Passport

TEA IN VIETNAM

Euromonitor International

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TEA IN VIETNAM

HEADLINES

- Tea retail volume sales grow by 7% in 2016 to reach 16,533 tonnes
- Instant tea and fruit/herbal tea are the most dynamic performers in retail volume growth terms, with both posting increases of 8%
- On-trade tea volume sales grow by 4% to reach 5,142 tonnes
- Vinatea - Vietnam National Tea Corp leads tea in 2016 with a retail value share of 22%
- Tea retail volume sales are expected to grow at a CAGR of 8% over the forecast period, while retail value sales at constant 2016 prices are expected to grow at a CAGR of 7%

TRENDS

- Instant tea and fruit/herbal tea were the fastest developing tea categories in retail volume growth terms in 2016, with both recording increases of 8%. While instant tea benefited greatly from the emergence of instant matcha latte and milk tea products, the performance of fruit/herbal tea was bolstered as companies continued to diversify their portfolios via the addition of new product types and flavour variants. Instant tea and fruit/herbal tea products are favoured by many Vietnamese consumers thanks to their savoury taste, convenience, affordable prices and perceived health benefits.
- Total tea volume sales grew by 6% in 2016 to reach 21,675 tonnes. This growth rate equalled the corresponding review period CAGR, despite slower population growth in Vietnam. Robust growth in retail volume sales was sustained partly by rising health awareness, which continued to lead many consumers to switch from carbonates and other types of soft drinks to healthier product types in tea, such as green tea and fruit/herbal tea, for example.
- The retail average unit price for tea declined marginally in current value terms in 2016. According to the General Statistics Office of Vietnam, the inflation rate remained at 1.8% for the first half of the year, and this helped to maintain stability in tea unit prices. Additionally, stiff competition led major supermarkets and hypermarkets chains to run aggressive discount promotions, and this also contributed to the minor decline in the retail average unit price for tea over 2016 as a whole.
- Unpackaged tea is available in Vietnam, mainly from small independent retailers. However, it is mostly purchased by foodservice operators rather than retail consumers. To reduce costs, many foodservice operators purchase large quantities of unpackaged tea for the preparation of iced tea, which is traditionally served as a complimentary beverage in local cafés and restaurants. Home consumption of unpackaged tea is insignificant, and has actually fallen further in recent years as rising disposable incomes and food safety concerns have made Vietnamese consumers even more inclined to favour packaged products. The fact that packaged tea products are very affordable in Vietnam also restricts demand for unpackaged and unbranded tea.
- Other tea remained a niche category in Vietnam in 2016, accounting for just 2% of tea retail volume sales. Among the most popular product types in this category is oolong tea, which is offered by major manufacturers such as Vinatea, Tam Chau Tea & Coffee Co Ltd and Cau Tre Export Goods Processing JSC.

COMPETITIVE LANDSCAPE

- Vinatea continued to lead tea in 2016 with an overall retail value share of 22%. While this domestic company lacks the strong marketing capabilities of multinational competitor Unilever Vietnam International Co Ltd, it maintains a diverse tea portfolio and is renowned for offering affordably priced products. These factors helped to ensure that Vinatea remained the clear leader in green tea, the largest tea category, in 2016 with a retail value share of 43%.
- Vinh Tien Co Ltd was the most dynamic performer in tea in terms of overall current value sales growth in 2016, posting an increase of 19%. Despite limited investment in promotional activities, the company benefited from growing consumer interest in its many slimming tea and fruit/herbal tea products, which are widely available via major supermarkets and hypermarkets chains.
- Both local and international manufacturers performed well in tea in 2016. While international players prevailed in black tea and instant tea, domestic companies remained dominant in green tea, fruit/herbal tea and other tea.
- Instant tea was among the most active tea categories in terms of new product launches over 2015-2016. Following on from the launch of Birdy 3-in-1 Matcha Latte by Ajinomoto in December 2015, in July 2016 Nestlé introduced new instant tea product Nescafé Nestea Matcha Latte. The latter claims to be made from pure matcha powder imported from Japan, which gives the product a trustworthy image in the eyes of many consumers. Both Birdy 3-in-1 Matcha Latte and Nescafé Nestea Matcha Latte successfully tapped into the growing preference for matcha latte among younger Vietnamese consumers, and this helped to ensure that instant tea was one of the two most dynamic tea categories in retail volume growth terms in 2016.

