

Competitive Landscape and Strategic Adjustments of CHAGEE's Market Share

Yifan Wu

Broadcasting of Nanjing University of Communication, Nanjing, China

Abstract: In today's rapidly changing consumer market, the tea beverage industry has captivated a wide audience with its unique charm, becoming a focal point for numerous investors. Among these, CHAGEE has swiftly captured the market with its distinct brand positioning, extensive product line, and superior quality control, quickly becoming a favorite among consumers. Recently, CHAGEE has been particularly prominent. On April 26, 2024, Zheng Qinwen was signed as the "Health Ambassador," and shortly after, Zheng won a gold medal at the Olympics, bringing honor to the country. This remarkable synergy has thrust CHAGEE into the spotlight. As a dark horse in the new-style tea beverage track, CHAGEE has garnered significant attention from younger consumers. By September 2024, CHAGEE had expanded to over 5,500 stores. In 2024, CHAGEE aims to surpass Starbucks China in sales volume. Thus, maintaining a leading position in fierce market competition and further increasing market share are crucial challenges for CHAGEE.

Keywords: CHAGEE, Market Share, Strategic Adjustment.

1. Development Stages of CHAGEE

1.1. Initial Stage (2017)

Born in 2017 in Yunnan, the homeland of tea, CHAGEE has committed to using quality tea and milk to create health-friendly tea beverages that offer a refreshing taste and authentic tea aroma. "Infusing tea into our essence" remains a steadfast belief for CHAGEE. Its signature product, Bo Ya Jue Xian, sells over 20 million cups annually. As a masterwork of the National Trend Enterprise Management Co., CHAGEE bears the responsibility of inheriting traditional culture, blending it with modern aesthetics and consumer trends to innovate in the Chinese-style tea beverage market. Its headquarters is located in Chengdu, Sichuan, known as "China's heavenly province" for its rich cultural heritage and as a hub for new consumer trends [1-2]. The brand's first store opened grandly on May 1st Road in Kunming, Yunnan, attracting many consumers with its distinct Chinese-style decor and high-quality beverages, marking CHAGEE's debut into the public eye.

1.2. Expansion Phase (2018-2019)

Between 2018 and 2019, CHAGEE underwent a pivotal transformation from a regional to a national and international brand. As its influence grew, CHAGEE not only solidified its position in the local Yunnan market but also expanded into neighboring provinces like Guangxi and Guizhou. With precise market placement and quality tea beverages, it gained widespread consumer recognition, increasing its store count to over 360 and becoming a leader in Chinese-style tea beverages in the Southwest region [3]. To further enhance its brand recognition, CHAGEE launched the "Cup Tearing" challenge on Douyin in June 2018, which became an instant internet sensation, amassing hundreds of millions of views. Concurrently, CHAGEE's international strategy progressed methodically, establishing an overseas division and setting up a cooperative company in Malaysia, laying the groundwork for future international expansion. In August 2019, CHAGEE successfully opened its first store in Malaysia, followed by

expansions into Thailand and Singapore, demonstrating its strong brand power and international vision.

1.3. Rapid Development Phase (2021-Present)

Since 2021, CHAGEE has completed over 300 million yuan in Series A and B funding, providing ample financial support for its rapid market expansion and securing a leading position in the industry competition. In terms of store development, CHAGEE has continually upgraded and expanded, with multiple locations undergoing a 2.0 upgrade from November of the same year. These upgrades integrated uniquely Chinese architectural elements and traditional opera, offering consumers a brand-new visual experience and rapidly expanding the domestic market. The achievements in global layout are not to be underestimated, with over 100 stores opened in Malaysia, Thailand, and Singapore by 2024, and a global store count exceeding 4,500 [4-5]. As consumer health awareness has increased, low-GI foods and beverages have become a new market favorite. This trend is driven by consumers' urgent demands for "healthy eating" to manage weight and blood sugar and improve health conditions. CHAGEE, a pioneer in scientifically managing sugar content in the tea beverage track, has further strengthened the low-GI brand recognition with the introduction of new low-GI products. Notably, before the Olympics, CHAGEE announced its partnership with the Health Ambassador Team to "head to Paris," which has increased the commercial value of the team members and achieved a win-win for the brand.

