

LCMB 7001 – Marketing Management



Assessing the Strategic Value of Marketing Management in Starbucks: A Critical Analysis

Dharmik Vinodbhai Soni – 2228186

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1 Introduction

Starbucks Corporation is a renowned coffeehouse chain that was created in 1971 by Jerry Baldwin, Zev Siegl, and Gordon Bowker in Seattle, Washington. The business has swiftly grown and presently has more than 32,000 locations across more than 80 countries (Starbucks, 2022). Starbucks provides a variety of goods, such as tea, pastries, sandwiches, and other snacks in addition to coffee and tea. The business prides itself on providing premium coffee and a distinctive client experience, positioning itself as a premium brand in the coffee sector. Starbucks' mission is to "establish Starbucks as the world's leading supplier of the finest coffee while upholding our unwavering principles as we expand." The mission statement of the business is **"To inspire and nurture the human spirit – one person, one cup, and one neighbourhood at a time."**

Starbucks has been successful in establishing itself as the industry leader by focusing on innovation and customer experience. The company has introduced new products and services, such as the Starbucks Rewards program and the mobile ordering and payment system, which have helped to improve customer satisfaction and loyalty (Starbucks Corporation, 2022). Starbucks has also focused on sustainability, with initiatives such as using ethically sourced coffee and reducing waste. Starbucks has become a well-known brand in the coffee industry by focusing on providing high-quality coffee and a unique customer experience (Forbes, 2021). The company's vision and mission statements reflect its commitment to maintaining its principles and expanding while still delivering quality products and services. Starbucks' focus on innovation and sustainability has helped to position it as a market leader and a brand that many other companies in the industry want to emulate.

2 Porter's five forces analysis

A business's competing climate can be analysed using Porter's Five Forces Analysis. The research is based on 5 important variables that affect the profitability of a sector and level of rivalry.

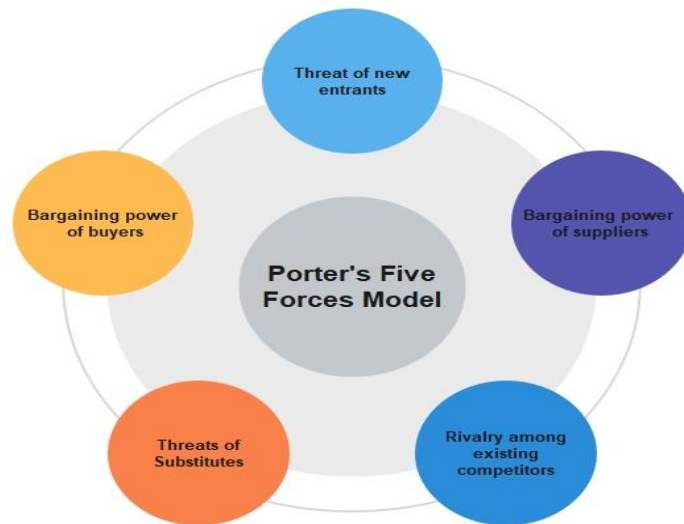


Figure 1: Porter's Five Forces Analysis

2.1 Threat of new entrants

Moderate - Due of the low entrance requirements for the coffee sector, new competitors can easily involve. Furthermore, Starbucks has a strong brand image, extensive network of stores, which makes it difficult for new entrants to compete. According to Starbucks' annual report, the company had more than 32,000 stores in 83 countries as of 2021 (Starbucks Corporation, 2021). This gives Starbucks economies of scale and a significant first-mover advantage, which reduces the threat of new entrants.

2.2 Bargaining power of suppliers

Low - Starbucks purchases its coffee beans from a variety of international providers. However, the business has enduring connections with its suppliers. and is committed to sourcing ethically grown and traded coffee beans. According to Starbucks' Global Social Impact Report, 99% of the company's coffee was ethically sourced in 2020 (Starbucks Corporation, 2020). This reduces the bargaining power of suppliers and helps Starbucks to maintain its supply chain.

2.3 Bargaining power of buyers

Starbucks has huge devoted clientele, which gives the company a degree of bargaining power. However, the availability of numerous coffee shops and cafes in most major cities gives customers the ability to choose other options. Moreover, Starbucks has a highly competitive pricing strategy, which limits the customers' ability

to bargain (Thompson, 2020). Customers therefore have a moderate amount of negotiating power with Starbucks.

