

Cafe nero marketing plan assignment

[Art & Culture](#)



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Page 25 Introduction This marketing plan analyses the key success factors of

the company and our current market position in order to set the next market

objectives and plans a one year plan strategy to reach those objectives. In

the second part, this marketing plan outlines the issues that need to be

considered to implement Caffè Nero overseas by analysing of international

marketing of the company. Caffè Nero Group Plc Caffè Nero Group Plc was

founded 1977 and currently owns 290 stores from Brighton to Glasgow

with ? 0, 7 million as turnover. We provide Italian coffee in European style

coffee houses. Our philosophy consists on serving the best quality coffees

and food in a friendly way in a pleasant atmosphere. Corporate

Objectives ??? Increase our market share in UK in order to be the leader. ???

Starting international expansion in the Western Europe 1. Overview 1. 1

Market segmentation The coffee shop market in UK is estimated at ? 540

million in 2006 and had increased by 109% between 1999 and 2004 (Mintel,

2005). This market has emerged in 1990.

It is dominated by single-site and independent coffee stores which account for 35% in terms of outlets numbers. However, branded coffee shop companies have grown significantly. In 2004, the top four branded coffee shops, which include Starbucks, Costa, Caffe Nero and Puccino's, accounted for 23% of the whole market and were expected to keep expanding (Mintel, 2005) (Figure 1). Caffe Nero Group Plc is the last entrance between the top five competitors in the UK coffee shop's market. We currently own 290 stores with a turnover of ? 90, 7 million.

This is due to an aggressive expansion strategy that we have conducted from 1999. Indeed, we were ranked 20th on the annual listing that gathers rapidly growing European companies in the 2004 and 2005 Europe's 500. Figure 2 shows how the market shares were split between the top five competitors in 2004.

2. Marketing Audit

This section shows external and internal factors that characterize the coffee shop market. It is essential to determine them in order to have a better understanding of the market characteristics.

2. 1 PEST Analysis

Political & Legal Environment Fair trade coffee is becoming an important issue in UK since Starbucks introduced it in 2002. It appeared first in 2000 in the US where activists pressured Starbucks to carry fair-trade coffee in their outlets. Mintel found that 25% of adults who have been to coffee shop agreed that more coffee shop should sell Fairtrade products (Mintel, 2005). This is certainly a significant figure that coffee shop and other outlets selling coffee cannot afford to ignore. The smoking-ban in the UK will be enforced in summer 2007.

This means that smoking will be prohibited in all pubs, clubs, restaurants, coffee shops and other public places. This may have both positive and negative impact on the coffee shop market. As happened in Ireland and Scotland where the ban has already been adopted for several years, people are likely to eat more in coffee shop since they will be no longer bothered by smoke when eating. However, coffee shops that do not provide an outside smoking area are likely to observe a decline of their visiting as smokers enjoy having cigarettes when drinking coffees.

Economic Environment There are signs that boom in the UK coffee shop market is over. Store opening has declined from 2002 (Figure 3) as well as year-on-year growth that has declined from the peak of 23% in 2001 to 9% in 2005 (Figure 4) (Bremner C, Euromonitor international, 2005). **Social Environment** UK population is about 60. 2 million with 48 million people living in urban area, where coffee shops tend to be concentrated. Mintel carried out a survey that reveals that the most typical user is in the 25-34 brackets (Mintel, 2005).

More precisely, the 20-24 age groups and the wealthy achievers category are the biggest clientele of branded coffee shops. They are forecast to continue rising until 2009 according to UK National Statistics (UK National Statistics, 2006). As mentioned above, coffee shop market seems to approach the maturity. Thus, coffee shop companies focus more on how increase spends by head. Thereby, the rise of Personal Disposal Income (PDI) has become an important factor for companies. In fact, the coffee shop market has taken advantage of the PDI that has been rising since 1999.

This should continue until 2009 at least, since PDI is set for similar growth (Mintel, 2005). Allegra's survey, based on 7500 coffee shoppers', sample points out that the most important reason for visiting coffee shop is to relax and to meet friends and colleagues (Allegra Strategies, 2006). Mintel's survey makes clear that there is no gender bias in coffee shop consumers which is of such importance for the outlets since this makes coffee shops places ideal for couple as well as suitable venues for single men and women to socialise in mixed company (Mintel, 2005).

