

NOVEMBER 2020

Category Insights

Coffee Machines

Facts, Stats & Observations

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Coffee Machines

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Range, types & stats
At a point in time...



Executive Summary

Things we're seeing

- ❖ Coffee Machines sales have enjoyed growth driven by COVID19 with every indication that household penetration will continue to increase for the next few years.
- ❖ Shopper satisfaction with existing brand purchases is extremely high regardless of which price point the Coffee Machine was purchased at.
- ❖ Interest in Manual Coffee Machines (*Google Search*) is trending higher.
- ❖ Retailer messaging to consumers is playing a large part in the choice of range for shoppers to choose from including brand price positioning.

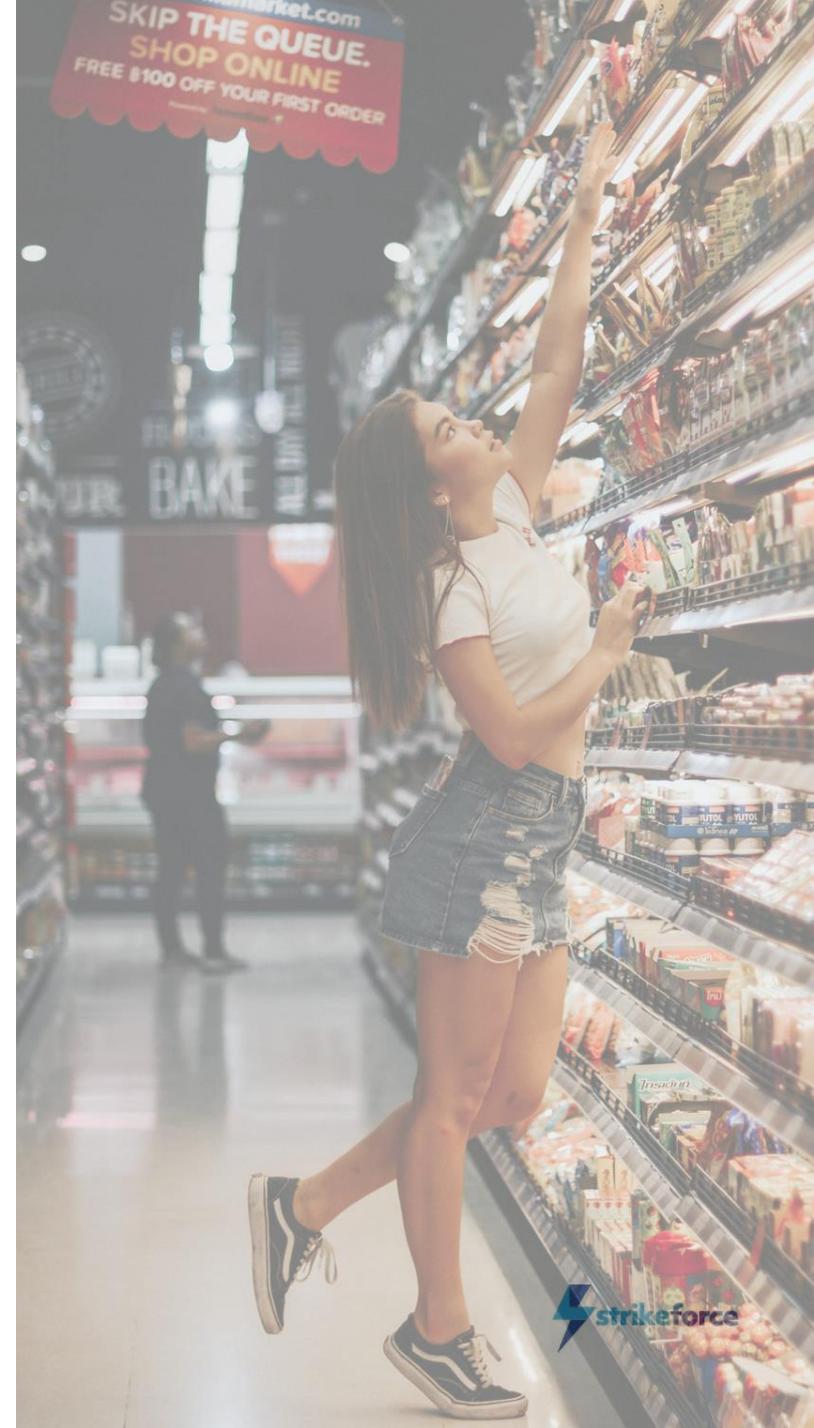
Things we know

- ❖ **For suppliers:** Investing in brand ambassadors (*instore influencers*) and retail staff education on brand features and the overall machine experience will pull through sales at the point of purchase.
- ❖ **For retailers:** Sales promotions and incentives coupled with face-to-face shopper engagement produce higher brand sales than redemption only offers.
- ❖ **Brands** that align with shopper values and expectations enjoy high satisfaction levels and brand advocacy from shoppers to family and friends driving incremental sales via word of mouth.

Core Shopper Motivators

Aspiration OR Need

- ❖ **Holistic health & wellbeing** – households are seeking healthier options and that includes increased purchase of brands that help them to reach an objective of a holistic approach underpinned by convenience, transparency and value.
- ❖ **Environment** – shoppers are more aware of what impact consumption has on the environment, **reduced consumption**, waste and energy use.
