# The Future Market Development of Cotti Coffee

Jiarui Cao *

Department of Economics, Zhejiang University, Hangzhou, Zhejiang, 310000, China

* Corresponding Author Email: 30024772@cc.peralta.edu

**Abstract.** Cotti Coffee is a rising star in the Chinese coffee market, changing the need for high-priced coffee in China by overtaking Luckin Coffee. This study aimed to explore whether Cotti Coffee will surpass Luckin Coffee in the future and become the largest cost-effective coffee brand in the Chinese market. In this paper, the marketing mix theory of the 4Ps and the SWOT model are applied to study Cotti coffee. This study concluded that Cotti's products have no characteristics, which makes consumers have no loyalty and memory points for the brand, which reduces their purchase intention; Cotti's price is the lowest compared to similar products while retaining quality, which increases purchase intention; Cotti's promotion of 9.9 coffee has successfully raised awareness and increased purchase intention; Cotti's Place opened stores quickly, increasing risk as well as awareness and willingness to buy. The contribution of this paper is to provide references and improvement suggestions for the future development of coffee brands.

**Keywords:** Cotti Coffee, Product, Price, Promotion, Place

## 1. Introduction

In 2023, people are gradually getting back on track. People are gradually restoring the demand for coffee. There is a growing demand for coffee. China's coffee market has developed rapidly from 2013 to 2018, with a compound annual growth rate of 29.54%, and is expected to continue to grow at a compound growth rate of 25.99%. The market size is expected to reach 180.6 billion yuan in 2023 [1]. Cotti Coffee, which is a chain brand with the same high sex ratio as China's rapidly exploding coffee brand Luckin Coffee, came out in 2022, featuring a high price ratio and convenience, and is rapidly catching up with Luckin Coffee.

Cotti Coffee serves as a replica of Luckin Coffee. It has also been the focus of other scholars in the investigative community who have explored Cotti Coffee as a subject. Yang Tianyue once discussed how long the 9.9 RMB coffee price war will last as local coffee brands expand to revert to the low-price line [2]. Yi Jiaying also examined the rapid growth of China's coffee market and discussed the expansion tactics of three companies: Luckin, Starbucks, and Cotti [3]. Moreover, Zhang Tianyuan examined the pricing and marketing strategy of Cotti's Coffee and discussed the price war over low-priced coffee and its impact on the economic market [4]. Most of these studies focus on price due to the brand of Cotti coffee's early stage of entering the market, yielding many changes in the Chinese coffee market.

Despite extensive research into Cotti coffee, due to increased demand in the coffee market, numerous businesses use various marketing and PR methods to seize the market, and intense competition has resulted in changes in the coffee pricing market. This fierce competition for dominance frequently results in lower prices and tighter profit margins for businesses. As far as can be told, no previous research has looked into whether Cotti Coffee could prosper in this strong competition. As a result, this paper will fill the void and study the relevant topic. Understanding this issue will help to resolve the competitiveness of the coffee market. It can also help you identify the critical business practices that determine their success or failure. This paper can help other businesses operating in the same market or aspiring to go worldwide. It can also assist employees in understanding current business trends and provide insight into broader industry trends such as altering consumption patterns, client tastes, technology improvements (such as smartphone ordering), and the impact of takeaway services on sales. Knowing if Cotti Coffee can outperform Luckin Coffee is strategic because it allows stakeholders to make investment, alliance, and marketing decisions based on altering consumer preferences in the Chinese coffee industry. Following that, this study will evaluate Cotti Coffee using marketing mix theory and SWOT analysis to examine the company from the perspectives of its product, pricing, and other elements.

## 2. Literature Review

### 2.1. Definition

Marketing mix theory is a framework that companies use to create and implement effective marketing strategies. It is made up of four key components known as the "4Ps": product, price, place, and promotion. It is a marketing framework that is commonly used to develop effective plans and techniques for advertising a product or service. The 4Ps represent four critical variables that marketers must consider while developing marketing plans. They were invented by Neil Borden in the 1960s and popularized later by Jerome McCarthy [5]. Companies can design meaningful strategies targeted to their target market's needs while remaining competitive within their industrial sector by efficiently controlling these four parts of marketing mix theory (product, price, promotion, and venue).

