

Analysis of Marketing Strategies of Milk Tea Brand

- Taking HeyTea as an Example

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Abstract: Now milk tea has become the main daily drink for young people. Especially among young people, milk tea has become an indispensable part of daily consumption. Therefore, various milk tea shops have emerged. In such a saturated industry, Heytea, as a relatively new brand, has quickly gained space with its new style of tea drinks, becoming one of the most popular beverage brands in the industry. This paper researches the factors and marketing strategies of HeyTea's success by using SWOT analysis to analyze the current situation and marketing strategies of HeyTea, based on the literature reviewed on the China National Knowledge Infrastructure, and makes recommendations: strengthening the efficiency of store services, using social media to promote, planning branding campaigns for overseas markets, and strengthening staff training and management.

Keywords: HeyTea, marketing strategy, SWOT model, co-branding

1. Introduction

Milk tea is now a drink that people can't live without in China. With the improvement of people's consumer power, the trend of market demand for milk tea is also increasing. HeyTea was established in 2012 in China, as a tea beverage brand. It is a fusion of traditional Chinese tea culture and Western "cheese". HeyTea developed a new product called "cheese tea". The drinks are made with tea as the base, and topped with a layer of dense cream cheese, and many fruit flavors are introduced. This drink is the signature and mainstream product of HeyTea [1]. With a focus on innovation and taste, HeyTea has become one of the most representative and popular new tea drink brands in China due to its innovation which caters very well to the tastes of today's young consumers. HeyTea has stood out in the highly competitive and saturated tea drink market. As a new company, HeyTea has expanded rapidly, opening 390 stores in 43 cities in 2019, with stores selling an average of 2,000 cups of drinks per day. In the latest round of financing in 2019, HeyTea was valued at a whopping RMB 9 billion, making it the highest-valued company in the new-style tea area [2]. HeyTea's marketing strategies have helped it reach this goal in a short period, and overtaken other brands like Coco, Alittle-tea, and Mixue Bingcheng, which already have a market share in China or were founded earlier than HeyTea. After three years of the epidemic, Heytea is still at the forefront of the market. Therefore, this paper focuses on the analysis of the factors that have made HeyTea a success, the way it can continue to grow and the threats that can affect the brand's operations. The analysis of this paper provides a reference for the development of the entire soft drink industry.

2. SWOT Analysis

2.1. Strengths

2.1.1. Ingredient

The traditional milk tea produced by an earlier brand like Coco, to reduce costs, used mostly cheap milk tea powder and tea powder as their raw materials, which are simply blended in the store and sold to consumers. These raw materials have fatty acids that cannot be metabolized by the human body, which will increase the body's cholesterol levels and lead to obesity and cardiovascular disease. However, HeyTea has abandoned these unhealthy ingredients in favor of fresh fruits and freshly brewed tea with thick cheese. Its high-quality ingredients and unique taste rapidly gained popularity among young people.

2.1.2. Innovation

Nowadays, young people are very conscious of their appearance, especially young women, who are the target group of HeyTea, approaching 70%. They are very concerned about their body shape, and sugar, also known as carbohydrates, is the main reason for gaining weight. Based on that, the consumption and demand for milk tea will be lower than before. According to the psychology of young women, HeyTea immediately developed and launched the 0-carbohydrate series [3]. By replacing the sucrose in the drink with a sugar substitute that has no calories, it reduces the calories in the drink while maintaining the sweetness and reduces the psychological burden on people, so that they do not have to worry about the problem of excessive sugar intake and getting fat. Real-time grasp and analysis of consumer psychology, to make corresponding changes and innovations, which helped HeyTea expand the consumer population.

