

STARBUCKS REPORT

MKTG2005



WONG Pak Yee 22228780

TAHANI Nisrine 24509809

KHAN Sheza Ijaz 24206601

GODEFROY Alexandre Daniel

GARG Shriya 24512028

1) EXECUTIVE SUMMARY

Starbucks, which was founded in Seattle in 1971, is a multinational company specialising in the sale of coffee and other food products throughout the world, with a presence in more than 80 countries. Its aim is to become the world leader in coffee, offering excellent quality and a unique customer experience. The company has many objectives to achieve, both financial and non-financial. Starbucks differentiates itself in a number of ways, with personalised services and a commitment to CSR. Its differentiation strategy enables Starbucks to stand out from other competitors such as Dunkin' or Pacific Coffee in Hong Kong.

For the SWOT analysis, Starbucks has a strong brand image and dominates the biggest market share in Hong Kong so they have the strength to reallocate the resources for unearthing the new market segment. As there is no other coffee shop that provides VR immersive experiences, Starbucks could become the first coffee shop to explore the market size with a new group of customers. For the environmental scanning, Hong Kong still has a growing demand for the VR immersive experience and coffee in the market.

Starbucks introduces Flavor Labs, a Virtual Reality (VR) experience in select Hong Kong locations. This idea combines premium coffee with VR/AR technology, offering customers a unique sensory journey from coffee cultivation to personalized beverage creation. Participants can craft personalized brews, experimenting freely, and favorite creations can become permanent menu items. Targeted at Gen Z, tech-savvy professionals, eco-conscious individuals, and students, Flavor Labs offers education, relaxation, and creativity in a tranquil virtual environment. By encouraging daring flavor combinations, this initiative strengthens Starbucks' reputation as an innovator while attracting diverse new customers to its stores. This idea can bring a lot of potential customers in the doors.

“Differentiation Positioning” will be the product positioning approach as our competitors would be other coffee shops - specifically “Pacific Coffee.” The use of Virtual Reality is one of the

important attributes as it will allow customers to create their own coffee, which would benefit them due to less time, more freedom and creativity. This is also an advantage that our competitors don't have as VR can make this go more efficiently. One of our competitors' ratings, "Pacific Coffee" is high, however, there are a few reviews that complain about their coffee that we can use to our advantage.

Regarding the marketing strategy the purpose is to enhance its customer experience by launching an immersive VR project centered on its brand story and coffee culture.

Moreover the VR experience will include interactive features such as barista simulations and drinks customization to enhance Starbucks premium image and CSR values.

In addition the company will use a tiered pricing strategy to offer a free version and a \$60 full experience with coffee.

Finally the promotion it will focus on social media and the Starbucks rewards program where the roll out will begin with VR studios and then expand it to flagship stores and home access via VR headsets.

2) COMPANY DESCRIPTION AND STRATEGIC FOCUS

Starbucks was founded in Seattle in 1971, and is now a well-known multinational company specialising in the sale of coffee, drinks and sweet and savoury foods. There are over 32,000 Starbucks cafés worldwide in more than 80 countries. Starbucks offers unique experiences to its customers and is renowned for the quality of its various products. Starbucks' mission is: "To be the undisputed leader in the world's best coffee, while inspiring and nourishing the soul through encounters...". It is therefore essential to focus on the customer experience, sharing and quality. Starbucks offers not just coffee, but a real experience, which sets it apart from other cafés and builds customer loyalty - and that's its strategy.

In terms of financial objectives, Starbucks wants to continue its global expansion in order to raise the profile of its brand, its products and its experience. For its non-financial objectives, Starbucks wants to establish a number of CSR measures, as well as improving the customer experience. For

example, at the end of 2024, the new head of Starbucks wanted to serve coffees in less than 4 minutes. They are working relentlessly on maximisation, customer experience and CSR.

Another key strategy is market penetration with intensive growth. To maximise revenue and growth in these current markets, the company applies market penetration by opening more company-owned shops or franchised coffee shops.

Starbucks has a number of core competencies, such as quality, customer experience, CSR and innovation, but it makes more sense to focus on the customer experience, which you can't find anywhere else. There's a personalized service with custom orders. Starbucks is also quite technology-focused, with the Starbucks app making it easier for customers to place orders in advance or to take advantage of the loyalty programme. To differentiate itself from other competitors, Starbucks uses the differentiation strategy (Porter's model), which consists of differentiating its different products. Starbucks has a very innovative menu, depending on the season and the location, with local products (Chocolate egg tart in Hong Kong, for example). This differentiation is applied on different levels, for example with its sustainable and responsible sourcing policy. Starbucks also has a highly valued and important corporate culture, promoting inclusion, equality and the personal development of its employees. This coffee leader has a strong global influence and image today, and this reputation attracts new customers looking for a new customer experience.

