

**THE COMPARISON OF TWO
COFFEEHOUSES MARKETING
STRATEGIES AND THEIR CUSTOMERS
PREFERENCES**

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1. Introduction

Originally, coffee drinking was popularized around fifteenth century in Arab and then spread to the whole world. Until today, coffee has had one-thousand-year old history and has become one of the most important drink in the world. It is very easy to find a coffeehouse that sells different kinds of coffee, such as mocha, latte, and cappuccino. And coffee is usually a perfect choice if you want to either wake yourself up or chat with your friends. In order to celebrate the coffee, people created a Coffee Day on September 29th to appreciate and savor the beverage. People can even get a free drink at a certain stores in United States.

In this paper, we will describe and compare different customer preferences in drinking coffee. It will be an international comparison - CrossCafe from Pilsen, Czech Republic and Starbucks from Milwaukee, WI, USA. There will also be analyzed and compared corresponding marketing strategies of both of the coffee chains and the marketing tools that they are using. Finally the paper will contain little suggestions about what those companies could do in a different way so it would be helpful for them. And at the end a rough draft of a mobile application will be created for CrossCafe chain that would be similar to the Starbucks mobile application that already exists and is used among the Starbucks customers in the US. To reach the objectives these methods will be used: questionnaires for consumers for both countries and interviews with their managers.

2. The companies

2.1 CrossCafe

CrossCafe Company was founded in 2007 as an original and modern Czech coffeehouse chain. It is owned by Janak Bros, Ltd. Company, that also owns another restaurant chain and a lot of other restaurants all over the Czech Republic (but most of them are located in Pilsen). CrossCafe is a local company (it has its branches only in the Czech Republic) and it wants to have a place at the market as a combination of restaurant, fast food and coffee house. Everything is focused on providing the best service to all customers and delivering them a wide range of products but only with the highest quality. It is a fast but also a healthy way of eating.

Every coffee house from the CrossCafe coffee house chain is different and has its personal character. It has its charm, unique and modern design and you can feel the friendly atmosphere in here. Their mission statement is “My place” which goes along with the friendly interior of the coffee houses. Guests can also use the free Internet connection. All of the CrossCafe coffee houses are non-smoking. [7] [9]

CrossCafe coffeehouses offer a lot of products to their customers, such as espresso, hot chocolate, and cakes to increase their sales. CrossCafe came up with a benefit program for their customers. It is called CrossConto and the customers will get their own CrossCards. With this rewarding program the consumers can get points for every purchase they make in any CrossCafe coffee house and for those points they can get an extra discount for their drinks and food. They can also put money on their CrossCard and they can use it as a special “credit card” so they do not need money for paying in CrossCafe coffeehouses. [8]

In Pilsen, there are 8 coffee houses, 7 coffee houses in Prague and 2 coffee houses in Hradec Králové. So today CrossCafe chain contains 17 coffee houses (that is about 5 coffee houses more than in 2012) and the company wants to grow more. They also want to expand because of the franchising opportunities that the CrossCafe chain offers - this is attractive especially for businessmen in other cities. [10] [11]

2.2 Starbucks

Starbucks is an American owned global company founded in 1971. The companies' headquarter is located in Seattle, Washington. In 1987, the founders sold the company to Howard Schultz, who was their former employee. According to the fact, Starbucks has opened two stores every day on average since that time. [1] In 1992, the company initiated an initial public offering (IPO) and went to public. The company opened its first international store in Tokyo, Japan in 1996, which was a significant and meaningful step. After that, Starbucks has been expanding its stores in different countries and markets. Today, Starbucks is the primer coffeeshouse chain in the world, which owns 5500 coffee houses in over 50 countries, such as China, Mexico, and New Zealand. [2] Even though the company has a high-speed growth, its culture does not diluted and the goal of the leadership is represented correctly in each store.

Since the beginning of the company, the leaders have tried to build a different style from other coffee stores. Starbucks not only wants to offer good coffee but also tries to build a good relations with its customers. Their mission states "one person, one cup, and one neighborhood at a time", which inspires and nurtures the human spirit. [3] Since June 2013, in order to make people live a better and healthier life, Starbucks began showing the calories of each drink and food. Besides that Starbucks has also created a beneficial program for customers called My Starbucks Reward, which gives them the opportunity to get free drinks. The company also offers some technologies, such as a free digital network and the Starbucks mobile app.