According to Allegra's survey, coffee bar loyalty is increasing, with significantly more than half of consumers surveyed in 2005 mentioning that they mainly visit their favourite coffee shop (Allegra Strategies, 2006). However, this survey shows that "convenience of location" is the most important reason consumers select a given coffee shop. Thus, the number of outlets is a critical element. Coffee suffers from its image as it contains caffeine which can produce coffee addiction. This may lead people to fear the caffeine dependency.

Therefore, Starbuck has communicated that coffee has high level of antioxidants which have been shown to help prevent cancer, heart disease and other conditions. Technological Environment There is a general direction to transform outlets into media and community area centre. Thus, coffee shops develop Wireless Internet Hotspot and coffee book store. For instance Starbuck, has developed high-speed wireless Internet access through a deal with T-Mobile. Besides, Costa and Starbuck have developed electronic card that allows customers to get points when purchasing coffee shops' products.

Customers can use those points to get free products and use this as debit card. 2. Market Analysis Market Shares There is an intense competition between the top three companies. The following picture shows the market shares of the three main competitors by the number of outlets. [pic] Market Trends There is a general trend for branded coffee shops to increase spends by head. This required to create interest and stimulate demand by introducing new drinks and patenting them or wider selection of gourmet food.

Thus, a general strategic trend for the top four coffee shop companies consists to emphasize on developing new products and pushing larger cup size. Food has become essential for them since it really helps to increase spend by head and allow to infringe on the fast-food market as well. Therefore, coffee shops have added into their menu hot and cold meals such as pizzas, paninis, salads, sandwiches, etc. Even though the market is approaching maturity, there are still high consumer demands and opportunities identified in the UK, according to Allegra (Allegra Strategies, 2006).

Thus, the top five companies emphasize on keeping on expanding with different methods. They purchase and implant new outlets and have started to move into provincial region. Despite the fact that those provincial stores are less lucrative than stores in city-centre, they offer opportunities, allowing companies to secure higher levels of brand recognition as well as market share. Franchising and licensing have become important keys to growth as well. This allows companies to avoid paying extortionate retail rents and limit their risk.

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Besides, companies use partnerships with retailers and other consumer services such as banks, bookshops or supermarkets to increase their market share. Both Starbucks and Costa adhere to Fairtrade label and have launched their own Fairtrade coffee certified by the Fairtrade Foundation. We do not serve coffee certified Fairtrade. We adhere to self-imposed guidelines to ensure that growers receive a fair price. Thus, we are not allowed to call our coffees 'Fairtrade' as that is a commercial trademark. However, we are committed to purchasing coffee beans that meet the International Coffee Organisation's (ICO) standards.

This consists in paying a fair and decent price to farmer as well as to trade only in quality coffee as proposed by the ICO Coffee price does not seem to be a determinant factor. Indeed, Starbucks charges quarter more than most other shops and raises prices in line with shifts in coffee prices, which suggest their consumers are not affected by their pricing (www.morningstar.com). Moreover, despite operator price increase, the market has increased of 9% in the past 18 months. In fact, since coffee is more of a luxury product than a necessity, it is a kind of price inelastic product to some degrees (not exceeded ? , 5).

3. Micro Environment Consumers Analysis

The survey carried out by Mintel specified that customer of Caffe Nero are slightly younger than other coffee shops. Indeed, 60% of Caffe Nero's customers are under 34 years old. Furthermore, UK National Statistics forecast that the 20-24 age group, which is our biggest clientele, is going to increase (UK National Statistic, 2006). (For more detail, see appendix 1) According to Mintel's findings, our customers are more likely to flit between brands than Starbucks

or Costa's customer (Mintel, 2005). We do not believe that our clientele is disloyal.

This is explained by the fact that we have less outlets than Starbucks or Costa and so their clientele does not need to flit between brands as they find their favourite branded coffee shops everywhere. Competitors Analysis Starbucks Corporation Created in 1971 in Seattle, Starbucks is the world's largest coffee shop company and the UK leader since 2002. Starbucks has currently 10 000 stores across the globe and 532 in UK. Its brand awareness is high despite increasing criticism from the anti-globalisation lobby. Generating \$7.8 billion as revenue in 2005, Starbucks has a real important investment capacity.

