





“Starbucks coffee corporation’s marketing response to the COVID-19 pandemic”

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STARBUCKS COFFEE CORPORATION'S MARKETING RESPONSE TO THE COVID-19 PANDEMIC

Abstract

The ongoing COVID-19 pandemic has a significant influence on businesses and marketing strategies across the globe, including Starbucks Coffee. The COVID-19 pandemic has been completely novel in its unprecedented impact on the modern globalized economy. This in-depth analysis of this coffeehouse provides recommendations that were carefully considered within the context of the current public health crisis. The objective of this study was to systematically analyze the strategic marketing approach of Starbucks Coffee to generate recommendations that can not only be applied to Starbucks but marketing endeavors more broadly. A comprehensive review approach was adopted beginning with a thorough situational analysis. Problems and opportunities related to the marketing of Starbucks Coffee were investigated and recommendations were generated. All stages of the study were robustly supported with relevant citations. Starbucks has matrixed a complex corporate structure that supports not only its survival but its continued development even in an increasingly dense and competitive marketplace. While Starbucks must continue to intermittently reevaluate its key problems and key opportunities, especially in the approaching few financial years, the company is operating with impressive effectiveness through the adversities of 2020 thus far. After a careful analysis, Starbucks Coffee should increase the distribution of products that are more likely to succeed during the COVID-19 pandemic, expand pick-up and delivery services, implement additional store locations in underdeveloped geographic market segments, and utilize its vast array of promotional mediums to optimize brand positioning as they approach a reopening world.

Keywords

coronavirus, consumer marketing, business development, situational analysis

JEL Classification

M30, M31, M37

INTRODUCTION

Starbucks Coffee is an international coffeehouse that began as a single store in Seattle's Pike Place Market back in 1971. Founded by entrepreneur Howard Schultz, several strategic initiatives including strong brand creation, premium product development, and company expansion to international markets were largely responsible for Starbucks Coffee's specialty coffee marketing strategy during the 1980s and 1990s (Koehn, 2005). As of June 30, 2019, Starbucks Coffee has experienced exponential and highly impressive growth with over 30,000 stores in over 80 markets across the globe (Starbucks stories & news, 2020). The Starbucks Coffee company mission is stated proudly on the corporate website: "to inspire and nurture the human spirit – one person, one cup, and one neighborhood at a time." To begin this marketing analysis, a thorough situation analysis was conducted. During this situational analysis, special consideration and attention was given to the ongoing COVID-19 Pandemic including its financial, emotional, and longitudinal impact on Starbucks and the coffee industry. Following the situation analysis, problems and opportunities related



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to the Starbucks Coffee brand were investigated to ultimately generate and evaluate alternative marketing programs. Finally, the pros and cons of each alternative were considered such that a final recommendation was reached.

1. LITERATURE REVIEW AND THEORETICAL BASIS

The nature of demand for the Starbucks Coffee experience was first considered as part of the overarching situation analysis. As stated previously, the number of stores shopped worldwide reached over 30,000 as of the summer of 2019. The ratio of company-operated stores to licensed stores within this figure is approximately 1:1 (Starbucks Coffee Company, 2018). More specifically, a complete picture of the international outreach of this coffeehouse is shown by analyzing the geographic distribution of company-operated stores as reported in the Starbucks Fiscal 2018 Annual Report. According to this document, the number of company-operated stores was 9,684 total Americas, 5,159 total China/Asia Pacific, and 490 total Europe, the Middle East, and Africa (EMEA) as of September 30, 2018. As of 2018, it is fair to assume that the degree of overt information seeking by consumers worldwide was significantly high, at least compared to years prior. Evidence to support this notion can be retrieved by the financial disclosures released in the Starbucks Fiscal 2018 Annual Report (Starbucks Coffee Company, 2018). The company saw revenue growths of 7% (16.7 billion), 38% (4.5 billion), and 9% (1.0 billion) in the Americas, China/Asia Pacific, and EMEA market segments, respectively. Furthermore, these impressive growths in revenue lend insight into the degree of brand awareness and loyalty. Brand loyalty is a significant factor in an industry steeped in often habitual, daily routine consumption (Han et al., 2018). Starbucks inc. is an example, even beyond the confines of the coffee industry, of aggressive and prioritized brand loyalty development (Adams, 2018; Cierzan, 2019; Matyszczyk, 2020; Harris 2015). By 2007, most coffee consumers were aware of the Starbucks Coffee brand, and millions of consumers from all walks of life enjoyed the offered products and experience (Koehn et al., 2008). The location of both product category decisions and brand decisions are mostly made before traveling to the point of sale. Incidental purchases of coffee that were not premeditated at least to

