



# Starbucks Customer and Offer Marketing Analysis

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# Introduction

Starbucks is a Business To Consumer Company that is the largest coffeehouse chain in the world. It offers specialty coffee, food items, handcrafted beverages, and merchandise.

The goal of this project is to understand the marketing attribution of the Starbucks rewards offer marketing strategy which drives user engagement / transactions to positively impact the bottom line.

# Agenda

## **Understand the Customer: Descriptive Statistics**

Number of Members / Aggregate Spend

Spending by Age Group using Sturges Rule

Spend Range / Number of Members Spent vs Not Spent

User Tenure Distribution

## **Influence of Reward Offers on User Behavior**

Actions taken in Marketing Funnel

Customer Personas that reward offers appeal to

Effective Offer Types Variants / Gender that completes most offers

Channel Effectiveness

Reward Offer Response Rate

## **Recap of Insights / Marketing Strategy Actionable Recommendation**

## **Next Steps to Improve Marketing Strategy via ML**

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PYTHON DATA

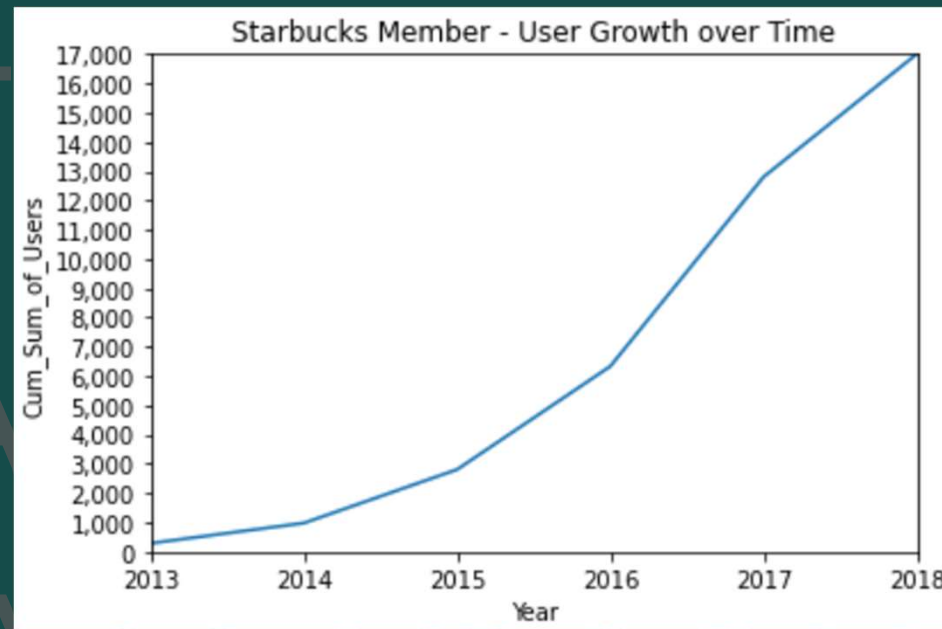
Understand the Customer:

Descriptive Statistics

WATERMARK

## Understand the Customer:

How many Starbucks members are in this dataset?



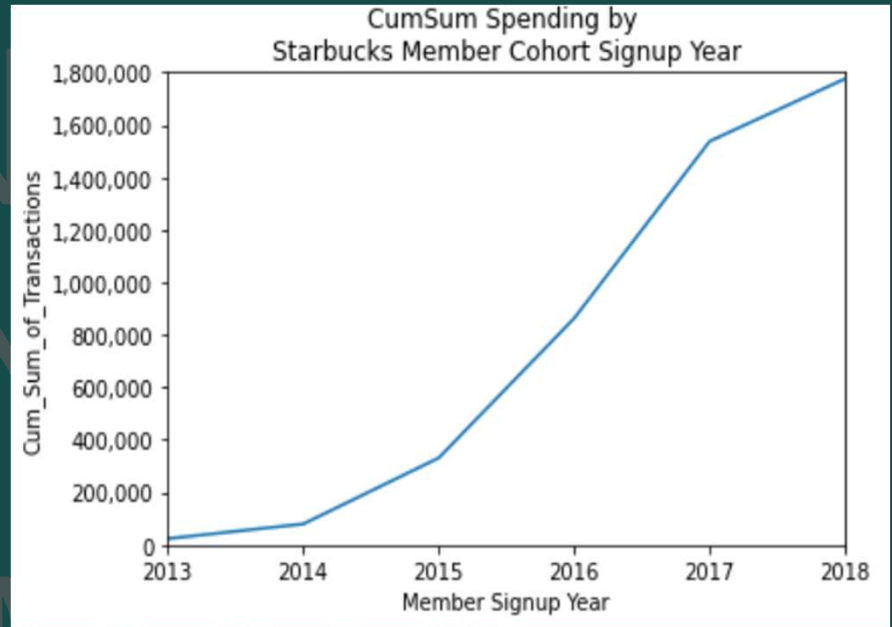
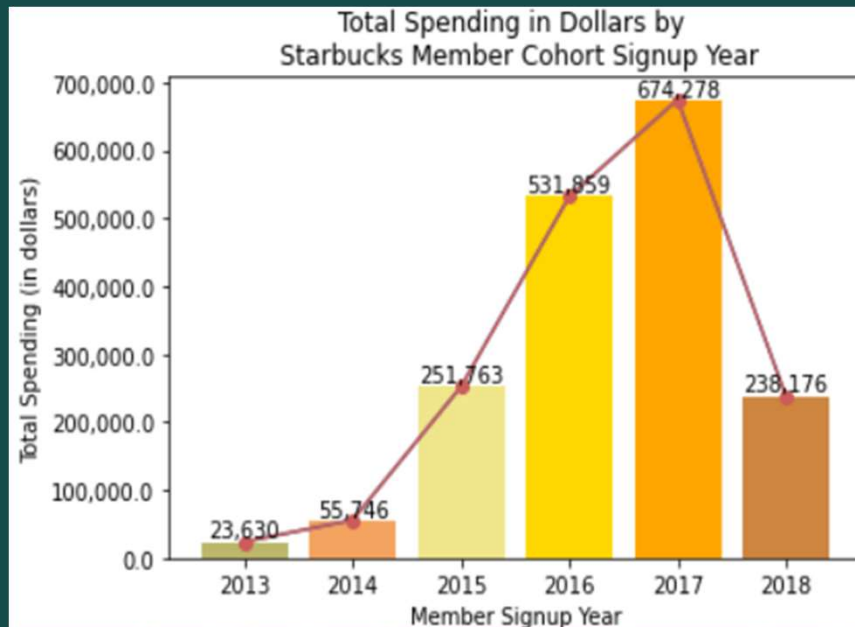
There are 17,000 users in this dataset.

