# ABSTRACT

The purpose of this thesis is to discuss culture integration between American coffee culture and Chinese culture on based on analysis of Starbucks’ cross-cultural marketing strategy. After decades of development, Starbucks coffee culture nowadays are accepted by Chinese people widely. By application of Hofstede’ culture dimensions and Hall’s context dimensions, the author explained the cultural conflicts between two countries and listed corresponding approaches that Starbucks might adopt. In marketing mix analysis, Starbucks’ strategies are discussed in aspects of product, price, place and promotion. On the basis of Starbucks’ success, the thesis provides suggestions to Chinese transnational enterprises.

Key Words: coffee culture, Chinese culture, culture conflicts, cultural integration, Starbucks’ cross-cultural marketing strategy, marketing mix analysis

# 摘 要

这篇论文主要通过对星巴克成功的跨文化营销策略的分析去讨论美国咖啡文化是如何融入中国文化的。经过多年的发展，星巴克构建的咖啡文化在中国被人们普遍接受了。作者通过采用霍夫斯泰德文化维度理论和爱德华·霍尔高低语境文化理论解释了两国的文化冲突以及列出了星巴克采取了的一些相对应的营销策略。在营销组合讨论部分，作者会从产品、价格、渠道和促销手段这四个方面进行详细分析。最后，根据星巴克成功的跨文化营销案例,论文还给中国的跨国公司提出了相关的建议。

关键词：咖啡文化，中国文化，文化冲突，文化融合，星巴克的跨文化营销策略，营销组合分析

**An Analysis of Success of Starbucks in China from the Perspective of Cross-Cultural Marketing**

# 1 Introduction

With the opening-up of China, the country is keeping track of international trend, and thus creates opportunities for cross-cultural communication. For years, foreign corporations have laid the foundation in China market deeply through their effective marketing strategies. Starbucks’ coffee culture is now accepted by most of Chinese people. The process of coffee culture’s acceptance and integration is long and difficult. The cross-cultural marketing strategy of Starbucks has contributed to going through the difficulties of cultural integration in China.

This thesis describes the culture-based difficulty of Starbucks business expansion in China and explains the marketing strategy the company adopted to overcome these cultural differences. The research method is a combination of cross-cultural business and marketing mix analysis. Cultural differences between the two countries are analyzed based on Hofstede’s five Dimensions of National Culture and Hall’s context culture. In the part of conclusion, the author is going to put forward suggestions based on the success of Starbucks in China, in which they need to take cultural elements into account when they expand business to other countries.

# 2 Introduction to Starbucks

## 2.1 The Origin of Coffee

The word ‘coffee’ is derived from ‘koffie’ in Dutch and later transformed into ‘kahve’ in Turkish and ‘qahwah’ in Arabic.

The origin of coffee can be traced back to many unsearchable mysteries in the tenth century, but among them only two stories of Shepherd and Sheikh Omar were going to endure (Ellis 2004).

Shepherd is a story occurring in the region of Kaffa in Ethiopia. A shepherd discovered that his sheep became unusually excited after eating fruits from a special plant. Then driven by curiosity, the shepherd tasted the fruits in person and found himself becoming a frisky bird just like his sheep. Thus, the shepherd noticed the effect of the coffee and told others (Ukers & William 1935).

Sheikh Omar is a Muslim monk who engaged with praying to cure the sick. Once he was exiled to a desert, he suffered from starvation and mental destruction which made him near to death. In such helpless situation, Omar chewed berries from a shrubbery but found it having a bitter taste. He tried roasting the berries but failed because of hard shells, and then he boiled the seed in the water. After drinking the brown liquid Omar regained his energy (Torz & Macatonia 2016). Due to miracle effect of this kind of liquid, he introduced it to the mass.

