

# *Digital Marketing of Starbucks in the New Retail Era in China*

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**Abstract:** The background term digital marketing refers to the use of websites, apps, mobile devices, social media, search engines, and other digital means to promote and sell products and services. Digital marketing started to become popular with the widespread adoption of the Internet in the 1990s. Digital marketing involves many of the same principles as traditional marketing and is often considered an additional way for companies to approach consumers and understand their behavior. Companies often combine traditional and digital marketing techniques in their strategies. But digital marketing also comes with its own set of challenges. This paper chooses to focus on a company for the object of study which is called Starbucks to explore the effect of the challenge that digital marketing in the new retail era brings to for research questions. This paper looks for the data from the official website. The result that the research brings me is that digital marketing in the new retail era truly brings Starbucks a lot of new choices and a lot of questions exposed more obviously.

**Keywords:** Starbucks, digital marketing, new retail era, Luckin Coffee

## 1. Introduction

This program has a lot of progress in academics, but it lacks a company-specific analysis. In this essay, this paper wants to analyse digital marketing from a specific angle of a specific company. The method of this paper is data analysis, comparing the data in the past era and now. It also combines concrete objects. This paper researched the questions on the internet and the contents of other people's essays. This paper combines them and finds the connections. As a result, other companies can have a reference. Time is going all the time, now, it is a new retail era. Digital marketing is the most common difference between marketing before the new retail era and during the new retail era. That is why Digital marketing is an essential form nowadays. It has been a high-quality way to improve economic development. So, it is a trend to use digital Marketing for most companies. Starbucks is a company that does well in digital marketing in the new retail era.

Starbucks is one of the most famous companies in the USA. It has a brand new experiential cultural atmosphere. Beyond its contemporary design, the evolution of Starbucks stores is also reflected in the Shanghai Lippo Plaza Store's back-of-house operations, where investments in digital technologies have enhanced the partner experience and elevated store efficiency to a whole new level [1]. The use of Internet of Things (IoT) sensors and automation tools has dramatically simplified routine stocktaking tasks, enabling partners to focus on coffee craft and customer connection. Big data and

machine learning algorithms have also been deployed to optimize inventory ordering and labor scheduling [2]. These technologies have been scaled to all stores in operation market-wide, as the company continues to advance its digital transformation agenda [3]. Starbucks provides people with a third space for home and office under the influence of coffee. Their values are proactive action, the courage to challenge the status quo, breaking conventions, and innovating ways to achieve mutual growth between the company and its partners. So, it seems that Starbucks is a company that dares to keep up with the trends of the times and innovate, so it will definitely adapt to the current digital marketing development.

Starbucks culture takes the pursuit of the human spirit as the core, and today's Starbucks has become a shared space for consumer groups that pay attention to leisure and enjoyment and pursue spiritual experiential consumer groups. Starbucks is located in the surrounding areas of large commercial circles and office buildings in the city center, and is deeply engaged in high-end cities with strong per capita consumption. Prior to this, Starbucks held a global investment exchange meeting in China and announced important measures to accelerate the development of the Chinese market. In terms of China's current regional economic development, Starbucks is expected to settle in 100 new cities in China by the end of 2022, covering a total of 230 In cities, under the dividend atmosphere under the wave of the digital economy, the number of new stores reaches 600 every year. With the formation of the habit of "coffee + socialization" of young customers and the deepening of the concept of experiential coffee consumption among middle-income people, it is expected that Starbucks will gradually improve the city's penetration rate and continuously expand its market share in future market competition [4].

As a coffee brand listed in the United States, Starbucks is bound to face the problem of localization and cultural differences if it wants to create a great performance in China. China's tea culture has developed for a long time and has become the most commonly drunk beverage among Chinese people. In recent years, Starbucks has always insisted on exporting high-quality coffee in China, constantly launching new products to attract customers, selling coffee with snacks, and innovating the breakfast and wine business sector. Nuggets focus on the convenient and low-cost auxiliary breakfast market. Combine the local culture of the United States with the local culture of China. For example, limited special products and peripherals with Chinese characteristics were launched during the Chinese festival: during the Mid-Autumn Festival, the classic star-style five-nut moon cakes were launched; during the Dragon Boat Festival, the crystal "Star Ice Zong" with innovative and unique flavors... With its extension of various concept products and unique decoration style atmosphere, Starbucks deliberately creates a "third space" with soft and comfortable music and coffee fragrance, so as to form economies of scale, maintain brand image and improve sales profits.

