

# Menu Insights – Tea Houses 1H – China – August 2020

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## This report looks at the following areas:

- What's the broad growth and brand landscape of the market?
- What impact has COVID-19 cast on the market and the tea drinkers?
- What are consumers' most preferred and visited brands?
- What drives consumers' purchase and brand choice decisions?
- What ingredients and ingredient fusions will potentially win over consumers?

The domestic tea drinks market started to show signs of contraction in 2019, after two years of explosive growth thanks to the emergence of the so-called "new Chinese-style tea drinks". The annual growth rate in the sales value of the domestic tea drinks market was 11.2% in 2019, valuing the market at RMB 54.5 billion. The double-digit growth was slower than the average rate of 14.8% between 2017 and 2018.

The dipping growth rate combined with the unexpected outbreak of COVID-19 has cast doubts over the long-term growth of the market since consumers' purchasing power has been largely curbed. Leading players are coming up with alternatives, including selling products at the retail end and ramping up innovation to attract more consumers, to weather the outbreak while smaller brands may not be able to. However, consumers' preference for mixed ingredients and value for money products gives brands a hint for future development.



"Escalating pressure to attract more consumers and from price mark-ups has slowed China's tea drinks market in 2019. In addition, COVID-19 has also rocked the market, since the outbreak has adversely impacted consumers' purchasing power and temporarily wiped out a few consumption occasions."

– Wen Yu, Research Analyst

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## Table of Contents

### OVERVIEW

- What you need to know
- Key issues covered in this Report
- Report scope

### EXECUTIVE SUMMARY

- The market
- Explosive sales value growth starts to cool down
- Impact of COVID-19 on tea house industry
- COVID-19 leads to shutdown of some tea drinks consumption occasions
- Consumers' uncertainty about economic outlook reduces purchasing power

Figure 1: Sales value & annual growth rate of tea houses market from 2016-2019

Figure 2: Average unit price per cup in RMB, China, 2013-2019

Figure 3: Impact from COVID-19 on consumers' financial status, China, December to July

Figure 4: Impact from COVID-19 on consumers' economic outlook, China, April to July

Figure 5: Short, medium and long term impact of COVID-19 on Tea House industry, August 2020

- Companies and brands
- Centralized market with five brands making up great proportion of value share
- Use sub-brands to attract new consumers with trading down products
- Rely on social media to engage consumers
- The consumer
- Most purchased brands are HEYTEA, alittle-tea and CoCo

Figure 6: Value share & volume share of the top brands, China, 2019

Figure 7: Purchased brands, March 2020

Figure 8: Purchased brands – "HEYTEA & alittle-tea", by age group, March 2020

Figure 9: Purchased brands – "others", by city tier, March 2020

- Desirable flavour and high accessibility matter the most
- More frequent tea drinkers go to offline channels

Figure 10: Brand choice factors, March 2020

Figure 11: Tea shops' visiting frequency, March 2020

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- **Centralized tea base market, with fruit tea favoured by most**  
Figure 12: Tea base choice, March 2020
- **Passion fruit is a darling**  
Figure 13: Fruit preference, March 2020
- **Complementary combo of coconut jelly and oats most likely to please the market**  
Figure 14: Ingredient perception, March 2020
- **What we think**

## ISSUES AND INSIGHTS

- **Light mouth-feel with rich choice of fruits can better fit hot weather**
- **The facts**
- **The implications**  
Figure 15: Mini-HEYTEA's new launches of sparkling juices
- **Develop ingredients that have mixed effects of flavour and texture**
- **The facts**
- **The implications**  
Figure 16: The Alley's milk tea with tapioca balls made of brown sugar  
Figure 17: Signature tea drinks from Chun Feng Tea House
- **Tea houses to diversify revenue channels by marching into retail arenas**
- **The facts**
- **The implications**  
Figure 18: HEYTEA and Nayuki's flagship stores  
Figure 19: HEYTEA and Nayuki's product display on Tmall

## THE MARKET – WHAT YOU NEED TO KNOW

- **Fast-growing market shows signs of slowing down**
- **Brands adapt to the new norm of “constant innovation”**
- **COVID-19 results in a loss of consumption occasions**

## MARKET SIZE

- **Robust growth of sales value tamed in 2019**  
Figure 20: Sales value & annual growth rate of tea houses market from 2016–2019  
Figure 21: Average unit price per cup in RMB, China, 2013–2019

## MARKET FACTORS

- **Investors' consistent optimism in the market's development**
- **Pressure of product innovation keeps mounting up**

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- **COVID-19 wipes out a few consumption occasions for tea drinks**
- **COVID-19 arouses uncertainty for consumer expenditure & economic outlook**

Figure 22: Impact from COVID-19 on consumers' financial status, China, December to July

Figure 23: Impact from COVID-19 on consumers' economic outlook, China, April to July

## KEY PLAYERS – WHAT YOU NEED TO KNOW

- **Leading brands' dominance in sales value**
- **Eligible players to consider "subsidiary" strategy**
- **Up-to-date marketing tactics to enhance brand-consumer bonding**

## MARKET SHARE

- **Five players contribute over half of the market sales value**
- Figure 24: Value share & volume share of the top brands, China, 2019

## COMPETITIVE STRATEGIES

- **Spin-off subsidiary offers price-tiered products, targeting various consumers**
- Figure 25: Photos of the first Mini-HEYTEA shop in Shenzhen
- Figure 26: Menu comparison of HEYTEA (left) and Mini-HEYTEA (right)
- **Cross-category business exploits purchase power, opening up another revenue channel**
- Figure 27: Photos of Nayuki's Bla Bla bar
- Figure 28: Bla Bla's signature cocktails
- **Cultivating high attachment to tea drinks among consumers**
- Figure 29: Front page of Good Me's official website
- **Hidden menus to excite consumers' curiosity purchase**

