

# The Marketing Strategy of the Milk Tea in China based on Customer Demand Analysis

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## ABSTRACT

Tea culture has been a tradition in China since ancient times. As the culture and habit of drinking tea are deeply rooted in people's hearts, the Chinese market naturally accepts milk tea, new blended tea drinks under the background of the current era. The marketing strategy of the milk tea industry in China based on the analysis of customer demand is explored in this research. The methodology includes literature review and questionnaire survey. The results include findings from four perspectives including consuming behaviors, the products of milk tea, the consumption scenario, and pricing. Students are the target audience of milk tea, and the consumption scenario happens when customers go window-shopping. The concept of health is rooted in the customers when selecting the products. The leisure and casual atmosphere and environment are most significant when consumption occurs. The affordable pricing with the greatest customer segment should be focused on eight to eighteen CNY.

**Keywords:** Milk tea, Marketing strategy, Business analysis, Consumer preference, Questionnaire.

## 1. INTRODUCTION

According to literature records, since the Han Dynasty when literati strongly advocated drinking tea, tea was implanted into cultural elements which record the formation of tea culture [1]. When it comes to modern China, young consumers in China tend to choose tea drinks with more varieties, more novel tastes, and more fashionable packaging, different from the preferences of middle-aged and elderly generation for traditional tea. In this context, a group of enterprises specializing in making mixed tea drinks from juice, milk, and tea. They have had some success attracting young people by improving the taste and packaging of tea drinks to make them more in line with their consumption ideas. Nayuki has become the first unicorn enterprise in China's freshly made tea industry with a total evaluation of 31.1 billion CNY [2]. The single-round financing amount of HeyTea has reached 500 million CNY [3]. Many freshly made tea brands established from 2014 to 2016 have also faced A centralized financing storm in the recent one or two years. According to the comprehensive estimation of China's population, urbanization rate, milk tea price, and other factors, it is expected that China's milk tea market capacity can reach 98.6 billion CNY [4].

It is worthy to explore the marketing mode of the milk tea industry and its development in China since the

market is huge and not well analyzed enough. This paper aims to conduct a marketing analysis of China's milk tea industry based on customer demand analysis through surveys. The methodology applied in this research involves literature review and questionnaire method. The literatures provide insightful perspectives of customer demand in the further descriptive analysis while the results of the questionnaires provide sufficient data for the analysis. The origin of this research is due to the high frequency of milk tea shop replacement in my hometown city in China. It is supposed to provide referential market strategy suggestions for Chinese milk tea industry from the perspective of consuming behaviors, the products of milk tea, the consumption scenario, and pricing.

## 2. LITERATURE REVIEW

Much literature has provided various resources to better comprehend the marketing analysis of China's milk tea industry. This part is supposed to cover the literature from three perspectives. Firstly, research that explores the normal success development path of China's entrepreneurs will be introduced to explain the necessity of this research and locate the issues. Secondly, theoretical research of the marketing mode of China's innovative tea products is referred to better understand the current marketing strategy and choose the appropriate

methodology to complete the analysis. Finally, a quantitative analysis of the consumption behavior of milk tea in China and design appropriate questions for the survey.

### ***2.1. The overall marketing strategy of China's enterprise***

According to Gao's research, entrepreneurs often go through five steps to succeed under China's policies. The first step is to formulate the right business strategy, seize the opportunity, and speed up development. The second step is to improve the ability of independent innovation and form competitive advantages through technological progress and scientific management. The third step is to integrate management, establish a good reputation and corporate image, follow the law of value, which is to produce marketable quality products, improve the efficiency and vitality of enterprises. Finally, the realization of enterprise mergers and reorganization is supposed to complete by improving the efficiency of resource utilization [5]. According to this theory, the marketing analysis is located on the third step of integration management. On one hand, the entrepreneurs should consider the consumer demand comprehensively to produce marketable quality products. On the other hand, the marketing strategy based on the customer demand strategy is supposed to promote the management and assistant to establish a good reputation and image for the entrepreneur.

