

Exploration the Tea Industry Development Strategy

--Taking Honey Snow City as an Example

Jingyuan Gao^{1,a,*}

¹*Qingdao No.19 Middle School of Shandong Province, Qingdao, China, 266022*

a. 3474192964@qq.com

**corresponding author*

Abstract: With the development of economic globalization and information technology, the living standard and consumption level of residents have been significantly improved, and tea has become an indispensable thing in people's daily lives. As a leader in the affordable tea industry, Honey Snow City must have its own excellent business model. Taking the case of Honey Snow City, this paper first adopts the SWOT model to analyze its advantages such as low price, high brand recognition and superior geographical location, while its disadvantages include fewer products, obvious seasonality and fierce competition in the tea industry compared with other brands. The threat is that there are more and more competitive brands in the tea industry, the low price of products is difficult to maintain, and the products are easy to imitate and replaced by peers. The opportunity is that Honey Snow City has an excellent staff team, consumers have a high acceptance of the brand, and the main consumer group is a large number of students; Then it analyzes its development strategy, and according to its differentiated strategy development, it can be concluded that its development presents a vertical layout, and then horizontal perfection of the inverted "T" development mode; Finally, the paper studies the optimization strategy of enterprise management under the differentiation strategy, hoping to draw lessons for other businesses in the tea industry and formulate a marketing strategy suitable for their own development.

Keywords: differentiation strategy, Honey Snow City, SWOT model, business administration

1. Introduction

Statistics show that in 2022, the market size of the new tea industry exceeded 290 billion yuan, there were about 450,000 stores across the country, and the annual consumption of tea exceeded 200,000 tons. Guided by consumer demand, new tea drinks promote the initial flywheel effect on the development of tea raw materials. New tea drink refers to the use of high-quality tea, fresh milk, fresh fruit and other high-quality ingredients, through a more diversified tea base and ingredients combination of Chinese tea drinks. In addition to the innovation of raw materials, the "new" of new tea drinks is also reflected in new technologies, new groups, and new cultural communication.

This paper takes Honey Snow City as an example to explore the strategic analysis of beverage industry operation. The brand of Honey Snow City began in 1997. Honey Snow City is a chain enterprise that always adheres to the product concept of "high quality and affordable" to provide

consumers with all kinds of freshly made drinks and freshly made ice cream. It is committed to building a complete industrial chain integrating product research and development, production, warehousing and logistics, sales and chain operations, mainly engaged in the research and development, production, sales and brand operation management of existing drinks, such as existing ice cream and its core ingredients [1].

In this paper, the SWOT model is adopted to study the development strategy of Honey Snow City. It hopes that more people understand how affordable beverage companies like Honey Snow City successfully operate, to provide more companies with good management concepts, and marketing strategies, but also to avoid the shortcomings of Honey Snow City, enterprises can use reasonable references according to their own situations.

2. Analysis of Development Strategy of Honey Snow City Based on SWOT Model

2.1. The SWOT Model of Honey Snow City Brand

Table 1: SWOT model of Honey Snow City brand [2].

Strength	Weakness
(1) Price advantage (2) Positional advantages (3) Brand advantage	(1) Small quantity of products (2) Obvious seasonality (3) Fierce competition
Opportunity	Threat
(1) The staff team (2) High acceptance (3) The main consumer group is students	(1) Competing brands are on the rise (2) Low prices are hard to sustain (3) Products are easy to imitate and replace

As shown in Table 1, the SWOT model is used to analyze the strengths, weaknesses, opportunities and threats of Honey Snow City.

2.2. Advantages of Honey Snow City

(1) Price advantage: As we all know, "Let everyone in the world enjoy high quality and affordable delicious". This sentence was written into the brand story of Honey Snow City, so Honey Snow City's products have always insisted on low pricing. An ice cream is only 2 yuan, a cup of lemon water is 4 yuan, the milk tea series is basically about 8 yuan, the fruit tea series is basically about 10 yuan, and the single consumption is basically maintained at about 10 yuan. In the same industry, tea brands with greater visibility and Nai Xue's tea, the price of a single cup is as high as 30 yuan.

