

# **Starbucks: Promoting Coffee in the Netherlands**



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**Executive summary**

In this dissertation, the promotional strategy of Starbucks is analysed. Starting point for this research was the following central question: “How has Starbucks been using Promotion to sell its product and what will it be like in the future”? The research was executed using desk research and field research. Desk research was executed by consulting relevant websites, articles and books. Field research was executed in three ways. Firstly, one-one-one interviews were conducted in order to gain a better understanding of what customers thought of Starbucks. These interviews were also conducted with marketing experts. Secondly, a focus group was conducted. In this focus group, findings from the interviews were tested among the participants. Finally, a survey was conducted, which was filled out by 120 respondents. This survey was not only completed by Starbucks fans, in order to gain a more critical insight in the company’s performance.

For the purpose of this research, the Starbucks target group was narrowed down to people between 20 to 40 years old. After careful analysis of the internal and external environment of Starbucks a number of things can be concluded. Firstly, promotion is not optimally applied on the Dutch market. Until now, Starbucks has not fully utilised the promotion mix. The coffee chain has mostly been making use of e-marketing, word of mouth and sales promotion. This could be improved by optimising the way in which the current tools are used and by adding other tools like advertising to the mix. Secondly, within the target group, perceptions of Starbucks are overall positive.

Starbucks should use this as a starting point to take it a step further. Store traffic can be increased by making better use of the promotion mix. The tools of the company’s mix should be developed further, so that they are more engaging. Thirdly, Starbucks should try to capture the Dutch customer more. By digging deep and gaining insight into the culture, they can win over people. They should, however stay unique and American at heart. Furthermore, Starbucks can develop a new campaign to increase their word of mouth. In addition, they should focus more on people that are not Starbucks fans. Those people do not always know the socially responsible side of the company. Portraying this more could win people over. Finally, the company should expand in the Netherlands. Research proves that there is room and demand for it. Additional stores could be opened in city centres and along highways. Overall, There is a couple of things Starbucks can focus on in the future. Mobile phones have become increasingly more important in everyday life. If this trend continues, Starbucks will need to continue to adapt its business to that trend. More applications are developed for mobile phones and paying with a phone or chip has become more common. Social media will most likely still be a frequently used and important tool for the company. The use of this tool should be optimised and linked to other tools and technologies.

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## Chapter 1. Introduction

In today's world, companies are competing for people's attention on a daily basis. "We've got the best car, we fly you home the cheapest, our clothes make you look best" and so on. But promotion is more than simply boasting about your brand or product. As a company, you have to know who your target group is and what they want. You want to create value for your consumers and make sure they can identify themselves with your brand. If done correctly, people will hopefully want to buy your product. These factors are what promotion entails. Doing business abroad is becoming more commonplace. Since things like the internet and the EU have made borders less significant, companies operate more on an international level. In those cases, it is even more important to maintain a good promotional strategy.

One of many companies that has to deal with that pressure of competing on an international level is the well known coffee Company Starbucks. They have been operating on the market since 1971. As a coffee company, Starbucks has had to apply certain tactics to attract and retain customers. It has been performing very well, but nevertheless, also suffered losses in financially bad times. With a growing number of competitors, more and more coffee companies want a piece of the 'Starbucks pie'. That posed another challenge for Starbucks to stay ahead of competition. Furthermore, nowadays more and more parts of people's lives take place on the Internet, but more specifically, social media have come to be more important.

Besides competition, this is also a factor that Starbucks has to deal with. To make sure that the company is equipped and able to adapt to these external changes in the environment, one of the things it needs is a good promotional strategy. Because Starbucks has been successful for years, without using traditional promotional methods, it is interesting to assess their promotional strategy. These factors bring forward the following central question: "*How has Starbucks been using Promotion to sell its product and what will it be like in the future*"? To be able to answer this question, a number of sub questions need to be answered:

1. What is promotion?
2. What developments were there in the last 10 years regarding the use of old and new media in Promotion?
3. How does Starbucks apply the 'P' of Promotion?
4. Are there differences in the application of Promotion by Starbucks on the Dutch and US market?
5. Can these differences be explained?
6. Is Promotion applied optimally on the Dutch market?

Desk research and field research was conducted, in order to shed some light on these topics, resulting in clear answers to the sub questions and the central question. The way in which the research was conducted will be explained further in chapter on research methods.

### **1.1 Research methods**

This research was primarily conducted based on desk research. By using the central question as a starting point, preliminary research was done in order to have an idea of available sources. By composing a table of contents, an initial structure was laid out as a foundation to present the information in a structured way. Then, more research was done to collect more in-dept internet sources available. In addition, several theory models were also used as a tool for analysing the company and its external environment. Examples of this are the ABELL and the SWOT model. Moreover, a number of books were utilised for the purpose of this research as well. Books on marketing, communication, coffee culture and Starbucks proved to be a helpful source. Ultimately, field research was done in order to gain more knowledge about the views of Starbucks customers. This field research consisted of a survey, a focus group and one-on-one interviews with the target group. In addition, interviews with several experts in the field of marketing and advertising also helped the research a great deal. Getting their ideas on Starbucks as a company and being able to make use of their expertise was very valuable.

## Chapter 2. What is promotion?

The meaning of the word promotion can be explained in one sentence. In the book 'Introduction to Communication,' (2009), Windahl, signitzer and Olson describe promotion as follows: "Promotion is actively reaching out to the right people with the right message at the right time in order to obtain the right effects" (p.125). It is a means for a company to get their message across, regarding the value their product has for customers. What the company ultimately wants is for people to buy that product. In order to get consumers to that point, it takes more than just boasting about how good their product is. Companies first need to know how they bring value to consumers lives. This is their so called Unique Selling Proposition (USP). A USP is also something that they can do better than the competition. It is what a company should focus on when promoting its product or service. When designing a promotion campaign, it is advised to do so using the AIDA model. The AIDA model is a four-step model that describes the process consumers go through. Step one is attention (sometimes exchanged for awareness). Often times, the execution of this step is done by using commercials.

Consumers need to be informed. What is the company about? Is the company ethical? What does the product offer me? Why should I buy the product? All of these questions need to be answered in the minds of consumers, in order for them to gain knowledge about the product. Step two of the AIDA model is interest, where the aim is to pull people in closer. Where the attention was drawn in the first step, the second step takes it further by letting people know why they should be buying that product. If people were to have a negative opinion about a product, the goal here would be to get people to think differently about it. The way in which people feel about a product or company when they read or hear about it, is of significance. In this stage, perceptions need to change. The third step is desire. One wants to create desire for a product in order for the consumer to want to buy it. Finally, the fourth step of the model is action. People should go to a company's store to look for the product. If done successfully, promotion can change behaviour, causing people to purchase the company's product.

Promotion is part of the marketing of a company. It is a concept that constitutes one of the four P's in the marketing mix. Apart from Promotion, the marketing mix consists of Price, Product and Place. According to Armstrong and Kotler (2008), "The marketing mix consists of everything the firm can do to influence the demand for its product" (p. 83). For a business, a balance of these four factors is really important.



Source: bbc.co.uk

It is important that a company's promotion matches the identity of the company and perception it wants to establish in people's mind. For that purpose, companies may sometimes use a pseudo-communicator. A pseudo-communicator can be a celebrity or otherwise popular figure or a cartoon, that conveys the message to the target group (Windahl, signitzer & Olson, 2009, p 16.). Consumers might be more drawn to such a person or character and be more inclined to believe what he or she has to say. Depending on factors like the market and target group, decisions have to be made about the type of communication tool(s).

## 2.1 The promotion mix

The promotion mix or marketing communications mix (Armstrong & Kotler), is a combination of several tools that can be used for promotion (2008, p. 383). According to Paul Russel Smith and Jonathan Taylor (2004), 12 promotional tools can be identified (p.8). These are selling, advertising, sales promotion, direct marketing, publicity and public relations, sponsorship, exhibitions, packaging, point-of-sale and merchandising, word of mouth, e-marketing, corporate identity (Smith & Taylor, 2004, p.8). A company may choose to use all tools or select only a couple. Below, the theory of the 12 tools is discussed more in detail.

### 1. Selling

Selling is about building durable relationships that are dependant on dependant on satisfying the customer constantly (Smith & Taylor, 2004, p.291). Where the old perspective on selling used to be that of quickly making a sale, nowadays it is more about partnering with people and building a relationship. That way, customers are more likely to be satisfied and come back. Salespeople must be expert listeners and master at capturing data (Smith & Taylor, 2004, p.294). They must be able to listen carefully to what customers' wishes are, pick up on new opportunities within the market and keep an eye on what the competition is doing.

### 2. Advertising

Advertising is a paid, non-personal way of communicating through mass media (Pelsmacker, Geuens & Van den Bergh, 2010, p.5). The messages sent through media such as radio, newspaper, television and billboards and therefore, are not altered to target individuals. Advertising is something that costs a lot of money, especially if media like television and magazines are used. It mostly influences the early stages of the buying process, which are awareness, interest and desire (Smith & Taylor, 2004 p.11).

### 3. Sales promotion

Sales promotion is a promotional tool that makes use of things like coupons, temporary price discounts and free items to reel in customers. It mostly influences the stage of the buying process where action is desired. When a product is discounted, it can be a final incentive for a customer to try it.

#### 4. Direct marketing

According to the Direct Marketing Association in the UK, the definition of direct marketing is “the distribution of information, products or services through any advertising medium that invites the individual to respond directly to the advertiser” (Smith & Taylor, 2004, p.386). It is very convenient, since it takes away physical boundaries. This is because it allows sellers to approach prospective customers directly, although from a distance. For this reason, the act of direct marketing is also referred to as armchair shopping (Smith & Taylor, 2004, 386). Direct marketing works best when it is combined with other tools from the promotion mix. There are 7 activities that fall under the term direct marketing. According to Smith & Taylor (2004), these are direct mail, telemarketing, door-to-door selling, direct response advertising, computerized home shopping, home shopping networks and miscellaneous which combine several activities (p.387).

Direct marketing has a number of advantages. To name a few, it enables targeting and tailored messaging and it is international (Smith & Taylor, 2004, p.391). Targeting makes it possible to send a message to 25 people out of a group of a 100, based on their buying behaviour. Tailored messaging means that companies can reward frequent buyers by sending them special offers. Lastly, because direct marketing is international, e-mail and telephone correspondence can save money rather than flying to another country. A disadvantage of direct marketing is that it is often considered a nuisance. Whether it be e-mails, door-to-door marketers or telemarketers calling at dinner time, they are equally considered to be disruptive by people.

#### 5. Publicity and public relations

There are several ways to define public relations. As Smith & Taylor (2004) state in their book, a definition of public relations was agreed on by the World Assembly of PR Associations in Mexico in 1978. According to that so called ‘Mexican Statement, “PR practice is the art and science of analysing trends, predicting their consequences, counselling organization leaders and implementing planned programs of action that will serve both the organization’s and the public interest”(1978, pp.443-445). Public relations focuses on many different public such as the media, customers, distributors and interest groups. PR can focus on products or on corporations, hence the division in product PR and Corporate PR.

#### 6. Sponsorship

Sponsorship is when brands connect their name to an event, sports team or cause. This can be done in a number of ways, such as buying uniforms for sports teams with the brand name on it or buying the whole team and paying for everything they might need. Sponsors can also donate equipment or

give discounts on products. The goal in sponsorship is to allow your name to be seen by many people. It can create awareness, enhance the image of a brand and improve relationships with different publics (Smith & Taylor, 2004, p. 485.)

#### 7. Exhibitions

Exhibitions involve bringing a whole market together under one roof, for a few days (Smith & Taylor, 2004, p. 505). Companies put up a stand and are able to display their product and attract buyers. It is a good opportunity to interact with buyers and size up the competition, since both parties are also at the exhibition. Exhibitions should be planned carefully in order to obtain a certain level of success. A number of objectives like selling, launching new products, testing new ideas or reinforcing relationships (Smith & Taylor, 2004, p. 506) should be listed first in order to know what the end goals are.

#### 8. Packaging

Packaging has three basic functions (Smith & Taylor, 2004, p. 543). It must protect and contain, offer convenience and communicate. A carton of milk for example, must keep the milk for a certain period of time, preventing it from going bad. Bleach bottles are provided with a special child-proof cap, protecting children from exposure to the chemicals. To offer convenience, some margarine brands sell their product in spray tins, making baking easier and faster. Providing plastic bags with a re-sealable sealing system is also an example of providing convenience for customers. Communication is really important when it comes to packaging. Brands put a lot of effort into writing texts that appeal to customers, convincing them to buy it. Most candy packages use bright colours and big letters, while healthier products use brown or green with white letters.

Packaging can make a big difference in sales. As is the case with company logos, packaging can instantly evoke an idea or feeling in the mind of a consumer. The function packaging has to communicate also has 6 sub-functions (Smith & Taylor, 2004, p. 548). These functions are to grab the attention of the passing shopper, persuade the viewer that the contents match the promise made by the advertising on the pack, build brand personality, build loyalty with a pack, instruct the user about how to use the product to optimum benefit, inform of warnings, source of manufacture and/or ingredients.

