



“STARBUCKS: OVERALL MARKETING STRATEGIES”

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Abstract

This research paper examines about the success story of Starbucks i.e., their marketing strategies, STP analysis etc. It is one of the global coffeehouses which revolutionised the way, the world was consuming coffee and also emerged as “emblematic” brand of 21st century. Initially it was started as small coffee shop at Seattle and now it has grown into global coffee chain. Currently they are present in over 80 countries. The main objective of the study is to dissect the key success factors of Starbucks. Their Marketing mix, STP analysis, External analysis and many more. They are having unique brand identity and having unique logo mermaid. Their commitment to sustainability and ethical sourcing are also mentioned in the paper. Starbucks provides unique customer experience at their stores. Stores ambience is very unique, this will attract the customers to come and have their coffee at the stores rather than ordering online. They have also invested in technology and developed their own application for ordering coffee online. Their adaption to local geographical region is also explained in the paper. Overall, the paper provides insights about the Starbucks success in the middle of dynamic global competition.

INTRODUCTION

Starbucks is an American company which is one of the largest and recognisable coffee brands on the world. Starbucks headquarters is in Seattle, Washington. It was founded by Jerry Baldwin, Gordon Bowker, and Zev Siegl. First store was opened in 1971 in Seattle. Two of the founders was from Academia and they were fond of coffee and tea. So, they thought of investing money in coffee and tea business and named their store as Starbucks in Seattle. Starbuck in Herman Melville’s classic novel Moby Dick. Their main inspiration was Alfred Peet who was a coffee – roasting entrepreneur. He was a Dutch immigrant and he started to import Arabica Coffee and Tea to America during 1950s. Then he opened small coffee and tea store in Berkley, California. The store was specialised in importing high quality coffee and tea. This success encouraged and inspired them to open Starbucks – a high quality coffee and tea. They purchased roaster from Holland. Initially they opened four stores

in Seattle. The coffee they were selling was of high – quality and they stood out from their competitors. During 1981, Howard Schultz was a sale representative for Hammarplast. It was a Swedish company which manufactured kitchenware and other equipment. At this time, he was so impressed at Starbucks and wanted to pursue career at Starbucks. After this he became the head of marketing in 1982. But he was not much knowledgeable when it comes to coffee. So, for this reason he worked with store employees and he learnt how to be friendly with the customers and also, he got good knowledge about coffee and other products. During the year 1983 he met Milan at international housewares show. Schultz was impressed by looking at country’s café at Italy. He wanted to do something similar in the Starbucks. But Baldwin and Bowker were not impressed by Schultz idea because they did not want to do different. Because of this reason Schultz left Starbucks in 1985 and opened his own café. After Schultz left the café, in March 1987 Baldwin and Bowker sold Starbucks. Then Schultz purchased the company and combined all the operations under Starbucks brand. He sold beans and other items. Under him, the café grown to next level and he opened around 100 stores. Before there were only 20. Starbucks entered metropolitan city and was under huge demand. Then the company went public in 1992.

Keywords: Marketing strategies, segmentation, positioning, targeting, customer satisfaction, Coffee beans

REVIEW OF LITERATURE

1. “Wooseung Lee Et.al (2023)”

This paper is about the eco – friendly image of Starbucks that influences the purchasing behaviour of customers to buy the product. They have focussed on examining the relationship between the eco – friendly image, demographic characteristics and customer satisfaction, repurchase intention etc. In the paper they have taken about 360 samples and analysed using SPSS and AMOS statistical programs.

2. “Chia – Ying Li (2018)”

Not every brand are capable of attracting customers just by creating an application for their brand. Even though technology and apps are very effective tools for attracting the customers brand must use properly to attract their customers. So, here in this paper they have analysed switching behaviour of customers between membership cards of company or brand and branded apps. They collected data from 329 users of Starbucks apps. Their main intention was to know the switching behaviour of customers.

3. “Pongsakorn Limna Et.al (2021)”

This paper explains about the roles of Big Data and Artificial Intelligence in coffee shops like Starbucks and its effects on brand authenticity and customer services. They have collected the data from Krabi coffee shop. They have mainly focussed on emergence of technology and its effect on consumer behaviour. Company can adopt these new technologies to improve their consumer experience.

4. “Serkan Akgun Et.al (2015)”

Companies which will provide services to the customer it is very important for the company to ensure customer satisfaction. They have to take care of customer satisfaction so as to survive in fierce competition. As these types of café stores are preferred by young generation they are directly proportional to supply and demand. Major findings are brand image and brand follow up are having an effect on brand loyalty.

