

# [Good cappuccino wars: case analysis case study example](https://assignbuster.com/good-cappuccino-wars-case-analysis-case-study-example/)

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UK drinking is becoming more social, female- and/or family-oriented and outdoors. Daily encounters in U. K.'s metropolitan and high street areas increasingly reflect a notable changing mood. A " Tea Nation" par excellence, Britons are shifting drinking mood not only for coffee but also for coffee shops in lieu of conventional bars. Indeed, rollout expansion rates of coffee shops in U. K. in recent years is showing how coffee shops are not a passing fad which Britons are embracing only to drop soon but is here is stay – for a while. According to case under investigation (Jobber, 2010), U. K. coffee shop markets is dominated by U. S.-owned Starbucks (700+ coffee shops), Costa Coffee (+1300) and Caffè Nero (400). This is not to mention independent bars. The coffee shop market is projected for further growth.   
The change – as is in Jobber – is not confined to expanding places but also includes flavors. Against a history of flavorless coffee in U. K. (compared to continental Europe), new coffee shop businesses are introducing flavors which are, in fact, changing how coffee is consumed. Coupled by emerging segments of young, high-earning professionals – particularly women – coffee shop businesses in U. K. are showing notable shifts in consumer segments as well.   
This success has not come, however, without challenges. According to Jobber, Starbucks has experienced declining sales as until 2008 as consumers lacked a place feel, which newly appointed CEO Howard Schultz figured out and acted upon. Accordingly, dramatic innovations were introduced into Starbucks, which reversed sales rates. Similarly, in response to an increasingly demanding customer base, Costa Coffee has moved into self-service business and her new offering is now branded Costa Express.   
In order to assess more fully how coffee shops have come to be integral to a growing base of coffee consumers in U. K., a deeper analysis is required for how such " cultural shift" occurred and is still unfolding. Further, a series of questions need to be answered in order to justify such shift, if any, and to reflect on implications for future expansion opportunities both in places, i. e. coffee shops, and flavors. This analysis aims, hence, to qualify changing British mood in consuming coffee in light of steady expansion of coffee shops.   
Typically, drinks belong to a category of consumer goods which is subject to fluctuating market shifts. Given how innovations in chemical composition – and flavor – are not frequent but can, indeed, be accidental, changing moods of drink consumers can occur based on intensive marketing efforts and branding campaigns. More specifically, drink consumers are more likely to consume more of a re-branded drink if adequately marketed and offered via experiences speaking to consumers' actual needs, as Schultz did when he introduced a new feel for Starbucks. This is a strategic step which echoes across whole value chain. That is, by introducing minor changes in physical assets (e. g. store furniture, lighting, barrister uniform, etc) a coffee shop's brand value is enhanced as more customers frequent one or more store more frequently in pursuance of gratifying experiences during breaks or over weekends.   
In a similar fashion, by introducing a classless appeal to coffee – according to Any Harrison, CEO of Whitbread, owner of Costa Coffee – customer profile is changing dramatically from middle-class-only into a mainstream activity, becoming part of people's daily lives (Neate, 2012). Thus, from being a habit adopted by a specific class, coffee consumption has come to be a national habit. Further, popularity may not, of course, only be a function of changing habits of one class per se alone. Indeed, consumer behavior processes can be very complex as to make one refrain from identifying a limited set of factors as exclusively leading to one change or another in consumer behavior. This reservation cannot be overemphasized for case at hand.   
Given how nature and pace of work are changing rapidly – and irrevocably – coffee consumption comes as an interesting development evidencing probably how and where people consume coffee. Instead of consuming coffee, if any, in homely settings, coffee is now being consumed outdoors, in coffee shops (Thomas, 2014). Thus, between breaks, young professionals would rush to a nearby coffee shop for a cup of (favored and web-creamed) coffee. This pattern is further emphasized by another change in shopping habits. In recent years, Britons are increasingly shopping online (Thomas) and hence more extra hours to socialize in open, social, classy-styled space – all contributing to a surge in coffee consumption and in rising market shares of major coffee shops, as shown in figure below:   
Figure 1. Britain's coffee shop market by share.

## In expanding business (discussed in further detail below), coffee shops engage existing and potential customers in different ways.

