

COFFEE – UK – 2023

Its intrinsic caffeine content is both a key strength and a significant weakness for coffee. More variety of, and information on, caffeine levels is keenly needed.



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Coffee - UK - 2023

This report looks at the following areas:

- The impact of the income squeeze on the market and the outlook for the next five years
- Key new product development trends in the category and future opportunities
- Usage of coffee and key demographics
- Main reasons for drinking coffee, including to enjoy the taste and for energy
- Selected attitudes and behaviours related to coffee, including those linked to drinks recipes and caffeine



Its intrinsic caffeine content is both a key strength and a significant weakness for coffee. More variety of, and information on, caffeine levels is keenly needed.

Overview

The income squeeze has prompted widespread trading down in coffee, low brand loyalty in a competitive and fragmented market underpinning this. The impact would have been more pronounced still, if the market wasn't also benefiting from cutbacks in consumer spend in the foodservice channel.

The market faces a substantial threat from consumer concerns around caffeine and efforts to cut back on it. Decaf is failing to win over many of those concerned. However, interest in information about caffeine levels and products offering varied levels of it suggest potential for retaining usage.

In the short term, the continuing pressures on household incomes hold potential for lower cost formats to tap into the disruptions to shopper habits. There's scope to engage younger groups

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in particular by more effectively leaning into their interest in making coffee shop style drinks at home.

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Report Content

Key issues covered in this Report

- Overview

EXECUTIVE SUMMARY

Opportunities for the coffee retail market

- High interest in caffeine information and variety
- Drinks recipes offer scope for instant coffees to capitalise on disruption to coffee habits
- Cater to youngsters not drinking coffee for its taste

Market dynamics and outlook

- The five-year outlook for coffee
- Growth to pick up with rising incomes
- Instant coffee outperforms in 2023
 - Graph 1: retail value sales of coffee, by segment, 2021-23
- Nescafé retains top position but loses share in instant coffee
 - Graph 2: leading brands' value sales in the retail instant coffee market, 2020/21-2022/23
- Coffee to benefit from HFSS but spotlight on caffeine poses a challenge

What consumers want and why

- Four in five drink coffee at home
 - Graph 3: types of coffee used at home, 2020-23
- Enjoying the taste is the top reason to drink coffee
 - Graph 4: reasons for drinking coffee, 2023
- The income squeeze unlocks opportunities for affordable segments
 - Graph 5: behaviours related to coffee, 2023
- High interest in caffeine variety points to scope to combat concerns
 - Graph 6: attitudes towards coffee, 2023

Innovation and marketing

- Most launches nod to sustainability
- Packaging updates and sustainability are key themes in launches
- Indulgent flavours gain in coffee and RTD launches
- Taste, sustainability and togetherness feature in marketing

MARKET DYNAMICS

Market size

- Income squeeze hits volumes, inflation drives value growth
 - Graph 7: retail value sales of coffee, 2018-23

Market forecast

- Sluggish 2024, growth to pick up later
- Growth to pick up with rising real incomes
- Learnings from the last income squeeze
 - Graph 8: value and volume retail coffee sales annual change, 2010-14
- Less extensive scope for trading up from instant

Market segmentation

- Instant coffee outperforms in 2023
 - Graph 9: retail value sales of coffee, by segment, 2021-23
- Income squeeze fuels trading down
- RTD coffee volumes double over 2019-23
 - Graph 10: retail value and volume sales of RTD coffee, 2019-23

Market share

- Nescafé retains top position but loses share in instant coffee
 - Graph 11: leading brands' value sales in the retail instant coffee market, 2020/21-2022/23
- Trading down takes its toll on many leading brands
- CCL's entry will heat up the competition
- Taylors and Lavazza retain top positions in a fragmented ground/beans segment
 - Graph 12: leading brands' value sales in the retail ground coffee (excl pods) and coffee beans market, 2020/21-2022/23
- Nespresso retains the lead in coffee pods
 - Graph 13: leading brands' value sales in the retail coffee pods market, 2020/21-2022/23
- Own label, Starbucks and Kenco gain ground in pods
- Challenger brands gain share in RTD coffee
 - Graph 14: leading brands' value sales in retail RTD coffee market, 2020/21-2022/23
- Affordability underpins growth of star performers

