

## HOT BEVERAGES



### C-STORE COFFEE SERVING TRENDS

Year ending November 2007

Besides having the greatest share of servings, regular/decaf coffee grew its number of servings by a healthy 6% among those surveyed by NPD. Nearly one in 10 meals included the beverage, which ranked among bottled water and diet CSDs in menu importance.

Beverage	Menu importance*	Servings PCYA**
Regular/decaf	9.0%	+6%
Cappuccino/latte	2.7%	+3%
Flavored	1.8%	-19%
Iced/frozen/slushy	1.1%	+11%

Source: The NPD Group Inc./CREST

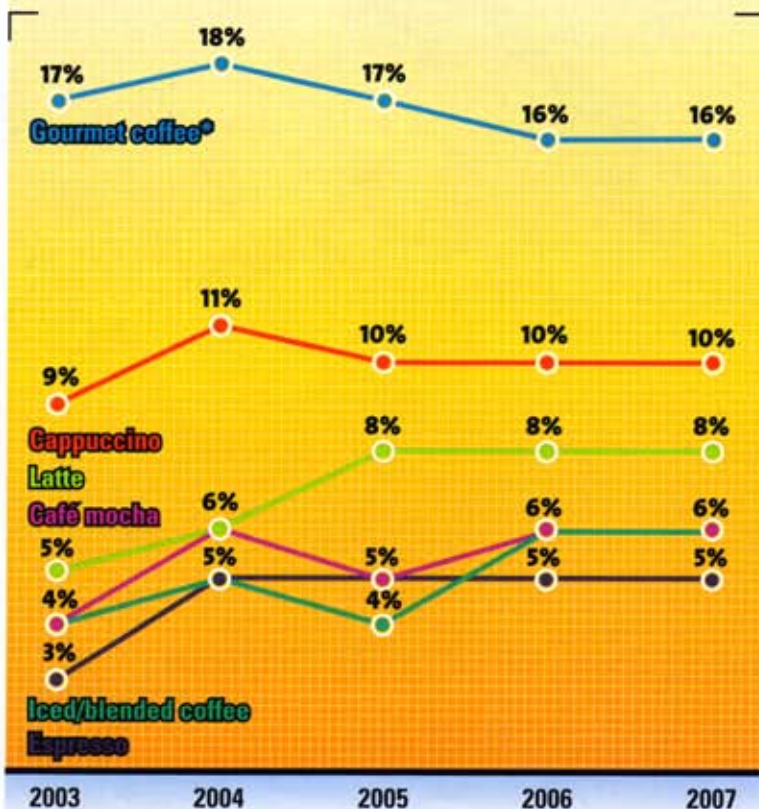
\* Percentage of meals and snacks that include item

\*\* Percent change from a year ago

### WEEKLY GOURMET-COFFEE CONSUMPTION BY TYPE

Percentage of coffee drinkers age 18; type of coffee consumed in the past week

According to the annual National Coffee Drinking Trends survey of nearly 3,000 coffee consumers, weekly consumption trends held steady for all of the major gourmet coffee types in 2007, with espresso-based drinks—cappuccinos, lattes and café mochas—enjoyed by 24% of coffee drinkers, followed by ground gourmet.

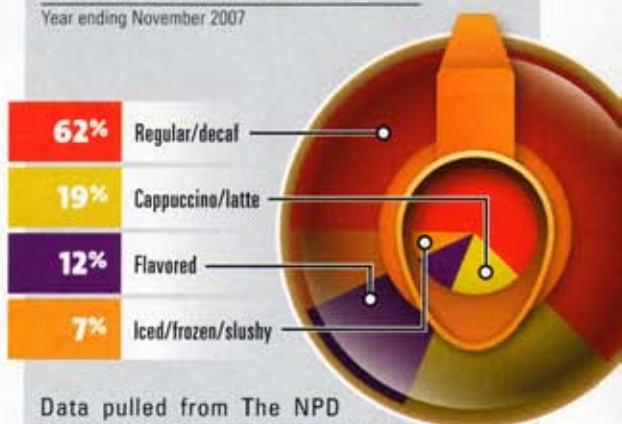


\* Defined as premium whole bean or ground varieties

Source: National Coffee Association

### SHARE OF C-STORE COFFEE SERVINGS BY TYPE

Year ending November 2007



Data pulled from The NPD Group's CREST daily online survey of more than 4,000 adults and teens reveals that regular coffee accounted for nearly two-thirds of all coffee servings in c-stores, followed by specialty beverages such as cappuccinos and lattes. Flavored-bean coffee ranked third in number of servings and is losing share—a trend seen in all channels.

