

Peter
Backman.



Weekly Briefing Report

Week ending 25 April 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

“UK Pubs and Restaurants warn of staff shortages” said an FT headline on 17 April. Haven't we've been here before? It's as if we hadn't had a covid shutdown but had just skipped a year or so while conditions remained the same. And yet when the first lockdowns were put in place, it seems that our lives were filled with zoom sessions in which HR people and C-suite directors were telling us how their number one priority was staff well-being and retention. And they highlighted the many, varied and creative efforts they were putting in to keep their teams on board.

And now here we are a year later, the covid numbers have been beaten down, vaccines are doing their job and the first stage of removing lockdown restrictions is underway. Al fresco dining is on the menu (to coin an awkward phrase) which means that hospitality outlets, if only a minority, are open even though, since there is no inside dining or drinking, their capacity is substantially reduced. Nevertheless, we can take comfort from the fact that at least they are reopening. However, their reduced capacity means fewer servings and that, in turn, means that the numbers of job positions needed to provide the reduced numbers of servings are lower than they were before covid struck.

But there's a problem. There aren't enough people to fill even those reduced numbers of job positions. Hospitality businesses thought they had employees on their books during covid but many had crept away, perhaps they'd gone back to their home country, or perhaps they'd got another job working in an Amazon warehouse, or doing rider gigs for Deliveroo. One can ask why operators have only just become aware of this situation. Furlough, the saviour of many businesses, had hidden what was actually happening. Reopening has ripped away that cover. Staff shortages potentially threaten an already precarious situation. If there aren't the people to work in the kitchens, or work in the front of house, or manage the restaurant, or even manage the managers, then there won't be the people to serve the customers no matter how many come knocking on the door. Some restaurants may cope by paying more but that threatens already exposed profit models and adds risks to overburdened balance sheets. So businesses are faced with either not opening, or opening but at reduced profitability, or opening with fewer people and therefore lower standards of service.

All of this is down to an age-old problem for the hospitality sector – not enough people, particularly not enough people with the right sort of training. And this will become even more critical as the sector wakes up. What happened to all those early-covid zoom sessions aimed at keeping employees on board?

The numbers

My number one priority on 12 April (even before going to a restaurant) was to have my hair cut. That experience has given rise to some observations about the restaurant (and pub) business which I'd like to share. First, some context. There are apparently around 35,000 hairdressing salons in the UK (about the same number as restaurants). During this last lockdown, there seems to have been a proliferation of barbers in my area, mainly Turkish it seems. But mine is Basil, and he came from Syria.

I made my way to Scissors Palace to find that there had been, not unsurprisingly, huge pent up demand. Observation number one: pent up demand will find an outlet in many sectors of the economy – not just pubs and restaurants.

I was number four in the queue, so I settled down with a book and my iPhone to spend a couple of hours doing some useful work while I waited. Observation number two: if a hairdresser can be used as an impromptu workplace, so can a restaurant or a pub.

After a short while, Basil had finished the first person and called on the next who was, apparently, a father with three children waiting in his car outside. Basil went to fetch them, but they had disappeared. And suddenly I was promoted to the top slot. Observations numbers three and four: 'no shows' can be good for some people; and they aren't a problem if there are others waiting to be served. The implication, I guess, is to be flexible and allow for good luck from time to time.

The pleasure at seeing my locks shorn was just as vivid as downing my first pint. But then came a shock, the price had gone up by 67%. One way to mitigate this increase was not to leave my usual tip. But it also dissipated practically all the goodwill that had been generated over the previous thirty minutes. Observation number five: while it may be necessary to recoup as much as possible of the business lost over the past four months, it must be done subtly and carefully.

And my sixth and final observation: compared with Scissors Palace, the names given to restaurants are fairly unexciting. Many are just a name, or a word that has no meaning (What does "wagamama" mean? It's generally translated into English as "naughty child"), or it's a pedestrian description of what's on offer (for example: a type of chicken from a state in America – KFC anyone?). So what about some suggestions for fun names for restaurants that produce a smile - or more?

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

	April							
	19	20	21	22	23	24	25	Metric
Huq Index	40.4	41.3	40.4	39.9	40.9	40.3		YoY % change in footfall
Open Table	-37.9%	-51.8%	-31.7%	-36.0%	-33.8%	-37.6%		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

- ONS data shows 80% of people who lost jobs during covid are under 35
- ONS data shows hospitality employees account for 43% of total unemployed
- Scotland pubs reopen

Landlords

- New West End Company says footfall was down -46% on pre-covid levels in the week after reopening on 12 April

Restaurants

- Wagamama YTD sales fell -37.8% YTD to end December 2020
- Fulham Shore group re-opens 70 of 72 Franco Manca and The Real Greek sites
- Fulham Shore diner numbers were -38% in the week after reopening vs same week 2019

QSR

- Domino's LfL system sales grew 18.7% in the quarter to end March – orders grew 6.8%

Pubs

- Brewhouse & Kitchen sales rose 30.2% in the week after reopening on 12 April – from 7 sites
- Shepherd Neame managed sales in the last six months fell -42%
- JD Wetherspoon re-opens 533 pubs by end April
- Shepherd Neame re-opens more than 200 pubs for outside eating and drinking
- Oakman Group sales rose 30.2% in the week after reopening on 12 April

Leisure

- The Boomtown Festival cancelled for 11-15 August

Staff Catering

- HSBC will require senior managers to hot desk at canary Wharf HQ

Suppliers

- Heineken UK beer sales fell -30% in the first quarter of 2021
- Avian flu outbreak in Europe is leading to poultry shortages

Around the World

- Denmark reopens restaurants, museums, football stadia
- Japan – Osaka, Tokyo plus Hyogo and Kyoto prefectures close restaurants and bars