some degree are rarer due to the habitual nature of coffee consumption which is intertwined with the biochemical nature of caffeine. Consumers likewise make preemptive habitual consumptive decisions about coffee brands before arriving at a commercial location. There are many sources of information regarding the product mix that Starbucks Coffee offers. Additionally, given the success in revenue generation, it is reasonable to assume that the current awareness and knowledge levels surrounding the product mix are high. The coffeehouse offers a range of high-quality products including over 30 blends of single-origin coffee, handcrafted hot and cold beverages, merchandise such as mugs and accessories, fresh food, and tea (Greenspan, 2019). A wide array of people from a variety of demographic backgrounds can make a purchase decision to engage in one of the Starbucks Coffee products. The exception is children (pre-adolescence) who are typically culturally prohibited in Western society from consuming caffeinated coffee products. However, in general, the customers making the purchase decision include millennials, which is in part driven by the “My Starbucks Reward” program (Fromm, n.d.). Furthermore, one main demographic age segmentation consists of high-income individuals between ages 25 and 40, and another consists of 18 to 24-year-old adults who belong to affluent families (Haskova, 2015). The people involved in influencing the decision-maker mainly consist of the Starbucks Coffee “partners”. Partners are the Starbucks Coffee employees “at the heart” of the Starbucks Experience who function to prepare and serve the products to consumers (Starbucks stories & news, 2020). Additionally, peer and aspirant groups can influence decision-makers in their purchasing behavior.

Given the relatively inexpensive and individualized experience with each product, it can be reasonably assumed that the decision to purchase an offering from Starbucks Coffee is an individual decision, rather than a group decision. The duration of the decision process is quite impressive and speaks to the global and sustained success of

Starbucks Coffee. A large majority of decisions to purchase are considerably frequent repeat decisions. According to Lepore (2011), in a span of four weeks, the average Starbucks customer visits the store approximately 6 times. Just as startling, a loyal 20% of customers visit the store approximately 16 times during the same timespan (Lepore, 2011). These statistics signify significant buyer's interest in the product mix offered, and a reasonable level of excitement must be present to justify the frequency of store visits. Consumers of coffee products, especially demographics interested in gourmet/specialty products, often exhibit high interest, involvement, and excitement regarding purchases. Coffee drinking has its own culture (D'Costa, 2011), which its adherents eagerly participate in. Consumers become infatuated with coffee due to a unique combination of societal ritual and caffeine dependence. In other words, consumers enjoy socializing over quality coffee in a cultural ritual, and at the same time physically feel the effects of caffeine, which has a reinforcing effect on behavior as it becomes associated with actions.

The risk of a negative purchase outcome, while present, is relatively low. The Starbucks Fiscal 2018 Annual Report (Starbucks Coffee Company, 2018) states that incidents involving food and/or beverage-borne infectious diseases, imitation, contamination, and mislabeling can ultimately harm the business and damage the reputation of the global brand. However, the likelihood of an individual encountering one of these incidents has been and remains low.

Coffee is a rather interesting product due to the fact that it has practical/functional purposes as a stimulant to combat fatigue and boost alertness, but also improves mood when dependence has begun. Its psychosocial considerations are significant due to the ritualistic nature of consumption and the culture of coffee within society. Given the caffeine content in the hot and cold beverages, the time of consumption of the majority of Starbucks Coffee's products is during the morning and daytime, with lesser amounts of consumption during the evening and night hours (Koehn et al., 2008).

Besides determining the *who*, *what*, *when*, *where*, *why*, and *how* of a purchase decision, another important part of analyzing the nature of demand