#### 9. Point-of-sale and merchandising

Point-of-sale and merchandising are a form of promotion that focus on influencing the purchase decisions customers make inside a store. This is done by putting displays near check out counters

or close to other products that might be used in combination with it. In addition, posters, statues of action figures and video walls can also be used in order to achieve the intended results. Besides that, there is a number of merchandising tools retailers can apply. These six tools are store image (external and internal), store layout (customer traffic flows), merchandise ranges, colour blocking, point-of-sale displays/retail sales promotions and miscellaneous (Smith & Taylor, 2004, p. 581.)

#### 10. Word of mouth

When looking at the communication mix, word of mouth is the most influential in both industrial and consumer markets (Smith & Taylor, 2004, p. 590.) It is a way of obtaining information from a source that has had previous experience with a product or service. In addition, when that source is a friend or family member, you know you can trust whatever they tell you. You are more likely to believe what they say, than what you see in commercials or read in magazines.

#### 11. E-marketing

E-marketing is marketing online. However, it goes beyond that, integrating online and offline activities (Smith & Taylor, 2004, p. 620). Often times research is done online after which the purchase is made offline. Customers may want to take the time to compare products, brands and retailers before making a purchase. Another practise that has emerged from e-marketing is Search Engine Marketing (SEM) (Smith & Taylor, 2004, p. 620). It is a practise that focuses on generating traffic to a web site. By anticipating on and managing key words people use to search, those words can be linked to a company web site, making sure it appears in the search results. In that way, people can be guided towards a website. SEM can also be combined with other tools to make sure customers get to the information they need quicker. An example of this is web sites that remember what your preferences are or make recommendations based on what previous customers bought. Another example of a tool is i-Radio, which enables people to listen to the radio online and buy the music they are listening to with just a few mouse clicks.

#### 12. Corporate identity

Corporate identity consists of all the tools an organisation uses to visually express itself (Smith & Taylor, 2004, p. 645). Examples of this are the company logo, flyers, and the product packaging. It is important that those products are of a high standard, because poorly designed visuals leave a bad impression of the company in people's minds. Since products are getting more similar, customers are looking even more at the seller itself to find out what corporate identity appeals to them most.

## **2.2 What developments were there in the last 10 years regarding the use of old and new media in Promotion?**

The existence of media can be of a great influence to a brand and its product(s). Television, radio and newspapers were particularly influential in the beginning of their existence. At a later stage, this was also the case for newer media such as the Internet, and mobile phones. Since Starbucks has been operating as a company for many years now, they have had to deal with old and new media.

In the Netherlands, the first commercials appeared on television in 1967 (Reclamearsenaal, n.d.). Those commercials were in black and white and quite amateuristic, until 1974, when colour television was introduced. (Reclamearsenaal, n.d.) Television became more and more popular. Television commercials became the most important way of promoting products and this increased when commercial stations like RTL 4 and 5, SBS and Veronica made their appearance (Reclamearsenaal, n.d.).

In the past years, the internet has become more important in daily life. Traditional media have become less significant and new media have made their entrance. Between 2005 and 2008, more people used the internet to listen to the radio, watch television or read and/or download newspapers (CBS, 2009). In 2008, people between the ages of 12-25 formed the largest part of internet users in the Netherlands (CBS, 2009). The rise in new media use caused a decline in traditional media use (CBS, 2009).

This is also supported by the research. Between 2002 and 2008, the number of editions papers sold, decreased 16 percent (CBS, 2009). Still, it is not likely that old media will die out. Social media causes some new remarkable trends in communication. Web sites like Twitter are platforms where individuals can have a lot of power. If they have a large amount of followers, they can reach many people at once. As an article in Adage states, people with a large following “are evidence that something rather retro is happening to the social-networking realm. The most successful Twitterers and the most-friended users of Facebook with really active news feeds are reverting to a rather pre-Web 2.0 paradigm: broadcasting. The Few speaking to The Many” (Dumenco, 2009).

## **Chapter 3. Situational analysis**

### **3.1 Internal analysis**

In the internal analysis, there will be taken a closer look at several factors of Starbucks. By doing so, a clearer picture of the company can be formed as to the company's values, the product, the overall organisation, their strategy and the strengths and weaknesses.

### **3.2 Company description**

Starbucks is a US based coffee company that started in 1971 at Seattle's Pike Place Market. By now, the company has more than 17.000 locations in over 50 countries (Starbucks Corporation, 2011). The company also has a European headquarters in Amsterdam, and a coffee bean subsidiary in Switzerland (Telegraph, 2012). The CEO of the company is Howard Schultz. Starbucks is known for being a unique company with a mind of its own. Without using traditional means for promotion like television, newspapers and magazines it has managed to gain fame in a such a way that many who see the logo immediately know what the brand name is. The company managed to gain such popularity, that it has an enormous following.

The Starbucks image attracts hoards of younger, hipper people. As a Starbucks fan states in an interview with NY Times reporter Liz Alderman: "We see stars like Kim Kardashian in all the magazines walking around with a Starbucks. My friends and I come because it's hip" (NY Times, 2012). The target group is quite broad, focusing on commuters, business people and younger people. This can slightly differ per country. Part of the Starbucks experience is making people feel like they are at home. Baristas often times know regular customers and if not, they ask people's names. The latter is company policy, as names are written on coffee cups. When a drink is ready, the barista can call the customer's name to let him/her know. Starbucks is also a company that tries to be socially responsible by engaging in several activities and Corporate responsibility programs. These programs are aimed at improving the environment, conducting fair-trade business and the responsible growing of resources. In 2012, Starbucks won the title of "World's Most Ethical Company" of the year (Ethisphere, 2012). The company has also received a number of other awards. Being as strong minded as it is, the company likes to determine its own course and be innovative. Forbes.com, an American business journalism brand, published a 'Global 2000 Leading Companies' list, where it ranked Starbucks 631<sup>st</sup> (Forbes n.d.).

Rank 	Company	Country	Sales	Profits	Assets	Market Value
631	 Starbucks	United States	\$12.2 B	\$1.3 B	\$7.8 B	\$40.1 B

Source: forbes.com

### 3.3 Mission and identity

The mission of Starbucks, as stated on their corporate website is “To inspire and nurture the human spirit— one person, one cup, and one neighbourhood at a time” (2011). For the company, it is all about satisfying customers and giving them a pleasurable experience. Their vision is, that every store is part of a community and tries to contribute to, and influence that community in a positive way. The company highly values quality and also wants to improve the lives of the people involved in growing the Starbucks coffee beans. People who work at Starbucks are not referred to as employees but as partners. The company sees itself as passionate, diverse, responsible, full of humanity and standard setting. As mentioned before, Starbucks values social responsibility. To highlight that, the company has a second mission statement, namely their Environmental Mission Statement. The statement consists of 7 points and is shown on the website. To underline their commitment to environmental leadership Starbucks makes the following statements to commit to:

- “Understanding of environmental issues and sharing information with our partners.
- Developing innovative and flexible solutions to bring about change.
- Striving to buy, sell and use environmentally friendly products.
- Recognising that financial responsibility is essential to our environmental future.
- Instilling environmental responsibility as a corporate value.
- Measuring and monitoring our progress for each project.
- Encouraging all partners to share in our mission”.

(Starbucks.nl, n.d.)

### 3.4 Product

The Starbucks menu mainly focuses on coffee, and with over 30 blends, that is easy to see. Besides that, it also offers other drinks, such as tea and juices and foods ranging from wraps, sandwiches and cookies, to cake and pies, oatmeal and yoghurt. In some periods, the menu may offer a seasonal favourite, like a Christmas blend or an anniversary blend. Besides Starbucks Coffee the brand portfolio consists of Tazo Tea, Seattle’s Best Coffee, Starbucks VIA Ready Brew, Starbucks Refreshers beverages, Evolution Fresh, La Boulange bakery brand, and the Verismo System by Starbucks (Reuters, n.d.). Some of the products are also sold in licensed stores and supermarkets

like the Dutch chain Albert Heijn. One of the perks of the Starbucks stores is the free wifi people have access to. This way people can bring their laptop to the store and continue their work while enjoying their coffee. For those who like it, there is Starbucks merchandise sold in stores. Items like gifts, mugs, books and music are sold, so people can come close to the Starbucks experience, even when they are not in a community store. In the US, Starbucks started to experiment with the 'Starbucks Evenings' concept (Starbucks, n.d.). It offered a range of tapas-like snacks in its stores after four p.m. and people could drop by if they wanted to. The menu also offers desserts, wines and beer.

### **3.5 Financial**

Since the chain first started, Starbucks has been performing very well financially. In 2010, Starbucks revenues reached a record amount of 10,7 billion dollars (Nagel, 2011). In 2012, Starbucks revenues grew 9 percent in the EMEA region (Starbucks 2012). However, the years 2007, 2008 and 2009 were difficult years for Starbucks. After years of growth and success, the chain was facing several challenges. In the summer of 2007, Starbucks stores attracted less people and company stocks had declined by more than 40 percent (NY Times). According to an online article on NYTimes.com (2008), "complaints surfaced that Starbucks felt more like a fast-food restaurant than a coffeehouse" (p.1). The years 2007, 2008 and 2009 were difficult years for Starbucks. Since then, they have bounced back and are profitable again. In 2012, an overview of the retail sales mix by product type for company-operated stores showed that beverages made up for 12 percent of the mix, food 19 percent, packaged and single serve coffees 4 percent and coffee-making equipment and other merchandise 2 percent (Starbucks, 2012). This was exactly the same in 2011 and 2010. In the next five years, Starbucks plans to open 3000 new stores in the Americas region alone (Starbucks, 2012).

### **3.6 Management**

At a store level, Starbucks distinguishes between retail positions and management positions (Starbucks.com). Baristas and Shift Supervisors fall into the first category. Baristas are the face of a Starbucks store and attend to the customers. They do that by preparing drinks and vending food. Shift supervisors do the same, but have more experience. That is why they can oversee operations and divert tasks when necessary. Assistant Store Managers help manage baristas and shift supervisors to make sure operations run smoothly. Working alongside them, they execute similar tasks, reporting back to store managers. Store Managers rank higher than former mentioned partners. They work alongside store partners, assuming an overseeing role. This role entails

safeguarding the quality of beverages and customer service. Achieving better financial results, training partners and coaching them also falls under their responsibility. Making sure every single Starbucks store meets the same quality standard is the job of District Managers. Within a district, all store should function well and district managers help achieve that goal. Store managers are coached and motivated by them to perform better. Knowing the local market and adapting to its needs is also one of their tasks. Regional Directors lead a number of stores. For that portfolio of stores they are responsible for safeguarding the quality standard, financial results and direction. If necessary they can hold district managers accountable for underperforming or lagging results. Finally, district managers are coached, so they can develop the same qualities and skills that regional directors have (Starbucks.com). At the executive level, Starbucks management counts 10 people. These are the names and positions of the 10 Starbucks executives:

<b>Howard Schultz</b> chairman, president and chief executive officer	<b>Troy Alstead</b> chief financial officer, chief administrative officer
<b>Cliff Burrows</b> president, Americas	<b>John Culver</b> president, Starbucks Coffee China and Asia Pacific
<b>Michelle Gass</b> president, Starbucks Europe, Middle East and Africa	<b>Jeff Hansberry</b> president, Channel Development and Emerging Brands
<b>Arthur Rubinfeld</b> chief creative officer; president, Global Development and Evolution Fresh Retail	<b>Blair Taylor</b> Chief community officer
<b>Adam Brotman</b> chief digital officer	<b>Curt Garner</b> chief information officer

(Starbucks.com)

The Starbucks board of directors counts 12 people. The overview in this table outlines their names and job titles.

