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Taiwanese College Students' Views on Starbucks' Brand Loyalty Strategy and What Other Coffee Shops can Learn from it

Research Paper, English Composition III

Tina Tuan



401110511 Tina Tuan

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Prof. Adeline Teo

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Taiwanese College Students' Views on Starbucks' Brand Loyalty Strategy and What
Other Coffee Shops can Learn from it

Drinking coffee has become a common habit for most people in Taiwan nowadays. Thus, it is no surprise that many local companies want to enter this profitable business, which is estimated to be fifty billion NT dollars per year. Since its first shop opened in 1998, Starbucks has soon become the leading coffee shop franchise in Taiwan. According to China Times, there were 350 Starbucks around Taiwan by May 2015. Surprisingly, a hundred NT dollars for a cup of coffee sold at Starbucks did not seem to stop people from going there. It has become the icon of coffee, fashion, and taste. Why could Starbucks successfully occupy such a big market in Taiwan while so many other coffee shops have failed? What was its secret to success? One of Starbucks' most prominent business strategies was its use of the brand loyalty strategy. How could brand loyalty be used to help the company? The study investigated how Starbucks gradually goes deeply into customers' hearts with its brand loyalty strategy by developing customer relation, enhancing customer satisfaction, and excelling at customer service through survey and interview.

First of all, here are some definitions of what brand loyalty is. According to Ovidiu Ioan's "The Conceptual Analysis of Brand Loyalty as Core Dimension of Brand Equity," brands are the most valuable assets nowadays. "Brand Loyalty is the consumer's conscious or unconscious decision, expressed through intention or behavior, to repurchase a brand continually," The author explained. A high degree of loyalty among customers provided the firm with a series of specific competitive

advantages. Ioan stated that loyalty has a strong positive effect in two main directions: reducing marketing cost and increasing brand's revenue. Moreover, he claimed that brand loyalty can enhance marginal cash flow and profitability, as loyal customers often expect to pay a price premium for their favorite brands, are easily stimulated to new usage situations and tend to increase intensively and extensively their spending on the brand. The author further explained that it is much more expensive to gain new customers than to keep existing ones; however, brand loyalty can also enhance the process of attracting new customers because satisfied and loyal clients tended to provide brand exposure and reassurance to new customers through word of mouth. In Ioan's research, he stated that consumers could be classified by their degree of loyalty into five levels: first level are the switchers who represent non loyal buyers, and only care about the price; second level are habitual buyers who have no reason to change, but may be stimulate to do so if switching to another brand can create benefit; third level are satisfied buyers who are quite satisfied and consider switching as a risk due to loss of time, money and inadaptability; fourth level are emotional buyers who truly like the brand and have an emotional attachment to the brand; fifth level are committed buyers who are proud of using the brand and the brand may even function as an expression of their personality. The author drew attention to the fact that since other descriptive aspects of brand equity, such as considerable quality, associations and awareness, all have consanguineous relationship with purchase and appreciation, they can guarantee the level of brand loyalty. While in "Corporate Brand Image and Customer Satisfaction on Loyalty: An Empirical Study of Starbucks Coffee in Taiwan," the authors, Yu-Te Tu, Chin-Mei Wang, and Hsiao-Chien Chang found out that the corporate brand image significantly affected customer satisfaction and customer loyalty, and customer satisfaction has strong impact on brand loyalty. Therefore, companies should specifically focus on these factors in order to build a

long-term and mutually profitability relationship with customers and create loyalty as competitive advantages in the market. According to Arash Shahin's dissertation "Brand Equity affects Brand Loyalty towards Consumer Behavior 'A Case Study of Starbucks'," the endearment of a brand drives value, and value in turn translated into brand power and brand equity like Starbucks. The author pointed out that in addition to physical actions, the customer's mental and emotional processes were also involved when selecting, purchasing, and using products. The importance of consumer behavior was deeply rooted in the marketing strategy. He further stated that understanding the behaviour of the consumer could help marketers anticipate reactions to changes in the marketing, or determine whether new products are likely to be adopted.

