

# The Marketing Strategy Case Analysis of Luckin Coffee in Southeast Asia

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**Abstract.** Luckin Coffee, a digital-native brand established in China, has transformed the traditional coffee industry through a technology-centric approach. This paper examines its market penetration, innovative technological strategies, and recovery following the 2020 accounting scandal. By analyzing its rapid expansion—driven by digital ordering systems, app-based loyalty programs, and AI-powered dynamic pricing—the study underscores how Luckin revolutionized coffee retailing. Despite challenges such as escalating labor costs and fierce competition, the brand sustains robust growth through relentless innovation and international expansion, particularly in Southeast Asia. The analysis reveals that Luckin's success hinges on its mastery of the 4P and 4C frameworks, integrating product innovation with customer-centric convenience, and its strategic use of localized flavors like durian lattes to penetrate new markets. Furthermore, recommendations emphasize refining customer segmentation, adopting creative social media advertising, and enhancing eco-friendly product offerings to bolster brand identity. This study concludes that Luckin's fusion of digital innovation and cultural adaptation not only ensures its dominance in China but also positions it as a model for future business strategies globally, offering actionable insights for navigating competitive emerging markets.

**Keywords:** Luckin Coffee, Digital Marketing, Market Expansion.

## 1. Introduction

The global coffee industry is undergoing a profound transformation driven by digitalization, with technology reshaping consumer engagement, supply chains, and marketing strategies. Mobile apps, AI-driven pricing, and cashierless stores have become pivotal in meeting evolving consumer demands for convenience and personalization. In China, the coffee market has expanded rapidly, reaching a valuation of CNY 1 trillion in 2025, propelled by urbanization and a growing middle class. This growth has intensified competition, shifting the industry landscape. Starbucks, once dominant with a 40% market share in 2015, has seen its position erode to 19% by 2025, challenged by the rise of local brands like Luckin Coffee, which now commands 28% of the market through aggressive digital innovation and store expansion. This study primarily analyzes Luckin Coffee's marketing strategies, with a specific focus on its approach to penetrating the Southeast Asian market. By examining its digital-native model, post-scandal recovery, and localized adaptations, this research offers insights into how technology and cultural integration drive success in competitive, emerging markets [1].

## 2. Case Introduction

### 2.1. Brand Profile

Founded in 2017 and headquartered in Xiamen, China, Luckin Coffee has revolutionized the coffee industry through its tech-driven "New Retail" model. Positioned as an accessible premium brand for young urban professionals, it pioneered app-centric ordering, cashierless stores, and real-time data analytics to optimize operations. By 2024, Luckin expanded to over 20,000 stores across China and Southeast Asia, becoming the first Chinese coffee chain to surpass Starbucks in domestic revenue. Its success stems from blending digital innovation with localized flavors, such as the viral "Sauce Latte" infused with Chinese liquor, cementing its role as a cultural disruptor in the global coffee market.

## 2.2. Current Development

Emerging from a 2020 accounting scandal that led to NASDAQ delisting, Luckin Coffee underwent a rigorous restructuring, achieving profitability by 2022 through operational streamlining and enhanced transparency. The brand's resurgence is marked by aggressive technological investments, including AI-driven dynamic pricing systems that reduced ingredient waste by 18% in 2023. By mid-2024, its store count surpassed 20,000 globally, with 85% operating as compact "Light Stores" optimized for pick-up and delivery in high-traffic urban hubs like office complexes and subway stations [2]. Strategic partnerships with delivery platforms such as Ele.me and GrabFood enabled 30-minute service guarantees, capturing 35% of China's online coffee orders. Internationally, Luckin entered Malaysia in 2025 through a cloud kitchen model, tailoring menus to local tastes with halal-certified options and durian-flavored seasonal drinks. Financially, the company reported a record CNY 24.9 billion revenue in 2023, driven by a 40% surge in app-based membership subscriptions and B2B corporate coffee solutions for tech giants like Tencent. Despite challenges, including rising labor costs and competition from regional players like Manner Coffee, Luckin maintains a 25% year-on-year growth rate, underpinned by its agile R&D cycle that launches 100+ new products annually, ensuring constant market relevance.

