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The Aggressive Pioneer

A Case Study on the emerging of China's Coffee Market:
Overcoming culture resistance to create a new market

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Abstract

Recently, the exploration of market shaping and consumer behavior decision-making has garnered significant attention in both academic and practical domains. Existing literature predominantly concentrates on decision-making motivations and processes, often overlooking the impact of cultural background and social environment on consumers' specific buying psychology. Consequently, this study seeks to examine how culture impacts consumer decision-making and how companies adeptly navigate cultural barriers to shape the market and appeal to a broader consumer base. To achieve this goal, the author employed a qualitative research approach, conducting semi-structured interviews with consumers of specific coffee brands. The aim was to comprehend their purchasing decision processes, analyze the cultural impact on decisions, and investigate how culture and values manifest in influencing consumers' buying choices.

The findings of the study suggest that the culture of a specific region undergoes slow transformation, presenting a challenge for products with different cultural attributes entering the market. To successfully penetrate a specific region's market, a company must utilize the culture tool-kit to adapt to cultural resistance, and to align with consumers' behavioral habits and purchasing psychology. It is crucial for companies to provide rational justifications for product attributes misaligned with local values. Furthermore, the study reveals that satisfying consumer needs in all aspects enables companies to achieve market sense-making. This involves broadening the market, fostering positive interactive relationships through consumer education, and ultimately obtaining consumer recognition and resonance. Drawing inspirations from Chan's theoretical framework, this study expands on it within the context of consumer decision-making theory, thus providing market participants with valuable insights on overcoming cultural barriers to explore new markets.

Keywords: Culture tool-kit; Chinese coffee market; Market shaping; Consumer decision-making

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Definitions

<i>Term</i>	<i>Definition in this study</i>
<i>Culture resistance</i>	The domine culture work as a potential force, it fights against foreign cultures that are incompatible with local cultural values.
<i>Shen Nong (Shen Nong Shi)</i>	Shennong is a mortal emperor have been born in the 28th century BCE.
<i>Cultural obstacles</i>	When different cultures communicate with each other, people cannot understand the meaning of each other's culture through language, writing, etc., and thus cannot understand the values behind it.
<i>Cultural resources</i>	The legacy of culture in a specific area, which may be material or immaterial. This article mainly focuses on the discussion of intangible cultural resources, which are traditional cultural concepts and socially recognized values.

1. Introduction

Coffee is one of the most popular beverages, which is loved by people all over the world. However, although coffee entered mainland China as early as the 19th century, it still has not formed a wide consumer group and developed a mature and large-scale market in China during the past hundred years. Compared with East Asian countries such as Malaysia and Japan, which are deeply influenced by coffee culture (Rahim, Jin&Fong, 2019). Coffee has not developed vigorously and flourished in China even as foreign brands such as Starbucks entered the Chinese market. Tucker (2011) believes that coffee is a useful ingredient that can fill social values and cultural representation. Apparently, the Chinese seems have not embraced coffee, coffee culture and the values over the past hundred years.

In China, people's non-acceptance of coffee arose from millennia of tea-drinking habits, and the prejudices and negative understandings of coffee constitute a unique pattern of preference that is incompatible with the idea of coffee consumption (Yoong, 2022). However, there has been a sudden coffee craze in China and China's coffee consumer groups boomed in a short period of time during the past 5 years. Since 2018, the industry size of China's coffee market has expanded rapidly at an average annual compound growth rate of 25%. In just five years, the market size of China's coffee industry has increased from 56.9 billion to 180.6 billion (China Business Industry Research Institute, 2023). The coffee consumption in China increased by 140% from 2018 to 2021 and coffee imports reached \$1.12 billion by the end of 2021 (Yang, 2023). China's current coffee market is growing and expanding faster than ever before.

Under such circumstances, we can't help but ask, what made Chinese consumers overcome their cultural resistance and start falling in love with coffee? The author chose a Chinese local coffee brand--Luckin Coffee that has been gradually emerging in a stubborn market. Since 2018, Luckin Coffee has been gradually changing Chinese consumer's resistance to coffee. It has achieved rapid market expansion over the past five years, utilizing favorable cultural knowledge and unique Chinese eating habits to circumvent incompatible cultural factors. In studies on cultural resistance and cultural tool-kit, companies use local culture as a strategy to develop potential

markets while circumventing local cultural resistance (Chan, 2017; Swidler, 1986; Russell, 2006).

Before Luckin Coffee was founded, there were other foreign or local coffee brands that tried to promote coffee culture in China. In addition to Starbucks, a number of Chinese local coffee brands have indeed emerged during the past 40 years, such as U.B.C Coffee and Pacific Coffee etc. However, these Chinese local coffee brands ultimately failed. The main reason is that most of these coffee brands copy the operating models and coffee tastes of coffee shops in European and American countries, without taking into account the substantive needs and cultural resistance of local Chinese consumers. In other words, they did not take the cultural tool-kit into consideration in their business. Therefore, this study integrates cultural tool-kit into the analysis of consumer behavior and market shaping to focus on the emergence and development of the coffee market in China from the perspective of local consumers. Moreover, the study also combines a large number of theories about marketing and consumer behavior to analyze the complex process of consumers making decisions and their purchasing motivations.

1.1 Purpose and research question

Inspired by Chan(2017), the following research question has been formulated:

How can successful coffee brands leverage cultural tool-kits to reach a wider coffee consumer base in China (cultural toolkit mobilization opening up wider market opportunities)?

Based on previous failed coffee business cases, this study incorporates cultural tool-kit into thinking about consumer purchasing decision. This study address the research gap between consumer decision-making behavior and cultural resistance to explore in depth how the company to broaden (shape) the market. At this intersection, cultural values have been deeply embedded in consumers' behavioral decisions, but have rarely been studied in depth (Swidler, 1986; Manley, 1998; Russell, 2006). This study makes theoretical contributions to cultural tool-kit and consumer market needs shaping. Specifically, this study aims to investigate consumers' perceived abilities and mentality changes when purchasing products with cultural attributes. This study also aims to gain an in-depth understanding of how a brand's contextual factors influence

consumers' mindset changes and repurchase rates. Understand how individual consumers change their consumption behavior in the context of no coffee consumption habits, and the potential factors that promote and inhibit consumption in the inherent cultural background.

In order to address the question, this study first sheds light on China's previously relatively stable hot drinks market and the cultural resistance that coffee faced in entering the Chinese market. Secondly, it is also important to understand consumers' complex decision-making processes and purchasing motivations. *Figure 1* is a diagram showing the relationship between research questions and related theories.

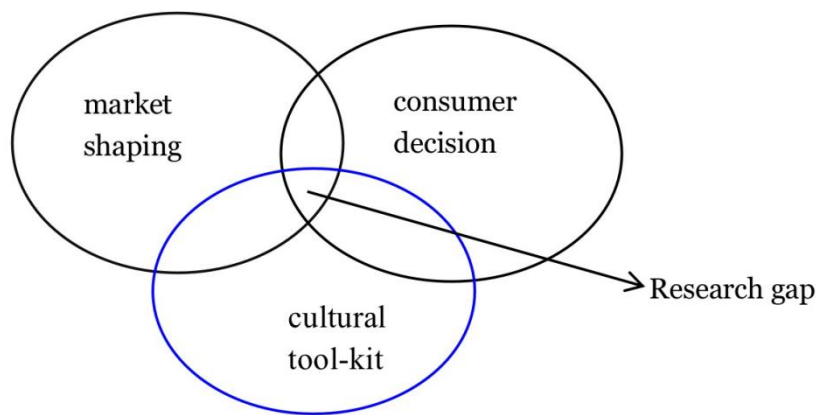


Figure 1: The research gap

1.2 Expected contribution

By seeking answers to the research questions, this study seeks to make practical contributions from two aspects. The author analyzed the sparse articles related to the cultural toolkit to sorted out the complete context of the cultural toolkit from its birth to its continuous maturity. Meanwhile, Consumer Behavior Theory has developed rapidly in the past 20 years, from Kotler's 4p (1994), utility maximization to 'Consumer Benefits Ladder' functions. Various business cases have promoted the rapid development of the theories, such rapid change calls into question early theories of consumer behavior (Howard and Sheth, 1969; Jacoby, 1975; Sheth, 1967).

This study attempt to build the connection between the new consumer behavior theory to the cultural tool-kit, connecting the theory with business practice cases in the Chinese coffee market to make contributions from a practical level. Although China's coffee market has experienced rapid development in the past five years, the per capita

coffee drinking of Chinese people still maintained at 11.3 cups in 2022, far lower than the 207.4 cups of Japan, a fellow East Asian country (China Commercial Industry Research Institute , 2022). Therefore, there is still a huge amount of space for development in China's coffee market. It is interesting for companies to determine the extent to which cultural perceptions influence consumer decision-making behavior. Business managers can draw lessons and ideas from this research. From the perspective of consumer behavior, this study provides ideas and practical paths for companies to explore potential markets with a stable cultural environment. In addition, the study explains the widening and innovation of the Chinese coffee market from a cultural perspective, which refers to using cultural tool-kit to shape the market. This provides a reference and practical path for other organizations to break through their inherent markets.

1.3 Thesis Outline

After introducing the research background, the author will first sort out the literature in the above two directions and build a connection between the two on this basis. After explaining the methodological choices of the study, the empirical procedure and results will be briefly stated. Finally, a comprehensive discussion is made based on the above two theories before drawing a conclusion. Figure 2 illustrates the structure of the study.



Figure 2: Thesis structure

2. Background

2.1 Chinese tea drinking traditions

Tea is liquid obtained by filtering dried or roasted tea leaves after brewing them in boiling water (Tfounoi&Camara, 2017). As a daily beverage for 3 billion people in more than 160 countries and regions around the world, tea is currently the second most consumed beverage in the world after water (Chen, 2015). The Chinese consume 2,069,000 tons of tea annually, accounting for 36.85% of the world's total tea consumption, a figure that also makes China the largest consumer of tea in the world. In mainland China alone, 490 million people had the habit of consuming tea as a daily beverage in 2019 (Si-Yuan Pan, 2022).

China is the first country in the world to use tea as a beverage. As early as 4000 years ago (2737BC), Shen Nong (Shen Nong Shi), the oldest ancestor of the Chinese people, discovered tea for the first time(Si-Yuan Pan, 2022). According to the book *Shen Nong's Herbal Classic*, Shen Nong consumed tea leaves to relieve his symptoms of poisoning. This confirmed the beneficial effects of tea on the human body (Pang, 2018).

According to available historical records, ancient Chinese started to drink tea as a beverage at the latest in the Shang dynasty (1600-1046 BCE) (Si-Yuan Pan, 2022). Tea was regarded as a rare and precious beverage supplied by local officials to the nobility from the Western Han Dynasty(202 BC – 9 AD, 25–220 AD) to the Three Kingdoms period. It was not until the Tang Dynasty (618-907) that tea gradually changed from being an aristocratic beverage into an everyday drink for the common people (Pang, 2018). As tea continued to grow in popularity throughout China, tea-related topics proliferated in poetry and literary works during the Tang (618-907) and Song (960-1279) dynasties. During the Yuan Dynasty (1271-1368), the central plains of China became the center of the Chinese Empire. During the Yuan dynasty (1271-1368), the Central Plains and the Tibetans each had a specialized office, "Tea&Horse," to oversee the trade between Chinese tea and Tibetan horses (Glibert 2008). In his book *The Science and Civilization in China* (1954), tea drinking was mentioned as one of the most important parts of the Chinese diet.

Further, due to the high popularity of tea in China and even in East Asia, as well as the easy storage properties of the tea leaves themselves, made it a medium for material exchange (Tong, 2021). Tea was produced as resultant bricks with hydraulically pressed into embossed molds. Brick teas, because of their preciousness, were easily exchanged for silver in re-modern Afro-Eurasia. Brick teas were used by various Chinese dynasties as a currency for trading with Central Asian countries when purchasing war horses, it can be regarded as an important military strategic material(Feng, 2012).

Tea for the Chinese is not only a beverage, but also a behavioral habit that is deeply tied to the religious culture;it can be seen in Confucianism, Buddhism and Taoism, the three most important components of the Chinese culture, and the complementarity of these three sects reveals the ideology of the Chinese culture at its lowest level(Feng, 2012). Tea as a refreshing stimulant facilitates the most revered activity in Buddhism, sitting meditation (Glibert, 2008), and drinking tea before meditation and chanting begins becomes a pattern of behavior. Taoism sees tea as a way to cultivate the body and nourish the mind, helping one to achieve the goal of keeping body and soul together as described in *The Scripture of Ethics*(Feng, 2012). Tea is seen as a quality of humility and unique hospitality in Confucianism, and is the embodiment of the spirit of Moderate in Confucianism (Chan, 2015).

