

Create the perfect convenience store - hot beverages category strategy

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The hot beverage category is extremely important due to high penetration and high spend per buyer



97.7% of UK households buy hot beverages



Spending **£2.3bn** a year on the category



The average spend per buyer in the category is **£84.88/year.**



They buy in the category (on average) **23 times/year.**

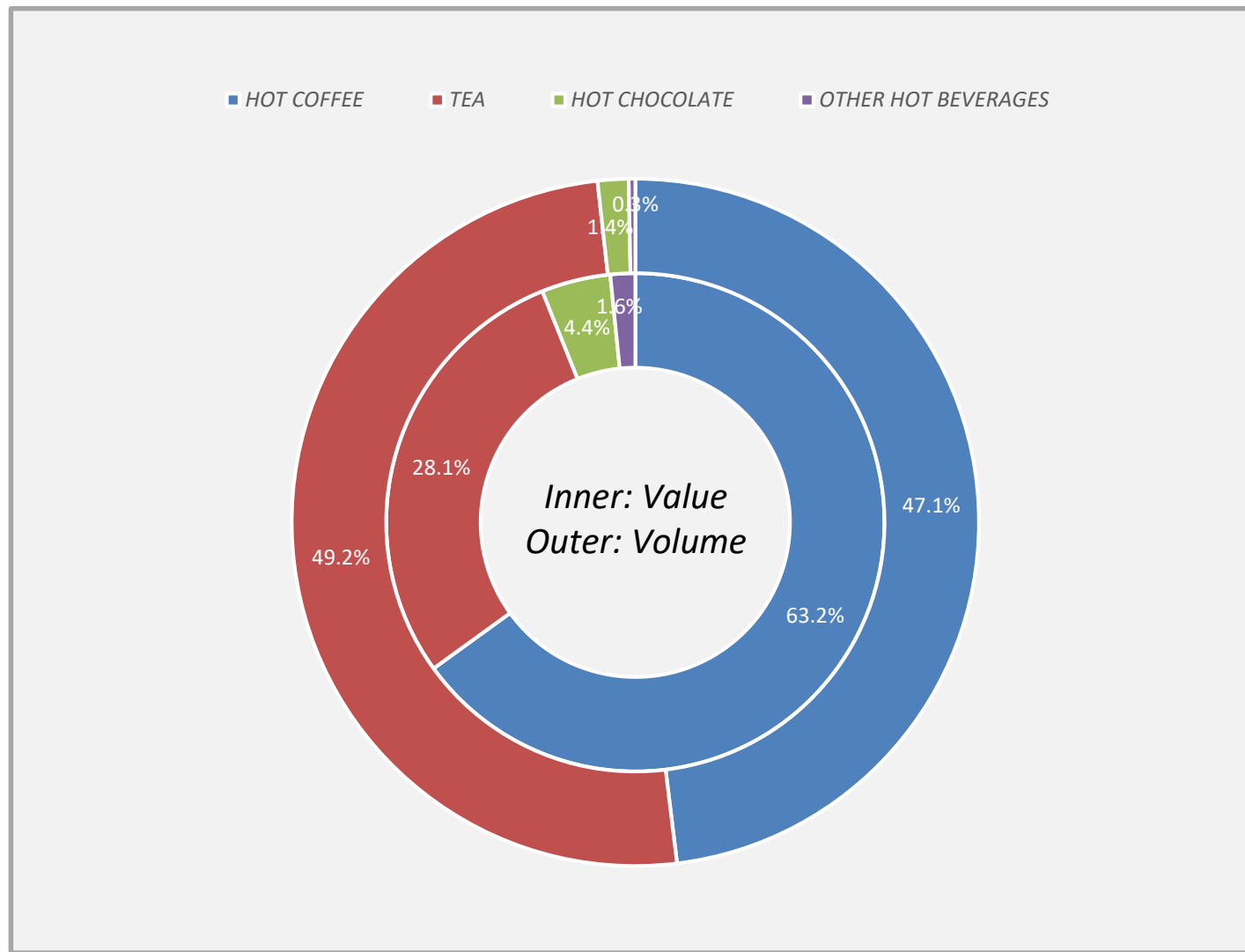
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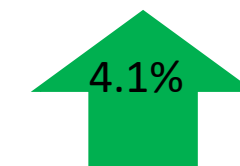
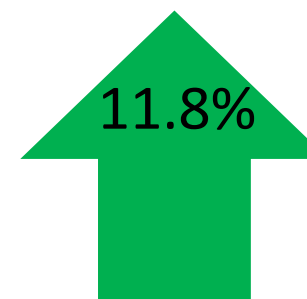
Tea provides the most category volume, but coffee contributes almost 2/3 of the category value



