

# SWOT Analysis of Competition in the Coffee Industry -- Based on an Empirical Perspective of Luckin Coffee

Xiaoou Dong

Questrom School of Business, Boston University, Boston, United States

dxiaoou@bu.edu

**Abstract.** At present, the coffee market in China is expanding at an extremely rapid pace. Various forms of coffee have also integrated into the daily lives of Chinese people and have become an indispensable beverage in their daily routines. As a leading brand in China, LUCKIN Coffee rapidly expanded by adopting a low-price strategy and highly digitalized services. Still, it also faced fierce competition from both domestic and foreign brands. Most existing studies focused on analyzing Luckin's short-term strategies, such as pricing and digital marketing models, lacking a systematic analysis of Luckin's internal capabilities and external environment, especially empirical studies based on the SWOT framework were still rare. This study is based on the literature search conducted from 2020 to 2025 in Google Scholar, Scopus, and China National Knowledge Infrastructure. Twelve high-quality papers and cases were selected, and the SWOT analysis was used to evaluate Luckin's strengths, weaknesses, and its strategic positioning in terms of market opportunities and threats. This study aims to provide domestic coffee retailers with references for achieving rapid expansion and sustainable development in the fierce competition, and to offer strategic guidance for LUCKIN to occupy a leading position in the competitive market.

**Keywords:** SWOT analysis, Luckin coffee, competition, coffee industry.

## 1. Introduction

According to Allegra World Coffee Portal, a leading global coffee industry intelligence platform, China surpassed the United States in 2023 to become the world's largest branded coffee shop market by number of outlets, recording an impressive 58% year-on-year growth [1]. Luckin Coffee is one of the largest coffee brands in China. Founded in 2017, the company attracts many consumers through its favorable low pricing. It also has highly digitalized services such as app-based ordering and delivery, which are especially popular among young consumers. While Luckin Coffee's growth rate is impressive, other domestic coffee chains are also expanding rapidly, increasing competition in local markets. Leveraging digital platforms, product innovation, aggressive low-pricing strategies, and strong localization, these domestic brands have significantly disrupted the competitive landscape.

Current research on China's coffee industry focuses on two main areas. First, some research has investigated the marketing strategies of coffee brands, focusing on how domestic companies appeal to young, price-sensitive consumers by implementing app-driven pricing models and launching frequent discount promotions [2]. However, these studies tend to focus on short-term sales strategies and neglect a more in-depth assessment of internal operational strengths and market conditions. They are unable to combine market circumstances to make predictions for the future and provide strategic recommendations. Second, there are also related studies that analyze marketing innovation in coffee industry, highlighting how brands like Luckin Coffee market their products through new retail models, including mini-program ordering, exclusive member activities, and loyalty point schemes for gift redemption [3]. However, these analyses rarely explore external threats such as coffee bean price volatility and increasing competition from domestic and international coffee companies.

Despite the increasing number of studies on China's coffee market, there is still a lack of systematic exploration of the interactions between Luckin Coffee's internal capabilities and the external market environment. Specifically, few empirical studies have constructed a four-dimensional SWOT framework to illustrate how Luckin Coffee can enhance its competitiveness to maintain its dominant position in the domestic coffee market in the face of intensely growing market competition. However,

it is important to understand how market leaders like Luckin Coffee utilize their internal capabilities while addressing external opportunities and threats is critical for practitioners and academics alike, and SWOT is a core framework for companies to identify their internal capabilities and help gain a dominant position in a competitive market.

Therefore, this paper will use SWOT analysis to examine how Luckin Coffee positions itself in the competitive market of the Chinese coffee industry. By researching and analyzing relevant empirical articles, this study aims to identify Luckin Coffee's internal strengths and weaknesses and assess how these factors interact with external opportunities and threats in the market. Ultimately, this study aims to provide insights into the reasons why Luckin Coffee has been able to rapidly capture market share and compete effectively with domestic and international coffee brands.

