



Winning in Coffee and Sandwich Shops in 2022



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Coffee shop, fast food and sandwich and bakery channels are among the strongest performing channels from 2019-2022.

These channels have been able to capitalise on quick service operations throughout the pandemic, expanding in a wider range of locations, rolling out tech-led services in store and digitally as well, attracting consumers seeking low ticket solutions.

Five reasons why coffee shops and QSR continue to perform well:



Focus on physical expansion

A focus on physical expansion, with many leading players including Greggs, Costa and Starbucks continuing to report strong expansion figures



Diversification

Diversification through new sites like drive thru and smaller format stores and exploring omnichannel routes including delivery and retail, with operators like Caffé Nero expanding online propositions



Smaller purchases

It mainly sits on the low ticket side of the market, with consumers more willing to spend on smaller purchases at the moment



Technology

Effective digital strategies covering things like technology in store, with operators increasing order kiosks and digital ordering. They are also capitalising on digital loyalty, with lots of operators offering value through loyalty schemes that reward customers.



Premiumisation

Growing spend per transaction through premiumisation and offers which are in line with customer tastes and expectations.

What has been happening in coffee & sandwich shops recently?

20.4%

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Coffee & Sandwich penetration peaked at 20.4% in April 2022, mirroring the total eating out market.

However, the channel saw a gradual decline into the summer months, as consumers became more cautious following energy price caps and increases in national insurance contributions.

In the face of mounting cost pressures, the coffee & sandwich channel suffered a further decline, falling back to last year's figure at 15.5%.

When we look at comparison across the total Eating & Drinking Out Market, Coffee and Sandwich shops were the leading channel last quarter, however, having experienced a -2ppts share loss, they're now in second place behind QSR.

Instead, consumers are moving to the lower cost retail channel, for those affordable Meal deals, leading that channel to gain +2ppts share vs last quarter.

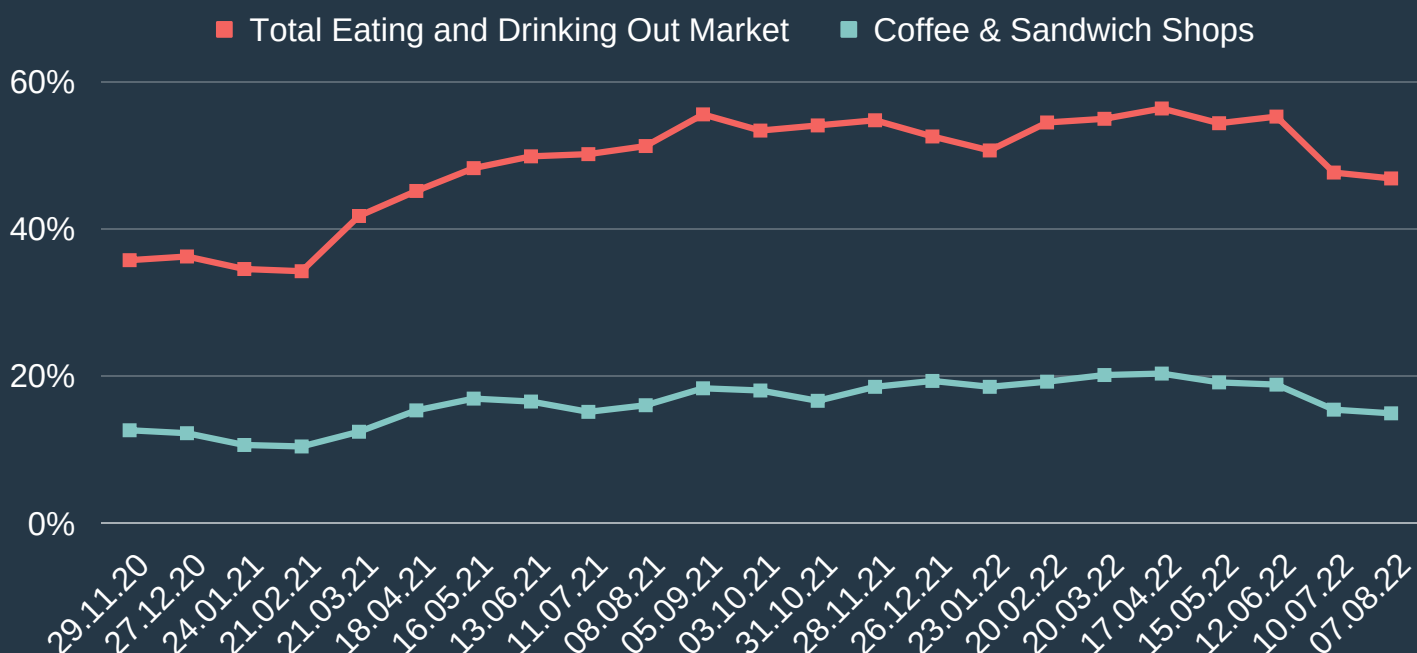
Coffee and Sandwich Shops now in second place behind QSR

