

Analysis of Luckin's Brand Joint Strategy

Xinyu Liu^a

School of Economics, Zhongnan University of Economics and Law, Wuhan, China

Keywords: Luckin Coffee, Brand Joint Strategy, Marketing Strategy.

Abstract: With more and more brands in the market, customer segmentation is becoming more and more refined, and brand joint strategies are increasingly being used. At the same time, China's coffee market demand becomes vigorous, the competition in the coffee track is fierce, and many coffee companies have begun to adopt a co-branding strategy. Luckin is one of the most frequently co-branded beverage companies. This study mainly uses causal attribution analysis and regression analysis to explore Luckin's brand joint strategy and its specific results. According to the study, Luckin's sales growth is mainly due to the rapid expansion of stores, frequent new product launches, and global digital marketing strategies, and the co-branding strategy has helped Luckin too little to increase sales and exposure, and has been masked by the traffic brought by new product launches. This article advises Luckin to streamline its co-branding activities as much as possible, and does not recommend that other small companies invest too much in co-branding.

1 INTRODUCTION

In recent years, the hierarchical segmentation of users has become more and more refined. The customer acquisition cost of each brand has also risen. Brand joint strategy is a strategy that allows the two brands to integrate their influence and audience segments, and cut the marketing costs of both parties. Juhua., 2023. Therefore it has become more and more popular in various industries, especially in the increasingly competitive coffee market. Recently, China's coffee market has been expanding, and consumer demand has become more and more diverse, which has intensified the complexity of competition in the coffee industry. SPDB International Securities., 2024. This has prompted coffee shops in China to adopt a co-branding strategy to increase market share. However, not everyone can achieve proportional results, even Luckin, which has always been keen on co-branding. Most of Luckin's co-branding activities did not bring large traffic fluctuations to Luckin, and only festivals and some special co-branding strategies such as Moutai brought remarkable outcome. GROWTH BOX., 2023. Previous studies have focused more on the layout of

Luckin co-branding itself and the results brought by co-branding, but have not deeply analyzed the overall marketing strategy layout of Luckin and the position and role of co-branding in the overall layout. This study explores the overall marketing strategy layout of Luckin and the main factors that increase Luckin's sales and traffic. The study also analyzes the implementation process of Luckin's co-branding strategy through causal attribution analysis and regression analysis.

2 THE STATUS OF LUCKIN'S BRAND JOINT ACTIVITIES

Luckin has always been known for its frequent brand joint activities. In 2023, Luckin has carried out 24 co-branding, as shown in Table 1. At this year, Luckin has co-brand 7 times with comic, 4 times with celebrities, 3 times with brands, twice with bands, banks, and sports teams, and once with variety shows, e-sports, music festivals, and art exhibitions. The most popular in this series of co-branding are Cat and Mouse, Moutai and Line Puppy. Co-branding with Moutai has brought millions of profits to Luckin.


^a <https://orcid.org/0009-0004-6737-8603>

Table 1: Overview of the 2023 Luckin's co-branded events.

Luckin 2023 co-branded brand	
Comic	Meilin the spring festival series
	Line puppy "Repair the dog love story"
	The prickly rose of doraemon: Nobita and the ideal land of the sky
	Animation "Dart man-kunlun boiled snow " latte
	Line dog tanabata "Black pineapple"
	Tom and jerry-first anniversary of the raw cheese latte
Celebrity	Tom and jerry-the christmas special edition
	Meilin the spring festival series
	Line puppy "Repair the dog love story"
	The prickly rose of doraemon: Nobita and the ideal land of the sky
	Animation "Dart man-kunlun boiled snow " latte
	Line dog tanabata "Black pineapple"
Brand	Tom and jerry-first anniversary of the raw cheese latte
	Tom and jerry-the christmas special edition
	Meilin the spring festival series
Bank	Line puppy "Repair the dog love story"
	The prickly rose of doraemon: Nobita and the ideal land of the sky
Sports team	Animation "Dart man-kunlun boiled snow " latte
	Line dog tanabata "Black pineapple"
Others	Tom and jerry-first anniversary of the raw cheese latte
	Tom and jerry-the christmas special edition
	Meilin the spring festival series
	Line puppy "Repair the dog love story"
	The prickly rose of doraemon: Nobita and the ideal land of the sky
	Animation "Dart man-kunlun boiled snow " latte

However, Luckin's frequent co-branding activities did not bring him matching result. Luckin mainly relied on major festival activities to increase exposure. The correlation between co-branding and the number of active people in Mini Programs was not strong. GROWTH BOX., 2023. Therefore, the later part of this article will explore the factors that really increase Luckin's exposure, as well as the specific role of co-branding and its operational strategy.

