VILNIUS GEDIMINO TECHNIKOS UNIVERSITETAS
VERSLO VADYBOS FAKULTETAS
TARPTAUTINĖS EKONOMIKOS IR VADYBOS KATEDRA

Violeta Buiko

„KAVOS NAMŲ“ VERSLO INTERNACIONALIZAVIMAS

INTERNATIONALIZATION OF „COFFEE HOUSES“ BUSINESS

Baigiamasis magistro darbas

Verslo vadybos studijų programa, valstybinis kodas 62403S121
Tarptautinio verslo specializacija
Vadybos ir verslo administravimo studijų kryptis

Vilnius, 2010

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TVIRTINU
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ANOTACIJA

Baigiamajame magistro darbe nagrinėjamos kavos namų verslo internacionalizavimo strategijos, metodai, problemos, verslo internacionalizavimo teorijos, tarptautinių verslo tinklų teorijos, globalaus verslo plėtimosi galimybės ir sunkumai. Pateikti yra kavos namų verslo internacionalizavimo modeliai, jų analizė ir palyginimas. Yra išanalizuoti mikro ir makro aplinkos faktoriai įtakojantys kavos gėrimo tradicijas ir poreikius o taip pat pokyčius kavos namų versle. Darbo eigoje yra atlikti tarptautinių kavos namų verslo internacionalizavimo proceso tyrimai bei atlikta kavos namų rinkos apklausa.

Išnagrinėjus teorinius ir praktinius kavos namų verslo internacionalizavimo aspektus yra sukurtas kavos namų tarptautinio plėtimosi modelis ir suformuluotos išvados ir pasiūlymai verslui.

Darbą sudaro keturios pagrindinės dalys: probleminė, teorinė, praktinė ir projektinė, o taip pat įvadas, išvados ir pasiūlymai, literatūros sąrašas.

Darbo apimtis –87 p. teksto be priedų, iliustracijos, lentelės, grafikai, bibliografiniai šaltiniai.

Atskirai pridedami darbo priedai.

Prasminiai žodžiai: bendra įmonė, eksportas, internacionalizavimas, frančizė, kavos namai, licencijavimas, tarptautinio plėtimosi strategijos, verslo internacionalizavo metodai ir modeliai, visiškai priklausanti dukterinė įmonė.

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ANNOTATION

In the master thesis there are analysed the methods and strategies of coffee houses‘ business internationalization, theories of business worldwide expansion, theorie of international business networks, opportunities and barriers of business evolution and development across countries. There are presented, examined and compared entry modes of business internationalization process of coffee houses. There is made micro- and macro-environment‘s factors affecting habits, traditions and preferences of coffee consumption. Moreover, there are distinguished trends in coffee house business according changing situation in world market. There are made market researches of the international business expansion of coffee houses and performed market survey about coffee drinking tranditions in coffee house.

After investigation of theoretical and practical issues of coffee houses‘ business internationalization there was created model for coffee house business expansion across the world. There are introduced conclusions and suggestions for business crossnational development.

Master thesis consists of four main parts: problematic, theoretic, practical and project part. Moreover, there are displayed introduction, conclusions, reccomendations and references.

Volume of master thesis – 87 pg. without appendixes, figures, charts and tables, bibliography.

Appendixes are attached separately.

Keywords: acquisition, business international expansion strategies, coffee houses, entry modes, exporting, franchising, internationalization, joint venture, licensing, wholly owned subsidiary.

CONTENT

CONTENT OF FIGURES

CONTENT OF TABLES

INTRODUCTION

Through the overview of my diploma master work there are distinguished four main parts. The first part distinguishes the concept of internationalization, challenges and barriers of global expansion of coffee houses' business, globalization of coffee market, social networks and customers' behavior in coffee consumption. Theoretical part represents the theories of internationalization and networking in the application of coffee houses' business of different scientists. In the third part there are distinguished the biggest and well-known international entrepreneurships of coffee houses' business in particular markets. There are disclosed studies of global coffee market through main players of discussed business. The last part presents the suggestions and offers for global expansion of coffee houses business. There is recommended model for business internationalization across world market through appropriate entry modes according number of affecting factors.

The motivation why there is chosen internationalization problem of coffee houses' business is that there is a global economic impact on this business because of worldwide economic recession. As customers are the main source of revenues for the coffee houses it is important to investigate which strategy or business model to use according actual situation in order to succeed in a market and to survive. There will be presented the investigation of some global corporations running coffee shop's business. There will be made case studies through appropriate criteria of the leading coffee houses in global scale. Starbucks Corporation, Mc Café of McDonald's and coffee shops of Double Coffee have established enormous amount of stores in particular markets and worldwide. With the excellent and perfect job performance they are reaching new suppliers, partners and customers. As companies are seeking to treat each person respectfully and to become and remain leading coffee houses in world countries, firms look for opportunities to implement and expand their business idea in market of each country using different ways and entry modes of the development and global evolution.

The goal

In my final master work I will analyze the performance of Starbucks Corporation, Mc Café of McDonald's and Double Coffee as market leaders of particular international coffee markets. **The main problem of my work is that general internationalization theories need to be applied to coffee houses' business and the lack of systematical research in the field does not allow creating unique appropriate strategy modes of coffee shops' business internationalization.** I will distinguish strategies and entry models that are used by international coffee houses for maintaining their business and reaching new markets in a global scale. There will be made market researches of internationalization process of coffee business.

Tasks

In order to reach the main goal of my work I have set the following tasks:

- ✓ To perform the study of existing internationalization theories;
- ✓ To analyze the application of networking theories in the international business of coffee houses;
- ✓ To perform the study of tendencies of international coffee houses and coffee consumption;
- ✓ To analyze coffee consumption and business of coffee houses according macroeconomic factors during last decade;
- ✓ To distinguish business internationalization strategies, models and entry modes according business of coffee houses;
- ✓ To perform case analysis of main international coffee houses through chosen criteria;
- ✓ To analyze main players of coffee shops' in global market through results of questionnaire;
- ✓ To provide the offer of internationalization strategy for coffee houses' business.

Analyses that will be used in the work are study of entry modes of companies, analysis of scientific literature will facilitate to sense and realize the meaning of internationalization of particular business. Breakdown of scientific literature assists to generate an appropriate logic structure of all the master work. Investigation of factors affecting coffee house business running is needed to evaluate tendencies of coffee beverages' consumption and coffee shops existence. Macroenvironment scanning is helpful to understand the changes in the surrounding environment according changes in world political, economic, financial, social and technological life. Customers reactions to changing environment are needed to create business running plan for successful coffee houses existence.

1. CHALLENGES IN INTERNATIONALIZATION OF COFFEE HOUSES' BUSINESS

1.1. Barriers Faced by International Coffee Houses

Today's managers have constantly to make decisions how to use their opportunities and how to succeed all over the world with their business. The same rules are for coffee houses' holders. They carefully evaluate all the possibilities. In many industries and sectors, so in coffee houses' business as well the competition is like a global game. Competitors fight in variety of markets around the world. Today's world economy is composed of three spheres of economic influence: the triad of North America, Europe and Asia. The global trade has influence of such organizations as APEC, NAFTA and EU. Global business of coffee houses is dependent on theses agreements as well.

1) APEC (Asia-Pacific Economic Corporation) – have been working to reduce trade barriers and establish general rules for investment and policies that encourage international commerce.

2) NAFTA (North American Free Trade Agreement) – combines the economies of the United States, Canada and Mexico into the world's largest trading blog. All the exports within those countries are duty free. They are three large trading partners. They are benefiting in capital-good suppliers, manufacturers, producers, distributors in the auto and financial industries.

3) EU (European Unification) – integrating economically to form the biggest market in the world. Goods, services, human resources, capital flow freely across national borders.

The General Agreement on Tariffs and Trade (GATT) allows coffee houses' companies to sell and invest in markets that were closed to them before – making the trade liberalized. Because of that competition through this business increases. The most efficient players will survive in the global climate. Large and small companies analyze nowadays' world as a one marketplace.

As today trade is on global view, opportunities are higher because many protected national markets are open. Today's world trade of coffee market is complex because managers have to evaluate and deal with radically different countries with distinct preferences and cultures. Coordination of globally dispersed operations needs much more effort and expenses. The competition is much more intensive because a coffee shop is competing not only with domestic firms but with cost-efficient overseas rivals.

1.1.1. Globalization of Coffee Market

There is a strong relation and simultaneous process of coffee market by importing countries and producing ones. The same is with other commodities but there is concentration on globalization of coffee market. Through physical and social needs of customers there is the increase in coffee production and human welfare. In the figure 1.1 there is presented the production of coffee by two types of the year 2008/2009.

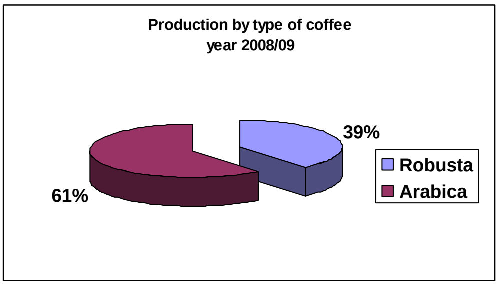


Figure 1.1 Production of Coffee by Type
Source: [71, 86, ICO: Coffee market report March 2010]

Even though world faces global economic crisis of 2008 – 2010, the consumption of coffee drinks is stable. In some countries it grows even each year because people just have switched to cheaper suppliers. This fact is presented in figure 1.2. We observe the evolution of coffee consumption through different prospects presented in the figure 3 and table.

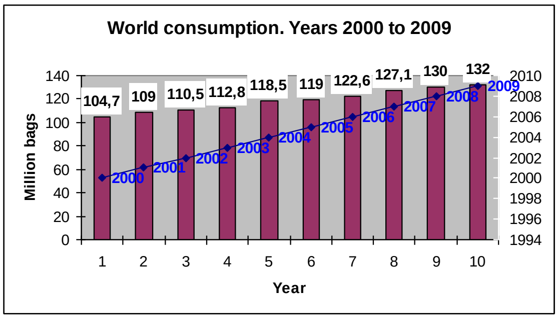


Figure 1.2 World coffee consumption
Source: [71, 86, ICO: Coffee market report March 2010]

In the table 1.1 there is shown coffee consumption 2 years ago by ten leading countries in the world. It is clear that USA and Brazil are main players in the consumption of the beverage. But if it is taken the continent, Europe was clear leader of the coffee market of 2008. This data we observe in the figure 1.3 (World Coffee Consumption in 2008 by Continents).

Table 1.1 Coffee Consumption of 2008 by 10 Leading Markets

Estimated consumption in 2008: 10 leading markets by volume (in million 60-kg bags)	
USA	21,7
Brazil	17,9
Germany	9,6
Japan	7,1
Italy	5,9
France	5,1
Russian Federation	3,7
Spain	3,5
UK	3,1

Source: [71, 86, ICO: Coffee market report March 2010]

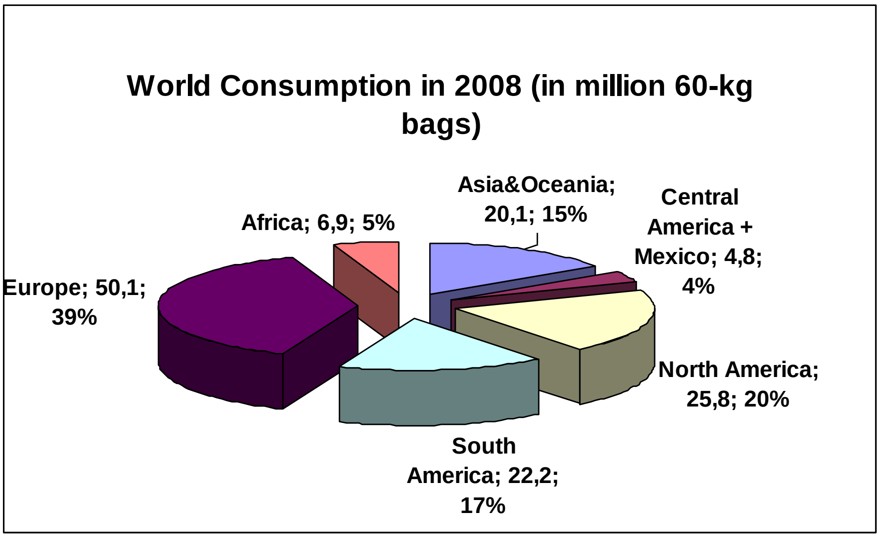


Figure1.3 World Coffee Consumption in 2008 by Continents
Source: [71, 86, ICO: Coffee market report March 2010]

Table 1.2 represents world coffee consumption evolution comparing 2000 and 2008 years. The comparison is divided to traditional markets, producing countries, emerging countries. At the end there is estimated total coffee consumption of 2000 and compared to 2008 year. We observe the huge growth of global consumption of this commodity and beverage by humankind.

Table 1.2 World coffee consumption Evolution 2000 - 2008

	2000 (in thousand 60-kg bags)	**2008** (in thousand 60-kg bags)	**Annual growth (%)**
Traditional markets	63 377	68 584	0,88
Producing countries	25 604	35 855	3,81
Emerging markets	15 744	25 565	5,53
WORLD TOTAL	**104 725**	**130 004**	**2,43**

Source: [71, 86, ICO: Coffee market report March 2010]

Overall market data shows that coffee sales represent themselves to be secure against the global economic crisis. If the sales do not grow they remain stable in coffee sector. Talking about the coffee houses we can observe a little bit other situation. People nowadays tend to spend less on coffee beverages in coffee shops according overall lower incomes. Customers leave the loyalty to cafes and tend to drink cheaper drinks. There is still big amount of clients of coffee houses but it is diminished from the beginning of the world economic recession. Customers nowadays are much choosier. Clients nowadays avoid high-prices coffee drinks such as lattés, mochas and so on and stay with basic ones. The recession has affected the coffee shops according the prices and servicing. As customers are tend to save money because of not predictable future coffee houses are forced to reduce the prices on drinks in order to remain clients and revenues. Since the downturn in the economy of 2009-2010 the sales of coffee houses has suffered about 30 percent drop from a slower stream of clients that are spending less almost on everything. Even though business of coffee houses is down significantly it still is alive. Although customers are not so regular nowadays, they are coming still. Clients avoid buying different sandwiches or cakes together with the drink, they prefer simple cup of coffee just for energy. Many coffee houses serve customers just with the hot water that maintains the revenues of the restaurant, because very often clients come with their own coffee bags and just need cup of hot water. People all over the world are hearing enormous amount of news about the critical situation on the state economy and because of that they are forced to tighten the belt. Even people who are not afraid of loosing their wealth prefer to save money even on cup of coffee. Because coffee is not a product of first need the coffee houses are one of the more unfortunate victims of the recession. People are afraid psychologically of spending money on expensive coffee drinks.

Starbucks Corporation remains nowadays its prices of $4 – $5 for a latte or cappuccino, and this price is high enough. But people are drinking even more now; they just switch to less expensive coffee beverages. Cafes or restaurants of specialty coffee observe the changes in preferences of their loyal customers. People drink almost the same amount but choose cheaper stuff, that's why consumption remains stable even though revenues are decreased.

World coffee exports amounted to 7.8 million bags in December 2009, compared with 9.02 million in December 2008. Exports in the first 3 months of coffee year 2009/10 (October, November, December 2009) have decreased by 9.6% to 21.3 million bags compared to 23.5 million bags in the same period in the last coffee year of 2008. In calendar year 2009, exports of Arabica amounted 60.2 million bags compared to 63.5 million bags last 2008 year; whereas Robusta exports amounted to 34.5 million bags compared to 34.2 million bags. [70, pg. 4, 5, 6]

1.1.2. Tendencies in Coffee Consumption in EU

According International Coffee Organization European citizen consume about 4 – 5 kg of coffee per year in average. But such country as Luxemburg, the state with the greatest coffee fans, each resident consume up to 17 kilograms of coffee per year. [70, pg. 7]

European Union has arisen to a high extent culture of drinking coffee. Stylish coffee shops and houses have appeared almost in each corner in Europe. The same is with fast food cafes that has aroma coffee drinks in their menu. According AC Nielsen, a market research company, consumption of coffee and coffee-based mixes grew by almost 7 and 19 percent in European Union countries during 2008 – 2009 year. This beverage continues to be best-seller for many years and for a now it is difficult to predict that the coffee segment will be a leader in the next few years because of crisis tendencies. In the table 1.3 there is presented coffee consumption of traditional markets of European Union and compared to USA and Japan. There is compared consumption of citizens of such countries as Germany, Italy, France, Spain and UK and presented evolution from 2000 till 2008 of coffee beverage consumption.

Table 1.3 World coffee consumption Traditional market Evolution 2000 - 2008

	2000 (in thousand 60-kg bags)	**2008 (in thousand 60-kg bags)**	**Annual growth (%)**
Total	**63 377**	**68 584**	**0,88**
European Community	38 005	39 867	0,53
Germany	8 770	9 554	0,96
Italy	5 149	5 937	1,60
France	5 402	5 154	-0,52
Spain	2 991	3 485	1,71
United Kingdom	2 342	3 067	3,04
USA	18 746	21 652	1,61
Japan	6 626	7 065	0,72

Source: [71, 86, ICO: Coffee market report March 2010]

European Union is an established entity to form the biggest market in the world in which all the assets - goods, services, human resources, capital - flow freely across national borders. [70, pg. 6-7].

There is established one more agreement - the General Agreement on Tariffs and Trade (GATT) that allows coffee houses' companies to sell and invest in markets that were closed to them before – making the trade liberalized. Because of that competition through this business increases. The most efficient players will survive in the global climate. Large and small companies analyze nowadays' world as a one marketplace.

Restriction and Taxes on Imported Coffee

Coffee nowadays is one of the most popular beverages in the world. Due to the last data of statistics of International Coffee Organization, in 2008 it was estimated that people all over the world consume up to 501 billion cups of coffee every day. The main producer of coffee is Brazil with almost a third of the entire world's produced coffee. There are employed over 5 million people in the cultivation and harvesting of the commodity of over 3 billion coffee plants. Conditions of access on agricultural products as well on coffee are affected by the operation of Common Agricultural Policy (CAP). There are set number of tariffs and quotas on different items that affect world market. Even though there are more open conditions of access of such items as coffee that is not produced in EU, restrictions on imported items are set in order to:

- ✓ increase productivity by promoting technical progress and ensuring the optimum use of different factors of production process, e.g. labor force;
- ✓ to establish and insure fair standard of living;
- ✓ to control and stabilize markets;
- ✓ to control and secure availability of suppliers;
- ✓ to ensure customers with items of reasonable prices.

The import duties of coffee are the same for each country member. The tariffs applied to products imported from U.S. are the Most-Favored-Nation (MFN) tariffs that apply to other agreements of WTO. Many countries enjoy lower tariffs within the scope of different trade agreements. For example, under the Uruguay Round Agreement, the EU agreed to reduce import tariffs for agricultural products by 36 % for 6 year implementation period. The last tariff rate reduction took place on July 1, 2000. Tariffs on imported coffee to the EU countries are the following:

Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion:

− **Coffee not roasted:**

- ✓ Not decaffeinated: Duty Free

- ✓ Decaffeinated: Duty of 8,3 %

− **Coffee roasted:**

- ✓ Not decaffeinated: Duty of 7,5 %
- ✓ Decaffeinated: Duty of 9 %

Other:

Coffee husks and skins: Duty Free

Coffee substitutes containing coffee: Duty of 5 %. [71, pg. 91-93; 76, pg. 10-11]

Due to International Coffee Organization each country government has the power to pass restrictions on an imported coffee to ensure that its nation purchases only Fair Trade Certified coffee goods. It would give possibility to create networks between countries based on fair trade of the commodity and working on similar issues. There was established in 2001 (renewed in 2007). The International Coffee Agreement that consider the international cooperation on coffee trade that will foster the economy development of coffee-producing countries, the improvement between coffee exporting and importing countries referring to political and economic relations. [73, 74, 75]

1.1.3. Social Networks and Changing Customers' Behavior

As coffee sector companies are linked to trade in the global manner and build their brand name awareness in international markets, mergers, acquisitions and partnerships are on the rise today. Those challenges encourage companies to invest internationally and innovate in order to apply the strategy and achieve objective. The issue is that companies are focused on creating cooperation with core and well known brands in order to be guaranteed and safe about the consequences. Going internationally companies have to be familiar with customers' preferences of distant countries. Marketers are using different kinds of media and internet to build the knowledge and awareness of the brand name and product line. The power of digital items creates opportunity for coffee drink companies to reach distant customers and make conversations with them.

Coffee houses' business distinguishes processing of raw material of coffee beans into forms that are ready to distributed and sold to customers. There are many companies engaged in the distribution of coffee beverage products to customers. On the one hand, coffee is delivered to the customers through grocers and supermarkets, on the other restaurants, coffee shops provide clients with already finished and prepared beverages.

Business firms in coffee sector as in many others today face pressure to find more effective ways to deliver their products and services to the ultimate customers through delivery channels and outlets. In today's competitive environment of coffee sector companies are concentrated not only in the delivering goods to the customers but they are pushed to redefine the supply chain system in effective and valuable functioning in order to establish efficient network of all interacted entities and eliminate errors.

Companies involved in the business of international coffee trade have to maintain effective supply chain management as transfer of coffee items as goods of food and beverage sector must be exact and without any mistakes and failures. Companies have to demonstrate great capabilities in logistics management.

Trends of coffee consumption

Nowadays it is growing number of people that are **eating and drinking away** of home. It means that there is opportunity and possibility of expansion of coffee houses and shops. Coffee sector's companies spend a lot of time and money on the research about human habits and preferences of the beverage. Coffee drink producers and retailers believe they are able to serve the customers and provide them with beverage items for having them out of home. **Healthy food and beverages** are becoming more and more popular in the globe. Coffee drink items containing fewer calories and or only organic ingredients are the topic of consideration of today. Coffee beverage containing different supplements is gaining the huge popularity nowadays and is the successful and well established drink of many companies. **Rising costs** are becoming the problem for the companies in the coffee sector for coffee houses. There is huge competition between actors in this sector according to increased costs of petroleum and raw materials in agriculture industry. As production and transportation costs are growing it is difficult for companies involved in the coffee sector to raise their prices accordingly profit margins suffer as a result.

As the competition among coffee houses is really strong and responsible for the health maintenance of human, quality control and assurance is vital. There are established **food and beverages safety programs** where the public heath is the main concern. [68, pg. 19-23]

As overall and global human lifestyle is active today, the food and beverages industry is on steady growth with rising demand because people are more concerned on time saving for food and beverages preparation. Having coffee out of the home or work brings high quality and advantage of active population's life. Perceived value, corporate and brand reputation is the asset and concern of companies involved in this competitive sector. A brand's reputation is the biggest concern of firms as consumers around the world, especially in Europe, are interested how companies manufacture their products. In order not to loose customers and sales companies have to be responsible for their brand name's reputation. [76, pg. 6-9]

1.2. Theoretical Priorities of Internationalization of Coffee Houses' Business

Supply chain in international coffee houses' business is explained as an international networking of involved firms as resource extractors, manufacturers, producers, retailers, wholesalers, suppliers, and distributors and so on. There is no exact and clear theory for coffee houses business. In the internationalization process of coffee houses entities the relationships between the actors are established on law and regulations' basis. Different participants are in different level that allows one party to take the control over another. Such inter-organizational relationships' predictors as efficiency, stability and legitimacy are of huge importance.

The concept of supply chain as a network in international business emphasizes competitive advantage through increased operational efficiency and market responsiveness from the production start point through distribution processes to the end user achieving higher input/output ratios. There are discussions about the future competition between chains not between firms. Critics identify strong influences in the supply chain networks and power among networks members, processes of chain development and innovation. Many international business networks are unstable when they are acting in small industries. Firms involved in these networks have to clearly understand their position in the chain, their responsibilities, and the location in hierarchy among channel members in order not to loose and to disturb all the network performance. [77]

Potential benefits of effective supply chain management are success in delivering the goods to the final customers measured by time, responsiveness of services distributing goods. It is very important for international companies as the trade is taking place not in the domestic country but in global scale. Goods have to cross the borders and reach goal points in quick manner in order to satisfy customers and achieve the goal of the business.

The supply chain in coffee houses' business shows number of connected and cooperating firms and organizations. The network begins from primary producer and ends by the end user. Between those two actors exists number of nodes that make and maintain valuable relationships and ties that cannot be damaged in order to reach the objective of the business. All the nodes (distributors, suppliers, retailers, wholesalers, parent companies and subsidiaries and so on) are involved in the different processes and activities. All actors increase the value in form of products and services of the whole business network. Coffee houses' traders as beverage retailers maintain strong relations with their suppliers' and foreign partners, seek to increase the efficiency and productivity in order to reduce overall costs and be marketplace winners. Suppliers and partners in turn seek to maintain long-term relationships with focal company, trying to get projects for the next year (s) by guaranteeing their delivering services. Coffee shops' businesses look for opening new economic distribution options in order to find more effective and shorter ways to reach the end-customer. [69, pg. 1-19, 32-44]

Coffee retailers interact in their business and supply chain networks target country's organizations that provide with low-cost technologies, local knowledge, experience and skills to ensure the success in new markets according customer preferences. As an example, Starbucks Corporation that all the time seeks to reach new markets in the globe. Starbucks Corporation attempts to maintain effective supply chain and logistics management that helps to achieve cost advantages. The same action we can observe in giant coffee restaurants as Mc Café of McDonald's and the Corporation of Double Coffee that attempt to make effective networks of parent company, its subsidiaries and different partners overseas to satisfy goals of each entity of the network.

Customer service has to be fully attended in coffee beverages business. Coordination processes in the coffee supply chain of coffee house has to ensure the customers' satisfaction. However, not all actors in this sector are fully geared up logistically to serve the customers as quick as they wish and with highest quality. Very often happens that the coffee products are damaged or consist of not-necessary items; all of that makes customers unhappy and disappointed by the trading company. In that case international firm collects many failures that could lead to decrease of its market share.

1.3. Issues and perspectives of Internationalization of Coffee Business

In general all of free world's economies are interrelated and look for participation in a global trade through enterprises. Today technology and manufacturing are developed to the point where domestic markets are not able to support efficient operations because they are too small and to narrow. Nowadays problems of the global scale such as environment cannot be solved on a national basis. Borders are not respected any more because solutions for global problems require international cooperation. Today there is huge transnational competition in case of increasing number of firms and emergence of strategic networks and alliances. Nowadays international businesses, coffee business as well, are based on overseas exporting and outsourcing, global expansion and development. Coffee producing and trading firms face thousands of worldwide suppliers that encourage global rather than national sourcing. Internationalization of coffee business represents many of aspects that include trade, investment and ownership, manufacturing and sourcing, markets and customers, finance; and technology and R&D.

To maintain successful international business network in coffee houses focal and involved companies has to evaluate its customer service levels because customers are not ignorant to the performance of the firm. It is necessary to monitor and control the efficiency of their logistic performance and to calculate logistics costs in order to compare with alternatives. IT systems could be really helpful to support logistics functions inside the network. O'Reilly, Paul mentioned in his book about logistics that information technologies would help companies to raise the capabilities of the business. IT adds value to coffee sector and coffee shops to a high extend as it helps to transfer the ordered beverage items at the right quantity, in the right place, at the right time and under the right price. Effective supply chain operations mean having the right information in a timely manner about all the mentioned steps. Information technologies help to maintain vital, quick and right information flow in the network among the all players along the chain. IT has capabilities to maintain the intellectual resources flow and linkages between nodes in a quick manner inside and outside the company trading in the coffee sector. Companies trading in the global scale in the coffee houses business should realize that incorporation of information technology into their businesses would help to decrease or even eliminate unnecessary costs and timing, increase the efficiency of operations and competitiveness in worldwide business and global market. It is valuable assets of IT in described business because with a help of computer the transfer of goods will be simplified by improved physical tasks' coordination, connection and control of distant activities, communication linkages between production and distribution centers.

There are number of business internationalization strategies, models or entry modes. Different scientists and theorists define them differently. For the business internationalization companies have to choose the way of global expansion evaluating its capabilities, opportunities and microenvironment of target country. There is number of factors affecting the choice of entry mode of internationalization. Each of international expansion models has advantages and disadvantages that need to be evaluated before entering new market abroad. Such factors as culture and human perceptions of foreign country play and important role in the company's choice of business internationalization strategy. For example, if we would compare such countries as Luxemburg and Ukraine we will observe huge difference in coffee consumption in these two countries; when Ukrainian resident drinks in average 2 kilograms of coffee per year, the citizen of Luxemburg consume up to 17 kilograms (in 2006 citizen of this country consumed up to 8 kg per year) of this drink per year. [78] Because of that, companies should evaluate each factor that has any impact on the internationalization success of the business. Companies before starting business abroad should compare different entry models and apply them to their activity. While licensing brings for a company lower development costs there is lower control and monitoring over the technology and quality of the business. While joint ventures provide company with a local knowledge there could appear conflicts between partners. So, there are many issues according internationalization models and strategies that are evaluated and compared in the following part of master thesis for the better understanding and decision on entry mode for the business internationalization. Very often companies switch from one internationalization model to other one while facing loses in the revenues and profits. As well, companies use different entry modes at the same time but applying them to distinct countries depending on number of factors that differ according different scientists. [79]

Nowadays companies do not act as alone individuals but take place in business networks as they cannot be perfect in every activity that is involved in the business. There is a principle: *"Do what you do the best and outsource the rest"*.

