Future of Coffee in China

Hannah Kim
University of Houston
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Introduction:

Future of Coffee in China 2030

Starbucks entered China about 18 years ago, and they have been mainly focusing on educating the coffee custom to the oldest tea drinking customers. While they are continuing to face this challenge, Starbucks has announced their partnership with the Alibaba Group and a plan (link) to open 5,000 stores by 2021 and to accelerate their digital coffee experience. This foresight project explores what the future will be like in 11 years from now and potential disruptions within the “Future of Coffee” in China for a hypothetical client, Starbucks China. It also focuses on how these changes could impact growth strategies and innovation at Starbucks China. To build future scenarios, I used first four stages of the University of Houston Framework Foresight method as shown below.

Framing Scanning Futuring Visioning Designing Adapting

I first defined the domain and conducted external scanning to gather signals of weak change. I also synthesized historical events, existing market research reports detailing new consumer behaviors, emerging technologies and context analysis of the existing coffee space. In addition, ethnographic studies among Chinese consumers was conducted to determine the key drivers they felt were most influential in shaping the future of coffee in China. I then framed and developed a critical list of drivers that represented that was represented to build future scenarios and identify implications. These scenarios are not intended to present specific opportunities for future growth for Starbucks China, but rather, they are designed to bring together and illustrate the probable scenarios that Starbucks China can use to generate more focused questions and hypothesis to take a proactive approach in the Designing and Adapting stages and stay forefront of the coffee business in China.
China’s 2030 Coffee Business Will Be Driven by These Factors

Digital Retail: With leading digital and e-commerce platforms, more and more Chinese consumers are shopping online and retail landscape is becoming digitized melding the best of both the in-shop and online experiences.

Economic Development: China is making significant economic achievements with rapid growing middle-income population and becoming a growth engine and stabilizer for the world economy.

Increasing Competition: All scales of coffee chains including Starbucks, Costa, Luckin, Dunkin Donut, Tim Horton, as well as independent coffee shops are planning to expand their presence in China with premium service.

Generational Shift: Young population in China have already been exposed to Western influences and chooses to drink coffee instead of traditional tea.

Premium and Sophisticated Experience: Chinese consumers are looking for upscale and convenient experience that are personalized for them.

Localization: Coffee shops are focused on localizing from the store design to sourcing coffee beans from the local farms.

What will the future of coffee look like for Starbucks in China?

In 2030, most major chain coffee shops in China will embrace digitization providing virtual coffee experience. We may even see full digitization of the coffee value chain: from farmers to customer's hand. As Starbucks digitize their services, the core elements of the ‘Starbucks Experience’ must be re-design to encompass their mission to “inspire and nurture the human spirit – one person, one cup, and one neighborhood at a time”. In addition, a data breach of customers information may be at a large risk. Cyber attacks have become increasingly common and they can put customers and businesses at risk. These incidents often occur due to a lack of policies and prevention measures in place. The outcomes can be not only costly but can also damage the brand reputation and lose customer's trust. In order to stay forefront of the coffee business in China, it is critical to address the following issues upfront.

- How do we maintain the premium “Starbucks Experience” while providing end-to-end digitized service?
- How do we ensure our database is protected and maintain our customers trust?
Currently, Starbucks’ biggest growth relies on their market in China. Starbucks entered China 18 years ago and their effort has been focused on educating and introducing the coffee custom to the oldest tea drinking customers. While they are continuing to face this challenge, Starbucks has announced their plan to open 5000 stores by 2021, partnership with Alibaba Group to launch pilot delivery services and co-create virtual store experience.

Key Issue Question:

What will the future of coffee look like for Starbucks in China?

Address the following:
- How will customers needs/wants change?
- What opportunities/right-to-win should Starbucks go after?
- What challenges will Starbucks face?

Time horizon will focus on H2:

H1 Baseline
H2 Future of Coffee 2030 in China
H3 2031 and after
The domain map includes categories and sub-categories that guide scanning of change signals in the coffee space. The categories include demographic of customers, supplier types, labor resource, industry types, regulatory environment, and retail landscape, as well as key drivers in the STEEPV categories.
Modern Chinese coffee cultivation industry begins when the Chinese government, world bank and the united nations development program jointly initiated a program to introduce coffee growing in the region.

1997
Starbucks opens its first store in Beijing, China.

2000

2007
Costa, part of British leisure group Whitbread opens first store in Shanghai.

2008
Dunkin’ makes 2nd attempt and opens 1st store in Shanghai with a new franchisee.

2010
KFC, Yum’s brand begins to sell premium coffee.

2012
Caffee Bene, a South Korean brand, enters China market but struggles to maintain growth.

2014
Dunkin’ announces more than 1,400 store will be developed over 20 years with joint venture with Jolibee World Pte and Jasmine Asset Holding.

2015
Mojo Coffee, a New Zealand coffee brand, opens in Xi’an, China.

Nestle creates coffee category “Nescafe” in China.

CRE, China’s Biggest Supermarket Chain Operator, Purchased 80% Stake In Pacific Coffee for $42 Million.

Dunkin’ attempts to enter China with “Dang Ken Sweet Sweet Ring” brand but fails and pulls out late 90s.

Costa, part of British leisure group Whitbread opens first store in Shanghai.

Pacific Coffee, founded in Hong Kong in 1992 opened its first store in China.

KFC, Yum’s brand begins to sell premium coffee.

Starbucks purchases more than half of coffee imported into the US from China.

Dunkin’ announces more than 1,400 store will be developed over 20 years with joint venture with Jolibee World Pte and Jasmine Asset Holding.

Mojo Coffee, a New Zealand coffee brand, opens in Xi’an, China.
According to International Coffee Organization and the US Department of Agriculture, coffee consumption in China has nearly tripled in the past 4 years, with coffee imports growing 16% per year compared to 2% in the US.

Starbucks’ competition, Luckin Coffee started in Beijing in January and since opened more than 800 branches in 13 cities. Dunkin Donuts plans to add 1,400 locations over next two decades.

A giant CPG brand, Coca-Cola Company acquires Costa.

A café called Ratio in Shanghai is a robot operated where customers can place an order customized drink via mobile and robot barista prepares for you.

Hema, Alibaba’s super market chain, fulfills 70 percent of its orders online and provides 30 minutes delivery service.

Euromonitor International indicates average Chinese person drinks just 3 cups of coffee a year, says, although this estimate is probably higher in urban areas. The per capita average in the US, by comparison, is 363 cups per year.

Starbucks partnered with Alibaba group to pilot delivery service and build virtual store to offer personalized experience.

China is among top 20 producers of coffee in the world. 98% of coffee is grown in China are from Yunnan province.

