

CHAGEE's Market Breakthrough: A Study of Marketing Strategies in China's Highly Competitive Tea Beverage Industry

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Abstract: China's new-style tea beverage market has witnessed rapid expansion, growing from RMB 42.2 billion in 2017 to RMB 100.3 billion in 2021, with a CAGR of over 20%. Amid this highly competitive environment, CHAGEE has emerged as a standout brand by leveraging a distinct brand identity and strategic marketing execution. This study analyzes the core drivers behind CHAGEE's success, including its emphasis on cultural positioning, product innovation centered on original-leaf milk tea, immersive offline experiences, and integrated multi-channel distribution. Findings suggest that CHAGEE's ability to blend traditional Chinese tea culture with modern consumer expectations has enabled it to build strong brand resonance. Its success demonstrates the power of cultural differentiation and consistent branding in capturing both domestic and global market opportunities in the new-style tea industry.

1 INTRODUCTION

In recent years, China's new-style tea beverage market has undergone significant expansion, growing from RMB 42.2 billion in 2017 to RMB 100.3 billion in 2021, with a compound annual growth rate exceeding 20%. However, the market has also become increasingly competitive, with a high number of brands and relatively low market concentration. According to industry data, the top five players (CR5) account for approximately 58.3% of the high-end tea beverage market and around 51.2% of the mid-to-low-end segment (Qianzhan Industry Research Institute, 2023), indicating a competitive environment with room for brand breakout. Leading players such as Heytea, Nayuki, and Chayan Yuese have captured significant market share through strong brand influence, robust supply chains, and innovative marketing. Meanwhile, brands like Mixue Ice Cream & Tea have rapidly gained traction in lower-tier markets by emphasizing affordability. In this context, differentiation and creative marketing are essential for brands to win consumer preference. CHAGEE has emerged as a representative case of successful brand breakthrough under such conditions.

Founded in 2017 by Zhang Junjie in Kunming, Yunnan, CHAGEE launched its first store during a

period of rapid growth in China's modern tea industry, as consumer demand for healthy and high-quality beverages continued to rise. The brand name draws inspiration from the Chinese epic and traditional opera Farewell My Concubine, and its logo is based on the imagery of huadan opera characters, evoking strong elements of traditional Chinese aesthetics. This cultural narrative resonates with consumers' deep-rooted pride in China's historical heritage and demonstrates the brand's commitment to cultural respect and preservation. The founding team consists of young entrepreneurs passionate about tea culture, many of whom possess extensive industry experience and strong professional backgrounds. As of 2023, CHAGEE held approximately 5–7% of the market share in China's competitive new-style tea beverage industry—a notable achievement given the fierce competition (Chen, 2023).

The primary aim of this study is to investigate how CHAGEE has leveraged marketing strategies to stand out in the competitive tea beverage industry. Specifically, it examines the brand's practices in differentiation strategy, product development, cultural storytelling, consumer engagement, and multi-channel distribution. By analyzing CHAGEE as a case study, this research seeks to provide

valuable marketing insights for the tea beverage sector as well as broader consumer goods industries.

This research adopts a case study methodology grounded in market analysis, consumer behavior, and branding strategy. Through the collection and examination of industry data, brand communications, product supply chains, and consumer feedback, this study offers a comprehensive evaluation of CHAGEE's market breakout strategies. Additionally, the research incorporates consumer survey data to analyze the brand's target audience profile and decision-making factors, thereby offering a more holistic understanding of the mechanisms behind CHAGEE's marketing success.

2 BRAND POSITIONING AND MARKET STRATEGY OF CHAGEE

2.1 Oriental Cultural Brand Positioning

Founded in Yunnan in 2017, CHAGEE draws from the province's rich legacy in tea cultivation and production, as Yunnan is globally renowned for its diverse tea varieties and long-standing tea culture. The brand strategically positions itself as the "New Oriental Teahouse"—a representative of contemporary Chinese-style tea beverages. This positioning emphasizes the profound heritage of Chinese tea culture. With the slogan "Brewing Friendship with Oriental Tea," CHAGEE's brand mission is to "inherit Chinese tea traditions and lead the fashion of new tea culture," aiming to introduce Chinese tea to the world (CHAGEE, 2022).

CHAGEE's emphasis on oriental cultural identity is not incidental but based on deep market insight. The founding team conducted a comprehensive review of the milk tea industry and found that after the rise of HEYTEA and Nayuki in 2015, innovation in premium milk teas based on real tea and real milk had largely stagnated (Zhang, 2023). Although brands like Chayan Yuese have embraced a "Guofeng" (national style) aesthetic, their development is geographically limited, primarily within the Hunan and Hubei regions. This revealed untapped potential in the national market for culturally differentiated brands.

