

The Importance of Probabilistic Analysis in the Application of the Marketing Strategy of the Selected Brand

David Vrtana^{1,*} and Anna Krizanova¹

¹University of Zilina, Faculty of Operation and Economics of Transport and Communication, Department of Economics, Zilina, Slovak Republic

Abstract. Entering foreign markets can be an opportunity for some brands. Expansion contributes to developing competitiveness, building a brand and increasing profits, which will be reflected in overall business performance in a market environment. In this article, we elaborate on the identification data of the Starbucks brand. We identify the international environment and the current marketing strategy of the brand. We also focus on defining its marketing performance with regard to the application of the current strategy in the international environment when entering the target foreign market. Based on the analyzed data on the brand and performance, we approach the probabilistic analysis in order to identify the right foreign market. The performed analysis consists of two basic stages. The first step is a rough selection analysis and a fine selection analysis. In the discussion part, we define the advantages and limitations of the brand's entry into a new foreign market. We support the individual statements with the results of a coarse and fine selection analysis. We also describe the use and limitations of the brand's cooperation strategy in the future. In the final part of the article, we identify the identified statements with the current marketing strategy and suggest the direction of its development when entering a new foreign market.

Keywords: Starbucks, marketing strategy, probabilistics analysis, foreign markets, brand

1 Introduction

Starbucks is a globally known brand with an international environment. It currently operates approximately 31,256 cafes in 65 countries around the world. From a marketing standpoint, Starbucks' mission is to support social development. Majerova attaches importance to social development. He argues that with a marketing orientation towards social development, a company can expand its customer base and thus contribute to the formation of society as a whole. [1] This view is shared by Buno et al. [2] A café should be a space where people can meet, socialize, make new friends and relationships. Therefore, the design of the interior of cafes is adapted to the main message of the brand. The mission

* Corresponding author: david.vrtana@fpedas.uniza.sk

seeks to promote the brand to the international environment and create a certain type of integration component among people. In order to fulfill its mission, the brand's goal is to constantly acquire new customers and retain existing ones. In addition to customer orientation, Starbucks also focuses on environmental policy. By making coffee obtained from soil, the brand strives to reduce the adverse effects on the environment. In order to promote the environment, the brand strives to reduce overall water, energy and recycle various types of materials. Combining customer focus with an orientation to protect and support the environment is a good example of how to apply a green marketing strategy. By simply focusing on the environment, the brand proves that it is globally socially responsible, which can ultimately contribute to changing the shopping behavior of customers of competing companies. This view is also supported by Hollowel et al. [3,4]

Since 2014, Starbucks has seen a growing trend in net income. In 2017, Starbucks' net income was \$ 2.885 million. In 2018, net income was \$ 4.518 million. In 2019, the brand's net income was \$ 3.599 million. In 2020, there was a decrease in net income by an average of 9% compared to the previous period. The decline in revenue recorded in 2019 and 2020 can be attributed to various factors such as the economic crisis caused by the SARS 2 COVID-19 virus. [3] The growing revenues from 2014 can be attributed to the expansion of the brand to foreign markets, the creation and implementation of a new mission in conjunction with a new marketing strategy. Kliestikova et al. they attribute customer loyalty as an important part of a marketing strategy. [6] For this reason, as the target markets expand, the brand will also expand its customer base. Valaskova et al. [7]

Expansion into foreign markets and a change in the brand's marketing policy can make a significant contribution to building a customer base and thus to achieving higher revenues. In connection with the ongoing global economic crisis, we decided in the article to identify a new target market for the Starbucks brand. In order to correctly identify, we followed the rules of probabilistic analysis. Within it, we performed a rough and fine selection analysis.

1.1 Materials and methods

The research problem in our article was defined as follows: Based on the known theoretical and empirical basis to identify what are the new potential markets with a certain degree of economic maturity for the Starbucks brand. Based on the name-defined problem, we focused our research on the detailed possibilities of Starbucks' expansion into new international markets. We consider research to be important for further analysis of the possibility of developing the economy of a particular state. The main goal of our research is to identify potential countries that, to a certain degree of maturity, can be attractive to the globally stable Starbucks brand.