PROSPECTS

- Green tea is expected to be the most dynamic tea category in retail volume growth terms over the forecast period, with a CAGR of 9% projected. This would be a substantial improvement on the corresponding CAGR of 6% recorded by the category during the review period. Retail volume growth will be bolstered by growing consumer appreciation for the many health benefits of green tea, which include fat-burning, immune-boosting and detox effects.
- Tea retail volume sales are expected to grow at a CAGR of 8% over the forecast period, which would be an improvement on the corresponding CAGR of 6% recorded during the review period. Per capita consumption of tea in Vietnam stood at just 0.23 kg in 2016, hence the category retains strong potential for further expansion. Growing consumption of green tea, the most popular product type, will continue to bolster the performance of the entire tea category towards 2021.
- It is possible that Vietnam will see the launch of new health-orientated RTD tea products over the forecast period, including organic variants that are free from sugar, preservatives and colours. As of 2016, demand for such products remained negligible due to high unit prices. However, were such products to become more popular, they could pose a significant threat to the further development of the tea category.
- The retail average unit price for tea is expected to decline at a constant value CAGR of 1% over the forecast period. As increasingly hectic lifestyles lead more consumers to choose RTD tea over conventional (ie hot) tea products, it is likely that manufacturers of the latter will lower unit prices in order to strengthen their competitiveness. It is also likely that frequent discount promotions by supermarkets and hypermarkets operators will contribute to the projected decline in the retail average unit price for tea.

- Tea looks set to show a largely stable performance over the forecast period. Aside from the rising penetration of healthier products, most tea categories are not expected to experience any major changes. Green tea is expected to remain by far the largest tea category in retail volume and value sales terms.
- Rising disposable incomes in Vietnam will continue to provide tea producers will new opportunities to increase their revenues over the forecast period. As disposable incomes increase, many consumers will not only buy tea products more regularly, but also become more inclined to choose higher quality and more expensive brands. Together with the trend towards busier lifestyles, rising disposable incomes will also encourage many consumers to eat out more often, which will help to sustain robust growth in on-trade tea volume sales.
- Matcha latte has become very popular among younger Vietnamese consumers in recent years. Together with competitive pricing strategies, this should ensure that Birdy 3-in-1 Matcha Latte and Nescafé Nestea Matcha Latte continue to perform well over the forecast period. This will in turn help to sustain the positive development of the instant tea category, which is expected to see retail volume sales grow at a CAGR of 7%.

CATEGORY DATA

Table 1 Retail Sales of Tea by Category: Volume 2011-2016

Tonnes

	2011	2012	2013	2014	2015	2016
Black Tea	1,028.2	1,101.1	1,176.5	1,252.2	1,327.4	1,404.6
- Black Standard Tea	727.9	778.9	831.8	885.1	938.2	994.1
-- Loose Black Standard Tea	-	-	-	-	-	-
-- Tea Bags Black Standard	727.9	778.9	831.8	885.1	938.2	994.1
- Black Speciality Tea	300.3	322.2	344.7	367.1	389.2	410.5
-- Loose Black Speciality Tea	-	-	-	-	-	-
-- Tea Bags Black Speciality	300.3	322.2	344.7	367.1	389.2	410.5
Fruit/Herbal Tea	1,453.7	1,576.9	1,706.8	1,845.2	1,991.2	2,141.3
Green Tea	7,571.6	7,859.3	8,252.3	8,754.8	9,267.0	9,888.1
Instant Tea	2,053.1	2,217.4	2,377.0	2,519.6	2,645.6	2,844.0
Other Tea	180.9	197.1	211.2	225.6	240.2	255.0
Tea	12,287.5	12,951.8	13,723.8	14,597.5	15,471.5	16,533.1

