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# Weekly Briefing Report

Week ending 6 February 2022

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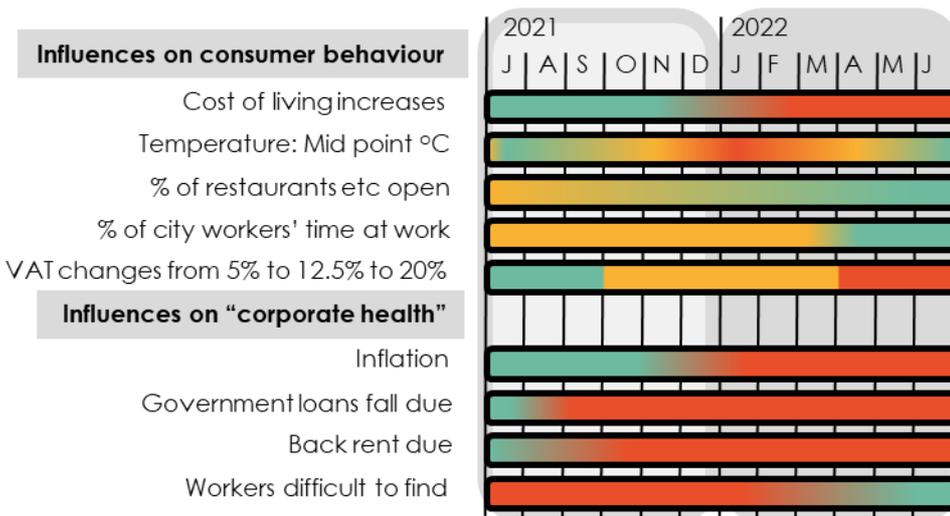
About the Weekly Briefing Report

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

The Numbers

The virus is back. The graph shows a large spike with growth of over 75% in a matter of weeks. And where does it go from there? The graph postulates a steep decline but taking until the end of next year or even longer before getting back to normal, manageable levels. Inflation is officially taking hold. Expected by the Bank of England to reach over 7% by April, its malign effects are, and will continue to be, felt by everyone and every business.



So that's for certain, and while several vaccines are being used to rid us of this particular virus, the one most of us will notice is the increased cost of borrowing or lending – that's good for people living off investments, bad for most others.

Rising food costs are not new for the foodservice sector – they rose to elevated levels in 2009 and then again in 2012. And more recently, the sector

has, for quite a while, once more been grappling with rising costs – food, energy, labour. The forecast is that each of these costs will be getting more pronounced. But probably more importantly, customers, now with less money in their pockets, will be making spending decisions that may not be good for eating out operators. And the solutions are by no means obvious: increasing meal prices won't do much good if they frighten customers away, for example.

Without the space to go into detail about the ramifications of increased inflation, I am instead sharing the Heat Map from my just-published Quarterly Briefing Report (available to subscribers to my Premium Briefing Report series). Significantly, I have had to replace two metrics – the ending of the furlough scheme and effective levels of immunisation – with two metrics that are focused on cost – one is inflationary pressures on operators, the other is the rising cost of living for consumers. This reformulated Heat Map is flashing red at both the operational and consumer demand levels.

Tricky times lie ahead.

## My Insight

Deliveroo says its mission is *“To transform the way customers eat”*.

Correctly crafted, a mission statement gives a glimpse into the soul of a company. Effectively employed, it becomes the benchmark against which decisions are made – *“Is this decision, which I am about to make, in accord with our mission statement?”*. Not all mission statements meet these stringent objectives. But nevertheless, each will have been created by someone, or some group of people, who have thought about the company's mission; the statement also will have been signed off at a high level. So, we can assume that a company's mission statement provides, at a minimum, a useful reference against which to measure what it thinks is its role.

Issues raised in mission statements are important because, so long as a company is aligned with the concepts embodied in the mission statement it will tend to eliminate (or reduce) conflicts between thoughts and actions. And the mission statement will put the company in a prime position to assess how to interact with its customers, suppliers, business partners, and investors.

What then do we learn from looking at mission statements from some businesses within the expanding world of foodservice delivery? A key word in Deliveroo's mission statement is *“transform”*; Deliveroo wants to change things. Is it succeeding in this endeavour? Uber Eats, on the other hand, is far more transactional; it says *“The easy way to get the food you love”*. Note *“easy way”* – simplicity seems to be the cornerstone. To what extent does UberEats live up to this?

What do Reef Technologies, the fast growing dark kitchen site owner and partner of restaurants and delivery companies alike, have to say? Its mission is to be *“The ecosystem that connects the world to your block”*. That seems to mean that Reef is much more than about providing food; it is about general actions linking supplier and supplied. Do actions live up to aspirations?

And how does that thought fit with Just Eat Takeaway's mission *“To be the best food delivery company on the planet”*? To be the best is a great ambition (even though it needs fleshing out a bit – *“best”* in what ways?).

Delivery of course is more than just for aggregators; it requires willing operators to be on its platform. That makes the mission statement of the UK's leading restaurant delivery company, Wagamama, worth noting: *“To combine fresh and nutritious food in an elegant yet simple setting with helpful, friendly service that offers value for money”*. That's pretty comprehensive but it doesn't mention, or even encapsulate, the idea of delivery. In fact, the opposite. So how does the company manage this dichotomy? I ask because I don't know the answer.

On the other hand, the world's largest quick service operator, McDonald's, has this to say: *“To make delicious feel-good moments for everyone”*. It's not about the *‘what’* but the *‘how’*; the emotions are more important than the burgers. How does this mission fit with Deliveroo's aspirational statement? Or UberEats' transactional one? Do they have enough elements in common to enable a harmonious relationship between delivery company and restaurant chain? To what extent do *“feel-good moments”* embrace *“The best ... on the planet”*?

Corporate personality is important in corporate relationships - mission statements are a way to measure how these fit together.

The rest of this report contains a summary of activity over the last week:

## News in the past month

### Financial & Legal

- Scotland to still require vaccine passports for nightclubs
- Bank of England agents report supermarkets have seen pickup in business as consumers cut back on dining out

### Landlords

- Shaftesbury collected 88% of rent due in the final quarter of 2021

### Restaurants

- Hickory's Smokehouse sees LfL sales up 25% in January
- Hub Box turnover was up 75.0% in calendar 2021 versus 2020
- Wagamama to open dark kitchen in Preston retail park

### QSR

- Pret A Manger UK transactions were 71% higher in January versus March 2021; London was 49% higher; Scotland was 102% higher

### Staff Feeding

- BaxterStorey turnover at -25% of pre-Christmas level

### Suppliers

- AG Barr turnover up 17.5% in the year to end January

### Around the World

- Starbucks global turnover rose 19.3% in the final quarter of 2021
- Compass Group sales were up 38.6% in the final quarter of 2021; now -3% versus pre-covid
- SSP Group turnover was -43% below 2019 in the seven weeks to end January; and -34% in October and November 2021

### Delivery Offers in the Week

- Deliveroo: Enjoy your delicious 2 dine in for £20 deal
- Deliveroo: We say 20% (or more)
- UberEats: Get 20% off your next 10 orders
- UberEats: Still time to get 50% off the weekend shop
- UberEats: 40% off groceries to get you over the last hurdle
- UberEats: Free item from your local favourite this Eat Wednesday
- UberEats: 30% off from McDonald's