

Report Price: £3199.84 | \$3995.00 | €3775.81

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.



"The on premise coffee and tea market is characterized by the sustained growth of existing establishments and the influence of third wave coffee shops. While most consumers are satisfied with current coffee/tea options, a new generation of consumers is driving the trend to premium beverages." - Caleb Bryant, Foodservice Analyst

This report looks at the following areas:

- Coffee and tea are most often sourced at home
- A third of consumers are non-spenders
- Most consumers visit only a few coffee/tea locations

Restaurants face strong competition from CPG (consumer packaged goods) brands, yet the continued innovation and convenience of restaurants keeps them one step ahead of retail.

BUY THIS REPORT NOW

VISIT: store.mintel.com

CALL: EMEA +44 (0) 20 7606 4533

> Brazil 0800 095 9094

Americas +1 (312) 943 5250

China +86 (21) 6032 7300

арас +61 (0) 2 8284 8100

EMAIL: reports@mintel.com

DID YOU KNOW?

This report is part of a series of reports, produced to provide you with a more holistic view of this market



Report Price: £3199.84 | \$3995.00 | €3775.81

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Table of Contents

Overview

What you need to know

Definition

Executive Summary

The issues

Coffee and tea are most often sourced at home

Figure 1: Coffee/tea drinks consumed AH vs AFH, October 2016

A third of consumers are non-spenders

Figure 2: Factors consumers would pay more for, September 2016

Most consumers visit only a few coffee/tea locations

Figure 3: Repertoire analysis - Locations visited, September 2016

The opportunities

The coffee house market is growing

Figure 4: Total US sales and forecast of coffee shops, at current prices, 2010-20

iGen/Millennials want innovation

Figure 5: Coffee/tea drink interest, by generation, September 2016

Court the third wave consumers

Figure 6: Factors consumers would pay more for, by HH income, September 2016

What it means

The Market – What You Need to Know

Coffee house segment has sales over \$20 billion annually

Foodservice faces competition from innovative CPG products

A new coffee movement on the horizon

Coffee prices set to increase

Market Size and Forecast

Coffee house sales exceed \$20 billion annually

Figure 7: Total US sales and forecast of coffee shops, at current prices, 2010-20

Figure 8: Total US sales and forecast of coffee shops, at current prices, 2010-20

New coffee houses continue to enter the market

Figure 9: Total number of coffee houses in the US, 2010-20

Market Breakdown

Starbucks dominates coffee house market

Figure 10: Share of coffee house units, 2015

Independent coffee houses lose market share

Figure 11: Number of coffee house units, 2014-15

Figure 12: Share of coffee house units, multiples vs independents, 2014-15

BUY THIS REPORT NOW



Report Price: £3199.84 | \$3995.00 | €3775.81

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Market Perspective – Mintel Defines Coffee's "Waves"

The history of coffee, defined by waves

The first wave

The second wave

The third wave

Third wave evolution - what's next

Retail Beverages

RTD coffee is the fastest growing retail coffee type

Figure 13: Percent change in total US retail sales of coffee, by segment, at current prices, 2012-21

RTD tea sales boost the entire tea category

Figure 14: Percent change in total US retail sales of tea, by segment, at current prices, 2012-21

Energy drinks continue to experience strong growth

Market Factors

Younger generation are core AFH beverage drinkers

Figure 15: Population by generation, 2011-21

Coffee price forecast to increase

Figure 16: US imports of coffee, trended 2010-14, November 2015

US tea imports on the rise

Figure 17: US imports of tea and mate, 2010 to 2014

Non-dairy creamers are on the rise

Figure 18: Non-dairy milk consumption habits, January 2016

Key Players – What You Need to Know

Coffee and tea are growing on menus

Innovation abounds in coffee shops

Starbucks and Dunkin' go premium, JAB makes moves

What's Working?