Taiwanese-owned 85C Bakery Café’s share drops 7.5% after welcoming President Tsai sparking a diplomatic row between the mainland China and Taiwan.
**Key Stakeholders Impact Analysis**

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Examples</th>
<th>Goals, Interests, Implications</th>
<th>Stakeholder’s Response Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coffee Shops – Large Chains</td>
<td>Starbucks, Costa, Dunkin Donuts</td>
<td>Starbucks currently has 51% China market share (<a href="#">link</a>) in coffee business. Starbucks is opening a new store in China every 15 hours with a plan to build nearly 3,000 more over the next 5 years. (<a href="#">link</a>) Starbucks’ competition, Luckin Coffee started in Beijing in January and since opened more than 800 branches in 13 cities (<a href="#">link</a>). Dunkin Donuts plans to add 1,400 locations over next two decades (<a href="#">link</a>). As big brands expand, some consumers may prefer local coffee shop experience over large brands. With increasing players in coffee industry, the large chains may face difficulties differentiating themselves.</td>
<td>High</td>
</tr>
<tr>
<td>Coffee Shops – Independent</td>
<td>Local independent coffee shops</td>
<td>Currently, Shanghai alone has about 6,500 coffee shops. Some streets you can spot 3 coffee shops in a row. (<a href="#">link</a>). As coffee culture becomes more prevalent across the country, more independent coffee shops are more likely to open offering localized and personalized experience.</td>
<td>High</td>
</tr>
<tr>
<td>Restaurants</td>
<td>KFC, McDonalds</td>
<td>Quick service restaurant chains like KFC wants stake in coffee business and plans to out-coffee Starbucks in China with lower-cost ‘premium’ brew (<a href="#">link</a>). As coffee culture grows in China, more restaurant business may want to play a role in coffee, offering part of meal packages.</td>
<td>Med</td>
</tr>
<tr>
<td>CPG Industries</td>
<td>Coca Cola, Nestle</td>
<td>Nestle has been in the coffee business with “Nescafe” product line in China since 1990s (<a href="#">link</a>). Recently, a giant CPG brand, Coca-Cola Company acquired Costa (<a href="#">link</a>). While these CPG companies have the ability to accelerate coffee drinking culture via their mass production and reach consumers at a faster pace than large coffee chain businesses, they may still need to address the high level status experience and quality consumers look for in coffee.</td>
<td>Med</td>
</tr>
<tr>
<td>Technology Companies (Digital &amp; Ecommerce)</td>
<td>Alibaba Groups, WeChat</td>
<td>Alibaba group has announced their partnership with Starbucks to pilot delivery service and build virtual store to offer personalized coffee experience (<a href="#">link</a>). A café called Ratio in Shanghai is a robot operated shop providing personalized drinks (<a href="#">link</a>). As digitized experience demand increases, more consumers will look for convenience and premium experience in coffee as well. The companies will also require more strict management of consumers’ personal information and enforce government policies.</td>
<td>High</td>
</tr>
<tr>
<td>Consumers</td>
<td>Young, millennial, middle to high class</td>
<td>“It’s perceived as having a level of status when you’re adopting Western products. To be seen in a coffee shop with which you identify yourself, this is a way for them to express themselves and to say who they are…the products they consume, the food they buy, the coffee they drink.” (<a href="#">link</a>). As coffee becomes more mainstream in China, consumers may no longer perceive coffee as premium experience.</td>
<td>High</td>
</tr>
<tr>
<td>Government</td>
<td>Import/Export, Citizen Information</td>
<td>With a rapid growth plan for coffee business in China coupled with their partnership with digital technology companies, more coffee import/export activities may be required to meet the demand. Also more data will be tracked on how citizens consumes coffees which the government will be able to access and control.</td>
<td>Med</td>
</tr>
<tr>
<td>Suppliers/Farmers</td>
<td>Farmers from Yunnan province</td>
<td>&quot;China is among top 20 producers of coffee in the world. 98% of coffee is grown in China are from Yunnan province.&quot; (<a href="#">link</a>). And currently, “average person in mainland China consumes just 3 cups of coffee per year. Compare that to 250 cups per person in the U.K. and 363 cups in the U.S.” With increase in demand from Chinese consumers, ‘coupled with the impact of climate change on the world’s coffee supply, could lead to a caffeine crash — fewer beans and higher prices for consumers.’ (<a href="#">link</a>).</td>
<td>High</td>
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</tbody>
</table>
Total Survey Participant: 28

28 Chinese consumers participated in Coffee Experience Survey. All participants currently live in major cities in China such as Shanghai, Beijing, Suzhou and Guangzhou. Most of participants are in their 20s and 30s which is the current target market group by major coffee businesses in China.

Key Takeaways

• More than half of the young population in major cities have not adopted coffee drinking.
• When participants do drink coffee, major brand coffee business is a leading choice. They either like to drink alone or be social with family and friends.
• Participants believe the digital services will be key for the future coffee businesses. About half of the participants shared the delivery service will increase their likelihood of drinking more coffee.

Currently, more than half of the young population in major cities are not accustomed to drinking coffee on a regular basis. When they do drink coffee, major brand coffee business is a leading choice, followed by the local coffee shops.

o 50% drinks only a few cups of coffee to none per year.

o About 40% consumes coffee at least few times per week.

o About 60% likes to drink coffee at a major brand coffee shop while 25% go to local coffee shops.

1. How often do you drink coffee

More Details

- I don’t drink coffee 2
- Few times per year 12
- Few times per month 3
- Few times per week 7
- Everyday 4

2. How do you usually like to drink coffee?

More Details

- At a branded coffee shop (Espresso) 16
- At a local coffee shop (No brew) 7
- Make my own coffee at home 3
- Have the coffee delivered 2
- I don’t drink coffee 0

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Coffee Experience Survey

When asked about participants’ last coffee experience, they either like to drink alone or be social with family and friends. When they consume the coffee alone, it is either part of their regular routines or coffee shops are a prime location for work or study. If consumed outside of coffee shop locations, participants like to make their coffee. Some have tried delivery service.

- 50% likes to drink specialty drinks such as cappuccinos, latte,
- About 40% have consumed alone as part of a regular routine. Out of those, some chose coffee shop locations as a great place to do work/study.
- About 50% drank coffee to be social with family and friends
- About 14% have tried coffee delivery service

3. In your last coffee experience, when did you drink?
   - Morning: 13
   - Afternoon: 12
   - Evening: 2
   - Never: 1

4. In your last coffee experience, why did you drink?
   - Iced: 3
   - Black: 3
   - Espresso: 2
   - Americano: 6
   - Other Specialty (latte, cappuc...): 14
   - I don’t drink coffee: 0

5. In your last coffee experience, why did you drink?
   - Needed caffeine, my regular route: 10
   - I wanted to be social: 8
   - Needed place to study/work: 10
   - I don’t drink coffee: 0

6. In your last coffee experience, did you drink with anyone?
   - Family/friends: 13
   - Co-workers: 3
   - By myself: 12
   - I don’t drink coffee: 0

7. In your last coffee experience, where did you drink?
   - Brand coffee shop: 10
   - Local coffee shop: 7
   - At home: 4
   - At work: 7
   - I don’t drink coffee: 0

8. If at home or work, how did you consume your coffee?
   - I made my own: 15
   - Take-out service: 8
   - I had it delivered: 4
   - I don’t drink coffee: 1

Your Last Coffee Experience….

