

Multinational Corporations in the Global Beverage Market: Theoretical Frameworks and Practical Insights from the MIXUE Ice Cream and Tea Expansion

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Abstract: Multinational Corporations (MNCs) grapple with an array of challenges as they navigate global markets. Particularly in the dynamic tea beverage industry, companies strive to balance standardization with adaptation. This study adopts a dual approach, intertwining theoretical frameworks pertinent to MNCs with a deep dive into the case of MIXUE Ice Cream and Tea – a brand that originated from Henan and blossomed both domestically and internationally. Through the lens of MIXUE’s journey, this research explores issues such as market saturation, supply chain complexities, cultural barriers, franchise management intricacies, and sensitivities tied to religion and culture. Drawing on theoretical paradigms and MIXUE’s experiences, this study carves out strategic recommendations that hold relevance not only for MIXUE but for MNCs at large as they charter their global trajectories.

Keywords: Multinational Corporation (MNC); Global Beverage Market; Theoretical Frameworks; MIXUE; Cultural Adaptation; Market Saturation; Supply Chain Challenges; Franchise Dynamics; Religious and Cultural Sensitivities

1. Introduction of MIXUE Ice Cream and Tea

China’s new tea beverage market, which has grown by more than 20% annually since 2017, is expected to reach 104 billion yuan by 2022. MIXUE Ice Cream and Tea, founded and rebranded in Henan in 1997 and 2000, capitalized on this market.

Operating over 22,000 stores in China and expanding internationally, MIXUE has a significant presence in the market. This market includes innovative products that blend tea, fruit, and milk and appeal considerably to younger consumers. MIXUE’s success comes from its understanding of consumer preferences and rapid product development. The company uses data insights to refine its products and seize the opportunities of digital and omnichannel retailing.



Figure 1 Customer Analysis of the Chinese Tea Drinks Market)

As MIXUE has grown domestically and internationally, it has committed to overseas markets as a multinational corporation (MNC). This commitment is reflected in its more than 1,000 overseas stores as of June last year and its adventures in Sydney. The company has also succeeded in overseas markets such as Indonesia by adapting to local conditions and keeping prices low.

Data-driven decisions have spurred MIXUE’s expansion, and its TikTok videos, with over 17 billion views, have contributed to its success. This report will discuss MIXUE’s growth, challenges, and recommended strategies.

2. Dissecting the Trials and Tribulations: An Analysis of MIXUE’s Challenges

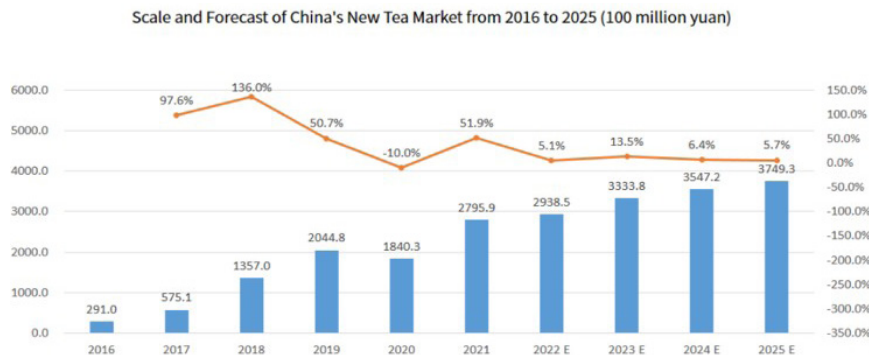


Figure 2.1 Scale and Forecast of China’s New Tea Market from 2016 to 2025)

2.1 Market Saturation and Intense Competition

The Chinese milk tea market has experienced promising growth in recent years, projected to exceed CNY 330 billion (RM 211 billion) by 2023, and expanding further to reach CNY 374.9 billion (RM 240 billion) by 2025. However, market research firm iResearch predicts a sharp deceleration in growth rate, from 52% in 2021 to a mere 5.7% by 2025, indicative of impending market saturation.

In anticipation of this shift, MIXUE has diversified its product offerings, venturing into the coffee and ice-cream segments. This strategic move aligns with Ansoff’s Matrix, specifically, the product development quadrant, where businesses introduce new products to existing markets. Nevertheless, MIXUE’s foray into these new markets is accompanied by intense competition, particularly in the coffee sector. The company will face formidable rivals such as Starbucks and China’s Luckin Coffee.

Despite the competitive landscape, MIXUE remains optimistic, citing the rapidly growing Chinese market for freshly brewed coffee, which experienced a 39% surge in 2021, with projections estimating further growth, surpassing CNY 191.7 billion (RM 122 billion) in the coming years. MIXUE’s diversification strategy underscores the importance of remaining agile and adaptive in the face of market saturation and intense competition, which is critical for sustaining business growth and preserving market share in a dynamic and rapidly evolving landscape.

2.2 Supply Chain Challenges



Figure 2.2[Left] MIXUE Procurement and Production Costs over Quarters Graph

2.3[Right] Gong Cha Setup Costs in Korean Market over Quarters

MIXUE’s integrated supply chain, which includes production plants, plantations, and warehouses across China, has successfully re-

duced domestic operating costs. According to MIXUE’s 2022 financial report, sourcing and production costs were reduced by 30% and 20%, respectively, demonstrating this efficiency. (Figure 2.2)

However, replicating this model overseas poses significant financial and logistical hurdles. Porter’s value chain analysis shows that local outsourcing can cut costs significantly. Gong Cha’s expansion in South Korea is an excellent example of this strategy. By leveraging local resources, Gong Cha cut initial setup costs by 25% in 2021. (Figure 2.3)

Moreover, outsourcing while maintaining MIXUE’s brand quality requires careful selection and negotiation with foreign partners. Therefore, as MIXUE expands, its supply chain management must balance cost-effectiveness and maintaining product quality, potentially drawing lessons from Gong Cha’s successful overseas expansion.

