STARBUCKS - EMERGING FROM THE GLOBAL PANDEMIC

Assessment 2

Marketing Communications

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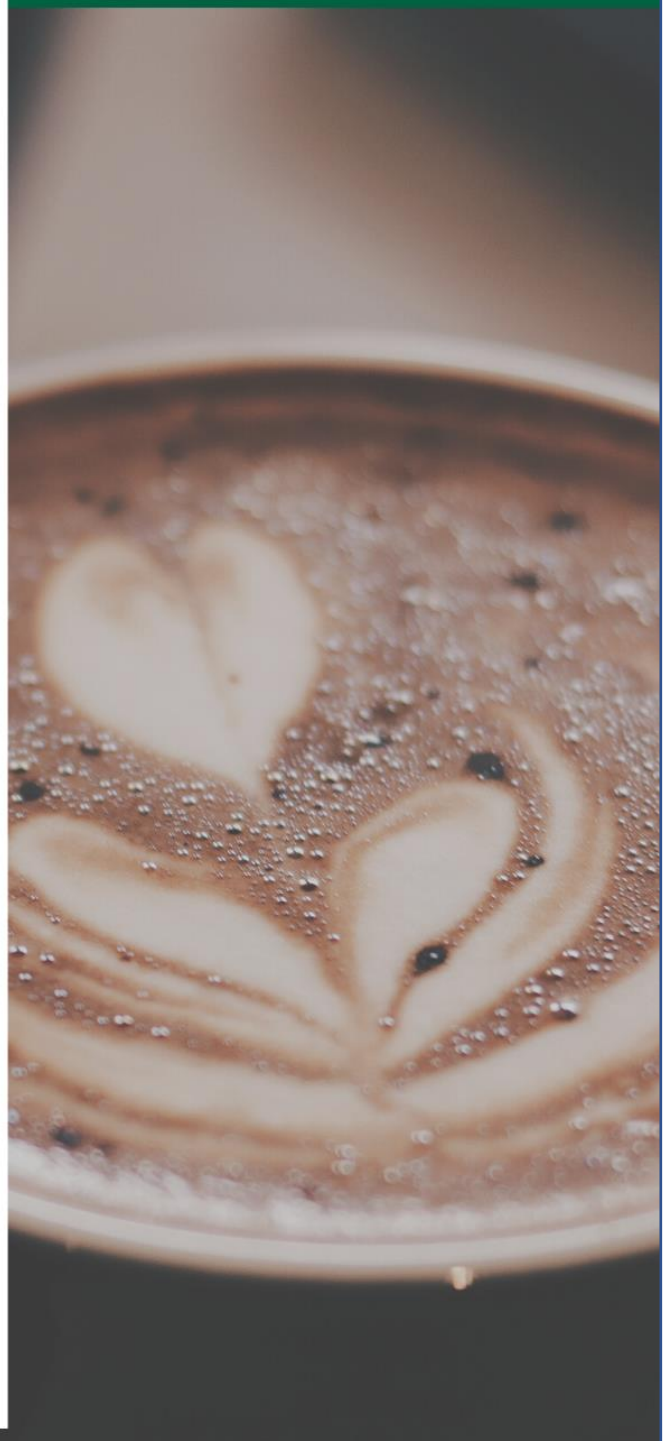

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Introduction

Having analysed the dynamics of the environment Starbucks currently sits within, the level of turbulence has been determined to be 3. This means that the current marketing environment is changing but predictable. This essay will aim to create a marketing objective, strategy and integrated marketing communications plan for Starbucks to use that is suitable for its current environment.

