STARBUCKS COFFEE



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Marketing Plan
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Throughout the duration of this semester we have researched and completed a marketing analysis on *Starbucks Coffee*, specifically their hot drinks division. We have discovered many different things about *Starbucks Coffee* including their competition, branding, pricing, promotion and much more about how people perceive the *Starbucks Coffee* brand. Below we have discussed this in great depths and compiled our research in this academic document.

Product Description

Starbucks sells specialty hot beverages at a higher price range, with a presumed higher quality compared to their competitors.

Need or Want

Starbucks hot beverages fill a need in the market. They fit into a specialty niche in the café industry. Starbucks sells across the age board appealing to people who value quality and a unique experience.

Product Explanation

Starbucks hot beverages are a collection of specialty drinks, featuring many choices. Coffee is there feature beverage; they have a number of different roasts. They also feature other caffeinated beverages such as espresso's, macchiatos and lattes.

Company History

Starbucks started in 1971 in Seattle selling whole bean and ground coffee, tea's and spices. Starbucks name originated from *Herman Melville's Moby Dick*. There logo a Siren derived from Greek mythology alludes



to the themes of addiction and obsession in reference to their products. Today Starbucks has grown in a multi-million dollar corporation; located in over 50 countries with more than 17 000 locations selling all types of coffee, hot beverages, cold beverages, pastries and much more.

Industry Information

Starbucks competes in the café and breakfast market, specializing in the niche of specialty drinks and a unique, innovative and artistic environment. Major competitors in the Canadian market are *Tim Horton's*, *McDonalds*, and independently owned local coffee shops. They face more competition in the states against *Dunkin Donuts*, *McDonalds*, *Caribou Coffee* and independently owned shops.









The Consumer

Market Segmentation Chart

Category	<u>Variable</u>	<u>Examples</u>
Geographic	Location	International
	Climate	> All
	Community	> Large community, often established
	Size	Starbucks location is already there
Demographic	Age	> Teens, Young Adults, Adults
	Generation	Generation Y
	Income	➤ Higher Income
		> Higher disposable income
	Ethnicity	> All
Psychographic	Hobbies	> Arts, Literature
	Lifestyle	Business fast coffee people
	VALS	> Innovator, Thinker, Achiever, Striver
Behavioural	Features Desired	Specialty drinks, Quality food and drink
		products
	Brand Loyalty	Moderate to Extreme loyalty because of
		cost
	Usage Rate	Moderate to Heavy

Purchasing Influences

Psychological	Social	Situational
> Thirst, hunger	Belonging (work/peer group)	Convenience (locations and speed of service)
> Relaxation	> Approval	> Routine (daily, weekly)
> Caffeine	Status Symbol	Limited (treat, monthly)

Psychological: Maslow's Hierarchy of Needs

Starbucks fits into two categories on Maslow's Hierarchy of Needs; Esteem and Acceptance. It fits into Esteem because Starbucks is a specialty product at a higher price point which reflects a high income and successful person, therefore garners respect from others. Gaining that perceived respect from your peers can make people feel more accepted within their peer group.

Social

The brand loyalty and purchasing habits of friends, co-workers and family can have a dramatic effect on your buying habits as can be seen with Starbucks customers. If the majority of your co-workers come to work every day with Starbucks coffee to feel a sense of belonging you will also come in with a Starbucks coffee. If you are a part of a group that enjoys being social at Starbucks then you are going to become conditioned to not only go with them but more frequently alone.

Situational

The primary situational influence of Starbucks customers is routine. Many customers of Starbucks have customer loyalty and favorite drinks that make Starbucks apart of their daily or weekly routine. The secondary situational influence of Starbucks customers is limited. Many customers enjoy certain menu items, but do not feel strong customer loyalty, so for them a Starbucks beverage is an occasional purchase.

The Competition

Competition Prezi

http://prezi.com/kxe4txaexiwn/starbucks-vs-tim-hortons/

Survey Plan

For our marketing research we decided to have two different research models a taste test and a survey.

