

# Analyze the Marketing Strategies of New-tea Drinks Industry by the SWOT and PEST Tools-Take Nayuki as an Example

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## ABSTRACT

The innovation from the product to the whole pattern of the tea industry appears in the beverage market. The result of this transformation was to create an emerging industry called the new tea drinks industry. The new-tea industry is burgeoning so that there are few pieces of researches on it, has vacancies in studies and analysis. It is necessary and adequate to survey the new-tea drinks industry from different aspects. The paper mainly researches the development environment and market situation from a specific brand to the whole tea industry using the SWOT tool, which also mentions the new marketing method- 'The third space' and discusses the close-loop managing tactic that takes the e-commerce platform as an example. Additionally, the PEST tool is as well as utilized in this paper, and it refers to the stock market, policies, individuals' fancy degrees, and the technical issues on the homogenization and the automation of the modern-tea industry primarily from the iResearch's source. Ultimately, based on the two investigations above and using Starbucks experience for reference, it predicts and identifies the strategies and the future development of the new-tea drinks industry. It summarizes the market dynamics and marketing planning of the new-tea industry.

**Keywords:** *New-tea drinks industry, market analysis, marketing strategies, SWOT, PEST, business management.*

## 1. INTRODUCTION

Since the increasing popularity of tea beverages in China and the recognition degree in public, the tea industry appeared upgraded in consumption. Commercial and beverage circles widely discuss the appearance of the modern-tea industry. However, very little is known regarding the new-tea sector because it has been an emerging sector recently. Therefore, questions about the new-tea drinks industry have attracted much attention in debates concerning its commercial conditions and development trend. For the new-tea industry, it is necessary to analyze the progress of transformation from the primary tea industry and the market dynamics. This article takes advantage of access to iResearch's annual data of specific new-tea brands to investigate and analyzes the market quotation and environment inside and outside the new-tea industry with the SWOT and PEST tools. It also suggests the strategies of the new-tea drinks industry. However, the result does not discuss the

brand copycat problem and the distribution situations in diverse cities of this industry in this research.

This study argues that the new-tea industry is a callow commercial element with many spaces and opportunities to grow. Still, there are also lots of deficiencies inside and threat externally because of its immaturity. The developing direction and the instrument use are crucial. In the future, the potential market space of the new-tea industry is still significant. The perspectives of foraying overseas and expanding on the e-commerce platform are the opportunities of it.

## 2. ANALYSIS

The research of Xue, Peng, and Chen explains the definition of the modern tea industry, which is a collective extract through different categories of extracting fresh tea leaves, adding fresh milk, cream, cheese, or fruits to modulate a drink which is more like a beverage rather than just a milk tea[1]. Compared to the conditional milk tea drinks, it upgrades and innovates from raw material selecting, producing process, and

brand operation. It combines online and offline stores to broaden sales. Within this article, the author will use the SWOT tool to analyze the condition from Nayuki to the whole new-tea drinks industry, indicating advantages and disadvantages insights and the external opportunities and threats. The SWOT is commonly known as a flexible instrument to assist the managers of small and medium-sized enterprises by rubbing different management areas, investigating the meaning of the company's framework, and taking appropriate actions accordingly[2].

## **2.1 SWOT analysis**

### **2.1.1 Strengths**

In recent years, with the increasing of economy, the improvement of people's living standards, and the appearance of a cup of tea and a loaf of bread, the new-style tea drinks have become a new favorite of young people. Nayuki, a classic and representative rookie in the tea market, is the first stock that has been listed in China with the specialization of the new-tea drink industry. It is a relatively successful experiment for the latest-tea industry to verify the rationality of the track. For strengthening brand construction and enabling individuals impressed, it creates a 'third space.' Differ from other competitors, Nayuki reserves more spaces for customers to socialize and experience in addition to the operation bar counter. For example, there is a game area, where you could grab the limited edition moppets, hand-made, and co-branded products from all over the world. Meanwhile, "The third space" indeed surpasses the spacious design of its peers in the competitive market. In this context, customers will consider the price of drinks worthy even if it with a comparatively high price of commodity.

