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Deloitte Coffee Study 2024

Forces shaping the market and consumer behaviours

September 2024

MAKING AN IMPACT THAT MATTERS since 1845

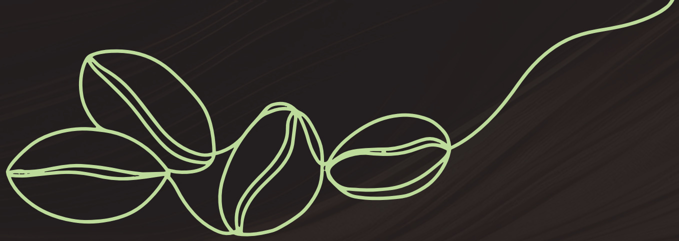
Contents

About the study

This study is based on an online survey of 7,000 coffee drinkers aged 16 and above. The survey was conducted in March 2024 across 13 countries, 500 participants in Brazil, China, France, Germany, India, Italy, Japan, Mexico, South Korea, Spain, the United Kingdom, and the United States as well as 1,000 participants in Switzerland.

The data of all countries were weighted equally in the analysis. The country samples were nationally representative of age and gender – in China and India also of income, and in Switzerland of language distribution. Additionally, face to face interviews were conducted with experts from the coffee industry. Independent in its approach and drawing on our research capabilities, the Deloitte Coffee Study is a holistic industry assessment comprising diverse points of view.

1. Key findings



The coffee industry and environment are evolving fast which requires coffee roasters, traders, brands, distributors, retailers and machine manufacturers to follow relevant trends and understand consumer preferences. In this study Deloitte explores prominent trends in coffee and consumer insights based on a survey of around 7,000 coffee drinkers in 13 countries and interviews with experts from the coffee industry.

The bean boom

Coffee consumption is spreading to parts of the world where it is not a traditional beverage – for example, to China and India. The popularity of coffee is growing in these emerging markets and the number of coffee shops is increasing rapidly.

Green stamp of approval

Coffee production faces serious challenges where climate change, deforestation and plant diseases are concerned. Consumers increasingly demand sustainable coffee and look for certifications that ensure social and ecological standards have been respected in the value chain.

How convenient

Easy accessibility to coffee and saving time during preparation are crucial factors in coffee consumption. In this context, canned and bottled coffee are two well-known options. But they are not often adopted by consumers for their regular consumption.

Generation revelations

Coffee consumption differs between younger and older generations. For example, younger coffee drinkers tend to consume less coffee on average but show a higher propensity to get it to go.

Do it yourself

Preparing coffee at home rather than buying it to go or drinking it in a café has risen in recent years. An important driver of this development has been the inflation surge from 2021 to 2023. Instant coffee is the preferred choice at home.

From farm to cup

In the relationship between coffee growers and roasters, direct trade without any intermediaries is on the rise. In turn, roasters are increasingly using e-commerce to sell and communicate with consumers. Both trends allow closer connections between market participants.

2. Setting the scene

2.1 The waves of coffee

The coffee industry and coffee culture have undergone rapid change in recent decades. To describe this development experts often use the concept of coffee waves, as shown in Figure 1. Essentially, a wave refers to a new trend in coffee associated with, for example, changing market dynamics, technological innovations or shifts in consumer attitudes. Experts differ in the number of coffee waves they see but most generally agree on three.

In the **first wave**, large retail and supermarket brands made coffee accessible to the masses during the 20th century, so that it became a commodity that could be found in every home.[1] Before then, only the elite was able to afford coffee. Consumption increased exponentially as households gained access to instant coffee and restaurants brewed filter coffee in bulk, before it dropped again in the second half of the century as many consumers switched to soft drinks.

The **second wave**, beginning in the mid-1990s, introduced branded chains to mainstream culture. Coffee shops such as Starbucks and Costa Coffee aimed to provide their customers with a higher-quality product and, even more importantly, a cosy and trendy environment not only to drink coffee but to socialise, work or pass the time. Thus, drinking coffee became more about the experience and part of a lifestyle. This shift was accompanied by a focus on espresso-based beverages that could be customised to suit individual preferences and typically contained more milk than coffee – hence the widely used term, latté revolution.[2]

The **third wave** of coffee began in the mid-2000s and focused on craft and quality awareness. This trend was led by artisan roasters which process smaller amounts of coffee compared to commercial factories – an approach known as micro roasting. The aim of micro roasting is to showcase the individual taste profile of a premium coffee from a given region. For this purpose, artisan roasters entered direct-trade relationships with coffee farms and cooperatives, allowing better traceability in sourcing. The focus on a particular growing area coined the term single-origin coffee.[3]

Some experts see additional waves of coffee that include, for example, the rising interest in the science of coffee – to better understand the chemical processes all the way from coffee production to consumption – or the increasing awareness of coffee's environmental impact.[4] In any case, the different phases of development illustrate that the industry is evolving continuously. For this reason, it is of vital importance for market participants to keep track of the relevant trends and changes in the sector. A coffee market that has developed particularly strongly in the recent past is Switzerland – as illustrated in the next section.

