

Analysis on the Marketing Strategy of New Tea Drinks in China: A Case Study of HEYTEA

Siyu Zhao^{1, a, *}

¹ RDFZ Chaoyang Branch School, Beijing, 100020, China

a. zhaosiyu20230110@rdfzcygj.cn

*corresponding author

Abstract: With an improvement in living standards, more and more people choose to buy tea drinks or coffee to improve their daily satisfaction with life. As consumers prefer to consume in the tea shops they are familiar with, for instance, some old brands, new companies entering the tea market will soon be eliminated or even bankrupt because they are not well-known enough and consumers do not consume their products. Therefore, how to stand out from homogeneous products and seize more market share is the main problem for companies in the tea market. Through a literature review and a case study, this paper analyzes HEYTEA's marketing strategy in detail. In conclusion, HEYTEA uses effective strategies such as co-branding and different forms of sales and publicity to differentiate its products from other products, thereby avoiding excessive homogeneity and seizing a huge share of the competitive tea market.

Keywords: Tea, HEYTEA, Marketing strategy

1. Introduction

Since tea drinks are getting more and more popular and people's demand for tea drinks is also getting higher and higher, the competition in the tea market has become more fierce than ever. Although it is easy to enter the tea market since the material of products is common and the method for production is simple, more and more newly entering companies lead to a highly competitive tea market, an increasing homogeneity of the products, and the loss of market share. Therefore, a specific marketing strategy is needed for the long-term development of the tea market. By achieving differentiation, enterprises can successfully gain a certain market share, but there will also be some problems. This paper conducts a SWOT analysis on HEYTEA, a successful and typical tea drink brand in the tea market. According to its strengths, weaknesses, opportunities, and threats, the author aims to find out the existing problems of HEYTEA and the approaches for improvement, so as to propose suggestions that can effectively solve the problems and develop the advantages, thus giving the enterprises in the tea market and those intending to enter the tea market a reference.

2. Literature Review

The phenomenon of homogeneity will lead to the narrowing of the gap among brands, so there will be more and more substitutes to replace the original products. Differentiation is a market positioning strategy that enables a brand to differentiate itself from other brands in positioning and maximizing

benefits [1]. Wu Yanjue and Wen Xingzi believe that through differentiation, consumers' appeal points can be expanded and different demands of consumers can be met, so as to improve brand competitiveness and identification and increase consumer loyalty [2]. Wang Yiyuan believes that using new media as a medium can increase brand exposure and awareness, which is an effective marketing strategy [3]. At the same time, brand co-branding is also a common marketing strategy for tea lovers, which refers to the short-term or long-term combination and cooperation of two or more independent brands. Zhang Zhichi believes that joint marketing can help brands to spread more widely and transform fans into consumers [4]. Zeng Huiying, Tao Mengdi, and Zhan Yun believe that a joint marketing strategy is a win-win strategy for both brands to leverage each other [5]. Zhang Dalu and Ye Kaiting's cross-boundary joint branding innovation on packaging helps the brand stay ahead of the market [6]. HEYTEA also extended MINI HEYTEA, which enabled HEYTEA to enter the tea market at a lower cost. However, Zhang Linfang pointed out that the difference between the sub-brand and the parent brand was small, and the extension was risky [7]. However, at the same time, there are many problems in the current tea market. Liu Li pointed out that the characteristics of tea products are not outstanding [8]. Yu Yuanyuan pointed out that there are problems in the quality of the tea drink market and the competition for homogeneity is fierce [9]. Zhang Jian pointed out that the entry threshold of the tea market is low, the competition is fierce and the homogeneity is serious, and the best solution is to be known by the market quickly [10].

3. Brand Background

3.1. Brand History

HEYTEA, formerly known as ROYALTEA, opened in 2012 in a small alley in Guangdong province of China, selling mostly cheese and fruit teas. In 2016, it was upgraded and renamed HEYTEA. In 2016, it officially went out of Guangdong and began to expand and develop into first-tier and second-tier cities in China. In June 2018, it launched the wechat mini program and started online ordering and takeout service, which made the purchasing process faster and more convenient. In November of the same year, it opened a new branch in Singapore. Bottled juice tea was officially launched in June 2021, thus a new journey started.

