

The Impact of Covid-19 on Cafés and Coffee Shops – Strategic Analysis, May 2020



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Table of Contents

Section 1: Introduction & Background

Section 2: Executive Summary

Section 3: Owner Response to Covid-19

Section 4: Impact of Covid-19

Section 5: Government Response

Section 6: Post Covid-19

Section 7: Areas of Support

Section 8: Time for Change?

Section 9: Ending on a High Note

Section 10: Research Summary Tables



On March 20th 2020, Boris Johnson told “cafés, pubs, bars and restaurants to close tonight, as soon as they reasonably can, and not open tomorrow.” He added that they would be allowed to sell takeaway food and drink.

Since then cafés and coffee shops have had lockdown, furlough schemes, and business loans.

As we move deeper into May there are signs the UK is starting to open up again, but how have the past two months affected the UK’s cafés and coffee shops? What does their new normal look like? Where do they need support?

This document presents the answers to those questions, straight from the owners themselves.

For context, **the majority of owners surveyed (66%) operate one café or coffee shop**. 18% operate two. 9% operate 5 or more.

And **the majority of these owners (43%) employ less than 10 staff**. 32% employ between 10-19. 19% employ 20-49.

8 OUT OF 10 OWNERS ARE WORRIED ABOUT FUTURE BUSINESS VIABILITY

As we come towards the end of the first stage of lockdown in the UK, in comparison with early April there is perhaps even more uncertainty and concern over what the coming months will look like. What is our new normal? When can people meet again in both private and public spaces? How long will the furlough scheme last? The answers are unknown yet have big implications on how coffee shops will operate. It's therefore no surprise that, when it comes to them and their business, right now owners are most worried about future business viability and immediate cash flow.

OWNERS PREDICT FINANCIAL IMPACT OF COVID-19 TO BE HIGHER THAN £50,000

To many it feels like lockdown has been in place for months. However, at the time of writing, it's actually *only* been seven weeks. This goes to show just how quickly cafes and coffee shops can be affected financially. The majority of owners (46%) said the coronavirus has impacted their revenue by over £50,000, while 30% estimated it to be between £20,000 - £49,999. The reality is that, with certain restrictions likely to be in place for many months, the true financial implications are yet to be realised.

MAJORITY ARE SATISFIED WITH THE GOVERNMENT'S RESPONSE & ARE USING THE FURLOUGH SCHEME

In the coming months there will be reviews of what the Government did and didn't do well in their response to the coronavirus, and comparisons will be made with other governments in Europe. For now though, the majority of owners are satisfied with the Government's response. This is in relation to both their public health response, and their business response. The latter has been particularly welcomed by the community, with the majority (93%) having taken advantage of the furlough job retention scheme. For the particularly savvy and financially minded owners there are even some opportunities for growth given the Government's favourable loans.

BUSINESS OPERATIONS WON'T RETURN TO NORMAL FOR AT LEAST 10-24 MONTHS

There is a growing realisation that, even when lockdown ends, several restrictions will still be in place and consumer behaviour will be very different. Foremost amongst this is the need for social distancing. Owners are unsure how to operate safely in such circumstances and how they will return to their previous levels of revenue with those restrictions in place. Until a vaccine is found behaviour will not be 'normal', with a drop in tourism, business trade (with more people working from home), and disposable income already major concerns for owners.

3 / OWNER RESPONSE TO COVID-19



The majority of owners have temporarily closed all of their venues, with a small percentage (15%) still staying open. Of those still open, a number of new commercial and safety initiatives have been implemented. These include switching to takeaway only, reducing trading hours, and reducing menus. Owners have remained open in part to keep staff paid and happy, having had concerns that grants wouldn't come quickly enough, and to keep customers supported and engaged.

FIGURE 3.0: RESPONSE TO CORONAVIRUS FROM CAFES & COFFEE SHOPS – UK, 2020

What is the current status of your business?

(Single Response)