3 LUCKIN'S OPERATION LAYOUT

3.1 Luckin's Operation and Management Layout

Luckin's sales channels cover both online and offline. It has a very large number of stores, which provides strong support for its offline sales. At the same time, Luckin has also laid out its own APP and WeChat mini-program to provide users with online ordering and delivery services. Its marketing approach also covers online and offline channels. Yejing, Yongquan & Anyi., 2023. Through online official channels such as WeChat official account, Tiktok official account, Micro-blog official account and Bilibili official

account, it can achieve promotion and drainage and improve brand exposure. At the same time, Luckin will also place offline advertisements in office buildings, campuses and other places with dense consumers to achieve offline promotion and improve offline exposure. In addition to expanding the scope of its offline promotion, ubiquitous stores also helped it achieve the conversion process from exposure to sales.

Luckin's core resources include brand awareness, a large user base and data scale, a sound supply chain management system, stores and equipment. Luckin's brand awareness is one of its most important assets. Luckin's young, fashionable and convenient brand image created through multiple channels has attracted many young users and established a good reputation and reputation in the hearts of consumers. Luckin's huge user base has attracted many brands to cooperate. At the same time, Luckin has a large number of data resources, including user preferences, sales data, etc., which also help Luckin make better decisions. Wei & Shiwei., 2022. It has a complete coffee production, processing and distribution system, which can better control the entire supply chain and ensure the quality and stability of products. Luckin has more than 1,600 offline stores, providing physical support for it to develop the offline market and provide goods and services.

Luckin's revenue sources include sales revenue from beverages, food, and peripheral products, as well as income from franchise fees and service fees. Luckin's offline stores sell products including various types of drinks, sandwiches and other meals. At the same time, Luckin will also sell peripheral products such as cups and hanging ear coffee through online e-commerce platforms to provide diversified products and improve the brand stickiness of consumers. Luckin's stores are mainly divided into directly operated stores and affiliated stores. The franchise deposit and operating commission collected from the affiliated stores also form a part of its revenue.

Luckin's operating costs mainly include material costs, store rents and operating costs, depreciation and amortization expenses, delivery expenses, sales and marketing expenses, and general and administrative expenses. As shown in Fig 1, Luckin's material costs in 2023 were RMB 10,892,214, store rental and other operating costs were RMB 5,167,482, depreciation and amortization expenses were RMB 604,580, delivery expenses were RMB 2,010,699, selling and marketing expenses were RMB 1,286,523, general and administrative expenses were RMB 1,829,651, and other expenses were RMB 1,829,651.

Luckin's partners include three parties, namely suppliers, delivery companies and franchisees. Luckin has established close cooperative relations with suppliers of coffee beans, milk tea and other suppliers to ensure the stability and controllability of Luckin's raw material supply. Luckin has established a supply network covering five of the world's largest coffee bean producing regions, including Colombia, Brazil, Ethiopia, Guatemala and Yunnan, China. On the basis of controllable origin of coffee beans, Luckin has also increased investment in the construction of roasting bases to improve the ability to control the whole process of coffee. At the same time, Luckin has also formed a "blue partner" alliance with major suppliers to establish a strict raw material management mechanism to ensure the professionalism and quality of raw materials. Luckin has formed a close cooperation with the distribution

company. In terms of warehouse-to-warehouse and warehouse-to-store transportation, Luckin mainly cooperates with two logistics and distribution companies and three well-known third-party warehousing and logistics service providers in China to ensure the timeliness and stability of raw material transportation. In terms of product delivery business, Luckin mainly cooperates with third-party platforms such as Meituan and Ele.me to provide customers with delivery services. Luckin adopts the franchise model to expand the scale of the store, and shares profits while improving brand awareness by jointly operating the store with the franchisee.

3.2 Luckin's Main Source of Sales Growth

Based on the above analysis of Luckin co-branding and its business model, this paper argues that the sales growth of Luckin is not closely related to the frequent daily co-branding. This paper argues that the main sources of Luckin's sales growth are Luckin's rapidly expanding stores, frequent new product launches, Luckin's social media operations, and discount strategies.

Luckin's rapidly expanding number of stores has boosted Luckin's sales. Luckin's store can be divided into two types, namely self-operated stores and associated stores. Luckin's affiliated store franchise model is currently divided into three types, the franchise model with stores, the directional point franchise model and the new partner franchise model. The joint store opening model is an important way for Luckin to carry out market sinking and scale expansion. Through the store franchise model Luckin can continue to expand in the existing market. Through partners, increase market share. Through the directional point franchise model and new partner franchise model, Luckin can quickly expand the scale of stores in the market that is not yet saturated or just entered, improve Luckin's local popularity and quickly enter the market.

