

Business Idea for Starbucks: Organic Yerba Mate Beverages

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ABSTRACT

The report here is basically a research-based business idea for Starbucks Coffee Company that operates all over the world. The idea is line with the market dynamics and the needs of the target market i.e. the masses across the world. The idea is that Starbucks should start a separate line of coffee shops in various parts of the word that will serve Yerba Mate herbal coffee, tea and Beverages. This is a famous coffee and tea in South Africa that has extensive health benefits and falls in the domain of third wave of coffee for the specialty coffee lovers. This business idea will be implemented by Starbucks as a specific niche in the coffee or restaurant industry. Now since the population of world is facing high rates of obesity, and with increasing quality consciousness and love for specialty coffee, this business idea presents great opportunity for the company. The idea is based on research using market analysis and tools like PEST analysis.

Keywords: Business, Idea, Marketing, Starbucks, Tea

INTRODUCTION

The company operating as a multinational conglomerate in many parts of the world that has been selected for the business idea or plan is Starbucks Coffee Company. Starbucks is a US based Coffee House chain that was found in the year 1971 in Seattle. As of 2019, they have more than 30,000 stores that are present all over the world. They have been described or tagged as the face of second wave coffee which is basically a term that was popularized under the movement of artisanal coffee, and especially the dark roasted coffee. As of the start of 20th century, the companies have shifted their focus towards the third wave of coffee lovers and Starbucks has been no exception in this regard. The company is now focused towards the more quality conscious coffee lovers who are more into light roasted coffee. The company is now using the automated espresso machines for the safety and the efficiency reasons. The locations or stores of Starbucks serve both cold and hot coffee, the whole bean coffee, and the micro-grind instant coffee through café latte, espresso, and the loose leaf etc. The company is now also serving fresh juices, beverages and snacks to cater to the more diversified target market. One of the prime business strategies of Starbucks has been to diversify both in terms of the products and services, but also in terms of reaching out with their business to the global audience. They sell out sandwiches and even packed items like mugs and tumblers. The company experienced a downturn during the year 2008 and it had to shut

down thousands of stores across US. One the issues that the company was facing the cannibalization and the commercialization of coffee stores. There were so many stores that were operating in the same region that one store was eating up the business of the other. Thus, the company has been over the last 2 decades expanding to other markets and they now have an active presence throughout the world.

Background of the Idea

For the product idea that has been given out under the report here, it is important to analyze the situation of various regions so that it can be gauged whether the idea fits for these regions. For instance, the Arab region and especially the GCC region has been coffee lovers since a long time. They have been into drinking their traditional coffee like the traditional Qahwah Arabiya, which has been a loved trend for decades now. This was a part of the second wave coffee traditions of the Arab world. However, with the more recent times and the increasing globalization and influx of cultures, the tastes of the masses have become more diverse. From the Arabic Coffee and the traditional espresso style, the demand is now growing for the specialty coffee since 2016. The Middle East basically makes up for about 8 % of the whole third wave coffee spending as of 2016. This means that an amount of 6.5 billion USD is being spent in Middle East for coffee (Perfect Daily, 2019). The third wave coffee culture or the specialty coffee culture is also growing exponentially in the Middle East. The third wave of coffee lovers are enjoying coffee through associating more values to it. They want a coffee experience and a culture rather than just coffee. The values they attach not just include the taste and the ambience, but also the health values. One of the waves that is being seen all over the world when it comes to drinks and beverages like juice and coffee is the Yerba Mate based tea, coffee and beverages that are taking over the traditional beverages and coffee and tea etc. According to a comprehensive research carried out by report linker targeting Europe, MEA region, South America and North America, the Yerba Mate based beverages are growing at a rate of CAGR 4% which is quite good. There is an increasing acceptance towards these beverages and the coffee brands are including them in their menu (Report Linker, 2019). So, this is a part of the third wave coffee trend that is being seen across the world and thus presents a good opportunity for business like Starbucks to diversify their product portfolio.

