

A photograph of three Starbucks coffee cups on a light-colored paper tray. Two cups in the foreground have black lids, while a third cup in the background is open, showing a latte with a heart-shaped foam design. The image is dimly lit and serves as a background for the title text.

Competitive Intelligence Presentation: Starbucks

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Comparing and Contrasting Business Models

- **Starbucks' Digital Business Model:**

- Cozy and inviting physical store locations with a mobile app that offers online rewards. Emphasis on staying in the store. A lot less mobile development, and the products can be expensive without "Stars".

- **McDonalds' Digital Business Model:**

- The most physical store locations out of all the competitors with an emphasis on getting food to go through the drive-through. Their online presence needs to be heavily developed.

- **Dunkin's Digital Business Model:**

- High amount of physical store locations with an amazing mobile app. A relatively high amount of store locations predominately in the U.S. They lack global distribution due to not having location superiority.

When comparing Starbucks to its competitors, McDonalds and Dunkin', there are some clear benefits and drawbacks between the three businesses. Starbucks has the highest quality physical store locations that emphasize that they want their customers to relax or work in the store while they have their coffee and food. There is a heavy emphasis on the physical store locations and they also have a mobile app that has a great rewards system known as the Starbucks "Stars". Customers can claim their rewards and apply their rewards to getting a discount on their purchases. However, there is a lot less online development than its competitors and while they do have locations in the U.S., Europe and China, they lack global dominance over their other direct competitors.

McDonalds has the highest number of physical store locations out of the three competitors and has an emphasis on going to the physical location and going through the drive through with a lower emphasis on sitting down and eating in the store.

McDonalds is in the most amount of countries with the highest number of locations within those countries, however they lack online development and a strong mobile presence in order to keep up with their competitors.

Lastly, Dunkin' has an incredible mobile app, which drastically outperforms its other competitors and an amazing online presence. They also have a relatively high number of physical store locations, but most of them are located within the U.S. and it is

extremely challenging to compete with McDonalds on that front. They are focused on making sure that people are able to mobile order their food and drinks off of their mobile app to walk in and grab their food quickly, or they are focused on their customers ordering from the drive-through, with a low emphasis on sitting in the store.

Starbucks' Business Problem Identification

- The prices are TOO HIGH! This makes it extremely hard for Starbucks to outperform its competitors in sales and they thus control a smaller share of the industry market.
- Coffee Price Breakdown of the Businesses:
 - McDonalds: \$1.50-\$2.00
 - Dunkin': \$1.99-\$2.29
 - Starbucks: \$2.45-\$3.65
- Starbucks clearly has a higher price range for their coffees (before any add-ons or customizations) when compared to McDonalds and Dunkin' and this has led to Starbucks underperforming when compared to these industry titans.

Starbucks is an amazing company that is extremely competitive within its food service industry. However, it does have some innate problems that hold it back from outperforming its competitors, McDonalds and Dunkin'. The price margin of Starbucks' food and drinks is simply far too high to outperform its competitors. The reason why it is so high is because Starbucks is presenting themselves as more of a high-end business that deals business mainly to higher income earners, but this makes it harder to compete with McDonalds and Dunkin', who both have amazing prices on their products and can control a larger percentage of the industry with lower-end foods and drinks with more deals, bundles and discounts. A small coffee at McDonalds is \$1.50 and a large coffee is \$2.00. This is the lowest price for a coffee out of all the competitors. A small coffee at Dunkin' is \$1.99 and an extra-large coffee is \$2.29. Lastly, a small coffee at Starbucks is \$2.45 and an extra-large coffee is \$3.65. This price is before adding on ANY number of customizations to the drink, which include different milk, toppings, cold foams, flavors or shots of espresso into the drink, which most customers usually pick from. For comparison, an entire box of coffee at Dunkin' is \$10, which just goes to show how grossly overpriced Starbucks has made their drinks and how much they are losing when comparing pricing options to their competitors.

