

The Localization Strategy of Multinational Corporations in the Chinese Market: A Case Study of Starbucks

Qianhui Zhou *

Department of Business Administration, Capital University of Economics and Business, Beijing, China

* Corresponding Author Email: effor002@outlook.com

Abstract. Under the situation where China's consumer market is upgrading and local brand competition is increasing; multinational companies need to adjust to market demands with localization strategies. Studying their localization practices has both theoretical and practical value. This paper takes Starbucks China as its research subject. It focuses on the implementation paths and outcomes of Starbucks' localization strategy in China, adopting the case study method, SWOT analysis, and descriptive statistics. It also uses Starbucks' financial reports and industry data for support. The study finds that Starbucks uses localization in four main areas: supply chain, products, channels, and store format. In the supply chain, Starbucks leverages local coffee bean resources, enhances coffee bean quality and supply stability via technical support, and concurrently reduces costs. In products, Starbucks creates new drinks that match local tastes and health trends. This helps increase sales. In channels, the company works closely with local digital platforms. It builds online and offline shopping experiences. It also uses local social media for brand communication and customer interaction. In-store format, Starbucks enters smaller cities and county-level markets. It changes store layouts to fit local customer habits. This expands its market coverage. This research offers useful insights for Starbucks to improve its strategy in China. It also adds to the theory of multi-dimensional localization for global companies. The findings can help other foreign food and beverage companies plan their strategies in China. They can also help local Chinese brands compete internationally.

Keywords: Localization strategy, coffee market, SWOT analysis.

1. Introduction

As China's consumer market develops with higher quality, the total retail sales of consumer goods reached 48,334.5 billion yuan in the previous year... local brands such as Luckin and Manner have achieved rapid growth. They have captured market share through high-value positioning and frequent product innovations. In today's global economy, regional localization and global integration exist together. For multinational companies, success in international markets depends on their ability to handle cultural differences. They must also meet the needs of local consumers. China is one of the world's most important consumer markets. Its unique cultural background and fast-growing digital ecosystem pose high demands on multinational companies. These companies must localize effectively. Starbucks entered China in 1999. The company does not simply treat China as an overseas market for selling coffee. Instead, it sees China as a second home that requires careful cultivation and deep integration. In recent years, Starbucks has taken a series of actions. This leads to a core research question: Do this carefully designed localization strategies truly help Starbucks grow in China?

This study uses Dunning's theory of location advantages and Kotler's theory of consumer demand. These theories provide a framework for analyzing Starbucks' localization strategy. Dunning suggested that multinational companies should choose locations based on the host country's resources, market potential, and policies [1]. Companies can lower costs and improve efficiency through local integration. Starbucks' actions in China match this theory well. For example, the company sources coffee beans from Yunnan. It also set up local coffee roasting centers. These steps reduce material costs. They also shorten delivery times and improve product freshness. These efforts help build a localized supply chain system based on location advantages. Kotler highlighted that consumer demand often reflects local culture [2]. Companies need to adapt their products and services to local

tastes and customs. Starbucks has applied this theory in China: it has launched localized beverages such as Jasmine Latte and Longjing Latte, which align with Chinese consumers' preference for tea-coffee blends. The brand also runs special marketing for Chinese New Year and the Mid-Autumn Festival. These campaigns often use zodiac animal themes to connect with traditional culture. In addition, Starbucks launched a sugar-free "True Taste" series. This responds to local demand for low-calorie and healthy beverages. These actions show how Starbucks applies Kotler's theory in practice.

