Frontiers in Economics and Management Volume 7 Issue 7, 2026
ISSN: 2692-7608 DOI: 10.6981/FEM.202607_7(7).0002

A Simple Study on the Impact of Strategic Differences between Luckin and Starbucks China on Sales Revenue

Keyu Zhu[a]

New Channel Jin Qiu College, Nanjing, Jiangsu, 210000, China

[a]Zky20090623@163.com

Abstract

Our study conducts a comparative analysis of the strategic disparities between Luckin Coffee and Starbucks in the Chinese market, along with the tangible impacts of these strategies on sales performance. We also delve into the effectiveness and sustainability of both companies' business models within the rapidly expanding coffee industry. For instance, Luckin Coffee's innovative online marketing campaigns, such as its viral referral programs and personalized discount offers, have played a crucial role in driving customer acquisition and retention. On the other hand, Starbucks' localization efforts, like introducing tea-based beverages and collaborating with local brands, have helped it resonate with Chinese consumers and maintain its brand appeal. Luckin Coffee exemplifies an internet-driven approach, characterized by rapid market entry, aggressive expansion, and a focus on market capture through rapid store openings, online marketing, and substantial subsidies. The results were indeed remarkable: in 2021, its revenue reached 7.965 billion yuan, a 97.5% year-on-year increase, with the number of stores surging to 6,024, making it China's largest coffee chain brand. By 2024, revenue further grew to 34.475 billion yuan, and net profit margin improved to 8.5%. However, the question remains whether this model can sustain itself. The 2020 financial fraud scandal, weak brand culture, and supply chain pressures have introduced uncertainties for its future development. In our view, while Luckin Coffee has achieved impressive growth in recent years, it needs to address these challenges to ensure long-term sustainability. For example, it should invest in building a stronger brand culture and improving its supply chain management to reduce costs and enhance efficiency. Starbucks, on the other hand, follows a different path, emphasizing quality and offline experiences while targeting the mid-to-high-end market. However, this strategy has also faced challenges in recent years, with same-store sales dropping by 23% in the second quarter of 2022 as market share was gradually eroded by competitors. To counter this, Starbucks has intensified its focus on delivery services and digital offerings while leveraging localization efforts to maintain brand appeal. We believe that Starbucks' strategic adjustments are necessary to adapt to the changing market dynamics, but it should also continue to emphasize its core strengths in quality and customer experience. In summary, Luckin Coffee relies on affordability and speed to dominate the market, boasting strong momentum but lacking stability; Starbucks, by contrast, thrives on brand and experiential appeal, offering greater resilience but slower responsiveness. Both models have distinct strengths and weaknesses, with the key challenge being whether they can adapt to changing consumer preferences. To achieve long-term market success, relying on a single strategy is insufficient-finding the right balance between growth and stability, along with continuous adjustments and innovation, is essential.

Keywords

Strategic Differences; Sales Revenue; Operational Model; Marketing Strategy.

ISSN: 2692-7608 DOI: 10.6981/FEM.202607_7(7).0002

1. Introduction

1.1. Research Background

Over the past few years, China's coffee market has experienced explosive growth, emerging as one of the world's most vibrant and fast-paced consumer markets. This remarkable growth is fueled by profound societal transformations, including rising urban incomes, rapid urbanization, and the growing embrace of coffee culture as a symbol of Western-influenced lifestyle. Against this backdrop, two contrasting business strategies have taken shape: Luckin Coffee's approach of rapid expansion through digital innovation and cost optimization, versus Starbucks' emphasis on premium quality and the creation of a 'third place' experience. At their core, these strategies offer divergent responses to the fundamental question of how to achieve profitability in China's burgeoning coffee market [1,2].

Founded in 2017, Luckin Coffee embarked on an aggressive expansion drive at an unprecedented pace, opening numerous stores, offering generous discounts, and distributing vouchers, while harnessing the power of mobile ordering and delivery services to rapidly acquire new customers. Industry observers have dubbed this strategy the 'blitzkrieg approach'. By 2021, this strategy had propelled Luckin to surpass Starbucks in terms of store count, with a total of 6,024 locations, making it the largest coffee chain in China—an impressive feat considering the major financial fraud scandal in 2020 that nearly brought the company to its knees [1]. Remarkably, Luckin managed to stage a comeback, reporting total revenue of 79.653 billion yuan in 2021, representing a staggering 97.5% year-on-year growth, and even achieving profitability at its self-operated stores by the end of the year [1,3]. By 2024, its revenue is said to have skyrocketed to 344.75 billion yuan, outpacing Starbucks China by a wide margin, a testament to its relentless focus on a value proposition centered around 'affordability and convenience' [3].

