

## Analysis on the "COTTI Coffee Model" of Coffee Industry Marketing Promotion

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**Abstract.** The competition in China's chain coffee market has become increasingly fierce, and the emergence of Luckin Coffee brand in 2018, the emergence of the brand with low prices, led to a sensation in the coffee market, until the emergence of COTTI Coffee in 2021, the coffee brand war has filled a fire. This study analyzes the development ideas of COTTI Coffee and the marketing ideas brought by the brand, from the marketing model of COTTI Coffee to the impact of COTTI Coffee in the promotion of products, and predicts the future market development trend of the brand. COTTI Coffee's low price marketing strategy has helped increase its sales volume and successfully opened the market. In terms of publicity strategy, it also jointly advertised with IP on social media platforms and invited celebrity endorsements to improve its visibility. COTTI has adopted a concentrated appeal strategy, opening its stores next to the well-known Luckin brand. In this way, it attracts many user groups that rely on the old brand, which is conducive to the long-term development of the brand.

**Keywords:** Development process, marketing ideas, future development trend.

### 1. Introduction

With the development of China in recent years, the coffee market is becoming more and more mature, the total consumption is growing rapidly, and the market competition is becoming increasingly fierce. The first brand is the well-known Starbucks coffee. In terms of the pricing of this chain coffee brand, the price of Starbucks coffee generally ranges from 30 yuan to 50 yuan, so under such influence, general consumers do not often consume this brand of coffee. Meanwhile, the brands of Starbucks coffee include the British costa coffee and the world-renowned cat poop coffee. Finally, Starbucks coffee stands out by marketing its coffee as high-quality coffee and through the "Third space" social new business model. Since then, the development of Starbucks coffee in China has been on the right track year by year. In 2017, Luckin Coffee, which was loved by the masses, slowly revealed the ambition of the brand, and finally attracted 100 million customers with a loss of 10 billion yuan through crazy opening of stores and issuing low-price coupons [1]. Just when people thought that the chain coffee industry was gradually developing steadily in this way, it became more intense with the entry of COTTI Coffee. The new coffee brand COTTI Coffee, founded by Lu Zhengyao, the former founder of Luckin Coffee, in 2022, attracted a large number of consumers with a coffee price of 9.9 yuan [2]. At the same time, the price war in the coffee market is also gradually unfolding, for example, Luckin Coffee also announced in early June 2023 to provide 9.9-yuan coupons, relying on low-price marketing to attract customers [3]. Eventually caused a number of coffee companies to roll.

According to the literature available in the current field, researchers mostly focus on the more popular brands in the coffee market, such as Starbucks and Luckin Coffee, and mainly analyze the quality or competitiveness of these coffee brands in the coffee market. Each coffee brand will launch some innovative products at different times every year to attract customers. Therefore, most researchers will focus on this analysis. However, as a newly emerging hot coffee, COTTI Coffee is mainly famous because of the advertising of ultra-low-price coffee, and there is little literature in this field, mainly focusing on the current marketing strategy analysis of COTTI Coffee. At the same time, the main marketing method of COTTI Coffee is to attract customers by selling at low prices, which

inevitably leads to the loss of coffee brand market in the same period. In order to improve the current situation, other coffee brands have successively adopted the strategy of reducing prices. However, the reduction of prices inevitably leads to the reduction of costs, which leads to the overall polarization of the coffee market. That is, to ensure that high quality control will inevitably lead to high prices, and if consumers pursue low prices, coffee quality control will inevitably decline. However, due to the existence of low-price and ultra-low-price coffee market, most coffee merchants will choose to reduce the price, but this is only a short-term strategy, if the long-term use of low-price sales strategy, coffee stores will greatly reduce profits, in order to ensure the balance of payments, coffee brands will reduce the cost of coffee and use low-cost raw materials to sell. This will put the entire coffee market into a double crisis of closed shop quality control.

Faced with this situation, COTTI Coffee may face development difficulties in the future. Price movements will depend on market demand and competitive conditions and cannot be accurately predicted. In order to achieve profitability, COTTI Coffee may take measures to improve product quality, expand market share, and increase sales channels.

In this study, the emphasis marketing model and brand advertising marketing are proposed to analyze the marketing strategy of COTTI Coffee. The marketing model is mainly based on 4P and STP marketing model, which analyzes the marketing strategy of COTTI Coffee from various angles: using 4P model to analyze its advantages, disadvantages, threats and opportunities, and formulate brand marketing development strategy. From the perspective of advertising marketing, the role of brands in their marketing through advertising marketing model is analyzed [4]. At the same time, COTTI Coffee has increased its customer audience from various fields such as entertainment and sports media, thus gaining huge exposure. In the development of nearly a year, many customers raised the problem of unstable product control, but it did not cause a huge response because it did not get traffic support. This study adopts the case study method, taking COTTI Coffee as an example.

