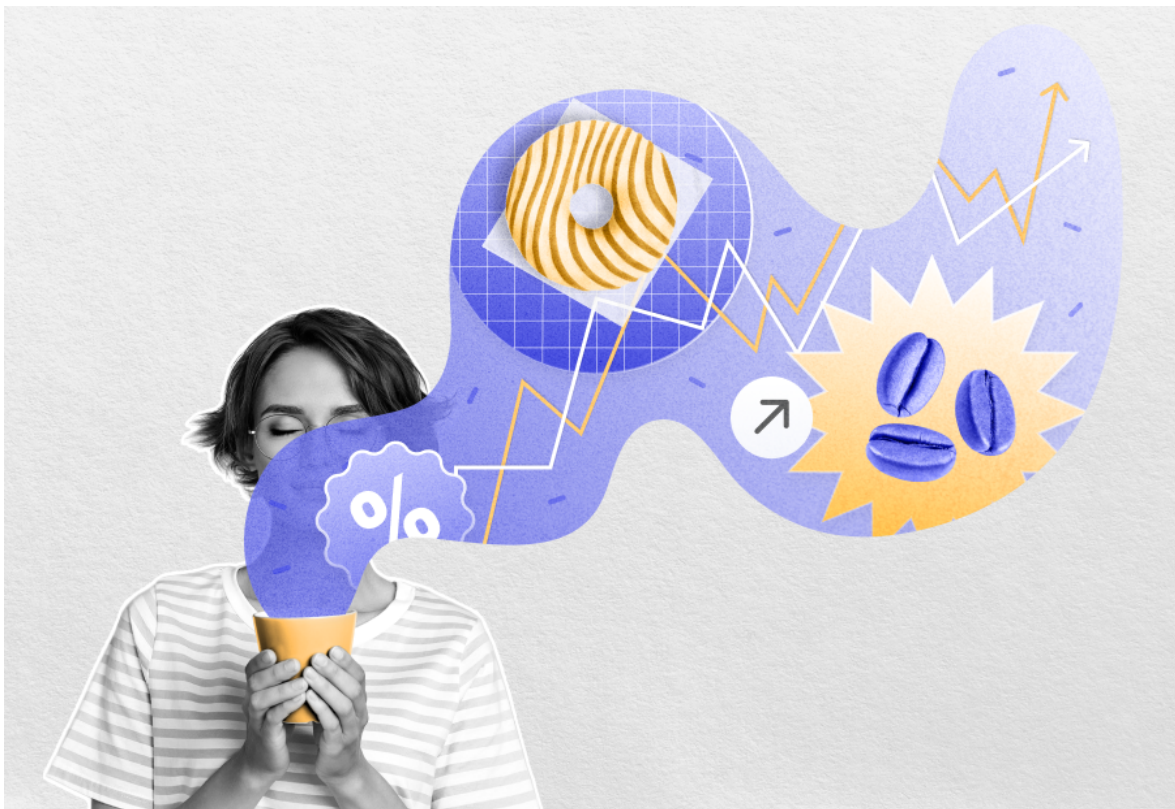


April 2023

# Brewing Change: Shifts in Coffee Consumer Behavior

Dive into the recent performance of leading coffee chains to see how the segment is attracting visitors and staying innovative in challenging times.



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## Overall Coffee Space Stays Strong and Resilient

[Most](#) Americans drink coffee, and many of these regularly drink coffee outside the home – according to a report by [Statista](#), almost half of coffee drinkers in the United States buy coffee from a shop at least once a week. In recent decades, the out-of-home coffee space has [grown significantly](#), and the strong demand helped the segment become one of the most [resilient](#) dining categories over the pandemic.

Now, with the double whammy of inflation and pandemic-induced changes in working patterns, along with the [increased ease](#) of making a quality cup of coffee at home, the coffee category is facing a new set of challenges. To continue attracting visitors in this increasingly competitive space, some well-established chains are focusing on attracting [specific consumer segments](#), while others are diversifying their [product selection](#). Still, several smaller [regional brands](#) are expanding their store fleet and growing their local visit shares.