<b>Howard Schultz</b> <i>Starbucks</i> founder, chairman, president and chief executive officer	<b>William (Bill) Bradley</b> Allen & Company LLC <i>managing director</i>	<b>Robert M. Gates</b> <i>former Secretary of Defense</i>	<b>Melody Hobson</b> Ariel Investments, LLC <i>president</i>
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<b>Kevin Johnson</b> Juniper Networks, Inc. chief executive officer	<b>Olden Lee</b> PepsiCo, Inc. <i>retired executive</i>	<b>Joshua Cooper Ramo</b> Kissinger Associates vice chairman	<b>James Shennan, Jr.</b> Trinity Ventures <i>general partner emeritus</i>
<b>Clara Shih</b> Hearsay Labs, Inc. <i>chief executive officer</i>	<b>Javier Teruel</b> Colgate - Palmolive Company <i>retired vice chairman</i>	<b>Myron Ullman, III</b> J.C. Penney Company, Inc. <i>retired chairman and chief executive officer</i>	<b>Craig Weatherup</b> Pepsi-Cola Company <i>retired chief executive officer</i>

(Starbucks.com)

### 3.7 Organisation

Starbucks is a multinational company. On December 30<sup>th</sup> 2012, there were 25 licensed and 3 company operated stores in The Netherlands. In the US, there were 4285 licensed and 6882 company operated stores (Starbucks 2012). In The Netherlands, Starbucks is quite well represented. A large number of big cities have a Starbucks store and most of them are located at train stations. Like it was stated earlier, coffee is the main product of Starbucks. Most of the coffee beverages in the stores are hand crafted. Others can be bought bottled or customers can buy roasted coffee beans. If customers buy a hand crafted drink, they can also choose a mix-inn, like milk, and a topping, like cardamom sugar sprinkles. The company has a 'Business Ethics and Compliance' program (Starbucks, n.d.). The program is a way to keep all Starbucks partners with their noses in the same direction. One of the materials the programme puts together is the 'Standards of Business Conduct booklet' (Starbucks, n.d.). This booklet outlines the rules and guidelines of the company for employees and elaborates on ethical issues. The booklet is available in a number of languages.

### 3.8 Strengths and weaknesses of Starbucks

Just like any other business, Starbucks has its strengths and weaknesses. Below, those are outlined in a table. The other parts (opportunities and threats) of the SWOT analysis will be discussed in the external analysis.

<b>Strengths</b> <ul style="list-style-type: none"> <li>▪ The Starbucks experience makes you feel welcome and adds value to people's lives.</li> <li>▪ It is innovative and hip.</li> <li>▪ The general, yet personal concept appeals to</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>▪ Prices are high</li> <li>▪ The Starbucks experience is not authentic, compared to that of a local cafe.</li> <li>▪ It has proven difficult to maintain the</li> </ul>
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<p>many people.</p> <ul style="list-style-type: none"> <li>▪ The company makes good use of its communication tools like the website and social media.</li> <li>▪ Good customer service</li> </ul>	<p>experience and identity at every single Starbucks location.</p>
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### 3.9 Strategy: How does Starbucks apply the 'P' of Promotion?

As described before in chapter 2., 'what is promotion?', there are several tools available for a company, to help promote its business. In analysing Starbucks, one of the things that stands out is that it does not do a great deal of advertising. It relies more on word of mouth when it comes to promoting their company. The company has decided to stay away from traditional means of advertising, like radio commercials, print ads and television commercials.

#### 1. Selling

Selling is something that for Starbucks will probably happen on a business to business level. This is for example when they wanted to find supermarkets that could sell their bottles drinks. In that case, they would have had to listen to what their preferences are and what type of customers they serve. In addition, they would negotiate prices and eventually come to an agreement.

#### 2. Advertising

Since its existence, Starbucks has always been different from other companies in terms of promotion. Where other companies advertised in newspapers, on television and on the radio, Starbucks consciously chose not to do so. The company wanted to focus on other means of communication, which they considered to be more meaningful. As stated by Senior Vice-President of Marketing, Anne Saunders, "it really is about connecting with someone in a more intimate, experiential way that we think will have longer lasting ability to build affinity than a 30-second TV commercial or an ad" (Carmichael, n.d.). Another thing which possibly could have made the decision not to advertise easier, is the fact that advertising costs a lot of money. By cutting advertising out of the promotion mix, money can be saved, which can then be spent on other promotional tools. However, when browsing the Internet, a couple of Starbucks advertisements can be found.

Firstly, in 2009 the coffee company launched a printed ad campaign in the US, where it put posters up in New York, amongst others. As stated in an article by The New York Times, Starbucks described the campaign as the biggest marketing effort it has undertaken (2009). The posters

portrayed written comments on coffee and on why you should buy yours at Starbucks. Furthermore, Starbucks also advertised in magazines and newspapers. With the campaign, the company tried to attract the younger consumers and generate conversation on social media. Starbucks launched a photo contest, challenging people to be the first to upload a photo of the campaign posters on Twitter. This led to more followers on Twitter. In addition, Starbucks sponsored a television commercial during the Saturday Night Live comedy programme. They came up with a one minute clip (YouTube, 2008) for the presidential elections. The clip, posing the question “What if we all cared enough to vote?”, offered customers a free cup of coffee if they voted. According to the NY Times, the video went viral after being broadcast on television and also caused an enormous buzz on Twitter. As stated in the NY Times: “By Tuesday, it was the fourth-most-viewed video on YouTube, and people were mentioning Starbucks on Twitter every eight seconds”(NY Times, 2009). With this commercial, Starbucks made a clear statement to the public and showed that politics is important. In addition, by voting, people could show that they care about current affairs and actually change things in the world.

### 3. Sales promotion

When it comes to sales promotion, Starbucks has several ways in which it tries to promote sales. Firstly, stores offer a Starbucks card. Paying with this card earns you so-called ‘My Starbucks Rewards’(Starbucks.com). These are points you earn every time you buy something at a store. The reward system has three levels, which are called welcome, green and gold. The gold level offers the most rewards, under which are free drinks and food. A card has to be registered via the Starbucks web site. Registering makes it possible to sign up for an additional e-mail, mail and text messaging service, which notifies members of special offers and coupons. The service is also accessible via a mobile phone application. Secondly, Starbucks distributes coupons that are not limited to card members. On Facebook, there are pages where people share the coupons and anyone can reproduce those and claim the offered product. Thirdly, at Starbucks there are numerous price discounts, giveaways or the opportunity to add extra coffee or syrup to your drink for free. Depending on the occasion, the company may offer one dollar discounts or have a happy hour promotion where beverages are cheaper during that time. Another common promotion is the buy-one-get-one-free promotion. All these types of promotion deals are often announced through social media or mobile phone applications. An example of this is the Foursquare app which allows you to access digital coupons on your smart phone and use them to redeem your offer in a Starbucks store.

### 4. Direct marketing

Starbucks applies several tools which are considered direct marketing. First of all, the US web site has an online web shop, where coffee and brewing equipment, tea, music, books, the Starbucks Card and merchandise can be bought. Secondly, there is an electronic newsletter people can sign up for. Through the newsletter people can receive Starbucks news and offers and by signing up you get a discount on your next purchase. By ticking an extra box, people can also receive news from third parties selected by Starbucks. The newsletter can also be sent by snail mail. By doing this, Starbucks is targeting customers by using permission marketing (Godin, n.d.). The company knows that the people who signed up are interested in the product, so they try to pull them in. Thirdly, Starbucks remembers the names of regular customers who come into the store. This is a good way to encourage people to remain loyal to your store. When you remember someone's name you make them feel more welcome and offer them a more personal service. As said in Smith & Taylor's book, 'Marketing, an integrated approach', "Recognition of past custom is a powerful inducement to award future custom" (2004, p.386).

#### 5. Publicity and PR

Starbucks surely has a PR department which takes care of a number of things. They will establish contacts with the press. If they have an announcement to make and wish to send out a press statement, they will have a list of media to contact. The media will sometimes also contact the company if they have heard a rumour and want to find out its foundation. Companies also give interviews in order to create more awareness for themselves or an event they are involved in. Furthermore, PR involves monitoring the environment and anticipating on change. The company may pick up on trends they can jump into. The PR department may also need to deal with other publics like NGO's or customers,

#### 6. Sponsorship

Starbucks does a lot when it comes to sponsorship. They just do not always call it sponsorship. Apart from sponsoring the television advertisement in the United States before the elections, the company also ties its name to good causes. As part of their corporate social responsibility, they are quite active in volunteering. On the corporate website they have a section designated to community service. On it, people can see what type of projects there are, enabling them to sign up and participate. Starbucks posts photos of the activities on its web site and Facebook page to keep its followers in the loop.

## 7. Exhibitions

Starbucks does not use exhibitions as a promotional tool. They are not the type of company to bring their business to a fair and try to attract more business. What they might do is organise their own 'fairs' on company grounds. On YouTube you can see videos of the company where they invite people to come learn more about the company. Those guests also learn more about coffee and the roasting and tasting process.

## 8. Packaging

Packaging is really important for Starbucks. Part of their image is to look distinguished, and to exude quality. That also shows in the packaging of their pre-packaged products. The bags of coffee beans the company sells look strong. The coffee cups on the other hand look more convenient and fresh. Sometimes the packaging is adapted to the holidays. This makes it look more appealing and evokes more sentiments in customers minds. Often times, the cups also have texts written on them. Finally, Starbucks also tries to make packaging environmentally friendly.

## 9. Point-of-sale and merchandising

To make sure people buy more than what they came in for, Starbucks makes use of point-of-sale and merchandising. Maybe they sometimes put small pieces of brownie on a platter so that people can taste it. They also display items near the check-out counter in order to entice customers. This is also the tactic used for the merchandise that is sold at the stores. Every Starbucks store has a display with city mugs, tumblers and other items with the company logo on it. You can also buy music at the stores.

## 10. Word of mouth

Starbucks relies on word of mouth a lot to attract customers. When people get advice from a trusted source, they are more likely to believe it. When they believe it, they are more likely to try it too. For people, getting such a review means that the chance of having an equally good experience is big. Satisfied customers will tell others. That way, the ball will keep rolling and customers will stay loyal to your company.

## 11. E-marketing

Like has been mentioned before, Starbucks has always taken a different approach when it comes to marketing. It focused more on in-store marketing, but gradually started to integrate online marketing into its strategy. When social media became popular, Starbucks went along with that

also and started engaging with clients through Twitter and Facebook. In addition to that they are also active on other social media channels.

Starbucks.com/.nl

The first e-marketing channel Starbucks has, is their corporate web site Starbucks.com. Depending on the country, it may of course be called Starbucks.nl or Starbucks.co.uk. Not every country has its own website, as for example Belgium does not have one. The Starbucks web site gives a lot of information, each divided in sections to serve the company's external, as well as internal stakeholders. The US web site is the most elaborate. Customers can see the menu and nutrition information, and other information. This gives them the time to compare products if they want to, making it easier to come to a decision when they are in the store. This is an example of integrating online and offline activities. Customers can also help improve Starbucks services by submitting an idea to the 'My Starbucks Idea' platform (only the US web site). For Starbucks employees (partners) there is a separate part where they can log in and get access to insider information. American Starbucks cardholders can also log in to a separate part on the website. Prospective employees can check for vacancies in the online career centre. For press and interested people, there are several links enabling them to consult financial information and other information related to the company. For an outsider, it is not possible to see if the corporate website has a big audience. However, if the amount of web site visitors was to be determined by looking at the 'My Starbucks Idea' section, one could see that thousands of ideas and comments have been posted. 'My Starbucks Idea' also has a Twitter page

YouTube

According to a report by the A5 Consulting Group, Starbucks is aware of the knowledge of its target group and purposely focuses on the internet (n.d., p.8). As stated in their report, "Starbucks has determined that most of its targeted customers consider themselves relatively technology savvy via the computer" (A5 Consulting Group, n.d., p.8). This shows in Starbucks strategy to include not only its standard company websites, like most companies do, but also the social media outlets. Television commercials are much more expensive and not always necessary. YouTube can be a good replacement in this case. With its commercials, Starbucks really manages to engage people in the 'Starbucks Experience'.

One example of such a commercial is that of 'Sue's cup of coffee'. It shows the production process of a cup of coffee, starting from the planting process of the coffee beans and finishing with the end product, which is a cup of coffee. That video and some others, however, are not focused on the

Dutch market. Most campaigns ran in The United States and the UK only. SB does have a Dutch YouTube channel. The Dutch Starbucks channel has very few followers and has not uploaded nearly as much videos. To compare, StarbucksNL has 39 subscribers and has uploaded 8 videos since they joined YouTube in September 2011. Starbucks Coffee, (US based), has 17.835 subscribers, since they joined YouTube in November 2005. In a period of a year, they have already uploaded more than 51 videos. This comparison was done on April 29<sup>th</sup> 2013.

#### Facebook and Instagram

Starbucks Nederland has 31.337 likes on Facebook, Starbucks (US page) has 34.407.129. They have uploaded a large amount of photos on the page. Starbucks mainly uses Facebook to share pictures, job applications, promotions and other news. It is used more than YouTube and Pinterest. The Dutch page does not have that many activity on it. Instagram is a site that is similar to Facebook. Unlike on Facebook, on Instagram, the focus is less on posting comments, but more on sharing pictures. People are still able to comment on each others photos. You do not see long posts and notifications of why you should like a company. companies

#### Twitter

The way twitter is used by Starbucks, is similar to how they use Facebook. A lot of pictures and sometimes videos are tweeted. By using a so called Hash tag (#), people can type messages, which then directly end up on the Starbucks Twitter page. Tweets are public, so even without an account people can read it. On Twitter, again the Dutch Starbucks page has less followers, and less tweets were posted. The Dutch twitter page has 1469 followers. The US based page has 3.713.471 followers. Besides the official Starbucks pages, there is also a Dutch fan page. The Starbucks twitter page has 2.425.603 followers. Below, a print screen of the current Starbucks Coffee page has been included.

