for a fancy iced drinks more than the hot coffee ones. The coffee chain has also introduced new concepts such as its luxury Reserve store, unique Teavana and morning box to accelerate growth in South Korea. Other major coffee brands in South Korea did well in annual sales, but fell short behind Starbucks.

Starbucks' Marketing Mix

As known as the leading chain of coffeehouse in the world, Starbucks Coffee Company's marketing mix shows the importance of this marketing instrument as a way to support the company's industry position. The marketing mix indicates the key elements of the company's marketing plan. So thus, Starbucks uses its marketing mix as a tool to develop company awareness of popularity and brand image. Starbucks is the strongest brand in the beverage industry shows an effective of the marketing mix that creates and supports business growth and brand development. Therefore, Starbucks is always updates its marketing mix from time to time and to emphasize the need for the business which evolving its various aspects to keep and maintain the competitiveness of the company.

Starbucks Coffee's: Products, Starbucks always come up and continues to integrate the product mix to earn more shares in the market. At these days, coffee, tea, smoothies, Frappuccino beverages, pastries, and merchandise (mugs, instant coffee, stickers, and etc.) are the main categories of Starbucks products. This product mix is an outcome of many years of business innovation. In 1994, after The Coffee Connection was acquired, the Frappuccino was added in as new Starbucks product. Starbucks also has a distinctive ongoing product process of innovation that aims to offer new products to keep and attract more customers. However, this Starbucks' marketing mix also involves beverages, food and daily, and also merchandise.

Starbucks Coffee's: Prices, Starbucks strongly uses premium pricing strategy. Starbucks's coffee products may be more expensive than most products from the other competitors, such as Mc Café, Dean and Deluca. This pricing strategy takes advantage of people' behavioral tendency to perceive correlation between the high price and the high-quality product and are willing to purchase higher price more premium product. With this pricing strategy, Starbucks company keeps its high-end premium specialty image. This Starbucks Coffee's marketing mix relates with the company's generic strategy that helps the business to keep its brand image with premium quality.

Starbucks Coffee's: Places, Starbucks Company offers its products mainly through Starbucks cafés, Starbucks application, online store, and retailers or convenience store.

Firstly, the company sold its products at its own Starbucks shop. However, with growing use of the internet, Starbucks open Starbucks online store as another sales channel. Also, Starbucks sells some more merchandise via through retailers. Moreover, the company adding the Starbucks Application that allow customers to be able to make their orders. Starbucks' place shows how to that the company adapts and applies to change of times, market conditions, and technologies.

Starbucks Coffee's: Promotions, advertising is the main tool to promote its products. However, Starbucks' promotional mixes are sales promotions, public relations, and advertising, Starbucks advertises its products through, television, the Internet, and print media. On the other hand, the public relations, that has not always been successful, so, Starbucks rarely uses. However, Starbucks' promotions show the significance of advertising and the supporting model of sales promotions and public relations for the company and its product.



Starbucks' SWOT Analysis

South Korea is now very much and huge a coffee society, the imported of coffee beans has been risen by 97% since 2011. Due to the US-Korea trade agreement, the tariffs from the U.S. on coffee beans have been reducing from 8% to 3.2%. The reduction of import tariffs resulted in more choice of product selection for consumers (Joe Black Coffee, 2014).

Starbucks Corporation earns its position as the world largest coffeehouse chain through innovative competitive strategies that authorize business strengths subject in managing weaknesses, manipulating and exploiting opportunities and overcoming success barriers such as the threats from others competing coffeehouse competitive market. Starbucks Coffee operates in various industries, thus imposing different challenges in this massive growing business. Food and beverage industry is growing every day. Starbucks develops more products to support and complement its core coffeehouse business. The market mix analysis indicates that Starbucks has expanded its product offerings include tea, daily, pastry, and merchandise, in addition to coffee. However, the SWOT analysis creates a strong challenging business environment that the company needs to use different tools of the competencies that good enough for various industries.

Starbucks Coffee's: Strengths, strong brand image, moderate diversification through its subsidiaries, and extensive of global supply chain are Starbucks Coffee's main strengths. Starbucks is one of the world most popular strongest brands. Starbucks has a growing a number of population of regular customers, that adds to the stable income stream of the coffeehouse market. For instant, the extensive global supply chain strengthens Starbucks by supporting its operations. Starbucks maintain a global network of suppliers that are wisely selected based on quality, such as the quality of coffee beans. In addition, Starbucks gradually diversified its business such as the acquisition or development of subsidiaries like Ethos Water,

Seattle's Best Coffee, and Teavana (Lombado Jessica, 2018). The diversification will be able to minimize the industry risks and the effects of market. Also, Starbucks shows that the business has strengths to promote resilience through a global supply chain and diversification.

Starbucks Coffee's: Weaknesses, high price points, generalized standards for most products, and imitability of products are Starbucks's weaknesses. Starbucks has high price points that maximize profit margins. However, that reduces the affordability of its products which then limits the company's market share, especially in areas where there is relatively lower disposable incomes. Although, another weakness that limits the flexibility of Starbucks is its standard. Because Starbucks has generalized the standard for its crafted beverages, it cannot change the products to culturally match with each local target markets or different consumer preferences. Moreover, many Starbucks products are able to copy. In this case, some small local competitors could develop beverages that though are not exactly the same but similar enough to Starbucks's products. Even the concept design and atmosphere of the Starbucks's cafés are also able to copy. Starbucks's weakness shows that the company must develop strengths to reduce the effects of copying and the influence of high price on the company's market share in the global market.

