

Chijiao Wei

**MARKETING STRATEGY FOR SETTING UP AN OWN
COFFEE SHOP IN CHINA**

Using Starbucks as a case study

Thesis

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ABSTRACT

CENTRIA UNIVERSITY OF APPLIED SCIENCES Kokkola-Pietarsaari	Date April 2016	Author Chijiao Wei
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<p>The thesis aimed to find out a suitable marketing strategy and making a marketing plan for setting up an own coffee shop in Shanghai, China. Coffee was one of the most popular drinks in the world and coffee has been accepted by more and more Chinese people. Coffee industry was well-received choice for the entrepreneurs to start up their own business in China. Marketing strategy played an important role in the intense market competition. A successful marketing strategy could help the coffee company seize more market share.</p> <p>The topic was mainly divided to two parts. In the first part, the author used Starbucks as a case study. Starbucks excellent marketing strategy was analyzed to seek some inspiration and provide reference for the own coffee shop. Another part was a marketing plan for the author's own coffee shop. Compared with Starbucks, the author used good strategies that were similar to Starbucks's marketing strategy. In different aspects, the author made unique strategies for the own coffee shop according to a specific situation. Literature review, present press, theoretical framework and practical analysis were the main methods to complete the thesis.</p> <p>As a result of the thesis, the author succeeded in working out a marketing plan, which was beneficial for establishing an own coffee shop in Shanghai, China in the future. At the same time, the thesis also provided some useful suggestions for coffee companies or coffee brands in China.</p>		

<p>Key words</p> <p>coffee, coffee shop, marketing environment, marketing strategy, marketing plan, Starbucks</p>
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1 INTRODUCTION

With the development of society, with the growth of economy, with the improvement living standard, consumption structure has changed a great deal. In the past, customers focused on material consumption, such as basic necessities of life. While, nowadays, when customers buy some products or receive services from a company, not only do they pay more attention to the costs performance of the products and the quality of the services, but also they attach importance to happiness and spiritual pleasure. Therefore, there is no doubt that the companies, enterprises, and organizations will try their best to seek a better marketing strategy to meet the needs of the customers. In this way, they can increase their competitive advantage and then seize more market share.

At present, coffee is part of the most popular drinks in the world. Regardless of the fact that coffee industry in China started later, a blending of Western and Chinese cultures makes coffee integrate into China's drink market and is accepted by more and more customers. In general, most of Chinese customers regard coffee as spiritual and cultural consumption. When they drink a cup of coffee, they think highly of the consumption atmosphere and real experience. Currently, coffee industry is one of the most popular industries that the entrepreneurs choose to start up as their own business in China. In fact, there are rare localized coffee brands in China and these companies have difficulties to reach achievement in the competitive market. Therefore, there is hardly any Chinese local coffee company or brand that can set a good example to these new coffee shops.

Starbucks, however, has its own "coffee culture" and develops quickly in China's coffee industry. The first Starbucks were established in China in 1999. Nowadays, more than 1900 stores are established in 99 cities in China and about 30000 employees work for Starbucks in China. There is no doubt that marketing strategy has played a major role in Starbucks's success. (Starbucks 2016). Marketing is beneficial for improving the acceptance and identification of new products by customers, which can make customers know more about products and enrich the people's lives. It also creates value and innovates the basis of products, and then position of the products will be improved in the markets. (Kotler & Keller 2011, 4). The successful marketing strategy of Starbucks can provide reference for some new coffee shops and the other coffee companies or brands in China.

The aim of the thesis is to make a marketing plan for setting up an own coffee shop in China by analyzing Starbucks's marketing environment and marketing strategy.

The thesis will make use of study tools such as, research, professional books, reliable websites, periodicals to collect information and data. The theoretical framework and practical analysis go in hand in hand. The report will begin with a brief introduction of Starbucks, especially the development in China's coffee industry, which can let the readers have a general understanding of Starbucks. Then the challenges and core competencies of Starbucks will be put forward. By this approach, Starbucks's status can be showed clearly. Secondly, the author will analyze coffee industry in China. The macroscopic environment is very important both to Starbucks and to new coffee shops. Thirdly, the author will use theoretical frameworks such as PESTEL framework, PORTER's five forces, 4P's of the marketing mix and STP marketing method to analyze Starbucks's marketing environment and marketing strategy for the further. After that, the author will have a conclusion and list some points on Starbucks's excellent marketing strategy. Finally, the author will make a marketing plan for setting up an individual coffee shop. The author will use the PESTEL framework, PORTER's five forces, SWOT analysis, 4P's of the marketing mix and STP marketing method to analyze specific circumstances of the own coffee shop.

The scope of the study is analyzing the marketing strategy for an own coffee shop in China's coffee industry. The author will concentrate on culture and consumption customs in China.

2 PRESENTATION OF STARBUCKS

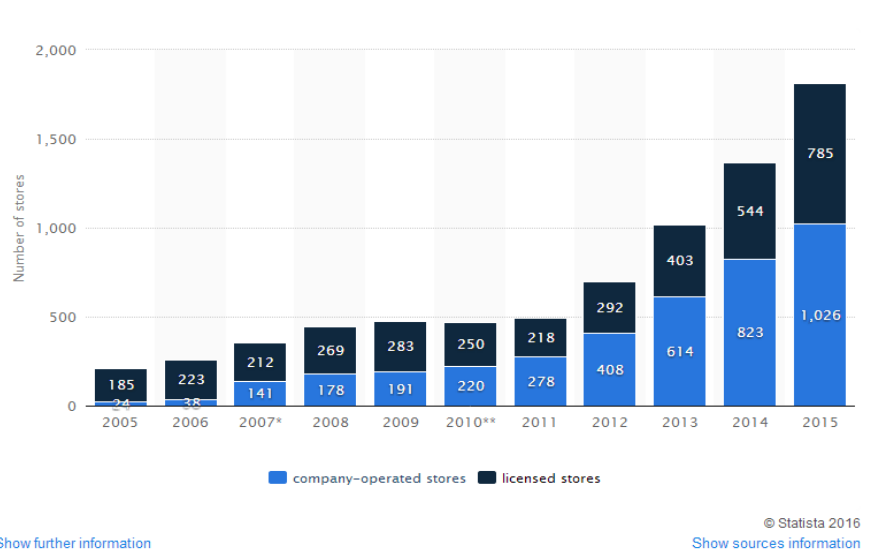
In this part, Starbucks's background and Starbucks's development in China will be introduced. After that some problems and challenges of Starbucks will be described.

2.1 The background of Starbucks

Starbucks is a multinational cooperation that was established in the USA and mainly selling handmade espresso and a variety of hot and cold coffee drinks, fresh pastries, and coffee mugs. Starbucks was founded in Seattle, Washington, on March 30, 1971, by Jerry Baldwin, Zev Siegl and Gordon Bowker who met while they were students at the University of San Francisco. They started to run business with coffee beans until Howard Schultz acquired Starbucks and opened the first stores which sold drip coffee and espresso drinks in 1987. Starbucks was successfully listed on NASDAQ in New York, in 1992. After that, Starbucks entered a new stage of progress. At present, Starbucks that devotes itself to specialty coffee is the premier roaster, marketer and retailer all over the world. Starbucks stores have been established in 65 countries. (Starbucks Fiscal 2014 Annual Report 2014). Financial information and total assets are showed in appendix 1 and appendix 2.

2.2 Starbucks' development in China

China is one of the biggest countries of consumption in the world. It was necessary for Starbucks to enter China's coffee market when Starbucks continued to improve and expand. However, a long history of tea culture in China does not become the obstacle for Starbucks's development in China. The first store was founded in Beijing's World Trade Building in 1999. Then, a large number of stores were found in more cities, such as Shanghai, Shenzhen, Guangzhou, and Nanjing. As can be seen in GRAPH 1, the number of Starbucks stores in China continued to grow from 2005 to 2015. Besides, the number of new stores which were established every year also kept on increasing. Currently, there are more than 1900 Starbucks stores in over 99 cities in China.



GRAPH 1. Number of Starbucks stores in China from 2005 to 2015 (adapted from Statista 2016)

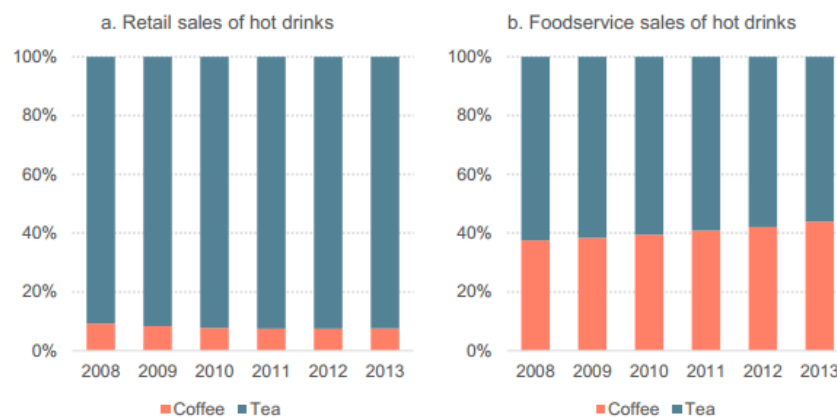
At the same time, Starbucks pays greater attention to innovation of products in order to adapt well to China's coffee market. Starbucks always provides high quality coffee and high grade services to satisfy the interest of different customers. Their goal is tantamount to share the Starbucks Experience with Chinese consumers, one cup, one person and one neighborhood at a time. (Starbucks 2016). Starbucks prizes highly the third place theory and makes a contribution to make Starbucks become the leisure place which is independent from office and home. Starbucks focuses on the unique experience of the customers rather than just selling coffee. Starbucks fully respects the traditional culture in China. In the aspects of store design, local food and beverage supply, Starbucks integrates local customs into Starbucks's experience. Since Starbucks entered the Chinese market, a lot of Chinese characteristic beverages and food which are well received by the customers are made. For instance, Starbucks moon cake, Starbucks Chinese tea, Frappuccino dumplings and so on. Starbucks always tries to increase the value of the products and services in order to meet the demands of consumers.

In the future, more Starbucks stores will enter into China's market. In January 2016, Chief Executive Howard Schultz visited China and declared that Starbucks maps out to establish 500 new stores in China each year for the following five years. The amount of Starbucks stores have doubled to about 2,000 stores in 100 cities in China now. What is more, the revenue of China and Asia-Pacific region for the last quarter more than doubled from the

previous year. Starbucks, as a multinational corporation will open more stores in the world, but Schultz thinks China will become Starbucks's largest market. (Zhang 2016.)

2.3 Starbucks' challenges in China

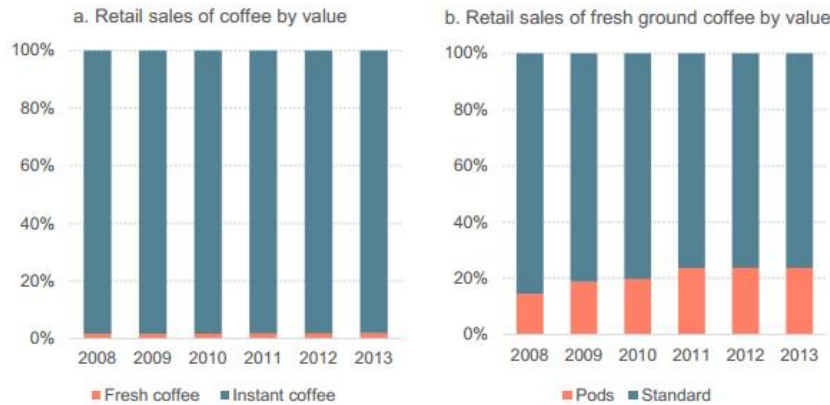
Firstly, China is a tea drinking country. Tea continues to be one of the most common drinks in the market. As we can see in GRAPH 2, the retail sales of coffee only account for one-tenth of the retail sale of tea. It proves the Chinese consumers have a greater demand for tea than coffee. Although in food service sales of hot drinks, coffee has a larger proportion than retail sales, tea still plays an unshakable role in the China's drink market.