2.2. Weaknesses

2.2.1. Pricing

Currently, most of the products of HeyTea are priced between ¥21 and ¥33 because of the cost of materials and the positioning of their brand. Other tea brands in the industry are priced between ¥12 and ¥20 [4]. There are even brands like Mixue, which can be priced at less than ¥10. HeyTea's product pricing is much higher than the average price in the market. Because of the high demand for milk tea, most customers will consider the cost-effectiveness of the same milk tea; they will not be willing to spend more than ¥10 to buy milk tea for a long time. Instead of HeyTea, they would ignore the quality and taste, and then buy the same product at a cheaper price. They buy HeyTea once or twice by chance or because of the internet buzz to try it. This makes HeyTea's position in the market's competition not an advantage.

2.2.2. Long Queues

Marketing through social media has given HeyTea a buzz. As the wave got bigger, it attracted a lot of customers who came because of the novelty. It resulted in a long wait to purchase a drink from HeyTea even during off-peak hours; usually, customers have to wait at least an hour. The long wait drains customers' enthusiasm. Many customers hear about the waiting time and then turn around and go to other stores where they don't have to wait. This caused HeyTea to lose a lot of customers.

2.3. Opportunities

2.3.1. Social Media

With the development of technology, people can easily access information through social media. The rate of information dissemination is fast and wide. HeyTea can fully take advantage of this by advertising on different platforms such as Tiktok, Xiaohongshu, and WeChat, or by hiring influencers to promote their products, so as to gain flow, which can be transformed into offline sales. It can attract more customers and make profits. In addition to this, HeyTea can also take advantage of the characteristics of young girls, who always love to take pictures and post them on the internet. HeyTea decorated the store and product design to be creative and attention-grabbing; when these girls share photos on social media, their friends will see them, which is a good free promotion and flow.

2.3.2. Overseas Market

HeyTea has already begun to capture market share overseas, targeting several countries including Japan, Singapore, Thailand, Vietnam, and Malaysia. As the national economic level gets higher and higher, China has seen a large number of international students over the years. They go abroad for a better education. They are young people who are into innovation and fashion, and usually have very good consumer power. For international students abroad, brands from China can easily match their tastes and cause them to miss their hometowns, thus raising their purchasing desire. On the other hand, if overseas stores can synchronize with Chinese stores to launch campaigns such as co-branding, this will allow international students to follow and participate in the buzz. It can increase sales and attract public attention. In addition, expanding foreign consumers through the introduction of new products or packaging that cater to local tastes and cultures.

2.4. Threats

2.4.1. High Industry Competition

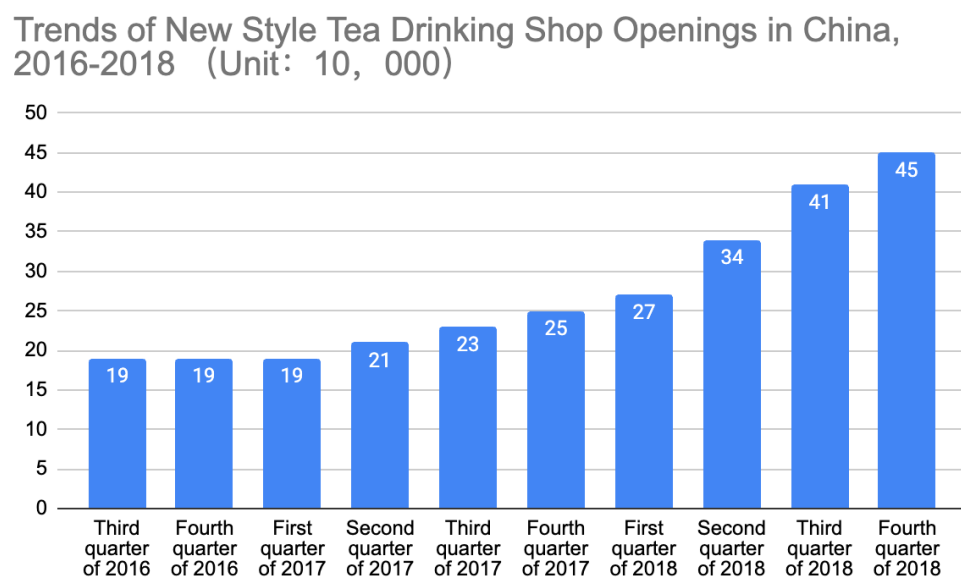


Figure 1: Trend of New Tea Drinking Store Opening in China,2016-2018(Unit:10,000).

