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STARBUCKS KITCHENWARE
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MANAGEMENT ASSIGNMENT

For Jayne Williams: University of Wales Trinity St David



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CONTENTS

1.Executive Summary	4
2.Introduction of the organization	5
3.Situation analysis	6
4.Objectives	10
5.A review of the strategic options	11
6.Details of the chosen strategy.....	13
7.Recommendations of resource required	14
8.ecommendations of the control process.....	16
Bibliography.....	18



Executive Summary

This report follows on from the presentation given on 7th November which undertook an environmental analysis and analyzed customer experience for Starbucks.

The purpose of this report is to suggest some innovative strategies for Starbucks to increase their customer journey and produce a marketing plan for Starbucks. The following recommendations are made.

Diversification strategy to develop kitchenware products for Starbucks to expand its operation into a new niche market on the back of its experience in coffee selling

Differentiation strategy with its brand image and customer focus by storytelling and experience marketing

Introduction of the organization

Founded in 1971 in Seattle, the United States, Starbucks is a chain of a coffeehouse. It has become one of the world's largest and most respected coffeehouse chain. Starbucks retail products include handmade espresso, premium coffee beans, cappuccinos, mocha, lattes, americano and many other hot and cold coffee drinks and tea drinks, pastry food as well as coffee machines, coffee cups, and other products. Its founder Howard Schultz once said, "We are not in the coffee business serving people, but in the people business serving coffee" (Yaeger, 2016).

In 1999, Starbucks entered the Chinese market and opened its first Starbucks coffee shop (Peiper, 2018). Then Starbucks opened nearly a thousand coffee chains in more than 60 cities including Shanghai and Guangzhou. Up to now, the Chinese market has become Starbucks' second-largest market outside the United States (Mourdoukoutas, 2019). As of today, Starbucks has opened more than 28,000 coffee shops in 76 countries around the world and delivers an exclusive experience service about 85 million times on a weekly basis (Starbucks, 2019).

Compared with other coffee shops, Starbucks' pricing in China is relatively high that a cup of Starbucks coffee costs more than a simple dinner (Chinahighlights, 2019). But the expensive price did not prevent the passion of Chinese people for Starbucks and the establishment of consumer loyalty in China, which is closely related to the

Starbucks marketing strategy. It believes that coffee is a kind of carrier and media, which is the most effective way of communication between the customer and the company. What Starbucks sold is not just a cup of coffee, rather than, it sold a kind of unique experience that exclusively belongs to Starbucks coffee. It is through this unique strategy of experience marketing that Starbucks has developed into such a successful multinational enterprise. The comfortable environment, soothing soft music, considerate service, and vibrant atmosphere, together with its various quality products, make Starbucks a perfect and unique third place for customers. Experience marketing has made Starbucks not only a cup of coffee but also a synonym of fashion and culture (Plog, 2005, p.285).

This isn't a direct quote.

Situation analysis

To analyze the external marketing environment that exerts influence on Starbucks, the PESTEL analysis is going to be used as a tool, namely political, economic, social, technological, environmental, legal analysis.

For the political and legal environment, China boasts a stable political situation and low political risks under the "one country, two systems" policy, which provides Starbucks with a good and stable political environment in the Chinese market. The previous 20 years saw the steady and prosperous area become a significant bridgehead in China's development because of the extraordinary business condition and developed market

(Xinhua, 2019). Also, China's State Council recently issued a guidebook itemizing 20 approaches to make a "fair, transparent and predictable" business condition for foreign investors in China (Xinhua, 2019). Since the establishment of the socialist market economic system, especially after China's entry into the WTO, the Chinese government has set up a series of laws and regulations to continuously improve the government agencies and ensure the deepening of reform and opening-up policy (Xinhua, 2019).

For the economic environment, China has one of the fastest economic growth rates around the world and boasts a strong consumption ability, which makes China a highly potential market for Starbucks (Chinadaily, 2017). Also, the per household disposable income of urban Chinese is projected to double between 2010 and 2020 according to McKinsey (2012). On the other hand, the trade war between China and the U.S. caused havoc on China's economy and the manufacturing sector has been badly influenced.

For the social environment, with the improvement of people's life quality and disposable income, they tend to like a healthy lifestyle and spend more time on cooking and baking, especially young couples. Also, the proportion and number of middle-class in China are increasing both in number and proportion (He, 2019). People pay more attention to the quality and health of their lifestyles, which provides a very promising market for Starbucks to extend its market to kitchenware and increase its brand value by lead a new lifestyle.

