

TEA & HOT CHOCOLATE – GERMANY – 2024

Flavour and concept innovation will help to grow the tea and hot chocolate categories. A focus on permissible indulgence and functional health claims remains key.



A Mintel Analyst, Global Analyst



Tea & Hot Chocolate - Germany - 2024

This report looks at the following areas:

- Market drivers for tea & hot chocolate, including the impact of the economy, the environment and personal health concerns
- Consumption of tea and hot chocolate, with tea being a German staple
- Occasions when tea and hot chocolate are consumed, with both functioning as meal companions
- Purchase behaviours for tea, with tea as a shopping basket essential that needs to claim its place further
- Factors influencing purchase behaviour of tea, with price being the gatekeeper for most consumers, prompting brands to add value through flavours and functional benefits
- Behaviours related to tea, with flavour excitement being a key element to cater to consumers' need for escapism
- Attitudes towards tea and hot chocolate, with health and mindfulness playing a key role
- Recent product launch activity and innovations
- Market share, size and forecast

Overview

From 2022-24, **tea and hot chocolate usage amongst most German demographics remained consistent**. In 2024, any tea was consumed by **93% of Germans** at home/the workplace and any hot chocolate by 74%. **This highlights the ingrained role of tea/hot**



Flavour and concept innovation will help to grow the tea and hot chocolate categories. A focus on permissible indulgence and functional health claims remains key.

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chocolate in German nutrition, but also indicates the challenges of maintaining and increasing usage frequency amidst market maturity of both categories.

Although inflation generally reached the lowest point in **Jan 2024** (+2.9%) since June 2021, consumer prices for tea have increased over the past two years. **72% of Germans** faced a rise in food/drink prices in the two months to Dec 2023; with less buying power, **56% of tea drinkers** would buy tea on promotion more.

Climate change presents a double-edged sword for the tea industry, posing **significant supply challenges to established tea-growing regions** (eg **India, Sri Lanka**) and opportunities for promoting localism in new cultivation areas.

The cocoa sector is also susceptible to price fluctuations and climate change (eg droughts), being concentrated in a **few countries**. To remain future-proof, hot chocolate brands are likely to introduce sustainable alternatives to appeal to eco-conscious Germans. Eco-ethical credentials can **elevate the drinks' perceived value** by making Germans **feel guilt-free and virtuous about more indulgent hot drink purchases**.

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Report Content

EXECUTIVE SUMMARY

- The five year outlook for tea and hot chocolate

Market context

- Tea remains stable during crisis mode, whilst hot chocolate benefits from the COVID lipstick effect
- Inflation hit the hot beverage category hard in 2023, especially with cocoa powder prices soaring
- Environmental issues will take centre stage and demand changes
- Organic and regional produce are becoming increasingly important in light of the climate crisis
- Tea as a solution to societal challenges

Mintel predicts

- Tea infusions will continue to drive market growth, with stronger value than volume growth expected
- Market size & forecast
- Steady growth of retail value sales is expected over 2023-28
- Retail volume sales are expected to stagnate over 2023-28
- Retail value sales rise of hot chocolate could persist, whilst volume growth is more modest
- Market size & forecast
- Significant retail value growth is expected amidst rising prices and premiumisation
- Retail volume sales are expected to grow marginally

Opportunities

- Boost tea's value proposition through powerful functional ingredient combinations
- Take tea applications to the next level to ensure category and usage growth
- Claim new territory with alcohol and 'healthy' soft drink alternatives
- Exploit tea's potential for excitement with daring flavour compositions
- Position hot chocolate as a permissible treat and instill flavour excitement into the mature category

The competitive landscape

- Teekanne and OTG remain the market leaders value-wise, while own-label accounts for the largest volume share
 - Graph 1: company retail value and volume shares of tea and infusions, 2023*
- Brands remain the dominant force in a fragmented hot chocolate market
 - Graph 2: company retail value and volume shares of hot chocolate, 2023*

MARKET DRIVERS

The German economy

- Stagnation follows a technical recession
 - Graph 3: key economic data, in real terms, 2019–24
- Continuously high inflation shapes consumers, brands and the economy...
 - ...impacting financial wellbeing...
 - ...confidence and consumer expenditure

The impact of the economy

- Tea remains stable during crisis mode, whilst hot chocolate benefitted from the COVID lipstick effect
- Inflation hit the hot beverage category hard in 2023, especially with cocoa powder prices soaring
 - Graph 4: consumer price index for tea and cocoa powder or the like, 2021–24
- The cost-of-living crisis forces tea brands to make better value offerings
- The case for fairer pay of tea farmers is real with consumer willingness showing promise

