

The Localization Strategy of Costa Coffee in the Chinese Market and Its Impact on Consumer Choice Preference and Brand Loyalty

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Abstract: The focus of this study is the strategy of Costa Coffee in the Chinese market through its endeavor to analyze the extent to which this brand adapted product offerings to suit local consumers' preferences. This research seeks to establish the degree to which the offerings of Costa Coffee, differentiated for the local market, would influence the choice preference and brand loyalty of the Chinese consumer. The study provides a comprehensive view of consumers' perceptions of the brand, along with the effectiveness of Costa's market strategies by way of interviews with consumers and analysis of market data. The findings indicate that through the development and introduction of beverages and food items at local levels of taste and cultural relevance, Costa Coffee has greatly captured the psyches of Chinese consumers. The approach made Costa Coffee more popular with Chinese consumers but also gave the brand a considerable hike in the sales graph with increased customer loyalty. By blending the global brand identity perfectly with the local flavor, Costa Coffee has set the ideal example for successful localization in the diverse and competitive market.

Keywords: Localization, Taste preference, brand loyalty.

1. Introduction

Product diversification has become one of the major strategies of enterprises in the consumer market of today, attracting and maintaining customers. Particularly for the beverage industry, the diversification of products is exactly about the satisfaction of different consumers' needs. With the tastes of Chinese consumers growing increasingly diverse and personalized, find out how Costa has adapted the taste of its product to suit local consumer preference. Costa has been actively adjusting its product structure, launching new varieties to fit the taste of Chinese consumers [1]. Furthermore, they introduced several ready-to-drink merchandise, such as coconut flavored coffee and coconut Wulong light milk tea. Results will show a strategic adaptation to the diverse and changing consumer needs in all aspects, especially of a younger demographic who value innovation and choice in quality beverages. The study will investigate the diversity in Chinese market taste and consumer acceptance of Costa through consumer surveys and market data analysis. Furthermore, the effect this localization strategy would have on the market share of the brand and its competitiveness in the global market [2]. Studies already concluded the localization strategy in the beverage industry was vital to the success of international brands in new markets. For example, Kotler and Keller, in their book Marketing

Management, analyzed several international brands' localization and underlined the importance of the local adaptability of product and marketing strategies as head of attracting and maintaining customers [3]. In addition, the research underlined that localization is not associated only with product adjustment but also with the cultural sensitivity of brand communication, which has a strong impact on brand image and customer loyalty. Research findings in China evidence that, for coffee brands, product line innovation in terms of conformity with local tastes is paramount in winning market share. Using relative-comparative analysis, one hopes to look into the strategic planning that Costa has on offer while being in the Chinese market and help optimize its product line and market strategy for improving the market performances further against the demand requirements of Chinese consumers.

2. Literature Review

This section reviews the literature on various research works concerning localization strategies that are in use within the beverage industry and links them to foundational marketing theories. The works of Kotler and Keller indicate that marketing strategies should be adapted to the local environment and the behavior of the consumers. Further, the review looks into various successful cases of international brand localization analyzed by different scholars. This provides tactical insight into the success of such strategies along with their major outcomes. The literature also explores how cultural sensitivity can help develop brand image and Customer Loyalty [4]. This emphasizes how catering to local cultural minutiae may result in better marketing strategy and adaptation of the product to meet local consumer needs. The review discusses implications for brand perception through an analysis of how brands that successfully integrate the local culture into their offering are more likely to build a strong, loyal customer base. It also examines those empirical studies and theoretical frameworks that analyze the interaction between culture-specific consumer preference and global marketing tactics [5]. These explorations show that cultural sensitivity is desirable and, moreover, indispensable in sustaining a positive brand image and achieving long-term success in foreign markets [6]. The broad review gives the base to understand the magnitude of research on the topic and sets the context within which specific localization strategies adopted in the Chinese market by Costa Coffee will be Study.

