



Photo by Fernando Andrade from Pexels

Ready-to-Drink (RTD) Coffee in Brazil

PROSPECTS

Category Reinvention Is Imperative for Future Growth

Despite being the biggest coffee consumer in the world, Brazil is not expected to see an outstanding scenario for RTD versions. Over recent years, especially affected by the economic crisis, the category has performed poorly, as it is not perceived by most Brazilians as an essential item or even as affordable. Over the forecast period, lack of consumer awareness and negative habit persistence are set to be the most negative drivers impacting future demand.

The lack of a clear market positioning results in fierce competition coming from other RTD beverages, especially dairy-only flavored milk drinks - with similar pack sizes, types, and usually closely positioned on store shelves. In this sense, category reinvention is, more than ever, imperative for future growth: as the Brazilian economy starts to show signs of recovery, pioneer brands investing in market positioning are set to be the most prepared ones to face the competition in upcoming years.

Instant Coffee for Cold Variant Preparation may Pose Threat to RTD

Although instant and RTD coffee have always targeted different consumption occasions and user groups, more recently there has been a growing overlap in terms of consumption occasions. As the instant coffee industry invests massively in communication strategies and commercial initiatives to encourage the use of instant coffee in the preparation of cold beverages - including alcoholic drinks - competition with RTD coffee should intensify.

Over the next few years, manufacturers are expected to invest in product repositioning, not only to differ from dairy milk products, but also to create new consumption occasions detached from the instant coffee competition. A potential unexplored area is related to sports nutrition, especially if enriched with whey protein or positioned as thermogenic.

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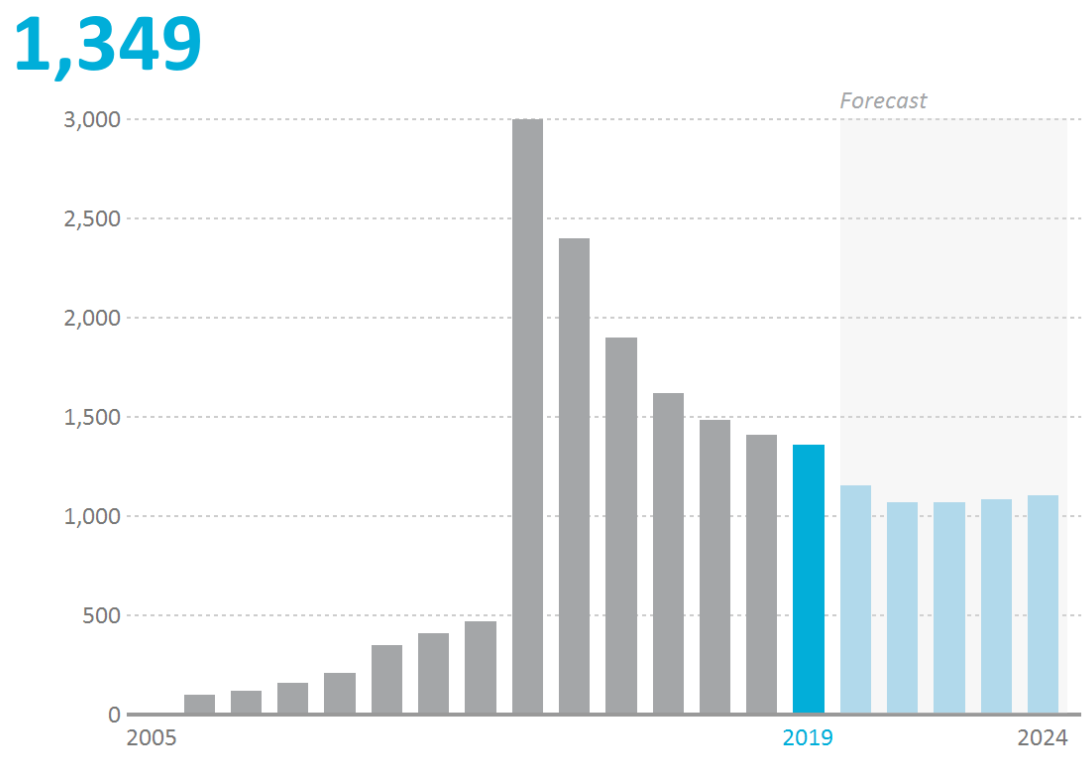
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Sales of RTD Coffee in Brazil

Off-trade Volume - '000 litres - 2005-2024



COMPETITIVE LANDSCAPE

RTD Bulletproof Coffee Versions Emerge

The trendy concept of “bulletproof coffee” (a high-fat coffee drink intended as breakfast or meal replacement), however, goes in the opposite direction of mass RTD coffee brands. Puravida, a local brand of premium healthy food/snacks has recently launched its BulletCoffee, available in shaped liquid cartons of 300ml. The product claims to be free from lactose, reduced sugar, and prepared with coconut oil. Although it costs around four times more than a regular RTD coffee brand in Brazil, the beverage concept has been attracting consumers, especially those who are heavy sports practitioners. Over the next few years, the brand is not expected to be democratized, but could lead the way for other brands to offer similar solutions.

