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Section 1

1. Organisational Context and Industry Overview

1.1 Company Background

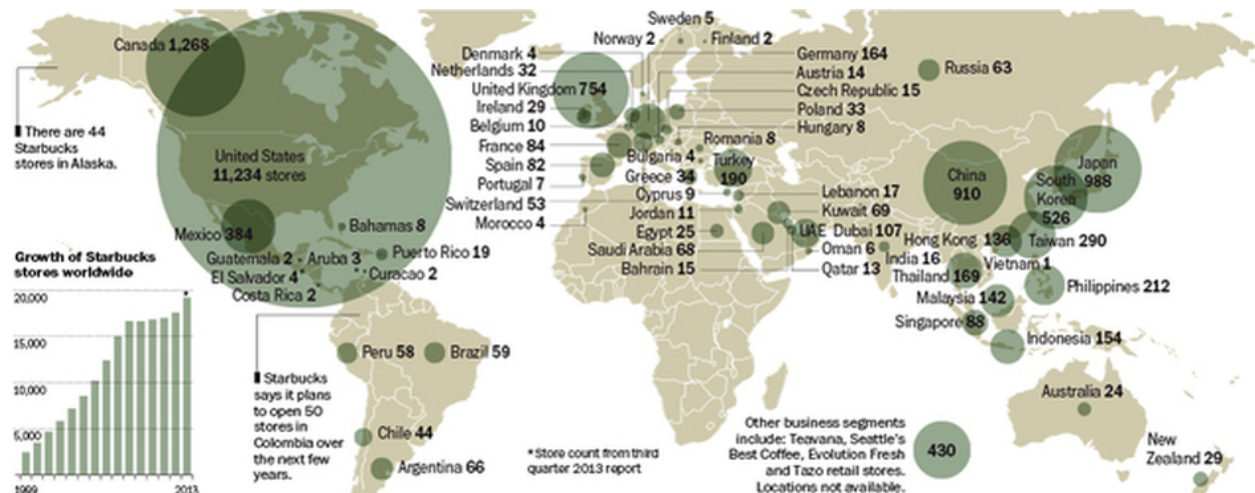


Figure 1: Global Distribution of Starbucks Stores

Source: Starbucks Corporation (2025)

Starbucks, founded in 1971 in Seattle, has grown to become the world's largest specialty coffeehouse chain by 2025, with 40,000 stores in 80+ markets (Starbucks Corporation, 2025). The company's mission is 'to inspire and nurture the human spirit – one person, one cup, and one neighbourhood at a time', and its vision is to make 'designing amazing customer experiences through high quality coffee, innovation and sustainable business practices' (Starbucks Corporation, 2025). The core values of Starbucks focus on a sense of belonging, courage, excellence and positive impact to people and the environment. It is a combination of company-operated and licensed stores, with the use of digital platforms, customer loyalty programmes, premium product differentiation and the ethical sourcing of its coffee through its Coffee and Farmer Equity (C.A.F.E.) Practices, which enables long-term value creation (Raj, 2021; Starbucks Corporation, 2025).

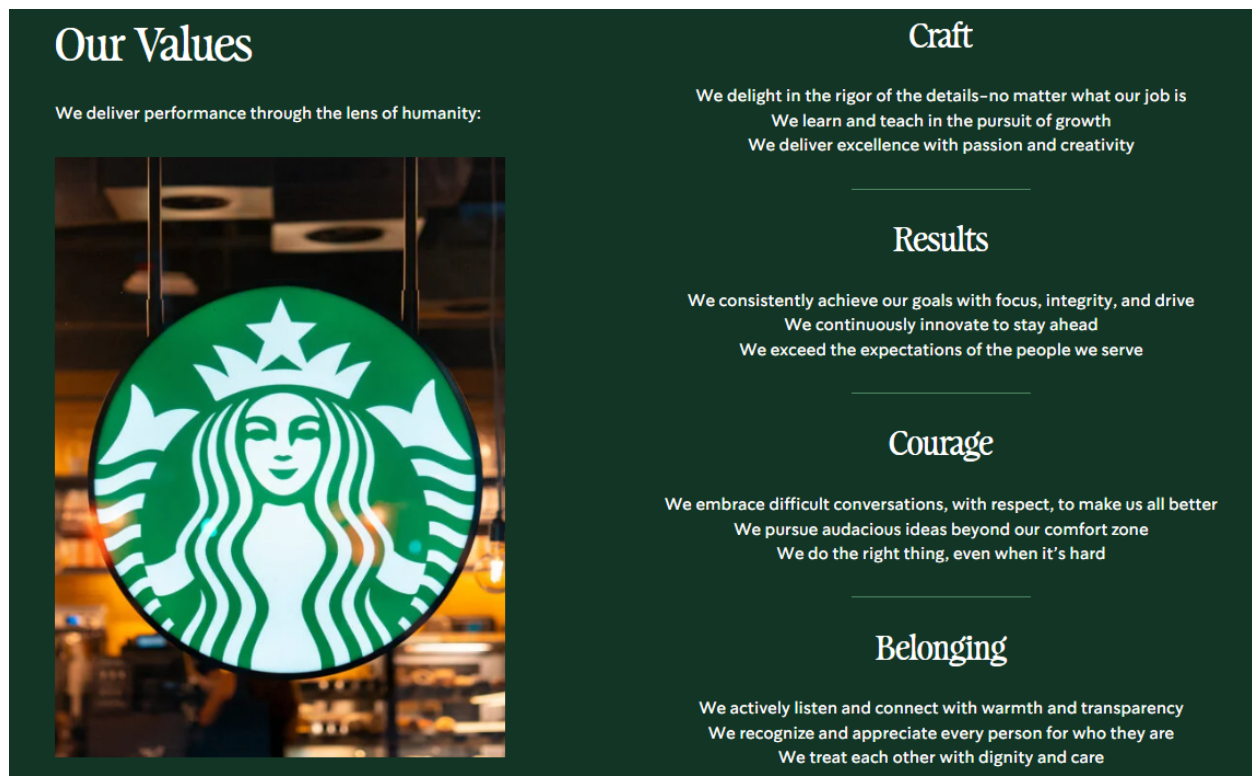


Figure 2: Starbucks' Core Corporate Values

Source: Starbucks Corporation (2025)

1.2 Industry and Market Context

This report examines Starbucks China, the second largest international market for the firm, where the country's rapid urbanisation, growing disposable income and changing consumer lifestyle continue to drive demand for high-quality coffee. Coffee consumption in China is projected to grow beyond key cities and the younger generation has been increasingly drawn to specialty coffee and digital ordering platforms, which will drive robust long-term growth in the country's coffee market (Grand View Research, 2025; Buttha et al., 2024).

China Product - Coffee Market, 2021-2033

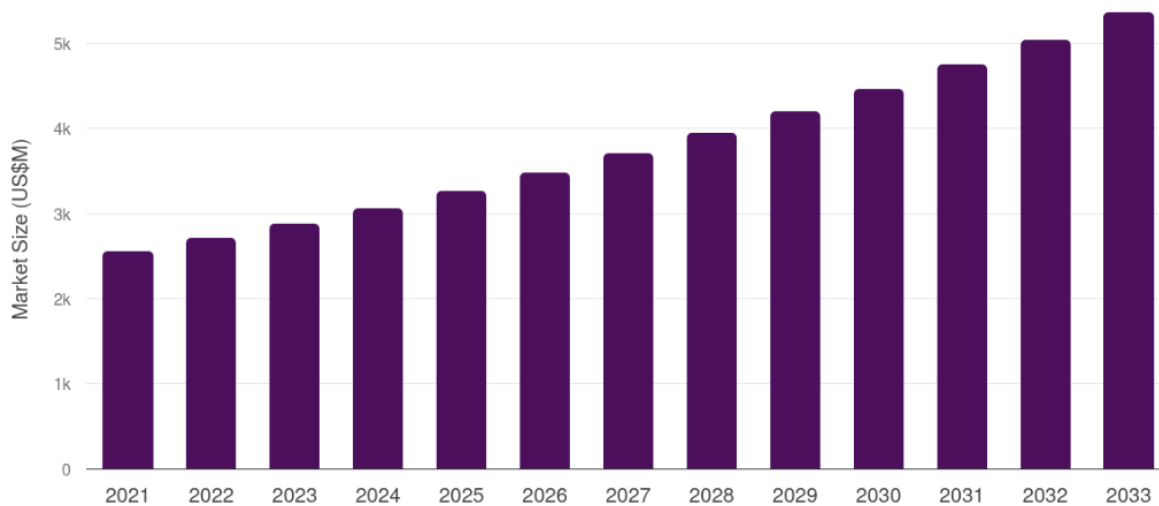


Figure 3: China Coffee Market Size Forecast (2021–2033)

Source: Grand View Research (2025)

However, the market has become extremely competitive – not only with domestic brands like Luckin Coffee, but also with international brands such as Costa Coffee and Tim Hortons China. Luckin's technology-driven, value-oriented approach has fueled heightened price competition and rapid digital innovation in the industry (Zhao et al., 2025). Despite these obstacles, Starbucks's strong brand equity, unique customer experience, wide-ranging store infrastructure, and digital integration create a strong competitive advantage for the brand, enabling it to compete on quality, customer loyalty, and experience, as opposed to low-cost alone (Ren et al., 2023; Zhang, 2025).