Starbucks Coffee's: Opportunities, Starbucks's opportunities that present window of opportunities for its company business growth and development that are expansion in developing business diversification, partnerships or alliances with other

companies, and its markets. Starbucks able to increase its sales through expansion in developing markets across the globe. These opportunity pulls attention away from within the American market which is where the most of the company's revenues are generated. Starbucks can improve long-term sustainability through a higher diversification into non-coffee products, thus reducing its dependence on its current product, and also improving overall sale and revenue growth opportunities. Therefore, diversification is currently a minor growth strategy as shown in company intensive growth and competitive strategies (Starbucks Corporation, 2017). The food and beverage industry environment is also present the opportunity to strengthen the Starbucks market share via through alliances or partnerships with other companies. However, alliance with other major retailers will improves distribution channel and market share of the company's consumer products, such as a ready-to-drink coffee. For instance, Starbucks company able to improve its industry positioning by developing its company operations to exaggerate the opportunities in the global and international industry environment.

Starbucks Coffee's: Threats, the main threats relevant to Starbucks are movement of independent coffeehouse, imitation, and competition from low-cost coffee sellers. Starbucks has to compete against a wide variety of firms in the international market. The company has to compete against major leading restaurant chains that offer low-cost coffee products such as Dunkin Donut, McDonald. This external factor may threaten Starbucks. Based on offering lower prices, competitors

can reduce the company's market share. Also, the threat from imitation is considered as a major threat against the coffeehouse environment. The threat of imitation involves companies that aim to copy the taste, look like Starbucks products and feel like Starbucks styles. Moreover, the industry market environment is a key subject to drive an independent coffeehouse movement. These kinds of movements are sociocultural efforts to support the operations of small independent domestic coffeehouses fighting against the expansion of multinational coffeehouse chains. Effective branding strategies and strong marketing campaigns are needed to confront with the effects of these going trends. For instance, Starbucks classify external factors that impose challenges to market penetration international expansion.

2.2 Modern Korean

The coffee industry in South Korea has yet matures. Starbucks Korea has very success in promoting its image as a premium and luxury brand. There are industry sources attributed the growth of popularity rate of Starbucks in South Korea go to the growing of loyalty of women in their 20s and 30s toward the American coffee brand (Yonhap, 2017).

Looked into the strategies to understand and authenticate Starbucks as an American brand as well as a bridge to try to experience a Western way of life.

After coffee was introduced in Korea since in late 1800s and became more popular during the period when the Japan colonization the Korean peninsula. Even

more, coffee become especially famous after the instant coffee was introduced by American soldiers during the Korean War.

Back to the past, the Korean society was destroyed by the Korean War started in middle of 20th centuries. South Korea people were listed as the poorest country in the world. However, to move over this devastation and to rebuild Korean society, South Korea faced a number of new social and economic challenges. Reformist saw Japan as a role model of modernization, to adopt and apply the Western advance and retain a strong national identity at the same time. Korean intellectuals could no longer say no to the growing hegemony of the west (Kim, 2006). South Korean needed more than the material support by U.S and the new perspective approach to creating new modernize society. On the other hand, the U.S was also interested in rebuilding project in term of spreading U.S modernization theory into another side of the world.

After the World War II, IL-Joon Chung (2005) mentioned that American academics shared a though of conviction that the “Third World” would be reconstructed to a new and better historical course through the modernization theory (Park, 2009). South Korea was run by the military dictators rule, after the dictatorships run its course, South Korean became opening up. Americanization, the term has used since at least 1907 and has become more relevant since 1991. The collapse of the Soviet Union is the influence American culture and business, such as their cuisine, media, entertainment, business practices, technology, political

techniques, or popular culture. Put it this way, Korean citizens who are under age of 50 have been raised in the educational policies that influenced by American system. By 1990, many people saw Americanization as a symbol with the progress and the innovation. In the mid-2000s, the using of widespread high speed internet is spreading the Americanization process through Facebook, Google, Instagram, Twitter, Amazon, Apple Inc., and many other internet-oriented. So often, fast food business is also viewed as being a synonym of Americanization. Companies such as Kentucky Fried Chicken, McDonald's, Pizza Hut, Burger king, and among other have numerous outlets around the world. More Korean and the one who-want-to-be modernize, they are watching US movies and television series, listening to US music, and dressing like one. Koreans are following American leisure lifestyles and internalizing US values.

The Hollywood movie, "The Proposal" (Walt Disney, 2009) is a romantic comedy movie about a couple who start hating each and end up liking each other.

It opens on a rather cheerless note, as the portrait of Margaret (Sandra Bullock), who is taming a tyrannical high-powered the savage bossy book editor, and Andrew (Ryan Reynolds), her long-suffering assistant from a wild Alaska to corporate of book jungle (Manohla Dargis, 2009). Known on office short name as the Witch, she fires the man who wants to take her place and forces Andrew to marry her (Roger Ebert, 2009). On that scene, she is holding a cup of Starbucks of Cinnamon Soy Latte and there are lots of funny thing about that.

In addition, advancement in the information technology revolution, Starbucks offerings free unlimited Wi-Fi for customers. Technology become friendlier and added convenient by integrate iPhone application with shake to pay. Moreover, the number of participants, who on its “My Starbucks Review” mobile survey platform, has exceeded one million people. The surveys are offered to Starbucks members who use Siren order (ordering food and beverages on a smartphone, instead of having to wait in line (Korea Bizwire, 2017). The platform has been serving well in terms of gathering customer feedback and some suggestions coming from customers have either been adopted or are expected to be introduced in the near future. Starbucks takes the response fast and effective. Grapefruit Honey Tea was one of the suggestions related to a seasonal drink that temporarily introduce in 2016 that was hit with unprecedented popularity. Endless following with the big hit demand, Starbucks decided to put the tea as an official menu items. Within only five months the sale volume ended up over 1.2 million cups (Kevin Lee, 2017).

