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Weekly Briefing Report

Week ending 20 June 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

A headline in the FT last week immediately got my hackles up – “Hospitality pays for low-value view of labour”. Where, in this headline, is the recognition that hospitality merely sits on the border of unprofitability? There is a lot of hospitality about (because, for example costs of entry are low, and lots of people want to do it) and it’s inefficient (delivering hospitality relies on people, who want to do things their way, and it requires lots of customers who have many different needs and many expectations).

That means, in order to “deliver hospitality”, much money is spent on managing people, dealing with special situations, putting things right that have gone wrong (“I ordered a well done steak – not underdone”, “My sleep was disturbed by traffic throughout the night”) and so on. But limited profits sorely constrain the opportunities to develop something better. So there is a limited amount of money in the hospitality “system”, but lots of people spending what there is. That means people in hospitality are not paid much. Is this really a sign of low value being placed on their efforts? It is more likely a sign that there is no money available to reward them more – despite the high value placed on their efforts. Hence my hackles on reading the FT headline.

But there are ways to lessen the costs of inefficiency and thus provide the flexibility to raise the price put on the value of the labour employed. Some examples: train, educate, think about making life easier (close the business on Monday when nobody comes in anyway, and give the workers the day off), invest in automation (to reduce inefficiencies – and to employ fewer people, leaving more money to reward those who are employed – it is not the job of hospitality to solve the unemployment situation so there is no need to be squeamish about reducing the numbers of employees), reduce churn (through using all of the above). And of these, the most significant are: train and educate.

UKHospitality has just published a 12-point plan to tackle the current staffing crisis. Of the 12 points, nine are calls on the government to do something, and just three require the hospitality sector to take action. Admittedly this is not in the long term context, since it addresses the immediate, urgent demand to find hospitality staff. But for the long term, the hospitality sector should be identifying more ways in which it takes action to demonstrate the value it puts on its workers.

This imperative is not new – it is a feature of the hospitality industry. On this cusp, when we are about to leave the world of lockdown and covid-fear, maybe the practice of hospitality will undergo the changes needed to allow it to really demonstrate the value it puts on its labour.

The numbers

How many delivery / dark kitchen business models are there? Why does it matter, and what is the answer?

As for the first question, the number of delivery / dark kitchen models matters because if the answer is a "handful" then the models will be easy to identify. That means, once they have been developed, we should find out quite quickly which is the most successful. And, once the successful model has been identified, many operators will want to jump on the bandwagon and roll out the winning model (assuming there is one). But if the answer is that there are a "lot" of delivery / dark kitchen models, then it will take time to work through the options. I think it safe to assume many entrepreneurs will be actively searching for the ideal "niche" model, or one with explosive potential. And, from this process, the winning model will emerge only slowly.

This line of thinking has been brought on by my latest work in developing workable descriptions of delivery and dark kitchens (they are not the same, but closely linked). Two years ago I developed a typology; covid forced a rethink and although the basics remain the same, my latest iteration of the typology includes several changes. But It is still based on identifying the features that underpin any dark kitchen model.

Feature	# of options
Nature of the Kitchen	3
Nature of the Brand	3
Kind of Offer	2
Front of House	3
How Delivery is done	5
How Online Orders are captured	3
Whether the offer is Franchised	2

Each feature has options - whether the kitchen is located within a bricks and mortar restaurant, whether it is a standalone dark kitchen, is the "brand" a virtual brand, and so on.

I've created this typology because it provides an unambiguous way of understanding what people are talking about when they raise the topic of dark kitchens and its siblings: delivery and virtual brands. But basically, it provides a powerful way, first to identify options that may not yet be used – and then to assess their potential for success.

And that leads on to the answer to the question I raised at the start. My typology identifies almost 5,000 alternative ways of constructing a dark kitchen model. Some are already being employed – and some have been tried and found wanting. I am sure that the "killer" dark kitchen model is included within those 5,000. But it just may not have been winkled out yet.

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

	June							
	14	15	15	17	18	19	20	Metric
Huq Index	45.7	46.1	46.9	48.2	49.5	49.3		YoY % change in footfall
Open Table	2%	5%	14%	12%	23%	52%		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

- Rent moratorium extended to March 2022
- Rent moratorium not to apply to arrears arising after 1 July

Restaurants

- Carluccio's and Sainsbury to trial Carluccio's Counter grocery range

QSR

- Leon closes its site in Norway

Pubs

- Heartstone Inns sales rose 16% in the 2 weeks after reopening for indoor service
- Rileys sales rise 9% vs 2019 in 3 weeks after reopening for indoor service
- Loungers' LFL sales rose 26.6% vs 2019 in the 4 weeks from mid-May to mid-June

Hotels

- Premier Inn accommodation sales fell -60.5%, food sales fell -85.9% in the latest quarter

Leisure

- Premier League clubs' combined revenue fell -13% in 2020
- Notting Hill Carnival cancelled again this year

Delivery

- City Pantry rebranded as Just Eat for Business

Suppliers

- JJ Foodservice sales were up 13% in May versus 2019

Around the World

- Madrid nightclubs and cocktail bars to open up to 03:00 with 50% capacity limit
- Moscow extends ban on nighttime visits in restaurants and cafes