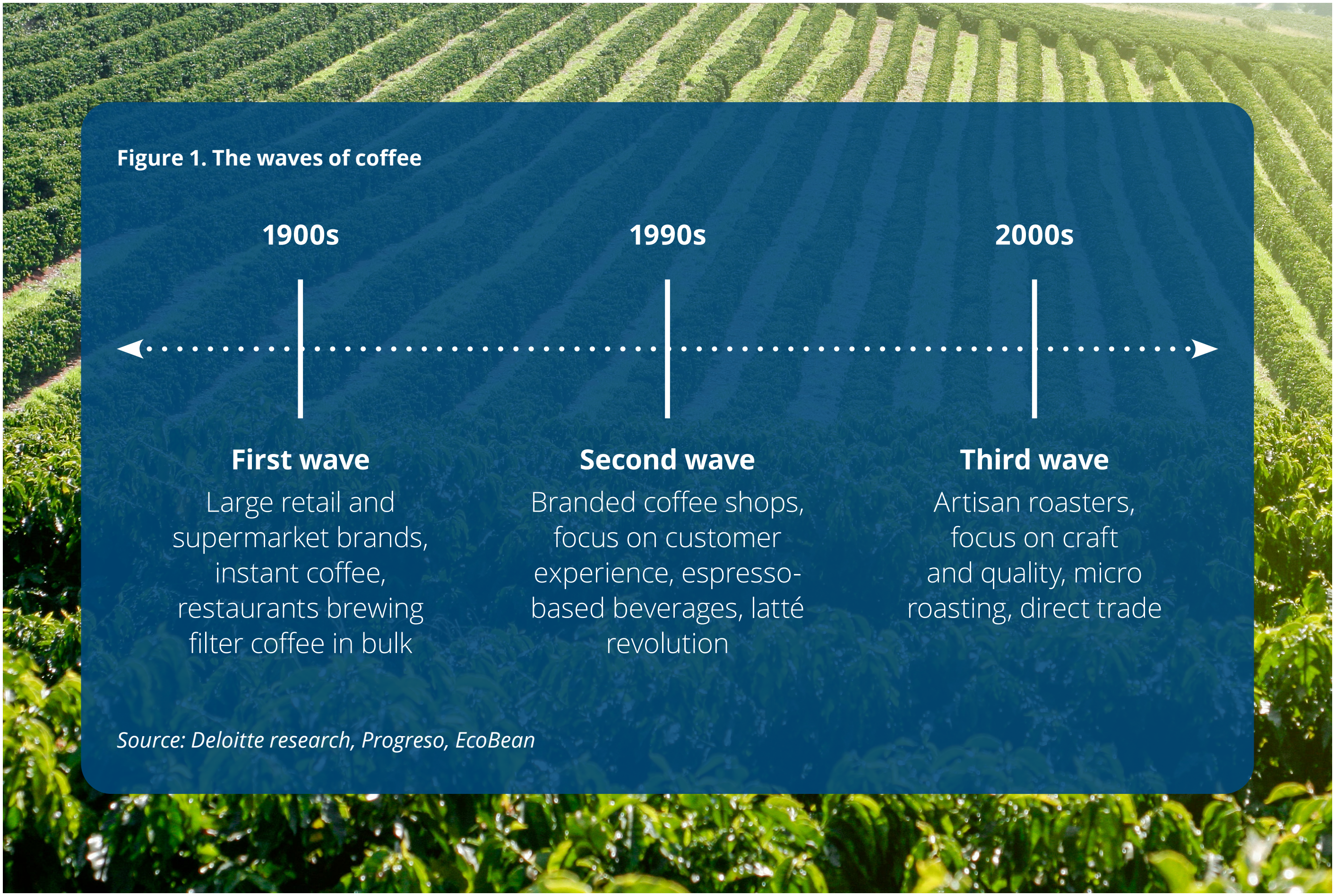


Figure 1. The waves of coffee

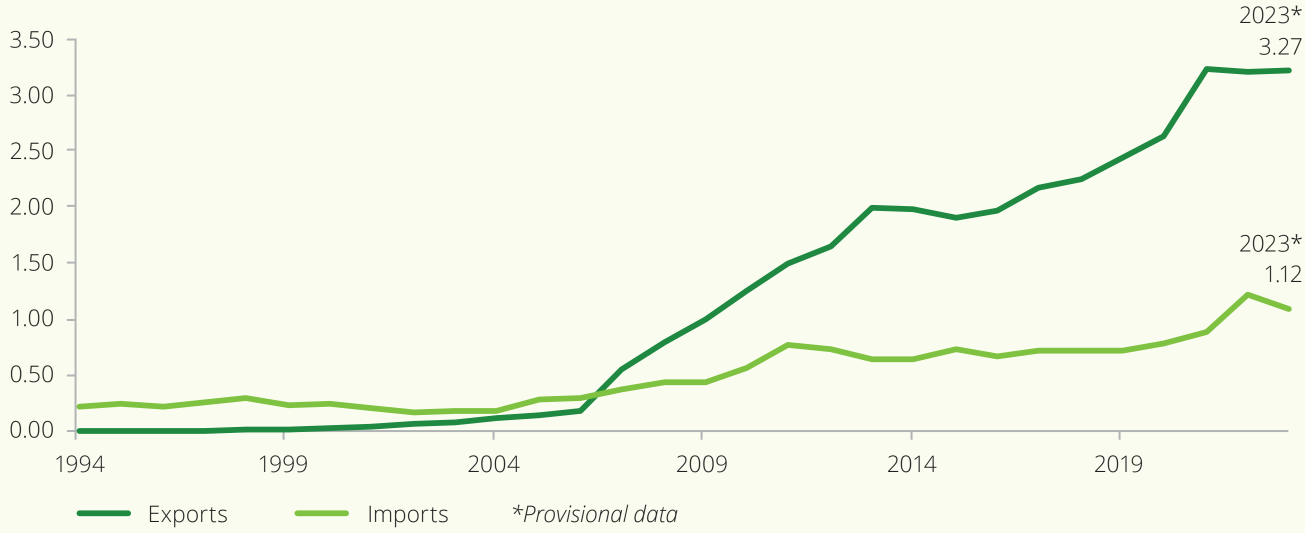
Source: Deloitte research, Progreso, EcoBean

2.2 The Swiss coffee industry

In recent decades Switzerland has become a hub for coffee despite the fact that the product does not have a particularly long tradition in the Alpine nation. The Swiss coffee ecosystem has grown rapidly and now consists of major international stakeholders, including renowned roasters, some of the main global coffee trading houses, and the world's leading machine manufacturers.

The rapid growth and dynamism of **Swiss roasters** is evident in the country's coffee trade development over the past three decades (see Figure 2). While Switzerland was not exporting noteworthy amounts during the 1990s, exports took off in the mid-2000s and have increased more than twentyfold, from CHF 0.16 bn (USD 0.19 bn) in 2005 to CHF 3.27 bn (USD 3.85 bn) in 2023. The value of imports exceeded exports until the mid-2000s and has grown since then, but exports have expanded far more rapidly.

Figure 2. Annual Swiss coffee trade (in billion CHF)



Source: Federal Office for Customers and Border Security in Switzerland

The increases in imports and exports are associated with different types of coffee: Switzerland primarily imports unroasted green coffee and mostly exports products that contain roasted coffee.[5] Thus, Swiss players use the imported raw produce as a basis for the exported final product and add tremendous value to coffee by roasting and further processing, and this is reflected in prices. While imports cost around CHF 5 (USD 6) per kilogramme, exports reach a sixfold value of over CHF 30 (USD 35) per kilogramme.

The rise of Nespresso in the early 2000s was a major driver of the growth in Swiss coffee exports.[6] The company became a global brand, opening its first boutiques in major cities around the globe.[7] Nespresso produces its capsules exclusively in three factories in Switzerland and sells them in over 60 countries.[8]

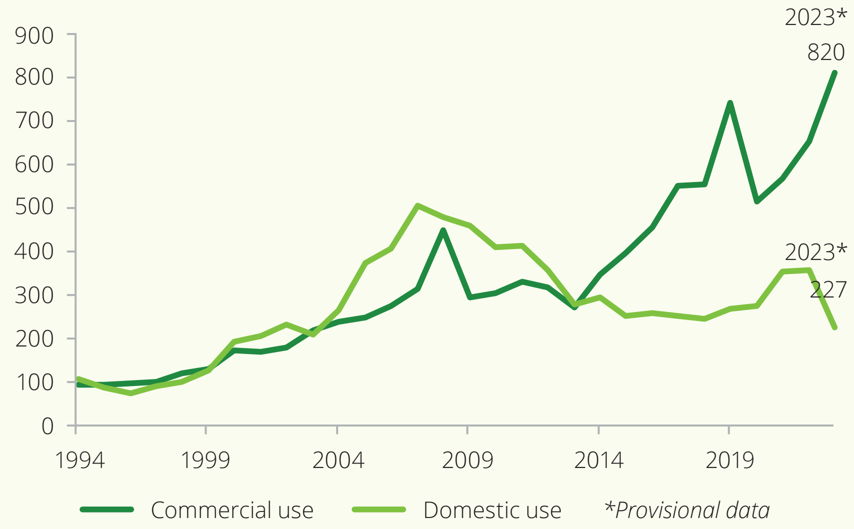
In recent years Switzerland has ranked among the top five coffee exporters by value worldwide and is currently in second place globally after Brazil. This is a remarkable achievement given that the country is not a coffee-growing nation such as Brazil or Colombia and does not have either a large domestic coffee market like the United States or France.[9] It is little known that coffee is Switzerland's most exported agricultural product and that its annual export value is far higher than for other more traditional Swiss products, such as chocolate and cheese.

The Swiss coffee industry plays an important role not only in roasting but also in trading. Trading companies buy and sell coffee abroad, which does not enter the country, contrary to imports. It is estimated that **Swiss trading houses** account for approximately 70 per cent of the global trade in raw coffee.[10] Switzerland is home to half a dozen of the leading coffee traders in the world, with headquarters in the Lake Geneva or Zurich metropolitan area.

There are several reasons for this strong coffee trading cluster in the country. The trading houses are in an ecosystem with banks, insurers, shipping and forwarding companies that support and facilitate their business. Additionally, Switzerland's location allows convenient trading across time zones: with Asia in the morning, the Americas in the afternoon, and Africa all day long.