2.4 Threat of substitutes

The coffee industry faces the threat of substitutes from other beverages, such as tea and soda. However, Starbucks has successfully differentiated itself by offering a unique and high-quality coffee experience that is difficult for customers to find elsewhere. Furthermore, the company has introduced new products, such as snacks and food items, which reduce the threat of substitutes (Starbucks, 2022). Therefore, the threat of substitutes for Starbucks is low.

2.5 Rivalry among existing competitors

The coffee industry is very cutthroat, with numerous coffee shops, cafes in most major cities. However, Starbucks' strong brand image, extensive network of stores, and loyal customer base give it a competitive advantage over its competitors (Thompson, 2020). Furthermore, the company's focus on innovation and sustainability helps it to stay ahead of its competitors. Therefore, the competition between Starbucks' current rivals is moderately fierce.

In conclusion, Porter's Five Forces analysis suggests that Starbucks has a relatively strong competitive position in the coffee industry. While the industry is highly competitive, Starbucks' strong brand image, extensive network of stores, and loyal customer base give it a competitive advantage over its competitors. Furthermore, the company's focus on innovation and sustainability helps it to stay ahead of its competitors.

3 PESTLE Analysis

PESTLE analysis is a tool that organizations use to understand the external factors that impact their operations.

3.1 Political Factors

The political environment can significantly affect a company's operations. Starbucks has a global presence and operates in countries with different political systems. It must comply with various regulations, including employment laws, taxation policies, and product safety standards. For example, in the UK, Starbucks had to pay more taxes

due to the country's tax laws (BBC, 2018). Additionally, Starbucks must adhere to ethical standards when sourcing its coffee beans. Political instability and trade restrictions can also impact the company's supply chain.

3.2 Economic Factors:

Starbucks may be impacted by economic variables including inflation, currency exchange rates, and economic growth. The economic climate of the nations where the corporation conducts business has an impact on its performance. For instance, the closing of Starbucks during the COVID-19 pandemic stores in many countries caused a significant decline in the company's revenue (Starbucks, 2021).

3.3 Social Factors:

Social factors such as cultural values, lifestyle changes, and demographic changes can affect the demand for Starbucks products. Starbucks has always been committed to creating a unique customer experience that is reflective of local cultures. Starbucks has been a pioneer in promoting sustainable and ethical sourcing of coffee, which resonates with many consumers. Additionally, consumers are increasingly health-conscious, which has led Starbucks to introduce more plant-based options on its menu.

3.4 Technological Factors:

Technology plays a significant role in Starbucks' operations. To improve its consumer experience, the organisation has made significant technological investments. Customers can now purchase and pay for their drinks without waiting in queue thanks to Starbucks' industry-changing mobile ordering and payment technology. Starbucks also uses technology to streamline its supply chain and logistics.

3.5 Legal Factors:

Legal factors such as intellectual property laws, employment laws, and data protection laws can affect Starbucks. For instance, the company has faced several legal battles over its use of the Mermaid logo. Additionally, Starbucks must comply with data the nations where it conducts business have protection laws.

3.6 Environmental Factors:

Starbucks may be impacted by environmental considerations including waste management and climate change. The business has established challenging goals to lessen its ecological impact, including using renewable energy and reducing waste (Starbucks, 2022).

In summary, PESTLE analysis shows that Starbucks is impacted by various external factors that can significantly affect its operations. By understanding these factors, Starbucks can develop strategies to mitigate risks and capitalize on opportunities.

4 SWOT Analysis

Strengths	Weaknesses
Strong brand image: Starbucks has a strong brand image and is considered a leader in the coffee industry. The company is known for its high-quality coffee and unique customer experience. Wide global presence: Starbucks operates in over 80 countries and has more than 32,000 stores worldwide (Starbucks, 2022). This wide global presence provides the company with a significant market share and revenue streams. Product diversification: Starbucks offers a wide range of products, including coffee, tea, pastries, sandwiches, and other snacks. This diversification helps to attract a broader customer base and provides opportunities for revenue growth.	High prices: Starbucks' premium pricing strategy may deter some price-sensitive customers, leading to a potential loss of market share (Huang, 2018). Dependence on the US market: Although Starbucks operates in various countries worldwide, most of its revenue still comes from the US market (Statista, 2021). This dependence on one market makes the company vulnerable to economic fluctuations in that market. Limited menu options for health-conscious consumers: While Starbucks has made efforts to introduce more plant-based options, some health-conscious consumers may still perceive the company's menu as being high in calories and sugar (Moss, 2019).