### ***2.2. The focus of the marketing strategy in China's enterprise***

According to Wang, the marketing industry in China face an issue of a closed mind, which causes the marketing inefficient enough to get certain revenue. In his opinion, the solution to this problem is to form a targeted marketing strategy by exploring customers demand [6]. The marketing strategy is supposed to fit the market instead of conducting a normal mode. It requires a comprehensive knowledge of customer demand. Taking this requirement into consideration, the methodology of the survey is selected to analyze the customer demand to form a more efficient marketing strategy.

On the other hand, the focus of cultural marketing strategy is one of the focus in this background. According to Chen De-chao, many food service companies nowadays build their competitive superior by mixing the culture into their businesses. The internal cultural innovation of catering enterprises is an important aspect of enterprise market strategy. On one hand, the culture is supposed to add cultural value chain. On the other hand, a new relationship between enterprises and customers [7]. The culture attribute is supposed to be a significant component of the survey design.

### ***2.3. The focus of customer demand***

According to the customer demand analysis of Liang and Hou about the milk tea industry in China, the turnover customers of milk tea industry accounted for a relatively large, which is mainly based on customers' comprehensive value identification of milk tea industry. Based on the research, regular transaction customers like to drink milk drinks accounted for more than half; And a small number of long-term interval transaction customers have a general attitude towards dairy drinks accounted for more than half. The value identification of customers is a significant consideration for the design of survey [8].

In Yang Han's research on the consumption behavior of the milk tea industry, the interview survey is chosen to explore the impacts from the perspective of products, image, and price. It is detailed research to combine the customer background and their purchasing experience to the milk tea products. The suggestion from the analysis is constructive, which asks to mold brand characteristics, adopt an effective pricing strategy, and improve service quality [9]. Since the interview survey is detailed, the time it costs can be massive to form a relatively comprehensive quantitative analysis. Nonetheless, the design of the interview questions is worthy of referring from the perspective of products, image, and price.

## **3. METHODOLOGY**

Besides the literature review, this paper adopts the questionnaire method. It is an effective method used in the social survey to measure the behavior, attitude, social characteristics of the respondents or collect other information [10]. It has various advantages. Firstly, it is efficient. A questionnaire survey is widely used because it is easy to operate and economical. Secondly, since the respondents are rarely impacted by the researchers, the results are supposed to be objective. Nonetheless, there might be various bias which is supposed to be avoided.

In this research, the snowballing method of questionnaire survey is chosen to collect information from the target audience. The questionnaires are spread through WeChat by the researchers' friends and their friends. There are nineteen closed questions in this questionnaire, among which three collect geographic information about the respondents, two collect beverage habit information, and the other fourteen collect information about milk tea consumption. The elements of the milk tea consumption behavior are basically from the perspective of products, image, and price of milk tea. The geographic questions explore the gender, age, and occupation of the respondents. The beverage consumption behavior questions discover the type of other beverage the respondents preferred and the advantages of those beverages over milk tea. As for the milk tea questions, the pricing questions explore the price, the balance between price and quality, and promotion

from the perspective of respondents as customers. The image questions are related to the customers' feelings toward the shop environment, atmosphere, service, and their impression of promotion. The questions related to the product are the most which cover perspectives from the package, consumption frequency, size of the frequent consumption, the common consumption scenarios, the consumption collocation, and the consideration of consumption. A descriptive analysis will be conducted to complete the marketing analysis.

