

Chayan Tea Shop: Behind the Salary Dispute

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EXECUTIVE SUMMARY

Chayan is a new-style tea brand that serves tea beverages mainly in Changsha city. It has become a key player in the new-style tea market and developed into a must-go place for tourists. However, Chayan hit the searching trends because of the viral spread of screenshots of a quarrel between employees and the founder on a salary dispute. Netizens devoted their attention to the controversy and condemned Chayan's exploitation of employees. Under the pressure of netizens' negative word-of-mouth, Chayan issued an apology letter. In the letter, Chayan explains the cause of the salary dispute and promises it will enhance communication with employees and solve the problem by accelerating business expansion.

BRAND BACKGROUND

Chayan Yuese (Chayan), a new-style tea brand, was founded in 2013 in the central city of Changsha, Wuhan province, China. In 2018, Chayan obtained an angel round investment from Tiantu Capital and conducted equity financing with Shunwei Capital in July 2019. A month later, Chayan secured Series - A funding (Lu, 2021). In 2020, Chayan has already opened around 290 stores, with more than 3000 employees, regarded as a successful new-style tea brand that rose from obscurity to fame (Chayan tea, n.d.). Using extracted liquid from high-quality tea leaves, the new-style tea drinks offer consumers various flavors by adding fresh milk, cream, cheese, or fresh fruit. Compared with traditional tea drinks, the new-style tea industry focuses on the innovation of raw material selection, R&D, store operation, and consumer experience, to create a unique brand culture and enhance the brand value.

Take Chayan as an example. It provides three types of new-style tea, including cream tea, milk foam tea, and single-origin tea. Not only does Chayan serve the tea beverage, but it also launches related products such as tea, teaware, snacks, cultural products, and daily necessities. Chayan offers products in traditional designs and elements, tagging itself in a traditional Chinese style. For example, the brand applies elements of traditional Chinese painting in designing the name and package of their cream tea

drink, including orchid followers, poetry, and calligraphy. Using Chinese traditional elements as its unique brand positioning, Chayan differentiated itself from the other big players. In addition, applying Chinese traditional elements as selling points fits the Guochao trend (national trend or Chinese fad), which considers a means to boost sales among Chinese young consumers.

Chayan is famous for its high service quality, including showing passionate appeal to consumers. Oral broadcasting is one of its strategies to attract consumers. Oral broadcasting (“Koubo”) refers to the situation where the front-line employees need to shout out the brand slogans, matters needing attention for drinking, and greetings when consumers are waiting and picking up their tea drinks. Oral broadcasting became the unique culture of Chayan because the management team believes that “consumers are invited by passion”.

Thanks to the strict control of details from the management team, Chayan earns a high reputation for providing excellent services. Chayan built up a team that is responsible for the transmission of the company’s cultural values, but also the psychological construction of store employees. The founder would patrol the stores constantly and post comments and pictures on the misconduct in the cyber working group (Huxiu, 2021).

In addition, Chayan is an advanced player in promotion by benefiting from hunger marketing. Hunger marketing is a promotional tactic that attracts consumers’ attention through supply restrictions, inducing buyers’ desires because of the scarcity of the products (Zhang, Zhang, & Wang, 2022). On the opening day of its Shenzhen offline store, Chayan hit the search trends on social media and tens of thousands of people queued up to buy its tea drink, making police implement traffic control. Some people seized the opportunity, providing surrogating buying services at the price of 500 RMB. Building on the unique flavour of the tea drinks and the sufficient marketing strategy, Chayan has become a key player that cannot be neglected, taking sixth place on the list of new-style tea brands of 2021 China (iiMedia, 2021).

To some extent, the popularity of Chayan counts on its caution in selecting an operating business model. Chayan adopted direct sales stores as its operation model, instead of a Franchise mode, which has been a popular business model for the tea beverage industry. Focusing on direct sales stores allows Chayan to have complete brand control, presenting a consistent brand image and offering high-quality products to its niche market. According to the brand’s official account, it has opened 270 direct stores in Changsha alone, which enable consumers to visit the stores with ease. Although Chayan has been an internet-famous shop, it has been reluctant to expand its footprints outside of Hunan province (except for Wuhan city). This article uses the localization strategy to describe such a practice, which continuously opens stores in a single city (i.e., Changsha city) to enhance its store density but is reluctant to expand its footprints to other cities. The localization strategy of Chayan empowers its bargaining power in the supply chain of the ingredients, as well as the unreserved enthusiasm of the young generations. However, the localization strategy and the business model of direct sales stores might have made the brand more vulnerable during the pandemic, requiring the top management team to be well-prepared for resolving workplace conflicts.

THE CONTROVERSIAL ISSUE

On Dec 15, 2021, screenshots of an employee arguing with a senior executive in the internal cyber working group of Chayan went viral on China’s social media, sparking heated debate in the cyber community. The opposing views between senior executives and employees on pay adjustment in the event

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