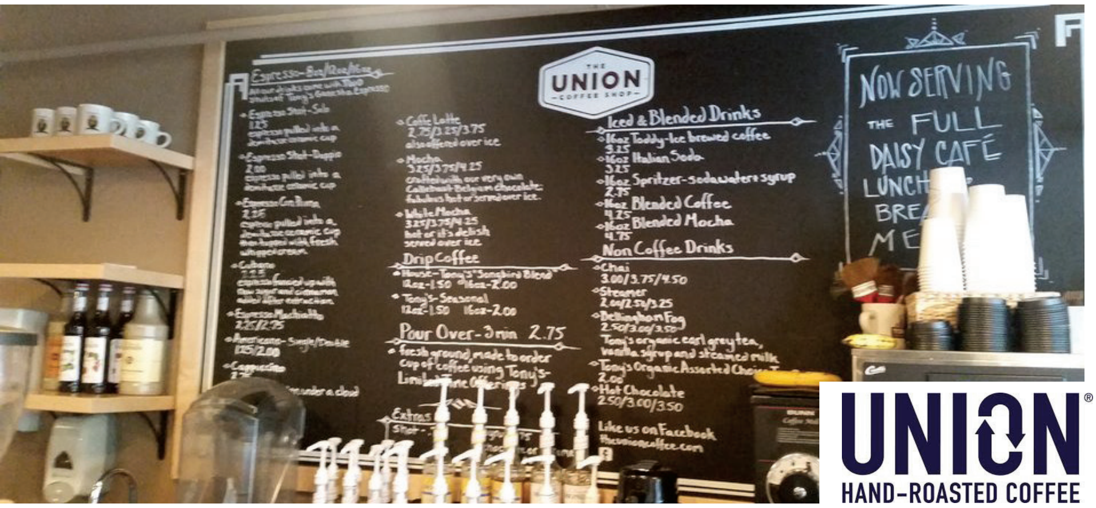
GROWTH IN SPECIALITY COFFEE SHOPS

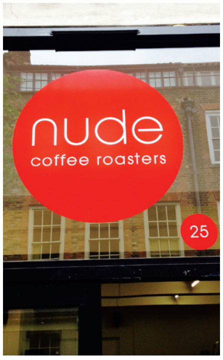
By Charles Manners



The coffee shop market continues to grow at a rapid pace, and whist the casual dining market is coming under the spotlight for potential over-capacity the coffee shop market according to Allegra's World Coffee Portal latest data shows that there are estimated to be 20,728 outlets in the UK, with sales growing at 10% on last year with a total turnover in 2015 of £7.9bn. Interestingly the branded coffee chain segment recorded £3.3bn turnover across 6,495 outlets, thus the independent segment is not only significant but also growing as strongly.

The caterers in the HE market have embraced the major brands and in order to provide further customer choice are considering smaller specialist operators. The speciality green coffee market has an estimated value of £40m per annum and Allegra forecasts it to reach £80.4m by 2020 representing 15% growth p.a. This growth is being driven from the increasing number of artisan microroasters and commercial roasters broadening their offer to include speciality blends.

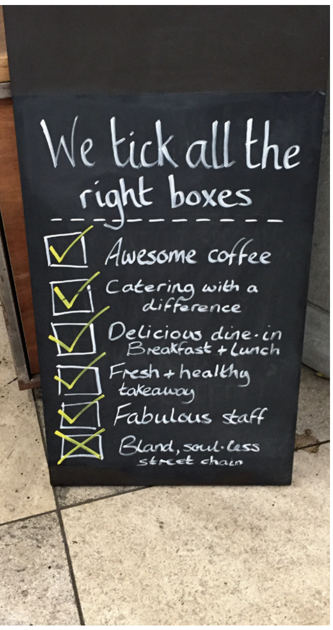
These smaller artisan chains and independents are part of the second or third wave of coffee shops that are gaining increasing coverage and popularity and should now be considered alongside the established brands. Union and Monmouth were the original pioneers in this market, but there are now numerous operators including: Nude Coffee Roasters, Workshop Coffee Co, Square Mile Coffee Roasters, Caravan and Origin Coffee. Whether these are second or third wave what differentiates them from the main stream brands is their focus on quality, and their ability to raise consumer expectations about coffee quality with a focus on training, the coffee product and the effects of water chemistry and unique store design.



These smaller coffee roasters (there are 180 plus in the UK) are using new technology and scientific methods to refine the coffee-making process from farm to cup, with a focus on the grower, the agronomy and processing at origin which will help yield higher quality beans.

The term 'third wave' was originally defined in 2002, and according to Wikipedia refers to coffee roasting and brewing being treated with the same reverence as wine and craft beer. In many ways this is simply an extension of the culinary trend of consumers taking a real interest in their food and provenance.

London is also not necessarily the centre of this new approach, the regions and main cities are seeing artisan independents developing in such cities as Bath, Edinburgh, Manchester, Birmingham and York. In retail there is a decline in instant coffee consumption, a visit to a cookware shop is ample demonstration of the consumer becoming more knowledgeable where one is presented with an enormous range of home coffeemakers, which are not inexpensive, with Nespresso being a leading brand and other such as Aeropress and Chemex etc gaining in popularity. What we are seeing is the increasing premiumisation of the at-home market, which is being mirrored on the high street with the availability of speciality coffee and an increasingly knowledgeable customer.



The significance of this trend for university catering teams is that there needs to be a focus on providing an interesting and premium range of coffees, which have, if possible, a local and quality story.

We are also now seeing established investors entering the market with Luke Johnson investing in small batch coffee He said: "Britain invented coffee shops in the 18th century and we now have this latest iteration of coffee shops, of which small batch is a great example. It is designed to appeal those who feel a little jaded by big brands."

We really are becoming a nation of coffee connoisseurs, and Allegra predicts the total UK coffee shop market will comfortably exceed 30,000 outlets and £15bn turnover by 2025! UB

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