Turning our attention to Starbucks, which entered the Chinese market in 1999, the company has steadfastly pursued a mid-to-high-end positioning, positioning itself as 'the third place' between home and work. With its meticulously designed stores, premium coffee offerings, and a brand culture that exudes sophistication, Starbucks quickly won the favor of the emerging middle class. By 2015, Starbucks had established 1,811 stores across China and showed no signs of slowing down its expansion [4]. However, the emergence of Luckin and other homegrown brands such as Manner has posed significant challenges to Starbucks' dominance. In response, Starbucks has begun to recalibrate its strategy, dividing its operations into 'Retail' and 'Digital Innovation' divisions, ramping up its delivery services, and introducing new product offerings [2]. Nevertheless, the results have been underwhelming, with same-store sales plummeting by 23% in Q2 2022, encompassing a 20% drop in in-store customer traffic and a 4% decrease in average spending per customer [2].

When we juxtapose these two business models—one prioritizing affordability and market penetration, the other emphasizing customer experience and brand loyalty—it presents a fascinating natural experiment within the same market ecosystem. Operating under the same market conditions, these two companies have adopted entirely different approaches to target and engage distinct customer segments, resulting in vastly different sales and performance outcomes. This unique scenario offers us an invaluable opportunity to explore how different strategic decisions manifest in tangible financial performance metrics.

1.2. Problem Statement

This study aims to clarify a question: Luckin Coffee and Starbucks have completely different strategies in the Chinese market - how prices are set, how stores are arranged, and how target customers choose - and how these differences will ultimately be reflected in sales revenue.

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Although the overall revenue of both companies is increasing, their underlying logic is very different, theoretically, it should lead to different financial performances [1,2,4].

First, let's talk about the price, which is the most obvious difference between the two. Luckin Coffee is taking the path of low price impulse, initially offering large subsidies, sometimes directly offering 50% or even lower, in order to quickly attract price sensitive customers. Simply put, it means trading profits for markets and relying on volume to generate revenue. Starbucks, on the other hand, insists on high pricing and shapes itself as a brand with tone, making customers willing to spend more money on the environment and experience. The current issue is which pricing method can better sustain revenue in the long term as the market becomes increasingly crowded and competition intensifies.

Looking at the store layout again, the two ideas are also much different. Luckin prioritizes convenience, as most of its stores are small and ready to go, concentrated near office buildings and transportation hubs, making it easy for customers to place orders and pick up goods [1,3]. This dense distribution approach lowers the threshold for user acquisition, but the revenue potential of individual stores may be diluted. Starbucks, on the other hand, tends to open large stores, choose suitable locations, and put a lot of effort into store decoration and atmosphere creation, with the aim of making customers willing to stay longer [2,4]. There is currently no systematic comparison data on the gains and losses of these two different store opening models in terms of floor area efficiency, passenger flow turnover efficiency, and coverage.

The third is the difference in target customers. Luckin Coffee has been leading the way online since the beginning, mainly attracting young white-collar workers in the city who value cost-effectiveness and treat coffee as a functional beverage. Starbucks faces a wider audience, but its core is still consumers with higher incomes who value experience and social attributes. The purchasing frequency, price sensitivity, and loyalty of different groups of people vary, and there is currently a lack of systematic analysis in domestic research on how these differences ultimately affect income.

Although many articles have discussed the cases of Luckin Coffee [1,3] and Starbucks [2,4] separately, few have systematically compared how their different strategies affect sales. Existing research either focuses on non direct revenue indicators such as brand awareness and customer satisfaction, or on overall financial data such as profit and market value, rarely specifically highlighting "sales revenue" to see how it is influenced by different strategic choices. And it is precisely sales revenue that most directly reflects the effectiveness of a strategy in the market.

So, this study aims to fill this gap and focus on answering: how do the different choices made by Luckin and Starbucks in pricing, store layout, and customer positioning affect their sales revenue in the Chinese market? The focus of the analysis is to clarify the transmission path between "strategic differences" and "income outcomes".

