

# Hot Drinks: Segment is driven by convenience & quality

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## Abstracts

Hot Drinks: Segment is driven by convenience & quality

### SUMMARY

Some major new trends are sweeping through the beverage industry and they are having a major impact on both manufacturers and consumers. For the soft drinks industry sugar has now become a dirty word and sugar taxes have forced companies to create new formulas and diversify away from carbonates as that segment begins to decline. For the enhanced water segment new opportunities are developing as consumers are moving towards bottled water and away from sugar and this means a great deal of innovation is happening with new enhanced water healthy ingredients. For the hot drinks industry convenience and premiumization is changing the landscape and new types of on the go products are becoming the main consumer choice. Packaging up these products is becoming a major headache for beverage manufacturers however, as environmental challenges and consumer behaviors are forcing companies to look for new solutions to old problems.

### KEY HIGHLIGHTS

Similar to other retail trends, altering conditions in the labor market are driving the push towards convenience. A combination of technological advances and labor market conditions has made convenience a priority for consumers. People are working longer hours and don't always have the time for preparation, meaning the potential for ready-made drinks is growing. A combination of long hours in employment and increased labor force participation has meant people are generally busier.

Long working hours and busy lifestyles result in increasing demand for convenience, thereby entailing the need for portable and ready-to-drink coffee and tea. The desire for convenience has prompted the introduction of functional packaging formats such as single-serve coffee pods, soluble coffee tablets, and coffee to-go cups, allowing consumers to enjoy a perfect 'cup' every time. Time scarcity is a prevalent factor in many countries, with the US and Japan notable examples. However, it is also occurring in the UK, where RTD coffee recorded a CAGR of 25.8% during 2011-2016, given their convenience and portability.

One fast growing market is coffee pods used in conjunction with machines. These machines are becoming more affordable in price, and will constitute a growth opportunity in the future. The pod machine is also beginning to impact more commercial applications. GlobalData consumer estimates that the global coffee pod market will grow with a compound annual growth rate (CAGR) of 7.9% between 2016 and 2021, one of the fastest growing segments in the industry. Demand is driven by North America and Western Europe, which accounted for 89% of market value in the most recent figures. A survey conducted in 2016 by Harris Interactive on behalf of The Grocer found that 30% of respondents in the UK owned a coffee pod machine, up from 22% the previous year.

## SCOPE

Examine the major trends in the drinks and beverage industry and what companies are doing to exploit them

See why the latest sugar coverage is having such a big effect on the industry

Explore the reasons behind the rise of bottled water and the new opportunities in that segment

Examine the problems the industry faces with packaging

## REASONS TO BUY

What are the key changes happening in the non alcoholic drinks industry?

What players are making significant new moves in the industry?

Are there any opportunities arising out of major industry trends?

What new products are starting to gain traction with consumers?

## Contents

Overview

Catalyst

Summary

Hot Drinks: Segment driven by convenience & quality

People are still working long hours, driving convenience trend

Convenience is a key trend driving retail

US instant products increasing

Japan's coffee market dominated by RTD

Coffee pods growing in popularity

Coffee pods also coming to food service

Taste and quality are also driving market purchases

Experience products are becoming more popular

Premium segmentation in instant products expanding

Functional hot drinks gaining popularity

Demand for functional coffee marred by purity concerns

Coldbrew coffee is gaining traction

UK regulation may force manufacturers to adapt

Sustainability must be protected rather than sacrificed

Coffee pods potential growth hampered by wasteful byproduct

Coca Cola moves into coffee with acquisition of Costa Coffee

Conclusion

Appendix

Further Reading

Ask the analyst

About MarketLine

Disclaimer

## List Of Figures

### LIST OF FIGURES

Figure 1: Hours worked 2007-2017, selected countries and OECD total

Figure 2: Global Hot Drinks Industry value and growth rate, \$m, 2012-2021

Figure 3: UK brand Teapigs has a variety of unique and novel products

Figure 4: Millennial Flavored Coffee Consumer Survey, FFS Coffee Group

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