## 2. COTTI Coffee Introduction

COTTI Coffee (COTTI Coffee) is Luckin Coffee founder Lu Zhengyao, Qian Zhiya and Luckin original core team to build a chain coffee brand, as of mid-July 2023 has 4,500 stores, but after this period 318 stores closed, the first store in the entire chain coffee is also the first store closed. Since its establishment in 2022, COTTI Coffee has been charging 9.9 yuan for a cup of coffee and has attracted customers by letting everyone drink coffee [5]. In June 2023, COTTI Coffee promoted its brand in a number of media and signed a contract with the Argentina national football team and proposed to watch the game and drink "1 yuan" coffee.

Then, in early July, COTTI Coffee raised the price of group purchase coupons from 8.8 yuan to 9.9 yuan, and the price of popular drinks reached more than 14 yuan. The coupon for new users has been increased from 1 yuan to 8.8 yuan. The \$8.8 gift certificate does not disappear, but instead becomes up to the franchisee to decide whether to use the \$8.8 gift certificate for advertising [6]. Therefore, in the highly competitive chain coffee market, this operation led to a significant 30% decline in the sales volume of Coody coffee in July, and even the daily sales volume dropped from 800 cups to 200 cups [7].

COTTI issued a large number of 9.9-yuan coupons, which is the same as the "low price strategy" when Luckin Coffee burned money for subsidies in the early stage. However, at present, the unit price of Luckin Coffee has also increased from single digits to about 20 yuan, and the current COTTI Coffee seems to be better in terms of cost performance. Freshly ground coffee has lost the elite status it once held, and some brands can rebrand to present a higher quality by offering higher quality beans, a better environment and better service [8].

At present, COTTI Coffee is hardly dominant in the fierce competition in the coffee market. The only advantage COTTI Coffee has is its friendly price and numerous stores in various parts of the country. However, due to the overall downward trend of coffee market price, many brands such as Luckin Coffee, Starbucks and Manner will definitely reduce their prices to carry out promotion in a

certain period of time. The advantage that COTTI Coffee has will be very slim. Second, because COTTI Coffee has opened many stores in the country and sold at low prices, it will form a kind of habitual thinking of cheap brands for consumers. This kind of thinking will lay hidden dangers for the future development of COTTI Coffee, for example, no matter how COTTI Coffee improves or improves product quality, in the impression of consumers, COTTI Coffee is only targeted at low-end consumers, resulting in the loss of a large number of high-end consumers. Third, because COTTI Coffee has been selling with 9.9-yuan coupons for a long time, it is difficult for COTTI Coffee stores to reach a balance of income and expenditure, and franchisees will be dissatisfied with this, because franchisees mainly provide hardware equipment for COTTI Coffee offline stores. Due to little profit, coupled with the wear and tear of coffee equipment, it is expensive to repair and update equipment regularly. For a long time, the franchisees will be more than COTTI Coffee is dissatisfied, resulting in contradictions within COTTI Coffee. Its products come from Yunnan, Vietnam, Brazil and other places, after screening out high-quality coffee beans and then transported to the processing plant, the coffee is classified and finally transported to domestic stores by means of transportation.

### 3. COTTI Coffee Marketing Strategy Analysis

#### 3.1. Low-price Strategy

The author is against the low-price marketing strategy. Although the low-price marketing strategy can attract a large number of people in the short term, but the brand price is floating upward, these people attracted by the low-price marketing strategy will be lost.

Since its establishment in 2022, COTTI Coffee aims to capture the low-price market of Chinese chain coffee, so it launched the new 1-yuan coffee coupon and a number of 8-yuan coffee coupons at the very beginning. This low-price pattern is also Lu Zhengyao's continuation of Luckin Coffee's marketing model at that time, selling coffee at a low price although the cost will be affected, it can also help the brand to obtain huge traffic and a group of target customers. So far, although COTTI Coffee has raised the price of gift certificates, if the brand's store sales do not reach 300 cups a day, the store still faces losses.

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Through the study, the author can find that before the coupon price of COTTI Coffee is raised, the behavior of recommending COTTI Coffee from relatives and friends can be seen in many social media platforms, such as XiaoHongshu, Douyin, and even wechat moments. However, after COTTI's coffee raised the coupon price, some opposition comments gradually appeared on social media, such as COTTI Coffee has raised the price of drinks, but the drinks are still difficult to drink, and so on. Therefore, through analysis, the author comes to the conclusion that the ultra-low-price sales strategy adopted by COTTI Coffee at the beginning has indeed attracted a lot of attention on the Internet and major social media platforms, and many consumers have an early taste attitude to buy. However, because the ultra-low-price marketing cannot last for too long, the store needs to maintain the basic balance of income and expenditure, so COTTI Coffee chose to increase the price of coupons, and reduce the issuance of coupons, at this time the sales heat of COTTI Coffee has declined. The first reason is that the freshness of consumers has passed, and COTTI Coffee has become an emerging brand that is no longer fresh for this group of consumers. The second is the increase in coffee prices, but coffee quality control has not been improved, consumers believe that cost-effective, so choose to give up buying.