In this article, we have used several methods in order to obtain the required information correctly. We used the method of analysis, synthesis and comparison in the theoretical evaluation of the researched issues. Within these methods, we compared the views and opinions of different authors on the researched issues. Based on induction, deduction and description, we analyzed existing research and case studies in the field, which were secondary sources for us. In order to identify potential foreign markets for the Starbucks brand, we considered them justified and important. Subsequently, in the analytical part of the work, we performed a probabilistic analysis, which we divided into two stages. The first stage was a rough selection analysis and the second part was a fine selection analysis. We used individual methods in order to select the most suitable foreign market for the entry of the Starbucks brand.

We used the FOE indicator in the probabilistic analysis. It is an indicator that compares the foreign trade turnover of a given country with the economy created by GDP. According

to the authors, the indicator is suitable for examining the economic openness of a given country and according to it it is possible to identify the extent to which foreign entities can participate in the domestic economy, or how strongly they can participate in it. [8] Based on the above, we decided to use the FOE indicator as a way to identify the various degrees of involvement of the economies of selected countries in the globalization process and the importance of the impact of growing foreign trade in these countries. We calculated the indicator using the following relationship:

$$\text{FOE} = ((\text{Export} + \text{Import}) / \text{GDP}) * 100$$

We also needed to determine the size of the country's export performance and import intensity. We found the export performance from the relationship:

$$\text{Export performance} = (\text{Export} / \text{GDP}) * 100$$

We also needed to identify the import intensity. To determine it correctly, we used the following calculation:

$$\text{Import intensity} = (\text{Import} / \text{GDP}) * 100$$

We decided to choose this indicator due to its importance for defining the degree of openness of our assessed potential foreign markets for the entry of an international brand.

When selecting and defining individual countries, we took into account material and system factories. Among material factories, we have identified the economic dimension of a given country and the maturity of a given country. In addition to material things, we have also identified system factories, which are influenced by legislative changes, economic instruments, as well as customs and traditions. The reason for the selection of individual countries was their defined development strategy, which is a key factor in achieving economic growth of the country in order to increase the living standard of the country.

Philippines: In 2016, the country's economic growth was 6.5%, in 2019 it was 6.7%. There is also a growing trend in foreign direct investment, which was worth USD 2.8 billion in 2016 and was worth 201 in 2019., Despite the fact that the Philippines is considered to be the poorest part in the region, it is recording its economic growth to a lesser extent, but for foreign companies, this may herald building a more efficient internal economy. There is also an increasing turnover of foreign trade, which in 2015 amounted to 129.8 billion. USD and in 2018 to 182.15 billion USD. Another reason for choosing this country was the fact that the most developed sector in the country is the services sector, which accounted for 56.22% of GDP in 2018.

Kenya: The reason for choosing this foreign market is a market-oriented system of economic functioning. In percentage terms, there is a growing trend of foreign direct investment from 2015, when they reached 0.98%, until 2019, when they reached 1.4%. Among the East African region with a liberalized foreign trade system, the Republic of Kenya is considered to be the most developed. This is also the reason for choosing the country. Also, according to statistics from the Ministry of Foreign Affairs, there is an assumption of economic growth of 5% on average in the following period.

Cambodia: The reason for choosing this country is the increase in the country's annual GDP and economic growth potential. The development of annual GDP is on average around 7%.

Madagascar: This is a country that has seen GDP growth since 2014, from 3.3% in 2014 to 5.2% in 2019. The reason for choosing the country is the fact that economic growth caused by the services sector, which also includes business services.

