

Segmentation Task: Starbucks Coffee Company

“Latte Love”

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Executive Summary: Starbucks

Starbucks is a leading retailer, importer, and marketer of premium coffee and tea beverages from around the world. Starbucks is widely recognized by its trademark green and white logo of a siren, displayed on each of its coffee cups, storefronts, and products. The beverage retailer utilizes a brick-and-click sales strategy to offer its merchandise to the widest market possible. Compared to other major retailers like Dunkin Donuts, McDonald's, 7-11, and Wawa, Starbucks charges \$1-\$3 more per beverage but offers a much more extensive menu and inviting atmosphere than its competitors.

Based on market and behavioral research, a typical Starbucks customer is a female, 45-year-old college professor of English and Urban Studies. She loves to read, is passionate about community service around the globe, and is an avid music listener. The typical consumer seeks to satisfy several needs beyond their morning coffee fix: a heightened sense of self esteem from drinking Starbucks' prestigious offerings, a feeling of belonging from each store's welcoming atmosphere, and a more satisfying consumption experience from the sophisticated décor and seating in each store.

An analysis of an MRI report about Starbucks' principal shoppers reveals that more women than men drink Starbucks coffee, there is a fairly even distribution of customers from ages 18-65, and that over 75% of customers are white. Based on a VALS psychographic survey, Starbucks customers enjoy new experiences, authentic products, and entertainment. A further MRI analysis shows the other behaviors a typical Starbucks customer exhibits, including which TV channels they most watch, which magazines they subscribe to, and which websites they visit. This data analysis allows for a careful segmentation of Starbucks' target market.

2a. Product Category

Situated in the food and beverage product category, Starbucks is an importer, retailer, and marketer of premium coffees and coffee beverages from around the world. Starbucks also offers ready-made food products and baked goods in stores, as well as a number of teas, juices, and other beverages.

2b. Trademark Elements

Starbucks' trademark green and white logo of a siren is a staple of the brand, with the green and white colors prevailing on the company's products, website, and storefront (Exhibit A). All Starbucks cups features the logo, as does every storefront, as do almost all Starbucks products. Another trademark element of Starbucks is their unique, annual holiday cup, available from November to January, created to complement their holiday drink menu (Exhibit B). These cups signal the arrival and departure of the holiday season each year, and notoriously elicit customer nostalgia.

2c. Website

The Starbucks website features the company's trademark logo and classic green color throughout. Any new promotions or savings are displayed prominently in a rolling banner on the website's landing page, and Starbucks features any new product headlines just below the banner (Exhibit D). The website is clean and simple, like the classic green and white Starbucks cup that users have come to associate with the brand. The site also features 6 main site sections, each with subsections (Exhibit C). The sections are: Coffee, where users can read about Starbucks various beverage offerings; Menu, where customers can find nutrition information as well as a full list of Starbucks products; Coffeehouse, a digital community for users to connect to Starbucks and to each other based on similar tastes in music, coffee, etc.; Responsibility, where Starbucks details its various charitable goals, efforts, and initiatives; Card,

where users can manage gift card balances; and Shop, where patrons can purchase Starbucks coffees and drinkware online.

2d. Partnerships

Starbucks has strategically partnered with numerous brands, organizations, and individuals to broaden its offerings and strengthen the brand's image. As of 2013, Starbucks has partnered with La Boulange, a San Francisco bakery, to offer premium snacks, meals, and baked goods, all decked out in La Boulange's trademark light pink (Exhibit E). Starbucks also owns Teavana, a prominent retailer of loose teas and tea products. Starbucks ethically-sourced coffees come from around the world, from Africa to Asia to Latin America, with many suppliers being women or minority-owned. This ties in directly with Starbucks' community initiatives, in which Starbucks employees are encouraged to volunteer for various community-aid projects. In 2013, Starbucks volunteered over 600,000 hours of time into bettering local communities. Starbucks has also partnered with Alice and Olivia, the apparel line started by New York-based designer Stacey Bendet. This partnership has allowed Starbucks to offer unique, designer coffee cups and merchandise both in stores and online.