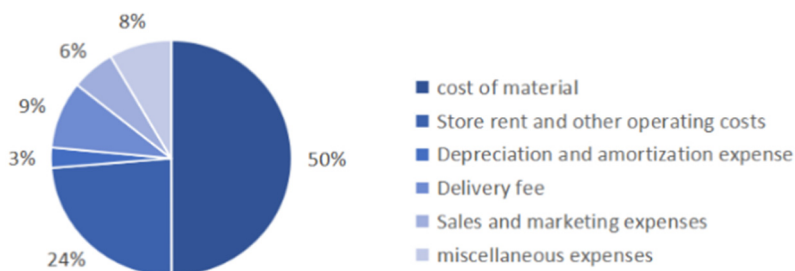


Figure 1: Luckin operating costs in 2023 (Picture credit: Original).



Figure 2: Luckin store expansion (Picture credit: Original).

Table 2: Regression results of Luckin's operating income and the number of stores.

SUMMARY OUTPUT								
Regression Statistics								
Multiple R	0.930119							
R Square	0.865121							
Adjusted R Square	0.838146							
Standard Error	6.69E+08							
Observations	7							
ANOVA								
	df	SS	MS	F	Significance F			
Regression	1	1.44E+19	1.44E+19	32.0704	0.002387			
Residual	5	2.24E+18	4.48E+17					
Total	6	1.66E+19						
	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	2.26E+08	8.99E+08	0.25163	0.811342	-2.1E+09	2.54E+09	-2.1E+09	2.54E+09
X Variable 1	468835.7	82788.22	5.663073	0.002387	256021.8	681649.6	256021.8	681649.6

As shown in Fig 2, with the official release of Luckin's joint store plan in May 2022, the number of Luckin stores has greatly increased. By the end of 2023, the number of Luckin stores has reached 16,248, covering the entire central and eastern regions of China. At the same time, the average monthly transaction customers of Luckin stores have not been lowered because of this, and have been in a stable area, that is, Luckin has developed stores in most of China under the condition that the sales of existing stores are not affected. In order to further confirm the impact of store expansion on Luckin's total sales, this paper conducts a regression analysis on the sum of the number of stores and operating income of Luckin, and the results are shown in the figure above.

According to the regression analysis results in Table 2, it can be found that the P-value of the fitting

results of the two sides is 0.81, which is higher than 0.5, which means that the number of stores has a strong correlation with the total turnover of Luckin. It can be inferred from this that the rapid expansion of Luckin's sales is related to its market layout strategy in the country. Luckin has rapidly increased the number of offline stores in various high-demand markets, thereby expanding its market share in the existing market at a relatively fast rate. At the same time, Luckin opens up new markets through directional point franchise and other models, and opens up new markets through the phased layout of store distribution in the market, so as to expand the overall market scale of Luckin.

Luckin's frequent new product launch speed has increased the repurchase rate of customers and attracted new customers to buy. In 2021, 2022, and

2023, Luckin will launch 113, 108, and 102 new products respectively, which is much higher than the level of its peers. It covers a wide range of products, from the traditional classification of categories, Luckin's products can be divided into freshly brewed coffee, tea, baked meals and various peripheral products. In the classification of freshly brewed coffee, Luckin broke the traditional practice of dividing the coffee product line into food, latte, etc., Luckin focus on the "milk coffee" drink and adopts the "big latte" strategy. Luckin created four major product series, including the thick milk latte, raw coconut latte, velvet latte and raw cheese latte. At the same time, after last year's sales of tea and coffee products, Luckin opened up a tea and coffee product line. In general, Luckin's product launch will not be confined to the conventional coffee classification. It adopts a horse racing mechanism for the R&D department. One department conducts the research and development of classic coffee, and the other four departments compete with each other on the basis of classic coffee to launch beverage-based coffee. And then precipitate explosive products through internal testing and external trial sales screening. At the same time, in order to help new products better meet and feedback market demand, Luckin uses algorithm technology to link the new product delivery strategy, automatic ordering strategy, smart warehouse network planning and allocation model, etc., to achieve end-to-end full business flow node connection. Luckin Coffee., 2022.

