

Price and promoting starbucks



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Price and Promotions: Starbucks Price Starbucks has positioned pricing its products at the high price – high quality grid. The pricing strategy therefore was to offer products at premium prices (higher than traditional coffees) due to the premium ingredients used. The following famous drinks are prices as follows:

Tall 12-ounce Coffee :\$1. 40 - \$1. 65

Lattes 12-ounce:\$2. 40 - \$3. 10

Tall Mocha:\$2. 70 - \$3. 40

In a research on the pricing strategies of Starbucks by Phan, et al., it was revealed that “ paying premium prices stimulates production of high quality coffee; allows farmers to increase income and reinvest in their farms and plan for the future; promotes steady and sustainable growth in a market with price fluctuations; and upholds Starbucks commitment to purchase high-quality product in a socially responsible manner” (9).

Starbucks likewise implements differentiated pricing strategies depending on diverse target markets. Smith disclosed that Starbucks pricing strategy at the lower end of the market as the “ mark-to-market pricing strategy. Basic coffee at Starbucks may be somewhat more expensive than the watered down swill they call coffee at a low end diner, but it is priced competitively within its peer category” (Smith par. 5). On the other hand, at the higher end of the target market, Starbucks implements that “ differentiated-value pricing strategy. In this category, the competition is weaker and Starbucks does have stronger pricing power. They can price in proportion to the value customers place on having a high quality and highly customized product” (Smith par. 7).

Promotions

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Starbucks has spent very little on advertising and promotions and rely on word of mouth

promotion (Tewell, Odom and Snider 18). The Starbucks Back to Basics article written by NewMyer, et al. has emphasized the organization as implementing a pull promotional strategy; meaning, they promote directly to the customers (NewMyer, Fox and Kelsay 3). Carmichael emphasized that since bulk of their customers return to get the next cup of coffee or purchase some food items at Starbucks, “ company executives feel that improving the in-store customer experience is a much more effective means of advertising than via Starbucks commercials. Starbucks encourages the promotion of their stores as a ‘ third home’, providing comfortable chairs for customers to relax and spend time in, playing music and providing outlets for people to plug their laptops into” (Carmichael par. 4).

However, Starbucks has also acknowledged that using social media as a means to promote various products and activities. As reported by Noff, “ overall Starbucks’s social media strategy integrates many different elements into the mix and combined together, these elements create a social media plan that works beautifully to create millions of fans for the brand and keep them involved in the brand’s doings” (Noff par. 8). Starbucks has designed sites with Twitter, Facebook, YouTube, and My Starbucks Idea, to name a few. The strategy has been successful in promoting the products and services of Starbucks, especially through their official website that a wide range of clientele from all walks of life could view and access anytime and anywhere. As explicitly stated, their mission is “ to inspire and nurture the human spirit – one person, one cup and one neighborhood at a time” (Starbucks Corporation: Mission, par. 1).

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