

Research on the Marketing Strategy of Co-branding with Other Brands -- Taking Luckin Coffee as an Example

Yulin Sun *

School of Business, Macau University of Science and Technology, Macau, 999078, China

* Corresponding Author Email: 1210009703@student.must.edu.mo

Abstract. With the increasingly fierce market competition, marketing strategy is the top priority for the development of each brand. Many brands in the Chinese beverage industry have seized the market, so in order to enhance brand competitiveness and expand market share, collaborating with other brands has become a key focus of brand marketing. Based on case analysis of specific products, this article takes Luckin Coffee which is an emerging brand in China and has a large number of young consumer groups as the research theme, analyzes its co-branded products with other brands - Coconut Cloud Latte, Cheese Latte, and Sauce-flavored Latte from a market perspective, explores and summarizes the reasons for its success and the implications for the development of other brands. Research has found that Luckin not only innovates its products when collaborating with other brands, but also attracts more consumers in packaging, online and offline advertising, pricing, and peripheral products. Co-branding helps maintain a youthful and differentiated brand development, cultivate a loyal customer base, and achieve a win-win situation for the brand.

Keywords: Case analysis method; Co-branding; Marketing strategy; Luckin Coffee.

1. Introduction

With the increasing pressure of work and study and the faster pace of life, people have developed the habit of drinking coffee regularly. Nowadays, coffee is not only a "life-saving tool" for office workers and students, but also a way for young people to live a refined and elegant life and pursue new things. According to the data of iiMedia Research 2022, about 21.5% of consumers drink coffee daily, about 60% of respondents purchase coffee every week, and only 1.6% rarely drink coffee products [1]. With the continuous improvement of consumer demand, enterprises have seized the psychological changes of consumers' demand for coffee and utilized novel marketing methods to provide consumers with more coffee choices. Among them, more and more brands adopt the way of co-branding with other brands to improve their brand awareness and competitiveness.

Due to the rapid development of economy, people's consumption level continues to rise, and diversified demands are presented, which leads to increased competitive pressure on enterprises or brands. One of the biggest challenges faced by entrepreneurs is how to create and implement a marketing strategy that enables consumers to quickly identify their "brand identity" [2]. Therefore, in order to occupy the market share, brands have launched a new marketing strategy - co-branding. Generally speaking, co-branding refers to the cooperation between two or more brands to launch innovative products to achieve brand value creation. Compared with other marketing models, successful co-branding is a win-win marketing strategy, because it can save publicity costs, improve brand image, and bring huge benefits to the enterprise. More and more brands have realized that co-branding can improve the brand topic and attract more consumer attention. Many young people pursue joint products and become loyal fans of the brand. For example, in July 2020, Nike and Dior's co-branding Air Jordan 1 shoes sold out five minutes after being launched, and its price has increased to five times the original price; After LEGO and IKEA released the Lego brick storage box BYGGLEK series in 2020, LEGO fans queued at the entrance all night long; Zara and Barbie's co-branded pink-themed clothing was snapped up by many consumers in 2023. Consumers buy co-branded products not only to meet the performance of the product, but also to achieve the needs of aesthetic and self-actualization. This marketing model can not only enhance the brand value by

exerting the influence and meet the curiosity and satisfaction of consumers, so as to bring huge sales and competitiveness for the brand. Although people are increasingly paying attention to co-branding products, they do not have a clear understanding of how brands can achieve success through co-branding and how co-branding products can attract more consumers. In the age of experiential consumption, coffee is both a cultural symbol for the younger generation and a vibrant and emerging industry. Therefore, this paper takes the co-branding strategy of Luckin Coffee as an example. In order to make the research results more comprehensive, this paper first uses literature analysis method to analyze the key information of Luckin Coffee from the perspective of market, and then studies different co-brand products through case analysis method to explore their impact on brand development. It summarizes the successful co-branding strategy of Luckin Coffee and its enlightenment to the market development.

