

Research on the Marketing Model of Luckin Coffee's Emerging Market

Yihao Zhang^{1,a,*}

¹*Guangzhou New Channel, Guangzhou, 510630, China*

a. 3575906952@qq.com

**corresponding author*

Abstract: In recent years, with the rapid expansion of the Chinese consumer market and the continuous improvement of consumption levels, coffee culture has gradually emerged in major cities. As a representative of Chinese local coffee brands, Luckin Coffee has quickly occupied a place in the market with its subversive and innovative new business model of “Internet plus Coffee” and rapidly expanding store network. Since its establishment in 2017, Luckin Coffee has attracted a large number of consumers and successfully challenged the positioning of traditional coffee brands through flexible and versatile marketing methods and efficient operational management. This article takes Luckin Coffee as an example and adopts the research method of literature collection and analysis. Based on the marketing mix theory, brand positioning theory, and sinking market theory, it explores its new marketing model in the sinking market and analyzes Luckin Coffee's strategic behavior in the emerging market. Research has found that Luckin Coffee expands and innovates its product line, and develops localized products through product strategies. Pricing strategy and its flexibility have certain advantages. In terms of channel strategy, flexible direct sales and joint venture strategies have been adopted through channel sinking and optimizing store layout. In terms of promotion strategy, innovative practices such as brand communication strategy, brand image building, and advertising placement measures have helped Luckin Coffee stand out in the fiercely competitive market and provide a solid brand foundation for its sustainable development. As a result, Luckin Coffee is expected to achieve greater success in the lower-tier market. This study provides valuable references for its strategic optimization and for other enterprises that want to carry out lower tier market marketing.

Keywords: Luckin coffee, Marketing strategy, Product innovation, Emerging market.

1. Introduction

With the acceleration of globalization, the influence of Western culture in China is increasingly evident. As a part of Western culture, coffee is gradually being accepted and loved by the Chinese people. Secondly, the rapid development of China's economy has also promoted the popularization of coffee. With the improvement of people's living standards, they begin to pursue a higher quality of life. This has also contributed to the rise of more domestic coffee brands in the Chinese market. Luckin Coffee focuses on the emerging market, striving to gain a competitive advantage in this field. This research focuses on the Chinese coffee market, deeply exploring the new marketing model of Luckin Coffee in the emerging market and its reasons for success. The main purpose of this study is

to explore the marketing model and success reasons of Luckin Coffee's disruptive innovation in the emerging market, through which to better understand the role of new marketing models in the emerging market and provide application value for other brands entering these markets. However, there is relatively little research on the emerging market of Luckin Coffee both domestically and internationally. This article can enrich the comprehensive research on Luckin Coffee and promote the development of the coffee industry. This paper adopts the research method of literature collection and analysis, systematically searching, acquiring, and organizing existing literature related to the marketing model of Luckin Coffee in the emerging market. The collected literature is systematically evaluated and synthesized to extract useful information, identify research trends, summarize existing research findings, and provide a theoretical and methodological basis for this study.

2. Theoretical Basis

2.1. Marketing Theory

This article analyzes the new marketing model of Luckin Coffee in the emerging market based on marketing mix theory and brand positioning theory. The marketing mix theory consists of the "4P": Product, Price, Place, Promotion, and the new "4P" theory. By working together with these elements, companies can customize and implement effective marketing strategies. Luckin Coffee's corporate values emphasize "speed, efficiency, and quality", and its product positioning is "high-quality commercial coffee", mainly targeting professionals and young people in the workplace. The characteristics of Luckin Coffee include high quality, instant and affordable, and a focus on creating a fashionable, youthful, and modern brand image[1].

Brand positioning theory refers to the process by which a company clarifies the brand's position in the minds of consumers, confirms its unique value proposition and market positioning, in order to stand out in a fiercely competitive market. The core of brand positioning lies in identifying and conveying the unique selling point (USP) of the brand, enabling it to occupy a clear and unique intellectual space in the target market[2].

By combining these two theories, companies can comprehensively enhance their market competitiveness and brand influence.

2.2. The Theory of Emerging Market

The emerging market refers to regions with relatively lagging economic development, mainly including third- and fourth- tier cities, county towns, and rural areas. Compared to first - and second-tier cities, these regions have lower levels of economic development and lower income levels for their residents. The development of sinking markets not only requires enterprises to adjust and innovate in terms of products, prices, channels, etc., but also requires a deep understanding of the needs and preferences of local consumers, which can help enterprises better explore and serve this broad market, and provide more targeted solutions.

