

Analysis of Luckin Coffee's Strategic Resources and Competitive Prospects in the U.S. Market—Based on the VRIN and 4P Framework

Mengyan Ge

*Sino-French Institute, Renmin University of China, Suzhou, China
gemengyan1121@alu.ruc.edu.cn*

Abstract. On June 30, 2025, two self-operated stores of Luckin Coffee opened in New York, USA. As the first Chinese coffee brand to enter the United States, analyzing Luckin Coffee's unique strategic resources and marketing mix not only helps understand its operational strategies and competitiveness in the American market, but also holds profound significance for formulating overseas development strategies for other Chinese brands. Based on the resource-based view and VRIN framework, this paper analyzes the two strategic resources of Luckin Coffee in the US market: Digital operation system and Efficient supply chain structure. Meanwhile, this paper analyzes the standardization and adaptation strategies of its marketing mix based on the 4Ps theory. Furthermore, this paper points out the risk of strategic resource substitution, the risk of incompatibility of the fully digital operational model and the long-term reputation risk caused by the fraud scandal of Luckin Coffee in the American market. Ultimately, this paper points out that Luckin Coffee should pay attention to brand reputation as well as legitimacy management, and appropriately increase adaptive marketing methods to better integrate into the American market.

Keywords: Luckin coffee, the resource-based view, VRIN and 4Ps framework

1. Introduction

The decision of Chinese enterprises to go overseas is not caused by a single factor, but by the complex causes of the combined domestic push factors and international pull factors. From the perspective of China's socio-economic background, the deepening trend of aging population has gradually weakened the demographic dividend that once supported China's status as the world factory, while the continuous increase in production factor costs, including labor and land [1]. Therefore, enterprises, especially labor-intensive ones, have a strong incentive to move some of their production procedures to countries with lower labor costs to optimize the allocation of global resources. Meanwhile, Chinese manufacturing has evolved from a cost-performance-oriented model to a quality-to-price-ratio-optimized paradigm. On the one hand, the domestic market competition has become white-hot, many industries are facing the dilemma of market saturation and growth constraints. To break through the growth bottleneck, enterprises have to turn their eyes to the broader overseas market to seek space for the sustainable development in the future; on the other

hand, Chinese firms' internationalization strategy has shifted from traditional market expansion to technology-driven model export, which constitutes a natural outcome of their technological innovation [2]. Regarding the global economic and political structure, the Chinese government's macro policies provide strong support for enterprises to go overseas. For example, the Belt and Road Initiative has created a favorable political environment and infrastructure conditions for enterprises to invest and cooperate in projects in countries along the routes. In addition, emerging markets represented by Southeast Asia, the Middle East, and Latin America, with their large population base, strong consumer demand, and vast infrastructure construction space, provide valuable market opportunities for Chinese enterprises [3]. However, in recent years, deglobalization has surged, international relations have become increasingly complex. Some developed countries have set higher market access thresholds, strengthened scrutiny on Chinese capital, and implemented technical restrictions and trade sanctions, which have posed certain obstacles to the overseas expansion of Chinese enterprises.

Against such a complex backdrop, most Chinese enterprises have had to adjust their overseas strategies. For instance, Chinese private enterprises have established factories overseas to circumvent trade barriers and achieve localized production and sales. Meanwhile, they actively project their brand image rather than merely catering to market demands. Therefore, in addition to product exports, Chinese private brands today have an increasingly evident trend of capacity globalization and brand global expansion [2].

By the second quarter of 2025, Luckin Coffee has had 26,206 stores worldwide. Meanwhile, Luckin Coffee, as the first professional coffee chain brand in mainland China to establish and modularize self-operated stores overseas, has its own considerations for its global expansion. In 2023, Luckin Coffee first entered Singapore, where ethnic Chinese account for up to 70%, aiming to start with markets similar to the mainland to accumulate experience and gradually expanding into Malaysia and Hong Kong. During this phase, Luckin Coffee maintained the similar operational model and marketing strategies in the Southeast Asian market as in mainland China, focusing on low-priced coffee and a Click-and-Collect model. In the same year, Luckin's revenue in China surpassed Starbucks, becoming the highest-earning coffee brand in China. In 2024, Luckin's financial report explicitly stated its intention to leverage overseas markets for revenue growth. In the second quarter of 2025, Luckin Coffee officially opened two self-operated stores in New York, a move that garnered widespread public attention. In the U.S. environment where Starbucks maintains market dominance with over 17,000 stores, this paper aims to explore Luckin Coffee's strategic resources, the risks, potential adjustments arising from its marketing and competitive strategies through qualitative research and case analysis [4,5].

