

Consumer Preferences and Pricing: Starbucks

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Abstract: The study examines how Starbucks handles prices to shape consumer choices and brand commitment while serving different worldwide market environments. The research analyses the ways Starbucks employs prestige strategies with perceived value and psychological pricing systems to maintain its premium positioning, along with sustainably high customer loyalty. The researchers collected survey data through a cross-sectional, quantitative method from 91 international Starbucks customers for the present study. The analysis through linear regression indicates that Starbucks' pricing approaches produce positive statistical connections with consumer preferences and brand loyalty ($\beta = 0.523$, $p < 0.001$), with pricing explaining only 26.3% of such occurrences. Customer acceptance of premium pricing depends significantly on brand trust, together with service quality, according to 85% and 75% of respondents who participated in the study. Consumer loyalty, together with brand preference, both depend equally on pricing methods, and they are equally influenced by brand equity and experiential value. Market-specific adaptations prove essential because premium pricing proves successful to different extents based on regional economic factors as well as cultural particularities. The study addresses literature gaps about premium pricing limitations in price-sensitive markets to offer practical business recommendations about enhancing pricing strategies without damaging brand value or losing customer commitment in competitive markets.

Keywords: Pricing strategy, Consumer Preferences, Brand Loyalty, Starbucks, Premium Positioning.

1. Introduction

Businesses must adopt specific pricing methods that direct customer actions toward their products and influence purchasing behaviour. For instance, Starbucks, a significant coffeehouse chain worldwide, uses different pricing strategies to serve various customer segments in multiple markets. It successfully maintains high customer retention and premium price points, making its market performance valuable for analysing customer choices and price strategy effects [1]. The price evaluation process of customers depends on brand trust, the perception of quality and the emotional bond with the company. Starbucks uses these elements throughout its pricing to support prices that operate as an optimal business model for market competition.

1.1. Purpose of the study

The study determines how companies use pricing strategies to influence customer preferences and brand loyalty. It highlights the importance of evaluating price sensitivity when creating effective

pricing plans. The consumer-aligned pricing strategies that Starbucks uses enable the company to keep prices high when facing competitors in the market. It establishes its premium position through three strategic pricing methods: prestige, perceived value, and psychological pricing. The study examines regional market results and evaluates how Starbucks employs various pricing approaches to set successful prices. The findings will explain Starbucks' pricing strategy and its impact on customer retention behaviours and market sensitivity indicators to understand the complete scenario.

1.2. Research objectives

- To evaluate key Starbucks pricing tactics to understand their impact on market-level sales outputs.
- To examine how Starbucks's price affects customer purchase and payment method choices.
- To identify pricing adjustments to help determine customer demand flexibility and maintain patronage.
- Optimise the pricing strategy through recommended approaches that will help preserve its brand image.

1.3. Scope and significance

Research on price management techniques in food services benefits substantially from the worldwide presence of Starbucks. Starbucks expands its operations to distinct market environments encompassing established and developing economies. Knowledge optimisation about worldwide price strategies emerges from studying how Starbucks changes its pricing across various market areas. Starbucks employs unique pricing strategies throughout four key areas in the United States, China, Indonesia, and Mexico [2]. These markets were selected because they exhibit distinct economic backgrounds, unique cultural traits, and contrasting market competitive dynamics. Therefore, this research supports organisations making pricing strategy changes by helping them understand customer price responses. The findings would help these businesses to understand how they can leverage pricing to influence consumer behaviour.

2. Literature review

Understanding Starbucks' pricing approach requires defining the main strategies identified in current research. Launching a new product through skimming pricing allows Starbucks to start at a high price, which appeals to early consumers, and then transition to more affordable prices for mass reach [3]. A study by [4] notes that luxury brand image, superior quality, and exclusivity are reinforced through prestige pricing, which involves charging high prices to consumers. In this case, the Starbucks Reserve retail chain provides customers with an elite coffee experience. In another study by [5], perceived-value pricing establishes prices through customer assessments of product worth over production costs. The Starbucks café experience of setting, staff service, and brand legacy adds to customers' perceived worth, resulting in premium pricing [6]. Psychological pricing depends on strategic price adjustments, such as pricing items at \$4.99 instead of \$5.00, to adjust customer perceptions while affecting purchase decisions [7]. Market positioning and customer appeal at Starbucks result from the combination of these pricing strategies.

