

Research Overview on How Enterprises Can Breakthrough Amidst The Background of Consumption Downgrading: A Case Study of Mixue Ice Cream

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Abstract. On the macro trend of consumption downgrading, consumers pay increasing attention to overall cost-effectiveness, preferring cost-performance ratio-higher products. Tea beverage enterprises face both opportunities and challenges. Based on the analysis of the famous tea beverage brand, Mixue Ice Cream, this paper, through the SWOT model, explains its strategic adaptation to the consumption downgrading phenomenon, comparing it to Naisnow. Findings are that Mixue Ice Cream, through the cost leadership advantage, strict supply chain control, and iron discipline regarding digital transformation, has realized scalable growth as well as extensive market penetration. Naisnow, on the other hand, has realized improvement in core competitiveness based on differentiation strategy, product innovation, as well as improvement in brand experience. These strategies have their own strengths and are consistent with the current consumption downgrading trend. This paper also recommends that enterprises need to strategically shift their goal of development based on their specific resource endowment, taking full advantage of digitalized tools so that market demand changes are quickly captured and responded to. Findings of the research offer valuable theoretical guidance as well as very pragmatic reference to enterprises of the same industry as they make strategic facing the rising landscape of consumer demand.

Keywords: Consumption Downgrading; Mixue Ice Cream; Cost Leadership Strategy; Differentiation Strategy; Digital Transformation.

1. Introduction

In the past years, cyclical economic crises spread around the world, causing consumers to slow down advanced consumption and spending on luxury goods, preferring to spend money on goods with stronger cost-effectiveness. As a standard non-essential consumer product, tea beverage high elasticity of demand. Domestic tea beverage brand Mixue Ice Cream has won the preference of both domestic and foreign consumers due to the high cost-performance ratio. In the current economic recession, accompanied by the transformation of the consciousness of consumers, consumption downgrading has become mainstream. Consumers have become even more calculating about their spending habits and pay increasing attention to cost-effectiveness, bringing enterprises both unprecedented challenges as well as opportunities [1]. Based on the rapidly rising star "Mixue Ice Cream", this paper analyzes the response strategy against the background of consumption downgrading. Using the method of conducting a SWOT analysis as well as comparing Mixue Ice Cream with the largest competitor, Naisnow, the paper analyzes the execution, effectiveness as well as execution deficit of the cost strategy, as well as the differentiation. It also analyzes the adaptation to market change, the correct strategic choices, the effective supply chain management, as well as digital transformation, offering guidance, as well as reference, for similar enterprises. This research hopes to extend as well as widen the research depth regarding the strategy of enterprises amid the consumption downgrading.

2. Literature Review

2.1. Development of the Concept of Consumption Downgrading

Consumption downgrading has quickly evolved over the last half-decade. Scholars have carried out multi-decade surveys among the world's top 10 economies and presented a "four-level analysis method" to analyze consumption downgrading [2]. Consumption downgrading, during the post-COVID-19 period, extends beyond the meaning of the downgrade of brands, including further adjustments like transformation of the consumer atmosphere, the shift in consumption channels, as well as consumption frequency decreases [3]. Following the comparison between consumption downgrading cases in various countries, the term "return to rational consumption" was brought forward, wherein consumption downgrading is framed as the rational adjustment of the consumer based on value re-evaluation [4].

2.2. Relevant Research on Corporate Strategic Responses

In the past years, researchers have also initiated research on the responsiveness of enterprises to the consumption downgrade trend [5]. At the supply chain level, during the period between 2020 and 2022, those companies whose supply chain integration was higher than the industry standard performed more sturdily. At the digital operations level, after investigating this issue through meticulous case studies, it was determined that digital-oriented operational strategy companies could lower their overall operating expenses by 15-25%, their operational efficiency improving hugely [6]. Regarding value creation, the concept of value re-engineering was introduced, asserting that during adverse economic conditions, companies should focus on the core functionalities and practical characteristics of their products, creating pragmatic competitive advantages to lay a solid foundation for future development [7].

2.3. Current Research Status of the Tea Beverage Industry

Currently, scholars primarily focus on research in the areas of marketing, brand development, and other aspects of the tea beverage industry. In pioneering studies, they have explored and analyzed the development trajectory of China's tea beverage industry, proposing a "three-step development model" for the sector [8]. From the perspective of differentiation strategy, a rigorous comparative analysis has been conducted, comparing the strategies of Mixue Ice Cream and Naisnow. The findings suggest that both strategies can be successful, but they require different organizational capabilities and investment approaches.

