

## Coffee - UK - August 2013

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“Most pertinently for the coffee pods segment will be convincing consumers that the products deliver better quality than instant coffee. This suggests that the coffee pods segment needs to convince the wider population that the price premium of coffee pods is justified, eg through promoting the lack of wastage, increased freshness and quality taste.”

– Amy Price, Senior Food & Drink Analyst

### In this report we answer the key questions:

- What is the potential for adding value to the instant coffee segment?
- How can the market push the ritual or ‘treat’ angle of coffee drinking?
- How can coffee pod manufacturers expand their target audience?
- How can the coffee market engage younger users?

Coffee continues to enjoy high levels of popularity, with three in ten users drinking coffee at least daily. Market sales are estimated to reach £1.1 billion and 61 million kg in 2013, with forecast growth of 22% to £1.4 billion and by 15% to reach 70 million kg in volumes by 2018.

Instant coffee continues to dominate the market, accounting for almost 80p in every £1 spent on coffee bought for home consumption. Manufacturers are looking to premiumise everyday instant formats (through the introduction of wholebean instant formats) as a means of diversifying and staving off competition from fresh ground/pod coffee – which is now drunk by over half of UK consumers (56%).

Coffee is associated with providing a morning pick-me-up, with half of consumers seeing coffee as a great way to start the day and more than a third saying it helps to keep them alert and gives them an energy boost, both tangible attributes for the market to build upon.

Continuing investment in NPD and above-the-line support from major players such as Nestlé (Nescafé) and Mondelēz (Kenco) will play a key role in keeping the category front of mind with the consumer going forward, driving premiumisation and maintaining engagement.

This report covers coffee consumption for the in-home market only. Therefore, it does not include coffee shops or other outlets where coffee is purchased and drunk outside the home, including vending machines or self-serve coffee outlets.

The majority of in-home coffee is sold in supermarkets, but a small proportion of sales also takes place through newsagents, convenience stores and specialist shops.

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