

The Drive-Thru Business Model Enter in Chinese Mainstream Market

Jiayi Shen^{1,a,*}

¹*School of Art, Liaoning University, Shen yang, Liaoning, 110136, China*
a. 20214804137@smail.lnu.edu.cn

**corresponding author*

Abstract: In China, the significant advances in the digital revolution continue to drive the adoption of intelligent data in the service industry. Mobile Internet technology makes people rely on their smartphones to meet their daily needs most of the time. The purpose of the paper was to present the related problems faced by the drive-thru business model when entering the Chinese market and their solutions. This article takes Starbucks and AutoNavi's opening of the "Starbucks Curbside" service in China as an example and will use the annual consumption volume of consumers in the Chinese takeout industry and data from drive-thru restaurants to open stores in China for observation and analysis. To solve the problem of decreasing consumer reach in cities, drive-thru restaurants should be set up in suburban areas to bring the driver group into the category of potential consumers. Given the risks that may occur in drive-thru restaurants, the warning to customers who purchase food should be enhanced by improving the safety system. In the Chinese market, with fierce competition in the food delivery industry, the "drive-thru" business model should look for competitive food delivery companies to cooperate. In this way, both of them can achieve a win-win situation.

Keywords: Drive-thru, Chinese market, Consumption

1. Introduction

With scientific and technological innovation, mankind has reached the linked intelligence age. Internet use and increased data have improved and grown the catering industry's delivery services. Recently, the "home delivery" transportation paradigm based on big outbound food platforms "Ele" and "Meituan" has become essential to Chinese lifestyles. The 1960s saw the rise of modern US takeout. Television culture was growing, so people ate at home while watching TV instead of going to restaurants. Thus, meal delivery services were in high demand. PizzaNet, established by Pizza Hut and SCO, was an early online food ordering platform. Online ordering and offline pickup evolved into takeout [1]. As automobile ownership rose in the 1970s, the "drive-thru" business model arose to meet car culture's needs. Unlike the conventional takeaway concept, the "drive-thru" caters to automobile owners in today's fast-paced digital age who need to eat while commuting. China adopted "drive-thru" in the early 21st century. After China's takeaway sector grew and dominated the market in 2010, the drive-thru business model collapsed. Upgraded drive-thrus have appeared in first-tier Chinese cities in recent years. Starbucks China, the world's largest coffee provider, opened over 150 "street pickup" outlets in Beijing and Shanghai on March 21, 2023. The store adopted the European

and American "drive-thru" format and integrated big data-era online ordering and car pickup. Since the early 21st century, scholars have debated "drive-thru" service industry business models.

With the development of the times, many scholars have focused on it in recent years. It opens up a discussion. For example, Allah Pitchay uses economic strategies in foreign markets as a starting point to explore the challenges faced by home-country managers and how to make wise choices [2]. Among them, the reason why the KFC "drive-thru" model was not successful in Japan is that almost 80% of people in Japan choose to travel by public transportation, and only a small number of people choose to drive, so the "drive-thru" model "Speed" has no room for development [2]. In addition, Natnaphinpapha et al. conducted a study on the consumption factors affecting teenagers [3]. Based on the analysis of online questionnaires filled out by 400 respondents, they found that service quality and methods have a profound impact on them [3]. Especially in urban areas where the pace of life is getting faster, fast food consumption in the "drive-thru" mode is great because it helps people save a lot of unnecessary time [3]. Similarly, in a study by Allon on the reasons why consumers decide between wait times and fast-food pricing, they found that the reason for the success of drive-thru is that consumers assert that when purchasing fast food, the time cost is far more vital than the price of the product [4].

Despite several studies on the "drive-thru" business model, "drive-thru" has continued to enhance its service content and models as a result of the advent of data empowerment and people's rising need for semi-self-service offerings. However, based on the current state of the Chinese food delivery service business, both platform delivery and merchant-operated delivery have great market competitiveness when compared to alternative delivery methods. As a result of the constraints posed by alternative delivery modes, especially in China with such a large user base, whether the improved drive-thru can be successfully incorporated into the mainstream market requires more research and discussion. The demand for fast-food delivery services is growing by the day, but can the "drive-thru" business model re-enter the mainstream market in China? This question is critical for understanding the influence of digital technology on the food delivery sector and the Chinese market.