3. Interview

The managers we chose come from the on-campus stores, which the majority of customers are students. As a result, the stores are very busy during the whole school year, especially the short period before the mid-term or final test week. In daily life, the biggest rush time for both stores is the morning or after the school time.

3.1 CrossCafe

It is really clear which type of drink people in CrossCafe drink the most often - it is definitely cappuccino and then also latte. This also depends on what type of customers go to the coffeeshouse, mothers and students prefer cappuccinos, lattes and other various types of coffee

with milk, men like espresso or Americano and children mostly drink a hot chocolate. Customers really do not go for special types of coffees with special flavors or ingredients. The bestseller is grande size of coffee. According to the store manager it can be affected by some special offer and how baristas do their job and offer any other size of their drinks.

During the year 2013 about 2, 8 - 3, 5 % of customers paid with their CrossCards. And the numbers are increasing every day. This is one of the goals of CrossCafe Company to increase the number of customers who use their CrossCard to pay in the CrossCafe coffeehouses. The store manager says that the usage of Crosscard increases when there is some special offer or special price of a drink for a customer when he uses his CrossCard. It also increases when the baristas ask every customer before he pays because sometimes the customer can forget that he has the CrossCard and forgets to use it. CrossCafe has special offers of their drinks and they are mostly tight to the season so the news are every three months - new types of coffee, ice coffees and other kinds of drinks, new types of cakes or sandwiches, etc. These special offers are and must be planned a whole year ahead and are pretty much the same for every coffeehouse of CrossCafe. There can also be some kind of discount or special offers like buy one and get one free but it depends on every coffeehouse itself. It is also affected by some special festive days and occasions like Valentine's Day, children's day, etc.

The manager of the coffeehouse says that the right location is the most important thing for opening a new CrossCafe coffeehouse - it can be city center, shopping center, main train station, etc. The best location is a place where there are a lot of schools and students around because actually students do not have problem spending their money on coffee or some other favorite drink. And the students also like to use the coffeehouse as a place where they can study so eventually they will spend more money than just on one coffee while they are sitting there and do their papers, catch up with their friends or something like that.

My last question was about the process of opening a new CrossCafe coffeehouse. I have been told that the opening of a coffeehouse is a long term process and it can take from 5 to 6 months till almost a whole year to open a brand new coffeehouse. The company opens the coffeehouse by itself or it offers a franchise license to the entrepreneurs who would like to own and run their own coffee shop. If it is about the design of the coffeehouses, the company tries to have the same (or similar) design in all of the CrossCafe coffeehouses so people would feel the same way in every one of them and recognize it immediately.

3.2 Starbucks

It is hard to say which type of drink is the most popular because people have different tastes. In addition, Starbucks can make the drink based on customers' requirements, for example, some people prefer half sugar, and some people do not want the cream. And most people are buying the medium size drinking, which is 16oz. And then, the large size is the next popular one. The mobile app supposes to be a fun and convenient way to help customers to pay their purchases and earn rewards at Starbucks. However, the manager says that the mobile application does not help them a lot. And only few people come to the store with their phones to pay the fee or to use their special discounts. She thinks the company should do more or think of another strategic marketing method for their app.

Additionally, the manager says that the company sometimes offers special orders during the holidays, such as Christmas and New Year. And the store also adds some new tastes in the new season. For instance, in summer, the company would offer more kind of cold drinks. But generally, the special offers are provided based on customers' status. For example, if customers' My Starbucks Rewards reaches a Gold-level status, they can earn a free birthday treat and 15%off coupon at StarbucksStore.com, free refills on iced or brewed coffee and tea, special offers and coupons, and a free drink or food item with every 12 stars.

