

# *Analyzing on Luckin Coffee's Success in 2023 Based on the Marketing Mix Theory of 4Vs*

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**Abstract:** The coffee market in China has experienced notable changes due to rapid technological progress and changing consumer preferences. Luckin Coffee has emerged as a leader in this industry. This study aims to evaluate Luckin Coffee's achievements in 2023 using the Marketing Mix Theory of 4Vs as an analytical framework. It will investigate the operational tactics and marketing initiatives that have contributed to the brand's success in China's competitive coffee industry. This paper examines Luckin Coffee's business strategy, product innovation, co-branding initiatives, and dedication to sustainability to reveal how the company has successfully managed rapid expansion while improving the customer experience and operational efficiency. This article demonstrates that Luckin Coffee's strategy emphasis on market distinctiveness, adding value, and establishing brand resonance with consumers has not only led to its impressive expansion but has also established novel benchmarks for retail innovation in the coffee sector. This paper provides a concise overview of the decisions and actions taken by Luckin Coffee in 2023 regarding their variation strategy, value strategy, and vibration strategy. It also offers pertinent recommendations to Luckin Coffee in these three areas, providing valuable insights for both scholars and professionals on how to effectively utilize technology and strategic marketing to attain sustainable growth and establish dominance in the market.

**Keywords:** Luckin Coffee, The Marketing Mix Theory of 4Vs, Chain Coffee Brands

## **1. Introduction**

The rise of the social economy, as well as the continued affluence of many civilizations, has increased consumer consumption and popularized coffee culture. Several dominant operational models have arisen in China's coffee sector due to their strong alignment with market expectations. First and foremost, chain-brand coffee establishments, such as Starbucks and Luckin Coffee, have achieved rapid global expansion by offering uniform services and products. Their success is based on a strong brand effect and consistent quality control. Second, specialist boutique coffee shops emphasize the quality and individuality of coffee services. Despite greater costs, they have acquired an indispensable position in certain market categories. Furthermore, community coffee shops prioritize delivering a social and leisure experience, becoming a vital part of the inhabitants' daily lives. New retail coffee models that combine online bookings and offline pickup save on physical storefront costs while also

addressing consumer needs for quick service. Chain-brand coffee shops have emerged as the most profitable and large-scale models due to economies of scale and brand advantages.

By shifting from individual-scale expansion to group-scale expansion as the main idea, this type of business organization and operation system, known as chain business operation, has successfully adjusted to the new circulation area trend. This has improved operational capacity and scale efficiency, allowing it to easily meet the diverse needs of consumers. Among many chain coffee brands, Luckin has gradually highlighted its unique advantages and grown into the head company of China's coffee chain industry.

Luckin Coffee, founded in 2017 and headquartered in Xiamen, is now China's largest coffee chain brand by store count. Luckin Coffee fully embraces the new retail model of mobile internet and big data technologies, collaborating with high-quality suppliers in a variety of areas to provide a high-quality consumer experience and happy moments for customers. According to the financial report on Luckin Coffee's official website, the company added 8,034 stores in 2023, up 97.8% year over year from the end of 2022. As of December 31, 2023, Luckin Coffee had 16,218 outlets in China, making it the largest coffee brand in the Chinese market. According to the financial report, Luckin Coffee's operational profit under US GAAP standards was RMB 3.026 billion in 2023, doubling from 2022 [1].

Currently, the Luckin Coffee business model has been the subject of extensive analysis by scholars employing a variety of theoretical frameworks and methodologies. For instance, utilizing a comparative approach with Luckin Coffee and Hey Tea as focal points, Miao investigates the evolutionary path of innovation within Luckin Coffee's O2O business model [2]. Meanwhile, Wang used a SWOT analysis, delves into Luckin Coffee's strategic approach of prioritizing expansion over quality to dissect its development strategies [3]. Furthermore, the business model canvas is applied by Chen and Zhou in their examination of Luckin Coffee's business operations and its potential for profitability [4]. Moreover, through a case study on Luckin Coffee's efforts at revival post-delisting, Wu explores the possibilities for co-creating corporate value via reforms in corporate governance and iterations in the business model [5]. This body of work collectively underscores the multifaceted and dynamic nature of scholarly inquiries into Luckin Coffee's business strategies and model evolution.

