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Weekly Briefing Report

Week ending 21 March 2021

Published 22 March 2021

**1st Anniversary
Edition**



1st Anniversary edition

My Weekly Briefing Report is a year old! And as a result, I hope you'll allow me to indulge myself in this week's 1st Anniversary edition with a slightly different format.

I don't want to rehash the past year. Instead I want to give a preview of the contents of next year's 2nd Anniversary edition. That means I will be taking a view of the future and reporting it as the past. I want to set out a framework – definitely not a full forecast – for the contents of the next anniversary edition of my Weekly Briefing Report.

But to start off – and to provide some context – this little bit of history, with some extracts taken from the first edition dated 23 March 2020, might help:

Extracts from the first edition – 22 March 2020 – A recap of the past

On 11 March 2020, the World Health Organisation declared the covid emergency to be a pandemic; five days later, the UK government instituted the first stage of what, in the following week, was to become a full scale lockdown. That encouraged me, on a whim, to set out my views in what I grandly called my Weekly Briefing Report (to sit alongside my long-established Quarterly Briefing Report). I didn't know then that the Weekly Briefing Report would be read by 3,000 people every week, and that it would introduce me to many informed and informative people across the foodservice sector, who provide a constant flow of feedback from four continents (sadly I don't have connections in Antarctica!).

In that first edition, which I wrote before the government stepped in with a wide range of support measures, I noted "Operators started taking immediate action ... Decisions were made about cutting wage bills by closing sites, giving notice to staff, and formulating plans to not pay taxes and rents when they fall due ... Some restaurants and food to go operators, announced plans to continue offering delivery (and even some operators who had, in the past, set their face against doing delivery, were forced to embrace this as a possible lifeline to save their business) ... Perhaps the most significant news came on 22 March when McDonald's confirmed that it was shuttering all its operations including its burgeoning delivery business. If McDonald's can no longer justify operating, how long will it be before all other operators come to the same view?"

That set the tone for the first year of covid that was to follow.

2nd Anniversary edition – March 2022 - A look into the future

And now here is my preview of the contents of the 2nd Anniversary edition of my Weekly Briefing Report – to be dated March 2022. I have set my focus on three changes and issues which, right now – in March 2021 - seem to be accepted by most people, if not by everyone, as likely and maybe inevitable.

In taking this look into the future, I acknowledge what Confucius – the Chinese philosopher who lived in the 5th century BCE who's sayings are still quoted today - might have said, but didn't, that he who lives by the crystal ball soon learns to eat ground glass!

1. There was a post lockdown surge in demand

When restaurants and pubs were allowed to reopen fully in May 2021 (for indoor as well as alfresco dining and drinks) LfL sales shot through the roof exceeding 2019 pre-covid levels. Not even the decidedly average weather was able to dampen demand which was driven by two major factors. The first was the spirit of breaking loose, of being able to get out, to meet friends, to return to the “old life”. And the second was the additional money that many people had been able to save during the year-long period when they were restricted to buying things online (or going shopping for food) and not spending money on commuting or holidays. By no means everyone was in this happy position, but many were. And even the smallish number of people who were reluctant to leave home, having become “institutionalised” over the past months of lockdown, was insufficient to reduce the excitement.

But it did not last and within a month or two, sales in those outlets that were not permanently closed, fell back to more normal levels. But because the stock of restaurants and pubs had fallen during covid, aggregate demand was measurably below pre-covid levels. Despite continuing rules about social distancing and despite scares over an upturn in covid-levels in the autumn, as 2021 progressed demand picked up; Christmas trading was good and promised further growth in 2022.

2. Delivery had grown, is growing and will continue to grow

The growth in online delivery during covid is by now well documented. The reasons, too, are well documented. Operators pivoted to delivery during covid because it was the only source of revenue (apart from some take away business). But as lockdown restrictions were removed, and people started to walk in to QSR outlets and dine in at restaurants and pubs, previous stellar growth rates for delivery fell during 2021.