Due to the Chinese people's love for tea, society has even formed a set of etiquette specifically for drinking tea, called Tea ceremony. Tea ceremony is the most important cultural item and symbol associated with tea, and like religious ceremonies, the tea ceremony has a fixed standard of conduct. The Tea Ceremony emerged to standardize the etiquette associated with tea tasting and eventually became a cultural program that gained popularity (Pang, 2018). The etiquette of the tea ceremony includes the knowledge of how to use 29 types of tea utensils and 36 standardized actions such as preparing, brewing, offering, enjoying, and smelling the tea (Pan, 2022).

It can be seen that Chinese society not only has a long history of tea drinking, but tea has also been used as a military strategic material and has an independent spiritual

core because of its combination with religion (Jiang, 2019). The status and importance of tea in Chinese society are deep-rooted and cannot be easily ignored.

2.2 Chinese coffee drinking traditions

In contrast to tea cultivation, the Chinese only began drinking coffee as a result of Western colonization of China in the mid-to-late 19th century. After the 1850s, with the opening of China's coastal ports, Western food culture gradually entered China, and a few Chinese began to drink coffee (Ronald, 2018). The earliest coffeehouses in China appeared in the southeastern coastal areas of China (Shanghai and Tianjin), and their main customers were Chinese who had more contact with Westerners, such as interpreters and seafarers (Harbeck, 2019). Due to the deepening of Western colonization in China and the fall of the feudal dynasty, coffeehouses became the most popular places for recreation and public gatherings in Shanghai in the 1920s-1940s (Huang, 1997). Coffee drinking, as a symbol of refined living, became popular among the elite people in modern China who admired Western-style living (Harbeck, 2019).

As Han (2020) mentioned in his research related to Chinese coffee culture, the number of coffee stores in Shanghai reached its peak in the 1920s, with cafes concentrated in the French Concession and the Hongkou area, while the influx of Russian immigrants into China after the October Revolution further increased the demand for coffee and the variety of coffee varieties in mainland China. In 1935, the predecessor of Shanghai Coffee Factory, Desheng Coffee Company, was founded in Shanghai, which was the first local coffee brand in China (Harbeck, 2019). In 1958, the brand was renamed Shanghai Coffee Factory, which mainly produces coffee in tin cans, and became the first enterprise specializing in the production and export of coffee products in mainland China. The "Shanghai Brand" coffee in tin cans was the only coffee brand in China from the 1960s to the 1980s, and was mainly supplied to high-end hotels and restaurants. During this period, coffee was still a premium beverage available only to a select few, and the majority of Chinese people continued to follow the traditional Chinese diet.

Prior to 1990, coffee was still an exclusive hot beverage for a few people in mainland China. Mainland China implemented the reform and opening-up policy in 1978, and

Nestle coffee entered China in 1988 and began to support the development of China's coffee industry (Han, 2020). Nestle's strong promotional efforts initially led to the emergence of the coffee market in China, with instant coffee and 3-in-1 flavored coffee becoming the Chinese understanding of coffee from 1978 to 2000. The world famous coffee retailer Starbucks broke into China's mainland market in 1999, establishing its first store in Beijing (Harbeck, 2019). One year later, Starbucks opened its second store in Shanghai, China, marking the beginning of its domination of China's coffee market for the following dozen years (Starbucks Official, 2022). As of 2018, the number of Starbucks stores in China has exceeded 3,400, and Starbucks has brought hand-ground coffee to China in the form of a chain of stores, shifting Chinese people's understanding of coffee from a single drink to a comprehensive experience (Han, 2020). Currently, Starbucks has more than 5,000 stores in mainland China with over 60,000 employees. At the same time, foreign coffee brands Costa Coffee and Peet's Coffee have also successively entered the Chinese market (Ferreira, J & Ferreira, C 2018).

It is worth noting that the way foreign coffee chains enter the Chinese market is highly similar. These coffee brands are usually concentrated in major business districts in China's super Tier 1 and Tier 1 cities, and are positioned to serve the mid-to-high-end customer segment (Ferreira, J & Ferreira, C 2018). Meanwhile, these coffee brands have been slow to educate the local consumer as they are more expensive and mainly social experience products--brunch and afternoon tea. Further, they have been slow to educate and sensemake the market as they have not realized the importance of the cultural tool-kit and cultural resistance in the local market. Previously failed brands still continued the traditional coffee shop operation model of the Western market in China, including providing coffee with single taste, high unit price and advocating afternoon tea culture.

2.3 The structure of the Chinese beverage industry

According to data from China Chain-Store & Franchise Association (CCFA), in early 2023, China's tea beverage market size grew from 42.2 billion in 2017 to 104 billion in 2022, at a CAGR of more than 20%, while Coffee market size grew from 28.4 billion yuan in 2017 to 119.1 billion yuan in 2022, at a CAGR of over 30%.

Since 2015, the number of tea and coffee-related brands and stores in China has shown high year-on-year growth trends, especially the rapid growth of new-style tea drinks based on tea but with innovative flavors. New-style tea drinks, with tea and fruits as the main ingredients, are free of caffeine and dairy products. According to incomplete statistics, by the end of 2022, the total number of new tea drink stores in business in China will reach approximately 486,000, representing a growth of over 28% from the end of 2020, when there were 378,000 stores (CCFA, 2022). Among them, according to data from Meituan, China's largest takeaway ordering platform, the chainization rate of new tea-drinkings in China increased from 41.2% to 55.2% in 2020-2022. In a sample survey of core business districts in several cities, the chainization rate of new tea drink brands exceeded 80%. In terms of the share of the number of stores, tea beverages still have the largest number of stores among China's ready-made beverages.

By the end of 2022, there were 50,500 new tea-related businesses and 35,500 new coffee-related businesses in China. China's Top 3 takeaway ordering platform, the share of orders from coffee chain brand merchants will increase by about 2 percentage points in 2022 compared with 2020 (CCFA, 2022). In terms of the distribution of coffee consumption, Shanghai, Hangzhou, Beijing, Suzhou and Chengdu are the five largest cities in China in terms of coffee consumption. According to the '2021 China Coffee Industry Development White Paper', the higher the income of consumers, the higher the penetration rate and intake frequency of coffee consumption. Among them, those with a monthly salary of 30k or more can reach a coffee penetration rate of more than 80%, with an average annual intake of around 377 cups (CCFA, 2022). In 2022, China consumed a total of nearly 300,000 tons of coffee, while Japan's coffee consumption during the same period was 432,875 tons. In addition, groups with higher work intensity and more overtime situations will consume more coffee.

Although China's coffee consumption after sub-2018 has presented a very different situation from before, China's per capita coffee consumption is still at a low level compared to the global coffee market, especially in Europe, the United States, Japan, South America and other markets where the development of coffee is relatively mature (Deloitte, 2022). In 2022, China's per capita coffee consumption was 11.3 cups/year, while the highest per capita consumption in Germany was 901 cups/year,

and the average of per capita coffee consumption in the major countries around the world was also 449 cups/year (Ma, 2023). From this data, it is obvious that there is still a lot of room for growth in per capita coffee consumption in China as there are still many people who have not yet established the habit of drinking coffee (Ma, 2023). According to the official data from GlobalData, China's overall coffee sales to grow at 8.7% compound annual growth rate (CAGR) during 2022 to 2027 expectively.

2.3.1 The failure of previous domestic player

U.B.C Coffee

U.B.C Coffee, a local Chinese coffee brand, was established in 1997, U.B.C Coffee has taken the initiative to penetrate the high-end market, launching a series of menus in the form of 'coffee plus Western Cuisine', with coffee being one of its main products. U.B.C Coffee expanded rapidly in the late 90's and early 2000's as it became popular among young people. According to the U.B.C Coffee official website, U.B.C Coffee had more than 600 stores nationwide, and including its sub-brands, the group had more than 3,000 stores in mainland China by July 2004.

However, U.B.C Coffee's failure stems from its rapid expansion using the "franchise model", whereby U.B.C Coffee charged a franchise fee to allow each store to use the U.B.C Coffee brand, but neglected the management of store operations, service and product quality. For instance, U.B.C Coffee's franchisees did not have a unified purchasing channel and did not provide uniform, process-oriented training for baristas from different franchisees, which resulted in huge differences in the taste and quality of the same coffee from store to store. In addition, U.B.C Coffee offers stored value cards to its customers to attract more loyal customers, yet these stored value cards cannot be used across stores. Therefore, if a U.B.C Coffee store fails to operate well and closes down, customers will not be able to spend the remaining money in the stored value card. Regarding the U.B.C. Coffee's 'free-range' franchise model, Jingdong founder Liu Qiangdong had a spot-on review - "within 5 years thousands of U. B. C Coffee sprang up across China as it did not require cafes to select location of the site or undergo any training to be a part of the franchise, but only to pay the franchise fee. Such a model goes against the consumers' interests" .This business model of franchise fee is contrary to the interests of consumers."

Pacific Coffee

Founded in 1992 in Hong Kong, China, Pacific Coffee's main business includes retailing coffee in stores and providing comprehensive coffee operation services. It entered the Chinese mainland market in 2011 under the slogan of "China's Own Coffee Chain Brand". As of 2017, Pacific Coffee has opened nearly 500 stores in China and has become the second largest coffee chain brand in the Chinese market. From 2021 to the present, Pacific Coffee closed more than 200 stores in total, according to Polar Ocean Brand Monitoring, and as of March 28, 2023, Pacific Coffee operated 166 stores in mainland China (in 2020, 443 stores).

Pacific Coffee's store cancellations will be concentrated in the period of 2021-2023, which coincides with the rapid development of the coffee industry in mainland China. Pacific Coffee's problem is that its brand positioning is relatively vague and does not pose sufficient attraction to customers. Pacific Coffee has been focusing on the mid-to-high-end business crowd, and the average pricing of its products is comparable to that of foreign boutique coffees such as Starbucks and its store business model is directly comparable to Starbucks.

It can be seen from the above two failure cases that previous coffee brands in the Chinese market did not meet consumer needs in terms of price, taste and other product attributes and cultural values. Previous coffee brand explorations in China did not take into account the local market conditions and directly copied the operation models of foreign coffee brands. For example, U.B.C Coffee draws on the operating model of European cafes and combines coffee drinks with simple meals such as brunch. This is obviously not in line with the fast-paced and high-pressure life in Chinese cities. Meanwhile, Pacific Coffee imitates Starbucks still insist on retaining the taste of coffee in Europe and the United States, without taking into account Chinese consumers' rejection of the bitter taste of coffee. Therefore, earlier brands did not find coffee products suitable for Chinese consumers, which resulted in the coffee market never expanding in China.

2.3.2 Pioneer-Luckin Coffee

When many coffee brands were helpless in the Chinese market, Luckin Coffee used the culture tool-kit to adapt to the cultural resistance of the Chinese market. It

gradually shaped and sensemade the coffee market within five years, gradually becoming the coffee giant and taking the lion's share of the whole market.

According to public data from Luckin Coffee's official website (2023), the number of Luckin Coffee stores has exceeded 10,000, surpassing Starbucks to become the largest retail coffee chain brand in China. Luckin Coffee's number of transaction users exceeded 50 million, and the cumulative number of transaction users reached 170 million in June 2023. Based on financial report data, Luckin Coffee's total net revenue in fiscal year 2022 was 13.29 billion yuan(\$1.87 billion), a year-on-year increase of 66.9% (Luckin Coffee, 2023). And this data continues to grow, Luckin Coffee's total net revenue in the third quarter was 7.2 billion yuan(\$1.01billion), an increase of 84.9% compared with 3.8946 billion yuan (\$0.54 billion) in the same period of 2022. Net profit was 988.0 million yuan(\$1.39 million), a year-on-year increase of 87%; not according to U.S. Generally Accepted Accounting Principles (Non-GAAP), net profit was 1.144 billion yuan, while net profit in the third quarter of 2022 was 514.9 million yuan (\$72.8 million) (Luckin Coffee, 2023).

