

Analysis of Co-branding Strategies of Luckin Coffee and Moutai

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Abstract. Coffee, as a kind of food with strong cultural connotation, has gradually become a fashionable way of life. At present, coffee has entered the initial stage of popularization in China. White-collar users in the core of high-line cities have developed coffee consumption habits, and their consumption is gradually approaching the level of mature markets. At present, coffee has entered the initial stage of popularization in China. On the one hand, white-collar users in the core of high-line cities have developed coffee consumption habits, and their consumption is gradually approaching the level of mature markets. As one of the most popular coffee chains in China, Luckin Coffee has become the main representative of fast-selling coffee brands in Chinese society. This article elaborated the development and problems of Luckin Coffee from four different aspects, and analyze the marketing strategy of Luckin Coffee co-branded Moutai by case studies to show how Luckin Coffee succeeds in the coffee business.

Keywords: Co-branding; luckin coffee; marketing.

1. Introduction

In recent years, coffee, as a part of Western culture, has been gradually introduced into China and has become gradually popular in China [1]. China's coffee consumption has shown a rapid growth trend, and more and more people have begun to like coffee. A survey among Chinese coffee drinkers in May 2022, around 21.5 percent of respondents stated that they drink at least one cup of coffee each day. Approximately 15.6 percent of respondents said they consume one cup of coffee a week [2].

China's coffee consumption market has developed rapidly. The number of coffee shops in the country has increased dramatically, offering a variety of coffee drinks and a comfortable leisure environment, providing consumers with a place to experience and enjoy. Despite the rapid expansion of the domestic coffee market and the endless innovation of coffee products, compared with well-known international coffee brands, such as Starbucks, costa and times, domestic coffee is still in the period of independent exploration and development.

Recently, more and more brands use co-branding to increase brand influence and popularity. Co-branding is the cooperation between two or more brands to promote the brand value and expand the market by jointly launching new products or services [3]. The Chinese brand Luckin Coffee and Moutai joint name, brand cross-border cooperation, to create very excellent sales and brand influence. Aiming at the joint cooperation between Luckin Coffee and Moutai, this paper analyzes the success of the marketing plan behind it, analyzes consumers' experience of the new product through literature and secondary data, points out the shortcomings of the joint product between Luckin Coffee and Moutai.

2. Luckin Coffee

Luckin Coffee is a Chinese coffee chain company founded in 2017 and headquartered in Beijing, China. The company's mission is to become the leading coffee brand in China, providing high-quality coffee and a convenient coffee experience. The company has attracted consumers, especially young people, by opening stores in China's first - and second-tier cities, as well as offering online ordering and delivery services. Luckin Coffee's vision is to challenge international coffee giants such as Starbucks in the Chinese coffee market competition. The company's original intention was to provide

Chinese consumers with higher quality and relatively affordable coffee to meet the growing demand for coffee.

In 2023, Luckin Coffee and Moutai jointly signed, cross-border cooperation between brands, strong forces to withdraw from a wine flavored coffee called "liquor-laced latte". On 5th September, the single product of "liquor-laced latte" sold more than 5.42 million cups on the first day of listing, with sales of more than 100 million yuan [4]. The "liquor-laced latte" was jointly launched by Kweichow Moutai and Luckin Coffee, and was launched simultaneously in more than 10,000 Luckin Coffee stores nationwide on 4th September. Figure 1 shows the co-branded product of Luckin Coffee and Moutai.



Figure 1. The co-branded product of Luckin Coffee and Moutai.
(Photo source: Luckin Coffee official Weibo).

The collaboration between Luckin Coffee and the famous Chinese liquor brand Moutai has launched a special coffee product, combining Moutai wine and coffee to create a unique coffee experience. This co-branding is designed to appeal to different segments of consumers and create mutually beneficial opportunities for both brands. The success of this joint partnership has enhanced the visibility and market share of both brands. Such cooperation also reflects the growing trend of cooperation between brands in the Chinese market to meet different consumer needs.

