

# BRAND MARKETING CASE ANALYSIS: A CASE STUDY OF LUCKIN COFFEE

Xinyu Cui\*

University of Dundee, Dundee, UK

\*Corresponding author: 631301120312@mails.cqjtu.edu.cn

**Abstract.** This article analyzes and introduces the reasons and ways for Luckin Coffee to open the market rapidly in China, and it has occupied the consumer market of most young people in China with the fastest growth rate. Through analyze the brand marketing methods and strategies of Luckin Coffee This paper uses the SWOT template and the 4P analysis method. This paper points out the advantages and disadvantages of Luckin Coffee at this stage, as well as the potential threats and risks in the market. Luckin Coffee has better maintained the customer relationship, and its cooperation with the “coconut tree” brand has produced innovative hot selling products, which has opened up the sales market in China. Luckin Coffee aims at young people's market and uses cross-border cooperation and star brand effect to better drive sales. For the problems encountered in the future development of Luckin Coffee, this paper gives feasible suggestions. In the face of the market occupation of other brands, it is necessary to maintain the original customer base, and constantly develop new popular products, so as to avoid circuit breaker.

**Keywords:** marketing strategy; Customer relationship; Product innovation; Crossover Marketing.

## 1. Introduction

Among the ten most popular coffee brands in China released by NCBD, the catering big data and evaluation agency, Luckin Coffee ranked first with a popularity index of 88.06%. Manner Coffee and Starbucks ranked second and third [1]. The coffee beans of Luckin Coffee won the gold medal in IAC International Coffee Appreciation Competition for two consecutive years [2]. Luckin Coffee, founded in 2017 that is the largest chain coffee brand in China [3]. The brand proposition of Luckin Coffee is to create a world-class brand and become a part of people's daily life [4]. Luckin Coffee has opened up the market in China and become a well-known coffee brand, which is inseparable from its successful brand marketing. This paper will use SWOT model and 4P to analyze the brand marketing strategy of Luckin Coffee. By analyzing the reasons for the success of the Luckin Coffee brand and pointing out the existing threats and risks. Finally, the feasible suggestions are summarized.

## 2. Luckin Coffee Key Approaches to Brand marketing

In 2021, the scale of China's coffee market will be about 381.7 billion CNY. The concept of mass consumers has changed. Coffee will gradually become popular in consumers' lives. China's coffee market has entered a stage of rapid development. It is expected that the industry will maintain a growth rate of 27.2%. In 2025, the scale of China's coffee market will reach 100 billion yuan [5]. The essence of Luckin Coffee is expansion. In 2020, Luckin began to shift from marketing to products. By the end of 2021, the number of stores had reached 6024 [6].

### 2.1 SWOT analysis

#### 2.1.1 Strength

In recent years, Luckin Coffee has mainly exploited the consumption potential of young people, the audience is mainly college students and white-collar workers (aged 20-35). This group has a large demand for coffee, and core appeal is refreshing. The life philosophy of young group life is a cup of coffee in the morning and a cup of wine in the evening. Although these young people from 20 to 35 have a high sense of life experience, the group also sensitive to the price of coffee. Luckin has

broadened the market and expanded the sales of the brand by issuing coupons and inviting new friends to get discounts [7].

The price of Luckin Coffee is higher than other coffee brands. For example, the price of Starbucks Coffee is 30 CNY per cup. The price of Luckin Coffee is more acceptable to young people. Luckin conducts fission marketing in the form of subsidies, and the marketing strategy even includes giving a cup of coffee for free [8]. After the brand gained a certain popularity, Luckin kept the price of coffee in the range of 15-25 through the distribution of coupons. This practice has gained a group of young customers and maintained the relationship with customers for a long time.

Luckin Coffee has a high recognition of the Chinese audience, and both Chinese and English names reflect the meaning of luck and auspiciousness [9]. So as to create a happy feeling for consumers. For example, the logo of the brand is an elk, which also gives customers the feeling of mystery and lucky of wealth. The blue and white color matching in logo were affectionately called "Little Deer Cup" by customers, thus gaining a group of fans with good looks.

### 2.1.2 Weakness

Luckin Coffee produces new products quickly and easily ignores the real needs of consumers. After opening the market through a series of young marketing, Luckin has always hoped to retain customers with constantly innovative products. In order to make popular products and avoid consumers losing their sense of freshness, Luckin has launched 34 products [10], in a year, which is too busy for people to cope with. However, The new innovative products not really obtain products with high market discussion.

When placing an order on an online app, users who often buy Luckin Coffee will be charged more than those who buy less Luckin Coffee even if they buy the same cup of coffee. This operation is to attract new customers, but this behavior also causes dissatisfaction of old customers.

The dessert matched with coffee failed to win consumers' favor. Luckin Coffee has developed many "afternoon tea desserts", such as macarons, cookies, etc., but they have not been favored by consumers. Instead, they are considered to be expensive and taste bad.

### 2.1.3 Opportunity

Chinese people's acceptance of coffee is gradually increasing. The young people in China have generally accepted coffee, which is becoming a popular drink. The audience of coffee has already spread to cities and towns, some small cities, or economically developed rural areas. It is not a luxury to be a normal drink for young people.

Innovative knowledge in the coffee industry has been sought after by the market. In recent years, coffee beans, coffee powder, ear hanging coffee, cold extract coffee liquid and functional coffee have appeared in the coffee market [11]. Although instant coffee has occupied a certain position in the market, innovative forms of coffee are refreshing our understanding.

### 2.1.4 Threat

Before the emergence of Luckin Coffee, the obstacles of China's original coffee enterprises had been occupied by instant coffee, supermarket coffee and other enterprises. As Starbucks opened the market earlier in China, it attracted customers with the third space service model, forming a market monopoly [12]. The instant coffee and market coffee, by virtue of their competitive advantages such as low price, convenience and quickness, are used to detail the coffee market in China, so as to facilitate the exploration of Chinese people's differentiated demand for coffee. This type of coffee consumption will also pose a greater threat to Luckin Coffee.

## 2.2 4P analysis

### 2.2.1 Product

Luckin coffee has basic American style, latte, etc., and cooperates with the topical and national brand coconut trees of machines and tools, using the highly recognizable black, red, yellow and blue packaging; Luckin's blue. The accompanying products, such as paper bags and cup covers, are highly

sought after by fans. In the minds of the post-80s and post-90s generation, coconut trees have a high emotional value. Among coconut milk brands, the popularity has reached the first [13].

### **2.2.2 Price**

The low price strategy is adopted to open the market and attract customers. The average price is 12-20 CNY per cup. Low price strategy cost, simple operation. There is no need to invest too much labor cost, and the equipment is simple. Generally, a coffee machine can complete the basic production.

### **2.2.3 Place**

Luckin Coffee sells its products through its own small programs, offline stores, takeout, mobile apps, direct stores and franchises.

Luckin Coffee chooses locations with less floor space for store sales in terms of store location, and spends little on decoration to reduce costs. Therefore, Luckin Coffee quickly has high-density office space in the first and second tier cities. This practice makes it easier and faster for customers to buy coffee. In addition, the market viscosity of urban white-collar consumers has been better maintained. The brand quickly penetrated into the working population, expanding sales in the commuter sector. Since the site is located in a city with a large population density, more people can see and understand Luckin Coffee, which has improved the brand awareness.

### **2.2.4 Promotion**

Members' marketing recharge and coupon delivery welfare, etc., and related content shall be channelled, and advertising shall be conducted on related apps such as Tiktok. Relevant media and electronic oral broadcast drainage. Cultivate users' buying habits through video number and live broadcast welfare. The consumer will receive the coupon and place an order in the same way when buying next time. In this way, the publicity cost is controlled and the publicity effect is achieved.

## **2.3 Marketing strategy and execution**

Luckin Coffee is different from other brands in terms of product innovation. The speed of product upgrading is fast. Coconut brand has been selected for cooperation and has modern online popularity attribute. The sales volume of the innovative product raw coconut latte is 10 million cups a month [14]. Compared with other brands in terms of price, it has a high cost performance ratio and is popular with modern young people. Purchase of Luckin Coffee is highly convenient. People can place an order online and pick it up, which is more convenient and fast. On various social media, most people can see a large number of products shared by customers and grass planting for drainage, which has achieved the effect of high conversion rate and attracting traffic. Through private marketing, we can get through the member database, build a marketing community, create a circle of friends, and help users spread themselves through the content platform through precision marketing and price advantages. Cross border marketing has been realized. After the first anniversary of the raw coconut latte, the launch of the coconut cloud latte has once again improved the reputation of Luckin with the help of the popularity of the raw coconut latte, achieving a good publicity effect. Luckin Coffee has made a series of expression packs for WeChat chat based on young people's complaints about life and work. Make better use of star economy. After EDG won the championship, the game phrase "I want to return to the spring water" and the product coconut green cold extract achieved benchmarking [15]. After Ailing Gu and Luxiu Li became the spokesmen of the brand, they won the national favor. Compared with the early spokesmen Tang Wei and Zhang Zhen, Luckin is now more able to seize the "star effect" and maximize the star brand effect [16].

## **2.4 Existing problems**

The raw coconut latte is too hot. Although it has become the signature product of Luckin Coffee, it has also raised consumers' expectations of Luckin Coffee. In the later stage, if Luckin Coffee cannot create products that are also popular with customers, it will consume the brand potential of the

products. The new power of some coffee brands is also slowly occupying the market. If Luckin Coffee havenot innovative products in the later period, the marketing will remain unchanged, and it is very likely that other coffee brands will seize the market [17].

Some consumers reported that they bought the same coffee in different stores in different cities, but paid different prices. This operation of Luckin Coffee has aroused strong dissatisfaction among consumers. There are two different people who have different views on this matter. One is that it is acceptable. After all, the rent may be different due to different locations. If it is in the form of take out, the price is the same. Others said that they could not accept the practice of Luckin Coffee. The sales price of the store should be consistent with the delivery price.

### 3. Conclusion and Recommendations

Summarize the problems in the article. Facing the threatening market competitors, Luckin Coffee should maintain the original customer relationship and prevent customer loss. After developing an innovative co- branded product, we should continue to develop the next popular product. Luckin coffee should not let customers experience a high-quality product and the subsequent R&D fails to keep up with it, which will bring customers a sense of disappointment. As time goes on, popular products cannot be updated in a timely manner, which is likely to cause customers' taste to decline, so customers turn to other brands to pursue fresh taste and taste experience. According to the fact that different stores in the market sell the same coffee product at different prices, the management of Luckin Coffee should strengthen the franchise management of the brand and formulate the same rules. The psychological feelings of resistance generated by customers will cause the loss of a large number of customer groups and reduce the reputation of the brand.

Since 2018, Luckin Coffee has set a record for the fastest opening of chain restaurants, occupying an important position in the Chinese market [1]. This is inseparable from the value of the brand and the consumer experience created for consumers. In terms of brand positioning, Luckin Coffee has always taken the differentiation route, and has always adhered to the brand positioning, the value brought to users by practice, high quality, high cost performance and high convenience. Luckin Coffee have been working hard to create a series of innovative products. While the design of new products conforms to the brand concept, it can continue the value and assets of the brand. By sending coupons to customers for a long time, the sales price of products has been reduced in a disguised way, and the brand concept of cost-effective has been continuously transmitted to users [7]. The stores of Luckin Coffee are mainly express stores. By reducing the site area and the decoration standard, the coffee shop has a high-density office building area in the first and second tier cities, which greatly improves the convenience of core customers to obtain coffee, and also improves the penetration of the brand while quickly establishing brand awareness. The private marketing of Luckin Coffee has also become one of the main marketing strategies for achieving substantial growth in orders. Through online and offline brand communication and unique brand design, as well as cross-border marketing. Luckin Coffee has occupied a place in China's coffee brand market. Luckin Coffee needs to maintain its original product R&D and supply chain. In the early stage, consumers bought coffee through welfare rolls for a long time through low discount rolls, which may cause adverse marketing in the long run. It is necessary to properly adjust the face value of the discount while maintaining the original customers. Customer groups accumulated through private domain traffic use brand or emotional value to strengthen customer loyalty to the brand. Urge the R&D team to regularly develop new products and keep up with the brand popularity.

### References

- [1] China Economic News Network 2022. NCBD | Report on the Panoramic Development of China's Catering Industry in 2022. [online] Available at: <https://www.cet.com.cn/wzsy/cyzx/3229559.shtml> [Accessed 26 September 2022].

- [2] Sina Finance 2020. Luckin Coffee will enter into unmanned retail and create a new smart retail platform. [online] Available at: < <http://finance.sina.com.cn/stock/usstock/c/2020-01-13/doc-iihnzahnk3707700.shtml>> [Accessed 26 September 2022].
- [3] Sina Finance 2020. Frontline | CEO of Ruixing: The total number of stores that have reached the goal of opening stores in 2019 has surpassed that of Starbucks. [online] Available at: <https://baike.baidu.com/reference/22344215/b9b1n2LOFXzM00GBs6dqiurDS70efRQW-apBSgbPedMt7SEezUVwoZi6wYkjyzXjWEEHf2wFpCsDRjgNrNPWVPbNAfy8z6K6U2fCY0yfMLWOYzTR8KIT-kCDkEdH6e0GwkAGaAyPgDATBxSEAQ> [Accessed 26 September 2022].
- [4] China.com 2021. Luckin Coffee signed the purchase order of refined coffee beans in Yaga Xuefei, Ethiopia. [online] Available at: [https://baike.baidu.com/reference/22344215/3304db1QTxuUkzLKpF1qPePDPgtekYxn9HVa9KRNy-GK7ajAQ4jYvAks81Uno\\_Axd7Z9vfmz\\_NS843jfUphZQ8IDmYwiHP72ghYDfjGk0g53xiPahA](https://baike.baidu.com/reference/22344215/3304db1QTxuUkzLKpF1qPePDPgtekYxn9HVa9KRNy-GK7ajAQ4jYvAks81Uno_Axd7Z9vfmz_NS843jfUphZQ8IDmYwiHP72ghYDfjGk0g53xiPahA) [Accessed 26 September 2022].
- [5] Interface news In 2021, Shanghai's coffee consumption will exceed the sum of many places and become the first choice for coffee brands. [online] Available at: [https://view.inews.qq.com/k/20220804A09ADM00?web\\_channel=wap&openApp=false](https://view.inews.qq.com/k/20220804A09ADM00?web_channel=wap&openApp=false) [Accessed 26 September 2022].
- [6] Beiqing.com Luckin Coffee will have 6024 stores with revenue of nearly 8 billion yuan in 2021. [online] Available at: <https://t.yinet.cn/baijia/32613917.html> [Accessed 26 September 2022].
- [7] Bullet wealth concept Luckin Coffee, more understanding of young people. [online] Available at: <https://baijiahao.baidu.com/s?id=1721112717100414649&wfr=spider&for=pc> [Accessed 26 September 2022].
- [8] Upstream news There is a threshold! Luckin Coffee has changed its discount method: focus on discount coupons, and increase the group first. [online] Available at: <https://baijiahao.baidu.com/s?id=1667399443837385261&wfr=spider&for=pc> [Accessed 27 September 2022].
- [9] Personal library Brand story: Luckin Coffee. [online] Available at: [http://www.360doc.com/content/21/0113/19/52552479\\_956711252.shtml](http://www.360doc.com/content/21/0113/19/52552479_956711252.shtml) [Accessed 27 September 2022].
- [10] AI Financial News Agency How long can Ruixing tell the story of making money with 34 new products in a quarter? [online] Available at: <https://baijiahao.baidu.com/s?id=1740210652246629154&wfr=spider&for=pc> [Accessed 27 September 2022].
- [11] Sohu. com Coffee innovation should adapt to changing consumer demand. [online] Available at: [http://news.sohu.com/a/585032718\\_679193](http://news.sohu.com/a/585032718_679193) [Accessed 27 September 2022].
- [12] Daily Economic News The number of Starbucks stores in China reached 6000. Shanghai became the first city in the world to break through 1000. [online] Available at: <https://baijiahao.baidu.com/s?id=1745209872408567873&wfr=spider&for=pc> [Accessed 27 September 2022].
- [13] Euromillions.com. How to harvest young people with "unfashionable" coconut trees? [online] Available at: [online] <https://baijiahao.baidu.com/s?id=1731442058773708796&wfr=spider&for=pc> [Accessed 27 September 2022].
- [14] Observer Network The sales volume of the innovative product raw coconut latte is 10 million cups a month. Available at: <https://baijiahao.baidu.com/s?id=1740950466150444621&wfr=spider&for=pc> [Accessed 27 September 2022].
- [15] Tencent. com Luckin Coffee and the book are also interested in this field. Mercedes Benz is the largest gold owner. Available at: <https://new.qq.com/rain/a/20220512A02LB900> [Accessed 27 September 2022].
- [16] Xinran Tang, Yidan Xu, Zhenyue Chen. The impact of "star effect" on college students' consumption in the new media era - based on the perspective of fan economy [J]. Market Weekly2022(06):146-149
- [17] Lanyu Tian. The Importance of Innovation and Optimization of Brand Image Design [J]. Art Appreciation.2021(21):91-92