



# Strategic Pathways and Challenges in Global Expansion: A Case Study of Mixue

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**Abstract.** In the context of economic globalization, this study examines the strategic choices and challenges faced by Mixue, a new-style tea drink brand, during its global expansion. New-style tea drinks, as a blend of high-quality tea, fresh milk, and other novel ingredients, have attracted widespread attention in recent years. Mixue has been expanding in the Southeast Asian market since 2018, rapidly increasing its market share through low-cost ingredient sourcing and localized product adjustments. Despite the challenges of localization, supply chain management, and brand recognition during its global expansion, Mixue has successfully overcome these challenges through flexible product development, solid supply chain systems, aggressive marketing, and competitive pricing strategies. In addition, Mixue has achieved rapid market penetration by utilizing a franchise model and working with local partners. In the future, Mixue can learn from this experience and further enhance their competitiveness and sustainability in the international market by deepening localization and strategic cooperation.

**Keywords:** Global Expansion; Localization Strategies; Supply Chain Management; Brand Recognition.

## 1 Introduction

New-style tea drinks refer to Chinese freshly brewed tea drinks made from high-quality tea leaves, fresh milk, fresh vegetables, and other ingredients through a more diverse combination of tea bases and additives [1, 2]. In addition to material innovation, the “new” in new-style tea drinks also encompasses new marketing and operational management techniques, a new generation of primary consumer groups, and new forms of cultural dissemination. In recent years, the new-style tea drink industry has attracted the attention of many researchers. Based on product prices and market positioning, new-style tea drinks can be divided into three categories: low-end, mid-end, and high-end [3]. In 2020, the retail sales of high-end, freshly brewed tea drinks in China accounted for 19.7% of the overall market. The market is still predominantly composed of mid-to-low-end tea drinks. It is expected that by 2023, the revenue scale of China’s new-style tea drink market will exceed 140 billion yuan [4].

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According to business formats, new-style tea drink brands can be categorized into chain brands and non-chain brands [5]. *China's New-Style Tea Drink Industry* points out that chain operations have advantages in profitability, efficiency, cost control, and other aspects compared to non-chain operations. Currently, about 90% of domestic new-style tea drinks are chain brands [6]. The entry models of chain tea drink brands mainly include direct operation, franchise operation, and a combination of “direct operation + franchise operation”. Brands positioned as high-end often adopt a direct operation model to maintain brand image and build brand culture. Represented by Mixue, a mid- to low-end chain brand, the primary entry mode for brand expansion is a franchise operation aiming better to cover regions and consumer groups [7].

In recent years, China's new-style tea drink industry has developed rapidly [8, 9]. As competition in the domestic industry continues to intensify, many new-style tea drink companies, including Mixue, have begun to explore effective strategies for entering overseas markets. Mixue has been going overseas for four years, and the number of overseas stores has exceeded 1000, which can bring important inspiration to new-style tea drink companies in similar situations [7].

Founded by Zhang Hongchao in 1997, Mixue has become a well-known brand covering 31 provinces in China and some Southeast Asian countries after more than 20 years. As of May, 2024, Mixue stores reached 29,273, and 4,000 are overseas stores. The total number of global stores exceeded 22,000. It is becoming the fifth-largest fast-food chain in the world. Mixue has won a wide range of consumer love and market recognition with its cost-effective products and extensive store coverage.

## 2 Analysis

### 2.1 The Analysis of Mixue's Pathway for Global Expansion

In 2018, Mixue decided to start its overseas market expansion in Vietnam. The cost of raw materials for producing new-style tea drinks and the cost of many other aspects like laborers' wages or income is comparatively low. Moreover, Vietnam is a country that has a large potential to develop a new-style tea industry because the domestic competition in this industry is still low, and the development remains a stay at the initial stage. The culture between China and Southeast Asia countries is also similar, so it would be easier to explore the expansion route of Southeast Asia.

Milk is an essential part of most types of new-style tea drink production. In 2018, Vietnam was the sixth biggest milk producer in Asia. The dairy revenue reached over € 4 billion in 2018, accounting for an average growth rate of 13.6% from 2013 to 2018 [10]. Vietnam's dairy market in 2018. Therefore, the supplier of dairy or milk products lowered the price to make them more competitive in domestic and overseas markets and maximize their profits. As the price of raw materials goes down, Mixue can conduct bulk purchasing to lower their cost and try to attain an economy of scale, meaning they can save more money when producing more products.

