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Cold Coffee Heats Up



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[Food & Drink](#)

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There has been a lot of talk about rising coffee prices after a drought hit Brazil and put a chill on supply from a country that produces much of the world's coffee beans. But despite bad weather in Brazil, for coffee itself lately it's been more of feast than famine.

Coffee is heating up and cooling down at the same time – with new products, means of delivery and new flavors hitting the market. Cold coffee, in particular, is gaining ground, expanding from Starbucks SBUX **+0.4%** to many other retailers and stretching the category.

Variations on the coffee habit, from cold coffees to high-end instants and healthy blends, are coming from all corners of the industry, alongside new delivery options to refresh consumer enthusiasm. It's caffeine on steroids, as Starbucks rolls out drive-through units and “pick-up stores,” where you order

remotely from your cell phone and pick up coffee to go, and Coca-Cola replaces baristas with robots. Cannabis-infused drinks are starting to catch on, but coffee remains king when it comes to beverages that pack a punch, and the Brazil chill isn't likely to change that.

Coffee by the numbers

First, let's consider how hot coffee is among Americans: More than half of Americans over 18 years old drink coffee daily, with the average coffee drinker consuming three cups, according to numerous sources including e-importz.com. That's 400 million cups of coffee daily (nearly 17 million an hour), making us the world coffee consumption capital. Specialty coffees are a big part of the picture, jumping 20 percent per year, nearly 8 percent of the \$18 billion dollar U.S. coffee market, according to e-importz.com. About 30 million American adults drink specialty coffees each day, including mocha, latte, espresso, café mocha, cappuccino, frozen and iced coffee beverages. The morning cup is a big part of this, but coffee is much more than a breakfast beverage. More than a third of coffee (35 percent) is consumed later in the day.

Ready-to-drink roars

While coffee as a product category is hot, cold coffee is catching on rapidly. Ready-to-drink or RTD is filling grocery and convenience store fridge shelves with canned and bottled brewed beverages. New companies and big brands are jumping on the RTD bandwagon, which provides ease and convenience for consumers. Starbucks was the biggest RTD brand in the U.S. for the 52 weeks ended May 17, 2020, at \$117 million, according to Statista. Starbucks had 24 percent market share, followed by International Delight (21 percent) and Stok

(18 percent) as Nos. two and three. Stok, Starbucks, Chameleon (Nestlé owns a majority stake) and High Brew are a few cold brews catching on.

Snapchilled story

Snapchilled coffee, brewed and chilled in seconds and canned, also is making strides in cold coffee. This method is designed to keep flavors fresh and allow for easy distribution. Nitro coffee, another cold option, has nitrogen gas pumped into cold coffee brews, adding small bubbles (tiny compared to carbonation) that alter texture and taste. Nitro typically costs more than standard iced coffee, giving an added motivation to those who want to serve it up. La Colombe is one example of nitro that has made a name for itself.

Instant success

Instant coffee is getting a facelift as well, with higher-end blends. Nestle reportedly paid Starbucks \$7.15 billion for a global license to distribute certain Starbucks coffees and teas at retail and food service outlets outside of Starbucks stores worldwide. As part of that deal, Nestle earlier this year created Starbucks Premium Instant Coffees to provide quick coffee with quality. Waka Coffee, initially founded in 2018 as a direct-to-consumer instant coffee brand, also focuses on higher-end instant coffee. Waka uses premium Arabica beans freeze-dried to preserve aroma and flavor, producing instant coffee with a fresh taste.

They are driven

Coffee delivery is changing beyond the use of cans and fridges for cold coffee. Coffee drive-throughs are picking up speed. Starbucks announced plans to move many mall stores to drive-throughs faster than planned, after the pandemic hit. While Starbucks sold atmosphere, including comfortable

furniture, now it's putting convenience on the menu. CEO Kevin Johnson said "beverage on the go" is a big part of Starbucks' strategy. That includes "pick-up stores" like the coffee-to-go shop in Penn Plaza, Manhattan. Blend isn't just about beans anymore; now it also includes blending delivery methods. Johnson said the company hopes to further boost sales "by blending traditional Starbucks stores in dense markets with these new Starbucks pick-up stores." Meanwhile, delivery services are dropping off coffees as an alternative to home-brewed, and even coffee beans.

The robot will serve you

Coffee customers often like being served by baristas, but Coca-Cola is betting some will prefer mobile ordering with tech, not touch. Coca-Cola, which bought Costa Coffee for \$5.1 billion in 2018, is tapping tech to sell the product with its BaristaBot. A robotic kiosk, BaristaBot lets consumers order via cell phone in a "touchless" self-serve transaction. Coca-Cola says this is "not a vending machine," but a smart cafe capable of making more than 200 drink combinations. Whether people want to trade in their barista for a machine remains to be seen.

Social media is served

Companies like Starbucks are feeding new product development through social media, with orders placed online. Starbucks is testing new blends through invitations via Instagram and Facebook. Some examples: the Pink Drink Remix and mixed Iced Matcha Latte/Iced Chai Latte. Sound good? Starbucks hopes some influencers will think so and help drive interest. Social media lets Starbucks use "select" consumers to order new drinks, building buzz. Only time will tell whether these new blends catch on, but using social media to test new beverages is likely here to stay.

Healthy blends

Health is a trend stretching across nearly all F&B product categories, including coffee. Coffees and coffeeshops are taking a page, and an ingredient, from tea. Matcha lattes use matcha or green tea powder with less caffeine than conventional coffee. Matcha lattes provide antioxidants, fiber, vitamin C and other vitamins, making them a healthy choice— a big selling point in an increasingly health-conscious world. Many other coffees blend ingredients designed to create health benefits.

Beyond clouds in the coffee

With cold coffees and other product innovations heating up, the coffee sector isn't expected to cool off anytime soon. Observers expect coffee sales to grow from about \$142.1 billion in 2019 to \$191.1 billion in 2023, according to Business Wire's "Coffee and Tea Global Market Report, 2020-30." The report anticipates coffee will reach an annual growth rate of 9 percent. That's an outlook sure to stir continued innovation while the industry waits for the clouds in Brazil to clear—and beyond.

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