



Caffè Insights

Practical Solutions for Uncertain Times

CAFFE INSIGHTS ONE

Today sees the launch of Caffè Insights, which is a series of videos and interviews by some leading coffee industry figures giving their unique or qualified perspective on how to navigate through the current crisis...

JOHN RICHARDSON

- 29 years in the industry
- 14 years as an owner/operator of coffee shops, sandwich bars, sandwich production, restaurants, fast food outlets as well as an award winning garden centre chain – personally employed nearly 1000 people.
- Consultant and coach to coffee shop owners in terms of improving sales and profitability – worked one to one with hundreds of clients and thousands through online resources
- Was about to get back into the market as an operator but that's paused.
- Written 3 books on running cafes and coffee shops
- Has spoken on a wide variety of business topics with Caffè Culture for about a decade – also developed a number of longer two day trainings together.

This summary will go through...

NINE PREDICTIONS OF WHAT I BELIEVE WILL HAPPEN.

12 PRACTICAL THINGS YOU CAN DO TO HELP YOUR BUSINESS SURVIVE, NOT JUST NOW, BUT ALSO WHEN YOU REOPEN.

SOME BARE FACTS

UK Hospitality in total - £130 billion - at least 3 million employed

Coffee - £10 billion and about 25,000 shops

The conclusion? This country really, really needs us - we need to stay open and be able to pay taxes and provide jobs as well as well-being for our customers

WHY LISTEN TO ME?

Aside from my business experience I also have a free and very busy Facebook group of 1500 owner and operators which gives me deep and broad insight into what is working and what are the best ways to manage this situation. I'm also talking with multiple clients and industry experts regularly but also...

I'm old...

And I think this gives me some decent perspective...

1. **Born in Belfast** – at age 8, father's business was burnt out three times – the business went bust – we had to move to a new house and away from Belfast. Also my father was in the Europa hotel one of the 17 times it was bombed.
2. **Belfast at 16** – recession hit us hard and we had to move again back to Belfast at age 16 for a new job for my father.
3. **After university I briefly had biggest sandwich business in Ireland at 28** – we had a factory and multiple locations some operating as cafes too making over 3 million sandwiches a year – we grew too fast, made some mistakes - **lost everything** - 60 people laid off. The irony being all of our shops and the factory were always profitable. We just made some very poor decisions.

So, I understand exactly how tough this can be.

And I think the people and mental health aspect is going to be huge and we're only at the start of that.

But it's important realise that in all those situations I bounced back and my father bounced back. And I have many clients who have lost everything in the past and bounced back...

So...

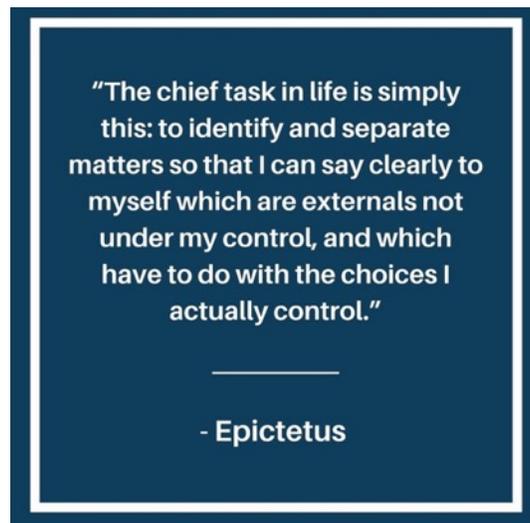
FIRST THING:

Focus on YOU and how you manage your mental health.

In Ireland following financial crash of 2008 there were 479 extra male suicides in the next four years directly attributable to that. That is a horror statistic in isolation.

In reality, knew one of those people. He killed himself in his own business. It's a tragic and brutal story but every one of those deaths was not necessary.

These days, I try to think like the Stoic philosophers...



I.e. **focus on what you can do** and ignore what you can't control – believe me, there is a lot you can do.

DO NOT ALLOW FEAR IN

Part of succeeding at this is to understand what fear is better. When we're productively trying to take action or do something new, fear has essentially three types.

When you were opening your business you had some variation of all three of these...

- fear of loss (of where you are now),
- fear of process (the stuff you have to do),
- outcome (that it might not turn out as you want).

Note: you faced all these down when you opened!

COVID and this uncertain business environment hits all of these and it becomes debilitating - so focus on what you can do and maintain your energy.

For further context I'm in the vulnerable group due to asthma and my daughter is actually worse. I've been actively fighting to control my own fear, I acknowledge that it's not easy. But if I let it in then I simply don't get any productive work done.