2. Literature review

2.1. RBV and VRIN

In order for cross-border businesses to assess the product market fit and their capacity for a successful international expansion, all antecedent factors that generate background forces and constraints in a new market should be taken into account when determining the degree of standardization and adaptation [6]. Formally proposed by Jay Barney in his 1991 article in the *Journal of Management*, the resource-based view (RBV) has been one of the most prominent viewpoints driving progress toward this objective. Barney proposed that resources must be valuable, rare, inimitable, and non-substitutable (VRIN) to be considered strategic and to thereby confer a sustainable competitive advantage to a firm. According to him, businesses must exploit, or use, the

strategic resources they have. However, simply having strategic resources is insufficient, having the ability to employ them is the only way to gain a competitive edge. As an extension of RBV, resource orchestration (RO) theory puts more emphasis on how managers actively structure, bundle and leverage these resources to create and maintain competitive advantage [7].

2.2. Standardization and adaption of the marketing mix

Globalization led to the homogenization of consumer, which gave the brand an opportunity to apply the same range of products, the same price, promotional and location strategies to promote its core competitive advantage and satisfy people's normal demand. In this context, Theodore Levitt proposed the standardization, which refers to a unified and standardized strategy adopted by enterprises in different global markets. Standardization is mainly target at cost saving [8].

Nevertheless, standardization faced strong opposition from Douglas and Wind, who pointed out that this strategy is not universally applicable to all industries and products or services. There is no universally correct standardized marketing in this world, as cultural context serves as the foundation for all business activities [9].

Since the beginning of the 21st century, scholars have widely recognized that neither isolated standardization nor adaptation alone can lead international companies to success. With advancements in transportation, population mobility, and information dissemination channels, most potential markets now require a comprehensive Marketing Mix model. Within Marketing Mix model frameworks, multinational corporations must make glocalization decisions based on their positioning. Standardization and adaptation are not mutually exclusive but can achieve a balance. It is accurate to say that market entrance tactics, branding strategies, and the degree of standardization or adaptation of each component of the marketing mix are essential success elements that have a direct impact on a company's ability to succeed in a new market [6,8].

The standardization and adaptation strategies are explicitly manifested in every element of the marketing mix and their interrelationships. 4Ps model, refined by Borden from McCarthy's original framework, comprises four elements: Product, Price, Promotion, and Place [6]. Rather than adopting uniform standardization or complete adaptability across the entire mix, companies strategically determine the appropriate degree of standardization and adaptability for each component. This represents a sophisticated process of strategic resource allocation.

2.3. Research status of Luckin Coffee

There are abundant academic research and business analysis literature on Luckin Coffee, which mainly focus on its innovative business model and its transformation following the 2020 financial fraud crisis. Additionally, while many studies examine Luckin's marketing strategies and offer some recognition of their effectiveness, these analyses are largely confined to its operations in China, with few extending to its overseas markets. This paper seeks to apply theories such as the Resource-Based View, Real Options, and the 4Ps model to analyze Luckin Coffee's current resources and strategies in the U.S. market, providing recommendations for its development and addressing the gap in research on Luckin's overseas expansion strategy [5].

3. Digital operation system and the opportunities of "promotion" and "place"

3.1. Fully digital operational model

The digital technology platform and data-driven decision-making capabilities cultivated through the involution in China's catering industry constitute Luckin Coffee's most crucial strategic resource in the United States. The primary aspect is because the fully digitalized operational model is valuable. First, this resource enhances customer value and experience. Through its seamlessly integrated mobile application, it provides American consumers with unparalleled convenience and tech-driven experiences, distinguishing it from traditional coffee shops; second, this resource empowers efficient operations and cost reduction with efficiency improvements. Luckin Coffee utilizes self-service ordering through the app to collect multidimensional consumer big data. Consumer profiling powered by big data analytics enables customized marketing campaigns, personalized recommendation engines, and loyalty initiatives. For instance, the system can automatically distribute personalized coupons for targeted promotions. Simultaneously, these data in turn provide guidance for Luckin Coffee's store construction and expansion, including product price positioning, store location selection, customer flow prediction, and collaborative allocation of personnel resources, reducing store congestion and material waste, and directly lowering operating costs [10]. Thirdly, the fully digitalized operational model serves as the technological foundation supporting Luckin Coffee's innovative Click-and-Collect model that enables low-cost and high-density expansion.

