

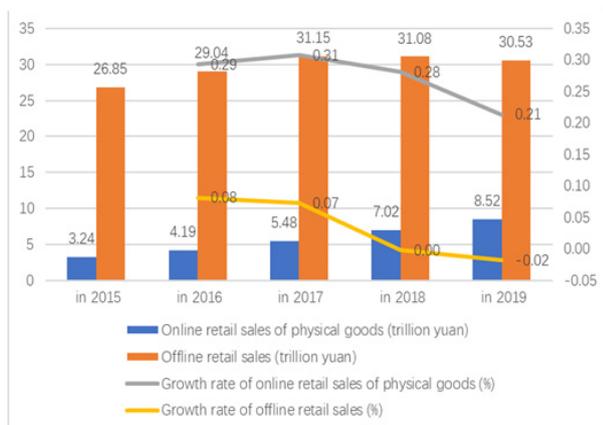
# Analysis of Marketing Innovation Under the New Retail Mode-Taking “Luckin coffee” as an Example

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**Abstract:** With the rise of high-end technologies such as artificial intelligence and big data, many new consumption patterns are constantly emerging, from offline retail to online e-commerce and then to a New Retail mode combining online e-commerce, offline and logistics. The New Retail mode not only brings a strong impact to the traditional retail industry, but also provides many enterprises with new operation and marketing ideas. The research object selected by the author is Luckin coffee, a representative enterprise of the New Retail mode, by analyzing the operation mode of "online APP+ offline store + logistics" used by Luckin coffee and the marketing method implemented under this mode, the innovation of Luckin coffee's marketing method is concluded, including Viral social fission marketing, Innovation of service process, Big data differentiated marketing, Novel scene positioning, Omni-channel retail, which can provide some ideas such as Social fission, Big data prediction, differentiated marketing, Fully integrated channels and so on for other traditional retail enterprises to reform and new Retail enterprises to formulate marketing strategies.

## 1 Introduction



**Figure 1.** Comparison of China's Online and Offline Retail Sales and Growth Rate (Unit: Trillion Yuan, %)

Source: National Bureau of Statistics

As you can see from the figure above, we can see that the rapid development of the Internet has brought about significant changes in the traditional retail industry. Firstly, from 2015 to 2017, China's offline retail sales continued to grow, and from 2017 to 2019, China's offline retail sales showed a trend of decline, however, the growth rate of offline retail sales has been declining from 2015 to 2019, and has been negative since 2017. In addition, the number of stores in China's traditional retail industry continues to decline, and even the phenomenon of closing stores has appeared in the market [1]. Secondly, with the gradual maturity of e-commerce platforms, the user

groups of Taobao, JD and other e-commerce platforms have stabilized and their growth has gradually slowed down. From 2015 to 2019, China's online retail sales of physical goods have been on the rise, while the growth rate of online retail sales of physical goods began to decline after the growth in 2017. It can be seen that the growth rate of online shopping transaction turnover is gradually slowing down. All in all, it can indicate that the development of traditional e-commerce platforms is facing challenges and retail industry reform is imminent.

When the single online or offline retail is facing development challenges, in October 2016, Ma Yun in Yunqi Assembly put forward the concept of "New Retail", as a new business mode, the New Retail conforms to the background of the current social Internet era. It combines traditional offline stores and e-commerce platforms, providing a new development direction for the transformation, reform and marketing of traditional retail and online e-commerce. Luckin Coffee is one of the earliest enterprises to adopt the New Retail mode. This paper analyzes the New Retail mode and marketing methods of Luckin coffee, and explores the innovation of Luckin coffee in marketing methods, which is conducive to the transformation of enterprises and the formulation and implementation of marketing strategies after the transformation.

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## 2 Related Theories

### 2.1 The New Retail

New Retail is a new mode in which individuals and enterprises rely on the Internet to upgrade and transform the production, circulation and sales process of commodities by using psychological knowledge and advanced technologies such as big data and artificial intelligence, so as to reshape the business structure and ecosystem, and deeply integrate online services, offline experience and modern logistics<sup>[2]</sup>. The core idea of the New Retail is to combine online and offline, and change the traditional business mode, so that consumers can not only get online shopping experience, but also do not lack the real feeling of offline shopping, and complete the upgrading of consumption process and experience.

