Starbucks targets 1,000 stores in India by 2028

ANN/THE STATESMAN

Amid India's growing demand for coffee consumption, the key player in the segment – Starbucks Corp – plans to more than double its stores in India in four years, opening the equivalent of one new shop front every three days.

In a statement, the global coffee giant said it wants to operate 1,000 stores in India by 2028, and the focus will be in so-called tier-2 and tier-3 cities.

It will also expand drive-thrus, airports and 24-hour cafes, and expects its Indian workforce to double to 8,600.

"Over the past 11 years, the India market has grown to become one of the fastest-growing markets of Starbucks. With a growing middle class, we are proud to help cultivate the evolving coffee culture," said Chief Executive Officer Laxman Narasimhan.

"Over the past 11 years, India has grown to become one of the fastest-growing markets of Starbucks," said CEO Laxman Narasimhan

While tea has long been the hot beverage of choice in India, coffee drinking has grown increasingly popular as aspirational consumers flock to cafes.

Along with Starbucks, high-end cafes and farm-to-cup local chains, such as Blue Tokai, have proliferated, selling beverages sourced largely from locally harvested crops.

Notably, Starbucks has operated in India since 2012 through a 50 percent joint venture with Tata Consumer Products Ltd.

Currently, it has 390 stores across 54 cities, and in the quarter ended Sept 30, a net 22 new Starbucks outlets were opened in India with revenue growing 14 percent from a year earlier.

Notably in the Financial Year ending March 2023, Starbucks India registered a three-fold spike in its collection which flew to Rs 1087 crore as compared to Rs 360 crore in FY21.

With over 300 Starbucks stores in India, the cost of rent rose 62 percent to Rs 81 crore in the last fiscal. Its electricity, maintenance, advertising, and other overheads catalyze the overall expenditure by 48.6 percent to Rs 1140 crore in FY23 from Rs 767 crore in FY22.

A farmer gathers seedlings of Boro season paddy for transplanting on a larger piece of land in Gobra area of Narail district. Transplanting helps in the selection of healthy seedlings, proper spacing for sunlight, nutrients and water and weed control, leading to better yields and overall crop quality. Boro accounts for nearly 55 percent of the country's yearly rice production. An estimated 20,185,945 tonnes were cultivated around the country in fiscal year 2021-22, according to the Bangladesh Bureau of Statistics. The photo was taken recently.

PHOTO: HABIBUR RAHMAN

BSCIC seeks more time, funds for industrial printing park

MD ASADUZ ZAMAN

The construction of an industrial printing park in Munshiganj has seen almost zero progress even though plans for the initiative were laid out nearly eight years back, according to the Planning Commission.

Analysts say the situation mainly stems from poor project handling as inadequate feasibility studies by the authorities concerned caused delays in land acquisition and other complications.

Having initiated the project in January 2016, the Bangladesh Small and Cottage Industries Corporation (BSCIC) aimed to complete construction by December 2019 at a cost of roughly Tk 138 crore.

However, the implementing agency is seeking to extend the deadline by another one-and-a-half-years to June 2026. The deadline was previously set at December 2024 following revision in December 2021.

Additionally, the BSCIC is now asking for Tk 457.95 crore to complete the project, up 73 percent from the previously revised estimate, show documents of the Planning Commission.

The BSCIC recently sent its revised proposal to the planning commission, prompting a meeting of the project evaluation committee last month.

Now, all that remains is to secure final approval from the Executive Committee of the National Economic Council, as per sources at the planning commission.

The government had planned to set up an exclusive area for industrial printing on nearly 50 acres of land in Sirajdikhan upazila of Munshiganj in a bid to move unplanned printing factories away from Dhaka.

But the original three-year tenure for implementing the project expired before any work even began, forcing the BSCIC to seek its first revision.

DELAYS IN LAND ACQUISITION

Attempts to acquire land for the project were initially thwarted as government officials assigned to the task in 2018 were assaulted by locals protecting their homes, mosques and madrasas.

The BSCIC then sought a solution from the Prime Minister's Office, which directed the implementing agency to acquire the necessary plots from state-owned khas land.

As such, a new committee was formed to select another viable location and ultimately, 100 acres of land in Chitrakot union under Sirajdikhan upazila were selected for the project.

Analysts say the situation mainly stems from poor project handling as inadequate feasibility studies by the authorities concerned caused delays in land acquisition and other complications

Still, the land acquisition process remains incomplete. So, it is not yet possible to invite tenders for installing utilities and other project works, the BSCIC said in its letter to the Planning Commission.

Nizam Uddin, project director of the BSCIC industrial printing park, said they have entered the final stage of acquiring land from the district administration.

"We will begin physical work soon," he added.

Regan Chakma, senior assistant commissioner of Munshiganj, said they sent a letter to the BSCIC on December 18 last year, seeking around Tk 128 crore as compensation for the new site.

