

Comparative Analysis of Manner Coffee and Starbucks in Marketing Strategies

Zhiyuan Yang^{1,a,*}

¹Steinhardt School of Culture, Education, and Human Development, New York University, New York, New York, US, 10012

a. heyyzy215@yahoo.com

**corresponding author*

Abstract: The Chinese coffee market is growing at a fast pace with huge potential. Customers are more willing than ever to drink coffee in their daily life. As coffee becomes more popular, many domestic specialty coffee shops flourish in China. For the first time, these specialty coffee shops, which typically serve higher-quality coffee, have opportunities to expand their business scales and contribute to China's broader coffee culture. This paper chooses Manner Coffee as its main subject and compares its marketing strategies with those of Starbucks via the 4Ps framework, aiming to identify key features behind Manner Coffee's success as a specialty coffee store and explore a generalized mode for specialty coffee brands' development in the market.

Keywords: manner coffee, Starbucks, specialty coffee, marketing strategies, marketing mix

1. Introduction

In recent years, the Chinese coffee market has grown at a fast pace. In first and second-tier cities like Shanghai and Guangzhou, customers show a strong willingness to incorporate coffee as part of their daily routine. According to media reports, China's coffee market has a more than 15% annual growth rate, compared with a 2% average rate for the rest of the world. Until 2022, Starbucks has more than 5000 stores in China, while domestic brand Luckin, born in 2017, has 6000 stores and continues to grow rapidly. Besides the thriving of these traditional chain-brand coffee shops, specialty coffee shops bring more vigor to the market. In 2021, the value of Manner Coffee was estimated at more than 3 billion dollars, and Seesaw Coffee also received a 100 million RMB investment [1]. However, while some specialty brands successfully expand their business scale, a huge number of small specialty shops are still struggling in the market. In Shanghai, small specialty coffee shops occupy more than 50% of all coffee shops. The number is even higher in the rest of China. The success of Manner indicates the huge potential hidden in specialty coffee shops in the Chinese coffee market.

This paper chooses Starbucks and Manners as representative organizations of chain brand and specialty coffee shops, respectively, and compares differences between these two organizations' marketing strategies via the 4Ps framework. Furthermore, by adopting theories like Third Space from sociocultural fields, this article intends to provide a general picture of the Chinese coffee market and its consumers. Eventually, by combining the context and the organizations' strategies, we hope to obtain some insights into how specialty coffee shops can develop suitable marketing strategies, grow their business scale, and contribute to the coffee culture in China.

2. Development of Coffee Market in China

Before focusing on Starbucks and Manners specifically, it is necessary to have a general understanding of coffee's development to date in China. Compared with tea's long history in China, coffee, as an exotic product, has just entered people's lives since the 20th century. Within several decades, the coffee market in China experienced three major transitions, creating three waves of coffee consumption.

2.1. The First Wave: Instant Coffee

In the 1980s, foreign coffee brands like Nestle and Maxwell House entered the Chinese market for the first time and started selling instant coffee powder. In 1989, after opening its company, Nestle went to Yunnan and began to teach local farmers how to plant high-quality coffee beans, establishing a solid supply chain of raw materials [2]. Different from the global market, where people treat coffee as a daily drink, Nestle's instant coffee was luxurious at the beginning, costing 20 RMB, which was 1/10 of a university professor's monthly salary, for one can of instant coffee. Many television shows portrayed coffee and western cuisine as symbols of higher social classes. Nestle and other instant coffee brands helped coffee find its place in China and get prepared for the next two waves of coffee [2].

2.2. The Second Wave: Fresh Brewed Coffee

As the economy developed, Chinese people had more disposable income, and instant coffee products lost their luxurious aura and became ordinary goods in supermarkets. Instead, freshly brewed coffee shops became the alternative place for luxurious coffee consumption. Shangdao Coffee from Taiwan ignited the trend in 1996. Most of its stores were decorated as grandiose palaces and provided Western foods like salads and steaks, aiming to attract high-income people as their target audience. The popularization of freshly brewed coffee shops lasted for decades. Due to its inimitable reputation in the coffee industry, Starbucks gradually occupied the dominant role in the market after 2010. Most coffee products in these shops were more than 30 RMB, which was still expensive and unaffordable as a daily drink. Nevertheless, a domestic brand, Luckin Coffee, born in 2016, brought drastic changes to the market. Within months, it opened thousands of stores in most office buildings in first-tier cities and offered coffee products at a much lower price, usually around 20 RMB [3]. Furthermore, Luckin Coffee does not have large store space but only small areas without sitting areas. Luckin Coffee's success marked the great potential in China's coffee market and unprecedentedly made coffee an affordable drink for lower-income people in China. Hitherto, a large fraction of Chinese people had accepted coffee as part of their daily routine.

