

An Analysis of Starbucks' Marketing Strategy and Innovation in the Chinese Market

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Abstract: As the number of Starbucks shops in China continues to increase, Starbucks' focus on creating high-end products has neglected some of the basic needs of the consuming public. With negative press, the emergence of more and more peer competitors, and the impact of the new crown pneumonia epidemic, Starbucks should change its current status quo, improve its reputation, make corporate innovations, and change marketing strategies. This paper will analyze Starbucks' current internal and external environments as well as its marketing strategy using a combination of theory and practice, using SWOT analysis theory and a comparison with competitors such as Luckin Coffee and %Arabica Coffee to elaborate, and give some feasible suggestions for corporate innovation. Through SWOT analysis, Starbucks should adopt a "coffee + " strategy to bundle sales, increase the variety of coffee derivatives, expand partner brands, and take advantage of the Internet to create a Netflix brand to drive traffic.

Keywords: localized marketing strategies, Starbucks Coffee, corporate innovation, SWOT analysis

1. Introduction

With increasing globalization, more and more foreign companies are entering the Chinese market and with the improvement of people's living standards, coffee culture is becoming more and more popular. To open up the Chinese market, Starbucks, as an international coffee shop chain, must change its marketing strategy, root itself in Chinese market demand, combine its own brand with Chinese reality and carry out localised promotion. In the article, Zhang Xinrui uses the PESTEL analysis model, Porter's five forces theory, SWOT analysis and other methods to list the current situation of the macro and micro environments of Starbucks enterprises, and conduct detailed analysis of marketing strategies in terms of target markets, prices and channels, so as to summarise the inspiration brought to people, and summarise the previous strategies of Starbucks, but does not propose the exact improvement methods [1]. In the face of the increasingly severe market environment, Starbucks cannot change the status quo by adopting the traditional and unchanging strategies of the past, so this paper proposes a precise and innovative approach.

S (strengths) are strengths; W (weaknesses) are weaknesses; O (opportunities) are opportunities and T (threats) are threats. According to the complete concept of a company's competitive strategy, strategy should be an organic combination of what a company can do (i.e., the organisation's strengths

and weaknesses) and what it can do (i.e., the environment's opportunities and threats). As a whole, SWOT can be divided into two parts: the first part is SW, which is mainly used to analyse internal conditions; the second part is OT, which is mainly used to analyse external conditions. Using this method, Starbucks can identify the factors that are favourable to its and worth building on, as well as the things that are unfavourable to its and should be avoided, find out what problems exist, identify solutions and clarify the direction of future development. Therefore, this paper will use the SWOT analysis method to analyse the four aspects of strengths, weaknesses, opportunities and threats. The main internal strengths, weaknesses and external opportunities and threats closely related to Starbucks Corporation are listed through a survey and arranged according to a matrix, and then a series of conclusions are drawn by matching the various factors with each other using a systematic analysis. The author hopes that the analysis of Starbucks' marketing strategy in this paper will suggest innovative approaches that are appropriate for Starbucks in the light of the economic recovery following the end of the COVID.

2. Status and Background

An analysis of Starbucks' financial statements for China for the first quarter of 2023 shows that the company achieved revenue of US\$8.71 billion for the reporting period, up 8.24% year-on-year, and a net profit of US\$855 million, up 4.82% year-on-year. The financial results show that Starbucks' North American sales increased by 14% year-on-year, but same-store sales in its international business declined by 13% overall, with Starbucks' sales in China falling by 29%. Both sales and net profit declined due to the impact of the new crown pneumonia outbreak in late 2022 and early 2023 [2].

