

Research on the Marketing Strategy of Chagee, a New Chinese Tea Drink

Yuting Ma

School of Management, Shanghai University

mayuting1106@163.com

Abstract. Since the emergence of new Chinese tea in 2015, the market scale has exceeded 100 billion yuan in 2021, and now it has jumped to more than 200 billion yuan. New Chinese tea has become an important social media for contemporary young people to date and have dinner. This paper takes CHAGEE as the research object, analyzes the industry competition pattern by using PEST model and Porter's five forces model, and combs the brand marketing situation according to STP theory. The research finds that the new tea drinks currently face marketing challenges such as insufficient product innovation power, unclear pricing advantage, weak channel expansion and operation, lack of promotion means and service process, and lack of distinctive features in the tangible display of the brand. It puts forward marketing strategies to improve product innovation ability, enrich product categories, strengthen price competition, improve channel development and management, and diversify promotion activities.

Keywords: New Chinese tea; CHAGEE; Industry analysis; Marketing strategy.

1. Introduction

1.1 Research Background

Chinese tea culture has a long history in the Chinese cultural system, which has been recorded in the Shennong era. It is a unique cultural form, philosophical thought and artistic sentiment gradually developed in this long process. China's current tea industry is developing at a high speed. The market size is expected to increase from 102.2 billion yuan in 2019 to 272 billion yuan in 2024, with a compound annual growth rate of 21.7%. This growth is inseparable from the preference of young customers such as the post-90s and post-00s for healthy, national fashion style products and immersive tea drinking scenes, as well as the standardized development environment brought about by industrial policies such as the 13th five year plan for the tea industry[1]. In the market competition, head brands reduce costs by optimizing the supply chain, regional brands focus on products and quality control, while CHAGEE achieves dislocation competition with a mid-range positioning of 15-20 yuan. In terms of products, CHAGEE has built a "health+" innovation system, becoming the first zero trans fatty acid enterprise in the industry. It has cooperated with scientific research institutions to build a nutrition assessment model, and has 11 low GI products; In terms of operation, intelligent equipment is used to achieve a meal delivery speed of 8 seconds and a product error rate of 2 %, supporting the standardized operation of 6440 terminals worldwide; The construction of supply network has achieved remarkable results. The logistics cost accounts for less than 1% of Gmv, and the inventory turnover cycle is 5.3 days[1].

In terms of globalization strategy, CHAGEE has covered 156 business outlets in Southeast Asia and other overseas markets, opened more than 150 foreign terminals, and plans to set up 1000-1500 new terminals by 2025; Focusing on the integration of export and improvement in transnational operation, with "Cha" as the core symbol, the product formula was adjusted in combination with regional needs, and achieved the first sales performance in a single store in Malaysia. In addition, to explore the marketing strategy combination of CHAGEE in the dynamic market environment, and investigate its market segmentation, product innovation, price design, promotion and communication mode, can provide suggestions for the modern transformation of traditional tea culture.

1.2 Research Meaning

In recent years, with the revival of traditional culture and consumption upgrading, the new Chinese tea industry has developed rapidly. The 2022 new tea research report predicts that the domestic market will exceed 142.8 billion yuan in the next five years, with 486000 stores, and more than half of the brands will adopt the chain mode. CHAGEE, who focuses on "Guochao+tea", takes this opportunity to grow into a leading enterprise, but also faces the challenges of product homogenization and the improvement of consumer quality requirements[2]. It needs to continue to explore in R&D innovation and price optimization. Taking CHAGEE as a case, this paper analyzes its marketing mode, extracts successful experience and areas to be improved for peer reference. Its "original leaf tea base+cultural empowerment" and innovative marketing matrix achieve rapid growth, build synergy from products, scenes and communication, and improve brand management theory; The compound expansion mode and unique channel laying break through the traditional dilemma and add "Chinese characteristics" to the chain of service industry.