Source: Euromonitor International

GRAPH 2. Market shares of tea and coffee in the retail and foodservice sectors (adapted from Coffee Organization 2015)

Secondly, with the fast pace of life in modern life, people may tend to pursue efficiency. As we can see in GRAPH 3, in retail sales field, the proportion of instant coffee largely exceeds the proportion of fresh coffee. A large number of white-collars are busy with working and they do not have the time to drink coffee in a coffee shop. Although the quality of instant coffee cannot compare with Starbucks's fresh coffee, instant coffee is more convenient and saving time.



Source: Euromonitor International

GRAPH 3. Market composition of retail sales by value (adapted from International Coffee Organization 2015)

2.4 Starbucks' core competencies

To gain competitive advantages, the company needs to create more value and satisfaction for the target customers than competitors do. (Kolter & Armstrong 2011, 528). Core competencies is the ability that can provide a company absolute advantage. If the company can integrate different products, skills, and technologies, the company can make its products and services irreplaceable in the industry. (Prahalad & Hamel 1990, 79-90).

Starbucks core competencies mainly come from two aspects. The first one is the Starbucks experience, customers gather together in the Starbucks stores because of total Starbucks experience. Starbucks has built emotional connections with customers and established the "third place" that provides customers special warmth and sincerity which are different from home and office. Starbucks gives customers a comfortable environment either to stay alone or together with two or three friends. High quality food and beverages, quality services and comfortable atmosphere are valued on a personal level. (Michelli 2007, 11-13.) There are five Starbucks experience principals: Make It Your Own, Everything Matters, Surprise and Delight, Embrace Resistance, Leave Your Mark. Make It Your Own means Starbucks creates a company structure for Starbucks's partners/employees and encourages them to put greatest passion, energy, creation into their work. The partners will feel the Starbucks' experience will be received by the customer because of what they do;

Everything Matters means that Starbucks focuses on each detail and thinks everything is very important, especially the customers are concerned, from store design, work attitude, the quality of food and beverage to a coffee bean; Surprise and Delight means Starbucks managements try their best to realize subjective happiness for the customers and employees, which make an effect on loyalty, community and profits; Embrace Resistance means Starbucks shops are willing to accept all criticism and changes themselves to become better through resistance; Leave Your Mark means Starbucks makes contribution to corporate and community which includes caring for employees, doing volunteer service in the community, protecting environment, insisting on sustainability development and so on. (Michelli 2007)

Another one is Starbucks's corporate culture. On one hand, Starbucks solidarizes all employees and makes them become a big family. In addition, the partners can possess medical insurance and other welfare. Starbucks always put the interest of the parnters at first and respects all contribution they made. Besides, Starbucks organizes coffee knowledge training for the parnters in a fixed period of time. In this way, the partners can provide first-class services to customers and deliver the Starbucks culture and spirit to customers. On the other hand, since entering China's market, Starbucks is committed to contribute to the society. Starbucks performs corporate social responsibility projects in local and national level. This part will be mentioned more detailed in public relations of 4.3.

3 COFFEE INDUSTRY IN CHINA

Coffee entered into the Chinese market later and coffee industry in China developed slowly. Although China is a tea culture nation, demanding more coffee by the customers, the coffee industry develops constantly. At the same time, coffee shops can be seen everywhere on the streets of China. Coffee culture and coffee experience has spread to every corner of China.

The coffee production market in China is relatively small, but the development pace has been very fast in recent years and the planting areas expand gradually. By 2013, the coffee cultivation area was about 100,000 square hectometer. Currently, in the world of coffee market, coffee consumption is nearly 12 trillion RMB, and China's coffee consumption is 100 billion RMB. In another words, China's coffee consumption market has a strong market potential in the future. (Fang 2015, 147.) In FIGURE 1 can be showed the coffee producing areas in China. The major coffee producer is Yunnan province that accounts for 95 per cent of coffee production. Yunnan province which has a mild climate, is traditionally a famous tea region. The weather in Yunnan province is suitable for cultivating coffee, especially Arabica coffee. (International Coffee Organization 2015.) Hainan and Sichuan provinces also have small amount of cultivation.



FIGURE 1. Coffee producing areas in China (adapted from adapted from International Coffee Organization 2014)

The government of Pu'er city supports the development of coffee industry in Yunnan province. They allocated 10 million RMB to the construction of a National Key Laboratory of coffee detection in Pu'er city. It is the first coffee laboratory in China. Coffee cultivating of Pu'er city started in the end of 19th century. Industry development began in 1998. In 2015, the total coffee growing area was about 7,570,000 mu. The yield was 399,000 tons and the output value was 1.2 billion RMB. Coffee was exported to over 30 countries, for example in the Americas, Europe and Asia. At present, Pu'er city has become the main coffee producing area and distribution center for the coffee trade because of the largest coffee growing areas, the highest coffee yield and the best coffee quality. Not only do the National Key Laboratory lay a foundation for Pu'er coffee industry inspection, quarantine, arbitration, research, personnel training and the exchange of foreign technology, but it can also provide strong technical support to international trade, which greatly promote the development of Pu'er coffee industry. (China Coffee Network 2016.)

However, opportunities and challenges coexist in the same. At present, there are many problems in China's coffee industry. Firstly, the cultivation range of coffee is relatively small and the large scale industry is restricted. Places where coffee can be cultivated are also restricted. Although weather conditions in Hainan province are suitable, the development is not better than in Yunnan province. In order to promote the development of China's coffee industry, the government makes a plan according to regional distribution. The southwestern of Yunnan province, Leizhou peninsula in Guangzhou province and northwestern of Hainan province are regarded as the important base for developing the coffee industry.

In China, coffee sales depend on Nestle, Maxwell, several coffee processing enterprises as well as some temporary sales companies. The network of coffee sales in China is not good and it can be improved in the future. At the same time, China's government does not pay attention to the domestic and international sales and does not recognize the market risk. The risk tolerance of the government is weak, so when the market prices fall gradually, the interest of coffee farmers can be protected, which will have an effect on the positive attitude of coffee farmers and is harmful to the sustainable development of the coffee industry. (Fang 2015, 147.)

In China's coffee market, marketing sales rely on foreign brands, such as Nestle, Starbucks, Costa and so on. There is no famous coffee brand in China. The coffee in China enter the national market with the help of the world's major coffee companies. The coffee that is elementary process is exported to the other countries, and the coffee companies all over the world continue to process and charge mixture. At present, though there are many coffee companies in China, the quality of coffee is not very high. China's coffee market lacks of uniformity, high quality brands, which means China's coffee industry does not have advantages. Besides, the domestic coffee processing enterprises have not a deep processing capacity. The scale of most of these companies is small. These factors all prevent the sustainable development of the coffee industry. (Fang 2015, 147.)

4 MARKETING ENVIRONMENT AND STRATEGY IN CHINA

In this part, the PESTEL framework will be used to analyze Starbucks's macro environment; PORTER's five forces will be used to analyze the micro environment; Core Competitiveness will be used to analyze Starbucks's internal environment. A company's marketing environment is made up of actors and forces outside marketing which may influence the ability of marketing management. Successful marketing management means establishing and maintaining good relationships with target customers. (Kolter & Armstrong 2011, 66). The role of marketing is shown in FIGURE 2. The theoretical framework such as 4P marketing mix and STP marketing methods will be used to analyze Starbucks's marketing strategy. The marketing strategy means using a suitable marketing mix in a target market. (Perreault Jr & McCarthy 2002, 46).

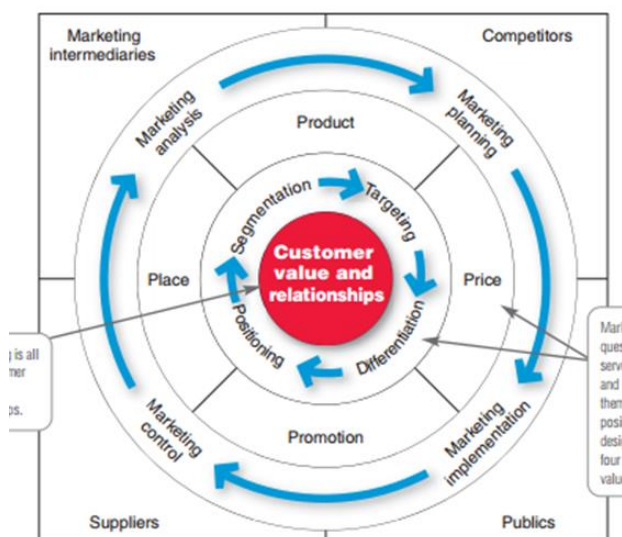


FIGURE 2. Managing Marketing Strategies and the Marketing Mix (adapted from Kolter & Armstrong 2011)

4.1 PESTEL framework of Starbucks

PESTEL framework is used to analyze Starbucks's macro environment in marketing. In a company, the forces of macroenvironment may create opportunities or form threats. (Kolter & Armstrong 2011, 70).

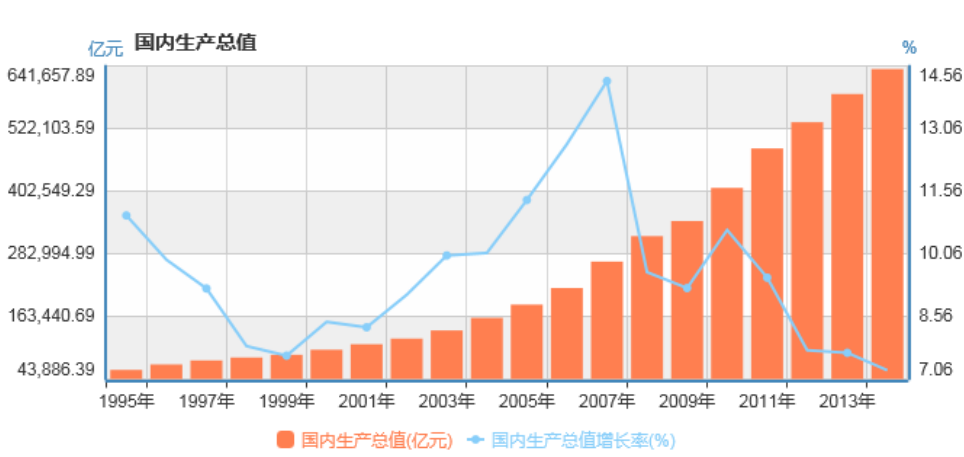
TABLE 1. The framework of Starbucks's PESTEL

P- Political factor	<ul style="list-style-type: none"> ✧ The good relationship between China and the USA ✧ China's entrance in WTO
E-Economic factor	<ul style="list-style-type: none"> ✧ The growth of GDP ✧ The growth of disposable income of urban residents
S- Social factor	<ul style="list-style-type: none"> ✧ The acceptance of western ideas, such as coffee culture ✧ The change of lifestyle and purchasing habits
T- Technological factor	<ul style="list-style-type: none"> ✧ The combination of service and information technology ✧ Implement online services
E- Environmental factor	<ul style="list-style-type: none"> ✧ Corporation social responsibility
L-Legal factor	<ul style="list-style-type: none"> ✧ Continuous improvement of the legal system

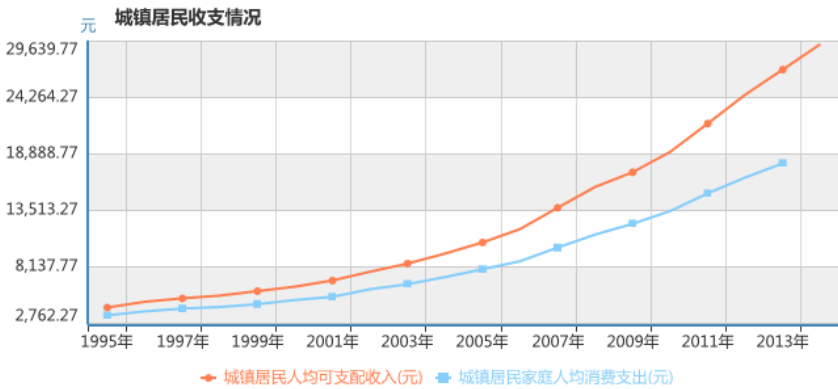
The first one is the political factor. As Starbucks is an American multinational corporation, the good relationship between China and the USA plays an important role in Starbucks's development in China. The United States had a great achievement in the economic globalization. China joined the WTO in 1971, which is beneficial to the economic development in China, the United States and other countries in the world. The cooperative relationship between China and the USA must bring clear and potential benefits to these two countries. (Chow 2004, 227-230) Besides, after China joined to the WTO, systems and policies are improved day by day. Starbucks, a coffee company that needs more imported raw materials can do international trade more conveniently. In 2005, China announced the clause that foreign investment could not enter into the retail industry in China. In the area of the region, the number of equity ratio gradually could not be restricted, which was helpful to Starbucks direct management.

