Starbucks case analysis

Business

Subject: StarbucksCase Analysis Having been through the great expansion and the economic depression, Starbucks has become one of the most valuable brands in the world by its ability to immediately distinguish consumers' needs and fulfill those needs with extraordinary services. In other words, Howard Schultzhas made Starbucks the solution to consumers' unsatisfied need, which gives the brand a strong positioning that not only benefits the company, but also creates customer value. However, as the rapid expansion goes on and growth opportunities emerge, Starbucks also runs the risk of attenuating its brand equity as a result.

In order to evaluate the acquisition of the coffee equipment company, a situation analysis is indispensible. Since the environment and the consumers change over years, it's important for Starbucks to develop timely value to accommodate the changes, while strengthening its timeless value to sustain the brand in the long-term.

Needless to say, Starbucks' timeless value was built on its " third place" position, a distinctive point-of-difference when the consumption of coffee was declining in 1990s.

It represented the situation that people were becoming much more stressed, so the need for people to have a place for drinking a good cup of coffee and conversing with others arised. The attributes that stem from the meaning of " third place," such as the aroma, the decoration and the coffee culture, form the experience for consumers that make Starbucks so unique, which has represented its timeless value. The reason why Starbucks has built a successful brand resonance model is because it positioned itself based on those unique values and has been dedicated to bringing customers that experience.

The motivation of ambitious expansion has been to increase the brand's accessibility, which creates immense exposure that caters to the increasing demand of convenience; however, it has been undermining Starbucks' positioning.

Positioning is so important to a brand. It represents how the brand wants its customers to perceive them and what kind of consumer needs they can fulfill (Keller, 2012). Nevertheless, Starbucks gradually deviated from the position it originally set up at first for its customers.

Experience has been its unique selling proposition, which includes the quality of coffee, the aroma and the decoration in the stores and the relationship between baristas and customers, but that has been compromised by the intention of mass distribution and cutting operation costs. Starbucks has reached ubiquitous presence with its products and enhanced the speed of service at the expense of perceived quality, so much so that customers have formed negative brand associations with it, such as referring to it as a heartless corporation, after aggressive expansion.

It deteriorated customer-based equity (Keller, 2012). Although Starbucks might improve the brand performance and the variety of different usage situations, the brand image suffered from weakened favorability of brand association (Keller, 2012). As a result, the whole model of brand resonance (Keller, 2012) was affected and became less likely to build emotional connection with customers, which gave small competitors the opportunity to satisfy customers' expectations that Starbucks failed to fulfill.

The problem was that Starbucks was too ambitious in trying to target all customers, but failed to pay attention to the needs of loyal customers who nourished the brand. According to " Rediscovering of Marketing Segmentation" (Yankelovich ; amp; Meer, 2006), a company can highly benefit from introducing new products when it identifies what makes customers so profitable and understands their needs. The fact that Starbucks hasn't committed to its brand mantra has caused customers to shift.

Its current customers who favor speed and convenience don't fit the brand mantra (Keller, 2012), which used to satisfy those customers who came for the experience of Starbucks. Its customers are different, but not unique as they can be satisfied with Dunkin Donuts orMcdonaldsjust as easily. Thus, the customers who were loyal to Starbucks have turned to its competitors. Moreover, Starbucks tends to appeal to all customers by tapping into instant coffee and single-served coffee categories. This strategy boosted the short-term sales, but diluted the brand equity in the long-term.

Starbucks has been trying to attract all customers by increasing the point-of-parities to take part in various categories while jeopardizing the point-of-differences at the same time (Keller, 2012). Starbucks should not only think about who are its most beneficial customers that fit its brand mantra, but also figure out whether it's the tangible product or intangible service it is selling when evaluating the acquisition of the coffee equipment company. Drip coffee is a new category that Starbucks wants to enter in order to draw drip coffee drinkers and bring quality and aroma back to stores.

Moreover, Clover machine was expected to help Starbucks differentiate from competitors and aid the brand association in customers' mindset. However, in light of the experience of brand extension, I don't recommend the acquisition of the equipment company and entering the drip coffee category since it will continue to weaken the brand equity. When considering cobranding with Clover, Starbucks will encounter the issue of how to resonate with its customers when connecting with this premium coffee machine brand (David Aaker, 2003).

In fact, the customers of Starbucks have changed in that they are not the savvy coffee lovers who can tell the difference between ordinary coffee and coffee brewed from Clover. The current customers seek the benefits of speed and convenience. In addition, those who drink drip coffee and enjoy spend time waiting for one may not be interested in Starbucks. Drip coffee can't fulfill both the needs of Starbucks' current customers who care for speed, and previous customers who care for the experience, which entails emotional satisfaction.

On the other hand, the costs of acquiring the company are so high that Starbucks has to make efforts to raise the awareness of the Clover's benefits to break even.

Then, in order to consolidate the positioning, it's important to develop brand laddering (Keller, 2012) from functional benefits to emotional bond. By destroying the opportunities for competitors using Clover to brew coffee, Starbucks may experience short-term victory; however, it should deliberate on the sustainability of customer-based equity in terms of long-term brand value.

If Starbucks only focuses on product development and brand extension without recognizing what its customers need, any effort will not help long-term viability. Though there is disconnection between Starbucks and those customers who initially nurtured the brand, it’s possible to rejuvenate the customer-based brand equity and brand value as long as Starbucks reinforces the positioning and is dedicated to offering what the brand mantra has promised. References Aaker, D.

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