

Profit model analysis of new tea industry from the perspective of supply chain

Xiaorui Wang^{1*}

¹Darlington School, 30161 Rome, Georgia, United States

Abstract. This study uses the example of Gu Ming analyzes the profit model of the new tea industry from a supply chain perspective, highlighting how efficient supply chain management contributes to profitability. Key findings include the benefits of centralized procurement, which reduces raw material costs through economies of scale, and the use of cold chain logistics and digital systems to optimize operations and minimize waste. Vertical integration, where companies control suppliers, enhances profit margins by securing material stability and lowering costs. Additionally, offering supply chain services to franchisees provides an additional revenue stream. However, these models may face limitations due to vulnerabilities in external supply disruptions and price fluctuations. The analysis primarily applies to large brands, suggesting limited generalizability to smaller companies. Future research should explore technological innovations and sustainable practices to further enhance supply chain efficiency and research differences between large-scale and emerging tea brands.

1 Introduction

The new tea industry is a new beverage industry that improves and innovates based on the traditional tea drinks. It usually uses fresh and diverse ingredients such as original tea, fresh milk and fresh fruit, and carries out diversified matching and integration, and regularly research differentiated new products to meet the aesthetic taste and consumption demands of today's young people. The development opportunities of new tea industry mainly from the improvement and innovation of traditional drinks in brand concept, production, brand promotion and marketing. This diversity caters to different tastes and preferences, appealing to consumers seeking novelty and unique sensory experiences in their beverage choices [1]. With the improvement of people's life standards and the development of takeout industry such as Uber Eats and DoorDash, the new tea industry has developed

rapidly, and the industry has broad prospects of developments. There are many types of tea drinks, including fresh fruit tea, fresh milk tea, and cold brew tea. These different types are classified according to the different ingredients and production methods. Tea brands attract and maintain the interest and preference of consumers through innovation and develop new varieties. For example, during the Mid-Autumn Festival, a number of tea brands pushed out a limited new product series of tea drinks with osmanthus flavor, using the fragrance of

* Corresponding author: rwang@darlingtonschool.org

osmanthus flowers combine with tea, to meet the festival and consumers' special emotional needs for autumn. In addition, the tea brand also attracts consumers by enhancing its interaction with consumers and getting brand identity by creative collection products, such as pendants and cups. These creative designs are often closely related to the holiday theme and other non-tea brands, such as lanterns designed with for the Mid-Autumn Festival. With the rapid development of the new tea industry, the market competition is becoming increasingly fierce. In order to stand out in the market, brands are constantly seeking product differentiation and brand competitiveness. For example, some brands began to try cooperation with different industries. This diversified business strategy not only contributes to the deeper memory of brand image, but also provides consumers with more choices and experiences.

Gu Ming is a typical example that totally fits the current market and trend of the new tea industry. Gu Ming founded in 2010, it has maintained a double increase in market shares, and has now become one of the leading brands in the tea industry after 13 years of stable development [2]. The steady and improving supply chain is the most important reason for a rise in profits and upswing of sales which sells over a billion cups of tea each year [3]. The stores and supply chain are closely connected, the store's encryption strategy ensures economies of scale and can spread the cost of the shipping part in the supply chain. By 2023, Gu Ming has built the largest cold chain supply chain in the industry [4]. The success of Gu Ming is not only reflected in the growth of the number of its stores and the expansion of its market share, but also in its preserve in quality and consumers' needs [5]. Through continuous innovation and optimization of products and services, Gu Ming has successfully attracted consumers and become a main brand in the tea industry. Whether from the perspective of brand influence and product features, Gu Ming provides entrepreneurs with a business platform full of opportunities, which has achieved the rapid development of the brand and wide recognition in the market.

2 Method: Case Analysis

Case analysis method is a kind of scientific analysis method, which can get a general understanding by detailed and thorough research and study of representative things or phenomena. It can be a discussion of a specific case, a way to find a solution to the problem, or it can be a special teaching method. In this paper, the case analysis method is used to analyze and study Gu Ming, the brand of tea industry, and the marketing strategy of tea brands to expand profits is obtained, which has theoretical reference significance for tea industry at whole world.

