
Review of the Welsh Out of Home Coffee Market

January 2021 v2.0

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1. Introduction

This short report provides an overview of the Welsh out of home coffee market and an estimation of the number of disposable cups used. The analysis is based on detailed information for the sector commissioned previously from Kantar, albeit the data are not the latest data.

2. Analysis of the Coffee Market

The Welsh OOH market accounted for 5.9% of the total GB OOH market in 2016. Of this, sales of hot drinks accounted for 19% of total out of home spend in Wales, with coffee accounting for three quarters (75%) of hot drink spend.

Data from Kantar OOH Market Shows that £391m was spent in Wales coffee in the out of home market, growing substantially year on year, up nearly 15% in sales value between 2015 and 2016.

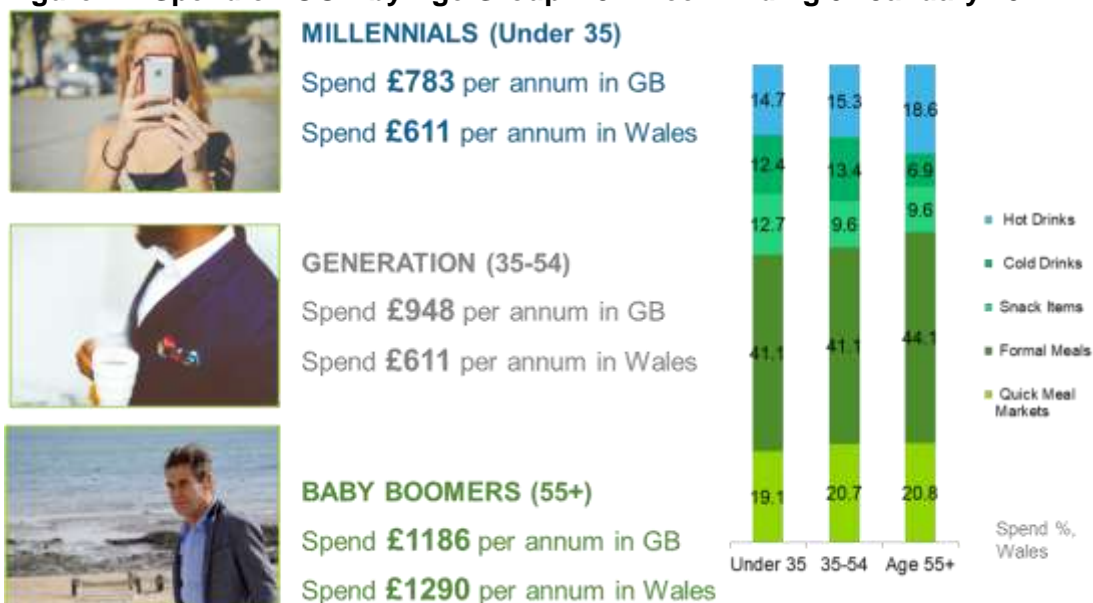
Table 2.1 Value of Out of Home Hot Drink Sales in GB and Wales 2016 (£000)

| | GB OOH 52 weeks ending 01 Jan 2017 | Wales OOH 52 weeks ending 01 Jan 2017 | Wales Year on growth | Wales as % of GB |
|------------------|------------------------------------|---------------------------------------|----------------------|------------------|
| Hot Drinks | 8,576,437 | 522,062 | 17.1 | 6.1% |
| Coffee | 6,187,577 | 390,747 | 14.9 | 6.3% |
| Tea | 1,463,283 | 84,900 | 14.1 | 5.8% |
| Other Hot Drinks | 925,579 | 46,415 | 53.5 | 5.0% |

Source: Kantar OOH 52 weeks Ending 01 January 2017

In terms of spend by age group, baby boomers (+55) are the heaviest spenders on out of home food and drink in both Wales and GB.