## 2. Digital Marketing

Digital has these factors it can make contents more visualization, solidification, interactivity, degrees of freedom and imagination. So, if digital is well used in marketing, what will happen?

Digital marketing: through social media, email and other means, you can interact with the audience in real-time and improve user participation. At the same time, it can be personalized according to user preferences and behavior data to enhance the user experience.

Through data analysis tools, the promotion effect can be monitored and evaluated in real time, and optimized and adjusted according to the data results. At the same time, it can better understand the audience's behavior habits and preferences and improve the marketing effect.

### 3. Challenges Faced by Starbucks in China

On November 4th, 2022, Starbucks handed over a fourth-quarter financial report for fiscal year 2022 with a halved net profit of revenue growth. During the reporting period, the company's revenue was \$8.41 billion, up 3.3% year-on-year; net profit was \$878 million, down 50.2% year-on-year. In the Chinese market, Starbucks' revenue fell 22% year-on-year, higher than the international market level of 9%.

It is worth noting that Starbucks's performance in China has declined for several consecutive quarters. In the first fiscal quarter of 2022, Starbucks's same-store sales in the Chinese market fell 14% year-on-year, and the customer unit price fell by 9%, resulting in a 6% decline in global same-store sales; in the second fiscal quarter, Starbucks's same-store transactions in the Chinese market fell 20%, the average customer unit price fell by 4%, causing Starbucks's same-store sales to decline 23%; in the third fiscal quarter, Starbucks' revenue in China's Chinese market was \$540 million, down 40% year-on-year; the same-store sales revenue fell 44% year-on-year, of which the transaction volume fell 43% year-on-year, and the customer unit price fell 1%.

Starbucks' biggest competitor is Luckin Coffee [5]. Luckin Coffee stores have now reached 6580, becoming one of the largest coffee chain brands in China, surpassing Starbucks's 5557 in China. Luckin also sold half of the coffee and half gave it away. The coffee is equivalent to the collapse of the urban elite. However, in Beijing, Shanghai and Guangzhou, drinking niche coffee is more exquisite and life-informed. If you always choose to drink Starbucks, it may make people feel old-fashioned, so the biggest challenge to Starbucks is not the decline in passenger flow or negative news, but the character design of Starbucks, which makes consumers think that they are talented in high-end society. This kind of psychology no longer exists in modern society. Starbucks did not catch young consumers and knew that the price reduction could not solve the problem, so it not only did not reduce the price but also raised the price.

Starbucks' financial statements show that 85% of profits are contributed by old customers. Without new customer traffic, its competitors will slowly ban its position [6].

From the sales of coffee in China and consumers' concept of coffee, it can be seen that China is a dominant country in tea culture, and the attraction of bitter coffee to Chinese people is far lower than that of consumers in Europe, the United States and other countries. At present, China's coffee consumption as a whole is

Educated and influenced by two major brands, one is Nestle and the other is Starbucks. Moreover, when coffee first entered the Chinese market, the price was relatively high. At that time, a cup of Nestlé coffee cost more than 20 yuan, and the monthly salary of workers was only a few hundred yuan. They could not afford to consume high-priced coffee at all. At that time, coffee was rising in the Beijing International Trade Center. In this fast-moving area, the new term coffee was in the present. It is also known as a fashionable icon, and people are more curious about coffee. In 1999, Starbucks' first store opened at the Beijing International Trade Center, marking its official entry into the Chinese market. Chinese consumer's cognition of coffee's basic function of "repriming and being sleepy for a cup of coffee" has been further advanced, and the scene attributes and experience attributes of coffee have been dug deeper. The communication and leisure functions make it a place for modern people to gather for leisure and negotiate business. However, coffee consumption education and culture in first-tier cities have taken nearly 30 years. In contrast, consumers' understanding and cognition of coffee are generally not high in lower-line cities where the overall pace of life is slow and young people are outflowing. In today's fast-food era, people don't seem to have enough time to go to cafes to talk about business, and dinner parties have become less. In this era of developed Internet, it is more convenient to use the Internet to communicate. People use the Internet to communicate and even do business negotiations. There is less and less time to meet offline,

saving time and effort, and consumers' basic concept of coffee consumption is gradually disappearing [7].

