

Analysis of Luckin Coffee Marketing Strategy Based on the 4P Theory

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Abstract. The competition between large brands has been fiercer as a result of China's accelerating economic growth and rising consumer standards. In barely 20 months since its launch in 2017, Luckin Coffee has successfully dominated the Chinese coffee market. Despite being forced to delist owing to financial fraud committed during its development, Luckin Coffee returned to the market with an effective marketing plan and produced excellent sales volume. In this essay, the 4p theory is used to examine how Luckin Coffee's effective marketing approach helped it establish itself as a well-known brand in China quickly. According to the study, Luckin Coffee's success is due to a variety of factors. Luckin has professional product, price, place and promotion strategy. Among them, the marketing methods of coupon promotion and co-branded promotion help Luckin gain a large number of customers. Meanwhile, this study puts forward relevant suggestions for Luckin in terms of products and place. This can point out the marketing ideas for Luckin Coffee, and provide a certain reference for other enterprises.

Keywords: Luckin coffee, marketing strategies, the 4Ps theory.

1. Introduction

Due to international collaboration and trade, a wide variety of drinks have recently entered the Chinese market. Young consumer groups' eating habits and consuming behaviors are subtly influenced by various food cultures. Currently, coffee is China's second-most popular beverage. People in China are drinking more coffee daily, and the market is filled with cafes that has great location for people to unwind and have fun. Numerous coffee companies have rapidly expanded in the Chinese coffee market as a result of the country's sizable coffee market and growing consumer recognition. By 2020, the number of cafes in China has exceeded 100,000, and the consumer population has reached 300 million [1]. In addition, the number of cafés is steadily rising each year [1]. According to the latest research report "China Coffee Machine Market Development Overview", the average coffee consumption in Europe and the United States is 365 cups per year [1]. Yet, the average yearly consumption in China is less than 10 cups per person. China has a considerably higher market potential for coffee development than either Europe or America because it has the largest population in the world. The flavor of coffee beverages also grows more varied as a result of the various flavors of various coffee beans and the various methods of manufacturing coffee drinks. Therefore, most people are likely to become potential consumers of coffee drinks. The International Coffee Organization estimates that the Chinese coffee market will be more than one trillion yuan in size in 2025, nearly three times the size of the American market [2]. As it turns out, the Chinese market does provide good potential for the coffee sector, which has grown to become a popular investment target for Chinese investors. According to Tianyan Research, there were nearly 30 investment and financing events in China's coffee industry in 2021, with the total financing amount exceeding 17 billion yuan [3]. Luckin Coffee was established in October 2017. From the time of its creation to its IPO, Luckin Coffee took just 20 months. Luckin pushed its way into the Chinese market and quickly increased its reach thanks to its innovative marketing strategies and business style. Although there are many opportunities for growth in the coffee industry, a detailed examination of the Chinese market reveals that foreign brands hold the dominant position there. Chinese local coffee brands are basically in a blank market. As a new enterprise, Luckin Coffee quickly developed its brand and seized market share. It is not easy for them to achieve such great success as a local Chinese

enterprise. Therefore, how Luckin Coffee has achieved such great success deserves further study. Using the 4P theory technique, this study will examine how Luckin coffee, with the help of a successful marketing plan, quickly became a well-known domestic brand by looking at the product, price, place, and promotion of four different elements. This study also makes specific recommendations based on Luckin Coffee's marketing plan to offer ideas for the company's future success. It offers Luckin Coffee fresh perspectives on how to pursue further expansion in the Chinese coffee market. The study's findings can also serve as a basis for planning future initiatives in the FMCG sectors and coffee industries.

2. Luckin Brand Introduction

Luckin Coffee was founded in Xiamen, China, in October 2017. "Ruixing" is the Chinese name of the brand. In Chinese characters, it fits the Chinese people's vision of a happy life, which means this coffee could bring luck. At the same time, it takes "deer" as the brand's logo. The coffee cup is blue with antlers printed on it. In ancient China, deer is regarded as a sacred animal. It is a symbol of auspiciousness, which can bring people happiness and longevity. It also has the meaning of good luck. Luckin Coffee mainly targets young consumers, especially urban white-collar workers [4]. Therefore, Luckin Coffee chooses the trademark and the main color of the brand to show its youth, fashion and power, which fits with the target consumers.