3. Literature Review & Theoretical Framework

The purpose of this literature review is to define the current research status of forces that shape consumer market needs, consumer needs and culture resistance to derive the theoretical framework of this study based on their intersection. This section is divided into three parts, each of which reviews the literature and looks for overlapping parts, ultimately forming the theoretical framework of the study. In the theoretical part, I will respectively explore (3.1) *Forces that shape the market*. (3.2) *Consumers need* to lay the foundation and broadly include related concepts, including understanding the benefits and the decision making sought by consumers. (3.3) *Cultural resistance and cultural tool-kit* to understand the problems faced by enterprises in shaping the market.

3.1 Background theory

3.1.1 Concept of Market shaping

The concept of market shaping is richly defined in the existing literature and can be seen both as a way for organizations to master market dynamics and as a means to strengthen their strategic tools.

Most of the recent research has focused on describing market changes and market dynamics, and often consider market-shaping as a result of system-level changes or collaborative shaping efforts. Relative concepts such as market driving, market scripting, and market innovation are all examined to describe the market-shaping drives (Liljenberg, 2017; Flaig&Ottosson, 2021;Gavetti&Marengo, 2017; Kleinaltenkamp, 2022; Windahl, 2019;Jaworski,2000). The extant market-shaping literature has identified the results of market shaping strategies into the following types.

Firstly, ‘market widening’ is a type of outcome of market-shaping in which the market is expanded. Secondly, another potential outcome of market-shaping is ‘market reduction’ which can be the result of, for example, delegitimization activities focused on reducing a market (Flaig, 2021). Thirdly, ‘market maintenance’ refers to a proactive method of preserving the existing structure of a market through deliberate actions designed to hinder any shifts in the market. Finally, ‘market innovation’ and ‘market creation’ can be seen as results of strategies that shape a market, and

essentially, any alteration within a market can be regarded as a form of market innovation.

This thesis creatively combines the intersection of three dimensions in academic literature. Since this study focuses on consumers' decision-making behavior under the influence of culture, the author chose the customer-oriented market shaping theory (market-driven) in the theoretical framework. Therefore, the thesis did not consider market policy and other traditional marketing theories (Rahim, 2015; Grönroos, 1982).

A great deal of current research on market shaping is rooted in microeconomics, heavily influenced by theories related to industrial organization and strategic management and thus emphasizing the relationship between the environment and the organization. Jaworski (2000) helps organizations to move away from a stable and static conception of the market by incorporating market-driven approaches into market shaping strategies. The theory shifts the market conceptualization from a single dimension to a broad and complex adaptive system that takes into account a wide range of other market participants in addition to the buyers and sellers that are involved in traditional market theory (Mele, 2015). The behaviors and practices of all participants in the market are deliberately or unconsciously shaping the market, which in turn results in a market that is constantly changing (Stucke, 2013). Therefore, market outcomes are not shaped and influenced by the market itself, but rather the state of the market after it has been shaped and as a result of organizational strategies in the given business environment (Storbacka, 2019).

Gavetti (2017) focuses on the shaping of the business environment by the organization, defining it as the shaping of needs to create or change the revenue structure for all firms in a particular business environment. Shaping is not only about influencing the behavioral motivations of external players and the rewards they receive, but also about generating a competitive advantage in a given business environment. Gavetti (2017) constructs NK modeling based on the conceptualization of shaping as a change in the topology of the business landscape and the overall structure of revenues by a particular company in the market. Gavetti (2017) also focuses on the importance of the ecosystems and dynamic capabilities for

organizations to shape the established business environment and the impact it has on disruptive change in the business.

Liljenberg (2022) in his study of market shaping focuses on the contextual agility of the firm, i.e., the ability of the organization to sensitively capture changes in its surroundings in order to create more opportunities. More specifically, contextual agility is the ability to quickly and sensitively prepare for established and interdependent market conditions, which ultimately translates into market shaping practices. It is rooted in the characterization of creative markets, which is more pronounced during periods of market disruption. The study further explores the potential of the mature market research field by using the three main elements of contextual agility: representation, entrepreneurship, and agility as an entry point to demonstrate that markets are shaped by participants. He also points out that a firm's keen perception of the market's intentions is a prerequisite for shaping the market and proposes a two-dimensional framework incorporating strategic intentions. Based on this, Flaig (2021) explains the process of market shaping in terms of a firm's ability to recognize the variability of the market and to choose the strategic intent which will shape its choice of activities. This shows that the existing theories' understanding of market shaping theory presupposes the dynamic change of the market, which in turn recognizes the ability of firms to change the established business environment and influence a wide range of market participants.

3.1.2 Consumer Behavior & Laddering Technique

The Laddering technique provides consumers with various reasons for purchasing a specific product. The concept describes a cognitive structure that links consumers' knowledge of a product with specific attributes to consumers' personal values (Barrena, García, & Sánchez, 2015; Grunert & Grunert, 1995), and this determines the complexity of the process by which consumers make purchasing decisions.

Consumers' purchasing behavior not only depends on their knowledge and substantial need for the product, but also brings personal characteristics into the decision-making process, which complicates the process. It also elevates consumers' needs for products to a high level of abstraction (Homer & Lynn, 1988; Vincon, Scott, & Lamont, 1977).

At the same time, consumer behavior is also defining or shaping the marketplace, in which consumers' behavior and decision-making are not only dependent on the attributes of a particular product, but are also interconnected with their personal values. Brand marketing carries the socio-cultural resonance of consumer identity construction, social belonging, and meaning making. Consumer culture theory (CCT) is a field that focuses on the complexity of consumer culture. The emergence of this concept has largely shaken the traditional overly rationalistic and utilitarian view of the consumer, i.e., the consumer as a rational decision maker who focuses only on the functional benefits of goods. In contrast to CCT's focus on consumer desires, consumer experiences, and commercial services, the traditional concept of a rational consumer focuses more on the analysis of quantifiable factors such as pricing, product assortment, retail systems, and formats (Eric J. Arnould & Craig J. Thompson, 2018).

While traditional consumer and marketing research is limited within the confines of economics and psychology, CCT incorporates anthropological, historical, and socio-cultural themes in its analysis of consumer behavior in order to explore how networks of cultural meaning and consumer products shape the consumer experience from a phenomenological perspective (Eric J. Arnould & Craig J. Thompson, 2018). Currently, brands have recognized that cultural meaning, consumer collective and social belonging, and consumer identity construction are relevant to brand success, which in turn has led to the relatively widespread use of CCT in the management field (Holt, 2004; McCracken, 2009).

From a CCT perspective, consumer culture is the behaviors and beliefs of consumers. Don Slater (1997) suggests that the consumption of market-made goods and desire-inducing commercialized symbols is at the heart of consumer culture. Consumer culture is seen as a social arrangement in which the market regulates, directly or indirectly, the relationship between meaningful lifestyles and symbolic and material resources such as the brands on which they are based. The CCT framework proposed by Arnould and Thompson (2005) builds on the previous extensions from four perspectives: consumer identity projects, marketplace cultures, the socio-historic patterning of consumption, and mass-mediated marketplace ideologies and consumers' interpretive strategies. The consumer identity project combines CCT with cultural studies in order to explain in detail the theory and practice of business from

four perspectives. In the course of their research, Arnould and Thompson focus on the cultural contradictions of consumer identity construction and market negotiation, as well as the commodification of cultural rituals and emotions.

3.1.3 Cultural Resistance & Cultural tool-kit

The term cultural resistance was first used in the field of religion and culture. In the existing articles on cultural resistance, the term has been widely used in relation to highly ideological topics such as colonialism, political ideas and stances, and literature in exile, but less frequently to explain the behavior and psychology of subjects from a microeconomic perspective.

Among the few studies on consumer cultural resistance, Russell (2006) analyzes movies, a commodity with strong political and cultural ideologies, to explore the effects of country-of-origin, animosity, and cultural salience on consumer resistance. Their study shows that even potentially dormant or benign cultural-historical factors can have a negative impact on international trade. Meanwhile, Russell (2006) also emphasized in his study that the integration of cross-cultural identity and methods into marketing strategies can help firms to better understand the process of consumer reaction to foreign products and can also have a tremendous influence on business practices.

The theoretical considering of this study is also inspired by Chan (2009), who used the concept of cultural resistance to explain the market of the Chinese insurance industry and the strategy of the China Life Insurance Company (CLIC). In cultural sociology, there are two different paradigms for the term "culture": one defines culture as a subjective and temporally sustained system of meanings, and the other defines culture as a relatively dispersed toolkit of actual meanings. Chan combines both of these to explain the rise of CLIC in the face of different values and ideas as cultural barriers. He emphasized the importance of a cultural tool-kit in his study. When culture as common ideas and values in the region are not favorable to the emergence of a market for a given product, firms need to use the cultural tool-kit to circumvent local cultural resistance and the resisting ideas that consumers develop under cultural barriers. In avoiding cultural barriers, the actions of market participants inevitably shape the trajectory and character of market development. According to the

cultural tool-kit proposed by Chan (2009), although firms can use culture as a strategy to develop potential markets, culture as a coherent system of meanings shapes the characteristics of the market. The cultural tool-kit largely emphasizes the structural constraints that cultural resistance hides in the process of market development. The structural constraints of cultural resistance in the market development process are largely emphasized.

Cultural tool-kit was first proposed by Swidler (1986), which worked as a concept of cultural tools to provide an explanatory mechanism for modern management strategies to explain how particular participants create and maintain culture within an established business environment. Manley (1998) further expanded on Swidler's concept of the cultural tool-kit to explain how modern management utilizes symbols and rituals, among other things, to incorporate new management methods and ideas into the business culture.

3.2 Theoretical Framework

Rather than influencing action based on underlying values, culture influences action by shaping a 'tool-kit' of habits, skills, and styles from which people construct 'strategies for action' (Sewell, 1999). Swidler (1986) argues that the relationship between the elements of habits, skills, and styles varies with time and historical circumstances. Within established lifestyles, culture provides a range of influences upon which organizations can develop different strategies for action by adapting to these impacts. Thus, culture appears to only shape action, as the cultural tool-kit limits the range of action strategies available.

This thesis will also draw on the previously mentioned cultural tool-kit perspective as a theoretical basis for analysis in order to focus on the role of coherent cultural symbols in shaping markets. The two concepts of cultural persistence and fragmentation presuppose each other, and therefore the understanding of cultural resistance in established markets should be based on the representation of cultural forms under different concepts (Sewell, 1999). My overall goal is to use two form-specific understandings of culture to explain the rise and expansion of the coffee market in China, and how good coffee brands develop markets in the face of cultural resistance.

This study addresses the issue using a framework closely related to Sewell's (1992) structural conceptualization, in which both system schema and polysemic resources are cultural components. Based on an empirical case study, my consideration is on how culture, as an unseen force, can constitute economic practice in the form of values and concepts as schematic references for sharing, and in the form of practical toolkits as shared resources that can be relatively independent and interdependent.

In doing so, I look equally at both cultural forms of coherence and incoherence, values and toolkit perspectives. At the same time, this is used as an entry point to focus on the changing character of the Chinese beverage market in the context of cultural values.

The choice of cultural tool-kit as part of the theoretical framework for this study takes into account the cultural complexity and stability of the Chinese market. The Chinese have a longer history of drinking tea than any other East Asian countries, and China has experienced explosive economic growth in a much shorter period of time (Gilbert, 2008). This has undoubtedly allowed the Chinese to rush into the modern world while retaining deep-rooted traditional cultural attitudes. The collision of history and modern culture has made the Chinese people old-fashioned and at the same time curious about foreign things. Therefore, when analyzing the market shaping and consumer behavior, this study not only considers consumer psychology in normal business case analysis, but also incorporates cultural resistance and cultural tool-kit in order to explain the hidden and complex purchase motives of Chinese consumers.

In addition, this study also draws on the theoretical framework related to the means-end chain technique (MEC) in order to analyze the behavioral decision-making process in consumers. The MEC suggests that consumer decision-making is organized hierarchically by levels of abstraction (Howard, 1977; Young & Feigin, 1975). In this regard, the author's analysis of consumer behavior is based on Walker and Olson (1991) who proposed six levels of MEC. The lower three levels (Concrete Attributes, Abstract Attributes, and Functional Consequences) constitute the consumer's perception of the product, while the higher three levels (Psychosocial Consequences, Instrumental Value, and Final Value) constitute the consumer's self-perception. Concrete attributes refer to the functions and characteristics of products and services

desired by consumers. Abstract attributes are attributes that cannot be examined before consumption. Functional consequences are benefits associated with product attributes that consumers experience directly from consuming a product or service (Wu, 1988).

