

# Localization and Digital Engagement Strategies of Tim Hortons in the Chinese Coffee Market

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## Abstract

This template explains the marketing strategies of Tim Hortons China, focusing on its adaptation to the Chinese market, market segmentation, and opportunities and challenges within the competitive coffee industry. The study highlights the brand's localization efforts, such as product customization and diversified store formats, as well as the role of its Chief Marketing Officer in navigating cultural adaptation while maintaining brand identity. Behavioral segmentation is emphasized as a critical approach for targeting high-conversion consumer groups. The analysis identifies growth opportunities through digital engagement and social media-driven customer interaction, while also noting challenges related to brand visibility and content creation. The paper applies the AISAS model to evaluate consumer information search behavior and proposes a marketing mix strategy, including co-branding with Tencent's Honor of Kings, to enhance brand presence and consumer loyalty.

## Keywords

Tim Hortons China; Behavioral Segmentation; AISAS Model; Localization Strategy; Co-branding; Digital Marketing; Consumer Behavior.

## 1. Introduction

Tims stores in China primarily offer coffee, sandwiches, wraps, and other Canadian-style warm foods, as well as Western-style baked goods such as bagels. Some products have been localized to cater to the tastes of Chinese consumers, including congee, matcha, and milk tea which have Chinese characteristics [1].

According to its prospectus [2], the pricing of its beverages ranges from 16 to 33 yuan, with more than two-thirds of the beverages priced above 27 yuan; the pricing for warm foods ranges from 18 to 36 yuan.

The competitive landscape of coffee and fast-food outlets in China is dominated by international brands such as Starbucks, McDonald's, and Luckin Coffee, which have high brand recognition and market share in China.

From 2018 to 2023, the annual growth rate of coffee shops in China was 16.4% [3]. Meanwhile, in 2019, the average annual coffee consumption per person in China was only 5, which is significantly lower than that in major countries like the USA, indicating a large potential for growth.

## 2. Marketing Personnel Analysis

### 2.1. CMO: He Bin

He Bin, with an MBA from Columbia and 15 years in consumer retail investment, played a role in Burger King China's investment case [4]. Her expertise in global brand strategy and managing complex markets is notable, particularly in the international fast food sector. Currently, she

faces the challenge of localizing Tim Hortons for the Chinese market, needing to adapt its products and marketing while maintaining its core brand values.

Tims’ marketing strategy emphasizes localization. For instance, it offers products tailored to local tastes, such as Guangzhou-inspired coffees reflecting the "Lion Dance" culture. As figure 1 shows, its store types vary to meet different consumer needs: Tims Gold for flagship experiences, Tims Red for comprehensive services, Tims Go for quick needs, and Tims Express for convenience in partnership with Sinopec EasyJet.

