

# Heytea revolutionizes Chinese tea market with differentiated formulation

April 2, 2019



MILAN — Fusion tea drinks have emerged as a huge sensation among Chinese millennials due to their differentiated formulation and convenient packaging format. Against this backdrop, Chinese beverage start-up Heytea is taking young tea aficionados by storm with its unique blend of salty cheese and 'natural' fruit tea base, according to GlobalData, a leading data and analytics company.

According to GlobalData's 'Success Case Study: Heytea', the tea brand effectively rejuvenated the tea tradition among young Chinese consumers by aligning its product with millennial behavior, preferences and needs.

GlobalData's Market Analyzer reveals that the sales of hot tea in China has increased by 11.7% from US\$18.65bn in 2017 to US\$20.84bn in 2018, and is projected to reach US\$31.99bn by 2022.

Heytea is capitalizing on this growth by changing young Chinese consumers' perception that tea is traditionally consumed by the older generations and

giving a run for their money to international brands. The tea brand registered revenues of US\$87.2m in 2017, a phenomenal revenue growth of 100% since its debut in 2016.

Shagun Sachdeva, Consumer Insights Analyst at GlobalData, says: "Heytea's success can be attributed to its choice of using natural ingredients, sourcing of oolong tea leaves from Taiwan and cheese from New Zealand to make fresh foam as well as the product claims such as clean labeling, 100% natural fruit juices, natural rock sugar, and free from artificial flavors.

"The company has designed innovative marketing strategies, including cross-industry promotions, collaboration with beauty brands such as L'Oréal and Pechoin and distributing free samples to increase brand visibility. This clearly demonstrates that it has understood the importance of innovation in terms of taste, appeal and packaging format, in line with the demographic changes in China."

With an aim to expand its geographical footprint in other Asian countries, Heytea launched its first overseas outlet in Singapore in November 2018, followed by another outlet in Hong Kong in December 2018. It also started online delivery services, in collaboration with Meituan Dianping, in May 2018. The company plans to open 100 additional stores in China, with further plans to expand in the US and European countries in the near future.

Sachdeva concludes: "Heytea, with an ambition to position itself as millennial-focused brand in China, relied less on celebrity endorsements and more on the power of free Internet and popular social media platforms such as WeChat, for unique, promotional campaigns to edge past its rivals. To increase the perceived value of its products and overall consumption experience, Heytea developed an adjustable packaging, which can simultaneously savor both layers of the tea. The packaging also produces a mustache of cream on the upper lips of consumers, giving another reason to share their experience on social media."