**When you are doing business in China, and you are really successful, Chinese entrepreneurs will copy your success, and in the case of Starbucks has exceeded its success. Luckin Coffee has been in business since 2019, and now has 13,300 shops compared with 6,800 Starbucks shops.**

**Of course, when you are doing business in China with 1.4 billion people, you can still successful and make a lot of money, despite competition.**

**Starbucks plans to add a thousand stores a year with a goal of 9,000 shops by 2025.**

**In fact, there are other competitors (like Cotti Coffee), but with a huge market, there is room for lots of competition.**

**IMO with some of the innovative merchandise added to Starbucks, this company will continue to be very profitable and successful for a long time.**

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**Starbucks Loses Lead in China Coffee Race**

**Heather Haddon, Natasha Khan,** [***The Wall Street Journal***](https://wallstreetjournal-ny.newsmemory.com/)**|**[**Page B001**](https://wallstreetjournal-ny.newsmemory.com/?selDate=20231120&editionStart=The+Wall+Street+Journal&goTo=B001)**, 20 November 2023**

**Starbucks** is losing its prime spot among chains racing to meet China’s growing thirst for coffee.

Luckin Coffee has surpassed Starbucks as China’s biggest coffee chain by sales and units, reports by the companies show, a comeback for the Chinese chain after an accounting scandal that stalled its growth.

Flush with capital and under new leadership, Luckin now operates about 13,300 stores, with all but a handful located in China. That is roughly double Starbucks’s 6,800 locations in the country. To fuel its growth, Luckin has tapped rapid delivery services, mobile payment options and offerings such as a cheese-flavored latte that has been a hit with Chinese taste buds.

Seattle-based Starbucks, the world’s largest coffee chain, for decades has counted expansion in the world’s second-most-populous nation among its top priorities. Former CEO Howard Schultz has said China represents one of Starbucks’s biggest opportunities for growth—although it is a complicated place to do business. China is now Starbucks’s second- largest market by stores and revenue after the U.S.

Traditionally a tea-drinking society, China consumes little coffee compared with many other countries, but Chinese demand is growing, companies say. Analysts expect China to become the world’s largest consumer market in the next several years. Big Western brands selling to Chinese consumers face rising competition from local brands, as consumers begin to show a preference for them.

Starbucks sales in China are growing, the company said, along with competition from Chinese rivals. Luckin declined to comment.

Kiki Pang, a Guangdongbased marketing executive, drinks coffee about twice a week. She often orders a Luckin latte for delivery to her office in the afternoon while working, and pays through the WeChat app.

“Starbucks used to be quite popular among young Chinese consumers,” said Pang, 26. “Now that young people in China have more beverage options, the dynamics have changed.”

Starbucks sought to establish a first-mover advantage after opening its first cafe in China in 1999. Schultz personally cultivated relationships in the country. The chain branched out from the country’s largest cities into smaller ones, building hundreds of new stores a year in the country and catering to coffee drinkers looking to linger in cafes.

The pandemic badly hurt Starbucks’s Chinese business, with its same-store sales in the country falling 17% in its 2020 fiscal year compared with 2019. Now, many Chinese consumers are continuing belt-tightening habits formed during the pandemic.

Starbucks executives have remained steadfast on China. The company said in November that it aims to add around 1,000 stores in China a year, growing to 9,000 by 2025. Executives said China would one day become Starbucks’s largest market. “I am very confident that is only the beginning,” Starbucks China Co-CEO Belinda Wong said at the November investor event.

**Luckin, founded in 2017 and backed by venture capital during a tech funding boom in China, opened bare-bones stores at a faster clip than Starbucks’s more elaborate cafes did**. It centered its strategy around its mobile app and integrated delivery services from the outset, a to-go option Starbucks later added to its Chinese operations. Luckin had 3,680 stores by the fall of 2019, nearing the 4,130 Star-bucks had built over two decades by that year. Luckin went public in 2019.

In 2020, Luckin admitted that it had fabricated around $310 million of its previous year’s sales. The Nasdaq Stock Market delisted the company later that year. Luckin vowed to rebuild, bringing in new executives and investment from Chinese private-equity firm Centurium Capital. The chain opened its 10,000th store in China this summer, and celebrated by offering millions of customers coffee deals.

Luckin reported $855 million in sales for the quarter ended June 30, ahead of the $822 million Starbucks generated in its China business for the three months ended July 2, company filings show. Luckin’s sales lead widened in company reports in November.

Luckin has touted its value for consumers and some hit flavors, including a collaboration with Chinese luxury liquor brand Kweichow Moutai.

Another competitor is Chinese company Cotti Coffee, launched last year by Luckin founders no longer with the company. Cotti Coffee offers low-cost beverages geared toward young people, and in August said it had opened 5,000 stores in roughly a year.

Starbucks is pumping out its own new beverages in China, launching 28 there this summer. Executives said that Starbucks is the only coffee brand in China offering a full suite of beverages, food and merchandise, with prime locations around the country. It is building stores in smaller counties and in September opened a $220 million innovation center in China.

Starbucks CEO Laxman Narasimhan said at the investor event that Starbucks provided a better experience and higher quality to Chinese consumers, compared with lower-priced rivals.

Sunny Shen, a business consultant living in the coastal Jiangsu province north of Shanghai, said she drinks coffee several times a week. Recently, she indulged in one of Luckin’s limited-edition Tom and Jerry mascarpone lattes. She also appreciates Luckin’s value.

She said: “Especially when they issue coupons, Luckin can be a half or a third of a Starbucks coffee.”