



Hot Drinks - What do bakeries need to know?

Coffee, cappuccino & Co. are an essential part of a modern bakery. There are so many competitors out there, fighting for every cup and customer. Potential for growth may seem limited - but it doesn't have to be that way! So, what can a modern bakery do to ensure strong growth with lucrative hot drinks? The following article provides some answers to this question and some helpful tips.

The Competition. It is worth taking the time to regularly observe what your competitors are up to in terms hot drinks. In the end, every coffee customer is also a potential snack customer. In GA-Trendagentur's evaluation, many hot drink vendors are seldom aware of this potential. Who is the baker in competition with? Generally speaking, all vendors who are active in the out-of-home market can be viewed as competitors. First of all, there are the "standard players" including petrol stations, kiosks, regional bakeries and

stores offering wares and coffee including Tchibo branches. Secondly, there are the "trendsetters" like Starbucks, Coffee Fellows and now numerous regional roasters with their own coffee bars. The trendsetters set the tone of the market - and thus manage to lure new target groups into their stores. These are not only made up of young target groups but also of much older, affluent customers.

Not every trend is a guaranteed profit maker but it gives out a message and is often a precursor to new products. "Cronuts" (a croissant-donut pastry) were hyped in the baking industry a few years ago. What's left today are the "Laugenecke" variation. These triangular-shaped lye rolls made from croissant dough are now a staple in every bakery. A similar effect can be seen with hot drinks. The global players lead the way and the others follow suit. The result is product off-shoots for the special German market.



Standard Drinks. The standard drinks should be offered before you get into trend drinks, however. Among the “standards” with regular coffee beans, the filter coffee is an absolute essential product with a guaranteed future. The “Milchkaffee” (white coffee) of filter coffee with milk is still a standard at the moment but is gradually being replaced with the espresso variety “caffè latte”. GA-Trendagentur sees little potential for growth in the “Kaffee Crema” as this variety is primarily consumed by older target groups and the current lovers of cappuccino and Co. are getting older. The “decaffeinated coffee” from regular coffee beans is rapidly declining in popularity. This is in contrast to the decaffeinated espresso variety (“decaf coffee”) which is selling especially well and has become a standard in coffee bars. As such, “decaf coffee” should eventually become a standard at bakeries with a high level of expertise in coffee.

Where are we heading? The future of speciality coffee definitely lies in the varieties made with espresso. The espresso standard drinks include the bestsellers cappuccino and latte macchiato. For the trendsetters in the market, the latte has been attracting

increasing interest. Most vendors of coffee and Co. are concerned with a key question:

What are the basic differences in the espresso varieties?

During the coffee boom of the last decade, various “truths” about the preparation of coffee specialities were propagated on the coffee scene. Every brand has been trying to set itself apart a little from the competition. In the end, however, the following instructions are recognised internationally: For the classic “cappuccino”, two shots of espresso are added to a cup and the hot milk is poured into the espresso. The highlight is a sprinkling of cocoa powder at the end - this is what consumers worldwide expect to see. Claims that customers do not want cocoa on their cappuccino are not valid. This is the case for the latte macchiato, however. The reasoning is that the foam is spooned in, the cocoa powder can destroy the foam and is therefore a no-go from the perspective of latte macchiato consumers.

The latte macchiato is ever popular among Germans and is still prepared in three layers. First the milk, then the “dry” milk froth and finally the espresso are added to the cup. Depending on the size or the capacity of the cup, usually one shot of espresso is used - and no cocoa powder. In contrast, in a caffè latte, the milk outweighs the other ingredients with one shot of espresso and a little bit of frothed milk. For some vendors, this drink has already replaced the traditional “white coffee” (with regular coffee beans). The espresso as a single or double “caffeine hit” has relatively low sales for all coffee vendors in Germany. It is only in restaurants where espresso can be found amongst the bestsellers, where it is primarily consumed “after dinner”.

Trends

Although regular customers tend to have the same order at every visit, they nevertheless expect to see new products and trends on a regular basis. As soon as the trendsetters in the coffee market are active, bakeries should regularly review

their products and check whether they are up-to-date or not.

Flat White! This drink has long been touted as an alternative to the cappuccino overseas and is now served more and more in Germany. It can be found on most drinks boards of the coffee bars in busy urban areas. The key to success for this drink is the very creamy milk (min. 3.5% fat) which is added to two shots (as in a cappuccino) and the finished product is preferably refined with latte art (and no cocoa powder!).