Finally, I ask about the arrangement of her coffeehouse. She says that people who are interested in opening a Starbucks can apply for the license through the website or contact the company headquarter in Seattle. Starbucks will train the owner and his or her staff, providing equipment and supplies, and helping you set up the operation. Basically, the company designs all their stores, including materials, interior arrangement, lighting and more. Based on their experiences, the designers fully understand how to build an appropriate store. Each designer will insist on the company's mission and create a spectacular experience that considers a local culture and neighborhood to reflect the unique characteristics. The company also has a certification program called U.S. Green Building Council's LEED (LEED stands for Leadership in Energy and Environmental Design) to create a sustainable design. [5]

4. Marketing activities

4.1 CrossCafe

According to the owners of CrossCafe Company and its coffeehouses the Czech Republic is divided into two parts: Prague and the rest of the country. In Pilsen there is not a big need for some big marketing campaign because there is not many competitors that would be similar to the CrossCafe concept of their coffeehouses. The owners say that the coffeehouses and their products promote themselves. So the only thing they do is that they have posters in public transportation and there are some trams that are called CrossTrams and they have a CrossCafe pattern and drawings on the outside. So it serves as a promotional tool. CrossCafe Company has its posters in the public transportation vehicles and leaflets on particular places in Pilsen.

They are sponsoring some public and charity events and they participate in some town events and people remember them because of that. For Prague there has been created a big marketing campaign for the year 2013. Otherwise they have a Facebook page and a Twitter account. On these social sites they are active on a daily bases, they communicate with their customers and share with them the events and special offers. This is a local company so they don't have to worry about international marketing campaign. However, they want to expand all over the Czech Republic so in the future they will have to come up with some marketing campaign for the whole country.

In the meantime they are focusing on their marketing activities on social media so they've created a Facebook page where they're advertising their new products, special offers, special events, post new pictures and where they can interact with their customers.

4.2 Starbucks

There are several marketing activities Starbucks has at this time. First of all, as a global company, one of the marketing strategies is to expand its international market out of United Stated. For example, currently China is one of the highest growing countries for Starbucks that have more than 3,000 coffeehouses. In the first quarter of 2013, these stores have a 28% growth

compare to the previous year. Because of the huge potential profit increase, the company considers to open another 600 stores in China in future¹.

Additionally, Starbucks tries to offer a very similar environment and keep the high quality products in all the coffeehouses around the world. Secondly, Starbucks is offering varieties of products rather than selling coffee. For example, they sell other hot and cold beverages such as tea and smoothies, snacks, pastries, salads, and sandwiches. Except offering the superb cup of drinking and delicious food, the company also provides a genuine service, a comfortable environment, and an exceptional experience. The company makes every store part of a local community and takes the responsibility to their neighbors. They create a place to encourage people get together and make friends. This strategy of Starbucks is called “Third Place”. It means that from the very beginning the Starbucks strategy has focused on creating the “third place” for everyone to go to between home and work. Creating this unique and comforting atmosphere and experience for people has been very important for the company and they have realized that this is one of the strongest concepts attached to their company and to which customers have been strongly attracted. Thirdly, in order to increase a sale of their wonderful products and services, Starbucks also creates a unique program called My Starbucks Rewards, in which consumers can earn stars and get free drinks. Starbucks creates more technologies to promote its operation. [4]

For example, people can access free WIFI in each coffee house and get access to the Starbucks Digital Network. They even became one of the first to offer internet capability in their stores. The company also built the Starbucks app to help customers pay for their purchases and check their Starbucks Rewards account. Until July 2013, there had been more than 10% of the product purchases made through the Starbucks mobile app.

The Starbucks marketing strategy has always focused on “word-of-mouth” advertising so they let the high quality of their products and services speak for themselves. Other than that they are focusing on marketing activities in social media and through viral marketing.

¹ Walter Loeb. Starbucks: Global Coffee Giant Has New Growth Plans. *Forbes*. January 31, 2013.

4.3 Comparison of the marketing activities

For the comparison of the marketing strategies of Starbucks and CrossCafe Company we need to realize the three key points: Starbucks Coffee Company has a very long and rich history, it is a global company which started in America that has way bigger market and way more potential customers. On the other hand CrossCaffe is a younger company, it is just a local company and it comes from the Czech Republic that offers smaller market and less potential customers. Then we have to take under consideration that Starbucks has already a functional marketing strategies that got it where it is now and CrossCafe is still in the process of creating a functional and suitable marketing strategy for the Czech market.