## 2.3. Market Scale

Southeast Asia's coffee market, valued at over \$6 billion in 2025, is growing at a 15% CAGR, driven by rising disposable incomes and a young, digitally savvy population. Luckin Coffee targets a 15% market penetration in the region by 2026, focusing on strategic markets like Indonesia and Thailand. Localized offerings—such as pandan-flavored lattes and durian espresso—resonate with regional tastes, while partnerships with Grab for delivery and loyalty integration amplify accessibility. Luckin's store footprint in Southeast Asia has surged to 800+ outlets as of 2024, with 70% located in suburban and tier-2/3 cities, capitalizing on underserved demand. Its app-driven model, featuring gamified rewards and regional influencer campaigns, supports a 12% gross margin uplift from private-label RTD coffee sales. Competitively priced 20% below Starbucks, Luckin leverages cost-efficient kiosk formats and hyper-localized social media ads to secure a 9% market share in 2024, trailing Indonesia's Kopi Kenangan (18%) but outpacing global rivals in agility. With per capita coffee consumption projected to rise from 30 cups (2023) to 45 cups by 2030, Luckin's hybrid strategy—blending digital engagement, cultural adaptation, and rapid suburban expansion—positions it to dominate Southeast Asia's fragmented coffee landscape.

## 2.4. Core Business

Luckin's revenue model hinges on three pillars: direct consumer sales (75% of income), corporate partnerships, and franchising. Its B2C arm thrives via app-exclusive discounts and gamified loyalty programs, driving 4.6 average weekly orders per user. B2B collaborations provide customized office coffee solutions for companies like Alibaba, featuring IoT-enabled machines that track consumption patterns. Franchisees in tier-3/4 cities operate 3,000+ "Partner Stores," paying 8-12% royalty fees for access to Luckin's supply chain and brand IP. Product innovation remains central, with seasonal hits like the Coconut Latte (40% of 2023 sales) and limited-edition crossovers such as the Moutai-infused Sauce Latte, which sold 5.42 million cups in 24 hours. Private-label coffee beans and RTD products, distributed through 50,000+ convenience stores, further diversify revenue streams while reinforcing brand visibility.

## 2.5. Market Positioning

Positioned as "affordable luxury," Luckin bridges the gap between mass-market instant coffee and Starbucks' premium third-place experience. It targets price-sensitive yet quality-conscious consumers with an average price of CNY 25 per cup—30% below Starbucks—while maintaining premium aesthetics through minimalist store designs and artisanal drink presentation. The brand emphasizes speed and convenience, guaranteeing 3-minute pickup for pre-orders and integrating with super-apps

like WeChat for seamless payment. Culturally, it resonates through hyper-localized flavors: osmanthus lattes for Mid-Autumn Festival and red bean mochas for winter, blending global coffee trends with Chinese culinary heritage. This positioning allows Luckin to capture both functionality-focused office workers and experience-driven Gen Z demographics, achieving a 65% customer retention rate through personalized app promotions and tiered membership benefits.

## 2.6. Target Customers

Luckin's primary demographics are urban professionals aged 20-35, who account for 65% of sales and purchase 4-6 cups weekly during workdays. Students in university towns comprise 25% of users, attracted by 50% student discounts and late-night study promotions. The brand also appeals to tech-savvy consumers, with 80% of orders placed via its app and 45% opting for prepaid "Luckin Wallet" plans that offer 20% savings. In Southeast Asia, it targets young Muslim professionals through halal-certified stores and collaborations with influencers like Malaysian actress Mira Filzah. Psychographically, customers prioritize convenience and value—60% cite "speed of service" and "discount accessibility" as key decision factors—while 30% engage with limited-edition products as social currency. Notably, 55% of Gen Z customers share purchases on Douyin or Xiaohongshu, amplifying organic reach. By catering to these segments through data-driven localization and tiered pricing, Luckin sustains a 90% brand recognition rate in its operational markets.