In December 2020, with operations in 83 countries, Starbucks had a total of 32,660 locations worldwide, primarily in the United States, Canada, China and other parts of Asia Pacific [3]. The financial report for the first quarter of fiscal 2023 showed that Starbucks achieved another increase in the number of shops in China, adding 661 net new shops and 22 new cities in fiscal 2022 and 69 new shops and 10 cities in the first quarter of fiscal 2023, bringing the total number of Starbucks shops in China to 6,090 to date. According to Starbucks Corporation's "2025 Strategic Vision for China", Starbucks China will achieve 9,000 shops by 2025, 35,000 new partners (employees) will be added to reach more than 95,000 and the goal of doubling net income and quadrupling operating profit to current growth will be achieved [4]. This means that Starbucks will continue to add new shops in China, while facing new challenges in the wake of the New Crown Pneumonia outbreak.

Founded in 1971 in Seattle, Washington, USA, Starbucks is dedicated to building a high-end coffee brand with over 32,000 shops in 82 markets around the world, making it the world's leading professional coffee roaster. Its main products are brewed and freshly ground coffee, desserts, sandwiches and more, as well as coffee derivatives such as coffee cups, plush toys and backpacks. Since entering China in 1999, Starbucks has been committed to becoming a coffee company with a difference and has now opened more than 6,000 shops in over 230 cities in mainland China, making it the largest component of the Starbucks consumer base outside of its home country.

But hit by the increase of competitors in the market and the epidemic, Starbucks needs to update its marketing strategy as soon as possible with corporate partnerships or product innovation. Starbucks' competitors are divided into two categories: one is the domestic brands represented by Luckin Coffee and Lucky Coffee, and the other is the online coffee represented by %Arabica and M Stand, etc. The biggest reason for the popularity of Luckin Coffee and Lucky Coffee is that they have a price advantage.

3. SWOT Analysis of Starbucks

3.1. Strengths

Starbucks has a large number of shops and is located in a favorable business district with good customer flow. Starbucks itself has brand advantages. It has been on the Chinese market for a long time, and people are familiar with it. Starbucks benefits from high-quality raw materials sourced from nine global planting support centers. Since the first Starbucks non-foreign heritage concept shop was set up in Beijing, the second Starbucks non-foreign heritage concept shop in the country landed in Shanghai on December 5, 2022, reflecting the concept of non-foreign heritage everywhere, from the decoration to the products, which is different from the traditional Starbucks shops with a strong Chinese-inspired character. This, coupled with the strong historical architecture and atmosphere surrounding the store, is a great way to make more people aware of the culture of non-heritage and the exquisite craftsmanship of the artisans. When selling across cultures, it is important to be aware of the influence of culture on sales, to respect different cultures and the diversity of cultures, and to create your own brand culture to gain an advantage and increase your core competitiveness in the Chinese market [5]. Since Starbucks entered China, it has changed its marketing strategy to cater to the tastes and needs of Chinese consumers, creating unique localized marketing tools.

3.2. Weaknesses

Starbucks pricing is high, the audience is limited, and not everyone can drink Starbucks. In recent years, Starbucks has only focused on rapid expansion and ignored the management problems, resulting in many negative news stories that are not conducive to enhancing Starbucks' reputation. At the same time, there is pressure on the management of the capital chain. The number of shops is too high, resulting in capital pressure and turnover difficulties [6]. On February 13, 2022, a Starbucks in Chongqing chased away a police officer who was eating at the door for "affecting the brand image of the shop", and later complained about it, which sparked a lot of debate online. These blackmails have led to a steady decline in Starbucks' reputation and poor word-of-mouth.

3.3. Threats

The emergence of a large number of competitors, such as Luckin Coffee, has taken away some of the customer traffic. The price of raw materials has risen and costs have become higher. The emergence of alternatives in the market, such as milk tea and fruit tea, means that people will not choose coffee alone. The large number of negative news stories about Starbucks shops and its products in recent years has reduced consumers' desire to consume. %Arabica and M Stand are recently emerged Netflix coffee shops, mainly located in Beijing, Shanghai, Guangdong, and other first-tier major cities, focusing mainly on minimalist design, providing consumers with high-quality and high-priced drinks and a punchy atmosphere, relying on Internet communication to open up the Chinese market, and through the shop design style, product features, and high-quality service, taking the high-end Netflix route in this Netflix era rapidly. The company has been able to gain a foothold in the rapid development of the Netflix era.

