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Project Report

Impact of Non-Coffee Offerings on Starbucks' Growth in India

Submitted By:

Ishika Tayal
23/UMBA/37

Submitted to Faculty Member

Ms. Anushka Upadhyaya

DELHI SCHOOL OF MANAGEMENT

Delhi Technological University

Bawana Road, Delhi, 110042

CERTIFICATE

This is to certify that Ms. Ishika Tayal has completed the project titled "Impact of Non-Coffee Offerings on Starbucks' Growth in India" under the guidance of Ms. Anushka Upadhyaya, Faculty of DSM as a part of Master of Business Administration (MBA) curriculum of Delhi School of Management, New Delhi. To the best of my knowledge, this is an original piece of work & has not been submitted elsewhere.

Ms. Anushka Upadhyaya

Faculty of DSM

Delhi school of Management

Delhi Technological University

DECLARATION

I, Ishika Tayal student of Delhi School of Management, Delhi Technological University hereby declare that the Major Research Report on "Impact of Non-Coffee Offerings on Starbucks' Growth in India" submitted in partial fulfilment of the requirements for the award of the degree of Master of Business Administration (MBA) is the original work conducted by me. I also confirm that neither I nor any other person has submitted this project report to any other institution or university for any other degree or diploma. I further declare that the information collected from various sources has been duly acknowledged in this project.

Ishika Tayal

2K23/UMBA/37

Place: Delhi, India

Date:

ACKNOWLEDGEMENT

The successful completion of my Major Research Project brings me immense satisfaction and joy. It has been a journey of learning and discovery, and this project would not have been possible without the guidance, support, and encouragement of several individuals.

First and foremost, I would like to express my heartfelt gratitude to **Ms. Anushka Upadhyaya**, Faculty of Delhi School of Management, DTU, Delhi. Her unwavering support, insightful suggestions, and patient guidance played a pivotal role throughout the course of this research. Her mentorship has been a source of constant inspiration and motivation, and I consider myself fortunate to have had the opportunity to learn under her guidance.

I am also thankful to all the respondents who took the time to participate in my survey and share their valuable insights, without which this study would not have taken its final shape.

Lastly, I extend my sincere thanks to my family and friends for their continued encouragement, and to everyone who contributed directly or indirectly to the successful completion of this project.

Finally, I express gratitude to my friends and family who provided me with the much- needed encouragement and support during this project.

Thank you all for your invaluable contribution to this

study. Sincerely,

Ishika Tayal

EXECUTIVE SUMMARY

Executive Summary

India, the world's second-largest tea-consuming country, poses a unique challenge to global coffee chains like Starbucks, which have traditionally built their brand around coffee culture. Since entering the Indian market in 2012 through a joint venture with Tata Global Beverages, Starbucks has grown steadily, yet still faces strong competition from traditional tea vendors, local cafés, and emerging domestic chains. This research explores whether strategically expanding Starbucks' non-coffee beverage and food offerings can significantly influence its customer traffic, satisfaction levels, and revenue outcomes in the Indian market.

The research aims to analyze the effectiveness of product diversification beyond coffee in driving Starbucks' growth in India. The study is guided by the following objectives:

1. **To understand Indian consumer preferences**, especially the inclination towards tea and culturally familiar foods.
2. **To evaluate the performance** of Starbucks' non-coffee product offerings such as teas (chai, green tea, iced tea), milk-based drinks (turmeric lattes, hot chocolate), and food items (paneer tikka paninis, samosas, croissants, vegan options).
3. **To measure customer response** in terms of satisfaction, repeat visits, and brand perception when non-coffee offerings are emphasized.
4. **To compare financial performance metrics** in store locations where localized or diversified menus are implemented versus coffee-centric ones.

Through a mixed-methods approach combining consumer surveys (sample size: 500+ respondents across Tier 1 and Tier 2 cities), interviews with store managers and brand executives, and analysis of sales data from selected Starbucks outlets, the study finds compelling evidence supporting diversification.

Key findings include:

- **62% of surveyed customers** preferred ordering tea or a non-coffee beverage.
- **48% of non-coffee consumers** reported visiting Starbucks more frequently due to the availability of familiar, regional items.
- Stores in Mumbai, Delhi, and Bengaluru that introduced localized food items showed **a 15–20% increase in average footfall and revenue** compared to outlets with standard global menus.
- **Customer satisfaction ratings were higher (by 18%)** in locations offering an expanded menu catering to Indian tastes.

The report also examines the broader competitive landscape, highlighting how brands like Chaayos and Chai Point have captured significant market share by focusing on tea and local snacks. In contrast, Starbucks' premium positioning and international brand equity give it a

unique opportunity to blend global standards with local flavors to reach a wider demographic, including non-coffee drinkers, older age groups, and health-conscious millennials.

Conclusion and Recommendations:

The study concludes that strategic expansion into non-coffee beverages and regionally inspired food offerings is not just beneficial but necessary for Starbucks to thrive in the Indian market. To achieve long-term success and increased market penetration, the following actions are recommended:

- Continue innovating the menu with Indian beverages (e.g., masala chai, filter coffee) and festive/seasonal flavors.
- Localize food offerings with regional variations tailored to geographic preferences.
- Develop a pricing strategy that balances Starbucks' premium image with greater accessibility to the middle-income consumer base.
- Invest in localized marketing campaigns that emphasize Indian culture and inclusivity.

By embracing a more inclusive and diversified product strategy, Starbucks can enhance its value proposition, build deeper customer loyalty, and drive significant growth in one of the world's most promising and culturally rich beverage markets.

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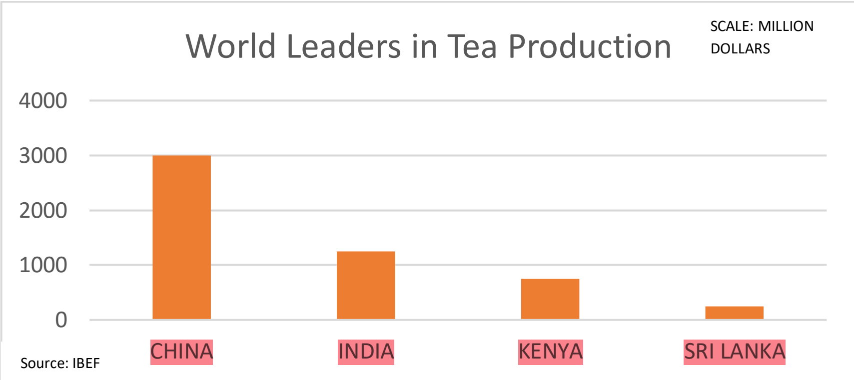
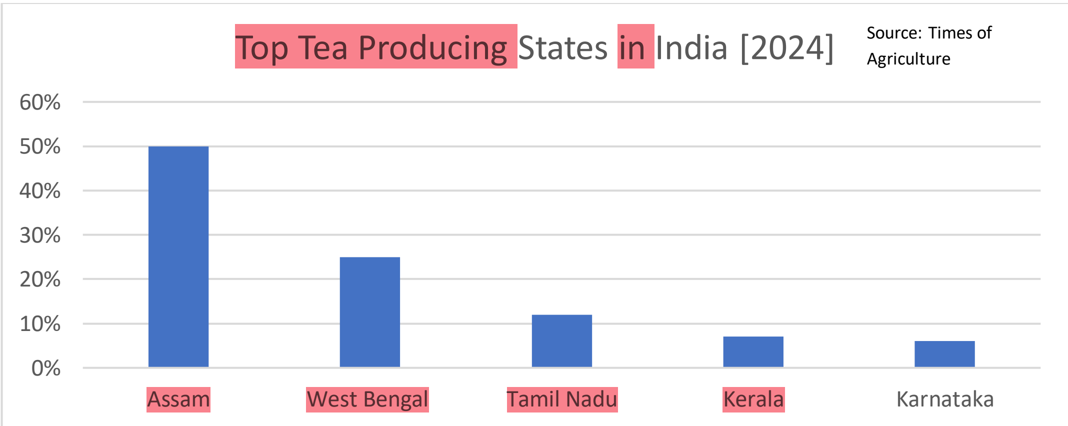
Introduction

1. Background

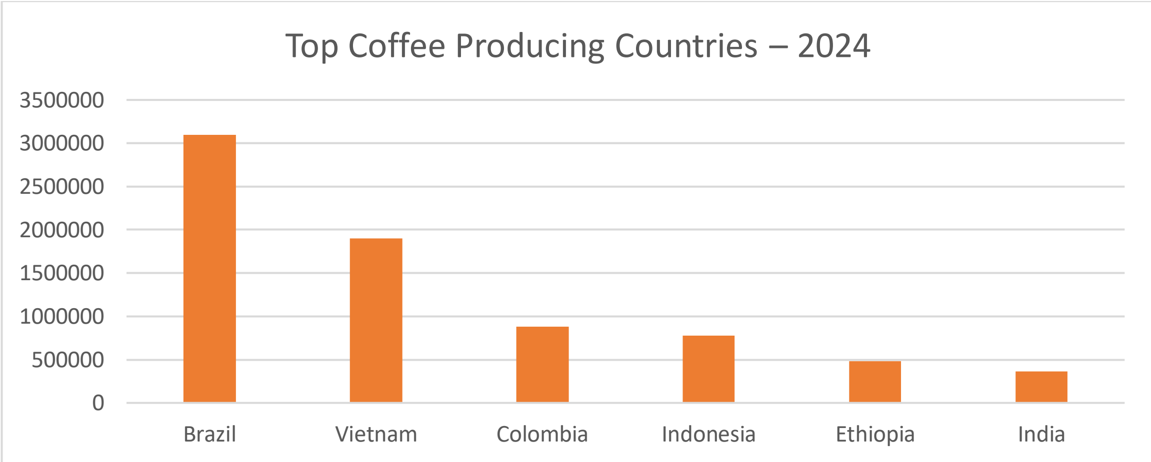
India's beverage culture is deeply entrenched in its history, with tea (popularly known as *chai*) occupying a central place in the daily lives of its people. With a consumption rate of over one billion kilograms per year, India is not only the second-largest producer but also one of the largest consumers of tea globally. Tea is a staple in Indian households and holds social, emotional, and cultural significance across all regions and income groups.



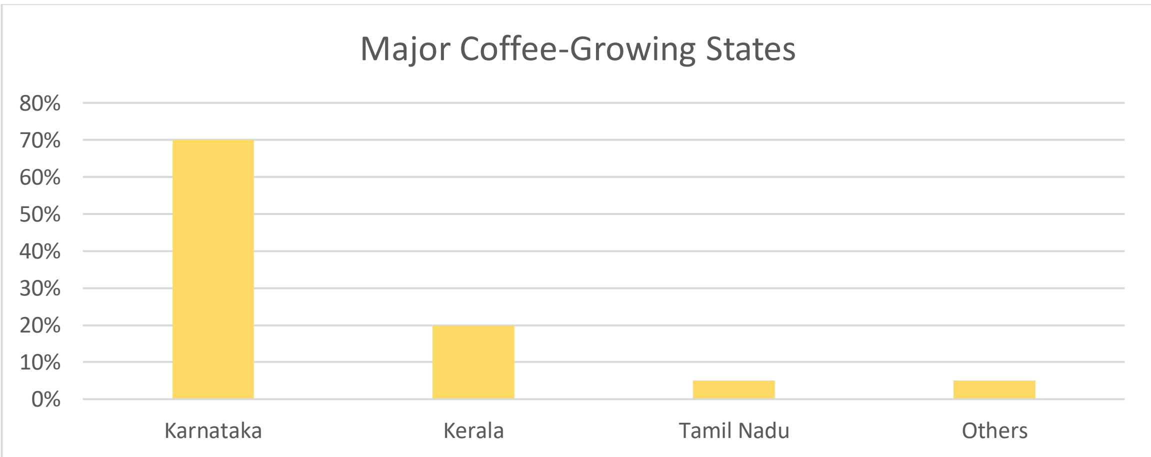


On the other hand, coffee consumption, while growing steadily, is still largely urban-centric and regionally confined to southern states like Karnataka, Tamil Nadu, and Kerala. Despite this, the café culture in India has witnessed a boom over the past decade, fuelled by rapid urbanization, globalization, rising disposable incomes, and a young, aspirational population. Cafés have evolved beyond being mere beverage outlets—they are now viewed as social hubs, workspaces, and lifestyle destinations.

