

'The coffee and tea war'... will there be a winner?



According to some experts tea is trending globally as well as across the region. But does this trend signal a decline of the coffee market in the Middle East or is it an opportunity for the F&B industry to capitalize on and increase revenues further?

Old traditional dull tea is dead', **Nagi Morkos**, managing partner, **Hodema** proclaimed in a food trends' report for Hospitality News Middle East back in May, '...with hipster tea places paving the way'. The report also stated that 2014 has been the year that sees '... tea on a crusade against coffee', citing a trend for, among other things, tea hitting nightclubs where bartenders are using it as a base for cocktails.

It is clear that the tea trade is an already established market in some areas of the Middle East. According to the DMCC, a government entity established in 2002 to enhance commodity trade flows through Dubai, its tea center revealed that the UAE is the world's largest re-exporter of tea with a 60 percent share of the market. Moreover, DMCC, in its role as facilitator of trade, has established a range of both infrastructure and market services that enable its end users to capitalize on the flow of tea through Dubai. In 2013, the total trade volume of tea through Dubai increased by 29 percent to 129 thousand tons, and the value increased by 34 percent to USD 463 million, in comparison to 2012.

Tea invents a niche market

When asked if he thought that tea was gaining further popularity across the region, **Adib Maksoud**, business development manager, **MONIN MEIA** said that it is more or less stable in its traditional way. However, he added that there are signs that there is a growing interest for speciality tea and a few tea houses, that serve and retail high-end teas, opening in the UAE and across the region.

"But I believe this is still a niche market. Where [the] tea [market] is growing and generating volume is in its cold version," says Maksoud. "Iced tea is often perceived as a healthier and lighter option to carbonated drinks. All big players in the beverage industry are pushing and innovating in these applications. At MONIN, we have recently launched a renewed and enhanced version of our Ice Tea Concentrates range, with a much higher content of tea extract and a totally natural formulation."

That tea belongs to a niche market is echoed in Lebanon by **Nicole Fayad**, one of five owners of **Tea Potes s.a.l.** that has the brand **Awan** tea shop in Beirut's port area. "Tea amateurs in Lebanon are mainly men. There is a serious niche of quality tea drinkers among food gourmets and among the artistic community," says Fayad, adding that the young generation under 40 has displayed a recent attraction towards tea, but the older ones often associate tea with a remedy to drink when feeling sick.

For the time being Awan is only present in Lebanon, apart from being sold at the recently opened Café Younes in Riyadh, which serves Awan tea. "In Lebanon, coffee still wins," she says. "The pleasure of drinking quality loose tea is a world trend, but it is still developing in Lebanon."

Coffee fights back

Both coffee and tea trends can be seen in the region's marketplace, with, according to Maksoud, most of the brands' franchises for the Middle East being based in Dubai, which automatically gives the UAE a trend setting >

OUR EXPERTS



Nagi Morkos,
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Hodema



Adib Maksoud,
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Donald Batal,
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Georges K. Karam,
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Metropolitan Palace**

6 BREWED COFFEE IS GAINING MARKET SHARES AND ESPECIALLY SUCCESSFUL ARE JAPANESE SIPHON BREW AND COLD DRIP

position in the region. However, it is important to recognize that it is the USA and the UK that are the true trend setters in terms of food and beverage, since franchises are dominant in the F&B Market.

"Speciality coffee is growing with a lot of companies addressing the increasing demand for single origin and small production coffees," Maksud reveals, when we ask him about new coffee trends. "Brewed coffee is gaining market shares and especially successful are Japanese siphon brew and cold drip. This latest way of extracting coffee takes a long time but does not use any heat, so it preserves all the fruity and fresh aromas of speciality coffee and combines extremely well with MONIN fruit syrups."

