

# Major-Case Reflection Assignment #3:

## Starbucks

**Which features of the Starbucks' app are most important to consumers and which ones are most valuable to Starbucks? Why?**

Below features are most important to consumers: (Reference from the textbook: eMarketing)

1. It is location-specific. The app makes finding the nearest Starbucks very easy. It also uses GPS to determine which store a user is at and then shares music information for that location. Users can then save songs they hear in the store to a playlist within the app and access and keep listening to the music after they leave.
2. It uses gamification. The loyalty programme is tiered, with extra freebies and benefits for people higher up. That encourages consumers to use this rewards program instead of credit cards.
3. It uses functions that are specific to the mobile phone, like GPS.
4. It engages customers using special incentives and bonuses to encourage continued app use.
5. It encourages a social aspect, the rewards offered by the loyalty programme make customers feel exclusive and they are then more likely to share updates on social media.

Below features are most important for Starbucks:

1. It allows people to order and pay in advance by mobile before picking up the drink. Payments through the Starbucks app account for more than 50% of Starbucks' revenue in 2017. That enables Starbucks to understand more about their consumer and accurately measure the performance of their campaign. They can optimize their marketing effort accurately based on the conversions. It gives Starbucks the full picture of the consumer journey.
2. It makes access to user data very easy. It also uses in-app messages to encourage users to fill out surveys in exchange for more stars for the loyalty programme. It will help Starbucks make personalised recommendations, which will increase in-app purchases.
3. It offers a lot of branding opportunities. People can share on social media about Starbucks' promotions or updates since they feel exclusive.

**What is the difference between a reward and a discount? How does this affect the Starbucks brand?**

Rewards focus on building up loyalty in existing customers, while discounts focus on attracting new customers. Rewards improve customer retention while discounts improve customers acquisition. Rewards make a customer come back to utilize the points, thus generates more engagement and profits. Discounts make a new customer come and purchase, but they may not come back if there is no more discount available. Discounts do not generate loyal customers.

Starbucks needs its consumers to be regular users of their app and feel exclusive. Rewards are more appropriate than discounts for fulfilling this purpose. Starbucks is already a well-known brand, there is little room to boost profitability by acquiring new customers. According to the case, 94% of the Facebook users were either fan of Starbucks or friends with someone who was. So Starbucks should focus more on getting customers back to the stores, through loyalty program and various engaging social media campaigns. Doing a discount will not help or it can be damaging to the brand. While rewards program focusing on building loyalty is helpful for Starbucks to foster customer engagement.

**What other marketing tactics noted in the case were significant to encourage broader brand awareness, engagement, acquisition, retention, advocacy, etc.?**

1. Starbucks offers free WiFi in 2002, which is a building block for the subsequent efforts in content, loyalty rewards and eventually payments. Without WiFi, some customers may not be able to download the app and contribute to the "Mobile Order & Pay" later. The free WiFi also helps Starbucks to acquire more new customers.
2. Starbucks invests in its mobile app and encourages customers to use it for payments. Through mobile app Starbucks also set up an exclusive channel to communicate with customer with new promotions and campaigns. It significantly boosts awareness and engagement.
3. The star loyalty program uses gamification to divide customer into tiers. This encourages customers to purchase more through the mobile app to reach a higher rank. It increases the consumer retention rate of Starbucks. Also, when reaching a higher and exclusive loyalty rank, the consumers are likely to post on social media. In this way, Starbucks further improves engagement and advocacy.
4. Starbucks did a smart marketing movement by introducing the My Starbucks Idea website. It allows Starbucks to set up a channel that customers can have a direct impact on their business and product. It helps with customer engagement and advocacy, also improves the service quality of Starbucks.
5. Starbucks use social media platforms like Twitter or Facebook to amplify paid media campaigns. It encourages customers to engage more with the Starbucks campaigns. As a side benefit, Starbucks also get a view of the cross channel conversion rate.