

The Marketing Strategy of XIAO GUAN TEA in the UK—Analysis Based on Porter's Five Forces Model

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Abstract: *In the wave of globalization, Chinese tea brand XIAO GUAN TEA is gradually entering the international market with its unique market positioning and high-quality tea leaves. As one of the important representatives of tea culture, the UK provides a new market full of opportunities and challenges for XIAO GUAN TEA. This article will analyze the marketing strategy and market environment of XIAO GUAN TEA in the UK market based on Porter's Five Forces model.*

Keywords: *XIAO GUAN TEA; The UK; Porter's Five Forces model; Market analysis*

1. Introduction

XIAO GUAN TEA is a newly emerging local tea brand in China in recent years. It is sold through various marketing methods and a combination of online and offline methods, and has become well-known in the Chinese tea market. Britain is a country with a long history of drinking tea, and the British people enjoy drinking black tea and consider it a part of their lives. XIAO GUAN TEA has the characteristics of high quality and attaching importance to tea culture. Through the analysis of the tea market in Britain, this paper believes that Britain is one of the countries suitable for the overseas expansion of XIAO GUAN TEA.

2. Overview of XIAO GUAN TEA and The UK market environment

XIAO GUAN TEA is a Chinese tea brand born under the trend of Chinese cultural revival and consumption upgrading. XIAO GUAN TEA was founded in 2014 and is a modern tea merchant that emerged under the Internet thinking and experience economy. Small pot tea integrates the advantageous resources of the Chinese tea industry with innovative ideas and highly creative techniques, collaborating with eight tea masters from six major tea categories, adhering to the principles of origin raw materials, master craftsmanship, and master supervision, and creating unique small pot preservation technology to jointly create master level Chinese tea.

The corporate vision of XIAO GUAN TEA is to become the most valuable tea consumer goods group in China by 2030, through scientific innovation and artistic creation. The brand positioning is high-end Chinese tea. The brand mission of XIAO GUAN TEA is to warm the world with a leaf.

Britain is one of the important representative countries of tea culture. Consumers have a high awareness and acceptance of tea culture^[1], which provides favorable conditions for the promotion of XIAO GUAN TEA in the British market. In addition, the UK market is huge, and it is one of the largest tea beverage markets in Europe, with a considerable amount of tea beverage consumption every year. As the demand for health, quality, and sustainable development among British consumers gradually increases, the high-quality and healthy properties of XIAO GUAN TEA will also support its development in the UK market.

The way for XIAO GUAN TEA to enter the UK market is through licensing, which can reduce the risk of entering new markets, accelerate the speed of entering the market, and reduce the cost of exploring overseas markets.

3. Analysis of the UK market environment

The following will analyze the tea market environment in the UK from three major forces:

Economic, Social-cultural and Political-legal.

3.1. Economic

The UK is a highly developed economy with a stable economic environment and a well-established market system.^[2] The UK market has a high demand for high-quality tea products, so there is a certain opportunity for high-quality tea brands such as XIAO GUAN TEA to enter the UK market. In addition, the UK government has been actively encouraging foreign companies to invest and expand their business in the UK, which has also provided more opportunities and preferential policies for XIAO GUAN TEA to enter the UK market. Overall, the economic environment in the UK is favorable for XIAO GUAN TEA to enter the UK market.

3.2. Social-cultural

Tea has a history of several hundred years in the UK and has become a part of British culture. British people usually drink tea in the morning and afternoon, which is called a "tea break". Tea break usually includes drinking tea, eating small Dim sum and taking a rest, which is an important habit of British people in working days. Tea is a popular beverage among the British people, with 80% of them drinking tea every day. Tea consumption accounts for about half of the total consumption of various beverages, with per capita tea consumption ranking first in the world and also the world's largest importer of tea. The tea that British people like to drink is black tea.^[3] In addition, green tea, white tea, herbal tea, and oolong tea also have a certain market. XIAO GUAN TEA is produced and sold in six major tea categories, which can meet the majority of tea drinking needs of British customers.

