

# The Research on Starbucks' slow-paced marketing Strategy in China

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**Abstract:** The entire article describes the Starbucks' brand culture and facing problems in China and analyses the root cause of Starbucks' problems in the Chinese market - the slow pace of marketing. The article uses observational and comparative methods to identify the problems, which Starbucks has lost its guidance in coffee market by some domestic beverage brands competing with. And article also analyzes the reasons that Starbucks lacks understanding Chinese marketing and does not satisfy customers' desires in time, at same time suggests ways to accelerate and update marketing strategies to cater for the Chinese market from the perspectives of brand culture, products, shop expansion strategies and the digital economy. Based on a summary of previous observations, the article explores the root causes of Starbucks' marketing problems in the Chinese market at the level of brand strategy and makes suggestions to better meet current market needs.

**Keywords:** China; Starbucks; Slow-paced; Marketing Strategy.

## 1. Introduction

Starbucks Founded by Howard Schultz, in 1971 and headquartered in Seattle Washington, USA. It is the world's premier specialty coffee roaster and retailer, and the company is dedicated to ethically sourcing and roasting the world's highest quality Arabica coffee. Until now it has more than 32,000 stores in 82 markets worldwide. Starbucks is committed to growing as a company that carries on the culture of coffee and brings a unique experience of places to its users. Since entering the Chinese market in 1999, Starbucks has opened more than 5,000 stores in more than 200 cities in mainland China.

Starbucks is the first company that proposes to combine coffee purchase and experience into one. From its inception, Starbucks has stood out for its premium freshly ground coffee and the best service. It constantly satisfies consumers around the world with its raw materials and flavors. The coffee beans of different consistencies are sorted into different tastes and processed by skilled workers. It is not only keeping the product fresh, but also Ensuring top-quality coffee and premium quality by baristas who mastering the coffee's temperature and time of roasting [1]. Currently in the Chinese market, Starbucks has its own unique variety of coffee with a wide range of types. Starbucks not only offers the usual coffee and a series of Frappuccino coffee that are readily available in-store, but also offers limited-time coffees in conjunction with different seasons and festivals. In addition to hand-brewed coffee in-store, there are also a variety of processed coffee products. For example, capsules maintain the freshest taste of coffee, instant coffee and hang-over coffee break the space limit for drinking, no-brew and can ready-to-drink bottle coffee are convenient for white-collar workers, and coffee beans of different roasting levels provide a comfortable experience for coffee-making enthusiasts. Moreover, at Starbucks shops in China, they not only offer desserts matching with coffee, but also mooncake gift boxes with Chinese culture and zongzi. Starbucks coffee represents more than just a cup of coffee, it provides a sense of ritual of life combined with daily life scenarios.

At the same time, Starbucks' corporate culture cannot be separated from the "third space", which provides a standardized service and comfortable environment in the store and the coffee shop becomes a space for consumers to relax, work, study and socialize. Starbucks' dark overall lighting creates a quiet and private space, and space out different areas by using the brightest light in order area and product display area. The chairs and flooring in Starbuck are all made of typical American wood and are designed and made in strict accordance with ergonomic principles. The feel of the wood

gives consumers a premium and warm feeling, giving them a thorough sense of what the Starbucks "third space" is all about. Scent memory is much higher than visual memory, and Starbucks understands this, so it has created the Starbucks Roast Method to deep roast the finest coffee beans, which is the most typical smell of Starbucks, and this smell has a great appeal that makes people come back for more [2]. In recent years, Starbucks has been innovative in establishing pet-friendly shops, as well as offering coffee with various flavors of wine and creating a bar space to give customers an immersive experience in Qingdao, taking into account the regional culture of China. Starbucks not only positions itself as a provider of high-quality products and services, but also as a pursuer and practitioner of a high quality of life.

The market and consumer base of Starbucks has remained fixed. Starbucks' main consumer groups are young people in the workplace and those who like to shop. Such consumers have a certain degree of spending power, and because of the nature of their work, the need for coffee and a "third space", and because of the pursuit of quality life, this group of people has become Starbucks' main customers. Throughout Starbucks' pricing, most coffees are priced at around RMB30. Over the years, this pricing has not fluctuated much in the global market and is in the upper middle range of the coffee industry. The high pricing reflects Starbucks' positioning of itself as a "light luxury" brand, but it also allows Starbucks to maximize its own profitability given the low-price sensitivity of its key customer base [3].

