



# 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](http://www.bgateway.com/businessplan)), including an interactive template and tips to get you started.

This market report was updated by Business Gateway in November 2018. 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 eating out of home foodservice market **declined in 2018**. Despite this, the market value is forecast to **grow** from £74 billion in 2018 to **£83 billion by 2023**, aided by inflation and high usage of third-party delivery apps among this sector's core customers (Mintel, *Eating Out Review UK*, September 2018).
- ◆ As the economy improved, demand for expensive, high-margin services has grown, which is supporting revenue growth. Accordingly, industry revenue is anticipated to **grow by 1.5% in 2018-19**, and at a compound annual rate of 3.2% over the five years through 2018-19 to reach £21 billion (IBISWorld, *Full-Service Restaurants*, June 2018).
- ◆ IBISWorld expects **industry revenue to grow** at a compound annual rate of **4%** over the five years through 2018-19 to reach **£6.3 billion**. This includes forecast revenue growth of 1.7% in the current year. The number of industry establishments is estimated to increase at a compound annual rate of 3.3% over the same period, as cafes and coffee shops have taken the place of less successful retail businesses on the high street (IBISWorld Cafes, *Coffee shops in the UK*, July 2018).
- ◆ The following article from The Guardian highlights that the number of restaurants in the UK has dropped for the first time in 8 years and it highlights that the sector is suffering due to rising costs and economic uncertainty (The Guardian, *UK restaurant numbers drop for the first time in eight years*, June 2018) ([tinyurl.com](http://tinyurl.com)).
- ◆ There are several national organisations for this industry including the [British Hospitality Association](#), [British Coffee Association](#), [Scotland Food and Drink](#) 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](mailto:info@bgateway.com).

- ◆ **Mintel – *Eating Out – The Decision Making Process (August 2018)***. 91% of Brits eat in at a restaurant, compared to 83% who order a takeaway. Notably, both restaurant visits and takeaways are driven mostly by Millennials, city dwellers, full-time workers and parents of under-18s. In short, people who lead busy city lives or have more disposable income by living at the family home into adulthood are driving demand for out-of-home meals.
- ◆ **IBISWorld – *Full Service Restaurants (June 2018)***. The Full-Service Restaurants industry has exhibited healthy growth in the five years through 2018-19. Improving economic conditions over the past five years drew consumers back to restaurants and supported industry revenue growth. Demand for new cuisines helped restaurants like Nando's and Wagamama rapidly grow in popularity. However, in the past year, many prominent casual dining chains have come under pressure as the industry shows growing signs of saturation, particularly in traditional formats like Italian and American cuisine. The triple threat of wage increases, food price inflation and falling consumer confidence since the EU referendum has weighed on industry profitability, resulting in many well-known brands being forced to close significant proportions of their estates. Despite this growing threat, consumer trends for fine dining and alternative cuisine have supported wider industry revenue growth at an estimated compound annual rate of 3.2% over the five years through 2018-19 to reach £21 billion, including revenue growth of 1.5% in the current year.
- ◆ **Mintel – *Menu Trends (February 2018)***. 38% of Britons describe themselves as a 'foodie' – i.e. someone who is interested in food. This attitude is apparent among 16-44-year-olds (49%), those living in urban locations (44%) and wealthy ABs (47%), as well as parents of under-16s (50%). It represents potential for food operators to tap into foodies' appetites to show off their obsession over food by making an effort to please them.
- ◆ **IBISWorld – *Cafes – Coffee Shops in the UK (July 2018)***. While many industries contracted in the wake of the global recession in 2008, cafes and coffee shops continued to grow. Demand for coffee tends to be fairly resilient to economic fluctuations as many consumers consider coffee to be closer to a necessity than a luxury.

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

- ◆ **Café Success, *UK Coffee Shop Market 2018*** ([tinyurl.com](http://tinyurl.com)). A short article discussing the growth of the coffee shop market.
- ◆ **Daily Business, *Scottish restaurant closures hit record levels, September 2018*** ([tinyurl.com](http://tinyurl.com)). This article published by Daily Business highlights the difficulties for restaurants in Scotland.

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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](mailto: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](mailto: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 [Retaining and Grow Your Customer Base](#) ([tinyurl.com/c2fw4o4](http://tinyurl.com/c2fw4o4)) will help you to identify who your customers are, how to use this information to sell more effectively and how to actively compete in your marketplace.

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 Account](#)" 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](#).

**Last updated:** Nov 2018

**Updated by:** Caroline Campbell

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