(2) Terrain advantages: to meet the preferences of residents' in the shopping environment, take the Honey Snow City in Xixia, for example, there are two local Honey Snow City stores in Xixia. One of the stores is directly opposite the main store of Dolma. Dolma is a local supermarket developed in Xixia. It has a history of many years in Xixia County, and it has branches in every main street of Xixia. Another store is in front of the Bandelung supermarket, which has a high reputation throughout Nanyang City, so opening a Honey Snow City next to the door of Bandelung is also a good choice. Honey Snow City store opened in this unique geographical location, every day there will be a large number of consumers from here, which will increase the possibility of buying Honey Snow City goods [3].

(3) Brand advantage: According to the investigation, Zhengzhou Cross-Strait Enterprise Management Co., LTD., owner of the Honey Snow City brand, donated 6 million yuan to the Henan Charity Federation, and Henan Dacca Food Co., LTD., a wholly-owned subsidiary, donated 1 million yuan to the Wenxian Red Cross Society for the fight against COVID-19. In response to

the Henan flood disaster, the headquarters of Honey Snow City is also here, and they set up a disaster relief center at 17 o'clock on July 20, 2021, regardless of their own safety, to investigate the situation of all employees one by one, to communicate with the returning employees in real time, and to prepare clothing, food and other materials for the temporarily trapped people. This makes the brand image deeply rooted in the hearts of the people, but also increases the national recognition.

2.3. The Disadvantages of Honey Snow City

(1) Small quantity of products

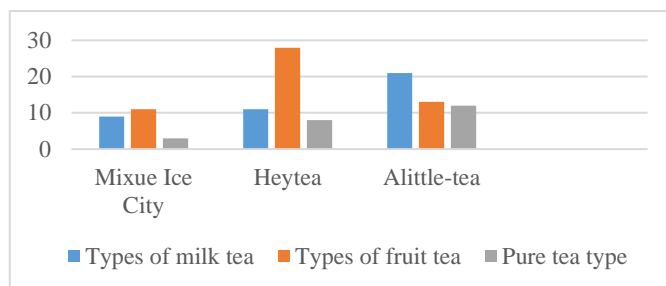


Figure 1: Product category comparison chart [2].

As shown in Figure 1, compared with other tea brands, Honey Snow City has fewer product types. The quantity of milk tea and fruit tea is smaller than that of other tea brands, and the product update speed is slower. Meanwhile, most of the updated types are similar. The consequence of long-term single products is that consumers lose freshness and reduce purchases [2].

(2) Obvious seasonality: Many products such as peach milkshakes, which are featured in Honey Snow City, are very cold, and sales in winter are much lower than in summer. There is no good main product in winter, sales can not reach a good level, and caused a huge loss of store rent, labor, logistics and other costs.

(3) Fierce competition: Due to the low investment threshold of ready-made leisure tea and the transparent operation model, which is easy to learn and copy, more and more practitioners have begun to enter this market, whether it is brands or small and medium-sized enterprises, resulting in fierce competition in the leisure tea market. According to the statistics of Changchun, there are more than 20 existing beverage stores in Guilin Road business district of Changchun City alone. The main competitor of Guilin Road Store of Changchun Honey Snow City, such as CoCo Duke, has also actively expanded the beverage market through the development of new products and strong publicity and promotion, and has grabbed a lot of market share of leisure tea drinks. These factors have brought great threats and challenges to the Guilin Road store of Honey Snow City [4].

2.4. Opportunity

The staff team of Honey Snow City brand are mostly young people. The target customer group of the Honey Snow City brand is mainly "post-90" and "post-00", so the same young employees have more personal experience and understanding of the future development trend and young people's consumer psychology, and young people will collide with more fresh ideas, and will have better development prospects [2].

As the image of Honey Snow City, Snow King not only has the visual image of the brand, but also creates a living person, is given a richer personality thought value, reduces the "physical", and excavates the "human nature". Cute and silly image in line with consumer aesthetic and personality needs at the same time, out of the brand halo effect, with their own visibility, compared with the

star will be closer to the user, not easy to create a gap between consumers and brands. Honey Snow City chooses a high plasticity and stable IP image to avoid damage to the brand image due to the star's public opinion and trust crisis, and can also be long-term and continuous in line with consumers' "aseptic aesthetic". It not only reduces the cooperation and publicity costs of asking stars to endorse, but also greatly reduces the communication cost, and also brings its own traffic and communication effect, using cultural identity to cause value resonance and enhance user stickiness [5], this also makes Honey Snow City a higher degree of recognition.

