

SWOT Analysis of Coffee's Marketing Strategies: A Case Study of Luckin Coffee in China

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Abstract. As big data and the Internet continue to advance, there is much space for new retail models to emerge. Luckin Coffee, one of the top brands in China's coffee industry, has seen significant growth in both market share and brand recognition thanks in large part to its marketing approach. This study gathers a great deal of official data to understand the reasons behind Luckin Coffee's rapid popularity in China. It then applies SWOT analysis to evaluate Luckin Coffee's marketing approach. Luckin Coffee initially succeeded due to its rapid expansion and technological innovation but faced setbacks due to financial mishandling and excessive reliance on discounts. Fortunately, the company was rescued promptly and focused on developing its products. However, competition in the Chinese beverage industry is very fierce. The authors offer several recommendations for tweaks to the current marketing mix in the conclusion to aid Luckin Coffee in enhancing its core competency. It also knows the demand and market for coffee in China in recent years. To expand the product brand and produce more best-selling items, Luckin Coffee ought to use brand co-branding. Similarly, it is necessary for Luckin Coffee to develop Luckin Coffee must develop localized products and establish its ecosystem. The suggestions might also serve as a source of inspiration for creating and growing a mid-range Chinese coffee company.

1 Introduction

As one of the most popular drinks worldwide and one of the most valuable commodities in the world, coffee has a significant impact on millions of people's daily lives as well as the economies of producing nations. Coffee and coffee trees are said to have originated in the Kafuefa Province (ICO) of Ethiopia. Because of its origins in the Horn of Africa, coffee is currently produced in about 70 countries and an estimated 100 million people are employed in the industry through cultivation, processing, and marketing. China is a country with a long tradition of tea drinking, and while tea is still the favorite beverage of the Chinese people today, which is hard to replace, coffee has also become popular due to the curiosity of Chinese consumers and their increasing openness to the Western world, and it. It was the entry of Starbucks into the Chinese market in the 1990s that brought coffee to China and made it accessible to Chinese consumers. Coffee lovers in China, roughly at this time, also slowly developed [1]. With China's rapid economic development and urbanization, the coffee market has become the largest consumer market segment in Asia and thus attracted much attention. Boutique coffee is now a prominent feature of the contemporary urban landscape and city life in modern China modern China's contemporary urban landscape and city life. Historically, China has been known as the home of tea, but with the contemporary shift in consumer society, coffee culture is rapidly emerging [2]. The Chinese have

established chain store brands for coffee and opened both physical and online stores selling coffee-related items as a result of Western coffee companies' popularity in the country. Counting effective business model models and innovative digital strategy as its highlights, Luckin Coffee has attracted strong attention in the current coffee growth era. From its modest beginning in 2017, Luckin Coffee has emerged as a start-up and become the leader in China's coffee industry for being quick growth whilst understanding contemporary consumers' needs on the digital level. Luckin Coffee has become popular in a finger-bitingly short time, growing faster than Starbucks and becoming the leading coffee chain brand in China. It has opened 2963 stores in two years, more than half of the number of stores Starbucks currently has in China. It is developed rapidly because it takes advantages advantage of online shopping and creates various innovative ways only for the clients instead, that of some coffee shops doing traditional business. For instance, customers may order beverages from applications on their smartphones and choose delivery or takeaway options depending on how they feel [3]. This article will use the SWOT analysis method to explore how Luckin Coffee implements its marketing strategy and aims to build itself into a well-known brand in China. It will also compile and evaluate literature to study Luckin Coffee's marketing strategy explore why it can quickly and successfully fill the gap in the domestic coffee market, and provide suggestions for Luckin Coffee's marketing plan and ideas for the company's

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future development. This provides a new perspective for Luckin Coffee to further expand into the Chinese coffee market. The study's findings might also serve as a foundation for organizing the next projects.

