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# Weekly Briefing Report

Week ending 15 November 2020

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## Introduction

I have been publishing The Quarterly Briefing Report since 2009. Six months ago, at the start of the coronavirus lockdown, I started producing [The Weekly Briefing Report](#) to provide a more immediate view. And now, you can find details [here](#) of how to subscribe to my premium service which includes Monthly and Quarterly Briefing Reports - the Weekly Briefing Report remains free of charge.

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

## My insight

A few weeks ago, I wrote about what will happen when covid leaves town. But it now strikes me that vision of a slow departure is wrong. We now have the possibility of a vaccine (perhaps several) that works. Does that mean the vaccine will attack covid with all guns blazing and shoot it down in the midday sun? I fear not. The vaccine is more like a protective fence – a corral not a wall or a moat. The fence will likely be made of chicken wire that the wily covid fox will be able to burrow under or break its way through.

Over time, by which I mean generations, human beings will evolve natural ways to fight covid so that, perhaps, it becomes no more than another strain of the common cold. But for the here and now, while the fence is being built, huge risks remain; as the fence gets near to completion, we can begin to lower our collective guard. We can begin to feel more confident and governments will be able to loosen their lockdown rules. But covid will still be around to attack even the best regulated areas. And it will especially attack where the fence is not yet erected – and that means people, such as those not yet vaccinated, will be at full risk.

Over the next few months, there will still be uncertainty. When will the vaccine arrive in quantity? How effective will it be? And for how long? As experience begins to answer these questions, let's hope that the answers are benign so that, shortly we will be able to lower our guard and start eating out, enjoying our communal leisure time and travel. When we have the confidence to do these things the eating out economy will start to open up.

But covid will still lurk, and from time to time, it will cause more mayhem – with luck, these bouts of mayhem will happen less and less frequently, and with less severity. In the meantime, it will be necessary to continue to strengthen our defences and confidence within the industry and within individual businesses. Customers will need to be reminded that eating out is fun, enjoyable, value for money – and safe. Businesses will need to create their own confidence by shoring up their finances, ensuring their people are committed, looked after and safe.

Overall, we're going to have to live with this situation for some time – longer than it will take to vaccinate a reasonable share of the population. That's the time to prepare – or repair – defences while we wait until covid has been corralled as best it can be.

## The numbers

We are two weeks into Lockdown 2.0. How are things going? Specifically, how are they going for the restaurants sector? I've been talking to some operators and, as always, I've also kept my eyes and ears open to the bigger picture too. There are two major differences between this lockdown and the earlier one, that provide a certain resilience. Firstly, restaurants that are around now have the confidence that comes from having made it through the first lockdown. And the second difference is that there is (or appears to be) a time limit to the current lockdown – it has just two more weeks to run. A timetable with a reasonably firm end date creates a stronger mindset.

Despite that, the lockdown is hurting financially. Preliminary numbers from my next Ones to Watch report reveal that 12% of sites run by smaller, previously fast growing, Bubbling Under brands, have closed in the last six months. Operators are probably more worried than they're letting on. They have been racking up debt since the start of Lockdown 1.0 - there are almost four quarters of unpaid rent on most books; utility bills have to be paid; and any VAT backlog is to be repaid next spring. Some larger operators raised loans or equity in the early stages of lockdown, and those funds will probably be enough to see them through to the other side of the pandemic. But for most operators, finances are a worry. They are kept going through government-backed interventions, such as the furlough scheme. To the accusation that such businesses are zombie companies and should be exposed to the rigours of the economy, I would say that many (probably most) restaurant businesses are operated on a sustainable business model (that was certainly the case before covid struck), and they will return to health in due course, but in the meantime they need the financial help that is on offer to stay afloat.

And what lessons did operators learn under the first lockdown that are standing them in good stead in Lockdown 2.0? Many operators point to the lesson that employees matter – a core value for the restaurant sector. Treating employees with care and honesty was a key feature of the approach taken by many restaurant operators last spring. This time round, this insight is again being put into practice in many ways – offering counselling, helping with finances, keeping spirits up, and keeping the team in the loop about changes, to name just a few .

