ZEMPLER BANK

Feeling the heat

How small food and beverage businesses are managing cashflow pressure

ZEMPLER BANK · 2026

Survey of 101 micro & small F&B operators in England

+ expert interviews with industry partners and trade bodies

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Executive summary

The UK's smallest food and drink businesses are run by creators, not CFOs. They are the cafe owner who perfected her cold brew, the food truck operator who built a following from a car park pitch, and the neighbourhood restaurant that has been feeding the same families for a decade. They got into this for the food, the craft and the community. They did not sign up to spend hours on spreadsheets.

But, today, the numbers are demanding their full attention. Costs are up, wage bills are climbing and regulation is piling on.

The result is that the margin between a good month and a crisis is thinner than ever. Cashflow has become the single biggest battleground for survival across the sector.

This report sets out what is actually happening on the ground, drawing on a survey of 101 micro and small F&B operators in England and expert interviews with the accountants, payments providers, software experts and trade bodies who serve them every day.

It is organised around three things F&B operators most need to understand right now:

The headwinds

The structural pressures squeezing cashflow across the sector, from wages and rates to energy and consumer confidence.

The adaptation

The defensive moves operators are making today and the green shoots emerging through hybrid models, ghost kitchens, smarter tech and new revenue streams.

The toolkit

Practical, expert-backed tactics for managing cashflow through the transition, from forecasting forward to ringfencing VAT to matching financing to your trading cycles.

What the data shows

The picture is one of managing pressure across the industry, not a widespread crisis.

24%

of operators describe themselves as **confident** about growth.

54%

say they are **managing but concerned.**

18%

are actively **questioning whether their business is viable** long term.

60%

cite **seasonal revenue swings** as a top cashflow trigger.

55%

cite the **gap between paying suppliers and receiving customer revenue.**

£1k–£5k

nearly **three quarters of shortfalls** sit in this range.

The pressure points are predictable. Seasonal revenue swings (60% of operators), gaps between paying suppliers and receiving customer revenue (55%), payroll timing (46%), unexpected equipment costs (42%) and VAT and tax deadlines (40%) account for the bulk of cashflow stress.

Most shortfalls are modest. Nearly three quarters of shortfalls are between £1,001 and £5,000, and most occur quarterly or a few times a year, not continuously. Despite the pressure, the appetite to adapt is striking. Nearly two thirds (62%) of operators are exploring new revenue streams. More than half (55%) are looking for better financial products. Almost half (46%) are investing in technology. The sector is not standing still.

What it means

There is no single fix for what F&B operators are facing. But there is a clear consensus across experts on what helps:

01 Real-time cashflow visibility

02 Forward forecasting

03 Financial products that flex with the realities of hospitality trading

04 An ecosystem of businesses that understands and supports hospitality

Introduction

Few industries have come under greater pressure in recent years than the food and beverage sector.

These are the businesses we know and love: the food trucks at local markets, the neighbourhood cafes and delis, the local pubs and family-run restaurants that anchor high streets and communities. They form a key part of our social lives and play a major role in local economies.

Across the conversations that went into this report, one phrase came up again and again: these businesses are facing a perfect storm. Operators are being hit from multiple angles at once. They're facing a sharp rise in food and beverage supply costs, energy bills that show little sign of stabilising, a step change in employment costs, the end of Covid-era business rates relief, and a dip in consumer confidence driven by global uncertainty.

Some are weathering the storm well. Many are coping. Some are quietly closing.

The determining factor between the winners and the losers is cashflow management.

"The prevailing sentiment among our members is one of significant strain. Many are navigating what can only be described as a perfect storm. When combined with a dip in consumer confidence driven by global macroeconomic uncertainty, cashflow has become the primary battleground for survival across the sector."

– **Jane Pendlebury**
CEO, Hospitality Professionals Association (HOSPA)

Part one

The headwinds

What's pressing down on operators right now

The defining feature of the current operating environment is that cost shocks are arriving simultaneously from different directions and compounding: a rise in wage and food costs, energy prices, the end of business rates relief and a tough consumer environment. Individually, each of these factors would be challenging. Together, they are reshaping the economics of running a small food or drink business.

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9 Business rates

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11 Food and ingredient inflation

12 VAT and tax timing

13 Consumer confidence and the squeezed middle

14 The compound effect

"Only one in three of our members is profitable. One of the biggest challenges right now is conversion to profit. Most top lines are strong, but many need to be in double-digit growth really to offset the costs of doing business and unfair cumulative taxes."

– Steve Alton
Chief Executive, British Institute of Innkeeping (BII)

Wages and National Insurance: the single biggest hit

Across the survey and every expert interview, employment costs emerge as the dominant pressure of the past year. Increases to the National Living Wage and National Minimum Wage have had a major impact for 66% of operators surveyed. Employer National Insurance contributions follow at 45%.

