

Research on the Full-term Marketing and Business Operations Strategy of HEYTEA Based on the SWOT Model

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Abstract. HeyTea is one of the most renowned tea beverage brands in China. Despite achieving great success in the past few years, HeyTea faces massive challenges and market competition. It is found that HeyTea has adjusted its marketing strategies in order to adapt to the fast-changing marketing environment. The study topic is research on the full-term marketing and business operations strategy of HeyTea based on the SWOT model. This study investigates the intricacies of HeyTea's strategic evolution, comparing its former and later stages of marketing approaches. The core of this study revolves around the SWOT analysis model, where the application of this model to HeyTea is thoroughly examined. The findings reveal the brand's strengths, weaknesses, opportunities, and threats within the market landscape. These insights are instrumental in evaluating the efficacy of HeyTea's marketing and business operations strategies. And for prospects, HeyTea can take some actions to improve brand competitiveness and increase brand influence.

Keywords: HeyTea; Marketing Strategy; Strategic Evolution; SWOT Analysis.

1. Introduction

The beverage sector serves as a testing ground for innovation and tactical skill in constantly changing customer preferences, quick technology breakthroughs, and escalating market competition. In this environment, the moniker HeyTea has come to represent innovative marketing and forward-thinking company practices. Chinese beverage company HeyTea has captured the interest of both customers and business experts. What started out as a little business in 2012 has grown into a worldwide sensation, changing the fundamental definition of the beverage sector. HeyTea, formerly known as ROYAL TEA, is a popular tea brand with a lot of dedicated young consumers. The first location of HeyTea was established in a narrow Jiangmen lane. Province of Guangdong. Currently, it operates 695 stores in 61 cities worldwide and employs around 100,000 people [1]. With the development of economics, numerous new tea brands have emerged, and the market competition is getting more and more intense with the arrival of all types of capital. HeyTea's market sales and market share have been significantly impacted by new tea brands, including Alittle Tea, Nai Xue Tea, and Mixue Icream and Tea. Young consumers' desire for the quality of new tea products, as well as their quest for innovation and freshness, is also rising. Although the current marketing approach of HeyTea Corporation faces difficulties, it still presents fantastic prospects for the brand's future growth. Through the research on the optimization of the marketing strategy of HeyTea [2], this study mainly makes an in-depth analysis of the current marketing situation of tea, probes into the main difficulties in the current marketing strategy of HeyTea. It proposes some optimization objectives and strategies [2]. Compared with that, this study takes one more step to analyze the early and later marketing strategies, showing a distinct difference between them. By comparing the early and later marketing strategies, we can see clearly what HeyTea has done to increase its influence and sales in order to capture a larger market share, which is meaningful to its long-term business. This study mainly discusses Research on the Full-term Marketing and Business Operations Strategy of HeyTea Based on the SWOT Model. The main goal is to find out the best-selling ways and expand the influence of HeyTea. What's more, it will give guidance to the future marketing strategy of HeyTea.

The study is organized, starting with a comprehensive introduction and literature review that explores the start and development of HeyTea and its innovative strategy. Next, it introduces the

marketing strategy of the early and later stages of HeyTea. Each stage is carefully examined to learn the tactics used, the difficulties encountered, and the chances taken.

The analysis of HeyTea's marketing circumstances throughout its development using the SWOT model forms the core of this study. The detailed analysis of HeyTea's strengths, weaknesses, opportunities, and threats provides a sophisticated picture of the company's strategic environment. The study concludes with suggestions for HeyTea's future growth, acknowledging both the brand's successes and difficulties. HeyTea's future way is enlightened by innovation, sustainability, digital transformation, and customer-centricity.

2. The Marketing Strategy of the Early Stage of HeyTea

2.1. Hunger Marketing

Hunger marketing is limiting supply or time to create a sense of scarcity that triggers a consumer's desire to buy. HeyTea adopts a hunger marketing strategy, limited supply every day, so that consumers increase their willingness to buy while waiting in line. In addition, HeyTea also spread the news of the daily limited supply through social media platforms, attracting a large number of fans and potential customers. The average queuing time in the Guangzhou branch is about 45 minutes, while it can reach one hour in Shanghai. Creating an atmosphere of tea in short supply can stimulate the purchase desire of customers. It gives HeyTea free and excellent marketing promotion [3]. There are few physical stores of HeyTea, mainly located in the first tier and second-tier cities in the Chinese mainland, like Beijing, Shanghai, Guangzhou, and Shenzhen. Thus, people living in the small cities need help to buy the drinks. In addition, there is no delivery service in the early stage of the marketing strategy. Generally, customers need to purchase in person at the store or place an order at the self-service kiosk in the store. However, hunger marketing may sometimes lead to negative effects. Waiting in line for a long time loses potential customers. More scalpers found the business opportunities; they buy drinks for the people who are willing to pay less time cost. As a result of that, a bottle of milk tea sold ten times over its original price. Therefore, it seriously disrupted the normal market price system. If the phenomenon of queuing continues to spread, it will only increase consumer's doubts about the brand, leading to serious negative effects [2].

