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Weekly Briefing Report

Week ending 1 August 2021

Published 2 August 2021



Introduction

I write the [Weekly Briefing Report](#) to provide an immediate view of the market. My premium service (which additionally includes Monthly and Quarterly Briefing Reports) provides a slightly more measured view. Learn more and subscribe [here](#)

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 with your ideas!

My insight

The last few weeks have provided both hope and fear.

The hope has come from the seeming success of vaccination programmes not only in this country, but globally. The future is beginning to look less dreadful even though it will take years not months until the world comes out on the other side of covid. But, in the UK at any rate, Delta variant infections appear to be on the decline, and it is becoming possible for businesses to draw up their plans that are realistic in the medium term, flexible enough to deal with this and future waves of different, aggressive variants.

The fear, though, comes in the form of the weather we have experienced. In the UK, rain and heat have both arrived – at different times – over the past few weeks. They are both an indication of what is happening in other places – floods in Germany and Belgium, fires in Oregon – and a portent of what we will have to cope with over the coming years. The Met Office asserted in a report last week that “Climate change isn't something in the future - it is with us now”. There are longer term changes that are way beyond the time frame of my forecasts, but in relatively small ways in the near term, and increasingly as time goes by, they will provide both opportunities and threats to UK foodservice sector operators. For instance, warmer weather, lasting for longer, will provide more opportunities for outside dining which, happily, is also being extended into the months of colder weather as a result of the (unrelated) pressure from covid restrictions on indoor dining. But the threats - of disruption, unacceptable damage, changing lifestyle patterns - are all possible and of potentially serious impact along the supply chain from field to table.

These changes – good and bad, short term and long term - point to a period of evolution in our daily lives. And specifically, they seem to me to indicate a period when the norms and certainties of the foodservice market are undergoing a shift. These changes may not be noticeable in the short term, but they are working their way through the economy and social life in this country (and elsewhere).

I think it is important to be aware that there are these developments slowly, and perhaps silently, insinuating themselves into our lives and into our businesses. And it is probably a good idea to spend some time thinking about the longer term changes that will arise and that will be impinging on our short term decisions.

I don't think businesses are attuned to thinking like this – maybe they should?

The numbers

The distribution sector is beset with one overarching problem right now – where are the drivers? I [wrote about this](#) a couple of weeks ago and I want to revisit it since I now have access to data which might throw some light on the issue.

First, though, I would note that the problem is industry agnostic – it makes no distinction between food and drink, or food and electrical parts, or food and anything else that needs to be transported. And that, as I have pointed out before, is part of the problem – all sectors of the economy (or most of them anyway) are faced with the same issue and so every distributor is fishing in the same, currently limited, pool of potential recruits. Each businesses' searches, though, impinge on every other business and, in doing so, they magnify the problem. The upside is that once the magnification is reduced, the scale of the problem is also reduced.

Change in demand for food: January to July 2021

% change

| | |
|----------------|------------|
| Restaurants | 404% |
| QSR | 42% |
| Pubs | 4,558% |
| Hotels | 232% |
| Leisure | 944% |
| Staff Catering | 40% |
| Health Care | 25% |
| Education | 234% |
| Services | 42% |
| TOTAL | 75% |

However, while this is what I believe is happening across the economy, my recent data refers solely to the foodservice sector. It shows how the rate of growth in demand for food varies between each sector – right now. It compares demand in January with demand in July. Over that period, overall demand has increased by 75%; and that is noteworthy in itself – in 2019, the equivalent figure was 35% (while this might still seem high, bear in mind that January is always the “dead” post-Christmas month and July is in the middle of the holiday season).

Over the last two quarters, some sectors showed lower growth – health care, staff feeding, and quick service restaurants for example (the first and last of these had been trading relatively normally through the period). Other sectors though – education, hotels, restaurants – showed growth in the low hundreds of a percent as they expanded from a very low, covid-influenced base. And pubs grew by over four thousand percent! Given these exceptional and varied growth rates, the “shape” of a distributor's business is crucial. If a distributor's business is focused on the health care sector, an expansion of capacity by a quarter can be handled moderately easily. But if the focus is on pubs, their growth implies the need to recruit 45 drivers for every existing one.

Expand that across the economy and you can see why some distributors can manage – while others struggle immensely. Hence my conclusion that the “shape” of each distributor's business is one of the influences on the severity of its recruitment needs.

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

| | July | | | | | August | | Metric |
|------------|------|------|------|------|------|--------|---|--------------------------|
| | 26 | 27 | 28 | 29 | 30 | 31 | 1 | |
| Huq Index | 44.3 | 44.8 | 45.0 | 45.6 | 45.9 | 44.6 | | YoY % change in footfall |
| Open Table | 13% | 12% | 18% | 31% | 35% | 47% | | 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

- Furlough support reduced to 80% of wages for time not worked
- Numbers furloughed now at 1.9 million versus 2.4 million in October 2020, 5 million in January

Landlords

- Colliers data say rent collected from cafes was 53% owed on 28 June.
- Capital & Counties collected 65% of rents owed on June quarter day

Restaurants

- D&D London continues support for paid hospitality training programme

QSR

- Friska sites (5 out of 7) acquired by Renroc Retail
- KFC UK system sales rose 248% in three months to end June

Pubs

- Admiral Taverns acquires Hawthorn Leisure
- Robinsons sales fell -63.8% in calendar 2020
- Marston's sales fell -12% in the latest quarter
- Mitchells & Butlers trading update shows solid enough trading performance since reopening and improved liquidity
- Mitchells & Butlers sales were -37% vs 2019 in the month to mid-May
- Shepherd Neame managed pubs down -16% versus 2019 in the quarter to 19 July

Hotels

- UK hotel occupancy was 63.5% in week to 18 July versus 84.5% in 2019

Leisure

- Gatwick Airport flights down -79% in seven days to 21 July; but up 28% on the week before

Staff Feeding

- Elior Group sales grew 39.2% in the latest quarter versus fall of -26.2% in the prior quarter; France grew 45.6%
- Compass Group sales rose 36.4% in the latest quarter

Suppliers

- Global sales of Anheuser-Busch InBev's Budweiser, Stella Artois and Corona brands rose 23% in the latest six months

Around the World

- Domino's Pizza international same store sales rose 13.9% in the latest quarter
- Ryanair revenue rose 196% in the latest quarter
- Vaccination mandatory for workers in restaurants in France
- Starbucks global sales rose 78% vs 2019 in the latest quarter
- McDonald's global same store sales rose 6.9% above 2019 in the quarter to end June
- KFC global same store sales rose 30% in the three months to end June
- Accor global revpar at 60.4% versus 2019