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Weekly Briefing Report

Week ending 17 October 2021

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About the Weekly Briefing Report

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 more in-depth 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

My insight

The world can be very cruel. After a year and a half of trading (if you're lucky) at a fraction of what you're used to, you are facing a vision, if not of sunny uplands, then at least of large scale improvement and security. And then, wham!, you're hit by a whole barrage of issues that nobody has a right to expect. But out of this wreckage there are some signs for real hope.

It's trite to observe that the period since early 2020 has been difficult for hospitality (and for the rest of the world). But that, by way of convenience, is where I'll start. The past difficult times have included periods of fear, of lockdowns, of pingdemics, of extremely awkward and problematic discussions with employees, landlords, suppliers and many other stakeholders. It's been a time of hopes that have been dashed. But above all it's been a time when the hospitality sector has proved resilient.

And without being misty eyed it has done this, in my view, because of the nature of hospitality that lies at its core. As I have often argued, this essential nature is about people – about welcoming them, respecting them, caring for them. In times of difficulty these are excellent traits to have – they call forth self-help and resilience, assisting those less fortunate, arranging things selflessly with friends, and strangers. As I say, I think these things are true, no matter how misty-eyed they may appear.

Before there are good times again for the hospitality sector, the route has become strewn – almost suddenly and out of nowhere – with a barrage of problems that economics and politics have cast in its way. There is the difficulty of recruiting staff (and the subsequent need to close businesses down because of workers have become unavailable), and the difficulty of sourcing essential product. And the spectre of widespread inflation is on the prowl again for the first time in thirty years. And all this comes on the back of expected headwinds such as the repayment of debts (some are extremely substantial) that are coming due to suppliers, government, and landlords. And VAT, National Insurance and the National Minimum Wage are on the rise.

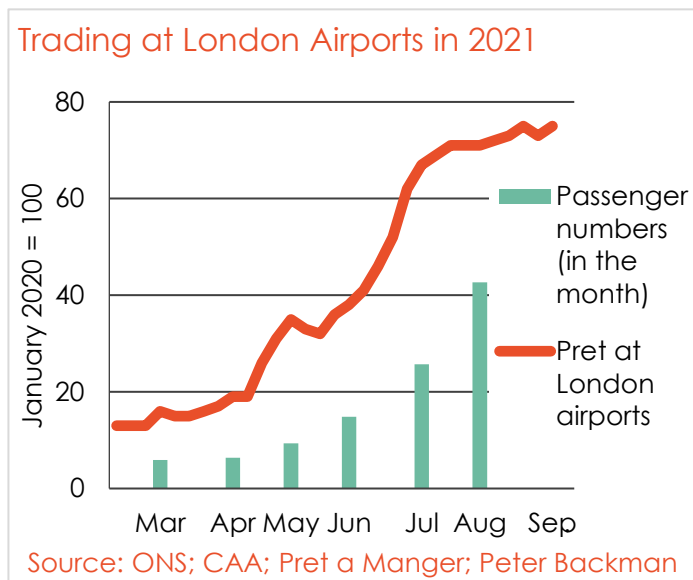
These, mainly unforeseen and unforeseeable, problems have landed just when things looked as though they'd start improving. It's cruel.

The hospitality sector is going to have to call on its huge reserves of willpower to get across to the other side. It will get there, but there will be casualties along the way. Hospitality is populated by strong people who are flexible and love working in the sector. These strengths will stand them all in good stead.

The numbers

Numbers don't lie but they do tell stories. One particular item published by ONS caught my eye last week – it was all about transactions at Pret a Manger stores. The detail was impressive, and specific section concerned weekly trading at Pret's 11 sites at London airports – Heathrow, Gatwick, Stansted, Luton, and London City.

The figures showed a dramatic pick up since the start of the year – up over five times by September. But other data on (published by the CAA) showed passenger numbers were up by a factor of seven times over the same period.



Pret's figures also showed that their transactions at London airports in August were down -30% compared with January 2020 (ie before covid struck); but actual passenger numbers were down -45%. What are we to make of these differences?

It is often attractive to select numbers that tell the story we want to tell. "Pret's sales at its London airports are back to 70% of pre-covid levels" for example. But can we use Pret's numbers as a proxy for passenger traffic? Not legitimately because the actual numbers don't support that conclusion. The data I've quoted provides two different stories. The differences may be due to many factors: different

definitions, different methods of calculation, different periods, changes in the value of transactions or changes in Pret's footprint at London airports (perhaps they have opened more stores, or replaced stores in lower traffic areas with ones in more propitious locations?). For someone trying to find out how London airport passengers have changed since the start of covid there is broad agreement in the numbers – they are up substantially. But for someone trying to put a value on Pret's performance, there is confusion – their transactions show good growth but not as much as the growth in the available traffic.

When using numbers, it's important to recognise the audience they are addressed at – investors in Pret may well appreciate a story that is different from the one favoured by, say, Extinction Rebellion. The clue is to look behind the numbers and ask: What are they actually measuring? As I say, the numbers don't lie but it's important to keep a sceptical eye on what the promoter of the story is telling and then dig behind numbers to see the story they are actually telling.

While we wait to see what happens, here are the latest numbers:

	October							
	11	12	13	14	14	16	17	Metric
Huq Index	48.8	50.0	49.9	51.5	53.2	53.4		Change in footfall Feb 2020 =100
Open Table	8%	9%	13%	22%	25%	35%		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 and Legal

- Company insolvencies in September were 56% up on the same month last year as government support is removed and costs rise

Foodservice

- Accommodation and food service activities grew 10.3% in August – accommodation up 22.9%, food and beverage service activities up 5.9%

Restaurants

- Turtle Bay LfL sales up 76.6% on 2019 levels since restaurant reopening in mid-April
- Coco di Mama trials food to go at Sainsbury's
- D&D London confirms chef training programme to become permanent – 50 chefs have already graduated

QSR

- Domino's Pizza Group LfL system sales up 6.4% in the third quarter
- Domino's Pizza Group LfL delivery volumes fell -1.2% in the third quarter

Pubs

- Mission Mars LfL sales up 13.1% on 2019 levels since restaurant reopening in mid-April
- Marston's food sales up 2% since end July versus 2019 – drink down -1%
- Marston's increases menu prices by 20p to 30p
- Loungers LfL sales up 26.6% since third week in May
- BrewDog bars sales rose 3% in mid-October versus 2019

Leisure

- Heathrow passenger numbers -62% in September versus 2019

Staff Catering

- Compass Group makes commitment to global net zero by 20250

Delivery

- Just Eat UK orders up 25% in the third quarter of 2021 versus 2020
- Manakish & Naanza now available on UberEats

Suppliers

- Boparan expects cost of chicken to rise in excess of 10%

Delivery offers in the week

- UberEats: 50% off groceries
- UberEats: Buy one, Get one free
- Deliveroo: At least 20% off with Tasty Thursdays
- Deliveroo: Save up to 25%
- Deliveroo: Get £7 off your next order