

**MKT 566**

# STARBUCKS

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# STARBUCKS CORPORATION

## Brief Background

- It is the world's largest coffeehouse chain
- Headquartered in Seattle, Washington
- Founded in 1971

## Recent Developments

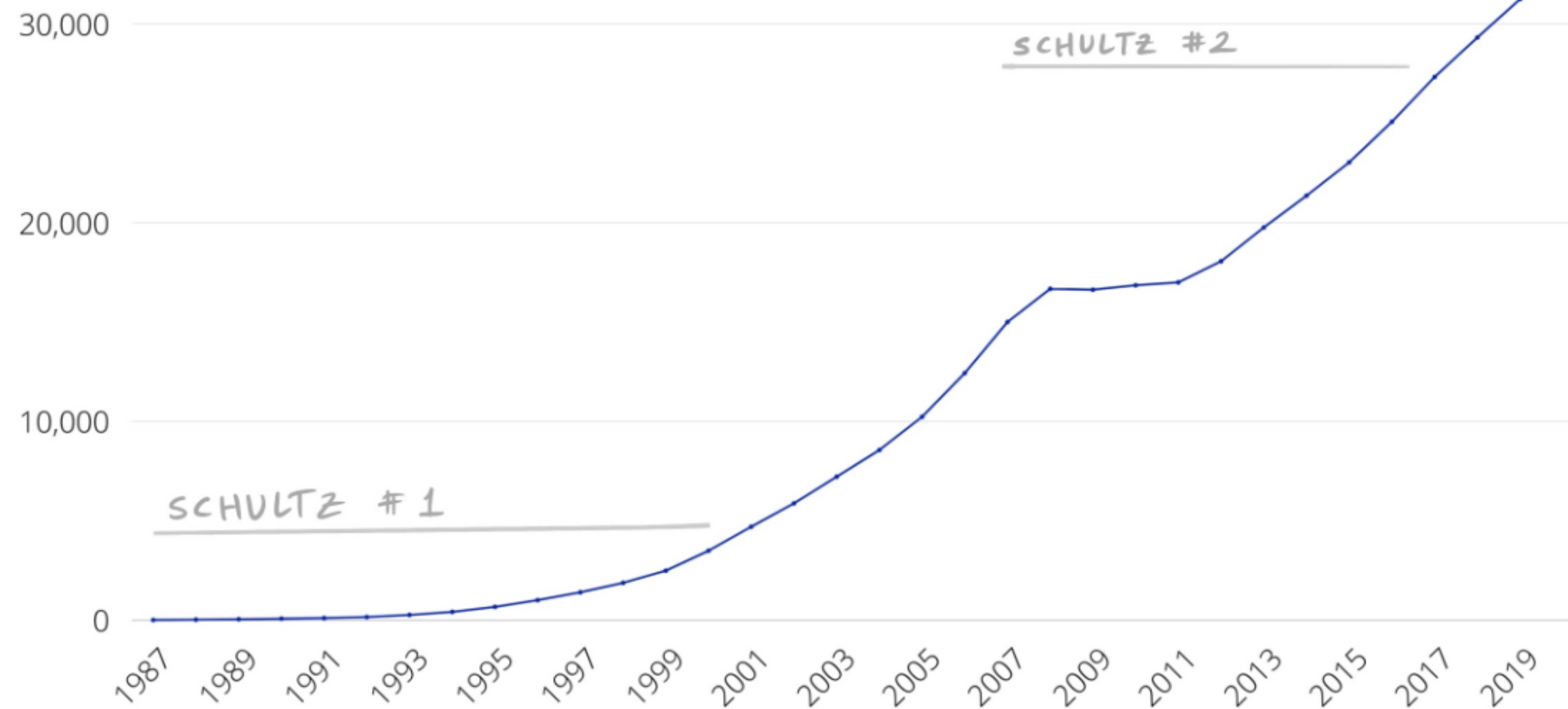
- Digital Flywheel Strategy (2017)
- "Howard Schultz reformed the coffee chain by turning it into a tech company." (The Generalist)
- Reinvention plan outlining the next chapter of the company (2022)
- Unionization and strikes



