Proceedings of ICMRED 2025 Symposium: Effective Communication as a Powerful Management Tool
DOI: 10.54254/2754-1169/2025.BL23890

Comparative Analysis of Business Models in China's Coffee Industry

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Abstract: With the rapid development of China's coffee industry, understanding the relationship between business model design and brand competitiveness has become increasingly important. This paper examines the brand positioning and business model strategies of four leading coffee brands - Starbucks, Luckin Coffee, Manner Coffee and Saturnbird Coffee - through comparative analyses of key elements such as value propositions, customer segmentation, operational channels and cost structures. The study found that both incremental and disruptive innovations can be effective if aligned with brand image and market dynamics. However, over-reliance on rapid expansion and digital innovation poses risks to long-term sustainability. The research also highlights emerging challenges such as ethical sourcing, consumer rationalisation and the growing need for transparency and personalisation. By combining theoretical insights with real-world practice, this paper contributes to a deeper understanding of strategic differentiation in competitive consumer markets and provides valuable insights for firms seeking sustainable growth in a rapidly changing economic environment.

Keywords: Business Model Innovation, Brand Positioning, China Coffee Market.

1. Introduction

Over the past decade, China's rapid economic growth has driven a steady increase in disposable incomes and urbanisation, contributing to a wave of consumption upgrades among middle- and upper-class consumers. With increasing exposure to global lifestyles and shifting generational values, Chinese consumers are becoming more sophisticated in their purchasing behaviour, emphasising not only the functional utility but also the emotional, aesthetic and cultural dimensions of consumption. This trend is particularly evident in the food and beverage industry, where consumer preferences have evolved from basic affordability to quality, personalisation and experiential value.

China has traditionally been a tea-drinking nation, but coffee consumption has seen significant growth. According to industry reports, the Chinese coffee market is growing at a compound annual growth rate of more than 21 per cent, driven by international chains and innovative local brands [1].

Against this backdrop, competition among coffee brands is no longer just about product quality or price but increasingly involves business model innovation and strategic brand positioning. As consumer expectations become more fragmented and digitalised, understanding how China's leading coffee brands differentiate themselves through unique business models is critical to assessing their long-term competitiveness and sustainability.

In recent years, with the rapid development of China's coffee market, relevant studies have focused on exploring the industry's business model innovation, consumer behavioural characteristics, brand positioning strategies and supply chain management, among other areas. According to business model theory, successful business model innovation not only focuses on the profit mechanism of the enterprise itself but also pays more attention to the value co-creation of consumers and other stakeholders in the ecosystem [2]. This theoretical perspective provides an important theoretical foundation for analysing emerging business models in the coffee industry.

In the Chinese market, international brands represented by Starbucks have successfully attracted middle-class Chinese consumers through environmental design that emphasises Western cultural symbols and a sense of luxury. Studies have shown that a sense of luxury not only enhances consumers' perceptions of product quality but also satisfies their pursuit of social identity and lifestyle, thereby increasing their self-consistency with the brand and their willingness to pay a price premium [3,4]. In addition, local brands represented by Luckin Coffee have succeeded in achieving rapid market expansion through digital transformation strategies, significantly changing the competitive landscape of the Chinese coffee market. Luckin's digital strategies, such as a new retail model that integrates online and offline, big data-driven precision marketing, and automated delivery systems, have not only improved operational efficiency but also increased customer stickiness, proving the important role of digital technology in driving competitive advantage in the coffee industry [5].

Despite the rapid growth of the end market, the global coffee supply chain still faces significant economic and social issues. Studies have pointed out that the current value distribution in the coffee industry is highly uneven, with upstream coffee producers facing serious income shortfalls, and that sustainable certification systems commonly adopted by companies have had limited effect in practice on improving the incomes of coffee farmers. The theory of responsible sourcing emphasises that companies should take the initiative to assume more social responsibility and establish a more transparent supply chain system, in order to truly achieve the long-term sustainable development of all parties in the industry chain [6]. At the same time, Chinese consumers are becoming more rationalised, with an increasing demand for product quality and functionality, a marked increase in the acceptance of local brands, and a continuing trend towards high-end and quality-oriented consumption.

