

An Analysis of Marketing Strategy for Cotti Coffee—Comparing with Luckin Coffee

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Abstract. Luckin Coffee is a Chinese Coffee brand, dominating local coffee market recent years. As competition in the coffee market intensifies, Cotti Coffee has taken a series of strategic layouts at a remarkable speed. Based on the rapidly sinking coffee market in China, this article conducts a detailed investigation into the products, prices, and promotion of Luckin Coffee and Cotti Coffee. By summarizing the relevant articles written by predecessors, it is found that Luckin Coffee and Cotti Coffee both use low prices to increase sales and increase profits. Luckin Coffee has a more comprehensive marketing strategy than Cotti Coffee. Luckin Coffee has done an unparalleled job compared to Cotti Coffee. So that, Cotti Coffee requires to create a unique market competition strategy to improve its profitability. Cotti Coffee needs to create a unique marketing strategy by developing tea products, determining appropriate prices for tea products, and promoting the uniqueness of tea products.

Keywords: Marketing, 4Ps, Luckin Coffee, Cotti Coffee.

1. Introduction

In recent years, the diet of Chinese people has changed, and drinking coffee has become a daily habit for a great number of population. The Chinese coffee market has been expanding day by day, showing a serious internal competition, and the prosperity of the coffee industry is due to the new trend of beverage coffee and the growth of chain development [1]. However, the actual growth of coffee consumption in China may not be as fast as that of stores. Wang Zhendong, Chairman of Shanghai Feiyue Investment Management, pointed out that the Chinese coffee market is showing an uneven development state. On the one hand, the chain rate is particularly high, but the average coffee sales per store are lower than those of traditional coffee consuming countries; On the other hand, the industry is currently experiencing a new state of saturation in the freshly made and sold coffee market, while there are still opportunities for penetration in other scenarios [2]. Luckin Coffee is a Chinese Coffee brand, dominating local coffee market recent years. It targets the Singing Market and expanded its brand awareness through a “be well known first, quality later” model in the early stages of entrepreneurship. At the same time, it provides consumers with discount coupons and attracts a large number of customers with low prices. Subsequently, Luckin Coffee changed its strategic model, repositioned Luckin Coffee, increased brand awareness, and expanded market size. Meanwhile, Luckin Coffee has been launched and has become a well-established brand. Compared to Luckin Coffee, Cotti coffee has existed for a short time, but it has become one of the virtual competitors of Luckin coffee. Cotti Coffee was created by the former founder of Luckin Coffee after living the Luckin team. The target audience of Cotti Coffee is consistent with Luckin Coffee, positioning their products as low-priced and low-quality. Coincidentally, Luckin Coffee and Cotti Coffee operate on a chain scale. The number of its stores is very large, covering many places such as shopping malls, office buildings, schools, etc

As competition in the coffee market intensifies, Cotti Coffee has taken a series of strategic layouts at a remarkable speed. Within a year, Cotti Coffee expanded more than 5000 stores, becoming the only coffee brand in China that covers all provinces [3]. However, until now, Luckin Coffee still occupies the most virtual position in the Chinese coffee market, and it will take time for Cotti Coffee to chase and surpass Luckin Coffee. This article will take Luckin Coffee and Cotti Coffee as the research objects and combine the competition in the Chinese coffee market to compare the promotion

strategies and product pricing of Luckin Coffee and Cotti Coffee. In this paper, 4Ps model will be used to analyze products price and promotions of the brand and create a strategy for Cotti Coffee to surpass its competitors - Comparative Luckin Coffee.

2. Analyze of Market Strategy of Luckin Coffee

2.1. Product Strategy Analysis

The brand vision of Luckin Coffee is to create a world-class coffee brand, making Luckin a part of people's daily lives and making it affordable for white-collar workers to drink coffee. So Luckin Coffee values product diversity and selectivity rather than the quality of the coffee itself.

2.1.1. Quantity of Products

Luckin Coffee tends to create a variety of product to target consumer's favorite. On the matter of product quantity, Luckin Coffee's products are launched with a large base. On average, new drinks are sold by Luckin Coffee every week. According to statistics, Luckin Coffee innovated a total of 113 new beverages in 2021 and received good reviews for all of them [4].

