

Research on the operation mode and corporate strategy of MIXUE Ice Cream & Tea

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Abstract. As a leading brand of tea drink chain in China, in recent years, MIXUE Ice Cream Tea (MIXUE Bingcheng) has completed its industrial layout by rapidly expanding its stores by virtue of its advantages in the market. In the process of brand operation also based on price, supply chain management, franchise mode, and brand IP quickly become one of the important brands in China's milk tea beverage industry. Therefore, this paper analyzes MIXUE Ice Cream and Tea's strategic decisions (including price, supply chain, franchise model, and IP management) to find out the unique business model of MIXUE Ice Cream and tea and discusses the key factors that make it stand out in the fierce market competition. The analysis shows that MIXUE Ice Cream & Tea's low price and efficient supply chain play an important role in its rapid expansion and market share growth, while effectively reducing operational risks and costs.

Keywords: franchise model, price advantage, supply chain, brand IP, risk resistance

1. Introduction

In today's highly competitive business environment, the development of an enterprise cannot be separated from strategic layout. For managers, making wise decisions that are suitable for the development of the enterprise is the key to achieving long-term and stable development of the enterprise. In recent years, the ready-made tea beverage industry has emerged as a new force, and the rapid increase in the number of brands has made the competition in the industry extremely fierce. Among them, MIXUE Ice Cream & Tea (or Mixue Bingcheng) has exceeded the 10 billion marks in annual operating income with a unit price of less than 8 yuan, becoming a striking phenomenon in the industry. Among the 65 existing milk tea brands in China, MIXUE Ice Cream & Tea ranks first in the number of stores, and the total number is almost equivalent to the sum of the second to fifth places. MIXUE Ice Cream & Tea's rapid development has mainly concentrated in the past decade, and it still maintains a strong growth momentum. Its signature lemonade has a sales volume of 1 billion cups a year, and the total sales volume of all products in three quarters has reached 5.8 billion cups [1]. There are many brands in the current market of freshly brewed tea, such as Heytea, NAIXUE, and Bawang Chaji, but there are significant differences between these brands and Mixue Bingcheng [2]. The most important difference lies in the price range of different brands. Mixue Bingcheng has been deeply involved in the market with a unit price of less than 10 yuan, and is a unique existence in the freshly brewed tea industry. Usually when companies set prices, products with higher unit prices tend to have more diverse marketing methods in the market, while products with more affordable unit prices require companies to have strong commercial capabilities as support for their market [3].

Therefore, this paper will deeply analyze the business core of Mixue Bingcheng through literature synthesis and qualitative analysis, including its franchise model, low-price strategy, supply chain management, and brand IP construction, so as to analyze the key factors that make Mixue Bingcheng stand out in the fierce market competition.

2. Brand background

MIXUE Ice Cream & Tea was founded in 1997 by Zhang Hongchao. In the early days, the brand was mainly operated as a shaved ice shop and the brand name was confirmed in 2000. Until 2003, when the founder was in the early stages of his business, the products he sold were mainly inexpensive and of good quality, such as a hamburger for 3 yuan and fried rice for 2 yuan, which were very popular among students, thus laying the foundation for the development of his brand. In 2006, as the Olympic elements became the vane of the Chinese market, a cone shaped like a torch appeared, which was very popular and sold for nearly 20 yuan.

Zhang took this product as a competitive target and developed a low-priced substitute for torch ice cream, priced at 1 yuan. Through the competition in product cost performance and cost, MIXUE Ice Cream & Tea quickly expanded the popularity of its products and brand, and became a turning point in the development of the company. MIXUE Ice Cream & Tea ice cream became one of its main products. In 2013, the fate of MIXUE Ice Cream & Tea started to turn again. At that time, MIXUE Ice Cream & Tea wanted to find a drink suitable for summer, and finally locked its sights on lemon. However, lemonade is not made by simply putting lemons in water, otherwise it will be too sour or tasteless. Therefore, the MIXUE Ice Cream & Tea team tasted all kinds of lemons around the world to optimize lemonade, and finally chose Eureka lemon, which has a very balanced fragrance, sweetness and acidity. In addition, they screened the weight, sugar content and juice yield of Eureka [1].