The third element in the Swiss success story in coffee is machinery. **Swiss manufacturers** are among the global leaders in domestic and commercial coffee machines. Jura and Eugster/Frismag are examples of well-known domestic coffee machine producers. Franke is a renowned manufacturer of machines for commercial use. It is estimated that companies in Switzerland produce approximately 70 percent of all fully automatic coffee machines sold worldwide.[11]

Figure 3. Annual Swiss coffee machine exports (in million CHF)



Source: Federal Office for Customers and Border Security in Switzerland

Swiss manufacturers have not always been in such a commanding position (see Figure 3). Thirty years ago, Switzerland exported around CHF 100 million (USD 118 million) in coffee machines for domestic use and a similar figure in those for commercial use. Since then, exports of commercial coffee machines have increased more than eightfold, to CHF 820 million (USD 965 million) in 2023. Exports of domestic coffee machines initially grew to more than CHF 500 million (USD 588 million) in 2007 but their value has fallen back to CHF 227 million (USD 267 million) in 2023.

The success story of Swiss coffee machine manufacturers is exemplified by a family business based in the Canton of Lucerne: Thermoplan, the company that supplies Starbucks with coffee machines for all its cafés worldwide. In 1999, just four years after entering the coffee machine business in 1995, Thermoplan secured the partnership deal with Starbucks.[12] Almost all the machines that Thermoplan produces are exported – to over 80 countries in the world.[13]

The positive development in recent decades does not, however, guarantee the future success of Switzerland's coffee industry. To maintain and expand their leading position, Swiss players will have to continue to keep up with the latest trends in the market.

Photo courtesy of Swiss Specialty Coffee Association/Justin Groep

3. Trends shaping the market

As the concept of coffee waves analysed in Chapter 2 shows the coffee industry and coffee culture are changing constantly. Our analysis has identified six product-related coffee trends that are shaping the market and impacting roasters, traders, brands, retailers and machine manufacturers, which are highlighted here.

3.1 Sustainable coffee

As for many other consumer products, sustainability has become an important issue in the coffee industry – both from an environmental and social perspective. Scientists expect that climate change may make more than half of today's coffee cultivation areas unsuitable for production by 2050.[14] In addition, deforestation and plant diseases are endangering the survival of most wild coffee species.[15] Potential land loss for coffee growing and the possible extinction of many coffee varieties would have substantial effects not only on coffee supply but also on social sustainability as 125 million farmers worldwide depend on coffee production for their income.[16]

Many coffee companies have introduced or joined initiatives that tackle these environmental and social issues to provide consumers with coffee that is produced more sustainably (for example, the coffee&climate industry initiative). Governments also play an important role in promoting sustainable coffee. This is exemplified by the recent EU Deforestation Regulation (EUDR) that will require coffee products sold in or exported from the European Union to be free of any deforestation in the supply chain. Coffee companies will need to conduct due diligence and provide a statement that their entire supply chain meets the regulation criteria by 2025.

“Leading coffee industry players put an increasing focus on sustainability, be it zero-waste initiatives, net-zero carbon emissions, and advocating fair trade practices. Nespresso’s long-standing commitment to the environment began over twenty years ago with the Nespresso AAA Sustainable Quality™ Programme, now connecting with over 150,000 farmers across 18 countries. Having this direct connection with farmers and full control on our sourcing process is a key competitive advantage we continue to reinforce.”

Pascal Lebailly, Chief Coffee & Systems Innovation Officer, Nespresso

On the consumer side, almost half of the surveyed coffee drinkers (46%) are aware of sustainable coffee, around a quarter (28%) indicate that they have tried it, and one in six (17%) states that they drink sustainable coffee at least once a week. Respondents name a variety of reasons why they drink sustainable coffee – with the social and the environmental aspects of sustainability leading the way (see Figure 4). The two main motives are that coffee drinkers want to support fair wages and good working conditions in coffee production (52%) and to contribute to a sustainable coffee economy (47%). Other reasons include taking responsibility for future generations (40%), health beliefs (39%), a good conscience (37%), and better taste (27%). Interestingly, while consumers in most countries mention societal benefits – for example, to coffee growers – more often than any personal advantages, in some markets that is not the case. For example, in Brazil and South Korea coffee drinkers’ main motivation was that they believe sustainable coffee is healthier (55% and 46%, respectively).

Photo courtesy of Nespresso

Figure 4. Reasons to drink sustainable coffee

Question: Why do you drink sustainable coffee? (n = 1,139; only respondents who indicate that they drink sustainable coffee at least once a week)

Source: Deloitte research, answer options based on Tchibo Kaffeereport 2022

That many consumers are aware of sustainable coffee but have not tried it or do not drink it regularly points to some obstacles that need to be tackled (see Figure 5). Coffee drinkers most frequently mention the higher price of sustainable coffee as the main barrier (44%); this applies especially to respondents in Germany and France (59% and 55%, respectively). Other studies confirm that higher cost is the primary reason why people refrain from consuming sustainable food and drinks.[17]

Figure 5. Barriers to drinking sustainable coffee

Question: What prevents you from drinking sustainable coffee regularly? (n = 1,833; only respondents who indicate that they have heard of but not tried sustainable coffee or drink it less than weekly)

Source: Deloitte research

"In our experience, the willingness of consumers to pay for sustainably certified coffee fluctuates over time. Many customers have realised that the inflation of recent years has reduced their purchasing power and are adjusting their coffee-buying behaviour accordingly."

Ralf van den Bragt, Head BU Coffee at Delica

Furthermore, one in three coffee drinkers say that a barrier is that their favourite coffee is not sustainable (32%) or that their retailer does not offer sustainable coffee (30%). Limited availability is mentioned particularly often by respondents in South Korea (48%), Brazil (44%), and Mexico (42%).

Sustainability considerations have also increased in importance when it comes to packaging and coffee machines. For instance, the Swiss retailer Migros introduced the 'no-capsule' system CoffeeB in 2022. The coffee balls for this machine retain their shape with the help of seaweed-based material wrappers instead of aluminium or plastic and thus the balls are fully compostable. The machine itself has a modular design so that broken components can be replaced individually.

Photos courtesy of Delica

3.2 Speciality coffee

In the third wave of coffee the industry and consumers focused more on quality and craft. This trend is often referred to as speciality coffee and was led by small artisan roasters. Although most consumers still buy rather low-quality coffee, the global market for speciality coffee has become remarkably big and continues to grow at striking rates. In 2023 it was valued at more than USD 24 billion and it is expected to more than double by 2031, resulting in a market size of above USD 57 billion.[18]

Speciality coffee has a range of characteristics and attributes. The key industry metric for quality is the score that a coffee achieves in cupping – the process of tasting and evaluating the aroma and flavour of a brewed coffee. To qualify as speciality coffee, this cupping score must reach at least 80 out of 100 points on the scale of the US-based Specialty Coffee Association.[19] Another feature of speciality coffee is the focus on a single origin; in most large-scale production, coffee from many locations is blended. This single-origin approach aims at highlighting the individual taste profile of coffee from a given location. Depending on the information available, the origin of a coffee can be specified with one of the following terms:[20]