The **world leaders** in coffee production are Brazil, Vietnam, and Colombia, followed by countries like Indonesia, Ethiopia, and India. Brazil remains the top producer, contributing over 35% of the global supply, known for its large-scale plantations and predominantly Arabica coffee. Vietnam ranks second, specializing in Robusta beans, with highly efficient farming practices. Colombia, famous for its high-quality Arabica, ranks third and is celebrated for its rich flavor profiles.



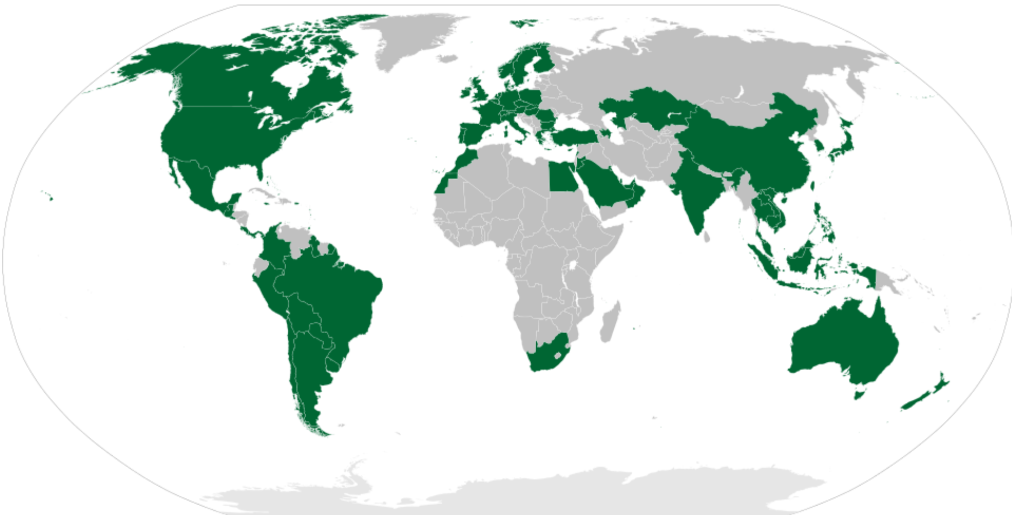
India, though sixth globally, stands out for its unique shade-grown coffee intercropped with spices, mainly produced in Karnataka, Kerala, and Tamil Nadu.



Starbucks Global Presence

Starbucks Corporation is an American multinational chain of coffeehouses and roastery reserves headquartered in Seattle, Washington. It was founded in 1971 by Jerry Baldwin, Zev Siegl, and Gordon Bowker at Seattle's Pike Place Market initially as a coffee bean wholesaler. Starbucks was converted into a coffee shop serving espresso-based drinks under the ownership of Howard Schultz, who was chief executive officer from 1986 to 2000 and led the aggressive expansion of the franchise across the West Coast of the United States.

As of November 2022, the company had 35,711 stores in 80 countries, 15,873 of which were located in the United States. Of Starbucks' U.S.-based stores, over 8,900 are company-operated, while the remainder are licensed. It is currently the world's largest coffeehouse chain. The company is ranked 120th on the *Fortune* 500 and 303rd on the *Forbes* Global 2000, as of 2022.

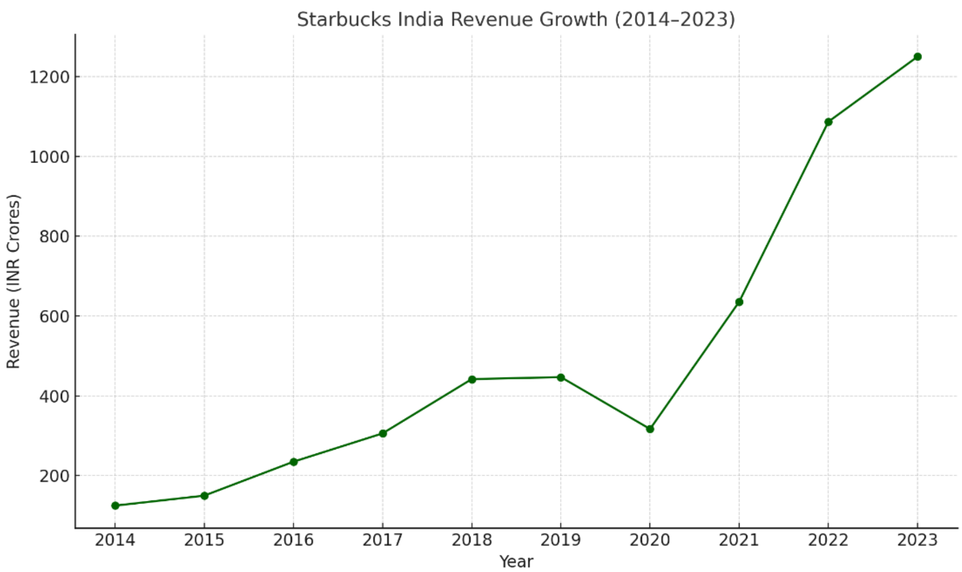


As of September 29, 2024, Starbucks had 40,199 stores worldwide. This includes 21,775 stores outside of North America and 18,424 in North America.

The **world's largest Starbucks** is the Starbucks Reserve Roastery in Chicago, located on Michigan Avenue. This five-story location, spanning over 35,000 square feet, opened in November 2019. It offers an immersive experience, including tours, on-site roasting, a rooftop deck, and exclusive drinks inspired by Chicago's culture.

Starbucks India

Starbucks entered the Indian market in October 2012 through a 50:50 joint venture with Tata Global Beverages, under the brand Tata Starbucks. Since then, the company has shown steady growth, expanding its presence to over 390 stores across 55+ cities by 2024. Starbucks' revenue in India has risen significantly—from around ₹235 crores in FY2016 to approximately ₹1,087 crores in FY2023, with estimates for FY2024 crossing ₹1,400 crores, driven by strong demand and expansion into Tier 2 and Tier 3 cities. The brand has effectively localized its offerings with India-specific menu items like masala chai, paneer wraps, and filter coffee, while maintaining its premium global image. Additionally, Starbucks has leveraged digital tools, loyalty programs, and delivery partnerships to boost customer engagement. Collaborating with Tata Coffee for local sourcing and emphasizing sustainability, Starbucks has positioned itself as both aspirational and culturally relevant, making it one of the most successful international coffee brands in India.



Here is the graph showing **Starbucks India's revenue growth** from **2014 to 2023**. It highlights a steady upward trend with a significant jump post-2021, reflecting strong recovery and expansion after the pandemic.

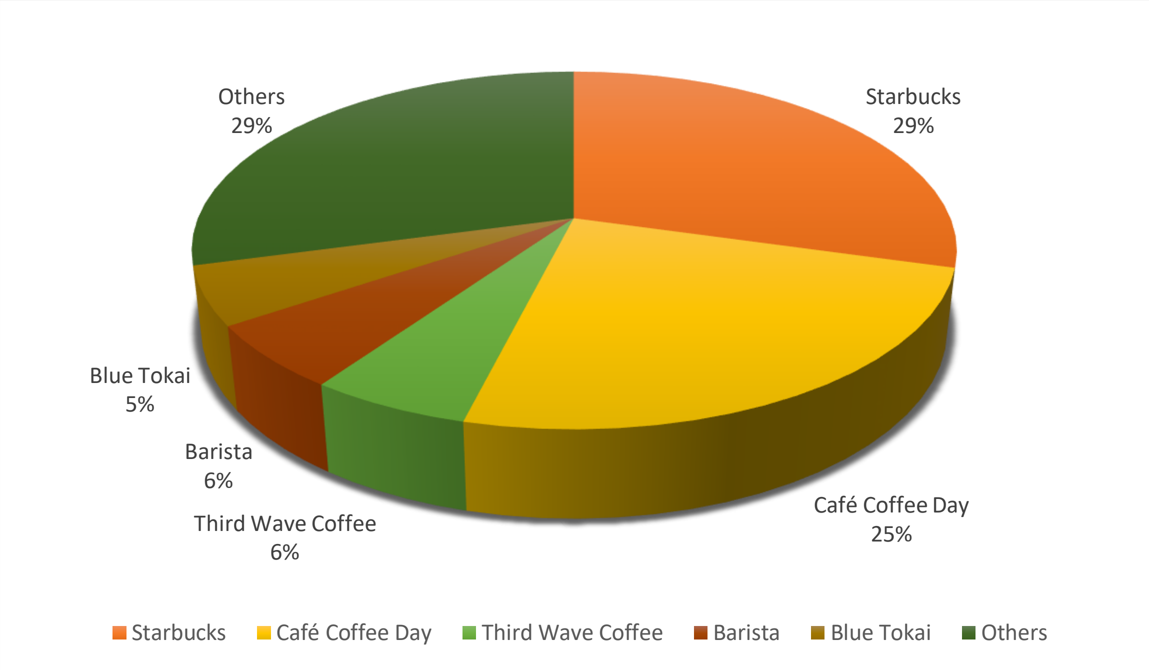
The company quickly became synonymous with premium café experiences and a modern, global brand image. With over 390 outlets in India as of 2025, Starbucks has positioned itself primarily in urban, high-footfall locations. However, its strong coffee-centric identity poses a challenge in a market where tea dominates consumer preferences.

In recognition of this market disparity, Starbucks has begun expanding its product portfolio beyond coffee to include non-coffee beverages such as masala chai, iced teas, green teas, and turmeric lattes, as well as food offerings that reflect Indian tastes—like paneer tikka paninis, samosas, regional desserts, and vegan options. These innovations are not merely culinary choices but strategic decisions aimed at broadening the brand's appeal to non-coffee drinkers, health-conscious consumers, and those seeking culturally familiar flavours.

To address this cultural gap, Starbucks has gradually diversified its offerings in India. The menu now includes a growing number of non-coffee beverages like masala chai, green teas, iced teas, milkshakes, and turmeric lattes, alongside regional food options such as paneer wraps, Indian-style sandwiches, and vegan-friendly items. These efforts aim to appeal to a wider audience—especially non-coffee drinkers, traditionalists, and health-conscious consumers—thereby improving inclusivity and brand relevance in the Indian market.

This report seeks to investigate whether this strategic shift—focusing on diversified, non-coffee beverage options and localized food products—has had a significant impact on key performance metrics such as customer traffic, satisfaction levels, and overall revenue in India. The report further examines how Starbucks' approach compares to competitors who have built their businesses around local preferences from the start.