2. Strategic Analysis of the Business Environment

2.1 External Environment Analysis Using PESTEL

2.1.1 Political Factors

Starbucks has both challenges and opportunities in the political environment of China. Retail and food service sectors have grown as a result of government policies to support

domestic consumption and urban economic development, and promote quality. But rising geopolitical tensions, changing trade policies and more government favoring local businesses could spur indirect competition with multinational businesses. In addition, the government's preference for domestic brands has bolstered the local market, necessitating Starbucks to keep adjusting its localisation approach, but it remains committed to its global brand identity (Starbucks Corporation, 2025; Tang et al., 2025).

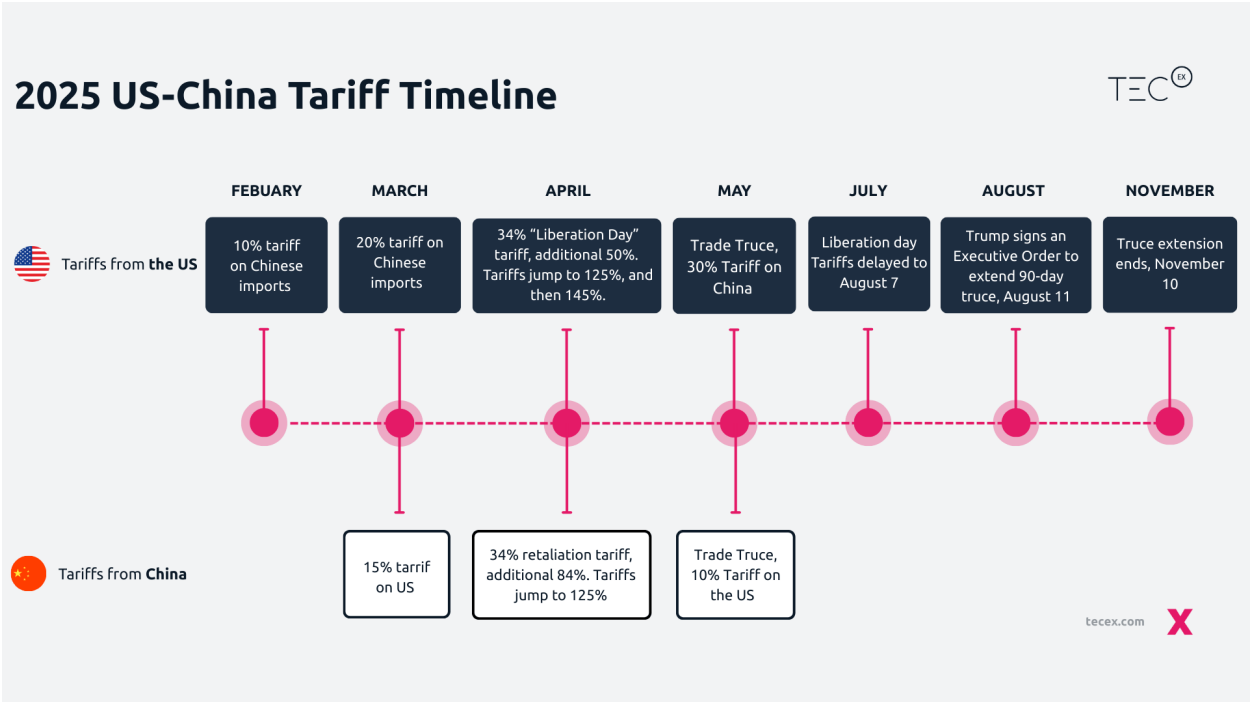


Figure 4: 2025 US–China Tariff Timeline

2025 US–China Tariff Timeline

2.1.2 Economic Factors

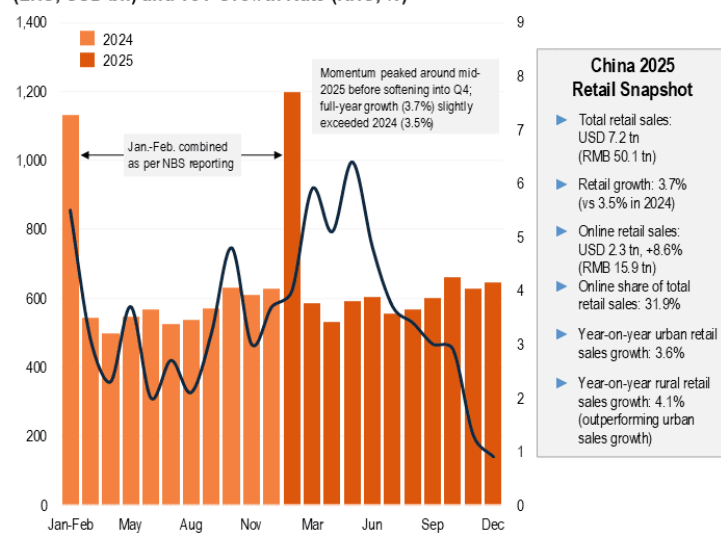
The economic conditions greatly impact Starbucks' performance in China. China's economy has been growing, but the growth has been accompanied by reticence to spend, inflation and heightened customer sensitivity to price. In the meantime, the Chinese coffee market is still expected to grow fast in the long run as their disposable income continues to rise and the population is set to become more urban, and middle-income consumers will emerge (Grand View Research, 2025).

China's Consumer Spending Expanded Modestly in 2025, But Momentum Softened at Year-End

ANDAMAN
PARTNERS

Retail sales improved marginally year-on-year, supported by resilient online spending and stronger rural consumption, while weakening urban demand weighed on momentum into year-end

China 2024-2025 Total Retail Sales of Consumer Goods (LHS, USD bn) and YoY Growth Rate (RHS, %)



Note: China NBS reports January and February as a combined figure to account for Lunar New Year timing effects. USD values calculated using annual average RMB/USD exchange rates.
Source: National Bureau of Statistics of China, ANDAMAN PARTNERS Analysis

China 2025 Online Retail Sales (LHS, USD bn) and Share of Total Retail Sales (RHS, %)



China 2025 Urban vs Rural Retail Sales of Consumer Goods (LHS, USD bn) and YoY Growth Rate (RHS, %)

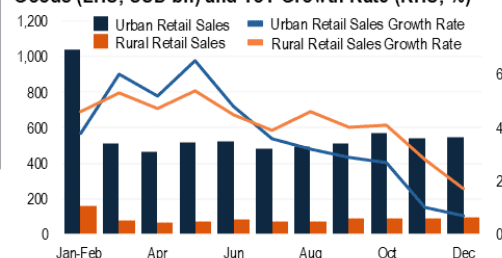


Figure 5: China's Consumer Spending and Retail Sales Performance in 2025

Source: Andaman Partners (2026)

However, the aggressive price competitions by local brands, especially Luckin Coffee, with its lower cost-of-service strategy by using a digital-first business model (Zhao et al., 2025) have challenged Starbucks premium pricing strategy. Starbucks will therefore need to maintain the premium positioning while supporting actions to increase value in order to maintain profitability.

2.1.3 Social Factors

One of the biggest factors affecting Starbucks is the shift in consumer preferences. The younger Chinese consumer is now strongly linked to coffee with Modern lifestyle, social activities, and personal identity. There is a demand for higher quality drinks, bespoke experience, healthier food and beverage items, and quick digital services (Buttha et al., 2024). In response, Starbucks has introduced locally inspired beverages, improved

customer experience, and bolstered the Rewards programme. However, consumers are increasingly demanding both affordability and high quality, which puts pressure on Starbucks to be both affordable and high quality to keep customers loyal without compromising on their brand value (Ren et al., 2023).

2.1.4 Technological Factors



Figure 6: Starbucks Now Mobile Order & Pay Service in China

Source: NFCW (2019)

In China today, technology is an important competitive factor of the coffee industry. Mobile ordering, digital payments, artificial intelligence, personalised promotions and delivery platforms all serve as a lifeline for consumers. Starbucks has prioritized its digital strategies by leveraging Starbucks Rewards, mobile apps, and partnerships to ensure a

more engaging customer experience and operational efficiency (Starbucks Corporation, 2025). Technology-driven competitors like Luckin Coffee, however, are driven by very data-oriented business models and lower operating costs, and are able to quickly win customers over with this (Zhao et al., 2025). Thus, ongoing investments in digital marketing skills, customer data analysis, and service development are crucial to sustain competitive advantage (Figueiredo et al., 2026).