Despite the extensive research and discussion surrounding Luckin Coffee's business model and development strategies, including its innovative O2O business model path, the strategy of prioritizing population growth, profitability analysis through the business model canvas, and case studies on self-rescue via corporate governance reform and business model iteration, a significant gap in the current research remains evident. These studies are more focused on the research and analysis of Luckin Coffee's business model in previous years. Specifically, there is a lack of in-depth analysis using the marketing mix theory of 4Vs to explore Luckin Coffee's success in 2023. Research in this dimension could offer new perspectives on how Luckin Coffee enhances brand value, optimizes the customer experience, achieves cost-effectiveness, and communicates effectively through marketing strategies. It could also provide practical guidance for modern enterprises on how to apply marketing theory to foster business growth and brand development in a competitive market environment. Therefore, employing the marketing mix theory of 4Vs to study Luckin Coffee's success in 2023 will fill this existing research gap, holding significant value for both academic research and practical application.

In order to analyze the considerable successes achieved by Luckin Coffee in 2023, this paper will first introduce the various accomplishments attained by Luckin Coffee throughout that year. Subsequently, this paper will conduct a detailed analysis of these successes using the Marketing Mix Theory of 4Vs and identify the reasons behind Luckin Coffee's achievements. Finally, based on the reasons for Luckin Coffee's success identified through the analysis, this paper will offer reasoned recommendations for Luckin Coffee and other chain coffee businesses as strategic decision-making references to further enhance their commercial value.

## 2. Case Description

Luckin Coffee, known for its rapid expansion, is a coffee brand that enhances quality, cost-effectiveness, and convenience through a technology-driven new retail model. Luckin Coffee was founded in 2017 with its headquarters located in Xiamen, Fujian Province, China. It opened its first store in Beijing Galaxy SOHO in October 2017. Luckin Coffee's innovation lies in its emphasis on technology's role in enhancing customer experience and operational efficiency, primarily through its mobile app and third-party platforms to facilitate cashless transactions, offering a 100% cashier-less environment [1].

Since its inception, Luckin Coffee has rapidly expanded its network of stores in China through its online-offline retail model, including pick-up stores, leisure stores, and delivery kitchens. As of January 1, 2018, Luckin Coffee began trial operations in 13 cities, including Beijing, Shanghai, Tianjin, etc. [1]. During the trial period, Luckin completed approximately 3 million orders, sold about 5 million cups of coffee, and received orders from over 1.3 million users. On May 17, 2019, Luckin Coffee successfully went public on the NASDAQ stock exchange in the United States. Remarkably, Luckin Coffee transitioned from its initial trial operation phase to its official public listing in just 18 months.

In 2023, Luckin Coffee launched 102 new beverage products, many of which were collaborations with brands such as Doraemon, Maltese, Victoria's Secret, and Guizhou Moutai, featuring trends in floral, fruity, tea, and liquor aromas. Eight of these new products surpassed sales of 100 million cups, achieving significant success [1]. On June 5, 2023, with the opening of its 10,000th store in Xiamen, Luckin Coffee initiated a gratitude event, offering weekly coffee coupons priced at 9.9 yuan. In the third quarter of 2023, Luckin Coffee launched a random distribution of 9.9-yuan coffee coupons, aiming to usher in an era of high-quality coffee at this price [1].

In 2023, Luckin Coffee achieved significant milestones, marking a year of unparalleled success that underscored its robust growth trajectory and strategic expansion. The company reported a total net revenue of RMB 24.9 billion, representing an impressive 87.3% YoY increase. A landmark achievement was the opening of its 10,000th store in Xiamen, reflecting its aggressive expansion strategy that saw 8,034 new stores launched, bringing the total to 16,248 stores by the end of the year. The introduction of the Jiangxiang Flavored Latte emerged as a legendary product, contributing significantly to brand differentiation and customer appeal. 2023 also marked Luckin Coffee's initial steps towards international expansion, with the establishment of stores in Singapore, indicating its aspirations for global market penetration. Financially, the company exhibited strong operational efficiency, as evidenced by a GAAP operating income margin of 12.1%, amounting to RMB 3 billion, a 167% YoY increase. The new brand proposition, LUCK IN HAND, was instrumental in articulating the brand's vision and enhancing customer engagement. The year saw a remarkable surge in cumulative transacting customers to over 230 million, with a YoY increment of 95 million new transacting customers [1]. Innovation remained at the forefront of Luckin Coffee's strategy, as evidenced by the launch of 102 new SKUs in 2023, with sales reaching 2 billion items. Notably, 8 SKUs achieved the milestone of 100+ million cups sold since their launch. Collectively, these achievements illustrate Luckin Coffee's successful operational and strategic initiatives in 2023, highlighting its growth, innovation, and expanding market footprint.

