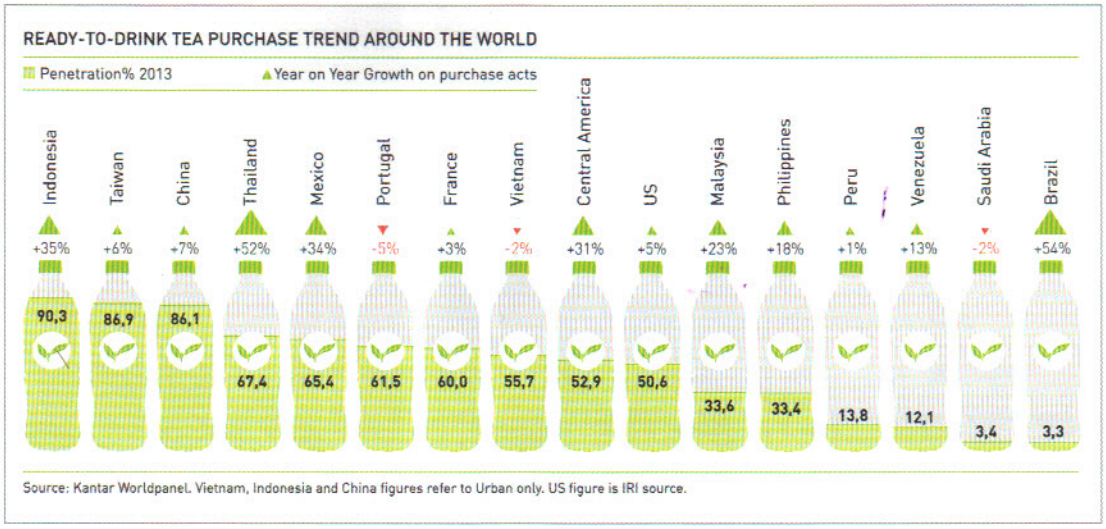
Ready-to-drink tea

Virginia Garavaglia, Global Brand Footprint Director, **Kantar Worldpanel** explains the position of the big brands when it comes to brand opportunity in the world's fastest growing beverage category.



Source: Kantar Worldpanel. Vietnam, Indonesia and China figures refer to Urban only. US figure is IRI source.

Fifteen million new shoppers around the world bought ready-to-drink (RTD) tea products for the first time in the past year, and more than 40% of households now drink the beverage. Brands have successfully tapped into two key consumer trends, linked to increasing affluence and the desire for products that boost health, in a convenient way.

Also known as iced tea, RTD tea is growing faster than any other beverage category, according to Kantar Worldpanel's 2014 Brand Footprint study, with consumers choosing products 12% more than they did the previous year. Particularly popular in Asia, the drink is also a favourite in Mexico, France and the US.

Healthy and convenient

RTD tea provides a healthy beverage consumers can drink on the go – an advantage which has helped the category's performance to eclipse that of energy/sports drinks and bottled water, the world's second and third fastest-growing beverage segments at 9% and 5% respectively, which are also benefiting from the increasing interest in health.

Refreshing, flavoured with natural ingredients, low in sugar and rich in antioxidants, RTD tea is sold in re-sealable PVC bottles that can be grabbed and drunk cold when needed. It is easy to see exactly what's inside the bottle, which meets consumers' demands for transparency.

The beer and coffee segments have both lost shoppers, while instant tea brands declined 8% during the past year. Available as a powder in a sachet format, instant tea struggles with the perception that it is 'artificial', compared to the 'freshness' of RTD tea.

Competitive edge

RTD tea brands are making the most of the beverage's versatility – launching products in a huge variety of flavours including jasmine, oolong, ginseng, herbal, black tea and honey. These are often skilfully tailored to local tastes, and many are based on natural ingredients that offer health benefits. Green tea flavour is extremely popular, and is available in a number of variants including green tea with a touch of lemon, and green tea with ginger.

Brands in emerging regions are making their products affordable as well as convenient, by getting creative with formats – like Teh Gelas in Indonesia which sells its tea in handy 'cups'.

Local leadership

Rather than major global players it is local brands that are driving growth in the iced tea segment, thanks to the strong loyalty, effective distribution and instant response to changing tastes and habits. In Indonesia, for instance, 92% of the market is dominated by local brands including Teh Gelas, Teh Pucuk Harum and Teh Botol.

The real 'rising star' is Ichitan – the number one iced tea brand in Thailand, and the country's fastest-growing FMCG brand overall. Thai people have enthusiastically embraced iced tea, with consumer spend increasing by almost 100% in two years. In Thailand, Ichitan is bought as many times a year as Coca-Cola, with 53% of shoppers purchasing the brand's products.

Global challengers Coke and Pepsi are building their own RTD tea ranges by tailoring products to specific markets – such as Suntory/PepsiCo's Tea+ in Vietnam. Coca-Cola's RTD tea volumes have been boosted by brands such as Gold Peak and Honest Tea in the US, Sokenbicha in Japan, Nestea and Fuze Tea, but it is still not a leader in most markets.

Activating growth

With global penetration of RTD tea at 40%, beverage brands still have enormous head-room for growth but they need to convert more households into customers while meeting powerful local brands head-to-head on their 'home turf'.

They will also find it tough to conquer markets in which soft drink brands are exceptionally

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well-established, while in Asia fierce competition will come from fresh fruit juices, unbranded iced tea or bubble tea sold by street vendors.

One opportunity in Asia that brands have yet to grasp is partnering with fast food chains such as McDonalds, Jollibee and Lotteria, to offer RTD products to diners and collaborate to co-create jointly branded products.

Understanding what is important to local consumers must ultimately be at the core of brand innovation in RTD tea. This means giving marketing campaigns a local slant, with local celebrities, new flavours and formats.

Bubble tea, which is currently emerging strongly in Taiwan, could well be the next beverage battleground. It is currently only sold as an unbranded product, for out-of-home consumption. Which manufacturer will be first to capture this potentially lucrative opportunity?