Costa Coffee Ltd Founded in 1978 and acquired in 1995 by Whitbread Group, Costa Coffee used to be the largest coffee shop in UK before Starbucks came. Costa Coffee owns 500 stores across UK and has started international expansion in the Middle East, in India and in Cyprus. As Costa is part of the Whitbread which owns hotels, restaurants and many other businesses, it has an important investment capacity. Puccino's Puccino's is a private company created in 1996. It has about 110 stores but does not own them, as the outlets are franchised. Thus, Puccino's does not have a real power. Its turnover is about ? 0 million. Coffee Republic Coffee Republic was created in 1995. It became one of the largest independent espresso bar brands of the UK. However, since 2003, Coffee Republic has started to reduce the number of its stores as is currently in the midst of converting its portfolio to the Republic Deli concept. Therefore, Coffee Republic's turnover has more than halved and we can consider that it is not a competitor anymore. Channel Analysis The coffee shop market has the advantage of having a huge <https://assignbuster.com/cafe-nero-marketing-plan-assignment/>

number of suppliers who are actually farmers. Thus, the bargain power of those suppliers is very low.

However, several organisations such as the International Coffee Organisation denounce the abuse of coffee shop brands' power. The retailers are either franchisees or stores that the coffee shops companies own. 2. 4 Internal Analysis Cafe Nero has been ranked first by British coffee drinkers in the last six years. According to the consumer research organization, Allegra, the 2005 poll put Cafe Nero first, Costa second, and Starbucks third in terms of coffee quality, atmosphere, service quality and price value (Allegra Consumer Report 2005 – Major Coffee Brands).

Our emphasis on the quality of our products and services are gainful and gives us a good corporate image. We support an image of Italian coffee bar which is reflected through our Italian and Mediterranean deli-style meals. This has allowed us to be rated as “ The best espresso this side of Milan” by Tatler and labelled “ The traditional Italian cafe” by Egon Ronay We have tried to create a range of natural, fresh foods, avoiding all additives, artificial flavours and colorants. Our menu consists of Italian and Mediterranean food. Most ingredients we used are imported from Italy

For more detail about where we are in term of offers and services, we have analysed our position and strategy with the 4P analysis in appendix 2. 3. SWOT Analysis Strengths ??? Products and services quality (coffee and food), seen as the best by customer for 6 years (Allegra Strategies, 2005) ??? Our image of Continental and Italian style and atmosphere supported by sponsoring art events. Weakness ??? Not enough number of outlets. Our

clientele has to flit between brands ??? 60% of our existing clientele is under 34 years old ??? We cannot call our coffee Fairtrade even if we follow the fair-trade philosophy as Fairtrade is a trademark.

Opportunities ??? Expand our clientele in targeting people older than 34 years old ??? Opening new outlets in three ways: o Continue to acquire new stores o Continue to develop new partnerships with mega stores o Develop franchise ??? Develop in smaller cities ??? Develop new products ??? Make available Wireless Internet Hotspot and books into all our stores ??? Coffee's virtue : high level of antioxidant Threats ??? The Market is approaching the maturity ??? Fast food selling coffee e. g. Mc Donald, Pret a manger ??? Adverts showing caffeine effect on health can reduce the sales ??? The smoking ban may affect on customers' visiting

4. Assumptions

From the marketing audit and with respect to the coffee market's climate, it is assumed that: ??? Competitors will carry on their expansion in term of outlets to make sure that their customers will not have difficulties to find their stores, avoiding them to flit between brands. ??? The market is forecast to reach the maturity in 2009 and so the liability of expansion for coffee shops will be reduced due to the saturation in high street in the UK's main cities. ??? Food is becoming an important aspect for the top five competitors since it allows to take market share from fast-food market and generate an important source of income.

Thus, coffee shops will have to focus on developing wider range of food to increase their market share. ??? The smoking ban may affect the coffee shop market. In order to avoid any risk of decline it will be essential to provide

outside smoking area. ??? There is a rise in fair trade coffee demand. Coffee shops that do not emphasize on fair trade coffee will be criticised.

5. Caffe Nero's Objectives The analyses of the current market as well as the analysts' forecasts for Caffe Nero have led to the following three years marketing objective. Then, we have extrapolated this long term objective into year objectives. Increase our market share up to 30% between the top three competitors before the market reaches the maturity in 2009 in terms of turnover and outlets. o This means that we will have 600 outlets across UK. o All stores should reach at least ? 350?? 000 as turnover. ??? For the year 2007

- 1) Increase the number of outlets by 38% to reach 400 stores by the end of 2007 (36% in 2006; 32% in 2005; 34% in 2004).
- 2) Increase our sales by 35% for 2007 (? 129, 8 million) compare to 29% realised in 2006 (? 90, 7 million). To see our objectives for 2008 and 2009, refer to appendix 3 To see the analysts' forecasts for Caffe Nero, refer to appendix 4 .

