



Analysis of Luckin Coffee's Marketing Strategies under the "Internet + New Retail" Mode

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Abstract. With the rapid development of the Internet and the integration of online and offline, the new retail model has emerged. Luckin Coffee has achieved explosive growth by relying on this new business model, which combines app ordering and in-store pickup and delivery. This article systematically analyzes Luckin Coffee's marketing strategies, operational mechanisms, and digital practices. Through digital management of the supply chain, it effectively controls costs. Luckin Coffee controls costs through digital management, and by relying on high-frequency, high-value-for-money best-selling products and social marketing, it quickly attracts young consumers and occupies a unique position in the highly competitive coffee market. This research not only helps to analyze the changes in the coffee retail industry driven by digital technology but also provides important insights for the development of related theories and the digital transformation of enterprises.

Keywords: Luckin Coffee, Internet, New Retail, Digital Supply Chain

1 Introduction

With the rapid development of the Internet and digital technology, the time and space boundaries of the traditional retail industry have been broken, giving rise to the "new retail" model that deeply integrates online and offline and centers on consumer experience. Against this backdrop, coffee consumption, with its high frequency, potential for standardization, and high degree of alignment with the mobile Internet, has become a typical scenario for new retail practices. In this context, traditional coffee chain giants, which rely on high-cost brick-and-mortar store models and have limited digitalization, are increasingly facing challenges in efficiency improvement and rapid demand response. Meanwhile, new brands represented by Luckin Coffee have emerged. Relying on an innovative business model - the core of which is convenient ordering through an App, combined with quick pick-up at stores and efficient delivery services, they have accurately seized the technological and market opportunities, achieving explosive growth and clearly demonstrating the transition from traditional coffee brands to new-age digital coffee operations. This research focuses on the new retail operation practices of Luckin Coffee, delving deeply into its successful logic, which holds significant value. From a theoretical perspective, it systematically ana-

lyzes and refines its marketing strategies, operational mechanisms, and digital practices, which can enrich the experience. From a practical perspective, its experience provides key references for the coffee and even the general retail industry. On one hand, it reveals replicable strategies such as digital user operation, store network optimization, supply chain efficiency improvement, and creation of hit products, helping enterprises adapt to the digital era and enhance market competitiveness and marketing efficiency; on the other hand, it deeply analyzes how it uses digital tools to achieve precise marketing, user proliferation, and high repeat purchase rates. Therefore, this research takes Luckin as a benchmark case as its starting point, not only helps to understand the transformation of the coffee retail industry driven by digital technology, but also provides important inspirations for the development of related theories and the digital transformation of enterprises.

2 Theoretical Foundation of "Internet + New Retail" in the Coffee Economy

2.1 The Coffee Economy

The coffee economy, defined as a value network centered around coffee products that spans the entire industrial chain - from cultivation, production, and processing to distribution and consumption - has demonstrated robust growth momentum in China in recent years. This vitality is not only reflected in the expanding market scale, with China's coffee industry reaching a market size of ¥789.3 billion in 2024 and projected to surpass the ¥1 trillion threshold in 2025, but also evident in its increasingly diverse consumer base. Simultaneously, industrial integration trends have become more pronounced, with the share of freshly ground coffee expected to rise from 42% in 2023 to 50% by 2025. More profoundly, coffee has transcended its role as a mere beverage, embodying significant social attributes and emotional connectivity.

Against this backdrop, the emerging "Internet + New Retail" model fundamentally leverages digital technologies to reshape the pathways of value creation and delivery in the coffee industry. By seamlessly integrating online and offline omni-channels, enabling precise demand insights and personalized marketing through big data, and optimizing efficiency via intelligent supply chain management, this model comprehensively streamlines and enhances every segment from upstream production to end-consumer experiences.