*TO INSPIRE AND NURTURE THE  
HUMAN SPIRIT - ONE PERSON,  
ONE CUP AND ONE  
NEIGHBORHOOD AT A TIME.*

# STARBUCKS STORE GROWTH

1987-2020



When Starbucks initially started, it focused on being *a third place for people to meet and have good in-person experiences.*

Nearly after 50 years, they are emphasizing using online deliveries through its app along with take-out or drive-thru outlets due to the aforementioned market trends.

*The question now is how this change is perceived by the consumers and how does it affect consumer satisfaction?*

# Research Prompt

The perception of the brand and consumer satisfaction are vital to their business model and influence brand loyalty and thereby influencing all marketing metrics.



Initiating our research, we found that there are several articles discussing how Starbucks moved from being a coffeehouse to now representing some kind of tech company (Fast Company, The Generalist). Depending on the articles this is either portrayed as a challenge or as an opportunity. (Zdnet, formation.ai).

How can Starbucks continue to innovate and leverage technology while honoring its mission of 'inspiring and nurturing the human spirit'?

What  
insights has  
existing  
literature  
uncovered  
so far?



## US COFFEE MARKET

- Valued at USD 25,024.7 million
- COVID 19
- Increased competition

## STARBUCKS

- Third place
- Shift in focus
- Need to reinvent
- Tech Innovations

## CHANGING CONSUMER PERCEPTION

Complaints about:

- Deteriorating human connection
- Wait times

Coffeehouse or tech company?



# Google Trends & Sentiment Analysis

## *TREND ANALYSIS FINDINGS*

*-> "Starbucks Drive Thru" > "Starbucks App"*

*Searches have for drive thru picked up during the pandemic but have more or less come back to pre-pandemic levels now*

*"-> Starbucks UberEats" > "Starbucks Mobile Order"*

- Potential Opportunity: DoorDash, UberEats, Postmates, etc.*

*Competition:*

- Starbucks is most popular overall followed by Dunkin donuts*
- Some areas of the US like Maine, New Hampshire, Rhode Island, Vermont etc have higher interest in Dunkin Donuts*

## *SENTIMENT ANALYSIS FINDINGS*

*Most common emotion across all touchpoints is anticipation.*

*Yelp, Twitter, Google and Apple App Store Sentiment Analysis via Web Scraping on Python*

- Yelp: Negative emotions are associated with waiting and time, service and cleanliness*
- Twitter: Negative sentiment about robot barista*
- App Stores: Negative sentiment about bugs and app crashes*

# Market Survey



# Consumer Segmentation

## Cluster 1

### **Loyal Coffee Enthusiast**

- Very high score on experience such as coffee quality, service speed, variety of flavors, comfortable seating, consistent quality
- Very high rating on setting of shop such as surrounding, proximity, affordability, cleanliness

## Cluster 2

### **Coffee laypersons**

- Relatively low scores on most of the parameters
- Suggesting consumer in this segment doesn't care that much about coffee drinking experience as others

## Cluster 3

### **Pragmatic coffee drinker**

- Very high likeness for coffee
- Generally make their own coffee
- Coffee brand is very important
- Very knowledgeable about coffee

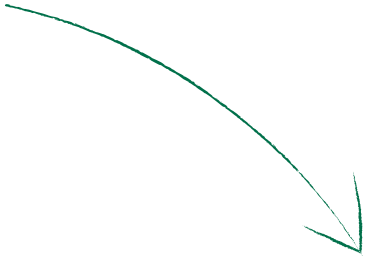




# Discriminant Analysis

	Segment 2	Segment 3
(Intercept)	-11.18	-2.02
Gender = Male	-0.368	-0.220
State = California	0.328	1.193
Highest Education = Graduate	10.739	0.269
Highest Education = Undergraduate	10.203	0.578
Are you currently working?	-0.569	0.838
Age_code	-0.114	-0.158

