

CUSTOMER-ORIENTED MARKETING - A STRATEGY THAT GUARANTEES SUCCESS: STARBUCKS AND MCDONALD'S

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Abstract: *The 21st century brings together a number of changes in all fields. The market evolved significantly and it is becoming more and more difficult for companies to differentiate from their competitors and to gain and maintain a leader position in their industry. When it comes to business strategies and market approach, companies are switching from being product/profit-oriented towards customer-oriented. All kinds of companies acknowledge that customers are the core of their activity, that customers are the company's most valuable asset. The purpose of this paper is to point out the importance of not only willing to be a customer-oriented company, but also acting like one.*

Key words: *customer-oriented companies, business strategy, market trends, profit-oriented, customer-oriented marketing.*

1. Introduction

Marketing has evolved and changed in time. Previously, as the well-known marketer Philip Kotler repeatedly claims, companies were profit-oriented and product-oriented, focusing mainly on their own success and giving a special role to the financial department. But in time the number of competitors has increased, and customers started to actually have the power of choice. Monopoly is no longer a common market; companies must now make decisions and operate in a jungle of competitors, so the former need to do their best in attracting and maintaining customers. Therefore, in the 21st century, in order to be competitive and successful it is necessary for every company to become

aware of the important role that the customer plays. Therefore, any company should become and act as a customer-oriented entity.

All kinds of companies acknowledge that customers are the core of their activity, that customers are the company's most valuable asset. A company can survive only when it can retain its old customers and attract new ones. Therefore, the company should be structured and managed around the customer.

It is difficult to begin this paper without first defining what the syntagm *customer-oriented* means, because this term could be interpreted in many ways. It is important to clarify whether the concept of customer-oriented refers to offering the customer a

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high level of value and satisfaction (even in spite of a higher price), or to cutting down costs as much as possible in order to offer the product/service at a low final price. The customer-oriented definitions will guide this paper.

2. Customer-oriented definitions

Customer-oriented (or customer-focused) *organizations* treat customers as their first priority; everything else is derived from customers [14].

A *customer-oriented company* is a company that focuses on customer developments in designing its marketing strategies and on delivering superior value to its target customers [5].

The *customer-oriented approach* trains salespeople in customer problem solving. The rep learns to listen and ask questions in order to identify customer needs and come up with sound product solutions [4].

Customer orientation (CO) consists of a set of beliefs that say that the priorities of an organization are customer needs and satisfaction. CO involves permanent improvement in business processes, a dynamic interaction between the company and its customers. It is "the business seen from the point of view of its final result, that is, from the customer's point of view" [2].

3. Companies in focus

The companies will be analyzed based on these theoretical definitions in order to demonstrate if indeed, the customer-oriented approach is the key to a company's success nowadays. This paper will focus on two companies belonging to the coffee & fast-foods industries: *Starbucks* and *McDonald's*. Choosing these specific companies was a difficult decision, but the aim was to focus on well-known companies that have permanently sought to adapt and change their strategy along with the changes that have occurred in marketing's evolution. Both Starbucks and McDonald's have had

a permanent long term success, and they are both continuously looking to adapt to the market and to maintain their leader position. Starbucks' strategy has been customer-oriented even from the beginning. They placed the customer at the center of their entire activity, offering a high level of value and satisfaction. McDonald's began with a different strategy. First it centered its decisions and actions on product-oriented strategies (focusing on offering variety) but nowadays it is attempting to become a more customer-oriented company. Its success was questioned and it became obvious that its marketing strategy must be changed; the market evolved and the company needed to adapt. Therefore, McDonald's has been trying to adopt a customer-oriented strategy. This paper will analyze whether it is actually achieving this.

In order to analyze and present facts as precise and objective as possible when it comes to Starbucks and McDonald's priorities and orientations, the paper will present more than just the theoretical perspective (that anybody can read on websites and in different marketing books). It is highly important to understand how things work inside each of the two companies, how the personnel are being trained, how the personnel perceive the company's culture and values and how the customers perceive the "Starbucks' experience" and the "McDonald's experience". Therefore several people who work or used to work within either of these two companies, as well as several faithful and unfaithful customers, were interviewed.

