

Research on the Optimization of Starbucks' Marketing Strategy

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Abstract: With the rapid advancement of the Internet and the advent of the new retail era, customer behaviour and perceptions are undergoing significant changes. The coffee market, as an emerging consumption domain, is demonstrating a rapid growth trend in China. Against this backdrop, Starbucks, a globally renowned coffee chain brand, is encountering unprecedented challenges and opportunities in its marketing strategies. This paper takes Starbucks as a case study and employs methods of literature review and case analysis, alongside frameworks like Porter's Five Forces Model, PEST Analysis Model, and 4P Marketing Theory, to comprehensively dissect the macro and industry environment confronting Starbucks in its current marketing endeavors. It delves into its marketing strategies and proposes feasible optimization schemes for service marketing strategies. The research reveals that Starbucks has distinct strategies in product, price, place, and promotion, yet there are still areas that require improvement. Consequently, this paper puts forward several viable optimization suggestions, including enhancing product innovation, standardizing pricing mechanisms, expanding marketing places, and enriching promotional approaches. Implementing these strategies is anticipated to provide valuable references and inspirations for Starbucks to enhance its marketing efficacy and better address market challenges.

Keywords: New retail, Environmental analysis, Marketing strategy, Starbucks.

1. Introduction

As the Chinese economy integrates deeply into globalization, coffee culture has found its way to China, driven by sustained economic growth and rising consumption standards. The coffee market, as an emerging consumption field, is showing rapid development momentum in China. This growth trend not only reflects consumers' fondness for coffee but also demonstrates the vast development potential of the coffee industry in China. Starbucks is a leading enterprise in the global coffee industry and holds a considerable share in the Chinese coffee market. However, in recent years, facing fierce competition from domestic coffee chain brands such as Luckin Coffee and Lucky Cup, as well as challenges brought by the new retail model, how Starbucks can stabilize and expand its market share has become a crucial issue that demands immediate resolution. Although there is a considerable amount of academic research on Starbucks' marketing strategies, the focus on discussions under the new retail model is relatively scarce.

This paper takes Starbucks as the research object and adopts a research strategy that combines theory with practice. Utilizing Porter's Five Forces Model, PEST Analysis Model, and 4P Marketing Theory, it comprehensively analyzes the macro and industry environment faced by Starbucks in its current marketing, and subsequently refines and summarizes its marketing problems and suggestions. The research aims to assist Starbucks in enhancing its marketing efficiency while also providing valuable insights for the overall marketing strategies of similar enterprises.

2. Literature Review

In recent years, in the academic field, marketing strategies have become a research hotspot that attracts significant attention from scholars. Numerous scholars have conducted in-depth explorations of marketing-related theories and practices from different perspectives. Some scholars' research indicates that under the influence of the Sino-US trade war, American coffee product manufacturers are facing a decline in sales, but domestic coffee sales in China are on the rise, attributed to the fact that Chinese consumers are gradually shifting to domestic brands [1]. Other scholars have delved deeply into the specific effects of social media in the dissemination of carbonated beverages among consumers from multiple dimensions. The research results show that social media and brand factors play a crucial role in stimulating consumers' spontaneous dissemination and purchase behaviors of carbonated beverages [2]. Through a study of 415 students, focusing on their attention behaviors towards the social accounts of coffee enterprises, it was found that the marketing activities carried out by enterprises on social media can enhance consumers' brand loyalty, deepen brand trust, and have a positive impact on repeat purchase behaviors [3].

In corporate management practices, marketing promotion holds a paramount position and is an indispensable part of enterprise operations. Enterprises should closely follow the pace of technological advancements, especially the innovations in social media technology, and integrate it into their marketing strategies to enhance marketing effectiveness [4]. Some scholars have conducted in-depth analyses of the challenges in marketing practices and proposed strategic suggestions to promote a win-win situation between enterprises and customers [5-6]. Currently, considering the development trends of technology, economy, and culture comprehensively, different brands need to formulate practical marketing strategies to drive enterprise development and add new possibilities for physical retail stores [7-8]. In addition, focusing on enhancing marketing innovation levels in the new retail and digital economy era is also a concern for scholars [9-10].

Although existing research has conducted in-depth discussions on marketing strategies and analyzed multiple brands and market environments, there is still a significant deficiency in the research on Starbucks' marketing strategies in the new retail environment. Therefore, the in-depth study of Starbucks' marketing strategies in this paper holds great significance.

3. Analysis of Starbucks' Marketing Strategy Status Quo

3.1. Analysis of Starbucks' Operating Conditions

3.1.1. Industry Environment

This paper employs the Porter's Five Forces Analysis Model, starting from the bargaining power of suppliers, the bargaining power of consumers, intra-industry competitors, the threat of substitutes, and the threat of potential competitors, to deeply interpret Starbucks' market position, competitive advantages, and potential risks in the coffee industry.