#### 4. RESULTS

Fifty-nine valid questionnaires were collected in this survey. Among all the participants, twenty-six are males while thirty-three is females, making up 44.07% and 55.93% respectively. The proportion of different gender is similar. From the perspective of age, eight are under eighteen years old; thirty-one are between twenty and twenty-five years old; eight are between twenty-five and thirty years old; twelve are above thirty. It is relatively reasonable since the friends of the researchers are mostly students among twenty and twenty-five. According to the statistics of the occupation, thirty-nine of the respondents are students, eighteen on the job, and two retired. In conclusion, the respondents are primarily students or beginners in the workforce between twenty and thirty of different genders. These characteristics are in line with the target population of the milk tea industry. From the perspective of beverage consumption behavior, nine of the respondents prefer carbonated beverages; twenty-four prefer fruit juice; fourteen prefer milk tea; while twelve prefer other types of beverages. The advantages of other types of beverages than milk tea is different among them. Seventeen think the price is more favorable; thirteen think there are more flavors to choose from; twenty prefer the flavor of other types of beverage; while nine think there are other advantages over milk tea. In conclusion, only 23.73% of respondents would consider milk tea as their first choice of a beverage due to different reasons of price, flavor choice, tastes, and others. The biggest proportion is from the fruit juice of 40.68%, which may be caused by health concept.

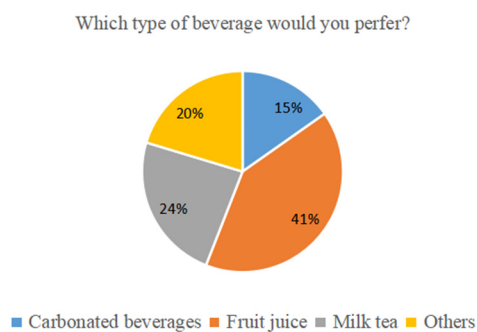


Figure 1 Type of beverage preferred

From the perspective of the product of milk tea, the results are constructive. Forty-two respondents choose milk tea because of the taste, fourteen the price, zero the package, and three others. It shows that the majority of the consumers, 71.19%, would consider the taste of the milk tea as the most significant factor of their choices. It requires the entrepreneur to focus on the product quality and the innovation based on that. From the perspective of the consumption frequency of milk tea, five respondents drink milk tea nearly every day; twelve drink it a couple of times a week; twenty-nine drink it a couple of times a week; while thirteen barely drink it. In another question discovering the consumption frequency under the condition of a healthy lifestyle, six consider it is healthy if not drinking milk tea at all; forty-six think it healthy if drink milk tea as little as possible; seven think it is healthy if drink twice a week; while none of them think it healthy to drink milk tea more than three times a week. Combining these two questions, it is commonly acknowledged, 88.14%, that the way to keep a healthy lifestyle is to be away from milk tea as much as possible. The concept and behavior are consistent since 71.18% of respondents drink milk tea occasionally or merely never.

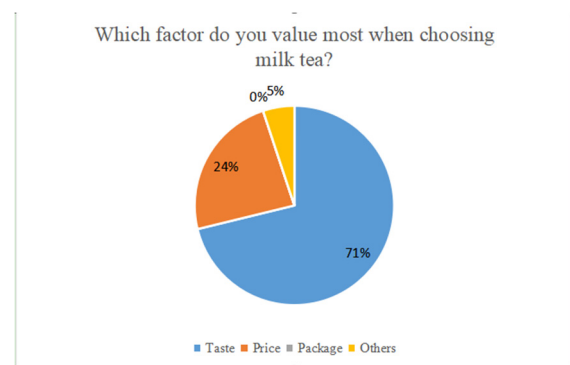
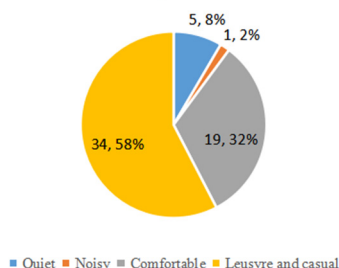


