Tea Drinks - China - February 2014

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"The RTD tea drink market enjoyed a strong performance over 2008-10, with double-digit annual growth. This was fuelled by consumers' increasing awareness of the negative health implications of drinking CSDs, and heavy investment in tea drinks by the established and new operators."

– David Zhang, Research Analyst

This report looks at the following areas:

- How can brands drive standout in the increasingly crowded plain flavour tea drink segment?
- How can brands capitalise on consumers' demand for RTD tea drinks with health benefits?
- Should tea drinks only be served cold in summer and warm in winter?
- How can brands reach women more effectively?

The dramatic increase in the price of oil, which started in Q3 2010, saw the cost of plastic bottles shoot up in 2011, leading to a hike in costs for tea drink brands. Meanwhile, the economy had just recovered from the aftermath of the global financial crisis with consumer spending remaining weak, making it harder for operators to raise prices.
The changing structure of the market has led to volatility in prices. While volume growth continued to slow in 2012, value sales returned to double-digit growth. This was largely thanks to herbal tea gaining momentum and moving from a regional to a national drink, gaining share in the market. Since herbal tea tends to be significantly more expensive than other types of tea drinks, the average price of tea drinks rose.

However, the surge in value sales has been short-lived. With the legal battle on the rights of using the wide recognised brand, Wang Lao Ji, coming to an end in 2013 Jiaduobao and Guangzhou Pharmaceutical Corporation moved their battleground from the courtroom to various retail channels. Aggressive pricing strategies used by both parties knocked the average price down by more than 10% in 2013, resulting in a sudden drop in value growth. However, the lower prices saw volume sales growth speed up slightly.

Plain or unflavoured tea drinks' share of NPD has seen steady growth, to account for nearly 30% of all new product launches. That half of users are interested in trying more plain tea drinks suggests however that there remains further demand in this area (see The Consumer: Attitudes towards Flavours of Tea Drinks section). Building associations between unflavoured tea drinks and the aforementioned claim of authentic taste could help brands to further make their drinks more appealing

DID YOU KNOW?

This report is part of a series of reports, produced to provide you with a more holistic view of this market