

Maimoona Selinah Mabena*

Geraldine Tatiana Diaz Riaño**

Building Brand Image among Modern Individual Customers – Case Study of Starbucks Corporation

Budowanie wizerunku marki wśród współczesnych konsumentów indywidualnych – studium przypadku Starbucks Corporation

Streszczenie. W niniejszym studium przypadku przedstawiono problemy oraz wyzwania związane z budowaniem wizerunku przedsiębiorstwa Starbucks. Firma tworzy strategie marketingowe oparte zarówno na marketingu masowym, jak i na marketingu segmentacyjnym. Mając na celu wykreowanie pozytywnego wizerunku w oczach określonych typów klientów indywidualnych, firma identyfikuje przeszkody i problemy oraz podejmuje działania mające na celu nie tylko kreowanie komfortowych, nowoczesnych miejsc, które są atrakcyjne w oczach klientów, ale także uatrakcyjnienie procesu dokonywania zakupów poprzez usprawnienie dystrybucji produktów i usług, dostarczenie produktów odpowiadających potrzebom klientów oraz ich właściwą promocję dzięki różnorodnym formom reklamy. Poniższe studium przedstawia zarówno obecnie wdrażane sposoby budowania relacji firmy z klientami indywidualnymi, jak i propozycje przyszłych rozwiązań w tym zakresie.

Słowa kluczowe: budowanie wizerunku przedsiębiorstwa, zarządzanie marką, marketing masowy, marketing segmentacyjny, zarządzanie klientami, lojalność.

* Former Erasmus Student, The University of Łódź, Faculty of Economics and Sociology.

** Former Mobility Student, The University of Łódź, Faculty of Economics and Sociology.

1. Introduction

Starbucks is a company that started in the mind of three people with only one store, growing slowly but steadily, by providing the world roasted coffee to consumers. However, eleven years later, Howard Schultz arrived to the company, overcoming several limitations with its business vision, as it was by implementing the Italian culture in spite of a lot of exceptions from their partners. Then, a lot of innovated ideas were coming into action inside the company, implementing more variety of products, trying with different marketing strategies, going from the trial and error, detecting customer's preferences and trying to cover a greater market niche. Facing criticism and eliminating competitors, Starbucks was positioning itself as one of the best big coffee stores overseas, moving from being a small coffee store on the United States to a be the best place chosen by people from much countries to have a nice experience even working there or having a sharing time with friends. This is the result of the efforts made by Starbucks to care about their clients, make them loyal to their products and to their service, even though, they also have some important items which need to be improved as it is the service and information provided through the mobile app or the strategy chosen to assure each customer receive the value added the company is able to hand, moving through the traditional and modern people, attending to each need of each kind of market segment. In this chapter the reader will find how Starbucks has reached out such expansion and such position in the coffee industry.

2. Characteristics of Starbucks Corporation, strategy and target group selection

In the industry of specialty coffee, Starbucks Cooperation is one of the leading roasted retailer and marketer. Its global food print expansion includes approximately 7,300 coffee shops and kiosks in the United States and nearly 3000 in 34 other countries with the largest number located in Asia (Taiwan, China, Japan), Europe (Germany, Italy), New Zealand and others.

Starbucks does not only offer variety of coffees and coffee drinks but also teas, pastries and other food items, surprisingly along with music CDs. Embracing that digital innovation, Starbucks now offers these products via online channel whilst keeping in touch with its traditions of mail order. One of numerous company's benefiting qualities is the ability to create joint ventures, e.g. with Pepsi-Cola company (bottles, Frappuccino, beverages and Starbucks Double Shot espresso

drink which are sold through distribution units) and as set partners with Kraft foods INC. That company sell Starbucks' whole bean and ground coffee to grocery merchandise stores.

These days coffee has turned out to be not just coffee, it has rather become an energizing element which helps its fellow consumers to cope and survive in this fast-phased universe. Starbucks, however, took the perspective on coffee to new heights. This coffee brand was founded by: Jerry Baldwin, an English teacher, Zev Siegl, a history teacher and a writer Gordon Bowker – who were adamant in providing the world roasted coffee to consumers. The first Starbucks store was established in Seattle's Pike Place Market Washington, 1971, but it supplied only roasted coffee, not brewed coffee.

One of the most historic events related to Starbucks is that outsourcing of coffee beans began as early as in the 1960s when Starbucks' coffee quality had decreased. However, Gordon Bowker overcame this issue by purchasing coffee beans in Vancouver, British Columbia. They discovered that business with supermarkets meant compromising quality in order to lower prices and for that reason Starbucks needed to sell directly to consumers who were educated enough to know why the coffee they were buying was superior.

