

# A Study of China's Nascent Tea Drink Industry to Explore the Possibility of Africa's Nascent Tea Market

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**Abstract.** As the global economy continues to burgeon after the pandemic, nascent tea drinks which are first invented in China are becoming more and more popular since they are both tasty and healthful. The paper mainly researches China's nascent tea drink market and critically investigates the possibility of applying the business mode to the African market which is currently unexplored. In terms of China's market, development history, industry chain, consumer concerns, and a case study of HEYTEA--a well-known nascent tea brand in China--are discussed to advance the knowledge of nascent tea industry and the implications of establishing the nascent tea drink market in African countries. After the analysis of China's market, a SWOT analysis and recommended practices about establishing the nascent tea drink markets in African countries are later discussed in the paper. The SWOT analysis mainly discusses the benefits and drawbacks of developing nascent tea drink market in Africa and the potential threats and opportunities.

**Keywords:** Nascent Tea Drinks, China's Tea Drink Market, Africa's Tea Drink Market, SWOT Analysis.

## 1. Introduction

China's nascent tea drink market is booming, with young people overflowing with love for the healthy beverages--nascent tea drinks. As the nascent tea drinks are gaining popularity among Chinese young people, it has made progress in other countries. In addition, the nascent tea drink market's expansion has been driven by an increase in consumer consumption of healthy beverages, such as black tea, green tea, white tea, as well as growing health awareness. Moreover, the market demand for nascent tea beverages, such as nascent fruit tea, is growing due to high acceptance, interest, and curiosity among the younger generation. Innovative advertisements and celebrity endorsements have also paved the way for the expansion of the global nascent tea drink market. The nascent tea drinks are also becoming famous for their unique flavors, which combine ingredients like chocolate, fruit, and coffee with pure tea. These drinks are usually served with sugar and flavored syrups. International demand for nascent tea beverages is on the rise as more and more people are choosing tea, coffee and other healthy beverages over carbonated drinks. Currently there are no corporate brands related to nascent tea drinks in overseas markets, including Africa, except in Europe and the United States.

The main value of the paper is to discuss the possibility of replicating this model in Africa and how it can be better integrated into the lives of local people. This paper will analyze the potential financial performance of the nascent tea drinks in the African market by examining the development of the nascent tea drink market in China thoroughly and analyzing the products in detail. In order to develop the nascent tea beverage market, businesses must overcome some restrictions and barriers that will hinder the market's expansion. In addition, due to the differences in traditional tea culture and consumer acceptance, it is also uncertain whether African people can well accept these drinks. However, once the nascent tea beverage market is successfully established in Africa, this consumer economy will bring immeasurable economic benefits to African countries and enhance the well-being and the living standards of people.

## 2. Current Nascent Tea Drink Industry and China's Market Analysis

Nascent tea drinks first appeared in Taiwan, China. In the Chinese market, nascent tea drinks are welcomed by young people; the industry has attracted hot capital investment, and the industry's scale is expanding. The industry's layout is approaching maturity as nascent tea drinks have become a part of Chinese people's lives; therefore, it becomes valuable for the paper to probe into the essence of China's nascent tea drink market so that the experience of development could be applied to the African market.

### 2.1. The Concept of Industry

#### 2.1.1. Definitions of the Nascent Tea Drinks

Nascent tea drinks and traditional milk tea are different. As shown in Table 1, they refer to the drinks combining upscale tea, using different extraction methods to attain the concentrate, and combining fresh milk, natural animal cream, or a variety of fresh fruit. The taste is enriched, upgrading from the original tea plus non-dairy creamer to tea plus milk, tea plus flower, tea plus fruit, tea plus cheese, and so on. At present, the nascent tea drinks on the market are usually milk tea and fruit tea [1]. Compared with the traditional drink market, the nascent tea drink market improves and upgrades the material selection, production process, and brand management. The market also underlines the quality and uniqueness and combines both online and offline brand management, aiming to bring customers stylish enjoyment [2].