The founding team of CHAGEE analyzed the global expansion of Starbucks in the U.S., identifying it as both a product diffusion and cultural diffusion phenomenon (Li & Wang, 2024). They posited that

the rise of oriental culture presents Chinese tea brands with a similar opportunity for international expansion. In other words, Starbucks' success reflects not only business growth but also the global projection of American cultural influence. As oriental culture gains greater prominence globally, Chinese tea brands like CHAGEE have the potential to extend their influence through cultural identity, echoing Starbucks' path on a new trajectory.

In recent years, the rise of "national fashion", the emergence of domestic brands, and increasing appreciation for local culture on social media have signaled a growing sense of cultural pride among younger consumers. As a result, new consumer brands with inherent oriental cultural elements naturally attract favorable attention. From a product perspective, the stagnation in innovation among premium tea brands in the "real tea + real milk" category since 2015 further opened a space for CHAGEE's differentiated development.

CHAGEE has built a highly recognizable visual identity system based on its clear brand positioning. The brand's visual design integrates elements of oriental aesthetics—from its logo and packaging to store interiors—drawing inspiration from traditional Chinese opera culture to form a distinctive brand style (Huang, 2024). The logo references the serenity and graceful lines of Buddhist statues, while reinterpreting them through Western geometric abstraction. This fusion of "Buddhist poise and geometric aesthetics" not only captures a modern aesthetic but also strategically positions the brand for international markets, appealing to younger consumers' visual preferences.

In terms of packaging, CHAGEE excels at embedding cultural narratives into cup and accessory design. For instance, the launch of the "Wild Gardenia" series featured intricate, rhythmic oriental linework. The cups were designed with CHAGEE's initial "C" combined with gardenia motifs and Tang Dynasty pipa patterns, arranged in layered formations against a blue tie-dye background. For the 2024 Chinese New Year, CHAGEE drew inspiration from the "C-shaped jade dragon" of the Hongshan Culture—hailed as the "First Dragon of China." This design merged the dragon's shape with the twelve Chinese zodiac signs and the brand's signature "C" pattern, creating a product rich in both traditional symbolism and modern design language.

Regarding store design, CHAGEE places strong emphasis on multisensory experiences. Natural wood textures, traditional joinery structures, seal script calligraphy, and maps of ancient tea-horse trade routes are used to cultivate an immersive oriental

aesthetic (Seefuner, 2023). Its stores incorporate traditional opera costumes, hand embroidery, woodwork, and architectural craftsmanship, offering a refreshing design language. These spatial experiences serve as tangible carriers of brand culture, enhancing customers' emotional connection and cultural recognition of the brand.

Notably, CHAGEE's application of national fashion culture is not a simplistic retro reproduction. Instead, it embeds self-awareness and contemporary relevance into its brand storytelling (Zheng, 2023). The brand's marketing philosophy of "Youth Awakening" reflects both the spiritual essence of traditional culture and the re-creation of new-style oriental aesthetics by modern youth. This cultural branding strategy results in a "win-win" dynamic: it enhances brand identity while helping CHAGEE transcend regional limitations in its market expansion.

2.2 Location Strategy and Premium Market Positioning

CHAGEE adopts a clearly defined premium market positioning in its location strategy, with stores primarily situated in high-end shopping malls and high-footfall, high-commercial-value central business districts (CBDs) in Tier-1 and emerging Tier-1 cities—such as Chunxi Road in Chengdu and Grandview Mall in Guangzhou. This approach enhances the brand's ability to command a premium and shapes its image as a mid-to-high-end tea beverage provider. Approximately 37% of CHAGEE's stores are located in shopping malls, with around 70% of them positioned on the first floor, thereby increasing visibility and accessibility to affluent consumers and reinforcing the brand's identity as a luxury tea brand.

Such a refined and data-driven location strategy has enabled CHAGEE to cultivate a distinctive mid-to-premium brand image and enhance the perceived value of its products. This, in turn, has contributed to strong appeal among both franchisees and consumers, increasing brand loyalty and customer retention. The premium positioning—characterized by higher price points, strong brand recognition, and superior customer experiences—has given CHAGEE a competitive edge in China's fiercely contested new-style tea beverage market and laid a solid foundation for its continued expansion.

