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RUNNING HEAD: Lingley, R MGT7002-4

Marketing Strategy and Alliances Analysis of Starbucks Corporation

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Abstract

The Starbucks Corporation significantly utilizes alliances to expand market reach, improve product image, and develop greater company profitability. Starbucks, due to their market position and attributes, applies a Differentiation Focus strategy as defined by Porter's Generic Market Theory. A review of Starbucks Corporation's marketing strategies and alliance strategies proves that the company is being highly successful within this market scope.

Starbucks Marketing Strategy and Alliance Analysis Introduction

Introduction

The Starbucks Corporation is the global leader in specialty coffee consumption. Arising almost overnight from a market in Seattle, Washington, the company today provides quality premium coffees with a superior level of customer service and at a premium price, around the globe (Isidro, 2004). Starbucks is an excellent example of a company that has successfully embraced a differentiation focus strategy tailored to providing a high quality, focused product, of which, for the company customers, price is in essence, no object.

This paper will address the differentiation focus strategy, providing insight into what encompasses this strategy selection. Next, the author will highlight the marketing initiatives and the strategic alliances employed by Starbucks in concert with the Differentiation Focus strategy. Finally, the author will address the current economic conditions affecting the Starbucks Corporation, and simultaneously provide recommendations for the company for future marketing strategy and alliance decisions, while additionally also providing conclusive comments. Beginning with an understanding of differentiation focus strategy provides the reader the framework for full understanding of the Starbucks marketing model as a whole.

Differentiation Focus Strategy

Porter’s Differentiation Focus Strategy is the strategy currently being employed by the Starbucks Corporation. This strategy provides a product or service to a specific market niche and differentiates from competition in specific areas. The value of the

company is markedly not as a low-cost competitor. In the case of Starbucks, the company is a high cost, specialized selection provider, offering specially tailored lines of coffee and tea product to coffee loving customers for a premium price.

Starbucks utilizes the focus differentiation strategy thoroughly, and partners company marketing and advertising direction to this strategy. Embracing the position as product quality leader and industry segment leader, Starbucks does not aggressively market the company through traditional means but instead focuses almost entirely on high-level marketing and branding of word-of-mouth and key alliances and partnerships. Starbucks' almost humble approach to avoid promotion the company but allowing it to be promoted by supporting customers and through it's good works has been a successful strategy for the company to date. The marketing initiatives of Starbucks will next be addressed in more detail.

Marketing Initiatives

The Starbucks Corporation does not aggressively market the company or their product. Instead, they are driving their sales through the company's image and reputation. However, the result of the company's hard work, attention to detail and customer experience, ethical decision-making and employee training is a ranking as "one of the most valuable global brands" (Theodore, 2002, p. 62). Much of this has been achieved via word-of-mouth marketing and through partnerships. With the success of Starbucks it is hard to believe that the company does little if no direct advertising via commercials, ads, or other forms of promotions. Starbucks does utilize an email distribution list, one which only customers of Starbucks sign up for. Otherwise, the company does not tote the brand. Instead, marketing is through partnerships with world-

help and ethically focused agencies, and through an infiltration of Starbucks coffee into general consumer markets, supported only by the integrity of the brand and experience as drawn by the customer at the store locations around the globe (Theodore, 2002).

Alliances

The utilization of alliances is a cornerstone of the Starbucks Corporation marketing strategy. Isidro (2004) asserts that the strategic alliances of Starbucks are one of the foundational reasons for the corporation's long-term success and growth. Alliances are truly the driving factor being their name and brand recognition. Starbucks forms alliances with companies and social groups across the board, thereby broadening the exposure of the company, improving the organization's brand image and reputation, and exposing their name and product on a regular basis to potential new customers.

In 2006, Starbucks formed an alliance with the NAACP, the sole purpose of which was to assist in the advancement of both the company's and NAACP's goals of social and economic equality (Anonymous, 2006). Company donations by Starbucks to NAACP supported events are pre-determined and placed into the company's marketing strategy for the year. This is one example of successful alliances on the part of Starbucks.

In 1993, the company partnered with Barnes and Noble bookstores to be the in-house coffee shop (Isidro, 2004). Next, in 1996, Starbucks partnered with PepsiCo to bottle, distribute and sell Starbucks Frappuccino (Isidro, 2004). Starbucks has also formed alliances with ice cream manufactures and hotel chains to offer Starbucks brand and flavored ice creams and Starbucks coffees within the hotels (Isidro, 2004). Furthermore, Starbucks has formed an alliance with United Airlines, offering Starbucks

coffee in coffee cups bearing both company's logos on flights. It is difficult to travel through corporate America and not find Starbucks coffee in dispensers bearing the Starbucks logo in meeting rooms, board rooms, and corporate cafeterias (Larson, 2008). Starbucks has even partnered with Kraft foods to distribute Starbucks coffee in national grocery store chains and mass merchandise outlets (Theodore, 2002).

One partnership that has been incredibly successful, as well as financially profitable, for Starbucks is that with the music industry. Wolk (2008) notes that today Starbucks is "one of the most powerful music retailers in the market" (p.4). The company is very selective in the music titles and selection is limited, but the company sells that which it does carry at a premium (Wolk, 2008). A second musical partnership is between Starbucks and i-Tunes, an alliance that has formed the "song of the week" program (Wolk, 2008). Regardless of the success of music and food pairings, Starbucks asserts and firmly remains true to its reason for existence: quality premium coffees and a quality customer coffee experience. In application, Starbucks has understood, embraced, and profited from strategic alliances, both in positive marketing and in profitability.

Recommendations for Improvement and Conclusions

While Starbucks has been very successful with the Differentiation Focus strategy through the use of word-of-mouth marketing and strategic alliances, the future of the Starbucks Corporation could be in some jeopardy due to increasing competition without some small changes. One danger Starbucks faces in today's developing economy is the concern for the company that they will be surpassed by competitors on both cost and on product quality. It would be very beneficial for Starbucks to maintain a close watch on

industry and market competitors, specifically other coffee shop establishments and the restaurant industry entrants to the specialty coffee market. Both specialty coffee shop entrants can pose a challenge to Starbucks in an effort to provide the best quality, service, and experience for the customer, while the restaurant entrants to the industry are marketing their specialty coffee on a cost savings platform. With these industry competitors attacking the Starbucks market share from both angles, it is essential for Starbucks to find ways to remain cost competitive while providing the top-of-the-line, quality product.

Furthermore, it is also recommended that Starbucks consider implementing a marketing strategy apart from alliances that does not solely rely on brand awareness, reputation, and word of mouth. While word of mouth marketing is invaluable, it is essential with the growing competition on price and product for Starbucks in the niche coffee industry to aggressively market to ensure and restate the company's dominance in the diversification focus of specialty coffee.

Finally, in today's current economy, it is recommended that Starbucks broaden focus from simply high end pricing and provide an economic package or economy offering during these tough economic times. This does not have to be a long-term strategy, but could ensure the survival of the company through a tougher economic time and also maintain the company's customer base for when the economy as a whole, and thereby consumer wallets, are growing again. This would bring the company slightly away from the differentiation focus strategy, but not so far as to move the company into a new strategic marketing focus. In conclusion, Starbucks is still in a growing stage, and with a few recommendations for marketing improvement, can continue the product

leader position currently held in the specialty coffee industry well into the future.

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