

Corporate Strategy Analysis—Taking Starbucks (China) as an Example

Xinyi Zhou

Sichuan Normal University, Chengdu 610000, China.

Abstract: Starbucks can be said to be the first leader to enter China's coffee industry, early in transmitting the coffee culture. What is Starbucks' strategy? This paper will analyze its macro environment through PEST analysis, use SWOT analysis to evaluate its internal environment, study the corporate strategy of Starbucks enterprise itself and its advantages, disadvantages, external opportunities and threats, in order to provide certain suggestions for the growth of China's domestic coffee industry.

Keywords: Starbucks; Company Strategy; PEST

1. Prolegomenon

1.1 Research background

In the epidemic era, the world economic development is relatively weak. Starbucks in China seems unimpressed, and its success has attracted many imitators and competitors. So, how Starbucks's strategic management has made him the leader in the coffee industry. It will be analyzed briefly here.

1.2 Relevant theories and concepts

1.2.1 PEST analysis

PEST analysis refers to the analysis of factors such as the macro environment of a company or company's industry. Among them, P is politics (politics), E is economy (economy), S is society (society), and T is technology (technology).

1.2.2 SWOT analysis

SWOT analysis is a kind of through the evaluation of its internal environment to enterprise competition situation analysis method, the main method is by evaluating their own advantages (Strengths), disadvantage (Weaknesses), external competition opportunities (Opportunities) and threat (Threats) a comprehensive analysis of itself, and according to the analysis results get its core competition, competitive advantage positioning, and according to the conclusion of the above four aspects of development strategy. This is an analysis of the internal situation.

2. Overview and Strategy analysis of Starbucks

2.1 Starbucks Overview

Starbucks, born in 1985, is headquartered in Seattle, Washington. Three years later, it pointed to the international market and continued to expand its territory internationally.

According to the latest data for 2022, there are currently 55,557 Starbucks stores worldwide. China has become the second largest major market for Starbucks, with the second most Starbucks stores in the world.

2.2 Macro-level environment analysis

2.2.1 Politics

First of all, the implementation of China's opening-up policy and the diversified and multilateral trade advocated at that time have effectively reduced the cost of Starbucks' production and operation in China. Cost reduction and high-quality products provided by Starbucks make consumers more willing to spend, driving sales. China has always been committed to eliminating foreign trade barriers. For the coffee industry, since its birth originated abroad, in order to ensure the quality of its products, Starbucks imports its raw materials directly from abroad. The elimination of trade barriers can reduce the cost of raw material transportation of Starbucks.

At the same time, in order to improve their quality of life and experience happiness better, more people are willing to spend money to experience foreign things that they have never experienced, such as Starbucks coffee from foreign countries. People's consumption concept has changed, and they are more willing to spend time and money on improving their living standards and quality issues, such as Starbucks coffee. On the other hand, China and the West have produced more ideological and cultural cooperation and exchanges through coffee. In the exchange and cooperation, China and the West will carry out the exchange and collision of different cultures. In the run-in of different cultures, Chinese culture, the exchange and lifestyle of Chinese people will be subtly transformed. With the continuous introduction of western ideas, people inevitably slowly accept western culture under the influence of tea. The import led by coffee makes contemporary Chinese people accept the coffee delivered by Starbucks, which is the idea that they can eat every day.

2.2.2 Economy

According to the China Statistical Yearbook released by the National Bureau of Statistics, China's urban and rural residents' income will grow steadily in 2021. With the development of social economy and the improvement of people's living standards, the diversity of people's consumption is gradually reflected, and China's coffee market has great potential. There are many potential coffee consumers in China, and the growth momentum is considerable. According to the research of international institutions, for every 5% increase in national income, the daily consumption of coffee will increase by 2% -3%. Compared with the data of China's year-end economic statistics over the years, it can be found that China's coffee market has huge potential and has a lot of room for improvement.

2.2.3 Society

In recent years, China has continuously accelerated the development of education, striving to popularize nine-year compulsory education, and significantly improved the scientific and cultural quality of the population. The number of people receiving basic education is increasing, and the number of people receiving high-level education is large. According to the survey results, as of 2021, the population with a college education was 218.36 million. Compared with 2010, the average number of college students per 100,000 people increased from 8,930 to 15,467, the average length of education for people aged 15 and over increased from 9.08 to 9.91 years, and the illiteracy rate decreased from 4.08% to 2.67%.

2.2.4 Technology

At present, the technical advantage of Starbucks is that it has the top supply chain of coffee beans, which can guarantee the high quality of coffee beans; the high quality of coffee machine and the unique flavor of the coffee; independently developed cake, sandwich and other product systems, can provide consumers with more diverse choices. Due to the stable technology, high quality of raw materials and high standard of machine, Starbucks constantly improves its selection of raw materials and improves its baking technology, to better retain the original flavor of coffee beans; use coffee packaging with its own brand logo and patented technology to perfectly retain the original flavor of its and high quality coffee beans.