The growth rate of Starbucks member user sign ups was exponential from 2013-2017, which demonstrates the popularity of this loyalty program.

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## Understand the Customer:

In aggregate, how much have these members spent in this dataset?

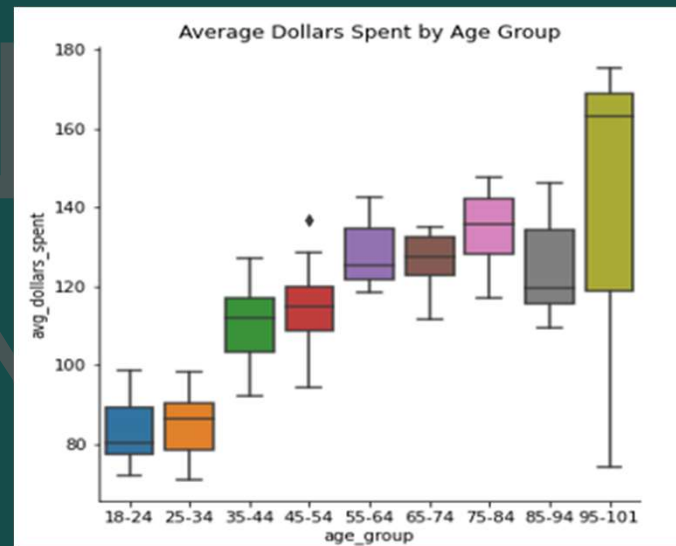
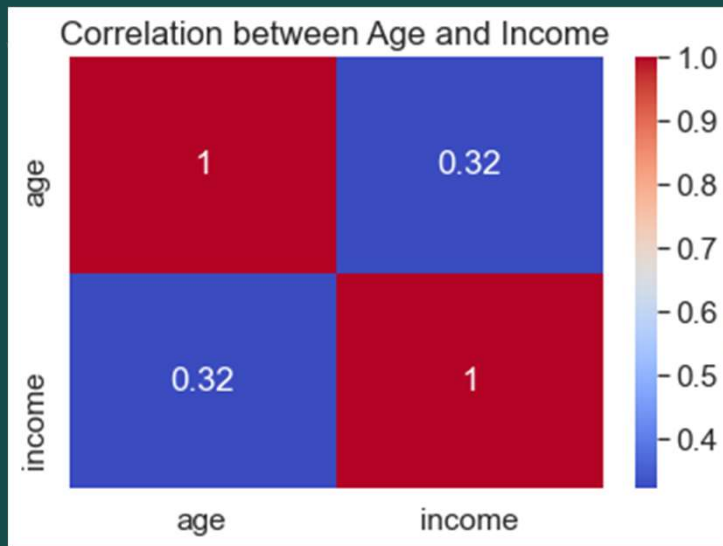


In aggregate, Starbucks members spent ~\$1.78M.

With sharp increases in user sign ups between 2013 and 2017, total spending also follows that trend.

## Understand the Customer:

How much have these members spent at Starbucks by age group?



Customers spend more at Starbucks with age as income increases.

## Understand the Customer:

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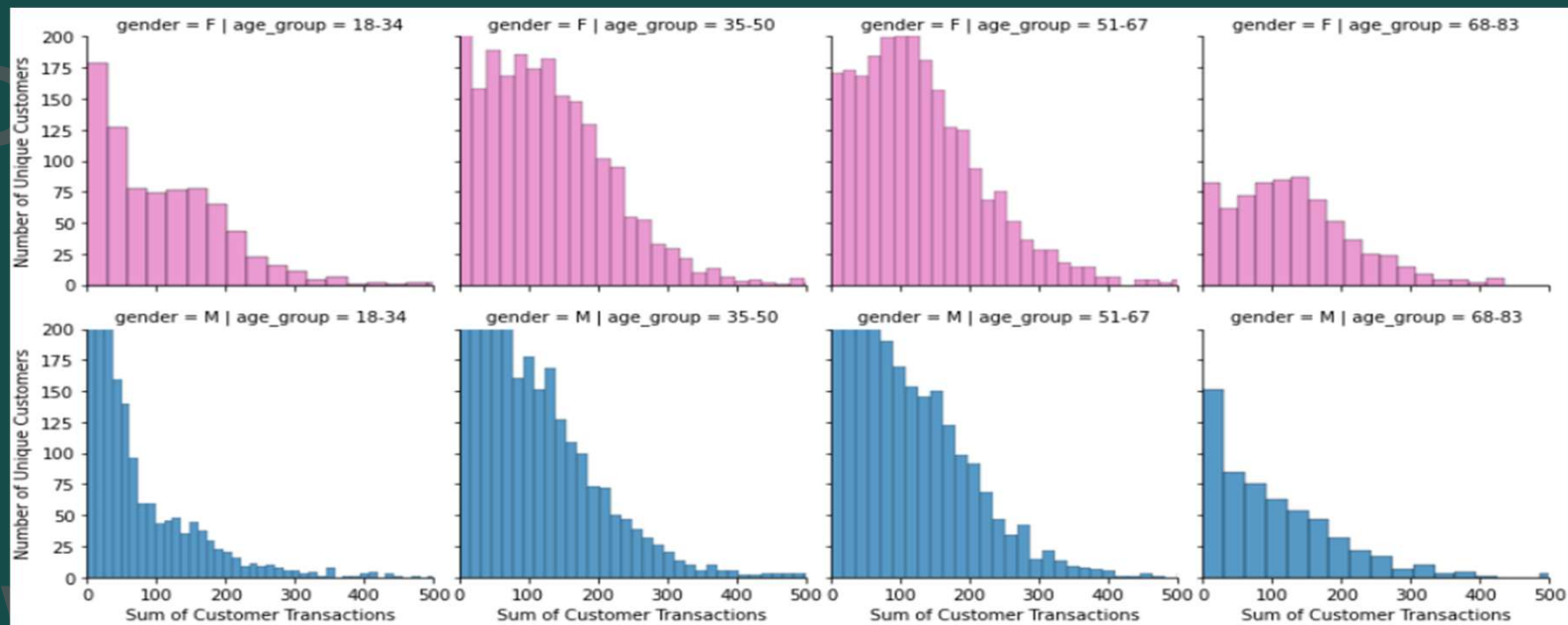
Using **Sturges rule from Statistics** to determine the optimal number of bins ( $\log_2 N + 1$ ), 15 bins were prescribed.