5. “Katerina Haskova (2015)”

This research paper focusses on marketing strategies of Starbucks. This includes STP analysis, analysis related to competitors of Starbucks, their marketing mix, how they value their customers and its product life cycle. This paper gives over all idea of Starbucks’ marketing strategies.

Objectives:

The main objective of the study is to dissect the key success factors of Starbucks. Their Marketing mix, STP analysis, External analysis and many more. They are having unique brand identity and having unique logo mermaid. Their commitment to sustainability and ethical sourcing are also mentioned in the paper. Starbucks provides unique customer experience at their stores.

Data collection and source:

<https://www.starbucks.com/>

<https://starbmag.com/what-kind-of-service-does-starbucks-provide/>

<https://financesonline.com/number-of-starbucks-worldwide/>

<https://predikdata.com/location-analytics-starbucks-coffee-vs-dunkin-donuts/>

<https://www.marketing91.com/starbucks-competitors/>

FINDINGS AND DISCUSSION

Marketing Mix of Starbucks

Marketing mix contains Product, Price, Place and Promotion.

a. Product: The company is known for its various types of coffees in different sizes of coffee cups. This also includes beverages, alcoholic and non – alcoholic drinks. It is categorised into flavoured, unflavoured, regular, medium, blonde roast bean roast. They will sell cold and hot drinks, instant coffee, caffe latte, blended beverages, La Boulange pastries and other beverages. Their products also includes low – calorie and low – sugar coffee, Ethos Water, fresh juice, soda, energy drinks. They will also offer cookies, brownies, cakes, wraps, sandwiches, doughnuts etc.

Some Best – selling products

- Java Chip Frappuccino
- Caffe Americano
- Cold coffee
- Double Chocolate Chip Frappuccino
- Egg White and Chicken in Multigrain Croiss

b. Place: Under place marketing strategy, they focused on global presence and global expansion, distribution strategies, supply chain. Initially they opened their store in Seattle. Between 1986 and 2000 their sales were at peaks and they had aggressive global expansion through franchising. Totally there are about 35,711 stores. Now they have spread across 80 countries and there are about 8,900 Starbucks in United State of America. These are company – operated stores. Remaining are licensed stores. Company will offer free Wi – Fi facilities for their customers. Their place and distribution strategies will focus on brick-and-mortar stores, Starbucks app and supply chain. Company will operate through the following:

- ✓ **Licensed Stores** – Starbucks will operate through licensed stores which accounts for 49% of the total stores. These are a bit different from franchise stores.
- ✓ **Stores which are operated by company** – These are the stores which are owned by the company and these are leased. This constitutes about 51% of the total stores of Starbucks across the world.
- ✓ **Starbucks mobile application** – Company is having largest chain of coffee house across the world. With the help of mobile application customers can view, explore and place their order online according to their preferences and convenience. This application also includes store locator, reward program and much more.
- ✓ **Starbucks website** – Starbucks have designed their website in such a way that consumers will get all the information. This will include information about coffee products, menu, stores information, details about flavours etc.

c. Price strategy: The pricing strategy of Starbucks include psychological, geographical, and premium price strategy. They will offer premium price for their best types of coffee. They have fixed their price based on different type of offerings. Below are the different types of pricing strategies adopted by Starbucks:

✓ **Premium Pricing** – Their main focus is on the customers who loves coffee irrespective of prices. So, they have adopted premium pricing strategy and serves their customers superior quality coffee and other products. Even though the prices are high when compared to their competitors, the quality of coffee they serve to their customers is what attracts more.

✓ **Geographical Pricing** – They have adopted the pricing in such a way that it is in sync with the specific geographical area and also with respect to local currency. For example, White Mocha Coconut Barfi Latte costs Rs 345 in India, and it is priced differently in US and UK according to their local currency.

✓ **Competitive Pricing** – This is adopted by the company where they face severe competition. They have introduced very high – quality products and there will be slight variations according to the prices.

d. Promotion – This will include the blend of SEO, public relations, mass media marketing, etc. The idea behind the promotion is to reach maximum number of customers and to boost the brand image of the company. The ambience of the stores is designed in such a way that consumers can sit and enjoy the environment by having a cup of coffee, beverages and they also provide free Wi – Fi for their customers. Below are the different promotional strategies adopted by Starbucks:

✓ **Advertising strategy** – They focus on creative contents related to product. Company have done campaigns and product – based memes which will connect to the customers. They have run their in newspaper, radio, magazines, hoardings etc.