Another factor that cannot be ignored is economic factors. Starbucks entered the Chinese market in 1999. GRAPH 4 shows that China's GDP is increasing from 1999 to 2013. The red rectangular bar represents China's GDP and the blue line represents the growth rate of GDP. At the same time, GRAPH 5 displays the income of urban residents. The red line represents disposable income of urban residents and the blue line represents per capita consumption expenditure of urban households. That all means when Starbucks entered yje Chinese market, China's economy was growing all the time. With the development of economy and the growth of disposable income of urban residents, the consumption market

becomes larger and larger, which provides Starbucks opportunities to develop and expand in China’s market.



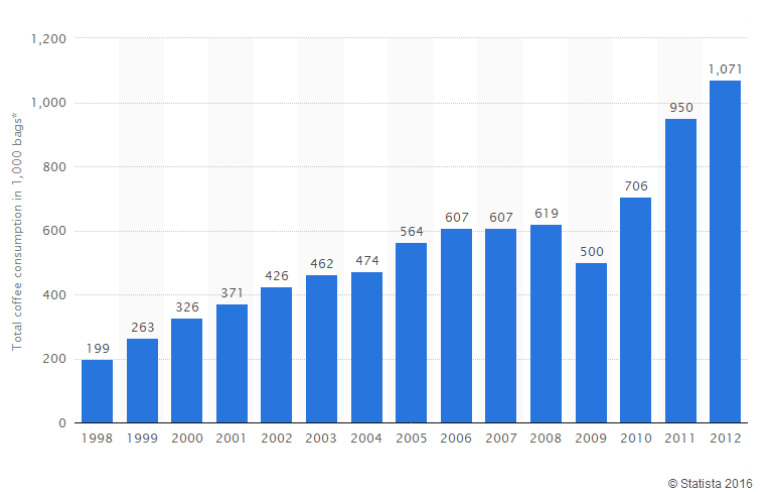
GRAPH 4. China’s GDP from 1995 to 2013 (adapted from National Bureau of Statistics of China 2014)



GRAPH 5. China’s resident consumer price index from 1995 to 2013 (adapted from National Bureau of Statistics of China 2014)

Social factor is also an important aspect. On one hand, with the blending of Western cultures and Chinese cultures, coffee and coffee culture are accepted by more and more Chinese customers. At the same time, the total coffee consumption in China is growing year by year. GRAPH 6 shows the change of total coffee consumption in China from 1998 to 2012. The International Coffee Organization estimates that coffee consumption in China has risen by 16 % per year over the past decade. (Sun 2016). In this trend, China’s market will need a larger amount of coffee. On the other hand, the Western life style is added to

the Chinese life style gradually. Many youngsters are fond of Starbucks's third place theory and experience marketing.



GRAPH 6. Total coffee consumption in China from 1998 to 2012 (in 1,000 bags*) (adapted from Statista 2016)

Technological factor is Starbucks advantages. Not only does Starbucks provide opportunities to the customers to experience services through information technology, but Starbucks also makes good use of e-commerce to meet the needs of the customers. For example, Starbucks app could be downloaded by customers in 2012. Customers can use the app to know more about new products, have member cards and card points. Simultaneously, all Starbucks stores in China cover wi-fi, and the customer can pay by Ailpay, which is more convenient. In addition, Starbucks's T mall official flagship store was opened on December 14, 2015 in China. Starbucks's T mall official flagship store combines store experience with online services. After that, customers can receive easy gifts and proceed emotional connection through a computer or a mobile phone.

The environmental factor is mainly about the contribution of Starbucks for the natural environment. Starbucks does not bear any responsibility for the loss of cultivated land and environmental pressure because the coffee beans are mostly imported. Therefore, Starbucks focuses on corporation social responsibility. Starbucks praises highly the sustainable development of coffee cultivation and takes environment, society and company purchasing into consideration. Starbucks carried out the plan: love the earth together in 2009 and promised they would provide a good environment for coffee farmers, community and society. Besides, Starbucks implemented a programme: cups of love in 2015.

Starbucks encouraged the customers to bring their own cups to drink coffee, which can avoid using paper cups and reduce waste. In 2014, 1.5 million paper cups were saved totally. (Li 2015).

The last one is legal factor. The Chinese government improves the legal systems continuously. In the areas of protectig of patent, protecting of consumer rights and interests and against unfair competition have been developed. In 2005, China announced the clause that foreign investment could not enter into the retail industry in China. In the area of the region, the number of equity ratio gradually could not be restricted. In the previous, Starbucks in China is a joint venture, therefore, the law is helpful to Starbucks direct management. Rigorous and formal legal policies protect the management of Starbucks and help Starbucks's investment in China to develop further.

4.2 PORTER's five forces

Michael Porter thought there are five forces; the threat of new entrants, the threat of substitute products, bargaining power of suppliers, bargaining the power of buyers, and rivalry among existing competitors would affect the scale and degree of competition in the industry. Porter's five forces can help a company analyze the industry structure and lead the company into a profitable position in the industry. (Porter 2008, 25-40.)

TABLE 2. PORTER's five forces model of Starbucks

The threat of new entrants	Relatively high price, brand identity, high quality coffee, scale advantage, innovation ability
The threat of substitute products	Traditional tea house, milk tea shop
Bargaining power of suppliers	Weaker bargaining power
Bargaining the power of buyers	Weaker bargaining power
Rivalry among existing competitors	UBC Caf é C Straits Caf é

The threat of new entrants means: It is easy for new entrants to enter China's coffee industry because starting a coffee shop does not need too much fund and it is not difficult to brew coffee with the help of coffee machines. Starbucks's relatively high price provides choices to the new entrants. However, Starbucks may not be affected by the new entrants

because Starbucks has brand identity, scale advantage, innovation ability and high quality of products and services. Customers are more willing to trust and choose a well-known multinational corporation. In China, about 1900 stores are opened, which make Starbucks have scale advantage. Besides, Starbucks uses 100 % Coffee Arabica and provides high quality products to the customers. Most important is that Starbucks creates many new products to meet the demands of the Chinese customers according to their traditional customs. (Starbucks 2016.) Therefore, other new entrants can hardly form a threat to Starbucks.

The threat of substitute products: Nowadays, coffee is not the only popular drink in China's drink industry. A large number of traditional tea houses and milk tea shops, such as Coco (tea and milk tea shop, from Taiwan, China) were established. The traditional tea house still attracts many customers because tea is the traditional drink of Chinese and drinking tea is the living habit. There are many studies showed that tea which contains catechins, flavonols, theaflavins and thearubigins is helpful for decreasing the risk of cardiovascular disease. (Jain, Siddiqi & Weisburger 2006, 66-68.) To keep healthy, people may choose tea as their favourite drink. In Coco, customers can have a wide range of choices, including tea, milk tea, hot chocolate, health drinks and so on. The customers can add pearl, pudding, herbal jelly to the milk tea or other drinks according to the customer preferences. (COCO 2016.) However, Starbucks has its own coffee culture and Starbucks experiences that the other companies cannot copy. Therefore, substitute products can hardly become the threat to Starbucks.

Bargaining power of suppliers: Starbucks's main suppliers are Coffee Arabica suppliers. The suppliers' scale is small and industrial concentration is low, which decides the weak bargaining power of the suppliers. Furthermore, Starbucks has brand advantage in the coffee industry, so the suppliers are willing to cooperate with Starbucks. Starbucks provides appropriate technical training for the suppliers. Starbucks has a good relationship with its suppliers. (Wu 2012, 113-114). Nevertheless, coffee beans are mainly raw material for brewing coffee and coffee Arabica cannot be replaced. Above all, the suppliers have weaker bargaining power.

Bargaining the power of buyers: Creating a meaningful consumption experience will improve consumer loyalty. When the company regard experience as their guiding principle,

they can have opportunity to create a deeper, more meaningful interactions with their customers. (Leventhal 2006, 385-386.) Starbucks's target customers are those who have a higher consumption capacity and enjoy their lives. Starbucks offers a comfortable environment for the customers to relax in. Customers will pay more attention to the quality of the products and services instead of the prices. Not only do the customers pay for the costs of coffee, but also for feeling the Starbucks experience. Because of Starbucks experience, customers are loyal to Starbucks. Thus, customers have weaker bargaining power.

Rivalry among existing competitors: The market share in China's coffee industry from 2010 to 2013 is shown in Appendices 3. UBC Café and C Straits Café may be the biggest competitors to Starbucks. UBC Café entered Taiwan in 1968 and started to develop. In 1997, the first UBC Café was found in Hainan. Nowadays, there are more than 1,300 chain stores in China. In the coffee areas, UBC Café makes a contribution to the mellow and sweet production concept. A variety of coffee beans that UBC Café uses are all processed by UBC Café's own factory. In addition to coffee, UBC Cafés have abundant products, such as tea, juice, cakes, steak. All these make UBC Café having a large number of loyal customers. (UBC Café 2016.) Another competitor C Straits Café is one of the localized chain stores in China's industry that is committed to coffee and western food. In addition to coffee and western food, it runs other food such as, teppanyaki and Japanese cuisine. C Straits Café has its own central kitchen, training school, coffee factory and logistics distribution systems. C Straits Café is popular in China as it combines Chinese culture and western food. The stores are decorated with Chinese elements flat such as celadon jar, vase with Lake views, willow and lotus. Besides, C Straits Café believes that compared with fast food restaurants, Chinese will prefer leisure food style. C Straits Café a place to communicate with others in a formal or informal ways provides more choices of food and beverages to customers. (C Straits Café 2016.) Therefore, C Straits Café has big development space in China.

4.3 The 4P's marketing mix of Starbucks

Marketing mix is one of the most common tools for a company to realize its marketing purpose in the target market. The marketing mix can be divided into four aspects: product,

price, place and promotion. (Perreault Jr & McCarthy 2002, 48-49). The main elements of the 4Ps are showed in FIGURE 3. Successful marketing strategy means the company provides more about the features of the products, gives affordable prices to the customers, has higher budget promotion and possesses many distribution channels. (Baker 2003, 287-288.)

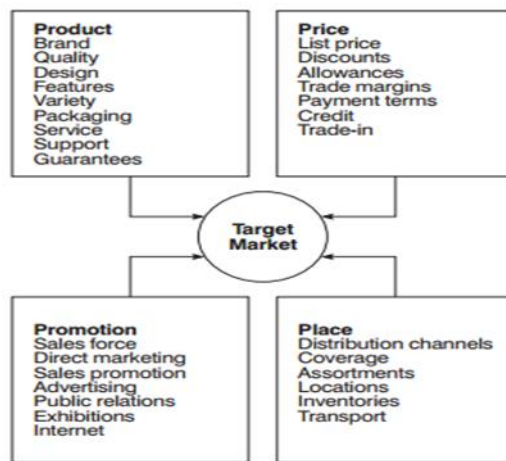


FIGURE 3. The marketing mix (adapted from Baker 2003)

Product

A product not only includes a tangible entity, but also involves intangible services and psychological attributes which the customers search and the marketers offer. (Ramachandra, Chandrashekara & Shivakumar 2010, 78). Therefore, Starbucks's products can be primary separate into beverages, food, mugs and Starbucks experience.