On September 4, 2023, Luckin Coffee officially announced its cooperation with Kweichow Moutai to launch a joint product named "liquor-laced latte" [4]. This strategy has increased the turnover of Luckin Coffee and achieved good market performance.

Table 1. 2023 Q3 Luckin coffee main business. Data Source: Luckin financial report.

	Mar 31	Jun 30	Sep 30	Dec 31	Mar 31
		Jun 30	Sep 30		
	2022	2022	2022	2022	2023
		2023	2023		
Total stores	6,500	7,195	7,846	8,214	9,351
self-operated stores	4,675	4,968	5,373	5,652	6,310
partnership stores	1,905	2,227	2,473	2,562	3,041
Same-store sales growth for self-operated stores	41.6%	41.2%	19.4%	9.2%	29.6%
Average monthly transacting customers (in thousands)	15.975	20,712	25,109	24,559	29,489
		43,070	58,477		

According to the table 1, in the third quarter of 2023, the total net income of Luckin Coffee was 7.20 billion yuan, an increase of 84.9%, and the operating profit margin was 13.4%; Operating store profit margin of 23.1%, same-store sales growth rate of 19.9%; Net increase of 2,437 stores, bringing the total number of stores to 13,273; The cumulative number of consumer customers exceeded 200 million, and the average monthly trading customers exceeded 58 million in the third quarter.

3. The Reasons for the Success

3.1. Brand Effect

Behind the success of Luckin Coffee and Moutai, there are a series of brand effect factors that make this cooperation achieve good market performance. First of all, in terms of brand reputation, Moutai, as a famous liquor brand in China, has a long-term accumulated reputation and loyalty, while Luckin Coffee also has a certain reputation in the coffee chain industry. This co-branded collaboration brings together well-known brands in both sectors, helping to share each other's reputation and trust, thereby increasing consumer confidence in co-branded products.

Second, the target audience of the two brands overlaps to a certain extent, and both tend to be young, urbanized consumers. This audience similarity helps to ensure that the co-branded product meets the needs of the audience, thus enhancing the market appeal.

At the same time, the joint cooperation of the two brands is accompanied by product innovation. In this case, the use of Moutai to make unique coffee products, this innovation has aroused the interest of consumers and prompted them to try new coffee experiences.

In addition, the two brands have invested a lot of resources in marketing promotion, improving the exposure of joint products. The brand partnership uses advertising, social media campaigns and special events to effectively reach more consumers.

Finally, this co-branded product has uniqueness and scarcity, which can inspire consumers to buy with a sense of urgency and interest. Consumers will think that having a Luckin Coffee and Moutai co-branded product is a special experience, thus increasing sales.

3.2. Consumer Psychology

People are more interested in unusual new things. Curiosity is human nature to be curious about the new and unknown [5]. Many companies are emphasizing the demand to make "curiosity" the source of brand communication. But from the standpoint of consumers, as the market size expands, consumers have seen hundreds of products, curiosity has become more and more difficult to stimulate. The brands need to create more unconventional ideas to attract consumers' attention.

First of all, Moutai, as one of the most well-known liquor brands in China, has a high reputation and status. The coffee brand that has partnered with Moutai (Luckin Coffee) can therefore benefit from this brand association, thereby building a sense of trust in the minds of consumers. Consumers are usually willing to try products that work with well-known brands because they believe they are of high quality.

Second, co-branding often conveys the uniqueness and high value of the product. Consumers may see a co-branded product as a unique, unmissable experience and therefore be willing to try it. The perceived value from consumers could fuel a desire to buy.

Third, the purchase of co-branded products could meet the needs of consumers' social identity. The customers may consider that having this particular product would enhance their social status because the customers are associated with a popular brand. This can make consumers willing to buy such products to show their taste and status.

Fourth, consumers usually establish an emotional connection with brands. Co-branded products can trigger an emotional response because they combine elements of both brands, thus inspiring consumer interest and loyalty. This emotional connection could lead to repeat purchases and word of mouth.

Fifth, if the co-branded product adopts a limited release strategy, consumers may feel the urgency of the product, so more customers are willing to buy. The customers are worried would miss this opportunity to have the new products.