3.3. Political-legal

The UK is a politically stable and legally sound country with an open market and a favorable business environment, providing a relatively friendly political environment for businesses to enter the market. In addition, the UK is also a very diverse and open country, welcoming businesses and products from different cultural backgrounds to enter the market.^[4]

Therefore, from a political environment perspective, the UK is a relatively favorable country for XIAO GUAN TEA to enter the market. However, due to the fierce competition in the UK tea market, XIAO GUAN TEA needs to carefully develop marketing strategies and brand positioning when entering the UK market to improve brand competitiveness and market share.

4. Market segmentation and target market

4.1. Demographic

Divide the tea market in the UK by population, and XIAO GUAN TEA can be segmented based on the income level of consumers.

According to the International Monetary Fund (IMF) in 2021, the UK ranks 17th in per capita disposable income at \$43620.^[5] From the above data, it can be seen that the consumption level of British consumers is relatively high.

The market positioning of XIAO GUAN TEA is high-end tea brand, focusing on quality and taste, and emphasizing tea culture and healthy life philosophy. The target consumer group of this brand is mid to high-end consumers who pursue high-quality life and focus on health, mainly concentrated in urban central commercial districts, high-end office buildings, shopping centers, and other places. The storefront design of XIAO GUAN TEA is simple and modern, with green and white as the main colors, conveying a fresh and healthy image. The brand pays attention to the experience of consumers, provides high-quality services and environment, and promotes tea culture and health concepts to make consumers feel calm and relaxed while enjoying tea.

4.2. Psychographic

In the process of inviting family and friends as guests, the general public in the UK not only invests a lot of energy in the preparation of tea products and tea sets, but also provides thoughtful and thoughtful services to guests after their arrival, and demonstrates the best mental state during the

process. As early as the Victorian era, afternoon tea had become an important part of the daily life of British society. At around 4 pm, the hostess will take out exquisite tea sets, tablecloths, prepare pastries, and enjoy the afternoon leisure time. To this day, afternoon tea has been preserved as a habit in daily life, and some British society members also invite family and friends to have afternoon tea together, seeking psychological comfort in relaxed social interactions.[8] XIAO GUAN TEA not only provides six types of tea, but also high-end tea sets. Therefore, XIAO GUAN TEA perfectly fit the lifestyle of British people who still have the habit of drinking afternoon tea.

In short, the market positioning of XIAO GUAN TEA is a high-quality, high-end tea brand, focusing on tea culture and health concept, and attracting middle and high-end consumers who still have the habit of drinking afternoon tea by providing high-quality products and services. Therefore, in the UK market, the main customers of XIAO GUAN TEA are mid to high level consumers.

5. Internal analysis of the firm in the selected country

To enter the tea market in the UK, it is necessary to understand and analyze the characteristics and competitive situation of the market. The following is an internal analysis of the XIAO GUAN TEA market in the UK, including its Strengths and Weaknesses.

5.1. Strengths

1) High quality tea: XIAO GUAN TEA focuses on choosing high-quality tea as its brand core, which is in line with the preference of consumers in the UK market for high-quality tea. XIAO GUAN TEA has a professional team of tea mixers, which can provide high-quality tea drinks, and establish a professional and high-quality image in the British market.

2) Unique brand image: XIAO GUAN TEA has a deep foundation in the inheritance of Chinese tea culture. Its brand image has strong Chinese elements and can attract British consumers interested in Chinese culture.

3) Product diversity: XIAO GUAN TEA provides a wide variety of tea leaves, from traditional green tea and black tea to more distinctive Pu'er tea, Tieguanyin, etc., which can meet the needs of British consumers with different flavors.

4) Online sales channels: XIAO GUAN TEA provides convenient and fast online shopping services on the official website in the UK, providing convenience for British consumers to purchase tea.

5.2. Weaknesses

1) Price issue: Consumers in the UK tea market have a certain sensitivity to the price of tea. As a high-end brand, XIAO GUAN TEA needs to be adjusted in price to meet the expectations of consumers in the UK market, as British consumers are more inclined to purchase tea products with more affordable prices.

2) Market promotion: XIAO GUAN TEA lacks brand awareness in the UK market, and it needs to increase market promotion efforts to create a unique brand image to attract more consumers.

3) Differences in tea culture: there are differences in tea culture between the UK and China. XIAO GUAN TEA need to understand British consumers' understanding and cognition of tea culture, and make adjustments and innovations according to the characteristics of the UK market.