## 3. Analysis on problems

### 3.1. Marketing mix theory of 4Vs

By the end of the 20th century, rapid technological advancements led to continuous updates and iterations of products and services, particularly with the ongoing innovation in new technologies such

as the internet, which improved the asymmetry of information between enterprises and consumers [6]. Simultaneously, significant refinement and innovation in marketing theories led to the emergence of the 4Vs marketing mix theory in this context. The marketing mix theory of 4Vs, proposed by the domestic scholar Wu Jinming in response to market changes of the new era, is an innovative marketing theory that integrates the demand-centric approach of the 4Cs marketing theory with the production-centric approach of the 4P marketing theory [6]. It not only meets the development requirements of the current era of personalization but also aligns with the characteristics of the contemporary internet economy, playing a crucial role in transforming strategic perspectives and cultivating core competencies for businesses. The 4Vs encompass Variation Strategy, Versatility Strategy, Value Strategy, and Vibration Strategy.

Variation strategy refers to distinctiveness in product offerings, market positioning, and brand image. The versatility strategy pertains to providing products with various functionalities tailored to the needs of different consumers, allowing them to select based on their specific circumstances and preferences [7]. The value strategy primarily comprises elements such as technology, marketing, service, corporate culture, and brand, which, in the context of rapid economic growth, are increasingly occupying a share in the value system of Vibration strategy refers to the maximization of customer satisfaction by providing innovative products [7].

The 4Vs marketing mix theory, widely used in the fields of brand positioning and rebranding, competitive market strategy development, consumer relations management, and digital marketing initiatives, provides a comprehensive assessment of variation strategy, versatility strategy, value strategy, and vibration strategy. Fundamentally, the 4Vs theory provides businesses with a comprehensive framework for identifying and capitalizing on opportunities in fluctuating market conditions, enhancing competitive capabilities through innovation and distinctiveness, and establishing meaningful connections with their customers. As a result, the marketing mix theory of the four Vs applies equally to this paper. As a result, the sections that follow will examine Luckin Coffee's success in 2023 through the lens of the 4Vs marketing mix theory.

### 3.2. Reasons on Variation Strategy

Luckin Coffee was successful in 2023 due to its specific variety advantages. Luckin Coffee's key competitive strategy for 2023 was intensive product innovation and co-branding alliances. While other chain coffee shops continued to serve traditional coffees, Luckin Coffee pursued a different strategy through several collaborations with well-known brands, resulting in substantial success. Luckin Coffee launched 102 new beverages in 2023, 69 of which were co-branded with well-known brands, including the Coconut Latte and Cloud Coconut Latte in collaboration with Coconut Group and the Jiangxiang Latte with Maotai Group, among others [1]. These co-branded goods were all huge successes; for example, the Jiangxiang Latte sold 5.42 million cups on its first day, with single-day sales revenue exceeding 100 million RMB, while the Coconut Latte sold over 700 million cups [1]. Luckin Coffee demonstrated a unique rivalry by releasing new goods in collaboration with other well-known brands. This method not only increased brand attractiveness but also inspired extensive market and consumer interest by leveraging cross-brand collaboration to effectively address different customer needs and create distinctive products that integrate both parties' traits and capabilities. Furthermore, co-branding broadened market coverage by capturing the attention of non-traditional coffee customers, opening up new markets and consumer segments. Furthermore, this strategy's flexibility allowed for a quick response to market changes, improving product line diversity and appeal, encouraging innovation in products, services, and marketing, while also fostering the company's long-term development.

Many researchers have conducted research on differentiation marketing tactics to demonstrate that implementing appropriate and well-suited variation techniques can genuinely improve product

competitiveness. Wang Jin examined the meaning and requirements for implementing differentiation marketing [8]. He used the example of Changhong color TVs to illustrate how a well-designed variation marketing plan could improve a product's competitiveness [8]. In addition, Zheng Yili examined the theoretical framework and emerging patterns of variation marketing techniques, demonstrating their potential to enable enterprises to circumvent uniform competition and enhance their market presence [9].

