

CAFFÈ NERO ICED DRINKS



For publication

Category: 5.0 Point of sale

Client: Caffè Nero

Design consultancy: Together Design

Current date: July 2011

TOGETHER



'THIS ISN'T JUST ABOUT
PUSHING A SEASONAL
PRODUCT. WE'VE HIGHLIGHTED
AND DIFFERENTIATED ICED
DRINKS AND BUILT A BRAND
THAT HAS WON CUSTOMERS'
HEARTS. IT'S A SUCCESS STORY
WITH LONGEVITY'

Sara Carter, Marketing Director

EXECUTIVE SUMMARY

**20% increase
in sales of Iced
Drinks over
2 years**

**ROI
of 428%**

**In 2009, the
performance of our
Iced Drinks played
a significant part
in achieving good
overall results
in a very tough
trading
environment**

Sara Carter, Marketing Director

Caffè Nero is associated with quality coffee, but with sales of hot drinks lower in the summer months, it needed to build a following for its Iced Drinks.

Caffè Nero does not have the marketing budgets of its rivals, global brand Starbucks and Whitbread-owned Costa Coffee, but it faced a number of challenges. It needed to increase awareness of its Iced Drinks, positioning the range as a quality alternative to rival products. It also needed to address issues around presentation in store to make the product more appealing and easier to buy. Finally, it needed to reduce wastage to increase margins.

The brief was to design new in-store posters, point of sale signage and cups to solve all of these issues and in doing so increase both sales and margins, while staying true to the brand. Our focus was on promoting Iced Drinks product names and aligning them with Caffè Nero's coffee-based values, that is to say freshly prepared with quality ingredients. We developed an engaging tone of voice and helpful POS to guide customers in store.

Caffè Nero Iced Drinks attained a massive 20% increase in like for like sales over 2 years from 2008–2010 based on the same 294 stores. This compares to a 5.5% increase in like for like sales of all Caffè Nero products over the same period. Additionally a saving is expected to be made in 2011 through the reduction of waste.



OUTLINE OF PROJECT BRIEF

The business objectives were:

1. To address seasonal fluctuation in drinks sales by increasing sales of Iced Drinks in the summer months
2. To increase the margins on Iced Drinks by improving efficiency of the preparation process
3. To compete against competitor Iced Drinks offerings and defend market share

The design objectives were:

1. To increase awareness of Caffè Nero Iced Drinks products and associations with artisan values through posters
2. To facilitate the customer journey and purchase of Caffè Nero Iced Drinks through POS
3. To increase on shelf appeal and avoid wastage through new cup design



DESCRIPTION OF PROJECT BRIEF

Some like it cold

Caffè Nero group was founded in 1997 by Gerry Ford. His vision was to bring a premium, continental-style Café to Great Britain. He wanted it to be authentically Italian, serving very high quality Italian coffee and fresh, deli style food in a neighbourhood setting with a friendly, relaxing atmosphere. There are now over 440 stores. Freshly made Coffee is core to the brand but with sales of hot drinks decreasing in the hot summer months, Caffè Nero needed to promote Iced Drinks as a key seasonal product.

**A lot of customers
don't know how our
Iced Drinks work**

Store Manager

Freshly made is better made

There were a number of issues. First of all customers were not always aware that Caffè Nero offered Iced Drinks and did not associate the product with the Caffè Nero brand. In particular, they did not know the choice of flavours or the names of the products. We needed to present a range of drinks that was true to Caffè Nero's values and different to those of its rivals' by focusing on the key feature that they are blended to order each time, with Caffè Nero espresso or other high quality ingredients such as 100% fruit puree.

What you see is not what you get

Secondly, there was a problem in store. To ensure that the drinks have shelf presence, they are displayed in the chiller cabinet. Customers are required to select a cup and bring it to the counter to be blended with ice. But the unmixed product in the chiller cabinet was not appealing to customers. We needed to make it look great on the shelf and help customers understand how to get their finished drink.

No more tears over spilt milk

Thirdly, there were inefficiencies. The cups in the chiller cabinet only looked appealing if they were full. This meant that some of the product was discarded to make room for the ice. Additionally, in needing to mix the different parts of the drink each time, there was a risk of error. Baristas were unable to consistently use the right quantities. We needed to help them get this right every time to ensure that the product is always the same and to avoid waste.

