Marketing Strategy and the U.S. Market Based on the Performances of Existing Chinese Milk Tea Brands

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Abstract. This study aims to discuss and find solutions for Mixue Ice Cream & Tea, a milk tea brand known for its social media presence and low price in China, regarding its emerging hindrance in the domestic milk tea market. The hindrance is the increasingly saturated market and heating up competition among all the brands, which is also a ubiquitous problem for all these brands. By examining the situation and finding the solutions, Mixue and similar brands can be benefited and seek further development overseas. This study used data analysis to elucidate the current status of Mixue and probed a precedent brand with similar problems as a case study to estimate the efficiency and practicability of certain strategies. The conclusion is drawn after scrutinizing the data and facts collected: to adapt to the overseas market, Mixue will have to reinforce the management of the franchisees, expand supplier chains, and adjust brand culture and brand image accordingly to the local environment.

Keywords: Mixue, Data Analysis, Case Study, Milk Tea, Marketing Strategy.

1. Introduction

1.1 Research background

Mixue Bingcheng, also known as Mixue Ice Cream and Tea, is a Chinese milk tea brand founded in 1997, which has gained huge social media fame in China since the promotion of several successful online marketing campaigns in 2018 [1]. This series of campaigns consists of an earworm theme song, a refreshing new brand visual identity including an adorable mascot, and many TikTok trends related to Mixue for people to collaborate with. The continuous triumphs ignited numerous sensational discussions on Mixue and won over many customers. As a result, Mixue further consolidated its status in the Chinese milk tea industry and even became the forerunner of the “Sinking Market”—the market refers to the cities in China that are below 2nd-tier and the rural districts, and altogether, they form a large portion of the China’s population [2]. Mixue is also planning to launch its Initial Public Offering (IPO) in years to come; if succeeded, Mixue will be the third Chinese milk tea brand to enter the stock market [3].

With its great success in marketing and the gradually saturated domestic market, Mixue started expanding into the overseas market in Southeast Asia. Because of its products’ affordable prices and good flavors, Mixue began to thrive even outside China. Until this day, Mixue has established over 1,000 stores in Southeast Asian countries, especially Indonesia and Vietnam [4]. However, the size of the SouthEast Asian market is limited, and emerging local brands can threaten Mixue. Therefore, Mixue must find an even bigger region to explore for its brand and business growth.

Because of the rapidly growing international student body from Asian countries and the rising interest in Asian cultures, the United States has become a tempting stage full of opportunities for many Asian merchants—Mixue is no exception. From Asian-centric films such as Parasite, Crazy Rich Asians, and Everything Everywhere All at Once to k-pop groups such as BTS and BLACKPINK, these successes present an undeniable truth: the Asian community’s presence in the U.S. mainstream media has become more and more prominent. This can also be interpreted as the Asian population’s influence broadening in the U.S. market. The most significant reason for this rising awareness of Asians and Asian culture is the exponential growth of the Asian population in the U.S. According to Technomic, the Asian population in the U.S. has grown 72% since 2000 [5]. Along with the population growth, the number of Asian restaurants also increased correspondingly as the Asian
flavor started to appeal to more communities, the demand for more authentic Asian food and more variety in the food choices surfaced. On top of that, many Americans also believe that Asian food is much healthier than American food. Within the parameter, the consumption of tea is believed by many to be the key to a healthy Asian diet [6]. This belief, accompanied by milk tea’s tastiness, led many Americans to fall in love with milk tea. Meanwhile, the increasing population of Asian international students and Asian immigrants added more momentum to the growing demand for milk tea. It will benefit Mixue to enter the U.S. to establish its publicity and customer base right now.

Nevertheless, how to promote its brand in a new market will be the most urgent problem for Mixue to solve—if Mixue wants to re-create its glory success. Mixue’s distinctive success in China is the outcome of the following three components: 1) Chinese netizens’ preference for vulgar and kitsch content; 2) Mixue’s mascot, the Snow King, has the image to be a good source for chatting stickers; 3) most importantly, Mixue priced way below the average milk tea price in the market, which is around 15~20 RMB. When Mixue is promoted in Southeast Asia, these regions have the advantage of having large Chinese populations in their local demographic compositions and sharing similar preferences for tastes as Chinese milk tea consumers. Hence, the marketing strategy was not altered much in the SouthEast Asian campaigns, and even the stores there look exactly like Mixue’s stores in China. However, the three key components that led to Mixue’s success in the Asian market may be impeded in the U.S. market by 1) different content preferences of netizens—will the American netizens get what is funny about Mixue’s online campaigns? 2) whether or not the Snow King will be as well received as it was in China; 3) Mixue’s ability to control the price in a different continent with more expensive ingredients and labor.