In conclusion, the key to the successful promotion of Luckin Coffee and Moutai co-branded cooperation lies in the use of consumer psychology principles, including brand association, perceived value, social identification, emotional connection, scarcity and urgency, to stimulate consumers' desire to buy, and establish a strong brand effect. These factors help to improve the attractiveness of co-branded products in the market, thus achieving promotional goals.

3.3. Topic Marketing

Topic speculation with advertising marketing, marketing events fermentation to the extreme, causing users to spontaneously promote.

First, the partnership generated a lot of attention and discussion in the media and on social media, resulting in both brands' names appearing in numerous news stories, articles and social media posts. This has increased the brand exposure of Luckin Coffee and Moutai, making more people aware of their existence.

Second, through unusual cooperation, the event stimulated people's curiosity and interest [5]. Consumers may want to try this unique product to see how Luckin coffee tastes when combined with Moutai. This curiosity can translate into buying interest, driving people to Luckin coffee shops or online channels to buy the co-branded product.

Third, Luckin Coffee and Moutai actively use social media platforms to publish various pictures, videos and information to show the highlights of this cooperation [6]. This kind of social media marketing not only attracts fans and followers, but also triggers word of mouth through sharing and comments, expanding the potential audience for the sale.

Fourth, joint cooperation with well-known brands such as Moutai has also attracted more media attention and cooperation opportunities. This may include special reports, collaborative events and promotions that further increase sales visibility and sales opportunities.

In general, through topic marketing, Luckin Coffee and Moutai co-branded cooperation successfully attracted the interest of consumers, increased brand exposure and created buying interest, while using social media and media cooperation to expand the potential audience for sales. These factors combined to drive sales growth, making this partnership a successful marketing campaign.

4. Successful Co-branding

First of all, Luckin Coffee and Moutai are two completely different types of brands, one representing coffee culture and fashionable youth, the other representing high-end liquor and traditional culture. This brand difference and complementarity makes the cooperation more attractive and arouses people's curiosity. Other brands may not be able to find such clear brand differentiation and have difficulty finding partners to achieve complementarity.

Second, co-branded collaborations are often more topical, especially when they are unique. Luckin Coffee and Moutai's liquor-laced latte products are very unique in taste, which has attracted wide attention. Other brands will struggle to gain similar topicality without creating unique, compelling products or collaborations.

However, Luckin Coffee and Moutai actively promoted the partnership on social media, taking advantage of the viral nature of social media [6]. Their digital marketing strategy powerfully spread the word about the event, attracting a lot of attention and interaction. Other brands may not be able to achieve similar reach without a strong digital marketing and social media strategy.

At the same time, choosing a well-known brand like Moutai as a partner has increased media interest. It is easier for the media to report and pay attention to brand collaborations with high visibility and prestige. Other brands may not attract enough media attention if they don't choose the right partners.

On the other hand, the product positioning and marketing strategies of Luckin Coffee and Moutai are the keys to success. They positioned this collaboration as a limited edition, adding to the uniqueness and scarcity of the product and stimulating people's desire to buy it. Other brands may struggle to achieve similar success without a proper marketing strategy.

In summary, the success of Luckin Coffee and Moutai co-branded cooperation is the result of a number of factors, including brand differentiation, topicality, social media marketing, media exposure and product positioning. For other brands to achieve a similar impact, they need to seriously consider these key factors and find innovative ways to capture consumers' attention and interest that suit their own brand and market.

5. Limitation

The 'Black Cat Complaint' created a small survey of "Is the liquor-laced latte good to drink?", as of 9:45pm on 4th September, there were 4,234 votes for good drinking, 4,517 votes for difficult drinking, and 16,000 votes for not drinking [7].

However, the joint marketing event between Luckin Coffee and Moutai has also caused some risks worth reflecting on. First, consumers may just to experience the novelty of curiosity, indicating that the taste of liquor-laced latte is not good. Although this joint product, with the help of Moutai's fame, has increased the influence of Luckin Coffee and also resulted in a certain increase in sales, for some Luckin coffee consumer groups, this bad taste will easily lose consumer loyalty, and may cause some consumers to feel disappointed in Luckin Coffee products.