**MANY CLIENTS AND PEOPLE IN MY FACEBOOK GROUP ARE SAYING THE SAME THING.
BUT IT'S THE ONLY WAY I CAN BE PRODUCTIVE AND MAINTAIN MY ENERGY.**

PREDICTIONS – NOTE: THESE ARE CONSTANTLY CHANGING AND A LOT OF THEM ARE HARD TO CALL...

1. **Rent** - something I believe will happen to improve this situation. The government is going to have to assist in some way and quickly – it's the one area they've not assisted with. There is solid lobbying going on from, amongst others, Jonathan Downey of the Hospitality Union. I believe the government will step in in some form. Almost nobody will be able to survive a 9 month lock down if rent continues to need to be paid.

2. **Customers will be nervous when they return** - we don't know how much but they will not just jump out of their houses brandishing debit cards, especially with social distancing rules likely to still be in place. Watch what Germany, New Zealand, Denmark, Lithuania, Hong Kong etc. do.

Hong Kong already has open cafes and restaurants – but not bars and gyms. You must wear masks and your temperature is taken. They are operating at half capacity. Keep observing the actions these countries take.

3. **Strong brands with strong loyalty will survive best.** Kids/teenagers are craving Nandos, Wagamama etc. In our game - randomly this morning I see people saying they can't wait for Flat White, Kaffeine, Brickwood etc. to open. This is common.

4. **Value** will be very important. Think of the explosive growth of Greggs and Wetherspoons after last credit crunch – this recession will be much worse. But don't dumb down your offer – coffee has proven to be in the **affordable luxury** category that people will still buy in tough times.

5. **Tourism** – this will change a LOT and be good with more people staying at home and operators at UK tourist zones but bad for operators, in places like London, who rely on foreign tourists.

Foreign tourism was worth £24 billion last year. UK domestic tourists spent £23 billion. One will go up and one will come down. People simply won't be flying as much for a while.

6. **Neighbourhood** coffee shops will fare better. **Community** will be extremely important - people will be desperate to meet up again. More people will keep working at home which means visiting their local coffee shops but that will hit operators who are near offices. Offices may reduce, close etc. It's hard to call.

7. **When will we open?** June seems like a reasonable call, but our industry could easily be the last to open. When you do get open you're very likely to be restricted in some way e.g. takeaway only, less tables etc. And... you may have to close again. **This is very hard to call but you need to work through these scenarios on your cashflow... however painful that might be.**

8. **You will have less competition** – Big and small names are already closing - but you will be scrapping hard for every penny because everyone will be working VERY hard to get the customers that are out there.

9. **Trade down factor** - Fine dining at the top end will struggle very hard. Their customers will trade down to upper-middle market restaurants, upper-middle market will trade down to mid-market and pubs, mid-market will trade down to value-driven restaurants (think Francomanca in pizza as an example) and... food driven cafes and coffee shops. In other words, from an eating out expenditure perspective, good cafés and coffee shops should do okay. But quality, experience and value will be more important than ever...

WHAT PRACTICAL STEPS CAN YOU TAKE?

1. **Cashflow** – You must have one and regularly tweak it based on the daily changes that are happening. You should have several scenarios in place. Your margin may well be hit so factor this in or if you're just takeaway coffee it will go up but your spend will be way down.

If you open and lose the furlough for your staff and any other government concessions it will be impossible for 99% of operators to breakeven initially. You may have to make some very difficult decisions about staff. But your **priority must be to stay open** and have a valid business that can survive, pay taxes and employ people in the future. Your average transaction value will almost certainly be down.

So factor all these factors (and many others) into your cashflow and projected profit and loss, The key thing is you **MUST** have a cashflow to inform your decision making.

To access a free weekly cashflow, specifically altered for the current crisis, and a video explaining how to use it make sure you visit:

<https://johnrichardson.lpages.co/caffe-insights-cashflow-summary/>

2. If you're attempting to get the government backed loans - the CBILS - you may well have been having problems. To give yourself the best chance of success you need the following:

- Solid financial records - two or three years of accounts
- Monthly or weekly P&Ls – ideally stock take driven or from your accountant.
- Forecasted P&L
- Forecasted cashflow
- A solid written proposal of how you will manage the business to get back to profit.

The final three bullet points all involve guesswork, but you need to back this up with informed facts.

3. **Look after your staff.** Communicate and stay up to date with the various forms of government and industry charity help and legislation. Do the right thing, as best as you can but also be realistic. **Be KIND.** Check out the Peninsula posts on Twitter for solid up to date advice. **Note you will be remembered in the future for how you behave now.** Look at Branson and Stelios as an example of how the public is kicking back. The same thing will happen on a local level.

4. **Look at delivery** - if you feel it is **safe**. But certainly, consider it in the future. According to Kam Media pre-COVID only **7%** of the UK pop were using Delivery apps - that figure is now **24%**. This will continue for a while and there will be long term behaviour changes. This may well involve menu and operational changes to your business but at least consider it.