Starbucks beverages have diverse species and can be divided into coffee, tea and frappuccino. Certainly, the main beverages are coffee and there are rich varieties of coffee in Starbucks, such as, Espresso, Caffe Americano, Cappuccino, Caffe Latte, Vanilla Flavoured Latte, Caramel Macchiato, Caffe Mocha, Hazelnut Flavored Latte, Starbucks Flat White, Extra Shot Mocha and so on. Most customers who like drinking coffee can choose their favourite kind of coffee in Starbucks. However, Chinese customers maybe prefer to drink tea. They can choose Green Tea Latte, Black Tea Latte, Iced Shaken Blackcurrant Raspberry Juiced Tea. Another beverage that may be popular among the young is frappuccino, such as, Espresso Frappuccino, Mocha Java Chip Frappuccino, Vanilla Flavored Cream Frappuccino. All kinds of beverages can meet different demands

of the different customers. (Starbucks 2016) Starbucks food involves breakfast, cookies and macarons together with coffee in the afternoon. Besides, Starbucks mugs become very prevalent. Innovative design, unique creativity as well as simple style of mugs are well received by the Starbucks fans. Every mug is memorable and limited edition, so the market demand is huge. What is more, Starbucks experience is presented more detailed in 2.4.

Quality control and management of the products are most important to Starbucks. The main product is coffee and the raw material is Arabica beans. However, Starbucks Arabica beans are different from regular Arabica beans. Starbucks tries its best to ensure the highest quality of coffee beans. Whenever and wherever the farmers have trouble, Starbucks gives a hand to the farmers who collect the coffee beans. For example, Starbucks has farmer support centres where agronomists test soils, examine samples and put forward suggestions, which are helpful to collect higher quality coffee beans. At Starbucks tasting department, their professional tasters will taste more than 250,000 cups of coffee and select the most unique and special coffee to become Starbucks coffee. This means that Starbucks focuses on quality. (Starbucks 2016.)

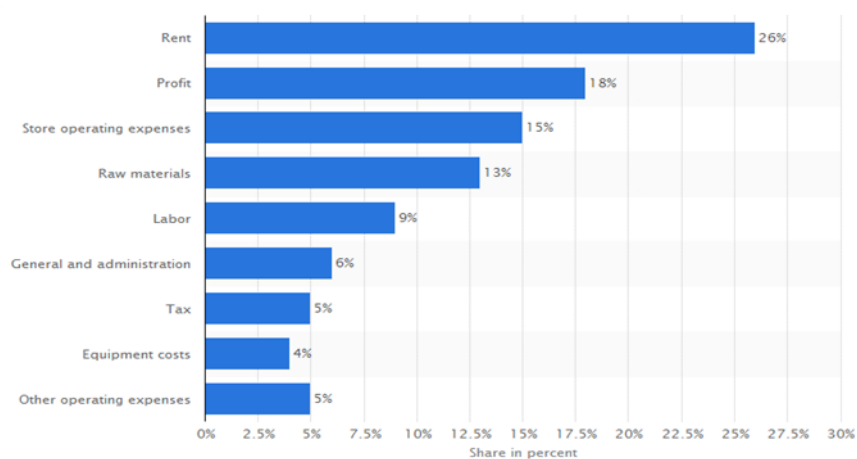
More important, after Starbucks entered into China's market, Starbucks pays more attention to the innovation and design of food and beverages according to the Chinese's tastes and customs to meet the needs of the customers. For example, at the Mid-Autumn Festival, Starbucks makes different tastes of Starbucks moon cake, such as, coffee with milk hazelnut crisp taste, blueberry cheese taste, coffee cheese taste, which are well received by Chinese customers. At Dragon Boat Festival, Starbucks makes Starbucks Dragon Dumpling that are a delicious dessert in the family reunion and Starbucks will promote different tastes every year. At the same time, Starbucks integrates local elements into store design, for example, the Qianmen store in Beijing, the width alley store in Chengdu, 3 Lanes & 7 Alleys store in Fuzhou. All with strong local characteristics can bring a unique Starbucks experience to the customers. (Starbucks 2016.)

Price

Price can be defined as the value the product attributes by means of money the customer is willing to pay or expect to pay in order of exchange. Price includes education tuition,

apartment rent, transportation expenses and so on. (Ramachandra, Chandrashekar & Shivakumar 2010, 110).

Starbucks uses a premium pricing strategy in the Chinese market. This kind of pricing strategy can help Starbucks maintain and improve the premium brand image. It was reported that a grande latte of Starbucks in China costs 30 Chinese RMB, while the same coffee only cost nearly one dollar less in America. However, in USA per capita income is 5.5 times more than China's per capita income. (Holliday 2014). Therefore, the price of Starbucks in China is more expensive than in the USA. Starbucks takes advantage of the behavioral tendency of people to consume more expensive products and services on the basis of higher value. An example can be used to show the price of Starbucks. Price composition of a Starbucks grande latte in China in September 2013 is shown in GRAPH 7.



GRAPH 7. Price composition of a Starbucks grande latte in China as of September 2013 (adapted from Statista 2016)

According to GRAPH7, Starbucks pricing strategy can be followed by 5 steps:

1. Building a pricing goal: The profits account for 18 %, just after the rent. Starbucks keeps a relatively high price in the Chinese market, so Starbucks can achieve the high profits for a long term.
2. Ensuring demand: Starbucks target customers have high salaries and focus on experience, so the customers have low price sensitivity and price elasticity of demand is small.
3. Estimating costs: The costs include rent, store operating expense, raw materials, labor, equipment costs. Rent accounts for the largest proportion in the price composition.

Starbucks chooses the best places, which are crowded and with convenient transportation to open stores, so the rent expenses are very high. Besides, Starbucks purchases high quality coffee, therefore, the raw material and coffee equipment expenses are the main costs.

4. Analyzing the price and costs of competitors: The prices of most competitors are lower than Starbucks. Starbucks has to exceed them through better products and services.
5. Formulating the final price: Internally, Starbucks takes all expenses and desirable profits into consideration. Externally, Starbucks thinks over the situation of the competitors. Then Starbucks formulates the best price.

Starbucks implements discount plans by means of cooperating with some banks in China. For instance, when customers choose to pay with a credit card which belongs to China Guangfa Bank and Citibank, N.A, the customer can buy one item with another similar item presented free every Friday and every Monday. In addition, the customer can use card points of credit card which belong to China Construction Bank and Shanghai Pudong Development Bank to exchange coffee. Therefore, the modes of payment are cash and credit cards.

Promotion

Promotion that is related to information, effect, persuasion of the products is the process of marketing communication between the company and the customers. Promotion plays an important role in marketing strategy because it can make customers know from where, when, how and how much products can be available. (Ramachandra, Chandrashekara & Shivakumar 2010, 149.) Starbucks usually depends on from mouth to mouth marketing, promoting its products, Starbucks Rewards Card, public relations and social media.

Starbucks rarely advertises in China, Starbucks uses word of mouth marketing to make more people aware of Starbucks. Firstly, Starbucks partners spread the Starbucks culture and Starbucks experience after having a good understanding of company values and company culture. Secondly, Starbucks focuses on customers that have good consumption experiences before telling the other customers and guiding more and more customers choose Starbucks. Finally, Starbucks regards those who purchase fashion, enjoying consumption experience as target customers. Through effective guidance, Starbucks makes

them identify Starbucks products and services. For example, Starbucks organizes coffee activities to teach people how to taste and distinguish coffee, which improves the communication between Starbucks and the customers, realizing the word to mouth marketing strategy.

As sales promotion Starbucks Rewards Card is another significant promotion method. When customers purchase the products, they can show their Starbucks Rewards Card. One star will be recorded into the customer's account after the customer has purchased for 50RMB. The more Stars the customer has, the higher the membership level and the more rewards the customer will receive. Registering Star Club Account can reach a silver level; 5 stars can arrive at green levels; 25 stars can get to the gold level. Then the customer can use the number of stars and change different coupons or gifts, to some extent, which can improve the consumption ability and desire of the customers. (Starbucks 2016)

After Starbucks' entry into the Chinese market, Starbucks made a great contribution to the public relations. Since 2011, nearly 100,000 Starbucks partners and volunteers in China served over 270,000 hours to the community in order to enhance an emotional connection with the community and the customers. What is more, Starbucks implemented "China Youth Leadership Development Program" in Beijing in June 2014. This program was supported by Starbucks that used 1.5 million from 3 million public investments. The program aimed to improve the leadership skills and social responsibility awareness of the university students who came from cities and rural areas. (Starbucks 2016.) The more public relations Starbucks established, the higher the company's reputation was improved. In this way, more potential customers can know Starbucks and tend to choose products and services of Starbucks.

There are two main social media, WeChat and MicroBlog that Starbucks uses for marketing. Starbucks always pays more attention to social media and digital media and builds fashion trends in science and technology. The first one is WeChat. When customers are concerned about Starbucks' public number, not only can they get the latest products and information about Starbucks, but also know more about Starbucks' story and coffee culture and how to use Starbucks app. Every traditional festival or activities, Starbucks' public number will issue some discount coupons to loyal customers, which attracts many customers' attention. Another one is MicroBlog, at present, 1,260,000 Chinese participate

in Starbucks MicroBlog. In Starbucks' MicroBlog, Starbucks can communicate with customers, involving words, pictures and videos. Starbucks updates MicroBlog nearly every day to ensure that customers can get more information on the products, such as, discount coupons, mugs, coffee, breakfast and so on, then, customers can interact with Starbucks and forms a forum. With the help of social media, Starbucks can be closer to customers' every day life.

Place

If the companies want to sell the products to customers, they need more places/distribution channels to implement their marketing programmes and strategies. In a widening market, the more successful distribution channels the companies have, the quicker the products can be sold to the customers. (Hundekar, Appannaiah & Reddy 2010, 166-167). The main places of Starbucks are Cafés, retail stores and T mall official flagship store (online store).

There are more than 1900 stores in China, so stores are primary places for Starbucks to sell its products and services. Starbucks has special methods to choose store places. Starbucks stores are always located in crowded business circles with convenient transportation. On one hand, Starbucks makes good use of brand effect to attract more customers. On the other hand, good transportation makes the target customers consume at any time. Although rent expenses are very high, Starbucks still insists on every store is in a good location.

There are many supermarkets such as Auchan, RT-Mart and the other markets also selling canned Starbucks coffee through package. Besides, Starbucks cooperated with T mall of Alibaba. Starbucks T mall official flagship store was opened on December 14 2015 in China. With the help of internet, customers can do online shopping in the T mall. Starbucks T mall official flagship store provides customers with beautiful electronic Starbucks Rewards Card, coffee coupons and gift cards. T mall official flagship store becomes a more convenient way to distribute the products. Nowadays, the USA has carried out the plan that the customers can use Starbucks app to order products and realize paying online. In the future, Starbucks in China will use the same way to add another distribution channel.

4.4 STP marketing strategy

The company cannot use the same way to meet the needs of different kinds of target customers in the market. Therefore, if the company wants to serve profitably all the customers, they must take the total market into consideration. They should choose the best segments and design marketing strategy. This process includes market segmentation, market targeting, differentiation, and positioning. (Kolter & Armstrong 2011, 48-49).

Market segmentation

The process of dividing the total market into different groups of target customers who have different needs, features, behaviors is market segmentation. (Kolter & Armstrong 2011, 49). As can be seen in TABLE 3, Starbucks divides the targets into different groups according to their commonness and differences.