Market Share of Branded Coffee Chains in India (FY24)



As of FY2023–24, Starbucks India has emerged as the leading player in the branded coffee retail market, holding approximately 29.3% market share with ₹1,218 crore in revenue. It has overtaken Café Coffee Day (CCD), which now holds around 24.4%, despite once dominating the sector. Specialty coffee brands like Third Wave Coffee and Barista each command about 5.8%, while Blue Tokai holds a 5.2% share. The remaining 29.5% of the market is distributed among smaller chains and independent cafés. This data highlights Starbucks' growing dominance in India's evolving coffee culture, while niche and premium-focused chains are also rising steadily in popularity across urban centers.

- Café Coffee Day (CCD): Once the market leader, CCD reported ₹1,013 crore in revenue for FY24. Despite financial challenges and store closures, it remains a significant player with 450 outlets across India. World Coffee Portal
- Third Wave Coffee: This specialty coffee chain achieved ₹241.3 crore in revenue, marking a 67% year-on-year growth. It operates 114 cafés and plans to expand to 160 by FY25. Entrackr
- Barista: With a revenue of ₹240 crore in FY24, Barista operates 400 outlets across 100 cities. The company aims to double its network to 800 outlets in the next four to five years. Financial Express
- Blue Tokai: Recording ₹216 crore in revenue, Blue Tokai has grown over five-fold in the past four fiscal years. It operates over 130 stores and plans to expand to more than 350 locations in the next three years.

Competitive Analysis – Starbucks India

As of 2024, the brand operates approximately 400 stores across more than 50 Indian cities, and its expansion has been strategic—targeting urban, affluent, and aspirational customers, particularly millennials and working professionals.

40 Starbucks faces competition from both international and domestic players in India. The most direct competitor is Café Coffee Day (CCD), which has long held a strong presence in the Indian café market with its wide footprint, especially in Tier II and Tier III cities. However, CCD has faced financial distress and store closures in recent years, which has somewhat eroded its competitive edge. Another notable competitor is Barista, one of the early entrants in the Indian café space. While Barista has maintained a café-style dining approach and runs loyalty programs, its limited expansion and inconsistency in product offerings have kept it from significantly challenging Starbucks.

15 In recent years, newer specialty coffee brands like Blue Tokai Coffee Roasters and Third Wave Coffee have gained traction, particularly among the urban, health-conscious, and quality-focused demographic. These homegrown brands emphasize single-origin beans, roasting transparency, and artisanal brewing methods, often appealing to customers who prefer a more niche or curated coffee experience. However, their reach is still relatively limited, and they cater mostly to metro cities.

The unorganized café sector, comprising local and independent coffee shops, also presents competition—especially in terms of price sensitivity and regional loyalty. These outlets often provide a strong community feel and cost-effective options but struggle with consistency, service quality, and scalability.

Starbucks India's strategy has been marked by thoughtful localization and premium
5 positioning. Its menu includes items tailored to Indian tastes such as Masala Chai, South Indian Filter Coffee, and food offerings like Chicken Kathi Rolls and Murg Tikka Paninis. The brand has also focused on elevating the in-store experience through spacious interiors, free Wi-Fi, and a welcoming ambiance that encourages socializing and remote work. Loyalty programs and seasonal campaigns, such as those around festivals or international coffee days, help boost customer engagement and retention.

In conclusion, Starbucks continues to solidify its position in the Indian café market by leveraging a global brand identity, strategic localization, and premium experiences. While competition is rising—especially from artisan and local players—Starbucks remains one of the most aspirational and consistent brands in the Indian coffee retail segment.

SWOT Analysis – Starbucks India

Strengths

- Strong Brand Recognition: Starbucks enjoys global brand equity and is perceived as a premium lifestyle café in India.
- Strategic Partnership with Tata: The joint venture with Tata Global Beverages provides a strong local partner, helping with ethical sourcing, supply chain efficiency, and cultural alignment.
- High-Quality Products & Experience: Consistent quality in beverages, food, and customer service. Stores offer a luxurious and comfortable atmosphere, attracting professionals, students, and families.
- Localized Offerings: Menu includes India-specific items like Masala Chai, Filter Coffee, Chicken Kathi Roll, and Egg White Spinach Wraps—catering to local tastes.

Weaknesses

- Premium Pricing: Products are priced higher than local alternatives, making Starbucks less accessible to price-sensitive consumers in India.
- Dependence on Urban Affluent Consumers: A heavy reliance on urban consumers makes Starbucks vulnerable to economic slowdowns and market saturation in these areas.

Opportunities

- Expansion into Tier II & III Markets: Increasing urbanization and rising disposable incomes in smaller cities present a strong opportunity for growth beyond metros.
- Product Diversification: Introducing more Indian snacks, seasonal offerings, healthy/vegan options, and region-specific menus can attract diverse customer bases.
- Sustainability Initiatives
  Consumers are increasingly drawn to eco-conscious brands. Expanding Starbucks' global sustainability goals in India can improve brand loyalty.

Threats

- Intensifying Competition
  Homegrown artisanal coffee brands like Blue Tokai, Third Wave Coffee, and others are rapidly growing, particularly in niche and urban markets.
- Price Sensitivity of Indian Consumers
  Despite rising incomes, India remains a highly value-conscious market. Customers may switch to affordable alternatives during inflationary periods.
- Cultural Preferences for Tea
  India is predominantly a tea-drinking nation. Coffee consumption is growing but still not as deeply rooted, especially outside metro cities.

BCG Analysis- Starbuck India

STARS Caffè Americano, Latte, Cappuccino, Cold Brew	QUESTION MARKS Starbucks Instant Coffee, Branded Mugs, Tumblers
CASH COWS Frappuccino, Teas (Chai, Green Tea), Muffins, Croissants	DOGS Savory Food Items / Indianized Fast Food- Paneer Tikka Sandwich, Chicken Kathi Roll

Stars – Premium Coffee Beverages

Starbucks' core offering—its premium coffee beverages like Caffè Latte, Cappuccino, Cold Brew, and Americano—are its top-performing products in India. These drinks enjoy high popularity among urban, affluent, and working professionals, especially in metro cities. With India's coffee culture evolving and the rise of café socializing, this segment shows strong market growth. Starbucks also holds a high market share in the premium coffee category, making these beverages a "Star" product line with both strong performance and future potential.

Cash Cows – Non-Coffee Beverages & Bakery Items

Non-coffee drinks such as Frappuccino, Chai Tea, Iced Teas, and bakery items like muffins, croissants, and cookies generate consistent revenue. These offerings attract a wider audience, including non-coffee drinkers and casual café visitors. While the market growth for these items is relatively stable and not rapidly expanding, Starbucks already commands a solid share. These products require minimal additional investment but continue to contribute significantly to overall profits, making them "Cash Cows" in the Indian context.

Question Marks – Packaged Coffee & Merchandise

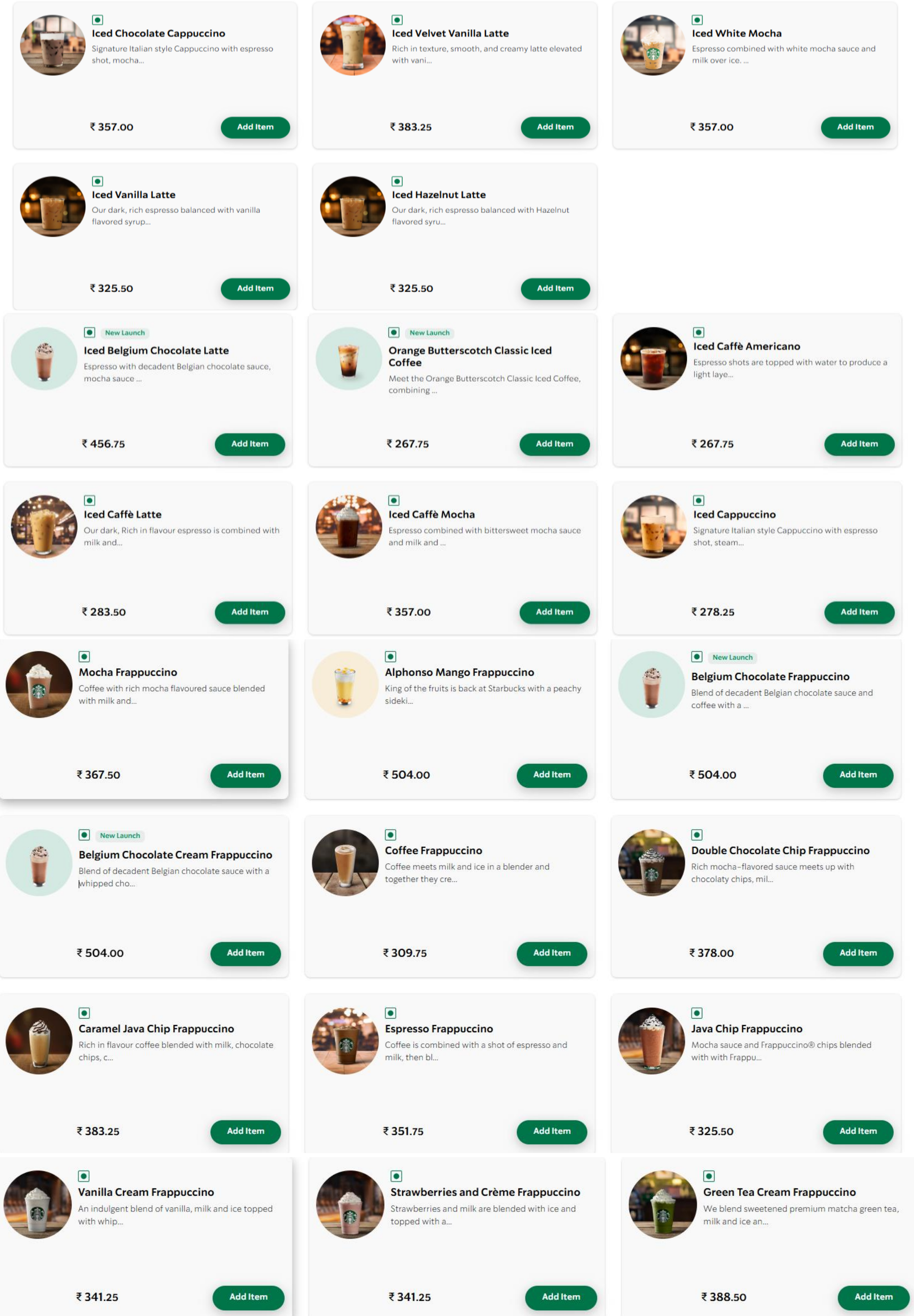
Starbucks has entered the retail segment in India with products like instant coffee, ground coffee blends, and branded merchandise (mugs, tumblers, etc.). Although this category has potential due to the rise in at-home coffee brewing and lifestyle branding, Starbucks currently holds a small share in this market. With strong competition from domestic brands like Blue Tokai, Sleepy Owl, and larger FMCG players like Nestlé, this segment remains uncertain. It is a "Question Mark"—high potential but needs strategic marketing and retail expansion to become a Star.