In Korea, coffee is not only a drink, it is something. It is a norm or a part of people's way of work-life culture. There is really well positioned, it is more than a caffeine boost that office workers grab a cup of Starbucks after their lunch and young people like that American lifestyle. They want to take the good moments of leisure when they are together for a chat with a coffee cup in their hand or on the table. Whether it is with friends, coworkers, business partners, or with dates, coffee is significant key in creating an ambience for social interaction. Saying it this way, coffee

is never ever drunk just for the sake of drinking it, but something.

2.3 Korean with Class

South Korean place a premium on upholding and gaining reputation and social status especially for their family and their social community, people want to be associated with products and brands that portray prosperity, upward mobility and success. In short, South Korean consumers view Starbucks as status symbol.

A professor from Sungkyunkwan University in South Korea, Daniel Jong Schwekendiek, said that Starbucks' paper cup and from other franchises has indicate a status symbol when walking down the street as similar to carrying a famous first line designer brand handbag.

Social class is a mirror reflects of people's lives more than the material conditions, and also shape cultural behaviors and practices that signal social class (Kraus Michael W. Piff Paul K. and Keltner Dacher, 2011). From Measurement of Social Status by Leslie Day Zeleny (1940), Social status can be measured and can be defining as the degree of acceptance of a person by his associates in a particular group that exists in different quantities for different person. In South Korea, Starbucks has positioned itself as the premium coffee brand. It chooses very high-end locations for its shops including iconic office towers and luxury malls. Since international brands, particularly in food and beverage products are normally viewed as premium. So thus, Starbucks labels its products with the country origin where the products are imported.

Starbucks not only signal the status symbol for the customers but also seemed as a respectable job to employees. Starbucks is very demanding for its recruits and requires extensive standardized training of workers everywhere. Normally the training program is about 8-10 weeks before the actual available positions are to be filled. In the first two weeks, the baristas or employees, who working at retail stores will receive training not less than 24 hours. They are required to attend class on history and knowledge of coffee. They have to learn the art of making a perfect espresso. Sales and customer service and relation skills are also needed. At Starbucks store, interpersonal skills are the significant important requirement to qualify for a barista. At higher level positions, store manager receives classes in managing skills, operating manual and corporate value as well as on-site service experience with help from store and division manager. The employee's compensation packages are offered with medical insurance, retirement saving plan, and stock options. Therefore, a combination of hard works and high rewards helps build human resources with employees having high degree of job satisfaction and self-esteem, company released statistics showing that 85% of them had education background higher than high school and the average age of employee was 26 (Starbucks Corporation, 2017).

2.4 Need of third place

The vice president for the Seoul Convention Bureau, Maureen O’Crowley, said something about the small size of the Korean homes. Therefore, not anyone does meet at home. With this matter of reason, the Starbucks shops are that answer and become popular for businessmen, college/ university students, and parents who go there while waiting to pick up their kids from school. To those who is looking for a place to chill out, Starbucks have built a multiple level of stories with high ceiling and are fulfilled with cozy couches and chairs.

Starbucks accepts only minimum modification to its overall strategy to accommodate local specific conditions. Basically, modification is done only in the menus and store decoration design. Regarding to the third place, the store design modification although the store area is very similar in size, have a spacious look, more chairs and tables. In addition, the music at the store is creating only for Starbucks (Simon, 2009).

Starbucks responded by altering the interior design and the ambience of its stores to accommodate more leisurely comfy pattern of use for those people who wanted a Third Place. Starbucks added large flagship stores with fireplaces, seating with leather chairs, couches, newspaper, and attitude to introduce a concept of grand café and customers love them (Schultz, 1997).

In December 2017, the Korean’s largest store was opened, located in Jongro Tower in Central Seoul near Jonggak Station, with more than 900 households. The

store area cover more than 1,000 square meters, serves as a place for all generation of Koreans providing comfortable seating for large groups, friends or individuals to relax with drink, dine, shop, work, and play in the location with unique atmosphere, where the tradition and of Korean culture meet with modern style city amenities. CEO, Starbucks Coffee Korea, S.K. Lee, said that the Jongro store presents the story of 19-year of coffee journey that Starbucks have been on with Korean customers. This store is a place that has been created which pays highly respect to Korean culture heritage while serving the coffee experience to customers (Starbucks Corporation, 2018).

According to the scholar, home and those that they live with is the first place. The second is a place to work, where most of people may usually spend most of their time. The third is a place where a social surrounding stems separate from the two different social environments –home, workplace. In the other words, the third place is where can relax in public or where encounter with familiar faces and enjoy a new acquaintance (Oldenburg, 1989)

The Great Place by Ray Oldenburg presents an impressive argument for the need for the intimacy and community provided by the “Third Place.” For Oldenburg, the third place is a common destination for a variety of public place that have the regular, informal, voluntary, and happily anticipated joining of individuals beyond the instinct of home and work (Hendershott Anne, 1991) Although, he is a regular one kind of a guy who journey to these third places, the coffee shops, general stores,

restaurants, bars, and hangouts, where familiarity and intimacy come with the cup of coffee or a pint of beer. His argument is a great deal of sociological theory that lies beneath the persuasive argument. Relying on Georg Simmel's early essay on sociability, Oldenburg demonstrates the ideal type of the third place, a passionate and the function of the third place through the need for the third place in today's society. Oldenburg also highlights the importance of the informal public life in contemporary society and discusses the ways in which the course of the growth of urban development. He is focused on a competitive of places where some people can see many of people they know or familiar with and make it feel like home. He also suggests that for a existence of a health, people must balance in living in a of three things; home, workplace, and the inclusively social spaces.

