

**Peter**  
**Backman.**



# Weekly Briefing Report

Week ending 28 March 2021

Published 29 March 2021



## 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](mailto:peter@peterbackmanfs.com) or on 07785 242809.

## My insight

Something is afoot. And, to me, that something seems pretty close to panic. When the super logical Chancellor of Germany makes a dramatic U-turn about imposing an Easter lockdown and acknowledges total guilt. When the French government forbids a vaccine to be given to the elderly and then shortly afterwards permits it only for the over 55s but no younger. When the Italian government holds up vaccine deliveries to Australia while still holding unused portions for its own population. That smells of panic.

This panic is potentially a disaster – for those who will die, for the health services who will have to cope with the outcomes, and for their impacts on the affected economies. But it seems to me that panic is also inappropriate because there is light at the end of the tunnel, a glow on the horizon. Call it what you like, optimism is spreading amongst the public and businesses. That's certainly true for the UK (and for other countries too just ask the US or Israel). Nevertheless, there are risks for the UK. What happens if the numbers of cases, of hospitalisations, of deaths don't come down? Or they don't stay down? The latest figures for cases of covid in the UK have fallen dramatically since January but are showing worrying signs of plateauing at levels seen in early October (will they rise?). What happens if some (or worse, all) vaccines don't work as they are supposed to – perhaps their effects wear off more quickly than it is reasonable to generate new supplies? What happens if supply issues become even more serious? Or a new mutant starts the whole miserable process all over again?

No doubt it can be argued that the likelihood is small that these scenarios will play out (or if they exist, their outcomes are limited). But wise businesses would plan for them to arise. Right now, the foodservice sector (and indeed the wider hospitality sector) is in full planning mode – planning for partial reopening in mid-April and full reopening in mid-May (with social distancing to be removed in the last week in June). In my experience plans are being made on the basis of what you could call “reasonable” optimism which in reality means “full on” optimism. If downsides are perceived they are included with a shrug as “we'll worry about that when it arises”. But is that enough?

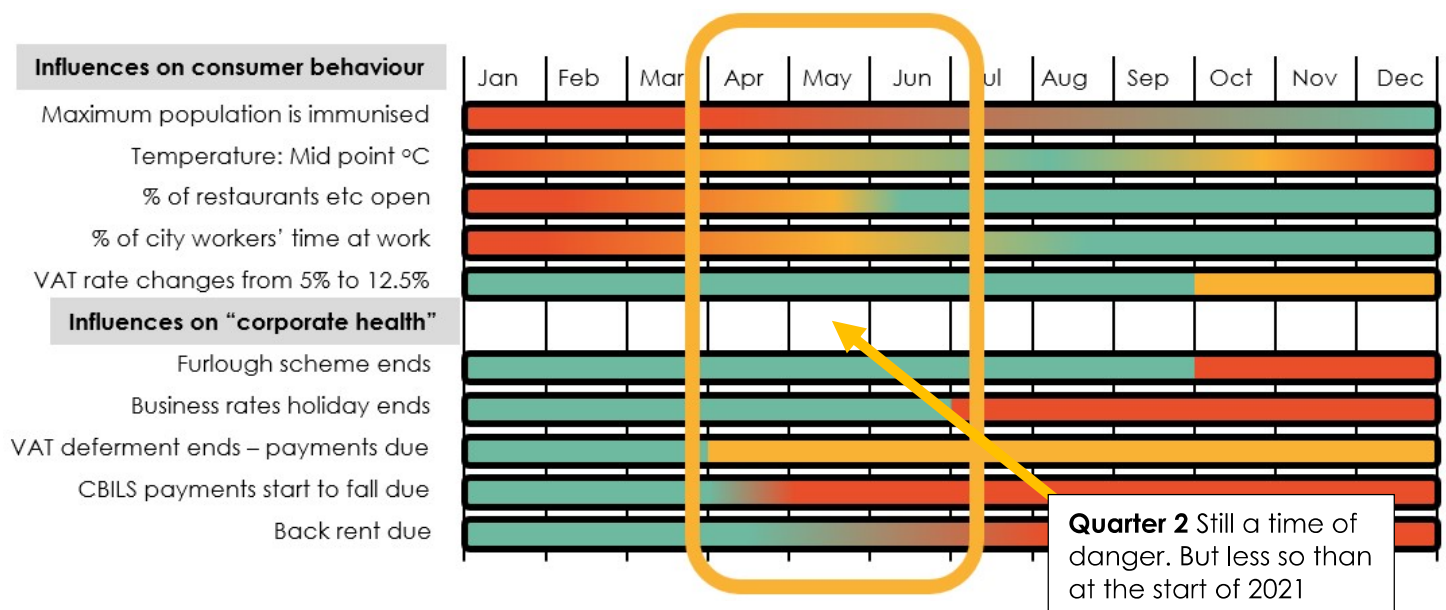
Prudent businesses should be including in their plans something going wrong. For example, what to do if there is a lockdown in June – or September? Given the risks, these are possibilities. They may be small – but if they exist, they should be given some attention.