2. Brand Introduction

Luckin Coffee was founded in 2017 and is headquartered in Xiamen, China. The number of Luckin Coffee stores in China surpassed Starbucks in 2022, becoming the largest coffee brand. In four months since its trial operation, Luckin Coffee has opened more than 400 stores in 13 cities, including Beijing and Shanghai, with 1.3 million customers and sold more than 5 million cups of coffee. As of June 30, 2023, the number of its stores in China has reached 10,836, including 7,188 self-owned stores and 3,648 affiliated stores. It adopts a new retail sales model driven by technology and is committed to providing consumers with affordable and high-quality coffee and other products [3].

Luckin Coffee sets an expansion strategy of direct sales and joint ventures, which refers to continuously increasing direct stores in first, second, and third tier cities and accelerating the decline through the joint venture partner model. Compared with other coffee brands, Luckin pays more attention to take-out orders. It makes full use of the app of the take-out platform to regularly launch discount products and issue coupons to consumers to meet the needs of price-sensitive customers. The price of a cup of Lucky Coffee ranges from 21 to 29 RMB, but due to regular promotional activities, consumers actually pay 13 to 20 RMB. Luckin Coffee adopts a dual tier business location model in terms of communication channels, placing advertisements where consumers are concentrated to enhance coverage, and signing contracts with influential celebrities to attract young consumers [4]. In addition, Luckin Coffee also uses social media to promote its products, such as inviting bloggers to evaluate and recommend new drinks to other customers, pushing advertising information on social apps such as WeChat groups or Weibo and automatically switching to the sales interface, and using official account live streaming to attract product traffic. In order to create a young brand image, Luckin Coffee launched its first co-branded product on May 28, 2018. Since then, it has cooperated with many brands or celebrities in different industries, such as the Forbidden City, Shanghai Pudong Development Bank, Carlsan, and NASA and so on, to form a mature co-branding marketing model. Although Luckin Coffee has deepened consumers' recognition of the brand and seized a huge market share through brand co-branding, it still needs to accumulate its own brand culture and improve product quality to cultivate a loyal customer base.

3. Co-Branding Strategy Analysis

3.1. Coconut Cloud Latte

The co-branding of Luckin with established Chinese companies has attracted widespread attention. On April 11, 2022, Luckin Coffee collaborated with Coconut Palm Group Co. Ltd to launch a new product, Coconut Latte. Established in 1956, Coconut Palm Group has the world's leading large-scale automated production technology and won the title of "Chinese Brand". As a veteran beverage manufacturer in China, it has gone through two bankruptcies and ultimately relied on high-quality products to survive today.

Luckin conducts comprehensive innovation to lay the foundation for the joint branding strategy of the Latte series. It seized on the shift in consumers' taste for coffee and made bold innovations by launching coconut milk plus coffee. Coconut cloud latte uses ring molecular embedding technology. The barista needs to make coconut milk into delicate foam to give customers a light and dense feeling. Coconut milk uses cold pressing technology and plays the health slogan of "zero lactose and zero vegetable fat powder", which can meet the needs of dieters to a certain extent. Espresso (IIAC Gold Award coffee beans) is the main component of coffee, which is used the world's most advanced pure hot air roaster to deeply roast coffee beans for a richer milky coffee and a more mellow taste, and its high-quality product design will attract a large number of coffee enthusiasts [5]. In order to continue the packaging style of Coconut Palm Group, Luckin created customized cup covers and bags for this new product. The target customers of the joint products are young consumers, so the pricing is more than 20 coins a cup, making it affordable for ordinary consumers. For the coconut cloud latte, Luckin Coffee adopts a combination of online and offline marketing strategy. Online advertising, using social media to communicate product information to consumers. Take Xiaohongshu app for example, three days after the product was sold, the number of posts about coconut cloud latte reached 1,304, and the official account of Luckin Coffee has added more than 10,000 followers. Offline stores were crowded with consumers, and sales exceeded 660,000 cups on the first day.