Conventionally, a first-time visitor would seek a coffee bar for reasons based on engagements different from ones major coffee shops employ currently. For example, in more conventional offerings a customer would visit a coffee bar most probably for a different flavor. Being a repeat customer would rest primarily on a unique blend of flavors well differentiated from competitors. The sense of place is underemphasized and spending long hours – working, studying or socializing – would not count much in a narrative about how a coffee shop has been particularly special. If anything, coffee shops – in a conventional sense – are considered low involvement service given limited periods a service provider and a customer are engaged in (Bloemer & de Ruyter, 2010). Put differently, services which a customer converts from satisfaction to loyalty are ideally ones which are provided over extended periods during which a customer develops positive attachments to provided service. In conventional coffee bars, stays are not long enough as to secure adequate development of positive emotions.   
In coffee shops as Starbucks, Costa Coffee and Caffè Nero, however, experience is emphasized. That is, as Shultz points out wittingly (Jobber), part of why Starbucks has been losing market share is eluding sense of " romance and theater". More clearly, by introducing a sense of homeliness and offering social venues frequenters can idle by in for hours, coffee shops – now in an expanding spree – cater for an increasingly demanding customer base to enjoy hundreds of flavors but also to engage in social gatherings defined both by place and drink.   
Thus, in visiting a coffee shop for a first time, a customer would, in a renovated space and Wi-Fi service, seek a full experience defined not only by space layout and hundreds of flavors but also by baristas properly attuned to customers' needs. Entitlement is, in fact, becoming a defining feature which not only classic examples of upper classes and connoisseurs are showing examples of but in recent shifts of moods and preferences entitlement has become a mass business.   
For less concrete assets, Starbucks has re-introduced manual coffee making and hence emphasizing experience and connoisseurship. Notably, as well, new connections are reestablished between customers and baristas. That is, instead of serving drinks and/or coffees " summarily" baristas are oriented to establish friendly connections with customers.   
The good feel experience major coffee shops are offering is not, in fact, limited to prosperous periods but coffee shops are keen enough to provide offerings responsive to economic recession. For example, Starbucks is offering Via, a new coffee brand at a much cheaper price (Jobber). Moreover, loyalty cards are introduced, as well, ensuring customers get extras in chosen coffee flavors.   
These moves by major coffee shops have contributed to notable profitability in quarter reports and are poised to enhance brand value. If anything, coffee bar experience has come to represent a cultural shift not only for Britons of how coffee is being consumed but also for operational culture of coffee businesses. That is, in attending to customers' changing and demanding needs and lifestyles, coffee businesses are showing a major shift in conceptualizing a product's ingredients and overall feel based on customer feedback. Further, given how dynamic and young customers are, coffee businesses are playing on a mood formula. Ingeniously, coffee shops are offering a marketing mix of " mood" and " flavor". By offering seasonal flavors, coffee businesses are manipulating customers' moods for one or another offering: " fresh feel" customers experience during summers manifest in cold drinks but also in store space or a " work mood" during severe winters manifest in store lighting and hot drinks.   
In catering for broader communities, coffee businesses are offering Fair Trade coffees. In support of fairer commerce practices, coffee businesses are projecting an image of open and transparent brands promoting sustainable production of coffee and eschewing prohibited practices as child or forced labor. Despite being commendable, coffee businesses still face challenges of pressures from conventional market logics, practices of dominant actors, not to mention diverse stakeholder interests and influence (Taylor, 2005). Put differently, coffee businesses need to cater for apparently conflicting stakeholder interests of established market players – whose practices are opposed by anti-corporate groups – and smaller farms supported by activist groups. Toeing a fine line, hence, coffee businesses are under increasing pressure to lobby equally for both sets of stakeholders, particularly in expanding overseas in countries big business is synonymous with bigger investments and hence more job opportunities and economic development.   
Thus, in expanding offerings for customers decisions of coffee businesses are informed by a broad range of influences and contextual motivations which cannot be simply dissected over limited periods, for specific segments of customers or based on a success one particular offering has achieved. Instead, any adequate assessment of a brand's offering should be performed as market outcomes continue to unfold. Indeed, an unexpected boom in one quarter nationally and/or internationally might be offset by a steep downturn in a following quarter for what is now has become a lingua franca: The Black Swan Effect.   
Currently, Starbucks, Costa Coffee and Caffè Nero are mainly based in metropolitan and downtown areas in different geographical locations. Understandably, given major financial centers, shopping areas and educational institutions are based in city centers major coffee bars choose locations as close as possible to where customers usually work, shop and practice entertainment activities. However, since not only present market appears to be coming to a saturation point in city centers – given how demanding and " fickle" customers are in city and metropolitan areas – an increasing pace of affluent customers moving out to live in suburban areas represents an interesting point of expansion for coffee shops outside conventional city center areas. Further, given high store rental rates in city centers, opting for suburban locations would not only offset fixed costs coffee shops incur in a conventional city center location but also to enhance brand visibility in underinvested areas. There are also a host of different locations which coffee shops can make decisions of whether to " blanket" or not. In boomtowns witnessing expansion in one or more economic activity – provided such activity is sustainable enough from company's point of view – choosing to open new stores might prove a very viable option.   
Overall, coffee shops in U. K. represent an interesting phenomenon, not only culturally but also economically. Shifting habits from sipping a cup of coffee at home and of standard flavors, if any, to diverse options of open space – and experiences – and flavors, Britons are helping give rise to coffee shops as new social venues for work, study and socializing. The rapid rollouts and emphasis on in-store experience is particularly significant in introducing changes into how coffee shop businesses are catering for an increasingly demanding customer base. Yet, for all major shifts in global coffee chain, coffee shops are introducing major " revolution". That is, in lieu of a comparatively stable relationship between producing and consuming countries, power balance in international coffee production has shifted in favor of emerging intermediary businesses, i. e. coffee shops (Ponte, 2002). Commendably, major coffee chains are investing in Fair Trade coffee and hence offsetting a negative image of supporting big businesses. Indeed, by promoting sustainable coffee production, coffee shop chains can bridge a gap between expanding profitably in suburban, non-metropolitan areas and enhancing a socially responsible brand image. The story of coffee business is, after all, still unfolding.

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