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Organisational Growth with Strategic Alliance of Starbucks and Tata

Deepthi T N
Dayananda Sagar College of Engineering, Karnatka

Abstract: ***The role of strategic alliances in organizational growth refers to the study of how partnerships and collaborations between different organizations can play a pivotal role in facilitating the expansion, development, and overall success of each participating entity. This research area seeks to understand how businesses, non-profit organizations, or other entities can leverage strategic alliances to achieve their growth objectives, enhance competitiveness, and achieve various strategic goals. These alliances can take various forms, such as joint ventures, partnerships, mergers and acquisitions, or other cooperative arrangements, and the investigation typically involves analyzing the strategies, benefits, challenges, and outcomes associated with these alliances within the context of organizational growth and success. Research in this field can provide insights into the factors that contribute to effective alliances and how organizations can harness the power of collaboration to achieve sustainable growth and increased performance.***
Keywords: Strategic alliance, growth, objectives, collaboration, partnerships.

I. INTRODUCTION

In today's dynamic and highly competitive business landscape, organizations are constantly seeking innovative strategies to foster growth, expand their reach, and enhance their competitiveness. One such strategy that has gained increasing prominence in recent years is the formation of strategic alliances.

These alliances involve collaborations and partnerships between different organizations, each bringing its unique strengths and resources to the table to achieve mutually beneficial goals. This study focuses on a specific instance of such a strategic alliance, examining how the partnership between Starbucks Corporation and Tata Group, two global giants in their respective industries, has played a pivotal role in facilitating their organizational growth and success.

Starbucks, renowned for its premium coffee and global brand recognition, entered into a strategic alliance with Tata Group, one of India's largest and most diversified conglomerates, with a rich legacy spanning over a century. This alliance, which was forged with the aim of leveraging Tata's expertise in coffee sourcing and roasting, has not only significantly expanded Starbucks' footprint in the Indian market but also brought together the strengths and capabilities of two iconic brands. As we delve into the intricate details of this collaboration, we aim to unravel the broader lessons and insights that can be applied to the broader spectrum of strategic alliances and their influence on organizational growth.

The study of strategic alliances is of paramount importance as it provides a lens through which we can better comprehend the dynamics of corporate partnerships, the strategies employed to achieve growth, and the challenges faced along the way. By examining the Starbucks and Tata strategic alliance, this research seeks to shed light on the critical success factors and potential pitfalls that organizations should be mindful of when embarking on such ventures. The findings of this study may offer valuable insights to businesses across various industries, empowering them to make informed decisions regarding strategic alliances that can catalyze their own growth and success.

II. OBJECTIVES OF THE STUDY:

1) Assess strategic alignment with organizational goals.
2) Measure growth impact on revenue and market share.
3) Identify key success factors and best practices.
4) Evaluate operational integration and challenges.
5) Analyze effects on customer experience and branding.
6) Provide recommendations for future growth.

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III. LITERATURE REVIEW:

(Brian Tjemkes, 2017) Strategic alliances, which involve partnerships between organizations to achieve mutual goals, are a valuable but complex management tool. They offer benefits like cost reduction and access to technology, but also pose risks. "Strategic Alliance Management" offers a comprehensive framework for alliance development with a focus on key management challenges. Each stage is supported by theoretical insights, evidence-based guidelines, and real- world business cases. The second edition maintains its blend of academic and practical knowledge, featuring updated cases and five new chapters covering emerging alliance issues.

It's essential reading for business students and professionals keen on strategic management. (Darnall, 2015) While previous research considering the emergence of strategic alliances has typically viewed their formation through a single theoretical lens, we suggest that multiple theoretical perspectives are needed to understand their complexity. This research conceptually integrates the resource-based view and institutional theory to assess variations in firm-level motivations to form strategic alliances. Applying these ideas to the context of complex environmental problems, we propose that strategic alliances typically are either competency- or legitimacy-oriented, and that four structural dimensions characterize both types of alliances—organization learning, partner diversity, governance structure, and partner relations. We present research propositions that describe how alliances differ along these dimensions, and offer an important broader perspective on alliance formation that is applicable towards understanding their strategic and social outcomes.

