

Discuss How Luckin Coffee Uses Unique Marketing Strategies to Satisfy Consumers' Needs and Desires in a Highly Homogenized Market

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Abstract: In a fast-paced era, life and work are relatively busy. The emergence of various products makes the market competition increasingly fierce. Especially in the first-tier cities, such as Beijing, Shanghai, Guangzhou, etc., most people's lives are two points and one line type, every day running between home and the company or home and school, there is not much time to stop and rest or social. In such a busy and exhausting life, people tend to feel tired and sleepy, so there is a need to have coffee or tea products to help refresh. However, most coffee shops are primarily recreational and require long waiting times for products to be prepared, so many customers have special needs that cannot be catered for. Luckin has capitalized on this by targeting a more convenient and rapid "new retail" experience and has gained a lot of sales. This paper focuses on the questionnaire survey and combines the 4P theory to analyze how Luckin uses product, price, place, and promotion strategies to satisfy consumers' needs. Luckin Coffee's marketing ideas can provide a particular reference for other enterprises.

Keywords: Luckin Coffee, Marketing Strategy, Consumers

1. Introduction

Luckin Coffee was founded in 2017 and is based in Xiamen, China is China's first 10,000-store chain coffee brand. Luckin [1] aims to provide high-quality, cost-effective, and convenient products and services to meet customers' needs. Therefore, Luckin innovatively put forward the concept of "new retail" through the design of the exclusive app and applets to provide customers with remote ordering channels and help customers with a more convenient and straightforward way of shopping. This research aims to discover how Luckin Coffee's marketing strategy meets customer needs and desires. This article collects data and information from the market, target customers, and the company itself through primary and secondary research methods. Moreover, this article uses the information collected above to understand the development of Luckin Coffee and obtains actual customer feedback data.

2. Methodology

2.1. Literature Research

Firstly, this paper uses secondary research to search the Internet for data from which to obtain information on the estimated future development of the coffee market in China and essential information on Luckin Coffee. The above information provides data on the production and sales volume of the Chinese coffee market over the years, and this paper will analyze the market trends by comparing them with each other and calculating the growth rate of the data. In addition, this paper also reads the official website of Luckin Coffee to understand the company's brand mission and financial status, which provides information for analyzing the company's marketing strategy in the following section.

According to the article 'A benchmarking framework for product lifecycle management (PLM) maturity models', Vezzetti, E., Violante, M.G. and Marcolin, F. [2] argue that a company should launch and manage its product line effectively and that each product in any market goes through a process of launch, growth, maturity and eventually decline. A company can meet customer needs at different times by constantly updating its products. According to McDonald M. [3], in Key marketing concepts, a company must first understand its customers and their needs through market research and analysis. This information can then be used to create products and services that fulfill these needs. All of the above information from the literature suggests that to be a successful business, the products and services produced by the company must satisfy the target consumers' needs.

However, there are limitations to the above methods, such as limited control over data quality, lack of targeting, and homogeneity of data. The secondary survey method cannot directly contact consumers and understand their real needs. Therefore, this paper also combines a survey with a questionnaire to get information about the market satisfaction of Luckin Coffee and feedback from the target customers.

2.2. Survey

Secondly, this article conducts a preliminary study by designing a questionnaire to determine what Luckin Coffee's target customers think and feel about the company. The questionnaire was distributed on the Internet. It is mainly targeted at Luckin's target customers, young people between 18-35 years old, and after counting the occupations, cities, and views on coffee, we will analyze how they evaluate Luckin in detail. For example, understanding why consumers choose to buy Luckin will help to understand to a certain extent how Luckin meets the needs of consumers and how consumers perceive Luckin's brand reputation. Eventually, the data collected is aggregated, and a pie chart is used to clearly show the percentage of different preferences. The results are analyzed by calculating the multiplicity of the data to see how well Luckin is performing.

Finally, in addition to the two approaches mentioned above, this paper will use a literature search for information on business models and consumer psychology theories to analyze four aspects of Luckin's product positioning, shop location positioning, sales price positioning, and promotional models to help understand how Luckin's marketing strategy meets customer needs. It also provides recommendations for other companies that are about to enter this market.

3. Findings

This paper distributed a targeted questionnaire to 18-35-year-olds through the Internet; 97 questionnaires were distributed, and 97 valid questionnaires were collected. The data from this questionnaire shows that Luckin Coffee has a relatively wide range of potential customers, good brand impressions, and high brand loyalty.

Most of the respondents in the questionnaire come from first-tier cities such as Guangzhou, Shanghai, Beijing, etc., and most of them are students or white-collar workers. This data information is in line with the target customers of Luckin Coffee.

Among the 97 people who filled in the questionnaire, 91.75% of them have ever consumed Luckin Coffee, and most of them would choose to consume Luckin Coffee because of its relatively low price of the products, which accounted for as high as 68.04%. Furthermore, as many as 83.51% of consumers are willing to recommend the brand to people around them.

