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Weekly Briefing Report

Week ending 13 December 2020

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Introduction

Nine months ago, at the start of the first covid lockdown, I started producing [The Weekly Briefing Report](#) to provide an immediate view of the market.

And now, you can find details [here](#) of how to subscribe to my premium service which includes Monthly and Quarterly Briefing Reports.

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.

The numbers

Last year, tourists from overseas spent £2.8 billion eating and drinking in the UK, having doubled over the last 15 years, according to my annual analysis of the hospitality and leisure market which valued the total overseas tourist spend at £25 billion. But, I was asked the other day, how much of this was spent in pubs – and how have pubs suffered as a result of falling tourist numbers at a time when they have lost, and are still losing, business while lockdowns and tiering regimes are in place?

While I haven't yet been able to answer these questions definitively, based on what I know, and doing the maths, it would appear that overseas tourists spend in the range of £0.6-0.9 billion on food and drink in pubs (with food probably accounting for 60% to 70% of the total). This is a relatively small proportion – likely 3 or 4% - of total pub income. However, for some pubs in central London, central Edinburgh, Stratford upon Avon, Windsor, and other places where overseas tourists make a point of visiting, the hit might be particularly hard, especially in what are already very testing times.

Still, there is always the future to look forward to. But is there, in the case of foreign tourists? It is probably too soon to forecast what will happen as covid starts to become less feared. Will overseas tourists visit in their former numbers next summer (almost certainly not before then)? Or must we wait until 2022 – or later – or perhaps never? How may covid change holiday patterns? Will these changes be the same around the globe or will they be different? And how will tourist numbers and spending be affected by Brexit?

Time will tell if the UK maintains its high position as a destination that overseas tourists want to visit. I believe it will.

Nevertheless, pubs that have a high level of income from tourists are faced with some pressing questions about their future. And I fear that the answers will not be on the positive side. The numbers of pubs involved in this particular situation are not large, but they often occupy noteworthy sites - and their loss will be especially obvious in what, anyway, are likely to be a denuded town and city centre landscape. But hope springs eternal, and over the years, pubs have been great at reinventing themselves. Let's hope they can pull it off again.

My insight

Tomorrow's cash-strapped customer is going to demand more and better value for their money – so operators need to up their game. This thought has been highlighted by the performance, during covid, of the takeaway market. This segment (including click and collect, and a very small amount of kerbside pick-up business) was worth about £8 billion last year. It has been steadily eroded with the encroachment of delivery and drive thru (over a quarter of McDonald's outlets in the UK serve via a drive-thru).

Many operators – fish and chip shops, Indian and Chinese takeaways and restaurants, sandwich bars and many more - rely on takeaway. During these times of lockdown, the only form of business that many restaurants and quick service outlets are permitted to follow is takeaway (along with delivery). I had supposed that businesses like these would be seeing a large rise in their takeaway business but the numbers show otherwise. Delivery has certainly been growing since the start of the first lockdown in March – but not so for takeaway. So, I was not really surprised to read a quote from Bruce Rennie, of The Shore restaurant in Penzance, quoted in The Caterer. He said: "Some people are doing takeaway brilliantly, but the novelty round here has worn off."

I think this quote might be pointing to a wider, more general point than novelty wearing off. Lockdown provides a great opportunity for restaurants, and more specialised takeaways, to show off to customers who otherwise wouldn't be interested in a takeaway meal. Getting the customer to try a takeaway is an opportunity and if the customer leaves unsatisfied, never to return, that can be construed as "the novelty wearing off". But it can equally be a reflection that the experience (not just the meal) was not good enough.

There is just one chance to impress and make the experience worthwhile. Although it will never feel the same as having a dine-in meal, I suspect that, in many cases, the takeaway experience is not good enough on its own terms. There is the dispiriting wait in a corner, a lack of engagement while waiting and the brown bag (perhaps with a hint of grease on the bottom) – none of which are a great advertisement. Takeaway customers give the restaurant an opportunity to make conversation, establish a relationship and make them feel comfortable. Above all it's a chance to make them want to return and tell their friends what a great takeaway experience they had. Operators who make the most of this opportunity will most likely see the 'novelty' return?

And as for the performance of the wider eating out market, it's disappointing to see the Huq Index footfall numbers rising only slowly from November's full scale lockdown – even so, the Huq Index is where it was at the end of the first lockdown in late June. Let's see what the next couple of weeks bring, in the all-important pre-Christmas trading period:

	December							
	7	8	9	10	11	12	13	Metric
Huq Index	7.8	9.4	11.4	11.9	13.5	15.3		YoY % change in footfall
Open Table	-52.1%	-53.7%	-50.8%	-47.3%	-36.2%	-15.5%		YoY % change in bookings

As usual, 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

- Northern Ireland restaurants and cafes reopen
- Northern Ireland pubs forced to stay shut to be provided with financial support
- Pfizer / BioNTech covid vaccine given go-ahead in UK
- Scotland moves 11 council areas down from Level 4 to level 3
- The government extends the moratorium on evictions from commercial premises until early March
- Post Brexit trade deal between UK and EU in the balance

Restaurants

- Nando's spent £20m to make its UK restaurants covid-secure

Pubs

- JD Wetherspoon pubs – 8 of them – to pivot to food only offer
- Sir John Fitzgerald acquired by Ladhar Group
- Black Sheep Brewery saw five times increase in online sales during November
- Marston's rapid EV chargers now in 100 pubs
- Ei Publican Partnerships to provide financial support for tenants subject to lockdown restrictions
- Deltic files appointment of administrators

Hotels

- South Spring hotel company enters administration
- Britannia voted the worst hotel chain in the UK by Which? Magazine readers
- Sofitel, and then Premier Inn and Holiday Inn Express voted top 3 best hotel chains in the UK by Which? magazine readers
- ONS says spending on camping was almost double this summer versus last year; hotel expenditure was 49% of last year in September

Leisure

- Luton airport passenger numbers fell -90% during November
- TUI plans to operate at 20% of usual capacity over the next few months
- Cunard cancels cruises until June
- FGP Topco, operators of Heathrow, has said that T4 will remain closed until the end of 2021

Education

- Schools in England permitted to close one day early for Christmas

Delivery

- Flour Pot Bakery to supply home meal kits
- The Real Greek to supply home meal kits
- Just Eat launches new model for employing gig-workers – potential to create 1,000 jobs

Suppliers

- Brakes, says the FT, have seen a tenfold increase in demand for Scotch Eggs to be served as substantial meals in pubs

Around the World

- Greece restaurants and schools closed for a further month
- Denmark restaurants, bars, leisure outlets, schools and universities closed until 3 January
- Hong Kong closes restaurants in the evening
- USA 110,000 restaurants reportedly closed