Luckin Coffee and Coconut Palm Group attract consumers based on the hierarchy of demand theory. They gradually understood the importance of marketing value and realized that excellent products alone are not enough to attract consumers. They knew continuous innovation is necessary to cultivate loyal consumer groups. If the brand wants to break the inherent comfort circle of its own products, it needs to meet people's consumer needs and use the strategy of brand co-branding to achieve the effect which is one plus one being greater than two. When coconut cloud latte came out, younger consumers chose it for the sake of experiencing new flavors, while older consumers chose it because of their feelings for the old brand coconut. This is in line with the cognitive and aesthetic needs about people's internal motivation and feelings in the hierarchy of needs theory, breaking people's impressions of the two brands and realizing people's expectations for innovation in old brands. In addition, according to consumer psychology, the psychological processes that people who buy goods usually go through include awareness of the goods and emotions. With the upgrading of consumption, Luckin uses new coffee flavors and customized packaging to meet the psychological needs of consumers seeking novelty and "ritual sense" and achieve the goal of sales growth. Although this co-branding production provides both parties with the opportunity to enhance the brand image and product upgrade, this product does not have the characteristics of scarcity. When Luckin Coffee removes this product from the shelves, other brands will quickly launch similar or the same products, which will have an impact on the loyal consumer groups of Luckin's coconut cloud latte, which is not conducive to the stability of target group.

3.2. Cheese Latte

Luckin implements a cross-border co-branding strategy. In 2022, many coffee brands have launched products that pair cheese with coffee. On October 10, Luckin Coffee and "JOJO's Wonderful Adventure: Sea of Stone" launched a new product which is cheese latte, which has received a lot of praise from consumers. JOJO Manga was written by Japanese cartoonist Hirohiko Araki, and the TV comic The Wonderful Adventures of JOJO: Sea of Stone was released on NETFLIX on December 1, 2022. JOJO's unique drawing style and unique comic content have left a deep impression on all who have seen it.

Luckin and JOJO combine their unique features to design product highlights. The top of the cheese latte is Espresso freshly ground from IIAC Gold Medal beans, and the bottom is a mixture of New Zealand cheese and mellow milk. When the customers mix the two things, the rich milk flavor of the cheese leaves the customers with a lasting aftertaste. The daily sales of cheese latte exceeded 1.31 million cups, and the weekly sales exceeded 6.59 million cups, becoming a veritable "king of explosive orders". For this collaboration, Luckin combined the characteristics of JOJO comics and

launched a number of peripheral products with comic characters, such as mobile phone cases, tissue boxes, wallets, etc., which attracted many fans to buy.

Luckin creates product highlights through STP and achieves product differentiation strategy development. It has increased its promotion of offline stores to provide consumers with an immersive experience. In some stores such as Beijing and Shanghai, JOJO's comic elements have been added, and photo walls and CD houses have become places for fans to punch in and take photos. Luckin boldly innovates by pairing packaging bags with JOJO's bright colors and character styles, and inviting consumers to DIY paint their own cups and cup covers on site, allowing consumers to resonate and interact with the brand [6]. JOJO made full use of this co-branding to enhance its influence in China, to bring consumers a sense of surprise and arouse their feelings for JOJO. According to STP theory, Luckin positioned the market as consumers who like anime and comics, and provided them with personalized and differentiated services, such as DIY. In addition, the selling points of cheese latte packaging bags have enabled Luckin to enhance its competitive position in the cheese latte market. However, many consumers pay more attention to the comics on the packaging and do not pay too much attention to the quality or taste of coffee, which is not conducive to Luckin's cultivation of sustainable customer groups.

3.3. Sauce-flavored Latte

The co-branding of Luckin and Moutai has opened a new phase of joint branding strategy. On September 4, 2023, Luckin and China's Kweichow Moutai Co., Ltd. launched Moutai wine and coffee products. Founded in 1999, Moutai is one of the largest alcohol brands in China and the world's most valuable alcohol brand in the BrandZ Most Valuable Global Brands Ranking.