✓ **Word of mouth** – Already they have gained popularity and this is because of word – of – mouth. Consumers have proved to be the ambassadors of the company.

✓ **Digital marketing and Social media marketing** – For the promotional mix company have utilised digital marketing and social media marketing effectively. For the consumers they have provided the option for “Go Cashless” with Starbucks card, online orders through mobile etc. When it comes to social media marketing they will regularly posts about their products and engage the customers. Starbucks is present in almost all the social media platform like Instagram, Twitter, Facebook, LinkedIn etc.

Internal Analysis of Starbucks – SWOT ANALYSIS

This framework will help us to know about the internal factors that can affect our company or business. This includes Strength, Weakness, Opportunities and Threats

• **Strength**

- Starbucks is having strong brand recognition. This is their key strength. By having high reputation and high – quality service it is the most renowned and recognisable coffee brand in the world.
- They are having long history of innovation in their business model right from the beginning. Starbucks have developed innovative products like coffee bar, Frappuccino.
- Starbucks will give their first priority to Sustainability. Commitment to the sustainability is having many benefits. Like it will help the company to reduce the impact on environment. This in turn will increase their recognition and reputation.
- Company is having strong customer loyalty because of their high - quality service. Starbucks will use high quality ingredients for their products. So, there is no compromise in the quality. They have also invested in customer loyalty programs.

• **Weakness**

- Starbucks main focus is on Coffee. Even though they are having variety of Tea, smoothies their focus is on coffee. Depending solely on one product can be weakness because if there is any ups and downs in demand for coffee, it will affect the company badly.
- Now a days, they are facing huge competition from other coffee brands. This will include independent coffee shops, restaurants.
- Starbucks is having 30,000 stores in more than 80 stores. But their expansion is limited. Even in India they are struggling to grow because of huge competition from local stores and cultural differences.
- When it comes to pricing, they are more expensive when compared to their competitors. So, it will be difficult for them to attract the customers who are price – sensitive.

• **Opportunities**

- If they expand and diversify their business they can move into new markets. In order to do this they have to be aware of local customer preferences.
- Starbucks can partner with other companies or brands. This will provide the Starbucks more opportunities. By this they can enter new markets, attract a greater number of customers.
- In addition to this, company can adopt price differentiation. By this they can meet customer needs and preferences. This will improve their profits and revenue.
- Subscription model can better help them to earn a greater number of customers. By this company can provide their customers the Personalized Experience.

• **Threats**

- Competition is a major threat for the company. Competition from local coffee vendors, independent coffee shops, restaurants.
- Change in consumer preferences can affect the company's profitability.
- Some uncertainties like economic downturn can have an impact on the company's revenue.
- "High employee turnover" will impact the company in terms of providing consistent consumer experience.

External Analysis of Starbucks – PESTEL Analysis

This is an external analysis tool which help us to determine how the business or organisation could stand against external or macro – level external environment factors which can have an affect on the business.

PESTEL Analysis

➤ **Political Factors**

- The main political factor that affects is sourcing of materials. This has grabbed the attention from West and other source countries.
- So company needs to follow the social and environment norms.
- In addition to this, they have to follow sourcing strategies.
- As they have spread across the countries, Starbucks need to follow the rules and regulations of that particular region.
- Other factors like tax policy and Employment laws will also effect the company.

➤ **Economic Factors**

- The economic recession that can occur will be having an impact on the company.
- Mainly it affects the profitability of the company.
- Because of this consumers are shifting to cheaper alternatives.
- In addition to this, they are facing problem related to high labour cost and operational cost.
- Other factors like currency, economic environment in different regions will also impact the revenue and profitability of the company.

➤ **Socio – Cultural Factors**

- If the Starbucks want to provide the services at reasonable price, they have to sacrifice the quality.
- This is the main socio – cultural factor that a startup will face.
- Company must be aware of the change in preference of the consumers, life style, culture of specific geographical area etc.
- Their main target is Gen Z consumers, as the baby boomers are retiring.
- Other factors that will have an affect are changing working patterns, education level of customers, changing values etc.