A successful coffee shop not only needs good coffee and good atmosphere, but also successful promoting strategies, otherwise, it is hard to survive in this highly competitive market. In the previous literature review section, all the authors only pointed out how brand loyalty can attract more customers. While in this research, the researcher put emphasis on how college students respond to Starbucks' s strategy so that other coffee shops can decide whether they want to adopt it to help improve their own business. The purpose of the present research is to examine Starbucks' brand loyalty strategy to determine how it can lead to its success and help other companies or private coffee shops owners to improve their business by creating, maintaining, and enhancing brand loyalty. The following are the research questions:

1. How can brand loyalty affect Starbucks's college consumers' buying behavior?
2. What can other coffee shops learn from Starbucks and apply the brand loyalty method?

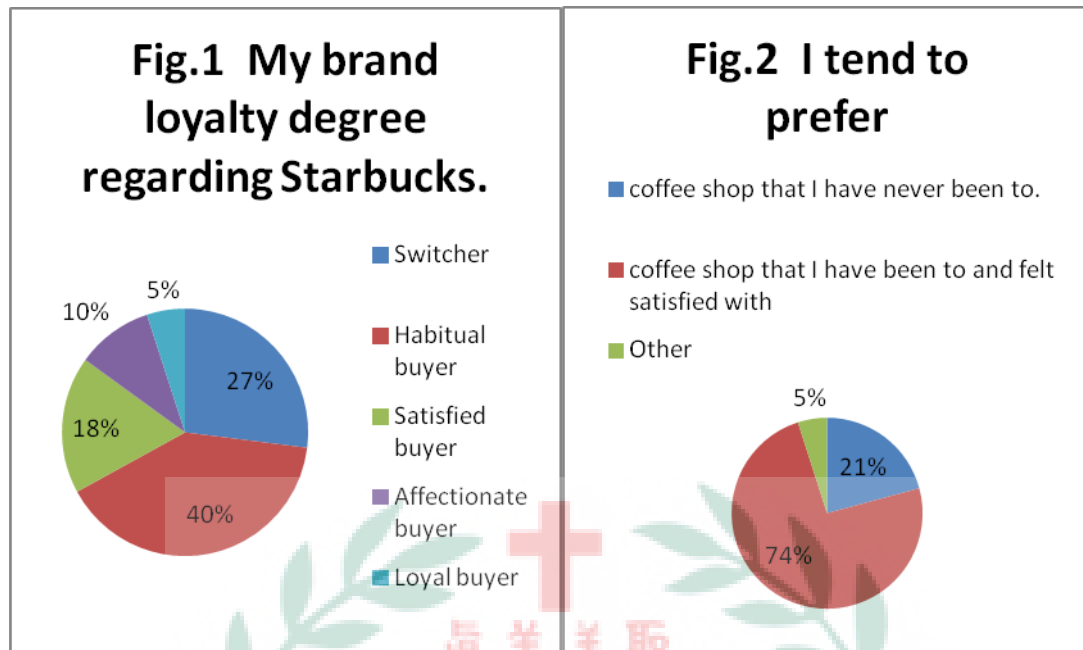
While there were so many factors that could affect people's choice of a coffee shop, this research included online questionnaires and interviews to collect first-hand data

and to discover the most crucial reasons that affected the consumers' choice, followed by in-depth explanation. The respondents were Taiwanese college students.

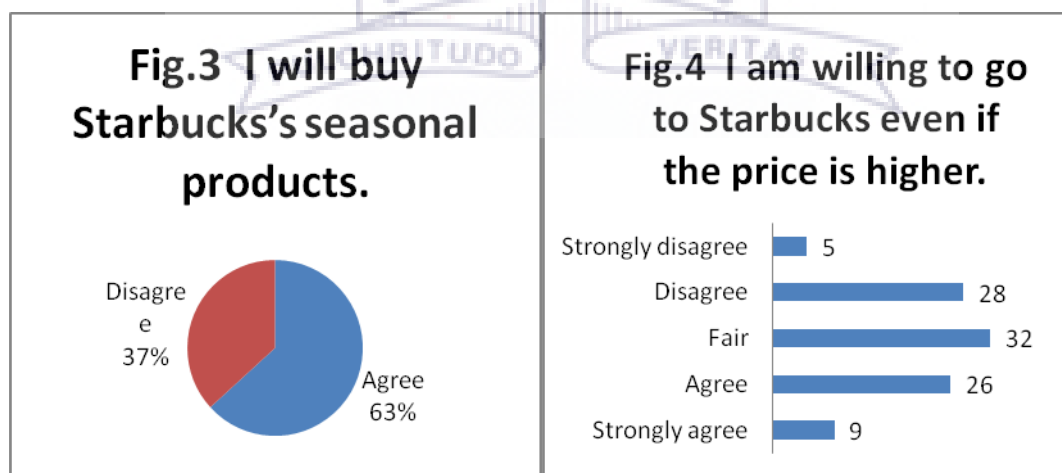
Basically, the questionnaire included multiple-choice question to find out what aspects college consumers cared the most about coffee shops, and how they thought Starbucks performed. The first section covered the basic personal information. Section Two measured the respondents' views on Starbucks' brand loyalty strategy. The questions were designed based on the previous literature review, Ovidiu Ioan's five levels of customers' brand loyalty degree. Section Three and Section Four investigated the customers' satisfaction degree toward Starbucks as well as how brand loyalty degree affected their consuming behavior. The last section offered open-ended question to allow the respondents to give more in-depth responses. (See the complete questionnaire in the appendix.)

