

Research on Reasons for Success of “Crossover” Marketing Strategy under the SMCR Model: The Case of HEYTEA and FENDI

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Abstract: “Crossover” is a marketing strategy in which two brands from different areas collaborate to illustrate the characteristics of target consumers from multiple perspectives, which has become the most popular marketing strategy in the past few years. There were 664 cases in the Chinese market from last March to March this year, like Disney and McDonald's, Sanrio and KFC and other famous brands. Therefore, this paper will discuss the reasons why some crossover cases are successful, taking the case of HEYTEA and FENDI as an example. The research methods of this study are literature reading and analysis of data, which are all from the brand's official website, platform data and professional statistical agencies. Finally, after analyzing under the frame of Berlo's SMCR Model of Communication, it can be concluded that the mutual choice of the two brands in Source, the form of the message, the target of the recipient and the choice of the Channel together caused the success of this crossover case.

Keywords: crossover, marketing strategy, HEYTEA, FENDI, SMCR model

1. Introduction

Crossover, as a new marketing strategy with good results, has attracted a large number of scholars in both domestic and international fields in recent years. Ji and Shen elaborated on the definition and forms of crossover strategies and their significance to enterprises [1]. Park, Jun, and Shocker investigated the effectiveness of a composite brand in a brand extension context through two studies [2]. Except for academic theories and conceptual studies based on brand crossover cooperation, there are also some case studies on it between specific companies. Hu Hao made a theoretical study of the innovation of Nike's development and crossover with other brands in the Chinese market [3]. Motion, Leitch, and Brodie analyzed the case of Adidas and the All Blacks to explore equity in corporate co-branding [4]. However, previous studies basically use traditional marketing models for analysis, such as SWOT, 4P and PEST models, but ignore the communication model, which is inseparably linked to marketing. Therefore, this study will innovatively use Berlo's SMCR Model of Communication to analyze the reasons for the success of the most striking crossover case of HEYTEA and FENDI this year. The purpose of this study is to provide new ideas for companies that want to transform their

traditional marketing methods, as well as a guide for companies that have adopted crossover strategies but failed to make them work.

2. An Overview of Crossover

2.1. Development of Crossover in International Business Marketing

In 1999, Puma's CEO, Jochen Zeitz, put forward the concept of "Crossover co-operation", when Puma teamed up with fashion designer Jil Sander to launch the high-end shoes. Since then, more and more international brands have enhanced their brand influence through crossover strategies. For example, Uniqlo's flagship store in New York became the first apparel retailer in the United States to introduce a Starbucks coffee shop. Uniqlo's flagship shop in New York became the first apparel retailer in the United States to open an in-store Starbucks coffee shop [5]. Up until now, crossover is one of the popular marketing strategies used by various brands.

2.2. Development of Crossover in Chinese Business Marketing

Chinese enterprises adopted this strategy later than international brands, mainly because it is not a traditional marketing model and faces implementation difficulties. However, the traditional marketing model is highly limited by the fierce market competition. With the development of mass communication, brands have begun to abandon the traditional marketing model and explore new ones. At the same time, brand marketing channels have also shifted from traditional print and TV media to mobile media [6]. Under these circumstances, more and more Chinese enterprises have transformed their marketing models into diversified and globalized ones. Crossover is one of the most representative strategies among them and can effectively increase brand exposure and awareness, has become the most popular marketing strategy in the past few years.

However, in the face of so many co-branded brands and products, consumers have started to get tired, and many of the crossovers have failed to work well to promote consumption. In such a situation, a case of crossover went viral this year, triggering many netizens to follow the trend of purchase and discussion. That is the crossover of HEYTEA and FENDI. Therefore, this research will explore why these two brands have crossed over and the reasons behind the success of this case.

3. Brief Introduction of Berlo's SMCR Model of Communication

Berlo's SMCR Model of Communication represents the process of communication in its simplest form. The acronym SMCR stands for Source (Sender), Message, Channel, and Recipient (Receiver) [7]. Under this theory, communication can be roughly understood as the process of sending and receiving messages through channels. Marketing is the process of creating value for a company through the creation and distribution of products or services, while communication is necessary for marketing to take place as it is how information about a company's products or services is disseminated to potential customers. As a result, communication is essential for effective marketing because it allows companies to reach out to their target market. It also allows feedback to be gathered and used to improve future marketing campaigns. Therefore, using the SMCR Model to analyze the case can comprehensively cover many aspects of marketing, considering the brand, commercial, platform and target group.

4. Analysis of the Reasons Under the Success of Case of HEYTEA and FENDI

4.1. Source (Sender): HEYTEA and FENDI

First, why these two brands choose to cooperate is worthy of attention. Fan Xiucheng considered that crossover has the following advantages: first is to realize complementary advantages and open new markets; second is to reduce promotional costs and save investment; third is to increase sales and maintain premium income; fourth break through the barriers to achieve growth; last is to improve brand equity [5, 8]. HEYTEA, as one of the Sources in this case, is a high-end Chinese milk tea brand that has arrogantly refused to cut prices or engage in any form of franchising. However, the "2021 China New Style Tea Drink Industry Research Report" released by iResearch Consulting shows that high-end milk tea brands represented by HEYTEA account for only 14.7 percent of the entire new style tea drink market, while low-end and mid-range brand represented by MIXUE Ice-cream & Tea account for 85.3 percent of the market. For corporate revenue, HEYTEA had to cut prices in January 2022 to cater to the low-end market and opened up franchising in November to increase market share. With such a huge adjustment in business strategy, HEYTEA still wants to maintain its high-end brand image. Thus, it is an excellent choice to cooperate with FENDI, an old Italian luxury brand known for its high-quality furs. However, some people have doubted the benefit Fendi has gained from this association, arguing that partnering with a fast-moving consumer goods (FMCG) brand pulls down its brand image and targets the wrong audience. Nevertheless, the truth is that FENDI is also very profitable in this cooperation.