Macroeconomic factors

- The UK has avoided recession, but economic output has stagnated since the cost of living crisis began
 - Graph 15: GDP, 2021-23
- Inflation is still the key factor affecting consumers' finances

- Graph 16: CPI inflation rate, 2021-23
- Interest rates will rise in importance over the remainder of 2023 and into 2024
- Food and drink inflation is the primary concern for consumers – but interest rates are moving up the agenda
 - Graph 17: "Have you been affected by any of these issues over the last two months? Please select all that apply.", 2023
- Coffee continues to see steep price rises in 2023
 - Graph 18: CPI annual rate, coffee and all food, 2019-23
- Consumer sentiment: the recovery has begun...
 - Graph 19: the financial wellbeing index, 2016-23
- ...and people feel more confident about their financial prospects
 - Graph 20: the financial confidence index, 2016-23

Social, environmental and legal factors

- Government measures on HFSS food and drink slow to roll out
- RTDs and coffee powders with added sugar come under HFSS
- HFSS is defined by nutrient profile
- Stress and sleep issues affect most consumers
- Interest in sustainability expected to rebound

WHAT CONSUMERS WANT AND WHY

Usage of coffee

- Four in five drink coffee at home
 - Graph 21: types of coffee used at home, 2020-23
- Instant coffee continues to lead on usage...
- ...but needs to reinvent itself to defy demographic gravity
 - Graph 22: types of coffee drunk, by age, 2023
- Instant/micro-ground instant/coffee mixes enjoy most frequent usage
 - Graph 23: frequency of drinking coffee, by type, 2023
- Despite its rich promise, decaf is making little progress
 - Graph 24: usage of standard and decaffeinated coffee, 2021-23
- A pressing need to combat taste concerns
- Reference familiar quality indicators

Reasons for drinking coffee

- Enjoying the taste is the top reason to drink coffee
 - Graph 25: reasons for drinking coffee, 2023
- Cater to youngsters not drinking coffee for its taste
- Less than half of under-35s drink coffee to enjoy the taste
 - Graph 26: drinking coffee to enjoy the taste and drinking coffee mixes and RTDs, by age, 2023

- Flavoured NPD is firmly warranted
- Flavoured variants feature to a limited extent in black coffee
- Different focus is needed for different age groups
 - Graph 27: reasons for drinking coffee, by age, 2023
- Only past age 35 do drinkers savour coffee more for its taste than for energy
 - Graph 28: taste/indulgence and focus/energy/performance as reasons to drink coffee, by age, 2023
- Tap into the interest in better-for-you brews...
 - Graph 29: interest in healthier coffees, by age, 2023
- ...through fortification or messaging

Behaviours related to coffee

- The income squeeze opens up opportunities for affordable segments
 - Graph 30: behaviours related to coffee, 2023
- Drinks recipes offer scope for instant coffees to capitalise on disrupted habits
- Coffee mixes hold potential to engage younger groups...
 - Graph 31: making cold coffee at home, switching to cheaper coffee and interest in new recipes, by age, 2023
- ...including by leaning into the cold drink opportunity
- Calling out simple steps to making a cold drink should chime
- Strong interest in coffee recipes from standard instant drinkers
 - Graph 32: instant coffee drinkers' attitudes and behaviours linked to making coffee drinks, 2023
- Untapped potential in recipe ideas
- On-pack and in-store messages can drive coffee drink links
- Spotlighting better-for-you credentials stands to chime

Attitudes towards coffee

- High interest in caffeine variety
 - Graph 33: attitudes towards coffee, 2023
- High interest in caffeine information and variety
- Caffeine matters particularly for the young
 - Graph 34: interest in more information about caffeine in different coffee and in coffees with different caffeine levels, by age, 2023
- RTD and international launches offer cues on caffeine
- RTD and international brands call out their high caffeine content
- ...and spotlight links between low caffeine content and times of day