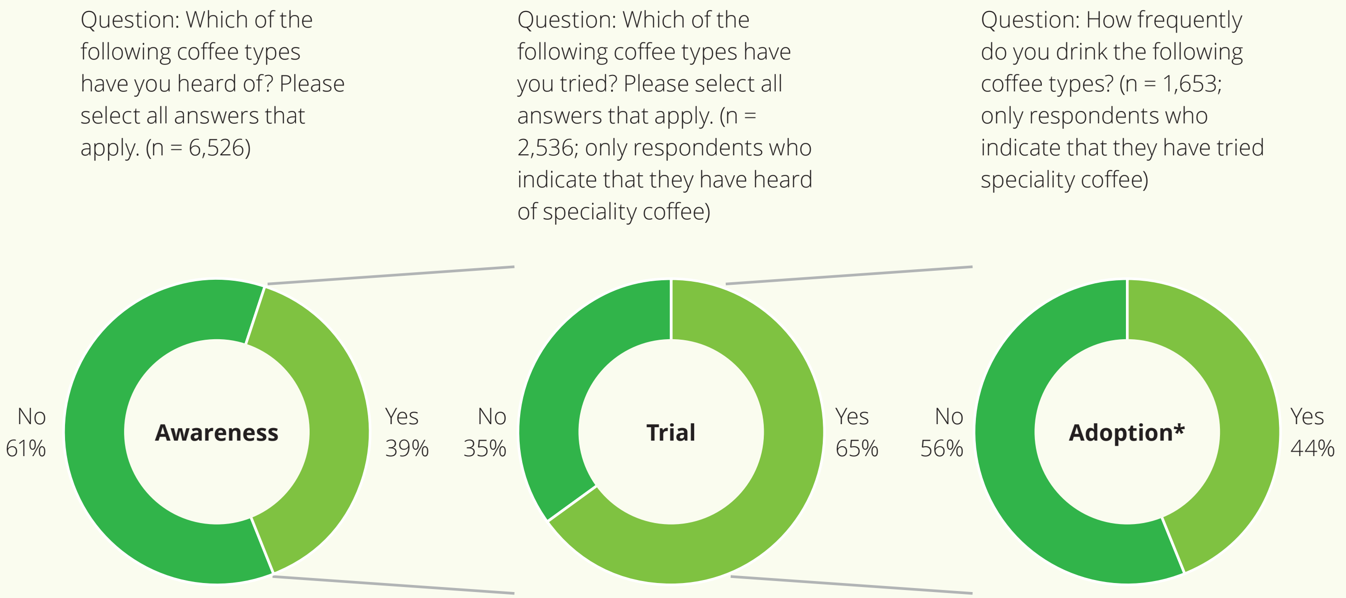
- **Single country or region** describes coffee that comes from a specific country or region within that country.
- When more information is available, coffee can be traced back to a **single cooperative**. It is common in coffee growing that small-scale farmers form a cooperative to process their harvest together.
- If a plantation reaches a certain size, coffee may come from a **single farm or estate.** This is often associated with premium quality and therefore a higher price than the afore-mentioned levels of origin.
- In some cases, coffee is even traced back to the **micro or nano lot** – the specific plot of land in a farm. Nano are smaller than micro lots but both represent very small-scale production that typically focuses on extraordinary quality.

Roughly four in ten coffee drinkers (39%) are aware of speciality coffee (see Figure 6). Consumers with awareness of this coffee type try it in around two out of three cases (64%), which constitutes a high trial rate. Finally, 44 per cent of respondents who have tried speciality coffee have adopted it insofar as they drink it multiple times a week, or even daily. Awareness, trial, and adoption of this coffee trend are especially high among coffee drinkers in Brazil, Switzerland and the US, while interest among consumers in France, Italy and Japan shows below-average rates. On the generational level, millennials (birth cohort between 1981 and 1996) have heard of and tried speciality coffee more often than others, and baby boomers and older coffee drinkers (birth cohort prior to 1965) are at the other end of the spectrum.

"The popularity of speciality coffee among millennials can be explained on the one hand by their purchasing power and on the other by their lifestyle, which combines high-quality consumption with a fast pace. Compared to Baby Boomers, Millennials also identify and differentiate themselves more through coffee."

Ramon Schalch, CEO at ViCAFE

Figure 6. Awareness, trial and adoption rates of speciality coffee



Source: Deloitte research

**Daily consumption or multiple times a week*

3.3 Certified coffee

Certifications and labels are important sources of information in coffee. Consumers can use them to identify coffee that promotes, for example, sustainability or direct-trade relationships between growers and roasters. Coffee companies can show that they meet social and ecological standards in the value chain.

The major certification standards in coffee are the following:

- There are **organic certification** standards in different parts of the world: for example, Bio Suisse in Switzerland, the criteria for organic farming in the European Union, USDA organic certification in the US or the India Organic certification mark. Requirements vary from country to country but generally include a ban on synthetic agrochemicals such as artificial pesticides in the production of coffee and other goods.
- The **Fairtrade International** certification aims to alleviate poverty in coffee farming. For this purpose, one criterion is a guaranteed minimum price that protects coffee farmers from the high volatility in the global market and gives them stability. Fairtrade certifies cooperatives and associations with small-scale coffee farmers.
- **Rainforest Alliance (UTZ Certified)** focuses broadly on the three pillars of sustainability: its environmental, social, and economic dimensions. Therefore, this certification aims to conserve biodiversity (the environmental dimension), advance the rights of farmers (the social dimension), and improve their income (the economic dimension). In contrast to organic certification, Rainforest Alliance standards allow limited use of synthetic agrochemicals.[21]
- The **Common Code for the Coffee Community (4C)** has a holistic focus on environmental, social, and economic sustainability in coffee production. Unlike the other, more consumer-oriented certifications, the concept of 4C is geared primarily towards companies, which aim to meet a basic standard in coffee production.[22]

Photo courtesy of Sucafina

"The reduction of natural resource exploitation, soil regeneration, and the preservation of biodiversity and future land productivity are some of the results achieved through the application of regenerative agronomic practices selected by illycaffè. This model shifts the focus from the plant to the soil, offering the best natural solutions to nourish, strengthen, and make it fertile and resilient to external threats."

Evangelos Touras, Chief Marketing Officer at illycaffè

Worldwide the market for certified coffee is growing and between 2020 and 2022 about 55% of produced coffee was certified.[23] However, only approximately a quarter of this certified coffee was sold as such. Due to too low demand for certified coffee, the other three quarters were marketed as non-certified coffee despite fulfilling all the requirements of a certification scheme. As a result, many certified farmers realise lower prices than expected but still have the costs for complying with standards, reducing their income and, in some cases, endangering their financial survival.

This raises the question of how much more consumers are willing to pay for certified coffee compared to conventional coffee. This premium varies slightly depending on the certification type. Organic coffee leads the way: on average, coffee drinkers are willing to pay 26 per cent extra for coffee that meets this standard (see Figure 7). Respondents indicate the lowest willingness to pay a premium for the Common Code for the Coffee Community (19%).

The potential premium depends more on the target market than on the certification type. While coffee drinkers in Mexico state an above-average willingness to pay extra, by between 28 and 40 per cent depending on the standard, respondents in Japan (6-10%) and Spain (9-15%) show little willingness to pay a premium for certification.

Figure 7. Willingness to pay for certification premia

Question: Imagine a bag of your favourite coffee without any certification/label costs [average price for bag of coffee in respective country]. How much would you be willing to pay if this coffee were available with one of the following certifications/attributes? (n = 7,053)

Source: Deloitte research

3.4 Functional coffee

Nowadays there is high awareness of healthy eating and drinking among consumers. In coffee consumption this health consciousness manifests itself in the rise of functional coffee. This type of coffee contains added ingredients that are thought to provide extra health and wellness benefits.

There are different types of functional coffee that vary in their additives and purpose:

- **Adaptogen coffee** contains natural ingredients such as medicinal mushrooms, ginseng or cannabidiol (CBD) that are intended to help the mind and body adapt to stress and promote well-being.[24] Trailblazers for adaptogen coffee were Four Sigmatic from the US and London Nootropics from the UK.

- **Collagen coffee** shows that the high-protein trend has also found its way into hot beverages. As one of the major proteins in the body, collagen can be added to coffee to improve skin complexion, relieve joint pain and prevent age-related bone loss.[25] A popular brand of collagen coffee is, for example, UK-based Bulk.

