

Hot Beverages are on the boil

For local retailers, the Hot Beverages aisle is a bit like an old friend. Reliable, predictable, one of life's constants. That said, it's also an innovative category that is growing in unexpected and exciting ways – and highly competitive with plenty of brands in the mix.

Hot Beverages: a quick view

Tea is having a moment. Bubble tea, white tea, herbal tea, chai tea, health tea – and of course, rooibos tea and black tea – you name it, consumers are drinking it. Accessible, relatively affordable, and a household staple for many families across South Africa, tea is big business. South Africa and Kenya are the biggest consumers of black tea in Africa, while Rooibos tea is a firm favourite for over 30 million South Africans every day. Tea is also a category that remains open for innovation. Targeting younger consumers (think millennials and Gen Z) will encourage growth in this sector. Rooibos tea was voted among South Africa's favourite hot beverages in the 2022 Sunday Times GenNext Survey, in which more than 6 000 youth named their coolest products.

Meanwhile for those who enjoy a more robust brew, and despite the increased price tag, coffee is still king. Even with supply challenges, rising costs, and budget-constrained consumers, coffee consumption remains relatively constant. According to www.ResearchAndMarkets.com, the local coffee



Image courtesy of betterretailing.com

Retailers can tailor their range according to what customers are looking for in caffeinated drinks.

market in South Africa has experienced positive growth, in terms of off-trade retail value RSP at constant 2020 prices, achieving a 2.1% year-on-year growth relative to 2019. This increase is expected to continue, with the market forecast to grow at a CAGR of 2.5% between 2021 and 2025. This growth, both globally and locally, is being driven by several factors, including the increase in at-home coffee consumption. Cold brew coffee continues to rise in popularity, and speciality coffees are a luxury as well as necessity for many upper LSM consumers.

Coffee alternatives, malted drinks, all varieties of hot chocolates, instant sachets, matcha and chai mixes, and health drinks make up the rest of this category. Targeting a younger audience requires a balancing act between taste, novelty, convenience, and health. Fortified hot beverages for children are also popular, but there is a growing demand for low or no sugar options, as well as dairy-free, gluten-free, and vegan offerings.



Consumers are concerned with the quality of ingredients as well as their origin. Overly processed products with a lengthy list of ingredients that are perceived to be unhealthy is a turn off for many shoppers.

For others, price is the driving factor behind purchase decisions, although the inelastic demand for coffee and tea makes them less susceptible to fluctuations in consumer buying patterns – when the price goes up, demand stays about the same (although buying on promotion does increase and for cash-strapped consumers, price definitely plays a critical role).

The hot beverages category in South Africa

Candice Sessions, Marketing and Brand Strategy Manager at Joekels Tea Packers shares some insights into the tea and coffee market. Along with their own range of popular teas and recently launched Society instant cappuccinos, Joekels also blends and packs white label and own-brand tea. Sessions says ...

“Both the tea and coffee categories are incredibly competitive in South Africa, and they are dominated by huge brands with big equity.”

This is a good thing for consumers, who are spoilt for choice and who can benefit from competitive prices and promotions, but it makes for a trickier landscape for producers and retailers who need to balance sales, profit, and market share in increasingly challenging times.

Image courtesy of www.joekels.co.za



Everything from the long-term repercussions of extended Covid lockdowns, supply chain obstacles caused by the ongoing war in Ukraine, climate change, the cost of electricity, an unstable power supply, and the soaring cost of fuel impacts the hot beverage category – from growing and producing, to packaging and transporting. Low global coffee reserves, high freight costs, and the rising costs of raw materials are the main reasons cited for coffee price increases.

For Sessions, the soaring price of coffee was impacted most heavily by three or four separate heavy price increases over the last few years. She expects the price to level off soon, which will bring some relief to consumers. She does, however, note that ...

“As such the percentage of product bought on promotion is increasing. We are seeing more consumers waiting for deals, and shopping between retailers for the best price. E-commerce in particular benefits from this. It’s the reality of how we shop now.” While Sessions expects the coffee price to level off, and tea to see some price increases in line with inflation and other socio-economic and climate challenges, she believes the overall outlook is good.

Black tea, green tea, fortified tea

The tea industry saw a surge in popularity during lockdown, in part due to its health benefits. According to Sessions, even humble black tea

“South African consumers are promotion dependent. Prices may be increasing across the board, but promotional prices are holding steady. This means that the consumer is seeing a significant saving, but it also means we are seeing a blurring of lines between entry-level or low-cost items and premium products. The industry has created this dependence on promotions.”



