Abstract: There are many coffee shops existing in UK already, including the chain of coffee shops and independent coffee shops, besides, non-specialist coffee shop also exist around UK residents. Chain of coffee shop hold the significant coffee market share in UK, which including the main players: Costa, Starbucks and Caffe Nero. The coffee market in UK is very competitive through various manners, such as service, quality of coffee, price of products, atmosphere of coffee shops and so on, that will all affect customer buying behavior. On the other hand, the external environment also have a little impact in the coffee market, however, no matter chain of coffee shop or independent coffee shop, there is still have the room for enter this market.

Keywords- coffee market, buying behaviour, atmosphere, various of products, quality of product, chain of coffee shop.

Introduction

UK is one of top ten importing countries of coffee resource in the world in 2011 (International Coffee Organization, 2011), and its keeps being as the third-favourite non-alcoholic drink in community. (Manson E., 2007). The definition of coffee shop is any kind of restaurant that have various of the tea; coffee; sandwich; cake or light meals (Revers, 2008).

The aim of this report is to evaluate the situation of opening new coffee shop in UK in November 2012. This report have been divided into few parts: firstly it will introduce the coffee market in UK, secondly, through interview coffee users and observed coffee shops to find out the influence levels of drinking coffee for coffee user and factors of attracting customers visit coffee shops. In the end of the report will analysis finding for opening the new coffee shop in UK in 2012.

Coffee Shop Market in UK

In UK, chain of coffee shops had grown 5.6% and contributed 29.1% market share in 2005, however, independent coffee shops had grown only 2% and suffer the difficult time in the same year (Kumar S., 2005). There are 14,022 coffee shops in UK, but 62% of coffee users had visit top 3 chain of coffee shops: 1,175 Costa, 731 Starbucks and 440 Caffe Nero (Allegra S., 2011) during the 3 month in 2010 (Mintle, 2010).

Moreover, non-specialists of coffee shops are following the steps of chain of coffee shop and becoming the current potential competitors of the coffee market such as fast food restaurants and the coffee shops in the supermarket. Therefore, in here, we defined that main existing competitors of coffee shops are top three chains of coffee shops and non-specialist of coffee shops are current potential competitors.

Existing competitors

The main competitors are through the different approach to gain the customers and increase their share of coffee market. Costa is the top 1 of chain of coffee shops, by franchises; it has over 1,300 coffee shops in UK (Cushing K., 2005). In Costa, 10% of the loyal customers make over 50% of the visiting (Mortimer R., 2011). It brings the key element to this report that keep existing customers become the loyal customers will be the future challenge. For this challenge Costa uses the prepay cards as one of their strategies, with prepay card customers have 6% higher spending than the others. Beside, Costa developed the new products such as lower calories or caffeine drinks (Mortimer R., 2011) to satisfy and attract new customers who concern their weight and health. Another key success factor in the Costa is convinces location (Mortimer R., 2011), which could satisfy customers’ need in the right place. In this report’s analysis that Costa concerns all customers but also offer specific products for particular users, and each activity is all base on the customer’s need and perception.

Starbucks developed its own coffee shops by using their own cash flow (Talpau A., 2011), it offers the fresh coffee and bring the good quality image of the instant coffee such as Starbucks Via, since 35+ years old people prefer to have instant coffee but young generation tend to have premium coffee (Mintle, 2010). Starbucks’s stuffs are encouraged to have the good relationship with customers and it offer internet, range of coffees and food, customized DVDs, magazines in the shop which bring sense of home feeling for customers. Also, Starbucks using the social media (Gallaugher J., 2010) to approach customers promote its products and get the comments. Starbucks using the range of social media such as MyStarbucks Idea, facebook, Twitter, Iphone app menus (Gallaugher J., 2010) to approach customers and promote their products and get the comments.

In this report’s view, social media would become the main strategy for many companies, since it has the function of expressing the new products quickly; enhancing the
relationship with customers by getting the comments from them and attracting new customers also it could monitor the competitor’s activities with low cost and high respond.

There are around 250 Caffe Nero in 116 towns in UK, and the Gerry Ford, chairman of the Caffe Nero indicated that the low rent is the crucial success factor for Caffe Nero, it might be worth trying to operate outside of London (Wendlandt A., 2003). Caffe Nero increased its market share by self-fund (Cushing K., 2005) and it has the partnership with other companies such as bookseller Blackwell’s (Anonymous, 2005).

Therefore, coffee shops need to bring various ranges of premium products, increase customers’ loyalty to the coffee shop by providing good quality products with excellent service to enhance the relationship with customers. By having the comfortable atmosphere in store would be as much important as the taste of coffee.