This research is based on the scenario of Starbucks collaborating with A-map on March 21, 2023, and formally introducing the "Starbucks Curbside" service in the Beijing-Shanghai area in order to tackle the aforementioned research difficulties. According to information on the company's official website, Starbucks will add more than 1,000 locations across China in the upcoming year, and it currently has more than 150 locations in Beijing and Shanghai. Starbucks on the street is China's second update to the "drive-thru" business model. If the "drive-thru" business model is to further integrate into the Chinese mainstream market, it will need to consistently enhance and optimize the model, as well as mix it with mainstream consumption patterns.

2. Case Description

As the name suggests, drive-thru reduces customers' waiting time and allows them to get products quickly. As a business service model, drive-thru is common in fast food restaurants. It was born in the context of the American "car culture." Since the 1920s, the United States has become a "nation on wheels." By the mid-20th century, most Americans had not only used cars as their daily means of transportation but also a "second house." Therefore, "road culture" was slowly integrated into people's everyday lives, and the drive-thru was born. The structure of the drive-thru is quite minimalist. There are three human service windows for ordering, paying, and picking up. Its service model is very convenient. Drivers only need to drive to the first window to read the menu and order food, complete the payment at the second window, and then go to the waiting area in front of the third window to get delicious fast food. For food, the whole process takes no more than 10 minutes. This efficient and fast ordering method received support from the majority of American citizens as soon as it was launched. After In-N-Out Burger opened the world's first drive-thru restaurant in 1948, McDonald's

restaurants also adopted this method in 1975. Model built the first "McDonald's drive-thru" restaurant in Arizona, USA. In 2005, McDonald's Corporation opened the first McDonald's drive-thru store in mainland China in Dongguan, Guangdong, China. So far, "McDonald's drive-thru" has more than 660 stores in China. As China's digitalization process continues to deepen, mobile payments and online ordering have become the main consumption patterns for Chinese people to purchase goods. Moreover, the per capita number of vehicles in China has been rising year after year. Based on this, Starbucks and A-map have jointly launched "Starbucks Curbside" in the Beijing-Shanghai area of China, which uses satellite navigation systems to accurately locate the stores closest to car owners, determine the optimal transportation route, and allow car owners to enjoy their delicious, full-bodied coffee without leaving the car. This is an upgrade of the drive-thru model in China. The two steps of ordering and payment are moved online, reducing the original "three windows" to complete shopping, leaving only the last window for picking up food. Although drive-thru consumption models like "Starbucks Curbside" are currently popular among white-collar workers in Beijing and Shanghai, some claim that they will clog up traffic, increase carbon emissions, and have geographically limited settings.

However, most importantly, China does not have a "car culture" background. People still regard cars as commuting tools. Therefore, most Chinese people still choose to pick up at the store or have takeaways delivered to their homes instead of driving out to buy coffee or fast food. It can be found that in recent years, the development trend of fast business models in China has been lower than expected. In order to explore the reasons and present solutions, this paper will focus on the relationship between drive-thru and Chinese markets.

3. Analysis on Problems

3.1. Issues on Demand Market

The most prominent one is that the coffee demand market is not as broad as expected. Taking coffee consumers in China as an example, most people who have the habit of buying coffee are young and middle-aged people, mainly office workers and urban white-collar workers. Among them, office workers over 30 and under 50 years old are the most stable coffee purchasers' group. Most of the coffee buying time of this type of consumer is concentrated during the peak hours of chat, which means that these customers cannot avoid traffic jams. Some young white-collar workers are keen to commute by public transportation, so the drive-thru mode cannot play its full role. In addition, most of the reasons these consumers buy coffee are to experience the environmental and communication services attached to coffee. Rather than driving and buying coffee in a hurry, they prefer to go to a coffee shop and order a cup with the work that needs to be finished. Coffee and enjoy the slow-paced lifestyle after work.

