

Analysis of Starbucks "Chinaization" Organizational Management Issues

Chen Chen^{1, *, †}, Shichen Li^{2, †} and Jingqian Wang^{3, †}

¹School of Management, Xi'an University of Finance and Economics, Xi'an, China

²School of Urban Economics and Management, Beijing University of Civil Engineering and Architecture, Beijing, China

³School of information management & engineering, Shanghai University of Finance and Economics, Shanghai, China

*Corresponding author: 100835@yzpc.edu.cn

†These authors contributed equally.

Abstract. Starbucks is a world-renowned coffee chain brand, and China has now become the fastest growing and largest overseas market for it. This paper takes Starbucks (China) Corporation as the research object, and explores and finds out the problems of single product, quality control and corporate culture loss in the process of organization and management of Starbucks (China) Corporation through the research methods of documentary analysis method, case study method and enterprise comparison. Several targeted improvement suggestions are put forward in this paper for the problems exposed by Starbucks China, hoping that the company could get a virtuous cycle, so that it can be more adapted to the Chinese market and recognized by the majority of consumers. Meanwhile, local enterprises would be able to combine the current situation of Starbucks' development in China and take advantage of its strengths to complement its weaknesses, and the same type of international catering companies could also get inspiration for development in China.

Keywords: Starbucks (China) Corporation; Organizational Management; Documentary Analysis.

1. Introduction

Starbucks Coffee Company entered the Chinese market in 1999, hoping to expand its territory in China. By 2022, Starbucks Coffee Company has as many as 5,400 stores in China, making it a household name in coffee. It is undoubtedly successful. However, in recent years, Starbucks has frequently been on the hot debated seat of the food and beverage industry, and the amount of profit from financial reporting has been decreasing year by year. These problems are closely related to the business management model of the company for a long time. With the development of society, consumer spending power and habits have also changed. Customers' tastes are no longer obsessed with the single-species coffee, and Chinese local brands such as Heytea and Nayuki have sprung up. Meanwhile, international brands such as McCafe have also joined the coffee market, so the choices Starbucks could bring to Chinese consumers have become narrow. And that is not the only problem Starbucks has encountered. Food safety problems have also become an issue of concern to society which occurs frequently. Social media serves as a medium for information dissemination, exposing some of the false practices found by journalists during Starbucks store visits, which infringed the benefits of consumers in terms of food safety. In response to the "unspoken rule" of using food and beverage raw materials after the expiration date, internal to external regulation, illegal penalties and other related recommendations are proposed to effectively break the "unspoken rule" of the industry. In recent years, due to the impact of Covid-19, Starbucks' corporate culture, which was originally enjoyed by "Starbucks fans", is gradually disappearing. The "third space" that once connected consumers to coffee is being undermined by busy Starbucks partners, the happy atmosphere between partners and Starbucks is gradually disappearing, and the pursuit of an innovative cooperation culture is slowing down due to the economy environment. Based on this situation, targeted recommendations are made to improve the current dilemma of Starbucks, giving the company effective suggestions to make changes. Combined with the current Chinese market, Starbucks could give consumers a variety

of choices, and spread Starbucks' own attractive corporate culture to attract more international companies to complete a magnificent transformation in China, and give more Chinese local companies opportunity to learn and utilize.

2. Analytical Study of Starbucks Coffee Company in China

2.1 Background of Starbucks Coffee Company in China

On March 30, 1971, the first Starbucks opened in the Seattle Pike Place Market on the Pacific Coast in northwest Washington State, USA, with a focus on the sale of coffee beans and coffee machines. By 1990, Starbucks was not satisfied with limiting its stores to Seattle and began expanding nationwide in the U.S. In 1992, Starbucks was successfully listed on the NASDAQ in New York as the first coffee company [1].

