

# Analysis of Strategies for Realizing Consumer Equilibrium and Producer Equilibrium in Tibetan Tea Factories

Xinyou Xiao

School of Economics, Minzu University of China, Beijing, 100081, China

## ABSTRACT

This paper takes Ya'an Tea Factory Co., Ltd. (Tibetan Tea Factory) as a case study to explore how the Tibetan Tea Factory achieves consumer equilibrium and producer equilibrium by comprehensively considering factors such as production costs, market demand, consumer preferences, and competitive environments. The Tibetan Tea Factory deeply analyzes consumer needs and adopts differentiated pricing strategies, launching Tibetan tea products of varying quality and packaging for different consumer groups. At the same time, the Tibetan Tea Factory focuses on promotion and brand building, enhancing the cultural value and brand influence of Tibetan tea through storytelling and cultural experience activities. In terms of cost control, the Tibetan Tea Factory optimizes production processes, improves the utilization rate of raw materials, and introduces modern quality management system certification. Additionally, the Tibetan Tea Factory closely monitors market dynamics, flexibly adjusts production and prices, and actively seeks government policy support and tax incentives. Through these strategies, the Tibetan Tea Factory has effectively controlled costs and responded flexibly to the market while ensuring the quality of Tibetan tea, promoting the sustainable and healthy development of the Tibetan tea industry.

## KEYWORDS

Tibetan Tea; Consumer Equilibrium; Producer Equilibrium

Tibetan tea, as a brilliant gem of China's intangible cultural heritage, not only carries a long history and cultural depth but also serves as an indispensable beverage in the daily lives of Tibetan compatriots. In the current market environment, Tibetan tea factories, as modern producers of this traditional drink, play a pivotal role in promoting consumer equilibrium and producer equilibrium through their pricing strategies and market actions<sup>[1]</sup>. This paper will take a Tibetan tea factory as a typical case study to delve into how to achieve a dual equilibrium between consumers and producers by comprehensively considering multiple factors such as production costs, market demand, consumer preferences, and competitive environments, thereby promoting the sustainable and healthy development of the Tibetan tea industry.

## 1 Overview of the Tibetan Tea Factory

Ya'an Tea Factory Co., Ltd., established in 1546 and located in Ya'an City, Sichuan Province, is a veteran tea enterprise with a history of nearly 500 years. As a leader in the Tibetan tea industry, it boasts a large scale, a long history, and advanced technology. The factory covers an area of nearly 100 acres, with an annual production of 20,000 tons, manages 11,000 acres of tea gardens, and provides employment opportunities for 30,000 farming households. Ya'an Tea Factory is a national demonstration base for low-fluoride tea, has received honors such as "Sichuan Time-Honored Brand," and is involved in international and national tea standardization work. The company owns brands such as "Yaxi" and "Shuanghuan," with a product line that ranges from traditional Tibetan tea to technologically innovative products. Ya'an Tea Factory focuses on technological innovation, has obtained multiple patents and registered trademarks, and collaborates with academic institutions to promote deep tea processing technology. Its Tibetan tea is made using traditional craftsmanship, going through 32 processes and aged before being made. In addition to production, Ya'an Tea Factory is also committed to cultural heritage and social responsibility, establishing the "Tibetan Tea World" scenic area, promoting Tibetan tea culture, and contributing to regional development. The products are mainly sold in Tibet-related areas and surrounding regions, are highly loved, and in 2010, the company won the United Nations "Millennium Contribution" Gold Award, reflecting its significant contribution to national unity, regional economic development, and social stability.

## 2 Achievement of Consumer Equilibrium

### 2.1 Consumer Demand Analysis

In a market economy, consumer demand undoubtedly becomes the core guide for product innovation and market positioning. The Tibetan Tea Factory, after rigorous market research, has deeply analyzed the diverse demands of consumers for Tibetan tea<sup>[2]</sup>. Research data indicates that there is a significant difference in consumer demand for Tibetan

tea, which requires the Tibetan Tea Factory to make targeted adjustments in product innovation and market promotion strategies.

For the middle-aged and elderly consumer group, they prefer the traditional flavor of Tibetan tea and have higher requirements for the quality and cultural connotations of Tibetan tea. When choosing products, they are relatively less sensitive to price and pay more attention to the intrinsic value and the inheritance and promotion of traditional craftsmanship. Young consumers, on the other hand, are more concerned with the health attributes and convenience of the product, tend to choosing Tibetan tea products with simple packaging, easy to carry and store, and are relatively sensitive to price, preferring Tibetan tea products with superior cost-performance<sup>[3]</sup>.

## 2.2 Differentiated Pricing Strategy

In response to the diversity of consumer demands, the Tibetan Tea Factory has adopted a differentiated pricing strategy. The core of this strategy is to provide products that meet the needs and payment capacity of different consumer groups.

(1) High-end market strategy: For middle-aged and elderly consumers pursuing a high-quality life, the Tibetan Tea Factory has launched gift-boxed Tibetan tea. These products use high-quality raw materials, are finely processed, and are beautifully packaged, suitable for gifting or personal enjoyment. In terms of price, gift-boxed Tibetan tea is positioned in the high-end market, reflecting its high quality and value.

