

# Luckin Coffee's Segmentation and Positioning

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**Abstract.** With the gradual increase in the acceptance of coffee by Chinese consumers, the penetration rate of coffee in the Chinese market has gradually increased. Since 1999, Starbucks opened its first store in China in Beijing, the boutique coffee represented by Starbucks has been rapidly expanding in China. After 2017, with the gradual development of Internet technology and the continuous improvement of the national consumption level, coffee has become the second largest beverage market in China after tea, and the coffee brand has shown explosive growth in China. According to statistics, there are already more than 180,000 in China, of which Luckin. Coffee is the most representative Chinese coffee brand in this period. In the increasingly competitive Chinese coffee market, it will be a challenge for existing or emerging coffee brands to occupy a place in the Chinese coffee market. This paper will analyze the segmentation, positioning, and pricing of Luckin Coffee in the context of China's coffee market, using methods such as conjoint analysis, hoping to provide literature help for other coffee brands.

**Keywords:** Luckin Coffee, Product positioning, Segmentation.

## 1 Introduction

In an era marked by rapid technological advancements and changing consumer behavior and demands, businesses have recognized the imperative of digitalization to foster sustainable growth and competitive advantage. This literature review examines the digitalization strategies and new retail marketing strategies employed by Luckin Coffee, encountering trends changes in the coffee industry, as detailed in the articles on Digitalization Strategies for Sustainable Growth: A Case Study on Luckin Coffee's Success [1]; Exploring Luckin Coffee's Expansion into Unmanned Retail: A Comprehensive Analysis of New Retail Marketing Strategies and Traditional Branding Approaches [2] and iResearch Trends: "Seven Major Trends in the Coffee Industry"[3]. The review explores how the company's adept utilization of digital technologies

has facilitated the creation of a thriving ecosystem, optimization of store expansion and management, and enhancement of user engagement for enduring success. In addition, it provides valuable insights into how the company blends new retail concepts with old brand marketing to carve a distinctive niche in the competitive coffee industry.

The article *Digitalization Strategies for Sustainable Growth: A Case Study on Luckin Coffee's Success* states three main points of Luckin Coffee's digital marketing:

1. **Creating a Flourishing Digital Ecosystem:** The article *Digitalization Strategies for Sustainable Growth: A Case Study on Luckin Coffee's Success* underscores the significance of developing a comprehensive digital ecosystem as the cornerstone of Luckin Coffee's success story. This ecosystem revolves around utilizing data-driven insights to refine product offerings, marketing strategies, and customer experiences. By leveraging advanced analytics, the company acquires deep insights into customer preferences and behavior, enabling it to curate products that resonate with its target audience. This strategy not only boosts revenue streams but also cultivates a strong brand-consumer relationship.

2. **Technology-Driven Store Expansion and Management:** Luckin Coffee's journey highlights how digital technologies have revolutionized the traditional approach to store expansion and management. The company's experience underscores the role of data analytics in identifying prime locations, predicting foot traffic patterns, and optimizing resource allocation. Through this integration, Luckin Coffee achieves an enhanced understanding of consumer preferences, which in turn influences decisions related to store placement, layout, and staffing. This synergy between digital insights and physical presence optimizes operational efficiency and customer satisfaction.

3. **Precision User Engagement through Digital Empowerment:** Central to Luckin Coffee's digitalization prowess is its strategic utilization of digital platforms to engage users at a personalized level. By harnessing data analytics and user insights, the company tailors its marketing campaigns, customer communications, and loyalty programs to cater to individual preferences. This approach generates a sense of belonging among customers and fosters brand loyalty. Moreover, the company's emphasis on creating a seamless, digitally-mediated experience bolsters user engagement and retention rates.

Whereas *Exploring Luckin Coffee's Expansion into Unmanned Retail: A Comprehensive Analysis of New Retail Marketing Strategies and Traditional Branding Approaches* analyzes into four major branding strategic layouts of Luckin Coffee [2].

1. **Luckin Coffee's Unmanned Retail Expansion:** The focal point of the article is Luckin Coffee's strategic entry into the unmanned retail sector, a move that exemplifies the company's agility in adapting to emerging trends. The *Unlimited Scene Strategy* highlights Luckin's intention to create seamless customer experiences across various touch-points. By leveraging technology and data analytics, the company aims to establish a presence in diverse scenarios, enhancing accessibility and convenience for its customer base. This approach not only broadens market reach but also strengthens brand loyalty through consistent engagement.

2. **New Retail Marketing Strategies in Focus:** Luckin Coffee's venture into unmanned retail is underpinned by a comprehensive new retail marketing strategy. This strategy integrates cutting-edge technologies such as AI-driven personalization, QR code payments, and data analytics to customize user experiences. By offering tailored promotions, product recommendations, and

loyalty rewards, the company enhances customer engagement and fosters a sense of exclusivity. This personalized approach aligns with the modern consumer's preference for convenience and personalization, propelling Luckin's competitive edge.

