

Starbucks

Introduction

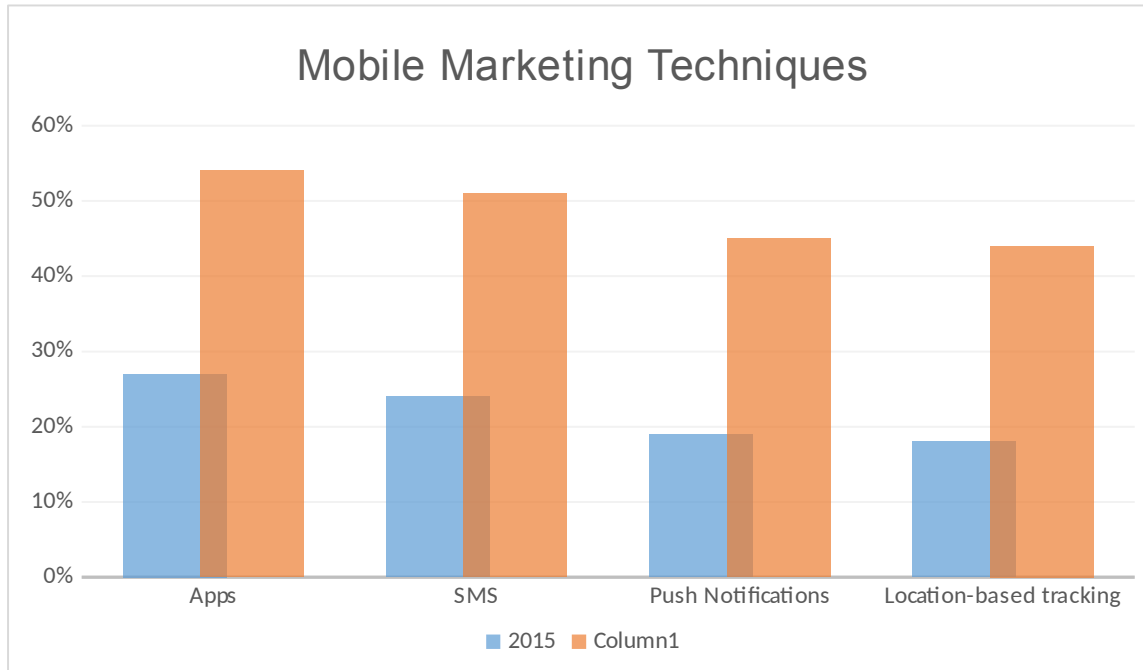
Most people spend between one and a half to five dollars a day on coffee. Over 60% of Americans spend time at the coffee shops just to enjoy their favorite drink. For many years, the Americans and now over sixty-eight other countries familiarize themselves with Starbucks. Starbucks is one of the most known coffee brand retailer and marketer in the world today. Starbucks has been the major contributor of the coffee globally something it still enjoys for the past 40 years. However, other coffee brands and retails are rising giving Starbuck a run for their money. Apparently, Starbuck still enjoys the market, and they have the best marketing team that keeps up with the changing world. The paper aims to discuss the marketing strategies and implementation and the strength and weaknesses at Starbuck. Furthermore, the paper presents areas for improvement and recommendations.

Starbucks is the world's leading coffeehouse with branches in over 68 countries. The company was started in Seattle in 1971 and known for the supply of both hot and cold beverages with snacks. The company keeps revolutionizing and lately it sold packaged products including mugs, coffee beans and coffee machines among many others. It was started by Howard Schultz for the purpose of providing Americans with the real taste of coffee and save them from travelling to Italy and Germany for the same. However, Starbucks has had its downside and in 2007 Wall Street predicted its doom (Meola). Therefore, this paper addresses the marketing strategies and implementation at Starbucks. Additionally, the paper discusses the strengths and weaknesses to help understand how Starbucks has been in the market for a very long time. Finally, the paper provides for the suggestions on different recommendations.