Product Idea

Coming to the product idea based on the discussed trend of third wave coffee, Starbucks should develop a specific-niche specialty beverage coffee store under their brand all over the world. One of the issues that is being seen all over the world over the decades is an increasing rate of obesity in the young population. According to a report from world health organization, the obesity in the world has tripled since the year 1975. As of 2016, almost 1.9 billion of the population of the world was overweight and 650 million among these people are categorized as obese (WHO, 2018). It is a known fact that overweight and obesity are one of the prime causes of various diseases such as Diabetes and heart diseases. This has been due to the increasing rate of fast food consumption and a non-active lifestyle. However, the people and socially the youth with all the glamour and social media hype have become more health conscious and they are looking out for food and drinks that meets their taste and is also beneficial for their health. So, when it comes to coffee, there have been researches about how coffee with the right balance and organic values can help in weight loss (Kirby, 2019). So, for this reason, Starbucks should introduce is Yerba Mate beverage and coffee line. The Yerba Mate is a traditional beverage that is popular in South America that has been gaining worldwide popularity. It is known to have the true strength of coffee, the benefits to health like tea, and the joy

and taste like chocolate. The organic value of this coffee is that it made through herbal tea leaves and twigs of a plant that is known to have very high health values. The Yerba Mate tea and coffee has very rich antioxidants that are very highly beneficial for health. It does not only boost the energy, but also the focus. It reduces fatigue, enhances physical performance and causes to boost the metabolism (Petre, 2018). It is known that a good metabolism can result in reducing weight or stops the body from gaining fat. The Yerba Mate coffee and tea line is thus a prime opportunity to cater to the demand of third wave coffee lovers. For creating a more specialty value, the idea is that Starbucks launches it separate specialty stores all over the world that only cater organic coffee and beverages like the Yerba Mate.

RESEARCH METHOD

Opportunity Analysis

The opportunity analysis for any business idea is based on the analysis of the external market situation and dynamics of some industry, and the internal dynamics of the business. For this purpose, business can bank on analyzing the market standing or situation for the business, analyzing the global market conditions using tools like PEST analysis etc.

Market Analysis

In terms of the market dynamics, Starbucks for its Yerba Mate specialty coffee line and stores would not be facing much of a competition as the other cafes and stores are mostly serving traditional coffees. They have specialty items within their menus and not something which they market or project as a niche. For Starbucks, the company has a huge 10 % share of the overall world restaurant industry and thus they have a very strong brand image for being the largest and the most loved coffee chain in the world. The competition in the world is however tough as there are many international chains and the local cafes and coffee shops that are operating. The international competition comes from Caribou, Peets Coffee, Second Cup and others. However, when it comes to a specialty product like Yerba Mate, no renowned brand is operating in this niche as a separate business and this limits the competition for a brand like Starbucks that can use its brand name to create a distinct niche which aligns to the demands of the masses in the world. Starbucks is so loved in wide markets that in China, a new Starbucks was being opened every day (Gajsek, 2019). This goes to show how the company has a huge market value and can use this value to market its new product line.

PEST Analysis

This tool was formulated for research of the business environment in the 1960s and is used for strategic analysis and opportunity analysis for business. It covers factors like Political, economic, social and technological. For the purpose of having an insight about how political, Economic, social and technological factors make an impact on the business, the following is a PEST analysis for the coffee industry.

Political

The political factors that because an impact on the industry is attitude of the government and the trade dynamics between the nations producing coffee and the countries to which the coffee is exported. The company has to look into the dynamics of trade with countries where they will export their product and where they will operate their business. In line with the modern political trends, it is seen all over the world that the governments have become more open towards trade and are now operating as more global economies

(Perera, 2017). The political circles are now inclined towards framing policies that allow ease of doing business. They try to maintain cordial relations with the large investors and companies. For Starbucks, they have been operating since 1975 and have presence in more than 80 countries. This means that they have political links in these countries and they already have strong base which they can use to launch their new product line.

Economic Conditions

The economic conditions of the global market effect the purchasing power of the masses and thus the businesses. For a chain like Starbucks and for their new business line where new specialty stores will be opened, the exchange rates across the world would be cause of concern because these rates will affect their pricing strategy for the Yerba Mate based product line all over the world. A price strategy that is a cost leadership strategy in one country may be a high-end price for the other country. Thus, the relative exchange rates are very important to analyze for the company to devise their pricing strategy for the new product in these countries (Perera, 2017). They also have to look into the economic conditions for each country before deciding the scale on which the new idea will be launched there. For instance, for affluent economies like the GCC countries, the purchasing power of the masses is high as compared to some South Asian country like India or Pakistan. The overall economic conditions in the world are dynamic and fragmented. The offices of Starbucks in various countries can provide the data about how the markets are doing in terms of customer purchase power and then they plan the scale of launch accordingly.

Sociological Factor

One of the most important sociological factors when it comes to the consumption of beverages is the health consideration. One of the trends that is seen in the world over the past decade is that people are becoming more conscious about what they eat and they look into the health value. For instance, for coffee having high caffeine, it can cause sleep issues, irregular heartbeat etc. For the organic coffee and the organic beverages like Yerba Mate, the health values for their organic nature and weight loss values are high. This is a very important sociological factor that can be used as an appeal because the world is facing obesity issue and the connected issues that come with it.

