Research on Cross-Border Co-Brand Marketing Strategy of Coffee Enterprises

Shengling Wu

School of International Business, Southwestern University of Finance and Economics, 61130, Chengdu, Sichuan, China

42119071@smail.swufe.edu.cn

Abstract. With the increasing demand of consumers for personalization and diversification, coffee enterprises begin to seek cross-border marketing strategies to attract more young people to join the consumer team. As a leading coffee chain brand in China, Luckin Coffee has been exploring diversified brand marketing strategies. The research in this paper finds that Luckin Coffee has attracted more consumers' attention and expanded its market share by cooperating with different brands. However, cross-border co-branding also brings problems such as supply chain management risks, insufficient capacity construction and brand dilution. In order to help coffee companies better utilize cross-border co-branding marketing strategies, this article proposes some targeted suggestions, including formulating corresponding risk management strategies, increasing production capacity through capacity building, and controlling the frequency of co-branding collaborations to avoid brand dilution. At the same time, this article focuses on proposing suggestions for brand dilution, including selecting strategic partners, strengthening partner management, maintaining brand uniqueness, and enhancing quality management.

Keywords: Cross-boundary; co-marketing; Luckin Coffee; Brand positioning.

1 Introduction

In recent years, with the upgrading of consumption, the improvement of brand awareness and the rapid development of the Internet, cross-border co-branded marketing has become a trend of enterprise brand marketing. The benefits brought by this kind of marketing have been widely verified, and many scholars have conducted in-depth research on the effect of cross-border joint marketing. Fang Qingyun and Meng believe that cross-border marketing is more than its brand or even the limitation of the industry, and cooperation with other brands will generate new market demand in the process [1]. By joining hands with other brands, cross-border marketing can generate new market demand. It can not only expand the influence of the brand, but also expand the market share of the brand. This also echoes Shan Yunxi's view that cross-border cooperation between brands can make brands stand out in a market where product homogeneity is serious [2]. This plays an important role in improving the

T. Ramayah et al. (eds.), *Proceedings of the 2024 International Conference on Applied Economics, Management Science and Social Development (AEMSS 2024)*,
Advances in Economics, Business and Management Research 284,
https://doi.org/10.2991/978-2-38476-257-6_56

competitiveness and market penetration of brands [2]. Tansev Geylani et al. showed through research that in the process of cross-border co-branding, the reliability of cooperative brands is decreased, but the location relationship is improved [3]. Satoko et al. believe that for luxury brands, joint marketing with mass brands is an effective strategy to expand the market [4].

Luckin Coffee is one of the emerging enterprises leading the development of China's coffee industry. The study on Luckin Coffee can provide an in-depth analysis of how Luckin Coffee applies cross-border co-marketing strategy to conduct brand positioning and image building to meet market needs. Based on this, this study will combine the research results of the above scholars and take Luckin Coffee as an example to conduct an in-depth study on cross-border co-branding strategy. It is hoped that the research of this paper will provide some theoretical reference and practical guidance for the emerging coffee enterprises to promote their development and growth in the market competition.

2 Overview of Luckin Coffee

2.1 History and Development of Luckin Coffee

Luckin Coffee is an emerging coffee chain brand in China, founded in 2017. The company's original intention was to provide high-quality coffee and compete with international brands at lower prices. Luckin Coffee quickly came to the public's attention by signing celebrity endorsements. At the same time, focusing on the fast and convenient online purchase model, Luckin Coffee adopts the "Internet + coffee" model through its mobile app to provide high-quality coffee products and services. During Luckin Coffee's rapid expansion, the company has implemented a variety of smart strategies. First, Luckin has adopted an online, store-free sales model. This model can bring consumers inexpensive and high-quality products and convenient shopping methods. Secondly, Luckin Coffee carries out large-scale advertising and marketing in the market to quickly capture market share. In addition, the company also adopted the strategy of fast opening and high density opening. This has allowed Luckin to rapidly expand its business in just a few years and become one of the fastest growing coffee chains in the Chinese market. According to a report on Luckin Coffee by China Business Journal, as of June 2023, the number of Luckin stores in the Chinese market has reached 10,000, and the consumer clientele is growing at a rapid rate [5].

2.2 Luckin Coffee Cross-Border Co-Brand Marketing Status

Luckin Coffee is very active in cross-border co-brand marketing and has launched a number of co-branded styles in recent years. Among them, the "soy sauce latte" jointly launched by Moutai Group has become a hit in the market. Using Maotai's Maotai sauce as one of the raw materials, the coffee blends coffee and liquor, attracting many consumers who love Moutai.