In response to these market trends, recent research on marketing innovation across the industry chain suggests that coffee brands need to accurately grasp the multidimensional needs of consumers through a combination of product innovation strategies. This kind of innovation not only satisfies consumers' physiological needs, but also their emotional and social needs, and promotes the value of the whole chain. The Saturnbird Coffee brand is a typical case of this whole industry chain innovation model, which has effectively stimulated the market potential through product innovation and new marketing methods, verifying the applicability and effectiveness of this model in the Chinese market [7].

As mentioned above, previous research has provided valuable insights into business model innovation, consumer behavior, and value chain dynamics within China's coffee industry. However, there remains a lack of comprehensive comparative analysis that critically examines how different leading coffee brands construct and implement distinct business models in response to these evolving conditions. Therefore, this paper aims to investigate the strategic differences in brand positioning and business model design among Starbucks, Luckin Coffee, Manner Coffee, and Saturnbird Coffee, in order to better understand the mechanisms behind their competitive advantages and long-term sustainability in the Chinese market.

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2. Coffee brand positioning differences

In the fast-growing Chinese coffee market, clear and differentiated brand positioning plays a crucial role in competitive success or failure. This differentiation is particularly important as Chinese consumers' preferences are increasingly diverse, reflecting a wide range of values from social status representation to everyday convenience and product quality.

2.1. Starbucks

In order to align with its global brand image, Starbucks has strategically positioned itself in China around high-end consumer experiences and cultural symbols. By carefully crafting shop environments featuring Western aesthetics, Starbucks has successfully catered to the Chinese middle-class consumer's desire for a sophisticated lifestyle and social recognition [4]. This positioning not only distinguishes Starbucks from its local competitors but also endows it as a cultural and social class icon in the Chinese urban landscape.

2.2. Luckin Coffee

In contrast, Luckin Coffee's brand positioning emphasises affordability, convenience and rapid digitisation. Through its innovative ‘new retail’ approach, Luckin combines online ordering through mobile apps with offline pickup and delivery, targeting price-sensitive, convenience-oriented young urban workers and students. Its aggressive pricing strategy, coupled with frequent discounts and promotions, effectively lowered the barriers to entry and positioned coffee as an approachable, everyday drink rather than a luxury experience, thereby capturing a significant market share and changing the competitive dynamics of China's coffee industry [8].

2.3. Manner Coffee

As a representative of the speciality coffee trend in China, Manner coffee has strategically positioned itself to emphasise the delivery of high-quality, artisanal coffee experiences in an everyday, accessible environment. As Samoggia and Riedel point out, speciality coffee consumption has evolved globally into a refined, culturally nuanced experience, often comparable to wine tasting, highlighting a high level of consumer appreciation for sensory attributes and connoisseurship [9]. Manner Coffee fits squarely into this coffee culture, with its minimalist design shops that It offers carefully crafted coffee products with a clear focus on intrinsic qualities such as unique flavours, brewing methods and product authenticity. The brand strategically targets young urban consumers who are looking for quality and consistency but prefer the convenience of everyday consumption over a luxury environment. Unlike traditional premium brands such as Starbucks, Manner Coffee de-emphasises the social symbolism and status associated with the café environment, instead prioritising the intrinsic satisfaction derived from the flavour, aroma and craftsmanship.

2.4. Saturnbird Coffee

Saturnbird Coffee stands out in China's competitive coffee market, positioning itself as an innovative premium instant coffee brand that appeals specifically to young, digitally native consumers. Utilising advanced freeze-drying technology and creative packaging designs such as brightly coloured, eye-catching coffee capsules, Saturnbird successfully combines the convenience of traditional instant coffee with the quality and sensory experience of freshly brewed speciality coffee. Strategically targeting China's Millennial and Generation Z consumers, who value aesthetic uniqueness, convenience and a digital shopping experience, Saturnbird makes extensive use of digital platforms, integrating consumer insights derived from big data analytics, to optimise its product offerings, such

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as launching products in larger packages based on identified consumption patterns, thereby effectively increasing brand loyalty and repeat purchase rates. In addition, its digitally driven, consumer-centric model encourages users to generate large amounts of content on social media, driving organic marketing and deeper consumer engagement [10].

Through this innovative product positioning and digital integration, Saturnbird Coffee has succeeded in carving out a unique niche in the Chinese coffee industry, establishing itself as a trend-setting brand that resonates strongly with young, quality-conscious and digitally engaged consumers.