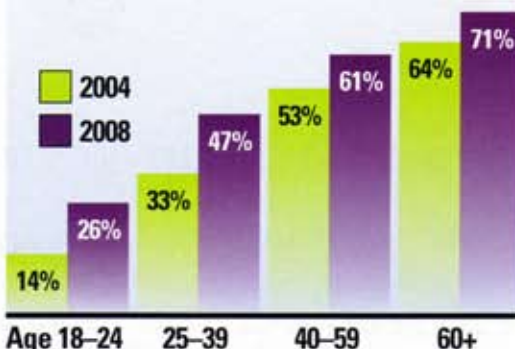
Source: The NPD Group Inc./CREST

### DAILY COFFEE CONSUMPTION BY AGE

Percentage of age group drinking coffee daily

Examining 2004 to 2008 figures, a greater percentage of coffee drinkers across all age groups are filling up their cups on a daily basis. The biggest leap over those four years can be seen in the 18-to-24 group, of which 14% drank coffee on a daily basis in 2004, compared to 26% in 2008. Granted, the 2008 figure represents a sizable drop from 2007, when 37% of 18- to 24-year-olds reported drinking coffee on a daily basis, but the trend over the long term remains positive. NCA points to this group's vulnerability to economic pressures as a reason for the 11-point slump.

Meanwhile, daily coffee drinking among 25- to 39-year-olds reached its highest point in this decade in 2008.



Source: National Coffee Association

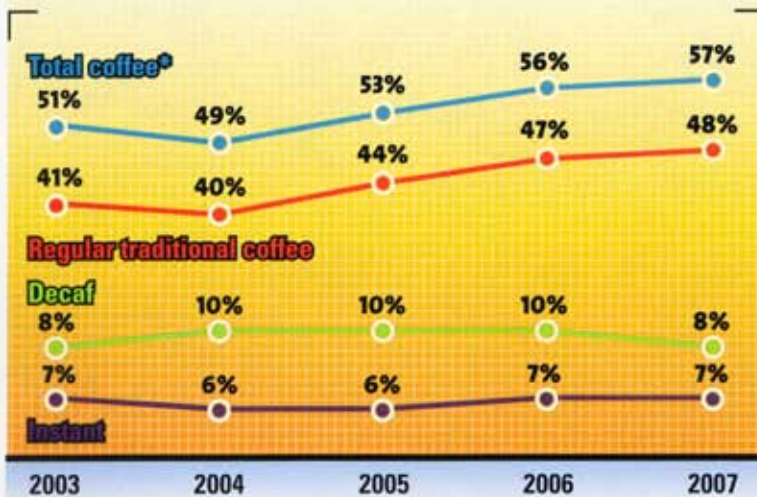
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### DAILY COFFEE CONSUMPTION BY TYPE

Percentage of coffee drinkers age 18 and older; type of coffee consumed in past day

The percentage of coffee drinkers who partake in a daily cup of regular traditional coffee rose 1 point in 2007, while the share of instant consumers held steady. Meanwhile, the percent of consumers who drink decaf slipped by 2 points from the previous year.

NCA's latest findings place the percentage of adults who drink coffee on any basis at 80% in 2008, down slightly from 82% in 2006 and 2007.



\* Multiple answers accepted; numbers do not add up to 100%.

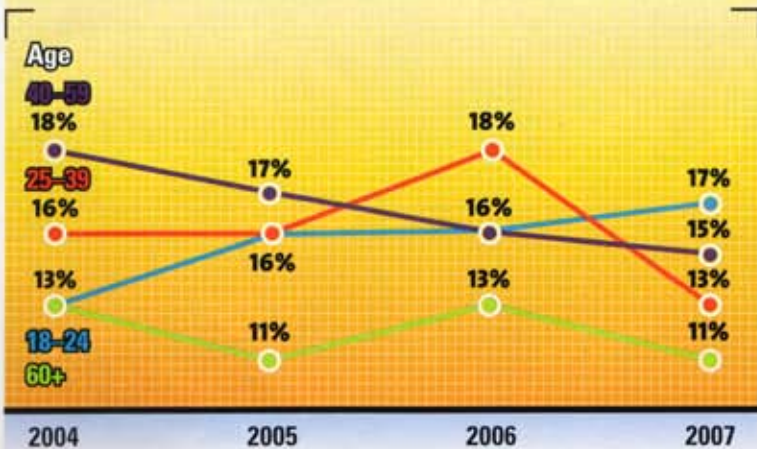
Source: National Coffee Association



### GOURMET COFFEE CONSUMPTION BY AGE

Percentage of age group drinking coffee daily

In terms of consumers who drink gourmet coffee on a daily basis—which includes espresso-based beverages as well as those coffees perceived as “gourmet”—18- to 24-year-olds lead: Seventeen percent of this group enjoyed a cup in 2007, up from 13% in 2004. Among the other age groups, the percentage of daily gourmet-coffee drinkers slipped across the board in 2007 but rebounded in 2008. The latest figures available from NCA show gourmet-coffee consumption rising to 19% of 25- to 59-year-olds.



