Surviving the pandemic: Specialty coffee retail operational strategies and the impact of COVID-19

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Quick background

Prior to the development of the global pandemic, independent coffee retailers were gaining traction within their local communities and successfully developing a vibrant niche market for refined consumer goods and services.

In addition to the relative unemployment of many Canadians leading to a depleting clientele, the practice of physical distancing entails that many retailers have to alter their operations since performances and dialogue can no longer be enacted. This has resulted in temporary, and even permanent, closures.

In cases where retailers remain open, they have had to adapt to receiving an influx of displaced orders—namely through alternative delivery providers like SkipTheDishes, DoorDash, and UberEats. While this may allow for continued service, this now introduces additional compounding problems to the suffering retailers:

- Only those with the relevant app can place orders (lowering their potential clientele)
- Each of the above delivery services charge a percentage fee
- Occasional glitches in software
- Uncertainty for delivery timing/competency of delivery personnel

All of the above lead to increased risks to both the cost of doing business and the retailer’s reputation.
Quick background

The “waves” of coffee in North America

Guiding research question

How have coffee retailers responded to the challenges of COVID-19?
Research methods

This project employed a dual-pronged approach to data collection from retailers:
- Social media posts collected early on in the pandemic (March 2020)
- Interviews (and surveys) conducted in early-mid 2021 and are ongoing

In order to analyze the data, conventional content analysis was used for the social media data due to its applicability for unstructured textual data; interview answers were transcribed and coded for major themes emerging according to each question and subsequently matched with survey responses where applicable.
Taste Toronto

30 spots, 30 days.

Donate to a featured restaurant near you
#supportlocal

Operational strategies - Thematic distribution

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Operational strategies
Excerpts – Temporarily closed

“Our business is not conducive to social distancing! Because we want to keep our staff and community safe and healthy, and we are able to, we’ve made the decision to close the weaving until further notice. See you all as soon as we can”

“Toward that end we will be closed for this week and potentially even longer...we did not make this decision lightly...in fact I have been worrying for days...wondering what would be the most ethical thing to do...after consulting friends, family and many people that I admire I concluded that despite the potential detrimental effects to me...reconsiderations we need to close...I am very sorry for any inconvenience this may have caused...We hope that you understand that our decision to do this is sincerely coming from the belief that this is the most ethical thing we could do in this situation...”

Operational strategies
Excerpt - Take-out, delivery

Hey Quarantinas and Quarantinos. We are staying open for take-out as long as it’s allowed. We are also continuing to take extraordinary precautions in serving our community in this very serious time. If you can’t leave the house email an order to us and we’ll deliver beans or ground coffee to your door.”
Operational strategies

Excerpt - Modified safety standards

“We’ve redoubled our efforts to minimize the risks of COVID-19 in all aspects of our operations. These include non-contact receiving & delivery, enhanced sanitation protocols, close monitoring of the health of our team, and restricted access to our roasting & production areas. In our cafe space, we’ve instituted measures including frequent sanitization of high-touch surfaces and door handles, serving in single-use take-out cups, and encouraging contactless payment.”

Operational strategies

Excerpt - Support small business

“As a small business, we are also deeply aware of how many people will have their livelihoods greatly impacted. The reality is that many small businesses may not survive. This message is a plea to everyone in our community to PLEASE support small businesses. Keeping within the required restrictions, we are working hard in the hopes that we can pay staff, suppliers, and ultimately remain open to offer our community take-out service.”

Interview findings

1. Pivoting
2. Policing
3. Profiting
4. Providing
5. Prospecting

Interview findings - Pivoting

Almost all retailers identified that they had to pivot operations, with some of the most important responses focalizing on:

- Selling new products (e.g. artisanal pizza, groceries) while limiting others (e.g. baked goods, sandwiches)
- Employing an e-commerce based approach
- Adjusting hours (and days) of operation (or closing altogether)
- Scaling back staff (with most bringing back on)
- Offering a delivery service or teaming up with an existing provider

Interview findings – Policing

All retailers mentioned that they encountered resistance in-person to new health regulations put in place both by the city and the province.

As a result of this, retailers had to enforce the new restrictions on two levels – their staff/operations and customers, who were largely unaware of the guidelines changing on a constant basis.

The majority of the retailers remained opened as they were deemed essential and tended to put in place PPE restrictions such as plexiglass and masks even before they were required.

Interview findings – Profiting

By and large, the retailers included in this project recorded losses during this time, up to a reported 75-80% drop in sales.

However, as a result of pivoting, some retailers were able to adapt their sales strategies to the thriving delivery and e-commerce platforms that shifted the product base from in-person coffee to roasted bags of beans resulting in profits for this area of the business despite net losses.

Only 2 of the surveyed 15 retailers noted an overall gain but this was due to diversification of product and neighbourhood foot traffic in a residential area.

As mentioned previously, some retailers pivoted so much that they now have entirely new supply chains with products such as wine and spirits and others including a new “artisanal” pizza service.
Interview findings – Providing

Although the two campaigns mentioned earlier in this study were able to contribute financial support to struggling independent shops, all retailers were reliant on wage subsidies and rent subsidies from the government and used them as a means to ensure survival.

Aside from some local cooperation in the form of cross-promotion or extending net terms of invoices, retailers did not offer financial support or receive it from other retailers, and simultaneously, retailers did not openly give or receive resources from others.

Instead, retailers did offer emotional support to other nearby neighbourhood retailers and talked about strategy and coping with the challenges of operating during the pandemic.

Interview findings – Prospecting

There are a few recurring topics that retailers are concerned about in the immediate present, namely:

- Immediate, or in the near future closure
- Public complacency around vaccination
- Comfort levels with indoor dining
- Potential shutdowns due to variants
- Shutting down due to outbreak

This is combined with concerns surrounding the future of the industry as a whole, namely:

- Office foot traffic
- Consumer habits (“new normal”)
- Corporate growth due to independent shutdowns
Despite similarity in offering and even geographic proximity, retailers employed varied strategies to cope with doing business in a niche industry during the beginning of the COVID-19 pandemic continuing until present day. The dependence on government subsidies for survival indicates the fragility of this industry given its external shock to the niche. Since all retailers found themselves in a difficult place, no single retailer was able to be in a position to assist others. Even though a majority of these retailers remain in business, it is hard to determine whether:

- They are going to continue to remain financially stable
- Consumers will feel comfortable visiting their retail location
- How they will decide to pivot their business going forward
- When government subsidies and loan programs will cease

Thank you!

Citation: