

# Research on Luckin Coffee Brand Creative Design and Business Model

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**Abstract.** After a deep financial crisis, Luckin Coffee made a series of adjustments to the new retail business model and brand creative design. Let it re-establish a good image in front of the public. The product will have good economic and social benefits, which have certain reference significance for similar marketing enterprises. The article will use the Survey method to study. The article will cover the process and impact of the deep financial crisis, business model self-help, and the creation of popular products. An in-depth study explores Luckin Coffee's Brand Creative Design, such as brand culture design, brand culture media, brand APP design, and offline brand experience store design. The article finds that design, as an effective marketing method, has a positive effect on establishing corporate brands. As a designer, the concept of marketing and the needs of the public must also be integrated into the design. This determines whether the design can succeed, whether it can open up and occupy the market for the enterprise, and whether it can help the enterprise survive and develop. In terms of business model, the company should use Internet technology and big data capabilities to empower product development and store operations.

**Keywords:** Luckin Coffee; Brand Creative Design; Business Model

## 1. Introduction

### 1.1 Research Background

After experiencing dramatic ups and downs, Luckin coffee started running again. In 2020, Luckin coffee was deeply involved in financial fraud, withdrew from the NASDAQ, and fell into the powder list market. After experiencing financial fraud crisis, management change, business honor collapse, regulatory punishment, investor litigation, and claims, Luckin once hovered on the verge of death. What is surprising is that Luckin is more popular among the consumer groups. It has further established its market position by creating marketing strategies such as the popular product raw coconut latte, the celebrity spokesperson Gu ailing, and the co-branded coconut milk.

On August 8, Luckin coffee announced its financial results for the second quarter of 2022. The financial report shows that the total net income of Luckin coffee in the second quarter was 3.299 billion yuan, an increase of 72.4% year-on-year [1]. Luckin's operating profit was 16 million yuan in the first quarter of this year, which turned positive for the first time [2]. After the historic first-quarter profit, Luckin's performance in the second quarter continued to grow significantly despite the temporary closure of an average of about 670 stores daily in the country.

This growth is not a flash in the pan, nor has it been impacted by the epidemic and environmental impact. It can be seen from the growth data that Luckin's business model has run smoothly and returned to the essence of business operation.

New retailers now expect new models, and Luckin also needs to be redefined. This article will analyze Luckin's brand creative design and business model research to see how a once runaway Luckin can enter a positive cycle of healthy high-speed expansion and normal growth after the financial turmoil.

### 1.2 Literature Review

Fang proposed that the key to bringing Luckin back from the dead is constantly innovating and making popular products. Abandoning the original radical and rough expansion model, Luckin is transforming into a refined operation [3]. Ma found that Luckin and coconut milk brands have boldly

joined hands to break through barriers. With the strong marketing support of Luckin, raw coconut latte has become a phenomenal pop drink in 2021 and a must-have sign for countless office workers and bloggers in every vlog [4]. Cheng analyzed that The value proposition of Luckin coffee is to provide customers with a combination of high-cost performance, high convenience, and high quality. While cultivating Chinese consumers' habit of drinking coffee, Luckin coffee focuses on "products with good quality and low price". Excellent product quality is the foundation of everything. Luckin coffee carefully selects coffee raw materials and constantly develops new products [5]. Hu found that Luckin's products fit young consumers, maximize the effect of star spokespeople, broaden brand influence, accumulate private customer groups, and improve consumer repurchase rate. The company uses coupons to guide customers to pay attention to live broadcast benefits, cultivate customers' consumption habits, and enhance customer stickiness [6].

### 1.3 Research Gap

Most scholars have mainly studied the financial fraud of Luckin coffee and its underlying motivation analysis, fraud means, social impact, financial governance, and other aspects. In contrast, few have studied its brand's creative design and business model that brought it back from the dead.

### 1.4 Research Framework

First of all, the article analyzes the current situation of Luckin coffee after it was deeply involved in financial fraud and the impact of financial fraud on Luckin coffee. Then it analyzes how Luckin coffee can save itself by changing its business model, creating popular products, and inviting stars to endorse. Finally, it analyzes brand cultural design, including cultural media, brand App Design, and offline experience store design.

