

For Immediate Release

Press Release – Project Café11 Europe

European Branded Coffee Shop Market Showing Resilient Growth Despite Wider EU Economic Crisis

During the last 12 months the number of **outlets increased by 6.8%**, which brought the total number of **outlets up to 11,766** from 10,951 in October 2010. This represents a faster growth than 2010 when the number of outlets grew by 4.6%.

Research from **Project Café11 Europe**, Allegra's definitive annual study of the branded coffee shop market in 22 European countries* reveals that despite widespread economic uncertainty the branded coffee shop market remained resilient in 2011.

Allegra Strategies predicts that the European branded coffee shop market will grow by 6.3% over the next 3 years to exceed **13,700 outlets by 2014** as consumer appreciation of specialty coffee increases.

Jeffrey Young, Managing Director of Allegra Strategies said: *"The European coffee shop industry is remarkably resilient, which highlights the extent to which coffee is embedded into the lifestyle of Europeans. It highlights the continuous growth of speciality coffee culture and the role of coffee as an indulgent treat."*

Market size and growth

The **UK is the most developed** branded coffee shop market with 4,871 outlets and represents 41% of the total European market. **Germany and Spain are both well established**, with 1,887 and 944 outlets respectively. The fastest growing markets are Slovakia (85 outlets, adding 21 in the last 12 months) and The Netherlands (174 outlets, adding 37 in the last 12 months) albeit from a small base.

"As expansion of branded chains continues across Europe, industry leaders believe there is plenty of room for growth in branded chains. In some countries, lower growth expectations relate to the current economic crisis, particularly in Greece and Portugal. However, there is an emerging speciality coffee culture in Slovakia, Poland, France and The Netherlands with the majority of industry leaders in these countries stating there is plenty of room for growth", commented Young.

Key players

The three leading players in the market are Costa Coffee, Starbucks Coffee Company and McCafé with a combined market share of 34%. In terms of the number of outlets Costa Coffee has 1,444 across 8 countries; McCafé has 1,326 across 14 countries, overtaking Starbucks for the first time in 2011 which has 1,253 outlets across 20 markets. Other influential players include Segafredo Zanetti Espresso, Illy and Wayne's Coffee.

* Austria, Belgium, Bulgaria, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, The Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Spain Sweden, Switzerland, UK

Consumer trends

The **growth of specialty coffee and coffee culture** continues to be the most influential consumer trend in Europe. Consumers are **knowledgeable and demanding**, seeking out the most indulgent coffee experience and refusing to settle for sub-standard coffee. However, the difficult economic climate has also augmented sensitivity to the **rising cost of living**, making consumers increasingly price-conscious. This highlights the need for creating an authentic coffee experience with high quality coffee and service in order to retain custom and loyalty.

Future Trends

The type of trends affecting the European coffee market depend on the development stage of a particular market. However, there are underlying macro trends which affect all markets to a certain extent:

Developed Branded Coffee Shop Markets

In markets with an established branded coffee shop culture, branded chain coffee shops will come under increasing pressure to provide an **authentic experience that cannot be replicated in the home**, especially as more European households have high quality espresso machines, the most popular types being pod/capsule machines.

Third wave artisanal independents will also influence how branded chain coffee shops will look and feel in the future. Branded chains will have to compete with both the high quality coffee as well as the exclusive experience which independents offer.

Knowledgeable and demanding consumers will have a major influence on the future development of the coffee shop sector, forcing operators to review their offer and making higher quality and diversity of coffee available to consumers. This will increase the **importance of single origin and provenance**.

All Markets

Health retains its traction across Europe. While eating healthier food options is a large part of this trend, consumers are also paying more attention to the positive and negative health messages around coffee.

As ethical credentials are becoming more mainstream operators will be challenged to show they are doing more than just signing up to accreditation schemes, making **meaningful sustainability efforts** a challenge for the future.

The rise of social media and technology presents branded coffee chains with exciting channels of **communication with customers**.

Finally, the **ageing population** poses both the opportunity to gain access to a largely untapped consumer group as well as the challenge of finding a way to continuously engage them in the future.

Editors Notes:

Allegra Strategies is a London-based strategic research consultancy recognised as a global leader in the foodservice and coffee shop sector coffee sector. Allegra is best known for its definitive reports on the European and UK coffee markets. Allegra has accurately predicted trends in the UK branded coffee shop market since 1999. The report is considered by the industry as ‘the bible’ of the coffee sector.

Sources

304 interviews with CEOs, managing directors, senior managers and store managers of major industry players, including:

- leading European coffee and food-focused chains
- major coffee roasters and key equipment suppliers
- non-specialist players including department stores, supermarkets, bookstores
- leading property companies, letting agents and landlords

Allegra Contact Details

For more information on this release please contact:

Jeffrey Young
Managing Director
Allegra Strategies Limited
No 1 Northumberland Avenue
Trafalgar Square
London WC2N 5BW

020 7691 8800
jyoung@allegra.co.uk
www.allegra.co.uk

Anya Gascoine Marco
Director of Insight
Allegra Strategies Limited
No 1 Northumberland Avenue
Trafalgar Square
London WC2N 5BW

020 7691 8800
amarco@allegra.co.uk
www.allegra.co.uk