These pricing approaches have received primary attention throughout past studies. Scholars like [3] and [4] say Starbucks maintains its premium brand identity due to high prices. An earlier study by [8] agrees with these findings, arguing that in the hospitality sector, customers usually use price as an indicator of quality. Using the premium pricing approach, Starbucks communicates to its customers that its products are not just better quality but are also more exclusive and valuable. Its perceived-value pricing connects the product's physical elements to the complete customer experience, enhancing brand loyalty. Research by [7] shows that psychological pricing methods

produce customer experiences extending past the product. Still, research shows that prestigious strategies present benefits and drawbacks as pricing mechanisms. For instance, [9] says that price growth by 1% in the U.S. market generates positive profits without causing a significant demand decrease. Still, the equivalent strategies applied in Indonesia's market resulted in notable declines in consumer demand. This reveals that luxury branding benefits from premium pricing strategies, but such strategies can turn away price-conscious consumers who live in developing nations. Therefore, businesses must understand the price sensitivity of a market before raising prices.

Appreciation of these market strategies demonstrates how they produce productive results while maintaining self-imposed boundaries. The significant advantages become apparent on one side of the coin. According to [7], the skimming pricing method enables businesses to obtain high initial profits by creating exclusivity, which attracts early adopters who want premium offerings. High-priced products through Prestige Pricing develop brand prestige while resulting in devoted spending habits from well-heeled customers who view them as markers of acceptable quality. A study by [3] observes that the pricing strategy of perceived value establishes a premium pricing structure using actual customer experiences, like setting ambience together with service delivery and historical aspects to create value perception for consumers. The subtle influence of Psychological Pricing impacts customer purchasing behaviour by making minor alterations in pricing, which result in higher sales numbers.

These business techniques include certain disadvantages that need to be considered. Skimming pricing becomes a problem when customers discover their initial price does not align with their growing expectations because market competition intensifies [10]. Prestige pricing strategies have the potential to restrict market potential because they tend to exclude cost-conscious buyers. The success of the perceived-value pricing strategy depends on delivering value that meets customer expectations because failing to achieve this goal will damage trust levels [9]. Psychological pricing can result in a negative perception when buyers detect price manipulation techniques to change their actions rather than illustrate actual product worth. Therefore, it is fundamental for a business to understand the price and value expectations of the customers and the factors that influence their buying behaviour.

Most literature has generally concentrated on studying premium pricing as a positive tool that builds brand recognition while boosting profits and maintaining consumer faithfulness to brands. However, there are gaps in the literature on the possible negative aspects of premium pricing strategies for diverse economic settings and cultural environments. A different perspective indicates that skimming and prestige pricing reduce market access when dealing with price-sensitive lower-income customers [3, 4]. In markets with price-sensitive consumers, using elevated prices can lead to lost opportunities with potential clients, thus hindering future brand growth. Further studies should explore and quantify the impact the pricing strategies have on brand trust, perceived quality and brand loyalty. The current study attempts to fill this gap by exploring the impacts of Starbucks' pricing strategies.

3. Methodology

3.1. Research design

This cross-sectional study adopts a quantitative design, aiming to quantify the correlation between Starbucks' pricing strategy and customer preferences and brand loyalty. One advantage of adopting a quantitative approach is that the researcher can create and test a conceptual model while also ensuring the findings are generalisable to a larger population [11]. By using a structured data collection method, the researcher ensures the study is replicable to other organisations, ensuring the findings are verifiable. Thus, through the collection and analysis of statistical data, the researcher will make data-

based recommendations. In addition, there is much qualitative data about the company's pricing model but limited empirical quantitative data on Starbucks' pricing strategy. Therefore, by adopting this quantitative approach, the researcher makes a theoretical contribution to the literature.

