

A Case Study of Luckin Coffee for the Strategic Management



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Luckin Coffee

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1.0 Executive summary

Under the background of COVID-19 the Chinese coffee market is witnessing a declining tendency, some famous international brands like Starbucks, Maancoffee, Uegashima all are suffering a lot in Chinese market. Some idea of “anti- boutique” exposed to the market, and a lot of new coffee brands emerging in China, a newborn “Luckin coffee”, with it pioneer method of new retail model stands out among other brands in China rapidly. Under the guidance of the company vision — providing coffee and other products of a high quality, high affordability and a high convenience to the customers, Luckin adopted a differentiated strategy. Aiming at a broad market to provide Innovative new flavor coffee drinks. With its user fission marketing strategy (Wei, 2021), it quickly occupy the market and they became the top one coffee brand in China.

However, temporary success is not permanent, nowadays organizations in all fields should I focus on customer care to improve their service and the pursuit for long-term sustainable development, in that, it is necessary for a company to identify its external and internal situations.

Porter's Generic Strategy and VRIO framework are applied to identify Luckin's core attractivenesses to customers and to identify the positions of organizations through evaluating its competitive route and performance in the industry. It shows that Luckin company has some very unique attributes in terms of marketing and management which makes them valuable and attractive in a quite short time. But through the assessment of the Porter's Five Forces model and the SWOT, it

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is inevitable for Luckin to face the shortcomings and the threats of itself when competing fiercely in the market.

For these, the Chinese coffee market still has large potentials, a wide range of recommendations are addressed in order to improve service capability and customer care of Luckin, including the aspects of products and technical-supported service, perceived value of customers, etc., which are very useful to build a long time customer relationship.

Besides, Luckin could also take the “healthy recipe” for some special groups into consideration for future development.

2.0 Introduction

2.1 Chinese coffee market situation

Different from the coffee consumption culture of Western countries, China is a country with tea drinking as a tradition, and its beverage consumption concept is also built with tea as the core. In addition to traditional tea, unique bubble tea is also the main force in Chinese market which is deeply loved by customers of all ages. With the development of globalization and the improvement of people's consumption level, as well as the change of Chinese people's lifestyle, coffee drinks have gradually become a new favorite. Since the outbreak of the COVID-19 epidemic, global economic still in a gloomy condition. Frequent epidemic prevention and lockdown control have also deeply affected China's coffee industry. Offline stores, especially traditional chain cafes are retreating across the board. As a representative of Korean-style cafes, Maancoffee closed a large number of stores in Beijing (Pencilnews, 2020); Costa, the "British version of Starbucks" in the past, has also closed 10% of its stores in China in 2020 (Comunicaffe, 2020); Coffee Box, which made "Internet coffee" earlier than Luckin, closed all offline stores in year 2020, and transformed into a retail company (Gegen, 2020).

After experiencing ups and downs in the coffee industry, China's coffee brands is developing into a more polarized direction: boutique route and mass route. however, the emergence of a coffee brand proves that coffee industry has begun to embrace the logic of "anti-store" and "anti-boutique".

This transformation represents some imperceptible change taking place in the industry (Gegen, 2020).

2.2 About Luckin

In 2017, Luckin Coffee was founded in Xiamen, China. With the brand vision of "Providing coffee and other products of a high quality, high affordability and a high convenience to the customers", and the brand mission of "To be part of everyone's everyday life, starting with coffee. " (Luckin, 2022), Luckin is dedicated to serving customers with high-end, cost-effective innovative-flavor and convenient coffee products through the new retail model of making full use of mobile devices and digitized marketing methods.

According to the second-quarter financial report (Luckin Coffee Inc., 2022), Luckin's total net income was \$493.2 million, an increase of 72.4% year-over-year. Starbucks China's revenue for the second quarter of fiscal 2022 (April 3 to July 3) was \$540 million, down 40% year-over-year (Zhang, 2022). Luckin's total net income in the second quarter increased by 37.18% from the previous quarter, which was its second consecutive profitable quarter. The profit in the first quarter of this year was 16.1 million yuan. At the same time, the number of Luckin coffee stores up to 7,195, surpassing Starbucks China's 5,761 stores, ranking first among coffee brands in China.

