



How Starbucks Maintain Its Competitive Edge? – The Secret of Its Success

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ABSTRACT

This research paper aims to investigate the secrets of how Starbucks maintains its progress to ensure the success of its brand competitive edge. The findings highlight that Starbucks focuses on selling coffee beans and utilizing high-quality equipment that helped it manage to impress the customers with its sophisticated coffee making, including a wide variety of attractive and delicious beverage menus. Starbucks puts much innovation and creativity until it thrives in the global coffee industry, presenting challenges related to ethics and responsibilities within many aspects due to its system theory. Starbucks gained worldwide market demand, and successfully remains a leading brand in the coffee industry with a globalization design from an international broader context.

Keywords: Brand, Competitive Edge, Innovation and Creativity, Starbucks, Success

INTRODUCTION

Starbucks is popular with its stores serving coffee of various kinds such as espresso, latte, cappuccino, and other coffee-based drinks. Its branches are nationwide and district-wide, with as many as 30,000 across 80 markets following the tag line "one person, one cup, and one neighborhood at a time". Its story began in 1971 when it was roasting and retailing coffee, tea, peanut butter, and spices in Seattle's Pike Place Market (Chuang, 2019). It managed to brand the business into a luxury store with its charming atmosphere and decoration. From the lighting to the furniture, every detail has been carefully considered to ensure the customers feel like they are in their homes. Numerous studies have shown that the enjoyment of food and drink can be influenced. It can be enhanced by good branding and packaging. It has also become a favorite of some people who are tired of working and can sip their favorite coffee with satisfaction (Roll, 2020).

Starbucks is also well known in the market for its high-quality coffee, attention to choice, and expertise in grilling. It buys pre-grown and processed coffee that meets strict environmental, economic, social, and quality standards, and is suitable for markets and customers. Starbucks is excellent in its coffee chain building the brand mentality since 1971. Starbucks creates a more durable and profitable competitive advantage by differentiating its coffee products that rely heavily on efficiency and innovation. Starbucks' main goal is to become the best coffee brand and retailer in each of its target markets nationally and internationally by selling quality coffee (Senduk & Saerang,



2020).

Starbucks offers a variety of incredible products. It thrives and always thinks of new ways to serve customers better than just giving hot coffee and delicious lattes. It realizes that introducing new products is profitable and well-received and it is well-known for introducing new products and satisfying customer tastes.

Starbucks is primarily focused on adults and aims to connect with customers, the community, and their children. In this context, a market segment comprises customers with similar needs, wants, and preferences. Starbucks matches its marketing mix to customers with similar needs or demands. During the recent Covid-19 pandemic compelling people to stay at home, Starbucks came out with a new idea, which is 'Starbucks At Home'. It depicts that Starbucks emphasizes its brand towards the customers. This paper aims to investigate the secrets of how Starbucks maintains its progress to ensure the success of its brand competitive edge.

Competitive edge can be defined as the advantage of one to be at the top of its competitors. It is important mostly for businesses to make them forge ahead in the business world. There are thousands of businesses competing with the same objectives, mainly to increase their annual sales and attract as many customers as possible. Businesses need to know how to have their competitive edge, whether by offering products or services. Products and services can be found anywhere, yet the unique features may make the customers prefer them (Sarno, 2019). Having a competitive edge will be advantageous for a company to increase its profit and outperform other competitors. It is essential to getting recognition and a higher reputation in the market.

Porter in Hongli (2019) classified two main types of competitive edge: cost and differentiation. Cost advantage happens when a company can offer equal benefits as other competitors yet at a much lower price. Usually, a company that achieves a cost advantage is low production costs, such as labor costs and raw materials (Sulaiman, Ruwaida & Rufial, 2020). We all acknowledge that most people love to invest in products and services at a lower price. On top of that, differentiation advantage is generally defined as the things that incomparable by other rivals. For instance, Panasonic has a great strategy in creating a competitive edge by focusing on environmental sustainability (Kee et al., 2020).

On the other hand, resources and capabilities are also considered drivers of having a competitive advantage. Company resources are the assets that help in initiating competitive advantages such as trademarks and business intelligence systems. Additionally, capabilities can be formed effortlessly. It is referred to as company competency to introduce a product into a market faster before other competitors can counterattack. A product gets more attention from the market, shows a better marketing strategy, and takes fast action than competitors' products.

