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EXPORT MARKETING BUREAU
G/F and 2/F DTI International Bldg.
375 Sen. Gil Puyat Avenue
Makati City 1200, Philippines

Tel. No.: (632) 8465.3300
Fax No.: (632) 8899.0111

<http://www.dti.gov.ph/exports/>
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Other Hot Drinks in Japan

Cocoa Benefiting from its Health Claims

Cocoa-based products have a relatively healthy image in Japan, with their health benefits having been promoted on TV during the review period. These benefits are tied to its polyphenol content, with these micronutrients being packed with antioxidants and claims that they can, among other things, help treat diabetes, aid weight loss, and support cardiovascular health. Claims also surfaced linking polyphenols with being an anti-influenza. Leading player Morinaga & Co Ltd even published information on its website around the links to cocoa and its effect on treating influenza. While not directly linked to COVID-19, these claims have helped promote sales of other hot drinks containing cocoa in 2020, especially during March and April when fears over COVID-19 started to take hold.

Morinaga Focused on Delivering Functional Products

Morinaga, which produces the popular Morinaga Milk Cocoa brand, is working to boost sales by expanding its portfolio of health-supporting products. Morinaga already has a product called Senobi which targets young parents by claiming to support their children's growth. In February 2020, Morinaga launched a new product targeting adult consumers. The new product is called Honegood, meaning "good bone" in Japanese. When mixed with milk, both Senobi and Honegood make one cup of cocoa containing the recommended amount of calcium per day. Morinaga is trying to position its products as functional beverages that offer nutrition and convenience but are delivered in a tasty drink. With the increased focus on health in 2020 and with a well-established distribution network, the company has been strongly positioned to benefit from the increased demand.

Highlights

- This issue provides insights and analysis on other hot drinks in Japan in which cocoa-based drinks and products are promoted to having health benefits.
- This report also discusses the benefits of malt-based hot drinks for children and adults. It also explains how companies are tapping different age groups in promoting cocoa-based drinks.

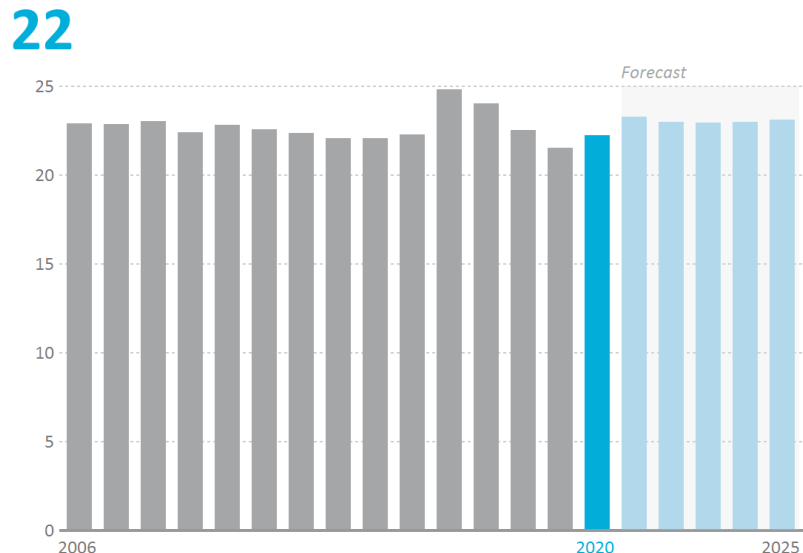
Milo Benefits From its Fortified Ingredients as Consumers Focus on Health and Immunity

Aside from Morinaga, Nestlé Japan Ltd has also been a key beneficiary of the impact of COVID-19. The company's Milo brand accounts for most sales of malt-based hot drinks in Japan and is perceived to be a healthy and nutritious hot drinks option. Milo mainly targets growing children aged 7-12 years old. However, in recent years its consumer base has expanded with parents seeing it as a convenient way to boost their family's nutrition with it delivering a source of calcium, iron, and vitamins in a cup. With consumers looking for ways to boost their immunity to help fend off COVID-19, this has boosted demand for fortified products such as Milo.

Looking to build on the increased demand seen in 2020, in September the company launched a new stick type packaging. This new pack type contains five single-use sticks of Milo, with it looking to tap into new consumption occasions, such as in the office.

Sales of Other Hot Drinks in Japan

Retail Value RSP - JPY billion - Current - 2006-2025



Recovery and Opportunities

Older Generation Expected to be Targeted as the Birth Rate Falls

Traditionally, the key target audience for other hot drinks has been children, but the changing demographic makeup of Japan means that companies will have to expand their consumer base or risk seeing sales declining. With an already low birth rate that continues to decline, the focus is expected to shift towards the needs of older consumers in Japan, with the country having the world's oldest population.

Consumers in Japan are becoming increasingly interested in healthy aging and are showing a willingness to invest in products that promote brain, heart, and bone health, among others. This could favor sales of chocolate-based and malt-based hot drinks, both of which are fortified to provide nutritional support. The key to achieving this will be repositioning products via the use of different packaging and marketing to change consumer perceptions.

Health and Indulgence the Perfect Recipe for Cocoa Sales

TV programs in Japan sparked a boom in products with a high cacao content in 2016, with these shows familiarizing consumers with the benefits of this ingredient. While the initial boom has since settled down, the healthy image of cocoa has already been established in people's minds thanks to its polyphenol content. This healthy image has managed to extend its consumer base to adults, although these consumers have different demands to children. Pure cocoa or high-cacao content products,

in particular, have become popular among health-conscious middle-aged consumers, many of whom have become repeat customers.

During the forecast period, cocoa manufacturers are expected to focus on promoting the high polyphenol content of their products. Both Morinaga and Kataoka already offer products with a high-cocoa content and increased health awareness is likely to attract new consumers to their products. This trend could also open the door to more premium products, such as products made with dark chocolate which could appeal to older and more sophisticated tastes.

Online Sharing Culture could Offer New Opportunities

One other trend that producers could look to tap into is the growing interest in preparing food and drink to photograph for social media. For a growing number of consumers, the photogenic nature of a drink or dish can be almost as important as its taste, with these consumers often keen to share attractive images with their friends and followers. During the state of emergency, retail sales of coffee benefited from this trend, with homemade 'Dalgona coffee' catching the attention of social media users. This trend could easily be replicated, especially when it comes to chocolate-based flavored powder drinks. The addition of marshmallows, syrups, sprinkles, and other ingredients could all be added to enhance the look of the drink. Leading players could also promote this by sharing recipes and images on their own social media pages. ■

Company Shares of Other Hot Drinks in Japan

% Share (NBO) - Retail Value RSP - 2020

Morinaga & Co Ltd	32.9%	▲
Kataoka Bussan Co Ltd	27.3%	▲
Ajinomoto General Foods ...	10.6%	▲
Nestlé Japan Ltd	7.2%	▲
House Wellness Foods Co ...	2.2%	▲
Mitsui Norin Co Ltd	0.8%	▲
Wakodo Co Ltd	0.8%	▼
Other Private Label	1.0%	▼
Others	17.1%	▼

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Coffee in Vietnam



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