

Market segmentation is defined as the process of dividing a market into distinct subsets of consumers with common needs or characteristics and selecting one or more segments to target with a distinct marketing mix (Schiffman, Bednall, Cowley, O'Cass, Watson and Kanuk, 2001). Different companies have different abilities that enable them to serve their target market better, which is why some companies choose to focus much of their attention to specific segments. Starbucks primarily chooses to focus on the demographics, psychographics and lifestyle of their customers. It is with the information gathered regarding these segments that Starbucks can better serve its customers.

Demographics are things such as age, sex, marital status, education, occupation and income. Starbucks targets both males and females, mainly 18-30 year olds, but really does cater for everybody's needs. And because young children don't usually drink coffee, Starbucks offers a range of non-coffee beverages to cater for the whole family. Hanging out in Starbucks gives the impression of being very with it and most of the people you see sitting in the stores exude a certain coolness and give off the image of having some sort of social status, with lots of money to spare. Starbucks customers are mainly in their final years of high school, in university or just starting to work. But whatever it is, they all have had a good education, and if they do have a job, it almost certainly includes a big income as well.

Demographics help to locate a target market and this information is often the most accessible and cost effective way to identify a target market (Schiffman et al, 2001). Even though factors such as personality and behaviour are often first used to define a market segment, the consumer's demographic characteristics must be known in order to assess the size of the target market and to reach it efficiently (Schiffman et al, 2001).

Psychographics are based on the consumer's activities, interests and opinions, so it's basically how they spend their time, what their preferences and priorities are and how they feel about events and issues. Psychographic research is closely related to psychological research, and especially when it comes to personality and attitude measurement. This form of applied consumer research has proved to be a valuable marketing tool that helps identify consumer segments that are likely to be responsive to specific marketing messages (Schiffman et al, 2001).

Starbucks is very heavily involved in charity and the arts, and is making significant efforts to be a socially and environmentally responsible company. For example, Starbucks actively participates in AIDS benefits, and for every city that has a store, Starbucks sets up at least one shelter for the underprivileged children and donates money as well. By participating in various different positive causes and events, Starbucks gains a lot of favourable exposure. Starbucks has sponsored the Special Olympics, the hip Lilith Fair music festival, the Chicago Jazz Festival, the International Film Festival in Washington DC and the Museum of Contemporary Art in LA. Just by looking at these examples, we can see that Starbucks aims to target and reach people who are generous and charitable, as well as people who like to have fun and enjoy the creative and entertaining side of life. Starbucks also has a strong commitment to the environment and the company's policy to recycle and conserve wherever possible is exemplified by the 10% discount it provides to customers who reduce waste by using their own mugs or refillable coffee bags. Starbucks offers these discounts to help stimulate environmental responsibility amongst its customers. As Starbucks grows and reaches new markets, the company has made a commitment to continue to be a strong supporter of non-profit organisations and events in all communities.

Consumer research has found evidence that within each of the social classes there is a constellation of specific lifestyle factors (shared beliefs, attitudes, activities and behaviours) that tend to distinguish the members of each class from the members of each class from the members of all other social classes (Schiffman et al, 2001).

Starbucks sells a lifestyle, to both customers and employees, and has followed the successful examples of other big corporations such as Coke, Nike and Sony by linking its brand with all things "cool" and "in". Starbucks has created a style and an ambience that has infused a certain new chic and appeal into coffee, an age-old beverage, making it the hippest drink of today.

Starbucks chooses to associate itself with all things bustling, active and vigorous. That is why locations of all the stores are carefully selected for convenience and Starbucks specifically targets places that are heavy with pedestrian street traffic. Some of the places that you would find a Starbucks, either in the form of a large store or a just a small kiosk (both ideal for just popping in for a quick take away coffee or for a nice light lunch break) would be at shopping centres, airport terminals and supermarket foyers, which are all places that are always hectic and filled to the brim with people who have busy lifestyles and are always on the go.

Starbucks competes directly against specialty coffees sold at retail through supermarkets, specialty retailers, and a growing number of other specialty coffee stores. In addition, Starbucks competes for whole bean coffee sales with franchise operators and independent specialty coffee stores. In virtually every major metropolitan area where Starbucks operates and expects to expand there are local or regional competitors with substantial market presence in the specialty coffee business. But Starbucks' biggest competitor in the coffee industry is the Coffee Bean.

Coffee Bean was started by Herbert B. Hyman in 1963 in California and became the pioneers in retailing whole bean coffee and loose tea leaves. Coffee Beans are the oldest importers, roasters and multi retailers of specialty coffee and tea in the United States. Like Starbucks, Coffee Bean offers a diverse range of original coffee, ice blends and roast styles as well as four varieties of daily brews including flavoured pre-ground coffee. Another similarity with Starbucks is that Coffee Bean also has a large offering of food and beverages that appeal to all age groups from all walks of life.

