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Rise of the bean connoisseur

Today's coffee consumer wants more than just a caffeine fix. As coffee shop culture permeates, they want their beans single-origin, with sophisticated flavour

James Halliwell

Not any old bean can make a cup of coffee nowadays. Single-origin, hand-roasted or artisan – coffee shops have taught consumers to be picky about their brews. And that's coming through in what they're drinking at home.

"Shoppers, especially millennials, want a story behind their brands that they can relate to and be proud to support," says Jeff Beedie, head of category & channel development at Lavazza. Being able to track single-origin coffee to a specific area, he explains, makes it "as rich in heritage and provenance as it is in taste".

If single-origin coffee sounds more like a fine wine than a caffeine fix, then prepare yourself. For Beedie predicts barrel-aged coffee is set to become a trend next year. "Putting fresh green coffee in barrels previously used

to make spirits for a period of one to three months impacts its smooth, caramel and vanilla flavours, changing the coffee's flavour profile."

Then there are brands such as Union offering the 'vintage' of coffees: microlots. These are "very high-quality" beans from a specific plot on a coffee farm that are "often in very limited supply", with different variants boasting notes such as praline, apple and dried cranberry. Beat that, châteauneuf-du-pape.

All this is certainly a step up from a milky

mug of instant. And it's great news for the coffee market. Increasing passion among consumers for the good stuff means they're prepared to pay a premium. The average price of coffee has increased by 70p over the past year, according to Kantar Worldpanel, pushing up the value of the coffee market by 10.8% to over £1.3bn [52 w/e 20 May 2018].

As always, coffee shops are leading the way. James Watson, senior analyst for beverages at Rabobank, points to how Starbucks has marketed beans from its Reserve Roasteries in Seattle and Shanghai as a premium option. "This provides consumers with a more experience-led approach to coffee drinking, offering limited edition batches in more upmarket surroundings than their standard stores. It also focuses heavily on provenance, reflecting consumers' increasing awareness and interest in where their coffee comes from," he says. Similarly, Costa ↗

"Shoppers want a story behind their brands that they can relate to and be proud to support"



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Trading up to premium: hot beverages value sales



Brands vs own label

Branded
£1,770.8m
(▲ 5.3%)



Own label
£399.3m
(▲ 12.4%)

Source: Kantar Worldpanel 52 w/e 20 May 2018

For the full data, visit thegrocer.co.uk

- Overall value growth in the hot beverages market has accelerated from 0.2% to 6.5% this year. Shoppers are not only making more frequent trips, but they are also paying more.
- In coffee, innovations have enabled consumers to recreate the barista experience at home, with the option to take their coffee out as well.
- Shoppers are moving away from basic dried coffee towards premium dry, roast & ground and pod formats.

- The tea market has faced more challenging times, with volume sales declining 3% versus last year. Although we have seen shoppers trading up to premium segments such as fruit and herbal, they are buying tea less often.
- Consumer demand for 'clean drinking' is fuelling growth of matcha and turmeric teas.

- Own label is continuing to grow ahead of the market. When inflation returned to the grocery market in early 2017, shoppers reacted by trading down to own label, something it was possible to see across both instant and roast & ground coffee formats in particular.

Isabel Zakers,
Kantar Worldpanel

KANTAR WORLD PANEL

The take-home snapshot is produced by Kantar Worldpanel. Kantar Worldpanel monitors the grocery retailer take-home purchasing habits of 30,000 demographically representative British households. Call 020 8967 0007 or visit www.kantarworldpanel.com for details

“Consumers are on the lookout for points of difference when it comes to premium goods”

is offering customers the option to upgrade to a 'character roast' for 20p extra.

Where coffee shops are leading, retail brands are following. Many brands have started to “push their use of better-quality arabica beans, like single varieties for example,” says Watson. “We see this as a good route to growth, given consumers are on the lookout for points of difference when it comes to premium goods.”

Traditionally, it's been the smaller, high-end brands using language such as single varietal arabica beans, but that is slowly creeping into the mainstream. The new Nescafé Gold Origins range encourages consumers to choose their coffee based on the bean, from Indonesian Sumatra to a fruity Colombian brew. L'Or pods similarly focus on bean quality, dedicating an entire page of its website to explaining the sourcing, harvesting and roasting of its arabica beans. It seems to be working. Named Kantar Worldpanel's branded launch of 2017, over the past year L'Or's value has shot up 223.5% to £42.4m [Nielsen]. Paul Junor, revenue and category growth controller at parent company Jacobs Douwe Egberts, attributes this growth to demand for at-home coffee of the same quality consumers experience on the high street”.

Kit for connoisseurs

It's not just about the coffee itself, though. Punters also want their coffee to come from decent equipment. “The home espresso market has rocketed over the last year with more people looking to improve their home coffee set-up,” says Welsh speciality coffee roastery Coaltown Coffee. “We are seeing an emerging range of kit come to market from fully automatic capsule machines to manual home espresso machines.”

These are also no longer reserved for the affluent coffee snob. Lavazza's Beedie points to its “affordable capsule machines”, such as the Lavazza A Modo Mio range (costing about £40) that offer “the same nine-bar espresso extraction that you would get in a coffee shop”. Even the products that go in these machines are being led by coffee shops. Coffee analyst Allegra World Coffee Portal gives the example of products such as Costa Tassimo and Nespresso-compatible Starbucks pods. “Other notable innovations include the rise of barista-quality coffee pods from specialty coffee shops such ➔

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LAVAZZA
TORINO, ITALIA, 1895

Innovate to survive: top 10 coffee brands

● Standard instant coffee brands may be sitting comfortably at the top of the table, but they are having to innovate to stay there. “Shoppers are trading up throughout the instant category from more basic granules to better quality freeze dried and then to high quality wholebean instant,” says Hannah Chapman, Nielsen analytics client team leader.

