

Implications of Digital Operations Management Strategies for Chinese Retail-based Service Companies

—A Case Study of Service-oriented Companies – Starbucks

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Abstract: Under the impetus of digitalization, China's retail service industry can no longer achieve higher development through traditional operation and management modes, so it is necessary to explore digital operation and management strategies that are suitable for China in the wave of the development of digital economy. This paper takes Starbucks, a global coffee chain, as an example to explore the favorable reference and inspiration provided by the digital operation management strategy to Chinese retail service enterprises. By analyzing the main reasons that motivate Chinese retail-based service enterprises to undergo digital transformation, and using Starbucks' digital transformation strategy as a case study, this paper concludes that Chinese service-oriented retail enterprises have to follow the development mode of integrating online and offline in digital transformation. China's retail-based service industry can mainly start from four major aspects in the process of digital transformation, namely, the inclusion of digital technologies, optimisation of supply chain management, innovation in marketing, and establishment a new talent training model. To promote the continuous development and innovation of the enterprise through the adoption of concrete and implementable measures.

Keywords: digitalization, retail, business, Starbucks.

1. Introduction

In the era of rapid development of digital economy, digital operation management strategies are particularly important for retail-based service companies. Although the research in these two fields by scholars in computer science and engineering is growing rapidly, the development of production and business management in society is generally insufficient [1].

In the "14th Five-Year Plan" released, the development of digitalization focuses on both innovation and steady progress, proposing to promote the deep integration of digital technology and the real economy, promote the transformation and upgrading of traditional industries, while giving rise to new industries, new forms and new models, and strengthening the new engine of economic development. In addition, the plan proposes adapting to the new trend of digital technology integrating into social life, promoting innovation in public services and social operation methods, and

constructing a digital life enjoyed by all. According to the Digital China Development Report (2020), China's total digital economy has jumped to the second place in the world, with the added value of core industries in the digital economy accounting for 7.8% of GDP, which is expected to increase to 10% by 2025. Digital transformation is a necessary path for all industries, and the retail industry, as an important part of supporting China's national economic development, is even more inclined to digital transformation. This study first analyzes the main reasons that currently motivate Chinese retail-based service companies to undergo digital transformation.

In recent years, China's retail-based service industry has maintained steady growth, but with the rise of e-commerce and changes in consumer behavior, the traditional retail model is facing unprecedented challenges. Brick-and-mortar storefronts are seeing a gradual decline in customer traffic, while online shopping platforms are showing a boom. With rising costs such as rent and labor, profit margins in traditional retail are being squeezed and operating costs are rising. As a result, retail-based service companies need to find new growth points to adapt to the rapid changes in the market.

Consumers are increasingly opting for online shopping, a trend that is growing significantly worldwide. While brick and mortar stores have the ability to implement the thrill of experiencing a product, getting personalized service, and even making a purchase. However, with the popularity of the Internet and mobile technology, people enjoy the convenience and diversity of choice that comes with online shopping. In contrast, traditional brick-and-mortar stores face increasingly obvious challenges, as consumers can more easily compare prices, check product reviews and complete purchases when shopping online. In addition, online shopping usually offers a wider range of products and a more convenient shopping experience. According to a survey, the most important aspect of retail websites that consumers prefer is the quality of service, which further promotes consumers' reliance on online platforms [2]. In the face of the growing popularity of online retail platforms, companies need to recognize these changes and actively manage their retail strategies to transform the traditional retail model [3]. In order to better meet consumer needs and adapt to the rapidly developing social phenomenon of digitalization, successful retail strategies in the future are likely to combine the strengths of both online and offline to meet the diverse shopping needs and experience expectations of consumers [4].

Chinese retail companies along have noticed the importance of digital transformation for their businesses, but they have only passed the digital start-up stage and have not yet reached the digital practice stage. A lot of practical experience is needed to better help enterprises gain digital development. Some researchers have found that there is a significant industry cohort effect of enterprise digital transformation, and thus the phenomenon of enterprise digital transformation will become more and more common [5].

Service-oriented enterprises such as Starbucks have demonstrated the great potential of digital transformation by optimizing customer experience and improving operational efficiency through digital means. However, many companies still face many challenges in the process of digital transformation, such as data integration, technology application and customer privacy protection. This study aims to explore how digital operation management strategies can help China's retail-based service companies improve their competitiveness, using Starbucks as a case study for in-depth analysis. Through the study, practical digital operation strategies will be proposed to help companies solve the challenges in transformation, achieve more efficient and accurate market positioning and service delivery, and then promote the innovation and upgrading of the whole industry.

2. The State of Starbucks Digital Operations

This study focuses on Starbucks as a case study and analyzes the central role of strategy in Starbucks' digital transformation by focusing on the three directions of "digital flywheel" strategy, product offerings, digital marketing, and social media engagement.