-2ppts

share loss

Lower cost retail channel taking the lead this quarter

Penetration - % of consumers who have had an eating/drinking out occasions in the past 7 days



When looking at spend, it is below the average spend in total eating out market, highlighting the low-ticket nature of the channel compared to more-expensive channels including restaurants.

Spend has reached its highest point in November 2021 for coffee shops and total market and has declined since then, despite eased restrictions and high inflation.



**November
2021**

**Highest point
for coffee
shops in terms
of spend**

Cost of living increases are prompting consumers to shift to low-ticket channels, with average spending picking up in the latest 4 weeks.

In our Eating & Drinking Out Panel, we are now seeing consumers are more likely to be value-driven, over-indexing by +2ppts compared to the total eating out market and increasing by +5ppts quarter-on-quarter.

A proportion of consumers are already limiting discretionary spending because of the economic impact of the rising inflation.



"Good value for money"

top third determining factor,
driving

21%

of coffee and sandwich
occasions

As a response to the rising cost of living, Costa Coffee announced in June 2022 a FREE drinks offer for cold coffee lovers, and customers will be able to enjoy a FREE drink from Costa Coffee's Frappé or limited-edition Iced Velvet Latte ranges.

"It's good value for money" is the third most common reason for a consumer to choose an establishment, driving 21% of coffee & sandwich occasions.

How can Coffee & Sandwich shops grow?

+2.4ppts

Snack occasions have
seen the biggest boost in
share, up by +2.4ppts in
the latest quarter

Snack occasions have seen the biggest boost in share, up by +2.4ppts in the latest quarter, driven by more consumers seeking small affordable treats during or after work hours amid the rising cost of living.

This has been at the expense of drink-only occasions which have seen a drop of -4.1ppts, as consumers cut back on drinks out of home after price inflation across menus in coffee & sandwich shops.