2.2. High Pricing

pricing strategy serves a dual purpose: it helps in building a strong brand image while creating a perception of exceptional product quality, thereby attracting the desired target consumer base.

However, it's important to note that a high-price positioning strategy has its drawbacks, particularly in terms of customer retention and repeat purchases. The premium pricing may deter some customers and reduce their inclination to make repeat purchases, impacting the overall sales volume of HeyTea's beverages and potentially leading to lower profits [2].

For instance, HeyTea's original offerings, such as Juicy Grapes and Mango with Cheese, are priced at 28 yuan, which is significantly higher than the average milk tea price range of 17 to 20 yuan. This notable price difference can divert consumers towards more affordable alternatives from other brands, especially when considering that most people tend to opt for reasonably priced options.

In conclusion, while HeyTea's high pricing strategy effectively establishes its brand as a symbol of quality and uniqueness, it also poses challenges in terms of retaining customers and ensuring steady sales growth. Balancing pricing to maintain a premium image while addressing consumer price sensitivity is a crucial aspect of HeyTea's ongoing marketing strategy.

2.3. Differential Operation

Differentiated operation is another way of early marketing strategy. Firstly, HeyTea chooses locations with high traffic, such as bustling business districts, near department stores and shopping centers, or around universities, to ensure sufficient potential consumer traffic and improve the store's exposure [4]. In addition, HeyTea also selects the store's specific location and surrounding

environment according to the preferences and needs of the target consumer group to provide a comfortable consumption environment. Secondly, HeyTea recognized the growing interest of young Chinese consumers in trendy, innovative, and healthy beverages. The brand positioned itself as a premium and modern tea brand, offering a fresh take on traditional tea drinks. HeyTea's first store in Guangzhou featured a contemporary design, combining elements of Chinese culture with a modern aesthetic. This unique store concept allowed HeyTea to stand out in the competitive beverage market. The third aspect of HeyTea's differentiated operation was its emphasis on product quality and innovation. HeyTea offers a wide range of tea drinks, including fruit tea, cheese tea, and freshly brewed tea. The brand focused on using high-quality ingredients and developed unique recipes to create refreshing and flavorful beverages. HeyTea constantly introduced new flavors and limited-edition drinks to keep consumers intrigued and returning for more.[5]

3. The Marketing Strategy of the Later Stage of HeyTea

3.1. Omni-Channel Operation

HeyTea has adopted a combination of offline stores and online channels in its operation mode. They provide a comfortable environment and interactive experience through stores to guide customers to make offline consumption. HeyTea focuses more on consumers' experiences, centering on products and services and narrowing the distance between consumers and the brand [6].

At the same time, they also establish interaction and communication with customers through online channels. HeyTea keeps updated on social media like WeChat, Weibo, and TikTok and shares information with fans. HeyTea makes use of current events and hot topics for marketing. It also launches lucky draws and gift-giving activities, which fans can also participate in. On the one hand, it promotes products and improves brand exposure. On the other hand, it can also maintain a good relationship with current fans and improve the loyalty of consumers [7]. HeyTea also put a lot of advertorials and high-quality external links to let consumers know about the brand unconsciously, which has brought a lot of customer groups and popularity for HeyTea[3].

HeyTea has created its own application called HeyTea Go to provide convenient order and delivery services in March 2020. At the same time, HeyTea cooperates with delivery platforms such as Meituan and Ele. Me to deliver drinks. HeyTea Go has helped to convert large offline traffic into online traffic, promoting offline sales and establishing long-term relationships with consumers [8].

3.2. Moderate and Acceptable Price

Price is the external embodiment of product value. A reasonable price strategy can promote enterprise products quickly, occupy the market, and win the recognition of consumers. According to the data of the White Paper on 2020 New Tea Drinks, the price preference of most tea consumers is between 15 and 24 yuan. Still, the price of the main products of HeyTea Company is concentrated between 20 and 40 yuan, which needs more cost performance ratio, resulting in the loss of a large number of price-sensitive consumers.[8] However, since 2021, due to the increasing competition in the new tea market and the impact of the epidemic, the revenue of tea stores has declined sharply, and it has to gradually close its high-cost direct stores in first and second-tier cities and turn to third and fourth-tier cities to open and join. After February 2022, it further adopted a price reduction strategy. The main products were controlled at the price location of 10 yuan to 20 yuan, and the price of Pure Green Yan tea was reduced to the single digits. It will greatly reduce the cost of consumers. Therefore, it will increase the sales of HeyTea and make it a more acceptable drink.