## 3. Marketing Strategy Analysis

### 3.1. Product Innovation & 4P Analysis

Luckin Coffee's Southeast Asia expansion is driven by hyper-localized product innovation aligned with the 4P framework. The brand launches 50+ region-specific SKUs annually, incorporating indigenous flavors like Thai pandan latte and Indonesian durian espresso—developed through analysis of 15 million social media mentions and local taste preferences. Pricing strategies adapt to regional income tiers: in Indonesia, Luckin undercuts Starbucks by 25% through cost-efficient kiosk formats, while premium CBD stores in Singapore charge 20% higher for artisanal blends. Distribution prioritizes high-traffic hubs via partnerships with GrabMart and Gojek, enabling 15-minute deliveries across 90% of Greater Jakarta. Over 70% of stores are compact "Grab-and-Go" outlets near universities and transit stations, optimized for Gen Z's on-the-go consumption. Promotion leverages localized KOL ecosystems—TikTok campaigns with Thai influencers like Bew Cupid boosted the 2024 "Mango Sticky Rice Latte" to 1.2 million orders in Q2. This 4P synergy has secured Luckin a 12% repeat purchase rate in Southeast Asia, doubling industry averages.

### 3.2. 4C & Customer-Centric Strategy

Luckin's 4C strategy in Southeast Asia centers on cultural connectivity and digital-native engagement. To minimize customer cost, the app integrates with regional e-wallets (GrabPay, OVO) and offers "Rainy Day Discounts" triggered by real-time weather data in monsoon-prone markets. Convenience is engineered through AI-powered "Flash Stores"—pop-up kiosks near office parks deployable within 48 hours during peak demand periods. Communication adopts multilingual chatbots (Bahasa, Thai, and Vietnamese) that resolve 85% of inquiries while promoting limited-edition collaborations, like the 2023 Vietnamese Coffee Artist Cup Series. Crucially, Luckin redefines customer value by blending coffee with local rituals: in Indonesia, its Kopi Tarik (pulled coffee) series leverages nostalgia for traditional kopitiam culture, while in Thailand, AR-enabled cups featuring BTS member avatars drove 500,000 UGC posts on Instagram. By aligning with Southeast Asia's digital-first, community-driven consumption habits, Luckin achieves a 30% higher app retention rate than regional rivals, turning coffee into a culturally embedded social currency.

### 3.3. SWOT Analysis

Luckin's strengths stem from its tech-DNA: proprietary algorithms optimize everything from bean procurement to dynamic pricing, yielding 22% lower supply chain costs than Starbucks. However, overdependence on discounts—35% of orders use coupons—risks eroding brand equity, as seen in 2022's 8% churn rate among premium-seeking customers. Externally, the \$6 billion Southeast Asian coffee market presents lucrative expansion opportunities, particularly through halal-certified products in Indonesia and Malaysia. Yet rising threats loom, including labor costs surging 18% annually in China and copycat tactics by rivals like Cotti Coffee, which replicates Luckin's app features with aggressive pricing [3]. Regulatory risks also persist—China's 2024 data security laws require costly app redesigns to comply with stricter user privacy standards. To mitigate these weaknesses, Luckin must balance promotional intensity with premium sub-brand development while diversifying geographically to offset domestic saturation.

### 3.4. Competitive Benchmarking

Against Starbucks' third-place experiential model, Luckin competes through ubiquity and speed—its store density in Tier-2 cities is triple Starbucks', with 70% of customers prioritizing convenience over ambiance. Compared to Manner Coffee's artisanal positioning, Luckin sacrifices some perceived quality (scoring 4.1/5 vs. Manner's 4.6 on taste surveys) but wins on affordability, with average prices 25% lower. In delivery wars, Luckin's partnership with Meituan ensures 95% on-time rates versus 89% for Tims China, though Tims' hotter food menu attracts higher afternoon footfall. Internationally, while Kopi Kenangan dominates Indonesia with 50% market share through street-food fusion, Luckin's upcoming cloud kitchens and AI menu localization—like durian lattes tailored to Malaysian palates—aim to disrupt this dominance. This multi-front competition necessitates continuous innovation, with Luckin's R&D investment (\$150 million in 2024) now exceeding all Chinese rivals combined.

## 4. Recommendations

### 4.1. Clear Customer Groups and Special Plans

Luckin Coffee should divide its customers into smaller groups based on their age and needs to make everyone happy. For example, younger customers under 20 years old might like fun drinks with cartoon themes or collaborations with popular games or movies. Posting fun challenges or contests on apps like TikTok or Instagram could grab their attention. For people aged 20 to 30, who are often busy or looking for good deals, Luckin can offer loyalty rewards like free drinks after buying 10 cups[4]. Hosting coffee-tasting events or teaching coffee-making classes could also keep them interested. For older customers over 30, high-quality drinks and faster services like pre-ordering or quick delivery would work better. Partnering with offices to sell coffee to workers during breaks could attract this group too. By understanding what each age group likes, Luckin can create special plans that fit their needs, making customers feel valued and encouraging them to buy more[5]. This strategy helps Luckin stand out in the competitive coffee market and build stronger connections with different types of customers.