2. BREAKDOWN OF THEORIES OF INTERNATIONALIZATION AND NETWORKING IN THE APPLICATION OF COFFEE HOUSES' BUSINESS

2.1. Critical Study of Internationalization Theories

There are a lot of theories of internationalization defined by researches and scientists. The theory of internationalization as in Johanson and Wiedersheim-Paul (1975), Johanson and Vahlne (1977), Luostarinen (1979), Welch and Luostarinen (1988), Luostarinen and Welch (1990), Vahlne and Nordstrom (1988) and others, defines internationalization as a process of slow expansion of the company from country to country. They argue, that this process of acquiring knowledge, information, experience, skills and many other resources is sequential as companies expand worldwide. A typical foreign entry pattern is by exports through local agents in new markets followed later by licensing and a wholly owned subsidiary/manufacturing plant. The theory of internationalization is about the process of company's internationalization process in a globe, during which information sharing and organizational learning takes place. Although it is difficult to generalize, Sullivan and Bauerschmidt (1990) define internationalization process as exporting that considers valuable means of diffusion and expansion.

Some scientists define the early version of internationalization theory as very simplistic providing with examples of such countries as Italy and Israel. Early version of internationalization explains that companies from these countries while exporting goods abroad have not progressed sequentially and globally. Italian and Israeli firms did not gather knowledge, learning and did not expand their business worldwide with subsidiaries or joint-ventures; they just increased they communication efforts through their distribution agents. Critiques state, that simple theory was appropriate to the internationalization process of firms only till middle seventies when the market was not so globalised as today. But, for example, Johanson and Mattson (1988) are sure that those two theories of internationalization complement each other. They argue that there is a network model representing different levels of internationalization conditions depending on the degree of company's internationalization and global penetration. There are number of entry modes that can be successfully used by a firm while expanding internationally. Companies can use their competencies and competitive advantages exporting goods to global market. Johanson and Mattson defines the complementation of two theories of early and nowadays' internationalization process because organizational learning is valuable wealth and intangible advantage of international companies especially in MNEs.

There is one word very similar to internationalization – internalization, but it is very distinct one and Rugman (1981) has distinguished them as two approaches. He states that in internalization process there are just three main stages:

1. Exporting
2. FDI
3. Licensing

FDI (Foreign Direct Investment) is playing an important role in the world economy as companies of all sizes invest in overseas operations. The major investors of U.S. companies invest in Europe and Japan, while Japanese and European companies invest in U.S. The growth of world trade, FDI, and imports implies that firms around the globe are finding their home markets while attacking by competitors.

Talking about internalization, Rungman says that licensing can be only in the mature stage of product life cycle because foreign markets are fully segmented and the dissipation of company's specific advantages cannot be avoided. Scientist says those three stages in servicing a foreign market are the reverse to the process of internationalization that is combines of broader amount of activities:

1. Licensing
2. Exporting
3. Establishing of local warehouses and direct local stores
4. Local packaging
5. Establishing joint venture
6. FDI

Internationalization of firms augments their profit. Indeed, not only profit can rise but other intangible resources as well – knowledge, experience, organizational learning, skills and so on. Farok J. (2007) states, that in modern world the linkage between company's internationalization and financial performance appears more and more.

2.1.1. Stages of Internationalization

Talking about evolution of international expansion, Kundu Hsu (2003), Lu Beamish (2004), Thomas Eden (2004) explain internationalization theory of the firm distinguishing 3 stages of global firm's expansion. They state, that there are incremental benefits and costs in each stage while adding new notions and markets to the company's existing portfolio of countries. In the first and third stage of internationalization, Kundu Hsu, Lu Beamish and Thomas Eden see the excess of incremental costs over incremental benefits while evaluating the degree of global expansion. According mentioned scientists, in the early and last stage of internationalization firm faces more expenses incorporating new nations. They state, the second stage is the best one form the company while expanding internationally as it performs more benefits and profit.

Early Internationalization

Zaheer Mosakovski (1997) has the same opinion as scientists discussed before explaining **1 stage of internationalization**. Initial expansion of the firm brings liabilities of it to abroad institutions and expenses in terms of company’s pure knowledge about foreign market, notion and culture. There are as well huge adaption costs to the local condition and nation costs. (Doz Santos Williamson, 2001)

Caves (1971) says, *"The foreign enterprise must pay dearly for what the native has acquired at no cost to the firm (because it was part of the entrepreneur's general education) or can acquire more cheaply (because as it were the native knows where to look)"*. He states, that expanding business abroad at the very beginning of internationalization it is possible to reach only one or few foreign markets as it brings huge starting costs while setting new international operations and controlling. Such expenses in the initially stage of global firm’s evolution will exceed each per unit of product sold abroad, per nation or whatever index of worldwide expansion. Benefits or revenues earned in the first stage of internationalization are not greater that all costs faced by a company. The financial performance has negative shape.

Later Internationalization

Company expanding internationally begins to gathering benefits in the second stage of internationalization. In this stage incremental benefits exceed the costs. The period of the early stage of firm’s internationalization depends on number of factors such as the sector of company’s business, the characteristics of home market, the aspects of foreign nation and market conditions. Duration of stage first as well depends on number of markets and nations the company is seeking to reach. There are additional incremental costs of legitimacy acquisition, local adoption, control and coordinating, organizational learning for every additional international market added. In second stage of internationalization those costs begin to be exceeded by benefits and profit. Those benefits are in different shapes: tangible and intangible. I will discuss them from scientific attitude.

- *Knowledge*

According Kogut Zander (1993), Ghoshal Bartless (1990), the knowledge acquired from abroad has different meaning than organizational learning that will be discussed latter. This knowledge is about gathering information about foreign country, its nation and market requirements. Company expanding its business abroad increases its opportunities on foreign knowledge that is not so easy reachable for domestic competitors or less internationalized rivals.

- *Accessing cheaper inputs*

This benefit includes lower costs on any input such as labor. This benefit is more accessible for the companies that have already reached more nations and have better and stronger position in international market. But if there are more firms with the same strategy and competition is very intense, that could lead to low or even zero profits of each.

- *Exploitation of firm- specific assets carried to each foreign market*

Each firm has its own competencies or core capabilities that can be successfully used in foreign country outdistancing competitors in the market. Caves (1996), Hymer (1976) and Buckley (1988) states this benefit can be achieved for a considerable period or even indefinitely. Organization's knowledge is often sticky and not easily imitable for local competitors and brings possibilities to the successful firm's internationalization in a new market. Intellectual property and corporate capabilities give company specific advantage over the competitors in target country. Continuous investment in R&D can keep company ahead of rivals.

- *Accumulation of market power because of wide multinational presence*

Kogut (1985) believe the successful foreign market entry depends on the size and consistent of nations in the firm. Being large and combining people from distinct countries enables company to establish its preferred technical standards and create global brand equity, recognition and respect. In that way, company gains the financial muscle on global market.

- *International scale*

Buckley Casson (1976), Caves (1996) and Hymer (1976) analyze the international demand combined of more than one country that brings company great profits. I agree with the scientists and in my opinion bigger market requires less production costs, just coordination and investment in R&D could require more expanses. The only question remains is the demand. Reached profit depends on the nations' requirements and perceptions of output. IF people are satisfied with the product of international firm company has high opportunities to reach the market with its production. In that way, company gains the respect of the foreign nation building its brand name, performance, good reputation and position in international market over its rivals.

- *Geographical diversification*

Geographical diversification states about the higher profits of the international company. There has to be evaluated risk reduction while operating in several nations at once because of not the same business cycles. Siddharthan Lall (1982) argues that while geographical diversification international firms have to measure macroeconomic factors such as multi-currency cash flows and interest rates.

- *Internationalization experience*

Company while expanding internationally gains more experiences how to reach new nations and markets with less failure. Gaining more market opportunities company is becoming more familiar with distinct populations. While adding more markets abroad firm is experiencing itself in each culture with different perceptions and preferences. With more experience distinct territories become more familiar and the risk is better evaluated. Johanson Vahlne (1977) describes international expanding as gaining more foreign knowledge. It is true but not the same as international experience. Knowledge is just information and experience is already the actions of the entity while performing some tasks or activities. Accumulating experience, company is able to evaluate where it has competencies and potential possibilities to success and where it has to invest in order to improve its capabilities.

Excessive Internationalization

Internationalization of the company is good for its profit enlargement and risk reduction in a foreign expansion. But this process is profitable to a certain moment when internationalization begins bringing the reduction in the revenues. When company serves some countries with its production it is in the later internationalization process which gives more benefits than costs. But, according Bartlett Ghoshal (1989), Sunderam Black (1992), Hitt Hoskisson Kim (1997) and Hoskisson Turk (1990) argues that the control and coordination of business in a global market while serving a huge amount of countries requires great expenditures. According scientists costs in such situation exceed profit gained from international trade because multiple transactions among many geographically diversified units claim for enormous amounts of money that are bigger than the value of resource sharing and opportunities' exploitation. Firms in the third stage are very near to over-internationalize and once more affect the negative performance.

"... firms which are not at their optimum degree of international diversification will experience lower performance". (Hennart 2007, p. 446) Why companies appear in the excessive internationalization? Acoring Hennart (2007) companies deviate from optimal internationalization process while choose the foreign markets randomly without any risk evaluation. This is the one argument for the over-internationalization. The other argument is that succeeding in the global market expanding business the company enjoys it to a huge extent and does not know when to stop. That leads to impossibility for the firm to react quickly enough to the changing environment of technology and competition.

Summarizing the 3-stage model of internationalization theory I can state that the first and the last stage are of short period and perform negative outcomes and financial results of the firm. The middle stage – later internationalization – represents the positive performance of company's business of international expansion. For the company it is very important and useful to create networks while expanding business in international scale. It is not needed for a firm to have just its own knowledge; it can rely on knowledge and experiences from the relationships made with other firms even in international context. Creating different alliances increase the capabilities of the firm with the resources of the other nodes of networks. (Thomas D., Eden L., 2004)

2.1.2. Business Internationalization Strategies

Scientists from international business management identify strategies for international competition. Christopher A. Bartlett, Sumantra Ghoshal (1991), Sumantra Ghoshal, Ninit Nohria (1993) analyze a company's position on an integrational-responsiveness grid as presented in figure 2.1.

Pressures for global integration	**High**	**GLOBAL** Views the world as a single market. Operations are controlled centrally from the corporate office.	**TRANSNATIONAL** Specialized facilities permit local responsiveness. Complex coordination mechanisms provide global integration.
	Low	**INTERNATIONAL** Uses existing capabilities to expand into foreign markets.	**MULTINATIONAL** Several subsidiaries operating as stand-alone business units in multiple countries.
		Low	**High**
		Pressures for local responsiveness	

Figure 2.1 Organizational Model
Source: [Sumantra Ghoshal, Ninit Nohria (1993)]

Pressures for global integration

According scientists, pressures for global integration depend on the needs of customers. There are discussed universal needs that create a big pressure for a global strategy. Universal needs are those of similar tastes and preferences of customers from different countries (Christopher A. Bartlett, Sumantra Ghoshal, 1991). Because of that, products that are satisfying universal needs require low effort to adapt across national markets, so global integration is facilitated. Scientists argue if prices are the main weapon and competition is intensive competitive pressures to reduce costs may force a company to globally integrate manufacturing. Sumantra Ghoshal, Ninit Nohria (1993) states, that another factor that can create pressure for global integration is the number of competitors engages in global strategic coordination. Decision making process should be centralized within all national subsidiaries.

Pressures for local responsiveness

In different countries tastes and preferences of customers can vary in a high extent. Because of that international companies have to adapt to different needs of different nations and to varying living conditions (e.g. in Britain people drive on the left site of the road). There should be adapted different management practices according differences in distribution channels and sales in distinct nations and states. Finally, there should be evaluated economic and political conditions in a foreign state with its distinct rules.

- ✓ ***The International Model***

The international organization model is designed to help companies to use their core competencies in foreign markets. In this model there are subsidiaries in each country in which company run its business. There is ultimate control of each subsidiary by parent company. Focal (parent) company has to investigate different market researches and developments in case there is difficult for any subsidiary to adapt the product to a local nation. Consequently, there is high control and coordination of parent company for development of new products, services, ideas over the dependent subsidiary. In this model of international company there is the advantage of easy flow of know-how and skills from parent company to any distant subsidiary (Sumantra Ghoshal, Ninit Nohria, 1993). The disadvantage is that the model does not provide maximum facilitation for responding to local conditions. In addition, there are no opportunities to achieve low-cost position in local economy.

- ✓ ***The Multinational Model***

This model uses subsidiaries but independent ones in each country in which company run a business. Subsidiaries are able to respond by themselves with self-contained functions required to local changing conditions. Each subsidiary has its own independent manufacturing, marketing, research and human resources functions. This autonomy gives each subsidiary opportunity to decide by itself what decision to choose according local customers' preferences, competitive conditions, and political, legal and social issues. In multinational organization model there is less need for control and coordination of headquarters from parent company. Sumantra Ghoshal, Ninit Nohria (1993) and Christopher A. Bartlett (1991) talking about disadvantages state that there are higher manufacturing costs. Even though there is as well possibility to transfer skills and know-how from parent company in this organizational model, company cannot realize economies of scale and offer standardized product to the world market. Moreover they agree it is much more difficult to coordinate global attacks of rivals.

- ✓ ***The Global Model***

This model enables company to produce standardized products in the global marketplace and to realize it in the most favorable locations according costs and skills. Companies of this model view global market as with no tangible differences according tastes and preferences. Scientists agree that firms of global organization model are ones of the low-cost players. They realize scale of economies because they select locations with low-costs. These scale economies are because of fixed costs for investment producing new goods and equipment. The disadvantage is small responsiveness to customers' tastes and preferences because of standardized production. This process could lead company to failure because standardization does not satisfy the global demand. The transfer of goods evolves number of problems especially through the global scale. Transfer pricing could be very complicated according volatile exchange rates.

- ✓ ***The Transnational Model***

Sumantra Ghoshal, Ninit Nohria (1993) and Christopher A. Bartlett and Sumantra Ghoshal (1991) state, that this model was created to simultaneously pursuit of the gains from local responsiveness. Such function as research is run definitely only in parent company. Other functions are as well centralized but not necessary in focal firm but in these states that give company cost economies, e.g. production in low-wage countries. Such functions as marketing and service are located in all subsidiaries in order to facilitate local responsiveness. There is high and quick communication among subsidiaries' network, so the transfer of skills and expertise is quick.

2.1.3. Internationalization benefits in Coffee Shops' Business

Internationalization process gives many benefits and advantages for many states and companies in the world; it as well affords big risk according complexity and growth of the company and its offered production. Nowadays, wherever you go and wherever you are, you can observe international cafes and coffee houses that offer their traditional menu of coffee beverages. The popularity is very high of them; people very often prefer to enter the foreign café and to have a cup of drink. It could be the threat for our national coffee houses, shops or restaurants, because there is possibility for them to experience low turnovers in case of decreasing number of customers. But the popularity of Lithuanian coffee houses is a well at a high level and customers are visiting our national coffee shops with pleasure.

Companies trading in this sector must realize that the orders could be of one day period so interacted actor in the supply chain networks has to react quickly and efficiently. "It is no longer possible to manage the business as it were in vacuum with no connections with other organizations" (Christopher, 1998). Foreign coffee houses such as Mc Café of McDonalds', Starbucks coffee shop, Double Coffee are running their business in foreign countries opening their restaurants and maintaining the coffee drinking traditions of original countries in order to reach customers and not to loose them. International coffee shops try to offer new features to the clients in order to switch customers from traditional coffee servers and suppliers to them. Foreign companies of coffee houses try to occupy the market offering customers greatest menu of beverages, the most appropriate prices and use many others ways to reach populations. Even though, in Lithuanian case, our national coffee houses such as Coffee In or Double Café have a good popularity and reputation as well, and at the moment it is problematic for foreign competitors to gain all the Lithuanian market.

To increase overall competitiveness of the international business companies are rather convinced to outsource some activities they are not good at. Christopher (1999) states that outsourced activities to a third party can improve the service performance. Companies compete not as single entities but as supply chain networks. Mangan and Hannigan (2000) agree that companies should run by themselves only those tasks that present the best performance, other activities should be outsourced from companies that are performing them with core competencies and effectiveness.

Mostly new coffee restaurants, cafes come to our countries from U.S. Such coffee shops as Mc Café of McDonald’s, Starbucks Corporation or Double Coffee are national coffee houses of America. Even though they offer meal of unhealthy ingredients but people like the taste of coffee beverages and visit them very often. Why customers like these cafes? One of the advantages would be that these coffee shops serve customers in a quick manner, so people do not have to wait in long queues for the cup of coffee. Internationalization in coffee houses is developing in high extent. People are more and more interested in visiting foreign cafes because of new tastes, traditions.

The internationalization process of coffee shops is at the very core of economic globalization. Giant commercial companies such as McDonald’s, Starbucks, Double Coffee and others provide the linkages between geographically separate countries and make them interdependent according food production and trade market. Those companies play fundamental role facilitating the business of coffee houses in distinct notions. It is clear that few years ago many companies were acting as traders separately; each was running businesses only inside the origin country. Nowadays services trade actively in international extent expanding the boundaries of tradability. As technological progress further reduces communication costs, trade in coffee houses is expected to continue to expand briskly.

For developing countries, the internationalization process of cafes and rapid technological progress affords many opportunities and challenges to success. It facilitates the communication and cooperation among the companies in international scope. Opportunities for foreign investments, investments in modern IT and new exports attract strong companies running coffee business. Technological progress allow countries to overleap stages of development in building their info-infrastructures, thanks to technological discontinuities e.g., the emergence of digital networks. International services are interested in developing and making positive affect on environment. As customers are one of the most important factors in business, companies are ready to fill all the requirements according the environment-friendly business. The success of trade, exports potentiality, economic productivity and competitiveness of international corporations depend to high extent on customers' opinion and loyalty.

2.2. The Application of Networking Theories in Coffee Houses Business

The most valuable wealth of networking is information and its flow. Firms and businesses are combined in networks in order to reach competitive and strategic advantage and unique capabilities over competitors. Cooperating companies are able to share practices and knowledge that facilitate to succeed in the market. Nowadays information is the most valuable resource in business as well in international one. Chains of firms facilitate the overall transmission of an inimitable and non-substitutable resource to all members and coffee houses.

The idea of the following part of my master thesis is to show theories of networking and qualitative nature of relationships in international business of coffee houses. I analyze coffee business through coffee shops and houses within the network theory frameworks. I will apply networking theories to coffee houses' such as Starbucks Corporation, Double Coffee and McDonalds' Mc Café because they are leaders in the discussed sector.

It is obviously that American coffee shops are nowadays seen in almost every corner of the world. Such coffee houses as McDonald's' Mc Café, Starbucks, and Double Coffee in Baltic states and many other cafes that represent one of the fastest growing segments in public catering industry. Almost all of them are franchises, subsidiaries or joint ventures. Some of them are planning to build more branches and units overseas to become giant international corporations. Franchising requires changes in products, services and other processes that make changes and impact on economical, cultural, technological and social environment. Internationalization and brisk expansion of services bring huge impact on the economic global markets such as Pan-Pacific, European Union, Africa, Middle East and South America.

Network theory has developed since 1950's. It was widely used in such areas as computer science, electrical engineering, engineering economics, and biology, where it explained complex processes (Chen, 1990; Song, 2005; Heyman, 2006). Nowadays networks and networking theories are applied to business applications (for example logistics systems).

In my master thesis I discuss the networks and networking in international business of coffee shops. The realization of benefit of international network membership is to achieve the knowledge, practice, information and learning that circulate within firms located inside and outside the home country. As Barney (1991) and Penrose (1959) distinguish: firms are heterogeneous bundles of resources and capabilities. Knowledge heterogeneity within the networking firms has important effect on the business performance. Diversity of practices, experience, and information broaden the capabilities of the firms. However, distinctive resources sometimes bring difficulties for the network partners. For example, communication, information flow and exchange can be problematic within international business of coffee houses network when members have different vocabularies or paradigms.

System of supply the goods that consists of the chain of connections and alliances to satisfy the ultimate customer of the supply chain with the needed amount of goods, under appropriate price and with the needed demand is called inter-enterprise network. International business networks are used by companies that receive incoming supplies in order to transform them to the usable products or services for distribution and sale entity that in turn provides those goods to the end customers.

"The greater the diversity of alliances maintained, the richer would be the benefits of the firm's portfolio" (Burt, 1980, 1992; Granovetter, 1973). Alliance is friendly association or agreement established by entities for achieving common goals. In my master thesis I discuss alliances as international business networking in Starbucks Corporation, Mc Café of McDonalds Company and coffee house of Double Coffee. More diverse contacts provide with higher outcomes of the business economic performance and profit margins. International relationships provide firms the access to such benefits like information, markets, technologies, resources, experiences, skills, inter-firm learning, and risk sharing. Companies are seeking to group into international networks in order to use dissimilar but complementary strategic capabilities to form blocks in an effort to improve their abilities to complete in a global market. Social, cultural, economic and political conditions increase the challenge to firms of integrating in cross-border business. Companies fundamentally are concerned with economic results so successful networking means ability to quick adaptation to changing environments and globalization of market.

Theorists have suggested that networks are social structures that provide benefits to participating firms and that most organizations use these relationships to enhance the inflow of specific information, resources, and products (Barney, 1991; Gulati, 1998). Networks in international business play important role in case of economic activities and development of trade in global market. In international trade of coffee houses' networks facilitate the volume of trade across the borders. Strategic Alliances are one of the business network types. Strategic alliances are the networks of companies trading in the same industry. Such networks do not require linking costs. (Casella, A. and Rauch, J. 2002).

As Wallner (1999) states, nowadays businesses going global integrate everything from local relationships based on mutual trust to global networks and networking supply systems based on agreements, legal contracts.

By many theorists networks are characterized as connections of system nodes that could be of different shape:

- ✓ company;
- ✓ group;
- ✓ individual;
- ✓ project;
- ✓ function;
- ✓ idea.

Networks' characteristics are described as follows:

- ✓ connectivity;
- ✓ criticality;
- ✓ loops and cycles;
- ✓ dynamics;
- ✓ modularity;
- ✓ trees and hierarchies;
- ✓ network scale and scope:
  - – the number of connections and nodes
  - – the number of the layers in the network (the complexity of the network)
- ✓ Quality of connection:
  - – the strength of the connection
  - – the right connection to the right node (the usability of the relationships). (Kim, J. and Allenby B R., 2007).

Networking plays an important role in improvements of operational systems reducing the complexity of the number of involved entities. In the international business network relationships present visual existence of actors as coffee houses and their dependence on nodes (figure 2.2). Network concepts can be successfully used and applied to almost all systems or problems; the knowledge of modeler is just needed to correctly construct the proper networks with right ties and nodes. Networks are acceptable for many businesses and entities as they visually present the whole needed data.

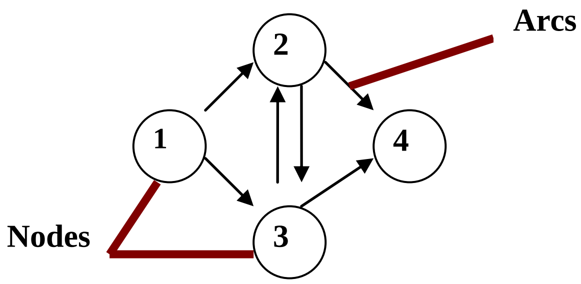


Figure 2.2 Network Flow Model
Source: [made by author]

In the Figure 2.2 we can observe number of nodes connected with each other. The nodes in international business network of coffee houses are parent company and subsidiaries, franchises or licenses. The arcs represent the relationships and ways how all the resources, information and other assets are flowing. In the table 2.1 there are presented examples of network systems, what are the nodes in these networks, how and by what items the actors (nodes) are connected.

Table 2.1 Network Systems

Network System	Nodes	Arcs	Flows
Transportation Urban Air Rail	Intersections Homes Places of Work Airports Railyards	Roads Virtual communication Links Airline Routes Railroad Track	Autos Information Planes Trains
Manufacturing and Logistics	Distribution Points, Processing Points	Routes Assembly Lines	Parts, Products
Communication	Computers Satellites Phone Exchanges	Cables Radio Microwaves Virtual Networks	Messages Voice Data
Energy	Plumping Stations Plants	Pipelines Grides	Water Gas, Oil, Electricity

Source: [made by author]

2.2.1. Types of Networks

Social Networks

Social networks are the relationships and multiple contacts between people, organizations, and information/knowledge processing entities (Figure 5). About this kind of networks write Hanneman, Robert A. and Mark Riddle (2005) in their theories. Social networks connects units in distinct organizations with similar believes and preferences. There are important the relations between actors. The following in the social networks is important: all the involved in social network nodes are interdependent on each other. Wasserman S. and Faust K. (1994) state that analysis of the node of the networks is not just analysis of one unique actor, it in analysis of the node as itself depending on the ties and interconnected units.

Transport Networks

Transportation systems consist of end users – customers that create the demand, the merchandise locations where the goods are sold and the last member of the system are entities that maintain movements of products. All of these actors create the transportation networks. The theory of transportation networks are described in the works of Anna Nagurney "Decision-Making for the Information Age" (2002) and Sheffi Y. (1984). She is discussing the complexity of transportation networks where the success and efficiency of the network depends largely on the actors – travelers that have exactly predict their action plans and scenarios and to calculate the periods of products' flow between nodes. The goods' transfer mainly depends on number of units involved in the transferring goods form one point to another.

Industrial Symbiosis Networks

The linkages between industrial facilities create the industrial symbiosis network. The importance of this kind of networks is that waste products in one industry can be used and turned into the resource for use in other industries. It is the network of well-functioning ecosystem. Henning G. (1997) in his theory defines industrial symbiosis networks as systems of industries and distinct companies that meet environment protection and increase the viability of industries.

Vertical Business Networks

Vertical business networks present the product creating strarting in point A, improving it in point B, adding the additional features in point C and so on till the end-point customers. It is the supply of product from the item creation location through the all integrated actors to the end-user.

Horizontal Business Networks

In this business network operate different companies but in one industry seeking to increase the economies of scale of the product through purchasing, training, technology sharing, marketing or export development and international trade.

Cross-Sectoral Networks

There are involved small companies of different sectors. Sharing the information, knowledge and other intellectual skill entities are seeking to create new product, design innovations.

2.2.2. Models of Strategic Networks as Entry Modes for Coffee House Business

Different companies use different strategies in order to reach customers, to gain the biggest market share and to have high turnover. It is difficult to decide what strategy to use, so companies to try them and to predict the consequences. Strategy plays the fundamental role on firm's business success. To run the business in a global scale managers have to make decision about the strategy for international trade. There are five main entry models of worldwide expansion: exporting, licensing, franchising, entering into joint venture with a host country company and setting up a subsidiary in a foreign state.

Business network models visualize the structural environment of relationships of entities. Business networks are created as strategic instruments for the companies and industries in order to achieve the business objectives and development availability. In table 2.2 there is presented comparison of entry modes by Thomas S. Bateman and Scott A. Snell (1996).

Table 2.2 Comparison of Entry Modes

	EXPORTING	**LICENSING**	**FRANCHISING**	**JOINT VENTURE**	**WHOLLY OWNED SUBSIDIARY**
Advantages	Scale economies Consistent with pure global strategy	Lower development costs Lower political risk	Lower development costs Lower political risk Fast	Local knowledge Shared costs and risks May be the only option Political considerations	Maintains control over technology Maintains control over operations 100 % share of profits Location and experience Curve economy
Disadvantages	No low-cost sites High transportation costs Tariff barriers	Loss of control over technology Risk for losing know-how	Loss control over quality Difficult monitoring	Loss of control over technology Conflict between partners	High, full cost High, full risk Culture problems

Source: [made by author]

1. Exporting

Thomas S. Bateman and Scott A. Snell (1996) agree that exporting is very often the first mode of global company's expansion. Company faces high scale economies selling its products in a foreign market. But it can be negative when foreign countries offer lower costs for manufacturing. Then, company switches from exporting to another mode of internationalization's entry mode. Other disadvantage is that there could be high transportation costs. One more drawback could be the imposed tariff barriers by foreign country.

According to Da Rocha and Christensen (1994), exporting as entry mode is the escape of a company to act in the domestic market. Theorists say it is particularly in countries with small domestic market. I do not agree with this statement; to my opinion companies with successful business choose exporting as entry mode to enlarge their business internationally no matter what is the size of its domestic market.

H. F. L. Chung and P. Enderwick (2001) say that exporting belongs to non-equity entry mode and has the following advantages: it avoids costs of establishing manufacturing operations and may help achieve location economies and experience. Among disadvantages they mention competition with low-cost local manufacturers, tariff obstacles and possibility of high transportation costs.

2. Licensing

Thomas S. Bateman and Scott A. Snell (1996) mention it is the arrangement when a company from abroad (licensee) buys the rights to manufacture a product of the licensor under the negotiated fee (basically royalty payments of the number of units sold). Then licensee invests for the overseas operation going. When the company licenses its technological expertise and know-how to overseas countries it is very dangerous, because it "licenses" its competitive advantage.