● Nescafé Azera to Go, designed to help consumers replicate the coffee shop experience at home and on the move, was a particularly incremental launch for the category leader.

● Kenco has also been busy promoting a more high-end image. In spring the brand launched its £7m ‘The Cofficionado’ advertising campaign to promote the brand’s heritage and coffee quality, backed by a new pack design

emphasising Kenco’s history. All this supports its more ‘coffee house’-style NPD from last year such as its flat white, and three new ‘premium and luxury’ flavours: Nutty Hazelnut, Yummy Caramel and Silky Irish Cream.

● Douwe Egberts may be suffering in its main business, but its L’Or brand of Nespresso-compatible capsules is proving a winner. The brand accrued an extra £30m in the past year with the tagline ‘Why pursue anything less than gold?’.

● Lavazza hopes its Carte Noire brand will be in this list next year, having set a target value of £42m following its relaunch this summer.

nielsen

Nielsen Scantrack monitors weekly data from a national network of EPoS scanners to represent sales in grocery multiples, co-ops, multiple off-licences, independents, forecourts, convenience multiples, symbols and online grocery retailers.



Nescafé (▲ 8.5%)

■ **£402.0m**

Private label (▲ 14.0%)

■ **£167.4m**

Kenco (▲ 13.4%)

■ **£133.2m**

Tassimo (▲ 4.0%)

■ **£91.9m**

Dolce Gusto (▼ 6.6%)

■ **£63.3m**

Douwe Egberts (▼ 21.7%)

■ **£49.2m**

Lavazza (▲ 10.2%)

■ **£44.6m**

Taylors of Harrogate (▲ 2.7%)

■ **£44.3m**

L’Or (▲ 223.5%)

■ **£42.4m**

Cafédirect (▼ 4.0%)

■ **£8.6m**

Source: Nielsen 52 w/e 14 July 2018

For the full data, visit thegrocer.co.uk

as Colonna,” it says. As coffee lovers seek out premium quality, equipment and pods, the decline of instant has been well publicised. Brands have valiantly fought back with more premium offerings. We’ve had Kenco Millicano, Nescafé Azera and Illy Espresso looking to make the quick stuff classy, as well as convenient.

Nescafé in particular has been heavily promoting its Azera range, a driving force behind its 8.5% value growth over the past year [Nielsen 52 w/e 14 July 2018] that inspired the launch of its ultra-convenient NPD Azera To Go. Kenco, up 13.4%, is pushing the heritage and quality of its instant through this year’s Cofficionado campaign.

As consumers look for speed and flavour, Illy marketing manager Irene Ippolito says it’s seeing increased growth of this premium instant coffee.

Lavazza’s Beedie doesn’t believe it’s an “either-or scenario” when it comes to freshly ground versus instant. “Our research indicates over a third of coffee consumers use multiple segments in combination depending

on the occasion and other factors, such as time of day,” he says. “What is common to all segments is that consumers want to trade up to a better cup of coffee, which is why we see growth in each segment’s premium areas.”

Proof of the continuing desire for speed lies in the latest innovation to hit the shelves: coffee bags. Lyons Coffee, which sells a four-strong range, says they are aimed at consumers who want to brew a quality coffee “but are restricted by busy lifestyles and lack of skill”.

Private label coffee specialist Lincoln & York also has faith in the format. Its foray into coffee bags came after watching the success of pods in attracting time-pressed consumers. “We questioned whether we could create

“Consumers might want to brew their own quality coffee, but many are restricted”

an even more convenient way of consuming coffee whilst delivering the quality taste. Our ‘Bags of Flavour’ have been developed as a solution for enjoying fresh-tasting, premium coffee without the hassle.”

Kelly Wright, senior brand manager for Taylors of Harrogate, says its coffee bags are one of the brand’s star performers. “Not all coffee lovers have the luxury of time to grind their own beans but this doesn’t mean they have to compromise on flavour,” she says. “We are now the leading brand in this sector. We are receiving superb feedback.”

As this time-sensitive mentality illustrates, Brits are a pretty busy bunch. So alongside all this focus on taste, they are still looking for a caffeine hit. This insight inspired the launch of CaféPod’s Downtown range (see p54), which focuses on strength. “We have seen a definite trend towards consumers choosing strength-based products over particular origins and flavour descriptors,” says CaféPod co-founder Peter Grainger. “In our increasingly fast-paced lives, we are drinking coffee first and foremost as our daily boost to ☞



Illy Arabica Selection

Launching: September 2018 **Manufacturer:** Illy

Launching at Ocado in September, Illy's new instant Arabica Selection (rsp: £3.60/125g tin) taps the growing trend for ever-more premium versions of quick and easy instant coffee. Illy says each new product in the range explores the origins of its coffee and "enhances the different flavours of the arabica beans used in Illy coffee, including floral notes from Ethiopia, chocolate notes from Guatemala and caramel notes from Brazil".

"There is a need to separate true coffee trends from faddy innovations"

☞ help get us through our busy days, so the caffeine hit that it provides is more important than ever."

