

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.

In 2010:

Hot drinks stagnates

Hot drinks recorded stagnation in 2010; however, sales of particular categories of tea or coffee were increasing. Consumers in Slovakia, rather, shifted from consumption away from home to at-home consumption. A cup of tea or coffee remains an important ritual of everyday life despite the economic crisis. This is visible in the trend towards more functional products, premium quality and diversification of consumer demand, in terms of sorts of products – white tea, red tea, origin of the products – Colombian, Brazilian or Ethiopian coffee – or of product types in general – eg mixed herbal tea for particular occasions.

Culture of tea and coffee drinking is rising

Consumers in Slovakia are becoming more educated and demanding. During the review period, demand for products was visible with added value, positioned amongst more expensive brands. Consumers are aware of the health benefits of particular tea and coffee types (eg antioxidants), and they demand a product with clearly stated benefits and country of origin. Also, roasted coffee from regions such as Colombia, Ethiopia and Kenya has gained popularity (via off-trade and foodservice). With respect to tea, there is visible demand for high-quality tea ("tips" – highest-quality tea leaves), particular tea types (not only classic black or green but also white tea and red tea) or premium-quality herbal tea combined with various other components such as fruits or spices.

Locals positioned well in 2010

Hot drinks was led by multinationals in 2010. Nestlé Slovensko sro led hot drinks with a value share of 23%. Nestlé is present in most of the categories with its strong international brands. Its success can be attributed to constant new product development and marketing promotion. However, the second best ranked company, Baliane Obchodu as, held 17% value share on the market. The company is the leader of coffee and tea due to the long tradition of its products and good promotion and marketing strategy. In comparison to the previous year, the company even strengthened its positioning.

Store-based retailing dominates

Hot drinks are sold through store-based retailing mostly as 96% of all off-trade sales were generated through stores in 2010. Store-based retailing distribution channels lost only slightly in importance at the expense of non-store retailing (consisting of vending and Internet retailing). Supermarkets/hypermarkets led amongst distribution channels with 42% retail value share and slightly improved its position thanks to more competitive prices. Small grocery retailers was the second largest distribution channel with 38% value share, most of which was accounted for by forecourt retailers with 32% value share. Amongst the most promising distribution channels was discounters, representing 14% of the retail value sales.

Hot drinks performance looks promising

Hot drinks is expected to record positive performance over the forecast period in volume terms. Growth will not reach the same levels as before the economic crisis; however, the situation is going to stabilise. In constant value terms, a slight decline is expected due to the market polarisation and strengthening of the competition. The most dynamic category will be tea, due to the rising consumer awareness about the health positives of tea drinking. Coffee consumption is expected to be boosted by the developing coffee-drinking culture and rising popularity of coffee specialists in foodservice.

<http://www.euromonitor.com/hot-drinks-in-slovakia/report>

Hot Drinks in Austria

Pub Time: 2004/03

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.

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[Report]
Hot Drinks in Austria
Pub Time: 2004/03

In 2010:

Good overall performance

Overall, hot drinks in Austria saw a good performance in 2010. Good value growth across a number of sectors of hot drinks was evident, with the exception of other hot drinks which is not very popular. Higher unit prices compensated for negative volume growth in 2010, especially in off-trade outlets. Coffee saw the strongest growth in current value terms, while volume growth declined for most off-trade outlets. Tea recorded the second highest current value growth despite declining volume sales in both the on- and off-trade channels. However, significantly higher unit prices compensated for positive current value growth in 2010.

Higher unit prices limit volume growth

Hot drinks was influenced by a few factors in 2010 in Austria, most notably the global financial crisis which increased unit prices in the country. This resulted in lower consumption of hot drinks, particularly through the off-trade channel. In addition, private label saw strong growth as consumers turned to the more favourable price-quality ratios of cheaper brands. The continuous influence of general health and wellness trends, especially within tea, and the trend towards convenience, with a focus on coffee, led to increased unit prices as manufacturers sought to cover rising raw material costs and used these trends for new product development and related higher pricing policies.

Private label gains popularity

Private label was increasingly significant within hot drinks in Austria in 2010. Most branded multinational producers found it difficult to keep consumers away from competitively-priced private label products. Within coffee, private label led successfully, competing against multinationals such as Nestlé and Kraft Foods, whilst private label tea products did well against companies such as Milford and Teekanne. Other hot drinks was the least impacted by private label as multinational companies claimed the biggest influence here. In 2010, private label sales benefitted from the higher unit prices of leading brands and the negative impact of the global financial crisis.

Grocery retailers lead

Grocery retailers was the biggest distribution channel in hot drinks in 2010, led by supermarkets/hypermarkets and discounters. These off-trade channels benefitted from wide product ranges and competitive pricing, particularly for private label products, as consumers sought less expensive alternatives against the rising prices of major brands and the convenience of purchasing such items with their weekly grocery shopping. Small grocery retailers came second and were led by convenience stores. However, the convenience factor of small grocery retailers remained important and enabled such outlets to perform relatively well. Non-store retailing claimed the lowest volume share as the distribution of hot drinks through these channels was driven almost solely by internet retailing.

Fair future performance

Hot drinks is expected to continue to perform well over the forecast period. Even though it is likely to keep on recording negative volume sales, ongoing price increases should compensate and result in positive constant value growth. In addition to this, innovations and new product launches within coffee and tea in particular will help to help drive demand and maintain value growth. While other hot drinks sales are not likely to improve, the impact of this on overall hot drinks in Austria is expected to be negligible.