Table 1. Changes in Commercial Value of Members

Name	Profession	Business Value	Business Value Ranking	Change in Business Value Ranking
Wang Shun	Swimming	70.17	15	↑23
Liu Xiang	Track and field	68.31	26	↑8
Jia Yifan	Badminton	68.16	29	↑211
Zheng Qinwen	Tennis ball	62.88	61	↑38

2. Reasons for CHAGEE's High Market Share

2.1. Differentiated Brand Positioning

Among many tea beverage brands, CHAGEE has brought a unique flair to the local market. Upon entering the market, CHAGEE did not merely cater to the "high-sweet" taste preference but insisted on a differentiated product positioning of "original leaf tea + fresh milk," creating a relatively low-sugar, healthy flavor beverage distinct from "dessert" milk teas. Since 2024, the popularity of low-GI content has grown, and CHAGEE has successively launched new low-GI products, pushing the low-GI trend to a climax. The Xiaohongshu platform has become an important channel for consumers to discover low-GI foods and beverages, with better interactive effects on the Douyin platform. The low-sugar, healthy brand labels have also brought new opportunities to the brand. Looking internationally, Malaysia is the eighth-largest sugar-consuming country in the world and one of the countries with the highest obesity rates in Southeast Asia. In recent years, health issues caused by obesity in Malaysia have gradually come into public view. Therefore, CHAGEE, aligning with the times and focusing on health management, has more sustainable development opportunities in the local area.

2.2. Targeting Untapped Markets

More and more mid-to-high-end market consumers are paying attention to a healthy lifestyle and habitually choosing healthy beverages. Traditional milk teas with high sweetness and a tendency to cause weight gain no longer meet the health needs of this demographic. CHAGEE has identified a gap in the local tea beverage brands in the mid-to-high-end market and quickly adjusted its market positioning. Targeting global brands like Starbucks, it aims at the mid-to-high-end consumer group [6]. In addition to offering products that meet their needs, CHAGEE also provides consumers with added value beyond "a cup of milk tea." Compared to HEYTEA and Nayuki's Tea, CHAGEE places more emphasis on expressing Chinese style, firmly associating with labels of Chinese traditional culture and Eastern culture. The store designs incorporate elements like opera masks, embroidery patterns, opera costumes, and folding fans, creating a "third space" that is highly characteristic of Chinese culture yet meets Western aesthetics, which is highly favored by local consumers.

2.3. Effective Use of Social Media Platforms

To engage more deeply with consumers, CHAGEE leverages social platforms to connect with users. Through content marketing, it deepens its brand image and enhances its reputation and topicality. Considering the differences in platform properties and user preferences, CHAGEE has developed customized content marketing strategies to ensure more effective resonance with users on different platforms. In foreign markets, content on Facebook is mainly official marketing information, while TikTok features content with higher user engagement, such as street interviews around fun topics, which also garner more attention for the brand. Additionally, CHAGEE collaborates with mid-tier KOLs to convey brand messages and continuously influence user perceptions [7-8]. The hottest topic has been the "Cup Tearing Event," which achieved marketing effects beyond expectations. During the Paris Olympics, besides Weibo serving as the main official announcement platform,

Xiaohongshu became the main venue for CHAGEE to plant seeds and interact with consumers, as shown in Figure 1, greatly enhancing the brand's discussion topic.

