

4p's of starbucks in the philippines



**ASSIGN
BUSTER**

Introduction

The Market Environment

The Philippines is a country located in Southeast Asia. Its 7, 107 islands experience 8 months of summer every year. During the summer, the hottest possible temperature to be recorded is 41C. These show just how warm the weather in the Philippines tends to get.

Also, the Philippines was colonized by many Western countries, but the most influential colonizer was the United States. In fact, 82% of the population speaks fluent English. These prove that the Filipino culture is greatly influenced by Western culture. It is also customary for Filipinos to drink coffee everyday. Coffee is drank during breakfast and is served whenever guests are around.

All these factors about the Philippines make it the perfect environment for Starbucks to compete in. Starbucks in the Philippines In 1997, Starbucks opened its first branch in the Philippines. This was a significant move for the country as it is Starbucks' third market outside North America. Starbucks' main target market includes adults, young adults and teenagers belonging to the upper middle class to the upper class. The company's unique selling proposition includes a personalized service and a discrete environment. The problem with opening up in the Philippines, however, is that only 20% of the population belongs to the target market. But despite this fact, Starbucks remains the market leader in the country's café and bar industry. The chart below illustrates Starbucks' market share relative to its competitors.

Figure : Market Share of Starbucks Relative to Competition But what is the reason behind Starbucks' mysterious success? One of the reasons is the fact that Starbucks' promoted values are a perfect match with the Filipinos values, like warm hospitality, the need for connection and the love for coffee. Also, the company's success can be attributed to the company's efforts to balance standardization and localization in its marketing mix.

Product

Starbucks uses a globalized product strategy around the world. This means that their products are standardized internationally. In addition to its products, the services that Starbucks provides for customers are similar all over the world. This is due to the fact that Starbucks wants to maintain the same image for its customers all over the world. The Philippines was an exception, however. In this case, Starbucks introduced certain products based on the Filipinos' diet habit. The company came up with some products that only sell in the Philippines. Filipinos love intense tastes. They love extremely sweet or salty food. Also, because the weather in the Philippines is really hot, cold drinks are very popular. For these reasons, Starbucks introduced flavors like salted Caramel Mocha Frappuccino, Salted Caramel Mocha and Caramel Espresso. The Filipinos are also heavily influenced by Western culture.

They enjoy services that are Americanized; thus, Starbucks in the Philippines sells hamburgers and salads. The company also designed a breakfast and lunch series in the Philippines. Its first ever Drive-thru branch is also located in the Philippines. Filipinos love to celebrate, making holiday-oriented

products very popular. Majority of the population are Christians. This is why Christmas is highly celebrated by the Filipinos; thus, limited Christmas edition merchandise sell very well. It is a growing trend in the Philippines, especially in the upper classes, to care more about the environment. Starbucks makes it known to the public that its products are eco-friendly and that they practice fair trade.

Price

Starbucks has a similar strategy all over the world. They define themselves as a high-quality, upper-middle class coffee brand; thus, the company sets prices based on the country's purchasing power. This is in line with Starbucks' positioning of "affordable luxury". Compared to other countries in the world, the price of Starbucks in the Philippines is cheaper:

Figure : Prices of Caramel Frapuccino Venti in Various Countries On the other hand, compared to other local and international coffee houses in the Philippines, Starbucks products' are much more expensive. In fact, the prices of cafés like Figaro and Bo's coffee are only around 2/3 of Starbucks' prices. The Filipinos are not known as price sensitive people. They are willing to pay more for status and prestige. This is why luxury brands are very popular in the country. This works well for Starbucks as it is seen as a status symbol.

Place

Starbucks employs a really strategic location-selection method. They locate their stores mainly in urban areas where their target market (teens, young adults or adults from upper-middle or higher class) is concentrated. More

than three-fourth of their stores are located in major cities and popular tourist spots. These include all cities in Manila, Davao City, Boracay or Cebu City and so on.

Starbucks always selects the right place to open a store. Many of its stores are in shopping malls, where Filipinos love to hang out in during the smothering hot summertime. Filipinos have a strong mall culture. In their concept, the term "date" means hanging out with friends in the mall, restaurant and café. Because of the hot and humid weather in summer, Filipinos tend to gather in air-conditioned places to cool them down. Besides major malls, Starbucks always locates itself near private schools, universities, business districts and shopping districts, where much of their target market can be found. Aside from the location, the ambiance is also a key point to the success of Starbucks Philippines.

They create an attractive, cozy store image through the use of nicely lit lights, comfortable couches, soft music and spacious rooms. They offer free wifi, which makes Starbucks popular even during the weekdays. In Filipino culture, studies, works and meetings are never complete without food. And based on their social values, Filipinos love to collaborate and prefer to work in groups. They are collectivistic, and Starbucks fits that demand by providing a place for Filipinos to work and hang out in.

Promotions

Advertising

1. Word of mouth

2. Posters

3. Brochures

The final factor that contributed to the success of Starbucks in the Philippines is its promotions. Starbucks conducted in-depth research about the Filipino consumer and they found which promotions worked best for their target audience. Without the use of radio spiels and television commercials, Starbucks still managed to promote themselves well enough that they are the most recognized company in their specific industry. They have positioned themselves effectively in the mind of consumers through their advertisements, sales promotions, public relations, and direct marketing.