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Participants believe the digital services such as delivery service, and an online order will be crucial for the future coffee businesses. About half of the participants shared the delivery service will increase their likelihood of drinking more coffee indicates they value convenience and easier access to coffee. Also, participants believe high-class, upscale store décor will be another key success driver.

- About 50% have answered that delivery service will increase the likelihood of drinking coffee.
- Participants believe “Delivery Service”, “High Class Service” and “Online order and pay App” are the most important driver of coffee businesses’ future success.
- Transparency about coffee beans and Automated service such as robots were the least preferred driver.

9. Recently, a few brand coffee shops started to provide delivery service. Does this increase the likelihood of drinking coffee for you?

- Increase substantially: 7
- Increase to some extent: 6
- Does not change: 15
- Decline: 0
- Other: 0

10. According to the research, coffee consumption in China has tripled in the last 4 years and many coffee shop brands have announced plans to open thousands more stores across China. What do you believe are the most important drivers of their success? Please rank them in order of importance (1 most important- 9 least important)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Options</th>
<th>First choice</th>
<th>2nd choice</th>
<th>3rd choice</th>
<th>4th choice</th>
<th>5th choice</th>
<th>6th choice</th>
<th>7th choice</th>
<th>8th choice</th>
<th>Last choice</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Offers delivery service</td>
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<td>2</td>
<td>Offers non-coffee items (tea, ...</td>
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<td>3</td>
<td>High class service</td>
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<td>4</td>
<td>Store location</td>
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<tr>
<td>5</td>
<td>Provides information about coffee</td>
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<td>6</td>
<td>Personalized coffee</td>
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<tr>
<td>7</td>
<td>Automated service (robots make coffee)</td>
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<tr>
<td>8</td>
<td>Offers free Wi-Fi</td>
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<tr>
<td>9</td>
<td>Offers free Wi-Fi</td>
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</tbody>
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Scanning Hits

More than 80 scanning hits, which included articles, videos, blogs from reputable sources. The following 5 examples were analyzed for signals of change and implications,
### Brief description of the item

A new coffee shop called Ratio in Shanghai city has no human baristas. People place an order via mobile which has already become a ritual in China. Then Robot barista makes the drink based on how the customer chose flavor, temperature level, caffeine strength, water level, etc. Ratio

### How could the future be different as a result?

In China, social media app like WeChat has pretty much impacted the way Chinese people live- launched in 2011, WeChat is beyond a messaging app where you can pay bills, find a date, book appointment, hail taxis, access bank services, order food, and now even government is issuing ID through the app [link]. With rapid emergence of technology, Chinese consumers have already adopted to always connected lifestyle. We have also already started to see the automation of human labor in restaurants (i.e. Alibaba Group grocery chains) where simple cooking and serving are automated by the machines. With the rapid adaptation pace, I see this new cycle more as H1 confirming stage where in 3-5 years where Chinese consumers will expect automated services.

### What are the potential implications for...?

...the Client: Starbucks China

- Maintaining overall Starbucks quality of experience: As Starbucks main strength has been to create experience for customer beyond a cup of coffee and they may face challenges with maintaining same level of quality service via technology platform.
- Pressure to cut labor and cut price to stay competitive: With automation, coffee shops may try to offer same quality coffee at a lower price point. This may force Starbucks to cut labor and find ways to stay competitive.

### Horizon

<table>
<thead>
<tr>
<th>Horizon (bold one)</th>
<th>Impact (0-5)</th>
<th>Plausibility (0-5)</th>
<th>Novelty (0-5)</th>
<th>Credibility (0-5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 Confirming (baseline scenario)</td>
<td>3 –While Starbucks continues to provide person high quality service, they will still be impacted with increasing competition in coffee industry</td>
<td>5 we already see trends, hence high plausibility</td>
<td>3- automation in restaurant/food space is not new for urban areas but new for the rural regions</td>
<td>5, Chinadaily .nationwide news platform also features</td>
</tr>
</tbody>
</table>

### Scanner

Hannah Kim
<table>
<thead>
<tr>
<th>Title</th>
<th>State data to be used to limit child gamers in China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Author</td>
<td>Not available</td>
</tr>
<tr>
<td>Brief source</td>
<td>BBC News</td>
</tr>
<tr>
<td>Date</td>
<td>September 6, 2018</td>
</tr>
<tr>
<td>STEEP Category/s</td>
<td>Political, Technology, Social</td>
</tr>
<tr>
<td>Keywords</td>
<td>Government, Censor, Regulation, License, Gaming, Restriction</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type</th>
<th>Actual event</th>
<th>New trend</th>
<th>New cycle</th>
<th>New plan</th>
<th>Potential event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brief description of the item</td>
<td>Tencent, one of Chinese major internet companies which operates the Chinese social network WeChat, posted its first profit decline since 2005 this summer, blaming the drop on tighter regulation, specifically around the approval of licenses that allow companies to make money from new mobile games. The game was criticized for addictive nature and Tencent decided to place restriction on the time children can play. Children under 12 is limited to 1 hour a day and between 13-18 to 2 hours. Recently another Tencent game, Monster Hunter World, was banned in China, just days after going on sale. Chinese government has blocked dozens of games in the past, typically for featuring excessive violence, drug-taking or sex.</td>
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</table>

Currently, Chinese government monitors and controls information that Chinese citizen has access to. “China unveiled its plan to create an all-encompassing “social credit score” to keep tabs on its citizens’ activities, due to be in place in 2020. The idea is that “if trust is broken in one place, restrictions are imposed everywhere.” (link) How could the future be different as a result? Chinese government may enforce full control and restrictions over how businesses are run and how citizens behave. Currently, technology companies face backlash by the government restriction on their operations but as many non-tech companies leverage digital platforms and government gains more data, many other companies are prone to be impacted by stricter regulation as well. While the Chinese Communist Party has adopted some aspects of capitalism, China still remains as a communist country where the authorities still controls a lot of areas like what information citizens should be exposed to, their belief systems, etc. In this context, a rapid growth projected with coffee consumption, (caffeine and its addictive elements) ,and government’s access to citizens’ consumption data may lead to a possible restriction. |

