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Professional Selling

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### Starbucks B2B Selling

#### *About the Company & Products*

Starbucks is an \$80 billion company, a leader in the global coffee industry, and has been named as one of the most admired companies in the world by Fortune (“Fortune Names Starbucks the Fifth Most Admired Company in the World.”). Their mission is “to inspire and nurture the human spirit – one person, one cup, and one neighborhood at a time.” (“Starbucks Company Profile) Their brand portfolio includes Starbucks Coffee, Seattle’s Best Coffee, Teavana, Tazo, Evolution Fresh, La Boulange, Ethos Water and Torrefazione Italia Coffee. Starbucks offers businesses many options to work with Starbucks coffee, from having Starbucks coffee delivered to both small and large business to even operating their own licensed Starbucks store in that company’s location. These opportunities are called Starbucks Branded Solutions.

Outside of offering corporate gift cards with the possibility of co-branding or e-gifting, Starbucks Branded Solutions offers three major programs for businesses to incorporate Starbucks coffee and products directly into their corporate world: Office Coffee, Foodservice, and Licensed Store channels. The first program is rather straightforward; having Starbucks coffee delivered to the office in bulk for both small and large companies. The second, Foodservice, is giving companies access to serve the full We Proudly Service Starbucks Coffee

product portfolio. Companies that already have existing food or coffee stores have the option to incorporate Starbucks products.

The third program is allowing businesses to operate their own licensed Starbucks store in their location. Starbucks divides these businesses into major markets: business and industry, college and university, fine dining, government and military, healthcare, hotel and lodging, office coffee, and travel and recreation. Within each of these categories, they offer potential location ideas for the licensed Starbucks stores and what they can offer from their product line itself. There is also an introductory video for companies to watch when you first explore these options on their B2B website.

### *Marketing Strategy*

Starbucks' largest B2B e-commerce channel is their B2B website, specially designed for businesses to come to in order to inquire about their programs and services. There is an intro video that explains each of the programs they offer businesses, and they have a page that breaks down interested businesses by industry with ideas of how those businesses can incorporate Starbucks coffee, products, and licensed stores. It is very important to keep this website easy to read and navigate for businesses who are coming to inquire about doing business with Starbucks. It is also vital for them to refresh their content based on season and demands.

Corporate Sales Marketers and Brand Managers help manage the website and market to other businesses. E-mail marketing is also a part of this technique. Including specific visuals, information that is both easily accessible and intriguing, and designing promotions that are

desirable by other businesses is a large part of this e-mail marketing. Finding new market segments and clients within them to market to is also a part of these marketer's jobs.

One item that these marketers try to push is the Starbucks Corporate Cards, where businesses can co-brand Starbucks cards with their own companies. This is vital because it is a simple introduction to getting companies to work with Starbucks. This foot-in-the-door technique can really "open the door" to businesses getting involved with the other programs at Starbucks, such as their Foodservice and Licensed Store programs. The Licensed Store program is already very successful, with 41% of Starbucks stores in the US operating as licensed stores ("Starbucks Company Profile").

Beyond the website, there is still a need for members of their sales force to personally pitch to certain businesses they want to work with. They have a sales force made up of inside sales representatives that monitor multiple accounts, and key account managers that monitor a few higher profile accounts and personally help them market better so they can be more successful in their reflection of the Starbucks brand.

### *Sales Force*

Starbucks has Inside Sales Representatives that monitor accounts and relationships they have with certain business customers. They will monitor how the accounts are performing, asking for feedback on their product lines and marketing promotional items, and try to suggest additional lines of product or service extensions that the customer can buy and incorporate into their already existing deal with Starbucks.

The next level up from Inside Sales Representative is the Key Account Manager, who monitored fewer accounts but maintains an even closer relationship with the accounts, most of which are major and more vital to the company as a whole. Dedicating these specialized sales people on these higher profile accounts helps Starbucks sustain or grow their revenue (especially with the 80-20 rule coming into play here), and help show these major accounts how much they are valued by dedicating a certain individual for them to communicate with and do business with at Starbucks.

There are also sales reps that can be reached between 7am-7pm CST Monday-Friday for companies who are looking to do business with Starbucks as well, as advertised on their website. This open contact allows them to get questions answered easily and it also puts them in touch with sales reps who can then begin to try to grow and continue this relationship with a potential customer and try to advance them into being a customer.

### *Macro-Level Environment*

Starbucks is very socially relevant; they are very socially conscious and work to make positive changes in communities. They have a strong, positive presence in LGBTQ rights, and are very conscious of employment rights in their own corporation. Starbucks works very hard to bring in their “partners” (baristas) in-house and promote within their company. They are also very ethical in how they procure their high quality coffee; supporting farmer loans and forest conservation, in addition to using responsible purchasing practices.

Coffee is just as popular as ever, so the desire for their product hasn’t weakened. In fact, Starbucks has done a superior job of keeping up with consumption trends, buying tea and juice

brands for those who may prefer other beverages in addition to coffee. Some Starbucks locations even serve wine and beer in the evenings. They use certain associations and promotions of musicians to communicate their brand as well; certain independent artists' music is often sold near the cash registers. Some locations vary in their music choices based on the local taste.

Starbucks has kept up well with technological advancements as well; allowing Starbucks Card holders to load funds onto a mobile app and swipe their phones for payment at Starbucks locations. Mobile ordering is even possible. Their major B2B website is also kept up to date and easy to use for businesses to inquire about Foodservice, Office Coffee, or Licensed Stores. Additionally, Starbucks updates their website for businesses already working with them with relevant recipes, deals, and information to allow their businesses the top tools to succeed with their products and brand.