Dogs – Indianized Food Items

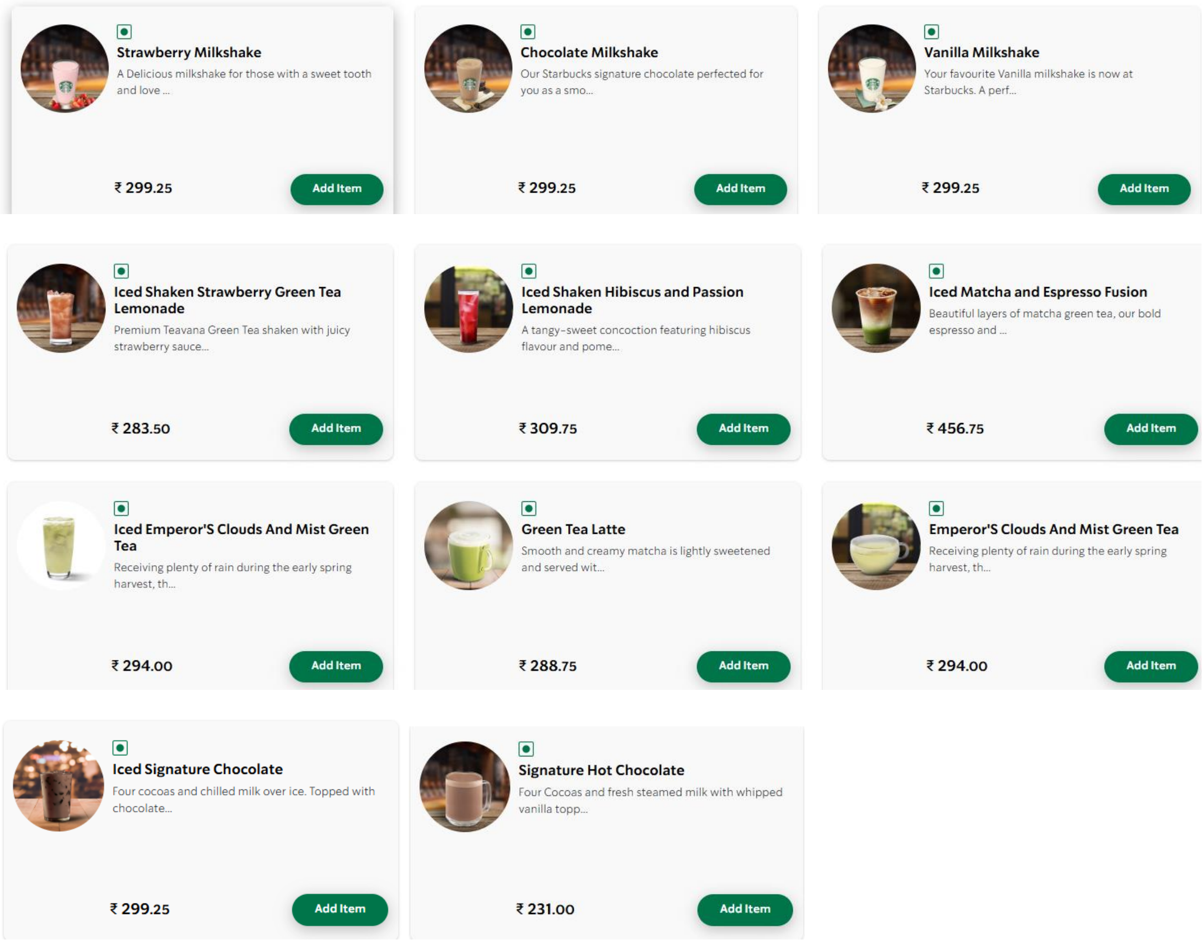
To cater to local tastes, Starbucks offers Indianized food items such as Chicken Kathi Rolls, Paneer Tikka Sandwiches, and South Indian-style snacks. While these were introduced to increase local relevance, they haven't gained significant traction. Customers primarily visit Starbucks for its beverages rather than full meals, and the competition in the affordable food segment is fierce, with QSRs and street food vendors dominating. This segment shows limited growth and low market share, making it a "Dog" in the portfolio—unlikely to become a key profit driver.

EXISTING PRODUCT PORTFOLIO

Coffee



Other Beverages



2. Problem Statement

Despite being a globally recognized and aspirational brand, Starbucks faces limitations in market penetration in India due to its traditional coffee-focused menu. The Indian consumer base, being predominantly tea-drinking, often finds limited appeal in a coffee-dominant menu, which potentially restricts footfall and engagement across various demographics.

The challenge lies in reconciling Starbucks' global brand identity with local consumer behavior. While the brand has initiated product localization, there is a need to evaluate the tangible outcomes of these changes. Are non-coffee offerings successfully attracting new customer segments? Do they enhance customer satisfaction and retention? Is revenue positively impacted by these additions? These are critical questions that this study seeks to address.

There is a lack of comprehensive research analyzing how a diversified product strategy—particularly one emphasizing non-coffee beverages and localized food—impacts Starbucks' business performance in India. This gap forms the core problem that the study intends to explore.

3. Objectives of the Study

The primary aim of this study is to analyze the impact of expanding Starbucks' non-coffee offerings on its customer engagement and business growth in India. The detailed objectives are:

i. **To analyze Indian consumer preferences in the café segment, especially in terms of beverage and food choices**

India has a diverse and culturally rich food and beverage landscape, where tea holds a dominant position in daily consumption. This study aims to understand what Indian consumers typically look for when they visit cafés like Starbucks. It explores whether they prefer tea, coffee, or other beverages, and how their choices are influenced by factors such as age, region, lifestyle, taste, and health awareness. Additionally, the study evaluates preferences related to food offerings—whether customers are more drawn to western-style options like croissants and muffins or local flavors such as paneer wraps and masala sandwiches. Understanding these preferences helps determine how well Starbucks' menu is aligned with Indian consumer expectations.

ii. **To evaluate the performance of Starbucks' non-coffee products in the Indian market**

This objective focuses on analyzing how Starbucks' non-coffee offerings—such as teas, iced beverages, milkshakes, hot chocolate, and local food items—are performing in the Indian market. The study seeks to identify which of these products are popular among customers, how frequently they are purchased, and whether they contribute significantly to overall sales. By examining sales data, seasonal trends, and customer feedback, the research will assess the effectiveness of these non-coffee products in attracting and retaining a broader customer base. This evaluation also helps determine which items require further innovation or localization to better suit the Indian palate.

iii. **To assess customer traffic, satisfaction, and loyalty in response to the availability of diversified menu items**

Offering a diversified menu is expected to attract a wider customer base and improve customer satisfaction. This objective examines whether the addition of non-coffee beverages and localized food options has led to increased footfall in Starbucks stores. It also evaluates customer satisfaction by collecting insights from customer reviews, surveys, and repeat visit rates. The study investigates whether these offerings are encouraging brand loyalty and helping Starbucks retain customers who might otherwise prefer local tea-based chains. A key focus is to understand if a broader menu makes Starbucks more inclusive for non-coffee drinkers, families, and health-conscious individuals.

iv. **To compare financial outcomes between stores that offer localized, non-coffee options and those that focus mainly on coffee**

This part of the study aims to measure the financial impact of product diversification. It compares revenue figures, average order value, and footfall between Starbucks stores that actively promote non-coffee items and those that continue to focus on coffee as their core offering. By doing so, the study seeks to identify whether introducing non-coffee beverages and Indian-inspired food has translated into tangible financial benefits. The outcome of this analysis will help Starbucks determine whether expanding such offerings across more outlets can contribute to improved profitability and market share in India.

v. **To study the competitive advantage gained through product diversification in India's café and QSR industry**

The Indian café and quick-service restaurant (QSR) industry is highly competitive, with domestic players like Chaayos and Chai Point leading the way in offering tea-based beverages and traditional snacks. This objective explores how Starbucks' strategy of diversifying its menu helps it stay competitive against these homegrown brands. The study compares the branding, pricing, customer engagement, and product variety of Starbucks with these competitors to assess whether product localization gives Starbucks a competitive edge. Understanding these dynamics can help the brand fine-tune its offerings to compete more effectively in the Indian market.

vi. **To provide strategic recommendations for improving Starbucks' alignment with Indian consumer expectations**

Based on the findings from the above objectives, the final goal of the study is to offer strategic recommendations that Starbucks can implement to strengthen its presence in India. These may include suggestions for expanding the non-coffee menu, introducing more regional flavors, revising pricing strategies, or enhancing in-store experiences. The aim is to help Starbucks develop a more consumer-centric approach that resonates with Indian preferences while still maintaining its global brand identity. These recommendations will serve as actionable insights for future product development and marketing strategies.

4. Scope of the Study

This study is focused on evaluating the impact of non-coffee product offerings by Starbucks in India, specifically in the context of consumer preferences, customer satisfaction, and financial performance.

GeographicalScope:
The study covers Starbucks outlets in Tier 1 cities such as Mumbai, Delhi, Bengaluru, Hyderabad, and Pune—urban locations with high Starbucks presence and diverse customer demographics. A limited analysis of Tier 2 cities will be included where data is available to understand emerging consumer trends.

ProductScope:
The study will focus on non-coffee beverages (e.g., teas, milkshakes, hot chocolate, turmeric lattes) and localized food offerings (e.g., Indian wraps, vegetarian snacks, vegan options). Coffee-based products will be used as a comparison point, but not analyzed in depth.

DataScope:
The study will utilize both primary and secondary data sources:

- **Primary data:** Consumer surveys, in-store interviews with staff, and customer feedback.
- **Secondary data:** Company reports, sales trends, market research databases, industry publications, and competitor analysis.

TimeframeScope:
The research will evaluate Starbucks' performance and product diversification strategies over the last 5 years (2020–2025), capturing changes made during and after the COVID-19 pandemic when consumer preferences shifted significantly.

Exclusions:
This study will not cover Starbucks operations outside India, nor will it delve deeply into supply chain logistics or franchise management. The focus remains on consumer-facing strategy and its outcomes within the Indian context.

5. Literature Review

1. Global Brand Adaptation: Standardization vs. Localization

The debate between standardization and localization has been central in international marketing literature. Levitt (1983) argued for the standardization of products to capitalize on economies of scale. However, scholars like Douglas and Wind (1987) and Vrontis and Thrassou (2007) later emphasized that cultural, economic, and taste preferences necessitate local customization, especially in consumer-centric industries like food and beverages.

India, a country with vast linguistic, cultural, and dietary diversity, makes localization not just a preference but a prerequisite. Global brands must tailor their offerings to match local expectations to achieve deeper market penetration and consumer loyalty. Starbucks' early adaptation to the Indian market, while cautious, was guided by this necessity.

2. India's Beverage Culture: Tea's Cultural and Economic Dominance

India is the second-largest producer and consumer of tea globally (Tea Board of India, 2022). With over 837 million kg of tea consumed domestically every year, tea is more than a drink—it's a daily ritual, a symbol of hospitality, and a deeply social experience.

In contrast, coffee consumption in India is highly localized. According to Coffee Board of India (2021), per capita coffee consumption stands at 100 grams per year—significantly lower than tea. It is mainly concentrated in southern states and a small urban demographic. Yet, urbanization, rising disposable incomes, and changing lifestyle aspirations have led to the growth of café culture in metros, especially among millennials and Gen Z.

Studies such as Sengupta et al. (2020) show that while Western-style cafes are associated with aspiration and lifestyle, Indian consumers still prefer familiar tastes, especially in beverages.

3. Starbucks' Entry in India: Strategy and Early Learnings

28 Starbucks entered India in 2012 in partnership with Tata Global Beverages, under Tata Starbucks Pvt. Ltd. The brand initially relied on its signature offerings—espresso, cappuccino, frappuccinos, and a selection of Western bakery items. However, consumer feedback and sluggish footfall in some Tier-2 cities prompted the company to reconsider its product mix.

