

**Peter
Backman.**



Weekly Briefing Report

Week ending 18 October 2020

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Introduction

I have been publishing my [Quarterly Briefing Report](#) since 2009. At the start of the covid lockdown, I began my Weekly Briefing Report to provide a more immediate view. And now, in addition to the [Weekly Briefing Report](#), which remains free of charge, I have launched a premium version which includes a subscription to my Quarterly Briefing Report and a new series of [Monthly Briefing Reports](#). You can find details [here](#).

I would value your feedback on topics you would particularly like me to add to my coverage – contact me at peter@peterbackmanfs.com or phone me on 07785 242809.

My insight

After a promising summer (reopening, EOtHO, fine weather encouraging people to go out), the outlook is turning darker. Consumers were already forsaking the good eating out habits they had rediscovered in August and then the long heralded second wave struck. And it's building momentum causing further job losses and corporate casualties, with more to come. But, amongst the carnage that parts of the eating out market is enduring, there are some bright spots.

Turn the clock back to the late twenty teens. One sector hitting the headlines was coffee shops; they catered for lunchtime trade, the travelling public, workers needing a low cost office to work from for the price of a latte, students walking down the corridor of their uni. The reasons for this burgeoning trade puzzled many observers: just what is it that drives so many people to have a coffee so frequently? Many reasons were put forward: it was available everywhere you turned, replacement of the pub for a drink, the zeitgeist and many more. And these reasons haven't deserted the coffee shop sector.

Recently Tim Horton's announced a drive into southern England from its Scottish and north of England heartland, while Watch House, an artisan coffee shop based in London is adding new sites to its existing estate. Both of these will feature in my forthcoming Ones to Watch report – indeed Tim Horton's has been rising through the ranks for the last couple of years.

But the difficult times that Pret a Manger (a universally admired operator) are going through attest to another issue and that is, while the coffee shop sector clearly has momentum, its customer base is changing. The onset of working from home (likely to continue in my view) means that customers are now to be found in places where they didn't used to be. They are no longer in the city centres.

Operators are already working their way around these changes. Pret, again, has launched its subscription model to encourage well-established customers to retain their Pret coffee-drinking habits. Artisan coffee shops are now springing up in the suburbs, forsaking their former city-centre location as they address the working at home trend.

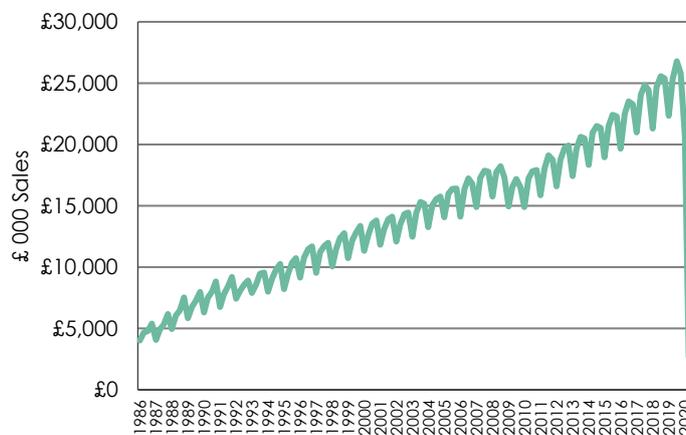
Above all, the sector is showing resilience built on its ability to change business models, find new locations and develop new product offerings for the post-covid customer.

The numbers

The foodservice media is full of articles and news stories strongly arguing for changes in government direction and communication. It forecasts a future of corporate closures and job losses, both of which are not merely likely but are already in the works. But that is not the same as saying eating out is dead. Here are some headlines from Propel on just one day last week: BrewDog has 20 new bars in construction; New Czech beer hub concept Pivo to open in Clerkenwell; Markus Thesleff to open Los Mochis in Notting Hill next month; Truman's brewery to open the UK's largest beer hall; Cheeky Burger secures first permanent site; Ropes & Twines to open hidden basement wine bar. And every day brings further stories like these.