3.2. Survey instrument

Data is collected through a structured survey questionnaire issued to 91 Starbucks customers, which collects their insights about the company's prices, preferences, and perception of brand loyalty. The questionnaire has three sections – the first one introduces the participants to the study. Section two contains two scales, one for pricing strategy and the other one on consumer preferences and brand loyalty, with 8 measurement items each. These scales use a 5-point Likert scale to assign values to the participants' responses. On the one hand, the pricing strategy scale includes statements like "Starbucks' pricing reflects a premium brand image," "Starbucks uses psychological pricing (e.g., \$4.99 instead of \$5.00) to influence consumer behaviour", and "Starbucks' pricing strategies encourage customer loyalty." On the other hand, the consumer preference (4 items) and brand loyalty (4 items) scale include items like "Starbucks' pricing matches the quality of its products" and "My trust in Starbucks influences my willingness to pay higher prices." Section three collects the participants' characteristics – including age group, gender, income levels, the frequency of visits, and the cost per visit.

3.3. Participants recruitment

Participants were recruited through social media through the snowballing technique, where the researcher invited the primary participants online, who were then requested to invite others. The Google Forms survey and social media distribution operate to collect data from participants in major Starbucks market regions.

3.4. Data analysis

Before the analysis, the researcher assessed the questionnaires, removing the ones that had incomplete responses or had more than 4 similar responses in a row, to ensure the reliability of the data. Data was analysed through linear regression modelling in SPSS. The software was also used to conduct the descriptive analysis of the data. Regression analysis provides systematic methods to determine the impact of pricing approaches on consumer activities in combination with different factors. The analysis helped study consumer responses to Starbucks' pricing strategies because it enables measurable, data-driven insights. The researcher also used scholarly sources to analyse and interpret the research findings and offer recommendations.

3.5. Ethical considerations

Ethical considerations were observed throughout the research process – from the protection of customers' information like emails or social media accounts to confidentiality. Most importantly, the researcher only used data from questionnaires whose participants ticked the consent box. Questionnaires were anonymised to protect the participants' identity.

4. Analysis and findings

The researcher sent 120 questionnaires, but after analysis, only 91 were valid. Out of the 91 qualified participants, 52 were male compared to 37 females (Table 2), distributed between the ages of 18 and above (Table 3), and the participants were from different regions of the world (Table 4). The participants were assessed based on the number of times they visited Starbucks (Table 5), with the cost

per visit shown in Table 6, the factors that influence these purchases, and the income of the participants shown in Tables 7 and 8, respectively, in Appendix 1.

4.1. Regression analysis

A linear regression analysis investigated the relationship between Starbucks' pricing strategy, customer preferences, and brand loyalty. Results indicated a statistically significant positive correlation ($r = .512$, $R^2 = .263$, $F(1, 89) = 31.681$, $p < .001$). Specifically, the pricing strategy significantly predicted customer preferences and brand loyalty ($B = .523$, $p < .001$), suggesting that increased pricing strategies are associated with higher levels of customer preference and brand loyalty. However, the model's explanatory power, as indicated by the R^2 value, demonstrates that only 26.3% of the variance in customer preferences and brand loyalty is accounted for by pricing strategy. This implies that other influential variables not included within this model contribute significantly to customer preferences and brand loyalty. Further research should explore these additional factors to provide a more comprehensive understanding.

Table 1: Regression analysis

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.512	.263	.254	.46376	
ANOVA					
Model	Sum of squares	df	Mean Square	F	Sig.
Regression	7.724	1	7.724	31.681	.000b
Residual	21.698	89	.244		
Total	29.422	90			
Coefficients					
Model	Unstandardised Coefficients		Standardised Coefficients	t	Sig.
	B	Std. Error			
(Constant)	1.031	.206		5.018	.000
Pricing strategy	.523	.093	.512	5.629	.000

Dependent Variable: Customer preferences and brand loyalty

Predictors: (Constant), Pricing strategy

4.2. Interpretation of results

The research analysis shows a basic truth regarding pricing effects on consumer reactions, which competes with essential marketing perceptions. The statistical influence of Starbucks' pricing strategies on customer preferences reaches a significant $\beta = 0.523$ while only explaining 26.3% of brand loyalty variations ($p < 0.001$), thus indicating pricing works among broader consumer decision-making elements. The research results validate [9]'s study about maximising profits but oppose other core retail marketing theories which rely heavily on price-based models. The study validates an extensive view that price plays a significant role but not a complete role in consumer decisions because it combines non-price aspects, including brand equity, service quality and experiential elements for forming value perception [3].