TABLE 3. Starbucks' market segmentation

Segmentation factor	Geographical factor	Demographic factor	Mental factor	Behavior factor
Segmentation commonness	The coastal regions with high economic development level	Middle and high income class with high education	Upper middle class who pursuit taste and fashion	
Segmentation category	Metropolis	The young aged 18-25	Upper class	Coffee lovers
	Second-tier and third-tier city	The young and middle-aged 25-35	Middle class	Potential coffee lovers and people who don't like coffee

Segmentation factors involve geographical factor, demographic factor, mental factor and behavior factor. In the aspects of the geographical factor, Starbucks stores are always located in the southeast costal regions with a high economic development level. Although the southeast costal regions are always small cities, there are more developed cities in the

costal regions and people in high economic cities often have higher income. While, in the western cities, Starbucks usually enters large capital cities, because they are relatively developed. In the aspect of demographic factor, Starbucks uses a premium pricing strategy in China's market. Those who are middle and high income classes with high education have high incomes to reach the Starbucks's level of consumption. The level of income in metropolis is higher than in second-tier and third-tier city. At the same time, generally speaking, people's income with the work experience increases continuously, at the same situation of work experience, people's income is higher in the metropolis than second-tier and third-tier cities. Besides, people with high education may easier recognize coffee culture and Starbucks experience. In the aspect of the mental factor, most Starbucks customers purchase high taste and fashion. Not only do they drink beverages and eat cakes at Starbucks, they want to have Starbucks experience with high taste and fashion. In the aspect of behavior factor, people can be divided into coffee lovers and potential coffee lovers. There is no standard in this area.

Market targeting

The process of analyzing market segments' attractiveness and choosing one or more suitable segments to enter is market targeting. (Kolter & Armstrong 2011, 49). Starbucks selects three segments to enter.

The first one is the young who may be university students and white-collar workers. They are trend-spotter who have passion to life. They like making new friends and change different ideas with other people. They have enthusiasm for consumption but do not necessarily have loyalty to Starbucks because of pursuing new things constantly. The second one is business elites and middle class who have high disposable income. Under great pressure of work, Starbucks is a good third place to relax themselves or have an appointment with their friends. Their choices are very intelligent and cautious. Therefore, if Starbucks wants to enter this segment, it will have great competitive pressure. The last one is coffee lovers who are coffee experts or have the habits of drinking coffee. If Starbucks can provide high quality coffee to these people, they will be loyal customers of Starbucks.

Market positioning

Market positioning means arranging for a product to occupy an available, desirable market which may consist of competing products. The marketers distinguish this product from competing products and provide them with the greatest advantage in the target markets. (Kolter & Armstrong 2011, 49). Starbucks has its own market positioning in China's coffee market. Generally speaking, Starbucks positions itself in middle-high brand in China's market. Those who consume in Starbucks usually have a higher income. Starbucks creates a third place as well as a leisure place where customers can relax themselves, think quietly and make appointments. Not only can customers have a cup of high quality coffee at Starbucks, but they can also enjoy the moment in experiencing exoticism.

When Starbucks competes with competing products, it has a lot of competitive advantages. Starbucks makes good use of its experience, high quality coffee, innovation, spreading coffee culture and Starbucks culture through partners to leave a deep impression on the customers. At first, Starbucks focuses on the quality of coffee, all the coffee beans are Arabica beans which smell sweet and are special. Starbucks also provides service and customers can choose what they like to add to the coffee according to their taste. All coffee is made by strict standards in order to ensure the same taste of the same coffee. Every coffee cup has scale mark to adjust the proportion of all kinds of batching. Besides, Starbucks always pays attention to innovate new products to meet the needs of the customers according to their traditional culture and custom, so Starbucks products are accepted by a growing number of Chinese. In addition, each store design of Starbucks goes through special design and integrates into the surrounding buildings. Starbucks stores have the same decorative style that is neat and clean. Wi-fi coverages each store, the customer can surf the internet and deal with some business affairs. The last but not the least, Starbucks partners provide intimate service to the customers. They can offer some suggestions about coffee on the basis of customer's taste. During the time of communicating with the customers, they will spread Starbucks story and coffee culture to the customers. All these factors can make an image in the customer's minds. (Starbucks 2016.)

5 INSPIRATION AND MARKETING PLAN

This part will focus on the inspiration from Starbucks, providing the reference for China's coffee companies and brands. At the same time, a marketing plan for setting up a coffee shop will be presented.

5.1 The inspiration from Starbucks

Firstly, the coffee company should provide special services from store design to products and improve the quality of the products on the basis of the customers' demands. Nowadays, customers are fond of coffee shops with its own characteristics, such as a creative café. In the aspect of store design, each Starbucks store is designed by the designer from Starbucks headquarters in the United States. They plan how to integrate Starbucks store into the feature of the local environment. In this way, Starbucks stores can have the same style but have their own distinguishing feature. Starbucks products are not only coffee. Coffee, as carrier brings the special service to the customers. To some extent, consumption of coffee is cultural and spiritual consumption. The communication of culture needs the comfortable environment to affect customers and form good interaction. When it comes to Starbucks products, Starbucks emphasizes quality, service instead of price. Starbucks insists on quality management in the areas of purchasing coffee beans, baking, modulating and selling to confirm the stability of the products. Coffee companies in China should utilize the Starbucks experience and put it into the company culture. Compared to products, the company culture experience is more attractive for the customers, in this way, the company competition can be improved.

Secondly, after the company forms the company culture experience, the company should take the customers' experience demands into consideration. Only in this way can the company know how they can meet the needs of the customers. Starbucks finds that in this fast-paced life, people often have great pressure. Therefore, Starbucks puts forward the third place and provides a comfortable atmosphere to the customers. Customers can have a rest, make business communication and have an appointment. The third place consists of light music, sweet smell of coffee, soft lighting, which can make the customers really relax.

Thirdly, the company should focus on communication with customers and accept the effective suggestions from the customers. The main marketing strategy of Starbucks is continuous communication with the customers. From the communication, Starbucks can know which aspects should be improved. Starbucks has customer service department and puts the customer opinion cards in the stores. If the customer is not satisfied with the products or services, they can give feedback. Through phone calls and customer opinion cards, Starbucks will adjust in time according to the feedback from customers to improve the customers' satisfaction. In this way, the relationship between Starbucks and customers will be consolidated and a positive cycle can be formed. From the customers' point of view, the company can improve their products and services. The customers will trust the company and become loyal customers through experience of marketing.

Fourthly, the company should inculcate the company culture to the employees and spread it to the customers, here, Starbucks sets a good example. Starbucks calls its employees partners instead of waiters. A big family of Starbucks consists of all partners. Starbucks respects the contribution from every partner and give the great welfare involving insurance to each partner. Every partner wherever their work position must accept the training. In the course of training, the partners can have a good understanding of Starbucks story, background, coffee culture and experience. Starbucks cultivates the hobbies and interests of coffee and increases the love of coffee. The company should improve the employees' connotation and professional quality and not just dress and manner. In this way, employees can spread the company culture to the customers, who can realize the word of mouth marketing.

Fifthly, the company should have enough understanding of customers and use a marketing strategy which is closer to other customers' lives. For example, when Starbucks promotes its products and services, it chooses WeChat and Microblog that are China's most popular social communication tools to issue discount coupons. In these websites, Starbucks supervisors can know the demands of the customers according to page views of different products, which help Starbucks works out more suitable marketing plan for the target markets.

Sixthly, the company should combine the products and services of the local characteristics and innovate to meet the demands of the customers, which can be deeply rooted among people. After Starbucks entered into the Chinese market, it made Chinese traditional snacks and tea, such as, Starbucks moon cakes, Starbucks Dragon Dumpling and green tea. What is more, each year, Starbucks launches new products for different tastes. Chinese people all like these products. What Starbucks does can help itself integrate into China and have a lot of loyal customers. In China, the taste will vary from region to region, so some coffee shops that are chain stores in many cities in China cannot do the same products to all the customers from different regions. Innovation is an inexhaustible motive force for enterprise development.

Finally, the company should keep up with the time and grasp any favourable opportunities to broaden its distribution channels. In the past years, the use of e-commerce is very wide. E-commerce becomes one of the most popular methods to purchase products in China. Starbucks cooperated with Alibaba and opened Starbucks's T mall official flagship store in 2015. The collaboration is essential for Starbucks to widen its distribution channels. The company cannot focus just on store sales. E-commerce is high efficiency, low costs and real-time. If the company can make good use of it or other distribution channels, the company can narrow the gap with large enterprises and create new marketing tools to win the market.

5.2 A marketing plan for setting up an own coffee shop

Marketing is the process for mutual interest between the entrepreneur and the customers. The key point of marketing is to identify the demands of the customers and meet the needs of the customers. In marketing plan, we should focus on the market analysis and the methods how to make your customers to purchase your products and services. (Gerson 1991.)

5.2.1 The introduction of the own coffee shop

In China, though economic slowdown has a negative effect on the manufacturing industry, coffee shops, burger shops, and clothing stores have significant business, but the service industry has developed marvellously in recent years. Besides, the Chinese government pays more attention now to the development of coffee industry. This macroscopical environment lays a solid foundation for setting up a coffee shop in China. In the microcosmic environment, there are three favorable factors. Firstly, with the development of the coffee industry, coffee culture has been accepted by more and more Chinese people, especially in Shanghai. Shanghai, as a coastal city is one of the earliest commercial ports to open, so Shanghai accepted the Western culture and coffee culture earlier than other cities in China. Secondly, Shanghai is the commercial and economic centre of China, many foreign companys will set up business offices in Shanghai, therefore, more and more foreigners will settle down in Shanghai. Drinking coffee is their living habits. Thirdly, Shanghai's tourism industry developed well for the past several years. Both Chinese people from the other city and foreigners from different countries are fond of travelling in Shanghai. Successful and creative coffee shop will catch their eyes. These three aspects provide a good opportunity for setting up an own coffee shop in the centre of Shanghai.

The own coffee shop is named Zoo Coffee which will be located in the center of Shanghai. Zoo coffee is a creative coffee shop that uses animals as a theme. The main animal model is giant panda. The logo of Zoo Coffee is one giant panda holds a cup of coffee. There are two main reasons for setting up Zoo Coffee. On one hand, coffee shop with an animal theme provides a natural and comfortable environment to the customers. The owner of Zoo Coffee hopes the customers can cherish natural environment and protect animals. On the other hand, coffee is the culture from the Western. Zoo Coffee combines coffee with Chinese culture in order to be a link between Chinese and Western.

5.2.2 Zoo Coffee's core competencies

The most important core competence is Zoo Coffee's corporate culture. For one thing, the idea, cherishing natural environment and protecting animals will be identified with and understood by many people from all over the world. To begin with, integrating animal elements, such as animal sculptures, animal fresco, appliances with animal patterns into store design to provide a lovely and comfortable environment. Besides, all the desks will be put a booklet which is mainly about the present situation of protected animals and some lovely animal pictures. At the same time, a billboard which recruit volunteers to take care of animals from Shanghai Small Animal Protection Association will be set in the hall. Zoo Coffee wants more and more people can love and protect animals. For another, the aim of Zoo Coffee is to become a link between Western culture and Chinese culture. All the employees of Zoo Coffee should accept training of English language, Shanghai culture, coffee culture, tea culture, Shanghai's famous tourisms in order to communicate with the customers from all over the world. Chinese customers can drink coffee and feel the coffee culture, while the customers from the other country also can drink pu'er tea, which is produced in southwestern Yunnan and try to accept tea culture in China. If customers are fond of pu'er tea, Zoo Coffee provides gift box with pu'er tea for the customers to take away.

Another core competence that cannot be ignored is regional concept. In other words, Zoo Coffee will divide the space into four zones to meet different demands of different customers. The customer can choose any zone they want. The first one is individual zone. In this zone, the customer always stays alone. When they drink coffee, they can read books, listen to the music, and think, this zone will be relatively quiet. The second zone is communication zone. The customers can chat with their friends and family. The third zone is a business zone that is suitable for business negotiations. The atmosphere will be relatively formal. Many businessmen can have the habits of drinking coffee when they make business communication. The last zone is parent and child zone, because of animal elements, Zoo Coffee may attract many children. When customers come to Zoo Coffee with their children, Zoo Coffee will provide animal cards to the children and make them know taking care of animals from childhood. In this way, customers will feel more comfortable and free in their zone.