2.1.5 Environmental Factors

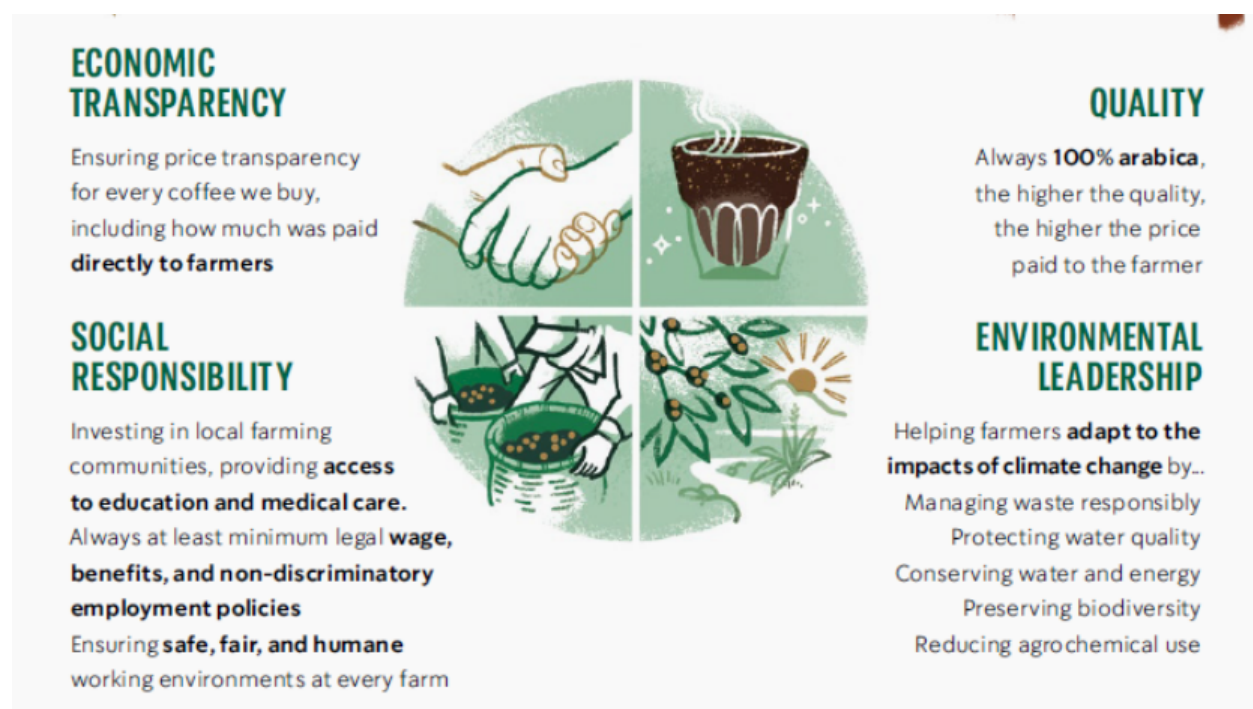


Figure 7: Starbucks Coffee and Farmer Equity (C.A.F.E.) Practices Framework

Source: Starbucks Stories (2020)

The importance of environmental sustainability has grown for both regulators and consumers. Starbucks's environmental initiatives have been reinforced by the responsible sourcing of its coffee, the company's carbon reduction goals, waste management and recyclable packaging programmes under the C.A.F.E. Practices and the company's global ESG strategy (Raj, 2021; Starbucks Corporation, 2025). These efforts boost corporate image and trust in the company, and contribute to sustainable competitiveness. However,

the impacts of climate change remain an ongoing threat to global coffee production, particularly through increased risks in the coffee supply chain, raw material costs, and uncertainty of sourcing (Bager et al., 2020; Abate et al., 2026).

2.1.6 Legal Factors

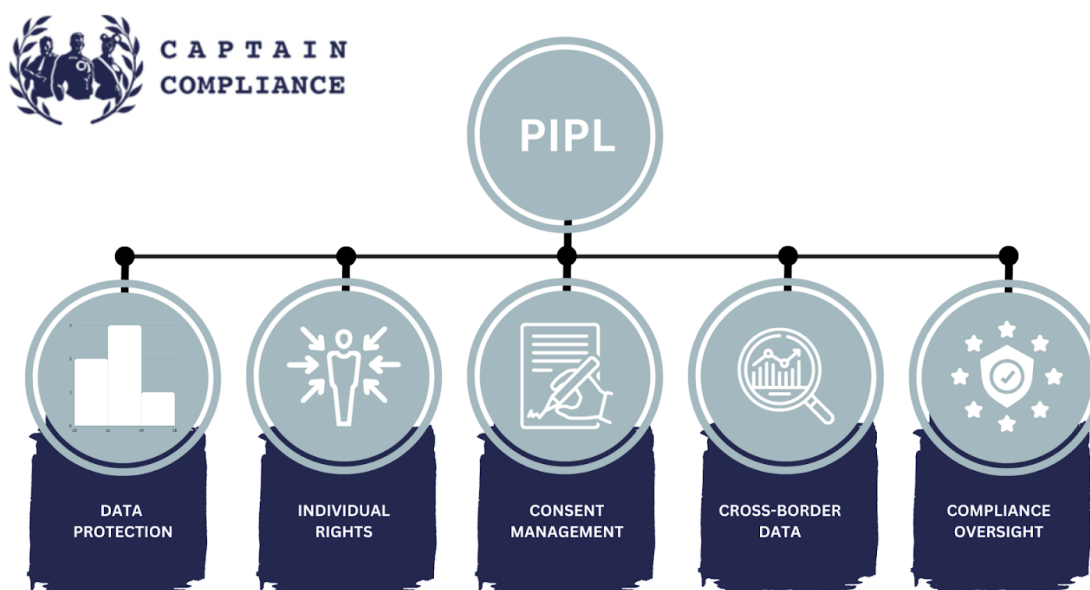


Figure 8: Key Components of China's Personal Information Protection Law

Source: Captain Compliance (2025)

As China's legal landscape continues to shift, Starbucks needs to meet more and more rigorous standards for food safety, employment rights, minimum consumer rights, and environmental measures. Improving food safety governance boosts consumer confidence and adds to the compliance burden of operations (Tang et al., 2025). Furthermore, compliance with provisions regarding data privacy, digital transactions, and environmental reporting demands ongoing investment in compliance systems. Non-compliance with regulatory requirements could impact Starbucks' reputation and erode stakeholder trust in a more regulated landscape (Starbucks Corporation, 2025).

2.1.7 Critical Evaluation of External Opportunities and Threats

The PESTEL has shown that Starbucks China's external environment is an attractive and very dynamic environment. The greatest potential lies in the continued expansion of the specialty coffee market in China, growing interest in specialty coffee among younger generations, technology breakthroughs, and the demands for sustainable premium coffee products (Grand View Research, 2025; Buttha et al., 2024). On the other hand, the most significant challenges are severe competition with domestic brands now that they are digitally enabled, high consumer price sensitivity, supply chain disruptions due to climate issues, and rising regulatory requirements (Bager et al., 2020; Zhao et al., 2025). All of these reinforce the need for Starbucks to continue its strategy of focus on differentiation as opposed to competing on price, and to continue to innovate, adopt digital capabilities, be leaders in sustainability, and provide a great customer experience.

2.2 Internal Environment Analysis Using VRIO

2.2.1 Internal Environment Analysis

The VRIO framework evaluates whether Starbucks' internal resources and capabilities generate sustained competitive advantage within the Chinese coffee market.

