

Using Marketing Mix Theory to Analyze the Successful Reasons on Heytea's Co-branding Strategy

Luyu Chen^{1,a,*}

¹*RCF Experimental School, Beijing, 100028, China*

a. chenluyu@rdfzcygj.cn

**corresponding author*

Abstract: Since May 2023, when Heytea established a co-branding alliance with Fendi, its sales and popularity have significantly increased. Several retailers faced a shortage of the product within the first week following its launch. This study sought to examine the elements that have contributed to the successful cross-border co-branding cooperation between Heytea and Fendi. This study employs the marketing mix theory of the 4Vs to analyze the situation of Heytea from three angles: value strategy, variation strategy, and vibration strategy. Heytea had success by using three crucial factors: augmenting the perceived worth of their product, providing a wide array of products to cater to a broader consumer demographic, and producing enthusiasm to captivate public attention. Similarly, the three suggestions are to improve the caliber of products, provide customized service, and engage influencers. This study offers an extensive investigation into cross-border co-branding in China, with significant implications for other companies and industries.

Keywords: Value strategy, Variation strategy, Vibration strategy, Co-branding

1. Introduction

Since the pandemic outbreak, consumers' health concerns for food and drinks have increased. With the development of the beverage market segment and the improvement of consumers' health awareness, sugar-free tea drinks with tags of "healthy," "fresh food," and "0 sugar" have become mainstream in the beverage market [1]. Heytea is one of those brands that produces healthy, hand-made fruit tea and milk tea. As demand increases, more and more producers join the market, creating various brands and fierce competition. To increase competitiveness and raise public awareness to increase profits, co-branding became a popular strategy. With this policy, Heytea was the most representative brand. In 2023, Heytea started its first try at co-branding with the luxury brand Fendi. Three days after the product's release, Heytea sold more than 1.5 million cups, demonstrating the great success of the co-branding [1].

Research on the beverage industry's co-branding strategy, particularly Heytea, has a long history. Yang studies the Internet spread of the co-branding of Heytea and Fendi, using the Internet symbolic consumerism approach [2]. The theme analysis investigates the stage characteristics and deep connotation of luxury brand co-branding in relation to communication on social media platforms [2]. Using the two-axis semiotics theory, Gao investigates the co-branding packing design strategy [3]. Zhang studies Heytea's co-branding strategy using content analysis and in-depth interviews [4]. Research on the joint marketing of Heytea was carried out [4].

Most previous studies focused primarily on a specific aspect—Internet marketing strategy, packaging, or holistic strategy for the past decade—to analyze co-branding. Until now, no previous research has thoroughly investigated Heytea co-branding with Fendi, which is the most significant cross-boundary co-branding case. This study aims to address this gap by primarily examining the co-branding strategy of beverage brands collaborating with luxury brands, conducting a thorough and comprehensive analysis of the Heytea and Fendi cases, and utilizing quantitative methods to determine the factors contributing to their success. One might formulate the research question as follows: What are the reasons for Heytea and Fendi's cross-border co-branding success? This study aims to make a deep-down analysis of the cross-border success of hand-made beverage brands (Heytea) with luxury brands (Fendi) and give possible suggestions for the next steps of Heytea and Fendi. Other similar brands can assemble this case for higher revenue and popularity, and further apply it to other fast-moving consumer goods (FMCGs), thanks to the wide applicability of the contributions made here.

This study will utilize Heytea's case study to examine the co-branding process, encompassing the case description, problem analysis, and recommendations. This paper will provide an introduction to the co-branding case between Heytea and Fendi, as well as an analysis of the issues associated with this case. Subsequently, theories, statistics, and calculations will be utilized to scrutinize the factors contributing to the achievement. Ultimately, based on the study of success, recommendations will be provided sequentially.

2. Case Description

Heytea is a popular beverage brand in China. It originated in Guangdong, China, in 2012. The company will be one of the top ten brands in China's food and drink industry from 2021 to 2023. It has received at least 4 billion RMB of investment from Tencent Investment, Sequoia Capital China, Hillhouse Capital, Temasek, IDG Capital, Meituan, and other institutions. By March 2024, Heytea will have 3,025 stores in operation, while 200 stores will have been closed. Stores have a survival rate of 94% [5].