Business Model Recommendation

- Cut down the average base cost of food and drink items at Starbucks by \$1. This would make their prices more in-line with their competitors and would be more aggressive in terms of their main export-coffee.
- Starbucks should also modify their mobile app to add in more frequent or rewarding "Star" rewards, instead of taking a portion of the money that customers spend on the app and converting that figure into "Stars". If they are EVER going to outperform Dunkin', they need to adapt to give out free drink and food options as a part of their rewards and apply a discount on their merchandise.
- This opens Starbucks up to both lower-income markets and higher-income markets, thus expanding their target market exponentially. Through implementing these changes, Starbucks can reach a broader target market than McDonalds and would be able to steadily compete with the Dunkin' rewards on their mobile app.

Because Starbucks currently has an incredible physical presence, a great "Stars" reward program within their mobile app, and a relatively high amount of locations within the U.S., Europe and China, I would recommend that in order for Starbucks to be outperforming their competitors, they need to focus on modifying their existing digital business model to focus on lowering those prices down, on average, and also focusing on creating a "Stars" program that is more rewarding-that makes buying a coffee and a food item and sitting down in the physical store more rewarding and appealing to a lower-income demographic that doesn't have more than \$10 to spend on a coffee and a croissant. This is extremely apparent to Starbucks' competitor McDonalds, which allows their customers to purchase a sandwich, drink and a side for under \$10, and Starbucks' competitor Dunkin', who allows their customers to get completely free food or drink items for using their mobile app. By cutting down the base prices by \$1 on average and buy adding more rewards onto their mobile app, Starbucks would be innately more competitive in terms of average price ranges to numerous target markets in low-income and higher-income sectors, and they would be able to compete with Dunkin's amazing rewards system.

Digital Marketing Strategy Analysis

- Social Media Marketing:
 - Facebook, Instagram, Twitter, YouTube, and TikTok.
- Email Marketing:
 - Mailing list from online visitors and mobile app users.
- Television Advertisements:
 - Highly viewed channels such as news channels like Fox and NBC and prominent sports channels such as The NFL and The NBA.

The current digital marketing strategy of Starbucks is the utilization of three distinct avenues of marketing. Starbucks uses social media marketing, email marketing, and television advertisements in order to reach their current target audience. Starbucks has an online website in which customers can view all their latest products, new foods and drinks, and promotional holiday materials. Starbucks utilizes social media as the forefront of their marketing strategy, and their company makes regular posts to boost engagement and excite their new and existing customers within their select target audience. Starbucks uses Facebook, Instagram, Twitter, YouTube, and TikTok to effectively tailor their promotional content, marketing campaigns, and entertainment materials to their target audience and drive engagement to the physical store locations. This social media marketing approach is great because they can tailor their marketing campaigns based upon their target audience to get an extremely precise reach to people they know will definitely visit a Starbucks location and people who have interacted with Starbucks-related content through social media, proving that their business is relative and impactful to some extent to the user. When customers sign up for the Starbucks "Stars" rewards through the mobile app or website, Starbucks automatically can add these people onto their mailing list and can send all of their promotional material, new additions to the current beverage, food and merchandise lines and discounts and updates relating to

their "Stars" rewards. This is great because it creates an incredibly long list of warm leads or current customers who are actively purchasing Starbucks on a weekly basis. This makes implementing marketing campaigns through email extremely effective as it has been proven to be one of the most effective forms of digital marketing over the last 5-10 years. Lastly, Starbucks uses traditional television advertisements in order to reach their target audience. Starbucks has the budget to pay for advertisements on extremely popular stations such as Fox News and NBC, as well as highly viewed sports channels such as The NFL and The NBA.