However, the findings may be limited by the potential time lag inherent in secondary data, which could affect the generalizability of the conclusions. This article will provide valuable strategic guidance for domestic coffee retailers, aiming to strike a balance between rapid expansion and long-term sustainability. For Luckin Coffee, the insights from this study could help it strengthen its competitive edge in China's increasingly crowded coffee market by clarifying how its internal capabilities align with external market opportunities and threats.

## **2. Current marketing strategy**

The marketing strategy of Luckin Coffee is mainly divided into three aspects: favorable price, convenient digital service, and well-known spokesperson. The average price of Luckin coffee is 20 RMB, while the average price of Starbucks is 37 RMB, its low price strategy attracts a large number of consumers. It also helps Luckin Coffee have a stronger ability to withstand market risks and recover. In times of economic downturn, many consumers will abandon higher-priced products and choose similar products at lower prices instead. Luckin Coffee's digital services have also contributed to its success, using an "online APP + offline stores + logistics" approach [4]. For example, when stores are crowded, many consumers choose to place their order from the Ruixing app, order remotely, and then pick up their drink at the store. Luckin Coffee has always paid close attention to choosing high-profile celebrities as its spokespersons. For example, when Liu Yifei was officially announced as the spokesperson of Luckin, her endorsement message quickly garnered 100 million reads. By attracting its extensive fan base, Luckin Coffee has increased its purchasing power and brought in a lot of revenue.

## **3. Analysis**

With the rapid expansion of the domestic coffee market, local coffee brands such as Luckin Coffee are facing extremely fierce internal competition, while at the same time, Luckin Coffee has to cope with the threat of established international coffee chains such as Starbucks, and play to its competitive advantage to gain a dominant position in the market.

In order to better analyze the current situation of Luckin Coffee and provide strategic planning for its future, this paper will use SWOT analysis to explain how Luckin Coffee is able to attract consumers in the competitive market.

### **3.1. Strength**

Luckin Coffee has three main advantages: a competitive pricing strategy, a rapidly expanding store network, and strong product innovation. First of all, Luckin Coffee chose to establish its advantage on pricing. In a 2020 study conducted by Qiu Lingyu, Luckin Coffee's effective strategy was its aggressive discounting approach [5]. While Starbucks and other international brands insist on high-price and high-quality marketing strategies, Luckin Coffee chooses a more affordable price to expand its target audience, so as to attract more consumers and increase turnover. This marketing strategy of "thin profit and high sales" has undoubtedly brought great success to Luckin Coffee. Guangyao Xu's

case study points out that Luckin Coffee offers long-term loan coupons to users, continuing the brand's philosophy of providing customers with high-quality coffee [6]. In Luckin Coffee, you can get an iced Americano for 9.9 RMB, while in Starbucks, you need to pay 33 RMB for the same size, and the quality of Luckin Coffee is not inferior to that of Starbucks. This strategy enables middle-class consumers to make coffee a part of their daily routine."

What is more, Luckin Coffee rapidly expands its store network. Luckin Coffee has built a dense network of stores in major Chinese cities, and its store numbers once surpassed the number of Starbucks in China, covering a broad base of white-collar workers and students. For example, by the end of 2023, Luckin Coffee operated over 10,000 stores nationwide, compared to approximately 6,800 Starbucks stores in China [7]. This company mainly chooses to build its stores in areas with dense white-collar and student populations, such as office buildings, university entrances, and so on. This rapid expansion has enabled Luckin Coffee to capture premium store locations before its competitors, thus further consolidating its market share in Tier 1 and Tier 2 cities.

Last but not least, Luckin Coffee's strong product innovation has brought it lots of customers. Luckin Coffee continues to develop products that are in line with trends and seasonal characteristics and resonate with the target market. For example, compared with Starbucks, which still focuses heavily on traditional milk coffee products such as lattes, Luckin Coffee has keenly capitalized on the Chinese people's love for coconut milk and introduced the popular "Coconut Latte". This series caused a huge stir on Chinese social media platforms and significantly increased in-store traffic and online orders. In addition to original products, Luckin Coffee has also actively engaged in cross-industry co-branding, for example, it has cooperated with brands such as Guizhou Moutai, which has a very Chinese character, to develop limited edition beverages. The pairing of coffee and baijiu quickly created intense discussion and conversation in the market, and the publicity buzz continued to grow. These novel and Chinese-inspired products not only attracted a new customer base but also maintained consumer interest by offering a fresh and dynamic product mix. This flexible and robust approach to product development allows Luckin Coffee to respond quickly to changing consumer preferences and stay ahead of the curve in an increasingly competitive market.

