



Market Report

A Snapshot of your Market Sector

Restaurant, Café and Coffee Shop

Cost of Doing Business Support

For information on **reducing the cost of running your business**, the [Find Business Support](#) website has links to advice, funding and regional support.

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 **May 2023**. 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 gradual lifting of COVID restrictions and strong pent-up consumer demand and higher spending were expected to contribute to revenue recovery for cafes and coffee shops over the past two years, with revenue rising by 4.5% in 2022-23. However, soaring inflation and rising interest rates may lower consumer confidence and spending, constraining performance over the current year. Labour shortages and rising wages may also limit profit growth over the period. Industry revenue is anticipated to **grow at a compound annual rate of 5.4%** over the five years through **2027-28 to £7.6 billion**. (IBISWorld, *Cafes and Coffee Shops in the UK*, October 2022).
- ◆ Over the **five years through 2027-28**, restaurant industry revenue is forecast to recover, **growing at a compound annual rate of 5.6% to reach £26.2 billion**, which will be approaching pre-pandemic levels. The new points-based immigration system is expected to continue to widen existing labour shortages in the restaurant industry. However, the exit of many players during the pandemic is expected to result in an oversupply of commercial spaces pushing down lease prices, presenting an opportunity for new firms to enter the industry at a reduced cost. (IBISWorld, *Full-Service Restaurants in the UK*, August 2022).
- ◆ The value of the foodservice market is expected to continue to rise year-on-year between 2023 and 2027, however growth will struggle to keep pace with high inflation in the near-term as some consumers are forced to spend less on eating out and ordering takeaways. The **value of the total UK foodservice market is expected to grow by 11.5% over the next five years to reach nearly £91 billion by 2027**. Looking specifically at types of foodservice, eat-in participation has held up well, with 68% of Britons eating in at a pub restaurant/bar and **57% of Britons eating in at a British restaurant** as of October 2022. (Mintel, *Eating Out Review UK*, January 2023).
- ◆ The value of the coffee shops market is expected to reach **£3.5 billion in 2022, up 16.4% from £3 billion in 2021**, but still 9% below its 2019 level. While older coffee shop consumers are likely to bear the cost of inflation and pay more for drinks, the younger core consumers of coffee shops are likely to seek out cheaper alternatives. (Mintel, *Coffee Shops UK*, December 2022)
- ◆ 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](#).



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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.

- ◆ **IBISWorld – Café and Coffee Shops in the UK (October 2022).** The Cafes and Coffee Shops industry has a low level of market share concentration, with the top four companies expected to account for 31.8% of revenue in 2022-23. Although the large global brands have a strong presence in the industry, there are also many independent establishments operating throughout the United Kingdom. Local support for independently run establishments makes it difficult for larger enterprises to compete and in some cases local opposition has prevented the opening of a chain store. Nevertheless, branded outlets such as Costa, Pret A Manger and Starbucks continue to dominate the industry. To compete with large, branded coffee chains, independent coffee shops concentrate on offering a better in-store experience and product innovation to attract customers.
- ◆ **IBISWorld – Full-Service Restaurants in the UK (August 2022).** Full-service restaurants compete with each other on price. The quality and style of the food, menu offering, ambience and location of a restaurant are also important competitive factors. The highly fragmented nature of the industry means that operators face a great deal of competition from other restaurants because customers can easily go elsewhere. Consumers increasingly prefer to order and pay for their food quickly rather than have a full-service meal. This trend has negatively affected the revenue of many full-service operators that cater to sit-down customers.
- ◆ **Mintel – Menu Trends UK (February 2023).** 28% of consumers would consider ordering fewer courses to save money, meaning that operators need to enhance their range of premium options to demonstrate added value and justify the extra cost of better dishes. As 32% of 16-34 year olds would consider ordering from cheaper restaurants/takeaways to save money, they are also most likely to trade down during the cost-of-living crisis.

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

- ◆ **Food and Drink Scotland** have an information portal [The Knowledge Bank](https://www.theknowledgebank.co.uk/) which offers industry reports and useful statistics that are specific to the market in Scotland (tinyurl.com/yhhwrv3).
- ◆ **The Scottish Government Food and Drink Strategy.** The food and drink industry is a major contributor to Scotland's economy. It is worth around £15 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 (tinyurl.com/mrymsyuf).
- ◆ **Lavazza Professional – industry insights 2023 coffee and workplace trends** (tinyurl.com/bdfaj2jt).
- ◆ **World Coffee Portal, Project Café UK 2023** – this purchasable report identifies the size of the UK's branded coffee shop market in terms of outlets, sales, and growth rates, providing an in-depth strategic examination of the current retail environment. (tinyurl.com/bdvca6am).

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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**



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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 website, 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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You must not rely on the information in the report as an alternative to advice from an appropriately qualified professional. If you have any specific questions speak to your Business Gateway Advisor or consult an appropriately qualified professional.

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