Tapping this enduring desire for a caffeine hit is what Grainger believes separates CaféPod's NPD from faddy innovation. The coffee market is particularly prone to weird and wacky brews, largely led by experimentation in the coffee chains. Over the past year, we've seen a mince pie latte (thanks, Pret), broccoli coffee (see p62), and nitro cold brews.

Weird and wonderful flavours

Stranger still is mushroom coffee, which became a talking point last summer. It is now stocked in specialist outlets such as Planet Organic. Lavazza's Beedie says this isn't as new as many may think. "This new trend was actually founded in the 1940s during wartime and is said to boost metabolism, prevent Alzheimer's and lower the risk of depression," he says. "Mushrooms used include chaga, reishi and cordyceps."

Wartime panacea or not, Taylors of Harrogate is largely sceptical about these innovations. "Not a month goes by that we're not trialling the latest craze, whether that be a unicorn latte or a nitro cold brew," says Wright. "There is a need to separate true coffee trends from faddy innovations."

However, some seemingly faddy brews have displayed staying power. The turmeric latte, first dismissed as a niche brew, has become mainstream enough to inspire products in the mults. So Victoria Gilbert, head of sales at Rude Health, believes there is a future in unusual brews. "We predict new alternative lattes emerging," she says. "One we're excited about is horchata, a hot milky drink made with plant-based milk, cinnamon and vanilla. In October, we released the UK's first Tiger Nut Drink. In less than 12 months, we've watched the market change from nine out of 10 consumers not even knowing what a tiger nut was, to our Tiger Nut Drink now selling at a similar rate of sale to popular flavours like hazelnut, cashew and oat."

Although Allegra says few of the more leftfield flavour trends have hit the mainstream, the "high levels of product innovation does indicate adventurous behaviour in consumers, particularly among millennials. Consumers who visit coffee shops are increasingly willing to experiment with new beverage types and flavours." ☞

Barista Gold

Launched: June 2018
Manufacturer: Percol

Percol says it has infused its instant coffee with dark roasted, finely ground arabica beans "for an irresistible barista experience that delivers a rich cup with hints of caramel and a full body that is perfect for any time of day at an everyday price point" (rsp: £3.99). It's Fairtrade certified, to boot.



Minor Figures

Launching: March 2018
Manufacturer: Minor Figures

A "pioneer of premium nitro cold brew coffee", Minor Figures is hoping to make this still relatively niche format more accessible with the launch of this canned range, including mocha, latte and black variants (rsp: £1.99/200ml). The nitrogen is said to make for a creamy, Guinness-like pour.



Kinta Loma

Launched: April 2018
Manufacturer: Kinta Loma

This family-owned sustainable Colombian coffee brand sources a unique selection of single-origin coffee beans for its range (£3.75 for 10 Nespresso-compatible pods or £6.95 for a 227g pouch). Kinta Loma has sourced the beans from the Huila, Bucaramanga and Popayán regions of Colombia – widely celebrated for their Supremo arabica bean.



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Downtown range

Launched: August 2018 **Manufacturer:** CaféPod

Inspired by the “hustle and bustle of the world’s most iconic cities”, CaféPod’s new Downtown range (rsp: £30 for 80 pods) is “bursting with energy and flavour in equal measure”. Havana has a “smoky, spicy flavour with a hint of orange peel”, Brooklyn is “deliciously moreish, with flavours of caramel, toasted nuts and sweet marzipan”, Las Vegas is super-strong “to keep you awake”, while Tokyo is a “lightly roasted arabica with rich blackcurrant flavours and a sparkling acidity”.

“The growing interest in healthy options among millennials has become a huge focus”

☞ Which brings us neatly to cold brew. Not long ago, it was consigned to hipster, experimental types. Google named cold brew coffee an emerging trend based on the rise in UK searches in 2017. But now cold brews are a regular sight not just in coffee shops, but in the supermarket aisles – inspiring the launch of a Nescafé Azera nitro range this summer.

Allegra singles out “alternative iced beverages” as one to watch. “Cold brew and nitro coffee are burgeoning product fields displaying high levels of innovation,” it says. This year’s scorching summer can’t have hurt sales, but Allegra believes there’s more to it than that. “Although patterns of iced beverage consumption continue to be heavily dictated by weather conditions, there remains the potential for the UK to mirror the success of the US market and achieve all-year-round iced beverages sales in the longer term.”

Certainly no one could accuse the coffee market of standing still. It’s not just flavours that are being mixed up. There’s also a lot of M&A activity, like Nestlé’s alliance with Starbucks. This week’s \$7.1bn (£5.5bn) deal will see Nestlé roast and supply Starbucks coffee beans, while Nestlé will sell Starbucks products via retail channels and ship Starbucks-branded pods for Nespresso machines direct to consumers.

Expect to see more where that came from, says Allegra. “Smaller brands are struggling to compete in a crowded marketplace and uncertain economy. And competition between leading brands will intensify, with leading branded chains investing to strengthen their artisan credentials.”

CaféPod’s Grainger isn’t so sure it will be good news for the industry. “The continued M&A activity in coffee is simply consolidating the position of the two coffee giants in the form of Nestlé and JAB,” he says. “Our feeling is that it is likely to stifle innovation and experimentation in the segment. It just makes the world of coffee a bit more boring.”

