

Analysis of Business Strategies in China's Tea Beverage Industry: A Case Study of Naisnow

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Abstract. After years of rapid expansion, the new-style tea beverage industry has reached overall market saturation, with increasingly fierce homogenized competition. Consumers' consumption concept is also becoming rational, and they are no longer simply pursuing premium or novel tea drinking experience. Cost-performance ratio and health have become the core standards for purchase. Some tea brands that were once identified as leading enterprises in the middle and high-end market have encountered bottlenecks in size, and need to adjust their business strategies to adapt to market change. The research results show that Naisnow has the problems of insufficient product audience coverage and innovation capability. In the future, improvements can be made in optimizing strategic paths, health, and innovation. This study can not only help Naisnow to clarify the short board of business, adjust the development strategy and improve the business status. At the same time, the industry common problems and solutions summarized can also provide reference for the transformation and development of high-end new-style tea brands of the same type.

Keywords: Tea beverage industry, Naisnow, China, Development strategies

1. Introduction

In the recent years, the domestic new-style tea market has achieved explosive expansion. It has become an important part of the beverage industry. The freshly prepared tea drinks have formed three major market segments: low, medium and high. The brands of Mixue, Heytea and Goomo have risen one after another. The market pattern is becoming more and more mature. However, while the scale of the industry continues to expand, various hidden worries are gradually emerging. Homogenization competition continues to intensify. Product iteration cycle continues to shorten. Brand differentiation advantage is progressively weakened. With the improvement of public health consciousness and the demand for cost performance, the tradition mode of high-end tea relying on quality to obtain premium has been impacted, and the profit margin of enterprises has been continuously narrowed. Therefore, analyzing the current management difficulties of the tea industry and clarifying the key factors restricting the long-term development of the industry have strong practical research value.

In the past five years, a wealth of research results has been formed around the business strategy of the new-style tea industry. Zhou and Lu took Heytea as an example to study the problems existing in the marketing strategy of Heytea and put forward suggestions for optimizing the marketing

strategy of it under the new retail background [1]. Hu selected Chagee as a case to explore the differentiated breakthrough path of Chinese-style tea, and also pointed out the persistent challenges faced by this mode [2]. Based on the 4I theory, Lv and Xu analyzed the strategic practice of tea brands in cost performance improvement, healthy transformation and KOL joint marketing. In the article, it is mentioned that Naisnow cooperates with professional institutions to promote sugar free products and other initiatives [3]. In general, most of the existing studies focus on a single brand or partial strategies. There is still a lack of systematic analysis perspective that integrates the management dilemma, the change of consumer preferences and the strategic adjustment of enterprises. Based on the above research status, this article takes Naisnow as the research object and systematically analyzes its management strategy.

The research content mainly includes three aspects: First, sort out the development status and underlying dilemmas of China's tea industry. Second, review and comment on the strategic evolution of Naisnow in recent years. Third, evaluate the actual effect of Naisnow's business strategy and put forward optimization suggestions in combination with the change of industry competition pattern and consumer demand. This study combines strategic management theory with the specific industry context of new-style tea drinks, enriching the application of differentiation strategy in the fast-moving consumer goods retail field, and providing reference decision-making basis for high-end tea drink brands to adjust their business strategies and achieve sustainable growth in the stock competition stage.

2. Case description

Naisnow was founded in Shenzhen in 2015. In 2017, it went out of Guangdong and officially launched the "national urban expansion plan". For a long time, it has always maintained its identity as the founder of the new-style tea beverage segment. At the initial stage of its establishment, Naisnow innovation launched a dual category model of "Tea+Soft European bread", becoming the first brand to innovate and put forward the concept of freshly made beverage products with baked products in China. Subsequently, it successfully created a number of industrial hit products. In 2021, Naisnow Holdings Co., Ltd. went public officially on the Hong Kong stock exchange, with a market capitalization of more than 34 billion HKD, occupying a leading position in the new-style tea industry nationwide and globally. The brand continues to focus on the "health" strategy and always responds positively to the iteration of consumer demand. In the post-establishment stage, brand development encountered bottlenecks and periodic development challenges. In response, the management proactively optimized the situation and launched the "partnership plan" in 2023. Since then, it has entered a new stage driven by dual engines. From 2024 to 2025, affected by the optimized stores, the group's total revenue fell by 12%. Fortunately, the net profit increased by 13.1% in the same year and the group's loss narrowed by 73.8%. The performance of revenue per store also improved significantly. Nowadays, with the intensification of market competition, Naisnow will face more and more complex challenges. Such as the limited audience reach, the inability to balance price, profit and value, the lack of innovation.

