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Weekly Briefing Report

Week ending 14 June 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

Over the last few weeks several people, while fully acknowledging the reasons why, have taken me to task for presenting such a negative view of the foodservice sector – and have asked me to look on the bright side once in a while.

So, in that spirit, I have cast around for a different angle to take this week. And I have alighted on something I have talked about quite a bit in the past. Previous periods of trial for the foodservice sector have driven change that has proven positive over the long term. For example, the Great Recession of 2010 led to the expansion, some say explosion, of PE-funded growth in the restaurant sector. And the recession of the early 1980s led to the large scale development of the fast food sector.

So, what new and positive development will the current “period of trial” lead to? It would be a very brave person who would nail their flag to the mast at this particular stage, but it is possible to see some potential areas from where some good will emerge. One of those is to be found in the food supply chain. Unlike in America where two supply ecosystems exist – one for retail and one for foodservice – in the UK, with one or two notable exceptions (such as amongst the larger distributors), there is a single chain in which foodservice plays a subsidiary role to retail.

There are two points to note; the first is that companies in this food supply chain have generally benefitted from the growth in retail markets since lockdown. And the second point is that looking forward into the long-term future, I think we can be reassured that, although its shape and size is a matter of massive debate, there will be a functioning foodservice sector.

When these two considerations are put together, it suggests that those businesses that have benefitted from growth in retail will want to consider what their role will be in foodservice in the longer term. Some will decide that foodservice is not for them (and this could be for any number of reasons perhaps because of a prior bruising experience of the sector), others will decide to put off any consideration for the future. But some manufacturers and others in the supply chain will want to decide that right now is the time to map out the future.

The numbers

I have been tracking restaurant and quick service store reopenings especially amongst group operators (ie those with 5 or more outlets under a common brand). As of the end of last week 4,589 sites have been reopened by 81 brands for delivery, takeaway or click and collect (generally all three). And this represents 30% of the 15,245 sites operated by this cohort. Note that these figures do not include those sites that have been kept open since before the lockdown, nor do they include dark kitchen sites.

If you are interested in the latest numbers, I post a piece on LinkedIn every Friday.

Some operators have not yet opened stores or are running trials before deciding whether a larger scale roll out is feasible financially, operationally and with support from staff. This group includes Frankie & Benny's, Pizza Express and Greggs. On the other hand, several of the largest operators – McDonald's, KFC, Wagamama, and Pret a Manger for instance - have opened over 70% of their estates.

But site reopenings are not the only signs of life in these sectors. Upmarket operators are beginning to embrace delivery, often by creating a distinct offer that, that is based on their core offer and brand values but adapted for delivery. Joel Robuchon has a new menu from Le Deli Robuchon, and the Chiltern Firehouse has launched a takeaway menu. Meanwhile Hawksmoor has announced plans for an at home delivery offer and Corbin & King has launched a home dining offer of "classic Corbin & King dishes, delivered to your home and finished by you". And many accessible brands have embraced home meal kits; recent examples include Dim T with their Out The Box delivered offer and Nando's two week trial with Mindful Chef.

These examples show that there are signs of new initiatives in the restaurant sector – and time will tell whether they form new platforms for growth into the future.

Meanwhile, on a different tack, larger operators, are using the current situation to boost their liquidity by raising funds, at low rates of interest, that will enable them to withstand a reasonably long period when income is well below costs. For example, Compass has recently raised £2 billion, while other companies include SSP (who has raised £216 million), JD Wetherspoon (£141 million), The Restaurant Group (£57 million), Revolution Bars (£15 million) and Loungers (£8 million).

