Analysis of Marketing Strategies for Emerging Brands in the Context of the Digital Economy: A Case Study of Luckin Coffee

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Abstract. With the rapid development of the economy and information technology, especially the popularity of the Internet and social media, the world has begun to enter the digital age. The operation mode of enterprises and the habits of consumers have also changed accordingly, making traditional marketing strategies need to keep pace with the times and changes to adapt to the new market environment. Starting from the development process of Luckin Coffee and combining its marketing methods at each stage, this paper conducts a comprehensive study of the overall marketing strategy of Luckin Coffee. This paper summarizes the internal reasons for Luckin Coffee's success and provides a reference for the development of other similar enterprises to learn from.

Keywords: Digital economy, Marketing strategy, Big data

1 Introduction

As an emerging brand, Luckin Coffee has ranked at the forefront of the Chinese coffee market within just a few years. Behind its success lies a series of innovative marketing strategies. This article aims to analyze the marketing strategies of Luckin Coffee, explore the internal logic of its success, and summarize the experiences that can be drawn upon by other start-ups.

The structure of this article is as follows. The second chapter is the case introduction, introducing the four stages of Luckin's development. The third chapter is about Luckin's marketing strategies. Combined with the STP marketing strategy, it introduces the more typical marketing methods of Luckin. The fourth chapter is the evaluation of Luckin's marketing strategies. The fifth chapter is the conclusion.

2 Case Introduction

Luckin Coffee has achieved from start-up to listing in just 3 years, completed brand building, and created the fastest listing record for Chinese Internet enterprises. The success of Luckin Coffee is inseparable from the rapid expansion of its popularity and

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the rapid growth of sales[1]. Luckin Company has demonstrated strong adaptability and market competitiveness. All these are inseparable from effective marketing strategies. Therefore, it is very meaningful and valuable to study the marketing strategies and marketing methods of Luckin Coffee. Since its establishment, the development process of Luckin Coffee can be summarized into 4 stages.

2.1 Initial Startup and Rapid Expansion Period (2017 - 2018)

Luckin Coffee, founded in 2017, is a Chinese coffee chain brand with its headquarters in Xiamen. It was established by Lu Zhengyao, the founder of UCAR Inc., and Qian Zhiya, the COO of UCAR Inc. The company is positioned as a professional coffee operator in the new retail sector and is committed to promoting the popularization and development of coffee consumption in China.

At the end of October 2017, Luckin Coffee's experimental store opened in Beijing Galaxy SOHO and achieved great success. Since January 2018, Luckin has started pilot operations in 13 cities including Beijing and Shanghai one after another. Since then, Luckin has begun to open stores rapidly across China, and Luckin Coffee has appeared in the core areas of major cities. Relying on highly publicized and promotional activities such as substantial price subsidies, celebrity endorsements, and collaborations with various intellectual properties, Luckin Coffee quickly gained popularity. By the end of 2018, Luckin Coffee had opened more than 2,000 stores in China and launched various light food products[2].

At this stage, Luckin Coffee rose rapidly in the Chinese coffee market by virtue of rapid expansion and large-scale subsidies.

2.2 The Period of Listing and Diversified Development (2019)

In 2019, Luckin Coffee continued to accelerate its expansion pace, planning to open 2,500 new stores, bringing its total number of stores to more than 4,500. In April of the same year, Luckin filed an initial public offering (IPO) application with the US Securities and Exchange Commission, planning to raise $100 million. Subsequently, in May, Luckin was officially listed on the Nasdaq Stock Exchange in the United States and raised $516 million, breaking the record for the fastest listing of Chinese Internet companies[3]. In the second half of 2019, Luckin Coffee continued to expand its market share, began exploring product diversification, tried to launch the Luckin Tea product line, and entered the new tea beverage market. In September 2019, the Luckin Tea brand began to operate independently and introduced a new retail partnership model, that is, a model with no franchise fee and sharing business risks with franchisees.

At this stage, Luckin Coffee further consolidated its position in the Chinese coffee market through continuous innovation and brand building.