Through cooperation with Sanxingdui and popular IP, the brand exports national style aesthetic elements, and promotes the transformation of cultural values into brand assets. For example, it has set a record of 100000 cups sold per day in conjunction with the notes of tomb robbing, which confirms the consumption driven by the cultural identity of generation Z; With the "original leaf fresh milk tea" technology to form product advantages, the core products sell hundreds of millions of cups a year, and build a three-dimensional growth system through digital authentication and scene marketing. Globalization is based on the "globalization of Oriental tea culture" in Southeast Asia. Hong Kong flagship stores sell more than 10000 units a day, and cooperate with Guizhou culture and Tourism Bureau to create a new mode of "drinks+culture and tourism+digital content", which provides ideas for the internationalization of local brands and the coordinated development of culture, and also enriches the connotation of relevant academic research.

2. Literature Review

2.1 Research on the Development Status of Tea Industry

In recent years, the new tea market has expanded rapidly, and the industrial scale is gradually maturing. At the end of 2019, there were about 500000 existing tea stores, which fell to about 480000 in June 2020 due to the epidemic. However, the market scale by the end of 2020 exceeded 100 billion yuan, and it is expected to reach 110 billion yuan in 2021; With the release of consumption classification and sinking market demand, and the superposition of consumer growth and overseas development, it is expected to move towards a trillion scale in the future. The consumer side is dominated by the post-90s and post-00s young groups, with consumers under the age of 30 accounting for 71%. Students and high-income white-collar workers in large cities are the main force, with women in the majority and men in the rising proportion. At first, brands mainly radiated around the original place, head brands gradually sink to low-level cities, and vertical segmentation and new brands continue to emerge. The market competition is fierce. Facing the direct competition from the influx of new brands in the industry and street milk tea, as well as the external impact from traditional tea and coffee, Xiangpiao, Ruixing and other enterprises and celebrities' IP have made cross-border layout. At present, tea beauty and happy tea occupy the head. A number of waist brands and "small and beautiful" new brands in the vertical field coexist, and the market is developing towards personalization, differentiation and quality. Product innovation and creative marketing are the key to success. Brands continue to iterate over products to build word-of-mouth. At the same time, according to the preferences of young consumer groups, creative content and interactive activities are carried out with the help of the Internet, new media and digital tools, social media, short video platforms, etc., to enhance exposure and user stickiness, and realize traffic transformation and market penetration.

2.2 Research on the Marketing Strategy of Tea Industry

The tea industry has developed rapidly in recent years, and the marketing strategy is crucial to the market competitiveness and brand value of enterprises. This paper discusses its marketing development path from four aspects: market environment, consumer behavior, product innovation and channel construction. At the market level, consumption upgrading promotes the improvement of quality demand, the competition turns from price to brand value, the head brand expands its share by differential positioning, and digital technology helps precision marketing.

Consumers are mainly young people aged 18-35, accounting for more than 70%[4]. They have strong social attributes, are vulnerable to social media, and prefer healthy tea drinks such as low sugar and no additives. Product innovation needs to follow the route of differentiation, starting with the improvement of raw material quality, the improvement of production process (such as cold extraction, nitrogen injection), and the innovation of product concept (seasonal limit, cross-border joint), so as to balance the proportion of classic and innovative products. Channel construction focuses on the integration of online and offline, focusing on the location of business district and the creation of scene experience offline, building a digital system online relying on takeout and small programs, and improving loyalty and repurchase rate through member management. In the future, industry marketing will pay more attention to brand culture construction and story marketing, and integrate the concept of sustainable development into the brand, becoming a new direction of differentiated competition.

3. Overview of CHAGEE

Chagee is a new tea brand founded in June 2017 in Chengdu, Sichuan Province. Its headquarters are located in Jinjiang District, Chengdu. Shanghai has an operation center, and its name is derived from the classic play farewell my concubine.