3. **Blending Traditional Branding with Innovation:** While embracing new retail paradigms, Luckin Coffee remains cognizant of the enduring value of traditional brand marketing. The company's ability to seamlessly blend its established brand identity with innovative approaches is a cornerstone of its success. Recognizing the power of brand recognition, Luckin harnesses traditional marketing channels, such as visual aesthetics, storytelling, and emotional connections, to resonate with consumers on a deeper level. This fusion of the old and new strengthens the company's brand equity and fuels its growth.

4. **Analysis of Luckin Coffee's Old Brand Marketing:** Additionally, this review examines how Luckin Coffee's foray into new retail intersects with its traditional brand marketing strategies. The company's consistent branding elements, like its logo, color scheme, and store design, foster a sense of familiarity amid technological advancements. This interplay maintains brand consistency and allows Luckin to seamlessly transition its existing customer base into the realm of new retail, while attracting new customers through innovation.

According to iResearch Trends: "Seven Major Trends in the Coffee Industry"[3], seven trends happening in the coffee industry that Luckin needs to adapt to accordingly, including Trend 1: Rise of Specialty Coffee: Discuss the trend toward specialty coffee and its implications for the coffee industry; Trend 2: Sustainability and Ethical Sourcing: Examine the growing emphasis on ethical sourcing and sustainability in the coffee industry; Trend 3: Digital Transformation: Analyze the role of digital technology in shaping the coffee industry; Trend 4: Health and Wellness: Explore the trend of health-conscious consumers seeking healthier coffee options; Trend 5: Convenience and On-the-Go Consumption: Examine the demand for convenience in the coffee industry; Trend 6: Diversification of Coffee Offerings: Discuss the expansion of coffee menus beyond traditional offerings; Trend 7: Cultural and Social Experience: Analyze the transformation of coffee shops into social hubs. With the trends navigating the evolving landscape of the coffee industry, Luckin Coffee has a more straightforward approach to make its branding and digitalization updates.

The success of Luckin Coffee serves as a compelling case study that exemplifies the transformative potential of digitalization in achieving sustainable growth. The company's adeptness at creating a flourishing digital ecosystem, utilizing technology for store expansion and management, and elevating user engagement underscores the multidimensional advantages of digital strategies. In an era where businesses strive to remain relevant and competitive, the lessons derived from Luckin Coffee's journey provide invaluable insights into leveraging digitalization for long-term success. As the digital landscape continues to evolve, Luckin Coffee's strategies stand as a beacon of innovation and adaptability for companies navigating the challenges of the modern business environment. Furthermore, Luckin Coffee's expansion into unmanned retail exemplifies its dexterity in navigating the ever-evolving business landscape. The synthesis of new retail marketing strategies and traditional brand marketing is the bedrock of its success. The case study discussed in Exploring Luckin Coffee's Expansion into Unmanned Retail: A Comprehensive Analysis of New Retail Marketing Strategies and Traditional Branding Approaches illuminates how Luckin Coffee thrives by creating a dynamic ecosystem that caters to both modern consumers' preferences and the timeless allure of established branding [2]. This

strategy serves as a blueprint for businesses aiming to strike a balance between innovation and tradition in an era of transformative change.

## **2 Value Proposition**

Luckin Coffee is a good example of the coffee market in China, it became the largest coffee chain brand only within 5 years, it's famous competitor Starbucks has entered this market for 24 years. As a standard successful example, it is worth to analyze Luckin Coffee's marketing strategies which help it to gain market share in the coffee market. In this research paper, an analysis of Luckin Coffee's marketing strategy will be given, including the company's propositions, business model, pricing, segmentation & targeting, and vision. According to the article 2022 Luckin Coffee Special Study - China's Leading Coffee Chain, Strong Product Operation Recovery is Expected [4], the current coffee market is expected to reach 100 billion yuan, accounting for 36.50% in 2020, 63.1% in Japan in the same year, and more than 80% in Taiwan, China, and the United States, with broad development space. According to the prediction of the Toubao Research Institute, the current coffee market size CAGR will reach 26.7% from 2019 to 2024, with an estimated market size of 159.4 billion yuan by 2024. We advised Luckin Coffee to enlarge its vision, expand its business to the whole of Asia, and gain more revenue from this enormous and profitable market.