2 Current marketing strategy

2.1. Web/APP

Artificial intelligence, big data, and other cutting-edge technologies have given rise to a variety of new consumer models, ranging from online e-commerce to offline retail to a new retail model that combines online e-commerce with physical logistics. An example of a business using the new retail model is Luckin Coffee, which operates using an "online APP + offline stores + logistics" approach [4]. Consumers may access Luckin Coffee via the WeChat microprogram or download the Luckin Coffee APP on their phones. The system will then suggest the closest location for pickup or delivery. The consumer will receive a security code after placing a successful order, preventing them from picking up the incorrect item. All current users will receive a complimentary cup of coffee for referring new users to this app. The Internet era has brought up a lot of self-media, rapid online information dissemination, and a plethora of options. Customers actively disseminate the word, which leads to a sharp rise in the client base. The Internet era has brought up a lot of self-media, rapid online information dissemination, and a plethora of options. Customers actively disseminate the word, which leads to a sharp rise in the client base. Customers in China's younger age are more inclined to tailor their purchases, open to trying new things, and flexible with how they utilize mobile devices to access the Internet. They also give the buying experience greater consideration at the same time [4].

2.2 Price advantage of Luckin Coffee compared to Starbucks

Not only does Luckin Coffee provide a wider range of convenient shopping options and online buying, but it also has a more competitive pricing point, which allows it to surpass Starbucks' unique position and emerge as China's second-largest coffee chain brand. Luckin Coffee is positioned itself to focus on selling coffee, reasonably priced, high-quality coffee, rather than space. Although Starbucks' idea of establishing a "third space" for the coffee social scene is a brilliant one, it must have certain drawbacks because the scene-based experience maintains costs high and prevents customers from ordering takeaway online, giving Luckin Coffee a competitive advantage in brand positioning. These two variations are directed at Starbucks since they are significantly more affordable and practical [5]. Luckin Coffee often sends out various coupons to new and existing customers. In Starbucks, 33 RMB for a cup of

iced Americano, but in Luckin coffee only 9.9 or even lower price can buy a cup of iced Americano and the quality is not inferior to Starbucks. People can get a variety of coupons by following Luckin Coffee's WeChat public number, and there are coupons for 50% off snacks on all days of the week. Users rarely run out of these coupons, and if they do, they can redeem them in Luckin Coffee's coffee wallet or get coupons by sharing Luckin Coffee on Weibo or WeChat [6].

2.3 Spokespersons

In the early stage of the birth of the brand, brand communication generally has two major needs: one is to quickly hit the popularity, and the other is to quickly grow to occupy the market. So many brands will fall into a misunderstanding: whoever is hot will find who endorsement. However, this "simple and crude" endorsement strategy is very easy to "go askew". Because the hottest is not necessarily the most suitable. As an "intruder", Luckin Coffee, on top of the insight of two major needs, also has a higher dimension brand communication purpose - to eliminate the sense of strangeness. Tang Wei is frank and elegant, literary and English; Zhang Zhen is calm and capable, literary and wild; both of them exude a sense of "elite", a flavor that will change with time, which can satisfy people's obsession with temperament, especially among Luckin Coffee's target consumer groups. In addition, Luckin Coffee has extended an invitation to three WBC World/National Champions to join a group of coffee experts that will take part in campaigns promoting the brand as a "specialty coffee" and create their coffee beans using data from the Luckin Coffee app and analysis of Chinese consumers' coffee tastes. Seasonal coffee beans are also available from the master team that created Sidamo Ethiopia, which took home a gold medal from the IIAC [6]. 2021 Luckin Coffee and Gu Ailing formed a collaboration in July, and in September of the same year, the agreement was formally inked. Luckin Coffee took the initiative in promoting Gu Ailing's two gold and silver medal victories by posting blessing banners on Weibo and starting reward interactions. They also gave out coffee and signed pictures of Gu Ailing to increase user involvement. In addition to receiving traffic from the public domain, Luckin Coffee also included the title-winning tag, updated Gu Ailing's suggestion menu for the first time in private domain traffic, issued discounts to the official community to celebrate and pushed competition news to the app. Using items like Gu Ailing cup sleeves and upbeat straws, the store also created a flash mob-themed store with a ski wall and picture wall. When it came to the product, Luckin Coffee introduced a new customized line from Gu Ailing. Customers ordered in bulk shared the news on social media, and snapped pictures, turning drinking Luckin Coffee into a tradition to commemorate the Winter Olympics [7].