1.3. Research Objectives and Significance

The objective of this study is clear: to elucidate how the core strategic differences between Luckin Coffee and Starbucks-price, store layout, and customer targeting-affect their respective sales. We aim not merely to make a superficial comparison of who is better or worse, but rather to identify specific causal pathways and explain how these strategic choices ultimately manifest in revenue figures. Specifically, we intend to undertake several tasks:

Firstly, quantitatively analyze the relationship between pricing strategies and revenue fluctuations. Verify a hypothesis: Does Luckin's approach of relying on discounts to boost sales volume make sales revenue particularly sensitive to promotional activities, rising whenever there's an event and falling whenever it ends? Conversely, does Starbucks' reliance on brand value to stabilize prices result in relatively smoother revenue fluctuations.

ISSN: 2692-7608 DOI: 10.6981/FEM.202607_7(7).0002

Secondly, establish a spatial income model. Examine how store density, store type (whether it's a large store emphasizing experience or a small store emphasizing convenience), and distribution across different regions affect single-store income and overall sales.

Thirdly, analyze the correlation between customer personas and revenue composition. Emphasize on comparing the differences in purchase frequency, average single transaction amount, and contributions to the membership system between the two sets of customers, to examine how different customer segments ultimately lead to distinct revenue structures.

The significance of this study can be discussed from several perspectives.

From a theoretical perspective, it helps to supplement the research on the effectiveness of competitive strategies in emerging markets. The fact that two companies compete in the same market using completely opposite strategies provides a unique observation window, which can help us understand how different outcomes may arise under different strategic configurations and similar external environments. This can serve to validate and enrich existing theories such as disruptive innovation, the sustainability of high-end brands, and multiple path choices in emerging markets [1,4].

In terms of methodology, this study attempts to quantify the correlation between strategies and revenue in a more systematic way. Instead of looking at price, channel, or customer group separately, they are analyzed together, which allows for a more comprehensive understanding of how several factors jointly affect revenue. This analytical framework can also be applied to other consumer industries that are being impacted by digitalization for similar comparisons.

In terms of practical value, the research findings hold significant reference for various stakeholders. For multinational corporations like Starbucks, they can provide empirical evidence to help them strike a balance between high-end positioning and local adjustments in a fiercely competitive market [2,4]. For local challengers like Luckin, they can help them understand whether the path of expanding scale through low prices can stabilize revenue in the long run [2,4]. For investors, it can offer more reliable tools for assessing the sustainability of revenue under different strategies. For regulators and policymakers, it can also demonstrate the actual impact of different business models on market development and consumer choice space.

Overall, this study aims to provide an analytical framework grounded in economics, assisting decision-makers in the fiercely competitive consumer market-be they multinational giants or local newcomers-with more solid data and logic to support their choices. It is not only applicable to the coffee industry in China, but also has reference value for other similar industries globally.

2. Literature Review and Theoretical Foundations

The preceding analysis has made it clear that Luckin Coffee and Starbucks are following two completely different paths in the Chinese coffee market, with different outcomes and facing distinct sustainability issues. Luckin Coffee relies on digitalization, low costs, and rapid store expansion, achieving rapid revenue growth in the short term and surging to the top in terms of store count. Starbucks, on the other hand, adheres to a high-end experience approach, boasting strong brand loyalty. However, amidst increasingly fierce competition, its sales have seen a notable decline. The comparison between these two strategies underscores the close correlation between market positioning and ultimate performance.

In order to provide a solid theoretical foundation for this phenomenon and to clarify the uniqueness of the Chinese market, this chapter intends to systematically review the existing literature and relevant theories. We will review academic research on the coffee chain industry, with a particular focus on the development process and changes in the competitive landscape of the Chinese market. At the same time, we will integrate some key strategic management

ISSN: 2692-7608 DOI: 10.6981/FEM.202607_7(7).0002

theories to build a conceptual model that explains how strategic choices gradually affect operational and financial performance. With this foundation, we can better understand how Luckin Coffee and Starbucks, with their distinct strategies, shape their respective market trajectories and financial resilience.

2.1. Coffee Chain Industry Research

The global coffee chain industry has undergone significant changes in recent years, with consumer preferences changing, technology advancing, and the rise of the concept of "new retail", the entire industry is undergoing a reshuffle. In the Chinese market, these trends are particularly evident and have had a profound impact on the growth paths and competitive methods of the two top players, Luckin Coffee and Starbucks.

