



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Student Name: Sultana Akter
Student ID: 2422835
Module Name: Marketing Management
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Lecturer's Name: Laila Maazouz
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ABSTRACT

This report digs into how the broader marketing landscape impacts the coffee shop sector in the UK, particularly looking at two key players: Starbucks, recognized as an

industry pioneer, and Caffè Nero, which tends to follow in Starbucks' footsteps. The goal here is to uncover how both brands navigate external pressures that are beyond their control, such as technological advancements and growing environmental concerns. These aspects were chosen because they currently drive customer behavior more than any other factors and significantly influence how coffee shops operate and compete. Technology has revolutionized the ordering process through mobile apps, digital payments, and loyalty programs (Statista, 2024). Meanwhile, environmental issues have gained traction, with increased demands on businesses to minimize waste and adopt sustainable packaging practices (GOV.UK, 2023).

The report elaborates on how Starbucks often leads the way with new initiatives—like advanced mobile features—while Caffè Nero typically waits until those innovations are established norms. To explore their differing strategies, we apply frameworks like Ansoff's Matrix and Porter's Generic Strategies. Ultimately, our findings suggest that pioneers tend to chart the course for change, while followers are more cautious, waiting for proof of success before jumping in. The report also emphasizes the significance of environmental scanning for companies aiming to stay competitive in fast-evolving sectors like food and drink. By keeping an eye on external developments, businesses can craft more effective strategies.

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1. Introduction

This report aims to analyze how businesses in the UK coffee shop industry respond to significant external shifts through strategic marketing. Over the past decade, the coffee industry has seen remarkable growth in the UK, with brands like Starbucks and Caffè Nero becoming household names. Both companies cater to similar customer demographics, particularly those seeking quick service, convenience, or a cozy café

atmosphere. Starbucks is often labeled a pioneer for its early entry into the UK market, where it introduced innovative café designs, strong branding, digital systems, and early sustainability initiatives. Caffè Nero, on the other hand, came into the scene later, often mirroring the trends set by **Starbucks** (Caffè Nero, 2023).

Understanding the external environment is crucial for businesses, as these factors can create both opportunities and challenges. For instance, if customers start favoring mobile apps more, companies need to adapt accordingly. Similarly, if new regulations regarding packaging waste emerge, coffee shops must alter their materials to comply. Since these changes typically lie outside a company's control, analyzing the macro environment becomes a vital part of strategic marketing (CIM, 2022).

This report zeroes in on two crucial external factors: technology and environmental pressures. These were chosen because they currently have the most significant impact on coffee shops. Technology has transformed customer behavior, especially regarding digital ordering and loyalty applications. Meanwhile, environmental concerns are escalating due to issues surrounding waste, plastic, recycling, and climate change (NielsenIQ, 2023). The report is organized into two main sections. Task 1 offers a look at the macro environment, discussing how technological and environmental factors affect pioneers and followers differently. Task 2 details how Starbucks and Caffè Nero tackle these challenges using strategic marketing models such as Ansoff's Matrix and Porter's Generic Strategies.

2. Task 1 – Critical Analysis of the Macro Marketing Environment

2.1 Overview of the Macro Marketing Environment

The macro environment refers to the broad external forces that surround a business. These forces shape how companies operate, even though firms cannot directly control them. For example, new laws, customer lifestyle changes, shifts in economic conditions, new technologies, or social expectations can all influence how a business performs. If companies ignore these external forces, they may lose customers or fail to keep up with competitors (CIM, 2022).

One of the most common tools for analysing the macro environment is the PESTLE

framework. **PESTLE** stands for Political, Economic, Social, Technological, Legal and Environmental factors. Political factors include government policies and food regulations. Economic factors include inflation and customer spending habits. Social factors include lifestyle changes and trends in drink preferences. Technological factors include apps and ordering systems. Legal factors include data protection rules, and environmental factors focus on sustainability and climate change (*BBC News, 2023*).

The UK coffee industry is influenced by all areas of PESTLE, but technology and environmental factors are especially important today. Technology is shaping how customers order and pay, while environmental pressure is encouraging companies to use reusable cups and sustainable materials (*Guardian, 2022*). These **two areas affect both pioneers** and followers in different ways.