2.3. The Third Wave: Specialty Coffee

According to the Specialty Coffee Association's definition, specialty coffee is the product in which all parts of the coffee production chain collaborate and maintain high standards at each step. In other words, specialty coffee aims to provide a premium experience when drinking coffee. In China, there are plenty of specialty coffee shops selling premium-quality coffee drinks. In Shanghai, specialty coffee shops occupy more than 55% of all different coffee brands, while most of them are tiny in business scale, even struggling with maintaining the store [4]. In 2018, Manner Coffee, a small specialty coffee shop, received an 80 million yuan investment, bringing specialty coffee into the public's sight. Then, Manner Coffee caught the opportunity and started its expansion, opening around 200 stores in China until 2021. The estimated value of Manner Coffee has reached 2 billion dollars now. The example of Manner Coffee marked another turning point in the Chinese coffee market: the

popularization of specialty coffee with better taste or drinking experience. Accompanied by Manner Coffee, other brands like M Stand, SeeSaw Coffee, and %Arabica also demonstrated huge business potential within the third wave of coffee, creating a more diverse and energetic market [5].

3. Analysis of Manner and Starbucks

By taking Manner Coffee and Starbucks into the framework of the 4Ps and comparing their performances, differences in their marketing strategies can be identified accurately and broken down into multiple aspects for more specific analysis.

3.1. Product

Manner has 16 products listed on their official website, ranging from Italian Espresso Coffee to Pour Over Coffee and some bakery foods. Besides classical coffee products like Americano and Latte, Manner also provides high-quality choices like Pour Over Coffee with premium coffee beans from Yunnan, Mandheling, Ethiopia, and other regions in all stores. Most of its products offer two size options; a small size with 240 milliliters and a large size with 360 milliliters. Although the cup size is relatively smaller than other coffee brands, Manners puts more emphasis on the taste. A standard Manner coffee contains 24 grams of coffee powder, which is higher than most coffee shops, bringing customers a much heavier taste of coffee and maintaining Manner's identity as a specialty coffee shop [4]. Besides, Manner has a special group experimenting with new and unique flavors of coffee products that usually come out as seasonal products. By monitoring their WeChat platform, the average time interval between new seasonal products is 13.6 days. However, a typical menu in the Manner store usually contains no more than three special drinks that are not traditional coffee.

For coffee shops, the environment they create for customers is another selling product and can be regarded as an invisible fraction of the total product. Manners' stores are small. The first Manner store is only 2 square meters, and new stores were also no bigger than 20 square meters before the COVID-19 Pandemic. By opening stores near sidewalks full of pedestrians without seating space, Manner provides services for customers by making their daily routine more convenient. The expected scene of consuming Manner coffee is an urban white-collar person buying a cup of high-quality coffee quickly on their way to the office [4].

Starbucks has a more complicated system of products. It sells coffee, tea, special drinks, bakery items, sandwiches, mugs, coffee beans, snacks, etc. The long list of products ensures that Starbucks is attractive to most types of customers with diverse preferences. Traditional coffee, like Americano, is for office workers. Teavana, the special drink made of tea, is for customers who prefer tea as their daily drink. A Frappuccino is a unique product made of coffee, juice, and other flavors mixed with ice. Also, Starbucks, due to its mature and professional supply chain, sells premium coffee beans and powders in stores and online. Starbucks mugs are also popular among customers. On Starbucks' official website, among the 30 drinks they offer, 17 types of creative drinks are not traditional coffee. Starbucks offers three size options: tall size with 354 milliliters; grande size with 473 milliliters; and venti size with 591 milliliters. The average coffee powder in each cup is usually 15 to 18 grams. Starbucks' WeChat platform demonstrates that the average time interval between new seasonal products is 17.2 days [5].

Starbucks is famous for the Third Space theory. Its stores are relatively large, with more than 50 square meters. Some premium stores, like Starbucks Reserve Roastery in Shanghai, are more than 2700 square meters, allowing customers to witness the complete process of a raw coffee bean being processed and becoming a cup of coffee. The large space and comfortable seating area make Starbucks stores suitable for customers to have their social life with friends or work quietly.