G. Yang and K. E. Maskus (2001) relate FDI and licensing. They agree that licensing reduce development costs and risks of establishing foreign company, overcome restrictive investment obstacles. Theorists mention lack of control and difficulty of cross-border licensing that creates the competition.

While investment through a wholly owned subsidiary results in largely similar routines being sustained, due to relation of know-how and path dependence, licensing on the other hand does not involve adequate interaction for significant exposure to and absorption of information (Pisano, 1988; Vernon and Wells, 1986).

3. Franchising

It is very similar to licensing, even though this model is used primarily for service companies. E.g. McDonald's has expanded overseas by franchising. In discussed entry mode the company (franchisor) sells limited rights to use its brand name to foreign company (franchisee) in return for a payment and a share of the franchisee's profit. Unlike licensing, there are set strict rules for franchisees how to do the business. E.g. when McDonald's sells its brand name and sets identical rules of restaurant business running for franchisee.

Advantages of franchising are very similar to licensing, while drawbacks are about the quality control. There could be losses in sales if franchisee is less concerned about the quality rather than franchisor that serves customer with a huge respect. So, customer expects the same servicing quality overseas. If he is not satisfied in one of companies' franchisees, the reputation falls down of the brand name in a global scale. Quality coordination and detection is pure if the distance between franchisor and franchisee is very big. Franchising offers fast food companies a relatively low-risk investment while facilitating a low-cost transfer of know how, technology, training and management skills to other parts of the world. It is easy to conduct business across borders.

Regarding Rubin (1978) and Klein (1995) franchising as entry mode can be attractive if profits of the operation managed in a foreign market are high as other activities of productivity are difficult to control, monitor and measure. Distance and exchange of rights to use the trademark of franchisor to franchisee make barriers to monitor activities regarding productivity in a company outside the domestic country.

4. Joint venture

Joint venture – it is cooperation of number of businesses goal-oriented when the separate common organization with its own management, employees and systems is created (Anthony Goerzen, Paul W. Beamish, 2005). According Thomas S. Bateman and Scott A. Snell (1996) joint venture brings company many advantages entering a new foreign market. Company obtains knowledge from its partner in an abroad country about the state's competitive conditions, culture, language, political systems and business systems. The other advantage while creating a joint venture is that company is able to share the costs and risks with the local partners. It is much easier to start the business abroad making joint ventures rather than entering new market on the company's own. The disadvantage is that company has to share the control over the technology together with venture partner. So there could be lost the control over company's subsidiaries.

According to Pisano (1988) and Killing (1994) joint ventures (JVs) can be an attractive vehicles for increasing firms' capabilities when the development of all the necessary know-how is viewed as too slow process through licensing. JVs provide the structural mechanisms for enhancing more intimate interaction for the interchange of knowledge (Killing, 1983; Kogut, 1988).

Mechanisms such as board membership, missions of selected personnel to key positions at various levels, adaptation of systems, etc. are more characteristic of JVs than non-equity collaborations (as exporting is) and facilitate information flows effective coordination. Moreover, shared ownership also creates greater alignments.

5. Wholly Owned Subsidiary

Establishing the independent subsidiary in a foreign market is the most expensive entry mode of a parent company. There is the full bear of costs and risks in overseas market, on the contrary to joint venture. The advantage is that subsidiary is able to control its technology and none else. Second, it gives parent company the control over operations in other countries if parent company would choose to expand the business globally. In wholly owned subsidiary decision about prices, amounts, how to produce – are decided centrally in parent company.

According John R. Ezzell, Hsu H. Christine and James A. Miles (1991), wholly owned subsidiary is defined as an operating firm, that with its all common stocks is owned by a holding parent. They agree that wholly owned subsidiary hold by a parent has no risk to loose technological competence. There is strong and tight control over the operations in these subsidiaries located in foreign countries all over the world.

2.2.3. Factors Affecting Strategic Networks as Entry Modes

In the Figure 2.3 we observe factors that influence entry mode decision. Chen and Mujtaba (2007), distinguish firm-specific factors, country-specific factors and market-specific factors that influence company's decision of its business' internationalization strategy.

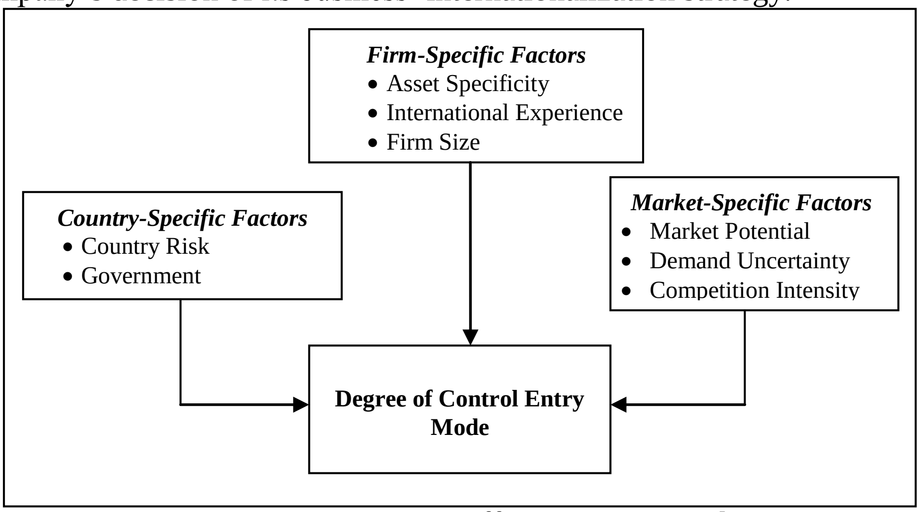


Figure 2.3 Factors Affecting Entry Mode
Source: [Chen and Mujtaba (2007)]

Firm-Specific Factors

There are distinguished three main firm-specific factors: asset specificity, international firm' experience and company's size. *Asset specificity* refers to all company's products and technologies that could create risks because of the threat of possibility. International experience is all gained knowledge from the target market in order to avoid problems of international market transactions. According authors, the larger the firm the greater opportunity it has to expand resources and avoid risks. Chen and Mujtaba agree, that the better developed firm-specific factor are, company has better control over entry mode.

Country-Specific Factors

Chen and Mujtaba (2007), define country-specific factors as government restrictions and country risk according different political, legal, institutional or cultural dimensions. *Country risk* is all about the unpredictable changes in environment. Authors say that the higher country risk the lower control of entry mode parent company has. *Government restrictions* are all regulations and laws of the target country that influence the business running of foreign company. The theory supports that the higher restrictions impact on lower control of company's entry mode into foreign country.

Market-specific Factors

Chen and Mujtaba (2007), point out three main dimensions of market-specific factor that influence company's choice of entry mode in internationalization process. *Market potential* refers to the potential size and growth of the target foreign market. According theorists, the greater potential of the target market refers to the higher control of entry mode. *Demand uncertainty* refers to the unpredictable changes in the foreign market demand. Authors agree that if it is difficult to evaluate the demand of products or services in international market the degree of entry mode control is higher. *Competitive intensity* defines the degree of competition in a foreign market. The bigger number of competing firms refers to the higher control of company's entry mode.

There are some other factors that influence the company's decision about entry mode into foreign market. According Root (1994), all the factors are divided into two groups: internal and external ones (Figure 2.4).

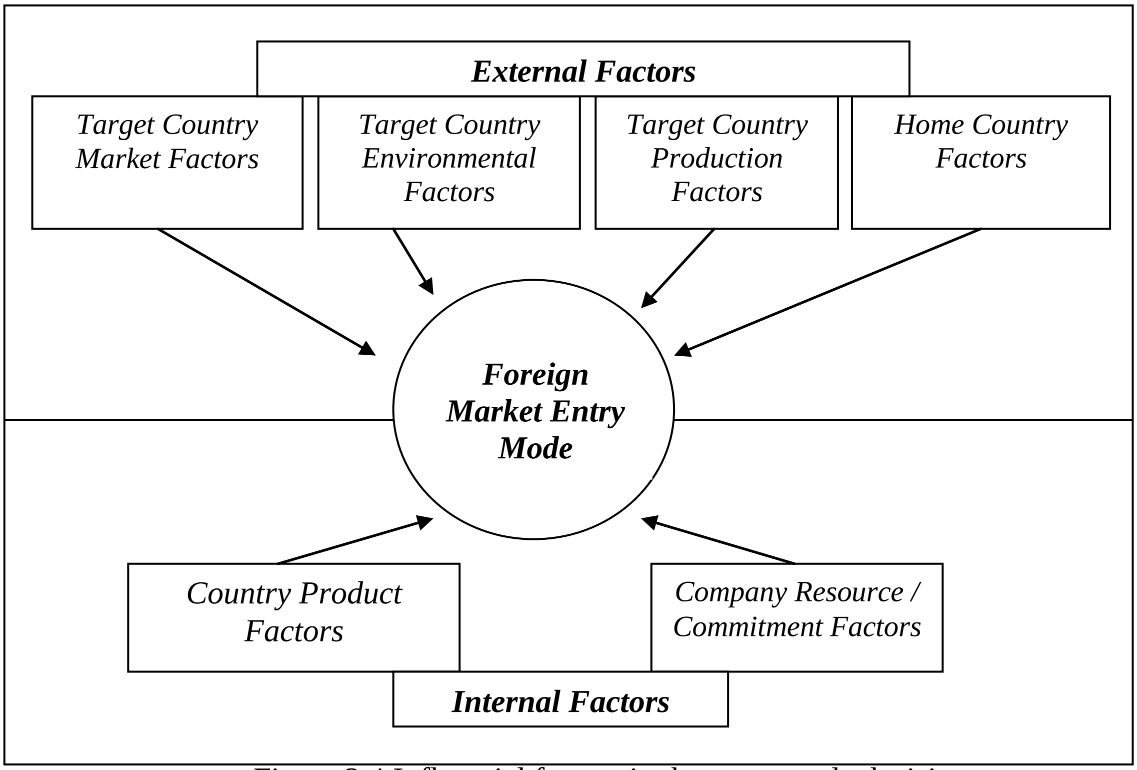


Figure 2.4 Influential factors in the entry mode decision
Source: [Root (1994)]

External Factors

According Root (1994), the decision of entry mode depends largely on the size of potential market. If *target country's market* is small, company chooses such entry modes as exporting, licensing and contracts that refer to the low sale volumes. On the contrary is with countries with high *potential sales*. Theorist identifies the importance of competitive structure as an aspect to consider. If there is a monopoly in the target country, company uses entry mode of high recourse commitments. If there is perfect competition in the foreign market, firm is tend to use such entry mode as exporting that refers to low resource commitment.

Talking about ***target country environment factors*** Root mentions political, economic, social and cultural dimensions that influence the choice of internationalization entry mode. Author defines there *government policies and regulations, geographical location and distance*. If the distance between company and target country is great, transportation costs are higher. Thereby firm possibly will switch from exporting to wholly-owned subsidiary as entry mode. The *economy* is important factor of entry mode decision making in the process of internationalization. For example, in centrally planned socialist economies, in which equity entry modes are not possible, company will chose the contractual entry mode such as licensing or exporting. *Cultural differences* have an impact on the entry mode decision; close cultures refer to better opportunities to succeed in foreign market. Such factors as size of economy (gross national product), absolute level of performance (gross national product per capita), and relative importance of its economic sectors (percentage of gross national product devoted to the particular sector) have to be taken into account.

Root (1994) mentions ***target country production factors*** such as *costs of production* and *infrastructure*, *quantity* needed and *quality* of locally produced goods. Evaluating every of mentioned factors company decide where to operate and produce goods.

Home country factors combine the size of *market*, *competitive structure*, *production costs* in the home country versus foreign one. If the production costs are higher in home country company will target the market of overseas with lower costs and chose the licensing entry mode or contractual any other. The *geographic distance* and *home country's policy* have an impact on internationalization entry mode decision.

Internal Factors

Such factors as ***product*** differentiation pay important role in the entry mode choice. If company's products are similar to those in target country there will be high competition under prices. High product differentiation gives company a possibility to use exporting and to set high prices on its goods as they will have no complementarities in target market. If there is a service company, firm cannot export its goods. In that case, company will chose the franchising as entry mode and will train local partners in order to deliver services in target country under contracted functions and quality. ***Resource commitment factors***: company with enormous resources has numerous options of entry modes.

Investigating the principles of business internationalization of coffee houses it is clear that coffee shops need to be expanded globally, even though they are lacking the clear factors and theories that affect the success of discussed business. There need to be investigated real practices of this business internationalization in order to make the right choices according internationalization models and foreign entry modes. International coffee houses in nowadays world face many barriers while expanding business overseas because of narrow knowledge and information about internationalization principles, rules, problems, requirements and many other issues. Because of that, in the following part there are investigated case studies of giant international coffee houses through criteria in order to find out the success factors for global expansion of the business.

When coffee houses want to reach foreign markets they usually expand their business by franchising, licensing, joint ventures or opening wholly owned subsidiaries abroad. Mode of entry for international expansion used by coffee shops is very often franchising or licensing.

While franchising coffee houses minimize their risk. To start a new business, especially in a foreign market presents many obstacles for the company. One of the problems in the international business expansion is knowledge and learning; franchise diminish the failures related to the target population preferences and values. Company form abroad is already familiar with local customers and national environment, so coffee house as international franchisor have already all the information according requirements and expectations of the target market. The problem is about the control of management and quality of performance monitoring because of distances.

Licensing the rights to manufacture a product for a licensee give some risks for a licensor because technological experiences are the core competence of a coffee house holder. The advantage is that the brand name of a coffee shop is expanded globally in a quick manner without establishing new stores for a coffee house.

Very often international coffee houses establish wholly owned subsidiaries in a foreign market for a global expansion. But this method is one of the most expensive and risky one. The advantage is that subsidiary is wholly controlled by a focal coffee house.

Global coffee houses look for different ways of international expansion. Their business network models present number of advantages and disadvantages that should be analyzed and evaluated in order to expand business in a foreign market successfully. In a following part of a master thesis there are analyzed and compared types of internationalization strategies and models in order to create a unique and appropriate model for international development of coffee house business.

2.3. Research Methodology for International Coffee House Business

2.3.1. Macroenvironment scanning analysis

Companies' decision making is influenced by major external factors that affect their performance and strategies. This could include competitors, changes in the country's and world economy, changes in customers' preferences or government regulations.

According to tendencies of market research, to analyze the macroenvironment of coffee houses there is chosen method that is called environmental scanning. In this method there are involved following factors to analyze:

- ✓ Economy:
  - GDP per capita
  - economic growth
  - unemployment rate
  - inflation rate
  - consumer and investor confidence
  - inventory levels
  - currency exchange rates
  - merchandise trade balance
  - financial and political health of trading partners
  - balance of payments
  - future trends
- ✓ Government:
  - political climate - amount of government activity
  - political stability and risk
  - government debt
  - budget deficit or surplus
  - corporate and personal tax rates
  - payroll taxes
  - import tariffs and quotas
  - export restrictions
  - restrictions on international financial flows
- ✓ Legal:
  - minimum wage laws
  - environmental protection laws
  - worker safety laws

- union laws
- copyright and patent laws
- anti- monopoly laws
- Sunday closing laws
- municipal licenses
- laws that favor business investment

✓ Technology:

- Efficiency of infrastructure, including: roads, ports, airports, rolling stock, hospitals, education, healthcare, communication, etc.
- industrial productivity
- new manufacturing processes
- new products and services of competitors
- new products and services of supply chain partners
- any new technology that could impact the company
- cost and accessibility of electrical power

✓ Ecology:

- ecological concerns that affect the firms production processes
- ecological concerns that affect customers' buying habits
- ecological concerns that affect customers' perception of the company or product

✓ Socio-cultural:

- demographic factors such as:
  - population size and distribution
  - age distribution
  - education levels
  - income levels
  - ethnic origins
  - religious affiliations
- attitudes towards:
  - materialism, capitalism, free enterprise
  - individualism, role of family, role of government, collectivism
  - role of church and religion

    - consumerism
    - environmentalism
    - importance of work, pride of accomplishment
- cultural structures including:
    - diet and nutrition
    - housing conditions

✓ Potential suppliers:

- Labor supply
    - quantity of labor available
    - quality of labor available
    - stability of labor supply
    - wage expectations
    - employee turn-over rate
    - strikes and labor relations
    - educational facilities
- Material suppliers
    - quality, quantity, price, and stability of material inputs
    - delivery delays
    - proximity of bulky or heavy material inputs
    - level of competition among suppliers
- Service providers
    - quantity, quality, price, and stability of service facilitators
    - special requirements

✓ Stakeholders:

- Lobbyists
- Shareholders
- Employees
- Partners

The analysis of all these factors should be evaluated as a correlation among their potential impact on the company and its likeliness to occur. Carefully monitoring all mentioned factors helps to detect early signs of the company's opportunities and threats that influence present and future plans of the firm. Multiplying the potential impact parameter by the likeliness of occurrence parameter gives a good indication of its importance to the firm.

2.3.2. Case study analysis

To collect the data for my master thesis research, analyze them and evaluate it is important to create a conceptual framework of case analysis. My purpose is to find an answer to the following research questions while exploring a particular international coffee houses, Starbucks, McCafe of McDonald's and Double Coffee:

• What factors affect coffee houses' entry mode decisions?

• Which entry mode strategies do they use in foreign markets and why?

The purpose of my case study research is to find out the factors that influence the internationalization entry mode choice. When company wants to expand internationally there have to be evaluated number of factors before entering the foreign market. I have selected a set of criteria for my case analysis of international coffee houses Starbucks, McCafe of McDonald's and Double Coffee. The chosen factors belong to Chen, Mujtaba (2007) and Root (1994) explored factors in literature review.

My master thesis is focused on internationalization process and choice of entry modes of coffee houses. My aim is to explore the factors that influence the choice of different entry modes within the global coffee houses. Furthermore, I will explore why Starbucks, McCafe of McDonald's and Double Coffee use different entry modes in its internationalization process. Analysis case studies about three giant coffee houses I make qualitative market research. **Direct interviews** have provided me information directly from the companies, and documentary research has provided information indirectly. I found it very important to get information about Mc Café of McDonald's Corporation directly from managers for my study research. It is reliable instrument to obtain the data. The other instrument was **e-mail interviews** about internationalization process of all three mentioned global coffee houses. Furthermore, I used **documentary research** from different books, journals, reports, internet sites and so on to investigate the problem of internationalization of coffee shops.

Case analysis design:

1. Select company (coffee houses of Starbucks, McCafe of McDonald's and Double Coffee);
2. Select target country of internationalization of the company;
3. Selection of research method (direct interviews, e-mail interviews, documentary research);
4. Collect data from each case study;

5. Determine influential criteria (factors) affecting internationalization strategy decision according entry modes;
6. Results and comparison.

Case analysis criteria:

1. *Which factors do make an affect on Starbucks', McCafe of McDonald's and Double Coffee entry mode decisions?*

INTERNAL FACTORS

- Characteristic of the overseas country business environment
- Firm size
- Resource commitment
- Speed
- Global management efficiency requirements
- Management risk attitudes

EXTERNAL FACTORS

- Culture distance
- Market barriers
- Market potential
- Competitive intensity

2. *Which entry mode strategies do Starbucks, McCafe of McDonald's and Double Coffee use in foreign markets and why?*

2.3.3. Coffee Consumption Questionnaire

Through questionnaire about coffee consumption, preferences and traditions in Lithuanian market there will be made investigation about coffee business internationalization opportunities (Appendixes A, B). There will be researched three international coffee houses with their specific products and competencies. Regarding collected and analysed data from questionnaire as market research there will be made conclusion about possibility to transfer and successfully implement foreign coffee houses' business in Lithuanian market.

In my research I have prepared questionnaire about coffee consumption. My respondents will not be given a freedom to express their own opinion on the problem. I prepared all possible answers for all questions; they will have just to choose the answer from given ones. The last part of questionnaire will give respondents possibility to express their own opinion about coffee houses and coffee consumption. My questionnaire was prepared and distributed to respondents in Lithuanian language. The questionnaire is composed of 16 questions; thirteen of them are needed to investigate to possibility to implement Starbucks, McCafé of McDonald's and Double Coffee company business idea in Lithuania, the rest of questions is as pass of questionnaire. I will not use non-directive interviews, just semi-structured interviews. I will add one more question to the questionnaire about the living place when I will place it in social internet website.

3. STUDY OF GLOBAL COFFEE MARKET THROUGH INTERNATIONAL COFFEE HOUSES' BUSINESS

3.1. Tendencies of global coffee market

3.1.1. Macroeconomic Factors

All businesses are affected by competitors, it is by external environment. It is very important for the firm to be aware of the changes in the market. The same is for coffee sector companies. Awareness of the influence of macroeconomic factors facilitates company to adapt to the market conditions. There are number of macroeconomic factors that influence the business like GDP, unemployment, inflation, economic growth, international trade, investment. There is done macroenvironment scanning of economy factors that play the most important role in the coffee houses' decision making process according business internationalization.

1. **Economic growth.** Coffee sector is exploding global demand and popularity of coffee houses. Economic growth indicator shows the level of buying and selling activities during time period. This macroeconomic factor in coffee sector and coffee houses' business is not constant and can be changed very rapidly depending on changes in income levels of buyers, future prospects of economy, the level of economic activity in the world as a common market, political activities in the globe, natural disasters, changes in the price of raw materials in the agriculture industry and fuel that influence in turn the costs of beverages industry's companies. Economic growth is usually measured by GDP (Gross Domestic Product) that shows total amount of goods and services produced in the country. For example Lithuania's GDP of 2009 collapsed by 18 % that means for enterprises decrease in demand by customers. [87] This indicator encourages companies to reduce prices of the product. In the graph 3.1 below there is presented the change of GDP by countries from 2005 to 2009. (Countries are chosen according following researches.) From the chart it is clear that world, EU and almost all countries' GDP of 2009 has changed rapidly and fallen on negative meaning because of the global crisis and world economy recession. Only China – country of the fastest growing economy - GDP has remained on positive value. However, grow of GDP of 2008-2009 (4 326,187 – 4 908,982 billion of US $) comparing to grow of GDP of 2007- 2008 when it was 3 400 – 4 326,187 billion of US $ it grew relatively slower. [87]

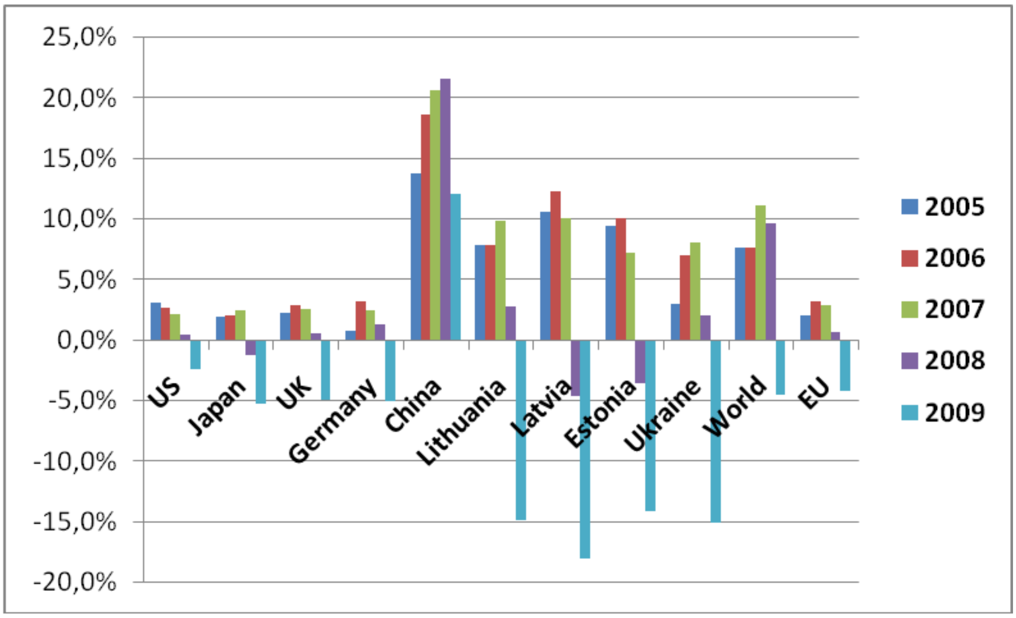


Figure 3.1 Change is GDP (%) during 2005-2009
Source: [88]

2. Inflation. During World War II people were able to buy coffee for $ 0.3, a new car for less than $1,000 and an average house for around $5,000. In the twenty-first century, bread, cars, houses and just about everything else cost more. A lot more. Inflation macroeconomic factor has the influence on coffee sector and all companies involved. Inflation manifests the increase in prices. Companies in the sector are forced to incur higher costs for the product manufacturing and processing as well increase. This will increase the wages of employees. An increased number of people that entered into global coffee market resulted in a rapid increase in prices set by competitors that influenced the appearance of global inflation. Although agriculture industry benefited from higher prices, most corporations in coffee sector have faced the increase in their business costs that in turn decreased their profit margins. Higher businesses costs pushed customers to pay more for the coffee item. According to World Bank, over the last couple of years, global coffee prices have risen over 80 %. This manifests about the emphasis on saving on coffee drinks by customers. In the figure 3.2 there is presented change in inflation by selected countries from 2005 to 2009. [88]

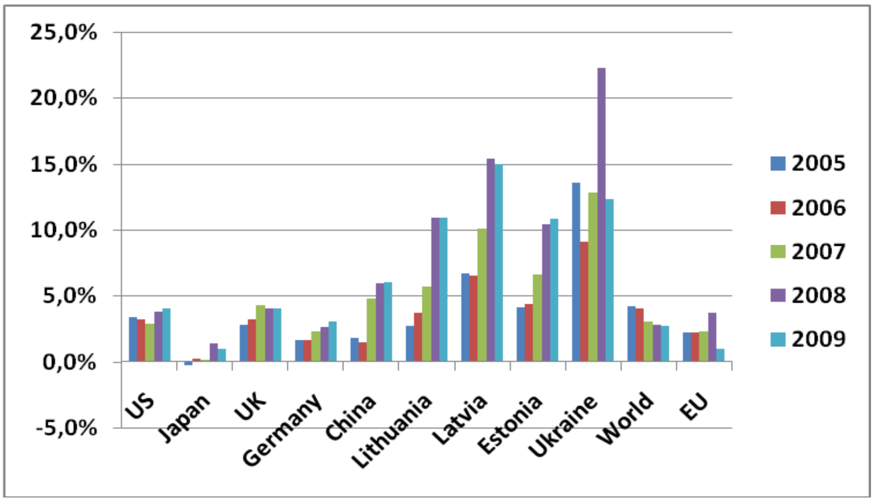


Figure 3.2 Inflation (%) by selected countries during 2005-2009
Source: [89]

From the chart it is clear that inflation of each country is growing form 2005. In some countries it is diminishing in 2009. Ukraine has the biggest inflation in 2008. World inflation rate is lowering year by year. How inflation rate is correlated to GDP by each country is presented in the tables 3.1, 3.2 and 3.3 below.

Table 3.1 Inflation (in %) 2005-2009

	2005	**2006**	**2007**	**2008**	**2009**
US	3,4%	3,2%	2,9%	3,8%	4,0%
Japan	-0,3%	0,2%	0,1%	1,4%	1,0%
UK	2,8%	3,2%	4,3%	4,0%	4,0%
Germany	1,6%	1,6%	2,3%	2,6%	3,0%
China	1,8%	1,5%	4,8%	5,9%	6,0%
Lithuania	2,7%	3,7%	5,7%	10,9%	10,9%
Latvia	6,7%	6,5%	10,1%	15,4%	15,0%
Estonia	4,1%	4,4%	6,6%	10,4%	10,8%
Ukraine	13,6%	9,1%	12,8%	22,3%	12,3%
World	**4,2%**	**4,0%**	**3,0%**	**2,8%**	**2,7%**
EU	**2,2%**	**2,2%**	**2,3%**	**3,7%**	**1,0%**

Source: [made by author]

Table 3.2 GDP change (in %) 2005-2009

	2005	**2006**	**2007**	**2008**	**2009**
US	3,1%	2,7%	2,1%	0,4%	-2,4%
Japan	1,9%	2,0%	2,4%	-1,2%	-5,2%
UK	2,2%	2,9%	2,6%	0,5%	-4,9%
Germany	0,8%	3,2%	2,5%	1,3%	-5,0%
China	13,7%	18,6%	20,6%	21,5%	12,0%
Lithuania	7,8%	7,8%	9,8%	2,8%	-14,8%
Latvia	10,6%	12,2%	10,0%	-4,6%	-18,0%
Estonia	9,4%	10,0%	7,2%	-3,6%	-14,1%
Ukraine	3,0%	7,0%	8,0%	2,0%	-15,0%
World	**7,6%**	**7,6%**	**11,1%**	**9,6%**	**-4,5%**
EU	**2,0%**	**3,2%**	**2,9%**	**0,7%**	**-4,2%**

Source: [made by author]

Table 3.3 Correlation between Inflation and GDP change

US	-0,804687017
Japan	-0,748933637
UK	-0,37356499
Germany	-0,70765494
China	0,126327331
Lithuania	-0,732380216
Latvia	-0,880427008
Estonia	-0,929445092
Ukraine	-0,016887716
World	**0,312588575**
EU	**0,519245212**

Source: [made by author]

Negative correlation rate of almost all countries means that growing GDP decreases inflation rate of the country. In case with European Union positive and enough strong correlation between GDP and inflation index means that growing GDP till 2008 influenced growing inflation rate in countries; in 2009 GDP of EU has fallen down, inflation decreased as well, so correlation is positive because two correlated rates go to the same direction. From the data analyzed it is seen that consumption of coffee almost is not influenced by inflation or changes in GDP. From the figure 3.3 it is observed stability in coffee consumption from 2005 till 2009 by distinct countries and European Union. Moreover, in the world scale it is clear growth in the coffee consumption.

