

Starbucks vs dunkin donuts term paper

[Business](#), [Company](#)



This is a world of rapid advancement and people now love to adopt latest trends in clothes, food, living standards, house building etc. with the passage of time people are demanding new consumer product that are featured with modern styles. Considering coffee, if we look at the present trend then coffee is now infrequently and rarely served as just black in simple. Now, it comes with creams, sauces, syrups, and price tags that go with every cup.

Starbucks and Dunkin' Donuts are the name of two coffee giants (Carroll, 2013). In this paper comparison is done between two giants by taking various aspects which is described below.

Target Markets

The target market of Starbucks is diverse. The market segments of Starbucks vary depending on the different products offered by the company, but generally its target market is coffee lovers, ranging from individuals who like to drink simple to people who like to have specialty drinks offered by Starbucks. The primary target market of Starbucks's is both men and women with ages ranging from 25-40 and this target audience is growing at an annual rate of 3% (Bull, 2013, pp. 201). Further, it is also targeting young adults with ages 18-24, and this segment is growing at the rate of 4.6% on annually basis (O'Farrell, n. d.). Overall, Starbucks is targeting people aged 18 to 60 years. The people that are working in the urban areas, particularly in large cities, university students and the faculty members and those that are working at the managerial and executive positions are also the target market of Starbucks.

As far as Dunkin' Donut is concerned, it is also targeting both males and females. They are targeting kids with their donuts and offering coffee to the

people with ages ranging from 25-55 years old, which are considered as their primary target market (Szymanski, 2013). They are targeting teenagers and children by offering other drinks such as hot chocolate with tasty donuts. Starbucks controls about approximately 32.6% market share while Dunkin' Donuts controls about 23% of the market share (Censky, 2012).

Positioning Strategies

The companies that dominate the marketplace are usually the ones that have planned to position themselves as a leader in a specific market segment or have risen to the fore by dominating a targeted value proposition. Earlier, Starbucks has positioned itself as the high end coffee and beverages provider. However, its strategic position was not based on the price, instead it was based on the experience and product quality. While contrary to it, Dunkin' Donut has adopted positioning strategy based on the price and targeted different segment of market having dissimilar value proposition. But, then with the passage of the time, due to economic downturn and with the increased competition, Starbucks has repositioned its brand and adopted low cost strategy in order to compete with Dunkin' Donut and other coffee providers that are offering coffee at the lower price. However, Starbucks have adopted this strategy in order to remain competitive.

Two-Dimensional Perceptual Map

As far as their location relative to each other is concerned, Starbucks is situated above Dunkin' Donuts as it is offering high quality product at a higher price while Dunkin' Donut's price is low as compared to Starbucks.

This difference is due to the fact that Starbucks has tried to position itself as the premium coffee product by setting high standards and providing service excellence and Dunkin' Donut is positioning in order to attract everyone.

Considering the perceptual map and above mentioned facts Starbucks is occupying best position as it is positioning as luxury brand as elevated brow third place i. e., outside office and home, featuring wireless internet service, free music, decorated walls and couches, while Dunkin' has adopted a strategy of low brow positioning in order to reach an average person.

The limitations of two dimensional perceptual maps are they do not help in evaluating the competitive position of the brand and do not allow brand evaluation because the evaluation of the brand is limited to the characteristics and attributes that are rated by the respondents. It provides results in the aggregate form due to which individual assessment of the brand become difficult. We have to assume certain methods in order to get an overall measure that will not indicate the thinking of respondents about the brand. Effort of the respondent is required as the brands and their attributes increase in number.

Points of parity (POPs) between two brands are reliability, great taste of coffee, convenience, reliability, speed, cleanliness and community. The points of difference (PODs) are quality as Starbucks's quality is high as compared to Dunkin' Donuts, Variety of coffee offered by both brands, experience that both brands offered in terms of ambience and aroma, the image of both brand in eyes of people by providing friendly and welcoming service and freshness that the brands are offering such as Starbucks is utilizing top notch beans for coffee.