The brief was to design new in-store posters, POS signage and cups to address these issues and increase both sales and margins.

OVERVIEW OF MARKET

MARKET SHARE

Costa Coffee
37.6%

Starbucks
32.4%

Caffè Nero
14.3%

Competing with the heavyweights

Branded coffee shops took off in the UK in the late 1990s. By 2010 this growth market was valued at £1.9 billion, with 4,645 outlets across the UK. Some two thirds of premises focus on 'coffee' rather than 'food', and of those just three operators account for 84% of the market by value and 74% of the stores. Independently owned Caffè Nero competes against global brand Starbucks and Whitbread-owned Costa Coffee, both of which invest heavily in marketing. Having become one of the 'big three', Caffè Nero is required to punch well above its weight.

The opportunity

93% of coffee shop customers choose high street chains and half of these visits are for the purpose of purchasing a drink only. Most customers visit regularly, between 1–5 times a week. From the late 1990s Iced Drinks have been on the menu, with Starbucks' Frappuccino leading the trend. Iced Drinks represent an important part of the business model and competition between the top three operators is fierce. It's essential to get it right.

The threats

All of the high street coffee chains face increasing pressure on quality from high quality artisanal independents, and on price from value-driven non-specialists. Rising food costs and limited inflation means a squeeze on margins for all operators.

The challenge

The challenge for Caffè Nero was to offer a high quality iced drink product that could answer consumer demand for quality and compete with heavily promoted rival brands, while improving margins at the same time.

Source: Allegra Strategies Report, December 2010



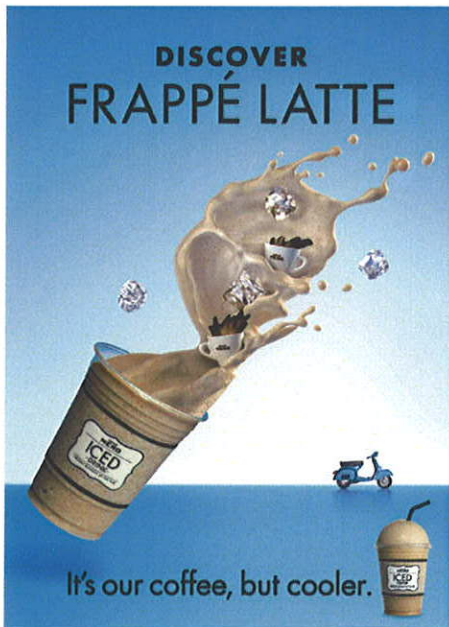
PROJECT LAUNCH DATE

The new Iced Drinks poster campaign and POS launched in store in April 2009 and ran through to September 2009. A development of the campaign ran across the same months in 2010 and 2011. A first new cup design was introduced in 2009 and a further evolved design was introduced in May 2011.

