

Weekly Briefing Report Week ending 26 April 2020

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Introduction

I have been publishing The Quarterly Briefing Report since 2009 – and I published the most recent edition last week. Given the rapidly changing nature of the world today in the midst of the Covid-19 pandemic, some clients asked me also to provide a more immediate outlook on what is happening. Accordingly, I have started producing [The Weekly Briefing Report](#) as the first draft of the history of the foodservice market in these unprecedented times.

I would value your feedback on any topics you would particularly like me to add to my coverage - my email address is peter@peterbackmanfs.com and my phone number is 07785 242809.

My insight

Several themes have emerged over the past week from my many conversations with executives across the foodservice sector and its supply chain, not only in the UK but around the world. Perhaps one of the most powerful of those themes is the feeling of liberation now that executives are no longer constrained by the need to hit “this month’s numbers” and they no longer have to explain their current Like for Like performance, because to do so is almost meaningless.

After paying due attention to the harrowing need to furlough staff (a process which is now behind most companies) but acknowledging the continuing need, nevertheless, to support those affected, many of the people who are now left to run their businesses tell me that they are overworked but also “exhilarated” and “really enjoying the challenges”. At the same time, they are able to tap into shared concerns that everyone is in this together, that there are people who are struggling on our behalf, and that many people are worse off.

All of this is engendering a spirit of innovation and getting things done. This spirit seems to be behind Meals for the NHS, an initiative that has already raised over £1 million to pay small takeaways to provide meals for NHS staff. A real win-win-win for those being fed, for struggling independent takeaways, and for donors who want to provide something that will do the most good. The spirit is also behind developments such as those at Sysco (the US parent of Brakes) where, as The Economist has reported, the company “built an entire new supply chain and billing system to serve grocery stores in less than a week”.

And I suspect that when we look back in five, ten or 20 years’ time and review the businesses that have become successful, we will see that many of them owed their birth to a burst of creativity that is perversely being allowed to take hold in the extraordinary circumstances that we are living through right now.

The numbers

Amongst signs of life in the foodservice sector, there is a notable expansion in the numbers of branded operations that are reopening their business to delivery and takeaway. In the past week restaurant chains Burger and Lobster, Farmer J, Nando's, MeatLiquor, Pizza Pilgrims, Paul, and Tortilla, and QSR chains Chilango, Costa, I am Doner, Five Guys, Taco Bell, and Wingstop, joined those that announced reopenings in the previous week which included Burger King, Homeslice, KFC, Pret a Manger and Wimpy. More brands, like Honest Burger, are possibly going to open over the next week or so.

While this activity is good to see, it should be kept in proportion; the number of sites reopened amounts to about 110, representing 2.6% of the sites operated by these brands. And there are still very many brands that remain totally shuttered, while reopened sites may only be open for restricted hours, and the sites are often set up to serve primarily, or exclusively, NHS and other frontline staff.

There is indeed much shared activity devoted to serving the vulnerable, the disadvantaged, those at risk and those working on our behalf (not least onsite restaurant workers themselves). While this hard work is heartening to see, it still does not amount to much within the context of the currently shuttered capacity of the foodservice sector. Nevertheless, those sites that are open – and this includes the many independents that I haven't listed – are testing social distancing rules for onsite workers, and they are trying out new models such as the many that are developing the supply of groceries, as well their more traditional prepared meals.

Yet, despite this activity, while Covid-19 continues its baleful advance, demand for out of home is leaching away to the retail sector. Unilever acknowledged as much when it reported “a near cessation of out of home consumption” in last week's trading statement. And while this covered the international market, there is no doubt it also applies to the UK. Tesco told the same story in its preliminary quarterly results presentation earlier this month when it pointed to the growth in Booker's retail business but a heavy decline in catering sales.

I have noted, in earlier releases of the Weekly Briefing Report, that retailers will do whatever it takes to hold on to this additional business in the long term; the longer the lockdown persists, the easier this will become. And the capability of the foodservice supply chain is at risk of diminution, as branded food manufacturers, in particular, will be potentially inclined to forsake the sector and deprive it of the products and the resources it needs.

To summarise: the low levels of performance in the foodservice sector, are underscored by those trackers that still cover the foodservice sector, as this summary shows:

	April							
	20	21	22	23	24	25	26	Metric
Huq Index	3.0	3.3	3.0	3.0	2.8	3.0		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 past week.