Their strategies for products can be concluded in the following chart:

Table 1: Product strategies of Manner and Starbucks.

	Manner	Starbucks
Categories of Products	Espresso, Pour Over Coffee, Bakery, Coffee Bean, Coffee Machines	Cream Coffee, Cold Brew, Espresso, Frappuccino, Chocolate, Teavana, Coffee Powder, Coffee Bean, Bakery, Sandwiches, Dessert, Snacks, Yogurt, Mugs
Number of Categories	5	14
Number of Creative Drinks (Creative Drinks refers to products that are not espresso coffee or pour over coffee; Data derived from menus displayed in store and official website)	4	17
Fraction of Creative Drinks (Number of Creative Drinks/Number of Drinks)	28%	56%
Premium Coffee Availability	All stores provide Pour Over Coffee	Only Starbucks Reserve and higher-level stores provide premium Pour Over Coffee
Cup Size Options	Small Size with 240ml Large Size with 360ml	Tall Size with 354ml Grande Size with 473ml Venti Size with 591ml
Amount of Coffee Powder	24 grams of coffee powder in one cup on average	15-18 grams of coffee powder in one cup on average
Time Interval Between Releasing New Products	13.6 Days	17.2 Days
Store Space	Less than 20 square meters	At least 50 square meters
Seating Space	Small; Some stores don't have seating space	Large; Most stores allow customers spending long time

Compared with Starbucks, Manners Coffee has a less complicated system of products. It put more focus on premium coffee and the Pour Over series, making these products available in all stores and allowing customers to enjoy better tasting coffee at their convenience. The smaller size accompanied by more coffee powder gives Manner's products a much heavier taste. According to an interview, customers who are familiar with Manner coffee will think that Starbucks tastes too flat. Although Manners does not have too many creative drinks compared with Starbucks, it launches more seasonal special drinks faster. And Manner, in general, occupies a much smaller space, making it a functional coffee brand involved in customers' daily routine instead of a specific social space with emotional and social fulfillment.

3.2. Price

From Manner's regular menu in store, the cheapest coffee is Espresso, which costs 10 RMB, and the most expensive coffee is Osmanthus Oat Latte, which costs 30 RMB. Among 13 coffees with a noted price, 8 cost less than 20 RMB, and 12 cost less than 25 RMB. Although prices for Pour Over Coffee are not shown on the regular menu, they can be found to be 35 RMB by monitoring customers' reviews on DianPing.com [5]. Besides, after selecting ten random department stores in Shanghai on DianPing.com, coffee products at 15 RMB occupied the top three popular products among seven stores. Customers can also get a 5 RMB discount on any order if they bring their own coffee mugs. Therefore, the average price of a ticket would be lower than 15 RMB.

To maintain the low price, Manner builds its own supply chain by opening staffing companies that process raw coffee beans and importing coffee machines. According to an anonymous interview with Manner employees, around 1/3 of Manner's profit comes from selling coffee beans and coffee machines.

Starbucks's products range from 19 RMB for one shot of espresso to 48 RMB for Starbucks Nitro Cold Brew. Most Starbucks products fall into the 30–40 RMB interval. Randomly selecting 10 Starbucks stores in Shanghai, among the 30 top 3 drinks, 28 of them cost more than 30 RMB [5]. Similar to Manner, Starbucks also has a discount of 4 RMB for customers who use their mugs. In addition, Starbucks has a mature system of gift cards and Starbucks cards that allow customers to enjoy benefits by actively buying Starbucks's products. If a Starbucks card holder spends more than 600 RMB, one can get a free tall-size drink [5]. The average price for a tall-sized drink at Starbucks is 32 RMB. Hence, if a customer participates in the promotions mentioned above, the price for him to get a Starbucks drink is around 30 RMB.

To conclude, Manner sells its coffee at a much lower price compared with Starbucks and makes a huge profit from cheap coffee, as data suggests that coffee at 15 RMB is the most popular in Manner's stores. Also, Manner expands its product line with coffee machines, generating additional profits while maintaining its low-price strategies.

3.3. Place

The first Manners store is at 205 Nanyang Road, surrounded by skyscrapers, luxury shopping malls, and five Starbucks stores in the core area of Shanghai. Then, after receiving investment from the capital, Manner started its expansion in Shanghai first, then opened stores in other first-tier cities. Now, Manners has 329 stores in China, while 219 of them are located in Shanghai. Besides buying coffee in-store, Manner offers delivery services starting in March 2022 [6].