Starbucks marketing strategy is not commonly seen in many businesses today. You won't find a Starbucks ad in a billboard, ad space, newspaper or poster in places where you can see advertisements for most other establishments. They've decided to go for more unconventional strategies. They may be unique and seldom-tried, but they most perfectly match the concept that the company wants to portray. This approach is not probably most suitable for CrossCafe in the Czech Republic. It is because nowadays there is a big competition on coffee houses selling market so the marketing strategy of Starbucks won't be enough. CrossCafe should combine those successful features of Starbucks marketing strategies with their own marketing activities like posters, CrossTrams, etc. I think that they have already achieved creating a community and creating a nice and comfortable place for everyone to go to between home and work and also school.

Starbucks and CrossCafe should concentrate more in developing their customer rewarding programs because it can be a very powerful marketing tool. It can help them to collect a lot of specific and important information about their customers and their drink preferences. None of those two companies should go for massive marketing campaigns like for example McDonald's has, because it just doesn't match the concepts and characters of those companies. Very useful are social media like Facebook, this is something that both companies should focus on.

5. Questionnaire Results

CrossCafe questionnaire response rate is 63.5% (89 out of 140). It shows that almost 13% of the people do not go to CrossCafe at all and most of them (37%) are going there just once or twice a

month. Only about 17% of the people are going there once or twice a week. The response rate for Starbucks is 38.8% (52 out of 134), which is not a good result. The survey shows that half of the people do not go to Starbucks and almost 40% of them go there one to two times a week. Clearly, there is more frequency for customers go to Starbucks than customers in Czech Republic. That is because there are many other small and unique coffeehouses in Czech Republic, which give people more choices.

The charts below (Chart 1 and Chart 2) show that most people prefer to stay in store to drink their coffee rather than take it to go because almost everyone likes the environment in the coffeehouse in Czech Republic. People like chatting with their friends in the store or spend their free time there. But Americans prefer to take a cup of drink to work or school instead of staying in the store. This difference is because of the two countries' culture that America has a higher living speed. Czech people also prefer to make and drink their coffee at home or at work and save the money for it.

Chart 1: How often do you stay at CrossCafe for coffee?