Currently in China, Starbucks adopts a two-marketing model of online and offline. In the offline part, the main marketing channel adopted by Starbucks is the retail business of self-operated stores. In addition to selling coffee and create a comfortable area for customers, its peripheral products-coffee cups, are also a part of the offline shop retail. Starbucks often combines different real-life elements on its cups to create different series of cups, such as the 'Christmas Red Cup', which is launched every Christmas, the Valentine's Day limited edition coffee cup series, and different city limited cups. In 2019, a "cat's paw mug" from the "2019 Sakura-themed series" was sold out on the day of sale in China, causing a series of "bloodbaths". Starbucks has increased its interaction with consumers and promotes its brand image with the introduction of these innovative and creative peripheral cups. in the online flagship shop, Starbucks not only sells food, derivative products and gift vouchers, in 2018 it also has made a digital online layout for the Chinese market, cooperating with ele.me and Hema Fresh (both Chinese Alibaba-owned) to implement take-out delivery services. But for three years, Starbucks' take-out business has just accounted for 6% of revenue in China.

## 2. Literature review

As Chinese consumers' ability to consume beverages has increased, there has been an increase in the number of coffee brands in the Chinese market, such as Luckin coffee. According to a study by A.T. Kearney and LA vector, the coffee market in China has shifted from European and American chain coffee brands to Internet coffee brands (such as Luckin coffee), and freshly ground coffee has been upgraded from the traditional "Americano, latte, mocha and cappuccino" to creative drinks with new additives such as coconut milk, oat milk, cinnamon syrup and soda water [4]. In addition, Starbucks also being impacted by various milk tea brands, such as Honey Snow Ice City and Sexy Tea, which are popular across the country.

In China, Starbucks has not been sensitive to the new marketing approach that has emerged. In terms of digital marketing, according to Zhou 's research, compared to Starbucks, Luckin Coffee has partially abandoned its class positioning strategy while ensuring the quality of its coffee, and has launched a new marketing model of "coffee + internet" with the new retail boom [5]. In China, when the Chinese market started to focus on takeaway service in 2018, Starbucks was only "trying the water " in its 2,000 shops. The slow transition to takeaway has affected Starbucks during the epidemic. Using internet thinking and the O2O approach, Luckin Coffee has become the new trend in the office coffee by starting with a takeaway service that hits Starbucks' weakest link. In brand promotion, Starbucks does not use any form of advertising but relies on word-of-mouth. In the study by Yifei

Shen and other authors, Luckin Coffee, and the other new coffee brands, focus on the power of social media, inviting Chinese most famous celebrities or using co-branding to endorse the product and boost sales and brand influence at every stage of the year. While Starbucks is still marketing itself without new ways of branding and always in a same way it did in China a decade ago, relying more on offline shops and the influence of its own products and brand. In social fission marketing, Luckin Coffee uses the method of "first cup of coffee is free" to encourage new customers to join in, and "the successful sharing can get a discount", in which way old customers can actively try to introduce more customers groups to the company. By contrast, Starbucks' fission marketing is more traditional and has a higher threshold. It needs customers spend a certain amount of money on a personalized membership card, which is used for gifts and discounts, etc. [6]. So now Starbucks not actively explores the online economy and expands its social media impacts to cater for its digital economy.

For product, Starbucks has not adapted in time for localization. According to a survey, in China, every 10 cups of coffee sold, 9 cups are milk coffee; and every 10 cups of milk coffee inside, 9 cups are latte, which is a basic plate of the Chinese coffee market. However, Starbucks' coffee is classic but not shaping up to be a fashion trend in latte. In a research of coffee flavors, a media invited 20 Chinese coffee costumers to conduct a blind coffee test on all four major brands of lattes on the market. After four rounds of "blind drinking", Luckin Coffee had the best performance in four dimensions: aroma, mellowness, bitterness and aftertaste, while Starbucks only had the best rating in terms of smoothness. As a result, Luckin Coffee Latte had won the overall rating of lattes, with Starbucks in second place. In the study written by Chunyu Peng, Mengdi Xu, they find Domestic coffee brands have developed "flavors" of coffee or tea that are more in line with Chinese tastes which could be more appealing to Chinese consumers. For example, Luckin Coffee launched a new raw coconut latte, "the raw coconut milk + coffee pairing" took the internet by storm as soon as it was launched, once leading to the product being sold out. In September, Luckin Coffee launched a velvet latte, which sold 2.7 million cups in nine days, with a 20.99% increase in smoothness over regular lattes and a light sweetness even without additional sugar. But at Starbucks, flavored lattes are generally made with a variety of flavored syrups, such as vanilla, pumpkin, sea salt, caramel and chestnut, which inevitably leads to a poor taste. As for other derivative products, Starbucks' tea and fruit tea products also face the same problem of not being suitable for the Chinese diet. In the summer of 2019, Starbucks launched eight "Playful Ice" creative iced drinks in China, using tea and coffee as the base, plus fruit and sparkling water to create eight drinks. But after the launch, the feedback from many users was very bad. One of the key reasons for this is that the fruit used in Starbucks' fruit teas is canned fruit, rather than freshly cut fruit [7].

