teaching note

Luckin Coffee in China:
An Innovative Coffee Brand Dominating the Chinese Market Amid the Covid-19 Pandemic

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Case Study Summary

As a rapidly expanding coffee brand, Luckin Coffee already has more than 5,000 stores in China. Its rapid development has a significant relationship with its innovative business strategies. Unlike Starbucks, which redefined its coffee shops as "the third place," Luckin Coffee introduced the concept of coffee "on demand" or "on the go," which connects customers through a virtual network. If customers want to drink coffee, no matter where they are or at what time, they can open the Luckin Coffee application and find the nearest store to pick up their coffee or wait for the coffee to be delivered to them. Now, there are also unmanned robot vending machines. Luckin's high efficiency and its concept of convenience concepts have gained the loyalty and repurchase intentions of many busy customers. Although the purpose of Luckin Coffee is to allow customers to enjoy coffee within 30 minutes, it does not charge high delivery fees. In fact, it enhances customer loyalty with the advantage of low prices. Based on high-quality ordering applications, visualization of food production videos, and a perfect delivery system, Luckin Coffee has also developed an omnichannel service system. Dine-in coffee shops, pickup stores, delivery, and flagship stores are various types of stores that ensure the smooth crossover operation of online, offline, and mobile channels. Today, Luckin Coffee also uses social media for its segmentation and differentiation strategies and has attracted a large user base and following on its social media platforms in just over two years. The invitation to "Repost and get a coupon" and the effect of endorsements from famous celebrities or social media influencers embody its presence on social media.

Teaching Objectives

This case study highlights how Luckin Coffee combines information technology and mobile applications in service operations and marketing. A few teaching objectives for utilizing this case study include the following: to analyze the competitive advantages, to examine the current market situation, to implement the appropriate innovative strategies and solutions in order for Luckin to survive and thrive, and to analyze the dilemmas it faces. The use of a case study is beneficial for potential entrepreneurs to understand their customers' values, beliefs, and needs and to provide a reference for innovative developments in the food and beverage operations within the hospitality industry. It reflects an era of change by focusing on investing and leveraging the advancements of technology to enhance operational efficiency.

Target Audience

This case study is suitable for undergraduate and graduate-level students. Undergraduate lecturers can adopt this case study as part of the supportive reading assignment with their textbook reading content to induce critical thinking and problem-solving. As for graduate students, this case study can also stimulate students to think critically and develop new theoretical frameworks to advance future research in entrepreneurship, innovation and marketing, and service management. Suggested courses that can adopt this case study include the following: food and beverage entrepreneurship, food service or restaurant management, consumer behavior, marketing, service management, social media marketing, technological innovation, and service innovation.

Learning Outcomes

Studying this case can help students better understand the application of technological innovation in the area of food and beverage entrepreneurship and operations within the hospitality industries, marketing, service management, and consumer behavior. The key takeaway of this case study is an understanding of the various innovative marketing strategies and technology-driven business models that differentiate Luckin from its competitors and at the same time, enhance its customer value by fulfilling its customer's needs and wants (efficiency, quality, and a fair price). Moreover, students need to understand that before the Covid-19 pandemic, the hospitality industry has always emphasized the importance of personal services. However, today's COVID-19 era has forced companies to focus on contactless guest engagement and to implement digital or automated low-contact features in order for businesses to thrive (Lin & Mattila, 2021). The market environment has changed consumer preferences in terms of their experience. Face-to-face contact services are being frowned upon and contactless experiences are being appreciated more than before. As such, technology (e.g., service robots, digital marketing, mobile order and delivery) has become a major tool to help navigate the challenges of the ongoing pandemic and to reassure customers of their health and safety while following the COVID-19 protocols.

At the end of this lesson, students should be able to answer the following questions:

1. What is the meaning of the Diffusion of Innovation theory?
2. What competitive factors should be used in the era of information technology
   (Hint: Think about the investment and the adoption of robotic, self-service, or contactless services)?
3. What is the omnichannel concept? What are the omnichannel sales strategies?
4. What role does social media play in contemporary sales and brand promotion?

Lesson Plan

Before the class, students should be asked to read this case study, along with other supportive reading materials relating to the adoption of new technology in food and beverage service operations (e.g., the adoption of the omnichannel concept in other service industries, the Diffusion of Innovation theory, social media marketing, consumers' dependency on delivery services amid the COVID-19 pandemic, pricing strategies). Students will also be required to have a general understanding of and ability to discuss the following topics:

1. Sustainable competitive advantage through innovative marketing strategies.
2. Consumer emotions and behavior toward omnichannel sales.
3. The effects of social media marketing on online consumer behavior.