is to characterize the market into meaningfully segmented groups. The first important metric that can be used to segment the market is based on the age of the consumer. Importantly, almost half of Starbucks Coffee's total business comes from men and women ages 25-40, which is the company's primary market target (Rafii, 2014). According to Rafii (2014), the customers that fall within this age group tend to be "professional urbanites" with relatively higher socioeconomic status who support environmentally and socially responsible causes in the community. In addition to the primary market target, another 40 percent of the total market targets young adults between the ages of 18 and 24, many of whom are found on college campuses (Rafii, 2014). Starbucks Coffee stores on college campuses are especially appealing due to their function as a place to socialize and study in addition to purchasing an offered product. An empirical study of Starbucks Coffee in Taiwan gathered research data to suggest that the company could increase market share in the region by increasing the targeting of male consumers under the age of 35, as well as consumers who have an associate degree and high-school diploma (Tu & Chang, 2012). A second way to segment the Starbucks Coffee market is based on the concept of family life cycles (FLC). The traditional FLC marketing strategy consists of a bachelor stage, newly marrieds, full nests, empty nests, and solitary survivors (Pondent, 2017). Given the target groups previously described, Starbucks Coffee would most likely find success by targeting individuals in the bachelor and newly married stages, as these correspond closely to the target age groups. The third way to segment the market would be by geographic location. As previously mentioned, the majority of shops are located in the Americas (9,684), which consists of the US, Canada, and Brazil. The second most shops are located in China/Asia Pacific (5,159), which consists of China, Japan, and Thailand. The third geographical segment, EMEA, contains 490 shops (Starbucks Coffee Company, 2018). The fourth way to meaningfully segment the market would be based on heavy versus light users. It may be beneficial to tailor the Starbucks Coffee marketing program to differentially target regular users, first-time users, potential users, and nonusers to gain a competitive advantage over other companies. Product usage can also be segmented into light, medium, and heavy

levels to further stratify regular users. Lastly, the nature of the buying process can be assessed to attempt to segment the market in a meaningful way. Ultimately, it is important to weigh the pros and cons of developing a marketing strategy for each segment versus having one program that targets a heterogeneous sample of segments. The cons, which include cost and research development among others, may outweigh the pros in some market decisions. Overall, however, there is evidence to support that Starbucks Coffee has been and continues to be successful at segmenting the market via certain criteria including age, geographic location, and other demographic variables.

The extent of demand for the Starbucks Coffee experience was considered as part of the overarching situation analysis. The first step to determine the extent of demand is to analyze the current market shares and selective demand trends. According to the Starbucks Annual Fiscal Report in 2018 (Starbucks Coffee Company, 2018), the total number of Starbucks Coffee shares purchased totaled 58,506,300 at an average price per share of \$52.96. Selective demand trends were impressive, with total net revenue for the international coffeehouse increasing 10% to \$24.7 billion in 2018 compared to \$22.4 billion the year prior (Starbucks Coffee Company, 2018). Additionally, Starbucks Coffee demonstrated impressive upward demand trends between 2017 and 2018. According to the Annual Fiscal Report, the coffeehouse returned approximately \$8.9 billion to shareholders in 2018 via repurchases and dividends, a figure considerably higher than the \$3.5 billion recorded in 2017. While the figures for 2018 are impressive, it is best to analyze the market on a segmented basis according to the geographic distribution of Starbucks stores, rather than on an aggregate basis. The revenue distribution for 2018 was disproportionately distributed with the Americas with 68%, China/Asia Pacific with 18%, EMEA with 4%, Channel Development with 9%, and Corporate/other with 1% (Pratap, 2019). Given this unequal distribution, it is beneficial to analyze the market on a segmented basis as this perspective would elucidate profit potential in underdeveloped market areas such as the EMEA geographic segment.

The nature of competition experienced by the Starbucks Coffee company was considered as part

of the overarching situation analysis. Starbucks Coffee currently participates in a fiercely competitive environment. According to the Annual Fiscal Report, the company's primary competitors for specialty coffee sales include specialty coffee shops offering similar experiences, quick-service restaurants, ready-to-drink beverages, and international well-established coffee companies. While it is difficult to suggest an exact number of competitors, it is safe to say that there is an exceedingly large number of competitors spanning across the entire globe. Despite the fierce competition, Starbucks has prevailed as the dominant entity in the coffee drinking world, as they hold an impressive 40% share of the US coffee shop market. The main competitors that Starbucks should prioritize from a marketing perspective include the second largest market leader, Dunkin', representing a 26% share of the market (Brown, 2019), and the third largest in JAB Holding Company with 13%. How do these three leading competitors compare in terms of financial resources that could be used in marketing initiatives targeted at gaining market share? The financial resources of Starbucks Coffee are certainly capable of funding new and existing marketing ventures, as they were disclosed in full in the Annual Fiscal Report of 2018 (Starbucks Coffee Company, 2018). The comprehensive income in 2018 attributed to Starbucks was \$4,343.6 million, and the total assets attributed to the company that year totaled \$24,156.4 million. Beyond revenue and assets, cash on hand and debt-to-equity ratios are particularly effective measures of the ability of a firm to mount expensive corporate initiatives, including marketing endeavors. Starbucks has 2.76 billion in cash on hand (Mullaney, 2020), and a 58.1% debt-to-equity ratio (Yu, 2020) giving a picture of robust financial health for the industry leader. Dunkin has \$1.37 billion in revenue (Lock, 2020), and an interesting debt to-to-equity ratio of -5.28 (Dunkin utilizes a heavily leveraged, capital-light business model, and currently has negative equity which makes their numbers here more than a little unusual). AB brands is an outlier, in the sense that it is nearly totally privately owned by the reclusive German Reimann family. The family has an estimated net worth of \$19 billion (Taylor & Yuan, 2019) and JAB generates an estimated \$50 million in revenue (Owler, 2020). A debt to equity ratio is difficult to determine due to the opaque nature of JAB, but some information has surfaced