What are the potential implications for…? As more Chinese citizens drink coffee and over-consumes caffeine, Chinese government may enforce restrictions on major coffee shops allowing Starbucks to only sell limited amount per customer. 2. As Starbucks partners with Alibaba to expand their digital footprints, they will be more prone to face this type of government scrutinization as every transaction will be tracked. In South Korea, coffee products are now banned from all vending machines snack kiosk in primary and secondary schools to promote healthy eating habits among students. (link) |

<table>
<thead>
<tr>
<th>Horizon</th>
<th>H1 Confirming (baseline scenario)</th>
<th>H2 Resolving (between scenarios)</th>
<th>H3 Creating (new scenario)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact</td>
<td>5—with restriction, just like Tencent. Starbucks may face decline in their sales and less control over their operations</td>
<td>Plausibility</td>
<td>2 While Coffee may be at risk to be perceived as an addiction, other products like alcohol is not heavily regulated yet.</td>
</tr>
<tr>
<td>Novelty</td>
<td>2—Strict government restriction and control is not new in China. With technology advancement, government now has more control with access to data</td>
<td>Credibility</td>
<td>5, Multiple sources provided</td>
</tr>
</tbody>
</table>

Scanner | Hannah Kim |
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Date Submitted</td>
<td>9/11/2018</td>
</tr>
</tbody>
</table>
How AI could Revolutionize Coffee

Author: Dan Jones, CEO and founder of Bext360

Freethink
January 4, 2018

Technology Environmental, Political
Keywords: AI, Supply Chain, Farmers, Sustainability, Transparency, Fair Trade

Type (bold one)
- Actual event
- New trend
- New cycle
- New plan
- Potential event
- New information
- New issue

Brief description of the item
The fair trade system does not necessarily apply to coffee farmers—while consumers pay premium price for coffee, the price to the farmers has not changed. Bext360, a Denver-based start-up, is focused on addressing this issue by automating antiquated supply chains providing transparency to both consumers and farmers via technology based on machine vision, AI, and blockchain payment. They are developing a robot that can analyze coffee at the point of collection by imaging every coffee cherry that determines quality. Based upon the analysis result, the algorithm provides price to pay and once the farmer agrees, payment is made immediately via blockchain. They believe this technology can really help to bring fairness to entire value chain and mitigate possible corruptions in developing markets like Africa and China by bringing more transparency.

How could the future be different as a result?
With Bext360 technology, full transparency on a timely basis will be provided forcing fairness across the value chain coffee. In China, while the economy is developing rapidly, the nation still faces corruption and consumers want to know how their food was made. Alibaba Group’s Hema recently started to provide product information via bar code scan. As this becomes the new norm and coffee consumption continues to rise, consumers will soon want to know about how their coffee was made and whether they were ethically sourced.

What are the potential implications for...?
...the Client: Starbucks China

Starbucks China will face two major forces. As Chinese consumers demand transparency and information about how their product was made and sourced, Starbucks will have to stay in the forefront of their needs by building a platform that will provide information in a timely manner. Also, farmers will have more bargaining power with technology such as Bext360, allowing them to negotiate the price and choose their own buyers.

Horizon (bold one)
- H1 Confirming (baseline scenario)
- H2 Resolving (between scenarios)
- H3 Creating (new scenario)

Impact (0-5)
4. Up until now, large coffee chains like Starbucks had more bargaining power over farmers and suppliers. This technology might reverse the power structure allowing farmers and consumers to have more leverage.

Plausibility (0-5)
4. Bext360’s key geographic focus is in developing countries like China and Africa and this project specifically targets coffee farming chain.

Novelty (0-5)
2. As Chinese economy grows and consumers value more quality products, they have begun to demand more transparency and information

Credibility (0-5)
4. The founder and his work was featured at reputable news source and major conferences such as TechCrunch, MIT

Scanner: Hannah Kim
Date Submitted: 9/18/2018

URL:
- https://www.youtube.com/watch?v=sP14yyQaz3s
# China is on the Fast Track to Drone Deliveries

**Author:** Bloomberg News - Hyperdrive  
**Date:** July 3, 2018  
**STEEP Category/s:** Technology, Politics  
**Keywords:** Drone, Delivery, Food


### Brief Description of the Item

JD.com and SF Holding are working with the Chinese regulators to fast track drone deliveries and create rules. JD.com launched its first fixed-wing drone during its annual mid-year shopping bonanza in June and intend to use it to deliver time-sensitive, high value-added goods. SF has been test-flying similar models since last year. They believe the technology offers a way to help alleviate poverty in rural areas and narrow the wealth gap with urban centers. "People living in mountainous regions hardly accessible by ground transportation also have the right to shop!" said Cui Zheng, a manager overseeing JD’s drones program in northwest China. "We are giving them the same shopping experience, same price, by flying drones." They also expect costs to be less than those with human delivery once the technology is ready for wide-scale use. It is still early in the stage and drones cannot fly at night, in the rain, or more than a light breeze.

### How could the future be different as a result?

With a rapid rise of instantaneous gratification amongst consumers, many brick and mortar retail services including coffee business will compete to offer faster delivery service and more personalized options. This technology will allow businesses will to expand into non-metropolitan areas at a much faster pace as well. In addition to JD.com, SF Holding, many other companies like IBM, Amazon, DHL, etc. have been testing and developing ways to make drone deliveries possible. According to BBC news, IBM recently was issued patent for their coffee delivery drone, China’s recent announcement to invest in $32billion to write the country for ultra-fast 5G technology ([link](https://www.bloomberg.com/news/features/2018-07-03/china-s-on-the-fast-track-to-making-uav-drone-deliveries))provides network necessary to support digital experiences like drone delivery as well.

### What are the potential implications for...?

**...the Client:** Starbucks China

Starbucks China may face two major implications to address to stay competitive and provide similar or better coffee experience off-retail via drone delivery? This means they will have to re-evaluate from coffee brewing methods to package design that meets the drone delivery requirement. Secondly, a competitor, Luckin Coffee is already ahead of the game when it comes to delivery service with its average delivery time under 18 minutes. They recently announced cutting this even shorter. ([link](https://www.bloomberg.com/news/features/2018-07-03/china-s-on-the-fast-track-to-making-uav-drone-deliveries)) With increasing competition, Starbucks’ recently announced partnership with Alibaba will continue to be critical to maintain its leading shares in coffee business. If successful, Starbucks China may have its chance at expanding its footprint even in mountainous, rural areas via drone delivery.