The April 2025 changes were particularly material. The employer NI rate moved from 13.8% to 15%, and the threshold at which it kicks in dropped from £9,100 to £5,000.

In practice, it means that part-time workers, the backbone of hospitality staffing, were pulled into the full NI net for the first time. The Institute for Fiscal Studies estimates that the combined NIC and minimum wage changes increase employment costs in the hospitality sector by around 7.7%, compared with 6.4% across the wider economy.

There is a second-order effect that is often missed. When the entry-level wage rises sharply, operators must also raise the wages of supervisors, managers and chefs to maintain the differentials that make career paths credible. The pay rise is for everyone.

With a finite labour budget, the only way to balance the equation is to employ fewer people by cutting hours, reducing shifts, or quietly not replacing people who leave. ONS data shows payrolled employees in hospitality fell 4.9% year-on-year to June 2025.

On the floor, this is also showing up in pay structures. Tipping platform Grateful sees the gap between junior and senior pay shrinking, with operators increasingly using service charge allocation to recreate the recognition of seniority that salaries can no longer carry alone.

"Government doesn't understand the layering up impact of increases to the National Minimum Wage, with operators having to keep wage differentials across their teams. The huge changes in Employer NICs in the 2024

budget also had a devastating effect, with both of these additional employment costs have contributed directly to 70% of our members reducing their trading hours and removing hours from their rotas."

– **Steve Alton**
Chief Executive, BII

"Where the minimum wage regulations have meant significant jumps over recent years, particularly that almost 10% increase in 2024 as well as the rises in Employers National Insurance, businesses just can't afford to give that same percentage to someone who is on a salary that's above minimum wage. So those roles may only see 2 or 3% from the business and that squeezes the difference for taking on more responsibility. More clients are asking us to legally and fairly restructure tronc allocation methods so they recognise seniority."

– **Katie Linstead**
Head of Services and Compliance, Grateful

Business rates: the end of relief

For many operators, the 40% business rates relief, which has cushioned the high street since the pandemic, ended in March 2026. This will be replaced by a new system of lower tax multipliers and property revaluations.

Many businesses face higher property valuations and the loss of relief simultaneously. For pubs in particular, the headline business rates story has been one of the defining costs of the last two years, with bills doubling in some cases as relief fell away.

Henry Poultney, who represents thousands of small independent caterers through NCASS, describes operators in the city centre trying to spread their fixed property costs across more trading hours.

"I was speaking to somebody yesterday who has got quite a successful fried chicken restaurant. They're looking at bringing in separate operators to do coffee in the day because they've been impacted by business rates. If your business rate bill's gone up £30,000, then it's a way of trying to fill that."

– **Henry Poultney**
Public Affairs Consultant, National Caterers Association (NCASS)

Energy: the next wave already arriving

Energy costs are cited by 44% of operators as one of the top three cost pressures of the past year. Behind that headline number is a more troubling pattern: many operators are still on contracts agreed during a more stable period, and the next wave is already on its way.

Around a third of pubs are coming off energy contracts between now and the year-end. Suppliers are already raising non-commodity charges within existing contracts, so even those locked in are seeing their effective bills creep up.

Full kitchen electrification, a route to longer-term cost reduction, faces capex barriers and grid infrastructure constraints that put it out of reach for many independents without grant support.

"The kicker that's hit us, and I think could be more damaging than business rates, is energy. We're already seeing exploitation of the system where non-commodity charges are being cranked up with those already within contract. We've got about a third of pubs coming out of contract from now up until the year end. And then it compounds its way through the supply chain because of transportation and manufacturing costs."

– **Steve Alton**
Chief Executive, BII

Food and ingredient inflation

Headline inflation numbers tell only part of the F&B story. Food and ingredient costs have risen disproportionately. Items like beef and cooking oil have effectively doubled in price over a two-year period.

50% of operators surveyed cited food and ingredient costs as a top-three cost pressure. Operators have absorbed much of this rather than passing it through, because consumers won't tolerate significantly higher prices.

"Gross profits are significantly reduced because pubs can't just pass increased costs straight through to their customers who are facing their own financial challenges."

– **Steve Alton**
Chief Executive, BII

VAT and tax timing: a quiet cashflow killer

For 40% of operators, VAT and tax payment timing is a top-three cashflow challenge. For micro businesses in particular, it is often the single biggest pressure point. This is not because of the amount, but because of the timing.

NCASS members consistently identify VAT as their dominant financial worry. The £90,000 VAT registration threshold creates a real "ceiling effect," with operators deliberately constraining growth to avoid crossing it.