These day, the idea of a "third place" turn popular and has been selected by small and medium size business including a locally owned coffee shop or international brand, and is pointed in urban planning on the basis of business development. Many scholars have pursued Oldenburg view of third place with the same characteristics. Thus, neutral ground, participants have less to no obligation to be a part. Leveler, on importance on an individual's preference. Social status does not matter; there are no minimum requirements to get in the third place. However, conversation is a main key. Happy talk is a main focus but it is not necessary to be the only activities. Accommodation and accessibility must be open and readily accessible to those people who need them. The regulars help to set a mood and to

give a space its tone. Low profile, inside the third place no need extravagance, never snobby, and accepting all types of individuals. The mood is never pointed with hostility or tension, but playful. A home away from home, have the similar feelings of cozy, belonging, and warmth, as their own home.

Even today, South Koreans rather than going to a Starbucks for pick up a caffeinated drink, they are going there to hangout. In fact, it is no strange but common to see a group of students share a Toffee Jelly Coffee between them. They are using the coffee shop mainly as a place to get together.

Although some of academic study of third place in the similar historical approach, but Starbucks, in U.S., Americans are in danger of losing some kind of casual social interaction which is a part of daily routine for many Europeans. Coffee bars became a central component of the American social scene since 1990s. They fulfilled the need for nonthreatening space, beside work or home. However, in some communities, Starbucks have become a place where a comfortable that sociable gathering spot away from home or from work, like an extension of the exquisite balcony (Schultz, 1997).

There are several market research revealing that many customers wanted to have the space for longer period, badly they found the stores' interior not cozy and not inviting. The marketing success of Starbucks is a legend. The Starbucks revolution changed gourmet coffee from a street status symbol into a upper consumer good,

and created the American coffee shop industry (Thompson, 2004). Starbucks carries out only minimum modification to its overall strategy to accommodate local specific conditions. Basically, modification is done only the in the menus and store decoration design.

Coffeehouses played a significant role in the commodification of media and entertainment, which before was a largely private, local affair. Today, or what they did more than 500 years ago, coffee house offer a cheerful harmony of experiences. They can chat with friends, join in heated discussions or read in solitude. They may study, sketch or write. They are listening to music or hear poetry recited. They can play chess, checkers, cards, backgammon. A coffeehouse is the ideal place for some who want to be silent but need some company. So, whatever they want to do, they can sip and enjoy one of the most world greatest pleasures (Olsen, 1994). Sipping the hot beverage in the coffeehouse brought to conversation on never been talk subjects (Topik Steven, 2009). Regarding to the third place, the store design modification although the store area is very similar in size, have a spacious look, more chairs and tables. In addition, the music at the store is creating only for Starbucks.

Some scholars try to dig down the way the world coffee market works. Also, there are many of them carefully study the management practices and strategy of Starbucks. As the record of one casual people's view of the specialty coffee market,

Kim Fellner clearly show that Starbucks' corporate culture is offering health benefits, deliberately employee-friendly, and superior terms to its employees. She also discovered how Starbucks has launched programs to increase returns to its coffee-farmers, by persuading the entire gourmet coffee boom in American market, it has allocated what is the greatest source of benefit to stuffing coffee farmers (Kim Fellner, 2008).



To answers to many scholar's questions, moreover, she confronted with the 'value chain' — a common proponent of a fair trade. In some studies, observing that for the price of coffee that sold to consumers, a farmer may receive only a little fraction which is less than half of one percent. Thus, the value chain is a value added that exactly a reflection of at each the processing step.

From an interview in the book, there is estimated that the 23,000 specialty coffee outlets in the U.S. market. For instance, one-third of them are Starbucks which have invested over US\$9 billion in their operations.

However, she clearly feels threaten to convict Starbucks of pleasure and comes up giving shelter to some pretty nice ideas. The author is very open minded on many issues in economic and politic, but, the author did not appear to mention the strategy of success of Starbucks.

CHAPTER III

METHODOLOGY

The methodology of the study of key success factors of Starbucks coffee in South Korea can be explained by the following sections.

3.1 Research Design

This is a qualitative research approach with which the researchers examine each case using secondary data, observation, and an in-depth interview. The data is collected from multi-sources which applied to this research (John W. Creswell, 2013). The main part on this research's data collecting process is an in-depth interview with opened-end question which have been checked by content validation and allow the interviewee to give recommendations and also receive the insight regarding factors affecting the success of Starbucks in South Korea.

3.2 Sample Group

According to the frame work of the research, there are two groups of samples which are Starbucks' staffs and Starbucks's customers. The samplings were chosen from people with direct experience in related fields.

1. Starbucks' staffs, by choosing from managers and baristas who work at different time schedule.
2. Starbucks' customers, by choosing from the customers who visited Starbucks with and without Starbucks Cards.

There are three categories of location of samples which are universities, working people, and travelers.

1. University students, by searching from list and data base of Starbucks locations located near the top tier universities in Seoul; Seoul National University, Yonsei University, and Ewha Women University.
2. Working people, by choosing from Starbucks locations located in central business district; Gangnam, Apgujeong-dong, and Jongno 3-ga.
3. Travelers, by searching from Starbucks locations located in the shopping center and near by the interesting point in Seoul; Lotte World, Coex Shopping Center, Myeongdong, and Dondaemun

3.3 Research Procedure

The related data and theory in this research has been studies from textbooks, books, journals and research documents in order to determine the purpose and area of study. There are two sample groups which are Starbucks' staffs and customers. The procedure development is as;

1. To study accordingly to theory and research related to development variable.

2. To explore the purpose of the area of study.
3. To determine the sample groups with correspond with purpose area of study, theory, and questions.
4. To develop In-depth interview that covers and correspond with purpose of study, area and theory.
5. An In-depth interview will be presented to advisor for revising content validity. The questions will be approved as covered the dependent variables, corrections, findings, and including the use of proper language in proper used.
6. To collect and approve the corrections from In-depth interview analysis.