Objective

Given that the level of turbulence in the environment is below four, the strategy that will be used will be prescriptive. A prescriptive strategy is one that is planned in advanced and carried out over a long period of time (Lynch 2021, p.6). Given the shift towards work from home culture during the Covid-19 pandemic (Boland et al 2020), this essay will focus on Starbucks' Whole Bean Coffee business unit as it is a product that people will be able to purchase and use even if they are working from home or in a lockdown. This allows for a long-term marketing strategy to be devised as it is more resilient to environmental changes surrounding the Covid-19 pandemic than other units such as retail beverages would be. In assignment 1, Whole Bean Coffee was placed within the 'star' category of the McKinsey GE Matrix as it has a large market share of 1.6x and sits within a growing market (Case study, p.8). Units within these highly competitive and attractive industries are typically advised to focus on their core strengths and invest to further increase their market share (Reogma 2020) (Appendix 1). With all of this in mind, the following marketing objective has been devised:

Increase the market share of Whole Bean Coffee to 1.8x in 12 months

In order to make the goal of this campaign clear, this objective utilises the SMART structure. This will make sure that the strategy has a clear sense of direction by ensuring it is specific, measurable, attainable, realistic and time bound (Doran 1981, p.36).

Strategic Options

A strategy can be defined as being "the scope and direction of the organisation over the longer term" that is adapted for "a changing environment to meet the needs of markets" (Johnson, Scholes and Whittington 2009, p.3). Ansoff (1957, p.114) suggests that there are four broad strategies that can be used for expansion based on whether a company is looking to focus on an existing or new market using either existing or new products (Appendix 2). With the overall objective of increasing the market share of Whole Bean Coffee in mind, this essay will propose three potential strategic options for Starbucks to consider.

Loyalty Scheme

The first strategic option available to Starbucks is a market penetration strategy. Market penetration strategies rely on increasing sales using the existing "product-market strategy" (Ansoff 1957, p.114). A common tool for increasing sales in an existing market is to increase consumer loyalty through loyalty schemes and promotions. These programs successfully ensure that the products are bought to the attention of the buyers and increases loyalty by offering incentives for repeat purchases (Oyeniyi 2011, p.70). Starbucks currently has a successful loyalty scheme for its retail beverages whereby consumers are rewarded for repeat purchases with discounts and free drinks (Case study, p.8). In order to increase market penetration, this scheme could be expanded to also include Whole Bean Coffee. Here, consumers would be able to use the Starbucks app to access deals such as 'buy one get one free' to encourage them to try different blends. They would also be able to collect tokens on the Starbucks app and claim a free bag for every 6 that they buy to encourage repeat purchasing behaviour.

Overseas Expansion

Another strategic option available to Starbucks is the market development strategy. Companies using this strategy focus on adapting its current products to fit new markets (Ansoff 1957, p.114). These new markets could be focused around targeting people of different demographics, geographical location or psychographic segments. Currently, Starbucks' main market of the US is "mature and saturated" (Case study, p.8) meaning it may be difficult for them to find new markets to target in this location. However, the China/Asia Pacific is a growing market yet it currently only accounts for 14% of Starbucks' total yearly revenues (Case study, p.8). Using this information, Starbucks could expand its distribution and start selling its existing Whole Bean Coffee products in supermarkets within this region.

Increase Product Range

The final strategic option available to Starbucks is to focus on developing new products within the Whole Bean Coffee unit. The new product development strategy focuses on increasing market share in existing markets with new products that "have new and different characteristics" to the existing product range (Ansoff 1957, p.114). One way that Starbucks could achieve this would be by increasing the variety of coffee blends that are available to purchase. This would include a wider range of seasonal blends based on different holidays/seasons as well as products with different caffeine content. This would allow Starbucks to appeal to a broader range of consumer needs to increase the number of people wishing to purchase their products.

Recommendation and Marketing Mix

Having analysed three potential strategies for Starbucks, the loyalty scheme is the recommended course of action. Starbucks is a highly recognised brand in its existing markets (Case study, p.1) allowing the brand to be able to focus in on encouraging purchasing behaviour rather than trying to make people aware of them in a new market. As well as this, given the fact that Covid-19 is still an evolving situation, it is advantageous for Starbucks to focus on their existing core markets and strengths before aiming to capture new ones or expand their product line. Finally, this makes the most logistical sense for Starbucks as they already have the necessary technology in place for their retail beverages loyalty scheme which would make expanding it a relatively simple task.