Strategy Choices Here, we have developed strategies to achieve our objectives. We also did a planning gap in appendix 5. Ansoff's product ??? Market expansion

Products/Services	Existing	New				
Increase the number of outlets						
Develop ice-creams						
Targeting people beyond 34 years old						
Parents and not parents						
Develop new soups						
Equip all our stores with Wi-Fi hotspots						
4) Develop outside smoking areas						
Expand in smaller cities						

7. Marketing Strategies To establish strategies that will allow us to achieve our objectives, we have used the 4 p marketing mix.

7. 1 Places Our objective consists in opening 110 new stores. This requires a huge investment. However, there are three different way to expand.

First of all, expand in acquiring new outlets. We opened 76 stores last year. This year, we should be able to acquire 85 stores. We need to purchase stores in high street in order to avoid our existing clientele to flit between brands. Another opportunity consists on going in some smaller cities where there is no competitors. However, those cities must have more than 150,000 inhabitants to be considered. Secondly, we should develop a franchise system to support our expansion. Indeed this system allows us to expand with a small investment. (for more details, refer to appendix 6. 1)

Thirdly, we also need to develop more partnership with mega stores since it allows to reduce the price of the coffee shop's rent. We could develop partnership with Virgin and some others book stores. As response to the smoking ban, we need to develop outside smoking area in most coffee shops we are able to. These areas could attract customers of our competitors if they do not have smoking area. They required heaters as well as outside furniture. Furthermore, we need to equip all our stores with wireless Internet access in order to satisfy and retain our clientele since competitors develop wireless Internet access as well. . 2 Products To increase spend by head we need to develop new products. Our clientele enjoys our soups. Indeed, there are healthy and practical with our take-away packaging. Moreover, they fit well with our image of quality and healthy food. Furthermore, it is still a kind of new product since only Starbuck serve soups as well. Therefore, we should develop more soups as we have got only four different soups. 10 different tastes would be enough. We also need to add ice-creams in our menu. This product may attract new customers who will go to our coffee to have a dessert.

Indeed, ice-cream match well coffee shop's spirit in the sense of having a break time with friends or family. Everyone finds something he really likes in our stores (hot or cold drink, salty food or sweetened, frozen, cold or hot food). We will propose some light ice-creams as well. Furthermore, ice-cream may help to attract parents who can go with their kids to get them an ice cream. Finally, to keep our Italian branding way, we will serve only Italian ice-cream and will prepare the cream as Italians do. However the machine required is too big to take place in every store.

So we have to find a smaller one. 7. 3 Prices We should keep our prices as they allow our coffee to be perceived as worth (Allegra Strategies, 2006). However, the price for our food is a bit higher as we server only quality food. Thus, our Italian ice-creams and soups will be a bit more expensive than every where else. The cru bourgeois costs more than the table wine! To attract people beyond 34 years, we should consider family as part of potential clients. To do so, we should create a child menu which will include a hot chocolate, some cakes and a toy for a reasonable price. 7. 4

Promotions

In order to consolidate our brand awareness, we should advertise on television. Despite of the expensive cost, it is the support which reaches the most people. We need to make people aware of our new products such as ice-cream. This would consolidate our brand awareness. However, we need to develop adverts that fit our sophisticated Italian image. This advert should emphasize on the friendly Italian atmosphere of our stores and the quality of our products. We also should advertise on newspapers such as the guardian

or the independent who are more likely to be red by people beyond 34 years old.

We must carry on our sponsorship of art events as it matches well with our Italian sophisticated image. To attract parents we should organised children events in our stores as Mc Donald's is used to do. For example, we can have a Santa Claus for Christmas and some animations for Halloween. However, we need to be aware of the risk of developing family clientele since they may bother our existing clientele. 8. Control and Evaluation This section aims to produce a system of control and evaluation of the proposed marketing plan and its realisation. 1. Expansion