Resource / Capability	Valuable	Rare	Difficult to Imitate	Organised to Capture Value	Competitive Implication
Brand equity	✓	✓	✓	✓	Sustained competitive advantage
Customer loyalty ecosystem (Starbucks Rewards)	✓	✓	Moderate	✓	Temporary to sustained advantage

Digital capabilities	✓	Moderate	Moderate	✓	Temporary competitive advantage
Ethical supply chain and C.A.F.E. Practices	✓	Moderate	✓	✓	Sustained competitive advantage
Human capital and organisational culture	✓	Moderate	✓	✓	Sustained competitive advantage

Table 1: VRIO Analysis of Starbucks in the Chinese Market

Source: Author (2026)

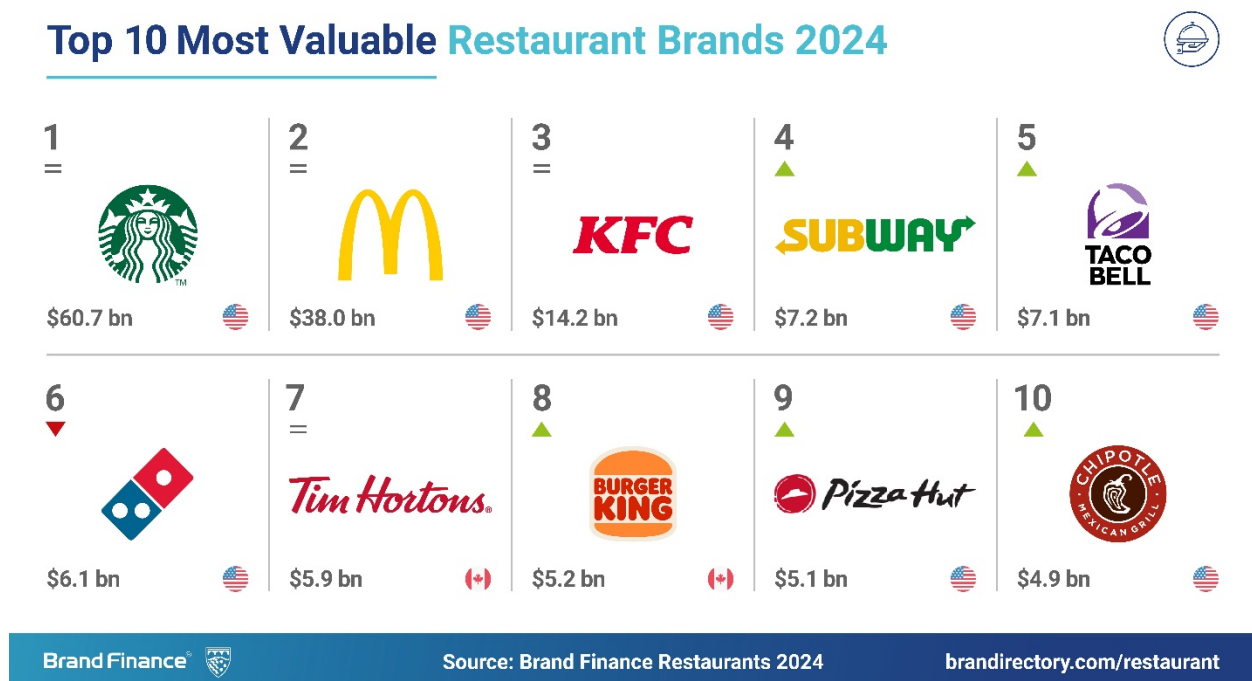


Figure 9: World's Top 10 Most Valuable Restaurant Brands (2024)

Source: Brand Finance (2024)

Brand Equity: Starbucks has one of the most highly trusted premium coffee brands in the world, and can command premium prices without compromising customer confidence and loyalty. In China, its reputation extends beyond coffee to lifestyle, quality, and social experience, differentiating it from lower-priced competitors. Building brand equity can lead customers to pay higher, and help to create a firm position in the market, thus it is an important strategic asset which is difficult to imitate (Ren et al., 2023; Zhang, 2025).

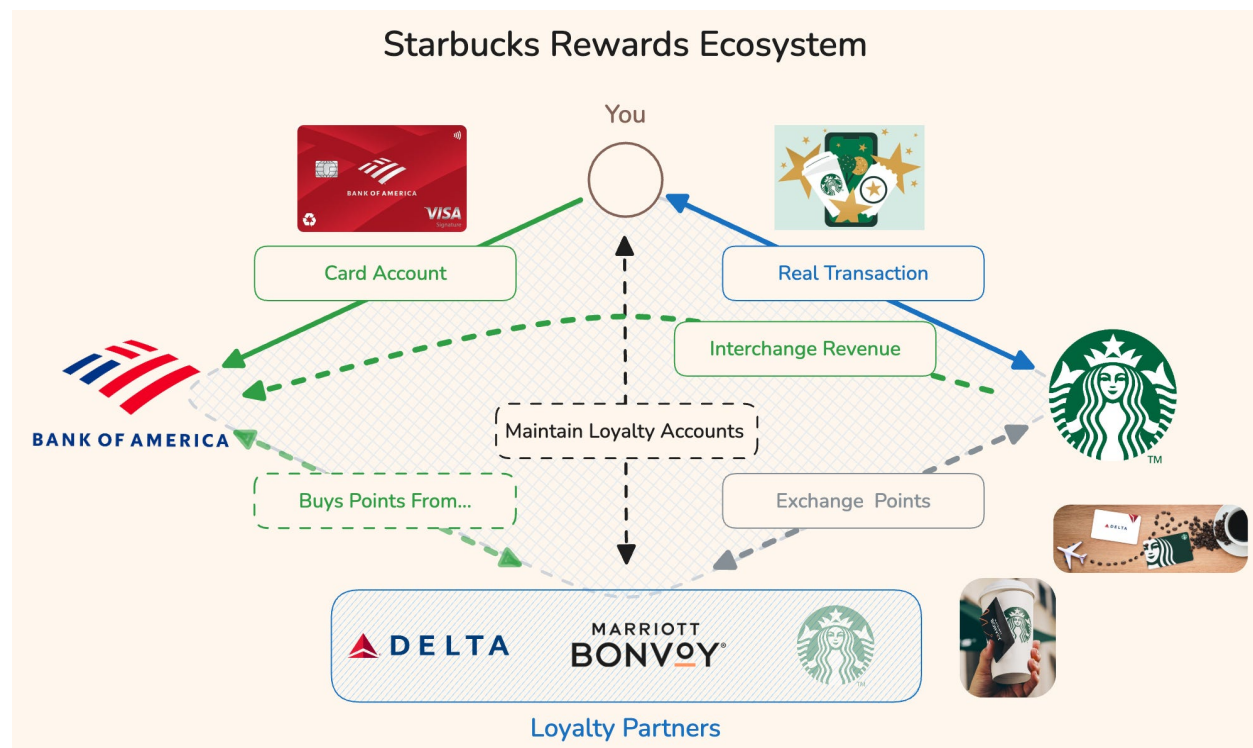


Figure 10: Starbucks Rewards Ecosystem and Customer Loyalty Network

Source: Harvard Business School Digital Initiative (2022)

Customer Loyalty Ecosystem: With mobile ordering and customised promotions, the Starbucks Rewards programme enhances customer retention by engaging them with data-driven initiatives. This ecosystem can help to encourage repeat purchases and increase customer lifetime value, but other digital loyalty programmes, like those used by rivals Luckin Coffee, have also been embraced by competitors. Thus, though valuable and relatively rare, continuous innovation is essential to maintain its competitive advantage (Pereira et al., 2025; Starbucks Corporation, 2025).

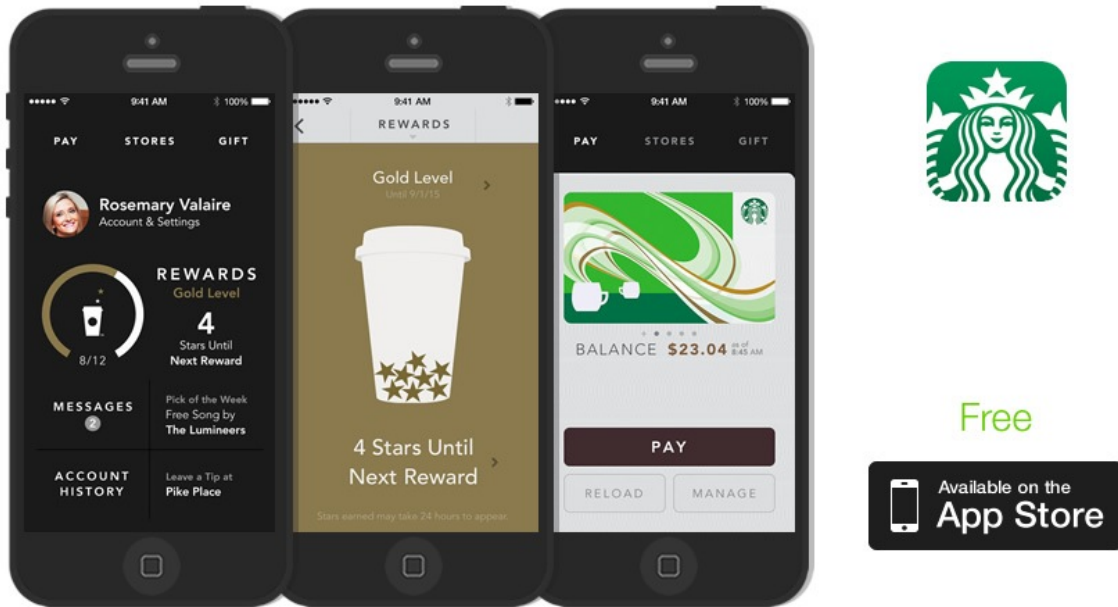


Figure 11: Starbucks Mobile Application and Digital Rewards Platform

Source: Harvard Business School Digital Initiative (2017)

Digital Capabilities: Some of the key investments Starbucks has made are in digital platforms, mobile apps, AI-powered personalisation, and omnichannel customer engagement. These features increase efficiency and convenience in operations, as well as facilitate data-driven decision making. China's digital coffee industry, however, is rapidly changing, and ongoing technological investment is essential to stay competitive with digital-native competitors (Figueiredo et al., 2026; Starbucks Corporation, 2025).