This report leverages location intelligence to reveal how leading players are adapting to consumer changes, where coffee visitation patterns shifted post-pandemic, and what brands may soon pose a threat to established coffee behemoths.

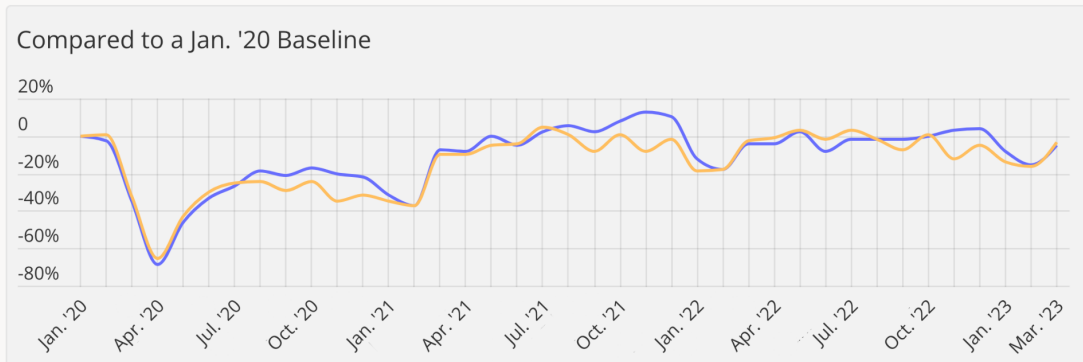
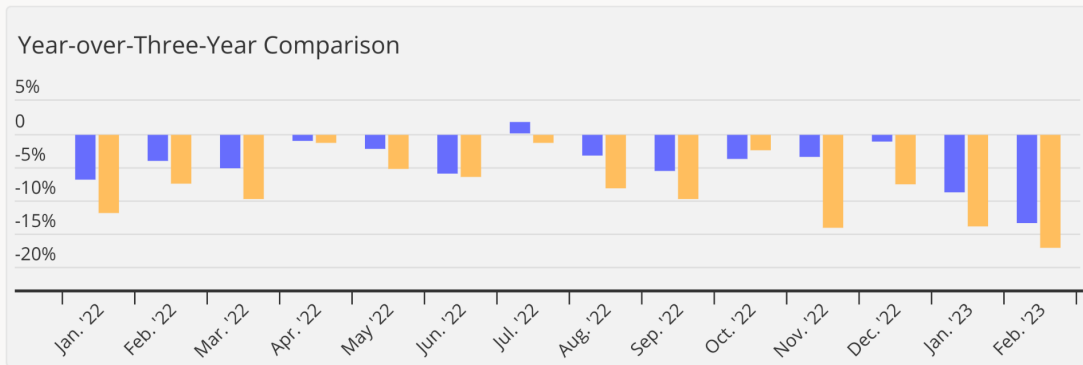
### Drinking is In, Dining is Out

The past few years have been challenging, with pandemic restrictions giving way to historic inflation. And while many consumers are [still feeling the pinch](#), the coffee space is proving resilient. Looking at the baseline change in coffee and overall dining visits since January 2020 shows that coffee's COVID recovery regularly outperformed that of the overall dining industry. And since January 2022, monthly year-over-three-year (Yo3Y) visit gaps in the coffee space were consistently narrower than Yo3Y visit gaps for the wider dining category.

In fact, the success of the space may be thanks to, and not in spite of, the recent economic challenges brought about by rising commodity costs. With many consumers feeling the strain of inflation, going out for a meal might feel like too steep of a splurge – but picking up a coffee can be an affordable indulgence. The [dip in dining visits](#), then, may partially explain some of coffee's relative strength.