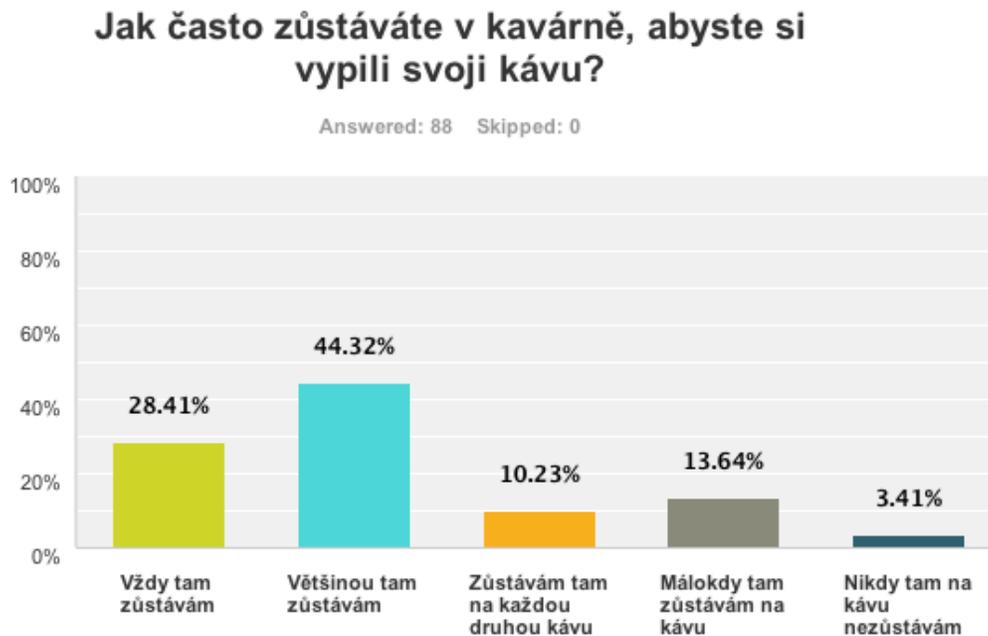
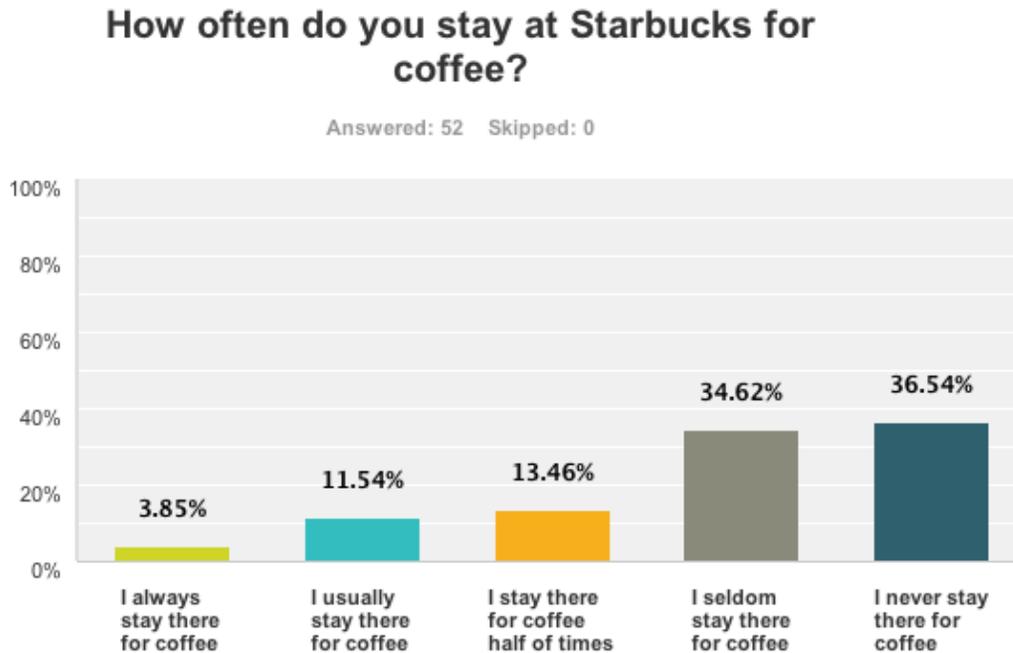


Chart 2: How often do you stay at Starbucks for coffee?



And about half of the customers of both countries think the environments are quite comfortable. This is because both CrossCafe and Starbucks want to offer their consumers a nice place to stay and attract more people to visit their store. To be specific, as a marketing strategy, Starbucks builds a mission called “one person, one cup, and one neighborhood at a time”. We can see that the company not only wants to offer good products, but also tries to build a close relationship with its consumers. The same as CrossCafe, who has a mission called “My place” which focus on building a friendly interior of the coffee houses. All guests can use the free WIFI connection and enjoy a non-smoking area.

