# Research on Marketing Innovation of Luckin Coffee

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**ABSTRACT**

It is very essential for an enterprise to have a good marketing strategy and properly apply the new mode, especially for emerging enterprises such as Luckin coffee. Luckin was pushed to the forefront of the storm because of financial fraud two years ago, but now it has become a model of the rapid development of the coffee industry. In order to explore the reasons behind this, this article focuses on the marketing model of Luckin coffee, using literature and data analysis methods to analyze. It can be concluded that the more correct marketing strategies for the online retail industry, such as accurate targeting of the target market, clever brand design, and promotion, and precision marketing to increase customer loyalty are all key factors that contribute to its success. At the same time, adopting the new retail mode through the combination of online and offline is also important. Coupled with the combination of high technology and big data, Luckin coffee has gained the initiative in the new wave.

*Keywords: Marketing innovation, Luckin coffee, New retail mode, Strategy*

## 1. INTRODUCTION

Luckin coffee was founded in 2017 in Xiamen, which is the largest chain coffee brand in China. By the end of 2019, the number of its direct stores had reached 4507. It takes "to be part of everyone's everyday life, starting with coffee" as its brand mission and is committed to providing products of high quality, high affordability, and high convenience to customers[1]. No one expected that in 2019, Luckin coffee fell into a storm of financial fraud and was faced with a series of crises. This event is undoubtedly a heavy blow to this coffee brand. However, Luckin coffee has survived, and its operation has even shown an upward trend recently. It is so amazing that it can continue to make money after the storm.

According to reports, Luckin coffee began to realize the overall profitability in May and June 2021. The profit amount reached tens of millions of yuan, and the annual target for this year was completed ahead of schedule[2]. To explore why Luckin coffee recovers so quickly and win customer satisfaction, this paper first analysis the marketing environment of Luckin, and will focus on the marketing innovation of this coffee brand concerning having unique marketing strategies, especially applying the new retail mode. The methods used are literature and data analysis. Since most of the marketing model of Luckin coffee introduced in this paper integrates the new development trend of big data technology and Internet model, studying this problem can not only provide inspiration for other enterprises, but also guide the exploration of the new market model and promote the transformation of coffee industry under the internet background.

## 2. MARKETING ENVIRONMENT ANALYSIS

A market-oriented firm needs to look outward to the environment in which it operates, adapting to take advantage of emerging opportunities and to minimize potential threats[3]. Therefore, the first step to explore why Luckin coffee can achieve marketing success is to analyze its marketing environment, just as in figure 1, including macroenvironment such as economic, social and cultural factors and microenvironment such as competitors and consumers[3].
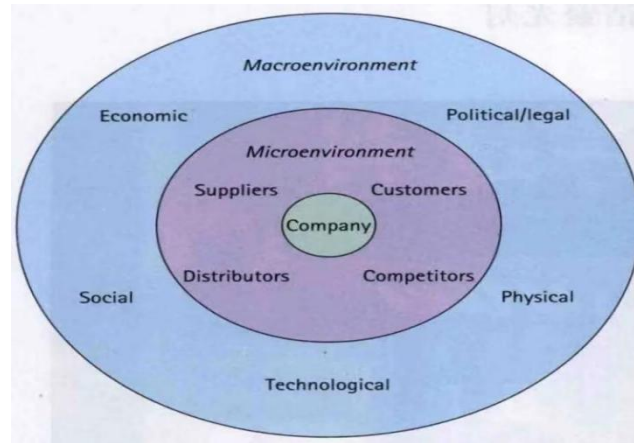
**Figure 1** The marketing environment

### 2.1.Macro-environment

With the trend of world economic globalization, coffee has become the third kind of beverage in the world, spread all over the world, and China is no exception. Just as Figure 2 shows, coffee is popular in most parts of the world, and China appears yellow because of the continuous expansion of the coffee market[4], and coffee consumption has attracted more and more attention from the Chinese people. Professional institutions predict that the scale of China's coffee market is expected to exceed 100 billion yuan by 2025. The data show that the annual growth rate of coffee consumption in China is 15% ~ 20%, while the global growth rate is only 2%[5]. These macro market conditions are undoubtedly great good news for Luckin coffee, a brand that has just entered the market.