3. SWOT Analysis

3.1. Strengths

According to Mixue Ice Cream's first financial report after its listing, the company achieved a revenue of RMB 24.83 billion in 2024, representing a year-on-year growth of 22.3%. Gross profit reached RMB 8.06 billion, growing by 34.4% year-on-year, with a gross profit margin of 32.5%. Net profit amounted to RMB 4.45 billion, showing a significant year-on-year increase of 39.8%. In March 2025, Mixue Ice Cream was listed on the Hong Kong Stock Exchange, with a market capitalization exceeding HKD 100 billion.

In terms of its store network, by November 31, 2024, Mixue Ice Cream had a total of 46,479 stores globally, an increase of 8,914 stores compared to the same period in 2023. It also surpassed Starbucks in terms of global store count in the ready-to-drink beverage segment. Its strategy of targeting lower-tier markets has helped capture a large consumer base, meeting the demand of grassroots consumers through affordable yet high-quality products. The expansion into overseas markets has further boosted its international presence. The growth in Mixue Ice Cream's store network reflects the high

level of recognition from franchisees. By December 31, 2024, the company had 20,976 franchisees, with a net increase of 4,192 in the year.

Mixue Ice Cream's greatest advantage lies in breaking away from the traditional structural model of the tea beverage industry, moving beyond the sales model that relies primarily on revenue and profits, and adopting a unique franchising model [9]. Research shows that Mixue Ice Cream uses a direct sales model for sourcing fruit from its place of origin, selling it to franchisees, with over 95% of the profits coming from fruit sales rather than beverage sales in stores. Rent and costs are the primary concerns for franchisees, while Mixue Ice Cream's internal profits remain unaffected. The brand has positioned itself with a value-for-money approach, and since its establishment in 1997, it has progressively expanded overseas. In comparison to high-end brands like Starbucks, Mixue Ice Cream's sales figures are more substantial [10]. The company continues to enhance its supply chain capabilities to realize its "affordable and high-quality" value proposition, continuously expanding and refining its core raw materials, such as fresh fruits, milk, tea, and coffee, as well as its cold chain system, to provide consumers with high-quality product experiences.

Mixue Ice Cream's partnership with Junlebao Dairy Co., Ltd stands as a typical example of a strong collaboration between leading Chinese new tea beverage brands [11]. On December 18, 2024, Mixue Ice Cream signed a strategic cooperation agreement with Junlebao Dairy Co., Ltd, announcing the establishment of Xuewang Ranch in Xinxiang, Henan. The collaboration spans market expansion, product development, and supply chain optimization. Milk is a critical base ingredient in beverages like milk tea, and as Mixue Ice Cream surpasses 30,000 global stores, its demand for dairy products is immense. Partnering with top dairy producers like Junlebao ensures a stable and secure supply of dairy products. Since Junlebao has a complete operational industry chain covering pasture planting, dairy farming, and production processing, Mixue Ice Cream can bypass intermediaries and work directly with source suppliers, reducing costs, ensuring supply volume, and building consumer trust. From coffee beans in Yunnan to coconut jelly in Vietnam, Mixue Ice Cream's supply chain operates like a finely tuned network. Financial reports show that 97.4% of its revenue comes from selling goods and equipment to franchisees, which means that with every new store, the company gains an additional stable "purchasing partner."

3.2. Disadvantages

Mixue Ice Cream's disadvantages lie in its tendency to focus on a fixed range of tea beverages, with little notable innovation in recent years. After Luckin Coffee launched its "Sauce-Flavored Latte," it quickly became a sensation on the internet. In contrast, Mixue Ice Cream's tea offerings suffer from severe homogenization, lacking high-end products, and are priced extremely low, making them easily replicable by competitors. Due to its strict cost-control strategy, most of the ingredients used in its stores are jams, milk powder, and tea leaves rather than fresh fruit. This restricts the tea drinks to merely satisfying thirst, without providing a more premium taste experience. Additionally, the core of Mixue Ice Cream's business is the sale of ingredients to franchisees, which means that its performance is closely tied to the profitability of these franchisees. If franchisees experience losses, it could undermine the foundation of the company. Furthermore, hygiene and safety concerns cannot be overlooked. According to a March 2025 report by the 3.15 Consumer Rights Day, some offline stores of Mixue Ice Cream were found to have issues such as overnight fruit and flies in the premises. While no adverse reactions from customers have been reported, the issue still warrants attention.