I hope plans for action in unlikely events prove totally unnecessary. But that doesn't mean that it's possible to ignore them – and that they shouldn't be allowed for.

## The numbers

Opening up is going to expose foodservice businesses to dangers especially those that arise from their indebted position exacerbated over the past year of lockdowns. At the start of 2021, I reviewed the impact of significant issues on the health of foodservice businesses: planned vaccinations, changes consumer behaviour, and developments in government support.

Three months on, big risks still remain but quite a lot has changed, generally for the better. The level of immunisations that I anticipated against covid and their subsequent benefit to community protection, has improved slightly more than I expected. One knock-on effect has been a rise in consumers' long-restrained but now realistic, anticipation of once again being able to eat out. This has been enhanced by the publication of the government's roadmap which anticipates opening up for alfresco dining in mid-April, dining inside with suitable distancing and other protocols in place in mid-May flowed by removal of most restrictions a month later. This certainty has definitely played into consumer anticipation. The government has helped by delaying the raising of VAT to the fourth quarter and then to a reduced rate of 12.5%. And help has been provided to corporate cash flow in the form of continuation of the furlough scheme and the opportunity for smaller businesses to repay their VAT backlog over an extended period to next March. Nevertheless, two big issues remain – payment of business rates and repayment of unpaid rent which for many businesses now extends to a full year. While some landlords have been helpful many haven't and pose a risk to the viability of some businesses.



I have captured the results of all these developments in this revised version of this graphic which I published in early January. It's not simple to take in and if you want a fuller explanation please [ask for a copy of my report "Danger Points in 2021?"](#). But in simple terms I aim to show transitions from the negative - in red – to the positive – in green. And regrettably, vice versa as well. I have picked the factors that I think will have the biggest impact on the financial health of restaurants, pubs, quick service and even hotels. And I have mapped these factors over each month in 2021.

Three months ago, I pointed out the dangers to corporate health lurking in the second quarter of the year as foodservice opens up again. The changes since then have reduced that immediate concern somewhat. But the sector is not out of the woods yet.

## News in the past week

### Financial & Legal

- Welsh government indicates hospitality to reopen from 22 April
- Government regulations specify from 12 April toilets on premises selling alcohol may open; customers allowed to order and pay inside in premises not selling alcohol
- ONS reveals more than 50% of jobs lost since start of covid have been hospitality jobs
- Wales reopens self-contained tourist accommodation

### Landlords

- Commercial tenants have only paid 20% of rents due in the first quarter of 2021

### Restaurants

- PizzaExpress to continue exclusive delivery arrangement with Deliveroo for a further two years
- PizzaExpress signs up to Signature service from Deliveroo – customers may order from Pizza Express site for delivery by Deliveroo

### QSR

- Pure launches Pure+more subscription

### Pubs

- Hawthorn to cap rents at about 30% of normal until end of May
- Stonegate Group maintains rent credits for EI Publican Partnership publicans of up to 90% up to 12 April

### Around the World

- Leon closes its US units
- Compass organic revenue fell 28% in the most recent quarter
- Luxembourg permits restaurants and cafes to serve outdoors