

The Analysis of Luckin Coffee Using 4P and SWOT Theories

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Abstract: With the upgrading of consumption and the improvement of living standards in China, the coffee industry has encountered unprecedented growth opportunities. According to relevant reports, the market size of freshly brewed coffee in China has exceeded 100 billion yuan, showing strong growth momentum. This provides vast development space for coffee chains like Luckin Coffee. Luckin has demonstrated a robust growth trend, particularly achieving significant success in store expansion, product innovation, market layout, and sustainable development. This paper analyzes Luckin Coffee's current status and opportunities. Using literature review and theoretical analysis, it aims to examine Luckin Coffee's past and present marketing models and development strategies, while exploring how adjusting its marketing strategies can help Luckin Coffee cope with challenges and seize growth opportunities.

Keywords: 4P, SWOT, Luckin Coffee, marketing strategy.

1. Introduction

In recent years, with the rapid development of China's coffee market, Luckin Coffee, as an emerging brand, has quickly gained prominence. Its business model, marketing strategies, and rise in the Chinese coffee industry have attracted widespread attention from the academic community. Research suggests that in-depth analysis of a company's marketing strategies and competitive advantages can provide better insight into its market performance and long-term growth potential [1]. This paper focuses on Luckin Coffee, using the 4P marketing theory and SWOT analysis to comprehensively examine the factors driving its success.

Scholars have already studied the marketing models and consumer behavior in China's coffee market. Some have pointed out that price and convenience are key factors influencing Chinese consumers' choice of coffee brands [2]. Others, through comparative analysis of various coffee companies, concluded that brand awareness and product innovation play a significant role in enhancing a company's competitiveness [3]. These studies provide theoretical support and reference for this paper.

This study primarily employs the 4P theory and SWOT analysis to explore Luckin Coffee's marketing strategies and competitive advantages.

Through this analysis of Luckin Coffee, the paper aims to offer strategic marketing insights for related companies and enrich the literature on China's coffee market. This research contributes to helping companies optimize their marketing models in the context of global competition.

2. Marketing situation and SWOT

The market overview of Luckin Coffee in 2024 shows that its store count has exceeded 20,000, making it the first coffee chain in China to surpass this milestone. Additionally, for the first time, its annual sales volume surpassed Starbucks China, positioning Luckin Coffee as the largest coffee chain brand in the Chinese market. Luckin Coffee's success is attributed to its rapid store expansion, significant price subsidies, celebrity endorsements, and high-profile promotional campaigns. Moreover, it has led China's coffee industry into a new phase of development by building strong barriers in branding, scale, supply chain, and digitalization. According to financial statements released by Luckin, in the second quarter of 2024, the company's total net revenue exceeded 8.4 billion yuan, representing a year-on-year growth of 35.5%, setting a new quarterly revenue record. Furthermore, Luckin has increased investment in its supply chain, planning to purchase approximately 120,000 tons of coffee beans from Brazil by the end of 2025, and has signed several procurement agreements. These measures have further consolidated Luckin Coffee's leading position in the Chinese coffee market, achieving fast, healthy, and sustainable growth. However, it also faces challenges such as low brand loyalty and high employee management costs.

Luckin Coffee has a significant advantage in brand awareness. Collaborations with other brands and the influence of celebrities have greatly boosted its visibility. Through carefully planned co-branded campaigns, Luckin frequently launches popular co-branded products. Additionally, Luckin Coffee introduced the concept of "new retail," integrating online orders, offline stores, and its own delivery system to achieve efficient delivery and a convenient consumer experience. This innovative business model has not only improved operational efficiency but also met consumers' demands for convenience and timeliness [4-5].

While Luckin attracts consumers through large-scale subsidy policies, this approach also brings significant financial pressure, often leading the company to operate at a loss. Additionally, the consumers drawn in by these heavy subsidies tend to have low brand loyalty. They choose Luckin because of the subsidies, but once the subsidies disappear, they are likely to switch to other brands, resulting in weak customer retention.