To sum up, the low-price strategy does more harm than good. Although it can quickly and efficiently attract the customer flow in the short term, this marketing model cannot be sustained for too long. After all, it is still a short-term marketing strategy. By understanding that most of the people who need coffee in China are white-collar students, because this group of people faces work pressure and study pressure, usually they will work overtime and spend more time to study, COTTI Coffee has lowered the price and promoted its brand to the outside world, in order to make every Chinese people can drink coffee. Moreover, the introduction of coffee on the brand's official website is convenient for people to drink the brand's products at ease. In the Chinese chain coffee market, COTTI Coffee mainly occupies the low-price market and the down-market cities are mostly second-tier cities and cities below second-tier cities. It competes with Luckin Coffee and cultivates a wide range of customer groups. At the same time, it invites experienced employees of Luckin Coffee to attract them with higher wages. Contrary to the extensive expansion of COTTI Coffee, Luckin Coffee carried out fine operation to unify the situation of each store of the brand.

### 3.2. COTTI Coffee's Social Media Publicity Strategy

The author supports social media campaigns and believes that this kind of marketing is very effective.

Due to the rapid popularization and development of the Internet this year, everyone's life is inseparable from the Internet, people need to use the Internet to work, entertainment, entertainment, learning and so on. COTTI Coffee adopts multi-platform, multi-angle and multi-dimensional publicity methods to promote on various social media: For example, on WeChat, QQ and other social platforms, COTTI Coffee will buy some advertising space and put it in some advertising space of the circle of friends, mainly promoting the new products of the season and coupon issuance and other preferential activities, so as to attract customers to enter the WeChat mini program for more detailed understanding or purchase. Or COTTI Coffee is to carry out WeChat channel publicity by placing articles in different public accounts. Second, such as Tiktok, XiaoHongshu, Bilibili and other short video platforms, COTTI Coffee uses cooperation with some well-known streamers to promote new products and sell coupons, or COTTI Coffee creates its own short video brand account, especially inviting planning and operation artists to produce some things in line with the current trend of The Times, such as the current hot meme, in order to attract consumers' attention. At the same time, COTTI Coffee invites a large number of video bloggers with less fan traffic and a small number of video bloggers with a large number of fans and a certain authority to jointly advertise for COTTI Coffee. Third, such as Weibo, today's headlines and other graphic platforms, COTTI Coffee mainly uses to write some articles for publicity, or to buy advertising space on some platforms for publicity. Fourth, such as Meituan, Ele. me and other delivery platforms, COTTI Coffee adopts cooperation with merchants to issue multiple coupons to increase online sales. At the same time, COTTI Coffee also links with different IP, and penetrates its product characteristics into different dimensions, such as the game field, the animation field, the sports event field.

The promotion of COTTI Coffee is aimed at many industries, such as the "Sauvignon Blanc" and "Send Acacia" products jointly launched by COTTI Coffee and the current popular games, which drive fans in the game circle to consume. At the same time, the brand's advertising involves the media industry, such as sports media and cultural media. In the 2022 World Cup in Qatar, COTTI Coffee secretly signed with the Argentine team and officially announced the signing of the Argentine team in 2023. And in the 2023 Argentina China tour launched with Argentina characteristics of related products. Get lots of traffic by broadcasting live on popular media platforms. To this end, COTTI Coffee invited the famous artist Frida to co-sign and launch the product's periphery to gain traffic [3].

The social media marketing strategy adopted by COTTI Coffee can be very effective in establishing the brand image. To deepen the impression of consumers on the brand by means of multi-faceted penetration. However, COTTI Coffee still needs to pay attention to do a good job in public relations operations on these social media platforms to avoid some negative effects on the brand.

### 3.3. Focus on Attracting Strategies

In this study, it is considered that it is a correct choice for COTTI Coffee to be located near other coffee brands, because a conclusion can be drawn from other food brands, such as the war between McDonald's and KFC. Because McDonald's opened the Chinese market late, KFC has always been the champion, so McDonald's adopted this strategy to regain the Chinese chain fast food market year by year

COTTI Coffee has been involved in Luckin Coffee since its inception, so as to gain popularity and attract people's attention. Later, it opens its own store next to Luckin Coffee to produce the principle of concentrated attraction. If a store is not properly operated, the brand will become the dominant one in the business circle or street, because people will become dependent on the product or habituated to different tastes after a long time of edification. When the brand disappears in the district, customers will rush to find substitutes for the product and gain huge profits. After research, it is found that the strategy adopted by COTTI Coffee is very effective, making some Luckin Coffee customers turn to COTTI Coffee customers, and at the same time, some Luckin Coffee stores in Linyi, Shandong Province directly convert their stores to COTTI Coffee, which also leads to the sales volume of Luckin Coffee and COTTI Coffee in the same period.