### Horizon

<table>
<thead>
<tr>
<th>Horizon</th>
<th>Impact (0-5)</th>
<th>Novelty (0-5)</th>
<th>Plausibility (0-5)</th>
<th>Credibility (0-5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 Confirming</td>
<td>5 – as Chinese consumers demand more convenience, they may choose a coffee shop that delivers the fastest regardless of the brand. This digital offering is not Starbucks’ current strength and impact will be large if an alternative is not offered</td>
<td>2 – while drone technology was introduced awhile ago, the commercialization of drones have only been tested.</td>
<td>3 – while the technology itself could be plausible, the aviation and safety regulations for commercial drones technology will need to be built.</td>
<td>5 – as supported by multiple sources, this is credible signal.</td>
</tr>
<tr>
<td>H2 Resolving</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H3 Creating</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Scanner:** Hannah Kim  
**Date Submitted:** 9/30/2018
US and China exchange new trade war blows as latest round of tariffs takes effect

**STEEP Category/s**
Political Economic

**Keywords**
Trade War, Tariff

**URL**

**Type**
Actual event

**Brief description of the item**
White House officials imposed US tariffs against $250 billion of Chinese products with an intention to reclaim supply chain that has been off-shored. In response, Chinese President Xi Jinping's government imposed taxes on US products valued about $60 billion. The products include liquefied natural gas, coffee, and various types of edible oil. China also announced its plan to cut import tariffs on non-US products with an intention to encourage Chinese consumers to avoid purchasing US goods and choose other alternatives.

How could the future be different as a result?
Tensions between the US and China, and China’s retaliation against the US may put US companies at significant disadvantages. The Chinese government may ban Chinese citizens from purchasing US products— in other words, China is expected to have a rapid growth of middle class with one of the highest purchasing power and US companies won’t be able to leverage the opportunity. With trade war, not only US companies may face increased costs and tighter margin with fewer goods being sold. China’s economy will also be hurt as more US consumers choose non-Chinese products due to the higher tariff. Overall coffee industry in China may still thrive—this is positive news for non-US based Coffee businesses and independent stores.

What are the potential implications for…?
...the Client: Starbucks China

Worsen tension between Chinese and US government will put Starbucks company at significant disadvantages. First, Starbucks currently purchases more than half of the coffee imported into the US from China [link]. The new tariff will significantly raise their operating cost, and the company may be forced to find another way to source their coffee beans, leaving fewer resources to expand in China. Secondly, the Chinese government may ban Chinese citizens from consuming Starbucks products forcing the company to cease the operation in China.

**Horizon**
H1 Confirming (baseline scenario)
H2 Resolving (between scenarios)
H3 Creating (new scenario)

**Impact**
5 – the new tariff will put the US-based company, Starbucks at financial risk as they will no longer be able to rely their lower cost-supply chain from China and lose opportunities to serve Chinese consumers who bound to have the highest purchasing power in the world.

**Plausibility**
(0-5) 4–Current White House’s priorities tend to inconsistent however, this tariff plans are currently effective with no plans to cancel.

**Novelty**
(0-5) 2–This level of shift in trade is relatively new between the US and China.

**Credibility**
(0-5) 5- this scan hit is supported by numerous resources
Futuring Inputs

Trends

What key changes are increasing, decreasing, or holding steady?

- Coffee consumption in China has nearly tripled in the last four years, with the country’s coffee shops worth 30.1bn RMB in 2017 – up 5 billion RMB from the previous year (link). In 2007, there were 15,906 coffee shops across China, today there is about 140,000 (link).
- Starbucks, has been rapidly expanding across 139 cities in China since 1999. It is currently the top player in China with 58.6-percent share of the market in China, followed by McCafe at 6.1 percent and Costa Coffee at 3.8 percent. (link)
- Competition continues to rise - Luckin Coffee sued Starbucks for its monopoly and allegedly pressuring suppliers to pick sides (link)
- China is the 13th biggest coffee producer in the world — rising from zero output three decades ago to 110,000 tons annually today. (link)
- A total of 300 million customers ordered food online last year (2017) meaning that one in five Chinese relied on delivery services. The size of the Chinese online delivery market exceeded 297 billion yuan (US$46.5 billion) last year representing annual growth of over 65 percent (link)
- Independent, boutique cafes are on the rise. This comes as Chinese consumers can find many alternative options through social media platforms like WeChat and yearn for a higher quality and more sophisticated experience. (link)

Plans

What plans or intentions are announced by key stakeholders?

- Starbucks announced plans to build nearly 3,000 new stores in mainland China almost doubling its number of coffee shops from 3,300 at the moment to 6,000 before the end of 2022. Starbucks also announced their collaboration with the Alibaba ecosystem, including Ele.me, Hema, Tmall, Taobao and Alipay, to significantly elevate the Starbucks Experience for Chinese customers. They will co-create a virtual Starbucks store that will enable a seamless and even more personalized experience for members to register, redeem benefits and enjoy an extensive range of services.
- Jenny Qian Zhiya, CEO of Luckin Coffee, announced US$200 million series A round, and plan to cut delivery time shorter than the current average time, 18.2 minutes (link)
- Coca cola announced its acquisition of UK-based coffee chain, Costa Coffee which worth US$5.1B. In China, Costa Coffee plans to expand to 1,200 stores by the end of 2022, up from 440 stores at present (link)

Projections

What forecasts are made?

- According to Statista, revenue in coffee for China amounts to US$2.087m in 2018. and the market is expected to grow annually by +14.3% (CAGR 2018-2021)
- According to AT Kearney, China’s share of worldwide private consumption has almost doubled in the past decade, hitting 6.9% in 2016. And it is forecast to continue to rise in the coming years, reaching 8% of total private consumption in 2021. (link)
- According to CNBC, Chinese adults’ time spent on mobile devices is predicted to account for more than 40 percent of total daily media time this year, up just over 11 percent from 2017. And expected to spend nearly one third of their daily digital activity watching digital video by 2020 (link)

Issues

What conflicts, controversies, dilemmas, choices not yet made are there?

- Will there be enough supply to meet the increasing coffee demand for Chinese consumers?
- Will there be enough supply to meet the increasing coffee demand for Chinese consumers?
- With a fast growing number of players in coffee industry and so many options to choose from, will people continue to view coffee as a premium experience?
- Will government enforce Starbucks for its majority market share?
Drivers of Future Domain

These are key building blocks of the baseline and alternative future. These drivers are used to describe how they play out in the baseline and differently in alternative future scenarios.

**Premium and Sophisticated Experience**
Chinese consumers are looking for upscale and convenient experience that are personalized for them.

- Personalized drinks
- Faster delivery service
- High class, quality
- Pay premium for convenience

**Increasing Competition**
All scales of coffee chains including Starbucks, Costa, Luckin, Dunkin Donut, Tim Horton, as well as independent coffee shops are planning to expand their presence in China with premium service.

