A Study of Starbucks (China) Cross-Cultural Marketing Strategy

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Abstract. Starbucks, a multinational coffee chain, has been the head of China's coffee industry since it entered the Chinese market in 1998 with its high-quality coffee and people-oriented business service concept. Moreover, as China's economy continues to grow and its level of consumption rises year by year, the Starbucks China market has become the second largest overseas market besides the U.S. domestic market. The author hopes to draw lessons from the analysis of Starbucks' marketing strategy in China and give certain implications for restaurant chains in the context of new retail. In today's Chinese society, Starbucks sells not only coffee but also services and the "third space" provided to consumers. People generally consider Starbucks as a petty and fashionable lifestyle. This paper analyzes the macro environment and industry environment of Starbucks in China by using PEST and the five forces model to point out the problems that still exist for a multinational coffee chain in the Chinese market.

Keywords: Starbucks, China, Cross-Cultural Marketing Strategy.

1. Introduction

1.1 Research background

China's economy has been growing quickly ever since the reform and opening up, the income level of the residents has been rising, and the purchasing power of consumers has been increasing. More and more foreign companies are entering the Chinese market to increase their market share. However, due to the existence of cultural differences, the marketing strategies of multinational companies in China also face greater operational risks. For example, Wal-Mart, the world's top-ranked retail company, has been dragged out of the German and Korean markets, and its development in the Chinese market has not been good. One of the reasons behind this is that Wal-Mart has copied its consistent business model and cultural philosophy and ignored "localization". Therefore, multinational companies must overcome cultural differences and develop a marketing strategy aligned with localization [1].

As the world's largest coffee chain since its establishment in 1971, it has a global presence in 82 markets with more than 32,000 stores. Until August 18, 1987, when Howard, the father of Starbucks, acquired Starbucks, Starbucks became the world's largest coffee chain company. Since Starbucks entered the Chinese market in 1999, Starbucks has made an effort to be a unique kind of business, focusing more on the customer experience. It is predicted that by the fiscal year 2022, Starbucks (China) will reach 6,000 stores and cover a total of 230 cities, making it the second largest market in the world in addition to the U.S. domestic market. What marketing strategy did Starbucks use to turn a small, unknown coffee shop into a global coffee shop chain? How did Starbucks successfully penetrate the market of a country with a thousand-year-old tea culture?

By studying the cross-cultural marketing strategy of Starbucks, this paper tries to find insights into Starbucks' success, hoping to enlighten and help other multinational companies, which is also the significance of this paper.

1.2 Literature review

1.2.1 Review of cross-cultural marketing theory

In cross-cultural marketing, there are two key components: one is cross-cultural, and the other is marketing. Indeed, culture and marketing influence each other, and cross-cultural marketing activities originated from the first primitive exchange because the culture of each trading individual is naturally very different, and the gap is even greater between different ethnic groups. To put it another way, trading activity has a marketing nature. The significance of culture to the growth of multinational companies has been more significant as a result of the ongoing refinement of current marketing theory and the expansion of multinational complementary in the scope of global commerce [2].

Schiffman and Kanuk (2007) proposed that, Regarding the definition of culture, we can understand it in the following ways. First, culture is comprehensive, and it affects everything about people. Secondly, culture is a complex whole, a civilizational sum of the social phenomena of a people and the inner spirit of a group of people. It consists of a group of people's common habits and life patterns in their daily lives. In other words, their values, customs, traditions, and lifestyles are similar. Third, culture is transmitted from generation to generation.

Sirisagul and Hawkins proposed that there is still much debate about whether cross-cultural marketing strategies should be standardized, especially for the medium of advertising. He believes that standardized advertising can reduce costs. Generally, large companies combine standardization and customization, and some customization helps increase local people's identification with the local culture, which is important for a company to enter a foreign market.

Marketing efforts are generally targeted to specific geographic areas, and national borders represent general boundaries, but at the same time, the variability within countries cannot be ignored. For instance, Rubel (1996) and Barros (2004) suggested that marketing strategies in Latin America must take into account both intra-country variations, meaning that marketing campaigns must be tailored to specific cultural and demographic groups as well as nationalities rather than just countries [3].

1.2.2 Research gap

This paper mainly adopts a case study approach to investigate Starbucks' cross-cultural marketing strategy in China, using Starbucks as an example. Since its establishment in 1971, Starbucks has grown rapidly and gained great success worldwide. Many researchers have analyzed Starbucks' corporate culture, business model, and marketing strategy from different perspectives, such as economics, management, and human resource management. In contrast, few scholars have taken a cross-cultural perspective to dig deeper into how foreign companies successfully operate in China. This paper uses cross-cultural and marketing theories as the basis and conducts a comparative analysis, combining the characteristics of Chinese and American cultures.

