

A Study on Starbucks' Promotion Strategies in the Chinese Market from 1999 to 2009

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ABSTRACT

In this paper, we investigated how Starbucks promotes its brand and product when it enters the Chinese market. Integrated marketing communication involves promoting brands and products through various marketing, public relations, and advertising strategies. This report gives an overview of how Starbucks communicates its brand to Chinese consumers by creating an in-store experience and hosting promotional events. This report incorporates how Starbucks facilitated communicating with consumers through social networking service websites as internet access increased in China. Finally, this report shows how Starbucks continued its brand reputation by engaging in corporate social responsibility in China.

Keywords: Online Publicity, CSR, Public Relations, Promotional strategy

1. INTRODUCTION

Starbucks is a multinational corporation founded in the USA in 1971 by Jerry Baldwin, Zev Siegl, and Gordon Bowker. Globalization in the 21st century encourages organizations to shift their target market from developed countries to developing countries.

China is one of the biggest countries of consumption in the world. Although China is a tea culture nation, it would be an excellent opportunity to develop the coffee market if it applied appropriate marketing strategies and inspiration for coffee drinking [1]. Starbucks entered the Chinese market in 1999 and opened its first store in Beijing. Starbucks also adopted a joint-venture market entry strategy and long-term partnership to enter the complex Chinese market, which helped the company entry strategy and long-term collaboration to enter the foreign business partner [2]. In the work, we investigated Starbucks' Promotion strategies when entering the Chinese market through Product, Promotion, and Publicity strategies.

2. PROVIDING DIFFERENT IN-STORE DESIGNS AND PRODUCTS BASE ON LOCAL CULTURE AND PREFERENCE

Speaking of coffee, most Chinese would consider Starbucks success in China where there is a lack of coffee culture. Delivering a comfortable in-store experience to clients is the core of Starbucks' advertising in China, as people want to see, feel, and touch the commodity.

Starbucks did it right by conducting a comprehensive in-store experience through combining coffee and Chinese culture, well-designed stores, and utilizing "customers-centred" strategies. Starbucks has acquired a stable and massive root in China, providing coffee and a way of life that connects with the Chinese.

2.1. Integrating Starbucks Brand Image and Product with Chinese Culture

China has a long history of tea drinking, represented by more than 40 percent of the total market volume for beverages in 1999 [3]. The elder is the main consumers of tea. Starbucks knew that their kinship profoundly influences the Chinese as part of the genealogy, so Starbucks did not employ any advertising that the

Chinese could perceive as a threat to their tea-drinking culture. Instead, Starbucks capitalized on Chinese consumers' tea-drinking habits by offering beverages made with popular local ingredients like green and black tea. It analyzed Chinese consumers' tastes and mixed oriental and western flavors, matching various drinks creatively to satisfy local consumers [4]. Later, Starbucks implemented a brand-new taste series called "Teavana," a beverage based on tea, launched with great success in China. For instance, one of the famous Teavana drinks is a mixture of Chinese Oolong tea and grapefruit juice, the top choice and the optimal substitute for non-caffeine drinkers in China.

Starbucks built up its brand image via its price and localization of products, combining this into the Chinese culture and habit of sharing. Economic growth drives the demand of Chinese customers for high-quality coffee. Chinese customers started to shift their preference from instant coffee to fresh-make coffee. In the Starbucks case, people, especially those in the wealthy classes, want the coffee itself and the social status of a cup of coffee with a Starbucks logo on it. Even though the average cost of Starbucks is 30 RMB (4.5 USD), which is generally pricier than other brands, a particular group of people is still attracted to Starbucks products. Because people consider Starbucks a luxury item, patrons love to post their Starbucks coffee on social media. They show off the drinks on their social accounts simply telling others they can afford Starbucks, which is considered a "luxury" coffee brand in China [5]. Starbucks took the habit of sharing different promotion strategies, such as creating hashtags on social media to encourage customers to communicate about their experience in Starbucks.

