



Ecological and Single Origin Launch

Latvia: consumer research



Consumers who believes, it's worth to pay more for Ecological Food

Baby Boomers (1946-1964)				Gen X (1965-1979)				Millenials (1980-1995)				Gen Z (1996-present)			
2012	2014	2015	2016	2012	2014	2015	2016	2012	2014	2015	2016	2012	2014	2015	2016
66%	67%	68%	60%	59%	53%	69%	56%	54%	57%	60%	44%	38%	33%	64%	71%



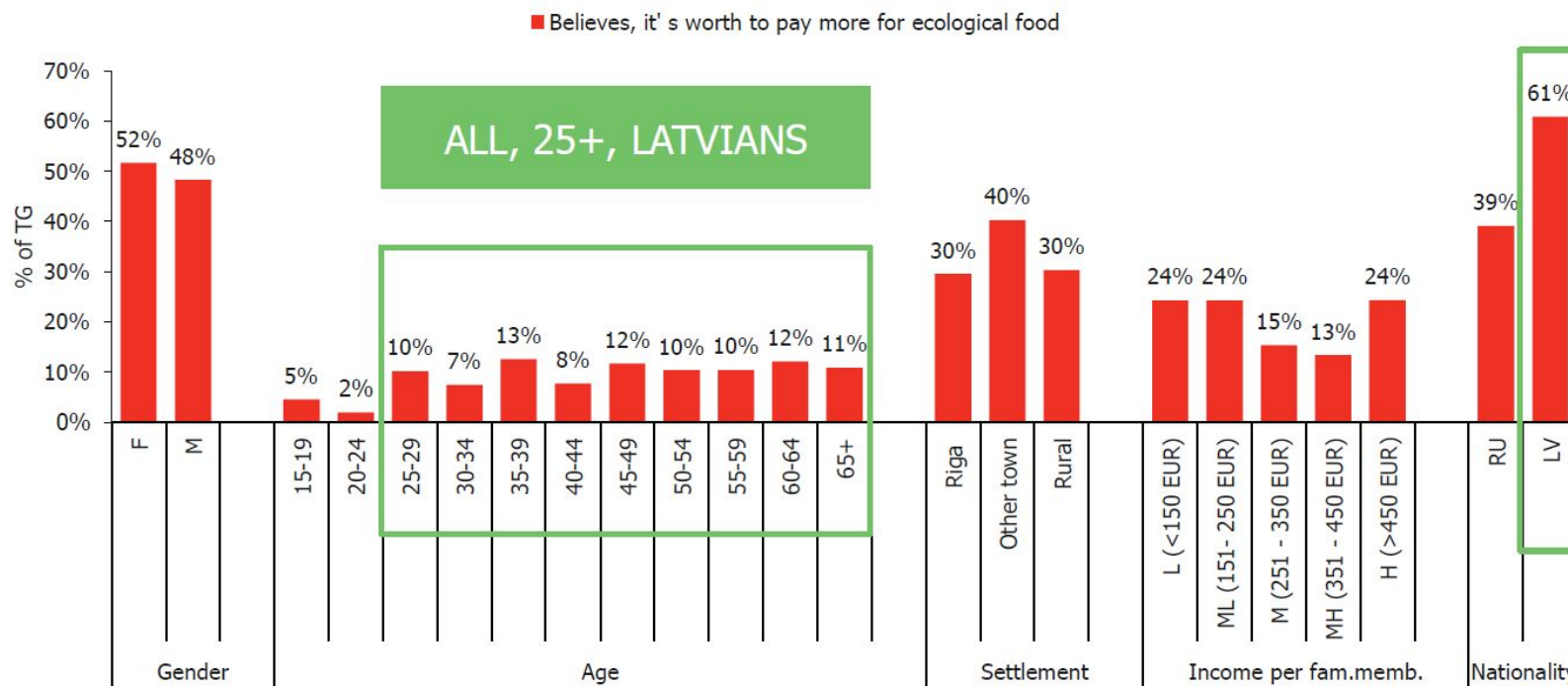
- ✓ Significant part of consumers believes in Eco Food, especially in the youngest generation