The Chinese coffee market has gradually developed from a high-end situation dominated by Starbucks to a fast-growing and multi tiered market. This is closely related to major socio-economic changes - the income of ordinary people has increased, the middle class has grown, and people are more willing to spend money on lifestyle and experiences. Drinking coffee is no longer just a way to refresh oneself, but has become a social symbol and leisure activity. Starbucks was able to succeed in the early days precisely by stepping on this point and positioning itself as the "third space", providing urban white-collar workers and quality conscious consumers with an environment that combines Western coffee culture and is suitable for social or office use.

But later on, the situation changed. The term 'new retail' was popularized by Jack Ma, which means connecting online and offline channels, using big data to optimize logistics, conduct precise marketing, and provide consumers with a more seamless experience. This trend has shifted the industry from "selling things" to "selling services and experiences", and traditional retail thinking is not enough. Research has pointed out that before this, the coffee industry generally had problems such as marketing not keeping up with consumer expectations, single products, and too simple channels. These shortcomings happen to leave room for flexible and digital new players like Luckin. Luckin Coffee is a typical "new retail" strategy - relying on mobile app ordering and payment, precise data marketing, and strong subsidies to quickly attract new customers, quickly occupying markets that Starbucks has not yet covered or cannot cover. Its core values are affordability, convenience, and speed, which is completely different from Starbucks' emphasis on environment and tone.

Competition is becoming increasingly fierce, and localization has become an unavoidable topic. The rise of brands such as Luckin Coffee and Manner has cut the market into many small pieces, breaking the monopoly of Starbucks. When there were few choices in the past, Starbucks lived well as the only high-end option; But now there is more supply, new brands with good quality, lower prices, and more convenience, and consumers' choices have suddenly increased. People are not only comparing the taste of coffee, but also the price, distance, and usability of the app. This change forces veteran players to adapt as well. Luckin Coffee has relied on rapid store expansion - growing by 356% in five years and surpassing Starbucks in store numbers by the end of 2021, becoming the coffee brand with the most stores in China [2,4] - fully demonstrating the power of rapid expansion in seizing the market. Starbucks, on the other hand, was forced to adapt to an environment that values cost-effectiveness and digitization while maintaining a high-end experience. Therefore, it made organizational adjustments by splitting its business into "retail" and "digital innovation", and also launched takeaway and new beverage lines. But the pressure of competition is still real, and in the second quarter of 2022, Starbucks' same store sales in China suddenly dropped by 23%.

In academic research, it is particularly mentioned that supply chain management and brand culture construction are the key to whether Chinese coffee chains can go far. Luckin Coffee has indeed expanded rapidly, with revenue reaching 344.75 billion yuan [3]. However, with a large

ISSN: 2692-7608 DOI: 10.6981/FEM.202607_7(7).0002

number of stores, ensuring stable quality of each cup and controlling logistics costs are all challenges [3]. Moreover, compared to brands with historical accumulation and experiential experience, these brands that rely on speed and price often appear weaker in terms of cultural depth [1,3]. Despite facing sales pressure, Starbucks has managed to retain a core group of customers through its global brand influence and cross-cultural marketing capabilities, such as precise target audience positioning, brand image maintenance, localized products, and unique cultural experience design. However, research also reminds that the rapid expansion of high-end brands may dilute their core experiential value, which is a significant risk.

Market stratification, consumption upgrading, new retail impact, intense competition, and the tug of war between scale and experience - these factors are intertwined to form the unique competitive environment of China's coffee chain industry. It is precisely in this context that different strategic choices will bring different results, which is more worthy of careful analysis.

2.2. Strategic Differences and Performance Linkage Theory

The two distinct trajectories taken by Luckin and Starbucks in China serve as a compelling case study, helping us understand the intricate relationship among strategic positioning, operational execution, and financial performance. To systematically analyze this issue, we can draw upon several classic management theories.

