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Jessica Wald

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Theoretical Consequence of Social Media and Retail Marketing

An honors thesis presented to the
Department of Management

University at Albany, State University of New
York

In partial fulfillment of the requirements for
graduation with Honors in Business
Administration and graduation from The
Honors College

Jessica Wald

Research Advisor: Raymond Van Ness

May 2014



Theoretical Consequence of Social Media and Retail Marketing:

Starbucks Corporation & McDonald's Corporation



Jessica Wald

Abstract

Social media has become a focus of marketing within the past few years. Companies have changed their advertising approach to adapt to the new audience utilizing social media. Social media itself is such a vague phrase, but it encompasses Facebook, Twitter, Instagram, Pinterest, YouTube, Google+, Tumblr, and countless more websites. Throughout the course of this thesis, I look at two well-known companies, Starbucks and McDonald's, and compare them, focusing on their social media usage. My focus is looking at how these two worldwide companies use their Facebook pages, Twitter pages, and Instagram accounts to promote their own brand image and increase awareness. Moreover, I look at the strengths and weaknesses and determine why Starbucks and McDonald's social media is such an international success.

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Lastly, I would like to thank my parents, for having the hardest job in the world and never complaining! You have always supported me and believed in me. I just love making you proud.

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Introduction

Preface: (A)

Morning is a very difficult time for some people. What do you need in the morning to start your day off right? For over 100 million Americans that answer is a cup of coffee. For most, there really is nothing better than waking up and having a cup of coffee. The real question is – where are you going to get that cup of coffee? You can get a cup of coffee anywhere: you can brew this cup of coffee at home, go to a local café, or a large fast food chain like McDonald's, Dunkin Donuts or Tim Horton's. However, there is one place that is superior to the rest, Starbucks. Since 1971, Starbucks has prided itself on providing customers with the highest quality coffee while simultaneously rejuvenating the culture of the coffee industry. From day one, as a small coffee shop in Seattle, Washington, Starbucks set out to be a unique and innovative company. Starbucks is not only a company that celebrates coffee and its rich traditions, but also is a place where people go to feel a connection. This thesis will compare the target company Starbucks verses McDonald's, the benchmark company.

Project Overview: (B)

The purpose of this thesis is to provide a complete and comprehensive analysis of the target company by applying all previous classroom knowledge in marketing, finance, accounting and management. This analysis will examine Starbucks from both a qualitative and quantitative perspective. Upon completion of this report, the reader should fully understand whether Starbucks and McDonald's is making most of their social media, whether they can sustain a competitive advantage, if they have future growth potential and whether or not they are a sound investment.

Target Selection: (i)

When a person thinks about the typical college student, they think of a young adult who is hyped up on caffeine. Now unfortunately, I do not like energy drinks like Red Bull or Monster, and I also do not like regular coffee. As a freshman in college, I knew that was going to have to change. One day I was with my roommate in the campus center, and I decided to try a mocha cappuccino from Tim Horton's. It would be pretty extreme to say that that experience

changed my life, but it did open me up to a completely new experience. From that day almost four years ago, I am now hooked on all the different coffee drinks that are not just plain coffee. There is no coffee shop like Starbucks when it comes to its variety. I am also very particular with how I like my specialty drinks, and Starbucks always works with me and I never leave disappointed. I have spent countless hours sitting in the Starbucks on Western Avenue, studying for exams or writing papers, with a cappuccino or frappuccino in hand.

Benchmark Selection: (ii)

I selected McDonald's to be the benchmark for Starbucks because it is one of the largest and most dominate fast food chains in the world. McDonald's is an excellent company to benchmark against Starbucks because it is rapidly becoming a major player in the coffee industry. McDonald's has increased its product offerings by adding the McCafe line to its menu, which includes coffees, teas, espressos, and breakfast items that directly compete with Starbucks. McDonald's large size and industry influence will provide a comparison to how well Starbucks is positioned against one of its main competitors. When people think of McDonalds, they think of a fast food leader. When people think of Starbucks, they think of coffee leader. Starbucks is not nearly as large or as profitable as McDonald's. However, it could be argued that Starbucks is the "McDonald's" of the coffee industry.

Company Profile: (C)

This section aims to provide general information on Starbucks as well as a brief history of the company. It will highlight Starbucks current profile and Board of Directors.

History of Starbucks: (i)

Starbucks was originally founded in 1971 by three partners: Jerry Baldwin, Zev Siegl, and Gordon Bowker. They opened their first Starbucks store in Seattle Washington's historic Pike Place Market. Starbucks title came from the first mate in the book Moby Dick and a twin siren sea creature from Greek Mythology inspired its logo ("Brief History of Starbucks Corp.").