Source: [Twitter.com/Starbucks](https://twitter.com/Starbucks)

When it comes to social media, people sometimes underestimate the honesty, impoliteness and persistence the public can display. Starbucks learned that in December 2012, when they received bad PR. In the UK, Starbucks put up a big screen in the Natural History Museum, which was meant to show cheerful holiday messages people could tweet (Morse, 2012). Apparently, the tweets were not moderated and a truckload of hateful comments about the company appeared directly on the screen. Some even contained swear words, which was bad, considering the screen was put up close to an ice skating rink. A museum spokesperson gave a statement on the matter, apologised on behalf of the Natural Museum and explaining what went wrong. It was also made clear, that only by bringing in sponsors like Starbucks, the museum was able to offer such activities. Furthermore, a spokesperson for Starbucks gave the following statement: “We apologise to any visitors who may have been offended by inappropriate messages displayed on the Twitter wall screen at the Natural History Museum’s ice rink café on Sunday. This was due to a temporary malfunction with the content filtering system. As a family-friendly, responsible company we are committed to ensuring that our publicly displayed content is appropriate for all audiences and profanity filters have been in constant operation since the ice rink opened in November” (Morse, 2012). Fortunately, Starbucks does have an overall good reputation when it comes to the way they use Twitter. In a blog post about the company, the strong parts of the twitter strategy are outlined. According to Contently.com, Starbucks treats its fans in a very personal way, encouraging them to share content and wanting to know how they spend important days in the year, like Christmas (Wakefield, n.d.). That is a strong point of the company’s social media strategy.

## Pinterest

Pinterest basically is an electronic pin board, which people can pin photos or texts to. Just like other social media sites, you can register and share online content with friends and others, which they can comment on. Starbucks uses this platform too. The company has 7 boards, each with a different theme. The boards Starbucks has are named Coffee Moments, Real Food, Coffee DIY, TWISI (The way I see it), Inspiring Spaces, Beautiful Objects and Hosting the Holidays. It is a good way to extend the Starbucks experience, because by posting photos, they are creating a certain vibe. An online portfolio in which every photo contributes to one theme and it is consistent.

## 12. Corporate identity

As many other companies, Starbucks has an elaborate corporate identity. The company logo is the first example of that. The green and white siren is the ever so distinctive trademark for the company and even people who have never seen a Starbucks store, know what the logo stands for. Since 1971 the logo has undergone many transformations. A logo change is a significant change for a company, because it highlights the different direction a company will follow. Below, the multiple faces of the Starbucks logo are displayed.



Source: Headstandmedia.com

Other examples of corporate identity are flyers and product packaging. Since they are at full display for customers, these have to meet high quality standards. Customers are put off by poorly designed products and will relate that to the company. That is damaging for business.

## **Chapter 4. Are there differences in the application of Promotion by Starbucks on the Dutch and US market?**

In this part of the report, the types of field research that were applied will be discussed. Those types of research were interviews, a focus group and a survey. After discussing the field research in this chapter, an explanation for these differences will be given in chapter 5.1.

#### 4.1 Interviews

In the early stages of the research, it was important to find out what the general opinions were about Starbucks. Those opinions resulted in a general image of Starbucks, which of course was not representative for the whole target group, but was a good starting point. The interviews also functioned as a test-run for the focus group.

##### Consumer interviews

Two consumer interviews were conducted. Interviewee number one said that Starbucks could improve a couple things to get her as a customer. For one, they could offer more types of teas for people like her who don't drink coffee. In addition, she would like to see them offer salads in plastic containers so they are easy to take to-go. Changing the store appearance is not a good idea in the eyes of interviewee number one. Interviewee number one said that having the same concept everywhere works best, because it feels familiar to customers. Interviewee number two stated that the to-go character of Starbucks works well. The fact you can just take your coffee with you is convenient. In addition, changing the store appearance would not make a big difference. Particularly because of the brand name, people already know that the company is not local, so it cannot become more Dutch. Overall, interviewee number one was more positive about Starbucks. Interviewee number two, on the other hand, was more negative about Starbucks.

##### Expert interviews

In addition, two interviews were conducted with marketing experts. The first interview with Javier Bernad took place on May 3<sup>rd</sup> 2012. Mr Bernad is a Communication and marketing expert who also gives training in public speaking. His thoughts about Starbucks are that it is "a clever company concerning their marketing work". In addition, they are successful and "occupy a position that is hard to occupy in countries like Spain or probably Belgium where coffee shops are all over the place" (Bernad, 2012). As a visitor, he recognises the relaxing environment that Starbucks stores offer, the classy decoration, slightly high prices and well placed merchandise. When asked why people choose Starbucks over the competition, Mr Bernad named two factors. Firstly, in the US there are many stores and it looks like they never close. Secondly, they have a great sense of experience. This shows in the taste of the coffee, the smell and the sounds of the place, along with the visual experience merchandise. The experience also makes people remember where the stores are and come back regularly. Mr Bernad's response to the question if the coffee chain could improve anything about their promotional strategy was yes. As the target group in European countries like Spain is likely to be more limited, they could increase demand for their products by doing more advertising. In the past, they probably did not need to advertise. They

targeted previous customers instead of attracting new ones. In addition, their shops do function as billboards when you see them in the streets. Regarding stores adapting product offerings to local tastes, he says, “they could sell other things, as long as it is not too far from the concept (Bernad, 2012)”.

The second interview with Ms Kahar took place on June 12<sup>th</sup> 2012. She is a senior lecturer, specialised in Marketing communications. In her opinion, Starbucks stores are not always easy to reach. She does not visit the stores often, because it is too far for her. She does not like the coffee either and the American style cups sizes are too big for her. She prefers to have her coffee in proper cups and also enjoys to eat bread with it. Experience marketing has contributed to the success of Starbucks. Especially students like the Starbucks cheesecake and chicken pie, free wifi and the fact that they don't chase you away if you stay too long. Ms Kahar does not come across a lot of their advertisements. In the Netherlands she has only come across sales promotion, which was a poster at the Schiphol Airport store.

In the United States, she sees a lot of billboards, in Malaysia leaflets of daily promotions. Apart from sales promotions, she knows they also make corporate videos, booklets with Starbucks history and show their corporate culture and corporate social responsibility. In addition, in the US, they also do printed advertisements in magazines. A reason why the company has not done television advertisements in the past, in Ms Kahar's opinion, is because they do not believe in it. They do believe in experience marketing. In the United States, people are being flooded with advertisements, so they become more immune to it. Regarding improvement in their promotion, Ms Kahar does think Starbucks can be more visible in the Netherlands. They could also do print advertisements. It all depends on what works in the Netherlands and for Dutch people. When asked about global versus local marketing, Ms Kahar stresses the fact that they cannot simply copy the concept and apply it to the Dutch market. In America, bigger may mean better, but that is not the same here. Bigger can also mean unhealthy. Starbucks should find out what Dutch people value in a coffee and café and try to deliver that. In addition, they should try to promote themselves in a more flexible way. Companies with long histories tend to be more inflexible.

#### **4.2 Focus group**

On Monday, March 11<sup>th</sup> a focus group was conducted. The focus group took place at The Hague University of Applied Sciences and was attended by 7 people. The reunion started informally, giving everyone a chance to talk and get to know each other. After that, the purpose of the reunion was explained and the group was asked a number of questions. The questions ranged from being

general in nature, “what makes a good cup of coffee”, to more specific questions about their feelings towards a poster. The purpose of asking these questions was to find out what people’s coffee consumption is like, what their preferences are when they go to a coffee café and how they feel about Starbucks. The focus group formed an important part of the field research, since it was a good way to get feedback from the target group. Bringing those 7 people together generated a discussion, which provided more feedback. It also showed how people (dis)agreed with each other on some matters, highlighting possible opportunities for Starbucks. Below, the most important outcomes of the focus group will be discussed.

Most attendants of the focus group indicated that if they do not drink coffee, they drink tea or hot chocolate instead. However, they would not go to Starbucks for tea, since it is not as special. Tea, especially Pickwick, can also be bought at many other places. To get more attendants to the Starbucks store, the quality should be high, prices lower. In their case, word of mouth, is not enough to attract them, because they are more easily convinced by facts than by opinions. What stands out, is that attendants say that they have a certain perception of Starbucks being expensive, too much a chain rather than unique. The idea of the coffee chain being expensive is not always backed up by experience.

On the other hand, attendants also say the company has comfortable chairs, a nice atmosphere, fast service and wifi. It is also nice that you can sit in a store for a longer period of time, with just one drink. The presence of Starbucks on social media is not noticed by everyone. Sometimes attendants see that their friends have like Starbucks on Facebook, but otherwise their presence is not noticed. Attendants do not visit the corporate web site either, to find out more about the company. Regarding the commercials Starbucks released on YouTube, they are received positively. The video named “One person can save trees, together we can save forests” appealed to the focus group, because attendants say it is fun and it shows the company cares about sustainability, nature and quality. Another video called “Mondays Can Be Great”, was also deemed to have potential to use on the Dutch market, since discounts have a stimulating effect on sales. Focus group attendants notice that Starbucks must be releasing more commercials in other countries, since they have never seen these. Therefore they suggest to use Facebook more, rather than YouTube. On YouTube, it is easier to miss videos if you have not subscribed to a channel. The focus group attendants were also shown three Starbucks posters. The three posters were selected out of a number of posters Starbucks has designed over the years. Every poster was different in message and look, but the purpose was to see which lay-out appealed most to the attendants. The outcome of this, was that everyone liked the most simplistic poster with the darkest colours, few images and more text.

Reasons for this were that this poster “looks tough, Wild Westernlike, the message behind it is good and it fits the Starbucks house style”. Finally, all attendants said Starbucks should open more stores in The Netherlands. Stores should also be opened in city centres across the country, not just on train stations and around Amsterdam. This way, people would be more inclined to enter a store and try the products.

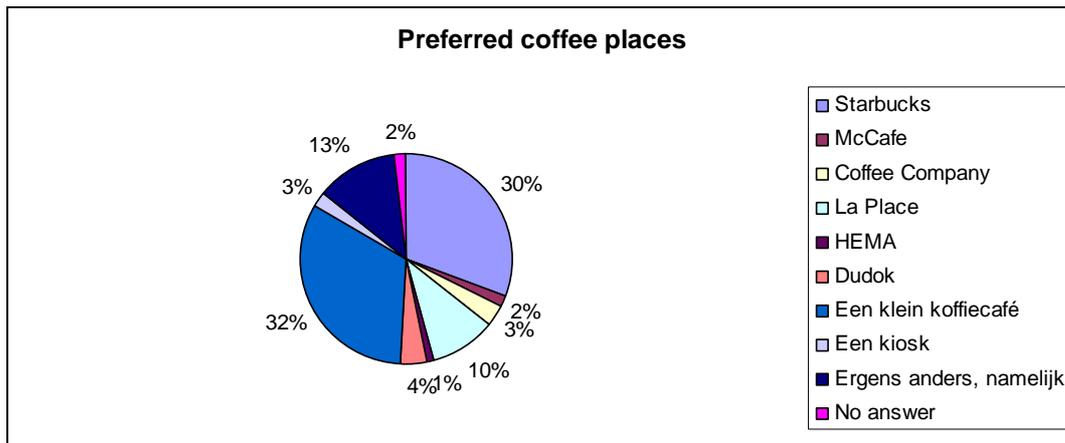
#### **4.3 Survey**

As follow-up research for the focus group and the interviews, an online survey was designed. This survey was put online on Thursday April 4<sup>th</sup> after which the access links were dispersed to many people. The dispersion of the survey occurred through social media, Whatsapp and e-mail. Eventually, 120 people between the ages of 20-40 participated. For the survey, a conscious choice was made to not only survey Starbucks fans. The goal for this was to obtain more critical feedback from non-frequent visitors. This way, it could be easier to see what Starbucks can improve.