In the study by Yifei Shen and other authors, for peripheral products, Starbucks only uses Single traditional marketing model. It is still sticking to a single marketing strategy of selling creative coffee cups, while other brands such as Luckin coffee are staying close to the trends in the Chinese market, with using the fan economy and launching blind box peripherals [6].

According to the study by Zhu Li, Wang Liu, Starbucks is under more competitive pressure in the lower markets. The competitors Starbucks is currently facing are not only emerging tea brands such as Xi Cha and sexy tea, but also convenience store coffee brands derived from McDonald's, KFC, Convenience Bee, 7-11, and even Sinopec-owned convenience stores. The study thinks that in the markets of small and medium-sized cities in China, it is important to establish cooperative partnerships with channels that have a network of shops but lack good products (such as gas stations or convenience stores) to open and capture the market quickly first. And now because of the many competitors, its advantages are not enough [8].

In terms of brand image management, Starbucks has had many problems in recent years that lead to reducing consumer goodwill towards it. In the Ying Li's study, in response to an incident on 13 February 2022 in which Starbucks Chongqing evicted on-duty police officers for "affecting the brand's image by eating at the entrance", she believes that Starbucks' poor PR quality, negative attitude and declining service quality are very damaging to the brand's image in China [9]. It is same attitude by Bai Chen, Starbucks, with its status symbol as its core selling point, is falling into a kind

of identity anxiety that cannot be localized; its brand connotations will no longer mean trendy, and its strengths are turning into weaknesses as local brands become popular [10].

The preceding information and research have provided some background, basic information about Starbucks and had summarized some of the problems it has exposed from the different perspectives of the Starbucks brand. However, there are still some gaps, and the author found that although the previous paper summarized some of the strategic misconceptions that Starbucks is currently experiencing as a result of not fully understanding the Chinese market, it did not provide an in-depth analysis of the problems and reasons for Starbucks' current marketing rhythm in the Chinese market. In this paper, the author uses the preceding analysis to innovatively distil the essence of Starbucks' marketing problem - the slow pace of marketing. From these perspectives, the author will summarize and analyze the slow-paced marketing of Starbucks in the China and make some suggestions for the present. This paper provides a subjective explanation of the marketing problems that arise with the Starbucks brand through observational and comparative methods, using experimental data and research information.

### 3. Result and Discussion

From the above study, it can be found that Starbucks' marketing pace in the Chinese market is slow. Currently Starbucks remains insensitive to the digital market, so the scales of O2O is still small and its brand marketing combine with Internet is very passive. Starbucks' overall product marketing still revolves around a single line of coffee and coffee cups, and its coffee still maintains its classic flavors and the introduction of fruit tea flavors that are not suitable for the Chinese. On the offline side, the third space and service concept as well as high-end brand image created by Starbucks has been negatively affected in China, and shop expansion still revolving around a particular consumer environment. Overall, Starbucks is losing its position as the dominant culture in the Chinese coffee market, its brand value is gradually being replaced by local emerging coffee with various new concepts, and the company's slow marketing pace is causing its trend-setting role to diminish.

The most fundamental problem is that its marketing rhythm is not fast enough in all respects to respond to market needs and developments. Its long-standing single fixed marketing model no longer meets consumer needs, its hesitations in marketing to the Chinese market and the internet has deprived it of opportunities to seize new markets, and its failure to quickly localize its products and research the market in depth has significantly reduced its brand value and influence. Starbucks' market position in China is being dragged down by its slow-paced marketing, so its main issues and solutions can be explored and studied in the following ways.