Firstly, the bargaining power of suppliers is relatively low. Starbucks exclusively uses Arabica coffee beans sourced globally. For local communities, Starbucks is committed to providing educational opportunities, safe and healthy living environments, and medical facilities for farm

children. Simultaneously, Starbucks purchases coffee beans at prices higher than the market average and implements transparent purchasing prices. These additional supports to local communities correspondingly weaken the bargaining power of suppliers.

Secondly, the bargaining power of consumers is relatively low. Starbucks is not merely a place to sell coffee but also a space that offers a unique experience. Consumers pay not only for the tangible cost of the coffee itself but also for the comfortable store environment and intangible coffee service experience. Moreover, Starbucks adheres to the direct store model and implements a uniform pricing strategy, which makes consumers' ability to negotiate prices relatively weak.

Thirdly, there are numerous intra-industry competitors. The main competitive challenges faced by Starbucks come from multiple aspects within the same region, including Luckin Coffee, emerging brand MaoTouXing Coffee, a store specializing in boutique coffee, and other coffee brands covered by online delivery services. Luckin Coffee is strategically located on the first floor of the opposite office building. Leveraging the advantages of the Internet and big data, it provides a convenient "coffee new retail" experience and attracts a large number of coffee consumers seeking a refreshing effect through a new model integrating online and offline and a low-price strategy.

From then on, the threat from substitutes is considerable. With the vigorous development of new retail, consumers can now experience products in physical stores and easily obtain product information and complete purchases on online platforms. This trend also influences the consumption patterns in the beverage industry. Starbucks' challenges from substitutes include emerging tea-drinking brands, the profound influence of traditional tea culture, and the diversified challenges of the bottled beverage market.

Finally, the threat from potential competitors is considerable. For Starbucks, whose core business focuses on the coffee sector, it faces potential competitive threats from diversified enterprises. Although it has not yet engaged in direct competition with industry giants such as Starbucks and has not demonstrated comparable coffee sales capabilities, well-known brands in the market such as Xicha and BaWang Tea Queen, with their superior service environments and large young consumer bases, may seize opportunities at any time and enter the coffee market.

3.1.2. Macro Environment

This paper will apply the PEST theory to comprehensively examine the external macro environment faced by Starbucks in the Chinese market from the aspects of politics, economy, society, and technology, revealing its market performance and development strategies.

In the political environment, in recent years, the Chinese government has continuously strengthened the maintenance and management of social stability, creating a relatively stable business environment for enterprises such as Starbucks to expand their businesses in China. Under the leadership of the Communist Party of China, 1.4 billion Chinese people are committed to the long-term and arduous task of building a moderately prosperous society in all respects and building a socialist modern country and have embarked on a new journey of building a socialist modern country in all respects. This process will provide a broader stage for enterprises such as Starbucks from the United States and other countries to develop in China and encourage Starbucks to continue to play a positive role in promoting Sino-US trade cooperation and bilateral relations.

In the economic environment, in 2023, the market size of the coffee industry in China has reached 381.7 billion yuan and is expected to surge to 1 trillion yuan by 2025. With the transformation of people's dietary habits, the coffee market in China is entering a period of rapid development, and the market size of this industry is expected to continue to climb at a growth rate of 27.2%.

In terms of social environment, the Internet enables people to have a more comprehensive understanding of coffee products and culture. At the same time, the convenience, quality, and cost

performance of coffee have also become the focus of consumers. Coffee culture is gradually gaining a foothold in China, keeping pace with tea culture and becoming one of the mainstream beverages.

In the technological environment, Starbucks implements the Inventory Rainbow Program, using data analysis to provide raw material ordering suggestions for stores and accurately grasp consumers' beverage preferences. In the Chinese market, Starbucks also utilizes big data analysis technology to extensively collect consumer data to deeply understand their needs and preferences and thereby provide more personalized service experiences.

3.2. Analysis of Starbucks' Sales Strategies

In terms of product strategies, the core business elements of Starbucks include two major aspects: coffee and the "Starbucks Experience". The former is primarily reflected in the diverse range of beverages, while the latter is showcased through an elegant environment and attentive service. The tangible products offered by Starbucks encompass drinks, food, and various coffee-related merchandise.

In its pricing strategy, Starbucks aims to be a leader in quality, providing consumers with an affordable luxury experience at reasonable prices. The company's market positioning makes its customer base relatively insensitive to price changes, with a low price elasticity of demand. Starbucks employs a perception-based pricing strategy, meaning that the value proposition conveyed by the company must align with the value perceived by customers. By offering high-quality service, Starbucks enhances customers' perception of the value of its products.