The first Starbucks store in mainland China was the Beijing China World Trade Center store, which was opened in January 1999. At that time, the business environment in China did not allow foreign companies to operate a restaurant business solely, and at the same time, in order to avoid risks, the company decided to adopt a business model of joint venture agency with three companies in China, namely Beijing Midas Coffee Company Limited, Taiwan Unity Group and Hong Kong Maxim's Group. In May 2000, Starbucks Coffee entered Shanghai and Hong Kong. In 2009, Howard Schultz headed to China and decided to build a localized team to operate in order to develop the market after conducting thorough market research. Since then, Starbucks began to take root in the Chinese market, opening stores in Hangzhou, Macau, Shenzhen, Ningbo, Nanjing, Guangzhou and many other cities. Currently, China has become an important overseas market for Starbucks to grow. Currently, Starbucks has opened 5,400 stores in more than 200 cities in mainland China with nearly 60,000+ Starbucks partners [2].

When it comes to Starbucks, people naturally associate it with its main product, coffee. Although Starbucks stores in China sell tea, pastries, breakfast, mugs and other related products in addition to coffee, in general it still caters to coffee lovers more [3]. Of the more than 110 basic products given in the menu on the Starbucks China website, a total of 63 are closely related to coffee. Of these, 30 are in the Starbucks beverage category, 33 are baked or pastry items that go with the beverage, and the remainder are other coffee-related products (such as coffee mugs, etc.).

Starbucks products have always been the foundation of the Starbucks brand, and its food quality and safety standards have always been known for their strict requirements. Starbucks Coffee Company requires its employees to strictly manage the expiration dates of raw materials and food products that are opened for sale, and the internal expiration dates are shorter than the expiration dates themselves, thus ensuring that every food product sold to customers is safe and reliable. Starbucks drinks are made in-store, while baked goods and cakes are made at regular intervals by partner companies and sold in Starbucks. Therefore, in addition to Starbucks Coffee's own internal product supervision, there is also the involvement of a third-party regulatory unit, known as QA. Each QA employee belongs to a third-party regulator that can objectively reflect the quality and safety of each Starbucks store in China, and they have a detailed scoring system. If the score is greater than 90, the store would harvest a certificate of safety compliance and if it is able to continue to maintain a clean environment and hygienic operation of food, it could be exempted from inspection 2 times. On the contrary, 88 is the passing line. If the score is smaller than 88, then the store will need to usher in a random second QA for review within three months. And if the score of 2 super key items or the composite score is less than 60, the store will usher in the storm of closure.

In addition to Starbucks' products, which are the foundation of the company, corporate culture is also an important factor that has supported Starbucks' development from a humble coffee retailer to a coffee industry giant. As the soul of a company, corporate culture plays a vital role in its daily operation. The core of Starbucks' corporate culture is threefold. First, building a new experiential culture - a "third space" between home and office, where people are able to enjoy a coffee life. Second, creating a culture of self-fulfillment, which requires Starbucks to treat its employees like partners as

always. For this reason, Starbucks partners could be considered a kind of "walking advertising" to some extent. Third, encouraging a culture of innovation. To meet the needs of customers in different regions, Starbucks takes a localized approach to developing more distinctive products and introducing new product combinations in conjunction with different overseas markets [4].

2.2 The Problems of Single Product and Corporate Culture Loss

However, in recent years, Starbucks' revenue situation has become less optimistic, and this is inextricably linked to the gradual entry of many competitors into the coffee industry. McDonald's, for example, is one of them. It is well-known that McDonald's is famous for its fast food, mainly selling hamburgers, fried snacks, soft drinks and ice cream, etc. But in 1993, McDonald's started to enter the coffee market and founded McCafe in Melbourne, Australia in the same year, until it was launched globally in 2007. In 2009, McDonald's annual sales of McCafe rose from 3% to 5% of McDonald's total sales, increasing profits for McDonald's. This means that McDonald's has taken over part of the coffee market, giving Starbucks an impact on its development [1].