Recommendation: **Target age groups 35-50, 51-67, 68-83, 84-101** with reward offers that resonate with them in their stage of life to increase their propensity to spend because they command higher spending power.



## Understand the Customer:

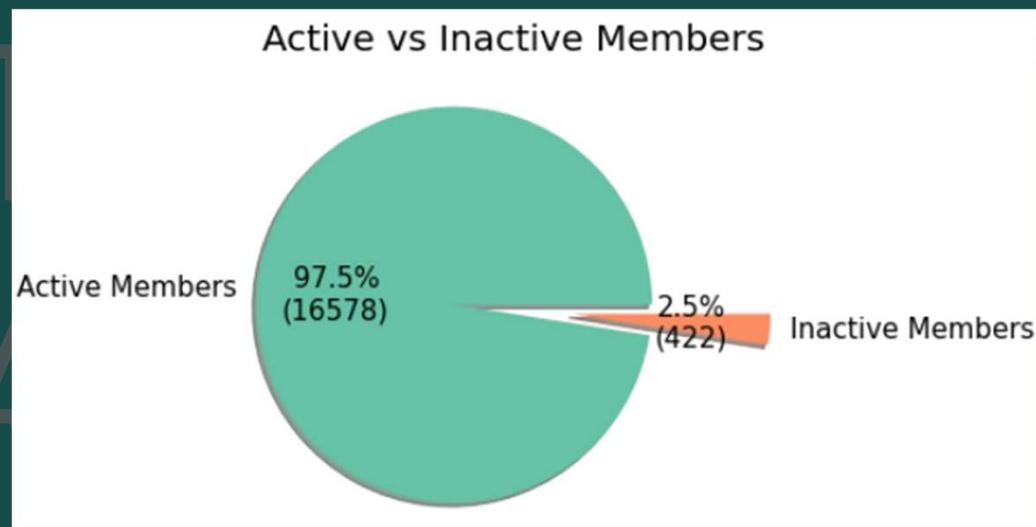
How do different customer segments spend at Starbucks?



Looking at customer segments with the largest volume of total transactions, Starbucks members who are female between 35-67 years old tend to spend more than males overall.

## Understand the Customer:

How many and what percentage of members have spent AND not spent this month?

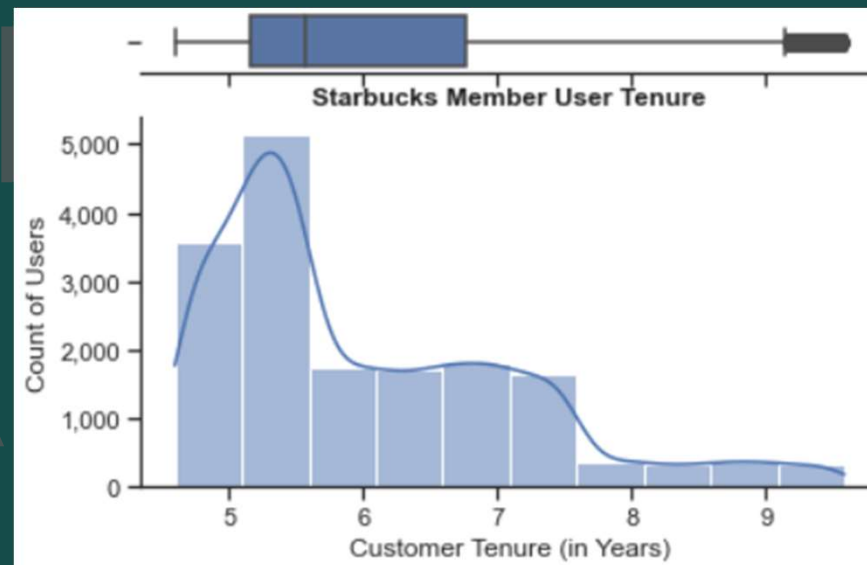


**Opportunity to activate 2.5% of inactive members if that is a priority.**

**One tactic: Offer a free good or pair a free good with a conditional action.**

## Understand the Customer:

What is the distribution of User Tenure in this dataset (as of today)?