### **3.2. Weakness**

On April 2, 2020, it released a report by its internal investigation group. Luckin Coffee admitted that it fabricated earnings worth 2.12 billion RMB from 2019 Q2 to 2019 Q4, which was soon confirmed by the company's auditor, Ernst & Young [8]. This incident led to the delisting of Luckin Coffee from the Nasdaq stock exchange and the resignation of key executives, including the CEO and COO. The scandal not only undermined investor confidence, but also raised serious concerns about corporate governance, internal controls and transparency. After the delisting, Luckin Coffee's reputation was severely damaged, which not only eroded investor confidence but also severely limited its access to traditional sources of financing [9]. Due to its declining credibility in the capital markets, the company could no longer rely on the public stock market or large-scale institutional financing as easily as before. Similarly, broader financial analysis suggests that Luckin Coffee's ability to raise and manage capital is severely limited, as demonstrated by the delisting of its stock following the RMB 2.2 billion fraud scandal, its stalled growth, and the significant challenges it has encountered with management restructurings, changes in equity, and capitalization. As a result, its capital operations were under tremendous pressure, forcing the company to explore alternative financing options.

According to a current study, "One of the numerous brand weaknesses of Luckin Coffee is the inconsistent quality of its products" [10]. Due to Luckin Coffee's franchising and rapid expansion business model, the customer experience can vary significantly from store to store. Some stores manage to maintain high standards in terms of taste, temperature, and display, while others fall short in delivering the same quality of product-especially during peak hours or in townships with less experienced staff. Unlike competitors like Starbucks, which invests heavily in standardized training and store design, a cost-effective model such as Luckin Coffee's can lead to differences in barista

skills, equipment quality and ingredient handling. In addition, the frequent introduction of new flavors or limited edition drinks, while positive for marketing, can sometimes lead to staff rushing to produce goods to the point that the drinks are not fine enough and lack taste. Customer complaints on social media platforms often point to drinks that are overly sweet, diluted, or inconsistently made. Some customers have also noted that they have experienced discomfort, diarrhea, etc., after consuming Luckin Coffee's beverages again. Over time, these experiences may diminish consumer trust and reduce brand loyalty, especially as the coffee market becomes more competitive and consumer expectations continue to rise.

### **3.3. Opportunity**

The opportunities for Luckin Coffee primarily lie in two key areas: the rapid growth of China's coffee market and cross-industry cooperation. According to current research, in 2023, China's total coffee market reached approximately ¥265.4 billion, and the market is projected to grow to around ¥313.3 billion in 2024—a compound annual growth rate (CAGR) of ~17.1% over 2020-2023 [11]. This reflects that China's coffee market is developing rapidly at a speedy growth rate. Although China's per capita coffee consumption is still at a lower level than that of the U.S. and other European and American countries, this precisely reflects that China's coffee market has more room for improvement and development. In addition, in recent years, domestic coffee brands have been growing rapidly, in addition to Luckin Coffee, Kudi Coffee, Manner Coffee, and other domestic coffee shop chains have been developing rapidly, bringing new vitality to China's coffee market. Compared to the previous years when coffee was a laggard in the Chinese market, coffee has now been integrated into the lifestyle of young people in China and has become a standard part of the daily life of workers. "Buying coffee seems to have become an indispensable part of the daily routine of today's white-collar workers.