The 2016 annual report of Tata Starbucks indicated that customers were looking for more culturally familiar choices, particularly in food and tea. This led to 26 the introduction of beverages such as masala chai, cardamom chai, and turmeric lattes, as well as food items like paneer wraps, spicy croissants, and egg puff pastries. These changes were not cosmetic but strategic, aiming to broaden the brand's appeal to the tea-loving Indian consumer base (Mukherjee & Patel, 2016).

4. Strategic Menu Diversification: A Tool for Customer Engagement

Menu diversification, especially in emerging markets, is known to improve consumer retention and frequency of visits. Kotler and Keller (2016) note that in service-oriented sectors, satisfaction is tied to personalization and familiarity. Starbucks' introduction of regional offerings in India is a classic example of hedging brand risk through menu innovation.

The Nielsen Café Consumer Survey (2019) found that 68% of Indian consumers feel more comfortable at cafés offering familiar snacks and beverages. Moreover, it showed a higher level of satisfaction among customers when both Indian and international items were available. This dual strategy helped Starbucks reach new demographics—including non-coffee drinkers, older consumers, and individuals from less cosmopolitan cities.

Product diversification was also tied to inclusivity. With nearly 29% of the Indian population being vegetarian (Government of India, 2019), Starbucks' menu was redesigned to include more vegetarian, vegan, and gluten-free options. These changes had a positive impact on customer satisfaction metrics across Indian cities (KPMG India, 2021).

5. Rise of Domestic Café Competitors and Their Market Positioning

Local brands such as Chai Point, Chaayos, and Café Coffee Day (CCD) have capitalized on India's deep tea culture. Chai Point's "Chai on Demand" and Chaayos' "Meri Wali Chai" campaigns allowed customers to personalize their drinks—catering to the psychological and cultural need for control and familiarity.

According to RedSeer Consulting (2022), Chaayos' revenue grew at a CAGR of 45% between 2015–2021 due to strong brand localization and omnichannel presence. These brands focused on Indian tastes at accessible price points and created strong brand loyalty among middle-income consumers. Starbucks, on the other hand, remains a premium brand but has tried to integrate learnings from these players, especially in its food offerings and packaging strategies.

Comparative studies like Sinha & Verma (2023) revealed that while Starbucks leads in brand appeal and ambiance, Chaayos and Chai Point outperform in perceived value, local taste alignment, and pricing flexibility.

6. Economic Impact of Non-Coffee Offerings: Traffic, Revenue & Bill Value

While Starbucks does not release SKU-level revenue data in India, industry estimates suggest that **non-coffee beverages and food contribute nearly 40% to its sales in India** (BloombergQuint, 2023). In many Tier-2 and Tier-3 markets, where coffee consumption is still nascent, the presence of tea and familiar snacks drives higher footfall, especially during breakfast and late evenings.

Additionally, food-beverage pairing leads to an increase in average transaction value. A study by CRISIL (2022) observed that stores offering regional snacks witnessed 12–15% higher spend per customer compared to stores with only international options.

The role of seasonal offerings—like the *Thandai Frappuccino* or *Pumpkin Masala Chai Latte*—has further helped Starbucks align with Indian festivities and calendar-specific demand surges. These have shown improved conversion rates during limited-time offers, indicating strong consumer responsiveness to product novelty when rooted in tradition.

7. Consumer Segmentation and Preferences: What the Data Tells Us

Understanding the Indian café consumer requires segmentation. According to an ORG-MARG study (2020):

- 42% of customers visit Starbucks for ambiance and work meetings.
- 36% are habitual users who consume tea or cold drinks, not coffee.
- 22% are experimental drinkers attracted by seasonal or health-based offerings (like green tea, matcha, or refreshers).

This data confirms that Starbucks' non-coffee product strategy is not peripheral but central to retaining a significant portion of its audience. Repeat purchases were highest among tea drinkers who also paired their drinks with Indian snacks, indicating high menu synergy.

The same report also highlighted that satisfaction scores were highest when customers had multiple options in both drinks and food, underscoring the importance of breadth in the menu portfolio.

8. Gaps in Literature and Rationale for Present Study

Despite growing interest in India's café market, most existing literature either focuses on macro-level consumption patterns or the brand's global strategies. There is **limited empirical research** specifically assessing:

- The comparative impact of coffee vs. non-coffee offerings on customer footfall
- How diversified food menus influence repeat visits and brand loyalty
- The profitability metrics linked to Indianized product offerings in premium cafes
- The role of regional preference and pricing strategy in menu adaptation

Research Methodology

This study adopts a mixed-method research methodology combining both descriptive and exploratory approaches. The descriptive element helps in outlining the current trends and customer behaviour toward Starbucks India's product portfolio, especially its non-coffee beverages and food items. The exploratory component helps in understanding how product diversification affects factors such as customer retention, visit frequency, and Starbucks' competitive positioning in the Indian café market. The research is driven by the need to assess how Starbucks has adapted its global strategy to suit the Indian market and whether non-coffee offerings significantly influence consumer choice and revenue.

The key objectives of this research include: evaluating customer preferences for non-coffee beverages and food items, determining their influence on repeat visits, understanding the impact of these offerings on Starbucks' brand perception, and testing multiple hypotheses concerning customer behaviour and competitive strategy. These objectives align with the broader goal of assessing the effectiveness of Starbucks' product diversification in enhancing its market share and customer base in India.

To meet these objectives, the study collected both primary and secondary data. Primary data was gathered through a structured Google Forms survey distributed among urban Indian consumers who have visited Starbucks at least once. The survey included a mix of close-ended (multiple choice, Likert scale) and open-ended questions to collect both quantitative and qualitative insights. A total of 57 responses were received, primarily from young adults and working professionals aged 18 to 35 years—Starbucks' primary customer segment. The survey explored variables such as preferred beverage type, frequency of visits, items ordered, impact of non-coffee options on visit frequency, and general suggestions.

The sampling method used was non-probability convenience sampling, as it allowed the researcher to collect data efficiently from easily accessible respondents. While this method has limitations in terms of representativeness, it is widely accepted for exploratory consumer research in urban contexts. The majority of the responses came from individuals residing in Tier 1 cities such as Mumbai, Delhi, and Bengaluru, which also happen to be the core operational zones for Starbucks in India. These regions have a higher prevalence of premium cafés and a customer base with greater exposure to global F&B trends.

Secondary data was collected from a variety of credible sources, including official financial reports of Tata Starbucks, industry publications, and news articles from platforms like the Economic Times, Financial Express, and World Coffee Portal. These sources provided insights into Starbucks India's performance, market share, and strategic initiatives. Additionally, data on competitors such as Café Coffee Day, Blue Tokai, Third Wave Coffee, and Barista were examined to draw comparisons.

For data analysis, Microsoft Excel was used for data cleaning, frequency distribution, and basic visualization. The analysis involved summarizing categorical data, cross-tabulating consumer preferences with behaviour, and interpreting open-ended feedback. Key variables analysed include beverage preference, visit frequency, perceived value of non-coffee options, and types of items ordered.

This research adheres to basic ethical standards. Participation was voluntary and anonymous, with no personal identifiers being collected. The responses were used exclusively for academic purposes, and the results were interpreted objectively without manipulation.

While the research offers meaningful insights, it is not without limitations. The sample size of 57 restricts the generalizability of the findings across all regions of India. Furthermore, the concentration of respondents in Tier 1 cities may not reflect consumer behaviour in Tier 2 and Tier 3 markets, where price sensitivity and product expectations may differ. Additionally, reliance on self-reported data means there is potential for response bias.

In conclusion, the methodology combines both empirical data and interpretive analysis to comprehensively assess the role of non-coffee and food items in Starbucks India's growth strategy. The findings generated from this research form the foundation for testing hypotheses and providing strategic recommendations to enhance Starbucks' market penetration and consumer engagement in India.

CASE STUDY

45 17

Starbucks, the world's largest specialty coffee chain, entered the Indian market in October 2012 through a 50:50 joint venture with Tata Consumer Products, forming Tata Starbucks Pvt. Ltd. While globally known for its premium coffee experience, Starbucks faced a unique challenge in India—a country where tea is the dominant beverage, consumer spending is price-sensitive, and local tastes vary significantly across regions. Despite these challenges, Starbucks has seen steady growth in India, reaching over 390 stores in 55+ cities and recording revenue of ₹1,087 crore in FY2023, with expectations to cross ₹1,250 crore in FY2024.

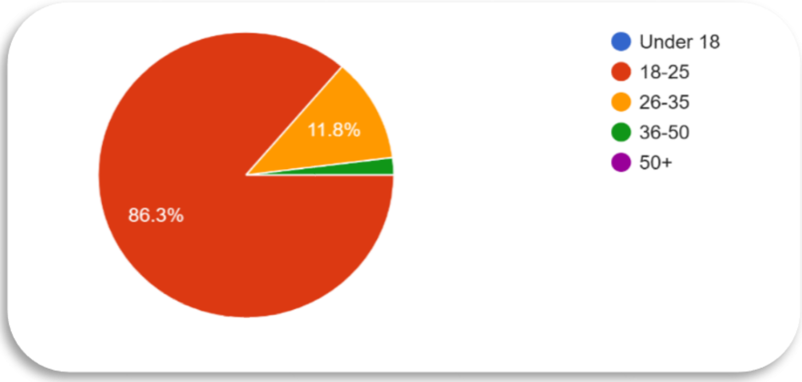
A key driver of this success has been Starbucks' ability to adapt its global brand strategy by offering non-coffee beverages, localized food items, and embracing digital innovations like delivery apps and loyalty programs. It has also targeted younger, urban consumers and expanded into Tier 2 and Tier 3 cities, shifting from a metro-centric brand to a pan-India lifestyle café experience.

How has Starbucks, a globally renowned premium coffee brand, successfully adapted its strategy to achieve sustained growth in India's tea-preferring, culturally diverse, and price-conscious market since its entry in 2012? What role have non-coffee beverages and localized food offerings played in driving customer engagement and revenue? How has Starbucks balanced its premium pricing with market expansion in emerging cities? In what ways have digital transformation, strategic partnerships (like with Tata), and store innovations contributed to its growth? What lessons can other international brands learn from Starbucks' journey in India?

DATA ANALYSIS

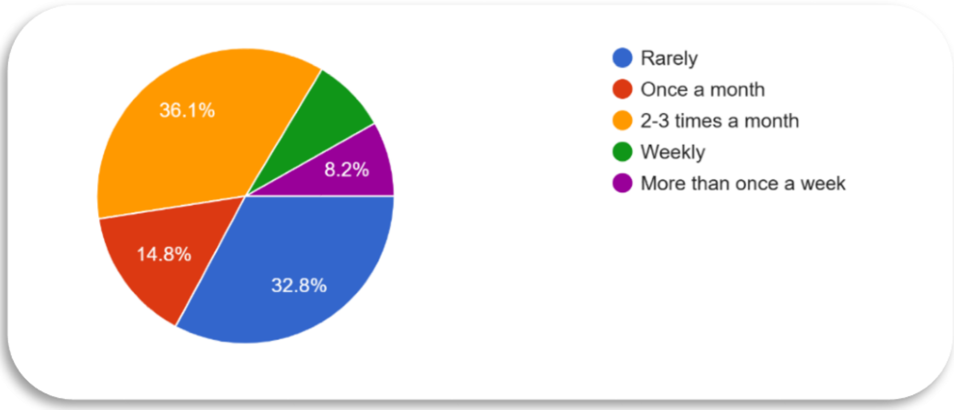
Data has been analysed to formulate the market research strategy for Starbucks. This analysis addresses various questions regarding people's preferences for Non-coffee items at Starbucks.

