

ANALYSIS OF BRAND LOYALTY AT STARBUCKS

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ABSTRACT: Brand loyalty is when a consumer prefers to buy the same brand of goods rather than competing brands. The bottom line benefits from brand loyalty since it can boost sales volume by keeping customers loyal to the brand and enabling premium pricing. In other words, when consumers discover the value of a brand, they 1) start making recurring purchases and 2) become price agnostic. From a business standpoint, enhancing brand loyalty leads to continued earnings because of long-term repeat consumers, a reduction in the need for marketing to expand the clientele, and premium pricing. In the coffee shop industry, Starbucks is renowned for having a significantly greater level of customer loyalty. The goal of this investigation is to determine how Starbucks was created.

Keywords: attitudinal loyalty, behavioral loyalty, brand loyalty, consumer behavior, loyalty marketing, Starbucks.

INTRODUCTION

Recurring purchases and good word of mouth are the results of brand loyalty. When Customers frequently buy a particular brand and report having good experiences, the A brand's owner company gains a competitive edge. Businesses seek to encourage because consumers have an impact on a brand's success, brand loyalty. Brand loyalty is at its lowest because repeat business results in greater sales volume, which benefits businesses. The corporation expands (Giddens, 2010). Consumers are less price concerned when a product is regarded to have value in relation to the brand. The cost of an item is not as important to brand-loyal customers as significant. Customers will select a preferred brand and won't pay attention to others neither will they be interested in additional promotions that the competition is promoting nor the pricing.

Companies can raise the volume of sales by reducing the number of customers leaving the brand and increasing the number of customers buying from the brand. Sadly, businesses often lose 13% of their customers every five years (Giddens, 2010). Companies may suffer because consumers may stop being interested in the brand. Finding a new customer often costs 5 to 10 times more than retaining an existing one. When buying from your brand, loyal customers tend to be more discerning and spend more money. Spending patterns show that repeat consumers spend 67% more than new ones. In a retail research, loyal consumers represented around 12–15% of all buyers, yet still accounted for 57%–70% of revenues.

Between 2007 and 2011, the US coffeehouse and doughnut shop industry expanded by 15%. Sales peaked at \$28 billion by the end of 2012, and are projected to reach \$33.1 billion by the end of 2017 (Tepper, 2013a). According to numerous figures on daily coffee consumption in America, studies conducted from 1999 to 2012 revealed a rate of 63% in 1999 and 64% in 2012. 59% of Americans drank at least one cup of coffee daily in 2015, according to a National Coffee Association survey (Brown, 2015). According to statistics on coffee consumption, the average person has 3.1 cups daily (2016). Statistics also indicate that there is no difference between males and females.

The availability of so many different brand options, according to a number of authors, has altered customer behavior (Cheng, Chang, Chuang & Yu, 2012; Simonson, 1989). As a result, other bands like Strange Brew and Nineteen Twenty-nine attempted to copy Starbucks when it became apparent that it was a popular brand in an effort to attract fans (Greco & Petit, 2014). The similar point is raised by Hill (2014) in regards to copying a productive rival. Starbucks and Dunkin Donuts have historically been the two major competitors in the coffee industry; but, with introducing lattes, Dunkin Donuts has become a greater challenge. By introducing Mc Cafe, McDonald's also joined the battle (Lim, 2014). According to Lim (2014), between 2010 and 2014, Starbucks outsold Dunkin Donuts in terms of sales during the recession.

Starbucks has created a brand that has high brand loyalty levels due to a variety of aspects (Tepper, 2013a). For instance, Starbucks is renowned for its excellent experiences as well as its coffee. Starbucks achieves this by creating a setting that gives customers a sense of escape from their homes and workplaces, a calm ambience, handy locations, and a place for everyone (Hennessey, 2012; Marshall, 2015; Niamh, 2015). Starbucks offers seasonal specials and promotions in addition to the experience, which helps keep the brand fresh. Starbucks provides excellent customer service, thus customers are not price sensitive and are willing to pay premium pricing since the items are worth it (Niamh, 2015; Tepper, 2013a).

