

The effect of Starbucks Marketing Campaigns on Consumer Buying Behaviour

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ABSTRACT

Starbucks is the global coffee and snack brand which is headquartered in America. Starbucks is a disciplined innovator, and good management of its innovation timeline is one of the primary reasons behind the company's success. This is also the main reason why Starbucks has been able to improve its store sales. Excellent employee training management and excellent service attitude also attracted a lot of customers and improved customer satisfaction effectively. Over the years, Starbucks has adopted various innovative marketing campaigns globally to attract its potential customers, increasing the sales and impacting the customer buying behaviour. The aim of this research is to understand the effect and impact of Starbucks Marketing campaigns through various channels on its customers. The research will be conducted across the regions of India and Malaysia through survey and observational method.

Keywords: Customer buying behaviour, Marketing campaigns, Starbucks

INTRODUCTION

Starbucks was just a single store in Seattle's historic Pike Place Market until it was established in 1971, by three local businessmen and it is the world's largest American coffee chain company. Starbucks's headquarters is located in Seattle, Washington, USA. The retail expansion and products, service the quality of Starbucks once visited by Howard Schultz. He succeeded in improving as a strong company and expanded the great quality of coffee named Starbucks. It includes more than 30 kinds of the world's top coffee beans, handmade espresso coffee and a good deal of coffee hot and cold drinks, fresh and delicious pastries and various coffee machines and coffee cups. Moreover, Starbucks's main mission is to offer a high and great quality of coffee to expand their product until they make product innovation that has nearly 21.300 stores worldwide in North and South America, Europe, the Middle East and the Pacific.

The background and history of Starbucks begin as it was the place where Pike Place Market in Seattle's dreams began as Starbucks strategically opened their outlet in certain locations to increase and upgrade their sales volume number. Starbucks' determination insists on providing an extra and unique atmosphere in their coffee-house and building their own passion to attract more customers. In 1971, the first store was open named Starbucks in Seattle's Pike Place and began to produce their high-end quality of coffee.

In 1982, a man who has deeply influenced Starbucks called Mr. Howard Schultz joined Starbucks as Director of Marketing and Retailing Operations and his presence has transformed Starbucks from an unknown company into a successful company in the world. After a long effort, Starbucks was successfully listed on Nasdaq in New York, entering a new stage of development. What a huge achievement for Starbucks and this is a direct proof that all their efforts have not been in vain. In fact, indirectly it makes Starbucks striving to be a better company in the world. Nowadays, Starbucks has more than 32,000 stores and 400,000 partners in 82 markets around the world and in future Starbucks is definitely striving to be better than before.

Starbucks has introduced themselves as a place where customers can freely spend their time and moments other than doing their work and replace some moment from home. To make it happen, the firms make an effort to strive and create all outlets to inclusive and relaxing places to provide a valuable moment for their consumers. Starbucks has provided a very calming and relaxing music environment, comfortable furniture to its all stores. Starbucks also creates different facilities to increase their customer's social acquisition like a wire internet, some complementary books, and many facilities to their customers. Furthermore, Starbucks set up their company and insist that they are a different kind of company which not only celebrating the rich and tradition of coffee, but also appreciating a feeling of connection among their customers. As their mission is "to inspire and nurture the human spirit" they always ensure that they serve the best and high-quality services by offering premium selection of premium teas, fine pastries and other delectable treats beside treating customers with passionate and comfortable coffeehouses for them to meet up or even work.