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2.2 Selection of Two External Macro Actors

Why Technology?

Technology was selected because digital tools now play a huge role in the coffee shop industry. Many customers prefer using mobile apps to order drinks, pay quickly and collect loyalty points. Starbucks introduced its app earlier than most competitors and invested heavily in features like digital payments and personalised rewards (*Starbucks, 2023*). These developments have changed customer expectations, meaning competitors like Caffè Nero must also respond, even if they do so later.

Technology also affects operations behind the scenes. Data collection lets companies understand what customers buy most often. **Delivery apps** such as **Uber Eats** and **Deliveroo** have made online ordering more common too (*Statista, 2024*). All of these trends make technology a major factor affecting marketing strategy.

Why Environmental Factors?

Environmental pressure is also important because the coffee industry uses a lot of packaging, especially single-use cups. Customers, especially younger people, expect brands to reduce waste and act responsibly (*NielsenIQ, 2023*). The UK government has also introduced strict waste and recycling regulations (*GOV.UK, 2023*). **Starbucks** usually responds to these issues faster, for example by promoting **reusable cup** discounts and switching to recyclable materials. **Caffè Nero** also makes changes but tends to follow after the pioneer.

Both **macro** factors heavily influence marketing decisions, which is why they were chosen.

2.3 Critical Analysis of Each Actor

Technological Factors

Technology creates opportunities for pioneers like Starbucks. They launched one of the first fully functional mobile apps in the coffee industry, offering features such as mobile payments, advance ordering and personalised rewards. Customers can clearly see these features in the Starbucks app screenshot in **Appendix A**. This helped Starbucks reduce queues, increase convenience and target customers more effectively through personalised offers (*Starbucks, 2023*).

Caffè Nero's app, shown in **Appendix B**, is simpler. It mainly works as a digital loyalty card, with fewer personalised features. This difference highlights how pioneers set new expectations in the market while followers catch up later (*HBR, 2022*).

Technology also affects delivery. Starbucks partnered with delivery platforms earlier and integrated their menu into mobile apps smoothly. Caffè Nero joined these platforms later and with fewer digital features (*Financial Times, 2023*).

Threats of technology:

- It is expensive to develop and maintain apps.
- Customers expect constant updates.
- Data protection rules are strict (*McKinsey, 2022*).

Pioneers face pressure to innovate continuously, while followers risk falling behind.

Table 1: Technology Differences Between Starbucks (Pioneer) and Caffè Nero (Follower)

Feature / Technology	Starbucks (Pioneer)	Caffè Nero (Follower)
Mobile App	Launched earlier, full ordering + payments + rewards	Launched later, mainly digital stamps
Loyalty System	Personalised offers based on customer data	Basic stamp collection system
Digital Ordering	Strong mobile order & collect	Limited mobile ordering options
Use of Data	Advanced data collection	Minimal data use

	for customer preferences	
Partnerships	Strong links with delivery platforms	Joined delivery platforms later

Environmental Factors

Environmental pressures are particularly pronounced in the coffee industry due to its reliance on disposable materials. **Starbucks** was quick to adopt initiatives like reusable cup discounts, paper straws, and recyclable packaging (Starbucks, 2023). Their reusable cup campaign is illustrated in **Appendix C** and has helped them cultivate an eco-friendly image, especially among younger consumers (NielsenIQ, 2023).

Caffè Nero follows suit but often trails behind Starbucks. They, too, offer discounts for reusable cups, though they promote this less vigorously. Examples of sustainable materials used in their stores are shown in **Appendix D**.

However, environmental forces also pose risks. Transitioning to new packaging materials can be pricey, and customers may criticize brands that appear wasteful. Additionally, new regulations can compel companies to adapt quickly (GOV.UK, 2023).

For pioneers, taking environmental action can bolster brand reputation. Conversely, followers may find it challenging to invest in new materials immediately (ICO, 2023).

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3. Task 2 – Strategic Responses

3.1 Starbucks Strategic Response (Pioneer)



(Jolly, 2023)

Starbucks tackles challenges through a robust digital strategy. Their **mobile app** stands out as one of their key strengths. It allows customers to place orders in advance, customize drinks, make payments, and earn personalized rewards (Starbucks, 2023). This aligns with **Ansoff's market** penetration strategy, as the app encourages existing customers to make purchases more frequently (Kotler & Keller, 2016).

