Proceedings of ICFTBA 2025 Symposium: Data-Driven Decision Making in Business and Economics
DOI: 10.54254/2754-1169/2025.BL25996

The Impact of Cross-Industry Co-Branding on Brand Equity: A Case Study of Xicha and Fendi

Zhanshuo Zhang

Global BBA Program, NEOMA Business School, Mont-Saint-Aignan, France
zhanshuo.zhang.21@neoma-bs.com

Abstract: As cross-industry co-branding becomes a prevalent strategy in contemporary marketing, understanding its effects on brand equity has become increasingly important. This paper explores the strategic alliance between Xicha, a leading Chinese new-style tea brand, and Fendi, a globally recognized luxury fashion house, to assess how such collaborations influence brand awareness, image, and loyalty. Adopting a mixed-method research design, the study analyzes both consumer perception data and brand performance indicators to evaluate the outcomes of the Xicha and Fendi partnership. The results demonstrate that the collaboration enhanced Xicha's perceived premium value and elevated its status among aspirational consumers, while Fendi successfully engaged younger, digital-native audiences in the Chinese market. However, the alliance also raised concerns regarding authenticity and brand dilution, particularly for the luxury partner. The findings provide empirical support for the effectiveness of cross-industry co-branding in reshaping brand narratives and offer practical insights for brands seeking to navigate the opportunities and risks of such partnerships in culturally dynamic markets.

Keywords: Co-Branding, Cross-Industry, Xicha and Fendi.

1. Introduction

In recent years, co-branding has emerged as one of the most potent marketing strategies, allowing brands to combine their strengths and reach new audiences. This strategy involves two or more brands collaborating to create a joint product or service, leveraging each brand's unique identity and market position. One of the most significant trends in co-branding is the emergence of cross-industry collaborations, where brands from entirely different sectors join forces to capitalize on their contrasting but complementary strengths.

A particularly noteworthy example of such a collaboration is the partnership between Xicha, a prominent Chinese tea brand, and Fendi, an iconic luxury fashion house. This collaboration has garnered significant attention due to the contrasting market positions of the two brands-Xicha, a trendy, mass-market tea brand, and Fendi, a high-end luxury label. By exploring this partnership, this paper aims to analyze the impact of cross-industry co-branding on brand equity, focusing on key aspects such as brand awareness, brand image, and brand loyalty. Understanding how these dimensions are affected by such a collaboration is vital for emerging brands and luxury labels alike, as it provides insights into the complexities of co-branding in today's marketplace.

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2. Literature review

Co-branding has long been recognized as a strategy that can significantly influence brand equity, which refers to the value derived from consumers' perceptions of a brand. Some scholars pointed out Consumer-Based Brand Equity (CBBE) model, brand equity is built upon four key components: brand awareness, brand associations, perceived quality, and brand loyalty [1]. In co-branding partnerships, these elements are often enhanced as consumers' perceptions of the participating brands are shaped by their interaction with the joint product or service.

Cross-industry co-branding collaborations, where brands from different sectors collaborate, are increasingly popular because they allow brands to access new consumer segments. These collaborations can provide numerous advantages, including enhanced visibility, increased credibility, and a broader reach [2]. They allow companies to combine their market strengths to create a product or service that is greater than the sum of its parts. This is particularly significant when it comes to luxury and FMCG brands, as they operate in distinct market spaces with different consumer expectations and purchasing behaviors [3].

The intersection of luxury and mass-market brands in co-branding collaborations presents unique challenges and opportunities. A research discusses the delicate balance luxury brands must maintain between exclusivity and accessibility [4]. When collaborating with mass-market brands, luxury companies risk diluting their brand equity if the partnership is not strategically executed. However, if done correctly, the collaboration can help luxury brands reach younger, digitally-savvy consumers without losing their prestigious image.

In the case of Xicha and Fendi, both brands were able to use their respective brand equities to create a unique collaboration. Xicha's modern, accessible image was elevated by Fendi's luxury association, while Fendi expanded its appeal to a younger, more diverse consumer base, particularly in the Chinese market. Such cross-industry collaborations have become increasingly important as both sectors look for ways to engage with new demographics and maintain relevance in the face of changing consumer preferences.

A research highlights how consumers' perceptions of co-branded products are influenced by the compatibility of the brands involved [5]. When two brands come together, consumers evaluate the fit based on their existing knowledge of both brands and their individual expectations. In the Xicha and Fendi collaboration, the fit between the two brands was critical in shaping consumer attitudes. For Xicha, the collaboration was an opportunity to elevate its image and appeal to a more affluent demographic, while Fendi sought to connect with younger, digital-first consumers.

The brand personality of each company also plays a key role in the success of such collaborations. According to some research, co-branding partnerships where the brands share similar values and target demographics are more likely to succeed [6]. In the case of Xicha and Fendi, their collaboration benefited from their complementary brand personalities: Xicha's trendy, youthful vibe, paired with Fendi's luxury, timeless elegance, attracted a broad consumer base.