2.3 The Period of Financial Scandal and Restructuring (2020 - 2021)

In 2020, Luckin Coffee encountered a major financial scandal. An internal investigation of the company revealed that there were serious acts of financial data fraud. This incident led to a sharp drop in Luckin's share price, triggering panic among investors and eventually causing Luckin Coffee to be delisted from Nasdaq in June 2020. The former chairman, Lu Zhengyao, was dismissed and Guo Jinyi took over as chairman and CEO. The management of Luckin Coffee underwent significant changes and the strategic focus shifted to targeted expansion. In the following period, Luckin Coffee settled with the US Securities and Exchange Commission (SEC), paid fines, and completed debt restructuring. In January 2021, Luckin Coffee released a recruitment plan for new retail partners and announced the restart of franchising[4]. At the end of the year, Luckin released unaudited financial results for the third quarter of 2021, showing a significant increase in operating income and presenting certain signs of recovery.

2.4 Reconstruction and Rehabilitation Period (From 2022 to Present)

On April 11, 2022, Luckin Coffee successfully completed the financial debt restructuring and the company officially ended the bankruptcy protection procedure as a debtor. Since then, Luckin has comprehensively resolved the historical legacy issues and returned to a normal corporate state. Through cooperative alliances and product innovations, Luckin Coffee has launched a series of small top-selling products, such as "Raw Coconut Latte". In March 2022, Luckin's revenue in the first quarter was 2.4 billion yuan, and its operating profit turned from loss to profit for the first time since the restructuring. Subsequently, Luckin began to plan to build a fully automated production base integrating coffee research and development, baking production, sales and logistics distribution. According to the 2022 annual report, Luckin's annual revenue exceeded 10 billion yuan for the first time, and its annual operating profit turned from loss to profit for the first time since the restructuring. Subsequently, Luckin began to continuously expand and comprehensively expand the international market. As of July 30, 2024, Luckin Coffee announced its second-quarter financial report for 2024, showing that the total net revenue in the second quarter was 8.403 billion yuan, an increase of 35.5% year-on-year, setting a new high for single-quarter revenue. In the first half of the year, Luckin Coffee's total net revenue reached 14.681 billion yuan, an increase of 38% year-on-year[5].

3 Marketing Approaches

The Popularity of Luckin Coffee Rose Rapidly, And Its Sales Growth Was Also Very Rapid. All These Are Inseparable from Effective Marketing. Luckin's Marketing Approaches Are Very Diverse, Such as Celebrity Endorsements, Low-Price Discounts, Advertising Campaigns, Continuous New Product Launches, And IP Collaborations. The Following Will Analyze the Role Of Luckin's Marketing

Strategies In Its Business Development In Combination With The STP Marketing Strategy.

Market segmentation refers to the division of customers in the market by enterprises into several customer groups according to certain standards. Each customer group constitutes a sub-market. Among different sub-markets, obvious differences in demand exist. According to the characteristics of coffee as a beverage, in the early stage of development of Luckin Coffee, its stores were mainly concentrated in the first- and second-tier cities. Because the population base in the first- and second-tier cities is large, the acceptance of coffee as a beverage is higher, and the consumption capacity is also stronger[6].

Luckin Coffee strives to "make coffee affordable for everyone". Therefore, its pricing is only one-third to one-half of that of Starbucks, where a cup of coffee often costs around 30 yuan. Behind the low pricing is the support of Luckin Coffee's low cost. Luckin adopts the form of small stores, with lower requirements for the location and area of the stores, thus the rent is low. In addition, the small size of the stores leads to lower utility bills and less labor required. Often, one or two employees are enough to maintain the normal operation of a store. Moreover, the main target customer groups of Luckin Coffee are office workers and students. Luckin adopts the form of small stores, which can reduce costs and open stores quickly. The dense distribution of stores is conducive to Luckin Coffee providing faster and more convenient services to customers.

As of 2024, the number of Luckin Coffee stores has exceeded 20,000, surpassing all other brands in the same industry in China. Relying on the small-store and low-cost model, Luckin has rapidly opened stores across China, achieving the goal of allowing office workers to "grab and go" conveniently.

