

Financial Analysis and Development Research of Mixue Ice Cream & Tea

Meilin Jin *

Business School, Beijing Technology and Business University, Beijing, China

* Corresponding Author Email: 1904020118@st.btbu.edu.cn

Abstract. With the increase of national income, people's demand for tea surges. Therefore, the tea market has gradually entered people's sight and attracted much attention. Many businessmen quickly seized on this business opportunity. And with the continuous influx of businesses, the market soon became crowded, the competition also became quite fierce. This study will collect the financial data, arrange the financial indicators of Mixue Ice Cream & Tea and Naixue Tea and compare their profitability, operating capacity, debt capacity and development capacity. Through the comparative analysis of these data, we will study the strengths, weaknesses, potential problems and future development trends of the business model in the tea market of Mixue. Then it will give plans and suggestions for its future strategic adjustment and development direction. For example, Mixue can start to build cold chains to improve product quality and develop cold chain products or expand its business and use the successful experience and strategy of milk tea business to develop new markets like creating the new coffee brand. At the same time, this study hopes that this research can also provide some reference and inspiration to the business operation of other brands in the tea industry and provide some help to the future development of this market.

Keywords: Mixue Ice Cream & Tea; Business model; Data comparison; Financial and risk analysis.

1. Introduction

1.1. Background

With the improvement of income level and the rapid development of economy, people's demand for drinks has increased. Therefore, the tea industry market's development potential is huge. As more and more tea brands are competing in the consumer market, many brand stores didn't have time to develop and closed down after they cannot make up for their excessive losses. How can Mixue Ice Cream & Tea give full play to its strengths and make up for its weaknesses in this fiercely competitive market to achieve sustainable development has become a problem that needs people's attention. It cannot be denied that Michelle can stand out in such a cruel competition and open the low-price market because of its successful business strategy and business model. At present, the development momentum of Mixue is still quite rapid, but with the explosion of the brand and its too fast development speed, it gradually exposed some problems which can not be ignored. These problems also let people start to think about how the future development direction of Mixue should change and how its development strategy should be adjusted.

1.2. Related research

Yi and Liu's two papers both collected data for analysis and summary and gave conclusions about communication marketing. With new consumer areas as the creative object, Yi used the journalism theory knowledge to summarize the experience from the main industry enterprises in this field after collecting data in the entire network. It said, these companies should strengthen their question ability, expand the relationship network, balance depth and hot and combine the finance and social. At last it hoped this research can provide enlightenment for later content creation [1]. Liu observed the new tea faces some problems like big competition, small product difference. Research mainly used questionnaire and depth interview methods to analyze the MXBC development status, marketing management. It hoped to find out the enterprise's problems and improvement scheme combining the

actual and inspired the localization marketing of the enterprise or other tea brand to improve their turnover [2].

The next few articles are mainly to use multiple models to analyze the business model, and then to find out the existing problems of the enterprise and to find out the solutions. Zeng described the formation process of brand IP firstly, and then analyzed it's communication strategy from four dimensions (personalization, interest, profitability and interactivity). Taking MXBC as an example, this research pointed out the essence of Mixue Ice Cream&Tea brand IP and the advantages and disadvantages of its development. It led to the neglected phenomenon of brand IP, pointed out the benefits of brand IP and hopes that similar brands can get some inspiration. It concluded that brand IP has become an inevitable trend in the development of the tea industry [3]. Xiang introduced the research background, significance, literature related theory and brand current development status first. Then the research used 7ps, micro macro environment, PEST model, SWOT analysis, STP strategy methods to analyze it's products, channels, promotion, marketing environment, marketing strategy, the current advantages and disadvantages, internal and external environment, competitors, market segmentation refinement, market selection and positioning and so on. Finally, it pointed out the existing problems and gave coping strategies and innovative marketing solutions [4]. Liu's researching direction is specific and regional. It focus on a urban MXBC stores. Through three years of data observation and the analysis of data changes, by using 7Ps, PEST model, SWOT analysis and a variety of classic research model or analysis methods, research discussed the problems during it's business, such as lack of difference, marketing board. Finally it gave out some localized and feasible solutions [5]. Hai mainly analyzed the Naixue Tea, a typical case of business model transformation. Through using the AHP-SWOT model, research analyzed some problems that caused by its business model transformation (like lack of management or low differences) and some advantages that improved business performance and profit level. Finally, although the business model still has problems, it can indirectly impact the financial performance positively on the whole [6]. Because the development is not mature and it is in the growth stage, Wang observed that there are still many fatal problems in China's tea industry. The research intended to give some coping strategy through the analysis of this industry which based on the Porter five-force model. The conclusion is that enterprises should improve the product differentiation, research and develop more new products, strengthen the vertical integration of enterprises and improve their competitiveness with diversified production [7]. Yun mainly used the positioning diamond map to determine the brand positioning and the target group of the products sold from different aspects. Then according to the product, price, channel, communication four aspects, it gave out some corresponding solutions, such as enhancing the importance of brand culture or awareness cultivation. The goal is to help the company through its difficulties [8].