3.3. Co-Branding Strategy

HeyTea makes good use of festival effects through brand co-branding to achieve cross-border marketing. From May to June this year, FENDI and HeyTea collaborated to launch a co-branded drink called FENDI Joy Yellow. During the event, one cup of "FENDI Joy Yellow" will cost 19 yuan, and you can buy two cups and get a joint badge or coaster, as well as a FENDI bag specially designed

for the joint event. For a time, posts with titles such as "Get the first FENDI in life with full payment" and "This is the closest I have ever been to luxury goods" exploded on major social media. Cross-border marketing can increase brand premium and increase consumer interest. Thus, it can improve brand awareness and influence [8].

4. Analysis of the Whole-period Marketing Situation of HeyTea Based on the SWOT Model

4.1. Internal Strengths

HeyTea has established itself as a leading player in the Chinese milk tea market with a strong brand image and reputation. The decoration of HeyTea's offline store is fashionable and simple, matching the current popular fashion and simple style.[9] HeyTea always provides innovative product offerings. HeyTea is known for its innovative and unique tea-based beverages that combine traditional tea with new flavors and ingredients. This has helped the company differentiate itself from competitors and attract a loyal customer base. What's more, it uses high-quality materials. For example, it uses raw-leaf fresh tea and fresh milk as the tea base of the product instead of cheap tea and milk powder [9]. HeyTea has a wide distribution network with numerous stores across China, making it easily accessible to customers. In addition, the company has also expanded internationally, with stores in countries like Singapore and the United States. HeyTea has a strong online presence with a user-friendly mobile app and a large following on social media platforms. This has helped the company engage with customers, promote its products, and drive sales.

4.2. Internal Weaknesses

Firstly, HeyTea's rapid expansion has resulted in varying levels of staff quality across its stores, making it challenging to maintain high service standards consistently. If there isn't a continuous focus on improving the skills and capabilities of its employees, it could impact service quality and the overall customer experience. This, in turn, may have a detrimental effect on the brand's image and customer word-of-mouth, which is critical for sustained success.

Secondly, HeyTea predominantly locates its stores in prime business areas of first and second-tier cities, leading to significant overhead costs. High rental fees, staff employment expenses, and production costs contribute to elevated operational expenses [10]. While this strategy may enhance visibility and customer traffic, it also puts pressure on profitability due to these increased operating costs.

Thirdly, despite HeyTea's efforts to introduce new products, its product line still needs to grow. In the highly competitive tea market, not being able to cater to a wide range of consumer tastes and preferences may result in the loss of market share to competitors. Diversification of the product offering is essential to capture a broader customer base and retain a competitive edge in the industry.

In conclusion, HeyTea's challenges include maintaining consistent service quality across its expanding chain, managing high operational costs in prime locations, and addressing the need for a more diversified product line to meet the evolving preferences of consumers. Overcoming these challenges will be vital for HeyTea's sustainable growth and competitiveness in the tea beverage market.

4.3. External Opportunities

As more consumers are becoming health-conscious, there is a growing demand for healthier beverage options. HeyTea can capitalize on this trend by promoting the health benefits of its tea-based drinks and expanding its product line to include more low-sugar or sugar-free options. HeyTea has already started expanding into international markets, and there is an opportunity for further global expansion. The popularity of tea-based beverages, coupled with HeyTea's strong brand image, can help the company establish a presence in new markets, with the rapid development of social media,

such as Weibo, WeChat, TikTok, etc. Through these network platforms, HeyTea can increase brand exposure and promote advertising. By using the power of media, it converts online traffic sales into sales of offline physical stores [4].

Secondly, China's milk tea culture is gradually "invading" overseas countries, especially Southeast Asian countries. Heytea can consider expanding the international market further and introducing its unique tea brand to other countries and regions. The tea market in Asia, North America, and Europe still has great potential. Tea can increase its global visibility by adapting to local tastes and cultural differences and opening international branches.

