

Comparing costa and starbucks



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One of the biggest and fastest growing industries today is the coffee industry. This industry basically includes individual cafes, hotel cafes and retail chains. In this study, we shall be focusing on the Retail Chains that belongs to the organized sector. The retail outlets share a particular brand and have similar kind of management, with standardized business procedures and practices. The major players today covering market share all over the world are Starbucks Coffee, Barista Coffee, Café Coffee Day, Costa Coffee, etc.

For this study, the two retailers – Starbucks Coffee and Costa Coffee are chosen because of their identical pattern of functioning and growth. They are the two major players in the coffee café industry, and their customers consider them both as interchangeable brands. That is why it is important to study how these brands differentiate themselves from each other, and attempt to improve brand loyalty amongst the customers.

Objectives of the Study

By conducting a comparative study of Starbucks Coffee and Costa Coffee, we shall study why one retailer is more successful than the other, and how the performance of these retailers can be improved. Studying the characteristics, history, performance and marketing strategies adopted by both the companies, and the customer's perception about the two is the centre point of this research. The objectives of the study can be summarized as below:

- To compare and study the 4P's, namely Product, Price, Promotion and Place, of Starbucks Coffee and Costa Coffee.

- To understand how these cafés have positioned them in order to differentiate them in the market.
- To find out the customers perceptions and preferences about both these cafes and what motivates the customer to visit these coffee houses.
- To identify the areas where both organizations are performing well and areas where they need to improve.

Research Methodology

The methodology for the research includes:

Survey

Collection of Data

Findings

Recommendations

Formulation of Questionnaire

Classification & Analysis

Collecting primary data from the customers visiting Starbucks Coffee and Costa Coffee and the personnel of the organization through observations, filling up of questionnaires as well as interviewing them. The sample size is very small, i. e. only 5 customers, each belonging to a different age group and background.

Collecting relevant secondary data from various sources like magazines, books, journals, internet, and Company's website.

The data so collected shall be classified, tabulated and analyzed through graphs and pie charts to extract findings from the collected data. Based on the relevant secondary and primary data, a comparative analysis will be done so as to find out the areas of excellence and areas needing improvement.

In the light of these findings, critical aspects shall be evaluated and recommendations and suggestions will be provided for the overall improvement of the Starbucks Coffee Company.

Knowing Starbucks Coffee Company

Starbucks Coffee Company (Starbucks), one of the world's premier roasters and retailers of specialty coffee, has travelled a journey beginning from opening just a narrow, single store in Seattle's historic Pike Place Market in 1979, to more than 17, 000 stores in 50 countries today.

Starbucks offers one of the finest and fresh-roasted coffee beans in the world. The coffee buyers of the company personally travel to the coffee farms in Latin America, Africa and Asia to select the best quality 'Arabica' beans, which is roasted into a blend exclusively for Starbucks by the Starbucks experts, who bring out the rich flavor of the beans.

Mission Statement

“ To inspire and nurture the human spirit – one person, one cup and one neighborhood at a time.”

Starbucks – Products

Starbucks offers a variety of products, ranging from hot & cold beverages to eatables like sandwiches, salads, wraps, ice creams, etc. Keeping in mind the health and wellness of its customers, it has a separate menu for low-calorie food and beverages, along with its nutritional data. Knowing that some of its customers may be allergic to certain ingredients, the company offers products under Food Allergens section, specifying the food and beverages which do not contain the ingredient the customer is allergic to. The products are well designed, and are served in different measures, not on the basis of quantity, but according to the value for money. They also provide bottled drinks, which can be refrigerated and used at home later on. Moreover, there is a separate menu for kids keeping in mind their taste and health.

Starbucks – Price

Starbucks has a 'skim pricing policy'. They began with a higher price, and skimmed the cream of the market. With the growth in the number of outlets, came the benefits of economies of scale. Because of this, they have been able to gradually lower their prices, and appeal to different segments of their target market. The main factors that affect their pricing are their cost of goods sold, which is quite high because imports form a majority of its products.

Starbucks – Place

Starbucks cater to their target market with strategically located outlets at main markets, malls, and family entertainment centers. The stores are considered to be having a warm and welcoming ambience whether for

meeting friends and family, or enjoying time alone. There are around 8870 company owned stores and 8139 licensed stores.