Supply Chain: Starbucks' C.A.F.E. Practices, responsible sourcing standards, supplier relationships, and quality assurance systems enhance its global supply chain. These capabilities improve product consistency, ethical sourcing and sustainability, and lower the reputational risk. This kind of integrated supply chain management is hard to replicate by competitors, thus providing them with long-term competitive advantages (Raj, 2021; Bager and Lambin, 2020).

Human Capital: Starbucks' high-quality customer service is facilitated by employee training, inclusive organizational culture, leadership development, and customer service excellence. The company's focus on employee engagement ensures a steady brand and service. However, with the rise in labor expenses and competition for skilled workers,

ongoing investments in workforce development are essential (Starbucks Corporation, 2025).



Figure 12: Starbucks' Employee Training and Career Development Pathways

Source: Starbucks EMEA Careers (2025)

2.2.2 Critical Assessment of Strengths and Weaknesses

Starbucks's main strengths are its worldwide recognized brand, high quality customer experience, ethical supply chain, digital ecosystem and organizational culture. Together these resources contribute to the differentiation and long-term competitiveness of China. Weaknesses, however, include premium pricing in a more price-sensitive market, reliance on ongoing digital innovation and vulnerability to intense local competition with lower operating costs. Starbucks must therefore continue to play on its strengths and be flexible to customer expectations and technology to maintain its competitive advantage (Ebrahimzadeh et al., 2026).

2.3 SWOT Strategic Synthesis

Strengths	Weaknesses
Globally recognised premium brand	Premium pricing strategy
Strong customer loyalty ecosystem	Higher operating costs
Advanced digital platform	Slower adaptation than digital-native competitors
Ethical sourcing and sustainability leadership	Dependence on premium market segment
Extensive retail network and customer experience	Exposure to changing consumer spending
Opportunities	Threats
Rapid growth of China's coffee market	Intense competition from Luckin Coffee
Expanding middle-income consumers	Increasing price sensitivity
Digital innovation and AI	Climate-related supply chain risks
Rising demand for sustainable products	Regulatory and compliance pressures
Expansion into lower-tier cities	Market saturation in major cities

Table 2: SWOT Analysis of Starbucks in the Chinese Coffee Market

Source: Author (2026)

Overall, the SWOT analysis reveals that Starbucks needs to adopt SO strategies, take advantage of the country's growing specialty coffee market, and the rising demand for premium experiences, while capitalising on its own strengths such as the premium brand, digital ecosystem, and sustainability leadership. ST strategies involve strengthening the product innovation, customer engagement and service differentiation to fight the strong competition and price rivalry, and to retain the premium position (Zhao et al., 2025; Zhang, 2025).

WO strategies should focus on the weaknesses to increase operational efficiency, localization of the product and increase value offerings when not taking out the brand equity. Investment in AI-powered personalisation and digitalisation would improve the

competitiveness against technology-based competitors. WT strategies focus on managing risks, such as diversifying supply chains, enhancing regulatory requirements, and better controlling costs to lessen susceptibility to market volatility and climate shocks (Bager et al., 2020; Zhao et al., 2025).

In general, the SWOT synthesis postulates that Starbucks needs to maintain its premium differentiation strategy with the digital innovation and sustainability; it is not advisable for Starbucks to pursue price competition. The internal strengths can be combined with external market opportunities to be the most suitable strategic path that can be used to maintain the competitive advantage and long-term growth of the Chinese coffee market.

3. Comprehensive Strategic Evaluation

3.1 Evaluation of Starbucks' CSR Strategy

At Starbucks, corporate social responsibility (CSR) is integrated into the corporate strategy and serves as a means to achieve its mission of inspiring and nurturing the human spirit, and creating long-term value for shareholders. CSR is not just a philanthropic program, it is part of the operational resilience, brand and sustainable competitive advantage (Kang et al., 2022).

Climate & Nature

We are taking action to reduce carbon emissions across our operations and supply chains and aim to protect nature and biodiversity.

Since our baseline year of 2019, we have reduced our Scope 1 and 2 market-based greenhouse gas emissions by 17%. These emissions represent approximately 4% of our total carbon footprint for FY25 (when applying market-based accounting for Scope 2).

Scope 3 greenhouse gas emissions across our value chain includes all indirect emissions from activities like farming, transportation and manufacturing. These emissions represent about 96% of our total carbon footprint, with coffee farming and dairy as key contributors.



Figure 13: Starbucks' Climate and Nature Commitments

Source: Starbucks Corporation (2026)

Starbucks has pledged to decrease carbon emissions, decrease waste, encourage reusable packaging and enhance water stewardship. The company also focuses on designing stores that are more efficient in terms of energy and waste, as well as on implementing circular economy initiatives to minimize its environmental footprint (Starbucks Corporation, 2025). The latter serve to enhance the ESG profile of Starbucks and cater to the increasing consumer demands for sustainable businesses. Nevertheless, operating in an environmental manner is difficult because coffee is a resource-consuming crop and the number of outlets is increasing (Bager et al., 2020).

Our Ambition is to Source High-Quality Coffee with Intention and Care

We work to source premium arabica coffee with care, so you can feel good about every cup.

We aim to do this by setting clear expectations, reviewing and verifying how our coffee is grown and traded, and working with farmers and suppliers to improve practices over time.

More than 20 years ago, working with Conservation International, we pioneered one of the coffee industry's first sourcing programs that reflected our ambition to source only high-quality, premium arabica coffee with care: **Coffee and Farmer Equity (C.A.F.E.) Practices**. The program helps assess and improve how coffee is grown, processed and traded across our green coffee supply chain. It provides a set of checkpoints against which farms are assessed through an independent third-party verification process overseen by SCS Global Services. C.A.F.E. Practices also includes clear requirements to pursue corrective actions for zero-tolerance issues.

In FY25, more than 99% of Starbucks coffee was sourced from supply chains verified to meet C.A.F.E. Practices standards.



This work is enabled through Starbucks Coffee Trading Company (SCTC), our global green coffee sourcing organization, which purchases unroasted coffee from more than 26 origins and manages our long-term green coffee supply strategy. Backed by a sourcing team with nearly 100 years of combined coffee-buying expertise, SCTC purchases approximately 5 million bags of premium arabica coffee each year — about 3% of global production — helping ensure consistent quality, traceability and long-term supply reliability while actively managing market volatility and supply-chain risk. As of FY25, nearly 400,000 coffee farms are part of supply chains verified against the C.A.F.E. Practices standard, through a third-party verification process overseen by SCS Global Services. Through SCTC and a network of 49 tier-one suppliers, we work to build strong relationships that help support and improve our green coffee supply chain.

Figure 14: Starbucks' Ethical Coffee Sourcing

Source: Starbucks Corporation (2026)

One of the best CSRs that Starbucks has is ethical sourcing. Starbucks advocates for responsible sourcing, supplier audits, farmer support and sustainable farming through its Coffee and Farmer Equity (C.A.F.E.) Practices. These efforts enhance coffee quality, build supplier relationships, and minimize long-term risks in the supply chain arising from climate change and market volatility (Raj, 2021; Abat et al., 2026). Ethical sourcing therefore is not just a brand builder, but a part of the operation that helps to make it sustainable.



Figure 15: The Starbucks Foundation's Community Development Initiatives

Source: Starbucks Corporation (2026)

Starbucks also shows community engagement with youth development initiatives and partnership programmes helping to connect with local communities and make them stronger in terms of social inclusion and engagement. At the local level, community activities boost stakeholder confidence and strengthen customer ties, supporting the company's luxurious brand image (Starbucks Corporation, 2025).

