# UK coffee market shifts as younger consumers favour matcha and Japanese teas over traditional chains



Coffee culture in the UK is undergoing a notable shift, with traditional giants like Costa Coffee finding themselves increasingly challenged by emerging trends and changing consumer preferences, particularly among younger generations. Costa, long a staple on high streets across the country and now owned by Coca-Cola, is facing mounting difficulties in staying relevant as evolving tastes lean towards healthier and more innovative beverage options such as matcha and other speciality teas.

Costa’s predicament is underscored by its recent financial performance. The 2023 financial year saw the company generate revenues of £1.2 billion, yet report a £14 million operating loss attributed to inflationary pressures including heightened costs for goods, energy, and labour. Despite a vast footprint of over 2,670 stores and 15,000 self-serve machines across the UK, Costa’s market share declined by 1.3% to 23.3%, as competitors like Starbucks, Pret, Greggs, and artisan chains such as Gail’s and Black Sheep Coffee aggressively expanded. Coca-Cola is now exploring strategic options for Costa, including a potential sale estimated around £2 billion, significantly less than the £4.9 billion paid in 2019.

Younger consumers’ preferences are especially pivotal to this market disruption. The rise of the so-called "matcha generation" is a telling phenomenon. Matcha, a vibrant, finely ground Japanese green tea rich in antioxidants, has surged in popularity due to its perceived health benefits and versatility in beverages. While Costa’s offerings include various frappés and fruit coolers, these are often laden with syrups and whipped cream, falling short of the "clean living" appeal sought by Millennials and Gen Z. By contrast, specialist cafes like Blank Street Coffee, which opened in London after its 2020 Brooklyn origins, have capitalised on this trend with colourful, flavour-infused iced matchas—strawberry matcha in particular gaining cult status among fans and celebrities alike. Its social media presence, notably on TikTok, fuels its appeal to a younger demographic looking for distinctive, photogenic drinks.

Blending aesthetics and health-consciousness, these smaller or independent chains are preferred by many young consumers who deliberately choose to avoid large coffee franchises, both for taste and ethical considerations. Customers often view regular coffee, such as a simple latte, as a daily necessity rather than a treat, meaning they seek more innovative or luxurious experiences to justify spending nearly £5 per drink at a café. This behaviour is echoed by experts like Clare Bailey, retail analyst and founder of The Retail Champion, who notes that businesses failing to adapt or reimagine their offerings in response to shifting consumer behaviour risk decline.

Global coffee market trends mirror this local shift. Alongside matcha, other Japanese teas like hojicha—an earthy, roasted green tea with lower caffeine content—are emerging as the next wave of speciality beverages, particularly during warmer months. Hojicha's growing appeal in cafés from Japan to New York, London, and Los Angeles reflects consumers' expanding curiosity about Japanese tea culture beyond traditional matcha. Specialty venues like London’s Matchado and Tokyo’s Satén showcase hojicha’s comforting flavors, while brands such as Kettl promote it with masterclasses and high-quality Uji-sourced powders, signalling a potential diversification beyond the matcha trend.

Industry perspectives highlight that while matcha’s skyrocketing global demand has boosted Japan’s tea exports by around 25% in value recently, it also faces sustainability challenges. Matcha is notoriously labour-intensive, shade-grown, and vulnerable to climate extremes—Kyoto, a major production area, has experienced crop damage from heatwaves, pushing prices up significantly. The longer-term viability of its boom is uncertain, with some experts noting the rise of alternatives like hojicha may help balance supply issues and introduce consumers to a broader spectrum of tea experiences.

This global enthusiasm has spurred innovation in major cities worldwide. For instance, Café Kitsuné in London’s Covent Garden offers creative matcha drinks such as iced strawberry matcha lattes made with premium Uji matcha, alongside French-Japanese fusion pastries enhancing the cultural experience. Other international operators likewise experiment with varied matcha flavours and formats, from cocktails to cold brews, positioning matcha as a versatile ingredient in modern café culture.