### **2.1 Problems**

According to our research, in China, the choice of coffee drinks in most coffee shops is limited to two types, black coffee, and latte, there are fewer options for Chinese customers to choose from, and also, the quality of coffee beans in some coffee shops is really hard to judge, some coffee shops use poor quality coffee beans to cut down the cost; moreover, most Chinese consumers will find the regular coffee is bitter, they are inclined to sweeter drinks like bubble tea. In China's fast-paced social effects, people like to improve their productivity through coffee. "Adrenaline stimulates the adrenal glands to produce hormones that make people feel energetic and refreshed, and the adrenaline in caffeine also increases the heart rate", said Dr. Albert Ann, an internist at New York University Langone Medical Center [5]. But according to China Quality News Network, most Chinese people have no time to enjoy and taste the atmosphere brought by high-quality coffee, 80 per cent of the people will choose milk tea, a type of beverage instead of coffee, this problem arises, long-term consumption of milk tea will lead to a variety of physical discomfort, such as excessive sugar intake, resulting in increasing in body weight [6]. Therefore, Luckin Coffee has launched a new coffee drink through research and investigation.

### **2.2 Products**

To solve the above two problems, Luckin coffee combines the taste of bubble tea and coffee and makes it much healthier than regular bubble tea. We call it Co-Tea drinks. The company introduced a new type of beverage into the Chinese drinking market. The most representative is the raw coconut latte, which is sealed for more than 100 million in one year.

## **2.3 Core Competence**

### **2.3.1 The professional product development team**

One of the core competencies is the professional product development team, they're called the Bean Hunters. A strong team of bean hunters is also the key for Luckin Coffee to "battle of the beaches". Luckin announced that Anthony Douglas, the champion of the 2022 WBC (World Barista Championship), will lead the team, to which Anthony Douglas said, "As the champion of the World Coffee Masters Championship, I'm very happy to cooperate with Luckin Coffee. The Chinese coffee market is growing rapidly, and I look forward to learning more about Chinese coffee culture, sharing my knowledge and skills with Luckin Coffee, and bringing a high-quality coffee experience to Chinese consumers" [7]. The company has more than 60 employees in this team, also joining the bean hunting team are 10 R&D staff from Rexchip with Q-Grader certification, which is one of the world's most stringent coffee sensory testing systems and is regarded as the most prestigious certificate in the global coffee industry. There are a total of 48 Q-Grader certified R&D team members in Luckin, and the top talents carry out professional quality control to ensure the procurement and development of high-quality coffee. This series of strong teams guarantees the quality of Luckin coffee. One of the most impressive achievements is that the team launched more than 100 new Co-Tea drinks in 2022. The existence of this kind of co-tea coffee is very suitable for Chinese people's taste. It is Luckin Coffee's analysis of the Chinese market that has led it to overtake Starbucks as China's top-selling coffee company by 2023.

### **2.3.2 High-quality raw material**

The company has established five coffee bean production areas all over the world, which can provide them with stable, standardized, and high-quality coffee beans.

### **2.3.3 Strong IT technology**

Technology is also the core of the Luckin coffee business, their technology covers every aspect, from customer engagement and storefront operations and to supply chain management.

### **2.3.4 Low expansion forces**

Luckin Coffee's expansion efforts are low, because of their sound, well-constructed systems, it is simple for them to copy and to attract a huge market share. In addition, they are not expanding much as their systems are sound and well-structured and can be easily replicated and attract huge market share. Because they opened the franchise, and some of the raw materials and other items prices to the lowest, so that the franchisee only needs to provide the location of the shop and staff recruitment, from a certain degree to attract many people to join the lucky coffee, so that the lucky coffee in the number of scales to further expand!

## **3 Brand Positioning**

The brand positioning of Luckin Coffee is a high-quality coffee brand that is young, fashionable, convenient, and approachable. Such positioning will be analyzed in two aspects: competitor

analysis, which includes the analysis of per customer transaction and convenience, and customer analysis.

### 3.1 Competitor Analysis

Per investigation on the Chinese coffee market, we extracted thirteen coffee brands that compete with Luckin Coffee-Starbucks, Pacific Coffee, Cotti Coffee, Costa Coffee, Manner, M stand, Nowwa Coffee, Tim Hortons, Peet's Coffee, JUECO, Store by .jpg, Lucky Cup, and Nescafé. They were analyzed in terms of the two most affective factors for consumers' purchasing decision: per customer transaction and convenience. Details can be found in Table 1.

**Table 1.** Per customer transaction and accessibility of Luckin Coffee and its competitors [Owner-draw].

	per customer transaction (Unit: CNY)	Accessibility (approximate number of stores in China)
Luckin Coffee	11.5	10000
Starbucks	35	6500
Pacific Coffee	23	300
Cotti Coffee	15	4500
Costa Coffee	35	300
Manner	20	500
M stand	36	350
Nowwa Coffee	27	1800
Tim Hortons	26	650
Peet's Coffee	36	120
JUECO	10	55
Store by .jpg	25	50
Lucky Cup	8	1850
Nescafe	5	4500

Base on the data collected above, the comparison of these brands in terms of accessibility and price can be visualized in Figure 1.