The brand takes "original leaf fresh milk tea" as its first product, focusing on the integration of Chinese traditional tea culture and fashion consumption. The product design integrates traditional elements such as opera clothing and embroidery. The store creates Chinese Zen aesthetics with wooden structure and seal character wall, and the naming of four series of products also contains Chinese Allusion culture. Its development began with the opening of its first store on Wuyi Road in Kunming, Yunnan, in November 2017. It expanded in the southwest as the base. In August of the same year, it entered Malaysia to open its overseas layout, and then successively entered markets such as Singapore and Thailand. In China, it expanded to more than 200 cities such as Sichuan and Zhejiang; In 2021, hundreds of millions of yuan of round A and round B financing were completed[5]. In January 2024, the Shanghai logo was signed to open more than 1000 stores across the country. In June, all stores launched the "nutrition choice" logo, upgraded the "Huatian Oolong" series in July, and opened the brand's flagship store in November. At this time, there were more than 4500 stores across the country, covering more than 800 stores in China, Hong Kong and Southeast Asia. In March 2025, the CSRC informed it that it planned to issue no more than 64731929 ordinary shares to be listed in the United States. On April 17, it was officially listed on NASDAQ (stock code "Cha"), becoming China's first tea brand to land in the world's capital market[5].

4. Analysis of the Macro Environment of CHAGEE

4.1 Analysis of Political Environment

(1) Increasingly strict policy supervision

The food and beverage industry is a key regulatory area of the government. In recent years, the regulatory efforts have been continuously strengthened, especially focusing on food safety, the use of additives and marketing promotion norms. Take CHAGEE as an example. The brand has

attracted consumers' attention due to the controversial composition of "bingblanc" basal milk and unclear labeling of caffeine content. In 2024, when the Beijing Consumer Association carried out food safety inspection, some CHAGEE stores were notified of compliance problems, which showed the regulatory pressure faced by enterprises in the process of rapid expansion.

(2) Capital market policy support

In March 2025, the China Securities Regulatory Commission approved CHAGEE's overseas listing for filing, providing policy support for enterprises' financing in the United States. This initiative helps enterprises obtain more abundant funds to support their global market layout and business expansion. However, as a Chinese concept stock company listed in the United States, CHAGEE needs to properly deal with the potential compliance risks caused by the differences in regulatory requirements between China and the United States.

(3) Policy assistance of cultural going to sea

The state actively promotes the overseas dissemination of Chinese culture. As an important part of traditional culture, tea culture has received strong support from the policy level. CHAGEE takes "modern oriental tea" as its brand positioning, which is highly consistent with the national culture export strategy and creates good policy conditions for its overseas market expansion. However, in actual operation, the brand used the expression of "Lunar New Year" instead of "Chinese New Year", which caused controversy over cultural identity, reflecting the need for special caution in cultural expression in the process of transnational operation.

4.2 Economic Environment Analysis

(1) The growth rate of tea market gradually slowed down

The scale of China's current tea market has exceeded 100 billion yuan, but the growth rate has slowed down significantly. According to the statistics of China chain operation association, the growth rate of the new tea market is expected to drop from 44.3% in 2023 to 12.4% in 2025. Industry competition has changed from competition for new markets to competition for existing market shares. Take CHAGEE as an example. In 2024, its single store sales fell by more than 30% year-on-year, which fully reflects the operating pressure brought by market saturation.

(2) The consumer market presents obvious stratification

At present, China's consumer market has a significant stratification feature: high-end tea brands such as Xicha and Naixue have lowered the product price to about 15 yuan, while the main sink market, miyue ice city, has maintained a low price position of 6 yuan. CHAGEE products are priced at 16-25 yuan, which is at the middle end of the market. It is not only facing the competitive pressure brought by the price reduction of high-end brands, but also facing the challenge of upward expansion of brands in the sinking market. It is urgent to stabilize the market position through product innovation and improving operation efficiency.

4.3 Social Environment Analysis

(1) Prominent demand for health consumption

At present, Chinese consumers pay more attention to the health attributes of drinks. CHAGEE advertised "0 trans fatty acid" with "original leaf fresh milk tea" as the core selling point, but the use of "bingblanc" base milk containing hydrogenated vegetable oil caused controversy over the composition of the product. Some products, such as "Wanli Magnolia", contain as much as 149.5mg caffeine in a single cup, triggering health risk discussions and exposing the gap between brand publicity and consumers' actual health needs.