Starbucks continues to drive innovation Starbucks: Food Starbucks: Drinks Starbucks: Other changes Dunkin' goes premium Changes by other companies

Emerging Third Wave Beverages

Coffee drinks Coffee and tonic Flash brewed coffee Specialty coffee on tap

BUY THIS REPORT NOW



Report Price: £3199.84 | \$3995.00 | €3775.81

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Coffee meets booze
Waste not want not
Tea drinks
Matcha mania continues
Mellow kava, man
3.5 wave processing
Fermented coffee
Smoked coffee
Aged and barrel-aged
Third Wave Coffee and Social Media
Rival IQ methodology
In the land of social media, Instagram is king

Figure 19: Total audience on social media by platform, November 11th 2016

Figure 20: Total activity on social media by platform in the last 90 days, November 11th 2016

Figure 21: Total social engagement on social media by platform in the last 90 days, November 11th 2016

Figure 22: Average engagement per social media post in the last 90 days, November 11th 2016

MMI Analysis

Coffee beverages

Coffee continues to grow on menus

Figure 23: Growth in incidence of the top 10 coffee beverages on menus, Q3 2015-Q3 2016

Figure 24: Percent of restaurants with any coffee beverage on the menu, by segment, Q3 2016

Sweet and "spicy" flavors are trending; overall flavors are down

Figure 25: Top 10 coffee beverage flavors, growth in incidence on menus, Q3 2015-Q3 2016

Tea beverages

Trendy teas

Figure 26: Percent of restaurants with any tea beverage on the menu, by segment, Q3 2016 Figure 27: Growth in incidence of the top 10 tea beverages on menus, Q3 2015-Q3 2016 Figure 28: Top 10 tea beverage flavors, growth in incidence on menus, Q3 2015-Q3 2016

What's Next?

Aussie and Asian shops shape the market

JAB ties it all together

Starbucks goes third wave

Golden wellbeing

The Consumer – What You Need to Know

AFH coffee/tea consumption varies by demos

Opportunity for unique processing

Young consumers want functional drinks

Keep it convenient

BUY THIS REPORT NOW



Report Price: £3199.84 | \$3995.00 | €3775.81

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Chain/Segment Visitation

Starbucks, McDonald's, and Dunkin' are the Big Three Figure 29: Chain/segment visitation for coffee/tea, September 2016

Men are an important coffee-drinking segment

Figure 30: Chain/segment visitation for coffee/tea, by gender, September 2016

Millennials primary consumers for coffee houses and tea shops

Figure 31: Chain/segment visitation for coffee/tea, by generation, September 2016

Hispanics are frequent location visitors

Figure 32: Chain/segment visitation for coffee/tea, by ethnicity and race, September 2016

Coffee/tea visitation scales with income

Figure 33: Chain/segment visitation for coffee/tea, by income, September 2016

Coffee culture varies by geography

Figure 34: Chain/segment visitation for coffee/tea, by census region, September 2016

Figure 35: Chain/segment visitation for coffee/tea, by area, September 2016

Repertoire Analysis

Majority of consumers visit only a few locations

Figure 36: Repertoire analysis - Locations visited, September 2016

Figure 37: Chain visitation breakdown of single location customers, September 2016

Number of locations visited by select demographics

Figure 38: Repertoire analysis - Locations visited, by gender and by age, September 2016

Figure 39: Repertoire analysis - Locations visited, by Hispanic origin, income, and parental status, September 2016

Figure 40: Repertoire analysis - Locations visited, by census region and by area, September 2016

Coffee/Tea Tracker

Methodology

AH vs AFH coffee and tea consumption

Figure 41: Coffee/tea drinks consumed AH vs AFH, October 2016

Figure 42: Coffee/tea drinks consumed AFH, October 2016

AFH coffee and tea consumption by select demos

Figure 43: Coffee/tea drinks consumed AFH, by gender and by generation October 2016

Figure 44: Coffee/tea drinks consumed AFH, October 2016

Figure 45: Coffee/tea drinks consumed AFH, October 2016

Figure 46: Coffee/tea drinks consumed AFH, October 2016

Satisfaction Drivers by Big Three Chains

Methodology

Understanding satisfaction drivers of the Big Three

Figure 47: Key drivers of satisfaction with coffee houses, September 2016

KDA: Starbucks

Figure 48: Key drivers of satisfaction with Starbucks, September 2016

BUY THIS REPORT NOW



Report Price: £3199.84 | \$3995.00 | €3775.81

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

KDA: McDonald's

Figure 49: Key drivers of satisfaction with McDonald's, September 2016

KDA: Dunkin' Donuts

Figure 50: Key drivers of satisfaction with Dunkin' Donuts, September 2016

Emerging Drink Interest

The tap is where it's at

Figure 51: Coffee/tea drink interest, September 2016

Drink interest falls into gender lines

Figure 52: Coffee/tea drink interest, by gender, September 2016

Adventurous Millennials and the "45 cliff"