Heytea has completed about 110 joints in total, and the category of co-branding is abundant (as shown in Table 1) [6]. In June of 2017, Heytea started its first joint venture with Maybelline and accomplished three co-branding collaborations in the rest of the year [6]. In 2018, the second year of co-branding, the brand finished 11 joints, while in 2019, the frequency boomed to 26 times [6]. By June 2020, the number of joint names completed by HeyTea will be approximately the sum of its two main competitors, Nayuki Tea and Lele Tea [6]. Later on, HeyTea fixed the frequency of co-branding at about 20 times a year [6].

Table 1: Category of co-branding of Heytea [6].

Co-branded category	Number of joint names
IP (films and television, games, etc.)	14
Food	12
Drinks (including wines)	12
Catering	11
Makeup (skincare, cosmetics)	9

Table 1: (continued).

Co-branded category	Number of joint names
Celebrity	6
Website	6
Fashion brand	5
Costume	5
Large-scale activity (exhibition, music festival)	5
Shop (supermarket, club)	4
Cultural and Creative Industries	4
Cup	3
Luxury	1
Others	14

(Data source: <https://www.21jingji.com>)

Heytea is not the first drink brand to join luxury brands. Louis Vuitton and Manner Coffee co-branded in 2022, but the results were not promising. Manner didn't get authorization for the classic color and pattern of Louis Vuitton, and the logo of LV wasn't signally displayed on the cup. Additionally, the limited drinks are only available in a few designated stores. Due to the marketing strategy of getting free Louis Vuitton canvas bags only for consuming expensive Manner hardcovers, the doubts on the internet about the canvas bags are drastic, shifting public attention to Manner's original joint product—coffee. Eventually, the flash mob prematurely terminated.

Heytea learned from the collaboration between Manner and LV, using the symbolic color of Fendi—bright red—and the brand logo on the cup and related products, and expanding the scope of cooperation to nationwide stores [7].

The co-branding turns out to be a great success. More than 1.5 million cups sold in the first three days of the product release [1]. Additionally, the collaboration drew a lot of attention from society. When launched, the tag #Heytea x Fendi was on the top search of the Weibo social hot list, the Tiktok brand list, and the small red book hot creation list. The collaboration generated more than 100 million UGCs [1].

3. Analysis

3.1. Marketing Mix Theory

Marketing mix theory includes multiple variables of focus as part of a comprehensive marketing plan [8]. It was first developed by Neil Borden in 1949, suggesting that when constructing advertising and marketing software to meet the wishes of his firm, the advertising and marketing supervisor has to weigh the behavioral forces, after which he juggles advertising and marketing factors in his blend with an eager eye at the assets with which he has to work [9]. The marketing mix theory of 4Vs includes four core components: value, variation, versatility, and vibration.

Value refers back to the advantages that a consumer perceives they acquire while purchasing a product or service [8]. It represents prices, quality, convenience, and the overall consumer experience [8]. It emphasizes the importance of producing according to consumers' needs and preferences [8].

Variation refers to the range of data types and sources available to marketers [8]. Customers interact with brands across multiple platforms and applications, which provides marketers with diverse data to refer to [8]. It also represents the range of products and services a brand provides to meet diversified customer needs and stay competitive [8]. It emphasizes the importance of offering various options to meet the different needs and preferences of consumers and attract more [8].

Versatility focuses on the flexibility and adaptability of marketing strategies and offerings [8]. It involves a product design strategy to serve multiple purposes or address diversified consumer needs [11].

Finally, vibration could represent the dynamic and interactive nature of marketing efforts [10]. It refers to the ability of a marketing strategy to interact with consumers and thus stimulate the desire to purchase, such as by creating excitement, engagement, or emotional resonance [8]. Vibration could imply the impact, or "vibrancy," that marketing campaigns have on target audiences [8].

This theory is usually employed in market segmentation research, investigating the diversity or variability of consumer preferences, behaviors, or market conditions, determining product design and pricing strategies, considering the psychological impact of marketing campaigns, and analyzing how vibrations in consumer attitudes and behaviors influence purchasing decisions.