In 1981, Howard Schultz had his first sip of Starbucks coffee and was instantly hooked. He later joined the company in 1982 where he became the head of marketing. In 1983 while traveling the world conducting market research, Mr. Schulz instantly fell in love with Italian

styled coffee bars. Mr. Schultz was captivated by the romance and the atmosphere that Italian coffee bars gave off. This trip cultivated Mr. Schultz's idea to recreate Italian styled coffee bars in the United States. Mr. Schultz left Starbucks in 1985 to start his own coffeehouse called Il Giornale. ("Our Heritage")

Il Giornale was so tremendously successful in the United States that Schultz was able to acquire Starbucks in 1987. Mr. Schultz purchased all of Starbucks' assets with the backing of local investors for 4 million dollars. He decided to keep the Starbucks name and logo. After this acquisition, Mr. Schultz owned 17 coffeehouses, but was looking to further expansion efforts. To raise money, in 1992, he completed Starbucks' initial public offering and it began trading as a public company on the NASDAQ under the symbol SBUX. ("Starbucks Company Timeline.") For more information on Company history, please see Appendix I.

A current company profile form Yahoo Finance illustrates what Starbucks is today: Starbucks Corporation operates as a roaster, marketer, and retailer of specialty coffee worldwide. As of September 30, 2012, the company operated 9,405 company-operated stores and 8,661 licensed stores. Its stores offer a wide array of products from regular and decaffeinated coffee beverages, Italian-style espresso beverages, cold blended beverages, iced shaken refreshment beverages, premium Tazo teas, packaged roasted whole bean and ground coffees, Starbucks VIA Ready Brew soluble coffees, Starbucks coffee and Tazo tea K-Cup portion packs, Starbucks Refreshers beverages, juices, and bottled water. Starbucks stores also provide various food items, including pastries, prepared breakfast and lunch sandwiches, oatmeal, and salads. In addition, they license the rights to produce and distribute Starbucks branded products to The North American Coffee Partnership with the Pepsi-Cola Company, as well as license its trademarks through licensed stores, grocery, and national foodservice accounts. The company offers its products under the Starbucks, Tazo tea, Seattle's Best Coffee, Starbucks VIA Ready Brew, Starbucks Refreshers, Evolution Fresh, La Boulange, and Verismo brand names. ("Starbucks.")

For proper analysis, it is necessary to have background information on Starbucks. As mentioned previously, Starbucks is traded on the NASDAQ 100 with the abbreviation SBUX. Starbucks is in the services sector and the specialty eateries industry. Starbucks SIC Code is 5812 and NAICS Code is 72221. The fiscal financial year ends on September 30th for Starbucks. Due to Sarbanes Oxley, companies must establish audit committees that are comprised of

independent directors who oversee the financial reporting process and confirm the appointment of the independent auditing firm. The firm of Deloitte & Touche LLP is responsible for the financial information in the annual report for Starbucks. ("Starbucks Company Profile.") ("Starbucks Corporation (SBUX).")

Board of Directors: (ii)

Starbucks' board of directors include: Howard Schultz, William W. Bradley, Robert M. Gastes, Melody Hobson, Kevin R. Johnson, Olden Lee, Joshua Cooper Ramo, James G. Shennan Jr., Clara Shih, Javier G. Teruel, Myron E. Ullman, III, and Craig Weatherup. Mr. Schultz is the only internal director currently on the board. Mr. Schultz is the Chairman of the Board and Chief Executive Officer which means Starbucks is a company that practices duality.

HOWARD SCHULTZ, 59, is the brains of the operation. He is the founder of Starbucks Corporation and serves as chairman, president and chief executive officer. Mr. Schultz has served as chairman of the board of directors since it all began in 1985, and in January 2008, he reassumed the role of president and chief executive officer. From June 2000 to February 2005, Mr. Schultz also held the title of chief global strategist. Between November 1985 and June 2000, he served as chairman of the board and chief executive officer. From November 1985 to June 1994, Mr. Schultz also served as president. Between January 1986 and July 1987, Mr. Schultz was the chairman of the board, chief executive officer and president of Il Giornale Coffee Company, a predecessor to the Company. From September 1982 to December 1985, Mr. Schultz was the director of retail operations and marketing for Starbucks Coffee Company, a predecessor to the Company. His tenure at Starbucks is 28 years. ("Starbucks Corporation Board of Directors.")