Targeting refers to when an enterprise, based on its own resources and capabilities, selects one or more segmented markets as the target market. Luckin Coffee positions its target market among young consumers, especially those familiar with the Internet lifestyle. Therefore, Luckin has adopted promotional methods like low-price discounts and IP collaborations[7].

The price competition is a common means of marketing strategy. The overall pricing of Luckin Coffee is lower than the average level of 15 to 20 yuan in the market, especially more consumer-friendly when compared with brands such as Starbucks. The lower price and higher quality of coffee have quickly attracted the young consumer group.

Luckin Coffee adopted a strategy of large-scale subsidies in its start-up stage. It attracted users by burning money for subsidies, such as the promotional activity of 'Buy two, get one free'. Moreover, Luckin utilized WeChat promotion to implement fission marketing. Users could obtain coupons by inviting friends to register the Luckin Coffee APP and sharing preferential information on social media or completing specified tasks. In addition, there were a series of discount marketing methods such as "Free for the first order", "Full reduction offers", "Membership discounts", "Combination promotions", etc. Through the above low-price discount strategies, Luckin Coffee could not only attract new users but also promote the repeat purchase of existing users, thereby cultivating a loyal customer base. These strategies effectively helped Luckin Coffee expand its market share and establish a firm position in the highly competitive coffee market.

For the IP linkage marketing method that has become extremely popular in recent years, Luckin Coffee has also demonstrated a high degree of innovation and achieved remarkable results. Luckin attracts a broader consumer group by collaborating with different IPs. Luckin generally selects popular IPs such as film and television works, animations, and games for cooperation, such as "The Story of Roses" and "Tom and Jerry". Such cooperation can quickly attract the corresponding fan groups. First of all, Luckin will design unique beverages based on the characteristics of the IP, such as specific flavors and theme packaging, which makes the product itself a part of the marketing. Luckin will launch limited-edition packaging to increase the collection value and stimulate consumers' desire to purchase. Secondly, taking advantage of the popularity of the IP, Luckin will launch products with limited-time supply, creating a sense of urgency and stimulating consumers to purchase as soon as possible. Finally, using simultaneous promotion both online and offline, the exposure of the linkage was enhanced. For instance, topic challenges were launched online and thematic decorations were set up offline. Besides, Luckin also conducted co-branding with well-known brands. For example, the special drinks launched in cooperation with Moutai achieved integration at the product level. Through these strategies, Luckin Coffee was not only capable of attracting the fan groups targeted for the co-branding, but also could attract a wider range of consumers through novel products and marketing activities, thereby enhancing brand awareness and market share. These successful IP linkage marketing cases have brought huge commercial value and brand impact to Luckin Coffee.

Brand positioning is when an enterprise positions its products or services in a specific position in the target market through marketing strategies and advertising campaigns. Luckin has established a unique brand image through advertising campaigns and spokesperson promotions, presenting itself to the public with low prices, high quality and a fast pace.

Luckin Coffee adopts a unique blue as the main color tone and a simple and lively design style, which enables it to stand out among many coffee brands. Furthermore, in terms of advertising, Luckin adopts a combination of offline and online methods. Offline, Luckin places advertisements in office buildings and elevators in communities in major urban areas, precisely reaching office workers and community residents. Meanwhile, online, Luckin conducts big data analysis through AI collaboration and continuously releases content on multiple social media platforms such as Tiktok, Weibo, Xiaohongshu, and Bilibili, concentrating on recommending to younger consumers, thereby increasing brand exposure. Moreover, Luckin Coffee will also locate the target user groups around its stores, create relevant hot topics, and use the power of social media to quickly spread brand information. In addition, by leveraging marketing momentum through comparison and binding with Starbucks, Luckin Coffee rapidly enhanced the popularity and influence of its own brand. Through these comprehensive advertising and publicity strategies, Luckin Coffee successfully shaped a strong and unique brand image and acquired a large number of users in a short period of time.

