Research on the Model of Luckin Coffee's Self-Rescue after Delisting

Yijia Zhao *

Geography & Environmental studies, University of California, Los Angeles, California, 90095, The United States

* Corresponding author: arivera79721@student.napavalley.edu

Abstract. This article focuses on the research topic of Luckin Coffee's self-rescue after delisting and its significance for both academic and business communities. The article includes a summary of the main findings, such as the strategies and actions taken by Luckin Coffee in bouncing back from the brink of collapse. Also, it highlights the commercial value of this research topic, as it can serve as a source of inspiration for other struggling businesses. This research paper discusses the main findings and key aspects of the study. The introduction highlights the importance and relevance of the topic, which is Luckin Coffee's marketing strategy of co-branding with a Chinese white spirit brand. The suggestion section proposes the problem identified by Luckin Coffee's marketing strategy of co-branding with Chinese well-known white spirit brand issues. The conclusion emphasizes the challenges the co-branding strategy faces and suggests that introducing new drinks and diversifying the company's offerings can help overcome these challenges. This article aims to provide insights into Luckin Coffee's self-rescue strategies and their implications for the business world. By analyzing the case and offering suggestions for improvement, this research paper offers valuable knowledge and best practices that can be applied to various industries.

Keywords: Luckin Coffee, Marketing Strategy, Self-Rescue.

1. Introduction

1.1. Research Background

Luckin Coffee was once a popular brand in the Chinese coffee industry, with a rapid expansion and a successful initial public offering on the Nasdaq. However, it faced a major scandal in 2020 involving fabricated sales figures and accounting irregularities, which led to its delisting from the stock exchange. Understanding how the company managed to self-rescue after such a significant setback is crucial for academic and business communities. By comparing and contrasting Luckin Coffee's self-rescue strategy with these failure cases, this paper can identify the key factors that contributed to the company's successful turnaround. This research topic sheds light on the case of Luckin Coffee and provides a broader understanding of the strategies and tactics companies can employ in crisis situations.

Several companies in the past have faced similar challenges and have attempted to self-rescue after delisting. However, the success rate of such self-rescue attempts has been relatively low. Understanding the factors contributing to a successful self-rescue is crucial for companies like Luckin Coffee and the broader industry to navigate such challenging times. The commercial value of this research topic lies in the success of Luckin Coffee in bouncing back from the brink of collapse, which can serve as a source of inspiration and knowledge for other struggling businesses. By examining the strategies and actions taken by Luckin Coffee, this paper can identify best practices and innovative approaches that may apply to a wide range of industries.

1.2. Literature Review

Cao proposed the marketing innovation of Luckin Coffee, particularly focused on the marketing strategies [1]. The key factors contributing to Luckin Coffee's success are accurate low-price of the target, clever internet promotion, increased customer loyalty, and the combination of online and offline channels [1]. High technology and big data are crucial in Luckin Coffee's marketing model.

The marketing environment analysis reveals that Luckin Coffee has benefited from the global trend of coffee consumption, with China's coffee market experiencing significant growth. However, Luckin Coffee also faces intense competition from established brands like Starbucks and Pacific Coffee and the popularity of instant coffee brands like Nestle. Luckin Coffee's marketing strategies are identified as key drivers of its success. The article suggests that the unique marketing strategies employed by Luckin Coffee, along with its focus on the new retail mode and the integration of technology and big data, have helped the company recover from the financial fraud scandal and achieve profitability. The analysis of Luckin Coffee's marketing model and strategies provides insights for other enterprises and can guide the transformation of the coffee industry in the digital era [1].

Gu et al. analyzed Luckin Coffee's self-rescue model after delisting was based on several key strategies [2]. Firstly, the company focused on reconstructing its commercial layout by closing stores while opening new ones. This allowed them to optimize their operations and target profitable locations. Additionally, Luckin Coffee modified its pricing strategy by providing several discounts and innovating new products. Furthermore, Luckin Coffee launched the diversity of the fusion of coffee with tea, such offerings to attract customers who prefer tea beverages. This brand shifted its marketing strategy from focusing on low prices for big volumes to highlighting the unique points of its products to attract consumers. They were able to tap into a different segment of the market and expand their customer base. Overall, Luckin Coffee's self-rescue model focused on addressing the weaknesses exposed by the scandal, such as product quality, while capitalizing on their strengths, such as moderately-priced products, selection diversity, and shopping convenience. By adapting their strategies to meet consumer needs and preferences, Luckin Coffee could survive and continue operating in the market.