3. Brand strategy

3.1. Franchise model

In 2007, the popularity of MIXUE Ice Cream & Tea ice cream prompted founder Zhang Hongchao to start a franchise model. The technological expansion of the number of franchise stores enabled it to achieve 180 franchise stores within 2 years. Based on the realization of self-production of raw materials and the upgrading of the supply chain, the number of its stores has now exceeded 20,000. Through the franchise model, MIXUE Ice Cream & Tea has rapidly expanded its market share and achieved large-scale development. Since franchisees bear most of the market risks and operating costs, this operating model reduces the company's operating costs and the risk of bearing market fluctuations alone [4]. In addition, the active participation and wide distribution of franchisees have rapidly increased the brand awareness of MIXUE Ice Cream & Tea. Through the localized operation of franchisees, MIXUE Ice Cream & Tea can better adapt to the market demands of different regions, enhance the market adaptability of the brand, and further improve the company's ability to better respond to market changes.

However, due to the uneven management level and operational capabilities of franchisees, product quality and service level may be inconsistent, and the increased difficulty of quality control will affect the company's brand image. At the same time, franchisees are highly dependent on the brand. If a negative event occurs in the company's brand, it may have a significant impact on the franchisee's operations.

3.2. Low price

MIXUE Ice Cream & Tea's product prices are generally low, with its core product prices ranging from 2 yuan to 8 yuan. For example, MIXUE Ice Cream & Tea's lemonade is priced at 4 yuan and ice cream is priced at 3 yuan. These prices are much lower than other well-known tea brands on the market, such as Heytea and NAIKUE's Tea, whose drinks are usually priced at 16 yuan or even higher [2]. Since MIXUE Ice Cream & Tea mainly targets the mid-to-low-end market, its product prices and positioning need to meet the needs of this market. By targeting the sinking market, MIXUE Ice Cream & Tea can maximize the high cost-effectiveness advantage brought by low costs. In addition, MIXUE Ice Cream & Tea controls and reduces the cost of raw materials through self-built supply chains and large-scale procurement. In addition, the materials used in MIXUE Ice Cream & Tea products follow the principle of minimalism, which simplifies the production process while reducing labor and time costs. Relying on more than 20,000 stores in China, it has strong bargaining power when purchasing raw materials and can obtain lower purchase prices.

MIXUE Ice Cream & Tea's low-price strategy has attracted a large number of price-sensitive consumers, especially students and low-income people. By meeting their demand for cost-effective drinks, it helps to increase the brand's market share and consumer stickiness. In the fiercely competitive tea beverage market, MIXUE Ice Cream & Tea's low-price strategy can also differentiate it from other brands in terms of price, thereby attracting more consumers. At the same time, the low-price strategy enables MIXUE Ice Cream & Tea to quickly expand the number of stores and achieve scale development. MIXUE Ice Cream & Tea quickly occupied the market through a low-price strategy, especially in the sinking market [5]. At the same time, the low-price strategy also enables MIXUE Ice Cream & Tea to achieve profitability through economies of scale and cost control. However, due to the low product pricing and relatively small profit margins, this has put some pressure on the company's profitability. Some consumers follow the cognitive approach that low prices mean low quality, which affects their willingness to purchase MIXUE Ice Cream & Tea products [6].

3.3. Supply chain

Currently, most ready-made tea brands rely on launching new products or co-branding with other brands to attract consumers. Mixue Bingcheng maintains a certain market share and position in the fierce competition mainly because of its low prices. The reason why it can maintain a low price for a long time is the perfection and efficiency of its supply chain. The success of chain restaurant brands that operate in a franchise model is mostly closely related to their excellent catering supply chain construction and industrialization system. In 2007, MIXUE Ice Cream & Tea built its own milk tea raw material processing plant and began to provide raw materials and equipment to franchisees, becoming the "exclusive supplier" of many franchisees. In 2013, MIXUE Ice

Cream & Tea established five major production bases in Henan, Hainan, Guangxi, Chongqing, and Anhui. And in 2024, it will improve its warehousing system so that its distribution range covers most provinces, cities and towns in China [6].

The supply chain system construction of Mixue Bingcheng covers multiple key processes such as procurement, production and logistics. By integrating high-quality resources, the company's large procurement scale enables it to purchase many core raw materials at prices lower than the industry average, and provide the purchased raw materials to franchisees after processing [6]. Moreover, during the procurement process, MIXUE Ice Cream & Tea realized the difference between the safety of raw materials and procurement costs, and chose to establish a company in the main production area of raw materials to ensure smooth procurement of raw materials. For example, one of the raw materials for MIXUE Ice Cream & Tea's best-selling product lemonade, Eureka lemon, is mainly produced in Taiyang Village, Yongshun Town, Anyue County, Ziyang City, Sichuan Province [1]. MIXUE Ice Cream & Tea registered a company in the area and directly cooperated with local farmers to complete the purchase and production of lemons, thereby reducing possible costs in the middle [7].