(2) Family consumption strategy: For ordinary family consumers, the Tibetan Tea Factory has launched cost-effective bagged Tibetan tea. These products ensure quality while simplifying packaging and reducing costs, making the price more affordable and meeting the needs of daily family consumption.

(3) Young consumer strategy: For young consumers, the Tibetan Tea Factory has developed portable small-packaged Tibetan tea. These products usually come in small bag form, convenient for carrying and use, suitable for a fast-paced lifestyle. In terms of price, small-packaged Tibetan tea is positioned in the mid-to-low-end market to attract young consumers.

## 2.3 Promotion and Brand Building

Promotion activities and brand building are important means for the Tibetan Tea Factory to achieve consumer equilibrium.

(1) Promotion activities: The Tibetan Tea Factory attracts consumers to purchase through various promotional activities, such as limited-time discounts, buy one get one free, membership points, etc. These activities not only increase short-term sales but also increase consumers' understanding and interest in Tibetan tea products.

(2) Brand building: The Tibetan Tea Factory focuses on brand building, enhancing the cultural value and brand influence of Tibetan tea through storytelling and cultural experiences. For example, the Tibetan Tea Factory integrates the historical stories and production techniques of Tibetan tea into product packaging and promotional materials, allowing consumers to feel the profound cultural heritage of Tibetan tea when purchasing and using the products.

(3) Cultural experience: The Tibetan Tea Factory also organizes Tibetan tea culture festivals, tea art performances, tea-making experiences, and other activities, allowing consumers to personally experience Tibetan tea culture and enhance brand identification. These activities not only improve the brand image of the Tibetan Tea Factory but also help to cultivate consumer loyalty.

Through the above strategies, the Tibetan Tea Factory has successfully achieved consumer equilibrium, meeting the needs of different consumer groups, and also laying a solid foundation for the sustainable development of the enterprise.

## 3 Achievement of Producer Equilibrium

### 3.1 Cost Control and Quality Assurance

In a market economy, cost control is a key factor for enterprises to enhance competitiveness and achieve profit maximization<sup>[4]</sup>. While ensuring the traditional quality of Tibetan tea, the Tibetan Tea Factory has taken a series of measures to control costs.

(1) Optimize production processes: The Tibetan Tea Factory has improved production efficiency and the utilization rate of raw materials through technological innovation and process improvement. For example, using modern production lines and equipment reduces waste in the production process while maintaining the traditional flavor of Tibetan tea.

(2) Quality management system: Introducing modern quality management system certification, such as ISO 9001, ensures that every link from raw material procurement to the final product leaving the factory meets high-standard quality requirements<sup>[5]</sup>. This not only improves the overall quality of the product but also enhances consumer trust in the

products of the Tibetan Tea Factory.

(3) Raw material procurement: By establishing long-term and stable cooperative relationships with local tea farmers, the Tibetan Tea Factory can obtain high-quality raw materials at a reasonable price, thereby reducing procurement costs.

### 3.2 Market Demand and Pricing Strategy

Market demand is a key factor affecting product pricing and production quantity decisions. The Tibetan Tea Factory accurately grasps consumer demand and market trends through market research and flexibly adjusts market strategies.

(1) Strategy when demand is strong: When market demand is strong, the Tibetan Tea Factory will appropriately increase product prices to reflect the scarcity and brand value of the product. At the same time, by means of limited supply, it creates a sense of market urgency and stimulates consumers' desire to purchase.

(2) Strategy when demand is insufficient: Faced with insufficient market demand, the Tibetan Tea Factory adopts price reduction promotions or launches new products to stimulate consumption. Price reduction promotions can attract price-sensitive consumers, while the launch of new products can attract consumers who pursue novelty and personalization.

(3) Product differentiation: By providing Tibetan tea products of different qualities and packaging, it meets the needs of different consumer groups and achieves product differentiation. This not only expands market coverage but also increases profit margins through high-added-value products.

### 3.3 Policy Support and Tax Incentives

Government policy support and tax incentives have a significant impact on enterprise development. The Tibetan Tea Factory actively seeks government support and uses various preferential policies to promote enterprise development.

(1) Value-added tax exemption policy: According to the national value-added tax exemption policy for border tea production enterprises, the Tibetan Tea Factory can exempt value-added tax, which greatly reduces the tax burden on the enterprise and increases profit margins.

(2) Government subsidies and loan preferences: The Tibetan Tea Factory actively applies for various government subsidies and loan preferences, such as preferential interest funds for civilian trade and civilian products, to reduce financing costs and enhance the capital strength of the enterprise.

(3) Designated production of special ethnic goods: As a designated production enterprise for special ethnic goods, the Tibetan Tea Factory can obtain special support from the government, including financial support and technical guidance, which helps the enterprise to improve production capacity and product quality.

(4) Model unit for ethnic unity and progress: As a model unit for ethnic unity and progress, the Tibetan Tea Factory can obtain government support in brand promotion and market expansion, further enhancing the enterprise's market competitiveness.