	Predicted 1	Predicted 2	Predicted 3	Total
Segment 1	87%	0%	13%	100%
Segment 2	94%	0%	6%	100%
Segment 3	67%	0%	33%	100%



Confusion matrix (%) The global hit rate of the model is 53%  
The diagonal elements represent segment specific hit rates

# Positioning

## Factor Analysis

	Factor 1	Factor 2	Factor 3
Knowledge Staff	0.7670362	0.2381491	0.1792931
Seating	0.7640769	0.1852140	0.2090652
Surroundings	0.7247911	0.2496314	0.1654039
Unique Offerings	0.6306396	0.4747264	0.1263635
Cleaniness	0.6297441	0.3276785	0.2771906
Attitude Staff	0.6277770	0.2253877	0.2779507
Coffee Quality	0.6147697	0.2888310	0.2428389
Wifi	0.5821590	0.1664865	0.2727726
Quality Consistency	0.5774238	0.2049610	0.2742628
Variety Flavors	0.5645046	0.5497204	0.1806356
Affordability	0.3569257	0.1437391	0.1642729
Customizability	0.4220737	0.7955413	0.2193695
Ease Online Ordering	0.2316649	0.0968647	0.6423795
Speed Service	0.1141070	0.0530397	0.6117398
Proximity	0.1378307	0.1073414	0.3409390

### Factor 1: Service, Experience and Product Quality

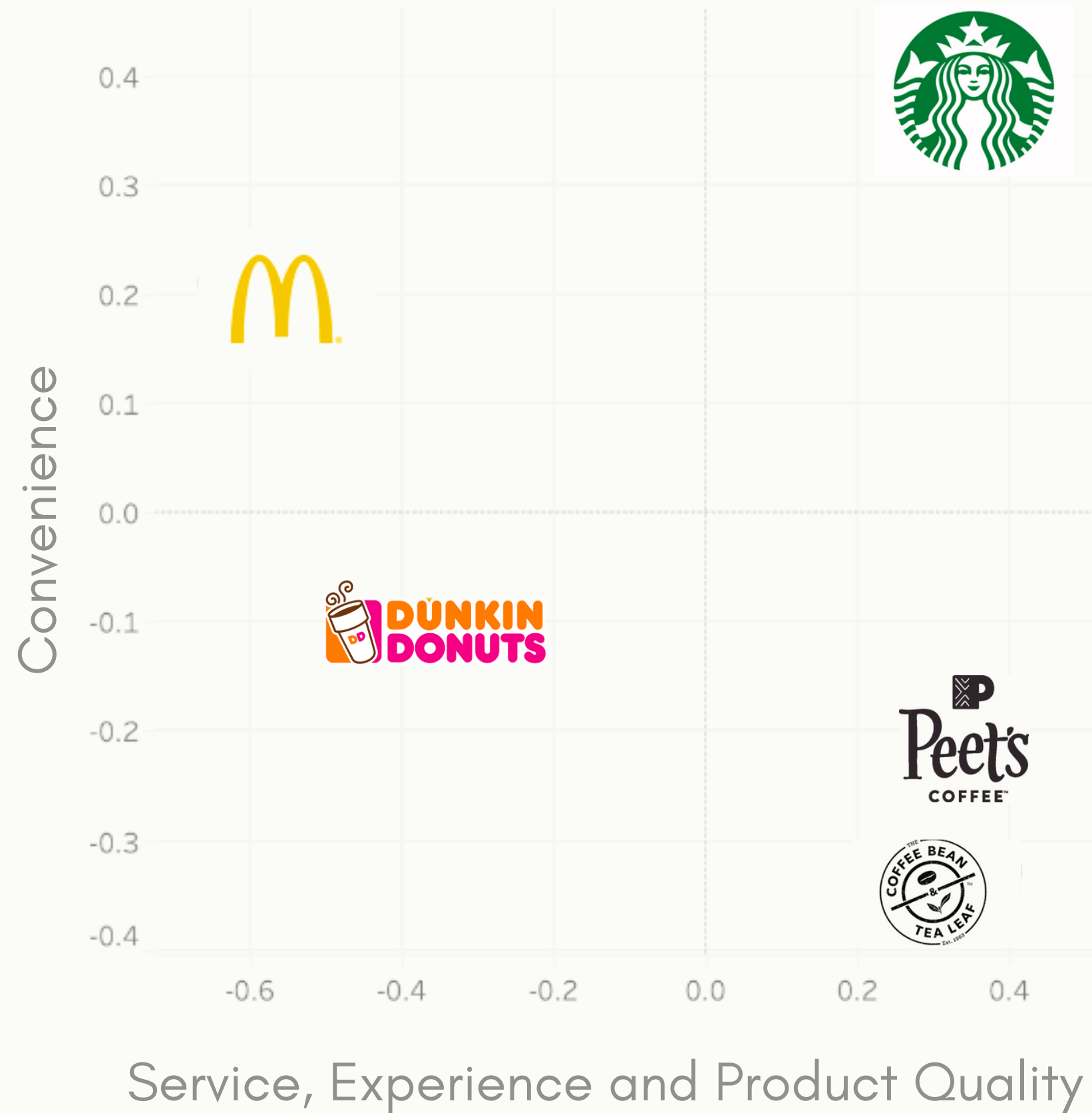
Cares about the staff, their knowledge as well as their attitude; that the store is clean, has comfortable seating + wifi and nice surroundings; in addition the product quality and price is important