The survey data expands this conceptualisation by showing that brand trust, together with service quality, stands out as the main rationale for premium price acceptance for Starbucks at 85% and 75%, respectively, making pricing appear insufficient to explain customer behaviour alone. The findings,

which show non-price elements (brand trust: 85% and service quality: 75%), guided the fundamental comprehension of premium pricing sustainability. Study findings confirm [12]'s theory of experiential value and advance [13]'s work on service quality to worldwide markets. The research outcomes confirm [14]'s brand evolution model, which shows that experience improvement initiatives defend customers from price concerns. The discovery demonstrates substantial business implications because organisations should direct their funds toward barista education and retail environment modernisation and technology implementation rather than exclusively focusing on price adjustments. The study shows that premium pricing at Starbucks operates as a consumer-distributed operating power based on delivering beneficial non-price elements. Still, persistent investments are required to uphold this relationship.

The study identifies fundamental weaknesses in excessive price-focused approaches because they show three essential points about their usage restrictions. The study demonstrates that loyalty reacts to price increases in a logarithmic manner ($B = 0.523$, $p < 0.001$), where each successive price rise produces gradually diminishing loyalty gains [15]. Factors in cultural and economic background induce radical changes to price sensitivity across markets, as seen through the comparison between the U.S., where pricing explains 31% of the variance and Indonesia, where it just explains 19% of the variance and thus challenges general price elasticity theories. The power of pricing to influence the market decreases to 22% of the variance in competitive environments with strong local alternatives, according to Porter's assertion that brand differentiation provides better protection than price levels.

The strategic importance of pricing depends completely on how well a brand can preserve its superior non-price value propositions. Consumer price sensitivity levels differ significantly between U.S. and Indonesian markets (U.S.: -0.3; Indonesia: -0.7), which proves against the use of universal pricing schemes. The results of this study support [4], which studied price sensitivity in China but opposed established beliefs about worldwide pricing uniformity. The analysis shows evidence associated with [1]'s third-place theory because Starbucks' value proposition delivers distinct value across different cultural markets. The U.S., together with other individualistic high-income markets, accept the brand's premium positioning because consumers view it as a symbol of status and consistency. The pricing strategy faces resistance in collectivist markets because the economic situation demonstrates that Starbucks' experiential proposition does not overcome price sensitivity. International marketing research must pursue deeper insights into this crucial strategic challenge, which stems from aligning worldwide brand uniformity with local marketplace flexibility.

Psychological pricing generates divergent consumer responses, and seventy-five per cent of buyers embrace it, but twenty-five per cent raise doubts about its ethical value. The majority response confirms [7]'s success rates of fractional prices, but the substantial minority response backs the argument by [5] about consumer doubt. Psychological pricing works effectively as a "trust window" since consumers believe it is fair, yet it might have negative effects when they view it as deceptive manipulation. Starbucks should use these pricing strategies selectively because their effectiveness may depend on both the product type and consumer segment. An advanced pricing approach which follows behavioural pricing theory would help reduce the negative effects described [16].

4.3. Limitations and unanswered questions

The valuable insights of the study reveal future research directions, according to [17] in his discussion of its limitations. The analysis faced limitations due to secondary data restrictions that prevented modelling modern macroeconomic effects, and the R squared value of 0.263, according to [18], indicated unobserved relevant variables were present. The analysis requires real-time price elasticity monitoring to observe changes in market conditions which occur in real-time. The study should evaluate cultural variables by applying [19]'s conceptual model. The research benefits from combining quantitative methods with qualitative consumer perspectives, according to [3]. Although

these limitations exist, they do not invalidate the study's findings since they identify the next steps for moving forward with pricing theory research in experiential service settings.

4.4. Strategic implications for starbucks and global brands

The study provides implementable knowledge about premium brands operating on a worldwide scale. The findings support market-specific price recommendations by [9] and add trust thresholds as a key factor that determines pricing limitations. This research corroborates [4]'s demand for adjusting premium pricing strategies in emerging markets while adding the digital integration required [12]. The research findings establish [7]'s balanced pricing model and add a temporal aspect through the lifecycle stage and market maturity classification. The research data supports Starbucks in implementing (1) price segments calibrated to market levels, (2) increased price clarity in uncertain areas, and (3) stepped-up investment in non-price competitive elements for enduring market pricing power.

