

Market Intelligence Digest

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A year of innovation in coffee, 2020

Ready-to-drink (RTD) coffee is embracing plant-based milk and more coffee brands are taking measures to convey an environmentally-friendly appeal.



Global opportunities

Tap into the plant-based trend

Coffee companies can embrace the wider trend for plant-based products by formulating with dairy-free milk alternatives, particularly in RTD coffees and coffee creamers. Such innovations are likely to appeal to a wider consumer base, beyond vegans and those cutting dairy from their diet.

Find retail opportunities in social media trends

There are opportunities for retail brands to take innovation inspiration from trends in out-of-home coffee and social media crazes. The Dalgona coffee craze is one such example that has been trending since the COVID-19 pandemic.

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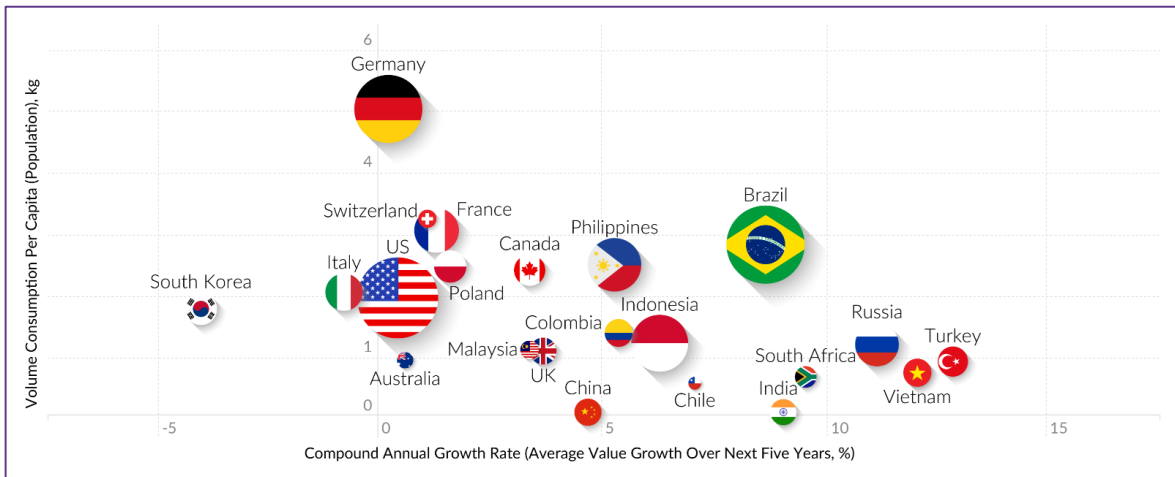
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Consider functionality

As a means of boosting value growth in the sector, coffee brands can offer functional health benefits by formulating with “super ingredients,” such as Medium chain triglycerides (MCT) fats. Brands can also focus on natural, low sugar recipes to achieve a better-for-you positioning.

Global retail market overview: coffee, 2020

Established markets are forecast to record slow or stagnant value growth. Brazil offers significant potential due to its strong value CAGR, along with Russia and Turkey.



Base: bubble size is based on market volume (kgs); CAGR is based on market growth in value over the next five years in local currency
Source: Mintel Market Sizes

The opportunities: Europe, Middle East, and Africa (EMEA)

Be detailed and transparent about ethical claims

Brands can communicate more tangible and specific details of ethical and environmental endeavors to win trust and loyalty among consumers. Such transparency can also help brands to stand out from other ethical coffee companies.

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Embrace the power of plants

Engage with the popular plant-based trend by formulating with dairy-free milk alternatives and plant ingredients. Such innovations are likely to appeal to a wider consumer base, beyond vegan or dairy-free diet followers.

New players will boost competition in RTD coffee

Major soft drink players have recognized the opportunities in the RTD coffee sector and are challenging traditional coffee players for a slice of the market. Competition is set to intensify within the sector, likely stimulating innovation.

Coffee brands are taking responsibility

The Mintel Trend Moral Brands outlines how consumers don't need to spend time or money being ethical when the moral brand can do it on their behalf. However, this does not mean that consumers are not interested in taking any responsibility at all. In fact, one in four UK coffee drinkers cite ethical factors as an important purchase driver.