Percentage of Respondents

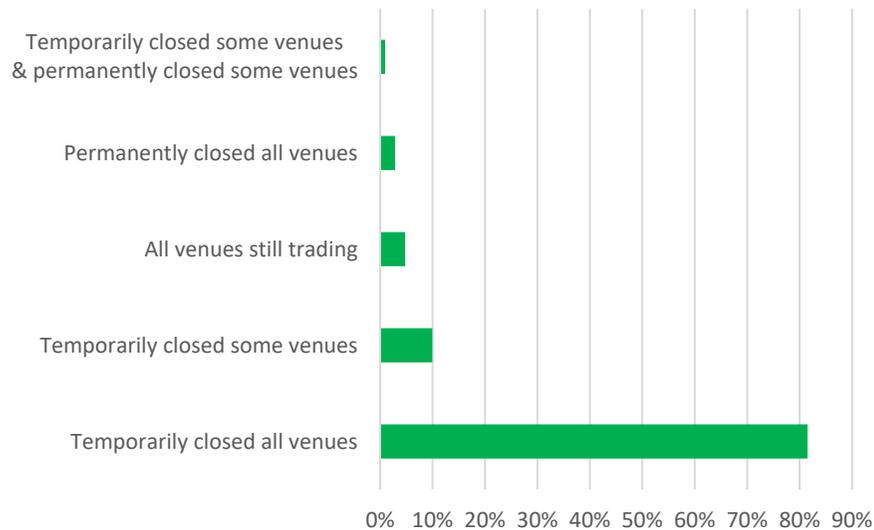
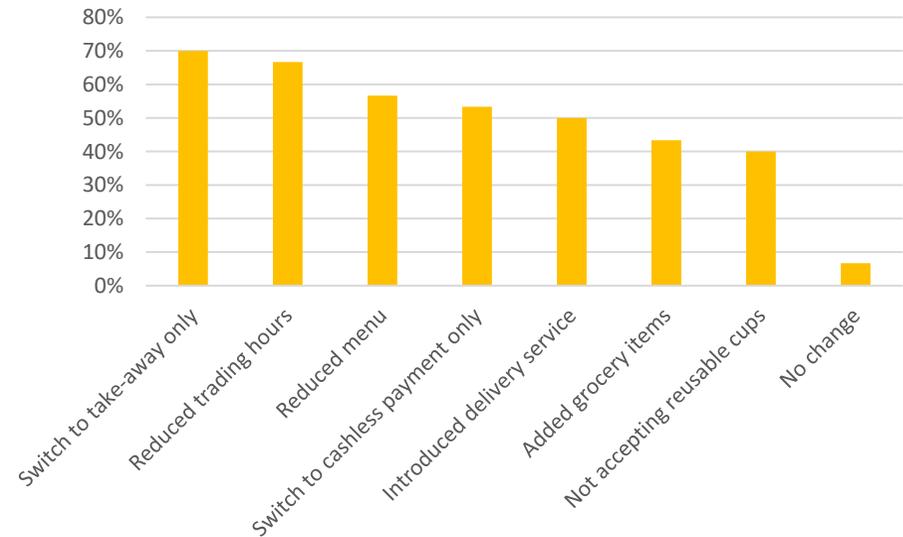


FIGURE 3.1: RESPONSE TO CORONAVIRUS FROM STILL-OPEN CAFES & COFFEE SHOPS – UK, 2020

How have you changed your trading model or patterns in response to the coronavirus pandemic?

(Multiple Response)

Percentage of Respondents



Source: Allegra World Coffee Portal Research and Analysis, 2020

Estimating the impact of the coronavirus on their revenue, 44% predicted it to be higher than £50,000, while 30% predicted it to be between £20,000 - £49,999. While it is unclear what the UK will look like post-lockdown, the sense from most owners is that social distancing rules will apply in some form. As such, when asked to predict the impact of the coronavirus on their business over three periods, 54% expect it could take between 10-24 months for their business operations to return to normal. 19% expect their business operations to return to normal within at least 6 months.

“Over the current time we have been closed we would have turned over around £70k. On top of that we’ve lost about £3,000 in wasted stock. Rents, costs etc. don’t go down, a lot are going up so it’s even harder to operate.”

“I considered choosing 10-12 months but there is no guarantee that a vaccine for the virus will be ready in that time.”

“After restrictions on opening are lifted, we expect to see a fairly well sustained drop in customer numbers, and as a result revenue.”

FIGURE 4.1: PREDICTED IMPACT OF CORONAVIRUS ON CAFES & COFFEE SHOPS – UK, 2020

What impact do you think the coronavirus pandemic will have on your business over the following time periods?
(Single Response)
Percentage of Respondents

	3 MONTHS	6-9 MONTHS	12-24 MONTHS
Severe	51.1%	24.7%	10.9%
Significant	31.6%	48.9%	25.9%
Moderate	10.3%	21.8%	33.9%
Negligible	5.2%	1.7%	21.8%
Positive	1.7%	2.9%	7.5%

Generally owners are happy with the Government’s business response, recognising how unprecedented and difficult the situation is, although they are less happy with the Government’s public health response. While the furlough scheme exceeded how much support owners thought they might get, and has created short-term comfort, there is concern over how long it will last and what will be done post-furlough schemes when the lockdown is lifted but revenues remain low. There are also frustrations that some employees have ‘fallen through the cracks’, the online system is too slow, and that we should have been in lockdown sooner.