In addition, in order to reduce the uncertainty of upstream ingredients, MIXUE Ice Cream & Tea has established different production bases. The annual comprehensive production capacity of the production base has reached about 1.65 million tons. Through the self-developed and self-produced system, it provides its franchisees with a one-stop beverage ingredient solution for all categories, including sugar, milk, tea, coffee, fruit, grain, and ingredients. In addition, MIXUE Ice Cream & Tea's self-operated warehousing system and exclusive distribution network support the most extensive store layout in China's ready-made beverage industry. The warehousing system consists of 27 warehouses, and the distribution network covers 31 provinces, autonomous regions and municipalities in mainland China, more than 300 prefecture-level cities, 1,700 county towns and 4,900 townships [1]. By building its own factories and increasing the proportion of self-production, MIXUE Ice Cream & Tea has successfully reduced the cost of raw materials to less than 50% of the industry average. The raw material cost of most brands in the industry accounts for 45%-55% of sales revenue, while the proportion of MIXUE Ice Cream & Tea is only about 30% [1]. In addition, through self-built production bases and strict quality control, MIXUE Ice Cream & Tea can ensure the quality and stability of its products, and enhance consumers' trust in the brand [7].

The improvement of the supply chain system has helped MIXUE Ice Cream & Tea achieve rapid growth. In 2014, MIXUE Ice Cream & Tea entered a period of rapid growth. Based on its own warehousing and logistics center, it provided franchisees with the purchase of raw materials and reduced the transportation costs of raw materials. This helped MIXUE Ice Cream & Tea quickly open up the national market in a short period of time. In 2018, MIXUE Ice Cream & Tea began to open stores in other countries through franchising. Based on the improvement of the global supply chain, MIXUE Ice Cream & Tea's product performance soon surpassed local brands and became the largest ready-made tea beverage in the Southeast Asian market. Based on MIXUE Ice Cream & Tea's global layout, its supply chain has been very complete and can provide relevant ingredients for all its franchisees [1].

Relying on a complete supply chain system, MIXUE Ice Cream & Tea has become a supply chain company disguised as a milk tea brand [8]. Mixue's prospectus shows that its quarterly revenue in 2023 will be more than 15 billion yuan, of which 98% will mainly come from the sale of goods and equipment to franchisees, and franchise fees and related services account for 1.8% [1]. Therefore, MIXUE Ice Cream & Tea is also a To B supply chain company, which also helps MIXUE Ice Cream & Tea reduce corporate risks. For example, Eureka lemons are not only supplied to MIXUE Ice Cream & Tea franchisees, but also to other milk tea brands. Therefore, in addition to meeting the needs of its own brand, as long as the market for lemon tea and lemonade continues to grow, MIXUE Ice Cream & Tea can benefit from the growth of its profits. Therefore, based on the advantages of the supply chain, after the company becomes the upstream of the supply chain, its ability to resist risks is also gradually enhanced, which can help the company avoid the risk of industry fluctuations as much as possible [9].

3.4. Building IP

Based on the theory of consumer behavior and brand loyalty, the lower the price of a brand, the higher the brand loyalty of consumers and the higher the stability of the brand [9]. In the pricing process, brands will add the competitive cost of the product to the cost of the product, thereby increasing the price of the product. In the subsequent promotion process, brands can improve the recognition and competitiveness of their products by highlighting the characteristics of the product and other promotional methods. However, in the low-price market segment, consumers' demand for products is determined based on price and product quality. Therefore, by influencing consumers' perception of the product, the recognition of a specific product is established, thereby influencing consumers' purchasing behavior. Common methods are advertising, slogans, emotional connection, and brand image design. For example, through advertising, Coca-Cola is bundled with competitive games or festivals to increase the probability of purchasing Coca-Cola in a specific environment. For MIXUE Ice Cream & Tea, the company hopes that customers will bundle thirst with Mixue Ice Orange lemonade. This requires MIXUE Ice Cream & Tea to successfully establish a strong brand recognition and emotional connection in the minds of consumers through unique IP construction.

