

# *Analysis of the Brand Marketing Strategy of Luckin Coffee*

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**Abstract:** Luckin Coffee is attempting to infiltrate every aspect of daily life through products and services, passing the concept of a better life and inspiring eager expectations for a better life. This is done with the vision of “Create a world-class coffee brand, let Luckin become a part of People’s Daily life” and around the core values of “truth and pragmatism, quality first, continuous innovation, only me, mutual trust and win-win”. Luckin Coffee is through products and services, efforts to penetrate every daily life, pass the concept of a better life, and inspire expectations for a better life. Luckin Coffee is based on the sale strategy of cheap and high quality coffee and the business strategy of a new retail model that still has great reference significance for other fast-selling beverage brands. This paper analyzes the Luckin Coffee brand through the SWOT analysis, and explores its advantages, disadvantages, opportunities and threats. It is analyzed that the main advantages of Luckin Coffee lie in its excellent innovation ability and attractive price, but it also faces the threat of other emerging tea companies and the crowding out of Starbucks. Finally, it comes up with some strategic plans to improve product competitiveness, such as focusing on quality and optimizing service. The main intention of this paper is to conduct comprehensive and multi-level research on Luckin Coffee, so as to provide a reference for other similar brands, and make Luckin Coffee learn from each other for a better development prospect.

**Keywords:** Luckin Moutai cooperation, marketing strategy, new retail model of price war

## 1. Introduction

Luckin Coffee Company opened its first store in October 2017. The level of acceptance of the superiority of a perception and impression on the caliber of a company’s primary service brand goods and service brand is known as quality recognition. It refers to a consumer’s relatively overall perception and visual impression of the quality of a product or a company’s primary service brand. The phrase “overall recognition of enterprise quality” describes how customers view a company’s sales service products in terms of its general aesthetic appeal and degree of market acceptance. Luckin Coffee is a representative of China’s new Internet retail era coffee industry, once in only a year or so successfully created a \$2.2 billion global national consumption coffee first brand. The mobile Internet-based retail strategy is something that Luckin Coffee is devoted to. Customers’ coffee consumption habits have subtly altered as a result of the growth of the mobile Internet and delivery service industries, and offline service and delivery have emerged as new avenues for customers to choose coffee goods. Based on the SWOT analysis, this paper conducts research on the business model of Luckin Coffee, and puts forward targeted suggestions on the operation mode of

Luckin Coffee. China's most of young people are generally under a considerable degree of workplace pressure and life anxiety, which also makes the Chinese market for coffee demand growth is robust. Under such conditions, through product upgrades to convert more long-term users, as well as adhere to the new retail model, improve innovation ability, Luckin Coffee to become one of the largest coffee brands in China is waiting for the day.

## **2. Luckin Coffee SWOT Analysis**

### **2.1. Strengths**

#### **2.1.1. Reasonable Product Price Strategy**

Use subsidies for fission marketing [1]. As a low price as the main competitiveness of chain coffee brand, Luckin Coffee through "price war" attracted a large number of consumers and in a few years development for domestic coffee brand giant, its main means is through the mass coupons, launch special products to reduce the price, also adopted a series of measures to reduce costs, these measures to make consumers can use low price to buy high quality coffee. Moreover, Luckin Coffee's goal is to "let everyone can afford to drink, get a good cup of coffee", create consumers can consume cost-effective products, on the premise of ensuring quality, compared with Starbucks cheaper river a third of the price, but the quality and popularity is higher than the same price other coffee brands, such as nestle, Kudi relatively cheap coffee brand. The biggest characteristic of Luckin Coffee's low-price fission marketing is that its products help drive new people and fission growth. It mainly uses the Internet social networking platform, WeChat public account and WeChat circle of friends to enhance the effectiveness of brand communication [2].

#### **2.1.2. Good Brand Advertising**

Good brand communication brand identity is a special mark used by enterprises to distinguish their own products from competitive products [3]. In terms of brand communication and advertising channels of Luckin Coffee, offline Luckin Coffee mainly selects stores for accurate advertising delivery. Offline to the store advertising target audience and consumer groups are accurately classified. The online advertising is based on geographic location marketing services like WeChat mini programs, and the online platform targeted promotion is mainly used to repeatedly attract the store and the surrounding area. The offline advertising is based on signed stars, advertising in the main downtown, office buildings, and large commercial communities, covering a large number of social groups and white-collar workers. Luckin Coffee demonstrates its brand culture and values to customers through excellent brand communication, and customers are able to identify the brand with ease. Young people's desires for mobility are met by Luckin Coffee, which "sells coffee itself, not space, culture, or packaging".

