

Is Starbucks failing in China?

Executive Summary

- China is the second most important market (19% of all stores) for Starbucks after its US market.
- In Q4 2021, Starbucks's China store sales are showing a decrease of 7%.
- Starbucks says that it is expecting to be down by 10% based on its last two-years comparison figures in Q4.
- In terms of newly opened stores, the market saw only 620 new stores by the end of October 2021 in rather under-developed provinces.
- Fresher and innovative Chinese competitions like Luckin Coffee and local cafes are growing much faster and outselling Starbucks
- It can also be seen on social media platforms and via search traffic that the interest among citizens for Starbucks is declining



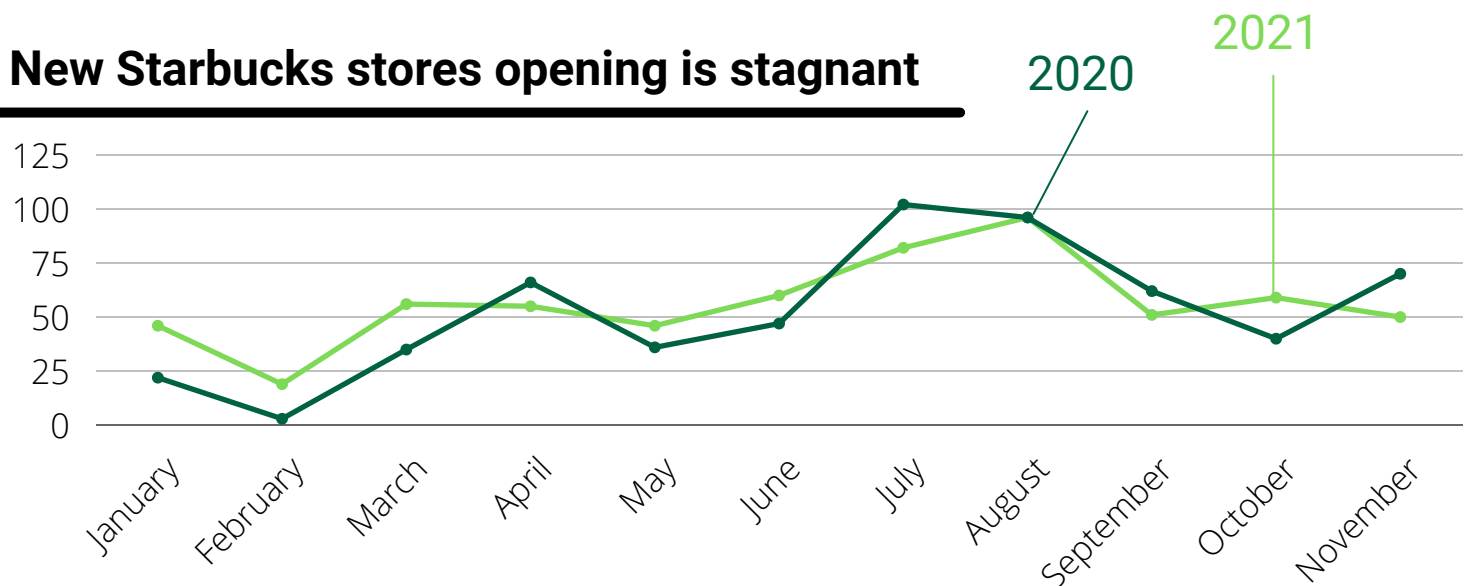
Starbucks is losing its market share and profit margins in China - its second most important market globally!

Starbucks faces decreasing transactions numbers and average values

The sales numbers in Q4 are declining heavily

- In Q4 2021, the store sales have decreased by 7%. Therefore, not only did the number of transactions shows a decrease of 2% but also the average ticket has also decreased by 5%.
- Starbucks is blaming COVID for this decline, although currently there are a few local lockdowns and restrictions in China.
- Starbucks says that recovery momentum is below expectations and is expected to be down 10% based on a two-year comparison in Q4
- In the chart below you can see that the new store openings are still at the same level as it was in COVID affected 2020. Stagnation in growth can be seen clearly.