Besides, Mixue was most familiar with the “Sinking Market”, and how to adapt to a different commercial environment will be difficult for Mixue to overcome. Firstly, the customer’s composition will be different. Second, there will also be many Taiwanese brands with more marketing experience in the U.S. and have already adapted to fit with the U.S. market. The U.S. milk tea market is undoubtedly a more complicated realm for Mixue than the Chinese market is. If Mixue copies its past marketing strategy, there will be risks of contradicting what the U.S. market expects and wants from Chinese mainland milk tea brands like Mixue.

1.2 Research framework

To more accurately assess Mixue’s potential in the U.S. market and research for possible adaptations it can obtain, this study will be focused on analyzing Mixue’s current marketing strategy. Moreover, this paper supports the suggestions with content analysis on overseas marketing and online marketing, alongside a case study of a Taiwanese milk tea brand called Gong Cha to further examine the suitable ways to adapt from the Chinese milk tea market to the U.S. market. This study highlights the differences between the Chinese milk tea market and the U.S. market. Additionally, this study is also aimed to examine the importance of social media and online promotions for brands when expanding into a foreign market and appealing to new customer groups.

2. Methods

This study examines Mixue’s current online marketing strategy’s compatibility with the U.S. milk tea market. In order to obtain a conspicuous conclusion to this question, there are two main objectives taken for evaluation:

1) An analysis of Mixue’s domestic marketing strategy and what Mixue has achieved from such strategy.

2) A research conducted on an existing foreign brand in the U.S. milk tea market and comparing it with Mixue.

The former task is accomplished by analyzing existing data related to Mixue’s brand performance, and the latter is conducted by conducting a case study of Gong Cha.
2.1 Data Analysis

Data analysis is learning information and extracting useful contents from collecting and analyzing statistical and quantitative data. In this paper, the specific data that will be collected and analyzed are regarding Mixue’s financial performance and the efficiency of Mixue’s social media activities. To inspect Mixue’s financial gain, this study shows the brand’s sales growth and market share size [7] over the years. In addition, the quantitative growth of the overall Chinese milk tea industry is also taken into consideration, such as the accumulative Chinese milk tea market size, the market share percentage of different milk tea brand tiers [8], and the regional distributions of milk tea stores in China [9]. The evaluation of Mixue’s social media presence and influence will be done by looking at Mixue’s follower numbers on different social media platforms, and the view counts of Mixue’s uploaded contents. The correlation between these two data sets provides an overview of how Mixue’s marketing strategy affects its financial performance.

2.2 Case Study

The case study of Gong Cha in this study aims to compare GongCha’s marketing strategy with Mixue’s to acquire insights into the compatibility of Mixue’s marketing strategy and the U.S. market. The brand Gong Cha is chosen as the study subject because of its similar background to Mixue and its noteworthy achievement in the U.S. milk tea market [10]. A comparative review of Gong Cha and Mixue’s brand backgrounds and company information presents the two brands’ similarities and variances. Then, an examination of Gong Cha’s marketing strategy in the U.S and a comparison of this strategy and Gong Cha’s domestic marketing strategy are procured. This step is for learning Gong Cha’s efforts to adapt itself to the U.S. market [11-12]. In the end, with insights into the similarities and variances between Gong Cha and Mixue and an apprehension of Gong Cha’s adaptations for the U.S. market, a set of tentative suggestions will be made for Mixue’s future expansion into the U.S. market.

