

Written evidence submitted by Costa Coffee [SHS 049]

Thank you for inviting Costa Coffee to provide written evidence to the Housing, Communities and Local Government Committee's inquiry, *Supporting our High Streets after COVID-19*. We welcome the Committee's decision to build on its previous report and again investigate how we can ensure high streets across the country emerge stronger from the pandemic. As Property & Store Development Director for Costa Coffee UK & Ireland, I am responding to share Costa Coffee's perspectives on this matter to help inform the Committee's work.

About Costa Coffee

Costa Coffee has been voted the Nation's Favourite Coffee Shop for the last 11 years. Together with our Individual and Corporate franchise partners, we operate over 2,700 stores and over 10,000 Costa Express machines across the UK, employing over 17,400 store team members and over 170 field-based Express team members. We are proud to serve millions of cups of perfectly crafted coffee every day in the UK and this year marks our 50th Birthday, which we are celebrating with our consumers and team members through a variety of exciting campaigns and promotions.

As a Total Coffee Company we are committed to providing our consumers a coffee for every occasion, wherever they are – whether that's in a retail store on the high street, a Drive-Thru lane, on-the-go from a Costa Express machine, or at home via one of our delivery partners or at-home range. We're proud to be serving communities across the country, helping to drive footfall to local high streets and supporting employment opportunities. As the largest coffee shop company in the UK, we also offer a range of franchise opportunities for local entrepreneurs and businesses to partner with us and invest in high streets in every corner of the UK.

Making a positive contribution to the communities we serve is extremely important to us. Our UK-wide Community Programme enables our teams to volunteer their time to good causes locally and to invite community groups to make use of our retail stores. For example, in 2018 we joined the "Chatty Café" scheme, an initiative designed to encourage conversations between people at designated 'Chatter and Natter' tables in over 400 of our stores nationwide, supporting wellbeing and tackling social isolation.

As we celebrate 50 years of serving the Nation's Favourite coffee, our mission remains the same – to serve more cups of great coffee, to more people, more often, making a positive impact on the communities we source from and operate within.

Impact of COVID-19

Like much of the retail and hospitality sector, the past 16 months has provided many challenges for Costa Coffee. Having been required to shut our doors completely for a number of months in 2020 and then operating at a significantly reduced capacity for over a year, we are grateful to the UK Government for the support it has provided for businesses and our team members throughout the COVID-19 pandemic.

The support available helped us to preserve jobs, invest millions in safety measures in our stores to keep our team members and consumers safe, maintain a presence on UK high streets, and put us in a position to safely emerge stronger from the pandemic with a clear and ambitious plan for growth. Our plan has already enabled us to support the creation of 1,400 new store team member roles in 2021 and we forecast that by the end of the year this may increase by a further 3,000. We are committed to continuing to invest in our business, stores, and our team members, to provide us a solid foundation for sustainable growth in the coming years.

We were pleased to safely welcome customers back into our indoor seating areas across our stores in May and see trade returning to the high streets. We believe the only solution for our sector to safely emerge stronger from the pandemic is to trade our way back to growth, and therefore welcome the continued support of Government to facilitate this growth. It would be particularly helpful for our sector to see Government provide clear and consistent communication and guidance for consumers as we emerge from the pandemic, boosting confidence by highlighting the safety of high streets and hospitality outlets.

With regards to the future development of policy, we encourage Government to provide certainty through fair implementation timelines and close consultation with industry. We understand the importance on the UK economy itself returning to sustainable growth and the Exchequer's need to begin recouping some of its spending from throughout the pandemic. However, with significant new regulation planned in the next two years, from environmental and public health regulation to increased business taxation, there will be a significant impact on our sector and our ability to invest to fully recover. Moreover, we fully understand that consultation periods on key policy initiatives, particularly those relating to the environment and public health, had to be delayed to ensure resources across Government were focused on the response to the pandemic. We would urge that these delays are then also reflected in the implementation timelines of any policy changes, to give us time to prepare and adapt in a way that works for consumers, our teams, and our business.

Finally, I also wanted to highlight that the resilience of our people has shone through during this difficult time, and as we celebrate our 50th birthday this year it is a testament to the hard work of our store teams that we can look to the future with confidence and a plan for sustainable growth.

Future of the high street

We have huge confidence in the strength and importance of high street across the country, which we believe remain at the heart of our communities. They continue to offer a unique proposition for consumers out shopping or looking for eat-in or on-the-go food and drink experiences. Costa Coffee stores on high streets form a significant part of our overall consumer offer – which also includes stores in retail parks, Drive-Thrus, on motorways, and in travel locations – and we are proud to play our part in the communities we serve.

Our business and wider sector has adapted rapidly to the changes we have seen since the beginning of the pandemic. At Costa Coffee, changes to consumer habits, including new and more flexible working and leisure patterns have meant we have accelerated investment and changes to our offer to consumers, particularly in terms of prioritising convenience, speed, and contactless transactions. This has been particularly relevant in the expansion of our Click & Collect mobile app ordering option and delivery via our three delivery partners.

We do however believe that high streets require continued support to facilitate business investment and ensure their future vitality and long-term sustainability. Part of the solution to helping our high streets emerge stronger from the pandemic lies in ensuring rents and business rates remain fair and stable for those retailers continuing to operate in high street locations. With this stability comes the ability for businesses like ours to invest in opening new stores and renovating our existing stores, supporting other local businesses in the process, and providing destinations for consumers looking to enjoy food and drink experiences in their community.

Equally, it is vital to ensure that high street units do not remain vacant for long periods of time, which could lead to vicious circles whereby consumers are discouraged from visiting and therefore businesses discouraged from investing. We would encourage support from Government to incentivise the quick occupation of vacant sites alongside the option of repurposing commercial spaces to make it easier for different uses where there is not demand in a current use class.

Moreover, central and local governments can support high streets by making it easier and cheaper for consumers to visit. For example, this could be achieved by supporting lower parking charges in difficult to reach areas or investigating how to make high streets more pedestrian-friendly. The more we can collectively do to encourage consumers to high streets and town centres, the better for the long-term vitality of our high streets.

Our investment

We are committed to continuing to invest in high street and town centre locations. For example, during the first half of 2021 we have opened new town centre stores in Headington, Peterborough, and Reading, and reoccupied a store in Weymouth which we previously traded with Debenhams prior to its closure. Additionally, during the national lockdown in 2020, we were able to continue with some

of our new store pipeline, including one on Exeter High Street. We have further new high streets in the pipeline for the second half of 2021 and beyond.

Another key part of our investment programme is in our existing stores. Notably, we recently reopened our store in the centre of West Hampstead following a significant investment in our 'next-generation' concept. The renovated store aims to meet new consumer demands and offer a range of ways for them to enjoy their favourite coffee at all times of the day, including by using a mixed-purpose work space that enables consumers to work remotely from one of our new work pods with free Wi-Fi, as well as an enhanced range of digital features to greatly improve the overall consumer experience. It also boasts a street-facing service counter, so consumers can quickly order and collect their drink whilst on-the-go or heading to the nearby train station. We hope this will provide a viable proposition for other high street locations, and exemplifies how we are looking to enhance our store proposition for consumer needs in our town centres and high streets.

We would welcome the opportunity to host members of the Committee at our newly reopened store in West Hampstead to see the investments we have made in our high street proposition, and to further discuss the ways in which we can ensure high streets across the UK can emerge stronger from the COVID-19 pandemic.

We wish the Committee the very best for this important inquiry and look forward to its recommendations.

June 2021