



Market Report

A Snapshot of your Market Sector

Restaurant, Café and Coffee Shop

This pack has been designed to provide information on setting up a business in the **Restaurant, Café and Coffee Shop** industry in Scotland, as well as helping to inform the market research section of your business plan. You can find more information on how to write a business plan from the Business Gateway website (www.bgateway.com/businessplan), including an interactive template and tips to get you started.

This market report was updated by Business Gateway in **October 2020**. If you find the information contained in this document useful, tell us about it! Send us feedback [here](#); we will use your comments to help improve our service.

What do I need to know about the Restaurant, Café and Coffee Shop market?

The following summary statistics have been taken from market research reports and reliable resources that the Information Service uses to compile industry information. They should give you an indication of how your industry is faring at present and whether there is demand for your type of business:

- ◆ The UK's foodservice venues closed on 20 March 2020 (except for takeaway food), as the government looked to curb the spread of coronavirus. Mintel forecasts the value of the foodservice market to **drop by -62% to reach £29.2 billion in 2020**, followed by **growth of 86% in 2021** to bring value to **£54.2 billion**. (Mintel, *The Impact of COVID-19 on Foodservice UK*, June 2020).
- ◆ The financial fallout from COVID-19 is seeing household incomes come under pressure and consumer confidence fall and **39%** of people are already cutting back on non-essential spending (surveyed 16-22 July 2020; Mintel's Global COVID-19 tracker). This will favour retail over on-premise venues and **hamper the recovery of coffee shops**, particularly with more remote working going forward, prompting purchase of coffee to have at home. (Mintel, *Tea and Other Hot Drinks: Inc Impact of COVID-19 UK*, July 2020).
- ◆ According to the British Coffee Association, Britons consumed 95 million cups of coffee per day in 2018, up from 70 million cups in 2008. Research by Allegra World Coffee Portal (WCP) in 2019 stated that roughly one-third of consumers surveyed drank between two and six cups of coffee per week at coffee shops, while only 2.7% claimed to never drink coffee at coffee shops. However, coronavirus has been detrimental, with industry revenue estimated to **decline by 27.5% in 2020-21**, and at a compound annual rate of 4.3% through 2020-21, reaching **£4.8 billion**. (IBISWorld, *Cafes & Coffee Shops in the UK*, September 2020).
- ◆ Revenue is expected to **contract** at a compound annual **rate of 1.5%** over the five years through 2020-21 to reach **£16.2 billion**, largely due to the COVID-19 (coronavirus) pandemic restrictions. However, the rising popularity of coffee as an affordable alternative to alcohol amongst millennials is likely to boost this segment's share of revenue in the coming years if consumer spending remains subdued. (IBISWorld, *Full-Service Restaurants in the UK*, September 2020).
- ◆ In 2019 the value of the coffee shops market was estimated to reach a value of **£3.9 billion**. **48% of Britons** have bought a hot drink from Costa Coffee in the three months to August 2019. However, eateries with a **strong food offering** continue to disrupt the market, especially fast food chains (**26%** of Britons bought a hot drink from them) and bakeries or sandwich shops (**21%**). (Mintel, *Coffee Shops UK*, November 2019).
- ◆ The national organisation for this industry is [UK Hospitality](#). Other industry bodies include [The British Coffee Association](#), [Specialty Coffee Association UK](#), [Scotland Food and Drink](#), [Scottish Food Trade Association](#), [Catering Scotland](#) and the [Food and Drink Federation](#).

Where can I find more information on my market?

The Information Service has access to a number of databases which can offer more detail on this industry. Some of these reports are listed below - if you would like to be sent extracts from any of these reports, please contact us on **0300 013 4753** or email info@bgateway.com.

- ◆ **Mintel – *The Future of Eating Out: Inc Impact of COVID-19 UK (August 2020)***. As 35% of Britons say having “a treat” has influenced their choice of food/drink since the start of the pandemic, many are still likely to want to indulge on satisfying restaurant-quality food despite the pandemic. As venues re-open, people may be living on a tighter budget, and they will eat out when they have a special occasion to celebrate or just want to treat themselves for the day. Instead of relying on spontaneous visits from consumers seeking a convenient meal solution, operators should tap into consumers’ desire for a treat/escape by using messaging such as “celebrate your special occasion” or “take a break from cooking today”.
- ◆ **IBISWorld – *Coffee Store Franchises (September 2020)***. Industry revenue is projected to fall considerably in 2020 due to declining economic activity and the various public mandates that have attempted to help curb the spread of COVID-19 (coronavirus). Since more consumers have been confined to their households due to the pervasive social and economic restrictions, more coffee drinkers are expected to purchase home brewing systems or readymade coffee drinks from grocery stores. This is anticipated to further reduce demand for industry services. Franchises that efficiently and effectively implement mobile ordering and delivery services are more likely to retain customer demand. Additionally, establishments outfitted with drive-throughs are expected to fare better.
- ◆ **Mintel – *Coffee Shops UK (November 2019)***. Coffee is by far the most popular hot drink purchased out-of-home, with 80% of customers buying at least one in the last three months. Meanwhile, tea has had somewhat of a resurgence with 43% of consumers drinking this out-of-home compared to 39% a year ago. This is being led by Millennials with 50% of this group buying a cup of tea in the three months to August 2019 (vs 40% of Baby Boomers).