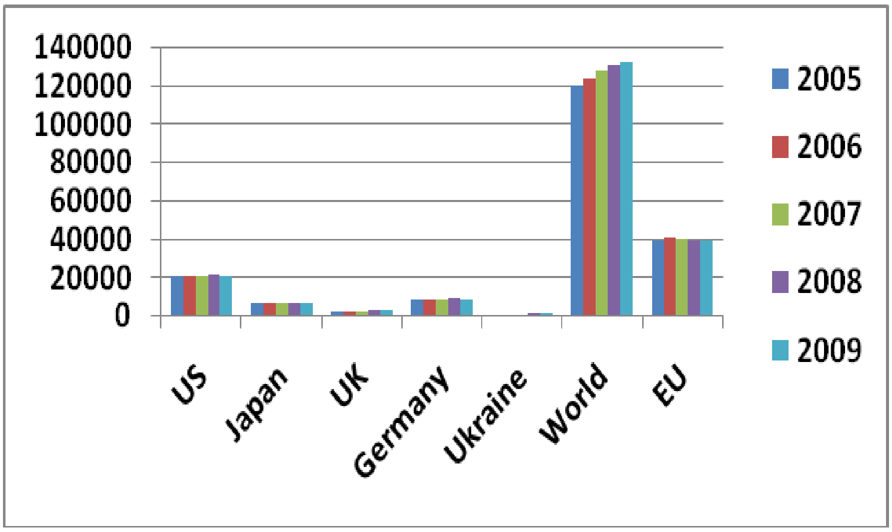


Figure 3.3 Coffee Consumption Evolution 2005-2009 in thousands of 60-kg bags
Source: [71, 86, ICO: Coffee market report March 2010]

Even though in some countries like Japan, Latvia and Estonia coffee consumption is falling down during last four years overall coffee sales are growing in the world in the period 2005-2009. (Figure 3.4 Coffee Consumption 2005-2009, kilograms per person per year)

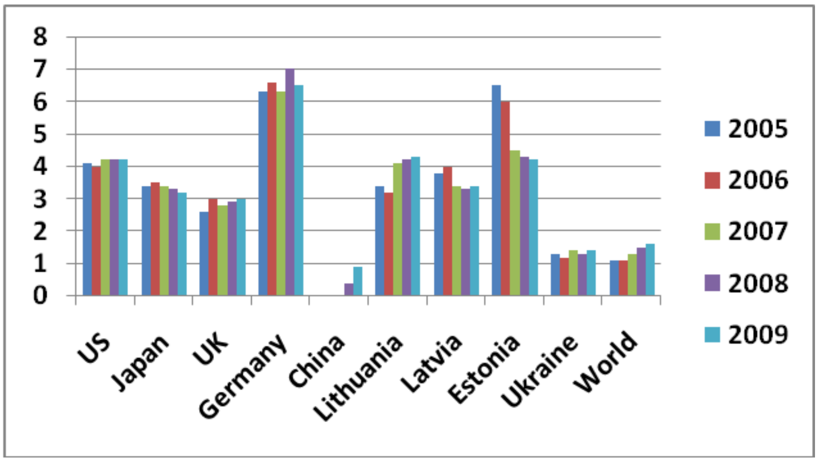


Figure 3.4 Coffee Consumption 2005-2009, kilograms per person per year
Source: [71, 86, ICO: Coffee market report March 2010]

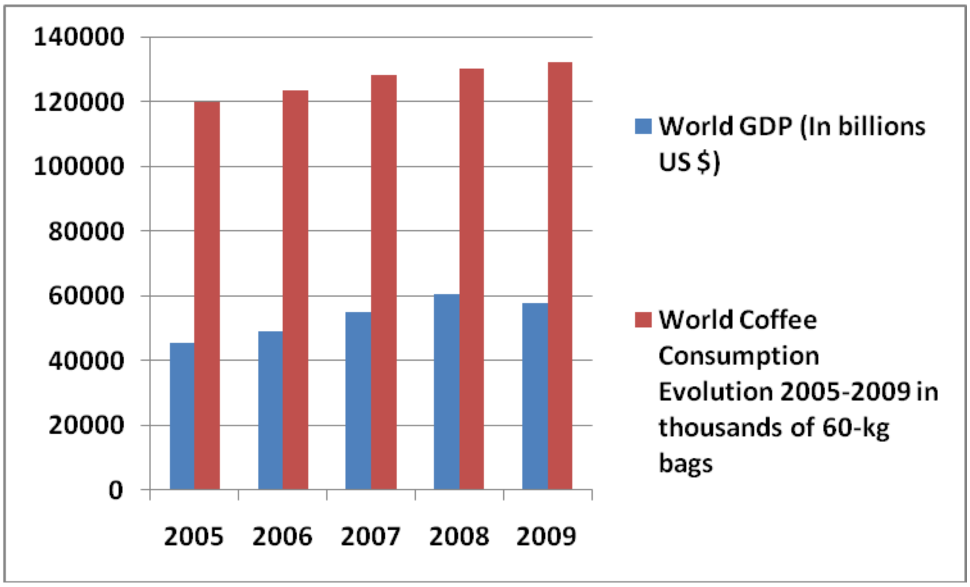


Figure 3.5 Correlations between World GDP and Coffee Consumption in 2005-2009
Source: [made by author]

From all estimations in the figure 3.5 it is observed correlation between world GDP and world coffee consumption from 2005 till 2009. Even though world crisis and fall in GDP coffee consumption is stable in the world scale.

3. Interest Rates. If interest rates increase it has the direct impact on businesses that in turn have to increase the price of the product in order to increase revenues.

4. Unemployment. This macroeconomic factor always hurts coffee houses' business as consumers are pushed to save money and spend less on coffee beverage items. The global recession in 2008 – 2009 has resulted in a rising unemployment. Food and beverage industry experienced the depression of sales to a high extent. Unemployment forces coffee sector businesses to set lower prices on coffee items and make number of discount to save customers and encourage them to buy. Lower prices of coffee mean lower profit margins, so nowadays there is huge and aggressive competition in coffee.

5. Merchandise of trade (balance of trade). This factor is measured by monetary value difference between total exports and total imports of a nation during a particular period of time. Coffee is defined as consumption good. Total exports of consumption goods of January 2010 estimated 28,1%, while imports – 21,0% (Appendix C). World exports exceed imports by 7,1% in January 2010. The data of the Statistics Department of Lithuania showed that the December 2009 export of goods grew month on month by 2.2%, while import of goods went down by 5.2%.

6. Balance of payments. If we take Lithuania, we observed the surplus in the Balance of Payments in December 2009 [81]. It amounted 1,3 billion LTL. It was a result of a jump in the income balance surplus. According to the statistical data the surplus on the current account of Lithuania's Balance of Payment during 3 last months of 2009 made up 2 billion LTL, it is 8,2% of Lithuania GDP. If we take whole 2009 year (January - December) it accounted 3 billion LTL or 3,2 % of country's GDP. [80]

7. Currency exchange rates. Exchange rates of the Litas against Foreign Currencies for March 15, 2010 are shown in the Appendix D.

8. Future trends of coffee consumption. There are lots of discussions, comments and expressions about the future trends of the world. There are made estimations according assumptions for the future of world GDP, consumer price indices and exchange rates. International Coffee Organization composes the price for each year in the future in order to achieve equilibrium between supply and demand for the commodity. Due to Economic and Social Development Department of Food and Agriculture Organization of the United Nations it is developed for forecasting *coffee production*, consumption and trade. Global coffee production is forecasted to reach 7,0 million tones (117 million bags) by 2010 compared to 6,7 million tones in 1998 - 2000. Latin America, Mexico, India are likely to remain the world's largest coffee producers. *Coffee consumption* is estimated to increase by 0,4% from 6,7 million tones (111 million bags) in 2009 to 6,9 million tones

(117 million bags) in 2010. *Coffee exports* is projected to reach 5,5 million tones (92 million bags) in 2010. During 1998 – 2000 coffee export estimated 5,2 million tones. Coffee imports are estimated to grow by 0,2 %, from 5,4 to 5,5 million tones. [81]

3.1.2. Reaction to Actual Situation – World Crisis

With the global crisis of 2008, companies of coffee sector, as many others, faced the recession. Coffee houses are forced to experience many challenges to maintain their business and economy. The world recession resulted and results the huge global unemployment that is rising every day, the instability in prices, decline in international trade, the decrease in GDP as the demand is declining, and decrease in investments. An increased price in transportation costs and fuel, forces coffee manufactures to increase the prices of the selling products to maintain revenues. However, customers react to this strategy of coffee retailers in other way. Buyers faced with uncertain future have to cut their daily expenditures and to adapt to cheaper lifestyle. Customers are looking for cheaper alternatives or complementary goods or just refuse the use of some purchases. Changing preferences and habits of customers changed the overall demand of coffee drink items. People are tending less to have their dinner in restaurants or just reject some ingredients from their day menu. When people are not able to eat the dinner at home they try to purchase the cheaper coffee than is offered in restaurant choosing fast food services and coffee shops. The retail supermarkets face lower demand for expensive brand products, people often shop for products with discounts. Healthy food is becoming less important than before the global recession.

Global coffee beverage companies have reacted quickly to fast moving sector. But in resent years the development has slowed down because of world recession. Even though, the market volume of coffee has remained stable and quality remains constant, the customer behavior is changing. The competitiveness between involved in sector companies has risen because of low volume growth and decreased profit margins. Decrease of revenues has been influenced by rising costs of raw materials. Nowadays coffee restaurants mostly compete on price, while couple of years before the quality and brand name was valuable. As before recession companies were encouraged to innovate, nowadays businesses are concentrated on customer preferences' satisfaction depending on incomes.

As coffee houses analyzed in this master thesis use Robusta and Arabica coffee beans it is valuable to compare sales of it during world crisis. If comparing sales of all kinds of coffee beverages in 2008 and 2009 it is clear but not aggressive fall down (table 3.4). The result is almost stable consumption and switch off to cheaper coffee producers and retailers.

Table 3.4 Arabica and Robusta Coffee Sales 2008/2009 (In thousands 60-kg bags)

	2008	**2009**	**% change**
Total	31 341	28 443	-9,25
Robustas	10 581	10 056	-4,96
Arabicas	20 760	18 388	-11,43

Source: [71, 86, ICO: Coffee market report February 2010]

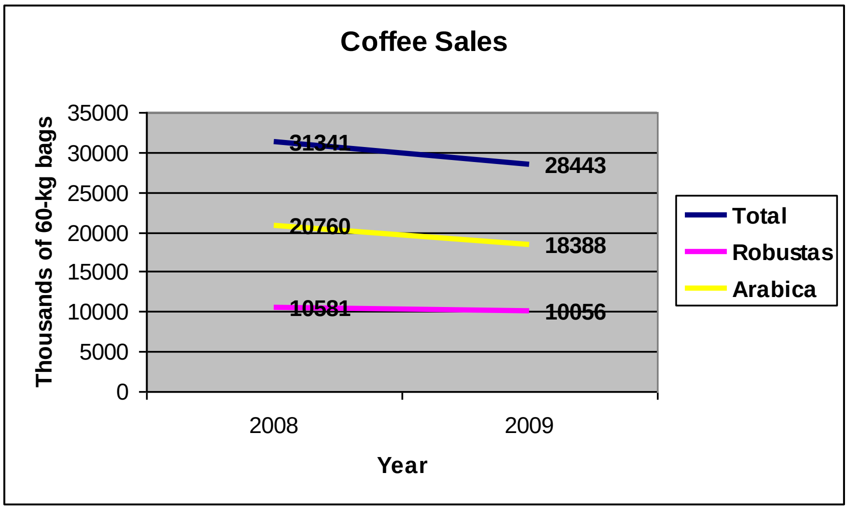


Figure 3.6 World Coffee Sales by Coffee Kind
Source: [made by author]

From the chart 3.6 above it is seen diminish in sales of coffee during global economic recession. However, from the table 3.4 it is a little growth in coffee consumption of almost each country. Coffee sales and coffee consumption correlate in negative direction that states when sales falls downs consumption of coffee grows. The result is switch off to cheaper coffee producers and retailers (figure 3.7).

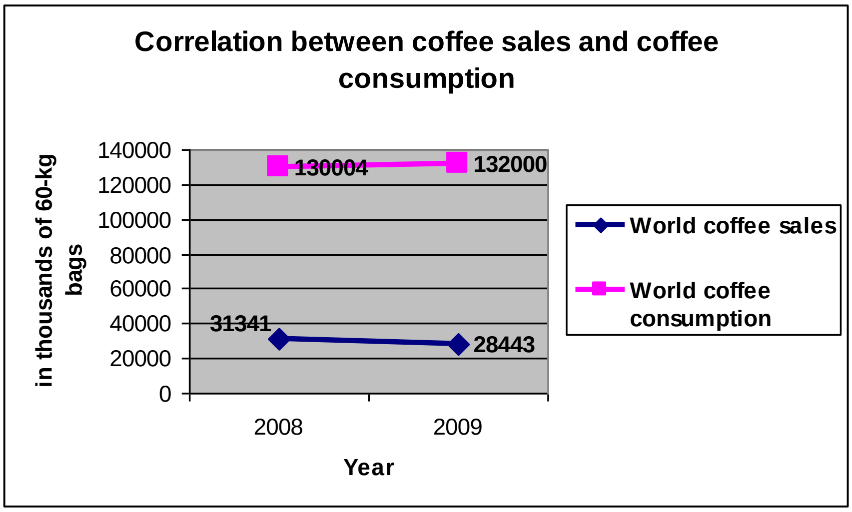


Figure 3.7 Correlation between World Coffee Consumption and Sales
Source: [made by author]

Today consumers are trying to save money as much as possible because of not visible and obvious future. Actually, to meet the expectations about the product quality and price is much more important than item's brand name and how companies are running their business in coffee sector. Global brands today are confronted with consumer's needs. Key requirement for global coffee brands is to set appropriate prices as for customers as for companies as itself. At the beginning of world economy crisis, world consumption of coffee beverage has remained stable. Table 3.5 presents that total world coffee consumption during 2008 estimated about 130000 million bags. In 2009 the amount of this beverage consumption was 132000.

Table 3.5 World Coffee Consumption (In thousand 60-kg bags)

	2004	**2005**	**2006**	**2007**	**2008**	**2009**
WORLD TOTAL	**119 133**	**119 714**	**123 329**	**127 977**	**130 004**	**132000**
Producing countries	*30 178*	*31 624*	*33 275*	*35 367*	*36 703*	*37 662*
Brazil	14 760	15 390	16 133	16 927	17 526	18 290
Indonezia	1 958	2 375	2 750	3 208	3 333	3 333
Mexico	1 500	1 556	1 794	2 050	2 200	2 200
Ethiopia	1 833	1 833	1 833	1 833	1 833	1 833
Venezuela	1 355	1 412	1 472	1 534	1 599	1 649
India	1 188	1 272	1 357	1 438	1 518	1 573
Colombia	1 400	1 400	1 400	1 400	1 400	1 400
Philippines	917	917	917	989	7 070	1 208
Vietnam	500	500	604	938	1 021	1 080
Others	4 768	4 969	5 015	5 025	5 202	5 095
Importing countries	*88 955*	*88 090*	*90 054*	*92 610*	*93 301*	*94 338*
European Union	*41 193*	*39 277*	*40 951*	*40 543*	*39 869*	*39 200*
Germany	10 445	8 665	9 151	8 627	9 554	8 897
Italy	5 469	5 552	5 593	5 821	5 937	5 835
France	4 929	4 787	5 278	5 628	5 155	5 554
United Kingdom	2 458	2 680	3 059	2 824	3 067	3 221
Netherlands	1 978	1 927	2 129	2 292	1 324	
Sweden	1 234	1 170	1 315	1 244	1 272	1 133
Poland	2 281	2 267	1 953	1 531	1 190	970
Finland	1 034	1 034	1 102	1 047	1 057	1 058
Greece	871	870	857	1 015	978	974
Others	7 788	7 249	7 554	7 307	6 790	8 207
USA	20 973	20 998	20 667	21 033	21 652	21 434
Japan	7 117	7 128	7 268	7 282	7 065	7 350
Other importing countries	*19 672*	*20 688*	*21 168*	*23 752*	*24 715*	*26 354*
Russian Federation	3 086	3 212	3 263	4 055	3 716	
Canada	2 747	2 794	3 098	3 245	3 214	

Algeria	2 159	1 892	1 836	1 968	2 118	
Ukraine	739	1 025	968	1 057	1 733	
Korea, Republic of Australia	1 401	1 394	1 437	1 425	1 665	
Others	8 676	9 331	9 574	10 971	11 126	26 354

Source: [71, 86]

In 2009 high production costs influenced the decrease in the investment in the coffee sector in some importing countries. In order to maintain the coffee consumption by customers there should be stable prices set by firms on the beverage.

Due to International Coffee Organization world coffee exports estimated 7,2 million bags in January 2010, compared with 7,81 million bags in January 2009 (Appendix E). Exports in the first 4 months of coffee year 2009/2010 (October of 2009 to January of 2010) have decreased by 9,2% to 28,4 million bags compared to 31,3 million bags in the same period in the last coffee year. In the twelve months ending January 2010, exports of Arabica totaled 60 million bags compared to 63,4 million bags last year; whereas Robusta exports amounted to 34 million bags compared to 34,1 million bags. [82]

Coffee prices in February 2010 dropped comparing with the price level in January 2010. With the monthly average of the ICO composite indicator price falling from 126.85 US cents per lb (~0,45 kg) to 123.37 US cents per lb. Prices remained almost inelastic because of reduced suppliers and climatic difficulties affecting exporting countries. Situation is less favorable in the case of Robusta prices, which have fallen by almost 15,4% since February 2009 and have a differential of 89,98 US cents per lb with other suppliers in February 2010. (Coffee market report February 2010)

Recent world economy crisis has made an important affect on the world coffee economy. Recession, which has adversely affected incomes of all coffee producers, hit some of them seriously due to the differences in various economic factors such as production cost and exchange rates. These variations has changed and still change competition among exporters affecting the whole pattern of world coffee trade. In addition, various international initiatives are expected to take place as the exporters underline the importance of promoting higher quality coffee with the aim of improving prices through boosting consumption. All these factors affect the demand and supply conditions in the world coffee markets from 2009 till now. [70]

3.2. Empirical information from the markets investigated

As in my master thesis I am concentrating on public coffee shops, houses, cafes and restaurants offering customers coffee beverages and drinks the international coffee shops I have chosen are Starbucks Corporation, Mc Café of McDonald's and Double Coffee coffee house. Starbucks is one of the leaders in the international coffee houses chain, Mc Café of McDonalds is well-known coffee house in the global scale and Double Coffee is popular coffee shop in Baltic States. The internationalization and networking process of service companies' business, especially of coffee houses is at the very core of economic globalization. Giant commercial companies serving customers with coffee specialties such as McDonald's, Starbucks, Double Coffee and others provide the linkages between geographically separate countries and make them interdependent according food production and trade market (Appendix F). Those companies play fundamental role facilitating the coffee business in distinct notions by networking. It is clear that few years ago many companies were acting as traders separately; each was running businesses only inside the origin country. Nowadays services trade actively in international extent as networks expanding the boundaries of tradability through number of possible entry modes. As technological progress further reduces communication costs, trade in services is expected to continue to expand briskly. Mc Cafe introduces coffee made from 100 percent Arabica beans. The restaurants are located across the world. Creating new branches it expands its business chain worldwide. Starbucks Corporation (SBUX) is an international coffee shop operating in coffee sector. It sells high-quality whole coffee beans, freshly brewed coffee, different premium teas and cold blended beverages. Company retails by various food items, coffee/beverage related equipment and number of CDs of music. Double Coffee first coffee house was opened in Riga in 2002. Today company has 23 coffee houses in Riga (Latvia), 8 in Vilnius (Lithuania), 5 in Tallin (Estonia), 8 in Kiev (Ukraine), 1 in Minsk (Belorussia), 1 in Beijing (China), Estonia. Starbucks, Mc Café of McDonald's and Double Coffee coffee houses are focusing both on males and females of 17 – 55 years old producing and selling coffee drinks. These are mainly active working or studying people with high and medium incomes people. Actually they have other beverages and food (sandwiches, pastries, deserts) in their menu so it is covering everyone's needs, all family could be satisfied.

3.3. Case study analysis

In this chapter there is analyzed empirical data of internationalization strategies of international coffee houses: Starbucks, McCafe of McDonald's and Double Coffee. According chosen criteria there are examined entry modes for global expansion of three coffee shops' business from discussed case studies. Data is investigated in order to answer research questions about selection of entry mode of coffee house and which factors affect the choice of internationalization strategy.

3.3.1. Case 1: Starbucks Corporation

1. *Which factors do make an affect on Starbucks' coffee house entry mode decisions?*

<u>INTERNAL FACTORS</u>

- **Characteristic of the overseas country business environment**

Before entering new market Starbucks Corporation investigates potentiality of the new market. For example, before opening its stores in China, Starbucks coffee shop worked with local farmers as with the suppliers of coffee beans from 2006. After 3 years it expanded its business in Chinese, Singapore and Malaysia markets. The same was with Korea as discussed in case study; before entering new country Starbucks Corporation investigated target market according demand and preferences of different generation. UK had such characteristics as of overseas country that was easy to obtain for Starbucks. UK has language as Starbucks' original one, because of that, the management was easy to organize in UK comparing with other countries of Europe. Culture in such countries as France or Italy would be much more difficult to merge with Starbucks' one than of UK country. In 1999 Starbucks Corporation formed an alliance with UK Sainsbury's, in 2001 it acquired coffee shops from company – Madisons Coffee. After one year Starbucks created partnership with Borders bookshops and bought 13 coffee bars from Coffee Republic.

To get whole information about the market and country as business regulation, industrial development, business infrastructure, competition level, customer believes and preferences was steal difficult so Starbucks acquired stores of Seattle Coffee Company and let UK managers to run operations in Starbucks stores in new market.

- **Firm size**

Starbucks Corporation is relatively large international company. Today company has about 7300 retail and licensed stores in U.S.A. and about 2000 coffee house across the world countries (figure 3.8). As Mujtaba and Chen (2007) argue, the larger the firm the more opportunities it has to expand internationally with lower risk.

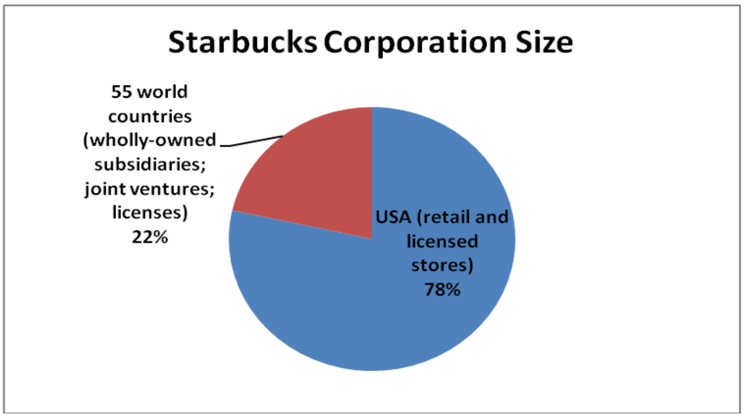


Figure 3.8 Starbucks Corporation Size by Number of Stores
Source: [made by author]

- **Resource commitment**

Depending on company's resources Starbucks Corporation belongs to those of huge amount of ones. Starbucks Corporation has huge amount of knowledge about different cultures, it has high management skills because of numerous employees and successful control of them. Experience is as well valuable resource of Starbucks Coffee House. The conclusion is one: company has more options to choose from number of entry modes.

- **Speed**

Before entering new market Starbucks Corporation investigated possible barriers and possibilities. Speed of coffee house' business internationalization process depends on research of foreign target market. For example, entering the Chinese market company investigated it through local coffee bean suppliers for 3 years. On the other hand, in UK Starbucks Corporation expanded its business in a short time because of successful acquisition of local coffee shop – Seatle Coffee.

- **Global management efficiency requirements**

Management of company's resources depends on level of internationalization. As Starbucks Corporation is intensively expanding to foreign countries, the resources of the company are limited. Today company has up to 16 000 stores worldwide that influence the availability of Starbucks resources (77, Starbucks 2008).

- **Management risk attitudes**

As Starbucks Company entered a lot of markets it faces high risk level because of uncertainty of situation in a foreign market. Company's success during the global expansion depends on its financial stability, option of target markets, and competitiveness in new market. For risk management and minimization the market researches are made. Before entering Korea, China or Mexico and UK, company examined potentiality of new costumers and their demand.

EXTERNAL FACTORS

- **Culture distance**

History of Starbucks coffee shop begins in 1971 in Seatle in USA. In 1985 coffee house started to expand in USA and Canada. After 10 years company internationalized its business abroad – in Japan. This factor refers to the differences in cultures between countries. As Starbucks is an international coffee house it operates worldwide and attempts to reach new markets. First market of the Europe that was entered by American coffee shop Starbucks was UK (table 3.6). Advantage was language. At the beginning of Starbucks internationalization process in UK in 1995 it acquired local coffee shop – Seattle Coffee Company. SBUX in this year bought 65 stores of Seattle. It was a good overseas expansion strategy that helped to solve obstacles and barriers of cultural distance between Starbucks coffee shop entity and UK population. During one year it has been recognizing culture of local customers and finally it rebranded Seattle Coffee Company to Starbucks stores. In 1998, the company went into New Zealand by granting its license to Restaurant Brands New Zealand Ltd. Entering such markets as China, Korea, Malaysia or Mexico Starbucks used different entry modes in order to meet foreign country culture. In China Starbucks worked with local coffee beans' growers, farmers and suppliers. In Korea this coffee houses licensed its stores to operate in new market; when company was familiar with local culture it entered in a joint venture with biggest coffee trader in the country.

Table 3.6 Starbucks' international strategy

Country	Partner	Agreement	Starbucks' ownership
Australia	-	Majority-owner	90%
Austria	Bon appetit Group	Joint venture	19,5%
China (Beijing)	Mei Da Coffee Co	License	-
China (Shanghai)	Shangai President Coffee Co.	Joint venture	5%
Germany	Karstadt Quelle AG.	Joint venture	19,5%
Greece	Marinopoulos Brothers S.A.	Joint venture	18%
Hong Kong	Maxim's Caterers Limited	Joint venture	5%
Indonesia	PT Mitra Adiperkasa	License	-
Israel	Delek Development	Joint venture	19,5%
Japan	Sazaby Inc.	Joint venture public	40%
Malaysia	Berjaya Coffee Co.	License	-
Mexico	S.C. de Mexico, S.A. de C.V.	Joint venture	18%
Middle East	M.H. Alshaya Co. W.L.L.	License	-
New Zealand	Restaurant Brands Ltd.	License	-
Philippines	Rustan Coffee Corp.	License	-
Puerto Rico	MacNaughton Group	Joint venture	5%
Singapore	Bonvests Holdings Ltd.	License	-
South Korea	Shinsegae Deparment Store	Joint venture	50%
Spain	Group Vips & Europastry, S.A.	Joint venture	18%
Switzerland	Bon appetite Group	Joint venture	19,5%
Taiwan	President Coffee Co.	Joint venture	5%
Thailand	-	Majority-owned	97%
United Kingdom	-	Wholly-owned	100%
France	Group VIPS	Joint venture	50%

Source: [Starbucks Homepage]

- **Market barriers**

Market barriers refer to the transportation issues, infrastructure, governmental regulations, border tariffs, economical situation and development level in a country. Market barriers present all obstacles that can negatively affect expansion to target country. In case of Starbucks internationalization there were not mentioned any market entry barriers.

- **Market potential**

This factor refers to the recognition of potential market that follows with choice of appropriate entry mode to this potential market. Starbucks Corporation uses acquisition as first market entry strategy in the UK in order to recognize firstly customers, their preferences, market situation in a country. When the coffee shop feels already strong in a foreign market it decides to become a separately operating coffee houses in UK. In China it uses partnership with local farmers at the beginning; after market recognition it settles its own retail stores. In Korea at the beginning Starbucks uses licensing entry mode as it bring lower development costs and political risk in a new market. Later, it makes joint venture with local coffee trader as Starbucks is already familiar with local situation and political consideration.

- **Competitive intensity**

As Chen and Mujtaba (2007) argue, competitive intensity is measured by a number of competitors existing and operating in a particular market. The amount of competitors in one country affects the internationalization strategy for companies attempting to enter this market. As competitiveness in UK in 1998 (when Starbucks entered) was high Starbucks coffee houses decided to use a direct investment strategy. Through acquisition of local coffee chain of Seattle Coffee Company, Starbucks eliminated potential and existing small local rivals and diminished the competitive intensiveness in a market reaching more customers. Starbucks does not use wholly owned subsidiaries in a foreign market as a market entry mode of its early internationalization because it is of high cost and risk. In Korea, China and other foreign markets it uses licensing and joint venture as it gives ability to get a local knowledge, there are shared costs and risks, and consideration of political situation.

