

The Grocer

Focus On: Hot Beverages & Cold Brew

Feature 1: Hot Beverages by Abbie Dawson (abbie.dawson@thegrocer.co.uk)

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The Story

Coffee shops may have shut down during Covid-19, but that didn't stop Brits seeking out a serious caffeine hit. So how has the pandemic altered the UK market? And what does the future look like? The 200,000 people who work in our 25,000 coffee shops were facing an uncertain future. And more misery has been heaped on coffee growers in the developing world who'd already seen prices plunge more sharply than crude oil since the virus began its march west. Are better times ahead, post-virus?

Main Themes:

Grocery retail: This feature will explore, in detail, how sales of coffee, tea and other hot beverages have performed in grocery in recent months. Of course, we expect grocery sales to have surged as millions suddenly found themselves working from home and unable to pick up their latte of choice from Starbucks, but what specifically have retailers and brands been doing to help us recreate that coffee shop experience at home? Who's been most successful? Who's been left on the shelf?

Coffee shops: Even before Covid-19, Britain was approaching peak 'coffee shop' – following two decades of continuous growth, the number of outlets trading in Britain rose by less than 1% in 2019. What will the landscape look like in coming months? Are we about to see a significant contraction of the out of home market? If so, what opportunities does this present grocers and suppliers of hot beverages? When, if ever, will consumers feel comfortable going back to coffee shops?

Direct to consumer: D2C food & drink suppliers have been making hay while the sun shines during lockdown, helping consumers who could no longer satisfy themselves in the out of home market. This, clearly, is a huge opportunity for suppliers of premium coffees and teas who can no longer rely on the UK's coffee shops, cafes and restaurants for a route to market. Who's doing what? How well are they performing? And does the rise of D2C subscriptions represent a sea change for the market?

Premiumisation? Speciality coffee growers in the developing world who relied on the artisan coffee shops of the west report seeing sales dry up overnight as a result of Covid-19. With the world likely slipping into recession, the future of such venues looks far from certain. But times of economic difficulty usually result in a 'lipstick effect' (an increase in sales of affordable luxury goods that serve to cheer people up); could posh coffees and teas pick up in the at home market?

Home coffee makers: Home electrical goods retailers reported strong sales of appliances as Britain went into lockdown. That's hardly surprising – many needed extra fridge and freezer space for all the food & drink they'd been panic buying, after all. But what about coffee machines? With the UK's coffee shops shuttered, was there a run on espresso machines and the like?

Other hot beverages: It's not all about coffee, mind. Tea is still the national brew, so how's it done since lockdown? Have people gone back to comforting black teas, or stuck with trendy infusions? How have drinks with functional benefits performed? Which ones have been in most demand? And what might the future look like for hot chocolate and the like as the cooler months approach?

Innovations: We identify four new products or product ranges that have ideally not appeared in The Grocer before including launch date, RSP and image of each

Feature 2: Cold Brews and RTDs by Rob Brown (rob_j_a_brown@hotmail.com)

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The Story

Forget bone china and pinky fingers held aloft. After years of decline for the traditional cuppa, tea is being transformed. It can be fruity, fizzy or fortified with ingredients purported to promote better health. Crucially, it's cold. That's right: a growing number of players are tipping products such as iced tea, kombucha, macha and chai latte as a hot ticket. So how big is the market now and what's its potential? And what lessons can be learned from the buoyant iced coffee market?

Key themes:

Grocery market: This feature will explore in detail where the major opportunities lie in grocery for iced tea, chai latte, kombucha and other cold brew drinks brands. Which retailers are pioneering drinks like this and who is behind the curve?

Out of home market: To what extent is the grocery market being influenced by trends in the out of home market? Players have been putting growing weight behind cold tea products. How well have these lines been received by punters? Is there an appetite for such products in grocery?

Cold water infusions: Tea brands have been looking to offset dwindling sales of standard black tea with the development of cold water infusions. How are they performing? What factors (health consciousness, concerns over sustainability of standard soft drinks, etc) are driving demand?

Kombucha: Some are tipping fermented sparkling sweet tea product kombucha as the next big thing in soft drinks. Sainsbury's, among others, seem to agree: the retailer currently stocks 17 lines while others such as Tesco haven't jumped on this trend yet. How big can 'booch' get? What factors are driving growing demand for it?

Coffee: Of course, any discussion of cold brew products wouldn't be complete without referring to RTD and cold brew coffee products, which have been some of the best performing soft drinks in recent years. How is the market evolving?

Covid-19: If lockdown gave us anything, it was an opportunity to drink more tea. How did sales of standard black tea perform during lockdown, and what about iced tea products? With immunity a growing concern for consumers, are they turning to gut health promoting products such as kombucha? What other products in this category got a boost from lockdown?

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