Beyond the threshold, the structural problem is that operators receive a continuous stream of inflows that all feel like business cash, then face a quarterly bill that can blindside even the most experienced.

"VAT is the biggest financial pressure our members face. It is something that is keenly felt at the moment, I would say. You're constantly playing catch up."

– **Henry Poultney**
Public Affairs Consultant, NCASS

"They're spending constantly. Then at their three-month VAT return, they go: oh my gosh, I need a 75K spike. The good operators ring-fence it. The ones who don't end up scrambling."

– **Aaron Resch**
Managing Director, Eposability & Hops

Consumer confidence and the squeezed middle

All of these cost pressures land on top of a more uncertain consumer environment. Discretionary income is tighter. Habits have shifted. Younger consumers in particular are spending differently, with less of the casual after-work or weekend dining that has historically anchored the sector.

The result is a polarising market. Operators at the top end and at the convenience end can still find their footing.

The squeeze is concentrated in the middle: the everyday neighbourhood restaurants, the mid-tier pubs, the staple takeaways that families and friends used to choose without thinking.

"Hospitality is a ticking time bomb in the country. There's a massive gap between success and failure. Either businesses are really really successful or they're really really unsuccessful. There isn't really this average tenure period where someone's just floating and getting by."

– **Mark Hughes**
Director of Growth, CreatePay

The compound effect

Each pressure on its own is manageable. Together, they reshape what it means to run a viable F&B business. Aaron Resch at Eposability, who has worked across the sector for fifteen years, captures the structural reset cleanly.

The implications run beyond margin. With less profit comes less resilience, less ability to invest in the venue, the team or the technology that operators say they need. Much of the cashflow strain is now being absorbed not by structured financial tools but by the people who can least afford it.

Survey data show that when shortfalls occur, 55% of operators draw on a business overdraft, 43% on a credit card, and 42% on personal savings. Over a third (38%) delay paying suppliers. One in ten has delayed staff payments.

This means that in a meaningful number of cases, cashflow pressure is being passed along to employees, those perhaps even less well positioned to absorb it.

> **"When I started in the industry 15 years ago, what does good look like? Good looks like a 20% EBITDA. I don't think that's what good looks like anymore. I think 5 to 10% max is what good looks like."**
>
> – **Aaron Resch**
> *Managing Director, Eposability & Hops*

Part two

Adaptation and the green shoots

How operators are responding, and where the genuine signs of change are

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Operators are responding on two tracks at once: defensive moves to protect what they have and strategic pivots reshaping how F&B businesses look and operate.

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17 **Hybridisation & shared spaces**

18 **Ghost kitchens & direct ordering**

19 **All-day formats & smoothing**

20 **The technology shift**

21 **The funding picture**

"You've got bookshops now doing coffee shops. You've got coffee shops now doing wine bars. The hybridisation of the sector is quite interesting. It's all essentially a way of reducing the pressure."