Through the above measures, the Tibetan Tea Factory has achieved effective cost control and flexible market response while ensuring the quality of Tibetan tea. At the same time, by utilizing government policy support and tax incentives, it has improved the enterprise's profitability and market competitiveness, achieving producer equilibrium.

## 4 Case Analysis

### 4.1 Analysis of Tibetan Tea Product Pricing Process

When pricing its well-known Tibetan tea products, the Tibetan Tea Factory adopts a strategy that comprehensively considers various factors to ensure that the product price can reflect its value and meet market and consumer demands.

(1) Basic cost calculation: The first step in pricing is to calculate the basic cost of the product, which includes the cost of raw materials, processing fees, packaging costs, and labor costs, etc.<sup>[6]</sup>. The Tibetan Tea Factory ensures that product pricing can cover all production costs and leave a certain profit margin through precise cost calculation. For example, the raw materials of Tibetan tea come from high mountain ecological tea gardens, which grow at altitudes of 800 to 1200 meters. The raw material cost is relatively high, but it ensures the unique flavor and high quality of Tibetan tea.

(2) Market research and consumer analysis: After determining the basic cost, the Tibetan Tea Factory conducted in-depth market research and consumer analysis. Through research, the Tibetan Tea Factory understood the demand and price sensitivity of different consumer groups for Tibetan tea, thereby determining the target consumer group and market demand. For example, middle-aged and elderly consumers prefer the traditional flavor of Tibetan tea, while young consumers pay more attention to health and convenience.

(3) Competitor analysis: The Tibetan Tea Factory also considered the pricing strategies and market share of competitors. By analyzing the product prices, product quality, and market positioning of competitors, the Tibetan Tea Factory can formulate a price strategy that is competitive and reflects its brand advantages. This strategy helps the

Tibetan Tea Factory maintain an advantage in fierce market competition.

(4) Price setting and adjustment: Combining the above analysis, the Tibetan Tea Factory has set competitive product prices. After the product is launched in the market, the Tibetan Tea Factory continues to monitor market feedback and sales, and adjusts prices in a timely manner according to this information. This flexible price adjustment strategy allows the Tibetan Tea Factory to quickly respond to market changes and meet consumer demands.

## 4.2 Operating Status of the Tibetan Tea Factory in 2021

In 2021, Ya'an Tea Factory and the other five enterprises designated for the production of border tea in Yucheng District will produce a total of 3,057.12 tons of border tea, with a total output value of 74.7304 million yuan, and a total of 1,759.16 tons of border tea, with a cumulative sales of 44.5702 million yuan and a cumulative profit of 2.0121 million yuan. These data show that despite the dual pressure of production costs and market competition, Tibetan tea factories have achieved considerable economic benefits through effective cost control and market strategies.

(1) Production and Sales: The production and sales volumes of the Tibetan Tea Factory have reached high levels, reflecting its strong production capacity and market competitiveness. The increase in production volume also means the sharing of raw material procurement and processing costs, which helps to reduce the cost per unit of product.

(2) Output Value and Profit: The growth in cumulative output value and sales, as well as the achievement of cumulative profit, indicates the success of the Tibetan Tea Factory's business strategy. The improvement of these economic indicators not only brings economic benefits to the Tibetan Tea Factory but also provides financial support for its further development and market expansion.

(3) Policy Support: As a designated production enterprise for special ethnic goods, the Tibetan Tea Factory enjoys national tax preferential policies, including value-added tax exemption. These policy supports reduce the operating costs of the enterprise and enhance its profitability.

Through case analysis, it can be seen that the Tibetan Tea Factory has adopted a series of effective strategies in achieving producer equilibrium. From cost control to market demand analysis, and then to competitor analysis and the formulation and adjustment of pricing strategies, the Tibetan Tea Factory has demonstrated its adaptability and strategic vision in the market economy.

## 5 Conclusion and Outlook

The case analysis of the Tibetan Tea Factory shows that through refined market research, differentiated product strategies, effective cost control, and active market response, the Tibetan Tea Factory has successfully achieved consumer equilibrium and producer equilibrium. The Tibetan Tea Factory has not only achieved economic success but also made contributions in cultural heritage and social responsibility, reflecting the social value of the enterprise. The business strategies and practices of the Tibetan Tea Factory provide valuable experience for the modern development of traditional ethnic industries.

The Tibetan Tea Factory should continue to deepen market research, grasp the trends of consumer demand changes, and continuously innovate products and services to adapt to new market demands. At the same time, the Tibetan Tea Factory should further strengthen brand building and cultural promotion to enhance the international influence of Tibetan tea. In terms of cost control, the Tibetan Tea Factory should continue to optimize supply chain management, improve production efficiency, and reduce costs. In addition, the Tibetan Tea Factory should make full use of government policy support, seize development opportunities, expand production scale, and expand market scope. Through these measures, the Tibetan Tea Factory is expected to promote the development of the Tibetan tea industry while making a greater contribution to national unity, regional economic development, and social stability.

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