

The present situation and future business analysis of Michelle Ice City

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Abstract: Michelle Ice City is one of the most famous milk tea brands in China, which is very popular among Chinese people. However, with the development of domestic milk tea industry in recent years, there are more and more emerging milk tea brands and diversified products. Therefore, the product competitiveness of Michelle Ice City needs to be improved urgently. In order to improve the attractiveness of Michelle Ice City to customers and increase the market share of Michelle Ice City, students who like to taste milk tea are selected as the target group through a series of analysis. After that, this paper analyzed and studied students' attitudes towards taste and price of milk tea by means of questionnaire survey and network survey. Meanwhile, it is proposed that Michelle Ice City can launch a series of full reduction activities, savings activities, and constantly launch new products to attract attention. Finally, product marketing is carried out through reasonable pricing, celebrity endorsement, online and offline parallel channels. To sum up, the student market has great imagination for Michelle Ice City, which can become one of the directions of future development.

1. Introduction

The product studied in this paper is milk tea. The brand name of milk tea is Michelle Ice City, which is a well-known brand in China. Specifically, the products of Michelle Ice City include milk tea and fruit tea. Milk tea is mainly made from milk and some tea flavoring or directly from milk and tea. Fruit tea is actually a special "milk tea" made with tea and fruit instead of milk. People who want to taste them will have a much better experience than just drinking milk, tea or some juice. In addition, compared with other brands, the biggest feature of this series of products of Michelle Ice City is that customers can taste similar products with other brands at a lower cost.

Michelle Ice City is committed to creating China's fresh milk tea brand. Michelle Ice City has created a new chain form, integrating high quality and low price with healthy and fresh products to provide consumers with featured products

2. Marketing strategy

2.1 3C

Customer:

As for customer group, the customers who buy milk tea are mainly people aged between 10 and 45 years old, and their occupations are relatively diverse. People who are too young such as children under 10 years old don't have the purchasing power, and people who are too old such as those over 60 years old aren't interested.

Competitor:

For milk tea brands at the same price, Michelle Ice City has almost no competitors, only Ice and Snow Time brand's average price per cup is close to it, and the average price of other milk tea brands is at least twice as expensive as it, but the taste is very little different from Michelle Ice City, and in some flavors, Michelle Ice City tastes as good as or better than others.

As a result, their competitiveness is limited or may be limited to certain flavors.

Company:

Michelle Ice City 's products focus on the cost performance. At present, the main products of

Michelle Ice City are milk tea and fruit tea. From time to time, the company also launches some new products for limited time promotion, such as ice cream. In the current milk tea market, the price is relatively low, and the average price of each product is 5-6 yuan. While the price of other milk tea brands is mostly around 15 to 20 yuan, and some even reach 30 to 40 yuan. Nevertheless, the taste of products is only slightly worse than those expensive milk tea brands.

2.2 STP

Segmentation:

Customers can be divided into several categories by occupation, because in most cases, occupation determines a person's income, and people in different occupations have different purchasing power. As a daily consumption beverage, it should not only be in line with the taste of customers, but also should not bring them financial burden.

According to occupation, customers can be roughly divided into students, white collars, gold collars, business owners.

Targeting:

Michelle city main customers are students.

First of all, such a price like CoCo, HeyTea and so on is undoubtedly high for students, their products are priced around 30 yuan per unit, some as high as 40 yuan per unit[2]. Students do not have such strong purchasing power, but for white collars and gold collars who have large purchasing power, these slightly expensive products will not bring them economic burden. It is clearly that most of students tend to choose milk tea within 10 yuan.

However, because of the pricing, it is difficult for Michelle Ice City's products to maintain the same level of taste as the higher-priced products. In the choice of price and taste, students may be more inclined to the products with higher cost performance, while white-collar workers and some people with strong purchasing power prefer the products with better taste.

In addition, there are several reasons for choosing students as target customers. First of all, most students have enough time to buy products, they can use the time after school to buy a cup of milk tea as relaxation today and they have low self-control and simple thinking, so they will consider fewer factors than adults when buying a certain product.

Therefore, if Michelle Ice City makes the products taste well, it is easy to attract a large number of students to buy them.

Secondly, students are exposed to relatively simple things. Especially something cheap and tasty, so if they want to drink delicious milk tea with cheap price, maybe only Michelle Ice City's products can satisfy them. Once products attract them, their loyalty will be considerable.

Last but not least, the number of students is huge and is on the rise year by year in China, so Michelle Ice City doesn't have to worry about the number of customers at all, and the core basis of Michelle Ice City company's profit is quantity. Michelle Ice City cuts the profit of each product to exchange for more sales. The choice of students is also in line with company's core philosophy.

Therefore, Michelle Ice City's main customer group is students.



Figure 1 Milk tea price survey

Positioning

As for positioning, Michelle Ice City tends to give customers distinctive impression from taste and price.