The reason for choosing the markets of Slovenia and Croatia was their significant economic growth. Slovenia has seen GDP growth from € 37.6 billion since 2014. € to 48 billion € in 2019. There is also a growing trend of foreign direct investment from 2014, when they reached a value of 2%, until 2019, when their value is 2.6%. In the case of Croatia, GDP growth has also been recorded since 2015, when it reached 1.6% and in 2019

2.9%. In 2019, for comparison with the Slovak Republic (where the Starbucks brand already operates), the value of GDP was at the level of 2.3%. Also the most important sector of the economy of both countries is the services sector with a share of about 66%. Revenues from the services sector of both countries form a significant part of Croatia's GDP. According to the data from individual analyzes, we found that the markets of Slovenia, Croatia, Madagascar, Kenya, the Philippines and Cambodia are expected to increase their economic growth in the near future. [9]

2 Probability analysis

As mentioned at the beginning of the article in this chapter, we will focus on performing a probabilistic analysis in order to select the target foreign market of the Starbucks brand.

In the first phase of the analysis, we define possible target markets. In order to properly identify potential target markets, it is necessary to determine where the Starbucks brand currently operates and where it does not. Currently, the brand operates most intensively in Europe, Asia. It has the smallest operations in Southeast Asia, Southeast Africa and Southern Europe. [10] These areas are relevant when deciding a brand to choose a new foreign target market. The following table provides an overview of the areas where the brand could operate.

Table 1. Potential Starbucks brand areas and countries [10]

| South Europe | Southeast Africa | Southeast Asia |
|--------------|------------------|----------------|
| Croatia | Madagascar | Philippines |
| Slovenia | Kenya | Cambodia |

Source: Own processing.

In order to choose the right foreign market, we will "marginally" examine the political situation, economic risk, cultural aspects, product suitability and other significant factors that could positively or negatively affect the brand's entry into one of these markets.

The first factor we will examine is the product. From a marketing point of view, the product is the basic object of purchase and sale. For the international coffee trade, it is necessary to pay attention to its ever-growing popularity. The International Coffee Organization (ICO) was established to control the coffee trade. All coffee-growing countries are members of this organization. According to an international organization, 110 million bags of coffee are currently grown annually. Two thirds of this is exported. The most important coffee growers are countries located in South and Central America. Countries operating in Africa are also important growers. These countries include, for example, Togo, Ghana, Liberia, Congo, Ethiopia, Tanzania, Madagascar and the like. There are also countries in Asia that are international coffee growers. These countries include Vietnam, the Philippines, Indonesia, Yemen and the like. [11]

The secret of Starbucks coffee is in the quality of coffee beans and the way they are roasted. Certain types of beans are used for individual types of coffee, which come mainly from Latin America, Kenya and Indonesia. Therefore, we decided to consider some countries in more detail, in order to enter the Starbucks brand into a new foreign market.

2.1 Rough selection analysis

Within the probabilistic analysis, we focused more deeply on selection analyzes. The first is a rough selection analysis, in which we analyze in more detail the information on political, legal, economic and socio-cultural factors of the countries that we have chosen in Table 1.

As part of a rough selection analysis, we examined the functional openness of the economy (FOE). It is an indicator that compares the turnover of foreign trade (exports + imports) with the economy generated by GDP. [12] For evaluation, we selected the countries listed in Table 1 that have good economic prospects for Starbucks entry. The values of the indicator are shown in Table 2. Individual data are obtained from 2017 in millions of USD.

Table 2. Criteria for assessing the functional openness of the economy [14]

| Kritériá | | Croatia | Slovenia | Madagascar | Kenya | Philippines | Cambodia |
|-----------|-------------|---------|----------|------------|--------|-------------|----------|
| Economics | Export | 183 319 | 35 752 | 12 688 | 1 079 | 4 904 | 54 510 |
| | Import | 181 047 | 31 943 | 14 140 | 1 973 | 6 460 | 57 586 |
| | Nominal GDP | 65 019 | 42 987 | 12 871 | 61 746 | 340 302 | 19 542 |
| | FOE | 560,399 | 157,477 | 208,437 | 4,942 | 3,339 | 573,615 |

Source: Own processing.

The table shows the values related to nominal GDP, export and import information. After analyzing them, we decided that the markets to which the Starbucks brand could expand are Croatia, Madagascar and Cambodia, as they reach the highest values of the indicator of functional openness of the economy.