For the technological environment, the emergence of intelligent devices has made people give priority to life efficiency, but many people have begun to think whether a fast-paced lifestyle is correct. They are beginning to try to slow down the pace of life and improve their lifestyle. In addition, China's manufacturing industry is highly developed. As the world's largest manufacturer, China is a world leader in many kinds of goods, which can provide manufacturing support for Starbucks if they are to open Starbucks lifestyle stores in the Chinese market to sell kitchenware (Elout et al, 2013).

For the environmental factor, with global warming and environmental deterioration, people tend to take environmental influences into account when they make decisions and they tend to choose a healthy and green lifestyle. Also, the production activities and development of enterprises should consider environmental protection and green development.

The SWOT model is a good tool to analyze the micro-environment and a powerful tool to help make business strategies for companies, which stands for Strengths, Weaknesses, Opportunities, and Threats.

For the strengths of Starbucks, it boasts a globally well-known brand, which can enhance customer loyalty (Tu et al. 2012, p. 24). Also, sufficient financial support is a benefit for developing and applying new marketing strategies.

For the weaknesses of Starbucks, it can be a shortage of operation experience of lifestyle stores and experience in manufacturing and selling kitchenware because this new market can be full of challenges for a new beginner.

Speak of opportunities for Starbucks, customer preference is changeful and customer satisfaction is closely related to customer loyalty (Söderlund, 1998, p. 170). To meet or even exceed the needs of the consumers for a healthy lifestyle, Starbucks needs to maintain its diversity and quality in products and continuously create freshness to its customers to enhance its competitive advantages thus expand its market share. (Tallman and Li, 2017, p. 179)

For the threats Starbucks faces, the competition in the existing coffee industry is brewing from fast-food chains coffee to premium coffee shops (Wolf, 2018). With the rise of the domestic Chinese coffee industry during recent years, there emerge some competitors of Starbucks who take market share from it in China's market, one of the most prominent companies is Luckin coffee. (Gopalan, 2018). Among the fierce competition in the coffee industry, Starbucks have to figure out a way to differentiate itself and quickly improve their competitiveness. Maybe Starbucks can develop new products and services in another niche market that closely related to its existing products to maintain its status and expand market share.

You could have summarised more
your findings from the audit
conducted for assignment 1 + just
highlighted the key points/issues.

Objectives

There are two types of marketing objectives, namely, thrust and strategic objectives.

The thrust objective for Starbucks is to develop new products in new markets, which is called diversification in the Ansoff matrix (Fahy and Jobber, 2019, p. 371). The diversification strategy is the riskiest one but maybe necessary for Starbucks to take to expand its growth in the future. The kitchenware that Starbucks plans to sell includes coffee machines, soybean milk machines, toaster, oven, eggbeater, whisk, and so on. This diversification plan maybe can work quite well because there is a synergy between the existing products of Starbucks and kitchenware (Fahy and Jobber, 2019, p. 372). More importantly, product diversification can make Starbucks better respond to the complexity and diversity of international operations (Shao and Wang, 2006). Starbucks may draw experience from its operation in existing products and services to apply to its cross-border expansion and cut the operation cost. Also, scale economies emerging from interdependencies across different divisions bring Starbucks more chances to accomplish the synergy of product diversity.

The strategic objectives for the new market of kitchenware of Starbucks are to build sales and market share, which are the two basic objectives for new products (Fahy and Jobber, 2019, p. 372). Based on the 5s approach in digital marketing developed by Chaffey and Smith (2007), for the objective of "sell", Starbucks is to make the sales of kitchenware account for 20 percent of its total earnings by the end of the first year

after its launch into the market and the market share is to reach 20 percent in the market of kitchenware by the end of the third year of its release. The frequency of regular customers go to Starbucks stores is to reach at least once a week after the launch of kitchenware. For the "speak", the regular customers with a membership card for kitchenware products is to reach 2 million within 3 years. For the "serve", Starbucks should stick to its high-quality and high standard service to ensure customer satisfaction and maintain its brand image. For the "save", Starbucks can launch online promotion activities to encourage customers to come to stores and experience its new products and cut the promotion cost by 50 percent by the end of the first year. For the "sizzle", Starbucks is to increase the added value by introducing online and offline lessons for baking cakes or making coffee to increase the engagement of customers and customer satisfaction.

How? Is this objective SMART?

Good consideration given to the objectives.

