

# ***Analysis of Overseas Investments of China's New Tea Beverage Industry***

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**Abstract:** According to the data of the National Bureau of Statistics, in the past five years, the income and consumption of Chinese residents have shown a steady and rapid growth pattern, and the consumption structure of residents is gradually changing. In people's lives, leisure consumption has become an important consumption, and as a new type of leisure consumer goods, tea has gradually become people's consumption demand. This has promoted the rapid development of China's new tea industry, and also intensified the competitiveness of this industry. At the same time, with the deepening of globalization, Chinese tea brands have the opportunity to promote Chinese tea culture and tea products to the world. The diversification of overseas markets and consumption upgrades also provide a broader space for the development of tea brands. This paper mainly discusses the capital overseas strategy of China's tea industry in the context of globalization with case study and SWOT model. By analyzing the current situation, challenges and opportunities of China's tea industry, combined with the characteristics and trends of the international market, this paper puts forward targeted strategies and suggestions for capital to go overseas. This paper provides theoretical guidance and practical reference for the development of new Chinese tea brands, promotes the organic integration of traditional culture and modern commerce, and promote the internationalization process of new Chinese tea brands. At the same time, it also provides consumers with richer and more diversified consumption choices to meet their dual needs for traditional culture and modern lifestyle.

**Keywords:** China's tea industry, M&A, Globalization, Marketing strategy

## **1. Introduction**

With the continuous development of my country's social economy, people's living standards, consumption levels and quality of life are gradually improving. According to data from the National Bureau of Statistics, in the past five years, the income and consumption of Chinese residents have shown a steady and rapid growth pattern, and the consumption structure of residents has also gradually changed. In people's lives, leisure consumption has become an important consumption, and new tea drinks as a leisure consumer product have gradually become people's consumption needs. This has prompted the rapid development of China's new tea drink industry and intensified the competitiveness of this industry.

At the same time, with the deepening of globalization, Chinese tea drink brands have the opportunity to promote Chinese tea culture and tea drink products to the world. The diversification

and consumption upgrade of overseas markets also provide tea drink brands with a broader development space. In addition, through capital going overseas, tea drink brands can obtain more financial support and resources to accelerate the internationalization and innovative development of the brand.

However, there are differences in culture, taste and consumption habits in different countries and regions, and tea drink brands need to deeply understand and adapt to the local market. Secondly, the international market is highly competitive, and tea drink brands need to have strong brand influence and competitiveness. In addition, overseas operations also involve challenges in many aspects such as laws and regulations, supply chain management, and talent recruitment.

The significance of this study is to provide theoretical guidance and practical reference for the development of new Chinese tea brands, promote the organic integration of traditional culture and modern business, and promote the internationalization of new Chinese tea brands. At the same time, it also provides consumers with more abundant and diverse consumption choices to meet their dual needs for traditional culture and modern lifestyle.

## **2. Analysis of the Current Situation of China's Tea Industry**

### **2.1. Market Size and Structure**

The market size of the entire new tea drink has exceeded 100 billion yuan and is still rising.

In 2021, the new tea beverage market will reach a market of 100 billion yuan [1]. Over the past three years, with the continuous expansion of the new tea beverage brand, it has now become one of the most dynamic and promising segments in China's beverage market. The new tea beverage industry has changed the business model of traditional ready-made beverages from many aspects, such as multi-channel digital ordering and purchase methods, and imaginative marketing methods. Guangzhou, Shenzhen, Dongguan and Shanghai have a high density of stores, and the growth potential of lower-tier cities is huge.

There are a large number of brands, and the concentration of low-end chain brands is relatively high. Chain brands occupy a large market share in the entire new tea industry, about 90.8%, of which the franchise model is the majority, accounting for about 67.3% of all chain brands, and the low-end chain tea brands represented by Mixue occupy a leading market share in the new tea industry, accounting for nearly 50% of the market share, and high-end tea brands such as Hey Tea, Naixue, and Lele Tea account for about 7.7% [2], but with the intensification of market competition, high-priced tea brands are gradually testing the water in the mid-end market.

