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Research on Starbucks Brand Value Marketing in China's Coffee Industry

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Abstract. "I'm not at Starbucks, I'm on my way to Starbucks.". This catchphrase is not only a fast-paced lifestyle, but also an attitude toward life in the coffee age. Coffee is so ubiquitous that it is sought after by urban white-collar workers and petty bourgeoisie. The main reason why Chinese consumers freshly ground coffee has evolved from the initial social scene demand to the daily functional demand. The top three reasons for Chinese consumers to drink coffee are physiological refreshing, psychological dependence and coffee intake for meals. With the gradual formation of the coffee habit, most consumers have become physically and psychologically dependent on coffee, and coffee has therefore appeared in more and more daily work and life scenes. This paper takes the Starbucks brand "providing consumers with a third living space" as the research object, starting with SWOT analysis of marketing strategies and value propositions, and through qualitative research methods (unstructured interview), aiming at Starbucks brand marketing, brand value, the current development status in China's first tier cities and how to better to tell the Starbucks story in the future, I hope to provide suggestions for the sustainable and healthy development of the coffee industry.

Keywords. Starbucks brand marketing; Brand culture; SWOT analysis; Employer Brand Value)

Brief introduction

In 2020, the global total output of raw coffee beans was 175347 thousand bags, an increase of 6.3% compared with 2019. Influenced by climate, geology, altitude and other factors, most of the world's major coffee growing areas are concentrated between the Tropic of Cancer. South America has the highest coffee bean production, accounting for about 50% of the global total. Brazil alone accounts for 75% of the total coffee bean production in South America. The consumption of raw coffee beans in China is increasing year by year, and the growth rate had jumped to 52.1% in 2021, indicating that the Chinese coffee market is still in a rapid expansion period. As the main production area of coffee beans in China, Yunnan has more than 90% of the output of raw coffee beans in the country. Although China mainly relies on imports of raw coffee beans, with the continuous improvement of the quality control ability of coffee beans in Yunnan production areas, the continuous maturity of coffee beans baking technology, and the prerequisite advantage of effectively saving logistics and transportation costs, the demand for high-quality coffee beans that can reflect Yunnan flavor is expected to continue to increase in the future. The Chinese coffee market mainly includes ready to drink

coffee, instant coffee and freshly ground coffee. The proportion of freshly ground coffee in the whole Chinese coffee market is expanding year by year. In 2020, the market share of freshly ground coffee in mainland China was 36.5%, while the market share of freshly ground coffee in the United States and Japan was 87.0% and 63.1% respectively in the same period. Compared with the mature coffee market in other countries or regions, the Chinese freshly ground coffee industry still has a large room for improvement. The main reason why Chinese consumers consume freshly ground coffee has evolved from the initial social scene demand to the daily functional demand. The top three reasons for Chinese consumers to drink coffee are physiological refreshing, psychological dependence and coffee intake for meals. With the gradual formation of the coffee habit, most consumers have become physically and psychologically dependent on coffee, and coffee has therefore appeared in more and more daily work and life scenes.

Starbucks Coffee, which pays attention to the all-round needs of consumer groups, was established in the United States in 1971, entered the Chinese market in 1999, and by 2021, there were 6189 coffee shops and fast food stores all over China. As the proportion of consumers' "quick pick" coffee consumption scenarios continued to increase, Starbucks has also begun its digital transformation. In September 2022, Starbucks released a heavy strategic vision. By 2025, the total number of stores in China will be expected to increase by 50%, to 9000. It will be expected that the net income will double and the operating profit will quadruple.

This paper studies how Starbucks brand can be the first coffee brand in the current coffee market with super potential.

Journals reviewed

Industry background

With the change of times and people's lifestyle, coffee has become the leader of fashion life. We like to drink coffee in social, work situations and after sports. We prefer to start a day with coffee after getting up. Millennials and Generation Z are leading the way in defining China's coffee culture and overall consumption habits. According to relevant data, by the end of 2020, there were 108000 cafes in China, mainly in the first and second tier cities. It is estimated that by 2025, the sales of coffee products in China will exceed 20 billion dollars, making it one of the strongest growing coffee markets in the world.