3 SWOT analysis

3.1. Strengths analysis

First off, in addition to its main line of coffee products, Luckin Coffee offers a wide range of other products such as fruit and vegetable juices, Luckin Tea, light and healthy meals, lunch kits, and other peripherals. Customers can also add personalized features to their products. Meanwhile, Luckin Coffee quickly came up with new drinks. By doing this, every consumer can find a drink that suits them. Luckin Coffee launched 113 new beverages in 2021, and each of them got great feedback from people [6]. Luckin Coffee's flagship product is different types of lattes. "Make a good cup of coffee affordable for everyone" is the mission statement of Luckin Coffee. As a result, they select students who are looking for convenience and workers as their target market. Under the direction of a group of WBC World Barista Champions, they support the use of coffee beans in espresso (IIAC Gold Medal Coffee) as well as the creation of goods to produce premium coffee. Also, to fulfill the psychological needs of most weight watchers, Luckin Coffee is healthier with the slogan "0" lactose and 0 vegetable fat ends" in some of its products [8]. Therefore, many weight watchers weight Watchers have become their target customers.

Luckin Coffee is priced significantly less than premium Starbucks since its target demographic is young white-collar workers and students. For most individuals, the price of a cup at Luckin Coffee—less than \$25—is affordable. In addition, they give long-term coupons to users and continue the brand philosophy of providing high-quality coffee to customers. Luckin Coffee rarely concentrates its stores in city centres and does not spend a lot of money on renovations, which allows for lower pricing to the consumer. Luckin Coffee signed a strategy to reach a framework agreement for cooperation at the Ethiopian Embassy in early 2021. It was announced that it will buy 1,000-2,000 tons of high-quality coffee beans in Ethiopia every year for the next few years. Due to the large amount of raw material ordered, the supplier will supply the beans accordingly and Luckin Coffee will keep the price low by purchasing at a lower price [8].

Luckin Coffee has implemented a new retail strategy that combines online service consumption with delivery services and in-store experiences. This can serve two purposes for customers: first, it can alleviate their stress of having to shop in person and make up for the lack of a real store experience; second, it can serve the requirements of customers who are too busy or do not want to go shopping. In the new retail concept, customers can utilize Luckin Coffee's application or a WeChat short program. The user profile may then be manually or artificially analyzed by the backend system using information on user consumption, location, and other data. Based on the analysis's findings, Luckin Coffee can then create a more focused marketing plan. Therefore, customers need to have a coffee shop nearby that serves good quality coffee and is fast. Luckin Coffee

has noticed this very important factor and has a very large number of chai stores in major cities. Whether consumers are at work or home or on the go, they can also order a cup of coffee anytime and anywhere [9]. Luckin Coffee has been categorized into online and offline stores, and offline stores are categorized into three types: "pick-up stores" where there is no seating, "take-out kitchen stores" where consumers can eat, and "lounge stores" where consumers can sit. "Carryout stores," which do not have seating, "takeout kitchen stores," which allow customers to eat, and "leisure stores," which allow customers to sit, are the three categories of offline retailers. Although offline locations are smaller in size and more likely to be found in shopping districts, subways, and office buildings—where rent is typically less expensive than in malls—they are nevertheless close to the target market and receive sufficient foot traffic, which allows Luckin Coffee to grow its stores quickly and affordably.

A common tactic employed by several businesses to encourage consumers to purchase more items and draw in new clients is price promotion. Customers want affordable, high-quality products. And attract new customers. In addition, because of impulse buying, consumers will buy more goods. At the same time, using low prices to raise awareness of new brands helps greatly. It has been observed that while promotional expenses have dropped significantly and remained low, revenues continue to grow steadily. This might indicate that Luckin Coffee has employed a successful and economical marketing plan [9]. Another marketing method used by Luckin Coffee is Netflix advertising, which uses Chinese celebrities such as Zhang Zhen and Tang Wei as brand ambassadors, a common and effective branding method in China]. Starbucks focused on word-of-mouth in its early days but later turned to advertising and social media. In contrast, Luckin Coffee focused on mobile apps from the beginning, advertised through social media, and focused on influencers and celebrities [5]. Furthermore, Luckin Coffee was able to establish stronger relationships with its clients by forming community groups through exclusive promotions and offering coupons and product details.

3.2. Weakness analysis

Firstly, in 2020, Luckin Coffee was released by the famous short-selling organization Muddy Waters in the United States 89-page shorting report, exposing fabricated financial performance indicators. For this report, at first Luckin Coffee fought back decisively and firmly denied it, but dramatically just over two months later on April 2, Luckin Coffee voluntarily admitted to falsifying \$2.2 billion in finances [10]. Beginning in the third quarter of 2019, Luckin Coffee started manipulating financial and operational data to give the impression of a successful single store by inflating the number of daily orders placed in stores, the number of items per order, and the net selling price of each item [11]. This incident led Luckin Coffee to carry a fine of 180 million dollars, thus filing for bankruptcy protection.

