

Starbucks pricing and promotion strategies



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Starbucks has always been the venue one would receive the best coffees. However, in the 1970s, one had to travel all the way to their one and only store in Seattle Historic Pike Place Market. The name Starbucks rose from the classic American novel, Herman Melville's Moby Dick. Thanks to Howard Schultz, Starbucks eventually expanded out of Seattle in the 1990s. First to the United States and eventually out to the rest of the world. Now, Starbucks has more than 9000 locations in over 30 countries. Not only that, Starbucks now serves espresso, lattes, Frappucino and many other interesting beverages.

MARKET TARGETING

Starbucks initially targeted young college students, social classes, and neighborhoods that would be ready to the idea of buying a \$6 coffee and spending time with friends at their stores.

With rapid growth and expansion, Starbucks target market expanded rapidly to include every individual of every age. In the foreign countries, they began targeting small towns, rural communities, ethnic neighborhoods, highway rest stops, etc.

In Singapore, Starbucks started their target from the 'office' workers who would need a good coffee while in a rushing to work. Following that, practically every individual of every age became their target. However, in Singapore, we still can see that only those very sociable, well-aware of good coffee and young tend to 'hang-out' at Starbucks. We rarely see the elderly or a family sitting in Starbucks for coffee.

Starbucks' marketing strategy involved positioning its outlets as a place where consumers can spend time other than their home or work. Each of its stores was made as comfortable and relaxing as possible. Not only that, they tried to make it accessible and readily available where most people go to relax. For example, shopping malls, where most friends choose to hang-out - especially the ladies. And, ladies as we all know, are very sophisticated people who would like everything good and of top-class quality. The coffee giant achieved the comforts through comfortable furniture and relaxing music. Over the past several years, Starbucks also included offerings such as wireless internet, handicapped access, complimentary books, and common areas for collaboration. While Starbucks stores are positioned as locations where customers can spend time in a comfortable setting, their product lines are positioned at the higher end in regards to prices and quality.

PRICING STRATEGIES

Starbucks products are priced higher than most other brand coffees due to the image its brand carries. However, they knew just how to put a higher price and yet get their targeted market to buy their coffees without thinking twice. Starbucks began to offer \$1 bottomless 8 oz. cup of coffee, with unlimited refills that cost approximately 50 cents less than any other Starbucks products. They also implemented "value strategies" that emphasized more on inexpensive products rather than being perceived as unaffordable to price-skittish consumers. For example, the introduction of the \$3.95 "breakfast pairings," including popular breakfast items paired with a coffee, and highlights \$2 brewed coffees instead of the more expensive specialty drinks.

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When quality becomes the desire of the target market, then pricing is no longer much of an issue. That is somewhat the case for Starbucks. They have created such an 'experience' - the 'Starbucks experience' - that most of their customers go back to them for their coffees because of the ambience, comfort and their great coffee, even if they could get an almost similar coffee for half the price at some other coffee outlet.

PROMOTIONAL STRATEGIES

Starbucks has implemented numerous promotions to reach its targeted market. One of the promotions that Starbucks has used is the Starbucks Card. Starbucks Card is a technique that gives customers the opportunity to promote Starbucks's products through a referral system. When a customer purchases a gift card, it not only shows brand loyalty, but it also provides the company with free advertising, and brings in new customers. Starbucks also provides a card for corporate sales, which are used for extrinsic rewards to show employee appreciation for a job well done, or a gift to a client.

Another promotional implementation is that they deliver coffees to offices or work places without any coffee size restrictions. There are very few or rare coffee outlets that are willing to deliver without placing any conditions or restrictions.

Thirdly, they appeal to a diverse customer base by offering international teas and coffees to accommodate those customers that want a taste from home or for locals that enjoy tea.

Lastly, using the aid of performing a 'good deed' as a means for promotion - Starbucks contributes to several non-profit organizations as a way to improve brand image and awareness in local communities.

DISTRIBUTIONAL CHANNELS

Starbucks formed some business alliances with certain organizations to further promote its brand. One of these alliances formed was Barnes & Noble Bookstores in the year 1993. Both companies were able to promote their brand and at the same time improve their image. Starbucks also formed alliances with United Airlines in 1996 and now, their coffees are served on the United Airlines. Not only that, Starbucks has made alliances with many other organizations through which, it has improved its branding, sales and image.

RECOMMENDATIONS FOR FUTURE DEVELOPMENTS

1. Starbucks should continue to carry their rare and unique variety of food and drink products. New and different combinations should be introduced frequently and the products that deliver the best results should be retained and added to the permanent menu. The line of personal equipment products by Starbucks can be extended and offered at the retail level or on the company's web site. Starbucks could introduce a line of premium fruit drinks.
2. Starbucks could re-design its outlets at the more popular places to be larger and cozy at the same time. They could change the size of the outlet that's most popular to hold at least double the number of customers their normal outlets do. These new designs should

incorporate a comfortable feel for the customer and encourage large gatherings. In the targeted areas, the new store should be able to accommodate a small conference of up to 15 people. Ultimately, what they should achieve is the ability to host business meetings, book signings and much more.

3. Thirdly, customers can be rewarded with free cups of coffee for accumulating a certain amount of points on their Starbucks card and coupons could be issued.
4. Another recommendation is that television commercials be shown creating a distinct difference between Starbucks and their closest competitors. The point must be driven that premium coffee shipped from around the world cannot be substituted by others.
5. Starbucks could also sponsor events that are in line with the interests of customers who purchase premium products. This would include sponsoring professional golfing events, college games, the arts and business conventions. College students, young professional adults and those with more disposable income should be targeted.

CONCLUSION

In conclusion, Starbucks has made quite a benchmark in its coffee business through thoughtful marketing strategies. Despite not being very upfront in terms of its service, they still are a brand that is not comparable with any other coffee brand. This is because, the ambience and atmosphere that one finds in a Starbucks outlet is rarely found in any other coffee outlet. Not only that, their extensive and unique coffee is another very attractive marketing strategy.