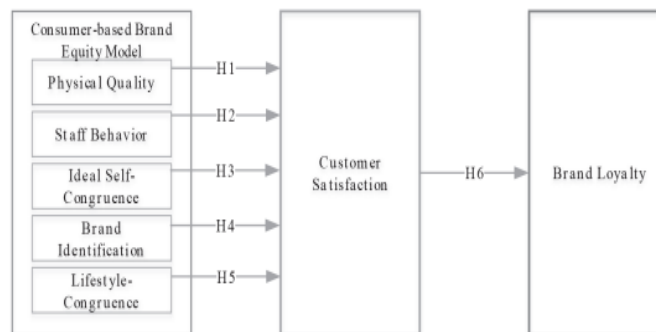
Starbucks reported net revenues of \$4.9 billion in the third quarter of 2015, an increase of 18% for the year. New digital initiatives like the 2009-launched My Starbucks Rewards programme can be blamed for the increase in sales. The programme began in 2009

and has since expanded significantly. Customers who joined the club would receive free drinks or food prizes dependent on how many stars they had acquired. 10.4 million users were still active. The number of gold members within this was 6.2 million, a 32% rise over the third quarter of 2014 (Harris, 2015).

Additionally, Schultz has introduced Mobile Purchase and Pay, allowing customers to order food or drinks using the app and pay for them simultaneously. Over 4,000 U.S. retailers have used this service. The first coffee business to develop a smartphone app for payments was Starbucks. Additionally, providing prizes at the time of purchase fosters value creation for the customer and tends to foster emotional attachment (Giddens, 2010; McEachern, 2016). According to Schultz, on the most recent earnings call, "customer adoption starting faster and accelerating with each new phase we roll out," Mobile Order and Pay is driving sales and profit in the markets it is in (Harris, 2015, p.2) on average.

Starbucks is dependable, accessible, and provides customers with a cozy feeling. Customers value the certainty that the Starbucks brand offers (Niamh, 2015). Starbucks has been able to engage with customers through social networking and build an online community for its fans. Due to the creation of MyStarbucksIdea.Com, where customers can contribute ideas with the business and generally feel more involved, Starbucks is also well-known (Niamh, 2015). Starbucks encourages brand loyalty by giving customers the opportunity to participate in the brand and exchange ideas. Starbucks has used a number of strategies to encourage customer loyalty and increase its customer base.

FIGURE 1. CONCEPTUAL MODEL



REVIEW OF LITERATURE:

Coffee is the trademark of Starbucks, which was founded in 1971 in Seattle, Washington. Coffee, a simple beverage, was elevated by the corporation into something more. It is a brand that is distinguished equally by attitude and by goods. For fans, the Starbucks experience involves more than just a daily dose of espresso; it involves immersion in a politically correct, cultured haven from the stresses of daily life (Mc, Dowell, 1996, p.1). The goal is to establish a "third place" where customers may go to unwind, listen to music, and mingle in addition to their homes and places of employment. "Third places" are actual locations that "hold the regular, voluntary, informal, and eagerly awaited gatherings of people beyond the boundaries of organized religion and politics," according to urban sociologist Ray Oldenburg. The typical Starbucks customer visits at least 18 times each month, and 10% of those customers frequently go twice daily. Starbucks attracts customers all day long because of its extensive product selection, which includes not just coffee and tea but also other consumer packaged goods [CPGs] including oatmeal, sandwiches, parfaits, cake pops, bagels, etc. [Jennings, 2012].

Starbucks is able to develop a number of techniques to attract customers by comprehending the target market, knowing what customers want (via purchase data as well as engaging with the consumer), and offering value for the consumer. The link between a brand and a consumer is referred to as brand self-connections (Moore & Homer, 2008). Starbucks is able to come up with methods for attracting customers by determining the emotions and requirements of its customers. Starbucks provides customers with hot, strong-tasting coffee and a comfortable environment, which helps them make memories that they can later recall (Dada, 2014; Hanft, 2005; Hartman, 2014; The Inside of the Starbucks Company, 2016). Consumers have access to a range of feelings, including nostalgic nostalgia and a sense of safety.

