

STARBUCKS MARKETING STRATEGY

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ABSTRACT:

As coffee shops change into spaces that offer clients a range of experiences, coffee acts as a medium. Coffee shops are simple settings where people may enjoy and share their cultures while having coffee, but they also reflect the distinct personalities and values of their customers. Given this evolution, it is important to take into account the coffee shop in terms of spatial design marketing as a setting with virtually endless possibilities to effectively communicate the needs of modern customers through spatial identity and story. Target market is one of the most important marketing decisions for most companies. Its aim is to identify and delineate market segments which would become targets for the company's marketing plan. Starbucks segmentation and targeting consist of a marketing decision in identifying the appropriate group of people among the general public of future customers for the business and targeting this segment via positioning products and services that resonate well with their need and wants. The aim of this research paper is to identify the market strategy of Starbucks and how it can be improved.

Keywords: *segmentation, market strategy, coffee, customers, marketing, culture.*

INTRODUCTION:

Marketing:

Marketing is the process by which a business identifies and draws in its ideal customers in order to market to them and convince them to purchase its products or services. Increased awareness, lead generation, sales support, customer retention and growth, and marketing strategy are the 5 various ways marketing accomplishes its primary goal of accelerating a company's growth (Marketing in Business: Strategies and Types Explained. (2022, July 13). Investopedia. Retrieved October 13, 2022).

Strategies:

There are many marketing strategies used by businesses, Traditional marketing strategies like television, radio, mail, and word-of-mouth campaigns have been used widely over the years, although digital marketing today enables businesses to use affiliate, content, social media, and email marketing tactics, which have proven to be far more effective in today's world (Nguyen, O. (n.d.). What Is Starbucks' Market Share? A Strategic Analysis. The Full Coffee Roast. Retrieved October 13, 2022).

Coffee Industry:

One of the most popular drinks in the world and a significant source of caffeine, coffee continues to play a crucial role in daily life. It is also the second most sought-after good in the entire world, with a global market worth more than \$100 billion (Home. (n.d.). YouTube. Retrieved October 13, 2022).

Journey:

Starbucks began their journey in 1971 with the sale of premium coffee beans and supplies on the streets of Seattle and now is the biggest chain of coffee shops in the world with **33,833** locations. Starbucks' become now the leading specialty coffee retailer, producing and selling a wide variety of beverages, as well as pastries and confections; and this success can be attributed to its astonishing marketing strategies that constitutes a blend of Social media marketing, digital marketing, search engine optimization, and right post-marketing analysis (*Starbucks Coffee Journey: The First 10 Feet, the Last 10 Feet - Starbucks Stories, n.d.*).

Rationale:

In this paper, we'll examine the various marketing strategies employed by Starbucks which led to its success, and highlight the crucial tactics that provide the company a competitive edge. The current marketing strategy will be analysed first, followed by a detailed examination of their branding, how it adds value for the customer, a discussion of the moral obligations and significance of CSR, and finally an analysis of how all marketing strategies contribute together to the brand (*Annracháin & Sorlin, 1994*).



(*Starbucks, Volkswagen, BP. . . Le Logo, Point De Départ Ou Point D'arrivée . . . , n.d.*)

LITERATURE REVIEW:

The research stated many results like the demand for coffee is expected to grow, and is predicted that the global market value of the coffee sector will annually compound with a CAGR of 5.5% for the years 2018 to 2023. With such a growth rate, coffee is already one of the most traded agricultural commodities in the world today. Research also states that the consumption of sustainable coffee is growing, which can help address environmental and social development challenges. Starbucks is aimed to have a 100% sustainable sourcing by 2020 with 290,000 metric tonnes of coffee (. (n.d.). ; - Wiktionary. Retrieved October 13, 2022).

The development of new caffeine-based components for end-use sectors is the main focus of buyers and sellers. Over the forecast period, this is expected to drive market expansion for caffeine. The new component is designed to deliver a consistent release of caffeine over several hours and is naturally derived from green coffee beans. Additionally, the component is designed to remove the bitterness typically seen in other caffeine supplements, making it ideal for powder usage (*Caffeine Market Size, Trends and Forecast To 2027. (n.d.). Coherent Market Insights.*).