A review of the strategic options

Starbucks can adopt the differentiation focus strategy to achieve its diversification move. It can differentiate itself from the competition in the niche market of kitchenware products using its brand image and customer focus. The targeting of Starbucks for this market is mainly people who want to spend more time cooking and baking and aspire for a healthy lifestyle, especially new couples. They are potential customers who tend to spend more money on kitchenware. The positioning of Starbucks in this niche market is a premium kitchenware provider with a diverse range of kinds and functions.

The objective of Starbucks for the kitchenware market is to inspire a healthy lifestyle and a passionate attitude towards life for people through integrated marketing communications. The competitive advantage of Starbucks is the brand awareness and close relationship with its customers, which will result in superior selling skills and customer loyalty than other competing companies can achieve (Fahy and Jobber, 2019, p. 376). Also, financial resources can help to support the development and expansion of its new business.

For the primary activities of the value chain of Starbucks in the niche market of kitchenware products, Starbucks can build a long-term partnership with manufacturing factories to ensure the supply of materials and reduce the cost of production at the same time. Quality and customer satisfaction are two important factors in customer loyalty, which put the product at the core of customer value (Wu and Ai, 2016). Satisfaction is enhanced by improved quality and it then improves customer loyalty and the company's profitability (Heskett et al. 2008). Services are also essential for companies to deliver to their customers although it is invisible (Brady and Cronin, 2001). The products and services provided by Starbucks lifestyle stores must be consistent and of good quality. Also, for kitchenware products, the after-sale service is very important, which provides a huge potential of differentiation that can strengthen the brand equity (Cavalieri et al., 2007) The marketing strategy of Starbucks will mainly be experience marketing, and that is also what Starbucks is good at in its coffee selling.

For the support activities, Starbucks needs to invest money in technology to develop new kitchenware with innovative functions and better performance. Increasing investment in human resources is also essential for Starbucks. Starbucks employees should know well about their new products and services. Only when employees have a certain understanding of the new products can they help the company to attract more customers.

✓ Some good points/ideas raised here considered, looking forward to seeing your approach to implementation.

Details of the chosen strategy

Just like its tactics in the coffee industry, Starbucks sells more than just kitchenware in its kitchenware stores; it sells a special experience of kitchen shop and home kitchen experience. By telling a story of passionate life and home cooking through integrated marketing communications (IMC), Starbucks can build its brand identity that can help the cultivation of emotional bonds and emotional resonance between customers and Starbucks by experience marketing.

According to the three levels of product, the core value for customers of Starbucks in the kitchenware industry is household articles, and they use these products at home for the family. The actual product is kitchenware, and people buy kitchenware to help with their cooking and baking. The augmented products include the cooking and baking lessons, experience in the Starbucks lifestyle store, after-sale service, product instructions, product support and so on. All of these can contribute to the increase in

the perceived value of customers.

For the 7Ps of the marketing mix, the pricing of its kitchenware is a challenging task due to the complex changes with its entry into the market as a new product of Starbucks. The pricing is to be set after doing the market research in the kitchenware industry while its price may be a little higher than other kitchenware brands according to its positioning. The place to sell the kitchenware products will be independent Starbucks lifestyle stores that allow customers to experience its new products and learn some cooking and baking skills. Promotion activities will be launched online and offline, cooking and baking lessons can be taken on its website and in its lifestyle experience stores for customers. People who usually go to kitchenware stores of Starbucks are those who like cooking and baking and those who aspire for a healthy lifestyle. ^{7Ps - confusing!} The process of the marketing strategy includes Starbucks' kitchen experience to identify different needs of customers, kitchenware instructions with free lessons to reflect the needs, and kitchenware sales to deliver the needs for customers. Physical evidence includes the environment of kitchenware shops Starbucks provides, which can make customers feel at home with the smiling staff and cozy atmosphere. ✓

Process - the systems / processes which deliver a product / service to a customer.

Recommendations of resource required

Developing new products for Starbucks may require it to invest in the following aspects. The first step is to invest in market research on the kitchenware industry and analyze the consumer group. By collecting and understanding the correct market information,

You must reference all sources used.

