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Current Situation and Development Trend of Fresh Ground Coffee Market in China

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Abstract: Freshly ground coffee is coffee that is ground into coffee powder on site and then made by different extraction methods. Nowadays, with the acceleration of global economization, China's coffee industry is also booming, there are many chain cafes. Through consumer analysis in this paper, it is found that new coffee products have little impact on the overall brand store sales, and coffee needs to meet functional needs, so basic coffee is the choice of the public. In the past two years, the trend of increasing is obvious. It is estimated that fresh ground coffee will be more and more popular in the future to better meet people's needs for daily health.

Keywords: Fresh powder and coffee, Comparative market analysis, Consumer analytics, Differentiation strategy.

1. Introduction

Coffee producers are mainly in developing countries, while consumers are mainly in developed countries. In 2021/22, the consumption of coffee in Europe and the United States reached more than 40% of the total global consumption.[1] In China, coffee is a characteristic agricultural product of Yunnan Plateau, and coffee beans are the second largest raw material supply product in the international trade market, which has attracted the attention of various coffee producing countries. Although China is an emerging coffee producing country, it has the support of population advantage. Especially under the steady economic growth in recent years and the influence of modern coffee culture, China's coffee consumption is higher than the world's coffee consumption growth rate of 15%, which not only shows that China's coffee consumption demand is large, but also shows that China's future coffee industry development potential is huge.[2] At present, the average person in China consumes no more than 10 cups of coffee a year, while the average person in Europe consumes about 600 cups of coffee a year. The market space is staggering. However, in the process of China's coffee industry participating in global trade, due to the imperfect infrastructure of China's coffee industry, the weak ability of the coffee industry chain to resist risks, the imperfect service system, the lack of unified planning and management and other reasons, lead to the slow development of China's coffee industry as a whole, the low added value of coffee products, the lack of price discourse in international trade and other problems.[3] Therefore, how to develop our country's coffee industry and enhance its international competitiveness has become a hot topic in Chinese academia. Nowadays, the competition of fresh ground coffee market is gradually heating up, and the development prospect of this market is very considerable. It is hoped that the new coffee brand marketing strategy proposed in this paper can serve as a reference for the future development trend of China's coffee market, and provide a positive reference value for the marketing model and market expansion of domestic independent freshly ground coffee brands.

This paper uses descriptive statistics to sort out, make statistics and analyze the market research data, and presents the market of various countries, the status quo of various brands and consumer characteristics in the form of charts, and describes and summarizes them. This methodology is the primary analysis method for the freshly ground coffee market.

Table 1. Monthly trend of green coffee bean production in China.

	National production of raw coffee beans (million tons)	National raw coffee bean production chain (%)
Mar-23	2.28	-24.25
Feb-22	1.35	-40.79
Mar-22	1.01	-25.19
Oct-22	0.65	
Nov-22	5.02	672.31
Dec-22	4.15	-17.33
Jan-23	2.32	-44.1
Feb-23	1.43	-38.36
Mar-23	1.02	-28.67

In March 2023, the national production of raw coffee beans was about 10.2 thousand tons, a decrease of 28.67% compared to the previous month; and an increase of 0.99% compared to the same period last year. From the historical data, from January 2022 to March 2023, the national raw coffee bean production fluctuated from 22.8 thousand tons to 10.2 thousand tons; the corresponding monthly increase/decrease also varied from -24.25% to -28.67%; the peak in recent months was 50.2 thousand tons in November 2022 and the trough was 0.65 thousand tons in October 2022.

Overall, China accounts for about 1% of global coffee production and 2.5% of global consumption. And in recent years, China's coffee consumption has been growing at an annual rate of 15%, which has become one of the fastest growing markets in the world in terms of consumption.

Table 2. Monthly trend of China's roasted coffee import and export scale

	Import volume (tons)	Export volume (tons)	Import amount ($ million)	Export amount ($ million)
Feb-22	1465.8	52.8	1633.3	20.3
Sep-22	1611.6	86.9	2248.8	75
Oct-22	1159.7	49.9	1619.3	34.8
Nov-22	1407.8	204.5	1804.3	71.2
Dec-22	955.7	76.4	1330.1	54.6
Jan-23	970.1	82.6	1302.4	72.5
Feb-23	989.7	65.9	1428.9	51.1

Against the backdrop of rapidly increasing coffee demand and further expansion of the demand gap, China's coffee trade is developing rapidly. From historical data, from February 2022 to February 2023, China's roasted coffee imports fluctuated from 1465.8 tons to 989.7 tons, with a peak in recent months of 1611.6 tons in September 2022 and a trough of 955.7 tons in December 2022; exports fluctuated from 52.8 tons to 65.9 tons, with a peak in recent months of 204.5 tons, with a trough of 49.9 tons in October 2022; import value fluctuated from $16.333 million to $14.289 million, with a peak of $22.248 million in September 2022 and a trough of $13.024 million in January 2023; export value fluctuated from $203,000 to $511,000, with a peak of November 2022 at $750,000, with a trough of $203,000 in October 2022.