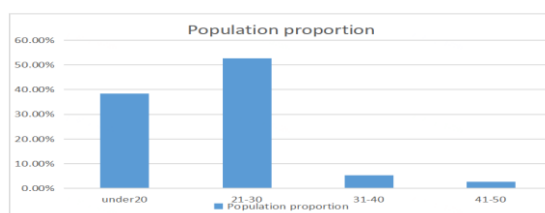


Figure 2: Age distribution of consumer groups in Honey Snow City [2].

Figure 2 shows the age distribution of consumer groups in Honey Snow City. It can be seen that the main consumer groups of the Honey Snow City brand are students and young people. The number of this group is huge, which also means that the potential consumer group of Honey Snow City is huge, and the brand of Honey Snow City can also focus on other consumer groups in order to open a broader market, such as white-collar groups [2].

2.5. Threat

In recent years, new tea brands have continued to expand, including Honey Snow City, ChaPanda, Aunteajenny and other brands that have covered more than 200 cities. In terms of the number of stores, the number of brand stores such as CoCo and ChaPanda has exceeded 5,000, and more and more investors choose to enter the tea industry, and more and more tea brands emerge, resulting in continuous intensification of industry competition.

With the rapid economic development and the impact of the COVID-19 epidemic, prices have continued to rise, with labor, store rents, fruit prices and logistics costs of raw materials all increasing. In the case of rising costs, how to maintain the low-price advantage of the Honey Snow City brand under the premise of finding greater profit space for themselves, has become the most important thing for enterprises to formulate development strategies [2].

The tea-drinking industry dominated by milk tea and ice cream is easy to imitate and replace. Consumers can replace milk tea with many other products, such as bottled milk tea and bagged ice cream. This is a threat faced by the entire tea industry, and the threat will always be there if the company's products cannot be made irreplaceable [2].

3. Analysis on the Development Strategy of Honey Snow City

3.1. The Overall Idea of Enterprise Differentiation

As shown in Figure 3, it can be seen from the differentiated strategy development of Honey Snow City that its development presents an inverted "T" development model, which is first vertically laid out and then horizontally perfected.

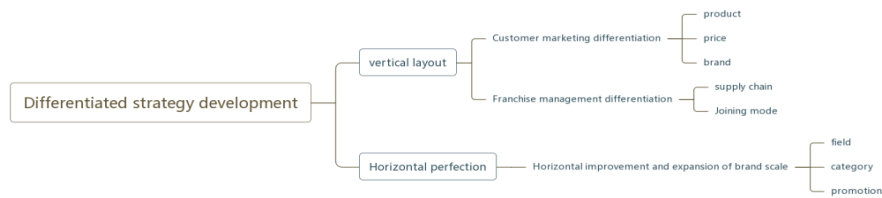


Figure 3: Honey Snow City pour "T" type strategic development model [6].

3.2. Vertical Differential Layout

From the perspective of vertical layout, Honey Snow City first anchors specific customer groups from product, pricing and brand. At the same time, Honey Snow City attracts franchisees to activate funds, establish supply chain differentiation through self-built storage centers, and then form franchise model differentiation by reducing franchise fees and corporate holding. The following is mainly for the differentiation of the franchise model analysis, compared with other kinds of tea brands, the franchise fee of Honey Snow City is low. In order to attract franchisees, Zhang Hongchao, the founder of Honey Snow City, created a new model of "interest-free loans", taking out tens of millions of yuan interest-free to lend to franchisees every year, which directly solves the financial problem of the franchisee in the early stage of opening a shop. Referring to Alibaba, Haier and other large enterprises for equity layout, regardless of the number of stores and product sales, its control is always in the hands of the founder Zhang Hongchao. The differentiation of the franchise model is standardized and upgraded, which makes Honey Snow City find a new way to quickly complete the expansion of the product brand scale [6].

3.3. Horizontal Differential Expansion

The horizontal improvement of Honey Snow City is to achieve the horizontal development goal of product "differentiation and diversification" through a series of measures. It mainly deals with three aspects, namely, field, category and promotion. The following is an analysis of promotion differentiation. After entering the era of big data, data platforms are becoming more and more important for enterprises, and their status in enterprises continues to improve. In order for enterprises to achieve better development, data platforms should continuously collect and integrate data, and at the same time realize real-time monitoring of data [7]. Honey Snow City is promoted with the help of big data platforms.