- ❖ **Technology** – whilst mobile technology continues to blur the line between bricks & mortar & online retail, retargeting & serving up paid ads, consumers will push back demanding more privacy and **human interaction**.
- ❖ **Recommendations | Reviews** – consumers feeling empowered to call out companies, brands and people they disagree with and **sharing positive & negative experiences**.
- ❖ **Personalise | Identity** – a move away from rigid definitions of self. Gravitation towards members of “their” tribe – **dictated by mindsets** and hobbies rather than their family.
- ❖ **Value** – rejection of excessive and unsustainable consumption. A more **mindful approach to spending** and **experience**.
- ❖ **Sharable Experiences** – powerful **emotional connections to brands** that are **creating apoint of difference**. Collective experiences will gain in popularity and can be shared.



The Coffee Machine Shopper

Considerations

Why buy a coffee machine for home?

Economical | Saving Money – buying a machine for home will work out **cheaper than buying café store coffees**.

Choice – there is a **large choice of coffee** to choose as well as a **wide range of machines** to produce that perfect cup. These include both Pods & Ground options.

Environmental – Rise of 'keep cups', no take away cups to dispose off. There were 100 billion takeaway coffee cups that Australians sent to landfill last year (2019).

COVID Convenience – with many working from home now it is easier to walk to the kitchen for a brew than risk potential exposure to infection at a café seeking out a Barista made coffee.

Experiential – the ability to improve your coffee making skills and make your coffee the way you like it. **Demand for education.**

Coffee Machines

What we do know...

The coffee maker market globally was valued at \$3.8 billion in 2019 and is **expected to reach \$5.1 billion by 2027**.

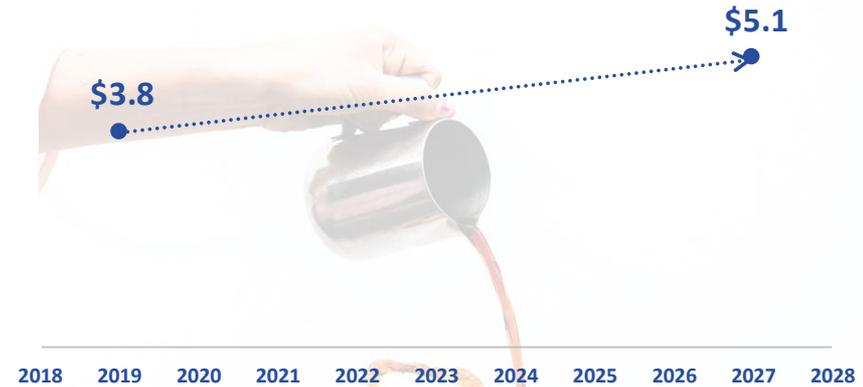
Changing consumers preferences and awareness of health benefits are expected to drive coffee consumption higher.