As for the interviews, the researcher selected 5 interviewees with higher brand loyalty degree on Starbuck from the questionnaire pool randomly. The face-to-face interviews questions were the same as questionnaires, but the researcher received more elaborated responses from the interviewees during the interviews.

100 valid responses were collected from Facebook by using convenient and snowball sampling strategies, and 5 interviewees in the same questionnaire pool were picked through stratified sampling. After analyzing the data, the researcher came up with the following findings.

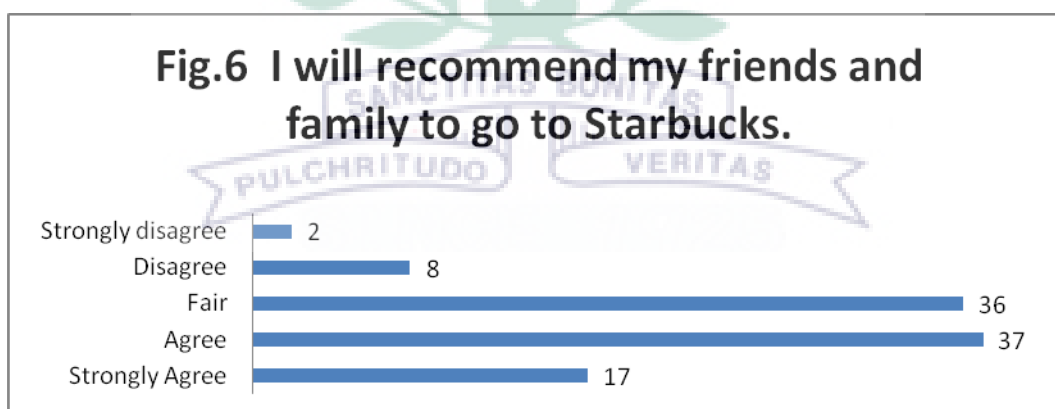
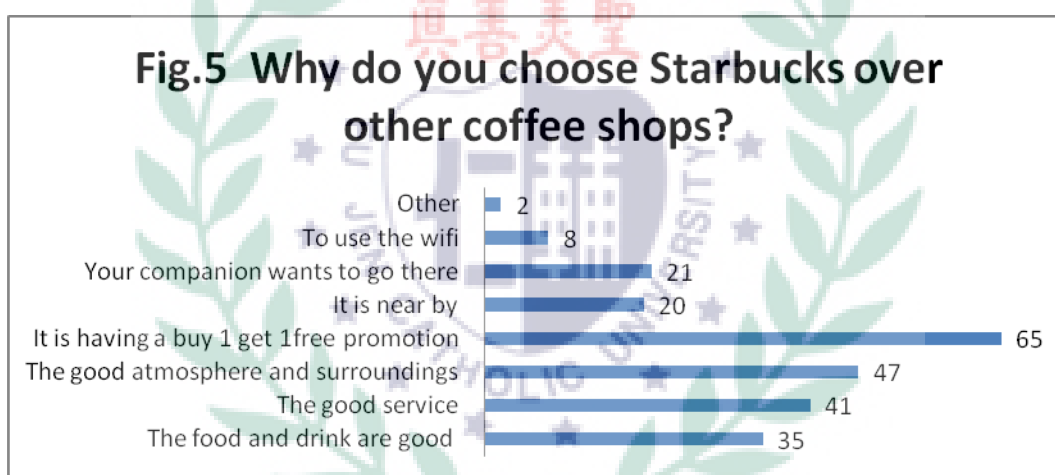