**Figure 2** Coffee Market, 2020

### 2.2.Micro-environment

To a certain extent, consumers determine the success or failure of an enterprise. The rising business situation of Luckin coffee is inseparable from the satisfaction and favor of consumers. It can be said that the emergence of Luckin coffee has broken the situation that coffee only stays in the high-end market, just like the brand vision of Luckin coffee--making ordinary people can afford coffee, coffee is gradually moving towards the public. Based on the vast consumer group, Luckin coffee has a big business space.

However, talking about coffee brands, people will also think of the traditional brands--Starbucks and Pacific Coffee. As people know, they are both the leading brands in China's coffee market and have led China's coffee consumption for about 20 years, and they play an important role in the hearts of consumers. In particular, this is only the market situation of ready-to-drink coffee. Instant coffee like Nestle is more popular with consumers, which takes away a larger part of the market share of Luckin. It can be said that competition in this industry is really fierce, and Luckin has lots of competitors from many aspects.

## 3. MARKETING STRATEGIES ANALYSIS

Faced with a complex marketing environment, Luckin coffee has come to the fore through various

marketing innovations. The choice of an enterprise's marketing strategy is an important part of its marketing innovation. Luckin's marketing strategy is different from other coffee enterprises mainly in three aspects.

### 3.1. Accurate positioning of target market

Sometimes the result of the homogeneous competition will only be "killing one thousand enemies but losing eight hundred", so it is best to change mind and find out the differences with competitors[6]. In this respect, Luckin coffee is obviously different from traditional coffee brands in customer groups. As people know, Starbucks is positioned as the high-end consumer groups. Although doing this highlights the brand characteristics and has a great profit margin, it limits the expansion of the coffee market. However, Luckin is different. At the beginning of its establishment, its brand mission was to make Chinese consumers afford a cup of coffee with very high cost performance. Compared with the average price of more than 30 yuan per cup at Starbucks, the positive price of Luckin coffee is only about 28 yuan, but coupled with the issuance of coupons, the price of a cup of Luckin beverage is only about half of that of similar products at Starbucks. Owing to its low price, consumers will certainly take the initiative to choose Luckin coffee. At the same time, the high original price will make consumers subconsciously classify Luckin coffee and Starbucks as the same quality. Luckin not only takes advantage of low price to gain more customers, but also receive quality recognition. Under this situation, it can better grasp the psychology of mass consumption and go deep into the larger consumer market.

### 3.2. Clever brand design and publicity

Relying on symbol communication can enable consumers to quickly recognize and remember a brand, so that brand promotion costs less money and energy. For example, Starbucks is deeply engraved in the minds of consumers with green brand background color, and KFC echoes the sentence "Life tastes better with KFC" in the streets. Luckin coffee's brand design concept is also very ingenious (figure 3). With the strong impact of blue as the main color, the design and personalized packaging of the deer head contrast sharply with the industry leader, the green Starbucks, leaving a deep impression on consumers. The unique blue also highlights the commercial style of Luckin coffee, and it invites Tang Wei, the goddess of literature and art, and Zhang Zhen, a powerful male star, as image spokesmen to convey a low-key, stable and tasteful brand image for the young white-collar customers valued by Luckin coffee[7]. At the same time, inviting star endorsements also adopts the way of fan marketing, making full use of symbols, emotions and group identity to transform star fans into brand fans, so as to achieve the purpose of

brand marketing[8]. In short, brand promotion is conducive to the emotional resonance between consumers and coffee brand, which can attract more consumers and achieve brand communication.