## Change in Monthly Visits Shows Coffee Industry's Strength Compared to Overall Dining

● Coffee Industry ● Overall Dining

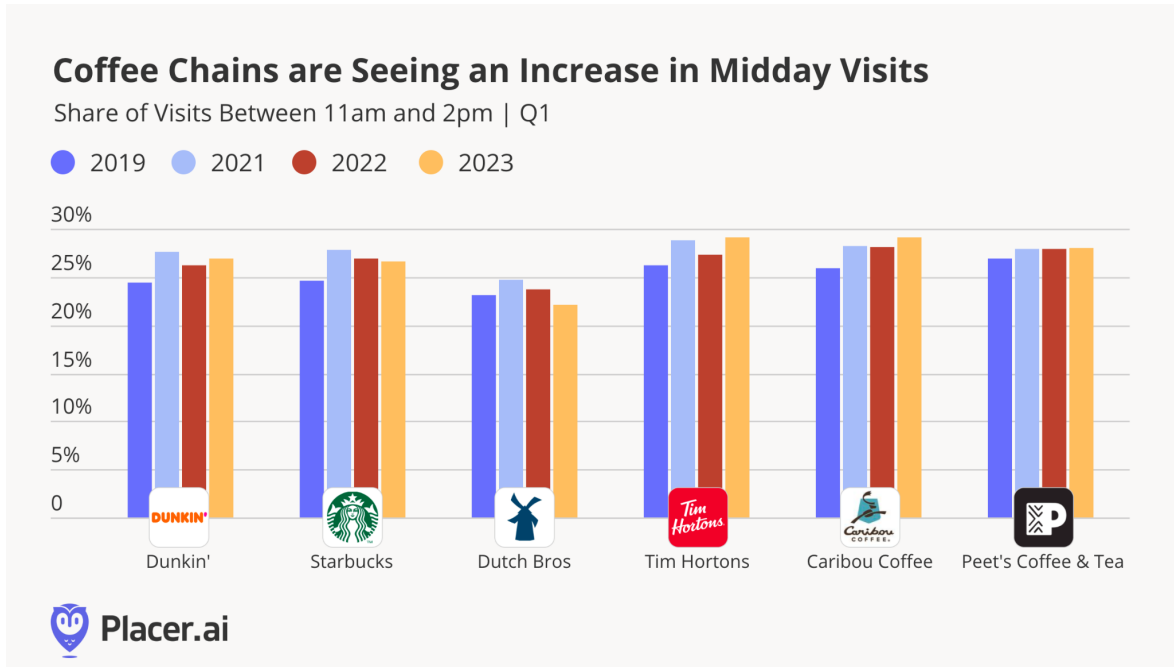


## Shifts in Coffee Shop Visit Patterns

### Lunch: The Most Important Time of Day

Looking at the shift in coffee visits between 2019 and 2023 may explain some of coffee's outperformance of the wider dining industry. Although some coffee traffic is likely driven by consumers grabbing a cup of joe for a morning or afternoon boost, location intelligence reveals a relative increase in midday visits at many coffee leaders nationwide. Between Q1 2019 and Q1 2023, almost all coffee chains analyzed,

including Starbucks, Dunkin', Tim Hortons, Peet's Coffee, and Caribou Coffee (and excluding Dutch Bros) saw an increase in visits between 11 am and 2 pm.