Latvia: consumer research



Social profile



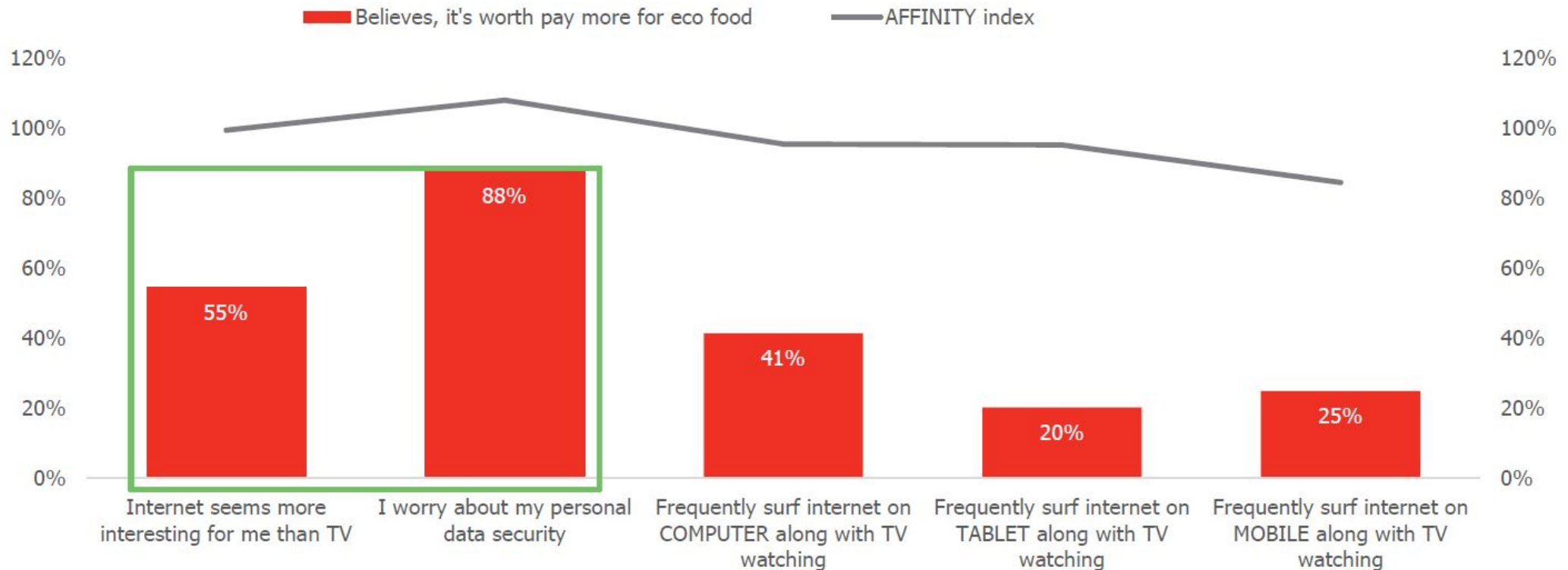
✓ Wide social profile, higher interest among Latvians