Consumer demand undeniably exerts a pivotal influence on the growth of the industry. Consumer demand for seasonal clothes has a crucial role in determining the inventory and competitiveness of fashion clothing retailers in the mall. Long's research demonstrated a strong correlation between customer demand and the variety of items offered by fashion corporations [5]. Heightened customer demand for a fashion item leads to an increased production of corresponding complimentary items. Nevertheless, in order to sustain ongoing profitability, there may be a compromise on the quality of the items. Rajaveni conducted a study on the preferences for various brands of edible oils among individuals from different income groups in the Indian market. The study revealed that while certain families prefer purchasing loose oils, which are widely favored, there are also expensive oils that are not suitable for retail sale [6]. It is evident that the market is continuously influenced by the consumer's changing consumption level, consumption habits, and consumption techniques.

3.2. Issues on Market Cost and Risks

Implementing a drive-thru system in China is also subject to potential cost issues. Particularly when considering the aspects of time and labor expenses. When evaluating a business model centered around car culture, it is crucial to assess whether the time spent waiting to collect a meal in China, a densely populated country, would make the cost of queuing in a vehicle more expensive than dining in the restaurant due to inadequate food delivery. Simultaneously, it is vital to acknowledge that, following the preparation process, committed individuals who are essential will distribute them to the vehicle owners. When comparing personnel recruited at the same rate in traditional businesses, hiring a specialized food delivery person for a drive-thru restaurant involves not just delivering meals but also performing sanitation and cleaning tasks. This offer appears to be unfavorable.

On the other hand, from the perspective of safety risks, the most obvious risk in the drive-thru model is the gap between ordering and picking up food in front of the window. While drive-thru reduces the distance food must be transported, every vehicle that passes the window carries the risk of an accident, most notably a rear-end collision. Even during the final pick-up process, traffic accidents may occur while parking and waiting. For example, a pedestrian may bump into a walking pedestrian, accidentally hit a roadside guide sign, or press the accelerator and brake incorrectly. This type of incident occurred at an In-N-Out Burger drive-thru restaurant in Utah, USA, in 2019. A car crashed through a guardrail and struck a Las Vegas man, injuring six others [7].

3.3. Issues on Market Competition

With the food delivery sector in China reaching a point of saturation, drive-thru operators are seeing heightened market rivalry. China has garnered a substantial consumer base with the extensive proliferation of takeaway delivery services in 2010. Due to the ongoing advancements in network technology, the number of online food delivery consumers in China is steadily growing each year. By 2023, the online takeaway user base in China is projected to reach 535 million, reflecting a growth of 13.72 million compared to December 2022 [8]. This demonstrates the extensive utilization of takeaway services in China. The majority of individuals hold a positive outlook on the ease and cost-effectiveness of takeout, since it allows them to use home delivery services at a little expense. Conversely, the drive-thru option necessitates individuals to operate a vehicle and engage in transactions, amplifying unnecessary hazards and inflating the overall cost of a round trip to the restaurant due to increased fuel consumption as compared to opting for takeout. According to John's assessment, the drive-thru business model may result in increased fuel consumption for cars compared to offline sales [9]. According to the statistics, when the fast-food restaurant serves more than 2,000 automobiles through the drive-thru in a span of seven days, it consumes an additional 57 gallons of gasoline every week compared to its regular use [9]. Furthermore, several environmentalists argue that automobile emissions generate a significant quantity of carbon dioxide, leading to environmental pollution and detrimental impacts on individuals' physical and emotional well-being. Hence, in order to successfully penetrate the mainstream market in China, drive-thru must alter its development trajectory under different circumstances.

4. Suggestion

4.1. Suggestion on Restaurant Location

This study examines the issues that drive-thru must face in light of the first issue. Clarifying the location is the solution to this problem. Drive-thru are now exclusively seen in the metropolitan regions of China's first-tier cities. Although urban population density fits the need of a big consumer

base, it overlooks real practicality. Vehicles are closely packed in metropolitan locations when traffic congestion is anticipated.

Furthermore, because significant customer groups such as white-collar professionals prefer to utilize public transit, the true sales volume of drive-thru restaurants in metropolitan areas is low. As a result, the site should be changed to a position with strong market demand, such as a highway interchange in a first-tier city. Moving the consumption venue not only solves the problem of urban traffic congestion, but it also includes all drivers in the consumer group and grows the consumer group. Continuing with the coffee business as an example, vehicles frequently pass by rest areas at highway crossings. They must refill their water supplies and rely on coffee to stay awake. The rest stop at the highway crossroads is where people need to refuel and rest the most. There is always a lot of traffic, and there are a lot of prospective clients. For example, McDonald's, a fast-food corporation that entered the Chinese market at the beginning of the twenty-first century, opted to collaborate with Sinopec after learning about the Chinese market's circumstances. It successfully opened a McDonald's drive-thru restaurant at a petrol station. In the United States, the first lucrative drive-thru restaurant debuted in a gas station in Miami in the 1950s.

