



WHY STARBUCKS SUCCEEDED IN CHINA: A LESSON FOR ALL RETAILERS

A&M'S SURESH DALAI PUBLISHED ON FORBES.COM



Suresh Dalai
Director, Singapore
[Email](#)

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Co-written by: Michael Zakkour and Suresh Dalai

Much has been written about Starbucks' successful strategy in China. The company is opening a store a day and aims to have 5,000 stores in the next few years. My fellow Forbes contributor Helen Wang rightfully attributes the company's success to its long-term commitment to the market, well-executed collaborations with Chinese partners, superior supply chains, adopting local technologies, and offering local items on its menu.

However, these are just the visible tactics of a much more fundamental strategy. From the beginning, Starbucks has spoken to the essence of Chinese culture, giving it the wisdom to develop the long-term vision, local relationships, and localized product offerings for the market.

All global companies can learn from this: attention to and execution around Chinese culture is the root of a foreign brand's success in China.

As previously covered in this column what Starbucks understood when they entered the market was that it was not about the coffee initially. It was about reviving a "tea house culture" that had existed for thousands of years. Starbucks' global success was based on being the "third place" between home and work and brought that ethos to China -- but with a modern, Western, upscale sensibility. Since those early days Starbucks has meticulously organized its efforts in China around three key pillars of Chinese society.

Family

From the beginning of Chinese civilization, family has been the key source of security, education and spirit for the Chinese people. The society's Confucian values entwine children and parents in a bond of shared responsibility that stretches throughout all stages of life. Parents should strongly engage in their children's lives -- their upbringing, education and career -- and in return, children should respect and care for their parents as they age.

Starbucks fully understood this and made engaging parents a cornerstone of its people operations. Since 2012, Starbucks has hosted an annual "Partner Family Forum," where its employees (whom the company calls "partners") and their parents can learn together about the company and its future in China. "Partners" talk about their professional experiences in the company and Starbucks leadership -- even CEO Howard Schultz -- speak to the parents.

The success of the program cannot be underestimated. In an interview with BCG, Schulz said about the first Forums held in 2012:

“Think about an annual meeting of shareholders; we had an annual meeting of parents in Beijing and Shanghai, and we had about 90% participation. We did not know who or how many would come. In most cases, there were whole families. There were parents, grandparents, aunts, and uncles. It was unbelievable . . . it was a breakthrough for the company and a milestone for local relevancy and sensitivity.”

The company has continued to build on this. This year, it announced the launch of the “Starbucks China Parent Care Program” which currently provides health insurance for elder parents of 10,000 employees and will likely extend to more employees. The initiative obviously encourages staff retention by giving rare financial support to employee’s families. Much more importantly, it says to Chinese “partners” that it respects their parents in a way that truly touches the Chinese heart.

Community

Chinese highly value their community, traditionally labeled as their “inside circles.” Be it their homes, schools or companies, they turn to these circles for loyalty, information and approval of their choices.

With this in mind, Starbucks designed its retail spaces to facilitate these “circles” coming together. Unlike in the United States, where Starbucks chairs are often the quiet haunts of solitary laptop users, China’s Starbucks are laid out to welcome crowds, noise and lounging. In many cases, the spaces are up to 40% bigger than in the U.S., and have been placed in very visible and easily-accessible locations in office buildings (either on highly-trafficked first floors or mezzanine areas). The sitting areas are open format and usually have no walls -- the chairs seem to flow out into adjacent spaces, such as lobbies or walkways. As Quartz’s Gwynn Guilford put it: **In China, Starbucks doesn’t sell coffee to make its millions -- it rents couches.**

The result? Walk into any Starbucks in an office building at 3PM and you will see a buzzing throng of people exchanging office news, admiring and getting information about the latest fashions from their colleagues, and talking with their friends about the next travel destination. It feels like you’ve walked into a modern-day version of the town square.

Consequently, Starbucks customers not only enjoy the coffee (in all its Chinese variations), they feel fulfilled going to a Starbucks with their friends or families.

Status

Chinese place a premium on gaining and upholding reputation and status, especially for their family and community. Consequently, they want to be associated with brands and products that portray prosperity, success and upward mobility. Starbucks has positioned itself as the premium coffee brand in China. It charges 20% higher prices in China compared to other parts of the world. It chooses very high-end locations for its outlets including luxury malls and iconic office towers. And since foreign brands, particularly in food and beverage, are viewed as premium, Starbucks often labels its products with the country from which its products are imported.

Starbucks, and how it enables Chinese to observe their culture, is a powerful example for any global brand on how to operate in the country. By aiming to embed itself in China’s centuries-old culture, Starbucks inevitably plays the long game, leading to a deep commitment to the market. It has to develop relationships with families and communities, which inevitably make it more attractive to and successful in local partnerships. Finally, it has to be part of China’s family rituals and desire for status by providing an environment that consumers and employees are proud of.

Put together, these efforts have made Starbucks less a foreign brand transplanted to China and more a seed from a Western tree that has been carefully planted and patiently nurtured within.

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