### **2.2. Industrial Chain Analysis**

Throughout the entire life cycle of new tea drinks, brand operation, product innovation, and supply chain are becoming more and more mature. In the capital market, new tea brands and new tea supply chain enterprises are active.

The good growth atmosphere has made the new tea beverage brand widely concerned by the capital market. Naixue and ChaPanda have been listed successively, becoming the first and second shares of new tea drinks. At the beginning of this year, the three leading brands of Mixue, Gu Ming, and Auntea Jenny also submitted IPO applications to the Hong Kong Stock Exchange. In addition, there are a large number of star brands that have received capital investment to make sufficient reserves for development [3].

With the continuous expansion of the new tea beverage market, the supply chain has also achieved rapid development, and many hidden champions such as Tianye Co, Ltd., Fresh Drinks, and Dexin Food have been born. They not only provide high-quality raw materials and efficient logistics services, but also help brands differentiate themselves through technological innovation and customized

services. At the same time, with the growth of the industry, more large companies have also begun to pay attention to the cake of new tea drinks, such as tea company Zhang Yiyuan, dairy company Junlebao, and snack brand Glico have begun to enter the ready-made beverage market.

Product innovation emerges in an endless stream, and cross-border co-branding has become a new fashion. The product innovation of the new tea beverage industry is changing with each passing day, from basic milktea to various cross-border co-branding, brands continue to innovate to meet the diverse needs of consumers. The white-book mentions that light milk tea, as an emerging hot category, has won the favor of the market with its light taste and health attributes. In addition, major brands have also closely integrated products with culture, art and other fields through high-frequency co-branding activities, enhancing brand influence and market competitiveness[4].

### **2.3. Competitive Landscape**

There are a large number of competitors in the new tea industry, and the homogenization of products is prominent, and the industry competition is fierce. The technical barriers, financial barriers, and qualification barriers of new tea drinks are low, and the threat of potential entrants in the industry is greater.

### **2.4. Consumer Groups**

At the beginning of the concept of "new tea drink", it was regarded as a fashionable consumption for young people. But today, the new tea drink that can be found on the streets of China has become the choice of consumers of almost all ages. According to Meituan's group buying statistics, 14% of new tea consumers are over 40 years old and 24 years old and below, and it is clear that it is no longer exclusive to young people. The expansion and sinking of the customer base, from early adopters to daily consumer goods, is a sign that the consumer field has moved from emerging to mature.

## **3. The Overseas Strategy of Capital in China's Tea Industry**

### **3.1. Brand Internationalization Strategy and Market Development Strategy**

In order to successfully expand into overseas markets, brands need to have a deep understanding of local culture and consumer needs, formulate operational strategies that meet the characteristics of the local market, and strengthen the construction of localized teams and improve local operation capabilities to ensure the steady development of brands in overseas markets. Here are some key steps and strategies.

#### **3.1.1. Improve Product Quality and Innovation Ability**

(1) Ensure product quality: Quality is the cornerstone of brand building. Chinese tea companies need to strictly abide by food safety standards, from raw material procurement to production and processing, to ensure that every link meets high standards and provide consumers with safe and healthy products.

(2) Innovative product types and tastes: As global consumers' demand for tea tastes and types becomes increasingly diverse, Chinese tea companies should continue to innovate and develop new products that meet the tastes of consumers in different countries and regions. For example, healthy products such as raw leaf milk tea and low-sugar or sugar-free tea can be launched to meet the needs of the global health trend.

### **3.1.2.Strengthen Brand Publicity and Promotion**

(1) International marketing: Enhance the brand's visibility and influence in the international market by participating in international exhibitions, holding brand launches, advertising on social media and mainstream media, etc. At the same time, international celebrities can be invited as brand spokespersons to increase the international recognition of the brand.