2.1. " Digital Flywheel" Innovation Strategy

Starbucks is a retail coffee-based enterprise, the core is always in the user. 2016, after Starbucks suffered a number of corporate crises, Starbucks formally put forward efforts to build a "digital flywheel" strategy, the main content in the loyal members, personalized marketing, fast ordering, convenient payment of these four dimensions, to achieve the digital flywheel virtuous cycle back to the Starbucks experience. The main content is in the four dimensions of rewards, personalization, ordering, payment, to achieve the digital flywheel virtuous cycle, back to Starbucks experience.

2.1.1.Rewards

Digital Flywheel boosts loyalty with a comprehensive membership rewards program. Through the five steps of customer acquisition, activation, retention, revenue, and referrals to stabilize the users and maximize the use of users. Take Starbucks China's mobile app as an example, firstly, it attracts customers through the publicity and interaction of official accounts on various social platforms, and then the mobile app sets up a special section for star members to provide rewards for repeat customers through their loyalty. Members can accumulate stars through consumption and upgrade to redeem gifts of different values, including coupons, birthday gifts, exclusive member rights and interests, and free experience opportunities for themed activities. This provides users with a gamified experience and enhances the interaction between users and the brand to attract long-term loyal users. This paper also launched the "Star Gift Card" service, which allows users to accelerate the accumulation of stars by binding their accounts and making payments on Starbucks mobile. The "Star Gift Card" can also be given to other people through forwarding, thus achieving the function of user referral.

2.1.2.Personalization

Taking Starbucks China as an example, Starbucks mobile APP locates users by adding a column for collecting gender and birthday information in the user registration interface, adding a student authentication module, and creating a link for users to directly set their coffee preferences; it also collects and analyzes online transaction data to grasp consumer preferences, and the high quality data brought by a large number of active users on the mobile terminal enables the program's algorithm to link consumer consumption behavior with other data, thus providing more accurate personalized push on the homepage. Consumers' consumption behavior is linked to other data, so that more accurate personalized push on the homepage.

2.1.3.Ordering

Now, the launch of the mobile APP not only meets the need for fast and accurate records of consumers, but also solves the problem of remote ordering, providing consumers and store staff with a more convenient way to order.

2.1.4.Payment

In 2011 Starbucks introduced mobile payment, a mobile payment wallet that can be connected to credit cards, Apple Pay, etc. and only requires scanning a QR code to pay. With Alipay, WeChat Pay and other mobile payment options available in China, there is no need to worry. Convenient mobile payment methods not only provide an excellent experience for customers, but also greatly reduce the time cost added by cash payment for employees.

In fiscal year 2018, its revenue growth reached a double-digit increase of \$24.7 billion. Meanwhile, the company grew 9% in the first quarter of 2019, and Starbucks' stock price has been on a steady upward trajectory since the beginning of the year. Schultz stepped down as CEO once again on April

3, 2017, at a time when Starbucks is not what it used to be. Over the course of nine years, Starbucks has grown from roughly 16,000 stores to about 30,000 today, and the company's market capitalization has grown from a low of 4.7 billion dollars to about 90 billion dollars today.

2.2. Product Offering

Starbucks develops coffee that is more in line with consumer preferences based on user demand. Through the acquisition of personalized information in the digital flywheel, it is possible to determine the direction of product development that is more in line with market demand. For each coffee, different options are set for different taste preferences, such as sugar-free and milk-free or half-sugar and half-milk, hot or iced. Achieving a more consumer-centric retail model [6].

Starbucks has launched different series of mugs and thermos cups, as well as different kinds of coffee beans and capsule coffee liquids. It has also created a special coffee peripheral products selling section in its own mobile APP, and the two pickup methods of store pickup and express delivery to the home provide more choices for users, while providing DIY exclusive customization services for cups and glasses to strengthen the sense of user experience. Considering that many loyal Starbucks consumers want to brew their own Starbucks-exclusive flavor coffee at home, the launch of a series of peripheral products, such as coffee cups and coffee beans, meets the needs of many loyal Starbucks customers.

Starbucks optimizes Starbucks' supply chain management by introducing digital technology. Starbucks has a large amount of user transaction data, artificial intelligence can help Starbucks combine all aspects of the influencing factors to calculate the optimal solution for product deployment, try to avoid the phenomenon of waste of resources, and maximize the reduction of costs. At the same time, AI can also help Starbucks stores to organize and liquidate inventory, real-time update of goods mobilization data and information.

2.3. Digital Marketing and Social Media Engagement

2.3.1. Opening of the Digital Interactive Board

To better enhance user interactivity, Starbucks China has added coffee culture content, "Star Moves Market", "Magical Beans", "Store Exploration" and other modules to its mobile app. Modules. Starbucks officials attracted a larger group of people to visit its stores through different themed activities, which enriched the consumer experience and increased brand traffic at the same time.

2.3.2. Promotion through Social Media

Before each new product hits the shelves, this paper leverage online media through teasers and series of advertisements to boost product buzz.