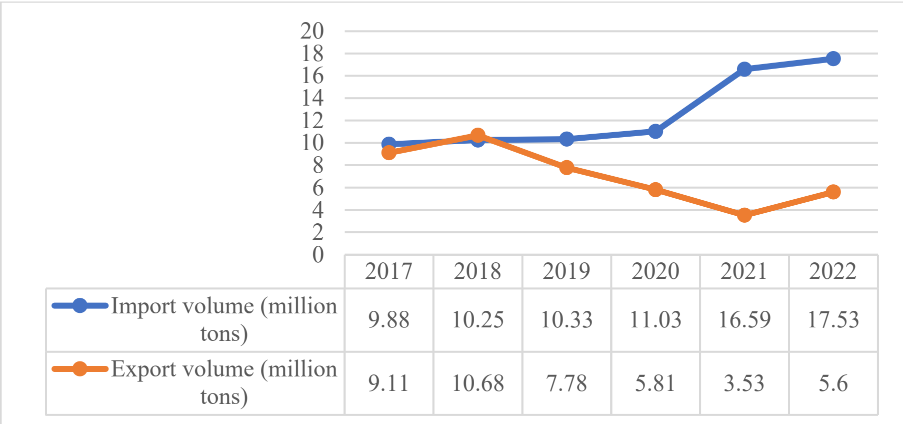

Figure 1. Trends in the variation of China's coffee import and export trade volume

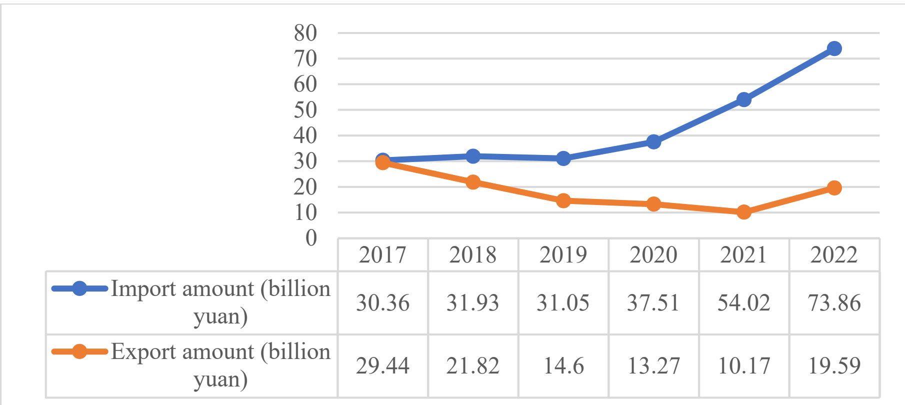

Figure 2. China's coffee import and export trade value deficit trends

In 2022, China's coffee imports amounted to 175,300 tons and the import value was 7.386 billion yuan. Among them, the main import commodity is unroasted uncaffeinated coffee (coffee beans), its import volume and import value in the country accounted for 61.77%, 46.01%; import time is concentrated in August to October, August coffee imports in the national coffee imports accounted for the highest proportion of 11.05%. The number of imports gradually increased with the year, the highest coffee imports from Vietnam, accounting for about 22.35% of the total national coffee imports, coffee imports from Ethiopia ranked first in terms of import value, accounting for about 17.23% of the country; Shanghai coffee imports the largest scale, its import volume and import value in the national share of 31.67%, 39.92%, 39.92%. It can be found that the overall supply and demand for coffee remains stable, and there is a trend of gradually increasing demand for China.