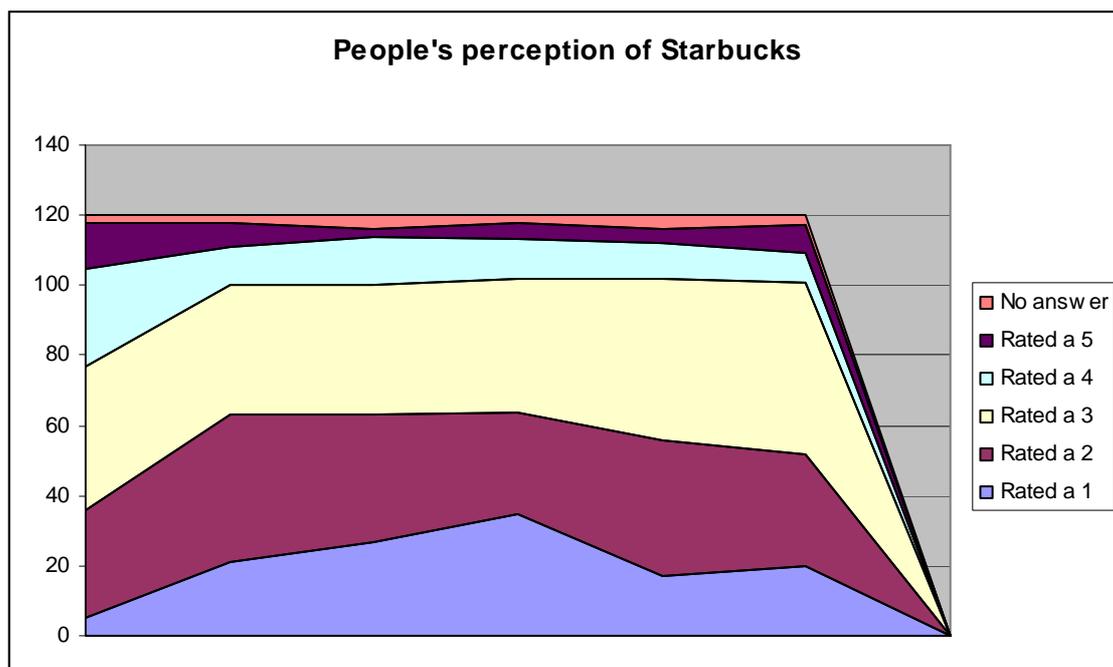
First of all, respondents were asked a number of questions to find out more about their coffee, tea and hot chocolate consumption. Out of those answers, it became clear that hot chocolate is not drunk very often. Out of all respondents, 33 percent drink coffee every day, while 56 percent drink tea every day. When asked what type of products they buy or would buy most at Starbucks, a top five came about which contains the following products:

1. Coffee
2. Pastry and/or cookies
3. Tea
4. Hot chocolate
5. Frappuccino® Blended Coffee

When it comes to enjoying a drink outside of the house, the following factors are very important: good quality drinks, affordability, a nice atmosphere, good service and sufficient seating space. When asked what place they prefer to have coffee at, most people answered Starbucks or a small coffee café.



As the pie chart above shows, people prefer smaller coffee cafes and Starbucks. Those findings are being supported by the fact that 64,16 percent says they feel at home in a Starbucks store. Those findings are also being supported when looking at the results regarding the perception of Starbucks. The survey results show that most people have a positive perception of the coffee chain. Respondents were asked to evaluate six factors, rating them anywhere between a 1 up to a five. The factors were: price quality rate, service, atmosphere, quality of coffee, quality of coffee tea and quality of hot chocolate. As the graph below shows, the area for respondents that gave a rating of a 2 or a 3 is the biggest. In addition, most people heard about Starbucks more than two years ago (89,17 percent) through a friend (51,67 percent).



The visitor frequency amongst respondents is not particularly high. Most people visit a Starbucks store either once a month (24,17 percent) or once a year (53,33 percent). When asked about Starbucks commercials, 70 percent of respondents said they had never seen one before. Nonetheless, most people feel that Starbucks does not have to increase the amount of advertising in the Netherlands. On the other hand, a significant amount of people disagrees and says, Starbucks should incorporate television and billboards into their promotion. When asked what online media they use to follow companies, respondents indicated that Pinterest came first, followed by Twitter, YouTube, Facebook and then the company website. When it comes to Starbucks expansion in the Netherlands, 50,83 percent welcomes it, 41,67 percent does not welcome it and 7,5 percent does not have an opinion on it.

## **Chapter 5. External analysis**

In this external analysis, a link will be made from internal analyses to the external analyses. In chapters 3.9 and 4, the differences in the promotion mix were discussed. In chapter 5.1, an explanation of those differences will be given. In addition, several aspects that are important for Starbucks will be analysed. These aspects include the market, competitors, trends and media, consumers, consumer trends and behaviour, opportunities and threats, a DESTEP analysis and branch development. From this analyses it will become clear what kind of market Starbucks serves in The Netherlands and what the aspects, threats, opportunities and trends of the market are. Finally, conclusions will be drawn and recommendations will be given on how Starbucks should move forward in the future

### **5.1 Can these differences be explained?**

From the field research and the analysis of the promotion mix, it can be concluded that there are a number of differences between the way in which Starbucks is promoted on the US and Dutch market. In this chapter, an explanation for those differences will be given.

#### Target group

The target group for Starbucks is different in the United States, than it is in the Netherlands. According to an article by Renee O'Farrell on the Smallbusiness.chron website, Starbucks target group is "men and women aged 25 to 40" (n.d.). This group accounts for the majority of their sales revenues. In addition, Starbucks also focuses on "young adults, aged 18 to 24" (O'Farrell, n.d.) and 13 to 17 years olds. In the Netherlands, Starbucks is mainly focusing on commuters, rather than on a specific age group. Since Starbucks entry on the Dutch market, their stores opened on train stations, leaving out the city centres. Now, Starbucks stores are opening in city centres too, such as the Amsterdam based 'The Bank' store. An explanation for the difference in target group, is that the company's entry strategy up to a certain point has been different. With that, the target group can change to. Besides the Amsterdam city centre, Starbucks now also has stores in the Erasmus Hospital and university, which attracts different target groups to the stores.

#### Market

For Starbucks it is quite challenging operating on the Dutch market. The Dutch coffee market has other competitors that have been around longer. In addition, coffee is drunk more at home than in cafes (Max Havelaar, 2012) and there is not so much of a 'to-go' culture. Because the needs and

want of the Dutch are different than that of the American market, Starbucks has to alter promotion to match that.

#### Expansion

There are not nearly as much Starbucks stores in the Netherlands as there are in the United States. This has a few logical explanations. To name one, the United States is a much larger country and thus, has a larger target audience. According to a NY Times article, “Europe’s debt crisis and sluggish economy are a factor” (2012). As a result, Starbucks profits are disappointing in Europe. In addition, “So are high European rents and labour costs, which impinge on profits more than in any other region in which Starbucks operates” (NY Times, 2012). This could be another reason why Starbucks decided to expand with caution. In addition, Starbucks has given licenses to Dutch companies. Negotiations for this probably also took long, which delayed expansion in the Netherlands even more.

#### Marketing communications mix

In the analysis of Starbucks social media, it became clear that there are some differences. In the US, much more is done to engage and communicate with customers. A quick comparison of the company’s Dutch and American YouTube channels shows that the Starbucks NL only has less than ten videos. In addition, when it comes to utilising posters and billboards, the Dutch market has not seen nearly as much. An explanation for this is related to the expansion, which was discussed in the previous paragraph. Since Starbucks has not been as established on the Dutch market, it is understandable that their YouTube channel is not as developed. In addition, since the market here is reasonably smaller, the company will not need to advertise as much and the promotion mix will differ from the American one.

#### Culture

Culturally speaking, the Netherlands is different from Starbucks domestic market, the United States. This is another challenging factor for Starbucks. Culture is another reason why Starbucks is taking a different approach in targeting the Dutch market. When taking Geert Hofstede’s five dimensions in analysing the Dutch culture, a number of things can be observed. Power distance is low (38), which means that Dutch people like a coaching leader that is easy to approach (Hofstede, n.d.). Employees expect to have a say in matters and tend to be participative and direct. When looking at the United States, this is quite similar. Power distance there is also quite low, (40), and there is a strong focus on equal rights. The second dimension is individualism. The Netherlands is less individualistic (80) than the US (91). In both countries it is normal to just take care of yourself and your immediate family (Hofstede, n.d.). In business, Americans especially are not shy about

approaching business prospects (Hofstede, n.d.). The biggest difference in culture lies in the masculinity/femininity dimension. With a score of 14, the Netherlands is a feminine society, while the US with a score of 62 is masculine. This gap could pose challenges. In a culture where you should not stand out too much, because average is better, the difference between a “society that is driven by competition, achievement and success” (Hofstede, n.d.) could not be bigger. The fourth dimension addresses uncertainty avoidance. By consulting the Hofstede scores for the two countries, it shows that the Dutch are less uncertainty accepting than the Americans. Scores of 53 and 46, indicate that the Dutch have an emotional need for rules (Hofstede, n.d.), as opposed to Americans, who welcome change and innovation. Finally, both countries are similar when it comes to the last dimension, which is long term orientation. Both cultures score low (NL 44, US 29) on this dimension, making them short term orientation cultures (Hofstede, n.d.). As such, traditions are respected, social pressures are strong and results should be achieved quickly (Hofstede, n.d.).

## 5.2 Market

### Operating globally

The market a company operates in, is of impact to everything. In a market, companies and their (prospective) customers operate. Such a market can be an actual shop or market stand or an online shop. The market is influenced by competitors, customers, financial factors and natural factors, amongst other things. A market can also change or be extended, for example when a company decides to do business abroad. There are several reasons for a company to choose to internationalise. These reasons can be divided into two categories, which are turnover oriented motives and cost-oriented motives (Veldman 2010, p. 50).

Starbucks is a company that operates on a global scale. According to Veldman (2010), this means that the management culture is geocentric with regionally centred application. The marketing is global and aware of local marketing adjustments, the market is worldwide with local preferences and the strategy and/or structure is worldwide diversification with local accents. The culture of internationalization is geocentric (p. 51). Starbucks, who had been operating in other countries already, Starbucks decided to enter the Dutch market in 2007 (Facebook, n.d.). Now, there are over thirty (Facebook, n.d.) stores in cities such as The Hague, Leiden, Rotterdam and Amsterdam. The stores are exploited under license by HMS Host and the Servex, amongst others (Facebook, n.d.). Choosing such an entry strategy, means that the company does not have to manage all Dutch stores, as could have been the case otherwise. Instead, licensees pay a fee to be able to use the company's trademark, patent and manufacturing process and other things of value (Armstrong & Kotler, 2008,

p.494) In addition, the company keep controls over the licensees. Starbucks does not do franchising agreements, which is also stated on the Dutch company website.

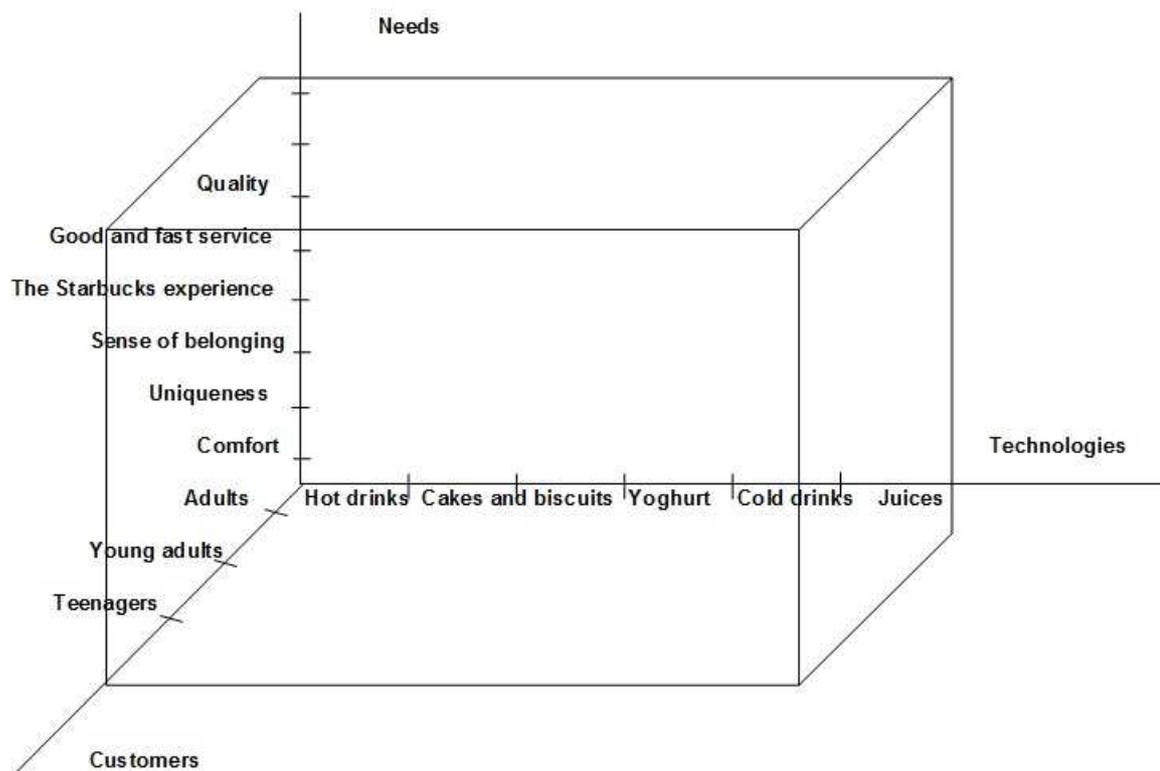
#### Coffee market

According to an article on Businessweek.com, a 2012 research by Euromonitor showed that most coffee is drank in Scandinavia (2010). The Netherlands, however takes up the 20<sup>th</sup> place in the top 50 of coffee countries. The United States ranked 16<sup>th</sup> in this top 50. These data are also supported by Dutch research. According to a study conducted by the Central Bureau of Statistics (2007), Dutch people consumed the equivalent of 3,2 cups of coffee a day in 2006 (Bontridder). In 2002-2006, Scandinavians consumed the equivalent of 4,3 cups of coffee a day (Bontridder, 2007). In addition, an NOS (Schutijser, J.) article stated that there had been a slight grow in coffee consumption in the past five years. This 6,5 percent rise, is partly due to the growing number of coffee products and brewing equipment (2012). If this growth continues, this could be beneficial for coffee cafes such as Starbucks.