3.4. Opportunities

The Chinese market has huge potential, with a large population base and rising consumption levels. Coffee consumption in China is growing by 30% per year, and the unsaturated market in China offers Starbucks a lot of room for growth.

4. Starbucks Corporate Innovation Inspiration

4.1. Adopting the “Coffee +” Strategy

According to different needs, coffee can be bundled with food and other goods. Consumers can choose “coffee + sandwich”, or “coffee + tea.” Many people need to eat breakfast, and some people do not like to drink coffee, which allows customers to choose. Alternatively, the company can link items to coffee, such as “coffee + movie tickets”, “coffee + blind boxes” and “coffee + public service”. In short, the use of several individuals individually, mix and match, so that consumers can have more choices and enhance the consumer experience. At the same time, consumers can buy the same goods at a low price, according to the proposal of “coffee + ”, for consumers who propose a high-quality, low-cost consumption method; in the pricing, the company can choose the optimal profit, slightly lower than the price of other brands of coffee at the same level as Starbucks. In this way, Starbucks can improve its own competitive advantage, but also avoid being classified with other low-priced brands and reduce people’s pursuit of coffee quality [7].

4.2. Expanding Coffee Derivatives

Starbucks can cooperate with other brands, such as Disney, Universal Studios, Harry Potter, and other popular products loved by young people today, for co-branded sales [8]. KFC, for example, cooperates with cartoon brands at a certain time of the year to buy a set meal and give away dolls, which attracts many teenagers and even university students and sets off a set of dolls. The company’s publicity can rely on online promotion, taking the Netflix route, or it can distribute coupons on today’s short-video platforms and work with traffic vloggers or celebrities to drive traffic through celebrity publicity. Starbucks can invite bloggers from Jitterbug or Little Red Book to comment and publicize, which can attract a wave of consumers even more [9].

4.3. Information Sharing and Cooperation

However, in the production process, each company cannot work alone but needs other parties to play a role in supporting the creation of quality and efficient products. The results of Cavusoglu et al. show that information sharing has a positive impact on supply chain performance, and the better the quality of information sharing, the greater the impact on product supply chain performance [10]. Therefore, good information sharing can have a positive impact on the flexibility of the supply chain [11]. Also, it is important to establish a system or a fixed way to facilitate communication between coffee bean suppliers and Starbucks, and frequent communication as well as information sharing can have a positive impact on the supply chain [12].

5. Conclusion

This paper conducts a SWOT analysis as well as an analysis of Starbucks’ external and internal environments, and some optimization suggestions have been made for Starbucks’ marketing strategy. With the entry into the Chinese market, especially after the impact of the epidemic, the increase in negative news about Starbucks, the strengthening of competitors, and the exposure of various problems, it is recommended that the marketing strategy be adjusted and that innovation be proposed by using a combination of online and offline marketing, updating promotional activities, and initiating cooperation with other well-known brands. As the range of customers is limited by the single product sold, Starbucks can adopt a “coffee +” strategy, which can be bundled with other products to increase its audience. The word-of-mouth and traffic of one brand alone are very small, so the company can work with other brands to sell specialty products and coffee, or work with short videos and social

apps to attract traffic and more attention. In addition, Starbucks should focus on internal staff management and training issues. Many negative news stories about Starbucks are caused by the company's improper management of employees. As a tertiary service industry, everything from raw materials to the attitude towards customers is very important. For Starbucks to build a high-end brand of coffee, it should lead by example and improve internal problems so as to occupy a leading position in the Chinese market for a long time. However, there are still some shortcomings in these innovative methods, which still require specific data analysis and sufficient financial support and will be implemented according to the specific situations of different shops.

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