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Analysis of Business Model and Accounting Statement Characteristics —— Cites Luckin and Starbucks for Examples

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Abstract: Now, the new coffee brand "Luckin Coffee" has quickly entered the attention of consumers with its rapid store opening speed and the increasing number of customers. This paper mainly takes Starbucks and Luckin in the coffee industry as examples to analyze the impact of financial statement information presentation and analysis under different business models.

Keywords: Luckin Coffee; Starbucks; Business Mode; Accounting Statements

1. Introduction

Accounting statements have always been an important basis for the analysis of the business status and strategic objectives of enterprises, but now, in many industries, there are different from the traditional mode of operating enterprises[1]. Under different business models, the accounting statements may show different characteristics that can better help us to understand and guide the business[2]. This paper will take the different characteristics of accounting statements brought about by the two completely different business models in the coffee industry as an example to study the possible influence of business models on the characteristics of accounting statements.

2. Background

Chinese "coffee culture" formed late, the coffee market from the early, basic can be summarized as experienced four stages, from the Nestle first launched instant coffee, boutique coffee to Starbucks in China, to Nestle to Coca-Cola, combining coffee and cold drink coffee, and in recent years retailers launched now ground coffee and new retail coffee representative —— "Lukin coffee", coffee market now presents a diversified consumption mode.

In terms of the essential consumer demand for coffee, there are two main types: coffee and social interaction. Instant coffee, instant coffee, ready-to-drink coffee and retail store coffee all meet the needs of coffee alone, while Starbucks and cafes meet mainly the social functions.

3. Analysis of business model and profit model

Luckin coffee only spent 18 months going from its first store to its IPO, with 2,370 stores, while Starbucks has only had 3,684 stores in China for 20 years. Such a rapid opening of stores, subsidies for users, celebrity endorsement and so on behind the rapid penetration of the market, is undoubtedly built on the basis of burning money. Luckin coffee has invested huge costs in marketing to attract and retain users[5-7]. According to the high operating expense ratio, Luckin's expenses in sales and marketing expenses are much higher than other costs.

However, Luckin is more than just about selling coffee, it combines many of its Internet genes. First, a cup of Luckin must download its APP or order through the wechat mini program, the store is completely cashless. It mainly obtains customers online, issues a large number of coupons and discount coupons to user accounts, adopts the marketing model of "social fission", and maintains such offers for a long time to generate high customer stickness. Luckin's rapid expansion of the market with generous subsidies is almost similar to ride-hailing's approach.As long as investors believe that coffee is still a blue ocean in China, and Luckin is the first, they will be generous with financing.

In the face of the impact of Luckin coffee, Starbucks formed a deep strategic cooperation with Alibaba in order to create a full range of integrated consumption experience for Chinese consumers. After Luckin launched the coffee delivery service, Starbucks also followed, and Ele. me to create a takeout model of coffee and snacks.

It is clear that Luckin's target customers do not overlap very much with Starbucks. Starbucks users are far more social than functional needs for coffee itself, and many consumers come to Starbucks to seek a third space outside the company and home. As a result, Starbucks stores have larger areas, more refined decoration and higher prices. Its target customers are middle and high-end consumers. Starbucks, which sells coffee but operates culture. Luckin's 90 percent of its stores are all fast-up pick-up stores and takeout outlets, targeting customers who are more sensitive to prices, starting at low prices.

4. Business model and financial statement characteristics

The financial statements of an enterprise are closely related to the operation of an enterprise, and the business model determines the operation of an enterprise. Therefore, the business model of enterprises actually has a strong impact on the characteristics of statements[8].

4.1 Comparative presentation of financial data

For reasons of space, the data of financial statements are not placed. For details, please see the public financial statements of Starbucks and Luckin.The following table 4.1 shows the relevant financial index data calculated on the basis of the financial statement data.