4.2. Suggestion on Risk Avoidance Strategy

A reasonable risk avoidance strategy should also be established at the drive-thru after the upgrade. The consumer base will extend from white-collar workers who own automobiles to the whole driving group once the drive-thru restaurant is relocated from the city center to the outlying toll plaza. It suggests that the store should be placed where there is the most traffic. Although metropolitan regions have a significant volume of traffic, they are not the most congested locations. Rest stops or petrol stations should be located near highway junctions on the periphery of areas where there are a lot of cars every day. In terms of time and cost risks, if the drive-thru restaurant is located in a suburban rest stop, it can save a significant amount of time spent in city traffic, resulting in a drop in the efficiency of selling goods. During this time, drive-thru restaurants are the most convenient option. Because rest stop employees may function as coffee couriers to fulfill short-distance delivery duties, lowering labor expenses, In the United States, a completely automated drive-thru service model will be available by 2022. Restaurant reservations must be made online exclusively, and online service professionals can assist clients in completing their orders without leaving their homes. Furthermore, food delivery by robots can significantly minimize the input of human resources and the cost of labor services [10].

Similarly, high-speed rail takeout is highly popular in China. People who buy food online will have it delivered to the train at the next station when the train arrives by a designated takeout worker. People will no longer have to eat fried quick noodles and prepared foods from food trucks as a result of this. As a result, the drive-thru may concentrate on high-speed rail stations, achieve dedicated vehicle and people delivery, complete point-to-point linkages between stations, and finish the service system upgrading, minimizing timing risks. Starbucks, for example, has collaborated with Amap in China to provide the "Starbucks Curbside" service, which decreases the amount of time consumers spend in drive-thru restaurants through online purchasing in order to lessen safety hazards.

Furthermore, Starbucks has set limits on pickup stores in the United States and has carefully segregated store operations based on the particular constraints of different locations, such as "pickup only" stores and drive-thru stores [8]. This illustrates that Starbucks locations are aware of the potential harm that drive-thrus might do to the public. Starbucks will use store-type classification based on local factors in the Chinese market in the future. What drive-thru still need to convey thoroughly is the cost of safety. Customers' driving abilities are uncontrolled, thus drive-thru should include additional warning signs and safety measures, as well as employ technology to assist limit the incidence of risks. For example, placing sensors on the ground and adding a voice prompt system

to minimize traffic accidents caused by low vision when vehicles pick up their meals at the service port.

4.3. Suggestion on Market Cooperation

In addition to its own improvements, the drive-thru could leverage the severe rivalry in the Chinese meal delivery service business into collaboration with existing established food delivery firms such as "Ele.me" and "Meituan." Drive-thru restaurants can allow mature takeout delivery firms to collect a fee while also using major corporations' platforms to expand their own takeaway services and alleviate their own economic strain. There are several examples of this type of collaboration with huge corporations. For example, the initial batch of Mobikes in China collaborated with "Meituan," China's largest food delivery network, and changed its name to "Mobike." When the competition for shared bicycles in China was strongest, Mobike collaborated with huge corporations. So far, the number of users has surpassed 300 million, and the company's revenue has surpassed \$10 billion [11]. Of course, drive-thru may continue to expand into new markets by focusing on the whole service model of China's food delivery business. At the moment, China's food delivery sector caters to consumers with set delivery addresses, but the drive-thru model, which sprang from "car culture," caters to vehicle owners who are always on the go. This is the polar reverse of traditional delivery, in which drive-thru restaurants have permanent addresses and drive-thru customers move.