Technological factors

One of the technological factors that is very important for the global coffee industry is brewing machines and technologies that have allowed companies to diversify tastes. The globalization and influx of more free trade or less restricted trade has made technological penetration effective all over the world. Technology can now be easily acquired and transported all over the world and this is a good factor for growth. So, Starbucks with their already existing networks can easily source technology all over the world for their new stores.

RESULTS AND DISCUSSION

What is Yerba Mate?

There are only a handful of plants in the world that produce caffeine, and yerba mate is one of them. Along with tea, coffee, cacao, kola (or cola) and guarana, the yerba mate herb is used to produce a caffeinated beverage. While prepared as an infusion to create a tea-like beverage, yerba mate contains no actual tea leaves. Yerba mate is an herb native to South America and is used to make the national drink of Argentina, Paraguay,

Uruguay and Southern Brazil. In fact, yerba mate is consumed 6 to 1 over coffee in these countries.

How yerba mate is prepared?

Yerba mate is prepared most traditionally in a gourd, or “mate”. While the original gourds were small bowls or cups made from hollow, dried-out squash, modern day gourds may be made out of metal, ceramic or wood. The yerba, or “herb”, is placed in the gourd and shaken, crushed or ground. Cold water is then poured into the gourd a little at a time so it has time to absorb into the herbs and prepare them for the infusion. Hot water (or sometimes cold, but never boiling) is then poured over the herbs to fill the gourd. The herbs infuse into the water to produce a tea-like beverage.

The infused yerba mate herbs are not strained out from the water as with tea or coffee. Instead, the beverage is sipped through a “bombilla”, a metal straw made of silver, copper or stainless steel with small holes at the bottom. The bombilla acts as both a straw and a sieve, so the liquid can be sipped while the herb bits are left in the gourd. Traditionally, yerba mate is prepared in one gourd that is shared; this is part of the social and cultural experience of drinking yerba mate. In a mate ceremony, the “cebador”, or mate preparer, prepares a gourd of mate, sips it down to make sure the mate is smooth, and then prepares another mate in the same gourd to pass from guest to guest. Each guest sips down a gourd of mate and returns it to the cebador to prepare another for the next guest in the circle. This is a traditional ritual of friendship and hospitality.

While gourd preparation is still the preferred way to drink yerba mate in South America, modern day methods work as well. Many companies marketing yerba mate as an herbal tea sell it in pre-packaged tea bags and as a loose-leaf herb. Yerba mate can be steeped similar to a traditional tea in a tea cup, teapot, French press or coffee maker.

At Teatulia®, we package our loose-leaf yerba mate in convenient and compostable corn silk pyramid teabags. Pyramid teabags allow extra space for the yerba mate herb to infuse with hot water, so you end up with a more flavorful brew. And a single pyramid bag can even be steeped two to three times.

Benefits of Yerba Mate Tea/Coffee?

Rich in Antioxidants and Nutrients

Yerba mate contains several beneficial plant nutrients, including (1Trusted Source):

Xanthines: These compounds act as stimulants. They include caffeine and theobromine, which are also found in tea, coffee, and chocolate.

Caffeoyl derivatives: These compounds are the main health-promoting antioxidants in the tea.

Saponins: These bitter compounds have certain anti-inflammatory and cholesterol-lowering properties.

Polyphenols: This is a large group of antioxidants, linked to a reduced risk of many diseases

Can Boost Energy and Improve Mental Focus

At 85 mg of caffeine per cup, yerba mate contains less caffeine than coffee but more than a cup of tea. Therefore, just like any other caffeinated food or beverage, it may increase your energy levels and make you feel less tired. Caffeine can also affect the levels of certain signaling molecules in your brain, making it particularly beneficial for

your mental focus (5, 6Trusted Source). Several human studies observed improved alertness, short-term recall and reaction time in participants who consumed a single dose containing 37.5–450 mg of caffeine. Additionally, those who regularly consume yerba mate often rave that it enhances alertness like coffee — but without the jittery side effects. However, these testimonials have not yet been scientifically proven.

May Enhance Physical Performance

Caffeine is also known to improve muscle contractions, reduce fatigue, and improve sports performance by up to 5%. Since yerba mate contains a moderate amount of caffeine, those drinking it can expect similar physical performance benefits. In fact, in one study, those given one 1-gram capsule of ground yerba mate leaves right before exercise burned 24% more fat during moderate-intensity exercise (12Trusted Source). A higher reliance on fat for fuel during exercise spares your carb reserves for critical high-intensity moments, such as cycling up a hill or sprinting towards the finish line. This could translate into better sports performance. The optimal amount of yerba mate to drink before exercise is currently unknown. May Help You Lose Weight and Belly Fat Animal studies show that yerba mate may reduce appetite and boost metabolism, which can help with weight loss (18Trusted Source). It seems to decrease the total number of fat cells and reduce the amount of fat they hold. Human research suggests that it can also increase the amount of stored fat that's burned for energy.