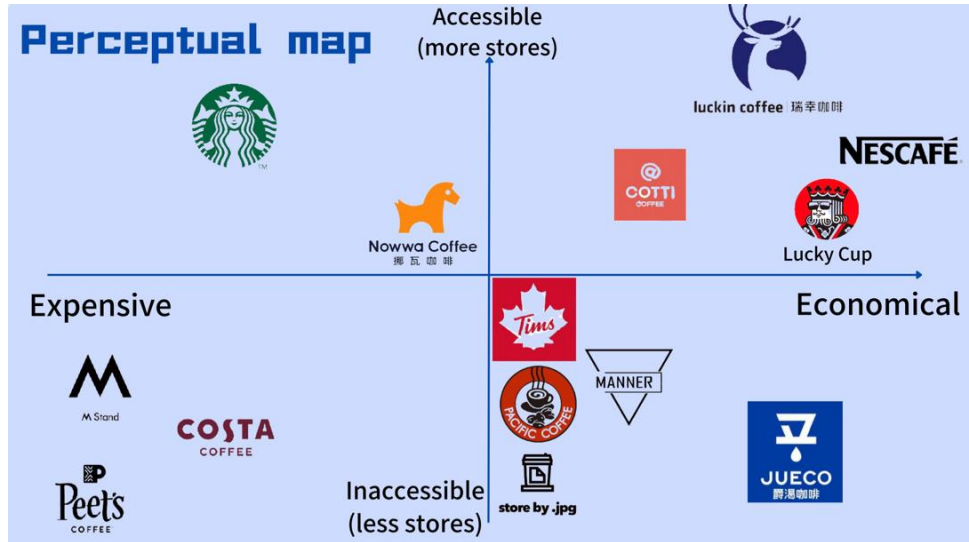


Fig. 1. Perceptual map of Luckin Coffee and its competitors [Owner-draw].

As we can see from Figure 1, Luckin Coffee's competitive advantage lies in its extreme convenience and low-end price setting, which address the pain points of high prices and lack of wide distribution of stores in China, making Luckin Coffee the leader in China's coffee market.

### 3.2 Customer analysis

According to Table 2 from iResearch [8], Luckin Coffee's main customers are white-collar workers and students, and nearly 50% of the customers are concentrated in the age group of 25-34 years old in first-tier cities, new first-tier cities, and second-tier cities.

Table 2. Customer analysis of Luckin Coffee base on cities' types and ages [8].

Luckin Coffee	First-tier cities	New first-tier cities	Second-tier cities
Under 18 years old	0.7%	1.0%	1.5%
18-24 years old	14.8%	25.3%	25.6%
25-34 years old	45.8%	44.9%	45.3%
35-44 years old	37.3%	27.7%	26.7%
Over 45 years old	1.4%	1.1%	1.0%

As shown in Table 2, Luckin Coffee's product concept and brand positioning are relatively new and fashionable, making it attractive to mostly young consumers that are relatively easier to follow latest trend and accept new concept [8].

## **4 Business Model**

Luckin Coffee operates a new retail model driven by technology. This model is based on a mobile app and a network of stores.

### **4.1 Mobile Application**

Luckin Coffee's mobile application is available on all major mobile operation systems such as IOS and Android, as well as on WeChat and Alipay, two of the most popular social and payment platforms in China. The mobile application covers the entire customer journey from advertising and marketing to ordering and payment. On these e-commerce platforms, in addition to the function of online ordering, Luckin Coffee also sells the same coffee beans, coffee powders, coffee liquids, raw coconut milk, thermos cups and other products in Luckin offline stores, and has made 7.7 yuan to make a homemade raw coconut latte in the store. This online business model significantly reduces operating costs like labor costs for manual ordering, and improves operational efficiency by allowing Luckin Coffee to track customer repurchase rates, product sales volume, and customer feedback. This also enable Luckin Coffee to create or introduce new products that tailor to the specific customers' need.

### **4.2 Store Network**

Luckin Coffee is currently operating three types of stores nationwide, namely, Quick Pick-up Stores, Premium Stores, and Takeaway Kitchen Stores.

#### **4.2.1. Quick Pick-up stores.**

These stores account for more than 90% of Luckin Coffee's total store count and are typically located in office buildings, business districts, and university campuses. They are small (20-60 square meters) and have limited seating capacity. This focus on Quick Pick-up Stores allows Luckin Coffee to maintain close contact with its target customers and expand rapidly while controlling opening costs.

#### **4.2.2. Premium Stores**

These stores are larger in scale but fewer in number than Quick Pick-up Stores. They have more seating capacity and are better decorated, providing a good environment for customers to study or work. Premium Stores are primarily used to build up Luckin Coffee's brand image and do not have as high sales as Quick Pick-up Stores.