Luckin Coffee has taken a series of well-planned actions in its spokesperson strategy, aiming to enhance the brand image and attract more consumers through the influence of highly popular stars. In the early stage of the brand's establishment, the brand spokespersons of Luckin Coffee were Tang Wei and Zhang Zhen, which quickly set the brand tone for the brand and accumulated exposure and popularity. After gaining a certain degree of popularity, Luckin Coffee chose to invite stars such as Liu Haoran and Jackson Yee, who are more popular among young groups,to attract the attention of young people. Moreover, by collaborating with fashion-influential stars, Luckin Coffee conveys a young and fashionable brand image. On August 11, 2024, Luckin Coffee officially announced Liu Yifei as its global brand spokesperson and the chief recommender of tea beverages. By choosing the right spokesperson and combining it with other marketing activities, Luckin Coffee has successfully enhanced the attractiveness of the brand and established a distinct brand image in the minds of consumers. These strategies not only help increase sales but also assist Luckin Coffee in standing out in the highly competitive market.

In addition to the above marketing methods, in the era of the digital economy, Luckin has also begun to try using AI as a labour force. For example, by inputting ingredients into the AI program and stating demands, AI will provide possible combinations that can be implemented. R & D personnel can further develop new beverages based on this. This can enhance efficiency, cut labor costs and continuously introduce new beverages. At the same time, Luckin has also expanded to non-coffee beverages (such as tea drinks and juices), light meals (such as sandwiches and cakes), etc., to meet the needs of different consumers. Luckin determines potential popular products through market research and data combined with AI analysis, and then focuses on promoting them. For example, "Thick Cream Latte" and "Raw Coconut Latte" have all become phenomenally best-selling products. According to seasonal changes, Luckin Coffee continuously launches limited products, such as iced beverages in summer and warm drinks in winter[8]. Moreover, in line with the trend of healthy eating, Luckin Coffee has introduced healthy drinks such as low-sugar, sugar-free and plant-based ones. For some popular products, Luckin Coffee adopts a "scarcity marketing" strategy, creating scarcity through limited-time supply to stimulate consumers' purchasing desire. These innovations not only help enhance the brand image but also promote the growth of sales.

4 Evaluate

Luckin Coffee adopted various promotional methods during its development process and continuously adjusted its marketing strategies over time. Through research, we have found that the marketing strategies adopted by Luckin are in line with its development stage.

In the start-up stage, Luckin adopted methods such as large-scale subsidies, social media marketing, and celebrity endorsements to help the brand rapidly increase its popularity and expand its user base. Consequently, Luckin quickly captured the market share. However, while expanding at a high speed, high subsidies and excessive reliance on price wars may lead to serious losses and damage the brand image.

After seizing market share rapidly, although Luckin continued to carry out preferential activities, it gradually reduced the subsidy amount. To reduce the loss of some price-sensitive customers and enhance user loyalty, cultivate loyal customers and attract more types of consumers, Luckin began to undertake cross-border cooperation, such as launching limited products in collaboration with popular IPs. Meanwhile, Luckin kept innovating internally, launched a series of novel and popular products, and combined with a large number of online and offline publicity pictures and advertisements to find new selling points to attract new customer groups.

5 Conclusion

In Conclusion, Through A Detailed Analysis of The Marketing Strategies And Methods of Luckin Coffee In This Paper, The Reasons For Luckin's Rapid Rise In A Short Period Have Been Revealed. Luckin Coffee Has Leveraged Digital Marketing, Especially the Innovative Application In Social Media And Big Data Analysis, Successfully Attracting A Large Number of Young Consumers And Enhancing Brand Awareness. Against The Background of The Increasingly Serious Product Homogeneity Phenomenon, Creating A Unique And Consistent Brand Experience Has Become The Key For Enterprises To Win The Favor of Consumers.

However, in the face of fierce market competition and a complex external environment, Luckin Coffee still needs to continuously optimize its business model and strengthen its internal governance structure to achieve long-term and stable development goals.

During the research, due to the slightly different marketing approaches of Luckin Coffee in different regions, it is possible that not all marketing strategies and methods have been studied and summarized.

Luckin Coffee, as a coffee shop that can sell both online and offline, has marketing methods that are relatively different from those of some brands that only have online or offline sales. In the subsequent research, a comprehensive study of other brands in the same industry will be conducted to summarize the overall marketing strategies and approaches.

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