

For Immediate Release

## Press Release – Project Café11 UK

### **Branded coffee shop sector defies economic downturn to post 10% growth.**

The UK branded coffee chain market, including chains such as Costa Coffee, Starbucks Coffee Company, Caffè Nero, Pret A Manger and EAT, has shown **incredible resilience, growing sales by 10%** to an **estimated turnover of £2.1 billion** with the market doubling since 2005.

Consumers are embracing the growing coffee culture trend and demonstrating their love of coffee, enabling the sector to substantially outperform the wider retail market.

Jeffrey Young, Managing Director, Allegra Strategies said: *“The UK coffee shop market continues to exceed expectations by growing significantly in value, but also in outlet numbers. More than 600 new coffee outlets opened in the UK during 2011. As consumers gain more opportunity to consume coffee through more outlets, they are making it part of their lifestyle.*

*High quality independent coffee shops are fuelling consumer demand and driving the branded coffee shop sector to increase focus on unique interiors and improved brewing methods within a wider, more artisanal coffee offer. This focus on quality in all areas can only continue to drive a thriving industry.”*

In the largest ever research study of its kind, **Allegra surveyed more than 36,000** consumers. This research has shown continued growth in visitor frequency, with **1 in 10 UK adults now visiting coffee shops daily**. Consumers refuse to give up on their regular coffee out of home, with 39% stating they visit coffee shops more often than 12 months ago.

However, Allegra’s report does highlight some concerns. **Weaker mid-sized chains and low quality independents are suffering** as the major brands expand. **Consumers** have also started to **spend slightly less per visit from £3.50 in 2009 to £3.18 in 2011, reducing their food purchases** from coffee shops. 69% of consumers interviewed purchase food in coffee shops regularly compared with 71% in 2010.

**The branded coffee shop market is led by Costa Coffee, expanding with 167 new UK outlets to a total of 1,342** and 44 consecutive quarters of like-for-like growth. **Starbucks** opened 12 new stores and posted **revenue growth in 2011 from its 743 strong store estate. Caffè Nero trades from 490 outlets**, adding 50 units in 2011 and reported 57 consecutive quarters of like-for-like sales growth.

The three largest chains (Costa Coffee, Starbucks and Caffè Nero) account for 52% share of branded market sales.

**Further market growth is predicted.** Coffee will continue to be an affordable treat and provide a much needed indulgence for consumers during challenging economic times. Rising consumer value expectations is a long-term factor shaping purchasing behaviour and branded chains will need to ensure they offer high quality products, especially food and authentic environments.

The UK coffee shop sector will continue to out-perform retail sales growth and this will attract further non-specialist interest. Allegra predicts like-for-like sales growth to continue, with leading brands to average high single digit growth over the next five years.

The branded coffee chain market will be the main growth driver of the overall market. Expected to grow at 6.0% compound annual growth and **exceed 6,000 outlets by 2015, sales are predicted to grow by 10.7% CAGR and reach £3.2 billion by 2015.**

Further details from the report include:

### Market size and growth

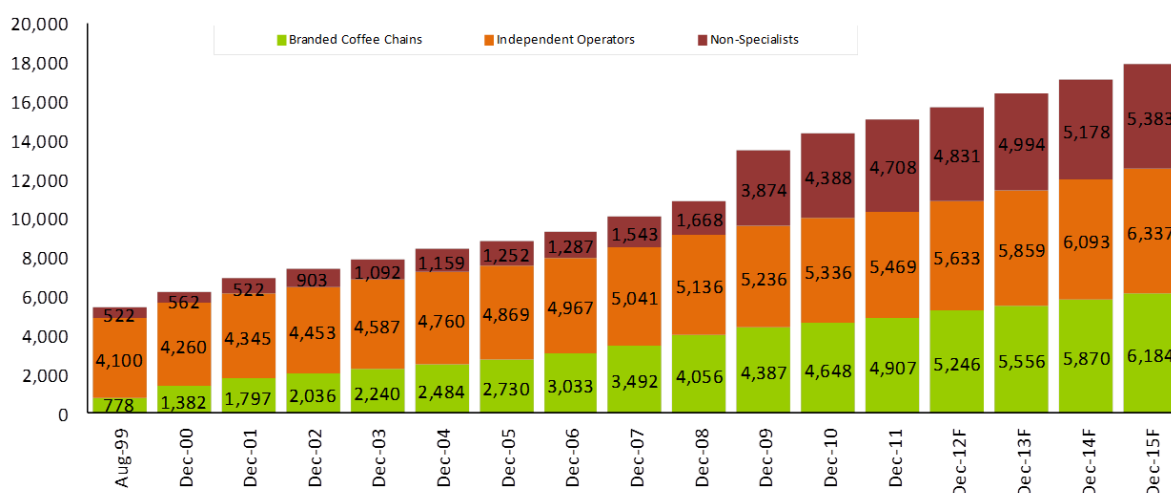
**15,084 branded chains**, independents and non-specialist operators in the UK are keeping the UK consumers in coffee, **with annual growth of 4.5%** in the last 12 months.