This marketing budget that they have accrued through building an empire of a business has paid off and they can use some of their budget to create advertisements on the highest viewed channels to generate a high percentage of warm leads and perhaps future customers. This is incredibly effective at reaching the highest amount of people, irrelevant to the fact that they might not be within Starbucks' target market. There are some downsides to this digital marketing strategy, however. There is not an efficient way to gauge if paying a massive amount of money for an advertisement on a main stream channel would even be as effective at reaching their target audience in comparison to launching a social media marketing campaign, which would probably have higher engagement. Social media marketing is great for reaching their target audience, however it does not resonate well with potential customers over 50 years old, as a lot of the people older than 50 do not use social media that much, if at all. This is really difficult to reach the older generation of consumers and generate a broader target audience. The same can be said for email marketing. A lot of the older generation of consumers do not use email regularly and will not help Starbucks benefit from launching an email marketing campaign. An email marketing campaign would be best for reaching their target audience or current customers of the company. Lastly, television advertisements solve the inverse issue to the social media and email marketing campaigns. Television advertisements reach a broad spectrum of people from all walks of life and are the most effective at generating a broader target audience. While this is not good for reaching Starbucks' target audience and is relatively expensive, it does do a great job at expanding the target market and reaching a larger demographic of people.

Competitive Analysis

- Brick-and-click business structure
- **Strengths:**
 - Unified brand presence on all major social media platforms: Facebook, Instagram, Twitter, YouTube, and TikTok.
 - Trendy with countless social media influencers who influence millions of people a day and provide free marketing for Starbucks.
 - Generates a constantly-expanding mailing list from "Stars" rewards of relevant emails
 - Television ads on all major news networks and sports channels.
 - Locations in 80 countries and 6 continents
- **Weaknesses:**
 - Television advertisements cost a LOT of money, social media marketing isn't effective with people older than 50 years old and email marketing is also less effective with people older than 50 years old and most of their locations are in the U.S.

Starbucks' digital marketing strategy as a brick-and-click business structure has a lot of strengths that make it stand out from its competitors, and it has some weaknesses that make the business fall short of completely dominating the coffee industry and becoming extremely competitive against Dunkin' and McDonalds. Because Starbucks has a brick-and-click business structure, this means that they benefit greatly from a hybrid of online and mobile order usage and also selling the luxurious, comfortable, warm and inviting physical locations as a place to stay for a while and work on homework, sit down for a business meeting, or hang out with your friends while you eat and drink their products. Starbucks has an incredibly unified and strong brand presence on social media, which they use to precisely target their target market. This is usually either younger people in their 20s-30s, or higher-income earners. This target market is perpetuated through their social media presence online as countless social media "influencers" make it a strict part of their day to get their morning coffee from Starbucks as a part of their daily routine, which influences millions of younger adults daily and starts trends overnight regularly. This gets people excited to go and try out the food or drink that their favorite influencer just reviewed in their video to see what all of the excitement is about. Starbucks also have an amazing mailing list from their customers signing up for "Stars" rewards which they can use to directly reach their target market through a list of current customers and warm leads that will have an

extremely high likelihood of reading through and opening their promotional material and getting excited to come to their store and try their new items. Starbucks also has the budget to pay for television advertisements which they can run on all major news networks and sports channels, such as Fox, NBC, The NFL and The NBA. This reaches such a broad audience, that it is bound to generate lots of potential new customers to come out and try their products at their stores. The only downsides to this strategy is that television advertisements cost a LOT of money, and social media and email marketing aren't effective at reaching people who are older than 50 years old. The online or "click" portion of Starbucks's digital marketing strategy is obviously tailored towards their target market, as they are the most effective people to target, however the "brick" aspect of Starbucks is tailored to a very diverse crowd and they are extremely inclusive to the LGBTQ+ community and minorities. This is where Starbucks really shines. They can offer a comfortable and cozy experience to anyone who comes into the store. Also, all of their drinks are prepared by licensed baristas who are amazing at what they do. This definitely helps Starbucks keep their older clientele and helps solidify the brand as a click-and-brick business structure. Lastly, Starbucks is a massive corporation, with physical store locations in 80 different countries and 6 different continents, with the highest concentration within the United States. This is incredible for their brick-and-click business structure, as customers can utilize the cozy and sophisticated social spaces and Starbucks reward programs across with entire world and this solidifies and reinforces the brand that Starbucks has created and marketed primarily using social media marketing.

