Unbranding starbucks

Business, Company

The coffee industry has been booming since the 1950’s mostly because of the explosion of the cafe style coffee houses in the 1990’s that have followed industry forerunners such as Starbucks (Sangeetha, 2010). Coffee is the second leading commodity worldwide, with a market share worth over $100 billion and over 500 billion cups consumed annually (Goldshein, 2011). Coffee is produced in over 50 countries worldwide providing a livelihood for over 25 million people, but 67% of the world’s coffee growth is conducted in the United States (Goldshein, 2011).

In the 1990’s, with the coffee craze, came locally owned cafes and specialty stores that by 2005 made up 30% of the coffee retail market. These niche coffee shops have shown a 7% annual growth rate annually (Goldshein, 2011). For supermarkets and traditional (larger) retail outlets, who in 2005 held 60% of the market share, remained the primary channel to acquire both specialty and traditional coffee beverages (Sangeetha, 2010). For Starbucks, this market share helped to make them the third largest restaurant chain in the United States (Goldshein, 2011).

In 2008, the economic downturn began and the corporate coffee chains were forced with closing stores due to overwhelming overhead with the increase to coffee prices as external factors (Sangeetha, 2010). This forced coffee companies to reinvent their promotional strategies for their specialty coffees in 2009 to send the message that these coffees would allow for “ thrifty luxury” and comfort duringstress(Sangeetha, 2010). This reinvention also sparked a socially responsible note with consumers that were demanding these responsibilities be adopted by the companies they purchase from.

By expanding product lines and market offerings, many corporate coffee companies scrambled to find a solution to the changing market demands of consumers. As the market continues to shift, growth of coffee will focus on differentiating the brand and returning to the quality assurance that consumers have grown to expect (Colbert, 2013). By creating new products and innovations, companies will likely increase their market shares and profits (Colbert, 2013). Much of the growth of future demands for coffee will come from price sensitive developing markets due to the volatility that persists in the current market supply of coffee (Colbert, 2013).

Though global brands have a large following, local brand will continue to flourish in coming years due to their ability to tailor their product offerings to consumers while corporate companies will continue to see these local coffee houses intrude on their consumer base (Colbert, 2013). In recent years, the coffee market has made a shift to more convenient ways for consumers to procure coffee. Starbucks made the move to more convenience for consumers by teaming up with Pepsi-Cola to offer bottled Frappuccino at supermarkets and convenience stores (Sangeetha, 2010).

Starbucks also teamed up with Kraft Foods Inc. to supply stores with bagged whole bean and ground coffee for consumers to enjoy in the comfort of their own home (Sangeetha, 2010). With the trend of instant coffee, Starbucks responded to that as well and created a line of instant coffees to be sold in their Starbucks locations as well as supermarkets (Sangeetha, 2010). Other companies such as Nescafe and Folgers are also offering an instant coffee on the shelves of supermarkets and have been for decades now (BIC, 2013).

Along with the instant coffee craze, single-serve systems have been a hot commodity to help coffee retailers maintain a market share. Green Mountain Coffee (GMC) began as a smallcoffee shopin Vermont and has grown to producing and selling 26. 8 million pounds of Arabica coffee annually (GMCR, 2013). Because GMC prides themselves on sustainable and responsible business practices, in 1998 they developed the Keurig single-serve system to cut on waste and produce better tasting, freshly brewed coffee in a minutes time (GMCR, 2013).

At first, Keurig was only offering GMC and a few select brands, but as the single-serve trend picked up, companies such as Dunkin' Donuts and Starbucks jumped on the band wagon (Staff, 2011; Chen, 2013). In 2011, Dunkin' Donuts joined the Keurigfamilybut were only offering their products at Dunkin' Donut locations and not in supermarkets (Staff, 2011). Though offering the single-serve packs for your system at home was a good thought, Dunkin' Donuts hurt themselves when it came to convenience because patrons still had to visit a store to purchase the single-serve packs for their home system (Staff, 2011).