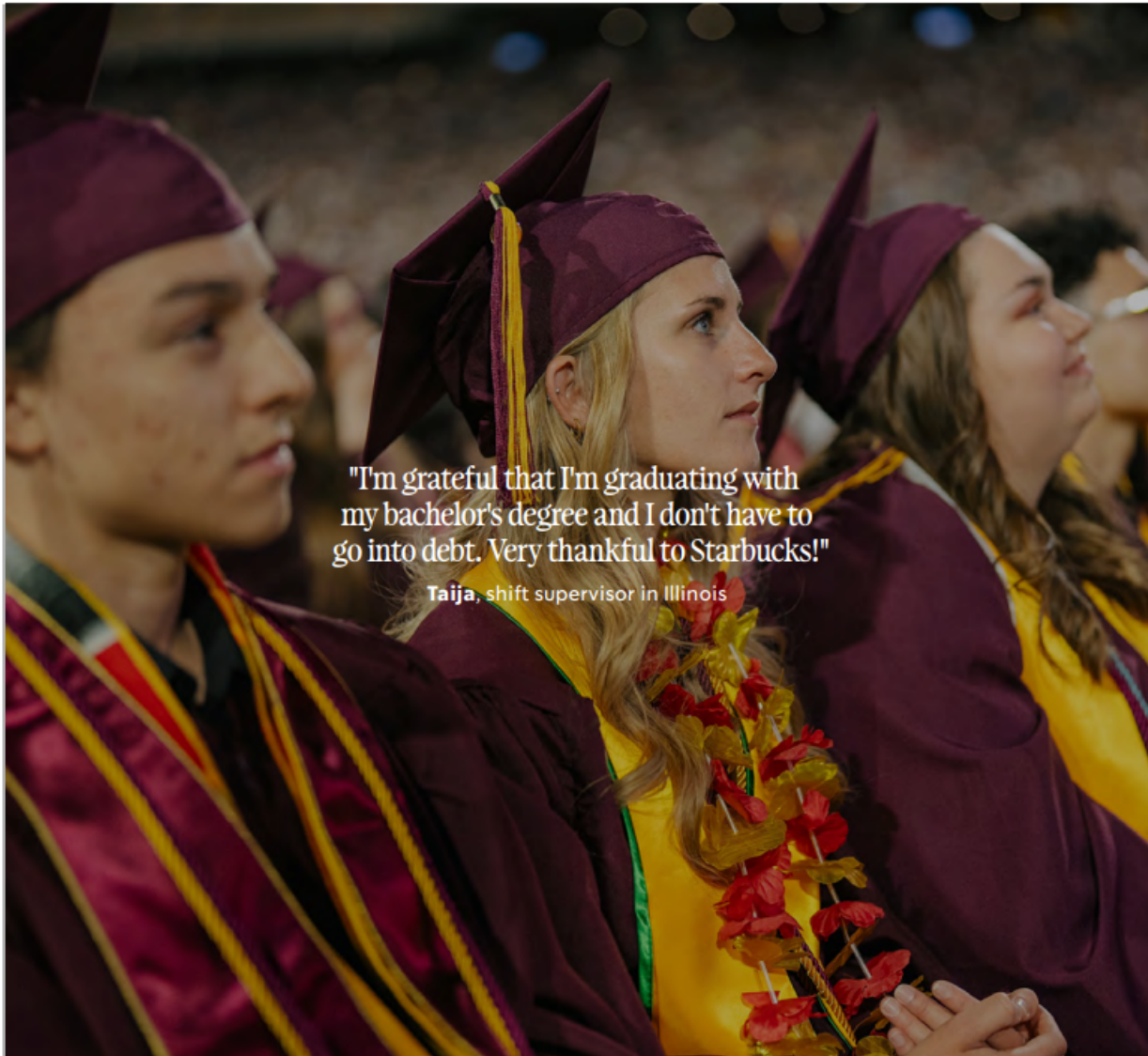


Figure 16: Starbucks' Investment in Youth Education

Source: Starbucks Corporation (2026)

Employee welfare continues to be a strategic pillar. Starbucks fosters employee development, leadership, diversity, and inclusivity to enhance customer service and employee satisfaction. This investment enhances client experience, fosters organisational performance and innovation (Obeng et al., 2026).

In conclusion, Starbucks' CSR strategy is consistent with its mission, focusing on multiple aspects such as sustainability efforts via the environment, ethical business operations and employee training, and engagement with stakeholders. However, CSR is no longer

a cost, but it can help enhance brand equity, customer trust, supply chain resilience, and competitiveness (Ren et al., 2023). However, as consumers become more demanding and the hype surrounding ESG is growing more intense, Starbucks needs to be more concrete in outlining sustainability impacts while keeping its reporting process transparent and open.

3.2 Balanced Scorecard Analysis

Transforming Starbucks China's strategic aims into quantifiable monetary and non-monetary performance measures that aid in its execution is done through the Balanced Scorecard (Madsen, 2025).

Perspective	Objectives	KPIs	Targets	Strategic Initiatives
Financial	Increase sustainable revenue growth and profitability	Revenue growth, operating margin, same-store sales growth	Annual revenue growth >8%; positive same-store sales growth	Expand premium beverages, optimise store portfolio, improve operational efficiency
Customer	Strengthen customer loyalty and premium brand experience	Starbucks Rewards membership, customer satisfaction, repeat purchase rate, Net Promoter Score	Growth in Rewards members; customer satisfaction above 90%	AI-driven personalisation, localised products, digital engagement, premium customer experience
Internal Business Processes	Improve operational excellence	Order fulfilment time, inventory efficiency,	100% ethical sourcing maintained;	Strengthen C.A.F.E. Practices, digital operations,

	and supply chain sustainability	ethically sourced coffee percentage, waste reduction	reduced operational waste	supply chain optimisation, process automation
Learning and Growth	Develop employee capabilities and innovation	Employee engagement, training hours, staff retention, digital innovation projects	Higher employee retention; continuous leadership development	Leadership training, digital capability development, diversity initiatives, innovation culture

Table 3: Balanced Scorecard for Starbucks China

Source: Author (2026)

The proposed Balanced Scorecard is based on the differentiation strategy used by Starbucks China, which incorporates financial performance, customer satisfaction, operational excellence, sustainability and organisational learning. Financial indicators guarantee profitability while customer measurements increase customer loyalty in an increasingly competitive market (Liu, 2025). Operating measures like internal process indicators enhance operational efficiency and ethical sourcing practices, while learning and growth measures foster innovation, skill development, and sustainable adaptability. Overall, the Balanced Scorecard offers a holistic framework for measuring strategic performance in Starbucks' international expansion, connecting these four views to ensure that the company tracks strategic progress beyond just financial results, thereby boosting strategic alignment and maintaining its competitive advantage in the dynamic coffee market of China (Madsen, 2025; Subačienė et al., 2026).

4. Strategic Choices and Implementation

4.1 Evaluation of Strategic Options

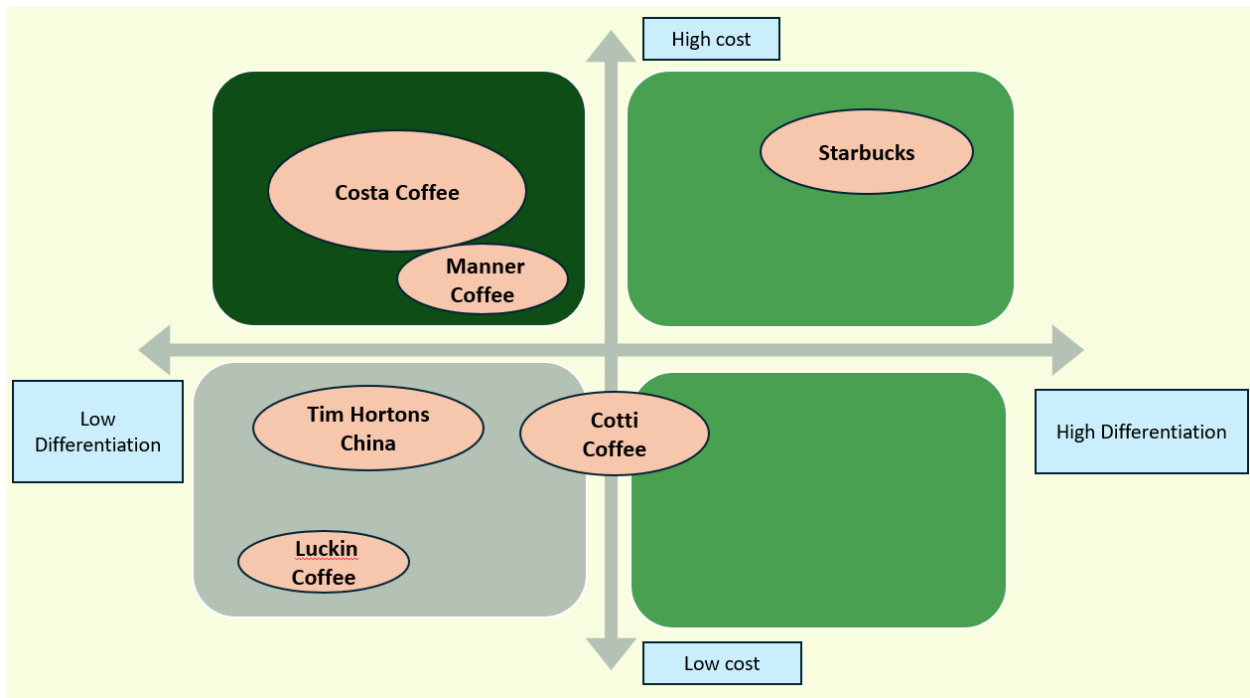


Figure 17: Strategic Positioning Map of Major Coffeehouse Competitors

Source: Author (2026)

Starbucks China has three strategic options at the business level: cost leadership, differentiation, or focus. Cost leadership is not the most appropriate of the options as Starbucks' premium positioning is more associated with their superior quality product, ambience of stores, their ethical sourcing and customer experience than low prices. Such direct competition with value-oriented players like Luckin Coffee could lead to a decline in brand value and a drop-in profitability, but not to long-term sustainable competitive advantage (Ren et al., 2023; Zhang, 2025).