– Henry Poultney

Managing Director, Eposability & Hops

The defensive playbook: what most operators have done already

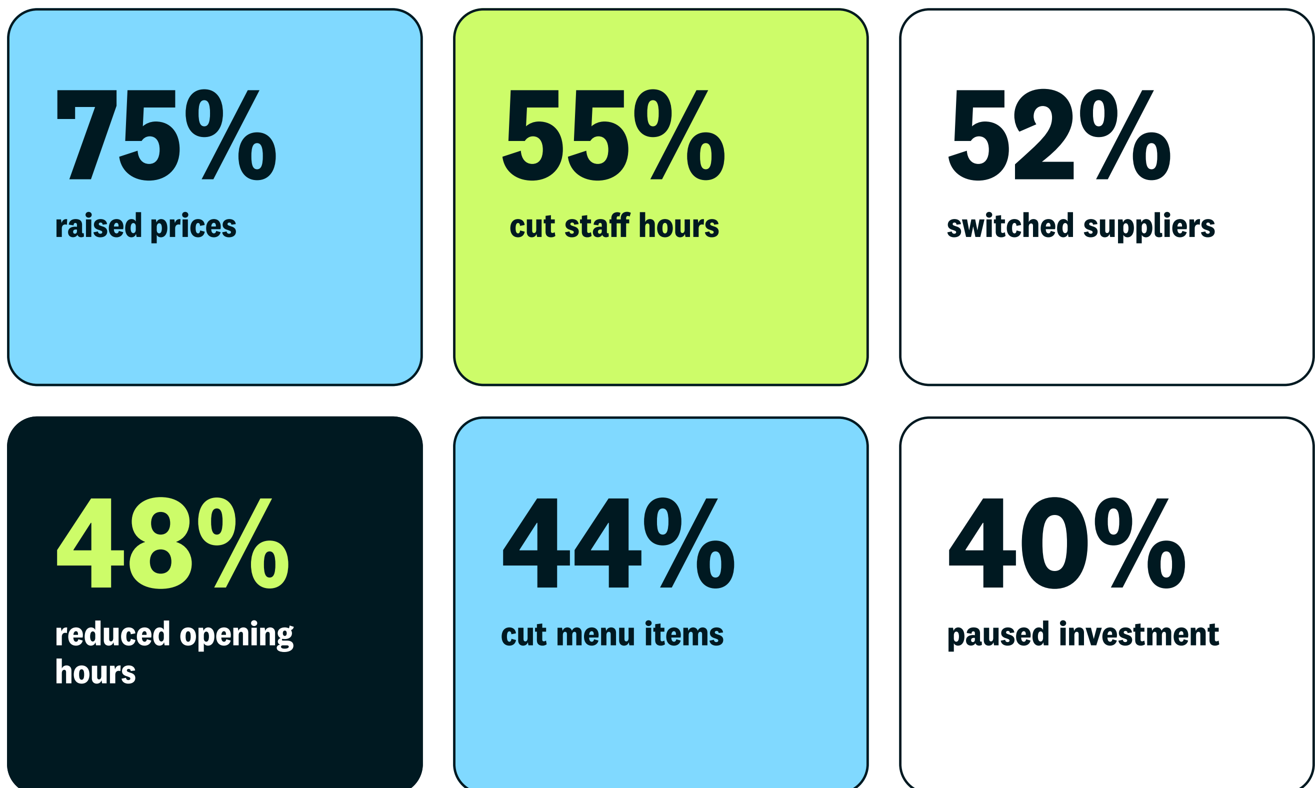
Three quarters of operators surveyed (75%) have raised prices in the last twelve months. More than half (55%) have reduced staff hours. Just over half (52%) have switched suppliers in search of better margins.

Nearly half (48%) have reduced their opening hours or days altogether. 44% have cut menu items. Four in ten (40%) have paused investment or expansion plans entirely. Only 3% report being unaffected by the cost environment.

These steps protect the bottom line in the short term. Over time, they have costs of their own for the customer experience, team, and the business's long term competitiveness.

Reduced opening hours mean lost trading occasions. Smaller menus mean fewer reasons to come back. Deferred investment means a venue that gradually feels tired.

The defensive playbook works as a stabiliser, not as a long term strategy.



Strategic pivot 1: hybridisation and shared spaces

One of the patterns of change across the interviews is the rise of hybrid business models. Operators are blending formats, sharing kitchens and rethinking what a single venue can hold across the trading day.

The driver is partly creative, but it is mostly economic: when fixed costs are this high, sweating the asset across more hours and more occasions is one of the few levers that genuinely move the dial.

At the BII, Steve Alton points to the same pattern playing out in the pub estate, with venues hosting different cuisine pop-ups throughout the week, opening their kitchens to outside chefs on quieter days, and running dark-kitchen operations in the back of house to add a delivery revenue stream without changing the customer-facing experience.

"You've got bookshops now doing coffee shops. You've got coffee shops now doing wine bars. The hybridisation of the sector is quite interesting. It's all essentially a way of reducing the pressure."

– **Henry Poultney**
Public Affairs Consultant, NCASS

"I've got a great pub down in Clewer. The Swan, they have six nights a week, six different types of food types. They have a Thai on a Friday night and Mexican and it goes on."

– **Steve Alton**
Chief Executive, BII

Strategic pivot 2: ghost kitchens and direct ordering

At the takeaway-driven end of the market, the rise of ghost kitchens is creating a parallel adaptation. Operators who already have a well-run kitchen are launching second and third virtual brands from the same physical space, multiplying revenue without multiplying property cost.

Sitting alongside the ghost kitchen trend is a quieter but equally important shift: independents pulling back from heavy reliance on third-party delivery aggregators that take 25–30% per order, and investing in their own direct ordering channels.

Commission-free ordering platforms now let operators retain their full margin and, critically, own their customer database. That data is a cashflow lever in its own right.

“Most of them are creating new brands or ghost kitchens. They’re running one Indian restaurant takeaway, and along with the takeaway they’re operating another two ghost kitchens: one Mexican, one Turkish. Under one chain they can now operate three or four multi-kitchens. This is another trend introduced by the new generation. They are thinking out of the box.”

Jalal Uddin,
CSO, OrderE / OrderVox

Strategic pivot 3: all-day formats and seasonality smoothing

A third pattern is the migration toward all-day eateries, venues that run breakfast to dinner, sometimes through cocktails, on the same site. The motive is the same: spread fixed costs across more occasions, smooth out risk, and reduce dependence on a single revenue source.