Though the real origin of coffee was unidentified, the historical transmission of coffee was recorded. There is no doubt that Africa is the homeland of coffee, and as African slaves were brought to the Arabian Peninsula in the 16th to 17th century(吕品晶,2014), the coffee-drinking culture spread around there. Through the history, colonists, merchants and predator made great contribution to the coffee culture. As a result, coffee culture soon spread to Europe, to America and to the whole world.

In China, the earliest credible evidence of coffee-drinking or knowledge of coffee tree appeared in the 20th century in Yunnan(吕品晶,2014). With the entrance of global coffee brands to China, especially Starbucks, the coffee culture has begun to influence Chinese people’s daily life.

## 2.2 Starbucks Coffee Culture

**2.2.1 Reliable Sources of Coffee Bean**

It is a general knowledge that coffee bean’s quality determines the coffee’s taste. Therefore, the sourcing of coffee is considered to be a significant element in Starbucks’ coffee culture. The company established a specialized purchase team to keep quality of their coffee beans. The team members always travel around Indonesia, East Africa and Latin America to purchase the best coffee beans from local coffee growers to deliver the purest taste of every cup to the customer. Every coffee bean needs to be examined three times which is called C.A.F.E (Coffee and Farmer Equity) Practice (Starbucks Company Profile 2017) to ensure a long-term supply of high-quality coffee bean for the industry.

**2.2.2 The Third Living Space**

The CEO of Starbucks—Howard Schultz used to state that Starbucks is not just a passionate purveyor of coffee, but everything else that goes with a full and rewarding coffeehouse experience (Starbucks Company Profile 2017). In the 1980s, majority of American lived a work/home life which was too busy to have a rest. The founding of Starbucks created a third living space for people, where everyone could enjoy the quietness and relaxation when they stepped into Starbucks. In essence, people would choose shops offering respect and sense of belonging, and Starbucks exactly satisfied their needs. Starbucks mixed the American culture and made it experiential. Thus, coffee means more than itself in Starbucks.

**2.2.3 Emotional Selling Pattern**

Starbucks pays great attention to maintaining customer relationship, and it sells coffee based on mutual trust between customer and the company. Each cup of coffee is an emotional transmission. However, in the age of advertising, Starbucks put few investments in advertisements but gained market shares through word-of-mouth marketing. High customer loyalty triggered high frequency of repeat purchase. In order to keep the close relationship with customers, Starbucks has set up a service standard which makes every cup as the first cup, the taste and feelings are full of happiness as the initial even it is the hundredth cup. ‘Customer first’ service made products full of feelings, that is the most effective promotion Starbucks has done.

## 2.3 Development of Starbucks in China

In January of 1999, Starbucks opened the first coffee shop in Beijing. After years of expansion, Starbucks possessed more than 2800 shops in 130 cities in the Chinese market. Nearly 40,000 Chinese employees participated in the group. At present, Chinese market has already turned into the Starbucks’ second largest market in the world (Starbucks Company Profile 2017). Additionally, Starbucks has built up the world’s largest shop in Shanghai called Roastery. Roastery enriches the definition of coffee shop which is equipped with Green Bean Station and Coffee Library to transparentize coffee-making process.

Over the past 18 years of development, Starbucks has set up high-quality coffee reputation and become the coffee industry benchmark in China. The company image of being progressive, fashionable, humanistic has been admitted by Chinese customers. In order to cater to the features of Chinese market, the company adopted different marketing approaches especially in the perspective of culture differences. The company fully respected Chinese tradition so that it put more efforts into store’s decoration, menu setting and festival promotions. On the one hand, Starbucks did not abandon western culture; on the other hand, Starbucks realized the combination of Chinese and western elements.

While Starbucks is developing in China, it also has undertaken social responsibilities to repay Chinese people. The company has carried out the project of CSR (corporate social responsibility) annually since 2009. It was estimated that nearly 1500 impoverished undergraduates would benefit from Starbucks’ donation.