Cheap price and flavor as good as other brands make products have strong market competitiveness.

In terms of price, HeyTea and CoCo are far superior to Michelle Ice City. Only the price of ice and snow Time is almost the same as Michelle Ice City, but in terms of taste, Michelle Ice City is only slightly inferior to HeyTea and CoCo.

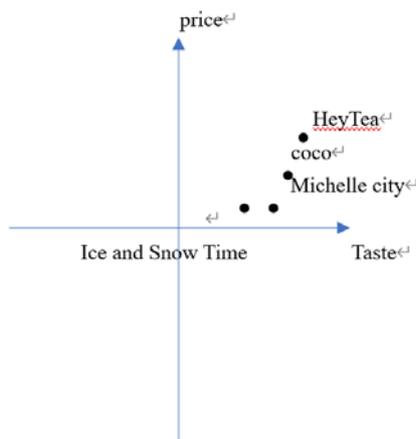


Figure 2 Comparison of products of different brands

3. Market analytics

3.1 Current situation of Chinese milk tea market

As can be seen from the figure below, the current milk tea market is close to 100 billion yuan. In addition, the survey shows that the average price of milk tea cup is about 15 yuan, while the average price of Michelle Ice City cup is about 5 yuan. Compared with other milk tea brands, Michelle Ice City products are absolutely competitive in price[3].

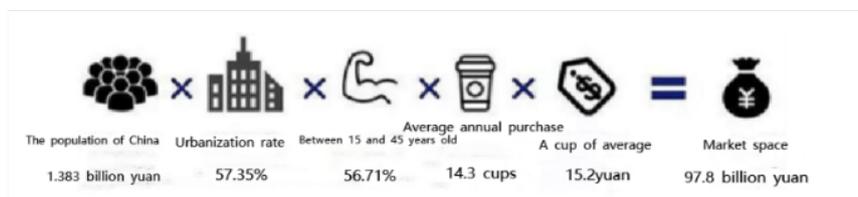


Figure 3 Current situation of Chinese milk tea market

In recent years, with the transformation of consumption, young people prefer to taste some milk tea or fruit tea. Hot drinks sales amount is expected to more than \$130 billion in 2019, and will exceed 140 billion yuan in 2021. Besides, hot drinks will achieve a compound annual growth rate of nearly 10% from 2016 to 2021. Among them, the other drinks store sales of 78 billion yuan, nearly six years of compound annual growth rate of 13.5%.

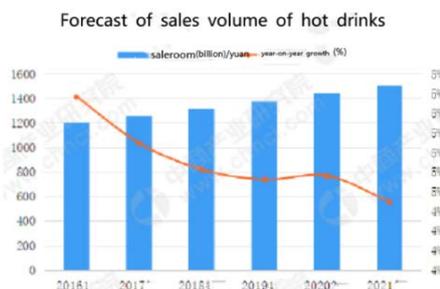


Figure 4 Beverage sales forecast

The development of domestic milk tea experienced the earliest bottled liquid milk tea era, carton, bag milk tea era.

Early mass production can be achieved, while milk tea in stores in the new era is personalized and differentiated consumption based on personal preference, reflecting people's subjective initiative.

After nearly 30 years of development, the development trend of the domestic tea industry has the following aspects : (1) the leader of the beverage industry started market penetration earlier, and the product competition is fierce.

(2) Age is no longer limited to young consumers, and the audience scope is expanded.

(3) Emerging milk tea culture is being cultivated, and consumers' brand awareness is enhanced.

(4) Products tend to be diversified and categories are updated quickly.

3.2 Market research on the price of milk tea

The data in the following figure1 is obtained from a random sampling survey of 100 students. It is not difficult to find that students generally accept the price of milk tea less than 8 yuan. The prices of most products in Michelle Ice City are in line with students' consumption level, and only one or two products with high cost are priced at about 10 yuan.

Therefore, in terms of price, Michelle Ice City should be loved by students.

4. Customer analytics

Through the analysis of profits of Michelle Ice City in three representative business circles in China, the following data can be calculated[1]:

$$CLV = \frac{R - c}{1 + d - r}$$

Revenue per customer per year: 688.8
 Cost per customer per year: 407.9
 Discount rate per year: 5%
 Retention rate per year: 90%

According to the above data, the lifetime value of each customer can be concluded as 1872.6 yuan.

Table 1. Sales of individual stores

Store	Zheng Zhou	Guang Gu	Han Hai
Rent	15000	33000	10000
Charge of water and electricity	1500	1500	3000
Employee salary	35000	27000	20000
Daily miscellaneous fees	1000	500	500
Material costs	108000	90000	65000
Passenger flow volume	2200	3000	2000
consumption per person	4.1	3	3.75
Average daily income	9000	7100	7000
Monthly income	270000	220000	210000
Monthly net profit	107500	65000	102700
Annual net income	967500	780000	1232400
Unit: yuan			

5. Strength and weakness

Through the above analysis, it can be clearly seen that the biggest advantage of Michelle Ice City lies in its cost performance, and consumers can taste products with a low price that are similar to the taste of middle and high-end milk tea.

