



Summer is just around the corner which means consumers across the globe will be reaching for cool, refreshing beverages. According to latest research from Mintel Global New Products Database (GNPD), cold coffee has drinkers buzzing, as around one in five (19%) global new coffee launches was iced, ready-to-drink (RTD) in 2017, up from 16% in 2015.

Chilled coffee is thriving in the US, growing at least 10% annually between 2013-17. In fact, more than half (56%) of new RTD coffee launches in the US were cold brew in 2017, up from 38% the year prior. What is more, in the US, cold brew sales at retail* reached an estimated \$38 million in 2017, representing a single-year growth of 137%. Meanwhile, RTD coffee is also building momentum in China. Mintel forecasts annual growth of near an estimated 20% in the next five years as RTD steals more share from instant coffee.

Globally, Japan leads in RTD coffee innovation, accounting for 18% of all iced RTD coffee launches in 2017. The US follows, accounting for 13% of these launches in 2017, up from 10% in 2016.

But despite the rapid rate of growth of RTD elsewhere in the world, Europeans remain resistant to the lure of iced coffee. While Spanish consumers are most likely to have tried iced/chilled coffee in Europe, only 10% have actually purchased it either

from a store or online. Meanwhile, in "coffee purist" countries like France and Italy, purchase of iced/chilled coffee among all adults is just 3% and 4%, respectively.

While Europe has been slower to follow the iced coffee boom, Mintel highlights strong potential among younger drinkers. Two-thirds (66%) of UK 18-24-year-old coffee drinkers say chilled coffee is a good alternative to sugary drinks, compared to a quarter (26%) of drinkers aged 45+. This echoes what is happening in America where younger drinkers, who are less ingrained in the ritual of drinking coffee hot, have driven RTD coffee growth. Some 68% of US 18-34-year-olds currently consume single-serve RTD coffee (in bottles or cans), compared to 43% of total US adults.

Jonny Forsyth, Associate Director, Mintel Food & Drink, said: "Global investment in chilled, RTD coffee has increased as producers target a younger drinker who enjoys the format's taste, refreshment and indulgence. RTD coffee is proving a better

format for innovation than other hot-serve formats and, in 2017, manufacturers continued to push the format's boundaries. Cold brew is helping to premiumise the RTD category, and is growing fast in the US, albeit less so in other markets. But while new product launches of iced coffee have reached record highs globally, in the US, cold brew has emerged as a vibrant growth segment of chilled coffee, and could prove to be the tipping point for take-up of cold coffee in Europe. The key to success lies with the younger generation which has been introduced to chilled coffee in branded coffee shops, which are growing quickly in Europe."

US tops global coffee sales, but Nordics drink the most

After experiencing strong gains from 2012-15, the US coffee market slowed somewhat from 2016-17 as market penetration of single-cup coffee makers grew saturated. However, the US is still comfortably the world's biggest market by volume, and is premiumising in response to the influence of the nation's dynamic coffee shops market. Last year, US consumers bought 607,000 tonnes of

coffee, followed by Brazil (425 000 tonnes), Germany (424 000 tonnes), Japan (304 000 tonnes), and finally Indonesia (268 000 tonnes). Meanwhile, in the UK sales of coffee stood at 63 000 tonnes, while in China sales reached 53 000 tonnes.

The US also leads the way in innovation, accounting for 11% of all global coffee launches in 2017, more than double the innovation of its nearest competitors Japan, France and the UK, each accounting for 5% of global coffee innovation.

While the US leads the way in volume sales, North European countries enjoy very high per capita consumption of coffee—especially in Finland, where consumers drank 7,91kg per person in 2017, and Norway, where they consumed 6,62kg.

The rise of super coffee

The rise of 'super coffee' reflects how third-wave coffee shops (and some retail brands) have increasingly pushed coffee with health benefits such as added coconut oil, chia seeds, protein and grass-fed butter.

Mintel highlights opportunities for coffee brands to target health-obsessed younger drinkers seeking added health benefits. In the US, one in six (17%) 18-34-year-old

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male coffee drinkers view added functionality (eg extra protein, added vitamins) as important when choosing which coffee to drink. While in Germany, 41% of 16-44-year-old coffee drinkers are interested in trying coffee with added protein versus 21% of drinkers aged 45+.

Finally, it seems coffee is following global consumers' love affair with all things natural. In 2017, 10% of global coffee launches claimed to be organic, up from 8% in 2016. This rise was led by the US, where organic accounted for 22% of all coffee launches in 2017, up from 15% in 2016.

"Coffee with added protein is still a relatively unexplored area of global coffee innovation despite Starbucks targeting this space in the US market since 2015. Increasing attention to health and wellness among consumer globally will result in specific opportunities for coffee with added protein, as well as organic coffee, in the next two years. Europe has particular potential given rising interest in high protein diets and the popularity of milky coffee among younger adults," concluded Jonny.



What's up with bottled water?

The global bottled water market did not end 2017 without surprises. After years of strong growth, bottled water sales surpassed carbonated soft drinks to become the largest beverage category by volume in 2016.

And the numbers do not stay idle. From 2014 to 2017 due to increasing concern regarding various health problems caused by consumption of contaminated water, the global bottled market grew to over \$200 billion following 9% yearly growth, according to the report on the bottled water market from The Business Research Company. In addition to health concerns, rising disposable income also let people in the Asia Pacific region influence the growth of the market significantly.

Access to clean drinking water in particular raise consumers' concerns and prompt them to seek out clean drinking water to maintain a healthy life

By volume, the market grew by 100 billion litres. The predictions for the bottled water market are above previous expectations. By value, the market is going to reach around \$350 billion by 2021, following 10% year-on-year growth. The volume's growth will be a bit lower, but not by a significant number, at 9.3. Global per capita average bottled water expenditure will also be in a growth stage to 2021, raising to \$45.3 by 2021 from \$32.3 per head in 2017.

The consumption of bottled water in 2017 was the highest in the Asia Pacific region, accounting for 42% of global

Consumers in the Asia Pacific region are also increasingly adopting new products with health benefits, such as functional water, which has added value in the form of minerals, oxygen, and vitamins

consumption. The Asia Pacific region is a host for two of the most populated countries where poor public infrastructure is quite common and access to clean drinking water is limited, which drove the market to such numbers. These conditions,

in particular, raise consumers' concerns and prompt them to seek out clean drinking water to maintain a healthy life.

Following the health awareness trend, bottled water consumers in the Asia Pacific region are also increasingly adopting new products with health benefits, such as functional water, which has added value in the form of minerals, oxygen, and vitamins. Since consumers prefer to try new tastes and follow the best of them, the availability of a range of flavours and options in functional water will boost market growth.

The second region ranked in terms of bottled water volume was the American continent. High average prices per litre for drinking water made the region rank the first in terms of value.

The global bottled water market is highly fragmented with a large number of local players present in most countries. To stand out among numerous competitors, companies have started changing the look and feel of packaging bottles to get more traction in the market.

The aim of producers is to establish a brand image and differentiation in the bottled water market.

Innovative packaging includes re-sealable and recyclable can packaging material, transparent sophisticated bottles, and inks and coatings applied on a can to enhance customer experience through unique visual effects along with increasing shelf appeal. The leading bottled water companies in the global market that have a multi-country presence are Danone, Nestle, Coca-Cola, and Pepsi-Co.

– *The Business Research Company*