# 3 Cultural Conflicts in China

## 3.1 Differences between Tea Culture and Coffee Culture

**3.1.1 Western Coffee Culture**

Cocoa, coffee and tea are the most popular drinks in the world. Among these, coffee is considered to be the most famous one. Coffee is not a proprietary drink of any country, it spread to the whole world and derived varieties of coffee cultures. American coffee culture has influenced the mass deeply and almost form a unique life style. The majority of white-collar worker would purchase a coffee before working in the morning. Time is precious to American people because they are busy at work all the time, and so that they need a place to relax themselves. The founding of Starbucks exactly satisfied their needs. People in Starbucks could have a free discussion with friends or take a nap while listening to the blues music. Coffee shop is their third living space outside of home and workplace. Generally, coffee is not only a drink anymore, but became a symbol of life style.

In China, coffee was regarded as a special drink having no connection with life style when it was just introduced to China. However, in recent years, the meaning of coffee-drinking has been enriched in Chinese mindset by the global coffee brands’ contribution.

**3.1.2 Chinese Tea Culture**

Tea is one of the seven daily necessities in China which has enjoyed a centuries-old history that even can be traced back to about 3000 years ago. Tea-drinking is related to helping people keep far away from the force of vileness.

The three Chinese major philosophies, Buddhism, Taoism, and Confucianism, have created large impact on Chinese tea culture. Therefore, there are four etiquettes in tea drinking which are clean, respectful, harmonious, real.

Tea has been taken seriously by Chinese. It is common to see the younger greet the elder with tea to show their respect in China. Chinese family often go to teahouse for leisure at weekends because they have little time to meet each other when they are busy at work. Therefore, it becomes frequent and important activity to drink tea together for their gathering. Tea culture in some extent is connected with family values of Chinese.

In addition, drinking tea is a way to keep healthy. A cup of hot tea can warm one’s body in winter; A cup of cold tea can refresh one’s mind. Certainly, the benefits of drinking tea are more than this. Thus, in China, tea drinking is identified as a healthy life style that Chinese people inherit from generation to generation.

**3.1.3 Summary of Culture Conflicts in Drinking**

From the above-mentioned discussion of coffee and tea culture, the conclusions are drawn as follows. Tea in China obtained more meanings like family values and healthy drinking than coffee in China. Some traditional Chinese people, such as the elders or those living in the countryside, may have difficulty in accepting coffee culture from western world because tea-related family values and healthy functions are not replaceable. Though coffee culture spread to China, it still need a lot of time to create certain status. Open-minded, adventurous, affluent urban consumers are the major coffee purchasing force in the Chinese market. Particularly, in big cities like Beijing, Shanghai and Guangzhou, the presence of coffee shops is more common to see. China is opening up to the world, and an increasing number of people tend to pursue the western way of life, because the notion of life in their mind have changed, under this circumstance, coffee culture has been well integrated into their life. Nevertheless, tea culture keeps deeply influential in Chinese people's thinking and life style which is difficult to be displaced by coffee culture.

## 3.2 Different Life Styles between Chinese and Americans

Table 1 Cultural Dimension Scores of United States and China

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Culture Dimension Scores | | | | | |
|  | Power-Distance | Individualism | Masculinity | Uncertainty-Avoidance | Long-term orientation |
| United States | 40 | 91 | 62 | 46 | 29 |
| China | 80 | 20 | 50 | 60 | 118 |

(Data source: Hofstede 1993)

In order to clarify the differences between China and America, Hofstede’s five cultural dimensions is utilized for reference. Hofstede has developed a useful framework that lists the five major issues that define and classify national cultures. (Mitchell 2015) He illustrated that cultural values system includes five dimensions: individualism versus collectivism, power-distance, uncertainty avoidance, masculinity versus femininity and long-term/short-term orientation. China and USA differ greatly in Hofstede’s dimensions according to their economy, policy, society and cultural background. Table 1 illustrates the cultural dimension scores of China and USA (Hofstede 1993). The following life style comparisons between China and USA are based on the table.