4.4. External Threats

The tea market in China is highly competitive, with numerous local and international players. Therefore, the product homogenization is serious. The product is easy to copy, so the milk tea industry needs help to differentiate marketing from the product itself. HeyTea risks losing customers to competitors who offer similar products or lower prices [4]. Consumer preferences are constantly evolving, and there is a risk that HeyTea's offerings may fall out of favor with customers. The company needs to stay updated on market trends and adapt its product portfolio accordingly. The food and beverage industry is subject to various regulations and policies that can impact HeyTea's operations. Changes in health and safety standards or labeling requirements could require the company to make adjustments in its manufacturing processes.

5. Suggestions for the future development of HeyTea

First of all, this study suggests that HeyTea can make some changes in the following aspects, which are product, price, and channel strategy. HeyTea can consider launching more kinds of products, such as health drinks, cold drinks, snacks, etc., to meet the needs of different consumers. In addition, HeyTea can also launch seasonal or limited-edition products to increase the freshness and appeal of the product. HeyTea can continue to pay attention to the selection of raw materials and the product's production process to ensure the product's quality and taste. In addition, it can continue to improve and innovate beverage formulations to provide more healthy and unique options to attract more customers.

Besides, HeyTea should make different strategies according to different marketing positioning and different marketing groups, so the high-end positioning of HeyTea should be set between 25-35 in the core commercial centers of first and second-tier cities. For the third and fourth-line or county region to launch sub-brands, the price range is positioned in the 6–18-yuan range, mainly for the sinking market. It can fill the pain of high prices and low re-purchase rates. HeyTea should implement differential pricing for different consumers and build its own brand value to improve consumer groups' sense of brand identity.

Meanwhile, HeyTea should use both online and offline marketing strategies to strengthen brand marketing. HeyTea can increase the intensity of brand promotion through different channels and ways, delivering the brand image to more consumers. It should also consider partnering with public figures and social media bloggers and use new media marketing like Weibo, WeChat, and Little Red Book to increase your brand's visibility. At the same time, it is recommended to strengthen community marketing and carry out a variety of activities in different regions to enhance interaction with customers. HeyTea can consider introducing some technology applications to enhance customer experience. For example, online ordering and reservation services can be developed to provide personalized beverage options, both for the convenience of customers and to enhance the brand image [11].

6. Conclusion

In conclusion, the journey of HeyTea, from its humble beginnings in a narrow Jiangmen Lane to becoming a global sensation, exemplifies the dynamic nature of the beverage industry in China. Throughout its evolution, HeyTea has employed various marketing strategies to navigate a highly competitive and ever-changing market environment. This study has delved into the early and later stages of HeyTea's marketing approaches, shedding light on its strengths, weaknesses, opportunities, and threats.

In its early stage, HeyTea successfully implemented hunger marketing, high pricing, and differentiated operations to create buzz and establish itself as a premium tea brand. However, these strategies also came with challenges, such as long queues and potential customer alienation due to pricing. In the later stage, HeyTea adopted an omnichannel approach, moderate pricing, and co-branding strategies to adapt to changing consumer preferences and market dynamics. This transition allowed HeyTea to leverage both offline and online channels, engage with customers effectively, and broaden its consumer base.

Applying the SWOT model to HeyTea revealed crucial insights. HeyTea's strengths include a strong brand image, innovation, and a wide distribution network. However, it faces weaknesses related to rapid expansion, high operating costs, and a limited product range.

Opportunities lie in catering to health-conscious consumers, expanding globally, and developing social media, while threats stem from intense market competition, evolving consumer preferences, and regulatory changes. To secure a successful future, HeyTea should consider diversifying its product offerings, implementing differential pricing strategies, and strengthening its brand marketing through a combination of online and offline strategies. By embracing innovation, staying attuned to market trends, and continually improving customer experience, HeyTea can navigate the complexities of the beverage industry and continue to thrive.

In essence, HeyTea's journey is a testament to the resilience and adaptability required in the modern business landscape, where innovation and strategic evolution are keys to sustained success.

There are also some limitations to this study. For example, there needs to be complete information on HeyTea's early strategies. Some of the information earlier can't be searched from the official website of HeyTea. It can only be obtained through some secondary literature or secondary data to conduct research. In this case, some information on the early stage may need to be more accurate, which can become one of the limitations of the study. Another area for improvement is controlling variables, which are impossible to take all into account. For example, HeyTea, compared to other milk tea brands, is much more expensive, but the raw material, manufacturing craft, and innovative flavor are all different; therefore, simply comparing prices has little comparability. In the future, it is viable to consider conducting in-depth market research and collecting consumer feedback through questionnaires to investigate why HeyTea is popular even though the price is much higher than other milk tea brands and why it can end up being such a successful high-end milk tea brand.

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