Cold Brew? The cold brew method (Chemex etc.) continues to be a trend on the coffee scene, despite the rather weak uptake by consumers. Does a bakery need to have Cold Brew? Being served directly from the counter? Not yet. In the drinks fridge in summer? This is more promising. There are numerous variations with milk and different flavours such as “cold brew caramel” or “cold-brew vanilla latte”. The best season for sales is the summer. The most successful cold brew drink in coffee bars is the “nitro cold brew” (Starbucks) where nitrogen is added to the cold “brewed” coffee and it is dispensed into the glass from a tap.



Iced Coffees! Coffee / Espressos with ice cubes. Recommend for bakeries with strong expertise in coffee. The best months for sales are between April and October. One bestseller is the “iced latte”, closely followed by the “iced cappuccino”. For the iced latte, the cup/glass is filled with ice cubes, then plenty of milk and a shot of espresso are poured over, and the drink is served with a straw. The process for an iced cappuccino is similar and served with a straw but two shots of espresso are used instead as well a little milk foam and cocoa powder. The classic cold “filter coffee” with ice cubes has significantly weaker sales. The conservative coffee and ice-cream combination (Eiskaffee) with scoops of vanilla ice cream is OUT for younger target groups (young target groups = high-growth market). IN are the new ice-cream-coffees. These drinks, prepared with cream and syrups/sauces have been discovered primarily by female target group as an “ice cream replacement” (and ice-cream coffee substitute). The bestsellers of the “iced cream coffees” are vanilla, caramel and hazelnut. Young target audiences between the ages of 20 and 40 are particularly open to such trends, which are ultimately a cornerstone for the future of bakeries.



The choice of milk is the key to success!

"Is the coffee different?" - the cappuccino doesn't taste as good as it used to!"

These and similar statements were noted several times in different tests. What had happened in these cases? A coffee bar owner had been using fresh whole milk with a fat content of at least 3.8% for years and years. Due to a supply shortage from his local dairy farmers, the owner decides to use UHT milk from tetra-pak cartons for the meantime. The consistency of the milk foam (creaminess) was different, as was the flavour, even though the coffee beans were identical. The customers were quick to complain. After the dairy farmer started deliveries the usual milk again, the customers confirmed that the "usual, great taste" of the cappuccino was back and praised the "delicious" coffee. Repeated tests were able to confirm the opinions and frustrations of the "regulars".

In advertising its version of the international bestseller, the "flat white", the coffee bar chain Costa used the slogan "velvety smooth". This slogan shows how milk, or rather its "particular creaminess", is of key importance. The frothed milk used in a flat white is much creamier than the "airier" frothed milk used in a latte macchiato. The result is a new coffee experience for the consumer. The coffee competence of a

bakery can certainly be increased by offering a "flat white", as long as this measure is promoted well enough. How many types of milk does a bakery need? To keep up with the standards for showing expertise in coffee, at least whole milk and lactose-free milk should be available.



More standard hot drinks... Tea. Tea belongs to the trio of top hot drinks alongside coffee and hot chocolate. Depending on the region/state, the popularity of this type of hot drink varies. Tea classics like black teas (Darjeeling, Assam or Frisian teas), herbal, green and rooibos teas should be included in your product range. Trend varieties such as chai or matcha are primarily show expertise in hot drinks. Chai tea sells best as the "chai latte" (chai syrup + milk) variety. Sales of matcha Tea (mostly in powdered form) are rather weak but in the summer months it does have better chances as an "iced matcha latte", however. The relaunch of the mint tea with fresh mint leaves around a decade ago was successful and this variety has established itself as one of the top 5 drinks in gastronomy.



Although it does rather occupy a niche in the market, the next drink is now considered a hot drink “standard” and has a promising future. We’re talking about what is called a “Chocochino” or “ChocMoc” in Germany- a popular winter drink of hot chocolate and a shot of espresso. Internationally, the name “caffè mocha or “mocca is more common.

Hot Chocolate. GA-Trendagentur has found the classic hot chocolate (without coffee) sells best in Germany when it is “sweet and creamy”. The most common type here is an instant powdered variety that is mixed with hot water or hot milk. In order to stay on trend, vendors should also offer a white version alongside the conventional brown hot chocolate.

