

Sample 3

BUSINESS AND MANAGEMENT – STANDARD LEVEL

How have the marketing strategies used by Starbucks helped it to improve its brand image in the USA?

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Appropriate format

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1. FINDINGS

So as to support this written commentary, a wide range of articles will be used:

- 1st Article: **Starbucks' socially responsible image cuts both ways**

Link: http://seattletimes.myresource.com/html/business/technology/2017800974_starbucks21.html

Date of publication: 21/03/12

- 2nd Article: **Starbucks Success Is It's Word Of Mouth/Social Media/Viral Marketing Strategy**

Link: <http://www.sosmktg.com/2011/03/29/starbucks-success-is-its-word-of-mouth-social-media-viral-marketing-strategy/>

Date of publication: 29/03/11

- 3rd Article: **For the Love of Starbucks**

Link: <http://platform99.wordpress.com/2011/03/23/for-the-love-of-starbucks/>

Date of publication: 23/03/11

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clear references

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How have the marketing strategies used by Starbucks helped it to improve its brand image in the USA?

2. INTRODUCTION

In order to improve Starbucks's brand image, this company has located itself all over the world by turning into a multinational company and has also implemented different marketing strategies so as to increase the number of customers who frequents the store. Furthermore, Starbucks has gained a lot of support due to its amazing strategy on advertising which will be explained on the following paragraphs. Therefore, the aim of this written commentary is to examine the different strategies used by Starbucks in order to improve its brand image in the USA. In order to do so, business tools and techniques will be used to analyze a series of findings which will provide the information needed to do the research about this brand.

a. Birth and growth of the Siren¹

The first Starbucks opened in the 1970s in Seattle's historic Pike Place Market. The name came from Herman Melville's Moby Dick, a classic American novel about the 19th century whaling industry. The seafaring name seems appropriate for a store that imports one of the world's finest coffees to the cold, thirsty people of Seattle. In 1982 Howard Schultz, now Starbucks CEO, joined this company. On a business trip to Italy, Schultz visits Milan's famous espresso bars and was impressed with the popularity these bars had. It was then that he realized of the potential Starbucks had in Seattle, and he was right – after trying lattes and mochas, Seattle quickly became coffee-crazy. In the 1990s Starbucks expanded beyond Seattle, first to the rest of the United States and then to the rest of the world². After these years Starbucks continued to grow and nowadays, there are over 16,000 stores in more than 50 countries³.

¹ The siren is the logo Starbucks uses to capture the seafaring history of coffee and Seattle's strong seaport roots. "So, who is the Siren?" [Online] URL (available): <http://www.starbucks.com/buzz/so-who-is-the-siren> Dated on: 04/05/12

² "A Brief History of Starbucks" [Online] URL (available): <http://www.starbucks.lv/en-US/AboutStarbucks/favoritesofStarbucks.htm> Dated on: 12/12/2011

³ Starbucks Company Timeline" [Online] URL (available): <https://press.starbucks.com/assets/aboutustimeline/fca172541.pdf> Dated on: 12/12/2011

Appropriate references 3 in the footnotes

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3. ANALYSIS OF FINDINGS

a. Marketing Mix

Starbucks was able to manage skillfully the use of the marketing mix. By doing this it has built a better brand image:

