

Industry and Consumer Trends - Emma Frieze

Brand: Starbucks

Major Coffee and Food Brand

Holds **32.6%** of market share for all U.S. Coffee and Snack Shops (according to *IBISWorld)

According to NAICS, Starbucks:

- Has a Sales Volume of \$24,719,500,000
- Has 277,000 Total Employees
- Is headquartered in Seattle, Washington
- Started in 1985

*From IBISWorld Coffee and Snack Shops in the US 2021 Report, not hyperlinked above because not openly accessible without (KU Library) special access/permissions.

Industry

Coffee and Snack Retailers

Relevant NAICS Categories:

- **NAICS 1:** 722513 Limited-Service Restaurants
- **NAICS 2:** 445299 All Other Specialty Food Stores

According to the NAICS pages for 722513 and 445299:

Starbucks Corporation is the top Limited-Service Restaurant by sale.

Its top competitors in the two industries:

- McDonalds Corporation
- Yum China Holdings Inc/Yum Brands Inc
- Herbalife Intl Amer Inc
- Ds Services Holdings Inc

Trade Association

National Coffee Association

Fast Facts from GuideStar:

Headquartered in New York, NY

Three Main Programs are

- Scientific advisory group
- Market research
- Education and promotion

Key Form 990 Information:

- Professionally managed with eight employees
- Raises money through collecting membership dues, hosting conventions and selling market research

Three Key Insights

1. “Don’t Fit In—Be Flavorful.”

Competing in the coffee industry requires *product differentiation*. Coffee consumers are looking for *unique flavors* at coffee shops, such as those found in *coffee creamers*, that make away-from-home coffee different from generic at-home options.

2. “Some Like It Hot; Gen Z Likes It Cold.”

As Gen Z gains more purchasing power, coffee shops must adapt to meet the preferences of this younger audience. This means offering *cold drink options*, *food pairings* and *tailored experiences*.

3. “We’re All in This Together (Except When We’re Not).”

As *global factors* fluctuate input costs, retailers must justify consumer prices. It’s time to compete and show that away-from-home coffee is more desirable than *energy drinks* and *at-home coffee* (ex. ready-to-drink products) from other coffee brands.

1. “Don’t Fit In—Be Flavorful.”

- **Keys to Flavorful Success:** *product differentiation, unique flavors, coffee creamers*



Photo of Flavored Beverages. Credit:
Français, @Three-shots, Pixabay.

This highly competitive market is all about product differentiation.

- Competition is rated “high,” and expanded menus can be differentiating for attracting customers. (*According to *IBISWorld’s Coffee and Snack Shops in the US*)

Unique flavors attract customers who have limited ingredients at home.

- “Specialty coffee has become a product similar to craft beer and wine, in which the origin and quality of the ingredients are important.” (*According to *IBISWorld’s Coffee and Snack Shops in the US*)

Coffee creamers are on the rise.

- Creamer is the coffee/tea additive that has expanded most as of July 2021. (*According to *Mintel’s Coffee and Tea Tracker - US - Q3*)

2. “Some Like It Hot; Gen Z Likes It Cold.”

- **Unlocking the Gen Z Market:** cold drink options, food pairings, tailored experiences

Gen Z prefers cold drink options to warm drink options.

- 46% of Gen Z consumers purchase away-from-home iced coffee. Only 26% purchase away-from-home hot brewed coffee. (According to **Mintel's Foodservice Coffee and Tea, US, 2021*)

Attracting more customers means offering more food pairings.

- 29% of consumers report that more food pairings would be a motivation for them to visit coffee/tea shops more often. (According to **Mintel's Foodservice Coffee and Tea, US, 2021*)

Tailored experiences show thoughtfulness for the consumer.

- Wi-Fi and video functionality for various drive-through locations have been successes for Starbucks. (According to **IBISWorld's Coffee and Snack Shops in the US*)



Photo of Starbucks Iced Coffee Beverage. Credit:
[Jan Vašek, @JEShoots.com, Pixabay.](#)

*Hyperlinks because not openly accessible without (KU Library) special access:

[Mintel's Foodservice Coffee and Tea, US, 2021](#)
[IBISWorld's Coffee and Snack Shops in the US](#)

3. “We’re All in This Together (Except When We’re Not).”

- **Global Factors and Notable Competitors:** *energy drinks, at-home coffee*



Photo of Energy Drink. Credit:
[Adriano Gadini, @Gadini, Pixabay.](#)

*Hyperlinks because not openly accessible without (KU Library) special access:
[IBISWorld's Coffee and Snack Shops in the US](#)
[Mintel's Coffee and RTD Coffee, US, 2021](#)

Global factors influence input costs for coffee retailers, impacting prices.

- “The world price of coffee has been extremely volatile over the past five years due to growing demand and supply shortages.” (According to **IBISWorld's Coffee and Snack Shops in the US*)

Energy drinks pose a competitive threat to cold brew.

- Energy drink sales increased by 9.2% in 2020.
- Energy drinks are most competitive against coffee during afternoon hours and among men aged 18-34.
(According to **Mintel's Coffee and RTD Coffee, US, 2021*)

At-home coffee consumption increased during the pandemic.

- 45% of people who work remotely intend to purchase coffee/tea away from home less often than they did before the pandemic.
- 26% of consumers expanded their coffee/tea selection at home during the pandemic.
(According to **Mintel's Coffee and RTD Coffee, US, 2021*)