

Studies on the Design Marketing Strategies in the Experiential Economy through the Case Study of ‘the Starbucks Company’

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Abstract. The purpose of the paper is to study the strategies of the experience marketing needed in the experiential economy by analyzing the Starbucks Company. In order to support the purpose of the research, the marketing mix of the Starbucks Company was developed based on previous models of the traditional marketing strategies combined with researches about the experience marketing theories. As the result, the success of Starbucks came from the different strategies that create experiences for the customers.

Keywords: Experiential Marketing, Experiential Economy, the Starbucks Company, Experience Marketing Strategies, Coffee shop Marketing.

1 Introduction

As the economic conditions change, the consumer attitudes and behaviors are quickly changing. The world is facing with different marketing strategies as customers have become independent and critical. Recently, we see I-phone, I-pad, or Mac computers anywhere around us. Kt economy report described that the success of Apple Company is the creation of the unique user experience. Apple provides the valuable experience to the customers through simplicity, consistency, ‘Vu Ja De’, differentiation, and authenticity. The design philosophy of Apple emphasizes the simplicity and minimalism of the product, and they use the same user interface, platform, and data sync to provide the consistent contents with any Apple products. ‘Vu Ja De,’ the opposite meaning for ‘De Ja Vu’ is another concept of Apple. They reinvented the mp3 player, smart phone, and tablet PC into the I-pad which gives customers the familiarity of the product. As the result customers rebuy the apple products because they got good experiences from the products building trust with the brand.

Similar to the Apple Company, many companies are trying to create special events or moments for their customers. Today many customers, marketers, and scholars have become aware of the importance of experience, and they believe that the focus of the economy has been transferred to experience. This phenomenon is called the emergence of ‘Experience Economy.’ The term was first described in an article “The Experience Economy,” published in 1998 by B. Joseph Pine II and James H. Gilmore. The experience economy is the next generation following the agriculture economy,

the industrial economy, and the most recent service economy. As the economy changes, the competition of the market became intense and the marketers needed to find different ways to attract and make a relationship with their customers. As the result, marketers realized that it is important to enhance the consumer's personal and emotional association with a brand, creating a strong brand relationship.

In connection with this issue, this research aims to study the marketing strategies of the Starbucks Company because they do not simply sell coffee but focusing on providing unique and valuable experiences to customers. What will be the experience marketing strategies in the new business environment?

2 Literature Review

2.1 Experience

According to the dictionary, 'Experience' is a knowledge or practical wisdom gained from what one has observed, encountered, or undergone. Experience is the comprehensive concept that includes experience itself, the process of the experience, and also the result from the experience learning. In the 'Journal of Marketing Management,' Bernd H. Schmitt described that "Experience is a personal events as the reaction from the stimulation of any kinds. Those experiences conclude all of our sense, feelings, knowledge, and physical forms in our life. Experience is the comprehensive psychological reaction of the human including both sides of reason and sensitivity."

2.2 The Experiential Marketing

In 1999, Bernd H. Schmitt first suggested the idea of 'Experiential Marketing' in the Journal of Marketing Management. However, the idea was first issued with many problems. In 1998, B. Joseph Pine and James H. Gilmore published a thesis, 'Welcome to the Experience Economy' in the Harvard Business Review. They said that traditional product centric marketing is changing into the customer experiential centric marketing.

During the agriculture and industrial economy, the products were commodities and goods, which were tangible and standardized products. Marketers had focused on the feature and benefits of the products. As economy grew and technology developed the service economy emerged, providing the customized services to the customers. Now, the experiential economy came and marketers are trying to create the expressive, positive, and personal experience to customers. They started to combine different marketing strategies, which is called 'the integrated marketing approach,' and the final goal of the experience marketing is to create the relationship with the customers. The definition of the Experiential Marketing "a fusion of non-traditional modern marketing practices integrated to enhance a consumer's personal and emotional association with a brand." The Table 1 summarizes the changes of the characteristic of the market in the changing economy.