Years later, in 1982 Starbucks hired Howard Schultz to assist the company's retail sales and marketing, Howard on returning from a business trip to Italy was inspired to bring the Italian coffee culture to the United States. Yet, the founders were skeptical of the idea, as a result of which he left his position as a marketer and retailer of Starbucks to open his own coffee bar to establish the Italian coffee culture.

In August 1987, Starbucks had already accumulated six stores which Howard bought for 3.8 million dollars, and then merged his Italian espresso bars and Starbucks stores turning them into the Starbucks Corporation.

Starbucks' roasted coffee sales grew from 50 million in 1983 to 500 million dollars over a period of five years. Further, the company innovated its way of selling to customers by introducing mail orders.

The growth of Starbucks Corporation began regionally, then grew nationally until the late 90s when it decided to venture overseas for the first time.

In spite of the countless failures of events Starbucks announced that they would buy more certified coffee with farmers who grew their crops, and would receive more than the market price from the crops purchased. Sometimes Starbucks paid as high as 3 times the 30 cents per pound they typically received. This was done to overcome the publicized allegations that the coffee company was buying beans from the wholesalers who were paying poverty wages to coffee bean far.

Starbucks is one of many extensive coffee retailers in the world. Now in time, the company is relying on their retail expansion along with the product and service innovation to keep growing and succeeding in the industry. To achieve

these strategies, Starbucks has opened more new stores in both existing and new markets throughout the years. The fundamental strategy for Starbucks amongst many strategies of growth and success is through retail extension along with product and service innovation.

In the early 2000, it introduced Starbucks' card, a stored-value card that customers could use and reload and also wireless internet access at their stores. Since then, Starbucks continued its extension in beverages line and combined credit and stored-value card as well as continued in acquiring more Starbucks' locations. In addition, Starbucks expanded in 2004 with the launch of Starbucks music media bars at selected Starbucks stores.

Starbucks success in breaking into the coffee industry and changing the outlook of coffee bars are due to the strategic segmentation positioning and targeting. That approach should be explained a little further.

Starbucks segmentation is divided into three factors i.e. demographic, psychographic and geographic segmentation. Under demographic there are two groups, one is formed by customers who are between 25–40 and have a high income level; the second one includes customers between 18–24; the psychographic segmentation consists of customers from upper-middle class, and well-off customers who were educated.¹ As for the geographic segmentation it is related to attaining better understanding of Starbucks location along with its market size in that specific region and climate.

With regards to positioning, Starbucks has been hard-working in being a company with high standard in the coffee industry and in differentiating between their competitors. So, it is continuously innovating and creating new products and enhancing their quality service.

Starbucks uses three types of positioning which include mono segment positioning, adaptive positioning and standby positioning.²

Mono segment positioning is focused on a specific single market where a determined product is marketed only for it. One example of this is the giant coffee machine that Starbucks uses only with the premium customers, named so because they are willing to pay additional cost for an extra value in the product bought.

In adaptive positioning, the brand is continuously following the customers' needs and wants to know the bases of their next innovative and new developments

1 L. Rafii, *The Starbucks or McCafé Crowd: Who Counts More Politically?*, "Huffington Post", 11 December 2013, http://www.huffingtonpost.com/ladan-rafii/the-starbucks-or-mccafec_b_4262104.html (accessed: 14.07.2019).

2 J. Dudovskiy, *Starbucks Segmentation, Targeting an Positioning – Targeting Premium Customers with Quality Products and Service*, https://research-methodology.net/starbucks-segmentation-targeting-and-positioning-targeting-premium-customers-with-quality-products-and-service/#_ftnref1 (accessed: 14.07.2019).

for these clients. Consumers are looking for healthier products to care for themselves and avoid future illnesses, that is why Starbucks has been launching products for this kind of people. For instance, the Chai Tea Latte has less calories than before (now 103 calories), the Iced Americano has just 11 calories and some other coffees and related products try to make the brand more attractive and let customers know that the company worries about their clients.

Standby positioning, where a brand has, as its name says, products on standby. A product on standby is the one the company is announcing with all the detailed information about its characteristics and the marketing program that is to be used in the near future when this product is launched. This is a method of reducing the response time, so there is a plan created in advance with all the products and their detailed information and they wait while the demand is found. In Starbucks' case the product we talk about is Frappuccino.

Starbucks target market is from middle to high-income office workers with a desire to purchase premium products. Target segmentation requires a mass market approach through designing a distinct marketing and products programs for the different segments.³ Nevertheless, Starbucks has been using just one marketing strategy for all the segments, but then under the consideration of all the segments as a single one, the company is using the mixed marketing but the question is whether it is enough to satisfy each customer.

However, not much can be said with regards to Starbucks' approach to instilling the Starbucks spirit visually. Starbucks gives good service in terms of many countless customization activities, i.e. writing the customers' name on the beverages, quality product in the way of using healthy ingredients and materials, yet, they lack attributes of imprinting excitement unto the customers or possible potential customers via advertising.