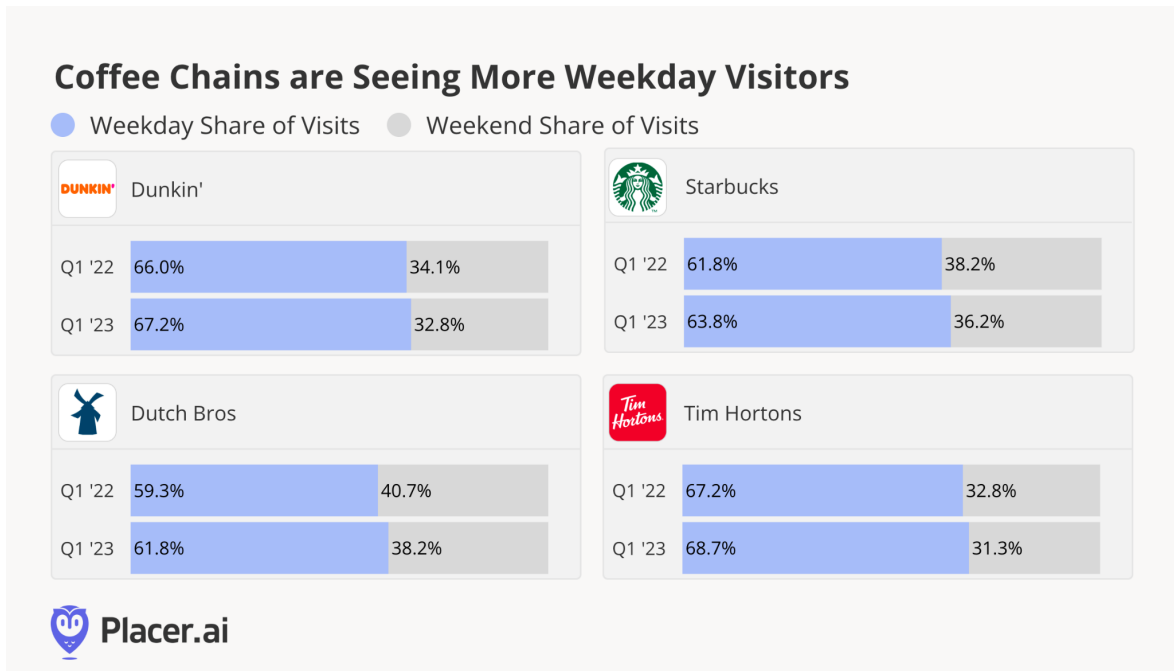
The growth in these visits may be attributed to people looking for a midday pick-me-up or to hybrid workers looking for a spot to feel more [creative](#). Employees who are back in the office could also be choosing coffee shops for lunch in an effort to combat "[lunchflation](#)."

The shift in visit times presents an excellent opportunity for coffee chains to expand their [lunch](#) offerings. With the growth in late morning and early afternoon visits, these brands can tap into the market of customers looking for a convenient and comfortable place to grab a bite alongside their coffee or tea.

### Weekdays on The Rise

Analyzing the changes in coffee visits throughout the week between 2022 and 2023 may offer further indication that the shift from remote to [hybrid work](#) is driving some of the recent visitation shifts.

Between Q1 2022 and Q1 2023, weekday visits to coffee shops increased across all four major chains. Dutch Bros – the one chain that hasn't seen an increased share of midday visits – saw the most significant shift in its visitation patterns, with weekday visits to the Oregon-based brand growing from 59.3% in Q1 2022 to 61.8% in Q1 2023. Starbucks took second place, followed by Tim Hortons and Dunkin'.



It seems, then, that the current economic situation along with the slow return to the office are driving an increase in weekday traffic and a greater emphasis on midday visits.