"As per the rules, they have to pay within 120 days," he added.

REACTION OF BUSINESSES

Shahid Serneabat, former chairman of the Mudran Shilpa Samity, an association of printing press operators, blamed the ineptitude of BSCIC officials for the delays in project implementation.

"It is a complete failure on their part," he added.

Citing how there is an acute shortage of space for printing presses, particularly in Dhaka, Serneabat said they would willingly move to the industrial estate if given the opportunity.

Rabbani Jabber, president of the Mudran Shilpa Samity, said the high cost of renting space for printing presses in Dhaka is forcing them to move to outlying areas such as Savar, Keraniganj and Narayanganj.

The printing industry is an emerging sector in Bangladesh with around active 7,000 printing companies, including small and medium enterprises, employing around two lakh people directly and indirectly.

Seeking anonymity, a top official of the Planning Commission said there are many loopholes in this project in terms of proper planning.

Likewise, many other BSCIC projects see very slow implementation for their poor project handling skill, the official added.

"Before taking such a project, the authorities should ensure a proper feasibility study and consider the stakeholders' concerns," said Khondaker Golam Moazzem, research director of the Centre for Policy Dialogue.

"There is a mentality for quick initiation of a project. As a result, the project usually faces obstacles like time and cost overruns," he added.

Moazzem also said that as there has been no physical progress, the country has been deprived of economic returns from the project for the past eight years. Against this backdrop, he urged the BSCIC to develop the project management skills of its officials.

On the other hand, BSCIC Chairman Mahbubor Rahman denied that it is their failure to implement the project on time.

"Which institutions are playing an active role like us? Those who work less are complaining," he said.

Target the tuna to hit the shark

MAHTAB UDDIN AHMED

As a sequel to my column last week, I can't emphasise enough the importance of focusing on a smaller catch with an eye on a bigger target as an effective strategy for turning around a business.

While presenting a case study in an advance management programme that I attended at Harvard University, a professor discussed common mistakes by CEOs in managing a business in crisis. Based on his research, more than 80 percent of CEOs fail when they aim to compete mainly with the market leader.

He stressed it is easier to compete with your adjacent weaker market players than the market leader. Hence, when Robi was in the woods, my strategy was to attack BanglaLink, our nearest competitor, leaving Grameenphone for later.

Robi had been a strong number two player in the market until it lost its position to BL in 2008. During 2009-13, Robi experienced rapid growth, with its revenue multiplying 2.3 times, EBIDTA (earnings before interest, taxes, depreciation, and amortisation) 2.6 times and a market share gain of 6.7 percentage points.

The growth pace was disrupted in 2014-16 when Robi opted to be a sensible player, among other strategies. As the chief operating officer at the time, I was completely against it as I believed Robi, being a smaller player, should be the challenger.

In a four-player telecom market, the nearest and relatively weakest market player was BL. Because of the merger with Airtel and having a higher spectrum, Robi had some advantages over BL. Most telecom operators are known to experience grave disruption during network mergers, losing out significantly on market shares in the process. Presumably, BL was banking on that, too, and hence did not invest enough in the network.

Another rationale behind targeting BL was its market strength was limited to only southern Bangladesh, Mymensingh and Dhaka, thereby making the fight selective so that even if Robi lost, the impact would be minimal on the whole business.

The mission to reshape Robi started with five key strategies. One of which was to first "Kill BL" and consequently "Attack GP" in its dominant Barishal and Sylhet markets.

Based on the above, the network equipment acquired from the Airtel redeployment plan in 2016 was reprioritised to focus on South and later Mymensingh and lunged in with an aggressive price and marketing campaign. Within three months, Robi's network was almost at par with BL in their dominant markets.

In Dhaka, Airtel had a strong presence that helped Robi put up a strong fight with a dual-brand strategy against BL and GP.

As a challenger in that market, when Robi played a price game over BL, the revenue crunch was far greater for BL than for Robi. Furthermore, unlike BL, Robi could offset the impact of price reduction with aggressive growth.

To match Robi's price, BL had to endure a big hit not only in that region but in its total revenue because of its overdependence on these regions. Robi took full advantage of BL's dilemma.

This strategy and its excellent execution by the team led to Robi gaining a 3.6 percentage points market share and BL losing around 5.1 percentage points between Q1 2017 and Q1 2020 (indicative). Additionally, Robi per-site revenue increased 2.8 times, and EBITDA margin shifted from a whopping 33.2 percent negative to a positive 23.1 percent.

Confident with initial success against BL, Robi thought, why not have a go at GP in their strongholds to test their strength? We identified two super-dominant GP markets: Sylhet and Barishal.