### *Internal Environment and Company Culture*

Starbucks does an excellent job of giving their employees proper benefits and rights, and they put a strong emphasis promoting from within. Promoting their "partners" (baristas) and bringing them in-house to their corporate offices is a part of this internal promotion they use as well.

Starbucks is a huge company that houses a much smaller amount of corporate employees than one might think in a single corporate building in Seattle, Washington (the exact number is hard to find because most employment statistics include Starbucks partners and in-store retail employees). Because of this, Starbucks operates with the mindset of a start-up

environment in some ways, keeping an open mind to different and new ideas and having the tight-knit corporate community to bounce around ideas off each other.

For the 11<sup>th</sup> year in a row Starbucks has been voted a World's Most Ethical Company, for their involvement in world issues but also their high involvement in smaller communities. In Seattle alone, Starbucks has partnered closely with the University of Washington, Seahawks, Sounders FC, The Seattle Foundation, and more. They love to show their support for local athletic teams and to bring spirit to the community as a whole ("Starbucks Company Information").

### *SWOT Analysis*

Strengths: Starbucks is an incredibly strong brand and has a huge presence throughout the entire world. There are more than 25,000 Starbucks stores worldwide; 27,399 at the most recent count ("Number of Starbucks Stores Worldwide"). In the US alone there are 13,390 Starbucks stores, of which 5,708 are licensed ("Starbucks Company Profile"). This means 41% of the Starbucks stores in the US are run by companies who have taken advantage of the Licensed Stores program Starbucks offers, giving Starbucks a strong source of revenue from this one channel alone. Starbucks is also constantly pushing to find new, innovative coffee and food items to serve to their customers and be wary of customer response and requests. Their huge promotions of the Pumpkin Spice Latte and spin-off fall drinks as part of their responsive reaction to customers' love for this drink is a clear example of this.

Starbucks is also very profitable, raking in \$22.38 billion US dollars and increasing revenue by at least 10% the last four years (Market Watch). With this type of revenue, Starbucks is able to continue opening more locations, sustain the freshness and quality of their supply chain, and continue to market effectively to both customers and businesses. Alternatively, marketing may be in fact slightly less

needed because this type of revenue is both proof of Starbucks' strong brand and help to maintain and build its reputation.

Weaknesses: Millennials are not as interested in paying higher price points for certain items, and although Starbucks has sustained itself quite well that is one aspect they should at least be aware of is that their prestige pricing model may not sustain themselves well forever.

Opportunities: Dunkin Donuts is very prevalent in the east and Midwestern regions of the US and there are certainly areas where Starbucks could dominate this preference with the right location and new openings of stores, in addition to marketing their sweet drinks and order ahead option on their mobile app. This is important to market these two key features because convenience and sweet taste are the two major reasons that people prefer Dunkin Donuts.

Many Dunkin Donuts customers also prefer the lower price point of the coffee and products, but this is not something that Starbucks can do much about unless they change their entire pricing strategy. The other option is to offer discounts and deals to customers when a new Starbucks opens in the east or Midwest region, or to offer deals and discounts who use the convenient order option on the mobile app.

Threats: Having alternative options such as the Keurig and other at-home coffee brewing systems available threatens the need for customers to go to Starbucks. It is much more convenient to get coffee on the go for some customers, but for others it is so much easier for them to make their coffee at home and skip waiting in line. K-Cups equal out to about a dollar per cup of coffee, even for the Starbucks K-Cup options, whereas the same cup of coffee without any additives would cost at least \$1.95, typically – nearly double. With the additional fixings customers often like, the coffee quickly becomes \$3-5, making the cup of joe 3-5 times

as expensive. However, Keurig coffee is usually slightly less caffeinated and this can be a factor for the most dedicated and necessary of coffee drinkers.

Other threats include other competitors such as Dunkin Donuts, or even the convenient local or smaller family-run coffee stands that people can become very fond of. Starbucks are very prevalent, so a major threat for Starbucks can be the next nearest alternative with a shorter line or what coffee place has the lower price.

### *Opportunities for Growth*

Dunkin Donuts is more prevalent on the east coast and throughout regions in the Midwest. If Starbucks could market themselves as being just as efficient and having sweet-tasting coffee options as Dunkin Donuts, this could help them begin to encroach even more in those areas where Dunkin Donuts is more preferred. Having Starbucks sell to businesses in those areas to buy licensed stores, especially businesses located in crowded areas where people need to grab food or coffee quick or in hotels and businesses where Dunkin Donuts are farther away will help Starbucks appear more convenient and help them pervade that market even further.

Starbucks may already be prevalent in the eastern and Midwestern regions, but there is a very strong preference for Dunkin Donuts in many areas. Offering more deals through the Starbucks mobile app and advertising more about the ability to order ahead on the Starbucks mobile app can help them begin to edge out coffee drinkers who prefer the convenience of Dunkin Donuts.

In terms of providing sweeter options, Starbucks can market their sweeter drink options and flavors more. Marketing more of their Frappuccinos, for example, year round and marketing their sweeter festive flavors during the holidays can give them a little extra boost. Including deals for these customers who order these drinks ahead on the Starbucks mobile app can help pull these customers who prioritize convenience and sweetness into Starbucks. Having a deal or discount available will help them get past the higher price point of Starbucks, but once they are fans of their drinks and convenience they are likely to continue to return to Starbucks.

Starbucks has an incredibly strong media presence but they only have a couple people running their social media accounts, and having more hands on board could allow them to even set up regional-based accounts. Having Starbucks social media accounts for each of the coasts, Midwest, and south may be an interesting experiment to improve regional marketing.

## Sources

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