

# ***CHAGEE: Global Expansion Through Cultural Heritage and Strategic Innovation***

**Leyao Wang<sup>1,a,\*</sup>**

*<sup>1</sup>Shanghai United International School Jiaoke Campus, Shanghai, 201100, China*

*a. leslie.wang@jksz.com*

*\*corresponding author*

**Abstract:** Since its establishment in 2017, CHAGEE, a well-known Chinese national-style tea brand, has grown quickly, opening more than 4,000 locations worldwide. CHAGEE has established a distinct market niche in the third generation of tea beverages, thanks to its unique blend of traditional Chinese aesthetics and health-conscious goods. Through the use of celebrity endorsements and product packaging that highlights cultural history, CHAGEE has established a strong sense of brand identity. However, limited product variety and worries over caffeine content make it difficult to keep customers interested. In order to tackle this, CHAGEE needs to invent new products and look into working with other industries. Its mid-range prices are still competitive, but in order to maintain growth, more retail and online marketing initiatives are required. Its market position and brand loyalty will be further reinforced by increasing the number of its shop locations and improving customer involvement through event sponsorships, content marketing, and cultural promotion.

**Keywords:** CHAGEE, beverage, marketing, optimization.

## **1. Introduction**

With the modern level of Chinese consumption upgrade, consumers gradually shift their consumption from the second generation of beverages like Hi-tea, Nai Xue, and Momo tea these brands offer complex and varied products. But nowadays, concerned about beverage health issues, the pursuit of taste refreshing consumer demand is increasing, increasingly occupying the main customer demand, consumer started to like milk with tea-based simple tea drinks, which are the third generation of beverage, and in the past two years, there has been a rapid rise in the public's field of vision. The tea drink brand led by CHAGEE has been well received since its creation, and the number of shops opened in 2023 exceeded 2000, with more than 3,500 shops worldwide. This article will take the overlord CHAGEE as the research object, analyze and put forward its marketing and targeted optimization measures.

The CHAGEE Milk Tea brand was officially founded in June 2017, with the first shop opening in Yunnan China on 17 November, In 2018, by virtue of the 'tear cup' boom caused by the entire network hot topic, established the South China regional company, East China regional company, in August the same year, the first overseas shop opened in Malaysia. CHAGEE shop expansion progressively expanded in Southeast Asia, entering the Singapore market and Thailand market, as of May 2024, CHAGEE's offline shops in overseas markets have reached nearly one hundred, with a

total of 4,092 shops worldwide [1,2]. Scholars have now carried out several studies on the CHAGEE [3-6]. And this paper will take analyzing the market influence strategy of CHAGEE as a midpoint

## **2. Advantage Analysis**

### **2.1. Brand positioning**

CHAGEE is mainly positioned as a Chinese national-style tea drink., the brand name is a reference to the traditional Chinese Peking Opera ‘Farewell My Concubine’, It has shaped its brand image with Chinese characteristics. The product packaging invokes Chinese classic patterns, upgrading the visual effect of the product design to achieve the brand image of classical Chinese style.

#### **2.1.1. Advertisement**

CHAGEE focuses on the new Chinese style, and the actors in the commercials are all Chinese people dressed in modified Chinese costumes. The adverts all aim to spread traditional Chinese culture and unique Chinese aesthetics, using the national style as a starting point to promote Chinese tea culture and awaken Chinese market consumers to new thinking about cultural heritage and traditional culture.

#### **2.1.2. Advertisement**

On 26th April, CHAGEE contracted tennis player Qinwen Zheng as the brand's ‘Health Ambassador’. In the 2024 Paris Olympics, Qinwen Zheng won the gold medal in the women's tennis event, the first gold medal for China in the Olympic Games tennis event, which is of great significance. In the tea industry, CHAGEE takes the lead in choosing professional athletes as the brand's endorsers, building a tangible image of the product's health through the endorsers, building a perceivable lifestyle of healthy tea.

### **2.2. Product**

CHAGEE adheres to the ‘Oriental tea, will be the world's friend’, to tea's health as the main product. Choose high-quality tea leaves, specially treated with high-quality buttermilk, freshly prepared in shops to ensure the high standard and excellent taste of each drink, to attract the majority of consumers through the refreshing and delicate taste of the recognition. Compared to the rest of the beverage brands in mainland China, the similarity of the products launched is high and the main accumulation of tea leaves fresh milk tea with a refreshing and sweet taste is relatively homogeneous consumers feedback that CHAGEE's new products do not have innovative new ideas, and the products are too single in taste and flavor, making it easy to produce taste fatigue after a period of time.

