

# Analysis of localized marketing strategies of multinational companies ---based on the 4P model

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**Abstract.** Foreign companies' localization issues are becoming more and more obvious, serious, and widespread. Examples include the Starbucks incident, the HM Xinjiang cotton incident, the Sam incident, etc. These incidents have upset many Chinese people and have had some effect on the companies involved, but an investigation has revealed that there is no comprehensive analysis of the issue or coordinated solutions. One of the many foreign firms with significant market share and influence in China is Starbucks, a typical example of a foreign firm with localization issues. However, in recent years, there have been events like the ejection of police officers, price disputes, and product quality issues that have had some effect on Starbucks' brand reputation, industry evaluation, and even sales. In order to analyze Starbucks' product, price, location, and promotion using the 4P method and to provide a thorough analysis of the brand marketing strategy, this study will use Starbucks as a case study. Finally, we offer Starbucks three suggestions. First, Starbucks can spread awareness of its brand concept by planning charitable events. Second, we think Starbucks could introduce goods with Chinese characteristics to localize the brand's image. Thirdly, we think that Starbucks should improve corporate culture training and staff service awareness in response to the police eviction, as well as open public rest areas to satisfy customer demand.

**Keywords:** 4P theory, Marketing strategy, Localization. Starbucks.

## 1. Introduction

On 13 February 2022, several police officers on duty in Chongqing sat on seats in front of the Starbucks shop in the back street of Magzikou and a Starbucks clerk saw them and asked them to "eat somewhere else", saying it would "affect the brand image". In addition, some netizens found that Starbucks had filed a complaint against the police for this. Public opinion was so upset that some people wrote online, "We can have no Starbucks in our country, but we can't have no people's police!" As Starbucks announced the launch of an investigation, the crowd waited with anger for a satisfactory explanation.

The next day, the Starbucks in Magnetkou, Chongqing, was in the news for its expulsion of police officers. Compared to the Starbucks food safety incident that ended last year, netizens were not only unconvinced by Starbucks' apology letter, but also "threw white flowers" and "smashed eggs" at the entrance of the Starbucks in Magnetkou the next day. The next day, the netizens "threw white flowers" and "smashed eggs" at the entrance of the Starbucks in Magzikou. The incident at Magnetkou had not yet subsided, but on the morning of February 16, as the controversy continued to fester, Starbucks quietly raised its prices again. This in turn has caused a great deal of discontent in the community

With the deepening of economic globalization and the escalating level of global competitiveness, China has been stepping up its efforts to promote the globalization of trade in the information age. As a result, the level of domestic multinational enterprises in China has greatly increased. Many multinationals are no longer restricted to local production and operation, but rather, via good strategic marketing, are gradually opening the door to foreign investment and winning over foreign markets. In this setting, there have been an increasing number of domestic multinational enterprises in china in recent years, and these enterprises are continuing to grow in size, develop sound market strategies,

and adapt to the needs of Chinese consumers. Multinational corporations must employ the proper marketing tactics to increase their market share in order to increase their own earnings because doing so is essential to their own survival and development. However, there are still a lot of issues with the localization of marketing tactics given the current growth of multinational enterprises.

We will use the 4P theory to discuss and suggest improvements to the problems encountered by foreign enterprises in localizing their business in China, with Starbucks as an example. Specifically, we will divide the market into a number of different customer groups according to the different needs of buyers for products or marketing mixes, and outline Segmenting the market and select one or more market segments for entry. Then a certain impression is formed in the target market, and this impression is the positioning. This is the positioning of the enterprise. The enterprise then gives suggestions for Starbucks' marketing in terms of Product, Price, Place and Promotion. Finally, from the perspective of a multinational corporation, Starbucks' localized marketing strategy is discussed in order to provide feasible measures for the future marketing and upgrading of Starbucks.