Part 1: Survey

- 1. What hot drink do you prefer at Starbucks?
- a) Coffee/Espresso/Latte
- b) Hot Chocolate
- c) Tea Based Drink
- d) Holiday Specialty Drink
- 2. How many times do you visit Starbucks in a month?
- a) Daily
- b) Weekly
- c) Twice a Month
- d) Not at all
- 3. Do you generally do with your Starbucks?
- a) Sit and enjoy your drink
- b) Take your drink to go
- 4. Do you use the dietary needs options offered?
- a) Soy Milk
- b) Gluten Free
- c) GMO Free
- 5. How satisfied are you with the customer service you receive?

Very Satisfied Satisfied Unsatisfied Very Unsatisfied

6. How often buy food items with your drink?

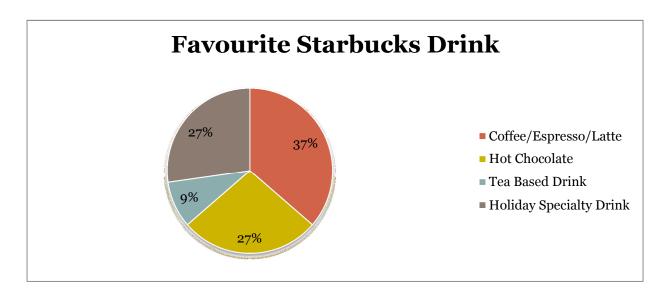
Always Sometimes Never

- 7. Are having fair trade/organic options important to you?
- a) Yes
- b) No
- 8. What coffee store do you enjoy visit the most?
- a) Satrbucks
- b) Tim Hortons
- c) Other
- 9. Have you ever purchasing and starbucks products such as mugs, tumblers, and Christmas ortaments?
- A) Yes
- B) No

Part 2- Taste Tests

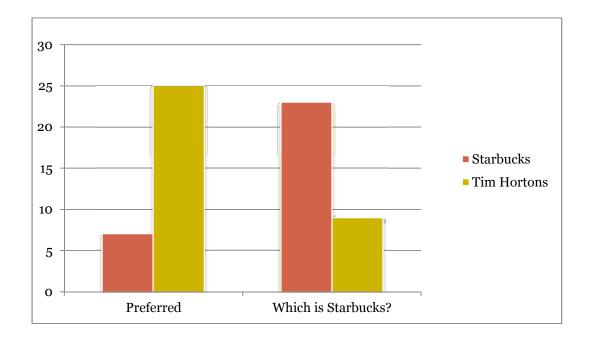
We created a taste test pairing Tim Hortons hot chocolate against the Starbucks equivalent. Our test group was 60 people. The results of our taste test can be found in the next section entitled survey results.

Favorite Drink



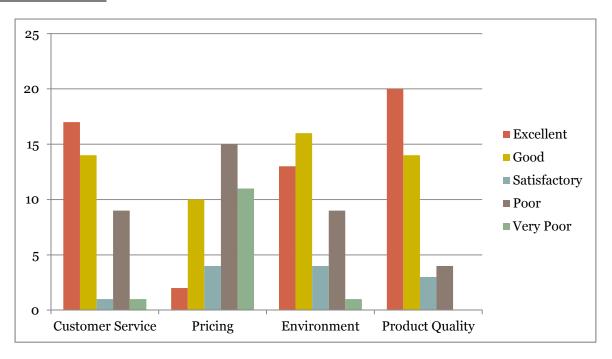
We synthesized from our data that the most profitable venture for Starbucks is in their coffee based drinks category. In relation to seasonal factors holiday specialty drinks and hot chocolate are the second most popular. Third most popular are the tea based drinks. This shows that Starbucks promotional campaign for their holiday specialty drinks has been a success. Future projections could be higher for the tea based drink division if they employed the same marketing techniques as they did for the holiday specialty drinks.

Preferred Hot Chocolate



From our survey we observed a clear conflict in what company our participants perceived as high quality and what company's beverage they actually enjoyed more. The majority of our participants said they found Tim Horton's hot chocolate to be of a higher quality and more enjoyable. Yet they had the preconceived notion that Starbucks beverages are of a higher quality, making the association that product B (Tim's) was a Starbucks beverage. This shows Starbucks has effectively asserted the idea that there beverages are of a higher quality, compared to their competitors. This led us to make the conclusion that the true enjoyment of a Starbucks beverage may not necessarily lie within the taste of the product. Starbucks customers enjoy a combination of presentation and quality. The unique selling feature of the products such as whip cream and chocolate drizzle contribute to the overall enjoyment. When we took away these features and just served plain hot chocolate we saw Starbucks was not the preferred product. We are confident that if we served Starbucks hot chocolate with its unique selling features and re-conducted our taste test it would be the preferred drink.