### 2.2 "Online + Offline + Logistics" Mode

"Online" refers to all non-physical channels, such as PC terminal and e-commerce. Online shopping has advantages such as price transparency, personalized recommendation and quick payment. "Offline" generally refers to all physical retail formats. The core resource of offline is the store, which can provide users with personal consumption experience and better service, and has the consumption characteristics of scene, which complements the advantages of online shopping and realizes the comprehensive online and offline experience. "Logistics" is not the same as the transportation of goods, but refers to the modern logistics system that can adapt to the New Retail trend. The "online + offline + logistics" mode mentioned in the article refers to Luckin coffee's customer-facing operation mode, excluding the supply side.

### 2.3 Omni-channel Retail

Omni-channel retail means that enterprises should adopt the combination and integration of retail channel types as far as possible to meet the requirements of customers' shopping, entertainment and social comprehensive experience. These channels types include physical stores (stores, service shop), five-star shop (outlets direct selling, direct mail catalog, telephone shopping, TV shopping, online, mobile phone shop), information media (website, call center, social media, Weibo, WeChat), etc. Almost every kind of media is a kind of retail channel, this does not mean that enterprises choose all sales channels, but to face the choice, combination and integration of more channels<sup>[3]</sup>.

## 3 Luckin coffee's Introduction and Marketing Innovation Analysis

### 3.1 Introduction to Luckin Coffee:

Luckin coffee, headquartered in Xiamen, was founded by Qian Zhiya, the former COO of UCAR Group. It is the

representative of the New Retail chain coffee enterprise. Luckin coffee makes coffee affordable and accessible to everyone, and strives to be a part of everyone's life. Luckin coffee makes full use of Internet technologies such as big data and cloud computing to drive New Retail mode, optimize supply chain at all levels, Subverting the impression of traditional retail in consumers' mind. New Retail bring more complete and better consumption experience to consumers, and promote the development of China's retail industry reform.

### 3.2 Comparison of service patterns

#### 3.2.1 Traditional chain coffee shop service model:

Figure 2 shows the service model of traditional chain shops. Traditional shops are mainly centered on offline stores, and marketing, settlement and delivery are completed through offline stores. Offline stores also mostly rely on the store manager and employees for work, which is less efficient than Luckin's online app.



**Figure 2.** Traditional chain coffee shop service model

Figure 3 is Luckin coffee's service mode. Luckin coffee adopts the New Retail mode, which first reduces the dependence on large offline stores. Through online App, Luckin coffee can make marketing, access to customers, customer information analysis and sorting, customer purchase and cash register online, which can accurately describe the operation data, change the previous mode of offline stores as the center, and improve the operation efficiency.



Figure 3. Luckin coffee's Service Mode

### 3.3 The Process of Buying Luckin coffee

Firstly, customers can download the Luckin coffee APP in the mobile phone APP market and log in with their mobile phone number or WeChat. After logging in, users can place an order on the APP, and the APP will recommend the nearest store for customers. After that, a QR code and the corresponding digital code will be generated. Offline store starts to make goods after orders, when the goods production is completed, users will be informed by the APP that order has been completed, at this time, the user can choose to pick up or deliver by others, users who choose to pick up their own products can get the products by brushing the QR code in the store, they can take their goods after confirmation by the waiter.

### 3.4 Luckin coffee's Marketing Innovation Analysis Based on the New Retail

**3.4.1 Viral social fission marketing:** Luckin coffee has a novel marketing method to attract new customers. Consumers who have downloaded the APP only need to send updates on Weibo, WeChat or other social platforms. When new users click in to download the APP, new and old users can each have a cup of free coffee. Under the age of the Internet, there are a lot of We-media, online information dissemination speed is fast, coupled with a great deal of preferential, consumers take the initiative to spread information, making the number of customers increase rapidly. The cost of acquiring new customers is the cost of two cups of coffee. Moreover, the cost of two cups of coffee is not given to advertisers, but directly given to customers, which increases the value delivered to customers in the supply chain.