- **Product:** Starbucks did not used to have a very good product quality. In fact, it would claim that it was terribly difficult to adopt stricter standards about buying coffee. But as a result of the pressure exerted by different organizations, Starbucks started adopting stricter methods and nowadays *"They're a lot more open and accountable and transparent than they used to be"*⁴, said a Starbucks investor. ✓
- **Price:** although prices are higher than normal, they show the good quality of the product. This can be seen on the 4th Appendix where it says: *"Their coffee, even if price is slightly more expensive than expected, is notorious for satisfying customers with its rich, delicious taste and aroma"*⁵
- **Promotion:** Starbucks unconventional strategy consists in spending very few or no money of their annual revenue on advertising. In fact, it has used *"the word of mouth viral social media"*⁶ technique. This, though risky decision, has led Starbucks to its current success and has proved what Anne Saunders said: *"It is really 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"*⁷. This is also shown in the commercial they launched for Starbucks' 40th anniversary, which ends with the phrase: *"You and Starbucks are bigger than coffee"*⁸, which express this perfectly. ✓
- **Packaging and Physical evidence:** Starbucks has successfully created a logo and image of the service that can be easily recognized everywhere for either Starbucks goes or others. The packaging and the uniforms used by/in Starbucks makes everyone remember it and hence, Starbucks has achieved to be known world-widely. Actually, its new logo does not say the name of the brand, and yet everyone recognizes it⁹.
- **Process:** Starbucks was able to give its clients a good service, by making them feel the uniqueness of enjoying a Starbucks experience since they enter the shop until they leave it by creating a "third home" for them. A place where they can go between work and home which they have realized customers are strongly attached to¹⁰. Furthermore, what Howards Schultz said proves that their main aim is to give a good service: *"We aren't in the coffee business, serving people. We are in the people business, serving coffee"*¹¹. In the end, this unique technique employed by Starbucks, worked and has separated Starbucks from the mass of commercials and advertisements thrown at the public by giving it an air of sophistication¹². ✓

⁴ See Appendix n° 1

⁵ See Appendix n° 2

⁶ Ibid

⁷ Anne Saunders is Starbucks senior vice president of marketing. See Appendix n° 3

⁸ "Starbucks Tribute Days" [Online] URL (available): <https://www.youtube.com/watch?v=XSkjw-hU30> Dated on: 13/12/11

⁹ "Starbucks logo evolution" [Online] URL (available): <https://www.logodesignlab.com/starbucks-logo-evolution> Dated on: 26/04/12

¹⁰ See Appendix n° 2

¹¹ Serwer, Andy. "Hot Starbucks to go It's a new American institution. Its stores are everywhere. Doubters say it can't get much bigger. But Howard Schultz is setting up his company for more growth-- in coffee and beyond" [Online] URL (available):

http://money.com/magazines/fortune/fortune_archive/2004/01/26/358850/index.htm Dated on: 01/05/12

¹² See Appendix n° 3

1st business tool approach applied.

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b. SWOT Analysis

A SWOT analysis is a simple business tool used to identify the Strength, Weaknesses, Opportunities and Threats a company has so as to make decisions to take advantage of the Strengths and Opportunities and reduce the Weaknesses and Threats¹³.

Strengths Known Brand ¹⁴ Good brand image ¹⁵ Expensive brand name ¹⁶ Good quality and service ¹⁷ Innovative brand ¹⁸ Loyal customers Capital	Weaknesses Not premium coffee ¹⁹ Banning class-action lawsuits from loyalty-card customers ²⁰ ✓ ✓
Opportunities Expansion to more countries ✓	Threats Competition ✓

In this SWOT, a large number of strengths can be identified. These strengths mostly contributed to the improvement of Starbucks brand image: its good service and quality made the brand more well-known, consequently Starbucks has achieved loyal customers. Thus, by giving a good service, having good quality products, loyal customers and capital, which is obtained by the numerous sales done per day, this brand was able to be called: "... no doubt a well-known success story all over the world"²¹, as well as "it can easily be named one of the most iconic companies of our generation"²², among others.

However, the banning of class-action from loyalty-card customers, has contributed to a loss in the brand image this company has. Actually, Christine Hines said: "...the company puts forwards an image of being socially responsible and a good corporate citizen. Using these clauses to squash customers' legal rights is not an indication of being a good corporate citizen"²³. This has caused many problems to the brand.

Still, "Despite recent attempts from advocacy groups to use Starbucks as a way to draw attention to their positions, we have not seen any impacts" Starbucks said. This proves that the brand has some issues just as any other, but it also proves that all the good things provided by Starbucks has attracted customers who are there to stay.