WILLIAM W. BRADLEY, 69, has been a Starbucks director since 2003. He was a former NBA all-star and won a gold medal in the 1964 Olympic Games. Since 2000, Senator Bradley has been a managing director of Allen & Company LLC. From 2001 until 2004, he acted as chief outside advisor to McKinsey & Company's non-profit practice. In 2000, Sen. Bradley was a candidate for the Democratic nomination for President of the United States. He served as a senior advisor and vice chairman of the International Council of JP Morgan & Co. from 1997 through 1999. Sen. Bradley previously served on the board of directors of Seagate Technology and Willis Group Holdings Limited and currently serves on the board of directors of

QuinStreet, Inc. His tenure at Starbucks is 10 years. ("Starbucks Corporation Board of Directors.")

ROBERT M. GATES, 69, has been a Starbucks director since 2012. Secretary Gates served in numerous roles in the Executive Branch of the U.S. government for nearly half a century, culminating as Secretary of Defense from December 2006 to June 2011. In September 2011, Sec. Gates was named chancellor of the College of William & Mary. Sec. Gates has previously been a member of the board of directors of several companies, including Brinker International, Inc., NACCO Industries, Inc., Parker Drilling Company and the Board of Independent Trustees of the Fidelity Funds. His tenure at Starbucks is 1 year. ("Starbucks Corporation Board of Directors.")

MELLODY HOBSON, 43, has been a Starbucks director since 2005. Ms. Hobson has served as the president and a director of Ariel Investments, LLC. She previously served as senior vice president and director of marketing at Ariel Capital Management, Inc. from 1994 to 2000, and as vice president of marketing at Ariel Capital Management, Inc. from 1991 to 1994. Ms. Hobson works with a variety of civic and professional institutions, including serving as a board member of the Field Museum and the Chicago Public Education Fund and as chairman of After School Matters. Ms. Hobson also serves on the board of directors of DreamWorks Animation SKG, Inc., where she was named chairman of the board in 2012, The Estee Lauder Companies, Inc. and Groupon, Inc. Additionally, she is on the board of governors of the Investment Company Institute. Her tenure at Starbucks is 8 years. ("Starbucks Corporation Board of Directors.")

KEVIN R. JOHNSON, 52, has been a Starbucks director since 2009. Mr. Johnson has served as the Chief Executive Officer of Juniper Networks, Inc., since September 2008. Mr. Johnson also serves on the board of directors of Juniper Networks. Prior to joining Juniper Networks, Mr. Johnson served as President, Platforms and Services Division for Microsoft Corporation. Mr. Johnson was a member of Microsoft's Senior Leadership Team and held a number of senior executive positions over the course of his 16 years at Microsoft. Before he joined Microsoft in 1992, Mr. Johnson worked in International Business Machine Corp.'s systems integration and consulting business. His tenure at Starbucks is 4 years. ("Starbucks Corporation Board of Directors.")

OLDEN LEE, 71, is one of the oldest board members. He has been a Starbucks director since June 2003. Mr. Lee is a retired executive who previously worked for PepsiCo, Inc. for 28 years where he held many different titles, the highest being a Senior Vice President. He currently serves on the board of directors at TLC Vision Corporation. His tenure at Starbucks is 10 years. ("Starbucks Corporation Board of Directors.")

JOSHUA COOPER RAMO, 44, has been a Starbucks director since 2011. Mr. Ramo is Vice Chairman of Kissinger Associates and has worked there since 2005. He is a leading China scholar and served as a China Analyst for NBC during the 2008 Beijing Summer Olympics. Mr. Ramo brings international experience and knowledge of China's business strategy to the board of directors. His tenure at Starbucks is 2 years. ("Starbucks Corporation Board of Directors.")

JAMES G. SHENNAN, JR., 71, is one of the oldest board members. He has been a Starbucks director since 1990. He served as a general partner of Trinity Ventures from 1989 to 2005. Shennan also serves on the board of directors at P.F. Chang's China Bistro, Inc. His tenure at Starbucks is 23 years. ("Starbucks Corporation Board of Directors.")

CLARA SHIH, 31, has been a Starbucks director since 2011. Ms. Shih is a highly intellectual scholar who recently became a Starbucks director in 2011. She is the Chief Executive Officer of Hearsay Labs Inc., a company she is a co-founder of. She previously worked at Microsoft as a software engineer. She created the first business application for Facebook and wrote the marketing textbook used at Harvard's School of Business. In 2011, she was named one of Businessweek's Top Young Entrepreneurs, one of Fortune's Most Powerful Women Entrepreneurs and one of CNN Money's "40 under 40: Ones to Watch." Her tenure at Starbucks is 2 years. ("Starbucks Corporation Board of Directors.")

JAVIER G. TERUEL, 62, has been a Starbucks director since 2005. Mr. Teruel served as Vice Chairman at Colgate - Palmolive Company from 2004-2007. He held many positions during his time at Colgate, serving as Vice President and President of Colgate-Europe. He previously served on the board of directors at The Pepsi Bottling Group Inc., and he currently serves on the board of directors at J.C. Penney Company, Inc. and the Nielsen Company B.V. His tenure at Starbucks is 8 years. ("Starbucks Corporation Board of Directors.")