Table 1. The Change of marketing of Starbucks Company

Economy	Agriculture	Industrial	Service	Experience
Marketing	Traditional Marketing		Service Marketing	Experiential Marketing
Product	Commodities	Goods	Service	Experience
characteristics	Tangible products, Feature and benefits of the products		Customized service	Expressive, Personal experience

3 The Starbucks Company

Starbucks Corporation is an American global coffee company and coffeehouse chain. In 1971 first started as a local coffee bean roaster and retailer in Seattle's pike place market, Starbucks became the largest coffeehouse company in the world, with 20,366 stores in 61 countries. The vision of the company, as stated on the website, is to 'establish Starbucks as the most recognized and respected brand in the world.'

As the economy changes, the marketing strategies of the Starbucks Company has modified and changed because their customers have become more critical, individual, and independent. The company had used the classic marketing tools like "The 4 P's" (Kotler, 2003) to meet the consumer's needs and wants. However, 40 years later, consumers are trained and became critical to the brands. Starbucks' focus started to be shifted to something new.

Different scholars have built some theories and models for the experience marketing. According E.L O'Sullivan & K.J. Spangler (1998) the traditional marketing mix is 4p, product, price, place, and promotion, but people, participants, and peripherals are added to the marketing mix in the experience marketing. Moreover, Scott Robi-nette et all (2001) has explained the breakdown of five elements of the Value Star model for emotion marketing. The Value Star model provides the five elements, product, money, equity, experience, and energy. This paper will use the traditional marketing mix factors as the categories to analysis Starbucks. The researches of Starbucks product, price, place, and promotion will draw out the changes in marketing strategies in experiential economy.

3.1 The Starbucks Marketing Strategies

The success of the Starbucks Company is from their creation of the 'Starbucks Experience' to their customers. The vice president of Starbucks marketing department, Brad Stevens, suggested the four key elements in creating the experience; Authenticity, Human Connection, Participation, and Core focus. People should be able to see it, feel it, and taste, and they need to interact at an emotional level, and finally they have to get the memorable experience. What is the 'Starbucks Experience' and what are the marketing strategies that lead Starbucks to success?

3.2 Product

Product Experience

Starbucks is very well-known for highly customizable consumer experience. They offer a range of exceptional products that customers can enjoy in stores, at home, and on the go. There are different types of coffee more than 30 blends and single-origin premium coffees in different sizes: tall, Grande, and Venti. Moreover, consumers can substitute regular milk for soy milk, have a preference for shots in their beverage. They also produce fruit drinks and smoothies for whom many not enjoy the coffee products. The customers feel very unique and relaxed when they get highly customized and personalized beverages at Starbucks.

3.3 Price

Ideal Marketing

When the coffee was sold as coffee beans, it was 1 dollar per pound, and it became 1 dollar per cup in the coffee shop. Now, Starbucks sell their coffee 4~5 dollars per cup which is quite expensive for a cup of coffee. However, the additional price is for the service, experience, and new coffee culture of Starbucks.

Holt (2004) and McCracken (1986) argued that the brand's meanings and values are transferred to the consumer's identity when consumers adapt the meaning of the brands. Starbucks has designed the right experience for the right customers, delivering what the consumer of today demands in society.

Two most prominent target markets for Starbucks are the 35-64 age groups with business professionals and students aged 18-29. We easily imagine a young freelancer sitting at the Starbucks holding a phone in one hand and a Starbucks coffee in other hand, or a man wearing black glasses with laptop. Those images created from the Starbucks experience draws upon the target market's ideal or dream fantasies.

Moreover, the founder and the CEO of Starbucks, Howard Schultz, is the best example of the American Dream, which made Starbucks as an image of American Dream. Starbucks has built those brand images for years and years. The customers could build up their identities with the desired and ideal image through Starbucks experience. Starbucks determined the experience their customer value the most and even created the trend and culture.