2.2 Relevant Marketing Theories

In academic research, numerous scholars have explored marketing theories related to the coffee economy. Montgajula employed a non-probability sampling method to analyze the direct and indirect effects of market variables on consumer behavior and subsequent business growth. The study concluded that consumer behavior acts as a critical mediator between market practices and business success, while employee empowerment and training are key factors in fostering positive consumer experiences

and sustaining growth [1]. Aishwarya utilized NVIVO software to perform thematic analysis on collected data, addressing the use of technology acceptance perspectives in consolidating technological adoption to accelerate growth and scalable solutions for coffee growers in India. The findings indicate that digital marketing strategies help overcome certain challenges related to enhancing sales and achieving scalability [2]. Benjamin Leiva applied the Committee on Sustainability Assessment (COSA) method to compare coffee production costs and revenues over a ten-year interval—between 2008 and 2019—among coffee farmers in Guatemala and other major coffee-producing regions. The study underscored the importance for farmers to manage rising production costs and invest in productivity enhancements to maintain profitability [3]. Jhond et al. used a combination of questionnaires, field observations, data analysis, statistical regression models, profitability analysis, and consumer behavior data collection to assess the profitability of coffee shops and examine their impact on the economic sustainability of Aceh. The results revealed that tourist numbers and profitability are influenced by multiple factors, and coffee shops contribute significantly to Aceh's sustainable economic development [4]. Piya Gosalvitri applied life cycle assessment, life cycle costing, and multi-criteria decision analysis to evaluate environmental and economic sustainability, identifying the most sustainable types of coffee beverages [5]. Poncet et al. synthesized existing knowledge in the field of agroforestry, aiming to clarify key trade-offs and synergies between sustainability and performance indicators. Through three case studies representing diverse global coffee production systems, they explored pathways toward a more sustainable future for the coffee industry [6]. Barham et al. investigated the economic sustainability of certified coffee, comparing traditional coffee growers with those holding Fair Trade/organic and Rainforest Alliance certifications. Their analysis revealed that yield, rather than price premiums, is the most important factor in improving net cash income for coffee-farming households [7]. Taylor et al. estimated the value of pollination services provided by tropical forests to agriculture, using coffee as a case study. Through pollinator experiments conducted along distance gradients, they found that forest pollinators increased coffee yields by approximately 20% within about one kilometer of the forest [8].

3 Analysis of Luckin Coffee's "Internet + New Retail" Mode

3.1 Development History of Luckin Coffee

By the end of 2023, Luckin Coffee had expanded to 15,000 stores across more than 300 cities in China, with average daily orders exceeding 4 million, making it the coffee brand with the largest store network in the country. Between 2017 and 2019, Luckin adopted a rapid expansion strategy, deploying stores at an unprecedented pace. Through a "high affordability + broad accessibility" approach, it quickly carved out a share in the coffee market, achieving explosive growth in both store numbers and user base, thereby disrupting the industry landscape. In 2020, the brand faced a crisis as a financial fraud scandal severely damaged trust, forcing Luckin into a restructuring phase. Store closures, organizational restructuring, and efforts to rebuild credibility

became essential for survival. From 2021 to 2022, by optimizing its product offerings, tightening quality control, and restoring its reputation, Luckin entered a phase of recovery and growth, with stores gradually regaining vitality. Since 2023, the company has focused on refined operations - enhancing supply chain efficiency, implementing user segment management, and driving product innovation - to fully unlock growth potential and consolidate its market position. The whole development process of Luckin is shown in Table 1.

Table 1. The process of development of Luckin

Period	Stage	Key Events	Key Achievements
2017-2019	Rapid Expansion	Fast store rollout using "blitz" strategy with affordable pricing and wide accessibility.	Explosive growth in stores and users; disrupted market and built strong brand recognition.
2020	Crisis&Adjustment	Financial fraud scandal damaged trust; closed stores, restructured, and worked to rebuild credibility.	Survived crisis and stabilized operations through reforms.
2021-2022	Recovery &Growth	Improved products and quality; hit items like Coconut Latte restored reputation.	Regained store vitality and market performance; won back customers.
2023-Present	Refined Operations	Focused on efficient operations: better supply chain, user segmentation, and product innovation.	Became largest coffee chain in China by store count; solidified market position.