The publisher states that in the history of the growth of its brand, The Starbucks Coffee Company is at a turning moment. Starbucks management are eager to comprehend the causes and effects of the brand's transformation because what the company stands for among other major specialty coffee merchants may not be what it once was. Many of Starbucks' rivals have put pressure on the company (*Melville's, H. (n.d.). Coffee Wars - The Big Three: Starbucks, McDonald's and Dunkin' Donuts.*).

Many fast food and eat-in restaurants have successfully introduced espresso beverage product lines, including specialty coffee into their menus and posing a threat to Starbucks' dominance of the coffeehouse experience. In an effort to uphold its brand's reputation for opulent hospitality, Starbucks made decisions about its franchising structure and target market that had positive and negative effects (*Melville's, H. (n.d.). Coffee Wars - The Big Three: Starbucks, McDonald's and Dunkin' Donuts.*).

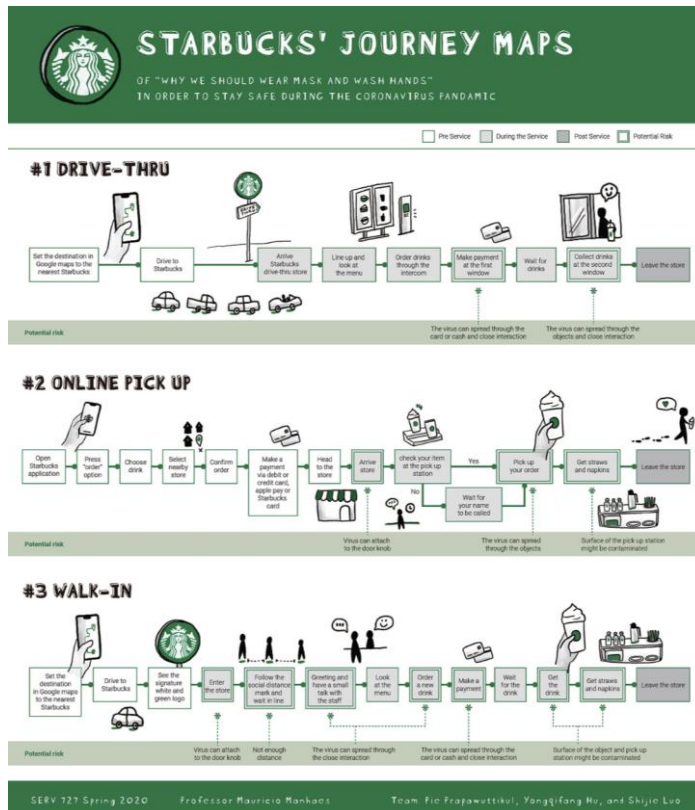
According to Katerina Haskova , Starbucks uses different marketing strategies to promote their products. Defining the positioning and marketing mix, as well as the basic marketing strategy concept and the environment analysis. Starbucks does have various

marketing strategies which generally rely on customer loyalty and word of mouth or the ethical considerations of the company along with involvement in the community (STARBUCKS MARKETING ANALYSIS. (n.d.). Sciendo.).

(Starbucks - Service Exploration on Behance in 2021 | Service Blueprint . . . , n.d.)

Starbucks Campaigns:

The three areas in which the Starbucks campaigns fall help to raise brand awareness:



- Starbucks runs product-based campaigns to highlight its distinctive and well-liked beverages. It has even created social profiles for customers' favourites -Frappuccino and Pumpkin Spiced Latte.
- Starbucks Corporate Social Responsibility-Based Campaign: Using social change as a marketing tool, Starbucks positions itself as inclusive and open-minded. Its #The ExtraShotOfPride campaign gained popularity by supporting the LGBT+ community.
- Community-based campaigns: The focus on recognizing communities and individuals is a key component of Starbucks' marketing approach.

Product Launch on Flipkart: Starbucks teamed up with Flipkart and introduced Starbucks Signature Merchandise on the platform in order to capitalise on the pandemic's rising reliance on online shopping (Exploring Starbucks Marketing Strategy: The Success Secret. 2022, September 23).