3.2. Target Group and Packaging Design

The target group of HEYTEA is mainly contemporary young people who seek the highest living standard. HEYTEA emphasizes the sharing of the tea drinking experience and has differentiated positioning for the brand. HEYTEA attaches great importance to the overall experience of consumers. Zen, aesthetics, minimalism, and other elements are integrated into the design of the store to bring consumers a cool feeling of drinking tea. In addition, HEYTEA cooperates with many independent illustrators on its packaging design, which is simple and cool without losing the traditional feeling of tea culture while being combined with modern popular elements.

3.3. Main Products

HEYTEA focuses on tea and insists on independent research and development. Its original tea is cheese tea, a combination of salty cheese and tea flavor. The imported cheese from New Zealand is later combined with tea aroma and fresh cream to produce a new line of light cheese tea. Later, HEYTEA launched the fresh tea fruit series, which combines tea with fresh fruit. This series becomes the first choice for most consumers in summer.

4. A SWOT Analysis of HEYTEA

4.1. Strengths

4.1.1. Co-branded Strategy

Knowing what young consumers like, HEYTEA conducts co-branded and cross-branded collaborations with popular game, apparel, or TV brands, launching drinks with game or TV spin-off themed packages, and changing the packages according to the co-branded theme. As shown in Figure 1, HEYTEA launched its co-branding with Genshin Impact on September 6, 2022. When consumers purchase a drink package, they can receive a complimentary in-game character badge and can also purchase an acrylic stand (character stand) for in-game characters in offline stores. In addition, the decorations in some offline stores are also arranged with linkage themes. Consumers can post relevant content with relevant topics on some social platforms (Weibo, Little Red Book, and Tik Tok). They also have the opportunity to get free drinks and linkage derivatives. Meanwhile, in the official flagship online store of HEYTEA, a gift box is also listed. The internal structure of the gift box can be freely composed into a teahouse. The products in the gift box include co-branded cups, straw covers, refrigerator magnets, and postcards. This not only increases the sales of new products but also helps HEYTEA to understand other markets to a certain extent, try to create more derivative products, and get a lot of publicity of its new products. This method of advertising promotion helps enterprises to reduce costs.



Figure 1. The HEYTEA products co-branded with Genshin Impact.

4.1.2. Online Sales

HEYTEA has its own ordering applet (on wechat, a social networking app), and when entering the applet, people can clearly see the new drinks on HEYTEA. Moreover, the applet can be used to order food from offline stores or from home. "HEYTEA go" applet is set up with a membership mechanism and one can get membership points and upgrade the level by consuming in the applet. Different levels have different privileges. For example, with the level of vip1, one can enjoy free delivery on Mondays; with the level of vip2, one can get a 10% discount and free delivery fee coupons. Upgrading to a higher level means more privileges can be obtained. With the level of vip4, one can get all the previous privileges and have some new privileges, such as the chance to get two free orders. However, these membership ratings are time-limited. Membership ratings are valid for a period of 365 days. When the membership term expires, the applet will recalculate the ratings to keep users engaged and loyal. At the same time, there is a student discount mechanism in the mini program. After being authenticated, the platform will give a coupon of 9 RMB that can be used to buy a drink,

and at the same time, four coupons with a 20% discount of 20 RMB every month will also be sent. Besides, the points in the applet's points store can be redeemed for discounts and even free drinks.

4.1.3. High-quality and Diversified Products with a Regular Update

HEYTEA mainly focuses on tea, featuring fresh tea fruit series and cheese tea. HEYTEA has always adhered to and maintained high-quality requirements for its products. In order to bring pure and good tea to customers, HEYTEA adheres to independent product research and development and sets up a professional laboratory in the headquarters in Shenzhen, devoted to tea product conception, material formulation, and sample manufacturing. Besides, HEYTEA regularly releases a limited range of drinks with a flavor of new seasonal fruits, such as persimmon- or hawthorn-flavoured drinks in autumn. It presents the freshest flavor of the season so that consumers can have a fresh try. For those flavors that have been well received, HEYTEA will put them back on shelves in the following year.