### 2.2. Important Results

Products can influence consumers' purchase intentions. Numerous studies have shown that consumers are typically more likely to purchase products with desirable qualities. This includes the efficacy, usability, and aesthetics of a product. Yuan et al., in their study of Tik Tok's merchandising operations, applied the marketing mix theory to validate how to improve the merchandise trafficked in Tik Tok, proving that when the quality and utility of the merchandise improve, more consumers are willing to buy it [5]. Cuong proved that there is a beneficial connection between consumers' purchase intentions when the quality of the goods and the brand image are improved [6]. Moreover, consumers are more likely to purchase products of superior quality and distinctive qualities [6]. Senavirathne et al. conduct a statistical analysis of the relationship between the quality of skincare products and the purchase intention of women in Sri Lanka, especially in the Anuradhapura region [7]. They demonstrated that there is a significant beneficial connection between product quality and purchase intention [7].

Price is an essential factor that consumers consider when shopping. Many companies will adopt psychological pricing, which adjusts the selling price of goods to a specific number to stimulate the psychological emotions of consumers and encourage their purchase desire. It can also strategically influence the purchase intention. Numerous studies conducted in the past have shown that low prices generally lead to an increase in consumer purchase intention, while high prices may lead to a decrease in consumer purchase intention, and selling the same product at different prices using different psychological pricing strategies can also affect consumer purchase intention. Oktriana studies the effect of experiential marketing and psychological pricing on the repurchase intention of the project [8]. When psychological pricing affects consumer sentiment, consumers' willingness to buy will increase [8]. Petrich demonstrated that when the price, color, and number increase, the psychological influence of consumers' purchase intentions will increase [9].

Promotional activities include sales, coupons, rewards, and other techniques that lower a product's price or provide value to convince customers to buy. Many studies have shown that applying emergency clauses and limited quantities in promotions also activates the loss-fear mechanism of consumers, thereby increasing their propensity to purchase the product. Cuong is studying the impact of promotion and price perception on buying decisions and repurchase intention online [10]. He verified that when the promotion improves consumers' price perception, the consumers' purchase intention increases [10]. Lou studied the effect of price, promotion, and packaging on the purchase intention of stacks of food in Surabaya [11]. The quantitative method and the Likert scale verification method are exploited to verify that when the product quality remains unchanged, the price of promotional activities decreases, and consumers' purchase intention increases [11].

Lastly, the relationship between place and purchase intention numerous studies have shown that consumers are more likely to purchase when a store or product offers advantages regarding variables such as accessibility, visibility, and location. On the Soekarno-Hatta airport train, Nabilatul et al. investigated the impact of location and price fairness on purchase intention through convenience [12]. The SEM PLS technique was then used to look at a quantitative method and confirm that consumers are more likely to buy when convenience, as a mediating variable, can significantly mediate location [12]. Randa looked into how the atmosphere of a store affected people's plans to buy things [13]. She used multiple linear regression analysis and hypothesis testing with the t-test and f-test to show that when the atmosphere of the store got better, people's plans to buy things went up [13].

### 2.3. Summary

Based on the literature review on marketing mix theory, this paper hypothesis that Cotti Coffee's products generate low purchase intentions for consumers who value high-quality standards. The P rice from Cotti Coffee will induce a strong purchase intent among consumers with a high price sensitivity. The promotion of Cotti Coffee will generate a high level of interest, provide a low-cost opportunity to sample the company's products, and increase both purchase intent and repurchase rate. The Place of Cotti Coffee will generate a high level of interest and purchase intent among consumers in the vicinity of the coffee store.