## 2. Methods

### 2.1 Survey Method

Investigation and research method refers to obtaining relevant materials directly through investigation, understanding the objective situation, and analyzing these materials. By analyzing the brand culture design case of Luckin coffee, this paper explores how Luckin coffee can successfully position the young group. Understand the consumer mentality, use the star spokesperson to bring a wave of brand influence to itself, attract more customer groups, and broaden brand influence. With the help of media data, customer flow of offline experience stores, digital marketing in the app, and other data. It has accumulated considerable private domain traffic, improved the repurchase rate of consumers, and contacted customers with high efficiency and frequency. More accurately delivered preferential subsidies to existing customers, gradually influencing customers to take the initiative to place orders and providing more successful cases of digital marketing in the same industry.

## 3. Results

### 3.1 Deeply Caught up in Financial Fraud

Founded in October 2017, Luckin Coffee is a coffee operator under the new retail model, mainly engaged in coffee, tea, and other beverages and light food series. In May 2019, Luckin Coffee was successfully listed on NASDAQ, becoming the company with the shortest time from establishment to IPO worldwide [7]. On January 31, 2020, the well-known short-selling agency Muddy Waters released a short-selling report against Luckin Coffee. This was 89 pages long, pointing out that Luckin Coffee was suspected of financial fraud, and store sales, advertising costs, and net income from other products were all exaggerated [8]. After being shorted, Luckin Coffee set up a special committee to start a self-examination. On April 2, Luckin Coffee announced the results of a survey that the company's total sales from the second to fourth quarters of 2019 had been overstated by about 2.2

billion yuan, admitting that the company's financial Fake facts. Once the announcement was made, the stock price fell by 85%, and the market value evaporated by as much as 6.5 billion US dollars; in June 2020, Luckin Coffee was suspended from the NASDAQ and filed for delisting. In September 2020, the State Administration for Market Regulation imposed a total of 10 million yuan in fines on five companies related to Luckin Coffee's financial fraud. In April 2021, US stock investors sued Luckin in Shanghai, China, the first case in which a Chinese concept stock was sued in China. In September 2021, Luckin paid a \$180 million fine to settle a US securities class action lawsuit [7].

### **3.2 The Impact of Financial Fraud**

Reputation is crucial for a business. Companies such as Luckin, with a history of fraud, will seriously affect Luckin's reputation in the hearts of consumers. Brand trust will decline, leading to the collapse of the brand image it has worked hard to build. On the one hand, it takes more effort to re-establish credibility. On the other hand, it is necessary to observe whether a more reputable person or institution can serve as its shareholders, board members, management, etc.

### **3.3 Self-rescue of Business Model**

Luckin Coffee fully uses the new mobile Internet and big data technology retail model. A digital management and operation system has been established, from location selection to product development, to store operation and talent training, etc. [6].

#### **3.3.1 Precise Positioning Store Location, Reasonable Expansion of the Number of Stores**

For functional consumer groups, store density is the core competitiveness, and excessive purchase time costs will lead consumers to turn to other brand stores that are closer. The company tracks the purchases of food delivery apps through big data, generates food delivery heatmaps based on internal and external data, and accurately locates user-intensive areas to improve site selection quality. As of July 31, 2021, Luckin Coffee had 5,323 stores across the country, the vast majority of which were express stores, and closed all delivery kitchens. On June 6, 2022, the number of stores nationwide exceeded 7,000. In the post-epidemic era, the company has carried out targeted store expansion and achieved rapid growth in the number of stores.

#### **3.3.2 Data-driven Product Research and Development, Products Fit Young Consumers**

In 2021, the company listed 113 new existing drinks and won the "New Consumption Sustainable Innovation Brand" award at the 2021 Edge Awards Global Innovation Selection Conference. As soon as the company's new product, "raw coconut latte" was launched in 2021, it created a new record that sold out within 1 second. At the end of June 2021, the company's single-month sales exceeded 10 million cups, and the first anniversary of the launch of 2022 reached 100 million cups, refreshing the company's new sales record.

The company has established a digital R&D system. For example, the company's product research and development department digitize various raw materials and flavors to quantify the trend of drinking drinks. Through these data, the R&D team obtains countless product portfolios, which can find the corresponding raw materials when developing products in the later period. In addition, the company innovated the organizational structure of the R&D department and subdivided it into product analysis, menu management, product research and development, testing, and optimization. After the new product R&D process of the five departments, the new product listing efficiency was greatly improved.

### **3.4 Create Popular Products**

Luckin Coffee's marketing behavior is aimed at the target market's needs and comprehensively uses various marketing factors that can be controlled by itself, such as products, prices, promotions, and place, and has achieved good economic and social benefits. Therefore, the following will use the "4P theory" to analyze the marketing behavior of Luckin's products [4].