**3.2.1 American Life Styles**

Occupation is taken seriously by Americans so that everyone in America would carry a job no matter what financial situation they are. The U.S.A. is a country with strong individualism, which indicates that they work for themselves more than for others. Thus, they work effectively and professionally because Americans believe that half-hearted working style equals wasting time. Drinking coffee is the easiest way to keep their mind clear to work. Meanwhile, American people believe that work is the embodiment of human ability and human values. In terms of power distance, the scores of USA are half of China, which indicates that USA is decentralized. It is common to see leaders of American companies participate in physical work. They will be treated with respect instead of discrimination. Thirdly, Americans have a strong time values. They are described as those who ‘cannot walk and chew gum at the same time’—implying that time is of paramount importance. Wasting their time is almost a violation of their individual rights. Therefore, there should be an appointment before visiting American friends. In spare time, American people would put down working issues and to hold a party to share joy with friends and family.

**3.2.2 Chinese Life Styles**

Generally, Chinese people live a life distinct from American people. Chinese pursue harmony, and plain living pattern as opposed to material luxury. China ranks low in individualism score which means they would like to work for collectivity. In the Chinese culture, family is the core values. In childhood, they have been taught to love and pay respect to the whole family, to look after his parents to achieve filial duties. Thus, tea drinking was a ceremony in some Chinese local culture to express respect. In terms of power distance, the scores of China has got 80, which indicates that China is centralized. China had cancelled classism for centuries, however, hierarchy is still being kept in Chinese mind. Tea is always used as a present for elder people by younger generation to show their respect. Working is significant in Chinese mind as well. But different from American, table 1 shows that China has higher values for uncertainty avoidance than USA. Chinese would prepare for all aspects in case any problems occurred. In common situations, Chinese people keep a modest style that they work smoothly rather than for quick success and instant benefits. Lastly, USA has a short-term orientation while China has a long-term orientation. Chinese often set plans annually, like five-year-plan.

**3.2.3 Summary of Culture Conflicts in Life Styles**

To sum up, coffee culture would suffer from difficulties in the process of Chinese acception because of the great differences in culture dimensions. Chinese and American live two distinct life styles. Coffee culture is in line with the American way of life. Fast paced and efficient life styles made them feel tired easily so that coffee-drinking exactly help them get rid of fatigue and have more energy to work. On the contrary, Chinese people live slower life styles compared with Americans, tea and alcohol have different meanings instead of only one function for relaxation. In China, although it is not unusual to see people in big cities who drink coffee as their habit, it is just a phenomenon that their life style has become similar to Americans because this kind of life style is full of pressure, and coffeehouse just gives them space to rest.

## 3.3 Case Analysis: Starbucks in the Forbidden City

Starbucks’ development experienced bumpy process in China. In January 2007, Starbucks in the Forbidden City has sparked criticism. According to the report at that time, Starbucks launched a coffeehouse inside Beijing’s Forbidden City, which had operated for 7 years and closed down under tremendous public pressure. Obviously, it is a conflict between Starbucks’ foreign culture and local sensitivity.

To protect “national dignity”, hundreds of Chinese people participated in the campaign through a personal blog of the initiator, Chenggang Rui. He is a well-known news anchor for the English language programs at the China Central Television (CCTV), the most authoritative Chinese news channel, and he drove Starbucks out of the Forbidden City eventually. This case raised questions about how the public understand the tension between the coffee culture and the Chinese tradition.

The pros and cons are listed as follows.