Figure 53: Coffee/tea drink interest, by generation, September 2016

Figure 54: Pour-over and nitro interest, by age, September 2016

The affluent are third wave customers

Figure 55: Coffee/tea drink interest, by HH income, September 2016

Figure 56: Organic tea interest, by age and HH income, September 2016

Appeal to the "super spenders"

Figure 57: Coffee/tea drink interest, by spender types, September 2016

Factors Consumers Would Pay More for

Many consumers aren't willing to spend more for unique drinks

Figure 58: Factors consumers would pay more for, September 2016

Understanding spender types

Figure 59: Spender type breakdown, September 2016

Figure 60: Spender type index against those who have purchased a coffee/tea beverage from a foodservice establishment in the past three months, September 2016

Men will pay more for a unique drink

Figure 61: Factors consumers would pay more for, by gender, September 2016

Half of Boomers wouldn't pay more for any special beverage

Figure 62: Factors consumers would pay more for, by generation, September 2016

Figure 63: Desired coffee functionality, June 2016

Attract Hispanics with non-dairy milk

Figure 64: Factors consumers would pay more for, by Hispanic origin, September 2016

Appealing to the most affluent consumers

Figure 65: Factors consumers would pay more for, by HH income, September 2016

Figure 66: Factors consumers would pay more for, by HH income >\$75K, September 2016

Coffee and Tea Daypart Consumption

Hot drinks in the morning, cold in the afternoon

Figure 67: AFH coffee consumption by daypart, among drinkers, September 2016

Opportunity for night time herbal teas

Figure 68: AFH tea consumption by daypart, among drinkers, September 2016

BUY THIS REPORT NOW



Report Price: £3199.84 | \$3995.00 | €3775.81

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Reasons for Visiting Coffee/Tea Establishments

Convenience drives a majority of coffee/tea purchases

Figure 69: Reasons for visiting last location for a coffee/tea drink, September 2016

Men driven by quality and experimentation

Figure 70: Reasons for visiting last location for a coffee/tea drink, by gender, September 2016

iGens seek deals, are creatures of habit

Figure 71: Reasons for visiting last location for a coffee/tea drink, by generation, September 2016

Loyalty programs appeal to the affluent

Figure 72: Reasons for visiting last location for a coffee/tea drink, by HH income, September 2016

Parents want variety

Figure 73: Reasons for visiting last location for a coffee/tea drink, by parental status, September 2016

Appendix – Data Sources and Abbreviations

Data sources

Sales data: Mintel Market Sizes Consumer survey data Consumer qualitative research Mintel Menu Insights

Abbreviations and terms

Abbreviations

Terms

Appendix – Key Driver Analysis

Interpretation of results

Figure 74: Level of satisfaction with Starbucks, McDonald's, and Dunkin' Donuts-Key driver output, September 2016

Figure 75: Level of satisfaction with Starbucks-Key driver output, September 2016

Figure 76: Level of satisfaction with McDonald's-Key driver output, September 2016

Figure 77: Level of satisfaction with Dunkin' Donuts-Key driver output, September 2016

Appendix – Coffee/Tea Tracker

Figure 78: Coffee/Tea Additions, October 2016

Appendix – Social Media

Figure 79: Total audience on social media by platform, Nov. 11, 2016

Figure 80: Total activity on social media by platform in the last 90 days, Nov. 11, 2016

Figure 81: Total social engagement on social media by platform in the last 90 days, Nov.11, 2016

Appendix – Market

Figure 82: Total number of coffee houses in the US, 2010-20

Figure 83: Share of coffee house units, multiples vs independents, 2014-15

Appendix – Consumer

Figure 84: Population by race and Hispanic origin, 2012-22

BUY THIS REPORT NOW



Report Price: £3199.84 | \$3995.00 | €3775.81

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Figure 85: Median household income, by race and Hispanic origin of householder, 2015 Figure 86: Household income distribution, 2015

BUY THIS REPORT NOW