Current research on multinational company localization offers a multi-dimensional view. This provides a theoretical foundation. At the overall strategy level, localization is the key way for global companies to adapt to host country markets. In this process, supply chain integration and quality control are very important. Studies show that foreign companies can lower costs by 15%-20% through local supplier cooperation [3]. This matches Starbucks' own experience in cutting costs by sourcing coffee beans from Yunnan. In the area of market and consumer demand, lower-tier markets in China contain 70% of the total population. As consumption upgrades continue, multinational brands must adapt to these markets through store expansion and product pricing. Starbucks' plan to enter 166 county-level markets in 2024 is a direct response to this trend [4]. There are many actions companies can take for localization. For example, they can study local consumption habits and market needs. They can also create localized products and services [5]. Using digital technology and marketing also offers more efficient and precise methods for food and beverage companies [6]. Most existing research looks at only one dimension of localization, such as supply chain or marketing. There is less research on how multiple dimensions work together. There is also a weak analysis using quantitative data. This study uses Starbucks China as a case. It applies the case study method and SWOT model. It systematically analyzes the company's localization across four areas: supply chain, products, channels, and store layout. This approach fills a gap by showing how multiple dimensions work together. It also adds a stronger quantitative correlation to the research.

2. Strategic Initiatives

Starbucks' strategic initiatives include four main areas. These are supplying chain localization, product localization, market penetration with store expansion, and channel localization.

2.1. Localizing the Supply Chain

A localized supply chain is the key foundation for Starbucks in China. The main method is to deeply use coffee bean resources from Yunnan. For example, Starbucks set up a coffee farmer support center in Yunnan in 2012. This was its first technical support center in China focused on coffee farming. This center had a team of professional agronomists. It gave free technical training to more than 17,000 coffee farmers in Yunnan. The training covered key areas, including standards for harvesting fully ripe coffee cherries, shade tree planting techniques, and eco-friendly pest control methods. This technical support enhanced the quality of Yunnan coffee beans: their qualification rate was 20% in 2012 and increased to 80% by 2024. Now the beans meet Starbucks' global standard for high-quality coffee procurement [7].

Now, Starbucks China sources a much larger share of its coffee beans directly from Yunnan. This direct sourcing reduces transportation costs and other related expenses. It also helps lower overall costs. Starbucks has smartly applied the theory of location advantages. The company cultivates and uses local people and resources. This approach saves a significant amount on labor and logistics costs. It also supports sustainable development.

2.2. Product Localization

Product localization is a key strategy for Starbucks. It helps the company meet the taste preferences and health needs of Chinese consumers. The main idea is "precise innovation based on local research". This aims to blend Starbucks products into Chinese food culture and consumer habits. In March 2025, Starbucks China conducted a survey. It gathered responses from over 1,600 consumers in 14 cities.

These cities included Shanghai, Beijing, Guangzhou, Shenzhen, Chengdu, Hangzhou, and Wuhan. The survey results showed that 71% of respondents liked flavored coffee. However, 31% were worried about the health impact of sugar. Also, 40% felt that overly sweet coffee ruined the taste.

Based on these findings, Starbucks launched its “True Flavor Sugar-Free” drink series. This line uses natural plant extracts for flavor instead of traditional syrups. This method keeps the flavor but achieves zero added sugar. The drinks have over 50% fewer calories than regular flavored coffee. They meet the dual consumer demand for both health and taste. Market feedback on the “True Flavor Sugar-Free” series has been positive, verifying the effectiveness of product localization. Following its launch, Starbucks China recorded rapid growth in same-store sales and transaction volume, reflecting strong market acceptance of localized products.

2.3. Market Penetration and Store Expansion

Market penetration and store expansion form a core strategy for Starbucks. This strategy aims to tap into new growth in China’s consumer market. The main approach is to move beyond saturated first- and second-tier cities. The goal is to penetrate county-level markets instead. Starbucks adapts its store formats and services locally to meet the needs of this market penetration. According to data from Starbucks’ 2024 report, the company now operates in over 1,000 county-level markets in mainland China. It has more than 7,000 stores there. In the 2024 fiscal year alone, Starbucks opened a net 790 new stores. This represents a 12% year-on-year growth. The company also entered 166 new county-level markets, setting a new record.