3.1. The Starbucks' case

Starbucks was founded in 1971 in Seattle. It has grown rapidly and it has become the world's leading retailer and roaster of brand specialty coffee. It has about 17,000 (January, 2011) stores located worldwide in 50 countries [13]. As Starbucks continues to expand, it will

encounter many new markets and cultures, each with different kinds of customers demanding unique and appealing products. They continuously try to offer the customers a high level of value and satisfaction, focusing not only on its products range, but also on the services it provides.

The company's main objective was always to serve people, not coffee. This means that they put the customer at the centre of their activity and consequently, all their decisions and actions are made to take the needs of the customers into consideration.

Howard Schultz, the man who built the Starbucks coffee company said: *"We aren't in the coffee business, serving people. We are in the people business, serving coffee"* [7].

On their official website the company simply states: *"We always figured that putting people before products just made good common sense. So far, it's been working out for us"* [13]. The company's mission is to *"apply the highest standards of excellence to the purchasing, roasting and fresh delivery of our coffee and to develop enthusiastically satisfied customers all of the time."* So far its orientation towards customers is obvious. From all statements and mission it can be concluded that the customer is their number one priority.

Starbucks revenue is growing by 20% per annum and the company is opening approximately three new stores every day. Starbucks is able to achieve such a high and steady market growth through the successful management of its business. It achieves this by financing using their own cash flow instead of franchising, selling stock or increasing their financial leverage [7]. When it comes to its success, it is very important to mention the strategy the company applies, which is to *"blanket an area completely."* This approach is to "cut

down on delivery and management costs, shorten customer lines at individual stores, and increase foot traffic for all the stores in an area" by having a high density of individual cafes in a specific targeted area. These approaches all contribute to Starbucks' competitive advantage. Nowadays around 25 million people per week taste the so called "Starbucks experience" [11], which in itself could be considered an element of their successful marketing technique.

Starbucks wants to be more than just a chain of coffee-shops. As the company's CEO has described in its positioning platform, the company aims to be a "third place" (between home and work) where one can spend his/her time. All stores are designed to make this experience easy and in the same time comfortable. They offer several additional services in order to give each customer even more value. Starbucks recently collaborated with Bank One to offer the Starbucks Card Duetto Visa. This is a stored-value card and traditional credit card in one. In some countries the customers also have access to wireless internet for a fee (T-Mobile Hotspot) [7]. Offering more services like the Visa card, wireless internet and customized DVDs will add more and more value to the "Starbucks experience" and help to retain current customers and in the same time attract more business of more potential customers.

It is also important that a company's products meet customers' needs and give them the opportunity to find their tastes and wishes in the range of products. Therefore, Starbucks offers its customers a wide range of products, making it easy for each of them to make the right choice when it comes to ordering. Also, taking into consideration that we are dealing with a worldwide company, Starbucks needs to meet customers' cultural preferences in all its worldwide locations. Figure 1 outlines

how cultural differences may alter their perception of the ideal “Starbucks’ experience”. The figure points out that by increasing its market share international Starbucks needs to deal with cultural issues. For instance, in Europe 85% of

coffee customers like to spend time in coffeehouses, while in the USA only 14% of customers have this habit, with the remaining 86% preferring to have their coffee “to go” [12].