With this strategy decided, the next step is to determine what elements of the marketing mix Starbucks should use. The marketing mix is a combination of factors that a business can use to encourage consumers to purchase their products. Initially, this consisted of product, place of sale, price and promotion (McCarthy 1960, p.vi) but it was later expanded to consider the people behind the brand, the processes used and the physical evidence received by the consumer (Booms and Bitner 1981, p.48). As this scheme is a market penetration strategy, there will be a heavy focus on promotion as this is an effective method of increasing sales in existing markets without changing the product.

As previously discussed, a key component of market penetration strategies is sales promotions. Sales promotions are short term campaigns used by businesses to increase sales such as coupons, loyalty programmes, temporary cost reductions and samples (Indeed Editorial Team 2021). These promotions increase sales by giving consumers a reason to choose one brand over another and by increasing the quantity of a product they are likely to purchase (Bell, Chiang and Padmanabhan 1999, p.522). By expanding Starbucks' existing loyalty scheme to include Whole Bean Coffee, consumers would be

incentivised to choose Starbucks over other competitors as they would know that if they purchase six bags of coffee, they will get one for free. This free bag would also encourage consumers to try different blends they may not typically purchase if they were buying them at full retail cost. As well this, Starbucks could also give out coupons to encourage consumers to purchase larger quantities of Whole Bean Coffee. By offering 'buy one get one free' vouchers on the app to users of the loyalty scheme, they would be able to increase sales by encouraging their consumers to try different coffee blends at a reduced rate. In addition to this, these coupons would make customers more likely to choose to purchase their coffee beans from Starbucks as opposed to their competitors as they will feel as though they are getting better value for their money.

A secondary component of the marketing mix that Starbucks can utilise within this strategy is direct marketing. Direct marketing is a method of promotion that presents information directly to segments of consumers who are likely to be interested in purchasing a product using methods such as email, text messages, newsletters and targeted advertising (Shopify 2022). Direct marketing is typically used to contact existing customers directly to tell them about the brand's products and deals to encourage purchasing behaviour. Compared to other methods of promotion, direct marketing has the unique advantage of being both concentrated and personalised for consumers who are the most likely to purchase a product (Nash 2000, p.6). Using contact details of their existing consumer base, Starbucks could send a notification on the Starbucks app as well as an email to everyone who has previously purchased Whole Bean Coffee products to encourage them to sign up to the loyalty scheme. After doing this, they could create a weekly newsletter to be sent to users of the scheme. Here, Starbucks would be able to contact customers who have previously purchased or indicated an interest in trying Whole Bean Coffee and tell them about current sales promotions and blends that are available to buy. The newsletter could also be personalised based on their preferences (e.g.

recommending low caffeine options to consumers who have previously purchased blends with lower caffeine content) to make it feel more relevant to them specifically.

Utilising these promotional elements of the marketing mix, Starbucks will be able to encourage new consumers to purchase their products and existing consumers to purchase more Whole Bean Coffee products. In doing this, they will be able to increase their market share the next 12 months. After this period, the effectiveness of this strategy should be evaluated to see if any adaptations need to be made based on the new marketing environment.