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can be considered a healthier beverage...

“The benefits of drinking green tea are undisputed, and fortified teas offer additional health benefits such as added vitamins B or C. Tea is also an affordable drink, costing as little as 30c to 50c per cup.”

At home coffee and tea culture

More than just beverages, coffee and tea are ingrained into global culture. Coffee culture has been growing steadily since 2010. Sessions says, “As coffee culture grew, we started seeing speciality coffee shops and coffee franchises really take off. They created this culture around coffee – drinking it, preparing it, all the rituals and accessories and syrups and speciality drinks that we take for granted today. Retailers can take advantage of that.”

During lockdown, people learned how to make their favourite coffee-based drinks for themselves. They experimented with coffee brewing, different roasts, bean versus grounds, and even got into flavoured syrups and latte art. Gourmet hot chocolate – premium chocolate, marshmallows, and cinnamon included – also had a good run. Tea lovers also chose to expand their knowledge, try new blends, and even learnt how to make their own boba (bubble tea).

Social media influencers quickly jumped on the bandwagon with how-to videos, reaction reels, and taste-test TikToks. And then we welcomed the at-home coffee station. With elaborate set-ups,

Image courtesy of [insightsurvey.co.za](https://www.insightsurvey.co.za)



The latest beverage trend on TikTok, impacting the local tea market, is Tea Bombs. As a result, the creation of tea bombs is trending in South Africa, with recipes being shared on various websites. These tea bombs have a shell that is made of sugar. When hot water is poured over them, the shell dissolves and the tea inside brews in the water.

a range of flavours, high-end equipment, beautiful crockery, and accessories ranging from sugar crystals to hand-made biscuits, coffee culture is big business. This trend has gained some traction amongst local consumers as the call for more home use accessories grows.

While expanding on at-home ranges is not viable for all retailers, there are certainly some who should be putting some extra thought into just how far their customers are willing to go for that perfect cup at home. In this case, keep an eye on social media for product inspiration and trend alerts.

“And don’t forget your little sippers – hot beverages are a family affair as children become aware of products like babychinos, hot chocolate, and even child-friendly rooibos cappuccinos. Iced rooibos is a healthy and cost-effective alternative to pricey, sugar-filled juices and cordials.”

As Sessions points out, flavoured Rooibos teas made for children provide an alternative choice for health-conscious parents.

In-store coffee bars

In a world where convenience is king, providing shoppers with an easily accessible hot beverage on the go has good potential for some stores, depending on your geographic location and customer base. You don’t need a huge variety of options, but keep in mind a target market of coffee lovers, tea-drinkers, those who want



to skip caffeine, and children. Offering a dairy-free milk alternative is also a smart move, also depending on your location and shoppers. Oat, almond, soy, and rice milks are becoming increasingly mainstream.

Don't forget, tipping culture is ingrained in the South African mindset. For many consumers, tipping their server or barista is a must, and some will actively avoid making a purchase if they can't tip – strange, but true. Providing a tip jar is one thing but giving your customers the option to add a tip to a card payment is another common-sense action some retailers appear to have neglected. It's frustrating for employees and customers.

Beneficial brews: the rise of beneficial and health-boosting hot beverages

'Better for you' is a mantra that has been enthusiastically embraced by consumers and producers alike.

“With a renewed focus on health and healthy living, products that offer health benefits are on the rise. From added protein and micro-nutrients to caffeine-free, sugar-free, and lower calorie options, hot beverages that can make any sort of beneficial health claim are growing in popularity.”

One thing to remember though is the new labelling laws set to take effect in South Africa. According to these, many health claims made on labels will now be illegal or subject to intense verification processes.



Image courtesy of everydayhealth.com

These steamy mugs are more than just comfort in a cup – they provide key nutrients, too.

A big part of hot beverages is decaffeinated drinks. Both coffee and tea drinkers are looking for caffeine-free options for health reasons or personal preference. Sessions says, “South Africans still predominantly drink black tea; about two-thirds of tea consumed is black tea. But we are seeing growth in both the green and herbal tea categories, particularly as we introduce new variants and new flavours.”

Label-friendly – what consumers want and have to see on their labels

In addition to the new labelling laws that will require a much stricter set of information to be shared with consumers, labels must be easily legible and accessible. Price, product, nutritional information, product origins, health warnings, and

how-to instructions are part and parcel of the hot beverage experience.