Luckin Coffee's self-rescue after delisting can be attributed to its effective marketing approach and focus on product optimization [3]. Despite facing financial fraud and a crisis of confidence, Luckin Coffee was able to bounce back and establish itself as a well-known brand in China. One key factor in Luckin Coffee's self-rescue was its rapid expansion and innovative retail model. Within just 20 months, the company opened over 2,000 stores and became China's largest coffee chain brand [3]. This expansion and large sales volume garnered widespread attention and helped restore confidence in the brand. Luckin Coffee shifted its focus from marketing to product quality. By continuously optimizing its products' taste, Luckin Coffee improved the overall customer experience and won over consumers. Luckin Coffee also utilized social media and current events to promote its products effectively [3].

Luckin Coffee's self-rescue after delisting can be attributed to its focus on product quality, rapid expansion, and innovation. By adopting these strategies and winning back consumer trust, Luckin Coffee recovered from the financial fraud scandal and established itself as a leading coffee brand in China.

1.3. Research Gap

Most articles mainly study to analyze the marketing innovation of Luckin Coffee, to understand the importance of customer needs and offering a variety of products to cater to those needs. Its success can be attributed to various factors, including its product, price, place, and promotion strategies. They all highlight the importance of having a good marketing strategy and properly applying new modes, especially for emerging enterprises like Luckin Coffee.

In contrast, few articles have studied a comparative analysis of Luckin Coffee's marketing strategies with its competitors, such as Starbucks and Pacific Coffee. Also, it does not analyze the potential problems in Luckin Coffee's marketing strategy to fill the research gap, and the paper proposes analyzing Luckin Coffee's strategy for rising from failure, focusing on the consumer perspective and comparing it with Starbucks. By analyzing the marketing defects of Luckin Coffee, gain insights into potential weaknesses in the company's marketing strategy and identify areas for improvement.

2. Luckin Coffee's Self-Rescue Strategy

Luckin Coffee Utilizes online platforms to increase visibility and market share. In today's digital age, companies across industries increasingly rely on online platforms to reach and engage with their target audience. One of the key aspects of Luckin Coffee's strategy is its emphasis on social media platforms. The company actively utilizes platforms such as WeChat, Weibo, and Douyin to connect with its customers and promote its offerings. By leveraging the power of social media, the company can effectively communicate its brand message and values.

Additionally, Luckin Coffee has embraced the growing online ordering and delivery services trend. This digital channel provides a seamless and efficient ordering experience but also provides a seamless and efficient ordering experience and allows Luckin Coffee to gather valuable data about its customers' preferences and behaviors. One key aspect of Luckin Coffee's self-rescue strategy is expanding its product range. This strategic move aims to cater to a wider range of consumer preferences and increase overall customer satisfaction. By diversifying its product range, Luckin Coffee can appeal to a broader customer base and differentiate itself from its competitors. This strategic move helps the company position itself as a one-stop solution for coffee lovers, catering to their cravings and preferences. Furthermore, expanding the product range also opens up new revenue streams for Luckin Coffee. By introducing new and innovative drinks and food items, the company can tap into additional market segments and potentially attract new customers who may have previously been unaware of or uninterested in their offerings. This expansion helps boost sales and diversifies the company's revenue sources, making it less reliant on a single product or category. Overall, the expansion of the product range plays a crucial role in Luckin Coffee's self-rescue strategy, enabling the company to enhance its competitive edge, attract a wider customer base, and drive revenue growth.

Luckin Coffee has opened its popularity and widespread attention with its representative "coconut latte". It stands out in the Chinese market with its strategy of low prices, online and offline sales, high-speed delivery system, and introduction of coffee products in line with Chinese eating habits [4]. Within just 20 months, the company opened over 2,000 cafe shops and became China's largest coffee chain brand. Based on the above, Luckin Coffee has fully opened the Chinese market, but in the fierce coffee market, if Luckin and the current hot TV series or well-known brands cooperate, it will again cause widespread heat and attention [4].