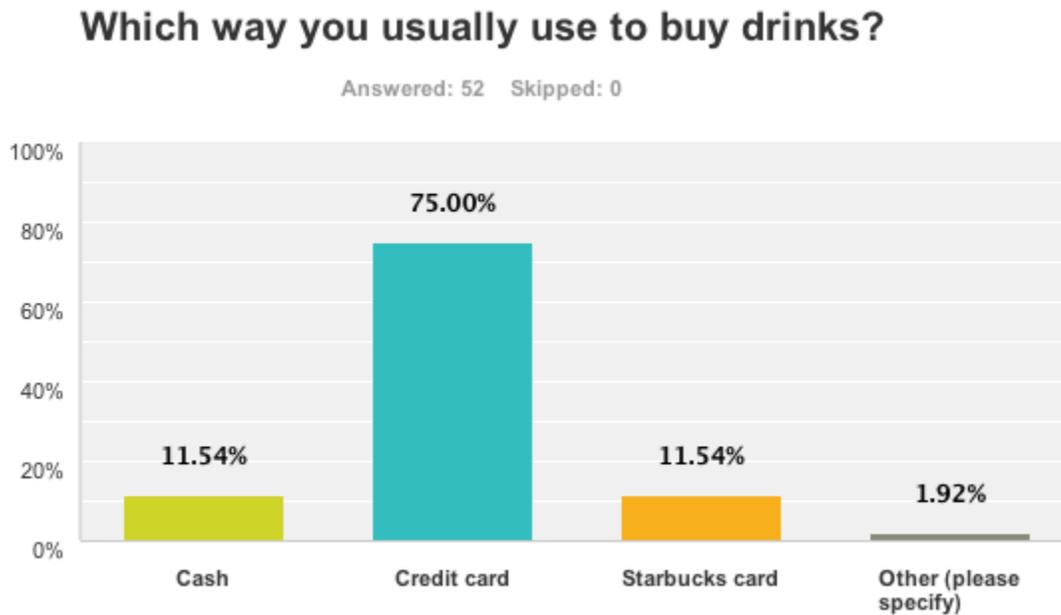
As a major marketing approach, the companies’ cards have a unique and significant value. According the questionnaire results (Chart 3 and Chart 4) we find that about 86% of the customers pay in cash in CrossCafe and almost 75% customers of Starbucks prefer to use credit card. That is because the consuming preference for Czech people is to use cash. In their daily life, people prefer to use cash in the grocery store or other shopping. This is because credit cards are newer for Czech people, Americans are used to use credit cards for longer period of time than people in the Czech Republic are.

In addition, the results indicate that about 65% customers in Czech do not have a CrossCafe card and 81% customers do not have the Starbucks card. One of the reasons for American people not to buy a Starbucks card is because they can get more benefits when using their credit card to shop in Starbucks store. For instance, the Freedom gives one cent a piece in cash back to customers in general, and you can use these points in Freedom's partners like Southwest and Amtrak. [6]

Chart 3: Which way you usually use to buy drinks? (CrossCafe)



Chart 4: Which way you usually use to buy drinks? (Starbucks)



In addition, we find another interesting result shown on Chart 5 that almost 86.54% people never use the Starbucks App even when it is very convenient. One of the reasons is similar to the reason why people do not use Starbucks card, that the credit card has more attractive interests. Even though customers do not use the Starbucks app frequently at this time, we still think it will become more popular in future. To improve the usage rate, the major thing is to promote the My Starbucks Reward program and add more benefits for customers. On the other hand, our questionnaire result shows that about 50% of the people would like to have this CrossCafe mobile application, which we think there is a good strategy to build it. So it necessary for CrossCafe creates its mobile application. The application can contain three major sectors: the account information, the online payment method, and the reward program.

Chart 5: How often do you use Starbucks App?