INNOVATION AND MARKETING TRENDS

Launch activity and innovation

- Packaging refreshes gain share of launches

- Graph 35: new product launches in the coffee market, by launch type, 2019-23
- Packaging updates look to dial up quality, value and standout
- Environmentally friendly packaging features abound
 - Graph 36: new product launches in the coffee market, by ethical claim, 2019-23
- Coffee pouches look to improve recycling...
- ...as do coffee pods
- International launches look to paper-based packaging
- Three in five launches reference environmental schemes or efforts
- Smaller players highlight forecast conservation and impact of Fairtrade
- Flavoured products gain share of launches...
 - Graph 37: share of flavoured (non-plain) launches in the coffee market, 2019-23
- ...across milky and non-milky coffees
- A handful of launches look to offer health benefits
- Brand extensions continue
- Multiserves attract launches in RTDs...
- ...as do indulgent flavours and acquisitions

Advertising and marketing activity

- Total adspend stands at £25.1 million for the coffee market
 - Graph 38: total above-the-line, online display and direct mail advertising on coffee products, 2020-23
- Taste continues to feature in recent campaigns
- Jacobs Douwe Egberts supports Kenco and L'Or
- Kenco marks centenary with "Made to Uplift"
- Nescafé puts sustainability to the fore in recent campaigns
- Nescafé's "Expect More From Every Cup" campaign
- Lavazza spotlights sustainability
- Lavazza and Nespresso continue to work with brand ambassadors
- RTD coffee continues to attract sizeable adspend

BRAND RESEARCH

- Key brand metrics
- Leading coffee brands enjoy near-universal awareness
- Brand attitudes: Nescafé wins on value for money
 - Graph 39: attitudes towards selected brands in the coffee market, 2023
- Brand personality macro image: leading brands stand neck and neck as ethical
 - Graph 40: brand personality – macro image, selected brands in the coffee market, 2023
- Brand personality micro image: few people see leading brands as special
 - Graph 41: brand personality – micro image, selected brands in the coffee market, 2023

APPENDIX

Supplementary data: market share

- Leading brands' value sales in the retail instant coffee market
- Leading brands' value sales in the retail instant coffee market (contd)
- Leading brands' volume sales in the retail instant coffee market
- Leading brands' volume sales in the retail instant coffee market (contd)
- Leading brand owners' value sales in the retail instant coffee market
- Leading brand owners' volume sales in the retail instant coffee market
- Leading brands' value sales in the retail ground coffee and coffee beans market
- Leading brands' volume sales in the retail ground coffee and coffee beans market
- Leading brand owners' value sales in the retail ground coffee and coffee beans market
- Leading brand owners' volume sales in the retail ground coffee and coffee beans market
- Leading brands' value sales in the retail coffee pods market
- Leading brand owners' value sales in the retail coffee pods market
- Leading brands' value sales in the RTD coffee market
- Leading brands' volume sales in the RTD coffee market
- Leading brand owners' value sales in the RTD coffee market
- Leading brand owners' volume sales in the RTD coffee market

Supplementary data: advertising and marketing activity

- ATL, online display and direct mail advertising expenditure on coffee, by media type, 2020-23
- ATL, online display and direct mail advertising expenditure on coffee, by leading advertisers, 2020-23
- ATL, online display and direct mail advertising expenditure on coffee, by leading brands, 2020-23
- ATL, online display and direct mail advertising expenditure on RTD coffee, by leading advertisers, 2020-23

Market forecast data and methodology

- Market size and forecast for total retail value sales of coffee, 2018-28
- Market forecast and prediction intervals (value)
- Forecast methodology

Report scope and definitions

- Market definition
- Abbreviations and terms

Methodology

- Consumer research methodology
- Nielsen Ad Intel coverage

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