Earlier this year, Starbucks also signed on with GMC and Keurig to produce Starbucks and Tazo branded single-serve packs (Chen, 2013). This agreement is a five year contract and will triple the amount of Starbucks products on the Keurig machine by taking on additions such as Seattle's Best and Teavana Teas to name a few (Chen, 2013). This strategy will increase the marketing position for Starbucks as well as GMC and Keurig because

Starbucks has a loyal following that may see the single-serve system as an opportunity to savemoneyand added convenience.

In 1971, Starbucks opened as a small coffee shop in historic Pike's Place Market in Seattle, Washington (Starbucks, 2012). By 1982, Starbucks was ready to grow as they hired on Howard Schultz as the director of retail operations and marketing (Starbucks, 2012). He realized that espresso was a trending beverage in Italy and saw a potential for a coffee barculturethat we now know as Starbucks Corporation (Starbucks, 2012). This was the first growth strategy that Schultz envisioned; creating an atmosphere for young and trendy coffee drinkers to sit and enjoy their cup of coffee.

Schultz next strategy was to expand Starbucks beyond Seattle and Washington. With the help of local investors, Starbucks opened across the country and in just two years had 17 locations including Chicago and Canada (Starbucks, 2012). Starbucks was making a name for it and by 1988 had 33 locations and began providinghealthinsurance for employees (Starbucks, 2012). Though Starbucks remained a privately owned company, in 1991 they offered a stock option programs for all employees unlike any other American company had before (Starbucks, 2012).

This was a growth strategy for Starbucks because it showed a true interest in the well being and future of employees. Not only did the employees benefit from such incentives, but Starbucks received a brand name boost through media and word of mouth for their generosities (Starbucks, 2012). That same year, they opened their first airport coffee shop and maintained 116 stores in North America (Starbucks, 2012). By 1993, Starbucks has grown to such proportions that to keep up with production they opened their own coffee bean roasting plant in Washington State and more than doubled their store locations to 272 (Starbucks, 2012). 994 brought on a huge change for Starbucks with the drive thru window that now assimilated them to restaurant chains like McDonalds and began to weaken Starbucks profit margin (Starbucks, 2012). With this assimilation came even more expansion for Starbucks with a second roasting facility located in Pennsylvania, 677 locations nationwide, and introduction of new products like the Frappuchino and premium ice cream in supermarkets (Starbucks, 2012).

These growth strategies helped create a lifestyle and image association with the Starbucks logo as well as broadened their product variety which is a perceived value for consumers. In 1996, Starbucks opened their first location outside of American in Japan and later in Singapore (Starbucks, 2012). With theglobalizationthat the company began to experience, this meant that their brand name and consumerloyaltywas quickly catching on and not just in America. By 1997, Starbucks had 1, 412 locations and also began the Starbucks Foundation to help strengthen communities in which they operate (Starbucks, 2012).

This foundation is still active today and is used to fund literacy programs, develop young leaders, and participate incommunity serviceopportunities to give back with hands on approach (Starbucks, 2012). This is a perfect example of the socialresponsibilitycraze that began in 1999 and Starbucks teamed up with Conservation International to encourage and promote sustainable coffee practices and in 2000 became Fair trade certified with TransFair USA (Starbucks, 2012).

Starbucks has continued to grow by establishing their own trading company, acquiring Seattle Coffee Company in 2003, and keeping up with the economical and sustainable practices of consumers offered the first paper cup made of recycled material in 2006 (Starbucks, 2012). This again reinforced Starbucks strategies to become industry leaders because in 2006, consumers were increasingly concerned about sustainability and it was forecasted that consumers will be willing to pay more for economically responsible products and services (Fletcher, 2006).

