

Analysis on the Marketing Strategies of Luckin Coffee

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ABSTRACT

With the popularization of mobile Internet, people's consumption concept, consumption behaviour and consumption scene begin to change. At the same time, the consumption demand of the Chinese coffee market is increasing year by year, and the development momentum is good. After that, Luckin coffee was formally born in the "new retail" mode, showing a rapid development trend, and achieved the successful listing in a short period of time, which is really amazing. There is no denying that Luckin's marketing strategy still has great reference significance for the development of domestic coffee. This paper used the SWOT method to analyze Luckin coffee after the delisting storm, studied its internal strengths and weaknesses as well as external opportunities and threats of brand marketing, found out its relevant influencing factors, and put forward a new feasible strategic plan.

Keywords: Marketing strategy; Luckin Coffee; Development strategy

1. INTRODUCTION

In only one year, Luckin Coffee, as a representative enterprise in the coffee sector in China's new Internet retailing era, has effectively developed a global no. 1 coffee brand with an estimated worth of 2.2 billion DOLLARS. However, following the delisting, Luckin Coffee became more pragmatic, focusing on its core business of product coffee rather than pursuing finance. After announcing the delisting, Luckin expressed heartfelt regret to all members of society. Despite the company's delisting from the New York Stock Exchange, more than 4,000 Luckin stores are open for business in the United States, and almost 30,000 employees will continue to provide quality products and services to customers. Consumers are increasingly likely to buy a brand, therefore only creating a high-quality brand to earn consumer favour. Luckin's marketing strategy aids in brand positioning, design, communication, and other areas of decision-making. As a result, using a systematic SWOT analysis [1], this paper qualitatively analyses the brand construction and marketing strategy of the Luckin coffee roasting industry and makes specific recommendations to consumers on marketing methods and strategies, which is critical for the brand construction and development strategy of China's coffee industry.

2. SWOT ANALYSIS OF LUCKIN COFFEE

2.1. Strength

The product pricing strategy is reasonable. Fission marketing using subsidies. Fission advertising subsidy marketing was carried out for stores by advertising subsidy marketing. Compared to store advertising directly paid to advertising company but the actual effect is the consumer of the unknown, fission advertising marketing major is a kind of only in the condition of known consumers, stores advertisement cost directly into consumer products and benefits so that consumers get more profits and flow, improve consumer acceptance of the brand. At the same time, the rapid expansion of offline stores as a marketing method. In addition, Luckin's goal is to "make everyone have access to a cup of good coffee" and create cost-effective products that consumers can afford, targeting more affordable consumer groups, with a lower price of 13 to 27 yuan compared with high-end Starbucks.[2]

Good brand communication. In terms of luckin brand communication and advertising channels, the offline Luckin coffee mainly carries out accurate advertising by selecting stores. The offline advertising target audience and consumer groups of stores are divided and classified accurately. Celebrities are signed and advertisements are placed in major downtown areas, office buildings and large commercial communities,

covering many social groups and white-collar workers. The online advertising mainly uses WeChat mini-programs and other location-based marketing services (LBS) to promote the online platform, repeatedly attracting the volume of stores and surrounding areas [3]. Luckin coffee delivers and demonstrates its brand culture and value to consumers through effective brand communication, and consumers quickly identify with the brand. Luckin coffee "sells coffee itself without selling space, culture or packaging", which fits the mobile needs of young people.

The brand design is fantastic. The brand name "Luckin" represents for good fortune and luck, giving joy and happiness to Chinese people's lives. The milu deer, an old and rare species that represents exuberance and life, is the brand's signature design idea. At the same time, it has a harmonious traditional cultural emblem that embodies the originality of its brand design since it represents prosperity and good fortune. It represents Milu's grace and dignity. The brand is aimed at the white-collar class since it matches the Milu coffee range's stance and aesthetic. Milu's noble image and royal blue brand design are nicely connected with genuine consumer requirements and objectives of consumers and organisations. Because coffee is associated with a good quality of life by default, the addition of the Milu picture enhances the brand's distinctiveness and raises the added value of awareness.

The traditional coffee industry has the problem of insufficient convenience in consumption. In the market-oriented "new retail" mode, customers can order through mobile phones, and then deliver through convenient and efficient channels, so that they can get the ordered products in a relatively short time. Luckin coffee also develops online App, expands offline stores and carries out delivery business, which greatly improves the convenience of customers to enjoy coffee [4]. The traditional coffee place is a kind of offline space with limited scenes, which reflects the cafe culture. Luckin innovates in the limited offline space, adopts the strategy of expanding the scope of scenes, breaks the boundary between online and offline, and brings the "field" to consumers. Luckin takes Internet coffee as its orientation, makes full use of the power of the Internet to create a new coffee model, and adds the current takeout method that brings great convenience to the public into the coffee model. Luckin has been able to stand out in the highly competitive coffee market in a short period of time thanks to this innovative approach.