**Table 1.** Segmentation of the Nascent Tea Drinks

Segmentation	By Types of tea	By Flavors	By Components	By Geography
1	Black	Fruit	Flavoring	Asia Pacific
2	Green	Coffee	Tapioca Pearls	Europe
3	Oolong	Original	Grass Jelly	North America
4	White	Chocolate	Sweetener	Rest of the World
5	Yellow	Flower	Creamer	
6	Dark	Others	Others	

#### 2.1.2. Characteristics of the Industry

With the comparison between nascent tea drinks' and traditional milk tea's production methods, it is clear that the producers of nascent tea drinks value the freshness of the raw materials--they do not use tea powder that has a long shelf-life and non-dairy creamer; rather, they choose to use the original tea leaves, fresh milk and fresh fruits.

The interior decoration of the nascent tea drink stores is quite different from that of the traditional takeaway type of tea drinks: it provides a leisure space that people can rest and enjoy the drink. Because of the fresh ingredients used in the drinks, the average nascent tea drinks' pricing is about 25 RMB (around 3.5 USD) or more [3].

In China's nascent tea drink market, some established brands not only have cooperated with external takeaway platforms, but also have developed their own platforms, like WeChat's mini programs, offering customers services such as online ordering, and takeaway. Some platforms even enable customers to accumulate credits and purchase official brand merchandise.

### 2.2. China's Market Analysis

With regard to the freshly-made tea drink industry, the first brand of traditional boba tea appeared in Taiwan in 1987, called "Chunshui Tang;" during the time between 1998 to 2007, freshly-made tea drink chain brands appeared; in the years 2010 to 2015, the nascent tea drink shops appeared in the market, and well-known brands like "Yi Dian Dian" entered Chinese mainland area. From 2015 till now, many nascent teas drink brands have been created, and the industry is burgeoning as more and more customers start showing interest in the nascent tea drinks [3,4].

### 2.2.1. Overall Review

Nascent tea drinks are generally fresher and have richer taste due to multifarious raw materials. Thus, they are well-accepted by young Chinese consumers. According to iiMedia Research's data in 2023, among a sample of 2355 nascent tea drink consumers, 86.0% of them have an age range between 22 and 40 years old, where more than 35.0% of the 86.0% are 22 to 30 years old [5]. Sellers have also put effort into package design and interior decoration of physical stores; these are important elements to attract young customers.

In terms of the association of technology and the market, today's internet era has given rise to a new era of personalized consumer demand for "experience + socializing" and "product + brand". For example, the general success of thematic co-branding and consumer preference for popular brands indicate the importance of satisfying personalized consumer demand. In addition, the traffic of offline nascent tea drink stores dropped dramatically due to covid-19, which contributed to an increase in online ordering. According to TIMON Research, China's nascent tea drink industry's rate of online service has risen from 15.5% to 80.6% after the pandemic. The tea drink market's scale steadily increases, and that of freshly made tea drinks increases the fastest. China's tea drink market can be segmented into three main categories: freshly made tea drinks, tea bags, and tea powder [4].

### 2.2.2. Industry Chain Analysis

The industry chain is shown in Fig. 1, which includes upper, middle and lower sides.