3) SITUATION ANALYSIS

SWOT analysis

Strength

- Starbucks has a strong brand image. The company keeps maintaining the image by social responsibility initiatives and provides high product quality for customers.

- Starbucks is the biggest coffee shop in Hong Kong. The high market share means that the company can allocate the resources to explore new market segments for the VR immersive experience.
- Starbucks has 250 independent coffee shops and is the biggest coffee shops in Hong Kong (Zhuo, 2022). The high market share means that the company can allocate the resources to explore new market segments for the VR immersive experience.

Weaknesses

- High initial investment costs and continuous operational fees have to be spent to purchase the Internet of Things (IoT) and maintenance in Flavor lab.
- Starbucks is a target premium coffee market. During economic downturns, some customers who are price-sensitive might purchase other coffee brands. This lowers the competitiveness of Starbucks.

Opportunity

- Starbucks can become the first coffee shop company to launch an immersive VR coffee experience to fulfill the growing demand of interactive dining in HK.
- Starbucks has fulfilled customer preferences by providing workshops and exhibitions (Starbucks, 2016). This could help the company to adapt and understand the needs of the customers and thus to retain the loyalty of customers.

Threat

- Uncertainty of technology adoption. As the new service is targeting a new market segment and related to the latest technology, it is difficult to ensure whether the service can fulfill the customers' preferences.

Environmental scanning:

Social & Technological

Hong Kong has a growing demand on VR headsets and exhibits a 21.6% growth (Statista, n.d.). It means that people are accepting the technology and there is a growing demand in the society. It becomes the opportunity to establish a Flavor lab to customers for VR immersive experience.

Economics

There is a growing market size in the Hong Kong Coffee Market. From 2024 to 2030, people forecasted to achieve a 3.4% growth (*Hong Kong Coffee Market 2025 – StrategyHelix*, 2025). That indicates that coffee has a growing demand and locals are willing to spend money on coffee in Hong Kong. Thus, Starbucks could fulfill the market needs.

Competition

The Luckin Coffee which is one of the China coffee shops, has opened five stores in Hong Kong in a day (Reporter, 2025). Growing number of Chinese coffee industries have opened in Hong Kong. It increased the competition at Starbucks and means that consumers can have more choices to fulfill their preferences.

Regulatory

As Flavor Labs might collect user data to customize users' coffee preferences, it is important to comply with the regulations of The Personal Data (Privacy) Ordinance to protect customers' data.

Customer analysis:

In the demographic segmentation, people from 18 to 60 would be the usual customers so we believe that Flavor Labs can cater to the needs of generation Z and tech-savvy millennials who are more willing to adopt the technology experiences.

4) MARKET/ PRODUCT FOCUS

Product Objectives

This product is launched with an intent to create a seamless blend between Virtual Reality/Augmented Reality technology and the premium coffee offered by Starbucks.

We wish to take our customers to embark on the relaxing journey of growing their own coffee and making unique brews. The VR Booths are set to be a unique blend of education, relaxation, creativity, and interactivity, differentiating Starbucks from its competitors.

Flavor Labs is a virtual reality booth in select Starbucks in Hong Kong to provide our customers a sensory and interactive experience within the stores. Participants will have a chance to experience growing their own coffee, from bean to brew. Users will have the opportunity to experiment with blending flavors and crafting their own beverages. They can experiment with various techniques and flavors to create a brew unique to them. They need not be confined within the walls of the menu and let their creativity free. If their creation impresses Starbucks judges, it could earn a spot as a permanent menu item. Additionally, the virtual coffee-field simulations are designed to be soothing, providing a tranquil escape from the urban hustle.

Target Market:

- 1) Gen Z: This space will bring new Generations into the Starbucks store and once they try our brew, we are confident they will make Starbucks their to-go place. Gen Z values innovation and personalization, making them the ideal customers for this initiative.
- 2) Tech-Savvy Professionals: Employees looking for a quick yet relaxing break from work can immerse themselves in the calming virtual coffee fields.
- 3) Eco- Conscious people: This experience will educate people about sustainable plantation techniques and challenges faced by the coffee industry.
- 4) Students: Stress relief and engaging activities appeal to students, particularly in urban centers like Hong Kong, where Starbucks is already a popular destination. Our simulation will provide a perfect relaxation for coffee lovers all around Hong Kong. The fresh smell

of coffee, standing in a peaceful coffee plantation after a long day will surely provide the relief sought by busy students.