We need to open 110 stores, so we can establish that nine stores should open every month at least. The full-term aim is to reach 30% of the branded coffee shops market. So we also need to look at competitors' expansion. This will be realised every six months as companies produces interim reports. We may need to adapt our expansion strategy according to competitors' growth to reach 30% of market share in 2009. 2. Success of new products and targeting operations In January we will conduct a survey into all our stores. This survey will include questions about: ??? Define sample questions (age, sex, married, children, frequency, etc.. . ??? How much our clientele like our food product (their satisfactions) ??? What think customers about introducing Italian ice-cream in our menu. ??? How many Caffe Nero's adverts they have seen ??? Use of services (Wi-Fi, smoking area) ??? What they think of Caffe Nero's atmosphere The same survey will be conducted in December. Thus we will be able to compare the results and so determinate the success of our new products. Moreover, this survey will check if we have increased our 35-
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years-old-and-more clientele. In parallel, we will look every trimester at the ice-creams and soups' sale volumes.

We expect the same success for the Italian ice-cream than we had with soups. 3. Brand awareness Allegra Strategies conducts every year a serious survey on the coffee shop market and the customer's satisfaction. This constitutes an useful tool for us as we can see the evolution in customer's mind of our brand awareness and satisfaction concerning our products and services. Introduction to international expansion We are thinking of international expansion. Indeed, since the coffee shop market is approaching the maturity in England, we should develop our company overseas.

This could help to reduce the risk for our company if we do a successful international implantation. Starbucks has shown that international expansion is a real opportunity for branded coffee shops in setting up more than 7000 international outlets in 9 years. However, an international expansion implies to decide which market to enter, how to enter in, what marketing strategies need to be used within which organisation. Here, we will answer those questions. Which country? First of all, it is essential to go in a country where the competitiveness is low.

Furthermore, the population and their income size must be high, enabling potential customers to devote a large proportion of their discretionary spend on leisure activities. France could be an appropriate place for us. Indeed, it is in the “ triad market” that includes the United States, Western Europe and the Far East which account for a large percentage of all international trade. There are already two branded coffee chains in France (Starbuck and

Colombus Cafe) which ensure that there are possibilities for the coffee shop market. They are implanted only in Paris with 18 stores for Colombus Cafe and 26 stores for Starbucks.

Colombus Cafe's philosophy is quite close from ours. Indeed, they serve Italian coffees in a quiet and relaxing atmosphere and emphasize on the welcoming services. However, those two chains are not implanted in the south cities of France such as Marseille (2nd biggest city, 1, 4 million habitants) and Montpellier (0, 5 million habitants). Furthermore, according to the French tourism department, 10 % of English people go to the south of France for holidays (Ministere Delege au Tourisme, 2006). This is an opportunity to increase our brand awareness due to the global mobility of our customers.

Therefore, it seems that those cities could be great for success abroad. How to enter? Since we are not the first one to go in France and as the competitiveness is low, we should expand cautiously. Indeed, two approaches can be used when planning an international expansion: ??? A Waterfall approach, in which a country is gradually entered sequentially ??? A Sprinkler approach, in which many countries are simultaneously entered within a limited period of time We have better to use a waterfall approach, in opening few stores in order to limit the risk of financial lost if we are not to success.

Two ways of opening stores are possible: ??? Franchising, which allows to gain entry at little risk but limit the profit for the company ??? Direct investment, which is the most risked but allows the company to retain a full

control of its investment. It seems that we should rather purchase few stores since we need to set up distribution and logistics that generate costs to provide those stores with our products. Thus the acquisition of two stores in Marseille and Montpellier could be good to start as it limits the risk. We will be able to see after a year time if those stores are profitable.

What marketing strategies? It is essential when planning for success abroad to think how much products and promotions need to be adapted to the local market. Thus we need to focus on cultural differences as well as French's customs and inspirations. Despite the fact that French are proud of their food and drinks, they believe that Italians are better for some specialities such as pasta and coffee. Indeed, several coffee beans companies in France such as Lavazza, San Marco and Segafredo market their coffee as traditional Italian coffee. Besides, French support a kind of passion for Italy as English people do.

However, the coffee was introduced first in France in Marseille. Thus, there is a very famous French roaster company which produces the traditional French south coffee called Henry Blanc. This is an important emblem for French. In order to adapt our strategy to the French market we have used the 4 P marketing mix. Place: Montpellier has a big commercial place in the centre called Place de la Comedie. There is a very famous high street in Marseille which is called Cannebiere. Those places could be great to implant stores since they have big activities.