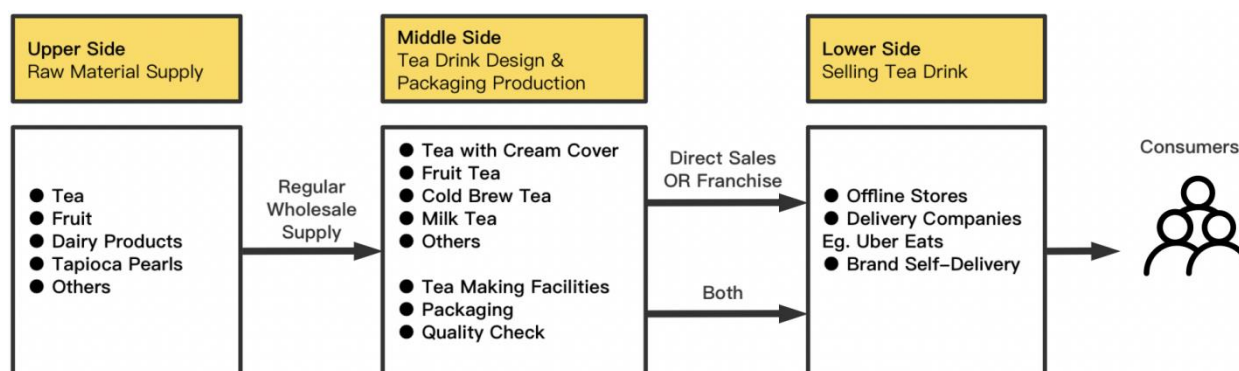


Figure 1. Industry chain analysis

### 2.2.3. Consumers' Concerns

Although China's nascent tea drink industry has almost 40 years of history, there are still many consumer concerns. First of all, the inconvenience of waiting for drinks to be prepared is a big problem. Compared with traditional tea drinks, the production process of nascent tea drinks is more complicated, and the production time of single-cup drinks is longer, so the waiting time of some brand stores for drinks is more than 30 min [6]. Second, these drinks are quite expensive for their main customers. Young people and female consumers are currently the main consumers of nascent tea drinks, while the proportion of male consumers of freshly-made tea drinks is also gradually increasing. Most of the people interested in nascent tea drinks are young groups since they are more willing to accept new things. However, young people at the same time do not have income as high as that of middle-aged people since they do not have long working experience. Thus, the price of nascent tea drinks and delivery fees put some financial pressure on them. The third problem is food safety. The nascent tea drink production steps are complex and require high freshness of raw materials, which leads to many unscrupulous businessmen not paying attention to the shelf life of food and hygiene management. Nayuki's tea was exposed in 2021 that a number of stores have food safety problems such as raw material spoilage. This made many customers worry about the hygiene and health of the drinks [7].

#### 2.2.4. Case Study of HEYTEA

HEYTEA is a famous nascent tea drink brand in China. In 2012, HEYTEA, initially named "ROYALTEA", originated in Guangdong Province. HEYTEA entered the Guangzhou and Shenzhen markets in 2015. The brand is welcomed by consumers for it is the original creator of freshly brewed tea with cheese. It now covers 241 cities across China, with 1279 open offline shops in the country. The current price range is around 9 to 32 RMB (around 1.23 to 4.39 dollars) [8,9]. According to the sales data in 2019, the average number of cups produced by HEYTEA shops reached 2000 cups per day, and the average monthly turnover of all stores was more than 1 million, with the best-performing store achieving a monthly turnover of 4 million [3].

In order to reduce the time from when a consumer places an order to when he or she receives the drink, HEYTEA took the lead in allying with third-party takeaway platforms, such as Meituan, in 2017. In 2018, it developed the brand's mini program "HEYTEA GO". Providing the service of pre-ordering and picking up tea at the store prompted HEYTEA's products by providing more convenience to consumers, expanding the consumption scenarios of the brand's products, and enhancing consumer satisfaction. In terms of social media operation, HEYTEA's Weibo followers and WeChat Official Accounts followers are among the highest in the nascent tea drink industry.

HEYTEA initially started out as a small store. However, it realized that the environment and experience are also a very important part of a beverage store. In order to build a brand culture and consumer loyalty, HEYTEA started to open large stores of 100 square meters or more and opened several themes stores to attract traffic through fashionable store design and continue to maintain high attention through consumer feedback [10].

### 3. Future African Market Analysis

#### 3.1. SWOT Analysis

##### 3.1.1. Existing Advantages

Tea raw materials are relatively cheap. For example, Kenya's tea has an average price of around two or three dollars per kilogram, which is much cheaper than other countries: the average price of China's tea exports reaches 5.84 dollars per kilogram.

In addition, most of the people in Africa have the habit of drinking tea in their daily lives; thus, African people's acceptance of tea drinks is good [11].