Marketing Strategies

Starbucks over the years focuses on the creation and the sustenance of its own culture of coffee. The company thrives at serving quality coffee to an extent that most Americans refer to it as the “third place” meaning the place other than workplace and home they spend their quality time. Utilizing Porter’s five model that provides a marketing strategy, which emphasizes the differentiation, cost leadership and the focus. The design provides for emphasis of the market strategies, cut cost strategies and the product differentiation strategy. Despite the competition from Dunking Donuts and the local coffee retails, Starbuck still manages to lead the market. This section addresses the different marketing strategies (Cole).

The latest plan is the mobile app. Starbucks launched it in 2011 and ever since has spent a lot in bettering the app. In 2015, most of the company transactions were through the mobile app recording up to around 21% (Meola). The mobile app that started with the aim of rewarding loyal customers is changing the course of the user experiences through the order and pay functionalities. The company also enjoys messaging supported by the app for purposes of promotional offers. The target of Starbucks is to implement the new mobile marketing strategies that would boost the sales annually (Cole). Therefore, Starbucks enjoys its adaptability with the changing technology to remaining as the leading coffee retail.



Graph from the Business Insider Intelligence by Andrew Meola, 2016

Place Strategy

Starbucks have maximized the capability and the potentials that comes along with wholesaling and retailing. Every year the firm opens, new branches in form of retails that help the customers to have the experience within their reach and even while travelling can still enjoy the coffee. The customers can enjoy the coffee at their various places without having to travel long distances.

Starbucks has strength in this since their establishment. The company have always changed with the consumer behavior to provide something that satisfies the consumer. Customer preferences keeps changing and unless a company meets them, there is a huge chance of failing.

Product Strategy

Starbucks maintains its high product innovation in providing the customer with a new kind of experience. Most of the products are at the different Starbucks cafes. The products distribution is mostly through Cafes, Starbucks App, Retailers and the Online Store. The customers have a new

experience, and they freely choose what works best for them. Therefore, the company keeps adapting to the changing market conditions, technology and times (Dudovski).

Promotion Strategy

Most of the initiatives supporting the sales promotion are customer centered. Therefore, Starbucks tends to utilize the marketing communication mixing knowledge. Most of the promotion activities involve customers earning more rewards on the stars collected with every visit made to Starbucks. The rewards range from simply buy one get one drink free to birthday month complimentary cake slice to drink customization. The company through its brand celebrates sales promotion integration and CSR programs achievement (Lingley 6).

Starbucks spends a lot of money annually on advertisements. The company uses the association between Starbuck's brand and its superior quality and pleasing experience in the ad. The messages are in the form of both print media and media advertising via billboards and television. The company has set an example in the utilization of viral marketing and social media to achieve volume sales. The firm promotes its product through unique, engaging campaigns that customers are part of.

Starbucks have plenty of marketing strategies that include getting to know customers, the addition of value to their shops that is Wi-Fi available for customers, the coffee shops close to customers globally whenever they travel, excellent enticing customer offers and the word of mouth from customers. The mentioned strategies have seen the progress of Starbucks after the set back in 2007 and 2009 that led to closing down of some of their branches. One of the uniqueness of Starbuck is that they take the customer's opinion with the seriousness it deserves (Westwood 13).

Price Strategy

The approach used by Starbucks is Premium pricing. This plan focuses on the tendency of individuals to buy the products based on high value to high price correlation. The coffee products from Starbucks are very expensive, unlike their other competitors. Additionally, unlike other competing products within the organization, the coffee products prices are still high. The pricing strategy helps the company to maintain its image as known by the customers as the high-end specialty. This strategy is critical for the company in the maintenance of its premium brand image.

Marketing Strategies Implementation

In the implementation of the marketing strategies, the process involves mobilization of the necessary people and equipment. The proper application of the strategies is critical to the growth of the organization and increase in revenue. The implementation process follows the guidance of the vision statement that aims at nurturing and inspiring the spirit of humans through sharing a cup at a time with the neighbor. Proper implementation of the strategies will ensure that the products from Starbucks are more accessible in both the new markets and the existing markets.