Cross-industry cooperation also brings new opportunities for Luckin Coffee. Nowadays, many other enterprises are willing to collaborate with the coffee industry to launch a series of products. Luckin Coffee's joint products with famous brands have always been well-received. For example, Luckin Coffee has keenly captured the love of contemporary Chinese youth for anime and launched the co-branded "JOJO's Wonderful Adventure" "Stone Ocean" themed drinks, which sold more than 1.31 million cups on the first day and more than 659,000 cups in the first week. Luckin Coffee has also cooperated with classic works and achieved excellent results, such as Tom & Jerry co-branded products with a total sales of 1,624,000 cups in the first week, and Doraemon co-branded products with a total sales of 666,000 cups in the first week. Luckin Coffee's high frequency of co-branding activities has facilitated market penetration, with a total of more than 10 co-brandings with well-known Intellectual Property (IPs) in 2023, which have generated a lot of discussion and imitation behavior among young consumers. In addition to co-branding interactions, Luckin Coffee is also working on building its brand image to increase customer stickiness. For example, the company is creating its IP brand image - the mascot "Lucky", together with limited peripherals, such as stickers, badges, and bags, to further enhance the power of social communication and fan adhesion. According to statistics, the number of monthly active users reached 71.8 million, a year-on-year increase of 48.5% [12].

### **3.4. Threat**

The threats faced by Luckin Coffee come from fierce competition in the external market environment, which will lead to the challenge of unstable consumer loyalty. In recent years, the competition in China's coffee market has been extremely fierce. Not only has Luckin Coffee had to face the monopoly position of big international brands for many years, but it has also had to be wary of other new domestic coffee brands. Starbucks, as a globally recognized coffee brand, remains the leader in the market with its strong brand effect and deep market penetration. Although Luckin Coffee has rapidly captured market share through rapid store expansion and preferential strategies, Starbucks' brand recognition and consumer loyalty still enable it to occupy a dominant position. Meanwhile,

international brands such as Tim Hortons have brought new competitive pressure. These international brands tend to have higher user loyalty and customer stickiness. Many consumers choose Luckin Coffee because they are tempted by price discounts and new products, which can lead to a lack of long-term loyalty to Luckin Coffee. This low loyalty leads to frequent switching of consumer choices between brands. If Luckin Coffee fails to consistently introduce competitive and innovative products, or fails to consistently offer discounts or deals on price, consumers may switch to other brands due to momentary low prices or changes in flavor. Especially in a highly competitive market, once consumers discover that other brands are able to offer similar products at lower prices, Luckin Coffee faces significant customer attrition. In addition, Luckin Coffee, as a young brand, has the technology and digital means, but lacks the cultural deposits and deep brand sentiment that traditional brands possess. If Luckin Coffee fails to build a deeper brand identity in consumers' minds, its loyalty will be more vulnerable to attack.

In addition to global brands, local coffee brands have attracted a large number of young consumers, further intensifying the competitive situation in the market. For example, tea drink brands such as Heytea and Chagee have continued to make efforts in beverage innovation, posing a challenge to traditional coffee brands. These brands not only innovate in their products but also continue to optimize their prices, services, and brand experience, intensifying competition in the market. If Luckin Coffee is unable to continuously improve its product innovation and brand value, it will face tremendous pressure from these multi-dimensional competitors.

#### **4. Suggestions**

Based on the above analysis, Luckin Coffee should work on the following aspects in the future to achieve a dominant position in the competitive market. First, Luckin Coffee should capitalize on its strengths to continue product innovation to attract consumers, such as maintaining high-frequency co-branding marketing campaigns. However, Luckin Coffee needs to pay more attention to product quality and the depth of research and development, and improve the overall customer experience, to enhance brand stickiness and customer loyalty. Second, in response to the inconsistency in beverage quality exposed in its rapid expansion, Luckin Coffee should increase its investment in store management, staff training, and quality control inspections, and strictly require standardization and refinement to reduce the risk of customer loss. Third, Luckin Coffee should further analyze user data based on its existing digital advantages and conduct targeted advertising for specific customers to enhance market and product promotion, increase the repurchase rate, and improve the user life cycle. Fourth, in terms of capital operation, Luckin Coffee needs to actively explore diversified financing channels, such as bonds, private equity funds, and other ways to enhance financial flexibility, in order to alleviate the growth bottleneck caused by financing constraints. Finally, in the face of increasingly fierce market competition, Luckin Coffee should deepen its brand culture and strengthen its value delivery, build a more in-depth and emotionally connected brand image, and shift from price-driven to value-driven in order to build a Chinese local coffee brand with long-term competitiveness.