Brand Elements

Dunkin' Donuts is using various branding elements in order to convey its message to the consumers. One important brand tool that Dunkin' Donuts is using is order to enhance its brand name i. e., "Dunkin' Donuts" is the pink and orange color on the packing that make it a attractive brand. The logo contains word Dunkin' that is in orange color and donuts is in pink with a picture of coffee cup surrounded by letters DD to the left. The logo uses pink and orange color that makes the brand easily recognizable from the distance. The consumer can however associate the alphabet DD with Dunkin' Donuts brand. The current slogan of the brand is 'America Runs on Dunkin' (Sanburn, 2013), which implies that the consumers need to take their coffee from the Dunkin' Donuts in order to make it through the whole day. The brand information, offerings, company information and history can be retrieved from URL which is [www. Dunkin'donuts. com](http://www.dunkin-donuts.com).

The latest Logo of Starbucks after alterations in 2011 is a mermaid, the Starbucks word mark is however removed around siren, the size of siren has been enlarged and green color is chosen for it. The mermaid image is of white color (Cottrell, 2013). White color is an indication of sophistication, refinement, goodness, purity, and sincerity while green color shows excitement, easygoing, natural, relaxing and secure product. On each coffee cup the company's logo is visible that makes the packaging more effective and attractive and gives the cup a brand identity. Starbucks slogan is "Life happens over coffee", which indicates that coffee is a vital aspect of life. However, variety of information regarding history of brand, change in logo, about company, licensing arrangements can be obtained from URL, [www.](http://www.dunkin-donuts.com)

Starbucks. com

If we compare both the brands then we come to know that Starbucks is attracting consumers emotionally by using green and white colors while Dunkin' Donuts is creating a physical appeal by using attractive pink and orange color.

Leveraging Secondary Brand Association

Starbucks is an American coffee company operating globally and the coffee house chain that is based in Washington. The company is enjoying a good reputation in the market as it is serving the communities in a positive manner; they are fully engaged and are uplifting the lives of customers. For the ease of customers Starbucks have co-branded with Charter One, so that bank can facilitate the customers with in-store banking and customer can enjoy the products offered by Starbucks.

Starbucks Corporation has licensed the rights for producing and marketing the products via many partnerships both locally and internationally. The most obvious licensing arrangements are joint venture with Pepsi Cola Company in which Starbucks is an equity investor of 50% that manufactured beverages that are ready to drink such as Frappuccino® and Starbucks DoubleShot® drinks in Canada and United States. Licensing agreements for distributing Starbucks Discoveries®, and Starbucks DoubleShot® in South Korea and Japan. Licensing agreement with partnership formed by Pepsi Cola Company and Unilever in order to manufacture and market ready to drink tea Tazo® in United States .

Furthermore Starbucks have also endorsed celebrities in order to promote their product; the celebrities include Joe Scarborough and Andy Richter.

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Recently, Starbucks have announced partnership with the pop star named Lady Gaga in order to celebrate release of her latest album. However, Lady Gaga has shown interest to take over the digital network of Starbucks. Starbucks also organizes and sponsor various activities such as sports, cultural events etc. For example Starbucks is enjoying favorable relations with NASCAR. The philosophy of Starbucks is to help the community in each race team and to build strong relations across the country.

Dunkin' Donuts is also an American company making doughnuts and the coffee house chain is based in Massachusetts. The company is also enjoying a good reputation due to its commitment of providing quality products but low as compared to Starbucks. Dunkin' Donuts has done retail business co-branding with Baskin Robbins (Sherman, 2004, pp. 394). Dunkin' Donuts has obtained license from J. M. Smucker for manufacturing and distributing the coffee from the Dunkin' Brands, Inc. Dunkin' Donuts is however a registered trademark of DD IP Holder, LLC, which is used under the license. Elsie and Borden are trademarks used under license (Reuters, 2013). The Dunk houses of the Dunkin' Donuts centre facilitate arrangements for Providence College men's basketball team and Providence Bruins of the American Hockey League. They also sponsor exhibitions in order to enhance the cultural aspects of the society. Moreover, for celebrity endorsement Dunkin' Donut has featured Rachel Ray, who is wearing scarf (Fisher, 2008).