¹³ Clark, Paul; Golden, Peter; O Dea, Mark; Weiner, John and Woolrich, Phil (2009); "IB Business and Management Course Companion"; 1st edition; New York, NY: Oxford University Press. p. 60

¹⁴ See Appendix n° 2

¹⁵ Ibid

¹⁶ See Appendix n° 3

¹⁷ Ibid

¹⁸ See Appendix n° 2

¹⁹ Ibid

²⁰ See Appendix n° 1

²¹ Ibid

²² Ibid

²³ Christine Hines is a Public Citizen's customer and civil-justice counsel. See Appendix n° 1

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c. Starbucks Mission Statement

Starbucks mission statement "To inspire and nurture the human spirit – one person, one cup and one neighborhood at a time"²⁴ shows that the aims of the owners of Starbucks is to give a good service in order to inspire and nature the human being; to pay their main attention to their clients so as to have loyal and happy customers.

d. Moral Capitalism

Finally, an important fact that is being implemented nowadays by Starbucks to keep improving its brand image is *moral capitalism*. This has played a very important role on the brands image for it has showed again that Starbucks owners are not in this business to get profits for themselves. Recently, in a Column in "The New York Times" it was mentioned that during this annual shareholders meeting, Howard Schultz, is planning to "crystallize the connection between Starbucks' profits and the societal role it plays"²⁵ by saying that "the value of your company is driven by your company's values"²⁶. This is the way in which Starbucks will do a moral capitalism, by caring for their customers and stakeholder's satisfaction so that they will see Starbucks as a responsible brand to look up to.

4. CONCLUSION

To conclude, the different strategies used by Starbucks in order to improve their brand image and to gain new customers proved to be successful. This was shown by the increasing growth this company has had since it was found more than 40 years ago and by the millions of customers that visit it per week making this an important store both in the USA and in the world. Consequently, despite the problems Starbucks has, this company was able to achieve marketing dominance by casting a spell over all of its clients who ended up loving this brand.

²⁴ "Our Starbucks Mission Statement" [Online] URL (available): <http://www.starbucks.com/about-us/company-information/mission-statement> Dated on: 13/12/11

²⁵ See Appendix n° 1

²⁶ *ibid*

5. APPENDIXES

a. APPENDIX N° 1

Originally published March 26, 2012 at 7:55 PM | Page modified March 21, 2012 at 7:52 PM

Starbucks' socially responsible image cuts both ways²⁷

At Starbucks' annual shareholders meeting Wednesday, one big focus is expected to center on how a corporation, in pursuit of profits, can also be socially responsible.

By *Melissa Allison*

Seattle Times business reporter

Starbucks has long touted its role as a provider of health insurance to employees, as well as tasty coffee to the masses. But at Wednesday's annual shareholders meeting, CEO Howard Schultz is expected to crystallize the connection between Starbucks' profits and the societal role it plays.

"The value of your company is driven by your company's values," he plans to say, according to a column by Joe Nocera in *The New York Times*.

Nocera contrasted the much vilified Goldman Sachs with Starbucks' Schultz, who, he says, "has been practicing a kind of moral capitalism."

Highlighted improved

Whatever their origins, companies assume a socially responsible posture in order to sell products, said John Boatright, professor of business ethics at Loyola University Chicago.

"The key question [for Starbucks] is, how do we sell high-priced coffee in a crowded market?" he said. "The downside is that it makes you very vulnerable to pressure, in part because you have a valuable brand name to defend. NGOs around the world have discovered it gives them a great deal of power against companies with strong brand images, including Nike, Levi Strauss and the like."

As one Greenpeace activist said, discovering the power of protests against brand-name retailers "was like discovering gunpowder for environmentalists," according to a 2001 article in *Foreign Policy* magazine.

The article's first example: the movement that led to Starbucks' decision to buy coffee beans from importers who pay above-market prices to small farmers.

Bruce Herbert of Newground Social Investment in Seattle, which invested in Starbucks' initial public offering, remembers the battle to get Starbucks to improve its coffee-buying standards.

²⁷ Allison, Melissa; "Starbucks' socially responsible image cuts both ways" [Online]. Seattle Times; March 2012.

URL (available): http://seattletimes.nwsource.com/html/business/2017800974_starbucks_21.html; dated on 04/04/2012

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"All they would say is, 'It's tremendously complex.' For several years, that was it," Herbert said. His organization and others exerted more pressure, and as a result Starbucks adopted stricter standards about coffee buying.

"They're a lot more open and accountable and transparent than they used to be," said Herbert.