The reward loyalty card (My Starbucks Reward card) is a clever strategy used by Starbucks. Customers can purchase a standard gift card, keep using it to accrue points, and then exchange those points for a personalized Rewards card. More perks and drinks can be obtained the more the card is used. There were even more benefits for Reward members (Starbucks Rewards, 2016). The treat receipt was yet another campaign Starbucks came up with. Customers can bring in their morning receipt and return later that day to use the offer for a free iced beverage. This led to an increase in next-day purchases.

Starbucks now uses customer purchase information to provide customers personalized offers (Halzack, 2015; Wohlsen, 2014). When customers frequently visit a store, Starbucks records their preferences based on the things they purchase. This data is utilized to deliver notifications through email or a mobile app (Halzack, 2015; Van Rijmenam, 2015). Starbucks has developed a mobile platform that includes a payment system for buying drinks and/or food and also allows users to accumulate loyalty programme

points. According to Starbucks' chief digital officer, Adam Brotman, both provide "a direct, real-time, tailored, two-way digital contact with its customers." Cell phones are widely utilized in daily life and account for 14% of business in both the United States and Canada.

RESEARCH METHODOLOGY:

Content analysis was the methodological approach adopted in this investigation. In order to find patterns, themes, or biases, content analysis "is a detailed and systematic investigation of the contents of a given body of material" (*Leedy & Ormrod, 2001, p.155*). Secondary data from the literature was used for the content analysis. This literature includes academic and non-academic works on the brand loyalty of Starbucks.

The Cal Poly Pomona library's database and the Google search engine were used to get the data. ProQuest, a journal database, was accessed via the Cal Poly Pomona library's database. The Google search tool was used to gather data from non-academic articles, and ProQuest was utilized to gather data from scholarly articles. For both sources, data collection started by searching for Starbucks brand loyalty as the keyword and only searched for articles published between the years of 2000 all the way to 2016.

The chosen articles were drawn from a variety of business and hospitality periodicals. In order to reduce the quantity of articles being shown, the years of the articles were, as said, 2000–2016. Starbucks brand loyalty, customer preferences about Starbucks brand loyalty, and Starbucks brand loyalty aspects were the keywords chosen for ProQuest. Data search from ProQuest produced more than 200 articles using those distinct keywords. Only 10 academic articles were chosen after careful examination of each individual article. After reviewing the articles, the researcher chose a few to focus on since they included Starbucks elements, provided examples of Starbucks brand devotion, and had at least two to three mentions of the keywords.

The same search criteria were used for a Google search for non-academic articles. Starbucks brand loyalty, characteristics of Starbucks brand loyalty, and what people seek for when it comes to Starbucks brand loyalty were the keywords utilized for Google. More than a million results were returned from a Google search. The search results included content from websites linked to Starbucks as well as additional content that Starbucks had added. This study only looked at articles relating to Starbucks' brand loyalty and chose the articles published in the top 5 pages, along with having been written after the year 2000, because it was impossible for the author to review all of the Google results. The study chose publications that discussed Starbucks brand devotion and similar topics.

Consequently, this study included 10 academic articles and 19 non-academic articles for data analysis. After determining the final list of articles for this study, content analysis was used to determine the influential factors that affected Starbucks' brand loyalty.