3. Results

3.1 Mixue’s Domestic Market Performance

Currently, Mixue Ice Cream and Tea runs its stores through franchising, and the franchising fee for opening a Mixue store ranges from 7,000 RMB to 11,000 RMB, which is dependent on the tier of the cities that the stores are planned to be located. There are currently over 10,000 Mixue stores in China, and the average price for Mixue’s products is around 6 RMB, which is within the lowest range of tea drink prices in the Chinese market. For instance, Mixue’s signature Motian Cuicui Ice Cream cone only cost 1 RMB each, whereas McDonald’s ice cream cone costs 5 RMB. Corresponding to its pricing, Mixue is referred to as the low-end brand in the Chinese milk tea market, and chart 1. provides a specification of how milk tea brands in China are categorized based on pricing.

Table 1. Brand Categorization of Chinese Milk Tea Market Based on Pricing

<table>
<thead>
<tr>
<th>Brand Tier</th>
<th>Low-end Brands</th>
<th>Mid-end Brands</th>
<th>High-end Brands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pricing</td>
<td>1~10 RMB</td>
<td>11~19 RMB</td>
<td>20 RMB and above</td>
</tr>
<tr>
<td>Examples</td>
<td>Mixue Ice Cream and Tea, Gu Ming</td>
<td>Chabaidao, Alittle Tea</td>
<td>Nayuki, Heytea, Lelecha</td>
</tr>
</tbody>
</table>

Among the mentioned three tiers, the low-end and mid-end brands dominate the Chinese milk tea market with a total market share of over 80%, which comprises 49% mid-end brands and 33% low-end brands, leaving only less than 20% of the market to the high-end brands. Mixue has the largest
market share among the low-end and mid-end brands, around 11% of the Chinese milk tea market. Two pivotal factors lead to this predominance: Mixue’s number of stores and the range of distribution of these stores. Mixue’s amount of stores exceeds 10,000, and this number is even greater than the sum of CoCo and A little Tea’s total store numbers in the China market. Moreover, Mixue’s store distribution includes all aspects of locations and mainly condenses within 2-nd-tier and 3rd-tier cities. Mixue’s low price allows it to survive under varied circumstances by being affordable to most consumer groups in China.

Mixue’s boom of stores results from its successful marketing campaign launched in 2019. According to Mixue’s official website, the first 10,000 stores of Mixue were accumulated throughout the past 21 years, from 1997 to 2018. However, after the 2019 marketing campaign, an additional 5,000 stores were opened just in the past 3 years, from 2019 to 2022. Another perspective to demonstrate Mixue’s tremendous online influential power is by looking at its followers and views on mainstream Chinese social media platforms. On China’s biggest video website, Bilibili, Mixue’s official account has over 7 million followers, and content created based on Mixue’s theme song can attract over 100 million views. On Douyin, a short video application, about 6000 million users view the content daily, making it the current most popular content platform of all Chinese social media. Mixue has over 35 million followers on Douyin, and almost every single post of Mixue can reach 10 million views. These data indicate that Mixue’s influence on the internet was efficiently converted into real-life brand values and significant financial gains.

3.2 Gong Cha’s Brand Background

Gong Cha was founded in Taiwan in 2006, and the brand culture evolved from the tribute tea that people would offer to the highest guests in traditional Chinese customs. Gong Cha has been known for its quality in the choice of tea leaves and their excellent service and quickly spread out all over Asia pacific areas. Just like Mixue, Gong Cha is also run by franchising. In 2012, a capitalist named Martin Berry acquired franchising rights for South Korea from Gong Cha and later partnered with Unison Capital to purchase the entire brand. From this point on, Gong Cha started to expand into 20 more countries, and soon in 2013, Gong Cha entered the U.S. market by first stomping its foot in Fremont, California. Nowadays, Gong Cha has over 1,500 stores worldwide, and its brand valuation is around 600 million dollars.

3.3 Gong Cha’s Global Market Strategy

According to Gong Cha Singapore’s brand director, Cheong Zhaoyong, the incentive for Gong Cha’s overseas expansion is a spontaneous response to “the Asian pop-culture wave which is now sweeping through the Western markets”. Unlike Asian milk tea consumers, who value milk tea brands more on the quality and price of the products, the American consumers’ desire to purchase milk tea
is more likely from their curiosity for novelty. Therefore, when making decisions on the distribution of stores, Gong Cha intentionally positions the stores sparsely, so there will be long queues in every store, which can attract more curious customers to purchase. Also, limiting the number of stores allows Gong Cha to attentively monitor the quality of every cup of milk tea each store sells. Since milk tea’s main target customer group is the Asian community, most Gong Cha is located in different cities in Asian-predominant areas such as Chinatowns and Ktowns. To allow the company’s capital to better monitor the overseas sectors, Gong Cha also established 5 “master franchising sectors” across the United States to support franchisees, consolidate Gong Cha’s corporate presence, and set up an exemplar.