(2) Consumption trend driven by Guochao culture

Young consumer groups' sense of identity with national style elements has significantly increased. CHAGEE creates a unique brand image through the visual design of "blue and white ink painting" style, combined with traditional cultural elements such as Lanting preface. Its positioning of "modern oriental tea" not only inherits the essence of tea culture, but also integrates the

expression of youth, which successfully fits the era background of improving social and cultural confidence.

(3) Changes in labor market structure

The tea industry is generally faced with the problems of tight labor and frequent personnel flow. CHAGEE reduced the labor demand by 70% by introducing fully automatic tea making equipment. At the same time, it opened new types of businesses such as "silent stores" to absorb employment for special groups, showing the initiative adaptability of enterprises to changes in the social labor structure. The future growth potential of the industry is cautious.

4.4 Technical Environment Analysis

(1) Supply chain technology innovation

CHAGEE has built a closed-loop system of "tea garden factory store", and built its own tea processing plants in Yunnan and Chaoshan, realizing 5.3-day inventory turnover, with logistics costs accounting for less than 1%. However, its practice of forcing franchisees to use designated logistics service providers (freight is 15%-20% higher than the market price) has caused controversy, and the technical advantages have not been fully translated into the benefits of franchisees.

(2) Digital operation system

Through digital tools such as AI site selection system and real-time sales data Kanban, CHAGEE realizes remote monitoring of 6000+ stores around the world. Its "health calculator" program can display the nutritional composition of the product and enhance transparency, but it has been questioned about selective publicity of data, and the credibility of technology application needs to be strengthened.

(3) Overseas market technology adaptation

In the process of global expansion, CHAGEE is facing the challenge of localization of supply chain technology. The cost of building factories overseas is high, the cost of workers is much higher than that at home, and the logistics efficiency is lower. It tried to ensure global quality control through standardized equipment, but the average daily unit quantity of North American stores was far lower than that in China, and the display technology scheme needs to be adjusted in combination with the characteristics of the local market.

5. Marketing Optimization Strategy of CHAGEE

5.1 Improve Product Innovation Capability

At present, the homogeneity of the new tea market is serious, and the development of characteristic and personalized products has become the core of brand competition. According to the research of Lisutong et al. (2023), tea base is the core element of tea products, and its raw material quality and process innovation are the key directions to improve the consumer experience. CHAGEE's existing products mostly rely on standardized production with low technical barriers and are easy to be replaced by similar products[6]. In this regard, the following suggestions are put forward: increase the investment in R&D resources, increase the allocation of funds and manpower, and focus on the development of characteristic flavor products with market scarcity; Improve the technology protection mechanism, strengthen the management of intellectual property rights of R&D achievements, set up technological barriers, and improve the difficulty of product imitation; Activate the internal innovation system, establish a mechanism for employees to participate in R&D, optimize product taste through regular product innovation seminars, and maintain high-frequency new product iterations (it is recommended to launch a new product every two weeks).

In addition, considering the regional differences of consumers' tastes, R&D centers can be set up in key areas. For example, tea drinks featuring Hami melon and grapes were developed in Xinjiang, and coconut and mango themed products were launched in Hainan. This strategy can not only reduce the cost of raw material procurement and transportation, but also attract cross regional

consumption through regional characteristic products, so as to achieve the dual goals of sales growth and brand differentiation competition.

5.2 Rich Product Categories

At present, CHAGEE's four series of products, both in product category and quantity, are slightly less than other tea brands, and its main product category is only tea, and there is no rich small material added, which can't meet the multi-level consumption needs of consumers. Therefore, CHAGEE can consider expanding its product categories, adding healthy food products such as European bread, pastries, exquisite cakes or biscuits, and appropriately increasing small tea drinks such as pearl, taro ball, similo, Bobo crisp, coconut fruit, milk jelly according to the needs of consumers, so as to meet the multi-level and diversified consumption needs of different types of consumers and realize the growth of customer unit price. At the same time, brewing tea, bottled tea and other related products can also be appropriately added, and consumer feedback can be collected to explore new consumption growth points.

