# Coffee Shops in the UK

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Coffee Shops in the UK, by Euromonitor International

The latest research from Euromonitor International shows that the boom in the UK coffee shop market is well and truly over. Saturation in London prompted key chains to expand regionally in 2004, however, despite maintaining outlet growth, this led to increased competition and downward pressure on sales.

Exploiting strong market capitalisation, 2004 saw key coffee shop brands pick off prime "high traffic" sites, leveraging powerful branding to compete with alternative formats and independents. The response was of the "if you canâ€™t beat the brands join them" variety, with regional chains such as Chocolatesoup emerging to compound the problem further for independent operators.

Starbucks, Costa and Caff? Nero remain the dominant players in the UK market, after losing Coffee Republic through market consolidation. The iconic global brand, Starbucks, continues to lead the sector with almost 400 outlets. Despite Starbucksâ€™ enviable position, the company witnessed a slowdown in its UK expansion and is under intense pressure to deliver a strong European performance following its recent volte-face to go it alone in Germany.

Operators are focusing on boosting average spend per customer by offering food items alongside drinks. Starbucksâ€™ food targets breakfast/lunch/snack times with indulgent-to-healthy alternatives. The range is limited compared to other operators, however, now that systems are in place to sell food, it will be easier to expand the selection in future. The problem is how to challenge established and well-respected bakery/coffee players such as Pret a Manger and beat them at their own game.

Caffe Neroâ€™s food offer is integral to its core concept and so, not surprisingly, Euromonitorâ€™s research shows that it enjoyed the fastest growth in the UK coffee market between 2001-2004. The company uses in-store ambience as a means of differentiation, promoting "music with integrity" through its partnership with Just Music. Likewise, Starbucksâ€™ Hear Music division sells music CD compilations in the UK. Indeed controversy is already stalking the coffee chain in the US as HMV has removed all of Alanis Morissetteâ€™s records from their shelves in response to an exclusive the artist has agreed with Starbucks for the acoustic 10th anniversary version of Jagged Little Pill. The latest word from the US is that music will feature more prominently in Starbucksâ€™ future international marketing, offering music sold exclusively in-store to help win custom.

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