

The Competitive Strategy Analysis of China HeyTea

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Abstract:

In the modern world, the new style of tea drink brands is getting a lot of attention and love. HeyTea is one of the more popular hot drink stores and has been very popular with consumers since it opened its doors. I will also examine the analysis of HeyTea's competitive strategy in China. Analyze HeyTea's sales strategy and its advantages. The thesis analyzes HeyTea, a competitive store brand of modern new tea drink brands, from different perspectives with the PEST model, SWOT model, and detailed analysis from the case study, respectively, from stores, advantages, marketing mode, etc. The PEST model introduces the current marketing status of the new tea drink brand in society and a detailed analysis of the brand in relation to HeyTea and the SWOT model analysis. The SWOT model analyzes the advantages, disadvantages, opportunities, and competitors of HeyTea stores. The SWOT model analyzes the strengths, weaknesses, opportunities, and competitors of HeyTea stores and analyzes HeyTea's sales strategy to analyze how HeyTea has the upper hand in the new tea beverage brands and attracts more consumers. This paper will analyze the sales strategy of HeyTea step by step with the idea of new tea drink brands.

Keywords: Competitive strategy; PEST model; SWOT model; HeyTea

1. Introduction

With the rapid development of the current network era, new tea beverage brands are constantly being renovated. According to the New Tea Beverage Research Report, the market size of China's new tea beverage brands grew from RMB 42.2 billion to RMB 141.9 billion from 2015 to 2021. With the „2022 New Tea Beverage Research Report“, the future market space of new tea beverage brands will continue to expand. As a big brand in the contemporary new tea and beverage market, HeyTea has its own competitive strategy and advantages. Other companies in the tea industry are also very competitive. For example, NAIXUE is such a big brand in China, and this may become one of HeyTea's competitors.

HeyTea is liked by young people in the contemporary market of young audiences. HeyTea pursues many young people's love in the face of drinks. Of course, HeyTea also maintains the professionalism of drink making and taste. HeyTea also has its tea garden to pursue the quality of tea and realize the freedom of suppliers. The main audience of HeyTea stores is young people; they will pursue the quality of drinks, taste, and appearance; of course, HeyTea also maximizes the satisfaction of people's requirements, which is why HeyTea can be a net popularity brand. However, because HeyTea goes after a high-end luxury consumption concept, HeyTea stores is mostly in the center of the city, which also causes some time loss to people and may cause some of the customers. Based on this problem, HeyTea added a take-out window to give those customers who want to take out less time cost and

make their purchase more convenient.

Contemporary young people pursue diverse drinks; HeyTea also captures the needs of the main audience, which is why young people like and choose HeyTea. Contemporary society is also very developed; many young people, through the spread of the Internet, have more awareness and understanding of HeyTea. HeyTea also uses Internet data to promote the brand and introduce customer flow. With the rapid refresh of information in the online society, the main problem that HeyTea faces as a contemporary online brand is whether it can continue to be hot in the eyes of young people. HeyTea may have to change its focus according to the real-time changes in society and continue to meet the fashion standards of young people. HeyTea should continue to improve its reputation, pay more attention to the serious problems of its customer base, and pay more attention to contemporary drink stores as their competitive group.

2. Theory Background

2.1 PEST Analysis

2.1.1 Political analysis

Since establishing China's Food Safety Law in 2009, the food industry has gradually improved in various fields. There has also been a new brand called the new tea drink brand in recent years. It is also the rise of a new wave of beverage trends. However, the food industry makes it difficult to supervise food quality in-depth, so the problem of substandard quality will still exist, which

also needs to be managed with increased effort. The general quality of food industry producers and operators is not high, social credit awareness and legal awareness are not strong enough, the understanding of food safety is not deep enough, the pre-purchase inspection is not strict, inspection records are not reasonable, and other major problems still exist[1]. As a result, the food safety supervision needs to be strengthened. In the case of major food safety accidents that have not yet been touched, the regulatory authorities have no law enforcement standards for this[2].