In addition, Starbucks mainly focuses on a variety of coffee as their main attraction, and their products are placed in higher end according to their strategies, pricing and standard itself. Starbucks constantly requires service consumers to take a part in the service production process in an active and cooperative way to engage with customers, so that they can get satisfactory service. The firm's marketing efforts and great strategies have helped and improve their brand to become a premium supplier of coffees. Besides one brand that consistently and maintains their ability to deliver a significant experience to their clients, Starbucks is also involved with corporate social responsibility. Starbucks always takes their responsibility and makes a collaborative action with regard to environmental sustainability because they deeply believe it will make things easier to obtain Starbucks's goals when working with others and serving their client. Starbucks always insists on "customer-oriented" which is taking every customer seriously and putting them as priority by cooking only one cup of coffee at a time. For instance, in the store, if you ask for the same coffee a second time, you are asked how you feel about the product, why you like the type of coffee, and fill out a questionnaire for Starbucks. These are all good ways and strategies for Starbucks to deal and engage with the customers. Through these strategies, Starbucks can make customers feel satisfied and express their opinion with the service given as to keep up the customer source and form a great reputation.

Literature Review

Customer-oriented organizations treat customers as their first priority, everything else springs from customers. A customer-oriented company are the ones that focus on customer developments while designing their marketing strategies delivering higher value to its customer and other stakeholders (Haskova, 2015). Customer orientation (CO) consists of a collection of beliefs which stated that the priorities of a corporation are

customer needs and satisfaction. CO involves permanent improvement in business processes, a dynamic interaction between the corporate and its customers. It is the technique where the business is seen from its result point of view, nothing but the customer point of view.

Swarbrooke and Horner (2007) suggested that marketing and consumer behaviour are just like how the remaining world is changing at a rapid pace, both of the way consumers behave and the practices of researching and analysing that behaviour continue to change. Marketers spend a large amount of money attempting to influence what, when, and the way in which you and I consume. Marketers not only spend billions attempting to influence our behaviour, but also spend a huge amount of money for the purpose of studying our behaviour. With knowledge of consumer behaviour and an understanding of how marketers use this data or information, we are able to study marketers. An advertisement in the television can be an annoying interruption of a favourite program. However, it can also be a captivating opportunity to speculate on the commercial's objective, the target audience, and underlying behaviour assumptions. Indeed, considering the ever-present nature of commercials, an understanding of how they attempt to influence us or others is essential to interpret about our environment.

History of Starbucks

The place where the dream began is from the Pike Place Market in Seattle. In 1971, Starbucks had opened first store in Seattle and began its in store operations for selling coffee. In 1982, a man has emerged who has deeply influenced Starbucks called Mr. Howard Schultz joined Starbucks as Director of Marketing and Retail Operations. His presence has transformed Starbucks from an unknown company into a successful company in the world. In 1987, Baldwin and Bock, the owners of Starbucks, decide to sell the Starbucks Coffee Company's Stores and roaster in Seattle. After that, Mr Schultz decides to buy Starbucks and merge with the Daily Coffee Company, which he had founded in 1985, into the "Starbucks Corporation". Furthermore, he also opened its first outlet selling drip coffee and espresso drinks. In 1992, This is the first step on the road to success and the key to their success. After a long effort, Starbucks was successfully listed on Nasdaq in New York, entering a new stage of development. What a huge achievement for Starbucks and this is a direct proof that all their efforts have not been in vain. Such success also indirectly makes Starbucks strive to be a better company in the world. Nowadays, Starbucks has more than 32.000 stores and 400.000 partners in 82 markets around the world and in future Starbucks is definitely striving to be better than before.

Product and Services of Starbucks

Starbucks mainly focuses on a wide variety of coffee as their main product. Furthermore, the service of Starbucks is also admirable. Starbucks constantly requires service consumers to participate in the service production process in an active and cooperative manner, so that customers can get satisfactory service. Starbucks always insists on "customer-oriented" which is taking every customer seriously and cooking only one cup of coffee at a time. For example, in the store, if you ask for the same coffee a second time, you are asked how you feel about the product, why you like the type of coffee, and fill out a questionnaire for Starbucks. These are all good ways for Starbucks to deal the relationship with customers. Through these strategies, Starbucks can make customers feel satisfied with its service, so as to maintain the customer source and form a good reputation.