Starbucks also uses **product development** by launching new drinks regularly, such as seasonal ranges and healthier options. These help attract new customer groups and keep the brand exciting.

Using **Porter's differentiation strategy**, Starbucks focuses on:



Figure X: Customer Preference Factors Pie Chart

(Created by Author, 2025)

Environmentally, Starbucks invests in recyclable materials, reusable cup schemes and energy-efficient equipment, as shown in **Appendix C**. This helps keep their brand reputation strong.

3.2 Caffè Nero Strategic Response (Follower)



(BBC, 2020)

Caffè Nero takes a different approach, behaving more like a **follower**. Their **digital loyalty** system was introduced later and features fewer capabilities (Caffè Nero, 2023). Their strategy leans more toward providing a traditional café experience, emphasizing warm lighting, comfortable seating, and a relaxed atmosphere.

In the context of **Ansoff's Matrix**, Caffè Nero also employs market penetration, but in a more straightforward manner—primarily through loyalty stamps and occasional promotions. Their digital expansion is less aggressive compared to Starbucks.

Using **Porter's strategies**, Caffè Nero focuses on **differentiation through atmosphere**, not technology. They position themselves as a “**European-style café**,” which attracts customers who prefer a quiet and traditional environment (Mintel, 2023).

Environmentally, Caffè Nero does participate in reusable schemes and recyclable cups, but they promote this less strongly compared to Starbucks. Their sustainability examples are shown in **Appendix D**. As a follower, they tend to wait until new environmental ideas are proven before investing (Guardian, 2022).

4. Conclusion

This report illustrates that external environmental factors have a profound impact on marketing strategies within the **UK coffee industry**. Among these, technology and

environmental considerations are particularly influential. As a pioneer, Starbucks responds quickly to these forces by implementing strong digital systems and advocating for sustainability. In contrast, Caffè Nero, as a follower, adapts these concepts at a slower pace, placing greater emphasis on ambiance and basic digital functionalities.

Both brands need to continue monitoring their environments to remain competitive.

Pioneers can sustain their advantage by innovating, while followers can maintain stability by adapting after trends are proven successful. A solid understanding of these external factors equips companies to make more informed, long-term strategic choices.

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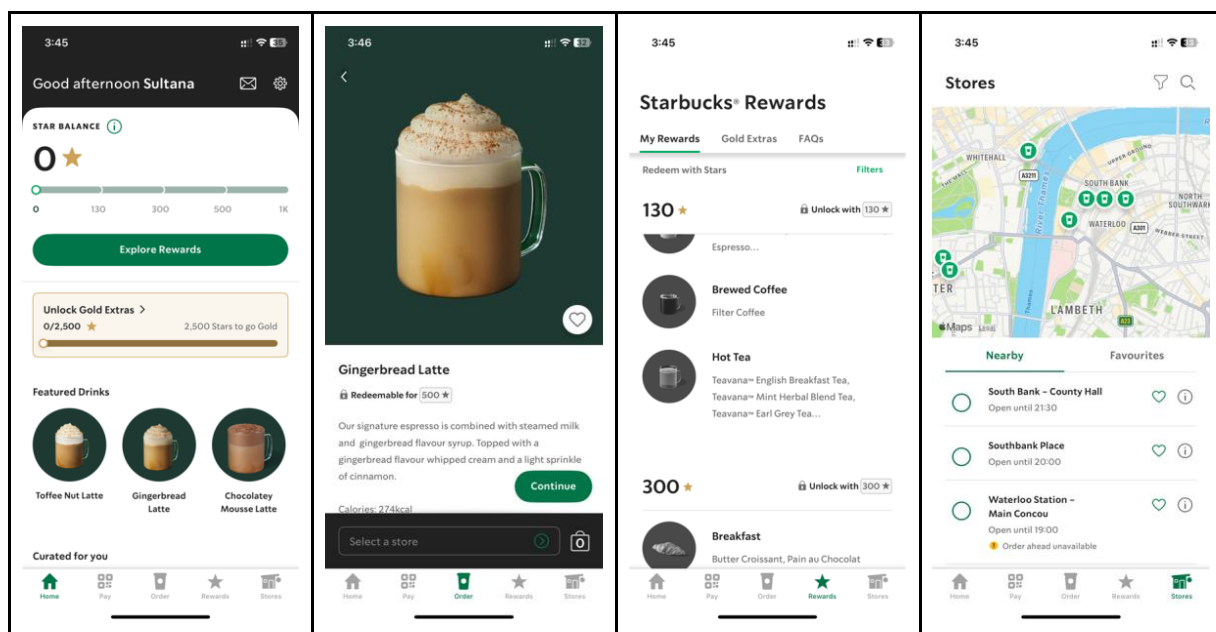
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6. Appendix