Luckin Coffee is positioned as a high-quality coffee and is committed to providing customers with high-quality, cost-effective and high-convenience coffee. Its brand vision is to "make it easy for every customer to enjoy a cup of good coffee that is accessible and worthwhile". It takes "creating a world-class coffee brand from China" as its brand mission. Luckin Coffee has always made continuous improvements in product innovation. It has changed from focusing on marketing at the very beginning to focusing on products, which has continuously optimized the taste of products and finally won a place in the coffee industry.

Luckin Coffee took a very short time from establishment to listing. They expanded rapidly with their innovative new retail model. With the opening 2,064 stores in just 20 months, it broke the record for a Chinese Internet company to go public [5]. At the same time, it sold hundreds of millions of cups of coffee, becoming the largest coffee chain brand in China. Their speed of expansion and huge sales volume have caused widespread concern in the coffee industry and the Internet industry.

In January 2020, Luckin Coffee held a strategic conference to release the intelligent unmanned retail strategy and launched the unmanned coffee machine. This decision allows them to further establish sales outlets in the Chinese market, which makes Luckin Coffee closer to customers and strengthens the connection with consumers.

It is worth mentioning that in April 2020, Luckin Coffee was exposed to fake trading of 2.2 billion yuan, and its stock price plummeted by 80%. Luckin Coffee not only closed its stores, paid a huge settlement and fine, but also fell into a crisis of confidence. However, Luckin has gradually recovered to normal operation with its excellent marketing strategy, from financial fraud to debt restructuring. According to the company's financial statement in 2021, Luckin's total net income was 7.965 billion yuan, an increase of 97.5% compared with 2020 [6].

3. Analysis of Luckin's Marketing Strategy

3.1. Product Strategy Analysis

Most Luckin coffee products taste similar to bubble tea. Most products choose to add milk and flavored syrups to neutralize the bitterness of the coffee. The idea is to make their products more accessible to the public. Meanwhile, Luckin comes up with new drinks at a rapid rate. They launch a new drink every week on average. In this way, every consumer can find a drink suitable for their own. Luckin Coffee has launched 113 new drinks in 2021, and every drink has received good feedback from people [7]. Luckin Coffee's flagship products are different types of lattes. Raw coconut latte,

velvet latte and thick milk latte are their popular products. Thanks to Luckin's strong marketing efforts, raw coconut latte has become a 2021 phenomenon coffee. Raw coconut lattes have become a daily drink for millions of young people, popping up in their social media feeds. At its peak, Luckin Coffee sold 10 million raw coconut lattes a month across the country. According to Luckin's official data report, as of April 6, 2022, about 100 million cups of raw coconut latte had been sold one year after its launch [3]. Luckin Coffee, after its breakout with raw coconut latte, has launched a new product---velvet latte. This coffee is made with Hokkaido velvet-flavored thick milk, which has a stronger milk flavor than a regular latte. Luckin Coffee and Coconut Palm Juice have teamed up to launch a collaboration product, Coconut Cloud latte. Luckin Coffee makes Coconut Palm Juice into milk cover and adds it to coffee products. In addition to lattes, Luckin Coffee also offers caffeinated products such as Americano, cappuccino, mocha and flat white. In addition to coffee products, Luckin also offers decaffeinated beverages such as matcha, chocolate and smoothies. To go with the drinks, they also offer desserts and breads. Luckin Coffee has enriched the diversity of its products, optimized its product structure and targeted more customer groups.