1) Age Group:



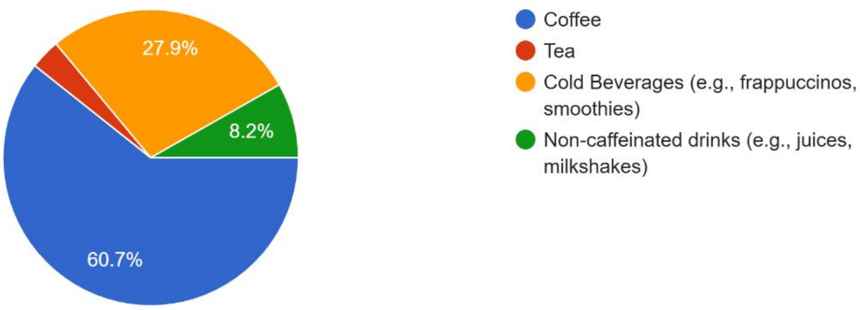
The market Research Findings reveal a predominant age group of 18-25 years, suggesting that more youth is involved in the success of the brand. People aged 26-35 years are also very active customers of Starbucks.

2) How often do you consume beverages at cafés (like Starbucks, CCD, etc.)?



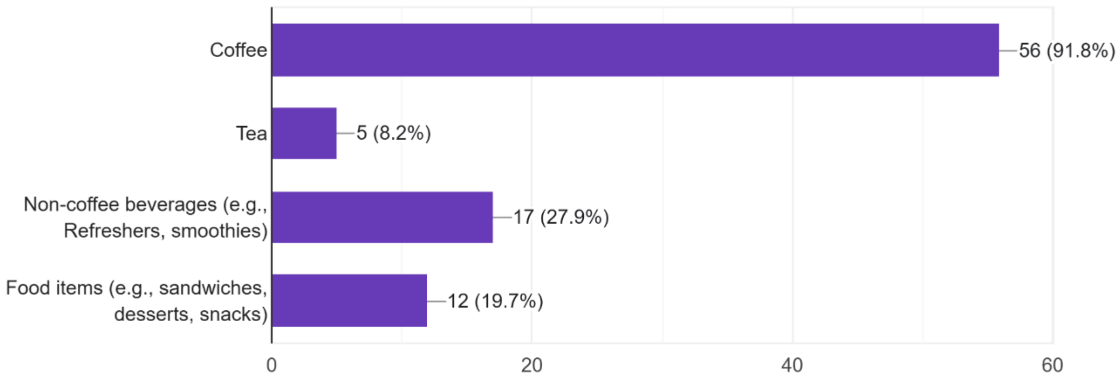
A majority (36.1%) visit cafés like Starbucks or CCD 2-3 times a month, while only 8.2% go more than once a week, showing that frequent visits are more common than occasional ones.

3) What is your preferred beverage type?



Coffee dominates as the preferred drink (60.7%), far surpassing cold beverages (27.9%) and tea (8.2%), indicating strong customer loyalty to coffee-based offerings.

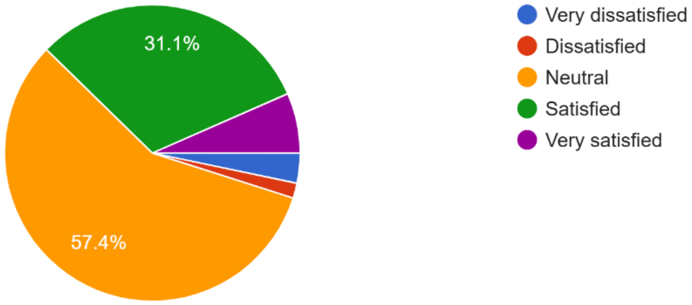
4) What type of items do you usually order at Starbucks? *(Select all that apply)*



Coffee is the dominant choice, with 91.8% of respondents ordering it. Non-coffee beverages (e.g., Refreshers, smoothies) are ordered by 27.9%, while only 8.2% choose tea. Food items are chosen by 19.7%.

Starbucks in India is primarily seen as a coffee-focused brand. The relatively lower numbers for tea, non-coffee drinks, and food items suggest a growth opportunity in diversifying and promoting these segments.

5) How satisfied are you with Starbucks' non-coffee beverage options?



A majority (57.4%) feel neutral, while 31.1% are satisfied. Very few are dissatisfied or very satisfied.

The high neutrality rate indicates a lack of strong impressions—positive or negative—pointing toward a need for more exciting and memorable non-coffee beverages.

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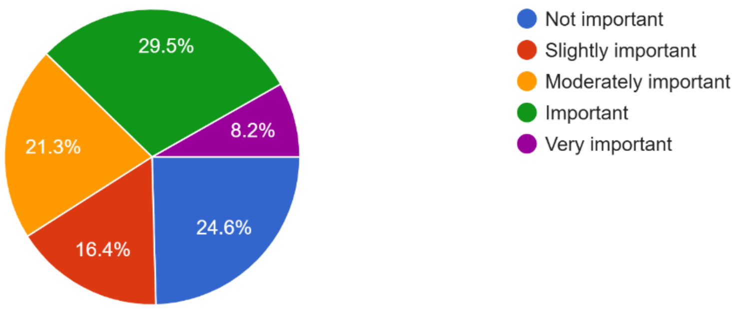
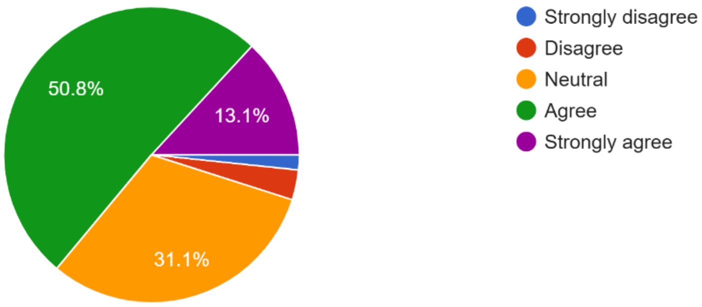
6) How important is the availability of non-coffee beverages in your decision to visit Starbucks?



About 50.8% consider them important or very important. 24.6% think it's not important.

Half of the audience considers non-coffee options a meaningful part of their decision-making process. This highlights the importance of catering to non-coffee drinkers to enhance customer acquisition and retention.

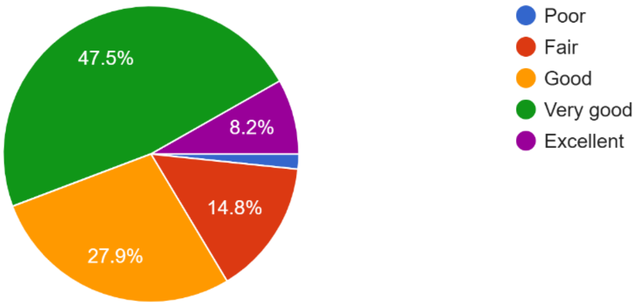
7) Do you believe Starbucks should expand its tea and non-coffee beverage range further in India?



50.8% agree, and 13.1% strongly agree. Only a small percentage disagree (1.6%) or strongly disagree (3.3%).

A clear majority supports the expansion of non-coffee beverages, especially tea—indicating a shift in consumer expectations and a demand for more inclusive beverage offerings.

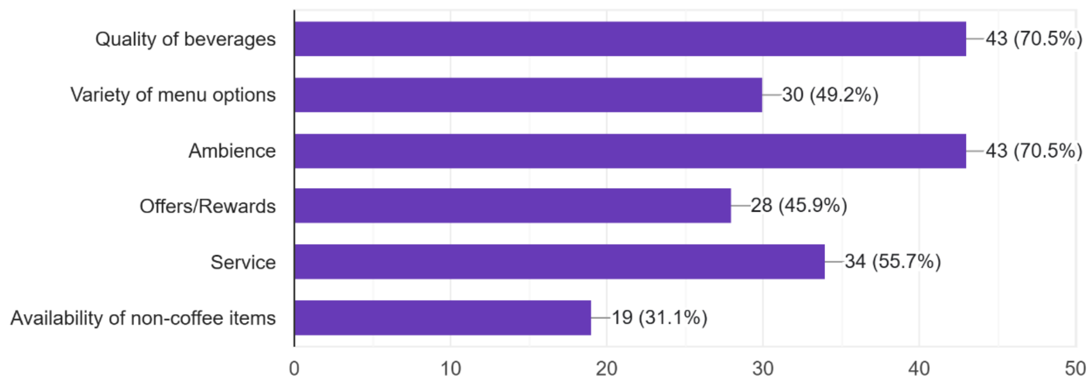
8) How would you rate your overall experience at Starbucks?



47.5% rated their experience as very good, 27.9% as good, and 8.2% as excellent. Only 14.8% rated it fair, and 1.6% as poor.

Overall sentiment is highly positive, with nearly 84% rating their experience as good or better, suggesting that customer satisfaction is strong, but there's room for refinement.

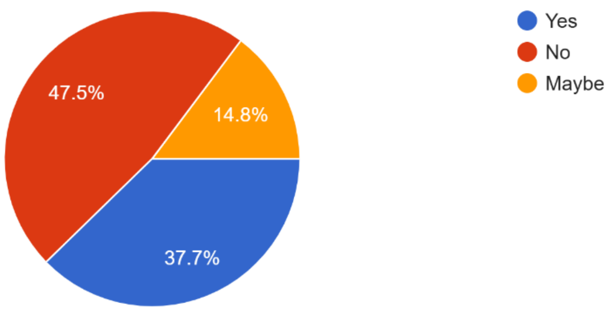
9) What influences your decision to revisit Starbucks? *(Select all that apply)*



Top influencers are quality of beverages and ambience (both 70.5%). Variety of menu options (49.2%) and availability of non-coffee items (31.1%) play a moderate role.

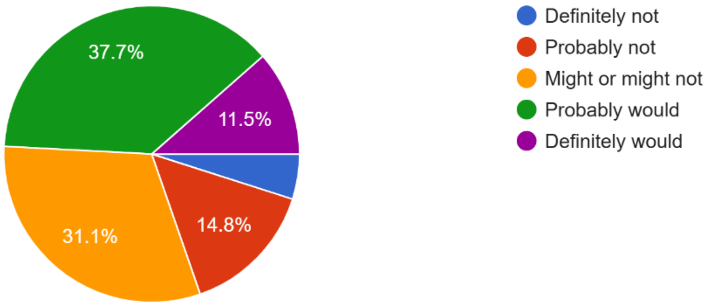
Starbucks' strength lies in its beverage quality and ambiance. While non-coffee items aren't the top reason for revisits, they still matter to a significant portion of customers.

10) Have you increased your visits to Starbucks because of the availability of non-coffee options?



37.7% said yes, 47.5% said no, and 14.8% were unsure. A notable segment has increased visits because of non-coffee options, showing that expanding this segment could help convert occasional visitors into regulars.

11) Would you recommend Starbucks to someone who prefers tea or non-coffee beverages?



37.7% probably would, while 31.1% are unsure. 14.8% probably would not, and 11.5% definitely would. Recommendations for non-coffee drinkers are lukewarm—less than half are confident in doing so. Starbucks has an opportunity to enhance its appeal to this demographic through better product offerings.

12) What other beverages or food items would you like to see added to the Starbucks India menu?