Allegra forecasts the total UK coffee shop market will reach **18,000 outlets** and **£7 billion turnover** by **2015** with average compound annual growth of 4.4%.

The **branded coffee shop segment totals 4,907** outlets, with moderate growth at 5.6% in 2011. Expansion by leading branded chains is driving total overall UK market growth.

**Non-specialist operators**, such as M&S Café and J D Wetherspoon, continue to show strong expansion with outlet growth of 5.7% and 253 new stores, **estimated at 4,708 stores** (not including branded concessions).

### TOTAL NUMBER OF UK COFFEE SHOP OUTLETS, BY TYPE, AUG 1999-DEC 2015F



### Key players

**Costa Coffee is the fastest growing operator** in the branded coffee shop segment, adding 167 UK outlets in 2011 to trade from 1,342 UK outlets and achieved the highest annual turnover, an estimated £531 million.

**Starbucks continued to achieve sales growth** with an estimated turnover of £404 million for calendar year 2011. The company opened 12 stores during 2011 and now trades from 743 outlets.

**Caffè Nero reported** 57 consecutive quarters of like-for-like sales growth. Accelerated expansion during 2011 saw the chain open 50 new stores and now trades from 490 outlets.

#### MARKET SHARE BY STORE NUMBERS AND TURNOVER – COFFEE-FOCUSED CHAINS, DEC 2011

Operator	Store Numbers			Turnover			
	London	Regional	Total	Market Shares By No. of Stores at Dec-11	% Change in Share, Dec-10 - Dec-11	2011 Market Shares By Turnover	% Change in Share, Dec-10 - Dec-11
Costa Coffee	225	1,117	1,342	39.7%	2.7%	40.4%	4.8%
Starbucks	262	481	743	22.0%	-1.0%	30.7%	-2.0%
Caffè Nero	180	310	490	14.5%	0.6%	14.0%	-0.2%
AMT Coffee	29	36	65	1.9%	0.1%	1.7%	0.1%
Caffè Ritazza	9	46	55	1.6%	-1.8%	1.4%	-1.2%
Café Thorntons	3	34	37	1.1%	-0.2%	0.9%	-0.2%
Esquires	4	31	35	1.0%	0.0%	0.8%	0.0%
Coffee Republic	6	23	29	0.9%	0.0%	0.6%	-0.4%
Puccino's	10	17	27	0.8%	-0.4%	0.4%	-0.4%
Soho Coffee Company	0	19	19	0.6%	0.0%	1.3%	-0.1%
Love Coffee	0	18	18	0.5%	0.1%	0.4%	0.0%
Coffee#1	0	15	15	0.4%	0.0%	0.4%	0.0%
Caffè Fratelli	10	2	12	0.4%	0.0%	0.3%	0.0%
Boston Tea Party	0	11	11	0.3%	0.0%	0.5%	0.0%
Others	147	332	479	14.1%	-0.1%	6.4%	-0.4%
<b>Total</b>	<b>885</b>	<b>2,492</b>	<b>3,377</b>	<b>100%</b>		<b>100%</b>	

Food-focused leaders, Pret A Manger and EAT, have a combined estimated annual revenue of £409 million, accounting for 51% share of the food-focused segment sales and trade from 247 outlets and 113 outlets respectively.

**Note:** Branded coffee chains include coffee-focused operators such as Costa Coffee, Starbucks Coffee Company, Caffè Nero and AMT, as well as food-focused operators such as Pret A Manger, EAT, Patisserie Valerie and Greggs. Non-specialist operators include department store cafés, supermarket cafés, pub chains, quick service restaurants and petrol forecourts with a strong coffee offer.

#### Editor's Notes

Allegra Strategies is a London-based strategic research consultancy recognised as a global leader in the foodservice and coffee shop 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

36,178 online surveys with British coffee shops visitors

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

- leading UK 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 report:

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

020 7691 8800  
[agascoine@allegra.co.uk](mailto:agascoine@allegra.co.uk)  
[www.allegra.co.uk](http://www.allegra.co.uk)

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

020 7691 8800  
[jyoung@allegra.co.uk](mailto:jyoung@allegra.co.uk)  
[www.allegra.co.uk](http://www.allegra.co.uk)