- **Coffee with added vitamins or minerals** can help consumers who struggle to maintain a balanced diet. Its potential benefits include improved cognitive function, enhanced physical appearance, and a more resilient immune system. However, some research shows that the tannins and caffeine in coffee may decrease the body's absorption of certain vitamins and minerals, suggesting that people should not consume them simultaneously.[26]

- **Fermented coffee** includes an extra step in the processing in which the raw beans are combined and left to rest with bacteria and yeast for several days. As a result of this fermentation, the coffee is easier to digest and has fewer tannins, reducing teeth staining. A trendy variant of fermented coffee involves koji spores, a type of ancient mould used to make traditional Japanese foods.[27]

"Functional coffee is still a relatively small market today but one that offers great potential for the coffee industry. Consumers of functional coffee are actively looking for such products and therefore often adopt them in their coffee routine."

Prof. Dr. Chahan Yeretzian, Head of Coffee Excellence Center at Zurich University of Applied Sciences (ZHAW)

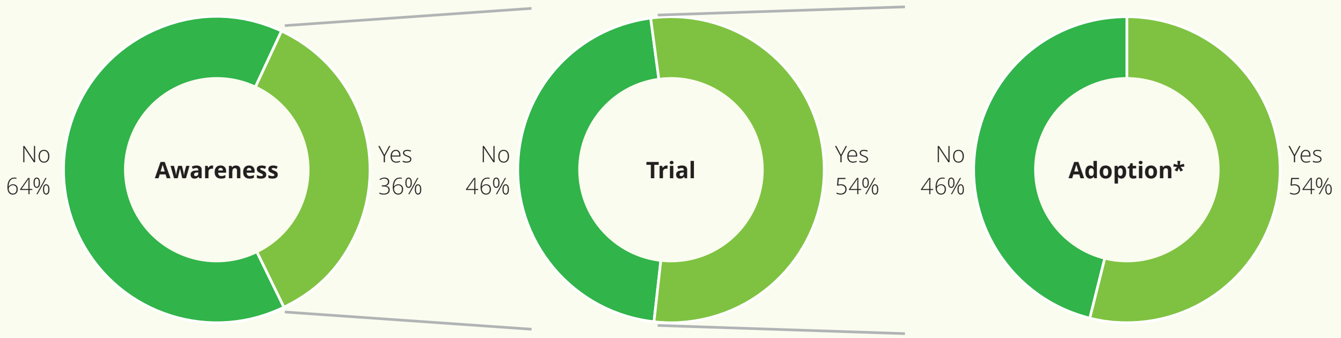
Around one in three coffee drinkers (36%) is aware of functional coffee (see Figure 8). Furthermore, among consumers who show awareness of this coffee type, slightly more than half (54%) indicate they have tried it. About one in two respondents (54%) who have tried functional coffee have adopted it and drink such coffee multiple times a week or even daily. Functional coffee is popular in terms of awareness, trial, and adoption among consumers in India and Switzerland especially whereas coffee drinkers in France, Germany, Japan, and Spain show below-average levels of interest.

Figure 8. Awareness, trial and adoption rates of functional coffee

Question: Which of the following coffee types have you heard of? Please select all answers that apply. (n = 6,526)

Question: Which of the following coffee types have you tried? Please select all answers that apply. (n = 2,344; only respondents who indicate that they have heard of functional coffee)

Question: How frequently do you drink the following coffee types? (n = 1,275; only respondents who indicate that they have tried functional coffee)



Source: Deloitte research

**Daily consumption or multiple times a week*

3.5 Direct trade

The coffee industry has a complex value chain that involves many players: growers, traders, roasters, distributors and others. Due to the large number of actors, the traditional value chain is highly fragmented and often lacks transparency. When intermediaries are involved, roasters might never come into contact with the producers of the raw coffee beans. This may limit cooperation along the value chain and also creates a problem when consumers want to know where their coffee comes from.

A current trend in the industry, however, is direct trade between growers and roasters without any intermediaries. The aim is to develop a long-term partnership rather than a transactional relationship in which the roaster makes a small number of one-off purchases.[28] Growers benefit from the buying commitment of the roasters which provides them with financial stability and the confidence to make investments in, for example, machinery and equipment. Also, in direct trade producers usually receive higher prices.[29] Roasters, meanwhile, profit from the partnership through enjoying direct contact with the growers, allowing them to communicate the specific taste profiles favoured by customers and collaborate on product improvements. Direct trade also gives roasters transparency on the source of their raw coffee so that they can provide consumers with precise information on the growing region, coffee variety, and processing method.

At present there is no widespread certification for directly traded coffee, but many roasters such as Intelligentsia Coffee, Stumptown Coffee Roasters, and Counter Culture Coffee have established their own direct trade programmes. These companies have long-term relationships with many of their growers whom they audit regarding quality standards periodically and pay premium prices.

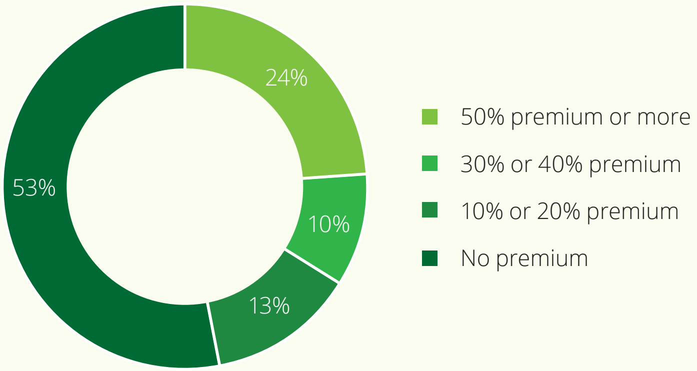
Often, the coffee bags of direct-trade roasters feature the term 'direct trade' prominently as additional information for consumers. In turn, coffee drinkers say that they are willing to pay a premium of on average 22 per cent for this type of coffee. On closer inspection, consumers mostly fall into one of two categories: either the half of respondents (53%) who show no willingness to pay extra or the quarter (24%) who indicate a potential premium of 50 per cent or more (see Figure 9). The share of respondents without any willingness to pay additionally for direct trade is especially high in Japan (83%) and Spain (70%), whereas Mexico and Switzerland exhibit above-average proportions of coffee drinkers who are willing to pay premia of at least 50 per cent (39% and 33%, respectively).

"Consumers' willingness to pay shows that direct trade has great potential for the future. We believe that in ten years producers will invest as much time in marketing as in growing their coffee."

Raphael Studer, CEO at Algrano

Figure 9. Willingness to pay for direct-trade premium

Question: Imagine a bag of your favourite coffee without any certification/label costs [average price for bag of coffee in respective country]. How much would you be willing to pay if this coffee were available with one of the following certifications/attributes? (n = 7,053)



Source: Deloitte research

3.6 Convenience coffee

As consumers' lifestyles become faster, they look for ways to save time. This trend applies to countless consumer products and especially to coffee, which many people prepare and drink many times a day. For this reason convenience is an important factor in coffee consumption – and crucial for the coffee industry. Convenience coffee describes the different aspects and options of having an easily accessible and time-saving caffeine fix.