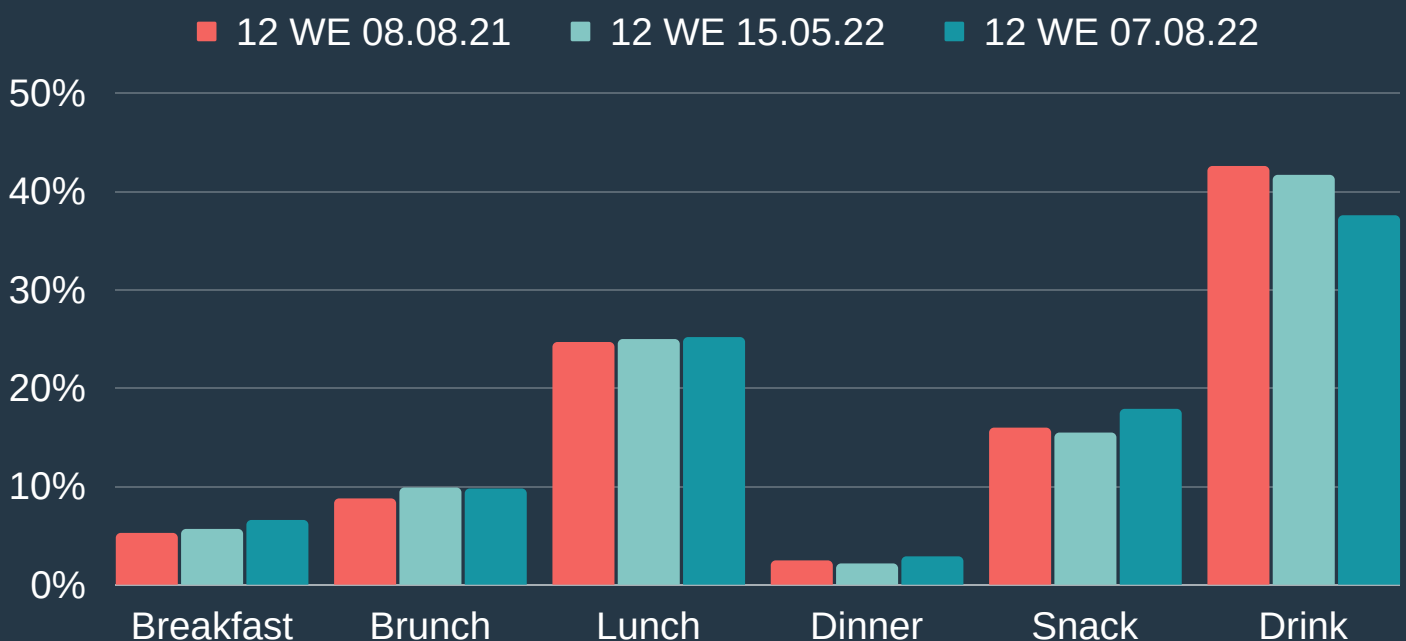
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Coffee & Sandwich Shops share of eating/drinking out occasions, by day part



How can coffee & sandwich shops win consumer back?



'I was out and about'

number one reason for eating lunch out of the home

Lead in lunch

When we look at the reason for choosing establishment, proximity is king.

It perhaps goes without saying that if you're near the shopper this greatly increases the chances of being chosen.

22% of coffee & sandwich shop consumers say the number one reason for eating lunch out of the home was 'I was out and about' with 'It was close to where I was being the number one reason for choosing an establishment with 37% of coffee & sandwich shops consumers stating this.

We have seen Coco Di Mama and M&S trying to drive convenience, increase chances and brand awareness, by diversifying to JS and Costa.

We are seeing that retail is the winner at lunch, gaining +1.5ppts vs last quarter achieving 16% share with the channel increasingly looking to compete with the coffee shop channel for example Tesco recently included costa coffee in £3 meal deal with club card.

Success in Snacking

Moving on to look at snacking, the top reason for snacking in Coffee & sandwich shops is also 'was out and about', with Treat in second place, a large over trade vs Total Coffee and Sandwich.

The reason why snacking is doing well, is simply being the cheapest occasion, but interestingly, as it's cheaper, it's the only occasion shoppers are spending more at, with a 6.7% increase vs last quarter. This therefore presents a real opportunity to push treat led snacking and a great day part to target to offer trade up.

This point is reinforced when we look at the growing missions in snacking; these are mainly socially led missions: for example, spending time with friends and partners, over trade vs total coffee shops. Furthermore, it's these missions where shoppers tend to spend more, so again great ones to target for those trade up occasions.

In order to target socialising, it is important to focus on more premium, higher spend items, which is still a trade down for the consumer as they're having a snack instead of lunch / full meal but will drive up their snacking spend.

When we look at what products are doing well at the moment, it's Cake, as the second most important food item bought and gaining +2.3ppts. With warm weather, ice cream also saw growth. Scone is doing well, helped by the Jubilee.



3 ways we can support you



Track prices of your competitors across food & drink items



Understand your consumer needs and how this compares to your competitors



Delve into the impact of seasonality on consumer behaviour to inspire your marketing campaigns

Get in touch



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