With the rise of more and more food chains, similar or even better-quality alternatives can easily be found for coffee and almost all other Starbucks products, and the diversity of products sold is where Starbucks' potential competitors have an advantage. For example, in the past two years, newer tea drink chains such as Heytea and Nayuki have gradually entered the coffee world while maintaining their own characteristics. They first laid out a large number of offline stores to sell new-style tea drinks to attract consumers, and then launched coffee drinks, which became some of Starbucks' more threatening competitors. However, Starbucks has yet to create a product that can "break the circle" outside of the coffee category, and according to store sales statistics, the most popular product among customers is still coffee and related products. In other words, the expansion of Starbucks products outside the coffee category has not yet been recognized by the majority of consumers. By comparing with domestic competitors in China, it is easy to see that coffee is no longer the only "weapon" of competition in the industry, and the ability to develop new consumer demand has become the key to Starbucks' current development [5].

Throughout recent years, the topic of expired ingredients has hardly ever left the restaurant industry. According to reports, a reporter was recruited to work at the Starbucks Zhenze Road store in Wuxi, Jiangsu Province, and discovered through "undercover work" that two Starbucks stores frequently touched the red line of food safety. Food products continue to be used after the expiration date, made into a variety of best-selling drinks sold; supervisors and store employees "teach by example" tampering with shelf life, some ingredients are considered to extend the shelf life by a week; the pastry which has been promised "not to put the next day after opening" was secretly on the shelves in the next day. And all of this was accompanied by numerous pictures and videos as evidence [6]. Despite the presence of independent third-party regulation, visits over the years can bring about familiar faces and climbing friendships. Or some stores are avoiding the food safety dilemma of the moment simply by learning that mystery visitors (QA) have visited other stores in the same area in large numbers to temporarily and quickly check the situation in their own stores, rather than keeping them clean and sanitary all the time.

This impact has also affected aspects of the corporate culture that Starbucks prides itself on. In fact, more and more of its regular customers are starting to feel that Starbucks is not the same anymore. Previously, Starbucks required its partners to remember customers' names and preferences, to know what coffee they wanted without waiting for them to ask, and even to remember the categories they used to take home with them. Now, however, "Starbucks partners" are overwhelmed with orders, making it difficult for them to talk to customers. Therefore, Starbucks is becoming isolated from customers, making the "third space" impossible for customers to navigate. What is more, Starbucks employees have become disillusioned with the company and doubtful about their self-worth because of the large number of suppliers changing to reduce costs and reforming the compensation system. What is worse, the current target of opening six stores around the world every day has stretched Starbucks to the limit. In China, Starbucks has been forced to make a major change in its supply chain,

with the original import sourcing model turning into a domestic manufacturer, and cultural pursuits being even more difficult.

2.3 Suggestions and Solutions

The industry chain formed by Starbucks with the sale of coffee and food with drinks has been partly taken by competitors in the same industry due to the single product, and the drinks are all related to coffee, limiting consumers' choices and thus losing some customers. At the same time, other companies such as Heytea, Nayuki, and McCafe provide coffee while having different products such as fruit tea and European bread, giving customers a variety of choices for the product. In order to solve the problem of customers' limited product selection, the following recommendations are given:

Firstly, Starbucks should conduct market analysis, learn from competitors in the same industry, and moderately increase or decrease its own products to increase competitiveness [7]. Starbucks could get more customer traffic through diversified promotion. Secondly, Starbucks' different branches can run multiple store campaigns to promote new products, such as making good use of membership days or discounts for new users [8]. Thirdly, the company should continue to strengthen its brand position in the mid-to-high-end coffee segment by expanding its product categories [9].

