

Hot Drinks in Slovak Republic

Pub Time: 2005/09

Executive Summary

Slovakia --coffee drinking nation

Hot drinks in Slovakia grew by 4% in value terms in 2004 reaching SKK8,255 million. Coffee contributes the most to sales, commanding 75% of the market. Yet tea has achieved the highest growth in the last year. Tea sales increased by 7% in volume terms and 5% in value, reaching just under one million SKK. In tea, fruit/herbal tea had the largest value share in 2004, followed by black standard tea, while in coffee, fresh coffee beans and fresh ground coffee were the leaders in volume terms, but beaten on value by instant coffee. Instant coffee and speciality types of coffee are showing steady growth.

Discount products strengthen

A characteristic feature of the hot drinks market in Slovakia is the economisation of coffee and tea consumption. This trend was strengthened further by the development of discount chains, while increased price competition among retailers also led to the increased popularity of private label products. On the other hand, premium brands are building momentum in economically stronger regions.

Regional differentiation

Regional factors are important in Slovak hot drinks consumption. This is linked to regional differences in terms of society and economics. Coffee offers the best example of this. While fresh ground coffee is still the most popular coffee subsector in Slovakia, the most developed region, Bratislava (capital city), prefers instant coffee (61% instant coffee, 38% fresh ground coffee, 1% fresh coffee beans). It is expected that, given an improving economic situation generally, the other regions will follow in the footsteps of Bratislava.

In tea, fruit/herbal tea still dominates

Fruit/herbal tea was the most popular tea subsector in Slovakia in 2004, with nearly 50% share in value terms. According to Median SK research, 77.8% of respondents said they had drunk fruit/herbal tea at least once in the last year. The second most popular tea is black standard tea and, according the same research, 43.7% of respondents said they had drunk black standard tea at least once within the last year. The most dynamic development is seen in green tea. Although green teas market share is lower, the "Health and Wellness" issue is becoming important for Slovak tea consumers. During the last year of the review period in particular, the range of green tea products has increased, with flavoured green tea and various specials based on green tea emerging onto the market.

Economic situation improves

On May 1 2004 Slovakia joined the European Union. GDP growth in 2004 was 5.3%, the highest growth since 1996. On the other hand, while the rate of unemployment was still high, at 14.8% (according to the Ministry of Finance SR), this is the lowest rate since 1997. Most economic experts, as well as national and international indicators, are expecting further improvement in all aspects of the economy over the coming years.

Higher GDP growth, and lower unemployment and inflation will result in higher consumption and increased household expenditure. A healthier economic environment also affects hot drinks consumption, which is expected to grow. Premium brands will benefit from these economic improvements.

Hot Drinks in Austria

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Executive Summary

Negative growth for coffee and other hot drinks

Sales of hot drinks saw another year of negative growth in 2003 with volume sales down 0.5% and value sales down more than 2%. Only tea managed to buck the trend with a volume increase in the low single digits, whilst both coffee and other hot drinks recorded a decline in both volume and value sales.

Value sales declined faster than volume sales which is a result of a continuing drop in coffee prices. With 76% of value sales, coffee is clearly the largest sector ? and any development here is bound to have an impact on the overall performance of hot drinks. By contrast, average unit prices in tea increased slightly as growth was mainly innovation driven.

Tea growth generated by flavoured herbal and fruit tea

Tea outperformed the market in 2003 as well as during the entire review period. This was due to the dynamism in just one area ? fruit/herbal tea. However, this is by far the largest type of tea in Austria, accounting for over two thirds of tea value sales in 2003. The most dynamic growth drivers in the fruit/herbal tea market were themed product ranges launched by market leader Teekanne and its main challenger Milford at the end of 2002 and the beginning of 2003. These are "functional" tea ranges with additional health-care/wellbeing benefits as well as lifestyle-orientated fashionable flavours. Examples are the Harmony for Body and Soul and Wellness ranges from Teekanne and the Restart/Refresh/Relax varieties from Milford or Milford's range of mystically named Aryuverdiant teas.