Products: We will be the first coffee shop in the south of France. So we should keep our coffee menu that is likely to seduce French as it would be

new for them. This should seduce the young population first who will then bring others. Furthermore, French like Provencal food which is quite close from Italian one. So our Italian gourmet food should correspond to their expectations. However, we should introduce the traditional French coffee Henry Blanc in order to meet French taste. Furthermore, this will seduce local people as we will support the local economy.

Price: French are known to like good quality. According to Emarketing, French associate quality with high price (A. Michalowska, Marketing Magazine, 2002). Besides, the American magazine Travelers has conducted a survey in 2005 which reveals that the average price for coffee in France is 4?? when we sale our espresso in England at ? 1, 25 (2, 7???) (Le Chiffre du Jour, 2006). Thus, we should keep the same prices of our products.

Promotion: We need to advert a lot to generate awareness of our company. First, we will put big adverts on our stores when they will be under construction.

Secondly, we will organise a celebration for the opening day. Finally, we will advert on local newspapers such as La Provence and Midi-Libre which covers all the south population. References & Bibliography Allegra Strategies, (2006), Market Overview and Key Statistics: Project Cafe6, [online], London, Available from??: < <http://www.allegra.co.uk/project-cafe6-keyfindings.html>> [Accessed 20 December 2006] Bremner C. , (2005), Coffee Shops in the UK, [online], Euromonitor International, Available from??: < http://www.euromonitor.com/Coffee_Shops_in_the_UK> [Accessed 23 December 2006]

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Appendix 2.....

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4.....Page 31

Appendix 5..

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..... Page 33 Appendix 1 Specialist coffee shop brands, by gender, age,

socio-economic groups and working status, November 2004 Base: 2, 065

adults aged 15+ |?? | Any branded coffee shop (%) | Starbucks (%) | Costa

Coffee (%) | Caffe Nero (%) | Other branded coffee shop (eg | | | | | Tchibo,

Puccino's) (%) | | All | 32 | 19 | 14 | 8 | 5 | ?? | ?? | ?? | ?? | ?? | ?? | | Men | 32 | 20 | 13 | 9 | 5 | | Women | 33 | 19 | 14 | 8 | 6 | | ?? | ?? | ?? | ?? | ?? | ?? | | 15-19 | 35 | 22 | 14 | 7 | 4 | | 20-24 | 45 | 27 | 15 | 17 | 7 | | 25-34 | 45 | 32 | 21 | 14 | 6 | | 35-44 | 36 | 21 | 18 | 8 | 4 | | 45-54 | 29 | 15 | 11 | 8 | 7 | | 55-64 | 29 | 17 | 11 | 6 | 7 | | 65+ | 16 | 6 | 6 | 3 | 4 | | ?? | ?? | ?? | ?? | ?? | ?? | | AB | 48 | 31 | 24 | 15 | 8 | | C1 | 43 | 27 | 19 | 11 | 5 | | C2 | 25 | 14 | 10 | 6 | 5 | | D | 19 | 9 | 5 | 4 | 5 | | E | 17 | 9 | 6 | 4 | 3 | | ?? | ?? | ?? | ?? | ?? | ?? | | Working status: | ?? | ?? | ?? | ?? | ?? | | Full-time | 42 | 27 | 19 | 12 | 7 | | Part-time | 35 | 18 | 15 | 11 | 6 | | Not working | 28 | 18 | 11 | 7 | 3 | | Retired | 19 | 9 | 7 | 3 | 4 | Source: NOP/Mintel

Appendix 2 Caffe Nero's position and strategy with the 4P analysis Place:

Most of our stores are situated in high street, where competitors tend to be concentrated as well. We have got some outlets in airports and railway stations. We also have agreements with House of Fraser and Blackwell bookshops. Six House of Fraser department stores and four Blackwell bookshops incorporate a Caffe Nero. Finally we are considering international expansion. Products: Coffee: Italian coffee contained a blend of seven different beans.