Looking at recent launch activity, 59% of total coffee launches introduced in Europe over the past year featured some kind of ethical/environmentally friendly claim. Most of these launches either made reference to the recycled packaging or schemes such as Rainforest Alliance or UTZ-certification, which is the program for the sustainable farming of coffee, cocoa, tea, and hazelnuts. As such, more tangible and specific details of ethical endeavors are needed to help brands stand out from the crowd.

24%

of UK category buyers cite
'ethical' as an important
factor when purchasing
coffee

Base: 1,574 internet users aged 16+ who have drunk coffee in the last month (January 2019)

Source: Lightspeed/Mintel

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Brands invest in biodegradable and compostable packaging

More coffee producers are moving away from offering recyclable pods/bags to biodegradable and compostable alternatives, to deliver more ethical alternatives.



"Pods break down in just 12 weeks"

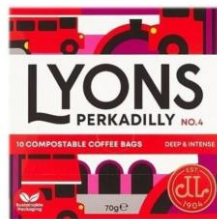
Bewley's Colombia Coffee Capsules is made from renewable raw materials.

The capsule packaging is 100% compostable and breaks down in just 12 weeks (Ireland).



"Biodegradable and compostable"

Legal Le Goût L'Espresso Lungo Mattino Espresso Coffee Capsules are plant-based and free from plastic and aluminium. The capsules are 100% biodegradable and compostable, helping to limit the emission of greenhouse gases (France).



"Made with compostable bags"

Lyons Perkadilly Coffee Bags No.4 retails in compostable bags (UK).

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Most vegan and dairy-free launches appear in RTD formats



New addition to Starbucks vegan RTD coffee range

Starbucks Coconut Based Cocoa Cappuccino is described as a delicious blend of Starbucks espresso roast paired with smooth and creamy coconut (Netherlands).

Ethiopian Coffee with soya blend
Alpro Caffè Ethiopian Coffee & Soya Caramel Blend combines the sweet experience of soya caramel and single origin fruity Ethiopian coffee. This vegan, barista edition is free from lactose, dairy and gluten (Italy).



Coffee with oat milk

Löfbergs ICE Oat Based Ice Coffee is vegan friendly and organic. The ultra high temperature (UHT) treated coffee is also free from added sugar (Sweden).

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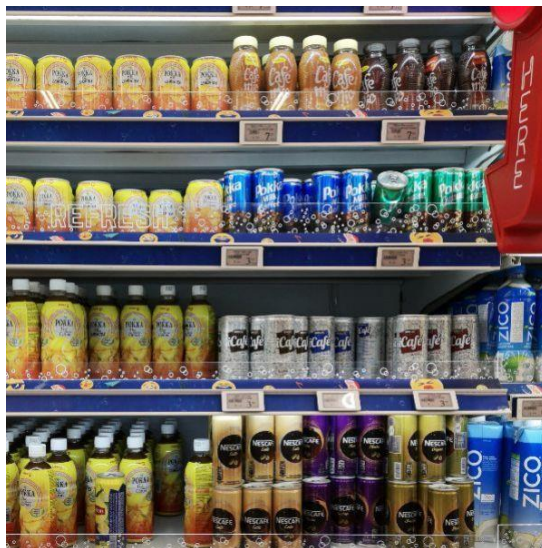
Opportunities in the Middle Eastern RTD coffee market

Coffee shop culture is booming in the Middle East and RTD styles are proving especially popular. But retail brands have yet to catch up in terms of packaging, in-store shelf positioning and new concepts.

Revamp packaging and shelf positioning to drive sales

According to investment bank Alpen Capital, the retail sector in the Gulf is forecast to grow by 22% over the next five years with the majority of sales coming from the UAE and Saudi Arabia. Factors to accelerate this growth include: a rise in disposable incomes, a thriving, young workforce, and rising tourism, though this latter factor will be impacted by COVID-19.

Up until now, the majority of RTD coffees sold in grocery stores are mostly retailed in plastic PET bottles and aluminum cans. As such, the beverages have limited stand-out appeal in the aisle and often get smaller shelf space compared with the rival RTD tea category. That 38% of Saudi Arabian* consumers tend to purchase the premium version of a product when shopping indicates how RTD coffee brands can push for value sales by innovating around more premium packaging.