A rise in the number of cafes and restaurants has been driven by Millennials and there is now a **desire to replicate the same experience at home**.

This trend has been escalated the volume of coffee machine sales driven by COVID and the desire to reduce exposure to potential infection when eating out.

COVID has caused supply chain issues for Coffee Machines in some countries however this is expected to be rectified in the medium to long term.

Global Coffee Machine Sales (\$ billion)



home coffee machine sales in Australia annually

Source: alliedmarketresearch.com; afr.com

COVID Driven Demand

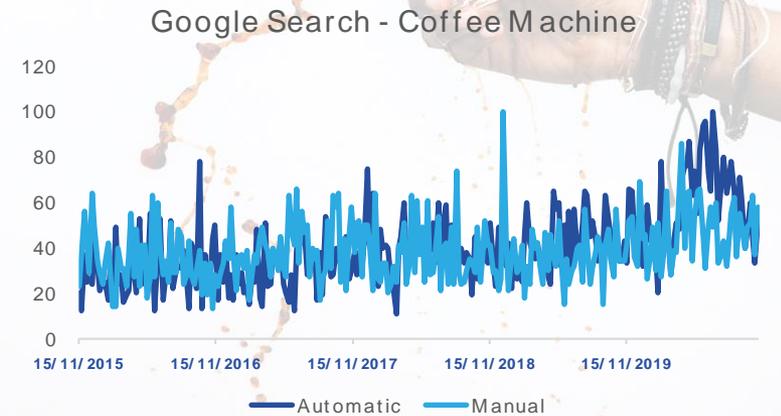
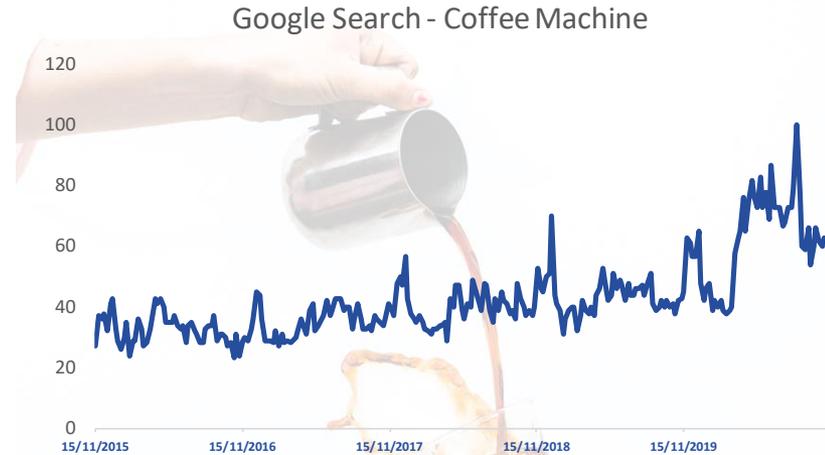
What we do know...

We experienced a significant uplift in interest in Coffee Machines searched on the internet as COVID arrived on Australian shores.

Google Searches for Coffee Machine **were at 39** on 8th March, within two weeks had **risen to 63** as the pandemic started to bite with interest peaking in late August 2020.

As we moved down the continuum from March interest has been highest in Automatic Coffee Machines which attracted a higher rate of searches for 80% of weeks to 01/11/2020.

Manual Coffee Machines have had a higher search rate for each of the last three weeks so there may be a shifting preference towards the ability to improve your coffee making skills and make your coffee the way you like it.



Source: Google Search



Supermarket Coffee Sales

What we do know...