(Maikel Kishna, 2017) In the pursuit of a more sustainable world, the development of sustainable technologies must be accompanied by efforts to enhance their perceived legitimacy among consumers. This paper explores the role of inter-organizational alliances in establishing legitimacy for sustainable technologies, focusing on bio-plastics in the chemical industry. Analyzing 105 alliances in the bio-plastics field from 1990 to 2013, the study reveals that alliances promote technology-sourced market and social legitimacy through technology access, collaborative development, and customer/partner access. They enhance technology legitimacy by leveraging positive externalities, signaling, and acting as institutional entrepreneurs. Notably, market/social legitimacy alliances are bilateral and profit-driven, while technology legitimacy alliances are multilateral and involve non-profit organizations.

(Corinne Post, 2014) A growing body of work suggests that the presence of women and of independent directors on boards of directors is associated with higher corporate environmental performance. However, the mechanisms linking board composition to corporate environmental performance are not well understood. This study proposes and empirically tests the mediating role of sustainability-themed alliances in the relationship between board composition and corporate environmental performance. Using the population of public oil and gas firms in the United States as the sample, the study relies on renewable energy alliances to measure sustainability-themed alliances and longitudinally analyzes lagged data for independent and control variables. The study found that (1) the higher the representation of women on a firm’s board, the more likely the firm is to form sustainability-themed alliances, and (2) the higher the representation of independent directors on a firm’s board, the more likely the firm is to form sustainability-themed alliances. Such alliances, in turn, positively contribute to corporate environmental performance. This paper discusses the study’s contributions to the board composition-social performance literature.

(Anselm Schneider, 2016) Organizations have to cope with the complexity of their environment in order to survive. A considerable body of research has shown that organizations may respond to environmental complexity by creating internal complexity – for example, by expanding internal structures and processes. However, researchers know less about how organizations create collaborative complexity collectively – for example, by establishing alliances or developing common standards. This paper uses social systems theory to explore how organizations collaborate in response to complexity and to analyse the conditions under which they create either internal or collaborative complexity (or both) to address environmental complexity. It also examines how these types of complexity feed back into environmental complexity. To illustrate our conceptual model, we use corporate social responsibility (CSR).

(Ying-Jiun Hsieh, 2019) Entrepreneurship has gained increasing research attention in recent years. Although researchers largely agree the importance of innovation in the process of entrepreneurship, little research explores how the emerging innovation approaches can facilitate the above process. Furthermore, there is a lack of studies on entrepreneurship adopting the open platform strategy in light of the digital evolution. To address this research gap, this study investigates how entrepreneurs can take advantage of the platform-based innovation ecosystem in the entrepreneurial process. First, the study discusses various platform-based innovations for entrepreneurs and elaborates on the implementation with examples and practices. Accordingly, the study demonstrates a framework which categorizes these innovation platforms to fulfill the needs at two pivotal stages of the innovation process (i.e. invention and commercialization) for entrepreneurs. The study also discusses the concerns and issues an innovation platform ecosystem may bring forth for entrepreneurs.

Finally, the study proposes a number of topics that merit further research. This study represents the first effort to categorize online platforms and develop an innovation process-based framework of platforms for entrepreneurs.

(Evans, 2019) "Strategic Management for Tourism, Hospitality, and Events" is a vital resource for students new to the subject. This third edition integrates fundamental strategic management principles with real-world industry case studies, including international examples from both small and large businesses. It covers emerging topics like big data, artificial intelligence, sustainability, and social media. The book offers web support for instructors and students, including guidelines, exercises, and video links. With an accessible style and helpful features, it's an indispensable resource for students in the fields of tourism, hospitality, and events.