Luckin's global digital marketing network layout has improved user awareness and private domain conversion rate. Luckin's rapid expansion is inseparable from its comprehensive marketing network layout. It vigorously deploys its private domain, and achieves considerable private domain traffic conversion. Wenyi, Jiaxing & Yaorui., 2024. Luckin's private domain undertaking tools are mainly APP, official account, mini program, enterprise WeChat, circle of friends and enterprise WeChat group. In order to maximize the expansion of private domain traffic and conversion rate, Luckin has carried out a comprehensive and multi-means layout in drainage, fission and conversion. New customers will get a large amount of discounts when they place an order for the first time. And there will be a discount reminder button, users only need to click the allow notification button, and the event message of Luckin

will be automatically transmitted to users in the future. If users want to get more discounts, they can enter the community through WeChat. Therefore, Luckin uses discounts to attract traffic and expand private domain traffic. By allowing old users who have entered the private domain to share links with friends to get coupons, gift cards to friends, multi-person package discounts, etc., Luckin can quickly achieve the fission of private domain traffic and expand its user scale. (Yanrong, Wei, Yunxian & Yuru., 2023). For existing users, Luckin will continue to attract users' purchase interest, increase user stickiness and private domain conversion rate by means of frequent new launches, regular preferential activities, multi-platform and multi-channel promotional activities, medal tasks, research and development of peripheral products, and high-frequency co-branding.

4 THE OVERALL LAYOUT OF THE CO-BRANDING STRATEGY

Combined with the above, it can be found that the drainage effect of most of Luckin's co-brands is not good, and more often it is the new stores, new products developed and multi-channel promotional discounts that bring traffic. This section will explore the strategic layout and operation mechanism of Luckin's co-branding strategy from the overall layout of its co-branding strategy.

4.1 Luckin Co-Branded Marketing Implementation Path

Luckin's co-branded activities are carried out to promote new products, so many times the traffic growth brought by co-branding will be hidden in the sales of new products. There are two matching mechanisms between new products and co-branding, namely new products looking for co-branding and partners guiding new products.

As shown in Fig 3, Luckin's product department will develop new products every month according to market demand and user taste preferences, and the new products will be handed over to the marketing

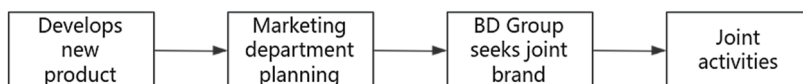


Figure 3: New products looking for co-branding process (Picture credit: Original).

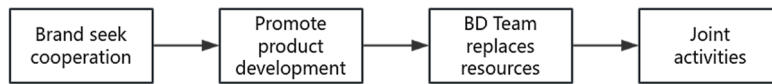


Figure 4: Partners lead the development of new products (Picture credit: Original).

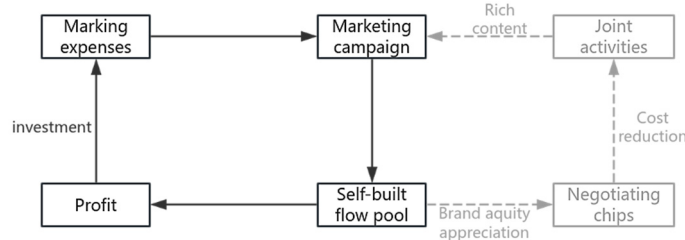


Figure 5: Luckin Co-branded Compounding Process (Picture credit: Original).

department to prepare for all aspects of new product promotion activities. If a co-branded party is found, the marketing department will join the co-branding activities in the new promotion activities, and if a suitable co-branding party is not found, it will not affect the original promotion activities planned by the marketing department.

As shown in Fig 4, in addition to Luckin taking the initiative to seek new product promotion cooperation from the brand, there will also be brands taking the initiative to seek cooperation, the marketing department will promote product research and development according to the partner, and the BD team will carry out private domain publicity and other resource replacement with the partner, and the joint activity will be launched after the product is developed and the marketing departments of both sides communicate the promotion plan.

The above two co-branded cooperation models can show that in fact, Luckin puts co-branding in a more casual position, and in most cases does not spend too much energy to seek co-branding, co-branding is just an additional activity of Luckin to the existing promotion activities, and no co-branding will not affect Luckin's new product launch and promotion. This is one of the reasons why previous studies have found that most co-branding does not bring much traffic fluctuation. The traffic growth brought by Luckin's new product itself will mask the effect of most co-branded activities, and only explosive co-branding like Moutai can bring a more obvious traffic impact.