Luckin Coffee's goal is to "make a good cup of coffee affordable and accessible to everyone." Therefore, they choose young white-collar workers and students who pursue convenience as their target customers. They promote the use of coffee beans in Espresso (IIAC Gold Medal coffee), and led by the WBC World Barista Champion team to develop products to create high-quality coffee [8]. Luckin Coffee employs its lineup of high-quality products to draw in young customers who enjoy coffee and boost the frequency of coffee purchases. At the same time, in order to meet the psychological needs of the majority of weight loss people, Luckin Coffee plays a health slogan of "0 lactose 0 plant fat end" in some products. Therefore, many weight watchers have become their target customers.

3.2. Price Strategy Analysis

The pricing of Luckin's coffee is significantly less expensive than those of the upscale Starbucks because it mostly caters to students and young white-collar employees. Each drink at Luckin Coffee costs less than 25 yuan, which is a reasonable price for the majority of people. Additionally, they give coupons to users for a long time and continue to deliver the brand concept of high-cost performance to consumers. Consumers can get a cup of coffee for under ten dollars by using coupons or special holiday specials. They provide for high-end, mid-range, and low-end consumers' coffee needs. Luckin Coffee is more competitive than other pricey coffee manufacturers thanks to this pricing strategy. Meanwhile, Luckin Coffee stores are almost all pickup stores, so they can spend all their money on the coffee drinks themselves and not spend a lot on renovations. This allows them to bring lower priced drinks to consumers without hurting their own profits. Luckin Coffee signed a strategic cooperation framework agreement at the Ethiopian Embassy in early 2021, announcing that it will purchase 1,000-2,000 tons of premium coffee beans in Ethiopia every year for the next few years. Because of the high quantity of raw materials ordered, suppliers will correspondingly provide Luckin with a lower purchase price. This keeps Luckin's price low.

3.3. Place Strategy Analysis

3.3.1 Offline marketing strategy

According to a survey, when Chinese consumers buy coffee products, nearly 70% of consumers choose to drink coffee away, and only 30% choose to drink coffee in the cafe. Therefore, it is important for customers to have a coffee shop close by that offers high quality coffee and is quick and convenient when they want it. Luckin Coffee has noticed this very important factor and opened an extremely large number of stores in major cities. Whether consumers are at work or at home, or even on the way, they can order a Luckin coffee anytime and anywhere. Luckin has divided its offline stores into three types: "pick-up shops" with no seats, "take-out kitchen shops" where consumers can eat, and "lounging shops" where consumers can sit. Among them, express store for Luckin Coffee strategic focus. Luckin Coffee stores are mostly located in office buildings, shopping centers and

popular tourist attractions. Meanwhile, Luckin Coffee has opened some stores on college campuses based on their target customer analysis. In this way, college students can develop the consumption habit of Luckin Coffee and become potential customers of Luckin Coffee when they enter the workplace in the future. According to Luckin Coffee's official data report, as of September 2022, Luckin Coffee has added 651 stores in China, and opened a total of 7846 stores in China [9].

3.3.2 Online marketing strategy

Luckin's online marketing channels mainly for their own research and development of app and WeChat small program. Customers can quickly and easily find the nearest store on the APP, and then place an order on Luckin's app or WeChat mini program. Due to the online purchase of products, Luckin Coffee can quickly obtain user information, achieve accurate marketing according to the different needs of different consumers, and provide targeted services and products with high matching degree for each customer. Luckin Coffee can make quick orders according to the drinks customers usually order. At the same time, compared with Starbucks, Luckin Coffee's drink cup type is fixed, with only one type, without setting medium, large or extra-large. In addition, Luckin Coffee is not allowed to change the raw materials of the drinks, such as changing the syrup type, increasing the number of coffee concentrate and changing the milk type. In this way, the purchasing interface of Luckin Coffee is more concise, so that consumers can avoid the fear of choice and order easily and efficiently. After the order is generated, the customer can see the estimated completion time. This allows customers to reasonably plan the time to pick up food, saving the cost of waiting time in the store. In addition to ordering online and picking up products offline, Luckin Coffee also offers delivery services. The food delivery team they set up to serve Luckin Coffee has realized the high efficiency of coffee delivery. Moreover, Luckin Coffee has a short delivery time and promises to deliver within 30 minutes, leaving a good impression on customers. In addition to apps and WeChat mini programs, Luckin Coffee also uses TikTok's broadcast room to sell its products and conducts publicity and marketing on Xiaohongshu, Weibo and other self-media platforms. By January 2023, Luckin Coffee had 2,555,000 TikTok fans, and a total of 6,237,000 copies of products were sold in TikTok's broadcast room.