### **2.1.2 Weakness**

However, this measure is mostly based on substantial operating costs. It is difficult to insist on doing it, even the Nayuki. Some reports show a tendency to recently reduce 'the third matrix' in Nayuki because of the expense, not to mention other unimpressive stores. On the other side, products tend to be homogeneous, and breakthrough products become the bottleneck of tea brands[3]. According to iReserch's[4] research, the author takes the contrast of Nayuki, Heytea, and Lele Tea as an example. The differentiation of SKU quantity is minimal. Three brands have similar tea product lines, including fruit tea, bubble tea, and original tea. Because of the homogenization, the competition will get more brutal among the new-tea drinks industry, which probably leads to the reduction of the ability to attract customers' attention and purchasing power.

### **2.1.3 Opportunities**

The new tea drinks industry's potential market is still considerable. Compared with Starbucks, there is still more platform for infiltration since the outlets number and the density of tea are minor, which means that the market would welcome the participation of new tea drinks shops. Additionally, tea consumption in China is increasing sharply[5]. From tea consumption habits in micro-regions, tea consumption in developed cities such as coastal areas in China is relatively high, and tea consumption groups are far from saturation compared with the total drinks consumer population. Ultimately, both iRsearch and Ou indicate that there is a market vacancy in the new tea industry. It has not been established and popularized in the third line cities yet when it shows the number of its stores in first-tier cities increased by more than 50% from the previous year.

### **2.1.4 Threats**

Its management system could not support its format of the close-loop brand management. The close-loop brand management is a significant ecological chain of an industry or a brand to sustain promoting its values[5], which involves information, service, payment, database, and logistics fives elements. Since the threats of new tea drinks industries are probably caused by other drinks industries such as cafe as well as the entry of new competitors. The latest tea industry has the trends to realize the socialization and emerging beverages products, including a coffee element similar to the cafe industry. The battle between cafe and tea might appear in a way. On the other hand, because the threshold of the new tea industry is low and manageable, it leads to a growing homogeneous competition. Still, the tea beverage's industry cannot form barriers and protection to itself. It is relatively easy for other businessmen to share the pie at a favorable price. Due to the small size of a milk tea shop, labor costs and working capital to manage the operation are lower than in other industries. For different positioning of brands, that is, from those affordable brands to higher-end brands. The cost of opening a shop simply ranges from 30,000 to 200,000 RMB.

This paper also analyzes the environmental problems of new tea drinks from the perspectives of policy, economy, society and technology[6]. It expounds the variable condition from both external and inherent circumstance to seek the possibility or the risks.

## **2.2 PEST analysis**

### **2.2.1 Politics**

Tea is an important cash crop and the main source of revenue and tax for the government of tea-producing areas. According to a recent report by iResearch[7], new-

style tea drinks brought nearly 1 billion yuan in revenue to tea farmers in tea-producing areas in 2020. At the same time, many new-style tea drinks companies began to invest a large amount of money to build their tea gardens in 2020, which promoted local employment, promoted the development of the agricultural economy, and got policy support from the government.

### 2.2.2 Economy

As incomes rise, consumption of tea drinks also rises. Since 2016, new-style tea drinks have developed rapidly and become a major driver of the tea market's growth. According to statistics, the retail sales of finished tea in new-style tea drinks shops in 2020 will be about 13 billion yuan. Most new-style tea drinks brands are flush with cash and favored by capital. Recently, for example, Nayuki is listed on the Hong Kong Stock Exchange with a market value of HK \$34 billion, making it the "first stock of stylish tea drinks". The investment of capital makes the development of new-style tea drinks drink more rapid.

### 2.2.3 Society

According to the latest tea industry survey, young women account for the majority of new-style tea drinks consumption. The new-style tea drinks consumer group tends to be young[8]. By selecting high-quality tea as raw materials and fresh fruits, the bitter taste of traditional tea can be diluted to make young people like tea[9]. The design of the new semi-open tea shop along the street makes customers line up, attracting more customers' attention. At the same time, new-style tea drinks actively co-named with other well-known brands to build a unique brand culture, to guide and to meet the deep emotional needs of young people, and to obtain brand value recognition through empathy.

