

Market Competition Strategy of New Tea Beverage Brands in the Guangdong–Hong Kong–Macao Greater Bay Area: A Case Study of HEYTEA

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Abstract. With the rapid upgrading of consumption structures in China, the new tea beverage industry has experienced sustained growth over the past decade. According to industry reports, the market size of China's new-style tea beverage sector exceeded RMB 290 billion in 2023, driven by urban lifestyle changes and young consumer demand. As a representative premium brand originating from the Guangdong–Hong Kong–Macao Greater Bay Area (GBA), HEYTEA has established strong brand influence through product innovation, digital marketing, and experiential retail strategies. This paper focuses on HEYTEA as a case study to analyze its market competition strategy within the GBA. On the basis of industry trends available in the public domain and industry literature, this study applies SWOT analysis and 4P concepts of marketing to scrutinize internally HEYTEA's strengths and weaknesses, as well as its threats and opportunities in the external environment. The proposed study will also attempt to unlock HEYTEA's secret to success and highlight the marketing challenges confronted by this company in a market that appears to be becoming saturating by the day.

Keywords: HEYTEA, Market Competition Strategy, New Tea Beverage Industry, Guangdong–Hong Kong–Macao Greater Bay Area

1. Introduction

In recent years, China's beverage consumption market has undergone a significant structural transformation, with rising demand for quality, personalization, and brand experience. The emerging tea drinks market, different from conventional bottled tea drinks or powdered tea products, has grown rapidly in recent years, focusing on tea bases brewed freshly, natural ingredients, or unique flavor pairings [1].

According to iiMedia Research, the market size of China's new tea beverage industry expanded from RMB 44.3 billion in 2017 to over RMB 290 billion in 2023, with consumers aged 18–35 accounting for more than 60% of total demand and significantly shaping brand positioning and store concepts [2]. Despite rapid growth, intensified competition driven by low entry barriers, product homogenization, rising operational costs, and declining margins in mature urban markets has

increased the importance of effective market competition strategies for brand survival and long-term development [3].

The GBA is one of China's most economically dynamic regions, with a population exceeding 86 million and a GDP over RMB 13 trillion [4]. Its high urbanization and advanced consumption concepts make it a strategic testing ground for new consumer brands. The GBA's consumer base shows high digital adoption and strong willingness to pay for premium, experiential products [5]. However, dense store networks and high competition intensity, particularly in Shenzhen and Guangzhou, necessitate strategic optimization to maintain market share.

Founded in Shenzhen in 2012, HEYTEA pioneered China's new tea beverage movement, introducing cheese tea and emphasizing store aesthetics and product craftsmanship [6]. HEYTEA's strong presence in the GBA makes it an ideal case for analyzing regional market strategy. Previous studies tend to relate to the adoption of national strategy, brand marketing, and consumer behavior, but with less systematic and data-verified framework [7]. Thus, to fill the knowledge gap, this study aims to interpret the competitive strategy of HEYTEA in the GBA using the SWOT analysis and 4P model approach.

2. Literature review

2.1. Studies on China's new tea beverage industry

The rapid expansion of China's new tea beverage industry has attracted increasing academic attention. Growth drivers include consumption upgrading, urban lifestyle changes, and young consumer groups [2]. Xiao [2] notes that the industry's core competitive logic has shifted from price-oriented to brand- and experience-oriented strategies.

From the industry perspective, low barriers to entry and imitation threats are highly observed. As mentioned by Gong [3], despite the barriers established by product innovations for differentiation advantages, imitation by their competitors occurs at a fast pace.

Empirical reports support these insights. iiMedia Research [1] notes that first-tier cities are approaching saturation for new tea stores, while high-purchasing-power regional markets such as the GBA remain central to premium brand competition.

2.2. Marketing competition strategy frameworks

The SWOT analysis, PEST analysis, and 4P marketing mix concepts are commonly applied for strategic positioning and competitive dynamics analyses. According to Kotler and Keller [8], the 4P marketing mix theory is basic for product, price, place, and promotion strategies analysis.

The SWOT analysis identifies internal strengths and weaknesses alongside external opportunities and threats, suitable for rapidly changing competitive environments [9]. The PEST analysis examines macro-environmental political, economic, social, and technological factors affecting market performance [10].

Some studies combine these frameworks for emerging Chinese brands. Huang [11] applies SWOT and 4P analyses to the new tea beverage sector, concluding that integrating product innovation with digital marketing strengthens differentiation.