5.2.3 PESTEL framework of Zoo Coffee

TABLE 4. The framework of Zoo Coffee's PESTEL

P- Political factor	<ul style="list-style-type: none"> ✧ Chinese government strengthen import policy measures ✧ Shanghai relevant institution's support for the coffee market
E-Economic factor	<ul style="list-style-type: none"> ✧ China's economic transition ✧ Great economy of Shanghai ✧ The growth of disposable income of urban residents ✧ The development of China (Shanghai) Pilot Free Trade Zone
S- Social factor	<ul style="list-style-type: none"> ✧ Shanghai regional culture ✧ The lifestyle: fast pace of life ✧ The good life values ✧ The higher cultural and educational level
T- Technological factor	<ul style="list-style-type: none"> ✧ InformationTechnology ✧ The use of e-commerce
E- Environmental factor	<ul style="list-style-type: none"> ✧ Sustainable development ✧ Energy saving and emission reduction
L-Legal factor	<ul style="list-style-type: none"> ✧ The support for entrepreneurship policy ✧ Employment law and customer law ✧ Food safety law

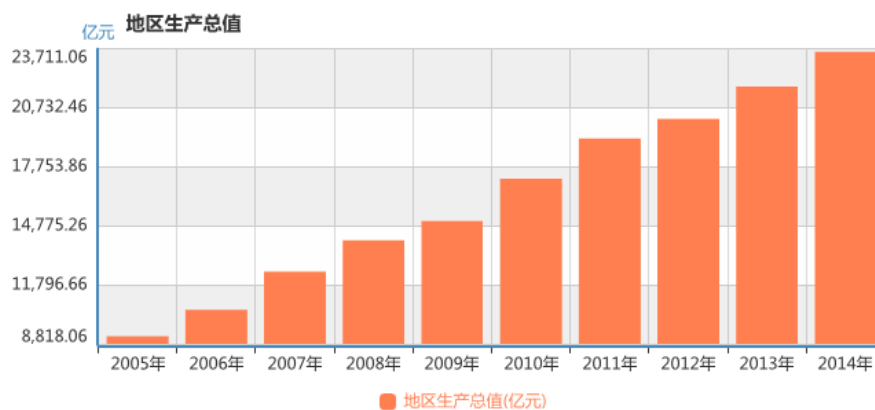
Political factor

Although Zoo Coffee is a local coffee shop, it also needs some imported raw materials, such as coffee beans. On 30 September 2014, Li Keqiang, the premier of the state council declared that the Chinese government would strengthen import policy measures and promote the expansion of opening up. (Ministry of Commerce of the People's Republic of China 2014). This policy would improve the import of technology, products and services, which makes the import of coffee beans more convenient. Besides, on 6 July 2015, China (Shanghai) Pilot Free Trade Zone, Shanghai Municipal Commission of Commerce, and Shanghai City Finance Office devoted themselves to establish a Shanghai Free Trade Zone Coffee Trading Center. At the same time, they would make it become the largest coffee market through strengthening the communication and cooperation with the world's largest

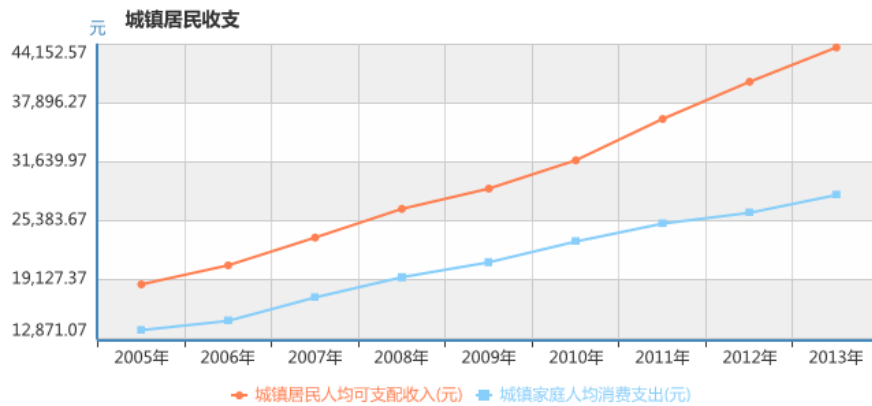
coffee growing areas. If Shanghai Free Trade Zone Coffee Trading Center develops well, it may have an international force and affect the information of coffee prices. (China News Network 2015). All these policies lay a solid foundation for any need of importing raw materials to Zoo Coffee.

Economic factor

Economic transition of China is changing from manufacturing industry to the service industry. The service industry is the main industry striving to develop in the future that the coffee shops of service industry have a large space to develop. Besides, Shanghai, as a modern city, has good economical basis. GRAPH 8 and GRAPH 9 are used to illustrate this. GDP in Shanghai has grown constantly and has reached 23,711.06. The unit is 100 million. GRAPH 9 displays the income of urban residents. The red line represents disposable income of urban residents and the blue line represents per capita consumption expenditure of urban households, which shows the urban residents will have a higher living standard and higher purchasing power. With the background of these advantages of economy, it is a good opportunity for Zoo Coffee to enter Shanghai's coffee market now. What is more, China (Shanghai) Pilot Free Trade Zone has developed well, which adopts new trends in global economic and trade development. The development of China (Shanghai) Pilot Free Trade Zone guarantees the stable development of Shanghai's economy.



GRAPH 8. Shanghai's GDP from 2005 to 2014 (National Bureau of Statistics of China 2015)



GRAPH 9. Shanghai's resident consumer price index from 2005 to 2013 (adapted from National Bureau of Statistics of China 2014)

Social factor

As Shanghai was one of the earliest commercial ports to open, it combines the civilization of modern industrial in Europe and the USA with Jiangnan traditional culture to form its unique culture. Shanghai's regional culture respects different cultures from all over the world and integrates them into its own culture. Therefore, since the coffee culture has spread to Shanghai, more and more Shanghaineses accept and like coffee culture, or they even regard drinking coffee as living habits in daily life. Compared with the total amount of China's coffee consumption, the total amount of Shanghai's coffee consumption kept ahead 10%. In Shanghai, most people have great competitive pressure and a fast pace of life, the coffee shop with comfortable environment make them relax. In addition, Shanghai has a large number of universities, scientific research institutions and professional and technical training institutions. Those who with higher education usually have their own thoughts and life values. Shanghaineses want to seek spiritual enjoyment in the service industry.

Technological factor

Coffee shop also needs technology support to meet the demands of the customers. On one hand, Zoo Coffee will make use of internet to promote itself. For example, Zoo Coffee will develop its own app and the customers can download Zoo Coffee app to know more about information, such as corporate culture, animal theme, and price lists. At the same time, they can use their member accounts to manage their points and change rewards on their

own. The whole coffee shop covers wi-fi, so the customers can pay by Alipay, which make payment more convenient. On other hand, e-commerce is becoming more and more popular now. Zoo Coffee will establish its online store. Through network platform, the customers can buy products online, which is easier.

Environmental factor

Zoo Coffee will pay more attention to sustainable development. Zoo coffee will use mugs rather than paper cups in the coffee shop. All the packages that are used to take away should be degradable paper boxes. What is more, energy saving and emission reduction will be regarded as the company idea to prevent any waste behaviors. For example, employees can shut off the power of the coffee machines after the coffee shop is closed every day. When Zoo Coffee selects the raw material, they will consider green products at first.

Legal factor

The Shanghai government launches an entrepreneurship policy to encourage those who want to start up their own businesses. Firstly, Shanghai government reduces and exempts taxes. The entrepreneur do not need to hand in sales tax, income tax, and other local taxes during the first two years. Secondly, the entrepreneur can apply 70,000-100,000 RMB as business loans. Finally, the government provides free training, including entrepreneurship training and training skills for the owners. (Entrepreneurship Policy 2016). When the coffee shop operates, the food safety, employment and customer laws are also very significant. Zoo Coffee must ensure the quality of the food. Whether roasting coffee or making pastry, Zoo coffee will follow the food safety standards all the time. In addition, Zoo Coffee should take human rights and employment laws into consideration. Employees cannot work in a bad conditions. They cannot do excessive work and be paid lower salaries. Furthermore, the customers' rights should be protected. When customers pay for products or services, They have the right to have legal interests within a period of time.

5.2.4 SWOT analysis of Zoo Coffee

SWOT analysis is used to evaluate a company's strengths, weakness, opportunities and threats in the market. The analysis involves analysis of internal resources and external environmental. It aims are to provide the competitive insight into potential problems that may make an effect on the success of the company. (Business Dictionary 2011.)

TABLE 5. SWOT analysis of Zoo Coffee

Strengths	Weakness
New creation	No brand effect
High quality of products	Not many distribution channels
Good services	Too expensive rent
Convenient transportation	Lack of experience
Opportunities	Threats
Growing of coffee consumption	More and more competitors
The stable development of coffee industry	Many substitutes
China's economic transition	Unexpected incident
The form of combined effect	

Strengths

Nowadays, it is a trend that young people like creative products and services, Zoo Coffee is a creative coffee shop. The animal elements are integrated into the coffee shop. This kind of creative coffee shop is rarely in Shanghai. Those who love animals may be fond of Zoo Coffee. Zoo Coffee will use Arabica coffee beans as the raw materials from Pu'er city or the other country. Zoo Coffee will invite botanists from research institutions to confirm the quality of coffee beans, so the quality of raw materials will be controlled strictly. Employees of Zoo Coffee will accept professional training about company culture and customer service skills in order to provide the first-class services to the customers. All employees should have the ability to introduce all the products to the customers and keep smiling and positive attitude. At the same time, Zoo Coffee will improve equipments, such as lights, audio equipment constantly to create more comfortable atmosphere for the customers. Zoo Coffee will be located in a crowded business circle with convenient

transportation. Buses and underground around Zoo Coffee can bring convenience to the customers who always patronize Zoo Coffee.

Weakness

Zoo Coffee does not have a good brand effect, so customers may prefer to choose a well-known brand, which may be an obstacle for the sales of Zoo Coffee. Less distribution channels of Zoo Coffee because it needs a long time to develop and expand the distribution channels. What is more, rent expenses that 11.5-13 RMB/m² every day in the city center of Shanghai are very high. If the Zoo Coffee will not have any profits in a fixed period of time, Zoo Coffee store may not continue to be opened. Besides, there is not any experience for setting up a coffee shop. In the area of store design, raw materials, coffee devices, and company management, Zoo Coffee should accept more suggestions from professionals and successes.

Opportunities

Coffee consumption is growing constantly and coffee industry has large development space. The Chinese government supports the development of the coffee industry and establishes National Key Laboratory in Pu'er city. Zoo Coffee can cooperate with the suppliers in Pu'er and get a good quality of coffee beans and tea. Another important factor is Shanghai, which is a modern city, and has a good economical basis. In the center of Shanghai, people have the ability to consume products that are higher prices. What is more, at present, China's economic transition is changing from manufacturing industry to the service industry, and in the future, the business of the service industry will be better and better. It is a good time for Zoo Coffee to enter the Chinese coffee market. In addition, there are many coffee shops competing, such as Starbucks, Costa, West nine lane store are all located in the same area with Zoo Coffee. Although they are Zoo Coffee's competitors, many coffee shops can be formed combined effect. The resources and technology can be shared in coffee industry. Zoo Coffee can learn more from the other successful coffee shop. The coffee shop area can attract more customers and the demands increase, which create a business opportunity for Zoo Coffee.

Threats

To begin with, there are a lot of competitors, such as Starbucks, UBC Café and Costa in the coffee market. They have huge resources, modern technology and more experience. Although Zoo Coffee's pricing strategy is the same as with Starbucks, Starbucks has good brand effect and seizes a large proportion of market share. UBC Café provides more kinds of products to customers and has also competitive advantages. It is hard for Zoo Coffee to seize a market share in a short time. Besides, many creative coffee shops are opened in Shanghai and are very popular. These coffee shops also have creations, such as library coffee shops, flower coffee shops. If the customer seeks fangle, Zoo Coffee cannot have loyal customers. Throughout all drinking market, there are many substitutes, such as tea, bubble tea, milk tea. These substitutes will become threats, if they possess large market shares in the drink industry.