Differentiation is a current strategic asset of Starbucks. It will distinguish itself with high quality coffee, individual customer experiences, a digital approach, product innovation and sustainability initiatives. These skills warrant high prices and contribute to the high degree of customer loyalty, which is hard to mirror by rivals (Raj, 2021; Starbucks Corporation, 2025).

Starbucks' success is also based on the focus strategy it has adopted, that is, focusing on niche markets like premium urban consumers. However, niche markets alone could restrict future expansion in terms of consumption as it continues to spread to lower tier cities and wider consumer groups. As a result, Starbucks should be looking to expand its customer base while maintaining its luxury brand (Puyt et al., 2025).

In general, differentiation is the most suitable strategic alternative as it corresponds to Starbucks' internal capabilities, their CSR commitment and their long-term positioning. Instead of playing a game of price, Starbucks should focus on increasing value creation through innovation, digital transformation and localised customer experience.

4.2 Evaluation Using Strategic Frameworks

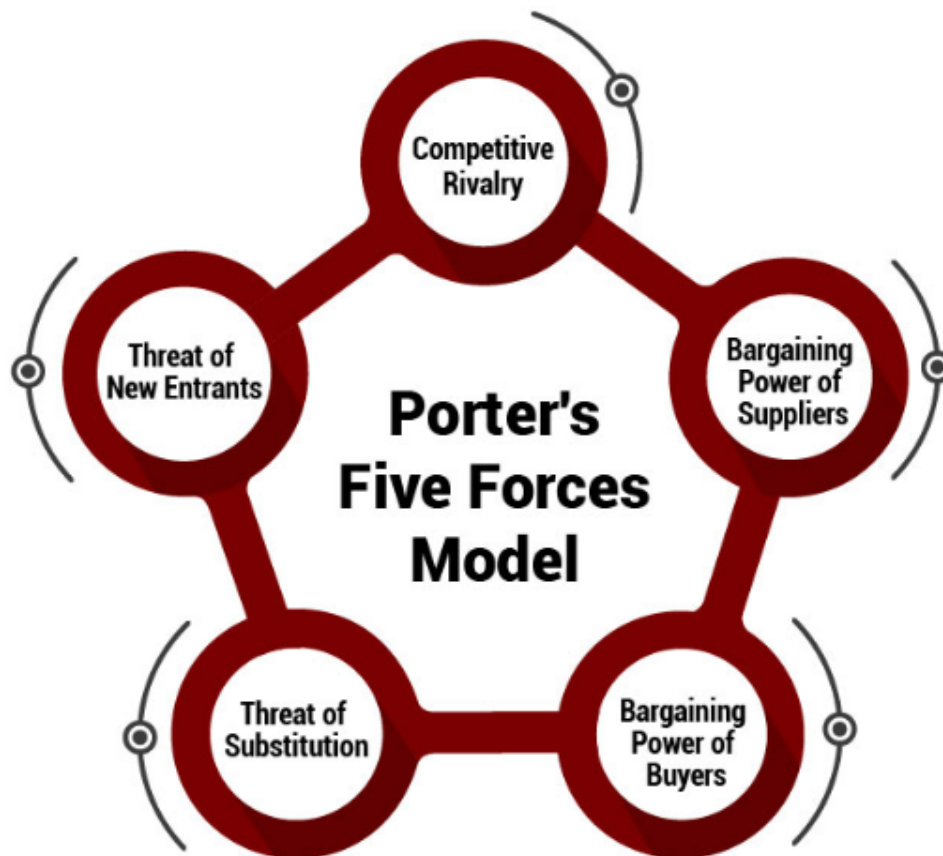


Figure 18: Porter's Five Forces Model for Industry Competitive Analysis

Source: The Strategy Institute (2025)

Using Porter's Five Forces, it can be seen that the level of competition in the coffee industry in China is very high as there is high rivalry between local and foreign brands. Buyer power has risen since buyers are able to easily move to other coffee retailers, and the threat of substitutes is moderate since there are many alternative beverages available. While Starbucks has a relatively controlled supply chain with its worldwide sourcing network, new market players are making inroads with digital business models. These conditions make it crucial to maintain competitive differentiation instead of cost competition (Gunawan Warja et. al 2025).



Figure 19: Ansoff Matrix for Strategic Growth Options

Source: Oxford College of Marketing (2023)

Based on Ansoff Matrix, product development is the most appropriate growth strategy. By offering locally-inspired drinks, healthier food and beverage options, AI-driven personalisation, and enhanced experiences, Starbucks can adapt to shifting consumer demands and reinforce its market presence. This is a less risky approach than diversification and creates more value for the customer than market penetration alone (Maris, 2019).



Figure 20: SAFe Framework for Evaluating Strategic Options

Source: SlideGeeks (2025)

Further, the preferred strategy is supported with the SAFe framework. In terms of Suitability, digital premium differentiation is a very good answer to market demand, new technologies and competition. In terms of Acceptability, the strategy aligns with the goals of shareholder value, customer satisfaction, employee development and sustainability goals while maintaining Starbucks' premium brand. Regarding Feasibility, Starbucks has access to the finances, digital capabilities, global brand value, and organisational expertise required to successfully implement this strategy (Wei, 2025; Sepasi, Tabatabaei Rafiei et al., 2024).

4.3 Recommended Strategy

A strategic direction that can be recommended for Starbucks China is Digital Premium Differentiation via Localised Customer Experience. Overall, it enhances Starbucks' core competitive strengths, and integrates high-end coffee, technological innovation, sustainability, and China-driven product development.

The plan focuses on the growth of AI-powered personalization for the customer, Starbucks Rewards, new beverages and food offerings based on local tastes and preferences, better engagement through omnichannel customer communications and efforts, and increased environmental, social and governance (ESG) initiatives. These are the steps that make sure Starbucks is able to offer greater value to the customers, but can continue to charge them high prices because of the growing market competition (Starbucks Corporation, 2025).

The benefits are expected to be increased customer retention, customer loyalty, operational efficiencies with digital technologies and sustainable revenue growth. Additionally, product innovation at the local level helps Starbucks to be more responsive to the increase and decrease of consumers' tastes and preferences, and minimize the competition of the local coffee chains (Weber et al., 2026).

Most significantly, this approach forms sustainable competitive edge by using important and hard-to-replicate resources, such as brand equity, digital capabilities, ethical sourcing and customer experience (Shavina Alifia et al., 2025). In the context of coffee market competition in China, Starbucks uses innovation, service excellence, and sustainability to differentiate and enhance long-term growth and sustainability.

4.4 Implementation Challenges and Mitigation

Implementation Challenge	Potential Impact	Mitigation Strategy	Responsible Function
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Intense competition from domestic brands (e.g., Luckin Coffee)	Reduced market share and customer loyalty	Accelerate product innovation, strengthen premium customer experience, and expand localised offerings	Marketing & Strategy
Rapid technological change	Digital capability gaps and declining customer engagement	Invest continuously in AI, data analytics, digital platforms, and cybersecurity	Digital Transformation & IT
Rising operational and sourcing costs	Lower profitability and margin pressure	Optimise supply chain efficiency, strengthen supplier partnerships, and implement cost management initiatives	Operations & Procurement
Climate change affecting coffee production	Supply disruptions and increased raw material costs	Diversify sourcing regions, invest in climate-resilient farming, and strengthen C.A.F.E. Practices	Supply Chain & Sustainability
Increasing ESG and regulatory requirements	Compliance costs, reputational damage, and legal risks	Enhance ESG reporting, strengthen compliance systems, and conduct regular regulatory audits	Sustainability & Compliance
Changing consumer preferences	Reduced demand for existing products	Increase market research, introduce localised products, and expand healthier menu options	Marketing & Product Development

Talent attraction and employee retention	Higher staff turnover and inconsistent service quality	Enhance employee benefits, leadership development, and continuous training programmes	Human Resources
Economic uncertainty and price sensitivity	Declining sales and reduced premium purchases	Introduce value bundles, personalised promotions, and targeted loyalty rewards while maintaining premium positioning	Finance & Marketing