3. Marketing Strategy of Luckin Coffee's Emerging Market

3.1. Product Strategy

3.1.1. Product Line Expansion and Innovation

Luckin Coffee, as an innovative coffee chain brand, has been rapidly expanding and continuously innovating since its establishment, quickly occupying a place in the Chinese market. Luckin Coffee continues to expand its product line to meet the needs of different consumers. Its product line is not limited to traditional coffee drinks, but also includes a variety of innovative drinks and snacks. In

addition to traditional flavored coffee, Luckin Coffee has innovatively launched products such as coconut cloud latte, thickened milk latte and other specialty coffees. In the beverage series, it introduced a variety of non coffee beverages such as fresh fruit juice and cold brewed tea. In order to meet the daily needs of customers, Luckin Coffee has launched a baking series of products such as bread, cakes, desserts, etc., enriching customers' choices. In addition to expanding and innovating its daily product line, Luckin Coffee also regularly launches seasonal and limited edition products to maintain their freshness and appeal. These products usually combine seasonal characteristics and circulation trends to attract consumers' attempts and purchases. Luckin Coffee collaborates with well-known brands and IP to launch joint products, further enhancing brand influence and product diversity. It also collaborates with well-known domestic brands to launch joint drinks or products, attracting brand fans as well as with IPs to collaborate with popular TV dramas, animations, and other IP to launch limited edition products, enhancing consumer attention and purchasing desire[3].

3.1.2. Localized Product Development

During its rapid rise, Luckin Coffee has focused on localized product development to better cater to the taste and consumption habits of Chinese consumers. Luckin Coffee has developed many locally unique drinks based on the preferences of Chinese consumers, such as the Coconut Cloud Latte, using coconut juice, a popular ingredient in southern China, combined with coffee to create a coconut cloud latte with a unique flavor. And Thick Milk Latte is launched to address the Chinese consumers' unfamiliarity with bitter coffee and their preference for milk rich beverages. It increases the proportion of milk and makes the taste more mellow.

According to the seasonal changes and traditional festivals in China, Luckin Coffee has launched corresponding limited products to increase the emotional link between the brand and consumers. For example, during the Spring Festival and the Mid-Autumn Festival every year, Luckin Coffee has launched special drinks that match the festival atmosphere to attract consumers to try.

In addition to the product itself, Luckin Coffee has incorporated a large amount of Chinese cultural elements into its product design and marketing, enhancing consumers' cultural identity. Incorporate traditional Chinese patterns and colors, such as phoenix patterns, red and white, into product packaging combinations catering to the aesthetic preferences of Chinese consumers. During the Chinese traditional festival, special packaging and theme activities were launched, such as Spring Festival red packets, Loong Boat Festival dumplings, etc., to enhance the emotional connection between brands and consumers.

3.2. Price Strategy

Luckin Coffee's pricing strategy and flexibility are important factors contributing to its success.

Luckin Coffee adopts a competitive pricing strategy to attract consumers with lower prices. Its price is friendly to the people, and its product pricing is usually lower than international brands such as Starbucks, making it more price competitive and attracting a large number of price sensitive consumers. Luckin Coffee often launches various promotional activities, such as buy one get one free, discounts on purchases, etc. The most classic one is the "9.9" coffee that made Luckin Coffee famous. By distributing the "9.9" discount coupon, it attracts a large number of customers, and customers who use the coupon can spend less getting a cup of coffee at a certain price further reducing the purchasing cost for consumers.

Luckin Coffee utilizes flexible promotional strategies to continuously attract new customers and maintain the activity of existing customers. Through Luckin Coffee's app, users can obtain various discount coupons, to enhance user stickiness. Furthermore, Luckin Coffee has established a membership system where members can enjoy discounts such as point redemption and exclusive

discounts, enhancing user loyalty. At important festivals and special moments, Luckin Coffee will launch specific promotional activities, such as Spring Festival specials, Mid-Autumn Festival gift boxes and other incentives to stimulate consumption.