Figure 2 Which factor do you value most

From the perspective of consumption scenario, seven would drink milk tea when they are thirsty; one would drink milk tea after exercise; thirty-eight would drink milk tea when going window-shopping; while thirteen would do at the meeting. Five respondents prefer a quiet atmosphere when drinking milk tea; one prefers a noisy atmosphere; nineteen prefer a comfortable atmosphere; while thirty-four prefer a leisure and casual atmosphere. Specific to the storefront, eleven consider the space when consuming milk tea at the shop; forty-six consider the environment; two consider the location of the shop; while none would consider whether the shop is popular or not. Based on this information, it can be concluded that the majority of consumers, 64.41%, would consider drinking milk tea when going window-shopping. A shop with leisure and casual atmosphere and a well-designed environment is preferred. It also provides information that the herd effect may not be as effective in this market since the popularity is not considered as much by consumers. The companion services of the milk tea are

equally distributed. Twenty-eight man-time choose magazine and books; thirty-four choose music; fifteen choose chess and card; while thirty-eight choose charging service. The complement products are normally snack, chosen by thirty-nine man-time; ten choose ice cream; twenty-seven choose cakes; twenty-four choose fruit; seven choose coarse food grain. The shop is supposed to provide complementary services as varied as possible and the preferred complementary products with milk tea are snacks. The most popular cup type is milk tea of middle-sized, chosen by thirty respondents; twenty-two prefer milk tea of large size; while six prefer the small size. The most popular package type is the contracted design package chosen by forty-nine respondents; three prefer package with rich pattern design; while seven prefer fashionable design. These results uncover that the hit product would be a middle-sized cup of milk tea with a contracted design package.

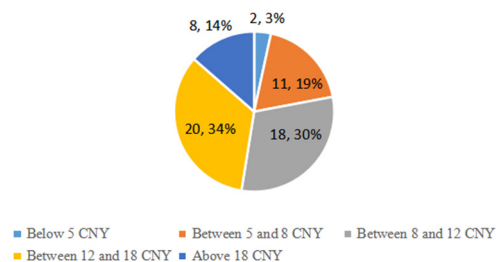
What kind of atmosphere would you prefer when drinking milk tea?



**Figure 3** What kind of environment would you prefer while drinking

From the perspective of pricing, two drink milk tea under five CNY; eleven will choose milk tea between the price of five and eight CNY; eighteen would choose milk tea between the price of eight and twelve CNY; twenty would purchase between twelve and eighteen CNY; while eight would afford more than eighteen CNY. Forty-eight would accept a higher price if the taste is better while the other eleven wouldn't accept that. Promotional activities will affect 14 respondents' trust in milk tea shops while the other forty-five wouldn't be impacted. Combined with the above problems, it can be concluded that the pricing of milk tea shops should focus on eight to eighteen CNY, and products with the higher quality should be priced at a higher price. Appropriate marketing campaigns should be adopted.

What is the price of the milk tea you most often consume?



**Figure 4** Price of milk tea most consume

## 5. CONCLUSION

China's milk tea industry is difficult to enter because there are many similar shops. Most consumers have habitual consumption psychology, which makes it difficult to gain a competitive advantage in this industry. Taking these into consideration, the marketing strategy should be based on the customer demand to conduct suitable marketing operations. Based on the descriptive analysis of customer demand above, there are multiple suggestions. Firstly, since students are the target audience of milk tea, and the consumption scenario happens when customers go window-shopping, the location of the shop should be allocated near to the customers to gain better traffic. Secondly, the concept of health is rooted in the customers, so the innovation of products should consider this psychology of consumers as much. The marketing should be focused on the healthy concept to achieve better effects. Meanwhile, since the taste is a significant factor when customers considering the milk tea, it could be focused to promote customer experience. Thirdly, the leisure and casual atmosphere and environment are most significant when consumption occurs. Finally, the effect of anchor points should be adopted when pricing by descending order of price from top to bottom.

There are still many disadvantages of this research to be avoided in the future study. For example, there is only descriptive analysis in this research, making it hard to examine the reliability and validity of statistics. The quantitative analysis should be adopted in the future for better examine the statistics.

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