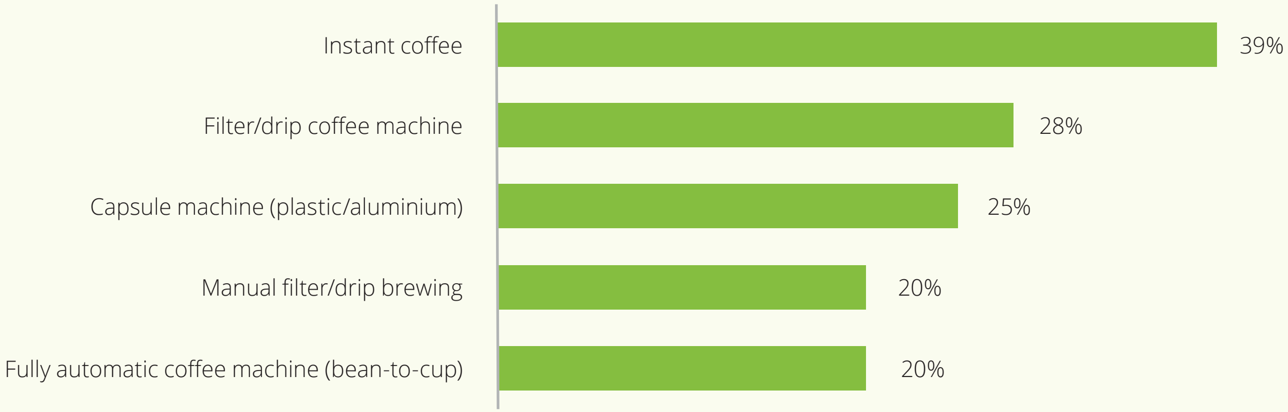
For consumers, convenience in coffee preparation at home is reflected in the types of coffeemakers and preparation methods they use. Three out of the top five consumer choices – namely, instant coffee (39%), capsule machines (25%), and fully automatic coffee machines (20%) – emphasise convenience (see Figure 10). Other coffeemakers and preparation methods require a series of steps – boil the water or pour cold water into the machine, measure the coffee, grind the beans in the case of whole beans, put ground coffee in the machine, etc. The convenience-oriented options reduce the effort involved in making coffee to a minimum: mix hot water and instant coffee or put a capsule into a machine.

A challenge for convenience coffee is the trade-off regarding quality and taste, which consumers demand equally.[30] Speciality coffee roaster Blue Bottle Coffee, acquired by Nestlé in 2017, has reacted to this by launching high-quality instant espresso. In 2023 Nespresso similarly introduced the so-called Blend No. 1 edition of its capsules, using Blue Bottle's premium coffee.[31] A new player aiming to combine convenience with high quality is the Swiss outdoor coffee start-up, No Normal Coffee. It offers a tube with coffee paste that is easy to use outdoors and requires only hot or cold water to brew a cup of coffee.

Photo courtesy of No Normal Coffee

Figure 10. Top five coffeemakers / preparation methods used at home

Question: Which of the following coffeemakers/methods do you use regularly at home? Please select all answers that apply. (n = 7,053; top 5 responses)



Source: Deloitte research

"Consumers want a coffee that is easy to prepare and tastes good at the same time. This holds true for brewing coffee at home and, even more, outdoors."

Alexander Häberlin & Philippe Greinacher, Founders of No Normal Coffee

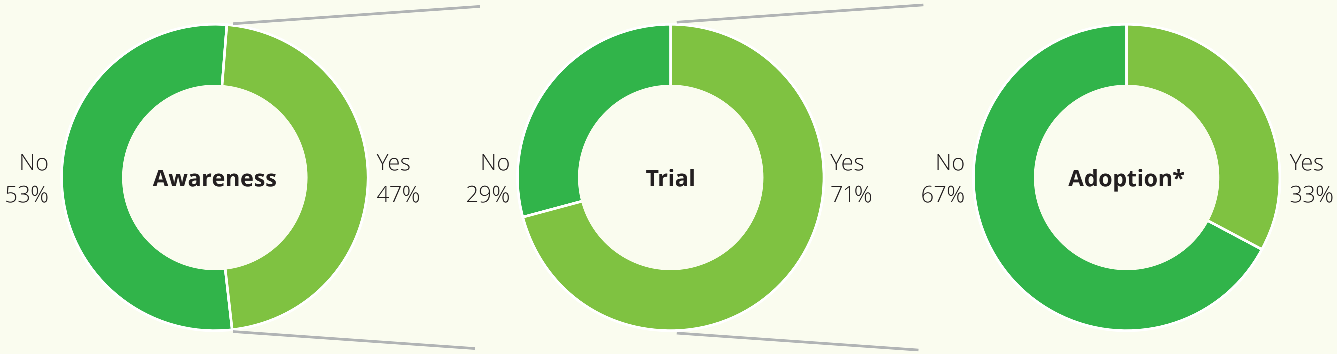
Consumers' preference for convenience is also illustrated by the increasing demand for canned and bottled coffee.[32] This includes all coffee beverages that are already brewed, pre-packaged in a can or bottle, and ready for consumption. Roughly half of coffee drinkers (47%) are aware of canned or bottled coffee (see Figure 11). More than two in three consumers (71%) who are aware of this type of coffee say they have tried it. And among respondents who have tried canned or bottled coffee, one person in three (33%) have adopted it in that they drink this coffee multiple times a week or even daily.

Figure 11. Awareness, trial and adoption rates of canned/bottled coffee

Question: Which of the following coffee types have you heard of? Please select all answers that apply. (n = 6,526)

Question: Which of the following coffee types have you tried? Please select all answers that apply. (n = 3,042; only respondents who indicate that they have heard of canned/bottled coffee)

Question: How frequently do you drink the following coffee types? (n = 2,157; only respondents who indicate that they have tried canned/bottled coffee)



Source: Deloitte research

**Daily consumption or multiple times a week*

Compared to other trends, canned and bottled coffee exhibit high consumer awareness but low adoption rates. This points to a potential difficulty in marketing this type of coffee and convincing consumers to choose it. In fact, canned and bottled coffee perform very differently in different markets. They are popular in terms of awareness, trial, and adoption among consumers in surveyed countries in Asia, North America and the UK, but respondents in Continental Europe and Brazil show below-average rates of interest. At the generational level, millennials (birth cohort between 1981 and 1996) have heard of, tried, and adopted this type of convenience coffee more frequently than average and baby boomers and older coffee drinkers lag behind the average (birth cohort prior to 1965).

4. The coffee consumer

Not only are there new trends and innovations in coffee products. Consumer preferences too are changing. This section includes insights on evolving patterns in how people buy, prepare, and drink their coffee.

4.1 Generational gaps

Consumption behaviours and habits often change between generations. This is certainly the case for coffee. Younger generations tend to drink less coffee than their predecessors. Generation Z (the birth cohort between 1997 and 2012) consumes on average between one and two cups per day while the daily average for Baby Boomers and older coffee drinkers (the birth cohort prior to 1965) is between two and three cups per day. Younger generations tend to drink more often other beverages with similar features to coffee. For instance, almost two thirds of Generation Z coffee drinkers (63%) also regularly consume soft drinks such as cola, which less than half of Baby Boomers and older coffee drinkers do (38%). Similarly, the consumption of energy drinks is much higher among younger than older coffee drinkers (Generation Z: 38%, Baby Boomers and older consumers: 11%).

Generations also differ in the type of coffee that they consume regularly (see Figure 12). Younger consumers prefer coffee beverages that contain more milk than those chosen by older generations. Generation Z's most consumed coffee beverage is milk coffee and Generation Y (the birth cohort between 1981 and 1996) favours cappuccino. By contrast, Generation X (birth cohort between 1965 and 1980) as well as Baby Boomers and older consumers say espresso is their number one type of coffee. Strikingly, none of the three most consumed coffee beverages of Baby Boomers and older consumers – espresso, filter/drip coffee, and instant coffee – is milk-based. Older coffee drinkers are also on average only half as likely as younger ones to add whole milk or sugar to their coffee. This tendency also shows the typical lifecycle of coffee drinkers: a clear preference for coffee with much milk and sugar at a young age, which gradually changes over to the consumption of black coffee when getting older.

