

RTD COFFEE – CHINA – 2023

RTD coffee must develop a distinctive strategy to overcome rival obstacles. In order to increase awareness, brands should not only emphasise their strengths in portability, but also address the range of consumers' demands from functionality to emotional wellbeing.



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RTD Coffee - China - 2023

This report looks at the following areas:

This Report looks at the following areas:

- Future market outlook and growth prospects of China's RTD coffee market
- New RTD coffee product launches and market activities
- RTD coffee consumption trends and consumption preference
- Principal consumption channels and consumption purposes
- Factors influencing purchase and consumers' attitudes towards flavour and product

Overview

In addition to shaking off sleepiness and boosting energy, 44% of consumers purchase RTD coffee "to relax/de-stress". RTD coffee could further level up its role in helping consumers increase their positive energy. This could be through marketing communication and flavour development.

RTD coffee faces a threat from ever-competitive on-premise coffee market in both product development and pricing strategy. Meanwhile, emerging coffee formats such as self-made coffee are gaining wider market appearance. RTD coffee needs to strength its advantage in penetration and portability to secure its market position inside the coffee industry.



RTD coffee must develop a distinctive strategy to overcome rival obstacles. In order to increase awareness, brands should not only emphasise their strengths in portability, but also address the range of consumers' demands from functionality to emotional wellbeing.

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Highlighting quality is what is constantly required for packaged beverages and consumers are willing to pay for quality justifiable products. RTD coffee brands could showcase the quality through stressing the milk use and how it provides a greater taste to the product, as milk coffee is still the dominant choice in the China market.

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Report Content

EXECUTIVE SUMMARY

Key issues covered in this Report

- Definitions
- Overview

The market

- Optimistic growth is expected despite strong intra-industry competition
- Market factors

The company

- CR2 holds dominant share, while competition heats up among established and novel brands
- Key trends in marketing activities
- New product trends
 - Graph 1: share of L/N/R claims in new RTD coffee drinks launches, 2018-23
- Product examples illustrating these trends

The consumer

- RTD coffee needs to catch up with emerging demand from lower-tier cities
 - Graph 2: coffee types consumed in the last three months, 2023
- Further investment in the online channel is encouraged
 - Graph 3: coffee channels used in the last three months, 2023
- Capture the mood-management properties of RTD coffee
 - Graph 4: purpose for which coffee has been consumed in the last three months, 2023
- RTD coffee scores well on convenience
 - Graph 5: important coffee purchase factors, 2023
- Provide low/no-fat milk and plant alternatives to tap into varied preferences
 - Graph 6: product features of interest in coffee, 2023
- Sweetness to enhance happiness, fruit to boost energy
 - Graph 7: emotive benefits of flavours, 2023

Issues and insights

What we think

THE MARKET

Market size and forecast

- RTD coffee faces fiercer competition from other coffee formats
- Ever-evolving coffee culture helps to generate growth momentum

Market factors

- Threat from ever cost-effective on-premise coffee
- Health warning labels on sugar-sweetened beverages arouse public attention
- Work concerns boost need for energy and mood enhancement
- RTD coffee might be deprioritised by stressed young adults, but could be a solution for mental comfort
 - Graph 8: urban surveyed unemployment rate, 2020-23

COMPANIES AND BRANDS

Market share

- CR2 holds dominant share, but be watchful for ever-fiercer competition
- Nestlé strengthens its online efforts
- Starbucks further builds its RTD brand image with packaging renovation
- Fiercer competition in the RTD category, with new entrants

Marketing activities

- Target commuters to elevate RTD coffee's refreshing properties
- Longer-distance travel comes under the spotlight
- Capture the opportunity of the heat of self-driving trips
- Coffee collaborates with milk brands
- Packaging competition intensifies, from size to format
- Large serves gain popularity in leading global markets
- Novel formats catch attention

New product trends

- Derive flavour inspiration from on-premise coffee trends
 - Graph 9: share of products containing coconut ingredients in new RTD coffee drinks launches, 2018-23
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 - Graph 10: share of claim categories in RTD coffee drinks new launches, 2018-23
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 - Graph 14: consumption penetration – ready to drink coffee drinks, by age, 2021 vs 2023
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 - Graph 16: coffee consumption frequency in the last three months, 2023
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ISSUES AND INSIGHTS

Highlight milk as the star in RTD coffee

- Milk coffee is the dominant choice
- Expand milk portfolio to attract a wider audience
- Stress the freshness of milk in RTD coffee
- Appeal to consumers with high protein

Leave consumers the choice by laddering caffeine content

- Varied consumption occasions require wider coffee product portfolios
- Nescafé's Ran Hun series offers varying caffeine levels
- Provide guidance to let consumers choose
- Decaf options are next to watch in RTD coffee

Communicate mood-boost benefits

- Stressful environments call for mood enhancement
- Communicate positivity for holistic wellness
- Marketing activities to resonate with consumers' spiritual lives

APPENDIX – MARKET SIZE AND FORECAST, METHODOLOGY AND ABBREVIATIONS

- Market size and forecast
- Methodology
- Abbreviations

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