#### **2.1.3. Excellent Brand Design**

It named "Luckin", which represents luck and auspiciousness and brings happy life to the Chinese people. The iconic design concept of the brand is an old rarefied animal, meaning its vitality, but also because of its meaning of wealth and auspiciousness, has a harmonious traditional cultural symbol, reflecting the uniqueness of its brand design. It is a symbol of the elegance and dignity of Milu, because it is in line with the positioning and style of its Milu coffee series products, the brand's positioning object is white-collar workers, the noble image of Milu deer and the brand design with royal blue as the main color, and the actual consumption needs and objectives of consumers and groups have a good fit. People typically assume that coffee indicates a good quality of life, which

introduces the picture of an elk and helps to strengthen the distinctiveness of the brand image and increase the popularity added value.

#### **2.1.4. New Retail Model**

Luckin Coffee adopts the new retail model, advocates the brand strategy of “Any Moment”, and focuses its sales strategy on the main offline stores such as flagship stores, leisure stores, take-out kitchen stores, etc, as well as the innovative retail approach that combines self-pick, in-store, online and offline shopping. In order for customers to have a great cup of coffee whenever and wherever they want, which is the basis of the overall strategic purpose, it is dedicated to attaining complete coverage of users’ consumption situations. This is because they are not selling space like Starbucks but rather products. In addition, the limitations of traditional trading places are abandoned, and the scene of online trading is constructed to meet the efficient and high-quality consumption needs of customers for coffee in different scenarios. For example, if customers do not have time to queue up, they can easily and quickly find the store through the APP or Wechat mini program, choose the products they want, and watch the entire process of making coffee on the APP after placing the order, which has attracted customers’ attention and brought a new consumption experience. In addition, with the strengthening of cooperation between Luckin and major Internet brands, the whole process of ordering, takeout and promotions is digitized. By mastering the entrance and digital system of Luckin Coffee APP, in the marketing port, consumers place orders, order takeout or grab coupons through the APP, which not only provides customers with a more convenient way to buy, but also attracts more consumers through preferential policies. In the era of the Internet of everything, Luckin collects customer data through online payment, accurately analyzes which product has a broader market through big data, understands customer consumption habits, and can provide more humane services in the future.

### **2.2. Weakness**

#### **2.2.1. The Profit Model Has Potential Risks**

With an initial investment of more than 1 billion yuan, Luckin Coffee gave a lot of subsidies to dealers, stimulating the market and keeping a lot of consumers busy. Such subsidies have the effect of making consumers rely on the brand, which also reduces the knowledge and awareness of Luckin Coffee customers regarding their own brand. Customer loyalty to the coffee brand will need to be further taken into account if the distributors later discontinue these incentives. Given that customers cannot effectively guarantee the quality of coffee products, it will be harder for customers to retain coffee, and the anticipated demand for coffee will decline after the loss of customers' funds. As a result, the anticipated income will fail to adequately offset the loss of coffee operating costs in the early stage, which will directly result in the breakdown of the capital chain of the business. Additionally, there is a dilemma for the long-term survival and growth of businesses.

#### **2.2.2. Poor Quality Recognition**

Quality recognition is the degree of acceptance of the superiority of a perception and impression on the quality of an enterprise’s core service brand products and service brand. The term overall recognition of enterprise quality refers to how consumers perceive an enterprise brand’s sales service items in terms of its overall visual appeal and level of market acceptance. The overall recognition of product quality is the formation basis of an important core value of an enterprise brand with core value assets. Even if it is simple to draw in consumers, it might be challenging to keep them satisfied

because Luckin Coffee still falls short in terms of flavor and quality compared to well-known beverages, and the quality cognition is poor.

### **2.2.3. Quality Decline Caused by Low Price**

With the rapid development in recent years, Luckin Coffee has opened a large number of franchising stores in China and abroad. With the rapid increase in the number of orders, the strength of preferential policies has been increasing, and there have been some problems such as too much ice, too much sugar, poor services and so on. To deal with these problems, Luckin Coffee mainly uses discounts, free subsidies, uses preferential means to achieve fission marketing, such massive, long-time price strategy will improve the price sensitivity of consumers, give consumers cheap brand impression, and once if it stop the discount, it will make part of the cheap-to-buy consumers convert their drinking brand, so its consumer loyalty is low [4].

## **2.3. Opportunities**

### **2.3.1. Rapid Growth of the Coffee Market**

In the next few years, the coffee market in East Asia, West Asia and South Asia will continue to grow. With the continuous growth of population in these regions, the improvement of consumption level, the increasing attention of consumers to coffee quality and culture, the continuous development of the coffee industry, and the continuous growth of market demand, China's coffee catering market will continue to have huge rapid growth and development potential in the future. In the post-epidemic period, with the rapid recovery of China's economy, the coffee market, as a key part of urban consumption, is increasingly favored by capital and the market, and coffee can meet the consumer demand of young consumers. Relying on the advantage of low prices, Luckin has become one of the most popular brands among consumers in the new era.