First of all, how could brand loyalty affect college consumers' behavior? Based on the cross analysis, the researcher found that respondents with higher loyalty degree were more beneficial to Starbucks in many ways, which would be explained in next paragraph. From Fig.2, the researcher learned that though high customer satisfaction did not equal to high brand loyalty degree, they were highly related because most customers preferred to go to coffee shops they had already been to and felt satisfied with; in other words, it is easier to keep the existing customers than to attract new ones, which fitted what the Ioan said.



The researcher found all affectionate and loyal buyers were willing to recommend their friends to Starbucks and they all stated they would buy Starbucks's seasonal

products in Fig.6. And these 15 respondents were also more willing to visit Starbucks; even the price in Starbucks was higher, while most of the respondents who disagree or strongly disagree were switchers or habitual buyers because they were more price sensitive. The researcher also discovered that the affectionate and loyal buyers went to Starbucks more frequently than other three levels of buyers. According to the survey result, only three of the respondents said they went to Starbucks three times a week, and two of them belonged to the loyal buyer group and the other one belonged to the affectionate buyer group. So, in brief, a high loyalty degree could be very profitable to coffee shop in many aspects, corresponded with the pervious literature review.

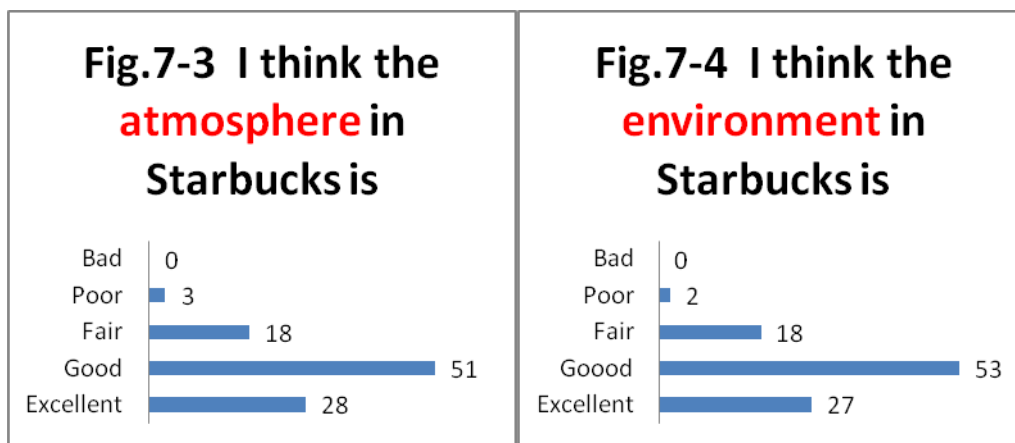


So how could coffee start to develop its loyalty degree? The researcher found that 65% of the respondents stated that they went to Starbucks because it is having a buy-one-get-one-free promotion. Moreover, over half of the respondents said they were willing to recommend their friends and family to go to Starbucks. The findings

supported what Kanda Masanori, a famous Japanese marketing expert, stated in his book “Word-of-Mouth Marketing.” He indicated that some businesses were easy to get extensive public reputation if they fitted the condition that they belonged to something that everyone could talk about and make use of, such as restaurants and hotels. In this research, coffee shop fits his description. In other words, as long as the snacks and the drinks are good, people would like to talk about it, and due to their previous good experience in the coffee shop, they might invite their friends, who are the potential customers, to the coffee shop! Word-of-mouth works perfectly in this case, which is also Starbucks’s case! Since most of the participants said that they liked to go to Starbucks when it was having buy-one-get-one-free promotions, they would invite their friends to go together. Kanda Masanori pointed out that the benefit of using this kind of strategy is that the coffee shop hardly needs any advertisement because their customers were already their walking advertisement.