In order to solve the problem of food safety control, the following recommendations are given: At first, in terms of product distribution, Starbucks could learn from the practice of setting up temporary food counters in supermarkets. From the perspective of reducing waste, the company should set up a food counter for food made from expired ingredients in the catering sector, offer discounts at the right time, and point out which expired ingredients are used in the product to give consumers the right to know. At the same time, the disposal of obsolete ingredients should be strictly regulated, and certain positive publicity, policy support and tax relief should be given to restaurants that strictly dispose of obsolete ingredients according to regulations [10]. Secondly, in terms of external supervision, the Starbucks system could be designed to introduce a relatively independent third party. Mystery visitor QAs should also be set up, and the number of them needs to be increased, so as to improve randomness and try to avoid the same person visiting stores in the same area. The frequency of mystery visitor QAs visiting each store should also be increased. Therefore, the frequency of Starbucks employees' self-inspection of their own stores would be increased not far behind. The company can publish the results of third-party inspections to the public in a timely manner to gain consumers' trust. Thirdly, in the internal management of Starbucks China, the company could aim at the contradiction of excessive catering companies and insufficient supervisory manpower, introduce the advanced concept of material balance inspection in Starbucks China's store inspection species through the government's purchase of services to scientifically and precisely discover deep-rooted violations of the enterprise. Material balance inspection refers to the food supervision with the help of professional means, the use of scientific and data-based inspection rules, in the range of permissible deviations, compared to the actual output or actual amount of food production enterprises and theoretical output or amount, analysis of the reasonableness of the reasons for the existence of differences in enterprises, the introduction of professional institutions, the use of scientific means, help to find the actual operation of the possible existence of raw material dosage and the actual output does not match the situation, in order to enhance the deterrent effect of supervision [10]. Fourthly, in terms of illegal penalties, for media monitoring and consumer complaints and reports reflecting the food safety problems of chain food business enterprises, local market supervision departments should strictly carry out on-site verification, increase the exposure of investigation and punishment results, and quickly resolve. At the same time, in accordance with the "Market Supervision and Management of Seriously Illegal and Defaulted List Management Measures", violating enterprises will be included in the list of serious illegal and defaulted trust according to law. In addition, there is a need to strictly implement the latest provisions of the "Regulations for the Implementation of the Food Safety Law" in the punishment to the person. For illegal behavior of intentional violations and serious consequences, in addition to the punishment of enterprises, the person in charge of the enterprise, the person directly responsible for the supervisor and other directly responsible personnel will be fined

up to 10 times their income from the enterprise in the previous year, forming an effective deterrent to violations [10].

On the basis of improving products, Starbucks need to win more market share and maximize corporate profits and its net profit in China. In this way, Starbucks would be able to upgrade its corporate culture and achieve a virtuous cycle. In order to solve the problem of Starbucks' corporate culture, the following recommendations are given: Firstly, Starbucks can invest more in platform such as smart ordering service to alleviate partners' busy schedules, thereby allowing them to deepen their communication with consumers and enabling customers to enjoy Starbucks' unique lifestyle - the "third space". Secondly, Starbucks China should motivate employees by adjusting compensation and benefits management, and use high-tech products to serve customers. The employees should be given humanistic care and provided with the convenience of self-fulfillment [11]. Thirdly, the company could also let employees contribute ideas and integrate each branch into the local social and cultural environment, actively absorbing the local culture and applying it to cultural promotion while retaining its basic cultural core.

3. Conclusion

As one of the top 500 companies in the world, Starbucks Coffee Company has many successful experiences that Chinese domestic companies should learn from. However, the problems exposed in the Chinese market in recent years have led to heated debates, so this paper discusses the successful experiences of Starbucks in China in terms of organization and management, analyzes in detail the problems of single product, food safety control and serious loss of corporate culture as reflected by consumers, and makes reasonable suggestions for improvement. For example, Starbucks can refer to the menus of similar companies and take the good ones and follow them, and change the bad ones. The same approach can also be applied to the marketing promotion of Starbucks. As for food safety control, the company should look to improve management through internal and external regulation, and then punishment. Finally, regarding corporate culture, a virtuous circle should be achieved through economic improvements, so that the corporate culture, which is already attractive, can return to the public eye. By making full use of the successful experience of Starbucks, Chinese local enterprises would be better able to improve their own management level and take fewer detours. Besides, food and beverage companies faced with similar problems could also refer to Starbucks' operational strategy, combining their own problems to make adjustments accordingly.

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