The purpose of this research is to explain its localized marketing plan selection, analyze its issues, and give plausible localized marketing strategies and solutions. To safeguard the core interests of multinational enterprises, improve their localized marketing in China, and increase their competitiveness in the Chinese market, it is vital to analyze its flaws. To offer workable solutions and relevant references for the marketing and upgrading of multinational enterprises in the future.

## **2. MAIN BODY**

### **2.1 CASE DESCRIPTION**

The first Starbucks shop was officially opened in January 1999 at the China World Trade Centre in Beijing. Over the next decade or so, Starbucks has gradually established itself as a symbol of "high-end" in the eyes of the people through its unique marketing techniques, and local consumers were once proud to drink Starbucks coffee. However, with the development of technology, the changing consumer outlook in China and the emergence of various 'Internet-Influencer' brands, there has been a serious deviation in culture and perception between many multinational groups and local Chinese consumers. Starbucks is one of these brands, and in recent years, Chinese consumers have continued to dispute Starbucks, especially its "high-end" status. These have even led to a significant decline in Starbucks sales in China for three consecutive quarters in 2022, and have caused Starbucks to drift away from its brand positioning. Starbucks' localisation strategy has gone badly wrong.

### **2.2 CASE ANALYSIS**

Marketing mix is a comprehensive marketing plan of the company, that is, the company needs to optimize the combination and comprehensive use of various marketing factors (product quality, packaging, service, price, channels, advertising, etc.) under its control for the target market, so that they can coordinate and cooperate, to take advantage of their strengths and weaknesses, in order to better achieve the marketing objectives. A controlled set of marketing strategies designed by the company to obtain the desired response in the target market. The marketing mix consists of all measures that affect the demand for the product. The main discussion here is the 4P strategy, i.e. Product - customer value; Price - customer cost; Place - customer convenience. Promotion - customer communication.

### **2.3 Analysis of Starbucks marketing strategy problems**

#### **2.3.1 Product: Deficiencies in high-end coffee beans and flavor customization options**

Starbucks coffee, a brand with a sixteen-year history of development in China, occupies a dominant position in the coffee industry, has a high-end brand image and status, and has been loved and recognized by many consumers.[1] However, compared to the high-end positioning of traditional Starbucks, niche boutique and moody cafes can offer a more refined and unique selection of

customized coffee beans and flavors, with a higher degree of richness and specialization in their products. The interior environment of niche boutique cafes, from tables, chairs and benches to the layout of the space, as well as lighting and music, create the most comfortable, beautiful and unique consumer space for consumers, while also enjoying the quality and human service of the service staff. [2] Invariably, this increases consumer satisfaction and cultivates and builds consumer loyalty to the niche boutique cafes. By strengthening their unique style and charm, different niche boutique coffee merchants can bring consumers a good taste and at the same time feel their taste is enhanced. Compared to other similar boutique coffee merchants in the Chinese market, their products lack effective and sufficient user research and feedback.

### **2.3.2 Price: The price reflects the high end but does not support the actual product quality**

Starbucks' pricing strategy is based on the "user value pricing method", which takes into account consumers' sense of identity in pursuit of "high-end". Starbucks pricing is generally 50%-100% higher than the market coffee pricing, general fast-food coffee such as McDonald's, KFC and other coffee prices are probably priced at about ten dollars, such as KFC's lychee bubble iced coffee priced at 17 yuan. And Starbucks to latte for example, a large cup of 473ml pricing for 32 yuan, the general price are in the 30s. But its own cost is only \$1. But at the same time, compared to the same price of coffee in niche boutique coffee shops, Starbucks quality and custom coffee bean flavor is far less than niche boutique coffee shops.

The original pricing strategy was to "price the high end", so people chose Starbucks as more of a status symbol. But now with the emergence of niche boutique coffee shops and the Z-era consumers who seek individuality and uniqueness, people's perception of Starbucks has changed and its pricing, which is far beyond the value of a cup of coffee itself, does not provide much support. Thus, the changing consumer landscape in China's localized market has led to a pricing strategy with price anchors that effectively ignores actual current consumer demand.