Pros: Starbucks in the Forbidden city is a shop without deep meaning. It was made over complicated by some people who lack of confidence of our traditional culture. Chinese culture cannot be corroded by western culture only because of a Starbucks. These two cultures are not opposite. The case prompted Chinese to reflect on why our society went on a ‘money is everything’ stage that business profits exceed culture values. If the core problem remained unsolved, Starbucks could be replaced by ‘Moonbucks’ or ‘Sunbucks’ which would be invested by Chinese(于显洋,2007）. On the other hand, if Starbucks was prohibited, it would be prohibited for travelers who drank Coca-Cola, wearing foreign-style clothes and speaking foreign language as well. It made a fuss for closing Starbucks but important to raise cultural awareness of Chinese. In today’s China, hamburgers and pizzas can be found everywhere, Christmas and Valentine’ day are appreciated. These even have become the mainstream of life style in our society resulting from commercial culture. People in the era of rapid social change find it difficult to pursue genuine cultural sense, on the contrary, alien thing is modern and fashionable. Under this situation, Starbucks could open the shop in the Forbidden City, and the choice is not about the Starbucks but Chinese themselves.

Cons: As the highest symbol of Chinese history and culture, the Forbidden City is not necessary to realize a combination of western and Chinese culture and it is one of the most recognized historic scenic spots in Beijing. The scenic spot displays Chinese rich culture which should not be invaded by foreign culture. For example, just as it is impossible to imagine that the Louvre in France would introduce Chinese noodle shops to achieve the cultural integration, Starbucks is needless to do so(王小咪,2007). Starbucks has destroyed the pureness of the Forbidden City. The existence of this shop raised interest from overseas travel magazine with many articles to describe the Starbucks’ great ability for survival in the Forbidden City. The articles had brought negative influence to the image of palace. As a result, Chinese would be reproached for not having protected their own culture.

In summary, the Forbidden City is one of the highest symbol of Chinese traditional culture. Although the company has achieved the best in combination of Chinese and American culture, it is inappropriate to open a western-style shop in such a solemn situation. Chinese should pay more attention to the construction of culture awareness and culture respect. Starbucks' retreat was the right measure, as for the lesson, the company should consider more in culture aspect and should not destroy the local culture when opening a new outlet.

# 4 Cultural Integration in China

## 4.1 Marketing Approach

Cultural conflicts, especially the conflicts that occur in the process of intercultural activities (Schneider & Jean-Louis 1997) while cross-cultural marketing is really, first and foremost, about cross-cultural communication. It is clear that communication is the fundamental root of modern marketing. Merchants solved the dilemma of cross-cultural marketing back then by erecting signs above their stores, displaying pictures of the wares inside (Mitchell 2015).

According to the definition of cross-cultural marketing, communication misunderstanding is the crux to handle properly. Starbucks had adopted a series of marketing approaches to accommodate Chinese market. There are four approaches based on cultural differences.

**4.1.1 Utilization of Tea Culture**

In Taiwan, the birthplace of bubble tea, the company unveiled a drink last summer called the caramel coffee jelly Frappuccino, billed as “coffee and ice poured over chewy coffee jelly pieces, topped with an indulgent whirl of whipped cream” (Batsell 2004). Tea culture is the essence of Chinese culture. Tea drinking is the habit of most Chinese people. It is more acceptable that Starbucks launch tea-related products. China is a nation influenced by Confucianism that welcome foreign culture(程爱民&潘望, 2016). China is the hometown of tea, and the products relevant to Chinese tea are the most suitable for Chinese people. On March 2010, Starbucks launched nine tea drinks surprisingly, including Chinese tea, four exotic tea and two special tea drinks. It was another bold sale adopted by Starbucks after its first Chinese-style promotion selling zongzi, mooncakes, tofu, vegetable rolls, and colorful mushroom bags.

