



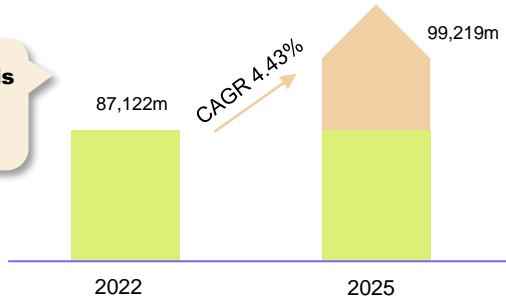
MARKET TRENDS IN CHINA:
BEVERAGES



KEY TRENDS

China Beverages Market (US\$)

Most revenue is generated in China⁹



+ IN-SCOPE

- Alcoholic drinks (e.g., beer, wine, spirits)
- Hot drinks (tea, coffee, cocoa)
- Non-alcoholic drinks (e.g., soft drinks, juices, mineral water)



- ▶ The number of users are expected to amount to 380.2m users by 2025.
- ▶ User penetration will be 18.4% in 2022 and is expected to hit 25.9% by 2025.
- ▶ The average revenue per user (ARPU) is expected to amount to US\$324.95.

PROSPECTS AND OPPORTUNITIES



ZERO / REDUCED SUGAR



COLD BREW / NEW
VARIANT RTD COFFEE



COLD BREW / ORGANIC TEA



PREMIUMISATION IN
BEER & BAIJIU

ZERO / REDUCED SUGAR



The health and wellness trend continues to profoundly influence drinks in China.

To continuously tap into the opportunities presented by the health and wellness trend, players continue to invest heavily in zero and reduced sugar options in different categories such as carbonates, juice and RTD tea.



Innovation within reduced sugar sports drinks is still evident with the launch of Pocari Sweat Ion Water range, which is a low sugar and low-calorie hydration option with a refreshing taste which has gained consumers' attention as a result of mass marketing investments from the brand and increased product distribution.



Sugar-free likely to gain popularity in energy drinks

- ▶ Before 2020, there were very few energy drinks that were sugar-free. XS from Amway (China) was almost the only sugar-free product in the market.



Alpha Sugar-free Hawthorn Juice

- Product of China.

Ingredients: Water, Hawthorn Pulp, Sodium Carboxymethylcellulose, **Citric Acid**, **Xanthan Gum**, Xylitol, Aspartame (Contains Phenylalanine), Acesulfame K, Caramel Colour, Allura Red, Potassium Sorbate, Flavouring.

ZERO / REDUCED SUGAR



Varieties: Pear, Orange

Qiu Lin Sugar Free Carbonated Drinks

- Zero Sugar, Zero Fat, Zero Calorie.
- Suitable for health-conscious consumers who control sugar intake and fitness.
- Product of China.

Ingredients: Water, Food Additives (Carbon Dioxide, Aspartame (Containing Phenylalanine), Acesulfame Potassium, Sodium Cyclamate, **Sodium Citrate**, Potassium Sorbate), Flavouring.

COLD BREW / NEW VARIANT RTD COFFEE



Consumption of cold brew coffee is increasingly popular

Carbonated RTD coffee appears in the market

For instance, local player Nongfu Spring launched cold brew flavoured carbonated RTD coffee in May 2019, which was the first carbonated RTD coffee brand in China.

New variants and flavour innovations will contribute to growth

In addition, other new variants and flavour innovations are being seen in RTD coffee, which is expected to attract a wider audience. For example, Starbucks Corp launched flat white RTD coffee, which was marketed as a trendy drink with a rich aroma, caramel-like sweetness and more mellow taste in cup-style packaging.



Fei Café Ice Drip Black Coffee

- Coffee extraction at 0 °C.
- No addition of sugar, flavouring and creamers during cold brew process.
- Product of China.

COLD BREW / NEW VARIANT RTD COFFEE



Starbucks Select Caffe Latte

- Featured with Starbucks Arabica Coffee.
- Low fat.
- Ready to drink in ambient or cold.
- Product of China.

Ingredients: Water, Sugar, Imported Skim Milk Powder, Imported Whole Milk Powder, Cream, Starbucks Instant Arabica Coffee, **Potassium Carbonate**, **Monoglyceride Fatty Acid Esters**, **Sucrose Fatty Acid Esters**, Disodium Hydrogen Phosphate, **Sodium Citrate**, **Diacetyl Tartaric Acid Mono And Diglycerides**, Microcrystalline Cellulose, Carrageenan, Sodium Carboxymethyl Cellulose, Food Flavour.

COLD BREW / ORGANIC TEA

Despite the small size of the category and doubts about the quality of organic beverages amongst some consumers, there are opportunities for growth.



The relatively high consumption of organic tea in China in comparison with other organic beverages is because the safety of tea is ensured by higher national standards and stricter control in the application of pesticides.

- ▶ According to the State Administration for Market Regulation, 99% of tea and related products have passed the sampling inspection since 2015.