The implementation mechanisms are as follows:

Direct Marketing

Direct marketing is one of the most efficient ways of reaching the market in an easy way. The best way to implement the strategies is by carrying out direct marketing. Direct marketing engages the customers at the local levels and it is easier to know what their feedback is. Whether they enjoy or do not enjoy the products.

Implementation of the Product Enhancement

Starbucks works towards ensuring that their customers enjoy quality products from them. Some of the latest excellent products from them include Pike Place Roast that resulted from blending

milder coffee. The incorporation of new preparation methods of coffee and a proper design style architecture at the grassroots through their unique stores called Mercantile Stores. Recently, the company released their instant coffee blender (Kerin et al. 222).

Implementation of the technology acuteness

Starbucks impresses technology to an extent that they target to minimize and eventually do away with their customers waiting long for the services. Through its app and other technologies at the company, they aim to better the customer services. Besides, the firm enjoys a Facebook fan base of over 27 million. Starbucks' website usually manages approximately 12 million visitors at the end of every month (Harrington).

Implementation of the Lean Techniques

In a move to achieve excellence in operation, Starbucks implemented the Lean techniques. The result was an increase in efficiency while reducing the waste across the US. The different stores worked together to ensure an improvement in the processes, waste reduction methods and proper routines. The fruits of this have been a tremendous improvement in the delivery of the product on time, increased cumulative profits and satisfied customers (Ayub et al. 6).

Implementation of the Community and Social Standards

The core values based on its establishment was to ensure that there was social consciousness. Starbucks has always involved the community through social engagements. The firm has always engaged in community work such as reseeding grass, rebuilding houses and planting trees (Harrington).

The company reaffirms its commitment to the Fair Trade. This is through practicing ethical sourcing by providing coffee that is 100% Starbucks.

Implementation of the Staff Development

The best way to achieve the marketing strategies is through investing in its people. Starbucks has always ensured the wellbeing of the employees as a priority. They provide services for them ranging from training and free medical to equity in everything they participate. Through investing in employees, Starbucks has risen to where it is currently (Harrington).

Implementation of the Customer Engagement and Quality Service

The Transformation and SLT agenda reemphasizes on establishing the best efforts in ensuring quality customer service. Therefore, Starbucks has set up store designs, which work with the local crafters, and stores to provide unique stores that allow secure delivery for the customers. The end of this makes customers within their set environment and culture feel at home, as they enjoy the services. Customers can suggest for the product enhancements, improvements and even write reviews on MyStarbucksIdea.com. The number of registered members is over 250,000 with over 100,000 submitted ideas (Schnaith 29).

SWOT Analysis (Weaknesses and Strengths)

SWOT matrix focusing on the weaknesses and strengths will help in the analysis of the future of Starbucks.

Strengths

The following provides a clear overview of the few best-known greatest strengths in Starbucks:

Ethicality, Profitability and Quality

Starbucks, unlike other well-established fast food worldwide chains, they put quality above everything. Besides, the products are harmless to the environment and are consistent in all their various locations worldwide. Despite their high prices, customers still pay because of the quality that they enjoy. The result of this is the recognition as the best coffee chains globally (Roby 26).

The firm has been able to increase its assets fast globally compared to its debt. That means there has been a decrease on the record of the debt-to-asset ratio. The profit margin keeps improving and it stands at between 12.6% to 14.4%. The profit margin is an indication of efficiently managed operations. Besides, the sound financial position of the company gives the investors the confidence to invest in the enterprise. Therefore, the company enjoys the feasibility due to investors' engagement in the investments speculations (Dudovski).

Reinvestment and Efficiency Strategy

The management in Starbucks has ensured that the profits made become part of the reinvestment into the expanding business. Evidently, Starbucks has been on the rise in the number of new locations globally. The firm has a proper plan in the manner of growth that currently works well for them (Bush).