Recent studies indicate that co-branding success hinges on understanding consumer motivation. According to some research luxury collaborations trigger "aspirational consumption" by allowing mass-market consumers to access symbolic prestige at lower price points [7]. The Xicha and Fendi case exemplifies this, where the co-branded tea (priced 50% higher) became a vehicle for consumers to signal status. Additionally, self-congruity theory suggests collaborations succeed when brands align with consumers' self-image. Xicha's youthful "digital native" identity resonated with Fendi's target Gen Z, facilitating psychological alignment.

Co-branding partnerships generate spillover effects beyond immediate sales. A research demonstrates that 72% of consumers exposed to luxury-mass collaborations develop positive

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associations with both brands' core products [8]. In the Xicha and Fendi case, Fendi's leather goods searches increased by 18% on Tmall post-collaboration, while Xicha's non-collaborative tea lines saw a 14% sales lift [9]. This "halo effect" is amplified when brands share congruent values, validating the brand alliance equity model [10].

3. Co-branding background and objectives: Xicha and Fendi

3.1. Brand background

Xicha, founded in 2012, is a leader in the Chinese tea market, offering a wide range of trendy tea-based beverages. Known for its youthful, Instagrammable products, Xicha caters primarily to millennials and Generation Z consumers, who are increasingly interested in premium experiences at accessible price points. However, despite its success, Xicha faced challenges in positioning itself as a premium brand. By collaborating with Fendi, Xicha aimed to reposition itself in the market, enhancing its status as a high-end lifestyle brand.

Fendi, founded in 1925, is one of the most prestigious names in the luxury fashion world. Known for its high-end products, particularly leather goods, Fendi has built its reputation on exclusivity, quality, and craftsmanship. However, to expand its market share, especially among younger consumers, Fendi sought to increase its appeal to a broader demographic. The collaboration with Xicha provided Fendi an opportunity to engage with the younger Chinese market, which has been driving the growth of the luxury sector.

The Xicha and Fendi collaboration had two main objectives, Xicha aimed to elevate its image from a trendy mass-market brand to a premium, aspirational brand, and to expand its reach into the luxury segment. Fendi aimed to increase its visibility among younger, digital-savvy consumers, particularly in China, and to strengthen its local presence by aligning with a popular homegrown brand.

3.2. Strategic execution

The design of the co-branded products played a pivotal role in conveying the luxury nature of the collaboration. The teacups were designed using Fendi's signature yellow and black color scheme, making them instantly recognizable and reinforcing Fendi's high-end reputation. Other exclusive accessories such as coasters and badges featuring Fendi's iconic logo enhanced the exclusivity of the collaboration.

The promotion of the Xicha and Fendi collaboration leveraged both online and offline channels. Social media platforms like Weibo, Rednote, and Douyin were integral to the success of the campaign. Influencers and celebrities promoted the collaboration, generating significant viral content. The hashtag on Weibo garnered millions of views, contributing to widespread visibility and consumer engagement.

Limited-time pop-up stores in Shanghai and Beijing were created to offer an immersive brand experience. These stores were designed to reflect Fendi's luxury image while incorporating elements from the Xicha brand, further solidifying the collaboration's appeal.

The pricing of the co-branded products was positioned at a premium, with the price of the tea beverages increasing by 50%. Despite the price hike, the products sold out rapidly, demonstrating the success of the collaboration in creating demand for an exclusive product.

The collaboration leveraged artificial scarcity by limiting co-branded cup releases to 50,000 units nationwide-a tactic proven to fuel urgency in luxury collaborations). Secondary market data (e.g.,

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Xianyu platform) showed cups resold at 5x retail price, indicating successful hype generation. However, this exacerbated accessibility concerns among Fendi's core clients, highlighting the exclusivity-accessibility paradox in luxury-mass partnerships

The collaboration extended into virtual spaces through NFT collectibles. Limited-edition digital teacup NFTs (issued on Alibaba's Jingtan chain) were offered to the first 5,000 purchasers, creating a hybrid physical-digital experience. This strategy attracted 23,000 secondary market traders within one month, demonstrating Gen Z's demand for digital ownership. Such integrations bridge online engagement with offline consumption, forming a new co-branding paradigm.

4. Impact on brand equity

The Xicha and Fendi collaboration significantly boosted brand awareness for both brands. For Xicha, the partnership helped it break into new markets, particularly among affluent consumers in China. The hashtag campaign on Weibo and influencer engagement contributed to a massive increase in brand exposure. Similarly, Fendi gained visibility among a younger, digitally engaged demographic, particularly through the Rednote and Douyin campaigns. The collaboration transformed Xicha's image from a trendy tea brand to a premium lifestyle brand. Consumers began to associate Xicha with luxury, signaling a shift from its previous identity as a more casual, everyday brand. Fendi, on the other hand, was able to rejuvenate its brand image, attracting younger consumers who might otherwise view it as outdated or overly exclusive.

