

# The Impact and Investigation of Starbucks' Profit Generation Strategies

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**Abstract.** The noticeable proliferation of Starbucks outlets stands as a testament to the company's burgeoning success in the market and its exceptional adaptability within the dynamic beverage industry landscape. In this paper, we embark on an in-depth exploration of various dimensions within Starbucks' intricate marketing strategy, encompassing elements such as brand logo, brand loyalty, target consumer demographics, location selection criteria, pricing methodologies, product promotion tactics, and advertising strategies. As Starbucks continues its relentless global expansion, our comprehensive analysis endeavors to illuminate the multifaceted strategies that the company employs to sustain its preeminence in the fiercely competitive coffee market. The study delves into the ways Starbucks has effectively harnessed the power of its iconic brand logo, masterfully cultivated unwavering brand loyalty among its diverse consumer base, astutely catered to the unique preferences of specific target demographics, strategically handpicked prime locations for its outlets, meticulously positioned its pricing strategies, and innovatively deployed product promotion and advertising techniques. By conducting a thorough examination of these diverse facets that constitute the bedrock of Starbucks' approach, our research seeks to offer invaluable insights into the complex interplay of factors that underlie the brand's enduring prosperity and its enduring appeal on a global scale. As Starbucks' influence continues to expand and evolve, our analysis aims to provide a comprehensive understanding of the dynamics that drive its continued success, making it a compelling case study for both academics and industry professionals alike.

## 1. Introduction

In recent years, Starbucks has emerged as a compelling global success story, capturing the imagination of not only coffee enthusiasts but also business leaders and strategists worldwide. This phenomenon has elicited widespread attention and engendered thoughtful contemplation among managers, academics, and industry experts alike. The proliferation of Starbucks stores, serving as tangible markers of this success, has become a defining feature of the contemporary social and economic landscape [1]. Starbucks' ascendancy as a market leader has been characterized by its remarkable adaptability within the ever-evolving beverage industry. With a discerning glance at society, one cannot help but notice the steady increase in the number of Starbucks stores. This observable expansion signifies Starbucks' growing influence in the market and its remarkable ability to adapt to the dynamic and competitive beverage industry. This adaptability has not only allowed Starbucks to flourish but has also presented an intriguing case study for those seeking to understand the intricacies of business success in the modern world.

This paper embarks on a comprehensive exploration of Starbucks, delving deep into the intricate facets of its business model and marketing strategies. We delve into the very essence of Starbucks, dissecting its marketing

strategy to uncover the underlying principles that have propelled it to the pinnacle of the coffee industry. We scrutinize elements such as the iconic Starbucks brand logo, analyzing its impact and significance in fostering brand recognition and loyalty. Intriguingly, Starbucks has managed to cultivate a remarkably loyal customer base—a phenomenon people investigate in detail. People examine the diverse consumer groups that Starbucks appeals to, dissecting the strategies employed to cater to their varying tastes and preferences. Moreover, the analysis ventures into the strategic importance of location selection for Starbucks stores. People explore how the choice of prime locations has contributed to the brand's prominence and accessibility to a wide and diverse audience.

## 2. Profit model

With the continuous development of China's economy, many industries and fields in the economic market are approaching saturation. From relying on the incremental economic model brought by the demographic dividend to the flood of seizing the stock economic model, Starbucks coffee has become a leader in the field of competence. How to win the favor of consumers in the increasingly fierce competition, enhance customer

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loyalty, to build brand culture, Starbucks has made a new attempt - by building a sense of brand ritual to achieve the purpose. These include a sense of environmental ritual, visual sense of ritual, auditory sense of ritual, interactive sense of ritual and other multiple shaping strategies [1]. The profit model of Starbucks is very simple. Starbucks stores are generally located in downtown areas where there are shopping malls or office buildings. Such places are places with high traffic. Through the establishment of stores, brush "presence" in front of consumers, improve the brand's own visibility. It can be seen that Starbucks mainly relies on experiential marketing and word-of-mouth marketing to maintain customer relations.

