

# ***Comparative Study of Marketing Strategies Between Starbucks and Luckin Coffee in China***

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**Abstract:** This paper examines the marketing strategies of Starbucks and Luckin Coffee in China's booming coffee market. It analyzes their key approaches, promotional tactics, pricing models, and target customer segments. The study aims to understand how these strategies have influenced each company's brand positioning and market share. A comprehensive understanding of their strategies and effectiveness is achieved by utilizing multiple sources, such as scholarly articles, industry reports, and marketing campaigns. While Starbucks emphasizes a high-end experience and loyalty, Luckin Coffee focuses on accessibility and affordability. Both companies face the challenge of maintaining profitability in a highly competitive market. They prioritize digital platforms but employ different strategies to stand out. Starbucks cultivates an upscale coffee culture, while Luckin Coffee rapidly expands through cost-effective measures. This review highlights the importance of adapting marketing strategies based on local market dynamics and audience preferences. Future market entrants can learn valuable lessons from the successes and challenges these major players face in China's coffee industry.

**Keywords:** marketing strategies, Starbucks, Luckin Coffee, China, comparative analysis

## **1. Introduction**

China is the fastest growing and most powerful market in the world in terms of its huge population, and the overall rising economic growth has the highest weight [1]. The coffee market in China has experienced rapid growth in recent years, presenting lucrative opportunities for both domestic and international coffee chains. In this context, understanding and analyzing the marketing strategies employed by key players becomes crucial for researchers and market participants. This paper aims to provide a comprehensive review and comparison of the marketing strategies utilized by Starbucks and Luckin Coffee, two prominent coffee chains operating in China. The research focuses on exploring the strategies adopted by these companies in terms of target customer segments, promotional tactics, pricing models, and brand positioning. By examining these aspects, the study seeks to gain insights into the key factors contributing to the success of Starbucks and Luckin Coffee in the Chinese market, as well as the challenges they have encountered. To achieve the objectives, a qualitative research approach is employed. Secondary sources such as scholarly articles, industry reports, company websites, marketing campaigns, and news articles are utilized to gather data. This method allows for the compilation of a comprehensive analysis of the marketing strategies

implemented by Starbucks and Luckin Coffee, providing a deep understanding of the uniqueness and effectiveness of their respective approaches.

The significance of this research lies in its potential to generate valuable insights for various stakeholders. Firstly, future market entrants can learn important lessons and understand the key drivers behind the success of Starbucks and Luckin Coffee, enabling them to develop effective marketing strategies when venturing into the Chinese coffee market. Additionally, industry participants can comprehensively understand the competitive landscape and identify potential areas for improvement in their strategies. Furthermore, scholars and researchers can utilize this study as a basis for further research on marketing strategies in the coffee industry and their implications for the Chinese market.

## **2. Analysis of Marketing Strategies and Results**

### **2.1. Starbucks' Marketing Strategies and Results**

Starbucks, a multinational coffeehouse chain, has successfully implemented several marketing strategies in China, allowing them to establish a strong presence in the market. One of their key strategies is their focus on creating a premium and unique coffee experience for their customers. This strategy is supported by significant investments in store design, ambiance, and customer service training.

To effectively engage with customers, Starbucks has utilized business intelligence tools such as social and digital media platforms such as WeChat and Weibo [2]. This approach has allowed them to share product information, run promotional campaigns, and interact with consumers on a more personal level. Moreover, Starbucks has collaborated with key opinion leaders (KOLs) and celebrities to enhance their brand image and reach a broader audience.

Starbucks has successfully implemented localization strategies in the Chinese market, effectively enhancing the brand's cultural resonance with local consumers [3]. By prioritizing product innovation and ensuring exceptional product quality, Starbucks has seamlessly integrated traditional Chinese culture into its offerings. These initiatives have contributed to fostering a strong sense of loyalty among Chinese consumers towards the brand. Through localized marketing strategies, such as cultivating brand loyalty within the host country, Starbucks has solidified its position in the Chinese market.