Compared to China, the headquarters of Mixue, Vietnam, had a much lower labor cost. In 2018, manufacturing labor costs in China were estimated to be 5.51 dollars

per hour. This is compared to an estimated 2.73 dollars in Vietnam. This circumstance allowed Mixue to hire more employees to improve the efficiency of its production.

The market for Vietnam's new-style tea drink industry was not developed as much in 2018. So, it was a good opportunity for Mixue to enter this market with a low threshold and competitiveness. Besides, the group of target customers was also crucial. As the trend is that the young generation occupies a bigger and bigger proportion of consumption of new-style tea drinks since they are not expensive, the new-style tea drink products also cater to youngsters' needs and wants. Mixue's business filled a gap in spending among young Vietnamese.

Last but not least, the culture between China and Southeast Asia countries like Malaysia and Thailand, where Mixue expanded their businesses afterward, is similar, which made it easier to access the market and acclimatize to local culture. In other words, this situation decreased the massive cost of cultural differences.

## **2.2 Analysis of Challenges of Global Expansion**

Although there were many positive factors and opportunities for Mixue to expand its overseas market, some challenges still existed, and they prevented the development of Mixue's businesses to some extent. They were localization, supply chain, and brand recognition. First, product suitability was an obstacle during the process of localization. For example, the flavor that most people tend to choose in Australia is much sweeter than people in China. Therefore, Mixue had to experiment with new flavors and ingredients that might be attractive to the local people. However, this process of trial and error can be time-consuming and costly, and success is not guaranteed.

Then, another inevitable challenge was to have a consistent and sustainable supply chain to collaborate. The quality, efficiency of production, and the price of the ingredients and raw materials should all be considered when choosing a cooperation partner or supplier. Most of these factors were affected by the level of local infrastructure. The differences between machineries will considerably influence the freshness and availability of the raw materials. The difficulty of maintaining and producing high-quality tea drinks has consequently increased.

In many overseas countries or regions, Mixue was relatively unknown. Most people are generally affected by brand recognition and loyalty when deciding on the products they want. What Mixue faced was that a brand with no public recognition and awareness would find it hard to be accepted by people. Mixue had to engage in significant promotional activities and partnerships to establish its presence. Besides, competing with already established local and international brands in these markets posed an additional challenge in gaining consumer trust and loyalty.

## **2.3 Analysis of Solutions for Overcoming Global Expansion Challenges**

Mixue faced challenges in adapting its products to suit the diverse tastes and preferences in every country. Therefore, Mixue adopted a flexible product development strategy that supported it to localize its menu to cater to local people's tastes while maintaining its originality. The company conducted massive market research to assimilate local preferences and create popular flavors. For example, in Southeast Asia, where there is a strong preference for tropical fruits, Mixue

introduced ice creams and beverages incorporating flavors like mango, coconut, and durian.

Furthermore, Mixue offered a combination of internationally known goods and locally customized solutions, striking a balance between innovation and consistency. This strategy ensured that local customers could experience Mixue's core goods' distinct attraction in addition to tastes that suited their cultural preferences.

Another key aspect of their strategy was collecting consumer feedback. Mixue actively gathered feedback from local customers and iterated rapidly on their offerings. This feedback loop allowed them to identify what went well quickly—enabling them to adjust their menu offerings in response to customers' tastes.

During the expansion process, the issue of the supply of ingredients also became a tough problem that must be resolved.

To ensure a consistent supply of high-quality ingredients, Mixue found several ways to tackle the challenge. Mixue established a stable and flexible supply chain that can operate efficiently through different areas. One of the fundamental strategies was developing collaboration relationships with local suppliers. By getting ingredients like milk, fruit, and many other goods locally, Mixue could ensure freshness while reducing the cost of long-distance transportation.

Moreover, in the regions where local sourcing was unreliable due to low quality or lack of consistency, Mixue set up centralized distribution centers that combined with its in-house supply chain. Mixue's reliance on a self-constructed supply chain is pivotal. This approach not only supports their commitment to quality and affordability but is also crucial for their mass-market positioning in international markets. Their aggressive expansion strategy includes owning their supply chain and producing materials, so much so that even competitors buy from them.