Further coffee trends are emerging and are helping coffee to either maintain and/or claw back parts of its market share. "Consumers are gradually ditching 'non-gourmet' coffee in favor of more speciality coffee and espresso-based drinks," says **Donald Batal**, managing director, at **Ministry of Food**. Concerning what constitutes 'gourmet' coffee, it is coffee that consists of espresso-based beverages and regular coffee made with gourmet coffee beans," he says, adding that "gourmet" covers essentially any Arabica coffee products, pods included – as well as any retail espresso drinks."

Tea makes a dent in the market

"Coffee still has its own preferred time and its own loyal customers and trends," says **Georges K. Karam**, director – business development, **Hilton Beirut Habtoor Grand and Hilton Beirut Metropolitan Palace**. And seemingly, it has always taken an important share of the market, according to Batal. "... but nowadays it is tea that is emerging more and more because of the flavors and the different options they are being offered in the marketplace."

Afternoon tea, in operation since February



of this year, is a concept at Oak Lounge, at the Hilton Beirut Habtoor Grand, and has been in operation since February of this year. The promotion, which also offers coffee, serves an array of tea such as Lavender earl grey, Moroccan mint green tea, Pacific fruit infusion, white tea, peach tea, chamomile and cinnamon tea. "It has been really interesting to notice the escalating path of this trend," says Karam. "Teas are becoming the number one choice to be taken when it comes to wanting a smooth afternoon with a great taste. The growing trend of tea is obvious and is becoming almost equal to [that of] coffee."

Big brands dominate the market

With big brand coffee houses ruling the roost, Batal believes that there is room for independent brands. "Coffee would be more specialized if independent brands served a bigger variety of different beans from different sources and different roasts," he says. "As for tea houses, more local brands, in my opinion, will emerge to compete with international ones."

Maksud thinks differently, citing that brand image, premium location and quality of products are the success factors for coffee shops in the Middle East. "The Middle East is dominated by franchises with strong brand building strategy. It's becoming difficult for independent venues to exist and gain loyal customers. In addition, most of the consumption is done in shopping

malls. Considered as a premium location, where rent and operation costs are expensive, malls are mostly sustainable for franchises. The room for independent venues is small but not impossible."

EXPANSION PLANS ON TRACK FOR STARBUCKS

According to the latest Starbucks Corporation Q3 earnings report on July 24, and as cited by the Forbes online portal, the company reported strong second quarter results for the 2014 fiscal year, with global comparable sales growth of 6 percent and a revenue of USD 3.9 billion. The highlight of the second quarter was its noteworthy comparable sales growth in China and Asia-Pacific (7 percent), as well as in Europe and the Middle East (6 percent). Starbucks opened 335 outlets globally in Q2 of fiscal 2014, bringing the total count of stores to 20,519, with a further 1,500 new outlets to open this fiscal year. Half of them will be in the emerging markets of CAP, with an allocated capital expenditure of USD 1.2 billion for this purpose. Apart from planning to expand its Starbucks stores, the company is also expanding its Teavana Tea Bars. In the third quarter, the company opened its Teavana Tea Bars in New York, Chicago and Seattle. Tea, being the most consumed beverage in the world, it is a lucrative USD 90 billion market. If Starbucks succeeds in building Teavana in a manner similar to its coffee chain, the company can go on to dominate this segment in the near future. forbes.com



"TEA IS ONE OF THE HOTTEST NEW THINGS"

SAYS DONALD BATAL

It is very much up on the trendsetter scale. Tea trends are becoming more and more obvious in society especially among younger people. Some of the most recent tea trends are using tea as a topping or as an ingredient in favorite everyday foods and drinks. Tea is even popular in the bars; nowadays it is being mixed into many different drinks. Green tea ice cream is also a new trend when it comes to food. Another tea trend is serving loose leaf tea

rather than the standard tea bags. Other tea trends include the introduction of flavored, scented and herbal teas. Also, young people and teenagers are now drinking more tea products because of the introduction of iced tea. Green tea is another tea trend, wherein it is drunk for the obvious health benefits that it possesses. It is also a very popular cold drink. There are many different types of green tea and many ways to enjoy it.