2.1.2. Quality of products

Luckin Coffee does not attach great importance to the quality of coffee. It uses Arabica coffee beans and Robusta coffee beans. Generally, Chinese customers can taste the differences between coffee beans or value the quality of coffee. They consider drinking coffee as a form of atmosphere, focusing on the appearance and taste of the product. The brand goal of Luckin Coffee perfectly aligns with the value. The brand slogan is "make a good cup of coffee affordable and accessible to everyone". So Luckin Coffee lowered the cost of production and focused on the diversity of coffee appearance and styles.

2.1.3. Innovation of products

Innovation in products will also increase purchase on Luckin Coffee. In 2023, Luckin Coffee's self operated store revenue was 17.88 billion RMB, and the total net revenue in the fourth quarter of 2023 was 7.065 billion RMB, which almost held 40% of the total revenue [5]. The main reason led to this consequence is the co-branded with Guizhou Maotai in the fourth quarter of 2023. The sauce flavored latte became a hot topic on the internet once has been launched, inspiring consumers to be curious and have a mentality of taking it. Since a bottle of Maotai costs over 3000 RMB, however for 20 yuan, it is available get a cup of coffee with Maotai added. Therefore, Luckin Coffee sold a significant number of Maotai lattes and the innovation was extremely successful.

2.2. Pricing Strategy Analysis

2.2.1. Utilizing Low Prices to Enter the Market

Luckin Coffee maintains the price of products low as always, since entrepreneur. In the competitive Chinese coffee market, Luckin Coffee rates it self as a low price product, taking a high cost performance route. Therefore, Luckin Coffee's products are generally around 25 yuan, which is much lower than other coffees. It is dominating the Chinese sinking coffee market successfully, the majority of the population are affordable to it. Luckin Coffee not only attracts many customers with low prices, but also retains these customers with low prices. In the early stage of Luckin Coffee's establishment, it attracted many customers and increased the brand's visibility by issuing discount coupons and offering discounts. In addition, due to Luckin Coffee's weekly issuance of 9.9 yuan per cup of coffee coupons to each user, customers have increased their dependence on Luckin Coffee. Obviously, customer loyalty cannot be separated from bonus and price offs [5].

2.2.2. Solving Scandal by Pricing Strategy

The most efficient strategy for Luckin Coffee overcome the scandal is lowering the price of their products. However, the development of Luckin Coffee has not been always sailing smoothly. In 2020,

Luckin Coffee revealed that it had forged transaction volumes. After that, Luckin Coffee's reputation extremely declined and approaching bankruptcy. After the scandal, the method for Luckin Coffee to survive and earn billions after bankruptcy was changing its marketing strategy. This includes offering discounts and coupons. Using discounts to offset the negative impact of the scandal, 60% of stores began to make profits by the end of 2020. It is evident that Luckin Coffee's resurgence after the scandal can be attributed to its customers' sensitivity to price [6].

Nevertheless, 40% of Luckin Coffee's stores were operating at a loss during this period. Due to the large base of Luckin Coffee's stores, this was a significant loss for it. Customers for Luckin Coffee generally are students and white-collar workers, who are highly sensitive to the price.

2.3. Promotion Strategy Analysis

2.3.1. Online Marketing

The online marketing app and WeChat mini programs settle down the issue of queuing for Luckin Coffee's customers, and reduce the cost of production. Luckin Coffee has launched a door to door business, where customers can order food online using a mobile app or WeChat mini program, select nearby stores, and make purchases. When the product is completed, a pickup reminder will be sent to the user, and they can also choose to deliver it in the form of takeout to the consumer's location. It effectively save queuing time and the issues of cash settlement, while obtaining coffee order status at any time, improving the quality consumption experience. As early as its establishment, Luckin Coffee had already formulated a strategic plan to build an unlimited scenario development model and completed the corresponding technology [7]. By using self built product platforms, data was transmitted to the front and back ends, achieving digital operation. The combination of online and offline sales lead to a significant improvement on the sales efficiency of the entire market and skillfully reduce the costs of production.