On the other hand, the products of cross-border integration lack new ideas, or excessive publicity leads to diminishing derivative value [8]. The original product has good foundational value, but the crossover product must incorporate new creative elements. When consumers have been familiar with the basic routine of product cross-border, there will be a psychological fatigue. At this point, if the cross-border convergence of products does not innovate, would not drive consumer's curiosity, the derivative value of this commodity would decline along with its own fundamental value. For example, Maotai wine and Luckin coffee fusion innovation, the first to create a new product will be widely noticed, and after repeated simple cross-border integration, it is difficult to let consumers to buy. In particular, if the addition of Moutai wine causes the price to rise, many consumers will have doubts, and even withdraw from the original product consumer market.

6. Enlighten

The collaboration of two very different brands has generated widespread media attention and consumer interest, increasing the visibility of both brands and enhancing their brand image. Consumers are drawn to this co-branded product because it represents a unique experience. Topic marketing played a key role in this joint venture. Luckin Coffee and Moutai have actively used social media platforms to post various photos, videos and information that have attracted wide attention and interaction. The spread nature of social media allows news to spread quickly, prompting more people to participate in discussions and sharing [9]. Media exposure also strengthens the impact of the topic and brings more exposure to the brand.

While the joint venture has been successful in many ways, the flavor of the product has exposed its shortcomings. Taste is a crucial part of coffee products, and consumer taste preferences vary widely. The special flavor of soy latte may not be suitable for most consumers' tastes, which has led to some people being disappointed with the product. This issue shows that when launching a new product, taste testing and consumer feedback should be paid more attention to ensure that the product can meet the needs of the vast number of consumers.

All in all, the cooperation between Luckin Coffee and Moutai has achieved promotional success in terms of brand effect, consumer psychology and topic marketing, but the taste problem of this product needs further attention and improvement by the brand. This case reminds the brands that even

though there are many success factors behind the topic marketing, the quality and taste of the product are still one of the key factors in determining the sales volume and cannot be ignored. Therefore, brands should consider consumer needs more carefully when launching new products to ensure that the products can truly meet the expectations of the market [10].

In the future, Moutai may through this successful marketing, see the young consumer market opportunity, with the strength of Moutai and distributor channels, layout investment and acquisition of new tea or beverage/snack companies, really realize the layout of the young market, to that time is the real dimensional reduction of the beginning of the attack.

7. Conclusion

Through the analysis of co-branded marketing of Luckin and Moutai, it can be found that the driving force of brand development in the market and the importance of cross-border marketing for products and marketing promotion. With the growing maturity and rapid expansion of the domestic coffee market, Luckin Coffee has to take actions to innovate and strengthen marketing strategies to enhance the influence of brand culture so as to help itself survive and develop in the fierce coffee market. In addition, the continuous innovation of Luckin's co-branded marketing strategy is also an improvement to the domestic coffee brand culture, which meets the pursuit of the majority of consumers for novelty and novelty psychology, and the co-branded marketing strategy is also conducive to the cooperation between different brands to achieve a win-win purpose.

However, there are some limitations in the research. For example, the research and analysis of data cannot be specific to the real research group. Unlike other products, coffee cannot obtain first-hand data through relevant data interview and survey. The results of questionnaire survey are not authoritative enough, and the number of surveys will affect the final data analysis, which will lead to wrong guidance for the subsequent further research.

Due to the development of the Internet, a single commercial marketing model has been unable to meet the needs of the market. Although co-marketing is a representative and innovative research method so far, according to the research of this article, in the future co-marketing, the imperfect and mature theoretical system is a problem that people have to face and pay attention to. Therefore, it is necessary to combine the examples and data of co-branded brands in other markets to make a comparative analysis of the co-branded marketing of Luckin Coffee and form a unique set of real and complete research results. It provides theoretical research with theoretical guidance and reference significance for domestic coffee marketing.

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