3.4 Research Instruments

In order to strengthen the previous finding, therefore, in-depth interview were develop. The interview was designed to capture informants' perspectives and experiences in their own words. Thus, informants' characters and attitudes relative to Starbucks experiences were employed.

Group 1: Starbucks' Staffs

1.1 The question is about the personal information of interviewee which is working experience, work position, and the reason of becoming Starbucks employee;

The interest towards job position

The impression towards Starbucks as a staff

1.2 The question is about the customer regarding to the customer behavior toward the order and life style;

Coffee or non-coffee favorite

The peak time period

Sitting in or takeout

Group 2: Starbucks' Customers

2.1 The question is about the personal information of interviewee which is name, age, education, occupation and income.

2.2 The question is about the factor affecting the demand of the customer for coming to Starbucks shop;

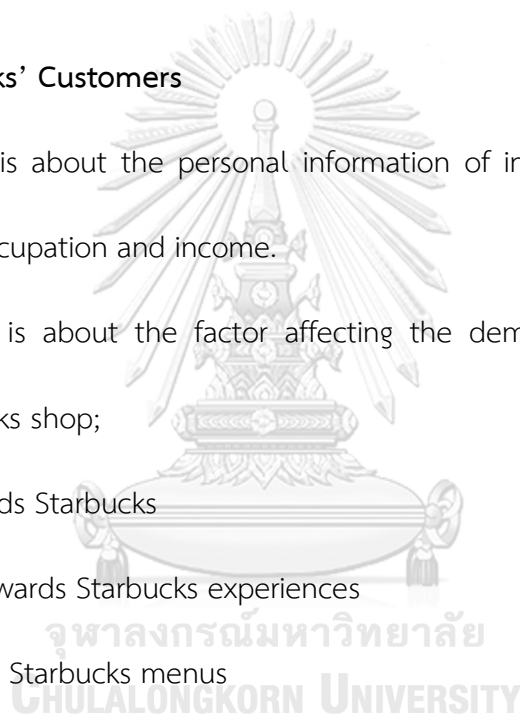
The interest towards Starbucks

The impression towards Starbucks experiences

The preference on Starbucks menus

Period of time to come to Starbucks

Time spending in Starbucks



3.5 Questions for interviews

The Questions used in the interviews were developed by reviewing from the literature review and consulting with advisor. The questions were tested and the data was analyzed to make sure that the questions were clear and appropriate.

Questions for interviews (Staffs)

1. Basic information of sample group such as age, education, work position, income and etc.

2. What brought you here?

3. What is the first impression which you got when you became a part of Starbucks?

4. What is a best-selling menu?

5. Do they prefer to sit in or to go?


6. In your opinion, what makes people decide to come to Starbucks?

Questions for interviews (customers)

1. Basic information of sample group such as age, education, occupation and income

2. What brought you to Starbucks?
3. What is the first impression which you got when you came to Starbucks?
4. What do you think about Starbucks' price?
5. Do you always stay with the same menu or also enjoy trying something new?
6. Do you enjoy sitting in or to go order?
7. How often have you been coming to Starbucks?
8. How much time have you spent in Starbucks?

3.6 Quality Assurance



The questions used in the interviews were developed from reviewing literature, theory, and consulting with advisor. The questions were tested before used, and the data was analyzed to make sure that the questions were clear and appropriate.

3.7 Data Collection

The researcher collected the data by self with observation and In-depth interview as;

1. Data collection from group of Starbucks's staffs

1.1 The samplings were managers and baristas chosen by selected Starbucks locations.

The relationship development, researcher has coordinated with managers and staffs prior and the introduction has been given to them in each locations. The researcher was allowed to observe the working condition, start the discussion with general topics such as seasonal menu and how special. Then, leads to an interview starts with asking for permission to take note before an interview starts which the permission has been granted.

1.2 An In-depth interview, the researcher uses the question outline and sub-questions to probe by talking and motivating the interviewee to join and to be free to open a conversation. The questions can be adjusted due to the situation and experience of the interviewee. During the interview, the communication techniques were applied to create value conversation and gain in-depth information such as attitudes, beliefs, and thoughts which are expressed in language and gesture. After finished the interview, the data has been noted immediately. The relationship has been developed throughout an interview in order to gain trust and language used is unofficial as to create understanding and clarification. The place of interview is at Starbucks in prospective locations.

2. Data collection from group of Starbucks' customer.

2.1 The information regarding to the sample was unknown prior to the day of interview. The sample consist of university students, working people, and travelers who came to Starbucks on the day of the interview specific with match of purpose of question about consumer behavior regarding to factors of success of Starbucks.

2.2 The relationship development, researcher coordinated with staff in prior and asks for permission to interview the customers at Starbucks which the permission has been granted. The researcher begins the conversation with general information about café in Korea followed by coffee and Starbucks. Then the researcher begins the interview and also asks for permission to take note during the interview.

1. There is note taking during the conversation, the researcher notes and makes conclusion when finish each interview.

2. The average time of interview is about 10 minutes per one interviewee.

3. The researcher has noted the data immediately during the interview.

4. For data collection, the data has been analyzed as content analysis.

3.8 Data Analysis

The data analysis was conducted after the data collection had done which leads to the collection of any missing information. The interpretation from interview was set after data collection each time. There will be data sorting before doing data analysis which was helpful for the accuracy of data that been used.

CHAPTER IV

DATA ANALYSIS

This research is a study of key success factors of Starbucks coffee in South Korea by using qualitative research with in-depth interview in the period of 15 April 2018 to 30 June 2018. From the research, result can be divided into 2 groups which are staffs and customers. Therefore, the result of data is analyzed into 2 parts as follow:

Part 1- general information of character of samples from 3 different locations.

