

## New Brew Review

*Coffee and tea continue to make their mark in the premium/specialty segment, with standout products offering health and wellness, eco-friendliness—and a little adventure.*



Coffee and tea are more popular than ever. Daily coffee consumption jumped seven percentage points, moving well ahead of soft drinks, according to the 2012 National Coffee Drinking Trends report from the New York-based National Coffee Association (NCA), which attributed the rise to the latest report's more precise reflection of the consumption behaviors of Hispanics and African-Americans.

Beyond that, however, total coffee consumption grew from 68 percent to 73 percent for past-week consumption and from 76 percent to 78 percent for past-year consumption, now leading soft drinks by more than 10 percentage points. NCA noted this consumption increase across all age groups, but especially among consumers between the ages of 18 and 39. Gourmet coffee consumption also went up, moving from 37 percent of all cups of coffee consumed in the U.S. in 2011 to 46 percent in 2012.

For tea, sales of the beverage in its traditional and ready-to-drink (RTD) forms increased 5.1 percent, reaching \$4.3 billion in food, drug, convenience stores and mass merchandisers, excluding Walmart, according to Chicago-based Mintel's July 2011 Tea and RTD Teas – U.S. report, with growth fueled by canned and bottled tea as well as refrigerated RTD tea. Flavor was the top reason given by consumers for why they drink tea, the report found, noting that flavor innovation in RTD teas helped to drive growth in that segment.

Capitalizing on this burgeoning popularity, manufacturers are taking the opportunity to introduce coffee and tea product lines that resonate with several of their needs—not just satisfying their sense of taste and desire for indulgence and convenience, but also their interests in maintaining better health, creating a cleaner environment and even fulfilling a thirst for adventure.



This fall, GMCR will offer two additional SKUs in its Café Escapes line of indulgent dairy-based beverages—Café Caramel and Café Vanilla—and Green Mountain Naturals Hot Apple Cider in 12-count K-Cup packs for grocery. The company also plans to continue to expand its Fair Trade varieties in supermarkets.

"A key benefit of the Keurig system is that it allows grocers to satisfy shoppers who are looking to try a wide selection of quality coffee, tea and other beverages," says Green. "With new varieties hitting the shelves, it works best for grocers to group K-Cup packs together on shelf to make it as easy as possible for single-cup shoppers to find the packs for their brewer. By grouping Keurig Brewed beverages in a set, grocers present the opportunity for shoppers to not only purchase their favorite coffee, but to also discover new beverages to try, potentially generating incremental purchases. We're finding that grocers are expanding their merchandising sets from 4 feet to 8 feet and 12 feet to provide additional product facings that offer more variety for shoppers."

#### **Tailored Products**

"Consumers like to have their coffee tailored to their individual liking," asserts Ted Fisher, co-founder of Glastonbury, Conn.-based Brioni's, maker of Brioni's Healthy Morning Coffee, which features prebiotic soluble fiber for better digestive health, and the Green Cup, an environmentally friendly coffee pod designed for use in a Keurig machine. "This individual need is driving the specialty coffee category," says Fisher, who notes that traditional can-coffee sales are declining while specialty products are "seeing nice growth. Consumers are embellishing different flavors and are conscious of origins and Fair Trade principles."

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What's particularly interesting about the coffee market, he continues, is that when the economy softens, "consumers will trade down to save money on other purchases, but they will not sacrifice their indulgent cup of coffee. Single-serve coffee continues to be a robust segment of the category, with K-Cup and pod sales growing nicely."



To date, promotions for Healthy Morning Coffee, which was introduced in January, have included in-store sampling to educate consumers on its benefits, as well as to show off its taste. A radio campaign with a health-conscious slant supported local retailers carrying the product, which many stores have placed on attention-getting shipper displays and end caps, while a PR campaign launched with newspaper articles, TV news spots and a shot at being featured on the "Dr. Oz" show this fall.

In a unique twist, Healthy Morning Coffee is also being offered in offices where the nutritional benefits are helping employers to comply with their corporate wellness initiatives. Employees at these companies receive VIP coupons enabling them to get a special discount on the product at their local retailers. "Results have shown a significant increase in consumer awareness of the brand and the benefits of prebiotic fibers," notes Fisher.

### **Sip From a Single Cup**

"The single-cup segment continues to be the primary growth driver of the coffee category at grocery, as well as with the tea and hot cocoa categories," asserts Ann Green, senior shopper marketing manager for the specialty coffee business unit of Green Mountain Coffee Roasters (GMCR) in Waterbury, Vt., citing recent figures from Chicago-based SymphonyIRI Group Inc. "The single-cup subcategory, including all beverages, was the second-fastest-growing subcategory overall in dollar sales within total U.S. grocery. These numbers tell us that the quality, variety and convenience that the Keurig system brings to shoppers' daily coffee and beverage routines is helping to propel sales in grocery."

GMCR offers a wide assortment of 12-count K-Cup packs in supermarkets to meet a broad range of consumer taste preferences at a variety of price points, including Brew Over Ice K-Cup packs, whose national launch the company supported with an integrated marketing campaign encompassing FSIs, in-store POP, couponing, shelf banners and talkers, in-store demos, and shippers, as well as traditional, digital, earned and social media. The shippers invited consumers to join "Tumbler Nation," with a mail-in coupon good toward a Brew Over Ice tumbler with the proof of purchase of a 12-count box.