In addition, overlord chaji relies on the epic story background and has full cultural attributes, so we can consider relying on the cultural background to enrich peripheral products and cultural and creative products, such as limited product packaging for Xiangyu and Yuji's skin, and cultural and creative products with specific cultural attributes such as teapots and fans. They often organize joint activities with current popular IP and launch limited peripheral products[7]. For example, the joint signing with Sanxingdui and tomb robbing notes in the early stage has achieved good repercussions and gained a large number of fans. CHAGEE should actively capture the hot spots, seize the consumers' psychology of novelty hunting, create tea culture IP with national fashion, innovate product research and development, and enhance brand awareness and influence.

5.3 Strengthen Price Competition Strategy

According to the research of Zhou Quan (2019), tea brands should broaden the price range and enrich choices to improve market share. CHAGEE products are mainly priced at 16-22 yuan, with a narrow price range. The price difference between the medium cup and the large cup of the same product is about 4 yuan (for example, the "Boya Juexin" medium cup is 16 yuan and the large cup is 20 yuan), which is higher than the price difference of 2-3 yuan common in similar brands, and there is no price range of less than 15 yuan and more than 28 yuan. It is suggested to develop low-end market and develop popular basic products of about 10 yuan to attract price sensitive groups; Layout the high-end market and launch a high-quality limited edition of 30 yuan to meet the needs of high-end consumers; Optimize the cup pricing, control the price difference within 3 yuan or unify the capacity to eliminate the differences between large and small cups, so as to reduce the unit price and reduce the consumer choice problems. Product pricing needs to integrate costs, market competition and consumer preferences. CHAGEE can form a professional team to form a complete process of "market monitoring data analysis price adjustment", and implement regional differentiated pricing strategies.

5.4 Improve Channel Development and Management Strategies

In the digital era, data collection and analysis have become an important basis for enterprise decision-making. According to the research of wangzhanpeng and Ma Lu (2023), strengthening the construction of online marketing channels can more efficiently obtain consumer data, and help enterprises carry out precision marketing through data analysis. At present, Starbucks, Ruixing coffee and other leading brands in the tea industry have launched independently operated apps to build exclusive online marketing positions. In contrast, the online sales of CHAGEE mainly rely on takeout platforms, buffeting coupons, applets and e-commerce flagship stores, with limited functions. In order to improve the user experience and marketing effect, it is suggested that the brand develop its own mobile app, and add functional modules such as member points exchange, peripheral commodity sales, and user exchange forums. Record consumers' purchasing habits and

preferences through app, realize personalized product recommendation, and provide data support for new product development.

In terms of user management, brand app can build a community-based operation system, configure intelligent customer service and manual service teams, timely push marketing activity information, and quickly respond to consumer consultation and feedback. Enhance user stickiness through member specific benefits, and implement the fission marketing strategy of "old users with new users", and encourage old users to invite new users to register and download apps with coupons, lottery opportunities, free coupons and other rewards. This model can not only improve the loyalty of old users, but also reduce marketing costs, effectively expand consumer groups, and enhance brand awareness among new users.

5.5 Diversified Promotion Activities

In view of the gap between the promotion frequency of CHAGEE and consumers' expectations, it is suggested to strengthen the daily promotion layout on the basis of retaining the new store opening, anniversary celebration and traditional festival promotion, formulate periodic activities such as "exclusive coupon day on Monday" and "double points on Tuesday", and change the form every week to continuously attract attention and increase the online popularity and topic volume. In view of the regional implementation differences caused by franchisees' independent management, the brand headquarters can establish a "unified+flexible" mechanism: carry out national linkage promotion on a fixed date every month to ensure a consistent rhythm, and allow stores to plan personalized programs in combination with local characteristics in the rest of the time, and the activities need to fit social hot spots and consumption trends to enhance exposure, promote sales and long-term development. At the same time, it can carry out nodal blind box marketing in peak periods such as holidays, enrich prizes and improve the winning rate; With reference to relevant research, we should strengthen the joint cooperation of tea culture, deepen the connotation and improve the recognition with "tea+culture" across the border. Formulate differentiated participation rules for different promotion forms, enhance consumers' sense of gain through reasonable profit sharing, build a virtuous cycle of "experience Optimization - participation deepening - consumption transformation", and strengthen market competitive advantage.