The implementation of these marketing strategies has resulted in remarkable success for Starbucks in China. In the third quarter of 2023, Starbucks China witnessed remarkable growth with a net revenue of \$821.9 million, marking a staggering 60% increase compared to the same period last year. Moreover, the quarter saw the addition of an impressive 237 new stores, surpassing the combined figures of the previous two quarters and achieving an all-time high for the third quarter. Through maintaining a customer-centric approach and a premium brand association, Starbucks has consistently achieved significant revenue growth and maintained a strong market share. Their ability to establish a loyal customer base has played a crucial role in their success, as Chinese consumers perceive Starbucks as synonymous with high-quality coffee and social status.

### **2.2. Luckin Coffee's Marketing Strategies and Results**

Luckin Coffee, a domestic competitor to Starbucks, entered the Chinese market with an aggressive growth strategy aimed at challenging Starbucks' dominance. Their approach focused on providing affordable and convenient coffee options to price-sensitive consumers. To achieve rapid expansion, Luckin Coffee heavily relied on digital technologies, enabling online ordering and delivery, particularly targeting the younger consumer demographic keen on mobile commerce.

It uses emerging technologies such as big data to deeply explore consumer behavior and consumption demand, and provide more diversified and personalized services. Secondly, Luckin Coffee also acquires a large number of customers through its unique social network. Finally, Lucky Coffee actively integrates various channels, aiming to achieve omnichannel retail, be closer to consumers, and meet the needs of consumers with unlimited scenes [4].

Initially, Luckin Coffee's marketing strategies yielded significant success, enabling the brand to rapidly gain market share and pose a challenge to Starbucks' dominance. However, the company faced significant setbacks in 2020 due to financial irregularities, leading to a decline in market position and investor confidence. In April 2020, Luckin Coffee issued an announcement acknowledging fraudulent transactions amounting to RMB 2.2 billion. This revelation caused an 80% plummet in the stock price and resulted in multiple trading suspensions throughout the day.

### 2.3. Comparative Analysis

In comparing the marketing strategies and results of Starbucks and Luckin Coffee in China, it becomes evident that both companies achieved success through different approaches. Starbucks' focus on premium branding, customer experience, and loyalty played a crucial role in maintaining a strong market position and a strong customer base. Conversely, Luckin Coffee's aggressive growth strategy prioritized affordability, convenience, and extensive promotions, enabling rapid market share gains.

Nevertheless, this comparative analysis also highlights the challenges faced by both companies. Starbucks needs to continually innovate and adapt to evolving consumer preferences and market dynamics to maintain its premium brand image. Luckin Coffee, on the other hand, must overcome the reputational damage caused by the financial scandal and rebuild trust among customers and investors.

Overall, this review underscores the significance of understanding local market dynamics and tailoring marketing strategies accordingly. Analyzing the approaches and outcomes of Starbucks and Luckin Coffee in China's coffee market can provide valuable insights for future market entrants. By applying these insights to their own strategies, companies can enhance their chances of success.

## 3. Discussion

### 3.1. Factors Contributing to Starbucks' Success in China

Starbucks' success in China can be attributed to several key factors. Firstly, the brand's strong global reputation and brand image played a significant role. Rather than investing millions of dollars in advertising that lacks social benefit, Starbucks sets itself apart as an exemplary company that prioritizes its customers and ethical behavior when crafting its marketing strategy [5]. Chinese consumers perceive Starbucks as a premium and aspirational brand, associating it with high-quality products and a unique coffeehouse experience. Starbucks capitalized on this positive brand image to attract a large customer base.

Secondly, Starbucks effectively localized its offerings to cater to Chinese preferences. The company introduced localized menu items, such as green tea-flavored beverages and mooncakes, during festive seasons. This adaptation to local tastes helped Starbucks gain acceptance and appeal to a wider range of Chinese consumers.

Furthermore, Starbucks successfully implemented an aggressive expansion strategy in China. The company strategically chose prominent locations in major cities, high-traffic areas, and near office buildings to target its customer base effectively [6]. This store expansion strategy allowed Starbucks to achieve a strong presence and accessibility nationwide.

All of these strategies have effectively upheld Starbucks' positive corporate image, playing a crucial role in shaping its product positioning for the middle class, sustaining its original premium pricing, and establishing a solid groundwork for enhancing profitability.