2. *Which entry mode strategies does Starbucks coffee house use in foreign markets and why?*

In UK Starbucks Corporation used wholly owned subsidiary as entry mode of business internationalization. There are two kinds of this internationalization strategy: 1) acquisition of existing firm in the target country or 2) set up a new operation in a foreign market. Starbucks used first method of entry mode in UK market. It acquired already established coffee house – Seattle

Coffee in UK. Seattle Coffee Company was a coffee house operated with similar to American style. According all factors affecting entry mode decision it is clear that all of them are important and play huge role in the Starbucks decision about internationalization strategy in the UK. Talking about characteristics of target country business market it is clear that scarce of knowledge of the British culture and business market made obstacles for Starbucks Corporation and its expansion in UK market. Because of that, company decided to acquire existing firm in the field. External factors are about difference in culture between two distinct countries. The one advantage was language that is very similar to American one. After success of acquisition and familiarity with local market Starbucks Corporation decided to use aggressive strategy and to open wholly owned subsidiary in UK. It gave for Starbucks parent company to control technology and operations in subsidiaries, to have 100 % profit of each store and to reach local experience.

In China Starbucks used wholly owned subsidiary and licensing entry modes. At the beginning it just worked with China farmers and suppliers of coffee. After it was familiar with local culture, habits, traditions, expectations of coffee, company established licensing in the country. Starbucks faced lower development costs and political risk at the beginning of its international expansion in China market. After period of time coffee house decided to change global expansion strategy in this market because of low control over the technology and risk of losing know-how. Company decided to open number of wholly owned subsidiaries and to leave some licensed stores in a country of biggest economy.

On the other hand, company successfully uses licensing as entry mode in the Korean market. It gave license to ESCO Korea Co. Ltd that is a wholly owned subsidiary of Shinsegae Department Store Co. Ltd. Then Starbucks set up joint venture with this company for broader knowledge and expertise, shared costs and risks with partner and consideration about political situation in a new market.

3.3.2. Case 2: McCafe Coffee House of McDonald's Corporation

1. *Which factors do make an affect on McCafe of McDonald's entry mode decisions?*

INTERNAL FACTORS

- **Characteristic of the overseas country business environment**

McCafe is subsidiary of McDonald's Company that is founded by Dick and Mac McDonald. Founder of McDonald's Corporation is Ray Krock. McDonald's before entering new market analyze all characteristics of target country. Opening its coffee house it as well looks for the best conditions to operate coffee shop. This corporation today operates in ten largest markets of the world: Australia, Brazil, Canada, China, France, Germany, Japan, Spain and the UK. Home country are United States.

The ten largest markets in McDonald's system are in Australia, Brazil, Canada, China, France, Germany, Japan, Spain, and the United Kingdom and of course the United States. The first country that was opened with coffee house of McDonald's – McCafe – was Australia. This is huge country with huge market. First coffee house in foreign market was opened in Melbourne in 1993 (http://www.entrepreneur.com/franchises/franchisezone/thisjustin/article40494.html). However, the new characteristics, not familiar to McCafe, complicated aggressive international expansion of the McDonald's' coffee house. McCafe was lacking information about new market and perceptions of target customers. Lack of knowledge about culture and specific language made many barriers to quickly succeed in Australian market. In addition, it was difficult to regulate the business, to transfer goods, experience and control to the overseas market. Scarce of information about country's level of industrial development, intensity of competition made consequences, which McCafe succeeded in Australia in ten years.

- **Firm size**

When first coffee house of McDonald's was opened in international market it was difficult to adapt to local culture and expectations. Even thought McCafe satisfied first international customers there were some barriers to adopt new coffee drinking tradition and manner to new clients. In 2002 this coffee shop opened about 300 stores in 13 world countries (figure 3.9). In 2003 McCafe became the largest coffee house chain in Australia and New Zeland. Today McDonald's with its coffee house McCafe operates in number of largest world markets such as USA, Germany, Japan, Brazil, Canada, France, Spain and UK. Even thought McCafe is just a little part of McDonald's overall strategy, it has today more than 1300 outlets worldwide. In August 2008, McCafe coffee chain was expanded to South Africa, where McDonald's franchise is a household name and today it is the largest fast-food chain and coffee house in the country. There are 40 outlets in Germany and Austria.

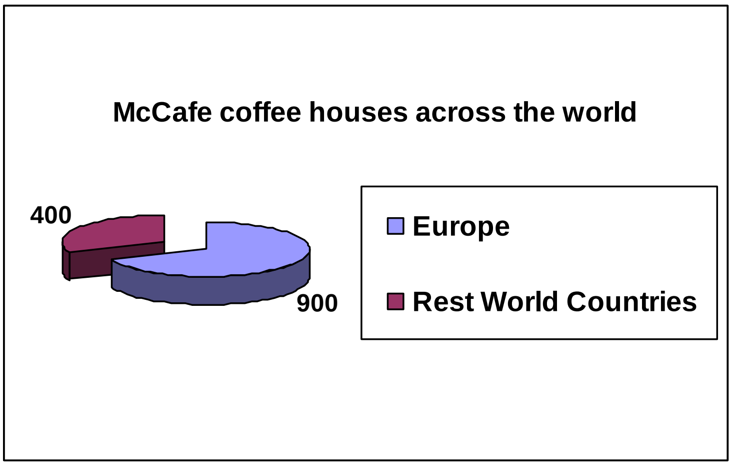


Figure 3.9 McCafe Size by Number of Stores
Source: [made by author]

- **Resource commitment**

Resource commitment depends on size and position of the firm in a market. As all coffee houses of McCafe are located inside restaurants of McDonald's, it means that all resources of restaurant and coffee house are closely related. McDonald's has no plans to open separate McCafe shops. McDonald's is leading fast food restaurant in the world. The amount of resources is enormous. That is good indication for McCafe coffee house and helps to fight with possible risk in foreign market.

- **Speed**

First coffee house of McCafe was opened in Melbourne in Australia in 1993. In ten years coffee houses of McCafe became largest coffee shop chain in Australia and New Zealand. By 2002 McCafe opened about 300 coffee houses in 13 countries. Today there are about 900 McCafes across Europe and in this year company is going to settle 200 more of them. [89] One more factor of a quick expansion is franchising that is a basic entry mode of the company. This international networking model associates with fast expansion of a business.

- **Global management efficiency requirements**

Global management efficiency of the business depends on global expansion strategy of the company. McDonald's used aggressive internationalization strategy while expanding its restaurants and McCafe coffee houses worldwide. At the process of internationalization of McCafe company expanded not very quickly across markets. It opened up to 300 stores in 13 countries in almost 10 years. It is not aggressive strategy, because of that Company always have enough resources and capabilities to establish new coffee house. As company use franchising as basic entry mode of internationalization process it helps to avoid such barriers as higher development costs and political risk.

- **Management risk attitudes**

Such factors as McCafe's financial situation, strategic options and position in a competitive markets influence the entry mode decision of a company. McCafe as a part of McDonald's company basically has been using franchising as internationalization strategy. Goal is to become a number 1 of coffee shops in Europe, because of that coffee shops of McDonald's are opened in markets free of Starbucks outlets. McCafe business expansion was very successful in USA, Germany, Italy, New Zealand, and UK. Company occupies markets of Japan, Brazil, Canada and European Union Countries with bigger risk.

EXTERNAL FACTORS

- **Culture distance**

As coffee house of McDonald's Company are expanded to such countries as Germany, France, Italy, UK, Spain, Canada, Japan, Brazil there are of course differences in cultures, but in some of mentioned markets those differences are no so significant. As McCafe is American coffee house so there are no huge distances in communication because almost everyone is able to talk in English. So, there are no significant differences between USA and target markets to affect the decision about entry mode of McCafe.

- **Market barriers**

Such tariff barriers as governmental regulations, distribution access, natural barriers, and infrastructure do not affect McCafe internationalization process to a high extend.

- **Market potential**

All foreign markets entered by McCafe of McDonald's are the biggest markets in the world. This factor promised lots of opportunities for this coffee house. Even though there is an economic crisis in the world, the consumption of coffee is stable today. Such markets as Australia, Brazil, Canada, China, France, Germany, Japan, Spain, and the United Kingdom gave company possibility to succeed in a market to a high level.

- **Competitive intensity**

Today the biggest competitor of McCafe is Starbucks Corporation. Very often, McCafe is looking for such markets that are empty of Starbucks coffee houses. As the biggest competitor is oriented today to occupy UK market, McCafe is interested in Italian market. Competitors use price leadership and differentiation strategies in order to win in a market.

2. *Which entry mode strategies does McCafe of McDonald's use in foreign markets and why?*

McCafe is a coffee house established only in restaurants of McDonald's. It uses franchising as entry mode of internationalization across global market. McCafe coffee house chain is the leading one in Australian and African market [98]. Company uses this entry mode as it is very advantageous internationalization model for it. European companies – franchisees are interested in McCafe coffee houses because they encourage customers, even women to stop in here for a breakfast. For little children it would be boring to enter coffee house with parents, bet as each McCafe is located in the restaurant of McDonald's restaurant it brings a lot of convenience – parents can drink cup of coffee while children take some food or ice-cream of McDonald's restaurant. Franchising has more advantages for McCafe: it requires less political risk and development costs, the expansion is fast.

3.3.3. Case 3: Double Coffee

1. *Which factors do make an affect on Double Coffee entry mode decisions?*

INTERNAL FACTORS

- **Characteristic of the overseas country business environment**

Double Coffee was founded in Riga in Latvia. In some years this coffee house expanded to 3 Baltic States, Belarus and Ukraine, later in China. Coffee shop business environment in these markets is not so easy to operate as Double Coffee is not so strong and huge coffee chain as analyzed 2 ones before. Before entering new market Latvian Double Coffee is investigating the target market with its opportunities and barriers. Coffee house analyze host country's traditions and habits of customers, business regulation rules, competition intensity and transportation conditions. Internationalization process for Double Coffee is long international experience.

- **Firm size**

Double Coffee first coffee house was opened in Riga in 2002. In 2005 it was already leading coffee house chain in Baltic States with 46 stores and 500 employees. Today company has 23 coffee houses in Riga (Latvia), 8 in Vilnius (Lithuania), 5 in Tallin (Estonia), 8 in Kiev (Ukraine), 1 in Minsk (Belorussia), 1 in Beijing (China) (figure 3.10).

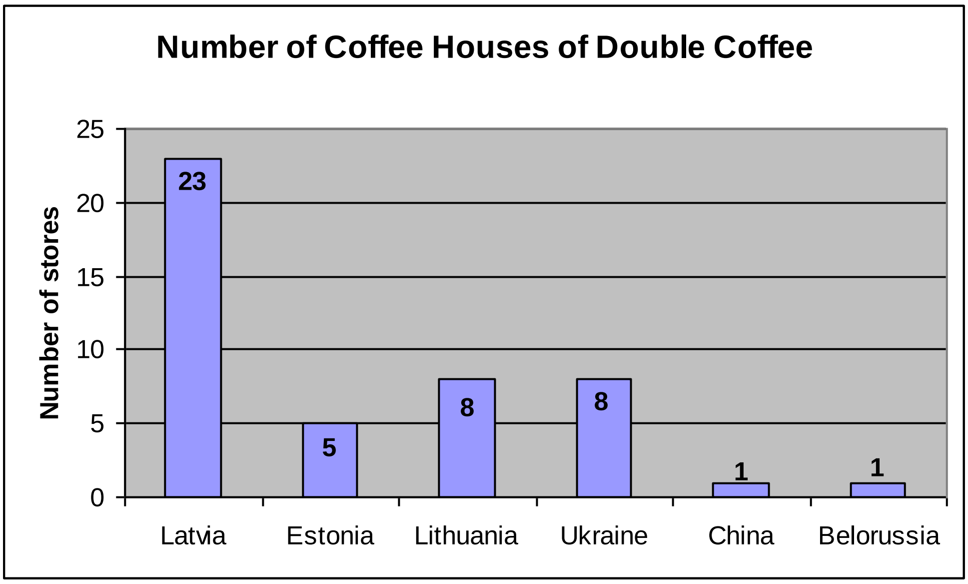


Figure 3.10 Double Coffee Size by Number of Stores
Source: [made by author]

- **Resource commitment**

Comparing to two coffee chains analyzed before, Double Coffee has less resources because of its size. Company is not expanded so globally as McCafe of Starbucks but it uses different strategies for its international evolution. Company uses appropriate entry mode for expansion according low amount of resources. Company offers 50 kinds of coffee and the main idea is to serve quality and warm atmosphere.

- **Speed**

Company is concentrated not in Old Europe but at new one, because Old Europe is already full of coffee shops, houses, cafes and restaurants. According its capabilities Double Coffee used aggressive expansion and in June 5th 2009 it opened its first store in China in Beijing that way earned the title of one of Europe's fastest growing companies. In three years after establishment Double Coffee became leading coffee house in Lithuania, Estonia and Latvia.

- **Global management efficiency requirements**

To effectively manage the business across international states Double Coffee has to have enough resources for this. As company is internationalizing not in huge number of countries it has no to invest a lot of money, knowledge and experience. Double Coffee today is concentrated on several foreign markets in order to become strong and leading coffee house in Latvia, Estonia, Lithuania, Belarus, Estonia and Ukraine. After strong position in these markets company plans to expand broader.

- **Management risk attitudes**

Risk in a foreign market depends on Double Coffee financial situation and competition intensity in a target market. As company's entry mode is franchising it avoids huge costs of development and establishment of separate retail coffee houses in foreign countries. Political risk and governmental regulation over the business are less in franchising internationalization strategy than in, let's say, wholly owned subsidiary.

EXTERNAL FACTORS

- **Culture distance**

Cultural distances between Latvia, Estonia and Lithuania are very small according believes perceptions and way of thinking because these states are all Baltic ones and have similar habits. Customers of Lithuanian, Latvian and Estonian markets have deep coffee drinking traditions. Language is very similar. Belarusian and Ukrainian languages and culture have some similarities as well. Only Chinese culture is different. Only Chinese market influences that choice of entry mode of Double Coffee internationalization could be absolutely different.

- **Market barriers**

There were no mentioned any market barriers in existing markets of Double Coffee.

- **Market potential**

Market potential of Double Coffee is about size and growth of Latvian, Lithuanian, Estonian, Ukrainian, Belarusian and Chinese markets. It is important to mention that the biggest success for Double Coffee was to enter and expand in China as it present the country with the best economy in the world. Potential markets for Double Coffee are these from new Europe because old Europe is already full of existing coffee houses.

- **Competitive intensity**

In 2005 Double Coffee was leading coffee chain in Baltic States. Today it is competing with Vero Café, Coffee In and McDonald's' coffee house in Lithuania. In Ukraine and Estonia one more of strong competitors is Starbucks Company.

2. *Which entry mode strategies does Double Coffee use in foreign markets and why?*

Double Coffee use franchising as internationalization strategy in mentioned markets. As a franchisor coffee house analyzes the potential market place for trade outlets. Company evaluates all possible obstacles and opportunities for new stores of a chain according standards and criteria of Double Coffee trade mark. Franchise is opened only if there is clear vision of developments, evolution and profits. Double Coffee lets its franchises to include services that are popular and profitable in particular places or markets. There is possibility for local companies to become supplier of a Double Coffee, and Double Coffee, in turn, is able to require the best conditions of agreement with them. All the data of sales and commerce of franchisee is collected and analyzed by finance department of a parent company in order to find mistakes and to give recommendations for better outlet performance.

3.4. Comparison of the Results of Case Study Analyses

After analyzing three cases about internationalization process and entry modes the following is comparative analysis to distinguish differences and similarities of expansion strategy of three giant coffee houses – Starbucks Corporation, McCafe of McDonald's and Double Coffee.

The comparison of the research question about factors that make an affect on coffee houses Starbucks', McCafe and Double Coffee entry mode decision

First of all internal factors' influence each coffee house referring to decision about internationalization strategy and networking model.

- **Characteristic of the overseas country business environment**

Starbucks coffee house use number of investigation practices in order to get knowledge about target market with all its characteristics. Before entering new country Starbucks attempt to work with partners from its potential market like in case with China. Investigation of demand of target markets helped Starbucks to successfully expand in China, Korea and many other countries. One market that was not so difficult to enter for Starbucks Corporation was UK because of similarities between countries' characteristics. The management of coffee houses of Starbucks in UK was easy to conduct comparing to European markets. Even though it faced barriers expanding its business worldwide Starbucks Corporation succeeded in many countries because of strong position in a global market. In some countries internationalization process was fast in others, where country's characteristics were absolutely different than in USA, this process took even several years. So, characteristics of overseas countries play an important role in decision of entry mode for internationalization process for Starbucks' Corporation.

Characteristics of overseas countries play an important for **McCafe** even though this company has been using basically one main entry mode – franchising. McCafe is a subsidiary of McDonald's Corporation that is known all over the world in each corner of each country. Expanding the coffee house business in distant countries brings many difficulties that are closely related to characteristics of target market with its unique political and economic situation, cultural aspects and competition level.

When coffee house of **Double Coffee** expanded at the beginning of its business internationalization process the characteristics of overseas countries were very familiar with its state. First target markets were Lithuania and Estonia that belong to 3 Baltic States together with home country of Double Coffee – Latvia. When company began to expand through European and Asian countries characteristics of overseas countries influenced entry mode decision to higher extend because there are differences in countries such as Latvia, Belarus, China or Ukraine. Such characteristics as traditions and habits of customers, business regulation rules or infrastructure affected Double Coffee successful business internationalization to foreign countries.

- **Firm size**

Starbucks Corporation is leading coffee chain in the world market. It is relatively large international coffee house. It operates in number of countries around the world and is very popular in American and European market. **McCafe** coffee house has not such rich history as McDonald's has but still it is expanding successfully across world states. At the beginning of its establishment it was difficult for a young coffee chain to compete with coffee house business leader – Starbucks. Even though, today McCafe is one of the biggest rivals of global coffee business leader. Today, McCafe has 1300 franchises worldwide and operates successfully. The most young coffee chain of all mentioned in this analysis is European coffee house – **Double Coffee**. But, in Baltic States it is leading coffee shop with 46 stores and up to 500 employees in Latvia, Lithuania, Estonia, Ukraine, Belorussia and China.

- **Resource commitment**

Starbucks and **McCafe** belong to those of huge amount of resources. Such wealth as knowledge about number of cultures, experience good management skills, effective control and monitoring over retail stores across countries give Starbucks as market leader of coffee house business opportunity to succeed in target market using distinctive entry mode of business internationalization. As McCafe coffee house is always located inside the restaurant of McDonald's it is able to use all resources of leading corporation in the world in fast food sector. Because of enormous amount of resources companies face less risk entering new market. Even though **Double Coffee** is smaller according company size, it is leading coffee house in Baltic States and has retail stores in some countries of Asia – China, Ukraine, Belorussia. Comparing to existing competitors, Double Coffee has biggest amount of knowledge, experience, and international business managing skills (figure 3.11).

Figure 3.11 Starbucks, McCafe and Double Coffee Resources
Source: [made by author]

- **Speed**

Coffee house business internationalization process depends on number of factors such as cultural distance, customer preferences and traditions, economic, political and regulatory situation in a target market. In UK **Starbucks Corporation** expanded its business in a short period because of similarities in language and culture. Successfully acquiring local coffee shop of Seattle Coffee Company Starbucks Corporation internationalized its business idea in UK very quickly. In China Starbucks opened its store after 3 years of cooperating with local suppliers. In Spain Starbucks Corporation at the beginning of its business internationalization process made joint venture with local coffee restaurant chain of VIPS Group, and after one year opened its subsidiary in here.

First coffee house of **McCafe** was opened in Melbourne in Australia in 1993. In ten years coffee houses of McCafe became largest coffee shop chain in Australia and New Zealand. By 2002 McCafe opened about 300 coffee houses in 13 countries. Today there are about 900 McCafes across Europe [97] and in this year company is going to settle 200 more of them. One more factor of a quick expansion is franchising that is a basic entry mode of the company. Advantages of franchising as entry mode are lower development costs and political risk.

First coffee house of **Double Coffee** was opened in Riga in Latvia in 2002. In 2 years Double Coffee already had occupied three Baltic States and in 2005 it was already leading coffee house chain in Latvian, Estonian and Lithuanian markets with 9,5 million euros in sales and 4,7 million euros of revenues. In 2009 Double Coffee opened its first store in China in Beijing that way earned the title of one of Europe’s fastest expanding companies.

- **Global management efficiency requirements**

Starbucks Corporation has about 8 000 stores worldwide that influence the use of its huge number of resources. Because of aggressive expansion of the coffee house business to new markets Starbucks has limited resources available. Starbucks Corporation is not concentrated on one and unique entry mode strategy expanding its business worldwide that gives more difficulties to regulate existing available resources. So, the global management of existing resources is enough difficult for a company.

As **McCafe** is always inside the restaurant of McDonald’s the management of resources is dependent on management of them in franchises of fast food restaurant. McCafe’s basic business internationalization strategy is franchising that gives company ability to efficiently evaluate and manage existing resources through all franchises in a globe. McCafe’s expansion strategy comparing to Starbucks’ coffee house is much slower that is one more advantage to effectively manage available resources.

Double Coffee is running its business in some countries. Its expansion strategy is not so aggressive comparing to Starbucks and McCafe. Because of that company is located its resources on 6 main countries – Latvia, Estonia, Lithuania, Ukraine, Belorussia and China. Stores of Double Coffee shops are concentrated relatively not so far from each other as two market leaders of coffee house business. Home company is relatively near each store across countries. So, resource management is enough effective in Double Coffee. Only after strong position in these markets company plans to expand broader.

- **Management risk attitudes**

Starbucks Corporation entered and still is entering new markets, because of that company faces high risk of level because of uncertainty of situation in a target market. Even though company is making number of market researches before entering new country Starbucks coffee house in different countries used different entry modes and internationalization strategies that are not examined in this particular market. Even though one expansion strategy of coffee house business internationalization is successful in one country, it can bring only expenses in other without any profits. Starbucks success during global expansion depends on different factors of target market such as financial, regulatory, political situation, competitiveness.

As **McCafe** is a part of McDonald's restaurant it uses the same entry mode in business internationalization. McCafe coffee house is using basically franchising as international strategy. It has good positions in a world market as McDonald's is leading fast food restaurant in the world with its successful business. McCafe is becoming more and more popular in the world that gives it possibility to diminish all risk types that it faces while expanding globally. Franchising as entry mode has advantage of less political risk.

Double Coffee has number of advantages while managing all kinds of risks it faces in global scale of business internationalization. First advantage is that company is located its stores across some foreign markets that are concentrated near to home country and between each other. The other aspect that helps to effectively manage the risk is that company uses basically only one entry mode – franchising. Franchising faces lower political and development costs. In figure 3.12 there are presented faced risks by companies according global expansion strategy.

Coffee House	Licensing	Licensing	Joint venture	Joint venture	Wholly owned subsidiary	Wholly owned subsidiary	Wholly owned subsidiary	Franchising	Franchising
Starbucks	Loss of control over technology	Risk for losing know-how	Loss of control over technology	Conflict between partners	High, full cost	High, full risk	Culture problems	difficult monitoring	loss control over quality
McCafe								difficult monitoring	loss control over quality
Double Coffee								difficult monitoring	loss control over quality

Figure 3.12 Coffee Houses' Risks depending on Entry Mode of Business Internationalization
Source: [made by author]

The more target markets and the more the entry modes used states about bigger number of risks faced by coffee houses. As Starbucks Corporation has enormous amount of the world market share it is forced to used appropriate entry modes in distinct countries with particular political, economic and regulatory situation which in turn brings a lot of obstacles and risks faced.

EXTERNAL FACTORS

- **Culture distance**

Talking about external factors that influence the choice of entry mode in business internationalization process cultural distance has a big role. **Starbucks Corporation** is a leading coffee house chain in the world that means different cultures concentration in one big corporation. Language, knowledge about culture, traditions and habits, preferences of customers affect the choice of entry mode. In countries with similar language company opens its own stores as subsidiaries because it is not afraid of misunderstanding between personnel and customers. In such country as China, Hong Kong, Puerto Rico, Taiwan, New Zealand, Malaysia where culture is pretty different Starbucks makes joint ventures or licenses with local coffee shops or restaurants in order to diminish distance between new coffee house and local customers.

For **McCafe** fights with cultural distances across the world using basically one entry mode – franchising. Franchising helps home company to hire personnel in a target market with the same culture as local population that gives a huge advantage diminishing cultural differences.

Cultural differences in **Double Coffee** markets are not so significant if there are taken three Baltic States. However, there are some cultural distances between home country and Ukraine or China. The only advantage is that Double Coffee uses franchising as international strategy that diminishes all barriers related to cultural differences.

- **Market barriers**

Market barriers refer to the governmental regulations, tariffs or infrastructure. All three discussed coffee houses do not face any strong market barriers while internationalizing their business.

- **Market potential**

Starbucks Corporation has occupied huge amount of world market. In different countries it uses different entry modes depending on factors discussed above. In countries with similarities in culture, coffee drinking traditions or good political and financial situation company uses such entry modes that gives it wholly or almost all ownership over the retail stores. Today market potential for Starbucks Corporation would be Lithuanian market. Depending on the situation in Lithuania Starbucks can choose appropriate entry mode. As Starbucks has its coffee houses in Estonia that is very similar to Lithuania country, Starbucks would use the same international strategy like in Estonia. Before establishing its business in a potential market Starbucks Corporation works with local partners in order to analyze situation in a target country. According discussed case study, this coffee house apply entry mode after evaluating weaknesses and opportunities in a target market.

McCafe has located its coffee houses across the world and today it has about 1300 ones. Comparing to Starbucks Corporation McCafe has less stores worldwide than Starbucks, so this coffee shop has more market potential to enter. Even though company basically uses franchising as entry mode, but other factors – financial situation, political risks, development possibilities - of market potential play a role in the choice of entry.

Double Coffee has expanded in Baltic States, Ukraine, Belorussia and China, so today it has a huge world market potential to enter. Today company uses basically franchising as entry mode, but this company occupied relatively small amount of countries. Potential markets for Double Coffee are these from new Europe because old Europe is already full of existing coffee houses like McCafe and Starbucks.

- **Competitive intensity**

Competitive intensity is about number of rivals in a market running the same business. **Starbucks Corporation** and **McCafe** of McDonald's are occupying almost the same market and have the same customers. As these two companies are market leaders in coffee house sector the competition between them is very intensive. Expanding the same business in the same market companies have to decide about the market entry mode in order to have a leadership. However, today McCafe more often is looking for markets that are empty of Starbucks coffee houses like Italy. Despite of those two, there are many other coffee shops and houses operating in the same markets that in some cases play a role in the choice of entry mode of business internationalization. For example, entering UK market Starbucks Corporation at the beginning made a joint venture with Seattle Coffee Company and after some period rebranded it to Starbucks Coffee House (figure 3.13).

Double Coffee is the leading coffee house in Baltic States. Existing competitors in this market are: McCafe, Vero Café, Coffee In. Potential competitor would be Starbucks Corporation if it would expand its business in Lithuanian and Latvian market. Starbucks is its strong competitor in Estonia, Ukraine and China affecting its internationalization strategies.

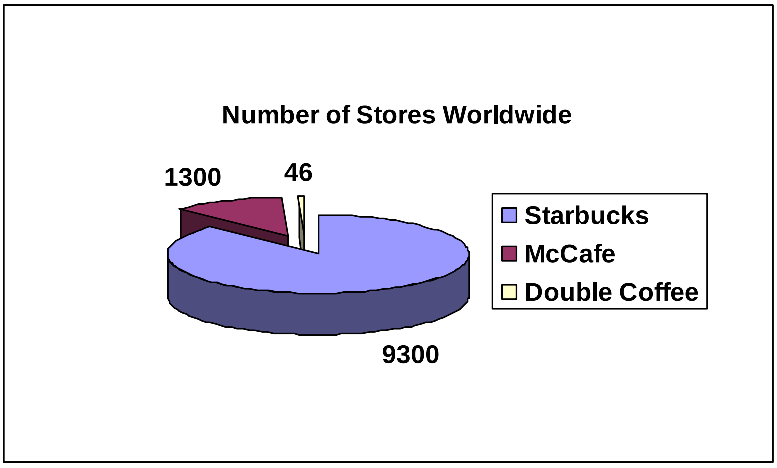


Figure 3.13 Number of Coffee Houses Worldwide
Source: [made by author]

The comparison of the research question about choice of entry mode by coffee houses of Starbucks', McCafe and Double Coffee

Starbucks Corporation uses different entry modes and business expansion strategies depending on country, its situation and coffee house internationalization stage. Even though the similarity in language between two cultures, it is clear that scarce of knowledge of the British culture and business market made obstacles for Starbucks Corporation and its expansion in UK market in a very quick manner. In UK at the beginning of internationalization process company used joint venture with local Seattle Coffee Company because of external factors of target market. When it has already strong position in a new market Starbucks coffee house decided to open its own wholly-owned subsidiaries.