Figure 12. Most consumed coffee drinks by generation

Question: What kind(s) of coffee do you drink regularly (several times a week)? Please select all answers that apply. (n = 7,053)

	Generation Z	Generation Y	Generation X	Baby Boomers (and older)
Most consumed coffee drink	*Milk coffee*	*Cappuccino*	*Espresso*	*Espresso*
2nd most consumed coffee drink	*Cappuccino*	*Milk coffee*	*Milk coffee*	*Filter/drip coffee*
3rd most consumed coffee drink	*Instant coffee*	*Instant coffee*	*Instant coffee*	*Instant coffee*

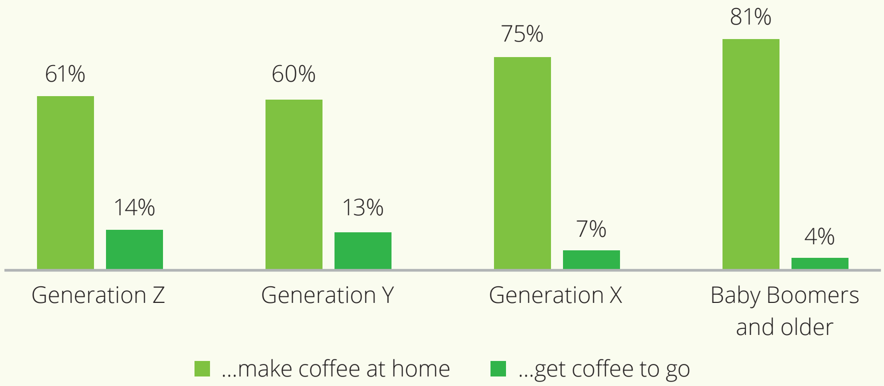
Source: Deloitte research

Additionally, there are generational differences when it comes to where consumers prepare and drink their coffee (see Figure 13). Four in five Baby Boomers and older respondents (81%) indicate that they make coffee at home daily but among Generation Z and Y only three in five consumers do (61% and 60%, respectively). This is consistent with the overall lower coffee consumption of younger generations compared to older ones. However, twice as many members of Generation Z and Y than Generation X state that they get coffee to go daily (14%, 13%, and 7%, respectively). Even more strikingly, the proportion of daily coffee to go consumers among younger generations is more than three times as high as among Baby Boomers and older respondents. All in all, the higher to-go consumption of younger coffee drinkers somewhat offsets their lower consumption at home.

Photo courtesy of Nespresso

Figure 13. Daily coffee at home and to go consumption by generation

Question: How often do you... (n = 7,053; percentage of respondents who indicate daily consumption at home or to go)



Source: Deloitte research

Lastly, younger generations on average tend to obtain more information, including from family and friends, when selecting or buying coffee to consume at home. Most notably, one in five members of Generation Z and Y (22% and 21%, respectively) follow the suggestions of influencers. Among Generation X, Baby Boomers and older respondents this share is far smaller (8% each). This underlines the rising importance of social media for marketing and advertising coffee.

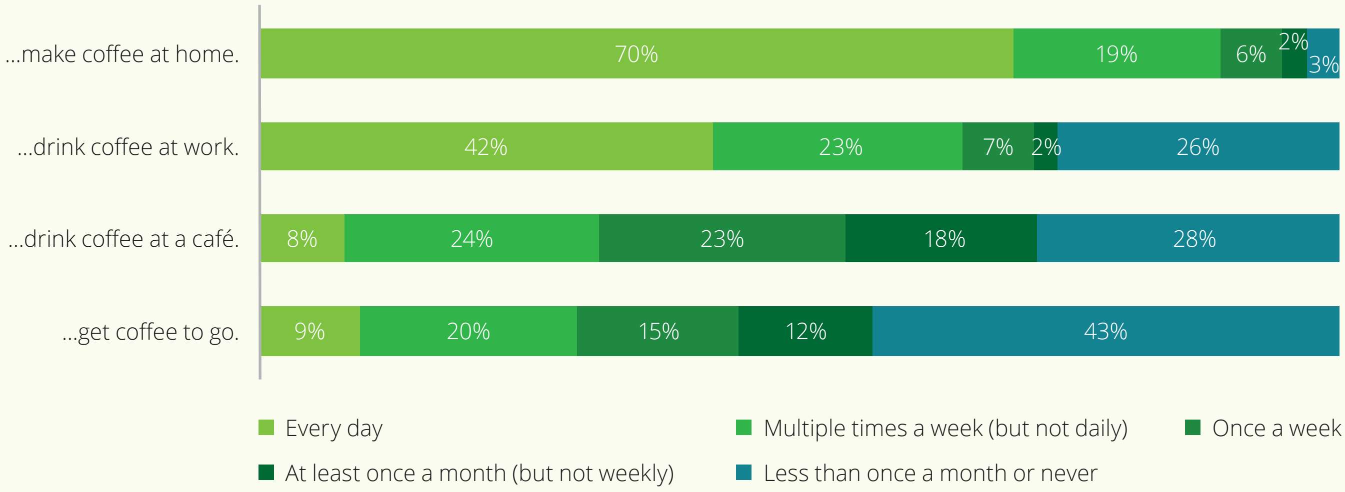
4.2 Home brewing

Home brewing is the most popular choice when it comes to consuming coffee (see Figure 14). 70 per cent of coffee drinkers say they make coffee at home every day. By comparison, less than half of respondents (42%) indicate that they drink coffee at work daily. The markets with the highest rates of daily coffee at work consumption are Brazil, South Korea, and India (60%, 55%, and 50%, respectively). Lastly, drinking coffee at a café or to go constitute the least frequently mentioned choices of consumers (8% and 9% daily consumption, respectively).

Brewing coffee at home has always been a strong preference of consumers since the first wave of coffee but it has risen further in recent years. An important factor is the shift from out-of-home consumption to drinking at home during the Covid-19 pandemic. Due to lockdowns and working from home, consumers focused on brewing coffee at home, experimented with new preparation methods, and bought better coffee-making equipment. As the pandemic came to an end, coffee drinkers could visit their favourite cafés again but have also continued their newly developed coffee routines at home.[33]

Figure 14. Places of coffee preparation and consumption

Question: How often do you... (n = 7,053)



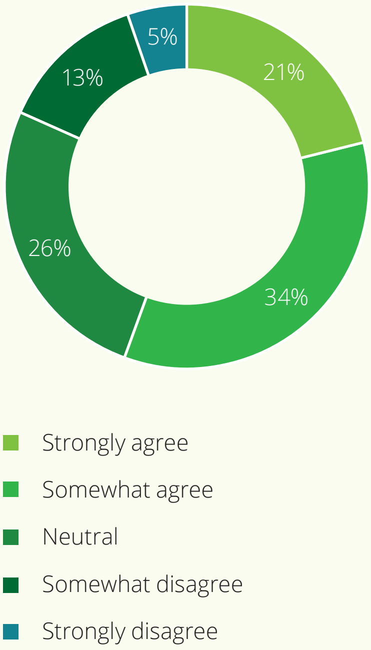
Source: Deloitte research

The second reason for the rise in home brewing is connected to the surge in inflation from 2021 to 2023. Prices for goods and services increased by more than average in many countries – and in some cases at double-digit annual rates. As a result, many consumers suffered notable drops in their purchasing power and have reduced spending on non-essential items.[34]

Drinking coffee outside the home is a typical example of non-essential spending. And indeed, most respondents (55%) indicate that, due to the recent surge in inflation, they now drink coffee more often at home and no longer to go or in a café (see Figure 15). Coffee drinkers in Brazil (30%) and the US (29%) strongly agree with this statement, compared to a figure of 21 per cent overall. A probable reason for the shift to home brewing in Brazil may be that the country experienced particularly high inflation.[35]

Figure 15. Increased home brewing after the surge in inflation

Question: Consumer prices have been rising more than usual over the past years. Please rate your agreement with the following statement: I now drink my coffee more often at home and no longer to go or in a café. (n = 7,053)



Source: Deloitte research

Alternatives to coffee to go or in a café are products for home brewing that allow consumers to have more of the out-of-home advantages such as, for instance, the timesaving of coffee to go, or the superior coffee taste of the café. For example, Starbucks offers a range called Coffee At Home so that consumers can prepare the coffee chain's beverages at home themselves.