Table 4.1 Comparison of some financial statements of "Luckin Coffee" and "Starbucks" in 2017-2019

		Luckin Coffee			Starbucks		
		2017	2018	Nearly 12 months	2017	2018	Nearly 12 months
Capital structure	Debt to asset ratio (%)	115.2	32.5	19.9	62.0	95.1	132.4
Debt paying ability	current ratio (%)	66.7	311.0	423.1	125.2	219.8	91.7
Operating capacity	Days of receivables Receinover (days)	0.0	2.0	2.4	14.2	10.2	12.1
	Total asset turnover rate (sub / year)	0.0	0.44	0.6	1.56	1.28	1.38
Profitability	Return on assets (%)	0.0	-84.4	-54.3	20.1	23.5	17.7
	Gross profit rate (%)	0.0	-31.9	6.2	30.6	29.7	28.4
	Net profit ratio (%)	--	-192.6	-72.4	12.9	18.3	13.6
	Operating expense ratio: (%)	0.0	158.2	79.1	13.2	14.3	13.6
Growth ability	Revenue growth rate of (%)	-100.0	--	299.1	5.0	10.4	--
	Operating profit growth rate of (%)	-100.0	--	-100.0	1.1	-2.3	--

(Data source: Financial Report)

4.2 Analysis of business model and report characteristics

First, the balance sheet and profit statement. As can be seen from the data in Table 4.1, the total assets of Luckin Coffee are growing very fast. In just three years from its establishment to its listing, the total assets have increased from $51 million to US $1.129 billion, up more than 21 times. It can be seen that Luckin coffee is expanding very rapidly in terms of assets. Although Starbucks has no expansion trend, it has always been strong. Luckin's total liabilities were incurred in the last 12 months At $224 million, yet Starbucks' total debt is valued at $255 billion. The total assets are only 17 times larger than the multiple of Luckin coffee, but the multiple of the total liabilities is greater than that of Luckin coffee is 113.83 times, indicating that its financial risk is greater than that of Luckin coffee. From the perspective of total shareholder equity, Luckin coffee's shareholder equity has been increasing. Looking at the net cash flow generated by operating activities, Luckin coffee has been negative for two consecutive years, increasing almost exponentially from the previous year. Starbucks, while positive in the past 12 months, has almost halved from 2018. Looking at the net cash flow generated from financing activities, Luckin coffee has always been positive and increased exponentially, indicating that it has received many financing projects. In fact, Luckin coffee has received three rounds of financing since its establishment. While Starbucks' net cash flow of its financing activities over the past 12 months was a negative number. The reason is that Starbucks has spent stock buybacks in recent years.

Secondly, the financial indicators in Table 4.2 will be comparative analyzed. First of all, in terms of the ratio of assets to liabilities, Starbucks has been almost all the way up, and its assets are almost all derived from liabilities, and the total liabilities even exceed the assets. On the contrary, Luckin's ratio has been decreasing, which can be seen that most of its assets are derived from shareholder investment, which proves that shareholders are positive about its future development.

As can be seen from current ratio data, compared with Starbucks, Luckin coffee's current assets account for a large number of total assets, with strong liquidity and very high short-term debt solvency.

In terms of operational capacity, Starbucks is almost twice as efficient as luckin coffee is in operating operations by selling its assets. Luckin coffee's turnover rate of its total assets is less than 1, which proves that its assets are inefficient in the actual operation and application, and can be said to be a "cash-burning business".

In terms of profitability, Luckin coffee's profit level is much lower than that of Starbucks. In terms of gross profit margin, Luckin coffee has turned into a profit since nearly 12 months. However, in terms of net interest rate, Luckin coffee actually still "sells a cup and loses a cup". There is also a very noteworthy one: the operating expense ratio. As can be seen from Table 4.2, Luckin's operating expense ratio has been very high since its inception, reaching 79.1% in the past 12 months, while Starbucks has always remained at around 13%. It can be seen that luckin's expenses incurred in the daily operation process such as selling products have a very high proportion of income.

Finally, in terms of growth ability, Luckin coffee's revenue growth rate is very high, changing from-100% in 2017 to 299.1%, while Starbucks is steadily rising. Although the operating income grew rapidly, but in the growth rate of operating profit, Luckin coffee is still-100%, can be said to be still in the loss stage.

5. Conclusions and suggestions

To sum up, it can be seen that different business models show different characteristics in the accounting statements. In the new economic environment, more and more different from the traditional business model, we should combine its business model and some alternative financial indicators, according to the accounting statements and other enterprises in the same industry characteristics to verify the enterprise business model, also according to the business model to view the characteristics of the accounting statements show is reasonable.

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