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Module-LCLM4006

Business Analysis: Coffee Business

PESTLE Analysis

Political

- The political environment in the United Kingdom is stable for conducting business activities.
- Since the Brexit, the UK now regulates the safety of food and products like coffee internally through bodies such as the Food Standards Agency (FSA).
- Trade policies of the UK also facilitate the import of coffee beans from international suppliers, thereby allowing the business to source a wide variety and high quality of products.

Economic

- The coffee market in the UK is experiencing growth due to the high demand for the product.
- An increase in the cost of living may lead to reduced spending by consumers; however, coffee is affordable, so its demand is likely to remain stable.
- There are opportunities for a business that offers quality coffee at a competitive price.

Social

- Consumption of coffee has become part of the lifestyle and culture of the modern society, especially among the youth.
- There is a growing preference for specialty coffees and ethically sourced coffee.
- Unique coffee experiences are also in high demand.
- Social media such as TikTok and Instagram play a significant role in setting trends and consumer preferences.

Technological

- Technology has enhanced the efficiency of operations as well as the consumer experience.
- The use of e-commerce, mobile ordering, and digital payments has made it easier for consumers to purchase coffee.
- Moreover, modern coffee machines and data management systems help to maintain the quality and efficiency of the product.

Legal

- A coffee business in the UK must comply with food safety and hygiene regulations as well as food labelling laws governed by the FSA.
- Adhering to these regulations is crucial for avoiding legal tussles and maintaining the trust of consumers.

Environmental

- Sustainability is a critical concern in the coffee industry.
- There is a growing consumer preference for ethically sourced coffee and eco-friendly coffee cups.
- A business that embraces sustainability and reduces its environmental footprint can enhance its brand reputation and attract consumers who prefer eco-friendly products.

SWOT Analysis

Strengths

- The business will experience a high demand for its products in the UK market because coffee is an affordable commodity.
- It can achieve product differentiation through specialty or high-quality coffee.
- It can create a brand reputation through social media platforms like Instagram and TikTok.

Weaknesses

- The UK coffee market is very competitive, and it may be challenging for a new entrant to create brand awareness.
- Sourcing high quality or ethically produced coffee beans may be expensive.
- Over-reliance on imported coffee beans may expose the business to supply chain risks.

Opportunities

- The growing demand for specialty and sustainable coffee offers the business an opportunity to target a niche market.
- Online sales, coffee subscriptions, and social media marketing can provide further opportunities for enhancing revenue and brand reputation.

Threats

- An increase in the cost of living can lead to a decline in consumer spending.
- Intense competition from existing coffee shop chains may threaten the market share of the business.
- The business must comply with the regulations enforced by the FSA.

- Environmental factors such as climate change may impact the supply chain and cost of coffee.

Conclusion

The PESTLE and SWOT analysis indicate that the coffee business operates in a growing market. However, the market is highly competitive, and success will depend on the ability of the business to differentiate its products, build a strong brand reputation, manage its costs, and respond to trends and consumer preferences, especially the trend towards sustainability and digitalisation.