



Brewing Coffee or Trouble?

Exploring Starbucks' Competitive Struggles and Market Positioning



Analytics of Unstructured Data (MIS 284N)

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Trouble in Paradise?

3% **decline in same-store sales growth YoY in Q3**

Missed targets second time in a row after a 4% decline in Q2 (biggest since the pandemic)

340 **bps margin decrease in Q3'24 (15.6% vs. 19% previously)**

Due to an increase in promotions and improved wages and benefits for store workers, etc.

4 **CEOs appointments in the last 3 years**

Indicates instability within the company and causes "leadership fatigue" in the firm

2x **increase in the price of brewed coffee since 2020**

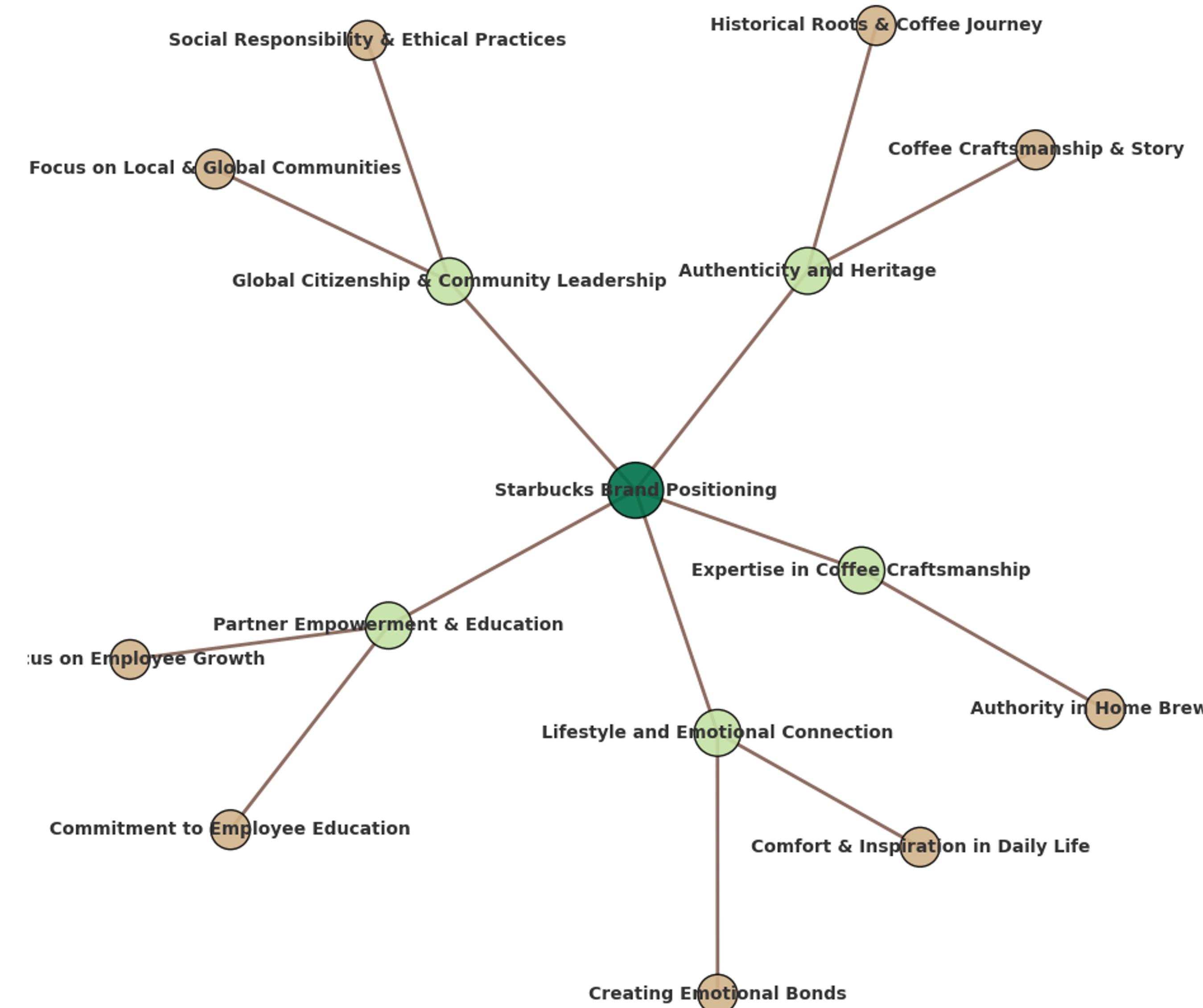
Impact of a combination of rising inflation, supply chain constraints and labor unionisation



Brand Positioning



Starbucks' social media focus: employee-centric messaging and premium brand positioning



Customer Perception



Topic - Pricing Complaints

"...some people love to buy coffee at Starbucks.

