

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

We are about to witness an experiment in the restaurant industry. McDonald's is in the process of selling its interests in Russia. According to industry reports, Alexander Govor, the new owner, will rebrand the chain and change the menu.

What will these re-branding changes look like? What will replace the golden arches? As for the menu, will it be very close to the current one, or will it go through a fundamental change – perhaps with pizzas, or sushi featuring strongly on the menu? I suspect that will be an unlikely move (although I recognise that I may have to eat those words in due course). And the reason I think it's unlikely is to do with what Alexander Govor is buying. Again according to industry sources, he is purchasing 850 sites, as well as the associated equipment, fixtures and fittings, plus ongoing commitments to staff, and he is also acquiring a supply chain. None of these things can be swiftly and cheaply repurposed.

The restaurants – all, I'd bet, in prime locations for a QSR operation – could be changed into other types of operation (including retail shops, as well as other QSR formats). But most, I'd suggest, will continue to be 'son of McDonald's' outlets. As for the internal mechanics of each store, the kitchens are equipped for serving burgers (and fries and milkshakes). Equipment can of course be replaced but doing that 850 times is expensive and will take time – McDonald's took 30 years to build it. So, I think burger will be the key item on the menu for a long time to come.

The final large asset to be purchased will be the supply chain. Again, 30 years' investment will have created an efficient, no doubt profitable, supply chain that provides consistent products at predictable prices. Will this be thrown overboard? Unlikely. Will it be opened out to other operators? Possibly. But, in reality, it will remain a prize asset. And it will continue to ensure that burgers remain an important part of the menu. Thus, the 'mechanical' underpinnings of the business will remain even if the customer-facing parts – the name, the menu – undergo change.

While wholesale rebranding and repositioning of a retail business is not unknown, it is very rare (if ever) that one of the world's most recognised brands is replaced. And once the change has been done then what? Will the chain go from strength to strength? Will it fade into irrelevance? Will it split into several, or perhaps a myriad, of different offers – from coffee shops to high end restaurants? Will it increase its reliance on franchisees (they currently operate one in eight stores)?

Of course we don't know. And that's what makes this such an interesting and potentially revealing experiment.

The numbers

A couple of weeks ago, the Daily Telegraph posed a question: 'With the UK set to become the fattest nation in Europe within a decade, is our over-reliance on delivery apps hurting us?'.

This question arose out of the [WHO European Regional Obesity Report 2022](#). With extensive statistics and other evidence, the report shows, amongst other things, that in 2016 the UK ranked 4th (out of 55 countries) in terms of the prevalence of overweight people, it ranked 11th on the same measure among 5-9 year olds while it ranked 8th among 10 to 19 year olds. And the report also identifies research that, for instance, shows a threefold increase in severe obesity amongst UK women in the three years 2017 to 2019. It also notes some of the sources of this obesity.

For example, the report cites research that tellingly commented on a lack of relevant education, saying: 'Lower parental education tends to be a strong driver of unhealthy body weight children'. Other research concluded '... early life risk factors for excess body weight in childhood ... included smoking during pregnancy'. On the other hand, the WHO report notes that 'Breastfeeding is protective against excess weight gain'.

Thus the report indicates some potential causes, and outcomes, of obesity. What it doesn't do is produce direct evidence that levels of obesity arise from delivery.

Nevertheless, the report does go into some detail about delivery in general including the view that: 'The use of food delivery services and apps has become an increasingly important area of focus'; the report puts this alongside (but doesn't link it to) 'policies and actions relating to nutrition and obesity prevention ... in relation to cafes, catering and dine-in restaurants ... [which] is not typically held to account to the same extent as other food retailers and manufacturers'. There is therefore an implication that eating out is linked to growing obesity and, by further implication, delivery is linked to obesity because delivery is part of eating out.

With this spotlight on the eating out sector and its contribution to human energy intake, the report claims that eating out in the UK accounts for 20-25% of adult energy intake and when British people eat out they 'consume on average 200 more calories per day' (although the precise meaning of this latter point is unclear).

There is plenty of specific information to choose from in the report's 220 pages, and therefore I've had to be selective in my quotations, but they are not unrepresentative and they do not establish restaurant delivery as a cause of excess weight. Indeed, the figures quoted for delivery should be seen in some additional context. Industry sources suggest that delivery accounts for 10% or so of restaurant meals (more so for some operators where it can be 25% or more of their sales) – but when put alongside the other numbers that I've quoted, delivery may account for 2-2.5% of total adult energy intake or about 50 calories per day. Now, these are averages and for some people the percentages are obviously higher (and for some, lower). But 50 calories are equivalent to just over half a chocolate biscuit per 'average' person.

I am not an expert in the field of nutrition and obesity, and while there may be other criticisms to aim at restaurant delivery, based on the evidence that I've presented it seems rather unfair to castigate restaurant delivery for giving rise to obesity in the UK. Maybe the spotlight should be shone on other, more significant contributors to obesity? Lack of education perhaps.

News in the past week

Financial & Legal

- Insolvency Service figures show 118% rise in creditors voluntary liquidations versus 2011; company administrations were up 51%
- ONS figures show 171,000 vacancies in the hospitality sector

Restaurants

- Vapiano UK footfall up 5% versus 2019
- Experian research shows number of vegetarian restaurants doubled since 2017, coffee shops and microbreweries grew by 20%
- Soho House revenue rose 165% in the first quarter of 2021 versus 2020

QSR

- Greggs LfL sales rose 15.8% in the two and a half months to mid-May versus 2021
- Caffè Nero announced delivery arrangement with Just Eat

Pubs

- Wadworth sales fell an adjusted -19.6% in 2021 versus the prior annual period
- Marston's turnover grew 97% in the latest half year; LfL sales fell -3%
- Mitchells & Butlers sales fell -2.2% in the latest half year versus 2019; food sales rose 5.2%
- Young's managed house sales rose 17%: in the last quarter versus 2019

Leisure

- Luton airport passenger numbers grew 11.3 times in April versus 2021

Suppliers

- Britvic sales grew 18.5% in the twelve months to end March
- C&C sales grew 88% in the twelve months to end February; on-trade sales were up 207.8%

Around the World

- Irish government no longer plans to require restaurants to publish calories on menus
- McDonald's to sell its Russian business to owner of NefteKhimService
- Elio turnover grew 19.4% in the latest quarter versus 2020

Around the World Delivery

- McDonald's agrees international McDelivery arrangement with Deliveroo

Delivery Offers in the Week

- Deliveroo: Open me for 20% off (or more). It's Tasty Thursday!
- UberEats: 50% off to celebrate Vegetarian Week
- UberEats: Save £5 from selected favourites this Eat Wednesday