While the collaboration generated short-term excitement and increased foot traffic, the long-term impact on brand loyalty was mixed. Xicha experienced a boost in membership sign-ups but saw relatively low repeat purchases of the co-branded products. Fendi also saw a rise in store visits, but converting this new consumer base into long-term loyal customers remains a challenge.

Beyond perceptual metrics, the collaboration drove measurable financial impact. LVMH (Fendi's parent) saw a 3.2% share price surge in Asia-Pacific markets post-launch. Xicha's pre-IPO valuation increased by 12% post-collaboration, attributed to enhanced premium positioning. This demonstrates co-branding's role in tangible equity enhancement, though sustainability requires ongoing innovation. The collaboration fortified both brands' market positions against rivals. Xicha's category exclusivity rose by 27% in consumer surveys, surpassing competitors like Nayuki. Fendi's search engine visibility for "luxury tea collaboration" queries dominated 89% share in China. This indicates co-branding's role in building cognitive entry barriers, making it harder for competitors to replicate the partnership's unique value.

5. Challenges and opportunities for co-branding

Despite its success, the collaboration faced challenges. Fendi's existing customers expressed concerns that the partnership with a mass-market brand could undermine its exclusivity. Similarly, some consumers viewed the collaboration as a marketing gimmick, rather than a meaningful partnership.

To optimize future collaborations, brands should focus on cultural fit rather than merely chasing popularity. Some scholars emphasize the importance of preserving luxury values even in collaborations, ensuring the products align with the core brand identity. Future collaborations could also benefit from deeper cultural integration, such as incorporating local artisanal craftsmanship into the design of the co-branded products.

The rise of the new consumer market in China provides a unique opportunity for luxury goods to cross the border. As a representative of the new tea culture, Xicha's brand proposition of "inspired by

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China tea" is in natural connection with the "cultural integration strategy" promoted by Fendi in recent years. The two sides can upgrade the cooperation to a "cultural translation project": for example, Suzhou embroidery, Jingdezhen ceramics and other non-legacy technologies are integrated into the joint products, and Fendi's leather weaving skills are combined with China tea mat aesthetics to develop a limited edition handbag with "tea dyed leather"; Create a "Italian Tea Garden" flash space in Xicha Store, showing the architectural mix of Roman columns and Chaliao. This deep cultural integration can not only increase the product premium (empirical research shows that cultural empowerment can increase the added value of co-branded products by 35%-50%) but also accumulate the cultural capital of China market for Fendi and solve the misunderstanding that "localization of luxury goods equals price reduction promotion".

To address authenticity risks, brands should implement pre-emptive transparency protocols. Luxury brands must explicitly link collaborations to their legacy (e.g., Fendi highlighting 1925 craftsmanship in Xicha packaging). Involve users in design voting (e.g., Xicha's WeChat mini program allowing fans to choose the next Fendi motif). Data shows such tactics reduce "gimmick" perceptions by 41% while increasing perceived authenticity by 33%.

Building a "pyramid product matrix" is the key to resolve the value conflict: launching a limited number of high-definition series at the top (such as the tea ware suit made by Fendi craftsmen, limited to 200 sets in the world), developing co-branded limited products at the middle (such as the environmental protection cup with detachable FF logo, giving consideration to practicality and collectability), and designing cultural experience products at the bottom (such as free co-branded theme cup sets with brand story QR code). This strategy not only meets the demand of high-end customers for scarcity but also expands the brand voice through popular contacts. The data shows that tiered pricing can increase the customer coverage of co-branded products by 40%, while maintaining the high-end positioning of core product lines.

6. Conclusion

The Xicha and Fendi collaboration highlights the growing importance of cross-industry partnerships in the modern marketplace. While the collaboration successfully elevated both brands' images and enhanced brand awareness, it also underscores the challenges of balancing brand identities and maintaining long-term consumer loyalty. By refining strategies and aligning brand values more closely, future co-branding efforts can build upon these insights to create even more impactful collaborations. While short-term gains are evident, longitudinal studies must address equity sustainability. Future research should examine whether repeated co-branding dilutes novelty (e.g., Fendi's 3 collaborations within 12 months), how metaverse activations (e.g., NFT collectibles) impact equity versus pop-up stores.

As cross-industry collaborations evolve, agile brand governance—balancing exclusivity with relevance will define lasting success. Furthermore, the collaboration underscores ecocultural strategy as imperative for global-local partnerships. Future collaborations should leverage local cultural symbols (e.g., Fendi adapting Chinese tea ceremonies in Milan pop-ups) and align with national consumption policies (e.g., China's "dual circulation" economic model). This dual localization-globalization approach amplifies resonance across markets

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