that they may be using credit more aggressively to channel growth than in the past (Abboud, 2019).

Marketing resources and skills have developed significantly since the founding of Starbucks Coffee. In the beginning, marketing campaigns by the coffeehouse tended to be focused on word-of-mouth influence that was based in the local communities (Koehn et al., 2008). However, total marketing expenditures rose dramatically, especially in recent years. Advertising expenses alone totaled approximately \$260 million, \$283 million, and \$249 million in 2018, 2017, and 2016, respectively (Starbucks Coffee Company, 2018). In addition to marketing resources, production resources are also highly developed under Starbucks Coffee. To enforce their leadership role in the quality coffee industry, Starbucks Coffee operates nine farmer support centers, which function to promote best practices regarding coffee bean quality, coffee yield, and environmental sustainability (Starbucks Coffee Company, 2018).

Although the competitive position of Starbucks Coffee is quite strong given the previous financial analysis, it is important to keep in mind established competitors have developed marketing programs that may undermine this coffeehouse's market share. For example, there are a few opportunities for competitors to capitalize on potential weaknesses within the Starbucks Coffee infrastructure. Given the nature of the high price points of Starbucks product offerings, competitors may be able to steal market share by imitating the "Starbucks experience", selling cheaper coffee products, and targeting consumers who oppose the expansion of multinational corporations into international markets (Lombardo, 2019). JAB has made interesting efforts along these lines through its subsidiary brands "Peet's Coffee" and "Caribou Coffee Company" as well. They have attempted to pitch younger demographics on Peet's as a quirky, artisanal coffee brand that is aligned with cultural expectations of a youth movement. (Monllos, 2018) Caribou has been positioned by its marketers as a lovable underdog in the face of a gentrifying monthlith in the form of Starbucks. Caribou hopes to undercut Starbucks by leveraging the latter's growing reputation as a pretentious, inauthentic giant with slipping quality (Morrison, 2012). These efforts so far have resulted in a 3.4%

growth in sales over last year for Caribou. By playing the role of foil to Starbucks Caribou hopes to spark growth in the future. Regardless of different marketing programs that could be recommended to Starbucks Coffee for implementation, anticipated retaliatory moves by competitors may always include the risks of imitation and underselling.

The environmental climate and conditions surrounding the Starbucks Coffee corporation are imperative to discuss within the context of a situation analysis, especially given the current COVID-19 pandemic that has spread from Wuhan, China to the rest of the world. According to the Johns Hopkins Coronavirus Resource Center (2020), there have been over 8,300,000 confirmed cases and 449,000 confirmed deaths worldwide as of June 18, 2020, with the United States being the leading country in both of these metrics. Given the severity of the pandemic, Starbucks Coffee was one of the first US chains to restrict dine-in service and convert the vast majority of its sales to drive-through and delivery mediums (Haddon, 2020). In late April, Haddon (2020a) wrote that there was a temporary period where approximately half of Starbucks' company-owned stores in the US were closed. The other half remained open, however were restricted to drive-through and delivery services only. With the essence of the Starbucks Experience as a warm, welcoming coffeehouse temporarily unavailable, it is important to keep this functional challenge in mind. Furthermore, Haddon (2020) noted that Starbucks Coffee would begin limiting partner hours to match pared-back operations as a result of the pandemic, reflecting the idea from top Starbucks officials that sales likely won't bounce back to normal figures in the United States until at least the upcoming fall season. Psychosocial and economic considerations including consumer purchasing power, income, and morale should also be evaluated. Given the pandemic and its negative effects on unemployment, it is likely that consumers may be more frugal with their spending. According to the U.S. Bureau of Labor Statistics (2020), the unemployment rate in the United States was 14.7% in April 2020, up significantly from the 4.4% figure calculated just one month prior. Haddon (2020) states that Starbucks Coffee plans to close, renovate, or move 400 traditional store locations in the Americas in the next 18 months, in part due