3. Luckin Coffee's Marketing Strategy of Co-Branding with well-known Chinese White Spirit Brand

On September 4, Luckin Coffee officially announced a strategic cooperation with GuiZhou Moutai (a well-known Chinese white spirit brand), becoming the first Chinese chain restaurant brand to reach a strategic cooperation with GuiZhou Moutai. The two sides jointly launched the "soy sauce latte"; each cup contains 53 degrees of Moutai white spirit, allowing consumers to experience the perfect fusion of wine and coffee [5].

Luckin Coffee's co-branding strategy with a well-known Chinese white spirit brand is a savvy move to capitalize on its growing market share. The partnership will help Luckin reach more customers and provide a unique opportunity to leverage the brand recognition of the white spirit company. This collaboration could increase sales, profits, and a more diverse customer base, benefiting both companies. The collaboration is likely to increase brand loyalty, as customers will have the chance to experience a unique product offering. Additionally, the collaboration could lead to the developing of new products, such as a line of coffee-flavored spirits, further differentiating Luckin from its competitors. Overall, the co-branding strategy between Luckin and the Chinese white spirit brand is a great opportunity to capitalize on their strengths.

3.1. Current Situation of Luckin Coffee's Co-Branding Marketing Strategy

Co-branding has become a popular marketing strategy for businesses seeking to enhance their brand image and reach new target audiences. Companies can leverage the co-brand's reputation and customer base by partnering with well-known brands to increase their visibility and credibility. However, the success of a co-branding campaign relies heavily on careful planning, research, and execution [6].

3.2. Problem identified by Luckin Coffee's marketing strategy of Co-Branding

Drinks containing alcohol that are not declared before the release of the drink may result in an offense such as drunk driving. One crucial aspect to consider in Luckin Coffee's marketing strategy of co-branding with a well-known Chinese white spirit brand is the potential legal implications of drinks containing alcohol that are not declared before the release of the drink. As mentioned in [7], when the reporter went to the offline store to ask the clerk whether he could drive after drinking, the clerk said that he was "not very clear". Many countries, including China, have strict regulations regarding the sale and consumption of alcoholic beverages. One of the most significant concerns is the potential offense of drunk driving. When alcoholic beverages are consumed without the consumer's knowledge or proper labeling, individuals may unknowingly consume alcohol and then operate a vehicle, putting themselves and others at risk. Therefore, companies like Luckin Coffee must ensure that all drinks containing alcohol are clearly labeled and disclosed to consumers to prevent any legal issues related to drunk driving.

Luckin Coffee faces its marketing strategy of co-branding with a well-known Chinese white spirit brand because some people cannot accept the taste of the white spirit. White spirit is a traditional Chinese liquor with a strong and distinct flavor. While baijiu has a long history and is deeply rooted in Chinese culture, its flavor profile may not appeal to everyone, especially those unfamiliar with or accustomed to it. This poses a significant hurdle for Luckin Coffee as it seeks to expand its customer base and attract a wider audience. By partnering with a well-known white spirit brand, they essentially introduce this unique taste to their menu, which may not resonate with all consumers. Also mentioned, some individuals may find the flavor overwhelming or simply not to their liking, which could deter them from trying or repurchasing products incorporating baijiu negative feedback [7]. One of the main challenges faced by Luckin Coffee's marketing strategy of co-branding with a well-known Chinese white spirit brand is the negative feedback it has received. This negative feedback has come from various stakeholders, including customers, industry experts, and competitors. The criticism revolves around several key aspects of the co-branding strategy, such as the mismatch between the coffee and white spirit cultures, the potential dilution of Luckin Coffee's brand image, and the impact on customer loyalty.

In conclusion, the co-branding strategy between Luckin Coffee and a Chinese white-spirited brand has faced several challenges. The lack of awareness among the target audience about the partnership has hindered the marketing strategy's success. Additionally, including alcohol in the drinks without prior disclosure can lead to legal offenses such as drunk driving. Furthermore, some individuals may not be receptive to the taste of alcoholic beverages, further limiting the appeal of co-branded products. Finally, negative feedback from customers has highlighted the shortcomings of this marketing approach. These issues demonstrate the need to reevaluate Luckin Coffee's co-branding strategy to ensure better alignment with customer preferences and expectations.