Besides, the rise in coffee consumption, coffee preferences of Dutch people are also changing. According to an article on the Dutch news site Nu.nl, more consumers want to have a 'special' cup of coffee (2013). Later in the day, the need for a more 'luxury cup of coffee' increases and people prefer to do that in the company of others (Nu.nl, 2013). The past two years, the world market price of Arabica, the most important type of coffee, has taken a plunge (Reijn, 2013). According economists, that trend is expected to continue. In the United States, prices have dropped and Starbucks, who sells coffee beans through supermarkets, announced a price reduction (Reijn, 2013). The market for Starbucks is a diverse one. To analyse what that market looks like exactly and who it serves, the Abell model can be used. The Abell model consists of 3 segments.

This is the Abell model for Starbucks.

Customers → who?	Needs → What?	Technologies → How?
Adults	Quality	Hot drinks
Young adults	Good and fast service	Cold drinks
Teenagers	The Starbucks experience	Cakes and biscuits
	Sense of belonging	Juices
	Uniqueness	Yoghurt
	Comfort	



### 5.3 Competitor analysis

In the coffee company market there is a lot of competition. As stated before, there are competitors trying to win over some of Starbucks customers by taking over parts of their concept. According to Georgia Flight, journalist for Business 2.0 Magazine, this is with good reason, because a lot of money is involved in the coffee market. As she states in her article, “Coffee is the second-largest U.S. import good, and the specialty coffee market is estimated to be worth \$11 billion a year” (Flight, CNN, 2007). In her article, she also lists five companies that are very different, yet still perform very well in the US market against Coffee giant Starbucks. Green Mountain Coffee Roasters, Coffee Bean & Tea Leaf, Costa Coffee, Peet's and Caribou Coffee. In 2005, Costa Coffee, for example, managed to get a revenue of 270 million dollars. (Flight, CNN, 2007). However, Starbucks got higher net revenues in 2005 than all 5 competitors mentioned. For Starbucks, this was the highest amount out of all five of the prior mentioned companies. Companies like Dunkin Coffee and McDonalds, are also considered as Starbucks competitors.

In the Netherlands, Coffee Company, Bagels and Beans, DE and other coffee cafes are considered to be competitors of Starbucks. In the following table, a competitor analysis is displayed, which provides an overview of the four companies.

Factor	Starbucks	Coffee Company	Bagels and Beans	DE
Products	++	+-	+- Less coffees and teas, but do offer healthy herbal drinks. More (bio) food	+-
Price	+	+	++	+
Promotions	+-	+-	+-	+-
Quality	++	++	++	++
Store appearance	++	++	++	+-
Store locations	+-	++	+-	+-
Service	++	++	++	++
Online store	++	--	++	++
Social media	++	++	++	++
Innovation	++	+	+	++ (merchandise related to Dutch culture)
Expertise	++	++	+-	++
Reputation	+-	++	++	+-

When it comes to the products, Starbucks has the broadest assortment. The many teas and coffees they offer is not matched by the competitors. Coffee Company and DE for example offer less pastries. Bagels and Beans does offer a whole array of products. This, however, does not earn them a higher score, since they have a different company concept than Starbucks. Bagels and Beans does appeal to people who try to eat healthier or prefer biological produce. Price wise, Starbucks, Coffee Company and DE have the highest prices. A comparison of the company websites shows that a normal size cup of coffee costs around 4,15 (Coffee Company), 4,20 (Starbucks), 4,15 (Douwe Egberts) or 2,60 (Bagels&Beans) Euros. A large cup of coffee will cost 5,55(Coffee Company), 5,40 (Starbucks), 4,90 (Douwe Egberts) or 3,75 (Bagels&Beans) Euros. All companies offer promotions of some sort. Those promotion vary from discount coupons to special offer days and coffee stamp card. Quality and store appearance is good for all companies. They all work with fair

trade products and know about coffee. Stores are adapted to their customers. DE did score lower on store appearance, because their stores look less cosy. All companies have more than 30 stores except for Douwe Egberts. Coffee Company, however has very well located stores. Service is good and nearly all companies have an online shop. Coffee Company is still working on theirs. When it comes to social media, all companies perform well. Starbucks could improve on this point. Its competitors have more followers on Twitter and are initiating contact with them more through Facebook. Because of the Starbucks idea initiative, Starbucks get a high score. Douwe Egberts tries to be innovative by keeping up with current affairs. For the coronation of King Willem Alexander, they gave out orange hats. Most competitors have knowledge when it comes to coffee. Bagels and Beans is less focused on coffee, so they will be less skilled. When it comes to Starbucks, people are not always enthusiastic about the company. Coffee Company has a better reputation, also because it is more Dutch. Bagels and Beans is a relaxing place and people also like it more, because you can enjoy a drink while you eat something as well. Douwe Egberts has the reputation to be a solid Dutch brand that attracts the slightly older age group.

#### **5.4 Distribution analysis**

An analysis of the distribution consists of researching “on the basis of what product features distributors can be approached or selected (Veldman, 2010, p. 84)”. The Starbucks approach of the supply chain is to “plan, source, make and deliver” (Starbucks.com). This starts with planning how many products are needed and ends at the customer. Starbucks, has multiple product lines and may therefore have a complex distribution structure. Many of the products are manufactured by the company itself.

Starbucks has a roasting plant in Amsterdam, from which coffee is roasted, packaged and distributed to stores in Europe, the Middle East and Africa (Starbucks.nl). Therefore, the most likely distribution method will be ‘Direct to Store Delivery’ (SupplyChainDigest.com, n.d.). The roasting plants can provide the stores with the coffee needed to serve customers. In addition, they also sell their products through supermarkets, so that is also something that should be taken into consideration. In that case, distribution could be done through ‘Traditional Warehousing/Distribution’ (SupplyChainDigest.com, n.d.). This means that the bottled drinks Starbucks manufactures will be distributed to a supermarket distribution centre. From there, the goods will be transported to the supermarket, where they are sold to customers. Starbucks also buys goods that they do not manufacture themselves, like coffee cups, napkins, milk and so fort. Naturally, the coffee beans also come from farmers before they arrive at the roasting plants.

### 5.5 Trends

There are a number of trends or factors that can have or have an effect on consumption. The first factor is sustainability. A research done amongst consumers by Deloitte brought forward a number of insights. When it comes to buying sustainable products, 49% says they sometimes buy sustainable products and 14% says they always do (Deloitte, 2012, p. 60). This is a rise in comparison to the 46% and 13% percent in 2010 (Deloitte, 2012, p.60). Another factor that influences consumption is economic crisis. When asked if they have cut their spending in general, 32% percent said yes (Deloitte, 2012, p.77). In addition, research shows that, however small, there is a group of people who feel obliged to cut back on food expenses. Looking at another graph shows that 18 percent either agrees or fully agrees they feel obliged to spend less on food (Deloitte, 2012, p.77).

The third factor is fair trade. People are becoming more aware of the fact that not all business is conducted responsibly. This not only affects people but also the environment. Fair-trade means offering small organised farmers easier entry to the market and knowledge of the market and more security of income through fair trading conditions (Max Havelaar, 2012). Being part of such a network results in a better life for farmers. In addition, they have to adhere to strict social and environmental criteria in order to get certified (Max Havelaar, 2012). In 2011, 1,6 million cups of Fair-trade coffee were served every day in the Netherlands. The fourth influential factor is Corporate Social responsibility. Like has been mentioned in chapter 3.9 on strategy, people view social responsibility as something positive. Furthermore, research executed in the form of the 'Nielsen's Global Corporate Citizenship Survey' (Business News Daily, 2012), showed that a significant amount of people is willing to pay more for products that are being sold by socially responsible companies.

### 5.6 Consumer analysis

For a company, it is important to identify its target group and the needs and wants of that target group. This way, the products and later, communication messages can be tweaked accordingly in order to get the desired outcomes. For this dissertation, people between the ages of 20 to 40 were researched.

Below a consumer analysis is drawn up, by using several segmentation criteria.

<b>Demographics</b>	<b>Geo-demographics</b>	<b>Values</b>
Young adults	Living in the Netherlands	A good cup of coffee

Adults		A place where they can get a unique experience A place to relax A place to have meetings /study
<b>Occasions</b> Mostly mornings Then afternoons Other random moments in between and after that	<b>Attitudes</b> Critical Do a lot of selective reading	<b>Lifestyle</b> Busy
<b>Benefits sought</b> Quality Good and fast service The Starbucks experience Sense of belonging Uniqueness Comfort		

#### Explanation

For customers, paying a visit to a Starbucks store involves a number of attributes and benefits. The Starbucks target group enjoys a good cup of coffee, but even more so, they enjoy the experience of it. When people are passing by they can come in, order their coffee and be on their way again. When customers want to sit down and relax, that is also possible. Most customers drink their coffee in the mornings. The attributes are that it is good quality coffee that comes in a solid to-go cup. The cup also has their name on it and a nice design. The physical benefit could be that it is not so healthy, particularly if they are buying a high calorie Frappuccino. A financial benefit could be the higher prices and a functional benefit that it satisfies caffeine cravings. The psycho social benefit could be that people are deemed to be more trendy when they walk around with a Starbucks cup.

#### 5.7 OT + confrontation matrix

<b>Opportunities</b> Starbucks still has room to expand to some markets	<b>Threats</b> Most of the competition is less expensive The market has more competitors copying parts
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Coffee consumption is rising	of the Starbucks experience Dutch consumers might be difficult in accepting the chain More established competition
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#### Confrontation matrix

**SO:** By expanding, the Starbucks experience can be brought to more people's lives.

**WT:** With its high prices, Starbucks can be trumped by competition. Direct or indirect competitors may lower prices to compete with Starbucks.

**WO:** Compared to a local or smaller coffee café, the Starbucks experience is not authentic. In addition, it has also become less unique, since competitors started offering similar benefits. Wifi, is an example of this.

**ST:** The good use of social media is a big plus when it comes to Starbucks. This can help in attracting customers to the stores. People that feel hesitant against the company may change their minds if they are approached the right way.

### 5.8 DESTEP analysis

#### Demographic factors

Starbucks has a large target audience. In 2010, the group of men and women between the ages of 20-40 counted 4.194.782 million individuals (CBS, 2012). In 2012, this number had risen to 5.213.679 million individuals (CBS, 2012). Starbucks could also attempt to attract more men to the store. According to an article on Nu.nl, men more often stop for coffee than women (2011). Demographic trends like this also influence business, because in 2012, there were more men than women in the Netherlands (CBS, 2012).

#### Economic factors

A number of economic factors can be of influence. Income, economic crisis for example but also unemployment. In those three cases, people may decide to spend less on luxury products. In this case, Starbucks coffee is not a necessity, because you can buy coffee in the supermarket and at other places. In addition, going to a café for coffee will usually be more expensive than home consumption.

### Social (cultural) factors

Social-cultural factors are a big part of what companies like Starbucks need to focus on. The lifestyle and characteristics of a culture are what make it unique. These are also the points where marketing should be altered slightly. According to an article in Taalunieversum, the Hofstede model defines Symbols as the most superficial characteristic of a culture (2002). They include symbols that are only understood by members of a culture. Some symbols can have the same meaning in one region, but the opposite in another. The next layer of the onion defines heroes, which are “the ideal type of people that have symbolic value in a culture” (Taalunieversum, 2002). When using heroes in marketing, one should consider the culture first. In masculine cultures particularly, heroes are admired and are put on a pedestal more than in feminine cultures like the Netherlands. The last two factors are rituals and values. Rituals are conventional collective activities like greeting and receptions” (Taalunieversum, 2002). The inner layer of the onion displays values. Values are “preferences that surface in norms” and “things we highly value in our deepest being” (Taalunieversum, 2002). Examples of this are laws that are put in place to enforce ‘Dutch’ norms, tolerance and consensus.

### Technological factors

Possibly one of the biggest influential factor that is relevant to Starbucks business, are mobile phone devices. Smart phones have become increasingly more important. In addition, they have also been integrated into other forms of technology. Often times, mobile phones are used in combination with television, the internet and other technology. When it comes to everyday tasks like shopping for groceries, books or other items, they are being used more as well. According to a survey on mobile influence, “Roughly 58% of consumers who own a Smartphone have used it for store-related shopping. Once consumers start using their Smartphones for shopping they tend to use them a lot — typically for 50-60% of their store shopping trips, depending on the store category” (Deloitte, 2012, p.4). Furthermore, other technologies such as paying with a mobile phone or chip are also likely to be of influence to Starbucks.