### Factor 2: Personalization, Uniqueness and Variety of Flavors

Focuses very much on the menu and how much items are personalized or customizable, unique and also available in a large variety

### Factor 3: Convenience

This factor is characterized by convenience factors such as ease of online ordering, speed and how close the coffee shop is located to the house.



## Perceptual Maps + Snake Plots

- Starbucks leads on all factors is perceived as superior on all attributes
- Peet's Coffee is Starbucks closest competitors overall
- McDonald's ranks high on factors related to convenience and should also be considered a serious competitor

# Predictive Modeling

## Model 1: Multiple Linear Regression

- R square: **0.69**
- **Significant Model**

**Target Variable:**  
**How often do you visit Starbucks in a Month?**

Having an Inviting Space to Not Lose Monthly Visits. Not doing so, monthly visits decrease by 2 per customer

## Model 2: Logistic Regression

- R square: **0.54**
- **Significant Model**
- CM -> **1's: 96%, 0's: 77%**

**Target Variable: Would you go to Starbucks if they only offered in person experience (no online ordering available)?**

For customers who go out of their way to enjoy coffee

## Model 3: Logistic Regression

- R square: **0.54**
- **Significant Model**
- CM -> **1's: 89%, 0's: 85%**

**Target Variable: Would you order from Starbucks if they only offered online pickup or delivery?**

For young customers preferring economical coffee

# Recommendations

*BOOST EMPLOYEE  
SATISFACTION AND  
PROVIDE MORE TRAINING*

**HUMAN ELEMENT**

*INVENTING THE THIRD  
PLACE 2.0*

**DIGITAL  
INTERACTIONS+  
PERSONALIZATION**

*STRENGTHEN POSITIONING*

**ENHANCED LOCATION  
DESIGN+CONVENIENCE**

*ENHANCE ONLINE  
DELIVERY OPTIONS*

**PARTNERSHIP**

*IMPROVE APP  
FUNCTIONALITY*

**EASE OF ORDERING**

*EFFICIENT MACHINES*

**OPTIMIZATION**

**Thank You**