

Coffee - UK - April 2012

Report Price: £1750 / \$2758 / €2087

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"Newer types of premium instant innovation are important in replacing the jar, which consumers are used to associating with lower prices and brands should look to expand and segment their ranges by introducing sachets, cubes and refill pouches."

– Jonny Forsyth, Senior Drinks Analyst

In this report we answer the key questions:

- How can manufacturers combat rising commodity prices?
- Does instant coffee have a future with younger consumers?
- Which competitors are coffee pods stealing share from?
- How much impact can Starbucks make in the retail sector?

The UK take-home coffee market has been mature for some time now and has had to perform in a challenging environment of soaring commodity prices and falling consumer discretionary spend, as well as growing competition from soft drinks. However, the market also has huge advantages, with high street coffee shops having raised awareness of quality coffee, something which is translating into the homes of the masses. With health-conscious consumers moving away from alcohol and so many people not liking but loving the taste of coffee, it remains a promising investment opportunity.

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 such as Coffee Nation recently purchased by Costa Coffee.

The majority of in-home coffee is sold in supermarkets, but a small proportion of sales also take place through newsagents, convenience stores and specialist shops. Apart from RTD versions, people will make in-home coffee themselves. There are three broad groups of coffee in the take-home market:

Instant coffee

Roast and ground

Ready-to-drink coffee

Excluded: Coffee sold in coffee shops, other on-trade outlets such as cafés, restaurants, pubs, etc, even if this coffee is bought here and drunk at home. Sales of coffee machines are excluded.

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