Latvia: consumer research



Values: Technologies



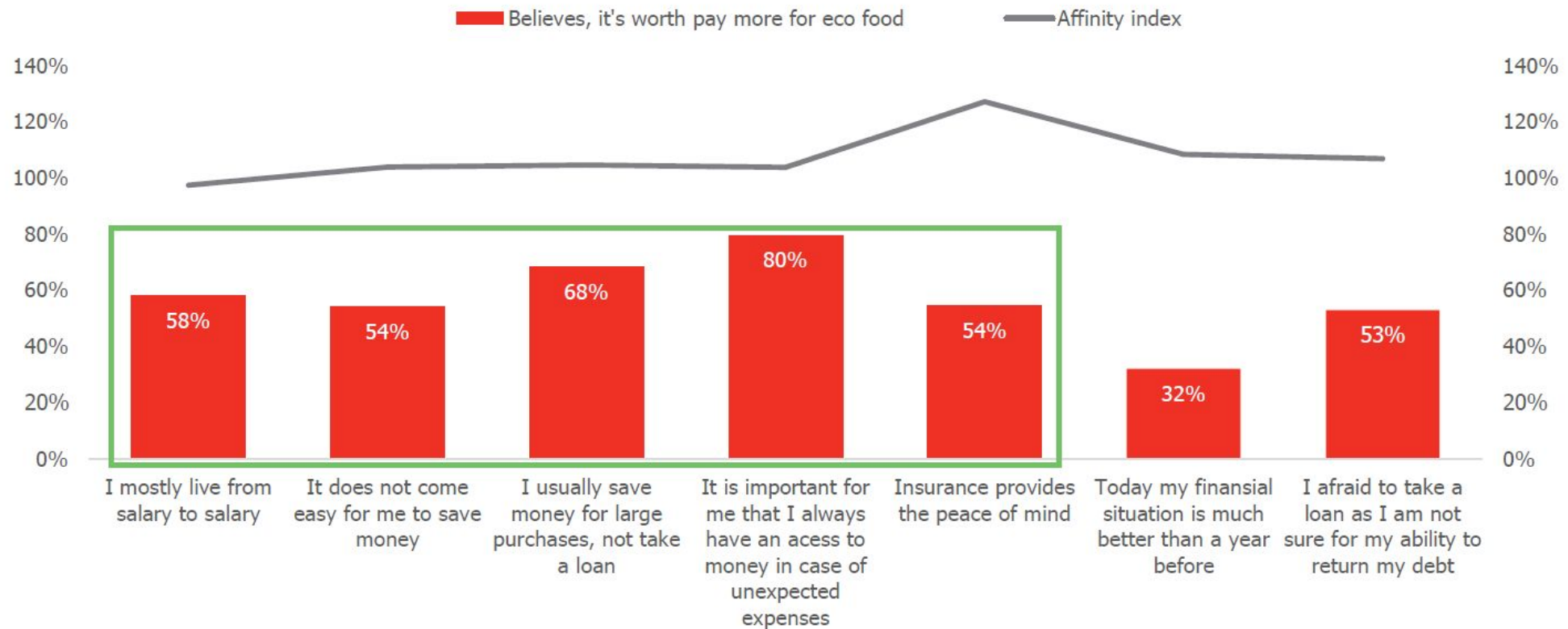
✓ Internet is more actual for Eco considerators □ opportunity to make FB campaigns on retailers FB pages



Latvia: consumer research



Values: Finance



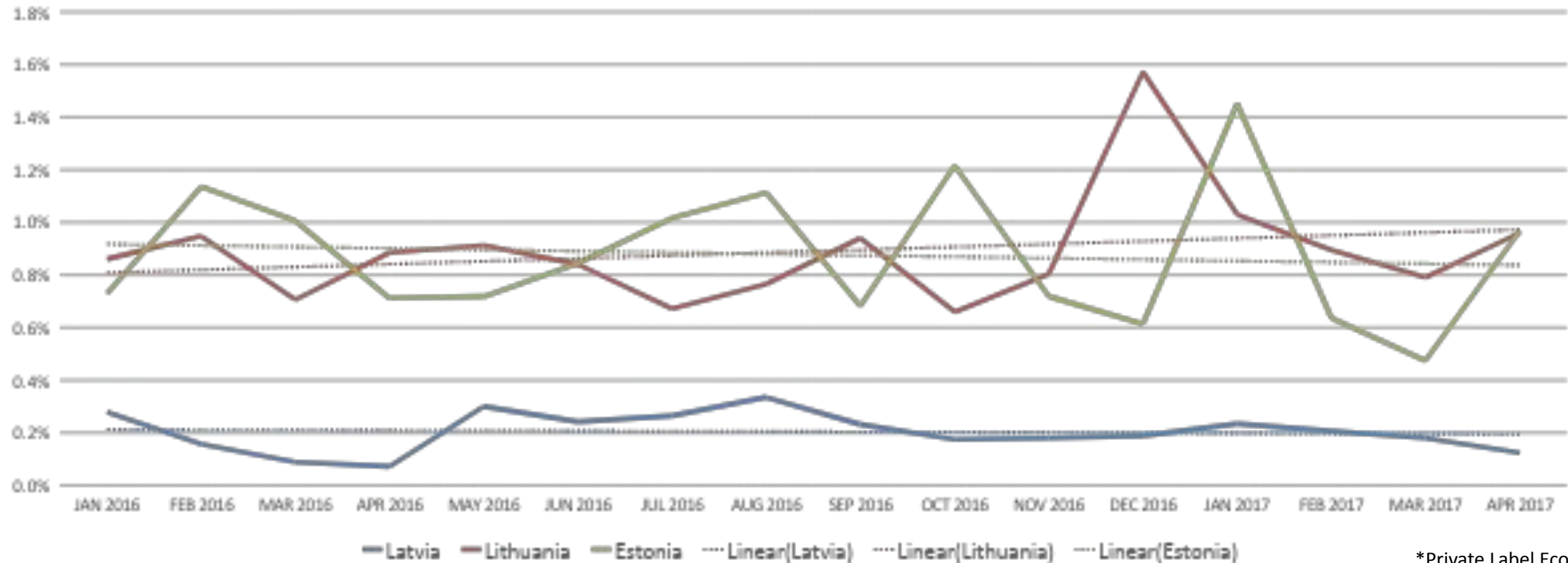
- ✓ Eco products are mostly considered by those who can save but also **more than half** of those who live from salary to salary consider it.