Starbucks – Promotion

Starbucks carries out mass promotion campaigns, mainly in the form of promotions on the Print, TV and Radio Medias. At present, they do not rely heavily on advertising, but rely more on sponsorships and strategic alliances with other corporations. It also takes part in various sales promotion activities to help increase sales at their outlets, some of which are Sponsorships, Collaborations, Tie-ups, Starbucks Membership Card, etc.

Starbucks – People

The people at the stores have to undergo a training procedure so that they have an in-depth knowledge of the company's products and are able to provide best customer service. All employees are treated as partners and provided with comprehensive health coverage and stock in the company through the ' Bean Stock' program to inculcate a sense of ownership and motivate them to perform their best.

Starbucks – Process

The order and delivery process at Starbucks is based on self- service, where a customer goes up to the counter to place the order, and goes back to the counter to pick the delivery once it is prepared. The company believes that although it is just a moment, in which one hand reaching over the counter to present a cup to another outstretched hand, but it establishes a connection between the company and its customers. (Starbucks Coffee, n. d.)

Knowing Costa Coffee

Costa coffee was introduced in 1971 at 9 Newport Street, London, by Sergio and Bruno Costa. World's best 'Arabica' and 'Robusta' beans, sourced from Central and South America, Africa and the Far East, are blended to create a unique taste and aroma from its own blending company (Mocha Italia). Costa was the first UK-based coffee retail chain which operates the entire coffee making process – from sourcing, blending, roasting, grinding and making coffee.

Costa Coffee – Products

Like many other brands, Costa Coffee also offers a wide range of products in its retail outlets which includes hot chocolate, teas and infusions, iced coffees & frescato. The USP of the company is its customized products without any extra charge. It prepares its coffee according to the exact requirement of the customer, where the customer can state its preference in terms of caffeinated or decaffeinated coffee; skimmed, full fat or soya milk; variety of syrups; flavors of vanilla, hazelnut or caramel, etc. Moreover, the store provides a nutritional content chart and lists of allergens in their food and drinks for its health-conscious customers.

Costa Coffee – Price

The pricing policy of Costa Coffee's is not to touch the upper cream of the society, but to penetrate the market. Hence, price of its products is lower than that of Starbucks'.

Costa Coffee – Place

The location of Costa Coffee outlets is in the areas where there is maximum youth movement. It is found generally near colleges, shopping malls, petrol pumps, and areas which are easily visible and approachable. It is also located at all 57 Moto motorway services around UK. This shows the accessibility and availability of the Coffee Café Day outlets for drive in customers.

Costa Coffee – Promotion

Costa Coffee does not believe much in mass media promotions. But like other brands, it also has Costa Coffee Club Card. Its promotion techniques are unique. For e. g. – it offers points when a customer goes to a Moto motorway services.

Costa Coffee – People

The people at Costa Coffee are characteristically trained to be pleasant, polite and positive with the customers. They ensure that the customers have a memorable visit.

Costa Coffee – Process

The order and delivery process at Costa is not based on self- service. The staff member fetches the order to the table of the customer. (Costa Coffee, n. d.)

Findings and Recommendations

- Starbucks has an extremely strong brand image but they need to work hard on improving their quality of product as taste plays a major role in coffee industry.

- Starbucks should prepare its communication program in such a way that it changes customers' perception and makes it an affordable brand.
- A majority of Costa outlets are located in the posh areas. Starbucks must open some outlets near residential areas in order to increase its market coverage.
- Starbucks should consider a change in its delivery process. It must shift to a more convenient format where a café attendant delivers the product to the table. This change may seem insignificant but it also improves customer satisfaction.

Conclusion

Our survey made us reach the conclusion that both, Costa Coffee and Starbucks Coffee, enjoys equal customer preference. Although price and promotional schemes influence the decision of the people, but the taste of coffee is a very important factor in deciding the store to visit. Costa coffee has a unique taste which attracts the customers. Moreover, people love to sit in the excellent ambience provided by Costa coffee. The visitors in Starbucks' outlets are basically executives and elite class, whereas Costa Coffee is preferred by youth. As far the prices were concerned, our research led us to the conclusion that the Costa Coffee offered low prices as compared to Starbucks Coffee and Starbucks can invite more crowd if they reduce their prices, along with providing offers.

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