Firstly, Porter's "generic competitive strategy" provides us with a basic framework, dividing strategies into three categories: cost leadership, differentiation, and focus. Luckin Coffee clearly follows the cost leadership route - using low prices to grab market share, relying on technology to improve efficiency (such as using an app to reduce labor costs in stores), and achieving economies of scale through rapid store expansion [1,3]. The core of this approach is to make coffee cheaper and more accessible, targeting price-sensitive consumers and using digital means to optimize order and marketing expenses. Starbucks, on the other hand, is a typical example of differentiation strategy - creating a unique value perception through high-quality products, carefully designed store environments (also known as "third spaces"), and a complete brand culture [2,4]. It attracts consumers who are willing to spend more for the atmosphere and brand tone.

Next, let's look at the Resource-Based View (RBV). This theory suggests that whether a company can maintain its leading position depends on whether it possesses rare and difficult-to-imitate resources. From this perspective, Luckin's core resources are actually its digital platform and data analysis capabilities, which enable it to accurately acquire customers (such as through social media viral marketing), conduct refined operations, and make quick decisions based on real-time data [1,3]. Its core competency lies in driving rapid expansion through technology. Starbucks' strengths lie in its brand equity, global supply chain experience, and cross-cultural marketing capabilities [4]. Its decades-long accumulated brand image - quality, consistency, and lifestyle - is itself a formidable barrier that is difficult to overcome. At the same time, it can combine this global tone with local Chinese culture, launching localized products and activities, which is also its unique capability [4].

Two distinct strategic choices and resource allocations naturally lead to different operational efficiencies and financial outcomes. Luckin Coffee, relying on its cost leadership and digital-first approach, has achieved rapid scale expansion. Ordering through the app has reduced the reliance of stores on human labor, and data-driven site selection and marketing have also lowered customer acquisition costs [1,3]. This efficiency has allowed it to quickly capture market share, with revenue increasing by 97.5% year-on-year in 2021 and the number of stores surpassing that of Starbucks [1]. By 2024, revenue reached 344.75 billion yuan, and the net profit margin turned positive at 8.5%, indicating that this strategy has indeed been effective in gaining market share and achieving profitability [3]. Of course, high efficiency comes at a cost -

for example, the pressure on supply chain cost control during rapid expansion, and the difficulty in cultivating brand loyalty as customers are mainly attracted by affordability [1,3].

In the case of Starbucks, its differentiated strategy coupled with strong brand equity has brought customer loyalty and premium pricing power, resulting in historically good profit margins [4]. However, its operational model - large stores and emphasis on experience - means high rental, decoration, and labor costs. Faced with flexible and low-price competitors like Luckin, coupled with consumers' increasing emphasis on convenience and cost-effectiveness, Starbucks' pressure on same-store sales and operational efficiency has become apparent [2]. The 23% decline in same-store sales in the second quarter of 2022 is a direct reflection of this [2]. Although brand loyalty has helped it maintain its basic market share, it has had to make adjustments, such as reorganizing its organizational structure and accelerating digitalization and takeout services, to cope with the new competitive landscape [2].

By integrating these theories and actual data from case studies [1-4], we can extract a conceptual framework that connects "strategic positioning" (cost leadership or differentiation, referring to Porter's theory), "resource allocation" (digital assets or brand cultural assets, referring to the resource-based view), "operational efficiency" (cost control, scale effect, process efficiency), and "financial performance" (revenue growth, profitability, market share, sustainability). Luckin follows one path: cost leadership + digital resource drive → rapid expansion and lean operations → rapid revenue growth and scale expansion, but profit stability and brand depth may face challenges. Starbucks follows another path: differentiation + brand cultural resource drive → premium pricing ability and customer loyalty → strong brand resilience, but requires continuous adjustment of operational efficiency and sales pace in a dynamic market. This framework helps us see more clearly how the differences in core strategies between Luckin and Starbucks ultimately manifest in their actual operations and financial results.

3. Comparative Analysis of Core Strategic Differences

3.1. Market Positioning Differences

Starbucks has been relentlessly pursuing a high-end experience, creating a brand atmosphere with a certain tone through the concept of "third place", targeting consumers with good incomes who pursue environment and quality [4]. Its pricing logic is not simply selling coffee, but selling the scene - the decoration, music, and overall cultural narrative in the store all become part of the price. Starbucks also incorporates local cultural elements into its store design and products, making itself appear not just as a coffee seller, but more like a shaper of lifestyle [4]. However, this approach is becoming increasingly challenging in China, a market that is relatively price-sensitive, especially as consumers are now increasingly focusing on "value for money" [2].