3 Case Description

In the brand market strategy of Gu Ming, traditional inheritance and creative innovation coexist, it is not only respects and carry forward the traditional tea culture, but also continuously develops and innovates new modern elements, and creates tea products that meet the tastes of young people. This strategy makes traditional tea unique in the market and attracts consumers. In terms of product strategy, Gu Ming provides a diversified product line, from classic traditional milk tea to new type fruit tea, from healthy grain milk to special flavor ice cream, each product has been successfully developed and produced to ensure high quality. These diversified products meet the needs and preferences of different consumers, high quality and creative products have won the interests and trust of consumers. In the marketing strategy, Gu Ming adopts the integrated development of both offline store and online sales.

Through online social media platform to promote the brand, increase brand exposure and attract the attention of consumers. Consumers can go through the delivery platform, WeChat mini program, and Apps to buy the products, which not only improves the consumer's consumption experience, but also collects consumption for enterprises and studying consumer by technology support [6]. At the same time, the decoration design and services of offline physical stores also try the best to be excellent, providing consumers with a comfortable and pleasant environment when they spend time in the store and have more interests to get into the stores. This integrated development marketing strategy makes Gu Ming more competitive in the market.

4 How's the profit of Gu Ming?

Gu Ming's profit performance is good with high profitability. The profit margin of Gu Ming reached 18%, which is not only higher than the average level of the new tea industry, but also maintains the same level as the other brands that founded at the same time. Specifically, in the first nine months of 2023, Gu Ming's profit was 1 billion yuan, and the profit margin reached 18%, while the profit margin of Mixue was 16% in the same period. Also, Gu Ming's single store profitability is strong. In 2023, the single store operating profit is as high as 376,000 yuan, and the profit rate is 20.2%, higher than the industry average of 10%-15% in the same period [3]. With its brand influence and market recognition, Gu Ming can often get higher more profit than other brands. A store located in business area, due to its superior location and large number of visitors, the daily sales can often reach thousands of yuan or even higher. Gu Ming headquarters provide the full range of support and guidance, including product development, store decoration design, staff training, helps it easier for entrepreneurs to operate stores and improve [5]. In the other way, Gu Ming also pays attention to marketing and brand promotion, and carries promotion through various ways online and offline to attract more consumers to buy its products, which not only improves the popularity and reputation of the store, but also further increases sales and profit. In the conclusion, Gu Ming has demonstrated good profitability and market competitiveness through its high profit margin, strong store profitability, and many effective marketing strategies.

5 How does Gu Ming get profit by supply chain?

Supply chain is the reason and foundation for Gu Ming to get profit. Gu Ming's profit strategy in the supply chain is mainly reflected in supply chain integration, cost control, scale effect and quality management. In these ways, Gu Ming not only improves operational efficiency, but also gains profitable growth points by the supply chain.

Through the deep integration of the supply chain, Gu Ming achieves the centralized procurement and efficient allocation of materials. Establishing long term partnerships with suppliers helps to maintain a stable supply of materials and price. Due to the large number of Gu Ming stores, its large-scale procurement brings huge negotiating space, and lower material costs can be obtained through procurement. For example, the purchase of Gu Ming includes tea, fruit, milk and other materials, and the centralized purchase reduces the material procurement cost of a single store. This centralized supply chain management not only reduces costs, but also ensures the standardization of materials and guarantees the consistency of product quality. This model has helped Gu Ming gain direct profit improvement space in the supply chain.

The supply chain management of Gu Ming is based on the scale expansion strategy of its stores, which has formed a strong scale effect. On the foundation of more than 5,000 stores, the orders for Gu Ming is huge, which brings low marginal costs to all aspects of its supply

chain [5]. With the growth of the number of stores, costs of transportation and storage in the supply chain system can be shared, further reducing the procurement cost of materials. Economies of scale are not only reflected in material procurement, but also in the optimization of logistics and storage. Through the establishment of regional warehousing and delivery centers, Gu Ming has reduced the logistics costs of each store and shortened the distribution time. This way not only improves efficiency, but also indirectly improves profitability.

In order to further improve the efficiency of the supply chain, Gu Ming gradually introduced digital technology in the supply chain management. Through the digital management of the supply chain system, Gu Ming can monitor the inventory and sales data of stores in real time, properly predict the demand for materials, and avoid over inventory or out of stock [7]. This digital supply chain management helps Gu Ming reduce unnecessary waste and improve the turnover rate of materials. Through data analysis, Gu Ming can also optimize delivery routes and reduce transportation costs. At the same time, this monitor can help Gu Ming find problems in various parts and make timely adjustments, thereby improving the efficiency of the entire supply chain and improving profitability.