Note: these platforms, whilst expensive, are a great way to get your brand out to new customers - so don't just look at the lower margin. Look at the wider picture.

5. **Do not stop your social media**. WhatsApp, Facebook, Instagram use is all up about 50% - 70% in Italy. Older people are shifting onto these platforms (and Zoom) to communicate with children and grandchildren - they will continue to do this. You must communicate with a process. Recipes, behind the scenes, asking personal questions, latte art displays, new menus you're working on - but engagement is huge to tweak the algorithm. Give out that treasured banana muffin recipe!

You must appear in their feed once you're open – if you stop your posts on either media will simply not be shown. Connect, connect, connect – and answer all responses.

6. **Consider crowdfunding, pre-bought vouchers any form of e-commerce** to get some money through. Again, this will all be much easier if you already had strong brand loyalty and strong, engaged social media.

7. **Really work “on” your business**. That means menu, merchandising, staff training systems, operational systems, costings, creating a proper stock driven P&L if you didn't already have one. You need to open as lean and as profitable as possible. Every single percentage point will be vital.

This is the core work I'm doing at the moment with my clients, we're re-working menus, margins, staff training, systems and merchandising. It's the perfect time to be doing this if you feel there are areas that you could be doing better but just haven't had time to do in the past...

The new book that I'm writing is called **The Game of 1%** – that is because this whole industry works on tight margins and every percent counts. This will be more important now than ever.

8. **Understand the variables** – your customer wants much more than coffee... There are five key variables that they are consciously or sub-consciously rating your business on:

- Coffee quality
- Food quality
- Hospitality
- Environment
- Identity

With every new client we score these five areas and look to develop the weakest first. Pre-COVID rules are exactly the same as post-COVID rules in this area. If you score less than an 8 on average (out of 10) then you need to work on that area. If your overall score is less than 40 then you are likely to be your local customer's second choice.

What can you do to improve each of those so your customers have a reason to visit you and not the competition. Use the following model to very honestly score your business now and start the work to improve any weak areas:



9. **Follow some key people on Twitter** to stay up to date with the important changes that are affecting the industry.

Jonathan Downey - <https://twitter.com/DowneyJD>

UK hospitality Kate - <https://twitter.com/UKHospKate>

UK Hospitality - <https://twitter.com/UKHofficial>

The Caterer - <https://twitter.com/Caterertweets>

Caffeine magazine - <https://twitter.com/CaffeineMag>

Me – John Richardson - <https://twitter.com/TheCoffeeTweet/>

The Federation of small businesses - https://twitter.com/fsb_policy

Peninsula – for HR advice - https://twitter.com/peninsula_uk

Caffe Culture - https://twitter.com/Caffe_Culture

But restrict your time – Twitter is a rabbit hole and often a really good way to expose yourself to negativity and fear. Use it sparingly for staff communication and your planning.

10. **Talk to and engage with your competitors and industry friends** – but keep it positive as best you can.... Join my Facebook group:

<https://www.facebook.com/groups/cafeandcoffeeshopowners/>

It's filled with 1500 coffee shop and café owners all sharing advice and ideas. It's a very positive and constructive environment

11. Keep your eye out for more of these videos from Caffe Culture – I won't be doing them all, but I'll be interviewing some very successful coffee shop and cafe owners and there will be interviews with roasters and other key industry people. **The focus is entirely on trying to provide you with practical help and advice.**

12. Reach out to me if you need help with any of this via my FB group or an email at John@thecoffeeboys.com or use the contact form at my main...

...Website <https://coffeeproofitlab.com/>

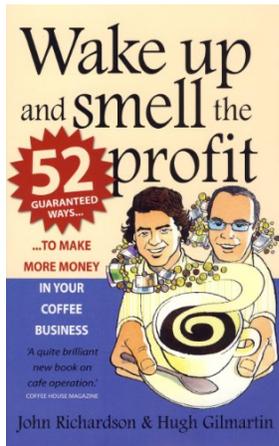
Also:

Instagram - <https://www.instagram.com/thecoffeeproofitlab/>

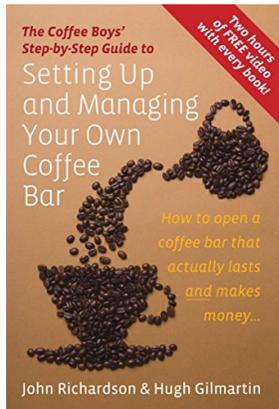
Facebook - <https://www.facebook.com/groups/cafeandcoffeeshopowners/>

And finally...

Book Number One - <https://amzn.to/356JG7S>



Book Number Two - <https://amzn.to/359JKn8>



Book Number Three - <https://amzn.to/3eTu4ZV>