In terms of needs, motivation and personality, Coffee Bean is all about building meaningful and respectful relationships with customers by finding or concocting a flavour for them. Coffee Bean will also toast your bagels, heat your pastries and personalise and custom make the drink or blend just the way you would like it. With perception, Coffee Bean is a big believer in teamwork (just like Starbucks) as they feel that success is achieved by working together. Coffee Bean staff are friendly, and maintain amicable relationships between customers and each other. The employees have respect for each other's values, opinions and individual

personalities and are honest and truthful to themselves and each other. Another similarity with Starbucks is that Coffee Bean is actively involved with helping communities and make it their mission to develop the most complete community based programs around. As well as donating gift baskets, gift certificates, coupons, coffees and teas, Coffee Bean will gladly consider a donation to any organization for various charitable events that directly benefit local community programs and local schools. Due to the phenomenal growth of the international coffee market, Coffee Bean has decided to solely concentrate on international franchises at the moment. Unlike Starbucks, who have a target mass market being the United States, most of the Coffee Bean outlets are in Asia (Malaysia, Singapore, Brunei, Taiwan etc.) and the Middle East (Israel, United Arab Emirates, Dubai etc.) Unlike Coffee Bean, Starbucks does not personalise their coffees or have different products to suit different countries' tastes. Coffee Bean offers more food meals (pastas, soups,) and not only light meals (sandwiches, pastries, desserts) like Starbucks. Starbucks allows other distributors to sell its coffee, but Coffee Bean does not and Starbucks is affiliated with things such as the Herald Sun Newspaper and Hearst Music. And the main advantage that Starbucks has over Coffee Bean is its effective use of celebrity appeal, which is a form of reference group market segmentation defined process dividing market into distinct subsets consumers with common needs characteristics selecting more segments target with distinct marketing schiffman bednall cowley cass watson kanuk different companies have different abilities that enable them serve their target market better which some companies choose focus much their attention specific segments starbucks primarily chooses focus demographics psychographics lifestyle their customers with information gathered regarding these segments that starbucks better serve customers demographics things such marital status education occupation income starbucks targets both males females mainly year olds really does cater everybody needs because young children usually drink coffee offers range coffee beverages cater whole family hanging gives impression being very most people sitting stores exude certain coolness give image having some sort social status lots money spare customers mainly final years high school university just starting work whatever they have good education they have almost certainly includes income well demographics help locate target this information often most accessible cost effective identify schiffman even though factors such personality behaviour often first used define segment consumer demographic characteristics must known order assess size reach efficiently schiffman psychographics based consumer activities interests opinions basically they spend time what preferences priorities feel about events issues psychographic research closely related psychological research especially when comes personality attitude measurement this form applied consumer research proved valuable marketing tool that helps identify likely responsive specific marketing messages very heavily involved charity arts making significant efforts socially environmentally responsible company example actively participates aids benefits every city store sets least shelter underprivileged children donates money well participating various different positive causes events gains favourable exposure sponsored special olympics lilith fair music festival chicago jazz festival international film festival washington museum contemporary just looking these examples aims reach people generous charitable well people like enjoy creative entertaining side life also strong commitment environment company policy recycle conserve wherever possible exemplified discount provides reduce waste using mugs refillable coffee bags offers these discounts help stimulate environmental responsibility amongst grows reaches markets company made commitment continue strong supporter profit organisations events communities found evidence within each social classes there constellation specific lifestyle factors shared beliefs attitudes activities behaviours tend distinguish members each class from members each class from members other social classes sells lifestyle both employees followed successful examples other corporations such coke nike sony linking brand things cool created style ambience infused certain chic appeal into beverage making hippest drink today chooses associate itself things bustling active vigorous locations stores carefully selected convenience specifically targets places heavy pedestrian street traffic some places would find either form large store just small kiosk both ideal popping quick take away nice light lunch break would shopping centres airport terminals supermarket foyers which places always hectic filled brim busy lifestyles always competes directly against specialty coffees sold retail through supermarkets specialty retailers growing number other specialty stores addition competes whole bean sales franchise operators independent virtually every major metropolitan area were operates expects expand there local regional competitors substantial presence business biggest competitor industry bean bean started herbert hyman california became pioneers retailing whole loose leaves oldest importers roasters multi retailers united states like offers diverse range original blends roast styles four varieties daily brews including flavoured ground another similarity also large offering food beverages appeal groups from walks life terms needs motivation personality about building meaningful respectful relationships finding concocting flavour them will also toast your bagels heat your pastries personalise custom make drink blend would like perception believer teamwork feel success achieved working together staff friendly maintain amicable relationships between employees respect values opinions individual personalities honest truthful themselves another similarity actively involved helping communities make mission develop most complete community based programs around donating gift baskets gift certificates coupons coffees teas will gladly consider donation organisation various charitable directly benefit local community programs local schools phenomenal growth international decided solely concentrate international franchise moment unlike mass being united states outlets asia malaysia singapore brunei taiwan middle east israel united arab emirates dubai unlike does personalise coffees products suit countries tastes more food meals pastas soups only light meals sandwiches pastries desserts allows distributors sell does affiliated herald newspaper hearst music main advantage over effective celebrity appeal which form reference group

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