Gu Ming is gradually implementing vertical integration in its supply chain to reduce its dependence on external suppliers. For some main materials, such as tea and fruit, Gu Ming has tried to control supply by building its own supply chain. Through this way of self-sufficiency, Gu Ming can directly control the quality, cost and time of materials, reducing the cost and further improving profit margins. Moreover, vertical integration helps build a sustainable supply chain. It can work with farmers to reduce circulation while ensuring the freshness and quality of materials, thus providing high quality and competitively priced products on the market.

In the supply chain, Gu Ming also focuses on logistics and cold chain management, especially in the distribution of fruit and dairy products. In order to maintain the freshness of products, Gu Ming has established an efficient cold chain logistics system to ensure that the temperature and humidity of materials are controlled during the distribution process, thereby reducing the loss caused by the freshness of materials [5]. Although this cold chain system has a large investment in early construction, for the future, it helps Gu Ming achieve higher profits in the supply chain by reducing losses and improving the utilization rate of materials.

Gu Ming's supply chain support for franchisees is also a bright point in its profit model. By providing unified supply chain services, Gu Ming reduces the burden of procurement and logistics for franchisees, helping them to save costs [8]. Due to the centralized management of the supply chain, Gu Ming can provide materials to franchise stores at a lower price, while ensuring product quality and consistency. This not only enhances the profitability of franchise stores, but also brings continuous supply chain revenue for Gu Ming itself.

Through the integration of supply chain, centralized procurement, digital management, vertical integration and efficient logistics system, Gu Ming has achieved cost control and efficiency improvement. This optimization and refined management on the supply chain has helped Gu Ming effectively reduce costs and maintaining product quality, further improving its profitability.

6 Suggestions

Although Gu Ming is a very competitive and successful brand in new tea industry, it still can enhance brand influence, attract more consumers, and stand out in the highly competitive tea market by many ways. First, define the main values and unique selling points of the brand, such as quality, health, and creative, and use unique brand identity, visual image, and brand slogan to build brand and enhance brand recognition. Second, according to consumers' demand, constantly improve new products to meet consumers' needs for taste and new

fashion. Prove main products that match the season and meet the trend, stores can also combine tea cultural interesting stories to launch of products and with cultural heritage [9]. At the same time, pay attention to the packaging of product, pursue the popular topics to attract consumers. Build a strict product quality control system to ensure the quality and safety of each product, and maintain a reputation in the industry. Third, expand online advertisements, such as social media to improve product coverage and sales, channel strategy optimization focus on the combination of online and offline sales model [10]. Cooperate with others to use their delivery system to improve product delivery efficiency and user experiences. Fourth, before making marketing plans, research on the target market, pay attention to the consumer groups, and understand the tastes and preferences, purchasing ability, cons and other factors of consumers. At the same time, analyze the product characteristics, prices, and promotion methods of competitors in order to find the competitive advantages of Gu Ming, to plan more accurate marketing strategy. Last one, delete products with poor sales, constantly develop new products with new styles and unique taste. Through the above strategies, Gu Ming can get a better profits and longer development.

7 Conclusion

The analysis of the profit model in the new tea industry, with a focus on supply chain management reveals several main findings. First, the centralized procurement of materials enables companies to achieve cost savings, while ensuring the quality of ingredients. Second, integrated supply chain operations, such as cold chain and digital management systems, improve efficiency, reduce material waste, and contribute to greater profitability. Additionally, vertical integration which brand directly control suppliers, offers a competitive advantage by stable material supplies and lowering costs. Finally, providing supply chain services to suppliers represents another profitable revenue. However, there are limitations in this analysis. The model relies on efficient logistics and procurement, which may be vulnerable to external disruptions like supply shortages. Moreover, the analysis primarily focuses on successful large-scale brands, smaller brands may not benefit from similar economies system, limiting the generalizability of the findings. Future research could focus on comparative studies between large and small tea brands to understand how supply chain efficiencies different scales. Additionally, investigating the impact of new technologies, such as artificial intelligence on supply chain optimization could offer new thoughts into how the industry can improve its profit models. Finally, exploring sustainable supply chain practices and their financial implications would be an important area for future study, given increasing consumer demand for environmental protection products.

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