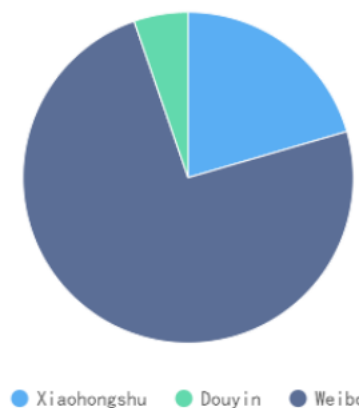


Figure 1. Paris Olympics - Platform Voice Share of CHAGEE

3. Analysis of CHAGEE's Market Share Competitive Situation

3.1. Differentiated Competition

While many tea beverage brands opt for fruit teas, CHAGEE has taken a different path by focusing on milk teas. Building on the foundation of milk teas, CHAGEE continuously innovates and develops new flavors like rose milk tea and osmanthus milk tea, offering consumers a novel tea drinking experience. Compared to brands like HEYTEA, Juan Tea, and Tea Bai Dao, CHAGEE's differentiated competition strategy has achieved considerable success. In 2008, the first Tea Bai Dao was established in Chengdu, and after 16 years, the number of Tea Bai Dao stores has reached 7,909, covering 31 provinces and 321 cities nationwide. In 2024, only 108 new stores were added, significantly fewer than in previous years. According to the Location Data Center, Nayuki's Tea had 1,793 operating stores, with a reduction of 100 stores in two and a half months. From the perspective of city tier distribution, Nayuki's stores in new first-tier cities accounted for 33%, with first-tier and second-tier cities each accounting for about 20%. Shu Yi Burn Immortal Grass also showed signs of expansion fatigue, with 6,118 operating stores at the end of July and 6,007 stores at the end of August. As of September 14, the number of operating stores for Shu Yi Burn Immortal Grass had decreased to 5,946. CHAGEE's expansion strategy focuses on lower-tier markets while steadily expanding in new first-tier cities, as shown in Figure 2.

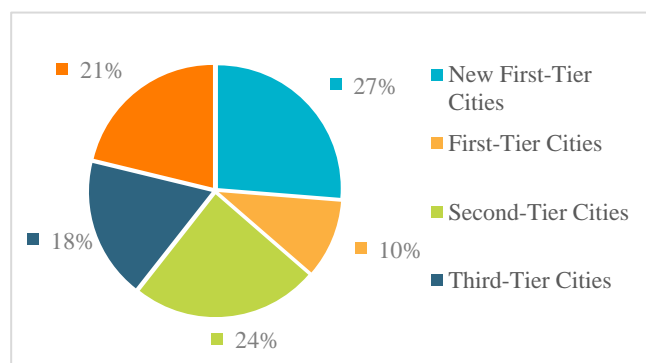


Figure 2. Store Tier Distribution of CHAGEE

3.2. Large Product Strategy

On the path to success for CHAGEE, the guiding role of

the large product strategy cannot be overlooked. The "Bo Ya Jue Xian" in particular, with its unique flavor and rich cultural connotations, sold an astonishing 230 million cups throughout 2023, becoming a super hit product in the tea beverage industry. The successful implementation of this strategy has allowed CHAGEE to attract more consumers among many tea beverage brands, achieving significant economic benefits through large-scale sales and effectively sharing production costs, even driving sales of other products [9-10]. This is also true for other tea beverage brands. For example, HEYTEA's classic hit "Meaty Grape," with its refreshing taste and abundant fruit, has won the love of many consumers. Tea Bai Dao's "Yang Zhi Gan Lu" has become a popular summer refreshment with its sweet mango flavor and delicate texture, achieving higher profit margins.

4. Challenges Faced in the Development of CHAGEE

4.1. Domestic and International Differences

In the context of globalization, many brands look internationally to diversify their businesses and actively expand into overseas markets. However, for the tea beverage industry, in addition to facing high logistics costs and the challenges of establishing supply chains, it must also confront the significant differences in eating cultures between the East and the West. Regarding the supply chain, taking HEYTEA, which was among the first to enter the U.S. market, as an example, it has not yet fully integrated its overseas supply chain. It still faces high logistics costs and timeliness issues from transporting raw materials from China, as well as labor costs and risks associated with cooperation with local suppliers. In terms of dietary culture differences, the entrenched coffee culture in Western and East Asian markets poses a challenge. Faced with the absolute status of "coffee latte" and the high similarity between new tea beverages and coffee drinks in the production process, as shown in Table 2, whether "tea latte" can stand out still requires market validation. Therefore, under such circumstances, CHAGEE must further enhance its overseas marketing capabilities to spread its brand philosophy and shape its brand image.