Overall this concept will provide an innovative solution to a wide range of customers and bring new potential customers to Starbucks. The competition to win a spot on the menu will encourage people to try more daring combinations and freely express their creativity through Flavor Labs.

5) POINTS OF DIFFERENCE AND POSITIONING

The product positioning approach that we will be taking is “Differentiation Positioning” as the competitors of Starbucks would be other coffee brands in Hong Kong such as “Pacific Coffee.” This differentiates from our product as these coffee shops don’t use virtual reality.

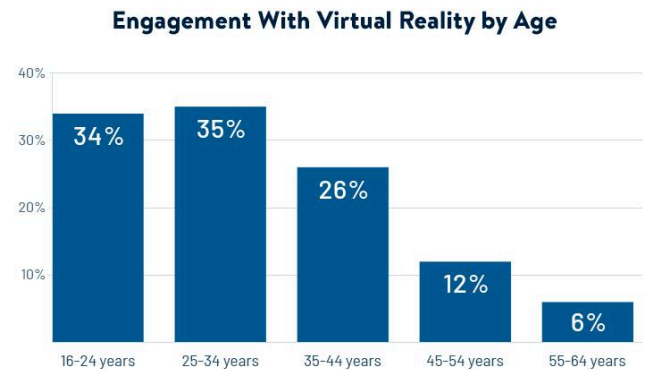
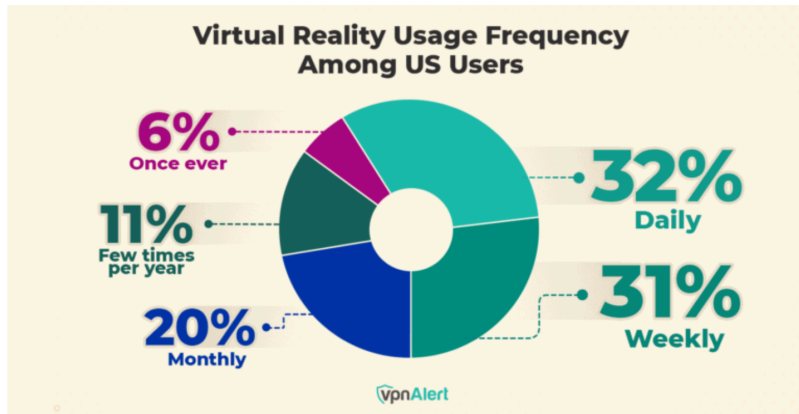
To know the positioning would be to know what the important attributes are. The biggest attribute is the usage of Virtual Reality, accompanying it will be the headset. This allows the customers to customize their order, therefore allowing them to have more control over their order. This may not seem different from Starbucks’s competitors as to a certain extent, they might also have some control as well - but only to a certain extent. The use of Virtual Reality gives customers not only more time to create their order, but it also gives them more control in terms of changing decisions. Due to customers creating the order themselves - for example choosing ingredients - if there is a circumstance where the customer changes their mind half-way through while creating /customizing their order, they can easily change it as what they are creating is not the real thing, it is just virtual. This would also end up allowing them to have more room to be creative and freedom. This would not be available with shops that do not use virtual reality as once the customer states their order, they will be unable to change it without consequences. This could be that it could take more time, but also it isn’t very efficient as especially during rush hours, it would be very difficult to switch an order after you have already stated it (Regina, 2023). This would help change the position that Starbucks occupies in a customer’s mind.

To help determine the positioning, the ratings that customers have given to the competitors will be looked at. For example, “Pacific Coffee.” According to the similar web website, they are a strong competitor of Starbucks’s (similarweb) Looking at their reviews on “Tripadvisor,” their average rating is 4 stars, which is accompanied by some reviews stating that they had a good experience. However, in terms of relating it to our attributes, there were two reviews that suggested that the Coffee was “ok” and “not something memorable,” (Tripadvisor) with our use of VR, this would give us an advantage due to more freedom that helps create more customization for the customers.

6) MARKETING STRATEGY

Product

First of all, the main idea is to offer an immersive Virtual reality experience themed around Starbucks brand story and the coffee culture and to do this we would like to include interactive elements such as barista simulation and drink customization. The purpose is to let our customers enjoy a real Starbucks coffee during or after experience and enhance the brand’s premium personalized image.