Starbucks can better know the new niche market and customers and identify the most profitable niche market and seize development opportunities. By analyzing market information, Starbucks can also avoid making mistakes when making marketing strategies. ✓

The second step is to develop and produce kitchenware products with good functions and high quality with the Starbucks style. If a product is not well designed, it will cost a lot to replace equipment, materials, and labor. Good products not only function well but also easy to manufacture and has a relatively low production cost, so that the comprehensive competitiveness of the product can be enhanced. Independent Starbucks kitchenware stores need to be carefully designed because good product design is the key to win customers. ✓

Then it needs to do cost accounting and control, which can reduce the costs of products and improve the production capacity and resource utilization rate. Also, it is conducive to the sustainable development of Starbucks and ultimately improve its profitability. Cost control is required in the areas of technology, procurement, production, and sales. ✓

Another important thing is developing an online platform to encourage customers to visit and learn cooking and baking skills thus developing more customer needs. ✓
Although Starbucks' marketing is mainly done through word-of-mouth, sometimes

launching promotion activities on social media is necessary. The online space allows people to chat with each other on various topics and express their opinions, which offers an opportunity for Starbucks to improve their brand awareness. ✓

Increasing investment in human resources is essential for Starbucks. Starbucks employees should know well about their new products and equipment. Training for Starbucks' employees is also meaningful since the service provided by them is the key to retain customers.

Good consideration given to resources

Recommendations of the control process

When the marketing plan is completed and implemented, its performance needs to be measured according to the marketing metrics of the KPIs that matter to marketing performance. To measure the sales revenue, the company should calculate the revenue from the launch of kitchenware and supportive services. Then it should do a professional analysis of its revenue on a weekly, monthly and yearly basis. Cost per lead is to be measured by calculating the cost of technology and software, management fees, marketing and promotion, and human resource. Customer lifetime value is to be measured by calculating the average sales, the average number of times and average retention times per customer. The traffic-to-lead ratio needs to be measured by analyzing the website traffic and Starbucks should know where they come from. Also, lead-to-customer ratio, social media traffic, and mobile traffic need to

be measured through data analysis. ✓

To measure the quality of service perceived by customers, the Service Quality Model or SERVQUAL Model can be applied (Mulder, 2018). According to the model, there are 10 dimensions to measure service quality. For reliability, Starbucks has to ensure the consistency of the standard for products and services and emphasis on consumer commitment; for responsiveness, employees have to be willing to provide services in a timely manner; for competence, employees have to master the professional knowledge and skills for their services; for access, all services, including the after-sale service must be easy to access for consumers; for courtesy, the service staff should be courteous, respectful and considerate when they are serving customers; for communication, employees should communicate with consumers in a language that they can understand; for credibility, Starbucks should put the interests of customers at first and bring consumers a sense of trust; for security, Starbucks must ensure that consumers can be free from worrying about danger and risks when using its kitchenware products; for knowing the customer, Starbucks should understand the customer needs; for tangibles, the services provided by Starbucks must be of high standard. All of these assessments can be done by analyzing the data collected from customer feedback and customer satisfaction survey. ✓

Good attempt
at applying the
SERVQUAL model.

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STUDENT FEEDBACK FORM : REPORT (75%)

This section details the *extent* to which the assessment criteria are demonstrated by you, which in turn determines your mark. The marks available for each category of skill are shown. Lecturers will use the space provided to comment on the achievement of the task(s), including those areas in which you have performed well and areas that would benefit from development/improvement.

Generic Assessment Criteria	Marks available	Marks awarded
1. Engagement with Literature Skills	20	
In the bibliography you've provided evidence of a range of sources independently retrieved but remember <u>all</u> sources used within the assignment <u>must</u> be accurately + consistently referenced.		11 13/20
2. Knowledge and Understanding Skills	20	
In addressing the assignment brief you've demonstrated a good level of knowledge + understanding of key concepts/principles associated with the subject area. You have also utilised a suitable framework to produce a marketing plan addressing the key areas required. Some good ideas have been put forward and as		15 15/20

You have genuinely included this assignment and developed your own creative marketing strategy, which is appropriate to the company.

3. Cognitive and Intellectual Skills	20	
such you have demonstrated through analysis + critical evaluation that you are able to make sound judgements which you can creatively develop. You have included key concepts and have also not forgotten to evaluate the quality of your proposal strategy. Your analysis is detailed and appropriate. A good level of creativity has also been shown.		14 15.16
4. Practical Application Skills	20	
Good application of a range of relevant techniques including SERVQUAL model - just a pity didn't apply the 7Ps framework in more detail. Good application of models + frameworks although 7Ps could be further developed.		15 15.16
5. Presentation- professional skills	20	
Communicated confidently + consistently in a suitable format, this piece of work is coherent, flows logically + is professionally presented. You have demonstrated useful skills for future employment.		15 15.16
A well presented / readable piece of work. Well done!		= 70% 72% 73% apex

Assessment Mark (Assessment marks are subject to ratification at the Exam Board. These comments and marks are to give feedback on module work and are for guidance only until they are confirmed.)	Late Submission Penalties (tick if appropriate)		%
	Up to 1 week late (40% Max)		