FIGURE 5.1: SATISFACTION WITH GOVERNMENT RESPONSE TO CORONAVIRUS – UK, 2020

How satisfied are you with the Government's response to the coronavirus pandemic?

(Two separate questions with single responses)

Percentage of Respondents

	BUSINESS RESPONSE	PUBLIC HEALTH RESPONSE
Highly Satisfied	17.8%	9.5%
Satisfied	48.0%	38.1%
Neutral	15.8%	27.9%
Dissatisfied	14.5%	19.0%
Highly Dissatisfied	3.9%	5.4%

93% using furlough job retention scheme
76% using business support grants
69% using business rates relief
19% using business interruption loan scheme

“Grants are welcome but took a long time to come.”

“The uptake of lockdown measures was too slow. They had plenty of warning and ignored the impact from other countries.”

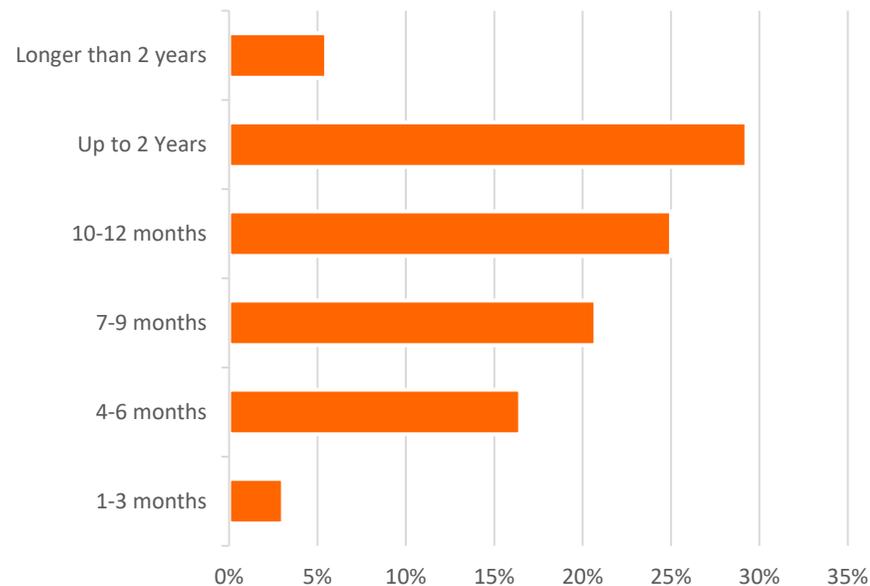
While the closing of cafés, restaurants and bars may have coincided with the lockdown coming in, owners are under no illusion that coming out of lockdown does not mean they will be able to reopen. Indeed many are aware that even when they can open there will be social distancing measures and new consumer behaviours in place. This is why the majority of owners think it will take up to 2 years for their business operations to return to normal.

FIGURE 6.1: THE LONG-TERM IMPLICATIONS OF CORONAVIRUS – UK, 2020

When do you expect that your business operations will return to normal?

(Single response)

Percentage of Respondents



“First to be closed, last to reopen due to social distancing.”

“Even when social distancing measures are lifted there will be a percentage of the population who will still feel the need to self distance. It takes time to change habits.”

“I believe that social distancing will drastically reduce turnover potential until a vaccine is in place.”

Source: Allegra World Coffee Portal Research and Analysis, 2020

Given the uncertainty around how long the Government's furlough scheme will operate, and with many predicting lower footfall and revenues, most owners would like expert financial support, or business transformation support. The majority expect this support to come from the UK Government, over local government, but with information constantly changing some feel there is no one place where you can be sure you have the right answer. Once open, there is an opportunity for companies to provide owners with resources to help them operate safely, as well flexible supplier terms. Many owners will need to extend their own skillset, such as understanding their legal position for landlord negotiations, or knowing GDPR policies for increased online trading.

What support would you appreciate from your suppliers / brands / wholesalers?

PAYMENT TERMS

"Freeze on current outstanding invoices and longer credit terms once business opens again."

"Minimal or no increase in cost prices and less minimum purchase total for each order."

ORDER QUANTITY

"Lower minimum orders and no delivery charges in short term from suppliers."

"Clear communication over availability and reviewing minimum order charges."

MARKETING

"How best to transition people in to spending money on non-essentials again."

"Collaborative marketing support to gain bigger reach."