Meanwhile, here is a summary of the activity in the last week being recorded by some trackers. You will notice a change in the Huq Index this week. The people behind this footfall tracker (with whom I have been working over the last three months) tell me that they have improved the Huq Index to provide greater sensitivity and accuracy. Contact me if you want more information:

| | June | | | | | | | |
|------------|--------|--------|--------|--------|--------|--------|----|---------------------------------|
| | 8 | 9 | 10 | 11 | 12 | 13 | 14 | Metric |
| Huq Index | 7.3 | 7.1 | 6.9 | 7.8 | 7.1 | 7.9 | | Footfall vs 6-26 Jan 2020 = 100 |
| Open Table | -98.7% | -99.0% | -99.1% | -98.8% | -98.7% | -98.2% | | YoY % change in bookings |

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

Financial / Legal

- A group of ministers favours reopening pubs and restaurants on 22 June
- England to reopen non-essential retailers, some secondary schools, and zoos on 15 June
- The official government line is that restaurants, pubs, hotels, and others in the hospitality business will reopen on 4 July at the earliest
- The government is reviewing the 2 metre distancing rule
- The government dropped plans to reopen primary schools for the rest of the summer term
- The Coronavirus Job Retention Scheme has received claims for a total of £19.6 billion on behalf of 8.9 million workers
- The self-employment support scheme has received 2.6 million claims for a total of £7.5 billion
- Bounce Back Loan scheme has lent about £35 billion
- The Coronavirus Business Interruption Scheme has lent about £10 billion
- Northern Ireland removed restrictions on shielded people – they can now go outdoors
- Scottish government expects restaurants, cafes, pubs, and the rest of hospitality to reopen on 15 July
- UK GDP fell by -20.4% in April

Landlords

- The British Property Federation reportedly estimates that 15%, at most, of its quarterly rent bills will be paid on 24 June – the next quarter day
- Shaftesbury expects to collect 50% of rent due at end of June
- Shaftesbury is in discussion with about 800 tenants regarding modified rents and service charges

Restaurants

- Brindisa Kitchens reopens one site for delivery and takeaway
- Bao launches delivered meal kits for at home preparation
- Wagamama reopens 18 sites for delivery and click and collect
- Gaucho reopens a site for delivery and click and collect
- Pied à Terre launches vegan menu delivery
- Nando's reopens 61 sites for delivery, takeaway, click and collect
- Tortilla reopens a site for delivery and click and collect
- Byron reopens two sites for delivery
- Pizza Express adds click and collect service at its 13 reopened restaurants
- Dim T reopens four sites for takeaway and delivery
- Hawksmoor has provided more than 10,000 meals for the vulnerable since the start of lockdown
- Trattoria 51 reopens a site for click and collect
- Bistrot Pierre has appointed financial advisors

- Wagamama launches menus be prepared at home
- Nando's and Mindful Chef launch recipe box for a limited period of two weeks
- Le Deli Robuchon launches delivery service
- Corbin & King launches delivery service – profits to be used to increase pay for staff on furlough
- Le Pain Quotidien UK sold via pre-pack
- Chiltern Firehouse launches takeaway, click and collect menu
- Sophie's Steakhouse launches Sophie's Steak Boxes for delivery and click and collect

QSR

- Lyle's launches ASAP Pizza takeaway
- McDonald's provides delivery from 500 sites already open for drive thru and takeaway
- Veggie Pret reopens 10 sites – seven for delivery
- Wahlburgers closes its debut UK site
- Coffee#1 reopens ten sites for takeaway
- Pod has appointed a liquidator
- Chiktopia has been put into liquidation
- Chilango reopens two sites for takeaway and opens its first delivery kitchen
- McDonald's reopens over 570 restaurants for delivery

Pubs

- Loungers reopens 10 sites for takeaway
- Star Pubs and Bars continues rent reductions for two thirds of tenants
- Hall & Woodhouse tenants will not have to pay rent for two months after official pub reopening time
- Robinsons extends its rent support scheme until October
- Punch tenants offered 75% rent reduction in July

Hotels

- Shepherd Cox puts six of its hotels into administration

Leisure

- Rugby League Premiership matches may restart on 15 August

Delivery

- Deliveroo and 43 restaurants have delivered half a million meals to NHS and other front line staff

Suppliers

- Ramco reported that the amount of catering equipment sold at its second auction since lockdown, was double that sold at mid-April auction
- Nisbets revealed plans put up to 800 employees at risk of redundancy

Around the World

- Belgium to reopen bars and restaurants on 8 June
- Ireland to reopen pubs on 29 June
- Denmark announced public gatherings of 50 people are now OK
- Moscow to reopen restaurants and cafes with outside seating on 16 June