Entry mode Starbucks used in China was licensing. Because the cultural distances and scarce of information in a distinct country Starbucks decided to lower development costs and political risk using licensing as internationalization strategy. China gave huge amount of opportunities for Starbucks Corporation because of enormous population and good economy situation in a country. Licensing business in China Starbucks coffee house faced loss of control over technology and risk for losing know-how, so it decided to open wholly-owned subsidiaries when it was already familiar with all aspects of new market.

In Korea Starbucks Corporation used licensing in the beginning of internationalization process of coffee house business. It gave license to wholly owned subsidiary of Shinsegae Department Store Co. Ltd. When it faced big risks and costs Starbucks decided to make a joint venture with this company in order to consider political and economic situation in Korea.

McCafe basically uses franchising as entry mode. Today it is a leader in Australian and African markets of coffee houses. European companies – franchisees are interested in McCafe coffee houses because they encourage customers, even women to stop in here for a breakfast. For young family with little children is very convenient that all McCafes are inside McDonald's restaurants. Parent can drink a tasty coffee while little children can have sandwich of cocktail from fast food restaurant. Franchising has more advantages for McCafe: it requires less political risk and development costs, the expansion is fast.

Double Coffee in Baltic States, Ukraine, Belorussia and China uses franchising as foreign market entry strategy. Before business internationalization it makes analyzes of potential market. Company is using this entry mode because it is not so strong as McCafe or Starbucks Corporation and franchising gives possibility to save development costs and avoid political risks. Double Coffee did not use aggressive strategy for fast expansion across countries but it analyze market potential until it has clear vision on successful evolution in new country. Double Coffee lets its franchises to include services that are popular and profitable in particular places or markets. There is possibility for local companies to become supplier of a Double Coffee, and Double Coffee, in turn, is able to require the best conditions of agreement with them.

3.5. Marketing research of possibility to successfully implement and expand coffee house business idea in Lithuania

This research is to investigate possibilities to successfully expand the business of Starbucks Corporation, Mc Café of McDonald's and coffee house of Double Coffee in Lithuanian market. This survey is necessary to find out which factors are important for coffee house company to internationalize its business according customers' coffee consumption preferences. McCafe and Double Coffee are already located in Lithuanian market. However, this research is to analyze the successfulness of these coffee houses establishment in the country, because McCafe and Double Coffee are relatively young coffee houses in Lithuania. According McCafe and Double Coffee beverages' consumption and functions there is made research about possibility to implement Starbucks coffee house business in Lithuanian market. So, Lithuania is a market potential for Starbucks Corporation to occupy. By questionnaire there are distinguished factors and aspects important to take into account before expanding business idea in a particular market.

To have more exact answers in marketing research and in order to make conclusions and suggestions it is necessary to distinguish some hypotheses and to test them. There are distinguished the following hypotheses:

$\mathbf{H_1}$: Young generation likes innovations; therefore they would come to new coffee house.

$\mathbf{H_2}$: Lithuanian population drinks big amounts of coffee.

$\mathbf{H_3}$: Coffee – popular beverage at work and anywhere – increases energy, strengths.

The hypotheses are as advantages and useful factors for successful implementation and expansion of new coffee houses' business. There are analyzed all of them and figured out what are the reasons and solutions for the problem.

Coffee industry worldwide is influenced by different forces in different countries. If in one country there are political barriers for coffee trade in one country, in other one could be steady level of demand and supply for this beverage. Some countries, like Lithuania nowadays, experience changes in incomes because of global economic crisis. There are many factors like improved technology or lower prices that can influence buyers to switch to other product suppliers because of increased production efficiency and increased sales. So, market research is made to evaluate business running of young but already existing international coffee houses and opportunity to successfully adopt the coffee business idea of new Starbucks Corporation in Lithuanian market.

3.5.1. Questionnaire results' analysis

As the research is made in Lithuania it is necessary to know the size of all population from 17 till 55 years old, because those people are used to drink coffee beverages. This includes employees, students, people who live active life. Using sampling size formula there was calculated that amount of research respondents are 396. This group of people represented all the target population in Lithuania – about 1793240 people (17 – 55 years old citizens). As questionnaire was placed in social website, there were received a lot of answers. So, respondents were chosen randomly.

As the population size of a needed age is 1793240, calculated confidential level is 95 %. Having population size and confidential level there was calculated the sample size – 396 respondents.

For interviews, observational methods and projective techniques there was not be chosen exact sampling size; the number of these respondents just will help to get more precise answers and results for my marketing research problem.

During the research there were distributed questionnaires directly to people, sent by e-mail and the survey questionnaire was uploaded in internet. There were received up to 450 answered questionnaires, but the analysis were made only of those respondents who drink coffee, so 396 questionnaires. By interviews the respondents were: 30 students and 30 older people. All survey continued for about 9 months, there were got the following results for each questionnaire question (Appendix G).

There are made some correlations between appropriate questions in order to make some important conclusions and recommendations for coffee houses business expansion in Lithuanian market. All my respondents who drink coffee are divided by age groups. The biggest group consists of respondents whose age is 46 - 55 years old; it is 128 individuals - 32 % of all target population. 34 % of them are males and 66 % are females. By their activity all my respondents are divided as follows: 17 % of respondents are studying, almost 30 % are studying and working, 47 % just work and around 6 % of respondents do not have special activities. From the chart below it is clear that respondents of 46 – 55 years old drink coffee mostly in coffee houses. Then follow people of 36 – 45 years working people (figure 3.14).

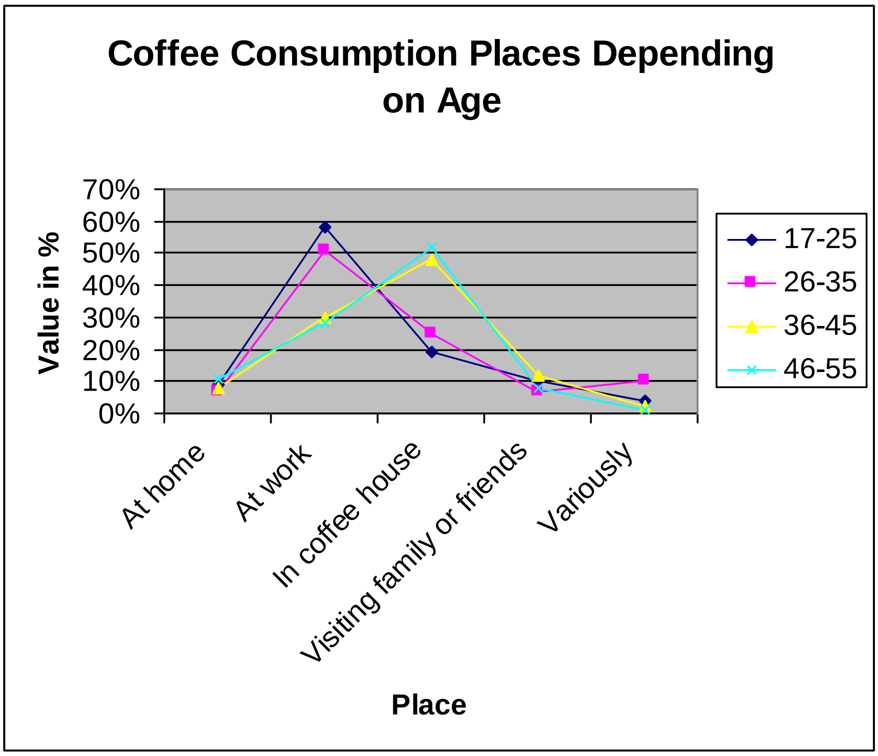


Figure 3.14 Coffee consumption Places Depending on Age in Lithuania
Source: [made by author]

Depending on the activity the consumption of coffee beverages in coffee houses is different. From figure 3.14 and figure 3.15 about coffee consumption's dependence on activity and age there can be made conclusion that attendance to coffee houses is influenced by the social position and financial situation of a person.

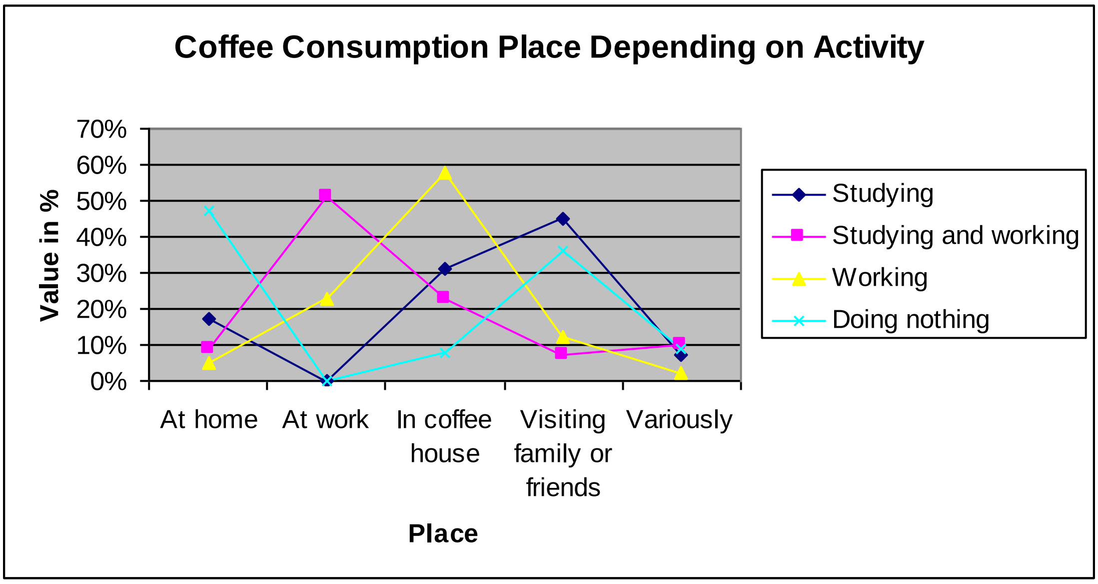


Figure 23.Coffee consumption Places Depending on Activity in Lithuania
Source: [made by author]

Most respondents drink more than 1 cup of coffee per day. This means that coffee in Lithuanian market has very high demand, cafes and coffee shops are able to gain a lot profit from this business and to develop it all the time. Even if there are a big number of coffee houses and shops, the competition is not very high because of huge number of customers. It is as well very good indicator for the marketing research problem that diminishes the difficulties to implement Starbucks and develop McCafe and Double Coffee business idea in Lithuania.

3.5.2. Conclusions from marketing research survey

One of my hypotheses was that Lithuanian young people like innovations. This means, that there are a lot of young people who drink coffee and who like innovations. It is very good indicator for implementing business idea of Starbucks company in our country. As youth like innovations they probably will become loyal customers of discussed coffee houses.

Beverage of new kinds of coffee is becoming more and more popular among not only young generation in Lithuania but among older people who live active life. It is very good indicator for the research problem, it lowers the barriers for implementing Starbucks, McCafe and Double Coffee business idea in Lithuania.

Coffee helps people to relax, rest and to get energy. Very often many business decisions are made while drinking cup of coffee.

It is very important factor that Starbucks Company, McCafe and Double Coffee offer not only many kinds of coffee but as well such products as cakes, cookies, sweets. People like coddling them time-to-time with deserts. Moreover, it is convenient for families to have a breakfast for parents and children.

Using interviews, projective techniques, observational methods it was investigated that the beverage of new kinds of coffee is becoming more and more popular among the Lithuanian youth generation, that makes more possibilities and opportunities to transfer Starbucks Company's business idea into Lithuanian market and develop coffee houses business of Double Coffee and McCafe Corporations. There are some barriers, because older people are used to traditional things, they are more conservative and afraid of innovations, but it could be solved by different advertisements, promotions.

There is observed the correlation of coffee features and people who have already tried Starbucks, McCafe and Double Coffee beverages. Respondents value possibility to take coffee out the most. Nowadays everyone is so busy that even sometimes do not have time to drink cup of coffee in the morning and to start the day full of energy and strengths. Starbucks, McCafe, Double Coffee and their existing competitors in Lithuanian market offer valuable feature to order and take the drink out. It is real achievement of coffee houses in our century as it facilitates customers' life. Buyers now can drink the beverage anywhere they are.

Coffee houses of Starbucks, McCafe and Double Coffee have a lot of advantages: services and offers that attract a lot of customers. Possibility to order and take-out coffee is one of the biggest company's advantages and customers' convenience. People who have already tried the product of this company are really satisfied with new coffee, and those who have never tried it are interested in its taste.

4. PROPOSALS FOR DEVELOPMENT OF BUSINESS INTERNATIONALIZATION OF COFFEE HOUSES

As there was defined, there is no ideal international market entry strategy that could be successfully adopted by each coffee house that seeks to enter foreign country and expand its business worldwide. Different entry modes of business internationalization can succeed differently. Coffee shops entering the same market or entering different markets by the same company can bring opposite results. Factors affecting success of entry mode are discussed in the microenvironment scanning part.

Operations in business international scale are very dynamic in market-servicing companies. Depending on the capabilities and resources company decide which entry mode to use. Coffee houses basically use contractual entry modes such as franchising, licensing, strategic alliances, wholly-owned subsidiaries or joint-ventures that are long-term. Entry modes of coffee shops include international company and entity in a foreign target country that include transfer of number of resources such as human skills and technology from a parent company (Root, 1994). Once an international company entered foreign market it gradually changes its entry mode of expansion. If it started foreign business with low level of international investment after period of time company changes the tendency of its direction of commitment. International coffee houses expanded in a foreign market choose entry modes that provide greater control of all operations in its foreign subsidiary (Erramilli & Rao, 1993, Doole & Lowe, 1999). To have greater control over the operations in a company of foreign market means for a parent company to sacrifice more resources and thereby to face more risks. Nevertheless, growing ability and capabilities to compete in a foreign market lowers risks and entry barriers for a coffee house.

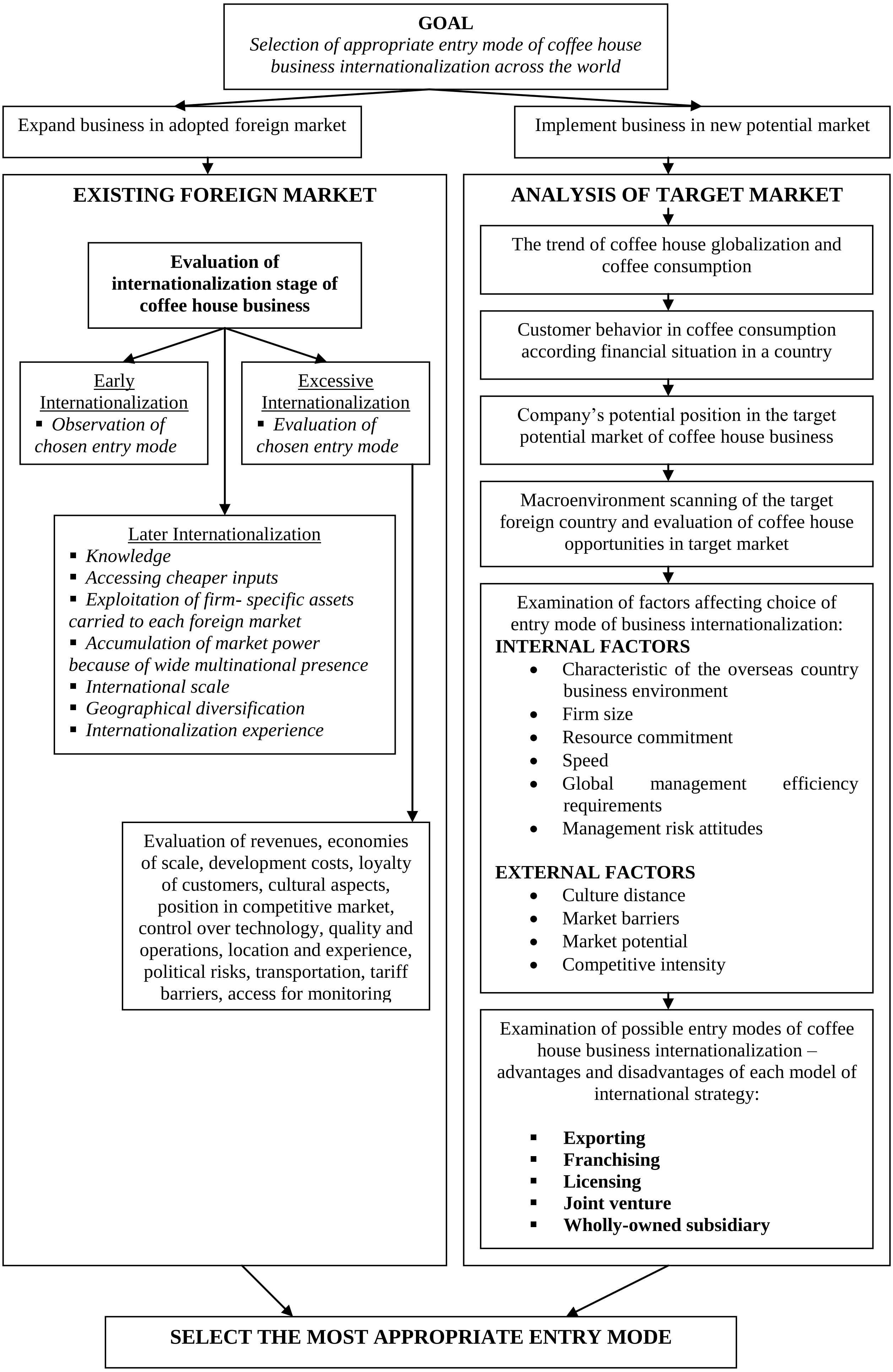
Global expansion should be analyzed additionally through 4 main dimensions of internationalization: operation, market, product and time. The combination of these 4 dimensions differ according resources available of coffee houses. The bigger company the better opportunities it has to successfully expand across countries. Global firms have better possibilities to reach more advances stages of internationalization because of their enlarged resources (Westehead 2001 & 2002). There is needed combination of different internationalization strategies and entry modes to enter and operate on international markets across the world. Internationalization development strategy of the firm should start from the creation of pattern of logical activities over time based on companies' resources (Ahokangas, 1998). Today, number of international firms is increasing. As a result of fast changing economic, technological and social conditions, time is considered to be very important dimension of internationalization strategy. Welch and Loustarinen (1993) define 3 main dimensions of internationalization (product – market - operation), while time is closely related to them.

Through three first parts of the master thesis there were analyzed business internationalization strategies of international coffee houses and factors affecting internationalization of the business in order to determine the most effective entry mode for coffee shops. The outcome of whole work is the possibility of coffee houses to select proper and correct strategy according factors affecting that strategy in the process of internationalization. Penetration to foreign markets will be successful if the entry mode of the coffee house to potential country is correctly investigated, evaluated and selected.

International expansion often associates with uncertainty, high rate of failures and volatility of coffee houses' environment in today competitive times. This result is because of wrong selection of entry mode as internationalization strategy that was chosen without correct evaluation, examination and analysis of affecting factors. Different countries have different political and government conditions, different legislation on international coffee houses doing business in their country. Moreover, international expansion strategy of coffee house depends on the stage of internationalization. Entry mode depends on the coffee house resource requirements and the desire of the control of operations in foreign ventures.

In the figure below there is presented project for determination and selection of proper strategy of business internationalization for coffee houses. Before choice of entry mode of business internationalization there need to be made number of steps and processes in order to evaluate all strengths and obstacles that can be faced during business global expansion.

As each entity coffee house has to have goal of its existence. In this case, there are presented suggestions and recommendation for the process of analysis of factors that influence the choice of entry mode of coffee house business expansion across the world. First of all, company has to determine the target market, is it already occupied by coffee house or it is just potential one. Already adopted or just potential market influence the way and specific process of analysis of factors that play an important role in the selection of correct international strategy.


GOAL
Selection of appropriate entry mode of coffee house business internationalization across the world
Expand business in adopted foreign market
Implement business in new potential market
EXISTING FOREIGN MARKET
Evaluation of internationalization stage of coffee house business
Early Internationalization
▪ Observation of chosen entry mode
Excessive Internationalization
▪ Evaluation of chosen entry mode
Later Internationalization
▪ Knowledge
▪ Accessing cheaper inputs
▪ Exploitation of firm- specific assets carried to each foreign market
▪ Accumulation of market power because of wide multinational presence
▪ International scale
▪ Geographical diversification
▪ Internationalization experience
Evaluation of revenues, economies of scale, development costs, loyalty of customers, cultural aspects, position in competitive market, control over technology, quality and operations, location and experience, political risks, transportation, tariff barriers, access for monitoring
ANALYSIS OF TARGET MARKET
The trend of coffee house globalization and coffee consumption
Customer behavior in coffee consumption according financial situation in a country
Company's potential position in the target potential market of coffee house business
Macroenvironment scanning of the target foreign country and evaluation of coffee house opportunities in target market
Examination of factors affecting choice of entry mode of business internationalization:
INTERNAL FACTORS
• Characteristic of the overseas country business environment
• Firm size
• Resource commitment
• Speed
• Global management efficiency requirements
• Management risk attitudes
EXTERNAL FACTORS
• Culture distance
• Market barriers
• Market potential
• Competitive intensity
Examination of possible entry modes of coffee house business internationalization – advantages and disadvantages of each model of international strategy:
▪ Exporting
▪ Franchising
▪ Licensing
▪ Joint venture
▪ Wholly-owned subsidiary
SELECT THE MOST APPROPRIATE ENTRY MODE

4.1. Expansion of business in adopted foreign market

First of all company has to estimate the stage of its coffee house business internationalization process. There are analyzed 3 stages of business worldwide expansion: early, later and excessive internationalization. There are benefits and costs in each stage of business internationalization. In the early business internationalization there is faced mostly excess of costs over the benefits. So, company in this stage has to observe the chosen entry mode of business internationalization for estimating evolution of costs and benefits. According Kundu Hsu (2003), Lu Beamish (2004), Thomas Eden (2004) the best one is later (second) stage of business global expansion while first and last one brings mostly expenses for the company.

Second stage of business internationalization is later one and requires evaluating a lot of factors such as:

1. Knowledge – it is gathering information about foreign country, its nation and market requirements. Company expanding its business abroad increases its opportunities on foreign knowledge that is not so easy reachable for domestic competitors or less internationalized rivals;
2. Access o cheaper inputs – it is about cheaper resources such as labor force. Coffee houses with successfully expanded business in foreign market has better access to local nation. But if competition in the market is intensive and rivals use the same strategy of cheap labor force this could lead to very low profits of the business;
3. Exploitation of firm-specific assets carried to each foreign market – each company has its own specific capabilities and competences that outdistance competitors in coffee house business market. Company’s specific resources are not easily to imitate that puts company over its competitors;
4. Accumulation of market power because of wide multinational presence - bing large and combining people from distinct countries enables company to establish its preferred technical standards and create global brand equity, recognition and respect. In that way, company gains the financial muscle on global market;
5. International scale – bigger demand requires sometimes the same production costs that state about grater gross profit. Satisfaction of customers’ needs and requirements is the most important factor in this case. Greater international scale builds coffee house’s brand name recognition and reputation;
6. Geographical diversification – this factor says about evaluation and measurement of multi-currency cash flows and interest rates because of international expansion and differences between distinct countries.

7. Business internationalization experience – this is about gaining more experience how to reach new market with less failures and costs. Targeting new countries coffee house company examines itself in distinct cultures and situations. It is not about knowledge, but about real actions and activities. With more experience company evaluates its weaknesses and capabilities expanding coffee houses business across the world.

Excessive internationalization of business faces more risks and costs because of aggressive expansion. In case with Starbucks coffee house business it expanded its business to enormous amount of countries with different political, economic situation, cultural differences and many other aspects that make barriers. Company with particular amount of resources is not concentrated on some markets but has great number of them. Markets with big concentration of Starbucks coffee houses seem to define this company to be in excessive business internationalization stage. Across the world Starbucks has just 22 % of its stores, while in the USA there are 78 % of its coffee houses. Company opening more stores in USA faces bigger costs while customers remain in the same amount. Firms in the third stage are very near to over-internationalize and once more affect the negative performance. Companies deviate from optimal internationalization process while choose the foreign markets randomly without any risk evaluation. This is the one argument for the over-internationalization. The other argument is that succeeding in the global market expanding business the company enjoys it to a huge extent and does not know when to stop. That leads to impossibility for the firm to react quickly enough to the changing environment of technology and competition. Running coffee house business in the last stage of its internationalization company need to evaluate revenues, economies of scale, development costs, loyalty of customers, extend of customers' satisfaction, cultural aspects, position in competitive market, control over technology, quality and operations, location and experience, political risks, transportation, tariff barriers and access for monitoring.

After evaluation of each stage of business internationalization coffee house can stay with the same entry mode strategy or choose more appropriate one. In the first stage of coffee shop business internationalization to foreign market there is recommended to be chosen exporting or joint venture as entry mode strategy in order to become familiar with local market and customers through local partners as the have more knowledge and experience there. Costs and risks are shares with partners. In later and excessive stage of business internationalization there could be chosen wholly owned subsidiary, licensing or franchising depending on the success of business running in foreign market. If there are some problems faced with business expansion licensing and franchising should be chosen as entry modes as they bring lower development costs and political risks. On the contrary, wholly owned subsidiary ensure coffee house with 100 % of all profits, maintenance of control over technology and operation.

4.2. Business implementation in new potential market

There should be made analysis of target market. First of all company has to investigate the trends and tendencies of expansion of coffee houses and coffee beverages' consumption. Today people are used to take coffee beverages out as it is much more convenient and safe their valuable time. Moreover, in nowadays world population pay a lot of attention for healthy food and beverages.

Secondly, there has to by investigated customers' behaviour in coffee consumption and attendance to coffee houses in changing financial situation in a country. Today financial situation is very difficult almost for each person in the world because of global economic recession. Even though coffee consumption has not changed a lot during 2008 – 2010 economy crisis and remained stable but revenues of retailers were diminished because of switch off to cheaper coffee beverages' suppliers.

Later on, company has to examine its potential position in a target country. It has to evaluate capabilities and resources of itself and compare to the competitors. Coffee houses have to find out what customers value the most and what make them loyal.

Macroenviroment scanning analysis has to be made of the target market through the following factors:

- ✓ Economy (GDP per capita, economic growth, unemployment rate, inflation rate, inventory levels, currency exchange rates, balance of payments, future trends);
- ✓ Government (political climate - amount of government activity, political stability and risk, government debt, budget deficit or surplus, corporate and personal tax rates, payroll taxes, import tariffs and quotas, export restrictions);
- ✓ Legal (minimum wage laws, environmental protection laws, worker safety laws, copyright and patent laws, laws that favor business investment);
- ✓ Technology (efficiency of infrastructure, including: roads, ports, airports, rolling stock, hospitals, education, healthcare, communication, etc., industrial productivity, new manufacturing processes, new products and services of competitors, new products and services of supply chain partners, any new technology that could impact the company, cost and accessibility of electrical power);

- ✓ Ecology (ecological concerns that affect the firms production processes, ecological concerns that affect customers' buying habits, ecological concerns that affect customers' perception of the company or product);
- ✓ Socio-cultural (demographic factors such as: population size and distribution, age distribution, education levels, income levels);
- ✓ Potential suppliers (Labor supply: quantity of labor available, quality of labor available, stability of labor supply, wage expectations, employee turn-over rate, strikes and labor relations, educational facilities; Material suppliers: quality, quantity, price, and stability of material inputs, delivery delays, level of competition among suppliers);
- ✓ Stakeholders (employees, partners).

After this step company has to examine factors affecting choice of entry mode of coffee house business internationalization that are as additional analysis of macroenvironment scanning:

INTERNAL FACTORS

- Characteristic of the overseas country business environment; they are defined as knowledge of the host country about its language, traditions, culture, foreign country citizens behavior, information about the overall industry specific to the coffee houses such as volatility of general business regulations, infrastructure, levels of industrial development, competition intensity and customer protection legislations.
- Firm size and resource commitment is about ability of coffee house to have available resources and supplying specific resources for the market.
- Speed consists of the period needed for a coffee house to enter host country and adapt to foreign market.
- Global management efficiency requirements are about management involvement in the process of coffee house business expansion worldwide. In the case of Starbucks and McCafe the degree of international involvement is very high so they have their resources limited. Growing number of targeted markets makes it necessary to rethink about company’s business internationalization strategy.
- Management risk attitudes refers to the degree of international business risk that company faces entering a host country. The degree of risk depends on: coffee house’s financial situation, its strategic options, and competitiveness of the environment in target foreign market.

EXTERNAL FACTORS

These factors are about political, economic and social characteristics that indirectly influence the choice of entry mode of business international expansion. Coffee houses are not able to control external factors.

- Culture distance refers to the differences in behavior and thinking between individuals from distinct countries. Cultural differences influence validity of work practices and methods transfer to host markets.
- Market barriers are about tariff barriers, governmental regulations, level of country' development, distribution access.
- Market potential refers to the potential growth and size of target foreign country. Growing market promises successful expansion of coffee house business.
- Competitive intensity shows degree of rivals of coffee houses' business in one market.

At the end there should be examined each business worldwide expansion's entry mode and evaluated all advantages and disadvantages of exporting, licensing, franchising, joint venture and wholly owned subsidiary.