- Fast delivery service
- Integration of digital and ecommerce
- Legal allegation for monopoly

**Economic Development**
China is making significant economic achievements with rapid growing middle-income population and becoming a growth engine and stabilizer for the world economy.

- Rising middle class
- GDP Increase
- Private spend increase
- Rapid urbanization
- Sustainability

**Digital Retail**
With leading digital and e-commerce platforms, more and more Chinese consumers are shopping online and retail landscape is becoming digitized melding the best of both the in-shop and online experiences.

- Delivery service
- Automation – Barista, Servers
- Ordering and Payment via app
- Personalized service, products
- Transparency, easy access to info about products

**Localization**
Coffee shops are focused on localizing from the store design to sourcing coffee beans from the local farms.

- Yunnan local coffee farms
- Community integration
- Independent specialty coffee shops

**Generational Shift**
Young population in China have already been exposed to Western influences and chooses to drink coffee instead of traditional tea.

- Purchasing power for millennials
- Luxury western brands
- Social media

These are key building blocks of the baseline and alternative future. These drivers are used to describe how they play out in the baseline and differently in alternative future scenarios.
# Cross Impact Matrix Analysis

Are there any drivers that are more influential than another?

...Impact on this driver is....

<table>
<thead>
<tr>
<th>Driver</th>
<th>Premium and Sophisticated Experience</th>
<th>Increasing Competition</th>
<th>Economic Development</th>
<th>Digital Retail</th>
<th>Localization</th>
<th>Generational Shift</th>
<th>Driver Dependence Total Score</th>
<th>Ranking (1 - Highest 6 - Lowest)</th>
<th>Takeaways</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and Sophisticated Experience</td>
<td>+</td>
<td>++</td>
<td>++</td>
<td>++</td>
<td>-</td>
<td>0</td>
<td>4, 12%</td>
<td>5</td>
<td>Premium Experience has the 5th dependence on most variables except for Localization</td>
</tr>
<tr>
<td>Increasing Competition</td>
<td>++</td>
<td>0</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>0</td>
<td>5, 15%</td>
<td>4</td>
<td>Competition has the 4th dependence on all variables</td>
</tr>
<tr>
<td>Economic Development</td>
<td>+</td>
<td>+</td>
<td>0</td>
<td>++</td>
<td>+</td>
<td>0</td>
<td>6, 18%</td>
<td>3</td>
<td>Economic Development has the 3rd highest dependence on all variables</td>
</tr>
<tr>
<td>Digital Retail</td>
<td>++</td>
<td>++</td>
<td>++</td>
<td>0</td>
<td>+</td>
<td>++</td>
<td>7, 26%</td>
<td>1</td>
<td>Digital Retail has the highest dependence on all variables</td>
</tr>
<tr>
<td>Localization</td>
<td>--</td>
<td>++</td>
<td>+</td>
<td>+</td>
<td>0</td>
<td>+</td>
<td>3, 9%</td>
<td>6</td>
<td>Localization has the lowest dependence on most variables except for Competition</td>
</tr>
<tr>
<td>Generational Shift</td>
<td>++</td>
<td>+</td>
<td>+</td>
<td>++</td>
<td>+</td>
<td>0</td>
<td>7, 21%</td>
<td>2</td>
<td>Generational Shift has the 2nd highest dependence on all variables</td>
</tr>
</tbody>
</table>

Driver Influence Total Score Ranking (1 - Highest 6 - Lowest) Takeaways

<table>
<thead>
<tr>
<th>Driver</th>
<th>Total Score</th>
<th>Ranking</th>
<th>Takeaways</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium and Sophisticated Experience</td>
<td>5, 15%</td>
<td>3</td>
<td>Premium Experience has strong influence on most variables except for Localization</td>
</tr>
<tr>
<td>Increasing Competition</td>
<td>7, 21%</td>
<td>2</td>
<td>Competition and Economic Development have the 2nd strongest influence on all variables</td>
</tr>
<tr>
<td>Economic Development</td>
<td>7, 21%</td>
<td>2</td>
<td>Digital Retail has the strongest influence on all variables</td>
</tr>
<tr>
<td>Digital Retail</td>
<td>8, 24%</td>
<td>1</td>
<td>Localization and Generational Shift have the lowest influence on most variables</td>
</tr>
<tr>
<td>Localization</td>
<td>3, 9%</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Generational Shift</td>
<td>4, 12%</td>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>
Archetype Drivers (1)

Baseline

Digital Retail
With leading digital and e-commerce platforms, more and more Chinese consumers are shopping online, and retail landscape is becoming digitized melding the best of both the in-shop and online experiences.

Baseline

Economic Development
China is making significant economic achievements with rapid growing middle-income population and becoming a growth engine and stabilizer for the world economy.

My devices are now able to anticipate when, what kind of coffee I want and automatically orders and delivers to where I am within a few minutes.

There is a major data security breach due to lack policies and regulations in place. Consumers’ private information are hacked from coffee businesses and major accidents occur with drone deliveries.

All Chinese adult citizens are highly educated with at least undergraduate degrees and more than 70% of population make up middle class. This group also make up the largest consumer markets in the world with the highest purchasing power.

China’s economy has become distorted. Its debt level tripled past few years and IMF announced country’s bankruptcy.

Despite rising data breaches, coffee businesses continuously increase digitization of their operations to expand their market and profit without major upfront investment to protect consumer information.

Competition amongst the business continue to increase driving more innovation and economic development. To stay ahead, corruptions amongst businesses, government officials are also worsening.
Increasing Competition

All scales of coffee chains including Starbucks, Costa, Luckin, Dunkin Donut, Tim Horton, as well as independent coffee shops are planning to expand their presence in China with premium service.

Baseline

Generational Shift

Young population in China have already been exposed to Western influences and chooses to drink coffee instead of traditional tea.

Famous coffee sommelier travel to China to experience its world-class coffee shops and learn new techniques of coffee innovation.

Coffee industry becomes saturated and each business is unable to differentiate themselves. In order to stay competitive and keep the cost low, fake coffee beans are used and corruptions arise.

Government intercept to prevent large coffee brands to play monopoly while funds schools to increase coffee sommelier certification and farmers education programs

Overall, average Chinese consumers drink coffee once per week. (current is 3 time per year) With young population group, they drink at least 5 cups per week

Blend of westernization and securing Chinese tradition become a new movement. For example, A mix of tea tradition and western coffee cultures shape China’s new beverage innovation.

Coffee was just a fad. Younger millennials and Generation Z Chinese population value traditional tea much more than ever. They actively fight to maintain the country’s tradition.
Baseline

Premium & Sophisticated Experience

Chinese consumers are looking for upscale and convenient experience that are personalized for them.

Transformation

Investment in automated coffee service and premium coffee shops do not pay off as Chinese consumers do not see the value. Also, it becomes hard to differentiate real high-class, quality coffee from fake coffee.