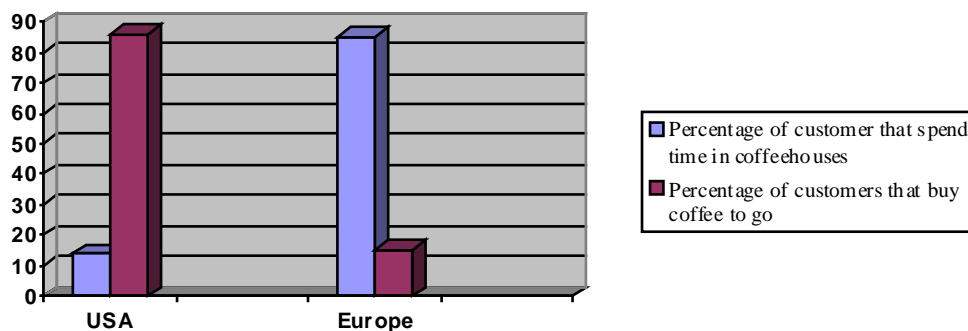


Fig. 1. Image of Cultural differences within the coffee consuming market [12]

During the interviews taken to several employees from Starbucks and day by day customers, one important aspect that kept coming up was that both employees and customers perceive Starbucks as a unique experience and as an entire culture. All employees receive training before actually commencing work, with on-going evaluation and development. The environment is a familiar and comfortable one and the atmosphere is relaxing. The employees are taught about Starbucks’ legendary service, which is exceeding people’s expectations by doing things like: informing and describing different coffees to all customers that are not familiar with them, offering nutritional information in case of diets and allergies, offering the customers the possibility to taste before choosing what they want to order, amongst other strategies. All these are called Star-skills.

There are different steps each employee has to take in order to be promoted and receive recognition: the first level is called Core1, the second level is Core2 and

finally if an employee passes to the third level he/she becomes a supervisor. In order to become familiar with each and every product, blind-tests are given to all employees. They must be able to identify the products, the flavor and to know the ingredients used for preparing all products. Workers are motivated by receiving acknowledgment and higher payment when they respect and promote this culture. Also every year each café has a competition between their employees and the best informed and qualified worker gets to be the coffee-master for the year to come. The coffee-master has the role of informing customers about all products and has a special status within the store. Many employees consider this much more than just a job, for them the Starbucks experience being a culture, a style of living that motivates them to do their best to achieve a high level of qualification.

The company encourages the employees to create a special relationship with each customer. The employee is there not only to serve people, but also to offer a unique

experience, a high level of value and satisfaction to each and every customer. The company is trying to make the “Starbucks experience” a very personal one. Employees are encouraged to become more familiar with their customers, sometimes even being on first-name terms and knowing the preferences of their faithful customers. All these make the environment a more familiar and pleasant one.

As Kotler says, in order to create customer satisfaction a company needs to exceed its customers’ expectations [5]. A company should never promise more than it can offer and never offer only what it promised. If the perceived quality gets to be higher than the quality expected by the customer, the customer will be satisfied with his/her choice. If not, the customer may find this experience disappointing and could turn to a competing company. Starbucks understood from its very beginnings that in order to create a competitive advantage on the market it needs to follow its goal of marketing, which in Kotler’s perspective is “to create customer satisfaction profitably by building valued relationships with customers” [5]. This company is a fine example of the advantages and the importance of placing the customer in the center of the business. Making this as a simple statement is not enough. Like in Starbucks’ case, a company also needs to take specific actions that support this statement.

3.2. The McDonald’s case

McDonald’s history begins in the year 1940 in San Bernardino, California. The “Speedee Service System” was introduced in 1948 and actually established the principles of the modern fast-food restaurant we are all familiar with. Nowadays, as the company states on its official site, “McDonald’s is the leading global foodservice retailer” with more than 32,000 local restaurants serving over 60

million people in more than 117 countries each day [9]. They are expanding rapidly because, unlike Starbucks, they are franchising.

McDonald’s guides its activity by promising their customers: quality, service, cleanliness and value, abbreviated to “QSCV”.

There is no “perfect receipt” for a company’s success and McDonald’s had its unique way of becoming one of the best known companies worldwide. Throughout its history the company has tried to continuously respond to the market’s needs, to adapt and to be the leader in the fast-food industry. Its global strategy and its target is “to dominate the global food service industry” [3]. This paper aims to analyze McDonald’s present marketing strategy, where is it heading, if and why McDonald’s would try to modify its marketing strategy, if it is accomplishing this and, if yes/no, how/why is this possible.