Another significant lesson learned during Lockdown 1.0 was the benefit of a delivery service. It didn't work for all operators and some concluded that, given the costs and the high levels of commission, they will be better off remaining closed during the current lockdown. Nevertheless, for the largest restaurant operators anyway, delivery accounts for 7% or 8% of their pre-covid total sales which is a modest but welcome increase on the pre-covid levels of about 6%.

For now, in the middle of the latest lockdown, the Huq Index and OpenTable underline the almost non-existent activity (except for takeaway) across the eating out market:

	November							
	10	11	12	13	14	15	16	Metric
Huq Index	14.4	10.8	7.1	1.9	1.4			YoY % change in footfall
Open Table	-91.3%	-89.3%	-90.2%	-88.3%	-84.5%			YoY % change in bookings

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

## News in the week

### Financial and Legal

- Wales to allow 4 people from 4 households to meet in restaurants, cafes, pubs
- Bank of England reported measures to contain covid reduced production capacity in foodservice (and accommodation) by 30% in the summer
- Level of the "real living wage" was raised to £9.50 an hour
- Successful covid vaccine "90% effective" announced by Pfizer and BioNTech
- UK unemployment was 4.8% in the three months to September, up from 4.5% in the prior quarter
- The government revealed plans to ban online advertising for foods deemed to be too high in fat, salt, and sugar
- Chancellor of the Exchequer suggests winter options to boost the economy might include a new version of Eat Out to Help Out
- Government announces plans to extend permission for another year for restaurants, cafes, pubs to sell food for takeaway
- Northern Ireland delays reopening restaurants and pubs by two weeks

### Retail

- Pret retail coffee range to be sold by Waitrose
- Selfridges to sell Mindful Chef frozen meals and smoothies

### Landlords

- Land Securities retail income fell -10% in its latest six month period

### Restaurants

- The Restaurant Group opens 77 of restaurants open for click and collect and delivery in England
- Paul opens 28 stores during lockdown
- Smokestack launches takeaway and delivery service at weekends
- Brasserie Bar Co launches 'Voila At Home' meal kit
- Hickory's launches meal kit delivery across the country
- Flat Iron launches online meal kit delivery
- Lyle's launches online meal kit delivery
- Individual Restaurants appoints advisers to explore accelerated sale options
- Wahaca parent, Oaxaca Ltd, acquired by Nando's founder

### QSR

- Caffè Nero launches CVA – proposes to pay no rent for three years on 8% of stores
- Costa Coffee launches £1 reusable anti-bacterial cup lid

## Pubs

- JD Wetherspoon LfL sales fell -60% in the four weeks to early November
- Everards cancelled rents totalling £3m for its tenants
- Marston's reopens about 99% of its pubs; LfL sales in managed and franchised pubs grew 6% in August
- Revolution Bars Group CVA approved – closes 6 bars

## Leisure

- Luton airport reported traveller numbers fell -82% in October versus October 2019
- Levy UK, part of Compass, joined with Kerb to bring food offerings to stadia and leisure sites

## Delivery

- UberEats provides free delivery (on up to 500,000 orders of £1 or more) during lockdown
- The Bread Market online delivery service restarted by Paul
- The Address, eight neighbourhood bars, to deliver breakfast and meal prep kits
- Palomar Group launches delicatessen delivery
- Cafe Murano launches delivered menu box

## Suppliers

- Nestlé agrees to taking majority stakes in recipe box services Mindful Chef and US-based Freshly

## Around the World

- Paris prohibits takeaway food and alcohol delivery between 22:00 and 06:00
- McDonald's Corp LfL (same store) sales rose 4.3% in the latest quarter
- Sweden to prohibit alcohol in bars and restaurants after 20:00
- San Francisco closes indoor dining for the foreseeable future and only allows outdoor dining, takeout, and delivery only
- Chipotle Digital Kitchen launched for delivery and collection
- New York to close restaurants and bars from 20:00, restricts private parties to 10 people
- Just Eat Takeaway provides aggregator and delivery services for more than 205,000 restaurants globally