Subsequently, this resource remains relatively rare in the U.S. market. Although traditional giants like Starbucks and Dunkin' have their own apps and digital channels, their core business models and organizational structures remain rooted in offline counter services and Third Place experiences. Their digital systems primarily serve to empower and complement traditional operations, rather than adopting technology-driven strategies like Luckin Coffee's approach, where companies completely abandon physical counters in favor of technological innovation.

Finally, this resource has a high degree of inimitability and non-substitutability. Luckin Coffee's operational model was formed through years and billions of investments in China's highly competitive market environment, creating a mature digital system. On one hand, competitors find it challenging to identify and replicate the specific elements and resource allocation methods that contributed to Luckin Coffee's success. On the other hand, if competitors attempt to replicate it in a short-term, they would face extremely high costs and may not achieve comparable results without the Chinese market environment that nurtured Luckin Coffee. Therefore, for customers pursuing a fully digital experience, Luckin Coffee remains a non-substitutable choice in the U.S. market for the foreseeable future [5].

3.2. Strategic analysis of "promotion" and "place"

3.2.1. Promotion

In terms of promotion standardization at Luckin Coffee, it has replicated the successful first-order discount model verified in China to the United States, successively launching promotional activities such as "First Cup 1.99\$" and "Buy 1 Free 1" for new products as a powerful market entry strategy to rapidly acquire the first batch of users. Additionally, Luckin Coffee has continued its promotional approach through co-branded campaign, recently cooperating with Duolingo and BLACK MYTH: WU KONG to bridge the gap with the American market.

In terms of promotion adaptation of Luckin Coffee, due to the low awareness of Luckin Coffee in the US market, Luckin Coffee adopted the form of pop up express to distribute free coffee and limited accessories in New York before opening.

3.2.2. Place

Luckin Coffee has maintained its standardized store locations in the United States. It opened its first two stores in downtown New York and at the entrance of New York University Metro Station. The company replicated its core Click-and-Collect model in America, utilizing compact stores in high-traffic urban core areas as physical carriers for its digital ecosystem. Luckin has significantly reduced both store space and labor costs. This strategy also satisfies the American Grab-and-Go consumption trend, creating a differentiated competitive edge with Starbucks' classic Third Place strategy.

4. Structural efficiency in supply chains and the opportunities of "price" and "product"

4.1. Supply chain architecture and cost dynamics

4.1.1. Global direct sourcing and proprietary cultivation bases

Luckin Coffee's cost control strategy originates from its supply chain's initial stage: raw material procurement. Since 2021, the company has leveraged its massive coffee bean procurement volume to bypass intermediaries and directly source coffee beans from core production regions like Brazil. This approach has enabled significant cost reductions in coffee material acquisition. Additionally, by establishing long-term procurement agreements, the company effectively mitigates risks from global price fluctuations in coffee beans.

Another key investment Luckin has in its supply chain is building its own production and roasting factories. By doing so, Luckin not only gains better control over the standardization of coffee beans and roasted product flavors, but more importantly, it internalizes profits.

4.1.2. Intelligent supply chain management

As mentioned in Section 3.1, Luckin Coffee has achieved full-process digitalization. From the back-end system that can accurately predict future demand, automatically place replenishment orders with upstream suppliers, and reduce procurement and warehousing costs, to the mid-end intelligent scheduling and order allocation functions, which reduce labor and logistics costs, to the front-end user app ordering and automated coffee machine production, a closed loop of intelligent supply chain management is formed [11,12].

4.2. VRIN analysis of supply chain and cost structure

Firstly, this resource is valuable. Because cost control capability is the fundamental guarantee for achieving a cost-effective and rapid expansion strategy, which is particularly crucial in the U.S. market with high rental and labor costs. Secondly, Luckin Coffee's supply chain and cost structure require a massive customer base as support. Many regional coffee chains or independent cafes in the U.S. lack and have no need to establish such a large and efficient central supply chain system, making this resource rare for them in America. Finally, due to its unique development path and systematic complexity rooted in the cultural context of China, this resource is difficult for most

American coffee companies to imitate or substitute within a certain period. The efficient supply chain and cost control capabilities developed by Luckin Coffee through its experience in the scaled Chinese market thus become another strategic resource for Luckin Coffee in the U.S.

4.3. Strategic analysis of "price" and "product"

4.3.1. Price

Luckin Coffee's pricing strategy in America combines standardization and adaptation. Rather than simply replicating its Budget Coffee positioning from other markets or aligning with Starbucks' price standards, the company leverages cost advantages to fill the price gap in the American market, offering high-quality yet budget-friendly coffee that bridges both extremes.