While Costa once dominated the UK coffee scene with its expansive presence and convenient offerings, it now finds itself navigating a tougher trading environment marked by fragmented consumer tastes and growing competition from nimble, trend-savvy independents. The younger "matcha generation" are less drawn to conventional coffee chains that have been slow to embrace these emerging demands for healthier, novel, and visually appealing drinks. Costa’s challenge will be whether it can innovate quickly enough to reclaim youth-driven market relevance or whether it will continue to cede ground to more agile players in an increasingly diverse and health-conscious coffee market.

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* Paragraph 1 – [[1]](https://www.bbc.com/news/articles/c3dpjvy5em1o?at_medium=RSS&at_campaign=rss), [[2]](https://www.worldcoffeeportal.com/Latest/News/2025/February/Costa-Coffee-facing-tough-UK-trading-environment)
* Paragraph 2 – [[2]](https://www.worldcoffeeportal.com/Latest/News/2025/February/Costa-Coffee-facing-tough-UK-trading-environment), [[1]](https://www.bbc.com/news/articles/c3dpjvy5em1o?at_medium=RSS&at_campaign=rss)
* Paragraph 3 – [[1]](https://www.bbc.com/news/articles/c3dpjvy5em1o?at_medium=RSS&at_campaign=rss)
* Paragraph 4 – [[1]](https://www.bbc.com/news/articles/c3dpjvy5em1o?at_medium=RSS&at_campaign=rss), [[7]](https://www.ft.com/content/683a3828-5bd7-4348-878e-2a27245b4248)
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Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.bbc.com/news/articles/c3dpjvy5em1o?at_medium=RSS&at_campaign=rss> - Please view link - unable to able to access data
2. <https://www.worldcoffeeportal.com/Latest/News/2025/February/Costa-Coffee-facing-tough-UK-trading-environment> - Costa Coffee, the UK's largest branded coffee chain, is facing a challenging trading environment. In the 2023 financial year, the company reported revenues of £1.2 billion but experienced an operating loss of £14 million due to inflationary pressures. The number of UK industry leaders reporting sales growth has decreased, while those reporting a decline have increased. Costa's market share fell by 1.3% to 23.3%, with competitors like Starbucks, Greggs, Gail's, and Black Sheep Coffee expanding their outlets. Despite these challenges, Costa remains a significant player in the UK coffee market, operating over 2,670 stores and 15,000 self-serve coffee machines. The company is also pursuing growth in international markets, including Belgium and Italy, and expanding its presence in Saudi Arabia and India.
3. <https://www.ft.com/content/45d8d878-605f-4b2d-bfeb-70f8c9fc60c1> - Hojicha, a roasted green tea with earthy, nutty, and caramelized flavors, is emerging as a popular alternative to matcha lattes, especially in the summer. Known for its lower caffeine content but similar health benefits, including antioxidants and L-theanine, hojicha is becoming a staple in cafés across Japan, the US, and the UK. In Japan, it's even available at Starbucks, while in London, the café Matchado offers a rich hojicha latte experience reminiscent of hot chocolate with an earthy twist. Kettl cafés in New York and LA also promote powdered hojicha for lattes, sourced from Uji, near Kyoto, and provide tools and masterclasses for enthusiasts. In Tokyo, the modern teahouse Satén is recommended for top-tier hojicha drinks. While some in Japan might view milk in tea as unconventional, the hojicha latte is gaining fans globally for its comforting, complex flavor and role as an entry point into Japanese tea culture. Industry insiders, like Claudia Boyer of Jenki and Alice Evans of Canton Tea, note rising demand, predicting hojicha's continued popularity in international markets.