Baltics: Eco/Origins Value Shares development



Roast & Ground*



*Private Label Eco brands not included

- ✓ Eco brands are especially popular in **LT and EE**. In LV – stable, but as in other categories it is expected to grow.
- ✓ In Estonia in beans MS is around 1% in recent months.

Data source: Nielsen



The Merrild family



Roast & Ground



Merrild
In-Cup



Merrild
Classic



Merrild 100%
Organic

new

Beans



Arabica
Beans



Espresso
Beans



Organic
Beans

new



Merrild Single Origins



new



The Merrild family



Instants



Merrild Gold



Merrild
Caramel



Merrild
Hazelnut



Merrild
Ecological



Merrild Single Origins



Merrild 103
100%
Arabica



Merrild
Brazil
100%
Arabica



Merrild
Strong



Competitive Landscape



- ✓ Very **limited** offer from biggest players
- ✓ Single Origin / UTZ mostly ☐ **not enough of Organic**
- ✓ Single Origin – constant assortment, not changing (as Merrild)



Merrild Organic



Ground Coffee



Organic

A tasteful and aromatic light to medium roasted coffee for weekday moments where you both do something good for others and simultaneously you do something good for yourself.

The coffee is grown on the slopes of the South- and Central American highland – completely without inorganic fertiliser and pesticides.

The roasting of the organic beans are similar to traditional coffee, in order for the taste to reach the same high quality – just organic.

100% organic – 100% great coffee taste.



Beans



Organic

The beans are 100% Arabica beans and carefully chosen from the worlds leading coffee manufacturing countries and gently sorted and roasted.

These organic coffee beans give a great, tasteful coffee with a light acid and rich aroma.



Merrild Organic Instant



A blend with the familiar taste of a great cup of Merrild coffee!



For you who demand coffee in an instant we have made this **organic** fine and rich instant coffee. Cup for cup you get a coffee delight with a round and balanced aftertaste. The coffee is medium roast and is a blend of assorted coffee beans.

Merrild Single Origin



Merrild Single Origin concept

"I enjoy freshly grounded coffee. That is the perfect way to get the best out of the fresh beans."

At Merrild we are passionate about quality coffee. We know that there is not just one good coffee region or just one good coffee blend. We also know that every single crop is unique – and that the fresh crop is something very special.

Merrild Single Origin is a range of freshly harvested beans. We follow the fresh coffee harvest around the world and give you new origins from the latest crop every season. The origins are only available in a limited quantity and are only sold in the season in question.

Merrild Single Origin range: New origins twice a year – every spring (around April) and every autumn (around October) always from new origins but can reuse previous used origins with years interval.

The range consists of **3 SKU's**:

- 1 x Organic (always organic & sustainable, no specific origin)
- 1 x Sustainable (always sustainable, no specific origin)
- 1 x Pacific (neither organic or sustainable, no specific origin)



Merrild Single Origin



- * Follow the coffee harvest the around world *
- * New harvest once a year *



Pacific

Originates from the highland areas in Laos and has a soft and round coffee with notes of fruit and red berries.