#### **4.2.3. Takeaway Kitchen Stores**

These stores only accept takeaway orders, saving on rent, decoration, and labor costs. They are typically located in areas with high demand for takeaway orders. Luckin Coffee partners with delivery service companies such as Meituan Takeaway, HungryMall, and Shunfeng Same City Rush Delivery to fulfill takeaway orders. The company uses a city heat map to plan the expansion and distribution of stores, ensuring that they are reasonably and extensively distributed. This allows Luckin Coffee to achieve faster delivery speeds than its competitors, giving it a significant convenience advantage.



## 5 Pricing

### 5.1 The Introduction of Conjoint Analysis

According to the introduction from Harvard Business School [9], conjoint analysis is a form of statistical analysis that firms use in market research to understand how customers value different components or features of their products or services. It's based on the principle that any product can be broken down into a set of attributes that ultimately impact users' perceived value of an item or service. Conjoint analysis is typically conducted via a specialized survey that asks consumers to rank the importance of the specific features in question. Analyzing the results allows the firm to then assign a value to each one. The insights a company gleans from conjoint analysis of its product features can be leveraged in several ways. Most often, conjoint analysis impacts pricing strategy, sales and marketing efforts, and research and development plans. Conjoint analysis can be used to measure the relative sensitivity of a certain type of consumer to price attributes, which can be used as one of the strategies for pricing. If the effect value is kept constant and the level of price and other attributes is varied, the sensitivity of price to other attributes can be measured. To obtain the optimal price for Luckin Coffee, which means that the company can get the maximum profit in a certain product life cycle, in this analytical study, conjoint analysis would be used for optimal price determination.

### 5.2 Determining the Attributes and Attribute Levels of Luckin Coffee

According to the functional value framework, the attributes of the product need to be identified first. There are two requirements for attributes. Firstly, they should be the salient factors influencing consumer preferences and need to be the most important for the market. Secondly, attributes and attribute levels should be measurable and actionable. By analyzing the China coffee market and Luckin Coffee meanwhile considering the above two factors, this paper chooses three attributes and two competitors: the competitors are Starbucks and Cotti Coffee, and the three attributes are price, waiting time, and volume. The price range is 6 to 65 RMB, and 30 prices in this range are chosen for this study, with a level spanning 2, for example, 5, 7, 9, etc. sequentially accumulated to 65. The waiting time contains 4 levels: 3-15mins, 15-21mins, 21-39mins and 39-50mins; volume also contains 4 levels: 210-240ml (XS), 330-360ml(S), 450-480ml(M) and 570-600ml(L). The specific attributes and attribute levels are shown in Table 3.

**Table 3.** The Specific Attributes and Attribute Levels.

	Level One	Level Two	Level Three	Level Four
Waiting Time (mins)	3-15	15-27	27-39	39-50
Volume	210-240(XS)	330-360(S)	450-48-(M)	570-600(L)
Price	5 7 9 11 13 15 17 19 21 23 25 27 29 31 33 35 37 39 41 43 45 47 49 51 55 57 59 61 63 65			

Conjoint analysis would consider all the attributes and attribute levels of a product to generate a range of products. In this paper, three brands and three attributes are selected, of which price has 30 levels and the other two attributes have four levels. During the survey, consumers are required to evaluate 480 products, which is far more than the rational evaluation capacity of consumers. Therefore, only 100 surveys were selected for data collection in this process of analysis.

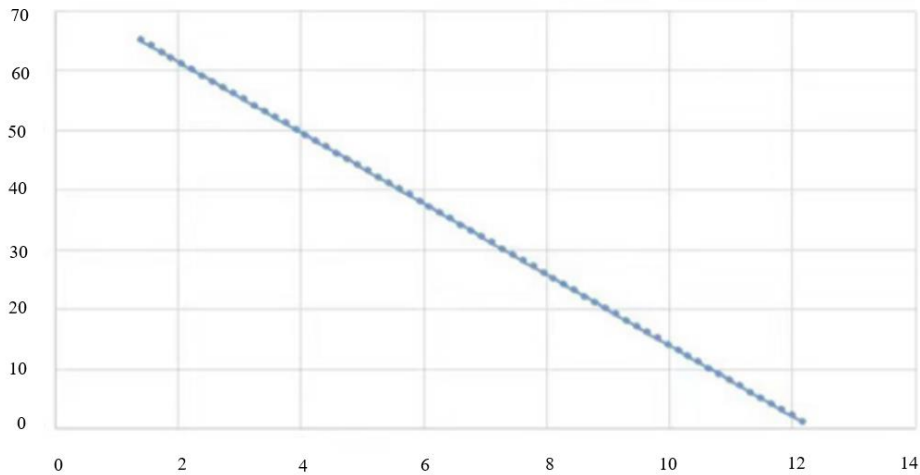
### 5.3 Data collection and analysis

The data for this experiment came from 21 students at Sichuan University in Chengdu, Sichuan Province, including 9 male students and 12 female students. This data collection quantized the choices of the test subjects, which means that it indicates the consumer's preference through numbers, 1 means choose this product, and 0 means not choose this product. From the analysis of these 100 surveys, it can be concluded as preference results that these 21 students have their preference for 3 attributes and attribute levels. The results will be analyzed by linear regression analysis, which is effective in deriving the utility value of each attribute to derive the revenue, profit, and demand, which in turn predicts the value of the product. The calculations resulted in the analysis shown in Table 4 and the demand curve (see Figure 2)

