

Lumina Intelligence

CATEGORY SPOTLIGHT

The Evolving Coffee Landscape: A Deep Dive Into Consumer Trends



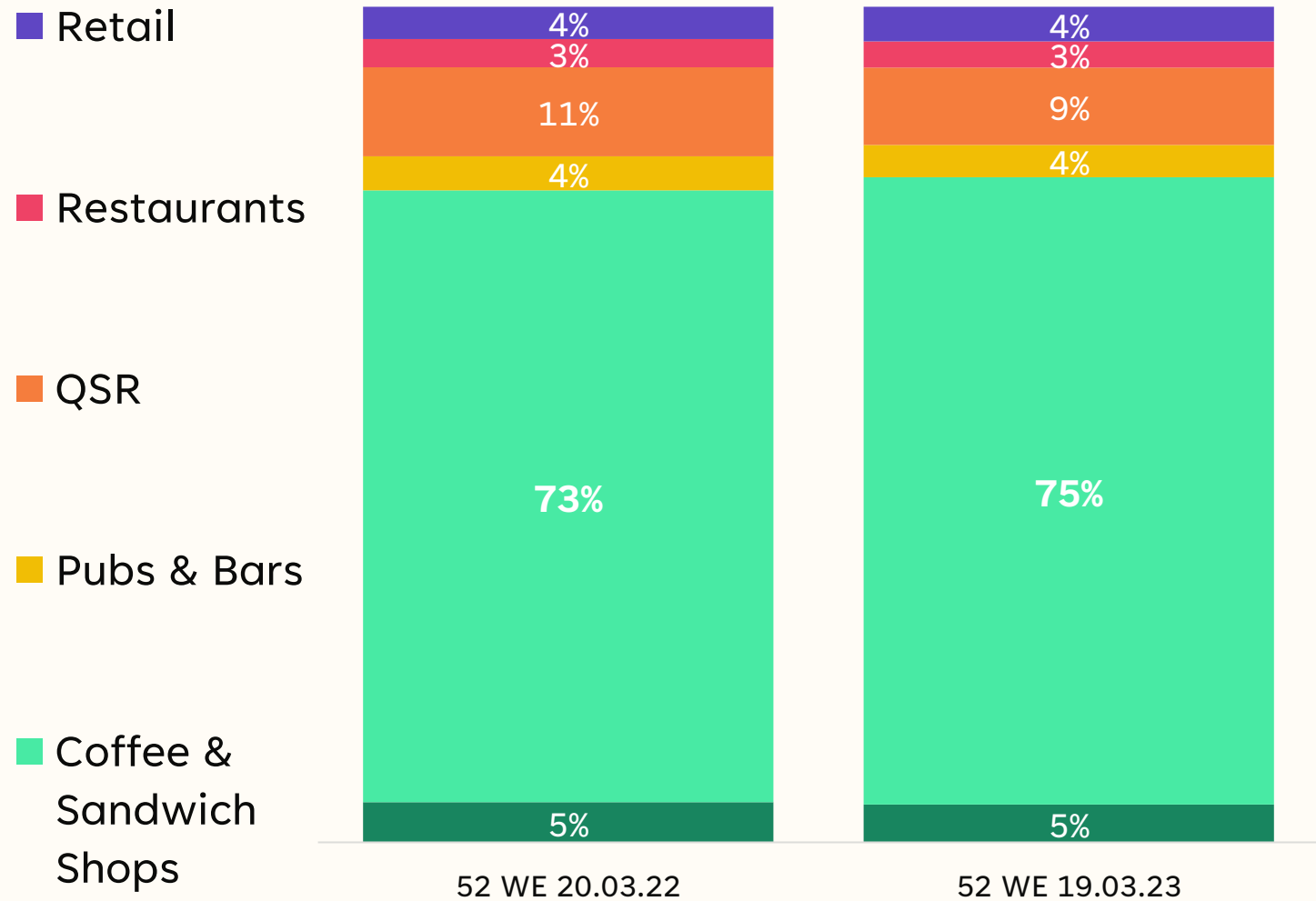


Where are consumers getting their coffee?

