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Weekly Briefing Report

Week ending 12 September 2021

Published 13 September 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 financial crisis of ten years ago – with the fall of Lehman Brothers and the general financial meltdown - unleashed a range of international, societal, and political issues some of which we are only now becoming slowly aware of. And a similar, slow dawning of the resulting issues will also be the case with covid. But that shouldn't be a reason for not starting to tease them out now.

Let's start with international travel. Maybe it was never meant to be easy. Few can remember the time before there were security searches – in those days, after passport control you went straight through to the boarding lounge. And before there were security checks, in the name of currency restrictions there were checks on the amount of money you were taking with you. These controls and restrictions still exist – but they have become manageable, and, to an extent, they operate in the background. And now, because of covid, we must face lateral flow, and other, tests at the border – taking time, costing money and making things difficult. In time though, they too will move into the background – maybe they will even become unnecessary.

And there are many other outcomes of covid – some obvious, some less so. In totality, they will give rise to a new world that will only become visible with the benefit of hindsight – identifying these changes will become a happy hunting ground for historians fifty years from now. But the seeds of these changes have already started to germinate. Seeds such as the many, generally small and localised, decisions about supply chain issues – cancelling orders during covid, letting go of drivers, deciding not to expand this or that warehousing facility. Individually, they have not been remarkable or even remarked upon. Cumulatively and collectively, they have given rise to a changed infrastructure that is now visible in supply chain shortages. The shortages may disappear but not for a while; the underlying changes will be around for generations.

At a different level, working from home, as I and many others have remarked many times over, has changed the ways that people have viewed their life and their priorities – more free time and less travel have, for many, been desirable outcomes of covid. The extent to which the resulting changes remain – not if but how – will change many things: lifestyles, city centres, and the prospects for individual businesses, to name just some.

Covid-induced change is a phenomenon that we are only now getting to grips with. Its effects will become visible over the years. But they start now as we emerge blinking, slowly and in many cases uncertainly, into this new world. We may think we recognise it but in many ways it will be very different.

The numbers

The swaying rope bridge of 1 October is approaching . That is the day when the Job Retention Scheme (the furlough scheme) comes to an end and it's also the day when VAT in the hospitality sector increases from 5% to 12.5%.

The furlough scheme seems to have achieved its objective of keeping as many people connected to their employers as possible. The number of jobs supported in this way was 1.6 million in June. Up to date figures are not available – but following reductions to the level of government contribution over the last few months they will undoubtedly have fallen. So, 1.6 million is the maximum number of people who will be made redundant – and, of course, not everybody on furlough will lose their job. Nevertheless, some jobs will be lost and people will be made redundant to face an uncertain future, which won't include much eating out.

The rise in VAT is another matter altogether. Most operators didn't reduce prices when VAT was reduced – instead they pocketed the money (some, like JD Wetherspoon, did pass the reduction on). However, the government's objective was to inject liquidity and working capital into the system, so it was correct for restaurant operators to keep the money. But the implication is that operators shouldn't now raise their prices when VAT increases. But will they?

The last time VAT was increased in hospitality was in January 2010 following a reduction in late 2008. By and large, restaurant prices were not increased. However, this time there will be significant pressure to raise prices to maintain working capital, and this time the VAT rise is larger than in 2010 (in October it's increasing by a net 7.1% compared with net 4.5% in 2010).

Added to this there is an "air" of inflation around. And that makes this potentially a sensible time to raise prices (and this would also help cover some of the recent increased costs of food and other inputs). The question, though, is will customers pay the difference or will they do what they have done sometimes in the past - spend the same but buy less, or more cheaply? Operators are not clear what they should do – I think they will try to raise prices, but the market will decide whether the increases will stick.

The ending of furlough and the increase in VAT are challenges for the foodservice sector at this particular time. But the decision is like trying to cross a swaying rope bridge high above a deep canyon. And what lies on the other side? Well, next March the rent moratorium is slated to end, and VAT again increases, this time to 20%. Those are just two of the challenges waiting on the other side of the canyon.

And for now, here are the latest numbers from the Huq Index and OpenTable:

	September							
	6	7	8	9	10	11	12	Metric
Huq Index	48.1	48.0	48.6	49.6	52.6	53.3		YoY % change in footfall

The rest of this report contains a summary of corporate and other activity over the past week:

News in the past week

Finance & Legal

- Underground travel in the morning rush hour is -50% of pre-covid levels; it rose 10% in Bank Holiday week versus the prior week
- Insolvency Service figures show redundancies were -11% fewer in August compared with July
- 1.6 million people were on furlough at the end of June
- Mazars research says loan write-offs to restaurants and hotels rose by 65% in the twelve months to March 2021
- Northern Ireland removes requirement for table service in restaurants

Landlords

- New West End research says footfall in London's West End grew 12% during August

Restaurants

- Wagamama partner UK Youth provides young people with relevant life skills
- Wagamama is struggling to hire chefs at 20% of sites
- Fulham Shore turnover grew 27% in the three weeks to early September

Pubs

- Liberation Group LfL sales grew 26% in the three months to end August
- Scottish Parliament voted in favour of vaccine passports for nightclubs

Hotels

- STR research says hotel occupancy in August at UK seaside resorts was above 90%

Education

- Children returned school in England and Wales

Delivery

- Supper delivery launches logistics and training centre
- Supper turnover rose 700% from February 2020 to summer 2021
- Deliveroo opened an Editions site in Bristol
- Just Eat and ClubZero begin trial of reusable packaging

Around the World

- Walmart opened its first Ghost Kitchen Brands 'virtual food court' in Rochester, NY
- Domino's Pizza - DP Eurasia – sales rose 58% in the last six months
- Global air demand fell -53.1% in July versus 2019

Delivery offers of the week

- Just Eat offer "Be cheeky with 20% off"
- Deliveroo offers "20% off a new favourite" on Tasty Thursdays . On the same day ...
- ... Deliveroo offers "£7 off. A tasty little discount"
- UberEats again offers "Get 20% off your next 10 orders (in the next ten days) when you spend £20 or more"