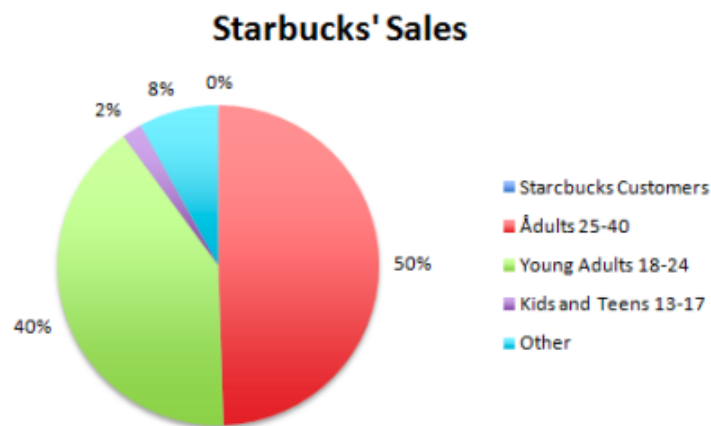
The COVID-19 pandemic's marketing strategy, according to Starbucks Coffee Corporation:

Investigations into Starbucks Coffee marketing issues and potential led to the creation of recommendations. Its key problems and key opportunities, especially in the approaching few financial years, the company is operating with impressive effectiveness through the adversities of 2020 thus far (Exploring Starbucks Marketing Strategy: The Success Secret.2022, September 23).

METHODOLOGY:

We shall only use secondary sources for this research project. Starbucks marketing strategy is a huge topic, but by using secondary research, we can get clear and pertinent information. Additionally, it would improve how we analyse the data. Experts are frequently the ones driving the data collecting, thus this will guarantee that the information we provide is factually accurate and pertinent to the subject. Case studies, websites, and even certain research papers are examples of secondary sources we might employ. The period of time that we are thinking of using for our data collection is from the year 1971 to the year 2022. Starbucks started out in 1971 and has dominated the coffee industry ever since. Both descriptive and quantitative research methodologies will be used in

this study. Descriptive research is the collecting of data used to address a variety of what, when, and how inquiries about a given topic. The goal of quantitative research is to identify trends, make predictions, and test hypotheses by collecting numerical data, performing mathematical analysis, and carrying out experiments. Our target audience for our research article would include both



men and women from urban and suburban areas, ranging in age from 22 to 60. We'll be able to gather data and information more effectively as a result.

(A 17-Point Content Marketing Checklist Proven to Boost Your Engagement, n.d.)

ANALYSIS AND DISCUSSION:

Every business needs to carry out a successful marketing strategy in order to be noticed by consumers and to forge brand identity. Instead of spending millions of dollars on advertising that has no social value, Starbucks is a perfect example of a business that has based its marketing strategy around its consumers and ethical behaviour. With a target market between the ages of 18 and 40, there is room for a variety of techniques; the store suggests premium coffee for picky customers and new, inventive drinks for the younger age group while maintaining the premium brand image. Starbucks sells more than just drinks since most customers want to be connected with this brand, which is seen as a high-end, upper-middle class establishment.

Marketing Mix:

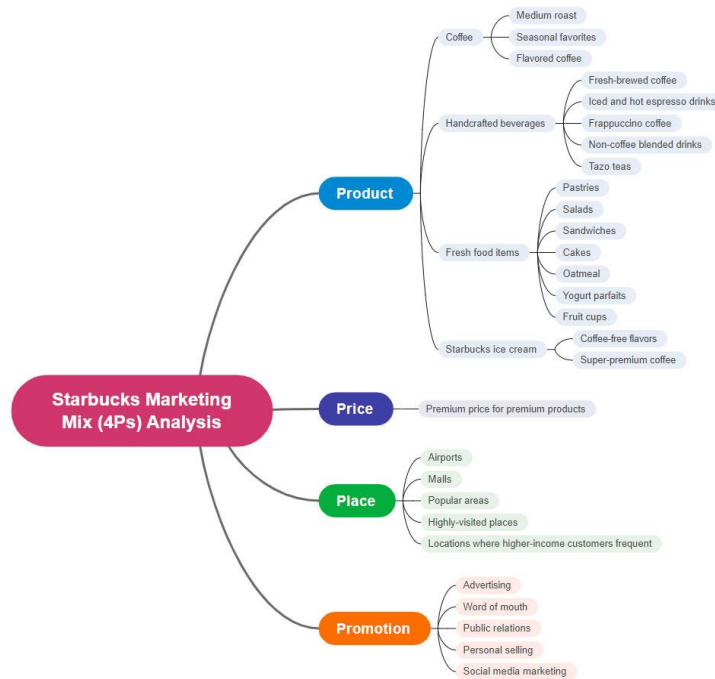
The four P's are very effectively incorporated into Starbucks' marketing mix.