## 4. The Future Development Dilemma of COTTI Coffee

The marketing strategy currently used by COTTI Coffee is much the same as that used by Luckin Coffee before: First use a low-price strategy: such as 8.8 or 9.9 yuan to drink coffee, in order to attract a large number of users. However, due to the lower selling price, in order to make a profit, COTTI Coffee will reduce the cost of coffee. Even so, low price benefits can play an important role in a consumer decision, but over a relatively long period of time, consumer choice is widespread and random [9]. COTTI's profit per cup is also very small, in order to break even must meet the large volume of sales, which is also the reason why some COTTI Coffee stores closed. Secondly, due to the low cost of Codi coffee, the quality control of coffee is reduced, and in the long run, Codi coffee will be labeled as a low-quality product, thereby losing consumers who were previously attracted by low-price coupons. Therefore, in the future, COTTI Coffee will raise prices, reduce coupons, and train baristas in stores across the country to improve the quality of coffee beans, so as to maintain a balance in coffee quality control, and in this way, screen out some poorly operated stores.

The problem that COTTI Coffee is facing is that some stores are facing the risk of closure while they are constantly opening stores, and franchisees have some differences on the brand. Most of them join because they believe Lu Zhengyao, but due to regional protection and low income for franchisees, some franchisees have to withdraw from this cooperation [8]. Now COTTI Coffee is fighting a price war with its old owner Luckin Coffee, and Luckin is backed by capital. On the contrary, if COTTI Coffee wants to win the price war with Luckin Coffee, it needs to see when franchisees under the affiliate model can support COTTI Coffee.

Like Luckin Coffee, COTTI Coffee will gradually reduce the issuance of low-price gift certificates. It will only offer discounts and coupons that can exempt delivery fees to attract customers. Meanwhile, it will conduct unified training for baristas in stores across the country. Eventually, some poorly operated stores will be closed.

## 5. Conclusion

Through the analysis of the marketing strategy and future development direction of COTTI Coffee, the following conclusions are drawn: In terms of marketing strategy, the low-price marketing strategy used since its establishment has effectively helped to increase sales, but this means can only retain good customers for a short time, so there are still certain limitations: in the publicity of social media, COTTI Coffee is co-named with IP. The means of inviting celebrities to endorse has obtained a large number of traffic, and its visibility has been significantly improved; At the same time, COTTI adopts

a concentrated attraction strategy, opening its stores next to the well-known brand Luckin, and attracting many user groups who rely on the old brand in this way, which is conducive to the long-term development of the brand. At present, there are also contradictions between franchisees and brands. Regarding the future development of COTTI Coffee, COTTI Coffee will replace low-price gift certificates with discounts, balance the quality control of stores, and close stores that are not operating properly.

Through the analysis of the marketing strategy and future development direction of COTTI Coffee, the following conclusions are drawn: In terms of marketing strategy, the low-price marketing strategy used since its inception has effectively helped increase sales, but this method can only retain customers for a short time, which is considered to be more harmful than beneficial through research. Because most of the customers do not depend on the brand, because most of them choose to consume in the brand after collecting wool. Meanwhile, low-price marketing also leads to the deviation of franchisee's cognition of the brand, and the stores are almost in a state of loss because of low-price marketing. In the future development, the price increase of COTTI Coffee will lead to the dissatisfaction of many targeted customers, resulting in the loss of some customer groups. Therefore, there are still certain limitations: in the publicity of social media, COTTI Coffee is co-named with IP. The means of inviting celebrities to endorse has obtained a large number of traffic, and its visibility has been significantly improved; At the same time, COTTI adopts the brand store location strategy, opening the store next to the well-known brand Luckin, and attracting many user groups that rely on the old brand in this way, which is conducive to the long-term development of the brand. At present, there are also contradictions between franchisees and brands. Regarding the future development of COTTI Coffee, COTTI Coffee will replace low-price gift certificates with discounts, balance the quality control of stores, and close stores that are not operating properly. This paper analyzes the advantages and disadvantages of the marketing strategy of Cudi coffee, and provides the direction for the long-term development of the brand. However, due to the lack of first-hand data in this paper, further investigation and analysis can be made on this basis in future research.

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All the authors contributed equally and their names were listed in alphabetical order.

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