

## Coffee, Tea &amp; Drink Ingredients

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## TRENDS IN THE DOMESTIC COFFEE MARKET

**The Chilled Cup Coffee Market**

The value of the domestic chilled cup coffee market was JPY28 billion in 2001, and reached JPY74.5 billion in 2011, expanding 2.7-fold in ten years. Chilled cup coffee is transported and sold in the refrigerated temperature range, so it stays very fresh and is highly regarded for its flavor. It has won over the youth and women's markets for the convenient style is drinking with a straw into the cup, and for the fashionable packaging. Cafe chains are flourishing and coffee options such as cafe latte are commonly available, boosting this market.

After the earthquake in March 2011, it became difficult to supply chilled cup products, mainly because of a shortage of packaging materials. At one stage, they had almost entirely vanished from the shelves, and the whole market slumped. Top-ranked Morinaga Milk (the Mount Rainier brand) and third-ranked Doutor managed to keep up supplies in that situation, winning special demand. The common point of the two is that chilled cup coffee is the main product line in their soft drink business, so it was accorded a high level of internal priority. Both are keeping up brisk sales, surpassing the year before.

The second-ranked line "Starbucks Discoveries" from Suntory Beverage & Food Limited, is rising sharply, boosted by the launch of new products such as Double Latte, and has almost regained its level of the previous year.



One characteristic of the chilled cup coffee market, unusual in the beverage field, is that sale prices are not falling. In the convenience store (CVS) channel, which is the current main battleground, the Starbucks Double Latte was launched as an anniversary product, with thicker coffee and costing JPY20 more. It was well received and increasingly widely adopted by distributors, and is selling well.

Even in discount stores, it is rare to see prices below JPY100. There is still a strong need for large-volume products, which need to feel affordable, but above that, this category

needs product strength and consumer preference.

Of the taste types, the market is led by the basic cafe latte and espresso types. The main flavored types are caramel, cafe mocha, and the like. Private brand products are increasing among the lineups offered by CVS. Chilled cup coffee can be delivered as high-quality products in a temperature management system. This market, in which prices have yet to fall, is an attractive category for both manufacturers and consumers.

## Regular coffee and instant coffee

The strongest element of the current coffee market is the stick (mixed) type. It has grown steadily to this point.

In Europe, single-serving machines are the main example of the global tide towards home coffee making. In Asia, South Korea, Thailand, and Indonesia are supporting the stick (mixed) type. In Japan, both these categories are buoyant. In machines, Dolce Gusto and Barista from Nestle Japan are hit products, and Key Coffee launched a capsule coffee system from Illy Caffe last spring.

UCC will launch a new machine this fall, in a bid to stimulate the market. On the other hand, in Japan, where boiling water is easily available from flask kettles, single-cup RC and stick products remain popular. Both these categories look set to form the core of growth strategies for stimulating the market.