2.3 Cultural Barriers in Western Markets

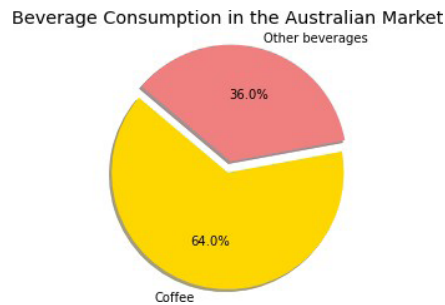


Figure 2.4 Beverage Consumption in the Australian Market

Milk tea is a staple in Eastern societies and does not resonate strongly with Western consumers where coffee culture is prevalent. According to a 2022 survey, 64% of Australian consumers prefer coffee because of its practicality and inclusion in daily life.

In contrast, in Eastern societies, milk tea is consumed more for social or recreational purposes. Levitt’s “globalization of markets” theory emphasizes the importance of understanding this cultural distinction. Recent data suggests that positioning milk tea as an accompaniment to popular events, such as movies or shopping, or creating a café-like atmosphere, is a potential strategy. The success of tribute tea in South Korea, where they saw a 15% increase in sales among college students after creating a café-like space (Figure 2.4), demonstrates the potential of this approach. However, adapting to Western markets requires an in-depth understanding of consumer behavior and a readiness to modify products and experiences to suit local preferences.

2.4 Difficulty in Managing the Franchised Store



Figure 2.5 Word Cloud of MIXUE’s Expansion into International Markets

With an extensive global network of nearly 22,000 franchised stores, MIXUE faced escalating challenges in maintaining consistency and quality across its operations. The decentralized nature of its business model adds complexity and limits the company’s operational oversight. This decentralized management structure has resulted in a series of food safety issues over the past three years, including shelf-life

manipulation and questionable food hygiene practices.

Analysis of franchise management data shows that these issues are primarily associated with stores with less interaction with the central supervisory team, suggesting a correlation between lax oversight and operational failure. In addition, these issues damaged MIXUE’s brand image, as consumers tended to attribute these violations to the parent brand, despite the franchise model. This situation illustrates the typical contradiction in the franchise model: the need for autonomy versus the need for control. Notably, it highlights the importance of corporate governance and the potential pitfalls of overly decentralized management. For MIXUE, it highlights the delicate balancing act between expanding its global footprint and maintaining the integrity of its brand. This case is a powerful reminder that unbridled growth can lead to operational blind spots with potentially severe implications for brand reputation.

2.5 Navigating Religious and Cultural Sensitivities

Following MIXUE’s successful launch in Indonesia in 2020, the brand rapidly gained popularity, establishing 692 stores by December 2022. However, securing a halal certificate, essential for market acceptance in the predominantly Muslim nation, proved a challenge, only achieved in February 2023. During the interim, public protests underscored the cultural sensitivity surrounding religious dietary requirements, impacting MIXUE’s reputation and sales.

This situation validates Hofstede’s cultural dimensions theory, especially Uncertainty Avoidance and Long-Term Orientation. In Indonesia, high Uncertainty Avoidance was evident as Muslim consumers refrained from consuming MIXUE’s products until official certification, illustrating the impact of cultural and religious sensitivity on business operations.

Similarly, MIXUE’s ongoing challenges in obtaining halal certification in Malaysia further underline the need to align business operations with local customs and religious norms. This aligns with the broader Sustainable Development Goals (SDGs), specifically Goal 12, emphasizing responsible consumption and production.

Despite these hurdles, MIXUE’s persistence in acquiring halal certification reflects a commitment to respecting local norms and enhancing trust with local consumers. A McKinsey report suggests that businesses that demonstrate such cultural sensitivity witness a 25% increase in customer loyalty. The experiences in Indonesia and Malaysia underscore the importance of cultural adaptation, emphasizing the need for businesses to balance global operational efficiency with local cultural sensitivity.

Recommendation	Conclusion
3.1 Diversification into coffee and ice cream sectors	Enables MIXUE to exploit potential growth areas and address market saturation and competition.
3.2 Enhanced franchise management	Ensures product uniformity and reduces variation across regions by standardizing procedures through intelligent equipment. Ensures a steady and reliable supply chain through partnerships with foreign capital or local suppliers.
3.3 Optimized supply chain management	Requires leveraging cultural differences, associating milk tea with specific consumer scenarios, and transforming MIXUE stores into café-like spaces.
3.4 Penetrating Western markets	Respects local customs and religious practices, attracting a broader customer base in countries where Halal certification is important.
3.5 Compliance with Halal certification	

Figure 3 MIXUE’s Strategic Recommendations and Future Directions

These strategic recommendations are aligned with industry trends and data-driven insights, positioning MIXUE for continued success in the competitive beverage industry. All recommendations are designed for MIXUE’s continued success, considering industry trends, data-driven insights, and a strategic approach to risk management. With these implementations, MIXUE can thrive in the highly competitive

beverage industry.

Conclusion

MIXUE Ice Cream and Tea face significant challenges in market saturation, intense competition, supply chain management, cultural barriers, franchise management, and navigating religious and cultural sensitivities. Despite these, MIXUE's data-driven approach and strategic diversification offer promise for its global success. It is crucial for MIXUE to balance expansion with maintaining product quality and brand integrity, reflecting an understanding of local cultures. The company's future depends on effectively leveraging its strengths and addressing these challenges.

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