Part 2- the result of sample about general information and factors which affect the success of Starbuck Korea from staff's view and customer's view.

The 3 locations are separated as follow;

University – location

Seoul National University and Yonsei University are the first tier of the university rank in South Korea. They are well known as SKY; Seoul National University, Korea University, and Yonsei University. Seoul National University is public university located on the mountain. They have several international programs for international students and also Korean students who have an oversea background. Yonsei University is located in the city center. However, the students here are more stylish and fashionable. Although, Ewha Women University is the most famous

women university in South Korea that located in the city about 5 minutes walks from subway station. The architecture of the campus is very Western style and also its known as one of the most spot for taking a picture.

CBD – location

Gangnam is well known for CBD and wealthy standard of living. There are leading companies based in Gangnam include POSCO, Samsung, and etc. Gangnam is a home for internet related and IT companies. Apgujeong, Cheongdam-dong is known as upper market area. Apgujeong Rodeo street is as Beverly Hills in California.

Shopping center – location

Coex Mall is located at Samseung subway station those knowns as World Trade Center of South Korea. There are connected to 3 department stores; Coex Mall, Parnas Mall, and Hyundai Department Stores. Not only the shopping center, but also the upscale hotels; Intercontinental Hotel Coex, Intercontinental Grand Parnas Hotel, and Park Hyatt Hotel located nearby. The biggest temple, Bongeunsa is around the corner.

Myeongdong is a financial hub includes Citybank, Korea Exchange Bank, SK Corporation. So thus, Myeongdong is one of the main shopping featuring mid-to-high priced brands in Seoul. Lotte Hotel, Lotte Department Store, Lotte Young, and also

Westin Hotel located in this vicinity. The poll said the estimated number of population is around 2 million per day, and near twenty thousand per day.

Itaewon is very popular for day and night. Itaewon is a long strip. The upper of the strip is the residence and the office of the international embassies, the art gallery, and museum. There are fancy restaurants and cafes on both side of the strip. The strip goes up to Namsan, where can see Seoul from the Seoul Tower including the Grand Hyatt Hotel. The lower strip is a shopping street for day time. However, a night life here is crowded with foreigners, visitors, and also locals.

Part 1

Table 3: Number of Starbucks staffs and customers by locations

LOCATION	STORES	STAFFS	CUSTOMERS
University	6	12	24
CBD	8	16	32
Shopping Center	6	12	24
	20	40	80

From table 3, it is shown that samples separated by 3 different locations; university, CBD, and shopping center. Therefore, university location has 6 stores, 12 staffs, and 24 customers. For CBD location, there are 8 stores, 16 staffs, and 32

customers. For shopping center location, there are 6 stores, 12 staffs, and 24 customers.

Table 4: Number of Starbucks staffs and customers from university location

UNIVERSITY	STORES	STAFFS	CUSTOMERS
Seoul National University	2	4	8
Yonsei University	2	4	8
Ewha Women University	2	4	8
	6	12	24

From table 4, it is shown that 6 of university location separated by 3 university locations; Seoul National University, Yonsei University, and Ewha Women University.

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Table 5: Number of Starbucks staffs and customer from CBD location

CBD	STORES	STAFFS	CUSTOMERS
Gangnam	2	4	8
Apgujeong	2	4	8
Samseung	2	4	8
Jonno	2	4	8
	8	16	32

From table 5, it is shown that 8 of CBD locations separated by 4 CBD locations; Gangnum, Apgujong, Samseung, and Jonno. Each of 4 CBD locations consists of 8 stores, 16 staffs, and 32 customers.

Table 6: Number of Starbucks staffs and customers from shopping center location

SHOPPING CENTER	STORES	STAFFS	CUSTOMERS
Coex Shopping Center	2	4	8
Meyongdong	2	4	8
Itaewon	2	4	8
	6	12	24

From table 6, it is shown that 3 of shopping center location separated by 3 locations; Coex Shopping Center, Meyongdong, and Itaewon. Each of 3 shopping center locations consists of 2 stores, 4 staffs, and 24 customers.

Table 7: Number of Starbucks staffs from 3 different locations separated by job position

JOB POSITION	STAFFS
Barista	20
Super Barista	10
Super Barista A	10
	40

From table 7, it is shown that number of staffs separated by job position.

There are 20 of Barista, 10 of Super Barista, and 10 of Super Barista A.

Table 8: Number of Starbucks staffs from 3 different locations separated by number of job

NUMBER OF JOB	STAFFS
First Job	25
Second Job	12
Third Job	3
	40

From table 8, it is shown that number of staffs separated by number of job.

There are 25 of First Job, 12 of Second Job, and 3 of Third Job.

Table 9: Number of Starbucks staffs from 3 different locations separated by work experience

WORK EXPERIENCE	STAFFS
1 – 2 years	15
2 – 3 years	15
More than 3 years	10
	40

From table 9, it is shown that number of staffs separated by work experiences. There are 15 staffs that have 1-2 years of work experiences, 15 staffs who have 2-3 years of work experiences, 13 staffs who have more than 3 years of work experiences

Table 10: Number of Starbucks staffs from 3 different locations separated by gender

GENDER	STAFFS
Male	16
Female	24
	40

From table 10, it is shown that number of staffs separated by gender. There are 16 males and 24 females.

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Table 11: Number of Starbucks customers from university location separated by level of education

UNIVERSITY	CUSTOMERS
Undergraduate	13
Graduate	11
	24

From table 11, it is shown that number of customers separated by level of education. There are 13 staffs who are undergraduate students, and 11 who are graduate students.