Furthermore, in a 12-week study in overweight people, those given 3 grams of yerba mate powder per day lost an average of 1.5 pounds (0.7 kg). They also reduced their waist-to-hip ratio by 2%, which indicates lost belly fat.

In comparison, the participants given a placebo gained an average of 6.2 pounds (2.8 kg) and increased their waist-to-hip ratio by 1% over the same 12-week period.

About the idea

In a country consumed by caffeine culture, there is a large market sector in the United States that relies on large doses of the drug to get through each day. While coffee has historically held the monopoly as this population's caffeinated drink of choice, energy drink and tea consumption has begun to increase in recent years.

With younger generations' rising concerns over their health and diets, herbal teas are seen as a healthier alternative to the milky, sugary drinks served in coffee shops across the country. The growing interest in alternative caffeine sources, as well as the expansion of global markets and products has led to the popularization and expansion of the South American plant, yerba maté. In the analysis of yerba mate's commodity chain, I focus on the brand starbucks to show the implications of the production and sale both on indigenous populations in global markets.

Since starbucks has international presence and the younger generation seems to be frequent customers of the place, a healthy initiative would give the starbucks push into health drinks as well.

According to the report over 70 million people in US are obese and since the herb is found in SA, and by its benefits they can easily have this on their menu because it reduces risk in the health of heart, and its also helps in weight loss.

Starbuck in the 'Land of Tea'

Tea is a drink which is popular in many countries. Not only is tea available in a variety of flavors, they are both caffeinated and decaffeinated. Its numerous antioxidants make it a nutritionally sound beverage. Deciding to start a tea business can be a profitable way

to share this product with other tea lovers around the world. Starbucks is expanding its tea offerings in Asia, in hopes of expanding its global sales for the drink to \$3 billion over the next five years. The new tea line, which includes drinks like the yerba mate and espresso fusion, black tea with ruby grapefruit and honey, and iced shaken green tea with aloe and prickly pear, is hitting all of Starbucks' approximately 6,200 stores in Asia this fall, completing a rollout across the region by the end of the year. Chinese consumers got the first taste of tea at the end of August, and expansions in Japan and India are slated for October and December respectively. It is the first time Starbucks has launched a brand on this scale since 2008, the company said.

"We're in very high-growth mode," said company spokesman Leo Wood. Starbucks began development of the new range more than a year and a half ago, Vera Wang, director of product line innovation for Starbucks China and Asia Pacific, said in an interview with Fortune. Consumers appear to be getting more sophisticated in their tastes, and "the growing middle class" of China that's looking for new experiences "is very in line with what the Starbucks experience is about," she said. Critics raised eyebrows when Starbucks first announced it would bring range of tea to China in March, wondering how the Seattle-based coffee chain would "carve out a niche for itself in the biggest tea-drinking market in the world,". But China's tea industry, which stands almost ten times bigger than the country's coffee market at about 63.2 billion yuan (\$9.5 billion), could pay off big-time for Starbucks, according to Bloomberg. The company plans to open 500 stores a year there, upping its current total of about 2,200 Chinese locations to 3,400 by 2019.

Definitely, the experience is going to be different in terms of who the customers are, the company came up with its new line by encompassing flavors customers were already familiar with, explained Wang. Jodie Minotto, a global food trends analyst at market research firm Mintel Group, said Starbucks' approach to yerba tea would likely prove a safe bet with consumers. "I think if they just didn't do anything new and interesting, it would be tough," she said. "But they are offering something really new, modern, and it's grounded in some safe, familiar ingredients."

CONCLUSIONS

- Customers in the region, "especially younger consumers in urban areas, are really keen to try new flavors, more premium products, more sophisticated products," adding that Southeast Asia in particular shows promise with "a very, very young population a lot of whom don't drink alcohol. So, in light of that, this type of offering would be really well received.
- I think what we're seeing here is younger consumers, they're trading up," he said. "Aiming at not only that young consumer group with new products and new and exciting products, but also something that's based on tea, which is a traditional drink, is likely to find favor.
- we have a green tea beverage, which is a flavor that they're familiar with, and then we add in a new ingredient and new texture that give it a different experience, so that's how it actually innovate and create an experience that is different for Asian customers."

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