In 2018, MIXUE Ice Cream & Tea launched its own brand image, Snow King. With its cute appearance and distinctive personality, Snow King quickly attracted the attention of consumers. Snow King is not only widely used in store decoration and packaging design, but also interacts with consumers through social media and other channels, enhancing the brand's affinity. At the same time, MIXUE Ice Cream & Tea has carried out a series of cultural outputs around the image of Snow King. In 2019, MIXUE Ice Cream & Tea designed a theme song for Snow King and played it in more than 30,000 stores. The song is catchy and has been

further popularized through secondary creation and dissemination on online platforms [11]. MIXUE Ice Cream & Tea has successfully influenced consumers' perceptions through slogans. The simple and easy-to-remember lyrics also convey the brand's emotional value and enhance consumers' identification and loyalty to the brand. In addition, MIXUE Ice Cream & Tea has also launched the animated films "The Snow King Arrives" and "The Snow King's Fantasy Sandbar". Through the setting of the story line, it enhances consumers' emotional connection with the image of Snow King and strengthens the independent IP of Snow King [12].

Through the construction of a unique brand IP, MIXUE Ice Cream & Tea has successfully improved its brand awareness and reputation, attracted a large number of consumers, and enhanced its market competitiveness. In addition, through the brand IP, it has established a deep emotional connection with consumers, enhanced consumer loyalty, and increased consumers' repurchase rate and word-of-mouth communication effects. MIXUE Ice Cream & Tea's IP construction strategy complements its corporate strategy. Through the construction of brand IP, MIXUE Ice Cream & Tea has successfully achieved differentiated brand competition, supported the implementation of its low-price strategy and franchise model, and promoted the rapid development of the company [13].

4. Discussion

The franchise model of MIXUE Ice Cream & Tea has always attracted much attention. Its cooperation with franchisees is mainly to obtain profits through the sale of raw materials and equipment. This model reduces the initial investment risk of franchisees to a certain extent, and also enables MIXUE Ice Cream & Tea to expand rapidly and become a leading enterprise in the domestic milk tea industry. However, whether this model is the optimal solution needs further thinking and discussion. Other chain brands, such as McDonald's and Starbucks, choose to maintain the operation of the brand by taking a commission from the profits of franchise stores. Although this model may make franchisees feel a certain amount of pressure in the short term, in the long run, it can make the interests of the brand and franchisees more closely bound together. The brand can share the franchisee's operating results through the commission, and at the same time, it has a stronger motivation to help franchisees improve their operating efficiency, thereby achieving the common development of the brand and franchisees. This deeply bound cooperation model has enhanced the brand's stability and sustainable development capabilities to a certain extent.

Although Mixue Bingcheng currently holds a solid position in the Chinese milk tea market, the milk tea industry is relatively new in terms of its history of development, and the industry is in a relatively early stage, and the market competition pattern has not yet been fully finalized. As the market continues to develop and change, the competitive environment is also constantly changing, and consumer demand may also change. Therefore, for Mixue Bingcheng, how to consolidate its market position and share in the fierce market competition, and how to further expand the international market, there are still great challenges and risks.

5. Conclusion

This paper comprehensively analyzes the business strategy of MIXUE Ice Cream & Tea, focusing on its business model, low-price strategy, supply chain management, and brand IP construction. The results show that MIXUE Ice Cream & Tea's business model has played an important role in its rapid expansion and market share growth, while effectively reducing operational risks and costs. The low-price strategy has successfully attracted a large number of consumers, especially those who are price-sensitive. By providing high-quality and low-priced products, the brand has won a huge market share and customer loyalty. By establishing its own production base and logistics network, the company effectively controls product quality and costs. The integrated supply chain system not only supports the company's rapid development, but also enhances its market competitiveness.

In conclusion, MIXUE Ice Cream & Tea's success can be attributed to its well-executed business strategies, which together have contributed to its market leadership and customer loyalty. However, to maintain its competitive advantage, MIXUE Ice Cream & Tea needs to continue to innovate and adapt to changing market dynamics and consumer preferences. Future research can further explore the long-term impact of these strategies on the company's sustainable development and international market expansion.

However, this article mainly analyzes MIXUE Ice Cream & Tea based on literature, and does not involve market research such as data processing. In the future, MIXUE Ice Cream & Tea will be further analyzed in combination with the actual situation of the company.

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