**Table 4.** The Results of Linear Regression.

	Coefficients	Standard error	T Stat	P-value	Lower 95%	Upper 95%
Intercept	0.382776092	0.081602	4.69077	3.21E-06	0.22259	0.54296
X Variable 1 price	-0.006573609	0.000926	-1.559089	0.112041	-0.00329	0.00034
X Variable 2 waiting time	-0.007417424	0.001349	-5.49914	5.18e-08	-0.01006	-0.00477
X Variable 3 volume	0.00040951	0.000165	2.474591	0.013551	8.46587	0.00073

Demand curve



**Fig. 2.** Demand Curve.

The results show that the intercept of this survey is 0.382776, while the coefficient for price is -0.006573609, the coefficient for waiting time is -0.007417424, and the coefficient for volume is 0.00040951. Consumers are most sensitive to the waiting time and least sensitive to the volume.

According to the formula of functional value framework: Value= Intercept+Coefficient1\*Price+Coefficient2\*Waiting Time+Coefficient3\*Volume. Substituting with the numbers of the above results from the surveys, the functional value of Luckin coffee can be measured, which the value=0.382776-0.006573609\*Price-0.007417424\*Waiting Time+0.00040951\*Volume.

To get the relationship between price and revenue, this survey fixes the waiting time up to 12 minutes and volume up to 460ml. According to the formula: Revenue= Price\*Quantity, based on the functional value framework, a further formula can be deduced: Revenue= Price\*Quantity=Price\*(Functional Value\*Market Size). According to the previous section, the market size of Luckin Coffee is about 25.593 billion dollars. Substituting all the known values into the above formula, it can be concluded that the linear regression between price and revenue. Because there are too many calculation results in this survey, this paper will not show all the calculation results. The most important part of the calculation results is shown in Table 5.

**Table 5.** Partial Calculation Results.

Price	Quantity	Revenue
35	6.451105	225.788658
36	6.28286612	226.18318
37	6.11462774	226.241226
38	5.94638936	225.962796
39	5.77815097	225.347888

As can be seen from Table 5, when the price is at 37 RMB, Revenue reaches the maximum value of \$226.18318 billion, thus, when the pricing of Luckin Coffee is at 37RMB, the maximum revenue will be reached.

## 6 STP

### 6.1 Customer segmentation

Segmentation assists companies to explore their potential customer among well divided smaller customer groups with various features. Luckin coffee segment the customer in three dimensions: geographic, demographic, occasions, and the demand for coffee. The main coffee consumer groups are in tier 1 cities and tier 2 cities, with age 15-35. Social interaction is not their main purpose, only 15%, so the possibility of packaging is greater. The images of coffee are different from customers' eyes, one type of customers considers coffee as a representation of slow-pace life. Those people enjoy drinking coffee in a relaxed environment, value a high-quality lifestyle, also usually emphasize the quality of coffee (the origin of coffee beans, milk, and so on). Most of them drink coffee to refresh their minds, like a kind of functional drink, caffeine in coffee helps to keep them awake, promising their productivity. Simultaneously, they require good tastes, but not emphasize the quality.

### 6.2 Target Customers

Based on the segmentation, white-collars and young costumers are the target customers of Luckin. The customers groups determine the types of coffee it provides, the range of price of

the drinks, the time taken to produce each cup of coffee, and how it distributes the offline store location. Luckin Coffee is positioned as a new coffee chain brand with "high quality and low price" in China, and is committed to providing Chinese consumers with convenient, fast, and high-quality life needs. Based on a comprehensive analysis of Luckin Coffee's products, pricing and location, Luckin Coffee's target customers can be categorized into the white-collar group and young consumers, for example students, under 24 years old.

