

Marketing on starbucks



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Practice Of Marketing Formative Assignment Ryan Yung This essay aims to tackle the questions in reference to Jobber's case study 7, the cappuccino wars. 1, The reason for it being so popular is perhaps firstly that the branding effect. Starbucks have a great reputation in the USA and therefore when it comes to UK it has seen great perceptions from the public. Similarly for Nero and Costa. What's more to that is they bring the US culture into UK.

Before there were only Seattle Coffee with 49 shops in 1997, after the inception of the Starbucks followed by Costa, Nero and Coffee Republic the coffee shops has increased greatly. Secondly is that the coffee shops has opened a new market for people to consume coffee. People can enjoy a great aroma and a ' free from pressure' atmosphere, the important bit is that it provides a ' little bit of heaven' and oasis of calm for people between homes and school& office. Thirdly, and most of the part where people miss out is because of the product itself.

Coffee brings a great deal of benefits to people; it calms the nerves, heats up the body, being a good after-meal fare and keeps you awake. And by promoting this product by the starting up of many coffee shops the consumers will be more than happy to buy it. 2, If Starbucks and other coffee bars were to serve coffee only, there's no way I would go there. I hate coffee, personally. I prefer tea and other cold drinks. But because of the hundreds of other products that they offer such as a Frappuccino, which is my favourite drink, I would consider going to a coffee bar to get it.

Before moving on to the next stage I would think about whether this is really a need, because personally I would prefer to satisfy needs to wants. I think

having a cold drink is quite important to me as it refreshes myself, I shall say I am addicted to cold drinks just like others being addicted to coffee. So my need is recognized, effectively the first process of my decision-making. Then, I would look at the information search and alternatives evaluation. Are there alternative ways of solving my thirst for the Frappuccino?

Maybe a bottle of coke from Tesco can substitute my demand for ‘ cold drinks’ or do I need something more than a coke? Well, if I have only a pound in my pocket I’ll probably just go for the coke, clearly there is an economic constraint that keeps me from being able to consume the product. On the other hand if I have 100 pounds then I would have thought that a cup of Frappuccino would be affordable. By bringing in theories from Microeconomics, as I have a lower budget constraint due to greater income, my demand for luxury good will be greater.

So then I would choose towards a more expensive product, the Frap. Another internal influence that I would look at is the motivation. How can this Frap satisfy me and to what extend? Apparently it can satisfy my psychological needs, my thirst and addiction to it. But when it comes to choosing which coffee shop to visit, another layer would be added to it. To my colleagues and my mind a cup of Frap from Starbucks would be surely superior to one from Cafe Aroma. And if I have a lesson to attend shortly after the purchase, surely showing off the Starbucks logo on side of the frap would be preferred.

In turn I would be recognized for being able to afford more and my colleagues would perceive me as a wealthier student. Starbucks can then also satisfy my Esteem needs. In which case I would choose Starbucks to

others. Somehow the point that I just made is linked to Social class in Social influence as well. I would gain higher social status by purchasing Starbucks so choosing Starbucks would bring stratification of me in the culture through income. Due to that I am more likely to choose a coffee shop with the highest cost, Starbucks.

Last but not least concerning the situational influence. It is quite hard to have easy access to a Starbucks coffee shop as the nearest one is in Middlesbrough, therefore in that case I would opt for Cafe Aroma as it's the nearest to where I live 3, First of all let's Identify the competitors of Starbucks. Direct competitors with similar products and similar customers are Cafe Nero and Costa Coffee, as the three all provides coffee and a nice warm area for customers. Indirect competitors could be supermarkets that provide other drinks that could satisfy costumer needs for thirst.

Product competitors are McDonalds, which provide similar product, but with visitors that mostly needs satisfaction from hunger. After that, we can access the objectives, strength, weaknesses and their potential action. With over 800 Costa Coffee and 400 Cafe Nero shops, Starbucks has a lot to improve in order to become the market leader. I think the key six factors that we can use to analyze them are innovativeness, financial strength, quality of products, customer relations, well-qualified workforce and access to international distribution channels.

Costa has products that boast of a very powerful retail, it has high reputation for value of money, convenience and a wide variety of products, and however it has a weak control of its empire, and has only relatively few

countries worldwide. Costa has already outgrown Starbucks in number of stores and continuously growing by taking over or merging other coffee companies. As it's expanding I predict that they would aim to put more resources in the China and India market Similarly for Nero, with the best quality of the three while offering relatively inexpensive coffee has a better stand in providing value for money products.

It's low price for great coffee has been its competitive edge. Moreover, Nero offers a loyalty card which customers would get every 10th cup of coffee absolutely free. But it's weaknesses would be having expensive and limited Wi-fi services and a less classy aroma. Lastly for McDonalds, they are now offering similar products but at the lowest cost. It is seemingly taking away customers from Starbucks with McCafe. McDonald's lateral expansion would also be a great threat to Starbucks as the locations of them are very similar, creating easy substitutes to the Starbucks customers if they want to enjoy cheap coffee.

In order to gain competitive advantage Starbucks must differentiate their product offering, which provides customer value or by managing for lowest delivered costs. Starbucks has a differentiation strategy by promoting the 'as you like it' Frappuccino. It has invested hugely into an advertising campaign and had a great success with this unique product. Customers now can create their own Frappuccino that is personalized to meet the needs of the customers. This is the competitive advantage that Starbucks should maintain as until now this is only seen in Starbucks.

McDonalds have been trying to create warm and inviting interiors by redesigning the shop for McCafe, but in many instances the hygiene and facilities would be the customers main concern, as well as the number of flexible seats. So it is more necessary for Starbucks to put in more resources into keeping the hygiene level to the highest standard and maybe it could increase the number of seats by replacing huge sofas with tables and chairs in particularly busy stores. Also Starbucks could result in superior performance by achievement of the lowest cost position in the industry.

At current position Starbucks is selling at the highest prices amongst the three. If it matches or beats the prices for Costa coffee and Nero Coffee, it could be the cost leader. Although Starbucks will have to sacrifice higher sales for lower profit margin. 4, There are numerous locations where Coffee bars can satisfy customer needs. It could be near to school areas where the target customers can be students. They can provide a great atmosphere for students wanting a more relaxed environment to have a chat with their friends or to do revision.

Opposite Cafe in Leeds is a very successful being a stylish, friendly and comfy place for students, and it's located right opposite to Leeds University. It could be built in hospitals. It provides a place where patients can chat with their visitors which is away from their ward to enjoy a coffee and refresh themselves. It also provides a more comfortable place where visitors may wait for their related patients instead of in the reception. Another notable place is in Outlet stores. There's a Starbucks store in Bicester Outlet and it's constantly very busy.

I think it provides a place where shoppers can sit down and have a nice rest or break when they're tired or thirsty. Train stations would be an ideal location as well. It could provide a waiting area for passengers awaiting their next connecting train. Costa coffee is widely seen in train stations and the coffee and food are often better than the catering services provided on the train. Many customers would buy drinks and food and then consume it on train. References Peter Doyle & Philip Stern, 2006, Marketing Management and Strategy David Jobber, 2010, Principles and Practice of Marketing

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