

Research on Market Demand Analysis and Marketing Strategy Optimization of Luckin Coffee

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Abstract:

As modern life accelerates, people are increasingly prioritizing health and wellness. One innovative response to this trend is the rise of traditional Chinese medicine coffee, which blends the ancient wisdom of Chinese herbal remedies with contemporary coffee culture. This unique beverage not only caters to coffee lovers' desire for rich flavor but also infuses the drink with the nourishing, health-promoting properties of traditional Chinese medicine. It is particularly appealing in today's climate, where consumers are seeking ways to balance indulgence with health-conscious choices. In this context, Luckin Coffee, a brand known for its innovative approach to coffee culture in China, has a significant opportunity to capitalize on this growing trend. By launching a line of traditional Chinese medicine coffee, Luckin can appeal to a broad consumer base, particularly those interested in integrating wellness into their daily routines. This article analyzes Luckin's current marketing strategy and provides targeted suggestions for the introduction of this new product. By focusing on the health benefits of Chinese herbs, creating distinct branding around wellness, and targeting specific market segments—such as health-conscious professionals and younger consumers—Luckin could successfully expand its market share. Through these strategic efforts, Luckin can further strengthen its position as an industry leader and innovator in China's highly competitive coffee market.

Keywords: Luckin Coffee; Marketing Strategy; Chinese Herbal Coffee; Countermeasures

1. Introduction

With the fast pace of modern life and the change

of consumption concept, coffee has gradually become an indispensable beverage for students, urban white-collar workers, and the middle-aged and elder-

ly. Coffee contains caffeine, a stimulant that triggers the release of neurotransmitters such as dopamine and adrenaline in the brain, leading to feelings of excitement and alertness. Therefore, moderate consumption of coffee can help people stay awake and focused and improve work efficiency. The latest figures show that the global coffee market continues to expand, and China's coffee consumption market is growing rapidly. Luckin Coffee is undoubtedly a dark horse in the Chinese coffee market. Luckin Coffee has gained considerable influence in the country through extensive publicity and affordable prices. Its taste is also deeply loved by consumers. However, Luckin is still at a disadvantage when it comes to competing with giant coffee companies such as Starbucks.

Most scholars focus on Luckin Coffee's marketing strategy optimization in the brand itself, increasing advertising efforts. Peng Zhiqiang found that rising coffee through the lock-in of core customers, differentiated competition, and super-large coverage create a complete consumer experience for customers [1]. Liu Na discovered that Luckin's brand names tend to have four major values: increasing sales by making the product more attractive, increasing exposure by getting attention quickly, deepening ties by matching audience preferences and making up for weaknesses by combining brand strengths [2]. Li Tao, on the other hand, has found that Luckin's marketing strategy improves Brand loyalty by ensuring the quality and innovation of its products, refining its APP functionality to optimize the consumer experience, building a community of consumers, improve the stickiness of consumers, train opinion leaders, deepen brand awareness, online communication, combination of offline activities, improve brand image and other ways to optimize [3]. Most scholars mainly study Luckin Coffee's marketing and brand positioning to optimize Luckin Coffee's marketing strategy; few scholars have studied the homologous combination of coffee and medicine to optimize Luckin's marketing by improving the medicinal benefits of coffee.

On the basis of keeping the original flavor of Luckin Coffee, this article adds food and medicine of the same origin or new resources, food raw materials with Oriental cultural characteristics, which not only refreshes the mind but also can harmonize the five internal organs it is of great significance to people's health, and has innovatively developed the application forms of Chinese medicine and promoted the international development of Chinese medicine culture. It not only has the commercial value of promoting Luckin coffee sales but also has the social value of promoting east-west cultural exchange and inheriting traditional Chinese medicine culture.

2. Introduction to Luckin's New Coffee Product

2.1 Product Name: Luckin Coffee

2.1.1 Product advantages

Raw Material Screening Advantages: In the screening of raw materials, the project team uses a specific instrument in a number of drugs and food homologous or new resources of raw food materials, targeting screening with the five viscera frequency of raw materials.