1.3 Research framework

This paper first introduces the current situation of multinational enterprises operating in China and their challenges and opportunities. Taking Starbucks as an example, we analyze the successful marketing strategies of multinational companies. Secondly, we read the past relevant studies done by domestic and foreign researchers, integrate and summarize them, and find the commonalities. Again, we use questionnaires and SWOT analysis to conduct case studies and draw conclusions to reference future marketing strategies of more multinational companies.

2. Methods: Comparative analysis

In order to prove the effectiveness and desirability of Starbucks' cross-cultural marketing strategy, Costa Coffee is introduced here for comparison. Starbucks and Costa Coffee are large multinational coffee chains that have achieved good results since entering the Chinese market. However, it seems

that Starbucks is showing a good trend of expansion and rising economic efficiency. The number of Costa stores is decreasing yearly, and the development trend is very different.

First of all, for the coffee quality, Costa Coffee, as the old British coffee, in the coffee production process is different from Starbucks coffee. Costa Coffee chooses semi-automatic production of coffee, that is, by many professional baristas with on-site manual production, rather than Starbucks' "assembly line" work. But this is also a big challenge for Costa. For example, this puts a higher demand on the barista and increases the pressure on coffee quality control. Secondly, the brand image Costa did not create a hit drink simultaneously in the service is not unique. Therefore, as the coffee market competition intensifies, Costa will soon fade out of the Chinese market.

3.   Results

3.1 Analysis of Starbucks' entry into the Chinese market using the PEST model: Macro environment analysis

Since China acceded to the World Trade Organization, many foreign-funded enterprises have been introduced. Foreign investors have used WTO rules to maintain fair competition while lowering tariffs and other policies. Since 1991, Foreign investment has steadily become more welcome in China's retail sector and in 2005, the restrictions on foreign investment in the retail industry were completely lifted. In terms of the China-U.S. economy and trade, Bilateral economic and trade relations have been growing ever since China and the United States established diplomatic ties and fruitful results have been achieved in trade and investment cooperation, realizing complementary advantages and mutual benefits. U.S.-China economic and trade cooperation has promoted China's economic development and improved people's livelihood. In economic globalization, China, the United States, and other countries have strengthened trade and investment cooperation and opened their markets to each other. This makes it easier for Chinese businesses to join the global industrial worth chain and has increased China's reliance on foreign markets. After 40 years of development since the reform and opening up, in 2017, China ranked first in the world with a total import and export of $4.1 trillion in trade in goods, second with $695.68 billion in trade in services, and second in the world with $136.3 billion in foreign investment attracted. U.S. enterprises in China have played an exemplary role in technological innovation, market management, and institutional innovation. At the same time, U.S. enterprises in China promote market competition, enhance industry efficiency, and drive Chinese enterprises to improve their technology and management. China imports many mechanical, electrical, and agricultural products from the U.S., making up for its supply capacity deficiency, meeting demand in various fields, especially high-end demand, and enriching consumer choices [4].

At the same time, the United States has gained many business opportunities, such as cross-border investment and access to the Chinese market. Objectively, It offers improved investment conditions in China for American businesses like Starbucks.

Economic factors: As a result of China's economy's continued growth, it is regarded as one of the world's most significant growing economies. As can be seen from the graph, GDP has increased steadily from 200 to 2020 onwards, and consumption capacity has gradually strengthened. The development of China's economy and the upgrade of consumption power bring more opportunities for foreign companies.
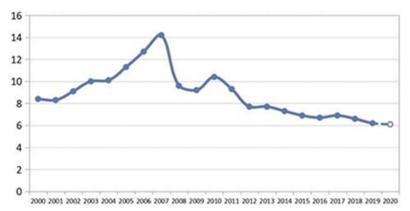
Fig. 1 GDP growth in China from 2000 to 2020 (Source: Winning Wealth)

Starbucks' "cross-cultural" entry into the Chinese market presents significant challenges regarding socio-cultural environmental factors. First, social culture is closely related to consumers' lives, with regional, ethnic, and group characteristics. Socio-cultural influences influence consumers' consumption concepts, purchasing needs, and lifestyles. This directly impacts Starbucks' entry into the Chinese market and the development of localized marketing strategies.

