

A Study on Consumer Behavior in the Context of Economic Downturn and the Analysis and Optimization of Marketing Strategies for “New Chinese” Milk Tea: A Case Study of CHAGEE

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Abstract:

CHAGEE opened over 3,500 stores in just six years, with more than 2,000 of them launched in 2023 alone. In contrast, Heytea took 12 years to surpass 3,000 stores. This rapid expansion leveraged consumer herd behavior and strategic marketing approaches during economic downturns. This study employs the AISAS marketing theory and Nash equilibrium to analyze product homogenization, added value, and how Ba Wang Cha Ji transitioned from being perceived as a “follower” or “copycat” to becoming a wildly popular Chinese-style milk tea brand. The study will also offer optimization and improvement strategies for Ba Wang Cha Ji’s marketing operations.

Keywords: Marketing, Nash equilibrium, AISAS, Marketing theory

1. Introduction

In recent years, China’s policies have provided strong support for the tea beverage industry, leading to fierce competition among brands such as Heytea, Mixue Bingcheng, and Chabaidao. In September 2021, China introduced policies aimed at guiding processing companies to develop deep-processed products like matcha and new-style tea beverages. These policies encouraged the development of efficient tea beverage processing technologies, the extraction of tea components, and the promotion of tea product innovation. They also emphasized optimizing production regions by focusing on tea varieties suited to specific areas,

particularly promoting black, specialty, and green teas in western and southern Yunnan.

Ba Wang Cha Ji, originating from Yunnan, has successfully expanded its presence from Southwest China to the national level, and has even established numerous outlets overseas. In November of the same year, China incorporated the promotion of diversified development of fruits, vegetables, and tea, along with the integration of tea culture, tea industry, and tea technology, into its new planning strategy to improve the quality of tea development. This policy support provided Ba Wang Cha Ji with a favorable environment for growth, aligning perfectly with national trends and policies.

Simultaneously, as China's international status has risen, Chinese consumers have developed a strong sense of cultural confidence and identity. They exhibit a desire to showcase Chinese culture to the world, a trend reflected in the popularity of the tea beverage industry. Brands based on Chinese tea have been developing new-style tea beverages, presenting Chinese tea culture in forms appealing to contemporary youth, such as milk tea. This not only satisfies local market preferences but also serves to promote Chinese tea culture globally.

However, the tea beverage industry has encountered challenges of product homogenization, where many offerings have similar tastes. Moreover, as the initial surge in popularity fades, consumer numbers tend to decline, especially given the pricing strategies in place. This study will use Ba Wang Cha Ji as the primary case study, analyzing how Nash equilibrium can be applied to address the issue of product homogenization and propose potential improvements for the brand.

2. Overview of AISAS Theory

AISAS theory is a consumer behavior model introduced by Dentsu, a renowned Japanese advertising company, in 2004. It was developed to explain the purchasing decision-making process of consumers in the internet age. AISAS extends the traditional AIDA model (Attention-Interest-Desire-Action) to better suit the digital and information-driven marketing environment. The AISAS model breaks down the purchasing process into five key steps: Attention, Interest, Search, Action, and Share. It places particular emphasis on consumers' information-seeking and sharing behaviors, making it especially relevant for analyzing the digital marketing strategies of emerging brands.

(1) Attention: Consumers first become attracted to a brand, product, or service. This step is usually triggered by advertising, social media promotions, or word-of-mouth marketing. In the internet era, brands capture consumers' attention through various channels, such as social media, short videos, or key opinion leader (KOL) endorsements. These methods introduce the brand to consumers, creating an initial awareness.

(2) Interest: After being attracted, consumers develop an interest in the product or service. At this stage, they typically seek more information about the product's features, functionality, or use cases. Brands need to maintain and enhance consumer interest through content marketing, such as detailed product descriptions, video demonstrations, and user reviews, encouraging consumers to proceed to the next step.

(3) Search: Unlike the traditional AIDA model, AISAS

highlights the importance of the "search" behavior. In today's digital consumption environment, consumers are capable of conducting their own searches for additional information about a product, such as user reviews, product details, and price comparisons. During this phase, brands must ensure that information is easily accessible and trustworthy by optimizing search engine visibility (SEO) and enhancing transparency through customer reviews, social media interactions, and recommendation systems.

(4) Action: After completing their search and gathering information, consumers take action by making a purchase decision. This action may not only involve the actual purchase but could also include trials or experiences. In the "New Chinese" milk tea market, purchases could happen at physical stores or through online delivery platforms. Brands need to ensure the convenience of the purchasing process and encourage action through promotions, discounts, and other incentives.