The result was great but different from the expectation: Robi gained a 6pp market share, at the cost of BL, approximately 5pp and GP 1pp. The per-site revenue increased by 4.1 times, with the EBITDA margin improving from a minus 75 percent to a plus 25 percent. While the target here was to attack GP, success came more from BL, which taught us that GP is the market leader for a reason!

A company needs more than good strategies and execution to win against a market leader in the short term. Similarly, GP and BL repeatedly attacked Robi in its strong markets like Chittagong, Noakhali and Cumilla with little success.

Pran may be cited as a great example. It is a local company with a distribution depth similar to that of Unilever. Pran never tried to challenge Unilever's products. It may have taken learning from the halal–haram soap fight between Aromatic and Unilever in 1996.

Aromatic failed to survive; it requires not a single victory but repeated wins to lead the market based on the right market insight. While Aromatic felt the victory was due to the campaign, Unilever's internal assessment was that extremely poor-quality soap was the reason.

Therefore, in strategising a business turnaround, factors to be considered include the importance of targeting weaker competitors rather than directly challenging market leaders, understanding the competitive landscape, executing strategies effectively, reviewing past industry mistakes to avoid futile battles, and recognising advantages held by market leaders.

The author is founder and managing director of BuildCon Consultancies Ltd

Microsoft challenges Apple as world's most valuable company

REUTERS

A recent dip in Apple's stock over worries about iPhone sales has left the Silicon Valley tech heavyweight in danger of being overtaken by Microsoft as the world's most valuable company.

Fresh worries about smartphone demand have pushed Apple's shares down 4 percent so far in 2024 after rallying 48 percent last year. Microsoft is up about 2 percent year to date after surging 57 percent in 2023.

Apple dipped 0.4 percent on Wednesday, while Microsoft added 1.6 percent, further eroding the iPhone maker's lead. Apple's stock market value is now at $2.866 trillion, compared to Microsoft's $2.837 trillion value.

Apple's market capitalization peaked at $3.081 trillion on December 14, while Microsoft's value reached as much as $2.844 trillion on November 28.

IPhone sales in China dropped 30 percent in the first week of 2024, Jefferies analysts said in a client note this week, adding to signs of growing competitive pressures from Huawei and other domestic rivals.

Sales of Apple's Vision Pro mixed-reality headset start on February 2 in the United States, marking Apple's biggest product launch since the iPhone in 2007. However, UBS in a report on Monday estimated that Vision Pro sales would be "relatively immaterial" to Apple's earnings per share in 2024.

A handful of times since 2018, Microsoft has briefly

READ MORE ON B2

Between China and US, trade takes a different route

AFP, *Washington*

Are the US and Chinese economies on the verge of decoupling? Trade data might suggest so, as the Asian giant, Washington's largest trading partner for a decade, has been supplanted by Mexico and is seeing its market share shrink.

"Decoupling" or "derisking" vis-à-vis China are themes repeated over and over by President Joe Biden's administration, but also by his Republican rivals, led by Donald Trump, in this general election year during which China is likely to be the main foreign policy topic.

But the reality is not necessarily so obvious, analysts say, pointing to the growing complexity of supply chains which make it more difficult to identify the trade flows between the world's two largest economies.

On the face of it, there can be no doubt the divergence of the US and Chinese economies is underway; in absolute terms, Chinese imports have not fallen particularly sharply, but regarding market share the decline is significant.

China's share of US imports fell from 22 percent in 2017 to 16 percent today, according to Caroline Freund, an economist specialising in international trade at the University of California.

"That's a really sharp decline in China's share of US imports," she told AFP. "It takes it back to the level China was in 2007, before the global financial crisis."

"Decoupling is definitely happening," she said, adding this isn't necessarily due to shrinking imports from China, but rather the result of a more rapid expansion of trade with other partners like Mexico.

US President Joe Biden (R) and Chinese President Xi Jinping walk together after a meeting during the Asia-Pacific Economic Cooperation Leaders' week in California on November 15.

PHOTO: AFP/FILE

Trade data published by the US Department of Commerce show a more marked increase in Mexican imports, benefiting in particular from the US-Mexico-Canada agreement, or USMCA.

But Mexico is far from alone.

Asian countries -- and Vietnam in particular -- are also benefiting greatly from the redefinition of trans-Pacific trade.

"Yes, Mexico has captured some of that, but the majority of the relocating of production away from China, is now occurring in Taiwan, South Korea, India, Vietnam," former Mexican ambassador to Washington, Arturo Sarukhan, told AFP.

The main reason for the shift, according to Dragoman Global analyst Henry Storey, is that these countries take advantage of their proximity to China, and are therefore able to attract Chinese investment.

Vietnam in particular has seen its exports to the United States soar in recent years, rising from $21 billion in 2012 to $136 billion in 2022, to become one of its major trading partners, although the majority of operations there are actually final assembly.

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