However, HEYTEA is not limited to a single tea drink. It also sells coffee, ice cream and other products, realizing product diversification and expanding the number of consumers. What is more, HEYTEA also sells tea bags, bread, snacks, bottled drinks and other products. These products are sold at offline stores and online stores, including mini programs. When HEYTEA launches new products or co-brands, newly designed packaging and cup covers will also be introduced, which attracts many consumers who like collecting different styles of packaging and cup covers. Meanwhile, the teacup design is simple but high-class, which is popular with young consumers today. By launching different and differentiated products to seize the market share, HEYTEA earns more profits and stimulates new product development and store expansion.

4.1.4. Outlets

HEYTEA only operates direct stores instead of franchised stores, which is conducive to better management of branches. All stores have unified strategies and new products to ensure a good corporate image of the company. At the same time, HEYTEA faces consumers directly, finds the problems of stores in the first place, and then makes improvements. In addition, directly operated stores can earn more profits than franchised stores and unify the output of the brand image. At the same time, HEYTEA is also a chain store, which can be found in almost all parts of the country, so it can quickly enter the view of consumers in a short time.

4.2. Weaknesses

4.2.1. Small Offline Stores and Long Time of Waiting

HEYTEA is popular with young people because it is affordable, innovative, and tastes good. Although this is a good trend, it also brings some problems. The biggest problem is the slow production due to a large number of consumers. Customers typically wait for 30 minutes to 90 minutes for their tea. Most of HEYTEA's shops are located in busy malls or high-traffic business circles. However, they are usually small with few waiting seats, so it is common to see a long line outside the store. Although this may attract people who have never tasted HEYTEA, it may also cause customers to give up because of a long time of waiting.

4.2.2. High Cost and Price

Since HEYTEA's initial target population is young people who pursue high-quality life, the price of tea is basically set between 20 yuan and 30 yuan at the beginning. Because the product price is high, the choice of consumer groups will affect whether the store can continue to operate. Therefore, most shops of HEYTEA are located in the prosperous areas of first-tier and second-tier cities. Due to the

hot sales of its products, there are many customers, so it is necessary to hire more employees and train them. As a result, the rent of the store is relatively high and the cost of employee wages is huge. But now the situation has improved. In February 2022, HEYTEA announced that it would no longer launch products higher than 29 yuan and all current products would not rise in price in 2022.

4.3. Opportunities

Most of HEYTEA's stores are located in China's first-tier and second-tier cities, such as Beijing, Shanghai, Shenzhen, and Guangzhou. There are dozens to hundreds of stores in each of these cities. However, third-tier and fourth-tier cities barely get HEYTEA. Therefore, HEYTEA can continue to expand into third-tier and fourth-tier cities to open more stores or, like Mixue Ice Cream & Tea, try to expand overseas.

4.4. Threats

4.4.1. Fierce Competition

There are many competitors in the tea industry and customers can choose many substitutes, such as Luckin coffee, Coco and other brands. The phenomenon of product homogeneity is very serious in the tea market. When an item in the tea market quickly becomes popular, most stores will begin to study the goods and upgrade their products in a short time according to the new trend. This leads to the rapid elimination of the product difference in the tea market, thus returning to the original competitive market.

4.4.2. Rapid Changes in Consumer Preferences and Demands

Due to the rapid popularity of milk tea and tea drinks in the market, as well as their low production cost and easy production process, more and more companies have entered the market, leading to a highly competitive market. At the same time, with the increase of income, people will pay more attention to the pursuit of a healthy lifestyle and diet, which requires enterprises to pay more attention to the freshness and healthfulness of raw materials. This increases the cost of enterprises to a certain extent.

5. Existing Problems

5.1. Hygiene Problem

After its rapid rise to fame, HEYTEA was repeatedly reported in the news for hygiene problems, for example, customers found flies in their tea or the market supervision administration found hygiene problems during inspections. This is also the question arose most often when companies in the tea market expand. Due to the large number of customers, most employees are too busy making the drinks that they neglect the hygiene problem.

5.2. High-price Positioning

The initial positioning of the high price of HEYTEA has greatly reduced the repeat purchase rate of consumers. Most people would only buy high-priced tea at the beginning with the idea of giving it a try. Later, they would buy other cheaper tea drinks instead of HEYTEA.