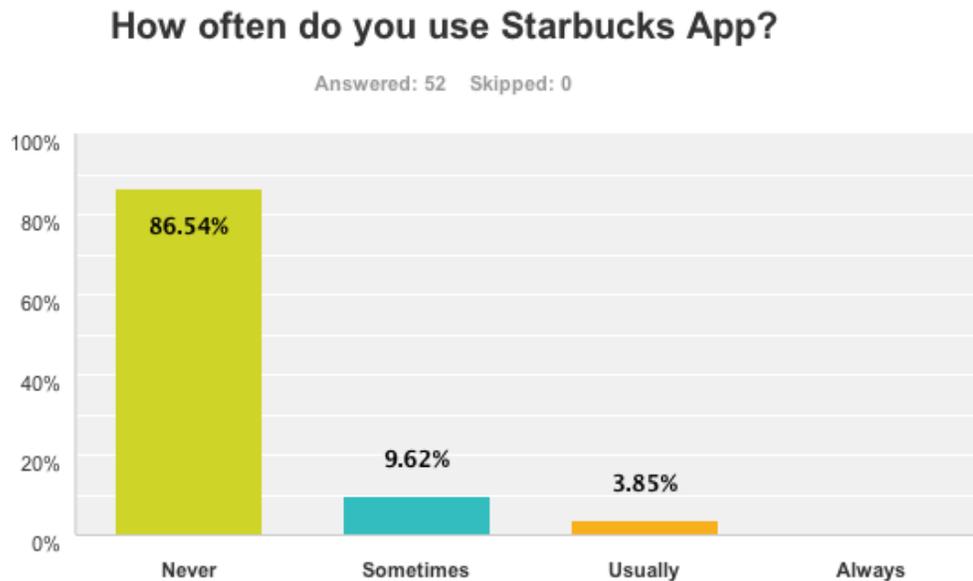
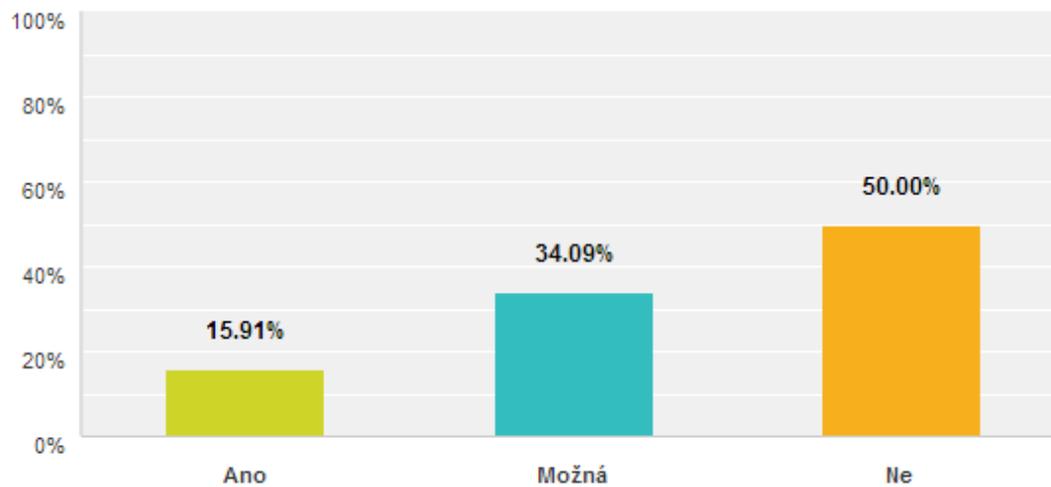


Chart 6: Would you like to have an option to use CrossCafe mobile app?



6. Recommendation

There are three recommendations for CrossCafe, which are promoting the CrossCard Program so they could get more information about their customers drink preferences and developing a mobile application. The last recommendation for CrossCafe is to improve their interior design so it would be more convenient for their customers. Recommendations for Starbucks would be to create a complete menu of their drinks and all the flavors, additions and combinations that the customers can order because the main board with the basic menu doesn't cover it all so when someone comes to Starbucks for the first time they do not know all their options and can get confused. Other recommendation would be similar to the CrossCafe - to develop more of rewarding programs for customers called My Starbucks Reward program.

6.1 CrossCafe

When we were comparing the coffee drink preferences between Czech and American people we discovered that the Americans are willing to spend way more money (and more often) on their coffees than the Czechs are. It is given by the different economic situations in both countries - Americans have higher salaries but they have higher life expenses so they are used to spend more money on some things. Czech people are used to save more money on things that they can make and get from home. It means that they would rather make the coffee at home or at work than spend money on it in the coffeehouse. That is the reason why they do not take their drinks to go as often as the Americans do and they go to the coffeehouse with friends and enjoy their coffee in the coffeehouse.

All of these things are good reasons why the CrossCafe coffeehouses should promote and develop their reward program and CrossCard for their customers because Czech people love buying things on sale, with a discount or with some special offer. With every purchase the customer gets points and for certain amount of points he can get a discount on the next purchase or a free drink. And Czech people love their discount. Developing a mobile application that would be connected to the customer's CrossCard would make it easier for the customers. They would not have to have their CrossCard, the mobile phone would be enough. And for using the mobile app customers should get more points on their purchase or maybe free drink every month. All of these things should motivate customers to join the reward program, get the CrossCard and download the new mobile app. This marketing activity would

not cost much money and it could bring new customers. CrossCafe could get a lot of useful information about its customers if they would use the CrossCard. And with this information they could target their marketing activities more accurate.