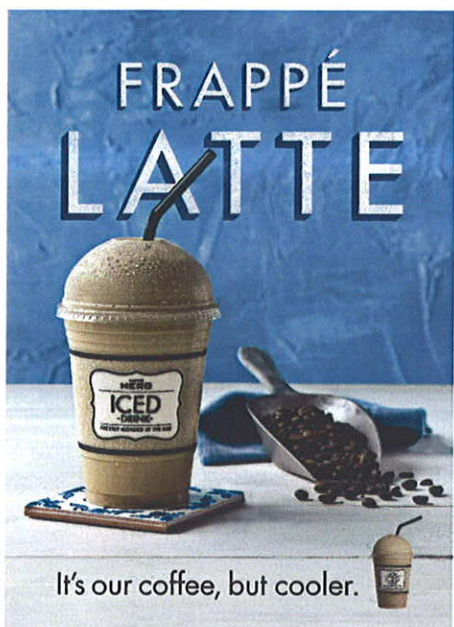
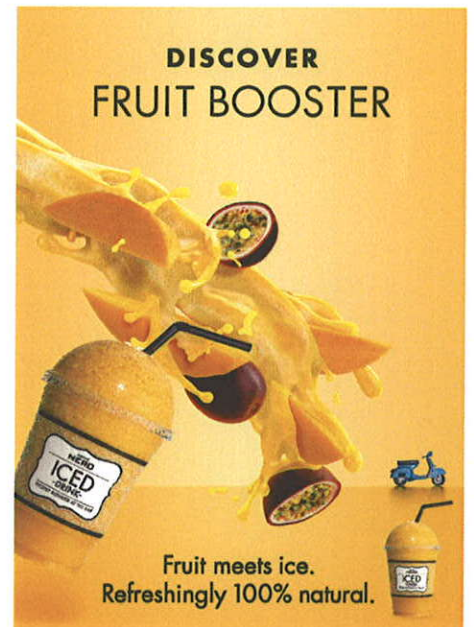
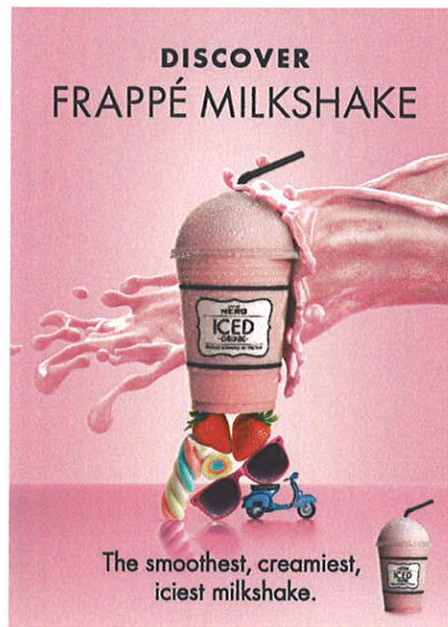
OUTLINE OF DESIGN SOLUTION

1. Posters: awareness of category, flavours and names, and associations with the brand

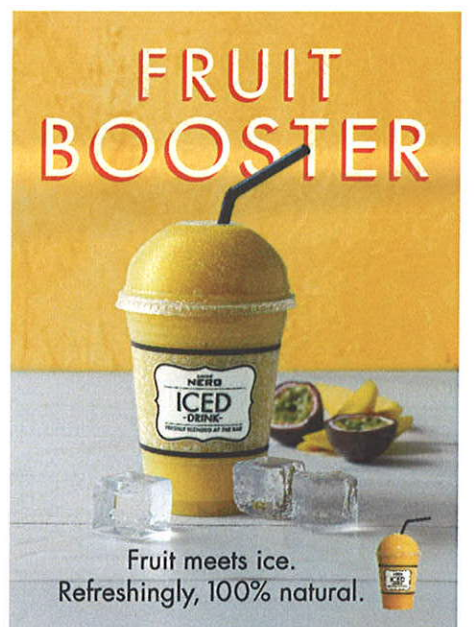
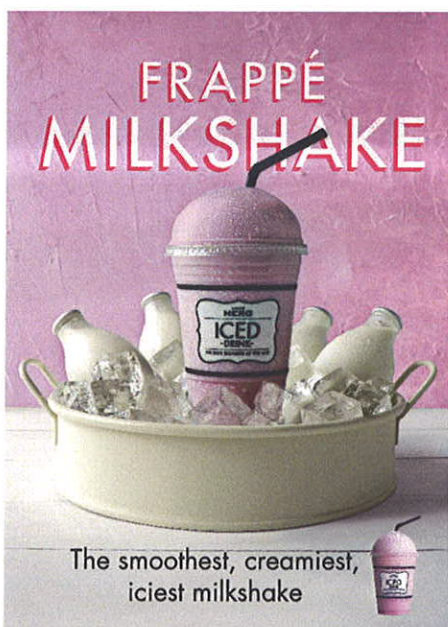
Caffè Nero uses A-boards outside each store and window posters to carry promotional messages. The design of the Iced Drinks posters has developed with an evolving creative theme each year from 2009 to 2011.