3.4. Promotion Strategy Analysis

3.4.1 Coupon promotion strategy

Price promotion is a typical tactic used by many firms to stimulate customers to buy more products and draw in new clients. Customers desire affordable, high-quality products [10]. Besides, because of impulsive purchases, consumers will purchase more goods. At the same time, the use of low price promotion for new brand awareness is of great help. Luckin Coffee has made full use of coupons to boost its sales. The first cup is free for new users who download the App for the first time, and the first wave of consumers is quickly acquired through this marketing strategy [4]. Regular users share it with their unregistered friends on WeChat, and they can both get a free cup of coffee if their friends place an order for the first time [4]. In this way, Luckin Coffee allows customers to continuously invite new customers and realize efficient promotion. In addition, when users enter the WeChat mini program of Luckin Coffee, they will see an entrance to receive a 4.8 discount coupon on the home page of the mini program. After clicking, they will enter the WeChat dialog box of the enterprise. If you send the corresponding message as prompted, you will automatically receive the QR code of "lucky, the chief welfare officer of Luckin." After passing, the enterprise WeChat will issue the user WeChat group scan code entry. As long as the user joins the WeChat group, the enterprise WeChat will automatically send a 4.8 discount drink coupon to the customer's account. At the same time, when you receive this coupon, the enterprise WeChat will issue you again with a lower discount coupon. The way to get a lower discount coupon is also easy, as long as you invite two WeChat friends to add Luckin Coffee business WeChat can get. By inviting new users round after round, Luckin Coffee achieves its goal of promotion. At the same time, the enterprise WeChat customer service will push activities in the WeChat group for a fixed period of time. For example, at 8:30 a.m.,

customer service will push breakfast package benefits to the group; at 12 o'clock at noon, the customer service will push the coupon buying activity in the group. In addition to giving coupons to customers, Luckin Coffee will use coupons to guide users to share their products on other social platforms. Customers can receive a coffee coupon if they post a product note in Xiaohongshu with Luckin's own title. Such a coupon promotion technique can aid Luckin Coffee in boosting market share and sales [11]. Additionally, it can aid Luckin in retaining current clients and luring new ones.

3.4.2 Co-branded promotion strategy

In addition to coupon promotions, Luckin Coffee will also use co-branded promotions to increase its sales. Co-branded promotions can assist businesses in generating buzz and driving traffic. In the age of the Internet, co-branded brand promotions can not only garner a lot of attention on social media, but can also achieve secondary communication through customers' sharing on social media. Also, co-branded brands can achieve resource sharing and fully utilize their own advantages, resulting in increased financial gains [12, 13]. Luckin Coffee's star product "Coconut Cloud latte" is a huge amount of money to make full use of co-branded promotion. Luckin Coffee's audience is young people, while the Coconut Palm Juice co-branded with Luckin Coffee is an old drink. The joint cooperation between the two brands has generated a high market heat and public attention. On April 8, 2022, Luckin Coffee released a message on various social platforms: "Three days countdown! For the first time in 34 years." [7]. A Mosaic version of the co-branded poster was also released. Soon after, social media users shared pictures of the cup holders similar to the poster, as well as the Coconut Palm Juice, a newly added ingredient in Luckin's coffee stores. After further preheating the joint publicity, Luckin Coffee launched a vote on the packaging design of the new drink on the social platform, and the final version of the packaging design of coconut cloud latte was decided by the majority of netizens. On April 11, Xu Dongdong, the spokesperson of Coconut Palm Juice, posted about the coconut Cloud Latte on Weibo, further increasing the popularity of the co-branded product. After the official sale, Luckin Coffee also launched corresponding peripheral products, such as customized quilt covers and customized paper bags. Consumers also voluntarily posted related photos on social media platforms, resulting in increased traffic of coconut cloud latte. A total of 660,000 coconut Cloud lattes were sold in stores across the country on the launch day. Coconut Cloud latte posts have been viewed nearly 10 million times on various social platforms. In addition to Coconut Cloud Latte, Luckin Coffee has numerous successful co-branded promotions. Luckin Coffee is very good at grasping current events and holiday heat to promote its products. For example, the "Sad Frog" co-branded for Chinese Valentine's Day in 2022 and the "Line dog" co-branded for Valentine's Day in 2023 have both brought huge sales to Luckin coffee.

