Starbucks Market Segmentation and Targeting

Sabrena Khanum Binti Nawab Zadah Khan[1] Yusyafizal Bin Mohd Yusop[2]
Fasihah Binti Wook Baharudin[3]

[123]*Master of Business Administration, University of Sultan Azlan Shah, Malaysia*
Corresponding Author: Sabrena Khanum Binti Nawab Zadah Khan

ABSTRACT : *Target market is one of the most important marketing decision for most companies. Its aim is to identify and delineate market segments which would become targets for the company's marketing plan.Starbucks segmentation and targeting consist of a marketing decision in identifying the appropriate group of people among the general public of future customers for the business and targeting this segment via positioning products and services that resonate well with their need and wants.The aim of this research paper is to identify the market segments and targets for Starbuck Coffee Company.*
KEYWORDS–*Market segments, Target Market, Marketing Strategy, Marketing decision, Starbucks*

I.   INTRODUCTION

Coffee has been part of the most popular drinks in the world, mainly Starbucks.Starbucks is leading roaster and retailer for theirspecialty of coffee brand in the world. Starbucks hasdevelopeda distinctive coffee shop concept so that customer willing to line up for the pleasure of paying more money to get their favorite coffee made with premium beans with every manner of taste and finished off just the way they like it. The company segmentation and targeting involve a marketing strategy directed at identifying the appropriate targeted group of people among the public of future customers via positioning products and services that resonates well with their needs and wants.

Market segmentation is a vital marketing strategy for any company. Its aim is to identify and delineate market segments which would become targets for the company's marketing plan (Kotler 2016). It is not only using demographic segmentation in terms of gender, income, age and ethnic background but also employs geographic segmentation drawing upon country or region of the world and its market size in that specific region and climate.

In the early years of its business, Starbuck Corporation aimed at targeting well-off customers who were educated and those with white collar jobs but soon they realized growth opportunities in the industry and set strategies to cater a wider array of a market segment. The purpose of this article is to identify Starbucks business strategy in identifying appropriate market segments and targets.

II.   STARBUCKS INTRODUCTION

Gordon Bowker, Jerry Baldwin and Zev Sieglstarted the Starbucks Corporationin 1971 at Seattle by selling whole beans coffee in one of the store there (Burks 2009). In the year 1982, Starbucks Corporation had greatly grown and has opened up five other stores that were selling a roasting facility, coffee beans and a wholesale business to the local restaurants. Together theyfirst started the business with only a small coffee shop. Starbucksaims was to educate people about theirfinest coffee and feel the dark roasted coffee's smell.

Today, Starbucks is among the biggest coffee retailer in the world. Nowadays the company has opened more than 10,000 coffee shops in more than thirty countries around the world. Starbucks objectives are to become the most renowned brand of coffee. In order to succeed in the long-term growth, Starbucks is utilizing an effective marketing strategy. Currently, the company is relying on their retail expansion along with the product and service innovation to keep growing and succeeding in the industry. In order to achieve these strategies, Starbucks has opened more new stores in both existing and new markets throughout the years(Wei 2016).

The fundamental strategy for Starbucks is by positioning themselves in the coffee industry as a superior product through building a high standard, providing quality services and introducing innovative products. Schultz believes that his coffee was perishables making them focusing more on the quality control, and thus they monitored each coffee production steps carefully. Starbucks has implemented a different strategy which is seeking to provide services and products that are different and unique from the competitors and offers benefits that are widely valued by customers.

III. MARKET SEGMENTATION

According to Armstrong and Kotler (2006) market segmentation is a process of subdividing a market into buyers' distinct groups with different characteristics, needs, or behavior that required marketing programs or separate products. Starbucks' mainapproachto gain greater market share in the industry is by paying a close attention to its market segments. It not only uses demographic segmentation in terms of gender, income, age, and ethnic background but also employ geographic segmentation drawing upon country or region of the world and its market size in that specific region and climate.

The demographic segmentation by Starbucks is between 25 and 40 years of age with high incomes, the second target group is 18 to 24 year of age and belongs to richer families. Mostly Starbucks customers belong to the Generation Y which was born between 1977 and 2000 (Fromm 2014).Psychographic segmentation shows that customers belong to the upper-middle class and well-off customers who were educated (Rafii, 2013). Starbucks marketing strategies are situated between mass marketing and segment marketing; they are targeting a broader public; however, soon they realized growth opportunities in the industry and set strategies to cater a wider array of the market segment. Starbucks has also segmented its markets by demographically and geographically selecting the store location with educated and coffee lovers.

IV. TARGETED MARKET

According to Kotler (2016) market targeting is a process of evaluating all market segment's interest and selecting one or more segments to enter. Starbucks target market isfrom middle to high-income office workers with a desire to purchase premium products. Schultz wanted to make Starbucks the place where their customers could relax, gather and interact with one another. This made them be vigilant about their quality control and meet the high expectations.

It requires a mass market approach through designing a distinct marketing and products programs for the different segments (Lynn 2011). Concerning the homogeneous or mass marketing, the company pay no attention to the differences in the market segment and uses one strategy to target the whole market (Kotler 2016). Since the launched, they practiced undifferentiated marketing strategy, created and maintained the marketing mix as they considered the market as a single segment. A major challenge in using this target market strategy is developing the brand that satisfies every customer. They used their services without quality compromise for attaining this targeting strategy and aggressively growing in the industry throughout the years.

V. CONCLUSION

Starbucks has claimed their leadership through focusing on a new products' strategy and expanding the company's store locations around the world. They had no compromise on their high quality standards and maintainingcustomers' relationship with greatest care. This paper investigated the segmentation strategy and target markets of Starbucks since it was launched. It also shows the differentiated marketing mix variables applied by Starbucks to support their positioning. Starbucks has expand in all cities in America and 48 other countries all over the world. The level of success achieved by Starbucks has important lessons, and much aspiration is needed in the business world.

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