2.3 Objectives

Under the influence of the COVID-19 pandemic, all developments are full of uncertainties.

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Enterprises have started digital operations, making customers flow to digital channels, and personalized service will remain the core of customer experience (McKinsey, 2020). This report specifically analyzes why Luckin Coffee stands out among other coffee brands and how Luckin further improve customer service at a strategic level in the context of the COVID pandemic to achieve long-term sustainable growth.

By using four strategic tools, namely Porter's Generic Strategy, VRIO framework analysis, Porter's Five Forces model, and SWOT analysis, identifying the strengths and weaknesses of Luckin company internal capabilities in terms of its position stands. And through external competitive environment analysis to know what threats and opportunities it is facing. Then, provide with the ideal customer care upgrading methods order to maintain long-time customer relationships.

3.0 Analysis and Main Findings

3.1 Porter's Generic Strategy

Competitiveness strategies determines the fate of a company. Organizations use competitive strategies to position themselves through identify their core attractivenesses to customers including innovation, good implementation and culture factors. Establishing a cohesive competitive strategy will support the company to achieve a long-term superior position in the industry (Porter, 1985, p.11).

According to Porter's Generic Competitiveness Strategies Framework could be applied to identify the positions of organizations through evaluating its competitive route and performance.



The cost or differentiation strategies pursue the competitive advantage in a broad scope of industry segments, while focus strategies is cost or differentiation focused in a narrow segment

(Porter, 1985, p.11). Obviously, Luckin adopted the route of differentiation strategies through its unique product features, customer service, with a relatively low price to increase the perceived value of their target customers (Porter, 1985).

Luckin Coffee initially chose two famous artists, Tang Wei and Zhang Zhen as the brand image spokespersons. They both have a "literary, low-key and serious" public image. The temperament and characteristics of the two successfully establish the brand positioning of "high-quality commercial coffee". From coffee to tea, fruit juice, nuts, light food, and peripheral cultural derivatives such as cups and portable bags, Luckin's products cover almost all categories that consumers like.

Luckin not only provides traditional coffee, but also breaks people's stereotype of coffee in the past and constantly innovates ingredients and flavors. By integrating fruit and plant elements with coffee, Luckin creates a series of new coffee with unique taste and attractive smell. This route, "Caffeine + sweet drinks" has gained a wide market (Sun, 2020).

According to the data of the second quarterly report (Luckin Coffee Inc., 2022), a total of 34 new products were launched this quarter. While selling the evergreen products, Luckin continues to create seasonally limited, which accurately hit the preferences of young people, like Bayberry Reina Ice and Love Trilogy series which taking advantage of the traditional Qixi Festival.

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Since Starbucks entered Chinese market, it has been regarded as the petty bourgeoisie's consumption priced out between ¥30 to ¥50. When came to Luckin, it aimed at the pain point of the high price. The survey "2021 White Paper on the Development of China's Coffee Industry" shows that most of the current Chinese coffee lovers are white-collar workers in first-tier cities with a higher education background and income levels between 20 and 40 years old. The main lovers of Luckin is generation Z (Sohu, 2021). With the gradual sinking of the market and continuous expansion of coffee categories, the growth rate of the customer base is expected to be around 10% (Coffeeao, 2021).

The anti-boutique concept of Luckin has broken traditional price logic of coffee market, opened an era of equal rights for coffee consumption. Although most of Luckin's products are priced at ¥20 to ¥30, it drops to around ¥10 after coupons or even to a few yuan when the discount was strong at the very beginning. The company makes full use of customers' psychology to provide cost-effective products.

Except from the traditional physical promotion channel including endorsements billboards in central areas, office buildings, subways and shopping malls. Luckin depends more on media platforms for promotion. They distribute coupons through platforms such as official app, WeChat public account, Douyin and some self-medias to attract consumers and realize membership marketing. Implementing the newest unmanned coffee machine "Ruijigou", it provides customers

with high-end, convenient services in a lower price. As of November 2022, the number of Luckin Coffee stores across the country has exceeded 7,846 (Luckin Coffee Inc., 2022).