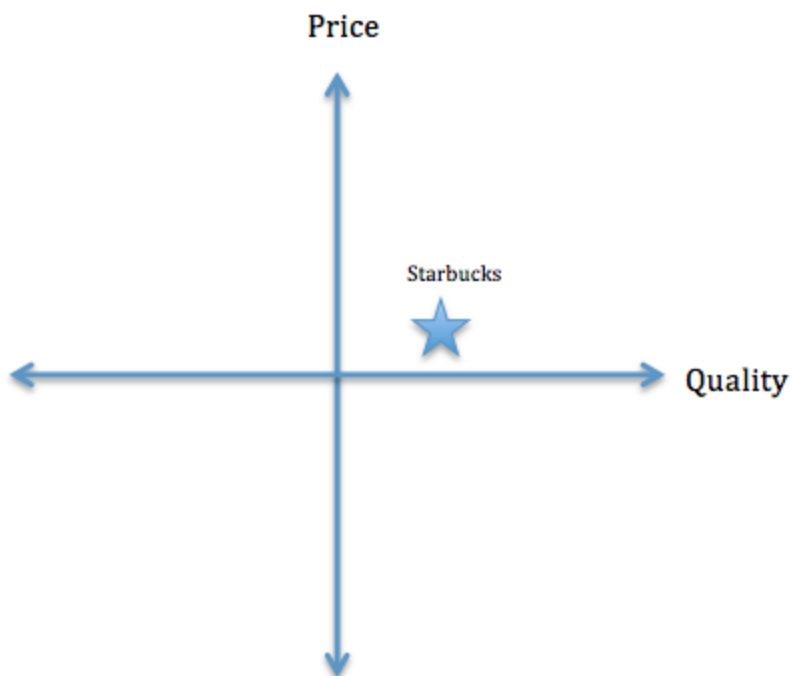
2e. Sales Venue

Starbucks has employed a brick-and-click sales strategy in order to offer its products and merchandise to the widest market possible. Though specialty beverages and foods can only be bought in store, coffees, drinkware, and other merchandise can be purchased online as well as physically.

3. Typical Buyer & Perceptual Map

Betty Callowhill is the typical Starbucks customer. She is a 45 year old college professor who teaches English Literature and Urban Studies at Fordham University. She loves to read, and she often comes to Starbucks to enjoy a Venti Americano while reading Shakespeare. She is also passionate about aiding underdeveloped countries, and has spent numerous summers in

Zambia, teaching English to local communities. She loves that Starbucks coffees are ethically sourced, and she loves the company's close integration with local and rural communities. Betty makes \$75,000 a year, so she can afford Starbucks' lofty prices for her daily coffee. She is a huge fan of indie music, so she is sure to grab Starbucks free song of the month download each month, and she is an avid member of the Starbucks Coffeehouse community, where she and other Starbucks patrons can share their musical interests, keep up with new artists, and listen to music all while enjoying their favorite Starbucks beverage.