Starbucks as a coffee empire has direct and indirect competitors such as Costa Coffee, McDonald's McCafé, Dunkin' Donuts, Tazo, Twining and others. Dating back to how Starbucks dominated the coffee industry, besides offering the best quality coffee, Starbucks bought out many small, new, struggling coffee companies and dominated the industry at the same time eliminating competition.

3 M. Lynn, *Segmenting and targeting your market: Strategies and limitations*, Cornell University, School of Hospitality Administration 2011, <http://scholarship.sha.cornell.edu/articles/243> (accessed: 14.07.2019).

3. The brand image problems of Starbucks Company, challenges in building relationships with customers and proposals for future actions

Starbucks is one of many best coffee brands and has come to realize over a period of time that it can't be comforted by the fact that they are preferred or known for offering the world's greatest coffee.

Big companies with a lot at stake are always under high scrutiny of the public and most commonly non-consumers, which is why one can easily assess that everything done by Starbucks is warily opposingly narrated. Why does this happen? That is an answer which can't be easily produced but Starbucks should be concerned to resolve it. For instance, Starbucks had a lot of bad publicity and instead of improving these matters, they chose a strategy of solve and avoid. For instance, an incident where Starbucks was active in its endeavors of building Starbucks stores across the globe and reaching a set target. Critics were eager to accuse them of aggressive take-over of locals and owners of small coffee shops and ill intent for their building well-established stores near local coffee stores to siphon sale. Another example is the advert they had on billboards which displayed two cups of Starbucks slushy drinks, with a dragon fly approaching the drinks, as a consequence the public called them out for being insensitive to the 9/11 event (a terrorist attack in which both World Trade Center towers collapsed), in which 3000 people lost their lives. To make matters worse, the billboard slogan was "collapse into cool". The list regarding bad publicity faced by Starbucks is very long.

Looking into these historic incidents, it is quite difficult, albeit, yet not impossible to assume why these incidents occurred. One can easily realize that is either a lack of research and understanding of their market base or failure to keep track of matters which affect their fellow customers, or have affected their customers. Such issues faced by companies which built their image on quality could be avoided by good critic teams, and easily detected before being displayed to the public. However, in this background we feel that it is time for Starbucks to focus on their advertising and business interior structuring approaches because they are neglected for unknown or unclear reasons. Important factors to be considered is that their impulse on building Starbucks coffee bars has now become saturated. Their new customer perceived experience is that their first approach to this brand could be blindsided. For instance, when going to Starbucks's application there is a remarkable lack of information about the company itself, about the lack of disclosing basic ingredients used in producing the products, which is relevant for people who suffer from allergies or other intolerances, its prices and other facilities which customers in the current globalized world are used to finding in

a company's mobile applications for online orders. This is a crucial moment where the customers should feel attracted and motivated to know more about Starbucks, should feel like going to their stores or in other case just feel satisfied with the service offered through this tool.

It is quite is easy for big companies like Starbucks to effortlessly omit certain minor, yet of great impact, issues. Such companies try to spread out doing multiple activities chasing after a common goal of achieving success and customer perceived value.

The first bottle neck is one of their mobile apps which grants its customers the ability to order and pay using the app, track their rewards and keep track of purchases made. Starbucks should actually invest more in this to enhance the services offered for their customers by having countless tools such as automated system which helps customer update their mobile app. Some issues arise from a lack of system updating and they also should consider their customer segment which is forever caught-up in their fast-tracked lifestyles. This mobile app should also include information regarding the company from the background to the most current or futuristic ideas and offered products, basically from time to time revamp the operating systems usefulness of the mobile app beside it being just an insufficient, unreliable purchasing tool. This is of significance because information allows customers to be well-informed about products offered in a Starbucks coffee store; if they consume it and if it is affordable, basically to make a well-informed decision. This makes Starbucks show itself in a good light for it enables customers to feel that the company is well organized and tries to remain on the top of things.

Starbucks also endows the technological tooling, where customers get to see products offered by Starbucks, however, the downfall for this is that most Starbucks beverages per say are not globally provided, for instance, the pumpkin spice latte. That shouldn't be the case, instead Starbucks should showcase a united front in terms of offered products, especially if it is a well-established seasonal drink. What we trying to say is that Starbucks should provide all of its American based beverages considering that it is the origins of Starbucks, however, catering to regions in which it is based, e.g. Starbucks in Turkey should offer all known Starbucks beverages from roasted coffee, Frappuccino's, lattes, teas and incorporate Turkish signature drinks tactfully without offending local coffee stores.

