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Costa Coffee: Project Marlow

Costa Coffee was the second-largest coffee chain in the world. To deliver on its mission of “saving the world from mediocre coffee”, Costa had expanded beyond its traditional coffee shops into petrol stations, supermarket chains and corporate offices. But accessing these channels meant moving away from barista-made coffee and into the world of self-serve vending machines. Having spent the previous decade lauding the skills of the barista, it was challenging to persuade customers that a machine-made cappuccino was, actually, just as good.

For Jim Slater, head of Costa Express in 2014, the biggest new growth opportunity was to roll out the company’s third-generation vending machine, called Marlow. The product had been developed in record time, but Slater faced several strategic and operational challenges in launching it.

Background

Costa Coffee was part of Whitbread, a FTSE 100 company with 40,000 employees and net profits of £250 million on revenues of £1.8 billion. The largest share of Whitbread’s revenues came from its budget hotel chain, Premier Inn, which operated 600 hotels in the UK, the Republic of Ireland, Dubai and India. It had 379 restaurants under such names as Beefeater Grill and Brewers Fayre. Its Costa Coffee business had grown to over 1,000 outlets in the UK and was expanding internationally.

Whitbread had an intense focus on efficiency. Most employees were customer service representatives. Managers were rewarded – and promoted – according to how effectively they managed their hourly workforce and how well they controlled their costs of labour. One manager termed it: “getting extraordinary results from ordinary people”. Cost-saving innovations developed included a faster way to clean a hotel room and lower procurement costs. Shaving five seconds off a two-minute activity would result in thousands, if not millions, of pounds of cost reduction if the action could be studied, refined and then implemented across the chain.

Costa Coffee was acquired by Whitbread in the mid-1990s and, helped by the entry of Starbucks to the UK in 1998, grew rapidly. By 2014 it was the largest UK chain, with more than 1,500 units compared to Starbucks’ 800 units. Approximately 900 were corporate-owned stores; the remainder were franchised stores. Costa Coffee sold premium coffee, other drinks, and food, and could be found on high streets, in hotels, in grocery stores, along motorways and in airports. Costa also had 442 international locations in 28 countries, some of which came as a result of acquisitions.

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