2.3 Internal environment analysis

2.3.1 Advantage

The advantages of Starbucks' strategy are mainly reflected in two aspects. The first aspect is that the store location occupies the favorable business circle. Starbucks stores are mainly located in the downtown or shopping area, trying to find Starbucks anytime. In Chengdu, Starbucks has two stores that take up more space, making it difficult for competitors to enter. The second aspect is the flexible choice of business model. Starbucks uses its flexible investment and business model to choose different ways to adapt to different markets around the world and provide high-quality coffee and services.

2.3.2 Disadvantages

The main disadvantage of Starbucks is reflected in the aspect of capital. Through observation, we can find that Starbucks' stores are mainly concentrated in the prosperous business district with more population flow. With many stores in the business circle, the first thing to consider is the rent problem. The more prosperous the business district is, the higher the rent is. Secondly, there is also the problem of human capital cost. According to the survey, the flow of people and resources of Starbucks is accelerated, and the cost of continuously training new employees and the retention of old employees is huge. Therefore, for Starbucks, the continuous expansion of stores, the greater the capital demand for rent, human capital and other costs, which is a constant challenge to the capital flow of

Starbucks.

2.3.3 Opportunities

For the Chinese market, it is in a rapid stage of economic development. Although it is still in the stage of the epidemic, coffee is the preferred consumption mode for consumers in the market and are constantly pursuing higher consumption experience. Take Chengdu as an example, Chengdu is currently in the stage of booming coffee market. By 2021, the number of coffee stores in Chengdu has increased by 8.2% year on year, and is expected to reach 18.2% in 2022. For Chengdu, which is still opening up the coffee market, Starbucks can continuously expand its brand influence, increase consumers and expand profits.

At the same time, the emergence of —— camping culture appeared in the coffee market. In 2022, in the post-epidemic era, after the emergence of the idea of epidemic and human death, people began to travel around them because they failed to travel abroad. With the promotion of surrounding tourism, some businesses began to promote camping. Internet celebrities take photos and punch in, making camping the number one choice for people to go out to play. Take Chengdu as an example, it is standard to put camping equipment outside the streets of Chengdu. The combination of camping and coffee can be said to create the second spring of coffee shops.

2.3.4 Threat

The most significant risk for Starbucks is that the expanding business landscape is its its pressure. Since Starbucks adopts the direct marketing model in the Chinese market, the direct marketing model will consume more energy of managers and corporate funds, and the investment risk is large, and there is a risk that the investment will outweigh the return.

2.4 Starbucks' strategic choice

2.4.1. Differentiation strategy

Comparing Starbucks with many other coffee shops, we can find that the experience is an important core that distinguishes it from many other competitors. With different sense of experience, such as Starbucks partners asking customers' last name when ordering coffee, customers are more willing to consume the special services of Starbucks, driving the added value of products and the increase of emotional value brought to customers.

2.4.2 Diversification strategy

In response to competitors such as Luckin and Costa, Starbucks has also expanded its offline sales with "special star delivery" and errands to expand its sales channels. In addition, Starbucks has also developed the development and sales of subsidiary products. Its sales range from various coffee brewing utensils, coffee beans, coffee cups, mugs, etc., and the exclusive logo of Starbucks can increase its value and profit. Starbucks not only develops separate products, but also sells some co-branded styles to attract customers' attention.

3. Summary

A simple analysis and summary of Starbucks enterprise strategy can draw the experience that similar Chinese enterprises can learn from. On the whole, Starbucks has a clear positioning in the market and products, with no lack of brand awareness and star products, and the overall market prospect is relatively broad.

References

- [1] Zhan Z. Research on the Identification and Evaluation of the Core Competitiveness of Chinese Coffee Enterprises [D]. Southwest University, 2016.
- [2] Lin X, Yu XQ. The enlightenment of Starbucks' management approach to Chinese enterprises [J]. The China market, the 2020(28):101-102.
- [3] Xing Y, Mou XW. Strategy of Starbucks [J]. Cooperative economy and science and technology, 2022(14): 80-81.
- [4] Yu YM. Analysis of the cross-cultural marketing Strategy of Starbucks (China) [D]. Shandong University, 2016.
- [5] Zhang Y. The Marketing Strategy Research of Starbucks (China) [D]. Shanghai Jiao Tong University, 2008.
- [6] Chen XL. A comparative study of business models between Luckin coffee and Starbucks coffee [D]. North China University of Technology, 2020.

About the author: Xinyi Zhou (1999-), female, Han nationality, Chengdu, Sichuan, studying for a master's degree, Sichuan Normal University, corporate governance and auditing.