Table 12: Number of Starbucks customers from university location separated by gender

UNIVERSITY (GENDER)	CUSTOMERS
Male	9
Female	15
	24

From table 12, it is shown that number of customers from university locations separated by gender. There are 9 males and 15 females.

This location has more female than male regarding to the number of student from Women University.

Table 13: Number of Starbucks customers from CBD location separated by age

CBD (AGE)	CUSTOMERS
21 – 30	8
31 - 40	15
41 - 50	9
	32

From table 13, it is shown that number of customer from CBD locations separated by age. There are 8 customers who are between 21-30, 15 customers who age are between 31-40, and 9 customers who age are between 41-50.

Table 14: Number of Starbucks customer from CBD location separated by gender

CBD (GENDER)	CUSTOMERS
Male	18
Female	14
	32

From table 14, it is shown that number of customers from CBD locations separated by gender. There are 18 males and 14 females.

Table 15: Number of Starbucks customers from shopping center location separated by age

SHOPPING CENTER (AGE)	CUSTOMERS
21 – 30	8
31 - 40	9
41 - 50	7
	24

From table 15, it is shown that number of customer from shopping center locations separated by age. There are 8 customers who age are between 21-30, 9 customers who age are between 31-40, and 7 customers who age are between 41-50.

Table 16: Number of Starbucks customer from shopping center location separated by nationality

SHOPPING CENTER (NATIONALITY)	CUSTOMERS
Asian	13
Western	11
	24

From table 16, it is shown that number of customers from shopping center locations separated by nationality. There are 13 customer who are Asian, and 11 customers who are Western.

Table 17: Number of Starbucks customer from shopping center location separated by gender

SHOPPING CENTER (GENDER)	CUSTOMERS
Male	9
Female	15
	24

From table 17, it is shown that number of customers from shopping center locations separated by gender. There are 9 males and 15 females.

Part 2 the result from sample group interview about character and key success factors of Starbucks in South Korea from staffs' view and customers' view are discussed as follow;

Staff part

First impression when becoming Starbucks staff

Talking about the impressive when becoming Starbucks staff, they have a blink in their eyes. All staffs have view in the same way that they have love about the character and brand image which make them feel happy and high self-esteem toward the experience and impressive stories.

“Working at Starbucks is my dream job. I like coffee. I want to make a good coffee likes Starbucks. Fortunately, I got a job. I am happy to serve my coffee to my customer.”

“To me, Starbucks is like a classroom that I can learn more about coffee. Starbucks reserve carries the variety coffee beans from a different side of the world, but can try them here.”

“I feel like I work at my own home. I have no problem to get up early to get ready to go to work.”

The best seller menu

The best seller menu at Starbucks is varying on the time with period and area of location.

The staff from Ewha Women University location said that “We have many of female more than male customers. The menu that most female customers are always make an order is a flavor drinks such as Caramel Frappuccino.”

The staff from Gangnam location said that “Our best seller menu is Cappuccino. They love it.”

The staffs from Coex shopping center location said that “Our customers are local and traveler. They are looking for something fresh to take a break from walking around. They choose the ready to drink juices along with some muffin.

Staff’s point of view toward the reason customers come to Starbucks

All staffs have different point of view by their own experience and such as one store manager thinks that everything is good and no need to change. The other reasons are the location of Starbucks and taste of the menus which the Starbucks has created.

The staff from university area said that “The reason why customer comes here is because of our music are different from others.”

The staffs from the business area said that “We have customer who comes here at the same time before he is going to work almost every day. He is always has the same drink. However, he has no need to place an order. When he steps in, he just goes to the pickup area and waits for his drink. We know what he wants.”

The staff from shopping area said that “We have customer who is a tourist. At first, she wants to get an iced cappuccino. Suddenly, she changes her mind to get persimmon iced tea instead. She said she wants to try that because she cannot find this menu at home.”

Customer part

There are some important reasons that customer from all area have made decision to come to Starbucks. The most important reason is the taste of coffee and other menus. The second reason is the cozy ambience interior. The other reasons are, for example, mug, tumbler, and etc.

The reason of coming to Starbucks regarding to taste of coffee

Part of comment from university-customers

“To me, I like Nitro Foam. I love to see the way they served. However, the foam is thick and smooth.”

“White Chocolate Macha is all the time favorite.”

“I am not a coffee person, but I love to come there in the afternoon for Green Tea Frappuccino with no whip.”

“I like coffee here. It is not too strong but get me awake to get my reading done.”

Part of comment from CBD - customers

“Starbucks coffee is good. But, coffee is not the most important factor for me to go to Starbucks. Well, most of the Starbucks consumers belong to the upper class or middle class people.”

“The dark roast coffee makes the aroma different from the other brands.”

“Cinnamon Soy Latte is a kind of my morning joe.”

“Yusu Yogurt drink is stunning.”

Part of comment from shopping center - customers

“Never go wrong with iced Americano.”

“The menu here is pretty but yet tasty. I can have it here, only in Korea.”

“Merchandise that sells here is a perfect gift for my sister.”

The reason of coming to Starbucks regarding to need of third place

Part of comment from university-customers

“My friend comes to visit, but he is lazy to walk around the campus. So, he waits at Starbucks.”

“This is a good meeting place with high speed Wi-Fi.”

“It is very common to see a group of student study together at late night.”

“This shop is open 24 hours. Perfect!”

“We can be here long enough to finish our studies.”

Part of comments from CBD – customer

“Not too formal, but is good for to business talk.”

“I like to see people walking pass from this point.”

“It is very convenience to come here. It is only one block away from my building.”

“I like a new sofa here. It is more comfortable than before.”

Part of comments from shopping center – customer

“Shopping in Korea is so much fun, I need to rest my legs.”

