

Weekly Briefing Report

Week ending 19 April 2020 (excluding 13 April – Easter Monday)

Published 20 April 2020

Introduction

I have been producing [The Weekly Briefing Report](#) for the past month – since the onset of the Covid-19 lockdown - as the first draft of the history of the foodservice market in these unprecedented times. Given the rapidly changing nature of the world today, some clients have asked me if it is possible to have a more immediate outlook on what is happening than The Quarterly Briefing Report which I have been publishing since 2009.

Now that some people are turning their thoughts to the future, they are beginning to challenge me to come up with creative thoughts about what may happen. As a starter, I have been using my Market Structure and Trends data (which starts in 1981) to review what happened in past recessions. While none were based on the truly unusual conditions we face today, they may provide some benchmarks. If you would like a copy of a very brief review that I have prepared to show how restaurants and pubs fared in past recessions, please contact me.

You can contact me at peter@peterbackmanfs.com and my phone number is 07785 242809.

My insight

Covid-19 is testing the delivery model – and the news from the Competition and Markets Authority (CMA) is: “The ongoing lockdown in the UK has resulted in the closure of a large number of the key restaurants available through Deliveroo, and a significant decline in revenues. While Deliveroo has sought to expand its supply of convenience groceries during the crisis, these sales are limited and have not made up for losses in its restaurants business. As a result, Deliveroo recently informed the CMA that the impact of the coronavirus pandemic on its business meant that it would fail financially and exit the market without the Amazon investment”.

This news has not come as a surprise to those watching the delivery market. But it will still unsettle many people who have seen delivery as the future of the restaurant on the high street. With the involvement of Amazon that may still be the case, but the CMA statement just highlights the palpable challenges that restaurants and delivery companies are facing.

But other activity in this past week seems to suggest that there is still a pulse beating in the heart of the sector. Take-away, collection and delivery, are starting to take centre stage because they represent the only activities that most restaurant businesses can offer. The reopening of some sites by a handful of operators – Pret a Manger, Burger King, KFC, Wimpy, Stew & Oyster – may be the awakening of some corporate activity. We shall see.

Meanwhile restaurants, pubs and many others are upping their support for NHS workers and the NHS in general, as well as the vulnerable and the homeless.

The numbers

Despite the activity I have noted above, the sector, in its widest sense, still continues to trade at about 10% of its normal rate for this time of the year and much of the activity that remains is directed at the health sector (both hospitals and care homes).

Some people are beginning to turn their thoughts to the lifting of lockdown restrictions even though the government's intentions are clouded in mystery and confusion. This is not surprising given that there is no previous information to go on that will help assess either the timing or the nature of any easing. China is cited as a possible example but the most detailed evidence that I have been given access to indicates only a very slight easing in retail habits in general. It is true, of course, that the nature of the easing in China and any resulting return of Covid-19 are not clear. But there has been some easing, yet its effect on the restaurant business is still very uncertain. And the return of Covid-19 in Japan, after some restrictions were lifted last week, is not a good prophecy for what might happen in the UK.

And on that note, I would observe that one of the many critical issues that affect the foodservice sector is the potential and actual degrading of the infrastructure. This is primarily an issue of human resources – what is happening to furloughed staff? Will they want to (or will they be able to) return when businesses start trading again? And “hardware” also needs looking after – what happens to equipment that is unused for months? Buildings need attention – will they be getting it? Will relationships between foodservice businesses and their suppliers be strengthened or weakened during the lockdown? And what about relationships with landlords? And suppliers of finance? What are the implications for businesses when they start up again? I will be looking at these areas over the coming weeks.

The number of trackers that show what is happening in the UK foodservice sector is now very limited. But those from Huq and OpenTable continue to reflect the dire state of the eating out market. Notably, the figures from Huq are slightly up on the previous week – and this probably represents an increase in walk-in takeaway and click & collect:

	April							
	13	14	15	16	17	18	19	Metric
Huq Index	2.8	3.0	3.0	3.0	3.0	3.8		Footfall vs 1 Jan 2020 = 100
OpenTable	-100%	-100%	-100%	-100%	-100%	-100%		% change in bookings vs the prior year

The remainder of this Weekly Briefing Report contains a summary of financial, legal, and corporate activity in the week.