### **2.3.2. Increase of the Per Capita Income**

With the great leap brought by the socialist market economic system with Chinese characteristics and the reform and opening up, the material life of the Chinese people has been rapidly improved, and the spiritual civilization has also been enriched. The quality of life has been continuously improved, and an increasing number of Chinese people have connected with the world. Coffee, a refreshing drink that is popular around the world, has attracted the love of Chinese young people. As a result, the demand for coffee in China is also growing rapidly. In addition, China has a large number of white-collar workers and students, such groups have a great demand for coffee. Therefore, the products of Luckin specialty coffee meet the various emotional and cultural needs of a large number of middle classes for petty bourgeoisie sentiment, which contributes to raising the demand for on the market. Large cities also have a consistent consumer market for it, such as Beijing, Shanghai, Guangzhou and Shenzhen, or in small cities of the third and fourth lines. People in the pursuit of economic income growth at the same time, the society will focus on the quality of life training and improvement.

### **2.3.3. Cross-border Cooperation to Enhance the Brand Tonality**

The Moutai-flavored latte jointly launched by Moutai and Luckin Coffee has exploded within half a day after its launch, which has attracted high attention from the market. The personage inside course of study thinks, the value of this kind of cooperative marketing is far more than the sales value, more people buy out of curiosity psychology. The cooperation between Moutai and Luckin can accelerate the brand rejuvenation of Moutai, while Luckin can improve its comprehensive strength and brand

tone in the coffee industry. Moutai also wants to expand its business category, but on a purely financial basis, its gross margin is far less than Moutai and extremely small compared to Moutai. However, the marketing value of these products is great, which can cultivate the consumption habits of Moutai liquor for consumers and retain young people. Moutai will continue to deepen the market, creatively expand sales scenarios and sales platforms, open experience stores at the prefecture level, open “Moutai ice cream station” at the county level, extend the market tentacles, and simultaneously do a good job in Moutai culture integration and product publicity and promotion. In short, Moutai’s youth strategy has come to the fore, and this co-branded marketing method can give enterprises differentiated advantages and attract more consumers. According to Zhu Danpeng, a food industry analyst, the commonness of the two lies in that they are both widely concerned brands, and this cooperation will once again boost the consumption of domestic goods."This cooperation has accelerated the younger Moutai brand. For Luckin, it can greatly enhance its brand tonality” [5].

## **2.4. Threats**

### **2.4.1.Exclusion from Industry Giants Like Starbucks**

The competition between old and new models in the coffee world has escalated again. On May 15, 2018, Luckin Coffee issued an open letter to Starbucks, directly accusing the other party of suspected monopoly [6]. As the world’s leading giant in the fast-selling coffee market, Starbucks has formed a market monopoly and attracted a large number of loyal fans, and has a strong brand competitiveness in China.As Luckin Coffee develops into a high-end brand, Starbucks, which possesses the qualities of a high premium brand, will pose a danger. such as grabbing customers. Moreover, Starbucks has a complete sales network. Through cooperation with Meituan and eleme and other Internet giants, Starbucks provides convenient online services.Maybe the marketing model of Luckin is on longer sustainable.

### **2.4.2.Fierce Competition in China's Coffee Market**

Lots of small brands sell fast and also sell coffee, because of their small size, low cost, low price, and faster update. Even many small brands do not set up offline stores and only rely on takeout mode, focusing on meeting consumers’ rapid demand for fast food and coffee. In recent years, McDonald’s, KFC, Pizza Hut, even 711 and other old fast food brands have joined the coffee market, all want to have a share in it, the competition in the Chinese coffee market has come to a white-hot stage.

### **2.4.3.Pressure from Tea Drinks**

In comparison to coffee as a replacement, tea has more profound cultural heritage and higher nutritional value. After all, tea has a history of nearly two thousand years in China, and it is still in an unshakable position in China. A large number of middle-aged and elderly people always keep the habit of drinking tea. In recent years, many new tea drinks rely on low cost, like bamboo shoots after a spring rain to emerge in the market, such as Honey Snow City, ChaPanda, Heytea. In the tail of 2021, the scale of China's tea market will reach 279.6 billion yuan, and it is expected that the tea industry will continue to maintain a high boom, and the market scale of the current tea industry will reach 374.9 billion yuan by 2025 [7]. With the help of the advantages of traditional culture, set off a trend among young people, process the tea culture, and expand the market to young people. Therefore, the more popular tea drinks become,The demand for coffee will inevitably be impacted and threatened.