3.2 VRIO Framework

From the resource-based view of strategy, distinctive capabilities of an organization is the superior competitive advantage. VRIO was developed by Jay Barney in 1995 , which is a upgraded version of VRIS (1991, p.113). It helps to evaluate the value, rareness, inimitability and organization of company's resources and capabilities. Assessing the four key criteria could help Luckin to achieve a long-term and sustainable development. (Barney, 1995).

3.2.1 Value

The high quality products of Luckin has won the Gold Award in the IIAC International Coffee Tasting Competition for five consecutive years, and "SOE Yirgacheffe" won the Platinum Award in the IIAC 2021 (Luckin, 2022). The Raw Coconut Latte launched in 2021 quickly became a hit which directly bringing in ¥1 billion in revenue for Luckin. The CEO of Luckin noted that Coconut Cloud Latte in April this year sold another 24 million cups with ¥400 million profits (Li, 2022). Except from this, Luckin also dedicated into providing novel product series. Innovation determines the fate of an enterprise, and the sole purpose of innovation is to create new value for customers. In a

business, enterprise innovations must be market-focused. Not only by scientific or technological progress to measure it but also by what value the company contributes to market and its customers (Zahra, 2003).

Luckin is positioned as a high-end commercial coffee. In Chinese, Luckin is "瑞幸", the character "瑞(Rui)" represents auspicious and the "幸(Xing)" means happiness, good luck, which is consistent with Chinese vision of a joyous life. It helps to build a image with distinctive Chinese Feature which increases added value for strengthening consumer awareness in some extents (Meng, 2022), because Chinese consumers love this kind of emotional connections with things when doing purchase behavior.

3.2.2 Rarity

Luckin Coffee was born in the Internet era where coffee consumption was upgraded. Apart from the moment of getting the order, all the purchasing process takes place online. It is a cup of coffee consumed in unlimited scenes. The process innovation brings users a new experience with better quality, lower price and convenience.

According to Zeithaml(1988, p11), price is what given up or sacrificed by consumers to buy a product. Monetary price is not the only sacrifice perceived by consumers, but also relates to some

non-monetary factors including cost of time, searching, and psychology, which all enter either explicitly or implicitly into the consumer's perception of sacrifice (Gary, 1965). In fact, most of Chinese consumers are not the audience of "Third Space" coffee, but for take to go, especially under the Covid-19 condition. Luckin turns to the method of ordering online, picking up at physical stores or through contactless deliver, which is significantly recognized by consumers. This selling mode plays a indispensable role during the pandemic.

3.2.3 Inimitability

With a slogan of "inviting 100 million people to drink coffee free" at the very beginning, the organization mainly uses low-cost customer acquisition through social medias and user fission marketing strategy to quickly occupy the target market. The first cup is free after registration as a member. Thus, the first wave of consumers is quickly acquired; then the product is shared and recommended to new users while the old ones with bonus coupons as rewards. Meanwhile, the second wave of users have no hesitation to invite new in that achieves a social wide fission circle.

Luckin spent a lot of money to subsidize users to form a rapidly growing market. Which is very difficult for some small-scale coffee brands, because large discounts are often accompanied by meager profits or even losses. However, for products aspect, there is no secrete recipe for drinks, all the innovative flavors will be duplicated instantly.

3.2.4 Organizational Support

A company must be well organized to take advantage of its resources and capabilities, including its clear management control system and compensation policies (Barney, 1995). Luckin conducted an IPO within 18 months of its establishment, with a valuation of nearly US\$5 billion. Its human resource management system takes a lot of credit. It focuses on leadership echelon building and separates cadre training from talent development. HR team is responsible for the selection, training, appointment, and assessment of cadres. They use incentives and performance appraisal as the core tools to optimize personnel, retain outstanding people, and optimize the internal structure of the organization. In addition to cash incentives, employees will also receive restricted stock rewards. This mechanism is very successful. The turnover rate of employees is 5%, far lower than the traditional service industry; the rate of middle and senior managers is lower, which is also an important reason for Luckin's rapid development (Ran, 2019).

3.3 Poter's Five Forces

Poter's Five Forces model, by analyzing a large number of different business factors to understand and identify the competitive situation in a industry, so as to formulate the optimal competitive strategy for the company's future development or to increase the company's income, to gain profits, and to expand scale etc. (Grundy, 2006).