Menu redesigns are also moving from an annual exercise to a quarterly one for many operators, a way to stay responsive to ingredient inflation, customer mood, and what is actually selling.

Standard contracts are shifting too: hospitality has long worked on a 48-hour week as the operational default, but Grateful sees more clients moving to 40-hour contracts, supported by tighter shift design and small operational efficiencies.

> **"A lot of our clients are all-day venues. They'll have a breakfast, lunch, dinner, drinks, events, the full spectrum. So, it means they have to be highly adaptable, they never really have one focus that could drop.. That comes with its challenges, too. That's a lot of work to maintain."**
>
> – **Katie Linstead**
> *Head of Services and Compliance, Grateful*

Strategic pivot 4: the technology shift

46% of operators surveyed are actively investing in technology: an EPOS system that talks to the inventory system and the accounting software, giving the operator a near-live view of where the business stands.

Susan Drummond at Rouse Partners describes weekly bank and EPOS reconciliations as the new baseline expectation, with daily reviews common during tighter periods.

Aaron Resch at Eposability is more direct about what good looks like in the back of house: live margin tracking, theoretical-versus-actual stock variance, automated invoice matching, and the discipline of using the data the systems already capture.

Artificial intelligence is now starting to deliver real value at the operator level — less around bold predictions, more around quietly removing admin. Susan Drummond cites tools like Dext that capture receipts and invoices and feed them automatically into the accounting software. Aaron Resch points to AI-driven variance analysis that surfaces issues as they arise. Steve Alton describes pub operators using AI for everything from social media tone-setting to business plan benchmarking.

“It used to take hours. I'd look through a variance report and say to my general manager: go away and tell me why we have variances against these three things. Two days later, oh yeah, we found a smashed box. Whereas now AI has gone through all that already, identified what the issues are, and told you where to look. That's where the green shoots are.”

– **Aaron Resch,**
Managing Director, Eposability & Hops

“Integrating EPOS systems with accounting software is essential. It provides real-time, multi-site visibility and a clear, accurate view of performance, enabling faster decisions and more effective cashflow control.”

— **Sue Drummond,**
Partner, Rouse Partners

“The days of trying to manage their business on spreadsheets are gone, particularly with AI stuff coming. They do need to have a till system that interlinks with an inventory system. Don’t overcomplicate, but put something in place that gives you visibility of your margins and how you’re running your business.”

– **Aaron Resch,**
Managing Director, Eposability & Hops

The funding picture: tighter, but evolving

Eight in ten operators surveyed have used some form of external finance in the last two years. The issue is not appetite but fit. Overdrafts, credit cards, and standard term loans are blunt instruments for businesses whose cashflow problems follow predictable seasonal patterns.

Approval rates for traditional funding have tightened sharply: at CreatePay, where 50–60% of F&B businesses were being approved for some form of funding three years ago, the figure is now closer to 15%.

What is emerging in its place is a more flexible set of options designed around the way F&B actually trades. Merchant cash advance lenders take a percentage of card sales rather than a fixed direct debit, automatically taking less in quiet weeks and more in busy ones. Stuart Dawson at 365 Finance describes the difference for a seasonal Devon hotel that needed winter capital for refurbishment.

In parallel, operators are being more deliberate about the partners around them. NCASS members increasingly join buying consortia to benefit from bulk procurement without the structural complexity. HOSPA actively encourages this as one of the most underused levers in the sector.

We often see seasonal businesses plan ahead. For example, a hotel in Devon near Torquay, that has been our customer for 10 years, comes to us every November looking for around £50,000 to refresh and prepare for the year ahead. Because repayments are linked to card sales, the quieter winter months naturally mean lower repayments. Our funding offers a solution that matches and mirrors business performance without creating additional cashflow pressure.”