MYRON E. ULLMAN, III, 66, has been a Starbucks director since 2003. Mr. Ullman served as Executive Chairman of J.C. Penney Company, Inc. He served as Chief Executive Officer of DFS Group Limited from 1995 to 1999. He also served as Chief Executive Officer of

R.H. Macy & Co., Inc., from 1992-1995. Mr. Ullman previously served on the boards of directors at Ralph Lauren Corporation and currently serves as the deputy chairman of the Federal Reserve Bank of Dallas. His tenure at Starbucks is 10 years. ("Starbucks Corporation Board of Directors.")

CRAIG E. WEATHERUP, 67, has been a Starbucks director since 1999. Mr. Weatherup served as Chief Executive Officer of Pepsi-Cola Business Worldwide and as President of PepsiCo Inc., until he retired in 1999. He led the initial public offering of The Pepsi Bottling Group, Inc. where he served as Chairman and Chief Executive Officer from 1999 to 2003. Mr. Weatherup serves on the board of directors at Macy's Inc. His tenure at Starbucks is 14 years. ("Starbucks Corporation Board of Directors.")

Social Media

To remain competitive in this day and age, it is in a company's best interest to be active on social media. Social media now is such a vague term because there are countless approaches on the web. The main social media platforms are: Facebook, Twitter, Instagram, Pinterest, Google+, YouTube, and Foursquare. When a company utilized any of these platforms, they are virtually obtaining free advertising. That being said, a company will have a better profit it uses social media, compared to a company that does not use social media.

Starbucks use of social media

Sure Starbucks has millions of dollars to spend for Marketing and Advertising, but most online advertising these days can be done for free, or for a very small cost compared to creating a television spot. One of the many reasons for Starbucks' success is that this company truly knows how to engage with their audience. Whether it is on Facebook, Twitter, Instagram, or any of the other social media platforms that Starbucks utilizes, they always make sure their customers are being heard. Starbucks is unique because people of all ages enjoy its product. That being said, not everyone pays attention to Starbucks online presence. However, even if you just spend one minute looking into their online strategy, you will understand that Starbucks is doing something right.

Some may think it is effortless to be in charge of a notorious company's social media pages. In fact, it is quite the opposite. A handful of Starbucks employees have access to all the different social media platforms, and all the posts, on every platform, are thought of well in advance. There are certain weeks that focus on a product, and then there are other weeks that focus on global issues. Even the most simple and plain post requires weeks of planning. Everything is well thought out to make Starbucks' social media the success that it has become. (Allison)

When using social media, it is easy to get carried away. Some people get into fights on posts because they have differing opinions. While it may seem simple to remain professional on social media, even the best have their moments of defeat. For that reason, Starbucks put together some guidelines that people should follow in regard to social media. The guideline includes a list of do's and don'ts, and some overall advice. Not many companies display guidelines for their customers and employees to see. In this instance, Starbucks is going above and beyond and showing that they truly do care about their customers and the preservation of their prestigious brand. ("Starbucks Social Media Guidelines")

Starbucks' Facebook

As of March 2014, Starbucks' Facebook page had 36,357,919 likes, 301,273 people were talking about it, and 17,540,262 were here. ("Starbucks") 'Were here' means that people checked into that location. 'Talking about This' is the number of people who have created a story from your Page (Starbucks) post. Stories can include sharing, liking, or commenting on a post, answering a question, responding to an event, or claiming an offer. ("Facebook Page Insights: What") The Starbucks Facebook page was created in 2008 and has skyrocketed in popularity.

On their Facebook page, Starbucks posts a variety of items. Some of Starbucks' most recent posts are about a new location opening, advertising a new product, and images from customers with entertaining names written on their cups. However, that may not seem different than any other company page. That leads to the questions what makes Starbucks a success on Facebook? To put it simply, engagement. Starbucks is very engaged with their audience on this social media platform. For example, they do not just post items once a week and then post something completely different a week later. Starbucks typically posts items a couple times a

week. Additionally, and maybe more importantly, Starbucks interacts with individuals who reach out to them via the Starbucks Facebook page. For instance, when someone comments on a Starbucks post, Starbucks responds. One Starbucks post that said they were opening a new store location in Disney, an individual commented on it and asked for there to be a Starbucks in France. Starbucks responded less than an hour later saying that there is a Starbucks in Paris and provided an appropriate link.