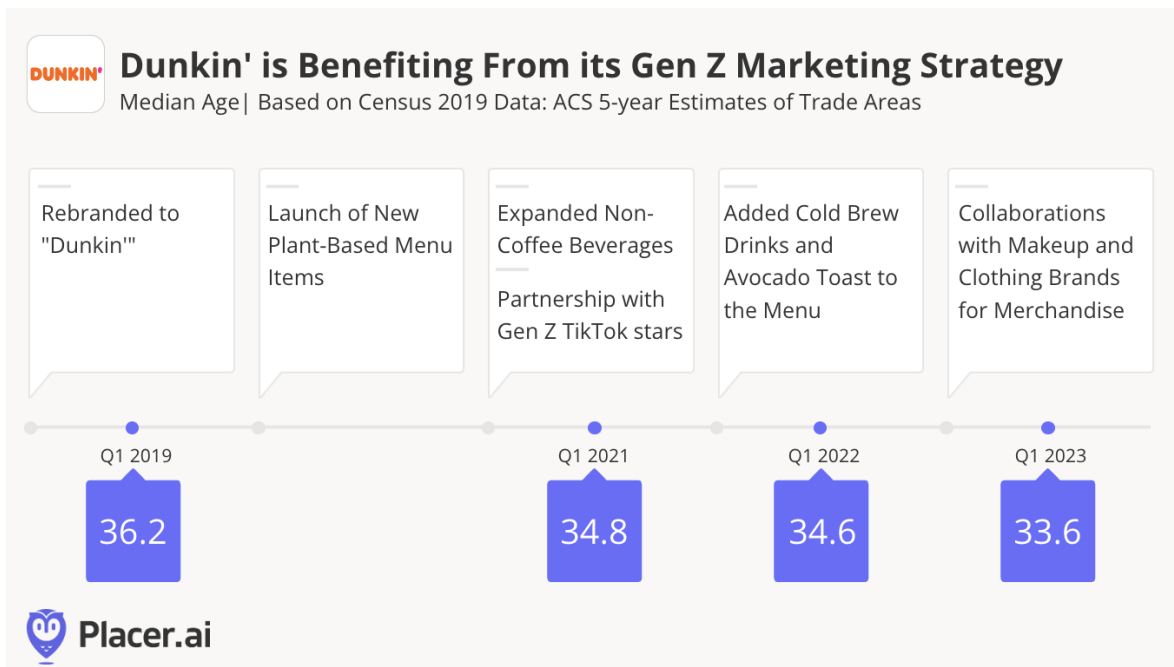
## Coffee Chains are Reaching Younger Drinkers

Many Americans try their first cup of joe [before](#) they can legally vote. And with the rise in popularity of TikToks focusing on [coffee orders](#), [recipes](#), and [menu hacks](#), there are now many different channels to reach younger cohorts – and the long-term potential of wooing young consumers is significant.

## Rebranding Helps Dunkin' Expand Consumer Base

Dunkin' is one of the chains focusing some of its marketing efforts on reaching a younger audience. The company [rebranded](#) in 2018, going from Dunkin' Donuts to simply Dunkin'. The name change was driven by the recognition that coffee drinks – especially [iced beverages](#) – were gaining popularity over sugar-laden pastries and wanted its new name to de-emphasize donuts to reflect shifts in consumer tastes.

Location intelligence indicates that Dunkin's rebranding efforts are paying off – between Q1 2019 and Q1 2023, the median age of Dunkin's visitors dropped from 36.2 to 33.6. This 7.2% decrease may have been aided by some of the initiatives the chain introduced, such as its partnership with [TikTok celebrities](#) like Charli D'Amelio and its [plant-based](#) breakfast options. The company also launched [makeup](#) and [clothing](#) lines in collaboration with e.l.f and Carters in 2022.



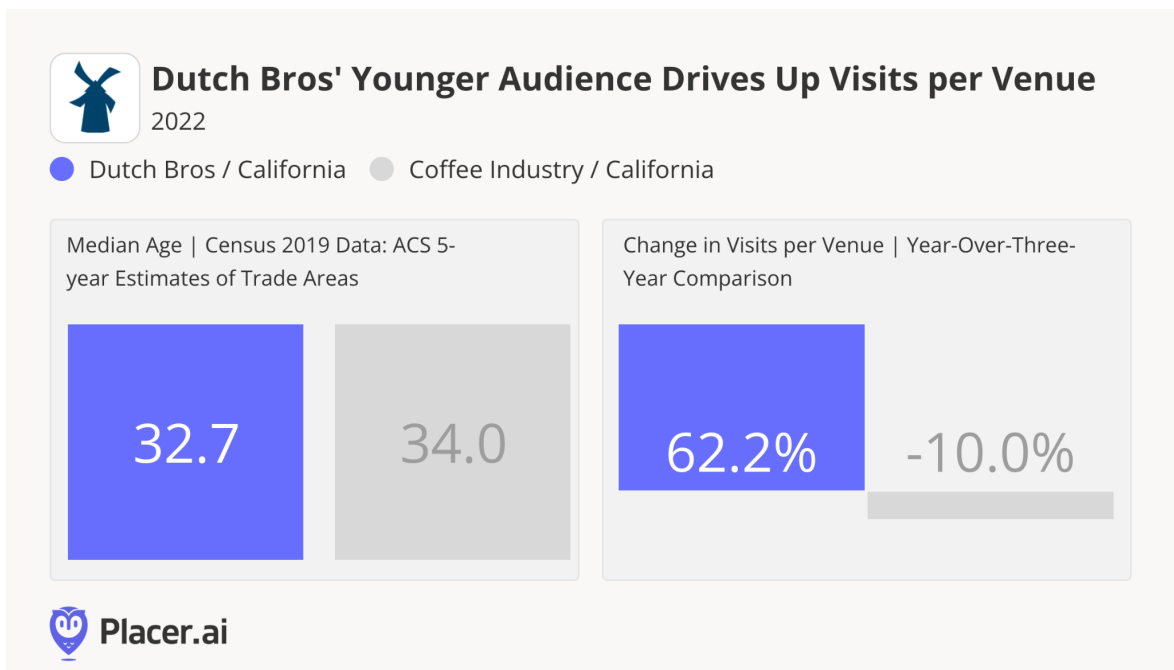
Dunkin' is an example of how a focused rebranding effort, an informed approach to menu revisions, and a well-planned social media strategy can effectively reach a desired consumer segment.