2. China Freshly Ground Coffee Industry Market Size Analysis

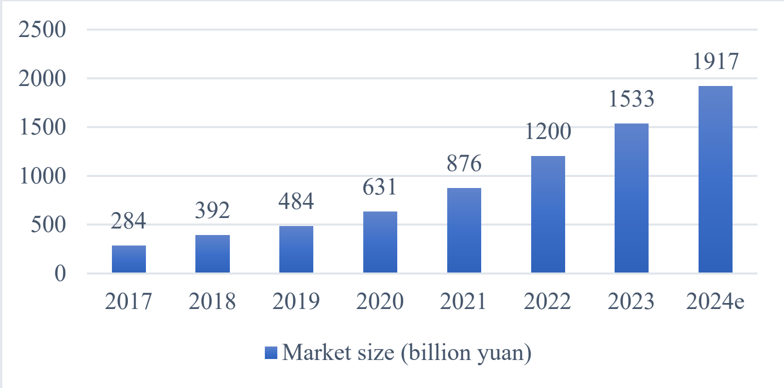

Figure 3. Market size of China freshly ground coffee industry, 2017-2024

In 2022, China's freshly ground coffee market size will be about 120 billion yuan, with a growth rate of 37% compared to the previous year, and it is expected that by 2024, China's freshly ground coffee market size is expected to reach 190 billion yuan. Thanks to the two-way drive of the supply side and the demand side, China's freshly ground coffee industry is still in a rapid development stage.

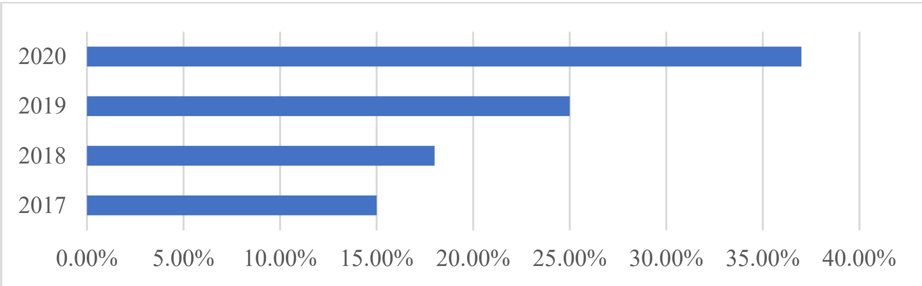

Figure 4. China Freshly Ground Coffee Industry Market Share Growth, 2017-2020

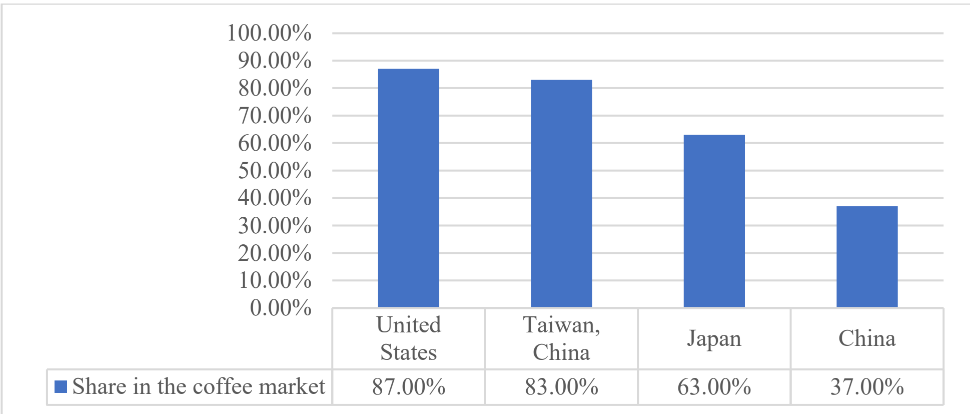

Figure 5. Market Share of China vs US and Japan for Freshly Ground Coffee Industry in 2020

In recent years, the proportion of freshly ground coffee in the coffee market has increased significantly, and data show that the proportion of China's freshly ground coffee market will increase from 15% in 2017 to 37% in 2020. In comparison with the more mature regions of the coffee market, the proportion of freshly ground coffee in the U.S. and Japan will be 87% and 63% respectively in 2020, and there will still be a wide upside for the freshly ground coffee market in China in the future.

By 2022, there will be 117,300 coffee shops in mainland China. The size of the freshly brewed coffee market reached 8.97 billion yuan, with orders growing 178.7% year-on-year, far exceeding categories such as tea drinks and Chinese pastries. A number of local brands such as RuiXing, Manner coffee and Lucky Coffee are developing rapidly. Even under the impact of the new crown pneumonia epidemic, the coffee industry has shown a strong recovery.