2.1.2 Economic analysis

On the economic front, China's economy led the world in 2021 with a significantly stronger economy. China's GDP increased 8.1% from the previous year to 114.367 trillion yuan. People's incomes and expenditures have gradually increased. In 2018, the number of stores of tea drink brands grew to 74%, with an average consumption between 15 yuan and 29 yuan and orders exceeding 200 million[3]. New tea drink brands have also largely replaced the traditional bubble tea industry. At the end of the year, China's foreign exchange reserves stood at US\$3.2502 trillion, ranking first in the world[4].

2.1.3 Social analysis

In the current social groups, mainly on the diet tea drink brand sales of the masses for most young people. However, there are obvious differences between consumers, where women have become the main consumer group, and the ratio of male to female consumption reached 1:3.[5] Many businesses have taken advantage of the development of the Internet Society, begun to implement online trading of goods on the Internet, and also apply the Internet to promote their brand. Many businesses have opened offline stores in places frequented by young people, increasing customer traffic. This has also accelerated the popularity of the tea industry in society.

2.1.4 Technological analysis

The production process of the new tea drinks is more complex than that of traditional tea drinks, and the production time cost is also longer, making the customers wait longer. New tea drink brands need to buy some raw materials and form their production standards; the

replicability will become stronger once they are formed. Businesses purchase raw materials and must ensure that the drinks are diverse and loved by customers. Moreover, on HeyTea's official app, an enthusiastic illustrator drew a comic book about HeyTea that humorously introduces HeyTea's information about stores and products.[6]

2.2 SWOT Analysis

What is called SWOT analysis, which is based on the internal and external competitive environment and competitive conditions under the situation analysis, is closely related to the object of the study of a variety of major internal strengths, weaknesses, external opportunities, threats, etc. Through the arrangement, and by the matrix form of arrangement, and then with systematic analysis, the various factors are matched up to analyze each other. From this, a series of corresponding conclusions and conclusions are usually conclusive.

2.2.1 Strengths analysis

Strengths in SWOT are internal wordings that perform well. Knowing our strengths will allow us to know what areas we do better to fully utilize them and identify ways to improve our operations in other areas.

2.2.2 Weakness analysis

Weaknesses in SWOT are internal initiatives that are underperforming. Analyze your strengths before your weaknesses to establish a baseline for success and failure. Identifying internal weaknesses is the starting point for improving your organization.

2.2.3 Opportunities analysis

SWOT opportunities combine your strengths, weaknesses, and any external initiatives that may enhance your competitive position. These opportunities may be weaknesses that you want to improve or other areas that were not identified when analyzing your strengths and weaknesses.

2.2.4 Threats analysis

Threats in SWOT are areas that have the potential to cause problems. Threats differ from weaknesses because they are external and often out of your control, such as a global outbreak or a change in the competitive landscape.

