

# Market Intelligence Digest

Volume 1 Issue No. 9 | June 2019



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## What's trending in Indonesia's Ready-to-Drink Coffee and Tea (Part 1)

Indonesian consumers' craving for experiences is driving brand interactions and opening up potential for innovation within process, flavor and texture.

### The highlights

#### Local consumer trends

As Indonesian consumers' lifestyles evolve, they are craving new and Instagram-worthy experiences – which opens up opportunities for brands to connect and engage more with consumers.

#### The market

Indonesian coffee consumption and value is rising and is predicted to continuously rise into 2022. On the other hand, the tea market is currently showing subtler growth with strong potential in the future.

#### Key innovation trends

Brands are trying to provide consumers with a heightened consumption experience in RTD coffee and tea by leveraging functional benefits, communicating processing techniques as cues for better quality and playing with flavor and texture.

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## Local consumer trends impacting the Indonesian RTD coffee and tea market

### *Affordable luxury*

Indonesian coffee culture is still growing strong, and as the demand for quality coffee and cafe experiences mainstreams, affordable options float to the surface.

### *Experience is all*

The growth of consumer desire for Instagram-worthy experiences is providing brands with opportunities to connect and rejuvenate their imagery in consumers' minds.

### *Affordable luxury*

[Coffee shops and cafes are mushrooming](#) along with the rise of coffee spending per capita. The coffee culture in Indonesia is growing strong as [consumers demand better-quality coffee](#) – a concept which was initially captured by multinational coffee shop brands and local artisan coffee.

[Tuku](#) is one of the pioneers in this space. By eliminating the frills (no wi-fi, seating or air conditioning) and focusing on demand through online services, they provide affordable quality. Tuku even became the only drink company to be listed in the 2017 [bestselling merchants on Go-Food \(food-on-demand service\)](#).

### *Stepping into specialty tea*

The tea industry is set to grow along with consumer interest in specialty tea, which is currently supported by the government and tea enthusiast organizations.

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The rising Indonesian coffee consumption

## Stepping into specialty tea

Although [Indonesian tea is not as famous as Indonesian coffee](#), there is potential for specialty tea to grow as we see the trend of consumers placing higher value on authenticity and provenance. In fact, 17% of urban Indonesian consumers would purchase locally grown products.

To accommodate the growing trend, the Association of Indonesia Specialty Tea (AISTea) was formed in November 2018 as a place for specialty tea enthusiasts to gather and share their love for the beverage through the organization, while also [promoting and expanding the specialty tea market](#).

For specialty tea to thrive, manufacturers need to start highlighting the individual characteristics of their tea to educate consumers on the richness of Indonesian specialty tea.

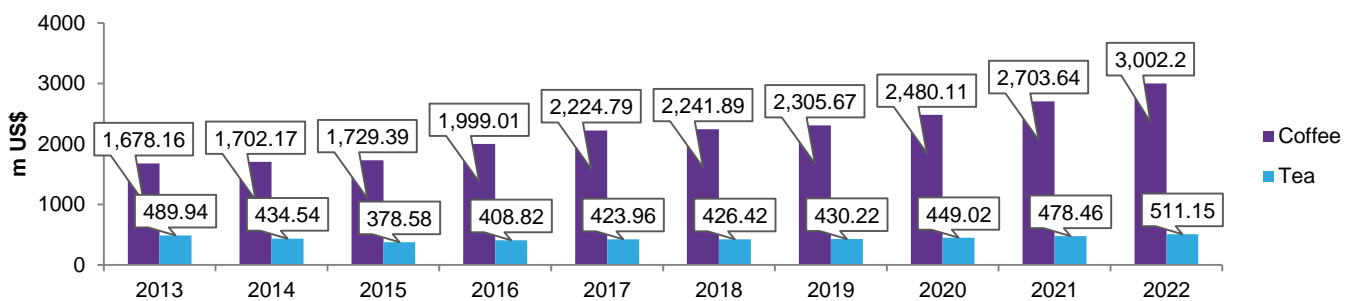
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## The market

The packaged coffee industry is estimated at US\$2.2bn for 2018, growing to US\$3bn by 2022, whereas hot tea is estimated at US\$426m for 2018, increasing to US\$511m by 2022.

Indonesia: retail market value of coffee and tea (US\$ billion), 2013-22



Source: [Economist Intelligence Unit/Mintel](#)

## Market challenge: Sustainable packaging

In 2018, global attention on the harmful effects of plastic waste has also raised awareness in Indonesia. In fact, according to a survey by Mintel, 59% of Indonesian consumers **prefer products that are sold in eco-friendly packaging** compared to those without.

The spike in awareness can also be attributed to initiatives by the Indonesian government. They plan to cut Indonesia's waste output by 2025, as outlined in the recently drafted Extended Producer Responsibility (EPR) regulation. The regulation is part of the government effort [to cut Indonesia's waste output by 30 percent by 2025](#).

To gain consumer trust in the long run, brands need to pay attention to the use of plastics in their products and contribute positively to the sustainability movement.