Moreover, over than 80% of the respondents thought advertisement was their last concern when choosing a coffee shop, which means whether the coffee shop advertised or not, it would not affect most of the customer’s choices. That was why while most other retailers spend more than 10% of their yearly budget on advertising, Starbucks spends only 1% (Luo, 10).





After knowing how to solicit customers to create their brand loyalty, next, the coffee shop owner needed to know how to maintain the brand loyalty. Regarding foods and drinks, service, atmosphere, and environment, as the survey result showed, service was the factor that college consumers thought Starbucks performed the best. 43% of the respondent thought Starbucks did a good job on service, and 47% of them thought Starbucks did excellently on service. In other words, 90% of them are very satisfied with Starbucks's service. And also, 4 out of 5 interviewees expressed that among service, atmosphere, surrounding, foods, drinks, and other factors of a coffee shop, they thought service was what Starbucks did best on. For example, 4 respondents said that the staffs were very friendly and amiable; moreover, they would remember your name and what you usually order if you are a frequent visitor. Respondent C indicated the staffs would even chat with him sometimes. And respondent B mentioned that his laptop was once stolen in Starbucks when he went to the restroom, and the staff helped him phoned the police and tried to comfort him as best as they could. Though he didn't get his laptop back at the end, he said he felt better at that moment and thought the staff there were very sweet. From the responses received above, the researcher may conclude that, good service and good staffs were the most important reason why customers were loyal to Starbucks.

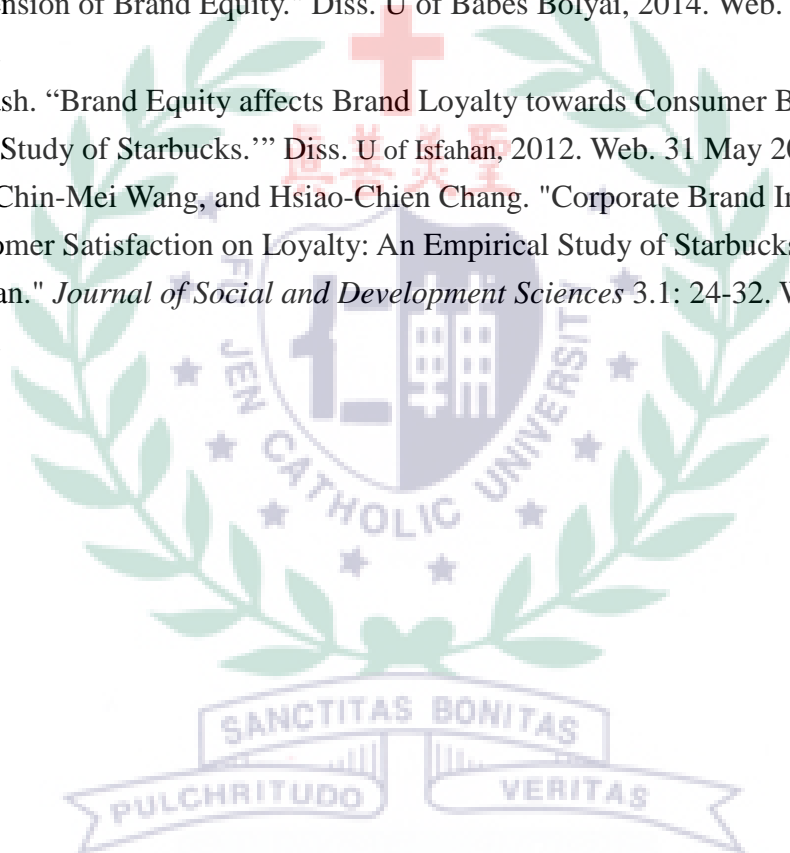
As a result, the researcher assumed that high-quality service and good staffs were

parts of the reason that made brand loyalty strategy work. It was supported by the book “Good Service is Good Business,” written by Catherine DeVrye, who suggested that a manager should treat his employees like how he wanted them to treat the customers, and made the employees love their company. According to DeVrye, high quality service is related to the trust and respect the employees received from the company. The findings were also supported by Luo who claimed in her book “The Starbucks coffee Empire legend” that Starbucks putted much emphasis on staff training because they believed that staffs interact directly with the customers, and their behavior form the brand equity of Starbucks. Luo stated that a staff with a fine attitude in attending to customers could immediately add points to the brand. So, Starbucks hired staffs with passion toward coffee, and spent 80 hours to train them before they started to work (Luo, 70). That is to say, Starbucks spends the entire advertising budget on their staffs to offer better service quality. And through their staffs, Starbucks established a good customer relationship.