### **Affordable Luxury**

"Coffee is one of the most affordable luxury items available to people, and enriches our daily lives much like wine or food," observes Louis Yuffa, co-founder of Denver-based Dazbog Coffee Co., which offers authentic Russian-style full-bodied, medium-roast coffee. "There is going to be a similar trend away from 'fast-food' coffee to more high-quality, slow-roasted and flavorful coffee."

Among Dazbog's newest products are its Anniversary Blend that bowed in May 2012 to commemorate 16 years in business, a limited-edition Holiday Blend planned for Thanksgiving 2012, and the Road Runner Blend honoring Metro State University of Denver's beloved mascot, with a portion of proceeds going toward a Dazbog-funded scholarship.

To promote its Anniversary Blend, Dazbog gave away free cups of the product. "In-store promotions consist of releasing new blends frequently throughout the year to ensure that the consumer has access to a large variety of blends available on the shelves," notes Yuffa.

Additionally, the brand conveys its Russian identity through point-of-purchase materials, which Yuffa calls "the key to our merchandising strategy. We tell consumers our story on all of our packaging ... bringing the consumer into the fold about our personal experience as immigrants living the American dream." The occasionally cheeky names of Dazbog's blends— KGBlend, Svoboda, White Nights and the Babushka Blend, among others— reflect this theme , and "Dazbog" itself literally means "God of richness." Says Yuffa: "This strategy has enticed consumers to try our products."

## A Better-educated Consumer

Consumers' knowledge of the tea segment has increased as more people drink tea more frequently, "which in turn leads to a more discerning consumer," says Mark Rajelski, president of San Ramon, Calif.-based Brands of Britain LLC, whose Taylors of Harrogate brand has expanded its premium tea range to include a 20-count box with individually tagged and wrapped teas in three varieties. "The premium tea segment continues to grow as a direct result of more educated consumers looking for higher-quality teas."

As well as intro deals to help drive sales of the 20-count box during the trial sales period, "we've found our pre-packed display shipper to be a very successful way to merchandise our products," says Rajelski. "The shipper offers a selection of five different teas in a compact design so as to take up minimal floor space while still encouraging multiple tea purchases. Our floor displays are a great vehicle to capture the demand for premium tea."



This increased knowledge of tea has filtered down to particular segments. "Consumers are looking to expand their range of products and educate themselves about the various kinds of teas," says Bipin Patel, founder of Polson, Mont.-based Tipu's Chai. "People are eager to learn and be more adventurous. The American tea palate is getting more sophisticated and subtle."

In the case of the product his company offers, Patel maintains, "As the world shrinks, we have found that [American] chai drinkers want a more authentic chai, like Tipu's, that is bolder, less sweet."

The brand's latest line, Tipu's Chai Now, offers a variety of quick-brew products made without added chemicals and including high-quality Indian tea and all-natural ingredients, in three easy-to-prepare varieties: All You Need is Water, Sweet & Spicy, and The Simple Life (formerly known as Tipu's Microground Instant).

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When it comes to winning new fans, Tipu's Chai is a firm believer that tasting is believing. "Our demo program is set up to educate store employees about Tipu's Chai and/or actual store customers," explains Patel. "That way, we have everyone on board—which we feel has worked best for us."

And in the foodservice realm, a partnership between Seattle's Best Coffee and Bellevue, Wash.-based Coinstar has resulted in Rubi Automated Coffee Kiosks, a turnkey solution for grocers' in-store coffee programs. Backed by a Web-based frequent-customer program, Rubi features touchscreen ordering and French press technology that grinds the beans and delivers cups of fresh-brewed coffee in about a minute.



### Tea for Health

Health-and-wellness concerns are also prominent in the tea category. Taking advantage of the already healthy reputation of green tea, Salada Tea, a brand of Little Falls, N.Y.-based Redco Foods Inc., has introduced Salada Wellness Support Green Teas, making it the only brand with a dedicated green tea-based wellness line. The varieties are Serenity, with soothing chamomile; Bone Support, featuring added calcium; and Immunity, which contains vitamin C and echinacea.

"Consumers are no longer just looking to their beverages to only taste great, but also as an opportunity to do something great for their bodies," explains Tara Coleman, clinical nutritionist and Salada spokeswoman. "The idea of prevention is on many consumers' minds, and they are looking to green tea for its health benefits and role in supporting a more balanced lifestyle. Salada's green tea-based wellness line is the perfect marriage of the health benefits that green tea is known for and the refreshing flavors that everyone looks forward to."

The brand is building awareness and driving consumer trial and retail activation for the teas through advertising, high-value coupons and extensive sampling at health-related events. Additionally, in conjunction with the FSI coupon drops, Salada has developed account-specific merchandising and promotional programs to use with retail partners.

Coleman points out the importance of the products' being merchandised with other green tea products, which shoppers usually purchase for their health benefits, along with secondary placement in natural food sections and cross-merchandising with other healthful foods such as yogurt and fresh fruits and vegetables to capture additional sales.

Salada's other new green tea items include three flavors of Salada Green Tea Family Size for Iced Tea: Peach Nectarine, Raspberry and Tropical Fruit. "These are terrific, fun options for families looking to stay on track with their health-and-wellness plans this summer," notes Coleman.

Both coffee and tea look set to keep growing, with single-serve, better-for-you, premium, loose-leaf teas, authentic ethnic products and organic/natural tagged as particularly promising areas.

In an observation that applies equally to tea, Dazbog's Yuffa notes: "Consumers are starving for more variety, interesting and diverse blends, and dynamic, up-and-coming brands that are cooler, new and different. There is an increased demand for more than mass-market [items]. As consumers' palates and tastes continue to mature, they will continue to demand better [products], seeking more of [their] flavor and true character."