Collapse

All corporations and businesses in China offer premium products, experience, service that are specifically personalized to each consumers.

New Equilibrium

While there is a huge increase in premium and personalized offerings by businesses, only middle to high class populations are able to afford. There is a bigger gap between low-income and high-income groups in China.

Baseline

Localization

Coffee shops are focused on localizing from the store design to sourcing coffee beans from the local farms.

Transformation

Local coffee farms quality deteriorate with unstable weather conditions, global warming and lack of farming skills ultimately not being able to meet the increasing consumers demand for coffee.

Collapse

Coffee businesses are able to provide information on coffee lifecycle from farming to transportation. They partner with local farms to work on coffee innovations and support fair trade structure.

New Equilibrium

While increasing number of consumers find localized touch provides unique, special experience, many consumers trust big coffee brand over independent stores.
Future Scenarios

Using archetype drivers approach, a baseline scenario and two alternative future scenarios are presented. The alternative future scenarios include Transformation and Collapse archetypes.
Baseline Summary

Baseline is extrapolation of current trends, plans, and projections forward with no major surprises.

Title:
Augmented Coffee Store
Large percentage of middle-class consumers in China will have upscale, sophisticated, and convenient coffee experience the blend of in-store and online coffee experience.

Abstract:
Most businesses including coffee industry are digitized to certain extent. Upscale, quality yet convenient and personalized products, experience, services are now the new norm for middle-class citizens and expected for any coffee businesses to stay competitive in China. With consumer purchase trend information stored, baristas or the app will recommend favorite drink options. Consumers will either confirm the suggested coffee or order a new option. They will also scan coffee beans packages to access information about how the coffee beans were farmed, roasted and transported to the shop. Even when you are not at the physical coffee shop, consumers will have their coffee in their hands in less than 13 minutes.

Key Drivers:
Based on the cross impact matrix analysis, the following is listed in the order of significance for driving the baseline future. (1- highest 6 – lowest)

#1 Digital Retail is the key driver of baseline future with the largest dependence (26%) and influence (24%) on all other variables.

#2 Economic Development has the 3rd highest dependence (18%) across all variable particularly Digital Retail. It also has 2nd highest influence (21%) on all variables.

#3 Increasing Competition has the 4th highest dependence (15%) and 2nd highest influence (21%) on all variables.

#4 Generational Shift has the 2nd highest dependence (21%) especially digital retail and premium experience. However, it has one of the lowest influence (12%) on other variables.

#5 While Premium and Sophisticated Experience has 5th highest dependence (12%) and influence (15%), it has strong driver for economic development and digital retail.

#6 Localization has the lowest dependence (9%) and influence (9%) on all variables.
In 2030, most businesses including coffee industry are digitized to certain extent. Middle-class citizens are continuing to rise and make up the majority of the Chinese economy and coffee drinking has become part of Chinese culture. Upscale, quality yet convenient and personalized products, experience, services are now the new norm and are expected for any coffee businesses to stay competitive in China. Whether it is a big brand coffee business or independent shop, most of customers will order via devices and all transactions are paid automatically via platforms such as Alipay. Competition will continue to grow, and some business will leverage digitalization of the coffee operation to differentiate themselves. For some stores, the moment consumers walk into coffee shops, the app will recognize their location and recommend their drinks based on the historical transaction stored in the database. The recommended options will vary on the time of the day and new offerings. Consumers will either confirm the suggested coffee or order a different option via their devices. Trust and transparency about what they consume is also an important matter. They will also scan coffee beans packages to access information about how the coffee beans were farmed, roasted and transported to the shop while they wait for coffee. Even when you are not at the actual coffee shop location, consumers will have their coffee in their hands in less than 13 minutes delivered. In order to improve the quality and temperature of coffee delivered, large brand coffee businesses will pilot drone and automated vehicle delivery services in major cities like Beijing and Shanghai.
These HangZhou based coffee shops rely on AI to personalize coffee experience

Dianfe, a new Chinese coffee brand, only plans to have virtual shops

Starbucks tests drone delivery in hopes to expand into rural locations in China

Augmented Coffee Store
My.CX
My dot Coffee Experience (CX) illustrates end-to-end digitization from the coffee farms to consumer’s hand.

Key Differences between Transformation and Baseline

**My.CX**
- End-to-end digitized coffee operation and consumer experience
- Full Transparency about how food/beverage was produced, transported is mandated. This is an important decision factor for consumers
- Commercial automated vehicles and drone delivery is widespread.
- Robots will personalize drinks that will address consumers’ health and emotional needs

**Augmented Coffee Shop**
- End-to-end digitized coffee operation and consumer experience
- Consumers care about how their food/beverage was made but the businesses are not required to disclose
- Businesses are testing the delivery services via drones and automated vehicles only in major cities
- Baristas or app will recommend drinks based on historical transactions and new offerings

Coffee industry is fully digitized end-to-end. In other words, from farmers to consumers, the entire coffee operations will be digitized to optimize all stakeholders benefits and the overall consumers’ coffee experience. The moment consumers walk into coffee shops, the facial recognition robot will recommend a drink option based on their mood and health needs. Full transparency about food and beverage is now mandatory by the Chinese government. Consumers will use the information about how their coffee beans were farmed, roasted and transported to the shop to make their purchase decision. Even when you are not at the physical coffee shop, consumers will have their personalized coffee in their hands in less than 5 minutes delivered by drones or automated vehicles.
In 2030, China is the leader in 5G that provides super-fast download speeds and the ability to support digital experiences like automated vehicles and virtual reality. Large brand coffee businesses are fully digitized. In other words, coffee farmers will rely on AI robot that can analyze coffee at the point of collection by imaging every coffee cherry that determines quality and adjust the roasting technique. Based upon the analysis result, the algorithm provides price to pay which will be made via cryptocurrency such as blockchain. Robot will then inform the suppliers exact quantity and time the coffee beans to be transported via automated vehicles to each store using a real time data tracking of each coffee shop locations’ inventory and sales projections. The moment consumers walk into the coffee shops, the facial recognition robot will recommend a coffee option based on their mood, health and diet needs. For example, the robot will read that consumer is anxious and have already over-consumed caffeine. It will then recommend a decaffeinated cold brew! Consumers will either confirm the suggested beverage or order a different option either. Full transparency about food is now mandatory by the Chinese government for all food and beverage businesses. At fingertips, consumers will be informed about how the coffee was farmed, roasted and transported before they finalize the purchase. Lastly, even when you are not at the actual coffee shop locations, consumers will have their personalized coffee in their hands in less than 5 minutes delivered by drones or automated vehicles.
First facial recognition technology enabled coffee shop opens in Shanghai

Starbucks opens 30 “roasting warehouses” to expand coffee delivery via drones and automated vehicles

Bext360 work with Chinese Government to improve fair coffee trade
Collapse Future
The system falls apart under the weight of “negative” forces.

