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Weekly Briefing Report

Week ending 9 May 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

The world is waking up – at least it is in the UK – and the great debate about WOO (Working Out of the Office, my freshly minted three letter acronym) is hotting up. On the one hand there are companies – Goldman Sachs is one – who are pretty insistent that they want to see their employees back in the office. And there are others who are fairly relaxed one way or the other, and there are others – Google for example – who do not expect to see some employees at work at all. And I suspect there is a similar divergence amongst smaller businesses as well.

It seems to me that there are several issues that will determine what happens. The first is time. What happens over the next few weeks is not the end of the story but only the beginning. Time will tell. Second is the struggle between those people who want to go back to work - and those who don't. Some people have found working at home during covid lockdowns a trial and want it to be over; others have enjoyed the freedom, the improved quality of life, the saved commuting costs. They want it to continue. Shortly, as the world wakes up some more, a pattern will settle in. But forces will disrupt the pattern, not least the force that goes under the name of "experience". For some, experience will show that we gain productivity and increase profits by working from home – "let's do more of it" and others will find the opposite - and will do less of it. So the initial pattern will be disrupted.

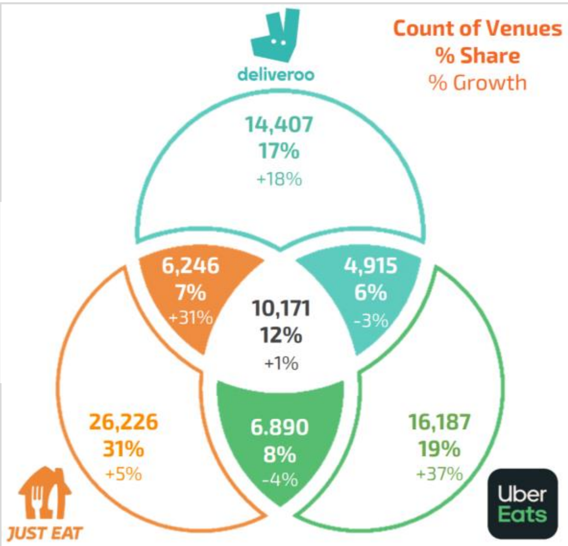
And then there are the two major constituencies with an interest in the issue of where to work - the workers and the employers (and for the avoidance of doubt I am not calling in a class battle here). Some employers will find their views are pretty much aligned with those of their workers. Other employers will find the opposite – and here we will see different objectives playing out just as they have in other times when employee norms have been disrupted. The Black Death, of the 1340s, lead to a transfer of economic power from landowners to serfs. And serfs used this new-found power to throw off their serfdom and started to improve their economic lot. Likewise, the Industrial Revolution changed farmworkers into factory workers, and in so doing changed their status into one where they had to conform to the requirements of their employer – including the requirement to attend the place of work regularly, on time.

Are we about to see the creation of a new working paradigm? My longer term bet is on a return to something like the "status quo ante covid but with post-covid tendencies" (to coin a phrase). In the short term, there will be the creation of a new pattern of working. Then over coming months and years, a struggle to work out the best way to work. In other words, there will be many different hybrid models which, over time, (I'm talking years) will settle down into a new style of WOO.

The numbers

Numbers have a power beyond their meanings. More specifically, the numbers of foodservice outlets (or sites or venues) have the power to change the way that things work. What has brought on this bout of philosophical musing has been the latest Platform Share Report that Takealytics asked me to work with them on. Based on the data that they obtain from aggregator sites, Takealytics identified that 85,000 UK outlets provided delivered restaurant meals in April.

It's the number that lies behind this number that is revealing. And that number is the 105,000 sites from which it is possible (or, at least very likely to be possible) to deliver restaurant meals. Putting this number alongside the 85,000 that currently do delivery, it's clear that already about 80% of possible sites actually do delivery. So, room for growth by adding new outlets to delivery platforms is becoming very limited. Of course, you can add in new outlets that weren't formerly part of the delivery universe, dark kitchens especially, and new entrants into delivery (such as workplace kitchens, hotels etc). But against that must be set those restaurants that, for one reason or another, will never do delivery. So 80% penetration seems about right.



Another issue to allow for is the addition of new delivery sites. This has been a driver of delivery growth for the last several years. Individual aggregators may add to the estates they serve – Deliveroo and UberEats numbers are both up by about 3,000 since November, and Just Eat are up 6,500. But after allowing for the tumultuous expansion occasioned by meal ordering during periods of covid lockdown, it is clear that these growth rates are not sustainable for much longer.

This means that growth is going to have to come from other sources – such as growing the numbers of consumers who order delivered meals and increasing the amount they spend per order. Of course, there is more to it than that (and for today's purposes, since this about restaurant meal delivery, I would exclude expansion into delivered groceries, and other categories).

So, the focus is shifting to a battle to capture more customers, to get them to order more frequently, and to spend more when they do. And all of this when customers are going to be seduced by the attractions of going out to eat once more. What will the numbers deliver?

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

	May 3	4	5	6	7	8	9	Metric
Huq Index	42.8	43.7	42.8	39.7	38.8	38.6		YoY % change in footfall
Open Table	-39%	-58%	-45%	-40%	-27%	-46%		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

The volume of news has been falling for most of this year. For example, six months ago there were 60 stories – this week there are 15. I think there are two reasons for this, first, this is a time of anticipation and hope – and not news. Second, we have been through an unprecedented period of poor performance and there is little incentive for businesses to report in the absence of "good" news.

So, for the time being, we should be resigned to a small number of news stories – I suspect they will speed up again, as the world opens up.

Financial & Legal

- Liverpool restriction-free event hosts 6,000

Restaurants

- PizzaExpress to recruit 1,000
- D&D to recruit 400
- Rare Restaurants to recruit 40

QSR

- Gregg's sales were down -3.9% in the 2 months to 8 May vs the same period in 2019
- Starbucks to recruit 400
- Pret a Manger was found not guilty in a case of selling mislabelled food

Pubs

- Greene King sales fell -63.4% in the final three quarter of 2020
- Provenance Inns & Hotels sales up in excess of 40% after 12 April

Suppliers

- Beer shortages revealed after reopening on 12 April and onset of good weather

Around the World

- Poland reopens hotels
- Sysco global sales fell -13.7% in the latest quarter vs prior year
- Campari sales increased 17.9% in the latest quarter
- Walgreens Boots Alliance plus DoorDash, Uber, and others launch under 2 hour delivery in the USA
- Intercontinental Hotels Group Revpar fell -50.6% in the latest quarter
- Shake Shack global sales rose 8.5% in the latest quarter