Potential competitors

Coffee shop market is also running by non-professionalize players in many places, for instance Marks& Spencer (M&S); Morrison (Manson E., 2007). Besides, fast food restaurants such as KFC; McDonald’s (Mortimer R., 2011) which also offer the coffee/soft drinks and food for people (Talpau A., 2011).

If non-professionalize coffee shops corporate with supermarket it could attract new visitors to supermarkets and coffee shops and supermarkets. For the chain of fast food restaurants, coffee shops still have their advantage since people now are much concern about the health issue than before.

Consumer buying behaviour

Economic disturbance in UK had affected customer behaviour of drinking coffee, in-home coffee market has grew by 17% between 2005 to 2009, 57% of coffee users have 47% prefer sitting in the coffee shop and 8.3% are taking away (Mintle, 2010). The other crucial factor affected customer behaviour is the coffee’s taste; according to the research of the Costa indicated that consumers really concern the taste of coffee (Mortimer R., 2011).

Therefore, to realize what the customers’ need, their behaviour and the demography changed to provide the suitable products for customers is an important element. On the other hand, coffee shops might need to educate customers what a good coffee is, like Starbucks provides and introduces the free drinks to consumers and tell them what a good coffee really is.

In the meantime, through the brand value brings the sense of belonging to customers. By having the social media to launch new products and events.

In order to understating inside of the coffee shop market and customer’s behavior, this report also collected the primary data through observed top 3 coffee shops (Caffé Nero, Costa and Starbucks) in city centre of Leicester, and interview 4 coffee users. The observation research is including the systematic observation, recording, description, analysis and interpretation of people’s behavior (Sauders, 2009). There are two objectives in this observation which are compare the difference between Costa; Starbucks and Caffe Nero, also find out stuffs’ service in the coffee shops.

In the semi-structured interview, researcher will need to have the list of questions for the interviewee who can answer the question without any compass (Sauders, 2009). There are 2 objectives for semi-structured interview which are trying to find out influence levels and behaviors of drinking coffee for coffee user and various factors of attracting customers visit coffee shops.

Data Analysis-Observation

This report had observed top three chains of coffee shops (Caffé Nero, Costa and Starbucks) they all located near each other in city center of Leicester. These three chains of coffee shops offer the similar type of coffee and food for customers. But they also have unique manner to approach customers, the following will compare difference with atmosphere; products; stuff services in each stores.

Atmosphere: Those three coffee shops have some similar elements such as Christmas decoration on the windows and menus; with relax and Christmas music; free internet, magazines and newspapers; enough seats for customers, they all bring the sense of comfortable, relax, and home feeling. Although all of stores have enough seats for customers, the space allocated are different, both Costa and Caffe Nero offer the outside seats for customers, and only Costa’s have all soft seats and allocated is easy to walk, other stores seats are too close to walk.

Research Methods

Literature review can assist researcher to strengthen the research knowledge and identify the research objectives (Sauders, 2009). The main reason to do the secondary research in this report is to get more inside knowledge before move into the primary research, and also help future emerged.

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Products: Those chains of coffee shops offer similar products, for example various types of coffee, food, snacks, however, only Caffe Nero doesn’t sell other products which relate to the coffee, such as coffee beans, vanilla extract and so on. Compare with Caffe Nero and Costa, Starbucks offers widespread coffee products, such as cups, coffee beans, bags, teas, coffee makers and so on. Beside, Starbucks also have various types of products packages with Christmas image on it, however, the price list in the Starbucks isn’t clear enough on the menu, it might cause the unconvinced for customers.

Stuff’s service: According the secondary research in this report, it shows chain of coffee shops are try to bring the home feeling to customers, so relationship with customers is an important issue. All of coffee shops showed that stuffs really took care of their customers, such as opened the door for age people(Costa), chatting with customers(Starbucks), and always smile to customers(Caffe Nero). However, there are still some problems that might affect the customers’ satisfaction, for example, the speed of ordering and making coffee in Caffe Nero is slower than the others, because only one stuff deal with ordering, making coffee and cash. Another interesting issue is toilet, in the Starbucks it needs the passwords to enter, that might cause the unconvinced for customers.

Interview

The following will shows the influence levels and behavior of drinking coffee for coffee users. In the interview, 3 respondents drink coffee every day; two of them need more than 2 cups of coffee per day at least. This report found out that all of respondents think coffee could help them clear-headed, concentrated on the work. It is also an interesting found that 3 respondents seem to stick on the specific type of coffee, such as R4 mentioned that she won’t change the coffee’s type that she use to drink, also R2 noted that only if coffee shop offers free coffee, then he might try to drink it.