Luckin Coffee uses product portfolio pricing strategy to flexibly adjust product prices based on market demand and competitive environment. In order to increase overall sales and average customer value, Luckin Coffee offers various breakfast packages, afternoon tea packages, and other combinations at more favorable prices than purchasing separately, attracting consumers to choose packages. Luckin Coffee also offers cross category discounts, encouraging consumers to try more products and increase their frequency of consumption by combining discounts such as buying coffee and adding snacks.

3.3. Channel Strategy

3.3.1. Store layout

Luckin Coffee's store layout strategy focuses on efficient coverage and convenience, aiming to meet the needs of different consumer scenarios.

Luckin Coffee has opened a large number of pick up stores, which are small in size and mainly for consumers providing online ordering and offline self pickup services. The self pickup store has low operating costs, wide coverage, and can quickly respond to consumer needs.

In addition to its own pickup store, Luckin Coffee has also opened some standard stores to provide dining and leisure areas. These shops not only offer coffee, but also provide leisure and social spaces, attracting consumers to stay. Standard stores help enhance brand image and showcase the brand value of Luckin Coffee.

Luckin Coffee is actively exploring new retail models and expanding its sales channels through unmanned vending machines and smart coffee machines. Installing unmanned vending machines in densely populated areas such as office buildings and shopping malls to facilitate consumers' self purchase. Installing smart coffee machines in enterprises and public places to provide ready to drink coffee services. These strategies not only help Luckin Coffee stand out in the fiercely competitive market, but also provide strong support for its continued growth.

3.3.2. Direct and Joint Venture Strategy

Luckin Coffee has adopted flexible direct and joint venture strategies to rapidly expand market coverage and maintain operational efficiency rate.

In terms of direct sales strategy, Luckin Coffee implements unified management and efficient operation. Most Luckin Coffee stores use the direct sales model enabling businesses to carry out unified management and standardized operation of their stores. Luckin Coffee reduces costs and improves supply chain efficiency through centralized procurement and unified distribution. Under the direct sales model, Luckin Coffee can collect and analyze consumer data in a centralized manner to optimize products and services. The direct sales model helped Luckin Coffee quickly expand its store count and capture the market in a short period of time.

In terms of the joint venture model, it helps Luckin Coffee reduce expansion risks and capital pressure, while attracting more partners. By partnering with partners, Luckin Coffee can share some of the store opening insurance and operating costs, improving the flexibility of expansion. Under the joint venture model, Luckin Coffee can leverage the resources and networks of its partners to quickly enter new markets and regions, better adapt to local market demands and culture, and increase market penetration. And partners usually have rich local resources and experience, which can help Luckin Coffee operate and manage its stores more efficiently.

On May 29, 2023, Luckin Coffee announced the opening of the “franchise with stores” mode through the official account, which is a new joint venture cooperation mode launched by Luckin Coffee to investors in stores under operation or stores with property rights during the lease contract period, based on the joint venture cooperation mode. The opening of “franchise with stores” this time is a major strategic change after its expansion in January. Luckin Coffee is trying to accelerate its expansion by further screening franchisees[4]. In 2023, when franchise is fully open, Luckin Coffee will open 8034 new stores, an increase of 98.85% compared to the same period in 2022 [5].

Luckin Coffee has successfully achieved rapid expansion and efficient operation through flexible direct sales and joint venture strategies. The direct sales model ensures consistency between brand image and service quality. The joint venture model helps Luckin Coffee reduce expansion risks, utilize local resources, and enhance market competitiveness. By effectively combining these two models, Luckin Coffee has achieved significant results in the fiercely competitive coffee market.

3.4. Promotion Strategy

3.4.1.Brand Communication Strategy and Advertising Placement Measures

Luckin Coffee has implemented a series of innovative and efficient measures in brand promotion to rapidly increase brand awareness and market share. And it utilize big data and artificial intelligence technology for precise advertising placement, improving advertising effectiveness.

Luckin Coffee has rapidly increased its brand awareness through large-scale advertising campaigns. By publishing advertisements on major search engines, social media platforms (such as Douyin), and video platforms (such as iQiyi), Luckin Coffee has set up billboards and posters in densely populated areas such as subway stations, bus stops, shopping malls, and office buildings. Again by frequently advertising, such as during a short period of waiting for an elevator, customers can watch and learn about Luckin Coffee’s slogan “Who doesn't love this cup”, which leaves a deep impression on consumers and ensures that brand information continues to appear in the target consumer's vision, strengthening brand memory[6].