Furthermore, in MEC, product attributes are associated with consumer benefits and sought-after values, MEC recognizes that people do not make choices about goods based on the goods themselves, but rather on the benefits they derive from the goods. The higher the consumer's hierarchy of needs in MEC, the stronger and more direct the relationship with the product (Olson & Reynolds, 1983).

Specifically, few studies have focused on the potential relationship between cultural resistance and market shaping, and the mechanisms implicitly underlying it (Cova et al., 2021; Beninger, 2021; Diaz Ruiz, C.A., Baker, J.J., Mason, K. & Tierney, K., 2020). This study relied on sociological theories to explain change lines and pioneering efforts to shape markets in the face of cultural resistance and examine tools commonly used by organizations attempting cultural change.

4.Methodology & Data collection

This section introduces the research approach, methods and data used in this study.

The analytic narrative approach of a single case was conducted based on mixed case studies based on qualitative data analysis and research reports from the China Chain-Store & Franchise Association (CCFA), Official website of Luckin Coffee and S&P Global. This section begins with an overview of the study design, followed by a data collation and analysis section, which includes a discussion of the value and limitations of the data sources. Finally, the limitations of study and data analysis are explained.

Generally speaking, this study aims to investigate China's gradually emerging coffee market from 2018 to 2023, the gradual changes in consumer psychology during this process, and the strategic analysis of Luckin Coffee, the fastest-expanding and market shaping approach of Chinese domestic coffee brand during the past five years.

4.1 Research Design and Approach

4.1.1 Scientific Research Approach

With an interpretivist perspective, the author has adopted a qualitative research methodology to conduct the study. In order to explore the emerging coffee beverage companies in the Chinese market, an in-depth understanding of the shift in consumer mindset and a commitment to adhere to the core culture behind the phenomenon mean that a qualitative approach was preferred (Fylan, 2005). At the same time, qualitative research methods are also suitable for the exploration of unknown research areas where prevalent research gaps require an open-minded approach and research method, which can support the emergence of new theories (Edmondson & McManus, 2007). 'Qualitative research' is commonly used in business and management research and the research method is heavily used in the SAGE Handbook of Qualitative Business and Management Research Methods (Cassell et al. 2018) and other well-known academic journals. Therefore, the author's choice to use qualitative research has sufficient scientific basis.

4.1.2 Qualitative interviewing

This study adopts qualitative analysis of the development path of examining the ongoing development of China's hot beverage market, and focuses on the rise of coffee industry among the China's hot beverage consumption market after 2018.

Qualitative analysis focuses on ‘sense making’ or understanding of a phenomenon rather than prediction or explanation of the phenomenon (Bhattacharjee, 2012). The research method of Hermeneutic Analysis will also be adopted. This research method is chosen because of its subjective intention to 'interpret' specific texts in the historical context and is considered an interpretive technique for qualitative data analysis (Bhattacharjee, 2012).

In order to study Chinese consumers' attitudes and opinions towards coffee in further depth, the authors chose to use qualitative interviewing in their research. Qualitative interviewing encourages participants to give open-ended answers based on questions, which is seen as a way for the researcher to gain insights into what the respondents consider to be relevant and important (Jamshed, 2014). The author chose semi-structured interview as the main research methodology in the process of qualitative interviewing. According to Bell, Harley and Bryman (2018), semi-structured interviews are sufficiently flexible. The researcher can always ask further follow up questions based on the feedback from the respondents to ensure that the answers given by the respondents are closely related to the research purpose. Qualitative interviewing can be used in an interpretive way for theory construction, which helps the researcher to get rich and detailed answers to contextualize and restore the research phenomenon. Finally, the participants answered some background questions about their age, gender, education level, and drinking preferences.

Qualitative interviewing was chosen as the methodology for this study, since compared to most other research methods, it gives respondents more space for autonomous statements, which allows researcher to captures a large amount of contextual data (Jamshed, 2014). Thus provides a more realistic restoration of the changing psychology of consumers and the status quo of the relatively recalcitrant Chinese hot beverage market.

In addition, qualitative interviewing can analyze (e.g., individual and organizational) consumption preferences from multiple participant perspectives from different perspectives (Bhattacharjee, 2012). The open-ended answers obtained from qualitative interviewing provide an entry point for an in-depth attention to China's emerging coffee market, which give a perspective to gain insights into the shifts in

consumer decision making process. Qualitative interviewing is considered appropriate as this research aims to gain insight into the demand pain points and consumer behavior change of Chinese coffee consumers (Bell, Harley & Bryman, 2018).

Gaya and Smith (2016) suggest that the combination of qualitative research and semi-structured interviewing provides multidimensional flexibility with a systematic and rigorous framework, creating advantages for strategic management and business case related research. Qualitative methods and semi-structured interviews share a high degree of commonality and the common goal of revealing complexity in business environments (MJ McIntosh, 2015). This refers to reveal the complexity in the business environment, which are both closely connected and complementary. The author chose a Chinese local coffee brand--Luckin Coffee. The authors' choice of coffee brand was based on the following criteria. First, the organization needed to have a broad consumer groups in the Chinese market, rather than targeting only a small number of elite consumers as previous coffee brands had done. The elite consumers who received coffee prior to this usually had the experience of living in a Western country, which in turn made them more receptive to the food culture of a different country. This group is not sufficiently convincing for the cultural resistance and cultural tool-kit studied in this thesis. Second, the study focuses on how consumers with no prior coffee drinking habits are attracted to the organization's products and continue their repurchase behavior.

The study is considered as qualitative interviewing as it starts from conversation with consumer and gives consumers full freedom to state their changes in consumption behavior. Consumers of Luckin Coffee were chosen as the main participants in answering the research questions as the organization has maximized the consumer scope of coffee in the Chinese market from the perspective of consumption data.

Given that the focus of this study is to investigate the reasons why consumers are attracted to purchase and repurchase, the study pay more attention on the consumption decisions of a single individual, which in turn excludes other methods commonly used for business case analysis such as ethnography, sampling and focus groups. Therefore, the author chose to use qualitative interviewing as the research methodology in order

to fully understand the shift in consumer behavior and to answer the research questions.

4.2 Data collection

This research examines the impact of China's local coffee brands breaking through the limitations of the inherent cultural environment to shape the market and broaden the coffee consumer. This study focuses on the information obtained from qualitative interviews and testifies to it by combining relevant financial data, the secondary data comes from the financial data released by Luckin Coffee Official since 2018.

4.2.1 Interview Sample

The research's collection of interview participants was based on a sampling methodology oriented to the research objectives. This means that the collection of interview participants was based on their relevance to the objectives and content of the research, which is an appropriate way to manage a case study sample (Braun & Clarke, 2006). The sampling and collecting process of the interview participants was based on three criteria in order to find the selection of appropriately informed people to provide information and perspectives while ensuring the diversity of opinions in the sample cases. The specific criteria used to select the interview participants were *1) they should be loyal users of Luckin Coffee*, which means the selected people purchase Luckin Coffee more than four times a week during the past six months, and *2) they should represent all ages, occupations and regions. 3) Before making a purchase in Luckin, they had no regular habit of buying coffee*. Participants were required to present their purchase history at Luckin Coffee (usually available in the online ordering APP) prior to the interview to ensure compliance with the above criteria and to minimize bias.

In order to gain a deeper understanding of how people transform into the case company's consumer base and repeatedly return to become loyal users, I have to emphasis again on the participants needed to have no coffee-drinking habits prior to the establishment of Luckin Coffee. The total number of participants included in this study was 20 and 3 of them were considered for pilot interviews. Due to the wide range of participants, the number of participants was able to be determined prior to data collection and the author had transparent and well-defined interview stages.

4.2.2 Interview Process

After participants were identified, they received a detailed presentation prior to the interview, including the content and the purpose of the research. The interview program lasted a total of two weeks. In order to collect richer user data, the author did not limit the region where the interview participants were located. The vast geographic area of China allowed the author to use a combination of physical and online interviews in order to communicate with the interviewees in depth. All online interviews were conducted through the communication platform Tencent Meeting, which allowed the author to have a fuller and more comprehensive understanding of the background information of the interviewees (including age, gender, personality, etc.). Videos record the subjective expressions and body language of the interviewees.

Video interviews are widely used in the interview process as a practical way of conducting research (Engward, 2022). Video interviews give author the opportunity to meet and interact with each other face-to-face, allowing the researcher to fully participate in the interviewee's thoughts. This helps qualitative researcher to observe events based on the perspective of the research subjects in order to explore the closely related practical goals that lie beneath the surface appearances (Lofland, 1995). Meanwhile, all offline interviewees are based Beijing, but this does not mean that they grew up in Beijing. The offline face-to-face interactions created a clearer and more tangible perception of the living environment and frequented stores of the participates, which set the stage for the author to gain insights into the perspectives of the interviewees (Deakin & Wakefield, 2013; Nehls, Smith & Schneider, 2015).

The author conducted each participant's conversation individually to ensure the participant's privacy while avoiding being influenced by other participants' opinions. The author hoped to generate with each participant an in-depth understanding of the participant's situationally based consumer behavior decisions (Frey & Fontana, 1991). In order to ensure the diversity of the participant sample and avoid language barriers during the conversation, the interviews were completed in the participants' native languages (Mandarin and local dialects). Details of the participants are presented in Appendix 1. The interviews were audio-recorded with the participants informed and key elements were transcribed and translated by the author.

4.2.3 Interview Design

As the purpose of this research is to gain insight into how coffee has gained a wide consumer in China within a short period of time, in-depth interviews with consumers are considered appropriate. A semi-structured interview will be used as the main part of qualitative interviewing in the research. The author use a set of predetermined open-ended questions to explore with the interviewer the changes in his/her consumer mindset, supplemented by follow-up questions and surveys based on the interviewer's answers. The author developed interview guides for both the background and main interviews (see Appendices 2 and 3), the latter of which were constructed largely on the basis of the theoretical framework of the study.

Therefore, the interview questions were set to focus on the cultural tool-kit's shift towards cultural resistance and consumer psychology as proposed by Sewell (1992). The semi-structured interview set the solid foundation for the author to collect different perspectives and open-ended data to finalize the participants' ideas into a qualitative data source (M. DeJonckheere, 2019). As an extension of the previous contextual and theoretical framework, the questions addressed the respondents' previous drink preferences and how they gradually came to accept coffee, a drink with strong cultural attributes from other countries. Meanwhile, the author had the responsibility to distinguish between two different groups of coffee consumers. In order to find the consumers who had a change of mindset, the author preemptively excluded those groups who were already in the habit of coffee citation, and instead investigated the consumers who had been influenced by Luckin Coffee and gradually became coffee loyalists.

Furthermore, qualitative interviews are often used to investigate people's subjective experiences and opinions that cannot be measured statistically, and interview questions are at the heart of qualitative interviews (Percy etl, 2015). In this process, data is collected through interviews and the researcher is the primary instrument for data generation (Paisley & Reeves, 2001). Face-to-face interviews are a widely recognized methodology suitable for qualitative surveys, so interview pilots are important for testing questions and getting some practice with interviews (Collingridge & Gantt, 2008; Wimpenny & Gass, 2000). Prior to conducting the formal interviews, the author had completed three pilot interviews to ensure that the

interview outline provided a comprehensive response to the entire process of consumer psychological transformation. The pilot interviews helped the author identify any flaws or limitations in the interview design and provided an opportunity to refine the interview questions and dyadic strategy (Majid, 2017). While allowing for necessary modifications to the interview questions and ideas, foresight was brought to the interview market and the answers expected to be obtained (Kvale, 2015).

4.3 Data Analysis

A semi-structured interview will be coordinated with semi-structured data collection and output. This undoubtedly means that there is a need to ensure consistency and standardization of collection methods during the information collection process in order to draw reliable conclusions (Bryman & Bell, 2011; Hammersley, 1992). The analysis of data in this study followed the thematic analysis proposed by Bryman & Harley (2018). Based on thematic analysis, the author could analyze the qualitative data in the research in a specific mode with clear goals. Thematic analysis can provide complete and logical data explanations to help researchers connect understanding of data with research questions and theoretical concepts (Bryman & Bell, 2011; Bryman & Harley, 2018). This is exactly what consumer behavior research requires.