➤ **Technological Factors**

- Under technology, Starbucks are in a good position to enjoy the benefits of emerging mobile waves.
- They have partnered with Apple to develop an app based discount coupons.
- Starbucks will provide free Wi – Fi for its customers at their stores.
- This will enhance overall consumer experience.
- Other technological factors that will have an impact are emergence of innovative technology, biotechnological, development in agriculture etc.

➤ **Environmental Factors**

- The company is always into sustainability. They are concerned about the sustainability right from the beginning,
- Starbucks business practices concerns activists and international advocacy group.
- They have to be aware of environment rules and regulations, disasters in the countries which produce coffee beans and global warming.

➤ **Legal Factors**

- Starbucks should not violate the laws and regulations in the countries where are present and from where they bring raw materials.
- Be aware of introduction of caffeine production and consumption related policies and regulations.
- Other factors that might affect are introduction of stricter customs and trade regulations and licensing regulations.

Segmentation, Targeting and Positioning of Starbucks

Starbucks: Segmentation

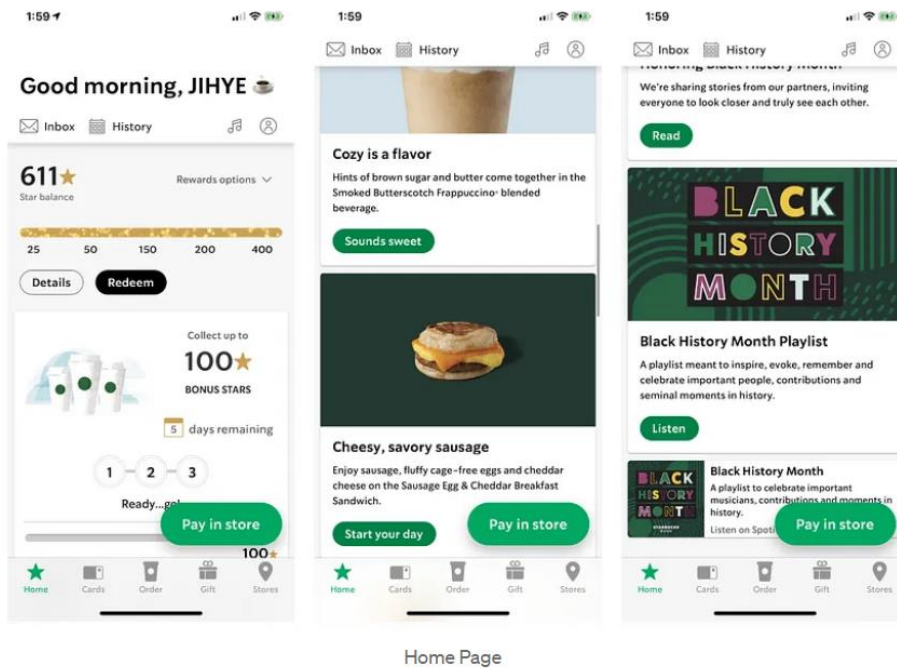
Under segmentation we are having 4 different categories. They are,

- Demographic segmentation
- Geographic segmentation
- Behavioral segmentation
- Psychographic segmentation

1. **Demographic Segmentation:** Usually they focus on professional male and females, students. They have targeted their customers who are between 22 – 60. Other customers who are included are single people, unmarried people, children, youngest children over 6 years. These people are usually high earners and middle earners.

2. **Geographic Segmentation:** This is another key consideration when it comes to segmentation. Company is serving multiple chains worldwide. They have spread across the world. Starbucks usually target the urban and suburban areas. They are present in America, Canada, Middle East, Europe, Asia and other countries and continent.

3. **Behavioural Segmentation:** They target their regular morning consumers by giving an incentive so that they will get back to them. Starbucks is using email – marketing and push notification in their mobile app and offer their customers “happy hour events”. Some customers will prefer to book online for their convenience through Starbucks mobile app. As nowadays digital media trend is increasing day by day, people prefer to order their products through mobile app.



Home Page

Here, we can take a look into the app of Starbucks which contains variety of items which are available online.

4. **Psychographic Segmentation:** They have involved themselves in arts, charitable activities in order to be socially responsible. Company have participated in AIDS benefits across all the stores and provided shelter for children and also provided monetary donations. This have given them enough exposure.