3.2. Reasons on Value Strategy

A successful value strategy contributes to the success of co-branding. By co-branding with Fendi, Heytea elevated its brand perception among consumers, positioning itself as a premium and fashionable beverage option. Inspired by FENDI's classic "FF logo," the logo was modified to the inverted "double happiness (Xi)" "and engraved on the badge. Simultaneously, they selected the representative category of FENDI bags and incorporated black leather into the coasters. A series of limited product designs not only highlights the texture and tonality of FENDI but also injects fashion and fresh vitality into the happy tea, establishing a high degree of recognition in the hearts of consumers. As luxury goods are famous and valuable for their classic design, especially their logos, this co-branding undoubtedly increases the perceived value of this product. For the younger consumer group, although for most of them, luxurious goods are unaffordable, the desire for luxury goods and the awe of luxury brands are relatively high. On FENDI's official website, the minimum price for a handbag is more than 10,000 yuan; a T-shirt is five or six thousand yuan; and the cheapest ring is more than 2,000 yuan. During the event, one cup of "FENDI Joy Yellow" costs only 19 yuan [9]. Customers who purchase two cups will receive a joint badge or coaster, along with a specially designed FENDI bag for the joint event [9]. The collaboration added perceived value to Heytea's offerings, making them more desirable and exclusive. Consumers were willing to pay a premium price for the co-branded products due to the perceived luxury and quality associated with Fendi.

Previous research conducted by Feng et al. has demonstrated that aligning prices with the consumer's perceived value can lead to an increase in consumer surplus, hence stimulating demand [10]. This finding was supported by a logical model [10]. Furthermore, Yu confirms that incorporating a logo onto the goods can enhance buyers' desire for them [11].

3.3. Reasons on Variation Strategy

An effective variation approach is also essential for success in the co-branding instance. In the instance of Heytea and Fendi's co-branding cooperation, the "variation" element was critical in

drawing a larger client base and increasing the overall appeal of Heytea and Fendi's co-branding collaboration.

Firstly, in this co-branding, Heytea and Fendi offer a varied range of products to fulfill a variety of demands and tastes. "Joy Yellow" uses brilliant yellow as its topic color, not only choosing yellow fruits such as mango, orange, and passion fruits blended with a green tea base but also producing yellow "Fendi-styled" bags and cups with intricate decorations.

Secondly, with the introduction of unique and limited editions of co-branded items, diversity became abundant. Limited availability fosters a sense of exclusivity and increases customer hobbyism and urgency. The co-branding lasted for one month, from May 19 to June 16, 2023.

Furthermore, the joint brand's introduction quickly sparked the interest of many consumers in making purchases, despite the scarcity of comparable items and food ingredients. Numerous brick-and-mortar establishments saw increased visitation, while online shopping platforms sold out. Five minutes after the product's announcement, one store in Beijing received orders for 468 cups, resulting in an estimated wait time of 150 minutes. During the co-branding month, Heytea and Fendi held an exhibition, "Hand-in-Hand Teahouse," in Temple, Beijing. This exhibition focuses on local Chinese Yi cultural handicrafts and traditions. The display features customized products like "Mujiangzi Special Flavor," "Mujiangzi Yogurt Puffles," Manmang Manna Box Cake, and "FENDI Joy Yellow Special Flavor," along with co-branded accessories like coasters and badges. Heytea and Fendi might effectively target other consumer categories beyond their existing client base by introducing a diverse selection of items. By offering a variety of options, Heytea and Fendi were able to attract not only regular Heytea customers but also fashion lovers, luxury consumers, and trend-conscious individuals, who became Heytea fans due to their cooperation with Fendi.

Researchers have confirmed that incorporating variance is crucial when determining marketing strategy. Yuan Li has conducted research on the impact of limited products on consumer demand stickiness, trend creation, and consumer engagement [12]. According to Xinpeng Liang's consumer behavior study, increasing the range of products can enhance consumers' loyalty to a brand. This finding applies to this example, as the co-branding effort introduced a wide variety of activities and products [13].

3.4. Reasons on Vibration Strategy

The success of co-branding heavily relies on implementing a well-executed vibration strategy. Utilizing strategic social media engagement and forming partnerships with influencers greatly enhanced the brand's vibrancy. Heytea and Fendi utilized well-known influencers and celebrities to promote their co-branded products on social media, generating excitement and delight among their followers. Many consumers eagerly anticipated purchasing Heytea in order to acquire the exclusive "Fendi products" such as coasters, badges, and handbags. Prices in second-hand markets can fluctuate significantly. Coasters, for example, can be priced at over 100 yuan, while badges and handbags can sell for just a few dozen yuan. Even a simple cup can be sold for more than ten yuan. The discussion of co-branding on Chinese social media sites like Weibo and Xiaohongshu was incredibly lively. Phrases such as "Got my first FENDI in HeyTea," "fantastic FENDI design and texture," and "20 years old, got the joint FENDI in full" gained popularity on hot lists, while positive comments praising the good service and good tastes became the prevailing sentiment [14]. During the initial three days of the product launch, the hashtag #heyteaxfendi gained significant traction on Weibo, accumulating nearly 20 million views [14]. Many users have a common interest in creating secondary products. These products include badges attached to bags, clothes, stickers turned into bags, cardboard boxes, toy cars, and more. They have gained significant attention from the public [14].