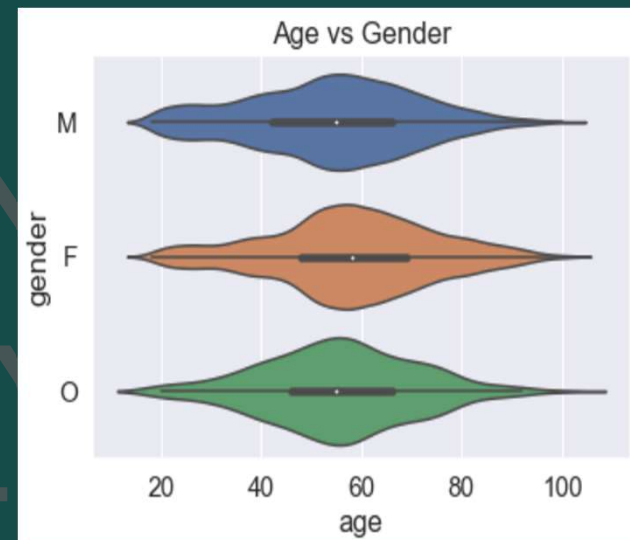
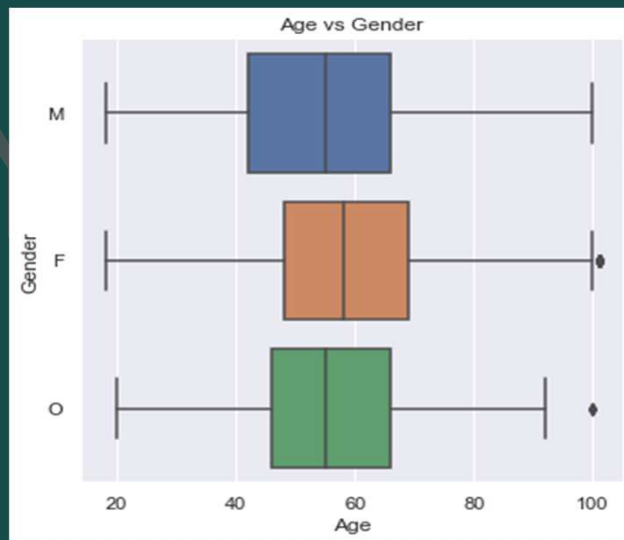
**The average user tenure is 6 years,** ranging between 4.5 and 9.5 years. This may be an important feature for customer segmentation.

How many actions were taken  
in the marketing funnel in this dataset?



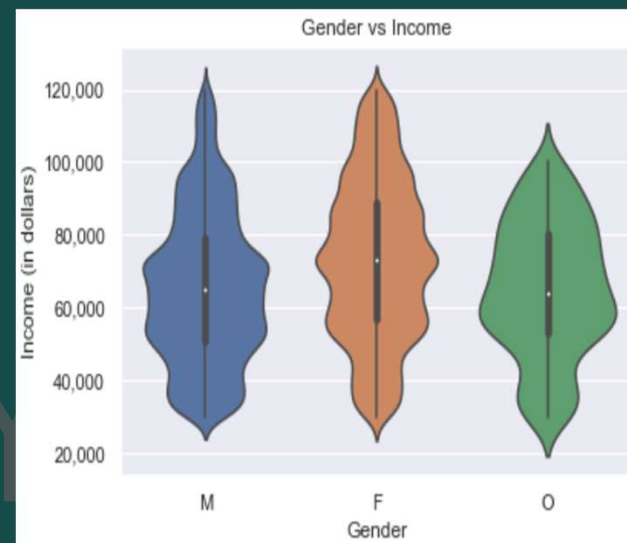
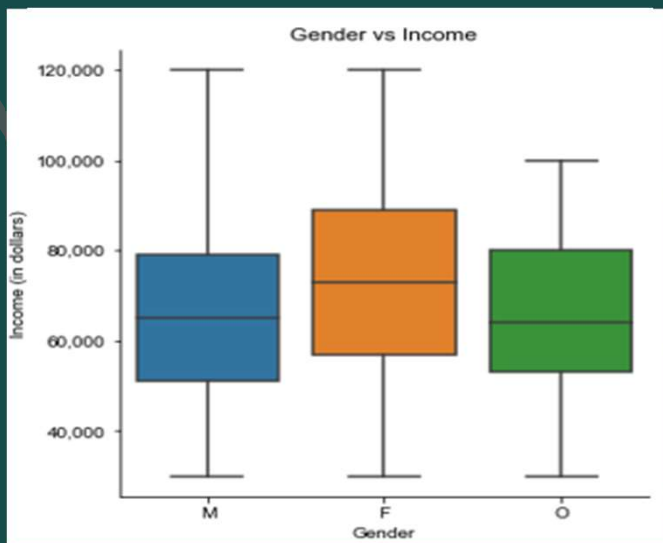
Number of transactions are higher than offers received.  
While reward offers influences user behavior, some customers purchase independent of offers.

Which customer personas complete reward offers?



Starbucks reward offers can appeal to anyone across age and gender.

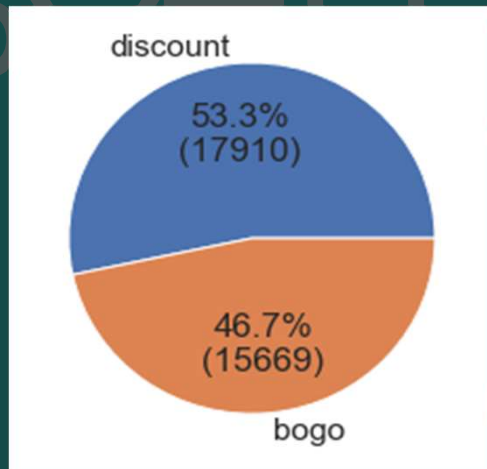
Which customer personas complete reward offers?



Starbucks reward offers can appeal to anyone across gender and income.

**Starbucks reward offers can appeal to anyone across demographic categories.**

Of rewards offers completed, what kind of offer is it?