New Starbucks stores opening is stagnant



Starbucks's new locations are in lesser developed areas

New Starbucks stores per province



New Stores - Top 10 cities

2021

1. Shanghai (95)
2. Beijing (44)
3. Hangzhou (32)
4. Shenzhen (28)
5. Guangzhou (25)
6. Chengdu (17)
7. Xi'an (15)
8. Ningbo (14)
9. Wuhan (14)
10. Chongqing (13)

2020

1. Shanghai (100)
2. Beijing (64)
3. Hangzhou (26)
4. Shenzhen (24)
5. Tianjin (21)
6. Chongqing (17)
7. Chengdu (17)
8. Wuhan (16)
9. Ningbo (15)
10. Nanjing (14)

Key Take Away

Starbucks is expanding in relatively underdeveloped provinces (except in Guangdong), while the growth in Tier 1 cities is somewhat regressive

Starbucks needs China but falls behind the competition

China is a coffee market with incredible potential

- China's coffee market is huge and growing fast, with an annual growth rate of more than 15% (compared to the global coffee market growth rate of 2%).
- According to iiMedia Research, China's coffee market's size will reach 300 billion yuan in 2020, and the size of China's coffee market is expected to reach 10,000 billion yuan in 2025.



During the most important shopping day, competition is stronger

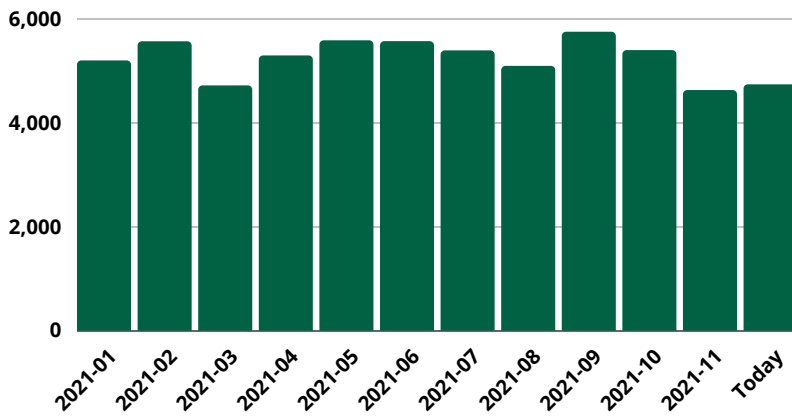
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- The 11.11 shopping statistics from **TMALL** (TMALL) clearly show that Starbucks is no longer in the top position.
- Direct competition has increased its growth even more.
- Saturnbird has been #1 for 3 years in a row, where they excel at precise positioning and emphasis on user experience (their sales are 1.5 times higher than the second place)
- 永璞咖啡 was able to double its growth for 3 consecutive years. They have an interesting omnichannel sales approach resulting in sales of 50 million yuan in 2021.

Decreasing Interest in Starbucks, visible on Social Media

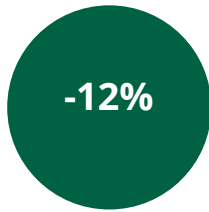
Search volume of Starbucks on is decreasing



Overall YoY



Mobile YoY



Key Take Away

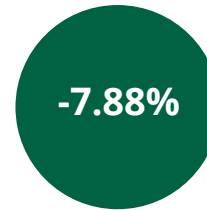
The Interest in Starbucks is declining and fewer people are posting Starbucks-related content online

The volume of Starbucks posts is also regressive

Posts about Starbucks in last 90 days



90 Days Change



New Followers Growth



Starbucks' Social Media Positioning

- Starbucks has been focusing on "coffee socialization." You can share your favorite coffee products with your friends to become closer to your friends again.
- They are also focusing on environmental protection via a joined campaign with OATLY

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China Market Potential Analysis

“ We still see many European companies only slightly active in the Chinese market. They do not know their exact current position in the market, the competition situation, and the perception of their Chinese customers. High-quality European companies have enormous potential in China. ”

Lukas Tatge, CEO CIMK

What we offer:

We offer you a detailed analysis of your company's current situation in the Chinese market while also providing an overview of your whole industry in China at the same time. We also showcase how other foreign companies in your industry are positioned in the Chinese market and how they have successfully built their sales and marketing strategy. The fully customized report about your company and industry consists of the following parts:



Industry Overview

- Market size
- Trends and developments
- Offline and online sales relevance



Analysis of Current Situation

- Existing distribution channels and prices
- Visibility analysis and customer feedback
- Marketing, branding and environment



Competitor Landscape

- List of competitors
- Marketing and sales strategies
- Competitor's performance



Potential Future Outlook

- Future outlook for your brand
- Opportunities and potential for further options



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