



S&D COFFEE & TEA[®]
PRESENTS

**HOW
DO
YOU
COULD
BREW?**

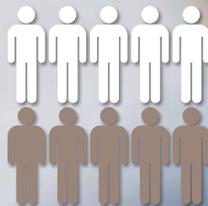
IT'S HERE, AND IT'S NOW.

THE RESEARCH

In January 2017, S&D Coffee & Tea partnered with the food and drink research experts at Datassential to conduct the first comprehensive consumer study on cold brew coffee. We gathered essential learnings about cold brew from just over 2,000 coffee drinkers, more than a thousand of whom are cold brew drinkers.

This research is essential for foodservice operators because **cold brew has impacted what consumers choose to drink when away from home.**

Also, because iced coffee and cold brew could be considered very similar, a clear perspective can direct how best to menu and position each of these beverages.



OUT OF 2,031
COFFEE DRINKERS SURVEYED:
1,041 were
COLD BREW DRINKERS



OUT OF COLD BREW DRINKERS:
388 REGULAR
COLD BREW DRINKERS



471 OCCASIONAL



182 INFREQUENT

RAPID GROWTH

Arguably, cold brew's rise over the past several years is significant. Menu penetration* although nominally low, is growing rapidly as cold brew's popularity continues to grow.

MENU PENETRATION

1 YEAR TREND +55%

4 YEAR TREND +1,024%



For example, Starbucks and Dunkin Donuts unveiled their cold brew offerings nationwide in May 2015 and August 2016, respectively. After cold brew's early success, chains like Coffee Bean and Tea Leaf, Peet's Coffee & Tea, Le Pain Quotidien, Caribou Coffee, and Sheetz all offer cold brew. Some recent Limited Time Offer (LTO) drinks include Sweet & Salted Cold Brew (Dunkin Donuts), Spiced Sweet Cream Cold Brew (Starbucks), Dark Chocolate Cold Brew (Peet's Coffee & Tea), and Peppermint Nitro Latte (Coffee Bean and Tea Leaf). Across both chain restaurants and independents, Datassential estimates that there are nearly **25,000 foodservice units** currently serving cold brew.

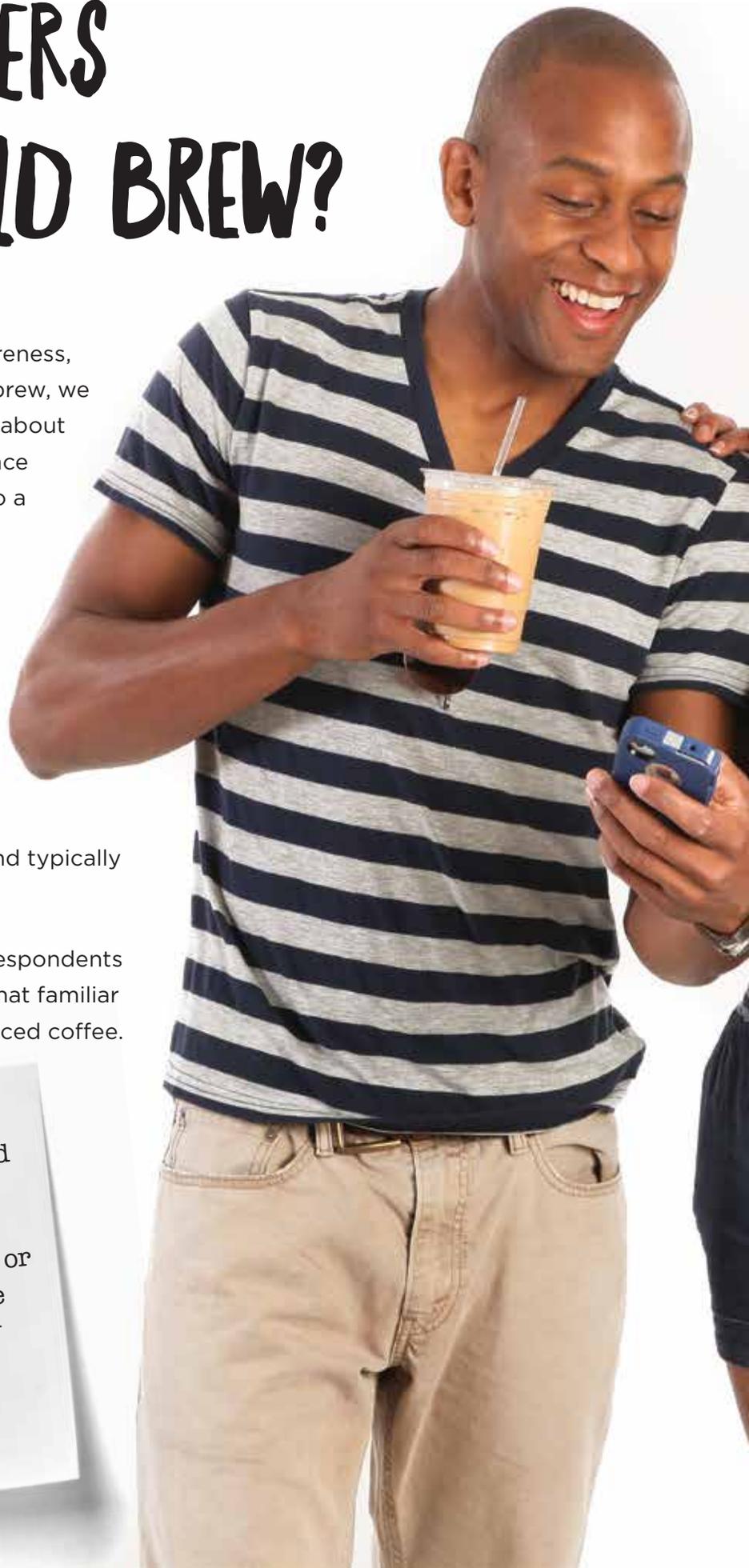
*The percent of menus in the QSR, Fast Casual, Midscale, Casual Dining and Fine Dining segments that offer cold brew.