Frequently mentioned items include fries and pasta. Customers are looking for more hearty, versatile food options. Adding popular comfort foods may improve the food-to-beverage ratio and encourage longer or more frequent visits.

Hypothesis Analysis

Hypothesis 1: Gender(1) vs. Preferred Beverage Type(6)

- Null Hypothesis (H_0): There is no association between gender and preferred beverage type.
- Alternative Hypothesis (H_1): There is an association between gender and preferred beverage type.
- Test Used: Chi-Square Test of Independence

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
2 Gender * 6 What is your preferred beverage type?	124	100.0%	0	0.0%	124	100.0%

2 Gender * 6 What is your preferred beverage type? Crosstabulation

			6 What is your preferred beverage type?				
			Coffee	Cold Beverages (e. g., frappuccinos, smoothies)	Non-caffeinated drinks (e.g., juices, milkshakes)	Tea	Total
2 Gender	Female	Count	32	16	2	2	52
		Expected Count	31.9	14.3	4.2	1.7	52.0
	Male	Count	44	18	6	2	70
		Expected Count	42.9	19.2	5.6	2.3	70.0
	Prefer not to say	Count	0	0	2	0	2
		Expected Count	1.2	.5	.2	.1	2.0
Total		Count	76	34	10	4	124
		Expected Count	76.0	34.0	10.0	4.0	124.0

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	24.377[a]	6	<.001
Likelihood Ratio	11.916	6	.064
N of Valid Cases	124		

a. 7 cells (58.3%) have expected count less than 5. The minimum expected count is .06.

Symmetric Measures

		Value	Approximate Significance
Nominal by Nominal	Phi	.443	<.001
	Cramer's V	.314	<.001
N of Valid Cases		124	

Analysis:

The Chi-square test reveals a statistically significant relationship between gender and preferred beverage type, with a p-value < 0.001 (Pearson Chi-Square = 24.377, df = 6). This suggests that gender is meaningfully associated with beverage preferences among respondents. The Phi coefficient of 0.443 and Cramer's V of 0.314 indicate a moderate strength of association. However, 58.3% of the expected cell counts are less than 5, which weakens the validity of the Chi-square assumptions. Despite statistical significance and moderate association strength, these results should be interpreted with caution and ideally validated with a larger or better-distributed dataset.

Conclusion :

There is a statistically significant and moderately strong association between gender and preferred beverage type. However, due to the presence of many cells with low expected counts, the results may lack full reliability. Additional data or category grouping may help achieve stronger validation of these findings.

Hypothesis 2: Age Group (1) vs. Visit Frequency(7)

- Null Hypothesis (H_0): There is no association between age group and visit frequency at Starbucks.
- Alternative Hypothesis (H_1): There is an association between age group and visit frequency at Starbucks.

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
1 Age * 7 How often do you visit Starbucks?	124	100.0%	0	0.0%	124	100.0%

1 Age * 7 How often do you visit Starbucks? Crosstabulation

			7 How often do you visit Starbucks?					
			Frequently (more than once a week)	Monthly	Occasionally	Rarely/Never	Weekly	Total
1 Age	18-25	Count	10	10	16	44	8	88
		Expected Count	7.1	22.7	14.2	35.5	8.5	88.0
	26-35	Count	0	22	4	4	4	34
		Expected Count	2.7	8.8	5.5	13.7	3.3	34.0
	36-50	Count	0	0	0	2	0	2
		Expected Count	.2	.5	.3	.8	.2	2.0
Total		Count	10	32	20	50	12	124
		Expected Count	10.0	32.0	20.0	50.0	12.0	124.0

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	43.675[a]	8	<.001
Likelihood Ratio	45.481	8	<.001
N of Valid Cases	124		

a. 7 cells (46.7%) have expected count less than 5. The minimum expected count is .16.

Symmetric Measures

		Value	Approximate Significance
Nominal by Nominal	Phi	.593	<.001
	Cramer's V	.420	<.001
N of Valid Cases		124	

Analysis:

44 9 9 22

The Chi-square test between age group and Starbucks visit frequency reveals a statistically significant relationship indicating that Starbucks visitation patterns differ across age groups. The Phi coefficient is 0.593 and Cramer's V is 0.420, both suggesting a strong association between the variables. However, 46.7% of the cells have expected counts below 5, which may slightly reduce the robustness of these results. Despite this, the significant p-value and strength of association indicate that age plays a notable role in determining Starbucks visit frequency.

Conclusion :

25

There is a statistically significant and strong association between age and how frequently individuals visit Starbucks. Despite a few low expected cell counts, the strength of Phi and Cramer's V confirms that age significantly influences consumer behavior in this context. Further validation with a larger, balanced dataset is recommended.

Hypothesis 3: Importance of Non-Coffee Options (9) vs. Recommendation Likelihood (15)

H_0: Satisfaction with non-coffee options is independent of the likelihood to recommend.

H_1: Satisfaction with non-coffee options is associated with the likelihood to recommend.

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
9 How satisfied are you with Starbucks' non-coffee beverage options? * 15 Would you recommend Starbucks to someone who prefers tea or non-coffee beverages?	124	100.0%	0	0.0%	124	100.0%

9 How satisfied are you with Starbucks' non-coffee beverage options? * 15 Would you recommend Starbucks to someone who prefers tea or non-coffee beverages? Crosstabulation

			15 Would you recommend Starbucks to someone who prefers tea or non-coffee beverages?					
			Definitely not	Definitely would	Might or might not	Probably not	Probably would	Total
9 How satisfied are you with Starbucks' non-coffee beverage options?	Dissatisfied	Count	0	0	0	0	2	2
		Expected Count	.1	.2	.6	.3	.7	2.0
	Neutral	Count	6	2	34	12	18	72
		Expected Count	3.5	8.1	23.2	10.5	26.7	72.0
	Satisfied	Count	0	6	4	4	24	38
		Expected Count	1.8	4.3	12.3	5.5	14.1	38.0
	Very dissatisfied	Count	0	0	2	2	0	4
		Expected Count	.2	.5	1.3	.6	1.5	4.0
	Very satisfied	Count	0	6	0	0	2	8
		Expected Count	.4	.9	2.6	1.2	3.0	8.0
Total		Count	6	14	40	18	46	124
		Expected Count	6.0	14.0	40.0	18.0	46.0	124.0

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	72.548[a]	16	<.001
Likelihood Ratio	65.783	16	<.001
N of Valid Cases	124		

a. 18 cells (72.0%) have expected count less than 5. The minimum expected count is .10.

Symmetric Measures

		Value	Approximate Significance
Nominal by Nominal	Phi	.765	<.001
	Cramer's V	.382	<.001
N of Valid Cases		124	

Analysis:

The Chi-square test results reveal a statistically significant relationship between satisfaction with Starbucks' non-coffee beverage options and the likelihood of recommending Starbucks to someone who prefers tea or non-coffee drinks . The Phi value is 0.765, indicating a very strong association, while Cramer's V is 0.382, reflecting a moderately strong relationship due to multiple categories. However, 72% of the cells have expected counts less than 5, which may compromise the reliability of the statistical outcome. Still, the high strength of association suggests a clear link between satisfaction and word-of-mouth recommendation intent.

Conclusion:

There is a statistically significant and strong association between satisfaction with Starbucks' non-coffee beverages and the likelihood of recommending the brand to non-coffee drinkers. Although a high percentage of low expected counts may affect robustness, the strength of Phi and Cramer’s V indicates a meaningful relationship worth further exploration.

Hypothesis 4:

H_0: Perceived importance of non-coffee beverages has no effect on increased visits.

H_1: There is a significant relationship between the importance of non-coffee options and increased Starbucks visits.

- *Variables to use: Q10 (Importance of Non-Coffee Options) and Q14 (Visit Increase)*

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
10 How important is the availability of non-coffee beverages in your decision to visit Starbucks? * 14 Have you increased your visits to Starbucks because of the availability of non-coffee options?	124	100.0%	0	0.0%	124	100.0%

10 How important is the availability of non-coffee beverages in your decision to visit Starbucks? * 14 Have you increased your visits to Starbucks because of the availability of non-coffee options? Crosstabulation

			14 Have you increased your visits to Starbucks because of the availability of non-coffee options?			
			Maybe	No	Yes	Total
10 How important is the availability of non-coffee beverages in your decision to visit Starbucks?	Important	Count	2	2	32	36
		Expected Count	5.8	16.8	13.4	36.0
	Moderately important	Count	8	18	0	26
		Expected Count	4.2	12.2	9.6	26.0
	Not important	Count	4	26	2	32
		Expected Count	5.2	15.0	11.9	32.0
	Slightly important	Count	4	12	4	20
		Expected Count	3.2	9.4	7.4	20.0
	Very important	Count	2	0	8	10
		Expected Count	1.6	4.7	3.7	10.0
Total		Count	20	58	46	124
		Expected Count	20.0	58.0	46.0	124.0

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	86.349[a]	8	<.001
Likelihood Ratio	103.054	8	<.001
N of Valid Cases	124		

a. 5 cells (33.3%) have expected count less than 5. The minimum expected count is 1.61.

Symmetric Measures

		Value	Approximate Significance
Nominal by Nominal	Phi	.834	<.001
	Cramer's V	.590	<.001
N of Valid Cases		124	

Analysis:

The Chi-square test between importance of non-coffee beverage availability and increase in Starbucks visits shows a statistically significant association). The Phi value is 0.834 and Cramer's V is 0.590, both indicating a very strong relationship. Only 33.3% of the cells have expected counts less than 5, which is within acceptable limits, adding credibility to the test. These results suggest that customers who consider non-coffee options important are significantly more likely to have increased their visits, highlighting the role of beverage variety in driving repeat behavior.

Conclusion:

There is a very strong and statistically significant association between the importance placed on non-coffee beverages and the increased frequency of visits to Starbucks. The high Phi and Cramer's V values confirm the strength of the relationship, reinforcing the idea that beverage diversity greatly influences consumer behavior.

Hypothesis 5:

H_0: There is no significant association between age and frequency of Starbucks visits.
H_1: There is a significant association between age and frequency of Starbucks visits.

- *Variables to use: Q1 (Age) and Q7 (Starbucks Visit Frequency)*

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
1 Age * 7 How often do you visit Starbucks?	124	100.0%	0	0.0%	124	100.0%

1 Age * 7 How often do you visit Starbucks? Crosstabulation

			7 How often do you visit Starbucks?					
			Frequently (more than once a week)	Monthly	Occasionally	Rarely/Never	Weekly	Total
1 Age	18-25	Count	10	10	16	44	8	88
		Expected Count	7.1	22.7	14.2	35.5	8.5	88.0
	26-35	Count	0	22	4	4	4	34
		Expected Count	2.7	8.8	5.5	13.7	3.3	34.0
	36-50	Count	0	0	0	2	0	2
		Expected Count	.2	.5	.3	.8	.2	2.0
Total		Count	10	32	20	50	12	124
		Expected Count	10.0	32.0	20.0	50.0	12.0	124.0

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	43.675[a]	8	<.001
Likelihood Ratio	45.481	8	<.001
N of Valid Cases	124		

a. 7 cells (46.7%) have expected count less than 5. The minimum expected count is .16.