Table 2. Similarities in the Production Process of New Tea Beverages and Coffee Drinks

Similarities	
Production link	Tea extraction (coffee beans grinding, extraction); Fresh fruit extraction; Milk froth; Mix tea base (espresso), fresh fruit juice, milk, water and small ingredients in different proportions
Functional ingredients	All contain caffeine, which has refreshing properties
Purchase scenario	The main choice for business and leisure, often found in cafes, tea shops, and delivery platforms
Cultural background	It has a long history, profound culture and high purchase frequency in China, Europe and the United States
Product update	To attract customers by constantly introducing new products, including seasonal restrictions, joint models, etc

4.2. Changing Consumer Demands

Modern consumers, when choosing tea beverages, not only focus on taste and quality but also pursue the cultural connotations of products and a healthy consumption

experience. This means that tea beverage brands must continuously innovate and upgrade products to meet the diverse needs of consumers as much as possible. For example, beverages that are both refreshing and rich in tea flavor have become a trend in the industry. Many tea beverage brands have launched light milk tea and high-aroma tea series to meet consumers' demands for innovative tea beverages. Additionally, the preference for beverage temperatures increases with age; more than 95% of young people prefer cold drinks, while the preference for hot drinks gradually increases after the age of 35, with consumers over 55 showing no preference for iced beverages [11]. As a brand committed to inheriting and promoting Chinese traditional tea culture, CHAGEE offers a multidimensional tea culture experience space for consumers through themed tea beverages, tea art performances, and cultural lectures.

5. Strategic Adjustments of CHAGEE

5.1. Continuous Innovation

As the saying goes, "A boat doesn't go forward if each one is rowing their own way." To continue developing in the tea beverage market and maintain competitiveness, it is essential to focus on continuous innovation. As a rapidly rising brand, CHAGEE emphasizes product research and development as a key to market dominance. Facing the ever-changing consumer demands, CHAGEE has increased its R&D efforts to continuously bring forth new products. In its future development, CHAGEE can further explore Chinese traditional tea culture, achieving a perfect combination of traditional elements and modern tea beverages, creating new products that not only feature the brand's characteristics but also cater to modern tastes. At the same time, CHAGEE focuses on consumer health, launching new products such as low-sugar, additive-free, and biodegradable packaging to meet consumer needs. Through continuous innovation, CHAGEE injects a driving force for long-term development, helping it become a leader in the industry [12].

5.2. Optimizing the Supply Chain

For the tea beverage industry, the stability of the supply chain and the quality of raw materials directly affect the taste of products. As a star tea beverage brand, CHAGEE should consider the changes in brand scale and consumer needs, further optimize its supply chain system in combination with reality, and stabilize the supply of high-quality raw materials. To this end, CHAGEE can conduct market research to gain a deeper understanding of suppliers' production processes and quality control systems. Proactively cooperating with quality suppliers ensures that the raw materials purchased meet high standards of quality [13]. Where conditions allow, CHAGEE can also cooperate with suppliers to jointly develop new products, promoting innovation and upgrading of the industry chain. Additionally, to align with global development trends, CHAGEE can seek partners worldwide to further enrich its product line and enhance brand competitiveness, achieving greater success on the international stage.