DO CONSUMERS KNOW COLD BREW?

Before we can discuss consumers' awareness, consumption, and perceptions of cold brew, we need to know what people understand about cold brew. Do people know the difference between cold brew and iced coffee? To a limited extent they do. If asked to write their definition of cold brew, without any prompting or context, 44% could explain the process fairly well - that **cold brew is made by steeping coffee in water that is room temperature or cold.** Many others understood other aspects of cold brew like that it is steeped longer, is more flavorful, and typically served cold.

In a follow-up question, after offering respondents a simple description, 90% were somewhat familiar with cold brew and how it differs from iced coffee.

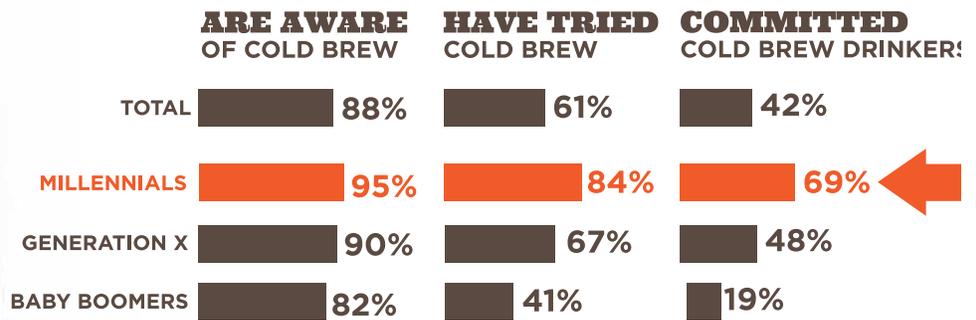
Cold brew coffee is coffee that is steeped using cold or room-temperature water; the water passes through coffee grounds or is mixed with the coffee grounds over a lengthy period of time until it becomes coffee.



WHO IS DRINKING COLD BREW?



According to Datassential's consumer preference tracker, BUZZ, the majority of coffee drinkers, nearly two-thirds, have tried cold brew in any form. As many as one-fifth are now regular drinkers. By far, Millennials are driving the cold brew phenomena; even though Gen X'ers and Millennials are almost equally aware of cold brew, Millennials are connecting to cold brew in much greater proportion, and as of now, they comprise over two-thirds of the committed cold brew segment.



For people who have yet to try cold brew, the primary barriers are availability and price, but this will surely change as more chains begin serving cold brew and competition drives down prices. That said, over one-third of coffee drinkers are unlikely to be won over, as they do not enjoy chilled coffee. This finding underscores that hot coffee is still a mainstay.

WHERE TO GO

Dedicated cold brew drinkers (from regular to infrequent drinkers) are getting their fix from a restaurant or coffee shop (70%), and this is the case despite the very low penetration discussed earlier. Sixty-one percent buy a bottle or can off of a retail shelf, and 46% enjoy their own brew from home.

