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Weekly Briefing Report

Week ending 27 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

I recently came across some notes that I wrote at a conference I'd attended in 1997 – almost 25 years ago. Here is one thing I noted “BT confirms deal with government to provide 5 hours a year on the Internet for every pupil”. Five hours a year! Wow!

But before getting too carried away with the stupendous changes implied by this, consider some other notes that I made: “Delivery will be available in a variety of ways – at the choice of the customer” and “Kids are demanding attention to issues such as animal welfare, recycling, cutting down rainforests”. The world hasn't changed all that much then. Well yes, and no.

I think it's important to review the context of these insights and the realisation that matters such as delivery and concern over the environment were important twenty five years ago and they are still important now. Then, delivery was primarily related to “groceries and meals ordered by E-mail” (as I wrote down at the time) – in the intervening years, E-mail (note the capital letter, implying something rather special) has given way to online. And the “kids” of 25 years ago are now forty-something parents and they, and their successors, are fast becoming the majority in the population as a whole. That means that, nowadays, their voice – in terms of driving change – carries real weight, whereas 25 years ago, they were in a minority (and “kids” at that).

This says two, partially contradictory, things to me. First, the world may not have changed as much as we think – or at least some of the things that we think are “new” are, in fact, older than we recognise. In turn, this means that some of the “issues” that we currently see arising from these “new” things have already been addressed in some form. Second and contrary to the first point, while it is tempting to see some commonalities between then and now, subtle differences may mean that things really are different nowadays.

I think, though, that the real lesson is that yes, change happens, but perhaps not as dramatically and not as fast as we think; after all, 25 years ago, again I noted: “Electronic games for children are big business” and “Children come from a wide variety of family units – from the conventional two parents to a single gay parent”.

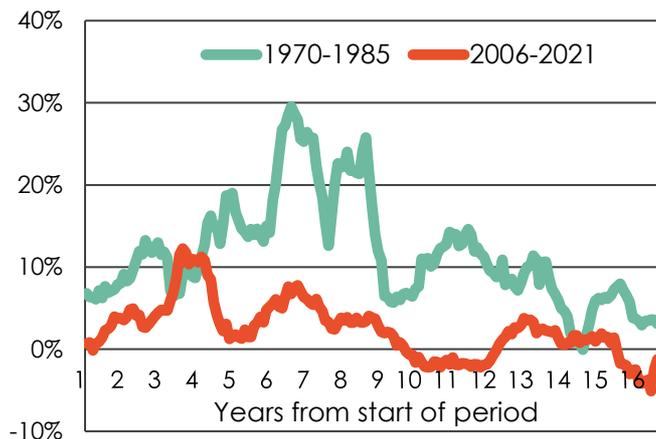
Things that we see as new and disruptive may, in fact, be well established – or at least part of long term trends. We should learn from this, and our responses should take account of the past. There are lessons to be learned there.

The numbers

The beast may be awakening. The Bank of England is warning that inflation will soon exceed 3%; in the USA it is already at 4.2%.

The headlines look worrying even though some (or even many) economists are saying the rise might quickly reverse. In the 1970s, UK inflation was running as high as 15%; for people with a variable rate mortgage – the vast majority – the result was that mortgage payments seemingly rose every month taking more and more of their disposable income. The government's policy for some time had been to impose caps on wage increases. But this quickly frayed at the edges because it led to labour trouble resulting in the three-day weeks of 1974.

Food inflation: 2006-21 vs 1970-85



Is this a future that awaits us? And if it does, how concerned should we be for the foodservice sector? I hope the answer to the first question is “no”. As for the second, let's look at how inflation has affected the sector. I have chosen to look at inflation in input prices of food, and because I do not have data specifically for the foodservice sector going back 50 years, I have used food inflation generally which is a reasonable proxy for changes in the price of food into

foodservice. There are two graphs – one covering the 15 years from 1970 to 1985, and the second is our recent past - 2006 to 2015. In that second period, inflation reared its head at the tail end of the Great Recession. For most people it was a nuisance rather than an existential problem.

And that peak pales into insignificance against what happened in the mid-1970s. Clearly operators faced major problems at that time. But look at what was happening in foodservice. This was when KFC arrived in the UK, followed by McDonald's and then Burger King and Pizza Hut. They grew rapidly: McDonald's had a single store in 1975, by 1985 they had almost 200 stores. And significantly it was the time when pubs started bootstrapping their food offer with salad bars and lasagne served out of gastronorm trays. Chains such as Beefeater, then Harvester and Toby Inns emerged at this time, as did Proto restaurant chains such as Pierre Victoire.

The lesson is that the rise of the inflation beast is something to be concerned about but it is unlikely to hold back the restaurant sector in the long run.

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

	June							
	21	22	23	24	25	26	27	Metric
Huq Index	48.5	48.5	49.1	50.3	52.1	49.8		YoY % change in footfall
Open Table	2%	4%	12%	16%	37%	60%		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

- Food and drink exports to the EU fell by £2 billion in the first quarter of 2021
- Scotland may move to Level 0 in mid-July
- Government will take a "cautious approach to enforcement of debt owed to government that will have accrued" during covid
- Small restaurants and cafes to be exempt from ban on advertising junk food to come into effect in 2023
- Bank of England reports transportation delays had resulted in shortages of some items, such as furniture, car parts and electrical goods.
- Terms of the Furlough scheme change this week – employers to pay 80% to qualify for government grant
- Furloughed workers fell to 6% - the lowest since the start of the pandemic

Foodservice

- Bank of England reports evidence of spending being diverted away from groceries towards eating out

Restaurants

- Pied à Terre to close at lunch time due to staff shortages

QSR

- Creams sales rose 144% in the first week in June

Pubs

- Indeed Flex reports pub wages increasing by up to 14%
- Coppa Club LfL sales rose 11.3% in the five weeks following permission for al fresco eating and drinking
- Greene King and Landmarks Specialist College will help 16-24 year olds develop skills for hospitality

Leisure

- Flexible season tickets launched by National Rail for up to eight days in any month period
- Wimbledon opens at 50% capacity
- Silverstone to allow 140,000 spectators – full capacity – at British Grand Prix on 18 July

Delivery

- Deliveroo notifies customers – by app – when surge testing happens in their locality
- The Court of Appeals confirms that Deliveroo riders are self-employed

Suppliers

- T&R Theakston sales rose 6.3% in 2020