

Starbucks marketing management assignment

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**ASSIGN
BUSTER**

I. OVERVIEW Starbucks is a leading retailer and roaster for brand specialty coffee in the world. It has stores located in the United States, Canada, Europe, Asia and the Middle East. It retails a variety of hot and cold beverages, complimentary food items, coffee related accessories and equipment, and other non-food products through retail stores worldwide. More than 20 years ago, the idea of Howard Schultz to bring a European-style coffeehouse to the United States, was become real with Starbucks.

Growth is the engine that keeps our company achieving its goal of being the number 1 company in the Coffee Industry. II. PROBLEMS/OPPORTUNITIES ?

Should our company increase the number of new stores to continue growing its revenue and earnings and also to achieve its long term goal to have 30,000 stores worldwide? ? Over years our company has built brand awareness and attracts many customers with the value products delivered to them. I think is the time to make some changes in one of marketing mix elements" promotion".

Should Starbucks Company include other elements in its promotion process such as sales promotion, coupon/discounts? ? One of our company guiding principles is" To embrace diversity as an essential component in the way to do business". What our company should do to maintain this uncompromising principle in the long way of success? III. RELEVANT FACTS/DATA SUPPORT ?

To support the first opportunity of Starbucks Company to increase the number of stores and go worldwide I will present relevant data supports: - Approximately 33 million customers visit a Starbucks restaurant each week worldwide.

While it is very important to consider the fact that only in the United States there are over 166 million coffee drinkers and this number has been increasing rapidly over time. As we can see it is a huge coffee drinker market and Starbucks has only as we can estimate 1/6 of this market in the United States. -In the first quarter of 2005 our company announced the increase in net revenue by 22% to \$1.5 billion and in net earnings by 27% to \$101 million compared with the same quarter last year. The exhibit 1.

Shows the relationship between the number of stores opened and net earnings in million. As we can see from the exhibit the increase in the number of stores is accompanied with the increase in net earnings. ? To support the fact that our company needs to make some changes in promotion process I will present some data supportive to this fact: -We have to consider a significant increase in the out-of-home coffee drinking segment with coffee drinkers aged 25-29 increasing coffee consumption from 42%-66%, 30-59 years old from 33% to 46% and 60 years older from 14% to 20%.

As we see there are two segments: generation Y and Baby boomer market that the company can improve. ? To support the opportunity /problem of the company related to the diversification as a guiding principle I will present some relevant data below: - Starbucks company beside the product line that includes 30 blends and single origin coffee, blended beverages, Tazo teas and espresso offers another line of premium ice cream, a line of premium chocolate, home espresso machines coffee brewers and grinders, coffee mugs and coffee accessories. Starbucks` employees are in their average age of 26. -Starbucks company has established an employee training program which conduct classes of 300-400 employees in courses such as " Brewing <https://assignbuster.com/starbucks-marketing-management-assignment/>

the perfect cup at home” and Coffee Knowledge” which made the company to have a lower turnover 60% compared to the percentage of 140 in the fast-food industry. IV. RECOMMENDATIONS FOR ACTION/RATIONALE ? Starbucks Company has built overtime brand loyalty and product awareness by creating and delivering superior customer value.

I recommend the company to focus on market development ??? finding new customers for existing products. By focusing on market development the company is toward its long term goal to have 30, 000 stores worldwide. What our company sells is “ Starbucks experience” not just coffee. People need to slow down, smell the coffee and enjoy life a little more through the music, the comfortable atmosphere and the excellent service that our company offers. I recommend that our company consider the fact to add more stores in current market areas to make it easier for more customers to visit.

There is a huge coffee drinker market outside, 166 million in the United States without considering the coffee drinker market outside the United States. The new stores should include also drive-through windows to increase the customers in the morning rush period, an also the comfortable atmosphere music and comfy chairs for the customers that need to sit down and relax in the afternoon time. The product that our company offers “ Starbucks Experience” will help us to expand globally.

People around the world would like the experience, the good quality and the excellent service that our company offers. A good market is in Asia Pacific region where is the biggest number of stores opened outside the United States. I will suggest focusing on this market and opening more stores in this

region. ? I recommend that our management marketing might consider whether the company achieves deeper market penetration- making more sales to current customers. What I suggest is that our company should increase sales promotion to encourage repeat or greater usage by current users.

As we know loyal customers are a major asset for the company. It costs far more to attract new customers than to retain an existing customer. The company should create value for existing customers. Value includes not only quality but also price. It is important not just acquiring new customers but keeping and growing them as well. By improving promotion the company might encourage customers to stop by more often, or buy more during their visit. Sales promotion offers customers inducement for purchasing a product.

This inducement, which adds value to the product, might take the form of a coupon for example to the regular customers that buy every day coffee, or value combos to make the existing customers spend more money in the store for example coffee??? sandwich combos, coffee-pastries combos.

Another form of promotion can be special sales for pound of coffees in Starbucks` stores and also grocery stores. ? Embracing diversity I recommend company to focus on two directions: a) increasing the market share of the non-coffee drinker, b) diversification on the employee's age, background and ethnic.

I consider that the product line of non-coffee drinks is a good beginning and that will attract more the household target segment with children which spend more money than other households on non-alcoholic beverages, away

from home. The company should focus more on this target segment because the parents can be a consumer of the variety of coffee the company offers while the children can consume the coffee-free Frappucino as well as the ice cream and premium chocolate. To retain a position in the customers` minds as high quality, our Company needs to enhance its position by making it appear as nutritional.

Our company can achieve this by lowering the calories or by adding real fruits to the products. As the product`s nutritional and taste increase, their perceive quality will also increase. Offering a more quality product like smoothies will help increase sales and enables our company to be more competitive in the customers mind. To embrace diversity I recommend that our company should change the structure of the working force by giving the chance not only to the 26 year old age to work for us.

We have built a very successful training program that made us achieve a low turnover compared to high percentage of turnover in fast food industry. Including older ages than 26 in our workforce will encourage other groups of customers to visit Starbucks for the first time. Also the investment that our company has made in the training program will make other group-ages of employees to be successful. Our company is capable of embracing and managing these operations by having steady market growth.