### **3. Brand Marketing Suggestions for Luckin Coffee**

#### **3.1. Focus on Food Ingredients and Services, Put Products and Customers First**

Since the beginning of 2020, Luckin has reformed the product innovation process and structure, and successively launched “raw coconut, coconut Cloud” and other explosive models. In 2021, the new number of Luckin products has reached 113, of which raw coconut latte has sold more than 100 million cups since its launch, and the average monthly sales have exceeded 10 million cups. In the newly launched “China Tea coffee” series in 2023, Luckin cooperated with the theme marketing, resulting in a sales volume of 4.77 million cups in the first week of listing [8]. The main task of Luckin is to continuously develop various types of coffee, delicately select coffee beans, develop technology, update coffee equipment, and at the same time, reduce costs, meet the needs of consumers for high quality and high efficiency, and improve the business process of the store by improving the quality of equipment. And, Provide training for store employees to provide quality service given the industry's fast expansion. In terms of service, shops should also focus on improving customer experience, such as launching membership policies, free WiFi providing, etc.

#### **3.2. Take Innovation as the First Driving Force**

For Luckin and similar enterprises engaged in light luxury and high-frequency FMCG business, the key to development is to make good use of the “two-wheel drive” of capital and product market [9]. In addition to the price advantage, product innovation is one of the reasons for the rapid development of Luckin Coffee, in terms of product development is divided into: taste, packaging, and service three levels, the first is taste innovation, because Luckin Coffee has spread across the country sales network, can adjust measures to local conditions according to different regional and cultural background of drinks for local taste, such as: in Guizhou and Mautai joint “latte” in Hangzhou tea coffee “Longjing latte”. Integrating fashion factors into packaging design can attract more young consumers. Finally, service innovation, introduces a variety of intelligent and humanized services to improve efficiency and customer experience.

#### **3.3. Promote the Brand in Various Aspects**

Luckin Coffee can use Starbucks’ expansion experience to drive the growth of ancillary businesses, develop coffee ancillary products under the brand, and utilize the halo effect to satisfy customers so that they will take the initiative to choose and purchase other ancillary products. In addition, the product line can be expanded in both directions, allowing Luckin Coffee to increase its market share while simultaneously attracting new customers, increasing high-grade and low-grade coffee to expand the market share. The experience store mode of coffee school is formed, bringing customers a good feeling of all degrees, from taste to visual touch. With the help of big data analysis, Luckin Coffee can further collect customer preferences and develop distinctive and trendy characteristic products, which will affect the user experience to a certain extent. Constantly innovate, and improve the market competitiveness.

#### **3.4. Return to Coffee Quality and Service to Enhance Product Competitiveness**

Luckin has advantages in terms of cost performance, while Starbucks China has more than 20 years of precipitation in the creation of “third space” and 30-yuan price belt products [10]. In the long run, Luckin Coffee “price war” is not a sustainable development strategy, with increasing market share and increasing cost pressure, enterprises need to gradually reduce preferential strength, adjust pricing, improve the cost utilization, improve the quality of the products and service level, strengthen their

product competitiveness. Only in this way can we maintain the leading position of the domestic coffee industry and get more opportunities in the fierce competition.

#### 4. Conclusion

In general, Luckin Coffee has been positioned as an Internet coffee, taking advantage of the communication of the Internet to achieve new retail in the coffee brand. In the meantime, enterprises should still take high-quality coffee as the goal of product research and development, and strengthen innovation and research and development. Product innovation and research and development are the necessary conditions to occupy the market. Luckin Coffee can focus its product innovation and research and development on product categories and derivatives, especially the needs of young consumers. Luckin Coffee properly seizes the opportunity for the upgradation of domestic coffee consumption and has a clear posture in the market and product end. The market outlook is, in general, fairly wide. Luckin Coffee has high competitiveness and significant development capacity to occupy a wider market in today's world of chances and challenges. At present, Luckin Coffee is facing two main problems: first, the low-price fission marketing brings the negative impression of low brand [9]. Second, in the face of many challenges in the coffee retail industry, whether Starbucks can adopt a strategy to adapt to the development of The Times will become the key to its success in China's market. As a member of the new retail industry, we should not only pay attention to the increase of the number of stores, but also pay attention to the improvement of quality. In the process of service, optimizing service attitude and ensuring good communication between employees and customers is the key to win customer satisfaction. At the same time, taking customers' individual needs seriously is also an important aspect of improving service quality, so as to establish a good reputation of consumers, make the brand spread more extensive. The new coffee and tea race track has entered the time node of fierce competition, which requires the continuous export of unique tone brand culture. In Zhu Danpeng's opinion, when the new coffee and tea brand products are difficult to effectively establish the brand "moat" through taste, the cross-border joint approach can fit the interest of young consumers to a certain extent [10]. As long as enterprise continuously improves the quality of workers, improve coffee quality, increases the advertisement of Luckin Coffee experience, and builds a great brand effect, it is believed that the future of Luckin Coffee looks promising.

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