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Weekly Briefing Report

Week ending 23 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

Over the past few weeks I have been privileged to be involved with two groups of remarkable people. One group is represented by [Arena Futures](#) and the other by [Surrey University](#); both are populated by young people at the start of their careers.

But what ties them together is more than that. First, they are thoroughly nice people, and they are also eager to learn, eager to do things, ambitious and yet they are humble in acknowledging that they have much to learn, and respectful of those who can teach them.

I have been struck by what a good job the hospitality industry has done to bring these young people to the point where they want to become deeply involved and to make their way in this frustrating, challenging but ultimately personally rewarding industry. On another plane, it has been obvious to me over the years that the foodservice sector (and the wider hospitality industry) has been adept at formally training chefs and other back of house skills; at the same time it has also trained generations of people with front of house skills - from waiting to front desk management. In other words, skills are what hospitality has been able to teach.

There is another thought, though, to put alongside this and that is that many of the people who have created lasting hospitality businesses have come “from the outside”, after all, Ray Kroc, founder of McDonald’s in its current form, was an equipment salesman, while Julian Metcalfe and Sinclair Beecham, founders of Pret a Manger, cut their teeth in the property business.

Learning on the job has also been a feature of the hospitality sector. That, plus an ability to network, to get on with people and to build up a “black book” of contacts to provide a platform for getting things done by knowing people, are important skills that are learned on the job.

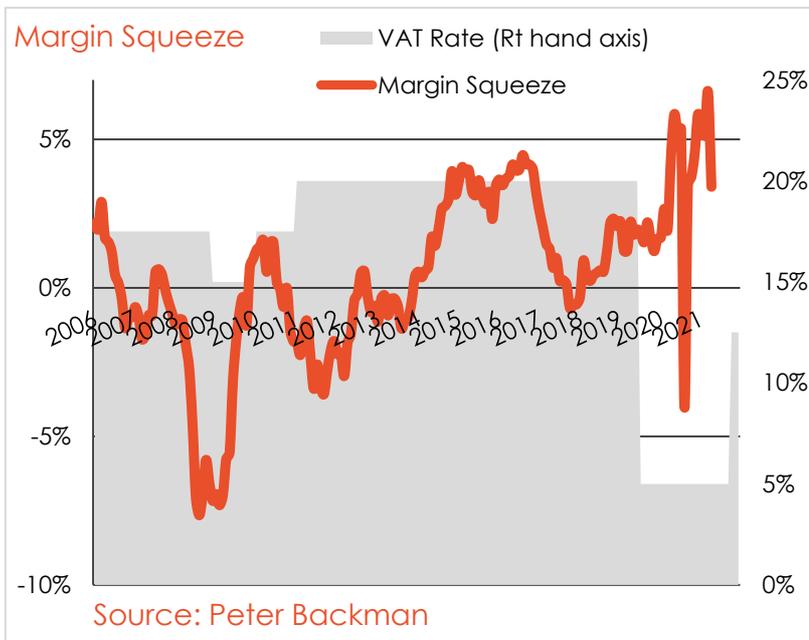
The challenge for the industry today is to allow the new cohort of energised, hardworking and ambitious young people to learn on the job, to create contacts, to contribute to the growth of the sector, and to generate the broad range of skills that will successfully bolster their commitment and ambition.

One particular skill they already have is a desire to collaborate, to work together by recognising that two plus two does actually make five. That is a skill – and a recognition - that lies at the heart of our industry and my hope is that it can be allowed to flourish and, in doing so, will drive hospitality forward in what, today, are difficult times, but tomorrow holds out hope.

The numbers

And another thing. There's a shortage of staff to work in foodservice, there's a backlog of rent to pay, there are government (and other) loans to be paid off. And now there is "and another thing": what to do about prices – and costs, and margins?

I have been showing the Margin Squeeze charts since 2006 but I gave it a break during covid lockdowns. Let me explain why, and also let me explain why it's relevant to my opening remarks. The Margin Squeeze is a unique measure that attempts to capture the pressures on the financial



resources of restaurants and other businesses serving food to consumers away from home. It is based on changes in two inflation numbers – inflation of operators' food input prices, and inflation of their output (selling prices) - and in so doing it measure the build-up of pressures on operators' margins.

When covid struck and foodservice sites shut down there was no point showing the Margin Squeeze; after all, if nothing is being bought and nothing is being sold what is the difference in inflation between input and output prices? The reported numbers, such as they were, varied wildly and you can see the effect in the chart. But now

that things are on the move, input and output prices are once again relevant. How will they change? What's going to happen to food prices over the next few months? And how will selling prices change? There has been an increase in menu prices – and this has led to a positive bounce for the Margin Squeeze. But will these prices stick? How will consumers change their purchase habits? Will they eat out more often? But spend less – in aggregate? Or per meal? Right now these are questions for the future. But one question is coming fast down the track: what to do about VAT? When it was reduced from 20% to 5% last summer - an effective reduction of 12.5% - most operators kept the difference (that is, if and when they sold anything).

But will they be able to increase their prices by the effective 14% rise and grab back the increase in VAT on 1 October? That's the "and another thing" to worry about.

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

	May							
	17	18	19	20	21	22	23	Metric
Huq Index	38.9	40.1	40.6	41.2	43.0	47.4		YoY % change in footfall
Open Table	-49%	-19%	-30%	-35%	-55%	-75%		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

- Government to reveal rules for social distancing to go “live” on 21 June, on 14 June

Restaurants

- Fridays (formerly TGI Friday's) LfL sales in the three days after 17 May were up 76% on 2019 levels
- Richoux brand bought out of administration by The Cairn Group
- Comptoir Group has reopened 24 company owned and franchised sites

QSR

- Pret a Manger has reopened 366 outlets – 94% of its estate

Pubs

- Marston's food sales are down -41% (wet sales down -11%) since opening for outside service
- Mitchell & Butlers reopened 270 pubs on 12 April, and 460 more on 17 May
- Young's trading at 144 pubs reopened on 12 April was down -15% on normal levels
- Mitchell & Butlers LfL sales fell -30.1% (total sales fell -69.8%) in the last quarter

Leisure

- Hollywood Bowl Group revenue was down -83% in the last six months
- The Royal Edinburgh Tattoo was cancelled again this summer (it was also cancelled in 2020)
- Government ran trials at FA Cup and other events – only 15 people out of 58,000 were covid positive
- Butlin's Skegness reopens with 75% capacity

Suppliers

- Britvic sales were down -6.3% in the six months to end March

Around the World

- Netherlands extends opening hours in restaurants and bars by two hours to 20:00
- Dubai reopens hotels for operating at full capacity
- Wendy's new sites in US will be ghost kitchens in 30% of cases
- Disney income fell -13.4% in the last quarter
- Elixir international sales fell -20.9% organically in the last quarter; sales in France fell -13.8%
- Carnival cruises are likely to restart at the end of July