### Environmental factors

People are getting more concerned when it comes to the environment. Like was discussed in the chapter on trends, nowadays there is a bigger focus on sustainability. MVO Nederland is an organisation that focuses on social responsibility in business. According to them, the Dutch government announced to only wanted to buy 100 percent sustainable products starting the year 2010. If Starbucks decided to do business with government in any way, they would have to comply with that.

#### Political factors

Across the internet there is criticism on companies who allegedly are not paying taxing. Starbucks has also been named in this matter. According to an article on Volkskrant.nl, multinationals like Apple and Starbucks are evading tax in the Netherlands, which according to estimates, comes to billions of Euros a year (2013). The paper reported on an interview with politician Diederik Samsom, in which he commented on tax evasion by multinationals. He further commented, “I want to change that. We will tackle this abuse step by step” (Volkskrant, 2013).

## **Chapter 6. Conclusion: Is Promotion applied optimally on the Dutch market?**

After a review of the research results, it can be concluded that promotion is not optimally applied on the Dutch market. There are a number of areas where Starbucks can still improve the application of the tools of the promotion mix.

### Target group and expansion

The target group between 20-40 has proven to be a good one. Within that target group, the perceptions of Starbucks are positive and people prefer to go there and to smaller coffee places. On the other hand, the visitor frequency is rather low. People do not go to stores more often than once a month (24,17 percent) or once a year (53,33 percent). Even though store traffic could be increased, the target group sees expansion as something Starbucks should do. As survey results show, 50,83 percent welcomes expansion. In the focus group, participants also felt positive towards the company opening more stores in the Netherlands. This means there are a lot of opportunities for Starbucks to gain more customers.

### Market and culture

The Netherlands market for Starbucks is different from the United States market and therefore the marketing approach needs adaptations. Most coffee is drunk at home, although that seems to be changing slightly. In addition, the Dutch market does not have so much of a 'to-go' culture. This means that stores need to be larger and should have comfortable seats. In addition, stores may also need to be located in different areas and not at train stations. Furthermore, Starbucks aims could open more stores along the highway, since men stop for coffee more often than women. Finally, there are opportunities for Starbucks, because coffee consumption in the Netherlands is quite high and continues to rise. In addition, nowadays people want variation and go for a more 'luxury cup of coffee'.

### Marketing communications mix

The social media channels are underdeveloped in comparison to those of the US. The Facebook and Twitter Page are not that vibrant. This also appears from the competitor analysis. Starbucks does not engage as much with customers as other coffee companies do online. In addition, the YouTube channel for StarbucksNL does not have that many videos on it. Survey results showed that most people follow companies through Pinterest and Twitter. The other three most utilised media were YouTube, Facebook and the company website. Even though YouTube is a frequently utilised tool, the survey also showed that 70 percent of respondents had never seen any Starbucks commercials.

Furthermore, there are some differences between the Starbucks.nl and Starbucks.com websites. The latter is much more impressive, changes regularly and is more elaborate. To give an example, the Dutch website does not inform customers about the membership card. Regarding advertising, Starbucks does not do that in The Netherlands. In the United States, they do have posters and billboards. In addition, they sponsored a television commercial before the elections. Overall, the company is more present on the United states market. This also appears from them being present at volunteering days (Community.starbucks, n.d.).

## Chapter 7. Recommendations

### Increasing awareness

Survey results showed that people's perception of Starbucks is mostly good. However, store traffic is not that high. Therefore, more awareness should be created for Starbucks. This could be done by sales promotions, PR, and social media. Starbucks should try to get into customers' evoked set. When people want to have a coffee, they should immediately think of Starbucks as a possibility. To increase awareness, Starbucks should start making better use of Twitter, Facebook and YouTube. Since people use social media to follow companies, they should be up-to-date and create desire. The three sites could also be linked to each other and to the company web site. This could also increase store traffic. Engaging more with people on Twitter and Facebook would be a good improvement. The Dutch YouTube channel should be expanded with more Dutch spoken messages. Those messages should make people feel like the company is accessible and is trying to become more Dutch, without losing its American soul.

### Appealing more to Dutch tastes

The key to appealing more to Dutch tastes is knowing how people are. Starbucks should try to capture the essence of the Dutch culture and run with that. Videos should maintain the Starbucks character but still be simple, down-to-earth and a little cheeky. More and more Dutch people are trying to live healthier lives. Other groups of people may have allergies like intolerance to gluten. Starbucks could play into this by creating a special type of pie that is gluten free or healthier in any other way. They could create this pie by collaborating with a small Dutch and established company.

### Reigniting the flame of word of mouth

Word of mouth is important for Starbucks. In order to give that a boost, the company should a national campaign. The campaign should get people talking and thinking about Starbucks. The campaign could incorporate posters, social media and mobile phone applications. If, for example coffee riddles or images are printed on posters and people are left to solve it, that could trigger action. The harder the riddles are, the more people will want to solve it. Eventually, prizes in the form of a Starbucks card with 20 Euros on it and other prizes can be given to the winners.

### Change image of Starbucks for non-fans

Starbucks is a socially responsible company. Not everybody knows that. The company should work on impressing more people by telling that story. The community service projects they are participating in, should also be implemented in the Netherlands. They could tie their name to local

volunteering of fundraising projects. In addition, to gain a better understanding of why people are not choosing Starbucks, they could also reevaluate the non-fan base.

#### Other initiatives

The company has room for expansion in the Netherlands. People are waiting for more Starbucks stores and want them on more convenient locations. City centres, for example would be a good place for the coffee chain to open more stores. Shoppers will be more inclined to enter a store and take a break. By applying sales promotion, they could make store visits more appealing. In addition, more stores could be opened along the highway, since men especially stop more often for a cup of coffee.

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## Appendices

### Appendix 1: Interview questions

#### Interview Starbucks

1. Do you go to Starbucks sometimes? If yes, why?
2. Who do you see as their target group?
3. Do you think that they reach their target group with their promotion?
4. In your opinion, which factors have contributed to the success of Starbucks?
5. Why do people often walk past other (smaller) coffee companies to go to SB? If relevant, why do you do so?
6. Do you come across a lot of their advertisements? If yes, where?
7. What did you think about it? What were the strong and weak points of the advertisement.
8. Why do you think that SB has shied away from doing TV ads in the past (and started doing so recently in the UK)?
9. In your opinion, should Starbucks do anything to improve their promotion?
10. Regarding global or local marketing (act global, think local) → The SB concept works well in the US. Do you think that the concept can simply be copied and used for another country? Should it not be altered?
11. How do you see the future for Starbucks?
12. Is there room to expand?
13. Do you think they will still be as successful in the future?
14. What would you advice them to do in order to stay successful in the future (generally speaking and promotion wise)?

Is there anything you would like to add; any comments about Starbucks?

## Appendix 2: Focus group questions

Focus group questions:

1. Voor de koffiedrinker: Wat is belangrijk aan koffie/wanneer is het een goeie kop koffie? (smaak sterkte, beleving?)
2. Voor niet niet-koffiedrinker: welke drank is een goed alternatief voor koffie? (frappuccino, chocolademelk, thee?)
  - a. Zou je daarvoor naar Starbucks gaan?
3. Zien jullie bepaalde trends in de koffie(café)wereld?
  - a. Kan/zou Starbucks daarin moeten springen?
4. Zijn er mensen die Starbucks volgen via de social media? Waarom? → voor product info, acties of andere dingen?
  - a. Kijk je daar sneller op dan op de corporate website van het bedrijf?
5. Hoe zou Starbucks jou als(potentiële)klant het beste kunnen benaderen? → TV, social media, corporate website, advertenties, billboards?
  - a. Werken nieuwe media hierbij wel beter dan oude media?
  - b. Voor fans:Waarom verkies je Starbucks boven andere koffiecafés? Voor anderen: Waarom verkies je andere koffiecafés boven Starbucks?
6. Please finish this sentence: Commercials appeal most to me when they. . .
7. Please take a look at this SB promotional video. Does it work? What do/don't you like about it? Video 1, One person can save trees, together we can save forests.: [http://www.youtube.com/watch?v=ZK\\_-ocPBSjw](http://www.youtube.com/watch?v=ZK_-ocPBSjw)  
(Wat vindt je ervan dat SB dit doet? Wat zegt dit over het bedrijf na het bekijken van de video?)
  - a. Video 2, Starbucks "Mondays Can Be Great" Campaign (2013) <http://www.youtube.com/watch?v=sj5NxPryPXE> Moet Starbucks meer Nederlandstalige video's (reclames) maken? Actiever zijn online in NL?
  - b. Laat de volgende twee video's achter elkaar zien: Is het genoeg om niet-koffie drinkers naar de winkel te krijgen?

Video 3, The New Hazelnut Macchiato: <http://www.youtube.com/watch?v=pCHIBIn25-o>  
 vergelijken met Video 4, Introducing Starbucks Refreshers™ Beverages:  
[http://www.youtube.com/watch?v=a\\_yf-7mSzz0](http://www.youtube.com/watch?v=a_yf-7mSzz0)

- c. Will video 3 and 4 convince you enough to buy their beverages?
- d. Would you visit the stores more often if you knew that you could also get other drinks (not just coffee) for free/with a discount sometimes?



2007

2009

2002

8. Video op YouTube laten zien en vragen wat ze er goed aan vinden en wat niet. (Wat vindt je ervan dat SB dit doet? Wat zegt dit over het bedrijf na het bekijken van de video?)
  - a. Video 1, One person can save trees, together we can save forests.:  
[http://www.youtube.com/watch?v=ZK\\_-ocPBSjw](http://www.youtube.com/watch?v=ZK_-ocPBSjw)
  - b. Moet Starbucks meer Nederlandstalige video's (reclames) maken? Actiever zijn online in NL?
9. SB posters, would they work?
10. Should SB change to become more Dutch/sell more Dutch products in stores?
11. In your opinion, what is the best place for a Starbucks store to be (train station, city centre, anything else?)

**Extra questions**

Kijken mensen wel op de website van een bedrijf als ze iets over de producten willen weten of kijken ze op FB, Twitter enz?

Before this focus group, had you ever seen a Starbucks commercial?

**Questions and answers:** Dit waren alle vragen die ik voor jullie had. Wil iemand hier nog iets aan toevoegen? (Nog een keer z'n mening benadrukken of iets herhalen?)

**Wrap up:** Dan was dit de focus group. Bedankt voor jullie participatie en concentratie en dan is het nu tijd om te gaan lunchen!

**Appendix 3: Survey example**

*Pagina: 1*

**Enquête marketing Starbucks in Nederland**

Beste respondent,

Deze enquête is bedoeld om te onderzoeken of Starbucks' huidige marketingstrategie werkt in Nederland. De doelgroep bestaat uit mensen tussen de 20-30 jaar en 30-40 jaar. Als je Starbucks kent en/of er wel eens komt, dan kan ik je feedback goed gebruiken. Het invullen van de enquête kost ongeveer 15 minuten. Mocht je nog meer mensen kennen die de enquête zouden kunnen invullen, stuur deze link dan gerust door:

[www.thesistools.com/starbucks promo](http://www.thesistools.com/starbucks promo)

Bij voorbaat dank!

Groeten,

Mirjam

Start

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*Pagina: 2*



1.

**Wat is je geslacht?**



2.

**Wat is je leeftijd? \***



Tussen de 20 en 24 jaar



Tussen de 25 and 29 jaar



Tussen de 30 and 34 jaar

- Tussen de 35 and 40 jaar



3.

**Wat is je hoogst afgeronde opleiding? \***

- MBO
- HBO
- WO
- Anders, namelijk



4.

**Hoe vaak drink je koffie? \***

- Elke dag
- Soms
- Zelden
- Nooit



5.

**Hoe vaak drink je thee? \***

- Elke dag
- Soms
- Zelden
- Nooit



6.

**Hoe vaak drink je chocolademelk? \***

- Elke dag

- Soms
- Zelden
- Nooit



7.

**Welke zin sluit het best aan bij jouw koffieconsumptie? (Als je geen koffie drinkt, denk dan aan chocolademelk of thee.)\***

- Koffie drink ik het meest onderweg
- Koffie drink ik het meest in een café
- Koffie drink ik het meest thuis
- Koffie drink ik het meest op het werk



8.

**Welke producten koop je het meest of zou je het snelst kopen bij Starbucks? Er zijn meerdere antwoorden mogelijk.**

- Koffie
- Warme chocolademelk
- Frappuccino® Blended Coffee
- Frappuccino® Blended Crème
- Thee
- Kant-en-klare koude koffie
- Gebak en/of koekjes
- Broodjes en/of salades
- Mokken
- Koffiebonen



9.