## WHO'S INNOVATING?

- **Product innovation: unstoppable flavour fusion of tea & alcohol hybrids**
- Figure 30: Fresh milk tea with sweet fermented rice from Long Tine Tea Shop
- Figure 31: Osmanthus and sweet fermented rice tea drinks with taro balls from One More Time
- **Marketing innovation: frequent feeds on social media to better engage with consumers**
- Figure 32: Contents of HEYTEA's WeChat feeds in 2018

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Figure 33: Content of HEYTEA's WeChat feeds in 2020

- **Packaging upgrades catering to multiple needs**

Figure 34: Bottled milk tea from Machi Machi

Figure 35: Bottled milk tea from Xiexie Tea

- **Brands taking the initiative in environmental protection**

Figure 36: HEYTEA's environmentally-friendly products

## THE CONSUMER – WHAT YOU NEED TO KNOW

- **Concentration and divergence coexist in brand preference**
- **Diverse tastes contribute the most to luring consumers**
- **Divergent ingredient perceptions hint at potential business innovation**

## PURCHASED BRANDS

- **Flourishing market led by a handful of big names**

Figure 37: Purchased brands, March 2020

- **Brand preference of Post-00s and Post-90s diverges**

Figure 38: Purchased brands, by generation, March 2020

- **One brand luring exceptionally more male consumers**

Figure 39: Purchased brands, by gender, March 2020

- **First tier cities boasting higher brand diversity**

Figure 40: Purchased brands – “others”, by city tier, March 2020

Figure 41: Purchased brands – “I haven't purchased tea drinks from tea houses in the last six months”, by city tier, March 2020

## BRAND CHOICE FACTORS

- **Consumers fall for abundant flavour options & easy shop access**

Figure 42: Brand choice factors, March 2020

- **Parents value the application of fresh ingredients**

Figure 43: Brand choice factors – “using fresh ingredients (eg fresh fruit) in drinks”, by family structure, March 2020

- **Premium brand consumers skewed towards rich flavour offerings**

Figure 44: Brand choice factors – “rich choice of drink flavours & convenient location”, by tea brands, March 2020

Figure 45: Brand choice factors – “rich choice of drink flavours & convenient location”, by tea brands, March 2020

## TEA SHOPS' VISITING FREQUENCY

- **Offline shops see more frequent tea drinkers**

Figure 46: Tea shops' visiting frequency, March 2020

## What's included

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Figure 47: Tea shops' visiting frequency – "once a day or more", by gender and age, March 2020

Figure 48: Tea shops' visiting frequency – "2-3 times a month", by family structure, March 2020

- **Parents buy tea drinks frequently, those with more than one kid in particular**

Figure 49: Tea shops' visiting frequency – "several times a week", by family structure, March 2020

### TEA BASE CHOICE

- **Burgeoning tea base market led by fruit tea**

Figure 50: Tea base choice, March 2020

Figure 51: Tea base choice – "Pu'er tea", by age, March 2020

- **Floral tea garners general preference among females**

Figure 52: Tea base choice – "floral tea", by gender and age, March 2020

- **White tea lovers value internal brand choice factors**

Figure 53: Tea base choice – "white tea", by brand choice factors, March 2020

### FRUIT PREFERENCE

- **Nearly half of consumers add passion fruit to tea drinks**

Figure 54: Fruit preference, March 2020

Figure 55: Fruit preference – "passion fruit", by gender and age, March 2020

- **Creative combos of tea base and fruit to stun the market**

Figure 56: Fruit preference – "apple & white peach & grape", by tea base, March 2020

Figure 57: Peach oolong tea and gin flavoured cocktail, China, 2020

Figure 58: White peach oolong flavoured sandwich biscuits, China, 2020

Figure 59: Peach and oolong cheese flavoured ice cream, China, 2020

- **Locally-produced fruits win over regional consumers**

Figure 60: Fruit preference – "mango & white peach", by region, March 2020

### INGREDIENT PERCEPTION

- **Fusion of coconut jelly and oats catering to all needs**

Figure 61: Ingredient perception, March 2020

- **Purple rice, red bean and grass jelly each shine in two attributes**

- **Beloved cheese fails to stand out in any attribute**

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Figure 62: Ingredient perception – “those think that cheese can enrich the flavour of drinks”, by gender and age, March 2020

### MEET THE MINTROPOLITANS

- **Concentrated brand preference among MinTs**

Figure 63: Purchased brands – “I haven’t purchased any tea drinks from tea houses in the last six months”, by consumer classification, March 2020

Figure 64: Purchased brands, by consumer classification, March 2020

- **MinTs are more stringent about products and experience**

Figure 65: Brand choice factors – “rich choice of drink flavours & using fresh ingredients (eg fresh fruit) in drinks & providing unique signature drinks & can customize flavour and ingredients & frequent update of products”, by consumer classification, March 2020

Figure 66: Tea shops’ visiting frequency – “once a day or more & several times a week”, by consumer classification, March 2020

### APPENDIX – MARKET SIZE

Figure 67: Sales value & annual growth rate of tea houses market from 2016–2019

### APPENDIX – METHODOLOGY AND ABBREVIATIONS

- **Methodology**
- **Abbreviations**

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