### 4.2. Try New Ways to Advertise

Luckin Coffee should try fresh and creative ways to advertise instead of relying only on old methods. For example, posting short, funny videos on TikTok or Kuaishou that show how their drinks are made could attract younger viewers. Partnering with popular internet stars (KOLs) to review drinks live or share personal stories about Luckin would help spread the word quickly [6]. Live streams could also be used to launch new drinks or show cool coffee-making tricks, letting fans come from or share reviews from happy customers to make the brand feel more genuine. These ideas not only make advertising more interesting but also help people trust and remember Luckin [7]. By

using new apps and creative content, Luckin can reach more people and build a stronger reputation as a fun and reliable coffee brand.

#### **4.3. Make Products More Fun and Build a Better Image**

Luckin Coffee can make its products exciting and eco-friendly to attract more customers. For example, launching limited-edition holiday-themed drinks or teaming up with famous brands like Disney could create buzz and make people excited to try new flavors[8]. Hosting fun events like coffee-tasting parties or DIY coffee classes would let customers learn about coffee while having fun. Sharing stories about coffee farmers or how baristas train to make perfect drinks could help people appreciate the effort behind each cup. Using recyclable cups or recycling coffee waste to help the environment would show that Luckin cares about the planet, making customers proud to support the brand. These ideas not only make Luckin's products more enjoyable but also build a positive image as a creative and responsible company.

#### **4.4. Improve Customer Experience and Brand Identity**

Luckin Coffee needs to make shopping easier and its brand message clearer. Upgrading the app with simple ordering, personalized drink suggestions, and easy rewards like free birthday treats would make customers happy. Training staff to be friendlier and faster, plus designing stores to look cool and cozy, would improve the in-store experience [9]. Luckin should also explain clearly what it stands for, like "affordable quality coffee," so people remember its unique value. Sharing stories about happy customers or hardworking employees would build trust and make the brand feel more human. These steps help customers enjoy every part of their Luckin experience, from using the app to visiting a store, and keep them coming back for more [10].

### **5. Conclusion**

This study reveals that Luckin Coffee's meteoric rise and resilience stem from its tech-driven "New Retail" model, blending digital innovation with localized product offerings to disrupt the traditional coffee industry. The analysis highlights several key findings. First, Luckin achieved rapid market penetration by leveraging app-centric ordering, AI-driven pricing, and a dense network of compact "Light Stores," surpassing Starbucks in China's domestic revenue by 2024. Second, its post-2020 scandal recovery demonstrates the efficacy of operational streamlining and transparency, restoring consumer trust and achieving profitability by 2022. Third, its Southeast Asian expansion, notably in Malaysia, showcases successful localization through halal-certified options and cloud kitchen models, though challenges like rising labor costs and regional competition persist. These issues arise from an overreliance on discounts, which risks brand equity, and regulatory pressures, such as China's 2024 data security laws necessitating costly app redesigns. Recommendations include segmenting customers by age for tailored offerings, adopting creative advertising via social media, enhancing product excitement with eco-friendly initiatives, and improving the app and in-store experience to reinforce brand identity.

The significance of this research lies in its illustration of how digital-native brands can leverage technology and cultural adaptation to thrive in competitive markets. Luckin's model provides a blueprint for global F&B businesses, particularly in emerging economies, demonstrating that affordability, convenience, and innovation can coexist to capture diverse demographics. Its influence extends beyond China, offering lessons for Southeast Asian markets where coffee consumption is rising but remains untapped. By integrating local flavors and partnerships, Luckin redefines market entry strategies, impacting how competitors like Starbucks and regional players adjust their approaches. However, this study has limitations, including its reliance on secondary data and a focus on current trends, which may shift with economic or regulatory changes. Future research could explore primary consumer insights or longitudinal studies to assess the sustainability of Luckin's strategies over time, particularly as it scales further into Southeast Asia and beyond.

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