Starbucks in China has opened more than 5000 stores. And Shanghai is still the major market for Starbucks, as there are around 1,000 stores in Shanghai, occupying 1/6 of Starbucks's market [6]. Since 2018, Starbucks has developed its delivery services, collaborating with the two biggest delivery platforms in China.

These two brands both chose Shanghai as their first choice for development and expansion. In the rest of China, Starbucks has overwhelming advantages over McDonald's in terms of the number of stores and coverage of business. Before the COVID-19 pandemic in Shanghai this year, Manners kept rejecting delivery services due to concerns about coffee losing its taste during delivery. As most stores in Shanghai are not allowed for dine-in or in-person pickup, Manners finally made the decision to have delivery services, providing a more convenient experience for customers.

3.4. Promotion

On TikTok, Manner has four accounts: We Are Manner (279k followers), Manner Coffee (7k followers), We Are Manner Coffee (70k followers), and We Are Manner Coffee Excellence (34k

followers). The We Are Manner account has one post with 1987 likes, while the rest of the accounts have less than 100 likes for all posts [7].

On RED, Manner has one account with 13k followers and 183 likes per post on average. Applying a search of reviews that mention Manner Coffee, there are only five posts composed of key opinion leaders or online celebrities who collaborate with Manner's Official Account, and the highest number of likes for one post is 230. Among posts created by RED users, the most popular post has over 10,000 likes [7].

RED and TikTok are public platforms where content can be accessed by all users; on some more private platforms, like WeChat, Manner also does some promotions and advertisements. The WeChat Subscription Platform account of Manner Coffee has 100k views for all posts and around 1 million followers.

Starbucks has two official accounts on TikTok: Starbucks China (1275k followers) and Starbucks Drinks Premium (173k followers). The average number of likes for the latest 20 posts is 2.3k for Starbucks China and 1k for Starbucks Drinks Premium [7].

On RED, Starbucks has two accounts with 120k followers each. Posts written by key opinion leaders with tags for commercial content reach 50k likes at most. And the top 10 posts written by ordinary users have at least 65k likes.

Starbucks' WeChat platform account has followers almost three times more than Manners. And Starbucks also has its own mobile APP for pre-order, pick-up, and delivery services, getting in touch with customers at more locations.

In general, Manner does not put too much emphasis on promotions, especially on public platforms. Most online reviews are written by customers instead of online celebrities who are invited by Manner officials. Compared to Starbucks, it pays lots of attention to promoting itself on major social media platforms and other potential mediums like mobile apps.

4. Insights into Manner's Marketing Strategies

4.1. Convenience

According to Deloitte's report regarding China's coffee market research, in first-tier cities, 78% of customers drink coffee because it is refreshing, and 48% of customers think they are psychologically addicted to coffee, while motivations like meeting with friends drop to only 12%. Coffee shops in China gradually lose their third space feature, as the majority of customers take coffee as a functional daily drink that either satisfies their psychological needs or maintains their efficiency during the daytime. Traditional coffee shop standards in terms of environment and decoration are no longer prioritized. Instead, Deloitte demonstrates that customers prefer fast coffee stores that take less time to buy a coffee. Data shows that 70% of all coffee-consuming behaviors happen in fast coffee stores. Coffee stores that are more convenient attract more customers to the market [8].

At its early stage, Manner Coffee positions itself as a fast coffee store and takes convenience features to an extreme level. The first store is a window shop with only 2 square meters. The shop is only for office workers who need a quick cup of coffee on their way to work. The first six Manners stores unanimously follow the same pattern, offering only coffee drinks with no or limited seating space. The minimalist store setting caters to specific customers' needs for convenience and helps Manner occupy the fast coffee market before it gets crowded with other brands. Furthermore, the mode saves Manner money on decorations, in-store maintenance, and waiters, all of which are required for Third Space coffee shops, greatly relieving Manner's stress in budget management for business expansion.

After Manner finds its solid standpoint in Shanghai, it further cultivates by providing convenient services for customers' daily routine. It opened larger stores with food and fast meals. And in March

2022, Manner finally compromised its commitment to coffee's taste and opened delivery systems. Manner insists its development focuses on convenience and brings more functional scenes for drinking coffee. To some extent, this strategy successfully avoids Manner's direct competition with traditional chain-brand coffee stores like Starbucks and Luckin, creating a steady and stable development environment for itself.