(Bakker, 2015) I add to work that emphasizes the stability of strategic alliances by considering the consequences of alliance partner reconfiguration. I offer two contrasting perspectives: (1) alliance partner reconfiguration leads to disruption, hence increases the risk of subsequent project termination; (2) partner reconfiguration leads to adaptation, hence decreases this risk. Data on 1,025 interfirm Australian mining alliances (2002–2011) shows that on average alliance partner reconfiguration increases the risk of project termination. For firm exit from an alliance, the effect is contingent on a firm's resource base, but not for firm entry. Surprisingly, I do not find that alliance partner reconfiguration is beneficial in a dynamic environment. I discuss the implications of these findings for the literature on strategic alliance dynamics and that on strategic alliance outcomes.

(Darnall, Strategic Alliance Formation and Structural Configuration, 2015) While previous research considering the emergence of strategic alliances has typically viewed their formation through a single theoretical lens, we suggest that multiple theoretical perspectives are needed to understand their complexity. This research conceptually integrates the resource-based view and institutional theory to assess variations in firm-level motivations to form strategic alliances. Applying these ideas to the context of complex environmental problems, we propose that strategic alliances typically are either competency- or legitimacy-oriented, and that four structural dimensions characterize both types of alliances—organization learning, partner diversity, governance structure, and partner relations. We present research propositions that describe how alliances differ along these dimensions, and offer an important broader perspective on alliance formation that is applicable towards understanding their strategic and social outcomes.

IV. METHODOLOGY

In this chapter, the techniques utilized to conduct the survey, gather the data and also manner the researcher employed to produce this research report will all be explained. The population that has been assembled for the survey is only secondary data extracted from the websites and other sources of the company.

V. PRESENTATION AND ANALYSIS OF DATA:

Since 1971, Starbucks Coffee Company has been committed to ethically sourcing and roasting the highest-quality arabica coffee in the world. Today, with stores around the globe, the company is the premier roaster and retailer of specialty coffee in the world. Through our unwavering commitment to excellence and our guiding principles, we bring the unique Starbucks Experience to life for every customer through every cup.

Tata Coffee is Asia’s largest coffee plantation company and the 3rd largest exporter of instant coffee in the country. The Company produces more than 10,000 MT of shade grown Arabica and Robusta coffees at its 19 estates in South India and its two Instant Coffee manufacturing facilities have a combined installed capacity of 6000 metric tonnes. It exports green coffee to countries in Europe, Asia, Middle East and North America. In 2006, Tata Coffee acquired Eight 'O Clock Coffee Co., a segment leader in the US coffee retail market for US$ 220 million. Tata Coffee’s other areas of business include tea, pepper, timber and hospitality in the form of ‘Plantation Trails’ – which recreates the plantation lifestyle of yesteryears. Tata Coffee’s farms are triple certified: Utz, Rainforest Alliance and SA8000 reinforcing its commitment to the people and the environment.

Starbucks and Tata formed a strategic alliance in January 2012, with the goal of bringing Starbucks stores and its signature coffee and tea products to the Indian market. This partnership marked Starbucks' entry into the highly competitive and rapidly growing coffee market in India. Under the agreement, Tata Global Beverages Limited, a subsidiary of the Tata Group, and Starbucks Corporation created a 50:50 joint venture known as "Tata Starbucks Limited" to operate Starbucks stores in India. This joint venture represented a significant commitment from both companies to establish and expand the Starbucks brand in India.

The alliance began with an initial investment of $80 million, which was earmarked for setting up and expanding Starbucks stores across India. The ambitious plan was to open approximately 50 Starbucks stores in India within the first year of operation, with long-term expansion goals to further penetrate the Indian market. The partnership saw Starbucks and Tata working closely to adapt to the local market and customer preferences, aiming to create a unique coffeehouse experience that would resonate with Indian consumers.

In line with Starbucks' global approach of adapting its stores to local cultures, Tata Starbucks introduced Indian elements to its menu. In addition to offering Starbucks' signature global offerings, the menu featured locally relevant items, such as traditional Indian teas and snacks. This localization was essential to cater to the diverse tastes and preferences of the Indian customer base.