Functional advantages: Luckin coffee is divided into five different flavors, each flavor refreshing and refreshing at the same time, focusing on strengthening the corresponding heart, liver, spleen, lung, and kidney nourishing effect.

Connotation advantage: Luckin coffee is not only a kind of drink but also a kind of cultural inheritance and expression after adding the corresponding medicine and food homology. It combines the five elements theory of Chinese medicine and coffee culture so that consumers can taste coffee at the same time but also feel the profound and unique charm of Chinese culture.

2.1.2 Market demand analysis

Luckin Coffee is a dark horse brand in the domestic coffee market. Suppose its coffee products can combine the five elements theory of traditional Chinese medicine and coffee culture innovation. In that case, its unique positioning and health value in the market can have a unique appeal. With the improvement of People's health consciousness, the demand for health-preserving drinks is increasing day by day. Therefore, the potential demand for this new product in the market is huge. Through market research and consumer research, the company can more accurately grasp the characteristics of the target market demand for Luckin Coffee production to provide strong support.

2.1.3 Technical feasibility analysis

The production of new products and coffee needs to master certain technology. First of all, the company needs to ensure that the quality of raw materials meets the standard, which requires us to use a unique instrument to screen out high-activity raw materials. Secondly, the company needs to master the unique formula and production process of coffee to ensure the quality and taste of the product achieve the desired results. In addition, the company also needs to consider the selection of production equipment, production process optimization, and other issues. Through technical evaluation and experimental verification, the company can confirm that the coffee production technology is feasible.

2.1.4 Economic benefit analysis

it is necessary to consider the economic benefit of the production of new coffee products. First of all, the company needs to estimate the cost of investment, including equipment acquisition, raw materials procurement, staff costs, and so on. Second, the company needs to price the company's products to ensure that they cover costs and are profitable. In addition, the company also needs to consider market competition, sales channels, marketing strategies, and other factors that influence economic efficiency. Through the analysis of economic benefits, the company can judge whether the new coffee product is economically feasible.

2.1.5 Resource and Environmental Feasibility Analysis

The production of new coffee products also needs to consider resource and environmental issues. First, the company needs to assess whether the raw material resources needed are sufficient and stable in price and whether a stable supply chain system can be established. Second, the company needs to consider the production process of en-

ergy consumption and waste emissions to ensure that the production process is in line with environmental requirements. In addition, the company also needs to consider the production site, equipment, facilities, and resource conditions to meet production needs. Through the feasibility analysis of resources and environment, the company can confirm that the new coffee production product meets the feasibility of resources and environment.

2.1.6 Market positioning

Luckin Coffee is a mid-end coffee product. Its new product, coffee, set up the five elements of Chinese medicine theory and the perfect combination of coffee culture through unique packaging design, store decoration, and marketing activities, showing this integration of the cultural connotation of the brand image. The new product is aimed at students who often stay up late, high-intensity work of urban white-collar workers, and coffee-loving middle-aged and older adults.