## 2.1 Brand logo

The Starbucks brand logo is characterized by its uniqueness. The name Starbucks is just as intriguing as its logo. It originates from the American writer Melville's novel "Moby-Dick," where there is a calm and charismatic first mate who happens to be a coffee enthusiast. This connection makes it fitting that Starbucks is a coffee shop. The Starbucks logo features a siren from Greek mythology, a two-tailed sea god resembling a mermaid. The mermaid image in the logo carries a dual meaning of blending the primitive and modern: her face is simplistic, yet she is presented in a modern abstract style, primarily in black and white, with a colorful circle surrounding the outside. This iconic logo was created in 1971 by a young Seattle designer named Teri Heckler, who drew inspiration from a medieval woodcut depicting the sea god. With a minimalist color style, consumers can remember the mark briefly. Now, when consumers see this iconic color, they think of Starbucks. Of course, the Starbucks logo doesn't just appear on stores and coffee cups. In the beginning, Starbucks mainly sold coffee beans, and they printed the logo on everything related to coffee, such as key chains, star cards, or cloth bags. They try to make the brand logo appear in the eyes of consumers as much as possible. The power of Starbucks is not only to "spread" the logo, but also to "gather" people. For many people, the mermaid image in the logo has long become a symbol of American coffee culture. This classic image has been consistently recognizable in any version of the Starbucks logo throughout its history, but few people seem to notice that the mermaid known as the "Starbucks Goddess" is slightly different from the image people take for granted in people's minds - it's a two-tailed mermaid. The mermaid with two tails is indeed not very common in people's visual memory, is it a designer to make its composition more symmetrical and intentional, or the two-tailed mermaid itself has some special meaning [2]? From the beginning, this logo was intended to express "coffee as seductive as a mermaid", to the current green two-tailed mermaid. Starbucks intends to portray the mermaid as a combination of man and nature, a symbol of abundance in ancient civilizations. people can also use such a special mark to let consumers remember their logo. The evolving logo design went through several

changes before it was finalized in 1987. The mermaid's green hair color and the stars in the coffee cup symbolize the quality and taste of Starbucks coffee.

## 2.2 Brand loyalty

In the era of rapid development of socialist market economy, brand competition has become a fierce means of competition between enterprises. Brand loyalty determines the market position of enterprises and directly relates to the operating efficiency of enterprises. Therefore, it is of great practical significance to study brand loyalty for enterprises [3]. When a brand has a certain popularity, it will produce a fixed consumer group. This group of consumer have brand loyalty, which means consumers will prefer this brand goods than others. The customer's understanding of brand loyalty is the customer's trust in the brand, which is the value of the customer. This increases the stickiness between goods and consumers. For example, when consumers approve of Starbucks coffee or Starbucks products, they are more likely to make a second purchase. Consumers will also rely on Starbucks products, which will build consumers' trust in the brand. Starbucks takes advantage of consumer loyalty to maintain the relationship between consumers and products. These customers who are loyal to the brand will most likely recommend their satisfactory products to people around them. Then Starbucks will gain new users, and so on, while building brand loyalty, expand their target group, and bring maximum benefits to the company.

## 3.Consumer loyalty

Customer loyalty essentially reflects the extent to which customers prefer and rely on a company. It is both a behavioral state and a result of customers' satisfaction with the company. In simpler terms, customer loyalty isn't just about how customers feel psychologically but also about the strength of the connection between their attitude towards a company and their actual patronage behavior. Therefore, measuring customer loyalty involves analyzing both customer behavior and their attitudes [4]. Over the past 50 years, Starbucks has evolved from a small coffee shop into a global leader in the coffee service industry, with a presence worldwide. During its development, Starbucks has progressively identified its target customer groups. Positioning them in the middle and high-end groups with low price sensitivity, such as white-collar workers who love fashion and pursue avant-garde, enthusiasts who have a special fondness for coffee culture, and elites who pursue brand symbolism. Lots of elites, merchants, professors. They always need to on business trip around the world, which means they do not have enough time to know different brand of coffee. During the business trips they may have lots of meeting. Therefore, these people will very busy. They reason why these people enjoy coffee because coffee can refresh people. In this case, coffee can help them keep a good state at work. Look at Starbucks from their perspective, Starbucks have simple,

uniform decoration, and their menu as simple as well. The time for these people are limited and when they come to Starbucks, they can just order the type which they enjoy before. On the other hand, Starbucks focus on having life and social experience for consumers. As the target audience of Starbucks likes to experience fashionable, high-quality and high-end consumption feelings, and takes coffee shops as a social platform, where they can enjoy delicious coffee and pastries, chat with friends, relax or work. In addition, they often focus on brand image and environmental awareness, and like to establish an emotional connection with brands that are also environmentally conscious and socially responsible. When customers enter Starbucks to buy products, most of the time they will find someone sitting there in a quiet office. This place really helps some workers, elites when they have to have a meeting when they may not be in the company.