Bao's overall research framework was consistent with the previous articles, but the research approach was focused on the financial analysis of the data. It investigated the tea industry, explored the operation of mei tea project and prevented potential problems firstly. The later stage is mainly for financial and risk analysis, which is also a more worthy of reference. It did some financial analysis by calculating the initial investment, product cost, investment payback period, return on investment, budget future income and other datas. Then it used the methods of break-even method and sensitivity analysis to predict the potential risks of the project and analyzed the control measures taken, and finally concluded that the project is feasible [9].

Huang mainly focused on the future design of the new tea industry to explore the potential market of the tea industry. It combined the characteristics of the new tea and its market with the lifestyle and consumption habits of the post-1995 people. The goal is to design the innovative products, appliances and tea scene space suitable for the new tea, develop the potential markets and solve the problems of overcapacity in the tea industry market [10].

1.3. Objective

Through the study of the financial data and financial indicators of Mixue Ice Cream&Tea, this study will analyze the advantages and disadvantages of Mixue, its operating problems and future development trend after comparing with other brands in the same industry. Finally, it will summarize the future development direction that suitable for Mixue and the business model and business strategy that should be adjusted. It is hoped that while giving the feasible and effective strategic plans suitable for Mixue Ice Cream&Tea, it can also provide some reference and inspiration for the operation of other brands in the same industry.

2. Methods and data

First of all, the research will collect the net income, initial investment, product cost, assets, liabilities, owners' equity and other data of Mixue Ice Cream&Tea Company in the past three years. These data will be further processed to calculate some financial indicators which will be helpful to measure the business conditions of the enterprise (such as the proportion of current assets to the total assets).

The following formula will be used:

$$\text{Gross Profit Ratio} = (\text{Gross Profit} / \text{Revenue}) * 100\% \quad (1)$$

$$\text{Net Profit Ratio} = (\text{Net Profit} / \text{Revenue}) * 100\% \quad (2)$$

$$\text{EBIT coverage multiple} = \text{EBIT} / \text{interest expense} \quad (3)$$

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities} \quad (4)$$

$$\text{Quick ratio} = \text{quick assets} / \text{current liabilities} \quad (5)$$

$$\text{Gearing ratio} = \text{Long-term debt} / (\text{shareholders funds} + \text{long-term debt}) \quad (6)$$

Then, based on these indicators, by comparing the changes in these data over the three years and combining with a comparison of the similar data from Naixue tea, it will analyze the current financial situation, marketing model and future development trends of Mixue Ice Cream&Tea's company. Point out its advantages, disadvantages, problems and challenges, and give suggestions on solutions and future development direction.

3. Results and Discussion

The main data of the Mixue Ice Cream&Tea and the Naixue tea in the past three years were collected respectively, and filled in the form to facilitate further comparative analysis. It can be observed from the following table that, although the two enterprises are in the same industry track, the data of them are still very different, and the development directions are also somewhat different.