Luckin Coffee takes a completely opposite approach, focusing on high cost-effectiveness and enabling more people to enjoy coffee at affordable prices. Its target audience is very clear - office workers and young people, with the core demands being convenience, affordability, and speed [1,3]. Luckin Coffee deliberately avoids any "experience premium" and sells coffee as a daily consumer product, relying on speed and digital convenience to win. The data in 2021 also proves that this approach is indeed effective, with revenue increasing by 97.5% year-on-year and the number of stores surpassing that of Starbucks (6,024 vs. 5,557) [1]. However, the problem is also very direct - customers come for the affordability and are too sensitive to prices, making it difficult to establish brand loyalty and retain customers [3].

The two companies have completely different understandings of "value": Starbucks sells emotions and experiences, impressing people with its atmosphere and culture; Luckin sells practicality and cost-effectiveness, attracting people with its price and efficiency. This actually

ISSN: 2692-7608 DOI: 10.6981/FEM.202607_7(7).0002

corresponds to the stratification of the Chinese coffee market - Starbucks caters to the high-end segment, retaining customers with its brand story; Luckin occupies the mass market, winning by scale and operational efficiency [1,2,4].

3.2. Operational Model Disparities

In terms of store operations, Luckin Coffee and Starbucks have completely opposite approaches. Starbucks focuses on large stores and emphasizes the experience. The stores are spacious and have a sense of design, with baristas making coffee on-site. The entire atmosphere is designed to make customers willing to stay longer, fully embodying the feeling of a "third space" [2,4]. However, this model requires large investment and high rent, making it vulnerable to market fluctuations. For example, in the second quarter of 2022, same-store sales fell by 23% [2]. The drawbacks of large stores were particularly evident during the pandemic lockdowns. Later, Starbucks quickly adjusted by accelerating the launch of its online delivery service "Starbucks Delivers", and dividing its business into two segments: "Retail" and "Digital Innovation" to cope with the situation [2].

Luckin Coffee takes a completely different approach, focusing on small stores with a "grab and go" concept. Most of its stores are only 30 to 60 square meters in size and are concentrated near office buildings and transportation hubs [1,3]. Despite low rental costs, its coverage density is high. Its entire operation system is tied to its own digital ordering system, where customers place orders on the app and the backend centrally coordinates production and delivery, resulting in high efficiency [1]. This model actually proved to be more resilient during the pandemic. By 2021, the proportion of transactions through digital channels had exceeded 72% [1]. Financial data also confirms the effectiveness of this approach - although it suffered significant losses in the early stages, by 2024, its net profit margin reached 8.5%, thanks to systematic optimization of operations [3].

The two companies also have different philosophies in supply chain management. Luckin Coffee adopts a highly standardized and automated approach, minimizing dependence on the individual skills of baristas, thus ensuring consistent product quality across thousands of stores[3]. Starbucks, on the other hand, prefers manual operations, emphasizing the professional skills and personalized preparation of baristas, but correspondingly, the labor cost is also higher[4]. This fundamental divergence - one side pursuing industrial efficiency, while the other insists on the warmth of handmade craftsmanship - results in completely different cost structures and expansion potential for the two companies[1-3]..

3.3. Marketing Strategy Differentiation

In terms of attracting new customers and gaining customers, Luckin Coffee and Starbucks adopt completely different strategies, reflecting two distinct brand mindsets.

Luckin has been a typical Internet plus business model since its inception, relying on user sharing and referral. Through the preferential mechanisms in the app, existing customers bring in new customers, resulting in a rapid growth rate[1]. In China's highly developed social networking environment, every order has the potential to become a new dissemination node, thus keeping customer acquisition costs low and user scale expanding rapidly[1]. However, this model has its shortcomings - customers attracted by low prices are highly sensitive to prices. Without continuous preferential incentives, the retention rate will decline, making it difficult to achieve long-term customer value[3].

Starbucks follows a different approach, focusing on its membership system and emphasizing emotional connection and the cultivation of consumption habits. Its membership is tiered, and high-tier members like those in the "Starbucks Rewards" program enjoy customized discounts, exclusive experiences, and a sense of identity[4]. This mechanism makes customer loyalty not just driven by price, but also fosters a sense of habit and belonging. Data shows that Starbucks'

ISSN: 2692-7608 DOI: 10.6981/FEM.202607_7(7).0002

members contribute over 53% of its revenue in the Chinese market, and their visit frequency is 2.7 times that of non-members[4]. In addition, Starbucks also promotes limited-edition merchandise and themed products that align with local festivals, maintaining the brand's tone while driving consumption. These efforts strengthen the cultural attributes of the brand[4].