Unsurprisingly, consumers predominantly get their coffee from coffee and sandwich shops, which account for 3/4 of the market share, growing year-on-year by 2 percentage points.

The quick-service restaurant/fast food channel share has declined. We're seeing a shift back towards coffee specialists and away from quick-service restaurants, whose main selling points are simplicity and value.

Channel share – coffee consumer



Source: Lumina Intelligence Eating and Drinking Out Panel, 52WE 20/03/2022 and 52WE 19/03/2023



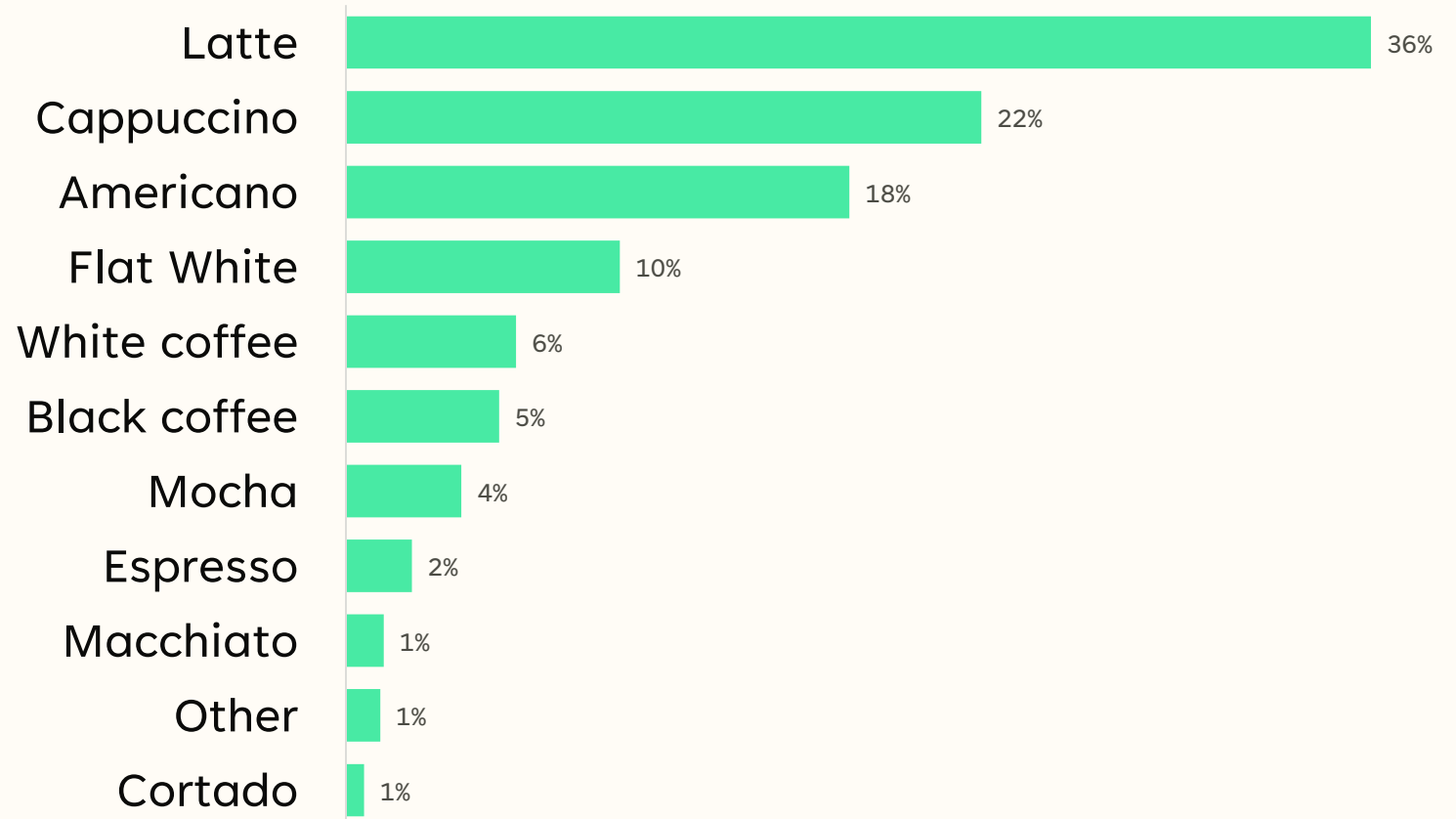
The impact of rising living costs on coffee consumption patterns

92% of all coffee occasions are for hot coffee.