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Source: GWI

In addition it will reinforce the CSR values like sustainable farming which 66% of global consumers prioritize and help to show a differentiation strategy compared to their competitors by offering something experiential.

Price

Regarding the Price we were thinking about Tiered pricing to make sure the VR experience is accessible while it maintaining premium positioning:

- Free basic version to attract interest.
- For all → 60 dollars includes full VR access + coffee.
- Weekday discounts to enhance visits during quieter periods.

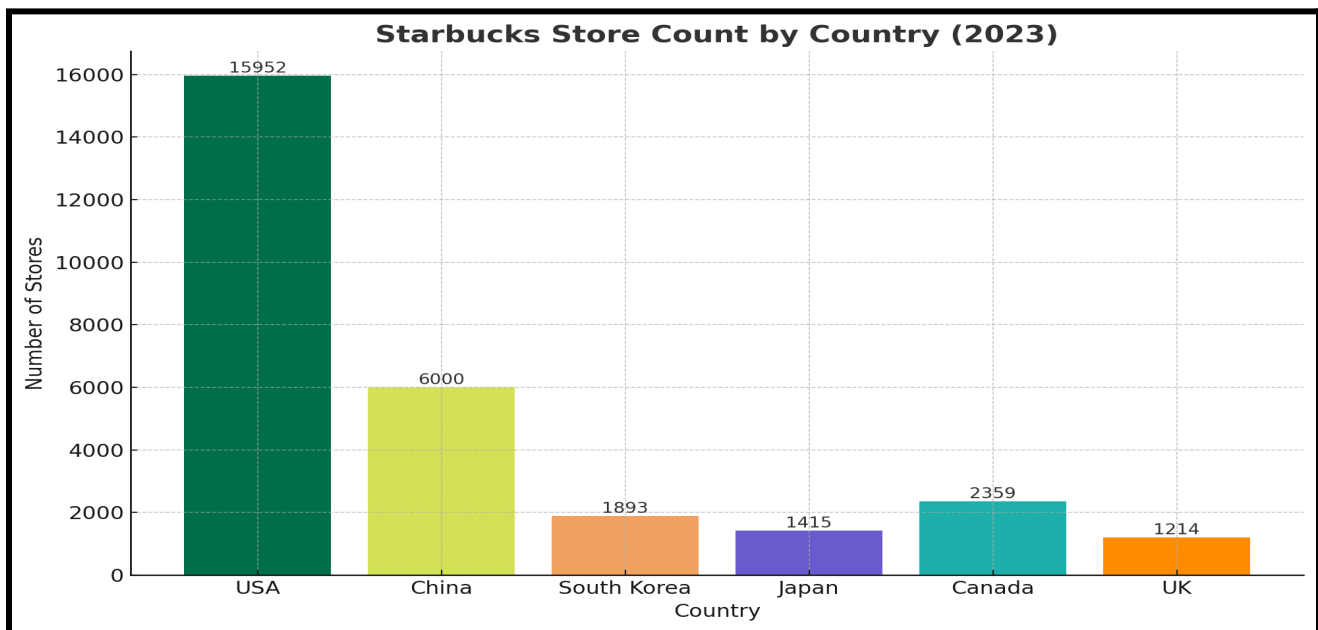
With this Starbucks will keep its affordable luxury image and encourage trial, loyalty, and upselling aligning with their customer segmentation which demonstrates a strategy who fits well with Starbucks positioning. Moreover consumers are more likely to engage with brands who offer personalized pricing or bundles.

In addition this pricing strategy allows Starbucks to test the market response to their innovation.

Promotion

Regarding the promotion the company could use a digital first strategy with a campaigns on social media like Tik Tok, instagram and Starbucks rewards app because indeed based on GlobalWebIndex around 57% of social browsers use social media to research products, Furthermore Starbucks could launch VR events, teasers, and behind the scenes content to build excitement and they can do some collaboration with tech influencers or VR streamers to reach digital natives. .

In addition, Starbucks could reward app users who try the VR experience with loyalty points and 60% of customers prefer brands that offer rewards.



Place

First of all, the main idea is to launch in VR studios and tech hubs and then expand into flagship Starbucks locations, furthermore around 84% of shoppers agree that a physical experience can really improve the brand perception and even in a digital age.

Moreover, the company could provide a home based access via app-compatible VR headsets like for example Meta quest to expand global reach and add a pilot in innovation friendly markets like HK, Tokyo and New York to test the adoption in order to optimize the cost and the visibility.

Word Count: 2514

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