Our coffee is seen as the best in term of quality by UK customers (Allegra Consumer Report 2005 – Major Coffee Brands). Our menu contained different coffee derived products: – Espresso – Espresso Ristretto (very short and intense espresso) – Espresso Macchiato (espresso with a dollop of milk foam on top) – Americano (double espresso topped up with hot water) – Cappuccino – Caffe Latte – Mocha (cappuccino with chocolate) – Hot chocolate – Iced Latte (cold drink) – Iced Mocha (cold drink) – Frappelatte (cold drink and unique to Caffe Nero)

We also propose milkshakes (Frappe milkshake) and fruit juice based drink (Fruit Boosters) that are also free from artificial flavourings, colorants or preservatives. Food: We have tried to create a range of natural, fresh foods, avoiding all additives, artificial flavours and colourants. Our menu consists of Italian and Mediterranean food. Most of ingredients we used are imported from Italy. We also offer a range of lighter sandwiches and meals. As mentioned above, we try and we do serve the best quality food between the top five competitors (Allegra Consumer Report 2005 – Major Coffee Brands). Our soups have met with popular acclaim due to the take-away packaging that we have developed. 11 Cold sandwiches (Wraps, Wedges and other) – 20 Hot sandwiches (Paninis, Focaccias) – 18 Cakes and desserts – 13 Muffins and pastries – 4 Soups – 30 other products such as organic food, bruschetta, crisp, fruit salad, porridge, etc. Price: Our coffee prices are on the average between the top five competitors. However, our food is more expensive than other competitors since we serve fresh food with imported ingredients in order to provide good quality food. Promotion: It seems that we do communication well. Indeed, our marketing strategy communicates on our continental style of operations and atmosphere. We support an image of Italian coffee bar which is reflected through our Italian and Mediterranean deli-style meals.

This has allowed us to be rated as “ The best espresso this side of Milan” by Tatler and labelled “ The traditional Italian cafe” by Egon Ronay.

Furthermore, as mentioned above we have been ranked first by British coffee drinkers in the last six years for the quality of our products. Besides, we have been involved in arts sponsorship from 1999. This allows us to

bridge our image of Italian coffee bar with arts such as the Turner in Venice exhibition at the Tate Britain. Appendix 3 Caffe Nero's Objectives The analyses of the current market as well as the analysts' forecasts for Caffe Nero have led to the following three years marketing objective. Then we have extrapolated this long term objective into year objectives. Increase our market share to 30% between the top three competitors before the market reaches the maturity in 2009 in terms of turnover and outlets. o This means that we will have 600 outlets across UK. o All stores should reach at least ? 350?? 000 as turnover. ??? For the year 2007 3) Increase the number of outlets by 38% to reach 400 stores by the end of 2007 (36% in 2006; 32% in 2005; 34% in 2004). 4) Increase our sales by 35% for 2007 (? 129, 8 million) compare to 29% realised in 2006 (? 90, 7 million). ??? For the year 2008 1) Increase the number of outlets by 25 % to reach 500 stores by the end of 2008. 2) Increase our sale by 35% for 2008 (? 175 million).) Start international expansion in Europe with the opening of one overseas store. ??? For the year 2009 1) Increase the number of outlets by 20 % to reach 600 stores by the end of 2009. 2) Increase our sale by 20% for 2008 (? 210 million). Appendix 4 Analysts' Forecasts for Caffe Nero FY 2007 (June 2006 – May 2007) Analysts | Collins Stewart | Numis Securities | KBC Peel Hunt | Teather & Greenwood | Altium | DKW | Shore Capital | Average | | Sales (? m) | 108. 1 | 109. 9 | 107. 4 | 109. 7 | 109. 9 | 111. 3 |- | 109. 4 | | Source: Caffe Nero, <http://www.caffenero.com/FinancialInfo.asp?section=AnalystForecast=1831> Appendix 5 The Strategic Planning Gap

To achieve this objective we must develop strategies. Those strategies will act on different plans. The first plan that we need to consider is the market

penetration. We expect to increase our market share by acquiring new outlets. As mentioned in the marketing objectives we need to open 110 new stores for the year 2007. Secondly, we would like to increase usage by expanding our clientele in targeting people older than 34. Finally, we need to develop new food products. This will also help us to increase our revenue. In fact, we need to focus on increasing spend by head and thus take advantage of the rise in Personal Disposal Income. Appendix 6 The franchise

The franchise system consists to finance only 20% of the investment required for the acquisition of the store. The franchisee pays 80% of the acquisition and has to buy equipment and furniture from us. As franchise, all products used will come from us. We will assume the promotion, the staff training, the branding as well as some financial facilities. As compensation, the franchisee will give us 20% of his profit in the form of fees. [pic]

————— Source??: Mintel Figure 3??: Figure 2 Source??: Mintel Figure 1 Existing Market New Market [pic] Revenue (? million) Figure 4??: Initial forecast (? 109, 4 million) Source??: Caffe Nero (Appendix 1) Marketing objectif (? 129, 8 million) Years