Americano is often the cheapest option on the menu and is **selected by almost 1 in 5 coffee visitors**.

We have seen a 2-percentage point increase in Americano consumption over the last year, representing a cost-saving strategy by consumers.

Hot coffee type choices



Source: Lumina Intelligence Eating and Drinking Out Panel, 52WE 20/03/2022 and 52WE 19/03/2023

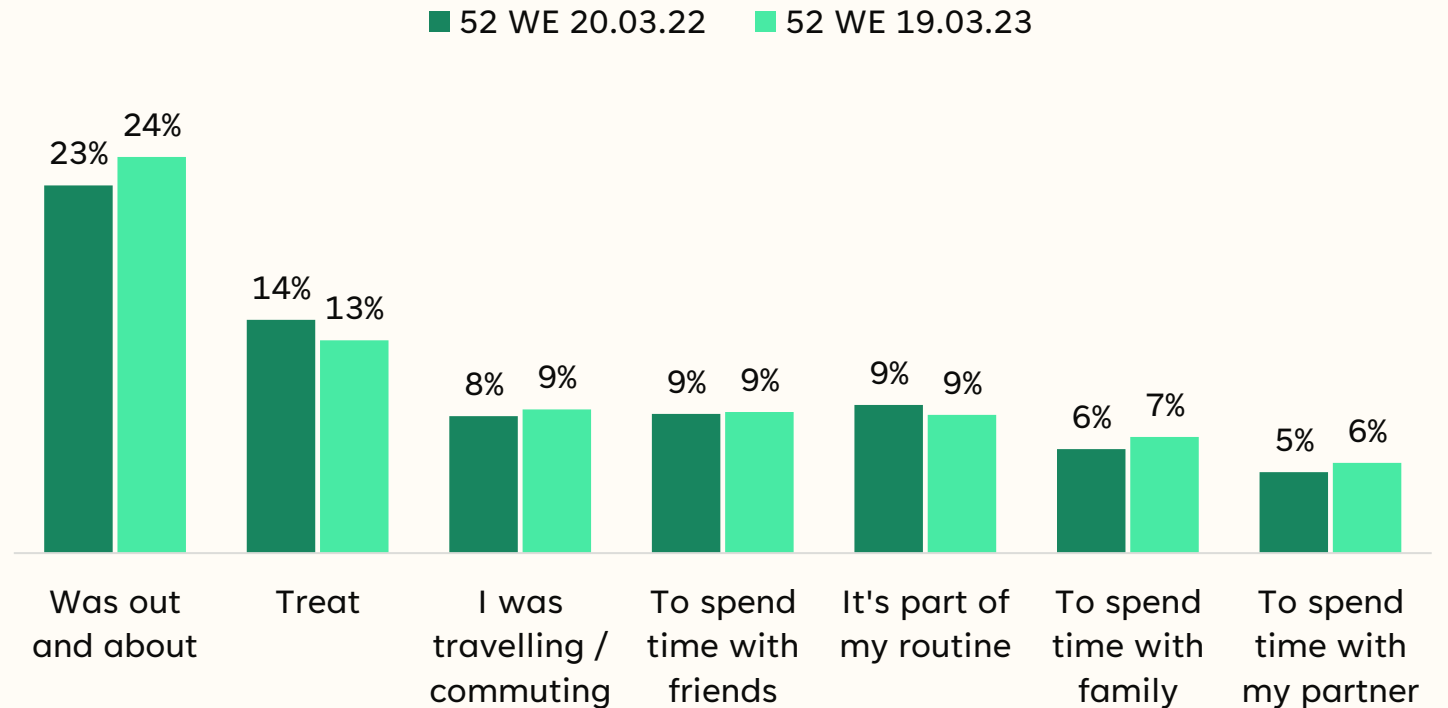
Socialising driving coffee occasions



Coffee plays a significant role in socialising and group gatherings. It has become a popular choice for consumers looking to meet up with loved ones, with coffee purchases being driven by get-togethers with friends and family. This is reflected in the group composition of coffee consumers, with an **increase in partner and family groups**.

