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Weekly Briefing Report

Week ending 29 August 2021

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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

Several years ago, I started a service which I called Voucher Tracker – because that's what it did. It monitored the vouchers (what they covered, their discounts and so on) offered by casual dining and quick service operators. For a while it thrived and provided very useful insights into how some operators – indeed whole sectors – were building their sales through vouchers.

Slowly though, Voucher Tracker started to measure less and less of the real market as vouchers morphed from pieces of paper to online offers; from being offered by specific operators on their own websites, vouchers began to be offered by aggregators like MoneySavingExpert.

But importantly, although the methods used for making vouchers available changed from paper to website, the money-off enticement didn't – and the "£ off" promise became embedded in the financial structures of restaurants that lived off vouchers. A mindset of "offer a discount or die" seemed to emerge, with all that implies for profitability. Importantly, too, restaurant brands that became known for offering money-off vouchers also felt the impact on their brand positionings which were at risk from losing whatever was their previous salience and gaining a reputation for being a price-fighter with all that it implies for consumer expectations of low prices.

I was reminded of this the other day by my good friend, Steve Loughton, who has almost as many years in the foodservice industry as me. We began to speculate on where these vouchers had gone. Visit the Pizza Express website today and you won't find vouchers. To be sure, there are "offers" but they are more targeted and discriminatory than in the "old days" when all you had to do was walk into a Pizza Express restaurant and say you'd lost your voucher – you'd still get the discount on the pizza meal you were going to order anyway.

But vouchers haven't gone away. Last week, for example, I was offered "20% off lunch today" by Deliveroo, Just Eat offered me "10% off at Yamasushi on Wednesday", and "Free delivery on your next order from Subway" came from UberEats. In my view these are not offers but are direct enticements delivered through delivery apps - today's equivalent of a paper voucher.

There is clearly a fight going on here to entice customers with money-off promises. And without too much of a leap we can see the link between the former voucher format and today's "app based" deals.

Are the delivery aggregators turning into MoneySavingExpert?

The numbers

During 2020, three quarters of which was affected by covid lockdowns of varying severity around the world, Soho House, or more correctly Membership Collective Group, its parent and a global hospitality town house group, saw its revenues fall by -17%. I should, more realistically, have said "only" -17%. What is significant about that "only"?

Well, as I've implied, the hospitality sector was, to all intents and purposes, shut down for three quarters of the year; and UK hospitality businesses, specifically, were seeing their 2020 sales falling by 50% and more - but for Soho House it was far less.

So what is that is so notable about Soho House that it saw such a modest reduction in turnover? The answer is membership – and subscription. To the outside world, Soho House provides glamourous spaces, plus food and beverages to people who require it (generally for commercial, not leisure, purposes). But what drives the business is not its sales to customers as and when they want to make use of Soho House. Instead, they sign up to membership. And the true benefit of this is that income is generated no matter what the physical demand. In turn, this income is what sustained Soho House during 2020.

But it doesn't end there; membership subscriptions only continued because customers felt it to be worthwhile (when all is said and done, they were very unlikely to pay an actual visit to Soho House during 2020). That means members had bought into the very idea of Soho House. I'd call that brand-building – the brand was so strong that members were prepared to pay even though they received no benefit.

There are other notable aspects of the Soho House model. It is scalable, it minimises competition because costs of entry are high, and there is plenty of global white space waiting to be conquered (Soho House is already in cities like London and New York, while other cities, like Tel Aviv, Paris and Rome, beckon). And it's worth noting that members spent on average $3,700 with Soho House in 2018 and $4,700 in 2020 – an increase of 27% over two years (one of which was, of course, pandemic 2020). These high end individuals provide a marketing list that Soho House, in my view, has only just started to monetise.

Whatever the truth of that final observation, this isn't meant to be a piece about Soho House per se, but about the notion that businesses can create value that resides in their brand – and not their real bricks and mortar. It requires energy, time, and ultimately delivery of a service over and above a promise. There are lessons here for many – I'd say, all, foodservice businesses (indeed all businesses anywhere) – and I'd also say that understanding and communicating with customers, which is what an active membership list does, is fundamental to this too.

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

	August 23	24	25	26	27	28	29	Metric
Huq Index	44.7%	44.2%	44.3	43.4	43.1	42.8	40.8	YoY % change in footfall
Open Table	10%	53%	47%	405	39%	44%	66%	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

Finance & Legal

- Lorry driver wages increase by 10.7% in the first half of 2021

Foodservice

- Compass, Marcus Wareing, HIT Training launch culinary training scheme

Landlords

- Boxpark holds recruitment fair with DWP and launches hospitality training scheme

Restaurants

- Beefeater reports shortages of bottled beer and chicken
- Lussmanns report LfL sales up 20% on 2019 levels
- Galvin Restaurants starts training scheme for 5 hospitality / catering students
- Tortilla to launch from dark kitchens outside London

QSR

- McDonald's runs out of milkshakes and some bottled drinks in Great Britain
- Greggs reports shortages of chicken

Pubs

- Wadworth sales fell -41.1% in calendar 2020

Hotels

- Which? says UK self-catering accommodation prices are 41% higher than in 2019

Delivery

- Boots launches delivery trial with Deliveroo
- Just Eat for Business launches service for office food and consumer supplies

Suppliers

- Country Range members to use smaller vehicles to overcome shortages of HGV drivers
- National Pig Association reports surplus of live pigs growing by 15,000 a week

Around the World

- Kazakhstan restaurants and cafes to require weekend visitors to be vaccinated
- Membership Collective Group sales in the three months to early July were up 118% on 2020

Around the World Delivery

- Just Eat required by FTSE to change to Dutch nationality
- New York 25% delivery commission cap to be made permanent

Delivery offers of the week

- Deliveroo provides a list of 4 local legends
- UberEats provides free delivery on next order from Subway
- UberEats offers 25% off the next ten restaurant deliveries over next ten days – minimum order £15; maximum discount £100
- Uber provides 50% off grocery deliveries over the Bank Holiday