Table 1. Mixue Ice Cream & Tea

Main data and ratio of the financial statements of Mixue Ice Cream&Tea (in ¥100000000)	Sep.30.2019	Sep.30.2020	Sep.30.2021
Total Revenue	25.66	46.80	103.51
Gross Profit	6.00	9.44	25.59
Net Profit	4.45	6.32	19.10
Gross Profit Ratio	23.38%	20.17%	24.72%
Net Profit Ratio	17.34%	13.50%	18.45%
Asset-liability Ratio	41.41%	31.26%	24.24%
Current Ratio	193.99%	222.61%	297.38%
Gearing Ratio	147.71%	187.71%	224.00%

EBIT Guarantee Multiple	429.64	88140.72	719.6
-------------------------	--------	----------	-------

Table 2. Naixue Tea

Main data and ratio of the financial statements of Naixue Tea (in ¥100000000)	Sep.30.2019	Sep.30.2020	Sep.30.2021
Total Revenue	25.02	30.57	42.97
Gross Profit	-0.4269	-1.90	-45.30
Net Profit	-0.3968	-2.03	-45.26
Gross Profit Ratio	-1.71%	-6.22%	-105.42%
Net Profit Ratio	-1.59%	-6.64%	-105.33%
Asset-liability Ratio	107.31%	112.82%	32.55%
Current Ratio	24.06%	48.75%	351.20%
Gearing Ratio	0.00%	-0.10%	0.00%

3.1. Data comparative analysis

3.1.1 Revenue and profits

According to the table 1-2 absolute value data, it can be found that in 2019, the operating income of Naixue Tea and Mixue Ice Cream&Tea is very close, but their profit and net profit are very different. This shows that compared with Naixue tea, Mixue has a great advantage in the control of operating costs. At the same time, in the past three years, the explosive growth of Mixue's revenue, profit and net profit is far greater than those of many enterprises in the tea industry. On cost control, Mixue uses "No middleman to earn the price difference, with the cost price to supply franchisees." business model, self-built factory to provide warehousing logistics services, realize the core raw materials, which makes them to upstream many of the raw material procurement has a higher bargaining advantage, ensure the product quality and quality at the same time reduce costs, improve the franchise profit. The explosive growth of profits is also inseparable from the main focus of the third-tier cities, making full use of the characteristics of low cost and small competitive pressure in the third-tier and fourth-tier cities. In addition, its tens of thousands of stores to bring it the scale effect of dividends, such as the dense terminal stores to effectively reduce the logistics and transportation costs and advertising costs. Michelle Ice City for Michelle Ice City to further increase the market share in the future.

3.1.2 Financial ratios

Overall, in recent years, the current ratio and quick ratio of tea in Mixue and Nai xue have shown an upward trend, and Mixue's short-term solvency and liquidity of assets have become stronger. Nai xue's surge in 21 years was largely related to its efforts to go public. In contrast to Nai Xue, Mixue's asset-liability ratio decreased, which means the proportion of borrowing and financing in the total assets of enterprises decreased. It proves that the operation risk of Mixue enterprise has reduced, the ability of the enterprise to use the funds provided by creditors to engage in business activities and the protection degree of creditors' rights and interests have improved. At the same time, Mixue's EBIT guarantee multiple increased, means that enterprises have a stronger ability to pay interest fees and long-term debt repayment. It can be seen from these data that in recent years, the profitability of Mixue's enterprise (gross profit margin, net interest rate), operating capacity (asset-liability ratio), liability capacity (current ratio, quick ratio, EBIT guarantee multiple) and development capacity have been enhanced, and its overall development trend is very good. Due to the high brand coverage rate, intensive shop opening strategy, successful marketing and low price strategy, Mixue's brand influence and popularity is very high.

