

## **The Deer and the Bubble Tea: A Case Study of The Alley**

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In the summer of 2017, The Alley, a Taiwanese chain of tea drink beverage stores burst onto the scene in Hong Kong. Almost immediately, long lines of customers began to form in wait of their line of fruit or milk based tea drinks, most notably, the Deerioca Brown Sugar series which feature tapioca pearls and cooked brown sugar in fresh milk. Social media further highlighted The Alley's popularity with numerous photos and positive reviews online. As one food blogger described, "it's Hong Kong's latest bubble tea craze and has no signs of slowing down". Despite waiting an average of 30 minutes and paying a relatively higher price than most bubble teas, the majority of customers deemed the experience to be worthy.

Hong Kong is not unfamiliar with keeping up with the latest craze and most popular trends. As technology continues to grow exponentially and censorship is limited, more and more people – particularly the youth – are exposed to, and engaged, in popular culture from all across the world. Subsequently, this drives a demand for global products and experiences that may be unavailable through local enterprises. To help meet demand with supply, it also helps that as the freest economy in the world, Hong Kong encourages and makes it easy for foreign brands to open shop in the city and gain access to over 7 million potential customers.

Yet, as with most trends, competitors naturally "catch on" to popular business ventures, particularly for products that are easily imitable, common and in demand such as milk tea. Indeed, copious Taiwanese tea shops ranging from large chains (e.g. Sharetea, Gongcha, and TenRen) to local stores have popped up all over Hong Kong selling similar items (e.g. milk, tapioca pearls, cooked brown sugar). As such, despite

being the frontrunner of the bubble tea race now, The Alley needs to carefully its business-level strategy as several challenges threaten the sustainability of its success.

### **The good, the bad, and the ugly**

There are several reasons why The Alley seems to be successful, the first of which is that The Alley's aesthetics of its physical stores and its products is designed stylishly and whimsically, reflecting an image of being premium, expensive, clean and modern. Adopting a woodsy, outdoorsy theme, the logo of The Alley features a simple deer logo with prominent antlers which is eye catching to many because of the lack of obvious association to tea beverages. Additionally, The Alley's signature product looks artistically beautiful. As one blogger wrote, "the presentations of the tea series are remarkable". A google search of "The Alley" showcases a plethora through multiple sources of social media. Another reason of success can be attributed to the fact that The Alley differentiates itself by sourcing high-quality seasonal ingredients, ensuring that the taste is consistent and creating different flavours and blends that cater to Hong Kong people's tastes. Several online reviewers have noted the quality and uniqueness of the product, remarking that they "love the texture and sweetened tapioca, and the product was indeed very unique" and "tapioca pearls were definitely excellent and some of the best I've had in Hong Kong".

However, heavy competition and imitation threaten The Alley's success. An abundance of Taiwanese bubble tea shops have appeared in similar locations, providing alternative drinks for customers at reasonable price points and faster service times. For example, a Tapioca Milk Tea – the most basic type of milk tea – starts at 20 HKD at The Alley compared to 18 HKD at both ShareTea and GongCha. Waiting times at the latter shops are also two thirds shorter. Also, unsurprisingly, similar

brown sugar drinks to The Alley's are also available at other shops; this is because the basic ingredients of a milk tea allow for competitors to easily and cheaply imitate the product.

One year later, The Alley is currently at an important juncture in its decision making. As growing competition is grabbing more and more of the bubble tea market share, and customers' curiosity is waning, The Alley can no longer rely on the same influx of customers to sustain their initial growth. As some customers have started to realize, "although the drink was good, I will not queue again" because "queuing up for half an hour is a chore and pilgrimage". Slowly, customers are noticing that "There are so many bubble tea places. But why does The Alley have such a long queue? It's just bubble tea".