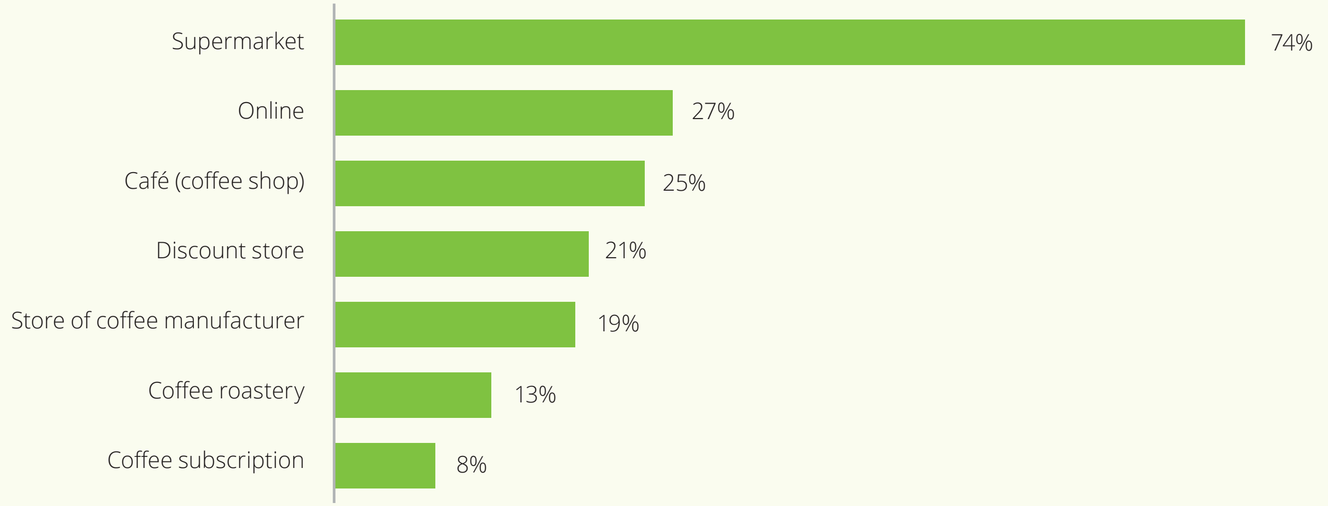
4.3 Coffee e-commerce

Another rapidly evolving development in the industry is the buying and selling of coffee online. Coffee e-commerce has increased considerably in recent years, especially during the Covid-19 pandemic when many consumers did not go to retail stores. But the end of the pandemic has not stopped the growth of this market segment. From more than USD 9 billion in 2023, coffee e-commerce is projected to almost double in six years, to more than USD 17 billion in 2029.[36]

Supermarkets are by far the most common choice (74%, see Figure 16) when coffee is bought for home consumption. Online purchases come in second place (27%), ahead of cafés, discount stores or other places. Coffee e-commerce is especially popular among consumers in South Korea (54%) – beating even the supermarkets – and India (40%), whereas people in Germany (14%), Japan (16%), and Spain (16%) buy their coffee online less frequently than average. The high proportion in South Korea can be explained by the fact that e-commerce represents the largest retail channel in the country and many Korean consumers include coffee in their online grocery shopping orders.[37]

Figure 16. Channels and places of purchase for home consumption

Question: Where do you usually buy coffee that you consume at home? Please select all answers that apply. (n = 7,053)



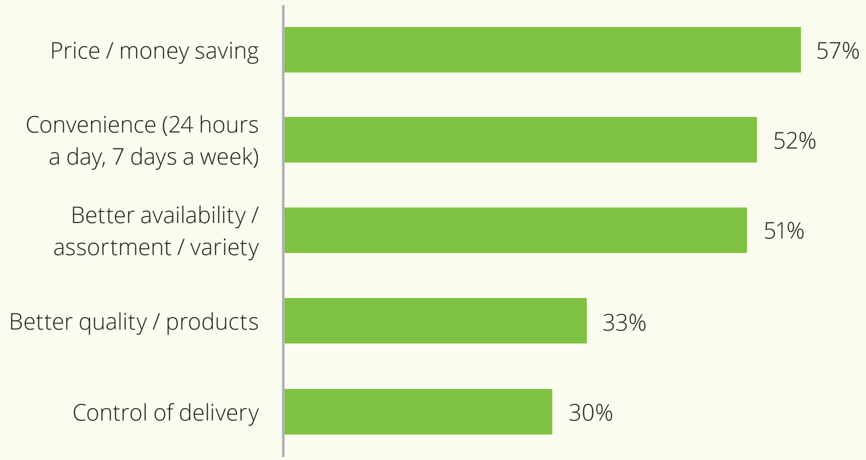
Source: Deloitte research

Respondents give three reasons for preferring coffee e-commerce (see Figure 17): lower prices (57%), more convenience (52%), and a wider assortment and variety (51%). For convenience, subscription services score highly: one in seven online coffee shoppers (15%) indicate they have signed up for regular deliveries, roughly double the percentage for all respondents (8%, see Figure 16). The market for coffee subscriptions has been on the rise in recent years and is expected to grow further.[38]

While respondents in most countries indicate that lower prices are the main reason why they buy coffee online, consumers in Switzerland say that convenience is their main motive (60%). To coffee drinkers in Mexico (68%), Brazil (67%), China (56%), and Germany (51%) a better assortment and variety are the decisive factors.

Figure 17. Reasons to buy coffee online

Question: Why do you buy coffee online? Please select all answers that apply.
(n = 1,788; only respondents who indicate that they buy coffee online)



Source: Deloitte research

One aspect of e-commerce plays a particularly important role for Asian coffee shops such as China-based Luckin Coffee and the Japanese speciality coffee chain, % Arabica: they offer an app which allows customers to order and pay for their coffee before entering a store. As a result, consumers can reduce the waiting time in cafés while the shops optimise their point-of-sale processes, with employees saving time on orders and payments. These benefits are fuelling the rapid growth in the Chinese coffee shop market in which Luckin has overtaken Starbucks to become the largest player.[39]

5. Conclusion

The dynamics of the coffee market and consumer preferences are changing. As with many other consumer products, sustainability has emerged as a significant concern. Companies and farmers face the risk that land for coffee-growing will be lost and that many coffee varieties will become extinct. Consumers are interested in more sustainable coffee, but its higher price constitutes a critical barrier.

Coffee companies and consumers are also paying more attention to quality and craft. Speciality coffee is on the rise – one in four consumers around the world have tried it. High quality and craft often go hand in hand with direct trade relationships between growers and roasters, facilitating communication and increasing transparency along the value chain. Many consumers are willing to pay extra for speciality coffee and direct trade, and both these trends are expected to grow in the future.

Coffee drinkers want more sustainability and higher quality but do not want to sacrifice convenience. Instant coffee remains the preferred way of making coffee at home. Another factor is that consumers are becoming more health conscious which is reflected in the rise of functional coffee with added ingredients to provide extra health and wellness benefits. Industry experts expect convenience coffee and functional coffee to gain importance in coming years.

The abrupt rise in inflation in recent years has also had an effect: consumers around the world increasingly make coffee at home rather than purchasing it to go or in a café. A related development is that people buy more and more coffee online. Consumers who use the internet to purchase coffee aim to save money and get more convenience as well as a wider assortment and variety.

These many trends reflect a coffee industry that is evolving rapidly. Companies seeking a leading position in this market must keep abreast with these developments. In coffee as in life the only certainty is change.

6. Contacts and authors

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Then please feel free to contact Deloitte Switzerland for more information.

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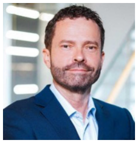

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