Luckin Coffee plans and participates in hot events and topics to enhance brand exposure. Utilize social hot topics for marketing, such as festivals, major events, etc., to attract media and public attention. Through cross-border cooperation, collaborate with other brands or events to launch joint products or events, expand brand influence and audience.

3.4.2.Brand Image Construction

Luckin Coffee is positioned as a coffee brand with “high quality, high cost-effectiveness, and convenience”, emphasizing product quality and user experience. Luckin Coffee emphasizes the high-quality source of coffee and strict production processes to ensure product quality and efficient operation mode and large-scale procurement, reducing costs, providing consumers with products with high cost-effectiveness. It provides a convenient purchasing experience through online ordering and offline self pickup mode.

The brand logo design is simple, modern, and easy to recognize and remember. Luckin Coffee, as a leading coffee chain brand and a top brand, is also not ambiguous in its logo design. It adopts a dynamic and creative image of a “deer” to create a super IP image symbol with “deer” as the super creativity. This super symbol is eye-catching and unforgettable, making it a highly recognizable super logo. The decoration of Luckin Coffee's store is unified, adopting a simple and fashionable design to create a comfortable consumption environment. The product packaging design is exquisite, reflecting the brand's sense of quality and fashion[7].

Luckin Coffee enhances the brand’s cultural connotation and emotional resonance by telling the brand story, and conveys the brand’s mission and vision by telling the story of the brand’s creation

background and development history, as well as shares consumers' real stories and experiences to enhance brand affinity and credibility.

4. Challenges and Countermeasures

4.1. Challenge Analysis

Although Luckin Coffee has achieved significant success in expanding into the emerging market, it has also faced some challenges.

There are differences in consumption habits and cultural differences. In many emerging markets, coffee culture has not yet become popular, and consumers have low awareness and acceptance of coffee. Furthermore, in many emerging markets, people generally have less life pressure and do not require coffee to refresh themselves, so they do not have the habit of drinking coffee.

The competition in the emerging markets is fierce, not only due to the pressure of our own beverages, but also some international and domestic coffee brands have begun to pay attention to the emerging market: "Starbucks" has added to the Chinese market, accelerating the sinking of "coffee fast" stores. Honey Snow Ice City announces 'transition' to make coffee and shift some of the focus to Xingyun Coffee. Tims Coffee is competing in a mismatched manner, with a flat competition for location selection in second - and third tier cities. Lian Coffee and China National Chemical Corporation have launched "Yijie Coffee" with a three-year plan to open 3000 stores. Lele Tea also launched its first coffee brand, "Yele", in early 2021. The various actions of coffee and beverage brands seem to be sending a clear signal: coffee is booming and the market is expanding. It can be seen that Luckin Coffee is fiercely competing in the emerging market[8].

With the rise of new retail models, tax risks have gradually emerged. After in-depth investigation, it was found that Luckin Coffee's net selling price of goods disclosed in its report contained significant inaccuracies. This may involve errors in value-added tax calculations, and therefore may also involve tax evasion issues. Therefore, Luckin Coffee should emphasize tax awareness internally and strictly supervise and review[9].

4.2. Future Opportunities

Despite facing many challenges, Luckin Coffee also has enormous opportunities in its expansion into the emerging market.

With the development of China's economy and the increase in residents' income, the consumption capacity of the emerging market has significantly improved, and consumers' demand for high-quality products and services is gradually increasing, showing a trend of consumption upgrading. More and more consumers are paying attention to healthy eating, and coffee, as a low calorie and refreshing drink, is in line with this consumption trend

Luckin Coffee has an advantage in digital operations. Relying on its own APP and online platform, Luckin Coffee can cover a wide range of consumers, especially in the emerging markets. Online channels can effectively compensate for the shortcomings of offline stores. Luckin Coffee adopts online and offline linkage for marketing. Luckin Coffee constantly explores new marketing methods and strategies to adapt to the "Internet+New Retail" model. [10]

With the progress of the times, people are becoming more and more accepting of new things, which is undoubtedly icing on the cake for spreading coffee culture. In the sinking market, Luckin Coffee can cultivate consumers' coffee drinking habits and expand market demand by organizing coffee culture promotion activities, coffee making experiences, and other methods. By providing coffee knowledge training and lectures, we aim to enhance consumers' awareness and interest in coffee, thereby promoting consumption.