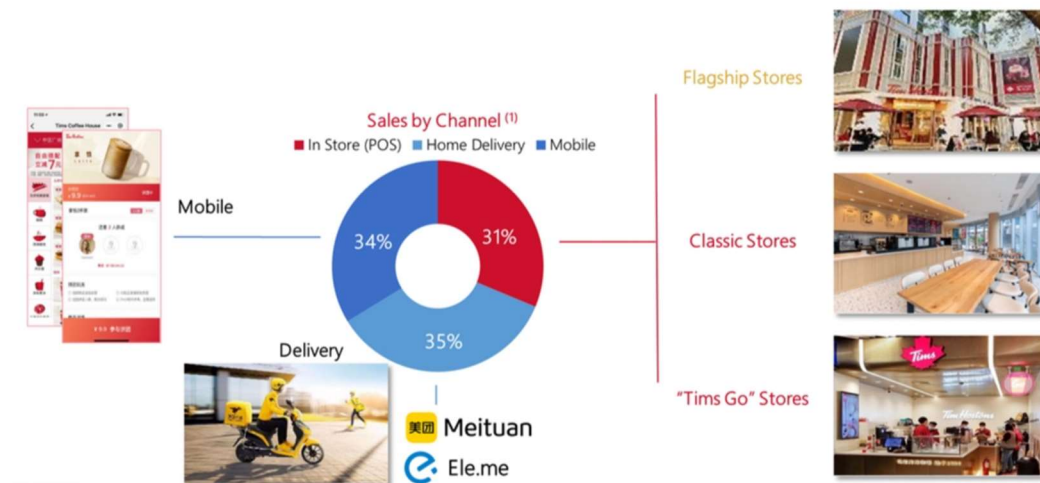


Figure 1. Providing Absolute Convenience

Additionally, Tims leverages technology for efficiency, evidenced by a significant investment from Tencent in 2020, as shown in Figure 1 enhancing its digital and operational capabilities to improve customer service and data collection.

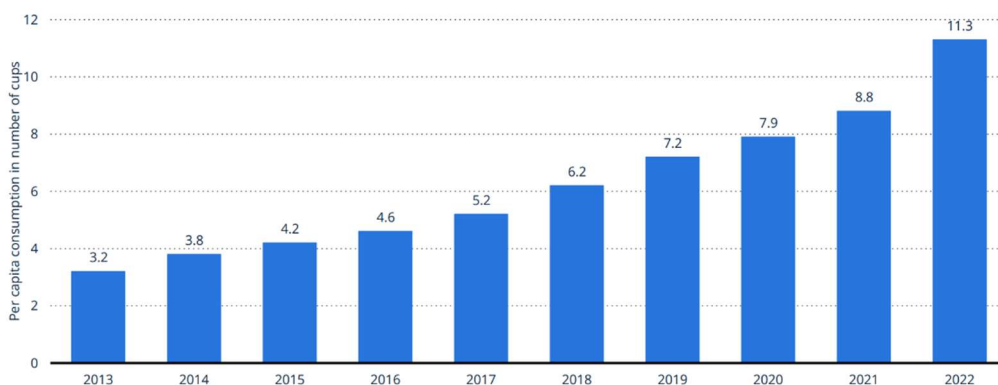
### 3. Market Segmentation

Market segmentation enables Tims to optimize resource allocation by focusing on the most lucrative areas, minimizing resource wastage. Behavioral segmentation, more targeted than demographic or geographic segmentation, enhances marketing focus on customer groups with higher conversion rates [5] thereby increasing the Return on Investment (ROI). In China's internet-centric food and beverage sector, behavioral segmentation allows Tims China to analyze customer behavior across various sales channels like physical and online stores [6], helping to build a detailed customer profile.

#### 3.1. Behavioral Segmentation of Potential Target Groups

##### Purchase Frequency

As shown in Figure 2, from 2013 to 2022, the average annual coffee consumption in China increased from 3.2 to 11.3 cups per person, reflecting coffee's growing integration into Chinese dietary habits. Weekly consumption is the most prevalent habit, illustrating the beverage's rising popularity.



