

Weekly Briefing Report

Week ending 3 May 2020

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Introduction

I have been publishing The Quarterly Briefing Report since 2009. Two months ago, I started producing [The Weekly Briefing Report](#) to provide a more immediate view

I would value your feedback on 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

In my conversations with restaurants and pub operators there seems to be a coalescing view that there are three stages to the impact of coronavirus on the sector and on this occasion I very much agree. The first stage is the one we are in now and it will last until lockdown restrictions are lifted sufficiently for people to be allowed to visit restaurants and pubs. The second stage is from then until consumers feel comfortable about visiting these places – and that is likely to have to wait until there is a vaccine or some mitigation of the effects of the virus. The third stage is from then onwards in what many are referring to as a “new normal”.

But within each of these stages there is a moment of truth of critical importance. The first moment of truth will arrive at the end of June when rents are due. In March, a large percent went unpaid: will those landlords who were somewhat understanding last time, remain so? How much debt is building up in this particular part of balance sheets? And, at the same time, the furlough scheme runs out – unless it is renewed in some form or other; so there are questions about whether to hang on to staff (even if they can be afforded). And finally, looking at balance sheets and how they can cope without any meaningful revenue, the “average” restaurant probably runs out of cash / balance sheet reserves anyway at this point (or earlier). So, we should expect a wave of corporate failure in the weeks leading up to the end of June. Indeed, this is already happening with advisors already called in by Azzuri Group, Byron, Prezzo, and several more.

The second moment of truth is the time when lockdown restrictions are removed or, at least, relaxed. Do restaurants risk opening when they don't know what the demand is going to be? And how will distancing rules affect their capacity and therefore their viability? This topic is getting plenty of airtime and its relevance will become pressing when restrictions are removed.

The third stage is the happy one when the threat from the virus is extinguished. That is many months, probably years away, and a lot of damage will have been done. But the moment of truth will arrive for those who are left, when they will have to address issues around their long-term future. But that is a topic for another day.

The numbers

UKHospitality has put forward a worst-case scenario for the hospitality sector that shows it will experience a sales decline this year of -61%; even a best-case scenario is for a fall of -31%. It gives me no pleasure to acknowledge that these figures are very much in line with what I have been projecting for the last four weeks, for the restaurant, QSR and pub sectors. To be exact, my reasonable case is for a fall of -66% this year compared with last. And that assumes some relaxation of the lockdown restrictions by the summer and a reasonable level of trading by the end of the year.

I expect that the pivot to delivery will continue but it is not the answer to the pressing question of how to eke out cash reserves, that is facing every operator right now – and the question will become even more pressing for those that are left as the year progresses. The only part of the restaurant and take away sector with any sign of life, as I noted last week, is delivery but its performance from has not been stellar since the lockdown – it has certainly not emulated the growth of retail delivery. Some operators have outperformed their “normal” delivery sales – Domino’s and Papa Johns have seen sales grow on the back of their long-term investments in creating meaningful relationships with their customers. The value of these relationships is now being realised at this time of peril.

The loss of branded delivery “names” reduced the consumer appeal of aggregator apps – and the travails of Deliveroo are a sign of this. The good news is that, as I noted last week, some of the brands are starting to reopen for delivery but only at small scale, and often only on a trial basis. Last week 19 brands reopened a total of 87 sites – but they only amount to 4.7% of their combined total of sites.

I should note that quite a number of readers of this report are involved in the supply chain and their interest is wider than just the restaurant, takeaway, QSR or pub sectors. For those suppliers that focus on the foodservice sector – whether they are manufacturers or distributors of food, drink, equipment or janitorial supplies – are facing really tricky questions of survival unless they are established in the only sectors where demand still exists – hospitals, care homes, the military, prisons, some workplaces (and hopefully before too long, schools too). Suppliers such as these are pivoting to retail supply and, anyway, many manufacturers have very well-developed retail activities where growth is generally up on last year and where loss of foodservice business is compensated by gains in retail.

