

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. I offer a choice of monthly and annual subscriptions, 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

A trinity of changes is pressuring the foodservice sector – principally restaurants (both full service and quick service) but affecting others too, notably hotels, contract caterers and perhaps pubs. And these are the three changes: Working from Home, Travel and Delivery - I have discussed their current impact in some detail in my [Quarterly Briefing Report](#) for April which is available to subscribers to my Premium Briefing Report series – available on monthly or annual subscription.

But here I'd like to investigate what this trio tells us about our view of the sector – and where we should perhaps be pivoting our thinking. My starting point is to highlight some significant points about each of the three issues.

First: Working from home. What does this movement actually mean for foodservice? It is shifting the shape of demand although not reducing it. Whether people work from home or from an office, they need to be fed and watered. But the places where this occurs are shifting from city centres to suburban and rural areas, from workplace feeding to local coffee shops and restaurants, from foodservice to grocery and back again.

Second: Travel. Residual fears over covid, combined with working from home, have reduced travel – whether local (to work perhaps), or international (for both business and leisure). These shifts exert an impact on foodservice in many ways. For example: The City of London and Canary Wharf suffer from working from home; the West End, suffers both from loss of overseas tourists, and working from home. Less travel reduces aggregate demand for foodservice in places such as these; even though the demand may still exist, changes to travel are transporting it to other places, such as outer suburbs which benefit from working from home, even while inner suburbs are probably much as they always have been. So a question arises: Where is the customer being fed?

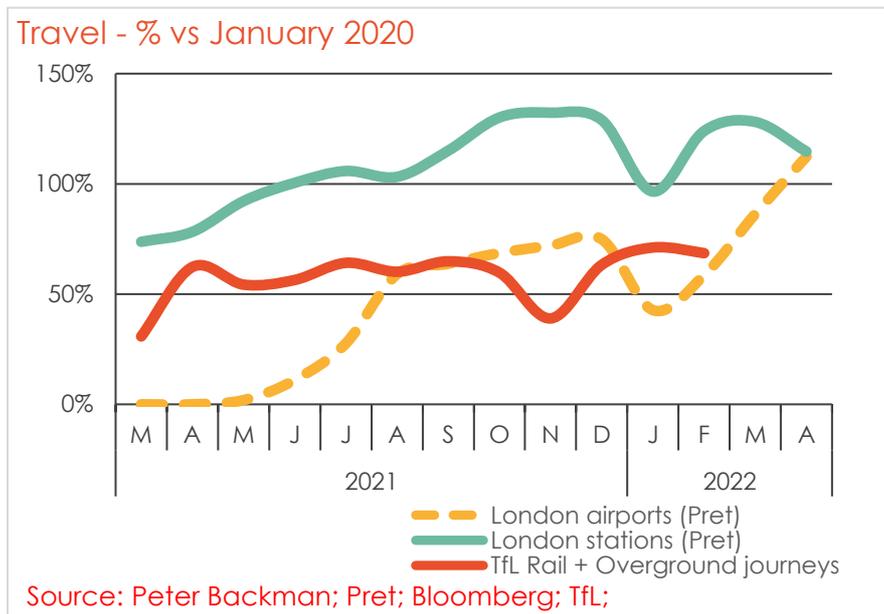
And third: Delivery is driven fundamentally by consumer demand – and in the UK, as elsewhere, consumers are demanding food to be delivered to their homes. A number of formats are involved including: restaurant delivery – (mainly) hot, prepared food delivered to people at home within about 30 minutes; restaurant meal kits – restaurant food that requires 'finishing' off, delivered up to a week after ordering; ultra-fast grocery delivery – groceries delivered within about 15 minutes.

Taking all these issues together, it seems to me that may be a useful way to look at the market is not from the aspect of: **who** is the customer? Instead, the question we may usefully be asking ourselves when developing new ideas for the foodservice sector is: **where** is the customer?

The numbers

I'd like to add a bit more flesh to the bones of the question I asked under **My insight**: "Where is the customer?". And provide an example of what this means in practice.

One place where the customer may be found, is on a train, or more specifically at a station. What



do some available figures show? Transport for London (TfL) publish figures for passenger journeys on their rail system (as opposed to underground, buses, DLR, tram and even the Emirates cable journeys across the Thames). The most recent figures are shown in orange on the accompanying graph. They depict a broadly static picture between September last year and February this year (more recent data hasn't yet been published). And the figures also show that journeys are averaging out at about 60-70% of January 2020 figures. In other words, train journeys in London

are stabilising at, say, 65% of pre-pandemic levels. That means that 35% of the opportunities to feed passengers have gone missing because the passengers have gone elsewhere.

Now look at transaction figures from Pret a Manger (published by Bloomberg). The green line shows more variation than the TfL figures. But allowing for that variation, overall the line has stabilised at about 120% of pre-pandemic levels. So, these figures show that Pret has found more customers (or, more strictly, more customer occasions) than is represented by the TfL figures for changes in the actual numbers of passengers. This, I suggest, is because Pret has asked the question: "Where is the customer" – and the response has been: "The customer is not at the station. So what must we do?"

Pret launched a subscription model in late 2020; was this because management having asked "Where is the London customer?" had subsequently come up the subscription model as their response to the answer? Possibly. But, whether or not it was the reason behind the launch of the subscription model, it may work for train journeys but perhaps not in other places.

Take airports. Pret's transactions have increased substantially over the last few months in London's airports – the dotted yellow line shows how they have grown. But passengers in airports are much less likely than rail travellers in London to have a Pret subscription – they will include much larger numbers of overseas travellers as well as Brits who live in places where there is little chance that they'll be able to frequent a Pret. At the same time, overall passenger numbers are unstable – John Holland-Kaye, the CEO of Heathrow, has observed that current high levels of traffic are unlikely to be sustainable over the medium term. So it will be revealing to find out what answer Pret come up with for addressing the question "Where is the airport customer?"

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

News in the past week

Financial & Legal

- Voluntary insolvencies in Q1 2021 in England and Wales were double 2021 figures

Retail

- Empty retail outlets in the first quarter of 2022 were 14.1% of available outlets

Restaurants

- Whitbread food and beverage sales in the six months to early March grew 163.4% versus 2021

QSR

- Costa starts trial of recyclable lids for coffee cups
- Pret Express launched in two locations in Glasgow and one in Barking

Pubs

- Pubs to be allowed to open to 01:00 over the first three nights of the Platinum Jubilee – 2 to 4 June
- Nightcap net sales were up 52.7% in the most recent quarter versus 2019; LfL sales were up 27.7%

Hotels

- Premier Inn sales grew 326.6% in the seven weeks to mid-April versus 2021

Suppliers

- Chapel Down turnover grew 8.8% in calendar 2021
- Lavazza turnover grew 11% in calendar 2021

Around the World

- Coca Cola Co turnover grew 18% in the latest quarter versus 2021
- Chipotle Mexican Grill global sales increased 16% in the first quarter of 2022 versus 2021 – and 9% on same store basis
- McDonald's global same store sales for international operated segment (includes UK) grew 20.4% in the first quarter of this year versus last year

Around the World Delivery

- Delivery Hero GMV grew 31% in the first quarter of 2022 versus 2021

Delivery offers in the week

- Deliveroo: Open me for 20% off (or more)
- Deliveroo: It's Tasty Thursday. Treat yourself to 20% (or more)
- Deliveroo: Get up to 25% off bank holiday Meal Deals
- UberEats: 50% off Bank Holiday food and drink
- UberEats: Get YO! hands on 25% off sushi sets
- UberEats: 20% off your next 10 orders