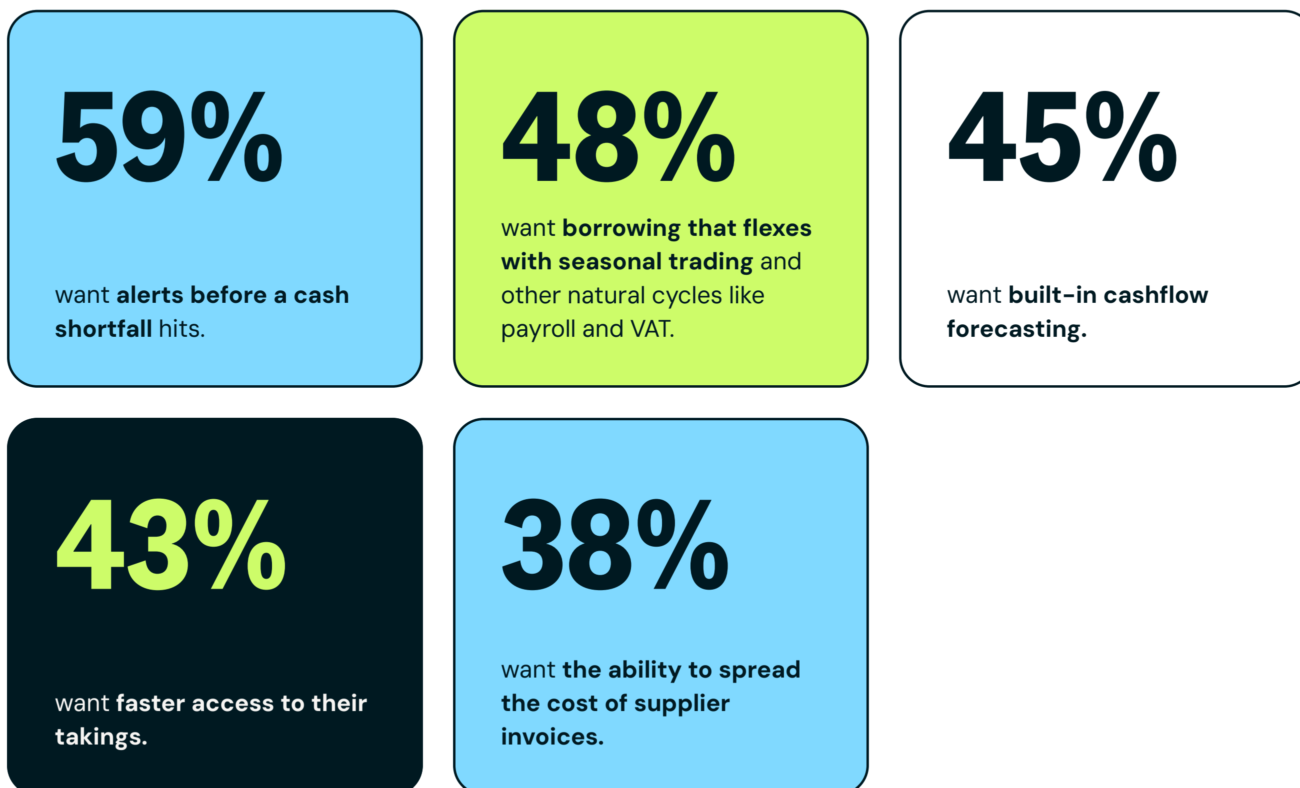
– **Stuart Dawson**
Director of Partnerships ***365 Finance***

"We have seen success in encouraging members to join buying consortiums, allowing smaller businesses to leverage the power of bulk procurement to significantly reduce their overheads."

– **Jane Pendlebury**
Chief Executive, HOSPA

What operators say they want next

Asked what would help most, operators consistently prioritise three things and two further levers feature strongly.



Part three

A practical toolkit

Tips and tricks for managing cashflow through the transition

What follows is the most practical part of this report: the habits, tactics and tools that the people who work alongside F&B operators every day. Accountants, payments providers, software experts and trade bodies say these seven habits make the biggest difference in managing cashflow well.

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25 Make real-time information the foundation, not the goal

26 Ring-fence VAT before it ring-fences you

27 Match your financing to your trading cycles

28 Use the customer data you already have

29 Manage labour as a live cost, not a payroll line

30 Don't try to be a CFO, but get the right partners

1. Look back and forward

The single most consistent piece of advice across every interview was this: read your cash position like a weather report. Most operators look at their numbers in arrears: monthly accounts, quarterly returns, and end-of-year reviews. By the time those numbers tell you something, the decisions they would have changed have already been made.

Susan Drummond at Rouse Partners recommends operators forecast their cash position six to twelve weeks ahead as a working baseline. Most of her clients work in a four-to-twelve week window; the strongest operators look three months. The discipline matters more than the precision. The act of forecasting forces you to see the supplier payment, the VAT bill, the payroll cycle and the seasonal dip before they happen, while you still have time to do something about them.

"It ultimately comes back to forecasting tools and ensuring clients are planning ahead with a clear view of different scenarios. While cashflow may look healthy today, forecasts can change quickly, so regularly reviewing them gives time to react early if any potential shortfalls are identified."

– **Sue Drummond**
Partner, Rouse Partners

"The most effective strategy is rigorous, daily management. Maintaining a real-time awareness of your financial position is essential. In this climate, you simply can't afford to look away from the numbers, even for a day."