China's coffee market is extremely competitive, but its potential is very limited. Star Buck has entered the Chinese market for more than 20 years and has become a major force in the coffee industry. However, the single function of stores is lacking in meeting the demand of further surged customer groups. Starbucks' layout in the two major consumer fields of family and company is insufficient, which undoubtedly leaves a huge space for competitors. In this context, many competitors have surfaced one after another. Luckin Coffee is a highly competitive opponent. Luckin Coffee is completely different from Starbucks' consumption concept. Luckin Coffee is positioned as high-quality commercial coffee, mainly for the workplace and the younger generation of consumers. Moreover, the types of Luckin Coffee stores are relatively diverse, mainly in the direction of Internet coffee. Online coffee provides great convenience for modern young people and busy people in the workplace, and the price is relatively affordable. For example, there are coupons for newcomers every week, and customers can drink 9.9 yuan of high-quality products. Quality coffee, while Starbucks keeps high-priced coffee in this regard. When Starbucks enters China, a market with great potential, more opportunities and great competitiveness, the challenges it faces have soared. Pricing should be flexible, and coffee shop products should be diversified and flexible, all of which need to be paid attention to in a better direction. II) The basic concept of coffee consumption is not yet mature

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#### **4. Solutions for Digital Marketing**

In the construction of store types, Starbucks should implement diversified services to provide good rest areas and services for consumers. The store types mainly develop in four directions: flagship stores, preferential stores, express stores and takeaway kitchens. Now there are already coffee express and special star delivery businesses. This series is the fourth space business proposed in the Internet era. Now it is not particularly distinguished. It provides takeaway services. The 5000+ scale layout is on streets, attractions, shopping malls, airports and other scenes. It is also a special store brand. The

vast majority of people are attracted by digital marketing methods so they will pay extreme attention to the activities of Starbucks. Star Buck's pet-friendly store is exclusive to cat and dog lovers. Teddy Dog also provides the dog Buchino that dogs love. This innovation fully reflects the marketing strategy of "coffee looking for people" and allows consumers to enjoy high-quality services. Pricing adopts different pricing methods according to the different changing factors in the market and the degree of impact on commodity prices, and formulate commodity prices that adapt to market changes, to achieve the pricing target. Johnson, president and CEO of Starbucks, said, "We have a very complex pricing method that makes use of analysis and artificial intelligence and is led by a very capable team that models and continues to pay attention to demand elasticity and pricing behavior.

(II) Attract consumers with innovative products in the face of many competitors, publicizing on its WeChat official account Starbucks is consistent with the quality of its coffee and has always been firm in its brand. In terms of regional aspects, it is closely followed by the development and innovation of our culture. On November 10, 2021, Starbucks China's first "non-heritage physical examination store" opened in Beijing, deeply integrating with local traditional culture, creating a world that integrates lifestyle, artistic experience and the dissemination of intangible cultural heritage. Three spaces. Compared with other types of stores, the design of the Starbucks Intangible Cultural Heritage Experience Museum is inspired by the relatively traditional Beijing Hutong culture. The Intangible Cultural Heritage Experience Store also provides more than 30 creative cocktails, wines, craft beer and other wines at the BarMixato bar. In the store, Starbucks cooperated with the batik cooperative in Danzhai County, southeast Guizhou Province to integrate batik art, one of the four traditional printing techniques in China, into the store design. The intangible cultural heritage public benefit experience salon has also been launched in some Star Bark specialty stores in first- and second-tier cities such as Beijing, Shanghai and Guangzhou. It is revealed that Starbucks will also open intangible cultural experience stores in more cities in the future. After that, Starbucks successively innovated and launched the Shanghai "Star Buck Shared Space Concept Store", which provides customers with a multi-functional and flexible public and business social space. At the same time, it has also achieved the goal of "carbon neutrality" and promoted the implementation of a green and sustainable retail model [8].

The world's first environmental inspection shop "Green Workshop" has been built in Shanghai. About 50% of the building materials in this store can be recycled, upgraded or degraded in the future, greatly reducing carbon emissions. [9] Green sustainable development adds strength. These innovations can attract customers to have a comprehensive and profound understanding of traditional culture, business office space to enjoy, and green concepts to show or practice. These can all be shown in WeChat, video accounts, own software and websites [10].

## 5. Conclusion

Digital marketing makes an important difference in Starbucks. It will be more and more important in the daily common marketing. And if you make a good afford on it, you will have a better effect on the marketing. This paper does not use too much information about digital marketing, instead of it, this paper uses a lot of examples of Starbucks. So, the disadvantage of the paper is not rich and specific in digital marketing basic knowledge. At the same time, readers or in-corporators can find some ways to have better ideas for developing enterprises in the new retail era.

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