2.2. The Unique and Popular In-store Design

Setting their location in the high-traffic places and the nodal points is the primary method of Starbucks to establish their identity and gain the public's attention. Mr. Lin, the vice president of Starbucks, says, "Our main advertising media is the store itself" [6]. Starbucks did focus on the in-store design, emphasizing the fusion of its store design characteristics and the local culture. Each store in China regards the building style, required to be integrated into the original or surrounding buildings with slight damage to the original architecture style. Clients can also view the elaborate store design from the furniture inside. Starbucks replaced the original standardized tables and chairs that are widely used in the U.S with a more Chinese style, such as traditional antique Chinese chairs and square tables, alleviating the opposition among the public between the American and Chinese traditions [7]. Based on local culture and customer preferences, Starbucks made modest changes to the taste, menu design, and store layout.

Furthermore, Starbucks' trendy decor, plush lounge chairs, and contemporary music make it a perfect spot for

people to speak and relax. It also has a significant attraction to younger people, who see Western coffee cultures representing contemporary living styles. In every Starbucks China chain store, the interior design perfectly combines Chinese and Western techniques [8]. These are venues where individuals may chat with peers, acquaintances, and consumers in a relaxed environment. By analyzing Chinese from the cultural perspective, Starbucks knew that they are collectivistic groups to gather with their family and friends.

Hence, creating places with big round tables and a conformable sofa perfectly meets the demand for Chinese customers.

3.SALES PROMOTION STRATEGY OF STARBUCKS

Sales promotion is the process of persuading a potential customer to buy the product. Sales promotion is designed to be used as a short-term tactic to boost sales – it is rarely suitable as a method of building long-term customer loyalty [9].

Considering its sales promotion strategies, Starbucks mainly focuses on consumer-oriented activities targeted to the ultimate user of a product or service. It includes couponing, sampling, premiums, rebates, contests, sweepstakes, and various point-of-purchase materials. These promotional tools aim to encourage consumers to make an immediate purchase, therefore stimulating short-term sales.

3.1 Launch Limited Time Holiday Products

When things become less available, they become more desirable. If people can choose to get something now or only possibly get it later in the future, they are more willing to get it now. The increase of desire and consequent acquisitive action in this situation happens even if people do not need the item directly. This is because scarcity can drive people's passion, so the utility of the item does not matter. There is often a vital social element to scarcity. If someone else can get something that the person could have got now, he/she will be even more tempted to get it now [10].

Starbucks follows this theory when promoting limited-time holiday products such as mooncakes. Mooncake is a traditional bakery product in China that people eat at the time of the Mid-Autumn Festival. During this festival, the Chinese will worship and watch the moon, while the mooncakes are regarded as indispensable delicacies [11].

When selling mooncakes, Starbucks had great success:

- Unique taste of mooncakes, exquisitely designed gift boxes,

- Supporting marketing, seize the opportunity,
- Mastered the consumer psychology of the Chinese people and created the perfect gift.

For the Chinese, Starbucks is synonymous with "sentiment and force," and the mooncakes they create are no exception. Starbucks developers specially tune each moon cake to have a competitive edge in the market. Starbucks also makes different gift boxes every year. Each gift box contains an exclusive product, so if clients want to try various mooncakes, they need to buy each gift box.

In addition to designing professional-themed packaging, Starbucks also includes an ancient legend with each mooncake to increase the cultural connotation in the old sea age. We met on the sea. "At this moment, return to the person you miss and reunite" [7].

In China, eating mooncakes during the Mid-Autumn Festival is a tradition and sentiment. Starbucks tells a beautiful legend to the advertising words, which adds the cultural significance of mooncakes, effortlessly evoking emotional resonance.