Proposed Solutions

- Create more engaging social media content, relevant hashtags and social media trends.
- Create challenges that advertises a new food, drink or product.
- Invent a new piece of technology that is relevant to their drinks to elevate consuming their products on the go.
- Instagram, YouTube and Tik Tok reels marketing.
- Affordable pricing options/increase ROI with "Stars".

In order to fix these problems that are prevalent within the business, Starbucks needs to implement modifications to their current digital marketing strategies in order to address their business problem. Starbucks would greatly benefit from creating more engaging content and social media trends within their community. Starbucks would greatly benefit from creating challenges, drink trends, or even developing a new item within the drink technology space to elevate consuming their products on the go or while their customers are spending their time at the physical locations. Social media is a massive machine today, and by creating trends, challenges, or engaging hashtags that excite and influence their current and prospective customers, Starbucks could revolutionize and innovate what it means to sit down and enjoy an amazing cup of coffee. I recommend that they hire more social media team members and really lean into Tik Tok, YouTube and Instagram Reels marketing. This has an extremely high chance of becoming viral given the current state of the company and Starbucks' influence within modern consumerism culture. This would greatly benefit the company, significantly increase engagement with their target market, and elevate the business to a point at which it outperforms its competitors. They could market their new and creative products online and in-person within the physical locations, they could introduce new and affordable pricing options and increase the rate of rewards and discounts using Starbucks "Stars", and they could promote these changes through

trendy, creative, and engaging social media marketing, email marketing and television commercials. If implemented, Starbucks could greatly expand their target market, create a largely more inclusive business with more appropriate pricing options, and they could open their business up to a whole new market of prospective long-term supporters of this amazing business that has affected so many groups of people in such an amazing way.

Recommendation of Digital Marketing Tools

- SocialPilot: Connects and automates all your social media pages into one website page.
- Cloud Campaign: Manages your social media marketing campaigns.
- BrandBastion Lite: Monitor and manage all your conversations throughout all the users' social media posts.
- HubSpot: Design emails through vast email templates, email CRM tool, schedule email marketing campaigns, store your email information in protected servers and email databases.
- Sender: Create email newsletters, automate email marketing campaigns, and text messaging marketing campaigns.
- Sendinblue: Email marketing, SMS marketing, marketing automation, segmentation, WhatsApp campaigns, push notifications, chat functionalities, a sales CRM system and email analysis and data analytics.

Starbucks can use a wide plethora of digital marketing tools in order to address the company's marketing challenges. I have provided three tools that focus heavily on social media marketing, which is their primary source of marketing and I have provided three tools that focus heavily on email marketing, which is their second most-used form of marketing. The first social media tool I recommend that Starbucks uses is called SocialPilot, which is a social media automation tool that is able to take all of your social media pages and consolidate them onto one social media page. The next tool is called Cloud Campaign, which is a social media tool that manages all of the user's social media marketing campaigns. The last social media marketing tool is called BrandBastion Lite, which allows their users to monitor and manage all of their conversations across all of their social media pages.

In terms of email marketing tools, Starbucks would benefit greatly from using HubSpot. HubSpot is a website that helps its users design beautiful looking emails through the vast email templates, customize their call to action by using the email CRM tool, schedule email marketing campaigns in advance, and store their email information in HubSpot's protected servers and email databases. The next email marketing tool is called Sender, which allows its users to create beautiful email newsletters, automate email marketing campaigns, and a text messaging marketing campaign in which the user can text their subscribers and other users who interact

with their website or emails. Starbucks can use this resource in their email marketing campaign to automate their email marketing campaigns, create stunning weekly newsletters and text their customers and updates, deals or rewards options. The last email marketing tool is call Sendinblue. This tool features email marketing, SMS marketing, marketing automation, segmentation, WhatsApp campaigns, push notifications, chat functionalities, a sales CRM system and email analysis and data analytics.