If a customer is satisfied with their Starbucks experience, they are likely to post about it. While Starbucks Facebook posts get hundreds of likes and comments as is, if they post a “Buy 1 get 1” promotion, the amount of likes that post receives skyrockets. In addition, with promotions like or similar to the one just stated, a lot of “shares” are generated. (Schoultz) This is very important because that means Starbucks post does not only reach the people who already “like” Starbucks. Now the post is seen by the friends of those who “like” Starbucks as well. With this, Starbucks expands its reach without putting in a lot of effort.

A last aspect of Starbucks’ Facebook success is their about page. Most Facebook company pages about pages just give a brief description of the company, locations, and the company hours. Starbucks goes beyond that. On Starbucks’ about page, they give their mission statement, a company overview, as well a description. What gives Starbucks their competitive advantage is that they also note their important life events. For example, in 2010 Starbucks began having free wifi in all their locations, and they included that in their life events. In 2010, smart phones were gaining in popularity, so wifi was becoming increasingly important. Once again, Starbucks responded to a need that they saw from their customers.

The most important thing to keep in mind is Starbucks is not spending any money on marketing when it comes to their customers creating an online community on their Facebook page. Most of the people who “like” Starbucks on Facebook see what happens on their page, and if that encourages them to go to Starbucks to get their morning coffee as opposed to brewing their own at home, that is more money for Starbucks without any money spent. Starbucks’ fans typically comment their own experiences from their local Starbucks location, and if they are good reviews, that is free word of mouth marketing. (Gembariski)

Starbucks Twitter

As of March 2014, Starbucks has 18.3 thousand tweets, is following 87.4 thousand people/companies/organizations, and most importantly, has 5.87 million followers. (“Starbucks”) While Starbucks’ Twitter is not as popular as their Facebook page, that can be expected since Twitter is not as popular as Facebook. Still, Starbucks follows a similar approach with their Twitter as they do with their Facebook page to make it successful.

It is important for all companies to utilize social media, but not post the same things in each site. In other words, make sure your company’s Facebook page is not identical to its Twitter page. Starbucks follows this rule. While Starbucks does tweet some of the same items that they post on Facebook, such as new locations, they also tweet different things. For example, back in February, Starbucks tweeted “Be happy. #protip”. (“Starbucks”) This statement has nothing to do with Starbucks coffee, which is what the company is all about. On the other hand, it could be argued that even though this statement directly has nothing to do with the company, the underlying message is part of Starbucks’ bigger picture. Starbucks wants their customers to be happy, and ideally, they are happy when they have one of Starbucks’ products.

When using Twitter, it is also important to retweet individuals or companies that mention you in their tweet. That means that Starbucks should be retweeting tweets that mention them. Obviously it would not make sense to retweet everyone because then it just becomes clutter on Starbucks followers newsfeed. Therefore, Starbucks has to determine which tweets are worth a response or a retweet. Recently, Starbucks has been responding to tweets to individuals if they have been positively promoting a product. Additionally, Starbucks has been retweeting companies that mention news about Starbucks, such as expansions. Lastly, Starbucks has a few Twitter handles, such as regular Starbucks, and also Starbucks Store. Starbucks occasionally retweet Starbucks Store’s tweets for promotional activity.

It is important to note again that this form of social media exposure is free! Starbucks does not pay for their Twitter page, and all the followers and people they reach see their tweets at no cost. Everyone who decides to go to Starbucks after seeing a tweet is just adding to this company’s profit. Twitter, just like Facebook, allows Starbucks to interact with their customers in a very informal setting, and allows the target market to give direct feedback on a daily basis. Social media marketing is not successful unless there is value, and there is definitely value in following Starbucks on Twitter. (Gembariski)

Starbucks Instagram

As of March 2014, Starbucks has 2.16 million followers, 401 posts, and is following 1,146 people/companies. (“Starbucks”) They post an image essentially daily. When Starbucks posts a picture that someone else originally posted, they use the hashtag “regram” or “repost” and then tag the individual that they took the picture from. This gives credit to where credit is due. Starbucks applies the code of conduct of social media marketing to their Instagram account – there are a few images that are on all their social media website, but there are also unique images and posts to their Instagram account. Just like Starbucks’ other social media platforms, their posts on Instagram receive thousands of likes and hundreds of comments. When Starbucks reuses someone else’s image, that is their form of customer interaction. The millions of followers reach out to Starbucks by tagging them in a post or using a Starbucks hashtag.

McDonald’s use of social media

McDonald’s is one of the most well known brands in the world; almost anyone can recognize the golden arches and automatically associate it with the company. That being said, even though they are already so popular, McDonald’s also had to jump on the social media bandwagon to remain current. McDonald’s is one of those companies that is minimally effected by economic hardships because of promotions like the Dollar Menu. For that reason, many consider McDonald’s social media approach to be relatively basic. (Rose) While they still have a massive online following, people would know what McDonald’s is even without the use of social media. Because of this, McDonald’s implements less of a groundbreaking approach, and typically just posts about its products on all social media platforms. Still, it is cost effective since social media marketing is a minimal cost.