– **Jane Pendlebury**
Chief Executive, HOSPA

2. Make real-time information the foundation, not the goal

Real-time information is the foundation on which everything else sits. The operators who handle cashflow well do not make it about more reports. They make it about fewer surprises.

That means an EPOS system that captures sales accurately, an accounting platform that talks to it (Xero, QuickBooks and Sage being the standard options most accountants will work with), and ideally an inventory layer that lets you see margin in something close to real time.

The trap to avoid is overcomplication. Aaron Resch at Eposability is emphatic that for smaller operators, the answer is not to install enterprise software.

It is to put in place a simple, joined-up tech stack that gives visibility on the three KPIs that matter most: revenue, margin on food and drink, and labour. Everything else builds from there.

> **"Realistically, a business might be open ten to twelve hours a day. They're only optimising their revenue four to six hours a day. Within the space of about three months, you can see if a business is going to be successful or not. The businesses that succeed are the ones that use the data, not gut feel."**
>
> – **Mark Hughes**
> *Director of Growth, CreatePay*

3. Ring-fence VAT before it ring-fences you

The single most common cashflow disaster across the expert interviews is the VAT spike. The operator spends throughout the quarter, pays staff and suppliers as cash arrives, reaches the return date, calculates the bill, and discovers the cash is not there.

The fix is not complicated. It is to treat the VAT element of every taking as someone else's money the moment it lands. Some operators do this manually, moving a fixed percentage of weekly takings into a separate account. Some use savings pots inside their business banking app to do it automatically.

Either way, the principle is the same: by the time HMRC asks for the money, it is already set aside.

If a VAT shortfall does arrive, HMRC's "time to pay" arrangement is more accessible than many operators realise, but it has a quirk worth knowing. Susan Drummond at Rouse Partners notes that you cannot apply for time to pay until you have actually submitted the VAT return. So if you can see the gap coming, get the return filed early and apply on the same day.

> **"One example is a pizza franchise we work with, where cashflow is reviewed daily, allowing us to spot potential shortfalls early. In one quarter, we identified an emerging issue and acted quickly by supporting them to submit their VAT return and complete an online time to pay request the same day. This enabled us to secure a Time to Pay (TTP) arrangement with HMRC, giving them the breathing space needed to manage their cashflow effectively over the quarter."**
>
> – Sue Drummond
> *Partner, Rouse Partners*

4. Match your financing to your trading cycles

Not all debt is equal. The operators who get into the most trouble with financing are not necessarily the ones with the most debt. They are the ones whose debt does not match the rhythm of their business.

A rigid monthly direct debit is a poor fit for a coastal restaurant whose summer takings are eight times its winter takings. The same applies to a city pub whose August trade falls when the office workers leave town.

There are now financing structures designed around F&B trading patterns: merchant cash advance products that flex with card sales, invoice financing for event-driven businesses, and supplier finance arrangements that smooth payment timing. The right product is the one that matches your actual ability to pay.

However, Stuart Dawson adds a note of caution: stacking debt across multiple lenders is a leading indicator of cashflow trouble in the F&B sector. Before adding new financing, do the simple maths: what total share of your revenue will be servicing other people's loans next month?

> **“If a business already has around a third of its revenue committed to other lenders, it becomes difficult for us to support further funding. At that point, there’s no real room for growth given the increase costs hospitality businesses are facing in today’s market. Our belief is that we need to act responsibly as lender in these times.”**
>
> – **Stuart Dawson**
> *Director of Partnerships, 365 Finance*

5. Use the customer data you already have

One of the most overlooked cashflow tools sits in the customer database. Most operators know intuitively that Friday and Saturday are their best days. Fewer use that knowledge actively.

The opportunity, particularly for smaller operators, is to push promotions, loyalty offers and outreach into the slower days of the week and use SMS and email campaigns to bring repeat customers back when the dining room is quiet.

Mark Hughes at CreatePay sees this play out across thousands of payment terminals: operators who push promotions into their best days are leaving money on the table; operators who use data to prop up their weak days are quietly outperforming.

"They can utilise an offer on those Monday, Tuesday and run a campaign for their existing customer. They can offer 10 or 15% discount. They will still manage to get more cashflow on the less busy days, because Friday, Saturday, Sunday are busier days anyway."

– Jalal Uddin
CSO, OrderE / OrderVox

"My friends, their gig night is on Saturday. But Friday is the night you always take the most money. Why are you doing it on the Saturday? Do it on the Friday. It's not rocket science. Too many business owners think "data" is a scary word. It's just numbers."

– Mark Hughes
Director of Growth, CreatePay

6. Manage labour as a live cost, not a payroll line

Labour is the largest controllable cost for most F&B operators. It is also the cost most likely to be set once a week and forgotten until payroll arrives.