As a result, drive-thru restaurants must be integrated with modern science and technology in order to create mobile drive-thru restaurants. Simultaneously, the drive-thru concept may be seen as being incorporated into the public transit system. McDonald's restaurants, for example, collaborated with Beijing metro stations and will open at subway stations in Beijing, China, in 2023, ushering in the age of "McDonald's smart food shopping carts" [12]. This food truck integrates online and offline by utilizing autonomous driving technologies. Passengers may scan the code on their phones to order meals and enjoy a tasty and easy breakfast right away.

5. Conclusion

This article examines the business strategy of Starbucks drive-thru restaurants entering the Chinese market in the context of the digital age. It investigates the difficulties that consumers encounter when the drive-thru business model is introduced in China, where the takeout industry is already highly competitive. Issues of absence, escalated financial hazards, and diversions in the process of choosing a location. By examining the conventional drive-thru business model and the drive-thru restaurants that have improved after entering the Chinese market, it is determined that for the drive-thru business model to thrive in China, it must conform to the consumption habits of Chinese consumers and collaborate with established food delivery platforms to achieve mutually beneficial outcomes.

This article examines the impact of the drive-thru business model on consumer groups in the Chinese market. It reinforces Rajaveni's perspective that customer spending levels and patterns will have a significant influence on the market. Simultaneously, under intense market rivalry in China's food delivery sector, it is determined that the drive-thru business model should maintain a cooperative approach that benefits all parties involved. Introducing novel business models rooted in China's conventional food delivery sector can provide fresh momentum for the growth of China's broader food delivery industry.

The primary focus of this article's study on the drive-thru business model is centered around the catering and take-out service industries. However, it is important to note that the applicability of the drive-thru business model extends well beyond the realm of fast food. Simultaneously, the study conducted in this paper examines the progress of the drive-thru model in China only in urban regions, excluding any involvement in rural areas. Hence, it is imperative to broaden the study scope and

investigate the implementation of the drive-thru model across diverse industry sectors in future studies and research. It is important to closely monitor the progress of the drive-thru business model in rural regions in order to enhance its adaptability and practicality in everyday life.

References

- [1] Saraniya, D., & Kennedy, F. B. (2015). *Consumer Attitude towards Fast Food Consumption*. *Journal of Business Studies*, 1(1), 40-49.
- [2] Allah Pitchay, A. (2012). *Globalization or Localization Strategy into Foreign Market Penetration: The Challenges Face by Home Country Manager to Make Wise Decision*.
- [3] Hongsrimumang, N., Nuangjammong, C., & Dowpiset, K. (2020). *Factors Influencing Teenagers Perception on Food Quality and Service Quality at Drive Thru Fast-Food Restaurants in Bangkok: Case Study of Thai Teenagers in Bangkok*.
- [4] Allon, G., Federgruen, A., & Pierson, M. (2011). *How much is a reduction of your customers' wait worth? An empirical study of the fast-food drive-thru industry based on structural estimation methods*. *Manufacturing & Service Operations Management*, 13(4), 489-507.
- [5] Long, X., & Nasiry, J. (2022). *Sustainability in the fast fashion industry*. *Manufacturing & Service Operations Management*, 24(3), 1276-1293.
- [6] Narayanasamy, R., & Ramasamy, M. (2011). *A study on consumer brand preference on the consumption of cooking oil of various income groups in Chennai*
- [7] LAS VEGAS REVIEW-JOURNAL, December 16, 2019, *Las Vegas man killed when car crashes into Utah In-N-Out Burger*, Retrieved from: <https://www.reviewjournal.com>
- [8] Pang, J. J., Wang Z., & Bai Y. (2019). *Concern about the hidden worries behind the explosive growth of food delivery*. *Common Life* (3), 2.
- [9] Baxter, J. R., & Stafford, D. B. (1985). *User costs and fuel consumption at drive-through facilities*. *Transportation Research Record*, 1049, 87-96.
- [10] Breen, K., Enoch, J., Nguyen, V., April 2, 2022, *Future of fast food: New technology allows drive-thru workers to work from home*, Retrieved from: <https://www.today.com>
- [11] Luo, J. Y. (2023). *Master's thesis analysis of the motivations and effects of cross-border mergers and acquisitions of Internet companies under the background of diversified operations*, Jiangxi University of Finance and Economics.
- [12] Meyersohn, N., June 25, 2023, *Drive-thrus are creating problems for cities and towns*, Retrieved from: <https://www.cnn.com>