### **2.3. Pricing**

With an average unit price of 15-20 RMB, CHAGEE is in the mid-range of Chinese beverages. Compared to HEYTEA's pricing of 18-35 RMB, Lele Tea's pricing of 20-30 RMB, and MIXUE Ice Cream & Tea ‘s pricing of 4-20 RMB, CHAGEE's price positioning in the market has a strong competitiveness and advantage. Tea drinks market, in the 15-20 RMB price band currently does not appear in the national head of the brand, so for CHAGEE, the middle of the price band can not only attract mid-range consumers but leave a unique impression of the brand and the price of the product, to occupy the dominant position, strengthening CHAGEE's dominant position in the field. Attracting mainly students and people with low and middle-incomes, the target market positioning and target customers are obvious.

At the same time, the brand preferential mechanism, not only invite a person to register to get 18-RMB coupons, group purchase 20% off and other activities, but also will be in the completion of the questionnaire to give a limited time 20% off coupon, as a discount back to consumers.

### **3. Marketing Strategy Optimization**

#### **3.1. Product Marketing Strategy Optimization**

Competition in the tea market is strong, and product optimization and iteration are crucial for brand development. A brand should take full advantage of real-time fashions to innovate and improve its offerings. Some consumers are concerned about the high caffeine content of CHAGEE 's products, which may lead to a decrease in customer experience. It should be optimized and innovated promptly through customer opinions and can expand brand influence through cross-border co-branding, as in the case of Luckin coffee's co-branding with Maotai and Tim Hortons' co-branding with Crayon Shin-Chan, the crossover creates a topic of marketing and enhances the brand's visibility to expand its market share.

##### **3.1.1. Innovative Development to Optimize Products**

After CHAGEE's trademark drink, 'Bo Ya Jie Sheng', received a lot of positive feedback in the market, major milk tea brands such as Cha Ba Dao, MIXUE Ice Cream & Tea, such as competed to launch similar flavors for imitation, which made Bawang Tea Jie's product substitutability. Therefore, CHAGEE's product development department should pay special consideration to the irreplaceability and innovativeness of the products in the process of research and development, upgrading and iterating products by adjusting the recipe ratios and the origin of the raw materials, offering a wide range of choices to attract consumers to purchase the products.

##### **3.1.2. Adaptation of Products to Customer Needs**

Nowadays, with the increase in the number of milk tea consumer groups and the development of contemporary drinks at a younger age, CHAGEE's products should be changed to be more suitable for the public's taste needs. And as consumers' pursuit of healthy diet improves, some customers have reflected that the caffeine content of CHAGEE's products is too much, which may lead to excitement and insomnia after taking the products, so it is suggested that CHAGEE's products can reduce the content of caffeine in the beverages or develop substitutes to solve this problem by Conduct customer market research in the beverage industry and collect customer opinions for systematic product and service upgrades or changes. This process is centered on optimizing the product and customer experience, constantly reviewing the positioning of the product in the market and the target customer group and using this feedback as a basis for developing a series of innovative innovations to achieve the conditions necessary for long-term growth.

##### **3.1.3. Developing Brand Derivatives and Linking up with Different Sectors**

As the scale of China's tea market continues to expand, consumers can choose from an increasingly rich range of products and brands, in the case of near-saturation of products, tea brands' cross-border co-branding to attract consumers is a gradually common phenomenon. It has been shown through data that consumers will spend money in pursuit of different experiences on 4 September 2023, Luckin Coffee launched the 'sauce latte', a product linked to Guizhou Moutai wine, which caused a large-scale discussion on the Internet and gained mainstream attention Since the brand style of CHAGEE is mainly Chinese style design, it is suggested that can try to co-brand with local museums

or cultural industries to enhance the brand's cultural value and traditional heritage and create the brand's ecological closed-loop.

### 3.1.4. Co-Branding Strategy

In view of the shaping of the national style image of CHAGEE, the brand can innovate in product co-branding. Appropriately imitate the co-branding of Luckin Coffee and Maotai liquor, cross-industry co-branding to cause amount of discussion, expand the brand's popularity with promote the brand's market share, lay the foundation for CHAGEE to achieve a leading position in the Chinese beverage market. For some suggestions, CHAGEE can try to co-brand with some foreign brands to carry out publicity and marketing for the purpose of carrying forward traditional Chinese tea culture in the way of "building a cultural communication bridge". It can be co-branded with trendy brands such as Supreme. CHAGEE represents China's traditional tea culture, and Supreme is the symbol of a new generation of trendy street culture in the United States, and has a certain popularity among young people in the world. The co-branding of the two can promote each other in international awareness, help CHAGEE accelerate to achieve the goal of bringing Chinese tea culture to the world.

Or CHAFEE can also link with some famous intellectual property, and try to launch a series of tea drinks with local characteristics based on local tea culture in conjunction with National Geographic. At the same time as the innovative development of products, more people can experience the tea culture in various parts of China without leaving home, and better carry forward and inherit Chinese tea culture.