The data collected through the questionnaire "The main reason for choosing Luckin" shows that in addition to 68.04% of people saying that the relatively low price is the main reason why they choose to spend money in Luckin, a relatively large number of people think that Luckin offers a diverse selection of coffee products (47.42%). A convenient location (38.14%) is the reason for their choice. Through the analysis of the above data, in addition to price factors, diversified product choices can meet the needs and preferences of more different customers, thus attracting more consumers to buy; what is more, superior geographical location can help customers notice the brand more quickly and thus affect the consumer's choice, convenient shop location, and more shops, which is conducive to the convenience of customers to go to the store to get a meal, making customers more willing to buy the product.

The data collected from the questionnaire showed that 59.79% of the people believed that they usually drank coffee to refresh themselves. Only 29% of people take coffee as a drink, and 6.19% take coffee as a kind of socializing. Therefore, most people will choose coffee as a refreshing product during the busy life of a working day, and there are fewer alternatives to coffee in this kind of market, except for functional beverages, which also have a refreshing effect. However, as a beverage, fewer people choose coffee to quench their thirst or for good taste.

In addition to the reasons and needs for purchasing coffee, the frequency consumers purchase Luckin products is one of the most noteworthy data sets. Out of 97 people, 8.25% of them manage to purchase Luckin's products daily. Thus, customer loyalty to this product is relatively high. Other frequency of purchase figures that accounted for more were multiple purchases per month (32.99%) and fewer purchases per month (34.02%), respectively. There are also 19.59% who buy every week. The data above shows that Luckin's sales are relatively high, which can also be verified by the company's annual report data.

Although Luckin's data performs well in all areas, there are still some shortcomings. For example, the data collected from that questionnaire showed that 47 percent of people would like to see Luckin add more products in the decaf category.

4. Analysis of Luckin Coffee's Marketing Strategy

4.1. Product Strategy Analysis

As Vezzetti, E., Violante, M.G. and Marcolin, F. [2] argued, Product Lifecycle Management (PLM) is a vital tool to meet the challenges of more demanding global competition and ever-shortening product and component life cycles. Each product will eventually decline over time in the product life cycle, resulting in decreased sales. Therefore, a company needs to continuously develop new products to meet the changing tastes of its customers. Similarly, profitability increases when a company can offer more products simultaneously, forming a product portfolio. It suggests that when sales of one product decline, a new product will be introduced to entice consumers to buy it, and the increase in sales from the new product will make up for the loss of customers to the "declining" product.

Luckin Coffee offers mainly lattes, which have become Luckin's Classic Coffee Series, and the taste of Luckin's products is similar to that of milk tea, with most of the products flavored with more milk to neutralize the bitterness of the coffee and retain the coffee's flavor while making it more

palatable. As Luckin [1] says, "Our coffee is selected from more than 180 blending formulas that highly match the taste of consumers. Moreover, Luckin has done this to make their products more accessible to most of the market.

In addition to the Classic Coffee Series, the company also offers the SOE Specialty Series, the Exfreezo™ Series, and other flavors. The range of different products helps to broaden Luckin's product range and extends the company's product life cycle to a certain extent. The above approach will also help Luckin gain a more extensive customer base and increase its market share by satisfying the needs of most of its customers and increasing its sales to be more competitive in the market.

At the same time, Luckin has been updating its products very fast. In the second quarter of 2023, the company launched 24 beverages, an average of one new product weekly. The emergence of new products always arouses people's curiosity, which attracts them to buy them, and most customers can find a product that best meets their needs by trying different new products.

Finally, Eric Hoffer [4] said, "When people are free to do as they please, they usually imitate each other." As the book 'The Psychology of Persuasion' [5] tells the story, people are likelier to buy a product that has been well-rated and recommended by others, i.e., when a product is labeled as recommended, customers are likelier to buy it, thus increasing sales. This same behavior can also provide a direction for customers who do not know how to choose. Luckin has also captured this customer psychology. On the ordering page, the most popular drinks will pop up as soon as it opens, and there is a particular menu selection area called "popularity Top" selection, which has Luckin's recent most popular 5-6 drinks.

4.2. Pricing Strategy Analysis

The data obtained from the questionnaire in this paper shows that 68.04% of consumers chose to buy Luckin Coffee because of its relatively low price. Therefore, Luckin's pricing strategy is relatively competitive in this coffee market. The price of Luckin Coffee is generally between 15-23 RMB, which is relatively lower than the price of Starbucks, M Stand, or COSTA, etc., which means the price of Luckin's coffee drinks is relatively lower than the market price. Moreover, while Luckin provides relatively low prices for its products, the company also keeps issuing coupons so customers can buy them at lower prices. Sometimes, the unit price of a cup of coffee is even lower than 10RMB, which satisfies the consumers' demand for price.

Through on-site observation, most of Luckin's shops are relatively small, decorated in a minimalist style, with only a few tables and chairs for customers to sit down for a rest and chat. Luckin's sales model is mainly in the form of fast-selling, with customers ordering online and picking up at the shop, which controls the flow of people to a certain extent so that customers will not choose to give up their consumption due to overcrowdedness in the shop. Luckin's official website [1] states, "Our coffee beans come directly from the top coffee-producing regions and have won the IIAC Gold Medal for five consecutive years." It can be seen that Luckin doesn't pay attention to the style of shop decoration and doesn't spend a lot of money on shop decoration and rent. Instead, Luckin spends money on improving the quality of its products so that customers can appreciate the excellent value for money, thus increasing customer satisfaction and loyalty.