Considering past studies, experts study the importance of resonating with consumers in marketing. Zhao's study suggests that firms should adapt their marketing strategies to shifts in consumer

psychology to achieve stable development [15]. Moreover, Wang explores the key role of consumer behavior analysis in the development of marketing strategies, introduces the stages of consumer decision-making, the internal and external factors that influence consumer behavior, and how to apply these insights to develop effective marketing strategies, including product, price, promotion, and distribution strategies [16]. The results show that in-depth analysis based on consumer behavior can help enterprises more accurately meet market demand and achieve a competitive advantage [16].

4. Suggestion

4.1. Suggestion on Value Strategy

In the Chinese beverage market, Heytea faces many competitors, including Guming, Coco, and Nayuki Tea. Heytea had to face these competitors, who have scales of several [14]. As a result, Heytea should improve product quality and innovation, invest more in research and design (R&D), and discover a new supply chain of ingredients that can lower production costs while also improving taste. For instance, it can cultivate tea with a special taste or function.

A similar brand is Starbucks, which is the dominant and most popular coffee brand all over the world. Starbucks' continuous innovation in coffee beverages and food offerings has contributed to its strong brand loyalty and customer retention. In 2022, building on the company's endured efforts to elevate the bar on coffee, Ruggeri (executive vice president and chief financial officer) highlighted its beverage innovation, drastically in cold espresso and plant-based products, as one of the company's quickest-developing categories [17]. Cold drinks accounted for almost 70 percent of Starbucks's overall beverage sales last fiscal year, up 20 percent over the last 3 years [17].

4.2. Suggestion on Variation Strategy

Offering tailored experiences boosts customer satisfaction and promotes customer loyalty. Heytea offers a wide range of menu options, allowing customers to personalize their orders and cater to their unique preferences. Heytea has the potential to enhance its offerings by providing customers with the ability to customize their beverages. This could include options to select toppings, adjust sweetness levels, or experiment with different flavor combinations.

Chipotle, a catering brand known for its highly customizable burritos and bowls, employs a similar strategy. Chipotle began testing some loyalty programs on a small scale in 2015. Later, it launched Chipotle Rewards nationwide in early 2019, and the company began to see the possibility of building closer customer relationships [18]. By the end of 2019, Chipotle Rewards had grown to 8 million members, and by the end of 2020, the loyalty program's reach had more than doubled to 17 million members [18]. Chipotle customers have embraced these experiences, with digital sales growing 24.7% to more than \$3 billion in 2021 [18]. In the second quarter of 2022, digital orders accounted for 39% of total restaurant revenue [18]. This customization approach caters to individual preferences and increases customer engagement.

4.3. Suggestion on Vibration Strategy

In order to generate enthusiasm and establish a strong connection with consumers, Heytea can increase its collaboration with influencers and develop unique hashtags. For instance, Glossier, a beauty company that focuses on minimalism and efficacy, gained popularity as a result of its ambassador program. Emily Weiss, the Teen Vogue fashion assistant, initiated a supplementary entrepreneurial endeavor in 2010 by creating a beauty blog named Into the Gloss. The blog rapidly acquired a loyal audience due to its candid and empathetic approach to beauty subjects, which led her to establish her own beauty enterprise in 2014 [19]. Blank spaces and adhesive labels accompany

Glossier goods, facilitating customization and the production of distinctive content. Glossier frequently shares well-crafted content showcasing their products on their primary social media platform, thereby reaching their extensive following of 2.7 million individuals [19]. Glossier's marketing strategy is characterized by its simplicity and directness. The company focuses on developing customized products that inspire customers to generate content. Glossier then shares and reposts this customer-generated material, while also encouraging the creation of more high-quality user-generated content [19]. By adhering to this strategy, Glossier can establish a robust sense of community and consistently enhance the caliber of the information being disseminated.