But right now the future “can only be exciting,” he adds. “There has been huge growth in demand for quality and innovative out-of-home coffee experiences over the last few years, and this will definitely influence consumer expectations and demand for their in-home coffee products. Our mission is to take on the big boys and disrupt the tired and conventional take-home market and we hope that others will follow suit.” ☞



Vivid SuperLatte

Launching: September 2018
Manufacturer: Vivid

Matcha brand Vivid’s ‘SuperLatte’ category of powdered hot beverages is designed to “breathe life back into the subdued hot beverage category”. Vivid’s range (rsp: £4.95 per pack of seven sachets) allows the younger, more health-conscious shoppers it is targeting to purchase their favourite superfood latte within grocery retail.



Unkle Funka

Launched: July 2018
Manufacturer: Extract Coffee Roasters

This limited-edition summer espresso (rsp: £7.95/250g) was the result of “experimental natural processing techniques between Extract Coffee Roasters and coffee farm La Marianela”. The resulting coffee has a “good balance of flavours and the body” plus the “sweetness of a more traditional natural-process” brew.



Kenco Iced Latte Sachets

Launched: July 2018
Manufacturer: Jacobs Douwe Egberts

During one of the hottest summers on record, Kenco tapped the trend for anything icy by extending its speciality range with the launch of its Kenco Iced Latte Sachets. The range comes in four flavours: Original, Coconut, Vanilla and Salted Caramel, and is now available in selected Tesco stores (rsp: £2.50 for eight).

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“Many are expanding their drinking repertoire outside of the tea category”

So it seems there is no shortage of excitement in the coffee market. Tea, on the other hand, is facing more challenging times. Brits are buying tea less often, resulting in a 2.8% decline in volume sales over the past year [Kantar Worldpanel]. That’s the highest percentage volume decline since 2015. Last year, we drank 5.8 million kg less tea than we did in 2014.

Quality key for tea

There is one glimmer of hope. Tea prices have risen by an average of 3.6%, pushing up value. That’s not just down to inflation. Similarly to the premiumisation seen in coffee, punters are starting to look for a more quality experience when they do make a cuppa. “We’re in an era that’s more about the quality rather than the quantity of tea,” says Tregothnan MD Jonathon Jones. “Shoppers are becoming savvy about the integrity of provenance and choosing something different from the mainstream, taking time to consider and buying less often.”

Adele Ward, Clipper Teas brand controller at Wessanen UK, is also seeing a “growing number of consumers who are happy to pay a little more” for high-quality tea. “While these shoppers are making less frequent purchases, when they do shop they are spending more and the average shopper spend on tea purchases is increasing. This is evidence of the growing premiumisation in the sector as consumers increasingly look for top-quality teas that can tick all the boxes: great taste, ethical sourcing, a strong brand identity and high-quality, natural ingredients.”

Consumers also have a lot more choice compared with a couple of decades ago, when tea was the national drink and the only question was: one lump or two?

“One of the reasons shoppers are buying less often is due to the impact of the wellness trend and the increased breadth of choice in beverages market,” Ward adds. “With new soft drinks perceived as healthy joining the market, many are expanding their drinking repertoire outside of the tea category to flavoured water, juice or smoothie varieties. The British public has also experienced an exceptionally hot and sunny summer this year, which has had an impact on consumption habits. Though we anticipate that as we head towards the cooler months demand for hot beverages will increase again.”

Pukka Organic Lattes

Launching: July 2018 **Manufacturer:** Pukka

Having initially launched its four organic herbal lattes exclusively in Tesco this summer, Pukka plans a wider rollout of the range (rsp: £2.79/20) at the end of September. It says all four plant-based lattes have been “expertly blended” using medicinal-grade herbs and spices, with no added sugar or artificial sweeteners. The brand says the ‘superfood’ latte trend, which started out in the US, is piquing interest in the UK as consumers try out blends from health food shops.

Matcha range

Launching: September 2018

Manufacturer: Pure Leaf

Pure Leaf is expanding its speciality tea range with the addition of three new Matcha variants (rsp: £8.99/12) – Pure, Ginger and Mint – offering tea lovers “the chance to enjoy the authentic Japanese drink at home, or on-the-go thanks to its convenient individually wrapped sachet format”.

Master’s White

Launched: October 2017

Manufacturer: Grass People Tree

Grass People Tree forages for ancient and sustainable wild mountain tea laves with the support of tribes in the Guizhou province in south west China. The teas are “made using natural processes without pesticides or chemicals”. The Master’s White variety (rsp: £18/20g or £36/50g) is “tea in its purest form”, it says.

Organic and Biodynamic Pyramids

Launching: September 2018

Manufacturer: Hampstead Tea

Claiming to be the “UK’s first plastic-free and non-GMO pyramid teabag range” the Organic and Biodynamic range (rsp: £4.29/15) is created with non-GMO sugarcane and is fully compostable. The pyramids are “designed for an enhanced brewing experience, as the teabag becomes transparent in water so the infusion process is visible”.



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“We are really looking at two distinct categories – black teas and then fruit and herbal”

Peter Dries, director of customer and shopper marketing for Tetley, is similarly positive about tea. “Over 165 million cups are drunk each day,” he stresses. Plus, he points out that tea has responded to the consumer desire for choice with variants such as decaf, green, fruit and herbal, as well as the growing number of functional teas with added vitamins. “In total market and Scotland, outside of everyday black, all core sectors of tea are showing value growth,” he says.

Due to this difference in performance between black tea and fruity or herbal brews, Andrew Hunt, co-founder and CEO at Aduna, says it is impossible to look at both as the same entity. “The former has been suffering from an existential crisis for the last couple of decades, whereas the latter has been enjoying dynamic growth. Black tea has essentially struggled to compete with coffee as the morning caffeine hit of choice, but I think we’ll continue to see fruit and herbal increasing in both volume and frequency.”