3. Research Method

The research methodology for the present study would be done through preliminary interviews and literature research. Merging the two would explain the perception, experience, and acceptance of the consumers towards the brand Costa Coffee in its entirety.

3.1. Survey Object

The interviewees will be mainly selected from the existing customers and potential customers of Costa Coffee in order to assure universality and the validity of the research results. Study have randomly selected 50 respondents belonging to different age groups. The selection basis is varied in order to understand the preference and expectation of the different categories of consumers. The questions were designed in such a manner that the consumers were fully informed about the initial contact with the product, experience with the product, preference for the brand, and recommendation of the brand. On that matter, the structure of the question would range from open to close so as to ensure that respondents are guided in a manner that it would be possible to give personal views in detail.

3.2. Interview Process

In regard to that, the interviews were made informally and under relaxed conditions to let the respondents be more open and honest. In the interview, follow-up questions were put to the respondent to let his opinions be better understood and noted, if necessary. Regarding this issue, all interviews were recorded and, upon agreement by interviewees, even videotaped to enable the accuracy of data and the feasibility of subsequent data analysis. Meanwhile, to ensure that information concerning the privacy of the respondents does not leak out, recorded information used strictly for research purposes and in confidence.

3.3. Data Processing and Analysis

After the interview, therefore, a detailed transcription of recordings was done, coding, and classification of the contents were done for subsequent quantitative and qualitative analysis. This way, researcher is in a position to analyze data systematically and pin-point major themes and patterns. Some of the preliminary findings from the above interviews and data analysis included a majority of the customers had known Costa Coffee either from friends or through social media, for example-a reflection of the importance of marketing and digital marketing. Most of the respondents commented positively about the localized flavor products of Costa and by suggesting that such products satisfy not only the taste of the local consumers but also develops the connection between the brand and the consumer. In other words, such influential factors in the consumer's choice of coffee brands would comprise brand image, product quality, store location, and price [7]. The most influential factors in this regard would be the brand image and product quality. It finally does the analysis of the market data with regard to product data and market performance of Costa Coffee. For instance, it considers the category of the coffee that Costa is offering in China and how the consumers are accepting it. It also refers to the book written by marketing professionals for example "Marketing Management". For instance, from the pilot study, it came out that in establishing the brand-consumer relationship in China, Costa Coffee has incorporated products which blend with local tastes. To this end, one would refer to coconut-flavored coffee and coconut Wulong weak milk tea; to this end, the brand would be meeting the eating habits of the consumers by ramping up market share for the brand and customer loyalty.

4. Research Findings and Discussion

4.1. Positive Impact and Effectiveness of Costa Coffee Localization Strategy

The coconut-flavored coffee and coconut Wulong light milk tea, launched in the Chinese market by Costa Coffee, have been warmly welcomed among a wide range of consumers, as well as had a remarkable sale in the market. The majority of respondents said that they "think Costa's localization strategy has well combined the taste preferences of local consumers, especially in drinks. They do not just introduce some regular Western drinks, but consciously adjust the taste and formula to better meet the habits of Chinese consumers." Their tea drinks, for example, cater well to the needs of the Chinese market and bring freshness." The success of such launched products lies essentially in their capability to tap into consumers' desire to explore new and local tastes [8]. This strategy caters to the curiosity of the consumers for new tastes, while it also precisely maps specific preferences of the local market for beverage flavor. The development of localized products reflects the sensitivity of Costa and how it quickly responded to the Chinese market trend. This ease with which it adapted the product line to the requirements of the market easily led Costa to the pole position in a very competitive market. It launched this new flavor based on deep understanding and analysis of the market trend of Chinese consumers' tastes. In addition, besides strengthening the bond between

consumers and the brand, this product also strikes at a specific taste need and has successfully expanded its consumer base.