Using supermarket coffee sales as an indicator it is clear both **Coffee POD's and Roast & Ground Coffee sales are booming.**

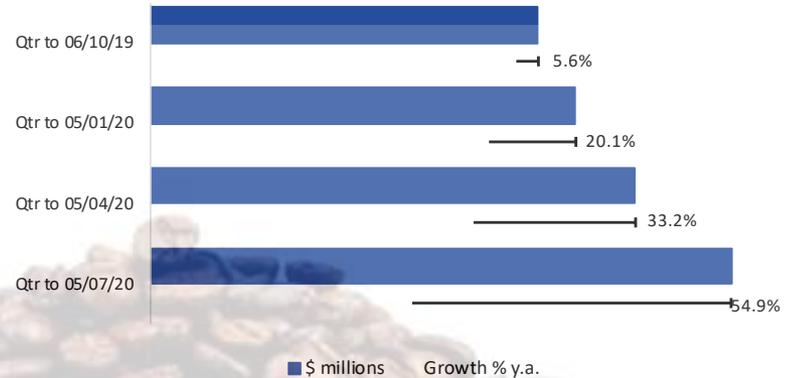
COVID driven elevated growth for both these coffee subcategories has continued for the last three quarters versus year ago.

Coffee POD growth continue to rise indicating that machine sales should also continuing to increase.

Roast & Ground Coffee sales also remain at elevated levels however growth has come off slightly in the latest quarter.

The industry needs to be cautious about focusing too heavily on winning share of shopper's wallet from just Coffee POD and Automatic Machines.

POD Coffee



R&G Coffee



All growth versus year ago unless otherwise stipulated.

At A Point In Time

Variation by retailer...

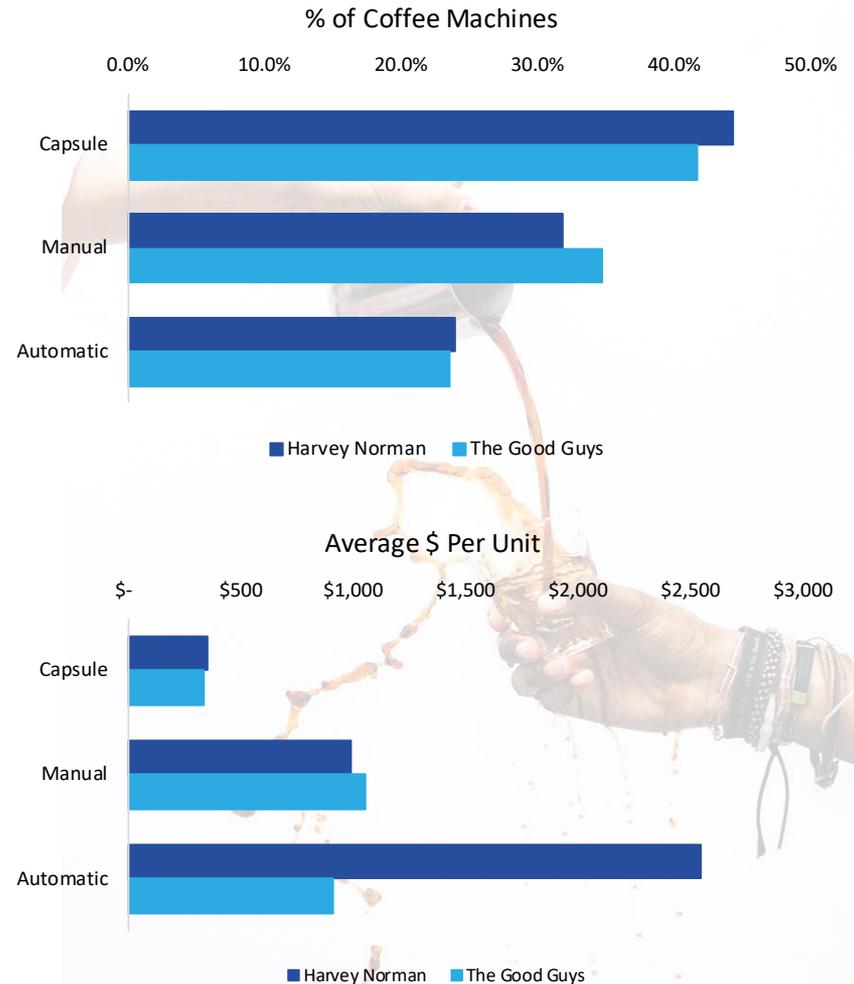
Harvey Norman's Coffee Machine range consisted of 88 SKU's in total.