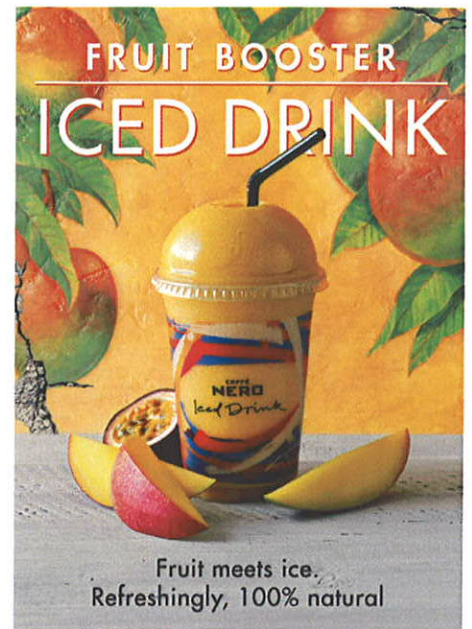
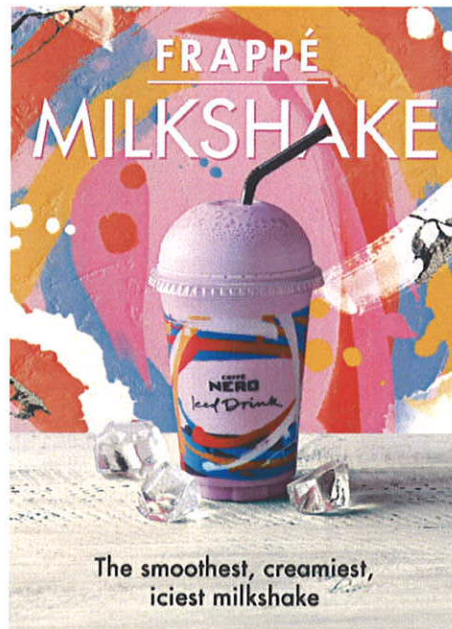
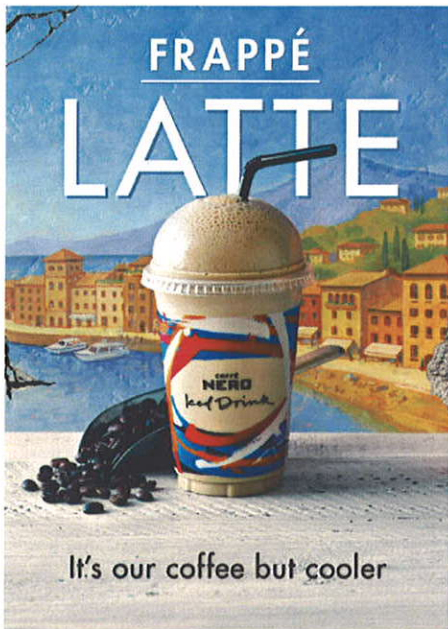
2009



2010



The design aims to promote the Iced Drinks as a delicious summer product, increasing awareness of the product names and increasing associations with core brand values: Italian, freshly made, coffee as core, quality ingredients. Imagery was intended to be eye-catching while at the same time enhancing the quality, artisan associations. Creative messages were developed to engage customers with a more friendly tone of voice.



2011

2. POS: how to buy

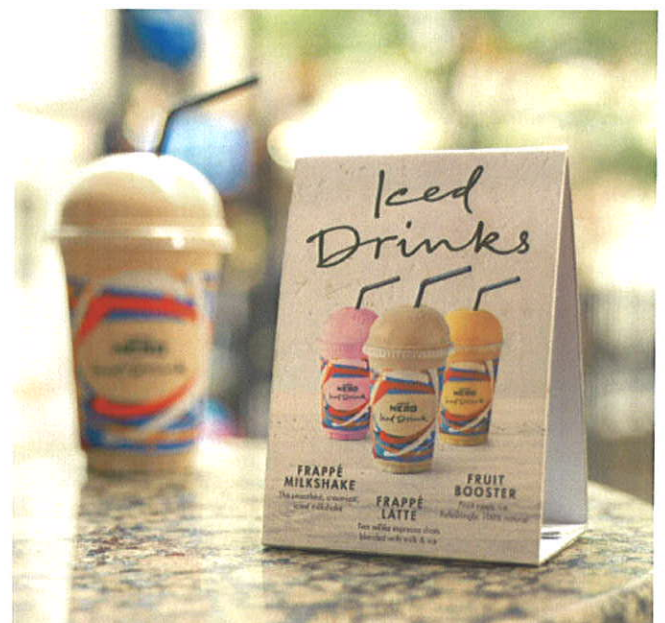
Customers are required to select a cup from the chiller cabinet before taking it to the counter to be blended with ice. Point of sale graphics were created to describe Steps 1, 2 and 3 helping customers buy Iced Drinks. Point of sale also gave prominence to the product in store during the summer months and show the finished product.