McDonald’s Facebook

As of March 2014, McDonald’s Facebook page has 30,340,559 likes, 171,347 talking about this, and 10,550,538 were here. Even though these numbers are lower than Starbucks’, McDonald’s is also has a very successful Facebook page. McDonald’s posts an update several times a week; most frequently they post about one of their products. (Moth) Also, McDonald’s rarely responds to the comments they receive on their Facebook page. For a couple of weeks

leading up to St. Patrick's day, McDonald's cover photo was an image of drawn four leaf clovers and a Shamrock Shake next to it. This is clever advertising because McDonald's serves this product, the Shamrock Shake, only around St. Patrick's day, so this is a form of free advertising for the seasonal item.

To expand their reach, McDonald's wants all of their posts shared. For an individual to share a post, the post has to be simple, honest, and worth sharing. For that reason, McDonald's creates content calendars so that the employees know what exactly is being posted, and when, McDonald's Director of Social Media explains. (Wion) That way everything flows smoothly and McDonald's can appear on everyone's newsfeed, in one way or another.

A typical Facebook company page has these set tabs: photos, likes, videos, and events. One thing that makes McDonald's Facebook page distinctive is that they have a tab titled reach out, and a tab titled local. In the reach out tab, customers are encouraged to give their feedback. Customers love giving their feedback, especially if they had a very good or very poor experience. This tab encourages interaction with the customer and the company, and it shows that the company values what their market has to say. On the local tab, customers can enter their zip code to receive information, updates, and specials for McDonald's locations closest to them. (McDonald's) This also enhances user experience by providing customers with convenience. Once a customer enters their zip code and receives a promotion, they are more likely to go to McDonald's to take advantage of the offer. That results in McDonald's making money without having to spend money on advertising.

McDonald's Twitter

As of March 2014, McDonald's has 2.23 million followers, 19.7 thousand tweets, and is following 13.6 thousand individuals/companies. McDonald's tweets a couple times a day, which explains why they have more tweets than Starbucks. Still, McDonald's is very successful on twitter. Like on Facebook, they mostly tweet about products, including pictures. Additionally, McDonald's gets a lot of customer interaction on twitter because they create hashtags that people are supposed to respond to. For example, McDonald's had a promotion to send a child to see the World Cup. To gain interaction and responses, McDonald's started using the hashtag #McDOneGoal. Everyone who then uses that hashtag can be tracked and linked to the tweet. Lastly, McDonald's twitter followers were encouraged to tell the story of when their child first

scored a soccer goal, still while using the hashtag. (“McDonald’s”) When people respond to McDonald’s, that builds their brand awareness. Not only can all of McDonald’s followers see the tweet, but the individual who tweeted back now shares the tweet with all of his/her followers. McDonald’s gains more followers every time they start a hashtag. Even with the unique hashtags, McDonald’s does not tweet anything that does not relate to their products or promotional activities. (Moth)

McDonald’s twitter page is also famous among celebrities, or at least those who report about celebrities. E! Online is one of the most reputable sources to learn of celebrity news, and in mid March, they tweeted about McDonald’s famous Shamrock Shake. McDonald’s was very proactive in the situation and responded to the tweet within a day. E! Online has 6.22 million twitter followers. (“E! Online”) When they tweeted about McDonald’s product, it increased McDonald’s twitter awareness by almost 3 million! Most importantly, McDonald’s did not have to pay for this advertising. Instead of being positive word of mouth marketing, this is an example of positive word of internet mouth marketing.

Social media marketing is only successful if value is being added. McDonald’s continues to add value to its customers and online following by posting different material on different social media platforms, with the occasional overlap. Because they are not posting too much and creating clutter and unnecessary noise, McDonald’s twitter is successful.

McDonald’s Instagram

As of March 2014, McDonald’s Instagram Account has 116 thousand followers, is following 24 people or companies, and has 87 posts. Because McDonald’s is a worldwide franchise, they have different Instagram accounts for different countries. The numbers just mentioned are for the United States. McDonald’s Instagram posts a new image a couple times a week. (“McDonald’s”) That is a good amount so they do not clutter the newsfeeds of their followers. Most of McDonald’s posts are unique, meaning that the company creates takes the pictures themselves and they do not use someone else’s photo. Additionally, McDonald’s has been taking advantage of the video feature that Instagram offers. For instance, they occasionally create short, playful videos and upload them to their account for everyone to see. Obviously the overall goal is to generate interest in their products. Once again, Instagram is a free marketing tool that McDonald’s is utilizing well.