For both online and face-to-face interviews, the researcher audio-recorded the entire interview process and transcribed the conversation after the interview to ensure that complete original data were captured (Clarke et al. 2012). In order to better manage the data, the author coded each transcription and transcript separately based on themes. In this process, the data was broken down into different components and given new labels. Codings were collected in a systematic manner and codes were subsequently translated and grouped under different themes and sub-questions (Bailey, 2008). The researcher understood the data through coding based on commonalities and continuous rows of data across different themes (Bryman & Harley, 2018; Barratt, Choi & Li, 2011). The construction of the theme is mainly based on the literature review and theoretical framework in Chapter 3, with a small part based on market phenomena and business practices that have not been summarized as mature theories.

4.4 Data quality considerations

Lincoln and Guba (1985) and Lincoln (1994) proposed to specify methods for establishing and evaluating the quality of qualitative research. They gave two main quality criteria for evaluating qualitative research methodology: trustworthiness and authenticity. The author made every effort to ensure compliance with quality requirements during data collection, classification and analysis.

4.4.1 Trustworthiness

Data integrity consists of four measurement indicators, including credibility, transferability, dependability and confirmability (Lincoln & Guba, 1985; Lincoln, 1994).

Credibility

Consumer behavior decisions are studied based on subjective perception, so different participants may have different interpretations of the same problem (see Key concept 17.3). In such cases, the credibility of the data determines the acceptability of the research results to others. This research interviewed consumers with different life backgrounds from different regions in mainland China, and the diversity of data effectively improved credibility (Bryman & Harley, 2018). Secondly, since this research was completed by the author independently and individually, the author have used respondent validation to confirm that the data was effectively validated. After the interview was completed and transcribed into a transcript, the researcher provided the interview transcript to the participants to confirm the interview content, and explained the research process and research results in the form of an email after the thesis was completed (Bryman & Harley, 2018). While confirming the research conclusions, ensure good commonality between the research findings and the participants' views (Marshall, 1995).

Transferability

The thesis uses qualitative research as a research method, and its purpose is to conduct in-depth research on a specific group with certain characteristics (Bryman & Harley, 2018). Therefore, qualitative research findings tend towards the uniqueness and importance of the context of social phenomena. Researchers are also encouraged to provide rich descriptions of cultural details to help readers who wish to transfer research results make independent judgments about transferability (Geertz, 1973; Lincoln & Guba, 1985; Bryman & Bell, 2018).

Dependability

The author chose an 'auditing' approach based on Guba and Lincoln (1985;1994) proposal to ensure the dependability of the study through accessible and traceable documentation of the research process. This approach completely records detailed research content such as question raising, participant selection, fieldwork notes, and interview records to ensure the accuracy of inspection and interpretation during the process (Bryman & Bell, 2018).

Confirmability

The confirmability of research results is also one of the factors that researcher need to consider. Author have to ensure that personal values and theoretical framework do not affect the collection and interpretation of data and the analysis of research results (Bryman & Bell, 2022). To this end, the author applied triangulation in the research, examining the findings through interview questions to determine the accuracy of the conclusions (Bryman & Bell, 2018). In addition, the author clearly and carefully describes the motivation for choosing the theoretical framework and methodology in the article, helping others to understand the research process in a transparent manner (Bailey, 2008).

5. Empirical Data & Findings

This section will provide a brief overview of the conversational empirical findings, which will be further expanded upon in the analysis. In order to let readers to establish a comprehensive understanding of the background of the conversation, the author introduces *the background of Luckin* (5.1) in the next chapter, and the following three parts introduce the themes drawn from the empirical data: *consumer behavior decision-making* (5.2); *Cultural tool-kit and the impact of culture on consumer behavior decisions* (5.3); *Conclusion* (5.4).

5.1 The Background of Luckin Coffee

The consumers interviewed and participated by this research are all from the most well-known local coffee brand in China - Luckin Coffee. According to the latest financial report released by Luckin Coffee in the second quarter of 2023, the company's total net revenue reached 6.2014 billion yuan (\$847.6 million), a year-on-year increase of 88%. In comparison, Starbucks, the oldest coffee brand that first entered the Chinese market, had revenue of 5.85 billion yuan (\$822 million) in the second quarter 2023. This also means that China's local coffee brands have ended Starbucks' nearly 20-year dominance of the Chinese coffee market. Currently, Luckin Coffee ranks first in the Chinese coffee market with a share of 11%. As an emerging brand that has led the Chinese coffee market in just five years since its establishment, it has not only shaped the market but also had a significant impact on consumer behavior which cannot be ignored. Therefore, Luckin Coffee and its consumers are the focus of this research to explore the brand's shaping of the market and its impact on consumer decision-making. At the beginning of its establishment, the organization prioritized creating coffee that suits the tastes of Chinese consumers and set its goal of creating a coffee brand with Chinese cultural characteristics and attributes.

5.2 Consumer decision-making process

5.2.1 First time purchase

When discussing the consumption decision of purchasing Luckin Coffee, all the participants said that before the establishment of Luckin Coffee, they were not habitual coffee drinkers. Some people believe that the price advantage of Luckin Coffee drives their purchasing decisions, and the extremely cost-effective price helps them form long-term and repeated coffee consumption habits.

"Luckin Coffee's ¥9.9 (\$1.4) cup of latte is a really attractive price for me. This price is much cheaper than yogurt, milk tea and other drinks. Therefore, when my friends and I want to grab a hot drink, the Luckin Coffee will come up to my mind immediately." (Participant 7)

"I wasn't used to drinking coffee before. Indeed, there is a Starbucks downstairs from my apartment, but the price per cup is about ¥40 (\$5.66). I don't think it is necessary. I am not willing to spend money to try something I have never drunk before. The price of Luckin Coffee ¥9.9(\$1.4) is only a little more expensive than ordinary soft drinks. I just want to have a drink and taste it." (Participant 16)

In addition to the weekly ¥9.9 (\$1.4) coupon, Luckin Coffee also provides other coupons on various social platforms and conducts promotional activities from time to time in an attempt to attract new customer groups from multiple platforms.

"I didn't have the habit of drinking coffee before, but I can see Luckin Coffee's advertisements and promotions on Tiktok and Alibaba platforms. The price is really attractive. It makes me want to drink it once." (Participant 9)

Some participants said that if they invite new friends (who are not Luckin Coffee users) to drink Luckin Coffee, they will receive more coupons from the organization. Promotional activities make them willing to continuously invite new friends to ensure that they can drink Luckin Coffee at a discount price. This subconscious behavior brings more potential users to Luckin Coffee.

"I grab a latte from Luckin Coffee every day. After using the 49.9 (\$1.4) coupon every Monday, I have to buy a coffee at the regular price of ¥19-22 (\$2.6-3.1) for a cup. So if I know a friend who is not Luckin Coffee's user, I will send them an invitation on WeChat (Chinese social platform). Every time I invite a new person, I get 5 coupons, and the invited people also get coupons. This is also the reason why I recommend others to drink Luckin Coffee. Every invitation I can get 5 coupons for each person. This is why I recommend others to drink Luckin Coffee." (Participant 6)

5.2.2 Repurchase

In the research, it was found that many people choose to repurchase Luckin Coffee since its extremely competitive price. Some participants said that Luckin Coffee's intermittently sending coupons to users prompted them to repurchase the product.

"The normal price of Luckin Coffee is around ¥20 (\$2.83) per cup, but a 9.9rmb (15kr) coupon arrives every Monday. This makes me feel that if I don't use this coupon, it is a loss for me." (Participant 2)

"I subscribed to Luckin Coffee's official account on the social media platform (wechat). When I first registered as a new user, Luckin Coffee would send me 7 coupons at once. Every week thereafter, I would receive another coupon." (Participant 16)

Other participants indicated that they chose to re-purchase Luckin Coffee because of the brand's frequent promotions. Luckin Coffee utilized non-stop promotional pushes across multiple social media platforms to increase their willingness to purchase. The price of coffee during the promotions was less than half of the normal price, which created a strong motivation for consumers to purchase.

"Sometimes I will find Luckin Coffee's official account in Tiktok's live broadcast room, and then I can buy five coupons at a time for ¥9.9 (\$1.4). So once I find Luckin Coffee's live broadcast room, I always go in to see if there is a sale." (Participant 7)

"There are two Luckin Coffees downstairs from my company. This is quite convenient. Sometimes I meet my clients directly at there." (Participant 3)

In addition, Luckin Coffee has launched monthly membership activities for loyal users such as buying 4 cups of coffee at one time and getting another three cups of coffee for free. Another membership is register a subscription card for a small fee (¥9.9/\$1.4) and then buying a cup of coffee every day at a price of ¥9.9 (\$1.4).

"I am a monthly membership of Luckin Coffee. I drink it every day, so the price per cup is lower. And I will get points after purchasing. When the points reach a certain number, I can get small gifts. Sometimes I see 'My points' are constantly growing, which makes me very excited." (Participant 15)

Except to the price, the location of Luckin Coffee stores is also one of the reasons that prompts customers to repurchase.

"Luckin Coffee could be found in almost every large shopping district. I never worried that the coupons or monthly memberships I purchased cannot be redeemed. There are Luckin Coffee stores near my living community, company and the gym I often go to." (Participant 13)

"I remember Luckin Coffee has more than 10,000 stores currently. Indeed, I can see Luckin Coffee stores almost everywhere I pass by, and sometimes I walk in and grab a cup. After all, it is difficult to find hot drinks anytime and anywhere in autumn and winter." (Participant 11)

Luckin Coffee's sustainable innovation ability also allows the brand to continuously increase the probability of repurchase by old customers while attracting more new customers. Luckin Coffee continues to capture new social and consumption hot spots, which enhance communication with consumers and promote repurchase.

"Luckin Coffee basically launches a new product every two weeks. Whether it's a new flavor of coffee or a new collaboration with a well-known brand. Every time a new product is released, I want to buy it." (Participant 16)

"Luckin Coffee launches new products really fast! It launched a co-branded coffee with the Chinese women's basketball team during the Asian Games, launched a Moutai co-branded coffee when Moutai's stock price dropped, and launched a couple's coffee during the Qixi Festival (Chinese Lunar Valentine's Day). I think Luckin can launch new coffee products at every important time point."

(Participant 14)

In line with this, many loyal participants said that Luckin Coffee attaches great importance to customer feedback. Frequent communication between the organization and consumers and real-time feedback on consumer opinions make it easier for users to generate repurchase behavior.

"Before, I once made a note 'without sugar and go easy on the ice' when ordering coffee, but the waiter without reading the note. I share a post on Xiaohongshu (a Chinese social platform) to complain my experience. Unexpectedly, I received the reply from the Luckin Coffee official account, they not only refunded my fee but also gave me two more coupons. I think Luckin Coffee has a good remedy after the problem happened. Now I grab a cup of coffee from Luckin Coffee every day."

(Participant 2)

"The staff at Luckin Coffee carefully read the notes I wrote every time. Sometimes I would write 'just 6 pieces of ice' and they would do it. One time they didn't notice, but after I reminded them, the staff immediately helped me to make a new one. It was unbelievable to me. It's never happened before." (Participant 13)

Finally, it seems difficult for the author to ignore the consequential impact of coffee addiction on consumer repurchase. Many participants expressed that the positive impact of coffee on their bodies prompted them to repurchase Luckin Coffee and become loyal users of the brand.

"I always feel tired when I wake up in the morning. I started drinking Luckin Coffee's Iced Americano on the recommendation of a friend, which greatly relieved my sleepiness in the morning. I can get back to work immediately after drinking it and stay focused. This is why I drink Luckin Coffee every working day now. "

(Participant 9)

"I have been constipation a few years ago. I have tried many methods but it has not been relieved. Once by chance, I found that drinking coffee can relieve my constipation. So I drink one cup every day until today. For a cup of coffee, I choose to

buy it at Luckin Coffee because the price is cheap and there are many stores arounds me .”

(Participant 12)

5.3 Cultural factors on consumption decisions & cultural tool-kit

As mentioned in the background and theoretical framework, culture is an important part of influencing consumer purchasing decisions. However, when it comes to the extent to which cultural factors influence consumption decisions, participants gave different views.

5.3.1 New cultural factors

Some people said that drinks with exotic elements are more compelling for them to buy when the price is attractive. The curiosity-seeking mentality is particularly common during first-time purchases, and purchasing behavior stems from their exploration of unknown cultures.