The Good Guys Coffee Machine range consisted of 72 SKU's in total.

Average subcategory price points are relatively close for both Capsule Machines and Manual Machines.

There is a major variation in average price per machine for Automatic Machines where Harvey Norman has 81% of the range with a price point >\$1,000 compared to The good Guys where just 29% of the range are priced >\$1,000.

The price differential for Automatic Machines creates opportunity to reshape retailer ranges.



Source: harveynorman.com.au; thegoodguys.com.au
Data collated 10/11/20.

At A Point In Time

Several differentials...

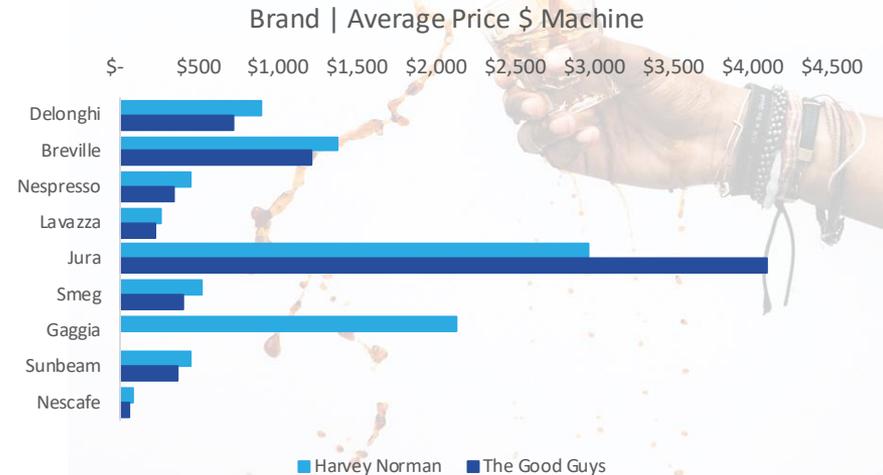
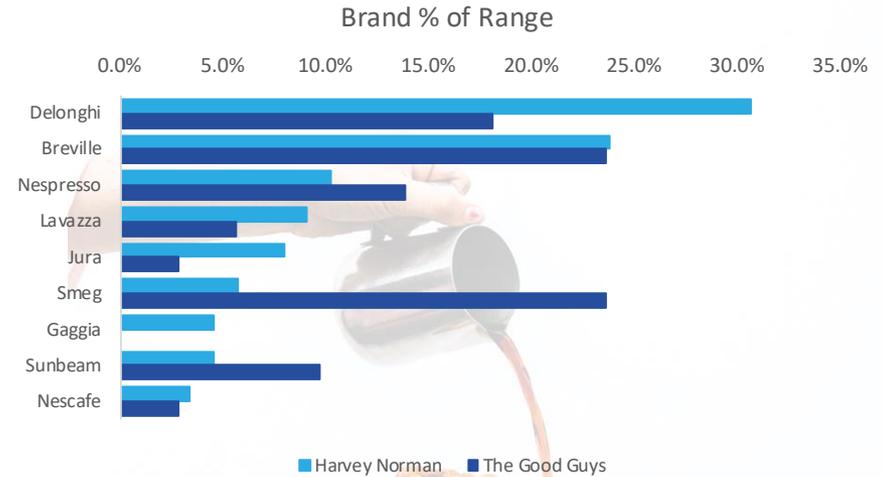
Brand presence by retailer range varies with Delonghi brand accounting for 30.7% of Coffee Machines in Harvey Norman compared with just 18.1% in The Good Guys.

The largest availability gap between retailer sits with Smeg where the brand accounts for 23.6% of The Good Guys range compared to Harvey Norman where the brand accounts for just 5.7% of range.

The top average price per machine was Jura brand followed by Gaggia and Breville.

Delonghi is positioned as a mid priced brand looking purely at the average price per machine.

Retailer messaging to consumers is playing a large part in the shape of range for shoppers to choose from and brand price positioning.



Source: harveynorman.com.au; thegoodguys.com.au
Data collated 10/11/20.