### **6.3 Target Customers**

#### **6.3.1. The white-collar group**

The white-collar group, especially those in the core business circles of China's first-tier cities. One of the major needs of this group is speed. To meet the consumption needs of this group, Luckin Coffee has set up 84% of its stores in the major business districts of the cities, so that it can provide coffee drink services to white-collar workers more efficiently. In addition, Luckin Coffee operates over 10,000 off-line stores in China, which means the store density is very high, people can see them everywhere in the city, and distances between stores are not long, so customers in those areas can get to Luckin Coffee more conveniently. Luckin also promote advertising communication marketing towards the white-collar group precisely. Firstly, the two celebrity spokespersons of Luckin have excellent movie works, and have good reputation of strong professional competence and public praise, these characteristics are favored by general white-collar group. Offline, Luckin spreads advertisements throughout subway, elevator, and other places in first tier cities. Attracting consumers with high intensity exposure. Lucky Coffee collaborates with Focus Media, which focuses on office advertising in China, to launch a wave of screen swiping communication in major office elevators, quickly and extensively leaving a deep and good impression on white-collar workers.

#### **6.3.2. Young consumers under the age of 24**

Young consumers under the age of 24, mainly college students and young people who have just entered the workplace. There are two obvious characteristics of this type of users, one is that the per capita disposable income of this consumer group is not high, they are more sensitive to the price, they will be more concerned about the price, the strength of the offer and other key information. For this young consumer group, Luckin Coffee will regularly put coupons and other discount information to this group to increase the repurchase rate of the product. The price range of coffee in Luckin Coffee is from 16 to 38RMB, however, coupons can be gained from various channels given by the official of Luckin Coffee, so the lowest price after using coupons is only 9.9RMB. This price is much more affordable for the customer, the price advantage becomes more obvious when the spending of every cup of coffee are added together in total, attracting customer that drinks coffee very often. Secondly, this group of consumers is more able to accept new products and more willing to try new coffee products. Products provided by Luckin Coffee are creative, many will add some other ingredients on top of classic coffee. For example, the best sale of Luckin is the new product invented by itself called Coconut Latte----Latte based on cold-pressed coconut milk. Luckin Coffee maintains a speed of releasing a new product almost every 3 days. According to Interface News, in 2020, Luckin Coffee launched a total of 77 new products, in 2021, 113 new products, and in 2022, 140 new products were launched [10]. The speed of inventing new creative products enables customers to keep fresh about this brand, especially those who drink coffee frequently.

## **7 Vision And Market Size**

### **7.1 Current market background**

At present, the coffee industry is becoming more competitive. According to data from iResearch and Ele.me cited on Zhihu, China's freshly ground coffee market size grew from 28.4 billion yuan in 2017 to 119.1 billion yuan in 2022, with NOWWA coffee, Lucky Café, and other local coffee brands on the rapid rise [11]. Many new stores have lowered their coffee prices to an extreme low, such as Cotti Coffee's 8.8 coupon and 1 yuan all-you-can-eat purchase.

### **7.2 Vision**

The vision expressed on the official website of Luckin Coffee is to "create a world-class coffee brand and make Luckin a part of people's daily life"[12], and Luckin Coffee is endeavoring to penetrate every part of daily life through its products and services, as well as promoting its brand to the world to convey the concept of a better life and stimulate the ardent expectation of a better life. According to the product life cycle principle, Luckin Coffee is currently in the growth stage: according to the data from Beijing News [13], in 2022, Luckin Coffee's total net revenue will reach 13.293 billion yuan (approximately 1.9273 billion U.S. dollars), an increase of 66.9% compared to 7.9653 billion yuan in 2021. Of this, self-operated stores accounted for \$9,414.5 million in annual revenue, up 52% from \$6,192.7 million in fiscal year 2021. Net profit was \$488.2 million, compared to \$578.7 million in 2021. This is also the first time that Luckin Coffee's revenue scale has exceeded 10 billion yuan, and the overall operating profit for the year has turned a profit for the first time.

On March 31, Luckin Coffee's two stores in Singapore opened for business at the same time. Today, Luckin Coffee has opened nine stores in Singapore and has a sizable revenue. Therefore, the ambition of Luckin Coffee has been oriented toward foreign countries, and it will be stronger and stronger. Based on the current development of Luckin Coffee, in the future, Luckin Coffee can become Asian TOP1, the first choice for working people, students and other young people in Asia, creating a delivery version of Starbucks."There are three points that can better explain the vision of Luckin Coffee.

#### **7.2.1. Become the most numerous coffee chain in Asia**

Luckin Coffee has reached nine stores in Singapore, located in core business districts, landmark buildings, office buildings, mixed-use communities, and suburban shopping centers. "The arrival of the Singapore store is the first step for Luckin Coffee to go overseas. Although it is still in the early testing stage, we hope to deepen the Singapore market for a long time, bring consumers a new consumption experience, and inject new vitality and development momentum into the local coffee market.", said Guo Zhanyi, Chairman and CEO of Luckin Coffee [14]. Forecast 2037 (14 years later), the number of stores in Southeast Asia reached 3,000, and mainly located in Singapore; in East Asia (such as South Korea and Japan) the number of stores reached 10,000.

