WEEKLY BRIEFING REPORT

Week ending 10 July 2022

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About the Weekly Briefing Report

I write the Weekly Briefing Report to provide an immediate view of the market. 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 Premium Briefing Report service includes Monthly and Quarterly Briefing Reports; they provide a more in-depth view than this Weekly Briefing Report. I offer a choice of monthly and annual subscriptions. You can subscribe here.

My insight

In a recent issue of my Weekly Briefing Report I noted the many similarities between 1978 and 2022. In this issue I continue the theme of learning lessons from those earlier times.

This week, I feature the reflections of **Ian Neill**, serial foodservice innovator and entrepreneur, formerly CEO of Wagamama and responsible for building the brand in the first 15 years of its life. He recalls some of the differences in conditions between 1978 and now – and draws attention to some of the things that have stayed the same.

1978

Whilst 1978 in isolation does not look as if it had much to inspire enterprise it was in some respects a finer vintage year than a lot of the seventies. In 1973 we had a three day week and for a while power blackouts caused by coal miners and railway workers' industrial action. OPEC learned to use their muscle with the oil embargo of 1973 which in part led to a significant stock market crash and a subsequent secondary banking crisis. Essentially 1978 was business as usual.

There are economic similarities to 1978 and now, however in terms of how restaurants may be affected, the context is different. The market and demand was still relatively small in 1978. I joined PizzaExpress in 1978 and there were about thirteen locations, Pizza Hut had nine and the biggest player was PizzaLand with thirty five to forty branches. As we progressed out of 1978 the market and demand grew, particularly helped by QSR operators essentially training people that it was OK to enjoy food away from home. This also helped to significantly grow the mid-market and over the years bring us to the sophisticated market we now enjoy with its huge demand. This will not be repeated as we deal with the current challenges of high inflation, higher wages, reduced disposable income and distribution/supply problems.

What we do have now is a clever, innovative cadre of entrepreneurial risk takers who are prepared to roll the dice. This should help our sector stay relevant.

The main thing is not to get lost in the gloom, in adversity there is always opportunity. You just have to go and find it and adjust your business to make the very best of it. Inflexible adherence to a plan written at a different time, margins and ebitda performance is unlikely to give you a great result.

> The focus must be on the quality of your customer experience, you need to keep your customers and ruthlessly fight to grow your market share. You always get through these challenges and with flexibility and dynamism hopefully in good shape.

As earlier recollections of 1978, featured in previous issues, have shown, Ian's reflections underline the constancy in some core principles – for me, a key one is to exploit the new opportunities raised by changing circumstances.

The next issue of The Weekly Briefing Report will feature views from Andrew Guy, one time CEO of City Centre Restaurants (now The Restaurant Group), and amongst other things responsible for creating Frankie & Benny's.

My insight (in brief)

I was chatting to Rikos Leong-Son of **Wafflemeister** the other day. He asked me to name the one thing I would change to make business more secure right now. This is perhaps a recasting of the constant question: what is the most important thing facing your business at the moment? But asking the question in the way proposed by Rikos helps to focus on the key priorities in today's baffling world, where we are faced with far too many challenges.

In responding I made an off the cuff suggestion and then I asked Rikos what would be his number one change. His answer was brutally simple: inflation. His justification: it's corrosive because it enters all parts of the company from sales to employee recruitment; it distorts decision making and priorities; and it distorts the 'facts' – it makes it easier to achieve increased sales without doing anything other than raising prices.

And I couldn't disagree. But my concern is that inflation is just one thing and fixing it leaves other broken things still broken. That is why I picked 'removing uncertainty' as the one thing I would change. The problem with removing uncertainty though is that it is wide ranging and vague. How do you define it, and go about it? But then again, how do you go about removing inflation? It's beyond the power of any individual or any business – one can hope to be able to cope with the effects of inflation but not to be able to remove it oneself. And the same goes for removing uncertainty. No matter how desirable, no single person or company can solve it.

So where does this lead us? Well, at one level, the initial question – what one thing would you change to make business more secure right now? - is only relevant in an ideal world, a world in which individuals can make the required changes. At another level, it focuses attention on the single thing to prioritise that will make the biggest difference. And that is becoming the pressing issue as many worries impinge upon us – from the impact of Brexit and the war in Ukraine, to supply chain issues and shortages. And, yes, inflation.

Remove 'uncertainty' because uncertainty drives behaviours – the less uncertainty the more positive behaviours can become. And remove 'inflation' because it's eating into the fabric of what we're trying to do and what we're trying to create.

Those are just two thoughts. What would you add? What one thing would you change?

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

News in the past week

Financial & Legal

- London launches Let's Do London campaign to encourage visitors to London

QSR

- McDonald's have warned they may remove some items in some stores because of issues in the supply chain
- Pret A Manger sales in the first six months of 2022 rose 230% versus 2021
- Greggs opens first eco-sustainable outlet
- Pho LfL sales rose 18.5% in the quarter to end June versus 2020

Pubs

- Oakman Group LfL sales rose 55.4% in the year to end June versus 2019
- Young's LfL sales rose 39.7% in the quarter to end June versus 2021

Leisure

- Ten Entertainment LfL sales rose 46% in the half year to end June versus 2019
- Roadchef plus Costa and McDonald's launch cup recycling scheme under the National Cup Recycling Scheme

Suppliers

- C&C Group sales rose 6% in the four months to end June versus 2019

Delivery offers in the week

- Deliveroo: There's still time to get £7 off your next order
- Deliveroo: Enjoy a delicious 20% off or more! It's tasty Thursday
- UberEats: Free Delivery this Eat Wednesday