A significant aspect of the partnership involved sourcing and roasting high-quality Indian coffee beans. Tata Starbucks was committed to promoting sustainable practices in Indian coffee farming and incorporating these unique Indian coffee beans into its offerings, adding a distinctive dimension to the coffee experience in Indian Starbucks stores.

Tata Starbucks operated stores in various formats, including standalone stores, airport kiosks, and drive-thru locations to cater to different customer segments and locations. Training and employing local talent were also emphasized, with the joint venture investing in comprehensive training programs for its employees to maintain service and quality standards.

While the partnership encountered challenges in the Indian market, including stiff competition from established local brands, price sensitivity of customers, and real estate issues in major cities, it continued to expand its presence in various Indian cities. This success was attributed to its ability to offer a global coffee experience with a local touch, coupled with a strong emphasis on quality and sustainability.

Tata Starbucks' focus on sustainability and ethical sourcing of coffee beans was evident through its programs that supported local coffee farmers and promoted environmentally friendly practices. In addition to offering premium coffee and tea products, Tata Starbucks aimed to provide a premium coffeehouse experience to its customers, which included cozy store environments, high-quality beverages, and a variety of food options.

All the espressos sold in Starbucks’s Indian outlets are provided by TATA coffee. According to the part of the deal, Starbucks and Tata Coffee Limited will work toward developing and improving the profile of Indian-grown Arabica coffees around the world by elevating the level of Indian coffee. The Joint Venture company will also work on improving the quality of coffee through sustainable practices and advanced agronomy solutions. Starbucks never compromises on its location and always locate itself on high traffic and premium locations. Most of the stores are in Tier 1 cities (Mumbai, Delhi, Pune, Bengaluru, etc) major airports, and TAJ’s hotels and resorts. In India, the prime target for Starbucks is the younger generation within the age group of 16–40 years.

As Indians, we always have an aspiration for western culture and their lifestyle. Along with its western aspirational brand, Starbucks inculcates an essence of Indian local culture in its brand for India. Starbucks has also launched its delivery program, according to which they will provide home delivery from Starbucks outlets through its partnership with Swiggy.

In the same year, CEO Navin Gurnaney announced that Tata Starbucks would transition to using only compostable and recyclable packaging materials across all its stores from June 2020.

The Starbucks and Tata strategic alliance showcased how two globally recognized brands could collaborate successfully to enter and navigate a competitive market while respecting local culture and preferences. It not only allowed Starbucks to tap into the vast and growing Indian market but also enabled Tata to expand its presence in the premium coffee segment, making it a significant case study in international business partnerships.

A. Design of the Stores

Starbucks made the design of the stores very Indian. The main motive behind it was to make Indians comfortable and have a community feeling inside the outlets.

Mumbai stores have wooden tables with wooden carvings and Pune stores have copper artifacts that honor the copper culture of Pune.

Similarly in Delhi, the stores have the ropework design which was heavily influenced by the local culture.

B. Introduction of Indian Flavors

We Indians have the habit of eating along with coffee/tea. So, Starbucks has introduced Indian dishes like Konkani Twist or a Reshmi Kebab Roll in their menu along with other tried and tested muffins and sandwiches

As we Indians prefer tea more than coffee. Hence, Starbucks have introduced Tata’s branded tea called Teavana and Himalayan water beverages to add to the products.

Due to the introduction of these food items in their menu, the revenue from food and beverages is more than 35% in India which is more than 20% higher as compared to the USA.

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C. Keeping Competitive Price

Starbucks kept its price competitive in India as compared to its competitors like CCD, Barista, etc as India is a price-sensitive market. One of the major ways with which Starbucks minimizes its cost is by the help of TATA.

All the Starbucks coffee available in the Indian market is supplied by TATA Coffee. As a result, Starbucks saves a lot of money by not importing coffee.

D. International Ventures

The Tata Group and Starbucks Corporation have also collaborated on many ventures outside India.