The view of this report is that coffee is physiological needing for respondents and it means a lot for them. It is not easy for respondents to change their drinking behavior, some of them even not willing to try free coffee offer in the coffee shops. It means coffee shops might need to concern the other factors to keep those type of customers continue to visit coffee shops. The following will discuss the various factors of attracting customers.

In this report, it figure out there are four factors might attract people to visit coffee shop which are product’s price; product’s quality( taste of coffee and food); coffee shops’ location and atmosphere and it links back to the secondary research that mention about price and taste are an essential elements for coffee shops.

Price: according to R2 noted how price affect him of buying a coffee no matter in the independent coffee shop or chain of coffee shop and supermarkets, if coffee is over price for him, then he will pull it off. Also R3 has the clear expect of the coffee ship which relate to the price, such as discount price for the loyal customers. Therefore, it can say that price is an important factor to affect customers buying the coffee, if coffee shops can offer the special discount or advantage for customers who drink coffee daily or a lot; it might encourage them becoming the loyal customers.

Atmosphere: respondents use to buying the coffee at the same places for the specific reason. R2 noted the environment in the coffee shop will influence his decision of buying the coffee, especially if too many people or teenagers in store, it might pull him off. On the other hand, the facility of the coffee shop might attract people buying the coffee, as R3 noted the internet in the coffee shop and the comfortable environment will encourage her buying the coffee. It links back to the previously observation and secondary research that all indicate coffee shops try to bring the sense of comfortable; convince; relax and social space for customers. In this report’s view, it might be more comfortable for customers if coffee shops can allocate the seats into quiet area and chatting area, then customers might feel more relax and appropriate doing their own things in the coffee shops.

Location: it links back to observation showed that top three chains of coffee shops are located near each other in the city center of Leicester. In the report R1 noted that she bought coffee in Costa because it is near her studying and working place, also R2 mentioned that the area will also affect him to buy the coffee. Therefore, the new coffee shop could locate in the area where have competitors exist because it might also mean there have many customers.

Quality or taste of coffee: three of respondents in the reports expressed they care about the quality and taste of coffee shop’s coffee and food. R1 and R3 noted they don’t like to go to independent coffee shop because the quality is unknown, however, R2 and R4 who had experience in the independent coffee shop noted the quality of independent coffee shop are as good as chain of coffee shops. Therefore, in this report’s opinion, coffee shops could educate the stuffs more on how to make same quality of coffee and food to keep the same level of quality in the coffee shop.

Conclusion

According to the previous research, economics in UK is not very good but the coffee shop market is still growing up. Customer’s buying behavior also have affected in this market, less people buying the instant coffee, and young people prefer to have the hands made coffee or premium coffee. Therefore, coffee shops need to bring this service to them plus something else to exceed their expectation; it also means coffee market is very competitive because make a good coffee is not enough to satisfy customer’s need.

During the secondary research, observed the coffee shops and interview with the coffee users, it comes out with 3 critical aspects to attract new customers for coffee shops which are price of products, quality of coffee and atmosphere. Although price of products must go high since the materials cost is increasing at the same time, however, secondary research indicated through the loyal card or combined with credit card (Mortimer R., 2011) all bring the advantage price to customer which is customer’s wish. Therefore, if sometimes coffee shops can come out with advantage price or give the loyal customer’s
discount might help attract the new customers and keep existing customer’s loyalty. Quality of products is hard to achieve, but through educate stuffs to make similar level of coffee, broad listening customer’s comments from social media; it could help to increase the quality of the coffee shops. Each store has its secret recipe as their advantage, so coffee came out with slightly different taste, if the independent coffee shops bring the taste which can attract customers then it might able to compete with chain of coffee shops.

No matter what type of coffee shops they all try to bring the sense of home atmosphere to customers, like free internet, comfortable seats, and delicious coffee. However, it is not enough, coffee shops need to make sure that space allocate correctly otherwise it will cause unconvinced to customers. Also building the relationship with customers also important too, if stuffs show their concern for customers, it would be help to establish the relationship between consumers and coffee shops. It might be difficult to open the chain of coffee shop in UK, since the top three coffee shops are self-fund (Talpau A., 2011) or franchises (Cushing K., 2005), so how to make the connect with them is a problem. On the other hand, open independent coffee shops may have to face face experience of opening the coffee shop, but it can develop its own style to attract customers. As previous had discuss, out-side of London (Wendlandt A., 2003) also have many area are worth to develop since the rent is not as high as big city, also the price level is not very high too, therefore it might attract chain of coffee shop and independent coffee shop to start new business in UK in 2012.

Reference