**Figure 2.** Annual average per capita coffee consumption in China from 2013 to 2022 (in number of cups)

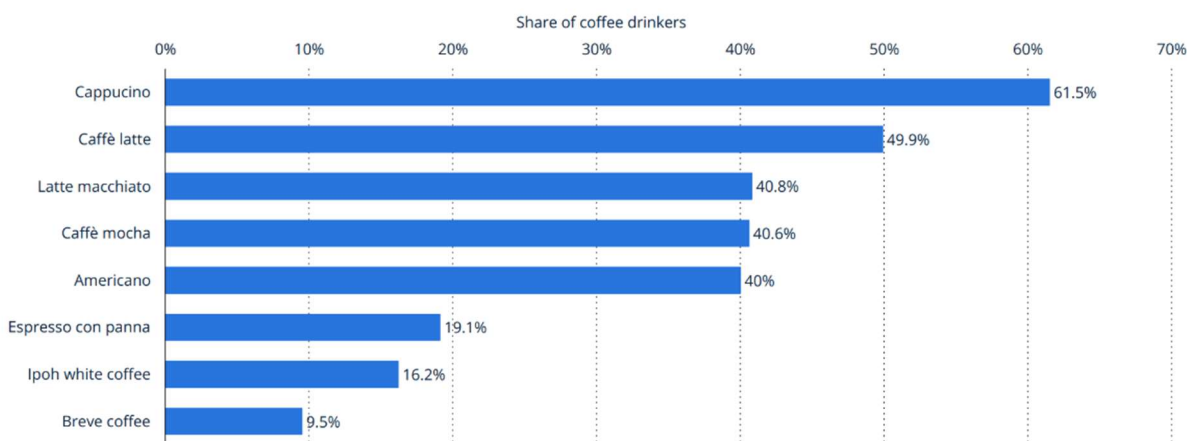
Usage Scenarios

Coffee is primarily consumed in cafes (44%) and offices (32%), with a significant portion also enjoying it at home (31%). Popular accompaniments include conversations (41%) and cakes or other foods (39%), highlighting coffee's role as a social lubricant and mood enhancer [7].

Preferences

As shown in Figure 3, over half of the consumers favor cappuccino, followed by latte and macchiato, indicating a preference for richly flavored and high-quality coffee drinks.

Purchasing Methods



**Figure 3.** Most consumed coffee types among coffee drinkers in China as of May 2022

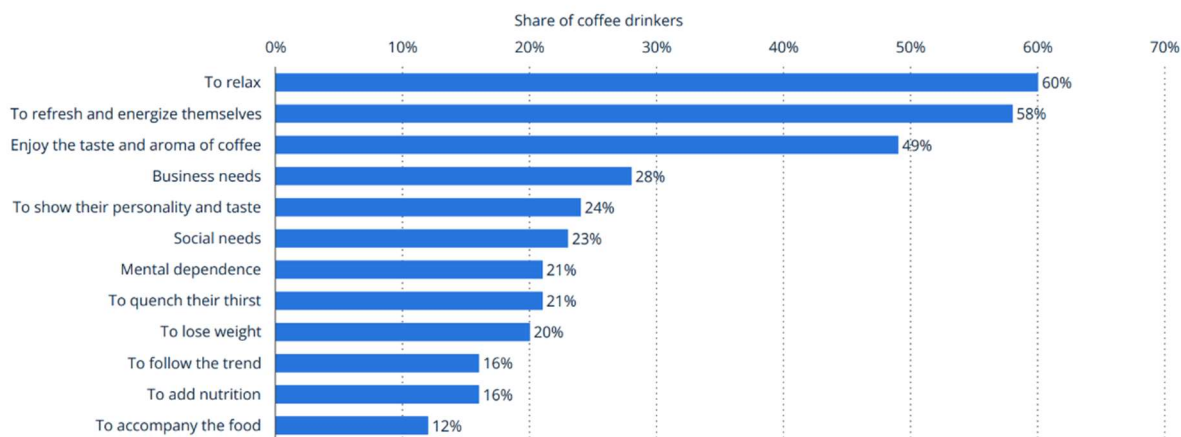
Most consumers prefer purchasing coffee from cafes or online, with a tendency towards instant coffee for its convenience.

Loyalty

Brand and coffee roasting method significantly influence consumer choice, with trust in these aspects leading to higher brand loyalty.

