

WEEKLY BRIEFING REPORT

Week ending 20 March 2022

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2nd Anniversary edition

My Weekly Briefing Report is two years old. And this is the 100th edition.

In the first anniversary edition, a year ago, I set out a forecast of what I would be saying in this second anniversary edition. I set my focus on three changes and issues which, I predicted would form the leitmotif of the foodservice sector over the past year. In taking that look into the future, I acknowledged what Confucius – the Chinese philosopher who lived in the 5th century BCE and whose sayings are still quoted today - might have said but didn't: "He who lives by the crystal ball soon learns to eat ground glass!"

I put forward my forecast under three headings – a **post lockdown surge** in demand, the onward expansion of **delivery**, and **working from home** changing the face of the world.

A year has gone by and let's revisit what I said a year ago under those headings.

Do I have to eat ground glass? Let's see what I said, and you can be the judge.

1. There was a post lockdown surge in demand

What I wrote:

"When restaurants and pubs were allowed to reopen fully in May 2021 (for indoor as well as alfresco dining and drinks), LfL sales shot through the roof exceeding 2019 pre-covid levels. Not even the decidedly average weather was able to dampen demand".

What happened?

Sales did indeed expand – although probably not "through the roof". But the weather was definitely "average" with typical temperatures 1.5°C below the long-term norm.

I also wrote

"Demand in May 2021 was driven by two major factors. The first was the spirit of breaking loose the second was the additional money that many people had been able to save during the year ..." and "even the smallish number of people who were reluctant to leave home ... was insufficient to reduce the excitement".

What happened?

Those factors were noticeable during the early summer of 2021.

I ended this section of my forecast with this:

“But it did not last and within a month or two, sales in those outlets that were not permanently closed, fell back to more normal levels. But because the stock of restaurants and pubs had fallen during covid, aggregate demand was measurably below pre-covid levels. Despite continuing rules about social distancing and despite scares over an upturn in covid-levels in the autumn, as 2021 progressed demand picked up”.

What happened?

Although that was broadly the situation through to the end of November, I didn't foresee the 'pingdemics'. But I really tripped up when I noted “Christmas trading was good and promised further growth in 2022” - I forgot to forecast the omicron variant. But I think I could be forgiven for not forecasting that.

My score on this? 8 out of 10?

2. Delivery had grown, is growing and will continue to grow

What I wrote last March:

“Operators pivoted to delivery during covid because it was the only source of revenue (apart from some take away business)”. And I went to say that as lockdown restrictions were removed in 2021 “people started to walk in to QSR outlets and dine in at restaurants and pubs, previous stellar growth rates for delivery fell during 2021”.

What happened?

Delivery growth rates started to slow in the second half of 2021 and into this year.

I also wrote that:

“During 2021 there was further consolidation in the [delivery] industry globally.”

What happened?

You only have to look at the acquisition of Wolt by DoorDash, and Glovo by Delivery Hero, to see that it was so.

I then went on to say:

“The high costs (commission rates for operators; last mile delivery and marketing costs for deliverers) continued to change the nature of relationships between restaurants and customers, deliverers and restaurants, and even deliverers and customers. Ways of mitigating these costs began to change the dynamics of the market. And the growth in investment in dark kitchens, especially from businesses with a property focus, continued to grow, but investment started showing signs of being rather ‘frothy’”.

What happened?

Writing those words today, I would not deviate from any of what I wrote a year ago.

I ended this section by saying:

"... a lot of the growth [in delivery] engendered during covid is dissipating and the sector is beginning to face a challenging future of modest growth and rising costs".

What happened?

I may have been a bit premature in writing that, but these issues are definitely in the air.

What score would you give me for my forecasting the place and status of 'delivery'? 8 out of 10 again?

3. Working from Home is changing the face of the world

My third topic was the impact of changing work practices.

Twelve months ago this is what I wrote about what we would be saying today:

"The net result, for the foodservice sector, is that people working at their place of work have fallen by somewhere around 20% or 30%. This reduction in worker numbers has caused caterers to rethink their working models by reducing costs and increasing flexibility. The emergence of delivery-based services, subscription services and other initiatives are changing the face of this venerable sector".