2.3. Research on HEYTEA and comparable brands

HEYTEA has become a subject of academic research. Peng [6] conducts a SWOT-based study highlighting strengths in brand positioning and innovation, while noting challenges in cost control

and market saturation. Yang et al. [12] examine HEYTEA's digital marketing, emphasizing social media's role in shaping brand image and engagement.

Differences between Nayuki and Mixue demonstrate that high-end brands are stronger at consumption values and narratives, while low-end brands have strengths around size and price [13]. Nevertheless, studies have primarily examined national models, and relatively little consideration has been given to GBA competition dynamics based on the specific context of that region.

2.4. Research gap and contribution

While prior studies explore industry trends and brand strategies, systematic research focusing on HEYTEA's competitive strategy in the GBA remains limited. This study contributes by: (1) Providing a region-specific analysis of HEYTEA's market strategy in the GBA. (2) Combining classical marketing frameworks with empirical industry data to enhance analytical depth and practical relevance.

3. Theoretical framework & methodology

3.1. Theoretical framework

To systematically analyze HEYTEA's market competition strategy in the Guangdong–Hong Kong–Macao Greater Bay Area (GBA), this study integrates SWOT, PEST, and 4P marketing mix frameworks.

3.1.1. SWOT analysis

SWOT analysis delineates an organization's internal strengths and weaknesses alongside external opportunities and threats, thereby linking organizational capabilities with the business environment [9]. In HEYTEA's case, strengths stem from branding and innovation, while high operating costs and premium pricing constitute key weaknesses; meanwhile, opportunities arise from market expansion and functional beverage trends, and threats mainly involve market saturation and supply chain volatility [6,12].

3.1.2. PEST analysis

PEST examines macro-environmental Political, Economic, Social, and Technological factors [10]. In the GBA, rising disposable income and urban consumer upgrading enhance demand for premium beverages. High mobile payment adoption and digital platform penetration facilitate O2O marketing. Regulatory requirements on food safety and advertising increase operational costs [4,5].

3.1.3. 4P marketing mix model

The 4P framework—Product, Price, Place, Promotion—analyzes tactical decisions to create customer value and respond to competition [8]. In the case of HEYTEA, innovation in products, differentiation through high-end pricing, targeted store placement, and social promotion are core strategies being adopted.

3.2. Research methods

This study uses a qualitative case study approach, supplemented by secondary quantitative data from industry reports and academic sources.

3.2.1. Data sources

- Secondary data: Market reports from iiMedia Research and consulting firms describe China's new tea beverage industry trends [1].
 - Academic literature: Peer-reviewed journal articles provide theoretical foundations and empirical support [2,3,6,11,12].
 - Public information: HEYTEA official reports and company disclosures provide details on brand development, products, and marketing [6].

3.2.2. Analytical procedure

- PEST Analysis: Macro-environmental factors are categorized into political, economic, social, and technological dimensions [4,5].
 - SWOT Matrix: Internal strengths and weaknesses, external opportunities and threats are identified using secondary data [6,9].
 - 4P Marketing Assessment: Product offerings, pricing, distribution channels, and promotions are analyzed using documented marketing practices [6,12].
- This integrated approach ensures data-driven, rigorous analysis of HEYTEA's market competition strategy.

4. Case study of HEYTEA

4.1. Company overview and development history

HEYTEA was founded in Shenzhen in 2012 and was renamed from "Royal Tea" in 2016 following a trademark dispute [6]. Through continuous product innovation and digital promotion, the brand rapidly expanded across Guangdong Province and nationwide, with its signature cheese foam tea differentiating HEYTEA from traditional milk tea competitors [6].

As of 2025, HEYTEA had over 4,000 stores globally, with a presence mainly in first- and second-tier cities in China, besides having international franchises in the US, UK, Australia, Canada, Singapore, and Southeast Asia [6,12]. The strategies adopted by HEYTEA for growth were co-branding collaborations and a robust ecosystem with applications and delivery experiences.

4.2. Macro environment analysis (PEST)

From a macro-environmental perspective, the Guangdong–Hong Kong–Macao Greater Bay Area provides favorable political, economic, social, and technological conditions for premium beverage brands, including strict but standardized regulation, strong economic performance, digitally mature consumers, and advanced mobile commerce infrastructure, all of which support HEYTEA's premium positioning and omnichannel strategy [4,5,12].