Market Opportunity of Starbucks

The macro environment brings both challenges and opportunities to enterprises, which is a significant impact on their marketing strategic decisions. Starbucks as an outstanding and successful company also needs to continuously observe and adapt to the environment, respond to the unmet needs and trends in the environment and create new profit models. According to Putri, et. Al (2020), to launch an effective marketing strategy, companies need to have a strong information base about the market and update what needed to be anticipated. Consumer understanding cannot be done separately through statistical data or by conducting surveys, but must go through intensive research to get the right business analysis.

Political Environment

As a world company, Starbucks must always pay an attention to the political environment of the country where each store is located such as the country's international relations, social system, the nature of the ruling party, government guidelines, policies, laws and other aspects. Starbucks needs to adapt to local government policies and ordinances so that it can operate its stores there without serious disruption. With stable support of political and government, Starbucks' operation cannot be affected and will develop stably. These factors may cause threats or the opportunities for the company. The factors that have influence on the business of Starbucks are the market integration of the region and the support of the government related to the infrastructure. These are the factors that are very attractive and favourable for the Starbucks and provide opportunities for the business expansion (Alwaleed, et. Al, 2019).

Economic Environment

The economic environment will also have a big impact on Starbucks. The size of the country's economy will affect how well Starbucks operates in that country and how well it achieves value-based sales (Taecharungroj, 2016). To avoid being affected by the economic environment, Starbucks can only observe whether the country's economic situation is stable, the level of people's average income, and the availability of adequate economic facilities before making the decision to open a store in that country.

Social Environment

The sociocultural environment plays a crucial role. The core values and beliefs of a country or region are highly sustainable, but people's secondary beliefs and values are relatively easy to change. Therefore, Starbucks as a world company needs to try to change people's sub-beliefs and sub-values to make them better adapt to their products. In order to achieve success, Starbucks needs to adjust its strategy appropriately so it can be better integrated into local culture. For example, in a multi-racial country like Malaysia, Starbucks has to blend in with the local culture and understand the differences of ethnic groups in order to adapt to the culture of the country.

Technology Environment

As the leader of coffee culture, Starbucks has more technology in coffee-related technology which are roasting technology of raw coffee beans and brewing technology of finished coffee beans. These technologies provide the technical foundation for Starbucks' promotion of coffee culture in various countries. Advanced technology means Starbucks has the ability to improve product quality, reduce costs and restructure processes. From the founding of Starbucks until now, it has been working hard to develop and use new technologies such as its unique Starbucks re-roasting espresso

extraction technology and flavour lock patent packaging invention to preserve the flavour of coffee to create the technical advantages related to Starbucks coffee.

RESEARCH METHOD

The study of marketing strategies for Starbucks is a primary research data. Primary data source is the data collected from first-hand sources that had been done by a researcher. The data for the research was collected from people across India and Malaysia from the age group of 16 and above who have consumed the Starbucks coffee at least once. Through the research paper a total of 110 responses were collected which would be further analysed in the research to develop a better understanding of the effect of the marketing campaign.

Observation is a method which is based on your detailed recording and what you hear or encounter of the scene. By looking at Starbucks Corporation in detail, we can see how Starbucks becomes a household name through marketing. First, the Starbucks store we observed was from Penang, Malaysia. It is located in Butterworth Business City Centre Jalan Raja Uda. This is the more prosperous part of the area where the crowds are concentrated. This is in line with Starbucks' location strategy which focuses on urban centres. This is because the centre has a large upper middle-class population, which is their target customers.