In addition to hygiene and safety issues, Mixue Ice Cream faces a series of management challenges. The large number of stores has led to disorganization in its management system, which needs to be addressed. Many consumers have reported inconsistent product quality at Mixue Ice Cream stores, especially in terms of taste, portion size, and sweetness, which fluctuate significantly. Some franchisees do not directly participate in store management, and the high turnover rate of staff increases training costs. The hurried onboarding of new employees, who may lack proper technical skills, can lead to a series of operational issues due to their unfamiliarity with processes.

3.3. Development Opportunities for Mixue Ice Cream

For a long time, Mixue Ice Cream has been active on major domestic and international social apps, adopting a youthful style to cater to a young consumer base. The company's development opportunities lie in expanding and deepening its presence in overseas markets, focusing on regions such as Southeast Asia and the Middle East, while also targeting third- and fourth-tier cities within China. Mixue Ice Cream could introduce new tea beverage categories priced between RMB 15 and 25, which would allow it to move away from its low-end, budget-oriented positioning while also catering to consumers seeking a more mid-to-high-end tea experience. Beyond sticking solely to tea beverages, Mixue Ice Cream could explore business expansion, leveraging its strong and well-established supply chain and franchising advantages to sell raw materials to fast food brands, thereby creating a joint sales model.

3.4. Threats Facing the Development of Mixue Ice Cream

Mixue Ice Cream operates over 30,000 stores, the vast majority of which are franchise-operated. If any of these stores encounter issues such as the use of overnight fruit or fail to meet hygiene standards, widespread media coverage could cause a devastating blow to the brand's image and reputation [12]. Furthermore, mid-to-high-end tea brands, such as Naisnow, are expanding into the lower-end market by lowering prices or launching sub-brands, which could fragment Mixue Ice Cream's consumer base. In 2020, the implementation of the upgraded plastic ban significantly impacted many tea beverage brands, including Mixue Ice Cream. The nationwide prohibition of non-biodegradable disposable plastic straws forced Mixue Ice Cream to switch to higher-cost PLA straws, increasing costs by 2 to 5 times compared to before. While the plastic ban poses a serious challenge to Mixue Ice Cream, it also presents an opportunity for transformation.

Additionally, with the rising cost of living in recent years, raw material prices in the supply chain are expected to increase. The growing labor costs and rising rent will further impact the profitability of franchise stores.

4. Case Analysis

4.1. Cost Leadership Strategy of Mixue Ice Cream

Through innovative business model development, Mixue Ice Cream has achieved remarkable and rapid growth amidst the broader trend of consumption downgrading [13]. The secret to its success lies in its ability to offer ultra-low prices through standardized production, scaled sales, and supply chain integration. The specifics are as follows.

In terms of its business model, Mixue Ice Cream adopts a "supply chain + franchising" approach, with more than 95% of its profits derived from supplying raw materials and equipment to franchisees. This "innovation" has enabled Mixue Ice Cream to expand its market presence extensively while bypassing the rental and cost risks traditionally faced by milk tea shops. As a result, it ensures a stable source of income and possesses a formidable competitive moat.

Regarding its supply chain, Mixue Ice Cream has built a comprehensive, multidimensional supply chain network that covers the entire process from production to store. The company insists on direct sourcing from production areas and has established long-term, stable partnerships with over 500 farmers and cooperatives. This large-scale procurement reduces operational costs, with the main raw materials purchased at prices 20-25% lower than the industry average.

In terms of market positioning, Mixue Ice Cream has consistently focused on an affordable pricing strategy, targeting the price range of 3 to 8 RMB, and catering to a broad demographic, including students and young professionals. Due to its highly attractive low prices and consistent product quality, Mixue Ice Cream has garnered a large base of loyal customers, with a member repurchase rate of 65%, far exceeding that of other brands.

4.2. Differentiation Strategy of Naisnow

Naisnow adheres to a differentiation strategy, building and maintaining its core competitiveness through product development, experiential marketing, and brand building [14]. The key features of its strategy include:

In terms of product strategy, Naisnow adopts a rapid innovation approach, launching 10 to 15 new products each quarter to continuously capture customer attention with fresh offerings. Naisnow has established a systematic product innovation process, consisting of four main steps: in-depth insights, refined research and development, market testing, and feedback-based adjustments.