Overall Satisfaction



1. a) Customer Service

- > Starbucks customers view their customer service from good to excellent
- > We account the substantial amount of poor rating to people that are bias

b) Pricing

The majority of Starbucks customers feel that their pricing is poor to very poor

c) Environment

- > Starbucks customers say that the environment there is good to excellent
- People who said it was poor don't have an appreciation for the artsy feel

d) Product Quality

> Starbucks customers have a very high consistency of their product quality being excellent

Product Elements

Starbucks is on the Growth segment of the life cycle chart. Meaning the company is continuing to grow and increase profit margins worldwide.

Basic Product

- > Quality: Mainstream upscale
- Features: Whip cream, chocolate/caramel drizzle, chocolate curls
- > Options: dietary requirements (soy milk, non-GMO)

Protection

> Packaging: white/red holiday cup with a green logo

<u>Name</u>

- Product Name: Starbucks hot drinks
- > Brand Name: Starbucks
- Personality: artsy, relaxed

Branding

Brand Name and Reputation

The Starbucks brand name is popular, identifiable and well known. The brand has a high reputation as serving quality specialty products. Customers with a strong brand allegiance to Tim Horton's may have a negative view of the Starbucks brand.

Provide a nice graphic of your product logo. Is it an effective logo? Why or why not?



The logo is effective and widely identifiable as the face of the Starbucks brand. The simplicity of the logo and cup lend it to have a more corporate or high end feel.

<u>Slogan</u>

"Extraordinary People, Extraordinary Coffee". We believe this would be effective because it completes the customer, by acknowledging that they are hardworking people who deserve to treat themselves to a coffee that is just as special as they are.

Brand Image Improvements

The customer experience could be made more interactive through a different beverage selection. Where the customer picks up a cup writes their name and drink on it before handing it to the barista.

We also think "sample fairs" would be an effective way to showcase new and seasonal products. This would be a day when all the customers entering the store get to a sample the newest product from their drink line.

Pricing

<u>Influencing Factors</u>

1. Climate:

The climate of the coffee bean and cocoa growers can affect how they are produced and in what quantity they are provided in.

2. Coffee Suppliers:

Depending on the climate, labor and transportation

3. Fair Trade

Fair trade coffee is more expensive because the people who grow it are paid adaquently.

Price Comparisons (based on size)

Starbucks	Tims	Second Cup	Black Walnut
\$1.94	\$1.33	\$1.35	No small
\$2.36	\$1.52	\$2.05	\$1.76
\$2.57	\$1.71	\$2.35	\$1.99

Price Determination

We think the price is accurate for our current climate. As can be seen in our comparison chart above Starbucks coffee isn't much more than the competitors. From the knowledge we've obtained through our research we believe lowering the price would be detrimental to sales.

Paying more money for a product entails the product is of a high quality. This perceived higher quality of ones of the brands greatest strengths.

Channel of Distribution

Cocao Farmers Coffee Bean Farmers Flavour Labs Transportortation Plains Rail Trucks

Collecting the products for properietary maunfacturing

Baristas combine products to make dtink to sell to customers in store

Promotion



Conclusion

In conclusion, we found out that *Starbucks Coffee* has a mixture of strengths and weaknesses within their market. Some of the strengths we synthesized are it has great product quality, they include everyone's dietary needs by offering products with things such as fair trade, non-GMO and soy alternatives. Within our research we also came to the conclusion that customers really enjoy the environment at Starbucks, where they have to opportunity to relax and enjoy there beverages. Weaknesses include pricing of the products are a bit high compared to the other coffee shops in their market and they don't have a great way of promoting themselves. We believe that in the future *Starbucks Coffee* could promote their products in a more effective way to get other people to come out and try their products. We hope you enjoyed and found informative our summative marketing analysis of *Starbucks Coffee Company*.