### 3.3. Reasons on Value Strategy

Luckin Coffee's significant success in 2023 is primarily due to its value strategy, which focuses on improving social value and the consumer experience through various marketing techniques. For example, to increase product awareness, engage in a variety of engaging activities with clients via social media channels. Luckin Coffee will open a variety of themed locations in 2023, each with a distinct theme or concept, delivering a unique sensory experience and inviting customers to engage in special activities. For example, in October 2023, Luckin built cat and mouse-themed storefronts in Beijing and Shanghai, offering customers co-branded beverage bottles and in-store purchase stickers [1]. These themed locations provide distinctive surroundings, experiences, and limited-edition items, increasing customer awareness of the Luckin Coffee brand. This distinct brand experience raises the perceived worth of its products and increases their added value.

Many scholars have explored value-added marketing methods, indicating the usefulness of increasing product value as a widely applicable and successful marketing strategy. For example, Yu Yue's research on strategies for boosting the added value of agricultural product processing firms demonstrates how raising the added value of agricultural products can greatly progress economic development [10]. Similarly, Hitachi's 2010 Projector Product Strategy delves into user-focused tactics for growing high-value products, demonstrating how value-added strategies can better align products with consumer and societal demands, thereby increasing corporate competitiveness [11].

### 3.4. Reasons on Vibration Strategy

In 2023, Luckin Coffee achieved significant success through its Vibration strategy, which mainly involves communicating its brand narrative and values, engaging in philanthropic activities, and increasing investment in green and low-carbon initiatives. In May 2023, Luckin officially joined the United Nations Global Compact, the world's largest initiative to promote corporate sustainability, demonstrating Luckin's commitment to sustainable development [1]. At the same time, Luckin actively seeks environmentally friendly packaging solutions to demonstrate its determination to operate sustainably and contribute to the green and low-carbon development of China's coffee industry.

In terms of corporate social responsibility, Luckin has been working hard to fulfill its responsibilities and actively promote philanthropic development. In July 2023, Zhuozhou, Hebei Province, suffered a severe flood, and Luckin donated RMB 5 million through the China Rural Development Foundation to support rescue, resettlement, and post-disaster reconstruction [8]. In addition, Luckin advocates the participation of all sectors of society to gather more social forces to participate in charity. In November 2023, Luckin cooperated with the Aiyu Charity Foundation to launch a public welfare charity run by "Luckin Coffee Healthy China" to donate money to poor children in remote rural areas [6].

Through these charitable activities, Luckin Coffee integrates environmental awareness into all aspects of product production and business operations, resonating with consumers' increasing environmental awareness and social responsibility. Therefore, consumers choose to support Luckin Coffee not only to enjoy delicious products but also to recognize the brand's mission of sustainable

development, in line with the green environmental protection and social responsibility values advocated by Luckin. This resonance has deepened consumers' awareness and loyalty to the brand, laying a solid foundation for Luckin Coffee's long-term development in the market.

At present, many scholars have conducted research on the resonance between consumers and brands, indicating that this resonance will be an important factor in promoting the development of brands in the market. For example, Shi Zhaoqian introduced the concept of product involvement and proved that there is a positive correlation between consumer brand resonance, market share, and product competitiveness [12].

## 4. Suggestions

### 4.1. Suggestion on Variation Strategy

While Luckin Coffee's variation strategy in 2023 has already achieved considerable success, it's believed that by refining and upgrading their promotional variation strategy, especially by sponsoring university events, they can solidify their market position and achieve greater success. Luckin Coffee's primary customer base is the younger demographic, with a significant portion of university students preferring mobile applications for convenient and cost-effective purchases. Therefore, sponsoring university competitions and other activities could significantly enhance promotional differentiation.

Due to their promising future professional opportunities, university students constitute a distinct consumer group characterized by their curiosity about novel products and their inclination to engage in sophisticated purchasing patterns. University event sponsorships can be effective for cultivating brand loyalty among this population. Since 2020, Genki Forest has sponsored multiple events at Beihang University. They provide complimentary beverages during important school events and have also set up vending machines on campus. This allows both staff and students to buy their products at a reduced price [13]. This strategy not only boosted Genki Forest's sales within the university campus but also established the brand firmly in the community, encouraging students and teachers to develop a habit of consuming their products. This achievement exemplifies the effective use of university event sponsorships to differentiate oneself from competitors.