On the brand level, Naisnow is committed to building a high-end brand image by offering an experience that combines "stylish tea beverages, premium soft European bread, and a third space." This enhances the brand's premium positioning. According to professional reports, Naisnow ranks first in brand awareness and reputation in first- and second-tier cities, boasting a strong brand reputation.

In terms of digitalization, the company is actively developing a membership management platform and leveraging advanced digital technologies to provide a better consumer experience. Relevant data indicates that over 80% of Naisnow's revenue comes from membership purchases, and more than 90% of orders are placed digitally, demonstrating the strong digital-driven capabilities of the company.

5. Comparative Analysis and Discussion

5.1. Strategic Choice Differences

The strategic positioning of the two companies reflects their distinct resource advantages and strategic orientations. Mixue Ice Cream has adopted an aggressive cost leadership strategy, seizing the opportunity of "consumption downgrading" amidst the trend of consumption upgrading, and quickly capturing a large share of the market. In contrast, Naisnow has adopted a defensive differentiation strategy, maintaining a high-end positioning and catering to consumers with high consumption demands.

5.2. Comparison of Digitalization Applications

Both companies obtained remarkable outcomes along the digital transformation journey, but their areas of focus do not compare. Mixue Ice Cream has oriented digital transformation operations into backend operational optimization and supply chain management. By improving smart ordering and inventory systems, the firm created a smart, cooperative supply chain. Conversely, Naisnow concentrated digital efforts on the frontend, where there is a priority on membership systems management and promotional marketing. Using digital platforms, it precisely targets consumers and drives market movement.

This strong contrast directly mirrors the companies' disparate strategic priorities: Mixue Ice Cream needs digitalization to enable bulk operations and cost management, but Naisnow uses digital instruments to improve the consumer experience value-adding.

5.3. Sustainable Development Capabilities

Up to the long run, both strategies potentially also hold risks. Mixue Ice Cream would need to address issues including the absence of product innovation as well as strain on breaking through the brand positioning, while Naisnow would need to address pressures regarding costs as well as strong competition [15].

Research suggests that great companies usually excel at the subtle art of balancing value addition and cost management, reaching greatness through calculating tactics. Mixue Ice Cream has set out to do product iteration, upgrades, and improvement, while Naisnow is about saving money through

centralized procurement as well as operational effectiveness. This optimum practice of blending an affinity towards both speed as well as excellence is a key highlight within the sector that deserves utmost attention as well as future research.

6. Conclusions

6.1. Theoretical Contributions

This paper expands the theoretical research on corporate strategic choices in the context of consumption downgrading through a comparative case analysis. The specific theoretical contributions are as follows: it reveals the adaptive paths companies take when faced with consumption downgrading and enhances the study of market responsiveness.

First, it further demonstrates the applicability and effectiveness of diverse strategic choices under the trend of consumption downgrading, confirming that there is no "optimal" strategy. Companies should select the most suitable strategic direction based on their resource conditions and market structure.

Second, the paper comprehensively highlights the necessity and importance of digital transformation in the implementation of corporate strategies. Digitalization is a crucial tool and means, acting as an accelerator for corporate strategy.

Third, it introduces a logical framework for dynamic strategic management, urging companies to closely monitor environmental changes, adjust strategic priorities, and strive to find the optimal alignment between cost leadership and value leadership.

6.2. Practical Implications

Based on the research findings, the following practical implications are offered for corporate management:

First, companies must recognize that consumption downgrading is not merely a reduction in consumption volume but rather a deep structural change in consumer attitudes, behaviors, and values. Companies should be adept at capturing subtle changes in consumer value demands and provide precise products and services that align with these evolving needs.

Second, strategic choices must be based on the company's unique strengths. The success of Mixue Ice Cream and Naïsnow demonstrates that multiple paths can lead to success, but the key is that the chosen strategy must align with the company's own strengths, advantages, and positioning.

Third, digitalization must precisely serve the overall strategic framework. It is essential to integrate digital efforts with strategic needs, focusing on the key areas of digital transformation. Companies should not undertake digitalization blindly or just for the sake of it, and digital efforts should not be generalized.

Fourth, great attention must be paid to the dynamic adjustment of strategies, as the consumption environment is constantly changing. Companies should establish systems for strategic tracking and adjustment to promptly respond to shifts in the consumer market, ensuring the continued adaptability and foresight of their strategies.

Authors Contribution

All the authors contributed equally and their names were listed in alphabetical order.

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