“I only drank instant coffee before. The first time I bought finished coffee in store was at Luckin Coffee. I remember that Luckin Coffee launched French latte at that time. I thought it was very new and wanted to try it, so I bought it.” (Participant 13)

“Luckin Coffee will launch new products during every Western holiday, such as pumpkin latte for Halloween and hazelnut coffee for Christmas. I don’t celebrate these festivals, but drinking a cup of coffee like this a[with Western holiday and cultural attributes] makes me have a sense of participation [in the festival]. It makes me want to buy it.” (Participant 19)

Empirical results prove that first-time buyers are more likely to make repeat purchases as brands continue to launch new products due to their unknown and curiosity about foreign cultures.

“Luckin Coffee launches new products so fast! New flavors of coffee are launched almost every half month. By then, all packaging bags and coffee cups will be replaced with the same theme as the new flavors. I have impulse to taste it.” (Participant 20)

"What I like most about Luckin Coffee is that it always collaborates with brands I cannot expect. For example, Victoria's Secret and Doraemon. Every time a new co-branded coffee is launched, I want to buy a cup quickly." (Participant 4)

5.3.2 Familiar cultural elements

While a significant number of participants indicated that new cultural elements would motivate them to make purchases, others felt totally the opposite. Some participants said that incorporating cultural elements they were familiar with into coffee would make them feel less resistant during the decision and purchasing process.

"I didn't drink coffee before, I like to drink tea. I addicted to the light taste of tea. This year I found that Luckin Coffee has launched a batch of new products by combining oolong tea, jasmine tea and camellia sinensis with latte. That's my first time to bought Luckin." (Participant 11)

*"I am superfan of Luckin Coffee. I tried to recommend it [coffee] to the elders in my family before. But they were unwilling to try it. Until Luckin Coffee launched the Moutai Latte (a combination of Chinese liquor and coffee), the elders around me ask me to buy one for them. They seems to change their mind and willing to try it.
(Participant 6) "*

Note: Moutai is an expensive liquor, with an average price of 3500rmb (5308kr)/500ml.

The empirical findings suggest that products that are too different from consumers' own behavioral habits will make them reluctant to buy. This usually occurs among relatively conservative consumers who are afraid of unknown properties of new products during their first consumption process.

"I didn't like drinking coffee before. I thought coffee was too bitter. I couldn't accept the bitter taste at all. Later, Luckin Coffee launched a coconut milk latte, and the sweetness of coconut milk covered the bitter taste of coffee. I've come to accept the taste of coffee now. Although the coconut milk latte is always the best, I am also trying to other new flavors." (Participant 18)

"The bitter taste of coffee made me stay away from it before. I was unwilling to try it because I was afraid that I wouldn't like it. It's totally waste of money. Later, a friend who loves coffee gave me a coupon for Luckin Coffee, it's my first time to drink coffee.

I had a cup of caramel latte and it taste pretty good. I felt more energetic after drinking it. Now, I basically drink a cup of coffee every day."

(Participant 17)

In addition to incorporating the taste of drinks that consumers are familiar with into coffee, incorporating other cultural elements(brands) familiar to users into coffee will also increase their desire to purchase.

"Luckin Coffee has previously launched a cheese latte in collaboration with the famous cartoon 'Tom and Jerry'. I remember there was a very cute Tom and Jerry pattern on the paper cup. I don't actually like coffee very much, but the packaging and bags are so cute. I can't wait to buy a cup coffe to collect the cute cup."

(Participant 1)

5.4 Conclusion Remarks

The research results intuitively show the impact of different factors on consumers' purchasing decisions. First, I describe the background and performance of Luckin Coffee, the most important local player in China's current coffee market. Second, I outline the consumer decision-making process, including the important factors that drive them toward first-time and repeat purchases. Finally, I integrate cultural factors into the consideration of consumer decision-making, focusing on which cultural factors drive consumers' decision-making. *Figure 3* shows the impact of different factors on participants' consumption decisions.

	First time purchase	Repurchase
Price	-First time purchase attracted by low price -Coupons attract new customers -Friends are attracted by discounts and recommend new customers	- Discounts continue to promote repurchase -Promotion on social platforms to enhance consumer reach in multiple dimensions
Location	-Nearby	- Close distance and many stores
Cultural tool-kit	-Difference drives consumption -Similarity drives	-Difference: Continuously launch new products to encourage repurchase

Similarity/Difference	consumption	-Similarity: Build strong links with products that customers are familiar with to generate repeat purchases
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Figure 3: Illustration of the empirical findings

6. Analysis

Following the empirical results, this chapter analyzes the findings in relation to the theoretical framework of the study and previous research. This section is outlined according to the theoretical framework, providing a comprehensive analysis of the full view of the sequence of events. The analysis is based on three aspects: *consumer decision-making* (6.1), *cultural tool-kit* (6.2) and *market shaping* (6.3).

6.1 Consumer decision-making

Regarding the consumers' behavioral decision-making motivations that push them to buy Luckin Coffee, participants found that the reasons for buying the products stemmed from either the consumers' knowledge of the product or their self-knowledge. According to the relevant theory of Means-End Chain technique (MEC) and A-C-V model, its basic components included attributes, consequences and values (Walker&Olson, 1991). The analysis is based on MEC theory and superimposed on cultural tool-kit. The empirical data of this study focuses on the analysis of core values and emotional ends in the consumer decision-making process. The study specifically delves into how cultural factors influence consumers' perceptions of products and their self-understanding.

A	<i>Concrete attributes; abstract attributes</i>
C	<i>Functional consequences; psychosocial consequences</i>
V	<i>Instrumental values; terminal values</i>

Figure 4: Illustration of Means-End Chain technique (MEC)-ACV laddering technique

6.1.1 Consumers' perception of the product attributes

Consumers' initial purchasing decisions are largely influenced by the attributes of the product. Based on the empirical research, most participants bought Luckin Coffee for the first time because of the price. Luckin Coffee will issue multiple coupons to new users to stimulate their desire to buy. This is consistent with the research results of Walker & Olson (1991), who found that consumers' purchasing decisions start from the concrete attributes of the product, which was the lowest need in the consumer decision-making process. However, the results of this study contribute to a deeper understanding of what kind of attributes can influence consumer decisions and the underlying factors involved. In the study of Walker & Olson (1991), they did not give a specific explanation for the factors encompassed by concrete attributes and abstract attributes.

The empirical data suggests that when participants purchase goods for the first time, they are mainly affected by the price and the distance between the store and them, and are hardly affected by other consequences and values such as culture. This is because many consumers tend to resist buying products they are not familiar with for the first time. Giving consumers a lower price before the first purchase increases their willingness to try (purchase). According to participants, lower prices reduce their trial and error cost, so they are more likely to buy the cheapest one among substitutes. The importance of price corresponds to the research results of Walker & Olson (1991), Barrena, García, and Sánchez (2015), Grunert and Grunert (1995), Eric J. Arnould and Craig J. Thompson (2018). They all indicated that consumer behavioral decision-making began when individuals recognized and embraced the product attributes.

Another factor that may influence consumers' first purchase decision is Luckin Coffee's convenient location. In the empirical study, participants stated that they could always see Luckin Coffee stores around the corner, so they are likely to purchase for the first time. According to the official data released by Luckin Coffee, the choice of its store location is based on urban planning, population density, number of competitors and other data, and the company uses AI algorithms to intelligently select locations in areas where target customer groups are concentrated (2023). After that, it will take the distance into consideration. The closer the store is to the consumers, the more likely it is to increase consumers' desire. The accessibility of a product to consumers can be regarded as a concrete attribute. Luckin Coffee's price advantage and convenient store location, as the most obvious product and system attributes in the eyes of consumers, drive consumers' first purchase decision, even if the product is unfamiliar to them.

Meanwhile, compared with foreign coffee brands such as Starbucks, Luckin Coffee has adjusted the taste of coffee and launched new products without the bitter flavor of coffee. Many participants stated in interviews that they did not have the habit of drinking coffee before trying Luckin Coffee because they did not like the bitter taste of coffee. Based on the taste preferences and consumption habits of Chinese consumers, Luckin Coffee has modified the inherent attributes related to the bitter taste of traditional coffee to align with the taste preferences of consumers. The

organization's catering to consumers at the level of product attributes increases consumers' repurchase intentions and acceptance of the product itself.

6.1.2 Consumer's perception of the functional consequences

Consequences can be viewed as the impact of the attributes of the product on consumer behavioral decisions. According to the relevant theory of Means-End Chain technique (MEC), the consequences of specific attributes reveal the relationship among individuals, products and brand systems from the individual consumer level. In the empirical research, the author asked participants to elaborate on their preliminary answers through semi-structured interviews and expanded participants' psychosocial concepts based on physical consequences. From the perspective of consumer decision-making, compared with product attributes, consequences are closer to the real reasons why consumers choose a specific product.

Based on the results of interviews with participants, the tangible benefits of consuming Luckin Coffee products, viewed as functional consequences, serve as one of the motivations that encourage customers to repeatedly make purchases. The product attributes such as refreshing the mind and increasing metabolism are the most direct functional consequences that affect participants and drive their willingness to repurchase. Despite this, when discussing the functional consequences of Luckin Coffee products, participants did not ignore the primary factor of product attributes. Many participants said that their dependence on coffee was based on the reasonable price of Luckin Coffee. This is one of the most important reasons why they repurchase Luckin Coffee instead of Starbucks. According to price data from the official websites of the two brands, the price of a single cup of Starbucks is 2.5-3 times that of Luckin Coffee. Luckin's unit price is in line with the expectations of the target consumer groups, so consumers will repurchase.

In addition, proximity, a primary factor, also drives consumers to repurchase. In interviews, many consumers mentioned that the convenient location meets their need to "grab a coffee" at any time. Participants' satisfaction of primary factors lays the foundation for them to continue to repurchase, while the functional consequences of the product sustain their ongoing purchase needs, ultimately transforming them into dedicated users of Luckin Coffee.

6.1.3 Consumer's perception of the psychosocial consequences

The psychosocial consequences refer to the psychological and social impacts of using specific product after achieving attributes and functional consequences(Walker& Olson, 1991). Gutman (1982) suggested that any physiological or psychological outcomes arose directly or indirectly from the consumer's behavior. Participants in interviews revealed that they would buy coffee with the people around them during lunch break or afternoon tea, even though they sometimes did not need a cup of coffee to wake up their mind. Participants viewed the entire process—the journey from the office to the coffee shop—as a social activity. Compared with tea, coffee is more portable and can be consumed faster, which is more in line with the current fast-paced life and work of Chinese people. From this perspective, Luckin Coffee's product attributes and functional consequences are more likely to meet the current psychological expectations of Chinese target customers who are pursuing speed and efficiency.

In addition, some participants said that they sometimes posted photos of themselves drinking Luckin Coffee on social platforms, especially when Luckin Coffee launched new products. Publishing a relevant social post can trigger discussions among friends on related topics. Furthermore, according to some participants, when Luckin Coffee introduces new products, buying a cup with people around and sharing the experience are considered as a social activity. The above two forms further prove that the social attribute of coffee in current interpersonal communication is stronger than that of other drinks such as tea, which meets the psychosocial needs of consumers to a certain extent. Empirical research shows that the psychosocial consequences of Luckin Coffee play an important role in promoting consumer repurchase. At the same time, the psychosocial consequences of consuming Luckin Coffee continue to attract non-coffee drinkers. The emotional and social result stems directly from the tangible benefits experienced.

6.1.4 Consumer's perception of the values

According to Means-End Chain technique (MEC), consumers' personal values, which refers to a person's stable views and core beliefs, play an important role in their decision-making.

Empirical findings indicate that cultural homogeneity plays a significant role in attracting consumers. For example, the sense of security and belonging generated during the consumption process and the enjoyment the product brings to consumers. Participants expressed that familiar cultural elements in products reduced their sense of distance from unknown products and enhanced their trust in the product and brand. For example, traditional cultural elements such as tea, coconut milk, and Chinese spirits in coffee have shortened the distance between the product and consumers. When buying a new product for the first time, individuals may encounter resistance and fear. Their apprehensions, particularly regarding attributes like taste, can significantly influence their initial consumption decisions. However, incorporating elements familiar to participants into the product will encourage them to break through psychological barriers and find a sense of security and belonging in an otherwise unknown product, which increases participants' willingness to purchase. In the meantime, participants' impulse to consume Luckin Coffee often comes from their love of the co-branded brand. Chinese people are not accustomed to drinking coffee. However, when co-branding with a brand that Chinese consumers are familiar with, Luckin enhances consumers' sense of security and belonging in the decision-making process. The emerging coffee market led by local Chinese brands is materializing through their unimpeded adaptation to cultural barriers. Luckin Coffee promotes coffee in the Chinese market by actively mobilizing and using local symbols, consumption habits and fashion elements. Furthermore, Swidler (1986) mentioned that values of individualism and unique taste motivated different purposes of action. A small number of participants said in interviews that they would be attracted by new elements (foreign elements) in brand marketing activities and then complete their consumption decisions. This may be based on consumers' curiosity about different cultural elements. Compared with mainstream cultural elements in the Chinese society, heterogeneous cultural elements can attract public attention more easily and enhance brand characteristics.