4. Suggestions

First of all, for the improvement of Luckin coffee products, it can increase the diversity of product varieties and extend the product line. Luckin Coffee can introduce other corresponding types of products into the existing new categories. Companies can use the value of existing products to market and introduce new options to consumers. According to Luckin's WeChat mini app, Luckin's pure American-style coffee requires a small selection of beans and is often sold out. Therefore, Luckin Coffee can increase the variety of coffee beans to meet the needs of pure American drinkers. In addition, most drinks of Luckin coffee have more syrup added, and most drinks choose to mix milk. This will lead to drinks high in calories, which cannot meet the needs of weight loss people. Therefore, Luckin Coffee can increase the variety of low-calorie drinks to increase the number of customers. At the same time, Luckin Coffee can also develop new bread, desserts and other types of products to carry out horizontal extension of the product line.

Second, Luckin can increase its market share and broaden its sphere of influence. Today, Luckin's main stores are still concentrated in first-tier cities and economically developed cities. According to the distribution of Luckin's stores in cities, the layout of Luckin Coffee stores in second - and third-tier cities has just begun. However, in second - and third-tier cities, coffee shop competition is smaller

than in big cities, and coffee consumers have greater consumption potential. At the same time, most consumers have heard of Luckin Coffee because of its good online publicity. Therefore, Luckin Coffee can increase the number of stores in second - and third-tier cities and attract more consumers by developing attractive offline promotion strategies.

Third, Luckin Coffee can increase the amount of self-service coffee machine "Ruiji purchase", improve the popularity of self-service coffee machine. It will be widely used in office buildings, campuses, train stations, highways, airports and communities. Improve the function of self-service coffee machine, improve the speed of making drinks, further improve the production efficiency, and increase sales. At the same time, adding self-service coffee machines can produce products. Make the self-service coffee machine not just for coffee products, but also for decaffeinated products like smoothies. In addition, some desserts can be sold in the self-service coffee machine to increase sales.

5. Conclusion

This paper's investigation reveals that Luckin Coffee's success has a variety of causes. Luckin Coffee offered a variety of goods after carefully considering the various needs of customers. They use premium coffee beans and refreshments to draw in more people at the same time. They set their product prices within a fairly affordable range in order to make their goods accessible to customers of all income levels. By utilizing the method that customers place orders online and the self-service service throughout the entire process, Luckin Coffee saves a lot of money on sales channels. Additionally, they have fully tapped into the XiaoHongshu and TikTok traffic to advance marketing and increase sales. In terms of product promotion, they use coupon promotion and co-branded promotion to attract a large number of consumers and create huge product sales. Luckin Coffee's marketing strategy in promotion has become the most important factor in its success. They make full use of social media and are good at grasping current events to create topics. In the future development, Luckin Coffee can increase the diversity of product varieties and extend the product line. At the same time, they can add more stores in second - and third-tier cities. In addition, Luckin can put more self-service coffee machines to increase its popularity. For similar beverage brands or fast-selling brand industries, they can learn the marketing method of Luckin Coffee to obtain a large number of customers, so as to increase their brand awareness. This paper mainly analyzes the marketing strategy of Luckin Coffee, which provides marketing reference for other coffee brands or the food industry. Finally, this paper does not analyze the marketing defects of Luckin Coffee and the competitiveness of its competitive brands. In the future, potential problems in Luckin Coffee's marketing strategy can be analyzed to facilitate the follow-up research on this issue.

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