3.3.1 Moderate threat of new entrants

Judging from the coffee brands of different size on the market, entry barriers of the industry are not high, where the technical requirements, for small brands or self-operated boutique coffee shops is not high enough to prevent potential entrants. In recent years, the Chinese government has provided more and more support to the real economy—incentive and subsidy policies have emerged in an endless stream. However, as for a commercial coffee brand like Luckin, which operates a large scale company and pays high costs for attracting new customers, requires strong capital intervention in a long run. Thus, the barriers to entry are still very high from this perspective.

3.3.2 High competitor rivalry

At present, Luckin Coffee's main competitors are large companies like Starbucks, Uegashima, Pacific, Costa, and some emerging niche brands represented by fast-growing Manner Coffee with strong learning and innovation capability. Convenience chain stores such as 711, Family Mart, have also begun to use fast coffee to set foot in this field. The range of participants is very wide, and there are many evenly matched competitors, so everyone with some unique ideas could able to be a new star in the industry. As the market gradually matures, all levels of competitors use different degrees of price cuts to carry out promotions while providing very familiar products and services, which will lead to low differentiation and then followed by low-cost conversion of customers.

3.3.3 High threat of substitutes

At present, many types of beverages can be substitutes for coffee including tea, milk tea, fresh fruit juice, soda water, and refreshing functional drinks, such as Red Bull, and Pulse. The lower the price and the newer the products of the substitutes, the higher the consumer's conversion risks and the higher the competitive degree.

3.3.4 Moderate bargaining power of buyers

Luckin has indeed attracted a large number of new customers by using coupons and other promotional methods, but its costs of advertising and other regular management continue to increase. Therefore, customers acquired through money-burning marketing are diminishing the marginal benefit. At the same time, this model also makes its customers extremely sensitive to price, which is not conducive to the brand's retention of customers.

3.3.5 High bargaining power of suppliers

Luckin's suppliers are relatively limited, and they mainly purchase pre-made food and beverages from several selected countries or regions. However, Starbucks, a long-established multinational company, huge in scale and has small supplier premium with more supplier choices as well as better resource integration capabilities. By contrast, if luckin's suppliers provide more favorable conditions, the continuity of the product supply chain will not be guaranteed in the case of limited resources in some special time.

3.4 SWOT Analysis

The SWOT model can help companies concretely analyze their internal and external business environments from four aspects: strengths, weaknesses, opportunities and threats, then provide the corresponding development strategies (Yang, 2010).

3.4.1 Strength

- **Low price**

Most consumers in China are sensitive to the high price. Luckin keenly grasps the characteristics of these majority users, and offers them coupons for a long time. Shared discounts and coupons obtained by attracting newcomers reduce the sales price of products in disguise, then continue to convey the brand concept of high cost performance to users which expands the brand volume and occupy a certain market share dramatically (Gu, Qi and Zhao, 2021).

- **High quality**

Luckin's follow-up products have adhered to their original aspiration of high-quality. The coffee bases cooperated with Luckin have upgraded the quality of fine coffee beans in the past two years, and successively produced products such as Nativity Coconut Latte and Velvet Latte. The design of new products accumulate brand equity.

In 2021, Luckin's first roasting factory with cutting-edge technology and full set of imported advanced raw bean processing equipment officially put into operation, It is a relatively leading full-line automated intelligent roasting base in China; In 2022, Luckin Coffee signed a contract with

the Kunshan Economic and Technological Development Zone, planning a total investment of 120 million US dollars to build a fully automated production base integrating coffee R&D, baking process, sales and logistics distribution. It is estimated that the roasting and production of coffee beans will soar to 30,000 tons annually because of the new base's establishment, which will further promote the entire industry chain of Luckin, control the quality of coffee products throughout the process, and continue to upgrade service quality (Luckin Coffee Inc., 2022).

● **High store penetration rate in different city tiers**

Although Luckin started in first-tier cities, unlike other brands, the number of stores opened in new first-tier and second-tier cities has exceeded the number in first-tier cities, and the main locations are concentrated in high-demand areas such as CBDs, shopping malls and colleges. The third quarter net revenues increased 66% with further acceleration of 651 Net New Store Openings (Luckin Coffee Inc., 2022).