Starbucks has branches almost worldwide. In the early 1980s, Starbucks successfully opened four stores with top-quality fresh-roasted coffees. In the early 21st century, it led a coffee chain operated over 30,000 stores worldwide and began to sell the food in 2003 as an excellent way to grow the business. In management, Starbucks emphasizes training their baristas to be qualified in making good coffee. Taylor in Chukwuba (2020)



proposed that scientific management can optimize the workers' productivity that promotes specialization based on ability and extensive training and supervision. Starbucks has grown at an astounding pace from a small Seattle coffee shop to a powerhouse in many countries. By looking at Starbucks' growth, there are a lot of profits and investments generated that put Starbucks in a strong position of competitive edge. Starbucks successfully created its brand while the competitors compete to offer coffee to customers.

Starbucks' top competitors, such as Costa Coffee and Coffee bean, offer a wide range of coffee. These two competitors are also known for their great coffee. Starbucks brews up the strategies to maintain the competitive edge. Also, its marketing strategies allow to engage the customers and manage profitable customer relationships (Armstrong, Kotler, & Opresnik, 2020). Starbucks dominates the coffee market by designing a culture of warmth and belonging. This illustrates that Starbucks promises superior values toward customers. The key to a company's success and long-term competitiveness is customer satisfaction through its products or services. Starbucks can gain profitable growth for its brand success.

RESEARCH METHOD

This research applied quantitative and qualitative methodology. The quantitative method comprises collecting and analyzing numerical data. It is to gain information from the data (Levine, Szabat & Stephan, 2020). We use questionnaires distributed to 200 respondents by an online survey platform.

RESULTS AND DISCUSSION

A total of 200 responses were collected from Starbucks' customers. Table 1 and Table 2 below summarize the collected data.

Table 1. Respondents' Demographics (N=200)

RESPONSE	FREQUENCY	PERCENTAGE (%)
Gender		
Male	96	48.0
Female	104	52.0
Age		
10-19	10	5.0
20-29	150	75.0
30-39	14	7.0
40-49	20	10.0
50 and above	6	3.0
Races		
Malay	98	49.0
Chinese	52	26.0
Indian	44	22.0
Others:		
Cocos	2	1.0
Dusun	1	0.5



Siam	1	0.5
Bajau	1	0.5
Bumiputera Sabah	1	0.5
Occupations		
Banker	2	1.0
Clerk	2	1.0
General worker plant	1	0.5
Hotelier	3	1.5
Housewife	1	0.5
Manager	1	0.5
Operator	1	0.5
Pension	1	0.5
Self-employed	10	5.0
Student	166	83.0
Assistant supervisor	1	0.5
Tailor	2	1.0
Teacher	1	0.5
Unemployed	7	3.5
Waitress	1	0.5
Nationality		
Malaysian	200	100.0

Table 2. Customer Perception towards Starbucks on How to Maintain the Competitive Edge and the Secret of Its Success

RESPONSE	FREQUENCY	PERCENTAGE (%)
Have you heard of Starbucks before?		
Yes	198	99.0
No	2	1.0
Have you been to Starbucks?		
Yes	190	95.0
No	10	5.0
How often do you visit Starbucks?		
More than once a week	12	6.0
Once a week	15	7.5
Once a month	21	10.5
Occasionally	56	28.0
Seldom	96	48.0
Why is Starbucks so popular?		
The coffee aroma	25	12.5
Brand power	30	15.0
Celebrities influence	10	5.0
Delicious and unique	25	12.5
Frappuccino varieties	7	3.5
High quality product	11	5.5
Logo	23	11.5
Luxurious	25	12.5
Reasonable price	9	4.5

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Relaxing environment	10	5.0
Always up-to-date	8	4.0
Variety of drinks	17	8.5
Why do you like Starbucks?		
Variety of menu	22	11.0
Delicious and tasty drinks	21	10.5
Brand	36	18.0
Coffee lover	12	6.0
Good services	19	9.5
Quality	13	6.5
Comfortable environment	41	20.5
Free Wi-Fi	10	5.0
Media influence	26	13.0
What are the secrets of Starbucks to retain its customers?		
Good customer service	62	31.0
Starbucks cafes offer a huge variety of products: coffee beans, coffee makers, mugs, thermoses, toys, and more	58	29.0
Successfully positioned itself as a luxury brand that almost everyone can afford	56	28.0
Providing a good coffee and a cozy Atmosphere	55	27.5
Starbucks' atmosphere is very comfortable	54	27.0
Starbucks coffee shops have become a neutral public space where people can meet	48	24.0
The idea of writing the customers' names on their cups	46	23.0
Free Wi-Fi is another Starbucks success secret	36	18.0
Celebrities often take pictures with coffee from Starbucks	35	17.5
The Starbucks app, giving its customers the ability to order, pay, and pick up their drinks without waiting in line	33	16.5
Others:		