to the pandemic cutting company revenue by up to \$3.2 billion in the 3rd quarter of 2020. It is the company's hope, alongside the hope of countless companies across the globe, that the coronavirus pandemic will be brought to an end so that economic growth and consumer spending can return to normal once again. This hope is not entirely far-fetched. Chinese-based Starbucks Coffee shops are on track to experience same-store sales return to growth by the end of this fiscal year, with the US lagging slightly behind with a projected recovery of growth sales by early fiscal 2021 (Moffat et al., 2020). Given the positive projections in the nearby future, these trends resulting from the international pandemic represent problems that are relatively transient in nature.

The stages of a product life cycle consist of product development, introduction, growth, maturity, and decline. Unique to the Starbucks Coffee product mix, different products are currently residing in different stages. Most well-known of all products offered, Starbucks coffee can be considered to be in the maturity stage, as it has been offered in over 30 blends of specialty coffee since the company's founding (Starbucks stories & news, 2020). In 2018, beverages including coffee accounted for 74% of retail sales in company-owned stores, corroborating the claim that coffee is rightfully in a mature product life stage (Starbucks Coffee Company, 2018). Importantly to note, cold drinks in particular have become highly successful in recent years. Cold drinks including iced coffees and lattes now account for approximately half of Starbucks Coffee's total beverage sales (Haddon, 2019). This success in cold beverages may indicate a beneficial clue in terms of future product research and development strategies. Given the high proportion of sales and market positioning, it is safe to assume that consumer knowledge of this product category is significantly high. While coffee is the main product offered by Starbucks Coffee company, there are other product lines that are offered which happen to be in different stages of development. Fresh food options that are marketed to consumers include baked pastries, hot and cold sandwiches, salads, fruit cups, and oatmeal (Starbucks stories & news, 2020). Fresh food can be considered to be in the growth stage of product life cycle development, which is supported by the fact that this product line accounted for 20% of retail sales in company-owned stores in 2018,

up slightly from 2016 (Starbucks Coffee Company, 2018). In addition, packaged and single-serve coffees and tea can be considered to be in the introduction stage of product life cycle development. This is supported by the relatively low proportion of retail sales in company-owned stores in 2018, at just 2% (Starbucks Coffee Company, 2018). Lastly, Starbucks Coffee is expanding its product mix by introducing a new product line to stores: alcoholic beverages. Alcoholic beverages, only recently introduced as part of Starbucks Coffee's new "Reserve Store", can be considered to be in the introduction phase of development due to the novelty of the market offering. According to Neal (2018), the Reserve store that recently opened in late February of 2018 contains a full bar that sells alcoholic beverages including Italian cocktails, beer, wine, and spirits.

Common to 2018 was a relatively uniform trend of elevated operational expenses compared to previous years. Unfortunately, Starbucks Coffee indicated that there was a lower operating margin in 2018 compared to 2017, where the margin declined to 15.7% from 18.5% (Pratap, 2019). Furthermore, it was noted that total operating costs for the coffeehouse grew to \$21.14 billion in 2018, approximately 85% of total net revenue for that year and up markedly from \$18.64 billion in 2017. Factors such as market growth into China, higher restructuring and impairment costs, and growth in partner salaries and work-related benefits all contributed to the higher operating expenses observed in the 2018 fiscal year (Pratap, 2019). Given these elevated operational costs within the Starbucks Coffee company in recent years, it is important to recognize that the company is still quite capable of covering the costs of supplying increased output in the form of effective marketing programs. This is evident by analyzing the comprehensive income in 2018 attributed to Starbucks Coffee (\$4,343.6 million), which is up significantly from the comprehensive income of \$2837.5 million in 2017 (Starbucks Coffee Company, 2018). In conclusion, if effective marketing programs are identified and developed, the cost structure of the coffeehouse should have the means to fund these endeavors, despite recent increases in operational costs.