● **Efficient service experience**

With fully digitized purchase process, Luckin focused on running small-sized stores with low rent, low operating costs, and high circulation efficiency. The efficient but simple consumption scene, providing customers with a 100% cashier-less shopping environment. This strategic method enhances customer experience while improves operational efficiency (Qiu, 2020, p. 470). And it

helps to reduce the spending on in-store operations, which allowing the company focus more on product R&D and multi-channel customer services.

● **Loyal to the mass market**

Luckin is much more closer to the young generation consumers than other. They fully tap the huge consumption potential of a certain group of people (mainly students and white-collar workers, aged from 15 to 40). The core appeal of this group is to refresh their spirits when they are tired from study or work. Many of these consumption are already develop into daily routines. Meanwhile, they tend to pursue a variety of taste experience. The brand's rejuvenation marketing strategy is to in line with the popular trend of young people. They are always chasing after avant-garde fashion. Luckin firmly grasps the psychological trends and consumption preferences of young generation, then provide them with new products that fit the characteristics of the group.

● **Fast delivery**

Luckin Coffee and SF Express started delivery cooperation. As the largest third-party instant expresss platform in China. SF Express fully guarantees the delivery efficiency and quality of coffee with customized transportation capacity, intelligent scheduling and high-end services such as "Store Knights" (Sohu, 2022).

● **Organizational management**

Superior HR management and a brave incentives methods keep many talented people working

with Luckin, making the whole organization running in an energetic way.

3.4.2 Weakness

- **Low customer loyalty**

Fission marketing of low prices brings a negative impression of “cheapness” to the brand.

Large-scale, long-term price strategies will increase consumers' price sensitivity. Once discounts stopped, some cheapness-pursuing consumers will probably switch brands, resulting in low consumer loyalty and stickiness.

- **Simple design of store**

At present, Luckin Coffee only pays attention to the design of the packages and Logo in terms of brand image. Although it adopts a dual-channel strategy, both online and offline, the store decoration style and service scene are different from the elegant petty bourgeoisie promoted by the brand advertisements. There is a certain subtle difference in its ideal brand illustration, which leads to relatively low evaluation of consumers on stores.

- **Poor brand awareness of consumers**

Some customers reported on some platforms that the taste and service of Luckin are far behind those of international brands for some reasons. It should be noticed that the penetration of brand culture and added value are low. It probably due to its simple serving process, which lacks of emotional connections between consumers and brands.

- **Inadequate preference analysis**

The process of present mass market promotion cannot recognize the personal taste preferences accurately, so is hard to carry out specific advertisement push through the collection and analysis of consumer data. It needs to be improved through technical upgrades.

3.4.3 Opportunity

- **Policy support of the industry**

At the national macroeconomic policy level, the Chinese government continues to encourage the development of the real economy and cut taxes and fees for enterprises. Vigorously support mass entrepreneurship and innovation, providing good policy support for enterprise development (Zhuo et al. 2022, p.55). For example: on June 23 this year, 16 enterprises including SF Express and Lawson Convenience etc. in Minhang District, and two companies—Shanghai Airlines and Luckin Coffee in Changning District became the first batch of beneficiaries of employment subsidies in difficult industries in Shanghai. They received a total of nearly ¥6.8 million in employment subsidies (Zhu, 2022).

- **Advantage of young generation customers**

The customers of Luckin Coffee are mainly young people of Z generation, who are characterized by strong inclusiveness and wide acceptance, which also provides more space for its creative brand building, enabling more possibilities in materials selection and new product

exploration.

● **Large potential market**

Due to the continuous improvement of national income, consumption of individual has been upgraded dramatically. In 2021, the number of Chinese consumers will increase from 334 million to 354 million, with a growth rate of 6%. As the coffee market gradually sinks, the population growth rate is expected to be around 10%. It is predicted that by 2025, the size of China's coffee market is expected to reach ¥100 million (Zhuo et al. 2022, p. 56). The penetration rate of coffee in China's first and second-tier cities has reached 67%, and one-third of consumers would buy 3 times or more coffees per week. Compared with other western countries, it can be seen that the domestic coffee market still has a lot of room for growth.