3 SOCIAL MEDIA MARKETING AND BRAND COMMUNICATION

CHAGEE has established an omnichannel digital presence across multiple major social media platforms, forming a comprehensive "content seeding matrix" to maximize its influence. Through differentiated content strategies, CHAGEE has demonstrated both depth and breadth in its social media operations, revealing a high degree of strategic planning and execution—offering a valuable case study in brand marketing.

3.1 Social Media Seeding Strategies

CHAGEE's social media deployment is both broad and precise. On TikTok China, brand-related hashtags have surpassed 1.4 billion views, while on RedNote, over 50,000 posts related to the brand have been published. Its total online exposure has exceeded tens of billions of views, creating a viral wave of user-generated content. On RedNote in particular, CHAGEE ranks high in consumer mindshare, with a monthly search index surpassing 3 million.

In response to the unique characteristics of different platforms, CHAGEE adopts tailored marketing strategies. On TikTok, the brand operates two official accounts with a combined following of over 410,000. One account focuses on localized narrative-driven content (e.g., for the Guangxi region), while the other delivers nationwide promotional campaigns, achieving a balance between regional and national reach. On RedNote, CHAGEE emphasizes content related to product trials, brand storytelling, new product launches, and interactive user campaigns, building a following of over 46,000. On Weibo, the brand maintains daily activity with over 53,000 followers and has developed multiple user communities to support the conversion of public traffic into private user domains.

CHAGEE implements a hybrid strategy combining viral content with routine seeding. The brand uses a small number of highly creative promotional materials to drive traffic, supported by a steady flow of conventional promotional content to facilitate conversion. This dual-pronged approach has successfully improved both brand awareness and sales. Moreover, the brand excels at topic marketing, running campaigns such as "Milk Tea for Everyone in China," which generated over 100 million views and significantly increased brand recognition.

As the brand expands internationally, social media continues to play a key role in its marketing strategy, particularly in the use of key opinion leaders (KOLs). In the Hong Kong market, CHAGEE executes multi-platform campaigns across Instagram, Facebook, and RedNote. In Malaysia, the brand appointed national sports celebrity Lee Chong Wei as its spokesperson, rapidly enhancing local visibility.

3.2 Influencer Collaboration and Co-Branding Strategies

CHAGEE places a strong emphasis on KOL and KOC (key opinion consumer) strategies in its social media marketing framework, building a multi-level influencer matrix to synchronize brand exposure with consumer conversion (Wang, 2024). Influencer collaborations are adjusted according to campaign phases: during the pre-launch stage, the brand primarily works with mid-tier KOLs and KOCs to shape brand identity and build awareness; during the peak stage, mid-to-top-tier influencers are engaged to amplify content dissemination and elevate brand tone; in the maintenance stage, lower-tier influencers are activated to reinforce product experiences and sustain long-term user engagement.

While top-tier influencers offer wide visibility, brand research indicates that mid-tier influencers within specific niches often drive higher user conversion rates (Jiang & Li, 2023). Therefore, CHAGEE allocates influencer resources with flexibility and precision according to specific marketing goals and campaign stages, achieving a balance between exposure and conversion.

On the tactical level, CHAGEE places particular importance on “store-visit influencer marketing” to enhance consumer trust and authenticity (Zhu, 2024). The brand collaborates with leading food and beverage influencers to create high-quality store visit content, organizes live-streaming sessions from physical stores to enable real-time interaction and improve brand credibility, and produces short-form videos tailored to each platform’s content distribution logic in order to boost engagement and reach.

Additionally, CHAGEE actively engages in co-branded campaigns to expand brand influence and increase consumer loyalty. During the 2024 Lunar New Year, the brand launched a culturally themed interactive campaign powered by AIGC (Artificial Intelligence Generated Content) technology, coupled with a UGC (User-Generated Content) strategy. Under the slogan “Friends in the Year of the Dragon, First Cup Must Be CHAGEE,” the campaign attracted over 10 million participants and

accumulated more than 100 million video views. By combining AIGC with UGC, the brand not only extended its communication reach but also enhanced user interaction, reinforcing its presence in the competitive beverage market.

3.3 Consumer Engagement and Community Building

CHAGEE places a strong emphasis on user-generated content (UGC) in its social media marketing strategy, considering it a key metric for evaluating both brand popularity and the level of consumer interaction. Through the careful planning of topical marketing campaigns and offline events, the brand stimulates organic user participation and content creation, thereby cultivating a highly engaged and loyal brand community.