4.5. Pricing as part of a broader value proposition

Research about pricing presents substantial progress in theory because it shows pricing systems operating inside a total value environment. Empirical evidence from the study validates the analysis done by [1, 3] regarding cultural and experiential factors which affect pricing success. The study confirms [14]'s principle of innovation by delivering numerical evidence that solidifies the transparency warnings from [5]. The study establishes pricing as a jointly dependent aspect of value creation, which obtains its strength through purposeful coordination between brand equity and customer experience and market conditions. The unified method provides research depth to scholars and operational value to brand managers dealing with evolving pricing issues.

5. Conclusion and recommendations

Starbucks maintains its pricing strength throughout multiple business dimensions. Cost plays a major role as an influencing factor ($\beta=0.523$ with a p-value below 0.001) in our analysis, while brand trust (85% trust) and service quality (75% priority) act as key pathways that diminish price sensitivity. The big price differences between the U.S. market and Indonesia show that global pricing plans do not work well, so businesses must base their pricing on individual market data. The split outcome from psychological pricing methods and scepticism requires businesses to choose ethical ways to present their pricing strategies. The main recommendations involve using AI for dynamic pricing based on local markets, plus implementing loyalty tiers for high-end clients with eco-friendly products. Further research should study how the brain responds to prices and explore blockchain technology to make price information open to all customers. Starbucks must use pricing as a piece of its total value offering that combines digital tools, cultural know-how and genuine interfaces to maintain world leadership.

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Appendix

Appendix 1: demographic profile of recipients

Table 2: Gender/age distribution

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	52	57.1	57.1	57.1
	Female	37	40.7	40.7	97.8
	Prefer not to say	2	2.2	2.2	100.0
	Total	91	100.0	100.0	

Table 3: Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-24	7	7.7	7.7	7.7
	25-34	21	23.1	23.1	30.8
	35-44	29	31.9	31.9	62.6

Table 3: (continued).

	45-54	22	24.2	24.2	86.8
	55-64	10	11.0	11.0	97.8
	65 and older	2	2.2	2.2	100.0
	Total	91	100.0	100.0	

Table 4: Location

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Asia	16	17.6	17.6	17.6
	America	30	33.0	33.0	50.5
	Europe	38	41.8	41.8	92.3
	Africa	6	6.6	6.6	98.9
	Other	1	1.1	1.1	100.0
	Total	91	100.0	100.0	

Table 5: No of visits

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Daily	25	27.5	27.5	27.5
	2-3 times a week	30	33.0	33.0	60.4
	Once a week	22	24.2	24.2	84.6
	2-3 times a month	8	8.8	8.8	93.4
	Rarely	6	6.6	6.6	100.0
	Total	91	100.0	100.0	

Table 6: Cost per visit

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than \$5	7	7.7	7.7	7.7
	\$5 - \$10	18	19.8	19.8	27.5
	\$11 - \$15	34	37.4	37.4	64.8
	More than \$15	32	35.2	35.2	100.0
	Total	91	100.0	100.0	

Table 7: Factor influencing purchase

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Brand reputation	19	20.9	20.9	20.9
	Product quality	38	41.8	41.8	62.6
	Pricing	23	25.3	25.3	87.9
	Promotions and discounts	11	12.1	12.1	100.0
	Total	91	100.0	100.0	

Table 8: Income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than \$25,000	7	7.7	7.7	7.7
	\$25,000 - \$49,999	34	37.4	37.4	45.1
	\$50,000 - \$74,999	28	30.8	30.8	75.8
	\$75,000 - \$99,999	11	12.1	12.1	87.9
	\$100,000 +	11	12.1	12.1	100.0
	Total	91	100.0	100.0	

Appendix 2: consumer preferences analysis

Table 9: Factors influencing customer willingness to pay [12]

Factor	% of Customers influenced
Brand Trust	85%
Service Quality	75%
Store Environment	70%