With the upgrading of consumption and the improvement of living standards in China, the coffee industry has encountered unprecedented growth opportunities. Consumers' demand for high-quality, personalized, and convenient coffee products and services continues to rise, providing Luckin Coffee with a vast market space. At the same time, the increasing popularity of coffee culture in China has led more consumers to embrace and enjoy coffee. Luckin can seize this opportunity to consolidate its market position and enhance its brand influence.

The Chinese coffee market is highly competitive, with not only international giants like Starbucks but also strong domestic rivals such as Cotti Coffee, posing significant competition to Luckin Coffee for market share. Meanwhile, Luckin's rapid expansion and the opening of numerous stores have substantially increased management and operational costs. Any management issues could directly affect consumer experience and harm the brand's image, potentially leading to a major crisis. Therefore, it is crucial for Luckin to strengthen store management and supervision to maintain its brand reputation.

In summary, while Luckin Coffee possesses advantages such as strong capital strength, an innovative business model, and brand awareness, it also faces challenges like ongoing losses and intense market competition, as well as threats from raw material price fluctuations and economic instability. However, with the growth of the coffee consumption market and emerging opportunities in second- and third-tier cities, Luckin Coffee still has the potential to enhance its competitiveness and achieve sustainable development through product innovation and by leveraging the trend toward healthier beverages.

3. 4p analysis

Luckin Coffee offers a diverse range of coffee products. In addition to classic options like Americano, latte, and cappuccino, it has also launched many innovative products that cater to Chinese habits and culture. For instance, the popularity of milk tea reflects Chinese consumers' love for dairy products, prompting Luckin to introduce a variety of milk coffee options, with the fresh coconut latte as a representative. Influenced by Chinese tea culture, Luckin has also launched a series of Chinese tea coffee blends, successfully merging coffee and tea cultures. Furthermore, for those who do not enjoy coffee, it provides non-coffee beverages to offer a variety of choices. At the same time, Luckin has introduced many types of snacks and desserts to complement its coffee, providing customers with a rich selection for afternoon tea [6].

Luckin Coffee has positioned its pricing as more affordable, making it attractive to a larger base of young consumers. Compared to other higher-end coffee brands, Luckin's prices are more budget-friendly and easily accepted by the general public. Additionally, it frequently launches various discounts and promotional policies, such as partnering with major platforms to offer 9.9 yuan coupons, aimed at attracting consumers and boosting sales.

Luckin Coffee employs a combined online and offline sales strategy, establishing a large number of physical stores in major urban centers, universities, and office areas across the country. These stores are primarily small in size but numerous in quantity, allowing for widespread coverage. In addition, Luckin Coffee enhances consumer purchasing options through its official website, mobile app, WeChat mini-program, and partnerships with major delivery platforms, creating a more diverse range of purchasing channels that make buying more convenient.

Luckin Coffee's promotional strategies are diverse and creative, encompassing various aspects such as product innovation, brand collaborations, social media marketing, and advertising. The company places a strong emphasis on product innovation, continuously launching new products to meet the diverse needs of consumers. For example, in the second quarter of 2024, Luckin introduced 30 innovative products, including the Coconut Latte, Lemon C Americano, and Light Coffee XL. Notably, the Light Coffee Lemon Tea achieved sales of over 5.08 million cups in its first week.

4. The Marketing Approach of Brand Collaborations

4.1. Enhancing Product Appeal

Products serve as the bridge between businesses and customers, fulfilling their basic needs. Collaborations often lead to co-branded products that leverage the novelty of partnerships to create differentiation and unique appeal, ultimately driving higher sales volumes. Luckin Coffee's co-branded products exemplify this uniqueness, boasting strong attraction and achieving remarkable sales figures.