**Figure 3** Luckin coffee's logo

### 3.3. Precision marketing improves customer loyalty

Consumer stickiness refers to the degree of dependence and reconsumption expectation formed by the combination of consumer loyalty, trust and benign experience[9]. Consumer stickiness directly determines the retention rate of consumers. Luckin coffee attaches great importance to enhancing consumer stickiness. The marketing team has launched a variety of strategies.

First, Luckin coffee makes full use of the user data of third-party companies to push user advertisements on the basis of big data analysis, so as to maximize the coverage of consumer groups. Moreover, the pushed content is targeted, that is, it provides users with the information they are interested in and feel useful, which is in line with users' browsing habits, accurately grasp users' psychology and meet users' personalized needs. In addition, it is also convenient for businesses to find the target customer group at the lowest cost, and then carry out the next step of promotion, so as to achieve the purpose of precision marketing.

Second, Luckin coffee actively advertises itself through other social software, such as WeChat subscription, mini apps, micro-blog, Wang Yiyun, etc., while achieving drainage, it also helps to maintain customer loyalty through good interaction and quality products to retain customers.

Third, Luckin coffee has also launched a variety of preferential strategies, such as "buy five get five free" and "recharge gift", to increase the number of reserved products in consumer accounts. At the same time, it also uses the customer's private social circle to share with friends, and can drink coffee for free, so as to directly enhance the stickiness of consumers.

These are all good examples of precision marketing, which not only reduces marketing costs, but also cultivates customer loyalty. It can be said that the precision marketing of Luckin is very successful.

## 4. ADOPTION OF NEW RETAIL MODE

The application of the new retail mode is also an important part of Luckin coffee's marketing innovation, and the implementation of Luckin's marketing strategies is inseparable from the assistance of the new retail mode. For freshly ground coffee, the business model of traditional coffee mainly focuses on offline physical stores, more on the offline experience of coffee shops and social needs. Although there is online takeaway distribution, there is no integration of online and offline. There are weak points such as inconvenient purchase, long queuing time, expensive price and high labor cost.

Figure 4 is Luckin coffee's service mode. In the current era of upgrading consumption structure, the rapid development of the Internet and big data, Luckin coffee adopts the new Internet retail business model of "Online + offline" synchronous operation[10]. This has broken the traditional coffee shop mode, which is designed to meet the diversified needs of consumers.



**Figure 4** Luckin coffee's service mode

### 4.1.New retail concept

The concept of "new retail" was originally proposed by Jack Ma. It means a new model based on the Internet, through the use of big data, artificial intelligence and other advanced technical means to upgrade and transform the production, circulation and sales process of goods, so as to reshape the business structure and ecosystem, and deeply integrate online services, offline experience and modern logistics[11]. Its core concept is to combine online and offline to change the traditional business model. This new retail model allows consumers to obtain the real experience of offline shopping while obtaining the online shopping experience, and complete the upgrade of the consumption process and experience[10].

### 4.2.Luckin and new retail

Luckin coffee's application to new retail is relatively good in the commercial field. Steenkamp described Luckin as being "delivery-friendly and "digitally savvy", because the company pays more attention to the takeaway food market and uses mobile applications to process customer orders and payments[12]. In addition, Luckin also serves people's different online and offline needs through reasonable store location, and has a professional customer information management system to meet customers' needs and thoughts, which makes big data and Internet technology truly work for them.

### 4.2.1.Launch digital online shopping pattern

Nowadays, online shopping and takeaway system are popular. The fast-paced life makes many people have no time to go into a store and order a cup of coffee to taste slow. That is to say, store consumption has become a difficult thing for people. For the new retail mode of Luckin coffee, this is undoubtedly an opportunity. Traditional coffee brands pay attention to the third space, the consumption experience in the store. Luckin breaks this concept, and proposed an "infinite scene" strategy, emphasizing that people buy coffee online shops instead of coffee shops, and conforms to the convenient and fast consumption habits of people in the new era. Luckin is expanding its takeaway market through the app, WeChat applet and cooperation with meituan.com. Based on the principle of efficient service, Luckin distributes coffee and other products to people's homes or office areas, narrowing the distance with consumers. The so-called "Luckin goes to consumers instead of consumers to find Luckin". This not only meets the needs of consumers for convenient use, but also saves a lot of money in store rental, decoration and labor costs.