**Wat is het belangrijkste als je buiten de deur een kop koffie, thee of een andere drank nuttigt? Geef de volgende factoren een cijfer van 1 (minst belangrijk) tot 5 (meest belangrijk).**

	een				vijf
Goede kwaliteit dranken	<input type="checkbox"/>				
Betaalbaarheid	<input type="checkbox"/>				
Prettige sfeer	<input type="checkbox"/>				
Goede service	<input type="checkbox"/>				
Populariteit van de plek	<input type="checkbox"/>				
Wifi	<input type="checkbox"/>				
Lekker gebak	<input type="checkbox"/>				
Genoeg zitruimte	<input type="checkbox"/>				
Merchandise (Bijv. Mokken, boeken, thermosbekers.)	<input type="checkbox"/>				



10.

**Als je koffie, thee of een andere drank buiten de deur nuttigt, waar ga je dan het liefst naartoe? Motiveer je antwoord in het tekstveld achter je keuze. \***

- Starbucks
- McCafe
- Coffee Company
- La Place
- HEMA
- Dudok
- Een klein koffiecafé
- Een kiosk
- Ergens anders, namelijk



11.

**Een conceptstore is een winkel die speciaal is ontworpen voor een bepaald land en waarin elementen uit de lokale cultuur zijn opgenomen. Zou je eerder geneigd zijn zo'n winkel te bezoeken? \***

- Ja, het zou uitnodigender zijn
- Ja, als het uniek is, is het specialer
- Nee, dat zou voor mij niet voldoende zijn
- Nee, voor mij maakt het niets uit



12.

**Voel je je thuis in een Starbucks-winkel? \***

- Ja
- Nee



13.

**Geef aan in hoeverre de volgende uitspraken overeenkomen met jouw beeld van Starbucks.**

Goede prijs-kwaliteitverhouding	<input type="checkbox"/>	Slechte prijs-kwaliteitverhouding				
Snelle service	<input type="checkbox"/>	Langzame service				
Prettige sfeer	<input type="checkbox"/>	Onprettige sfeer				
Goede kwaliteit koffie	<input type="checkbox"/>	Slechte kwaliteit koffie				
Goede kwaliteit thee	<input type="checkbox"/>	Slechte kwaliteit thee				
Goede kwaliteit chocolademelk	<input type="checkbox"/>	Slechte kwaliteit chocolademelk				



14.

**Wanneer hoorde je voor het eerst over de Starbucks-keten? \***

- 5 maanden geleden
- Een jaar geleden
- 2 jaar geleden
- Meer dan 2 jaar geleden



15.

**Hoe hoorde je voor het eerst over Starbucks? \***

- Via een vriend(in)
- Op televisie
- Op internet
- Doordat er een Starbucks in de buurt geopend werd



16.

**Hoe vaak bezoek je Starbucks?**

- Meerdere keren per week
- Minimaal een keer per week
- Elke week
- Minimaal een keer per maand
- Minimaal een keer per jaar
- Nooit



17.

**Heb je in de afgelopen vier maanden een Starbucks-reclame gezien? \***

- Ja, op de Starbucks-website
- Ja, op Facebook
- Ja, op YouTube
- Ja, op de televisie
- Ja, maar ergens anders, namelijk
- Ja, maar langer dan vier maanden geleden, namelijk
- Nee, ik heb nog nooit een Starbucks-reclame gezien



18.

Vond je de reclame leuk? (geef a.u.b. aan waarom wel of niet) \*



Verder

Pagina: 3



19.

Bekijk de onderstaande drie Starbucks-posters. Welke van de drie spreekt je het meest aan? \*

A  B  C



20.

**Zou Starbucks meer reclame moeten maken in Nederland? Er zijn meerdere antwoorden mogelijk.**

- Ja, op de televisie
- Ja, op de radio
- Ja, op billboards
- Ja, in tijdschriften
- Ja, op Facebook
- Ja, op Youtube
- Nee, ze hoeven niet meer reclame te maken



21.

**Welke tip zou je Starbucks-Nederland geven om meer klanten aan te trekken? \***



22.

**Via welke online media volg je bedrijven meestal? Geef een cijfer van 1 tot 5, waarbij je het cijfer 5 toekent aan het medium dat je het meest gebruikt.**

	een				vijf
Via Twitter	<input type="checkbox"/>				
Via Facebook	<input type="checkbox"/>				
Via Pinterest	<input type="checkbox"/>				
Via YouTube	<input type="checkbox"/>				
Via hun eigen website	<input type="checkbox"/>				



Verder

Pagina: 4



23.

**Moet Starbucks uitbreiden en meer winkels openen in Nederland? Motiveer je antwoord in het tekstveld achter je keuze. \***



Ja, want



Nee, want



Verstuur

*Pagina: 5*

Bedankt voor je medewerking!

**Appendix 4: Survey results**

<b>Wat is je geslacht?</b>							
	Respondenten	%					
Man	36	30					
Vrouw	74	61,67					
Geen antwoord	10	8,33					
<b>Wat is je leeftijd?</b>							
	Respondenten	%					
Tussen de 20 en 24 jaar	79	65,83					
Tussen de 25 and 29 jaar	32	26,67					
Tussen de 30 and 34 jaar	4	3,33					
Tussen de 35 and 40 jaar	4	3,33					
Geen antwoord	1	0,83					
<b>Wat is je hoogst afgeronde opleiding?</b>							
	Respondenten	%					
MBO	22	18,33					
HBO	55	45,83					
WO	24	20					
Anders, namelijk	14	11,67					
Geen antwoord	5	4,17					
<b>Hoe vaak drink je koffie?</b>							
	Respondenten	%					
Elke dag	39	32,5					
Soms	35	29,17					
Zelden	19	15,83					
Nooit	25	20,83					

Geen antwoord	2	1,67					
<b>Hoe vaak drink je thee?</b>							
	Respondenten	%					
Elke dag	67	55,83					
Soms	43	35,83					
Zelden	6	5					
Nooit	2	1,67					
Geen antwoord	2	1,67					
<b>Hoe vaak drink je chocolademelk?</b>							
	Respondenten	%					
Elke dag	1	0,83					
Soms	49	40,83					
Zelden	55	45,83					
Nooit	13	10,83					
Geen antwoord	2	1,67					
<b>Welke zin sluit het best aan bij jouw koffieconsumptie? (Als je geen koffie drinkt, denk dan aan chocolademelk of thee.)</b>							
	Respondenten	%					
Koffie drink ik het meest onderweg	9	7,5					
Koffie drink ik het meest in een café	23	19,17					
Koffie drink ik het meest thuis	52	43,33					
Koffie drink ik het meest op het werk	35	29,17					
Geen antwoord	1	0,83					

<b>Welke producten koop je het meest of zou je het snelst kopen bij Starbucks? Er zijn meerdere antwoorden mogelijk.</b>							
Koffie	71						
Warme chocolademelk	33						
Frappuccino® Blended Coffee	26						
Frappuccino® Blended Crème	17						
Thee	41						
Kant-en-klare koude koffie	3						
Gebak en/of koekjes	56						
Broodjes en/of salades	15						
Mokken	10						
Koffiebonen	3						
Geen antwoord	1						
<b>Wat is het belangrijkste als je buiten de deur een kop koffie, thee of een andere drank nuttigt? Geef de volgende factoren een cijfer van 1 (minst belangrijk) tot 5 (meest belangrijk).</b>							
	Cijfer 1	Cijfer 2	Cijfer 3	Cijfer 4	Cijfer 5	Geen antwoord	
Goede kwaliteit dranken	1	1	5	37	75	1	
Betaalbaarheid	1	4	25	44	44	2	
Prettige sfeer	3	9	19	51	36	2	
Goede service	1	4	19	49	44	3	
Populariteit van de plek	23	45	31	14	2	5	

Wifi	31	24	33	17	11	4	
Lekker gebak	11	22	34	37	11	5	
Genoeg zitruimte	3	3	21	48	37	8	
Merchandise (Bijv. mokken, boeken, thermosbekers)	54	33	16	10	3	4	
<b>Als je koffie, thee of een andere drank buiten de deur nuttigt, waar ga je dan het liefst naartoe? Motiveer je antwoord in het tekstveld achter je keuze.</b>							
	Respondenten	%					
Starbucks	37	30,83					
McCafe	2	1,67					
Coffee Company	4	3,33					
La Place	12	10					
HEMA	1	0,83					
Dudok	5	4,16					
Een klein koffiecafé	39	32,5					
Een kiosk	3	2,5					
Ergens anders, namelijk	15	12,5					
Geen antwoord	2	1,67					
<b>Een conceptstore is een winkel die speciaal is ontworpen voor een bepaald land en waarin elementen uit de lokale cultuur zijn opgenomen. Zou je eerder geneigd zijn zo'n winkel te bezoeken?</b>							
	Respondenten	%					
Ja, het zou uitnodigender zijn	18	15					
Ja, als het uniek is, is het specialer	45	37,5					

Nee, dat zou voor mij niet voldoende zijn	9	7,5					
Nee, voor mij maakt het niets uit	46	38,33					
Geen antwoord	2	1,67					
<b>Voel je je thuis in een Starbucks-winkel?</b>							
	Respondenten	%					
Ja	77	64,16					
Nee	41	34,16					
Geen antwoord	2	1,67					
<b>Geef aan in hoeverre de volgende uitspraken overeenkomen met jouw beeld van Starbucks.</b>							
	Cijfer 1 (meer positief)	Cijfer 2	Cijfer 3	Cijfer 4	Cijfer 5 (meer negatief)	Geen antwoord	
Goede prijs-kwaliteitverhouding	5	31	41	28	13	2	
Snelle service	21	42	37	11	7	2	
Prettige sfeer	27	36	37	14	2	4	
Goede kwaliteit koffie	35	29	38	11	5	2	
Goede kwaliteit thee	17	39	46	10	4	4	
Goede kwaliteit chocolademelk	20	32	49	8	8	3	
Totaal						17	
<b>Wanneer hoorde je voor het eerst over de Starbucks-keten?</b>							

	Respondenten	%					
5 maanden geleden	0	0					
Een jaar geleden	2	1,67					
2 jaar geleden	10	8,33					
Meer dan 2 jaar geleden	107	89,17					
Geen antwoord	1	0,83					
<b>Hoe hoorde je voor het eerst over Starbucks?</b>							
	Respondenten	%					
Via een vriend(in)	62	51,67					
Op televisie	19	15,83					
Op internet	19	15,83					
Doordat er een Starbucks in de buurt geopend werd	18	15					
Geen antwoord	2	1,67					
<b>Hoe vaak bezoek je Starbucks?</b>							
	Respondenten	%					
Meerdere keren per week	4	3,33					
Minimaal een keer per week	2	1,67					
Elke week	2	1,67					
Minimaal een keer per maand	29	24,17					
Minimaal een keer per jaar	64	53,33					
Nooit	18	15					

Geen antwoord	1	0,83					
<b>Heb je in de afgelopen vier maanden een Starbucks-reclame gezien?</b>							
	Respondenten	%					
Ja, op de Starbucks-website	2	1,67					
Ja, op Facebook	14	11,67					
Ja, op YouTube	7	5,83					
Ja, op de televisie	2	1,67					
Ja, maar ergens anders, namelijk	4	3,33					
Ja, maar langer dan vier maanden geleden, namelijk	6	5					
Nee, ik heb nog nooit een Starbucks-reclame gezien	84	70					
Geen antwoord	1	0,83					
<b>Bekijk de onderstaande drie Starbucks-posters. Welke van de drie spreekt je het meest aan?</b>							
	Respondenten	%					
A	28	23,33					
B	51	42,5					
C	35	29,17					
Geen antwoord	6	5					
<b>Zou Starbucks meer reclame moeten maken in Nederland? Er zijn meerdere antwoorden mogelijk.</b>							
	Respondents						
Ja, op de televisie	40						
Ja, op de radio	11						
Ja, op billboards	32						

Ja, in tijdschriften	24						
Ja, op Facebook	18						
Ja, op Youtube	6						
Nee, ze hoeven niet meer reclame te maken	54						
Geen antwoord	4						
<b>Via welke online media volg je bedrijven meestal? Geef een cijfer van 1 tot 5, waarbij je het cijfer 5 toekent aan het medium dat je het meest gebruikt.</b>							
	1	2	3	4	5	Geen antwoord	
Via Twitter	78	16	3	9	5	9	
Via Facebook	14	11	13	36	40	6	
Via Pinterest	90	9	8	2	2	9	
Via YouTube	46	15	24	19	7	9	
Via hun eigen website	23	13	25	24	28	7	
Totaal	251	64	73	90	82	40	
<b>Moet Starbucks uitbreiden en meer winkels openen in Nederland? Motiveer je antwoord in het tekstveld achter je keuze.</b>							
	Respondents	%					
Ja, want...	61	50,83					
Nee, want...	50	41,67					
Geen antwoord	9	7,5					