In addition, Michelle Ice City also cooperates with Meituan many other delivery platforms, which can meet the needs of consumers to purchase online and deliver goods in a shorter time.

Despite this, Michelle Ice City still has many disadvantages compared with other milk tea brands. In terms of product category, the product category of Michelle Ice City is still relatively simple compared with mid-range and high-grade milk tea brands such as HeyTea and CoCo. HeyTea's products are not only milk tea, fruit tea, ice cream, but also some desserts and tea for sale. In some holidays, such as the Mid-Autumn Festival, HeyTea will launch mooncakes to meet the demand of

consumers. These are the current Michelle ice city did not do.

In terms of environmental protection, many brands of milk tea have begun to use paper straws while Michelle Ice City still uses plastic straws, which is not conducive to establishing a good image of Michelle Ice City in the hearts of consumers[6].

6. Opportunities

Based on the above analysis of Michelle Ice City's product positioning, domestic milk tea market and customers, it can be found that Michelle Ice City has the following opportunities in China:

Students are the main force of milk tea consumption. Therefore, Michelle Ice City can introduce some preferential policies for students. For example: when students one-time consumption of 10 yuan, they can be given a voucher, in order to promote second consumption.

In addition, Michelle Ice City can also introduce savings system, for example: 30 yuan will be given for every 100 yuan charged to the membership card to seize the cash flow. Because students' funds are limited, when they use the money to buy the savings card of Michelle Ice City, they will reduce their consumption of milk tea of other brands. Launching this activity can not only gain repeat customers but also seize the market. Michelle Ice City can try not to be limited to milk tea and fruit tea. Meanwhile, it can launch some snacks that can match these drinks and sell them as set meals. By launching a series of activities and snacks, Michelle Ice City can increase its revenue per customer per year. Also, Michelle Ice City can launch different products oriented towards different gender to make the products more attractive. For example, it can launch some products co-branded with games for men, and some products featuring beauty maintenance, low sugar and low calorie for women[5].

Most importantly, In recent years, the National Development and Reform Commission has advocated the development of healthy beverage products with resource advantages. From the perspective of national policies, the standardization level of hot drinks, health and nutrition drinks and iced fruit juice drinks is gradually improving, which is the basis for the stable and orderly development of the beverage industry.

Finally, Michelle Ice City should keep up with the times and invite some Internet celebrities to endorse the brand on popular mobile apps such as Tiktok and Sina microblog. These popular mobile apps are often used by students as after-school entertainment, so it is a very effective means of publicity.

7. Challenges

Although Michelle Ice City has many opportunities in the future, it also faces many challenges at the same time. In recent years, especially in the past two years, emerging milk tea brands emerge one after another. This phenomenon is undoubtedly easy to dazzle consumers. In order to stand out in such a competitive situation, Michelle Ice City needs a distinct brand image and excellent product taste.

Now the biggest competitor of Michelle Ice City is Ice Time, which has almost no advantage in price. Therefore, in order to obtain more customers than Ice Time, Michelle Ice City needs to make great efforts in taste and novelty of products. Besides, the image of the product is also very important. Michelle Ice City should adopt some outer packaging in line with students' aesthetic taste, which can also attract more customers.

In addition, with the development of society, people's income is getting higher and higher, along with the purchasing power of students is also gradually increasing. Therefore, although Michelle Ice City focuses on small profits and high sales, it should keep up with current market trends and the price cannot remain unchanged. When students can afford a higher price, Michelle Ice City can also consider appropriately raising the price, so as not to be disliked by students because of its low price[4].

8. Conclusion

To sum up, Michelle Ice City is an enterprise that focuses on middle and low-end milk tea market,

and its main consumer group is students. Now Michelle Ice City has thousands of stores in China, but its rival ice time has accelerated in recent years, if Michelle Ice City wants to continue to maintain the leading position, it needs to continuously improve products, constantly promotion, set up a good brand image, put an end to use unqualified raw materials, to keep improving on the taste

With the increasingly popular and rich milk tea products, tea drinks market prospects remain bright. But the market competition is intense, product innovation ability obviously inadequate. Michelle Ice City enterprises want to occupy more market share in the market, not only need strong brand support and good marketing experience, but also need to have in-depth knowledge of the market, accurate formulate marketing strategy, in order to ensure the honey snow city better development.

This article through to Michelle city market investigation and study, the marketing research conclusion. However, because of the limitation of time and place, there are insufficient in the comprehensiveness of the data. Hope in the future more consumers can survey data, better improve the result of the investigation.

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