Figure 2.1 Spend on OOH by Age Group – 52 Week Ending 01 January 2017





From this we see that the following is spent on hot drinks by age group (Table 2.2)

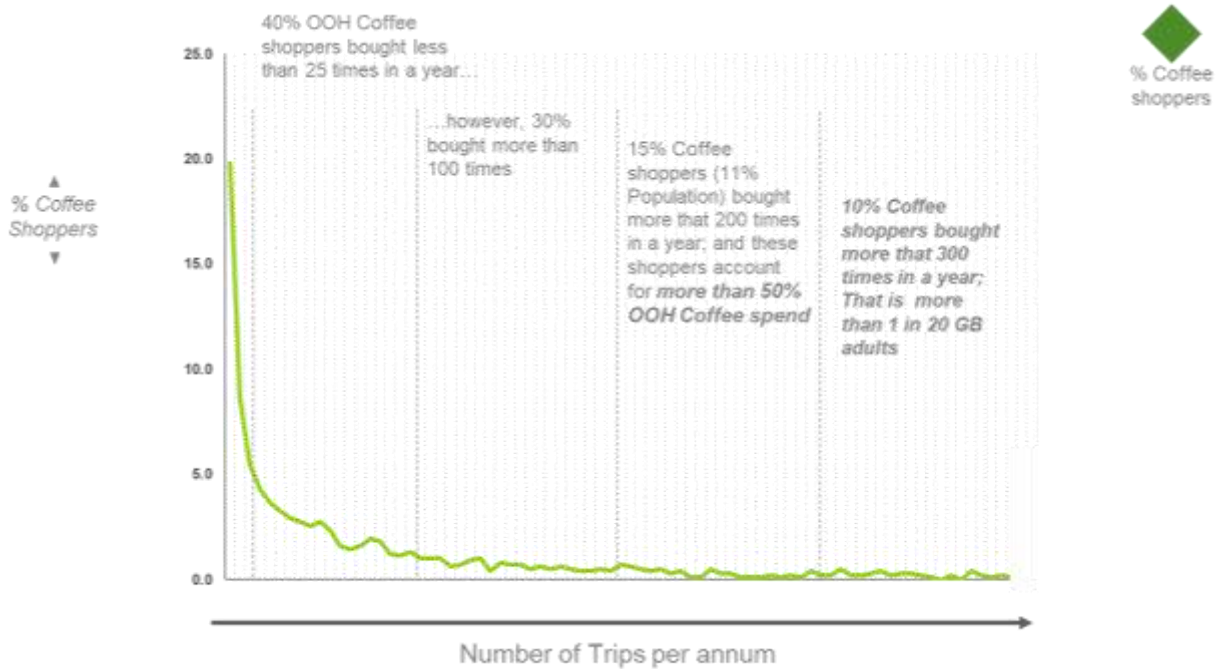
Table 2.2 Est Spend on Hot Drinks by Age Group

| | Wales Spend per person | Of which on hot drinks | Coffee (assuming equates to 75% of purchases) |
|------------------------|------------------------|------------------------|---|
| Millennials (under 35) | £611 | £89.82 | £67.36 |
| Generation X (35-54) | £611 | £93.48 | £70.11 |
| Baby Boomers (+55) | £1,290 | £239.94 | £179.96 |

Source: derived from Kantar OOH 52 Weeks Ending 01 January 2017.

Coffee sales are reliant on some very heavy coffee consumers, buying out of home coffee more than 300 times a year.

Figure 2.2 Coffee Shopper Profile by Trips



Source: Kantar Worldpanel OOH | 52 we 01 Jan 2017 – 1 year continuous panel

However, heavy coffee drinkers (making up 10% of coffee shoppers) are not necessarily connoisseurs of coffee, and spend less per coffee than those who purchase it less frequently.