Targeting

Starbucks main focus is on high income and middle income people. To be specific who are earning \$90,000 and above. This is the reason their stores are present in urban areas. They are also present in sub urban areas where the area is densely populated and people are busy in their lives. Their target the ones who are tech – savvy and who are ready to adopt new technology. They launched their app in 2015. This have become very successful. Also they provide free Wi – Fi for their customers at their stores. Starbucks is also targeting the ones who are more conscious about their health. They are having healthy drinks like Green Tea, Decaf tea, Royal English Breakfast Tea and many more.

Positioning

They have positioned their brand around the coffee culture, their store ambience and they are standing out among their competitors. They tried to leverage their strength and stand out from their competitors. They have created a unique coffee brand and have become market leader by prioritising their high – quality coffee beans

and their aroma. They have used many positioning strategies. They are Mono segment positioning, Adaptive, Standby and sustainable positioning. They are mainly focusing on quality, consistency, and reliability.

Type of coffee beans used by Starbucks

Starbucks will use 100% “Arabica Beans” in their stores. Because of these customers will enjoy delicious high – quality coffee. They will get their coffee beans from “**Latin America, Asia – Pacific and Africa**”. They usually buy their coffee from around 30 countries. In order to give their customers unique flavours, they will import from different regions or countries. Even for Espresso they will use 100% arabica beans. They have mentioned in their website like, “**Arabica can be elegant. It can be complex. It can have an interesting body and acidity that can be used and played with and blended into new, interesting tastes**”. Usually, they grow at high altitudes like 3,000 and 6,000 feet. Arabica has 1% Caffeine by weight and around 70.98 million bags are exported globally.

Starbucks Corporate Social Responsibilities

The corporate social responsibilities of Starbucks is led by Michael Kobori. He is the sustainability officer of Starbucks. Company is involved in various activities like empowering workers, gender equality, supporting local communities, awareness program related to waste reduction, energy saving etc.

Supporting Local Communities

- Company’s aim is to support non – profit organisations and at the same time educating and giving training to the employees.
- They also thought of eradicating poverty by giving awareness to the people.
- Starbucks have given about 5,20,00 hours of volunteering service across the world to the leaders of non – profit organisation.

Gender Equality and Minorities

- As per the data, there are about 40% of the employees in the Starbucks are from minority class and 65% are women.
- At the higher position, 48% are women and 15% are from minority class.
- They are having equal pay system means women get the same pay as men and they have achieved this.
- When it comes to equality they have treated everyone as same irrespective of caste, gender or race.

ROLE	BIPOC	WOMEN
Senior Vice President+	22%	59%
Vice President	32%	49%
Director	29%	56%
Manager	30%	54%
Individual Contributor	38%	54%

Diversity in Starbucks Corporate Roles^[3]

Energy consumption

- When compared to other traditional stores Starbucks is consuming 30% less.
- The company – oriented stores are powered by using renewable energy i.e., 66% are renewable energy.
- They are planning to use 100% renewable energy in their company operations.

