

Coca-Cola narrows in on fast-growing coffee category with \$5.1bn Costa acquisition

The Coca-Cola Company will acquire coffee chain Costa Limited, which was founded in London in 1971 and has grown to become a major coffee brand across the world.



Makers of soft drinks are branching out as consumers seek alternatives to sugary sodas, and the acquisition is a sign that Coca-Cola is diversifying away from the sugary, carbonated drinks on which it has built its name.

The acquisition of Costa from parent company Whitbread PLC is valued at \$5.1 billion and will give Coca-Cola a strong coffee platform across parts of Europe, Asia Pacific, the Middle East and Africa, with the opportunity for additional expansion.

For Coca-Cola, the expected acquisition adds a scalable coffee platform with critical expertise in a fast-growing, on-trend category. Costa ranks as the leading coffee company in the United Kingdom and has a growing footprint in China, among other markets.

"Coffee is one of the strongest growing categories in the world and Coca-Cola needs to expand into coffee and hot drinks," explains Coca-Cola chief executive officer James Quincey.

"Hot beverages are one of the few remaining segments of the total beverage landscape where Coca-Cola does not have a global brand. Costa gives us access to this market through a strong coffee platform."

Entry into retail

Costa operations include a leading brand, nearly 4,000 retail outlets with trained baristas, a coffee vending operation, for-home coffee formats and Costa's state-of-the-art roastery.

The company also has a solid presence with Costa Express, which offers self-service coffee bars with barista-quality coffee in a variety of on-the-go locations, including service stations, movie theatres and travel hubs.



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The acquisition will expand the existing Coca-Cola coffee lineup by adding another leading brand and platform. The portfolio already includes the Georgia brand in Japan, plus coffee products in many other countries.

Costa also provides Coca-Cola with strong expertise across the coffee supply chain, including sourcing, vending and distribution.

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