Moreover, promotion of these localized products enhanced consumer loyalty to the brand of Costa. Loyal consumer franchises will determine the long-term development of a brand, providing it with stable sources of revenue [9]. By meeting and beating consumer expectations, Costa builds brand loyalty that will help retain customers but also attract new consumers. Improvement in brand loyalty has promoted word-of-mouth marketing further; consumer recommendations are an important channel for attracting new customers. Also, the longer-term economic benefit of heightened brand loyalty would come along with increased purchase frequency and a wider range of products tried by loyal customers, boosting the life cycle value of each consumer. What is more, the loyal customer base will be able to give Costa more market feedback that could be useful in adjusting better market strategy and product development direction for the company, considering changing market needs. Thus, the localization strategy has increased Costa Coffee's market share not only in the short run but also provided a sound basis for the long-term successful development of the firm and market growth.

4.2. Shortcomings and Reasons of Costa Coffee Localization Strategy

While the localization strategy has indeed been fairly successful so far, there are indeed a number of challenges which Costa Coffee faced in implementing the said strategy. The prediction of market acceptance is one big challenge [10]. One interviewee pointed out, "Some localized products seem attractive at first glance, but after trying, they are not quite in line with the public taste, especially some products with very unique tastes. Although young people like them, others do not accept them." Newly launched localized products, while popular among certain consumer groups, may not respond as expected in the overall market. Some did not reach the targeted sales. It could be due to the fact that all of them had failed to meet the anticipation of the majority in taste or simply because taste preference differs. For example, while coconut oolong light milk tea may be popular to a young consumer segment, it could also be unappealing to the mass consumer market.

While on the one hand, high frequency of renewal and modification of products would signal that the company listens to the forces of demand at an unbelievable speed, from another point of view, such high rate of product transformation may be seen as unfavorable due to its potential negative impacts on brand image. Such an ever-changing assortment can bewilder the consumers and such instability can result in some questions in respect of the overall perception of a brand by the consumers.

Secondly, the methodological bias might have appeared in the way Costa conducted the market research, which also accounted for the factor of a non-implementation of a strategy. In this case, if the sample is not wide enough or representative, it cannot be that the results of the survey reflect real needs and preferences of the target market. Besides, one cannot exclude the cultural adaptation as such. That may result in overlooking the other relevant consumption patterns and trends of the locality by Costa Coffee, only on the basis of some of those cultural factors for product localization. It is here that incomplete comprehension of culture may bring about issues to be encountered by the new product in gaining acceptance in the broader market and thus failing to realize full market potential. Lack of internal execution can also be considered one of the significant factors that influences the success of localization strategy, poor communication or commitment of not enough resources to the process influences the offering of the brand in as far as issues of understanding of strategy, implementation, and adjustment are concerned.

5. Conclusion

The results from this study clearly confirm the importance of localization strategies for other countries' companies to succeed in the Chinese market. In the basis of careful market research and obtaining an accurate consumer insight, an enterprise is able to design products that more meet the needs of the local market, hence increasing the market's acceptance and consumers' satisfaction. Localization strategy alone does not involve the adjustment of taste and appearance but also encompasses localization of brand communication and marketing strategy, ensuring its fit with culture and consumption habits of the target market. Hence, firms need to develop continuous mechanisms of conducting market research to capture dynamism in the market in real time and timely changes in consumer preference as a means of prompt response to market demands. In addition, product innovation is one of the important ways for enterprises to adapt to changes in the market and maintain competitive advantages. With continuous product innovation and optimization, companies can satisfy both the novelty and diversity needs of consumers and have a competitive edge. Costa Coffee is, of course, one such company that has managed to tighten the bond between the company and consumers by offering products which meet the taste of Chinese consumers by introducing coconut-flavored coffee and coconut Wulong light milk tea, which increased brand loyalty and market share.

Therefore, Costa's success indicates the effectiveness not only of localization strategies but also brings more experience and inspiration for other enterprises to explore and implement localization strategies. Other enterprises can design products and services which touch the emotions and needs of local consumers by deeply understanding the characteristics of their target markets, achieve sustainability and success in the global marketplace.

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