The marketing strategies of the two companies also reflect different brand perspectives. Luckin places more emphasis on "effectiveness", requiring every marketing investment to see immediate conversion, with a clear calculation of ROI; Starbucks, on the other hand, prefers to invest in brand building, engaging in storytelling content marketing and community activities, not seeking immediate results but long-term accumulation [1,4]. As a result, Luckin spends less money on attracting a new customer, but then has to continuously invest in promotional costs to retain existing customers; Starbucks has higher costs for attracting new customers, but once users are converted into members, subsequent repurchases are more driven by the brand itself, without having to continuously burn money [3,4].

In addition, the two companies have taken completely opposite paths in their digital transformation. From its inception, Luckin has been a "technology company selling coffee," with the entire transaction process taking place online, and technology serving as the underlying framework [1]. On the other hand, Starbucks first established an offline physical experience before undergoing digital upgrades. Features like mobile ordering are meant to "enhance" the in-store experience, rather than replace it [2]. This actually reflects their fundamental positioning differences - Luckin is more like a platform that sells coffee using technology, while Starbucks is a brand that enhances the experience with technology [1,2].

4. Sales Revenue Impact Assessment

4.1. Financial Performance Comparison

From the perspective of the single-store model, Luckin Coffee and Starbucks have completely different accounts, with significant disparities in key indicators - unit price per customer, daily sales volume, and expansion efficiency in different tiers of cities.

Luckin Coffee follows the strategy of low prices and high volume, attracting price-sensitive ordinary consumers through substantial discounts. Therefore, the average transaction amount is significantly lower than that of Starbucks [1,3]. However, this strategy cannot be ignored due to the large volume of transactions. In 2021, its revenue increased by 97.5% year-on-year, and the number of stores also surpassed that of Starbucks (6,024 vs. 5,557) [1]. By 2024, its revenue reached 34.475 billion yuan [3].

Starbucks has consistently been able to charge higher prices by relying on its selling point of "experience", demonstrating a strong premium pricing ability. However, as competition intensifies, this advantage can be diminished. For instance, in 2022, its average transaction value per customer decreased by 4%[2]. A more troublesome issue is the operational efficiency of the large-store model. In the second quarter of that year, same-store sales plummeted by 23%[2], exerting significant pressure.

On the other hand, Luckin's small-scale, grab-and-go store format boasts significantly higher operational efficiency and has seen a substantial improvement in its financial situation. Its net profit margin has risen from -138.91% in 2020 to 8.5% in 2024[3]. Moreover, this lightweight model makes it easier for Luckin to expand into third and fourth-tier cities, whereas Starbucks is mainly concentrated in first and second-tier metropolises, where high operating costs have compressed its profit margins[2].

Ultimately, the two companies are following completely different paths: Luckin is driven by volume, while Starbucks is driven by value. At least at this stage, the former's revenue growth momentum is indeed stronger [1,3].

ISSN: 2692-7608 DOI: 10.6981/FEM.202607_7(7).0002

4.2. Consumer Response Mechanism

When consumers choose which store to visit, they actually have distinct preferences, primarily influenced by their price sensitivity and consumption scenarios. Luckin has been focusing on online sales since the beginning, attracting customers with various coupons and discounts, especially those urban white-collar workers who are more concerned about price[1]. Its mobile ordering mode also caters to the demand for "fast" - such as ordering takeout at the office and picking up on the way by, in which case, convenience and affordability are more valued than environment and atmosphere[1]. Therefore, Luckin's order volume is indeed large, but the problem is that once there is no incentive of discounts, the repurchase rate will significantly decrease, and consumers do not have such a deep emotional attachment to the brand itself[3].