Moutai utilizes Luckin's pricing and marketing advantages to attract more young consumers. Luckin uses new technology to take latte as the base and add unique baijiu flavor thick milk, so that every cup of coffee has the flavor of soy sauce, so that consumers can truly feel the sincerity of Luckin and Moutai. The name's "sauce" clearly refers to Moutai's liquor's slightly savory taste, which some drinkers have compared to soy sauce. In this co-branding strategy, Luckin and Moutai use the price strategy to let more people taste the sauce latte with high prices. When the product is released on September 4, consumers can get a 4.9 discount coupon when they log in to the iMoutai mini program. The original 38 RMB per cup of coffee can be bought for 19 yuan. In addition, Luckin, like previous coconut Cloud lattes, uses custom packaging bags and cup covers. The red slogan with the inscription "Love this cup of wine and coffee" not only attracts a large number of consumers, but also preserves the traditional characteristics of both co-branding brands. On the first day of product release, many stores set off a rush of buying, with sales of more than 5 million cups and sales of more than 100 million.

This joint venture provides a successful case for commercial marketing, where two leaders in their respective industries get what they need and achieve a win-win situation. Moutai's customer base has always been adult males, and although the number of consumers is large, the number of growths is sluggish [7]. Moutai wants the large number of young consumers that Luckin coffee has had, aiming to attract young potential customers who are interested in Baijiu through the new taste of coffee and wine, and make its own brand more recognized through young consumers. Known as "the first cup of Maotai for young people and the first cup of coffee for middle-aged people", the two completely unrelated products have successfully captured the curiosity of customers together, making it get a lot of exposure on social media. This strategy utilizes the concept of brand equity, which refers to the value added to a product or service, derived from consumers' perception and ideas of the brand. Luckin and Moutai have extended consumers' memory of the product through peripheral products and promotion, and their successful marketing has made consumers continue to think of this co-branding product in the future. The value added by Lucky to the sauce flavored latte is not only reflected by the profitability of huge sales, but also demonstrated by Lucky's rapid expansion of market scale. In addition, Luckin used the co-branding to build and deepen its "business", "quality" and "young" IP. Brand IP refers to the characteristics that personify a brand through a specific and

perceived brand symbol or image. It uses Moutai's business and high-quality characteristics to target young consumers and create higher brand heat and value. However, exposure is usually short-lived, for example, when consumers have bought a sauce flavored latte and posted their photos on social media, they may not buy it again, so Luckin Coffee will lose a large number of customers and sales will drop significantly. In addition, the price of sauce lattes is on the high side, and if there is no coupon, consumers may choose a more cost-effective product.

4. Summary of Successful Strategies

4.1. Using Customer Preferences to Guide Product Development

In traditional marketing methods, brands often develop new products first and then advertise to stimulate consumers' purchasing enthusiasm. But Luckin uses to obtain customer preferences and purchasing intentions before developing products that meet customer needs [8]. In 2022, the cumulative registered users of Luckin Coffee's app reached 408 million, of which 185 million were active users. Luckin can determine consumers' preferences for products based on their consumption habits and data over a certain period of time, and then guide the R&D department to design products that match consumers. For example, in the Chinese coffee market, consumers tend to choose milk coffee instead of black coffee, so Luckin Coffee has teamed up with Coconut Company and Moutai Company to launch latte drinks.

4.2. Obtain Widespread Attention from People

Luckin is adept at using a combination of online and offline methods to gain widespread attention from consumers. When choosing a co-branding brand, Luckin will pay attention to whether the product has driving force. Moutai, coconut juice, and JOJO products themselves have great appeal to consumers. When two leading brands collaborate in their respective fields, the inherent topic level of the product becomes enticing to consumers. Due to consumers' large purchases and photos posted on social media, co-branding products have received good promotion. However, having the driving force of the product itself is not enough, and the packaging of the product is also a natural way of promotion. The packaging of the product is an important exposed medium. When people see packaging with co-branding products printed on the street, they are attracted and have an impulse to taste them. Luckin has used this in its cooperation with other brands.