4.3.2. Product

In product standardization, Luckin Coffee's flagship product is its pioneering Coconut Latte series, which achieved a record of 1.2 billion cumulative sales over four consecutive years. The company has maintained this classic series in the U.S. market. As an entirely new offering for American consumers, it effectively triggered the first-purchase effect and bystander effect that can attract Luckin Coffee's first wave of customers.

In product adaptation, Luckin Coffee launched its Frapped caffeine-free beverage line specifically designed for the U.S. market. By analyzing Starbucks' sales data, it was observed that most customers purchased Starbucks Frappuccino and Matcha series products rather than coffee. To address this, Luckin strategically toned down its coffee brand identity, redefining coffee as a daily drink through advertising slogans like "Morning coffee, afternoon tea," to transform coffee into a beverage category [11,13].

5. Risks and suggestions of Luckin Coffee in America

5.1. Risk of substitution of strategic resources

Regarding Luckin Coffee's first strategic resource, the digital operations system, the risk of it being substituted primarily stems from its competitors not needing to replicate this resource, as they can achieve comparable customer value through alternative means. First, it may be replaced by mature third-party platforms in America. For instance, customers can obtain self-pickup or delivery services from most coffee brands through Uber Eats without downloading various apps. Second, it could be overtaken by established brand loyalty in the American market. Competitors like Starbucks leverage decades of built-in brand emotional connections and Third Place experiences as core advantages. Strong brand preference can offset Luckin's convenience and cost-effectiveness strengths. Third, it might be surpassed by competitors' own digital services. The ROI of digital services aligns with marginal efficiency. Luckin's competitors may strategically stop investing in digitalization once they reach a good enough level, which is their optimal stopping point. Therefore, the additional benefits realized by Luckin's more advanced digital capabilities may not be as substantial as expected.

5.2. Risk of incompatibility of fully digital operational model

Luckin's fully digital model is a key strategic resource for its success in the Chinese market. However, when this model is transplanted to the US market, its value may be weakened, and it may

even shift from an advantage to a disadvantage. In the digital mode, although Luckin Coffee's cashier free mode and fully automated process save labor and achieve product standardization, they may make American consumers uncomfortable or even alienated, artificially increasing transaction costs and creating friction in the purchasing process, potentially leading to the loss of potential customers. In addition, in the offline coffee culture of the United States, social interactions with baristas are seen as part of the experience. Therefore, fully automated and contactless model may be seen as indifferent, lacking in service and dehumanized, unabling to meet the needs of some consumers for social experience and instant service.

The author believes that Luckin Coffee can set up several self-service ordering machines in the store, which require customers to scan the code and log in through the app, but can automatically accept cash and provide change. Alternatively, Luckin could provide a manual work order service, but require the customer to provide their phone number and pay a certain order handling fee. This not only adapts to the traditional consumption habits in the United States but also allows for the continued collection of customers' data. Meanwhile, charging a service fee will not be strongly opposed in America where tipping culture is prevalent, and it helps offset the additional costs associated with manual order processing. By utilizing a hybrid model of digitalization and traditional cash systems, it can better serve diverse customer segments and adapt to the market, avoiding falling into strategic rigidity.

5.3. The impact of Luckin Coffee's fraud scandal

The credibility and legitimacy are the most critical and fundamental strategic resources of a company that any enterprise relies on to survive in its business environment. Luckin Coffee suffered from a financial fraud incident in 2020, which caused its stock price plummeted by over 75% overnight. It was eventually delisted from NASDAQ and faced astronomical fines from both China and the United States, which had a significant impact on its brand reputation. Afterwards, Luckin Coffee changed its board directors and promptly settled the penalties. Based on the recent appreciation of Luckin Coffee's stock price, it has gradually regained the trust of capital. However, due to the fraud incident, doubts in the market, especially in the US market, will persist for a long time, and investors and partners will also have doubts about the company's management, leading to a governance discount. The market will be more alert and sensitive to its financial reports and negative news. Therefore, Luckin Coffee must guarantee the authenticity of its sales data and finance reports. Simultaneously, it can continuously added significant global impact elements such as ethical, humane, cares for the earth and cares for people to its products to increase its brand reputation [14].