2.3.2. Imperfect solution for solving the scandal

However, Luckin Coffee's Public relation team need innovations. In 2020, Luckin Coffee has been revealed that it had misrepresented the transaction volume. Over time, it continued to ferment on the internet, causing the brand impression of Luckin Coffee become extremely negative and approaching bankruptcy. During this period, Luckin Coffee did not send any PR team to respond to this incident, so that it took a long time for people to forget the scandal.

3. Analyze of Cotti Coffee Strategy

3.1. Product Strategy Analysis

3.1.1. Product in series

Cotti Coffee sells coffee at a low price, with each cup costing approximately 10-20 yuan. However, only low prices cannot support the large-scale sales of its products. Cotti Coffee's innovation in products has opened up a broader market for it. One of the more unique aspects is that Cotti Coffee innovates its products around the coffee themes. Cotti Coffee's products are created around different themes and series, such as the "Rice Coffee" series co-branded with Wuchang Rice, the "Bobo Coffee" series related to the Chinese actor Yibo Wang, and the "Pampas Blue series" coffee. There will be many different types of coffee or decaffeinated drinks in each theme.

3.1.2. Controversies on products

On the other hand, Cotti Coffee still has many controversies on products. When a large number of coffee brands enter the market, it seems that they are trying to please consumers in terms of the taste and price of their drinks, but the taste of Cotti coffee has been criticized on the internet. For example, "the coffee lacks a strong coffee aroma" and "the temperature of Kudi coffee is too hot", while Cotti coffee did not respond to the controversy or adjust the product.

3.2. Pricing Strategy Analysis

3.2.1. Coupons

Cotti Coffee initially released 9.9 RMB coffee coupons, and this coupon does not limit the number of purchases. Consumers can purchase 9.9 yuan coffee coupons unlimitedly on Cotti Coffee. At the beginning of 2023, under the guise of announcing the launch of the "Hundred Cities, Thousand Stores Coffee Carnival", Cotti Coffee launched a campaign to sell over 70 of its best-selling products for 9.9 RMB. The campaign lasted for a month and a half, starting from February 6th and ending on March 31st [8].

9.9 yuan per cup of coffee is no longer the bottom line for Cotti coffee. Cotti Coffee once again launched a price war in the coffee market in 2023. Specifically, new users can receive gift packages that include six coupons with different validity periods, including "1 yuan free drink coupon," "6.6 yuan free drink coupon," and "8.8 yuan free drink coupon" [9].

Alternatively, the discount of bounds only last for more than one month, which indicated that selling coffee at a low price could not earn profit in a long run. Cotti coffee doesn't have much room to increase prices, otherwise, sales may decrease. Cotti coffee needs to find a balance between price and sales to maximize profits.

Besides, it illustrated that Cotti Coffee aims to target the population with low purchasing power.

3.3. Promotion Strategy Analysis

The ways in which Cotti Coffee expands its popularity include sponsorship by sponsoring for the Argentina national football team. In June 2023, Messi's visit to China sparked countless popularity, and as a global sponsor of the Argentine national football team, Cotti Coffee naturally seized the opportunity. The popularity of Cotti Coffee's marketing campaign through the Argentine team has been increasing, and related content can be seen in both stores and social media platforms. It has created a strong sense of existence on the internet.

Reciprocally, sponsoring major competitions requires massive investment. For brands like Cotti Coffee that have just emerged in the market, it is not the best choice. The increased profit from becoming a sponsor may not necessarily outweigh the cost of investment, which poses an enormous risk for Cotti Coffee.

4. Comparison between Luckin Coffee and Cotti Coffee

Overall, Luckin Coffee currently occupies a weighty position in the Chinese coffee market, with a well-established market scale, competitive marketing methods, and good product quality. It has an absolute competitiveness in the commercial war in the Chinese coffee market compared to other brands of coffee. However, Cotti Coffee is still in its nascent stage, and compared to its greatest competitor Luckin Coffee in the coffee market, Cotti Coffee still has a lot of room for improvement in terms of product, price, and marketing strategy. Based on the previous survey, Cotti Coffee is similar to Luckin Coffee in perspectives of brand positioning, product pricing, and target consumer groups. So if Cotti Coffee wants to surpass Luckin Coffee, it requires to establish a unique market routes.

