The Influence of Social Media on Customer Behavior: Case Study from Starbucks

Yixi Cao

College of Communication Arts and Science, Michigan State University, East Lansing, USA

Corresponding author: caoyixi@msu.edu

Abstract. This article studies Starbucks' marketing methods in the Chinese market and how it uses social media to influence consumer choices. The challenges and competition faced by Starbucks after it entered the Chinese market as an overseas brand were introduced. According to the research findings, what Starbucks sells to consumers is not only products but also a high-quality lifestyle. Promoting and localizing products on social media show a trend of current network communication to consumers. At the same time, Starbucks is facing many challenges, such as coronavirus pandemic lockdown, growing competition in China's coffee market, and maintaining its reputation. Doing research and giving corresponding practical suggestions in the face of these challenges are also studied in the article. The development of Starbucks in China is inseparable from the promotion of the Internet and social media, and the loyalty of consumers to Starbucks is also a significant advantage. Starbucks is also striving to develop the resonance between campaign and social practice.

Keywords: Social Media, Customer Behavior, Starbucks.

1. Introduction

With the development of society, the way of marketing is more and more diversified. In recent years, consumers have welcomed the coffee market, and the competition has become increasingly fierce in China. In the decades since Starbucks entered the Chinese market, it has been an essential marketing strategy to adjust the marketing strategies and localize products suitable for the Chinese market [1]. Social media and online marketing are two marketing methods that have seen rapid growth on online platforms in recent years [2]. The Internet makes communication between consumers and brands more convenient and fast. At the same time, these marketing methods and social media influence consumers' choice of products[3]. There have been many changes and developments in the marketing strategies of various brands because of the rise of e-commerce in China in recent years. Using social software to advertise is one of the most helpful marketing methods. Online marketing often influences consumers' choices [4].

This article will explore Starbucks' marketing strategy and use of social media in China. Starbucks has opened more than 5,000 stores in China since it first entered the market in 1999. The success of Starbucks is not only because it has brought coffee into the life of Chinese consumers but also because it has applied the people-oriented concept of Starbucks to convert consumers into their traffic [5]. It can be said that loyal consumers are the most powerful spokesperson for Starbucks. Social media publicity brings both advantages and some inevitable disadvantages to brands. As a public brand, any behavior will be infinitely magnified [6]. Here are some suggestions that will also be addressed in the article. First of all, businesses should effectively and positively use social media to close the relationship with consumers and integrate the suggestions made by consumers into Starbucks products. Second, promote some social activities, and only link Starbucks with public welfare and provide practical meaning.

2. Case description

Starbucks took its first step into China's coffee market in 1999 by opening its first store in Beijing [7]. With the development of The Times, Chinese consumers have become more and more receptive

to coffee. At present, Starbucks has opened 5,400 stores in various Chinese cities. After a decade of development, Starbucks launched the first coffee bean, "South of the clouds," combining coffee beans from Yunnan Province in China. As of this year, Starbucks has been in China for nearly 25 years, making the country it's the second largest market after the United States. Compared with other foreign coffee brands, Starbucks' products and services have better integrated into the Chinese market and matched the needs of consumers. The goal is to produce more diversified products based on the basic principle of people. Another unique factor that makes Starbucks a successful coffee brand is its unique marketing strategy. Starbucks doesn't just sell coffee and snacks; What they really want to create is a high-end feel and flow. At the same time, another point Starbucks brings to consumers is that Starbucks transmits popular Western lifestyles to people. There is a phenomenon that many consumers can be seen with computers in Starbucks offices and so on [8].

However, due to the impact of COVID-19. Starbucks has had some adverse effects on its earnings and reputation. First of all, due to the lockdown of the pandemic and social events, Starbucks had a declining trend in profit in these two years. First of all, in the first quarter of 2022, due to the Chinese government's control and lockdown of the epidemic, Starbucks' sales in The Chinese market decreased by 23%. Secondly, Chinese consumers' passion for tea has ushered in a new climax. In recent years, the tea beverage stores in China have seen significant growth, and some well-known tea beverage brands have joined the international market, such as Coco, Fine tea, and so on. According to Starbucks's development in China and its situation, the following two challenges are mainly formed. First, Starbucks adjusted its products and marketing methods in the Chinese market. Second, through observing competitive products such as tea drinks and other coffee brands, Starbucks' product development strategy [9].

3. Problem Analysis

3.1 Marketing strategies of Starbucks in China

Starbucks has made some product introductions and design changes to better integrate into the Chinese market. They have to fight against a habit that is hard to change. Because China is a country based on tea culture. Before coffee entered the Chinese market, tea culture had experienced thousands of years of history. The marketing strategies of Starbucks in China are mainly divided into product customization and social media communication. In the localization of the brand, Starbucks introduced tea as the raw material for drinks, which combined with the appetite of Chinese consumers. Besides, compared with running a professional coffee shop, Starbucks creates an elegant and relaxed atmosphere in their service and store experience. This means that rather than selling coffee, Starbucks wants to create a high-end store environment and traffic to consumers. With corporate culture and taste positioning to lead the fashion trend and high-end sales market for high-income groups. Starbucks' Third Space provides consumers a shared work and play space [10].