2.3.3. Co-branded Products with Major Brands

In recent years, the trend of co-branding is surging, and Starbucks has also started the path of co-branding. Not only has it launched a series of lip glosses named after Starbucks' classic flavour items with beauty brand Kylie Cosmetics, but it has also carried out co-branding with many famous cartoon characters and famous idol groups. Through different co-branded peripherals, not only can attract a large number of customers to promote consumption, but also broaden the product categories of Starbucks, so-called a one-two punch.

3. Possible Measures for China's Retail-based Services Sector

This study analyses the main reasons that motivate Chinese retail service firms to undergo digital transformation, and uses Starbucks' digital transformation strategy as a case study to conclude that Chinese service retail firms need to follow the development model of integrating online and offline in their digital transformation. Jack Ma, the chairman of Alibaba's board of directors, first proposed the model of combining online and offline, which he called the "new retail" model. The new retail model opens up a new way of thinking for China's retail industry and perfectly introduces the idea of combining modern digital technology with retail. The "New Retail" will continue to innovate in China and provide a reference for retail practitioners [7].

3.1. The Inclusion of Digital Technologies

Digital means, such as virtual reality and augmented reality, are used to create an immersive shopping experience for consumers. Virtual reality technology enhances the convenience and interactivity of shopping by enabling consumers to experience what it is like to shop in a physical shop without leaving their homes. With AR technology, consumers can view virtual items, such as furniture or clothing, on their mobile phones or tablets to get a better idea of what they look like and measure in reality, an experience that helps consumers make more informed purchasing decisions. Immersive shopping experiences go beyond the level of product display to include interaction with the product and personalisation. For example, consumers can use virtual reality to try on clothes in a virtual fitting room and see the results from different angles to ensure that the size and style meet their needs. In addition, some retailers use augmented reality technology to provide real-time information and user reviews of their products to help consumers make more accurate and satisfying purchasing decisions. As technology advances and application scenarios continue to expand, immersive shopping experiences will become one of the retail industry's key means of attracting consumers. Consumers will not only be able to enjoy a more personalised and realistic shopping experience, but will also be able to explore and purchase the products they are interested in more conveniently, thus enhancing the fun and efficiency of shopping.

3.2. Optimisation of Supply Chain Management

Improve supply chain efficiency by leveraging big data and artificial intelligence technologies for inventory optimisation, demand forecasting and more. By analysing historical sales data and market trends, the digitisation process can help companies predict future demand and avoid inventory backlogs or undersupply. This accurate forecasting capability helps companies to better plan production and supply schedules, reduce resource wastage and improve capital utilisation efficiency. In addition, the digital programme can also calculate the optimal transport routes and warehouse management plans for enterprises, further enhancing the overall efficiency and operation of the supply chain. With the continuous progress and application of technology, the role of digitalisation in supply chain management will become more important and extensive. Actively build the digital environment and enterprise digital capabilities, so that the supply chain can be better optimised in the digital transformation [8].

3.3. Innovations in Marketing

With new marketing channels such as social media and short videos, corporations can effectively expand brand awareness and attract more potential customers. Through well-planned short video content, showcasing product features and brand stories, it can quickly capture the attention of consumers. At the same time, the use of social media interactivity and dissemination can enhance

communication with consumers, timely understanding of market demand, and adjust the marketing strategy. This innovative marketing approach not only enhances brand exposure, but also reaches the target audience more accurately and increases the sales conversion rate, thus effectively promoting the development of new retail and the entire retail industry. Small and medium-sized retail enterprises can try to use digital means of disruptive innovation to allow enterprises to obtain international development [9]. By integrating traditional retailing and new marketing methods, they can better meet consumers' needs and enhance the shopping experience, thus promoting the continued prosperity of China's retail industry.

3.4. Establishment of a New Talent Training Model

At present, China's university education is still training traditional retail talents, which is far from meeting the market demand for new retail professional counterparts, and the supply of talents lags behind the market demand [10]. China needs to combine the background of the current rapid development of e-tailing, adjust the targeted cultivation of retail talents in colleges and universities, and develop more professionals with innovation, acumen and technology.

4. Conclusion

In summary, through the analysis of Starbucks' digital management strategy, this study shows that China's retail service industry can take specific implementable measures to promote sustainable development and innovation in the process of digital transformation, mainly from the four major aspects of enhancing consumer experience through digital means, optimising supply chain management, innovating marketing methods, and establishing a new talent cultivation model.

The results of this study mainly make referable recommendations for China's retail-based service industry in digital transformation. However, due to the narrow scope of the actual reference cases collected in this study and the rapid change of the socio-economic background, different enterprises need to combine the actual situation with the current socio-economic background in order to find the most suitable route for their digital transformation. It is hoped that China's retail service industry can break through the difficulties of digital transformation in the future and achieve better development in the international market.

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