Product: Starbucks distinguishes itself from other coffee chains by selling beautiful lifestyle products. Nearly as well-known as their coffee is their stuff.

Price: Premium pricing helps them keep their quality promise and cater directly to their ideal customer's lifestyle preferences. By offering a distinctive, dependable "Starbucks experience," Starbucks has raised the perceived value of its brand. Customers are therefore willing to spend more for a cup of Starbucks coffee.

Promotion: Starbucks also offers reward programs to existing customers to encourage them to stay loyal to the brand. It employs a multi-channel promotional strategy and is active on all social media platforms through contests, hashtags, and other promotions.

Place: The success of Starbucks' chain stores is largely due to its omnipresence. Starbucks "Third Place" positioning strategy has led to people seeing it as another essential place to visit after their home and office. People don't have to limit themselves to its stores to get their drinks and snacks. Additionally, their products are accessible through various sources (*Ltd, 2013, p.46*).



(Starbucks Marketing Mix (4Ps) Analysis | EdrawMind, n.d.)

Competitive Edge:

Starbucks is famous for its creative drinks. In addition to coffee and drinks, it also offers other iconic foods, allowing customers to rapidly satisfy their desires. Due to Starbucks' socially conscious business model, this firm has opened outlets throughout the world in many economically underdeveloped regions. By this, it has successfully reached every corner of the world and made itself distinct from others as we all achieved larger sales targets. Quality is never compromised at Starbucks. And to achieve this, they have chosen the greatest farmers as their suppliers and have successfully built strong bonds with them. To ensure that the farmers stick with this brand and that it can serve the best and most distinctive food and drink that can be identified from other coffee in the world, it has provided them with financial help, information and training support, rewards, and other benefits (Annracháin & Sorlin, 1994, p.90).

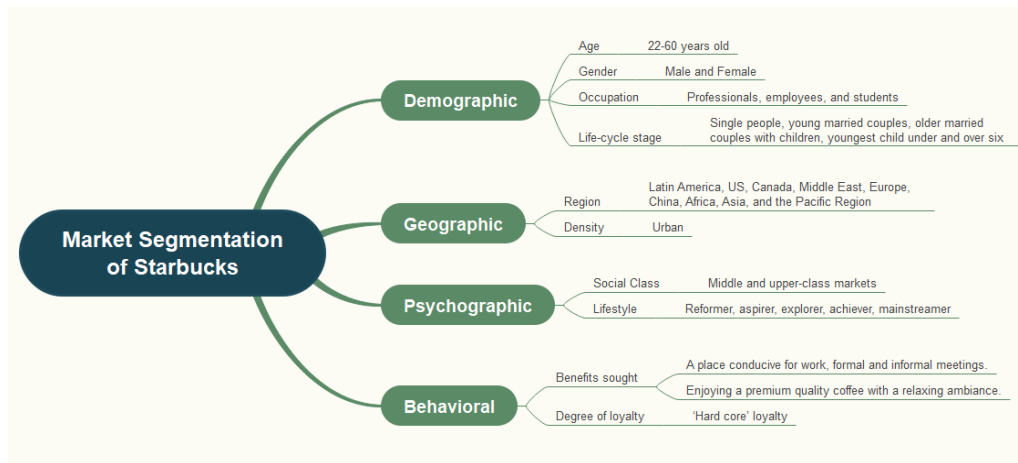
Core Marketing Strategy:

Starbucks approaches its brand and marketing strategy in a distinctive and progressive manner. Starbucks encourages customers to take pictures of their coffee cups and locations and post them on social media. One of Starbucks effective marketing methods is the use of social media. Starbucks has a great system for rewarding customers who purchase its products. As part of the Starbucks Rewards program, customers receive "stars." Star-earning customers get free coffee and merchandise (Xaif, 2022, p.25).

In addition to a free gift on their birthday, there are further benefits like double star days and access to just available games and promotions. However, more than just a free coffee is what draws people to become devoted Starbucks customers. One of Starbucks most effective marketing initiatives is its loyalty program. Starbucks locations are purposefully made to encourage customers to spend more money, stay longer, and return frequently (Xaif, 2022).

Segmentation:

Starbucks targets between mass marketing and segment marketing; they are targeting a broader public; however, there are some criteria that the customers should have, such as higher incomes or a younger age. Demographic segmentation's main group is between 25-40 years of age with high incomes, the second target group is 18-24 years of age and belongs to richer families. According to psychographic segmentation, consumers are upper-middle class and typically have college educations. The organisation has retail sites throughout a number of different cities, and each one reflects the preferences and interests of the local market, similar to how geographic segmentation is done (Ltd, 2013, p.46).