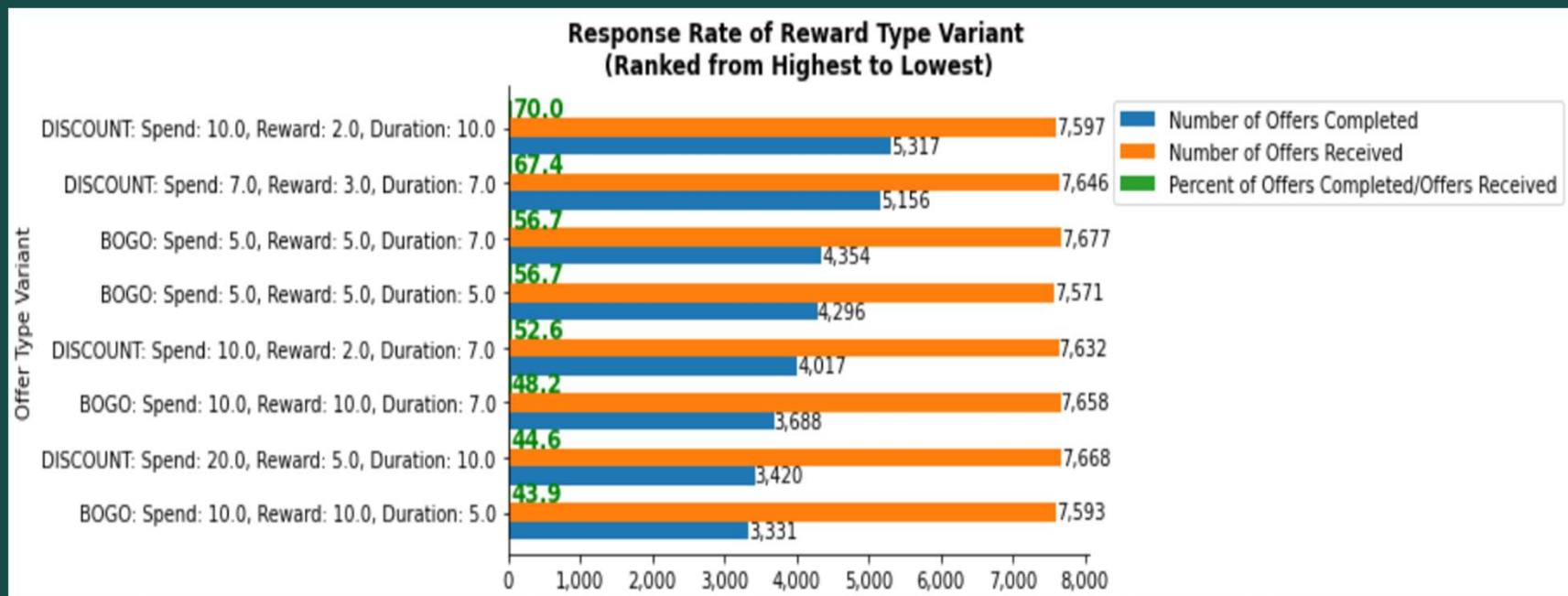


**Discount offers perform relatively better than BOGO rewards offers.**

What may explain this is customers don't need two things when they go to Starbucks.

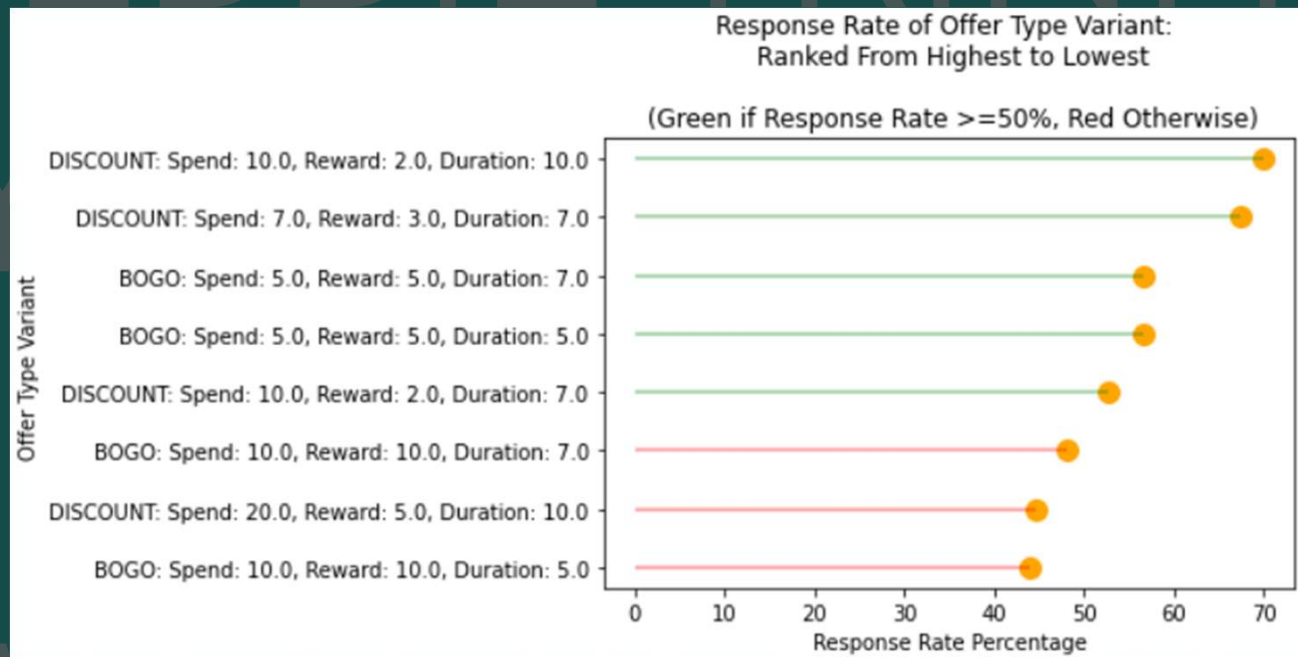
Their motivation may be to go to buy one unique item while also experiencing Starbucks as a 'Third Place'.