3.2. Comparative analysis of the advantages and disadvantages of the two companies

3.2.1 Profitability

The growth of Naixue's tea revenue is fast, but its profitability is worrying. And Mixue are close to the people route in the product, price, channels and promotion. Especially to the students, it is quite attractive. In terms of price, Nai xue is at a disadvantage. But there is still room for Mixue to improve in the production efficiency, and most stores are small, making people often need to stand in long queues in front of shops during rush hours.

3.2.2 Quality control

Nai Xue's tea store management is directly operated by the headquarters. It refuses to join, strict quality control, puts into use of high-quality raw materials and puts an end to the phenomenon of shoddy production to give customers a better consumption experience. At the same time, the rapid expansion of Mixue in recent years has brought it the hidden dangers of franchisee management and food safety. In recent years, several Mixue stores have been punished for food problems. Mixue should learn from Naixue in this respect to further improve the internal control, strengthen the control of franchisees, fully investigate and effectively reduce the franchisee food safety and other related risks. And it continue to strengthen the control of third-party payment and reduce the amount of third-party payment.

3.2.3 Product research and development

Nai xue's product research and development ability is strong. And its upgrading is also fast. Over the past five years, Nai xue has been constantly innovated and developed new product categories. In recent years, it has created fruit fresh milk tea, fresh fruit bubble tea and other new categories. The product types of Mixue is less than other brands, which will have a certain impact on the sales of the stores.

3.2.4 Marketing ability

Nai Xue is marketed using cross-marketing. In the product mode, the combination sales mode of "tea + bread" is adopted; in the brand marketing, it is very good at cross-border marketing and we-media communication. The marketing of Mixue is more responsive, and it can be seen that Mixue is trying to maximize its brand IP influence in all aspects. First, on the door head, menu, snow king doll, packaging bags, drinks and so on which can be contacted by consumers, Mixue has made the starting point of transmission. Second, it created three marketing activity festivals, like Mixue Ice Cream & Tea Fu Bag Festival, 520 activities and Snow King Creative Cup. Third, Mixue adapted classic folk songs to add brand symbols, song for the brand publicity through the high degree. Through these three points it greatly improves the penetration of the brand in all aspects of consumers' life, which is also quite in line with the overall tone of its "close to the people" brand.

3.2.5 Digital operations

In recent years, Naixue has introduced a technical team, committed to digital construction, equipped with a variety of intelligent devices and introduced a coffee latte robot. This point is the lack of Mixue.

3.3. Problems and future development trends of Mixue Ice Cream & Tea

For Mixue, in addition to the previous challenges of quality control and product development, it also faces the problem that the scale growth of the main brand may be about to peak. Obviously, the enterprise itself has awared of these development problems and has taken a series of measures. First of all, in order to no longer be limited to the township market, better adapt to the city, upgrade the quality (such as using fresh fruit and fresh milk) and gradually complete the replacement of flavor beverage thick pulp and fat planting. These put forward high requirements for the cold chain. Therefore, it is no longer satisfied with room temperature logistics, and begin to build a cold chain to launch cold chain drinks. But can not be ignored that logistics costs will also increase, How to deal

with this contradiction will become a problem that Mixue needs to face in the future. Second, in recent years, the number of lucky cafe stores is also growing rapidly. Using a similar low price strategy, it also focuses on the third line and below markets, intends to reproduce the successful case of Mixue in the sinking market. Although the development of Mixue's tea in the low-price market is unstoppable, Lucky coffee is obviously facing the greater competitive pressure, and many brands have also penetrated into the coffee track before, which will push the competition in the beverage market to a new height.

