WEEKLY BRIEFING REPORT

Week ending 29 May 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. 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

Past, present and future on the railways. What do they tell us about foodservice?

Last Tuesday was the day the Elizabeth Line started and, just as I had travelled on the Docklands Light Railway on its opening day in August 1987, so I also took the Elizabeth Line. To my untutored eye it’s a magnificent piece of engineering. But without taking anything away from it we’ve seen it all before: the cathedral-like entrance, the deep escalators, the large and bright walkways have been with us at Westminster and other stations for several years; glass sliding doors between platform and train are a feature of the Jubilee Line; the electronic signs in the train are useful but we already have pretty much the same information on LED screens on all other lines; and walkthrough carriages have been on subsurface lines for years.

But on the other hand, we haven’t seen 12-carriages on underground trains in London before; and the train is fast – 17 minutes from Paddington to Canary Wharf. And it does all this deep below the thriving streets, buildings, and utilities of London. Couple all these things together and the ‘purple’ line makes for a pretty impressive addition to London’s infrastructure. And, as a bonus, it has straps to hang from just like you used to do forty years ago.

It's the future. But we are also being reminded that we’re still in the past. Members of the RMT union have just voted in favour of strike action later in the summer should talks with Network Rail and the 15 train operating companies not succeed. It all appears so twentieth century.

And the future also clashes with the present in the figures that I’ve highlighted before that show the use of overground and underground rail, in London notably, is still substantially below pre-pandemic levels.

So what does this past, present and future pattern of travel tell us about the foodservice sector (or indeed any business activity)? Perhaps it’s worth a reminder that, although things might improve (like travel times), many things (the threat of strikes perhaps) still stay the same. It also says that while things might look like huge improvements (such as the Elizabeth Line) they may, in fact, be based on a multiplicity of many already established developments (suitably spruced up perhaps).

And while positive changes abound, the fundamentals of the current situation, in all its challenging frustration, (lower levels of travel than historically for example), are pretty much as before.

The numbers

Turnover in foodservice and drinking places was up 20.7% in April versus April 2021 on a non-adjusted basis; on the other hand adjusting for seasonal issues, Easter and so on, it was up 19.8%. However compared with covid-hit 2020, turnover was up 169.2% on an adjusted basis. In March this year (because relevant April figures on specific sectors are not yet available), turnover was up 22.9% in limited service restaurants and up 32.9% in full-service restaurants.

Did I say these figures relate to the US and are published by the US Census Bureau? No I thought not. And that hints at the point I'd like to make. The US government deems it worthwhile collecting timely and detailed, monthly statistical information about the performance of the foodservice market because it knows how important the sector is.

Compare that with the equivalent interest from the government in the UK, where the ONS reports just one number – and that is for a quarter (and not a month) with information published three months after the end of the period (in other words, some components of the published figures are five months out of date).

Is that really a way to treat and measure an industry that employs more than any other, that collects in the order of £10 billion in sales taxes, that is responsible for populating a significant proportion of outlets in high streets and retail destinations?

In other words, is it appropriate, or helpful, not having timely and detailed statistical information about one of the economy's most significant business sectors? Data that is timely, sufficiently detailed, suitably defined and correctly structured, allows an informed basis for debate between government, the industry, employees, investors, suppliers, and other stakeholders. Without suitable data it's difficult, I'd say impossible, to develop meaningful strategies for understanding, taxing, and encouraging the foodservice sector, and its various components – investors, employees, suppliers and so on.

And, I'd add, it's not merely necessary to have any old data, it should be consistent too. The UK data that I've mentioned, measures the sales value of the 'catering services' sector at £109 billion in 2019 (covering the latest pre covid period), and the current run rate (based on the last quarter of 2021 and the first quarter of 2022) at £116 billion. These figures are within touching distance of the value of total UK food and beverage sales in the retail sector, and yet other ONS Family Spending data shows that households spend less than 40% on eating out (or they did in the year immediately prior to covid, which is three years out of date but is the most recently available data on household expenditure).

I've argued before that without measuring the market accurately it's not really possible to make decisions about it – for instance, what is the effect of current policies on sales, what is the appropriate level of tax (not least of which is VAT) to charge, what incentives are needed to encourage growth, investment, employment, best operational practice (amongst other things), and what are their potential, not to say likely, outcomes?

Surely the government should take the foodservice sector seriously and start off by defining and measuring it accurately, and in a timely fashion.

The rest of this Weekly Briefing Report provides a summary of the news in the last week:

News in the past week

Financial & Legal

- Chancellor of the Exchequer reveals plans to provide all household with £400 to offset increased fuel bills; low income families to receive £650
- Elizabeth Line opened

Landlords

- Shaftesbury hospitality tenants trading 9% up on 2019 levels

Restaurants

- Wagamama LfL sales have risen 18% in the most recent quarter versus 2019
- Hostmore LfL sales fell -6% in four months to mid-March versus 2019

QSR

- Chilango acquired by Tortilla
- EG Group revenue rose 25.1% in the three months to end March versus 2021
- KFC starts operating from dark kitchens in London

Leisure

- Hollywood Bowl LfL sales increased 26.8% in the six months to end March versus 2021
- PureGym sales rose 7% in the three months to end March versus 2019

Around the World

- Starbucks exits Russia
- SSP Group turnover down -18% in the period start April to mid-May versus 2019
- DP Eurasia system sales rose 56.5% in the four months to end-April versus 2021

Delivery Offers in the Week

- Deliveroo: There's still time to get £7 off your next order
- Deliveroo: We say 20% off (or more)
- UberEats: Get 20% off your next 10 orders