There are also a number of online resources you may find helpful:

- ◆ **Food and Drink Scotland** have a Facts and Stats page on their website which provides some useful statistics that are specific to the market in Scotland (tinyurl.com).
- ◆ **The Scottish Government Food and Drink Strategy** (tinyurl.com) The food and drink industry is a major contributor to Scotland’s economy. It is worth around £14 billion each year and accounts for one in five manufacturing jobs. Scotland has 18,850 food and drink businesses, which employ around 115,400 people.
- ◆ **World Coffee Portal, *UK coffee shops – 5 market dynamics to watch in 2019, March 2019*** (tinyurl.com). This is an article about the key trends, opportunities and challenges that were shaping the market in the UK in 2019.

Disclaimer: This report has been updated on **6th October 2020** - we have included Post COVID-19 market material where available. Please note that this research may contain copyrighted material. Copyright belongs to the holders credited above and, as such, recipients of this research reproduce and repurpose this information at their own risk.

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How can I find out about my competitors?

Business Gateway's online guide to [Competitor Analysis](#) explains how to find your competitors, how to research what they're doing and how to act on what you learn about them.

Immediate competition will be from other businesses in your local area. There are several online directories which can be used to find company information and generate lists easily and at no expense. Many Local Authorities also publish local business directories on the web. Below are some key web resources:

- ◆ General business directories such as [Yell](#) ,[Thomson Local](#) or [Google Maps](#)
- ◆ Trade specialists like [EuroPages](#) (European directory), [The Wholesaler](#) or [Free Index](#)
- ◆ Business to business (B2B) specialists such as [Kompass](#)

Likewise, your local Chamber of Commerce may publish a members' directory; find your local Chamber on the [Scottish Chambers](#) website.

Once you've identified who your competitors are, the next step is to gather information on the way they do business. Which services do they provide? How do they market themselves? How much do they charge?

To learn about your competitors:

- ◆ Look for articles or adverts in local newspapers, trade press and directories.
- ◆ Try to read their marketing material; if the company has an online presence, visit the company's website as a first port of call. Not only does it give you a better understanding of the company's activities, it can also offer a wealth of information such as a company history or staff biographies, as well as the company's partners or suppliers
- ◆ Search for information on limited UK companies via the [Companies House](#) website
- ◆ Gain an insight into your competitor's performance using credit checks and the accounts that limited companies are required to submit to Companies House each year.

We can provide credit checks free of charge; if you are interested in using this resource, or looking for us to help you find relevant publications, please contact us by emailing info@bgateway.com or by calling **0300 013 4753**

What about suppliers?

[Choosing and Managing Suppliers](#) can help you decide what you need from a supplier, how to identify one and how to choose one to deal with.

Trade associations or industry specific organisations may also be able to recommend suppliers or contacts. You can also use the aforementioned resources for finding competitors to find suppliers.

Once you have decided on a supplier, we can run a credit check on the company to help assess their financial stability. We provide credit checks free of charge; if you are interested in using the resource please info@bgateway.com or by calling **0300 013 4753**.

Who are my customers?

Your business plan should include information about the customers you would expect. Business Gateway's guides on [Market and customer research](#) will help you to identify new trends, opportunities, customers and competitors.

It can be useful to group your customers by geographical location, age or lifestyle. The websites listed below are freely available and can provide most of this information. If you can't find what you're looking for from these websites, please contact us and one of the team will be happy to help:

- ◆ Access the latest population estimates from the [National Records of Scotland \(NRS\)](#). NRS also offers demographic factsheets for each council area in Scotland, which can provide summary statistics for the area you will be based in.
- ◆ Information from the most recent census in 2011 is released via the official website. See in particular the [Census Area Profiles](#). Clicking on your area of interest will give the latest population figures, including estimates by age.
- ◆ [Understanding Scottish Places](#) has interactive profiles of towns and cities across Scotland. It can be useful for understanding the interrelationships and flows between towns, and also gives comparisons between two or more places.
- ◆ [Scottish Government Statistics](#) provide accurate and up-to-date statistics on Scotland, covering population, health, education and housing.
- ◆ [The Scottish Household Survey](#) provides information on the structure, characteristics, attitudes and behaviour of Scottish households, both at a national and local level.
- ◆ [Office for National Statistics \(ONS\)](#) is the recognised national statistical body for the UK. ONS covers a wide range of demographic, economic and social issues at a UK level.

How can you help me with other aspects of starting my business?

The Business Gateway website has guides, videos, online tutorials and tips on all aspects of starting up a business in Scotland. Follow the links below to explore each resource:

Accountancy

Institute of Chartered Accountants of Scotland's (ICAS) "[Find a Chartered Accountant](#)" tool

Funding

[Practical information](#) on finance and funding for starting and growing your business

Insurance

[Business insurance guide](#)

Legal Help

Gov.uk "[Licence Finder](#)" tool

Law Society of Scotland's "[Find a Solicitor](#)" tool

Pricing

Business Companion [Pricing & payment guide](#).

Please note: the most effective way to research pricing is to conduct your own research – visit wholesalers or suppliers to obtain price lists, find quotes from similar companies and work out what other businesses in your area are charging

Promotion

[BG guides to Marketing](#)

Training

[Skills Development Scotland's My World of Work](#)

[Funding for training](#)

[Small Business Bonus Scheme \(Scotland\)](#)

Your local Business Gateway can offer events, workshops and 1:2:1 support on all aspects of starting and developing your business. Call the helpline on **0300 013 4753** to find out what is available in your area.

We hope you find this Market Report useful and we'd love to hear your feedback [here](#).

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