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 2 Retail Sales of Tea by Category: Value 2011-2016

VND billion

	2011	2012	2013	2014	2015	2016
Black Tea	763.2	857.4	981.3	1,110.3	1,305.9	1,421.9
- Black Standard Tea	491.6	551.8	565.8	623.6	751.4	799.4
-- Loose Black Standard Tea	-	-	-	-	-	-
-- Tea Bags Black Standard	491.6	551.8	565.8	623.6	751.4	799.4

- Black Speciality Tea	271.6	305.6	415.6	486.7	554.5	622.5
-- Loose Black Speciality Tea	-	-	-	-	-	-
-- Tea Bags Black Speciality	271.6	305.6	415.6	486.7	554.5	622.5
Fruit/Herbal Tea	571.3	641.1	713.5	791.4	861.9	931.8
Green Tea	1,983.1	2,137.1	2,304.3	2,488.7	2,636.3	2,756.6
Instant Tea	201.0	227.8	251.5	272.0	289.5	315.8
Other Tea	94.8	107.2	118.0	129.2	139.4	149.4
Tea	3,613.3	3,970.6	4,368.6	4,791.6	5,233.1	5,575.5

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 3 Retail Sales of Tea by Category: % Volume Growth 2011-2016

% volume growth

	2015/16	2011-16 CAGR	2011/16 Total
Black Tea	5.8	6.4	36.6
- Black Standard Tea	6.0	6.4	36.6
-- Loose Black Standard Tea	-	-	-
-- Tea Bags Black Standard	6.0	6.4	36.6
- Black Speciality Tea	5.5	6.5	36.7
-- Loose Black Speciality Tea	-	-	-
-- Tea Bags Black Speciality	5.5	6.5	36.7
Fruit/Herbal Tea	7.5	8.1	47.3
Green Tea	6.7	5.5	30.6
Instant Tea	7.5	6.7	38.5
Other Tea	6.2	7.1	41.0
Tea	6.9	6.1	34.6

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 4 Retail Sales of Tea by Category: % Value Growth 2011-2016

% current value growth

	2015/16	2011-16 CAGR	2011/16 Total
Black Tea	8.9	13.3	86.3
- Black Standard Tea	6.4	10.2	62.6
-- Loose Black Standard Tea	-	-	-
-- Tea Bags Black Standard	6.4	10.2	62.6
- Black Speciality Tea	12.3	18.0	129.2
-- Loose Black Speciality Tea	-	-	-
-- Tea Bags Black Speciality	12.3	18.0	129.2
Fruit/Herbal Tea	8.1	10.3	63.1
Green Tea	4.6	6.8	39.0
Instant Tea	9.1	9.5	57.1
Other Tea	7.1	9.5	57.7
Tea	6.5	9.1	54.3

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 5 Retail Sales of Tea by Standard Vs Pods: % Volume 2011-2016

% retail volume	2011	2012	2013	2014	2015	2016
Pods	-	-	-	-	-	-
Standard	100.0	100.0	100.0	100.0	100.0	100.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources
Note: Totals may not sum to 100% due to data rounding