## 3. Method

### 3.1. Research Design

In the following section, this paper utilizes SWOT to analyze the competitive environment, establish a strategic plan, and make well-informed judgments while utilizing Cotti Coffee as a case study. SWOT is an acronym that stands for strengths, weaknesses, opportunities, and threats. SWOT analysis identifies potential problems in a project or organization and provides recommendations on how to solve them [14]. Wahyono and Brilliantine, while researching the topic of Robusta Coffee Bean's development strategy, exploit SWOT analysis to explain the strengths and weaknesses of Robusta Coffee Bean as well as the problems that need to be taken care of and problems to face [15]. In this article, coffee is also exploited as a topic of investigation, so SWOT will be applied to analyze it.

### 3.2. Cotti Coffee

The purpose of Cotti Coffee is to make coffee penetrate every corner of China and every scene of Chinese people's lives and provide cost-effective quality coffee for Chinese people, not just another coffee shop. Cotti Coffee, a newly established coffee brand by Ms. Qian Zhiya, former CEO of Luckin Coffee and founder of Luckin Coffee, and core members of Luckin Coffee, is not just another coffee shop but wants to integrate daily coffee drinking into the lifestyle of Chinese people. Ultimately, the purpose of Cotti Coffee revolves around bringing joy and satisfaction to passionate coffee enthusiasts by delivering an unparalleled sensory experience combined with responsible business practices. In the domestic market, the number of stores went from 0 to 5,000, and Cotti Coffee only lasted less than a year. Now, Cotti Coffee is preparing to head to overseas markets. Li Yingbo, Chief Strategy Officer of Cotti Coffee, said, "In the past ten months, Cotti Coffee has opened about 5,000 stores nationwide and closed only 15 stores, so the business model has been fully verified, based on which the company has decided to start its internationalization strategy formally. This paper believes Cotti Coffee's model will show strong vitality in overseas markets where brands are aging, product innovation is insufficient, and internet applications are lagging behind" [16, 17].

### 3.3. SWOT Analysis

#### 3.3.1. Strength

Compared with other coffee brands, Cotti coffee is priced, promoted, and placed. Cotti coffee has always been reasonably priced in order to maintain competitiveness. This is because Cotti Coffee was acutely aware of market demands. People's perceptions of coffee have shifted in the Chinese market. Coffee used to be a mood booster, but now it's more of a tonic before work. Starbucks is the major player in China's coffee business, with pricing around RMB 40, followed by Luckin Coffee, an up-and-coming coffee brand in China, with prices around RMB 18, and other coffee brands with prices around RMB 25–30. In the absence of activities in the case of Cotti, coffee pricing of around 15 yuan is the lowest price of the same type of chain brand in the Chinese market, which surely fulfills the needs of employees for daily refreshments. True, consumers no longer care as much about the style of coffee attributes as they do about the cost-effectiveness of the coffee; pragmatism tends to play a more prominent role in full-scale entry into the coffee market, with the product's price advantage and taste advantage frequently being more important. In this case, products with lower prices are more tempting to customers.

Cotti Coffee's second strength is its promotion, which changed the pricing structure of the entire coffee market. Cotti Coffee's success stems from earlier experience, and Lu Zhengyao does not shy away from referencing his previous entrepreneurial expertise in his new venture but instead leaves traces of it on purpose. "Cotti Coffee (Tianjin) Co., Ltd. is headquartered in Tianjin, with $100 million in registered capital and a core management team from large-scale new economy enterprises such as Luckin Coffee, Shenzhou Rent-A-Car, and Shenzhou Chauffeur," according to the company profile section of the Cotti brand brochure. "Cotti coffee quickly departed the circle due to the price marketing battle, and as a result, many coffee brands have cut their costs to meet the market, with Cotti coffee's latte coffee costing only 9.9 RMB compared to Luckin's 15 RMB. The trial operation of the first Cotti coffee outlet in Fuzhou began in November 2022 with the introduction of the "9.9 yuan for the whole field to drink!" product. During the trial operation of Cotti Coffee's first store in Fuzhou in November 2022, it launched the "9.9 RMB Drinking" campaign, which was not a large marketing campaign; in February of this year, Cotti Coffee launched the "100 Cities and Thousands of Coffee Shops Coffee Carnival" campaign, and for more than a month, it offered all of its six series of more than 70 hot-selling products at 9.9 RMB. It is crucial to highlight that these low-cost advertising tactics are quite effective, since Cotti coffee swiftly eclipsed Luckin Starbucks in popularity, and Cotti coffee is Luckin coffee. Customers' willingness to purchase improves when such marketing methods are used to promote popularity.