However, the turnover of Starbucks in China in the past two years has shown an apparent downward trend. Starbucks reported a 14 percent drop in net revenue in China during the second quarter. Secondly, the increase in VALUE-ADDED tax is also a significant influence on the decline of Starbucks' turnover. Value-added tax (VAT) is an essential part of China's tax revenue which adds tax for companies that sell and import goods. Last year the Chinese government gave Starbucks a 4% discount on value-added tax, which reduced sales at its stores by 23%.

Two main reasons for this phenomenon are the increased competition in the Chinese coffee market and the impact of the Covid-19 pandemic embargo policy. First, over the past five years, not only have more and more coffee brands joined the Chinese market, but tea beverages have also regained a new focus and popularity among Chinese consumers. Examples include international brands such as Costa and Tim Hortons; Chinese coffee brands such as Manner and RuiXing Coffee. The majority of the audience for these coffee brands are young adults. Compared with the prices of Starbucks, these brands are relatively cheap. In addition, some of China's original coffee brands combine Chinese ingredients and innovate the taste of traditional coffee. Secondly, there is tremendous growth in

Chinese consumers' demand for tea-based beverages and the heritage of traditional culture. The most competitive brand with Starbucks is Hey Tea. Compared to coffee, tea beverages have a much larger market in China, are much more acceptable to consumers, and can be targeted at all age groups.

In addition, the Covid-19 pandemic has had a negative impact on Starbucks. The pandemic started spreading in early 2020, and China has a strict lockdown and quarantine. For the past two years, many cities have been under government lockdown and quarantine due to the pandemic, which means that people in the city will need to be quarantined at home, and stores will need to be closed. More than 2,000 Starbucks have ceased operations during the pandemic in China. While Starbucks' turnover in the U.S. is trending up, Starbucks stores in China lost nearly $400 million.

3.2 Social media influences customers' choice

Social media is another essential marketing tool for Starbucks in China, influencing consumers' purchasing choices. In this digital age, Starbucks also chose to use this effective way to help them spread. However, the Internet has brought Starbucks both advantages and disadvantages. To put this in context, China has the most significant Internet users, 513million people. Of those, 300 million use social media. With the development of various short videos and visual social media, live streaming and online celebrity promotion have become necessary marketing channels for Chinese consumers' purchasing choices and brand marketing. Pay attention to Starbucks China's use of social media. First, Starbucks has its app. Secondly, Weibo, TikTok China, Xiaohongshu, Bilibili, and so on have official accounts and brand partnerships on these popular social media sites in China. Up to now, Starbucks has gained 1.71 million fans on Weibo. On average, it releases content on its official blog every day, enabling it to interact with loyal users, shorten the distance with consumers and summarize fans' opinions.

Little Red Book is another essential social platform in China, offering influencers the opportunity to post content on the forum, and these influencers can collaborate freely with any brand. In the first quarter of 2022, Starbucks ranked 9th on the Little Red Book brand promotion list. By cooperating with Internet celebrities, Starbucks can let more users know about Starbuck's new products and attract more people to buy them. In the meantime, Starbucks hopes to convert those loyal users into their traffic. Contact KOL and encourage them to publish on the xiaohongshu platform in the form of pictures, texts, and videos.

In contrast, social media has also created much job-hopping at Starbucks. If a brand makes a mistake after becoming famous on social media, it will be magnified and spread infinitely by netizens. In January 2022, a Starbucks store in Wuxi, China, was fined 690,000 yuan for using expired raw materials and changing the expiration date. The news sparked a lively discussion among Weibo users, who accused Starbucks of being untrustworthy and questioned the quality of other Starbucks products. And Starbucks China's revenue in January 2022 was $897.2 million, down $13.9 million from the previous December. The influence of social media plays an integral part in consumer choice because what is shared by other users on these platforms often directly affects consumers' choice of a product. According to the research, at least 54 percent of users research the products they need through social platforms. And a whopping 71% of users make decisions based on social media recommendations.

3.3 Suggestions

All prices are rising because of shortages in manufacturing and earnings due to the pandemic. Starbucks' price hikes are the right policy. Coffee brands in China have generally raised their prices turns out Starbucks is going to raise prices for the first time since 2018 in 2022. Starbucks was able to reinvigorate profits from pricing increases. Such a slight price increase can help Starbucks find a loyal consumer group and differentiate itself from cheaper coffee brands, thus protecting the brand's positioning in the market. Third, China is also one of the countries with the fastest growing demand for coffee. Secondly, improving the localization of products is another critical factor in helping Starbucks solve the loss. Dim sum and drinks with Chinese characteristics can attract consumers' interest and increase purchasing power. In addition to tea drinks, Starbucks has onal Chinese festivals.