Combined with Luckin's co-branding partner selection process and Luckin's rich history of co-branding and product launch, this paper argues that Luckin's co-branding is not so much a new product promotion activity, but rather a publicity means for Luckin to maintain the youthfulness of its own brand

and the image of its products keeping pace with the times. It's just that Luckin's own new product promotion has already reflected Luckin's advancement with the times, and most of the co-branded activities seem to be somewhat repetitive.

4.2 Luckin's Co-Branding Costs and Benefits

Luckin's high frequency of co-branding is related to its lower co-branding expenses. As shown in Fig 5, Luckin has mainly relied on its rapidly expanding store size, diversified social media promotion methods, large discounts, and high-frequency new promotion activities to expand and stabilize its self-built traffic pool. On this basis, Luckin uses its own huge user base as a bargaining chip to negotiate with partners and reduce co-branding fees. The high-frequency activities enriched its marketing activities, further improved the breadth of Luckin's drainage, increased its user base, achieved brand equity appreciation, and further reduced its co-branding fees.

Although Luckin's co-branded activities are also a kind of publicity and promotion of Luckin's drainage methods, combined with the dismantling of the effectiveness of its co-branding effect in previous articles, this article argues that Luckin's co-branded activities may not necessarily increase more exposure on the basis of the traffic brought by the new promotion, after all, Luckin's other promotion measures have done everything they need. However, combined with Luckin's low-cost investment in co-branding activities, co-branding can be added to the promotion of new products greatly. Runqing., 2021. But for the large amount of co-branding investment of other companies, imitation of Luckin is not supported here.

5 CONCLUSION

Combined with the research in this paper and previous research, it can be found that Luckin's co-branding strategy has not brought breakthrough traffic growth in most cases, although Luckin has not made too large a cost investment in co-branding, but too frequent co-branding will sometimes cover up the characteristics and highlights of the new product itself, and sometimes too many unnecessary co-brandings will make users tired and constantly push new advertisements to swipe the screen, improve the user's co-branding threshold, which is not conducive to the truly excellent co-branding to exert its own charm and drainage value. Therefore, this article still recommends that Luckin appropriately cut unnecessary co-branded activities and not develop its own brand into an advertising booth.

Excellent co-branding can indeed bring super high traffic to enterprises, but in this period of cross-border co-branding, users have become tired of all kinds of co-branding, and the probability of explosion that co-branding can bring is becoming less and less. Zuobin, Shaochen & Linji., 2023. Co-branding is not a panacea, and it is recommended that other small and medium-sized enterprises should still focus on building their own traffic pools, and then consider adopting co-branding activities on this basis.

This article deeply explores the main supporting factors of Luckin's sales growth, the role of the co-branding strategy in the overall promotion of Luckin and the layout of the strategy, and provides suggestions for Luckin and other similar companies on the co-branding strategy. Finally, although this paper studies the impact of co-branding on Luckin, because its impact is hidden in the traffic growth brought by the new product, this paper only conducts qualitative analysis and does not quantitatively distinguish between them. In the future, further quantitative analysis of the effect of co-branding may be carried out in order to quantitatively analyze the impact of co-branding on sales.

REFERENCES

- Juhua, Ch., 2023. Why is brand cross-border co-branding so popular?. *Zhongguancun*, 10,30-32.
- Growth, B., 2023. Dismantling of Luckin Co-branded Marketing Strategy.
- Wenyi, L., 2024. Analysis of Luckin Coffee's brand marketing strategy under the new "4P" theory. *China Business Review*, 06, 65-68.

- Luckin Coffee., 2022. Transformation and Reinvention - Luckin Coffee 2020-2022 Corporate Governance Report.
- Yanrong, L., Wei, L., 2023. Research on the Problems and Countermeasures of the Operation and Development of Enterprises' Private Domain Traffic from the Perspective of New Consumption: A Case Study of Luckin Coffee. *Modern Business*, 13, 7-10.
- Zuobin, L., 2023. Research on the Strategy of Brand Co-branding Marketing in the New Consumption Environment: A Case Study of Luckin Co-branded Moutai. *Modern Marketing (Late Edition)* (12), 47-49.
- SPDB International Securities., 2024. Break the tradition, drive innovation, and follow the trend to create a new pattern of China's coffee industry.
- Wei, W., Shiwei, H., 2022. Research on the commercial design of Luckin Coffee brand. *Creative Design Source*, 2, 59-66.
- Yejing, W., Yongquan, H., 2023. Research on the Counterattack Model of Digital Marketing of Coffee Enterprises. *Cooperative Economy and Science and Technology*, 24, 70-72.
- Runqing, Z., 2021. Cross-border co-branding communication strategy of new and old brands. *Cooperative Economy and Science and Technology*, 23, 86-87.