Lactose-free RTD Cappuccinos Launched

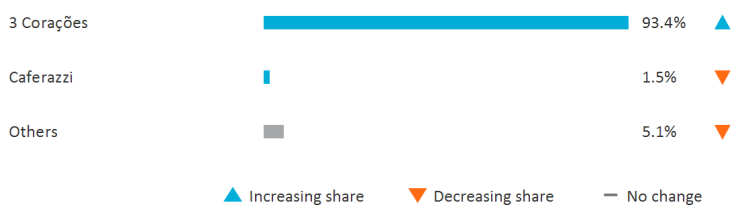
As milk alternatives register ever-growing volumes, despite the economic crisis, the concept of non-dairy solutions has also reached RTD coffee. Natuterra, a premium RTD coffee-based product brand, has launched a line prepared with almond milk, flavored as vanilla,

chocolate, caramel, original, and reduced sugar, all of them available in brick liquid cartons of 200ml or 1-liter. Although still prohibitive to a great majority of Brazilians, the product grows in penetration especially by targeting not only consumers who are lactose intolerant, but also those interested in a vegan diet. Just like the “bulletproof coffee” versions, this is not expected to change the category’s poor expected performance, but could encourage other players to innovate in the same way.

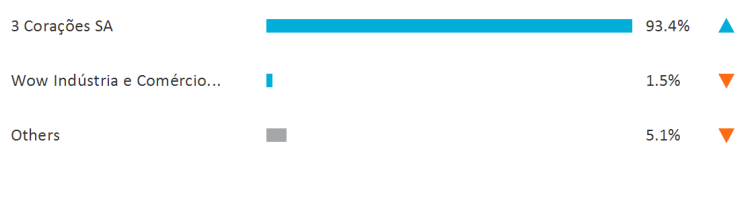
Potential Opportunities for Starbucks to Operate in Retail

With a strong global presence in RTD coffee in retail in many other countries - such as the US, for example - Starbucks in Brazil has only just stepped into the off-trade channel in 2019. The partnership with Nestlé Brazil foresees production and distribution of Dolce Gusto- and Nespresso-compatible pods as well as standard fresh ground coffee and beans, but could be the first step for the brand to expand its portfolio with RTD beverages for at-home consumption. As one of the fastest growing coffee specialist chains in the country, RTD versions are expected to be welcomed by Brazilians, as long as prices are affordable. ■

Brand Shares of RTD Coffee in Brazil
% Share (LBN) - Off-trade Volume - 2019



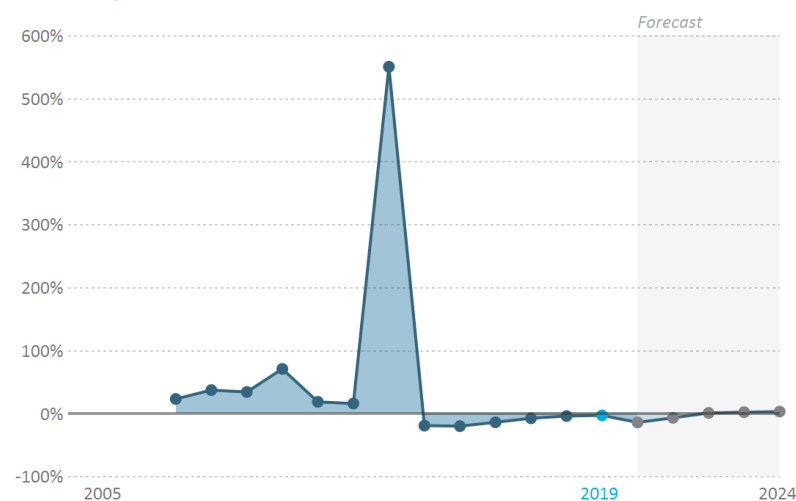
Company Shares of RTD Coffee in Brazil
% Share (NBO) - Off-trade Volume - 2019



Sales Performance of RTD Coffee in Brazil

% Y-O-Y Off-trade Volume Growth 2005-2024

-3.8%



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