

Analyses and Suggestions on Milk Tea Industry in Terms of Consumer Behavior: Based on the Cases of HEYTEA

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Abstract. Milk tea industry takes up a relatively large proportion of Chinese catering, and HEYTEA is one of the most popular among all the milk tea brands. Even in 2020, when the pandemic spread fiercely, HEYTEA was not influenced much. In this paper, the author analyzes the reason for these phenomena in terms of theories in consumer behavior and give out several suggestions for how the brand can do to increase its sales under different circumstance in the future. In this paper, quantitative data is used for many times, as it could carry out statistical analysis of some facts of milk tea brands. This makes it easier to make comparisons among figures like sales and number of stores in different milk tea brands. The conclusion is also based on the successful applications of consumer behaviour of HEYTEA. This paper could provide information about the strategies that could be applied to increase the sales and gain popularity.

Keywords: milk tea; consumer behavior.

1. Introduction

These years, the milk tea industry in China is developing fast. Milk tea stores almost cover all the cities in China. Fast food brands like KFC and McDonald also rolled out milk tea [1]. HEYTEA is one of the most popular among them. HEYTEA was first called ROYALTEA and was originated in 2012 in Jiangmen. It gradually opened in big cities like Shanghai; Shenzhen and Hangzhou. Now, HEYTEA achieves great success. For example, till 2021.5.27, HEYTEA has got 816 stores and 772.5 rate of RankBorn, a list that indicates good brands and firms in different areas. This rate in 2021 is the highest among all the milk tea brands. Moreover, according to iiMedia Ranking (an authoritative third-party consumer evaluation agency based on big data), from January to June, 2021, HEYTEA got the highest ranking of 84.9, higher than Mixuebingcheng, which had approximately 19000 stores more than HEYTEA [2]. During the pandemic, while other milk tea brands were strongly influenced, the sales of HEYTEA only decreases a little, because of HEYTEA's strategies. Heytea's boost of sales and reputation is also the result of appropriate application of consumer psychology.

2. HEYTEA during the pandemic

The pandemic started in 2020 does strike the catering industry in China. According to the official report in 2020, comparing to the spring festival in 2019, the majority of catering firms had heavy losses. In the first 4 months in 2020, the total amount of income of catering services in China is about 600 billion RMB, which had a 44% decrease compared to the former year. Moreover, the number of Chinese restaurants also fell from 1107.5 in 2109 to 941.4 in 2020. HEYTEA was also deeply influenced because of the spread of COVID-19. For instance, the average sales in a single HEYTEA store rose from 13.01 million RMB in 2018 to 14.41 million RMB in 2019. However, this figure had a sudden fall to 9.56 million RMB in 2020. Another example is that the annual sales of HEYTEA increased from 2.1 billion RMB in 2018 to 5.6 billion in 2019, which was a sharp increase. When it comes to 2020, the sales within one year became 6.6 billion. Although it was still increasing, the rate did fall. In order to tackle with the crisis of COVID-19, HEYTEA carried out a lot of strategies. As early as in 2018, HEYTEA rolled out an applet called HEYTEA GO. It could be used in either offline or online stores. The original intention of HEYTEA was to save consumers' time as they no longer need to queue. This applet made much use during the pandemic. Consumers could purchase milk tea without contacting to the salesperson. This effectively reduces the risk of infecting the virus and

consumers could be more reassured to buy products of HEYTEA. As the result, HEYTEA could better adapt mode of online stores than other milk tea brands. When most of the offline restaurants were struggling with how to shift to online management, HEATEA applet has accumulated more than 20 million users. Moreover, HEYTEA has a fast reaction. COVID-19 was first paid attention to in December, 2019. In January 2020, HEYTEA started to arrange things related to non-contact delivery. In 28, January, HEYTEA posted a blog, announced that from 28 January, HEYTEA would provide food and drinks for medical staff for free. Also, it promised that all the appliance would be disinfected every day. These announcements had several advantages. Firstly, they could show the honesty of HEYTEA and make people have good impression. Secondly, the exposure of the process gave consumers sense of security.

3. Price of products of milk tea brands

In order to fully understand the reason; advantages and disadvantages of products of milk tea brands, the paper would compare the price of milk tea in HEYTEA and another milk tea brand in China called Mixuebingcheng. Mixuebingcheng is also one of the most popular milk tea brands in China. Till May, 2021, Mixuebingcheng was the second popular milk tea brand in China (the first one is HEYTEA). The brand has a Rankborn rating of 762.9, which was quite close to that of HEYTEA's score (772.5) and was much higher than the third brand called Naixue (639.5). Moreover, the number of stores of Mixuebingcheng is much higher than HEYTEA (the former has 12000 stores while the later has 819 stores) [3].