An effective situation analysis of Starbucks Coffee cannot be complete without a thorough discussion regarding the skills of the firm. Starbucks Inc.

has more experience than any major competitor in the field in broad and aggressive marketing and branding practices. They have a massive marketing war chest and the financial health to fund ambitious long-term marketing projects (Geter, n.d.). They are a branding giant that stands out as a leader amongst all the largest US firms across industries. Starbucks likewise is pushing the technological boundaries as a production leader in the food services sector. They have six centralized roasting plants (Boyer, 2013) strategically located for ease of access to major US coffee markets. They also have cutting-edge instant coffee production plants with the capability to produce 4,000 metric tons of instant coffee per year with manufacturing line flexibility by which production rates can be adjusted upward by 50% with ease (Boyer, 2013).

While Starbucks has had some image issues with particular consumer demographics over the years oftentimes associated with the effects of massive corporate growth that has been the only significant issue that could be held against its leadership over an otherwise spectacular ascent from the obscure regional enterprise into a global juggernaut astride the whole industry. The current strategic decision to shift to a more nuanced set of distribution formats has been rounding praised by critics/industry watchers and is indicative of the robust leadership at Starbucks that can be relied on to implement aggressive and bold marketing undertakings (Bariso, 2020). The financial skills and leadership of the firm are beyond reproach. Starbucks currently has 2.76 billion in cash on hand (Mullaney, 2020), 26.5 billion in revenue (Lock, 2019), and a 58.1% debt-to-equity ratio (Yu, 2020), meaning that it is an enterprise built on a firm fiscal bedrock and prepared to properly finance ambitious expansionary marketing strategies.

Starbucks has been committed to research and development with efforts in improving production and growing techniques (Rochman, 2018) and also testing new distribution and consumer-facing environments via stealth test pilot locations (Oppmann, 2014). Starbucks maintains a favorable advantage over its main competitors, Dunkin and JAB Brands, in terms of skills in the preceding areas. As the industry leader by a wide margin ahead of second and third place Starbucks has successfully defended their lead so voraciously

that Dunkin and JAB have been forced into a role of asymmetrical guerrilla warfare in attempts to chip away at the Starbucks behemoth. Dunkin has a fiscal situation that is only comfortable for the most debt tolerant (Lock, 2020) and is therefore not an immediate threat in matching Starbucks toe-to-toe in a conventional marketing war. The JAB group is mysterious in exactly what resources it has and is willing to commit to open marketing conflict with Starbucks, but it has been quite creative and dynamic in maneuvering its smaller coffee brands around Starbucks. JAB leadership should therefore be commenced for their panache. Additionally, some of the financial tactics employed by JAB to jolt growth, including extended terms of trade (Almeida & Perez, 2018), are quite inspired and indicate innovative leadership.

As previously mentioned, the financial resources of Starbucks Inc. are without equal in the entire industry and will serve them well in times of open marketing conflict. They have a very reasonable current debt to equity ratio of 58.1% and therefore could take on debt up to a healthy limit of 1 or 1.15 to fund enterprises that exceed the available cash they have on hand. Once cash on hand has been exhausted loans can be taken and bonds issued. Starbucks has a recent history of issuing bonds for up to a billion dollars to fund various corporate endeavors.

Distribution for Starbucks product offerings have been via three main avenues: Starbucks branded stores, brick and mortar retailers such as grocers and convenience stores, and online retailers (such as Amazon). There has been a small subset of non-branded Starbucks stores, but they have not been distributing Starbucks branded products. In addition, there are variations of the Starbucks branded stores with small kiosks embedded in other retailers or facilities existing alongside full layout “traditional” Starbucks establishments. The new strategy of pivoting to more take-out/pick-up format locations while reducing traditional locations is an important trend in channel structure. Proprietary Starbucks mobile apps are adjuncts to in-store purchases and merely enhance convenience and engagement.

Starbucks already has major access to all significant channels of distribution, but how does prof-

itability vary from one to the next? Purchases in Starbucks branded stores are the most individually profitable commercial interaction for Starbucks because they control all elements of the supply/disruption chain. Online sales and sales through other physical distributors can be lucrative but are less profitable due to margins imposed by the distributors. One might think that it would behoove a firm of Starbucks' clout to acquire their own controlled online distribution channel, but Starbucks did have this previously and found it untenable (Oppmann, 2014). The competition between online sales and sales via other physical retailers for the distribution of Starbucks products is legitimate since they are both selling the same product mix of canned/bottled beverages and home brew coffee. Thankfully for Starbucks, their branded stores have no direct channel competition for the distribution of freshly prepared drinks. Therefore, it is very feasible to use all three of these channels to simultaneously profitably drive business. Promotion marketing considerations may be considered that are well aligned for the traditional grocer and online distribution channels. Due to the difference in products offered at Starbucks branded stores, promotion considerations can be custom tailored here as well without the risk of promotional conflict across channels.