##### 3.1.2. Weaknesses

The raw materials of the new tea drinks are required to be fresh, which adds up to the production cost. If the tea drinks are too expensive, most of the local people may not be able to afford them. Some of the new tea ingredients such as tapioca pearls are not common in Africa, so the local people may not be able to accept the innovation and improvement of the tea. Freshly-made tea drinks are complicated to make with many steps. Most of the local people who are busy in work cannot wait for a long period when the online ordering service is not very common in Africa.

##### 3.1.3. Opportunities

The western regions, central regions, and the islands of the western Indian Ocean have a predominantly humid tropical climate; most of the countries of southern Africa are arid and semi-arid, while in northern Africa semi-deserts and deserts predominate. The hot temperature during all seasons creates a strong market demand for drinks that can quench thirst and lower body temperature.

The African market is currently unexplored, so start-ups have few competitors. Therefore, competitive pressure is low, which is advantageous for the stores to attract a large number of customers who are curious about nascent tea drinks.

### **3.1.4. Threats**

It is relatively convenient for local traditional tea stores to transform into nascent tea drink stores. In this situation, once a nascent tea store receives popularity among consumers, local tea stores can quickly transform into nascent tea stores, increasing the pressure of competition.

Additionally, the economic situation of some African countries has not been optimistic ever since the pandemic, and some African countries that currently have good economic performance are still vulnerable to price fluctuations of primary sectors' product exports. Under the premise that the economic environment is not stable enough, the business idea of nascent tea stores in the African market has great risk.

## **3.2. Recommended Practices**

### **3.2.1. Making Special Image Design Combining the Local Culture**

The product packaging design and store decoration design need to provide the local people with a sense of local culture so that customers can well accept these "new type of drinks". Tea stores can ingeniously mix and match elements of African culture and modern style to form a fashionable store design with local characteristics, such as adding patterns of wild animals and tribal cultures.

### **3.2.2. Using Local Materials and Catering to the Local Taste**

Multinational companies marketing in a brand-new international market need to combine local food preferences, and traditional culture with the brands to achieve product localization. For instance, in Morocco, people often drink mint sweet tea--tea soup with mint leaves and sugar. The nascent tea stores need to investigate the local people's dietary habits. Coupled with the innovative improvements, the nascent tea drinks are therefore able to give customers a familiar and novel experience. The production of fruit tea with the addition of common local fruits is another case in point. In the process of obtaining raw materials, the nascent tea brands may cooperate with the local tea plantations in Africa, so that the tea can retain the familiar flavor of the local people. In the premise of solving the problem of raw materials, tea plantations get more advertisements [12].

### **3.2.3. Combing Drinks and Desserts and Catering to the Local Culture**

The nascent tea shops can adopt the "Tea + Desserts" combination for bundled marketing. At the same time, the combination can be customized according to the characteristics of different regions. For example, in Tanzania, there is a habit of drinking black tea and eating toast in the morning, so the nascent tea shops can combine the African morning and afternoon tea culture with the combination of "New Tea + Desserts" according to the preference of Tanzania consumers. On the other hand, nascent tea drinks should take the initiative to follow local customs, actively responding to local traditional festivals. As for festival marketing, the shops can launch special festival drinks. For example, in Tanzania, a festival-themed drink party can be held during the full moon festival, and the festival menu is launched for a limited time, including the matching of desserts.

## **4. Conclusion**

In summary, after the SWOT analysis, the paper believes that the African market is worth exploring. The local tea culture has a long history, as well as that of cultivation, and the acceptance of tea by the people is good. With innovations that cater to the tastes of the local people, the nascent tea drinks may be able to achieve commercial success in the African market and bring economic benefits to African countries. The shortcomings of this paper are the lack of discussion on the specific business operation, the lack of discussion on the possible performance of the nascent tea drink market in specific cities or in specific countries in Africa, and the lack of data from the potential customers in Africa on the perception of the nascent tea drinks and their daily tea drinking habits. Hopefully, this paper will inspire entrepreneurs who are thinking of exploring the nascent tea drink market in Africa. With the help of quantitative tools, this paper will be able to better predict the future performance of the nascent tea market in Africa.

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