### 2.2.4 Technology

The development of the Internet has greatly promoted online consumption, providing more favorable marketing tools for new-style tea drinks. That changed consumers' shopping habits. Among them, wechat moments, Xiaohongshu, Douyin live and other media have become the marketing front of the new-style tea drinks. According to the latest tea industry research data, the "Nayuki GO" app has more than 30 million registered members, and more than 80 percent of consumers choose to shop online. It can be seen that the sudden increase in sales of new-style tea drinks is inseparable from the development of network information technology. However, most of the new-style tea drinks companies mainly rely on manual labor in tea production and sales. The automation level is not enough, which may bear high labor costs. The cost to customers of waiting in long lines is also high, requiring technology improvements.

## 2.3 Further considerations

The following chapters briefly point out the strategies of the emerging tea beverage industry from three perspectives: brand construction, the use of e-commerce platform and the promising international arena. First of all, in the case of a serious homogenisation of the market, it is not sufficient to focus on the functionality of the products. It is very crucial to rethink and rebuild brand construction and apply for patent protection while promoting product innovation. The product development is inextricably bound up with patent certification support. This allows the company to prevent copying by its peers, but also to improve the corporate image and capture the marketplace. It is pivotal to design the whole process and multi-dimensional cultural consumption systems, such as the stories, images, and business concepts. Moreover, as the point that is stated above, the close-loop setting could help a brand stabilize its position. A successful example is 'Little Red Book,' which is a popular e-commerce platform in China. The Little Red Book builds a close-loop from the five perspectives of the structural data, association, genuine guarantee, upstream and downstream commodities supply chain, and the worth-of-mouth marketing[10]. In the second half of 2016, it satisfies the services requirement completely for itself, and the big data terrace plays an important role in the Little Red Book's cross-border direct selection of products. After having its unique label on the e-commerce market, it still put the community first. Because the consumers need to discover good merchandise and a meaningful lifestyle, the platform serves as a vehicle for such dissemination body, naturally forming a barrier among a myriad of APP. Therefore, it is beneficial to the new tea industry to establish its walls by setting an integrated ecological chain.

Setting the orientation and view of the new-style tea drinks industry beyond the indigenous market development is also significant. With the generation of globalization of trade and culture, there is an up-and-coming global niche market today. The direction of the entire industry would be increasingly internationalized. Based on Xue, Peng, and Chen's research, Starbucks could give some admissible experience of exploring the overseas market to the brand new tea drinks industry. It manifests Starbucks actively adapting to the market environment, utilizing local material and catering to the local culture and tastes to achieve products localization innovation to transfer the cultural obstacles to the advantages of cultural fusion. Furthermore, it shows the aboard development of new tea brands such as Nayuki and Heytea. The first overseas stores of Heytea and Nayuki have opened successively in Singapore. In July 2020, Nayuki opened its first Japanese store in Osaka, Japan. These statistics and achievements reflect that the overseas tea market is gradually warming up, recognized by the public, and cultural exchanges between different

countries have ushered in new opportunities. Absorbing the experience from Starbucks, it would be an effective way for the new tea drinks industry to adjust measures to local conditions, to have personalized customization, and to introduce brand stories to improve brand intimacy to the citizens.

### 3. CONCLUSION

To access more detail of the new-tea market situation, this paper uses lots of professional statistics from iResearch, and analyzes both the self-capabilities of the modern-tea drinks industry and the circumstance of competing market of beverage industries with the SWOT and PEST tool. This study obtains the following results, which are stable in extensive, robust analyses. There is the existing problem of homogenization of the new-tea drinks industry. The increasing number of competitors concluding original tea industry and cafe are the barriers for the new-tea industry. Also, this paper finds that the cost of time and workforce is high, the new-tea industry could consider introducing automation. Analysis in this paper shows that the new-tea drinks market is promising and outstanding of its particularity which combines new elements with the traditional tea. It also changes to a unique style and pattern with more socialization. In contrast, the new-tea industry is affected easily and vulnerable because of its immaturity and the low barriers to entry.

Evidence from this research, together with recent experience, lead us to conclude that this industry should pay more attention to the direction and the barriers' construction, that is, thinking of the develop channel that whether enter the overseas market or not, improving the particularly of brand character for instance. Although our sample already makes it possible to identify the situations from different angles of the new-tea drinks industry, the details of location and distribution in cities have not been mentioned in this article. This issue can be further discussed in the next year's research on brand operation. This information is also noteworthy for investigating an industry, more insights should be gained in the future. Finally, another avenue for further research relates to the problem of copying, which could expand the analysis from the legal perspective, such as the property right and the patent right.

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