3. Problem analysis

3.1. Limited product audience reach

The problem of limited product audience reach continues to emerge, which has become a key challenge to be overcome on the road of Naisnow development. At the current stage, the emerging

milk tea industry is divided into three markets: high-end market, mid-range market, low-end market [4]. Naisnow was initially positioned as a high-end new tea brand and became one of the representative brands in the high-end market. According to the prospectus data, the average sales value of Naisnow reached 43.3 yuan per order, ranking first among high-end freshly made tea beverage chain stores. It adheres to direct operation and is committed to building the brand image of "the third space". Its stores are usually large and have strong design aesthetics. It is also mostly set up in large shopping malls. The higher unit price of drinks seems to include not only the purchase of the product itself, but also the consumption experience. Either attracted by its novel mode, or relying on its symbolic consumption, check-in sharing and other social media marketing, Naisnow has attracted many young people from first tier and second tier cities. As competition within the sector turns white-hot, gradual normalization and popularization of online takeout consumption mode, and the change of consumer demand, consumers are more sensitive to price. Consumption tends to be rational, which will cause the diversion of existing consumer groups: young people turn to higher price ratio drinks and more convenient tea consumption. As a result, the target audience is increasingly limited. Coupled with the characteristic of diseconomies of scale arising from its exclusive direct-operation model in the new-style tea beverage sector, brand management pressure continues to increase. In order to alleviate the pressure of brand management, Naisnow actively explores countermeasures: In 2022, the brand launched the light series of 9-19 yuan and continued to enrich products below 20 yuan. In July 2023, it was officially launch franchising. Unfortunately, it failed to achieve satisfactory results. Nowadays, with serious product homogeneity, innovation breakthrough has become an important factor affecting brand development.

3.2. Insufficient innovation ability

In addition, the lack of innovation in the development of Naisnow has become prominent. Brand innovation initiatives have strong limitations. Product differentiation is insufficient, so that it is difficult to form distinctive user memory points. Naisnow first used fresh fruits to prepare freshly made tea drinks in China. With the use of high-quality fresh fruits as the core, Naisnow has launched many popular products in the industry. For example, the "super fresh fruit tea series" is highly recognized in the market and its sales continue to rise. However, with the influx of a large number of new brands into the industry, the supply chain is gradually mature and the information is gradually transparent. Fresh fruit tea has become the industry standard. There are many substitutes of the same quality or even more affordable in the market. The advantages of Naisnow raw materials are weakening. Its characteristic competitiveness is missing. Moreover, the healthy innovation of Naisnow is too passive. The primary motivation for consumers to buy comes from the overlapping attraction of "taste innovation" and "health concept". Health awareness has gradually become an important psychological variable driving the consumption of new tea [5]. Naisnow has indeed been focused on health strategy. For example, it pioneered monk fruit juice sweetener, became one of the first nationwide participants in the Nutri-Grade pilot for beverages, and launched the industry's first unsweetened fresh fruit tea. However, with the strengthening of people's health awareness, many brands have also realized and launched healthier products similar to "0-calorie sugar". Naisnow has not established technical barriers, nor has it explored new health directions. Most of its subsequent adjustments were only passive adaptation to the trend of consumer health demand, not a groundbreaking innovation based on industrial development and proactive track expansion. Finally, Naisnow has been committed to expanding its brand influence through cross-border marketing. Its main growth logic has become marketing driven rather than technology driven. However, when the product itself lacks significant differentiation, the marketing cost will increase marginally and the

effect will decrease marginally. A large number of brand collaborations have gradually revealed the problems of information overload and consumer confusion. This has reduced the utilization rate of marketing resources and made consumers feel worse [6]. The neglect of brand value and the lack of cultural innovation have also followed. Naisnow seems to have forgotten its vision of "becoming an innovator and promoter of tea culture to the world" when it was listed.