4.3. Placing Strategy Analysis

'Making coffee affordable for everyone, making coffee a part of life' is the tagline of Luckin, which targets a group of young white-collar workers and students who pursue convenience. Therefore, we can see that Luckin's shops are mainly set up next to schools or office buildings, making it convenient for their target customers to go and buy. According to the official data report of Ruixing Coffee [6], as of June 2023, the total number of shops increased to 10,836, with 1,485 net new shops opened.

The above information means that Luckin has a high density of shop locations where consumers can easily access their favorite coffee drinks and get Luckin's products as a service wherever they are, genuinely making the product penetrate every customer's life and making coffee a part of life.

Luckin offers a highly convenient, highly affordable shopping channel that allows consumers to place orders remotely through the Luckin Coffee mobile app and presence on other third-party platforms. Luckin's simple shopping page provides customers with a more convenient and simple way to shop, allowing them to avoid the fear of choosing and ordering quickly and efficiently, and the app also selects quick orders based on customers' historical data preferences. Once the order is generated, customers can see the estimated completion time. Consequently, customers can plan their pickup time wisely and save waiting time in the shop. After the order is completed, the customer only needs to go to the shop to scan the code and pick up the goods in a 100% cashier-less environment, which enhances the customer experience.

In addition to online ordering and offline pickup, Luckin also offers delivery services. The high density of shops allows customers to choose the nearest shop and ensures that Luckin delivers quickly. The company promises to deliver within 30 minutes, allowing customers to get their drinks at the best possible tasting time, guaranteeing the taste and flavor of the product, and leaving a good impression on customers.

4.4. Promoting Strategy Analysis

Price promotion is a typical strategy many companies use to stimulate customers to buy more products and attract new customers. From a consumer's perspective, they always want to buy a higher quality product at a lower price. Ruixing Coffee makes full use of coupons to boost sales, using their app to get various coupons from time to time, and Luckin [1]&[7] also offers a weekly 9.9 RMB coffee promotion. The campaign has garnered tremendous customer enthusiasm. More than 39 million cups were sold in the first week of launching the promotion. The launch of 9.9 RMB coffee attracted new customers and strengthened Luckin's relationship with existing customers, which was a vital driver of the surge in customer engagement and satisfaction.

In addition to price promotions, Luckin also uses promotional methods such as brand co-branding to increase sales by cooperating with other IPs to create limited-themed products and giving away related peripheral products. Firstly, promote the event through WeChat and other social media platforms to warm up and share the poster design to attract the public's attention. Secondly, on the event day, launch new products and co-branded packaging, buy Luckin's products to get co-branded cup sets, and buy two cups or more to get free peripheral stickers. This stimulated consumers who may not have needed the product to purchase it. Coupled with the interesting appearance of the packaging and peripheral products, consumers have to take pictures to share and further help Luckin to promote the product. Luckin created a lot of successful cases. For example, in 2023, the Tanabata Festival, co-branded lines of puppies, and the launch of the Tanabata exclusive limited products and stickers received the majority of the masses of the public to go to the periphery for the stickers to buy to Luckin brought a massive amount of traffic. In the recent Ruixing joint, Guizhou Maotai launched a new product, "Jiangxiang latte," which will be a combination of coffee and alcohol, to achieve the first day of sales of a single product up to 5.42 million cups, single product sales of more than 100 million yuan.

5. Conclusion

In summary, how consumers perceive and define the brand is very important for a successful business. Makanyeza [8] mentioned that consumer attitudes toward a product are shaped by information generated from direct consumer experiences with the product, contact with marketers, and word of

mouth. Therefore, consumers' feelings or emotions about a product or brand influence whether they want to buy that product and ultimately translate those feelings into reviews and opinions. Moreover, McDonald M. [3] has also shown that to sell their products or services better, and companies should focus on satisfying the needs and wants of their customers, maintaining communication with them, and getting feedback to achieve long-term success.

Luckin has been able to find and reposition its target customers in a homogenized market by understanding their preferences and real product needs and designing marketing strategies to satisfy them. Moreover, Luckin has used its brand strength to increase the number of shops and co-branding activities, attracting more consumers through innovation. Therefore, other companies that want to gain a higher share of sales in a homogenized market can learn from Luckin, targeting a small group of customers with special needs in the market and providing targeted products and services to gain satisfaction and loyalty to these customers, thus building strong brand awareness.

However, not all companies can learn from Luckin's marketing strategy because Luckin already has a specific brand awareness in the coffee industry. It takes a long time for a start-up to build up a good brand. Moreover, it is not easy to find and re-target niche customers with special needs in a competitive market. If the products designed don't solve the pain points of these customers and satisfy their needs, the company won't be able to have good sales. Therefore, it is essential to learn to observe life and market needs from the little things around us, and only by providing products and services targeted to meet customer needs can we generate revenue.

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