As for digital and social media marketing, Gong Cha uses digital media to leverage its customers’ experiences. Gong Cha recently developed a mobile application for customers to order even when not inside the store. This application allows customers to avoid lingering in queues and to customize their orders in terms of sweetness and toppings more conveniently. Such a strategy prevents customers from getting distracted by other brands as if they wandered on the streets or ordered from a platform carrying multiple brands.

4. Discussion

4.1 The Similarities Between Mixue and Gong Cha

Besides originating from the same region, Mixue and Gong Cha share the same selection of products, mainly boba milk tea and fruit tea. The two brands also have their signature products to differentiate themselves from other brands in the market: for Mixue, the product is the Ice Cream Cone; for Gong Cha, the milk foam tea. These two brands both have notable brand values that can easily attract consumers to purchase. More importantly, these two brands are few of the brands that were established before the boom of the Milk Tea industry—which took place after 2010—but still not only survived the brutal competition but also occupied a large portion of the market.

4.2 The Dissimilarities Between Mixue and Gong Cha

However, Mixue and Gong Cha have a fundamental difference in brand positioning. Mixue stresses how affordable its products are, and Gong Cha’s core value largely relies on its product’s high quality. On top of that, Mixue’s brand image is vibrant and energetic, while Gong Cha’s is more sophisticated and elegant. The two brands fall into different brand categorizations, with Mixue being a low-end brand and Gong Cha being a mid-end brand. The most noteworthy factor that differentiates Gong Cha from Mixue is Gong Cha’s multinational organizational corporate structure, and this led to Gong Cha’s success in the overseas market to a great extent.

4.3 Mixue’s Marketing Strategy

Mixue’s marketing strategy played a vital role on Mixue’s road to success. It directly brought about the 2019 internet sensation for Mixue’s theme song, which infused every inch of the Chinese social media platforms. Such accomplishment resulted from brainwashing classic tunes, a memorable character, and most importantly, Chinese netizens’ enormous passion for contagious and funny short videos. Mixue’s theme song was the perfect raw material for creating one of the Chinese netizens’ favorite kinds of content—the auto-tune remix videos. This specific content genre is usually made of snips of audios with unexpected or comedic arrangements. For instance, in the wave of remixing Mixue’s theme song, some people made videos of their favorite game characters dancing to the beat and inserted those characters’ lines from the gameplay into random parts of the song.

This trend of remixing Mixue’s theme song might not be intentional in the first place when Mixue launched the campaign, but later in 2020, Mixue followed up with an in-store challenge, which was to sing the theme song to store staff in public, and the reward was a free cup of drink. A huge number of people did the challenge and posted the footage online, and this circulation of content eventually even boosted more enthusiasm from the public towards Mixue.
Although overseas social media users are prone to viral content as well, several variables can shake the compatibility of Mixue’s online marketing strategy with overseas netizens. First, whether the overseas netizens will be intrigued by this format of audio remix videos and the design of the character is not certain. Secondly, re-creating a past trend will automatically reduce the novelty and excitement that originally came with it in the first place and may even appear as “overdone” or “boring”. In addition, another important aspect of Mixue’s marketing strategy is its low price. Whether or not to carry that low price into the new market, and if so, how Mixue can accomplish such a task are all crucial for Mixue to consider. Hence, this study proposes several marketing strategies in which Gong Cha has proven successful. Mixue can learn from experiences and points out some aspects that need to be paid extra attention to.

4.4 Suggestions for Mixue

This study now presents several suggestions to improve Mixue’s marketing strategies for overseas expansion from the perspectives of both the consumers and the corporate management. To summarize the overseas marketing experiences from Gong Cha, what will be applicable for Mixue and its future expansion into the western market are:

1) To include foreign capitals and investments.
2) To consolidate the master franchise’s extensive management and authorities.
3) To adapt brand positioning so it can befit local consumers’ consuming habits and local cultures.

