

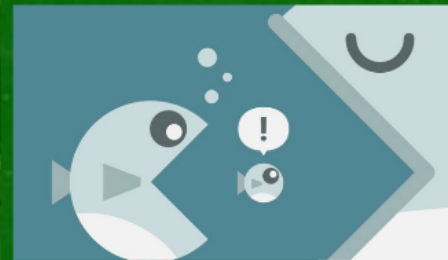
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**So what if remanufacturing
cannibalizes my new product sales?**

Purpose & Objective

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- Objective:
 - Will the Starbucks Roastery, their latest expansion, lead to cannibalization with their original shops?
 - If so, would cannibalization be harmful or beneficial?
- Purpose and Audience:
 - As future business professionals, it is beneficial to know how to effectively expand a business and be aware of the risks of cannibalization



Overview:

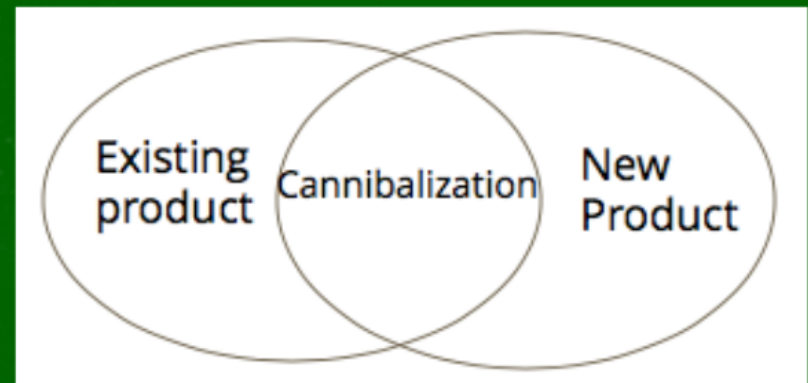
- Cons of Cannibalization
- Pros of Cannibalization
- Product Expansion
- Growth Strategy + Diversification
- Future?

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Cons of Cannibalization

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- Attracts same market segments
- Cannibalization Rate
 - Old product may no longer bring enough revenue
 - Negatively effects sales volume and market share
 - additional costs incurred and lower revenue.



Past Challenges

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2008 Recession

- around 2008 Starbucks planned on closing 600 stores
- Starbucks plan of Innovation was failing
- Fundamental Problem
- Opening new stores would not fix problem - only cause further cannibalization
- Tried to appeal to new markets
 - Catered to those who want to sit down
 - Introduced new kinds of coffee
 - "My Starbucks Idea" - customer relationships

Pros Of Cannibalization

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- Cannibalization based on definition
 - Doesn't sound great
 - Used the right way = very effective
- Growth strategy
 - Incremental cost < additional income
 - Incremental: costs associated with opening the store
 - Additional income: money made from new store
- “Better to eat your own than have your own eaten by others”
 - Put locations in competitors desired location
 - Becomes a staple

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How many Starbucks stores do you think are within an 8 mile radius of campus?

50 Stores!

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