Few innovations in remainder of hot drinks

Apart from fruit and herbal teas, innovative activity was not particularly strong in 2003/2002. Even flavoured instant coffee, a fast growing area within instant coffees, mainly lived off innovations launched at the end of 2001 or just at the beginning of 2002. In tea, Teekanne made an attempt in 2003 to improve the performance of flavoured black tea with the launch of three new flavours, but overall innovations outside fruit/herbal tea were sparse. There were no significant new product developments in other hot drinks.

On-trade sales only significant for coffee

Austria has a long tradition of coffee houses and therefore boasts a huge number of on-trade outlets where coffee is served. Overall, the on-trade channel accounts for some 27% of total coffee volume sales.

Takeaway sales are already an important part of coffee sales in Austria, as many bakeries serve fresh coffee ? as do the chain of Eduscho and Tchibo outlets. Nevertheless, changes in the perception of coffee away from a more traditional image and towards a more fashionable and dynamic image resulted in a change in the assessment of the prospect of American-style coffee-to-go chains which are now seen as a possible supplement to existing formats, attracting new consumers.

No changes in competitive structure

In 2002, there were no significant changes in the market shares of the main players in the Austrian hot drinks market. Across the market, sales were rather concentrated. In coffee, the four leading players were Tchibo Eduscho (the company's main brand in Austria is Eduscho), Kraft Foods Osterreich, hard discounter Hofer and Julius Meinl GmbH. Together, they accounted for more than three quarters of the retail volume in 2002.

The tea market is even more concentrated as the leading player, Teekanne, accounts for about half of sales, whilst the leading two players (Teekanne and Milford) took more than two thirds of the sector.

In other hot drinks, two of the subsectors (malt-based drinks and other plant-based drinks) are, by and large, made up by just one brand or the offerings of just one company (Ovomaltine and Nestle's Caro and Linde respectively). Chocolate-based other hot drinks is also very concentrated with Kraft Foods accounting for about half of sales.

Supermarkets and hypermarkets dominate hot drinks distribution

Supermarkets and hypermarkets formed the most important distribution channel for hot drinks in Austria. However, the distribution was not uniform across the market. The most significant peculiarity of the Austrian market in terms of coffee distribution was the importance of Tchibo Eduscho's own distribution network, consisting of a chain of some 186 outlets ? around 158 Eduscho and 28 Tchibo outlets. Furthermore, the company had a presence in many bakeries and other shops with its "Eduscho Stalls", ie separate Eduscho coffee shelves offering the Eduscho range as well as some of the non-food items that are an integral part in Tchibo Eduscho's distribution strategy.

[Report]
Hot Drinks in Austria
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Hot Drinks in Denmark

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Abstract

Executive Summary

Hot drinks a stable market with minor changes

The retail market for hot drinks in Denmark showed a slight decrease in volume and value sales in 2004. This was mainly the result of the continued low price of coffee worldwide, but also because of a decrease in consumption. Hot Drinks is subject to increasing international influences that are slowly changing the drinking patterns. The younger generation is changing the traditional consumption patterns of hot drinks and these consumers are generally turning to soft drinks. This is primarily apparent in coffee, where new international trends in the foodservice channel are also beginning to influence retail sales, but the market for tea and hot chocolate is also seeing a change.

Foodservice channel still increasing in popularity

Within the coffee sector, the trend towards increased consumption through the foodservice channel persists. The upward trend reflects changes in the relationship between work, free time and international coffee trends. In 2004, approximately 34% of consumption took place outside the home, compared to 30% in 1999. The adoption of new lifestyles, growing brand awareness among consumers, increasing time constraints and the influence of foreign trends were all key factors affecting the consumption of hot drinks in Denmark over the review period. The number of internationally inspired coffee bars increased rapidly, although none of the large international chains were present in 2004, due to high operating costs. At the end of the review period, these trends eventually also influenced retail sales, as premium and quality coffee sales increased.

Tea volume remains stable

Tea remained stable in 2004, with approximately the same increase in volume and value terms on 2003. Green tea stabilised during 2004 with a 19% retail value increase and 17% volume

increase on 2003 after a rapid rise of 2,424.5% in volume and 2,603.4% in value terms over the whole review period. Green tea is prospering from positive press regarding its health benefits, as well as aggressive marketing of herbal and fruit teas in general. Black tea (both speciality and standard) remains the highest volume seller.