For advertising, Starbucks made use of online and offline media. Word of mouth was the most cost effective and the most pervasive form of advertising for Starbucks. Their cafés were strategically placed in high human traffic areas and they established an online presence on Facebook. Both facilitated communication among consumers and eventually increased interaction with the brand. Online posters were also displayed in the Starbucks website and the Starbucks Facebook page, while offline posters were displayed in the different Starbucks branches and in some areas near the cafés (usually around the mall of location). These posters promoted their products and their new branches as well. Offline, cafés had brochures placed under corkboards or on the station with the straws, napkins, sugar, and other things for the customer's coffee. The brochures contained general information about the company and its activities and about coffee or the environment.

Sales Promotions

1. Happy Hour
2. Planner - sticker collecting
3. Merchandise
4. Gift certificates
5. Random receipt reward

Sales promotions formed part of the promotion mix and these promotions made it to the advertisements as well. The most popular sales promotions were the "Happy Hour" and the collection of stickers for the Starbucks planner. For the Happy Hour, Frappuccino blended beverages would be 50% off for a specific within a certain time frame, usually within the month. However, each customer was only allowed to buy two blended Frappuccino beverages with the 50% discount. For instance, the Starbucks near the Ateneo de Manila University had the Happy Hour for all the Mondays of May from 12 to 2 in the afternoon.

Students definitely increased Starbucks' sales for that month because they rushed to the café during those hours and the queue seemed endless.

Another popular sales promotions was the sticker collecting for the Starbucks Planner. Customers had to buy a number of regular drinks and Christmas themed drinks to collect stickers in a small booklet. Once this small booklet was full, it was surrendered to Starbucks wherein it was exchanged for the planner of choice. This also motivated sales as the planner became more

than just an organizing tool; it became a status symbol among Starbucks consumers. Having a Starbucks planner meant that you can afford the brand because of the high cost to acquire the planner.

Along with the coveted planner, Starbucks also sold other merchandise such as mugs and tumblers. Themed and standard designed merchandise were put on display and consumers bought them, again, not only for their function, but also for the status they entailed. Gift certificates were also bought by consumers and given to others as tokens, rewards, or simply gifts and these gift certificate holders were able to enjoy a Starbucks product with it. If these sales promotions were not enough, Starbucks also randomly rewarded customers free drinks through their receipts. After paying, the receipt would print out with a random code entitling the customer to a free beverage. With this random reward system, customers would be more inclined to buy drinks since they may want to try for another random free drink or their free drink would convince them of the great taste of Starbucks.

Public Relations

1. Events
2. Sponsorships
3. Contests
4. Partnerships
5. Corporate Social Responsibility

More than just selling their products through advertisements and promotions, Starbucks included public relations in their promotions. Public relations allowed Starbucks to delve deeper into the minds of consumers. Through events, contests, sponsorships, partnerships, and CSR, Starbucks was able to attract consumers with more than what their products offered. The people at Starbucks took good care of their customers well by maintaining an open line of communication with them and by giving them other things that interested them – Starbucks was actively involved in the lives of their consumers. For instance, to cater to the perpetually festive spirit of the Filipinos, Starbucks held events to kick off the Christmas season with their customers. These events had free-flowing coffee, live music, selected discounted merchandise, and a whole lot of Christmas cheer.

They even hosted a “ design your own Starbucks cup” contest that enabled contestants to get creative, and maybe even caffeinated later on. In-line with this kind of celebration, Starbucks also held an online photography contest which was promoted on their Facebook page. Users were encouraged to send in holiday-themed snapshots with Starbucks products and the users with the best photos won prizes.

Starbucks also kept its eyes on the bigger picture by sponsoring events, partnering with other organizations, and practicing corporate social responsibility. One notable sponsorship of Starbucks was that of the Asian Institute of Management's Forum on Corporate Social Responsibility (AIM). Starbucks made the right choice in sponsoring this type of event as it let not only consumers but also interested organizations know about what it is the company stands for. It built credibility and added to the brand's equity,

thereby strengthening its image as a supporter of CSR. Aside from sponsorships, Starbucks also partnered with organizations such as UNICEF in the Philippines and the British Council in Singapore.

Through UNICEF, Starbucks reached out to less fortunate children by supporting early learning (UNICEF Philippines). Through the British Council, Starbucks wanted to achieve the following: “ To achieve their corporate social responsibility objectives; To partner a recognised expert with established networks; To be actively involved in the development of the programme [I am a Changemaker]; To raise brand profile through an association with an internationally recognised and trusted organisation” (British Council Singapore). Finally, Starbucks also values CSR. The company is committed to “ ethical sourcing, environmental stewardship, and community involvement” (Starbucks Philippines). Their goals for each commitment, respectively, are as follows: “ 100% of our coffee will be responsibly grown, ethically traded; 100% of our cups will be recyclable or reusable; We'll contribute more than one million community service hours each year” (Starbucks Philippines).

Direct Marketing

1. Surveys

2. Customized beverages

The last component of the promotions is direct marketing. Direct marketing focuses on building a comprehensive customer database and maintaining customer relationships through personalized communication. In order to do

these, Starbucks conducted regular surveys offline and online. Offline, the staff requested random customers to fill-up survey forms with their honest opinions and their contact information. Online, customers typed in codes randomly generated on their receipts containing the survey web page link. These surveys were conducted continuously in specific periods and they did not strictly enforce them upon the customers.

Next to the building of their customer database, Starbucks also wanted to make sure each of their customers was treated with special attention in order to encourage two-way communication in an interactive relationship. Thus, Starbucks emphasized the personalization of their beverages. Starbucks took a step further by having more than the customer's name on a cup, but also having their desired tasted in the cup. Customers are free to customize their drink according to what they want. Whether it be to add a pump of hazelnut to a cup of cappuccino or extra whipped cream on a frappuccino, Starbucks would do their best to give a customer's request.