

Category focus Hot beverages

Take-away coffee continues to boom in impulse

Some consumers may start re-thinking their hot drinks buying habits, in particular the £2-plus coffees found in the likes of Starbucks, Caffè Nero or Costa Coffee, now the recession is upon us.

But it seems the market for take-away hot beverages in the impulse sector is still as strong as ever, if not stronger, particularly with retailers who have a good food-to-go offering.

The convenience stores that have got on the hot drinks bandwagon are reaping the benefits of originally pricing coffee and tea around the £1 mark, a price that still delivers profit margins of around 50p to 60p a cup.

Systems such as the Nescafé & Go machine are compact and take up little room in-store, with some small enough to sit comfortably on the counter.

The Nescafé & Go system, for instance, comes with a starter kit, containing POS material, promotional advice and three free sleeves of cups for Aero hot chocolate,

Nescafé Cappuccino and Nescafé Gold Blend white coffee.

Martin Lines, marketing director at Nestlé Professional, says: "We have been delighted by the uptake of this system across retail. It surpassed all our expectations in 2008 with over 1,500 machines nationwide. It's the perfect solution for retailers who have embraced the 'grab and go' coffee opportunity.

"It's easy to use, delivers back terrific margin to the outlet and needs very little ongoing maintenance," he says.



▲ Big brands: still in demand

where ground coffee and speciality lines are booming in the impulse channel.

Attfield says cost-conscious consumers will trade down even at the premium end to "more price-realistic brands". He says: "This will be most evident in niche areas, such as fruit teas, green, rooibos and decaf, where Tetley is competing strongly. Higher value items will still have a

place in the shopper's basket, even more so as consumers look for more affordable ways to treat themselves."

Consumers who developed a taste for the more premium or esoteric hot beverages will not easily give them up despite the economic climate. Nestlé says its Nescafé "connoisseur" range of speciality coffees is growing at almost 11% year-on-year in the convenience channel.

Higher quality

"Coffee consumers are becoming increasingly discerning, expecting higher quality, more indulgent and more convenient formats than ever before," says Jack Pipe, convenience sales director at Kraft Foods.

The ethical consumer, he says, will not be put off buying ethically-sourced teas and coffees because times are harder. "The certified instant coffee sector has seen strong growth over the last three years and is worth £34.1m in the UK," he says.

Last year, Kraft re-launched its

Tips on tea sales from Partners for Growth

Mainstream or 'normal' tea brands dominate the category in the impulse channel with a share close to 90%.

"With the exception of tap water, tea is still the most consumed drink in the UK, clearly confirming our national stereotype," says Jolanda Wells, range and merchandising executive at Unilever. "The category is worth £533m annually, with nine out of 10 households buying tea on a regular basis and as many as 130 million cups being consumed nationwide every day."

Partners for Growth, the industry initiative from Unilever to help retailers make the best use of shelf space, has come up with some useful advice for the tea category. It includes:

- Put tea in a prominent position, preferably next to associated products such as sugar and biscuits.
- Divide the fixture in product groups, such as 'Normal', Fruit & Herbal, Green and Speciality.
- Stock the best-selling lines as 'normal' tea accounts for almost 90% of sales in the convenience market. If there is the space, also stock the other tea categories.
- Give the most space to the top-selling brands, usually PG Tips and Tetley and one other popular brand, and make sure they are available in 40s and 80s.
- Block vertically, where possible, by brand and ensure the top sellers are at eye level.
- Make sure the fixture is always stocked with the best sellers to avoid out-of-stocks.

Tea category in impulse channel

	share
'Normal' tea	89%
Speciality tea	6%
Fruit & Herbal tea	4%
Green tea	1%

Leading tea brands

'Normal' tea	share of category
Tetley Round 80s	18%
PG Tips 80s	15%
PG Tips 40s	11%
Tetley Round 40s	6%

Speciality tea	share of category
Twinings Earl Grey 50s	28%
Twinings English Breakfast 50s	21%
Twinings Assam 50s	6%
Twinings Earl Grey Decaf 50s	5%

Fruit and herbal tea	share of category
Twinings Peppermint 20s	11%
Twinings Lemon & Ginger 20s	8%
Twinings Camomile 20s	8%
Twinings Cranberry, Raspberry & Elderflower 20s	7%

Green tea	share of category
Twinings Green Tea 20s	21%
Clipper Fairtrade Green & Lemon 25s	15%
Clipper China Green Tea 25s	14%

Source: IRI Grocery Impulse, year to 9 September 2008

"Hot beverage shoppers are vital to convenience outlets, especially as the credit crunch bites"

Graham Walker, trade communications manager, Nestlé