With a complete comprehensive situation analysis, the key problems and key opportunities of Starbucks were properly identified. The key problems for Starbucks exist in the form of competition and current/near-future environmental conditions. Because they operate in such a heavily saturated market, Starbucks' largest problem and potential risks as a firm are related to their vast competitors. With the large players like Dunkin' acquiring a significant chunk of the market share and every family-owned coffee shop looking to attract Starbucks' loyal customer base and retain their own, Starbucks must strive to remain competitive as other firms seek to encroach upon their sales. In addition to the competition, Starbucks must remain aware of the environmental conditions now and in the near future. As the fallout of the COVID-19 continues to burden companies internationally, Starbucks is no exception. As COVID-19 forced shutdowns of many Starbucks locations across the globe and changed the operating procedures of many others, Starbucks' cus-

tomers temporarily lost that local coffeehouse feels that they consistently return for. Though not the only thing that brings customers to Starbucks, providing this well-rounded customer experience was lost during the pandemic and will continue to be incomplete until the world completely reopens. Starbucks must also thoroughly reconsider the thought process of their customer base post-COVID-19. Will customers be as likely to enter their busy stores after the global pandemic? Will customers opt for competitors offering similar products at a cheaper price after the 2020 Coronavirus Recession? Starbucks must be aware of extensive market competition and unstable environmental conditions as key problems for their firm.

The key opportunities for Starbucks are their fierce R&D and, although paradoxically also listed as a key problem, the current environmental conditions. As previously stated, Starbucks has long been ahead of their closest competitors in the R&D space. Being able to stay a step ahead of the competition in terms of product development, growing techniques, brand awareness, and customer experience have long been how Starbucks maintains customer loyalty. Looking ahead, especially in the near future, a strong research and development department will continue to be imperative for Starbucks' success. This ties into the idea that the current environmental conditions could, alternatively, be a key opportunity for Starbucks. Because of the current conditions surrounding the global pandemic, many companies are scrambling to analyze their current strategies and redefine their business models for a post-COVID-19 world. If Starbucks can utilize its strong research and development abilities, they may be able to strategically place themselves in a superior position relative to their competitors as the world approaches a full reopening. Current environmental conditions are an incredibly important point for Starbucks to consider. How they handle these challenges will determine if the situation becomes a key opportunity or a key problem for the firm.

After taking a comprehensive look at the key problems and key opportunities for Starbucks, on balance, the situation is very favorable for Starbucks. Starbucks has matrixed a complex corporate structure that supports not only its survival but its continued development even in an increasingly dense

and competitive marketplace. While Starbucks must continue to intermittently reevaluate its key problems and key opportunities, especially in the approaching few financial years, the company is operating with impressive effectiveness through the adversities of 2020 thus far.

2. GENERALIZATION OF THE MAIN STATEMENTS AND DISCUSSION

Throughout the literature review, several main statements and questions were investigated. The first being the determination of the demand for Starbucks' products. Considering revenue increases, stock prices, and consumer purchasing patterns, it is reasonable to assume that there is an ever-increasing demand for Starbucks' products. Consumers' purchase decisions regarding Starbucks' products were then analyzed. The decision to purchase an offering from Starbucks Coffee was determined to be an individual decision, rather than a group decision. The individual consumer that dominates Starbucks' market is men and women aged 18-25 from a multitude of backgrounds. The demand and purchase decision-making was further put into perspective by completing an overarching situation analysis of the Starbucks brand (in terms of marketing, strengths, finances, etc.) and the coffee industry as a whole. It was found that Starbucks has prevailed as the dominant entity in the coffee drinking world, as they hold an impressive 40% share of the US coffee shop market. The main competitors that Starbucks should prioritize from a marketing perspective include the second largest market leader, Dunkin', representing a 26% share of the market (Brown, 2019). The situation analysis of the Starbucks brand paid careful attention to the ongoing COVID-19 pandemic. Key problems and key opportunities for the firm were identified.

Considering all characteristics of Starbucks' current business model, objectives must be defined for the near future (for this case, one year in the future). One of the most important marketing segments to be targeted by the firm in the next year will be the near post-coronavirus consumer.