5.2.5 PORTER's five forces of Zoo Coffee

TABLE 6. The framework of Zoo Coffee and PORTER's five forces

The threat of new entrants	Relatively high price, good quality, first-class service, no brand effect
The threat of substitute products	Traditional tea house, ice cream shop, milk tea shop
Bargaining power of suppliers	Stronger bargaining power
Bargaining the power of buyers	Weaker bargaining power
Rivalry among existing competitors	Starbucks, creative coffee shop

The threat of new entrants

Coffee industry is one of the most popular entrepreneurial industries in China. Every year, there are many coffee stores opened, so new entrants must exist. Zoo Coffee will adopt a premium pricing strategy. The relatively higher price may not be accepted by customers easily for a short term, which gives other new entrants who use a penetration price strategy an advantage. Besides, Zoo Coffee has not any brand effect. If new coffee shops become franchises that have great brand effect, they will have stronger competitiveness. However, Zoo Coffee will devote to the great creation, higher quality products and first-class service,

which can help Zoo Coffee establish its own brand effect in the future. Hence, at an early stage, the new entrants will make effect on Zoo Coffee, and Zoo Coffee can get rid of the threat gradually in a long time period.

The threat of substitute products

On one hand, Shanghaineses also have habits of drinking tea. Traditional tea houses are still the biggest competitors for the coffee shops. Nevertheless, Zoo Coffee gives a wide range of drinking choice, including green tea, black tea and fruit tea to the customers who want to drink tea. Though the tea houses will cause threat to Zoo Coffee, Zoo Coffee will overcome this problem through innovating more new tea drinks. On the other hand, milk tea shops and ice cream shops become more and more popular in Shanghai's drink market. Shanghaineses are fond of sweet tastes and milk tea can meet most of the young people's needs. Ice cream shops have a good business, especially in summer. The ice cream shops pay more attention to promote handmade ice cream. Healthy and beautiful ice cream is well-received by the young and children.

Bargaining power of suppliers

Zoo Coffee will cooperate with two main suppliers. One is Coffee Arabica suppliers from abroad, another is coffee suppliers in Pu'er city. Coffee Arabica suppliers provide coffee beans for many famous coffee shops. Zoo Coffee does not have a brand effect and scale advantages. As a coffee shop, coffee beans are very necessary. Coffee Arabica suppliers have strong bargaining power. Coffee beans in Pu'er city are also of good quality, so many native coffee shops will cooperate with coffee suppliers in Pu'er city. When the coffee suppliers have a large number of choices to select, they may have dominant position and decide the price of the coffee beans. Therefore, coffee suppliers in Pu'er city also have stronger bargaining power.

Bargaining the power of buyers

Zoo coffee is a creative coffee shop and Zoo Coffee's targeted customers usually have a higher living standard and higher purchasing power. They care more about spiritual enjoyment than the price. For foreigner customers, they can drink coffee and tea to

experience different culture. In the future, if Zoo Coffee focuses on the higher quality of products and services, Zoo Coffee can establish its own coffee brand, even scale advantages. At that time, the buyers have weaker bargaining power. Therefore, compared to Zoo Coffee, buyers have weaker bargaining power now.

Rivalry among existing competitors

Two main competitors are Starbucks and the other creative coffee shops. Starbucks has the largest market share in Shanghai's coffee market. Starbucks are opened in most of the commercial districts of Shanghai. Starbucks status cannot be shaken in the coffee industry because of its brand effect and scale advantages. Starbucks innovation and company culture attract many loyal customers. In Shanghai, there are numerous creative coffee shops. Each one has its own creation that cannot be copied by the other coffee shop. For example, library coffee shop is a common creative coffee shop. The coffee store is like a library which consists of different kinds of books and magazines. Except for products and services, library coffee shops provide free books and magazines to read. Those who like reading will choose this kind of coffee shop. The customers can read what they like when they drink coffee, so the coffee shop has a literary and artistic atmosphere. Customers can talk about something related to the books and make friends in the coffee shop.

5.2.6 Marketing segmentation and target market selection

Marketing segmentation

TABLE 7 presents the market segmentation of Zoo Coffee. The segmentation factor can be divided into five factors: geographical factor, demographic factor, mental factor, and behavior factor.

TABLE 7. Zoo Coffee's market segmentation

Segmentation factor	Geographical factor	Demographic factor	Mental factor	Behavior factor
Segmentation commonness		Middle and high income class with high education	Upper middle class who focus on creation, high quality products and special services	Animal lovers
Segmentation category	People who live or work in the city center of Shanghai	The young whose ages are from 25-35	Upper class	Coffe lovers
	People who travel in Shanghai.	The young and middle-age whose ages are 25-40	Middle class	Potential coffee lovers and people who don't like coffee

In the aspect of geographical factor, Zoo Coffe will be located in Raffliers Plaza which is the city center of Shanghai, so the segmentation category can be divided into two groups. One is the city center where people live and work there. The city center consists of a financial center, commercial districts and office buildings. Many white-collar workers, both Chinese people and foreigners like drinking afternoon tea. Another is uncertain geographical position, because people from all over the world travel in Shanghai and they just settle down in Shanghai a few days. Shanghai is one of the most famous cities in China. Most of travellers travel in China will choose Shanghai as a destination.

In the aspect of the demographic factor, Zoo Coffee adopts a premium pricing strategy, so only people in middle and high income classes with high education have the purchasing power. Besides, people with high education may be easier to accept and identify coffee culture. The level of income in the city center is higher than other areas in Shanghai. With the situation in Shanghai, those who graduate from universities and have a stable job at the age of 25. At the age of 25-35, they have high purchasing power and pursuit spiritual

enjoyment. The travellers from all over the world are fond of feeling different culture and creation in Shanghai, so the range of age is wider.

In the aspect of the mental factors, upper middle classes have a strong purchasing power and pay less attention to the prices. They may focus on the idea, high quality products and first-class services. They have a taste for life and seek fashion. In the aspect of behavior factor, people can be divided into coffee lovers and potential coffee lovers. There is not any standard in this area. However, Zoo Coffee is a coffee shop with an animal theme, most of customers come to Zoo Coffee may be animal lovers.

Target market selection

Zoo Coffee will select two main markets to enter. One market is white-collar workers who work and live in the city center. If the white-collar workers work in the city center, they need a comfortable place to drink afternoon tea or hold a colleague party after work time. If the white-collar workers live in the city center, they can make an appointment with their friends or come with their family to enjoy family time in Zoo Coffee. This group seeks a good environment to relax themselves. Another market is tourists from in and outside China. When the tourists travel in the center of Shanghai, they want to visit some special views and shops. Not only can they drink coffee and have a rest, but also they can know more about history and culture of Shanghai and China. This group pursuits cultural exchange and experiences unique coffee shop.

5.2.7 Developing the marketing mix

Product

The products of Zoo Coffee are varied, of high quality and innovative. The main drinks in Zoo Coffee are coffee, and there is a variety of coffees which customers can select from, such as Mocha, Caramel Macchiato, Latte. All these coffees will be poured into ceramic mugs with different animal patterns. When customers drink coffee, Zoo Coffee provides all kind of desserts together with coffee, desserts like cheese cake, chocolate cake, ham and cheese sandwich, chicken sandwich, strawberry waffles, strawberry pie, apple pie. All these desserts will be made in animal patterns or have animal elements. Because Chinese

people have tea culture and the foreigners may want to experience a different culture, Zoo Coffee will prepare pu'er tea from Yunnan, longjing tea from Zhejiang for the customers to taste. Besides, most of coffee beans and tea are from Pu'er city, because Pu'er city is the main coffee producing areas and distribution center for the coffee trade. Zoo Coffee will invite botanists and experts to examine the quality of the coffee beans and tea in order to confirm the high quality of the raw materials. What is more, most of the target customers are Shanghainese, therefore, Zoo Coffee should combine the products with Chinese culture and cater the taste of Shanghainese. To meet the demands of the customers, Zoo Coffee will provide innovative products. For instance, Zoo Coffee Mooncake will be sold in the Mid-Autumn Festival. The mooncakes will be made into zodiac animals. Zodiac animals are the main traditional culture of the Chinese. Shanghainese like sweet foods and pay more attention to a healthy diet, so sweet dumplings will be sold every month. The dumplings will be made by cereals and a little honey, which are healthier.

Good services are of the same importance with the products. On one hand, all the employees of Zoo Coffee must accept the training of English language, Shanghai culture, coffee culture, and company culture before they serve the customers. In this way, they can introduce all the products to the customers and talk about the different culture between the Western and the Chinese with the customers. On the other hand, the services of Zoo Coffee will bring convenience to the customers. Next to every table, there is a meal bell. As long as the customers who want to order or check ring, the employees will come to that table at once. Besides, Wi-Fi covers the whole coffee shop, the customers can surf the internet at any time. At the hall, Zoo Coffee prepares three computers and a printer for the customers who need to use.

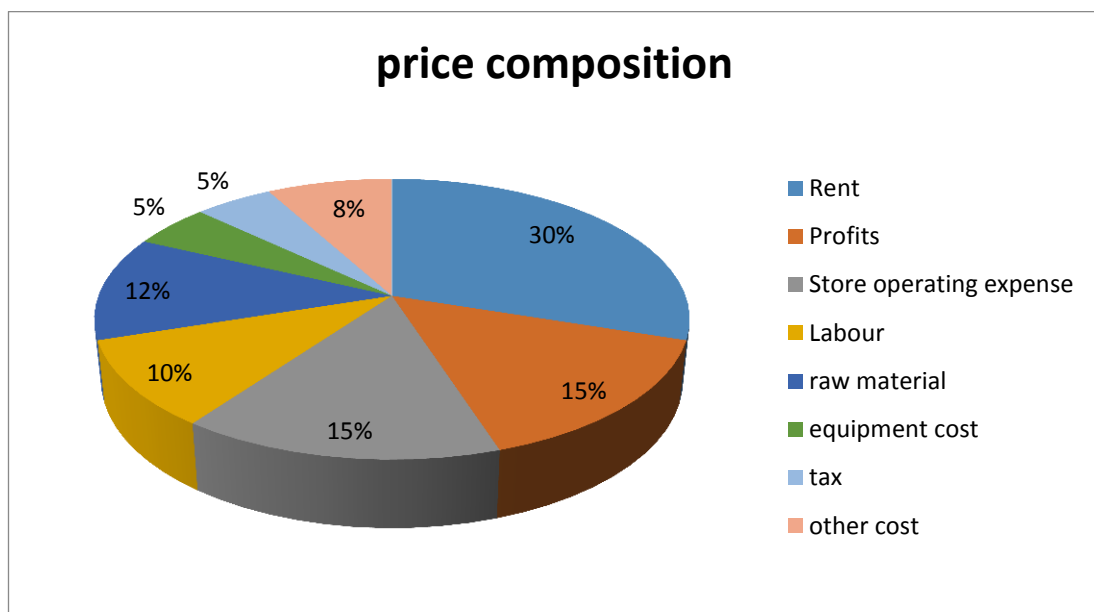
Price

Zoo Coffee will use the same pricing strategy that a premium pricing strategy with the Starbucks. The GRAPH 10 shows the price composition of a Zoo Coffee grande latte. Using this example, Zoo Coffee pricing strategy can be followed by 5 steps:

1. Building pricing goal: Middle and upper level in price. The rent accounts for the largest proportion in the pricing composition, because the rent expenses are very high

in the city center of Shanghai. Then the profits and store operating expense separately account for 15%.

2. Ensuring demands: Zoo Coffee's target customers are always white-collar with a high salary and tourists with high living standard. Compared to high price, they pay more attention to great idea, high quality products and first class services. They want to have a comfortable place to relax themselves and experience a different culture.
3. Estimating cost: The cost includes rent, store operating expense, raw materials, labor, equipment costs.
4. Analyzing the price and cost of competitors: The price of Zoo Coffee is higher than most of its competitors, but Zoo Coffee has its own advantages of creation and idea. Therefore, the prices and costs of competitors are references.
5. Formulating the final price: Zoo Coffee should take all factors into consideration and estimate the risk of pricing strategy. And then, Zoo Coffee analyzes the pricing strategies of the competitors and works out an emergency program after failure. At last, Zoo Coffee can formulate the final price.