HeyTea is in a monopolized, competitive market. When people see that there is a profit to be made, they all join this competition, so we can see that the number of milk tea stores is clearly on an upward trend. As shown in Figure 1, in 2018, the scale of China's new-style tea drink market exceeded RMB 90 billion [5]. However, China doesn't have a certain sense of copyright for products or designs. HeyTea is the creator of this cheese fruit tea, but just after this product was introduced, and gained success. In a short time, new brands that sell the same product as HeyTea were established continuously, such as Nayuki, which appeared in 2015. There were also existing brands that launched the same product during that time. When the market is already saturated, the only way to get out in front is through innovation. And once there is innovation, there are many substitutes that appear at a lower price than the original because they don't have the R&D costs. This is a big threat to HeyTea because those substitutes will split HeyTea's sales and consumers.

2.4.2. Sanitation

In November 2022, HeyTea allowed for franchising, and the number of stores increased rapidly [6]. Besides being beneficial to total revenue and sales, expanding too fast can easily lead to negligence and mismanagement. In the time before HeyTea started doing franchises, HeyTea had been in the news for negligence and sanitation problems four times in six months. And now the store expansion, will also make this problem completely exposed. Sanitation is a very important factor for the food industry. This is because the hygiene of food can have a direct impact on the human body. If HeyTea does not handle this aspect of hygiene properly, leading to more and more negative news due to food safety issues, it will pull down the brand's reputation and create a bad image of the brand, thus losing customers.

3. Conclusion

This paper analyzes, through SWOT analysis, why HeyTea can quickly become popular and become the representative brand of new style tea. The Swot model is analyzed from HeyTea's internal strengths of raw materials and innovation, weaknesses of pricing and inconvenience of purchasing, the current state of social development that can be utilized, and the factors that can threaten the brand. Milk tea, or the new style of tea drink, has come a long way from the cheap, unhealthy powdered raw materials of yesteryear to the fresh, natural, and healthy raw materials of today. From a single type to a variety of flavors now. The research shows that HeyTea is successful because it has a research and development team and has kept its brand purpose, "inspiration". As a leading brand, it has to bear the cost of R&D alone and also consider the possibility of being copied on a large scale once the new product is launched, but the fact that it is the first has already differentiated HeyTea from the rest. HeyTea is also very selective in its choice of raw materials, using seasonal fresh fruits rather than fruit juice concentrates or flavored powders. The taste of the beverage has never changed since the company was first founded, which has built up a group of loyal customers. Overall, the success of HeyTea lies in its innovation and the continuous introduction of its unique selling point, which is to attract customers' attention with something new all the time. In addition to this, HeyTea always organizes brand marketing activities both online and offline so that they can gain continuous attention from the public, and expand the brand's awareness and customer base. However, HeyTea still has to focus on the problem of queuing in offline shops. Queuing is a phenomenon that can attract customers to a certain extent and make them feel that the store is popular, thus stimulating the desire to buy, but if it is a state of affairs for a long time, then it will lose customers in the future. At the same time. HeyTea should continue to create differentiation and unique selling points so that its sales will not be affected too much in the high-competition market. In addition, it should pay attention to management and hygiene issues in the process of store expansion. HeyTea can improve it through an emphasis on

staff training and product quality control. The shortcoming of this paper is that for each of the four parts of the SWOT analysis of HeyTea, only two points are listed and evaluated. It can be increased to three to four points so that there is more evidence to prove the success of the marketing strategy of HeyTea.

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