Coffee shops and cafes are acting as a cheaper **alternative to more expensive ways to socialise**, like restaurants and casual dining. The lower cost of coffee compared to other out-of-home occasions allows people to socialise without spending a lot of money. This is particularly evident in the brunch day part, where coffee consumption is increasingly becoming a reason to socialise.

Reason for eating / drinking OOH – coffee consumer



Source: Lumina Intelligence Eating and Drinking Out Panel, 52WE 20/03/2022 and 52WE 19/03/2023

Coffee occasions becoming more experiential

Coffee also has a significant impact on work culture and hybrid working trends. With the increase in hybrid working, more consumers are choosing to work from coffee shops, attracted by the inviting atmosphere.

This trend is reflected in the reasons consumers choose outlets for coffee, with **proximity and a pleasant in-store experience being key factors**.

It was close to where I was

38%

+3ppts

Pleasant atmosphere

15%

+2ppts

The coffee shop environment is also important for those working alone or on the go. The demand for a pleasant atmosphere links to a macro trend of experience, which is growing in consumer value.



Case study: the success of coffee shops like Watch House

Watch House is a prime example of a coffee shop that has successfully created a pleasant atmosphere for consumers. They focus on creating a custom experience that uses locations and meets consumer needs. Their carefully designed store formats are all about creating beautifully designed spaces that are quite inspired by their locations.

This focus on creating an experience to attract future customers is a key part of their success.

WatchHouse.



Consumer trends towards health - conscious coffee choices



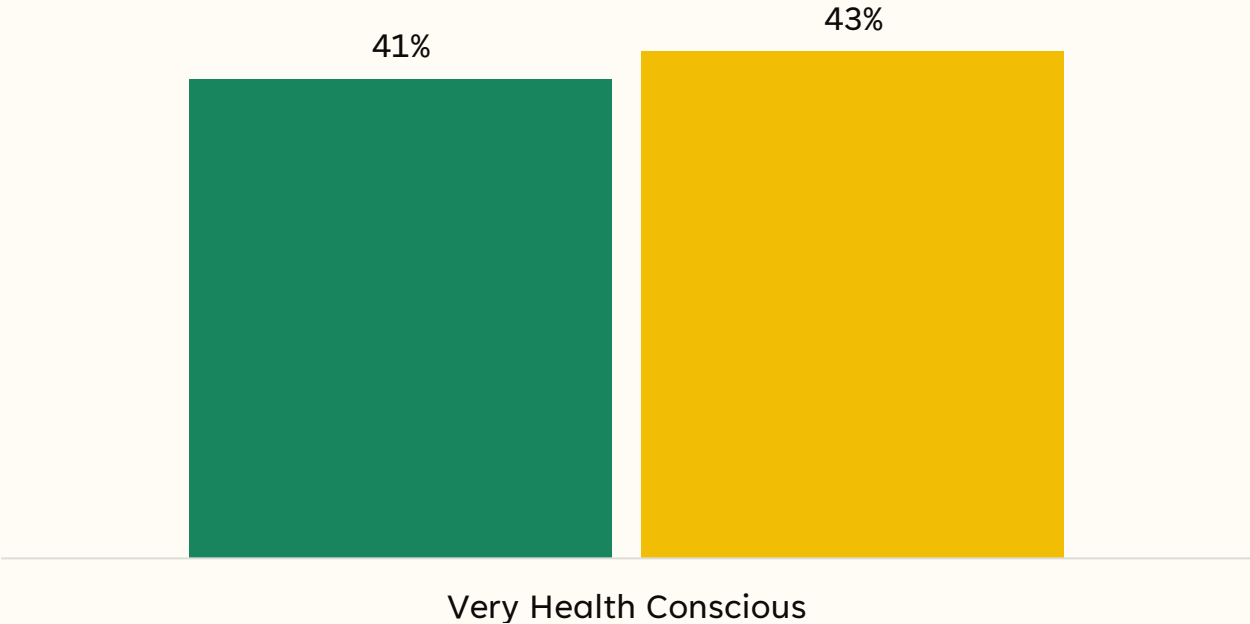
Health-conscious coffee choices are on the rise, with consumers increasingly seeking out **functional coffee**. This trend is driven by a desire for coffee that offers additional health benefits beyond the usual caffeine boost.