The main consumer groups of Luckin Coffee in China's mainland are young and middle-aged people from 18 to 55. Luckin Coffee has collaborated with brands ranging from Doraemon to Victoria's Secret. Please see Appendix 4 for details about its co-branding in 2023. From a brand perspective, the audiences of the co-branded

partner are highly overlapping with that of Luckin Coffee. In other words, this means that Luckin Coffee and the co-branded brand have the same target customer groups. Although coffee is a new category that has just entered the Chinese market, Luckin Coffee has cooperated with brands familiar to Chinese consumers to launch new products. This collaboration has heightened the trust of potential consumers in the brand and reinforced the reliance of existing consumers on Luckin Coffee.

In addition, many participants said that they first chose to buy the new products launched by Luckin Coffee because of the familiar anime characters collaborated, such as Doraemon, Cinnamoroll, and Pikachu, which reminded them of their childhood. Luckin Coffee brings back consumer's memories by launching new products. This underlying emotional sustenance unique to the co-branded brand drives them to make purchase. According to Reynolds and Gutman (1988), consumers' purchasing behavior was directly related to their personal values and emotional ends. The empirical data suggests that potential values are a very important driving force for consumers to make purchasing decisions. The purchasing motivation constituted by this factor may not be replaced by other attributes or consequences.

6.2 Cultural tool-kit

Based on the above analysis of consumer decision-making, we can see that consumers' dependence on product value and emotion cannot be replaced by other relatively low-level factors such as attributes and consequences. Compared with other studies on consumer decision-making and market shaping, this study is inspired by Chan (2017) and will examine business cases and market development from a cultural perspective. Swidler (1986) suggested that values were the main link between culture and action. The author combines the highest-level values of the Means-End Chain technique (MEC) with the cultural tool-kit for an in-depth discussion. Languages, gossips and group activities in daily life were all informal cultural practices and they could be regarded as carriers of cultural symbolism (Swidler, 1986). Hannerz (1969) noted that these symbolic forms were how "social processes of sharing modes of behavior and outlook within [a] community" occurred. This study divides cultural forms into cultural obstacles and resources when analyzing the impact of culture on the Chinese coffee market. Literally, the two seem to be contradictory, but judging

from their impacts on consumer behavior decisions, they together form a pattern of local preferences in the Chinese coffee market.

6.2.1 Cultural obstacles

Cultural resources attract users by creating an atmosphere of familiarity and security, while cultural obstacles hinder consumers' purchasing decisions. Based on empirical surveys, Chinese consumers' resistance and stereotypes towards coffee are deep-rooted, which can be inferred from consumers' resistance to the taste and social attributes of the product. This phenomenon is reflected in participants' rejection of bitter tastes and preference for fast-moving drinks such as milk tea. The author believes that this resistance stems from the cultural barriers between Eastern and Western cultures, so Chinese consumers are hesitant to consume at first and they believe that it is unnecessary to drink coffee. The 'refreshing' product attribute of coffee in European society can be replaced by tea in China.

Further, the cultural and social attributes of coffee as embodied in “afternoon tea and coffee break” are incompatible with traditional Chinese cultural forms. Western countries, mainly in Europe, advocate a people-oriented life and work values, and coffee break gives people an opportunity to relax and adjust for a moment within the work. However, in traditional Chinese culture there is a great deal of glorification of hard work and even suffering. In Chinese culture and values, experiencing hardship is a necessary path to reach success by honing one's will (Bodde, 1942). Therefore, advocating a balance between work and life and the pursuit of timely pleasures are not in line with traditional Chinese values (Tu, 1996). The Western civilization of “living in the present” and “enjoying life” is contrary to the Chinese emphasis on hard work and perseverance in the workplace and the increasingly high-pressure social environment over the past forty years (Zerkalenkov, 2022). For working people in China, it is unrealistic to have half an hour to drink coffee in a coffee shop. The short break model with coffee as the carrier is excluded from the life of most Chinese people. The traditional social concept of diligence and hard work is rooted in Chinese people's minds. People believe that it is a waste of time to spend half an hour on a coffee break. Western coffee consumption patterns were incompatible with Chinese consumers in terms of culture, values and social environment, and to some extent violated the ‘normality’ of people’s original living habits (Parsons, 1965).

In addition, in terms of coffee brand promotion and marketing, the traditional hand-ground coffee, typical of Western countries where coffee is a local beverage, is the primary focus and mainstay product. Quick launches of new products within a short time are rare to be seen. Even fast-moving coffee brands such as Starbucks only launch new products at the rate of quarterly or semi-annually. To a certain extent, this goes against the Chinese consumers' psychology, which emphasizes 'novelty-seeking' when drinking coffee. The empirical data suggests that their first purchase was driven by curiosity, and different products gave Chinese consumers a strong desire to try. In a relatively stable market dominated by traditional values, traditional coffee categories cannot maintain sufficient contact with consumers, thus failing to stimulate consumer purchase demand and maintain repurchase frequency. Consumers in different countries have different motivations and preferences for buying coffee. Foreign coffee brands are unable to develop rapidly in the Chinese market because they fail to overcome the cultural barriers.

From another side, the flourishing coffee brands in China have experienced swift growth due to their remarkable ability to adapt to social and cultural barriers within China. They actively integrate with the psychological activities, social behaviors, and living habits of local consumers. According to data from Luckin Coffee's official website, the brand have launched 113 new products in 2021 and 140 in 2022. Starbucks China have launched more than 30 new products in 2022 and there were no hit items on the shelves. Coffee is not a necessity for Chinese consumers. Coffee brands can only gain consumers' attention and stimulate purchase demands through innovation. The slow innovation speed of traditional coffee brands cannot withstand the cultural resistance of the local market, so they are less likely to achieve long-term and stable growth in the Chinese market.

6.2.2 Cultural resources

Parson (1951) asserted that "cultural tradition" laid the foundation for "value orientation", and "value" was regarded as an element in the culturally shared symbol system. Therefore, culture affected consumer behavior through the construction of values, shaped actions by defining social needs, and then affected consumer behavior to achieve septic targets (Parson, 1951). Therefore, successful local coffee brands regard the Chinese cultural tradition of diligence and hard work as a cultural resource,

and emphasize the importance of “efficient work” and “focus”. Local coffee brands interpret coffee break as a reasonable means to improve work efficiency and support sustained focus on tasks, offering a rational justification for individuals taking breaks to enjoy coffee in the workplace.

On the other hand, under long and high-intensity work, it is common for people to become distracted. The most common problem in the workplace in China is that as working hours extend, work efficiency gradually decline. For this reason, there is even a tricky word to describe this working state: “loaf around” (not a direct translation) . However, in the absence of a cultural environment that champions the ultimate dedication to diligence and hard work, people's attention will not shift from short breaks to long time efficient work. Chinese local coffee brands regard drinking coffee as an alternative to long hours of sleep, which can ensure efficiency while working long hours. In the empirical study, many participants stated that they regarded inviting new people to drink coffee, discussing new coffee products with others, and buying coffee with others as short-term and quick social activities. This is in line with the fast-paced nature of China’s workplace and can help participants quickly establish connections with colleagues, foster trust and enhance work efficiency.

From the perspective of cultural tool-kit, this is a social activity with cultural symbolic significance. Different from traditional Chinese tea-drinking gatherings, enjoying coffee with friends has many advantages such as short time and distance, and this activity is more suitable for the young generation in China, who lives a fast-paced life. The cultural aversion to idleness and inefficiency, coupled with the pursuit of focused and efficient work, has shaped a trend among Chinese consumers. In this trend, short breaks and invigorating beverages like coffee are seen as instruments for enhancing productivity. Chinese coffee brands local to the region target the primary customer demographic of urban working-age individuals aged 18-55. They consistently drive consumption within this group through diverse promotional efforts.

6.3 Market shaping

Changes in consumer behavior under the influence of culture have further changed China's originally relatively stable hot beverage market. The consumer for coffee has

continued to expand in the short term, thus changing the original hot beverage market structure. In recent years, phenomena such as ‘market widening’ and ‘market innovation’ in the Chinese coffee market could be regarded as the results of market shaping strategies. It’s worth to noting that the shaping of China's coffee market continues to be driven by all participates in the market (Flaig, Kindstrom & Ottosson, 2021).

Both domestic and foreign coffee brands have the same economic interests in the Chinese market. This is the equal and common right of competition given to all market participants by the Chinese market. However, when local consumers’ preferences conflict with the understanding of products held by traditional foreign coffee brands, the latter needs to make a choice between catering to the needs of the Chinese market and maintaining the original attributes of coffee (including taste, etc.). In addition, foreign coffee brands still position coffee as a drink exclusive to high-end customers, maintaining elevated prices per cup. The profit-oriented model of foreign brands based on high customer unit prices, contrasts with the strategy of Chinese local coffee brands, which focuses on capturing market share with a different operational logic.

6.3.1 Consumer argument

As we described the Chinese coffee market in the previous section, Starbucks entered China’s mainland as early as 1999. As the world's most well-known fast-moving coffee brand, Starbucks had entered the Korean and Japanese markets in East Asia long before coming to China. Foreign coffee brands represented by Starbucks certainly were not ignorant of the preferences and cultural resistance of Chinese consumers, whether it is taste or culture. However, the profit-driven approach to product pricing, coupled with the preservation and adherence to the traditional taste of coffee, hinders them from tailoring their products entirely to suit Chinese consumer preferences.

According to the description of its coffee flavor on Starbucks' official website, the design of Starbucks’ roasting rooms incorporates hot air ducts. This design aims to guarantee that the coffee beans remain at a consistent temperature during the initial roasting process, ensuring uniform taste across Starbucks’ 36,000 global stores.

Based on Starbucks' understanding of the coffee profit model, ensuring that coffee has a uniform taste in different stores around the world is the basic product connotation of traditional coffee shops. Normally, the unification of global quality control is a reflection of its high quality products, which in turn brings higher sales and profit margins to the brand. However, the ultimate pursuit of a unified global coffee taste has caused foreign coffee brands represented by Starbucks to ignore the taste preferences of Chinese consumers.

Confronting comparable cultural and market resistance, China's burgeoning coffee brands opt to offer products that align with the preferences and acceptance of the majority of consumers. Domestic brands localize coffee in terms of attributes such as taste, and provide cheaper prices to attract consumers, thus giving them a sense of belonging and security. Local brands gain more consumers by overcoming cultural barriers to meet consumers' needs. Brands meet and stimulate the needs of potential consumers in different ways, for example, incorporating flavors such as tea and spirits to appeal to conventional customers. The brand develops consumers who cannot tolerate bitter taste through coconut milk and syrup, and reaches different age groups through co-branding with other brands. Therefore, China's local coffee brands cater to consumers' tastes and psychology, bringing wide audiences and a broad market share. This further confirms Jaworski's (2000) market driven theory. Local consumers' choice to consume a specific coffee brand is not only influenced by buyers and sellers, but also by other sellers of the same type. The organization is sufficiently market acumen to remain entrepreneurial and agile even though it currently holds the largest share of the Chinese domestic market.

6.3.2 Shaping argument

The data has proven that Luckin Coffee's product innovation and its adaptation to China's local cultural resistance have successfully helped boost sales and seize a bigger market share. The brand's reshaping of the market is mainly reflected in two aspects. Firstly, it attracts loyal customers of other coffee brands and changes the market share. Secondly, it helps expand the market and convert people who are not used to drinking coffee into loyal coffee users. In the practical research, many participants said that they were loyal fans of tea and milk tea before. The reasons why they choose these drinks are diverse, such as the functional consequences that tea can

refresh themselves. Compared with drinking tea at home, participants are more likely to go to offline stores to purchase ready-made tea and milk tea. While this might incur additional costs for participants, it economizes their time and fulfills their desire for on-demand consumption.