In-store shelf positioning of RTD (iced coffee), Carrefour, Abu Dhabi

***Base:** 1,000 internet consumers aged 16+

Source: Lightspeed/Mintel

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The opportunities: Asia-Pacific (APAC)

Give instant coffee an upgrade

Coffee companies can upgrade the instant coffee category through more innovative flavors in order to keep pace with consumers' increasingly sophisticated tastes in convenience-led food and drink.

Monitor viral food and drink trends

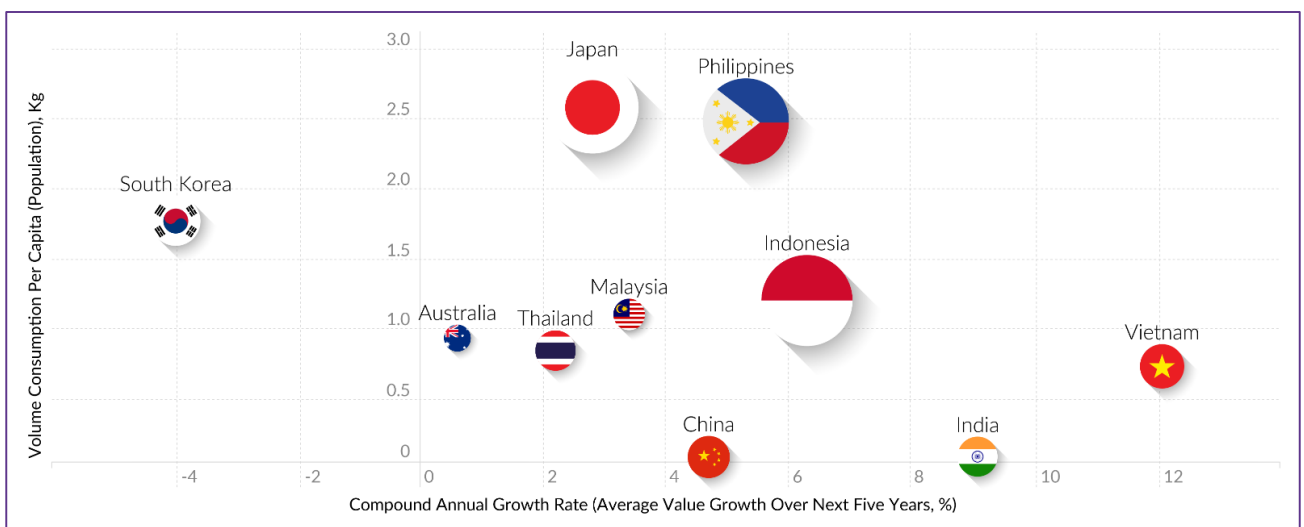
Retail coffee brands can entertain consumers at home with trendy café-style drinks inspired by social media fads. The Dalgona coffee craze is one such example that has recently gone viral since the COVID-19 pandemic.

Pursue a better-for-you positioning

Focus on natural, low-sugar recipes to keep consumers engaged in the RTD coffee category. Functional recipes are also likely to resonate among those showing interest in RTD coffee with added nutritional benefits.

APAC retail market overview: coffee, 2020

Retail consumption of coffee is highest in Japan and the Philippines. Indonesia and Vietnam are promising markets, while South Korea is forecast to struggle for growth.



Base: bubble size is based on market volume (kgs); CAGR is based on market growth in value over the next five years in local currency

Source: Mintel Market Sizes

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Instant coffee brands explore attention-grabbing flavors



Tom Yum

Orta Tom Yum Flavoured Instant Coffee is described as a combination of Arabica coffee and tom yum herbs including lemongrass and kefir leaves (Thailand).



Taro

Ajinomoto Birdy Taro Café Latte is made with a blend of sweet taro and creamer. It is said to be creamy and foamy and can be enjoyed anytime, anywhere (Indonesia).



Sea Salt

Barista Coffee 3 in 1 Sea Salt Latte is a seasonal, limited edition product. It is said to boast a sea salt coffee taste (China).