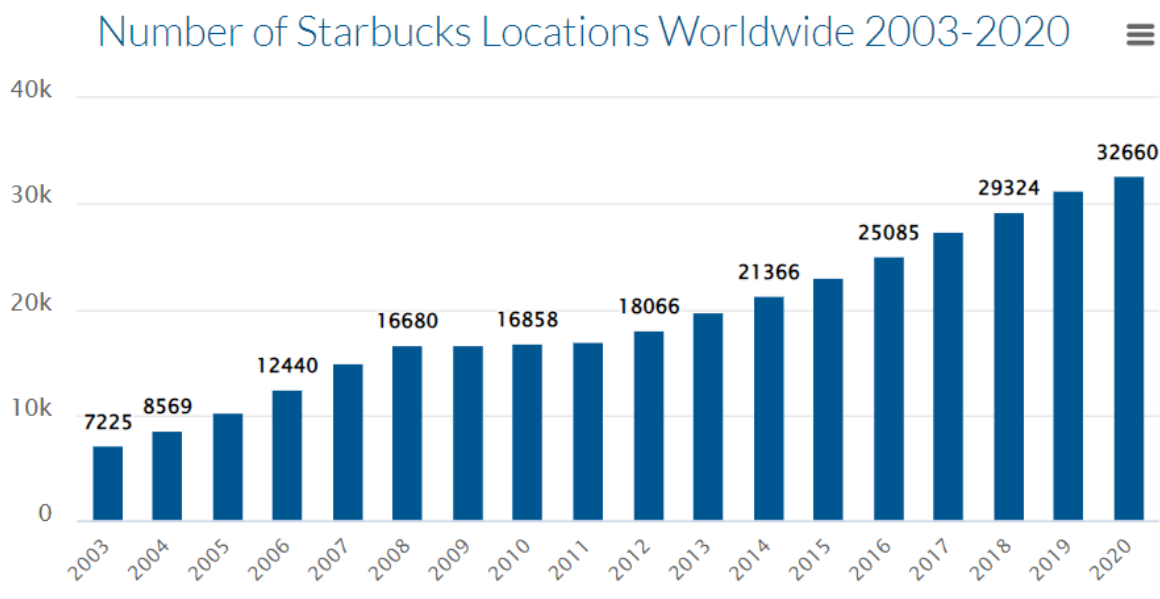
Waste Reduction and Recycling

- Starbucks at Japan had spent tons of money on coffee grounds to compost and feed for cows.
- They are planning to reduce the waste consumption by 50% by 2030.

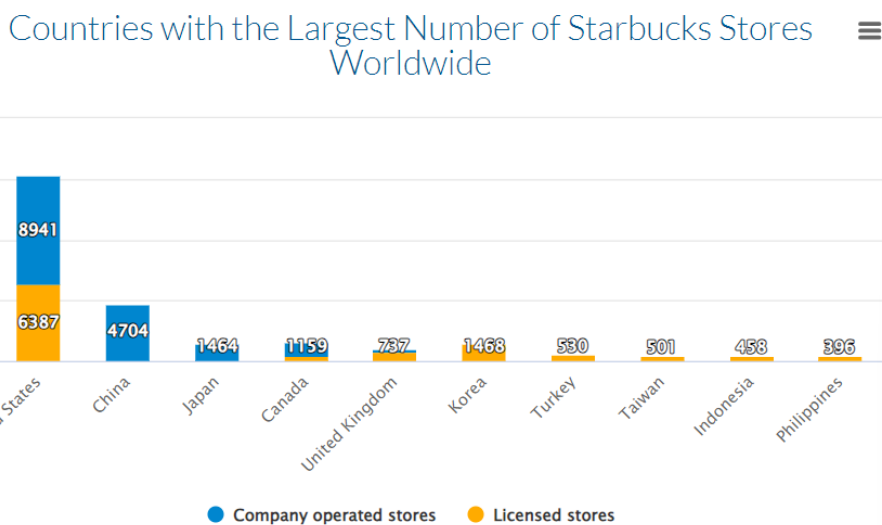
Starbucks revenue by product

Starbucks have grown rapidly these days and it is known to be the world's dominant coffee chain since five decades by selling, roasting, marketing special high quality coffee and other beverages, food and branded products. Around 34,000 stores are present in 84 markets as per the data i.e., January 2, 2022. Their beverages are the biggest revenue generator across the world. North America accounts for vast majority of revenue.

Few facts related to Starbucks stores worldwide



According to survey US and China are having largest number of company operated Starbucks stores all over the world (2020). But during pandemic Starbucks closed around 400 company owned stores due to changing customer demand. Customers have shifted to online bookings of coffee through their application and also website.



Starbucks stores is visited by 37.8 million Americans according to 2021 survey within 30 days.

How much Starbucks worth?

SBUX Share Price, 52-Week Range	\$50.02-\$107.75
SBUX Market Cap	\$119.34B
2020 Revenue	\$23.518B
2020 Profit	\$15.823B
Macrotrends' Evaluation of Starbucks Net Worth	\$119.34B

All information on 52-week range accurate as of February 24, 2020.

Starbucks Competitors Analysis

Direct rivals of Starbucks

- First comes the Costa, which is having largest customer base in United Kingdom. They are having around 3000 stores in 30 countries. They have come up the slogan called “a coffee for every mile”.



- McDonalds McCafé is also one of the major competitors of Starbucks. Other than coffee they will also offer beverages. First store was opened in Australia during 1993. Currently this is ranked first in Australia and New Zealand.



- Other competitors include Dunkin Donuts, Café Coffee Day.
- Indirect rivals are McDonalds, KFC, and other independent coffee stores and bakeries.

Conclusion

We can conclude that Starbucks have achieved success through their high quality coffee, in providing customer experience, innovative strategies. Their strength includes brand image, customer loyalty, global reach. By studying their strategies we can recommend Starbucks to continue their focus on innovative strategies, high quality coffee. They should expand their market to India rather than relying on US. In addition to this they can invest in developing customer loyalty programs, strategies to retain their customers and try to create strong work culture.

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