In its expansion marketing, Starbucks started early but resulted in a slower pace of expansion as it simply pursued shop expansion like in Tier 1 and Tier 2 cities, without creating more new concepts and marketing model for the shop and did not actually developing the Tier 3 and Tier 4 coffee market model in depth. 2018-2019 Starbucks embark on an aggressive expansion mindset: rapidly expanding its coverage and even taking the lead in placing points in some too early coffee markets, but because of its lighter consumer positioning, there has been resistance to distributing to some of the lower tier cities, and consumer spending levels have limited Starbucks' growth in China's third and fourth tier cities. Also, because in more Chinese cities, more people of different professions and age types in recent years have developed a love and demand for coffee, marketing places and marketing models that require coffee more than in commercial and shopping areas. But the choices of coffee areas in different cities and for different demands are not taken seriously by Starbucks. So, in terms of site selection, Starbucks can apply the coffee environment to more scenarios. In China's well-connected cities, Starbucks' market share in coffee should penetrate down-market. For example, selling cheaper coffee to drivers at petrol stations with the main purpose of refreshment. Moreover, for Starbucks, it can strategic layout in large high-speed stopover areas with denser foot traffic in China, establishing Brown Express concept shops and Tims Go. To make the coffee environment become localized, to spread coffee culture and to make it into the daily lives of Chinese people, the places should be more

closed to people. For example, some coffee brands like Manner, Double Win Café and other boutique cafés use mostly 10 square takeaway window convenience stores, locating close to business offices and housing estate plots. Starbucks can also open cafes in schools, housing estate plots and parks with mini size stores, and use the internet and a well-developed distribution system to realize consumers' desire to buy anywhere. Overall, Starbucks' expansion should be more diverse and closer to consumers in terms of shop locations and coffee marketing models.

The epidemic has hit Starbucks' offline shop sales hard, making the problem of lacking online markets' competition more obvious. During the epidemic, no-touch delivery takeaway and internet online marketing became the main marketing for local coffee brands such as Luckin, while Starbucks' overly slow pace of online marketing development left it with no way to meet the massive demand from Chinese consumers. With China still in the midst of an epidemic, the need for contactless takeaways is a necessity, so Starbucks should ramp up its pace in scaling up takeaways, partnering with major takeaway software such as ele.me and Mei Tuan. In addition to takeaway, the digital marketing aspect also involves accelerating the pace of marketing tailored to Chinese consumer preferences. It is well known that the Chinese fan economy is one of the major market windfalls. It can be well applied for Starbucks such as keeping up with market trends to expand and innovate the range of products in the peripheral range and incorporate marketing models such as blind boxes and celebrity endorsed products.

In addition to accelerating the pace of development of the new marketing model, what is needed is more rapidly in gaming around China's younger consumers by reimagining Starbucks. Starbucks' most loyal consumers are predominantly the post-80s, not a young, trend-seeking consumer group. And the new local coffee brands are growing significantly in influence among the post-90s, who do not differ in their perception of each coffee brand. One of the key bonuses of Starbucks' rise in China is that there are few competitors and few substitutes, but now with the proliferation of tea, new coffee, Chinese snack bars and new restaurants, young consumers have more choices than only Starbucks. Moreover, Starbucks is more easily understood as a coffee brand with a commercial flavor, and today Chinese consumers have not yet entered the business cycle, so Starbucks falls behind in terms of mind-building. The biggest crisis for Starbucks is therefore the disconnect between its "positioning" and the aspirations of the new generation of young people [11]. With the prevalence of milk tea and coffee culture among Chinese consumers, Starbucks has lost much of its competitiveness in the younger consumer market because of its long-standing non-renewed brand strategy. In a new consumer era where local coffee brands are rapidly emerging, Starbucks' products are not sufficiently localized and are too homogeneous to cater for the diverse needs of the market, let alone give people a sense of freshness in pursuit of trends. The current demand of young Chinese consumers for drinks is not only coffee containing fast consumption and trendy meaning, but also fruit tea, milk tea and drinks incorporating Chinese food habits. Starbucks should accelerate its efforts to cater to the consumption preferences of the post-90s and post-00s, develop latte-type coffee and tea-type beverages that suit the tastes of Chinese consumers, and ensure that the third space is open and comfortable while pursuing faster shop efficiency, and continue to create the petite atmosphere that young people love and reshape the brand image of a trendsetter. In terms of brand marketing, Starbucks should more actively accelerate its efforts to explore the lifestyle preferences of young consumers and promote celebrity endorsements to boost the fan economy.

#### **4. Conclusion**

For Starbucks, its slow pace can be presented in many aspects: It is not clear and sensitive about the perception of Chinese consumers' choices, doesn't understand enough in developing the Chinese beverage market, its brand marketing model is not innovative enough, and it lacks guidance on the trends of the Chinese coffee including beverage market. Starbucks marketing can be changed by driving the development of its digital marketing model, updating and improving its products to

localize Chinese market, expanding and deepening its market scale, strengthening its brand PR and enhancing its ability to meet market needs and preferences.

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