Benefits of the Digital Marketing Tools

- SocialPilot: Automate marketing campaigns and monitor analytics.
- Cloud Campaign: Web analytics for social media posts/pages.
- BrandBastion Lite: Consolidate, monitor and engage all social media conversations to one page.
- HubSpot: Design custom emails through templates, CRM, schedule emails, store data in protected databases.
- Sender: Create custom newsletters, automate emails, and create text message campaigns.
- Sendinblue: Automates digital marketing campaigns and monitors analytics across all platforms.

SocialPilot is extremely important for Starbucks because they can use this tool to automate their marketing campaigns as a whole and they can monitor all their analytics across all their digital and email marketing campaigns. This is an incredible resource that streamlines their campaigns and significantly boost client engagement through SMS notifications, push notifications and chat functionalities. Cloud Campaign offers other web analytics such as measuring post engagement and conversations generated using the social media posts within the marketing campaign. Starbucks can use this resource to analyze engagement across their social media pages and adjust their campaigns accordingly. BrandBastion Lite allows the user to analyze, moderate and engage conversations across all social media platforms, which unifies and streamlines communication across several different social media applications. Starbucks can use this tool to measure and respond to multiple different conversations across their wide variety of social media platforms to strengthen their brand identity and unify their customer experience across all platforms. HubSpot is a website that helps its users design beautiful looking emails through the vast email templates, customize their call to action by using the email CRM tool, schedule email marketing campaigns in advance, and store their email information in HubSpot's protected servers and email databases. Starbucks can plan and coordinate their email marketing campaigns for the coming months and can analyze the

engagement of their emails when the campaign is launched. Sender allows its users to create beautiful email newsletters, automate email marketing campaigns, and a text messaging marketing campaign in which the user can text their subscribers and other users who interact with their website or emails. Starbucks can use this resource in their email marketing campaign to automate their email marketing campaigns, create stunning weekly newsletters and text their customers and updates, deals or rewards options. Sendinblue is an amazing tool that automates digital marketing for your business and provides multiple avenues to constantly engage with your target audience. Starbucks can use Sendinblue to automate their marketing campaigns as a whole and they can monitor all their analytics across all their digital and email marketing campaigns. This is an incredible resource that streamlines their campaigns and significantly boost client engagement through SMS notifications, push notifications and chat functionalities. These digital marketing tools would help Starbucks create a unified social media and email presence that connects all of their marketing campaigns into one place and allows them to send gorgeous emails, text messages, newsletters, engage with their social media audience and automate their marketing campaign process so they can focus on creating and inventing new ideas to excite their customers.

Marketing Strategy Implementation and Evaluation

- Unify social media pages to one platform using Cloud Campaign and BrandBastion Lite.
- Automate their social media marketing campaigns using SocialPilot and Sendinblue.
- Create an email marketing campaign using HubSpot and Sender.
- Performance would be measure by using the tools' analytics functionalities and data can be consolidated and studied to make modifications to the social media and email marketing campaigns.

In order to implement these modifications to Starbucks' current digital marketing strategy, the business would need to start by unifying all of their social media pages onto one platform. This would greatly help the company streamline their business and would generate amazing data on the analytics of which social media pages are underperforming, performing at an average level, or overperforming what they predicted. This would allow them to inspect which social media pages need some more work done to them and would ensure that they bring all of their social media pages up to the same level of performance, engagement and influence upon their followers. This can be implemented through using Cloud Campaign and BrandBastion Lite. Then after unifying their social media pages together, they would need to create an automation system for their camapigns by using SocialPilot and Sendinblue. These two platforms would automate their social media and digital marketing campaigns across all of their social media pages. Lastly, they would need to create an email marketing campaign to engage with their current and new leads. This would be done through HubSpot and Sender. This would create a unified online presence and reoccurring social media and email marketing campaigns across all of their social media pages and mailing lists. Performance would able to be easily monitored as a large majority of these tools offer an analytics section that measures how many users engaged with the social media posts or opened the email marketing material that

was sent to them. This would allow Starbucks to have vast insight into what they need to do in order to outperform any of their competitors across multiple digital marketing platforms.

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