(2) Localized marketing strategy: Develop differentiated marketing strategies according to the culture and consumption habits of different countries and regions. For example, in the Southeast Asian market, the traditional and cultural heritage of the product can be emphasized; In the European and American markets, the health attributes and fashion elements of the products can be highlighted.

### **3.1.3.Improve the Supply Chain and Logistics System**

(1) Establish a global supply chain: Establish long-term cooperative relations with high-quality suppliers at home and abroad to ensure the stable supply and quality of raw materials. At the same time, you can consider establishing a production base or warehouse overseas to shorten the logistics time and reduce the transportation cost.

(2) Optimize the logistics system: use modern information technology and logistics management system to improve logistics efficiency and accuracy. Partnering with a professional logistics company ensures that products can be delivered quickly and safely to consumers around the world [3].

### **3.1.4.Strengthen Brand Culture and Story Communication**

(1) Spread tea culture: Chinese tea companies should actively spread tea culture, so that global consumers can understand the history, production process and cultural connotation of Chinese tea. Consumers can experience the charm of tea culture by opening tea culture experience halls and holding tea art performances.

(2) Tell a brand story: Every successful brand has its own unique story and philosophy. Chinese tea companies should dig deeper into their own brand stories and core values, and spread them to global consumers through various channels. This helps to strengthen consumers' sense of identity and loyalty to the brand.

## **3.2. Independent Brand Promotion**

Retaining the identity and building a differentiated brand is still the top priority.

The new tea drink conveys the characteristic brand concept and cultural connotation. For example, Mixue focuses on low price strategy and Heytea creates a light luxury experience. Through the export of traditional Chinese culture, we deepen the connection with consumers and convey the national style brand culture. For example, the Chagee reveal traditional Chinese culture from store decoration to product packaging.

Cross-border co-branding increases the selling point of brand marketing, co-branding with well-known brands, and enhances brand awareness.

## **4. Analysis of the Impact of Capital Going Overseas in China's Tea Industry**

### **4.1. Impacts**

#### **4.1.1. Alleviate the Pressure of Competition in the Domestic Market**

As tea brands go overseas, some brands invest resources and energy in overseas markets, which helps to alleviate the competitive pressure in the domestic market and make the domestic market more fragmented and diversified.

The performance of overseas brands in the international market will help them form a more distinctive brand image and differentiated competitive advantages in the domestic market, so as to attract more consumers.

#### **4.1.2. Enhance Brand Image and Popularity**

The success of a tea brand in the international market can enhance its visibility and influence on a global scale, and this international recognition can help enhance the competitiveness of the brand in the domestic market.

Good word-of-mouth and performance in overseas markets can feed back the domestic market and attract more domestic consumers to pay attention to and buy.

#### **4.1.3. Attract Capital Attention**

The success of tea brands in overseas markets can attract more attention and investment from domestic and foreign capital, and provide financial support for the development of brands in the domestic market.

With the expansion of the brand's influence in the international market, its valuation in the domestic market is also expected to increase, creating favorable conditions for the brand's future capital operation and expansion.

#### **4.1.4. Promote Industrial Upgrading and Innovation**

In order to remain competitive in the international market, tea brands need to continuously carry out technological innovation and product upgrading, and this innovation momentum will also be transmitted to the domestic market to promote the industrial upgrading of the entire industry.

The exploration and practice of overseas brands in the international market will help them form a more mature and efficient business model, and these models can also be replicated and promoted in the domestic market.

#### **4.1.5. Cultural Dissemination and Integration**

Chinese tea brands go overseas, not only bringing products, but also spreading Chinese tea culture. By holding tea art performances, tea culture lectures and other activities, the brands showed the charm of Chinese tea culture to local consumers and promoted cultural exchanges and integration.

Chinese tea brands pay attention to the communication of brand stories, and enhance consumers' sense of identity and belonging to the brand by telling the development process of the brand and the story behind the product. This helps to increase the brand's visibility and reputation in overseas markets.