Owners are facing three waves of disruption that they need to adapt to. **The first** - going into lockdown - has seen many accelerate their existing plans for diversifying their business or moving it more online. **The second** - coming out of lockdown into a social distancing society - will see the majority of owners grapple with the benefit of implementing initiatives such as takeaway and delivery, but the loss of what makes their experience so unique: their physical space and the experiences people can have in them. **The third** - living in a fully safe-again world - will require the whole hospitality industry to rethink how it does business. Consumer behaviour will have changed, and few owners will want to operate as they did pre-coronavirus for fear of a similar phenomenon occurring again. There is a huge creative opportunity for owners to test and trial new ideas for growth, however they will need support and guidance from both Government and partners to do this.

Three areas of change

BUSINESS OPERATIONS

“Hospitality industry is run on margins that are too small.”

CONSCIOUS PURCHASING (& ENVIRONMENT)

“It is probably a good moment to take a look at our environmental efforts and reshape the economy.”

COMMUNITY LOCALISATION

“The community spirit has been outstanding.”

“More of a shop-local feel, which is fantastic.”

“Support local business, reduce debt, have more savings.”

Potential areas of growth

How do owners get more people visiting their space?
E.g. yoga, mental health sessions, co-working spaces.

How can owners tap into a stronger sense of community?

With travel likely to decrease, could owners tap into, and facilitate, consumer desire for exploration?

How can owners build on the slower pace of life some have enjoyed during the past few weeks?

If people do go out less, there will be a stronger need for owners to differentiate their offering. High quality, purpose-driven, and socially-conscious businesses could thrive, just as they did post-2008 recession.

“We have built a team of 50 volunteers to fulfil community needs for the most vulnerable. We are partnering with sports charities, local schools and community organisations to bring food, hope, health, support and opportunities to the young people on our estates.”

“Communication between our staff has actually improved with a group WhatsApp, keeping everybody’s spirits up and sharing what they’re doing on a daily basis.”

“Our village has a WhatsApp chat. there have been a number of initiatives and outcomes from it but mainly everyone now knows each other and knows that there is support every way they turn.”

“One customer offered toys for my kids in order to thank them for letting their dad go to serve her coffee everyday.”

10 / RESEARCH SUMMARY TABLE (1)



QUESTION	RESULTS			
How many café / coffee shop outlets do you operate? (SR)	1	65.9%	4	2.4%
	2	18.5%	5-9	5.2%
	3	4.3%	10 or more	3.8%
How many staff do you employ in total across your business? (OT)	Less than 10	42.7%	50-99	2.4%
	10-19	31.8%	100 or more	4.3%
	20-49	19.0%		
What is the current status of your business? (SR)	Temporarily closed all venues	81.5%	Permanently closed all venues	2.8%
	Temporarily closed some venues	10.0%	Temporarily closed some venues & permanently closed some venues	0.9%
	All venues still trading	4.7%		
How have you changed your trading model or patterns in response to the coronavirus pandemic? (SA)	Switch to take-away only	70.0%	Added grocery items	43.3%
	Reduced trading hours	66.7%	Not accepting reusable cups	40.0%
	Reduced menu	56.7%	No change	6.7%
	Switch to cashless payment only	53.3%	Other (please specify)	20.0%
	Introduced delivery service	50.0%		
What impact has the coronavirus pandemic had so far on your business operations? (SR)	Positive	1.9%	Negative	87.4%
	Neutral	10.7%		

Note: SR = Single Response, M5 = Maximum 5, SA = Select All, OT = Open Text. Source: Allegra World Coffee Portal Research and Analysis, 2020

10 / RESEARCH SUMMARY TABLE (2)



QUESTION	RESULTS			
Please state the approximate monetary impact coronavirus has had on your revenue (OT)	Less than £10,000	11.1%	£50,000 - £99,999	22.2%
	£10,000 - £19,999	12.7%	£100,000 or more	23.8%
	£20,000 - £49,999	30.2%		
Please state the approximate percentage impact coronavirus has had on your revenue (OT)	100%	55.0%	60% - 69%	3.6%
	90% - 99%	15.7%	50% - 59%	5.0%
	80% - 89%	3.6%	Less than 50%	12.9%
	70% - 79%	4.3%		
What impact do you think the coronavirus pandemic will have on your business in the short term (In 3 months time)? (SR)	Positive	1.7%	Significant	31.6%
	Negligible	5.2%	Severe	51.1%
	Moderate	10.3%		
What impact do you think the coronavirus pandemic will have on your business in the medium term (In 6-9 months time)? (SR)	Positive	2.9%	Significant	48.9%
	Negligible	1.7%	Severe	24.7%
	Moderate	21.8%		
What impact do you think the coronavirus pandemic will have on your business in the long term (In 1-2 years time)? (SR)	Positive	7.5%	Significant	25.9%
	Negligible	21.8%	Severe	10.9%
	Moderate	33.9%		