Discussion Questions

1. What are the key factors contributing to the success of Luckin coffee?
2. What are the competitive advantages of Luckin Coffee compared to other brands?
3. Discuss the role of internet technology in the service process innovation in hospitality and tourism services.
4. Discuss the omnichannel technique and its effect on consumer behavior.
5. As a technology-driven company, can you think of any other technological tools that could be applied for the marketing and growth of this company?
6. Has the COVID-19 pandemic helped or hindered the success of Luckin Coffee? If so, in what ways?
7. What else can Luckin Coffee do to continue to sustain its success?
8. What does Luckin need to look out for before other new brands enter the market to compete with it?
9. What is the difference between consumer behavior within the hospitality industry before and during the COVID-19 pandemic?

Instruction

This case study can be taught in a variety of ways. Instructors can use two separate classes to explain how Luckin Coffee has succeeded in the Chinese market in a short time. Alternatively, one class time can be used to solve all problems by dividing the students into several groups and assigning each group different topic areas. We suggest an allotment of at least 30 minutes to explore and discuss the major issues presented in the case, and another 30 minutes to go over the discussion questions and answers. This lesson plan aims to require at least two classes, but, as mentioned earlier, the instructor can expand these sections based on the available time.

Small-Group Discussion

Students can be divided into groups; we recommend two to five students per group (not to exceed five students). Each group is instructed to provide a summary of the case study. After understanding the case study, they will discuss it with the team members and then summarize their opinions. However, they need to highlight the main points and be able to answer the discussion questions.

Class Discussion

Each group presents its ideas to the class and sets aside time for Q&A.

Check for Understanding

In the remaining time, the instructor will go over the answers to the case discussion questions, ask students to write a reflective summary of what they learned in this case study, and finally, what the owners of Luckin Coffee could have done differently.

Assessment

Students are required to submit reports on the innovative strategies offered by new technologies, and at least five articles not provided in the references section. Instructors can also include questions relating to specific concepts and strategies presented in this case as part of a class quiz or exam.

Additional Readings

Bell, D. R., Gallino, S., & Moreno, A. (2014). How to win in an omnichannel world. *MIT Sloan Management Review, 56*(1), 45.

Clarke, T. B., Murphy, J., & Adler, J. (2016). Celebrity chef adoption and implementation of social media, particularly Pinterest A diffusion of innovations approach. *International Journal of Hospitality Management, 57*, 84-92.

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Zhao, K., Liu, Z., & Ma, J. (2021). How Chinese domestic coffee brands competing with foreign brands in China—Taking Luckin Coffee and Starbucks for example. *Frontiers in Economics and Management*, 2(1), 78-85.

References

Lin, I.Y. & Mattila, A.S. (2021). The value of service robots from the hotel guest's perspective: A mixed-method approach. *International Journal of Hospitality Management*, 94, 102876. https://doi.org/10.1016/j.ijhm.2021.102876.

Appendix

To measure the effectiveness of this case in teaching, we surveyed students' satisfaction with the Luckin Coffee case and teaching methods after the lecture. The demographic information is shown in Table 1.

Table 1 Social Demographic Information

	Category	Frequency	Percentage (%)
Gender	Male	19	41.3%
	Female	27	58.7%
Age	18-25	43	93.48%
	26-30	3	6.52%
Grade	Freshman Year	0	0
	Sophomore Year	21	45.65%
	Junior Year	1	2.17%
	Senior Year	14	30.43%
	First-year graduate	2	4.35%
	Second-year graduate	7	15.22%
	Third-year graduate	1	2.17%
Do you have any work experience in hospitality management, marketing, or sales?	Yes	16	34.78%
	No	30	65.22%

Among 46 students, there were 19 male and 27 female students. Most of them (42) were majoring in tourism management or hotel management. Sixteen of the 46 students had previous work experience in hotel management, marketing, sales, and other related areas. The mean values of all measured questions were above 4, indicating that students were satisfied with the case content and the way the case was taught. Students were most satisfied with the authenticity of the case (Sat3), indicating that the case truly reflects the current situation of Luckin Coffee's business management and is consistent with students' original perception of it. The satisfaction items and mean scores of the Luckin Coffee case are shown in Table 2 and Figure 1.

Table 2 The Satisfaction Items and Mean Scores of the Case Study

Satisfaction	Items	Mean
Sat 1	I think the content of the case reflects the current issues in business operation	4.20
Sat 2	I think the content of the case reflects the current issues in marketing management	4.13
Sat 3	I think what is happening, in this case, is real	4.50
Sat 4	I think the case is a combination of theory and practice	4.30
Sat 5	I think the case is highly relevant to theoretical courses	4.22
Sat 6	I think that case-based teaching has enhanced my knowledge and skills	4.43
Sat 7	I was satisfied that the case-based teaching method adopted by the instructor	4.48
Sat 8	I like the case-based teaching method	4.46

Figure 1: The Mean Score on Satisfaction Items