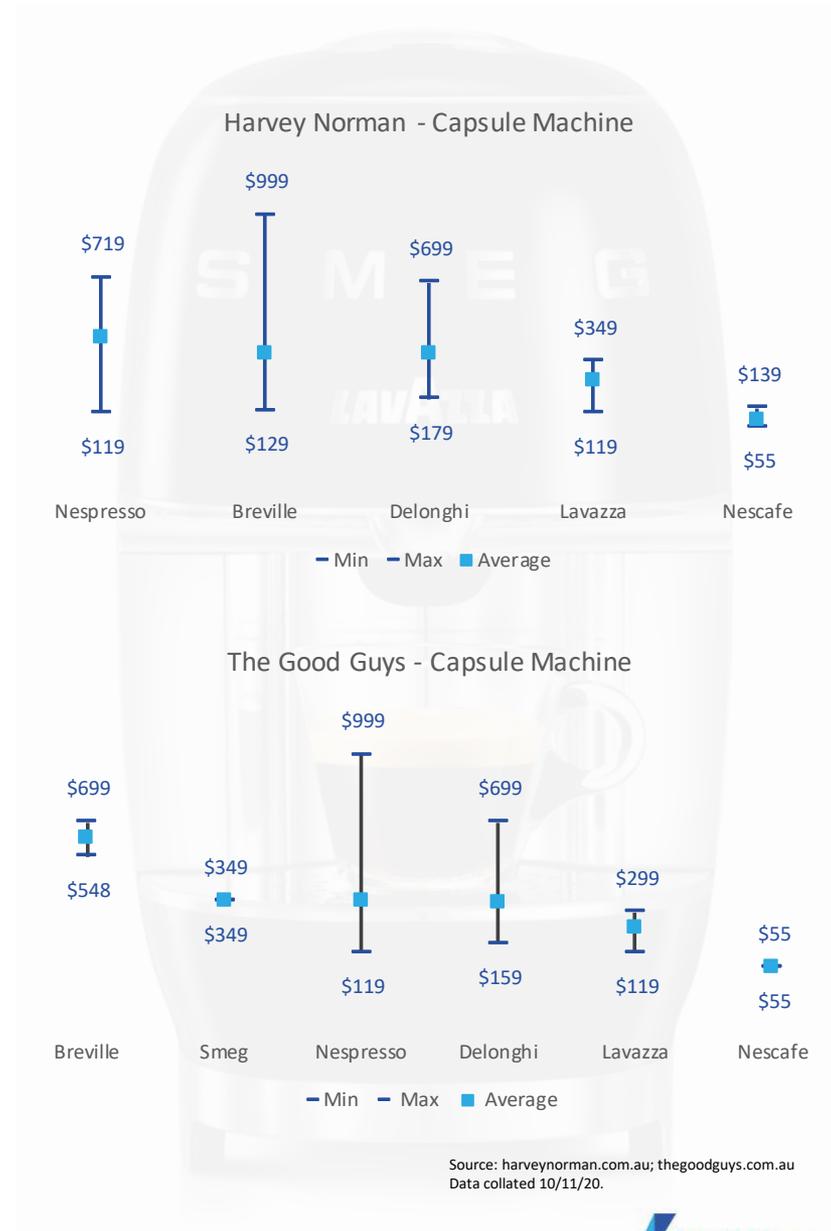
Capsule Machines

Some brand price variations...

On the whole the variation between minimum and maximum price by brand does not differ greatly hence the various other incentives - gift voucher redemptions, cash back incentives, bonus coffee beans and Dan Murphy vouchers.

Where there are variances between minimum and maximum price points for the same brand in different retailers this is driven by a single item e.g. Nespresso has a maximum priced item in Harvey Norman at \$719 compared to \$999 in The Good Guys.

Investment in brand ambassadors and retail staff education on brand features and benefits rather than funding existing incentives may produce higher brand sales than redemption vouchers.



Source: harveynorman.com.au; thegoodguys.com.au
Data collated 10/11/20.