Currently, Mixue’s corporate branches consist of the main brand, Mixue, the chain supplier company, D-Co, and a large number of warehouses distributed all over China. This lineup allows Mixue to regulate the process from planting tea leaves to directly selling the drinks to customers, reducing the excessive budget from acquiring assets from third parties. However, such an advantage is unavailable overseas, and establishing this supply streamline in a new environment would cost tremendous money. These additional costs may result in a rise in the price of Mixue’s products, which will take away one of Mixue’s biggest marketing advantages. Therefore, Mixue can reach out to existing foreign capitals and local suppliers for the corporation, just like what Gong Cha has done in its expansion into the Korean market. Unlike many of its competitors, Mixue uses milk powders and artificial flavorings instead of fresh fruit or fresh dairy products, so it should be easier to transfer the production process and transport the needed materials from the domestic market to the overseas market.

However, in order to keep consistency with the authenticity of the brand values and the product quality, it is also essential for Mixue to be vigilant of the branching sectors overseas [13]. Mixue’s franchisees are not as regulated and fully controllable as Gong Cha’s franchisees due to the limited managing range of the central authority. The incidents involved with food safety issues that have taken place in multiple Mixue stores just in the past years of 2020 and 2021 are due to the lack of transportation examinations and store inspections from the central regulatory team. Furthermore, the overseas market is also more sensitive about food safety issues. Thus, Mixue should establish strong franchising sectors that act with the authoritative power equivalent to the central sector when needed for inspections and regulations.

Lastly, since western society is used to coffee culture instead of tea culture, the scenario for western consumers to consume beverages is not the same as the usual perceptive scenarios for milk tea purchases. For instance, coffee drinkers are more inclined to drink coffee for practical reasons or as part of their morning routine. Milk tea drinkers drink milk tea more often for socializing with other people or as a supplement for entertainment, such as when watching a movie or shopping. Therefore, if Mixue ought to make online marketing campaigns for western audiences, it would be better for them to specify the scenarios of consuming milk teas. Like how popcorn is deeply connected with movie theaters, Mixue can try to connect milk tea with movie theaters and shopping malls. Alternatively, Mixue can try to adapt its stop-and-shop stores into a more cafe-like space. This is also the tactic that Gong Cha used when trying to open up their market among Korean college students, who have a great demand for a cafe-like space for socializing and working.
5. Conclusion

5.1 Key findings

As a countermeasure to the increasingly saturated Chinese milk tea market, expanding into foreign markets—especially the comparatively rudimentary overseas milk tea markets in the western sphere of the world—has destined to be the next stage for many Chinese milk tea brands’ developments. Mixue is no exception; hence, this paper dissected Mixue’s marketing tactics that led to the brand’s success and examined the compatibility of such strategies in the mentioned new marketing grounds.

By analyzing these findings, such as Mixue’s domestic market share and statistical performances on social media, a conclusion of Mixue’s key to its laudable accomplishments can be made: Mixue’s brand influence in China was achieved through its social media campaigns. At the same time, its large number and wide range of consumer populations were attracted to Mixue by its low price and fairly satiable quality of products. After scrutinizing the successful precedent example of Gong Cha, this study provides several plausible options for Mixue. Mixue’s priority is consolidating its central sector’s power and extending that power dynamic overseas in management. Mixue will also need to connect with foreign suppliers to ensure its supply chain keeps up with its low price advantage. Moreover, Mixue must adapt its brand experience and image for the new audience. The design of stores and how Mixue presents itself on social media will need some alterations for the western consumers to understand and eventually become attached to.

5.2 Limitations

This research will be helpful for Mixue and brands alike to see a clear picture of the future possibilities of the brand, as well as some feasible solutions for possible dilemmas. However, as mentioned in the previous section, Gong Cha and Mixue diverge to a certain degree, such as brand cultures and values. Furthermore, the timings in the market’s development and the industry’s conditions are vastly different. Consumers nowadays are more inclined to get information from the internet. In a post-COVID19 era, consumers will be more leaning toward the products that can provide them with more emotional values and are more differentiated from the competitors. Thus, Mixue needs to be agile and act swiftly in response to the market change.

References