CONCLUSIONS AND SUGGESTIONS

Running the business as a separate entity is much more difficult than being a member of a business network where companies are able to learn from each other new things and achieve new competencies. Having the relationships with companies from the same field or sector assure continuous improvement for a business as it will be placed with other like companies, not among competitors. Companies in coffee house business connected in networks with corporations running the same activity will be able to achieve more practices, knowledge and experience. Coffee traders, cafes or coffee houses as network members would be able to evaluate each entity in the network in real time, observe its success and failures generating positive solutions and possibilities to run successful its own business, especially in today's economic changes.

Recently the logistics system in international coffee house business as in many others was very complex one with distinct functions with no connections. Creating the networks between distant stores, business partners or organizations makes the supply chain and business operations simpler and more effective. It is the important for companies in coffee house business to simplify the whole process by rejecting unneeded functions or combining and connecting them with others. There is very important for coffee traders to manage the right sequence of activities of the whole supply chain process from the supplier to end-customer; this adds value to the product supply. The advancement of IT facilitates the distribution and delivery process in all business so in coffee market as well. The proposal would be to invest in R&D and innovations in order to reduce the costs of the whole coffee business. Companies inside the business networks are able to use such information and research results achieved by other like companies and then to set appropriate functions and strategies in order to reach customers in right way.

International networks of coffee house business play important role in creating heterogeneous contacts in a global scale. The economy is a giant network of organizations linked by buying and selling relationships. Every company has suppliers who provide inputs and customers who receive outputs. Every company is dependent on both their suppliers and their customers for resources and money. Cognitive and intellectual resources travel across the international business networks.

Every network is a model and represents a specific query. There are number of network model. International business networks represent effective total quality process in order not to loose customers because of bad business performance. Organizations link in networks to create effective business culture where everyone will succeed. In the business the quality of the performance and product or service is the present factor. In an international business network each entity is able to perform what it can the best eliminating unnecessary and not effective functions or inventories that decrease costs and create more effective supply chain. If the discussed conditions are satisfied company is able to become strong in a market in the current business environment. Networking with different companies and organizations in the local and global perspective company is responsible for the best performance of the full supply chain beginning from the extracting of raw materials through manufacturing goods, distribution and finishing by retail outlets and delivering the goods to end customers.

Depending on target market and country's characteristics international companies are able to use and change entry modes for coffee house business internationalization. All three mentioned global firms use franchising as entry modes. It presents the lowest development costs and the lowest level of risk. So, companies are able to use more money on goods and services development. Depending on wants and preferences of the buyers that are the most important in the business Starbucks, McCafe of McDonald's and Double Coffee can make changes in product or service, improve its image or channel, or provide better training to the personnel and increase its qualification.

Success of international expansion of coffee houses business performance depends on political, economic, social, governmental, legal, technological, ecological and stakeholders' factors differently in distinctive world countries. So, it is important to evaluate all the possibilities, capabilities, opportunities as well weaknesses, barriers and obstacles of the firms, traditions and attitudes of people in different countries, what are the trade policies and economic situation in international markets that are target to perform activity of Starbucks, McCafe of McDonald's and Double Coffee in order to make the decisions concerned the business running and choice of coffee house business internationalization process.

Concerning trends of coffee consumption and attendance to coffee houses and shops, nowadays people value the quality and healthy food and drinks. They are willing to pay more for high quality and healthy products and to be satisfied with it for longer period than to buy cheaper item and to out of conceit with it for very short time. The same Lithuanian people - they respect and value quality. Lithuanian nation is more linked to safe money and to buy expensive product rarely than to go, let's say, to cheap restaurants and coffee houses each day. This is an advantage for Starbucks Company, McCafe and Double Coffee and its potential business idea implementation in Lithuanian market as it is offering not so cheap beverage but with high quality, big assortment and a lot of features like possibility to take beverage out.

Evaluated reaction of coffee sales and consumption according macroeconomic factors such as GDP and inflation it is observed to be not aggressive. Even though fall in GDP and growing inflation in almost in all countries of the world there is almost stable coffee consumption rate. But it does not mean that customers do not react to world crisis by the coffee drinking habits. On the one hand, there is observed switch off to cheaper coffee houses, on the other – rarer attendance to expensive coffee shops. Even in economic recession times people value healthy and qualified goods and beverages. They are used to spend more money on good coffee and to have it one a week than have cheap and unhealthy coffee drink each day.

Inflation macroeconomic factor has the influence on coffee sector and all companies involved. Inflation manifests the increase in prices. Companies in the sector are forced to incur higher costs for the product manufacturing and processing as well increase. Some coffee houses are used to react to economic crisis setting price leadership strategy, while others stay with the same high prices because they know about new growing tendencies of coffee consumption. Loyal customers paying a lot attention to qualified, healthy food and beverages will let those coffee houses to earn enough money.

The main object of my master thesis is successful international strategy and expansion of coffee houses of McCafe and Double Coffee and possibility to implement Starbucks business idea in Lithuanian market as a potential one. Mentioned global coffee houses are coffee traders moving in globally business running direction company. Coffee drinking traditions and coffee shops business are developing nowadays to high extent. People more often cannot imagine their life without cup of coffee during the day. This beverage is like energy and strengths source that gives as motivation to start, continue and successfully finish the task. Coffee houses depending on target market have to choose the way how to evaluate all situations with all factors and issues before selecting right entry mode of business internationalization. As there is unique international expansion strategy for coffee house business, companies need to evaluate all their capabilities, resources, networking opportunities, partnerships and position in the world market according macroenvironment factors.

For successful business implementation and running there should be made right decision about strategy choice. For the appropriate determination there has to be made number of researches, analyses, surveys, tests and evaluations. But, even thought all the mentioned steps had been made before strategy choice and implementation, trade method or tactic selection falsifies. The problem is that there is no specific strategy for international business expansion of coffee houses. It means, that even perfectly investigated idea is not able to forecast future situation in the market and entrepreneurs have to be ready for failures and misfortunes. But only strong entrepreneurs will not break but will learn from existing situation and his mistakes. This miscarriage will provide the entity with more willingness to fight and seek the aim and perfection, to make changes and improvements in actions and strategies.

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APPENDIXES

Appendix A

My name is Violeta Buiko. I am studying International Business Management in VGTU. This is my last year of Master studies. Now I am writing my Master Thesis, because of that I am doing market research about Starbucks Corporation's, McDonald's Mc Café and Double Coffee coffee houses' coffee consumption. I am going to investigate coffee beverage traditions in Lithuania and possibility to implement business idea of these international coffee shops in our country. I would be very grateful if you pay some attention to my survey and answer all the questions. It will take you no more than 5 min. If you would like to express your opinion or to ask something about this problem please write me on this email: violeta_buiko@yahoo.co.uk

Thank you.

QUESTIONNAIRE

1. Do you drink coffee?

   □ yes □ no

2. Where do you live?

   □ in Lithuania □ abroad

3. What kind of coffee do you like?

   □ black □ with extras

   □ all kinds □ other_______________

4. How many cups of coffee do you consume per day?

   □ 1 □ 2

   □ 3 □ 4 and more □ not every day

5. Where do you usually drink coffee?

   □ at home □ at work

   □ in café □ visiting family, friends □ variously

6. What are you doing when you drink coffee?

   □ just revealing the coffee □ watching TV

   □ communicating □ reading press

   □ smoking □ other activity

7. What cafes or coffee shops do you visit mostly?

   □ Double Coffee □ Vero Café

   □ Mc Café □ Coffee In □ other place

8. What do you like the most in this coffee houses and coffee shop?

   □ Warm atmosphere □ Good and quick service □ Other_____________

9. What do you usually order?

   □ Just coffee □ Coffee with desert □ Other_____________

10. What do you think about coffee's effect?

□ Positive □ Negative □ No opinion

11. Have you ever tried coffee of Starbucks', Mc Café's or Double Coffee?

□ if yes, go to question 13 □ if no, go to the 12 question

12. Would you like to try coffee of Starbucks Company Mc Café's or Double Coffee?

□ yes □ no

13. What do you value the most in it?

□ Taste □ Broad assortment

□ Possibility to take-out

14. Your age?

□ 17 – 25 □ 26 – 35

□ 36 – 45 □ 46 – 55

15. Your activity?

□ studying □ working

□ studying – working □ doing nothing

16. Gender?

□ male □ female

17. Your opinion and suggestions for coffee houses.

Thank you for answering.

Appendix B

Esu paskutiniojo kurso VGTU studentė Violeta Buiko. Studijuoju tarptautinį verslą. Šiuo metu rašau magistrinį darbą, todėl atlieku tyrimą apie tarptautinius kavos namus, jų teikiamas paslaugas ir apie koavos gėrimą. Apklausos metu tikiuosi išsiaiškinti kavos gėrimo tradicijas Lietuvoje ir kitose šalyse bei galimybes internacionalizuoti kavos namų verslą. Būčiau dėkinga, jeigu skirtumėte 5 min savo laiko ir atsakytumėte į mano pateiktus klausimus taip prisidedami prie tyrimo. Jeigu turite papildomų klausimų ar norėtumėte pasidalinti savo nuomone man galite rašyti el. Paštu: violeta_buiko@yahoo.co.uk

ANKETA

1. Ar geriate kavą?

□ taip □ ne

2. Kur gyvenate?

□ Lietuvoje □ Užsienyje

3. Kokią kavą mėgstate?

□ Juodą □ su priedais

□ Baltą □ kitą________________________

4. Kiek puodukų kavos išgeriate per dieną?

□ 1 □ 2

□ 3 □ 4 ir daugiau □ ne kasdien

5. Kur dažniausiai geriate kavą?

□ namuose □ darbe

□ kavinėje □ svečiuose □ kitur

6. Kuo užsiimate gerdami kavą?

□ tiesiog mėgaujuosi kava □ žiūriu TV

□ bendrauju □ skaitau spaudą

□ rūkau □ kita veikla

7. Kokiose kavinėse ar kavos namuose mėgstate lankytis?

□ Double Coffee □ Coffee In □ Starbucks

□ Mc Cafe □ kitur________________________

8. Ką labiausiai vertinate šioje kavinėje ar šiuose kavos namuose?

□ Jaukią aplinką □ Gerą ir greitą aptarnavimą □ Kitą________________

9. Ką dažniausiai užsakote kavinėje?

□ tik kavą □ kavą su desertu □ Kitą______________________

10. Kokia jūsų nuomonė apie kavos poveikį?

□ teigiama □ neigiama □ nesusimąsčiau

11. Ar ragavote Starbucks, Mc Café ar Double Coffee kavą?

□ jei taip, pereikite prie 13 klausimo □ jei ne, pereikite prie 12 klausimo

12. Ar norėtumėte paragauti Starbucks, Mc Café ar Double Coffee kompanijos gaminamas kavas?

□ taip □ ne

13. Jei esate ragavę Starbucks kompanijos, Mc Café ar Double Coffee kavą, ką labiausiai joje vertinante?

□ Skonį □ Didelį asortimentą

□ Galimybę užsakyti išsinešimui

14. Jūsų amžius:

□ 17 – 25 □ 26 – 35

□ 36 – 45 □ 46 – 55

15. Jūsų veikla:

□ mokosi □ dirba

□ dirba – mokosi, □ nieko neveikia.

16. Lytis:

□ vyras □ moteris

18. Jūsų pastabos ir pasiūlymai kavos namams.

www.manoapklausa.lt/apklausa/208438614/

Ačiū už atsakymus.

Appendix C

Exports and imports by BEC

Per cent

BEC[1]	January 2010	
	exports	imports
Total	**100**	**100**
Capital goods	7.4	7.3
Intermediate goods	53.4	68.8
Consumption goods	28.1	21.0
Motor spirit	9.3	0.4
Passenger motor cars	1.7	2.5
Others	0.1	0.0

[1] *Broad Economic Categories Classification*

Statistic Department of Lithuania

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Exports, imports by country

LTL million

Union, country	January 2010	
	exports	imports
Total	**3074.9**	**3533.7**
EU	**2137.6**	**1769.1**
Austria	9.2	19.7
Belgium	61.8	96.7
Bulgaria	4.7	5.0
Cyprus	1.9	1.2
Czech Republic	18.5	74.5
Denmark	140.7	57.5
Estonia	219.8	93.5
Finland	67.4	57.4
France	128.1	64.0
Germany	291.6	298.3
Greece	4.2	2.4
Hungary	15.1	30.7
Ireland	7.6	6.6
Italy	68.1	95.7
Latvia	282.0	176.2
Luxembourg	1.7	0.9
Malta	0.3	0.0
Netherlands	190.9	128.0
Poland	254.2	300.7
Portugal	8.2	2.7
Romania	4.9	5.2
Slovakia	4.6	19.4
Slovenia	2.9	12.0
Spain	37.5	56.8

Sweden	120.2	107.3
United Kingdom	191.5	56.6
Miscellaneous (Stores and provisions within the framework of intra-Community trade)	0.0	-
CIS	**564.9**	**1451.7**
Armenia	0.2	0.0
Azerbaijan	4.0	0.4
Belarus	100.2	59.9
Kazakhstan	19.1	11.4
Kyrgyz Republic	1.5	-
Moldova, Republic of	3.4	1.1
Russia	325.7	1353.7
Tajikistan	3.6	-
Turkmenistan	4.8	0.4
Ukraine	100.1	22.9
Uzbekistan	2.2	1.9
EFTA	**88.7**	**23.0**
Iceland	1.6	1.5
Liechtenstein	-	0.0
Norway	73.1	12.1
Switzerland	14.0	9.3
Others	**283.7**	**290.0**
Afghanistan	0.3	-
Albania	0.0	-
Algeria	0.0	-
Angola	0.1	-
Antigua and Barbuda	0.0	-
Argentina	10.3	2.8
Australia	2.2	0.1
Bahamas	0.0	-
Bangladesh	0.4	0.0
Benin	0.4	-
Bosnia and Herzegovina	0.3	0.0
Brazil	4.4	7.7
Cambodia	-	0.3
Cameroon	0.2	0.0
Canada	2.5	1.2
Chile	0.5	0.9
China	6.9	95.0
Colombia	0.2	0.0
Congo	-	0.0
Costa Rica	0.0	0.1
Croatia	1.1	0.6
Cuba	1.2	0.0
Dominica	0.1	-

Dominican Republic	0.0	-
Ecuador	0.0	0.2
Egypt	3.9	3.1
Ethiopia	-	0.1
Faroe Islands	0.8	1.0
Former Yugoslav Republic of Macedonia	0.0	0.0
Gabon	0.0	-
Gambia	0.1	-
Georgia	4.7	1.7
Ghana	0.3	0.0
Gibraltar	0.2	-
Greenland	0.1	-
Guatemala	-	0.0
Honduras	-	0.0
Hong Kong	1.4	3.2
India	2.2	4.9
Indonesia	0.0	5.0
Iran	0.3	1.5
Iraq	1.6	-
Israel	2.7	1.3
Ivory Coast	0.1	0.2
Japan	2.7	4.0
Jordan	0.2	-
Kenya	0.1	0.0
Kosovo	0.0	-
Kuwait	0.1	-
Lebanon	0.1	-
Libya	-	0.0
Macao	-	0.1
Malawi	0.1	1.3
Malaysia	1.5	1.5
Mauritania	0.1	-
Mauritius	0.8	-
Mexico	1.4	21.2
Mongolia	0.1	-
Montenegro	0.2	0.0
Morocco	0.1	19.4
Mozambique	16.4	1.2
Myanmar	-	0.0
Namibia	-	0.1
Nepal	0.0	0.0
New Zealand	0.1	0.6
Nicaragua	0.0	-
Nigeria	0.0	0.0
Pakistan	0.8	2.0
Panama	0.8	-

Paraguay	0.5	-
Peru	0.1	0.1
Philippines	0.2	0.1
Qatar	-	0.1
Rwanda	0.0	-
San Marino	-	0.0
Saudi Arabia	0.9	0.0
Serbia	0.4	0.0
Singapore	0.8	1.2
South Africa	0.9	0.5
South Korea	2.6	12.7
Sri Lanka	0.1	1.3
St Vincent and the Grenadines	0.0	-
Sudan	0.1	-
Syria	0.4	0.0
Taiwan	1.4	11.7
Tanzania	17.5	0.3
Thailand	0.2	16.3
Togo	0.3	-
Tunisia	0.3	0.0
Turkey	7.8	15.9
Uganda	0.0	-
United Arab Emirates	1.7	1.0
United States	141.1	42.9
Uruguay	8.8	0.0
Venezuela	0.1	0.5
Vietnam	20.4	3.1
Zambia	0.1	-
Countries and territories not specified within the framework of trade with third countries	-	0.0
Miscellaneous (Stores and provisions within the framework of trade with third countries)	1.6	-

Notes: *Due to rounding the sum shown in columns may not coincide in some tables with the data given in „total".*

Statistic Department of Lithuania

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Exports and imports by months

	Exports		Imports		Balance	
	LTL mill.	EUR mill.	LTL mill.	EUR mill.	LTL mill.	EUR mill.
January	3074.9	890.5	3533.7	1023.4	-458.8	-132.9
February						

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Exports and imports by CN section

	Combined Nomenclature	January 2010			
		exports		imports	
		LTL mill.	%	LTL mill.	%
	Total	**3074.9**	**100**	**3533.7**	**100**
I	**Live animals; animal products**	**130.7**	**4.3**	**105.5**	**3.0**
01	Live animals	14.0	0.5	3.5	0.1
02	Meat and edible meat offal	31.0	1.0	36.9	1.0
03	Fish and crustaceans, ignalin and other aquatic invertebrates	18.7	0.6	36.9	1.0
04	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included	65.9	2.1	25.8	0.7
05	Products of animal origin, not elsewhere specified or included	1.1	0.0	2.3	0.1
II	**Vegetable products**	**209.7**	**6.8**	**135.1**	**3.8**
06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	3.0	0.1	3.3	0.1
07	Edible vegetables and certain roots and tubers	27.7	0.9	33.7	1.0
08	Edible fruit and nuts; peel of citrus fruit or melons	55.9	1.8	67.7	1.9
09	Coffee, tea, mate and spices	5.3	0.2	15.7	0.4
10	Cereals	76.8	2.5	3.3	0.1
11	Products of the milling industry; malt; starches; inulin; wheat gluten	16.9	0.5	3.6	0.1
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder	23.2	0.8	6.9	0.2
13	Lac; gums, resins and other vegetable saps and extracts	1.0	0.0	0.8	0.0
14	Vegetable plaiting materials; vegetable products not elsewhere specified or included	0.0	0.0	0.0	0.0
III	**Animal or vegetable fats and oils and**	**8.1**	**0.3**	**24.3**	**0.7**

	their cleavage products; prepared edible fats; animal or vegetable waxes				
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	8.1	0.3	24.3	0.7
IV	**Prepared foodstuffs; beverages, spirits and vinegar; tobacco**	**199.0**	**6.5**	**178.1**	**5.0**
16	Preparations of meat, of fish or of crustaceans, ignalin or other aquatic invertebrates	39.6	1.3	12.6	0.4
17	Sugars and sugar confectionery	10.9	0.4	12.0	0.3
18	Cocoa and cocoa preparations	15.2	0.5	14.6	0.4
19	Preparations of cereals, flour, starch or milk; pastrycooks' products	14.2	0.5	15.6	0.4
20	Preparations of vegetables, fruit, nuts or other parts of plants	7.0	0.2	13.9	0.4
21	Miscellaneous edible preparations	20.4	0.7	27.0	0.8
22	Beverages, spirits and vinegar	18.2	0.6	27.9	0.8
23	Residues and waste from the food industries; prepared animal fodder	50.6	1.6	28.2	0.8
24	Tobacco and manufactured tobacco substitutes	22.8	0.7	26.2	0.7
V	**Mineral products**	**733.8**	**23.9**	**1347.8**	**38.1**
25	Salt; sulphur; earths and stone; plastering materials, lime and cement	2.8	0.1	43.8	1.2
26	Ores, slag and ash	0.0	0.0	1.6	0.0
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	731.0	23.8	1302.4	36.9
VI	**Products of the chemical or allied industries**	**296.6**	**9.6**	**428.5**	**12.1**
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare – earth metals, of radioactive elements or of isotopes	7.5	0.2	25.5	0.7
29	Organic chemicals	11.6	0.4	142.9	4.0
30	Pharmaceutical products	52.3	1.7	123.5	3.5
31	Fertilizers	158.6	5.2	38.3	1.1
32	Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring matter; paints and varnishes; putty and other mastics; inks	10.5	0.3	20.1	0.6
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	11.6	0.4	23.8	0.7
34	Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, polishing or scouring	5.9	0.2	17.5	0.5

	preparations, candles and similar articles, ignalin pastes, 'dental waxes' and dental preparations with a basis of plaster				
35	Albuminoidal substances; modified starches; glues; enzymes	7.8	0.3	7.6	0.2
36	Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations	0.0	0.0	0.2	0.0
37	Photographic or cinematographic goods	1.1	0.0	3.7	0.1
38	Miscellaneous chemical products	29.7	1.0	25.3	0.7
VII	**Plastics and articles thereof; rubber and articles thereof**	**232.4**	**7.6**	**143.8**	**4.1**
39	Plastics and articles thereof	222.3	7.2	123.3	3.5
40	Rubber and articles thereof	10.1	0.3	20.5	0.6
VIII	**Raw hides and skins, leather, furskins and articles thereof; ignali and harness; travel goods, handbags and similar containers; articles of animal gut**	**20.0**	**0.7**	**13.4**	**0.4**
41	Raw hides and skins (other than furskins) and leather	4.4	0.1	8.0	0.2
42	Articles of leather; ignali and harness; travel goods, handbags and similar containers; articles of animal gut (other than silkworm gut)	3.4	0.1	4.9	0.1
43	Furskins and artificial fur; manufactures thereof	12.2	0.4	0.5	0.0
IX	**Wood and articles of wood; wood charcoal; cork and articles of cork; manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork**	**119.6**	**3.9**	**51.8**	**1.5**
44	Wood and articles of wood; wood charcoal	118.8	3.9	50.8	1.4
45	Cork and articles of cork	0.3	0.0	0.3	0.0
46	Manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork	0.4	0.0	0.6	0.0
X	**Pulp of wood or of other fibrous cellulosic material; recovered paper or paperboard; paper and paperboard and articles thereof**	**64.7**	**2.1**	**96.1**	**2.7**
47	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard	3.3	0.1	4.0	0.1
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	44.5	1.4	85.3	2.4
49	Printed books, newspapers, pictures and other products of the printing industry;	16.9	0.5	6.8	0.2

	manuscripts, typescripts and plans				
XI	**Textiles and textile articles**	**222.8**	**7.2**	**164.2**	**4.6**
50	Silk	0.0	0.0	0.6	0.0
51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric	14.1	0.5	11.1	0.3
52	Cotton	4.9	0.2	12.7	0.4
53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn	6.6	0.2	4.9	0.1
54	Man – made filaments	11.6	0.4	14.0	0.4
55	Man – made staple fibres	4.3	0.1	17.4	0.5
56	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof	15.1	0.5	7.7	0.2
57	Carpets and other textile floor coverings	0.2	0.0	1.1	0.0
58	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	1.8	0.1	5.0	0.1
59	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use	2.2	0.1	3.4	0.1
60	Knitted or crocheted fabrics	3.7	0.1	10.5	0.3
61	Articles of apparel and clothing accessories, knitted or crocheted	63.5	2.1	37.0	1.0
62	Articles of apparel and clothing accessories, not knitted or crocheted	71.8	2.3	28.8	0.8
63	Other made – up textile articles; sets; worn clothing and worn textile articles;	23.1	0.7	10.0	0.3
XII	**Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-corps and parts thereof; prepared feathers and articles made therewith; artificial flowers; articles of human hair**	**4.2**	**0.1**	**12.0**	**0.3**
64	Footwear, gaiters and the like; parts of such articles	3.7	0.1	11.2	0.3
65	Headgear and parts thereof	0.5	0.0	0.5	0.0
66	Umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof	0.0	0.0	0.2	0.0
67	Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles of human hair	0.0	0.0	0.2	0.0
XIII	**Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware**	**20.5**	**0.7**	**32.6**	**0.9**
68	Articles of stone; plaster, cement, asbestos, mica or similar materials	7.7	0.3	8.1	0.2
69	Ceramic products	3.5	0.1	9.7	0.3

70	Glass and glassware	9.3	0.3	14.9	0.4
XIV	**Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin**	**9.1**	**0.3**	**4.8**	**0.1**
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin	9.1	0.3	4.8	0.1
XV	**Base metals and articles of base metal**	**125.3**	**4.1**	**160.3**	**4.5**
72	Iron and steel	36.5	1.2	55.0	1.6
73	Articles of iron or steel	60.0	2.0	53.6	1.5
74	Copper and articles thereof	3.0	0.1	3.1	0.1
75	Nickel and articles thereof	0.4	0.0	0.1	0.0
76	Aluminium and articles thereof	10.0	0.3	12.0	0.3
78	Lead and articles thereof	2.6	0.1	0.5	0.0
79	Zinc and articles thereof	0.7	0.0	0.2	0.0
80	Tin and articles thereof	0.0	0.0	0.1	0.0
81	Other base metals; cermets; articles thereof	0.4	0.0	0.6	0.0
82	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal	3.2	0.1	11.5	0.3
83	Miscellaneous articles of base metal	8.5	0.3	23.5	0.7
XVI	**Machinery and mechanical appliances; electrical equipment; parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles**	**269.5**	**8.8**	**344.5**	**9.7**
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	142.1	4.6	156.2	4.4
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	127.4	4.1	188.3	5.3
XVII	**Vehicles, aircraft, vessels and associated transport equipment**	**154.8**	**5.0**	**199.0**	**5.6**
86	Railway or tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical (including electro-mechanical) traffic ignaling equipment of all kinds	0.9	0.0	31.6	0.9
87	Vehicles other than railway or tramway rolling-stock, and parts and accessories	121.0	3.9	146.8	4.2

	thereof				
88	Aircraft, spacecraft, and parts thereof	0.4	0.0	2.9	0.1
89	Ships, boats and floating structures	32.5	1.1	17.7	0.5
XVIII	**Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; clocks and watches; musical instruments; parts and accessories thereof**	**44.6**	**1.5**	**47.2**	**1.3**
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	43.6	1.4	46.1	1.3
91	Clocks and watches and parts thereof	1.0	0.0	0.8	0.0
92	Musical instruments; parts and accessories of such articles	0.0	0.0	0.3	0.0
XIX	**Arms and ammunition; parts and accessories thereof**	**1.0**	**0.0**	**1.2**	**0.0**
93	Arms and ammunition; parts and accessories thereof	1.0	0.0	1.2	0.0
XX	**Miscellaneous manufactured articles**	**206.6**	**6.7**	**42.4**	**1.2**
94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like; prefabricated buildings	192.7	6.3	28.5	0.8
95	Toys, games, and sports requisites; parts and accessories thereof	6.0	0.2	6.9	0.2
96	Miscellaneous manufactured articles	7.9	0.3	7.0	0.2
XXI	**Works of art, collectors' pieces and antiques**	**0.1**	**0.0**	**0.0**	**0.0**
97	Works of art, collectors' pieces and antiques	0.1	0.0	0.0	0.0
XXII	**Commodities which are classified according special requirements**	**1.8**	**0.1**	**1.1**	**0.0**

Notes: *Due to rounding the sum shown in columns may not coincide in some tables with the data given in „total".*

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Appendix D

Exchange Rates of the Litas against Foreign Currencies on March 15, 2010

	Units of Currency	Currency	Code	Rate	Change		
		Australian dollar	AUD	**2.3298**	+0.0221	↑	+0.9577 %
		Bulgarian lev	BGN	**1.7655**	+0.0004	↑	+0.0227 %
	10000	Belarussian ruble	BYR	**8.6458**	+0.0453	↑	+0.5267 %
		Canadian dollar	CAD	**2.4764**	+0.0100	↑	+0.4054 %
		Swiss franc	CHF	**2.3608**	+0.0015	↑	+0.0636 %
	10	Chinese yuan renminbi	CNY	**3.7313**	+0.0196	↑	+0.5281 %
	10	Czech koruna	CZK	**1.3480**	+0.0002	↑	+0.0148 %
	10	Danish krone	DKK	**4.6409**	+0.0016	↑	+0.0345 %
	10	Estonian kroon	EEK	**2.2067**		-	
		Euro*	EUR*	**3.4528**		-	
		Pound sterling	GBP	**3.7941**	-0.0065	↓	-0.1710 %
	10	Croatian kuna	HRK	**4.7527**	+0.0011	↑	+0.0232 %
	100	Hungarian forint	HUF	**1.2933**	-0.0029	↓	-0.2237 %
	100	Iceland krona	ISK	**1.9858**	+0.0030	↑	+0.1513 %
	100	Japanese yen	JPY	**2.8298**	+0.0130	↑	+0.4615 %
	100	Kazakhstan tenge	KZT	**1.7292**	+0.0085	↑	+0.4940 %
		Latvian lats	LVL	**4.8766**	+0.0032	↑	+0.0657 %
	10	Moldovan leu	MDL	**2.0151**	+0.0234	↑	+1.1749 %
	10	Norwegian krone	NOK	**4.2951**	+0.0084	↑	+0.1960 %
	10	Polish zloty	PLN	**8.9011**	-0.0074	↓	-0.0831 %
	10	Romanian leu	RON	**8.4203**	-0.0103	↓	-0.1222 %
	100	Russian ruble	RUB	**8.5608**	+0.0349	↑	+0.4093 %
	10	Swedish krona	SEK	**3.5543**	+0.0032	↑	+0.0901 %
		Turkish lira	TRY	**1.6512**	+0.0009	↑	+0.0545 %
	10	Ukrainian hryvnia	UAH	**3.1918**	+0.0182	↑	+0.5735 %
		US dollar	USD	**2.5471**	+0.0134	↑	+0.5289 %
		SDR I.M.F.	XDR	**3.8918**	+0.0113	↑	+0.2912 %