In addition, the "Mascarpone raw cheese latte" jointly launched with Cat and Mouse has also been widely liked by consumers. The blend of Mascarpone and

Luckin coffee features a rich taste and color, while the cat and mouse elements are also reflected in the packaging and image of the product, attracting the attention of young consumers.

In general, Luckin Coffee's cross-border co-marketing products present a distinctive look and taste, while also demonstrating the trend of cooperation and integration between different brands. This cross-border co-marketing model brings new marketing opportunities for the company, and at the same time, it can cooperate with well-known brands in other fields to enhance the company's visibility and influence.

3 Problems Existing in Cross-Border Joint Marketing of Coffee Enterprises

Coffee companies like Luckin Coffee have achieved good marketing results by using cross-industry co-branding strategies. By collaborating with other brands, coffee companies can not only increase brand awareness but also expand their target customer base. Coffee companies leverage the influence and customer base of co-branded brands to attract more consumer attention and recognition, thereby increasing brand exposure in the market. However, if the entire industry blindly pursues cross-industry co-branding strategies without proper and moderate usage, it may lead to a series of issues.

3.1 Supply Chain Risk Management of Co-Branded Products and Accessories

Zheng pointed out that risk management and control of enterprise supply chain is a very critical and important task, but some enterprises do not pay attention to it, which indirectly leads to loopholes in risk management and control [6]. Such problems also appear in the process of cross-border co-branding of coffee enterprises. Coffee enterprises usually carry out a large amount of advertising marketing before the release of co-branded products, which makes the co-branded products usually attract great attention from consumers, resulting in the risk of short supply. The risk management of the supply chain of co-branded products is mainly reflected in the material procurement and production links. As a new product, the co-branded product has no historical sales data in the store, which makes it impossible to accurately estimate the specific purchase quantity of new raw materials or components. If the purchase quantity is too large, it is easy to cause inventory backlog, and can not achieve hunger marketing effect. If the purchase quantity is too small, it is easy to cause a large number of consumers dissatisfied, affecting the brand image. At the same time, the formula of the joint product is different from the usual products, and the staff needs to master and stably produce the joint product that meets the standard in a short time. If the production team lacks experience or technology, it is difficult to efficiently produce joint products that meet the requirements. Problems in the supply chain will not only cause the quality of the co-branded products to fail to meet expectations, affect consumers' evaluation and trust in the products, but also cause the enterprise to fail to deliver the co-branded products on time and on demand. This will affect the brand image of both parties, and ultimately lead to the loss of joint benefits.

3.2 Insufficient Capacity Construction

Wang pointed out that the scale of production is directly proportional to its labor input [7]. In cross-border co-marketing, the demand for co-branded products usually surges, which requires coffee enterprises to expand the production scale of co-branded products. However, if the coffee enterprise does not increase the production capacity accordingly, it will not be able to cope with the potential large increase in order volume. As a result, coffee enterprises have the problem of insufficient capacity construction in the process of cross-border joint marketing, resulting in insufficient supply of products and easy to sell out. For example, the limited packaging of Luckin and Cat and mouse is often out of stock, and many consumers buy the joint product but do not enjoy the joint accessories they should. For consumers, this behavior has seriously affected the brand's reputation and user loyalty. For Luckin Coffee, the lack of production capacity construction will lead to the loss of consumers and damage Luckin's image and reputation in the eyes of consumers. When consumers cannot buy the products, they expect in cross-border co-branded marketing, they may turn to other brands, thus losing market share. Secondly, consumers will think that coffee companies cannot provide stable and reliable service, thus creating doubts about the brand and causing negative impact on the company.