**4.1.2 The Definition of ‘Success’**

Starbucks has triumphantly built up a conception of ‘success’ in China. This kind of success is a feeling to let people enjoy atmosphere of petty bourgeoisie in imagination. In their mind, Starbucks is a symbol of fashion, success and status. More and more Chinese tend to pursue the ‘success’, and they are willing to pay double or treble times price of a cup of tea to taste Starbucks coffee which bring them a feeling of being successful. However, in America, Starbucks does not have such meanings. Edward T. Hall’s Context theory could explain it: people from different cultures process and disseminate information differently (Mitchell 2015). America is a typical low-context country, people in America focus on the message itself so that coffee is just a kind of drinking to them. In China, a high-context country, drinking Starbucks coffee stands for one’s social status because of its high price. Face takes a significant role in Chinese life, so that a cup of Starbucks coffee gives them Face. That’s the theory Starbucks utilized in sales based on Chinese high-context culture.

**4.1.3 Localized Cooperation Mode**

Starbucks was not as a wholly owned foreign enterprise to enter into the Chinese market in the initial, and the company cooperated with local partners. Managing China stores by Chinese is the core idea in the early operations. Correspondingly, in the north of China, Starbucks has established a joint venture with Beijing MEIDA coffee company; in the east, Starbucks has partnered with Taiwan coffee companies; in the south, Starbucks partnered with the Hong Kong MEIXIN food company(曾卓骐，2015). Each partner has different advantages, which helps Starbucks understand the tastes and preferences of local consumers. It is undeniable that Starbucks builts its foundation in Chinese market on both brand awareness and appropriate business mode—chain-store operation, according to the characteristics of regional features. This is the reason why Starbucks can duplicate its success in Chinese market.

**4.1.4 Marketing with Chinese Culture**

Starbucks in China has fully made use of localized marketing strategies. Starbucks especially respected Chinese time-honored traditional culture so that it integrated local customs into the Starbucks experience seamlessly. The coffee shop is designed out of the combination of Chinese and western styles, and the products are inundated with the Chinese taste, the service provider aims to cater to the needs of Chinese customers. Before opening outlet, there would be a rigorous process to keep Chinese original taste and flavor. The company would measure flows of the customers, find out the preference of customers regarding places, and estimate business profits the company could get. Only after getting the feasible data, the company would open a shop to sell variety products in the best place with the most reasonable price and the most attractive promotion. The specific marketing mix will be analyzed in the next part.

## 4.2 Marketing Mix Analysis of Starbucks

**4.2.1 Product**

Starbucks has committed to product innovation with Chinese elements. Starbucks has introduced new selections of coffee, and also launched some creative products, which have enhanced emotional connection with consumers. Starbucks in China put efforts to build up a space to get new feelings and experiences for customers. The company expands product line ranging from desserts and coffee to oatmeal, smoothies, cupcakes to keep up changeable needs of customers. In addition, the company has found other business opportunities in other gadgets like the accompanied cup, mug, zodiac money-box. These Chinese style gadgets have caught young people’s eyes which also have become the Starbucks’ profit points. These localized products show that Starbucks is hammering at integrating traditional Chinese culture. In 2009, Starbucks first used Chinese coffee beans from Yunnan, and it is the first time that Starbucks choose Chinese food source. Starbucks has been strict with the quality of raw material, however, after years of Starbucks’ inspection, Yunnan coffee beans got the recognition from Starbucks, the company even aims to introduce Chinese production of coffee beans to the whole world. Until now, using local materials from China is the priority in the company. Therefore, localized products and materials narrowed the distance between Chinese and American life styles.

**4.2.2 Price**

Setting up the right price is one of the marketer’s most difficult tasks. Price plays a key role in creating customer value and building customer relationship (Kotler 2001). Thus, price is one of the vital factors that determine whether customers would buy coffee or not. When Starbucks entered into China, high price is the problem the company faced. According to the purchasing power of Chinese, most of Chinese might not be willing to buy a cup of coffee with such a high price. However, Starbucks didn’t change its luxury image which set the status-conscious people as their target customers. For these people, the high price means positive emotions, memories, better quality life and they are willing to pay more to enjoy coffee time in Starbucks. In China, a high-context country, buying Starbucks coffee is a way to deliver the deeper level of message that they have better life. On the other hand, Starbucks wants to keep a high customer loyalty through the high price setting. In China, the work of white collar is stable. They would continuously purchase one product since they feel satisfied with it. Starbucks utilized this kind of psychology to increase repeated purchasing frequency.