In addition, since the target customer groups in the existing market are mainly young people and white-collar workers, it can be considered to extend the age space of customers downward or upward, by continuously enrich product contents, thereby expanding customer groups and profit margins.

● **Quality maintain tactics**

Basically, flavor of well-made coffee will be affected by its storage time. The lower the temperature of the coffee liquid, the longer it is placed in a low-temperature state, the more sour substances will be dissolved; the higher the temperature of the coffee liquid, the longer it is placed in a high-temperature state, and the more bitter substances will be dissolved. Luckin Coffee and SF

Express have further deepened their cooperation this year. As SF Express already guarantees the delivery efficiency and quality of coffee, more attention should be paid to the quality maintain tactics and for delivery services (Sohu, 2022)

3.4.4 Threat

- **The obstruction of the original coffee enterprises**

Before the emergence of Ruixing Coffee, China's coffee industry had already formed market segments such as instant coffee, specialty coffee, and supermarket coffee. Starbucks entered early in China and harvested customers with the “third space” service mode, it has fully hold the market. Instant coffee and supermarket coffee also occupy a place due to their competitive advantages such as favorable price and convenience. This kind of coffee consumption that meets functional needs will also pose a greater threat to Luckin.

- **Emerging internet celebrity coffee brands**

Coffee culture became popular in China, with more and more Internet celebrity coffee brands have entering people's vision, such as "manner", "%", etc. These brands rely on some popular celebrities marketing to occupy a certain market share. Luckin's operation model is not high-tech thing, so it is easy to be imitated by competitors all around.

- **Threat of substitutes**

The beverage market in China is complex. Traditional tea drinks, milk teas and fresh fruit juice,

as well as convenient instant drinks all pose serious threats to Luckin. The products of various brands are introduced at a fast pace with their unique marketing methods and services. New ideas always attract the attention of consumers.

● **Limited supply chain**

Concentration of suppliers is high, so their bargaining power is strong, which reduces the profit margin of Luckin. Suppliers cannot guarantee the continuity of the supply chain during the emergency period, which has an adverse impact on the business (Peng, Gao and Zhang, 2022).

Price discrimination

According to customers, there is price discrimination in some areas. Different stores charge different fees to consumers when they provide the same Products. There are two voices on the Internet, one is acceptable because of the variation of stores' rental locations, and the other one is totally unacceptable because the product itself is indistinguishable.

4.0 Conclusion

Based on the establishment of the models analysis above, with the slogan of "inviting 100 million people to drink coffee free", Luckin has opened up the popularity of the brand, thus a dual-line marketing model emerged under the epidemic environment aiming at the pain points of high price in the Chinese coffee market. They paid close attention to consumers' psychology, and quickly attracted people who are willing to drink coffee and consume coffee with high-cost attracting methods. For the Chinese market without a deep and long-term coffee culture, excellent single-origin beans and professional brewing methods are destined to meet only a few consumers' needs at the top of the pyramid; "caffeine + sweet drinks" is the biggest agreement to harvest the mass market. Luckin and SF Express, the third largest express delivery company in China, have joined forces to create an efficient service system of instant pick-up and delivery, which is a major breakthrough in the industry, enabling Luckin to achieve profit growth for two consecutive quarters this year, and even surpassed Starbucks China's net income in the second quarter. The company has established a new world in the Chinese coffee market.

However, as time goes by, the short-term high profit obtained through the "money-burning" marketing strategy will lose existing or potential customer groups due to reasons such as the decline in discounts. In the Chinese coffee market, peer competition is under great pressure, and the differentiated marketing that used to be a competitive advantage will gradually be imitated and

replaced by potential competitors and existing competitors in the market.

At the same time, some problems related to customer care have gradually become prominent, for example, customers are dissatisfied with its simple store decoration design, and there is a problem of price discrimination in stores in different regions. The perceived brand cultural value of customers is low, resulting in low trust, low customer loyalty of the brand. So how to solve these problems is the challenges that Luckin will face in its future development. Through the analysis, although there exists many difficulties, there are also some opportunities for development. For example, the market in China is still growing, and coffee is gradually becoming a popular culture, permeating all kinds of people's daily life in a very pervasive way. Luckin's existing customer base is mainly concentrated in aged 20-40 in that the company can enrich the customer base through continuous innovation of product categories. Besides, through brand culture building and different types of offline activities which can communicate with customers face-to-face more effectively, understand customer needs, and get closer to them, thereby increasing the loyalty to the Luckin brand.

