Before responding to this post, refer to the “Which “A” Strategy Should a Company Use?” Learning Activity.

The three A’s are: adaptation, aggregation, and arbitrage.

In Researching a publicly traded company, I chose Starbucks Coffee.

Based on the financial positioning of Starbucks along with the information provided in the text, I came up with the following strategies

According to the Text, the reason is different for each different businesses.

Firms that heavily rely on branding and that do a lot of advertising, such as food companies, often need to engage in considerable adaptation to local markets.

Those that do a lot of research and development (R&D)—think pharmaceutical firms—may want to aggregate to improve economies of scale, since many R&D outlays are fixed costs.

For firms whose operations are labor intensive, such as apparel manufacturers, arbitrage will be of particular concern because labor costs vary greatly from country to country.

I chose to look at Starbucks Coffee financial pages given here.

https://s22.q4cdn.com/869488222/files/doc\_financials/annual/2017/01/FY17-Starbucks-Form-10-K.pdf

Starbucks touted about 24 billion in income last year, With total obligations being about 15 billion I would say Starbuck is making money (although on paper they reported a loss).

The second biggest obligation is Purchase Obligations as Starbucks is taking China by Storm, which is turning out to be quite profitable for them showing 4 of that 24 billion coming from them. They are increasing the number of stores in China almost exponentially.

I think that Starbuck must take an AA approach, leaving aggregate out of the equation.

Starbuck branding is very important, and many of their branding items are why people go to them for their coffee. The home feel, the lounge, the rep for how they treat their employees. All of this is branding for them. Indeed, I am positive that their health benefits policy of everyone gets healthcare will go over big in places like China – For this reason, Adaptation is a great choice.

On the other hand, a little arbitrage will be of use as many items will become available at discounted rates as Starbucks continues to venture into the Asian Continent. The type of connections, the supply base and the sheer number of stores per continent sets Starbucks in the position to make quick profits by leveraging price differences.