Manual Machines

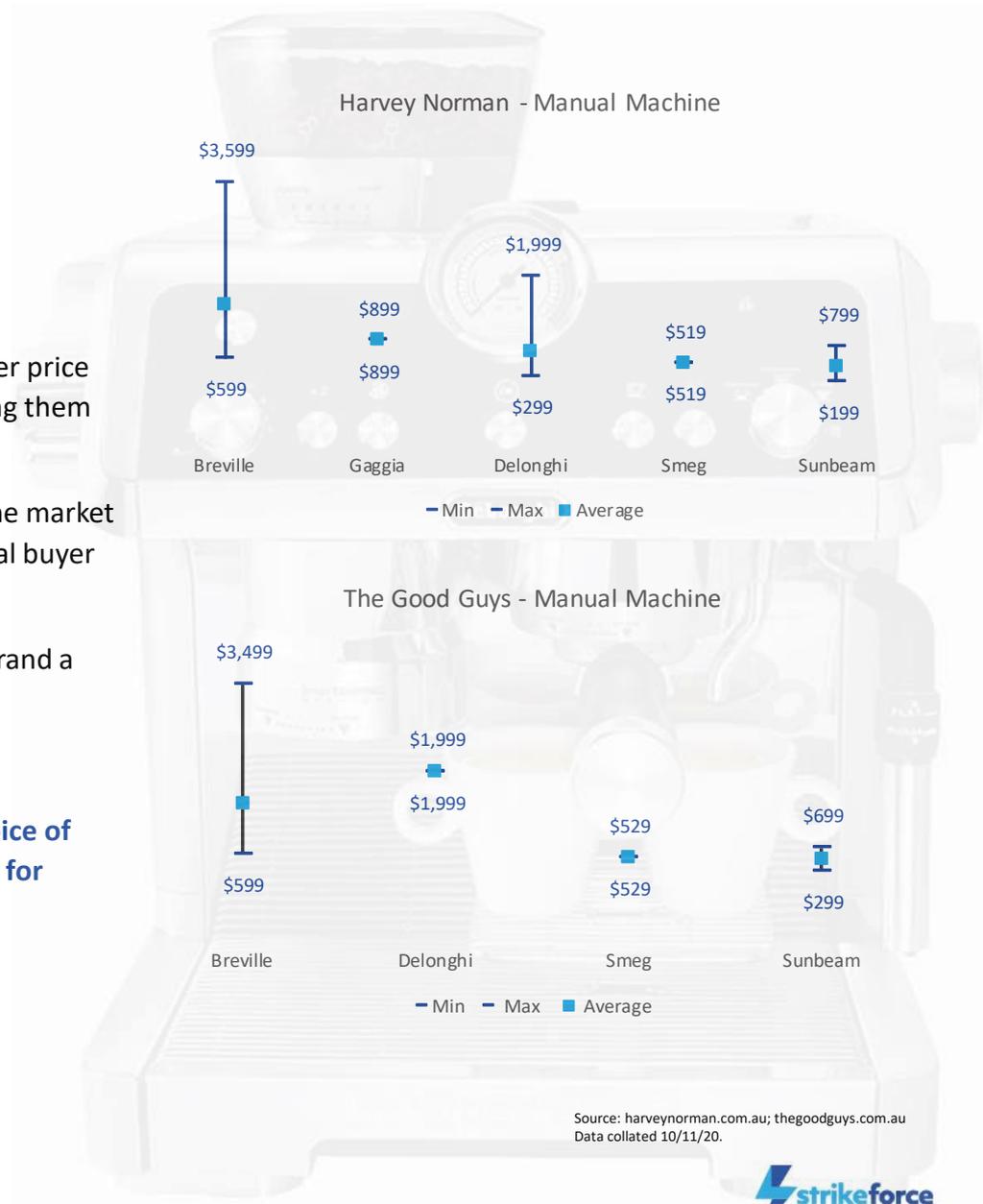
Similar strategy...

Breville and to a lesser extent Delonghi have a much wider price spread in Manual Machines than competitor brands giving them access to more Coffee Machine shoppers.