Starbucks Reserve Tata Nullore Estates is the first-ever Starbucks Reserve coffee which is sourced exclusively from India which became the first Indian coffee to be roasted and sold at of Seattle in 2016. The coffee was later rolled out across Starbucks outlets in the United States

In the same year 2016, Starbucks began selling Himalayan bottled mineral water at its outlets in Singapore and also began retailing its products onboard all flights of Vistara which is a joint venture between the Tata Group and Singapore Airlines.

Starbucks CEO Howard Schultz has voiced his admiration for industrialist Ratan Tata's "grace" and wisdom. Howard said that he was moved by Tata's words during the launch of the first- ever Starbucks store in 2012.

Howard Schultz has even written an essay named "Reimagining INDIA: Unlocking The Potential of Asia's Next Superpower".

E. Success of the alliance in India

Tata Starbucks, a joint venture between the Tata Consumer Products Limited and Starbucks Coffee Company, has surpassed the Rs 1,000-crore sales mark for the first time in FY23, after starting operations about a decade ago.

Its net sales for FY23 stood at Rs 1,087 crore, representing a growth of 71 per cent over FY22. The company, in its earnings presentation, said that business was earnings before interest and taxes (EBIT) positive for the year.

The company mentioned that during the January-March quarter, Tata Starbucks recorded a revenue growth of 48 per cent, bringing FY23 growth to 71 per cent, albeit on a base impacted by the pandemic.

Tata Starbucks added 71 new stores and entered 15 new cities during the year in FY23, the highest-ever annual store addition. With this, the total store count now stands at 333 across 41 cities.

The coffee chain is now looking to rapidly expand its presence in the coming years, the company said in the investor presentation. "To achieve this, we are looking to enhance its relevance for more segments of consumers," the company added. It also mentioned in its presentation that the My Starbucks Rewards loyalty program crossed 2.3 million, registering a 100 per cent growth year-on-year.

The company highlighted that it ran its pilot programme in 2022 across four cities. It included introducing familiar options in its beverage menu, adding a new 6oz 'picco' size in hot beverages, revamping its food menu, and refurbishing store interiors. The pilot stores demonstrated improved operating metrics, it said, adding that these workstreams will be rolled out nationally in 2023.

Tata Starbucks arrived in India in October 2012, as a joint venture between Starbucks Coffee Company and Tata Consumer Products Limited. Since then, the brand continues to grow even as it faces increasing competition.

VI. RESULTS AND DISCUSSION:

The strategic alliance between Starbucks and Tata was established to introduce Starbucks' coffee culture and products to the Indian market and to cater to the unique preferences and tastes of Indian consumers. This partnership allowed Starbucks to enter the growing coffee market in India with the support of Tata's local knowledge, supply chain capabilities, and understanding of the Indian consumer.

A strategic alliance between Starbucks and Tata could capitalize on Starbucks' global coffee expertise and Tata's local knowledge in India and other markets. By establishing joint ventures, co-branded products, and leveraging each other's strengths in market expansion, technology, and sustainability, the alliance can offer unique and culturally relevant products while navigating regulatory challenges and building a strong supply chain. Collaborations in marketing, employee training, community engagement, and research and development can enhance customer experience and create a competitive advantage. This partnership presents an opportunity for both companies to strengthen their positions in the global market by combining their resources and capabilities effectively.