### 4.2. Suggestion on Value Strategy

Regardless of the success of Luckin Coffee's value strategy in 2023, creating a visible discrepancy between the consumer's perceived value and the cost may increase the perception that the coffee is of outstanding value. This post-purchase happiness can lead to increased consumer loyalty. In 2023, Luckin Coffee expanded into larger stores, unlike the earlier smaller outlets, and provided amenities such as sofas and tables for customer use, as well as more spacious settings. As a result, Luckin Coffee might use sensory, psychological, and cognitive strategies to increase consumers' perceived value while addressing both physical and psychological demands. For example, giving customers the opportunity to make their own coffee in these larger stores—allowing them to select, blend, grind, and extract coffee from beans of various origins—can thoroughly immerse them in the coffee-making process. This integration of visual, aural, tactile, and olfactory stimuli can provide consumers with a unique and compelling experience, attracting more customers.

Existing chain coffee brands have proven that sensory experience marketing has a positive impact on product attractiveness to consumers. For example, Starbucks, another chain coffee brand, offers a service in its Reserve stores where customers can blend their own coffee beans and learn to brew coffee manually. This service has become one of Starbucks Reserve's signature offerings, achieving significant success in the market. Therefore, if Luckin Coffee could also provide a service that allows customers to personally make coffee, it would undoubtedly attract more customers and enhance Luckin Coffee's commercial value.

### 4.3. Suggestion on Vibration Strategy

Although the vibration strategy of Luckin Coffee significantly contributed to its success in 2023, there remains considerable room for improvement in terms of emotional resonance with consumers. For instance, the interaction between Luckin Coffee's staff and customers is still insufficient to achieve effective emotional exchange and resonance. An example of this shortfall is the inflexibility of adjusting ice levels in drinks during the ordering process; even when customers communicate their preferences to staff in-store, there is generally no effect. Therefore, Luckin Coffee needs to continuously enhance its personalized service levels, effectively strengthening communication with customers before, during, and after sales across both online and offline channels. It should intensify interactive marketing throughout the entire process and meet customers' individual needs. Additionally, staff should fully convey and demonstrate their identification with the corporate culture to consumers, aiming to meet consumer needs to the greatest extent and encouraging consumer identification with the corporate culture, thus fostering consumer resonance.

For example, the restaurant behemoth Haidilao Hot Pot, which stands out in the catering sector for its success in customized services, attends to every detail of service, including supplying snacks, drinks, and even complimentary manicure services to waiting clients. Such attention to detail demonstrates understanding and fulfilling unique consumer needs. Haidilao also cherishes client input, viewing both praise and criticism as opportunities for service improvement. This proactive approach to feedback helps customers feel appreciated and improves their emotional connection to the brand, allowing for a greater resonance with the brand. As a result, if Luckin Coffee can improve its marketing services and focus more on client input, it will surely stand out in the chain coffee sector.

## 5. Conclusion

Due to the growth of the social economy and the increasing diversity of cultures, consumers' purchasing power has risen, leading to the widespread adoption of coffee culture. As a result, China's chain coffee business has had significant success in recent years. This article utilizes the Marketing Mix Theory of 4Vs to examine the achievements of Luckin Coffee in 2023, with particular emphasis on its implementation of Variation Strategy, Value Strategy, and Vibration Strategy. Additionally, it examines the ways in which these strategic initiatives played a role in Luckin Coffee's notable accomplishments in 2023.

This article focuses on the notable accomplishments of Luckin Coffee in 2023, specifically highlighting its success in product innovation and the use of pertinent marketing data. This analysis then examines Luckin Coffee's approaches in terms of variation, value, and vibration, utilizing the Marketing Mix Theory of 4Vs. It elucidates the reasons behind the notable success achieved by these methods in 2023. The study suggests particular enhancements that Luckin Coffee might make in the realms of variation strategy, value strategy, and vibration strategy while still utilizing the Marketing Mix Theory of 4Vs. This paper provides evidence for the practicality of these suggestions by utilizing a combination of theoretical analysis and real-world data.

This paper analyzes Luckin Coffee's success in 2023 using the Marketing Mix Theory of 4Vs, drawing upon the latest data from Luckin Coffee's official website, thereby addressing a research gap in the field. Furthermore, it offers suggestions for Luckin Coffee, based on the Marketing Mix Theory of 4Vs, that are also applicable to other chain coffee brands in China, providing strategic decision-making insights for the chain coffee business sector.

However, this paper analyzed strategies within three aspects of the Marketing Mix Theory of 4Vs, overlooking the contribution of Luckin Coffee's Versatility Strategy to its success in 2023 and the impact of product functionalization strategies. Therefore, future research could address this gap by

conducting a more detailed analysis of the role of versatility strategy in Luckin Coffee's success and offering suggestions for improvement, thereby remedying the limitations of this paper.

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