Chiller cabinet

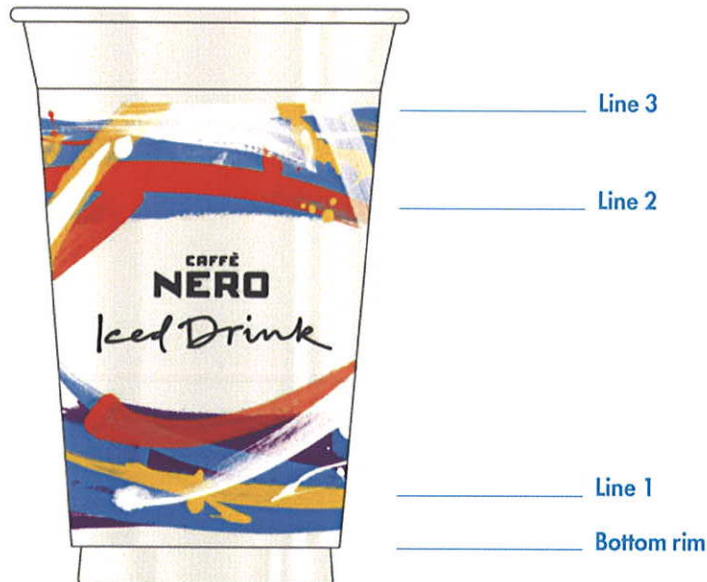


Point of sale



3. Cup: stand out in the chiller cabinet and reduced wastage

There are a number of key features in the cup design. Firstly, we addressed its appeal to customers in the chiller cabinet. We knew that customers were turned off by the appearance of the unmixed drinks which do not entirely fill the cup. The design was devised to disguise the level of liquid in the cup meaning the store could use just the right amount of product ready to be blended with ice and not feel it necessary to fill the cup with excess product that would be wasted. Secondly, the graphic imagery is dynamic and colourful in celebration of summer ensuring that the cup stands out on the shelf and in customers' hands once they have left the store. The brush stroke motif for 2011 expresses the handmade, artisan values of the brand. Thirdly, we incorporated markers on the cup which provide guidance on the measurements for different ingredients to enable baristas to accurately and consistently prepare the drinks.



SUMMARY OF RESULTS

'It's flying off the shelves this year. We can't fill them up quick enough'