4. Suggestions

4.1. Clear Statement

One crucial aspect to consider in Luckin Coffee's marketing strategy of co-branding with a well-known Chinese white spirit brand is the potential legal implications of not declaring the presence of alcohol in their drinks. To address this issue, Luckin Coffee should prioritize transparency and ensure

that all drinks containing alcohol are clearly labeled and declared prior to their release. This includes providing detailed information about the alcohol content and prominent warnings regarding the potential legal implications of consuming these beverages and driving. By doing so, Luckin Coffee can comply with legal requirements, protect its customers, and maintain its brand reputation as a responsible and trustworthy coffee chain.

4.2. Identifying Target Audience

In order to effectively identify the target audience for Luckin Coffee's marketing strategy of co-branding with a well-known Chinese white spirit brand, it is crucial to conduct thorough market research. This research should focus on understanding the preferences, behaviors, and demographics of potential consumers likely to be interested in coffee and white spirit products. Luckin Coffee can tailor its marketing efforts to resonate with this audience by gaining insights into their needs and desires.

One key aspect of identifying the target audience is analyzing the current customer base of Luckin Coffee and the white spirit brand. This involves examining existing customers' demographics, psychographics, and purchasing patterns to understand their preferences better. By identifying common characteristics among these consumers, such as age, gender, income level, and lifestyle choices, Luckin Coffee can develop a clearer picture of the target audience for their co-branded marketing strategy [8].

Additionally, conducting surveys, focus groups, and interviews with potential consumers can provide valuable insights into their perceptions, attitudes, and behaviors toward coffee and white spirit products. These qualitative research methods allow a more in-depth exploration of consumers' motivations, preferences, and potential barriers to adopting co-branded products. By understanding the target audience's preferences and potential objections, Luckin Coffee can develop strategies to position the co-branded products effectively and address any concerns or misconceptions that may arise [8].

4.3. Analyzing Customer Feedback

Analyzing customer feedback social media platforms have become a powerful tool for customers to express their opinions and experiences. Luckin Coffee can leverage these platforms to gather customer feedback and gauge public sentiment towards their co-branding strategy. By monitoring comments, reviews, and ratings on platforms such as Weibo and WeChat, the company can gain valuable insights into the overall perception of the co-branded products and their impact on the target audience [9,10]. Additionally, analyzing the engagement levels, sentiment analysis, and trends on these platforms can provide a deeper understanding of the strengths and weaknesses of the strategy. By designing targeted questionnaires, Luckin Coffee can collect specific insights regarding customer preferences, satisfaction levels, and the perceived value of the co-branded products. These surveys can be distributed through various channels, such as email newsletters, website pop-ups, and social media advertisements. The data collected from these surveys can be analyzed to identify patterns, trends, and areas for improvement, enabling the company to refine its co-branding strategy and enhance customer satisfaction [9].

4.4. Strategy of Taste of the White Spirit to Attract Consumers

One of the main challenges that Luckin Coffee faces with its marketing strategy of co-branding with a well-known Chinese white spirit brand is that some people cannot accept the taste of the white spirit. The taste of white spirit can be acquired, and it may not appeal to everyone. This poses a significant hurdle for Luckin Coffee as it tries to attract new customers through its co-branding strategy. While some individuals may be open to trying new flavors and experiences, a considerable portion of the population prefers milder and more familiar tastes.

To overcome this challenge, Luckin Coffee can consider several strategies. First, they can focus on introducing consumers to baijiu's unique qualities and history, helping them understand and

appreciate its taste. This can be achieved through informative and engaging advertising animations highlighting baijiu's cultural significance and craftsmanship. In addition, Luckin Coffee can also offer a wide variety of co-branded products to cater to different taste preferences, providing options for those who may not like the strong taste of traditional baijiu.

5. Conclusion

The analysis of the problem and suggestions provided valuable insights into Luckin Coffee's co-branding strategy. Firstly, one crucial aspect to consider in Luckin Coffee's marketing strategy is that Luckin Coffee should prioritize transparency and ensure that all drinks containing alcohol are clearly labeled and declared prior to their release. This will help build trust with customers and avoid any legal complications.

