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Weekly Briefing Report

Week ending 7 March 2021

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Introduction

I write *The Weekly Briefing Report* to provide an immediate view of the market. My premium service which includes Monthly and Quarterly Briefing Reports provides a slightly more measured 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.

My insight

Last week's Budget included a number of initiatives to help businesses – large and small. And support is absolutely necessary in a world in which covid has curtailed so much business activity. Hospitality businesses will be helped by continuation of the furlough scheme and the support for payment of business rates is a bonus for many operators. Super-deductions for investment will also be a benefit as businesses seek to grow, although all, except the smallest, will see their resulting profits taxed at higher levels.

Some people will no doubt consider this support insufficient, and it will almost certainly not be enough to save some businesses over the coming months. But, of course, hospitality, just like all other businesses, is not kept alive by support based on its costs. More crucial, because it affects the long term as well as the immediate, is demand. And this is something that the government has helped in some ways, for example, helping to keep prices down: alcohol duty is being frozen; and VAT, although rising to 12.5% from September, will not be back at its pre-pandemic 20% for a year.

On the other hand, by freezing income tax thresholds, consumers will, in effect have less money in their pockets. At the same time, the Mortgage Guarantee policy, by encouraging people to buy their homes, will perhaps take more money out of their pockets. Nevertheless, the low paid will see an increase due to increases in the minimum wage. But there is no blockbuster initiative that will drive demand, like the Eat Out to Help Out scheme, waiting in the wings (or if it is, we haven't been told). So all in all, the budget has done a bit, but not very much, to stimulate demand in the hospitality sector. Many would argue that that is not its job. But it means it is up to the hospitality industry itself to stimulate demand.

So bringing all this together, businesses are to be supported with several financial packages, and there is a slight stimulus to demand contained within the budget. Outside the budget, it is helpful to recognise that there is a pool of demand locked up during covid when many people had an income but not much to spend it on – and now have more money saved than when the pandemic started.

Inevitably, it is individual businesses adopting individual initiatives that will do the most to get customers back. But is there something that can be done by working together? One of the strengths of the hospitality business, and not only in this country, is the individual entrepreneurialism and dynamism that make it so special. So maybe working together can also work some magic?

The numbers

In 1665, London was ravaged by plague. And in the middle of August, Samuel Pepys wrote in his diary: 'How sad a sight it is to see the streets empty of people ... and about us two shops in three, if not more, generally shut up'. So today's empty City is nothing new – we've been here before. It is tempting to see if there are lessons for what is going to happen to our city centres by looking back to what happened following the plague of 1665. But that has been rendered impossible by the Great Fire which destroyed 80% of the City, before any real start-up progress could be made on repairing the effects of the closures brought about by the plague.

But we know that cities recover from disasters. The Great Conflagration of 1871 destroyed 2,124 acres of central Chicago; in 1943, the bombing action, Operation Gomorrah, destroyed most of the city of Hamburg; Hiroshima and then Nagasaki were wiped out by atom bombs in the summer of 1945. And yet. Each of these cities emerged, rebuilt and became incredibly successful.

All major cities, London included, will, of course, recover from the devastation brought about by the covid pandemic on their permanent, and transient, populations. However, some tricky questions need to be asked: in what ways will cities recover, how, and over what time frame? And specifically from my perspective, what happens to restaurants? One way to answer these questions is to have a view on how the property market will develop, since it is joined at the hip to, and driven by many of the same changes that affect, the eating out sector – changes in work practices, for example.

Another way to answer the questions is to recognise that there are three basic "tribes" in any city – locals, commuters and tourists. Nevertheless, looking at cities in this way is not as simple as it might seem because each tribe consists of its own sub-tribes – white and blue collar commuters, overseas tourists, and tourists from nearby, tourists who come to shop and tourists who come to soak up the city's history. And many more. Taking this view, the changes to eating out in city centres will likely be resolved on the basis of how each of its tribes reacts and develops as the future evolves.

It is clearly a long time until we get to see what the future for restaurants in city centres might look like, especially since until covid restrictions are removed we are not even at the starting blocks. Nevertheless, there are ways to do it, and this is the difficult area that I have explored in the white paper that I have written with my colleague, François Blouin of Food Service Vision in France. Amongst a number of things, François and I have concluded that the future of each city will be different. And in an effort to help resolve the differences, we have developed a tool to help think about what the future might be like for restaurants in city centres – whether Paris or London or New York or ... You can download our [white paper here](#).

In the meantime, here are the latest figures from the Huq Index and OpenTable:

	March							
	1	2	3	4	5	6	7	Metric
Huq Index	4.0	3.4	4.0	3.5	3.5	5.1		YoY % change in footfall
Open Table	-99.8%	-99.9%	-99.6%	-99.6%	-99.5%	-99.4%		YoY % change in bookings

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

News in the past week

Financial & Legal

- Furlough scheme (Coronavirus Job Retention Scheme) extended until September with employers increasingly required to contribute
- VAT in restaurants to stay at 5% to end-September, 12/.5% until end March 2022, then 20%
- Business rates holiday extended to end June
- Alcohol duty rates frozen

Foodservice

- Many restaurants and bars start taking bookings from mid-April

Retail

- Amazon till-less grocery store in Ealing, London – the first outside the USA

Foodservice

- Welsh government provides further £30m support for hospitality
- Isle of Man closes all hospitality and leisure venues except for delivery and take away

Restaurants

- Blacklock launches hot food delivery
- Southern Wind Group acquires most of Fazenda out of administration

QSR

- Barkby Group revenue rose 3.9% in last half of 2020
- Chick 'n' Sours launches home meal kits

Delivery

- Deliveroo announces expected intention to offer IPO

Around the World

- Ireland pubs to reopen mid-summer
- Oslo closes restaurants
- Sardinia reopens restaurants until 23:00 and bars until 21:00
- Finland introduces state of emergency in order to be able to close restaurants