### **2.3.3 Location: Considerations for customer convenience breaks do not actually include the needs of potential customers**

There are various types of Starbucks stores. The main types are office stores, shopping district stores, flagship stores, transportation hub stores and residential stores. Office stores are generally smaller in size and are located at the entrance of office buildings, with sales targeting white-collar workers at work; flagship stores are not profit-oriented and are generally located in the core business districts of major regions, such as the Taikoo Li flagship store in Chengdu. The stores in residential areas are generally oriented to the nearby residential residents. The stores in shopping areas are generally larger in size and are mainly placed at the entrance of the shopping area or at the corner of the center of the shopping area to facilitate shopping customers to take a short break and generally have a larger customer flow. As in the case, Starbucks' consumer base is expanding, and more potential consumers are being converted into actual customers. However, Starbucks has taken inappropriate measures to drive away potential resting customers, which on the one hand makes people disgusted with Starbucks' condescending brand attitude and on the other hand deprives it of a possible potential customer base. At the same time, its location strategy will bring pressure to manage its capital chain. Starbucks stores are opening faster, which will affect Starbucks' capital chain to a certain extent. In recent years, housing prices in China have been rising and store rents are high, which also poses a risk to Starbucks' profitability.

### **2.3.4 Promotion: Lack of localized treatment for brand image and publicity creation**

Starbucks has been promoting itself in China by creating a high-end brand image, which has led to its condescending service attitude as in the previous case. This is a stereotypical image of the brand left by its rigid brand image, and to a large extent this has led to an unfriendly attitude toward the brand. Starbucks was initially operated with the spirit of human communication as the essence of the café. However, it became clear that the increase in the number of customers visiting Starbucks made it impossible for the grassroots service staff to carry out the spirit perfectly. In addition, with the

emergence of more niche boutique cafes, Chinese consumers will be more likely to choose niche boutique cafes that also have high-end coffee products if Starbucks' high-end positioning is only at the price level and not in terms of specific products and services. At the same time, in terms of advertising, Starbucks has not done enough to choose representative Chinese celebrities compared to other Chinese coffee brands. Stars can improve the corporate image, attract consumers' attention, continue the advertising effect, improve the quality image of the brand, and also enrich the brand connotation. Finally, Starbucks' awareness of Internet publicity is clearly lacking, and its more brick-and-mortar-based publicity methods are slightly outdated.

### **3. Suggestions**

#### **3.1 Organize periodic public welfare actions to promote a softened brand concept**

Promotion is an effective way to change the stereotype of a company through publicity and marketing [3]. Many people narrowly understand promotion as "sales promotion", which is actually very one-sided; promotion should include a series of marketing behaviors such as brand publicity (advertising), public relations and sales promotion. As a long-established coffee restaurant brand that has been in the Chinese market for many years, Starbucks has left a stereotypical impression of being expensive and arrogant for its consumers by following the high-end route for many years. What Starbucks should do first is not only to make charitable donations, but also to start with the concept of advocacy. If rational giving is to look outward, then advocacy is to look inward and see the "plight of the disadvantaged" of all the people involved. The key to conceptual advocacy is to see. Seeing the "vulnerable plight" of the people involved, including consumer groups, corporate employees, public opinion and even upstream suppliers. The advantage of this way of thinking is that it is more relevant to the brand audience than donations, so the perception will be stronger and the brand's mental assets will be more easily deposited.