### 3.4.1 Products

According to the financial report of Luckin Coffee in 2021, a total of 113 new instant drinks will be introduced in 2021, and each one has received good feedback. With the strong marketing support of Luckin, the raw coconut latte became a phenomenal popular drink in 2021 and will become a symbol of many bloggers' vlogs.

### 3.4.2 Price

Since this joint product mainly targets young people born in the 1980s, 1990s, and 2000s, the first- and second-tier cities in the target area account for a large proportion, and a small amount covers small third- and fourth-tier cities. So in terms of price, the unit price is less than 20 yuan, which is about the same as a medium-priced milk tea, which is an acceptable price for most people. Compared with other coffee brands such as Starbucks, which costs 30 yuan per cup, many young people in small towns have realized the freedom of coffee, and coffee is no longer just a standard for urban white-collar workers.

### 3.4.3 Promotions

On April 8, 2022, as a pre-heating stage, Luckin officially released the news: "Countdown to three days! This cooperative brand is co-branded for the first time in 34 years", with a mosaic version of the co-branded poster, which aroused everyone's speculation and discussion. In order to make it more popular, Luckin launched a packaging design vote, and netizens decided on the final packaging design for Xiaohongshu. On April 8, 2022, Luckin Coffee and Hainan Coconut Group interacted in the comment area, which was full of comedy. In terms of private domain traffic, after the pre-heating of Xiaohongshu, Weibo, Douyin, and other platforms, consumers spontaneously started a craze for posting pictures in their circle of friends, and the popularity continued to rise.

### 3.4.4 Place

The marketing channels of Luckin at this time are divided into two parts: online network marketing and offline store marketing. As the main platform of this marketing, Xiaohongshu, as of April 14, 2022, the total number of notes with labels related to raw coconut latte has reached 1,304. In the official Douyin live broadcast, as of April 12, 2022, the sales in the official live broadcast room have exceeded 10 million.

Offline stores are sold through direct store sales and takeaway orders. According to Luckin's official battle report data released at 9:00 on April 12, 2022, the sales volume of a single coffee shop on the first day exceeded 130 cups, and the total sales volume exceeded 660,000 cups.

## 4. Discussion

### 4.1 Brand Culture Design

Brand culture design needs to combine different scenarios. A scene originally refers to a specific storyline in a specific time and space in a movie or dramatic work. But in marketing communication, the ultimate goal of scenario analysis is to understand users in a specific scenario and find content or services that match user needs [9]. Applying scenes to cultural creativity is to select one or more life scenes of the target group, express their cultural connotations in a way that can trigger users' emotions, and guide users to remember or purchase products.

Luckin Coffee combined multiple scenes to create a series of cup cover copies in the design of the cup cover copy. For example, Luckin Coffee settled in the Forbidden City, using the cultural characteristics of the Forbidden City, adding modern language features, combining the palace language with funny meanings, and creating an interesting cup cover copy exclusive to the Forbidden City. In addition, Luckin Coffee has also cooperated with popular IPs such as Tencent and NetEase, and the copywriting design is highly targeted. It covers the unique culture of each enterprise and has insight into the psychological characteristics and inner demands of various groups of people to enhance the brand's influence.

## 4.2 Brand Culture Media

Cultural media refers to the carrier through which businesses transmit culture to users, which determines the speed and degree of user acceptance of culture. Advertising is an important form of corporate culture communication. Good advertising communication usually requires the help of various media to present its creativity through reasonable collocation. Advertising is generally composed of visual and auditory symbols, which present a complete effect to attract users. Therefore, the analysis of advertising media can be considered from the following two aspects.

On the one hand, it is necessary to be good at using visual symbols. Visual symbols include language, pictures, videos, and other expressive elements. The use of visual symbols in Luckin Coffee's advertisements is reflected in the combination of copywriting creativity with pictures or videos to present better expressive content. For example, in Luckin Coffee's Christmas poster design, the poster uses the copywriting of "hold luck in your hand", combined with pictures that can fully express the creativity of the text so that users can quickly understand the content of the advertisement.

On the other hand, it is necessary to use auditory symbols rationally. The auditory symbol mainly revolves around the sound element, which enhances the communication between the user and the brand through sound and promotes a closer connection between the user and the brand [10]. Luckin Coffee's application in auditory symbols mainly transmits the copy to users in the form of the human voice, and its promotional copy "Who doesn't love this cup" cooperates with the star's reading aloud and the dissemination of the video. It subtly affects consumers' auditory experience and increases the promotional copy's popularity, stimulating users' purchasing behavior. However, Luckin Coffee's use of auditory symbols has not achieved good results. Users' impression of "who doesn't love this cup" is far less profound than that of "Little Blue Cup".