6. Conclusion

The slowing growth rate of the tea beverage industry and the increasing penetration rate of freshly made coffee have intensified the competition among tea beverage brands, with existing brands continuing to scramble for market share. Under such industry conditions, CHAGEE has paved its own

path, becoming one of the early tea beverage brands to layout overseas markets. Since its inception in 2017, CHAGEE has been exploring the international market; in August 2019, CHAGEE's first overseas store officially opened in Malaysia. Currently, CHAGEE has over 5,000 stores globally, with more than 130 in Malaysia alone; in August 2024, CHAGEE rapidly opened three stores in Singapore, accelerating its global layout. However, CHAGEE's success is not accidental but stems from its precise market positioning and continuous product innovation. In the future, CHAGEE should adhere to the philosophy of "balancing inheritance and innovation," tapping into the essence of Chinese traditional tea culture, combining it with modern tea beverages, and creating more tea drink products with unique cultural connotations and consumer appeal.

References

- [1] Ran Longnan. Presenting a "Borderless" Pattern, the New Tea Beverage Industry Enters the Era of Tens of Thousands of Stores. www.cnki.net, China Business News, 27 Sept. 2023 (007).
- [2] Zhang Conglin. The Application of Cultural Symbols in International Marketing. Beijing International Studies University, 2023.
- [3] Jin Nuo. CHAGEE Faces the Risk of Mismanagement and Brand Collapse. www.techshidai.com, 27 May 2023, www.techshidai.com/article-573747.html. Accessed 16 Oct. 2023.
- [4] Li Yi, Li Fengheng. How Ba Wang Cha Ji Becomes the Dark Horse of National Style Tea Drinks after Rolling Abroad. *Sales and Marketing (Marketing Edition)*, 2023 (04): 48-51.
- [5] Fan Zhang. Outperforming Popular Brands like Heytea, Opening 1000 Stores against the Trend - What Makes ChaJi, the Tea Conqueror, so Attractive? *Digitaling*, 21 Dec. 2022, www.digitaling.com/articles/874621.html. Accessed 16 Oct. 2023.
- [6] Su Jichen. Generation Z shift in tea consumption and brand building. *Brand and Standardization*, 2023 (S1): 60-62.
- [7] CHAGEE - a Successful Case. www.rongbrand.com, www.rongbrand.com/html/2023/case_0915/219.html. Accessed 16 Oct. 2023.
- [8] CHAGEE Completes over 300 Million Yuan in Financing, Focusing on Fresh Milk Tea Made from Fresh Tea Leaves, Aiming to Be the Representative of Oriental Tea Culture. *36kr.com*, 18 Oct. 2021, 36kr.com/p/1439351593598601. Accessed 16 Oct. 2023.
- [9] CHAGEE Rapid Expansion: Store Count Nearly Doubles in the First 7 Months - Can the Growth Sustained with the 'Flagship Product + Franchise' Model Last? *Finance.sina.cn*, 11 Oct. 2023, finance.sina.cn/stock/ssgs/2023-10-11/detail-imzqtssii8671235.d.html?vt=4&cid=80775&node_id=80775. Accessed 16 Oct. 2023.
- [10] Li, Lingling. Analysis of the Current Situation and Competitive Landscape of the Chinese Milk Tea Shop Market in 2023: The Market Competition Is Extremely Fierce. www.chyxx.com, 2 Oct. 2023, Retrieved from: www.chyxx.com/industry/1158646.html. Accessed 16 Oct. 2023.
- [11] New-Style Tea Beverage Brand: CHAGEE Is Here! In Just One Year, It Has Opened More than 1,100 Stores Nationwide! www.sohu.com, 8 May 2023, www.sohu.com/a/673630358_121716602. Accessed 16 Oct. 2023.
- [12] CHAGEE: Harvesting the Youth Market with Entertainment Industry Culture. *News.pedaily.cn*, *XinShang*, 28 Sept. 2023, news.pedaily.cn/202309/522860.shtml. Accessed 16 Oct. 2023.
- [13] Honesty Always Wins, Proven Again with CHAGEE. www.foodaily.com, *XinShang*, 27 Aug. 2022, www.foodaily.com/articles/28192. Accessed 16 Oct. 2023.