4.3. Emphasize the Selection of Joint Partners

Nowadays, the marketing pressure in various industries is increasing, and many brands blindly follow the trend in brand co-branding. Luckin is very cautious when selecting joint partners, taking into account the preferences, age, and willingness of the consumer group. Lucky seeks high consumer perceived value, as it can have a significant impact on consumer decisions. In addition, under the influence of fan economy, if the partner has a certain fan base, it will establish a consumer base for co-branding products [9]. Many fans, even if they have no demand for the product, still spontaneously organize to purchase joint products. In the co-branding between Luckin and JOJO, many fans do not care about the quality of coffee and only consume it for the purpose of collecting packaging bags.

4.4. Persist in Innovation Strategy

Co-branding products usually select their own elements for two different brands to "mix and match", so when designing products, it is not only necessary to consider the matching of the two elements, but also to innovate on the original elements [10]. The purpose of brand co-branding is to enhance and develop the innovative concept and connotation of one's own brand, to surprise consumers and meet their needs. Luckin boldly innovates while ensuring the quality and taste of coffee, utilizing cutting-edge technology to integrate traditional designs from other brands, and bringing new products to consumers. In addition, before the release of the new product, Luckin

collected a large number of consumer suggestions for the new product, which brought inspiration for product innovation and increased customer expectations for the product.

5. Conclusion

Through research, this article found that in markets with diverse consumer demands and upgrading consumption, brands in different industries will choose brand co-branding marketing strategies to varying degrees to provide consumers with different consumer experiences. Therefore, co-branding strategies should be analyzed for different brands in different markets, and strategies that are suitable and aligned with the direction of one's own brand development should be selected. Emerging brands like Luckin Coffee hope to consolidate their market share and maintain youthful development through co-branding. They need to clarify their market positioning and expand their consumer base, but do not deviate from their development direction due to co-branding. Brands should adhere to innovative products ensure product quality, design packaging bags, cups, and other peripheral products with joint branding that can attract customers. In addition, they also need to fully utilize social media promotion and update promotion methods to gain widespread attention from consumers. This article takes Luckin as an example to analyze how the brand should use joint branding strategies to achieve sales growth and expand consumer groups. In the future, detailed analysis of brand co-branding strategies in other different industries can be conducted to facilitate in-depth analysis of this issue.

References

- [1] iiMedia Research, Big Data Detection Report on the Development and Consumption Demand of China's coffee Industry in 2022-2023, June 12, 2022, quoted on September 15, 2023, <https://www.iimedia.cn/c400/86101.html>.
- [2] Rodriguez Gomez, Andres Eduardo. MERGING TRADEMARKS: THE CO-BRANDING AGREEMENT. *Revista la Propiedad Inmaterial*, 2022, 34: 89–110.
- [3] Luckin Coffee Official website, Company Overview, July 1, 2023, quoted on September 15, 2023, <https://www.lkcoffee.com>
- [4] Xu Liyan, Li Fu, Huang Keqing & Ning Jing. A two-layer location choice model reveals what's new in the "New Retail". *Annals of the American Association of Geographers*, 2023, 113(3), 635-657,
- [5] Ma Jinhan. Case study of joint marketing of new and old brands -- Case study of "Coconut Cloud Latte". *Small and Medium-sized Enterprise Management and Technology*, 2022, (8): 141-143.
- [6] Wang Haoyuan. Why Moutai crossed over to make ice cream?. *Food Science*, 2022, (8): 70-71.
- [7] Chen Runran. Research on Luckin Coffee Brand visual communication image design. *Footwear Craft & Design*, 2023, 3(6): 22-24.
- [8] Yang Miao, Qiao Weiruohan. Study on the influence of brand co-branded product attributes on consumers' purchase intention: Based on the perspective of consumers' perceived value. *Journal of Technology and Economics*, 2019, 42(5): 201-212.
- [9] He Yuhang. Effect analysis of co-branded marketing on consumer brand selection in the Internet Era. *Shopping Mall Modernization*, 2022, (12): 52-54.
- [10] Cao Yueming. Holilai brand co-branded marketing strategy. *Cooperative Economy and Technology*, 2023, (19): 76-78.