Although HEYTEA and Mixuebingcheng are the most two popular milk tea brands in China, the price of their products has a wide gap. In August, 2022, the average price of all the 36 milk tea products in HEYTEA Suzhou is 20.89 RMB, without adding any ingredients. Among them, the cheapest costs 11 RMB (5.6%, two out of 36 products). Products that cost 21 RMB takes up the relatively greatest proportion (25%, nine of 36 products). The most expensive is 31 RMB (11%, 4 out of 26 products). On the contrary, in August, 2022, the average price of all the 27 milk tea products in Mixuebingcheng Suzhou is 8.72 RMB, also without adding any ingredients. Among them, the cheapest costs 5 RMB (3.7%, 1 out of 27 products). The products that cost 7 RMB; 9 RMB and 11 RMB take up the largest percentage of all the products (56%, 15 out of 27 products). The one that costs most is milk tea covered with cheese cream, which is 13 RMB (only 1 of 27 products).

Price of milk tea is related to the following factors: The first is the raw materials, which refers to ingredients. Including the places of origin; whether it is in season; the quality of ingredient such as whether there is rotten fruit. Usually, the price is in proportionate to the quality of raw materials. In terms of materials, HEYTEA meets a high standard. Originally, the major materials of milk tea industry were vegetable fat powder; creamer and fragmented tea, which costs less but has lower quality. Today, many brands are still using this powder, including Mixuebingcheng. However, brands like HEYTEA and Naixue use milk and tea. Moreover, HEYTEA's cheese cream is imported from New Zealand and fruit is also selected strictly. These increase the cost of production; taste and nutritive value and increase the price. The second is the stores. Including the size of stores, the places of stores and the inner design of them. For example, in a large shopping mall, the stores on the ground floor always costs much money, especially those just next to the gates. These locations means that the stores could better attract the customers. Out of 24 stores of HEYTEA in Suzhou, 24 stores are on the ground floor in shopping mall. In contrast, Mixuebingcheng always open in the streets or near schools. Out of 84 stores of Mixuebingcheng in Suzhou, more than 50 stores are in streets. The mean size and design of two brands also have some difference. The mean size of HEYTEA is about 200 square meters while most of the size of Mixuebingcheng's stores are five to ten square meters. The cost of renovation, decoration, design and location also leads to the large gap in price of the products in the two brands. The third is self-orientation. Whether the audience of the products are students or adults, whether the audience have high income or still do not have economic independence. For HEYTEA, providing high quality milk tea is not the only objective and important thing. Instead, it

pays attention to the whole service and wants customers to have a better experience. As the result, it carefully designs the stores and offer high quality services which could be expensive. Mixuebingcheng, however, have the audience of students, who do not have the ability to be economic independence and have to rely on their parents' income. Their low price is more affordable for their audience.

Apart from these, the speed of launching new products is also a factor that could influence price. HEYTEA launches its products in a very fast speed. In 2020, HEYTEA launched 43 new products while other milk tea brands launched only 10 or 20 new products. Whenever the fruit is not in season, HEYTEA removes the product made from it off the shelf. In this way, HEYTEA have to quickly research and test new products which could cost quite much.

4. HEYTEA's strategies and consumer behaviour

Consumer behaviour contains both physical and psychological actions of consumers. Researchers study how people make a decision; how people evaluate and buying goods and services. It is also one of the most important thing that firms and companies would consider when making their strategies [4].

4.1 The application of attention and perception

4.1.1 The application of attention

Attention refers to a person concentrating on a stimuli or a set of stimulus in the external environment while not focusing on others factors [5]. In the consumer behaviour theories, there is a process of attention. In the first step of this process, there should be a stimuli on either sight, taste, smell, touch or hear. This stimuli is chosen from a set of stimuli. For example, in an amusement park, among all the amusement facilities, people would pay attention to one of them, like roller coaster and meanwhile ignore other facilities. Also, attention is paid in either voluntary or involuntary way. Voluntary one means that people subjectively choose to pay attention to the stimuli, while involuntary one refers to outside factors gaining the attention of people.

HEYTEA uses the theory of attention mainly in its design of posters. Typically, their posters follow the national trend of fashion. The trend is to combine fashion brands with traditional Chinese culture. This trend started in about 2018. In the New York Fashion Week, Chinese sport brand LINING appeared. It first used traditional Chinese elements to decorate its product. From then on, this combination started to become popular. These years, the Chinese government is appealing people to construct confidence of Chinese culture, this also pushes the trend to become more and more attractive to people.

The article will compare the posters of HEYTEA and COCO, which is another milk tea brand. COCO is more likely to put the picture of its product largely on the poster. The poster emphasizes on the looking of its product. In contrast, milk tea is not always the main character on HEYTEA's posters. Instead, HEYTEA combined its posters with traditional Chinese opera and paintings. On the posters, people dressed in Chinese costumes handle the products. This could attract customers to purchase the products. Another example is that the tea that HEYTEA used is all traditional Chinese tea. Moreover, cultural factors could strongly influence people's behavior [6]. The designs help people build up cultural confidence.