Financial / Legal

- Initial figures show that the number of corporate failures across the economy was 51,498 in March - a rise of 70% on last year's 30,292
- Austria permits small shops to reopen from 13 April; bars and restaurants should be allowed to reopen in mid-May
- Spain permits some businesses in construction and manufacturing to reopen. Bars and restaurants to stay closed until earliest April
- IMF expects the global economy to reduce -3% in 2020 – the UK to fall by -6.5%
- The OBR expects the UK economy to shrink by more than 35% in this quarter
- The OBR expects unemployment in the UK to rise to 2 million
- Adzuna reports that hospitality sector job vacancies have fallen -66%
- The government has announced that the Covid-19 lockdown is to remain for at least a further three weeks
- GDP growth in China fell for the first time in forty years from +6% in Q4 2019 to -6.8% in Q1 2020

Retail

- Supermarket alcohol sales were up 22% in supermarkets in March – gaining business from pubs
- Morrisons to use Deliveroo to deliver food to the vulnerable
- Oasis and Warehouse Limited (fashion retailers) to appoint administrators

Landlords

- Heathrow Airport records highest levels for freight and cargo-only flights
- Heathrow Airport sees passengers down by -90% in April

Restaurants

- Rank Group, Clox Chicken Box, Harry Ramsden, Absurd Bird, Twisted, UberEats launch scheme for free meals to key workers
- Patty & Bun, and butcher HG Walter, sell 3,000 "The Lockdown DIY Patty Kit" in 10 days. The kit includes all you need to create Patty & Bun burgers
- 9% of companies entitled to size dependent grants of £10-£25k have received their money
- Lazeez Tapas now doing delivery equal to 25% of total pre-Covid-19 revenues
- Homeslice reopens site for delivery and collection

QSR

- KFC reopens 11 sites for delivery and will provide 1,000 free meals to front line NHS workers each Tuesday
- Burger King reopens 4 sites for delivery
- Abokado furloughs its entire workforce
- Stew & Oyster reopens 2 out of 5 sites for delivery and takeaway

- Pret a Manger to reopen 10 sites near London hospitals
- Pret a Manger offers 50% discount to NHS staff during April
- Pret a Manger to provide 7,000 meals a week to charities for the homeless
- Pret to reopen ten sites tomorrow for delivery and takeaway
- Wimpy opened a new store in Orpington
- Wimpy reports that nearly half of its estate is open for takeaway or delivery
- Bite Me Burger launches contactless delivery service

Pubs

- Mitchells & Butlers has furloughed 99% of its workforce
- Revolution Bars Group has furloughed 98% of its workforce
- Nearly 2,000 pubs, breweries, and cider makers now offer delivery or takeaway
- Small independent breweries report sales are down -82% since the onset of Covid-19
- The Chestnut Group provides 300 free meals weekly to NHS workers
- Greene King offers rent support to tied tenants

Leisure

- Saga has suspended all tours and cruises on the Spirit of Discovery until 1 June

Staff Feeding

- Sodexo expects revenues to fall £2.4 billion this year as a result of the Covid-19 pandemic – most of the fall will be in the next half

Health care

- FeedNHS is to go nationwide from 20 April

Delivery

- Just Eat has delivered more than a million meals – discounted by 25% - to NHS staff in the last 2 weeks
- Foodhub delivery platform sees a fall of 36% in the sites it serves – and a 33% increase in orders
- Foodhub launches “Takeaway the Safe Way” scheme and Takeaway Care Champion initiative
- Just Eat has recruited about 3,000 new restaurant partners since the start of Covid-19 lockdown
- Competition and Market Authority greenlights Takeway.com and Just Eat deal
- Competition and Markets Authority provisionally clears investment by Amazon in Deliveroo
- Deliveroo tells Competition and Markets Authority “the impact of the coronavirus pandemic on its business meant that it would fail financially and exit the market without the Amazon investment”

Suppliers

- Farmers destroy thousands of litres of unsold milk
- The Foodservice Packaging Association issues best practice hygiene guidelines for takeaways
- Naked Wines reports increased delivery of drinks