Strategic Positioning: (ii)

In order to analyze strategic positioning, one must consider a company's vision and mission, competitive advantage, general environment, innovation and plans and progress. Strategic positioning is focused on a company's preparation for the future.

Vision and Mission: (1)

The vision and mission statements of a corporation are important anchors that communicate, "what a firm wants to be" and "what a firm does" (Van Ness, 4). These statements clarify the purpose of the organization, help employees bond with the firm, and set a context for understanding management decisions and actions.

A vision statement articulates the core values of an organization and its perception of its role as a corporate citizen. Starbucks' vision statement is "Every day, we go to work hoping to do two things: share great coffee with our friends and help make the world a little better" ("Our Heritage."). This statement is rather broad but it sums up the company correctly. It allows flexibility for the TMT in its strategy formulation. It shows Starbucks' is going to be concerned with its product and their surrounding environment.

A mission statement clarifies where the firm will focus its attention and highlights its core values and beliefs. Starbucks' mission is to, "to inspire and nurture the human spirit – one person, one cup and one neighborhood at a time" ("Our Starbucks Mission Statement."). The mission statement clarifies that Starbucks' will focus their attention to social responsibility. As far as inspiration goes, Starbucks' has developed community centers, implemented the "My Starbucks Idea" program, and the "Youth in Action" program, all designed to foster inspiration. I graded Starbucks 5 out of 5 for both its vision and mission statements (Starbucks).

Competitive Advantage: (2)

Having a competitive advantage is essential for a firm to obtain recurrent above average returns. A competitive advantage is when a firm has discovered a method for continuously performing its value generating activities more effectively and efficiently than its rivals. (Van Ness, 7)

Starbucks' competitive advantage is obtained from its customer service, brand image, and coffee quality. Customer service at Starbucks is very important and critical to success. The

baristas of Starbucks are a critical factor since they interact directly with the clientele. Starbucks' has a strategy of creating a personalized service for customers which includes personal greetings, order customization, and memorable exchanges with each customer. Baristas do all this with a genuine smile and friendly spirit. This results in customer's satisfaction and loyalty. Today, there seems to be a Starbucks on every corner. Starbucks' astonishing success has resulted in more than 17,000 stores in 55 countries. This leads to a positive brand image and identity. Being recognized as a global brand creates a competitive advantage over smaller mom and pop stores for Starbucks. Starbucks' third source of competitive advantage is from its coffee quality. Starbucks' coffee quality begins with the purchase of high-quality Arabica coffee beans. Many Americans were raised on a commodity-like coffee made from lower quality Robusta beans, Starbucks coffee is strictly Arabica, and the company ensures through C.A.F.E standards that only the highest quality beans are used. ("Our Heritage.")

According to CEO David Schultz, "We're not just selling a cup of coffee, we are providing an experience." When it comes to excellence and customer service, the remarkably high standards set by Starbucks cannot be matched by any of its competitors. McDonald's lacks the individual connection with customers that Starbucks prides itself on. Starbucks received a grade of 5 out of 5 for its ability to sustain competitive advantages.

General Environment: (3)

The five main factors that make up the general environment are demographic, economic, political/legal, socio-cultural and technological. Starbucks TMT has remained diligent in scanning the general environment for possible opportunities and threats. Starbucks offers a variety of products that appeal to all demographics, which enables it to withstand changes to the general environment. I recommend Starbucks specifically target the increasing Latin-American population. Also, Starbucks stays up to date with all the recent trends the coffee industry is experiencing. For example, offering products to appeal to customer's health conscious tastes.

Innovation: (4)

Innovation is one of the main reasons why Starbucks is successful. A company must continually look for ways to improve and reinvent itself. Starbucks uses new technology to foster innovation.

As mentioned previously, Starbucks partnered with Yahoo to introduce the Starbucks Digital Network. The network is comprehensive news, entertainment, and lifestyle channel, designed to enhance the customer's in-store experience. (Van Grove)

Starbucks is also innovative when it comes to developing mobile phone technology. Starbucks' created the Starbucks payment app. Starbucks' mobile app is used by customers to make purchases in the store from a pre-paid account. According to CEO Howard Schultz, "Over seven million customers now use one of our mobile payments apps translating into 2.1 million mobile payment transactions each week with hundreds of thousands of additional Starbucks mobile app downloads each week" (Hanford).

As mentioned before, Starbucks also developed the "My Starbucks Rewards" program. Starbucks' reward program is like nothing else in the coffee industry. Starbucks currently has 4.5 million active members enrolled in its rewards program. ("My Starbucks Rewards™.") This program not only creates convenience for the customer it provides Starbucks with valuable customer information.