Purchasing Motivation

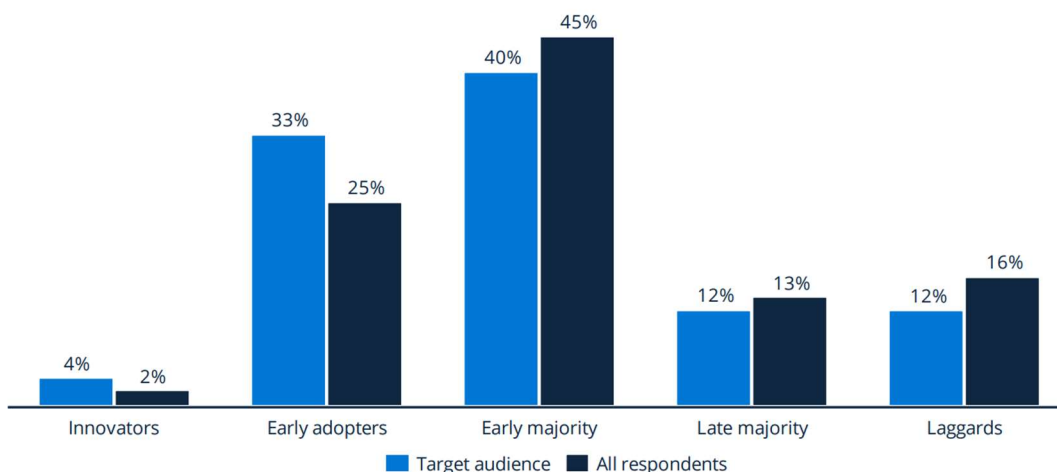
As shown in Figure 4, the primary motivations for drinking coffee include relaxation (60%) and enjoyment of its taste and aroma (49%), with additional factors like stimulation (58%) and work-related needs (28%).



**Figure 4.** Major reasons for drinking coffee among coffee drinkers in China as of April 2023

Attitude

As shown in Figure 5, 36% of coffee drinkers are innovators or early adopters, indicating a market segment open to trying new products and experiences, and valuing the innovation and novelty brands can offer.



**Figure 5.** Innovation adopter types based on statements towards innovation by consumers in China

**3.2. Needs and Want**

As consumption increases, consumers demand convenient access to coffee suitable for daily use and leisure occasions. They seek a seamless blend of coffee in social and work settings, preferring brands that can consistently deliver quality and enhance both work efficiency and social enjoyment.

**3.3. Value**

Consumers value the convenience and consistent quality of their coffee experiences, showing willingness to pay more for brands that meet their expectations for taste and reliability. They appreciate coffee’s role as a facilitator of social interactions and a productivity enhancer in professional contexts.

## 4. Opportunities and Challenges

### 4.1. Opportunities

#### Purchase Frequency

According to Figure 6, digital advertising channels such as search engines, online marketplaces, and social media are the most frequented by coffee consumers, who engage more with these platforms than the general audience. According to Figure 7, smartphones and computers/laptops are the primary internet access devices for over 80% of coffee drinkers, with tablets, desktops, smart TVs, and smartwatches also widely used.