Opportunities	Threats
Starbucks can increase its market share in developing nations like China and India, where coffee consumption is growing (Statista, 2021). New product innovation: The company can continue to innovate and introduce new products to attract and retain customers, such as introducing more plant-based options or expanding its non-coffee offerings (Khan, 2021). Emphasis on sustainability: Starbucks can further emphasize its commitment to sustainability by reducing waste, using renewable energy, and sourcing ethically produced coffee (Starbucks, 2022).	Starbucks is up against a lot of competition from other coffee chains, independent coffee shops, and fast-food chains that offer coffee products. This competition can lead to a potential loss of market share (S, 2019). Economic instability: Economic fluctuations in the markets where Starbucks operates can impact its revenue and profitability (Hoover's, 2021). Changing consumer preferences: Consumer preferences are continually changing, and Starbucks must adapt to these changes to remain relevant and competitive (Molla, 2019).

In summary, Starbucks has a strong brand image and global presence, but facing difficulties like high costs, reliance on the UK market, and strong rivalry. The business offers possibilities to expand in emerging markets, innovate with new products, and emphasize sustainability. However, it must also be mindful of threats such as economic instability and changing consumer preferences.

5 Starbucks Segmentation

5.1 Demographic

Starbucks targets customers who are typically 18 to 44 years old, both male and female, and belong to various income levels, education levels, and ethnic backgrounds

(Statista, 2021). The company also targets families with children and professionals who value quality coffee and unique experiences.

5.2 Geographic

Starbucks operates in over 80 countries and targets customers in urban and suburban areas (Starbucks, 2022). The company also has a presence in airports, universities, and malls.

5.3 Psychographic

Starbucks targets customers who value premium coffee, unique experiences, and a comfortable ambiance. The company aims to create a third-place environment where customers can socialize, work, and relax (Business Insider, 2019).

5.4 Behavioural

Starbucks targets customers who are frequent coffee drinkers, those who value convenience and fast service, and those who prefer to spend time in the coffee shop working or socializing. The company also targets customers who are health-conscious by offering plant-based options and low-calorie beverages.

5.5 Socio-Economic Status

Starbucks targets customers who have disposable income and are prepared to pay more for speciality coffee and a distinctive shopping experience. The business also targets professionals and students who can afford to visit coffee shops regularly. Starbucks segments its market based on various criteria to target different customer groups effectively. The company aims to create a unique customer experience and a sense of community while offering high-quality coffee and a diverse range of products.

6 Targeting

Starbucks targets customers who value great coffee and a distinctive client experience. Urban, educated, higher-income consumers who are willing to spend more for superior coffee make up the company's target market. Starbucks also targets customers who value convenience, by offering mobile ordering and payment options to reduce waiting times.

7 Positioning

7.1 Benefit

The benefit provided by Starbucks is high-quality coffee, diverse beverage and food options, and a unique customer experience that creates a sense of community and relaxation (Statista, 2021).

7.2 User

The users of Starbucks include individuals aged 18 to 44, both male and female, and from various backgrounds and income levels. The company also targets families with children and professionals who value quality coffee and unique experiences (Statista, 2021).

7.3 Competitive

Starbucks products are competitive due to the company's focus on quality coffee, diverse options, and unique customer experience (Forbes, 2021).

7.4 History

Starbucks began as a small coffee shop in Seattle and has since grown into a global brand with a strong reputation for quality coffee and customer experience (Starbucks, 2021). The company has also prioritized social responsibility, ethical sourcing, and environmental sustainability in its operations.

7.5 Pro-environment

Starbucks has set a goal to become a resource-positive company by 2030, including a focus on reducing waste, conserving water, and promoting renewable energy sources (Starbucks, 2021).

Starbucks has positioned itself as a premium coffee brand that offers a unique customer experience and promotes social responsibility. The company has successfully attracted a wide range of customers by offering high-quality coffee and diverse options in a comfortable and inviting atmosphere. Additionally, Starbucks' commitment to sustainability and social responsibility has further strengthened its position as a trusted and respected brand in the industry.

8 7P's of Marketing for Starbucks

- **Product:** To accommodate its customers' wants and preferences, Starbucks provides a variety of food, beverage, and coffee options (Starbucks, 2021). The business also sells products including coffee makers, tumblers, and mugs.
- **Price:** Starbucks prices its products competitively while also maintaining its premium brand positioning (Forbes, 2021). The company also offers seasonal promotions and discounts to attract customers.
- **Place:** Starbucks operates in over 80 countries and has over 30,000 stores worldwide, targeting customers in urban and suburban areas (Starbucks, 2021). The company also has a presence in airports, universities, and malls.
- **Promotion:** Starbucks promotes its products through various channels such as social media, advertising, and in-store displays (Starbucks, 2021). The company also offers a loyalty program, which rewards customers with free drinks and other benefits.
- **People:** Starbucks hires and trains its employees to deliver high-quality customer service and create a welcoming atmosphere (Forbes, 2021). The company also focuses on diversity and inclusion in its hiring practices.
- **Process:** Starbucks has a well-established process for ordering and preparing drinks and food items to ensure consistency and quality across its stores (Starbucks, 2021). The company also offers a mobile ordering and payment app for added convenience.
- **Physical evidence:** Starbucks creates a comfortable and inviting atmosphere in its stores through its interior design, music, and aroma (Forbes, 2021). The company also showcases its commitment to sustainability through its use of recyclable materials and LEED-certified stores.