Ecological



Organic coffee beans with a sweetness in the aftertaste with light acidic and flowery notes.



Sustainable

Sustainable coffee beans with a elegant balanced taste with a natural sweetness and a touch of caramel.



Merrild Single Origin Instant



Instant consumers increasingly demand for a broader and more exotic selection

.....
An instant range with more unique and slightly more expensive variants



Possibility to increase value in the category and build excitement



Merrild Instant Single Origin Brazil or Colombia

Merrild Instant coffee from Brazil or Colombia is for you, who are longing after an exciting cup of coffee in a short period of time. The blending profile is smooth and balanced with a delicate longlasting taste. The coffee is medium roasted and made of 100% Arabica beans.

Advantages



For Merrild

- ✓ Enlarge the assortment □ visibility
- ✓ Be different, stand-out on the shelf
- ✓ Cover the demand for growing trend
- ✓ Premium pricing, improves the image of the brand
- ✓ Enhance loyalty via building higher equity and image
- ✓ Opportunity to play with different products for promo windows

For Trade

- ✓ Expand the assortment by offering something different to consumer
- ✓ Increases the value of the category
- ✓ Cover the demand for growing trend
- ✓ Premium pricing, improves the image of the store
- ✓ Avoid constant price wars
- ✓ Single Origins changing yearly □ creates excitement

Coffee Trends

Coffee Global Trends: premiumisation



Third Wave movement opens opportunity for innovation through premiumization

- There are **three major “waves”** of coffee development:
 1. In the “first wave”, coffee becomes widely available to households through retail
 2. The “second wave” describes the growth of coffee houses and a more specialised view of coffee
 3. The **“third wave”** is a further step up in coffee appreciation, focusing intensely on **where beans are sourced, how they are roasted and a renewed focus on brewing methods.**



Considering that consumers increasingly look for greater premiumisation, their search for craft and artisan products has opened up the **retail space to more specialisation, creating greater fragmentation within the market.**

Coffee Global Trends: Third Wave



“Third wave” coffee*: is a further step up in coffee appreciation, focusing intensely on where beans are sourced, how they are roasted and a renewed focus on brewing methods.

- **Share of global third wave fresh coffee* retail launches, top 5 markets, Jan 2015 – mid-Dec 2016**



27%

USA



9%

Canada



6%

South Africa



6%

France



5%

Australia

*Ground or beans or pods/capsules which use the product descriptions: "small batch" or "single origin" or artisanal or craft

Coffee Global Trends



Single Origin : a growth opportunity in coffee market

A value added niche, in the main markets

- Segment strongly developed in **UK** (3.000 T, vol. share 15%) e **US** (35.900 T, vol. share: 8%), growing in both countries
- In **FR** and **GER** is still a small segment in terms of volumes (FR > 1.100 T, vol. share: 0.7%; GER > 3100 T, vol. share: 1%) but growing vs PY
- Premium positioning vs average market price



		AT MARZO 2017			
		Volume Sales in Tons	Value Sales (Mio/€)	Price pr KG (€)	Price pr KG Index (€) vs Category
FRANCI A	TOT R&G	154.448	1.503	9,73	100
	TOT SINGLE ORIGIN R&G	1.141	16	13,79	142
	SHARE SU MKT CAFFE'	0,7%	1,0%		
	DELTA VOL VS LY	15%			
GERMAN I A	TOT R&G	286.727	2.408	8,40	100
	TOT SINGLE ORIGIN R&G	3.162	42	13,18	157
	SHARE SU MKT CAFFE'	1,1%	1,7%		
	DELTA VOL VS LY	3%			
USA	TOT R&G	455.196	8.503	18,68	100
	TOT SINGLE ORIGIN R&G	35.960	519	14,42	77
	SHARE SU MKT CAFFE'	7,9%	6,1%		
	DELTA VOL VS LY	+++			
UK	TOT R&G	20.825	334	16,03	100
	TOT SINGLE ORIGIN R&G	3.032	47	15,62	97
	SHARE SU MKT CAFFE'	14,6%	14,2%		
	DELTA VOL VS LY	11%			