International companies dominate

The Danish hot drinks market is dominated by international players. Through the acquisition of strong local brands and manufacturers, companies like Sara Lee Corp, Kraft Foods Inc and Nestle SA have placed themselves in dominant positions in Denmark. These companies have kept and developed strong local brands like Merrild (from Merrild Kaffe) and Gevalia (from Kraft Foods Danmark A/S), in order to fully benefit from the Danes strong brand loyalty, while at the same time developing existing brands further rather than introducing new ones. The Swedish coffee company, Lofbergs Lila AB, owns shares in Peter Larsen Kaffe A/S and is buying out Dansk Kaffe-kompagni A/S, in what can be described as a "hostile takeover". According to sources within Dansk Kaffe-kompagni, it will close down on the first of January 2005 and it remains to be seen if its brands, such as Cirkel Kaffe, will continue. In line with the previous statement, most likely they will. However, through 2005 Lofbergs Lila will start supplying the Scandinavian supermarket chain, COOP, with a generally low cost brand of coffee, whereas Peter Larsen is known for its high quality beans, covering the high quality end of the market. The only remaining truly local player of importance in 2004 was BKI Kaffe A/S,

Decreasing volume

Between 2005 and 2009, volume sales are expected to increase by an average 1.5% per year while value sales are expected to increase by 9%. Constant value sales of coffee are expected to perform better as a result of an expected increase in world coffee prices and a continuation of the trend towards more premium and speciality coffee. As a result, these coffee types are likely to increase their share of total coffee sales over the forecast period.

Sales of instant coffee increased during 2004, as in the review period, but the growth rate is expected to decrease during the forecast period. Instant coffee is mainly covered by Nestle, and due to its pricing contracts with its coffee bean suppliers, the company remains largely unaffected by swings in the price of raw coffee.

Volume sales of tea are expected to remain steady, while value is expected to increase by up to 11%. Meanwhile, the other hot drinks (chocolate-based drinks) sector is forecast to grow in value and volume terms

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Hot Drinks in Netherlands

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Abstract

Executive Summary

Change in Dutch habits

Most Dutch consumers prefer coffee when it comes to hot drinks. Fresh coffee is the most popular within coffee and has an off-trade volume share of 90%. Since the introduction of the Senseo machine volume sales declined and value increased, due to its high unit price.

Health conscious Dutch consumers drank more herbal/fruit and green tea in 2004; this led to a decline in volume sales of traditional black tea by almost 2%. Dutch people wanted to try different flavours, besides traditional tea. This trend was also visible in instant coffee, where the popularity of new instants drove instant coffee sales.

Continued threat from private label

Private label manufacturers within coffee and tea introduced more products, which made private label more competitive. Black standard and speciality black tea were the only products available in private label until 2004 when green and herbal tea was introduced. This was reflected in the shares, where for both tea and coffee the private label share increased. However, this was not the case for other hot drinks, where the private label share declined due to the lack of product launches and promotion.

Hot drinks very concentrated

The market for hot drinks in the Netherlands is very concentrated, with one player dominating the market. Sara Lee/DE is the major player in the Netherlands, with a value share of approximately 60%. Its famous brands are Douwe Egberts for coffee and Pickwick for tea but it is not present in other drinks. In this sector Nestle is the biggest player, with a value share of 72%.

More specialist within distribution

The most popular distribution channel in 2004 was supermarkets/hypermarkets with a distribution share of 82%. The popularity of this channel grew despite increasing competition from discounters, as a price war which continued in 2004, lowered prices for hot drinks. This made supermarkets/hypermarkets more interesting to price conscious Dutch consumers.

Supermarkets/hypermarkets and discounters saw more competition from tea and coffee specialists in the Netherlands. Consumers are attracted by the high quality of speciality products and the opportunity to ask for advice.

The future looks healthy

Over the forecast period more Dutch people will opt for healthier options when it comes to tea. Green tea will remain the fastest growing tea, due to its healthy image. This will continue to have a negative impact on black tea, which will continue to decline, but will remain the largest sector.

Volume sales of coffee will continue to decline throughout the forecast period. More private label manufacturers will introduce a wider selection of products aimed at offering appeal and affordability to a wider consumer group

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