Starbucks stands apart, as consumers frequent it more for the experience, with the ambiance being more crucial than the price. The "third place" positioning ties the brand to specific occasions, attracting middle-class consumers who seek an atmosphere and social interaction [4]. The loyalty program also underscores the value of loyalty-members contribute over 53% of revenue, and their repurchase frequency is notably higher than non-members [4]. However, this model is susceptible to economic downturns, as people's spending intentions decline significantly when their financial resources are tight [2]. The period during the pandemic is quite illustrative: Luckin was able to maintain its consumption frequency due to its affordability and practicality [3]; whereas Starbucks suffered a greater impact due to the decrease in people going to cafes as they worked from home [2]. This indicates that consumers with different income levels and in different scenarios have completely different reactions towards the two companies. Although their positioning complements each other, they are indeed competing for different slices of the same market [1,4].

4.3. Strategic Sustainability Analysis

Both models have their respective ceilings and bottlenecks if they aim to stabilize revenue in the long run. Luckin's approach, which relies on expansion, will see diminishing marginal returns once it reaches a certain density. As more stores are opened, the supply chain becomes increasingly complex, and consumers gradually become desensitized to discounts, all of which will hinder growth [3]. Although the store expansion has increased by 356% in five years, and the scale has indeed grown [3], the brand lacks a sense of experience. When the market matures, it will be more difficult to raise prices through brand premium [1]. Especially in densely populated urban areas, the cost of attracting new customers becomes higher, and customers are particularly sensitive to prices, making sustainability a problem [3].

For Starbucks, the bottleneck is more due to its experience-focused model. To maintain a high-end tone, it is difficult to achieve full coverage and large-scale expansion[4]. Going too fast may dilute the brand value - for example, if it used to open 500 stores a year, it would easily raise concerns about whether quality control could keep up[4]. Of course, Starbucks' advantage lies in its cultural accumulation and membership system, which gives it a stronger ability to resist risks[2,4]. However, it also needs to find ways to make the single-store model better adapt to the changes in China's coffee market.

Ultimately, both companies have their own shortcomings: Luckin needs to shift from "fast growth" to "brand building", while Starbucks needs to further improve its operational efficiency while maintaining its high-end image [2,4]. Both sides are at a point where adjustments are necessary. The tactics that previously worked may gradually become ineffective. They must redesign their ways of making money according to market changes in order to sustain long-term success [1,4].

ISSN: 2692-7608 DOI: 10.6981/FEM.202607_7(7).0002

5. Disicussion

The data reveals a clear difference in the performance of the two companies. Lucky Coffee, relying on its digitalization and rapid store expansion strategy, saw its store count surge to 6,024 in 2021, with revenue increasing by 97.5% year-on-year. By 2024, its revenue reached 34.475 billion yuan, and its net profit margin reached 8.5%. Its scale expansion is indeed rapid. On the other hand, Starbucks follows a high-end route, with member consumption accounting for 53% of total revenue, indicating some brand loyalty. However, in the second quarter of 2022, its same-store sales suddenly dropped by 23%, indicating significant pressure. These figures illustrate Lucky Coffee's speed in scale expansion on the one hand, and confirm Starbucks' advantage in customer loyalty on the other. However, both companies also face their own operational challenges..

6. Conclusion

The final conclusion of this study is that Luckin Coffee and Starbucks are following completely different paths in the Chinese market. Luckin Coffee relies on digitalization and low-price strategies, emphasizing convenience and affordability. It has expanded rapidly in the short term, achieved significant economies of scale, and even made profits, but there are still shortcomings in terms of brand heritage and supply chain. Starbucks follows a high-end experience route, and its customer loyalty is indeed high. However, its sales have been impacted by competition, so it has also begun to adjust its digitalization and organizational structure.

These two companies are not exactly direct rivals, but rather have formed complementary market positions - each eating their own piece of the pie, rather than fiercely competing for the same piece. For enterprises, the inspiration is also very direct: local new players cannot just focus on land-grabbing, but must put more effort into brand building and supply chain; while multinational old brands must adapt more flexibly to the local digital rhythm and consumption habits while maintaining global standards. The two models can learn from each other - efficiency-oriented and experience-oriented can actually complement each other and produce some synergistic effects.

Of course, this study has its limitations, such as insufficiently detailed analysis of regional differences and individual consumers. Subsequent research could focus more on the consumption decision-making logic of different cities and populations, to see if the two models will become more similar in the long run, as well as the impact on ESG (Environmental, Social, and Governance) aspects. Only in this way can we better support the sustainable development of China's coffee market as it matures.

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