After collaborating with various brands, Luckin Coffee has seen exceptional sales results. For example, its partnership with Coconut Tree Juice resulted in total sales exceeding 660,000 cups on the launch day, with first-week sales of individual items surpassing 4.95 million cups. When collaborating with *JOJO's Bizarre Adventure: Stone Ocean*, it broke 1.31 million cups in a single day, with first-week individual item sales exceeding 659,000 cups. The collaboration with *Doraemon: Nobita's Sky Utopia* achieved over 666,000 cups in first-week sales. The partnership with Lu Xianren resulted in first-week sales surpassing 4.47 million cups, while the collaboration with Line Friends during Qixi Festival saw single-day sales hit 727,000 cups. The co-branding with Moutai recorded over 542,000 cups sold on the first day, and the partnership with TOM & JERRY yielded first-week sales exceeding 16.24 million cups.

Clearly, whether collaborating with brands, intellectual properties, or celebrities, Luckin Coffee's products have achieved impressive sales results.

4.2. Rapidly Gaining Attention and Generating Exposure

The co-branding collaboration model breaks traditional marketing thinking, bringing freshness and surprise to consumers, and enabling brands to quickly gain significant attention and effectively increase exposure. Initially, Luckin Coffee distinguished itself in the industry with its strategy of high-quality, affordable coffee. However, as competition in the target market intensified, co-branding became an excellent strategy for garnering more attention among numerous competitors. By collaborating with different brands, Luckin Coffee can rapidly capture the attention of more consumers, enhance brand awareness, and further solidify its market position.

Brand collaboration involves the joint efforts of two or more brands, allowing for the sharing of resources and complementary advantages, ultimately achieving a win-win effect in the market. Luckin Coffee's collaborations with other brands have resulted in mutual benefits in terms of brand image, product launches, advertising promotion, and sales channels.

In terms of brand image, co-branding allows for the presentation of a more diverse and fashionable brand identity, attracting the attention and affection of young consumers. For example, collaborations with Sad Frog, Line Friends, and Victoria's Secret leverage both parties' fashion attributes to create unique co-branded products, garnering consumer favor.

In terms of product launches, Luckin Coffee's collaborations with other brands allow for the introduction of more innovative and differentiated products to meet the diverse needs of consumers. For instance, the collaboration with Moutai resulted in the Sauce Fragrance Latte; the partnership with TOM & JERRY led to the Mascarpone Cheese Latte; the collaboration with Lu Xianren introduced the Biluochun Latte; and the partnership with The Wandering Warrior brought forth the Kunlun Boiled Snow Latte. These novel products have greatly attracted their target audiences. This collaborative approach not only enhances product quality and competitiveness but also increases the brand's appeal and added value.

In terms of advertising and sales channels, Luckin Coffee's co-branding efforts facilitate resource sharing. For example, Luckin can leverage Moutai's brand influence to enhance its own brand recognition and reputation, while Moutai can expand its market reach by utilizing Luckin Coffee's promotional capabilities and audience base.

Brand collaborations enable the strengths of both brands to combine, compensating for their respective weaknesses, and ultimately achieving a win-win outcome that fosters better development for both parties.

5. Suggestions

5.1. Improvement of products and their quality

5.1.1. Continuous Product Line Innovation

Regularly launching innovative products to meet the diverse needs of consumers is essential. Seasonal limited-edition products can be introduced to attract customers, and effective seasonal marketing can not only boost product sales but also serve as a "bridge" for long-term communication between the brand and consumers. By incorporating seasonal elements such as flavors, designs, and packaging into these limited-edition products, consumers can experience the essence of each season: floral scents in spring, refreshing coolness in summer, crispness in autumn, and warmth in winter. This uniqueness in the market satisfies consumers' pursuit of individuality. Seasonal limited editions convey the message of "miss it and it's gone," creating a sense of scarcity and expressing a reverence

for nature and a pursuit of quality. Such sentiments resonate deeply with consumers, driving more traffic to the products or brand while fulfilling various needs for beauty, uniqueness, and social interaction.

Additionally, since these products are only available once a year, their rarity increases their perceived value, making them even more appealing. Implementing seasonal limited supplies can enhance consumers' perception of product value, thereby increasing brand premium and attractiveness.