Big festivals like the Mid-Autumn Festival also contain great business opportunities. Nowadays, driven by marketing, mooncake has not only become a fundamental food for family reunions and gift-giving among relatives, but also a weapon for people's social courtesy. According to GMA, in 2019, among all mooncake lovers, 60.4% of Chinese consumers are willing to buy mooncakes, and 20.6% of them plan to receive mooncakes as gifts, accounting for more than a third. 39.6% of consumers do not plan to buy mooncakes because their companies will send them as gifts instead of buying them themselves. That year, mooncake sales grew 7.9% from the previous year, making total sales of about 2.77 billion USD [12].

4. BUILDING AWARENESS THROUGH PUBLIC RELATIONS STRATEGIES

Public relations (PR) is the practice of managing and guiding perceptions of the business to attract new clients and strengthen the loyalty of existing customers [13]. When a company enters a new market, PR plays a vital role in raising awareness of the business, building the business's reputation, and eventually developing good relationships with customers. This section includes PR and CSR strategies Starbucks employed in the Chinese market regarding improving the brand's popularity and image.

4.1 Utilize Online Publicity to Create Brand Awareness and Popularity

As the technology developed after the 2000s, Starbucks encouraged using social media platforms to

communicate with patrons. An exceptional internet system was growing in China; BBS, Tieba, and Douban. Starbucks fans in China built their online communities using these platforms to communicate with others. Users shared knowledge and experiences of purchasing Starbucks' products and services and communicated effectively [14]. People share their genuine opinion and experience because the platform was not run by Starbucks directly. People generally are less skeptical toward the information sources that are perceived as unbiased [15]. The program encouraged customers and fans to share their ideas and suggestions on enhancing Starbucks's product and services to a better level and experiences [16]. Communication through online forums has excellent credibility and would come to build brand awareness in the long term.

Online communication was an effective way to connect buyers and improve the company's customer service. The Starbucks online community continued to proliferate, attracting more potential customers. Based on data, 50,067 followers joined the Starbucks online Q&A community. The most discussed topics are "US coffee brand," "Star Enjoy Card," and "Starbucks menu" [14]. Communication between the firm and its clients played a prominent role in Starbucks' publicity in the Chinese market, as social networking helps Starbucks stand out in the fierce market competition.

4.2 Corporate Social Responsibility as a Strategy for Building Brand's Positive Image

Starbucks is committed to being a profoundly responsible company in the community where it does business universally. Howard Schultz, Starbucks chairman, said, "We are as passionate about our commitment to our communities as we are about achieving financial success" [17]. For years, Starbucks has been recognized as one of the "100 Best Corporate Citizens" by Business Ethics Magazine for choosing to run the business to create a better world for all [7]. Starbucks' characteristics and values promote a favorable image to the public and attract more loyal customers worldwide.

Starbucks focused on its public careers in China to build a positive image for the brand and build a steadfast relationship with the local government. For a company to avoid further challenges, it needs to build and maintain strong relationships with local partners and even government administration [18]. Starbucks practiced social marketing strategy to gain trust and loyalty from customers and partners. Starbucks and its partners have been supporting local communities since opening their first store in China in 1999. Starbucks coffee organization agreed with Soong Ching Ling Foundation in China and provided USD 2.5 million to support the education program [19].

Starbucks used sponsorship of charity and community activities to establish its reputation and partner pride, ultimately, enter the Chinese market successfully. Starbucks continued to operate its business with Corporate Social Responsibility (CSR) as a tool to improve brand awareness and image [20].

5. CONCLUSION

Starbucks is one of the world's leading coffee retailers, and it plays a successful role in expanding the market globally. Starbucks adopted localized marketing strategies and advertising strategies to show respect for local culture and integrate different cultures into the brand. It also developed localized drinks and unique indoor designs to indulge Chinese consumers' preferences and was accepted by the locals. Maintaining a good relationship with local partners and clients is essential in entering a foreign market. Starbucks practiced online communication and CSR strategies to improve brand awareness and popularity in the community. Starbucks implemented innovative promotion strategies to create demand in such tea-drinking culture markets and eventually become not only a coffee shop but also a symbol of a successful coffee brand and culture.

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