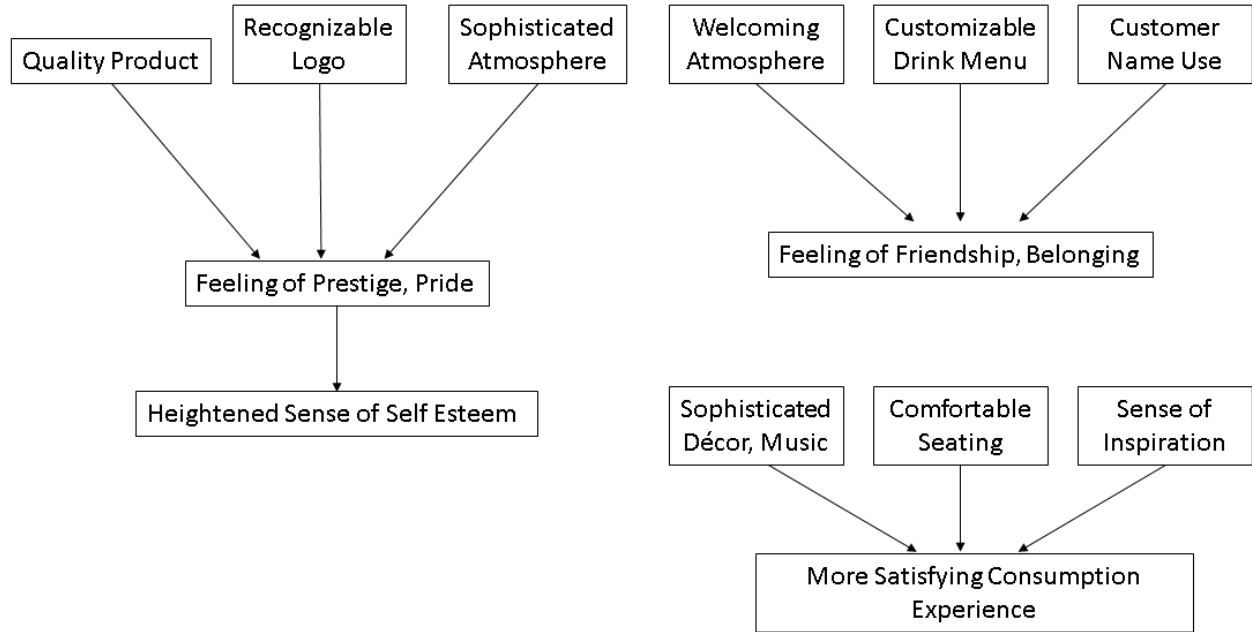
In looking at a perceptual map that examines price and quality, Starbucks is positioned in the upper righthand corner, as a brand that is relatively high priced but also high quality. In comparing Starbucks to other major coffee retailers such as Dunkin Donuts, McDonalds, 7-11, and Wawa, Starbucks charges anywhere from \$1-\$3 more per beverage. However, Starbucks also offers a long list of customizable coffee beverages that other retailers do not, and Starbucks

has an inviting atmosphere where patrons can sit and enjoy a beverage, whereas competitors offer “on-the-go” service.

4. User Motivations

Individuals like Betty Callowhill choose to consume Starbucks coffee over competitors because they seek to satisfy deeper, emotional needs on top of their morning coffee fix. Starbucks appeals to customers seeking a more gratifying consumption experience. For these customers, the purchase is about more than just a cup of coffee. Starbucks customers choose to pay a premium--over competitors like Dunkin Donuts, McDonald's, and 711--because they seek a feeling of pride and prestige from Starbucks trendy, cool reputation in the market. This feeling of pride also satisfies the customer's self esteem needs by giving them a sense that their purchase from Starbucks makes them unique and special. Starbucks satisfies this same feeling of self esteem and belonging by creating a custom experience for each customer. The customizable drink menu and use of the customer's name in serving the beverages helps Starbucks customers feel in control of their experience and purchase.

Additionally, these customers are looking to create an experience out of their coffee fix. Starbucks stores create an inviting atmosphere that encourages customers to read, write, socialize, and most importantly, get inspired. Each Starbucks visit should inspire customers to stay after their purchase and drink their beverage in the dynamic atmosphere that Starbucks offers. Starbucks' advertising and brand personality also enforces the idea of becoming inspired upon a purchase at the store. The soft lighting, trendy music, and worldly décor of each Starbucks store gives customers a sense of sophistication about their purchase that extends beyond the actual product. Customers who are music lovers also become inspired by Starbucks' promotion of hip, trendy music. These strategies are designed to satisfy a feeling of belonging by letting the customer know they always have their place at Starbucks.



5a. Demographics:

This information was a sample of 231,485 Starbucks principal shoppers.