## 4.2. Challenges and Opportunities

Chinese tea brands face many challenges when going global, including cultural differences, laws and regulations, and market competition. Brands need to have an in-depth understanding of the local market and cultural background, and formulate appropriate marketing strategies and product plans. At the same time, it is also necessary to strengthen cooperation with local governments and enterprises to jointly address the challenges.

Despite the challenges, there are also many opportunities for Chinese tea brands to go global. With the recovery of the global economy and the trend of consumption upgrading, the demand for Chinese tea brands in overseas markets is growing. At the same time, the international influence of Chinese brands is also increasing, providing strong support for brands to go overseas.

## 5. Case Studies

Take Heytea as an example, Heytea's strengths, weaknesses, opportunities, threats shown in Table 1.

Table 1: Heytea's SWOT [5]

Strengths	<ul style="list-style-type: none"> <li>1.Loved by young people, spread through social media, and gain high attention</li> <li>2.With sufficient financial resources, it will set a new record for the financing valuation of new tea drinks in China in 2021.</li> <li>3.The quality and packaging design of the product clarify the brand positioning and form a unique catering brand personality.</li> </ul>
Weaknesses	<ul style="list-style-type: none"> <li>1.The number of offline stores is small, and most of them are concentrated in first- and second-tier cities.</li> <li>2.The brand was over-promoted, and was fined 45W for suspected false publicity.</li> <li>3.Hunger marketing, overdrawing customer patience, resulting in an increase in the re-evaluation rate.</li> <li>4.The internal management is relatively loose, and it is easy to have problems in service, health, and staff quality.</li> </ul>
Opportunity	<ul style="list-style-type: none"> <li>1.The change of consumer lifestyle has brought a huge population base to the new tea drink.</li> <li>2.The tea industry has great market potential, and although Heytea's stores are all over the country's high-consumption cities, they are only partially occupied, and the milk tea market has great potential and broad prospects. Heytea occupies a certain market share through marketing means.</li> <li>3.Opportunities under the influencer economy. The Internet celebrity economy born in the context of the development of new media on the Internet is a popular industry in recent years, with rapid development and diverse forms, and the development of the Internet occupies a place in the future development, the Internet celebrity economy will also develop, and the Internet celebrity milk tea brand will also grow, which has brought certain opportunities for the development of Heytea.</li> </ul>
Threats	<ul style="list-style-type: none"> <li>1. Peer brands occupy the sinking market through the advantage of low product prices.</li> <li>2. The market competition is fierce. The needs of consumers are becoming increasingly diversified, and the consumption tendency is different.</li> </ul>



## 6. Conclusion

With the continuous development of the global tea market and the continuous expansion of Chinese tea brands, the Chinese tea industry will show the following trends in terms of capital going overseas in the future: (1) More Chinese tea brands will accelerate the pace of internationalization and enhance brand influence and market competitiveness through global layout. (2) Brands will continue to improve the global supply chain and logistics system to improve supply chain efficiency and cost control capabilities. (3) Chinese tea brands will pay more attention to the deep integration of culture and brand, and enhance brand awareness and reputation through cultural communication. (4) Brands will continue to deepen localization and differentiation strategies, and launch more targeted products and services according to the needs and characteristics of different markets. To sum up, China's tea industry has made remarkable research progress and achievements in capital going overseas, and will continue to maintain a rapid development trend in the future.

In conclusion, the continuous prosperity and development of China's tea beverage market has become an inevitable trend, and at the same time, tea beverage products will become more and more popular in the hearts of consumer groups, especially among young people. Tea beverage from the selection of raw materials, tea extraction, production and processing, sterilization, to the final listing, a series of processes in the middle of the process to develop strict operating standards, norms, relevant government departments to urge tea beverage enterprises in strict accordance with the standards, for the tea beverage market there are uneven enterprise phenomenon should also be rectified, improve the quality of tea beverage market operation. It is believed that with the increasing attention of China's government departments and all walks of life in tea beverages, China's tea beverage market order will become more standardized, and tea beverages will also be more developed [6].

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