Among the committed cold brew drinkers who drink at least occasionally*, **half are visiting a foodservice venue once a week, if not more.**



70%
BREWED OR
DISPENSED AT A
COFFEE SHOP
OR RESTAURANT



61%
READY-TO-DRINK
CANNED OR BOTTLED



46%
MADE AT HOME

*Committed cold brew drinkers are defined as those who have had cold brew coffee at least once and indicated that they would have it again in the future.

IS COLD BREW THE NEW GO-TO?

41%
HAVE FULLY
REPLACED COLD
BREW WITH
NON-COFFEE
BEVERAGES

Making a cold brew an addition to one's regular beverage routine is common, and is the case for well over a third (40%) of coffee drinkers. For the remaining coffee drinkers who switch to a cold brew in place of another routine beverage, it appears that the cold brew is either an incremental add or a possible up-sell. **Four in ten "switchers" are leaving behind non-coffee cold drinks like soda, energy drinks, or water and are reaching for a cold brew.** Or, if a cold brew is substituting for another coffee drink, it is most often the case that a cold brew is supplanting a lower priced coffee drink; particularly a basic brewed coffee or iced coffee. Both scenarios point toward a possible incremental lift in profits.

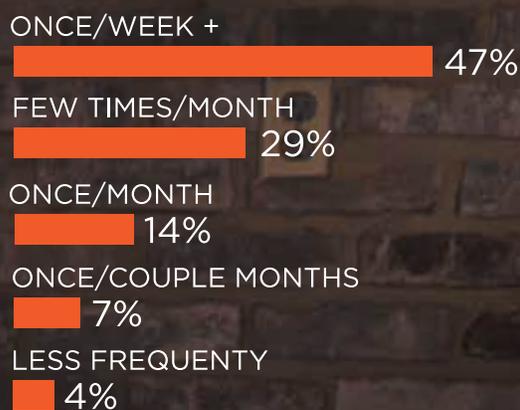
BEVERAGES REPLACED BY COLD BREW



COFFEE SHOP



HOW OFTEN ARE THEY DRINKING IT FROM **COFFEE SHOPS & RESTAURANTS** AMONG REGULAR & OCCASIONAL COLD BREW DRINKERS



COLD BREW CACHET

Due to its unique production process, cold brew coffee is considered a more high-end coffee drink. Specifically, consumers perceive cold brew to be a beverage that takes time and care to brew, is expensive, consumed by aficionados, is indulgent, and superior in taste - even in its purest form; meaning black. As such, the standards for quality are likely elevated and getting the brew right is essential for maintaining those perceptions.

Interestingly, it has been theorized that the perceived health benefits are a draw for drinking cold brew. There is the idea that the pure extraction method and absence of add-ons mean a healthier drink. It might be true that cold brew is healthier, but this association does not register as highly in reality.

WHAT IS IT ABOUT COLD BREW? TASTE!

Taste and “treat status” are the attributes of cold brew that are driving its growth. While “traditional coffee” is consumed for “energy,” “waking up” and “recharging” (per Datassential’s BUZZ), cold brew is all about the taste. Nearly four in ten say the taste satisfies a coffee craving. More than a third consider it somewhat of an indulgence.

REASONS FOR DRINKING COLD BREW COFFEE

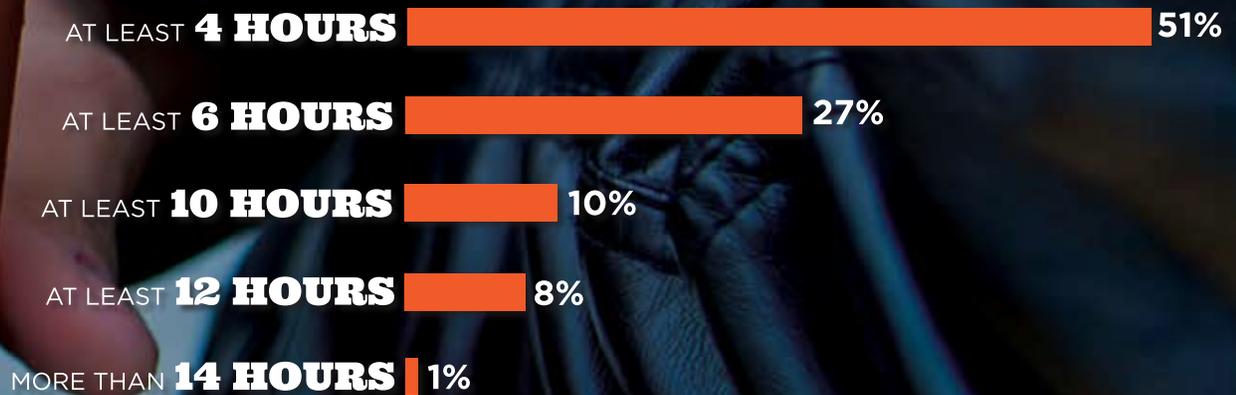


HOW LONG IS LONG ENOUGH?

