

## Coffee Shops - UK - October 2013

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*“Trends in the retail market demonstrate operators’ attempts to foster a greater sense of emotional connection between consumer and coffee producer in order to gain market share. Coffee shop operators could do well to apply this principle to the out-of-home environment as well.”*

– Helena Spicer, Senior Foodservice Analyst

### This report looks at the following areas:

- How can operators further leverage the wide range of occasions associated with the ritual of coffee drinking?
- What areas can operators develop to win over older users?
- How can operators leverage product origin more effectively?
- What initiatives can help operators to further appeal to younger consumers?

Coffee shops continue to benefit from consumers’ commitment to regular treat purchases, a trend which is likely to endure as consumer confidence levels recover in 2013.

However, competition in the market continues to intensify with the growth in product range and improvement in the quality of coffee offered by cheaper, non-specialist operators which appeal particularly to the price-sensitive 16-24-year-olds. Lack of brand differentiation and brand loyalty are also enduring challenges facing the specialist coffee shop market, whilst consumer trust in the Starbucks brand in particular has been damaged in 2012/13 over the publicity surrounding its UK corporation tax payments.

Operators have increasingly focused on exploring new selling strategies and formats in order to address the potential saturation of the market, looking to reach new audiences in locations such as petrol stations, hospitals and garden centres. However, going forward, high street locations may have to offer more of a leisure experience in order to address the drop-off in usage amongst older consumers, for whom the added value of speed of service and menu range becomes less relevant.

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