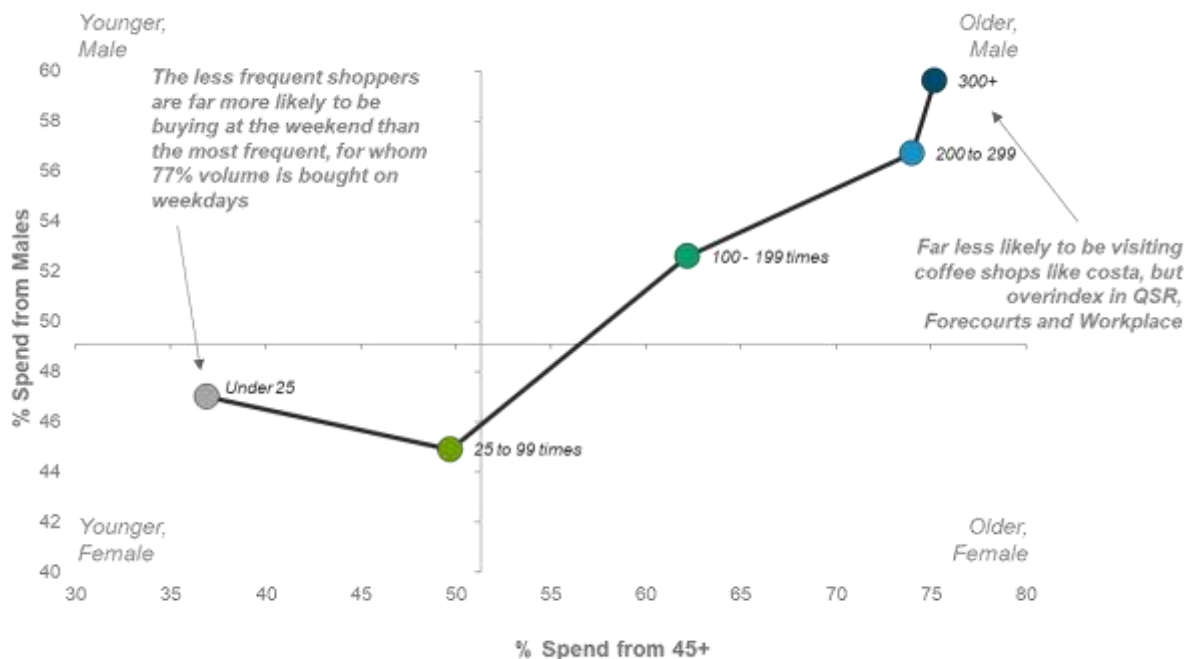


Figure 2.3 Spend by Frequency of Purchases in GB



In terms of the profile of the heavy coffee drinkers, data from Kantar OOH shows that they are typically older male shoppers, as shown in the diagram below.

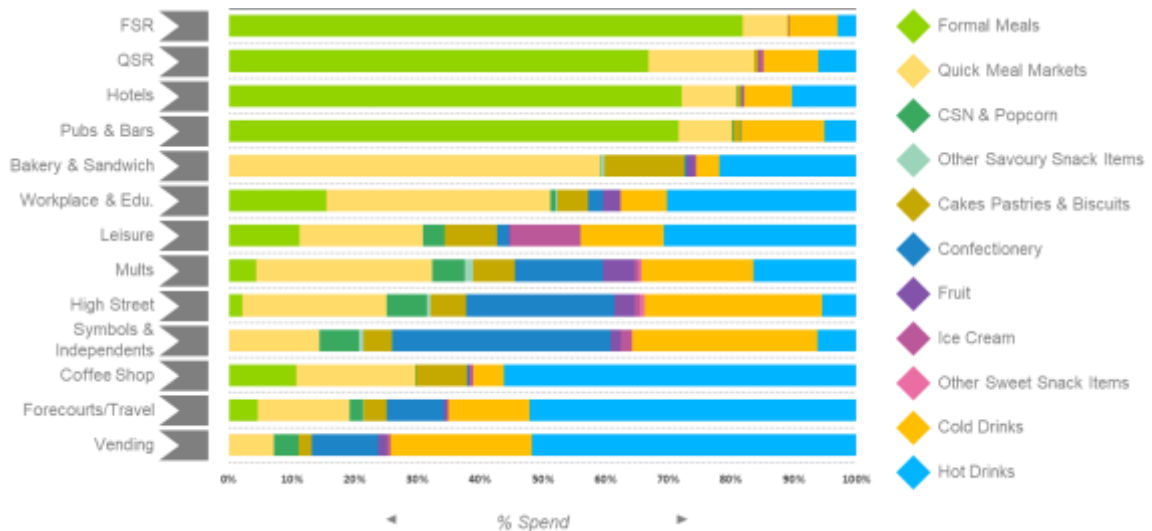
Figure 2.4 Profile of Coffee Shopper by Frequency of Purchases