From the perspective of expansion pace and operational strategy, Starbucks’ downward expansion focuses on “precise store placement and scenario adaptation”. Most new stores are located in core commercial areas of county-level cities. Others are situated in large residential communities or near transportation hubs. This approach carefully considers the specific needs of local customers. This tailored expansion strategy helps Starbucks quickly gain a foothold in lower-tier markets. It has now become a new growth engine for Starbucks’ performance in China.

2.4. Channel Localization

Channel localization is a key change for Starbucks. This shift helps the company fit into China’s digital consumer ecosystem. The main goal is to use local online platforms. Starbucks wants to create a shopping experience that connects online and offline. Since 2018, Starbucks has formed partnerships with Alibaba, Eleme, and Meituan. These partnerships helped build a full online channel system. This system includes delivery services, membership programs, and marketing. Channel localization has increased the share of Starbucks’ online sales. Before the pandemic, online orders made up about 15% of its business in China. Later, delivery services grew quickly in 2021. The company’s net income from delivery was \$367.48 million in 2021. This was much higher than the \$258.28 million in 2020. Starbucks’ financial reports show this growth continued. Digital sales made up 44% of total sales in Q4 2022. This share rose to 49% in Q1 2023. It reached 52% in the same quarter of 2024, which is linked to the promotion of “Star Special Delivery”.

Starbucks also uses local social media for marketing. It has official accounts on Weibo, WeChat, and Douyin. On these platforms, it runs campaigns like the “Starbucks Coffee Master Competition” and “Spring Festival Topic Challenge”. These topics have gained over 30 billion views and 200 million discussions; help grow its online member base. This deep integration into China’s digital ecosystem makes shopping more convenient. It also increases user loyalty through the membership system. This strategy is now a core advantage for Starbucks in competing digitally [8].

3. SWOT Model Analysis

This analysis focuses on the “Localization Strategy”. It examines how Starbucks China assesses its internal and external environment. The analysis covers four areas. These are internal Strengths, internal Weaknesses, external Opportunities, and external Threats.

3.1. Strengths

First, Starbucks enjoys high global brand awareness, which provides a solid trust foundation for its localization strategy [9]. Data from a third-party social media platform shows this. Topics about Starbucks on Weibo, WeChat, and Douyin have gained over 3 billion total views. They also have over 200 million discussions, show the brand maintains high visibility and interest.

Second, Starbucks is skilled in store layout and customer experience. The company has successfully created its “third space” concept in China. Many Starbucks stores in China include local cultural elements. For example, the Beijing Forbidden City store and the Xi’an Tang Dynasty Night Market store. These stores keep the global brand style. They also blend local architecture and design into the store experience. Furthermore, Starbucks has a strong physical presence. Over 70% of its stores in first- and second-tier cities are in core business districts, office buildings, and shopping malls.

3.2. Weaknesses

First, Starbucks has a high price position. The company has long targeted the mid-to-high-end coffee market in China. Most of its products are priced between 25 and 45 yuan. This price range is much higher than that of local competitors like Luckin Coffee and Cotti Coffee. Their drinks mostly cost between 9.9 and 25 yuan. Starbucks does have loyal customers. However, its high prices create a barrier for many consumers. This limits its reach in the broader mass market. It also makes the company more vulnerable during economic downturns.

Second, its product variety is limited. Starbucks introduces new products mainly every quarter. This innovation pace is slower than that of local brands. Competitors like Luckin Coffee innovate very quickly. They use fruits, popular flavors, rich foam, and various toppings more extensively. Some consumers feel that Starbucks’ menu cannot meet diverse taste demands. In comparison, Luckin Coffee offers a wider range of drink choices. This wider variety covers more consumption scenarios and user preferences.

3.3. Opportunities

First, consumer groups are growing and product types are diversifying. In recent years, healthy consumption has become a major trend in China. Market research data shows that 60% of consumers prefer low-sugar, low-calorie, and plant-based milk coffee options. Starbucks can strengthen its “tea and coffee combination” concept in the domestic market. It can launch more innovative low-calorie drinks to join the healthy beverage competition. Additionally, the coffee market in first- and second-tier cities is becoming saturated. However, coffee culture is growing rapidly in third- and fourth-tier cities. Starbucks can use its strong brand appeal to enter these untapped markets early.