“The ambience makes me feel home in U.S with some sense of Korean culture.”



The reason of coming to Starbucks regarding to reward and social status

The price of Starbucks in South Korea is mentioned the most expensive in the world.

Caramel Macchiato, Tall / Grande 5.4 USD / 5.9 USD

White Chocolate Macha, Tall / Grande 5.5 USD / 6 USD

Cafe Americano, Tall / Grande 3.9 USD / 4 USD

Caffe Mocha, Tall / Grande 4.9 USD / 5.4 USD

However, the high price position makes Starbucks Korea more popular.

Talking about the price of Starbucks, there are some interesting comments from customers.

Part of comments from university – customer

“A good taste of coffee with free Wi-Fi, I am so happy with that.”

“I am study here for 4 hours with a cup of Café Latte. That is worth my money.”

Part of comments from CBD – customer

“I am hard working people. I want to buy my happiness.”

“With this nice and cozy ambience, it is priceless.”

“Hanging and sitting in here should be considered as a business card in order to show my taste and status.”

“I believe that people who coming to Starbucks, they are not concern about the price.”

Part of comments from shopping center – customer

“The price is almost the same at everywhere. I am good.”

“When you are on vacation, price is nothing.”

“The lighting here perfect for my selfie. My picture looks good.”

The reason of coming to Starbucks regarding to familiarity

Part of comment from university-customers

“It is very close to subway. It is less than 1 minute walk.”

“When my friend asks me, where am I going to study? Here is the top my head.”

Part of comments from CBD – customer

“They know me. They know what I want. They know my name. I do not need to order. They are just calling it through that makes me feel it home.”

“It is very convenience to come here. It is only one block away from my building.”

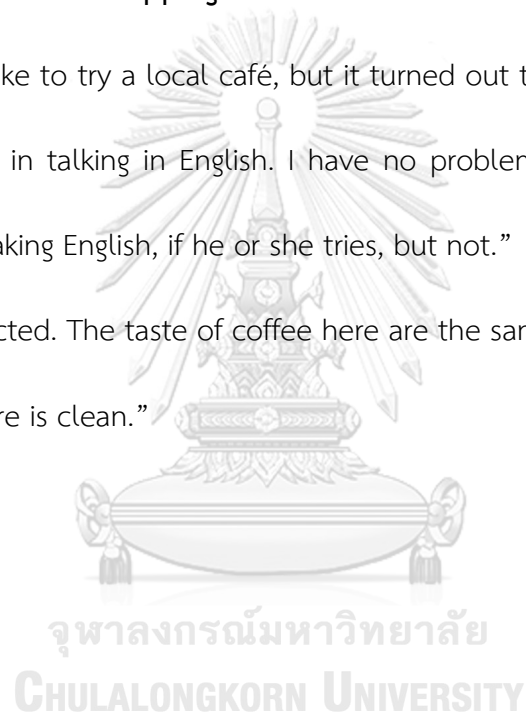
“After lunch, we need some little sweet before the afternoon. Here we are.”

Part of comments from shopping center – customer

“At first, I would like to try a local café, but it turned out that I should not. The staff there is not good in talking in English. I have no problem with he or she has low experience in speaking English, if he or she tries, but not.”

“I get what I expected. The taste of coffee here are the same as always.”

“The restroom here is clean.”



CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

The research “Key Success Factors of Starbucks Coffee in South Korea” is a qualitative research. However, the purpose is to find the factors that make Starbucks coffee in South Korea very successful. This research is able to provide a competitive study into business growth strategy of Starbucks with regard to the competitive strategic analysis. It prospective variables that are advantages would motivate the company to standardize their competitive strategy.

5.1 Conclusion

The conclusion of key success factors of Starbucks in South Korea can be summarized into two main dimensions.

First is coffee quality. There are four characters of quality which are taste of coffee, location, menus, and merchandise. For taste of coffee, Starbuck take a pride in their unique own roast which is darker than the most other coffee shop. For location, the Starbucks location is convenient to commute and nearby to standing out area is one of the factors that affect the habit of coming to Starbucks. For menu, variety choice of menus affect customers’ decision for one who non-coffee drinkers.

For merchandise, there are new cute coffee mug exclusively for Starbucks Korea only that affect the consumer behavior.

Second is coffee experience. The research tells that four other factors that affect the success of Starbucks Korea are Americanization, third place, reward and class, and familiarity. For Americanization, South Korea people learn about the American way from music, movies, fashions and also traveling to U.S. Some people used to live in U.S., some graduated from U.S. college or university. However, those affect the norm of South Korean. For third place, Many Starbucks in Seoul that located in cosmopolitan area or near university are open 24 hours and also serve breakfast, a night supper menu, and sangria for customers those who need a third place. For reward and class, with a branding privilege, holding a Starbucks cup looks like carrying a top designer bag; a big part of Starbucks success comes from the desire to reward themselves. Before heading to a long hour of working, they deserve to treat themselves with a perfect Grande Cinnamon Cappuccino. For familiarity, when in hurry running to work and need some morning kick, it is not a good time to think about many of coffee shops to decide which one. Apparently, the default answer is Starbucks. Although, Travelers come to Seoul can easy wide range of purpose. When traveling to different city, going to Starbucks is a play safe game. The standardized of a cup of coffee are the same at every single location.

5.2 Limitations and Further Studies

This research paper has analyzed the competitiveness of food and beverage industry focusing on key success factors of Starbucks in South Korea. However, with the limitation of sample size, the study may not fully cover the overall factors of its success. Thus, further studies may include new model applies a possibility of new location selection strategy, which incorporate element of competitive advantage key of success. However, it is very helpful to learn to achieve the business success in another prospective.



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