Functional coffee often contains additional ingredients like adaptogens, mushrooms, and probiotics, which are believed to offer various health benefits such as easing stress and improving focus.

This trend is part of a broader shift towards health-conscious values, with consumers increasingly seeking out products that offer wellness benefits.

Psychographics – coffee consumer

■ 12 WE 25.12.22 ■ 12 WE 19.03.23



Source: Lumina Intelligence Eating and Drinking Out Panel, 52WE 20/03/2022 and 52WE 19/03/2023

Sustainability – a concern for coffee consumers

Sustainability is a key concern for today's coffee consumers. Ethically sourced coffee beans and compostable packaging are becoming increasingly important, reflecting a broader trend towards sustainable choices in consumer behaviour.

Ethically sourced coffee beans ensure that coffee is grown and harvested under fair conditions, which is a significant concern for many consumers. Compostable packaging, on the other hand, addresses the environmental impact of coffee consumption, reducing waste and the carbon footprint of the coffee industry.



Very Sustainably Conscious

71%



Brands focusing on these aspects are gaining traction. For instance, **Autonomo Coffee**, a US-based company, has created a canned coffee range of beanless cold brewed coffee alternatives made using date pits. They use upcycled ingredients and claim to be one of the most sustainable coffees.

Another example is **Kiss the Hippo Cafe**, which sources ethically, responsibly, roasts, and offers totally carbon-negative coffee. Their products are certified carbon negative, making them a sustainable choice for consumers.

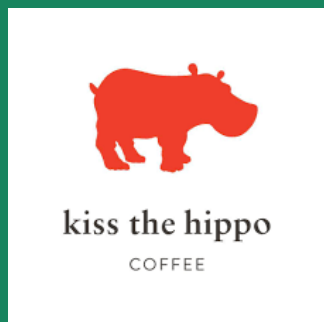
In conclusion, sustainability in the coffee industry is a growing trend. Ethically sourced coffee beans and compostable packaging are becoming increasingly important to consumers, and brands that can meet these demands are likely to succeed in the future.



Case study: Kiss the Hippo Cafe

Kiss the Hippo Cafe is another brand making waves in the sustainable coffee industry.

They source ethically, roast responsibly, and offer totally carbon-negative coffee. Their range of coffees, coffee pods, and other coffee products are all certified carbon negative, making them a highly sustainable choice for consumers. By offering their products in a variety of formats, Kiss the Hippo Cafe makes sustainable coffee choices accessible to a wide range of consumers.



The impact of plant-based alternatives

The coffee industry has seen a significant rise in the use of plant-based alternatives, particularly in the form of dairy-free milks. This shift is not only driven by vegan and vegetarian consumers but also by a broader audience who are increasingly conscious about their health and the environment.

20% of coffee occasions use plant-based milks

The most popular plant-based milk is oat milk, but there has also been a rise in the use of almond, soy, coconut, hemp, potato, pea, and macadamia nut milks. For instance, a cafe in Manchester, **Sandwich**, offers all plant-based milks free of charge, demonstrating the growing demand for these alternatives.



Interestingly, 20% of coffee occasions used plant-based milk over the last year, even though only 8% of consumers identify as vegan or vegetarian in the same period. This suggests that there is a significant market for plant-based alternatives beyond just vegan and vegetarian consumers.

8% identify as vegan / vegetarian

The rise of plant-based milks has had a profound impact on the coffee industry. It has led to increased partnerships with cafes and a greater offering of coffee for delivery. This trend is driven by both availability and demand, with consumers now able to purchase an increasing range of drinks via delivery platforms.



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