5.0 Recommendations

- **Deeply cultivate innovation and build strong brand culture**

The concept of "high-quality coffee" has always been the key promotion of Luckin's brand image, but it is difficult to associate "fast" coffee with high-quality. At present, Luckin has been positioned as internet coffee. It has to develop high-quality stuffs in accordance with their goals and strengthen innovation, because innovation and R&D are necessary for taking priority in the market. In addition, Luckin can put its eyes on coffee derivatives, like eco-friendly cups and straws, especially focusing on the needs of young consumers, satisfying their curiosity, sense of early adopters, and sharing lover. Deep excavation of users' needs is conducive to improving customer stickiness and bringing ceaseless vitality to the development of enterprise. Rooted in traditional Chinese culture is a good perspective to create additional value.

- **Improve offline stores' design**

In terms of store design, Luckin should not only have "cache stores" with high convenience, simple decoration, small area, and low rent, but also create "premium stores" in some place. Using decoration layout, in store display, atmosphere rendering, employee's outfits and other elements combined to form an integrated brand image consistent with corporate culture.

- **Accurate advertisement through Tech-upgrading**

Build strong data analysis capabilities. Without data analysis, it is impossible to proactively

identify problems (McKinsey, 2021). For example, apply artificial intelligence to the consumer evaluation feedback system, collect user evaluations through the background system at the first, then carry out accurate dissemination based on the consumer characteristics. The needs and purchase habits of consumers are not fixed, so system could mark the purchase records of consumers. They can be divided into first purchasers, repurchasers and frequent purchasers. Once the needs of consumers change, the system must be able to recognize the new tendency by analyzing consumers' search and browsing traces, finding out the reasons for the changes, and then adjust the advertising strategy.

● **Enhance customers' perceived value**

If continuous purchasing is wanted while focusing on marketing and product quality control, Luckin also need to continuously improve the perceived value of customers. On the one hand, to increase the objective value of the products what user pays the monetary cost (Young and Feigin, 1975). The product purchased is coffee, and there are services attached to the product can be a part of perceived value (Bonner and Nelson,1985). Strengthening the training of service people in store, so that consumers can enjoy the same products in different stores all around the country. Thereby, both products and high-quality services will increase the total value of users.

● **Launch some appreciable activities among customers**

A series of cultural activities can be launched to help building brand cultural values, and to

closer the relationship with customers. Encourage managers and employees of each store to organize regular offline activities for customer maintenance, such as new product tasting meetings. If so, customer stickiness will be improved significantly.

● **Establish innovative membership marketing**

Find new ways to promote the product. For example, in a limited period of a week or a month, the cumulative consumption of a fixed amount or times of customers can be exchanged for the corresponding rewards, which can be limited joint items, such as plush toys, or can also be customized drinks according to customer preferences.

At the same time, set up corresponding brand membership system, through consumption and participation in offline activities to promote personal membership level, which will strengthen the stickiness between consumers and the brand.

● **Set up well-organized customer service system**

A complete after-sales service system and CRM system should be established to collect drinking experience and suggestions from different users. Correctly and timely deal with problems reported by customers, and listen to their expectations for the brand to enhance customers' satisfaction, thus will turn ordinary users into “Iron Fans” with high loyalty and possibilities to repurchase. Meanwhile, maintaining and following up with old customers who have left or temporarily left to extend the life cycle of long-stand customers.

- **Structure timely report**

Each store can regularly write reports on the changes of customers' taste preferences and their influencing factors, and provide analysis and prediction of the changing trends, so as to provide better service and guidance to customers before they know their needs and possible changes.

Implication

With Porter's Generic Strategy analysis, Luckin now offers differentiated products across broad range of mass markets. It may be possible to broaden the range by offering some niche products, such as healthy care drinks (special menus for diabetics or allergy sufferers). After the COVID-19 pandemic, people's consumption behavior change that dramatically. Consumers pay more attention to healthy issues than ever (Xu, 2020). However, organization need to spend time on menu deployment for health issues, which is likely to affect the speed of normal products turnover.

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