In terms of topical marketing, CHAGEE excels at crafting creative copywriting that integrates humor, cultural resonance, and social relevance to spark user conversations. Examples include phrases such as “Drink Bo Ya’s Lament, Stay Awake All Night,” “After Mulan’s Journey, I Enlisted at 3 a.m. for My Father,” and “Tea Is for the Afternoon, But Insanity Is for Midnight.” These culturally-infused slogans draw on traditional Chinese references while resonating with the social language of younger generations, creating viral momentum in a short period of time. Such campaigns not only increase the brand’s visibility on social media platforms but also foster emotional connections between the brand and its users by encouraging the creation and sharing of related content. CHAGEE further enhances user engagement by regularly launching trending topics such as name-your-own-product contests and tea pairing challenges, deepening user interaction and encouraging sustained content generation.

Offline, CHAGEE creatively integrates brand promotion with user participation by designing playful and experiential campaigns that motivate consumer engagement. During the Chongqing Marathon, for instance, the brand launched a “Dance in Store for a Free Drink” event, encouraging customers to exchange a designated physical activity for a free product experience. This not only enhanced the entertainment value of the campaign but also stimulated new waves of user-generated content on social media. In the Guangdong region, CHAGEE offered “Free Tea for Practicing Wing Chun,” aligning with local cultural traditions to deepen brand affinity. Similarly, in Sichuan, it launched a “Do Yoga, Get Tea” campaign centered on wellness and lifestyle trends, effectively attracting attention from

targeted consumer segments. These region-specific events created a dynamic atmosphere for brand-consumer interaction, reinforcing both online and offline engagement and amplifying the brand's topical relevance across multiple channels.

CHAGEE's UGC strategy is further reinforced through structured mechanisms that encourage and guide user content creation. By leveraging community management, interactive mechanisms, and incentive systems, the brand motivates consumers to share product reviews, packaging experiences, and co-branded merchandise. On RedNote, for instance, user-generated reviews of CHAGEE's products have surpassed tens of thousands of posts, covering aspects such as flavor, packaging aesthetics, and brand storytelling. These authentic testimonials not only strengthen the brand's credibility but also serve as crucial reference points for potential customers. Additionally, CHAGEE utilizes a combined UGC and social viral strategy by implementing user-specific challenges, limited-time tasks, and interactive rewards to incentivize sustained consumer participation. This approach helps the brand maintain high visibility and engagement across platforms.

4 COMPARATIVE ANALYSIS OF DIFFERENTIATION WITH COMPETITORS

In China's rapidly evolving new-style tea beverage market, CHAGEE has established a distinctive competitive positioning in contrast to brands such as HEYTEA and Nayuki. In terms of brand identity, both HEYTEA and Nayuki emphasize fruit-based teas priced above 25 RMB and adopt minimalist, modern design aesthetics often likened to the iOS-style visual language. In contrast, CHAGEE positions itself as a "new Chinese-style Guofeng tea brand," gaining consumer recognition through its focus on original-leaf milk tea and its strong integration of traditional Chinese cultural elements. This strategic differentiation has allowed CHAGEE to carve out a unique niche in the increasingly crowded tea market.

Regarding store design and spatial strategy, Nayuki applies a "large store + small store" model and emphasizes the "third space" experience, while HEYTEA employs a lighter, more contemporary interpretation of new Chinese-style tea spaces. CHAGEE's stores, by contrast, are deeply rooted in oriental aesthetics and cultural expression, blending traditional and modern elements to create a distinctive

brand experience. Its interior design incorporates traditional opera costumes, natural wood textures, hand embroidery, and mortise-and-tenon architectural craftsmanship—offering a fresh and immersive spatial experience that sets the brand apart.

From a product strategy perspective, CHAGEE's positioning of "healthy tea beverages + oriental culture" has formed a clear competitive barrier. A notable trend in the tea beverage industry is the growing emphasis on "cultural tea" as brands seek to differentiate themselves. HEYTEA has also begun to embrace oriental aesthetics—for example, its store in Sanlitun, Beijing incorporates imperial gold color palettes, stone-inspired door handles, bamboo-leaf wall motifs, lanterns, and Chinese calligraphy in its interior design, signaling a shift toward culturally resonant branding (Tea Beverage Competitive Analysis Report, 2023). This trend illustrates that CHAGEE's cultural strategy is influencing industry direction, while also attracting intensified competition from peers seeking to emulate its approach.