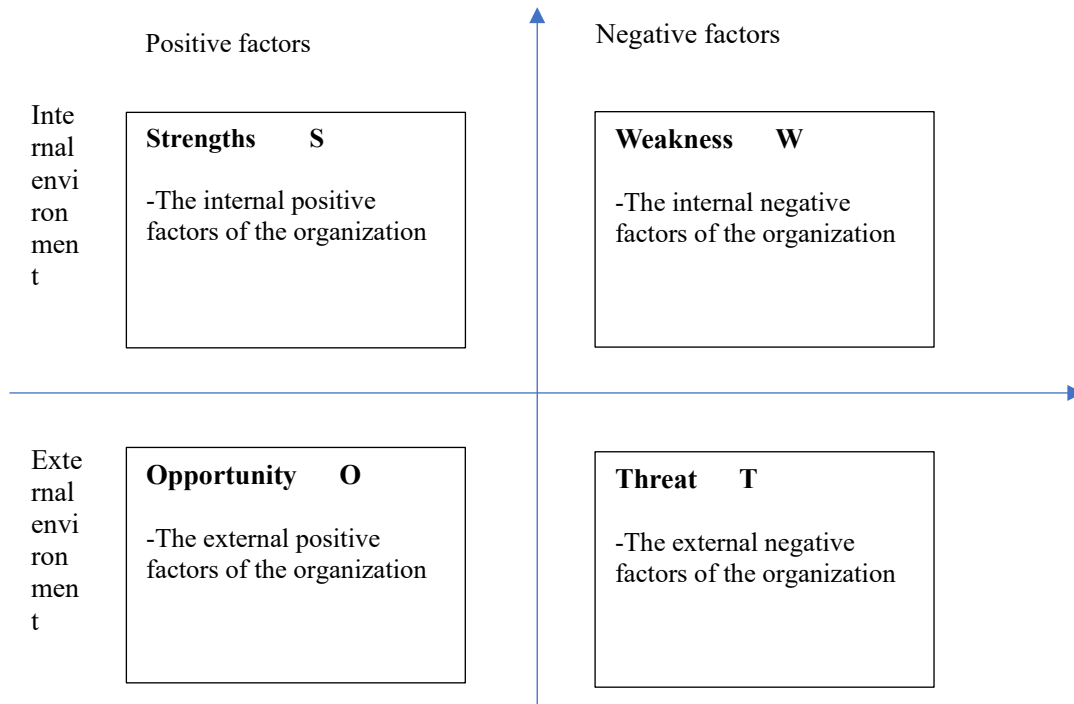


Figure 2 The chart of the SWOT analysis structure

3. Case Study: HeyTea

3.1 HeyTea’s PEST Analysis

3.1.1 HeyTea’s political analysis

State-level policies related to the tea beverage industry are mainly divided into two categories; the first type of policy is to encourage the development of the tea industry, in key development areas to encourage the development of the tea industry, to encourage the development of tea beverages and other tea-processing industries, and to promote the consumption of green, healthy and safe development of the second type of policy is to regulate the processing of food and beverages, with a focus on environmental protection of the production plant, green packaging, food safety and other issues.

3.1.2 HeyTea’s Economic Analysis

For Chinese people’s income, in 2021, the national per capita disposable income of residents will be 35,128 yuan, a nominal increase of 9.1% over the previous year and a real increase of 8.1% after deducting the price factor and an increase of (from now on, if not otherwise stated, the year-on-year nominal growth rate) 14.3% over 2019, with an average growth rate of 6.9% over the two years, and a real increase of 5.1% over the two years, after deducting the price factor.

In terms of urban and rural areas, the disposable income

per capita of urban residents was 47,412 yuan, an increase of 8.2%, and after deducting the price factor, an increase of 7.1% in real terms; the disposable income per capita of rural residents was 18,931 yuan, an increase of 10.5%, and after deducting the price factor, an increase of 9.7% in real terms.

In 2021, the median per capita disposable income of the nation’s residents will be 29,975 yuan, an increase of 8.8%, with the median being 85.3% of the average. Of this, the median disposable income per capita for urban residents was RMB 43,504, an increase of 7.7 percent, with the median being 91.8 percent of the average; the median disposable income per capita for rural residents was RMB 16,902, an increase of 11.2 percent, with the median being 89.3 percent of the average.

3.1.3 HeyTea’s Social Analysis

Chinese tea culture is profound and meaningful and is a valuable cultural heritage worth exploring. Tea is ubiquitous in the daily lives of Chinese people, and with the revival of the national trend among young people, the tea-drinking scene has been enriched and expanded. In socializing as well as in important places such as weddings, paying homage to teachers, and ceremonies, tea drinking has been passed down as an important ritual with a lasting and far-reaching impact.

3.1.4 HeyTea’s Technological Analysis

Recently, some consumers have found a variety of

intelligent devices in the HeyTea stores. In this regard, on July 4, HeyTea said, through the full stack of self-research, from the beginning of 2022, gradually launched a full set of tea beverage intelligent equipment in stores of three categories, covering the store raw material preparation, raw material management, mixing drinks tea and other full-process application scenarios, including intelligent weighing, intelligent tea machine, automatic peeling machine, automatic kernel remover, automatic lemon whacking machine, automatic dicing machine, and intelligent steaming machine, etc. Among them, „intelligent weighing, intelligent tea machine, automatic peeling machine, automatic kernel remover“ is known

as the „tea industry smart equipment.“ Among them, „intelligent weighing, intelligent tea machine, automatic peeling machine, automatic nucleation machine“ are the „four inventions“ of intelligent equipment in the tea industry. HeyTea has applied for more than 70 related technology patents at the same time. The application of intelligent equipment has greatly improved the accuracy and efficiency of store production, and the efficiency of store fresh fruit preparation has increased by up to 15 times. HeyTea has also realized the whole process intelligence of tea drink stores for the first time in the industry, which directly pushes the industry to enter the intelligence era.