4. Suggestions

4.1. Optimize strategic path

Compared with the short-term profit through fine-tuning and price increase, Naisnow should pay more attention to the long-term development of the sinking market and the improvement of the membership mechanism. At present, the overall growth rate of the mass-market tea beverage sector has slowed down. This "growth slowdown" does not mean that the market has stagnated, but that it has entered a new stage of "structural expansion" [7]. It is expected to develop at a compound annual growth rate of 7.6% from 2021 to 2025. The market size is expected to reach 340 billion yuan in 2025 and exceed 400 billion yuan in 2028. According to the current situation of the industry, the growth power mainly comes from the consumption upgrading of the sinking market. Consumers in the third and fourth tier cities continue to improve their acceptance of freshly made tea, and their consumption demand and consumption frequency have significantly increased. According to Danpeng Zhu, an expert in the Chinese food industry, the market capacity of the entire first and second tier markets and the density of stores have reached a certain node. There is limited room for further expansion in the existing market, so the brand must tap into lower-tier markets. From the perspective of profitability, the commercial rent, management cost and personnel cost of the low-level market are relatively low. The pricing similar to that of other cities can increase its volume and profit, which is very beneficial for brands insisting on direct marketing such as Naisnow. At the same time, Naisnow should also be refined in member operations. In recent years, the number of members of Naisnow tea has continued to grow. The repurchase rate has steadily increased. From 2023 to 2025, the number of members of Naisnow continued to grow from 80.5 million to 118.9 million, and the repurchase rate increased from 23.9% to 24.2%. With this good trend, Naisnow can strengthen digital operation and improve its original "Pro membership card" paid membership form. For example, increase its points exchange benefits to enhance user loyalty, drive customer referrals from existing patrons to new consumers through the privilege of treat vouchers and group-order privileges, add additional services such as free umbrella borrowing and medicine box to enhance empathy and popularity.

4.2. Health and innovation

Health awareness has gradually become an important psychological variable to drive the consumption of new-style tea beverage. Relevant studies have pointed out that consumers are increasingly concerned about whether to add essence, preservatives, trans fats and other ingredients in drinks. They prefer to choose the type of drinks with "sugar free", "real fruit" and "low calorie" labels [8]. Naisnow has put the health of its products in an important position of management since its early development stage. Naisnow should regain and vigorously carry forward its core advantages in the initial stage, reversing the situation of weakening characteristics and losing advantages. For example, systematic R&D and innovation can be carried out on higher calorie and more unhealthy ingredients such as tea base and toppings. Naisnow can also innovate in humanistic

dimensions, strengthen the localization operation, and make appropriate distinction and adjustment to different markets at home and abroad. Localization strategy can enable brands to better grasp the real needs of local customers from the functional and psychological levels, so as to develop products more suitable for the local market according to the living habits, cultural customs and technical standards of the target market. This help brands better occupy the market [9, 10]. For example, in the domestic market, Naisnow has the opportunity to cooperate with local culture and tourism to launch some drinks made from local raw materials, or to integrate local cultural elements into the packaging design of drinks. This not only brings positive benefits for its own development, but also activates local resources, promotes local characteristic culture, achieving a win-win situation. Finally, the new form of tea is also a good direction, such as cold tea, ready to drink tea (RTD) and other new forms of products, which have received good market response after being introduced to the market. A number of experimental studies have shown that, compared with non-innovative products, technology innovative new products and design innovative new products can significantly improve consumers' purchase intention [11]. Naisnow can take the initiative to invest in the research and development of new forms of tea to inject new growth momentum into the brand.

5. Conclusion

This article conducts an overall study on Naisnow, tracing the brand's complete development trajectory and summarizing two major development challenges that Naisnow faces in the current tea beverage market: First, the high-end positioning of the brand in its early stages has limited its target audience. Currently, consumers' consumption attitudes are becoming more rational. They increasingly pursue cost-effectiveness, leading a large number of customers to switch to affordable tea beverage brands. Even though the brand has lowered its product prices and opened up its franchise model, it has failed to address this challenge at its root. Second, the brand lacks sustained momentum for long-term innovation. The Classic fresh fruit tea products are widely imitated by the industry. The upgrading of healthy tea drinks is only a passive adjustment to comply with the market trend, failing to build exclusive technical barriers. At the same time, brands rely too much on cross-border co-branding to carry out marketing, making the publicity benefits continue to decline. In response to the first issue, this article provides suggestions for focusing more on the long-term development of lower-tier markets and improving membership mechanisms. For the second issue, this article proposes solutions to put forward the scheme of strengthening health, achieve innovations in humanistic dimensions, and develop a new mindset for tea drinks.

There are still many deficiencies in this study. The whole content is based on the public financial reports and industry reports on the brand's official website. There is not based on the first experience of consumers. For example, questionnaires are issued to consumers, field visits and surveys are conducted, and the countermeasures proposed lack market planning. In the follow-up, the author can collect the experience feedback from the majority of users to make the analysis content more perfect.

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