Sales % contribution to hot beverages



Category growth in total convenience vs year ago



Coffee's value share within the hot beverages category and predicted growth make it the must-win segment. Thriving in the following two areas could enhance the coffee category even further, which would help grow your hot beverages category sales total.



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Did you know: 44% of shoppers are more likely to shop in a convenience store that stocks price marked packs. That figure was 69% for London.

1. Get the basics right, now!

What your customers want

“Give me the right pack size or format to fit my needs wherever I am shopping”

“Make it easy for me to compare prices and get the best value for money”

“Put similar products together so I can find my usual choice and browse for something new”

“I want easy to understand promotions that reward me and my family”

“Make sure I always buy my favourite coffee”

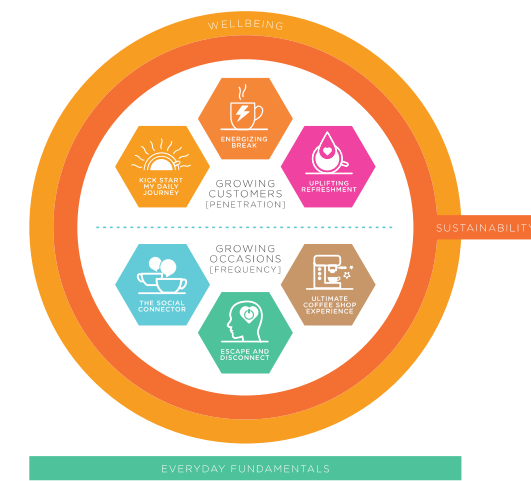
How can we deliver on shopper needs:

- **Understand the importance of PMP in the W&C Channel:** *Price marked packs can be used to build trust with shoppers while also utilising brand strength and value to increase appeal to shoppers. Prices should be clearly displayed to ensure a simple shopper experience and eye catching to encourage impulse purchases. There is an opportunity for PMPs on more premium products as affluent shoppers are more frequently purchase price marked packs.*
- **Implement the basic principles of merchandising:** *Ensure adequate stock is held and lay out fixtures according to shopper decision hierarchy. Align space on share according to value sales while also keeping space for growth segments in order to future proof the portfolio. Lastly, the flow up the fixture should be good > better > best. So premium products gain best space on shelf in order to drive trade up increasing sales in the process.*
- **Experiment with ideas to engage shoppers:** *Possible ideas include grouping the whole category by time of day to show usage occasions for different coffees. For promotion and price use a Hi Lo promotional strategy which is proven to drive category growth. Convenience stores with high impulse or top-up shops can encourage upgrades and +1 purchases by merchandising small premium coffee packs with single serve and sachets at front of store.*

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2. Grow the category for the long term through understanding coffee occasions



Grow customers through coffee's key areas:

- **Kickstart my daily journey and energising break:** *42% of coffee consumers say that they use coffee as a stimulus whether it's in the morning or afternoon - this area is vital to the success of the coffee category. The key segments in this sector are soluble, black cup pods and roast & ground.*
- **Uplifting refreshment:** *Other consumers drink coffee to quench a thirst. Significant products under this consumption driver are cold brew, iced and ready to drink coffee. These products over index with the next generation of coffee drinker and are therefore incredibly important for the long-term success of the coffee category.*

Growing occasions provides an opportunity to increase frequency:

- **The social connector:** *Coffee can act as an alternative to alcohol to bring people together while enjoying a beverage. This is evident through the rapid increase in the number of coffee shops that you see on the high street but it also exists in home as coffee can bring friends and family together. Some of the preferred coffees while connecting are white cup pods, frothy mixes and ready to drink coffee for when on the go.*
- **Escape and disconnect with the ultimate coffee shop experience:** *Indulgence is the final main occasion for coffee. Whether it be to indulge in a well deserved sweet treat or to enjoy the premium products that the coffee category has to offer many consumers view coffee as a pleasure. Segments that delight consumers with indulgence include pods, roast & ground and frothy mixes.*



Hot beverage's must-stock products for your convenience store.