The chainization process is accelerating, with 300-500 chain stores growing at the fastest rate In March 2022, Manner Coffee public released news that it plans to open more than 200 stores simultaneously in 10 cities: Shanghai, Hangzhou, Chongqing, Wuhan, Nanning, Haikou, Beijing, Shenzhen, Chengdu and Suzhou.

3. Comparison of Various Provinces in China's Freshly Ground Coffee Industry

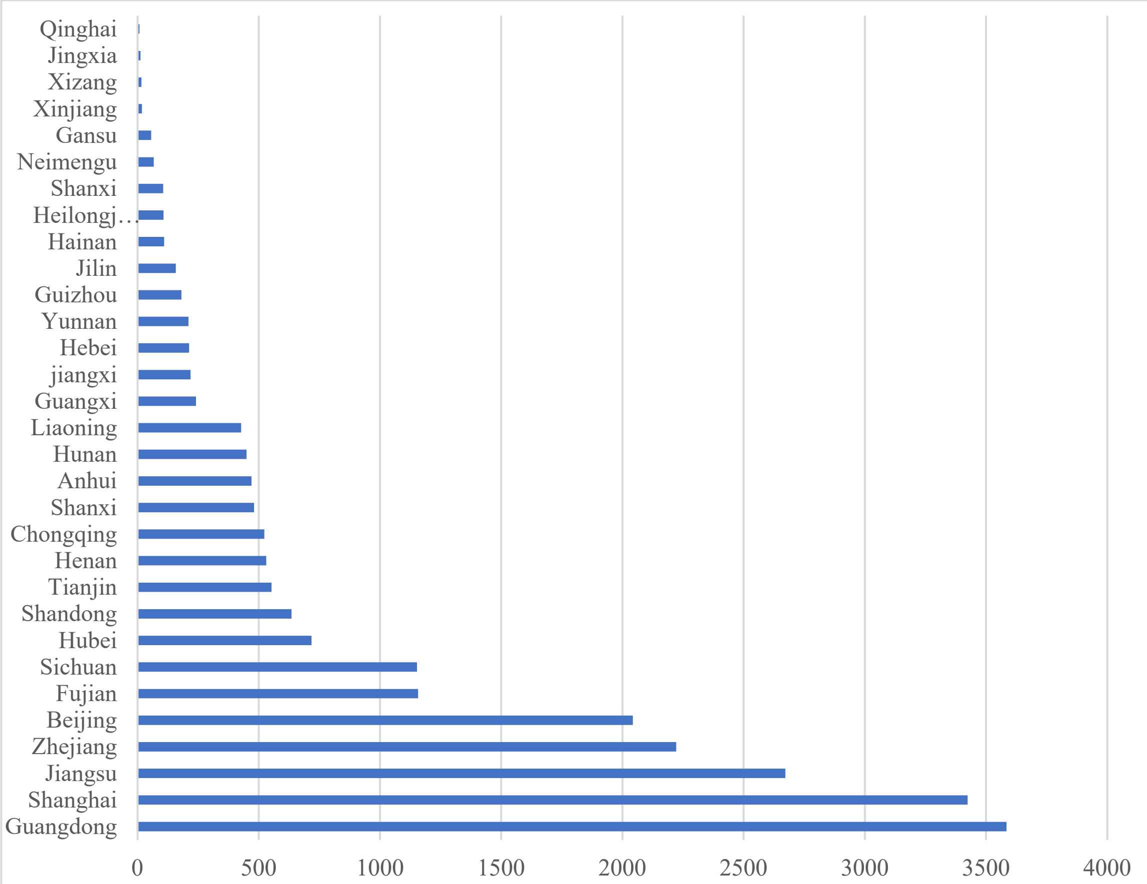

Figure 6. Number of Coffee Shop Chains by Province in China, 2022

Through the summary of Table 8, it can be seen that the number of freshly brewed coffee shops in first and second tier cities (North, Guangzhou and Shenzhen) is much higher than that in third and fourth tier cities. The annual per capita consumption of coffee in first and second tier cities is 3.8 cups, and there is more room for consumption. in 2021, the annual per capita consumption of freshly brewed coffee in mainland China is 1.6 cups, and the annual per capita consumption of freshly brewed coffee in first and second tier cities is 3.8 cups. Although coffee consumption in first- and second-tier cities has taken shape, there is still a large gap compared to developed countries, and the industry has more room for growth.