Pricing, Distribution, and Promotion Strategies

Prices of Starbucks coffees vary according to the region and it usually cost approximately 10-20 percent more than the coffees and other beverages offered by Dunkin' Donuts. 20 ounce coffee in Chicago costs \$1.95 at

Dunkin' Donuts and \$2. 25 at Starbucks (Ovide, 2011). Starbucks have above 17, 000 distribution points and locations and most of them are owned by the company while Dunkin' Donuts have 9, 805 distributional points (Ovide, 2011). Its distributional points also include non-Dunkin' stores and shops that put its baked items and coffee for sale and grocery stores.

Following are the links to Dunkin' Donuts ads and commercials

<http://www.coloribus.com/brands/Dunkin'-donuts,media-prints/>

http://adsoftheworld.com/taxonomy/brand/Dunkin'_donuts

<http://newsfeed.time.com/2013/08/31/Dunkin'-donuts-ad-causes-uproar-in-thailand/>

<http://www.youtube.com/watch?v=uQMKqeHgEEs>

Following are the links for Starbucks commercial and print ads.

<http://www.youtube.com/user/Starbucks>

http://www.youtube.com/watch?v=q9M0uSSS_Ns

<http://www.coloribus.com/brands/Starbucks-5406705,media-prints/>

http://adsoftheworld.com/media/print/Starbucks_bench

http://www.youtube.com/watch?v=yN9_WT9I7x

Both the brands are quite successful in communicating their message to the target audience. They are constantly making improvements in their brands and in adopting advertising tactics for further attracting the customers.

Based on all the above information, describe each brand's identity and image. Which one do you think has done a better job in creating and maintaining an image that enhances its brand equity the most and why?

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Brand's Identity and Image

Starbucks has clear and strong brand identity and brand image. It is offering a various flavors and varieties of coffee. However, the company provides choice and variety combined with the recognized quality of drinks. Moreover, Starbucks can also be viewed as a person having personality traits such as being cool, tender, sophisticated, trendy, reliable and personalized relationship with customers. All these traits when combined together, they make Starbucks an increasingly expressive and significant brand.

For maintaining brand identity and brand image, Dunkin' Donuts focuses on the functional characteristics such as coffee flavor sandwiches for breakfast that are able to refuel the consumers who are in a hurry. This theme of rejuvenation provision is obvious when looking at its identity viewpoint, for example, Dunkin' can be considered as an individual on the way to work or he is on a break from the work. This symbol is however memorable is is a representation of brand. This is due to the fact that the organization gives importance to effective and quick service for keeping their customers poignant. Provision of good taste food as well as drinks, convenience makes Dunkin's identity because they are timeless quintessence of that fact for what the Dunkin' Donuts symbolize.

Considering the above mentioned fact, I consider that Starbucks has done great job in order to maintain and enhance brand equity. This is evident from the fact that Starbucks is using Share of Voice = Share of Market Model, i. e., the company is doing little or no advertisement but still it has very large market share as compared to Dunkin' Donuts that is widely advertising its products in commercials and print ads and spending a lot of money for

advertisement. People are still loyal to the company and feel privilege and special to drink Starbucks.

Suggestions Being Brand Management Consultant

Starbucks is enjoying market power in the coffee industry by attracting considerable amount of people. But, in the present recessionary situation of economy, their high prices are decreasing the demand of the product. People cannot afford to spend their limited income on the premium coffees and they switch to the competitors such as McDonalds and Dunkin' Donuts, so in order to enhance the competitive position and maximizing the brand equity, being a brand management consultant I suggest that the price should be lowered so that it is affordable for people even when there is slowdown in economic activities. This will help to increase the confidence of people for brand.

Additionally, advertising and marketing is vital for the success of any product. Currently, Starbucks is not advertising its products, so it should do investment for research and development for studying latest market trends and make the product according to the requirement of people and then advertise it in a unique way. For example, children with ages 10-17 are also coffee lovers, but parents don't allow them to drink coffee due to health concerns so in order to maintain brand identity and brand equity, the company should offer a safe product that is not harmful for children and then truly advertise in order to further attract the target market.

Being a brand management consultant I would suggest that Dunkin' Donut instead of spending so much on advertising, it should focus on the quality of the product because most the people in the world are quality conscious.

They should do investment in the research and development and offer the

product according to the requirements of people. For example in Pakistan Dunkin' Donut is not doing a profitable business because the product is not according to the taste of majority of people so market research will help to determine the latest trends and likings and disliking of the people that will ultimately result in best product and maintenance of brand equity.

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