## 4.3 Brand APP Design

Brand App can guide the marketing strategy of products by obtaining user usage data, and can also break the limitations of marketing methods and provide convenience for marketing. The Luckin Coffee App obtains user usage data for the following two purposes.

On the one hand, it guides the store expansion model. Luckin Coffee's demand for data comes from its unique model of store expansion [11]. Unlike traditional coffee, Luckin Coffee is a demand-driven expansion. The traditional model is to open a store and then find customer needs. In contrast, Luckin finds customer needs through takeaway coffee and determines the type of store expansion after proving that customers have certain needs. This model is derived from online to offline, which can more accurately match the enterprise's business model with customers' needs. The later store growth data also proved the correctness of this decision.

On the other hand, it is to obtain user portraits and determine marketing strategies. The analysis of user portraits will exist in the entire product development process and plays an important role in guiding product positioning and determining product direction. Luckin Coffee uses the app to obtain user usage data and analyze user portraits, which can more accurately locate target groups. Then, through subdivided groups, targeted product design and operational strategies are developed for different user groups to meet the needs of various groups of people. At first, the target group of Luckin Coffee was white-collar workers. Therefore, the products and operations in the early stage were all aimed at white-collar workers. Later, through user usage data, it was found that the user group of Luckin Coffee gradually showed a younger trend. To this end, Luckin Coffee launched the "Xiaolu Tea" brand to provide products and services for young user groups to meet the needs of different user groups.

## 4.4 Offline Brand Experience Store Design

Many merchants now carry out special designs for offline stores to improve the user experience, which is a way of experiential marketing. Luckin Coffee chooses to conduct experiential marketing through themed experience stores. It designs experience scenarios to create an immersive experience. An immersive experience is when people are fully immersed in a situation while performing an

activity. It is a positive psychological experience that can make the individual feel pleasurable, prompting them to repeat the same activity without getting bored [12]. Luckin Coffee's offline experience store cooperates with different IPs to create multiple themed experience stores that can highlight the characteristics of IP. For example, the NASA-themed experience store of Luckin Coffee presents a cosmic space with a sense of technology and design. The theme scene created in cooperation with NetEase Cloud Music presents a warm visual experience in the space, aiming to create a place for urbanites to escape the hustle and bustle-like music. The design of the experience store allows consumers to fully immerse themselves in the situation for an immersive experience so that the coffee shop is no longer limited to coffee, enhancing the interaction between the brand and the customer.

## 5. Conclusion

### 5.1 Key Findings

Luckin Coffee fully uses mobile Internet and big data technology to explore new retail models and establish a digital operating system. Including precise location of stores and reasonable expansion of the number of stores. Data drives product development and makes products more suitable for young consumers.

Luckin Coffee co-branded with Coconut Group is a very successful brand co-branding. It has comprehensively used various marketing factors that can be controlled by itself, such as products, prices, promotions, and place, and achieved good benefits. Brand co-branding should boldly break down barriers, pay attention to the advantages of the two brands, and combine them fully.

In addition, as an effective marketing method, design has a positive role in promoting the establishment of corporate brands. From the four aspects of Brand culture design, Brand culture media, Brand APP design, and Offline brand experience store design, the article finds that Luckin Coffee attaches great importance to design and uses design to provide convenience for marketing.

### 5.2 Research Significance

A series of adjustments and efforts made by Luckin Coffee after the financial crisis, such as the achievements in the new retail business model and brand marketing design, have turned it around against the wind, which has certain reference significance for the marketing of similar enterprises.

Enterprises should make full use of the Internet and big data to provide convenient conditions for their stores and business models to find a suitable business method as soon as possible. Continuously create popular products and use brand co-branding to bring more social and economic benefits to the company. At the same time, enterprises should pay attention to brand design. In today's market economy, consumers' consumption driving force has been transformed into spiritual needs and aesthetic pursuits, and brand design has become an important carrier of marketing promotion. Brand design is no longer just for aesthetics but, more importantly, to improve economic benefits. On this basis, the value of products is further enhanced by combining with product promotion.

### 5.3 Limitations

This article lacks the use of primary data, mainly secondary data and survey method. In the future, primary data can be obtained through surveys, interviews, and other methods.

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