China is the homeland of tea, and it is said that the Chinese discovered and used tea since Shennong's time, which is at least 4700 years ago. Ancient Chinese people drank a lot of tea, and the country has a rich history of tea culture. Tea culture deeply impacts Chinese people both on the level of material civilization and the level of spiritual civilization. Therefore, tea has very strong competition from coffee. Based on this, Starbucks combines localization when promoting coffee and combines coffee and tea culture for marketing. For example, when Starbucks launches a new product, it will involve the "tea" element, such as the Matcha Frappuccino [5].

3.2 Analysis of the behavioral characteristics of Starbucks consumers

3.2.1   Overview of the concept of consumer behavior

The many activities taken to acquire, use, and dispose of consumer products, as well as the decision-making processes that lead up to and determine these behaviours, are all considered to be consumer behaviour according to Engel. Consumer behaviour, according to the American Marketing Association, is the dynamic interaction of perception, cognition, behaviour, and environmental elements. This interaction forms the basis of human behaviour when it comes to carrying out the tasks of early-life transactions.

3.2.2   Analysis of factors influencing consumer buying behavior

based on the examination of patterns in consumer purchasing behaviour, we can know that consumers first receive external marketing stimuli that stimulate purchase interest and then make a consumer response through several purchase decision processes.

3.2.2.1 Cultural factors

Culture is the most important factor influencing consumer desire and behavior. Starbucks' corporate culture focuses on the importance of "people" and aims to "make customers feel like they belong. Starbucks believes that buying coffee is largely an emotional and cultural consumption and that the atmosphere created by the coffee shop can move customers and create a good interactive experience. The highlight of Starbucks is the "third space", which allows urban white-collar workers to get their rest and social space. Consumers can enjoy a cup of coffee while working on their work, communicating with friends, and enjoying life [6].

3.2.2.2 Social factors

For most products and services, the household is the basic consumer unit and greatly impacts consumer purchasing patterns. The second is the reference group. The ones that have a greater influence on consumer behavior are friends, neighbors, colleagues, etc., around them. Finally, there

is social class. The behavioral characteristics of consumers in different classes are different. The audience group that Starbucks focuses on is the white-collar group in one or two cities. They are more interested in the quality of a product and its cultural value rather than the price. This can also be analyzed in conjunction with the location of Starbucks. Most Starbucks locations are in the city center, high-end office buildings, or shopping malls. Not only does this greatly increase the product's exposure, but also, the consumer spending level is higher than in other places, which helps to market the product.

3.2.2.3 Personal Factors

Personal attributes, especially age, career, and economic standing, have an impact on consumer purchasing behaviour. Starbucks locations are often chosen in shopping malls or high-end office buildings, targeting white-collar workers, entrepreneurs, and students with a certain level of disposable income.In addition, the middle and upper-income groups with higher education can easily accept the Western culture of Starbucks.

4. Discussion

Based on the above-mentioned cultural differences between Chinese and Western cultures, we learn that Starbucks needs some measures to adapt to localization - that is, Chinese culture. Business strategies for localization of multinational companies.

4.1 Product localization

Starbucks expanded its product portfolio and product offerings. When Starbucks launched new products, it took into account that China is a country with deep tea culture and incorporated many "tea" factors into its coffee. Such as matcha cocoa Frappuccino and iced shaken peach oolong tea make it more acceptable to consumers and make them pay for it. In addition, Before the Mid-Autumn Festival, the company also introduced the "New Five-Kernel Mooncake" based on the mooncake. The traditional outer crust and inner filling were changed to introduce the "new five-kernel mooncake", and a limited mid-autumn star cup was launched, reflecting the The "Jade Rabbit" element is also introduced. For the Lunar New Year, we will also design a Chinese zodiac cup with the Chinese zodiac animal of the year to bring consumers closer to China and attract them to buy. This is a way to bring consumers closer to China and attract them to buy. These practices are a breakthrough and fusion at the edge of different cultures, bringing the product is different [7].

4.2 Localization of marketing methods

Lack of marketing outlets is the largest problem for businesses who operate internationally. The market operation in China is not sufficiently standardised, and the country's corporate system is increasingly fragmented.

Starbucks has partnered with Alibaba, China's largest e-commerce company, to address this. The two companies will work together to build Starbucks online new retail smart stores based on Tmall's new retail solution to connect multiple digital consumer operation platforms in Starbucks horizontally. Moreover, Ali ecosystems and achieve interoperability of membership registration, entitlement redemption, and service scenarios across the entire consumption landscape.