Still, he continues to push Starbucks for more and on Wednesday will carry the shareholder proposal of another activist shareholder, John Harrington of California, to Starbucks' meeting. It encourages the company's board to create a committee on environmental sustainability.

Starbucks recommends shareholders vote against the measure, saying it's not necessary.

That's the same reasoning Starbucks uses for demanding arbitration and banning class-action lawsuits from its loyalty-card customers. In February, the nonprofit Public Citizen delivered more than 15,000 signatures to Starbucks' headquarters calling for those restrictions to be removed.

The group targeted Starbucks partly "because the company puts forward an image of being socially responsible and a good corporate citizen. Using these clauses to squash customers' legal rights is not an indication of being a good corporate citizen," said Christine Hines, Public Citizen's consumer and civil-justice counsel.

The clauses have been there since at least 2003, spokesman Jim Olson says, and have never been used, because all complaints are resolved before arbitration would be necessary.

Another nonprofit, the National Gun Victims Action Council, recently called for a boycott of Starbucks for allowing people to carry guns in stores, including those in Washington.

"Imagine if Starbucks was really a socially responsible company, what power they could bring to stop this senseless killing and to help effect sane gun laws," the group said this week in a news release, which said 2,000 people have signed up for the boycott in five weeks.

Starbucks says it respects customers' views on guns and will abide by the varying gun laws in each state.

"Despite recent attempts from advocacy groups to use Starbucks as a way to draw attention to their positions, we have not seen any impact," Olson said.

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b. APPENDIX N° 2

Starbucks Success is It's Word of Mouth/Social Media/Viral Marketing Strategy²⁸

[Dated on | March 29, 2011 |]

Starbucks is one of the most successful and admired companies today. It has grown from a single coffee shop in Seattle 33 years ago to a \$4.1 billion international company.

By studying the Starbucks Marketing Strategy you will be able to apply the principles of success that worked for them in a big way. The history of Starbucks and its expansion give this company the respect of being a model for other businesses to look up to. Why not take full advantage of this irony?

From only one store more than 30 years ago in Seattle to its still growing empire today with thousands of outlets in the United States and in foreign countries, the Starbucks Coffee Company is no doubt a well-known success story all over the world.

Many points can be attributed to the success of this innovative company from the holistically started Starbucks statement to the environmentally conscious Starbucks Corporate social responsibility statement. But one thing is certain, if Starbucks comes up with a new viral social media campaign it has other companies taking notes.

Uniquely Starbucks Coffee Company

The Starbucks marketing strategy is not one commonly seen in many businesses today. Did you ever realize that it's rare to find a Starbucks ad in a billboard, ad space, newspaper or poster in places where you can expect to see advertisements for most other establishments, even huge ones like McDonalds?

Now, Starbucks Coffee Company didn't just go for unconventional marketing strategies for the fun of it. They thought hard about promoting their company, and have decided that Starbucks is more likely to benefit if it employed unconventional word of mouth viral social media strategies that perfectly matched the concept the company wanted to portray.

Points to Learn from the Starbucks Marketing Strategy

"Unique Cup of Coffee" – Starbucks history has shown that they place emphasis on product quality. Their coffee, even if priced slightly more expensive than expected, is notorious for satisfying customers with its rich, delicious taste and aroma. While not truly premium specialty coffee as we know it today from upscale independent coffee houses and roasters, Starbucks unique "blunt espresso" coffee beverage profile introduced millions of Americans to the Italian espresso bar tradition.

"Third Place" – From the very beginning, the Starbucks marketing strategy has focused on creating the "third place" for everyone to go to between home and work. Creating this unique and relaxing "experience" and

²⁸ **"Starbucks Success is It's Word of Mouth/Social Media/Viral Marketing Strategy"** [Online]. March 2011. URL (available): <http://www.seamarketing.com/2011/03/29/starbucks%20%20%20success-is-its-word-of-mouth-social-media-viral-marketing-strategy/> dated on 25/11/2011

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"atmosphere" for people has been very important for the company as they have realized that this is one of the strongest concepts attached to the company, to which customers have been strongly attracted.