<http://www.euromonitor.com/hot-drinks-in-austria/report>

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 Kaffekompagni A/S, in what can be described as a "hostile takeover". According to sources within Dansk Kaffekompagni, 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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[Report]
Hot Drinks in Denmark
Pub Time: 2005/10

In 2010:

Retail volume sales decline

2010 witnessed a continuation of the trend firmly established over the review period, namely, an ongoing decline in retail volume sales. However, the magnitude of the decline seen in 2010 was smaller than that recorded in previous years of the review period. Both coffee and tea witnessed a retail volume sales decline of 1% in 2010.

Consumers grow increasingly demanding

Segmentation is a key driver of hot drink sales, with players seeking to appeal to the increasingly demanding and diverse needs of the modern Danish consumer. Consumer demand for convenience, high quality, and sustainable/ethical and organic hot drinks played a role in shaping product innovation and performance in hot drinks in 2010. Products that were previously defined as niche, such as organic hot drinks, are increasingly appealing to a wider audience. Consumer demand for advanced product offerings served to reduce the impact which the harsh economic climate had on retail value sales growth in 2010.

Increasing concentration

Hot drinks in Denmark is very much characterised by a defined and concentrated number of players. This is in part due to active grocery retailer strategies to limit the number of brands that they carry. Coffee and tea continued to be dominated by four and three players, respectively, while other hot drinks was largely dominated by a single player. With the exception of BKI Kaffe, all of the leading players in hot drinks in Denmark in 2010 were multinationals or owned by multinationals. This in turn saw leading international brands, such as Nescafé and Lipton, enjoy strong positions. While private label has a role to play, its potential is limited by ongoing consumer demand for their favourite brands, owing to strong brand loyalty.

Discounters

While supermarkets/hypermarkets continued to account for a leading share of hot drinks retail volume sales in 2010, the channel saw an ongoing loss of sales share to discounters over the review period. As coffee and tea are consumed on a daily basis in Denmark, consumers consistently seek good value when shopping for these products. Discounters provide a convenient venue to find private label and marked-down branded products, for hot drinks as well as other food and beverages. Discounters became an increasingly popular retail channel in Denmark over the review period, which was reflected in its growing share of hot drinks value sales. As the Danish economy tackled the far ranging impact of the global economic downturn, discounters emerged as an increasingly attractive channel for hot drinks sales expansion.

Return to positive retail volume sales growth projected

Hot drinks volume sales are expected to return to seeing positive growth over the forecast period. Consumer health and wellness concerns, allied to growing demand for convenience, are expected to continue to shape performance over the forecast period. However, a prolonged deterioration of the economic climate represents a strong threat to coffee's forecast performance. If the economy weakens further over the coming years, Danish consumers are likely to reduce their consumption of premium products and migrate to standard, economy and private label alternatives.

<http://www.euromonitor.com/hot-drinks-in-denmark/report>

Hot Drinks in Netherlands

Pub Time: 2005/09

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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In 2010:

Hot drinks performs well despite economic recession

The hot drinks market experienced very healthy growth in 2009. In terms of volume the increase in sales was more modest, but the increase in terms of sales value was very positive indeed. The economic recession hit the Netherlands hard in 2009 and general consumer confidence in the economy was badly affected. This did not seem to have much influence on the development of the hot drinks market. In fact, hot drinks by many were perceived as an affordable luxury and therefore a good alternative to more expensive luxury products. Hot drinks also are a good way to get comfort and to feel good when times are rough and this helped the sector to achieve growth as well.

Consumers go for quality

Despite economic worries, in 2009 consumers went for quality products. The modern consumer is more educated and has a more sophisticated mindset when it comes to the consumption of hot drinks. In coffee for instance the arrival of the coffee pod has changed the Dutch coffee culture and consumers are now looking for coffee that is brewed to their individual taste and preference rather than coffee that is brewed for several people at once. A similar trend is affecting the performance of the tea and other hot drinks sectors. This trend has created opportunities for manufacturers of hot drinks for creating added value products that cater to the individual needs and preferences of the modern consumer.

Major players dominate

In hot drinks the major (international) players dominate. In all three hot drinks sectors, Sara Lee/DE and Nestlé have dominant positions. In tea, Unilever is becoming a force to be reckoned with and in other hot drinks the Friesland Food Group has a leading position. Because of the trend towards high-end hot drinks products that are delivering on health benefits and individual tastes, there is room for niche players. The major companies are the dominant forces within hot drinks and Sara Lee/DE and Nestlé in particular are very strong players. Beside these companies that are active with branded hot drinks products, private label products have a large share as well.

Further shift from on- to off-trade

In 2009 there was a further shift from the on-trade to the off-trade. Instead of going out for coffee or hot chocolate, consumers preferred to stay in and try and replicate the on-trade experience with high quality products. In this respect the economic recession did have an impact on the sector as consumers wanted to avoid the high prices of the on-trade and manufacturers of hot drinks offered more and more products that successfully replicate the on-trade hot drinks experience in the home. This led to increased sales in, for instance, Nespresso pods, Lipton tea in pyramid tea bags and hot chocolate pods.

Positive outlook for hot drinks

The outlook for hot drinks is very positive. In terms of volume growth, it will be slightly lower than during the review period, but this is mostly due to the fact that new types of hot drinks are becoming more popular, such as health and wellness tea, fresh coffee beans and hot chocolate pods. This change in buying behaviour will drive growth of sales value over the forecast period and value development for the off-trade in particular will be very healthy.

<http://www.euromonitor.com/hot-drinks-in-the-netherlands/report>