

Hot Chocolate and Malted Drinks - UK - March 2010

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What is this report about?

Hot chocolate remains a small market compared to tea and coffee but continues to show excellent growth by targeting younger consumers with new and exciting premium and low calorie products. In contrast, other malted drinks (ie Horlicks and Ovaltine) have struggled to reinvent themselves for a younger audience and are considered old-fashioned, when they are considered at all. The main problem for the latter two brands is building awareness and more positive associations, while hot chocolate needs to increase frequency of drinking occasions if it is to maximise its growth potential.

What have we found out?

- The investment potential of the hot chocolate market is clearly highlighted by growth of 20% between 2007 and 2009. Despite the economic downturn, the market is now worth just under £100m.
- By contrast, once-iconic malted drinks, such as Horlicks and Ovaltine are now seen as old-fashioned and less relevant to today's consumer. As a result, sales declined by 12% between 2005 and 2009.
- The hot chocolate and malted drinks markets are struggling to increase purchase and consumption rates. Seen as heavier and more calorific than regularly-drunk alternatives such as tea and coffee, both drinks suffer from a perception of being an "occasional" drink.
- It does not help that these products are seen as highly seasonal. Mintel's research shows that 17 million people drink them primarily in the winter or when the weather is cold, in contrast, to the 7 million consumers who drink them all year-round.
- Cadbury's Hot Choc Chunks is a new innovation to watch as it allows consumers to melt real pieces of chocolate into milk. By re-inventing hot chocolate as a dessert rather than just a drink, greater usage may be stimulated as well as adding a fun factor to a very traditional sector.
- Some consumers use these heavier beverages to avoid unnecessary snacking, according to Mintel's focus group. Marketing campaigns could promote the products as helping, rather than hindering, calorie control.

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