

# The Impact of Social Media Marketing on Customer Loyalty towards Starbucks in China

Jing Zhao

Queen's University of Belfast, Northern Ireland, BT7 1NN, UK

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**Abstract:** This study mainly explores the impact of Starbucks' social media marketing on consumer loyalty in China. Firstly, it reviews the previous literature and identifies four main factors of social media marketing: advantageous campaigns, contents, online communities, E-WOM. Then it collects data through questionnaire survey. Advantageous campaigns, contents will affect consumer behavioural loyalty, Online communities, E-WOM will affect consumer attitude loyalty. Through the conclusion, this research proposes the improved strategy of Starbucks's social media marketing in China.

**Keywords:** Social Media Marketing; Consumer Loyalty; Consumer Behavioural Loyalty; Consumer Attitude Loyalty

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## 1. Introduction

### 1.1 Background of the Research

With the development of science and technology, people's lifestyle has changed, and consumers' needs have become diversified. Faced with these changes, how to seize the opportunity to provide consumers with products they really need has become the most important thing for enterprises. At the same time, to meet the needs of the audience, social media platforms appeared in 2004. Facebook, Twitter, Instagram and other social media software have been popular, while China also launched social media platforms, such as Microblog, Wechat and QQ. Social media allows users to generate content and share it with friends. Social media's core attribute is content generation and social characteristics (Adnan and Ahmad, 2016). Social media has the characteristics of entertainment, social interaction and marketing, which meet people's online communication needs and attract many users. According to the latest report released by Research Institute 'We are social', social media users accounted for 85% of China's total population at the end of January 2018. Social media provides more space for users to participate, changes the relationship between enterprises and consumers, and provides a new platform for enterprise marketing (Hawn, 2009). On the social media platform, consumers discuss and share knowledge, which contributes to the generation of marketing content (Obar and Wildman, 2015).

Starbucks, founded in the early 1970s, is the world's top coffee retail brand. Its products include coffee beans, coffee drinks, snacks and coffee cups. In June 1992, Starbucks became a listed company. At present, Starbucks has over 12,000 coffee shops in about 40 countries around the world, employing more than 100,000 people (Harrison et al, 2005). After entering Web2.0, Starbucks tried to use Internet technology to expand its market in brand marketing. Starbucks began to use social media model for brand marketing and promotion in 2004 and achieved good results. The huge potential of the Chinese market attracted Starbucks. In 1998, Starbucks entered China. So far, more than 1900 stores have been opened in 99 cities in China (Harrison et al, 2005). China has become the largest overseas market of Starbucks. Starbucks' success in China depends on its social media marketing. In 2010, Starbucks opened an official account on Microblog, actively promoting products and interacting with consumers on Microblog. In 2012, Starbucks China App officially launched, encouraging consumers to open Starbucks Club, become members, and use member points to exchange Starbucks products. These practices have produced many loyal customers in China for Starbucks.

### 1.2 Key Research Findings

There are two main findings in this paper. One is the four important dimensions of social media marketing: Advantage Campaigns, Contents, Online Community, Electronic Word of Mouth. The other finding is the relationship between these four dimensions on consumers' behavioural loyalty and attitude loyalty.

## **2. Review of relevant literature**

### **2.1 Social media marketing**

Social media marketing (SMM) emerged during the global financial crisis in 2008. Due to the reduction of marketing budget, enterprises begin to find more appropriate marketing strategies. SMM has the characteristics of low cost, which attracts the attention of enterprises and has become an important marketing tool for enterprises (Kaplan and Haenlein, 2010).

Pham and Gammoh (2015, p. 325) argued that SMM is the process by which companies promote and share marketing products on a network platform, SMM can bring benefits to the companies. SMM is gradually becoming an important marketing strategy, enterprises and consumers can better understand each other through SMM, establish a trust relationship (Dave, 2010). Dwivedi et al. (2015) has come up with a new concept of SMM, which they believe is a two-way conversation about product quality and service. Lisa (2018) found that encouraging consumers to discuss brands or services on social media platforms could help improve sales performance. Choi et al. (2016) believed that SMM is related to customer loyalty and satisfaction, and SMM is the interaction between social network services and customers. SMM is an interdisciplinary concept that is often combined with other marketing strategies to create value for the enterprise (Felix et al. 2017). Felix (2017) redefined SMM from a strategic level, including culture, scope, governance and structure. Companies provide online products through social media platforms, and benefits are achieved through information sharing and personalized purchase advice.