Understanding consumers' purchasing behavior post-COVID-19 and tailoring marketing strategies to their needs will be imperative. Due to the current environmental conditions surrounding coronavirus, the volume to be sold in the next year is more difficult to define. Typically, since the company is considered to be in the maturity stage, the goal would be to steadily increase from previous years in terms of company growth, income, etc. For example, the firm would have hoped to see an increase in comprehensive income from 2018 (\$4,343.6 million), to 2019, and on into 2020 and 2021. However, considering the current marketplace, more realistic goals for the next year must be set in place. After taking heavy losses during 2020 FQ2 and expecting losses totaling nearly \$3.2 billion in FQ3 due to the coronavirus pandemic (Lucas, 2020), Starbucks should be looking to stabilize its earnings. For the firm, this would come in the form of stabilizing revenue losses as they enter FQ4 and continuing to increase as Starbucks enters FY2021. In terms of profit analysis in the coming year, it will be imperative that Starbucks monitors its response to the current environmental conditions to ensure the health of its company as it enters FY2021. A contribution analysis would be a great tool to utilize to ensure their instituted changes are pointing the firm in the correct direction.

Utilizing the objectives defined for the Starbucks brand in the coming year, specifics on an alternative marketing mix can be decisively outlined. In terms of product decisions, the Starbucks brand includes extensive products that consumers love as they are. Knowing this, it is not imperative that Starbucks develop a new product, change current products, add/drop a product line, or consider rebranding. However, Starbucks may wish to reconsider product positioning in the next year. With the current environment, knowing the needs of the consumers and catering to them with educated product placement could prove to be beneficial for the company. With the changing environment, Starbucks may also wish to reexamine its distribution decisions. For example, Starbucks should closely monitor what products are proving successful even throughout the 2020 pandemic and associated shutdown. For these successful products, the intensity of distribution should be increased, along with the types of wholesalers/retail-

ers that sell these products. Diversifying product delivery is essential during these interesting times because there is not a complete understanding of what the post-coronavirus consumer market will look like. In terms of promotion decisions, this is one of the categories that Starbucks stands to gain the most from. Reconsidering the branding, budget, message, and media usage make all the difference when navigating the current complex environment and making consumers feel comfortable with the new post-pandemic customer experience. Price decisions are another important factor for Starbucks to consider in the near future. Given that the global pandemic has unleashed a significant financial burden on many people internationally due to a multitude of factors (unemployment, increased expenditure on childcare, etc.), many consumers may be more limited as to the

amount they are willing to spend on luxury, unnecessary goods like Starbucks' product offerings. To combat consumers leaving for a competitor with similar products at a cheaper price (Dunkin', McDonald's, etc.), Starbucks may wish to consider changing price decisions. A temporary lower price level or modified price variation may lead to better customer retention in populations looking for a cheaper alternative. In terms of customer relationship management decisions, Starbucks does not have much to change. Starbucks already has a successful customer loyalty program in place with Starbucks rewards. One way they could modify their present customer relationship management in the current environment would be to offer special discounts/promotions specific to the post-COVID-19 consumers through the platform of their well-developed customer loyalty program.

CONCLUSION

After careful consideration of the situation analysis, identification of problems and opportunities, and evaluation of alternative marketing strategies, it is now pertinent to formulate a decision on the fate of the Starbucks marketing strategy. Starbucks exists as a mature firm and, on balance, the current marketing situation is very favorable. Despite setbacks from the COVID-19 global pandemic, Starbucks has continued to grow as a firm for decades and has the strong rooting to survive well past the current environmental conditions. Starbucks should continue its current product line and make minimal product changes. Assuming consumers will continue to purchase their products at the existing price line/variation, and that price changes should be minimal. Starbucks should continue its current customer relationship management procedures. While product, price, and customer relationship management decisions are minimal, Starbucks must take this opportunity to revisit its distribution and promotion decisions to maximize potential in the near post-COVID-19 market. This necessitates an increase in the intensity of distribution for products that have remained successful during the pandemic period, and a reevaluation of the firm's distribution to wholesalers and retailers to best fit the current environmental conditions. Shortly, it may be in the best interest of the corporation to expand their pick-up and delivery services across the Americas, China/Asia Pacific, and EMEA geographic segments to capture consumers who are weary of any potential risk associated with interpersonal in-store interactions with Starbucks partners and/or other consumers. Additionally, Starbucks should strongly consider bolstering its brand positioning and increase store locations in underdeveloped geographic market segments, particularly EMEA, given the disproportionate revenue distribution reported in 2018. Starbucks must utilize its vast forms of promotional outlets (social media, branding, advertisements, etc.) to project strength, unity, and consistency as they approach a reopening world.

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