### 4.2.2.Diversified store location

At present, Luckin coffee has lots of stores. As shown in Figure 5, there are as many as 25 stores in several areas of Dalian alone, and this is the result of Luckin coffee's pavement location selection based on understanding user data by using the Internet and big data analysis technology, which covers the consumer group to the greatest extent. In order to cover the multi-level needs of customers online and offline, Luckin coffee reasonably arranged four different stores, including elite store, relax store, pickup store and flash store, diversified store location, and realized all-round coverage of consumption scenarios.
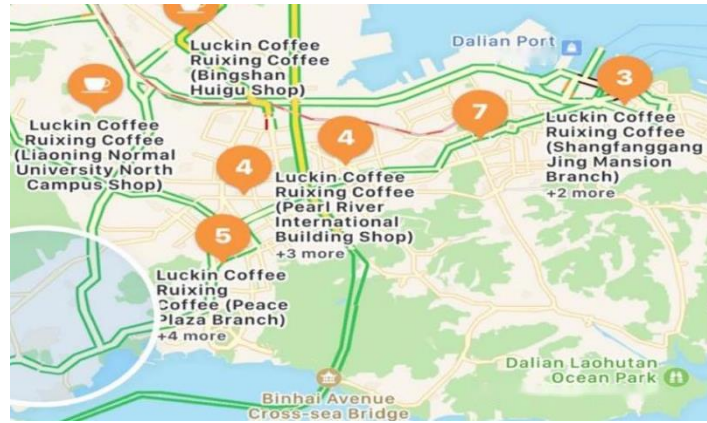


**Figure 5** Distribution of Luckin coffee in parts of Dalian, China

### 4.2.3.Owing professional customer information management system

Under the background of the big data era, the great advantages of information management system gradually highlighted. The collection and processing of marketing activity data and information can effectively help enterprises formulate and improve marketing promotion strategies. Luckin Coffee's professional customer information management system can provide a reference for the formulation and modification of marketing strategies, which helps improve the efficiency and quality of marketing activities. By comparing and analyzing the preferences of different customers, Luckin can find out consumers with the best consumption potential and in line with the enterprise consumption brand, and carefully formulate professional marketing promotion strategies according to their requirements for products and services. For different consumer groups, Luckin can develop diversified and personalized marketing strategies. Use big data to analyze the influencing factors, such as product effects, service effects, sales channels, marketing methods, and price quality, to ensure that the decision of each link is the optimal strategy to maximize the overall effect. In this way, they can not only select the most suitable marketing promotion strategy for the enterprise on the basis of collecting and sorting out the effective information of marketing activities, but also focus on the selection of the most potential consumption types, fully collect consumers' use feedback and preference changes, and improve the shortcomings of the original promotion strategy.

## 5. CONCLUSION

To sum up, it can be seen that the upwind turnover of Luckin coffee largely depends on its correct marketing strategy, especially the application of the new retail model. A good marketing strategy can bring great benefits to enterprises and increase their competitive advantage. On this basis, the integration of big data technology and the new Internet-based retail model injected fresh blood into enterprises. It also leads the development of the entire industry to a certain extent.

Of course, because the history of Luckin coffee is relatively short and its further development remains to be investigated, whether Luckin coffee's operation mode of burning money lasts long or not could be predicted, and this may be a problem that this paper does not pay much attention to. Moreover, this article only conducts a qualitative analysis from the theoretical level and lacks data research. In the future, the author can carry out quantitative research on related mathematical models and data for this topic.

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