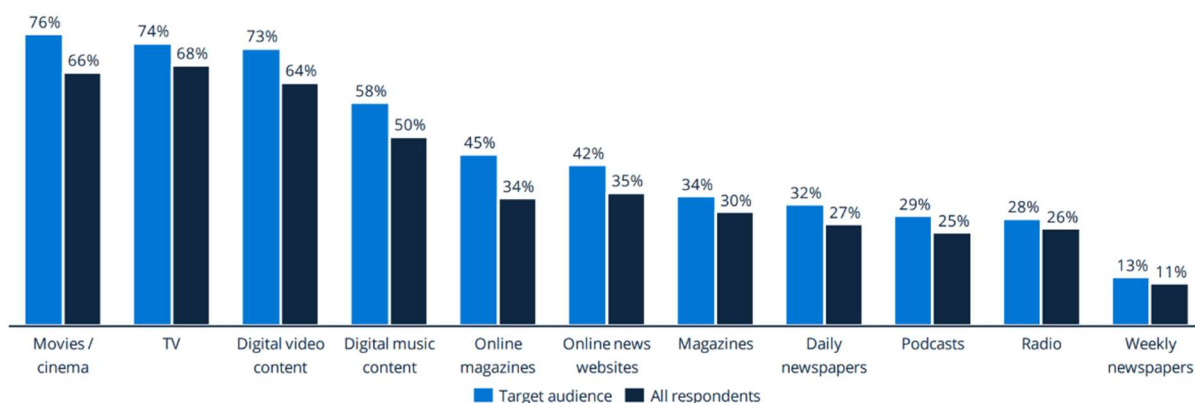


Figure 6. Type of media consumers in China have been using in the past 4 weeks

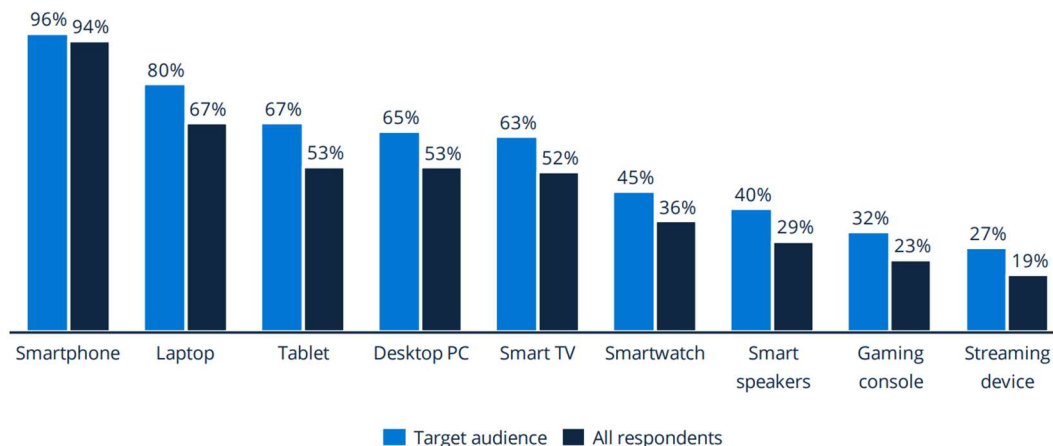


Figure 7. Devices consumers in China use regularly to access the internet

### 4.2. The Opportunity in the Share Stage

Behavioral analysis reveals that Chinese coffee drinkers prefer social settings and value engaging conversations. Younger consumers are open to trying new experiences. Tims can leverage this by enhancing the social ambiance of its stores to promote customer interaction and content sharing on social media [8], thus boosting brand visibility and customer loyalty [9].

### 4.3. Challenges

- a. Established coffee brands have already accumulated a substantial following and content on social media, posing a challenge for Tims to quickly build brand influence to compete.
- b. Continuously providing interesting and creative content is a challenge; Tims needs to invest sufficient resources and creativity to attract consumer sharing [10].

c. While encouraging user sharing, Tims must also focus on protecting user privacy to avoid controversies. It is essential to establish a clear user content management policy.

## 5. Information Search

In analyzing consumer buying behavior, particularly in China's social media-savvy and youth-dominated market [11], the Information Search stage has a significant impact on market segmentation. Modern consumers no longer just receive information through traditional advertising; they actively search, compare, and evaluate product information online [12]. This is evident from Tims' insufficient followers and interactions on social media platforms like Xiaohongshu, Tik Tok, and Weibo.

According to the AIDMA model, consumers undergo five main stages: Attention, Interest, Desire, Memory, Action. However, with the advent of the internet age, consumers' lifestyles and consumption rhythms have changed, replacing the internal Desire and the need for Memory with more convenient "Search" and "Add Wishlist", evolved into AISAS model [13]. Consumers' cognition and emotional connection to brands and products increasingly rely on their online search and sharing experience.

The Information Search stage significantly impacts consumer behavior, particularly in China's highly digital market. Consumers actively search for information that aligns with their interests and needs, marking the initial phase of the purchasing process [14]. Tims faces challenges here due to its lower visibility on platforms like Xiaohongshu, TikTok, and Weibo compared to competitors. This impacts consumer behavior during the Information Search stage. Brands that engage actively and frequently on social media are more likely to receive positive evaluations and recommendations. In contrast, brands with lower visibility might be overlooked by consumers, who tend to favor brands with a strong online presence.

Internet-based information searching has shifted consumer behavior from traditional offline exploration to online searching, where they are more inclined to make purchase decisions based on information obtained online. They might educate themselves through reading product reviews, comparing prices, and looking for promotional activities. Active social media users in China, like those on Tik Tok, are particularly sensitive to the "Share" stage; they assess recommendations from friends and opinion leaders on social networks, which influences their buying decisions [14].