**4.2.3 Place**

“Place” means all the activities involved in bringing a product or service from the end of manufacture to the end of using (Kotler 2001). It mainly consists of producer, wholesaler, retailer and customer. In China, Starbucks is sticking to direct-sale store to make sure the high standards of every store. To increase sales, Starbucks opened online and offline sale channels. The best overview of Starbucks' location is the creation of the third space. White collar in central business district especially needs the space to have relaxation(叶莹，2006). Generally, Starbucks set more stores at business center of the city. When customers got convenience of the purchasing, they would go to the store again. Chinese people keep a high power-distance, however, the strained working relations would be alleviated in Starbucks because of comfortable coffee-drinking experience. Through company e-store on its homepage, it provides customer with many purchasing channels such as Tianmao, Taobao, JD, etc. In these websites, soluble coffee, bottled coffee, coffee beans as well as coffee cups are hot-sale products that satisfied Starbucks lover’s needs.

**4.2.4 Promotion**

The promotion mix is a specific blend of promotion tool that the company uses to persuasively communicate customer values and build customer relationships (Kotler 2001).

Starbucks has never neglected the importance of the power of promotion and taken a series of promotion in its target market. For maintaining customer loyalty, Starbucks created membership through reward card sales with a member points system inside to inspire customers’ purchasing behavior. The reward card is sold at 88 yuan in China including three coupons. Chinese people rely on a collectivist mind-set, and promotion coupons like ‘buy one and get one free’ and ‘buy two and get one free’ totally conform to this feature because these kinds of coupons give them a way to share coffee with their friends. Chinese customers would be encouraged to buy coffee to share with their friends or relatives by using these coupons. Marketing at festivals is another promotion strategy. Chinese people celebrate many festivals, including the traditional ones and the ones introduced from foreign countries in recent years. At these time, Starbucks will launch a number of festival-related products such as dog-shaped mug in the year of Dog. Additionally, inside some Starbucks stores, there will be a coffee class introducing coffee culture and brand knowledge. As a result, coffee culture influenced Chinese unconsciously by multifaceted promotion of Starbucks.

# 5 Suggestions to China’s Cross-cultural Business

## 5.1 Localization Marketing

**5.1.1 Marketing Strategy Localization**

Marketing strategy localization is to develop new products that meet local customers’ needs according to the comprehensive analysis of raw material, preference of target customer and adaptability of products. Chinese transnational enterprises should realize marketing strategy localization through adjustment in production, sale, service system and R&D. In production localization, original products would be adapted or abandoned and new products must comply with the local standards and cultural practices. The company can fully use the local resources and create new style products with local elements. In sale localization, Chinese transnational enterprises should understand and respect local culture and traditions that sells at the most reasonable price and the most suitable promotion. Taking Starbucks as a good example to learn, in Chinese New Year, the company would carry out many zodiac-related products like cups and postcards. Meanwhile, customers in Starbucks could buy coffee with a surprise discount. In R&D part, Chinese transnational enterprises should keep up with the change of the needs. In the matter of fact, international market research can be very difficult to conduct because of cultural constraints and custom. Certain political or personal questions may be appropriate in one country, but not in another (Mitchell 2015). Besides, successful intercultural business communication is based on understanding one’s own culture and the culture of the partner (Varner & Beamer 2014). In this case, Chinese cross-cultural business could cooperate with local research companies to get precise data. Product localization is a continuous process that Chinese cross-cultural business need to follow up rather than one-shot consideration.