The design of stores of HEYTEA could also attract people's attention. The paper would compare HEYTEA with another milk tea brand called Yidiandian. Usually, similar to Mixuebingcheng, the location of stores of Yidiandian is in the streets and the size is no more than 10 square meters. 20 square meters is the largest for these brands. This has advantages like it is convenient, people do not have to go into shopping malls, instead, they could just buy it in the streets. However, there are drawbacks. First, the size of stores are too small to accommodate more than 5 people. This means people have to stand and queue, sometimes for a long time. Moreover, the size of milk tea stores is similar to that of others so it is relatively difficult for people to notice it. Also, small size limits the

space for decoration, this leads to difficulty in forming the unique style to attract consumers. HEYTEA considered these factors and decides to enlarge the size and improve the design of its stores. The mean size of its stores is approximately 200 square meters because HEYTEA believes that small size, such as 30 square meters or fewer, may narrow the space for consumers and make them feel uncomfortable. People could sit down and wait instead of queuing. Moreover, according to the famous anthropologist Edward Twitchell Hall, human is social being, thus social distance would largely influence people's relationship. Considering this, HEATEA designs long table, making it easier for people to communicate with each other [7].

However, this design also has some drawbacks. First, the large space and designs would cost more, increasing the price of HEYTEA's products. Moreover, in special situations, such as pandemic, these stores are not in use because people are isolated at home. This would bring loss to the brand.

4.1.2 The application of perception

The application of perception is also a reason that HEYTEA becomes successful. When people form perception, people is in fact understanding, interpreting and organizing information and noticing their experience [8]. According to people's perception and previous experience, milk tea is just simply mixing milk and black tea. However, HEYTEA breaks this perception and launches a product which fresh tea covered with cheese cream on it. (HEYTEA is the first to come up with this idea). in 2017, when HEYTEA opened the first store in Shanghai, this kind of tea covered with cheese cream is what HEYTEA advertised most. Young people could be attracted by this innovation.

4.2 The application of decision making

Making decisions is a very important part of consumer behaviour. Although making a decision looks like a instantaneous movement, but actually there is a clear process. In the process, people first recognize their need, then, they search for information and develop an evaluation of all the product they searched, the next stage is purchasing, at last, they produce an outcome of the product [9].

Nowadays, many people would like to have snacks but also do not expect to be unhealthy and overweight. HEYTEA grasps this need and invents the pure tea covered with cream, as the paper mentioned. Previously, the materials of milk tea are vegetable fat powder; creamer and fragmentized tea. If people have a long-term intake of these, they may have diabetes or obesity. The innovation of pure tea means that milk tea could totally give up using these additives. Additionally, as preceding part of the paper mentioned, the gradients used in HEYTEA have high quality. These could care for the need of consumers to have relatively healthy drinks. When they make a decision, they would be more likely to buy their products.

4.3 The application of scarcity

In consumer psychology, it is suggested that when people have less availability to get something, this would be more valuable to them [10]. The Crazy Thursday in KFC is an example ----- people would be more likely to purchase their products on Thursday because it is the only day with discount within a week. This kind of 'hunger marketing' is also used by HEYTEA. HEYTEA limits the quantity of the products that every consumer could buy. Moreover, since the fruit HEYTEA used is always in season, whenever the season changes, HEYTEA removes the product from the shelf and people could no longer buy them, sometimes within a month of several months. This largely increases the sales of these products.

5. Suggestions based on the case

For a milk tea brand, the first it needs to concern is the self-orientation. The brand has to consider about the audience, hence decide the general style and route. For example, brands that want to mainly service on students could decrease their store size and increase the number of stores. If they want to service the relatively high-income public, they may carefully determine the style. Paying more attention to the design of stores and increasing the size of stores; decreasing the number of stores is

essential. Another suggestion is that it is necessary for these milk tea brands to search for the current fashion trends of the population. They could look up at social media and applications that are used by people. For example, the trends that are fashion in these years are innovation of traditional Chinese culture; 'the style of Instagram' and the retro style. Popular colors of these years are 'Klein blue'; 'Morandi color (colors that have low purity and lightness)' and 'colors of macaron (colors that have low purity and high lightness)'. Having an understanding of these fashion trends could help milk tea brands to form the concepts and basic styles of themselves. They could also provide inspirations for the designs of posters. Also, since it is the Internet era now, milk tea brands should develop online systems, like online purchasing and delivery. These could be very useful, even a matter of life and death of a brand in situations like pandemic. Scarcity could be used as a way to promote sales of milk tea. Limiting quantity of products that people buy once could not only increase the value of the products, but also prohibit the phenomenon of excess buying of buying agents, increasing the fairness by limiting the queuing time. Using food in season could not only increase the sales but also ensure that the raw material used is fresh.

6. Conclusion

In general, the paper picks the example of HEYTEA, which is a popular milk tea brand and were not influenced much by the pandemic, to find out some strategies of consumer psychology that are used by milk tea brands, like attention; perception; decision making and scarcity. Then gives out some suggestions of milk tea brands, which are finding the orientation, which could help them state the price and designs, correctly apply the consumer behaviour strategies.

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