Consumption of cold brew tea is increasingly popular



ChaLi Peach Oolong Cold Brew Tea

- Blends of fruity aroma, sweet peach with refreshing oolong tea.
- Product of China.

Ingredients: Oolong Tea, Dried Peach, Dried Apple, Flavouring.

COLD BREW / ORGANIC TEA



Lan Chang Jiang Nature Tea

- Certified Organic.
- Free from additives, and the active ingredients of tea are retained to the greatest extent.
- The content of tea polyphenols is as high as 1000mg/L, and the content of catechins is 420mg/L. It is a high-quality pure tea.

Ingredients: Water, Green Tea.

PREMIUMISATION IN BEER & BAIJIU

PREMIUM

Premiumisation has been present in the marketplace and is not a trend that has suddenly appeared in beer.

Although it was impacted by the pandemic in 2020, the premiumisation of beer in China has not really been slowing down or stopping, and it will continue to develop over the forecast period.

Total value sales of spirits witnessed a less marked fall in sales in the same year, largely thanks to the continuous premiumisation trend in spirits, especially in baijiu.



The increasing per capita disposable income in China has been helping consumers to shift their preferences from quantity and affordability to premium products, as local consumers are showing a greater interest in the quality and taste of baijiu and an increasing willingness to pay more for premium products.



Budweiser Premium Beer

- Known as "The King of Beers", medium bodied with fresh and subtle fruity notes, a delicate malt sweetness and balanced bitterness for a clean, snappy finish.
- Product of China.

Ingredients: Water, Malt, Rice, Hops, Yeast.

PREMIUMISATION IN BEER & BAIJIU



Wu Liang Ye Baijiu

- Wuliangye Liquor is of strong aroma, colourless and pure. It tastes mellow and refreshing.
- Wu Liang Ye is a famous Chinese liquor brand that has a very long history. It is made in Yibin, Sichuan Province of five grains: sorghums, rice, glutinous rice, wheats and corns, hence the name, literally “five grains liquid”. Traditional skills and techniques, like fermenting and distilling, of more than 600 years are applied into production.
- 52%.

Ingredients: Water, Sorghum, Rice, Glutinous Rice, Wheat, Corn.

References

- Euromonitor International. (2021a). Soft Drinks in China. Industry Report.
- Euromonitor International. (2021b). Better For You Beverages in Hong Kong, China. Industry Report.
- Euromonitor International. (2021c). Sports Drinks in China. Industry Report.
- Euromonitor International. (2021d). Energy Drinks in China. Industry Report.
- Euromonitor International. (2021e). Juice in China . Industry Report.
- Euromonitor International. (2021f). RTD Coffee in China. Industry Report.
- Euromonitor International. (2021g). Organic Beverages in China. Industry Report.
- Euromonitor International. (2021h). Beer in China. Industry Report.
- Euromonitor International. (2021i). Spirits in China. Industry Report.
- Euromonitor International. (2022). Hot Drinks in China. . Industry Report.
- Statista. (2022). Beverages – China.

References – Photo Credit

- Photo via <https://www.harney.com/blogs/news/cold-brew-tea>
- Photo via https://www.freepik.com/premium-vector/golden-glitter-brush-stroke-splashes_24256849.htm?query=brown%20stroke
- Icon via https://www.flaticon.com/free-icon/china_202840?related_id=202840
- Icon via https://www.flaticon.com/premium-icon/bubble-tea_4670116?related_id=4670116
- Icon via https://www.flaticon.com/premium-icon/wellness_4310481?term=wellness&page=1&position=9&page=1&position=9&related_id=4310481&origin=search
- Icon via https://www.flaticon.com/free-icon/sugar_1656203?term=sugar%20low&page=1&position=2&page=1&position=2&related_id=1656203&origin=search
- Icon via https://www.flaticon.com/free-icon/project-management_1087840?term=innovation&page=1&position=7&page=1&position=7&related_id=1087840&origin=search
- Icon via https://www.flaticon.com/premium-icon/cold-brew_3219286?term=cold%20brew&page=1&position=1&page=1&position=1&related_id=3219286&origin=search
- Icon via https://www.flaticon.com/free-icon/coffee-cup_3233444?term=starbuck&page=1&position=4&page=1&position=4&related_id=3233444&origin=search
- Icon via https://www.flaticon.com/free-icon/premium_1458256?term=premium&page=1&position=17&page=1&position=17&related_id=1458256&origin=search
- Icon via https://www.flaticon.com/free-icon/liquor_920541?term=spirit%20alcohol&page=1&position=2&page=1&position=2&related_id=920541&origin=search
- Icon via https://www.flaticon.com/premium-icon/organic_5267982?related_id=5267982
- Icon via https://www.flaticon.com/free-icon/milk-tea_3790887?related_id=3790887
- Icon via https://www.flaticon.com/free-icon/question_2353677?term=doubt&page=1&position=6&page=1&position=6&related_id=2353677&origin=search



THANK YOU