(Starbucks Market Segmentation, Targeting, and Positioning | EdrawMind, n.d.)

Brand Value:

Starbucks 4 primary values are being present, connecting with transparency, dignity and respect. Their marketing strategy aligns with their values. They deliver the best by holding themselves accountable for results. Customer experience and quality are the two major pillars that support their brand strategy. Starbucks has improved the perception of the value of its brand by offering a special, reliable "Starbucks experience." As a result, clients are prepared to pay higher prices for a cup of Starbucks coffee (Dias, 2018, p.304).

Starbucks Positioning:

Customers purchase an expensive, high-quality product from Starbucks (tangible), but they also receive a personalised, in-store experience that is enhanced by trained staff; for instance, the customer's name is written on the plastic cup that their beverage will be served in (intangible). This helps Starbucks stand out from the competition and maintain its premium brand status. Starbucks may distinguish its goods and services from those of their rivals by using the concept of a unique selling proposition. Starbucks is renowned for providing excellent customer service and a pleasant in-store experience. Customers can choose to spend some time in the store and take advantage of the welcoming and cosy atmosphere and Wi-Fi, or they can quickly get their coffee and go. In each instance, the buyer is expected to leave with a special memory. Customers may find some human touch in their daily life in a Starbucks store, which is a unique selling proposition in a fast-paced world where technology is getting more individualised and where social interactions are declining (Simplilearn, 2022, p.67).

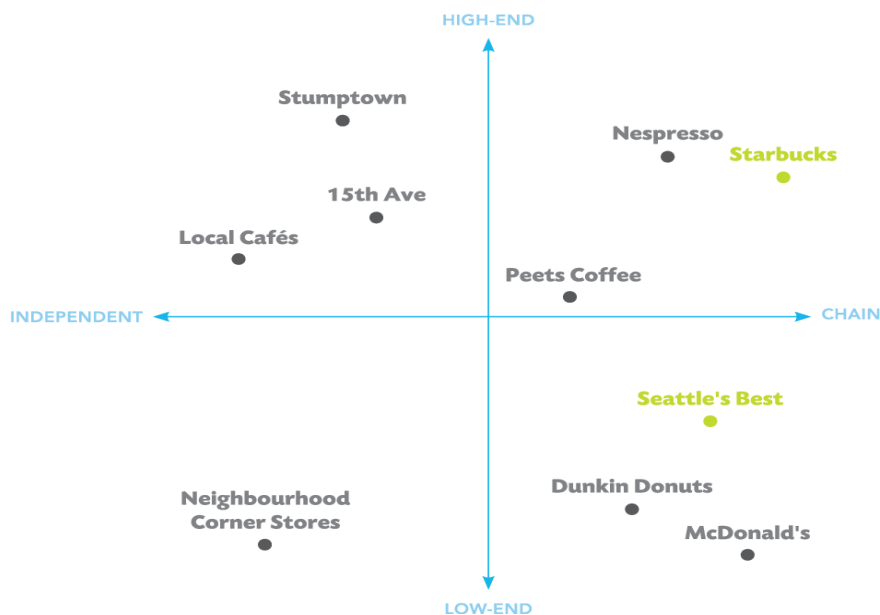


Figure 1: Starbucks's Positioning

Moral Obligation and Significance of CSR:

It is becoming more and more important in today's world to uphold moral principles and enforce laws since doing so results in value creation that goes beyond profit maximisation and helps ensure that businesses will endure over the long run by satisfying stakeholders' social expectations. Starbucks supports fair trade and environmental conservation in accordance with the societal-marketing philosophy.

The Starbucks Community Store programme helps neighbourhood non-profit organisations (NPOs) educate and develop local youth to end poverty. Additionally, it manages food donation programmes in Canada and the US. Starbucks has consistently upheld equal pay for men and women of all races in the United States. Finally, it consciously uses renewable energy to run 66% of its stores, with a goal of 100%. In a nutshell, Starbucks is dedicated to the environment, its workers, its clients, its corporate conduct, and the shareholders (*Twin, 2020, p.80*)

(*Starbucks Announces Plans to “go Greener” at 10,000 of Its Stores . . . , n.d.*)

Success Journey:



Starbucks' success is largely credited to its effective management and its focused innovation, which is what makes it successful and results in strong same-store sales. There is an inescapable high reliance on a strong brand and word-of-mouth in order to develop a positive reputation. The Company is expanding into new markets as a result of new prospects and its well-known brand internationally. The company's significant financial resources allow it to take advantage of market possibilities, investments, and expansion initiatives that smaller businesses with less capital are not able to (*Papia, 2022*).