Environment

- Environmental issues (eg deforestation) press for a more sustainable approach...
- ...opening gates for chocolate alternatives
- Climate change will continue to challenge tea farming, posing an opportunity for new regions
- Organic remains popular among consumers, giving room for premiumisation in tea

Personal health

- An ageing population could boost demand for fortified and functional teas
 - Graph 5: population structure by age, 2022–30
- A declining health perception among Germans creates a market opportunity for functional teas
 - Graph 6: perception of general health for a person of one's age, 2021 vs 2023
- Tea could sustain long-term growth by providing an antidote to the impact of stress on healthy lifestyles
- Different types of stress demand different tea/hot chocolate solutions
- Caffeine's impact on stress/sleep could give tea an advantage over coffee

WHAT CONSUMERS WANT AND WHY

Frequency of drinking tea and hot chocolate

- Tea is a cultural staple among Germans, with popularity beyond borders
- Tea and hot chocolate usage remains constant amongst Germans...
 - Graph 7: consumption of any hot drink at home or in the workplace, 2022–24
- ...with 16–34s being the lead tea/hot chocolate drinking cohort
 - Graph 8: consumption of tea and hot chocolate, by age group, 2023

- Lower comparable tea usage across Europe highlights the potential to position tea as an ubiquitous beverage
 - Graph 9: per capita consumption of tea, 2023
- Fruit and herbal/spice teas take the lead, while weekly consumption frequency generally increases
 - Graph 10: consumption frequency of tea, 2023
- Hot chocolate is gaining popularity, becoming more of a weekly indulgence
 - Graph 11: frequency of drinking hot chocolate, 2022-23
- Account for more flavour variety to make hot chocolate an alternative to other treats

Occasions of hot drink consumption

- Tea is a morning and evening hero, while hot chocolate claims its place as an afternoon treat
- Tea and hot chocolate are most commonly drunk alongside meals, prompting opportunity for meal pairings
 - Graph 12: consumption of tea and hot chocolate, by occasion, 2023
- Promote the versatile application of teas to add value and excitement

Purchase behaviour with regards to tea

- Tea is a shopping basket essential...
 - Graph 13: purchase of tea, by age groups, 2023
- ...but brands need to find ways of maintaining engagement with tea users
 - Graph 14: changes in spending behaviour on tea due to limited funds, 2022 vs 2023
- ...but brands need to find ways of maintaining engagement with tea users

Factors influencing purchase behaviour of tea

- Clear value propositions are essential to move past the gatekeeper: price
 - Graph 15: factors influencing choice of tea over another, 2023
- Improve appeal with versatile flavours and added health benefits
- Overcome the price barrier by anchoring tea prices against adjacent categories and emulating flavours
- Hot drinks have a fair chance at leading in the alcohol moderation space
- The alcohol moderation trend is an opportunity for the tea category to become even more versatile...
- ...and to strengthen its standing in the cold drinks segment
- Engage consumers in sustainable behaviours to gain credibility

Behaviours towards tea

- Flavour excitement and relaxation are key elements to appeal to tea consumers
 - Graph 16: behaviours towards tea, 2023
- A more daring approach to flavours is needed to quench consumers' thirst for excitement
- Cater to consumer cravings for flavour innovations with 'outside the box' combinations
- Flavours that arise from functional ingredients have high growth momentum
- Functional flavours range from classics to newcomers

Attitudes towards tea and hot chocolate

- The feel-good aspect is moving further into the focus of consumers, paving the way for new product and cultivation concepts
 - Graph 17: attitudes towards tea & hot chocolate, 2023
- Support mindful eating/drinking with hot chocolate that goes beyond pure indulgence
- Promote tea as an affordable mood-booster during tough-times
- Sustainability in tea is a tough road to take, but it paves the way for more localised concepts
- Promote the inherent power of plants within tea

Attitudes and behaviours towards health claims on tea products

- Health claims and health supporting benefits offer great potential to revive and grow the tea category
 - Graph 18: behaviours related to tea with health benefits, 2023
 - Graph 19: attitudes towards tea and hot chocolate with health benefits, 2023
- Functional tea needs a fact-check to maintain trust
- Encouraging ongoing consumption functional tea is vital for desired health effects
- Leverage unconventional functional benefits as a catalyst for growth in the mature tea category
- Functional tea needs attention to make it successful across generations
- 16–34s could boost demand for tea amidst the quest for better sleep and relaxation
 - Graph 20: interest in functional benefits from food/drink, by select generations, 2023
- Utilise tea's 'health-halo' to increase its position as a functional/fortified drink...
 - ...while also stressing its indulgent characteristics with 'sweet' flavour concepts
- Proving value is essential to justify prices compared to cheaper/own-label products
- Value creation through powerful ingredient combinations