For cold brew drinkers, the attention to detail and focus on the brewing process are keys to quality. Indeed, these consumers get that the brew details are what's responsible for flavor extraction. But, having an exact number of brew hours is not as crucial to consumers. Therefore, claims that 20 hours of steeping time are better than 12 hours, while logical, are actually ineffectual.

Cold brew loyalists do not assume their drink was prepared using an inordinately long steeping process. In fact, regular drinkers assume a shorter steep time on average than occasional and infrequent cold brew drinkers. **What IS vital is that the coffee is steeped long enough that the essential rich flavor is extracted, no more, no less.** It is not as much about duration as it is about getting it right. What this means for operators is that communicating the fact that the coffee is brewed slowly is critical, and attaching the number of hours is not critical.

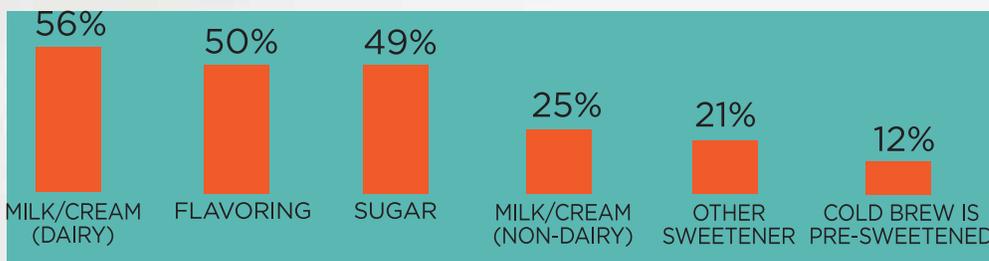
I PREFER MY COLD BREW STEEPED FOR...



HOW DO YOU TAKE IT?

More often than not cold brew is served black, straight up, without the accoutrements of specialty coffee drinks. Although 44% of cold brew drinkers say “cold brew is flavorful enough to be enjoyed pure black,” very few drink it that way; **only one in ten drink it black.** Interestingly, those who drink cold brew less frequently (those drinking only occasionally and infrequently) are more likely to drink it black than regular drinkers. Specifically, 4% of regular drinkers drink cold brew black compared to 15% of infrequent drinkers.

The remaining add a condiment to enhance the taste. About half of regular drinkers use milk/cream, sugar, or another flavoring; similar to how hot coffee drinkers dress their coffee.



IS IT WORTH IT?

The short answer is yes. **Nearly all of our consumers (89%) are willing to pay more for a cold brew coffee;** as many as 20% would pay as much as a dollar more than they would for a traditional iced coffee. Consumers recognize cold brew’s better flavor, superior quality and the fact that it takes longer to make.

58% OF COLD BREW DRINKERS WILL PAY 50¢ OR MORE FOR COLD BREW THAN ICED COFFEE.





IN SUMMARY...

- ☉ One in five drink cold brew regularly, a figure that jumps to **34% for Millennials.**
- ☉ Most cold brew consumption happens when a brew is prepared at a foodservice venue (vs a RTD) as a weekly, if not daily, routine.
- ☉ 40% of consumers say cold brew was purchased & consumed **in addition** to their routine beverages.
- ☉ When cold brew is selected over other beverages, 60% of consumers say another coffee drink is swapped out, and 40% say an entirely different beverage is left behind for cold brew.
- ☉ The #1 coffee beverage swapped out for cold brew is a traditional hot brew coffee, an item with a much lower price point than cold brew. Non-coffee items abandoned for cold brew include **soda, water, and energy drinks.**
- ☉ To cold brew drinkers, the taste, and the process it takes to get that taste are worth the premium price. **However, 9 out of 10 cold brew drinkers customize their cold brew for taste, making it more of a treat or more indulgent.**



COLD BREW COFFEE



For more information,
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