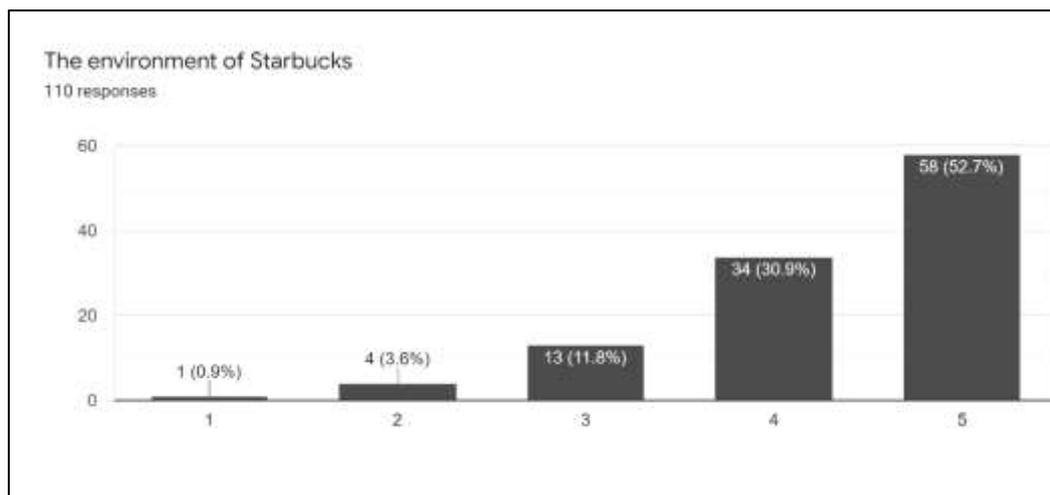
RESULTS AND DISCUSSION

Data Analysis

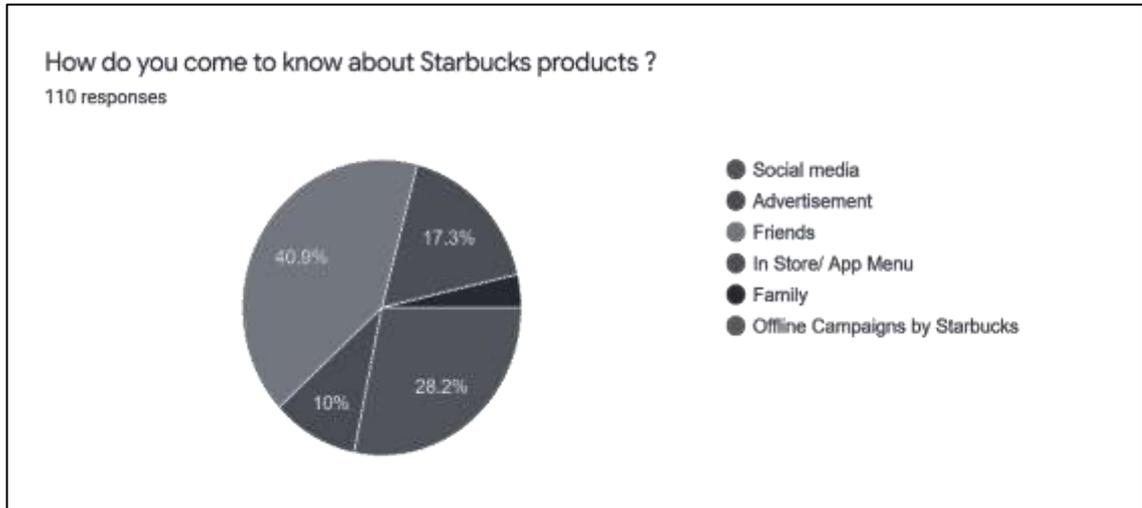
In the survey conducted, responses from 110 respondents were analysed to develop a better understanding of the effect of Starbucks marketing campaigns on its potential customers. In the survey conducted we had 60 female respondents and 50 males' respondents who were distributed in the age group of 10 years and above.