LAUNCH ACTIVITY AND INNOVATION

Tea launch activity and innovation

- The follower effect: coffee and tea innovation impact each other's innovation landscape
 - Graph 21: product launches of hot drinks, by sub-category, 2019–23
- Tea brands are leading the market, with own-label taking up one fifth of launch activity shares
 - Graph 22: tea launches, by top 10 ultimate companies, 2022–23
 - Graph 23: tea and hot chocolate launches, by brands vs own-label, 2019–23
- Own-labels jumped on the bandwagon of functional/fortified teas
- Meßmer closes the gap between tea and coffee with its RTD tea-latte
- Teekanne is a leader of flavour and concept innovations
- Plain tea launches lead launch activity despite Germans' preferences for fruit/herbal infusions
 - Graph 24: tea launches, by flavour (inc. blend), 2019 vs 2023
- Tea brands are putting consumer needs first...

Tea & Hot Chocolate – Germany – 2024

- Graph 25: tea launches, by top 10 claim categories, 2021-23
- ...by utilising tea's 'natural' advantages over adjacent categories
- A more diverse approach to functionality increases tea's appeal as a functional food/drink
- Graph 26: tea launches, by selected 'functional' claims, 2021-23
- Tea takes the lead and diversifies by offering two 'opposing' benefits to get consumers through the day

Hot chocolate launch activity and innovation

- Brands are leading the hot chocolate market, but retailers like Lidl and Kaufland are building a solid base
- Graph 27: hot chocolate launches, by own-label vs branded, 2019-23
- Graph 28: hot chocolate launches, by top 10 ultimate companies, 2021-23
- Nestlé's brands remain trusted and well-known
- Zotter – a sustainable yet flavoursome approach
- 'Vegan' claims are on the rise, amidst strong focus on ethical/sustainable claims
- Graph 29: hot chocolate launches, by selected claims, 2021-23
- Increase in variety of vegan hot chocolate; caffeine is key to attract coffee-lovers
- Sustainability is playing an increasingly central role in hot chocolate

Advertising and marketing activity

- Expect more for your wellbeing
- Tea is opting for a new space and challenges coffee
- Relaxation with natural goodness instead of alcohol
- Cocoa that invigorates you with caffeine

MARKET SHARE

- Teekanne and OTG are the main players in the German tea market; Nestlé holds the pole position in hot chocolate

Retail market share of tea and infusions, by value and volume

- Teekanne still leads the German tea market by a large margin, but OTG and own-labels are gaining shares
- Private labels grow their volume sales amidst tightened purse strings

Retail market share of hot chocolate, by value and volume,

- Nestlé continues to dominate the hot chocolate market
- Own-labels account for one third of the total volume

MARKET SIZE, SEGMENTATION AND FORECAST

Market segmentation for tea & infusions

- Retail value sales of tea and infusions bounced back, whilst volumes continue to decline
- Renewed inflation-induced value upswing after a less successful year; infusions continue to drive the market

- Infusions continue to lead volume sales, whilst both infusions/tea experience volume losses

Market forecast for tea and infusions

- Continued price increases ensure further sales growth in terms of value despite slowing volume sales
- Steady growth of retail value sales is expected over 2023-28 amidst price rises
- Retail volume sales are expected to mostly stagnate over 2023-28

Market segmentation for hot chocolate

- Retail hot chocolate value/volume sales recover after a post-pandemic dip
- Significant growth for hot chocolate retail value in 2023
- Hot chocolate retail volume sales bounce back after a dip in 2022

Market forecast for hot chocolate

- Continued crisis-mode boosts hot chocolate sales further
- Significant retail value sales growth in hot chocolate is expected
- Retail volume sales are expected to grow marginally

APPENDIX

Appendix – products covered, abbreviations, consumer research methodology and language usage

- Products covered in this Report
- Abbreviations
- Consumer research methodology
- A note on language

Appendix – market size and central forecast methodology

- Forecast methodology
- Market size tea and infusions – value
- Market size – volume
- Market forecast and prediction intervals for tea and infusions– value
- Market forecast and prediction intervals tea and infusions– volume
- Market size hot chocolate – value
- Market size hot chocolate – volume
- Market forecast and prediction intervals for hot chocolate– value
- Market forecast and prediction intervals hot chocolate– volume

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