		
Friendly Coffee Masters Barista always welcoming me when I go to Starbucks Reserve anytime	2	1.0
What types of Starbucks menu that you prefer?		
Coffee	165	82.5
Handcrafted beverages	28	14.0
Fresh food	7	3.5
Does the Starbucks menu meet your cravings and suit your taste?		
Yes	176	88.0
No	24	12.0
Does the luxurious atmosphere of Starbucks make it more competitive than other coffee shops?		
Yes	192	96.0
No	8	4.0
If you are at home, what types of Starbucks products that you prefer to drink?		
Ready-to-drink beverages	134	67.0
Coffee machine	42	21.0
Instant/sachet coffee	24	12.0
How can Starbucks build a relationship with the customer?		
Emphasize customer service	55	27.5
Through the promotion, i.e., social media, print Media	130	65.0
Others:		
Facility	15	7.5
What are the strategies used by Starbucks to be competitive?		
Social media	82	41.0
Corporate Social responsibility	32	16.0
Personalization	41	20.5
Innovation	35	17.5
Customer service	59	29.5
Variety of beverage combinations	65	32.5
Others		2

Table 1 shows the respondents' demographics. It includes gender, age, race, occupation, and nationality. For data collection, we utilized a survey distributed to a total of 200 respondents. It illustrates that most females occupied the majority of the respondents (52%), indicating that females are more interested than males in getting information about Starbucks. By age, the majority of respondents were aged 20 to 29 years old (75%). The least number of respondents was 50 years old and above (3%). By race, most of them are Malay (49%), Chinese and Indian hold 26% and 22% respectively. By occupation, students have dominated the largest part of the respondents (83%), followed by self-employed (5%) and unemployed (3.5%). By nationality, all respondents



are Malaysian.

Table 2 shows respondents' perception of Starbucks strategies to maintain its competitive edge and the secret of its success. Based on the data, the majority (99%) of respondents have heard about Starbucks. This highlights that Starbucks is a well-known company. Instead of focusing on all respondents, we would carry out our analysis based on the respondents who have heard about Starbucks.

In addition, most of the respondents (95%) have been in Starbucks and 5% of respondents have never gone out to the coffee shop. This concludes that most respondents know about Starbucks and always get the service from the coffee shop. By frequency of visits, 48% of respondents seldom visit, 28% of respondents occasionally visit Starbucks, and 10.5% of respondents visit Starbucks once a month.

When questioned about the secrets of Starbucks success, our respondents showed different points of view. Brand power gained the most responses by 15%. This emphasizes that Starbucks has been actively growing its brand using digital and mobile marketing. Furthermore, the Internet has transformed the way customers engage with the brands they use (Sundaram, Sharma & Shakya, 2020). The coffee aroma, taste, uniqueness, and luxury occupy 12.5% responses respectively. Some of them agreed that Starbucks has an exceptional coffee taste, which they will order every time they go to Starbucks. The delicious and unique taste of Starbucks also being the reason for their popularity worldwide as they make the drinks fresh. Luxurious in the context refers that respondents feel somewhat an upper-class level whenever they went to Starbucks. The classy of Starbucks is the factor analysis on its space image (Jun, Ma, & Lee, 2019). Starbucks has its aura, and whoever goes there feels something different that makes it unique. It is considered one of the valuable brands in the world. The name itself is already luxurious, and the same goes for the cafe and menus.

According to our research, Starbucks logo is one of the most noticeable logos in the world. This is a great strategy since people can quickly recognize the logo without the name written. Respondents also agreed that Starbucks produces only high-quality products. The price range is also not that bad because you get what you paid for (Azriuddin et al., 2020). Keeping up with the trend is helpful to a business and Starbucks never fails to be continuously up-to-date with the current trend. Starbucks introduces several new menus in conjunction with the festive season and it provides seasonal offerings every year.

Starbucks has its secrets of retaining its customers as it dominates the customer's heart. Based on the survey, 31% of respondents stated that Starbucks provides good customer service. Customer is an asset that needs to be managed and maximized. Through the customer service provided by Starbucks, it gives them spaces to fulfill their desires. This is a critical part of quick action by focusing on requests and concerns for the necessary changes (Conga, 2020). Also, it helps to improve Starbucks' reputation. Another 29% of them agreed that Starbucks cafes offer various products, including coffee beans, coffee makers, mugs, thermoses, and toys in addition to a so-called 'special side' that attracts customers to buy. A total of 28% of respondents viewed Starbucks successfully positioned itself as a luxury brand that affordable for everyone in the market. Another 27.5% perceived that Starbucks is good at providing good coffee and a cozy atmosphere.



To reinforce this statement, Starbucks emphasizes coffee making based on the right ingredients and well-trained baristas.