Table 6 NBO Company Shares of Tea: % Retail Value 2012-2016

% retail value rsp Company	2012	2013	2014	2015	2016
Vinatea - Vietnam National Tea Corp	28.7	26.6	24.1	22.3	21.6
Unilever Vietnam International Co Ltd	19.0	17.6	16.3	16.5	16.3
MJF Group	2.3	4.2	6.1	7.5	8.0
Ecological Product JSC	6.5	6.9	7.2	7.5	7.4
Vinh Tien Co Ltd	3.4	3.5	3.6	3.6	4.0
Hoang Long Tea Co Ltd	3.6	3.4	3.2	2.9	2.8
Cau Tre Export Goods Processing JSC	2.1	2.1	2.2	2.2	2.3
Herbapol Lublin SA	1.3	1.4	1.4	1.4	1.4
Qualitea Ceylon (PVT) Ltd	0.6	0.8	0.9	0.9	0.9
Hung Phat Co Ltd	0.7	0.7	0.7	0.7	0.7
Orient Biotech Sdn Bhd	0.6	0.7	0.7	0.6	0.6
Tam Chau Tea & Coffee Co Ltd	0.6	0.5	0.5	0.6	0.6
Dai Gia Trade & Service Co Ltd	0.4	0.4	0.4	0.3	0.4
Khoi Nguyen Co Ltd	0.4	0.4	0.3	0.3	0.3
Hopharco JSC	0.3	0.3	0.3	0.3	0.3
Super Coffeemix Mfg Pte Ltd	0.1	0.1	0.1	0.1	0.1
Others	29.6	30.6	32.1	32.3	32.3
Total	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 7 LBN Brand Shares of Tea: % Retail Value 2013-2016

% retail value rsp Brand (GBO)	Company (NBO)	2013	2014	2015	2016
Vinatea	Vinatea - Vietnam National Tea Corp	25.8	23.4	21.7	21.0
Lipton Yellow Label (Unilever Group)	Unilever Vietnam International Co Ltd	11.3	11.3	12.5	12.4
Dilmah	MJF Group	4.2	6.1	7.5	8.0
Cozy	Ecological Product JSC	6.9	7.2	7.5	7.4
Vinh Tien	Vinh Tien Co Ltd	3.5	3.6	3.6	4.0
Lipton (Unilever Group)	Unilever Vietnam International Co Ltd	5.7	4.7	3.9	3.8
Hoang Long	Hoang Long Tea Co Ltd	3.4	3.2	2.9	2.8

Cau Tre	Cau Tre Export Goods Processing JSC	1.6	1.6	1.7	1.7
Figura	Herbapol Lublin SA	1.4	1.4	1.4	1.4
Qualitea	Qualitea Ceylon (PVT) Ltd	0.8	0.9	0.9	0.9
Tam Diep Slim	Hung Phat Co Ltd	0.7	0.7	0.7	0.7
Diet Herbal Tea-Lite (Greenfood International Pty Ltd)	Orient Biotech Sdn Bhd	0.7	0.7	0.6	0.6
Tam Chau O Long Tea	Tam Chau Tea & Coffee Co Ltd	0.5	0.5	0.6	0.6
Vinatea O Long Tea	Vinatea - Vietnam National Tea Corp	0.7	0.7	0.6	0.6
Cau Tre O Long Tea	Cau Tre Export Goods Processing JSC	0.5	0.5	0.5	0.5
Tra Dai Gia O Long Tea	Dai Gia Trade & Service Co Ltd	0.4	0.4	0.3	0.4
Thanh Diep	Khoi Nguyen Co Ltd	0.4	0.3	0.3	0.3
Vislim	Hopharco JSC	0.3	0.3	0.3	0.3
Super (Super Group Ltd)	Super Coffeemix Mfg Pte Ltd	0.1	0.1	0.1	0.1
Cay Da (Unilever Group)	Unilever Vietnam International Co Ltd	-	-	-	-
Others	Others	31.1	32.4	32.4	32.4
Total	Total	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