This incident also caused Luckin Coffee to completely change its business model, change management in large numbers after paying the fine, and also slow down the speed of expansion. Luckin Coffee focused on the coffee track, and synergized its efforts in the three major directions of operation, product, and users [12].

Second, many users deleted the app after experiencing the new benefits since Luckin Coffee's early marketing strategy was primarily focused on customer acquisition. As a consequence, the firm had to continuously subsidize the offers, and the users became dependent on the subsidies. As a consequence, customers do not fully get the brand culture, and brand awareness and loyalty require additional development.

Thirdly, although Luckin Coffee uses Arabica coffee beans and Shelly brand automatic coffee makers and produces coffee that appeals to Chinese palates, some of its locations suffer from issues like subpar coffee and inadequate staff service as a result of their quick expansion. This damages the reputation of the company and gives customers a bad impression [9].

3.3. Opportunities analysis

China has a sizable coffee market, and figures show that the business is growing quickly. Since 2013, coffee consumption has increased to over 10% of the medium-high speed growth, reaching a peak of 29% in 2017. By 2025, it is anticipated that China's coffee consumption market will have grown to over 1 trillion yuan, reaching a record 300 billion yuan in 2020. The market might grow to a size of 2 or 3 trillion yuan for the first time around 2030. Thus, there will be substantial room for growth and development in China's food, beverage, and coffee markets going forward [13]. Customers in China will be able to sample a greater range of items due to the country's growing purchasing power, which will enable them to spend more on coffee. To satisfy their varied demands, including a revitalizing impact or social interaction, they can afford to purchase freshly made coffee regularly. Consequently, Luckin Coffee now has the chance to supply customers with a wider range of goods. Secondly, with globalization and the popularity of studying abroad, the penetration and spread of coffee culture have been increasing, but the scale of per capita consumption of coffee cups in China is far from that of developed countries, so there are still many opportunities for Luckin Coffee [6].

3.4. Threats analysis

First off, Starbucks has created a virtual monopoly in the coffee industry by dominating the Chinese market for a considerable amount of time, amassing a sizable client base and a high number of devoted patrons. Starbucks will pose a threat to Luckin Coffee in the upscale market since it possesses the characteristics of a premium brand [13]. In an attempt to meet customers' need for convenience, Starbucks has now joined the mobile Internet age reform movement and partnered with Ali, attempting a new retail model based on the takeout

distribution system. The Chinese beverage market is highly competitive due to the country's long history of tea consumption and the widespread adoption of milk tea culture that followed the introduction of tea drinks a few years ago. As a result, there is intense competition for the various tea drink brands in China. Luckin Tea did not penetrate the market as quickly as coffee, even though Luckin Coffee was founded in 2019. Luckin Coffee will continue to be impacted by milk tea companies like Cha Panda and MIXUE, which have fantastic new items, are hot topics, have attractive shop designs, and employ various tactics to appeal to the consumer mind-set of the general public [9].

4 Suggestions

4.1. Brand transparency

The quality traceability of Luckin Coffee is extremely strong, it is committed to creating a transparent coffee industry chain, and through its quality traceability system, and every link in the coffee production chain is presented to consumers. This traceability not only helps ensure the quality of coffee beans but also makes consumers trust the brand more and understand the ins and outs of the product.

Luckin Coffee needs to pay attention to information disclosure and improve brand transparency by fully disclosing the company's operating status, financial data, company decisions, and other information. Luckin Coffee provides investors and the public with comprehensive and accurate information through the regular release of financial reports, company statements, and announcements of major decisions, which reduces the risk of asymmetric information and improves the company's transparency.

Luckin Coffee needs to pay attention to social responsibility and corporate sustainability. Brand transparency is not only related to business operations but also to the company's responsibility to society and the environment. Luckin Coffee actively participates in social welfare activities, cares about the welfare of employees, and promotes the concept of environmental protection. By publicly demonstrating the practical action of corporate social responsibility and establishing a sustainable corporate image.

Luckin Coffee can enhance consumer education and communication by conveying knowledge about coffee to consumers in various ways, such as the type, origin, and roasting method of coffee. By providing coffee education in stores, on social media, and on the official website, the brand has established deeper communication with consumers, enabling them to better understand the brand culture and product features.

