



MAKING HIGH-END COFFEE ACCESSIBLE

Specialty coffee continues to shift from hipster niche to mainstream with Nestlé's acquisition of Blue Bottle, one of the original high-end coffee chains. Meanwhile, Starbucks has continued its push into the specialty sector with a new "cold-press espresso" plainly designed to capture the attention of the specialty customer.

These recent shifts in the industry follow the acquisition of two of the largest specialty chains, Stumptown out of Portland and Intelligentsia of Chicago. The specialty industry is thus poised to reach more consumers and extend its influence, meaning that even brands in other segments will begin to follow its lead.

Key Facts on Specialty Coffee

27% OF MILLENNIALS are interested in NITRO COFFEE

27% OF CONSUMERS agree that PREMIUM COFFEES are worth paying more for

Between 2008 and 2016, consumption of gourmet coffee beverages increased from 19% to 41% for 25-39 year olds

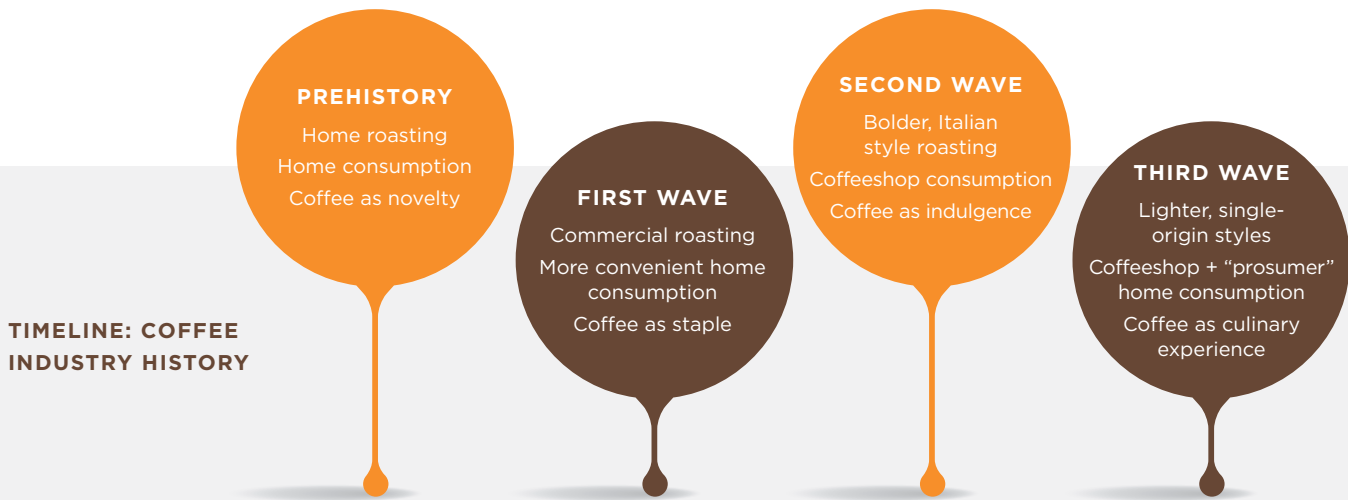
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DAILY CONSUMPTION of espresso-based beverages has nearly tripled since 2008

Sources: Mintel, National Coffee Association

THE PREMIUMIZATION TREND

The coffee industry in the United States has been on a steady trajectory of premiumization for many years. The development has been tracked through **three waves**. The first wave saw the mass marketing of coffee through roasted, pre-ground, and instant coffees. The second wave came in with coffeeshop chains—most notably Starbucks—introducing a more Italian coffeehouse experience. Finally, the third wave encompasses what is now thought

of as specialty or high-end coffee—single-origin beans (or careful blends made to enhance flavor), a variety of professional and prosumer brew methods, and a culinary emphasis on exciting, unexpected flavors. All three sectors of the industry retain a strong presence, with specialty remaining the smallest segment. The various acquisitions of specialty brands show a maturation on the part of the third-wave sector, bringing an infusion of capital that should continue to build strength.



This premiumization trend has been driven by improving infrastructure and technology as well as cultural shifts. Coffee brands have obtained better access to high quality coffee beans, and the equipment for roasting and brewing coffee has improved, allowing better flavor extraction. At the same time, consumers have steadily increased their expectations for the quality of their daily brew, from the instant coffee of the first wave to today’s single-origin espresso and pourover brews.

THE FUTURE FOR SPECIALTY

The next frontier for the premiumization trend lies in making coffee more accessible and convenient for consumers. Although specialty or third wave coffee represents the apex of flavor and quality, it has sometimes lacked accessibility and convenience. Specialty coffee can be hard to find outside major cities, its products can be expensive, and wait times at coffee shops can be significantly longer than at traditional outlets. As the segment expands, its new corporate leaders will doubtless try to improve the consumer experience, bringing new convenience to help them reach a new audience.

One area where the industry has already made progress toward the mainstream is in the ready to drink (RTD) segment, encompassing cold coffee drinks sold in bottles or cartons. RTD coffee beverages have grown increasingly available in grocery and convenience outlets. Starbucks’ line of Frappuccinos is the best-known example, but numerous brands now offer cold brew coffee or other products in RTD formats, up to the **Cold Brew on Tap** boxes from Wandering Bear Coffee. Since 2012, RTD products have gained 26 points of market share against instant coffee, per Mintel, and the segment continues to grow.

As specialty coffee continues its push into the mainstream through cold RTD items, here are three flavor concepts from Parker that could appeal to the growing specialty audience.



ICED SALTED CARAMEL MOCHA

Brings the trendy, culinary combination of salty and sweet to the traditional iced mocha.



RASPBERRY WHITE CHOCOLATE ICED LATTE

This concept lightens the sweetness of a white chocolate latte with the acidity of raspberry, making for a complex and satisfying beverage.



MANGO COLD BREW

This fresh take on fruity coffee drinks combines mango flavor with a light, tea-like Central American cold brew for a refreshing, dairy-free option.

ABOUT PARKER

Parker Products makes the ingredients that intrigue consumers. Since our founding in 1926 by I.C. Parker, creator of the famous “Drumstick” novelty, Parker has been dedicated to intriguing consumers with exciting new flavors, textures, and product characteristics. Our extensive line of specialty ingredients helps create intriguing applications by promoting desirable qualities like a more appealing mouthfeel, a striking flavor, or a delicious appearance.

Parker Products can help you create these or other specialty beverage concepts with our extensive line of intriguing ingredients, including beverages bases, mix-ins, toppings, and drizzles. Visit parkerproducts.com or call 817.336.7441 to learn more.



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