*Personally, I think Starbucks is **overpriced...***

Topic - Brand Positioning

"...Starbucks **prices** are generally higher than many local coffee shops or chain competitors. This can't be justified by the **brand's reputation**, convenience, or quality..."

Topic - Preference & Alternatives

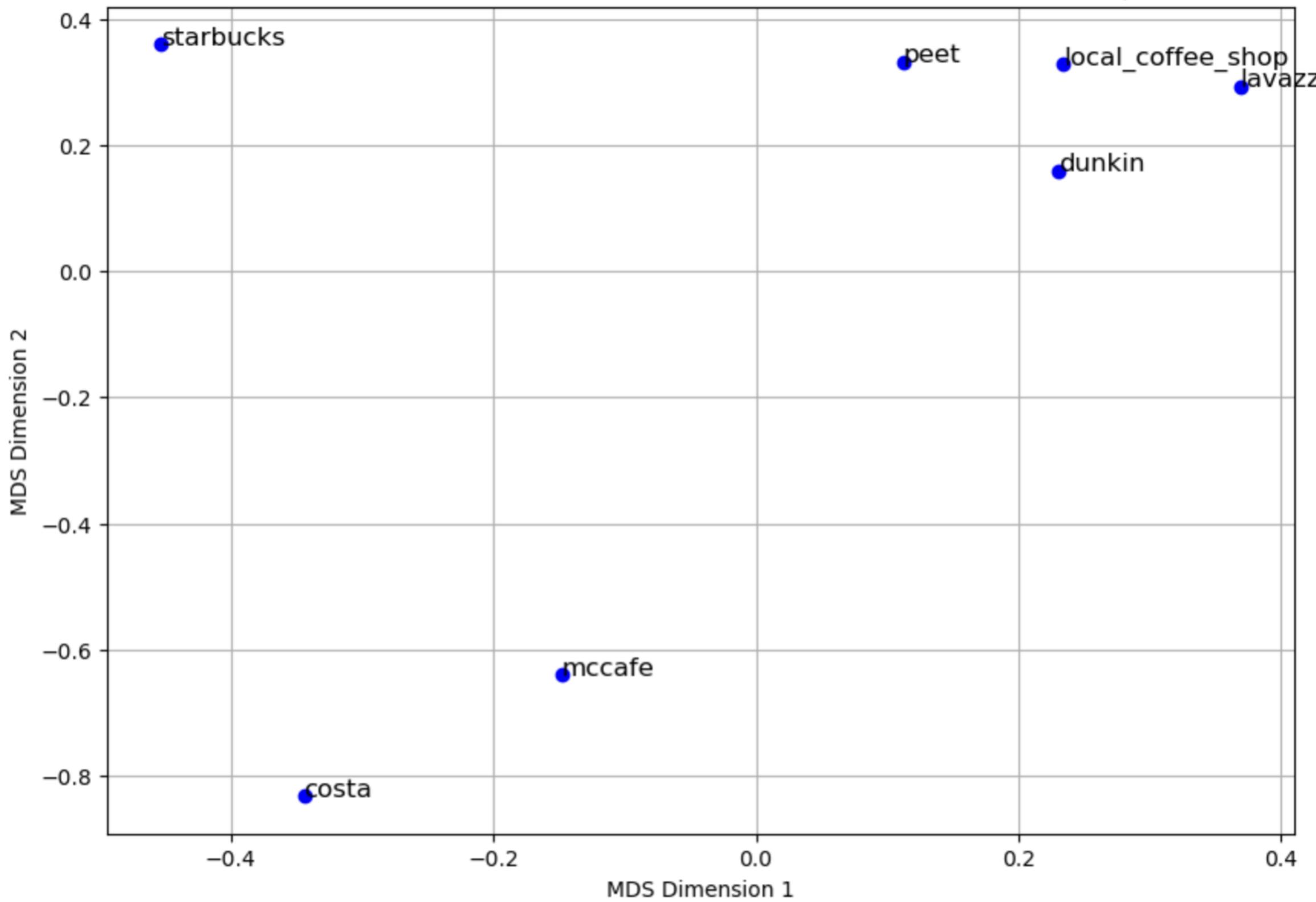
"Starbucks is what I call '**emergency coffee**' or 'the place I go when I really need a cup and they're the only option.'"

Is it the PRICE that sets Starbucks apart?