4.3. SWOT analysis

SWOT analysis indicates that HEYTEA's core strengths lie in sustained product innovation, strong brand identity, and an extensive digitally integrated store network, while its main weaknesses relate to premium pricing and operational complexity [6,12]. Externally, opportunities arise from market expansion and health-oriented consumption trends, whereas threats stem from intensified competition and supply chain volatility in mature urban markets [14].

4.4. Empirical analysis of market competition strategy

Product Strategy: HEYTEA emphasizes innovation and premium ingredients, sustaining consumer interest through cheese tea and seasonal offerings [6].

Price Strategy: Premium pricing reinforces perceived value, requiring careful market accessibility considerations [12].

Place (Distribution) Strategy: Flagship stores in high-density districts combined with online ordering and delivery integration ensure broad reach [12].

Promotion Strategy: Promotion focuses on digital engagement, social media interactions, and brand collaborations, generating organic online buzz and enhancing brand visibility [12].

5. Discussion

5.1. HEYTEA's competitive strengths and strategic positioning

HEYTEA's competitive strategy aligns with premium beverage market best practices by leveraging sustained product innovation and experiential branding, particularly through its pioneering cheese tea offerings and visually oriented consumption experiences [6,12,15,16].

The brand's digital engagement strategy, integrating mobile apps and social media, enhances visibility and consumer interaction. This aligns with findings that digital marketing and lifestyle branding contribute significantly to loyalty in urban young consumer segments [12,16].

5.2. Competitive challenges in the GBA and beyond

Despite its strengths, HEYTEA faces structural and market pressures: (1) **Premium Pricing vs. Mass-Market Competition:** Rivals such as MIXUE Ice Cream & Tea use their affordability and scalability, putting pressure on HEYTEA to effectively manage its product's exclusivity and affordability [6]. (2) **Store Saturation:** The high-density markets in the GBA region, like Shenzhen and Guangzhou, have less scope for expanding new stores [6,12]. (3) **Operational Complexity:** Scalability creates complications in the consistency of the supply chain, leading to risky managerial activities [6].

These are factors that point towards HEYTEA's current approaches being effective in differentiation but needing optimization for continued growth.

5.3. Strategic implications for innovation and market penetration

Market Segmentation and Localization: Market segmentation can also benefit HEYTEA by allowing it to make use of online analytics to market to specific regions and neighborhoods on a sub-regional level within the GBA region.

International Expansion: International expansion of HEYTEA into the U.S., the Southeast Asian market, among others, portrays potential for scalability globally, with effective localized positioning of the brand to ensure it retains a premium value [12,15].

Innovation Beyond Product: In order to sustain their competitive advantage, HEYTEA needs to innovate in areas such as sustainability, health-driven drinks, and in-store experiences, thus catering to changing consumer demands [15,16].

5.4. Limitations of current strategies

Current approaches may limit HEYTEA's adaptability. Industry trends indicate that holistic consumer experiences, sustainable practices, and functional beverage offerings increasingly influence loyalty and market share [15,16]. Failure to integrate these elements could result in declining relevance versus agile competitors.

6. Conclusion

HEYTEA's performance in the premium new tea beverage market can largely be explained by its sustained emphasis on product innovation and brand aesthetics. Through the continuous development of differentiated products and visually appealing consumption experiences, the brand has successfully established a strong position among young urban consumers and reinforced its premium market image [6,12]. In parallel, the integration of digital tools such as social media platforms and mobile applications has enhanced brand visibility and consumer engagement, allowing HEYTEA to maintain close interaction with its core customer groups [12,16]. Nevertheless, as the industry enters a more mature stage, increasing market saturation in first-tier cities and intensified competition from mass-market brands have generated growing external pressures, requiring HEYTEA to continuously adjust its competitive strategy [6].

In consideration of the foregoing challenges, future development of HEYTEA should focus on strategic optimization rather than simple scale expansion. Future development of HEYTEA should focus on strategic optimization, including the expansion of health-oriented and functional beverages, deeper use of CRM and data analytics for localized market segmentation, and enhanced sustainability and in-store experiential initiatives to support long-term differentiation and consumer loyalty [12,15,16].

This study relies on secondary data and published literature, which may not fully capture real-time consumer behavior or proprietary company strategies. Future research should incorporate primary data, such as surveys or interviews with GBA consumers, to validate findings and enrich strategic insights [12,15].

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