After comparing the CrossCafe and Starbucks interior designs and how it helps their business we came up with one recommendation for CrossCafe Company about improving their interior designs. Starbucks coffeehouses sells most of their drinks to go. This is the reason why they organize their interiors in the easiest way so the customers who go into the coffeehouse won't bump into the customers who are heading out with the drinks in their hands. This is how it goes: customer goes into the coffeehouse, choose a drink from the menu, orders it, pays for it, gets the drink, uses the table with sugar, milk, napkins and other things and goes out. And the interior must be smart organized for this. Usually the Starbucks coffeehouses don't have a lot of seating areas with chairs. CrossCafe coffeehouses struggle with this issue a little bit. Especially the first CrossCafe coffeehouse (that was chosen for comparison in this paper) has a big problem with this. Around the entrance and exit door is really small space for people to avoid bumping into each other and also there is the bar and table with additive stuff for the drinks and napkins. So people who come into the coffeehouse, people standing in the queue, people finding a place to sit and people leaving the coffeehouse have to solve this logistic problem. A lot of collisions and accidents happen in this place.

There is a space for improvement. The solution would be to move entrance and exit door to the left so there would be more space to move for everyone. There would be one way to go into the coffeehouse and another way to leave the coffeehouse. Also make a little place for handing the drinks and food to the customers would be very helpful. Moving the whole bar for making coffee would be too expensive and it's not necessary.

6.2 Starbucks

By comparing to CrossCafe and analyzing its own marketing method, we have two recommendations for Starbucks to improve its business. First of all, the company should offer a menu of all their products in store. They can put the menu on the wall or on a piece of paper. There is no doubt that Starbucks offers many kinds of drinks and food. It is very clear to see what food do they have in the store, but customers cannot know all the drinks they offer. Each of the Starbucks store has a very basic and general menu on board, which contains some

popular drinks. However, it is hard for customers who are the first time visitors in the store. For example, as a Chinese person, I would not know what to order during my first time in an American Starbucks store because they would not have the drink I want on the menu. Ordering a drink is not a difficult for a local people due to them already know the products very well and who have seen the products online before. However, the store should consider the new customers who are unfamiliar with their products. On the other hand, CrossCafe does a good job on the menu by showing a list of all the products on a board on the wall, which is very convenient and visual for customers to order.

Secondly, the company should do a better job in developing its My Starbucks Rewards program. Based on this unique program, consumers can earn star for each drink as a reward. For every twelve stars or as a birthday gift, people can get a free drink. However, the program has several disadvantages. For example, some people think the Starbucks is more expensive than the other coffeehouse brands. They think it is not worth to buy twelve cups of drink to get a free product. We think My Starbucks Reward program should have more attractive points. For instance, program members can have a discount to buy the new products at the first month, or the store can give the members a free small cup of coffee every month. These marketing methods will not cost large amount of money, but will promote customers' interests to buy a Starbucks card and join the reward program.

7. Conclusion

Since CrossCafe and Starbucks are the companies from two different countries, the marketing strategies would be different as well based on the culture. It is not easy to compare a local and a global company. Because of that we have chosen to compare companies that have the same purpose, they sell the same product and we have chosen the brands that have the same group of customers so the comparison would be as accurate as it could be. We described and compared the coffee drink preferences between Czech and American inhabitants and tried to find out why those differences exist. We also tried to analyze their own unique marketing activities and compare them to each other to recognize the advantages and disadvantages. Learning from another company in the same industry is a good strategy to reorganize its departments. Both of the companies have different strengths and different weaknesses. But what they have in common is that they should more focus and promote their reward programs for their customers because it could be very helpful in the future. The most valuable thing is the information and with those programs the companies can collect a lot of information about their customers and their coffee drink preferences. With this information they could target the customers better and offer them exactly what they want. CrossCafe should also work on improving the interior design so it would be more comfortable for the customers. Starbucks should create a paper menu with all those different kinds and flavored coffee drinks so everyone can choose what they want. Those things would be helpful for the companies so they could grow and fulfil their goals.

Resources

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