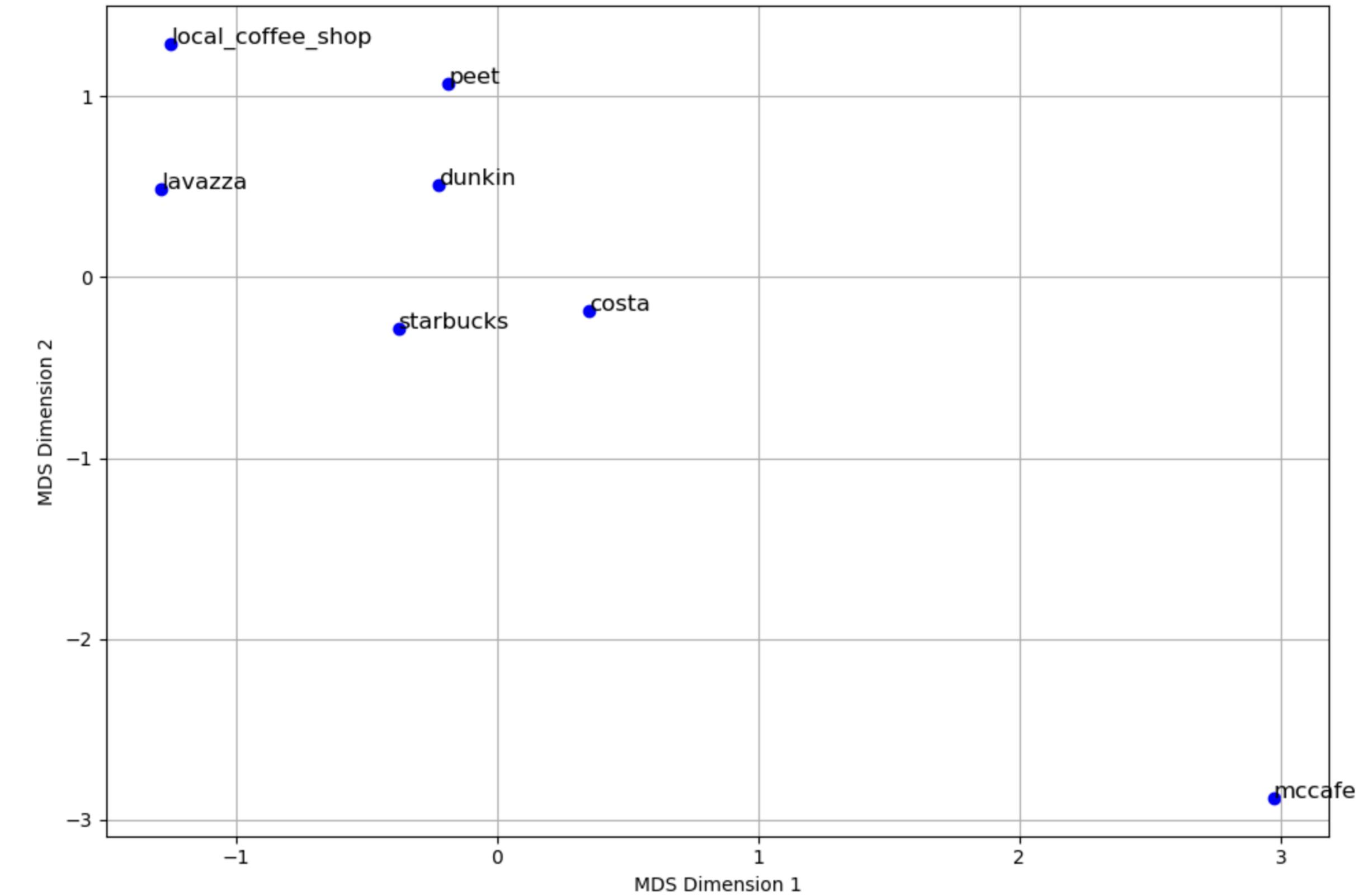


If Price were not a factor, people would perceive Starbucks to be very similar the other coffee places.

Given that fact, does Starbucks really command exorbitant premium over a cup of coffee?