Employees Treatment

Featuring in Fortune's top organizations that provide the best environment for employees, Starbucks has a rule that ensures the happiness of the employees. The workers form the most important part of the organization according to the CEO (Jurevicius).

Innovation

The kind of change in Starbucks is less of technology and more about the valued consumers' experiences and novel. This is through quality products that get better every year giving the users new experiences and tests (Kerin et al. 468).

Advertising

Starbucks have always been in the frontline in embracing technology. The first company to maximize the usage of social media for advertisement. Besides, it is the first company to have

over 10 million Facebook likes on their page. One of the fascinating things about their advertisements is their commercials, which are exciting always to watch (Macchiato 12).

Weaknesses

Starbucks is not different from other organizations that have strengths and weaknesses. The company significantly recognizes a couple of flaws and are as follows:

High Prices

Even though most customers do not mind spending a lot of money on a cup of coffee, there are those that cannot afford to keep drinking that cup daily. Some of the customers who would be part of a vast number of loyal consumers do not have the means to make Starbucks a priority in the course of their lives (Wyman). Starbucks has exquisite ethical values and premium quality to attract many people, but the prices keep the same individuals away (Dudovski).

Overly Unique Coffee Products Lack

Starbucks lacks the unique market despite their unique products that include pumpkin spice lattes and Frappuccinos among many others. Many other small chains and coffee shops offer similar products and only cannot beat Starbucks in the market because of its financial capability and established name (tinageisel).

Dependence on the Home Market

The firm is in over 65 countries, but most of the branches are in America. Additionally, most of the revenue that runs the other businesses comes from the home market. Too much dependence on the home market leaves a vulnerability in a way that in the case the economy fluctuates then the business risks. Therefore, it is important for the organization to find a way that the other branches in other countries will run independently and cater for their operations (Staffuk 1).

Opportunities

New Channels for Product Distribution

Starbucks is leveraging into reaching its new customers via packaged goods operations. They are benefiting from the product line, product uniqueness and the market share. The company unlike previous, is benefiting from the new product line that is the sale of packaged coffee.

Expansion Overseas

Starbucks still has unreached market that longs for the use of their products. The company enjoys both the domestic and international markets. Starbucks is enjoying the China market where it has rapid growth reaching many parts of the country within such a short time.

Threats

Possible Stiff competition

Starbucks has recently witnessed competition in the coffee industry. The likes of Dunkin' and McDonalds are coming up and playing a big role in the market. The competitors have customer conscious prices, which attract the customers (Roger).

Pressures on the Commodity

Diseases hitting coffee poses a threat to the price of the coffee in general. This in turn affects the frequent customers who enjoy the product. Starbucks coffee is already high and in the case of coffee rust then there is a chance of the pricing shooting beyond customer buying power.

Recommendations and Improvements

Starbucks known as one of the best companies in the world forms the largest part of the business market. However, there are key places that need improvement for it to be above the rest.

Customers need a new experience in the revitalization and the reinvention of the Starbucks products. The firm should offer even non-coffee products including refreshments like yoghurt and soda. The proposed recommendations include the following:

- i. The world is experiencing the rise of middle-income individuals who would be willing to enjoy the cup of coffee at an affordable price. The emerging markets are particular and the places that the firm should reinvest if the growth is part of the organization.
- ii. Starbucks needs to open up the opportunity for the selling of the other products instead of limiting itself to coffee products. Opportunities lie in fresh juice mix products and tea (Geereddy 7).
- iii. Starbucks can help the customers to enjoy a good lifestyle without the worry of visiting the doctors. The firm can invest in tailoring new products that are healthy and promote a good way of life.
- iv. The company should find the way of maintaining and obtaining customer loyalty. The process involves on building on the new concept of delivery using the order-delivery concept via the new mobile app and the website. Furthermore, the mobile apps can be efficient for the payment method, and they can establish the trust of the customers in the payment methods. Use of the mobile app for payment would reduce the waiting time in stores and thus ensure an increase in the efficiency (Roby 26).