3.3 Brand Dilution

Wu proposed that brand collaborations, although bringing development and opportunities to companies, can also lead to dilution effects [8]. Many coffee companies, seeing the benefits brought by cross-branding marketing, quickly engage in various cross-branding activities in different fields and cooperate with multiple brands. However, such cross-branding marketing often leads to brand dilution. Excessive collaborations with other brands may cause consumer confusion about the original brand image of the coffee company, leading to a loss of uniqueness and recognition for the brand. Moreover, excessive collaborations can create an unstable perception of the brand among consumers, which may affect brand loyalty. Additionally, if the quality of the collaborative products is inconsistent, it may create a negative impression of the brand, further affecting the overall brand image. This article focuses on the case of Luckin Coffee and highlights two issues. Firstly, Luckin Coffee excessively collaborates with various brands, which dilutes the brand's professionalism and differentiation. For example, collaborating with a beverage brand, Coconut Palm Group, to launch a coconut latte, or collaborating with a high-end liquor brand, Moutai, to launch a sauce-flavored latte. Although such collaborations may attract a portion of consumers, they unintentionally weaken the professional image and brand recognition of Luckin Coffee in the coffee industry. Secondly, excessive cross-branding marketing by Luckin Coffee can cause conflicts between the image of the brand and partner brands, thus affecting consumers' perception of Luckin Coffee. If the collaborative brand faces issues related to quality or reputation, consumers may transfer these negative perceptions to Luckin Coffee, thereby decreasing trust and likability towards the brand.

4 Suggestions for Coffee Companies in Cross-Brand Marketing

4.1 Implementing Risk Management Strategies

Coffee companies can utilize big data analysis to estimate demand and formulate procurement plans. Wei suggests that enterprises generate valuable information in their daily operations by utilizing data, which can help companies match production with consumption, reduce supply chain costs, and enhance competitiveness [9]. Before launching cross-branded products, coffee companies can estimate the demand for the upcoming products by considering factors such as market demand, sales history, and the influence of collaborative partners. This estimation will help determine the actual procurement quantity of cross-branded products. Liu et al. point out that employing a moderate "hungry marketing" strategy can not only help companies increase market share but also enable them to quickly gain profits [10]. Therefore, coffee companies need to establish strict material procurement standards and systems, establish comprehensive record-keeping and control mechanisms during the procurement process, and properly schedule procurement cycles and quantities. By ensuring a moderate level of "hungry marketing", companies can avoid excessive or insufficient purchases that lead to unnecessary inventory accumulation. Additionally, retailers should efficiently coordinate and communicate with headquarters to prevent information gaps between the market and headquarters. In order to facilitate modifications in the product supply chain, each store should rapidly transmit to the headquarters the sales, inventory, and customer feedback of cross-branded products.

4.2 Increase Production Capacity and Expand Production Capabilities

A number of coffee enterprises have to take a number of actions to address the lack of production capacity. First and foremost, the most important action is to increase production capacity. Enterprises may consider improving infrastructure and purchasing new equipment to meet the growing demand for cross-border co-branded products. Doing so will increase production capacity, shorten production cycles and improve productivity. Second, to ensure that employees understand the production process, coffee companies must develop reliable production standards and training programs. Collaborative product requirements may differ from regular products, so employees need to undergo relevant training to enhance their technical skills and professional capabilities. In summary, when facing the challenge of insufficient production capacity, coffee companies can address this issue by expanding production capacity, establishing production standards and training systems. Through the implementation of these measures, coffee companies can better meet the high demand for cross-branded marketing products, enhance their ability to provide high-quality products and services, and gain a competitive advantage in the market.

4.3 Reasonably Control the Frequency of Collaborative Partnerships to Avoid Brand Dilution

Select Carefully Chosen Partners. Yang et al. analyzed that when the brand fit degree of cross-border collaborations is low, the partnership significantly dilutes the brand personality [11]. Therefore, coffee companies need to be more cautious in selecting partners when conducting cross-border collaborative marketing to ensure that they align with the coffee brand's positioning and image. Partners should be brands related to or complementary to coffee, which can enhance the professionalism and consistency of the collaborative products. Meanwhile, Wang also pointed out that the higher the fame matching degree, the stronger the perceived value and purchasing intention [12]. This indicates that coffee companies can increase consumers' recognition and loyalty to the collaborative products by partnering with partners that match the brand image, reducing the risk of brand dilution and better utilizing the positive impact of cross-border collaborative marketing on the enterprise.

Strengthen Partner Management. Before collaborating with partners, coffee companies should conduct thorough background checks and risk assessments. Partners should have a good reputation and quality assurance to avoid negative impacts caused by partner-related issues. Furthermore, coffee companies should also establish good communication and management mechanisms with partners, timely understanding the development and problems of partners, and taking corresponding measures to address them.

Maintain Brand Characteristics and Focus on Brand Positioning. When promoting and disseminating the brand, not only should the collaborating brands and products be highlighted but also maintain the brand's characteristics and differentiation, clarify the brand's positioning, and convey it to consumers. Through effective brand promotion and dissemination, coffee companies can increase consumers' awareness and loyalty to the brand. Meanwhile, brand positioning can help consumers better understand the collaborative products launched by coffee companies, reducing the risk of brand dilution.