The following statistics represent the the greatest percentage of their category

1. Age Range

- 18-24: 12.8%
- 25-34: 17.95%
- 35-44: 17.4%
- 45-54: 19%**
- 55-64: 15.7%
- 65+: 16.9%

2. Gender

- Men: 48.4%
- Women: 51.6%**

3. Education Level

- Graduated College Plus: 27.52%
- Attended college: 19.3%
- Graduated High School: 30.7%
- Didn't graduate High School: 12.9%
- Post Graduate Degree: 11%
- No College: 44%**

4. Region, including urban, suburban etc.

- North East: 18.28%
- South: 37.1%**
- Midwest: 21.8%

West: 22.8%

5. Other demographics

Household Income: 28.27%

Now Married: 53.85%

Race:White: 75.95%

HH subscribe to Cable: 51.89%

5b. Psychographics

Our assumptions about Betty Callowhill (the quintessential Starbucks customer) were confirmed by the VALS survey. The results of this survey were first innovator, second experience. These personalities enjoy new experiences, authentic products, and being entertained. Starbucks can satisfy the wants of customers like Betty Callowhill with their wide variety of options and the unique experience their stores offer.

Your VALS™ Type is:
Innovator/Experienter



Your primary VALS™ type is **Innovator**, and your secondary type is **Experienter**.

The primary VALS type represents your dominant approach to life. The secondary classification represents a particular emphasis you give to your dominant approach.



Want to learn more about VALS? Visit the [VALS™ Store](#) to read about *Understanding US Consumers*, our special handbook for students, professors, and anyone else who is interested in learning a little bit more about the psychological attributes and demographics that underlie consumer decision making.

Innovators:

Favorite Things

- A rewarding experience
- Problem solving
- Personal Challenges
- Authentic Products

Experienters:

Favorite Things

- A social-media following
- Being Entertained
- Being Established

The ability to purchase

5c. Other Decision Process Elements

These represent the most popular media within these categories.

Cable Service:

- History Channel: 34.3%
- Discovery Channel: 30.2%
- Fox News Channel: 29.27%
- ESPN: 28.47%
- TBS: 27.88

Magazines

- Metro-puck Carrier Newspaper: 21.5%
- Costco Connection: 8.1%
- Family Circle: 7.3%
- Cosmopolitan: 7.5%
- ESPN: 6.4%

Websites

- Weather.com: 25.5%
- Amazon: 22.97%
- Gmail: 22.1%

6. MRI/VALS Evaluation

The MRI and VALS created a comprehensive representation of the Starbucks customer. MRI allows us to gain an insight into how the Starbucks customer acts and what segment of the marketplace they represent. This tool confirmed our hypothesis about who the Starbucks consumer was. Through this data it is clear to see that the Starbucks customer is not necessarily defined by age, but by more so by interests and attitudes. The VALS survey very accurately defined who the Starbucks patron (in this case, Betty Callowhill) is in an emotional sense, and it correctly identified Betty's values of authentic products that can solve products, which directly correlates with Starbucks community initiatives. It also showed how Betty values entertainment and social media, which ties into Starbucks Coffeehouse community where Betty can connect and collaborate with like-minded people.

Appendix:

"Starbucks Coffee Company." *Starbucks Coffee Company*. N.p., n.d. Web. 04 Apr. 2014.
<<http://www.starbucks.com/>>.

Exhibit A.



Exhibit B.



Exhibit C.



[Sign In](#) [Customer Service](#) [Find a Store](#)



Coffee

Beans Blends Brewing

Menu

Drinks Food Nutrition

Coffeehouse

Music Wi-Fi Community

Responsibility

Values Goals Progress

Card

Register Reload Rewards

Shop

Search Compare Buy

Exhibit D.

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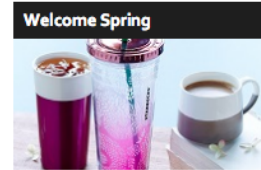
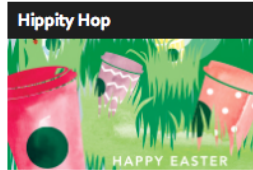
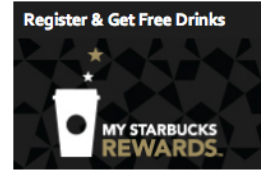


Exhibit E.