MDS with all attributes

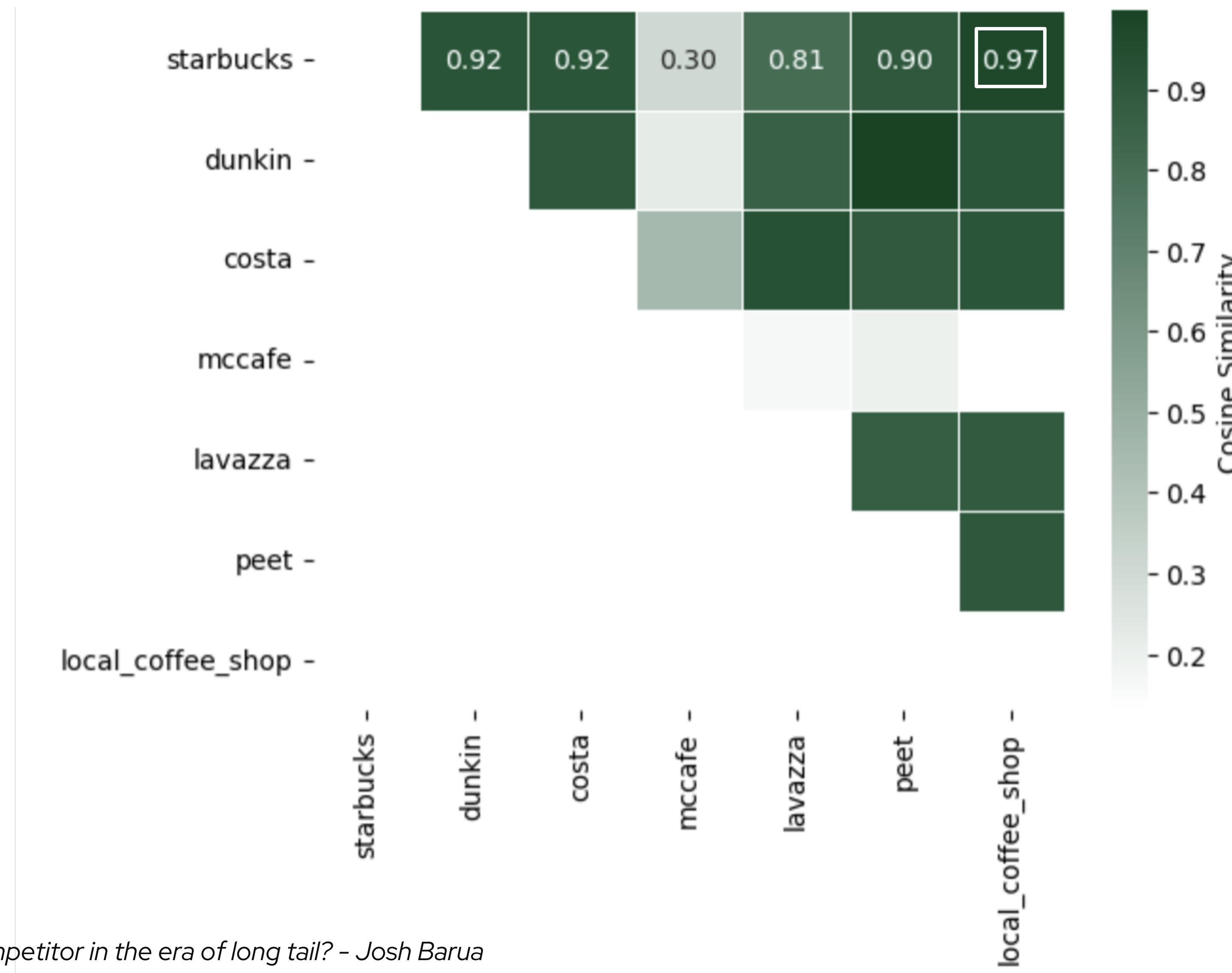


MDS without the attribute Price

Who is STARBUCKS really competing with?



If Price were not a factor, Starbucks is perceived most similar to local coffee shops. Long tail strikes again*?



Conclusion

- **Brand Misalignment:**

Gap in their Premium positioning and customer perception



- **Pricing Concerns:**

Customers feel the experience doesn't justify high prices anymore.

- **Competitor Similarity:**

Without price, Starbucks is viewed as similar to local coffee shops.

- **Critical Moment:**

Starbucks is at a turning point; needs to re-evaluate its approach to retain brand value.

Future Scope



Expanded Data Collection

Adding in Yelp, Google reviews and surveys to capture diverse customer feedback across regions



Sentiment Evolution Mapping

Track sentiment changes over time from product launches, campaigns, or events to help Starbucks anticipate reactions and adjust strategies



Deeper Competitor Analysis

Expansion to include global and regional chains, and analyze competitor reviews for direct comparison.



Predictive Modeling

Modeling customer sentiment and external factors (like inflation) to forecast customer satisfaction and store performance.





“

I believe Starbucks finds itself (in its storied history) at a crossroads, at an inflection point. Something we've experienced before and something most companies naturally go through... However, for the company to appropriately respond to the pressures of a very difficult operating environment, increased competition, and a world undone, the “center” must hold.

HOWARD SCHULTZ
Former CEO, Starbucks



Thank you!