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VII. CONCLUSION

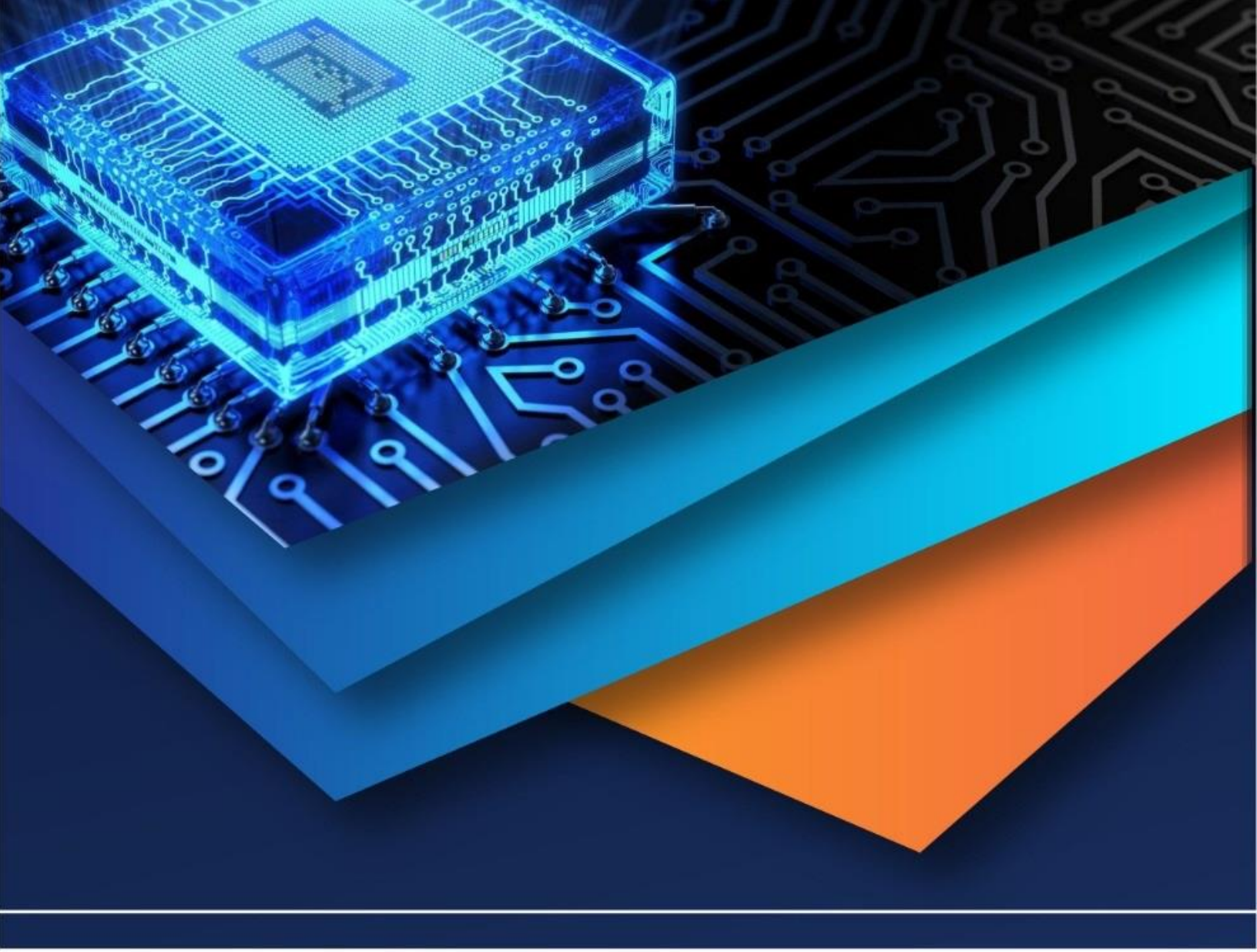
In conclusion, the strategic alliance between Starbucks and Tata holds significant promise for both companies as they seek to expand their global presence and offerings. By blending Starbucks' expertise in the coffee industry with Tata's local knowledge and extensive resources, the alliance can unlock opportunities for market growth, product innovation, and sustainable business practices. However, the success of this partnership will depend on effective collaboration, clear governance structures, and a shared commitment to their strategic objectives. By navigating potential challenges and leveraging their respective strengths, Starbucks and Tata can create a powerful synergy that not only benefits their businesses but also enhances the overall customer experience and contributes to the long-term sustainability of their operations. This strategic alliance has the potential to reshape the coffee and beverage industry and establish a lasting footprint in markets worldwide.

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