3.4 Place

Emotional Experience

Building the emotional experience that evokes person's emotion or activates emotional memories and moments is critical to the experience marketing strategy. Starbucks Company created the emotional connection to the customers. Michelli (2007) pointed out that the Starbucks Company has the five successful principles. In his description, the key to the experience is creating a relationship that emotionally attaches the customer to the brand. Bedbury (2002) also mentioned that the emotional connection with the brand is achieved by communication, design, and music of the place, or the quality of the product.

Sensory Experience

The other key element for the successful experience marketing is to activate one's senses; sight, sound, smell, taste, and touch. The Starbucks Company has realized that people don't only come for the coffee; they come for the atmosphere. They tried to create a seductive atmosphere of the stores. There are plenty of comfortable settings made with cherry wood under the plenty of light. In 1994 Starbucks started to sell the CD, and there are always the jazz or opera music heard at Starbucks. The interior is simple and clean decorated with artworks, and the smell of the coffee is all over the store. The entire atmosphere of Starbucks gives the comfort and warmth to customers to socialize, read, study, or just enjoy the music while drinking their coffee.

3.5 Promotion

Marketing Communications

Starbucks don't use the traditional advertising marketing tools such as Billboards, newspaper ads, or commercials instead they use the non-mass media communication and storytelling. Their stories and information are spreading throughout people mouth to mouth. Their narratives create the emotional relations with the customers and it is the way Starbucks keep the relationship to the customer. Moreover the promotion strategy provides customer loyalty. For example, Starbucks Company has "My Rewards" program which offers free coffee, tea refills, soy upgrades, or free birthday drinks for whom registered a card and reached a level. Also customers get a 10-cent discount when using their own reusable container such as tumbler. The social media is another form of marketing communication for Starbucks. Starbucks creates a deep relationship with customers on online social media such as Facebook, Twitter, or Foursquare.

Responsibility and Trust

Building trust with customers is a way to build a strong relationship between customers and company. The first trust comes from the responsibility of the company. Starbucks approach to ethically sourcing develops the highest quality coffee. They support farmer loans and forest conservation programs to offer a responsible purchasing. Moreover they try to save the environment through recycling and green construction. These responsibilities give a strong trust to customers.

The other huge success came from their employee. Starbucks has created a workers training program, "Five Ways of Being.":

1. Be Welcoming
2. Be Genuine
3. Be Knowledgeable
4. Be Involved
5. Be Considerate

It reflects their service philosophy, "Just say Yes" to customer. Hiring and training great employee and building a good relationship created another trust. Employees offer a full service to the customers because they have great passion, knowledge,

devotion, and attachment to their company. Starbucks didn't try to offer a brand image through the traditional delivering marketing strategies. Customer built the relationship with brand experience through brand communication.

4 Conclusion

Starbucks delivered the unique, memorable, emotional, and sensory experiences to the customers with their marketing communication and ideal marketing, and it is how Starbucks differentiated their company from competitors and became successful. The customers of Starbucks individually and personally had built the image of the Starbucks by their own experiences. The customer and company relationship built through the experience is more strong and unique, and it is the key to success for Starbucks. The summary of the experience marketing strategy of the Starbucks Company is shown in Table 2.

Table 2. Starbucks Experience Marketing Mix

Marketing Mix (4p)	Experience Marketing Mix
Product	Product Experience
Price	Ideal Marketing
Place	Emotional, Sensory Experience
Promotion	Marketing Communication

In January 2011, the Starbucks released a new version of the logo with big changes. They firstly removed the name of the company "Starbucks Coffee." The purpose of the change in logo from larger and simpler is to target the wider customers and expand to more diverse market. It shows that Starbucks doesn't hesitate to change and develop their company strategies. The example of the Starbucks Company suggested some marketing strategies in the experience economy, but it is important to acknowledge that the economy is always changing and we have to predict the future, always be ready to change. Based on the studies of the Starbucks Company, future studies needed to be focused on more firm strategies with systemic process to create a specific experience to the customer.

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