### **3.2. Factors Contributing to Luckin Coffee'S Success and Challenges**

Luckin Coffee initially experienced remarkable success in China due to its innovative business model. The company focused on offering affordable coffee and convenience through its mobile app-driven coffee delivery and pick-up services [7]. This disruptive approach resonated with price-sensitive Chinese consumers and attracted a large customer base in a short period of time. In 2021, Luckin Coffee's total net revenue reached RMB 7.9653 billion (USD 1.2499 billion), exhibiting a remarkable growth of 97.5% compared to the fiscal year 2020 when it stood at RMB 4.0334 billion. The company also achieved a net increase of 1,221 new stores during the fiscal year 2021, representing a year-on-year growth of 25.4%. As of the end of 2021, Luckin Coffee operated a total of 6,024 stores.

However, Luckin Coffee faced significant challenges later on. The discovery of financial misconduct within the company raised concerns about corporate governance and damaged the brand's reputation. This scandal led to a loss of consumer trust and a decline in customer loyalty. Luckin Coffee's aggressive expansion strategy also resulted in overexpansion and unsustainable growth, leading to financial difficulties [8].

### **3.3. Lessons Learned for Future Market Entrants**

The experiences of Starbucks and Luckin Coffee offer valuable lessons for future market entrants in the Chinese coffee industry. Firstly, establishing a strong brand image and reputation is crucial. Building brand trust and credibility can provide a competitive advantage and attract a loyal customer base.

Secondly, understanding and adapting to local preferences are vital for success. Market entrants must conduct thorough market research to identify consumer preferences and tailor their offerings accordingly. Localization strategies that consider cultural nuances and tastes can enhance acceptance and appeal.

Additionally, market entrants should prioritize sustainable growth and maintain financial integrity [9]. An overreliance on aggressive expansion strategies without careful planning can lead to financial instability and tarnish the brand's reputation. Market entrants should focus on long-term growth strategies that ensure stability and profitability.

## **4. Implications and Recommendations**

### **4.1. Implications for the Coffee Industry in China**

The comparative analysis of Starbucks and Luckin Coffee's marketing strategies has significant implications for the coffee industry in China. It highlights the immense potential for growth and the increasing demand for coffee among Chinese consumers. The success stories of these two companies demonstrate the opportunities for both global and local coffee players to thrive in the Chinese market. The emergence and development of both Luckin Coffee and Starbucks have further enriched and solidified the domestic coffee market in China.

### **4.2. Recommendations for Market Participants**

Based on the analysis, several recommendations can be made for market participants in the Chinese coffee industry. Firstly, building a strong brand image and reputation should be a priority. Market

participants should focus on delivering high-quality products, providing exceptional customer service, and creating a unique brand identity to differentiate themselves from competitors.

Secondly, market participants should invest in understanding and adapting to local preferences. Tailoring products, flavors, and experiences to cater to Chinese tastes can help attract and retain customers.

Thirdly, embracing digital technology and innovation is essential. Market participants should leverage mobile apps, e-commerce channels, and digital marketing strategies to enhance customer engagement, convenience, and personalization.

## 5. Conclusion

In conclusion, this research paper aimed to provide a comprehensive review and comparison of the marketing strategies employed by Starbucks and Luckin Coffee in the Chinese coffee market. The findings highlighted the importance of understanding and adapting to the unique characteristics of the Chinese coffee market. Starbucks' success in China can be attributed to its strong brand image, effective marketing campaigns, and focus on creating a premium and experiential coffee culture. On the other hand, Luckin Coffee's rapid growth was driven by its convenient online ordering system, aggressive pricing strategies, and emphasis on young and tech-savvy consumers. The comparative analysis revealed both similarities and differences in the marketing strategies of Starbucks and Luckin Coffee. While both companies aimed to capture a significant market share, they employed different approaches to achieve their goals. Starbucks focused on premium branding, store experience, and customer loyalty, while Luckin Coffee prioritized affordability, convenience, and rapid expansion. It is important to note that this research has limitations. The study focused solely on Starbucks and Luckin Coffee, and thus, the findings may not be generalizable to other coffee chains in China. Moreover, the analysis was based on secondary data sources, which may have limitations in terms of accuracy and comprehensiveness. In summary, this research contributes to the existing body of knowledge by providing a comprehensive review and comparison of the marketing strategies employed by Starbucks and Luckin Coffee in the Chinese coffee market. The insights gained from this study offer valuable guidance for market stakeholders, future entrants, and academic researchers in understanding the dynamics of the Chinese coffee market and developing effective marketing strategies in this context.

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