## Dutch Bros: Bro-istas Bring the Brews

Another brand successfully [targeting younger](#) audiences is Dutch Bros. Sometimes called the "[Starbucks for Gen Z](#)," the chain has seen explosive growth since its humble beginnings in the early 90s and has [doubled its store count](#) since 2019.

And while the chain offers plenty of incentives for coffee lovers, perhaps one factor driving its popularity is its commitment to customer service. Known for its "[bro-istas](#)," or perpetually friendly and cheerful coffee slingers, Dutch Bros aims to create a customer experience that resonates with [younger customers](#) likely to seek out companies that share their values.

And based on trade area data for visits to Dutch Bros versus other coffee chains in California, the company appears to be succeeding in reaching younger audiences. In 2022, residents of Dutch Bros' trade areas in California had a median age of 32.7, while the median age in the trade areas of the wider California coffee industry stood at 34.0.





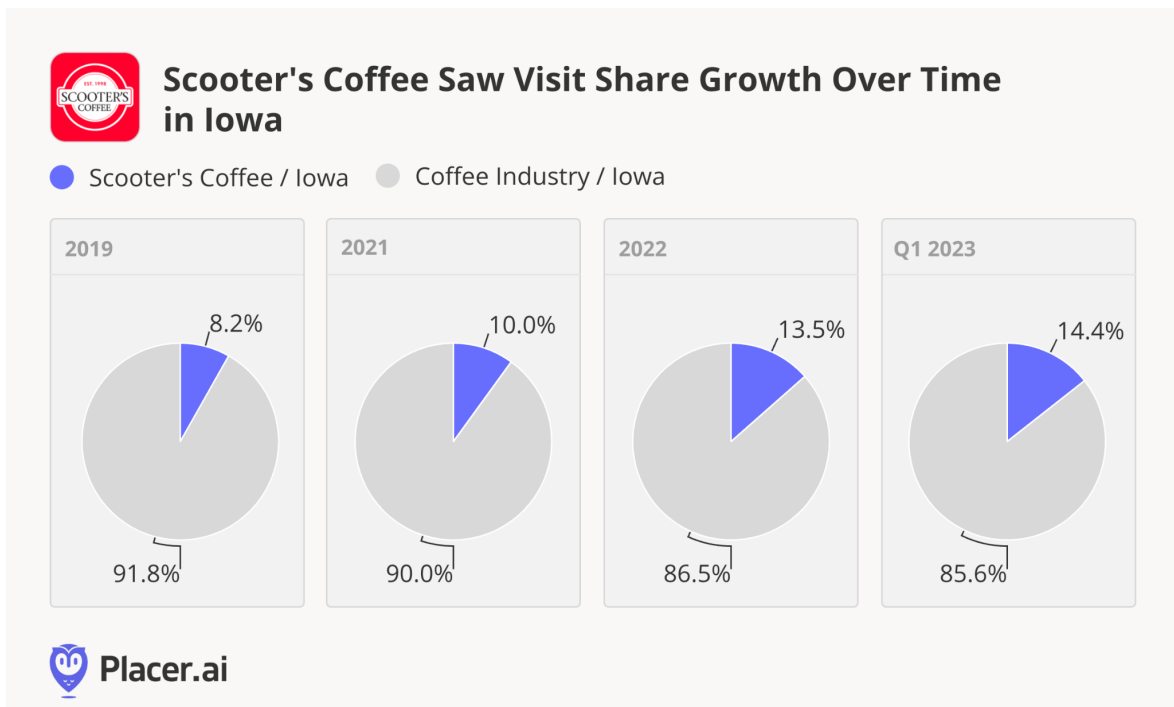
## Smaller Boutique Chains are Gaining Regional Power