Looking at Starbucks' history and their efforts to open Starbucks coffee bars, it must be noted that they erased a lot of companies which they could have merged with, by remaining the major brand and shareholder while providing drinks with locals for the locals. And it cannot be forgotten that they should now hire employees who are bilingual and patient to attract most of the tourist regions, for it is quite challenging to be in a foreign country and then having the struggle of placing a correct order, or even trying to customize your order i.e. people who are milk intolerant or have allergy reaction to certain products.

The next part presents the structuring of Starbucks as most, if not majority, of Starbucks customers are either corporate workers or students. That is why it is quite important for Starbucks to build or provide furniture which allows them for some comfort to accompany their good coffee. An ideal solution of Starbucks would be a place where there are both wide and narrow coffee tables, cubicles for groups who want to host an intimate meeting or do some group work. A chilling lounge where big sport games can be watched by their customers instead having to always settle for pubs to do so would be also a good idea.

Starbucks could actually design their stores in ways which instills a sense of relaxation, comfort and yet modern feel. Considering that Starbucks has a large market share and a great number of customers, it should attempt to build Starbucks stores just like their first one, as we know customers don't like queues, especially during rush hours. Additionally, their customers want to enjoy their leisure time and wouldn't not be pleased at the sight of crowds near them shuffling closer to getting their Starbucks drinks. To change this Starbucks could have a waiting area, sitting area and cubicles for group gatherings and for a greater customer satisfaction they might have a big screen which shows soccer league for their soccer conscious customer-base.

This company takes advantage of marketing strategies, namely it is focused on mass marketing and segmentation marketing in order to cover all the needs of every kind of customer and not just a determined group. Mass marketing means that they could get a reach of current customers and potential customers and while targeting on a segmented market, they should not use just newspapers and tv for advertising, but also social media.

Advertising is a tactic in marketing which involves paying to promote their products, services or cause in order to provide a direct line of communication to the company's existing and prospective customers regarding the product offer. The main goals of advertising are:

- to reach people most likely to be willing to pay for the product or service and entice them to buy;
- to create in them a desire for offered products;
- to use a magnetic pull for customers to business;
- to enhances the image of the company.

Current times have extended means to advertising, from traditional advertisements (newspapers, tv, magazines, radio) "which often can be quite expensive" to unconventional advertising. These include:

- digital advertising – the company could advertise their products in digital market platforms, via websites, electronic newsletters, you tube videos;
- seasonal/occasional advertising with the pop-up stores i.e. placing a small stall which offers a signature sample drinks and new drinks to try. This methodology allows the company to develop a closer catering relationship with its customers;

- Instagram zone in cities in which Starbucks is located, however, it should incorporate native region traditions. i.e. Starbucks could use the meaningful dates such “a country’s Independence Day”, this allows the customers’ for participation and benefiting the company’s sales and reputation;
- in terms of social networks Starbucks could incorporate a more customer orientated touch, i.e. whereby hashtag reaction challenges to their drinks;
- loyalty benefits for regular customers, this when Starbucks prioritizes them in events hosted by Starbucks with the aim of campaigning for the company. In this point, they could give their suggestions too Starbucks.

4. Conclusion

Starbucks is a company which has come across every obstacle mentioned above. They are meant to be faced by companies irrespective of being new, old or well-established. However, big companies like Starbucks often have much to lose because of the great partnerships, the great market base they target, their great quality products they require to operate smoothly, therefore allowing Starbucks to eliminate elements which can cause a negative image to their stores, all in the name of preserving its position in the industry. The elimination of obstacles is actually limiting one’s growth to better heights, rather it is best for one to walk through these obstacles: identifying problems they are faced with or dealing with, research solution, finding ways to overcome the problem or finding better ways to handle and avoid occurrence of this problem; select a solution, from the received solution there is always the most efficient and reliable solution from a pool of answers to a problem; execute solution, this is to allow the chosen solution to be carried out so to see its effects or reactions to this faced problem and evaluate the effect of the solution i.e. to study if the effect is what is required by the company for the problem and how much it costs the company to enforce the selected solution.

References

Dudovskiy J., *Starbucks Segmentation, Targeting and Positioning – Targeting Premium Customers with Quality Products and Service*, https://research-methodology.net/starbucks-segmentation-targeting-and-positioning-targeting-premium-customers-with-quality-products-and-service/#_ftnref1 (accessed: 14.07.2019).

Lynn M., *Segmenting and targeting your market: Strategies and limitations*, Cornell University, School of Hospitality Administration 2011, <http://scholarship.sha.cornell.edu/articles/243> (accessed: 14.07.2019).

Rafii L., *The Starbucks or McCafé Crowd: Who Counts More Politically?*, "Huffington Post", 11 December 2013, http://www.huffingtonpost.com/ladan-rafii/the-starbucks-or-mccafec_b_4262104.html (accessed: 14.07.2019).