5. Conclusion

Following the pandemic, there was a surge in popularity for the beverage market, particularly for quick beverages. The ease of entry led to the creation of countless brands. In order to increase their market share, brands implemented several marketing methods to attract public attention and generate a larger income. In this particular scenario, the research focused on analyzing the co-branding partnership between Heytea and Fendi. The goal was to investigate the factors that contributed to this collaboration's success. In order to investigate this inquiry, this study established the concept of co-branding and subsequently examined the factors contributing to its triumph by employing the marketing mix theory of 4Vs. The investigation yielded three recommendations pertaining to various elements. The triumphant value strategy, diversity strategy, and oscillation strategy might encapsulate the factors contributing to the success of co-branding.

This research makes a valuable contribution by examining the co-branding partnership between Heytea and Fendi, which is widely regarded as one of the most successful examples of cross-border co-branding. By researching marketing strategy, other firms can learn how to effectively co-brand and enhance the popularity of their own brands. Nevertheless, a drawback of this study is its narrow scope, as it exclusively examined the Chinese beverage market, thus potentially limiting its generalizability to other co-branding contexts. Every co-branding campaign involves distinct logo dynamics, marketplace conditions, and customer preferences. Hence, the recommendations provided will not result in an equivalent level of satisfaction for various manufacturers or partnerships. To further investigate, researchers can perform comparative case studies on co-branding initiatives in various industries and markets to uncover shared criteria for success and variations based on context.

References

- [1] Huang, X.Y., (2024), 3-yuan drinks disappear below the line? *China South Daily*, B01.
- [2] Yang, L.Y. (2024). *A study on the social media network diffusion of luxury goods co-branded "Broken Circle". Satellite Television and Broadband Multimedia* (02), 71-73+76.
- [3] Gao, Y. (2024). *Research on brand co-branded packaging design strategy from the perspective of Semiotic two-axis theory: A case study of "Happy Smile". With time (on)* (02), 87-89.
- [4] Zhang, Z.C. (2021). *Research on co-branded marketing strategy of Heytea. Business and economics* (06), 73-75+77.
- [5] Wei, Z.R. (2024). *Heytea franchise fee and conditions of joining*. Retrieved from <https://finance.sina.com.cn>
- [6] Huang Y.P. (2023). *Case study - Heytea, How is the ceiling of co-branded marketing refined?*
- [7] Guo, Z.H. (2023). *Heytea x FENDI "Joy Yellow" exploded! Chinese tea brands join hands*. Retrieved from <https://Jiupai Finance.com>
- [8] Brendon V.R. (2023). *Understanding the 4V Marketing Strategy: A Comprehensive Guide*. Retrieved from <https://www.mediummultimedia.com>
- [9] Bai, Y. (2023). *Heytea co-signed FENDI, allowing me to achieve luxury freedom*. Retrieved from <https://www.163.com>
- [10] Feng, Q.Q., Liu, B.H., Zheng H.D., Chen Y.H., Song Q. (2020). *Remanufactured product pricing based on customer perceived value...* (eds.) *Proceedings of the 15th Annual China Management Conference* (2020) (pp.136-145).
- [11] Yu, X.F.Y., (2023). *Application of brand visual contact in new tea drinks. Art and design (theory)* (12) and 43-45.
- [12] Li, Y. (2022-03-28). *Crack the marketing code behind the "Spring Limit". China Business Journal*, D01.

- [13] Liang, X.P., (2018). *With the diversification of goods and services to guide the change of customer consumption habits*. *China Economic and Trade Guide* (36),15-17.
- [14] Zhang, C.Y., (2023). *Young people's "first luxury" for only \$19?* Retrieved from <https://www.jiemian.com>
- [15] Zhao, R., (2022). *Analysis of marketing strategies based on changes in consumer psychology*. *Modern business* (20), 18 to 20.
- [16] Wang, G.Z., (2024). *Application of consumer behavior analysis in marketing strategy*. *Mall modernization* (06), 59-61. The Doi: 10.14013 /j.carol carroll nki SCXDH. 2024.06.057.
- [17] Starbucks Official Website (2022). *Starbucks Showcases Innovation for Growth and a More Connected and Sustainable Future at 2022 Annual Meeting of Shareholders*. Retrieved from <https://stories.starbucks.com>
- [18] Mark H. (2021). *Chipotle Takes Customers on Personalized Food Journeys with CRM*. Retrieved from <https://www.uschamber.com>
- [19] Saral (2023). *How Glossier used an ambassador program to become part of skincare and makeup kit of 5M People*. Retrieved from <https://www.getsaral.com>