2.2 Fine selection analysis

After evaluating the functional openness of the economy in the previous chapter, we decided that the potential market for the entry of the Starbucks brand could be Croatia, Madagascar or Cambodia. In order to choose the right target market for the brand, we decided to proceed with a fine selection analysis. In it, we assign weights (assuming that the sum of weights is equal to 1) and values based on the performed analysis. As part of the analysis, we compare individual factors. In them, we identify areas that have been available from analysis and research and compare them. In the individual columns, we identify those areas that we consider important for the analysis. For example, coffee consumption in Croatia is an important factor. In Madagascar, for example, we consider high unemployment and so on to be a significant factor. In the individual columns, the essential areas from the assessed factor are identified. We assigned individual values on a scale from 1 to 5, where 1 means the least suitable environment and 5 the most suitable environment. The overall summary and rationale for the selection are described in Table 3.

In the above analysis, we have identified the following criteria with the greatest weight: economic situation, geographical location, market conditions, market size. We gave the least weight to the membership of countries in international groupings, the environment and the competitive influence of other brands.

Table 3. Fine selection analysis for the assessed areas [13]

| Criterion | Weight | Value | Croatia | Madagaskar | Cambodia |
|---|---------------|----------------------|--|---|---|
| Economic situation | 0,20 | C: 3 M: 1 K: 1 | Optimal environment - unemployment 0.1%, open economy and conditions for good economic growth. | Satisfactory economic growth - textile industry. Increase in GDP, decrease in inflation. Decline in tourism. | High dynamics of economic growth, economic potential to be among the 30 largest economies in the world. |
| Geographical distance | 0,20 | C: 4 M: 2 K:1 | Well-built infrastructure of expressways and motorways. | The importance of air transport, low quality of roads and railways. 70% of foreign trade flows through the port of Toamisina. | Low infrastructure. The advantage is tourism. |
| Market Conditions | 0,15 | C: 3 M: 2 K: 2 | The average annual coffee consumption is 5.3 kg per capita. | High unemployment, cheap labor, lowest wage costs. | Accelerating macroeconomic growth, increasing the level of transport, tourism, digital infrastructure. |
| The population | 0,15 | C: 2 M: 3 K: 2 | 4 437 460 | 20 653 556 | 15 000 000 |
| Environment | 0,10 | C: 2 M: 3 K: 2 | Optimal location, higher wages, intensive tourism in the summer months. | Industrial centers around the capital, infrastructure development, energy and mining. The potential is ecotourism. | Population growth, low inflation, stability of public finances, greater transparency. |
| Country membership in the international groupings. | 0,10 | C: 4 M: 3 K: 2 | EU, NATO, COE, OPCW, OSCE, WTO, OECD and the like. | UN (since 1960), UNESCO, UNIDO, UNCTAD, ECA, International Monetary Fund (IMF), WTO, African Union (AU) and the like. | WTO, APEC, OSN and the like. |
| Competition | 0,10 | C: 1 M: 2 K:2 | Higher competition and market openness. | Weak competitive brands. | Weak competitive brands. |

Source: Own processing.

After evaluating the individual criteria, we calculated the points assigned to each country. The allocation of points depended on the evaluation of the current situation belonging to the evaluated criterion. As a result, the country gained the most points in Croatia with 19 points, Madagascar with 16 points and Cambodia with 12 points. Based on the above, it can be argued that Croatia should be the new foreign market for the Starbucks brand.

Despite the lower population compared to the other countries under comparison, the country has a better built infrastructure, well-established conditions for economic growth, and an optimal location for setting up operations. [14]

3 Discussion

Based on the evaluation of individual countries, we would recommend the Starbucks brand to expand to Croatia for several reasons. As a country, Croatia has a well-established infrastructure in the form of expressways and motorways, which can be used to ensure the supply of coffee to individual plants. Furthermore, the country has membership in several international groups, which can be an advantage in expanding the brand to this country. The optimal environment or the openness of the economy are a good factor for opening new operations in the country.

