

Marketing principles starbucks

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Starbucks first opened its doors in 1971, in Pike Place, Seattle, Washington by owners Jerry Baldwin, Zev Siegl and Gordon Bowker, and initially sold coffee beans and coffee-making equipment. In 1981, the 3 owners hired Howard Schultz to be the Director of Retail Operations. Schultz had proposed to them the idea of selling drinks as well, and not just coffee beans and equipment, but his proposal was rejected.

Schultz left Starbucks in 1986 and went on to start his own chain of cafes called Il Giornale. The year after that, Starbucks owners Baldwin, Siegl and Bowker sold their company to Schultz, who then proceeded to rename his chain of Il Giornale cafes to " Starbucks". Having conquered his expansion in Seattle, Schultz started opening more stores within the U. S., and then internationally.

With over 20, 000 stores worldwide, Starbucks has become the fastest expanding coffeehouse in the world. The opening of 680 stores in the past 13 months has " helped boost the coffee company's 4th quarter fiscal 2014 revenue by 13%" (Forbes, 2013), proving to still have what it takes to be a top respected coffee company in the world.

Starbucks' Target Customers

Howard Schultz set Starbucks to be a different kind of company. Not one that just delivers good and premium coffees, but one that brings people together as well; a form of connection. Starbucks' " mission to inspire and nurture the human spirit - one person, one cup, and one neighborhood at a time" (Starbucks, n. d.), brought about the need to create the " Third Place Experience". The " third place" means the place everyone goes to between

home and work. Starbucks has stayed true to this marketing strategy of theirs, with customers from different walks of life coming into the coffee house. Be it for a professional meeting, for socializing, or just a quick pick-me-up, Starbucks has created a comfortable, non-threatening atmosphere, where people do not just come for a “cuppa”, but stick around for the environment. This makes “the Starbucks Experience” (Starbucks, n. d.).

Starbucks’ primary target of customers are working adults, ranging from 25 to 40 years of age. These customers are usually well educated, earning a higher income, and are more involved in being socially responsible and environmentally friendly. These values from the coffee company are what most of this target audience like being associated with (Huffington Post, 2013). 40 percent are young adults, roughly between the ages of 18 and 24. “Starbucks targets prestigious college campuses and appeals to these students as an alternative place to socialize and study” (Huffington Post, 2013).

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Despite boasting about the coffee company being committed to diversity, Starbucks’ target clientele are often the upper-middle class, and college-educated people who are mostly white. Hence why their prices are much higher than regular coffee joints. They target people who are willing to pay not just for quality coffee, but also for excellent customer service and a comfortable atmosphere that promotes familiarity.

Macro Environmental Factors of Starbucks

Starbucks is categorized under the “ Specialty Eateries & Catering services industry of the Leisure sector” (Hoover’s online, 1999). This industry is famous and known to be dismally politically influenced, with its economic environment rapidly growing, and having very little social and technological changes that would potentially affect the industry.

Political influences mainly affect Starbucks through government-imposed minimum wage fluctuations. Their workers are trained to perform few tasks such as coffee making, food preparation and cashiering. With such few job functions, there is hardly a need for highly experienced or educated employees. This would allow Starbucks to pay their workers at minimum wage or just slightly higher, making Starbucks very sensitive towards increasing the minimum wage of their workers as that would increase labour costs. Other political influences that can affect Starbucks’ profits are regulatory and licensing restriction, government rent control, tax base determination and labor laws.

The increasing demand of food and beverage services causes Starbucks’ rapid economic environment growth. Starbucks’ greatest concern is its relationship with its coffee bean producers. Nations producing coffee are influential on coffee-purchasing companies. This is because coffee is the world’s second largest traded supply, and prices of coffee beans are being subject to significant market volatility. Starbucks demands for premium green coffee beans, resulting in irregular pricing and are usually sold at negotiated prices. Starbucks’ greatest concern is that the producers would ally and artificially make the coffee prices inflate (Diedrich, 1999).

Social changes affecting Starbucks are consumers' perceptions towards coffee and caffeine being a stimulant. Caffeine, when used, does produce some negative effects, namely rapid heart beating, waves of nausea and bouts of insomnia. Even though the chances of suffering from these side effects are unlikely, having consumers perceive caffeine negatively would cause a decline in the demand for coffee.

Starbucks is a popular place for a bite or drink. However changes in taste and brand preferences can affect Starbucks. Changes in overall eating habits can influence Starbucks. Consumers may move towards eating a more filling meal rather than having finger food or light snacks such as bagels and doughnuts in Starbucks. Even though the risks of social changes are affecting Starbucks, but judging from the constant demand and growth, few exist at this point for concern.

Technological change might influence Starbucks to a great extent. As technology improves, advertising products, and improved production and distribution can be done faster and easier. The Internet can be used as a platform to promote Starbucks within the industry while providing more ways to purchase products. With improvements in technology and new machinery, food and beverage products can be produced more efficiently over time.