Strengthen Quality Management. Coffee companies should pay attention to the quality management of collaborative products and affiliated products, ensuring they align with the brand image and meet consumer expectations. From the selection of raw materials to the control of production processes, quality should be strictly controlled. By providing high-quality collaborative products, coffee companies can enhance consumers' trust and favorability towards their brands.

By implementing these measures, coffee companies can ensure that collaborative products align with their brand image, increase product professionalism and consistency, reduce partner-related risks, and enhance product quality and reliability. At the same time, consumers can still feel the unique charm of the coffee company in collaborative products, strengthening the brand's competitive advantage and differentiation.

5 Conclusion

This thesis lies in deeply exploring the practice and problems of coffee companies' cross-border collaborative marketing strategy, taking Luckin Coffee as an example. By studying the cross-border collaborative marketing strategy of coffee companies, it can be known that the cross-border collaborative marketing strategy of coffee companies has effectively increased brand awareness and exposure to a certain extent. Through collaboration with different brands, coffee companies have successfully attracted more consumer attention and expanded market share. However, there are also some problems in cross-border collaborative marketing. Issues with quality and supply delays are among the risks connected to supply chain management of related and cooperative commodities. However, due to limited manufacturing capacity, some coffee enterprises are unable to meet the demand for a sizable number of orders. Moreover, regular cross-border cooperation interactions may lead to brand dilution.

This study offers some reference for coffee companies and other industries when conducting cross-border collaborative marketing. Through the case analysis of Luckin Coffee, consumers can gain a deeper understanding of the advantages and disadvantages of cross-border collaborative marketing, thus clarifying how to formulate appropriate strategies and management measures to enhance brand competitiveness and market influence.

This article proposes three suggestions for the problems brought by cross-border joint marketing in the coffee industry. First, coffee companies can develop reasonable risk management strategies, including the use of big data analysis and maintaining moderate hunger marketing. Second, coffee companies can increase production capacity, which is beneficial for expanding their production capabilities and gaining a competitive advantage in the market. Finally, coffee companies can control the frequency of joint collaborations by carefully selecting partners and adhering to their management and positioning. However, the analysis in this paper lacks specific data. Future research sample can be expanded to include the cross-border collaborative marketing strategies of more diverse coffee companies.

References

1. Fang, Q. Y., Meng, X. H.: Analysis of the cross-border marketing strategy of Chinese Chic--Taking Anta as an example. Business News 30, 3-4 (2020).
2. Shan, Y. X.: Analysis of cross-border marketing strategy in the era of new media--Taking the "Palace Bottle" marketing of Nongfu Spring as an example. China Press 10, 16-17 (2021).
3. Geylani, T., Inman, J. J., Hofstede, F. T.: Image reinforcement or impairment: The effects of co-branding on attribute uncertainty. Marketing Science 27 (4), 730-744 (2008).
4. Suzuki, S., Kanno, S.: The role of brand coolness in the masstige co-branding of luxury and mass brands. Journal of Business Research 149, 240-249 (2022).
5. He, Y.: Entering the era of ten thousand stores, Luckin Coffee's net revenue in the second quarter increased significantly year-on-year. China Business News 6 (2023-08-11).

6. Zheng, N. M.: Research on moral risk management in supply chain upstream and downstream enterprises cooperation. China Storage 8, 161-163 (2023).
7. Wang, M. S.: Analysis of the debate on marginal utility value theory. Chinese and Foreign Entrepreneurs 25, 63-65 (2015).
8. Wu, L.: Strategic analysis of brand dilution risk prevention. Journal of Xianning College 32 (02), 5-7 (2012).
9. Wei, H. H.: Cost management of garment enterprise supply chain based on big data-- Taking Z Enterprise as an example. Guangxi Quality Supervision Bulletin 3, 123-124 (2020).
10. Liu, Z. X., Fang, L. Q., Shi, R. B.: Analysis of "Hunger Marketing" strategy based on Xiaomi phone case. China Business Review 2, 31-33 (2022).
11. Yang, J., Li, X. G., Wang, X. Y.: The dilution effect of brand alliances on partner brand personality. China Soft Science 10, 125-133 (2015).
12. Wen, Q.: Influence of domestic brand joint venture on purchasing willingness of college students' sports products in Xi'an City. Xi'an Physical Education Institute (2023).