

## China's coffee upstart is pouring millions into overtaking Starbucks

**Notes & Cues:****Article:**

Luckin Coffee, a Chinese startup that's banking on selling cappuccinos to on-the-go office workers, is spending millions of dollars a year opening outlets to unseat Starbucks Corp. as the top java seller in the country.

Launched about a year ago, the local challenger is confident it's got a winning model: small coffee outlets that will outnumber Starbucks cafes by year's end, an app that rushes out deliveries in about 18 minutes and lots of steep discounts. Chasing the entrenched rival, it's burning through \$130 million a year, according to the Xiamen-based company on China's southeast coast.

"China is Starbucks' best and most profitable market now, but it took them nine years of making huge losses," said Chief Strategy Officer Reinout Schakel in an interview in Beijing this week. "We will be faster than that."

Questions abound whether Luckin can parlay customer discounts and media hype into as powerful a brand as its rival. Starbucks reported last month that comparable sales growth could be as low as 1 percent over the long term, sparking concern that competition and cannibalization are taking their toll.

Seeking to shift focus from its competition with Starbucks, Schakel said that China has enough potential to sustain more than one chain. Even as it mounts its challenge, Luckin still looks to Starbucks to lead the way with its considerably larger resources in promoting coffee consumption in China.

"Of course we are competitors, but ultimately we both want the market to grow," he said.

**Summary:**