With the progress of science and technology, people are spreading information faster and easier. Luckin Coffee can be promoted through social platforms, use WeChat, Tiktok and other social platforms for precision marketing, and attract young consumers through short videos, live broadcast and other forms. And by encouraging consumers to share their product experiences and evaluations, brand trust and reputation can be enhanced through word-of-mouth communication.

In summary, Luckin Coffee is full of opportunities in the future of the emerging market. By seizing the trend of consumer upgrading, utilizing digital operational advantages, promoting coffee culture and social media and reputation marketing, Luckin Coffee is expected to achieve greater success and development in the emerging market. The vast space and potential of the emerging market will bring new growth points and market opportunities for Luckin Coffee.

5. Conclusion

The purpose of this study is to analyze the new marketing model used by Luckin Coffee in the emerging market. Through the expansion of production lines, product updates, pricing, market environment, consumer behavior, and competitive situation, the success of Luckin Coffee's emerging market marketing model is explored.

Through research, regarding the marketing strategy of Luckin Coffee's emerging market, in terms of product strategy, Luckin Coffee ensures the high quality and good taste of its products through measures such as product line expansion and innovation, and localized product development. In terms of pricing strategy, Luckin Coffee has an extremely flexible pricing strategy, successfully attracting a large number of consumers through various strategies such as product portfolio pricing, dynamic pricing, and cost control. In terms of channel strategy, Luckin Coffee optimizes store layout to increase coverage and convenience. Luckin Coffee adopts flexible direct and joint venture strategies to rapidly expand market coverage and maintain operational efficiency. In terms of promotion strategy, Luckin Coffee has adopted a series of innovative and efficient measures in brand communication to rapidly increase brand awareness and market share. It enhances the cultural connotation and emotional resonance of the brand through a simple logo and telling the brand story, and utilizes big data and artificial intelligence technology for precise advertising placement, etc. These measures not only help Luckin Coffee stand out in the fiercely competitive market, but also provide a solid brand foundation for its sustainable development. Luckin Coffee is expected to achieve greater success in the sinking market on its own. This study provides valuable reference for strategic optimization and other enterprises that want to engage in downward marketing.

This study is mainly based on literature analysis and publicly available data, lacking first-hand research data. The limited sample size may affect the generalizability of the results. And the data in this study mainly relies on secondary sources. Although these data sources are reliable, there may still be situations where the data records are inaccurate or incomplete. In future research, field investigations should be conducted to obtain more comprehensive first-hand information, explore the differences in different emerging markets allocation strategy, and study the expansion strategy of Luckin Coffee in the international market.

References

- [1] Li W., Yuan J., Zeng Y. (2024). *Analysis of Luckin Coffee's Brand Marketing Strategy under the New "4P" Theory* (j) *China Business Review*, (06):065-068
- [2] Zhou j., (2020). *Analysis of Starbucks' Brand Positioning Strategy in the Chinese and American Markets Based on Brand Positioning Theory*. *Modern Business*, (13).
- [3] Ren J., Wu S.. (2022). *Exploration of cooperation models between emerging brands and Japanese brands* *Green packaging*.03
- [4] Bright Company.(2023) *Luckin Coffee accelerates store expansion: launches "franchise with stores" model, covering 241 cities in batches*.<http://m.winshang.com/news713397.html>

- [5] Wu X., (2024). *Luckin Coffee has become the new king of coffee in China Commercialization.*
- [6] Li T., (2024). *Research on Marketing Strategy of Luckin Coffee Modern Marketing (Next Issue).*
- [7] Technology amusement park.(2024).*The most famous super IP image logo and ceiling design of the Technology Amusement Park.*https://www.sohu.com/a/753740310_121119001
- [8] Red Restaurant.(2021). *Can the collective “sinking” of coffee brands in create a “Honey Snow Ice City”?* .<http://www.21jingji.com/article/20210916/herald/26e16734764caee1c7e8cb853a588a7c.html>
- [9] Zhao l., (2024).*A Brief Discussion on Tax Risks in the New Retail Business Model: A Case Study of Luckin Coffee.Modern Business.*
- [10] Zheng Y., Pan H.,(2024).*Research on Marketing Strategy of Ruixing Coffee under the “Internet plus New Retail” Mode.Commercial circulation.*