What are the top and bottom performing reward type variants?





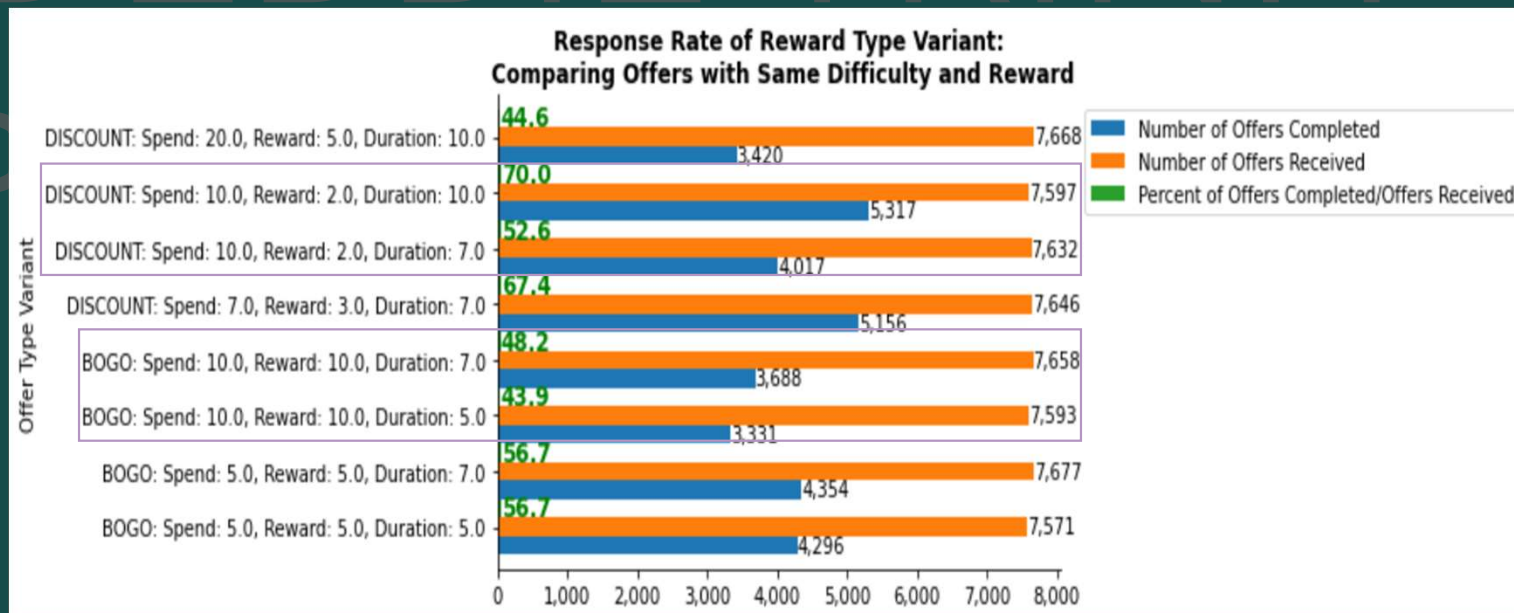
What are the top and bottom performing reward type variants?



A majority of the top 5 offer variants completed are discount reward offers.  
The best performing BOGO offers are \$5 difficulty and \$5 reward.

The bottom 3 offer variants are \$20 difficulty and \$10 BOGO offers, probably because of their difficulty to complete and/or consumers not desiring a second item.

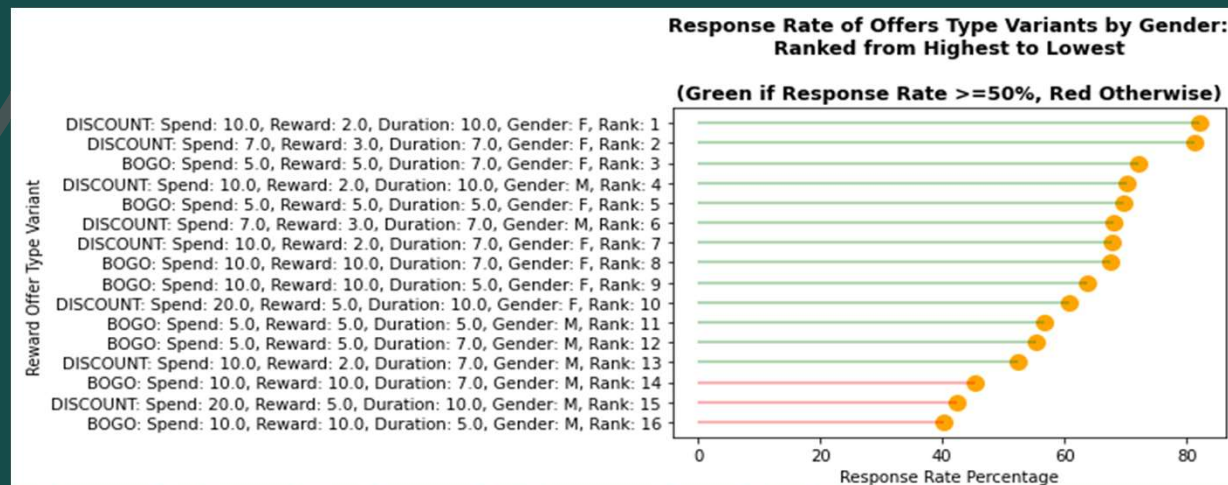
## What may be contributing to offer type variant effectiveness?



**Offers with the same difficulty and reward typically perform better with a longer offer duration.**

This may be happening because the longer the offer is available, the likelihood the user has enough days to prioritize it while having urgency to act on it and complete the rewards offer.