4. Conclusion

This study first researches the current research results and research background, then collects the related and key data of Mixue Ice Cream&Tea and Naixue Tea and calculates the ratio to analyze the enterprise's profitability (gross profit margin, net interest rate), operating capacity (asset-liability ratio), liability ability (current ratio, quick ratio, EBIT guarantee multiple) and development ability. Through the comparative analysis of these data, the advantages and disadvantages, problems and future development trend of Mixue in the tea market are studied. The main findings of this study are that: the differences in business models will lead to huge differences in the whole revenue. For the tea industry, we shouldn't expand with Internet thinking. It is still a traditional scale manufacturing industry, which cannot be rushed for receivables. Choosing an appropriate business model that matches the needs of target users is the most essential point. Suggestions & Enlightenment is: Because Mixue Ice Cream & Tea uses the intensive store opening strategy, under such a huge logistics conditions, its marginal cost is very low. In the low-price tea market Mixue's development has been very mature and its development trend is unstoppable. Therefore, its future development prospects are very optimistic. But it can not be ignored that the development to the limit, it is likely to usher in a large scale of store closures in the future. In order to solve this problem, Mixue should start to build cold chains to improve product quality and develop cold chain products. At the same time, it can expand its business and use the successful experience and strategy of milk tea business to develop new markets like creating the new coffee brand.

References

- [1] Yi Ting. (2022). Creation and elaboration of in-depth reports in the new consumer field (Master's thesis, Tarim University). <https://kns.cnki.net/KCMS/detail/detail.aspx?dbname=CMFDTEMP&filename=1022493995.nh>
- [2] Liu Qing. (2021). Research on localized marketing strategies in Michelle Ice City (Master's thesis, Northwestern University). https://webvpn.btbu.edu.cn:443/_vpn_/https/kns.cnki.net/KCMS/detail/detail.aspx?dbname=CMFD202201&filename=1021750766.nh
- [3] Zeng Wei. (2022). Research on the communication strategy of tea brand from the perspective of brand IP (master's thesis, Shanghai Normal University). <https://kns.cnki.net/KCMS/detail/detail.aspx?dbname=CMFDTEMP&filename=1022484233.nh>
- [4] Xiang Xuerui. (2022). Research on Marketing Strategy of Michelle Ice City Co., Ltd. (Master's thesis, Jilin University). https://webvpn.btbu.edu.cn:443/_vpn_/https/kns.cnki.net/KCMS/detail/detail.aspx?dbname=CMFDTEMP&filename=1022529599.nh
- [5] Liu Liu. (2021). Changchun Michelle Ice City Guilin Road Store Marketing Strategy Research (master's thesis, Jilin University). https://webvpn.btbu.edu.cn:443/_vpn_/https/kns.cnki.net/KCMS/detail/detail.aspx?dbname=CMFD202201&filename=1021098085.nh
- [6] Haymond. (2022). Research on the influence of the new tea enterprise business model on financial performance (master's thesis, Dongbei University of Finance and Economics). https://webvpn.btbu.edu.cn:443/_vpn_/https/kns.cnki.net/KCMS/detail/detail.aspx?dbname=CMFDTEMP&filename=1022086743.nh

- [7] Wang Ping. (2010). The Competition strategy of tea industry in China (Master's dissertation, Shanghai Normal University). https://webvpn.btbu.edu.cn:443/_vpn_/https/kns.cnki.net/KCMS/detail/detail.aspx?dbname=CMFD2010&filename=2010084056.nh
- [8] Yun Jiandong. (2019). S company tea brand positioning research (master's thesis, Huaqiao University). https://webvpn.btbu.edu.cn:443/_vpn_/https/kns.cnki.net/KCMS/detail/detail.aspx?dbname=CMFD202001&filename=1020717278.nh
- [9] Bao Zhuoya. (2018). Mecha Beverage Store Business Plan (master's thesis, Zhengzhou University). https://webvpn.btbu.edu.cn:443/_vpn_/https/kns.cnki.net/KCMS/detail/detail.aspx?dbname=CMFD201901&filename=1019011445.nh
- [10] Huang Xiong zhuang. (2021). New tea design (master's dissertation, Nanjing University of the Arts). https://webvpn.btbu.edu.cn:443/_vpn_/https/kns.cnki.net/KCMS/detail/detail.aspx?dbname=CMFD202201&filename=1021781660.nh