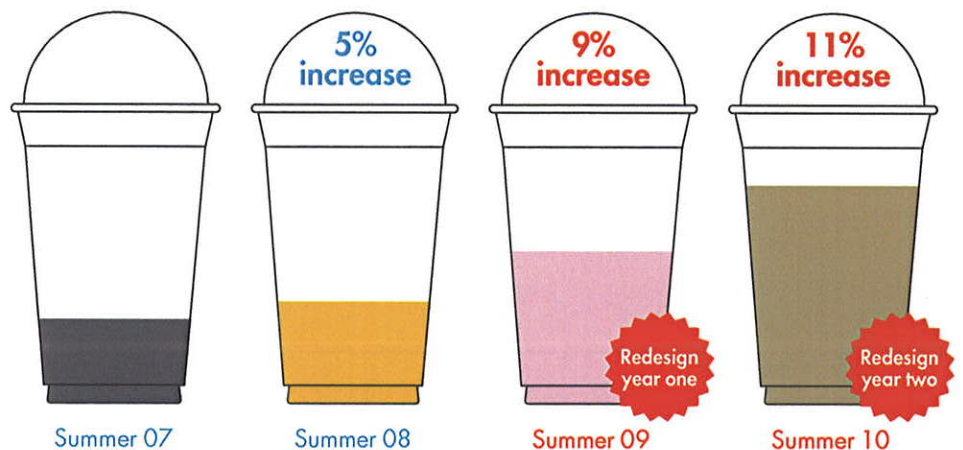
Store Manager, 2009

Sales

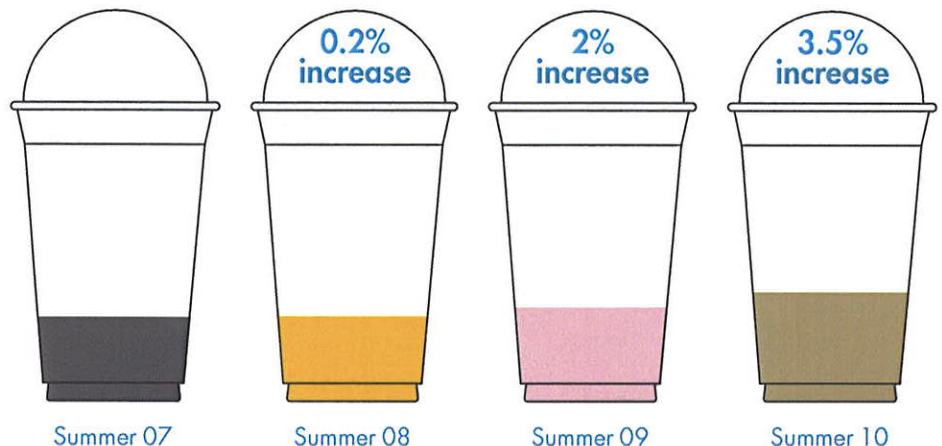
From 2007 to 2008, like for like sales of Iced Drinks achieved 5% growth. With the new campaign in 2009 and 2010, like for like sales based on the same 294 stores increased by 9% and then 11%, a 20% improvement on 2008.

To put this into the wider context of the business, sales of all Caffè Nero products over the same two year period increased by just 5.5%.

Iced Drinks like for like sales based on 294 stores



All Products (including Iced Drinks)



Info calculated on stores which were 1yr old @ Summer 07 294 stores
Summer: May – Aug

Source: Caffè Nero sales figures

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47% of customers were made aware of Iced Drinks by the campaign

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Customer survey, 2009

Awareness and ease of purchase

The poster design has succeeded in improving awareness of Iced Drinks, which has manifested itself as an increase in sales. From speaking with store managers, we know that customers now ask for Frappe Latte by name. From 312 customers surveyed in London and Manchester in 2009, we know that 47% of customers were made aware of Iced Drinks by the campaign and 56% of customers who tried the drink found the POS materials useful in knowing what to do.

Source: Customer Survey summer 2009, Caffè Nero & Hatrick marketing

'The POS really works – customers point at the POS for their drink'

Store Manager, 2010

'The cream and sprinkles mini blackboard panel was really helpful in showing customers what the Iced Drinks could look like'

Store Manager, 2010

'I walk past a Starbucks and Caffè Nero shop on my way to and from work every day. I have tended to always take my custom to Starbucks because I like their coffee but today, I stumbled (quite literally) upon an A Board for Caffè Nero advertising a frappe milkshake – I was so tempted by the picture on the board that I couldn't resist going in and ordering one. I shall now be taking my custom to Caffè Nero (and hopefully persuading others to too) – keep up the great work!'

Unsolicited Customer feedback, September 2009

Source of quotes: Qualitative store manager research, Caffè Nero

Margin

A reduction in wastage was achieved through the new cup design. The product no longer needs to be discarded to make space for ice and the quantities used are more consistent.

Other influencing factors

Like for like sales of all Caffè Nero products 2008–2010 increased by 5.5% compared to the more significant 20% growth in Iced Drinks. This shows that the uplift in sales has resulted from the Iced Drinks campaign and not an overall increase in success of the Caffè Nero brand.

Different posters had been used to promote Iced Drinks prior to 2009 without the same impact.

Caffè Nero Iced Drinks are priced in line with competitors Starbucks and Costa Coffee's similar products. Prices have actually increased over the last three years, so the success of this project has been in spite of this negative influence on the customer.