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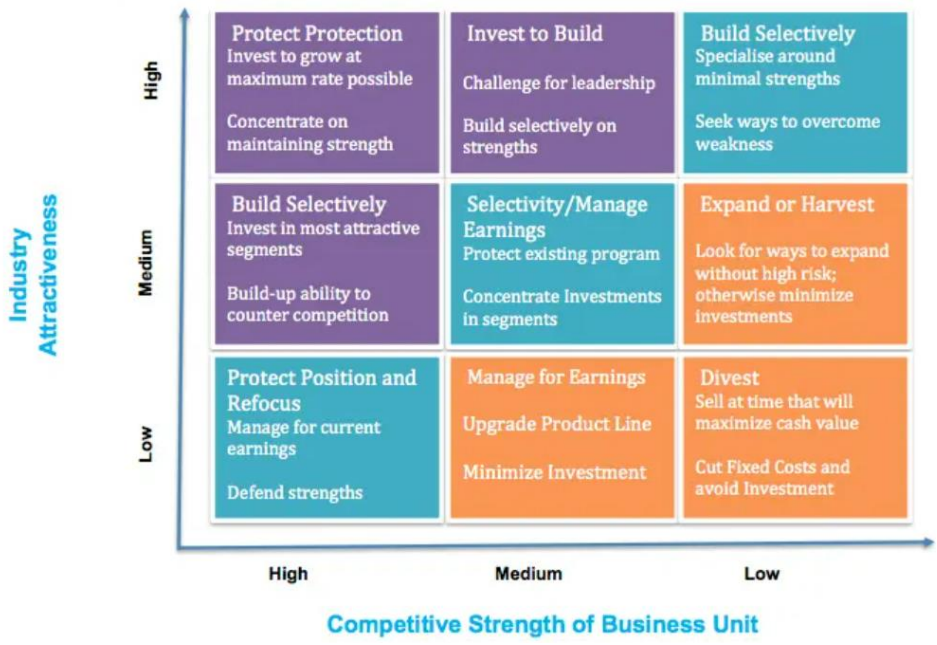
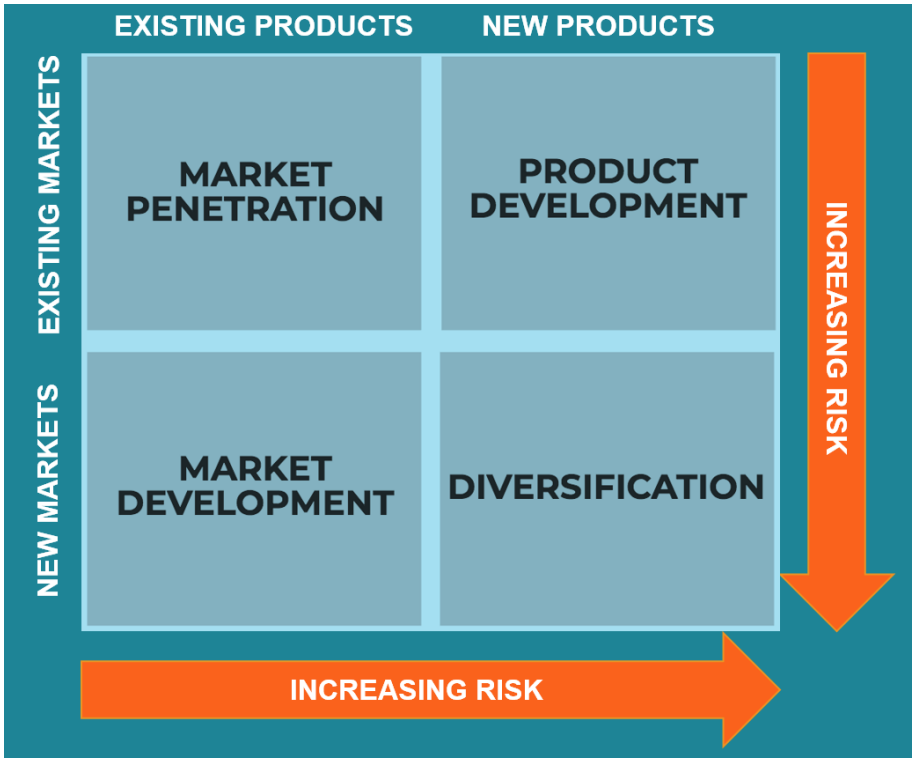
Appendices

Appendix 1: McKinsey GE Matrix (Reogma 2020).



Appendix 2: Ansoff Matrix (CFI 2022).