Cotti Coffee's third strength is location. Cotti Coffee's center of gravity is predominantly concentrated on third- and fourth-tier locations, allowing the brand to grow more swiftly while avoiding direct rivalry from the leading chain brands. Cotti Coffee has almost 5,000 locations, ranking it fifth in the world in terms of store count. Cotti Coffee has almost 5,000 locations, placing them fifth in the world. According to GeoQ data, Cotti Coffee is now expanding at the quickest rate among coffee chain companies. Cotti coffee shops target new first- and second-tier cities in terms of store design [18]. Cotti Coffee has 27.1% of its locations in new first-tier cities, while 27.3% are in second-tier cities, according to GeoHey data. Tier 3 cities accounted for 20.9% of the total, while Tier 4 cities accounted for 11.1% [19]. Cotti Coffee locations near Luckin Coffee are widespread, and shop coverage might make ordering coffee more accessible for customers, boosting their proclivity to purchase.

### 3.3.2. Weakness

According to the "W" in the SWOT analysis, the product strategy is Cotti Coffee's vulnerability. Since the quality and packaging of low-priced coffee are inferior to those of high-end branded coffee, reducing the price will inevitably result in the loss of some coffee lovers. Starbucks is known for its exclusive Frappuccino, while Luckin is known for its Coconut Latte and Moutai Latte. Regarding aesthetics, Cotti Coffee needs to distinguish characteristics, giving the impression that it is similar to Costa Coffee's color scheme and Luckin Coffee's packaging; it is difficult for consumers to remember a product and brand without distinguishing characteristics. Luckin Coffee released its Soy Sauce Latte with Moutai in September 2023. The product's white wine and coffee components make it stand out from other coffees, making it more appealing to coffee aficionados. Coffee creates contrast, thereby enhancing the product's brand awareness among consumers. Cotti Coffee, which depicts the lack of price in the product, must be more memorable to customers and not merely an imitation of Luckin Coffee.

### 3.3.3. Opportunity

In terms of the "O" in the SWOT analysis, Cotti Coffee's opportunity is promotion strategy. Cotti Coffee has always been able to successfully enter the market. As previously said, Cotti Coffee's low-priced promotions coincided with a period in the Chinese market when a cheap price and strong demand were required, and it was bringing coffee into the public's daily life. Cotti has always been able to boost brand identification by introducing campaigns during festivals and increasing brand awareness. During the World Cup, Cotti Coffee launched a co-branding effort with soccer personalities and the Argentine national team. Cotti Coffee promoted coffee at Shake Shack during the Internet's growth and sold 9.9 coffee rolls. Even if it is not a holiday, Cotti Coffee can organize its own Coffee Carnival to promote coffee and raise brand awareness so that the public is exposed to the brand and its products as frequently as possible and eventually purchases the brand and its consequences. This increases the public's exposure to the brand and its evolution, ultimately increasing their purchasing proclivity.

### 3.3.4. Threats

The aspect of product strategy could also pose threats to Cotti Coffee. Cotti Coffee resembles a low-cost imitation of Luckin, and Cotti Coffee would struggle to stay in business if it simply concentrated on prices and promotional activities. Cotti Coffee will struggle to build its own brand image and key competitive advantage if it focuses simply on price. On the other hand, as market competition heats up, the differentiation between coffee brands fades and consumer loyalty dwindles. Competing brands will easily overtake Cotti Coffee if it does not quickly establish a firm footing in the market despite its rapid growth. Simultaneously, too rapid expansion may result in insufficient capital and management, resulting in a drop in quality, which affects consumer recognition of the brand and diminishes their proclivity to acquire the goods. These concealed threats will have a substantial impact on Cotti Coffee's future growth if these difficulties are not remedied.