One of Starbucks' key goals is the implementation of corporate social responsibility; improving the lives of coffee and tea farmers is a priority for them, along with protecting the environment by opening more environmentally friendly stores, conserving water, or using recyclable coffee cups. Additionally, their use of social media to stay in touch with their consumers is a key component of their marketing approach. By including people in projects and encouraging their ideas for future improvement, their customers ultimately conduct the research and development at no cost to them (*Papia, 2016, p.38*).

Suggestions:

The only thing Starbucks' marketing plan is missing is a strong web presence. Around 9 million people visit Starbucks outlets every day, which would equal the number of active users on Amazon or other online marketplaces if they were all consumers. Starbucks still depends on the infrastructure of other companies. Despite having excellent content quality, Starbucks's material is not personalised, which is paradoxical given how well it does with its coffees. Giving personalised content, like personalised coffee, is the next step. Starbucks should surely take use of the fact that it is aware of the identities, locations, and credit card information of its top customers. One way it might achieve this is by having a personal online place that is a third space from work and home. The information on this platform, which combines social media, Starbucks Cards, and Starbucks Digital Network, would be tailored to each person's preferences depending on who they are, where they are, and who they are connected to. This enables the usage of

Starbucks card profiles on other websites. Starbucks would then have the chance to control online media. Starbucks can put this together quite easily because it already has the alliances, talented teams, funding for marketing, systems, and following needed for this to be successful. This marketing plan would encourage more people to sign up, which would increase consumer engagement and result in more direct sales.

SWOT ANALYSIS:

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> ● 100 Best Employers (Great place to work, 2014) ● Ethical Business ● Excellent Coffee ● Warm and welcoming interior atmosphere ● Stores in desirable places ● A good with persistent or increasing demand ● Popular study spot for students, free WiFi in stores 	<ul style="list-style-type: none"> ● Products that are pricey for many consumers ● Unfavourable publicity (tax evasion) ● Long lineups of customers in stores
OPPORTUNITIES	THREATS
<p>Possibility to expand to more countries</p> <ul style="list-style-type: none"> ● Establish specialty stores ● selling coffee or tea to big store retailers ● expand the market for tea ● formally establish coffee farms ● Improve the shopping experience for customers ● Create Starbucks capsules for brewing coffee at home. 	<p>Competitors have lower prices</p> <ul style="list-style-type: none"> ● Inability to own coffee farms ● decreasing consumer purchasing power ● increasing milk and coffee prices ● a crowded market ● increase in the sale of home coffee makers (Espresso, Nescafe...)

CONCLUSION:

One of the main reasons the coffee chain corporation, Starbucks, has a commanding global presence and leadership is a well-designed marketing plan. Additionally, in order to uphold their word, they offer every consumer who enters one of their brick-and-mortar locations an undeniably unique setting, exceptional service, and a welcome environment. Starbucks has developed a global brand that emotionally connects with consumers by utilising these methods.

To market its products, Starbucks has implemented a brand differentiation approach based on product distinctiveness and difference. Starbucks has used innovation into its goods and services to give it a market competitive advantage. Starbucks adapts its goods and services to the preferences and cultural norms of many areas and nations. Starbucks has established itself as the top coffee brand on the market by offering enticing store designs, a distinctive setting, sophisticated flavours, and premium coffee beans.

Millions of devoted followers help the Starbucks brand by participating in a variety of brilliantly mixed and integrated social media marketing strategies. Clear variations in style are perceived when comparing how other brands, such as rival Dunkin Donuts, interact

with their followers. This is likely why Starbucks has over seven million Twitter followers and Dunkin Donuts has just approximately 87,000.

Being able to establish a personal connection with customers while still being able to offer them excellent coffee and a welcoming environment in which to enjoy it has become a reality at Starbucks Café. It developed a business based on interpersonal relationships, involvement in the local community, partnerships, civic duties, and inviting seating places. All of those elements, as well as its history and heritage, played a part in the incredible success of Starbucks.

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