3. Comparison of business models

3.1. Structure of coffee brand business models

The innovation and uniqueness of a business model largely determines a brand's long-term competitive advantage in a dynamic market. In China's coffee industry, the different business models of leading brands such as Starbucks, Luckin Coffee, Manner Coffee and Saturnbird Coffee exemplify how to effectively respond to different consumer demands and operational challenges. A comparative study of these four prominent brands provides insights into the effectiveness and sustainability of different business model configurations in China's rapidly maturing coffee industry (Table 1).

Table 1: Comparative analysis of business model components of leading coffee brands in China

Business Model Components	Starbucks	Luckin Coffee	Manner Coffee	Saturnbird Coffee
Value Proposition	Premium quality, social status, luxury experience	Convenience, affordability, digital accessibility	High-quality specialty coffee, daily accessibility	Innovative, premium instant coffee
Target Customer Segment	Middle to high-income, middle class	Young urban, students, price-sensitive consumers	Quality-conscious, young urban consumers	Generation Z, digital natives
Channel & Customer Relationships	Physical cafés, loyalty membership programs	App-based ordering, automated pickup/delivery	Minimalist physical stores, emphasis on product-focused experience	E-commerce platforms, digital consumer engagement
Cost Structure	High store operating costs	High digital infrastructure investment	High ingredient and training costs	Digital marketing costs, production innovation

As shown in Table 1, Starbucks, Luckin Coffee, Manner Coffee, and Saturnbird Coffee differ significantly in their business model configurations. Starbucks and Manner Coffee rely primarily on a network of brick-and-mortar shops, but there are significant differences in consumer targeting; Starbucks prioritises a socially oriented experience, while Manner emphasises high-quality, artisanal coffee consumed in an everyday, convenient environment. In contrast, Luckin Coffee and Saturnbird Coffee make extensive use of digital channels and innovative technologies to directly appeal to a younger, digital media-savvy consumer base. Luckin Coffee's unique digital-first approach through convenient app ordering and aggressive pricing strategy to achieve rapid market penetration, while Saturnbird combines product innovation and digital marketing to appeal to younger, convenience-oriented consumers.

3.2. Strengths, risks, and strategic implications

Starbucks high profit margins through its strong brand loyalty and premium pricing make Starbucks highly resilient in competitive urban markets. However, Starbucks faces increasing challenges due to

DOI: 10.54254/2754-1169/2025.BL23890

market saturation, rising operational costs and fierce competition from digitally agile competitors, necessitating continued investment in digital innovation and consumer engagement strategiesv [11].

Luckin Coffee has successfully disrupted the market through a digitally driven convenience model that integrates online ordering, automated pickup, and an aggressive pricing strategy, quickly capturing significant market share among price-sensitive young consumersv [2]. Luckin's model significantly reduces operating costs compared to traditional cafés. However, its heavy reliance on frequent discounts and promotions has also raised concerns about long-term profitability and sustainabilityvv [8].

With its minimalist shop design and artisanal coffee offerings, Manner Coffee has captured the growing consumer preference for high-quality speciality coffee, achieving rapid shop expansion and brand awareness. It is clear product-centric strategy resonates with urban consumers seeking quality and convenience [9]. However, rapid expansion has also brought new challenges such as income inequality and potential employee dissatisfaction due to high intensity workloads, highlighting the risks associated with scalability and operational management [12].

Saturnbird Coffee utilises innovative freeze-drying technology and sophisticated digital marketing to effectively engage the convenience- and novelty-seeking digitally native millennials. Its strong online presence and vibrant community engagement have significantly strengthened its position in the boutique instant coffee segment [10,13]. However, continued investment in product innovation, digital marketing and brand differentiation will require significant ongoing expenditure, posing potential risks if consumer preferences shift rapidly or competitive pressures intensify.

In China's increasingly saturated coffee market, business model innovation has become a key driver of differentiation and competitive advantage. While Starbucks and Manner Coffee have successfully enhanced the customer experience and targeted premium segments through incremental innovations, this traditional approach faces significant sustainability challenges due to high operational costs and changing consumer demands. In contrast, Luckin Coffee and Saturnbird Coffee have achieved disruptive innovation through radical digital transformation and novel product development, quickly adapting to shifts in consumer behaviour and creating new market opportunities.

However, the pursuit of rapid expansion and aggressive digital engagement strategies raises serious concerns about long-term profitability, consumer loyalty and operational stability. Continued reliance on aggressive promotional campaigns and high-cost digital infrastructure may be unsustainable, calling into question the true durability of this business model. Therefore, despite the apparent short-term success of these innovative strategies, their ability to withstand market volatility and changing consumer expectations must be critically evaluated.