(5) Share: In the context of widespread internet usage and social media, consumers tend to share their experiences and opinions after purchasing or trying a product. This sharing behavior can influence their social circles and create a bandwagon effect, further driving word-of-mouth for the product. Therefore, brands should encourage positive sharing behaviors through user-generated content (UGC), social media campaigns, and rewards for sharing purchases, thereby expanding their brand influence.

3. Analysis of Ba Wang Cha Ji's Marketing Strategies

3.1 Attention:

(1) Brand Image Creation: Ba Wang Cha Ji has captured consumer attention with its unique blend of traditional Chinese tea culture and modern design. The brand's vintage-style packaging and visually striking store interiors, often decorated in vibrant colors with a nostalgic, retro aesthetic, draw the attention of passersby. Additionally, the name "Ba Wang" (meaning "overlord") creates a powerful cultural and visual impact.

(2) Advertising and Promotion: The brand has invested heavily in digital marketing across various platforms, such as WeChat, Weibo, Xiaohongshu (Little Red Book), Douyin (TikTok), and Kuaishou. Short video advertisements and influencer endorsements on these platforms quickly catch the attention of young consumers, while promotional videos, product showcases, and limited-time offers immediately capture their focus.

3.2 Interest:

Once consumer attention is captured, Ba Wang Cha Ji builds interest through innovative products and content marketing.

(1) Product Innovation: Ba Wang Cha Ji continuously launches creative, regionally inspired products, emphasizing authenticity and health, such as fresh-brewed tea, real fruits, and low-sugar options. This resonates with consumers who are increasingly focused on healthy lifestyles. The introduction of special product lines, such as the “Ba Wang Series” and the “Classic Milk Tea Series,” further intrigues customers and encourages them to explore new flavors.

(2) Content Marketing: Through platforms like WeChat, Xiaohongshu, and Weibo, Ba Wang Cha Ji provides detailed product descriptions, behind-the-scenes insights into the preparation process, and stories about tea culture. Thoughtfully crafted narratives and high-quality visuals not only spark consumer interest in the products but also foster an emotional connection to the cultural heritage behind the brand.

3.3 Search:

In the AISAS model, the search phase is critical, as consumers actively seek more information about the brand and its products. Ba Wang Cha Ji has optimized this step through the following methods:

(1) SEO Optimization and Online Reputation: Ba Wang Cha Ji prioritizes its online reputation by ensuring that relevant brand information is easily accessible via search engines. Through SEO (Search Engine Optimization), consumers can effortlessly find official brand content, customer reviews, and detailed product descriptions when searching for “Ba Wang Cha Ji.”

(2) Social Media Reputation Management: On platforms like Xiaohongshu, Weibo, and Douyin, the brand leverages KOL (Key Opinion Leader) marketing and encourages user-generated content (UGC). Many consumers search for product reviews and recommendations on these platforms before making a purchase decision. Ba Wang Cha Ji capitalizes on this by fostering a strong online presence, where authentic user feedback and reviews enhance its credibility and appeal.

3.4 Action:

Action is a key stage in the AISAS theory, where consumers make their final purchasing decision. Ba Wang Cha Ji stimulates this process through convenient purchasing options and targeted promotions.

(1) Integrated Online-Offline Sales Strategy: Ba Wang Cha Ji combines physical store experiences with on-

line delivery platforms (such as Meituan and Ele.me). Consumers can choose to visit stores in person or order through these platforms for convenient, contactless delivery. The seamless integration of online and offline channels makes the purchasing process highly accessible and flexible.

(2) Promotions and Membership Programs: The brand regularly offers limited-time discounts, membership points, and promotional activities to further entice consumers to take action. By using WeChat and other platforms, customers can access coupons and participate in flash sales, effectively driving purchase decisions.

3.5 Share:

In the AISAS model, sharing plays a crucial role in extending the brand’s reach through word-of-mouth marketing. Ba Wang Cha Ji leverages the power of social media to drive widespread brand awareness.

(1) Social Media Interaction: The brand encourages consumers to share their experiences on social platforms by creating aesthetically pleasing products that are highly “Instagrammable.” Many consumers share photos of their drinks, reviews, and store visits on platforms like Weibo, Xiaohongshu, and Douyin. This vast collection of UGC (User-Generated Content) amplifies brand exposure and attracts more potential customers.

(2) Consumer Events and Reward Mechanisms: Ba Wang Cha Ji frequently organizes online activities, such as “Share Your Ba Wang Cha Ji Experience” and “Best Drink Photo Contest.” These events, paired with rewards and incentives, encourage consumers to actively share their experiences, increasing the brand’s social media visibility while fostering a sense of loyalty and engagement among its customers.

