WEEKLY BRIEFING REPORT

Week ending 10 April 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

My insight

I've mentioned this before, but a couple of things arose last week which have heightened the issue for me. I'm talking about eating out as a fun experience versus eating out because you need to.

What brought these thoughts about last week, was that I was interviewed several times on the radio on the new calorie labelling regulations. The interviewers covered quite a lot of ground but invariably asked me questions about what customers will be thinking when they see the calorie count alongside each menu item. "Will it spoil the experience?" they asked. Also last week, I participated in an informative and very wide ranging TrendTalk webinar organised by Rational, the foodservice equipment manufacturer. Amongst the topics we discussed was the ways in which delivery removes the personal and replaces the customer experience with the impersonal. These two thoughts are tied together by what customers feel when they eat out. Taking this further: Do they feel better because they have had the chance to enjoy themselves? Do they feel better because they have eaten and been satisfied? Or do they feel just as they did before? In other words, has the eating out experience changed their state of mind for the better?

Now, relating that to what restaurants actually do, it seems to me that they do two, fundamentally opposing, things for customers. When the customer's main objective is getting food and consuming it, restaurants provide a transactional environment – meaning that food plus speed, price, and immediate satisfaction are some of the key drivers. But when the customer's purpose is to have an enjoyable experience, food is a mechanism for drawing the customer in, and the food is enjoyed for its own sake (perhaps because it's beautifully prepared, or it's full of flavour, or it's unusual, or it's unexpected, or for one of many other reasons). And of course, while eating to be satisfied or for its own sake, may be a binary (either / or) choice for an individual customer on a specific occasion, it is not necessarily a binary choice for a complete range of customers. And this provides a challenge for operators: Should they cater for the transactional occasion? Or the enjoyable experience? And if they try to satisfy both, do they then run the risk of probably doing neither well?

It's questions like these that should exercise the minds of people setting up a restaurant. And because the concepts and answers are slippery, it requires a particular type of mind to work out what's needed and what's going to succeed.

I believe we'll be seeing the results of lots of thinking along these lines as the restaurant sector remoulds itself over the coming months and years. Is it going to be transactional – or enjoyable?

The numbers

Don't stick your neck out or you'll get your head chopped off. Last week I did stick my neck out and while I definitely didn't have my head chopped off, I had an interesting subsequent exchange of views which has encouraged me to provide a second opinion on what I wrote: "It's time to give up the reassurance of comparison with 2019 and start embracing the real changes that are being seen in corporate performance. It's time to be weaned off 2019."

I still think that is sound advice for most industry commentators, as well as marketing, sales and other people in the supply chain. They may find it comforting to look back over several years but not if it dilutes views and insights into what has happened in the more recent past; similarly, it can be misleading to be insufficiently questioning of how a view of the market may be based on flawed comparisons.

However, for people who need to cast an unwavering, critical eye over the actual financial performance of a company – that is investors, lenders and other financial people – there is the need for another perspective.

The last two years – 2020 and 2021 – were abnormal. Trade was shut down for months at a time. So current year comparisons with those two years are likely to be flawed at best. 2022 compared with 2021 cannot be anything but a startling improvement. Added to that, in those two years there were a number of government initiatives – loans, employment support via the furlough scheme, tax forgiveness to name just three. These initiatives distorted cost performance, and therefore margins and profitability, and they affected balance sheets, making them look much better (or far less bad) than they would otherwise have been.

So, for much financial analysis, the base year has to be 2019 – the last 'normal year' – until once again, the last 'normal year', is the immediate past year. I hope this will turn out be 2022, and perhaps for companies for whom December is not a major trading period (in case you have forgotten, there was an omicron-induced lockdown for pubs and restaurants at Christmas last year), maybe they can usefully report comparisons with a year ending some time in the last six months of 2021.

There is another point to bring into this comparison issue. It is important to acknowledge that inflation is an extremely useful 'get out of jail' card for companies that need to inflate their figures to show positive growth. Inflation is ramping up, and will continue to do so for some time. So it will be important to hold companies to account for the full impact of inflation on their figures so that they don't appear to have performed better than they actually have. that is really an issue that comes under the heading of 'Like for Likes' about which I had some observations under the rubric "Sales are vanity; profit is sanity; cash is reality" In my Weekly Briefing Report at the end of January.

And while I am in the mood to acknowledge some alternative views, I'd like to thank those people who pointed out that it was Edward VIII who abdicated – not Edward VII as I said in my Weekly Briefing Report of 28 March. I really value and enjoy your comments and corrections – it's one of the things that keeps me writing. Please keep them coming.

As usual, the rest of this Weekly Briefing Report contains a headline summary of activity over the last week:

News in the past week

Financial & Legal

- National Insurance rates – employers' and employees' - increased by 1.25%

Foodservice

- Hospitalityforall.co.uk, headed by Burger & Lobster with 170 supporting companies, set up to recruit Ukraine refugees for the hospitality sector

Restaurants

- Restaurants with more than 250 employees to show calories on menu
- Wagamama reopens all its airport sites

Pubs

- Paragon Pub Group turnover fell -41.1% in the year to end June 2021

Leisure

- Aircraft flights cancelled – 1,143 in total in the last week of March
- Hollywood Bowl sales rose 36.3% in the half year to end March versus 2019
- Manchester Airport expects passenger delays to last for weeks

Delivery Offers in the Week

- Deliveroo: Feast on free delivery
- Deliveroo: Get £10 of your next order
- Deliveroo: Score winning deals this weekend
- Deliveroo: We say 20% off (or more) - Tasty Thursday
- Just Eat: Collect rewards with our Stampcard programme
- UberEats: 30% off from McDonald's
- UberEats: Get 35% off your next 5 orders
- UberEats: 50% off groceries
- UberEats: 50% off to fill your fridge
- UberEats: Save £8 from selected favourites this Eat Wednesday