4) Low brand awareness: Compared to local tea brands in the UK, the popularity of XIAO GUAN TEA in the UK market is relatively low, which will cause certain difficulties for its brand promotion and market share improvement.

6. External analysis of the firm in the selected country

The opportunities and threats faced by XIAO GUAN TEA entering the UK tea market are as follows.

6.1. Opportunities

1) Consumer demand: Consumers in the UK tea market are increasingly paying attention to tea quality and healthy eating. XIAO GUAN TEA, with the core brand of choosing high-quality tea and emphasizing the concept of health, can comply with market trends and be favored by consumers. In addition, British consumers are more focused on drinking black tea. XIAO GUAN TEA can start with black tea and combine it with local consumer habits to produce black tea that is suitable for the British people.

2) Brand differentiation: Britain is one of the representative countries of tea culture. As a brand that attaches importance to traditional tea culture, XIAO GUAN TEA can be recognized in the British market. XIAO GUAN TEA can gain opportunities through brand differentiation in the British market, such as through innovative products and services, focusing on tea culture, and providing personalized consumption experience.

3) Marketing activities: XIAO GUAN TEA can carry out a series of marketing activities in the UK market, such as launching limited edition products, collaborating with local tea brands, participating in local events, etc., to enhance brand awareness and attract consumers. The social media platforms that British people like to use are Facebook and WhatsApp, and XIAO GUAN TEA can be used for marketing activities based on these platforms.

4) Health philosophy: XIAO GUAN TEA emphasizes the concept of healthy diet and lifestyle, which is in line with the growing trend of healthy diet and lifestyle in the UK market.

6.2. Threats

1) Local brand competition: There are already many local tea brands in the UK tea market, such as TWININGS, Whitstandard, TaylorofHarrogate, etc. These brands have a certain market share, and small can tea needs to face competition from local brands.^[6]

2) Price competition: British consumers have a certain sensitivity to the price of tea, and as a high-end brand, small can tea faces pressure from price competition.

3) Cultural differences: There are differences in the tea culture between the UK and China.^[7] XIAO GUAN TEA need to be adjusted and innovated according to the cultural background of the UK market and consumer demand.

4) Market awareness: XIAO GUAN TEA lacks brand awareness in the UK market, and efforts need to be made in market promotion to enhance brand awareness and influence.

7. Conclusion

As a newly emerging tea brand in China, XIAO GUAN TEA is a popular brand in the UK tea market. There are certain opportunities, but there are also some challenges. Based on the above analysis, XIAO GUAN TEA is still relatively suitable for entering the UK tea market, but it needs to be different from traditional UK tea brands. Therefore, XIAO GUAN TEA still has a long way to go in the UK market.

In short, from the perspective of product quality. XIAO GUAN TEA has certain advantages in the inheritance of Chinese tea culture and high-quality tea. British consumers have a strong interest in Chinese culture and traditional tea culture. The brand image of XIAO GUAN TEA can attract some British consumers. In addition, British people have a habit of drinking black tea, and XIAO GUAN TEA provides a wide variety of tea leaves, which can not only meet the needs of British consumers for black tea, but also meet the needs of other flavors of British consumers. Finally, XIAO GUAN TEA focus on tea culture and health concept, which is consistent with British consumers' increasing emphasis on diet health. Therefore, XIAO GUAN TEA can conform to the market trend as one of their selling points. These factors will provide favorable opportunities for XIAO GUAN TEA to gain a certain market share in the UK tea market.

However, XIAO GUAN TEA still faces some problems and challenges in the UK tea market. Firstly, the UK is a country with a long history of tea drinking, where there are already many well-known brands and consumers have many choices. Therefore, XIAO GUAN TEA needs to compete with these local tea brands. Secondly, tea is basically a daily necessity for the British people,

and British consumers are more inclined to purchase tea products that are more affordable. However, the product price of XIAO GUAN TEA is relatively high, and the positioning of the product belongs to high-end brands, which will have a certain impact on its sales in the UK market. Finally, as a local industrial brand in China, the taste of XIAO GUAN TEA may deviate from the taste of British consumers. Therefore, localizing the taste of XIAO GUAN TEA is an important part.

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