4. Revelations and outlook

The success of business models in China's coffee industry lies in their ability to strategically fit consumer needs, technological capabilities and brand identity. A comparison of Starbucks, Luckin, Manner and Saturnbird shows that no one model guarantees success. Starbucks embodies stability and cultural resonance; Luckin and Saturnbird have thrived on technological agility; and Manner has won over consumers with a high-quality, minimalist shop experience. These examples show that both incremental and disruptive innovations can be effective if they are contextually appropriate and actionable. However, business model innovation comes with risks. While it can drive rapid market adaptation and reconfiguration of the competitive landscape, over-reliance on aggressive digital expansion or sustained novelty can undermine profitability and long-term strategic alignment. Luckin's reliance on promotions and Saturnbird 's high level of investment in digital engagement suggest that shifts in its cost structure and consumer trends could have a destabilising effect on what should be a successful model. Even Starbucks and Manner have had to face digital transformation and expansion pressures while avoiding diluting core brand values or sacrificing quality. Therefore,

DOI: 10.54254/2754-1169/2025.BL23890

companies should adopt a careful and contextualised approach when driving innovation. It is important to assess not only the attractiveness of a new strategy, but also its long-term viability across economic, cultural and operational dimensions. Truly successful innovations should reinforce brand integrity and trust among stakeholders, not replace it. In other words, the success or failure of a business model innovation depends not only on what is done, but also on whether it is done consistently and responsibly.

Based on this, several trends will profoundly impact the industry over the next few years, including further consumer segmentation, rising sustainability requirements, and widespread integration of personalised digital ecosystems. Emerging forms of consumption to watch out for include at-home hand-brewing systems, mobile coffee stations, and AI-based flavour customisation. These innovations will redefine the boundaries of convenience and experience, particularly amongst Gen Z communities. However, they also present new challenges in logistics management, data ethics and user privacy, requiring brands to establish thorough and transparent governance systems. At the same time, the pressure for social responsibility will continue to grow. Brands must embed sustainability into their business models, not just as an external narrative, but as an internal, systematic practice. As consumers become increasingly vigilant, superficial environmental slogans will struggle to maintain credibility. Business models that integrate social and environmental values into their core structure will be more resilient to future uncertainties.

To better understand and support these transformations, future research should focus on how the integration of ethical and sustainability principles affects brand equity, operational resilience, employee satisfaction, investor trust, and many other aspects. In addition, cross-industry collaboration may be an important pathway to achieving collective impact and long-term value creation.

From an academic perspective, there is an urgent need for more longitudinal tracking and mixed-methods research to assess the sustainability of different business model configurations across the lifecycle. Comparative studies across geographies can help reveal how cultural differences affect innovation outcomes. Multidisciplinary approaches that cross-integrate digital sociology, behavioural economics and sustainability research will provide a more comprehensive view of the multidimensional evolution of business models in the global coffee industry. The success of future business models in China's coffee industry depends not on new, but on the ability to strategically integrate innovation with identity, growth with governance, and agility with accountability. This balance, rather than speed or formal innovation, will define the next generation of truly resilient, competitive and socially conscious coffee brands.

5. Conclusion

This study examines the strategic differences in business model design and brand positioning among four leading coffee brands operating in the Chinese market - Starbucks, Luckin Coffee, Manner Coffee and Saturnbird Coffee. Through comparative analyses, it examines how the brands align their value propositions, target consumer segments, operational approaches and cost structures with changing consumer demands, digital trends and sustainability issues.

Key findings suggest that both incremental and disruptive innovations can be successful, provided they are contextualised and supported by scalable operations. However, each approach has its own limitations: Starbucks faces high fixed costs and increasing pressure to digitise; Luckin and Saturnbird face the risk of over-reliance on digital infrastructure and promotional pricing; and Manner's rapid expansion raises concerns about employee welfare and scalability. Together, these cases show that there is no universal best business model, but rather a need for strategic consistency and adaptability.

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The findings have broad implications for brand managers and academics alike. In an increasingly saturated and fast-moving market, business model innovation must be grounded not only in technological advances, but also in long-term sustainability, brand integrity and stakeholder alignment. As Chinese consumers become increasingly discerning, socially conscious and connected to digital technology, future success will depend on brands' ability to combine innovation with responsibility.

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