Note: SR = Single Response, M5 = Maximum 5, SA = Select All, OT = Open Text. Source: Allegra World Coffee Portal Research and Analysis, 2020

QUESTION	RESULTS			
What worries you most about this coronavirus pandemic, with respect to you and your business? (M5)	Future business viability	78.0%	Staff retention	26.2%
	Immediate cashflows	65.2%	Mental health stress	23.8%
	Inability to pay rent	50.0%	Selfishness of individuals	11.6%
	Inability to pay wages	36.0%	Time burden	7.3%
	Health of key staff	33.5%	Interest charges	6.1%
	Future increase in price consciousness	31.1%	Crime rates	3.0%
	Personal and family health	30.5%	Other (please specify)	4.9%
	Threat to supply chain	26.8%		
What are the key changes in consumer behaviour that you expect from this crisis? (M5)	Long term social distancing	76.2%	Increased demand for delivery services	31.7%
	Lower customer footfall	72.0%	Less cash-based purchases	25.6%
	Increased focus on hygiene	48.8%	Wage stagnation	11.6%
	Less tourism	42.7%	Less focus on sustainability	3.7%
	Less eating out-of-home	41.5%	Greater emphasis on loyalty programmes	3.0%
	Decreased consumer confidence	36.6%	Increase in health-led purchases	1.8%
	Less coffee out-of-home	34.1%	Other (please specify)	1.2%
	Increased preference for localness	32.3%		

Note: SR = Single Response, M5 = Maximum 5, SA = Select All, OT = Open Text. Source: Allegra World Coffee Portal Research and Analysis, 2020

10 / RESEARCH SUMMARY TABLE (4)



QUESTION	RESULTS			
When do you expect that your business operations will return to normal? (SR)	1-3 months	3.0%	10-12 months	25.0%
	4-6 months	16.5%	Up to 2 Years	29.3%
	7-9 months	20.7%	Longer than 2 years	5.5%
What are the key areas where you could use expert support in relationship to the coronavirus crisis? (SA)	Financial	54.1%	Human resources	25.2%
	Business transformation	49.6%	Property	25.2%
	General advice	43.0%	Supply chain and logistics	12.6%
	Legal	39.3%	Other (please specify)	5.2%
	Crisis planning	25.2%		
Which institutions or groups would you would want help mostly to come from? (M5)	National government	72.9%	Key suppliers	24.5%
	Local government	61.3%	Professional consultants	21.9%
	Landlord	58.7%	Investors	6.5%
	Customers	42.6%	Friends and family	5.8%
	Bank	32.9%	No external help needed	2.6%
	Staff	25.8%	Other (please specify)	0.6%

Note: SR = Single Response, M5 = Maximum 5, SA = Select All, OT = Open Text. Source: Allegra World Coffee Portal Research and Analysis, 2020

10 / RESEARCH SUMMARY TABLE (5)



QUESTION	RESULTS			
How satisfied are you with the Government's overall BUSINESS response to the coronavirus pandemic? (SR)	Highly satisfied	17.8%	Dissatisfied	14.5%
	Satisfied	48.0%	Highly Dissatisfied	3.9%
	Neutral	15.8%		
How beneficial do you think the following Government initiatives have been to business on a scale of 1-10? (SR)	Furlough job retention scheme	9.07	VAT payment deferral	6.59
	Business support grants	8.13	Business interruption loan scheme	4.53
	Business rates relief	8.10		
Have you taken advantage of any Government initiatives during the coronavirus pandemic? (SA)	Furlough job retention scheme	93.1%	VAT payment deferral	58.3%
	Business support grants	75.7%	Business interruption loan scheme	18.8%
	Business rates relief	68.8%		
Roughly how many staff have you / are you intending to place on the Government furlough scheme? (OT)	Less than 10	53.5%	50-99	1.6%
	10-19	25.2%	100 or more	3.9%
	20-49	15.7%		
How satisfied are you with the Government's overall PUBLIC HEALTH response to the coronavirus pandemic? (SR)	Highly satisfied	9.5%	Dissatisfied	19.0%
	Satisfied	38.1%	Highly Dissatisfied	5.4%
	Neutral	27.9%		

Note: SR = Single Response, M5 = Maximum 5, SA = Select All, OT = Open Text. Source: Allegra World Coffee Portal Research and Analysis, 2020



TIME FOR ANOTHER COFFEE...