*- The official fixed exchange rate of the litas against the euro (3.4528 litas per 1 euro), effective as of 2 February 2002, was set by the Resolution of the Government of the Republic of Lithuania (the official gazette "Valstybes zinios", 2002 No. 12-417) and the Resolution of the Board of the Bank of Lithuania (the official gazette "Valstybes zinios", 2002 No. 12-453).
http://www.lb.lt/exchange/default.asp?lang=e; http://www.lb.lt/exchange/default.asp

EXPORTS BY EXPORTING COUNTRIES TO ALL DESTINATIONS
JANUARY 2010

(60-kilo bags)

		Jan-10	Oct-09 to Jan-10	Feb-09 to Jan-10	Jan-09	Oct-08 to Jan-09	Feb-08 to Jan-09
TOTAL		**7 198 710 1/**	**28 443 427 1/**	**94 052 123 1/**	**7 807 774**	**31 341 150**	**97 455 605**
Colombian Milds		*634 820*	*2 852 843*	*8 889 077*	*1 015 727*	*4 014 904*	*12 100 413*
Other Milds		*1 815 232*	*5 409 410*	*21 000 035*	*1 664 731*	*5 707 261*	*22 550 473*
Brazilian Naturals		*2 354 461*	*10 125 392*	*30 135 350*	*2 262 247*	*11 037 872*	*28 743 319*
Robustas		*2 394 197*	*10 055 783*	*34 027 660*	*2 865 068*	*10 581 112*	*34 061 400*
Angola	R	0	800	6 625	0	0	6 105
Benin	R	0	0	0	0	0	0
Bolivia	A	7 000	37 800	82 000	7 600	32 600	69 700
Brazil	A/R	2 436 029	10 396 283	30 441 535	2 322 602	11 586 649	29 547 827
Burundi	A	5 722	52 689	237 987	58 207	186 715	300 809
Cameroon	R/A	30 000	143 339	624 022	6 934	59 231	526 306
Central African Republic	R	3 000	9 000	25 898	2 366	9 816	30 182
Colombia	A	541 217	2 479 902	7 567 588	867 544	3 628 463	10 923 484
Congo, Dem. Rep. of	R/A	15 000	57 000	157 848	11 226	46 605	191 520
Congo, Rep. of	R	0	0	0	0	0	0
Costa Rica	A	118 229	236 292	1 250 843	104 276	286 466	1 442 394
Côte d'Ivoire	R	60 000	586 523	1 851 782	92 553	306 600	1 573 174
Cuba	A	0	0	7 462	0	0	3 650
Dominican Republic	A	3 353	9 722	103 394	2 356	15 683	81 263
Ecuador	A/R	40 000	336 451	1 089 860	36 357	298 103	860 055
El Salvador	A	143 095	252 824	1 332 299	119 997	263 852	1 439 671
Ethiopia	A	84 727	438 743	1 888 651	47 573	418 078	2 805 766
Gabon	R	0	0	675	0	0	421
Ghana	R	1 000	4 000	19 411	1 007	8 035	32 736
Guatemala	A	303 912	620 616	3 533 021	263 713	543 561	3 759 416
Guinea	R	22 000	96 000	293 568	16 175	58 884	199 473
Haiti	A	0	4 000	18 773	1 552	4 498	17 397
Honduras	A	346 427	532 343	3 131 448	299 167	421 775	3 235 518
India	A/R	248 636	1 024 344	3 199 175	157 301	775 619	3 391 302
Indonesia	R/A	225 000	1 775 000	6 381 728	361 830	1 744 602	5 773 437
Jamaica	A	1 000	3 444	24 769	1 062	3 566	19 886
Kenya	A	40 000	172 000	563 409	45 389	180 389	617 582
Madagascar	R	10 000	40 000	84 876	4 937	35 318	181 121
Malawi	A	1 000	4 000	10 179	660	10 660	22 837
Mexico	A	259 351	664 937	2 866 843	230 585	572 729	2 454 129
Nicaragua	A	123 910	297 512	1 412 978	84 932	317 052	1 591 698
Nigeria	R	0	0	790	100	1 471	1 798
Panama	A	9 000	23 000	79 965	8 808	19 236	111 464
Papua New Guinea	A/R	38 887	359 379	979 562	52 800	334 160	1 088 300
Paraguay	A	0	0	1 502	100	606	2 786
Peru	A	153 000	1 200 939	3 046 921	179 658	1 587 081	3 785 393
Philippines	R	500	1 643	6 231	999	1 883	5 276
Rwanda	A	25 000	62 000	167 472	32 999	183 601	328 968
Tanzania	A/R	66 273	274 299	1 109 898	143 947	364 968	879 822
Thailand	R	11 000	64 200	187 200	9 600	61 400	172 300
Togo	R	3 000	18 090	151 626	3 079	8 217	121 067
Uganda	R/A	264 314	971 275	2 954 770	329 211	1 073 825	3 278 984
Venezuela	A	1 000	4 000	17 380	675	6 600	79 921
Vietnam	R	1 526 129	5 063 888	16 707 706	1 870 158	5 742 303	16 038 967
Zambia	A	4 000	16 000	32 667	1 840	14 767	45 045
Zimbabwe	A	2 000	7 000	18 211	1 149	8 218	21 036
Other exporting countries	2/	25 000	102 150	381 577	24 751	117 264	395 621

Note: Group sub-totals take into account the corresponding share of each type of coffee exported by countries that produce and export both Arabica and Robusta in significant volumes. It should be noted that the Arabica/Robusta ration of 50/50 has been used to convert processed coffee into Green Bean Equivalent (GBE), where applicable

1/ Provisional

2/ Equatorial Guinea, Guyana, Lao (PDR of), Liberia, Sierra Leone, Sri Lanka, Timor-Leste, Trinidad & Tobago and Yemen

Appendix F

Internationalization of Starbucks Corporation

Starbucks has run a long way before becoming one of the world's most recognizable coffee houses. This retailer from the beginning expanded domestically and all over the world. Starbucks Corporation with its coffee beverages has changed customer's believes about the coffee and its drinking traditions. The business strategy of Starbucks' is identical to the corporate level strategy since the company is a single business company, focusing on only coffee-related products and retail stores. Through cooperation company is developing its business and brand name internationally through third parties. Starbucks Corporation's licensed stores are located in such places as airports or supermarkets. Licensed locations generate revenues through sold coffee, tea, food, beverage equipments and CDs and on the same time build brand recognition among customers. In 2008 company had 4329 licensed stores in America and 3134 internationally. Starbucks Corporation sells its coffee and tea beverages packaged in supermarkets and different food stores. SBUX maintains partnership with Pepsi Company in order to make and distribute ready drinks and ice creams. Company cooperates with various hotels, restaurants, offices, cafes selling them its coffee products. The biggest coffee house retailer has business partnerships with music channels and radios in order to provide wireless Internet music service in its retail locations. The revenues of Starbucks Corporation in first quarter of 2009 were down by 7 % to $ 2.6 billion from Q1 of 2008 as customers were forced to save money because of world economy recession. Until the economy recovers, Starbucks continue to be negatively effected.

Starbucks Corporation has partnership with Apple Corporation in case of selling music in coffeehouses to increase the products assortment. In 2006 Apple added Starbucks Entertainment area to the iTunes Store and sells music performed in Starbucks coffee shops and restaurants. In 2007 there is established wireless communication between the Apple iTunes Store and SBUX in many markets in the world. People are able to download the tracks playing in Starbucks shops when iTunes Store automatically detects recent playing songs.

From June 1, 2009 Starbucks started cooperation with news channel based in United States MSNBC (Microsoft and National Broadcasting Company) presenting morning new program.

Since 2009 U.S. coffee chain Starbucks is expanding its business in China market. In China market SBUX Corporation is using Chinese beans grown in the main coffee-growing province – western Baoshan region of Yunnan (http://www.chinadaily.com.cn/china/2009-01/14/content_7398191.htm). Starbucks Company is satisfied with this coffee and believes it will be popular among customers. It is possibility for Starbucks to expand its business in one of the world's biggest economies. Before entering the business in Yunnan in China Starbucks worked with local farmers and coffee suppliers from 2006. Nowadays Starbucks Corporation sells its coffee beverages in 700 outlets in China, Singapore and Malaysia opened its wholly owned subsidiaries and licensed stores.

Starbucks Corporation has established sustainable supply chain strategy with criteria for international partners. Strategy is concentrated on social and economic responsibility that includes requirements for coffee farmers to conserve water and energy according climate changes. In 2007 SBUX encouraged about 400 of its largest suppliers in the United States to use innovative model of renewable energy in order to increase the effectiveness of their activities along the supply chains. The suppliers of packaging items of Starbucks are encouraged to use hot beverage paper cups that are contained with 10 % of post-consumer fiber in US and Canada coffee shops. These cups reduce the amount of wood as a raw material needed for the packaging. These cups need less energy to produce them.

In 2008 Starbucks coffee house had 7238 operated retail stores in North America and almost 2000 stores across the world. Starbucks aims to open 20 000 stored in America and 40 000 coffee house location internationally. Starbucks Corporation in 2008 generated 84 % of the total revenues by its retail stores. Company as well has licensed stores worldwide.

First of all it makes investigation and research about the target market. Internationalizing its business Starbucks uses different entry modes depending on external factors of the foreign country. For example, entering Korea's market Starbucks successfully used licensing as entry mode. Company gave license to ESCO Korea Co. Ltd that is a wholly owned subsidiary of Shinsegae Department Store Co. Ltd., to operate stores in South Korea in Seoul. When Starbucks faced success licensing its store to ESCO Korea Co. Ltd in 2000 it made a joint venture with Shinsegae Department Store Co. Ltd. The Korean economy can be considered hostile to Multinational companies from other countries. In entering the Korean market, it is advisable that a multinational company look for a Korean partner with market knowledge and expertise. The successful entry strategy in one country can be not acceptable in other market. In Mexican market Starbucks entered as a joint venture with a company called Alsea that have establishment of Café Sirena. Café Sirena operates coffee shops throughout Argentina. Starbucks Corporation is a parent company of its subsidiary in United Kingdom. Starbucks Coffee Company Ltd. is a wholly-owned subsidiary of the world's largest retailer and roaster of specialist coffee. Today this subsidiary is leading branded coffee shop in the UK. 12 years ago Starbucks acquired sixty-five Seattle Coffee Company stores in UK in exchange for 1,8 million shares of Starbucks stock. After one year Starbucks renamed acquired stores as Starbucks Coffee Company but it let Seattle Coffee managers (Scott and Ally Syenson) continue original operations of the acquired UK stores. Seattle Coffee Company was founded in 1995 and it included the Seattle's Best Coffee and Torrefazione Italia

Coffee brands. First coffee shop of this company was opened after one year in Convent Garden. In three years of Seattle Coffee Company foundation it had already sixty-five stores with coffee beverages similar to American style as Starbucks. In this year Starbucks Corporation entered the market and acquired those stores. UK was the first market of Europe that was entered by Starbucks; it was the first country of Starbucks' business internationalization in Europe. Acquisition as entry mode of internationalization was very effective for Starbucks business development and evolution across globe. Chairman and CEO of Starbucks Corporation was sure, UK is the first and best start point of business internationalization in the Europe. The plan was to open up to 500 retail stores in Europe by 2003 and to create global brand during the low competition intensity in the country and Europe as a whole. It was strategically smart way, and already in 2007 Starbucks Corporation became one of the "Top 10 UK Best Places to Work" (Starbucks Homepage 2008). In 1999 Starbucks Corporation formed an alliance with UK Sainsbury's, in 2001 it acquired coffee shops from company – Madisons Coffee. After one year Starbucks created partnership with Borders bookshops and bought 13 coffee bars from Coffee Republic. Then, after 3 years it already had 30 stores in supermarkets of UK. In one year company was in the 34th place of "UK Top 50 Best Places to Work" awarded by Great Places to Work Institute. The president of Starbucks Coffee International – Howard Behar believe Starbucks coffee shop is not America one, it is international brand (BBC news 1998). 10 years ago, UK population had an opposite thinking and coffee drinking traditions to American ones. Starbucks Company sought to reduce this gap by acquiring existing UK coffee stores and houses. One of opportunities were stores of Seattle Coffee retail stores. After one year of acquisition Starbucks re-branded acquired Seattle Coffee stores with the Starbucks brand name. Just 3 years ago, in 2007 Starbucks gained a success in the UK market opening more that 500 its retail stores. Today Starbucks Corporation has more that 600 stores in UK and Ireland and has 16,7% of coffee houses market share in UK. It is followed by Costa Coffee (15,7% of UK market share).

The case above illustrates that there is no ideal market entry strategy for all cases. There many internal and external factors, those have to be considered before deciding about entry strategy for business internationalization.

Internationalization of McCafe Coffee House of McDonald's Corporation

Franchising – market entry strategy

Scientists and experts predict that very soon franchising will become the basic method of doing business internationally and expanding worldwide. McCafé of McDonald's Corporation uses this networking method in its business very successfully. It presents continuous relationship in which the parent company of McCafé of McDonald's as a franchisor provides a licensed privilege to do business, plus assistance in organizing, training, merchandising, and management in return for a consideration from the overseas franchisee. McCafé of McDonald's has the following aspects: specific business, legal agreement, linkages and security-guaranty between subsidiaries worldwide and parent company. This entry mode allows McCafé of McDonald's Corporation to distribute its products and services associated with its trademark and identify the symbol, to control and coordinate the operations of subsidiaries in distant countries and to receive agreed payment. The United States, pioneer in the field of franchising, continues to be the worldwide leader in restaurant franchising, because we can observe American restaurants and coffee houses in almost every corner in the world. McDonald's Corporation has the largest number of franchise units worldwide. McDonald's has more than 30,000 restaurants in 119 countries serving 47 million customers per day. The ten largest markets in McDonald's system are in Australia, Brazil, Canada, China, France, Germany, Japan, Spain, and the United Kingdom and of course the United States. These markets represent approximately 24,000 McDonald's restaurants and account for approximately 72% of their business. The new feature of McDonald's is its café McCafé representing the business as a coffee house. Standardization of food and coffee preparation for franchises is very important characteristic of coffee house as locally as globally. What McDonald's corporation uses in this field are financial controls, reports, comparative assessments, data comparing units. McDonald's has its franchises in 126 countries all around the world.

McCafe is a coffee house usually located in McDonald's restaurants. First coffee house was established in Melbourne in Australia in 1993. McCafe coffee houses generated 15 % more revenue that regular McDonald's restaurants. In ten years coffee houses of McCafe became largest coffee shop chain in Australia and New Zealand. By 2002 McCafe opened about 300 coffee houses in 13 countries. First McCafe coffee shop in USA was established in Chicago, Illinois in May 2001. In 2007 McCafe coffee shops' chain expanded to Japan. Brand's goal was to reach customers of traditional preferences of coffee shops with enriched menu of healthier food. Even thought McCafe is just a little part of McDonald's overall strategy, it has today more than 1300 outlets worldwide. McCafe as a part of McDonald's corporation is using franchising as entry mode of internationalization. In August 2008, McCafe coffee chain was expanded to South Africa, where McDonald's franchise is a household name and today it is the largest fast-food chain and coffee house in the country. There are 40 outlets in Germany and Austria.

Today there are opened 900 coffee houses of McCafe across Europe and company's plan is to open 200 more outlets in 2010 (Reuters). McCafe coffee houses are located inside existing McDonald's restaurants and franchises but with separate counter, furniture. Goal is to become a number 1 of coffee shops in Europe; today leader is Starbucks. Coffee shops of McDonald's are opened in markets free of Starbucks outlets. Starbucks company avoids to open its coffee houses in Italy while McCafe today has 65 coffee shops in the country. McCafe run the price leadership strategy vs. Starbucks coffee beverages; e.g. cup of espresso in McCafe in Paris costs €1,70 while Starbucks' price on this beverage is €1,90. But McCafe coffee shops are not everywhere in the world. Many analysts view McDonald's McCafe expansion as a direct attack on cafe chain of Starbucks which has lowered prices in some markets where competition has intensified.

While Starbucks Corporation has hundreds of its outlets in Britain, McDonald's does not plan to open its stores in here. Today there are more than 1300 U.S. McDonald's restaurants with McCafe. McDonald's has no plans to open separate McCafe shops. Since 70 percent of orders come from the drive-through window, franchisees don't want to install a second counter.

European companies – franchisees are interested in McCafe coffee houses because they encourage customers, even women to stop in here for a breakfast. It would be difficult for women to take children to traditional coffee house with just coffee beverages. As McCafe is established inside McDonald's restaurants it is much more easier for women with children to have cup of coffee in McCafe.

Internationalization of Double Coffee

Networking of coffee shops is a trend that gave the success to coffee house Double Coffee. Founded in Riga in September 2002 by Latvian entrepreneurs Sergei Pushnoy and Nick Ustinov, Double Coffee has occupied three Baltic republics of Latvia, Lithuania and Estonia (2004) very quickly. In 2005 it was already leading coffee house chain in Baltic States with 45 stores and 500 employees. In 2005 coffee house reached 9,5 million euros in sales and 4,7 million euros of revenues. Sales were rising and in 2006 company earned 15,8 million euros of sales. Company is serving everyone from student to businessmen. It offers 50 different types of coffee, number of breakfast, cakes and cocktails. Founders say: "The main idea is that we aren't just selling coffee, we're selling the atmosphere. What we can offer is better quality. Because we're very big, we can put a lot of money into quality control and service." In 2005 Double Coffee opened its outlet in Ukraine, Belarus. Company is concentrated not in Old Europe but at new one, because Old Europe is already full of coffee shops, houses, cafes and restaurants. Double Coffee used aggressive expansion and in June 5th 2009 it opened its first store in China in Beijing that way earned the title of one of Europe's fastest growing companies. All the time company pays attention to the changing market trends and customers' preferences. Professionally operated coffee chain gives company possibility to effectively realize its plans and offer customers broad assortment of services. Double

Coffee became popular brand name because of its high quality services and fulfillment of clients' requirements.

Coffee house has warm atmosphere acceptable for relaxing and having important business meetings.

Company uses franchising as an entry mode of internationalization process. As a franchisor company analyze the potential market place for trade outlets. He evaluates all barriers and possibilities for new stores of a chain according standards and criteria of Double Coffee trade mark. Franchise is opened only if there is clear vision of developments and profits. Double Coffee lets its franchises to include services that are popular and profitable in particular places or markets. There is possibility for local companies to become supplier of a Double Coffee. All the data of sales and commerce of franchisee is collected and analyzed by finance department of a parent company in order to find mistakes and to give recommendations for better outlet performance.

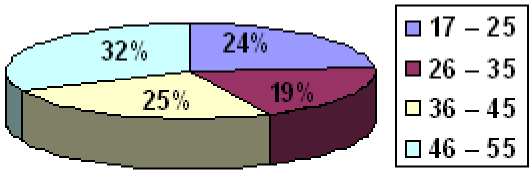
Beginning form 2004 Double Coffee has increased the level of employment by 700% and turnover by 2500% creating 400 new jobs.

First payment for franchisor of franchisee compose about 25 000 EUR in Ukraine.

Appendix G

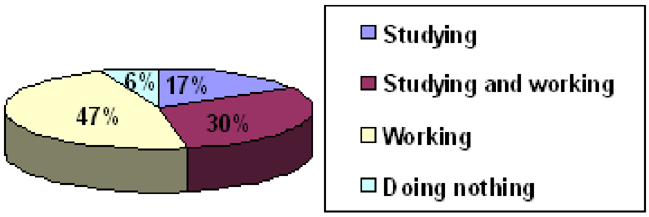
Age:

17 – 25	24 %	93 respondents
26 – 35	19 %	76 respondents
36 – 45	25 %	99 respondents
46 – 55	32 %	128 respondents



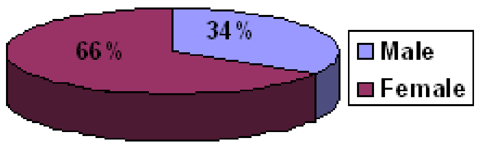
Activity:

Studying	17 %	69 respondents
Studying and working	30 %	117 respondents
Working	47 %	188 respondents
Doing nothing	6 %	22 respondents



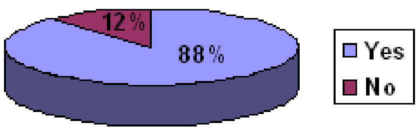
Gender:

Male	34 %	133 respondents
Female	66 %	263 respondents



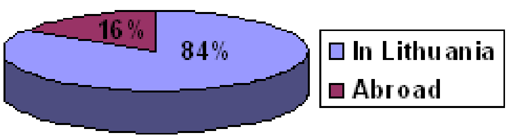
1. Do you drink coffee?

Yes	88 %	396 respondents
No	12 %	54 respondents



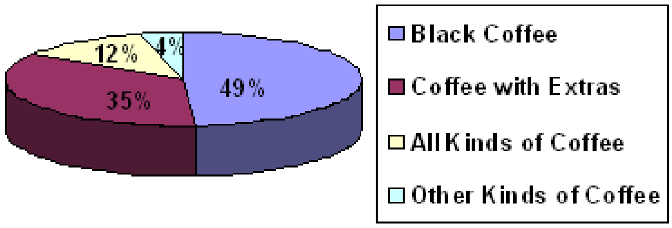
2. Where do you live?

In Lithuania	84 %	332 respondents
Abroad	16 %	64 respondents



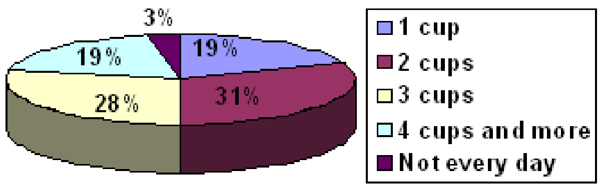
3. What kind of coffee do you like?

Black Coffee	49%	194 respondents
Coffee with Extras	35%	138 respondents
All Kinds of Coffee	12%	48 respondents
Other Kinds of Coffee	4%	16 respondents



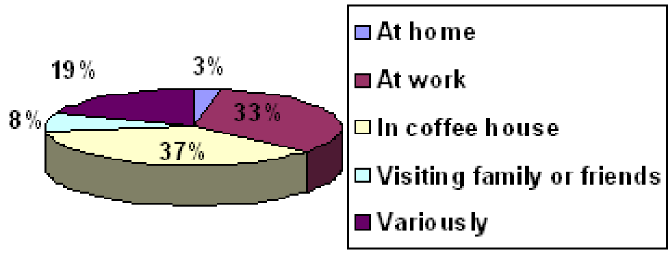
4. How many cups of coffee do you consume per day?

1 cup	19 %	74 respondents
2 cups	31 %	123 respondents
3 cups	28 %	109 respondents
4 cups and more	19 %	77 respondents
Not every day	3 %	13 respondents



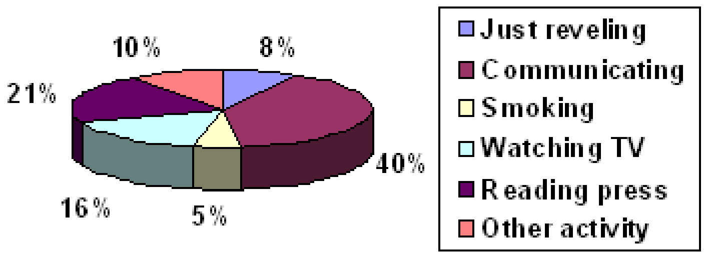
5. Where do you usually drink coffee?

At home	3 %	12 respondents
At work	33 %	130 respondents
In coffee house	37 %	147 respondents
Visiting family or friends	8 %	32 respondents
Variously	19 %	75 respondents



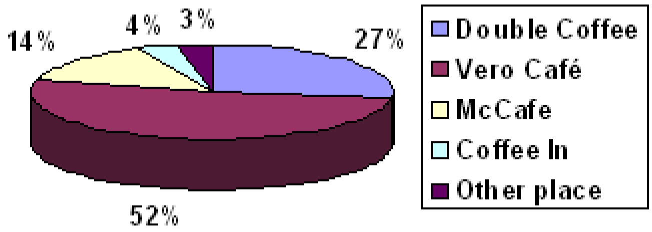
6. What are you doing when you drink coffee?

Just reveling	8 %	32 respondents
Communicating	40 %	158 respondents
Smoking	5 %	19 respondents
Watching TV	16 %	63 respondents
Reading press		82 respondents
Other activity	10 %	42 respondents



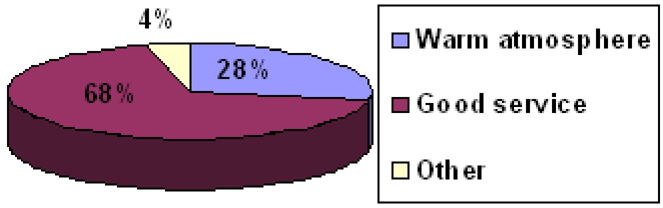
7. What cafes or coffee houses do you visit mostly?

Double Coffee	27 %	108 respondents
Vero Café	52 %	206 respondents
McCafe	14 %	54 respondents
Coffee In	4 %	17 respondents
Other place	3 %	11 respondents



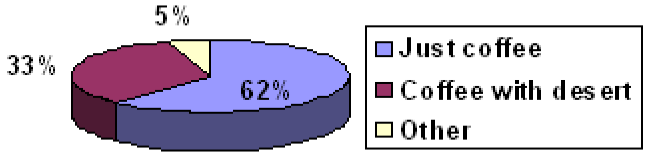
8. What do you like the most in this coffee houses?

Warm atmosphere	28 %	112 respondents
Good service	68 %	270 respondents
Other	4 %	14 respondents



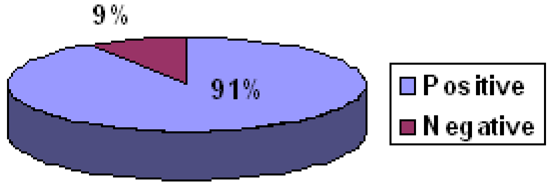
9. What do you usually order?

Just coffee	62 %	245 respondents
Coffee with desert	33 %	132 respondents
Other	5 %	19 respondents



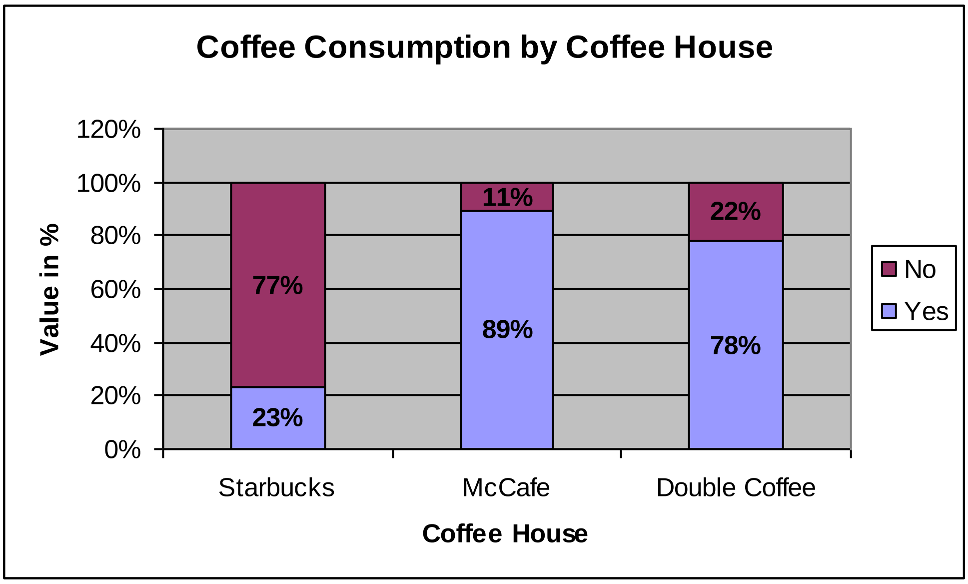
10. What do you think about coffee's effect?

Positive	91 %	360 respondents
Negative	9 %	36 respondents



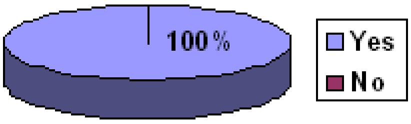
11. Have you ever tried the coffee of Starbucks', McCafé's or Double Coffee?

	Yes	No
Starbucks	23%	77%
McCafe	89%	11%
Double Coffee	78%	22%



12. Would you try coffee of Starbucks Company Mc Café's or Double Coffee?

Yes	100 %	396 respondents
No	0 %	0 respondents



13. What do you value the most in it?

Taste	13 %	52 respondents
Broad assortment	9 %	34 respondents
Possibility to take-out	78 %	310 respondents