5.3. Takeout Service Problem

Because there are few stores in third-tier and fourth-tier cities and HEYTEA's delivery scope is limited, many consumers in third-tier and fourth-tier cities face a situation that their needs and demands cannot be fully met, which limits the development of enterprises to a certain extent. In addition, occasionally, there will be some missing goods during the delivery or the order remarks and additional ingredients are not satisfied.

5.4. Homogeneity Problem

HEYTEA usually launches one or two new products a month. However, for the fruit tea series, most of the products in the tea market have very similar flavors without any characteristics, which is one of the reasons for the homogeneity.

6. Solutions and Suggestions

6.1. Strengthening Management and Internal Hygiene Standards

For hygiene problems, HEYTEA can set up a rewards and punishment mechanism. A random hygiene check in the store can be processed and additional reward or bonuses can be given to the staff for good performance of the store. This can not only ensure a regular shop cleaning but also can let all the staff attach great importance to the hygiene problem. Shops with poor hygiene can be reminded for the first time they are found to be in poor hygiene, and punished or fined for the second time.

6.2. Opening More Stores in Third-tier and Fourth-tier Cities

HEYTEA has dozens or even hundreds of stores in most first-tier and second-tier cities, while the number of stores in third-tier and fourth-tier cities is only in the single digits or even only one. This also leads to the delivery problem mentioned above as well as the cost problem. Therefore, HEYTEA can consider opening some new branches in third-tier and fourth-tier cities, but they should not be too crowded, because the delivery scope of takeout should be taken into account. Moreover, people in third-tier and fourth-tier cities may prefer to buy some brands with cheaper prices, such as Coco.

6.3. Improving Staff Training

First of all, improving staff training can let employees pay attention to health issues. Secondly, the production and packaging of products and the remarks of consumers can be focused on, which can help improve the reputation of the enterprise. Moreover, related training can also accelerate the staff's speed of making tea and reduce the time of waiting.

6.4. Speeding up Innovation and New Product Development

In order to stand out from other brands in the tea market, HEYTEA can speed up the introduction of new products and conduct a sales campaign. What is more, it can launch a vote on the social platform so that consumers can choose their favorite flavors and sell them again.

7. Conclusion

In conclusion, HEYTEA makes its brand better distinguished from other brands in the tea market through different marketing strategies and by laying more emphasis on innovation and operation expansion. However, through a SWOT analysis, it is also found that HEYTEA's existing problems of hygiene, prices, takeout service, and homogeneity can be improved. This paper suggests that

HEYTEA can effectively solve the existing problems through expansion as well as strengthening management training, hygiene standards, and innovation speed. It will help HEYTEA stabilize its position and market share in the tea market, promote its development, and ensure a better consumption experience for consumers.

References

- [1] Zhao, X.Y.: *Problems and countermeasures of brand extension [J]. Commercial economy* (5), 89-91 (2017).
- [2] Wu, Y.J., Wen, X.Z.: *An Analysis of Differentiation Marketing Strategies of new tea Brands based on 4V Marketing Theory -- taking "Sexytea" as an example [J]. Modernization of business* (17), 91-93 (2020).
- [3] Wang, Y.Y.: *Analysis of new tea marketing strategies from the perspective of new media [J]. Agricultural archaeology* (2), 221-227 (2021).
- [4] Zhang, Z.C.: *Research on HEYTEA co-branding marketing strategy [J]. Commercial economy* (6), 73-77 (2021).
- [5] Zeng, H.Y., Tao, M.D., Zhan, Y.: *Research on Brand IP Co-branding Strategy Based on Brand Symbols [J]. Hunan packaging* (6), 67-69 (2021).
- [6] Zhang, D.L., Ye, K.T.: *Research on the interaction of food packaging design from the perspective of cross-border integration [J]. Food & Machinery* (236), 126-130 (2021).
- [7] Zhang, L.F.: *Analysis of new tea brand extension strategy [J]. Chinatea* 44(7), 30-37 (2022).
- [8] Liu, L.: *Analysis of new tea consumption market characteristics and industry development strategy [J]. Journal of Anhui Normal University* (6), 567-575 (2021).
- [9] Yu, Y.Y.: *Analysis of new tea industry in China [J]. Business research* (23), 23-25 (2021).
- [10] Zhang, J.: *Research on the marketing strategy of HEYTEA under the background of homogenization [D]. Lanzhou University of Technology* (2021).