4. <https://www.independent.co.uk/life-style/food-and-drink/features/matcha-tea-latte-trend-health-benefits-b2772204.html> - The article discusses the global boom in matcha consumption, highlighting contrasting perspectives from traditional Japanese tea ceremony practitioners and the modern commercial market. In Tokyo, tea masters like Keiko Kaneko emphasize the spiritual and artistic values of 'sado' (the way of tea), which celebrates mindfulness and equality through ritual. They express concern and confusion over the proliferation of matcha in trendy items like lattes, ice cream, and frappuccinos, fearing it dilutes the tea’s cultural significance. Matcha demand has surged globally, fueling increased production and export from Japan, especially to the U.S. Although this has boosted Japan’s tea industry, labor shortages and competition from foreign producers raise concerns about sustainability. The Japanese agricultural ministry is supporting farmers to adapt, hoping matcha will become a long-term global symbol of Japanese culture. Tea experts and vendors acknowledge matcha's flexibility and appeal, suggesting lower-grade powders be used for commercial products to conserve high-quality matcha for traditional use. While skeptical, many practitioners hope the trend might still inspire deeper appreciation of Japan’s tea heritage.
5. <https://www.wallpaper.com/travel/cafe-kitsune-covent-garden-opening> - Café Kitsuné, the French-Japanese fusion café brand by Maison Kitsuné, has launched its second London location in Covent Garden, following its original opening on Motcomb Street in Belgravia. Housed in a historic red-brick building on Monmouth Street, the new venue spans two levels. The airy ground floor is designed as a takeaway counter, displaying freshly baked items and branded merchandise, accompanied by art from French duo Sacrée Frangine. The lower level offers a cosy, green-toned seating area for customers to relax. The café's drink menu includes classic coffee options as well as creative specialty teas such as the iced strawberry matcha latte, made with matcha from Uji, and the dirty chai latte. Signature pastries include the hazelnut miso cookie, pistachio croissant, and a seasonal matcha and raspberry financier. Johanna Lellouche, general deputy director of Kitsuné Group, emphasized London’s cultural and aesthetic synergy with the brand. Looking ahead, the company plans a second location in Singapore and the launch of its first tableware collection. The Covent Garden café is located at 55 Monmouth Street, London WC2H 9DG.
6. <https://www.ft.com/content/f38b67b3-de06-41c8-ae9b-55825dbd4ac4> - The global popularity of matcha, driven by social media trends and influencers on platforms like TikTok (#MatchaTok), has led to a significant increase in demand worldwide. Japan’s green tea exports rose 25% in value and 16% in volume last year, reflecting this surge. Major coffee chains such as Starbucks, Dunkin’ Donuts, and startups like Matchaful have expanded their menus with trendy, visually appealing matcha drinks. However, the sustainability of this “green gold rush” faces challenges due to limited production capacity. Matcha is made from shade-grown tencha leaves, which are climate-sensitive and only harvested once per year. The Kyoto region, responsible for a quarter of Japan's tencha, suffered crop damage due to extreme heat, causing prices to more than double. Additionally, the five-year maturity period for new tea plants and a shrinking farming workforce hinder expansion. With supply unable to meet demand, rising costs may cool matcha’s momentum. As a result, some influencers are pivoting to alternative Japanese teas like hojicha, which is cheaper and more accessible—potentially setting the stage for the next trend, #HojichaTok.
7. <https://www.ft.com/content/683a3828-5bd7-4348-878e-2a27245b4248> - Matcha, a Japanese green tea known for its high vitamin and antioxidant content, is gaining popularity worldwide as a versatile “superfood.” The global market for matcha is projected to increase from $3.48 billion in 2023 to $5.78 billion in 2028. Cafes and brands around the world are crafting innovative matcha-based products. For instance, Brooklyn-based Blank Street Coffee offers iced matchas with tropical flavors like watermelon, yuzu, and mango. London’s Jenki has introduced an iced strawberry matcha latte, while California's La La Land Kind Cafe mixes matcha with lavender and blue butterfly pea flower. Unique matcha cocktails are featured at venues like Bar Antoine and Tattu in London, showcasing the drink's adaptability. From cold brews in Mallorca to chocolate-infused matcha in Paris, the options are extensive. For home enthusiasts, matcha can be purchased online from stores like Bird & Blend Tea Co and Matcha Union, enabling easy preparation of flavored matcha beverages, including bubble tea. The global embrace of matcha reflects its flexibility in various culinary and beverage applications, making it a go-to ingredient for this summer.