Title:
Cultivate Heritage Movement
Consumers no longer consider western products as premium. Anti-movement amplifies with unexpected cyber security breach and increasing movement to maintain cultural heritage

Abstract:
Big coffee players successfully launch automated coffee service that provides virtual coffee ordering and rapid delivery service. However, soon, several major American companies in China face unexpected major data breach that exposes a majority of Chinese consumers private information. Even amateur hackers have found loopholes hacking customers information and their buying patterns. 40% of consumers delete US-based companies app and lose trust in their service. In addition, all the hype about western products including coffee customs begins to cool down. Coffee is no longer perceived as a cool or premium experience. Instead, groups of millennials and generation Z fight to maintain their diminishing Chinese culture and traditions. Several start-ups take off with new shops that provide upscale and new tea products using traditional Chinese tea ingredients.

What’s Changing?
- Cyber security is major issue
- Chinese consumers no longer perceive western products as premium
- Movement toward cultivating Chinese heritage expands
- New chain shops that provide upscale and new tea products using traditional Chinese tea ingredients take off
- Political tension between China and the US worsen as China’s economic power grows
- Western companies face backlash with advertisement that unintentionally offends Chinese culture
In 2030, the coffee industry becomes saturated and each business faces difficulties differentiating themselves. Chinese consumers no longer consider western products as premium and the movement to maintain cultural heritage is expanding. In order to stay competitive, large coffee chains partnered with tech companies to provide rapid delivery service and virtual coffee shop experience. However, to shorten the delivery time, the quality of premium coffee deteriorates and several major American companies in China face backlashes after advertisement that unintentionally offends Chinese culture. In the midst of chaos, they also face unexpected major data breach that exposes a majority of Chinese consumers private information. Even amateur hackers have found loopholes hacking customers information and their buying patterns. 40% of consumers delete US-based companies app and lose trust in their service. In addition, all the hype about western products including coffee customs begins to turn cold. Coffee is no longer perceived as a cool or premium experience. Instead, groups of millennials and generation Z fight to maintain their diminishing Chinese culture and traditions. Several start-ups take off with new shops that provide upscale and new tea products using traditional Chinese tea ingredients. Some researchers believe political tension between China and the US over trade policy that began 10 years ago was the start of the anti-movements against US product purchase.
US Companies lose market share in China as political tension worsens between the US and China

Chinese citizens angry over Western companies’ ignorant advertisement

Research shows, 80% of consumers prefer products made by the Chinese brands
Using futures wheel approach, implications and strategic options to address are presented
Implication Analysis

Pick a category to focus the implications on.
Starbucks’ IT and Analytics department that manages the database of consumer information will be the most affected group in My.CX scenario. How you manage the data and use it to inform overall company strategy, influence consumer behaviors, and address consumer privacy will create competitive advantage.

3-5 Most Important Implication
- Tech companies Enter
- Personal Privacy
- Skill Gap
- Coffee Quality Decline

3-5 Single Most Provocative Implication
- Terrorist Weapon
- Consumers controlled by machines
- Government monitors

Most Important Issue
Coffee quality decline- Starbucks’ key differentiation is their quality coffee and overall coffee experience, which consumers are willing to pay premium for.

Most Provocative Issue
Terrorist Weapon – Without strict regulation, consumers information can be easily hacked. These could be used as some digital weapon by a terrorist organization.
How do we maintain the premium “Starbucks Experience” while providing end-to-end digitized service?

**Why is this an important issue to address?**

Starbucks’ key differentiation from the competitors is grounded in customer’s “Starbucks Experience” that focuses on their mission is to “inspire and nurture the human spirit – one person, one cup, and one neighborhood at a time”. Starbucks customers are willing to pay premium for the high quality coffee, unique design elements of store, the coffee smell as they walk in, and friendly customer-oriented baristas that make them special. By providing end-to-end digitized service, core elements of ‘Starbucks Experience’ can be easily lost.

**Strategic Imperative (Response):**

How can we address the issue?

**Actions Plans:** In order to execute the strategies, what actions are required?

- **Product Quality:** Identify brewing and packaging methods that provide consistent taste of coffee when delivered.
- **Personalization:** Empower customers to customize their coffee. Using the data, anticipate customers’ needs and recommend drinks while maintaining the high quality.
- **Convenience:** Provide seamless “Starbucks Experience” online. Invest in innovation to decrease the delivery time and enhance the Starbucks app user experience.

**Resources:** what resources are required?

- **Expert Barista and Research & Technology**
- **Customer Behavior Research**
- **Data Management system**
- **Software Engineering, AI**
- **Research & Development.**
- **Marketing**
- **Quality Index, Customer Satisfaction Score**
- **Customized drinks Sales, market share**
- **Delivery Time, App Active Users and Retention Rate**

**Accountability:** What are key success measures and who “owns” the responsibility?

- **Stronger partnership with technology (Alibaba) and/or automobile companies to innovate delivery methods and user experience of the app (Virtual Reality) (**

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**Strategic Options**

1st Issue at Hand
# Strategic Options

## 2nd Issue at Hand

**How do we ensure our database is protected and maintain our customers trust?**

### Why is this an important issue to address?

As Starbucks digitize their services, data breach of customers information is at a large risk. Cyberattacks have become increasingly common and data breaches can hurt the businesses and customers in many ways. They are not only costly, but can damage the brand reputation, lose trust and put customers at risk.

### Strategic Imperative (Response): How can we address the issue?

Implement zero tolerance policy for misuse of customer data and management

### Actions Plans: In order to execute the strategies, what actions are required?

**Employee Management:** Provide employee training, to instill a heightened sense of urgency and employ insider behavior monitoring

**Strict Policy and Enforcement:** Enforce restrictive data permissions for employees. Collaborate with Chinese government to strengthen data protection laws

**Strengthen Intrusion Detection and Prevention Measures:** Perform regular vulnerability assessments and strengthen measures to detect all levels of intrusion for all systems

### Resources: what resources are required?

**Expertise in security breach and employee training. Legal knowledge.**

**Expertise in company policies, IT management and government affairs**

**Expertise in data security architecture**

**IT, HR, Legal**

**IT, Government Affairs**

**IT**

### Accountability: What are key success measures and who “owns” the responsibility?

**No. of training provided, Breach Incident Rate caused by Employees**

**Policies developed/enhanced**

**No. of Vulnerability Assessments, and Intrusions, Breach Incident Rate**

**IT, Legal**

**IT, HR, Legal**

**IT, Government Affairs**

**IT**

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