Table 8 Forecast Retail Sales of Tea by Category: Volume 2016-2021

Tonnes

	2016	2017	2018	2019	2020	2021
Black Tea	1,404.6	1,487.1	1,575.6	1,664.9	1,754.4	1,843.6
- Black Standard Tea	994.1	1,053.0	1,115.5	1,177.6	1,239.0	1,299.6
-- Loose Black Standard Tea	-	-	-	-	-	-
-- Tea Bags Black Standard	994.1	1,053.0	1,115.5	1,177.6	1,239.0	1,299.6
- Black Speciality Tea	410.5	434.2	460.0	487.3	515.4	544.0
-- Loose Black Speciality Tea	-	-	-	-	-	-
-- Tea Bags Black Speciality	410.5	434.2	460.0	487.3	515.4	544.0
Fruit/Herbal Tea	2,141.3	2,295.0	2,468.4	2,647.5	2,830.5	3,016.1
Green Tea	9,888.1	10,699.4	11,705.6	12,787.6	13,939.4	15,156.6
Instant Tea	2,844.0	3,052.3	3,271.9	3,497.3	3,724.1	3,947.3
Other Tea	255.0	270.6	286.9	304.0	321.6	339.3
Tea	16,533.1	17,804.4	19,308.4	20,901.2	22,570.0	24,302.9

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 9 Forecast Retail Sales of Tea by Category: Value 2016-2021

VND billion

	2016	2017	2018	2019	2020	2021

Black Tea	1,421.9	1,485.8	1,552.2	1,620.5	1,688.5	1,755.4
- Black Standard Tea	799.4	844.9	890.7	937.4	982.8	1,026.8
-- Loose Black Standard Tea	-	-	-	-	-	-
-- Tea Bags Black Standard	799.4	844.9	890.7	937.4	982.8	1,026.8
- Black Speciality Tea	622.5	640.9	661.5	683.1	705.7	728.6
-- Loose Black Speciality Tea	-	-	-	-	-	-
-- Tea Bags Black Speciality	622.5	640.9	661.5	683.1	705.7	728.6
Fruit/Herbal Tea	931.8	998.8	1,072.3	1,149.2	1,228.4	1,308.3
Green Tea	2,756.6	2,979.8	3,250.7	3,545.0	3,856.6	4,183.7
Instant Tea	315.8	331.0	345.9	361.0	375.5	388.7
Other Tea	149.4	158.3	167.2	176.8	186.5	196.2
Tea	5,575.5	5,953.6	6,388.4	6,852.6	7,335.4	7,832.3

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 10 Forecast Retail Sales of Tea by Category: % Volume Growth 2016-2021

% volume growth

	2016/17	2016-21 CAGR	2016/21 Total
Black Tea	5.9	5.6	31.3
- Black Standard Tea	5.9	5.5	30.7
-- Loose Black Standard Tea	-	-	-
-- Tea Bags Black Standard	5.9	5.5	30.7
- Black Speciality Tea	5.8	5.8	32.5
-- Loose Black Speciality Tea	-	-	-
-- Tea Bags Black Speciality	5.8	5.8	32.5
Fruit/Herbal Tea	7.2	7.1	40.8
Green Tea	8.2	8.9	53.3
Instant Tea	7.3	6.8	38.8
Other Tea	6.1	5.9	33.0
Tea	7.7	8.0	47.0

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 11 Forecast Retail Sales of Tea by Category: % Value Growth 2016-2021

% constant value growth

	2016/2017	2016-21 CAGR	2016/21 TOTAL
Black Tea	4.5	4.3	23.5
- Black Standard Tea	5.7	5.1	28.4
-- Loose Black Standard Tea	-	-	-
-- Tea Bags Black Standard	5.7	5.1	28.4
- Black Speciality Tea	3.0	3.2	17.0
-- Loose Black Speciality Tea	-	-	-
-- Tea Bags Black Speciality	3.0	3.2	17.0
Fruit/Herbal Tea	7.2	7.0	40.4
Green Tea	8.1	8.7	51.8
Instant Tea	4.8	4.2	23.1
Other Tea	5.9	5.6	31.4
Tea	6.8	7.0	40.5

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Table 12 Forecast Retail Sales of Tea by Standard Vs Pods: % Volume 2016-2021

% retail volume

	2016	2017	2018	2019	2020	2021
Pods	-	-	-	-	-	-
Standard	100.0	100.0	100.0	100.0	100.0	100.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources
Note: Totals may not sum to 100% due to data rounding