



Marketing lessons from Starbucks “Red Cup Controversy”

3/17/2016

By: Kalli Ricka Wolf

In the midst of a social media marketing revolution, online word-of-mouth is the epitome of a customer’s honest opinion. Starbucks Coffee recently faced a “Red Cup Controversy” in 2015 that led to a backlash of its holiday cup design on social media, yet managed to earn [higher-than-expected profits](#).

In November 2015, Starbucks Senior Vice President Terry Davenport, spoke at the Medill Integrated Marketing Communications talentQ Expo. In his [presentation](#), “Building Brand Equity,” Davenport offered this piece of advice to marketers: “Listen and respond to your critics.” In a similar vein, in a recent [study](#) of online negative word-of-mouth (NWOM), the Spiegel Research Center (SRC) partnered with Canadian Air Miles Reward Program to understand customer critics and how marketers can utilize their online comments.

Starbucks is renowned for its annual holiday cup, which has featured winter and Christmas themes such as snowflakes and ornaments in

the past. However, 2015 was a year for change as the coffee giant debuted a simple cup with shades of ombré red. To some, stripping the holiday designs meant Starbucks was taking a stance against Christmas.

What happened next was an explosion on social media. In the first 48 hours, a photo of the holiday cup was shared on Instagram every [14 seconds](#).

“People were saying that removing snowflakes was removing Christmas,” said Northwestern IMC 2016 student and frequent Starbucks customer Elizabeth Fontana. “When religion gets thrown into the mix, people can suddenly become a lot more sensitive.” Yet in light of the controversy, lines were still out the door at Starbucks locations around the world.

Spiegel [research](#) provides insight into the success of Starbucks amid controversy.

Customers who view NWOM online decreased future spending. However, customers who experienced the value of the brand, then took the time to write moderately negative online reviews **actually increased future spending**. Online reviews gave these customers the opportunity to vent their emotions, resulting in increased purchases. In choosing to write online comments, the consumer is emphasizing that the Starbucks brand is very important to them, and this phenomenon helps explain why Starbucks profits rose at the same time customers were posting criticism online.

Word-of-mouth is among the top influencers of purchase behavior, according to SRC, and acceleration of online conversations has a direct effect on sales. Despite a negative attitude towards the “anti-Christmas” Red Cups online, [one in six](#) Americans received a Starbucks gift card over the holidays, an increase from one in seven in 2014. This

further supports research findings that vocal customer reactions do not always correlate to a decrease in the bottom line.

Spiegel insights for marketers

-Encourage online opinions: Invite your customers to post comments, both positive and negative, in order to receive and utilize honest feedback about your brand

-Respond and apologize: Allow your customers to vent about minor grievances online, and respond directly. Customers who are extremely upset online are likely to decrease spending unless steps are taken to correct the problem. Customer service representatives should reach out to these posters to resolve any issues

-Create opportunities to re-experience the brand value: Provide your customers a second chance with your brand by offering refunds, discounts, or a sincere formal apology

-Acknowledge happy customers: Thank posters who share positive reviews of your brand to reinforce loyalty