CHAGEE's market competitiveness is further reflected in the performance of its flagship products. According to industry data, its signature drink "Bo Ya's Lament" sold approximately 230 million cups in 2023 alone. At an average price of 16 RMB per cup, this single product accounted for roughly 34% of the brand's total annual revenue. This strong single-product effect has also drawn competitive attention. In 2024, Luckin Coffee launched a jasmine tea product called "Qingqing Jasmine" at a price of 9.9 RMB, widely seen by consumers as a budget-friendly substitute for CHAGEE's "Bo Ya's Lament." This kind of cross-category competition underscores CHAGEE's product influence, which has extended beyond the boundaries of traditional tea beverages.

Functionally, CHAGEE aims to position itself as the "Oriental Starbucks," as noted by its founder in a public address. Its products, such as "tea lattes," are designed to offer functional benefits comparable to coffee. For instance, the new product "Mulan's Journey," launched in May 2024, contains approximately 292.8 mg of tea polyphenols per cup, delivering a strong energizing effect and directly competing with coffee in terms of functional performance. This functional differentiation enables CHAGEE to compete not only within the tea market but also within the broader energy beverage segment.

In terms of future development, CHAGEE has demonstrated robust expansion capabilities and strong potential for international growth. According to data from Qichacha, the brand has registered 390 trademarks and holds 4 patents, supported by a well-

structured branding system, effective marketing model, and integrated resource management. CHAGEE employs a “1+1+9+N” store expansion model, which involves the pre-establishment of localized operational structures and refining store formats through direct ownership before scaling up via tightly controlled franchising. This systematic growth strategy provides a strong foundation for the brand’s long-term development in both domestic and global markets.

CHAGEE’s international expansion is already underway. By the end of 2021, the brand had opened nearly 40 stores across Malaysia, Singapore, and Thailand. This global strategy not only extends the brand’s market footprint but also serves as a cultural export platform for Chinese tea traditions. With the rising global influence of Chinese culture, CHAGEE’s positioning—centered around oriental aesthetics—may present increasing opportunities for global resonance and market expansion. The brand’s slogan, “Brewing Friendship with Oriental Tea,” reflects both its commercial ambition and cultural mission.

5 CONCLUSION

CHAGEE has successfully distinguished itself in China’s highly competitive new-style tea beverage market through its clear oriental cultural positioning, efficient social media marketing, differentiated product strategy, and systematic expansion model. Its experience offers valuable insights for both the tea industry and broader consumer goods sectors.

First, clear brand positioning is fundamental to market breakthrough. CHAGEE’s identity as a “new oriental tea brand” was not a random choice, but the result of deep market insight and forward-looking cultural trend analysis. By integrating traditional Chinese culture with contemporary tea consumption, CHAGEE has addressed modern consumers’ desire for healthy, high-quality beverages while resonating with younger generations’ growing cultural confidence and appreciation for national heritage. This culturally driven strategy has enabled the brand to stand out in an otherwise highly homogenized market.

Second, omnichannel social media marketing is essential for expanding brand influence. CHAGEE has developed a comprehensive media matrix across major platforms such as Douyin, RedNote, and Weibo, implementing differentiated content strategies tailored to each channel’s characteristics. Through clever topic design, collaborations with key

opinion leaders (KOLs), and integrated online–offline interactive campaigns, CHAGEE has successfully stimulated organic user engagement and content dissemination, generating a viral communication effect. This social media–driven model has not only boosted brand visibility and user participation but has also significantly reduced customer acquisition costs.

Third, a systematic expansion strategy is critical to achieving scalable growth. CHAGEE has adopted the “1+1+9+N” model in its store expansion efforts, which involves the preliminary establishment of localized operations, the refinement of local store models through direct ownership, and the formation of a tightly controlled direct-franchise hybrid system. This approach ensures both consistency in brand identity and product quality, while accelerating market penetration and large-scale expansion.

Looking ahead, CHAGEE has demonstrated strong growth momentum and international potential. According to Qichacha data, the company has registered 390 trademarks and holds 4 patents, supported by a comprehensive brand system, an effective marketing model, and interconnected resource allocation. Its “1+1+9+N” expansion strategy continues to underpin its growth trajectory by providing operational resilience and scalability across markets.

CHAGEE’s international footprint is already taking shape. By the end of 2021, the brand had opened nearly 40 stores across Malaysia, Singapore, and Thailand. This global strategy not only enlarges CHAGEE’s market reach but also contributes to the international promotion of Chinese tea culture, aligning with its mission to “brew friendship with oriental tea.” As traditional Chinese culture gains increasing global influence, CHAGEE’s culturally rooted brand positioning may find even broader opportunities in international markets.

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