As for place strategy, Starbucks prefers a direct-operated model rather than a franchise model, mainly for quality control reasons. Although not all stores in China are directly operated due to legal and historical factors, Starbucks maintains a direct-operated approach in the United States. The company places a high emphasis on service and quality, concerned that franchisees may view Starbucks merely as a profit tool, overly pursuing short-term gains at the expense of brand image. Therefore, Starbucks has chosen the direct-operated path.

Regarding promotional strategy, Starbucks rarely engages in advertising yet still ranks among the top global companies, mainly due to the successful implementation of its word-of-mouth marketing strategy. Starbucks views people as the most valuable resource for the company; the genuine recommendations from employees and positive word-of-mouth from customers form its most effective promotional means. Starbucks places great importance on shaping its corporate image, aiming to influence consumer choices by presenting a healthy and responsible brand image.

4. Problems and Optimization Suggestions on Starbucks' Marketing Strategy

4.1. Problems

Firstly, the flavors of new products are subpar. In recent years, Starbucks has made numerous adjustments in product innovation. Simultaneously, it has specifically created the TimeSpace series for takeaway services, aiming to exploit the waiting time for takeaways to explore new market opportunities. The majority of new products mainly adjust flavors by modifying sugar water during flavor research and development. Consumers generally report that they are overly sweet, which might cause consumers to lose interest in new products. Hence, Starbucks needs to continuously carry out improvements and optimizations in new product flavor research and coffee recipe formulation.

Secondly, the price mechanism is inconsistent. The coffee industry is vying for market share through fierce low-price strategies, while Starbucks insists on not participating in price wars. However, in terms of the pricing strategy of individual stores, Starbucks has failed to fully integrate with the surrounding business district. Many stores frequently hold anniversary events, offer subsidized prices, or provide special holiday discounts. However, apart from the nationwide unified

activities, it has failed to establish a close cooperative relationship with the business district to form a price advantage during special periods.

Then, in terms of place strategy, there is limited interaction on social media. From interviews with customers, some consumers believe that the posting content of Starbucks China through push notifications, Weibo mini-programs, or enterprise WeChat groups is rather monotonous, with ineffective promotional effects. Besides the daily scheduled advertising copy posted by the assistant, what store employees forward are mostly pictures of products or drinks and discount information, lacking in-depth communication with consumers.

Finally, the promotion activities are monotonous. Currently, common promotion methods of Starbucks include buy one get one free, half-price discounts, and 25% off for two cups. Although such promotion information is displayed on the store's display boards, the presentation methods lack novelty. The online group purchase of drinks offers limited discounts for four or more people, with only a 5-yuan reduction per person, which is difficult to form a strong attraction. Meanwhile, the promotion period for products is too short. New products start to be discounted shortly after their launch, which often leads to dissatisfaction among customers and subsequently impairs the shopping experience of consumers.

4.2. Optimization Suggestions

Product innovation should be enhanced. Starbucks should continue to provide high-quality coffee and continuously strengthen the coffee production and processing techniques, adhering to the long-term concept of quality first [11]. Starbucks also needs to intensify the research and development of new product flavors and introduce products with novelty and better meet the differentiated needs of consumers to stabilize its market position.

As regards prices, it may be beneficial to offer appropriate price discounts when members purchase coupons, as well as to diversify product combinations. For instance, it can launch combinations of drinks with peripheral products or drinks with other items, offering consumers more options for free combinations [12].

In the design and layout of online places, efforts should be made to provide consumers with more convenient operational experiences. This includes optimizing the online ordering interface, clearly presenting preferential and discount information, and improving the pick-up reminder function. Make full use of advanced technologies such as big data and artificial intelligence to enhance the user experience. When presenting animation designs, ensure their fluency [13].

In terms of promotions, in addition to the existing benefits such as free medium-sized cups or drink exchanges, more ceremonial and interactive celebration and reward methods should be added. By acknowledging their achievements and providing a unique sense of satisfaction, rather than merely offering price discounts.

5. Conclusion

Through an in-depth study of Starbucks' marketing strategy in the new retail environment, this paper comprehensively analyzes the current challenges and the development status of its marketing strategy, and accordingly proposes targeted optimization suggestions. As a frontrunner in the global coffee chain industry, Starbucks has historically thrived due to its distinctive marketing model. However, as market competition intensifies and the new retail model emerges, its marketing strategy also reveals some problems that need to be optimized in aspects such as product innovation, pricing mechanism, place expansion, and promotion tactics. This study does not encompass every facet of coffee new retail and Starbucks' marketing strategy, and there may be limitations in the depth of analysis regarding its marketing strategy. In the future, as technology advances and market dynamics shift,

Starbucks needs to continuously explore and innovate its marketing strategy to adapt to the new market environment and evolving consumer preferences.

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