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Weekly Briefing Report

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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 handwritten notice pinned to the door of The King of Prussia said "We open at 4:00". I continued my walk. Down the hill to the brook and along the path strewn with fallen, crisp, brown leaves. Big drifts of sycamore leaves, deeper than last year's I thought. At the place where the stream was forging an oxbow (it will take several more years), it was taking its languid time to round the bend; a few weeks ago it struggled and fought with its rain-sodden self as it raced round the corner.

Now, the sun was setting, red and low over the rooftops beyond the trees. Up the hill, along Lovers Lane where the blackberry bushes, looking tired, still had the remnants of the autumn crop, black and shrivelled now. It was getting cold – I put on my mask to warm my face.

And so back to the high street and to the supermarket for some apples; the choice was less than usual but they were very cheap (how is it possible to supply apples at less than 20 each – what is the cost to the grower?). Then to my office.

What is the point of this introspective ramble? It's this. Two years ago, I didn't take long, meditative walks (walking is what I did to get from one place to another), pubs weren't closed until mid-afternoon and supermarket shelves were stocked with far more products than I could legitimately try in a year (or even a lifetime).

This difference has been brought about by covid. And in the sense that I've been talking about here, covid has taken me (us?) back to an earlier time where it is possible to get in touch with the world as it wants to be, not as we want to make it.

Is that earlier world a better world? In some senses, yes – there is less pressure to change, change and change again. But it is less responsive to our immediate needs (something which we now take for granted as being a fundamental right – but is it?).

And is this just a passing phase before we get back to our world of two years ago? I am not misty-eyed about the changes that I've noticed (and they may anyway only exist in my mind), but I think a nudge in the direction of the world that we lived in March 2019, to an earlier world, might not come amiss.

Would it be a change for the better? I don't know – but, in the round, maybe it would be. And is it likely to come about? I am not hopeful, but I can hope. I hope you can too.

The numbers

In August I wrote about grocery delivery and posed the question "who will win the land grab"? Ultra-fast grocery delivery – less than 30 minutes, even 10 to 15 minutes, from placing the order to delivering it – involves a host of companies in the UK (and it's taken the rest of the world by storm too) that includes: Getir, Gorillas, Dija, Weezy, Flink, Genie, Cajoo, and Fancy (and I have no doubt left some out).

What has happened to the ownership of these companies recently that might shed light on my initial question?

Clearly a lot is going on to shape and reshape ownership in this rapidly (and I mean rapidly) developing market segment. What were 8 companies last summer have now become 3. And these 3 – Getir, GoPuff, Gorillas (together with its trade investors: Delivery Hero and DoorDash) - plus Amazon in the background, have raised large war chests for investment in operations, marketing, technology – and acquisitions.

What has happened in the past few months?

- **Delivery Hero** (the restaurant delivery company) has accounted for almost a quarter of the $1billion raised by fellow German-based **Gorillas** in its latest funding round
- **DoorDash** has also taken a stake in Gorillas
- **Getir** has acquired **Weezy**
- **Dija,** founded by a couple of Deliveroo alumni, was acquired by **GoPuff**
- **Genie** had been acquired earlier this year by **Dija**
- **Fancy** had also been acquired earlier this year by **GoPuff**
- And there has been other activity too: Carrefour had invested in **Cajoo** over the summer, there has been talk of **Amazon** and GoPuff investing in **Flink,** while **Deliveroo** branded its grocery delivery business as "Hop".

The smallest fruits, in the UK at least, have now been picked off. What happens next? More of the same is the answer – across the world. And once all the smaller players have been hoovered up, the large players will slug it out amongst themselves. Let's hope there is enough profit at the end of the day.

But one thing stands out for me: and that is the way in which entrepreneurs, seeing an opportunity to create something for sale quickly, have created businesses with the specific intention of selling them on.

Is this unique and something new? Well, no. In the early days of online restaurant marketplaces, Just Eat was just one in a market that included entrepreneur-driven brands like fillmybelly.com and Urbanbite in the UK, ClickEat.it (in Italy) and Allresto (in France) – all were acquired in the space of 18 months.

So, creating a business with the objective – indeed the purpose – of being acquired is not new. And it has happened within the mainstream foodservice market too. The Seattle Coffee Company was founded in the UK by Ally and Scott Svenson in 1995. It was a small business that the founders deliberately based on a fairly unknown (in the UK at any rate) US company called Starbucks. The Seattle Coffee Company thrived, and when it reached the grand total of 18 stores in 1997, Starbucks stepped in, acquired the business and transformed all 18 stores to Starbucks livery over a single weekend (they could do that because the Starbucks infrastructure had already been built in by the Svensons). And the rest is, of course, history

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

News in the past week

Financial & Legal

- Government launches a public consultation on single-use plastic cups, plates etc
- A new covid variant - nu in the Greek alphabet – was identified in southern Africa

Restaurants

- Restaurant insolvencies grew 31% in the last quarter

QSR

- EG Group will take a Pizza Hut franchise for the on-the-move market
- Leon opens its first drive thru, in Leeds
- Pret a Manger volumes fell -13% in London in mid-November versus January 2021; Yorkshire was 61% above January 2020, and London suburbs were up 35%

Pubs

- Mitchells & Butlers LfL sales rose 2.7% in the two months to end August versus 2019; food sales were up 9.5%, drink sales fell -4.8%
- Arc Inspirations sales grew 42% since mid-July versus 2019

Leisure

- A London tube strike on London deep lines took place on Friday

Around the World

- Netherlands restaurants and bars to shut from 17:00
- Compass revenue in the last quarter was down -11.5% versus 2019
- Compass sales to corporate clients in the last year were down -38% versus 2019; healthcare sales up 7%
- Elior sales fell -14.6% in the last quarter versus 2019; international was down -10.1%, France down -14.9%
- Ireland placed a midnight curfew on pubs, bars and restaurants – not a lockdown as I stated last week; entry is limited to vaccinated

Delivery offers in the week

- Getir acquires Weezy, grocery delivery company, in UK
- Deliveroo: Black Friday 25% off on £20 or more on Monday to Friday
- Deliveroo: Get off with your first order
- UberEats: Get 35% off your next 10 orders up to £100
- UberEats: Enjoy £5 off at some of your local favourites
- Plateaway: 25% off – pre-Black Friday sale
- Plateaway: 30% off - Black Friday sale