Which demographic completes the most offers and what type of reward offer variant appeals to them most?

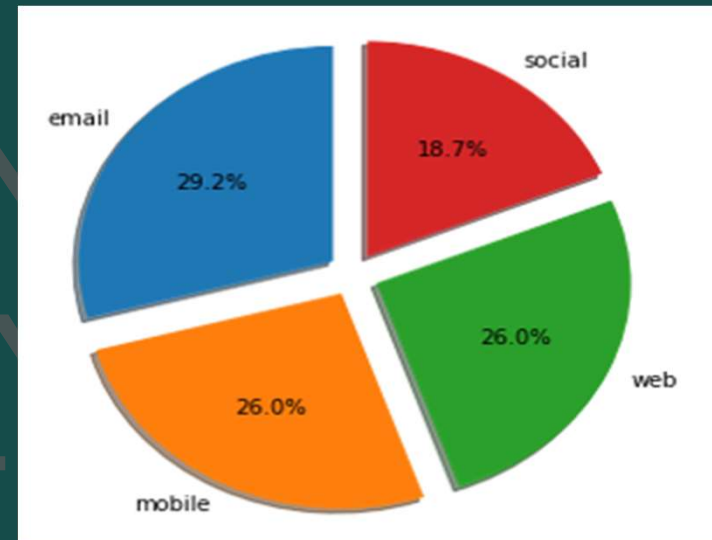
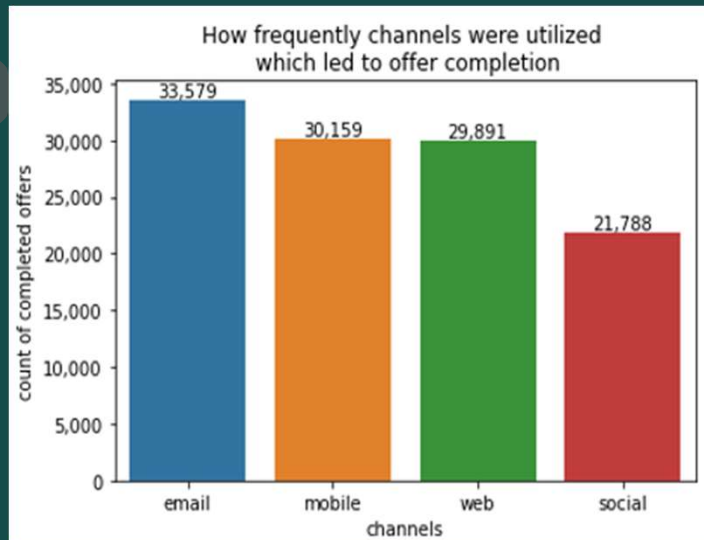


The top 10 performing rewards offers are typically completed by females and are discount offers that have a 7-10 duration to complete.

The best performing BOGO offer by gender is valued at \$5.  
The bottom performing offers by gender are \$20 difficulty discount & \$10 BOGO offers.

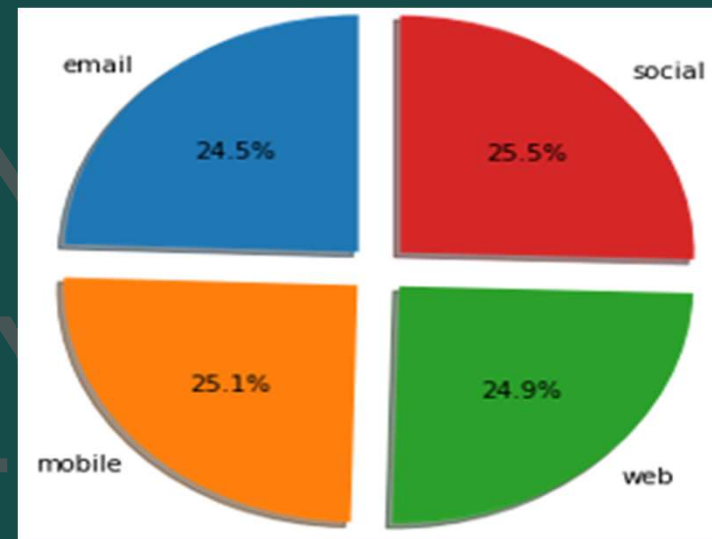
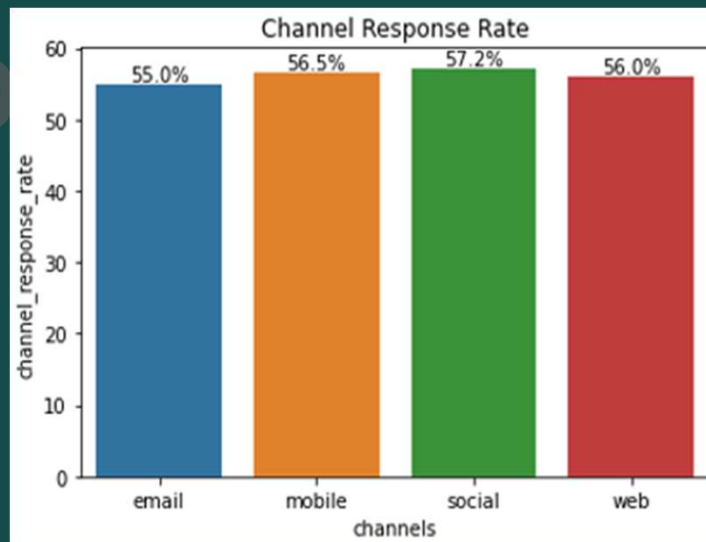
The same trend by gender is also what is observed at the aggregate level.

Which channels were used most frequently  
which led to offer completion?



Emails were used most frequently to complete offers,  
followed by mobile & web, and then social.

Which channel has been most effective in driving BOGO/Discount reward offers completion?