Lastly, the researcher concluded that Starbucks strived in Taiwan’s coffee market by developing customer relation, enhancing customer satisfaction, and excelling at customer service to boost brand loyalty. Brand loyalty could enhance the process of attracting new customers because satisfied and loyal clients tended to provide brand exposure and reassurance to new customers through word of mouth. The researcher also found that customers with higher brand loyalty degree were more beneficial to the coffee shop. So, in order to create brand loyalty, promotion like buy-one-get-one-free would be a good way to attract new customers. And good service was the most important reason why college consumers love Starbucks and a way to keep and their customers loyal.

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Appendix - Questionnaire and Interview Questions

I. Basic information

1. Gender

- Male
 Female

2. Age

- Freshman
 Sophomore
 Junior
 Senior
 Graduates

II. Brand loyalty Degree Measurement

1. How often do you go to Starbucks?

- Three times a week
 Once a week
 Two to three times a month
 Once a month
 Once every two months
 Other: _____

2. When you visit Starbucks, do you usually eat in or take out?

- Eat in
 Take out
 It depends

3a. If you eat in at Starbucks, what are the reasons? (Check all that apply.)

- To have a meal or drink
 To study for exams or do assignments
 To meet and chat with friends or family
 To discuss business with colleagues or clients
 To enjoy the atmosphere
 To look for inspiration
 To kill time

Other: _____

3b. If you take out foods/drinks at Starbucks, what are the reasons? (Check all that apply.)

- The store is fully occupied
 Still get things to do later
 Other: _____

4. Why do you choose Starbucks instead of other coffee shops? (Check all that apply.)

- The food and drink are good
 The good service
 The good atmosphere
 To show I am more discerning
 It is neat and clean
 It is having a discount (Buy one get one free)
 It is near by
 Your companion wants to go there
 To use the WIFI
 Other: _____

5. If you can divide brand loyalty into 5 levels, which level do you think you belong to when talking about Starbucks?

*Brand Loyalty is the consumer's conscious or unconscious decision, expressed through intention or behavior, to repurchase a brand continually

- Level1: Switcher (Price sensitive, with no loyalty)
 Level2: Habitual buyer (With no reason to change)
 Level3: Satisfied buyer (With switching costs)
 Level4: Affectionate buyer (Who likes the brand)
 Level5: Loyal buyer (Committed to the brand)
 Others: _____

III. Satisfaction Degree

1. I think the foods and drinks in Starbucks are good

- Strongly agree agree average Disagree Strongly disagree

2. I think the service in Starbucks is good

Strongly agree agree average Disagree Strongly disagree

3. I think the atmosphere in Starbucks is good

Strongly agree agree average Disagree Strongly disagree

4. I think the environment in Starbucks is good

Strongly agree agree average Disagree Strongly disagree

5. Starbucks is a coffee shop brand of high quality.

Strongly agree agree average Disagree Strongly disagree

6. Overall, how do you think Starbucks perform?

Excellent Good Fair Poor Bad

IV. How brand loyalty degree affected consuming behavior.

1. I will recommend my friends and family to go to Starbucks.

Strongly agree agree average Disagree Strongly disagree

2. I will choose Starbucks over other chain coffee shops.

Strongly agree agree average Disagree Strongly disagree

3. I am willing to go to Starbucks even if the price of the foods and drinks is higher.

Strongly agree agree average Disagree Strongly disagree

4. I will buy Starbucks's seasonal products.

Yes No

5. I tend to prefer...

coffee shop that I have never been to.

coffee shop that I have been to and felt satisfied with

other: _____

VI. Short answers

1. What do you think the important reasons are for a coffee shop to succeed? Please rank them **using numbers 1 to 8** from the one you think that is the most important (1) to the less important one (8).

- a. Popularity _____
- b. Service _____
- c. Atmosphere _____
- d. Cleanliness _____
- e. Food and drinks _____
- f. Location _____
- g. Price _____
- h. Advertisement _____
- i. Others (Explain: _____) _____