9 Recommendations for future marketing strategies of Starbucks

9.1 Ansoff's Matrix

Ansoff Matrix is a strategic tool used by businesses to decide on their plans for expanding their goods and market..

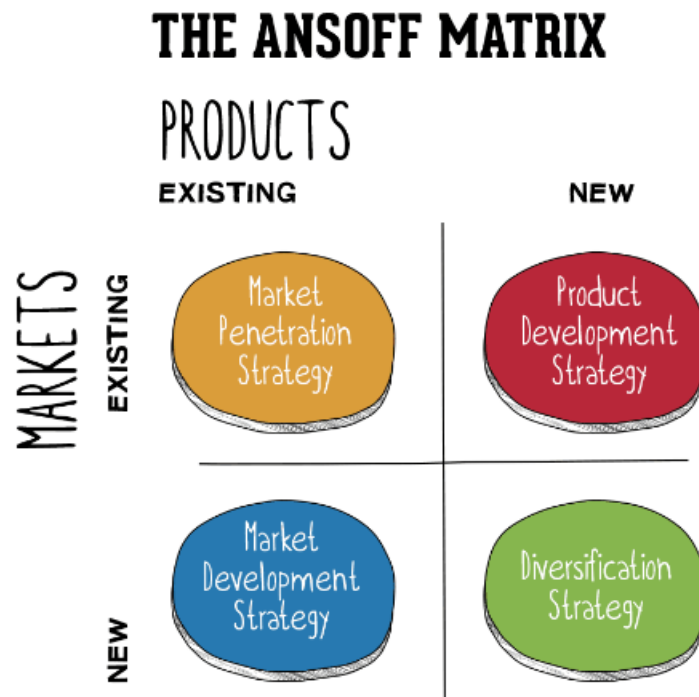


Figure 2: Ansoff's Matrix

9.1.1 Market Penetration

Starbucks should concentrate on aggressive marketing strategies, such as influencer marketing, special offers, and developing a strong brand image, to grow its market share in existing markets. The business may use its rewards programme to draw in more consumers and keep them coming back. (Miroshnik, 2020)

9.1.2 Market Development

Starbucks can explore untapped markets, such as Asia and Africa, where the brand has limited presence. The company can introduce its coffee, food, and merchandise products in these markets to increase its customer base and revenue (Guthrie, 2021).

9.1.3 Product Development

Starbucks can develop innovative and sustainable products that align with its commitment to social responsibility and environmental sustainability. For instance, the company can introduce biodegradable cups and plant-based food options to attract health-conscious and environmentally conscious customers. (Bryson, 2020).

9.1.4 Diversification

Starbucks can diversify its product offerings by expanding into related industries, such as packaged food and beverage products. The company can also explore new markets, such as the hospitality industry, by partnering with hotels and resorts to offer Starbucks products (Guthrie, 2021).

9.2 Product Life Cycle Strategies

9.2.1 Défense Strategies for Pioneer

In the growth phase, Starbucks should focus on defending its market share by leveraging its brand image and customer loyalty. The company can introduce fresh items and advertising initiatives to keep its current clients and draw in fresh ones. Starbucks can also focus on expanding its market share in untapped markets (Ekwurzel, 2018)

9.2.2 Attack Strategies for Followers

To gain a competitive advantage over its rivals, Starbucks can focus on attacking their weak spots. For example, the company can introduce innovative products and services that cater to niche markets. Starbucks can also leverage its strong brand image to attract customers away from its competitors (Miroshnik, 2020).

9.2.3 Strategies in the Maturity Stage

In the maturity stage, Starbucks can focus on global expansion by entering new markets and leveraging its brand image to attract customers. The company can also focus on market penetration by introducing promotional offers and discounts to attract price-sensitive customers. Additionally, Starbucks can introduce to keep its current clients and draw in new ones, it must introduce fresh products and services. (Bryson, 2020).

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