Financial / Legal

- More than 30% of deaths in the UK were due to Covid-19 in the week commencing 10 April
- Michael Gove, Minister for the Cabinet Office, confirmed pubs, restaurants and hotels "will be among the last to exit the lock-down"
- Jonathan Downey, CEO of London Union, said: "We're all terrified of what happens after the Coronavirus Job Retention Scheme tap is turned off"
- Sadiq Khan launched 'Pay It Forward' to allow people to support their local independent restaurants, cafes, bars and shops
- KPMG project predicted that UK GDP will fall by 8% in 2020 – with hotels, restaurants, pubs and cafes to see output fall about 30% and 29%
- ONS research shows that 80% of hospitality workers are furloughed – the highest in any sector
- ONS research shows 87% of hospitality businesses have been temporarily closed
- First trials in China of anti-virus drug, Remdesivir reportedly show no clinical benefits
- An estimated 350-500,000 hospitality employees are not covered by the Coronavirus Job Retention Scheme according to UKHospitality
- Approximately 71% of hospitality businesses had a rateable value above £51,000 and were therefore not eligible for a grant under the Grants Scheme according to UKHospitality
- Springboard launched an appeal for foodservice suppliers to make donations to support the unemployed and disadvantaged for when the hospitality sector emerges from the lockdown

Landlords

- The government said that temporary measures would be introduced to safeguard hospitality operators from aggressive debt recovery measures

Restaurants

- Tortilla plans to reopen about 12 sites from May
- Pizza Pilgrims will reopen its site in Victoria for delivery only
- Pizza Pilgrims expands its meal kit initiative to national coverage
- Gaucho restaurants, the Hildon Foundation and Deliveroo will deliver 1,000 meals a week to NHS staff in London
- Le Pain Quotidien UK seeks a new owner or it may go into administration
- D&D London and The Hildon Foundation supply more than 2,000 meals a day to key workers around the UK
- Paul UK has reopened three sites with three more to open shortly
- Farmer J has reopened a site for delivery only
- Nando's has reopened seven sites for NHS workers and local charities
- MeatLiquor reopened one of its sites for delivery and takeaway
- Pizza Express published the recipe for its dough ball and garlic butter for customers to make at home

QSR

- Five Guys to add six sites to the 13 it kept open for delivery and takeaway

- Subway supplies ingredients so customers can make sandwiches at home in the US
- Old Chang Kee is reopening both sites for delivery
- Wingstop has reopened two of its three London sites
- I am Doner has reopened two out of its three sites
- Costa reopened two drive through sites and two others
- Chilango has reopened two of sites
- KFC reopened three more sites to the 11 already open
- McDonald's published the recipe for its Egg McMuffin so that customers can make it at home
- Greggs released an online tutorial showing customers how they can make its Stake Bake
- Pret a Manger published recipes for its chocolate chip cookie and its vegan dark chocolate and almond butter cookie

Pubs

- The British Beer & Pub Association noted that pubs "will need a minimum of three weeks' notice" for the lifting of restrictions to give pubs enough time to prepare to reopen
- Liberation Group has created several measures to support its tenants including a rent deferral programme
- Knead Pubs will supply hotel rooms for NHS staff
- Greene King opens its virtual pub offering quizzes, bingo and entertainment
- Loungers raised £8.3 million through share placing to bolster its reserves

Hotels

- Signature Living has put the Shankly Hotel in Liverpool into administration
- Signature Living Hotel has been put into administration

Leisure

- The Bundesliga might restart on 9 May
- The Munich Oktoberfest has been cancelled
- ECB cancels cricket until 1 July at the earliest

Suppliers

- Panzers pivots from supplying restaurants to supplying fruit and vegetable boxes direct to customers through its All Greens website
- All Greens website allows customers to donate fruit and vegetables to NHS workers, matched by All Greens
- Campari UK, Drinks Trust and Tipjar to launch Shaken Not Broken Fund for frontline workers in the hospitality industry
- Nestlé launches "Always open for You" initiative to extend payment terms and suspend coffee machine rental fees for hospitality customers
- Unilever has seen "a near cessation of out of home consumption"