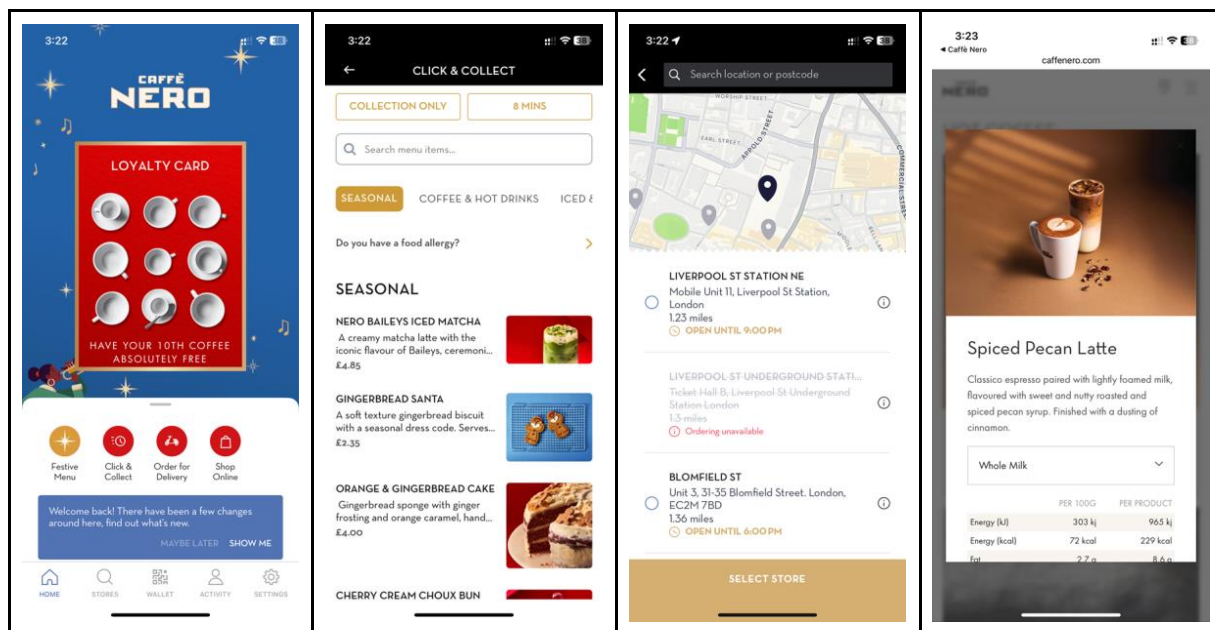
Appendix A: Starbucks App Screenshot



This screenshot shows the Starbucks UK mobile app, including the rewards page, drink options and store locator. It supports the point made in the report about Starbucks being a digital pioneer with an advanced app system.

(Source: Starbucks App, 2024)

Appendix B: Caffè Nero App Screenshot



This screenshot shows the Caffè Nero digital loyalty card and Click & Collect features. It supports the analysis that Caffè Nero adopted app technology later and with fewer advanced features than Starbucks.
(Source: Caffè Nero App, 2024)

Appendix C: Reusable Cup Poster



(Source: Starbucks, 2023)

This poster is an example of how Starbucks encourages customers to bring their own reusable cups. It supports the point in the report about environmental actions and reducing single-use cup waste.

Appendix D: Sustainability Examples



(Source: Dormer, 2021)

This image shows examples of recycling bins, reusable cup processes and waste management steps. It supports the discussion of environmental factors and how coffee companies respond to sustainability pressure.