Playing exclusively at either the high end or low end of the market limits a brand's ability to attract attention from a potential buyer as well as the opportunity to trade a shopper up.

The price spread from low to high for Breville gives the brand a distinct marketplace advantage.

It may be advantageous for retailers to broaden the choice of brands at various price points with more priced options for shoppers.



Source: harveynorman.com.au; thegoodguys.com.au
Data collated 10/11/20.

Automatic Machines

Strategic deviation...

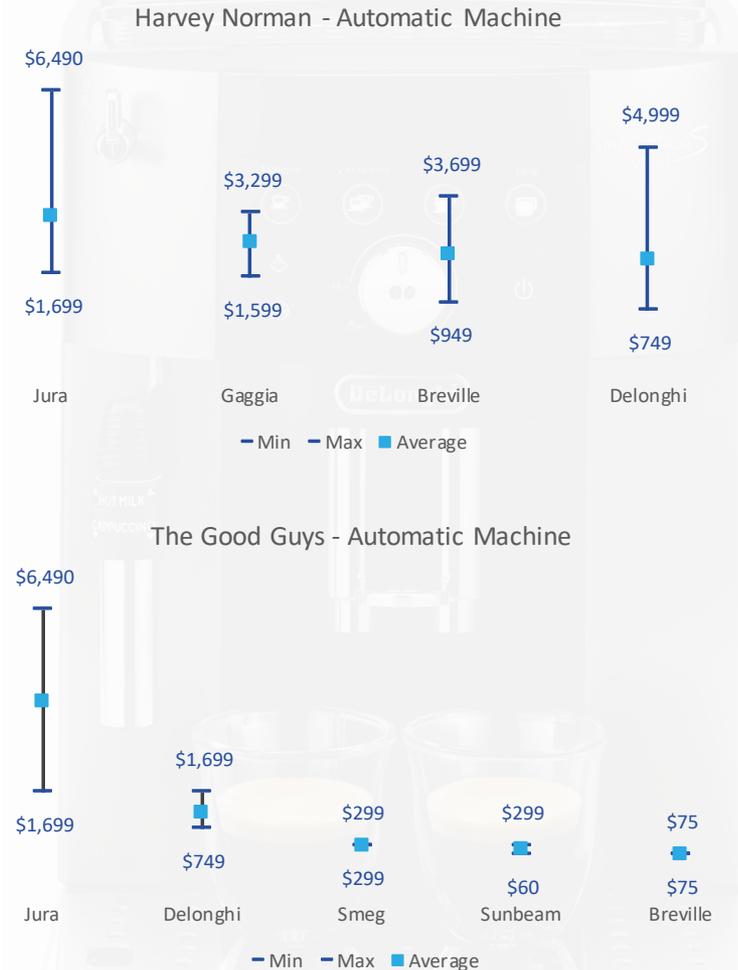
The different approach by retailer to range and price points for Automatic Coffee Machines is stark.

Harvey Norman's range will appeal to mid to high end shoppers focusing on performance and features and benefits.

The Good Guys range will appeal more towards the budget conscious Automatic Coffee Machine shopper with Jura brand available to higher end shoppers.

There is significant room to move mid tier priced brands into Automatic Coffee Machines.

Occasion and usage need to be taken into consideration.



Source: harveynorman.com.au; thegoodguys.com.au
Data collated 10/11/20.

Shopper Satisfaction

Lots of satisfied coffee drinkers...

Regardless of price point or coffee machine shoppers purchased, when offered a review the product or offer feedback a high level of satisfaction from their purchase.

Satisfaction with Coffee Machines purchased from Harvey Norman was 4.5 out of 5 with satisfaction from purchases from The Good Guys slightly higher at 4.6 out of 5.

Satisfaction was consistent across Capsule, Manual and Automatic Coffee Machines.

Brands that align with shopper values and expectations enjoy high satisfaction levels and brand advocacy from shoppers to family and friends driving incremental sales.

Harvey Norman
Rating out of 5 stars



The Good Guys
Rating out of 5 stars



Source: harveynorman.com.au; thegoodguys.com.au
Data collated 10/11/20.

What to know more?

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