6. Summary

The purpose of this study is to deeply analyze the marketing strategies of CHAGEE, such as market positioning, products, price and promotion. Through the methods of literature analysis, case analysis, questionnaire survey and statistical analysis, this study systematically studies the problems existing in its current marketing strategies. The study found several highlights: first, by virtue of differentiated positioning, it created a characteristic brand image, integrated traditional culture into products, and introduced milk tea in combination with traditional tea, which met the needs of young consumers for tea health and fashion; Second, promote the brand through social media marketing, cooperate with KOL, produce UGC content and carry out high interactive online activities to effectively improve the popularity and user stickiness; The third is to adopt the regional expansion mode, select and carry out characteristic publicity activities in combination with the actual location to achieve rapid market penetration. At the same time, its membership system and digital operation improve the user experience and repurchase rate through data analysis, so as to provide assistance for development.

References

- [1] First finance 2020 new tea white paper [eb/ol]. (2020-12-03) [2024-06-08], <https://www.cbndata.com/report/2486/detail?isReading=report&page=7>.

- [2] First finance Fresh drinks: the 2024 white paper on China's new tea supply chain [eb/ol]. (2024-05-21) [2024-06-08], <https://www.sgpjbg.com/baogao/163121.html>.
- [3] Dingjiehan Can China's new tea go out of Starbucks -- Analysis on the marketing strategy of new tea [j]. modern marketing (next xunyan issue), 2019, (4): 98
- [4] Huang Lu When young people fall in love with new Chinese tea [n]. Xiangsheng news, July 6, 2024 (006). Doi:10.28901/n.cnki.nxsbz.2024.000462
- [5] He Yang CHAGEE rushes to "the first share of new tea drinking in the US" [n]. China business daily, 2025-04-03 (006). Doi:10.38304/n.cnki.nzgsb.2025.000355
- [6] He Qunxian Discussion on the concept innovation and quality control of new Chinese tea [j]. China tea, 2019, 41 (2): 43-46
- [7] Jiang min Development status and future prospects of new tea industry [j]. Agricultural Archaeology, 2021, (2): 221-227
- [8] Zhang Nan CHAGEE opens a new marketing path by "meeting friends with tea" [j]. business culture, 2024, (22): 55-57
- [9] Chatmi A, Elasri K. Competition among vortex firms: Marketing, R&D or pricing strategy[J]. Journal of High Technology Management Research, 2017, 28(1): 29-46.
- [10] Choi Y, Lee J. The effect of extrinsic cues on consumer perception: A study using milk tea products[J]. Food Quality and Preference, 2019, 71: 343-353.
- [11] Christopher L, Lynn K. Services as emulation marketing: conceptualization and concerns[J]. Journal of Services Marketing, 2024, 38(1): 103-112.
- [12] Elgarhy S D, Mohamed L M. The influences of services marketing mix (7ps) on loyalty, intentions, and profitability in the Egyptian travel agencies: The mediating role of customer satisfaction[J]. Journal of Quality Assurance in Hospitality & Tourism, 2023, 24(6): 782-805.
- [13] Haskova K.Starbucks Marketing Analysis[J]. CRIS - Bulletin of the Centre for Research and Interdisciplinary Study, 2015, 2015(1): 11-29.
- [14] Ingenbleek P T M, Meulenbergh M T G, Van Trijp H C M. Buyer social responsibility: A general concept and its implications for marketing management[J]. Journal of Marketing Management, 2015, 31(13-14):1428-1448.
- [15] Kienzler M, Kowalkowski C. Pricing strategy: A review of 22 years of marketing research[J]. Journal of Business Research, 2017, 78: 101-110.