What happened?

The latest figures from ONS suggest that commuter numbers are down by 20% to 30% compared with pre-covid levels

I went on to say:

"And operators that depend on commuters, whether travelling to and from work, taking lunch or meeting customers and colleagues outside their office environment, have had to evolve their location strategies, their menus and much else. Many have gone out of business. Others have emerged from nowhere".

What happened?

Responses to changes in commuting patterns are very noticeable – from the development of the Pret subscription model to the growth of delivery services, such as Deliveroo for Business, aimed at office workers.

I ended this section by saying:

“There have already been many changes arising from changing work patterns; more will come.”

My score on forecasting the effects of working from home? 9 out of 10?

Looking forward to the coming year

Turning back to the present, concerns over covid and its impact on the foodservice sector seem to have disappeared in the spring breeze, to be replaced by the war in Ukraine with its impact on consumer – and operator - sentiment and the impacts of the many sanctions imposed on Russia.

This no doubt simplifies a much more complicated picture, whatever the outcome of the war, it will not be good, especially for the people of Ukraine, but also for the UK foodservice sector.

And allied to this regrettable situation, the foodservice sector is going to have to cope with higher prices – in cases much higher prices – food and fuel (and labour) which account for about 80% of the sector's costs.

And then there is an increase in the rate of VAT – from 12.5% to 20%. Not to forget the removal of the rent moratorium which means that some landlords will be knocking on doors demanding their unpaid rent be put right.

And then there is the customer whose spending power will be diminished by the rising costs of food and fuel, and rising taxes.

The outlook is bleak – or perhaps it is just very uncertain and, like it always has, the foodservice sector will fight its way through to the other side.

I think it will. Let's see what it's like in a year's time.

Want to know more?

I write The Weekly Briefing Report to provide an immediate view of the market. My [Premium Briefing Report service](#), which includes Monthly and Quarterly Briefing Reports and other benefits, provides a more measured and analytical view. You can find details [here](#) of how to subscribe to this premium service.

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.

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

News in the past week

Financial & Legal

- Insolvency Service reports February insolvencies up 40% versus 2020

Foodservice

- Bank of England reports that demand in hospitality, entertainment and leisure sectors picked up in recent weeks as omicron concerns dissipated
- Bank of England reported that lower-priced pubs and restaurants generally outperformed their mid-market counterparts

Restaurants

- Hostmore LfL sales down -3% in first two months of 2022 versus +4% in last 6 months of 2021
- Wagamama LfL sales up 21% in first two months of 2022
- Restaurant Group LfL sales up 38.4% in first two months of 2022; pubs and leisure grew 11%, concessions fell -41%

QSR

- Wasabi trading on Tuesdays to Thursday back to 2019 levels
- Burger King restaurant in Leicester Square to be fully vegan for a month

Pubs

- Nightcap plc sales grew eight-fold in the second half of 2021 versus 2020
- JD Wetherspoon LfL sales fell -12.4% in four weeks to 20 February

Hotels

- London hotel occupancy at 58.8% in February – highest since November 2021

Leisure

- Vacancy rates in the leisure sector was 14.4% in second half of 2021 versus first half of the year according to LDC
- Cineworld box office revenues up 111.3% in last quarter of 2021 versus prior year

Delivery

- Just Eat to offer app users a 'waste less' option for fries

Around the World

- Jamie's Italian to close its restaurant in Russia
- Burger King to suspend corporate support and investment approvals in Russia
- Yum! turnover in China fell -20% in first half of March due to covid
- Soho House turnover was up 158% in last three months of 2021

Around the World – Delivery

- Deliveroo revenue rose 57% in 2021

Delivery Offers in the Week

- Deliveroo: We say 20% off (or more). Your Tasty Thursday just got tasty
- UberEats: Buy One, Get One Free from selected favourites
- UberEats: Get 20% off your next 10 orders