For example, in the Mid-Autumn Festival mooncakes, Compared with conventional mooncakes, Starbucks blends the ingredients of Western dim sum into the mooncakes.

Moreover, maintaining a good reputation on social networks is an effective tool for a brand. Especially for Starbucks, spreading a positive image of doing public welfare can help the brand reduce some negative comments and consumers' attitudes. The fact is that the Starbucks Foundation has helped 20,000 young people develop jobs and leadership skills. It also aims at sustainable coffee, assisting farmers in prin prin prin prin prin prin prin prin providing and supporting the development of agriculture. Starbucks has always been about spreading not just their coffee but their quality of life. Therefore, creating some campaigns combined with social public welfare activities is essential. In addition, loyal users need to be maintained because they tend to have more purchasing power than new users.

Because of the large consumer base of Starbucks, Starbucks can expand the influence of the brand. The success of Starbucks' brand atmosphere and cultural marketing has demonstrated a high-quality consumption experience for consumers. Secondly, the store location is excellent, close to the office building in the business district, and the human flow is significant. 3. Direct operation mode, convenient for enterprise management, can ensure the quality of coffee. Can carry on the strategic layout from the following aspects. First, Chinese consumers are becoming more receptive to coffee. Secondly, Starbucks' traditional Chinese holiday products can attract more attention and increase sales. In China's first-tier cities, coffee has a 67% penetration rate. Starbucks could host an offline event at Megacity to increase user engagement. As consumers demand the quality of coffee, data shows that 78 percent of Chinese consumers will choose to buy freshly brewed coffee. Starbucks could spend more on promoting its coffee beans and those from Yunnan Province in China, which it has been using. Can do a local joint name, so that it can attract more consumers.

4. Conclusions

In conclusion, this research aims to explore the influence of modern marketing methods on the Chinese coffee market and Starbucks China's response measures to the changing current situation. As well as some practical suggestions. According to the survey, Starbucks China is facing the following problems. Firstly, due to the revival of Chinese tea culture, more and more consumers will choose local tea drinks. Second, due to the impact of the coronavirus pandemic starting from 2020, many shops in China have to close down due to the epidemic prevention and control lockdown measures. The staff also need to be isolated due to the different living places. In addition, the price increase led to a decrease in Starbucks' turnover. It is also worth mentioning that China's coffee market is getting bigger and bigger. Starbucks needs to maintain the original price and brand image to improve customer cohesion and awareness. And by holding Campion, we can increase the exposure rate on social media. It is also essential to maintain the reputation of a brand. A good reputation can often protect existing consumers and attract potential consumers.

Starbucks China is poised for dramatic growth in store numbers over the next few years. In recent years, besides Mega City, Starbucks is also developing into towns. According to the data, Starbucks will open 1,200 stores in China. In addition, the spread of Starbucks on social media can bring them rapid user growth and sales increase. Social media is the most powerful means of propaganda in China, where social media platforms have 300 million users. When a brand establishes its own official platform, it can provide more opportunities for consumers to engage in the relationship with the brand and improve their loyalty.

5. References

[1] Heng Gao. Analysis on the network marketing and strategy optimization of Starbucks in China[D]. Siam: Siam University, 2019.

[2] Motwani D, Shrimali D, Agarwal K. Customer's attitude towards social media marketing[J]. Journal of Business Management & Social Sciences Research (JBM&SSR), 2014, 3(4)

[3] Sam Y, Cai Y. A study on the use of social media to understand consumer preference: the case of Starbucks[J]. International Journal of Management and Business Research, 2015, 5(3): 207-214.

[4] Chiu C, Ip C, Silverman A. Understanding social media in China[J]. McKinsey Quarterly, 2012, 2(2012): 78-81.

[5] Ling M. The Analysis of Starbucks Marketing Strategy in China[J]. 2017.

[6] Hahn Y, Kim D. Corporate social responsibility: A comparison analysis[J]. Asian Journal of Business Environment, 2016, 6(4): 13-17.

[7] Venkatraman M, Nelson T. From servicescape to consumptionscape: A photo-elicitation study of Starbucks in the New China[J]. Journal of International Business Studies, 2008, 39(6): 1010-1026.

[8] Jaramillo S M H. Marketing analysis of the Chinese coffee market: suggestions for a logistic system for the Colombian coffee exporters[J]. 2009.

[9] Haskova K. Starbucks marketing analysis[J]. CRIS-Bulletin of the Centre for Research and Interdisciplinary Study, 2015, 1: 11-29.

[10] Talpau A, Boscor D. Customer-oriented marketing-A strategy that guarantees success: Starbucks and McDonald's[J]. Bulletin of the Transilvania University of Brasov. Economic Sciences. Series V, 2011, 4(1): 51.