

## Closing the Gourmet Coffee Gap

**C-stores may not be Starbucks, but higher coffee reputation within reach.**

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**NATIONAL REPORT** — It is the age of gourmet coffee and its connoisseur creatures, otherwise known as millennials. But are today's convenience stores up to the higher java challenge?

The data indicates the convenience channel could benefit from making more of an effort. From the latest preparation techniques to sourcing the beans themselves, going the extra gourmet mile is what the new generation of coffee lovers want; they are clearly not satisfied with their parents' drip brew, according to the National Coffee Association (NCA).

The association's latest National Coffee Drinking Trends (NCDT) report revealed:

- Daily consumption of espresso-based beverages has nearly tripled since 2008.
- Between 2008 and 2016, past-day consumption of gourmet coffee beverages soared from 13 percent to 36 percent among 18- to 24-year-olds, and from 19 percent to 41 percent for those aged 25-39.
- For espresso-based beverages alone, the jump went from 9 percent to 22 percent for the 18-24 age group, and from 8 percent to 29 percent for the 25-39 group.

In summary, the NCDT report found that young adult consumers have become more invested in their coffee than the young adult generations that came before them, mostly through espresso and gourmet beverage choices. Gourmet coffee beverages are what most people think of as “specialty coffee,” which includes gourmet traditional coffee, espresso-based beverages, and iced or frozen coffee drinks.

Older millennials are the most likely to drink espresso-based beverages, cappuccino, mocha, espresso, gourmet coffee, cafe Americano, flat white, cold brew and nitrogen-infused in the past week, the NCDT data also revealed.

What’s more, an increasing number of millennials are drinking their coffee out-of-home, “turning coffee consumption into a public expression of individuality,” the report states. “In the age of Instagram, every detail needs to be on-brand — nothing is really private.”

How much does this really concern the convenience channel?

If c-store operators want to sell good coffee, it should concern them, according to experts.

“Convenience stores are not Starbucks and they shouldn’t try to be, but there is room in between,” reasoned Don Stuart, a managing partner with Cadent Consulting Group in Wilton, Conn. “They could do more, in my mind, with the coffee experience that’s trending with millennials nowadays.”

Here are six quick market sips/industry tips to help c-stores reach higher coffee ground:

### **1. All-Day Coffee Is Making Night Moves**

Coffee increases its sales power when paired with other hot trends that blur the lines of traditional mealtimes and eating occasions, food equipment and technology company FETCO reported in a recent quarterly newsletter. Breaking free from traditional mealtimes is pushing coffee into new dayparts, the supplier explained.

**What this means for c-stores:** Just like breakfast foods are trending to be extended and incorporated into all meals of the day, so, too, can coffee. That means maintaining signage, aromas and pristine coffee areas all day and into the night. The c-store has an opportunity to reinvent itself as the late-night coffee stop. For those looking to really change it up, there is an additional opportunity to leverage more hot-beverage products as a way for customers to achieve a sense of calm before bedtime, such as lavender and chamomile tea options.

### **2. Brewing Gadgetry Goes Gangbusters**

Younger audiences (i.e., millennials) are immersed in technology and very open to change, according to the aforementioned NCDT report. Younger consumers are drawn to innovative products and, therefore, notice the machine that’s brewing their coffee.

**What this means for c-stores:** “There’s enough going on with coffee automation and equipment that even without staffing the way Dunkin’ [Donuts] does, c-stores can still utilize more coffee machine technology,” said Stuart. At the top of the major equipment trends is high-quality brewing. “Self-service single and dual-station machines with touchscreen technology bring barista-level coffee to c-stores,” added Katie Hered, senior business analyst at Cadent Consulting. Another equipment trend is flavor enhancement and unique-to-me coffee. Creamer machines and sweetener dispensers are a way for c-stores to take a step up.

### **3. Cold Is Heating Up**

Cold brew sales jumped 580 percent between 2011 and 2016, according to a Mintel report. The market researcher also identified this year as the breakout year for nitro coffee, which is created by adding nitrogen to cold brew coffee, resulting in a drink with a naturally creamy mouthfeel.

**What this means for c-stores:** It's true that a large percentage of cold brew sales have taken place at coffee shops, but that doesn't mean c-stores can't get in on the trend, especially as a special summertime offering. Altoona, Pa.-based Sheetz Inc., with more than 500 locations throughout Pennsylvania, West Virginia, Virginia, Maryland, Ohio and North Carolina, added cold brew coffee offerings to all its convenience stores in the early fall of last year. "Cold brew is, without a doubt, the best way to make cold coffee because the flavors have a chance to infuse rather than burn," said Matt Gray, coffee concepts manager at Sheetz.

And now that the nitro trend has hit select Starbucks stores nationwide, it, too, is becoming more mainstream and up for forward-thinking convenience store consideration.

#### **4. Wake Up & Smell the Coffee Gifting**

Food and beverage gifting is on the rise across the nation, with Packaged Facts reporting that U.S. consumer and corporate food gifting sales approached \$18 billion last year, up 3.5 percent from 2015. The majority was attributed to consumer sales. Widely purchased food gifts include gourmet coffee/tea/hot chocolate gifts.

**What this means for c-stores:** They can increase their gourmet coffee image with supplemental coffee gifts made available during fourth-quarter time in baskets near the coffee section. Grab-and-go gifting can be achieved with actual gourmet coffee products and/or ancillary items such as flavorings and fancy stirrers.

#### **5. The Sideways Gourmet**

Achieving gourmet coffee status is not just about providing good/specialty coffee. It's also about becoming synonymous with selling drinks that provide a functional benefit, such as energy-boosting, anti-inflammatory, relaxing or antioxidant. More than a third of young adults say they would pay more for coffee/tea with added health benefits, according to Mintel research. And oftentimes, these are the same consumers seeking more "personalized" coffee.


**What this means for c-stores:** They should be looking at the gourmet coffee trend from a sideways angle, too, meaning they can increase gourmet perception — and sales, for that matter — with functional drinks in their ready-to-drink (RTD) section. Matcha, herbal tea drinks, and kombucha are alternative versions of gourmet coffee self-expression by the millennial set.

#### **6. An App With Your Coffee**

There seems to be an app for everything these days, so why not your coffee? "Apps are changing the way people are buying their coffee," according to David Sprinkle, research director for Packaged Facts.

**What this means for c-stores:** Convenience stores that are on the mobile-app train should avoid a straight sales pitch to coffee consumers, advised Sprinkle. "Don't just hawk your coffee product, but provide information and services that are of interest to your coffee consumer." Perhaps easier said than done, but worth looking into for those who believe mobile millennials will be their future core customers.

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-  *About Renee M. Covino Contributing Editor Renée M. Covino is a veteran researcher, editor and writer with more than 30 years of experience in the mass retail sector. Her articles and columns have appeared online and in print for dozens of industry trade magazines, newsletters, metro newspapers, Fortune 500 company reports and college textbooks. Covino is a self-named "store connoisseur" who not only writes about retail, but happily supports it.*