In the past few years, many visible changes are taking place. More and more new generations are embracing public welfare, more and more policies are leaning towards public welfare, and public welfare is also developing rapidly based on technology. All these changes have made public service a proposition that brands cannot ignore. At the same time, brands need to figure out what kind of public welfare behavior to implement and how much public welfare behavior can be associated with the brand's own value system. The more connections, the richer the brand association, the more effective it is in building brand equity [4]. Starbucks should leverage its brand influence to organize periodic offline charity activities to highlight the brand's social responsibility. At the same time, Starbucks should promote its brand philosophy and special products in the activities, which in principle do not conflict with its high-end line, and thus complete the fine-tuning of its brand image as an approachable and high-end brand.

#### **3.2 Develop a variety of new products with local characteristics in China and localized product lines**

Product is the root of a brand and is the concrete manifestation of its strength and image [5]. Product (Product) focuses on the function of development, requires products to have unique selling points, and puts the product's functional appeal in the first place.

In the case of Starbucks, its products should be the focus of its transformation to complete the fine-tuning of its brand image. Referring to KFC's localization strategy, developing new products based on local and seasonal characteristics is an effective way for foreign companies to localize their brands [6]. By developing new products with the help of local special products, culture, and customs, we can create a brand-friendly image at low cost and high efficiency, and thus win more Chinese consumers' affection. Through localized products, consumers can see that Starbucks in China is continuously integrating the local culture of China and constantly adjusting its cross-cultural management model.

### 3.3 Strengthen employee service awareness and corporate culture training and set up special public service rest areas

Service is a series of activities taken by a company in the marketing process to fully meet the needs of consumers on the premise of fully understanding the need to satisfy them [7]. Service as a marketing mix element really attracted attention in the late 1980s of this century, a period when industrial upgrading and specialization of production were increasingly accelerated due to the progress of science and technology and the significant increase in social productivity, which on the one hand made the service content of products, i.e., the service intensity of products, increasing [8]. On the other hand, with the increase in labor productivity, the market shifted to a buyer's market, and consumers' consumption needs gradually changed as their income levels increased, and their demand levels increased accordingly and expanded in the direction of diversification.

In the news case, Starbucks' wrong approach to the issue of public service workers taking a break was ostensibly caused by the wrong disposition of the staff on duty at the store at the time, but fundamentally it was a problem with the construction of the company's employee culture and the training of employee service attitudes.

Service consciousness refers to the desire and awareness to provide warm, thoughtful, and proactive services to all employees of the company in their interactions with all people or companies related to the interests of the company [9]. What plays an important role is the mindset and action of proactive service. In terms of service consciousness, Starbucks should abandon its arrogant and high-end service attitude and get down to business to provide service to the consumers or potential consumers of the brand and jointly create a high-quality internal and external corporate culture [10]. At the same time, public relations for such brand image malpractice should target public service workers in the community by providing them with free cool resting areas and free ice water without significantly affecting the store's sale efficiency. Show the society the high-end services of Starbucks and create a pro-people high-end brand image.

## 4. Conclusion

From a micro perspective, this study can analyse the corporate structure and social opinion of Starbucks Corporation (China) through marketing theory, and provide some concrete suggestions on the problems that have arisen in the process of localisation of Starbucks Corporation (China) in the past two years; from a macro perspective, after nearly four decades of development, multinational companies have become an important and active part of the Chinese economy through trade, investment and capital market operations[10]. The booming development of multinational companies in China has led to the dynamic development of multinational companies in China has brought dynamism to the Chinese economy and at the same time brought challenges and inspiration to local Chinese companies. A number of outstanding Chinese companies have also started to look abroad. But just as it is impossible for foreign multinationals to have smooth sailing in China, Chinese companies have a long way to go in their overseas investments. In order to adapt to international competition and gain advantages in the competition, Chinese enterprises should analyse the growth trajectory of the localisation strategies of foreign multinational companies, learn from their successful experiences and failures in localisation strategies, make full use of and give full play to their own advantages, and establish effective localisation management strategies[11], in order to realise the transformation of domestic enterprises from Chinese enterprises to "host country enterprises This is the only way to achieve the transformation of domestic enterprises from Chinese enterprises to "host country enterprises".

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