Second, digital marketing offers great potential. Data from the China Internet Network Information Center shows that as of 2023, China had 840 million online shopping users and 920 million mobile payment users. Starbucks China’s financial reports reveal strong digital sales growth. Digital sales accounted for 44% in Q4 2022, 49% in Q1 2023, and 52% in the same quarter of 2024. As of March 2025, Starbucks Express Delivery service covers nearly 1,000 county-level markets. It has built a strong operational system. This service has provided quality coffee delivery to over 100 million customers in total.

3.4. Threats

First, Starbucks is facing strong competitive pressure. Competition is very strong in China’s coffee market. There are many companies with similar products. Market research data shows that Luckin Coffee’s market share has now passed Starbucks. Other local brands like Cotti and Manner are also growing their share quickly. This puts Starbucks’ market share at risk of decreasing. Competitors often use a low-price strategy and offer many product choices. This has attracted some of Starbucks’ core customers away. At the same time, other drink brands like “Heytea” and “Chagee” are starting to sell coffee drinks too. Consumers now have more choices than ever. This situation leads to lower customer loyalty.

Second, Macroeconomic uncertainties and a consumption downgrade trend persist: the global economy faces ongoing uncertainty, and consumer confidence in China remains volatile. Many people are now spending less money. They are cutting back on non-essential purchases. Starbucks' pricing leads many consumers to see it as a "light luxury" item. These items are often the first to be cut from a budget. Attracting and keeping price-sensitive customers has become a major challenge for Starbucks.

4. Localization Strategy Results

First, the financial performance is analyzed. Since Starbucks started purchasing coffee beans from Yunnan in 2012, its total operating revenue has shown a general upward trend. This information is presented in Table 1. In 2024, the operating revenue reached \$3,008.2 million. This figure is approximately 27.7% higher than the \$2,355.8 million revenue from 2018. The revenue did experience some fluctuations during this period. For instance, it decreased by 10.0% in 2020 due to the pandemic. However, a strong recovery followed in 2021. This year represented a mature phase for Starbucks' localization efforts. Revenue from local stores increased significantly by 42.3% to \$3,674.8 million that year. Store expansion and individual store efficiency further confirm the improved financial performance. The number of stores grew from 3,521 in 2018 to 7,594 in 2024. This growth represents a compound annual growth rate of about 12%. The average annual revenue per store decreased from approximately \$0.67 million in 2018 to \$0.40 million in 2024. This decline is primarily attributed to the dilution effect of rapid store expansion, while the input-output efficiency was actually higher. The localization strategy reduced the cost of opening new stores. For example, the local supply chain helped lower logistics costs [10].

Table 1. Starbucks operating revenue, year-on-year growth, and number of stores

Numble	2018	2019	2020	2021	2022	2023	2024
Operating Revenue (USD million)	2355.8	2872	2582.8	3674.8	3008.3	3081.5	3008.2
Year-on-Year Growth Rate (%)	-	21.9%	-10.0%	42.3%	-18.1%	2.4%	-2.4%
Number of Stores	3521	4123	4704	5358	6019	6804	7594

Data sourced: Statista and Starbucks' annual corporate financial reports.