The operators who handle labour well treat it as a live cost: matching shift patterns to predicted demand, building rosters around data, not habit, and reviewing labour as a percentage of daily revenue rather than just monthly headcount.

Investing in staff retention is the other side of the same coin. Katie Linstead at Grateful sees a 27% average churn rate across multi-site restaurant businesses, with the cost of constant rehiring and retraining quietly eroding margin.

Clear progression pathways, structured tip allocation that recognises seniority, and small acts of recognition that cost nothing to implement all reduce that churn cost over time.

> **"We're trying to actively manage it and then we get these spikes in payroll. It's being picked up too late. There are systems now that integrate sales data with labour data so you can flex the rota. You can take a little of the guesswork out, even if you can't predict the English weather."**
>
> – Aaron Resch
> *Managing Director, Eposability & Hops*

7. Don't try to be a CFO, but get the right partners

A consistent thread across the interviews is that operators who try to do everything themselves burn out the fastest. The best-run small businesses know what to outsource and to whom.

For most micro-operators, that means: an accountant who understands hospitality (and ideally specialises in it), a payments provider that offers same-week settlement, including weekends if possible, and a banking partner that pays attention to how the business actually trades.

Trade bodies are an underused resource. NCASS provides business support, compliance products and informal alliances across the wider independent hospitality network. The BII offers benchmarking, advocacy and best-practice sharing across thousands of licensed operators.

HOSPA runs professional finance and management courses specifically for the hospitality industry. Membership of any of them gives small operators access to the kind of structured advice and peer learning that larger groups have built into their operations.

"We believe the biggest gap lies in the transition from operational craft to financial management. To bridge this, we provide professional development courses in areas such as commercial restaurant management and Finance."

– **Jane Pendlebury**
Chief Executive, HOSPA

Conclusion

A sector under pressure, not in retreat

The pressures on small F&B operators are real, structural, and compounding. One in three pubs is profitable. Hospitality employment is down nearly 5% year-on-year. The squeeze on the middle of the market, the everyday neighbourhood places that sit at the heart of British communities, is sharper than at any point since the pandemic. The operators in this study are not imagining the strain. They are living it.

Yet the same operators are the most adaptive group of small business owners in the country. They are raising prices where they have to and absorbing where they cannot. They are blending formats, sharing kitchens, launching ghost brands, redesigning menus quarterly, and pulling back from third-party platforms that take a third of every order. They are using technology as an operational discipline. They are seeking out financial products and partners that align with how they actually trade.

What this study makes plain is that the persistent cashflow gaps faced by the industry are not, on the whole, a story of unviable businesses. It is a story of viable businesses being asked to navigate a difficult situation, drawing on financial, technology, and business design skills they perhaps didn't set out to learn but are adopting rapidly.

What these operators need from the partners that support them is reasonable: help with real-time visibility, forward forecasting, flexible financing, and partners who understand their world and help advocate for them.

> **"The sector is still vibrant. It's the financials that are still the issue. Hospitality has always been seen as a phoenix industry. One closes, another opens. That assumption no longer holds. With the right environment, these places can be transformed."**
>
> – **Henry Poultney**
> *Public Affairs Consultant, NCASS*

Appendix

Methodology

This report draws on three streams of research:

A quantitative survey of 101 micro and small food and beverage businesses (independent cafe, restaurant, food truck, pub, bakery, deli or equivalent) in England. Fieldwork conducted March–April 2026. All respondents: owner, founder or manager with day-to-day financial responsibility; operating in England; 0–25 employees; trading 12+ months; limited liability structure; active business current account.

In-depth expert interviews with industry partners and trade bodies, including the British Institute of Innkeeping (BII), the Hospitality Professionals Association (HOSPA), the Nationwide Caterers Association (NCASS), Rouse Partners, CreatePay, 365 Finance, Eposability & Hops, Grateful, and Orderbox / Ordere.

Desktop research from official sources (ONS, HMRC, Gov.uk), industry reports (UKHospitality, BHA, BII member surveys) and trade press, used to frame the macroeconomic context.

Sector profile

Survey respondents are spread across England, with London (31%) and the South East (22%) the largest share. Restaurants account for the biggest slice (34%), followed by cafes and coffee shops (22%), pubs and bars (20%), takeaways and delivery-first operations (11%), caterers (8%) and mobile food trucks (6%).

Over four in five have fewer than ten employees. The majority have been trading for between one and six years, with the largest group in the four-to-six-year bracket (48%). 14% are sole traders.

With thanks to

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Sue Drummond, *Partner, Rouse Partners; with Stuart Cushen*

Stuart Dawson, *Stuart Dawson, Director of Partnerships, 365 Finance*

Mark Hughes, *Director of Growth, CreatePay*

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