Tea needs to tap the experiential opportunity as much as coffee does, argues Hunt. “The experiential opportunity is where much of the growth opportunity lies in this category and we are already seeing this happen, whether it be one of the cool new tea shops that are popping up across London, the loose and pyramid formats that are providing more depth of flavour, or the added value of functionality or exotic superfood ingredients. These are the segments of the tea market that are growing and will continue to do so.”

Indeed, as coffee culture innovates and excites consumers, Noel Clarke, VP refreshments at Unilever UK, says “tea brands need to evolve in order to keep up”.

Teapigs is one brand that believes there is plenty of potential to evolve. Louise Cheadle, co-founder and tea taster at Teapigs, says the experience aspect has been “massively overlooked” until quite recently. “Serving quality tea is the first step. People are quite willing to spend £3 on a coffee in a coffee shop because it’s different to the coffee they make at home. Often people think the tea they’ll be served is “just tea” – a cheap paper teabag with some hot water, so there isn’t that same incentive to invest and treat yourself.”

Millennials seek “immersive experiences, something already done well by coffee companies and now a growing trend in the tea industry too,” says Tregothnan’s Jones. ↻



Tuk Tuk Chai

Launched: December 2017 **Manufacturer:** Tuk Tuk Chai

Tuk Tuk Chai claims to have made the “first and only authentic ready-to-drink chai available on UK supermarket shelves”. The premium chai range (rsp: £1.80-£2) blends earthy brewed black tea, milk and whole spices to take the consumer “on a journey down the backstreets of India’s greatest cities”. Available in three flavours: Original, brewed black tea with milk and a little sugar; Aromatic Cardamom, lightly spiced with crushed green cardamom; and Spicy Masala, a fragrant blend of spices.



Aduna Super Teas

Launching: September 2018 **Manufacturer:** Gold Crown Foods Kenya

Africa-inspired health food brand Aduna has launched a range of African ‘Super Teas’ it says are “delicious, organic infusions powered by nutrient-rich African ‘superfoods’” (rsp: £4.99/15). Made with whole pieces of fruit, herbs, flowers and spices, they are served in pyramid format for superior brewing.



Joe's Tea Blends

Launched: August 2018 **Manufacturer:** Joe's Tea Co

With flavours ranging from feisty turmeric to proper peppermint, Joe’s wants its five-strong range of teas (rsp: £4.20) to be known for their “outstanding pure and fresh flavours made from 100% organic Ceylon whole leaf tea”. The brand also pays farmers a premium for their expertise in organic farming.



PG Tips Tea to Go

Launching: October 2018 **Manufacturer:** Unilever

PG Tips is launching a new on-the-go cup of tea to “enable even the busiest of consumers the chance to enjoy a tasty cuppa” (rsp: £3.99). The pack of five cups, which are fully recyclable, are pre-filled with a “natural instant tea and milk powder”, which just need to be filled with water and stirred.



Sloane's

Launched: August 2018 **Manufacturer:** Sloane's

Sloane's has pedigree in hot chocolate. It counted King George I among its early fans, which boosted its popularity after it made its UK debut in the early 18th century. Now it's launching a new range of flavours for its "luxury" blends using single-origin cocoa beans from Ecuador. New flavours for this year include Pumpkin Spice for the autumn, Winter Blend for Christmas and Dark with Turmeric for a pick-me-up in January. Five of the flavours are suitable for vegans (rsp: £3 to £3.50 for 150g).

"Black tea blends such as English breakfast and Darjeeling will always be king"

☞ "They want to taste something, hold something, go somewhere with their friends. Experiential tea drinking is being fuelled by new innovations in tea flavours, brewing techniques, tea cocktails, cold brews and trends like kombucha. The varied flavours that can be extracted from teas are a viable alternative to wine and alcoholic drinks for food pairing – especially when served at different temperatures. We will see huge growth in this sector over the next few years, especially with a focus on botanical ingredients that offer great health benefits alongside great flavour."

Tea bar culture

Coffee has built a "huge amount of awareness and kudos through its high street presence which is something that the tea industry can learn from," says Suranga Herath, CEO at English Tea Shop. "Whilst the UK hasn't yet fully adopted the tea bar culture of the US, the growth in popularity of speciality tea has resulted in perceptions shifting and new ventures opening – including tea pubs."

There is something to be said for starting with out-of-home. When consumers enjoy brews in a coffee shop, retail products tend to follow. Chai is one tea example that has gained popularity through its presence in the likes of Starbucks and Costa (and it's now mainstream enough for Tesco to produce an own-label offering). Amanda Hamilton, founder and CEO at Drink Me Chai, says this is a natural consequence. "As more cafés and coffee houses list speciality beverages on their menus, consumers are increasingly looking to replicate the experience at home in easy-to-make formats," she says

So if tea bars were to take off in the UK, they have the potential to shake things up even further. In the US, the out-of-home experience has led companies to have "great success with all kinds of weird and wonderful blends", says Nick Peel, managing director at Stokes Tea & Coffee.