Starbucks faces local competition from Internet coffee and has the support of Ali, which greatly enhances its competitiveness.

In addition, Starbucks will rely on a hungry delivery system, officially an online delivery service. At the same time, it is based on the box horse-to-store-centric new retail delivery system, together to create Starbucks "delivery star chef".

"Starbucks is an on-demand delivery platform of Alibaba, with 3 million riders, mainly engaged in online take-out, new retail, just-in-time delivery, and food supply chain business. The move opens Starbucks' doors to Alibaba's vast user base.

This strategy considers that Chinese consumers do not consider drinking coffee an essential part of their daily lives. Most people go to offline Starbucks stores for business or social purposes. In this case, the demand for takeaway coffee has yet to be tapped. As a leading company in the coffee industry, it makes sense for Starbucks to be the first to capture the "take-out coffee" market.

4.3 Human Resource Management

Starbucks is renowned for hiring staff with extensive knowledge. Each new employee must complete a 24-hour training course and weeks of on-the-job training in order to become productive. Since employees are the company's most valuable assets, they receive great advantages like stock options, retirement accounts, a positive work environment, loans for college tuition, and rent.

Human resource management refers to the use of modern scientific strategies to train and organize and deploy the corresponding material resources in combination with human resources. For Starbucks, the current situation of human resources in the company has several problems: First, the traditional model of human resource management is not suitable for the development of Starbucks. As a large multinational corporation, Starbucks has a very high market share in China. Since launching in mainland China in 1999, Starbucks has established more than 5,000 locations across more than 200 cities and has 58,000 partners. The HR management system before the use of big data was not suitable for Starbucks' development. It was less efficient because of the larger workload. Therefore, Starbucks uses big data to collect information about all partners, covering education, interests, professionalism, etc., so that each partner's overall ability can be scientifically evaluated [8]. After the evaluation, the company should have the authenticity to place the employee in a position that matches their ability. For example, if an employee is outgoing and has strong communication skills, the company may consider placing the employee on the front line to communicate with customers. On the contrary, if an employee is introverted but has strong expertise in coffee making, the company can place him in a position of research and development of coffee products. In general, there are more factors to consider for human resource management in multinational companies, and cultural differences can complicate business operations and easily cause cultural barriers to form within the company. Therefore, HR managers should not copy the rules and regulations of the home country, but should analyze the specific problems [9-10].

5. Conclusion

5.1 Key findings

This paper analyzes the current development of the coffee industry in which Starbucks is located through the pest method and combines SWOT theory to identify the current shortcomings of Starbucks in the Chinese market. The authors found that Starbucks, as a global high-quality coffee company, has obvious competitive advantages with its people-oriented service concept. Starbucks communicates its brand values and core concepts by creating experiences. Starbucks believes that coffee is just a carrier through which Starbucks delivers a unique style to its customers. By being in Starbucks, customers can experience a romantic culture that is different from most coffee shops in China.

In terms of marketing, Starbucks has developed a variety of marketing channels, combining the characteristics of "localization" to simultaneously create "pop-up" drinks online and offline. In addition, Starbucks emphasizes "experiential" marketing, selling coffee and bringing a free culture from the West into China, allowing customers to experience a fashionable and popular lifestyle. This also explains why Starbucks has successfully entered the beverage market in a country with a history of tea culture for many years and has been expanding its market share.

With the right market analysis and research, accurate consumer demographics, quality coffee, and a warm and relaxed atmosphere, Starbucks are well positioned to achieve growth in China in the future. Finally, the authors hope to give some suggestions to multinational enterprises operating in China through their analysis. The authors suggest that they can use the Internet platform to achieve

multi-channel marketing, seek cross-border synergy and cooperation, innovate their business, and improve their service system.

5.2 Limitations

Since its establishment in 1971, Starbucks has expanded rapidly and achieved great success worldwide. Based on marketing theories, this paper uses case studies, questionnaire research, and data analysis to analyze the successes and shortcomings of Starbucks' cross-cultural marketing in the Chinese market, taking into account the local characteristics of China. However, due to the author's time constraints, the research was conducted using randomly distributed questionnaires resulting in no systematic stratification of the test subjects, which may not accurately reflect Chinese consumers' evaluation of Starbucks. Moreover, no interviews were conducted, and direct consumer evaluations of cross-cultural marketing are missing. The above points will be the author's direction for future improvement.

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