GRAPH 10. Price composition of a Zoo Coffee grande latte

There are numerous traditional festivals in China. To celebrate these traditional festivals, Zoo Coffee provides some discounts to the customers, which may catch their eyes. In TABLE 8, there is a discount plan for Zoo Coffee in different traditional festivals. The Spring Festival is the most important festival for the Chinese, so on the first day of Spring

Festival, the customers can have 20% discount on all products. When Chinese Valentine's Day, a man come with his lover or wife, the drinks and desserts which the lady has are free. Besides, Zoo Coffee also has discount on International Women's Day. All women consume 100 RMB in Zoo Coffee, and then they can get 38 RMB reductions. In addition, on International Children's Day, the children will have special services. They can get one piece of cake and a panda doll for free.

TABLE 8. Discounts in traditional festivals

Traditional festivals	discounts
The first day of Spring Festival	20% discount
Chinese Valentine's Day	The couple come together, and lady is free of charge.
International Women's Day	Consume 100 RMB and get 38 RMB reduction
International Children's Day	Free sliced cakes and panda dolls to the children

Another discount method is cooperating with Meituan and Dianping which are two group-buying websites. If the customers can buy the cash coupons in Meituan and Dianping, the customers can use 85 RMB to buy value 100 RBM cash coupons. In other word, it is 15 % discount to all customers.

There are three methods of paying the money can be chose by the customers. They can check by cash, credit card and Alipay which can deduct money from the Alipay account. Alipay is very popular in Shanghai. Most of all stores can provide this payment mode, which is the disadvantage of Starbucks.

Promotion

Zoo coffee does not have a good brand effect, so promotion is the most important among the 4P marketing mix. Word-of-mouth marketing is a good choice for Zoo Coffee, because the cost is relatively lower than advertising. At first, Zoo Coffee will try its best to provide high quality products and first-class services to the customers. In addition to products and services, Zoo Coffee will give some gifts to the customers. For example, panda key rings are given to the Shanghaineses, the Oriental Pearl TV Tower crystal tablets are given to Chinese people from the other city and the Chinese knots, panda dolls are given to the foreigners. Zoo Coffee wants the products, services, gifts, corporate culture can leave a

deep impression on the customers, and then they may tell their friends and colleagues and encourage them to patronize Zoo Coffee.

Membership card is another way to promote Zoo Coffee. The customer can pay 50 RMB to purchase the membership card. Customers show the membership card before they consume, the amount of consumption will be changed to points and recorded into the customers' account. At the end of every quarter, the customers can use the points in the membership card to exchange gifts and rewards. The more points the customers have, the more rewards the customer will receive. Besides, Zoo Coffee members can have two 20 % discount coupons and 50 % discount on the date of their birthday. The membership card system, to some extent, can stimulate consumption temptation and improve the consumption ability of the customers.

With the development of internet, Zoo Coffee can make use of the internet to promote. Zoo Coffee will establish Zoo Coffee official website to make more people know more about Zoo Coffee. Zoo Coffee's background, corporate culture will be introduced to the customers. In the website, not only do Zoo Coffee put the information, prices, pictures, but also Zoo Coffee can know the needs of the customers according to the page view and a message board. What is more, Zoo Coffee will also build WeChat public number and Microblog to make more people concern Zoo Coffee. Once people concern Zoo Coffee WeChat public number or Microblog, they can receive an electronic coupon which can have 20 % discount in the first consumption. Zoo Coffee will update the WeChat public number or Microblog every day in order to make the customers know the latest information about Zoo Coffee.

Disneyland of Shanghai will open the tourists from all over the world in June 2016, Shanghai may become one of the most popular cities to travel. Zoo Coffee will collaborate with Shanghai travel agencies for a long term. Travel agencies introduce Zoo Coffee to the tourists and Zoo Coffee will rewards travel agencies accordingly. Zoo Coffee will design and print its booklets and travel agencies will delivery the booklets to the tourists, which can make more people know Zoo Coffee. At the same time, Zoo Coffee will cooperate with sightseeing bus companies. Sightseeing buses with Zoo Coffe logo and animal pictures are driven on the road of center may attract many tourists.

Zoo Coffee is a new coffee shop, so it does not have an ample fund. However, Zoo Coffee wants to do some petty things to establish a good relationship with the public in order to improve the image and reputation of itself. Zoo Coffee will encourage all employees to be volunteers and organize volunteers activities to take care of animals in Shanghai Small Animal Protection Association each month. Besides, Zoo Coffee will devote 10 % of revenue to China Small Animal Protection Association every year.

Place

Zoo Coffee will be located in Shanghai Raffliers Plaza where is the city center of Shanghai and close to the People's Square and Nanjing Road Pedestrian Street. Raffliers Plaza is located in Puxi transportation hub. Though the rent expenses are very high, the modern business center and convenient transportation will attract many customers whether the Chinese or the foreigners. What is more, Zoo Coffee is also located in the sightseeing buses stop. When customers come to this stop, they notice Zoo Coffee easily. Unique coffee shop design and lovely animal sculptures next to the coffee shop door are all attractive.

The distribution channel is mainly Zoo Coffee store. Zoo Coffee also provides delivery services within 3 km. If the customers do not have time to come to the store, they can only make phones and receive coffee and desserts in one hour. Zoo Coffee will collaborate with T mall of Alibaba. With the help of internet, the customers can do online shopping. Zoo Coffee's T mall official flagship store will provide customers with electronic coffee coupons and gift cards.

6 CONCLUSION

The coffee industry is developing constantly in China. The coffee giant Starbucks accounts for the largest proportion in the coffee market share in China. Although Starbucks meets some challenges in China's market, it still develops and expands quickly in the past decade. The Starbucks's successful marketing strategy helps itself have a large number revenue in China. The report has used the theoretical framework, PESTEL and PORTER's five forces to analyze Starbucks marketing environment and find that Starbucks really has advantages in the macro environment and micro environment. The marketing environment lays a solid foundation for implementing Starbucks marketing strategy in China's market.

The report also has used theoretical framework, such as, 4P marketing mix and STP marketing method to analyze the marketing strategy of Starbucks. At the same time, the key point of Starbucks marketing strategy is put the customers' experience at the first. Starbucks has formed Starbucks experience that cannot be copied by the other competitors easily. Starbucks, as a well-know multinational corporation has brand effect, but it still focuses on company culture, the cultivation to Starbucks partners and creating Starbucks experience. Besides, Starbucks's success benefits from a keen grasp of customers' demands and brand experience marketing model. That is why Starbucks can adopt the Chinese market very well.

Finally, on the basis of analyzing Starbucks's marketing environment and marketing strategy, the author makes a marketing plan for setting up an own coffee shop. Although the author uses the same theoretical framework to analyze the situation of the own coffee shop, the author focuses on the difference between Starbucks and an own coffee shop. When the author use PESTEL, PORTER's five forces and SWOT analysis to analyze the marketing strategy of the own coffee shop, she pays more attention to the Shanghai's environment that is distinguish from the China's environment. In the same way, when the author use 4P marketing mix and STP marketing method to analyze marketing strategy of the own coffee shop, she must realize compared to Starbucks, an own coffee shop does not have many advantages, such as, brand effect, scale advantages. The author should make a suitable marketing plan for the own coffee shop according to specific circumstances. In

this way, when the author devotes herself to her own coffee shop, she may have a good understanding to the coffee shop and practises on the basis of theoretical knowledge.

Nowadays, though there are a large number of coffee shops in the Chinese market, their development situation is not optimistic. China's local coffee companies cannot occupy enough market share, which indicates that China's coffee industry will have development space in the future. Therefore, new coffee shop should pay more attention to marketing strategy to meet different demands of the target customers. The coffee shops can learn some successful experiences from excellent coffee companies rather than copy their marketing strategy absolutely. All coffee companies must bear in mind that it is the best only when the marketing strategy fits the coffee company.

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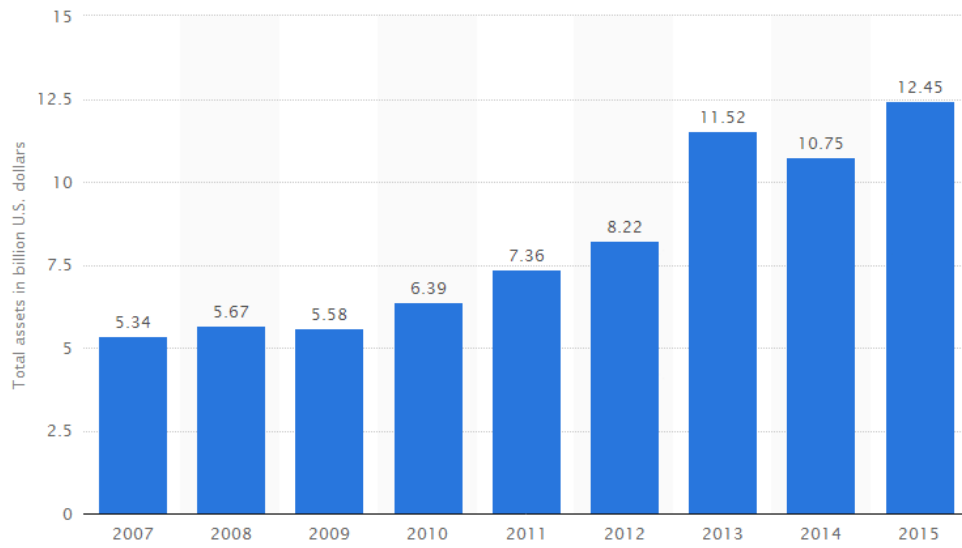
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The financial situation of Starbucks

Financial Information (in millions, except per share data):

<u>As of and for the Fiscal Year Ended</u> ⁽¹⁾	Sep 28, 2014 (52 Wks)	Sep 29, 2013 (52 Wks)	Sep 30, 2012 (52 Wks)	Oct 2, 2011 (52 Wks)	Oct 3, 2010 (53 Wks)
Results of Operations					
Net revenues:					
Company-operated stores	\$ 12,977.9	\$ 11,793.2	\$ 10,534.5	\$ 9,632.4	\$ 8,963.5
Licensed stores	1,588.6	1,360.5	1,210.3	1,007.5	875.2
CPG, foodservice and other ⁽²⁾	1,881.3	1,713.1	1,532.0	1,060.5	868.7
Total net revenues ⁽²⁾	<u>\$ 16,447.8</u>	<u>\$ 14,866.8</u>	<u>\$ 13,276.8</u>	<u>\$ 11,700.4</u>	<u>\$ 10,707.4</u>
Operating income/(loss) ^(3,4)	<u>\$ 3,081.1</u>	<u>\$ (325.4)</u>	<u>\$ 1,997.4</u>	<u>\$ 1,728.5</u>	<u>\$ 1,419.4</u>
Net earnings including noncontrolling interests ^(3,4)	2,067.7	8.8	1,384.7	1,248.0	948.3
Net earnings attributable to noncontrolling interests	(0.4)	0.5	0.9	2.3	2.7
Net earnings attributable to Starbucks ^(3,4)	2,068.1	8.3	1,383.8	1,245.7	945.6
EPS — diluted ^(3,4)	2.71	0.01	1.79	1.62	1.24
Cash dividends declared per share	1.10	0.89	0.72	0.56	0.36
Net cash provided by operating activities	607.8	2,908.3	1,750.3	1,612.4	1,704.9
Capital expenditures (additions to property, plant and equipment)	1,160.9	1,151.2	856.2	531.9	440.7
Balance Sheet					
Total assets	\$ 10,752.9	\$ 11,516.7	\$ 8,219.2	\$ 7,360.4	\$ 6,385.9
Long-term debt (including current portion)	2,048.3	1,299.4	549.6	549.5	549.4
Shareholders' equity	5,272.0	4,480.2	5,109.0	4,384.9	3,674.7

Total assets of Starbucks from 2007 to 2015 (in billion U.S. dollars)



Market share of leading café chained brands in China from 2010 to 2013

