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Weekly Briefing Report

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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

I am signed in on the DoorDash app because a couple of years ago I placed an order for a delivery when I was in the USA. But not being in their West Coast catchment area I am, unsurprisingly, not a regular user. Nevertheless during the heights of the pandemic I received a regular flood of offers. But it must have dawned on them that I was somewhat of a lost cause and, after several months, the flow stopped.

So I was intrigued last week to receive an email from DoorDash headed “How consumers want to order from Horizons FS Ltd” and promised to “Increase your delivery and pickup sales with DoorDash”. Now, Horizons FS Ltd is the name of my legal business entity and I was confused. Had the algorithm worked out that, since I was clearly not a “buyer” of restaurant food, I must be a seller?

Further, had the algorithm worked out that, by being a seller, I must have customers? It seems it must have worked that out, but it had clearly not asked: who are my customers? One thing they are not is consumers (as generally understood) but are commercial organisations. That means that the solutions proposed in the email from DoorDash were not adequate to address their promise of increasing delivery and pickup sales because, well, I don't do delivery and pickup sales. It can only be a short trawl through the internet for an algorithm to turn up that fact.

That leads me to my core question: just how effective / all-seeing / intelligent are the algorithms that, so we are told, are driving the delivery disruption revolution? Or are they just a rebranding of what we have been doing for a long time? After all, sending me a misplaced email is the sort of thing that used to happen when companies bought large mailing lists and mailed out messages to all and sundry on the list – hoping that some messages would stick even if most were misdirected. Algorithms, so we are led to believe, are too clever for that.

So, back to my question: Are algorithms all they are cracked up to be – or are they just old wine in new bottles? The answer isn't trivial for two reasons. One: if algorithms are trivial they won't be drivers of disruption. And two: the valuations of the companies deploying these algorithms are, to a large degree, based on the bedrock of the effectiveness of their algorithms. If their algorithms are not effective then what is their value?

Admittedly these are big conclusions to draw from a single email. But maybe there is still something in them.

The numbers

I have been contacted by the media several times in the past few weeks to talk about ultra-fast grocery delivery. In vain, I have told them that my area of expertise is in the restaurant (and wider foodservice) arena and not grocery; they have responded by saying delivery is delivery. So we have had some interesting and useful discussions but I still have felt the need to better understand the grocery delivery business (of the ultra-fast variety that delivers within 10 to 30 minutes). So I decided to look into it.

I examined the dozen or so grocery delivery businesses that are most active in Europe. My research has thrown up some revealing, to me at any rate, insights. The first, and perhaps most important, is that grocery delivery, the newcomer, shares many characteristics with its more developed restaurant delivery forebear.

Very noticeable is the sheer rate of growth in grocery delivery. Of the dozen companies that I examined – from Getir, Dija and Weezy to Flink, Genie and Cajoo – the oldest is six years old, and over half were set up since the start of 2020. Some of these companies have already been acquired – a year ago I was chatting to my friend Vishal Verma who had left Glovo to turn his hand to some new business that he couldn't tell me about; less than a year later, with two partners, he had built up Blok to do grocery delivery in Barcelona and had already sold it to Getir, the Turkish leader. In the meantime Fancy, only established in the UK in January 2020, had been bought earlier this year by goPuff of the USA.

Meanwhile, DoorDash has taken a stake in Gorillas, founded in Germany at the start of the pandemic by alumni of Rocket Internet and Hello Fresh, which is now in 55 towns and cities in eight European countries. A land grab is going on just like it was, and still is, in restaurant delivery.

I also investigated the backgrounds of the founders of these companies. Clearly, technology is important – many of the founders have a background in IT. And critically, other founders have a background in working for Deliveroo, Just Eat, UberEats and other established restaurant delivery businesses. This says to me that lessons learned in restaurant delivery – what to do, as well as what not to do – are being applied to grocery delivery.

And my investigations have raised existential questions for ultra-fast grocery delivery. Who will win the land grab? How useful will the driver-recruitment infrastructure developed for restaurant delivery be for the grocery delivery sector? Will restaurant delivery apps be repurposed for grocery delivery? Will restaurant and grocery delivery merge? There are more questions like this, but in short, how much of a leg up will restaurant delivery provide for grocery delivery? And what about being profitable? That's the real question.

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

	August						
	2	3	4	5	6	7	8 Metric
Huq Index	45.1	45.7	46.2	46.4	46.2	51.7	YoY % change in footfall
Open Table	18%	16%	27%	23%	37%	40%	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

Landlords

- A survey of private landlords by Shawbrook Bank shows 28% gave payment holidays, 18% gave time-limited rent reductions

Restaurants

- PizzaExpress dough launched in Tesco and Asda
- Baker & Spice acquired by Stefan Allesch-Taylor

QSR

- TriSpan acquires majority of Pho equity
- Five Guys opened first drive-thru in UK
- Domino's Pizza UK and Ireland system LfL rose 18.4% including "splits" in the first half of 201 – excluding VAT the rise was 5.5%
- Greggs sales increased 80% in the first half of 2021 versus 2019
- Greggs delivery was 8.5% of company managed sales in the first half of 2021
- McDonald's to launch third dark kitchen
- Pret A Manger named for inadvertently not paying minimum wage to some employees

Leisure

- Escape Hunt sales from mid-April to end June were up 58% versus 2019
- Cinema takings up 64% in last July weekend versus prior weekend

Delivery

- UberEats UK to show calorie information per meal

Around the World

- Portugal bars and clubs reopen for seated service – no dancing
- San Francisco and other counties in the Bay Area reinstated mask mandates for indoor spaces
- New York City to require covid vaccinations from customers and staff in restaurants
- UberEats global sales rose 85% in the last quarter