Second, non-financial performance is analyzed. The success of the localization strategy can be seen in three areas. These are user response, social media spread, and supply chain cooperation. In user response, the "True Flavor Sugar-Free" series performed well. After its launch, Starbucks saw growth in same-store sales, total transactions, and user repeat purchase rates. This shows that the localized products were accepted by the market. In social media spread, related topics gained over 3 billion total views on Weibo and Douyin. By Q4 2024, Starbucks China had 140 million total members. Active members reached 23.5 million. This demonstrates how localized marketing strengthens user loyalty. In supply chain collaboration, Starbucks has established a comprehensive localized supply chain system through standardized procurement processes and direct cooperation with local coffee bean plantations. A comparison with the local brand Luckin shows that Starbucks has a higher average price. However, Starbucks' raw material cost ratio stayed between 28% to 30%. This is 4% lower than Luckin's ratio. These figures show that lean management helped control costs well [11]. Online channels also supported store performance. Platforms like Meituan and Eleme brought more customers to physical stores. In 2024, online orders made up 52% of store sales. This created a strong link between offline stores and online channels. It also improved overall market penetration.

5. Conclusion

This study analyzed Starbucks' localization strategy in the Chinese market from multiple angles. The analysis leads to several conclusions. Starbucks implemented a comprehensive localization

approach. This includes localization in the supply chain, products, channels, and store format. These efforts effectively improved the company's competitiveness and financial results in China. Large-scale coffee bean sourcing from Yunnan lowered costs, it also made the supply chain more stable and responsive. Localized products like the "True Flavor Sugar-Free" series met local consumer needs. These drinks combined health and taste preferences. This strategy successfully increased same-store sales and transaction volume. Digital channels and expansion into county-level markets widened market reach. These combined measures supported Starbucks' growth in China. They helped the company maintain growth despite strong local competition and a changing market environment. This study recommends that Starbucks continue its product innovation and cost control. The company should also pay more attention to price-sensitive customers in lower-tier markets. These steps can help ensure the brand's continued development.

This study's primary contribution lies in constructing a multi-dimensional analysis framework for Starbucks' localization strategy. This framework not only provides a foundation for Starbucks' future strategic adjustments but also offers practical references for other multinational corporations, especially food and beverage enterprises operating in China. This is especially useful for food and beverage companies doing business in China. However, this study has limitations, primarily regarding data sources and timeliness. It relies on public financial reports and industry data, without incorporating first-hand data such as consumer surveys or in-depth interviews. Future research could combine qualitative methods with larger sample surveys. This approach could provide a more comprehensive explanation of how localization affects consumer perception and loyalty. Such work would enable a more comprehensive evaluation of the strategy's long-term impact.

References

- [1] Dunning J H. Multinational enterprises and the global economy. Wokingham: Addison-Wesley, 1998.
- [2] Kotler P. Marketing management. Upper Saddle River: Pearson Prentice Hall, 2018.
- [3] Guo Bin. Implementation and management of localization strategy of foreign enterprises in China. *Market Modernization*, 2024, (11): 17 - 19.
- [4] Hu Yajuan. Rise of small-city economy: consumption potential of sinking market and brand sinking strategy. *China Business Review*, 2025, 34 (14): 78 - 81.
- [5] Gao Lei. Research on the localization strategy of multinational corporations and its enlightenments. *Technology Wind*, 2010, 146 (08): 83 - 84.
- [6] Zhao Jingjing, Wang Xiaoya. Research on marketing strategies of catering enterprises in the background of the digital economy. *Modern Business Research*, 2025, (11): 100 - 102.
- [7] Fu Zhichen. This cup, with Yunnan flavor: Starbucks "Links" the oriental symphony. *China Foreign Trade*, 2025, (03): 50 - 51.
- [8] Ullagaddi P. From barista to bytes: how Starbucks brewed a digital revolution. *Journal of Economics, Management and Trade*, 2024, 30 (9): 78 - 89.
- [9] He Jie, Cao Jing, Cai Xiaomei. Brand experience of Starbucks consumers and its formation mechanism from the perspective of self-consistency. *Tourism Tribune*, 2023, 38 (10): 64 - 77.
- [10] Tong Sihui. Impact of lean management on cost control - A case study of Starbucks. *Sales and Market*, 2024, (30): 119 - 121.
- [11] Wu Z, Jia F. Toward a theory of supply chain fields - Understanding the institutional process of supply chain localization. *Journal of Operations Management*, 2018, 58: 27 - 41.