### **2.2 Customer loyalty**

Consumer loyalty refers to the loyalty of consumers' emotion and behaviour. Consumer loyalty is very important to brand reputation, it can enhance the relationship between consumers and brands (Kim and Ko, 2012). As an effective marketing method, SMM has been linked to consumer loyalty by some scholars. McAlexander et al. (2002) pointed out that the target of the online community from SMM is to get more loyal customers. Through the online community, brands can understand the real needs of consumers and get valuable information from them. Chaudhuri and Holbrook (2001) emphasized that social media platforms can enhance consumer trust when brands provide excellent online services, and trust is one of the factors that affect loyalty (Harris and Goode, 2004). The advantage of SMM is that it allows consumers to understand the brand culture through information sharing, and brands help consumers to obtain relevant content and useful information, thereby affecting consumer loyalty (Munz and O'Guin, 2001). Luo et al. (2015) argued that interaction among members of the social media community helps to strengthen emotional connections, thereby affecting consumers' re-purchase of brands. Many factors will affect consumer loyalty, such as quality, service and price. However, few studies have examined the impact of social media online communities on consumer loyalty, this study will then explore the relationship between online communities and customer loyalty.

### **2.3 The relationship between social media and consumers**

The electronic word-of-mouth, virtual community, and communication methods of social media will affect consumers' attitudes. The role of electronic word-of-mouth (EWOM) cannot be neglected for consumers, it can directly affect consumers' purchase decisions. Virtual community is a network platform for consumers with common interests (Sicilia and Palazon, 2008), it will affect consumers' brand awareness and satisfaction. The research question is how SMM can help Starbucks build consumer loyalty in China, since the popular social media platforms are microblog and WeChat in China, which are different from those used by Starbucks in other countries like Facebook and Twitter. Although many scholars affirm the importance of social media marketing and mention the impact of social media on consumers, only a few of literatures combine SSM with consumer loyalty. Some scholars only prove that SMM is related to consumer behaviour and consumer purchase decisions. This paper tries to examine the relationship between SMM and consumer loyalty and fill a gap in this area.

### **2.4 Summary of Results**

Behavioural loyalty will be influenced by advantageous campaigns and contents. Behavioural loyalty is usually shown as repetitive purchase. For Starbucks, which is a chain brand, behavioural loyalty is very important, so Starbucks needs to pay more attention to traditional marketing. This requires Starbucks to develop more promotional activities on the social media platform in China based on the needs of customers. For example, new products discounts, share promotion codes and other activities. Another factor affecting behavioural loyalty is the content of social media marketing. Hossain et al. (2016) claimed that there are three dimensions of content: relevant, popular and updated, these contents will affect consumer behavioural loyalty. The essence of content is to communicate with consumers. Brand content based on social media marketing can not only affect consumers' attitudes, but also affect consumers' repeated purchasing behaviour (Chaudhuri and Holbrook, 2001). Therefore, Starbucks marketers need to combine Chinese culture to create high-quality social media content, to enhance brand competitiveness. Starbucks needs to identify the effective information

among the numerous information and deal with the possible negative evaluation. In content, a single text and picture will make the audience bored, Starbucks can add video content to spread it. Rayat et al (2017) pointed out that only interesting and personalized contents can help companies succeed in marketing.

Attitude loyalty is related to consumers' emotions, this loyalty is about consumers' trust to the brand and can last for a long time (Luo et al, 2015). Consumer attitude loyalty shows that consumers have a special preference for one of the brands from many similar corporate brands (Labrecque, 2014). For Starbucks, which sells FMCG, it mainly focussed on consumer behavioural loyalty, but attitude loyalty cannot be ignored. Online communities and e-word-of-mouth affect attitude loyalty, which is different from traditional marketing methods. Brands need to improve the entertainment and sociality of online communities. On the one hand, Starbucks should keep pace with the times, develop online services of virtual communities, add functions such as location online check-in, online discussion, and encourage community members to participate in community activities in various ways such as text, pictures, videos etc. On the other hand, Starbucks needs to improve the social functions of online communities (Talhelm et al, 2018), such as Friend Search, Friend Recommendation and other services, while providing instant communication tools to encourage community members to communicate and increase their emotional ties, to enhance consumer participation in online communities. The impact of E-WOM on consumers cannot be ignored. Positive E-WOM demonstrates the advantages of products or services and stimulates consumers' purchasing behaviour. Negative W-WOM reflects the problems of products or services, therefore, people are encouraged not to buy brand products or services. Starbucks can't avoid negative E-WOM, it should respond positively and give solutions as soon as possible to eliminate consumers' doubts and build up consumers' confidence to the brand.

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