In the UK, he has seen consumers become more influenced by the trend for 'clean drinking', which Kantar Worldpanel names as the inspiration for a number of new launches this year. Peel points to echinacea as a particularly popular brew. "Echinacea tea increases seasonally each year – as winter creeps in people start drinking it to ward off their colds – and we definitely saw increased sales ☞

Vegan Hot Chocolate Stick

Launched: September 2018

Manufacturer: The Gourmet Chocolate Pizza Company

This Dark Chocolate & Marshmallow Hot Chocolate Stick (rsp: £2.75) includes "vegan-friendly marshmallows and can be melted into milk alternatives such as soya or almond milk". It joins the range of Belgian Hot Chocolate Stirrers, which includes Salted Caramel, Marshmallow (with a milk chocolate base) and Mocha.



Hazelnut & Cacao Drink

Launched: June 2018

Manufacturer: Rude Health

As well as being a "refreshing alternative to milk" Rude Health says its new Hazelnut & Cacao Drink (rsp: £3) makes a "quick and convenient dairy-free nutty hot chocolate". It says the drink not only delivers on taste on its own, but points out a shot of espresso can turn it into an instant mocha.



Amatller Drinking Chocolate

Launched: November 2017

Manufacturer: Brindisa

A traditional drinking chocolate from Spain, each 400g tub (rsp: £7.45) is made with a 45% concentration of cocoa and vanilla flavour, which creates an "authentic thick, rich and creamy" drink. "There is a growing interest in truly indulgent products," says Brindisa. "We're always looking to satisfy consumers' love of luxurious treats."



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*Jilly Goolden multi-brand English Breakfast tea taste test The Sun 07.05.18

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Will broccoli be the next 'superfood' in our coffee?

The trend for infusing hot drinks with 'superfoods' like beetroot, charcoal and turmeric is well established. But even so, broccoli coffee comes as something of a surprise.

It was tipped as the next big thing in health food in June when scientists from Australian agency CSIRO and agriculture group Hort Innovation took bunches of broccoli deemed too 'wonky' for sale in supermarkets and ground them into a powder that could be added to a range of treats, like coffee (including a latte or, as it's inevitably been dubbed, a 'brocolatte') or smoothies and soups. Or, like beetroot, baked into a cake – making a healthy

treat for fussy children.

Hort Innovation chief executive John Lloyd says two tablespoons is around the equivalent of a portion of broccoli. It is produced using a "combination of selected pre-treatment and drying processes to retain the natural colour, flavour and nutrient composition of fresh broccoli", he says.

CSIRO's lead researcher on the project, Mary Ann Augustin, says broccoli is "high in protein and fibre, and health-promoting bioactive phytochemicals, making it an ideal candidate for powder development."



But are people willing to try it? A survey carried out exclusively for The Grocer last week by Streetbees questioned 960 people in the UK (with the demographic mix leaning slightly towards women). Encouragingly, only 26.2% ruled out the possibility of trying broccoli coffee, with 38.4% saying they would "definitely" consider trying it and 35.4% saying they "maybe" would.

And the message that broccoli is good for you has got through to Brits. Thirty per cent believe broccoli coffee could have a positive impact on health, 61% believe 'maybe' it could and only 9% think it wouldn't.

Only 11% say they don't believe that broccoli coffee will become a "widespread" hot beverage, with 65% predicting it will either "quite likely or very likely" be offered in UK coffee shops in the future.

"We have seen huge innovation in the tea category and an evolution of trends"

of matcha around the World Cup as the England football team were reportedly drinking it before their games," he explains.

Functional teas such as echinacea appear to have struck a chord with consumers. Clipper is also seeing "rising demand for consumers seeking tea that can support their ever-changing, busy lifestyles," says Ward. "We identified this as a key opportunity to develop our range with teas that can relax. Clipper Snore & Peace and Clipper Sleep Easy both help to ease consumers into a good night's sleep and sense of calm."

Over at The English Tea Shop, moringa has proved a popular functional ingredient. Its properties have earned it the ubiquitous accolade of 'superfood' in the press. In this case, Herath believes the label is deserved. "The moringa leaf contains an exceptionally high source of chlorophyll, which is regarded as one of the most energy-boosting and health-enhancing natural substances. The provenance and diversity of such products makes it super attractive to both new customers looking for a health kick and returning consumers who have noticed the effect.

Herath says NPD such as this, targeted at "health-conscious millennials", could rival experiential coffee culture. "Blends of such sort are packed full of antioxidants, low in sugar and low in caffeine, proving particularly attractive to a more health-conscious audience," she says. "We've noticed a growing demand for speciality tea and unique blends made using ingredients that cater to particular health concerns such as fatigue, cholesterol and metabolism. This demand has driven innovation in the industry, with tea producers going above and beyond to introduce such brews to the market."

Andrew Hunt, co-founder and CEO at Aduna, believes this demand for clean drinking has essentially been "propping up the category".

"Fruit and herbal may still be the smaller piece of the pie, but it looks set to continue increasing its share," he says. "And over the past year we've continued to see macro level trends crossing over from other categories within the food market into hot beverages, including health benefits, premiumisation and functional superfood ingredients. Millennials have been driving growth and innovation in this category and I think we'll see that continue, with a renewed focus ➔

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“We’ve continued to see macro level trends crossing over from other categories”

On independent, authentic and ethical brands that speak to the younger, more conscious consumer.”

Kiran Tawadey, founder of Hampstead Tea, doesn’t believe all this will prompt the demise of the more traditional black stuff. Her brand sells everything from organic rosehip and hibiscus blends to English breakfast leaf, and she sees consumers buying across both categories. The same consumer may drink a builders’ brew in the morning and an echinacea blend at night, for example. “Previously many consumers would primarily drink one type of tea, usually a traditional black tea. However, we’re now seeing more people than ever opting for a variety of teas to drink throughout the day to harness the functionality of the ingredients and to align with different usage occasions.”