Table 1 The table of HeyTea’s PEST analysis

PEST Model	The Details of HeyTea’s Case
Politics	the problem of the quality of food and drinks needs to be improved to make sure people’s health
Economics	the economics of the Mew tea brand increased a lot
Society	HeyTea can use the Internet to increase their market
Technology	HeyTea can make their standard for making milk tea

3.2 HeyTea’s SWOT Analysis

3.2.1 Strengths analysis

HeyTea has attracted a lot of young people’s favor and popularity in the wind of the rise of new-style drinks. Because young people nowadays are very concerned about the quality and value of food, HeyTea owns its tea plantation to ensure the quality of tea leaves, which not only solves the concern about the quality of drinks but also solves the shortage of supply chain and the quality of the products from suppliers. In the analysis of Essaysauce, they said that „Heytea is an enormously familiar company in China that won an investment of RMB 100 million from Boquan in 2016 [7]. These strengths include superior quality goods, skilled workforce, high value-added and vigorous hygiene process.” Most users who choose the new style of drinks are young people, and nowadays, young people will share information through the Internet. HeyTea has also very successfully seized this point, and improved the style of drink packaging, which not only improves the customer’s experience but also improves the young people’s desire to share the information on the Internet, which also greatly increases the publicity rate of HeyTea.

Not only that, but Heytea has also considered that some young people will need to be seated inside the store, and some people enjoy studying and working in the drink store, so basically, all Heytea offline stores will give customers space. On the contrary, HeyTea was very

popular when it first opened, so this led to many people spending a long time in line every day, which would consume a lot of time and make some impatient customers just leave. Therefore, HeyTea opened the HeyTea Go window, which is specially set for those customers who need to pack up and leave directly, which can effectively spread the flow of customers to the two windows, effectively solving the problem of waiting in line for a long time and losing the flow of customers.

3.2.2 Weaknesses analysis

At the same time, HeyTea has some shortcomings that should be improved. On the one hand, HeyTea is a new business, and if HeyTea wants to go to the next level, it needs to go into the international market and have a certain level of awareness. However, HeyTea’s knowledge of the international market is still lacking. With globalization, HeyTea will have many opportunities to show its brand to people worldwide, but only if it has a certain amount of market knowledge. At the same time, HeyTea also faces competition from other brands, such as Starbucks, a very popular coffee brand both at home and abroad. Nowadays, young people in China are increasingly attracted to foreign trends, food, and clothes, and their intentions will gradually deviate. So, as an emerging brand in China, HeyTea’s competitiveness and reputation with other brands still need to become bigger. Not only that, but more and more young people nowadays are starting to pay attention to their health, so milk tea

brands like HeyTea add a lot of sugar. This makes it possible for people to taste it but not buy it regularly, which will also seriously affect HeyTea’s sales. HeyTea has lost its cultural tradition to pursue the aesthetics of young people again and again, which will also make HeyTea lose the market of those tea drinkers. In the essay by Huiyu Yang, he said that HeyTea also lost the potential market for tea enthusiasts as its products that lack culture differ from traditional Chinese tea.[8]

3.2.3 Opportunities analysis

As HeyTea, it has plenty of opportunities. First of all, the age of tea consumers is decreasing, so there are plenty of opportunities to develop tea drinks. HeyTea reduces some sugar and adds more tea-themed drinks, which can expand the market to those who focus on health and tea drinkers. At the same time, the advancement of the Internet provides HeyTea with a good opportunity to develop the Internet as a very popular communication tool; young people usually share all kinds of pictures on the Internet, it can be closer to the young people in the era of the Internet, to grasp the current trend of the current trend, lame to gain recognition and more loyal customers, but also allows HeyTea to have a large-scale publicity way. Not only that, HeyTea also has a lot of opportunities to enter the international market now more and more foreigners are beginning to understand the Chinese culture and the tea drink; if HeyTea has enough knowledge base and enters the international market, then this will make its reputation

and share increased a lot. HeyTea, as a business with its supply chain, can expand its product supply, which brings HeyTea a lot more opportunities. HeyTea, more business opportunities.

