US Coffee shops still simply too hot to handle

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The market experienced 157% growth between 2000 ($3,258m) and 2005 to reach some $8,372m and despite being a maturing market coffee shops are set to continue full steam ahead. Over the next five years sales are expected to grow by a further 125% to reach an impressive $18,839m by 2010. This is phenomenal growth for such an established market and is well over twice the growth rate seen in the much younger British coffee shops market.

"Driven by the enormous appetite Americans have shown for more inventive, upmarket and premium-priced coffee, coffee shop chains have expanded at breakneck speed. The rise in popularity of this kind of coffee has been driven mainly by the expansion of coffee shops themselves. Every new opening increases demand by pulling in customers who pass by while going about their daily routines and this self feeding cycle of growth has shown no signs of slowing or market saturation," comments Billy Hulkower, Market Analyst at MINTEL.

The total number of coffee shops in the US increased by 70% between 2000 and 2005, bringing the total to a staggering 21, 400 or one coffee house for every 14,000 Americans. MINTEL believes that the number of shops could well continue to rise until there is a coffee shop for every 10,000 Americans.

Starbucks - Can it continue to have its cake and eat it?

Accounting for nearly three-quarters (73%) of the market value, Starbucks is the clear market leader and is the driving force behind much of the growth in this sector.

The chain's omnipresence is unprecedented. Caribou Coffee, the number two in the market, would need 12 years at its current expansion rate to catch up with Starbucks' current US presence, while the number of new Starbucks stores opened in 2005 alone was greater than five times the entire franchise of Caribou.

But despite the dominance and continued expansion of Starbucks the coffee house craze has generated a demand for premium coffee so significant that independent coffee shop sales have also had room to grow at an estimated 5% year on year.

"Many independent coffee shops across America actively seek out those locations where Starbucks operates, as it will have already done the ground work of establishing a coffee shop culture in that area. Starbucks' rampant expansion has created an ever increasing demand for premium coffee, while opening the market up for competitors as well. But Starbucks' growth remains a mixed blessing at best. The chain may be growing the market, but it is also increasingly owning a larger market share. So although Starbucks may afford some opportunity to others, it still prevents independents and smaller chains from growing the market on their own," explains Billy Hulkower.

As such, independents are unlikely to ever present any kind of threat to Starbucks. In fact, the real competition may well come in the form of giants such as Burger King and McDonalds, which completely dwarf the Starbucks chain and which have already started jostling for a piece of the coffee shop action by launching premium coffees. As Americans already visit these restaurants on average seven times a month, they seem perfectly placed to offer a real alternative to Starbucks.Â Â Â
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