### 3.1 Location place

Grab the commanding heights: The store is the best advertising Starbucks grab gold shops, willing to spend money, but also know how to enjoy. [5] Starbucks focus on two ways to make decisions where should they set up. First, they want to find the place which is crowded. After Starbucks selects the business district, they will measure the flow of people, determine the main flow line, select the gathering point, and take the location of the gathering point not far away as the location of the store. Because on the main flow line of people, this means that the maximum flow of people passing through the unit time is at the position of the gathering point, indicating that the crowd stays here for a long time. This brings one of the most direct "benefits" consumers walking on the street can see the store at a glance. This place means more people may pass by and they will have more opportunity to go into the Starbucks and buy something. Second important factor for Starbucks select the position is convenience. Convenient transportation and the accessibility of the store location are important conditions for consumers to choose. This is the catering industry must consider the problem. The number of parking spaces, the area of radiation, the number of parking spaces in the radiation area, the purpose of such consideration is to increase the rate of guests entering the store. When Starbucks opens in a mall, there will be a certain amount of traffic, and the mall will have its own parking space. In this way, there is no need to worry about the flow of people and there is no parking space. If Starbucks is located near a residential building farther from the city center, they may have less foot traffic because there are fewer people in the residential building that they target, and fewer people will drive near the store to buy coffee.

### 4. Product pricing

A single cup of coffee has garnered an unprecedented level of attention, drawing Starbucks into the debate on profiteering. In this discussion on profiteering, there are

diverse opinions from various perspectives. Wang Zhendong, President of the Shanghai Coffee Professional Committee, asserted that the material cost of a 354ml medium-sized latte is less than 5 yuan. In response to this, Starbucks issued a statement regarding its pricing. Starbucks' pricing strategy varies across different countries and is developed over the long term, taking into account the specific conditions of distinct products and markets. In the Chinese market, Starbucks faces unique operating costs and market dynamics that differ from those in other countries. This leads to questions such as, "What should be the appropriate price for a cup of Starbucks coffee?" and "What is Starbucks' pricing strategy?" How should Starbucks' success prompt similar industries in China to rethink? [6] This article mentions the price which Starbucks set in the Chinese market and provides a question about why Starbucks give different prices in different regions. On the one hand, Starbucks provides a rare leisure environment for Chinese people. The data shows that Chinese and Americans have different spending patterns at Starbucks. 80 percent of Americans don't eat, but grab coffee and leave. Chinese people like to drink and relax in coffee shops. Moreover, many people sit in Starbucks for an afternoon after consumption, as afternoon tea and relaxation, and there are also office crowds. The resulting opportunity cost may be the reason for high domestic prices. On the other hand, the relatively low demand elasticity of domestic Starbucks consumer groups for its products is also one of the reasons for the high pricing of Starbucks in the domestic market. The sensitivity of domestic consumers to a cup of Starbucks coffee is not as high as that of other countries, and enterprises will naturally adjust product prices based on the perspective of profit maximization. From the cost of Starbucks raw material. The cost of coffee beans is low someone may think it is not possible for a cup of coffee price set above 25 RMB. However, people did not focus on the four factors of production. Four factors of production include land, labour, capital and enterprise. First and foremost, Starbucks need to find places to grow coffee trees and they will pay the rent or buy the land. One type of cost occurs. Then they need to hire staff to grow, water the plant, and picking coffee beans, processing coffee beans and so on. The second type of cost occurs. When processing coffee beans, they have to use machines to help them. Therefore, they have to pay for machines. When everything is ready for production, the store will be built. The company also needs to open a shop, decorate, including coffee machines, chairs, tables, cabinets and so on. There's a division of labor, so there's a need to hire. The final price of coffee takes into account all the costs of production. Starbucks is also a well-known brand, so there will be brand premium, and the added value of this brand should also be added to the cost, which indicates that the cost accounting method is no longer fully applicable to Starbucks.