Secondly, negative customer feedback has highlighted the shortcomings of Luckin Coffee's co-branding approach. The company needs to reevaluate its strategy to better align with customer preferences and expectations. By listening to customer feedback, Luckin Coffee can identify areas for improvement and make necessary changes to its co-branded products.

Lastly, analyzing customer feedback through social media platforms can provide valuable insights into the overall perception of the co-branded products. By monitoring comments, reviews, and ratings, Luckin Coffee can gauge public sentiment and understand the strengths and weaknesses of its strategy. This information can help the company refine its co-branding approach and enhance customer satisfaction. The analysis of the problem and suggestion highlights the importance of transparency, customer feedback, and continuous improvement in Luckin Coffee's co-branding strategy.

By examining the strategies and actions taken by Luckin Coffee in bouncing back from the brink of collapse, this research can identify best practices and innovative approaches that can be applied to other companies facing similar challenges. Through a comprehensive analysis of Luckin Coffee's marketing strategies, this paper offers practical suggestions and recommendations to help businesses reposition themselves, improve their marketing tactics, and rebuild their reputation.

Furthermore, this research topic is very important because it addresses a gap in existing literature. This paper fills this research gap by analyzing the potential problems in Luckin Coffee's marketing strategy and providing insights from a consumer perspective.

Additionally, this research topic has broader implications for the industry. By understanding the key factors contributing to Luckin Coffee's successful turnaround, other companies can learn from these strategies and tactics and apply them to their crisis situations. This paper sheds light on the specific case of Luckin Coffee and provides a broader understanding of the strategies that companies can employ to overcome challenges and achieve success.

In conclusion, this research paper has significant business value as it offers practical insights and recommendations for struggling businesses, fills a research gap in existing literature, and provides a broader understanding of effective marketing strategies in crises.

References

[1] Cao Xiaocong Cao. Research on Marketing Innovation of Luckin Coffee. Advances in Economics, Business and Management Research, 2020. https: //doi.org/10.2991/aebmr. k. 220307. 497.

[2] Gu Zhaoyuan, Qi Boyang, Zhao Yirui. Why Luckin Coffee survived after its scandal? Advances in Economics, Business and Management Research, 2021. https: //doi.org/10.2991/assehr. k. 211209. 410.

[3] Shang Zilin. Analysis of Luckin Coffee Marketing Strategy based on the 4P Theory. Highlights in Business, Economics and Management, 2023, 13, 106 – 112. https: //doi.org/10.54097/hbem. v13i. 8632.

[4] Qiu Lingyu. The analysis on the marketing strategy of Luckin Coffee in China. Proceedings of the 2020 4th International Seminar on Education, Management and Social Sciences (ISEMSS 2020). https: //doi.org/10.2991/assehr. k. 200826. 093.

[5] Financial network Technology, “The screen of Luckin Coffee and Kweichow Moutai jointly launched soy sauce latte”, 2023.09.05, https: //baijiahao.baidu.com/s?id=1776212010416094840&wfr=spider&for=pc.

[6] Judith H Washburn, Brian D Till, Randi Priluck. Co-branding: brand equity and trial effects. Journal of Consumer Marketing, 2000, 17 (7), 591 – 604. https: //doi.org/10.1108/07363760010357796.

[7] Shanghai-Xuhui the Chinese People’s Political Consultative, “soy sauce Latte” burst popular, how does it taste? 2023.09.05, https: //mp.weixin.qq.com/s?__biz=MjM5ODk2MTA2Mw==&mid=2652731609&idx=2&sn=62116f8796cd02af4abb8c7b006cc803.

[8] Haohui Zhang. Methods for Luckin Coffee to Develop its Core Competence. Advances in Economics, Business and Management Research, 2022b. https: //doi.org/10.2991/aebmr.k.220405.255.

[9] Liu Yuqiao. Research on the Business Model of Luckin Coffee Under the Background of New Retail. ournal of orld conomy, 2022, 1 (2), 46 – 57. etrieved from https: //www.pioneerpublisher.com/jwe/article/view/101.

[10] Chen Yiyi. Analysis on the strategic innovation of Luckin Coffee. Rental and Sales Information, 2023 (06): 156 - 158.