3.2 Features of Luckin Coffee’s “Internet + New Retail” Mode

Luckin Coffee’s “Internet + New Retail” mode is characterized by online traffic-driven operations. It builds a private traffic pool primarily through its app and mini-programs, with over 90% of orders originating online. By leveraging digital tools to accumulate and analyze user data, the brand reduces reliance on offline foot traffic. It employs tactics such as targeted coupons and social sharing to precisely attract and retain customers. Luckin adopts a light-store strategy with formats including quick-pickup stores and flagship outlets offline, most spanning just 10-30 square meters. These are strategically located in high-traffic areas like campuses and commercial districts, lowering operating costs while fitting diverse consumption scenarios. The company has also established a digital supply chain, integrating data from coffee bean sourcing, production, and distribution to sales. Through demand forecasting and shortened inventory turnover cycles, it optimizes stock and ensures efficient supply. Partnerships with

logistics providers such as SF Express enable delivery within 30 minutes, preserving product freshness. Moreover, by analyzing user consumption data, Luckin creates detailed customer profiles to deliver personalized coupons and new product recommendations. This data-driven approach boosts repurchase rates and refines the precision of user operations.

4 Analysis of Luckin Coffee's Marketing Strategy

4.1 Product Strategy

Luckin Coffee's product strategy is sharply focused on local market preferences and the tastes of younger consumers, driving growth through efficient innovation and agile operations. By deeply understanding Chinese consumers' flavor preferences, the brand skillfully blends international coffee styles with popular local elements, creating culturally resonant blockbuster products such as Coconut Latte, Jasmine Latte, and Sauce-Flavored Latte. These offerings have not only sparked consumer enthusiasm but also fueled social sharing.

The strategy clearly targets young consumers-particularly urban white-collar workers and students who seek novelty, enjoy experimentation, and are eager to share. Product design and marketing closely align with this group's fast-paced lifestyles, social habits, and demand for affordable yet trendy beverages, thereby quickly building brand loyalty.

In execution, Luckin adopts an internet-inspired "rapid iteration" development model, launching new products monthly to sustain market freshness. Supported by strong data analytics, the company swiftly scales successful products while phasing out or optimizing underperformers.

4.2 Price Strategy

Luckin's pricing system is a core driver of its market expansion, strategically combining low-price penetration, dynamic adjustments, and differentiated mechanisms. Its low-price penetration strategy aims to quickly capture the market and build a user base: attractive first-order discounts lower the barrier to trial, while ongoing promotions make premium coffee more accessible. Core products are consistently priced in the highly competitive range of RMB 15-20.

Additionally, Luckin relies heavily on dynamic and differentiated pricing to optimize revenue and enhance loyalty. New users receive high-value coupons, while inactive users are targeted with exclusive discounts to prevent churn. Through coupon distribution, point-redemption systems, and paid membership benefits, the brand significantly boosts repurchase rates among frequent customers.

By employing a large-scale direct-operated store model, compact pickup-oriented outlets, digitized operations, a self-built supply chain, and efficient logistics, Luckin continually reduces per-cup costs-enabling it to offer high-quality products while maintaining competitive pricing.

4.3 Channel Strategy

Luckin has built an integrated omni-channel system, using online platforms as the primary traffic entry point complemented by offline pickup stores and flagship locations to form a convenient order-fulfillment network. This enables seamless online-to-offline linkage and efficient consumer reach.

Store placement follows a data-driven approach: big data analyzes foot traffic hotspots and competitor presence to guide scientific site selection, creating a cluster effect that enhances regional penetration and brand visibility. Deep analysis of user behavior further enables a differentiated service system that optimizes the consumer experience.

The fulfillment network is continuously upgraded through partnerships with delivery platforms such as Meituan, expanding coverage and efficiency. Corporate distribution channels are also developed to improve service responsiveness, systematically increasing both channel utilization and user satisfaction.

4.4 Promotion Strategy

Luckin's promotion strategy elevates brand appeal and conversion through multiple parallel approaches. It begins with highly enticing low-price offerings, such as coffee priced at only RMB 9.9, effectively lowering the trial barrier and activating latent purchase interest to rapidly grow the customer base.

Frequent co-branding campaigns with popular IPs leverage their strong appeal and topicality to consistently refresh the brand image and sustain high social engagement. To drive conversion, the brand cleverly employs limited-time scarcity to create urgency and accelerate purchase decisions among hesitant customers.

Finally, backed by robust data analytics, Luckin delivers scenario-specific messages and promotions—ensuring the right offer reaches the right user at the right time and place. This precision converts attracted traffic into actual purchases, forming a complete marketing loop from acquisition and activation to conversion.