4. Optimization Strategy of Enterprise Management under Differentiation Strategy

4.1. Pay Attention to Enterprise Brand Building, Establish a Good Corporate Image

The building of brand image is an important part of differentiation strategy. Enterprises can quickly form a brand image through the Corporate Identity System (CIS), which can be combined with the positioning of the brand to carry out a comprehensive systematic audit of the brand. The design of a novel and distinctive product logo gives consumers a unique visual perception, establishes an irreplaceable image, and obtains the recognition of consumers [8].

4.2. Fully Understand the Market Situation and Identify the Market Positioning of the Product

In order to implement a differentiation strategy, enterprises must conduct in-depth research and analysis on the real internal needs of customers, and then further determine potential target

customers more suitable for their own market according to the different potential needs of existing customers [9]. Only by paying attention to the needs of consumers can enterprises accurately grasp the market trend, find the market positioning of products and entry point of differentiation strategy.

4.3. Focus on Consumer Feedback and Provide Personalized Service

In the increasingly fierce market competition, homogenized products are gradually eliminated by the market, personalized services can attract consumers. Taking the DL brand as an example, it pays attention to providing consumers with thoughtful and comprehensive service, whether it is patient guidance before purchase, or high-quality after-sales service free dry cleaning, ironing, sewing, dissatisfied return and other services. To meet the needs of consumers, attract consumers to choose first in many supermarkets, and promote the enterprise to become the leader of the industry. DL's brand differentiation strategy reflects people-oriented thought, so that consumers have the feeling of being valued, thus forming a brand image.

5. Conclusion

In today's era, the tea industry is becoming more and more popular, while it is also facing many opportunities and challenges, in the highly competitive market, all brands are constantly exploring to find a better development strategy, seize the trend of industry development, and occupy a place in the market. The main purpose of this study is to understand how affordable beverage enterprises like Honey Snow City successfully operate, to provide more enterprises with good management concepts, marketing strategies, so that they can reasonably learn from their own conditions. First, the SWOT model is used to analyze the advantages, disadvantages, opportunities and threats of the brand of Honey Snow City, and then the development strategy of Honey Snow City is analyzed, and it is found that its success in making customers consume a large amount and earn large profits lies in its precise and differentiated strategy. Honey Snow City is the inverted "T" development model, which first presents a vertical layout and then improves horizontally. Finally, this paper analyzes the optimization strategy of enterprise management under the differentiation strategy, and thinks that it should be considered from four aspects, the first is that enterprises pay attention to brand building and establish a good corporate image; Secondly, enterprises need to fully understand the market situation and identify the market positioning of products; Finally, enterprises also need to fully understand the market situation and find the market positioning of the product.

References

- [1] Kun Wang (2023) *Analysis of profit model of affordable tea industry based on Honey Snow City*, August 4, pp.90-93. doi: 10.19311/j.cnki.1672-3198.2023.17.030.
- [2] Yan Zhang (2022) *Analysis of tea industry development strategy based on SWOT model -- taking Honey Snow City as an example*, September 30, pp.68-70, doi: 10.19932/j.cnki.22-1256/F.2022.09.068.
- [3] Yiming Li, Jie Yang (2018) *SWOT analysis and suggestions on the development of Honey Snow City in Xixia area*, October 25, pp.161-162.
- [4] Liu Liu (2021) *Research on marketing strategy of Guilin Road store in Changchun Honey Snow City*, March 1. doi: 10.27162/d.cnki.gjlin.2021.003589.
- [5] Yuxuan Yao (2022) *Analysis of marketing and communication strategies in the new consumption era based on brand IP -- taking Honey Snow City as an example*, November 10, pp.21-23.
- [6] Huixi Xu, Yonghui Xu, Jialin Wang (2023) *Analysis on the development model of new tea drink brand based on differentiation strategy -- taking Honey Snow City as an example*, May 6, pp.44-49, doi:10.16517/j.cnki.cn12-1034/f.2023.05.005
- [7] Yuanfei Qiu (2018) *Enterprise management model innovation based on big data era*, January, pp.27-27.
- [8] Yunhong Yang (2023) *Research on enterprise management strategy based on differentiation strategy*, April 17, pp.157-159.

- [9] *Xinlin Yi (2022) Research on enterprise management strategy based on differentiation strategy perspective, June 25, 89-91.*