## 4. Results & Discussion

Cotti Coffee is a rapidly growing coffee brand with the advantages of low price, cost-effectiveness, high coverage, and promotional activities that accurately capture the current coffee market's needs and swiftly penetrate the public's consciousness. High-cost performance and numerous promotional activities increase customers' willingness to consume this new star coffee brand, increasing their purchase intent. The high coverage and low price make it simpler for customers who have previously sampled the brand to repurchase Cotti coffee. However, with the rapid launch of new stores, Cotti Coffee faces problems that must be addressed. As a new coffee brand enters the market, customers' loyalty and memory for this brand are immature. Cotti coffee products do not allow consumers to recall the brand's purpose; instead, they are primarily associated with cost-effective coffee. Cotti Coffee is likely to break the financial chain over time due to its rapid expansion, but consumers are not loyal to its products and purchase other brands.

This article evaluates the strategy of pricing, place, product, and promotion on consumer purchase intention using Cotti Coffee's SWOT analysis and the preceding marketing mix theory. Advertisement exists in opportunity as well, which has enhanced consumers' proclivity to spend due to increasing product and brand recognition. The product is also revealed in Weakness and Threat, where the lack of product features leads to a lack of customer retention and brand loyalty, lowering customer proclivity to purchase. Next, Cotti must use promotional activities in Strength and Opportunity to collaborate with other brands, increase market share through promotional activities, and use technology to improve internal statistics while expanding so that each store's willingness to buy can find its own product's strengths and characteristics with the help of big data in order to maintain the market advantage it has today. Gaining an advantage In Weakness and Threat, Cotti

Coffee must focus on product characteristics to differentiate itself from other coffee brands while maintaining affordable costs to enhance product quality and packaging to avoid consumers losing allegiance to the brand and triggering its extinction from the market. The article's findings in this section are consistent with other people's past thoughts on the marketing mix theory. According to the article, a high price reduces the customer's proclivity to purchase, but a cheap price encourages consumers to spend money. Low prices, on the other hand, may result in the loss of a segment of the target market, which is incompatible with the product's positioning; hence, it is advisable to avoid placing Cotti Coffee in the same position as Luckin Coffee. Second, because Cotti Coffee is a new brand in the coffee market, it requires increased visibility, image, and brand familiarity, which reduces customer purchasing intent. Furthermore, Cotti Coffee's goods lack distinct flavors and exceptional quality that distinguish them from other coffee brands, which is another brand.

## 5. Conclusion

In the context of the rise of China's coffee market after the epidemic in 2023, this paper conducts a market-related investigation on "Cotti Coffee," exploring the advantages and disadvantages of Cotti Coffee today and the risks it will face in the future, as well as whether Cotti Coffee can surpass Luckin Coffee in the future based on the current development situation. The "Literature Review" section of the investigative process analyzes the marketing mix theory of 4Ps and explains the origin, definition, and practical application. According to the marketing mix theory and the findings of previous researchers, the favorable and adverse influences of product, price, promotion, and place on consumer purchase intention were determined. The paper hypothesized that there were favorable and adverse influences on consumers' intentions to purchase Cotti coffee.

This paper examines marketing mix theory. From a practical standpoint, this paper's investigative recommendations and analysis provide theoretical analysis significance for the future development of Cotti coffee, make assumptions for the future development of China's coffee market, and provide reference significance for coffee brands; this paper also fills the gap that no scholars have made a detailed analysis of Cotti coffee, an emerging coffee brand. As for the article's flaws, it fails to provide a precise explanation of how Cotti coffee can surpass Luckin coffee, and its application of 4P theory and analysis of Cotti coffee's future development need to be revised. To make up for the deficiency in market sensitivity and commercial development analysis, future investigations must emphasize academic knowledge and brand analysis.

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