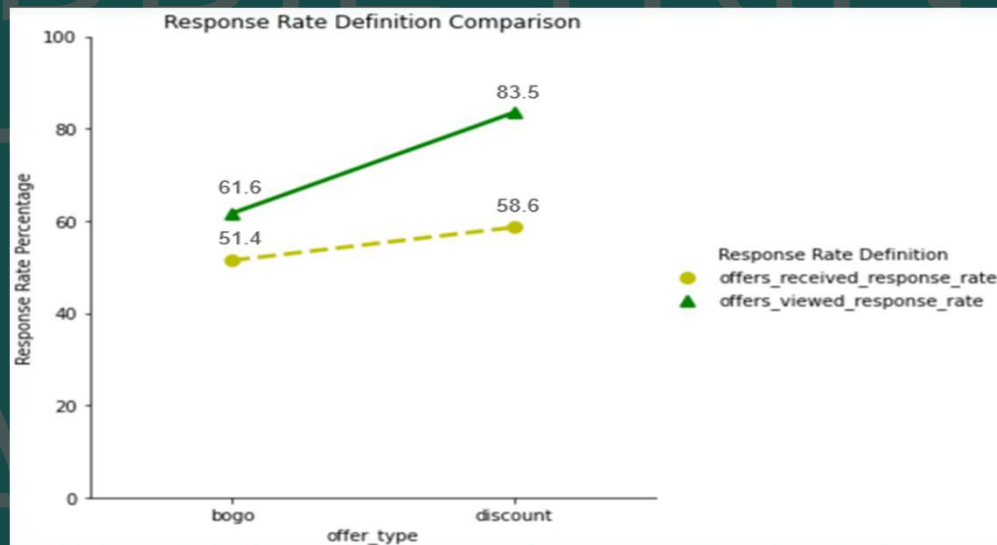


**It's essentially a tie.**

Each channel has similar response rates from the user of 55-57%.

**All channel strategies appear to be effective.**

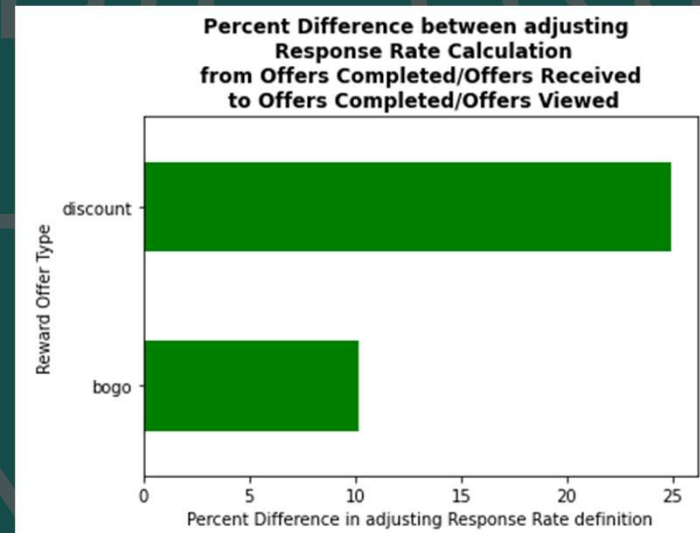
## Direct Attribution: What is the rewards offer response rate?



Response rate is a behavioral metric to measure success of Starbucks reward offers strategy:

- A. Direct Response Rate = Number of Offers Completed / Number of Offers Received
- B. Direct Response Rate = Number of Offers Completed / Number of Offers Viewed

## Direct Attribution: What is the rewards offer response rate?



If you can get customers to view the offer,

the response rate improves by **25%** for discount offers & **10%** for BOGO offers.

Bottom Line: Get users to be positively engaged in the long run!

# Recap of Insights

The trend is **customers spend more at Starbucks with age** as income increases.

**2.5% of members are inactive.** A tactic to activate them is by offering a complimentary item that can be contingent on a user purchase action.

**Offers with the same difficulty & reward performed better with a longer offer duration.**

While email is the most frequently utilized channel, **all channels** (email, mobile, web, social) **exhibit similar response rates from the user of 55-57%.** Continue with current channel strategy as it is.

**Discount offers perform relatively better than BOGO rewards offers.** If you can **motivate users to view the offer**, the response rate improves by 25% for discount & 10% for BOGO offers.



## Marketing Strategy Actionable Recommendations: Personas to Target & Strategy for Offer Type Variants

For future reward promotional strategy, **target age groups 35-50, 51-67, 68-83, 84-101** because they tend to spend more at Starbucks than younger age groups. One suggestion is to tailor rewards that resonate with them in their stage of life to increase their propensity to spend.

**Continue to target female consumers by promoting Starbucks Discount reward offers, with a 7-to-10-day duration** to complete them.

**Continue to promote the best performing BOGO offer by gender, which has a \$5 difficulty and \$5 reward.**

**Consider reducing or discontinue \$20 difficulty discount offers and \$10 BOGO offers,** which does not as well relative to existing reward offers because of its difficulty to complete.



# What's next?

*Roadmap ahead*



## Next Steps / Future Work to Improve Marketing Strategy via ML

1. Further data analysis to determine total transactions to credit each reward offer type variant.
2. Do customer segmentation and clustering based on key features (Note: Customer segmentation can help suggest similar reward offers to users that haven't seen that reward offer based on their cluster).
3. Create attribution rules for direct and indirect attribution to display as key metrics.
4. Create an R Shiny dashboard to display key metrics.
5. Feature engineer to enhance dashboard metrics, such as user tenure and average time to complete an offer.
6. Productionize model.



The way to get  
started is to quit  
talking and  
begin doing.

Walt Disney

# Thank you



Python Libraries Used:

Pandas  
Numpy  
Matplotlib  
Seaborn  
Plotly  
Sklearn  
Datetime  
Json

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New York City Data Science Academy

January 2023 Cohort