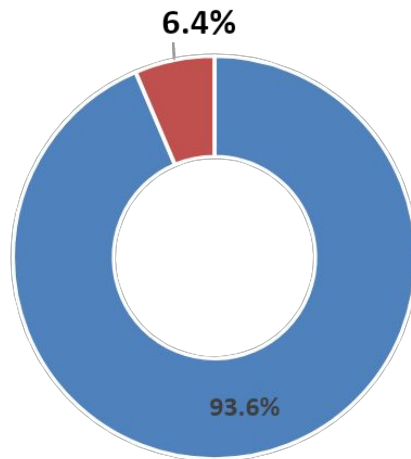
Premiumization via smaller packs



- **Small pack:**

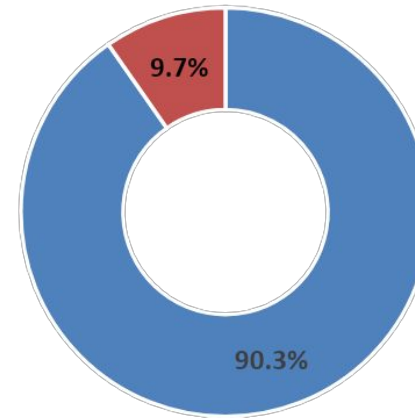
- smaller out-of pocket to make a try
- Not every-day product: gourmet experience in special moments
- Segment reaching 6,4% av MS in Estonia and 9,7% av MS in Latvia in 2017

Beans MS av 2017 - EE



■ 1kg ■ 250-500g

Beans MS av 2017 - LV



■ 1kg ■ 250-500g

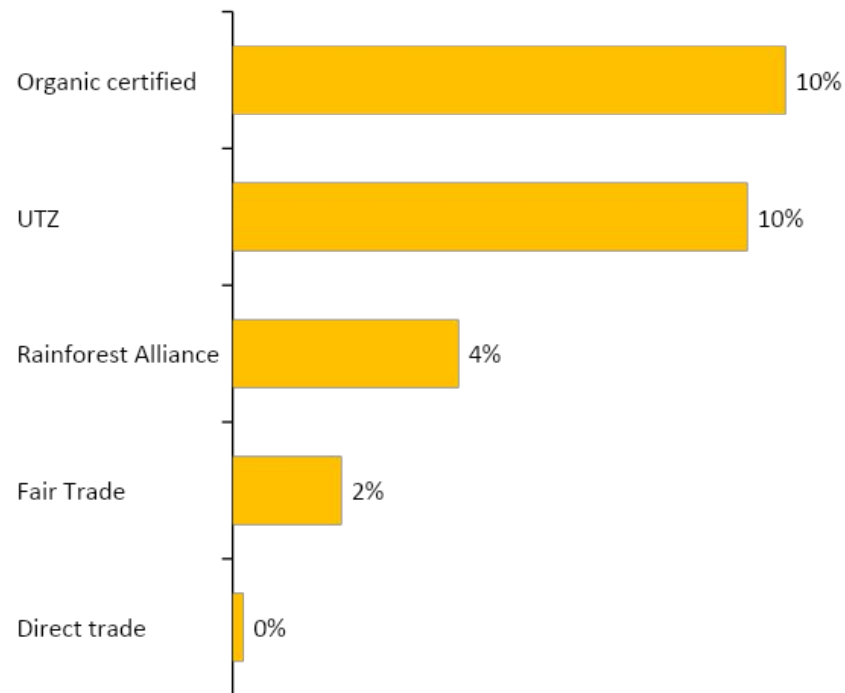
Coffee Global Trends: Fairtrade



Coffee roasters take Fair-trade a step further

Fair-trade (a certificate providing farmers received fair prices for beans) is a relatively established claim in Europe and North America. The Fair-trade claim allows consumers to feel ethical about their buying choices.

**Coffee innovations in Europe featuring sustainable/ethical certifications
(% of launches), Apr 2016 – Mar 2017**



Did you know...

of all sustainable claims used by coffee producers - organic certified and UTZ (which covers both environmental issues and worker's rights) are the most ubiquitous, followed by Rainforest Alliance (part conservation, part ensuring fairer pricing) and Fairtrade.