#### 4.1 Product positioning

The middle class's higher income levels enable them to afford a more elevated level of consumption. As a result, Starbucks' investment in the domestic market is naturally different from its approach in other markets like the United States. Apart from roasting high-quality coffee and promoting its unique coffee culture, ensuring a flawless customer experience has become another primary objective for Starbucks. These factors have transformed Starbucks into a cherished "coffee companion." During this time, coffee has become both a reason and a pretext for people to gather. Starbucks uses the coffee label to amalgamate cultural elements, allowing its customers to find solace and a connection to themselves [7]. Brand positioning serves as the cornerstone of a brand's strategy. It strives to create a lasting image for the brand, shaping its distinctive characteristics and setting the direction for future brand development. In the context of brand positioning theory, it involves the enterprise specifying a particular market position based on consumers' perceptions, understanding, and attention towards the brand. This strategy aims to cultivate specific product characteristics and brand images in consumers' minds, catering to their preferences and needs [8]. From the above mentioned Starbucks provides them with a comfortable environment, such as afternoon tea, talking to work, holding a simple meeting, etc. Looking at the whole coffee circle, only Starbucks should be able to provide them with such an environment. Why the elite love Starbucks so much. From the above mentioned Starbucks provides them with a comfortable environment, such as afternoon tea, talking to work, holding a simple meeting, etc. Looking at the whole coffee circle, only Starbucks should be able to provide them with such an environment. The matching sofa chair and round table, the unified color, is now the pursuit of young people's comfort and simple style. Nowadays, the three words "Starbucks" are synonymous with the elegant bourgeois life. The companies themselves agree that they are selling not just coffee, but experiences. Starbucks is dedicated to ensuring that every customer experiences both tangible and intangible rewards. This is why a cup of coffee, which costs only a few yuan to produce, can be sold for nearly 30 yuan. However, this pricing doesn't seem like excessive profit to Starbucks customers. They visit Starbucks not just for the coffee itself, but more so because they are drawn to the café's unique ambiance and atmosphere. They come to enjoy not only the taste of the coffee but also to seek a deeper connection and fulfillment in their spiritual lives.

#### 5.Product promotion

Starbucks has its own loyalty Card, the Starbucks Rewards Card. If you buy a Starbucks Rewards Card, it will include some discounts, such as buy one, get one free, birthday coupons, Starbucks delivery and so on.If people bring their own coffee cup to Starbucks, they will get a discount. Bring the own cup to Starbucks and save

\$4, or order online and get a discount, but both are smaller. Starbucks gives consumers the impression that they never discount. This aspect establishes the brand of Starbucks as a brand that does not fight price wars and attracts customers through quality.

#### 6.Advertisement

Starbucks doesn't advertise? people believe this is the first reaction of many people when they see this news. If you think about it, it seems to be true. People can see McDonald's, KFC, Coca-Cola, Pepsi and other consumer brands on TV and video sites bombarded with general advertising (in this case, hard advertising), it seems to be rare to see Starbucks advertising [9]. Why he doesn't like advertising? It starts with Starbucks' brand concept. Schultz believes that in this ever-changing world, the strongest and most enduring brands are those that are built in people's hearts - that's the brand that's truly sustainable. Such a brand has a solid foundation, because it empowers people's spirit, not all by bombarding them with advertising. Starbucks has always considered itself more than just coffee, but a "third space" separate from work and home. In this "third space," people are the most important [10]. There is a saying inside Starbucks: "People don't live in the coffee business, people live in the coffee business." They believe that coffee is just a concept [11]. Why do so many people buy Starbucks even though they don't advertise it externally? Through the inquiry of people around them, the researcher found that they learned that Starbucks is from people around them [12]. This is also a way of publicity, to recommend their own good products to people around, so that Starbucks can expand its consumer base. In simpler terms, Starbucks does engage in advertising, but its advertising is exceptionally clever. It leverages the unique traits of the Chinese market, as well as the participation of its partners and members, to disseminate its message [13]. Starbucks recognized that most of its customers weren't necessarily coffee experts, so its objective was to persuade them that it offered genuine coffee and leave them with the impression that they were savoring top-quality coffee [14].

#### 7.Conclusion

One of the key takeaways from our analysis is the pivotal role played by Starbucks' iconic brand logo. Its ubiquitous presence has not only established a strong visual identity but has also fostered a sense of trust and recognition among consumers worldwide. This brand logo, coupled with Starbucks' unwavering commitment to quality, has helped forge enduring brand loyalty. Furthermore, the exploration highlights Starbucks' exceptional adaptability to evolving consumer preferences and the diverse demographics it caters to. By customizing its offerings to suit specific target demographics and strategically selecting prime locations for its outlets, Starbucks has been able to consistently attract a broad spectrum of consumers. The pricing strategies employed by Starbucks, although often



perceived as premium, have been carefully positioned to align with the perceived value of their products, further reinforcing their brand image. Starbucks' innovative product promotion and advertising techniques, including seasonal campaigns and community engagement, have consistently resonated with consumers, creating a sense of connection beyond just coffee. As Starbucks continues its global expansion, the lessons gleaned from our analysis offer valuable insights for both academia and industry professionals. It underscores the importance of brand identity, loyalty, adaptability, and strategic positioning in sustaining success within a highly competitive market. In essence, Starbucks' journey is a compelling case study in how a brand can navigate the complexities of the beverage industry and emerge as a global leader. As it continues to evolve and grow, Starbucks' enduring prosperity serves as a testament to the power of a well-crafted marketing strategy and an unwavering commitment to meeting the diverse needs of its global consumer base.

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