2.2 Marketing Research and Analysis

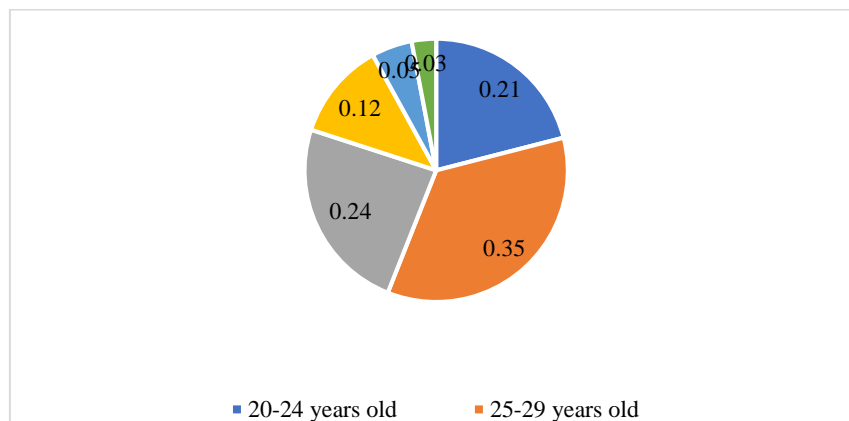


Fig. 1 Analysis of age groups of coffee consumers in China

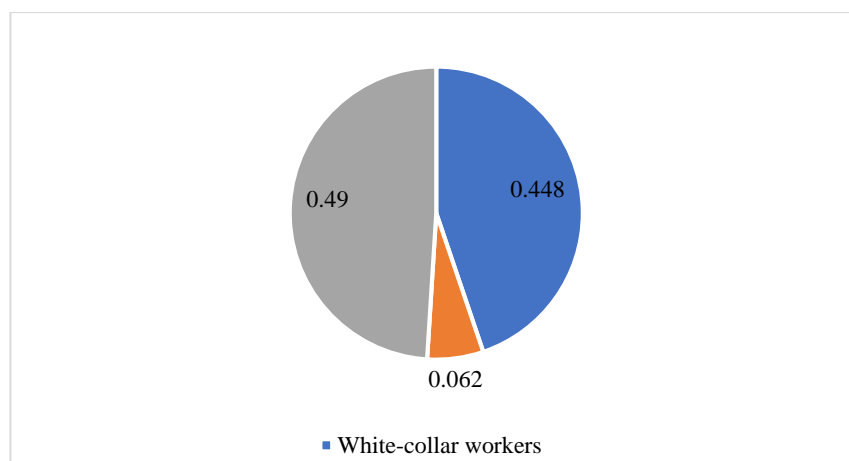


Fig. 2 Occupational analysis of coffee consumers in a shop in Shanghai

As Figure 1 and Figure 2 show, the post-90s make up the majority of coffee consumers, and office workers and students are in great demand for coffee every day. Combined with the survey data in Figure 2, this paper shows that the coffee consumption market is developing rapidly in China, and the average annual compound growth rate reaches 30.7% from 2017 to 2022. In 2022, the market scale of China's current coffee industry is 134.8 billion yuan, and coffee consumption is expected to maintain an annual growth rate of 27.2%. The size of China's coffee market will reach 1 trillion yuan in 2025. Statistics on the coffee market show that there are Chinese herbal medicine and coffee combined products, but this Chinese herbal coffee focuses on refreshment and protection of the liver and can not be targeted to reconcile the five zang organs. Therefore, the company chose to detect the frequency of the instrument screening raw materials, including the high activity of coffee beans, nourishing the five zang-organs of traditional Chinese medicine raw materials, thus targeting regulation of the five zang-organs.

3. Luckin Coffee Marketing Strategy

3.1 Luckin's Frequent Price Wars with Rivals have Further Reduced Profits

Luckin's long-term \$9.90 pricing strategy, while gaining market share, has also lowered its profit margin from 15.0 percent to 13.4 percent over the same period. Marketing expenses increased to 380 million yuan in the third quarter, up 137 percent from 160 million yuan in the same period. Luckin Coffee continued its "9.9 yuan coffee" promotion due to the continued expansion of its rival, Kudi Coffee. As a result, the average selling price of its products has fallen, and overall operating expenses have increased, which has a combined impact on profitability. On top of that, rising raw material costs are also behind Luckin's lower margins. As the number of stores and product lines expands, the amount of raw materials required to purchase continues to increase. Luckin Coffee, to ensure product quality, selects high-quality imported coffee beans and, in the production process, uses some high-end equipment, which leads to its procurement and relatively high costs [4].