Table 4: Implementation Challenges and Mitigation Strategies for Starbucks China

Source: Author (2026)

Section 2

5. Reflection on the Consultancy Process (Gibbs Reflective Cycle)

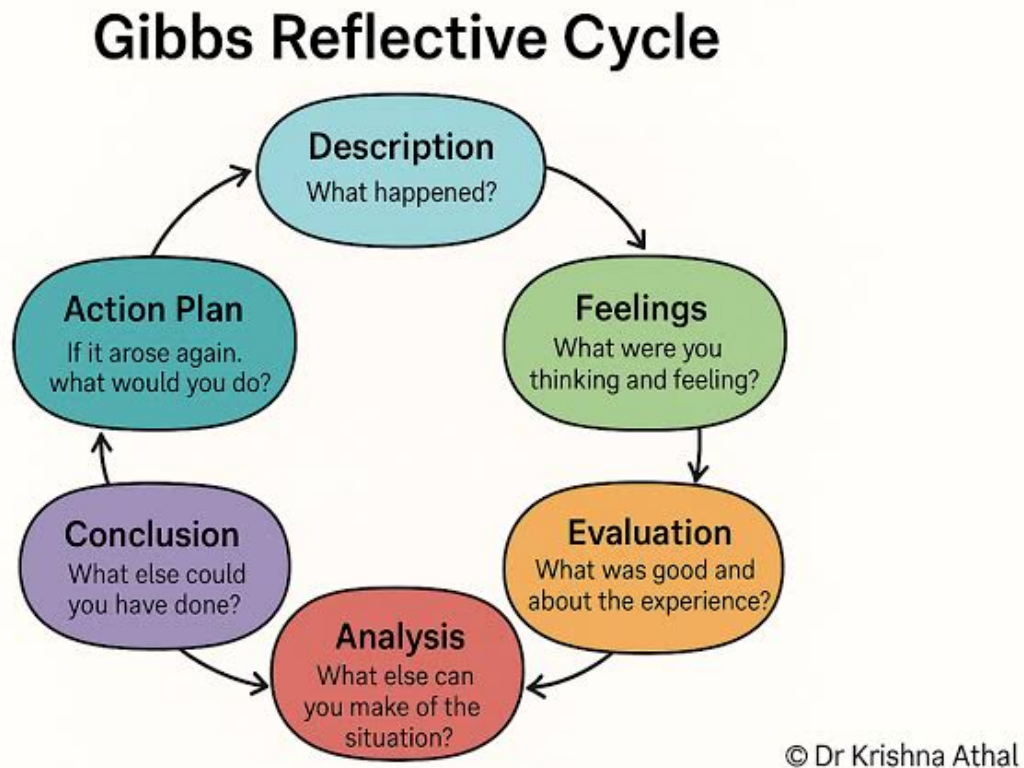


Figure 21: Gibbs' Reflective Cycle for Structured Reflective Practice

Source: Dr Krishna Athal (2025)

5.1 Description

The consultancy task was to analyze the strategic position of Starbucks in the Chinese coffee market and develop recommendations to enhance its competitive advantage. The report needed to include integration of strategic management frameworks (such as PESTEL, VRIO, SWOT, Porter's Five Forces, Ansoff Matrix, SAFe and the Balanced Scorecard) with real organisational evidence. This also included examining Starbucks' CSR strategy, analysing the internal and external environment of the company, and

making suggestions that can be implemented grounded on empirical research from the academic world and the company reports.

5.2 Feelings

This was a challenge in the beginning as it involved a combination of academic theory, business analysis and consultancy mindset. There was a need to make informed choices on selecting appropriate strategic frameworks and to collate information from various sources. Gradually as I was learning more about Starbucks' strategic environment and the coffee market in China, my confidence grew and was able to critically analyze evidence instead of just describing business activities.

5.3 Evaluation

The use of strategic management frameworks to consider Starbucks from various perspectives was one of the best parts of the assignment. Using company data in addition to academic literature made the recommendations more credible, and helped me better support strategic decisions. The analysis of CSR in relation to the competitive strategy also revealed the link between sustainability and long-term business performance.

However, I was too dependent on descriptive information at first and did not notice the significance of critical evaluation. Another difficulty was being able to select the most important problems from the vast amount of information. This meant that it was not possible to try to include all the evidence available and there was a need to prioritize the evidence according to its relevance for Starbucks's competitive position.

5.4 Analysis

This assignment helped me a great deal to understand strategic management as a holistic decision-making process and not a number of analytical tools that are independent in nature. Combining PESTEL and VRIO was a great way of showing the interaction between the external environment and organisational capabilities to determine its

competitive advantage. Similarly, when SWOT was used along with Porter's Five Forces and SAFe framework, it was clearly seen that strategic recommendations should not only be derived from one model but there are several additional complementary perspectives.

Also, working with evidence improved my critical thinking skills. Instead of accepting company reports at face value, I compared corporate information with academic literature and industry evidence to identify both strengths and potential limitations. This method in turn pointed out the value of evidence triangulation in the preparation of consultancy reports.

Moreover, using theory in a real multinational firm helped me to link theory and practice in the form of practical business recommendations. Instead of having to present the theory models on their own, I was able to apply the models as decision support tools offering a strategic insight.

Lastly, the consultancy approach was a catalyst for objective and solution-oriented thinking. However, I focussed not just on organisational issues but also on realistic evidence-based recommendations that met stakeholder expectations, organizational capacity and long-term strategic goals. This experience deepened my understanding of what makes a consultant valuable; combining analytical rigour and practical implementation considerations.

5.5 Conclusion

It was a great consultancy experience completing this report as it really helped me to increase my knowledge of strategic management and use recognised frameworks in an organisational setting. During the journey, I grew in confidence at critically analysing external and internal business environments, interpreting company and industry evidence and applying academic theories and ideas into practical strategic decision making.

I also gained an understanding of the significance of applying a range of analytical tools to come up with well-rounded, evidence-informed recommendations. This experience proved that while a good strategic consultant can certainly provide their business with a list of business problems, they can also help them present realistic, attainable solutions

that fit their capability, the stakeholders' expectations, and market conditions. In general, the assignment offered me valuable experience in analysis, critical thinking and consulting that will help me in my academic studies and future career in strategic management.

5.6 Action Plan

Development Goal	Activities	Timeline	Success Measure
Strengthen strategic analysis skills	• Practise applying PESTEL, VRIO, SWOT, and Porter's Five Forces to real organisations. • Analyse annual reports and strategic case studies.	Next 6 months	Ability to produce more comprehensive, critical, and evidence-based strategic evaluations.
Improve evidence evaluation	• Read recent peer-reviewed journals monthly. • Review industry reports and company annual reports. • Compare academic evidence with practical business data.	Ongoing	Stronger integration of high-quality, credible evidence in academic and consultancy reports.
Enhance consultancy thinking	• Complete strategic business case studies. • Develop practical recommendations using recognised frameworks.	Within 6 months	Recommendations become more realistic, actionable, and aligned with organisational objectives.

	Evaluate implementation risks and mitigation strategies.		
Develop professional communication	- Practise consultancy report writing. - Improve presentation and data visualisation skills. - Seek feedback from lecturers and peers to refine communication.	Ongoing	Clearer, more persuasive, and professionally structured consultancy reports and presentations.

Table 5: Personal Action Plan for Future Strategic Consultancy Development

Source: Author (2026)

6. Conclusion

From a strategic point of view, it can be seen that the Chinese market for coffee is highly competitive and is booming quickly, with the changing preferences of coffee drinkers, digital transformation, sustainability concerns and strong rivalry from Chinese competitors like Luckin Coffee. In spite of these external threats, Starbucks is in a solid strategic position, and it is evident that these factors would contribute to its sustainable competitive advantage in the future: its well-known brand, the quality of its customer service, its digital economy, its ethical sourcing and the quality of its organization.

It is concluded that differentiation is still the most suitable business level strategy. In particular, the Digital Premium Differentiation through Localised Customer Experience approach will help Starbucks meet changing customer demands without compromising on its premium market. It is noted that this strategy is supported by the company's internal strengths and is in line with the market opportunities, while also being suitable, acceptable and feasible to be successfully implemented.

If the recommended approach is implemented successfully, it is expected that this will increase customer loyalty, as well as enhancing the efficiency of the operations and sustainability performance and contributing to long-term revenue growth. Finally, as Starbucks continues to innovate, enhance its digital capabilities and create locally relevant customer experiences, it can continue to strengthen its competitive advantage and maintain market leadership in China's dynamic coffee industry while providing long-term value to its customers, employees, shareholders and other stakeholders.

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