In the past two years, the growing trend is obvious, more and more coffee brands open community stores, and even open stores in vegetable markets, parking lots and other "grounded" places. On the one hand, community store rent pressure is less, on the other hand, the market is gradually expanding, coffee is becoming more and more into the public, the community residents of coffee demand is gradually growing. The number of coffee stores in third-tier cities is growing at the fastest rate, reaching 19%. Meituan takeaway data shows that coffee orders in third-tier cities grew nearly two times year-on-year, and coffee orders in fourth and fifth-tier cities grew more than 250% year-on-year, so coffee has huge potential in the sinking market.

4. Analysis of Sales Data Results

In 2021, lattes accounted for 54% of the overall sales of in-store coffee shops, Americano accounted for 23%, and other coffees accounted for 23%. 2021 Meituan takeaway side, lattes sold nearly 56 million cups, Americano sold more than 18 million cups, an increase of about 200% compared to last year. Therefore, the impact of new coffee products on the overall brand store sales is relatively small, coffee products are more standardized, user consumption to "basic" to meet the functional needs.

Dirty has become one of the most popular items in cafes in the past two years, with a 106% year-on-year increase in search terms on the Meituan platform in 2021. "Raw Coconut Latte", which became a representative Chinese coffee pop-up, quickly swept the nation's cafes. Other coffee flavors such as velvet latte, thick milk latte, vanilla latte and oatmeal latte have also been welcomed by users for a long time.

In general, in terms of Chinese freshly ground coffee flavors, raw coconut, oat and soy milk as the representative plant-based, are also being market popularity, but the most original and strongest coffee taste remains firmly at the top of the list. In addition, compared to tea drinks, cafes have a higher percentage of dessert sales at 15%, and coffee and bakery group CP, with a higher rate of tie-in sales.

The largest user group of freshly brewed coffee in China is post-90s women. 22-32 years old, with certain education background, unmarried and childless group, and its group boundary is widening.[4] The ratio of male to female users of freshly brewed coffee is basically stable at 3:7. Post-90s are the core users, accounting for about 50%, with a slight downward trend in the past two years. post-80s and underage users have a slight upward trend.

20-40 yuan is the mainstream price band, occupying a dominant position in consumption, and the number of stores has been increasing in the past three years, from less than 50% in 2020 to nearly 70% in 2022.[5] In recent years, due to the impact of the epidemic and the daily consumption of coffee, the number of stores in the 40-60 yuan price range nationwide has declined, with a decline of nearly 60%.

5. Marketing Strategy Selection

For coffee stores, convenience, preferences and scenarios are the three factors that affect the consumption rate of coffee in stores.

According to the "2022 China Prepared Coffee Category Development Report" survey, the most popular reason for users to choose to pick up their coffee in-store is "convenient to pick up on the way", accounting for 79.57% of the total, and users have the highest demand for the convenience of coffee store location.[6] "Save delivery fee" accounted for 40.97%, and "used to or like to feel the atmosphere or aroma in the store" accounted for 40.03%. The most common way for users to drink coffee is online order delivery, followed by in-store purchase. In recent years, breakfast time is the prime time, more and more users use coffee to start a good day life.

Sales channels can be broadened, convenience store coffee, quick pick-up store coffee and take-out coffee and other convenient coffee consumption gradually popular, tea stores have also shelved coffee product lines. For workers, it is very convenient to be able to buy a cup of quickly made freshly ground coffee. Therefore brands are committed to meeting the convenience needs of consumers. Breakfast + coffee is a new selling scenario, chain brands continue to launch coffee packages during breakfast hours, independent cafes, small chain coffee brands, also need to start paying attention to the breakfast hour sales. Nowadays, fruit has become the flavor of coffee to guide the fruit special coffee, is one of the key tracks of this year's multiple brand bets. For example, the "Orange c Americano" launched by RuiXing in the past few days has become a new favorite. The more familiar and more acceptable fruits are used as the flavor guide for coffee, so that more people are willing to try coffee and fall in love with it.

6. Conclusion

China is now entering the era of consumption upgrade, the Internet and takeaway have improved the convenience of coffee, along with the rise of the economy, China The coffee market will usher in a period of rapid development. According to Sky Eye Research Institute, coffee has completed the transformation from personalized to mass, and gradually penetrated into people's lifestyle, with functionality and socialization becoming more and more prominent. In first- and second-tier cities, young people's coffee consumption habits have initially formed. In the future, freshly ground coffee shops may also be found everywhere as well as convenience stores.

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