So who is right – the gloomsters or the optimists? The answer is both. This suggests we will see the passing of the old guard identified by David Page, Chairman of Fulham Shore, last week "... too many restaurant businesses with owners and managers convinced they could swim like Mark Spitz, but which were actually being kept afloat by ... various leaky flotation devices". They will be replaced with a new breed whose vision and capabilities

Restaurant sales in the quarter



Source: ONS; Peter Backman

match a new world. The next few years will present exciting opportunities as consumers rediscover their mojo, redundant sites become available at attractive prices and new entrepreneurs craft offers that take advantage of major changes such as these.

But we have to get from here to there – and that will call for endurance and resilience. I have been following an ONS data series for several years. And I have been mesmerised by the stately growth in restaurant sales as year follows year, driven by innovation

and agility – with only the great recession of 2009 to spoil the story of onrushing growth. And then covid hit – and it hit hard. In the second quarter of this year, sales fell not just to the level of ten years ago, or even twenty years ago; in fact, they fell to 68% of the figure seen in Q2 1985 - thirty five years ago.

Since then, of course, and thankfully, the market has grown again, and I expect the figures for Q3 to show a sharp rise to recover perhaps half of the fall. And as the years progress, future growth will be manifest as the impact of covid on consumers' fears reduces, as the economy rebuilds (a very slow process) – and operators and investors reshape the restaurant infrastructure. In short, we are in a dark time, possibly the darkest, but there will be a dawn. The bold and the imaginative will take advantage of it.

	October						Metric
	12	13	14	15	16	17	18
Huq Index	29.2	24.4	19.2	15.1	15.4	16.4	Footfall vs 6-26 Jan 2020 = 100
Open Table	-20.0%	-24.4%	-18.1%	-15.2%	-5.7%	-10.9%	YoY % change in bookings

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

News in the week

Financial & Legal

- Government shuts wet-led pubs and bars in Lancashire with Tier 3 lockdown
- London, York and other areas put into Tier 2 lockdown – customers will not be able to mix with others not in their household, including in restaurants
- The Palace of Westminster stops selling alcohol – for the first time since 1653

Retail

- Aldi plans to double on-demand grocery deliveries trial with Deliveroo

Foodservice

- UK hospitality sector loses 160,000 jobs – and 900,000 furloughed workers

Landlords

- New West End Company footfall in Mayfair / West End fell -55% in September
- Great Portland Street collected 61% of due rent at end of September
- Hammerson collected 38% of rent due at end of September

Restaurants

- Patty & Bun and Shake Shack launch joint burger meal kit
- Turtle Bay opens at 08:30 for breakfast offer at two thirds of its sites
- Côte was acquired by Partners Group out of administration
- Gourmet Burger Kitchen acquired by Boparan and closes 26 sites
- Qoot Restaurant Group (By Chloe, The Lebanese Bakery etc) to offer free main meal, side, and drink before 1pm to school children on benefits

QSR

- Tim Hortons UK & Ireland LfL sales increased 37% year-on-year
- Snackbar launches lunchtime home delivery service for home workers
- Herman ze German closes its 4 UK sites
- Domino's Pizza UK & Ireland LfL sales rose 18.7% in the last quarter
- Pret A Manger to add 400 more redundancies to 2,900 previously announced

Pubs

- Mitchells & Butlers starts redundancy consultation process
- Whiting & Hammond put into administration
- Marston's declares 2,150 redundancies
- Deltic Group appoints advisers
- JD Wetherspoon LfL sales fell -15% in the last 11 weeks
- Loungers LfL sales rose 25.1% in the last 13 weeks

Hotels

- Safestay to close eight hostels temporarily
- Hotels in London occupancy fell 65.8% in September, Revpar fell -81.3%

Leisure

- Singapore Airlines provides on board meals on two stationary Airbus A380 aircraft
- Singapore Airline supplies home delivery meals

Delivery

- Restaurant Group launches Bao Now, virtual delivery brand
- Gymkhana, Brigadiers, Trishna, Flora, Pastaio launch home meal kits

Around the World

- Berlin court suspends restaurant curfew in absence of evidence that outlets that observe masks/ social distancing contributes to increasing infection rates
- Belgium closes bars and cafes for at least four weeks
- Domino's Pizza US Q3 LfL rose 17.5%
- Czech schools to go online, restaurants and bars to close
- Ireland closes hospitality sector – excluding delivery and takeaway - for four weeks
- Catalonia closes restaurants and bars for 15 days except for delivery and takeaway