

The Grocer

Focus On: Hot beverages and cold brew by Rob Brown

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The premiumisation of hot beverages

The Story

The cuppa is going posh. In modern Britain, a milky mug of tea or hastily brewed instant coffee will no longer suffice. At least, that's if the latest innovations in the category are anything to go by. In February, [Nescafé unveiled a 'craft' version of its Azera blend](#). Twinings [has been busy investing in its 'wellbeing' teas as it prepares to overhaul the brand](#).

PG Tips [has brought out a vitamin-infused range](#). And Hotel Chocolat is looking to make the hot chocolate into the ultimate luxury with its growing Velvetiser range. All of these innovations coincide with strong growth in the retail hot beverages market, up £188.3m thanks to the pandemic and resulting rise in at-home consumption. So how much of the market can these posh innovations take? Will they suffer as high-street coffee shops reopen? And where does all this leave your standard mug of instant?

Key themes

Tea: Black tea has been battling a long-running decline. To what extent can premiumisation help to overcome this? Or does the premium market really lie with other forms of tea, such as fruity and herbal? (NB Yorkshire Tea was the only brand to grow black tea last year – and it is partly doing so with new flavours such as Toast and Jam.)

Coffee: Instant still accounts for the lion's share of sales. But how much of this is 'posh' instant? What insights are driving the craft-style innovations in this space? And how many people are migrating to formats such as filter coffee and pods? It's worth noting that there has been [a surge in commodity prices in coffee](#). How will that affect the premiumisation trend, as shoppers pay more for a standard brew?

Hot chocolate: Hotel Chocolat has led the way in premium hot chocolate with its Velvetiser range. To what extent are retail brands also pushing premium cues, and how? How much of a market is there here?

Out of home: To what extent are all of these innovations drawing on out-of-home cues? And will this premise of out-of-home quality inside the home be as powerful now that Covid restrictions have eased?