Source: National Coffee Association

### COFFEE PRICE TRENDS

Total markets, annual composite average

It's no secret that coffee prices are on the upswing. The most recent composite figure available at press time placed coffee prices at 138.82 cents per pound in February 2008, a greater than 55% increase from 2005.

Composite price (cents per lb.)



Source: International Coffee Organization

### CATEGORY INSIGHT.....

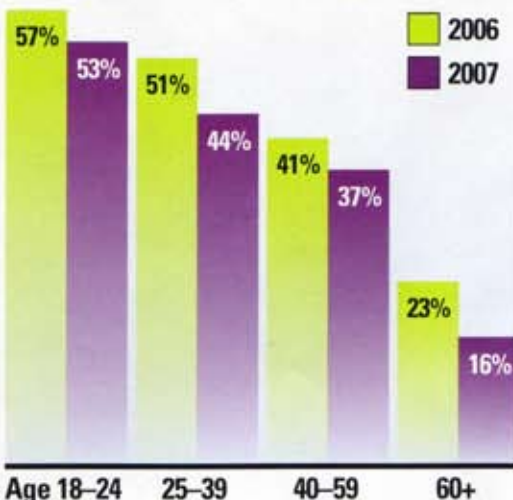
**NEW BREW:** Of respondents to a Mintel consumer survey who drank less coffee in 2007 than the year prior, 20% switched to tea, 10% moved to energy drinks and 30% said they were drinking “other kinds of beverages” instead. Those over 55 are “significantly more likely” than average to choose tea over coffee, the firm reports.

### OUT-OF-HOME COFFEE DRINKING BY AGE

Percentage of coffee drinkers age 18 and older

The greatest drop in out-of-home coffee drinking could be seen among 25- to 39-year-olds and those older than 60, with both dropping 7 points in terms of the percentage of coffee drinkers who got their fix outside the home.

Percentage drinking coffee outside the home



Source: National Coffee Association

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### CATEGORY INSIGHT.....

**OUTSIDE THE CUP:** A Mintel consumer survey found that respondents 18 to 34 years old are the least likely of all age groups to make coffee at home. In fact, this age bracket is 55% more likely than the average to visit coffeehouses. Ethnicity is also a driver: Hispanics are 53% more likely than average to visit coffeehouses, the research firm reports.

### COFFEE CONSUMPTION BY LOCATION\*

Percentage of total coffee drinkers age 18 and older

Fewer consumers consumed coffee out of the home in 2007 vs. the year prior, moving from 40% in 2006 to 33% one year later. Behind the trend: Drinking coffee at work and while traveling became less popular. Both slipped 4 points.



\* Multiple answers accepted; numbers do not add up to 100%

Source: National Coffee Association

### CATEGORY INSIGHT.....

**BIG SIPPERS:** Although most respondents to a Mintel consumer survey who drink coffee report downing two cups of java a day, 28% claim to drink three or more. Fifteen percent say they usually drink just one cup. Respondents ages 35 to 65 tend to be more frequent coffee consumers, drinking an average of 2.6 cups per day; compare this to 18- to 24-year-olds, who drink 1.5 cups per day on average.

### CATEGORY by the Numbers

**9%**

Percent of c-store meals or snacks that include traditional coffee, according to NPD CREST consumer panel

**47%**

Percent of 25- to 39-year-olds who drink coffee on a daily basis in 2008, the highest point in the past decade

**33%**

Percent of coffee drinkers who consumed coffee outside the home in 2007, down from 40% in 2006

### CATEGORY INSIGHT.....

**STEEP GEOGRAPHY:** According to the Tea Association of the USA, the South and Northeast have the greatest concentration of tea drinkers. Of the tea consumed in the total United States, the trade group says approximately 85% of it is iced.

### MARKET SHARE: TEA BY TYPE\*

All outlets; calendar year 2007



Green tea grew its share of the overall tea market by 1 point in 2007, taking it from black tea. It's a smaller share grab than in 2006, but it's still upward growth in a competitive market.

The Tea Association of the USA places total 2007 tea sales at \$6.9 billion, a nearly fourfold increase from 1990 figures. Foodservice sales alone were estimated at \$1 billion, a doubling from 17 years ago.

\* Does not include herbal varieties

\*\* Includes oolong and white teas

Source: Tea Association of the USA