#### **5. Conclusion**

To summarize, this paper uses the SWOT analysis framework to examine the competitive strategy of Luckin Coffee based on its internal and external factors. Luckin Coffee should create core value through low price, rapidly expanding store network, and strong product innovation; however, the subsequent bad impact of its scandal and inconsistent product quality constrain its potential release. Luckin Coffee should also capitalize on the rapid growth of China's coffee market and cross-industry cooperation, but it needs to be wary of fierce competition with other coffee companies and try to increase customer loyalty as much as possible. Therefore, Luckin Coffee should make efforts in five aspects in the future: continuous product innovation, improving quality and customer experience, strengthening store management and quality control, taking advantage of digitalization to improve

the repurchase rate, and expanding financing channels. Luckin Coffee should build a warm brand culture, create brand value, and build a local coffee brand with long-term competitiveness. Although this study provides a more comprehensive SWOT analysis of Luckin Coffee, there are still some limitations that cannot be ignored. This study is based on public data and does not cover internal information of Luckin Coffee, which may affect the accuracy of some judgments. At the same time, it does not involve sample acquisition, such as consumer research, and lacks sufficient empirical support. In addition, the coffee industry is changing rapidly, and the relevant conclusions still need to be continuously verified in conjunction with market dynamics.

## References

- [1] Pearce T. China: 1.4 billion reasons to sell coffee. World Coffee Portal, 2025.
- [2] Zhang N. Coffee market in China: trends & consumer strategies. A coffee industry market research of a traditional tea-drinking country, 2014.
- [3] Zhou X. Research on the product pricing strategies of Luckin Coffee. SHS Web Of Conferences, 2024, 208: 02002.
- [4] Wei S. Analysis of marketing innovation under the new retail mode-taking "Luckin coffee" as an example. E3S Web of Conferences, 2021, 235: 01074.
- [5] Qiu L Y. The analysis on the marketing strategy of Luckin Coffee in China. In: 2020 4th International Seminar on Education, Management and Social Sciences (ISEMSS 2020). Atlantis Press, 2020: 469-472.
- [6] Xu G. SWOT analysis of coffee's marketing strategies: a case study of Luckin Coffee in China. SHS Web Of Conferences, 2024, 193: 01006.
- [7] He L. In China's battle of the lattes, Luckin Coffee keeps beating Starbucks. CNN, 2024-02-26. Available from: [edition.cnn.com/2024/02/26/business/china-luckin-coffee-surpasses-starbucks-sales-intl-hnk](https://edition.cnn.com/2024/02/26/business/china-luckin-coffee-surpasses-starbucks-sales-intl-hnk).
- [8] Peng Z. A ripple in the muddy waters: the Luckin Coffee scandal and short selling attacks. SSRN, 2020. Available from: [ssrn.com/abstract=3672971](https://ssrn.com/abstract=3672971).
- [9] Liu Y D. Analysis on the marketing strategies of Luckin Coffee. Atlantis Press, 2022-07-01. Available from: [www.atlantis-press.com/proceedings/icemed-22/125975336](https://www.atlantis-press.com/proceedings/icemed-22/125975336).
- [10] Yu P. Research on the business model of the Chinese tea beverage industry by the SWOT: take CHAGEE and Luckin Coffee as example. SHS Web Of Conferences, 2024, 208: 02003.
- [11] Viotech Consulting. China's coffee industry: a snapshot of steady growth and dynamic market trends. 2023.
- [12] Li J L. 10,000 stores, hot products, marketing, 9.9, these are the four key words that helped Luckin Coffee surpass Starbucks. Sellerby, 2023.