5. Recommendations for Cotti Coffee's Marketing Strategy

5.1. Recommendation on Product

China is widely recognized for being a country that consumes tea. Throughout the past ten years, the country has seen double-digit growth in both coffee production and consumption. However, in China, retail tea sales are still 9 times larger than coffee sales. As long as investments are maintained and discretionary income levels rise, this increasing trend is expected to continue. It's critical for

Chinese coffee growers and merchants to comprehend the tastes of the country's burgeoning Chinese coffee customers in this quickly growing market [10].

In China, the majority of coffee drinkers are young people, while middle-aged and elderly people generally choose tea as a refreshing drink. Based on China's geographical advantages, popular taste, and traditional tea culture, Cotti Coffee can add a tea drink series of products. Selling pure tea drinks that can be quickly packaged and taken away, rather than fruit tea products. Cotti coffee can provide consumers with different types of tea drinks to choose from, such as green tea, Pu'er tea, flower tea, etc. In the Chinese market, there are almost no beverage shops selling pure tea drinks that can be taken out, mostly fruit tea or tea that needs to be consumed in tea houses. So the competitive pressure in this industry is not massive. For Cotti coffee, it is a very unique track, and seizing this business opportunity is a great choice.

5.2. Recommendation on Price

In the past, Cotti Coffee used a low price model to increase sales. In the short term, this pricing strategy could attract a great number of customers to Cotti Coffee. However, in a long term, the surplus of Cotti Coffee would be in a loss state.

So suggestion on the price is that when launching a new tea drink product, Cotti Coffee needs to raise the price. Meanwhile, Cotti Coffee needs to use product innovation to cover up price increases and reduce consumer churn. At the same time, Cotti Coffee can use innovative products to change its market positioning and brand image, completing the transformation from a low-priced and low-quality coffee shop to a high-quality and low-priced coffee and tea shop.

5.3. Recommendation on Promotion

As a coffee shop that has just emerged on the market, it is obvious that sponsoring large-scale competitions to increase brand awareness is not the most suitable choice.

On the contrary, the most conventional promotion methods are more suitable for Cotti coffee. Cotti Coffee can customize a slogan for its previous products, such as "the only take away tea drink.". Then place advertisements on various social media platforms to increase exposure. Additionally, the brand can invite online influencers on social media to collaborate for promotion, by posting videos of tasting Cotti's new products online. Consumers will be affected by the herd mentality and purchase new tea drinks from Cotti Coffee, resulting in a significant increase in the purchase volume of Cotti Coffee and a rapid increase in the brand's share in the coffee market.

6. Conclusion

Based on the previous research, there are differences in the strategies used by Cotti Coffee and Luckin Coffee. In terms of products. Luckin Coffee tends to produce a large number of products to meet consumer needs, while Cotti Coffee creates different types of coffee, and the target audience for sales is the same. In terms of price, Luckin Coffee and Cotti Coffee both use low prices to increase sales and increase profits. From the results, it can be seen that this is a very effective pricing strategy for the sinking market. In terms of promotion, Luckin Coffee has a more comprehensive marketing strategy than Cotti Coffee. Luckin Coffee has become a mature brand in the Chinese coffee market, and if Cotti Coffee wants to surpass Luckin Coffee, it needs to create a unique marketing strategy by developing tea products, determining appropriate prices for tea products, and promoting the uniqueness of tea products. In the sinking coffee market in China, Cotti Coffee's biggest competitor is Luckin Coffee. Even different brands are often compared, and this article provides some suggestions for Cotti Coffee to transcend its competitor Luckin Coffee. Due to time constraints, this study did not conduct a questionnaire survey on consumer impressions of the two brands and the price elasticity of demand, which will be further refined in future research.

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