4 Branding Opportunities for New Chinese Tea Drinks

(1) Opportunities from National Policies

In recent years, China’s international standing has been steadily rising. Against the backdrop of the “Belt and Road” initiative, more neighboring countries have recognized China’s commitment to cooperation, leading to favorable conditions for Chinese tea beverage brands to expand internationally. As a representative of New Chinese tea beverages, Ba Wang Cha Ji carries the imprint of Chinese tea culture abroad. It has become popular in Southeast Asia, with over 70 stores opened in countries such as Malaysia, Thailand, and Singapore, promoting Chinese tea culture to global consumers. By mid-2024, Ba Wang Cha Ji had over 90 overseas stores, ranking eighth among

Chinese milk tea brands. However, its overseas footprint is relatively small compared to competitors like Heytea and Mixue Ice City, which have 300+ and 4000+ stores respectively since their expansions in 2018. Although Ba Wang Cha Ji is making strides in Southeast Asia, the total sales per store abroad are significantly lower than domestic sales, indicating that its international expansion has a long way to go and may not fully align with its brand philosophy.

(2) Opportunities from Shifts in Consumer Lifestyles

Contemporary consumers are increasingly leaning towards a relaxed and Zen-like lifestyle. The aesthetic of New Chinese tea beverage shops embodies tea culture, with decor that creates a tranquil atmosphere. The simple, understated colors and comfortable, Zen-inspired layouts attract many young consumers looking for a place to unwind.

Moreover, the brand's packaging pays homage to luxury brands like Gucci, LV, and Valentino, allowing consumers to enjoy similar design aesthetics at a lower price point.

This appeal encourages them to share photos on social media, further attracting potential customers. However, this strategy carries risks; the similarity in design to established luxury brands may lead to accusations of imitation if the brand becomes too popular.

Additionally, the target demographic for New Chinese tea beverages tends to be younger consumers, making it challenging to attract middle-aged or older customers. Younger consumers may also have lower purchasing frequency and could experience adverse reactions, such as insomnia or increased heart rate, from high polyphenol content in tea.

The influx of competitors has led to product homogenization, which can be analyzed using Nash equilibrium. As more brands enter the market with similar offerings, it becomes increasingly difficult for any single brand to maintain a competitive edge without innovation or differentiation. This highlights the importance of strategic marketing and product development to stand out in a crowded marketplace.



Figure 1

Assuming A represents Ba Wang Cha Ji and B represents Cha Bai Dao, the distance between points on a line segment represents consumer taste preferences, and consumers will choose to patronize the brand closest to them. Initially, the taste profiles of A and B are positioned at points A and B, indicating a significant difference in flavor.

To attract more consumers, assume that A adjusts its flavor to point A1. At this point, A1 can capture all consumers on the left and a portion on the right. In response, B will adjust its flavor to point B1 to prevent losing market share. Through this dynamic adjustment, both A and B will eventually move their flavors toward the midpoint of the line segment.

At this equilibrium point, A and B have similar taste profiles, allowing both to attract approximately 50% of the consumers. This represents a Nash equilibrium, as neither party can increase its market share by unilaterally changing its strategy, making the current flavor settings the optimal choice.

5. Conclusion

Currently, the New Chinese tea beverage industry in China has promising prospects. However, there is a lack of research on the reasons behind homogenization and the application of AISAS theory to marketing strategies. This study provides an in-depth analysis of the homogenization

phenomenon in the New Chinese milk tea market through AISAS theory and Nash equilibrium, exploring marketing strategy optimization in the context of Ba Wang Cha Ji.

The AISAS theory reveals the entire process of consumer behavior from attention to action. Ba Wang Cha Ji effectively reaches consumers at each critical point through precise marketing strategies, successfully stimulating user engagement and word-of-mouth. However, with the increasing number of New Chinese milk tea brands in the market, companies face serious issues of homogenized competition.

The analysis using Nash equilibrium shows that companies often adopt similar strategies in the same market environment, leading to convergence in products and marketing methods. Although Ba Wang Cha Ji has initially established a competitive advantage through differentiated brand positioning, a key challenge in the long term will be breaking free from the strategic homogenization imposed by Nash equilibrium.

To avoid market fatigue caused by homogenization, brands must continuously innovate, seek breakthroughs, and further optimize their products and marketing strategies. This study suggests that Ba Wang Cha Ji can enhance the application of the AISAS model to accurately capture consumer needs while leveraging big data and market analysis tools to implement more efficient differentiation strategies, allowing it to stand out in the fierce market

competition.

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