**5.1.2 Business Model Localization**

A business model is an "abstract representation of a business, be it conceptual, textual, and/or graphical, of all core interrelated architectural, co-operational, and financial arrangements designed and developed by an organization presently and in the future, as well as all core products and/or services the organization offers, or will offer, based on these arrangements that are needed to achieve its strategic goals and objectives (Al-Debei, El-Haddadeh & Avison 2008)." Business model localization means that, when entering a market with a different background, the Chinese international enterprise should prepare an adaptable business model to deal with issues caused by different business environments. In the Chinese market, due to international joint venture operation, Starbucks has surpassed many coffee competitors. Chinese market is not seen as a simple market because of its vast population and booming economy. Starbucks joint venture model decreased a large account in costs and accelerated opening of more and more Starbucks chain stores (Tălpău & Boşcor 2011). It follows that incidence of Chinese cross-cultural business could transform its business model in the light of target country’s condition. Moreover, business model is not fixed but flexible. For example, it could be joint venture initially but solely-invested later when the company possessed enough capital accumulation.

## 5.2 Innovation Marketing

**5.2.1 Positioning Innovation**

The cross-cultural company should take a position transformation first before entering into the new market. To gain a global vision, the old positioning might not be suitable for different market anymore. Starbucks was a simple coffee house in the beginning, but until Starbucks became an international brand, the coffee house has changed. The brand has more meanings such as culture, management style, target customers, etc. In China, Starbucks launched a slogan: to provide a clean and fashionable place for Chinese middle class to socialize without spending a lot of money. Therefore, positioning innovation is necessary before stepping into other different background-based markets. There are some good examples. Many commodity companies in Yiwu (a small city in Zhejiang province) are famous for cheap wholesale goods, however, these companies raised their positions to a superior status in USA where products are sold with the more expensive price and higher quality. Yiwu’s companies know that the purchasing power and values of Americans are different from those of Chinese. In consideration of the changes might happened in the sales environment, the cross-cultural company should increase or decrease their brand positioning by analyzing the characteristics of target groups.

**5.2.2 Employee Management Innovation**

Management innovation is focusing on creating perfect planning and implementation steps at the organizational level on the basis of a clear awareness of potential obstacles. Especially, international business suffers from omnipresent cultural obstacles. Hence, Chinese transnational enterprises should not neglect the importance of management innovation. The Starbucks philosophy is to engage employees and management at all levels within the organization to help create a flexible work environment. Moreover, Starbucks ensures that organizational success is met by increasing the quality of its products and constantly committing to new challenges with competitors and employees (Lemus, Feigenblatt, Orta & Rivero 2015). This gives a lesson to Chinese transnational enterprises: employee management innovation is inevitable. The company should put more investment in its staff and give them rights to involve in decision making. In recruitment, Chinese cross-cultural business could take local workforce into account because they are familiar with the local policy, culture and environment. Starbucks often hire part-time workers from local university students (Nair & Weber 2017). These students would adapt the new environment quickly and serve passionately. Similarly, it is good attempt for Chinese cross-cultural companies to hire local workers to work in the local way.

# 6 Conclusion

In conclusion, when entering a market with a different culture, the international enterprise should prepare a comprehensive strategy to deal with cultural conflicts they might confront with. Starbucks Corporation reveals its global presence in the international market and gain reputation from Chinese people through decades of evolutionary operation. Though Starbucks were initially faced with a number of theoretic difficulties to penetrate into Chinese coffee market in Hofstede’s culture dimension and Hall’s context analysis, the company has created a successful integration of Chinese and American coffee culture. Starbucks at present is a sustainable and popular corporation in Chinese coffee market because the company strives to incorporate coffee culture into China by setting the targeted marketing strategies in the perspective of cross-cultural marketing to overcome cultural barriers. By taking advantages of dissimilarity and convergence between two country’s culture, Starbucks has done great job in product, price, place and promotion setting. The 20-year-long practice has proved that Starbucks has resolved theoretic difficulties perfectly. Inversely, Starbucks’ successful case also could be a good example for Chinese transnational enterprises that they should pay more attention to localization and innovation trying to get access to international markets.

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