Stokes Tea & Coffee’s Peel agrees the UK tea drinker tends to be pretty conventional. “These trends tend to come and go and we remain a nation of traditional tea drinkers so black tea blends such as English breakfast and Darjeeling are king.”

Premium opportunities

Yet the surging popularity of new flavours, formulations and functionality has also seen plain old black tea lose out on listings. Tetley was hit hard after Tesco’s latest review of its hot beverages aisle saw it lose 40% of shelf space to trendier lines.

Traditional brands are now looking to tempt consumers back through some unusual innovation. In March, Yorkshire Tea unveiled its first new product in 18 months in the form of Biscuit Brew – a blend that is designed to taste like tea and biscuits. “It’s been well received, hitting headlines and delighting consumers across the nation,” says senior brand manager Ben Newbury.

PG Tips also pushed boundaries with the launch of a black ‘dairy-free’ tea blend in February. The blend, which claims to “perfectly complement dairy-free alternatives”, hoped to secure a slice of the growing free-from market (up 37.5% in value to nearly £1.5bn, according to Kantar Worldpanel data, 52 w/e 26 March 2018).

Arguably the most ground-breaking innovation came from Twinings in April. Its Cold In’fuse product – bags filled with botanicals and small fruit pieces – hopes to create an entirely new category. In a true break ↻



How coffee pods are addressing recyclability

The row over used coffee cups hit headlines this year when Hugh Fearnley-Whittingstall revealed that 10,000 go to landfill every minute in the UK. Costa *et al* introduced measures to encourage recycling – and now the same is happening with coffee pods.

Dualit claims to be one of the pioneers of compostable coffee capsules. “Our compostable capsules are currently the bestselling online product from Dualit.com and over the last 12 months we have seen sales of compostable capsules rise by 57%,” says a spokeswoman.

Other brands are thinking along the same lines. Percol has a compostable plant-based

pod and Lavazza plans to launch a compostable one.

In December, Waitrose will become the first major retailer to have an own-brand compostable coffee pod. Fairtrade certified, the pods will be sold in recyclable cardboard packaging and will also be compatible with Nespresso machines. It was an “obvious environmentally friendly choice” says Polly Astbury, coffee buyer at Waitrose.

The creator of the original pod, Nespresso, offers its own recycling services for its aluminium pods, which can’t be recycled by standard recycling plants. But Nespresso has vowed to expand its recycling

collection service, targeting 100% of the aluminium segments of its plastic and aluminium pods. It says it will collect pods when it delivers new ones, or they can be dropped into 6,000 recycling points at Collectplus locations, Duddle stores and its own branches. Consumers can order a free collection bag when they order capsules.

Nespresso says it uses aluminium because it is the “best material to protect the freshness, taste and quality” of its coffee and has the “added benefit of being infinitely recyclable”.

It also says it’s trialling a scheme in Chelsea, where Nespresso capsules are collected alongside existing recycling waste and are sent to the dedicated Nespresso recycling facility, where the capsules are processed, enabling the “aluminium to be re-used, predominantly for beverage cans and car spare parts, and the coffee for compost”.





Tea party: the brands offering kids a cuppa

Is there a market for kids' tea and coffee? Tom's Teas founder Anna Stopps thinks so. She launched the brand "in frustration at the children's drinks market, which was either squash, water, fizzy drinks or juice".

"Millennials love herbal tea but there isn't a kids' equivalent. More fruity flavours are coming out but there didn't seem to be anything directly aimed at children, so I came up with the dessert-inspired flavours."

Said flavours include Rhubarb & Custard, Cherry Pie and Peaches & Cream, which can be drunk hot or cold as iced tea (all priced at £4.95 for 15 bags). They contain no added sugar or artificial sweeteners.

"I didn't want them to taste too sweet, but the Tropical Twist flavour is naturally very sweet anyway, though it doesn't have that sugar kick at the end," says Stopps. "They all contain fruit pieces, so there is naturally occurring sugar, but they are all zero or one calorie."

They're all caffeine-free too. "The Rhubarb & Custard flavour uses rooibos, and the others just contain fruit pieces and hibiscus petals."

Stopps says she "wasn't

expecting how many people would say 'my child really wants to join me at teatime but I didn't want to give them caffeine'. So many people have reacted so well to it. It's niche, it's a new idea, but once they have tasted it they get it immediately."

Small & Wild is another brand betting on the kids' market. Its four varieties of tea all have "no added sugar and are completely natural with no additives or sweeteners, which definitely appeals to parents," says co-founder Kate Towers. Flavours include Jolly Croc Tea with Banana, Strawberry & Apple; Merry Tiger Tea with Pear, Mango & Raspberry and Snoozy Fox Tea with Camomile, Spearmint & Lavender (£5.25 for 15 bags).

"We are very excited about the potential for kids' tea," she adds. "Since launching in November last year the response has been overwhelmingly positive."



"Flavoured hot chocolates have become a fixture on winter menus"

From its core portfolio, Twinings is clear this isn't a tea (although, somewhat confusingly, it will sit in the tea aisle). The innovation is targeting younger consumers who want to stay hydrated with water, but are also looking for added flavour without artificial sweeteners or sugar. As these younger consumers are the ones moving away from black tea, it may prove a smart move. Twinings senior marketing manager Claire Forster says it is a natural next step for the brand. "We've got strong equity in being natural and we thought, why not bring that to water?"