Environment of Starbucks to influence the purchase decision

As per the graph displayed above, 52.7% respondents claimed that the environment which has been created in the Starbucks store does have an effect on their purchase decisions. Here, Starbucks makes a use of developing an ambience which gives the sense of fresh coffee brewing, display of the different products which increases the

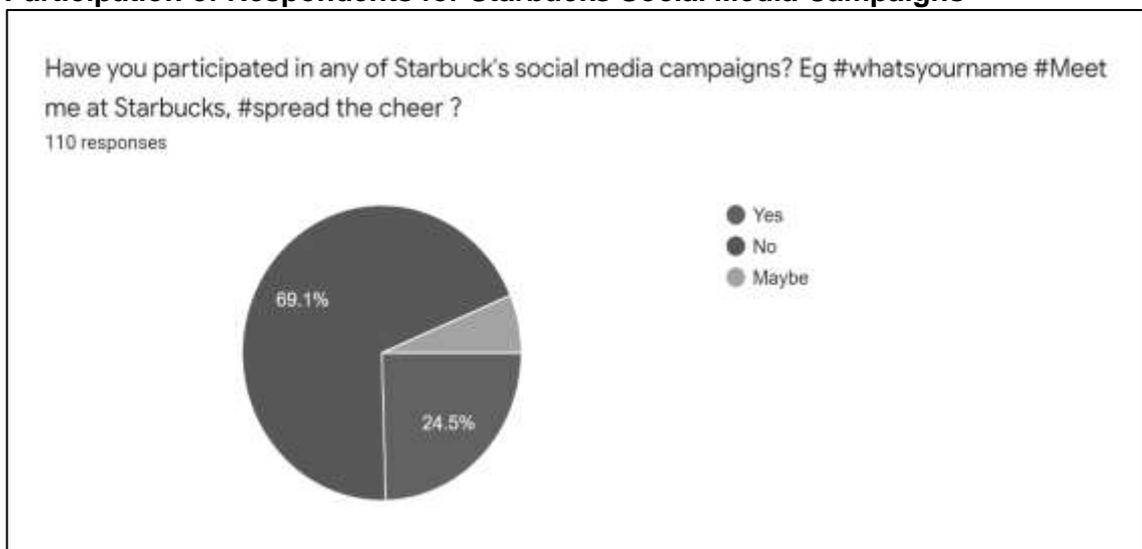


appetite of the customers and other in-store marketing methods which tend to impact and result in a positive effect on the purchasing decision of the customers.
Influencers for purchase of Starbucks products



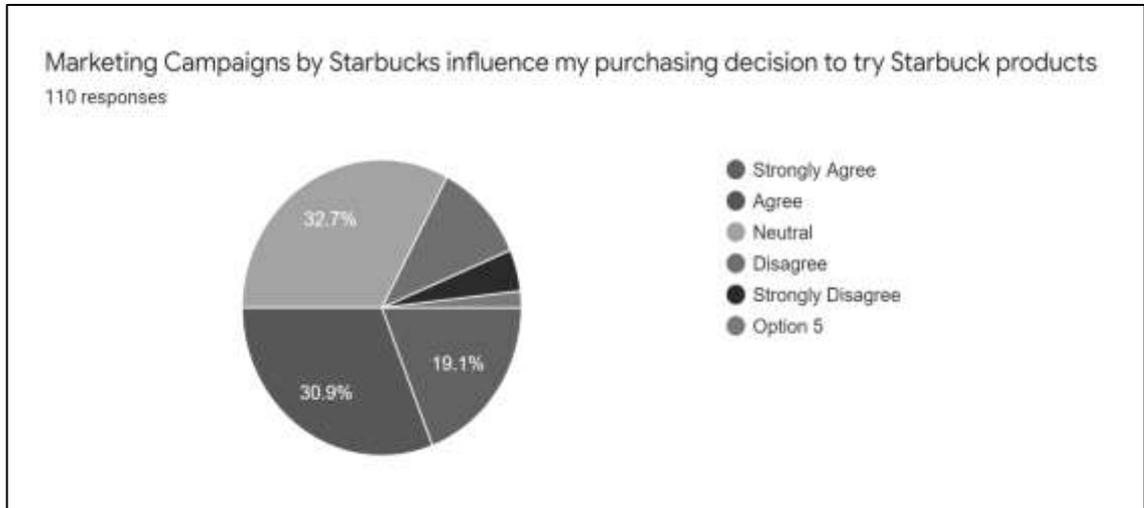
In order to understand the sources from which customers were influenced to make purchases through Starbucks, an additional question was added in the survey which showed results that 40.9% respondents visited a Starbucks store as they were influenced by their friends. Social media comprised 28.2% which is slightly lower considering the marketing campaigns that Starbucks runs and a negligible influence of offline campaigns. This highlights that marketing campaigns have not been as effective as it should be to influence potential customers.