#### **7.2.2. Internet services across Asia TOP1**

In the future, Luckin's unmanned retail machines will cover various places such as offices, campuses, airports, stations, gas stations, highway service areas and communities, and create a new customer consumption experience with all online payment methods and all digital operations.

Luckin Coffee as a domestic Internet coffee pioneer, realizes the intelligent scheduling and intelligent ordering of the whole store through big data and Internet backstage system, including the intelligent marketing system, which gives different labels to each customer according to the characteristics of his purchases, and the customer can choose his own favorite". Compared to other coffee shops that create a sense of atmosphere to attract consumers through store space, it is more about integrating Luckin coffee into consumers' lives by linking drinking Luckin coffee with different scenarios. Meanwhile, according to Capital Whale [2], on January 8, 2020, Luckin Coffee (Nasdaq: LK) held a strategic conference to release its intelligent unmanned retail strategy, launching the unmanned coffee machine "RuiJiGou" and unmanned vending machine "RuiHuaSuan" with the aim of improving the convenience of the intelligent service. The aim is to improve the convenience of smart services.

### **7.2.3. The leader of the tea and coffee industry in Asia**

"Tea and coffee" are a unique product representative of the Chinese coffee market, which integrates Chinese tea into coffee. As Asians are cultivated to have the habit of drinking tea, the popularity of Luckin Tea Café is entirely won by product development and flavor. To go global, Luckin will open coffee bean roasting factories in Malaysia, stabilize the product supply chain abroad, and ensure that more people drink coffee of high quality. According to Avery Consulting data, the post-90s are the main consumer group of ready-made coffee, and young people are chasing the trend of new things and are highly tolerant of the diversified flavors of coffee. Therefore, the tea coffee of Luckin should be promoted to young consumers in Southeast Asia and East Asia, and the innovative tea coffee flavor can attract more consumers to buy it.

### **7.3 Market size**

As of December 31, 2022, we had 134.7 million cumulative transacting customers. Currently, after using coupons, the company's average per-customer spending is around 15-20 yuan, as Luckin official website 2022 Annual Report stated [15]. So based on the formula, market size = Number of customers x Total revenue per customer. Then the market size is 25.593 hundred million.

## **8 Conclusion**

The main purpose of this paper is to study the marketing strategies developed by Luckin Coffee in terms of pricing, product positioning, and customer segmentation to help it become a star brand in China's coffee industry. To achieve this purpose, it is investigated the data on the Internet, applied the method of conjoint analysis and other methods, and came up with the following conclusions:

1. Customer segmentation and targeting: The brand positioning of Luckin Coffee is a high-quality coffee brand that is young, fashionable, convenient and approachable. The products offered by Luckin Coffee are very creative, many of them will add some other ingredients based on classic coffee, the price range is from 16 to 38 yuan, and the density of stores is high so that consumers can get the goods more conveniently.

2. Core competition: Luckin Coffee's competitive advantage lies in its extreme convenience and low to mid-range price setting. Luckin Coffee's product concepts and brand positioning are relatively new and fashionable, which is why Luckin Coffee can attract the purchase of many young and strong people.

3. Business model: Luckin Coffee's business model is a new retail model driven by new technology. This new retail model is based on mobile application and store network. On the one hand, it uses the Internet and big data to improve the efficiency and convenience of purchasing Luckin Coffee and facilitate online analysis of customer preferences; on the other hand, the opening of offline stores creates Luckin Coffee's brand image of fashion and speed.

4. Pricing: Through the joint analysis method and questionnaire survey, according to the revenue formula  $\text{Revenue} = \text{Price} \times \text{Quantity}$ , the value obtained from the experiment can be brought in, which can be derived as  $\text{Revenue} = \text{Price} \times \text{Quantity} = \text{Price} \times (\text{functional value} \times \text{market size})$ . When the price is 37 yuan RMB, the highest value of revenue is \$226,183,180,000,000, so the highest revenue will be reached when the price of Luckin Coffee is 37 RMB.

5. Market size and vision: See that the market size of Luckin coffee is about 25.593 billion dollars. According to the current business model and development strategy of Luckin Coffee, Luckin will become the top coffee chain in Asia in the future, and its main impact is reflected in the fact that Luckin Coffee will be integrated into people's life scenarios, become the first choice of young people, and create a "delivery version of Starbucks", with its main distribution in Southeast Asia, and East Asia. Overseas is mainly distributed in Southeast Asia and East Asia.

In the future, Luckin should appropriately increase the unit price of coffee and get out of the vicious cycle of low-price competition; consider from the user's perspective, develop more new types of products, and enrich flavors; expand the coverage of Luckin's unmanned retail machines, such as offices, campuses, and airports, and use all online payment methods and all digital operations to create a new customer consumption experience.

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