It's clearly hit home to some extent, as rival Tetley launched its own cold infusions product two months later. (And at an rrp of £2.49 for 12 infusions, it is undercutting the Twinings product, which is £3.79 for 12 bags). Again, this will sit in the tea aisle. "But we are not competing with hot beverages, rather seeking to fill a gap in the flavoured water category that is currently not delivering on natural, no-sugar drinks at an affordable price point," says Tetley's senior marketing manager Sabrina Torrens. It's certainly a world away from a Tetley Extra Strong brew.

Stirring up hot chocolate

It's not just coffee and tea that are rapidly evolving. Hot chocolate is also stirring things up to mimic out-of-home trends.

Mars is one example. Earlier this year, it introduced two new 'add milk' products to its hot chocolate range – Galaxy Mocha Latte and Galaxy Thick Hot Chocolate – for consumers who are "keen to recreate 'coffee house moments' at home".

And punters who usually order a hazelnut or caramel hot chocolate at their local haunt are also looking to get the same hit of sweetness on their sofa. Monin says its syrups are being used to add flavour as "flavoured hot chocolates become a feature on winter menus" at coffee shops.

As the likes of Starbucks and Costa offer hot chocolate with dairy alternatives such as coconut and oat milk, there is also a growing number of vegan launches such as the vegan hot chocolate stick from The Gourmet Chocolate Pizza company (see p60).

Things have the potential to get far more adventurous than that. Brian Watt, owner of Sloane's Hot Chocolate, points to the new menu at Hans' Bar & Grill in Chelsea, which includes Sloane's original, dark with ☞

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L'Or passes Nescafé as top spender

- A relative newcomer on the pods scene, Douwe Egberts brand L'Or is keen to establish itself. Having launched just last year, it has immediately overtaken Nescafé as the biggest hot beverage advertiser in the UK, with a whopping £8.3m spend.
- Some 92.5% of this went on TV ads (pictured) describing how every cup 'ignites a moment of pure pleasure'.
- Nescafé cut ad spend by 14%, leaving it in second place. But it is still heavily promoting new variants such as Azera To Go.
- Other notable spenders are Tassimo and Taylors of Harrogate, which launched two TV ads last September highlighting the lengths it goes to for flavour.



TOP 10 HOT BEVERAGE ADVERTISERS

Ebiquity 52 w/e 31 May 2018

	TOTAL	CHANGE	MEDIA				
	£	y-o-y%	Cinema%	Outdoor%	Press%	Radio%	TV %
L'Or	8,267,046	262.1	6.7	•	0.8	•	92.5
Nescafé	7,859,051	-13.6	26.5	0.1	4.8	•	68.6
Yorkshire Tea	4,510,879	-5.5	•	•	1.9	9.7	88.4
Tassimo	3,540,317	58.0	•	•	•	•	100.0
Kenco	3,948,672	-6.6	•	•	26.6	•	73.4
PG Tips	2,648,926	-13.1	•	8.6	0.8	•	90.5
Lavazza	2,627,412	-36.0	•	29.5	3.8	•	66.6
Taylors of Harrogate	1,565,084	78.3	•	•	7.9	•	92.1
Nespresso	1,387,788	-19.5	5.2	2.3	8.7	•	83.9
Twinings	813,515	-71.1	0.0	69.8	5.6	•	24.7
TOTAL (TOP 10)	28,125,965	5.6	9.4	0.0	5.6	1.6	83.4



Data-driven insights

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◊ turmeric, dark with avocado, a single-origin Madagascan and a dark with orange.

The supermarkets may not be ready for an avocado hot chocolate just yet. But already Watt is seeing Waitrose tapping the more premium hot chocolate market as it looks to "differentiate itself from the big four". "After the success of the Waitrose 1 Ecuador bar they launched Sloane's Ecuador milk and dark, which have grown sales by 37%," he says. "This taps consumers' demand for higher-quality cocoa and to have less sugar in their hot chocolate."

Watt says sugar is a big deal for hot chocolate lovers in 2018. "Two years ago maybe one consumer in a hundred would ask about how much sugar was in hot chocolate, now it's one in 20.

"The sugar tax discussion is opening consumers' minds to what is in their products. Many of the big brands sit with 25% cocoa and most of the rest is sugar. The focus on

the category needs to be on more cocoa in the products and start to educate people on different cocoa beans and their taste."

Like tea, Watt believes more innovation is necessary if hot chocolate is to avoid being squeezed by the supermarkets. "Tesco reduced fixture space in their last reset and Morrisons are about to do the same. It's gradually taking out all the small companies who would bring innovation."

The number one in the category, Cadbury, says it's "committed to innovation". It has indeed innovated, though it's been more to

do with bringing well-known brands into hot chocolate rather than mimicking out-of-home trends. Cadbury Freddo Drinking Chocolate has seen sales "leap up in the last year by more than double" since launching in May 2017, according to Mondelez. This summer, it built on this momentum with the launch of the Cadbury Oreo Flavour Instant Hot Chocolate Jar, "intended to recruit new customers to the hot chocolate market". And it's relaunched its Cadbury Highlights range to "breathe new life into the diet chocolate drinks category".

Whether a cup of hot chocolate, tea or coffee, hot beverages today represent "more than drinks" says Stephen Lovegrove, head of format at Compass Group. "The market now represents a culture. And the consumer's appetite for choice and quality is showing no signs of slowing down." So expect to see plenty more unusual innovation in the year to come.

"The sugar tax discussion is opening consumers' minds to what is in their products"



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