Luckin coffee App platform based on the "new retail" model development covering order and pay, and other functions, runs through the whole process of the customers to buy, can help to further understand customer preferences, Luckin coffee for customers recommend products or provide a personalized menu,

you can also by providing custom bring customers preferential discount way, in order to retain customers, improve the repo rate. Luckin coffee set up its own data platform at the beginning, and all the information of customers after placing orders would be reflected in the background [5]. Then the company carefully analyzed the data to predict customers' needs, decide store location, select and distribute goods, and manage inventory, etc. In the era of big data, the value of users' information is very high. If you want to speed up the marketing iteration, you need to use user behaviour data to improve the operation efficiency of stores. Luckin makes full use of mobile Internet and big data technology in the "new retail" mode and sells coffee through the Internet, which makes consumers more flexible in purchasing coffee products. Luckin's business model is very suitable for today's fast-paced consumption environment.

2.2. Weakness

There are hazards associated with the profit model. According to statistics, Luckin coffee gave a huge amount of subsidies to dealers in the early stages, stimulating the industry and attracting a big number of customers with an investment of over 1 billion yuan. Customers become dependent on the brand as a result of the subsidy effect, which reduces customers' understanding and cognition of their own brand. Customers' loyalty to the coffee brand must still be recognised if dealers discontinue these benefits later. Customers will find it more difficult to keep coffee if the quality of the products cannot be adequately assured, and the predicted demand for coffee would fall as a result of the loss of customers' finances. As a result, the anticipated income will be insufficient to cover the early-stage loss of coffee operational expenses, resulting in the enterprise's capital chain being fractured. A crisis resulted in the healthy survival and long-term development of businesses.

Poor quality perception. The degree of superiority recognised by the perception and impression of the quality of their core service brand products and service brands is referred to as quality perception. Quality perception refers to the relative overall image perception and visual impression of corporate consumers of the quality of corporate core service brand products. The overall visual perception and market identification of the quality and superiority of corporate branded sales and service products by corporate consumers is referred to as "overall recognition of corporate quality." The construction of essential core value assets with core value for the business brand is based on the overall acknowledgement of product quality. In terms of quality and flavour, there is still a gap between Luckin Coffee and the big brands, with a low degree of distinctiveness and little brand added value. Customers are easy to

attract, but pleasing them is challenging, and quality recognition is poor.

Delisting affects company goodwill. Luckin has just been delisted, which is bound to weaken it. On the one hand, it will frustrate the management enthusiasm of the operators, and on the other hand, consumers will doubt the enterprises. After the delisting, the company's goodwill is damaged and financing means are limited, so there is a great test for capital operation. After the delisting, Luckin's financing will be greatly affected, so the past cash-burning model cannot be sustained, and the operation must turn to pragmatism. However, after the further reduction of subsidies, Luckin's user retention and operation will still be unpredictable. Perhaps the biggest problem for Luckin is the prospect of huge claims from investors.

2.3. Opportunities

The coffee industry is rapidly expanding. Coffee consumption has increased at a medium to high rate of over 10% since 2013, reaching a high of 29% in 2017. China's coffee consumption industry is predicted to exceed 1 trillion yuan in 2025, surpassing 300 billion yuan for the first time in 2020. For the first time, the market might reach 2 trillion to 3 trillion yuan around 2030. As a result, China's coffee and food and beverage markets will continue to have significant growth and development potential in the future. The coffee industry has a lot of potentials. With the rapid development of China's economy and the rise in the cultural quality of domestic consumers, the number of people who appreciate coffee is expanding, as is the demand for coffee. In China's second and third-tier cities, there is still plenty of room for growth [6].

Per capita income increased. As the rapid development of the socialist economy with Chinese characteristics further and further increasing of national disposable income, people's quality of spiritual life level continuously improved steadily, more and more Chinese people in the pursuit of a healthy and high-quality life, coffee and coffee products for China market and the demand is also growing fast. The whole series of Luckin speciality coffee products can not only fully meet the various social-emotional and cultural demands of the middle class for the petty bourgeoisie, but also help to further increase the market demand for Luckin coffee. With the expansion of the contemporary middle class, consumption power has increased further. At present, China's middle class is mainly concentrated in Beijing, Shanghai, Guangzhou, Shenzhen and some second - and third-tier cities in the Yangtze River Delta and Pearl River Delta. Luckin Coffee has a stable consumer market in these special regions. While people pursue economic income growth, the whole society will pay more attention to the cultivation and improvement of the quality of life.

2.4. Threats

Starbucks, and other industrial behemoths. There is already one dominant player in the market, Starbucks Coffee, which has a large consumer base, a large number of loyal customers, and has effectively established a market monopoly. Luckin's clients in the high-end market will be threatened by Starbucks, which has the attributes of a high-end brand. Furthermore, Starbucks understands how to collaborate in order to achieve a win-win situation. Starbucks can compensate for the drawbacks by offering simple online services through Alibaba's Ele.me. Luckin coffee's marketing model is no longer the main advantage.