Participation of Respondents for Starbucks Social Media Campaigns



Through our secondary research, we have observed that Starbucks has various online marketing campaigns being run throughout the year to push their products, offers, initiatives, etc out in the market. However, as we observe the responses only 24.5% respondents have participated in a global run campaign by Starbucks.

Effect of Marketing Campaigns on Purchasing Decision



Marketing campaigns have been one of the strongest pillars which has led to the success of Starbucks across the globe with its products, services and merchandise. As we observe the above responses from the respondents, 50% of the respondents agree that the marketing campaigns of Starbucks have a direct influence on their purchase decision.

Effect of In-Store Marketing on Purchasing Decision



Starbucks as a brand does not just focus on online marketing campaigns to promote and push its products but also ensures offline in-store marketing. As we observe the responses of the survey, we observe that 64.6% respondents have observed a positive effect of the in-app marketing display and marketing campaigns in the buying behaviour.

In-Store Observations – Butterworth Business City Centre Jalan Raja Uda, Malaysia. The store considered for observation was the store in Butterworth Business City Centre Jalan Raja Uda. From our point of view, we can see that there are a total of three Starbucks stores in the vicinity of this area, which indirectly confirms that this area is a place with concentrated population. We can speculate about the reason why Starbucks is opening in these three locations so close together is to meet the demand for Starbucks in the area and wants to corner the coffee market in the region. In fact, this is also the location strategy of Starbucks, which applies strategic cluster of cafes in the same geographical area to gain market share and drive away competitors. Next, what we want to look at is what are the geographical advantages of this Starbucks' store. Through observation, we know that this Starbucks store is located in a very wide parking lot, which also allows consumers not to worry about the lack of space in the parking lot and can be ease of consumption. This also means that Starbucks has a good geographical advantage. As a result, a good geographical advantage will be very effective to increase the sales of the store. That is why location strategy plays such an important role in marketing strategy. The detailed pictures will be attached at attachment.

Furthermore, through observation, we also know that Starbucks also offers drive-thru service like other restaurants such as McDonald and KFC. In this age of information, drive-thru service has become an indispensable service for customers especially people in urban centres. Drive-thru is also considered a marketing strategy which can meet the needs of more people for drive-thru and increase sales. Most of the customers who benefit from the drive-thru service are commuters who are too busy and do not have much time to enjoy foods and drinks. With the drive-thru service, Starbucks' sales will be boosted and more people will come for convenience.

Moreover, let's take a look at how different the interior design of the Starbucks' store. Through observation, we know that the interior design of the Starbucks store is adopted and specially designed. The main colour used is light brown, which reflects a comfortable and relaxed atmosphere for customers to enjoy. The design concept of Starbucks is that the design should conform to people's state of mind as the highest. Therefore, according to the collected information, the designers of Starbucks need to work in the front-line stores to understand the space, goods and services of Starbucks from the perspective of users. We can also know that every detail of Starbucks store design, layout and decoration has been fully considered from the perspective of consumers to consider the spatial layout and pursue the ultimate user experience. This also fully reflects the Starbucks Customer First Marketing Strategy.

Besides, we also observed that in addition to coffee, Starbucks also launches various products and souvenirs under their brand name. Through coffee to attract many loyal customers, and then launched a series of co-branded products to attract loyal customers to buy. This is a very successful marketing strategy for Starbucks. It is not limited to its main product which is coffee, but develops new product lines to consolidate and increase sales continuously. That is why Starbucks has stood out in this market for years.

