

## Sparkling Drinks - China - September 2020

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“Sparkling beverages have proven their popularity through the surge in sales of sparkling water, and their wide range of application will allow extension into other drinks categories. The shrinking population of key younger consumers and enduring concerns around sugar pose challenges for CSDs going forward.”  
– **Wenxin Xu, Senior Analyst**

This report looks at the following areas:

- The impact of COVID-19 on sparkling drinks market
- Launch activity and worth-knowing innovations
- What consumers are looking for in the post-COVID-19 market and implications on business growth opportunities

The China carbonated soft drinks (CSD) market is fairly mature, while other sparkling drinks (eg flavoured and unflavoured sparkling water) are just establishing their presence. The CSD market saw steady but slow growth prior to the COVID-19 outbreak. However, the unexpected lockdown period has negatively impacted on-premise sales in 2020. Recovery is taking place as the outbreak is largely under control in China. Meanwhile, the confusion in CSD variation will inevitably urge market players to further educate consumers on the benefits of them to ensure market growth.

Other sparkling drinks categories are enjoying consumers' attention since more players are entering the market with their own interpretations, with the aim of establishing their presence in this young non-alcoholic sub-category in China. Innovation in L/N/R sugar and calories features, along with exotic flavours combined with fun, fizzy texture are especially well-received by those young consumers aged under 30. Though the COVID-19 outbreak has introduced financial pressure and economic uncertainty, it has had a minimal impact in this new category post-lockdown.

Following the COVID-19 outbreak, diet versions of CSD and sparkling drinks with L/N/R sugar features (eg flavoured sparkling drinks) with their perceived healthfulness and enjoyable drinking experience have the advantage to stay relevant in the non-alcoholic drinks category. Other non-alcoholic drinks such as sports and energy drinks and juice also have potential to move into carbonated options for future market growth.

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