4.2. Better Quality Coffee at Cheaper Price

According to the United States Census Bureau, the average spendable income per person in 2020 was \$3,384. Data from the National Bureau of Statistics in China showed that the average was 35128 RMB in 2021. In the United States, Starbucks usually charges around 5 dollars for one cup of coffee, while in China, the price of one Starbucks drink usually reaches more than 30. The relative cost for Chinese customers of buying coffee is much higher compared with customers in the United States. In retrospect, coffee products in China follow the tendency to be cheaper and more affordable. Manner's strategies in pricing and its success further prove the tendency. The cheapest Manner coffee only charges 10RMB, which is accessible to all social classes. A story about Manner's first store is that an old doorman, who earns 2000RMB per month, comes to Manner every day to buy a 10RMB cup of coffee. In addition, the pricing range that Manner chooses is also smart in that there are no other competitors. Starbucks typically charges more than 30 RMB for its products, Luckin charges more than 20, other specialty coffee shops charge around 50 RMB, and grocery stores sell coffee for less than 10 RMB. Similar to how Manner abandons the Third Space feature, smart pricing strategies help Manner go through its early development stage without intense competition.

Deloitte's report also mentions that, besides convenience, taste and price are two other factors influencing customers' choices. 81% of customers will consider taste when buying coffee, and the number for the price is 68%. Another interesting fact is that oat milk has become a more common choice for coffee production. In 2018, only 2% of coffee was made with oat milk, while in 2020, the ratio rose to 7% [8]. It is commonly believed that oat milk is better than regular milk in coffee, as oat milk can make the flavor of coffee stand out and taste smoother. Hence, customers in China have more concerns and requirements regarding the taste of coffee. In this way, although it sells cheap coffee, it never compromises on coffee quality. As mentioned earlier, Manner uses more coffee powder in the same cup size compared with other brands to create a heavier coffee flavor. Also, Manner only recruits experienced baristas and pays them a salary at the highest level, ensuring standardized coffee quality in hundreds of stores.

5. Conclusion

As coffee becomes more popular than ever in China, especially in first-tier cities, it is predictable to witness drastic changes in the industry brought by diverse coffee brands. The success of Manner Coffee undoubtedly indicates a mode for specialty coffee stores to grow and expand in China. Although Starbucks, Luckin, and other traditional chain brand coffee stores still occupy dominant roles, the fast-growing market still leaves abundant blank spaces for coffee stores with innovative ideas and strategies. What Manner has done is understand the tendency of the coffee market and customers' needs, targeting a small segment precisely and cultivating it inside to the extreme, and differentiating itself from existing stores. For other specialty coffee stores that struggle with finding their place, it is crucial to identify their uniqueness that distinguishes them and catch customers' needs accurately.

References

- [1] "White Paper of China Coffee Market Development and Prospects 2021". *Analysys.Cn*, 2022, <https://www.analysys.cn/article/detail/20020362>. Accessed 14 Aug 2022.
- [2] Mcleod, Saul. "Maslow's Hierarchy Of Needs". *Simply Psychology*, 2020, <https://www.simplypsychology.org/maslow.html>. Accessed 14 Aug 2022.
- [3] Manthei, Lisa, "The 4 Ps Of Marketing: Understanding The Marketing Mix". *Emarsys*, 2017, <https://emarsys.com/learn/blog/4-ps-of-marketing-importance/>. Accessed 14 Aug 2022.
- [4] "third space theory." *Oxford Reference*. . . Date of access 14 Aug. 2022, <<https://www.oxfordreference.com/view/10.1093/oi/authority.20110803103943995>>
- [5] "Report of China Specialty Coffee Development and Investment Suggestions". *Bg.Qianzhan.Com*, 2022, <https://bg.qianzhan.com/report/detail/300/211231-69f7afcd.html>. Accessed 14 Aug 2022.
- [6] "Three Leading Specialty Coffee Brand in China". *Xueqiu.Com*, 2022, <https://xueqiu.com/1286836495/149549700>. Accessed 6 Aug 2022.
- [7] Zhang, Xinrui, "The Analysis of Starbucks (China) Marketing Strategy", *Jilin University, China Academic Electronic Publishing House, www.cnki.net*, May, 2014
- [8] "White Book of China Coffee Industry", *Deloitte China*, April, 2021.