The most special thing is Starbucks' mineral water. We observed that Starbucks' mineral water is highly visible in the store and making it easy for customers to see. Different from the mineral water outside, the price of this mineral water is almost similar to Starbucks' coffee. According to the information collected, few people bought the mineral water in Starbucks. Then why does Starbucks insist on selling it in stores? In fact, it is a marketing strategy called Anchoring Effect or Price Anchor. A price anchor is a benchmark for

comparing commodity prices. In marketing, companies shake people's assessment of the value of money by various anchor tricks, or by using contrast and suggestion to create the illusion. In other words, when the price of a bottle of mineral water is not much different from that of coffee, customers will think coffee is not so expensive by comparison. That is why Starbucks purposely put this mineral water in a prominent place. As a result, the marketing strategy of Starbucks is very successful, as we can see from its sales.

Next, we also observed that Starbucks drinks have the customer's last name written on the outside of the package. It is probably the most common thing for people today. However, this was certainly a novelty when Starbucks first appeared. This was something that none of the coffee stores or beverage stores had done at the time. In fact, Starbucks did this to prevent customers from taking the wrong drink. By telling them when their drink is ready, so they do not grab someone else's drink. Furthermore, it also helps to build connections and relationships with regular customers. This is undoubtedly a customer-oriented marketing strategy.

CONCLUSIONS

Starbucks is a coffeehouse chain and having 31,256 stores in the worldwide. Based on our research, Starbucks has a good strategy in selecting location. The place that was set up for Starbucks is the centre of the area. It becomes an opportunity; Starbucks easily fulfil the demand of customers due to geographical advantage. There are a lot of parking slots and their citizens have a higher consume level. In addition, Starbucks also provide a good environment and drive-thru for their customers. On the other hand, the brand of Starbucks is very famous. It is one of the strengths for Starbucks. The popularity of Starbucks helps to save advertisement cost, most of the customers heard the brand from their friends. The benchmark increases the value of coffee in Starbucks. At the same time, it also become a weakness, the price of a cup of Starbucks is higher than others coffee's brand. Thus, Starbucks is unable to start their business in rural. There is low consuming level in rural due to their lower income. As a suggestion, we encourage Starbucks to do some adjustment on their price. It can help to increase the market share in the area. Moreover, Starbucks should provide a system for their customer to evaluate their business performance so Starbucks can find out the problems and keep doing an improvement on their business.

Developing an effective marketing campaign which is an appropriate with the target of the consumers across the different geographies. Starbucks can also have marketing campaigns run locally to suit the consumer behavioural pattern regionally. Starbucks Marketing campaigns need to be optimised to promote the products and services directly connecting to the emotional aspect of the customer to increase their reach. The current brand perception tends to display it as a product only for the affluent class.

Starbucks today is losing out on larger chunk of its customer due to its high pricing strategy. Reworking on the pricing strategy and promoting it efficiently in the market can increase its customer base and also give a better return on investment on the marketing campaigns. In order to increase their customer base, Starbucks will have to correct certain business processes which lead to dissatisfaction among customers such as the wrong names on their glass of coffee, delayed orders, lack of proper arrangement in the stores, and in-store facilities.

Limitation

The number of respondents – As mentioned earlier, the respondents to the research paper were only 110 and do not have an equal representation from the different age groups. Geographical area coverage – The research paper focuses on respondents and observational behaviour only in the regions of India and Malaysia. The perception about the brand and effect of the marketing campaigns may be different in the different regions across the globe.

Research Timeline – Considering the fact that Starbucks is a global brand, the timeline for conducting the research and understanding the marketing campaigns was on a lower side.

Data Collection – Due to the global pandemic COVID19, interviews with the different stakeholders like the management and staff of Starbucks was not possible which somewhere restricts access to primary data which is crucial for conducting the research.

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