Viewed from a broader "consumption system" perspective, the AISAS model progresses sequentially but also involves "reverse flows" driven by interpersonal dynamics: the consumption behavior of some consumers can catch the attention of others, and the "Search" behavior of some can pique the interest of others. At this stage, consumers are not just looking for basic product information; they are also seeking user reviews, shares, and discussions [15]-factors modern consumers consider before making a purchase. If Tims has few online reviews or lacks strong user ratings on key e-commerce platforms, this could adversely affect its sales in the target market.

Therefore, Tims can design marketing routines according to this path to improve their performance in the information search stage. This involves increasing the brand's activity on social media and search engines, such as by optimizing search engine keywords, publishing engaging content, improving user interaction, and collaborating with opinion leaders to increase the attention and purchase intentions of target consumer groups. Through these measures, Tims will not only be able to increase its brand's online visibility but will also be able to play a more active role in consumers' purchasing decisions.

## 6. Marketing Mix Activity

Tencent, as the developer and operator of Honor of Kings, is also an investor in Tims, providing a unique advantage for the co-branding cooperation between the two brands. By co-signing, Tims not only leverages the game's broad audience base and high user engagement to increase brand visibility, but also promotes engagement with younger generations of consumers, especially those who may become loyal fans of the brand.

Tencent's investment has not only brought support to Tims at the financial level but also brought far-reaching impact at the strategic level. Through Tencent's rich platform resources and technical capabilities, Tims is better able to execute marketing strategies based on the AISAS model, especially at the Information Search stage, which can promote consumers' understanding and interest in brands and products by combining various marketing means, thus driving consumption decisions and behaviors.

### Product Strategy

**Themed product launch:** The launch of coffee or dessert themed with the hero role of Honor of Kings, such as limited-edition special coffee, can directly attract the attention of game players, stimulate their exploration and purchase interest in new products, and directly promote consumers to the Action stage.

**In-Store Experience:** Open a Honor of Kings themed store, decorated with in-game scenes, enhance customer immersion, encourage consumers to share content on social media, and further enhance brand interaction. This approach helps consumers establish a stronger emotional connection with Tims, while also encouraging consumers to associate Tims with young, trendy and interesting elements during the "Information Search" phase.

### Pricing Strategy

**Limited-time offers and bonus points:** Complete in-game tasks to get discounts, points and even peripheral gifts, stimulating gamers to buy in physical or online, expanding the target consumer group.

### Promotion Strategy

**Collaboration with Key Opinion Leaders (KOLs) and Social Media Activities:** Partner with well-known figures in the gaming community to promote the products, leveraging their influence to expand information dissemination and consumer engagement. Discussions and sharing on these social platforms will amplify the impact of information dissemination, enhancing the brand's influence during the "Share" stage of the market.

### Place Strategy

**Synchronized Online and Offline Promotion:** Launch co-branded products simultaneously in Tims' physical stores and online platforms to ensure consumers can access products and promotional information through any channel, enhancing the convenience of purchase.

### Special Event Marketing

Offer special promotions during major Honor of Kings events to attract a broad consumer base. Through the above marketing mix activities, Tims can provide consumers with rich and relevant content during the Information Search phase, effectively guiding them from attention to purchase, and ultimately enhancing their decision-making and brand loyalty [16]. Furthermore, leveraging social media sharing features and community word-of-mouth can significantly expand the brand's reach and depth, creating a more substantial market impact.

## 7. Conclusion

Tim Hortons China has significant growth potential in a market where coffee consumption is rapidly expanding but remains comparatively low per capita. Its success hinges on effectively

localizing products, leveraging behavioral segmentation, and addressing the digital habits of Chinese consumers. While strong competitors dominate brand awareness and social media presence, strategic collaborations-such as the co-branding initiative with Honor of Kings-can strengthen engagement with younger consumers and enhance brand differentiation. By optimizing its online visibility, investing in creative content, and aligning marketing activities with the AISAS model, Tims can better influence consumer decision-making from the information search stage to purchase, ultimately improving market share and brand loyalty.

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