Starbucks' atmosphere is so comfortable that 27% of respondents listed due to the arrangement, facility, and decoration ideas. Starbucks provides air-conditioned space and fills with music. It is a conducive place to make the customers enjoy their coffee time. Meantime, 24% of respondents listed that Starbucks coffee shops have become a neutral public space where people can meet like discuss business matters, while 23% of respondents stated that the idea of writing the customers' names on their cups whether in *venti* or *grande* size include in Starbucks secret to show their appreciation for their customers. There are 18% of respondents who endorsed that free Wi-Fi is another Starbucks success secret. A total of 17.5% of respondents stated Starbucks secret lies on the celebrities often taking pictures with it. The fans will copy their favorite celebrities. Another 16.5% of respondents stated that the Starbucks app gives its customers the ability to order, pay, and pick up their drinks without waiting in line. This app has successfully engaged the customers. The rest 1% of respondents listed their opinion that friendly coffee masters barista as a deserved treat.

Additionally, Starbucks has the types of service that can meet what the respondents prefer to drink. A total of 67% of respondents have chosen ready-to-drink beverages as their Starbucks favorites. They can get drinks other than Starbucks own stores such as convenience stores. Also, ready-to-drink (RTD) coffee presents new opportunities for the promotion of new products, particularly among younger customers, which also brings more competition into the industry (Oliveira, 2020). Ready-to-drink Starbucks beverages were introduced overseas for product development in 1993. Another 21% of respondents chose the coffee machine as their preference. Starbucks also have their own coffee machine that allows the customers to buy at electrical and department stores to brew at home. Also, there were 12% of respondents have chosen instant or sachet coffee. They can buy it at Starbucks stores or through an e-commerce website to be served at home.

Furthermore, Starbucks creates a strong relationship with customers. Based on the data, 65% of respondents stated that Starbucks built its customer relationship through social media and print media such as Starbucks second handcrafted beverage on half-price promo Extended promotion. It indicates that the customers are connected to brand success by integrated promotional activities (Sembiring, Azis, & Pradika, 2020). It encourages customers to buy. Specifically, the promotion is a collection of measures that can make customers buy now or buy more to increase sales immediately to create brand loyalty among them.

Costa coffee is the second-largest coffeehouse after Starbucks and the largest in the U.K. However, Starbucks has its strategies to be competitive. Based on the survey, most respondents (41%) believed that Starbucks' strategies to be competitive are social media. Nowadays, most people use social media to obtain various information, and this is the best strategy for Starbucks to enhance its competitiveness. Starbucks can interact with customers through websites such as Facebook and Instagram. They can share information and advertise all promotions to attract customers since social media is an efficient way to promote loyalty and sales incentives to customers (Yang, 2019). The second-largest percentage (32.5%) goes to the variety of beverage combinations that makes Starbucks be competitive. Starbucks should diversify its beverages variety, rather



than simply coffee. This enables customers to have the freedom to choose their favorite menu. The third-largest percentage (29.5%) falls into customer service. The staff is also knowledgeable, friendly, and helpful. This is one of how Starbucks values its customers. In addition, all Starbucks staff wear name badges in a bid to give a more friendly face to the in-store experience. Besides, Starbucks is devoted to support and help their employees to improve self-value, to enhance their own experiences and knowledge (Goh et al., 2020).

Corporate social responsibility, personalization and innovation occupied 16%, 20.5% and 17.5% respectively. This indicates that respondents least interested in this kind of strategy. For personalization, Starbucks can personalize each customer's experience based on their unique preferences and spending ways. Starbucks can keep in touch with customers personally via email or message to retain the customer's interest (O'Brien, 2018). Besides that, through Corporate Social responsibility, Starbucks is committed to offering high-quality products, ethically purchased and manufactured responsibly. They also invest in education, training, and employment by minimizing the environmental footprint and inspiring people to do the same. For innovation, Starbucks has used reinforcement training by using technological innovation to connect with its customers everywhere. Starbucks apps are one of the strategies to attract customers; that is how customers can order their drinks online. For instance, My Starbucks Barista is more than just an ordering app as they make significant investments in technology to endorse their growth. It refers to pathways to technology strategy.

CONCLUSIONS

In conclusion, Starbucks became a successful business in the world. Starbucks has a dominant world market in coffee-making. It successfully creates the "it factor" to attract customers. It has its unique strategies to compete with other coffee shops. Its emphasis on innovation and creativity has put them in a strong position in the market worldwide. We believe that these are important insights despite that we cannot capture the full range and complexity of Starbucks' strategies through a single case study. We hope that other researchers will challenge and extend the findings for other purposes.

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