Based on value sales, segment and brand value share and value sales YOY growth

Top 10 coffees:

1. Nescafe Original 100g PMP
2. Nescafe Gold Blend 100g PMP
3. Kenco Smooth Medium Roast 100g PMP
4. Douwe Egberts Pure Gold 95g PMP
5. Nescafe Azera Americano 100g
6. Nescafe Gold Cappacunio 8x17g PMP
7. Lavazza Qualita Rossa Regular 250g
8. Kenco Decaf 100g
9. Nescafe Original 3 in 1 White Coffee 6x17g
10. Lor Classique smooth 100g

Top 5 teas:

1. PG Tips Original 80 pack
2. Tetley original 80 pack PMP
3. Taylors of Harrogate Yorkshire tea 80 pack PMP
4. PG Tips Original 40 pack PMP
5. Taylors of Harrogate Yorkshire tea 40 pack PMP

Top 3 other hot beverage's products:

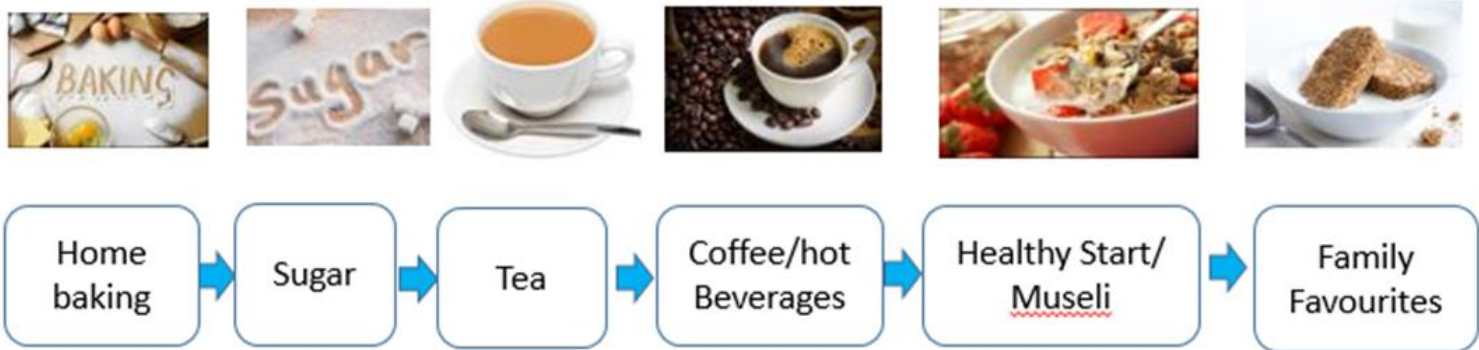
1. Nestle Coffee Mate 200g
2. Cadbury's Bourneville Cocoa 125g
3. Horlicks Traditional 300g



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Suggested convenience hot beverage's fixture flow

Nestlé Recommended Hot Beverages Flow



Good > Better > Best layout up the fixture and from left to right. Pence per cup increasing products should be placed in preferable positions to drive shoppers to trade up to higher value products, therefore adding additional value to the category.



Example range

Roast & ground and pods are most premium offerings in the category and will only be bought by those with the facilities to use these hot beverages offerings. So fine on top shelf

Frothy coffee and hot chocolate most likely to be brought on impulse so make them eye level

Instant coffee layout out from less to more premium from left to right and bottom to top

Tea selection from everyday to speciality to fruit, herbal and green tea

Own label, decaf and extra strong are distinct shopper missions that are less often shopped so can be positioned bottom left, plus Tetley Everyday to keep brand continuity and Yorkshire Tea as the third largest everyday tea brand



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