Genki Forest Milk Tea:
0-Sugar for Real or Just for Show?

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EXECUTIVE SUMMARY

Genki Forest, a famous milk tea brand in China, took the initiative to disclose a problem, claiming that its "sugar-free" products did in fact contain sugar, and announced that the label will be changed. This strategy of coming forward with a problem before it is leaked or exposed by others is different from many other scandals in China. It was intended to make an amendment and reduce the impact on the brand image. The "self-destructed" strategy will be described in this chapter, and it will show, through the opinions and comments of netizens, how Genki Forest Milk Tea successfully avoided tremendous loss while solving the problem.

BRAND BACKGROUND

Genki Forest, founded by Tang Binsen, has risen rapidly in recent years. Surrounding the healthy concept of "0 sugar, 0 calories, 0 fat", Genki Forest developed several beverage products including sugar-free sparkling water, Ran tea, Milk tea, juice sparkling water, light tea, and Energy shot. Being evaluated from 0 yuan to 400 billion yuan (Internet Brand Manager, 2021), the new beverage brand "Genki Forest" only took five years. The burgeoning of Genki Forest successfully competed with veteran beverage brands.

Founding of Genki Forest

Unlike general consumer goods companies, Genki Forest first set up an R&D centre in 2015 and then established the company in 2016. In the same year, two kinds of fruit tea and Ran tea were launched into the market. In March 2018, the star product of Genki Forest was launched, sparkling water. Continuously, Genki Forest researched and developed a wide range of beverages such as Milk Tea and Energy Energy Shot. All series of the product of Genki Forest claim to be sugar and calorie-free while keeping

a completely perfect flavour. By drinking their products, customers do not need to sacrifice their taste for health.

Sales Performance of Genki Forest

In May 2020, the sales performance of Genki Forest reached 260 million yuan, exceeding the total sales of 2018, with an average daily sale of 4.4 million yuan. According to iiMedia Research, among the sugar-free beverage categories consumed by Chinese citizens in 2021, Genki Forest closely followed sugar-free Coca-Cola (61.5%) with a proportion of 59.1%, only lagging behind by 1.4% (Onnko, 2022).

The Two Markets of Genki Forest

Although being a local Chinese brand, Genki Forest also has its market in foreign markets. Searching "Amazon Best Sellers" at 20:00 on February 26, 2022, Genki Forest products rank #20 in Sparkling Drinking Water Rank and #22 in Oolong Tea Rank, which is updated hourly based on sales on Amazon. Genki Forest thus became the only Chinese beverage brand that has entered the list. Early in 2019, Genki Forest entered foreign markets, launching a variety of aluminium cans of sparkling water in the United States. So far, Genki Forest has exported over 1 billion bottles of sparkling water to more than 40 countries and regions globally (Genki Forest, 2016).

One of the reasons that Genki Forest can grow at such a fast rate is because of its financing. Since its establishment, Genki Forest had financing 7 times. For example, in October 2019, Genki Forest received 150 million yuan of financing, led by Longhu Capital and Genesis Capital. Later in 2020, Genki Forest received another financing of 14 billion yuan. With such capital support, the CEO dares to "burn money" for marketing. Unlike other Fast Moving Consumer Goods (FMCG), the beverage industry already has its "king". For example, it is Coca-Cola and Pepsi who account for 59.5% and 32.7% of market share respectively. In tea drinks, Master Kong and Uni-President account for 60% (Zhang, 2021). Therefore, creating a well-known beverage brand will require a high level of marketing investment. Apart from the marketing cost, the high financial barrier to the industry also required tremendous financial support. Beverage consumption is mostly impulsive and through instant buying behaviours which mainly focus on offline buying. For this reason, the beverage industry heavily relies on the distributor system, which requires the brand to pay a large number of channel fees to the shelve in stores. Ultimately, the beverage industry is essentially a B2B business.

The CEO of Genki Forest

Speaking of the CEO, Tang Binsen, it is necessary to describe his crucial role in Genki Forest. Tang Binsen had been working in the internet and gaming industry before founding Genki Forest. In general thinking, with completely different sources and experiences, it is hard for Tang to create a beverage brand from scratch by himself. With more in-depth research, it is surprising to find Tang actually came into the new industry with full preparation, engaging himself with consumer retail knowledge and management of a soft drink company. In 2014, after selling his own game company, Tang immediately set up a VC called Challengers Venture,(Company Profile, n.d.) which focused bids on the consumer retail trail except for some gaming ventures of Tang's old employees. To invest in a company, researching the industry and its competitive analysis is inevitable, which is the fastest and most efficient way to gain experience

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