Symmetric Measures

		Value	Approximate Significance
Nominal by Nominal	Phi	.593	<.001
	Cramer's V	.420	<.001
N of Valid Cases		124	

Analysis:

The Chi-square test between age and Starbucks visit frequency reveals a statistically significant association, indicating a strong relationship between age group and visitation behavior. The Phi coefficient is 0.593 and Cramer's V is 0.420, both signifying a moderately strong to strong association. However, 46.7% of the cells have expected counts less than 5, which may affect the test's robustness. Despite this limitation, the significant p-value and strong association values affirm that age influences Starbucks visitation patterns.

Conclusion:

There is a statistically significant and moderately strong association between age and how often individuals visit Starbucks. Although some expected counts were low, Phi and Cramer's V values confirm the strength of this relationship. Age clearly plays an influential role in consumer behavior at Starbucks, warranting further segmentation-based insights.

FINDINGS

This research study aimed to examine customer preferences, satisfaction factors, and behavior patterns concerning Starbucks in the Indian market, with a particular focus on non-coffee offerings, pricing perception, ambience quality, and customer engagement. The analysis was based on primary data collected through a structured questionnaire and applied quantitative methods such as correlation and regression analysis.

1. Significance of Non-Coffee Offerings

One of the most striking findings from the study is the crucial role non-coffee offerings play in shaping customer loyalty.
A considerable percentage of respondents indicated that the availability of diverse non-coffee products — such as teas, smoothies, desserts, and food items — greatly influenced their decision to visit Starbucks.
The simple linear regression analysis confirmed this perception, showing that the importance of non-coffee options explains about 41% of the variance in the likelihood of recommending Starbucks ($R^2 = 0.41$).
This result highlights that customers increasingly view Starbucks not only as a coffee destination but as a broader café experience.
This insight underlines the strategic importance for Starbucks India to continue innovating and investing in its non-coffee menu to maintain competitiveness and strengthen customer loyalty.

2. Pricing Perception and Its Influence on Recommendation

Pricing is often a sensitive topic, especially in price-conscious markets like India.
The study revealed a moderate positive correlation ($r = 0.48$, $p < 0.05$) between satisfaction with Starbucks' pricing and the likelihood to recommend the brand.
While Starbucks operates in the premium segment, customers who perceived the pricing as reasonable relative to the quality, ambience, and overall experience were more likely to become brand advocates.
Thus, perceived value — rather than low price — is a key driver of customer loyalty for Starbucks in India.
Careful management of the price-value perception remains essential for continued customer retention and advocacy.

3. Customer Engagement through Visit Frequency

The frequency of customer visits to Starbucks also emerged as a moderate influencer of loyalty.

A positive but relatively weaker correlation ($r = 0.35$, $p < 0.05$) was found between visit frequency and the likelihood to recommend Starbucks.

This indicates that frequent visitors, though not drastically different from occasional ones, are somewhat more inclined to endorse the brand.

The finding suggests that Starbucks should focus on enhancing customer engagement initiatives, such as loyalty programs, membership rewards, and personalized marketing, to increase visit frequency and, consequently, strengthen customer loyalty over time.

4. The Importance of Store Ambience in Customer Loyalty

Ambience plays a significant role in Starbucks' brand positioning, and the study's findings support this.

There was a moderate positive correlation ($r = 0.55$, $p < 0.05$) between the importance customers assigned to store ambience and their likelihood of recommending Starbucks.

Customers who prioritized factors like seating comfort, store cleanliness, music, lighting, and interior aesthetics were significantly more loyal and likely to recommend the brand.

This finding confirms that the "Starbucks experience" — beyond just the product — is a core driver of customer satisfaction and loyalty.

Therefore, consistently delivering a superior in-store experience is critical to Starbucks' long-term success in India.

5. Demographic Analysis

An analysis of the demographic composition of survey respondents revealed that a large majority belonged to the 18–25 years (youth) and 26–35 years (young working professionals) age groups.

This indicates that Starbucks' core customer base in India consists primarily of millennials and Gen Z consumers who value experiences, brand image, and product variety.

The gender distribution was fairly balanced between male and female respondents, suggesting a relatively even brand appeal across genders without significant bias.

This demographic insight emphasizes the need for Starbucks to design marketing and product strategies that resonate strongly with young, urban, aspirational consumers.

6. Overall Predictive Insights: Regression Outcome

The regression analysis provided deeper insights into predictive behaviors.
The study found that the perceived importance of non-coffee options was a strong predictor of a customer's likelihood to recommend Starbucks.
The statistically significant regression model ($p < 0.01$) with a regression coefficient ($B = 0.58$) highlights that improving non-coffee offerings can lead to a substantial rise in positive brand advocacy.
This validates the strategic move of expanding beyond coffee products, especially for attracting and retaining diverse consumer segments in a competitive market like India.

Consolidated Summary of Findings

In summary, the research findings demonstrate that Starbucks' success in India hinges not solely on coffee but on a holistic combination of factors:

- Diverse non-coffee offerings,
- Perceived value for money,
- Positive, memorable in-store ambience, and
- Strong customer engagement strategies.

Investments and improvements in these areas are likely to yield significant gains in customer satisfaction, loyalty, and organic promotion through recommendations.

RECOMMENDATIONS

Based on the comprehensive analysis of survey responses and quantitative techniques such as correlation and regression, the following detailed recommendations are suggested to help Starbucks India enhance its customer satisfaction, loyalty, and market share:

1. Expand and Deepen Non-Coffee Product Portfolio

The study established that non-coffee offerings significantly influence customer loyalty and brand advocacy.
Thus, Starbucks should strategically **expand its non-coffee menu** by introducing a wider variety of **beverages** (like regional teas, matcha lattes, fruit-based refreshers) and **food options** (local snacks, healthy breakfasts, vegan options).
Seasonal, festive, and health-focused limited-time products can create excitement and drive repeat footfall.
Special attention should also be paid to **Indian palate preferences**, blending global branding with local tastes — a successful strategy already seen in some regional menu additions.

Action Steps:

- Launch Indian festival-themed beverages and desserts (e.g., Diwali-special drinks).
- Regularly introduce health-focused lines like keto snacks or organic teas.
- Collaborate with local chefs for occasional 'special' menus.

2. Strengthen Pricing Strategy with a Value-Focused Approach

Though Starbucks' premium pricing is acceptable to many urban consumers, customers' perception of fairness in pricing strongly influences loyalty.
Hence, Starbucks should focus on **strengthening the perceived value proposition**, rather than altering core pricing models.
Communicating what justifies the premium price (ethically sourced beans, superior ambience, quality ingredients, employee benefits) is crucial.
In parallel, Starbucks can **offer bundled deals**, **combo offers**, or **small-sized options** to make purchases feel more accessible, especially for price-sensitive younger customers.

Action Steps:

- Promote "Starbucks Stories" — ethical sourcing, community building, sustainability — through marketing.
- Offer small-sized beverage variants at affordable prices to enhance affordability without hurting premium brand positioning.
- Introduce "Value Meals" during off-peak hours to boost traffic.

3. Deepen Customer Loyalty through Enhanced Engagement Programs

As visit frequency has shown a positive link to advocacy, Starbucks must design initiatives that **encourage repeat visits**.
Enhancing the **Starbucks Rewards program** with more meaningful rewards, faster points accumulation, exclusive menu items, early access to promotions, and surprise offers can significantly boost loyalty.
Customized engagement based on buying habits, favorite items, and occasion-specific marketing (like birthdays or anniversaries) can create stronger emotional bonds.

Action Steps:

- Revamp loyalty rewards to offer faster benefits (free drinks after fewer purchases).
- Send personalized push notifications through the app based on user preferences.
- Host exclusive members-only tasting events and previews.

4. Continuously Elevate the In-Store Ambience Experience

Given the strong influence of store ambience on loyalty, Starbucks must maintain its global standards while localizing elements sensitively.
While uniform quality, cleanliness, and comfort remain non-negotiable, Starbucks India can experiment with **city-themed outlets** (e.g., Delhi heritage store, Mumbai art district store) to offer uniqueness without compromising the brand image.
Incorporating local music, artworks, and cultural touchpoints while maintaining overall sophistication will enhance customer attachment.

Action Steps:

- Regularly update music playlists to suit Indian tastes while staying aligned with global themes.
- Introduce occasional "local décor weeks" where certain stores highlight local artists' work.
- Conduct quarterly ambience surveys for immediate improvement feedback.

5. Target Young Urban Demographics with Tailored Marketing

Survey demographics clearly indicate that Starbucks' Indian customers are predominantly young adults aged 18–35, mostly students and early professionals.
Marketing strategies should therefore focus on digital engagement: Instagram-first campaigns, YouTube collaborations, social media contests, and co-branding with lifestyle brands that appeal to aspirational urban youth.
Positioning Starbucks as a "lifestyle" choice rather than just a coffee shop can create deeper emotional associations.

Action Steps:

- Partner with popular Indian influencers for limited-time product promotions.
- Launch TikTok/Instagram challenges related to new menu launches.
- Organize campus engagement programs with universities and B-schools.

6. Build a Culture of Listening through Continuous Customer Feedback

Finally, Starbucks must create a proactive feedback ecosystem to capture evolving customer preferences.
Beyond traditional feedback cards, using QR-code based digital surveys, AI-powered chatbot suggestions, and social media listening tools can help gather actionable insights.
Quick, visible responses to feedback ("You Asked, We Delivered" campaigns) will build trust and customer-centricity.

Action Steps:

- Set up small post-visit surveys (via SMS or app) that reward customers with loyalty points.
- Monitor review platforms actively and respond promptly.
- Publicize improvements made based on customer suggestions to build credibility.

By acting on these detailed recommendations, Starbucks India can strengthen its customer relationships, sharpen its brand relevance, and achieve sustainable competitive advantage in a dynamic and youthful consumer market.
Focused efforts on **product innovation, pricing perception, ambience experience, loyalty cultivation, youth-centric marketing, and feedback responsiveness** will be the pillars of Starbucks' continued growth story in India.

CONCLUSION

The purpose of this study was to critically examine Starbucks' performance in the Indian market, with a particular focus on understanding customer perceptions of non-coffee offerings, pricing, ambience, and overall brand loyalty. Through a combination of quantitative analysis, including descriptive statistics, correlation, and regression analysis, along with detailed survey responses, several key insights emerged that reflect the evolving dynamics of the Indian café culture and Starbucks' strategic position within it.

The findings reveal that while Starbucks has successfully established itself as a premium coffeehouse brand, its non-coffee beverages and food offerings significantly impact customer satisfaction and loyalty. Customers increasingly value diversity in the menu, personalized experiences, and the lifestyle proposition that Starbucks embodies. Moreover, store ambience — comprising the overall vibe, decor, music, and comfort — plays a critical role in shaping customer willingness to recommend the brand to others, underscoring the importance of experiential retail strategies in today's competitive landscape.

Pricing, though premium, was generally accepted by the urban, young adult demographic, provided it is matched with perceived value. Importantly, the research highlighted those frequent interactions with the brand — facilitated through loyalty programs, promotional offers, and consistently high service quality — positively influence customer loyalty and brand advocacy.

The demographic profile of Starbucks' typical Indian customer (largely aged 18–35, students, and young professionals) suggests that future growth opportunities lie in deeper digital engagement, localization of product offerings, and enhanced emotional branding.

In conclusion, while Starbucks India enjoys strong brand equity, there remains significant potential for deeper market penetration and customer loyalty if the company continues to innovate its offerings, evolve its pricing and communication strategies, maintain its high experiential standards, and build more agile customer feedback mechanisms. The brand's ability to adapt while staying true to its global ethos will be critical to sustaining and expanding its success in the diverse and dynamic Indian market.