In addition to the analysis of the market economy of selected countries, it is also necessary to analyze the future development of the Starbucks brand. The advantages include a global operation with more than 200,000 employees, 31,256 operations and operations in 65 countries around the world. The Starbucks brand currently ranks 460th in the global brand rankings. Another advantage of the future operation is the added value, which can be seen in a long tradition (since 1971), in the product and the overall image of the brand. In addition to global operations, added value, the overall marketing strategy can also be viewed positively. It is currently focused on creating new business opportunities with the acceptance of global environmental policy. The strategy also includes cooperation to develop and improve the product portfolio (Arabica coffee) around the world by raising the status of Indian coffee. In order to enhance the quality and profile of Indian coffee, Starbucks uses the combined strategies of two leading beverage companies, Starbucks Coffee Company and Tata Global Beverages. The alliance focuses on a narrow product range and mainly on product quality.

Starbucks is looking to expand into new target markets, reach new customers there, which is matched by various interactive campaigns and constant adaptation to customer requirements. By generalizing the strategy, it can be argued that it is driven by customers and their behavior, not by the competition. However, product quality and brand orientation must be important elements of this strategy. Its importance in the marketing strategy is emphasized by Kliestiková and Janosková. [15,16] Nadanyiova puts another importance on brand perception, arguing that companies should ensure quality marketing communication, which should include brand consideration. [17]

There may also be some restrictions on expansion into new markets. An example is 2007, when the Starbucks brand sought to expand into the Indian market. The brand wanted to assert itself together with the Future Group, but without success. The reason for the failure to enter this market was the political restriction by the Indian government. It was a failure due to ambiguity about the foreign property structure. The Indian government cited the reason for exceeding the foreign investment limit - Starbucks and Future Group owned more than 50% of separate branded retailers, thus exceeding the set limit in India. Subsequently, after five years, the brand managed to enter the Indian market with a new strategy and the abolition of the existing cooperation partnership. Another problem was the

unusualness of drinking coffee. According to the International Coffee Organization, it was only 80 g per capita, while in Croatia it is 5.3 kg per capita and in the USA it is 4.11 kg per capita. People in India prefer drinking tea, and the tea industry is an important element in supporting and developing the economy in this country. [18,19]

Based on the above, it is possible to perceive some restrictions on entering the Croatian market. On the one hand, it may be a good precondition for the country's economic growth, but on the other hand, there may be restrictions that will prevent the brand from expanding. One of them may be the ongoing economic crisis, people's preferences, ignorance of quality coffee, political constraints of the country, strong competitiveness of other brands and the like. [20] These restrictions are only general as they have not been examined in this article.

We mentioned above the benefits of the future development of the Starbucks brand. In addition to the benefits, the negatives must also be assessed. One is the strength of competition, suppliers and the market environment in the form of oversaturation. That's why Starbucks needs to be able to respond effectively to every market change. This should be part of an already established and implemented marketing strategy.

By expanding into new target markets, a company can increase competitiveness, support brand development, expand target customer segments and, ultimately, increase business profits. [21,22] The importance of customer loyalty is also emphasized by Hollowell et al., Who argue that the primary goal of the company is customer orientation. This may also apply to expansion into the international environment. [23] However, expansion needs to take into account ongoing internal marketing and management processes. Their importance is emphasized by Mira et al. [24] A plan for new foreign markets with an assessment of individual factors must be an essential part of the marketing strategy. Rosnerova and Majerova also agree with this opinion. [25,26]

4 Conclusion

Based on an evaluation of all important factors, it can be argued that the Starbucks brand has built up good potential for the future. It has created space for expansion with its products to new foreign markets. Subsequently, we generalized the strategy from the analyzes, the primary goal of which is customer orientation and the expansion of the existing customer base in new target markets. As this is the primary goal of the strategy in the article, we considered the importance of three different areas for Starbucks' entry into the new market. The results of the analyzes show that the potential market for the brand's entry into foreign Croatia market is Southern Europe, due to the assumption of economic growth in the future. The subject of our further research will be a detailed examination of the possibility of entering and applying the Starbucks brand on the Croatian market.

Acknowledgement

The paper is an output of the science project VEGA no. 1/0718/18: The impact of psychographic aspects of pricing on the marketing strategy of companies across products and markets.

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