Luckin Coffee has demonstrated excellent crisis response methods and restored the company's image. Similarly, Luckin Coffee needs to strengthen crisis communication outside the company. When the company faced a financial scandal, Luckin Coffee took swift and thorough crisis PR measures, publicizing and verifying the situation to the public, and conducting

investigations and handling by senior staff. This candid and timely response helped maintain the brand's reputation and increase public trust.

4.2 Innovation and localization of products

Luckin Coffee has long been known for its innovative business model and pursuit of a high-quality coffee experience. With the launch of Moutai Coffee in partnership with the Moutai Group, it has brought a unique product experience to consumers. The launch of Moutai Coffee further demonstrates Luckin Coffee's pursuit of product innovation. Based on Moutai Group's brewing process and high-quality Moutai flavor, this coffee incorporates traditional cultural elements, bringing a revolution in taste to consumers. Moutai coffee not only continues the quality standard of Moutai wine, but also realizes a distinctive innovation in the field of coffee [14]. As society advances and people's quality of life rises, Luckin Coffee may think about enhancing its relationship with customers to better understand their preferences and requirements to introduce novel items in a more focused way. In addition, the company could be more specific in setting targets for promoting social responsibility, such as reducing environmental impact and supporting community projects, to demonstrate its commitment to sustainable development. It is recommended to enhance transparency and show consumers what Luckin Coffee has achieved in terms of product quality and social responsibility to build a stronger relationship of trust.

4.3 Building ecosystem

In the coffee industry, Luckin Coffee is not only committed to providing a high-quality coffee experience but is also gradually building its ecosystem, similar to the successful model of Starbucks. This challenge is both a huge task and an opportunity for growth. There are not yet in-depth sustainability programs, such as a greater emphasis on eco-friendly packaging and a push to green the coffee chain. More aggressive efforts in sustainability can further enhance brand image. Second, the Chinese market for tea beverages is extremely competitive, mostly due to the country's historical emphasis on tea culture, where tea beverages account for the majority of caffeine use. As a result, Chinese consumers are more receptive to tea beverages compared to coffee. However, since Luckin Tea has been unpopular, resulting in low social exposure, the competitiveness of Luckin Coffee's tea drinks is too low compared to other tea brands. It would be better to co-brand with other milk teas to increase exposure, such as co-branding with milk tea stores such as Heytea, Coco, and Tea Panda to achieve a win-win situation, and the opportunity to co-brand can also be used to tell the story of the company and promote local culture by linking coffee and tea. In this way, the customer's recognition and acceptance of the brand will be higher, and storytelling is also easy to be trusted by consumers [6]. These potential directions can help Luckin Coffee

continue to optimize its ecosystem, adapt to market changes, enhance competitiveness, and lay a solid foundation for continued growth in the future.

5 Conclusion

In conclusion, this article uses the SWOT analysis framework to examine Luckin Coffee's marketing strategy in light of its internal and external settings, as well as its competitive landscape. Thus, in the first place, changes in the social and economic spheres of society also serve to encourage an increase in the amount of coffee that people consumption consume. The primary benefits of Luckin Coffee are its ability to establish a youthful and stylish brand identity, attract a sizable consumer base, and foster strong relationships with them from the outset. Customers were nevertheless extremely price-sensitive due to the abundance of coupons that were given out. While financial theft dealt Luckin Coffee a serious blow, it also revealed internal issues. Overall, Luckin Coffee's marketing strategy succeeded in building an all-encompassing and diverse brand image. Through the organic combination of low price, digitalization, innovation, and other means, Luckin Coffee is competitive in price but also gives more connotation to the brand in terms of brand image and user experience. In the future, Luckin Coffee is expected to continue to lead the coffee market in China, provide consumers with richer and more interesting coffee experiences, and continue to consolidate its leading position in the coffee industry. The results of this study will be beneficial for coffee industry-related practitioners to better understand the market dynamics and improve their competitiveness. Investors can use this study to gain a deeper understanding of Luckin Coffee's success and make more strategic investment plans. For academics, this study helps to expand the field of research on marketing strategies in the coffee industry and provides a reference for future research. However, this study has some objective limitations, such as being limited to data from a specific period and a specific market environment. Future research could collect data in a wider scope to gain a more comprehensive understanding. In addition, further in-depth research can be conducted on the application of digital technology in the coffee industry, as well as the differences in consumer perceptions of coffee brands in different cultures, to provide more detailed findings.

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