From 2007 to current day, Starbucks has been rebranding and reworking their business practices trying to get back to their original design and a way to save money in the long run (Sangeetha, 2010; Starbucks, 2012). With a variety of new coffees on the menu and morefoodofferings, Starbucks has created a food giant that is now competing with McDonalds and other " quick service restaurants" and 17, 651 stores globally as of July, 2012 (Starbucks, 2012). Unbranding for Starbucks is a major risk because it is competing with itself as well as the same competitor that the company is trying to outdo. With uick service restaurants serving specialty coffee on a bargain budget, Starbucks is risking losing a larger piece of the market pie with the unbranded store concept. Starbucks is known mostly for their name and logo in the global market. This is an attribute not a scar and as so Starbucks should be proud of their history and even more proud of the power house of coffee they have become. It was noted that the unbranded stores were expanding their horizons by offering beer, livemusic, and pottery classes as to attract a younger and more trendy consumer like that of competitors (Mitchell, 2009).

These provide a clear message on what the average coffee consumer wants in today’s market; cheap, fast, and trendy. The age of the corporate coffee house is beginning to die off because consumers are becoming more knowledgeable about economic issues and boycotting corporate America (Prakash, 2013). This is mostly due to the interconnectivity that young America and youth of the world are experiencing with the internet, Facebook, and cell phones and create a learning curve for older generations (Prakash, 2013).

Bottom line is that consumers enjoy the coffee that Starbucks sells, but subconsciously they are ultimately buying for the brand recognition, consistency, and pride they feel when drinking from a Starbucks logo cup that has their name written on the side of it. If McDonalds offered the exact same coffee as Starbucks but at their ridiculously cheap prices, there is no guarantee that consumers would completely jump ship from Starbucks simply because of the brand recognition and expectations that follow it.

I believethat continuing to unbrand Starbucks is taking a step away from the heart of what Starbucks is known to be. The business model that Starbucks had in place before the unbranding begun was not broken completely, but simply had broken or misguided components. Face it, Starbucks grew too big, too fast and opened stores faster than they could keep track of. That is an aspect that corporate fails to realize; local coffee shops have one, maybe two locations to maintain and thus keeps the over head low.

With the low overhead of locally owned shop, they are able to offer wider variety of products and services. They also often have backing from other local businesses through the chamber of commerce and because the owner is a member of the community has ties that help grow business through patronage. The unbranded store may work in Seattle, but only for a short time before consumers realize they are being taken for a fool by the big bad corporation.

Starbucks needs to do what they do well, serve a hot cup of coffee with friendly banter in exchange and customer service that beats any other cafe and rid them of serving breakfast items. They are a coffee shop not a McDonalds. Starbucks is a strong brand name that is recognizable globally and the leading coffee conglomerate in the United States. I propose that Starbucks live up to the superior standards that they set forth in the beginning and continue to offer premium quality coffee under their branded logo.

With the unbranding it has been made apparent that Starbucks employees staged sit-ins at local coffee shops in Seattle to “ spy” on the competition (Mitchell, 2009). These sit-ins resulted in one of the unbranded stores looking identical to a bar next door in terms of color scheme and aesthetic design (Mitchell, 2009). Starbucks needs to stop trying to be the competition and regain their momentum as the pack leader by running with the global recognition that they hold benefit over local cafes.

By co-branding more products and taking on sponsorship opportunities that feed positivity into the Starbuck brand and reinforce company values, consumers will pay tribute and return with loyalty. We have seen it done with McDonalds and Ronald McDonald House Charities. In 1974, the first Ronald McDonald House opened with the help of Shamrock Shake donations made by a Philadelphia store owner (McDonalds, 2012). If Starbucks would take their Starbucks Foundation and team up with Big Brothers, Big Sisters of America to promote youthleadershipand strengthening the community (Starbucks, 2012).

The success that McDonalds experienced after helping to open the Ronald McDonald House, is the same experience that Starbucks could potentially take advantage of to improve the company image and consumer base. With the increasing interest in social responsibility and the extraordinary amount of devastating events and natural disasters happening, this is an issue that is in Starbucks' backyard. The urban youth that need guidance and nurturing; their future consumer demographic all wrapped in a nice tiny package waiting to be tapped into.