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

	April			May				
	27	28	29	30	1	2	3	Metric
Huq Index	2.8	2.8	1.5	4.0	2.5	3.3	4.3	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

- A survey by Ipsos Mori poll showed that 20% of Britons say that business should resume even if the virus is not contained. Almost 60% of Italians and 37% of Americans agree
- Downloads in the UK of Google Hangouts were 24 times higher than normal in the week of 15-21 March; Zoom was 20 times, Houseparty 17 times and Microsoft Teams 13 times
- The government announced it will guarantee loans of up to £50,000 made by commercial banks to small businesses
- The Treasury is reported to be working on plans for gradual removal of wage support with the least damage to the economy

Retail

- The Agriculture and Horticulture Development Board launched #steaknight and #makeitsteak to encourage consumers to use restaurant quality steak at home, in light of fallen demand for steak that is normally used by restaurants

Foodservice

- A survey by the Association of Practicing Accountants found that more than half of owner-managed businesses across all sectors only have enough cash until the end of July
- An estimated 80% of people in hospitality – hotels, restaurants etc - are believed to be furloughed

Landlords

- Intu has received 40 % of rent and service charges due for the first quarter
- Landlords working on an arrangement with the Treasury to secure support for landlords faced with unpaid rent

Restaurants

- Big Mamma Group launched click-and-collect at its restaurants, Gloria and Circolo Popolare in London
- Burger & Lobster reopened a second site
- Chesterford Group reopened 7 more Churchill's sites
- Franco Manca reopened one sites for delivery only Island Poke launched a home meal kit for delivery
- Gourmet Burger Kitchen reopened two sites in London for delivery
- Iberica began collection and delivery service and an online shop
- Morso revenues are 60% of revenue of normal through delivery
- Nando's reopened 6 sites in the UK to the public – previously they were for NHS workers only
- Prezzo appointed advisors to consider funding options
- Prezzo opened up its Wagestream service to all staff to allow them to access their pay while furloughed

- The Sea fish shop started offering delivery of meals in boxes with drinks
- Wagamama started delivery from two kitchens in London

QSR

- Bao Buns launched Rice Error to deliver meal boxes from one of its London sites
- Burger King UK reopened eight sites
- Five Guys reopens six sites more sites in the UK
- Greggs reopened 20 sites for trials
- Krispy Kreme UK reopened all its drive through sites in the UK
- McDonald's started reopening trials behind closed doors
- Pret reopened ten sites
- Shake Shack reopened two sites in London for takeaway and delivery

Pubs

- 16 Hospitality, pub operator, was put into administration
- Admiral Taverns to start collecting rent from tenants that have received a government grant
- Chestnut Group raised £25,000 to supply 10,000 free meals to NHS staff – plans for more with Newmarket Festival
- Everards cancelled rents due from its tenants
- Heavitree Brewery will not collect rent from tenants for April and May
- The Wellington Pub Company is reported to allow some tenants a rent-free period for three months
- UHY Hacker Young research shows that that winding up petitions against pubs and bars are currently up 73% on 2019

Hotels

- IHG has opened 456 of its 470 of its hotels in China
- The Hospitality Professionals Association (HOSPA) revealed that more than a quarter of UK hotel operators are open to help the key NHS and other workers

Leisure

- Bourne Leisure announced that its Butlin's, Haven and Warner Leisure Hotel parks and hotels will not reopen before 7 June at the earliest

Staff Feeding

- The government is believed to be working on plans for canteens to be kept closed unless they can guarantee social distancing

Education

- The Department for Education is working on a staged reopening plan for schools

Delivery

- City Pantry launched Pantry Packages to supply food boxes on behalf of employers for their home-working staff
- Deliveroo plans to lay off 15% of its global workforce and furlough 50 more
- Supper report that orders are up seven times on pre-lockdown levels
- UberEats launched three delivery-only food brands - Elephant Rum, Flip the Bird, Soul Chicken - to be run from hotel kitchens and restaurants

Suppliers

- Yumpingo started to provide Everywhere, its web-based review platform, free to restaurants providing delivery and takeaway services

Around the World

- Following lifting of restrictions in China, restaurant spending is -40% down on normal, hotels stays are down by a third
- South Africa announced that restaurants can open for delivery
- The French government announced a reopening scheme of green, yellow, red regions – green regions will get priority
- The Tennis Point championship started in Germany without line judges, ball boys and girls, and fans
- There were waits of three hours at reopened McDonald's drive-thrus in France