In terms of channels, the Figure 2.5 sets out the value of different food to go items according to the channel sales. Hot drinks are shown in light blue to the right of the diagram and are particularly important to vending machine sales, forecourt sales and coffee shops



Figure 2.5 Category Sales by Channel GB (52 weeks to Jan 2017)



Applying these figures to the market sizing data shows the value of hot drink sales (with 75% being coffee) by these channels as follows¹:

Table 2.3 Channel Size and Est Channel Sales of Hot Drinks and Coffee: Wales 2016

| | Channel Size in Wales | Est Hot Drinks Value | Est Coffee Sales | Number of Units ^a ('000) |
|--------------------------------|-----------------------|----------------------|------------------|-------------------------------------|
| Full Service Restaurant | £345,675 | £10,370 | £7,778 | 4,444 |
| Quick Service Restaurant | £522,018 | £31,321 | £23,491 | 13,423 |
| Hotels | £43,316 | £4,418 | £3,314 | 1,894 |
| Pubs & Bars | £479,210 | £24,440 | £18,330 | 10,474 |
| Bakery & Sandwich | £222,375 | £48,478 | £36,358 | 20,776 |
| Workplace & Education | £198,932 | £59,879 | £44,909 | 25,662 |
| Leisure | £87,121 | £26,746 | £20,060 | 11,463 |
| Mults (inc cafe/forecourt) | £318,122 | £52,172 | £39,129 | 22,359 |
| High Street | £52,668 | £2,897 | £2,173 | 1,241 |
| Symbols & Independents | £54,270 | £3,365 | £2,524 | 1,442 |
| Coffee Shop | £345,237 | £193,333 | £145,000 | 82,857 |
| Forecourts (ex Mults) & Travel | £93,295 | £48,607 | £36,455 | 20,831 |
| Vending | £28,871 | £14,955 | £11,216 | 6,409 |
| Total | 2,794,197 | £520,980 | £ 390,735 | 223,277 |

^a Based on average unit price of coffee in Wales of £1.75 per unit. Note that estimated sales of hot drinks by channel based on GB category data applied to Welsh channel size data. Source: Derived from Kantar OOH 52 Week Ending 01 January 2017 Wales and GB data

Vending, forecourt, and QSR are particularly important to older males, who are heavy consumers of coffee.

¹ Note that GB share of sales by category has been applied to Wales channel sizing data.



In total, based on the average unit price of £1.75 per coffee in Wales, it is estimated that around 223m cups of coffee were consumed out of home in Wales in 2016. Given that the market was growing strongly we can apply 10% per annum compound growth to these figures which would suggest a level of sales of £520m for 2019 prior to COVID. 2020 sales were affected by COVID so not necessarily representative.

There are two other factors to take into account. The proportion of takeaway cups and the growth in reusable cups. We estimate that 60% of Welsh OOH is in takeaway cups. This is based on analysis of Table 2.3 and what we know of those channels. Further to that, 44% of consumers used a reusable cup at least once during 2020 (Kantar). However, anecdotal evidence suggests that few remember to bring cups with them all the time. Therefore we estimate growth in reusable cups of up to 8% across the board to the end of 2019.

On that basis, we estimate that between 164m (+/-20%) disposable cups would be used in Wales in the OOH sector in 2019.

Table 2.3 Estimates of Reusable Cup numbers in Wales

| | Wales 2016 actual sales (Kantar) | 2017 assuming 10% growth | 2018 assuming 10% growth | 2019 assuming 10% growth |
|----------------------------------|---|-----------------------------------|-----------------------------------|-----------------------------------|
| Coffee Sales (£000) | 390,747 | 429,822 | 472,804 | 520,084 |
| No of cups@£1.75 | 223 | 246 | 270 | 297 |
| Disposable cups @60% | 134 | 147 | 162 | 178 |
| Use of reusable cups | 0 | 2% | 5% | 8% |
| Net of reusable cups | 134 | 144 | 154 | 164 |