The trends in Hot Chocolate & Co. In winter months, a topping of cream and a lashing of chocolate sauce on a hot chocolate have good chances to sell and add a little special touch. Brittle and other toppings are popular additions to the cream - the sweeter the better.

Take-Away - what do customers accept? Fridays for Future, plastic in the oceans and the mountains of waste caused by take-



away cups. The environmental discussions are ever present. What is the right solution at the moment? It should be pointed out here that consumers generally buy their coffee where they most like the taste and not because the vendor offers a specific deposit or recycling system for drink containers. Whether a vendor has joined a deposit system or operates their own one, the challenge is to offer consumers convenient solutions for consumption and also for intermediate storage. In particular focus is the cup, which should not be too hot in a consumer’s hand and still be leak proof, especially as consumers like to keep their (almost) empty cups in their bags or other containers.

There are already quite a few companies on the market offering solutions to this issue. For bakeries, it would be advisable to sell reusable mugs as well as offer the usual disposable cups. Best would be containers in various materials such as plastic, metal and porcelain. Reusable cups made from bamboo have recently lost their

credibility in terms of sustainability. The retail price of the reusable cups should start at under €10 for the plastic version and go upwards from there. The prices for porcelain or metal cups can be flexible but should not exceed the €20 mark. It is not necessarily required to have the cups branded with your own company logo.

Sourcing locally is the future! The coffee-savvy customers from coffee bars generally spend more money on consuming coffee than “standard coffee drinkers”. The coffee-conscious consumer recognises local “signals” such as “regional milk” from the nearby dairy farm or coffee beans from the “local small roaster”. When we’re talking about sourcing locally, the term “fair trade” is not far away in terms of communication/expectations and then we’ve already entered the trend theme of “sustainability”. Signs relating to sourcing regional products across social media or on the company website strengthen the brand and ensure the future of the business.

Service wagons convey competence! Service wagons where “take-away” customers can fetch lids for their disposable cups, sugar (brown and white), sweetener, milk (mandatory), stirrers and napkins are now considered standard and are expected by consumers. To limit the amount of plastic rubbish, the milk could be provided in jugs or through a tap system. Whole and low-fat milk would be the minimum sorts of milk on offer to show coffee expertise. Service wagons also help to reduce queues in the high-traffic areas at the till or counter.

The drinks board. Gone are the days where consumers were overwhelmed by unpronounceable fancy names for drinks and sizes. Today, customers expect the “classics” - also in the naming. The classics expected in a bakery are coffee (cup or larger mug), cappuccino in two sizes, the latte macchiato in one size and the tea and hot chocolate also in one size each. The “specials” could be a latte in two sizes, and one size each of flat white, caffè mocha and chai latte. The standard capacity of the



“glasses” used for latte & Co. is now 300ml. More specials to show off expertise in coffee would be, for example, a “caramel macchiato / latte” or as a premium version with cream and syrup as a “cream-caramel-latte”.

Coffee machines. An often controversial topic for bakeries: “Semi-automatic coffee machine take too long, even though the maintenance costs are much lower”, “fully-automatic machines are much more convenient/quicker but they hardly show off expertise in coffee”. These two statements are typical for and against arguments from the bakery industry towards semi-automatic and fully-automatic coffee machines. Trend research has shown, however, that semi-automatic machines reflect the highest level of coffee expertise from the consumer’s perspective. Another advantage is that as the milk is frothed separately, “latte art” can be created, which also speaks for the highest competence in coffee.

Of course, the first choice of machine for a bakery’s top drink, the filter coffee, is certainly a filter coffee machine. The questions therefore remains “should the second machine be a semi or a fully-automatic coffee machine?” and this needs

to be answered on an individual basis taking into consideration the bakery's future positioning. GA-Trendagentur has concluded that it would be possible for most types of premises to use semi-automatic machines and to train the staff how to use them - semi-automatic machines are "hip", especially for young people.

The coffee business remains highly competitive. Our recommendation for bakeries is to invest more in their "coffee expertise". This is a good way to attract upcoming target groups into the store and thus secure opportunities for the future even in employee acquisition.

For more insights into the special German bakery market, check out www.ga-trendagentur.com