With the continuous growth of coffee market data, there is also a trend of diversification in the consumption scenarios of coffee. At the same time, there are different scenarios of freshly ground coffee, instant coffee, and ready to drink coffee, which are affected by time, purpose and other factors. Consumers have different considerations when choosing freshly ground coffee in the scenarios. Whether in the "fast coffee" or "slow coffee" scenarios, they have different demands for coffee brands, feelings and taste, what every coffee consumer pays attention to.

Starbucks Coffee was founded in Seattle in 1971. Like the birth and continuation of all brands, after the merger and acquisition financing, Howard Schultz raised \$4 million to buy Starbucks in 1987, thus promoting the transformation of this great brand into a Italian coffee shop. Following the principle of expansion, listing and going global, Starbucks had its first store in China in 1999. In the eyes of Chinese people, the steady presence of foreign brands in China really means the beginning of the era of building an empire for this brand.

Research status

In the late 1990s, Starbucks successfully entered China, occupied the strongest economic, political and coastal cities in China, and used a strong corporate brand culture to "create a third living space for consumers beyond work and life". In that era, many people in the star circle and cultural circle took Starbucks coffee as a fashion.

SWOT analysis shows that strengths, weaknesses, opportunities and threats are the core of strategic planning, and they are also the most familiar among all strategic planning tools. The purpose of SWOT analysis is to further investigate whether an enterprise is suitable for operating in this field and whether it can establish a lasting competitive advantage. The basic idea of this analysis method is to first analyze the environment and enterprise capabilities, and find out the opportunities and threats, strengths and weaknesses of enterprises. Then, the advantages and disadvantages of the enterprise and the opportunities and threats in the environment are matched and analyzed to form a strategic idea to deal with the environment, and the lasting competitive advantage is tested to form an enterprise strategy. With the development of coffee industry, many scholars and experts also apply SWOT analysis to strategic analysis and brand marketing analysis, such as "Starbucks Brand Marketing Strategy Research". SWOT analysis is mainly applied to three aspects: the first is qualitative analysis described by words; Second, combining SWOT analysis with forms, through cooperation analysis, direct suggestions can be made for SWOT analysis; The last method is to use a number to describe it. However, the limitations of using SWOT analysis are also obvious, lacking objective evidence support, and the evaluation process is too subjective. This paper will use the first kind of descriptive qualitative analysis.

At the same time, According to the definition of Philip Kotler, a marketing scholar, "a brand is a name, mark, symbol ,design, and a combination of them, which aims to identify the products or services of a certain seller or group of sellers, and distinguish them from the products and services of competitors. Another scholar's viewpoint, the deep meaning of a brand includes (1) attributes: attributes that a brand first brings to people. (2) Benefits: attributes are transformed into functions. (3) Value: The brand also reflects the manufacturer's sense of value. (4) Culture: The brand may add some cultures to it. (5) Personality: The brand also represents a certain personality.

In 2008, Peng Rong mentioned in the article "Starbucks' Employer Brand Value and Its Inspiration" that the employer brand takes the employer as the central, takes core employees as the carrier, and provides high-quality services for employees. The employer brand value created by Starbucks meets the material and spiritual needs of employees with perfect welfare and excellent culture. The value will be reflected in many aspects. For example, pay attention to the growth of employees, play a unique role as a benchmark, and create experience value for talents. The annual staff turnover of Starbucks is only about 60%, while that of other American brand companies is as high as 140%. Therefore, the brand value highly enhances Starbucks' position in the hearts of job seekers.

Research method

For the research of Starbucks' brand marketing value on China's coffee industry, this paper uses the field observation and interview method in the qualitative research method. Taking Starbucks Coffee Shop in the CBD of Beijing, the capital of China, as the research object, this paper interviewed 12 customers who entered the shop between the ages of 20 and 36, store managers, clerks and baristas. First, conduct field observation at the store level to observe the main demographic data of Starbucks customers, as well as the use frequency of

reward cards and mobile applications. People who choose different roles help me understand users' needs, experiences, behaviors and goals. It also represents the different positions of consumers and employers, and can give some better suggestions onbrand marketing and corporate brand culture to Starbucks.

Research conclusion

Based on the above analysis and research, this paper conducts the following SWOT analysis of Starbucks China.