The development of many small and medium-sized brands. Many small and medium-sized brands sell fast, essentially the same product, updating faster, increasing brand awareness and driving the popularity of the product. Many niche brands do not have sit-down stores and are purely take-out models, which focusing on meeting rapid consumer demand for fast food and coffee. In fact, Luckin is not alone in opening coffee shops in China. New entrants include Tim Hortons, a global coffee chain, which has announced plans to expand thousands of stores. There are plenty of competitors coveting the growth opportunities in the Chinese coffee market [7].

3. SUGGESTIONS

3.1. Pay attention to food materials and service, make product and customers first

Luckin's primary task is to establish a professional talent team, continuously develop various types of coffee, select coffee beans delicately, improve technology, upgrade coffee utensils, and satisfy consumers' taste buds. At present, many shop assistants are not familiar with the use of coffee machines, and sometimes they cannot solve some problems of the machines in time, thus affecting the business process of the shops. Occupying the market should not only expand, but also provide training for store staff with its rapid development to ensure excellent service.

3.2. Integrate online and offline to create new retail marketing

Complete data and operations, using new technologies such as artificial intelligence and big data, improving logistics and transportation, interacting with coffee products and peripheral benefits through social media platforms such as WeChat and Weibo, the combination of multiple angles can increase coffee sales, and using social relationships for word-of-mouth recommendations to improve customer loyalty and brand awareness. The image of "elk" of Luckin coffee is

deeply ingrained in people's hearts, generating the wind of "elk" culture, thanks to the promotion method of memory point.

3.3. Use the combination of business forms to promote the brand in many aspects

Luckin Coffee may leverage Starbucks' extensive knowledge to support the growth of ancillary businesses, develop coffee peripheral items under the brand, and leverage the halo effect to entice people to buy additional peripheral products [8]. To increase market share, it is also feasible to expand the product range in both directions, adding high-end and low-end coffees. The Coffee Academy's experience store model is designed to provide customers with an all-around, multi-angle positive experience, from taste to sight and touch. Luckin Coffee may employ big data analysis to gain more information about consumers' tastes and design trendy and unique items that would improve the user experience to some level.

3.4. Return to coffee quality and service, the focus from the pursuit of capital to pursue the industry

Learning from the delisting experience and tackling the problem at its source. In the preceding period, most of the funds utilised for store development and corporate training and education came from angel investors. Luckin had to develop its retail locations without breaking its capital chain due to limited access to funding following its delisting. Luckin Coffee will experience a fresh lease on life once the capital bubble bursts if it can stay true to its original goal, reduce and optimise its loss-making stores, and continue to excel in product innovation.

3.5. Establish a good customer communication mechanism

In fact, information error or lag caused by improper communication between most enterprises and customers has become a major problem of a slow product update. Luckin coffee adopted the mode of "APP+ small program" to solve this problem well. When consumers place orders, the background can effectively count the number of goods sold to predict which goods are more popular with the public. Therefore, compared with the foreign brand Luckin coffee will be more popular among Chinese people. Of course, Luckin coffee has some shortcomings in forming a good communication mechanism with customers. After Luckin coffee disclosed its accounting fraud of 2.2 billion yuan on April 2, 2020, the company's stock price plunged at the opening and investors suffered heavy losses. Shares were even suspended on April 7. Luckin coffee fell sharply on its first day of trading, closing down nearly

36% as a domino effect of broken promises. A national brand concerned by the public lack of corporate integrity of the way of management will inevitably let customers have a crisis of trust. Therefore, Luckin coffee must solve this problem if it wants to develop and maintain a good customer communication mechanism.

4. CONCLUSION

Overall, Luckin coffee has a clear positioning in the market and product end. There is no lack of star products, and Luckin has accurately grasped the opportunity of upgrading domestic coffee consumption. If luckin can smoothly pass this stage, the market prospect will be broad on the whole. In this era full of opportunities and challenges, Luckin coffee has strong competitiveness and great development ability to occupy a broader market. At present, there are two main problems: first, the capital end is affected after delisting, so it is necessary to ensure the good and stable operation of the business section; The second is the challenges faced by the coffee retail industry. Whether Luckin can take appropriate measures to adapt to the progress of the Times is the key to its success in the Chinese market. As a new retail industry, we cannot not only pursue the quantity of stores but ignore the quality. Optimize the service attitude in the service process, the shop assistants and customers to carry out good communication, take into account the specific requirements of customers to establish a good consumer reputation, make the brand spread more widely. We believe Luckin coffee will have a bright future as long as the overall quality of staff is consistently enhanced, the quality of coffee goods is ensured, the marketing of the Luckin coffee experience is strengthened, and the brand influence is established.

AUTHORS' CONTRIBUTIONS

This paper is independently completed by Yundi Liu.

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