ANALYSIS AND INTERPRETATION:

TABLE 1. RESPONDENTS CHARACTERISTICS

CHARACTERISTICS	CATEGORY	PERCENTAGE
Age	18-26	39.26%
	27-34	34.81%
	35-42	14.81%
	43-50	11.11%
Gender	Male	56.30%

	Female	43.70%
Source of information about the place	The coffee shop has a strategic location	27.16%
	Friend	33.95%
	Family	0.00%
	Social- media	29.01%
	Advertising	9.88%
Frequency of visits (Per Week)	3 times	54.81%
	4 times	14.81%
	5 times	7.41%
	>5 times	22.96%
Purpose of visits	Relaxation	16.41%
	Socializing	30.77%
	Spending one's free time	17.44%
	Business	15.90%
	Others	5.64%

Data Finding: After analyzing the collected data the findings suggest that a majority of the current customers of Starbucks are aged 18-26, with a majority of total customers being male. Most Starbucks customers found out about the chain through word of mouth from friends and frequent their (Starbucks) franchises 3 times per week with the main purpose being socializing. However, there are a few gaps in the data, for instance the data doesn't provide insight into purchasing habits of Starbucks customers, although not totally relevant towards the scope of this paper it is something to be considered when analyzing brand loyalty at Starbucks.

CONCLUSION:

Through content analysis, this study looked at the key elements that influenced consumers' brand loyalty toward Starbucks. The aim of this study was to comprehend the applicability of brand loyalty elements and how they compare to Starbucks' brand loyalty, as well as to offer some useful recommendations for their use in the hospitality sector. The results show that a number of the brand loyalty elements, including perceived quality, non-financial expenses, transactional costs, situational factors (physical surrounds, social surroundings), status, contentment, trust, and commitment, have proven relevant to Starbucks. Financial costs and switching costs were found to be unrelated to Starbucks' brand loyalty. Task definitions and antecedents are difficult to evaluate within situational conditions and are hence not seen to be important.

Multiple brand loyalty characteristics have been influenced by several of Starbucks' efforts, including the development of the "third place," the barista experience, the rewards programme, and the mobile Order and Pay app. The perceived service quality, physical environment, perceived value, non-monetary costs, transaction costs, satisfaction, trust, and commitment elements that influence brand loyalty have all been impacted by these strategies. The development of a "third space" where Starbucks consumers may unwind, mingle, and feel at home has influenced brand loyalty elements such as perceived service quality and physical and social environment. The stability of the Starbucks environment has also boosted customer confidence. Starbucks influenced the brand loyalty elements of its customers by offering a terrific experience where the barista remembers the customer, remembers his or her preferences, and makes the consumer feel unique.

Financial costs haven't had a big impact on brand loyalty because Starbucks coffee is expensive relative to the quality it provides. Customers could feel that the financial expenditures associated with joining Starbucks rewards are not worth the benefits because it can take time to collect points and become a member. Task definitions are difficult to establish within the situational elements because a customer may have varied expectations for their coffee each time (to wake up, morning coffee routine or mere relaxation). When it comes to antecedents, Starbucks had little control over how the customer felt emotionally and physically before making the purchase. However, when staff members offer excellent and welcoming customer service, the goal is to alter the consumer's mood, should it be a negative one or to make the consumer feel better even if they are already in a cheerful mood.

A successful brand takes work to build, and it takes time for customers to come to believe in the product. As was already noted, there is a huge coffee industry, and many businesses aim to imitate Starbucks in order to build brand loyalty. Other businesses attempt to comprehend how Starbucks uses an impact from these aspects to promote brand loyalty as a result of its successful brand loyalty strategy. Consumers are more inclined to buy a product if businesses are able to make one that has been judged to have a perceived value. However, by imitating Starbucks, a brand's distinctiveness would wane and customer loyalty will be more difficult to sustain. Coffee is already widely available to consumers, therefore being able to stand apart from the competition is the best way to build brand loyalty.

Because there are several criteria that are vital to Starbucks and that other hospitality businesses can employ as well, this study is crucial for the food and beverage sector of the hospitality industry. The study is significant because it will likely assist other hospitality firms in identifying the elements that are essential to their operations and the most effective ways to boost customer loyalty. In conclusion, other businesses will have a path forward if they can comprehend what Starbucks has done and how the brand has been able to influence these aspects to generate brand loyalty.

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