Starbucks China SWOT analysis	
<p>S.</p> <ol style="list-style-type: none"> 1. The brand has a strong international influence foundation, which is conducive to customer acquisition; 2. As an enlightenment brand for consumers to recognize "good coffee", it has a certain say in pricing and a certain space for brand premium; 3. Adherence to the quality of products and services has won the full trust of consumers, and the loyalty of consumer groups is high, which is conducive to fission; 4. The store has a high coverage and density, and adheres to the concept of "the third living space", which is conducive to developing consumption habits; 5. The brand culture foundation is organically integrated with the upgrading of cultural and creative products, and is updated at a high speed, which is conducive to the sales of surrounding products and improves the profit space; 6. The mature supply chain system is conducive to control the stability of product quality and cost fluctuation 	<p>W.</p> <ol style="list-style-type: none"> 1. Brand coffee is heavily labeled, which makes it difficult to expand consumer groups besides coffee; 2. The scale of the enterprise is too large, the supply chain is relatively centralized and fixed, and the flexibility of new product development is low; 3. The average price of products is high, and it is difficult to guarantee the coverage and business conditions of the third, fourth and fifth tier cities; 4. The membership level and equity member marketing system are relatively backward, which is difficult to meet the needs of Generation Z.
<p>O.</p> <ol style="list-style-type: none"> 1.Strong brand influence foundation and high incubation success rate of new categories or brands; 2. The epidemic situation is normalized, and the humanized and intelligent services of the special star delivery APP and the mature logistics distribution system help to cope with the store consumption crisis; 3. The growing popularity of home coffee production will promote the sales of Starbucks' peripheral products, coffee beans and other supporting products to a certain extent; 	<p>T.</p> <ol style="list-style-type: none"> 1. Horizontal competition: In the past two years, there have been many brands of boutique coffee and FMCG coffee. Chinese consumers have not only enjoyed "better" coffee, but also have a more affordable choice of freshly ground coffee. Starbucks may face the dilemma of "no success at high level, no success at low level"; 2. Cross industry competition: The entry of brands such as Ruixing, KFC, McDonald's and even EasyJet may limit the upgrading of Starbucks' service dimensions due to more convenient consumption scenarios;

4. Light meals, afternoon tea and other products have a wide range of categories, and their quality is relatively stable. In the future of faster and faster pace of life, Starbucks has a marketing method of light meals. Starbucks is more convenient to expand to light meals, improve the customer price, and upgrade the service dimension.

3. Impact of the new track: With the emergence and rapid development of tea drinks, which are more suitable for Chinese tastes, Starbucks is more difficult to expand its non coffee consumer groups.

4. Cultural differences and political factors: Starbucks' foreign brands have heavy cultural labels, which may cause loss of users or public opinion risk to Starbucks under the great tide of the revival of traditional Chinese culture.

With the rapid development of society, people's pace of life is getting faster and faster. Coffee, a fashionable product, has become a bright pearl in China's consumer market, and Starbucks has become a leader. According to the annual budget of the territory in China, the store opening mode, the layout of different cities and the location of business districts; Systematic recruitment, selection and training of personnel, selection of coffee sources, improvement of organizational structure, sorting and continuation of Starbucks' brand mission, vision and values, and participation in social responsibility and public welfare affairs. By July 2021, there were 34948 stores worldwide, with an increase of 8% to 8.2 billion dollars. In September 2022, Starbucks held a biennial investor day event in Seattle, its headquarters. As the second largest market in the world, China also announced the "value oriented growth agenda". By 2025, the total number of stores in China will be expected to increase by 50%. At the rate of opening one store every 9 hours, 3000 stores will be opened, covering 300 cities in China. The total number of stores will reach 9000. The number of the employees will increase by 35,000, reaching more than 95,000. It is expected that the net income will be doubled, and the operating profit will reach four times the current level.

Based on the above data report on the Chinese coffee industry, the case of Starbucks brand marketing is introduced. Under the guidance of consumption advocating a healthy, delicious and high-quality lifestyle, Starbucks Coffee will more closely follow the local background attributes, better achieve brand marketing, employer brand value and other aspects, stimulate and nurture the humanistic spirit - the mission of each person, cup and community. There is an opportunity to become a partner culture of Starbucks partners; And they are the same as their partners. At Starbucks, people call each other partners. Partners share unlimited opportunities at Starbucks. Partners achieve more together. Starbucks has a strong moral values and moral mission. It is committed to being a leader in the industry, is also the originator of truly implementing brand value marketing experience communication, and is also the leader of brand immersive experience. To borrow the words of Starbucks Brand President Schultz about brand value marketing: I exist because of you!

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