Although Dunkin', Starbucks, Tim Hortons, and Dutch Bros have claimed a large share of the coffee market across the country, there are plenty of other players – especially regional ones – brewing up visits. These companies, while perhaps not yet posing a nationwide challenge to mega-chains like Starbucks or Dunkin', are making their presence felt in their regions.

### Scooter's Coffee: Midwest Magic

Scooter's Coffee opened its first location [Bellevue, NE](#) in 1998 and has [expanded rapidly](#) through [franchising](#). Over [100 new stores](#) have opened since the start of 2023, and the company intends to reach [1,000 locations by 2025](#).

And as the chain expands, it has slowly grown its visit share. In Iowa, for example, where Scooter's boasts around [84 locations](#), the brand attracted 14.4% of all coffee visits in the state as of Q1 2023 – compared to just 8.2% of visits in 2019.

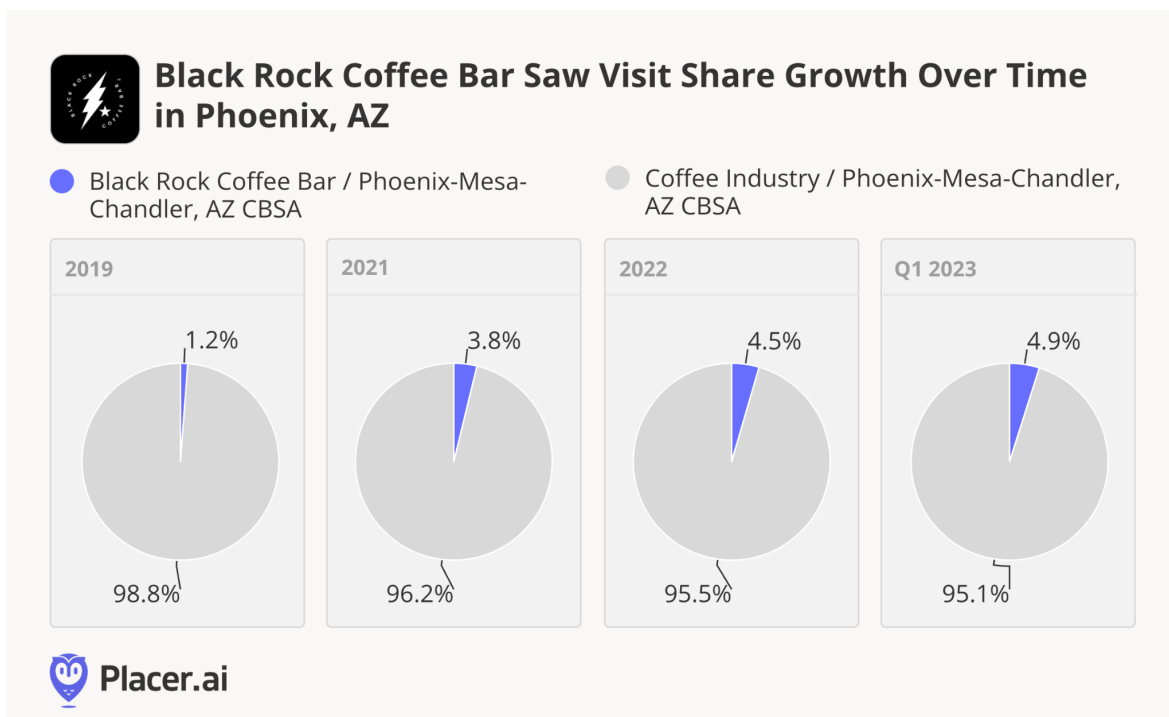


One of the [secrets](#) to Scooter's success may be its [speedy drive-thru](#) – a service which has also helped [Dutch Bros](#) quickly become a [rising star](#) in this space. The strength of these growing drive-thru coffee brands indicates that there is enough demand in the coffee space to support a variety of venue formats.

### Black Rock Coffee Bar: Rocking Arizona

Another rapidly growing regional coffee chain is Black Rock Coffee Bar, founded in 2008 in Portland, OR. Since then, the company has grown to over 120 locations across seven states. And unlike Scooter's, which has expanded through [franchising](#), all Black Rock Coffee Bar locations are [company-owned](#). The coffee chain aims to create a [community-promoting](#) customer experience and focuses on selling well-sourced and carefully roasted coffees, select teas, and its own [energy drinks](#).

Black Rock Coffee was recently named the [fastest growing](#) private company in Oregon and Southwest Washington – but the chain is [quickly growing](#) in other regions as well. In the Phoenix, AZ [CBSA](#), for example, Black Rock Coffee Bar visits made up just 1.2% of coffee shop traffic in 2019 – but by 2022, that visit share had jumped to 4.9%.



Scooter's and Black Rock Coffee's success over the past four years shows that, despite the strength of established coffee leaders, there is still potential for smaller players to grow and compete for visit shares with the larger players.