5.1.2. Raw materials

Luckin Coffee should continue to establish stable partnerships with global high-quality coffee bean producing regions to ensure a consistent supply of premium coffee beans. At the same time, it can explore collaborations with domestic high-quality coffee bean regions to increase the proportion of locally sourced coffee beans in its products. This approach not only supports the development of local agriculture but also meets consumers' demand for high-quality domestic coffee.

Additionally, Luckin should establish a rigorous raw material quality control system, ensuring that every stage—from the picking, processing, and transportation to the storage of coffee beans—meets strict quality standards. This guarantees that every coffee bean aligns with Luckin's high-quality benchmarks. Moreover, increasing investment in coffee bean research and development is crucial for creating more distinctive coffee beans that cater to Chinese consumers' tastes. Collaborating with renowned coffee roasters and research institutions, both domestically and internationally, can facilitate the joint development of innovative and differentiated coffee bean products.

5.2. Promoting Chinese Coffee Culture

5.2.1. Strengthening Coffee Culture Awareness

Luckin Coffee can enhance the dissemination of coffee culture through both online and offline strategies. Online, the company can utilize social media platforms, its official website, and other digital channels to share knowledge about coffee, tasting techniques, and related content. This approach will not only educate consumers but also engage them in discussions about coffee.

Offline, Luckin Coffee can regularly organize coffee tasting events and cultural lectures, inviting consumers to participate and experience the charm of coffee culture firsthand. Collaborating with cultural and educational institutions can further promote coffee culture; for instance, Luckin could partner with universities to offer coffee tasting courses or work with libraries to host coffee-themed reading sessions. These initiatives would not only broaden the understanding of coffee among consumers but also foster a deeper appreciation for its cultural significance in China.

5.2.2. Promoting the Development of the Coffee Industry Chain

Luckin Coffee can leverage its leading position and influence in the coffee industry to actively promote the development of China's coffee industry chain. By investing in and collaborating with domestic coffee cultivation, processing, and roasting sectors, Luckin can enhance the overall quality and competitiveness of the entire industry chain.

Collaborating with local governments and industry associations can further facilitate the internationalization of Chinese coffee brands. Participating in international coffee expos and hosting global coffee competitions can significantly raise the visibility and impact of Chinese coffee brands on the world stage. Through these initiatives, Luckin Coffee can play a crucial role in advancing the entire coffee ecosystem in China, fostering growth and innovation within the industry.

5.2.3. Integrating Traditional Chinese Culture

China, as a major agricultural nation, has a long history marked by the hardships of farming life, which has instilled a strong spirit of practicality in its people, characterized by perseverance, hard work, and entrepreneurial qualities. This cultural background contributes to a resilient and vibrant brand image for Luckin Coffee, evoking a sense of energy and positivity.

Moreover, Luckin can create a unique intellectual property (IP) image that serves as a symbol for mass communication. This refined image, through consumers' cognition and associative thinking, can effectively convey specific messages. As one of the four ancient civilizations, China boasts a rich cultural heritage of over 5,000 years. By incorporating traditional Chinese cultural elements into its IP image, Luckin Coffee can merge its brand identity with Chinese culture, thereby enhancing its emotional value and deepening its connection with consumers.

6. Conclusion

This article provides a detailed summary of Luckin Coffee's current market situation by utilizing SWOT analysis and the 4Ps framework. It outlines Luckin Coffee's strengths, weaknesses, opportunities, and threats, and offers some recommendations to address its weaknesses and threats.

The article elaborates on the company's situation in terms of product, pricing, channels, and promotion, with a specific focus on its advantages in brand collaborations. This approach aims to give readers a more intuitive understanding of Luckin Coffee.

However, the article has its shortcomings, including the lack of thorough research, which may affect the objectivity of certain issues discussed. Additionally, the discussion on promotional strategies is somewhat limited and does not cover all aspects comprehensively. Future research will address these two areas for a more in-depth analysis.

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