In 2012, Starbucks began using an innovative process that pulls the naturally occurring caffeine and other good ingredients from 100% green Arabica coffee beans before they are roasted. The results in a green coffee extract, the natural energy from coffee, which led to the launch of Starbucks Refreshers product line. ("Starbucks Refreshers Beverage.") Now Starbucks can directly compete in the energy drink market.

Plans and Progress: (5)

It is necessary for companies to have sufficient plans and objectives in place. Failure to do so may result in serious consequences. Starbucks' main goal focuses of developing its brand globally. Starbucks set a goal for China to be its 2nd largest market. Currently there are more than 3,000 stores in China, and it is one of the fastest growing countries for Starbucks. In the first fiscal quarter of 2013 the China/Asia Pacific segment achieved sales of \$214.3 million, an increase of 28% over the previous year. (Leob) Starbucks also hopes to hit its target of opening 600 new Starbucks cafes in China and the Asia-Pacific segment by the end of 2013. (Rutter) Significant growth is also happening in Latin America, Starbucks just recently opened up its first store in Costa Rica. Currently, Starbucks has 560 stores across Latin America with long-term growth focused in Brazil. ("Starbucks Broadens Presence in Latin America.")

Starbucks also plans on selling more consumer products. Starbucks introduced Verismo system, the first at-home premium single cup machine. Through the new Verismo system, Starbucks intends to offer Starbucks-quality espresso beverages, such as espresso, cappuccino and latte beverages at home. Starbucks sold more than 150,000 Verismo brewers last quarter. (Rutter) As previously stated, Starbucks has many environmental sustainably and social responsibility goals set to accomplish by 2015. Starbucks is currently on pace to achieve most of these goals and is happy with its performance thus far. Starbucks is focused on the expansion of “My Starbucks Rewards”. Beginning this past May, Starbucks’ customers now receive rewards in grocery stores for purchasing Starbucks packaged coffee.

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Appendix I: Top Executives

A Top Management Team (TMT) is an essential function to every organization. A TMT is responsible for the SWOT analysis, strategic intent, strategy formulation, strategy implementation, and strategy management of an organization. Starbucks has 17 members on its TMT.



Howard Schultz
Chairman, President, and
Chief Executive Officer



Troy Alstead
Chief Financial Officer and
Group President, Global Business
Services



Marissa Andrada
Senior Vice President
Global Partner (Human)
Resources



Adam Brotman
Chief Digital Officer



Cliff Burrows
Group President, Americas,
Europe, Middle East and Africa
(EMEA) and Teavana



Michael Conway
Executive Vice President
Global Channel
Development



John Culver
Group President, Starbucks
Coffee China and Asia Pacific,
Channel Development and
Emerging Brands



Curt Garner
Chief Information Officer



Jeff Hansberry
President, Starbucks
China and Asia
Pacific



Lucy Lee Helm
Executive Vice President,
General Counsel and Secretary



Deverl Maserang
Executive Vice President,
Global Supply Chain



Sharon Rothstein
Global Chief Marketing
Officer



Arthur Rubinfeld
Chief Creative Officer and
President, Global Innovation
and Evolution Fresh Retail



Craig Russell
Senior Vice President,
Global Coffee



Matthew Ryan
Global Chief Strategy
Officer



Blair Taylor
Chief Community Officer



Vivek Varma
Executive Vice President,
Public Affairs

McDonald's has 18 members on its TMT.



Don Thompson - CEO

President and Chief Executive Officer



Tim Fenton

Chief Operating Officer



Jose Armario

Executive Vice President, Worldwide Supply Chain, Development & Franchising



Peter J. Bensen

Executive Vice President and Chief Financial Officer



Bridget Coffing

Senior Vice President and Chief Communications Officer



Steve Easterbrook

Executive Vice President and Chief Brand Officer



Richard Floersch

Executive Vice President and Chief Human Resources Officer



Doug Goare

President, McDonald's Europe



J.C. Gonzalez-Mendez

Senior Vice President, Global CSR, Sustainability and Philanthropy



Erik Hess

Senior Vice President, Consumer and Brand Strategy



Dave Hoffmann

President, McDonald's Asia, Pacific, Middle East and Africa



Ken Koziol

Executive Vice President and Global Chief Restaurant Officer



Adam Kriger

Senior Vice President,
Corporate Strategy



Edgardo Navarro

President, McDonald's
Latin America



Atif Rafiq

Senior Vice President
and Chief Digital Officer



Gloria Santona

Executive Vice
President, General
Counsel and Secretary



Jim Sappington

Senior Vice President
and Global Chief
Information Officer



Jeff Stratton

President, McDonald's
USA