Smaller companies can choose to grow through [franchising](#) or by opening company-operated venues, by offering convenient drive-thrus or by creating spaces that emphasize social connection. The demand for out-of-home coffee seems robust enough to support a variety of players and offerings in the space.

## The State of Coffee

Coffee is perhaps the most [widely consumed](#) beverage globally, so the resilience of coffee shops in the face of global pandemics and historic inflation isn't all that surprising. But successful chains know there's more to operating a successful coffee business than relying on the drink's popularity. Strong companies are constantly tweaking their branding strategies, changing product offerings, and expanding into new markets to stay fresh and relevant.

As the wider dining space adapts to changing consumer behavior, coffee shops may continue to face challenges in the coming months. But if the last few years are any indication, these chains will evolve to meet changing customer needs into 2023 and beyond.

## Key Takeaways

- 1. The Coffee Space is Resilient.** Visits to coffee shops outpaced overall visits to dining destinations throughout 2022. While both coffee shops and dining experienced Yo3Y visit lags, owing to a fundamentally changed post-pandemic landscape, coffee consistently came out ahead of dining.
- 2. Shifts in Consumer Behaviors Can Have Profound Effects.** Consumers have shifted their coffee consumption preferences in recent years, and the share of daily visits to coffee shops between 11 am and 2 pm has grown since 2019. Several factors may be driving the shift – but coffee shops can take note and build out their lunch menus to better cater to these midday customers.

- 3. Chains are Reaching Younger Crowds.** Dunkin', which dropped the "Donuts" from its name as part of an ambitious rebranding effort, has been targeting younger coffee drinkers. By featuring Gen Z influencers and offering a product selection that fits their tastes, the chain saw the median age within its trade areas drop by 7.2% between Q1 2019 and Q1 2023.
  
- 4. Smaller, Regional Chains are Thriving.** While the coffee landscape is certainly dominated by several major players, there is plenty of space for smaller brands to thrive – and there is no single strategy to success. In the Midwest, Scooter's Coffee has been steadily expanding its visit share by leaning into drive-thrus and franchising, while Black Rock Coffee Bar has grown in the Southwest through its emphasis on community and company-owned stores.