"Customer Satisfaction" – Customer satisfaction is a very important issue with Starbucks. From entrance to the store to the very last drop of their coffees, it is a must that customers feel the uniqueness of enjoying their Starbucks coffee experience. Without a doubt, Starbucks Coffee knows the answer to the question, why is customer service important.

"Creating a Starbucks Community" – The Starbucks social media viral marketing strategy has even expanded to create a community around their brand. On their website, on Facebook, on Twitter and in their blogs, individuals are encouraged to express their experiences with Starbucks history, and the company strives to "personally" join in the discussions.

"Innovation" – Through the years, the Starbucks Coffee Company has been known to think up creative and innovative ideas to add to their products or services. They've added different flavors to their coffee, different drinks including Green Tea Latte, Frappuccino's and food items, more food on their menu, and even became one of the first to offer WiFi – Internet capability in their stores.

"Brand Marketing" – The Starbucks marketing strategy has always focused on "word-of-mouth" advertising and letting the high quality of their products and services speak for themselves. For years, this has been uniquely Starbucks, and it has played a huge part in making Starbucks Coffee Company a success. The definition of social media viral marketing speaks to this new word of mouth that Starbucks has run with and made their own.

Starbucks Coffee Company and Marketing

It is clear that the company has created greatly individualized marketing techniques to fit the promotion of the Starbucks brand as it applies to the unique concept it was built on.

Even with its missteps and setbacks, Starbucks' marketing strategy has led the company to its current success. This fact is enough to realize that there can be much to learn from what this company has achieved to the benefit of many small businesses.



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c APPENDIX N° 3

For the Love of Starbucks²⁹

By Katy Echols

I love Starbucks. I love its coffee. I love its service. I love its deep comfy chairs and trendy music. And I love that there is one on every corner. Obviously, I am not alone in this obsession.

For coffee lovers nationwide, Starbucks has become a haven. It can easily be named one of the most iconic companies of our generation.

So how did Starbucks become a star? How does it earn those big bucks?

If you ask any avid Starbucks-goer how many of the company's commercials they have seen, they will probably say "one" or "none." Unlike most companies, Starbucks has not used a traditional technique of exposure to gain fans.

"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," said Anne Saunders, senior vice president of marketing at Starbucks.

After solidifying its brand, Starbucks stuck with a local focus, becoming a "third home" to its communities. It relied on consistent service and quality to get people talking. And once they started talking, it seems they didn't stop.

This word-of-mouth technique has served the company well in more ways than one. Not only has Starbucks been effective by separating itself from the mass of commercials and advertisements thrown at the public, but the technique itself lends Starbucks an air of sophistication. By not submitting to the hype of commercialism in its marketing, Starbucks demonstrated what it values: people rather than profit.

Starbucks' mission statement is "to inspire and nurture the human spirit – one person, one cup and one neighborhood at a time." This statement explains why Starbucks operates the way it does. It is focused on the local, the individual and the service of one cup of coffee, rather than getting wrapped up in making a buck (Though this strategy has earned them a few.)

For PR practitioners, this technique is good to keep in mind when creating campaigns for clients. More than that, we can glean an important overall lesson: It's not always effective to do what everyone else is doing. Sometimes it's not about keeping up with trends.

Think about what everyone else is doing. To beat them at it, you have to do it better. Alternatively, think about what they are not doing and give it a go. Going against trends gamers creativity and can make you stand out even more.

²⁹ Echols, Katy; "For the Love of Starbucks" [Online] March 2012. URL (available): <http://winifsumner.wordpress.com/2011/03/23/for-the-love-of-starbucks/> dated on 20/11/2011

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In recent news, Starbucks has kicked off an image revitalization campaign for its 40th anniversary. This revamp included a new logo that it considers to be a "subtle but meaningful update." Starbucks showcased its new logo in a tribute commercial that reinforces what Starbucks is all about: You!

While this message aligns with what Starbucks has always represented, the new logo has not gone over so smoothly. It has been called a "mid-life crisis."

Has Starbucks peaked in its marketing genius? Here's hoping (and I know all coffee lovers will cross their fingers with me) that Starbucks is here to stay.

Candidate Number: [REDACTED]

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