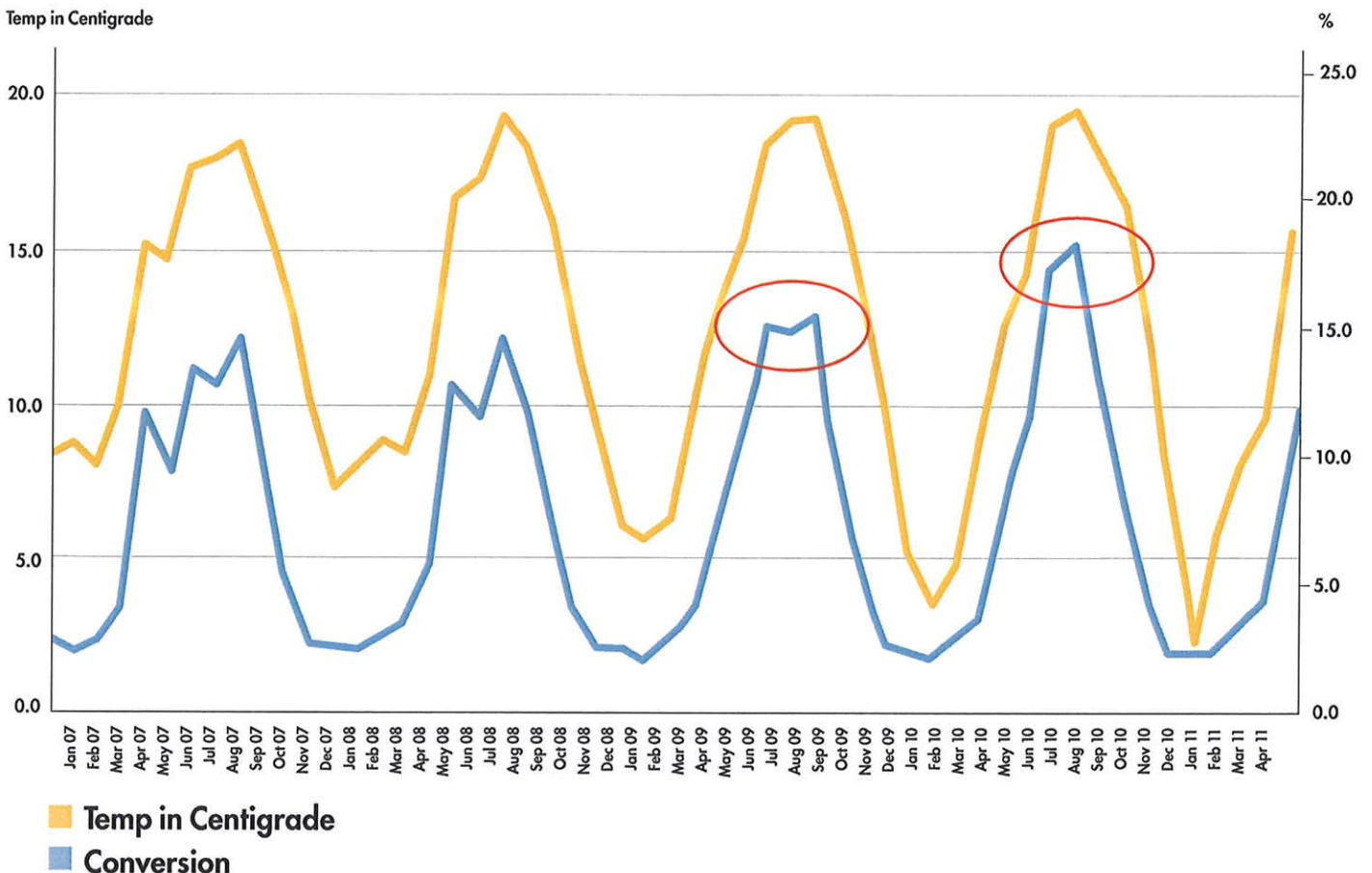
Iced Drinks price rise at Caffè Nero:

2007	2008	2009	2010	2011
£2.70	£2.80	£2.80	£2.85	£2.95

Caffè Nero does not invest in above the line advertising or online marketing, and merchandising, product sampling and staff incentives have been consistent with previous years.

We know that the climate has not influenced the sales of Iced Drinks more than usual. Our data below shows that while the peaks in temperature have been quite consistent 2008–2010, peaks in sales in 2009 and especially 2010 were more pronounced.

Iced Drinks conversion vs average temperature



Research resources

1. Caffè Nero sales figures
2. Allegra Strategies Report, December 2010
3. Qualitative store manager research, Caffè Nero
4. Customer Survey summer 2009, Caffè Nero & Hattrick Marketing