3.2.4 Threats analysis

HeyTea, a new tea drink brand, wants to enter the market. The threshold is not high, making other brands easily imitate and copy. This will gradually make HeyTea’s original uniqueness become popular so that customers feel that every milk tea store can buy HeyTea the same drinks and may be cheaper, which will make HeyTea’s source of customers a large reduction. HeyTea needs to avoid this situation to avoid creating an unnecessary crisis for their brand. Meanwhile, in recent years, many HeyTea stores have been reported and asked to shut down because of their hygiene.

Undoubtedly, this is a serious blow to the image of HeyTea in people’s minds, which will make customers gradually doubt HeyTea’s products and reduce the number of purchases, which will undoubtedly leave a lot of negative impacts on HeyTea’s future development. Therefore, HeyTea needs to focus on managing store hygiene and environment and strive to give customers a comfortable environment. Moreover, HeyTea’s main audience is young people, but young people like to try fresher food, so this is undoubtedly a test for HeyTea; HeyTea needs to cultivate credibility with customers and customers stable product loyalty.

Table 2 The table of HeyTea’s SWOT analysis

SWOT Model	The Details of HeyTea’s Case
Strength	HeyTea’s flavor packaging aligns with the aesthetic pursuit of modern young people. HeyTea established HeyTea to better meet the needs of modern people, which greatly saved people’s time waiting in line. HeyTea has a high-quality manufacturer which guarantees the quality of their drinks
Weakness	many other brands are trying to follow the style of HeyTea This kind of drink may have sugar in it, which poses a risk to people’s health[9] HeyTea lacks the elements of culture, so many tea fans may have no interest in this new kind of tea.
Opportunity	HeyTea has a good chance to make this brand face the international market to get more customers. 2.HeyTea can use the opportunity of the Internet to make the brand more popular and get more order
Threat	it is easy for another brand to follow the marketing way of HeyTea 2. The image of HeyTea in the minds of customers will also become a major factor affecting the sales volume of the store[10]

4. Conclusion

New tea drink brands are growing by leaps and bounds with the rapid updating of the times. This paper studies

the competitiveness of tea drink brands, the description of the industry, and analyzes the brand sales strategy with HeyTea as a case study. According to the PEST model,

analyzing the four aspects of politics, economy, society, and technology, it can be accurately seen that the new tea drink brands are developing rapidly. People are also more and more pursuing the quality and appearance of the food, and the new tea drink brands are more and more in line with people's dietary needs nowadays. According to the SWOT model, analyzing the strengths, weaknesses, opportunities, and crises, it can be found that the new tea beverage brands are more and more popular among the public; of course, the new tea beverage brands also have a lot of opportunities to develop in the future to make profit in the future. HeyTea, as a competitive brand among the new tea beverage brands, has a lot of marketing strategies that can be worth analyzing.

This paper analyzes HeyTea's strategic analysis by applying theories and concludes that HeyTea's store design, selling methods, and product quality align with consumers' favorites. HeyTea's consumers are concentrated between the ages of 20 and 30, so Heytea is also trying its best to cater to the consumers' psychology. People are worried not only about the quality of the product but also about the store design, the way to buy, and so on to let consumers be very relaxed and have a happy mood to buy. HeyTea also has a lot of opportunities to control in the future. Can seize the opportunity to enter the overseas market, expanding the consumer base, which can effectively increase sales. Not only that but the modern society of the Internet is so developed. HeyTea can also seize the opportunity to publicize on the Internet to attract more consumers.

Through the research of this paper, we found that HeyTea, to enhance the competitiveness of the market, can be improved in the following aspects: first, it can be improved from the product itself; some customers responded that HeyTea's products are seldom updated, so it is possible to add product flavors and quantities, which will make the consumers have more curiosity to buy the products. Secondly, HeyTea can develop the market using the Internet and other ways to publicize the brand to increase the number of consumers and turnover. Thirdly, HeyTea has a lot of advantages that other brands can't surpass, such as product quality assurance, consumerism, etc. HeyTea can improve these advantages and seize all the opportunities to expand the brand, which is a good opportunity to increase sales. Fourthly, HeyTea can increase the updating and improvement of technology, and high technology can make the brand reduce human resources and thus reduce unnecessary expenses.

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