Additionally, Mixue invested in the cold chain industry, which is essential for maintaining the quality of its products during transportation. By effectively utilizing storage and transportation technologies, Mixue could ensure that its products remained fresh from production to stores for selling the products.

Mixue was a comparatively unknown brand in many of its target markets, making it difficult to gain customers' trust.

Mixue used a holistic marketing approach to create an influential market position and increase brand recognition. Mixue made a lot of social media sites like Facebook, Instagram, and regional social media channels to advertise its brand. They produced interesting content that connected with regional audiences, like advertising campaigns that highlighted well-known local influencers and celebrities who might establish a connection with prospective clients.

Another crucial strategy was their aggressive price level. Mixue positioned itself as an affordable and high-quality choice in the new-style tea drink markets. By providing goods with competitive prices, Mixue attracted a wide range of consumers, including consumers who are sensitive to price and may have been loyal to other brands. This pricing strategy helped to build a customer base quickly.

To further reinforce brand recognition, Mixue invested in localized stores. Stores were designed to reflect local cultural features while maintaining the core

characteristics of Mixue's brand. This localization helped create a sense of familiarity and reduce the distance between local customers and an external company.

Finally, Mixue employed a franchise model to establish its presence in new markets rapidly. By partnering with local entrepreneurs who had deeper insight and understanding of the regional markets' dynamics, Mixue was able to expand quickly.

### 3 Suggestions

Companies could build a collaboration relationship with local entrepreneurs or corporations to make the process of expanding overseas markets smooth and successful. These partners include local distributors, joint ventures, franchisees, or marketing agencies.

Local cooperations may significantly decrease the risks involved in entering a market. For instance, local partners can help the company in negotiating complicated legal issues because they are more familiar with the regulatory environment. This is critical, especially in markets with strict regulations or where foreign companies must collaborate with local organizations. Furthermore, by forming these alliances, a distribution network may be created efficiently through the businesses, saving money and time compared to starting from nothing.

Leveraging local partnerships is a strategic approach that can enhance the ability to expand smoothly into a company's overseas markets. By cooperating with partners with deep local experience and insight, companies can significantly reduce the negative impact of risks and uncertainty and navigate regulatory challenges more effectively. This approach not only accelerates market entry but also increases the probability of long-term success in a new region.

Another important strategy for successful overseas expansion is conducting a localization strategy. Localization involves adapting products, marketing, and overall business practices to integrate with the target market's cultural, social, and economic contexts.

An eligible localization strategy ensures that a company's products and brand messaging are clear enough to be understood by local consumers. Catering to regional tastes and preferences could require changes to the features of the products, packaging, pricing policies, or even the product itself. For example, fast-food restaurants like McDonald's have expanded their global business effectively by introducing menu items with special characteristics, including the Teriyaki burger in Japan and the McSpicy paneer in India.

Localization also plays an essential role in marketing. Advertising campaigns need to be culturally relevant and sensitive to the local values, routines, and rules. It is dangerous for a company to touch the taboo of a social community. By combining marketing strategies with the local context, companies can effectively build stronger connections with the target clients, which are the local people.

In addition to product and marketing localization, companies should also take localizing their customer service into account. Offering customer support in the local

language and many other aspects can greatly enhance customer satisfaction and brand loyalty.

Therefore, a robust localization strategy is fundamental for a company to achieve successful and effective expansion into overseas markets. By adapting products, marketing, and customer service to align with local cultural and economic conditions, companies can create a more meaningful and relevant experience for consumers.

## 4 Conclusion

In summary, Mixue has demonstrated a strategic choice of path and ability to meet challenges during its global expansion. By building on its low-cost advantage in Southeast Asia, Mixue has been able to rapidly expand its market share while proactively adapting its products to local consumer tastes and preferences. Despite the challenges of localization, supply chain, and brand recognition during its global expansion, Mixue overcame them through flexible product development strategies, solid supply chain systems, aggressive marketing, and competitive price positioning. In addition, Mixue has achieved rapid market penetration through cooperation with local partners and the use of a franchise model. In the future, Mixue and other similar new tea beverage brands can learn from this experience and further enhance their competitiveness and sustainability in overseas markets through localization and partnership strategies.

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