So, first of all, it is important to point out *why* McDonald’s would change their marketing strategy. As already mentioned in the paper, the business is extremely successful, being present all over the world and being the undisputed leader in the fast-food industry. Mac McDonald once said: “if you gave people a choice, there would be chaos” [6]. But back then, the McDonald’s chain could have been considered sort of a monopoly, since it was the only worldwide fast-food chain. Meanwhile more and more international and local competitors entered the fast-food market: Burger King (Hungry Jacks in Australia), KFC, Wendy’s etc. Nowadays customers have the final choice. Focusing on offering a wide range of products is no longer enough because this can be rapidly copied and can not assure a company to differentiate from its competitors on a long term.

Starting with the '90s McDonald's success started to decline. First, they had to face the tough consequences of the entrance of significant competitors into the fast-food market. For several years, the company reported a continuous fall in profits. In January 2003, McDonald's posted its first quarterly loss since it went public in 1965 [8]. In the same year, the fast-food giant was forced to close 719 restaurants due to the financial troubles it got into.

In many industries marketing took a new direction towards a higher customer focus. The customer should be placed at the center of all businesses. No matter how strong and successful a company is, ignoring the market's needs and changes can eliminate even market leading businesses. McDonald's finally understood this, so this is *why* it is now trying to change its marketing strategy from being a product-oriented company to becoming a *customer-oriented* company.

The company began to implement its new marketing strategy by announcing: "at McDonald's, we are committed to listening to our customers and to being open and direct about the facts surrounding our people, our food, and our restaurants" [9]. But still, its mission was to "Promote Diversity and Inclusion among our Employees, Owner/Operator's and Suppliers who represent the diverse populations McDonald's serves around the globe" [9]. This shows that in reality the center of its activity is still not the customer, but diversity and inclusion. From making decisions and simply announcing changes to actually putting them in practice is a huge step and is not easy to achieve.

Indeed, having a wide range of products does not mean only product-orientation, but also customer-orientation. McDonald's sells a wide range of products: hamburgers, chicken meals, French fries,

milkshakes, soft drinks and even introduced more healthy products: salads, fruits and carrot sticks. Unfortunately even those products that are normally supposed to be healthy are not fresh and contain a number of E-s to conserve them and procure an unusual good taste.

Taking into consideration the differences between cultures, the company differentiate its market approach by launching personalized products in different countries. Therefore they introduced wine in France, super-big hamburgers in the U.S.A., rice in China, hamburgers without beef in India, Beer in Germany, Filipino-style spicy burger in Manila etc. [1]. They also "introduced" Ronald, a well known clown whose purpose is to attract and entertain children. For kids they have the Happy Meal menu (in close association with well known brands such as Walt Disney and Coca-Cola), offering an attractive toy in each Happy Meal.

The methods mentioned above do not mean that the company is customer-oriented. Rather, it is probably only a way of increasing profits because all the activities focus on this, not focusing on customers as a top priority.

The main reason why McDonald's cannot be considered a customer-oriented company yet is the fact that its food is unhealthy. This topic (a hot issue) is very much debated on and has become well known to the public. In a critical book written by Eric Schlosser it was emphasized that obesity is now the second biggest killer in the United States of America - second only to smoking [6]. Movies have been made (*Super Size Me*), articles (McDonald's obesity suit thrown out – BBC, McDonald's obesity suit tossed – CNN etc.) and books (*Fast-Food Nation*) were written and the topic is continually being discussed. Recognized even by the company when it was obliged to put

nutrition information on packages, McDonald's food is unhealthy. So, taking this into consideration, one should analyze and answer whether McDonald's is a customer-oriented company and whether a customer-oriented company should not put the customer as its highest priority.