On the one hand, compared to LV, DIOR, and GUCCI, FENDI is not as good as other luxury brands both in terms of sales volume and popularity. On the other hand, it has worked hard on crossover and collaborating with celebrities and influencers in the past few years to get rid of the stereotype of being old-fashioned and lower the consumption threshold for young people. For example, it began to launch a small monster-like fur pendant in 2012, which not only caught the eyes of young people but also made FENDI much more well-known worldwide. However, in the past two years, FENDI's reputation among the young has gradually declined, so a crossover with HEYTEA is not a bad way to delight Chinese consumers.

4.2. Message: Crossover Forms and Products

The Message, which can be taken as a crossover between forms and products, is also one of the important reasons for the success. On May 17th, the commercial was sent out. FENDI hosts the art exhibition on the 'hand in hand' theme, showcasing the combination of embroidery by Chinese ethnic minorities with Italian traditional handicraft. As its co-partner, HEYTEA has set up a tea room as part of the art exhibition, offering limited edition products featuring Chinese ethnic minorities, while this special beverage is also being sold in offline shops around the whole country. What's more, consumers can get limited-edition gifts with the FENDI logo by only buying two cups of the drink. FENDI, as an international luxury brand, hosts this kind of event on a theme familiar to Chinese people, which will increase their affection for the brand. In the view of Mere Exposure, the more familiar we are, the more we tend to like [9]. The more important reason is that people's desire for luxury derives from the need for status: respect, admiration and voluntary deference individuals are afforded by others [10]. This need drives how consumers select, use, and decode signals associated with high status in the marketplace. In this case, people can get gifts with the FENDI logo, a symbol of high social status, for only 38 RMB. This has caused a mad rush among consumers.

4.3. Recipient (Receiver) & Channel

Before choosing the main advertising channel, thorough market research was done to identify their target audience, also known as the Recipient. According to the statistic on the distribution of milk tea consumers in 2022 released by Meituan (the largest Chinese shopping platform for locally found consumer products and retail services, including entertainment, dining, delivery, travel and other services), it can be learned that more than half of consumers are post-90s (people born in the 1990s), and 58% of consumers are female. With data on the target group, they seek the most fitting channel to meet their recipients and potential consumers. According to the statistic, it can be known that the main channels through which people learn about new brands and products are: the Xiaohongshu platform (Chinese social media and e-commerce platform) accounts for 75%, offline shops, and supermarkets for 46%, and Taobao (Chinese online shopping platform) for 30%. On further investigation, more than 80% of users of Xiaohongshu are female, and 65% are young people between 18 and 30 years of age. Therefore, HEYTEA chose this platform as its main advertising platform.

Obviously, they made the right choice in selecting the channel not only because of the overlapping recipient but also because of the characteristics of the Xiaohongshu platform. Users can share and recommend through the platform in the form of graphic notes and short videos, and they can also search for information based on their needs. Users' reliance on the platform results in an emotional identity. It strengthens the trust relationship between the platform and users and stimulates impulse consumption, which enhances purchase efficiency and conversion [10]. In this case, the platform spreads the users' posts about the crossover of HEYTEA and FENDI to other users, raising the product's popularity, attracting interest and stimulating their desire to buy. While not all of these posts were positive, some posters complained about the drinks' bad taste or the gifts' poor quality. These posts, as free ads, all have increased exposure for them. According to the theory of Zajonc's Mere Exposure, simply being exposed to something repeatedly was enough to make people like that thing, even if people didn't experience a reward or positive outcome while around the object [9].

5. Conclusion

The co-branded drinks were snapped up as soon as they started to be sold, with an average wait time of over an hour, and even the ordering platform crashed. Tickets for the art exhibition were also fully booked. This is a huge success for both the co-branded product and these two brands. To summarize, the reasons for the success of the crossover case can be divided into four aspects under the SMCR model: first, the mutual choice of the two brands. In this collaboration, HEYTEA could maintain its high-end brand image, and the sales volume and popularity of FENDI increased significantly. The form of the crossover also played a role in it. An art exhibition with a theme familiar to the Chinese can increase their affection for products and brands. Also, consumers only need to pay 38 TMB to get gifts with the FENDI logo, which is a symbol of high social status. What's more, they did thorough market research about their recipients to find the most suitable channel as their main advertising platform to meet their target group. All these deliberate decisions together caused the success of this crossover case to go viral on the web.

Nevertheless, there are still some limitations to this research. The study only analyzes the reasons in terms of Source, Message, Recipient and Channel and explores the social psychological reasons behind them. However, it did not conduct a comparative study with similar brands and cases, or with different crossover cases of the same brand. In future research, this case can be compared with other cases, and this marketing strategy can be compared with other new marketing strategies to explore its strengths and weaknesses. Companies can use the findings of the study to adjust their future marketing direction.

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