5 Impact of Luckin Coffee on the Coffee Economy

Luckin Coffee has significantly boosted the expansion and upgrading of China's coffee market by popularizing coffee consumption, driving industry innovation, and stimulating development across the coffee industry chain. Its growth has introduced a new development model to the coffee market while also inspiring related sectors.

First, Luckin Coffee has greatly expanded and popularized coffee consumption in China. Before its entry, coffee consumption was largely confined to high-end commercial areas in first-tier cities and foreign enterprises, targeting a relatively narrow consumer base. Through its extensive store network and diversified sales channels, Luckin has brought coffee to a broader range of cities and consumer groups. Its affordable pricing and diverse product offerings have lowered the barrier to coffee consumption, attracting many consumers who were previously hesitant. As a result, many young people who seldom drank coffee have developed a regular consumption habit,

substantially expanding the coffee consumer base. In addition, Luckin's large-scale advertising and branding efforts have enhanced the acceptance of coffee culture in China, gradually transforming coffee into a popular everyday beverage.

Second, Luckin Coffee has set an example for the industry through product, business model, and marketing innovation. In terms of product development, Luckin continuously introduces new flavors and beverage categories, as well as innovative hybrid drinks, which have motivated other coffee brands to enhance their R&D efforts and launch more products aligned with consumer tastes. In business model innovation, Luckin's online-offline integrated "new retail" approach has inspired traditional coffee brands to strengthen their online channels through partnerships with delivery platforms and proprietary apps, improving both user experience and sales efficiency. In marketing, Luckin's data-driven strategies and cross-border collaborations have provided a reference for the sector, encouraging other brands to explore more effective promotional methods.

Third, Luckin has driven growth in related industries across the coffee value chain. As its demand for coffee beans continues to rise, domestic coffee cultivation has been stimulated. Some regions have increased investment in coffee farming, introducing improved bean varieties and enhancing planting techniques to meet the market's demand for high-quality beans. Through optimized cultivation and processing methods, the quality of Luckin's coffee beans has seen notable improvement. This not only meets its own needs but also supports exports to other countries and regions, contributing to the development of local coffee industries.

6 Conclusions and Outlook

Amid the wave of the Internet era, Luckin Coffee has successfully constructed a competitive advantage through precision marketing, achieving a transition from rapid expansion to high-quality development. Centered around digitalization, the company analyzes user consumption habits to enable precise product recommendations and store placement, maximizing the effectiveness of its dual-channel model integrating online apps and offline stores. By leveraging high-cost-performance blockbuster products, it rapidly penetrated the young consumer group, forming powerful user growth. Simultaneously, through digital management of store operations, it effectively controls costs, supporting its high-value brand positioning and securing a leading position in the intense coffee market. Luckin's success demonstrates the core value of the "Internet + New Retail" model—using data to drive decisions and scenarios to connect with users—providing a valuable practical paradigm for the digital transformation of traditional industries. It reveals that in the new consumption era, only by aligning technology, products, and user needs can a brand sustain its market competitiveness.

Against the backdrop of continuous deepening of "Internet + New Retail," Luckin Coffee's marketing strategy must evolve toward refinement, diversification, and intelligence while consolidating existing advantages. In terms of technology, the application of AI and big data should be further deepened. This includes exploring AI-powered smart recommendation systems to achieve personalized marketing tailored to each

individual, while using digital tools to optimize supply chain forecasting. Inventory at stores could be dynamically adjusted based on real-time consumption heatmaps, reducing waste and enhancing user experience, thereby extending data-driven approaches from marketing to the entire industrial chain. From a market expansion perspective, simply replicating strategies from first-tier cities should be avoided. Instead, strategies should adapt to the consumption characteristics of lower-tier cities by launching more cost-effective product portfolios and lightweight store formats. Localized marketing can help reduce customer acquisition costs. Facing fierce market competition and consumers' higher expectations for brand value, it is crucial to strengthen brand culture and emotional connection. By creating consumption scenario IPs and initiating sustainable public welfare projects, the brand can elevate from functional consumption to emotional consumption, ultimately building a more resilient and long-term competitive "Internet + New Retail" marketing ecosystem.

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