6. Conclusion

Based on the VRIN framework of strategic resource theory, this study systematically analyzes the strategic potential and risks of Luckin Coffee's entry into the US market. This analysis reveals that Luckin Coffee operates on its fully digitalized operating model and efficient supply chain system, as its core strategic resources. It also orchestrates these strategic resources through standardization and adaptation strategies. These resources possess potential value and rarity in terms of efficiency and cost control. However, this study also finds that Luckin Coffee's fully digitalized operating model faces the risk of strategic resource substitutability in the US market, potentially leading to consumer disincentives. Furthermore, Luckin Coffee's past forgery will undoubtedly have long-term implications for the brand's reputation.

This case study of Luckin Coffee in the US market provides a reference template and risk warning for companies seeking to internationalize, particularly those from emerging Chinese markets seeking to enter mature markets through innovative models, to better plan their overseas expansion strategies. Secondly, this article innovatively combines VRIN with marketing mix strategies to analyze Luckin Coffee in the US market, revealing that the VRIN of resources is not a single, static, inherent attribute of a brand but rather requires a specific analysis based on the external environment. Additionally, this article highlights corporate reputation and legitimacy as crucial strategic resources, prerequisites for the effectiveness of all other operational resources, and provides a promising new framework for exploring the strategic resources of multinational corporations.

Finally, due to limitations in research cost, time, and length, this analysis focuses solely on the case of Luckin Coffee, and data collection is limited. Moreover, the use of case analysis and text analysis carries the risk of confirmation bias. Future research could employ a mixed-methods design, combining qualitative and quantitative analysis. This could include targeted collection of key operational data from Luckin Coffee and first-hand data from US consumers through focused group interview and questionnaires. This could explore their acceptance of the brand's fully digital model and the drivers of brand trust, further evaluating the effectiveness of Luckin Coffee's business model in the US market.

References

- [1] Zhao, L., Zhang, Y. and Xie, Y. (2023) Does the Aging of the Chinese Population Have an Impact on Outward Foreign Direct Investment? *Sustainability*, 15, 13995.
- [2] Yang, D. (2025) Going Global: Internationalization of Private Enterprises and High-Quality Development of China's Economy. *Xuehai*, 2, 29-37+213-214.
- [3] Zhao, H., Yu, N. and Zhu, S. (2023) International Land-Sea Trade Corridor for Sustainable Transportation: A Review of Recent Literature. *Cleaner Logistics and Supply Chain*, 6, 100089.
- [4] Luckin Coffee Inc. (2025) Luckin Coffee Announces Second Quarter 2025 Financial Results. <https://www.globenewswire.com/news-release/2025/07/30/xxx> (Accessed 30 July 2025).
- [5] Wu, Y. (2025) The Marketing Strategy Case Analysis of Luckin Coffee in Southeast Asia. *Highlights in Business, Economics and Management*, 60, 199-204.
- [6] Bui, T.M. (2020) Standardization versus Adaptation Strategy in International Marketing Mix—The Case of KFC in Vietnamese Market. Master's Thesis, University of Turku.
- [7] D'Oria, L., et al. (2021) The Evolution of Resource-Based Inquiry: A Review and Meta-Analytic Integration of the Strategic Resources—Actions—Performance Pathway. *Journal of Management*, 47, 1383-1429.
- [8] Purwanto, S. and Siagian, F. (2025) Strategic Human Resources Management in the Global Era: Navigating Opportunities and Challenges. *Centurion MSPD Journal*, 1, 1.
- [9] Brouthers, K.D., Ascencio, C., Benmamoun, M. and Alhorr, H. (2025) Digital Standardization vs. Adaptation: Mitigating the Liability of Outsidership – A Literature Review. *International Business Review*, 34, 102487.
- [10] Wu, Y. (2025) An Overview of Luckin Coffee's Innovative Digital Marketing Model and its Impact on Consumer Behavior — A CAB Model Perspective. *Highlights in Business, Economics and Management*, 60, 355-362.
- [11] Zhang, Y. (2025) Analysis of Business Management Models and Marketing Strategies of Chinese Coffee Brands --Luckin Coffee as an Example. *Advances in Economics, Management and Political Sciences*, 152, 54-60.
- [12] Davras, Ö. and Davras, G.M. (2025) The Influences of Coffee Shops' Service Quality on Customer Citizenship Behavior Through Flow Experience. *Journal of Foodservice Business Research*, 1-28.
- [13] Chen, X. (2024) Discuss How Luckin Coffee Uses Unique Marketing Strategies to Satisfy Consumers' Needs and Desires in a Highly Homogenized Market. *Advances in Economics, Management and Political Sciences*, 97, 249-254.
- [14] Bain & Company (2025) China Shoppers Report 2025, Vol.1. <https://www.bain.com/insights/china-shoppers-report-2025/> (Accessed 30 July 2025).