### 3.2. Pricing Strategy Optimization

Most of CHAGEE's products are priced in the range of 15-20 RMB per unit, which is in the middle price range of the Chinese beverage market. The price of its leading product, 'Bo Ya Jie Sheng', is 16 RMB. Compared with the rest of the beverage brands like HEYTEA, and NAIXUE 20-30 price range, CHAGEE's pricing makes the product more cost-effective. In addition, when launching new products, CHAGEE should focus on the reaction of the consumers, observing the market dynamics and consumer behavior feedback, through analysis and feedback on the new flexible pricing.

### 3.3. Pricing Strategy Optimization

CHAGEE and SEXY TEA are the same type of brand, both have similar products and their brand styles are extremely similar. SEXY TEA is a local brand in Changsha, and its shop opening strategy is limited to Changsha and a small number of cities.,So the brand influence is relatively small. Relevant data show that the CHAGEE 2023 revenue exceeded 4 billion RMB, net profit of 800 million to 1 billion RMB. Born in 2013, still insisting on the direct mode of the sexy tea in 2023 to achieve a net profit of about 500 million RMB. Jiuqian data shows that in the fourth quarter of 2023, the single-store revenue of Ba Wang Cha Ji increased 2.7 times year-on-year, and its single-store revenue also exceeded that of Cha Yan Yue Shi for the first time on a national scale.[7] Based on this, CHAGEE's shop location strategy can be expanded to the whole country and even globally, expanding its comprehensive influence, rapidly occupying market gaps, enhancing brand awareness nationally, and expanding to overseas markets with the oriental story of Chinese beverage tea.

## 4. Suggestions

CHAGEE as now China's well-known national style of health tea drink brand, healthy and refreshing products received the majority of customers in the market. CHAGEE in the beverage market has a

huge attraction and commercial value, as a new style of beverage leader, CHAGEE needs to consolidate the existing market position through continuous improvement and optimization.

#### **4.1. Product Variety**

CHAGEE provides all the products for a mixture of fresh milk and tea. The taste of the product is relatively single, and the lack of diversity, limits the choice of consumers in the diversification, so it is recommended that CHAGEE maintain the original product on the basis of adding a series of new drinks with a difference from the original product, to consolidate the original customers on the basis of attracting new customers to purchasing.

#### **4.2. Marketing Enhancement**

CHAGEE's advertising is low in both online and offline advertising compared to similar brands such as HEYTEA and NAIXUE. Based on this, CHAGEE should increase the exposure of its brand in marketing.

##### **4.2.1. Content Marketing**

On their social accounts, CHAGEE should increase the sharing of product and brand stories to attract potential customers and expand brand awareness and exposure.

##### **4.2.2. Activity Marketing**

CHAGEE can regularly participate in offline activities, available through the sponsorship of sports activities or competitions to strengthen the brand's image of healthy drinks, direct contact with consumers, expanding the end of the relationship with the customer, and increase the exposure of the brand.

##### **4.2.3. Online Sweepstakes**

CHAGEE can regularly release the information of lucky draw on its official account to attract fans' attention and participation, which increases the connection between the brand and consumers, and also enhances the stickiness of brand fans and increases brand loyalty.

##### **4.2.4. Culture Connection**

In the application of cultural symbols in international marketing there is mentioned of, Chinese cultural symbols have broken through the cultural barrier and become an important reference element for brand image building [6]. Through this, CHAGEE should do more to publicize the traditional Chinese floral motifs it references in its packaging and logo with the history, strengthening the link between CHAGEE and traditional culture.

#### **5. Conclusion**

By effectively leveraging the cultural legacy of Chinese tea culture, CHAGEE has established a distinctive brand identity in the beverage industry as a national-style tea brand of China. It has proven that it has what it takes to lead the third generation of tea beverages, expanding quickly to over 4,000 locations globally. Professional athlete Qinwen Zheng's endorsement of CHAGEE further reaffirms the brand's ideals of health and vitality. CHAGEE stands out from competitors due to its focus on classical aesthetics and health-conscious product positioning.

Though some customers express fatigue with CHAGEE's limited range and taste profile, obstacles still exist, especially in the area of product innovation. To satisfy changing consumer preferences and expectations for healthier options, the brand must keep innovating. Examples of such innovations include cross-industry collaborations and co-branding strategies present opportunities for CHAGEE to expand its market influence, as seen with successful partnerships in the beverage industry.

Price-wise, CHAGEE is still competitive, especially in the mid-range market category. However, in order to stay ahead of the competition, it needs to keep an eye on customer feedback and be adaptable with its pricing approach. CHAGEE will strengthen its market position and raise brand awareness by growing its retail outlets and offline and online marketing initiatives. This can be accomplished by using traditional cultural symbols to deepen its connection with customers, event sponsorships, and customized content marketing.

All things considered, CHAGEE has accomplished a great deal in the beverage sector. However, in order to stay at the top, the company needs to constantly innovate, adjust, and improve its marketing tactics in response to the shifting consumer demands. Through the expansion of its product line and the improvement of its marketing initiatives, CHAGEE can sustainably increase both.

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