McDonald's faced several difficulties because of the high competition and the negative image created. It started to want to focus on the same successful directions as customer-oriented companies such as Starbucks. McDonald's has come to understand that it needs to change its strategy and its image; it understood that it has to focus on the customer and on the natural environment. Therefore the company became an ecological company, promoting recycling. It is recognizing a link between a healthy economy and a healthy ecology [5].

The company developed new products that are less unhealthy and they are better informing the customer about product ingredients and calories. But still, this does not mean the company managed to become customer-oriented. McDonald's has to face and adapt to all market changes. It is still the leader in fast-food's industry, but if they won't succeed in changing the marketing strategy an other competitor that adjusts better to the market's needs and changes could go ahead and become the new leader. It is important that it takes visible actions, because otherwise it might be just a matter of time until it will stop being the leader in the fast food industry.

4. Conclusion

In a dynamic world, where more and more competitors are struggling to survive, to gain a strong position on the market and to attract and maintain as many customers as possible, companies need to continuously adjust to all the market's needs and changes.

Both of the companies analyzed are great examples of successful companies, although their approach to the market is different. Starbucks was customer-oriented from the very beginning of its existence. McDonald's orientation was for years of years profit-oriented and the strategy was focused mainly on increasing and developing the product range. Recently it became obvious for McDonald's as well that the key to success is to place the customer in the center of the entire activity. During the last years the company continuously tried to change their market strategy, but it is still not considered a customer-oriented company. In order for McDonald's to succeed in becoming a real customer-oriented company it should change receipts, replace harmful ingredients and stop selling the so much disputed full of E-s foods. An important direction is to stop focusing mainly on growing the McDonald's chain and start growing the customers' satisfaction and protect the customers' health.

The key to all successful businesses is being competitive. One is competitive if it manages to establish and maintain its position on the market. The market is, in fact, represented by customers. They have the power to decide whether or not to buy a certain brand, and to accept or reject a certain product. Except for a monopoly industry, customers will always have a choice. Therefore, each company should attract and maintain customers by offering them a high level of value and satisfaction. For this, all companies need to put the customer at the center of all their decisions and activities. This is why nowadays the a company's success is highly dependent on adopting a customer-oriented approach. The market can follow new trends in the future, but for now any company that wants to succeed needs to treat customers as its top priority and everything else needs to be derived from customers.

Acknowledgements

This paper would not have been possible without the support of the Faculty of Economics Sciences and Business Administration's staff, from which a very important support came from the faculty's Dean, Professor Dr. Gabriel Brătucu.

This paper is supported by the Sectoral Operational Programme Human Resources Development (SOP HRD), ID76945 financed from the European Social Fund and by the Romanian Government.

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Starbucks marketing strategy employs time-barred promotions and seasonal/occasional menus to create a sense of urgency in people's minds. Avail the offer today (or right now) or it will be gone. Actions. Starbucks has perfected customer service and relationships to the extent that the baristas know the names, personal details and previous orders of their loyal customers. Customer feedback is collected through all marketing channels and the product is continuously improved to meet customer expectations. Location and branding makes McDonald's and Starbucks operate like ATM machines. I've also published several books, including Collective Entrepreneurship, The Ten Golden Rules, WOM and Buzz Marketing, Business Strategy in a Semiglobal Economy, China's Challenge: Imitation or Innovation in International Business, and New Emerging Japanese Economy: Opportunity and Strategy for World Business. The brand and marketing strategy of iconic, global brand Starbucks that redefined the coffee experience becoming the third place between work and home. The global expansion of Starbucks has been rapid and strategic. It opened its first international store in Tokyo in 1996, entered UK in 1998 and opened its first Latin American store in Mexico City in 2002. Pricing and targeting: Just like the McDonald's Hamburger Index, there seems to be a need to develop a Starbucks Latte Index. Pricing of its products, especially for the hot and cold drinks on offer should be a crucial part of Starbucks' country strategy.