This was accompanied by further consolidation in the industry globally, and its effects were felt in the UK. At the same time, the high costs (commission rates for operators; last mile delivery and marketing costs for deliverers) continued to change the nature of relationships between restaurants and customers, deliverers and restaurants, and even deliverers and customers. Ways of mitigating these costs began to change the dynamics of the market. And the growth in investment in dark kitchens, especially from businesses with a property focus, continued to grow, but investment started showing signs of being rather “frothy”.

Right now, in March 2022, we can see the delivery business shifting, with greater consolidation underpinned by still growing demand that had been unleashed during covid lockdowns. But a lot of the growth engendered during covid is dissipating and the sector is beginning to face a challenging future of modest growth and rising costs.

3. Working from Home is changing the face of the world

Despite claims of Zoom fatigue and a desire to get back to a former working environment, lockdowns had demonstrated that the old model of working was in need of a massive makeover. The desire for workers to set their own standards for the quality of their quotidian working life,

rather than having those standards set by the needs of their employers who continued to want to have their workforces working alongside each other, became an overriding driver of post-covid behaviour.

Many ways of working have evolved and are still evolving to meet quality of life demands from a diverse workforce. The net result for the foodservice sector is that people working at their place of work have fallen by somewhere around 20% or 30%.

This reduction in worker numbers has caused caterers to rethink their working models by reducing costs and increasing flexibility. The emergence of delivery-based services, subscription services and other initiatives are changing the face of this venerable sector.

And operators that depend on commuters, whether travelling to and from work, taking lunch or meeting customers and colleagues outside their office environment, have had to evolve their location strategies, their menus and much else. Many have gone out of business. Others have emerged from nowhere.

These developments are now also very much tied up with how property is funded and used, whether on the high street, in shopping centres, or transport hubs. Some of these developments are beyond the abilities of the foodservice sector to influence and consequently restaurants and other operators will be buffeted by developments they are unable to control. But some will be able to gain great advantage from reading these changes correctly.

There have already been many changes arising from changing work patterns; more will come.

Looking forward to 2023

From the perspective of spring 2022, the future is still unclear, but the foodservice market looks set to continue its growth into the year ahead. The emergence of new business models, new operators and innovations in cuisine and service appear to be setting the sector on a promising path.

Let's revisit this in a year's time. Ground glass anyone?

Want to know more

I write The Weekly Briefing Report to provide an immediate view of the market. My [Premium Briefing Report service](#), which includes Monthly and Quarterly Briefing Reports and other benefits, provides a more measured and analytical view. You can find details [here](#) of how to subscribe to this premium service.

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

The rest of this report contains a summary of corporate and other activity over the past week

News in the past week

Financial & Legal

- ONS removes canteen sandwiches from ONS inflation basket; adds hand sanitiser
- Scottish Friendly and CEBR research reveals Brits have built up savings by £192bn since start of covid

Foodservice

- Government to relax outdoor hospitality rules for restaurants and pubs

Restaurants

- Ivy Collection to reopen eight sites for alfresco meals from 12 April
- PizzaExpress to reopen 118 sites in England for alfresco meals from 12 April
- Petersham Nurseries to reopen two sites for alfresco dining from 12 April
- Southern Wind Group acquires Fazenda out of administration

QSR

- McDonald's franchisee employees claim hand washing, social distancing and other covid rules not being followed

Pubs

- Star Pubs & Bars to continue 90% rent reductions until 16 May, then 10% until 20 June
- Pubs in Scotland to reopen from the end April and can only serve alcohol outside
- Mitchells & Butlers to reopen up to 300 pubs with outdoor spaces from 12 April
- Young & Co to reopen about 140 managed pubs with outdoor spaces from 12 April
- Punch to reopen 662 pubs with outdoor spaces from 12 April
- Marston's to reopen at least 600 pubs in England with outdoor spaces in England from 12 April
- JD Wetherspoon sales fell -53.8% in the six months to end January

Leisure

- Garden centres to reopen in UK on 22 March

Education

- All pupils in England to return to school full-time after Easter holidays

Delivery

- Supper, London-based high end delivery service to deliver to central London locations in parks etc defined by What3Words – the app that defines locations very accurately
- Uber reclassifies drivers as workers - and will cover any additional costs. UberEats is not included

Around the World

- Bulgaria closes restaurants, schools, shopping malls