Compared with the discussion of ‘market widening’ and ‘market innovation’ in other literature, this study focuses more on the discussion of market sense-making. Due to the near absence of China’s coffee market over the past century, both foreign and Chinese coffee brands lack substantial representation and influence. Based on the theoretical framework of market shaping in this study, the observation and examination of Luckin coffee are rooted in microeconomics and strategic marketing. In order to attract consumers, Luckin Coffee has co-branded with other brands with strong cultural attributes, which proves that in the process of market shaping, integrating resources in novel ways can increase the use value of goods. Storbacka and Nenonen (2011) mentioned in the article that the market, as a configuration that creates value, could increase the density of resources within a specific range. More specifically, participants consciously combine others with their own market models in the market, thereby developing a market that is beneficial to them (Storbacka & Nenonen, 2011). As one of the most successful coffee brands in China, Luckin Coffee promoted value propositions by cooperating with brands that were more influential and more familiar to consumers to further develop the market (Nenonen et al., 2020). Based on this type of relatively indirect and causally extensive market shaping, China's local cultural resources are purposefully used to shape market value.

Luckin coffee lays out the company's strategic development plan based on consumer needs, and gradually clarifies the organization's competitive advantages in an exogenously defined context. This form of market shaping was a change from within the enterprise organization, inducing consumer-led demand changes and thus resulting in the driven and reconstruction of the market in a specific region, that was, a change in the overall revenue distribution (Gavetti et al., 2017). By November 2023, the total count of Luckin Coffee stores in China’s mainland will surpass twice the number of Starbucks stores. Luckin Coffee's sales in the first half of 2023 reached \$855 million, exceeding Starbucks' \$822 million in the Chinese market.

6.4 Conclusion

Based on empirical data, this study analyzes how successful local coffee brands in China achieve short-term rapid growth and expansion despite incompatible living habits and different social values, and how cultural resistance existing in society shapes the market. In the past, many factors such as taste, location of stores and the culture behind coffee were not in line with the existing consumption habits of Chinese consumers, which led to the failure of many local coffee brands and the stagnation of foreign brands in the Chinese market. Empirical evidence indicates that prosperous coffee brands in the Chinese market mitigate consumer resistance arising from cultural barriers in the decision-making process. They achieve this by adjusting product attributes and leveraging the shared aspects between coffee and mainstream culture. Successful brands use culture tool-kit to circumvent this resistance to reach more potential consumers, thereby achieving market shaping. The interaction above and the one between consumer behaviors and culture tool-kit have shaped China's current emerging coffee market, and helped create unique market structures and characteristics.

Inspired by Chan (2017), the author established a theoretical framework based on the interplay of three entities. Utilizing this framework, we investigated opportunities in novel markets for products with distinctive cultural attributes. Figure 5 illustrates the relationship among the three subjects in detail. Successful local coffee brands have adapted and utilized the culture tool-kit to meet the demands and psychology of consumers, thereby easing the process of consumers' purchasing choices. The brand utilizes the cultural resources to attract new customers and motivate previous ones to make repeat purchases, gradually enlarging its consumer base in a specific region and fostering a positive interaction between consumers and the brand. Brands persist in enticing consumers, whose purchasing choices reflect their preferences for distinct categories and flavors. This dynamic prompts continuous innovations. Within this ongoing collaboration, brands and users jointly contribute to shaping the market, particularly in the context of market sense-making.

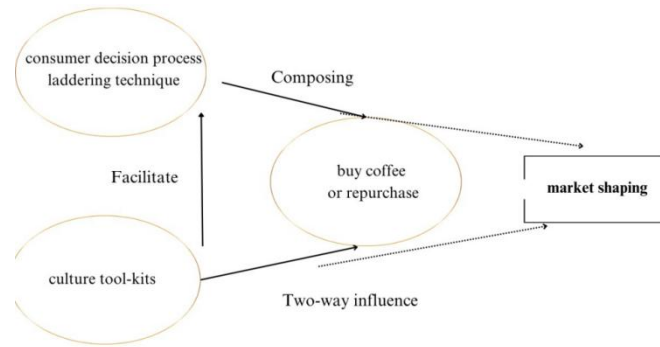


Figure 5: Illustration of theoretical framework

7. Discussion

The last chapter delves into the *practical implications and contributions (7.1)* as well as its *limitations and avenues for further research (7.2)*.

7.1 Practical implications and contributions

This study investigates the impacts of cultural resistance on consumer purchasing decisions and how companies adapt to it to shape the market. Examining the impact of cultural resistance on consumers' purchasing intentions and market preferences, this study builds an analytical framework rooted in three theories: the Means-End Chain technique (MEC) for dissecting decision-making and consumer behaviour. Employing the culture tool-kit, it thoroughly analyzes the psychological resistance of Chinese consumers to foreign products and how successful brands align with the stable cultural systems and values of the Chinese market. Drawing inspiration from Chan (2017), this study extends and contributes to market shaping and culture tool-kit research by applying and expanding the theoretical framework in a novel context. In the meantime, it focuses on consumer decision-making, unveiling the facilitating and inhibiting effects of cultural resources and barriers on purchase decisions.

Unlike prior research, the results suggest that organizations can navigate cultural resistance in the market and overcome cultural barriers to facilitate consumer purchasing decisions by effectively employing the culture tool-kit. The study reveals that cultural barriers and resources can be reasonably transformed to generate more rational purchase motivations for consumers. While cultural barriers sometimes impede consumers' willingness to buy, they can serve as a gateway to identify specific market pain points. Adapting to these cultural barriers allows them to be converted into cultural resources, thus enhancing purchasing decision-making. Furthermore, the

purchase motivations generated by cultural resources and decisions aligned with consumer values broaden the market, ultimately achieving the goal of redefining the market's significance.

This study holds diverse implications for practitioners in the practical business realm. In the current era of heightened globalization, markets worldwide grapple with the challenge of both exporting domestic goods and importing foreign products. Navigating the competition in rapidly growing global markets and winning the favor of customers with varying cultural values is a crucial consideration for all international brands venturing overseas. Results show that cultural resistance is context-dependent and adaptable. Organizations can, through a profound comprehension of cultural resistance, convert it into cultural resources that resonate with specific markets, fostering interactions among market participants. An in-depth analysis of the region's unique cultural values and shared meanings can provide new or foreign brands with distinctive market insights. It can also serve as a catalyst to redefine market significance. By analyzing the case of a successful Chinese coffee brand, the author provides an example for other market participants on how to improve their products to better adapt to foreign markets in terms of the three dimensions of A-C-V (Walker & Olson, 1991).

6.2 Limitations and further research

Like all academic studies, there are some limitations in the argumentation process and results of this study. First of all, this study completed the qualitative research in the form of semi-structured interviews, but the results of the study only included 20 consumers of Luckin Coffee from different regions of China. It is well known that China has a vast geographical area and the living habits of residents in different regions are quite different. Although this study did not compare groups from different regions, the dispersion of the consumer sample is still not negligible. Meanwhile, the limitations in terms of the sample size of participants need to be considered.

Secondly, this study also has limitations in the selection of the type of participants. During the empirical research, the author emailed a number of managers and shareholders of Luckin Coffee to request interviews. However, since Luckin Coffee decided to re-launch its IPO within the following six months, all the staff refused to

be interviewed by me. This prevented the author from analyzing how the brand adapted to cultural resistance to further develop the market from multiple perspectives.

Based on my deep understanding of the limitations of this study, I believe that it is necessary to consider "more participant samples" and "opinions within the organization" in future research on consumer behavior and market shaping. Furthermore, I hope that the analysis of the business case of Luckin Coffee will stimulate future research in the areas of cultural resistance and market shaping, and further explore the influence of different cultural backgrounds on consumer purchasing behavior.

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9. Appendices

9.1 Appendix 1: Interview Sample

Participant	Type of interview	Location	Gender	Date of interview
Participant 1	Pilot interview	Beijing	F	2023-10-06
Participant 2	Pilot interview	Beijing	M	2023-10-06
Participant 3	Pilot interview	Beijing	M	2023-10-06
Participant 4	Main	Fujian	F	2023-10-08
Participant 5	Main	Guangzhou	F	2023-10-08
Participant 6	Main	Shandong	M	2023-10-09
Participant 7	Main	Sichuan	M	2023-10-13
Participant 8	Main	Liaoning	F	2023-10-13
Participant 9	Main	Beijing	M	2023-10-21
Participant 10	Main	Shanxi	M	2023-10-21
Participant 11	Main	Shaanxi	F	2023-10-22
Participant 12	Main	Yunnan	F	2023-10-23
Participant 13	Main	Guangzhou	M	2023-10-23
Participant 14	Main	Zhejiang	M	2023-10-25
Participant 15	Main	Zhejiang	F	2023-10-26
Participant 16	Main	Beijing	M	2023-10-27
Participant 17	Main	Jiangsu	M	2023-10-27
Participant 18	Main	Shanghai	F	2023-10-29
Participant 19	Main	Shanghai	M	2023-10-31
Participant 20	Main	Tianjin	F	2023-10-31

9.2 Appendix 2: Interview Guide for Pilot interview

Topic	Question Details
<i>Personal information</i>	<ul style="list-style-type: none"> ● Can you describe your personal information, including occupation, region and age?
<i>General about the drinking habits</i>	<ul style="list-style-type: none"> ● Did you have the habit of drinking coffee before buying Luckin coffee? ● How often do you buy Luckin Coffee per week now?
<i>Culture consideration</i>	<ul style="list-style-type: none"> ● Why didn't you drink coffee before? Are there any concerns? ● What cultural factors attracted you when you purchased Luckin Coffee?
<i>Decision-making</i>	<ul style="list-style-type: none"> ● What factors attracted you most when you first purchased Luckin Coffee? ● After the first consumption, which attributes of Luckin Coffee' s product made you most satisfied? ● What factors motivated you to repurchase (continue to consume) Luckin Coffee?/As a loyal user, which attributes of Luckin Coffee do you think makes you have the urge to continue to repurchase?

9.3 Appendix 3: Interview Guide for Main Interviews

Topic	Question Details
<i>Personal information</i>	<ul style="list-style-type: none"> ● Can you describe your personal information, including occupation, region and age?
<i>General about the drinking habits</i>	<ul style="list-style-type: none"> ● Did you have the habit of drinking coffee before buying Luckin coffee? ● How often do you buy Luckin Coffee per week now?
<i>Culture consideration</i>	<ul style="list-style-type: none"> ● Why didn't you drink coffee before? Are there any concerns? ● What cultural factors attracted you when you purchased Luckin Coffee? <ul style="list-style-type: none"> -Which cultural factor, familiar or unfamiliar, facilitate you to buy it? -What impressions do similar or different cultural elements give you about the product?
<ul style="list-style-type: none"> ● Decision-making 	<ul style="list-style-type: none"> ● When you first purchased Luckin Coffee, was it the product itself that attracted you or the consumer atmosphere created by the brand? ● When you first purchased Luckin Coffee, which part of the product's attributes attracted you the most? ● After first consumption, which attributes of Luckin Coffee made you most satisfied? ● What attributes motivate you to repurchase (continue to consume) Luckin Coffee? <ul style="list-style-type: none"> - Is it flavors, new product launches or something else? ● As a loyal user, which attributes of Luckin Coffee do you think makes you have the urge to continue to repurchase? <ul style="list-style-type: none"> - Is price factors is the most important attributes to drive your consumption decisions? Are there any other reasons besides this? ● Would you recommend Luckin Coffee to your friends? Why? Which attribute motivated you to complete the recommendation?

9.4 Appendix 4: Luckin co-branded list 2023

Time	Co-branded
2023	<ul style="list-style-type: none">● September 4, 2023 - Moutai (Chinese Spirits)● August 28, 2023 - Victoria's Secret● August 22, 2023 - Line Puppy● August 7, 2023-Orange Sea (Chinese band)● July 10, 2023-Gulangyu Music Festival● June 19, 2023 - 'Dartman' (Chinese local animation)● April 10, 2023-Doraemon● March 6, 2023-Lu Xianren (Chinese supermodel)● February 13, 2023-Guangzhi He (Chinese talk show actor)● February 6, 2023-Line Puppy Maltese (Korean Animation)● January 9, 2023-Han Meilin (Chinese architectural designer)