3.2 Luckin Coffee Marketing Effect is not Good through the Survey Results

The younger generation of target consumers on Luckin Luckin coffee marketing's effect of recognition is relatively small. Luckin Coffee is concerned about the lack of novelty and diversity of media choices, the main use

of publicity posters, and online WeChat to share and promote. While there are Luckin apps in the online channel, Luckin Coffee's APP template and consumption patterns have changed little, and it's single-use, uncreative, boring, bulky, and takes up a lot of memory. With the development of the new media era, not only the smart media, which rely on the mass media technology and WeChat platform, but also many new media, such as Douyin, Quick Hand, and Little Red Book, are becoming more and more popular. Multi-media and new dissemination of the integration help enhance the target consumer's recognition of Luckin Coffee's new media [5].

3.3 Luckin Coffee doesn't Have a High Stickiness

Although the number of people who consume Luckin coffee is increasing year by year, Luckin coffee suffers the most from customers' disdain for its iced coffee products, widely considered "Adulterated" by customers, many first-time consumers of iced coffee drinks "Less than two cities", the dissatisfaction led to its, not twice or multiple purchases Luckin coffee products. Luckin Coffee's user viscosity requires the company to focus on optimizing its marketing strategy.

4. Suggestions

4.1 Innovative Marketing Methods to Create a Differentiated Advantage

Luckin Coffee frequently has a series of price wars. Not only is it not conducive to the company to control the cost of related raw materials, but the entire Chinese coffee market is not good. To this end, the company can innovate its marketing methods. First, Luckin can use the Luckin coffee app to launch a range of new online marketing tools, such as establishing a one-stop shop for online ordering and delivery and learning about consumer preferences through big data, and thus provide personalized collocation and package to improve the user experience [6]. Secondly, Luckin Coffee can interact with customers through coffee products and surrounding benefits and use passenger flow such as stations, buses, and other densely distributed leaflets to enhance customer flow. In particular, Luckin Coffee in the promotion can focus on its "Moose" brand image for promotion so that customers have a deep memory of the brand [7].

4.2 Innovate on the Product

Now, the consumer's motivation is increasingly diversified, and many consumers are no longer simply in pursuit

of coffee's "Refreshing" function. Especially in first-tier cities like Beijing, Shanghai, and Shenzhen, where life is fast-paced and spending power is strong, people like to accept new things, and the motivation for coffee consumption is not limited to leisure time and social interaction [8]. To this end, the new product, Chinese herbal coffee, may be able to make up for this lack. Chinese herbal coffee is concentrated in big cities where people are generally under great pressure and suffer from sub-health Problems. It can not only refresh the mind and leisure time, but more importantly, its medicinal function can be very effective in improving people's sub-health. Constitution is conducive to improving the national level of physical fitness [9].

4.3 Create Interesting Marketing Campaigns for the Company's Customers

Today, because of the increasingly competitive coffee market, people tend not to stick to a shop frequently consumption. In order to keep customers interested and infuse fresh traffic, Luckin can engage in some interesting marketing, such as "Share your circle of friends to participate in a lucky draw", "Group can get some small blind box", etc., through the blind box lucky draw and other interesting and stimulating one of the marketing activities, can further enhance Luckin coffee customer viscosity [10].

5. Conclusion

In general, Luckin Coffee has a clear position in the market and on the product side. Although Luckin Coffee's marketing strategy has problems, such as frequent price wars with rivals, resulting in lower profits, poor marketing results, and low stickiness among users, the corresponding innovative marketing means to create differentiation advantage for the product itself to innovate for customers to open some interesting marketing activities and other measures to solve the above-mentioned problems effectively and is conducive to Luckin coffee to expand the market size further and strengthen the core competitiveness of their own industry. In this paper, Luckin coffee is the marketing strategy of the problem to carry out some targeted opinions and put forward new Chinese medicine coffee

products.

However, this article lacks research on Luckin's coffee market competitors, which is not conducive to the company's core competitiveness analysis; thus, learning from each other to optimize their own company's marketing strategy and product quality, future articles will focus on Luckin coffee and other leading Chinese coffee companies, from a number of angles.

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