**3.4.2 Innovation of service process:** China's new generation of consumers pay more and more attention to personalized consumption, and they are more receptive to emerging things and more adaptable to mobile Internet consumption mode. Meanwhile, they also pay more attention to shopping experience<sup>[4]</sup>. Luckin coffee adopts the mode of "online +offline + logistics" to make customer

experience, information flow and capital flow more unobstructed. First of all, instead of ordering at the site, customers get relevant information, place orders and pay through the APP, at the same time, customers can choose to pick up at the store, so that they can have the experience of combining online shopping with offline shopping. Secondly, there is no need to set up a cash register in the store, the cash flow will not pass through the physical store, the service personnel are only responsible for the production of coffee, and the operation of stores is more concise and efficient.

**3.4.3 Big data differentiated marketing:** Users of Luckin coffee place orders on the APP online. The APP background can obtain all the consumption records of consumers, such as consumption frequency and taste. Big data technology is used to analyze the consumption records of consumers, construct user portraits and obtain consumption information of different consumers. After learning about customers' consumption habits, Luckin coffee can accurately grasp customers' preferences and put in different advertisements, provide personalized menus, and increase the chances of their repurchase. The background system can also send orders to suppliers and central warehouses through the collected consumer data for prediction, so as to connect consumers, suppliers and enterprises' central warehouses and complete the seamless connection of supply chain.

**3.4.4 Novel scene positioning:** Compared with other brands' scene positioning, Luckin coffee emphasizes more on the needs of consumers in different scenes. Luckin coffee achieves the full coverage of consumers' needs in various scenarios by opening different types of stores. Drinking Luckin coffee of the same quality in different scenes is really an innovation. Firstly, such a differentiated and diversified scenario is closer to consumers and has more advantages than its competitors. Secondly, coffee is inherently social, emphasizing spatial consumption and multi-scene selection, which is more conducive to Luckin coffee's 360-degree attraction to consumers.

**3.4.5 Omni-channel retail:** Omni-channel retail provides consumers with a rich experience of consumption scenarios and pays attention to consumers' seamless connection in the purchasing process. The difference between omni-channel retail and multi-channel retail is that each channel can be connected and transformed, which overlapped with the proposition of the New Retail mode<sup>[5]</sup>. In addition to integrating online and offline activities, Luckin coffee has also entered into unmanned retail, launching "Ruijigou", an unmanned coffee machine, and "Ruihuasuan", an unmanned vending machine, to expand channels and make consumers feel the ubiquity of Luckin coffee. Unmanned retail solves the problem of coffee supply during off-duty hours and the vacancy of stores in places where the pedestrian volume is sparse. Thus, it can interact with consumers in a 24-hour and all-

round manner, and improve the consumption frequency of customers. The quality and taste of the products sold by the unmanned retail outlets are the same as those in Luckin coffee stores, which guarantees the quality of the products.

## **4 Optimization of traditional retail industry**

### **4.1 Social fission**

In this era of rapid development of the Internet, everyone is a "we media", especially in the case of short videos such as Tik Tok and one smile, etc., the speed of news transmission is even harder to imagine. Therefore, this fission way relying on social contact is undoubtedly one of the best ways to attract new customers. Traditional offline shops have a relatively simple way of publicity, mostly the distribution of offline leaflets, personnel promotion and advertising, so the cost of acquiring new customers is relatively high and it is difficult to achieve rapid fission of new customers. Online communication speed is fast, plus there are great discounts, so that consumers take the initiative to spread, which not only improve the brand awareness, but also save a lot of publicity costs for enterprises.

### **4.2 Big data prediction, differentiated marketing**

New retail model of online APP stores mainly depends on artificial intelligence and big data. Each consumer has its own unique online accounts, and in the background of APP, enterprises can accurately grasp every consumer's spending records such as taste preference, consumption frequency, etc. Enterprises can accurately predict the most suitable order quantity by analyzing the big data in the background of each ordering cycle, so as to minimize the inventory cost. In addition, online sales can be pre-sold and enterprises can analyze and forecast based on the sales data of online apps, so as to accurately predict inventory. In this way, enterprises can greatly reduce inventory and save costs. In addition to the analysis of the overall data, the consumption records of individual users can also be analyzed to develop different strategies for different consumers.