One last sip for thought

Hot beverages cheer, revive, relax, and warm us. They allow us to connect socially with others or have a few minutes of solitude. They can be good for our health or provide a much-needed interlude during a busy day. Consumers are connected to their favourite hot beverage with strong, loyal ties – and South African consumers put their money where their heart is. Apart from stocking their firm favourites, make sure they know about new additions to your range through Hot Beverage category promotions, interesting displays, and clear signage.

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Hot Beverage trends to watch



Image courtesy of craves.everybodyshops.com

Mulled wine ... On a cold day, spiced wine is a perfect way to warm up. Make your own in a crock pot with bold red wine, spices, fresh fruits and some cognac.

Premiumisation. Mid to upper income consumers are becoming accustomed to a high-end, premium experience. This includes top quality instant coffees, pods, beans, and grounds, and can be seen in the tea category as well. Premium instant coffee has seen the biggest growth in this category. Promotional prices are helping to drive this.

Value brands. For many consumers, even with promotional prices, premium brands will be a stretch. For this reason, value brands can be expected to see growth as economic constraints further affect consumers.

Single packs. Sachets are easy to buy in bulk and store at home, in the office, in the car, or even in a handbag or laptop satchel, and consumers are willing to pay for this convenience.

Convenience. We all know this isn't a trend, it's a lifestyle component that isn't going anywhere. Instant tea- and coffee-based drinks and single servings of any hot beverage are a growing market. Consumers want the fun and flavour of their favourite drink, or that instant energy boost from a caffeine hit, and they want it immediately.

Milk alternatives. Dairy-based milk, creamers, and creams are still the most popular choice for most consumers but consider stocking options

such as half-and-half for those looking to expand their experience. Lactose-free and dairy alternatives are necessary for those with certain health or diet requirements, as well as those looking to reduce their environmental impact or consume more sustainably. Not all soy, nut or oat milk is created equal, and consumers may settle on a preferred brand depending entirely on taste and preference instead of price. This is still a very niche market locally, but international forecasts predict it will continue to grow.

Sip and dip. These essential accompaniments to one's favourite hot beverage fall into several categories: decadent treats, nostalgia, snacktime, a quick filler – ranging from the perfect petit fours to serve with high tea or a buttermilk rusk for dunking in your morning coffee to low-sugar healthy biscuits

or chocolate chip cookies. Although certainly not essentials, most consumers will be looking for some combination of value for money, tried and trusted brands, novelty, and premium products. Utilise cross-merchandising to inspire your shoppers to try out your range.

Sugar alternatives. Include alternative options such as non-nutritive sweeteners, xylitol, honey, agave, and stevia in your range, and ensure your shoppers know where to find these products in your store. Taste, price, and perceived health benefits drive these products that are so inextricably linked to hot beverages.

Global inspiration – As interest in international experiences rises and South Africans continue to look at Asia for inspiration, we are likely to see a growth in tea culture. Consumers are embracing the health benefits of green, herbal and rooibos teas. **SR**

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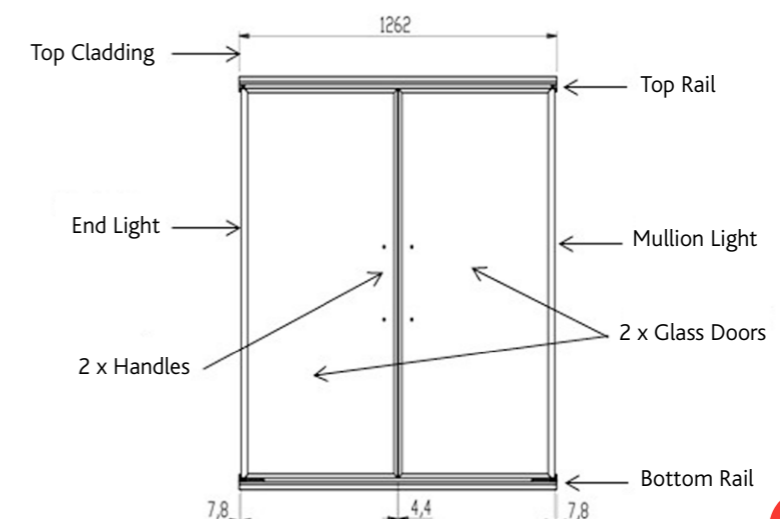
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Energy Saving LED 22W, 6000K, LED Light fitted on the inside of the architrave in a closed polycarbonate light diffuser.