### **4.3 Building a new consumption proposition**

Along with the development of the Internet era, consumers are exposed to new things more and more, the ideas of the consumer are becoming more and more halfback. Traditional shops can take advantage of the trend with different consumer advocates, such as Luckin coffee's different proposition, breaking the traditional consumption mode of the formats, guiding consumers to spend doesn't have to be in a store, but have the consumption experience of any scenario, daydream making a person. When Luckin coffee put forward such a proposition, it provides a new way of thinking for the traditional shops. For example, it puts forward the idea of "coffee street shooting", which embodies the scenes in

infinite scenes. In this way, it can have its own propositions, stand out from the traditional shops, and attract the attention of consumers. On the basis of using the new retail model, the customer will not stay in the shop, which can greatly save the store space, only need to service space for staff, which solves the problem that offline shops invest a lot in rent. On the other hand, it also brings consumers different consumption ideas and experience, killing two birds with one stone.

### **4.4 Fully integrated channels**

Omni-channel model provides consumers with rich experience of consumption scenes and pays attention to consumers' seamless connection in the consumption process. Existing enterprises should establish omni-channel sales model to integrate different sales forms together, and give full play to the advantages of various retail channels and avoid their disadvantages. Traditional retail channels should be fully realized function integration, and not just new retail model of online, offline stores and logistics integration. It should satisfy consumer advocates all channels, so as to enlarge the target groups, bring more benefits to the enterprise.

### **4.5 Build a scene to enhance experience marketing**

Enterprises can set up different types of shops for different types of consumers, such as cartoon theme of shops for cartoon lovers, In addition, Enterprises can open shop experience within the scope of a certain business circle, and combination of online APP stores, consumers can through online APP to choose the most convenient offline stores to make an appointment, experience the complete production process, complete by what he had seen the whole production process, which can let the customer experience to the quality of raw materials, production of health condition and so on. This can make customers trust the enterprise, recognize the enterprise, increase customer loyalty.

### **4.6 Follow the trend of web celebrity and conduct cross-border cooperation**

At present, live streaming on e-commerce is extremely popular and sales volume is staggering, with some products selling out in a few seconds. On Women's Day in 2019, Li Jiaqi live online with about 700000 views. Li Jiaqi's Taobao live broadcast also has more than 5.9 million fans, and his Tik Tok is as high as more than 20 million fans. The sales of a single live broadcast reached more than 70 million, ranking the third in the history of Taobao live broadcast <sup>[6]</sup>. At present, the mode of cooperation with e-commerce broadcaster is mostly that after the customer has purchased the product, the merchants deliver the goods, and it usually takes several days for customers to receive the products. At this time, some enterprises with offline stores that can complete the production of goods in real time should seize this phenomenon and make use of the huge flow of online

celebrities to sell products by cross-border cooperation. When the enterprise cooperates with the web celebrity, the online live room is equivalent to the enterprise's online dynamic App, after consumers understand the products in the live room, customers who have consumption intention will visit the enterprise's online stores to order goods. For offline stores, the huge number of stores is distributed in different regions, which can ensure that customers can get the purchased products quickly. The whole process is instantaneous.

## 5 Conclusion

Under the New Retail mode, Luckin coffee analyzed in this paper has derived many innovative marketing methods. It uses emerging technologies such as big data to deeply explore consumer behavior and consumption demand, and provide more diversified and personalized services. Secondly, Luckin coffee also acquires a large number of customers through the unique way of social fission. Finally, Lucky coffee actively integrates various channels, aiming to achieve Omni channel retail, closer to consumers, and meet the needs of consumers with unlimited scenes. Both the traditional retail enterprises and the transforming retail enterprises should actively follow the trend of Internet development, move closer to New Retail, constantly innovate new operation and marketing methods, and improve, upgrade the consumption process and consumption experience. At present, there are still many problems in the New Retail mode. Therefore, the New Retail mode will inevitably face innovation and development. Only when it is combined with social development and consumer demand can it be truly effective.

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