WEEKLY BRIEFING REPORT

Week ending 14 August 2022

Published 15 August 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

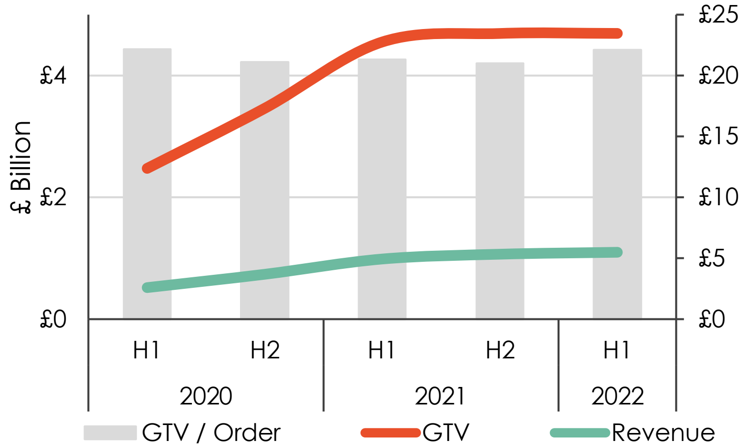
My Premium Briefing Report service includes Monthly and Quarterly Briefing Reports; they provide a more in-depth view than this Weekly Briefing Report. I offer a choice of monthly and annual subscriptions. You can subscribe here.

My insight

I haven't been writing about delivery in my Weekly Briefing Report for a while, that's because I cover the sector, at an international level, in theDelivery.World. But last week Deliveroo published figures for the UK & Ireland, and that followed similar coverage from Just Eat Takeaway (JET) the week before. What do their figures tell us about the state of delivery in the UK?

Before delving into the analysis, just a note to recognise that the figures are very slightly 'fuzzy' (they cover not just the UK but Ireland as well; they include pure 'marketplace' sales as well as delivery; they exclude UberEats but nevertheless cover about 70% of the UK; they include grocery delivery – about 10% of Deliveroo's numbers - as well as restaurant delivery. But despite all these considerations, the results probably give a fair assessment of the state of restaurant delivery in the UK right now.

JET + Deliveroo in UK&I



Sources: Company information; Peter Backman

And that is demand – measured as GTV (Gross Transaction Value – the amount paid by customers) grew by 90% since the first half of 2020. But all of that growth occurred before the summer of last year. Now, demand can be assessed as the result of two factors. One is the numbers of orders which grew during 2020 and into the first half of 2021 – after that it stabilised. The other factor is the average order value (AOV) – currently standing at £22.12, it hardly changed over the whole period — despite inflation of about 6%. So: growth has been driven by an increase in orders during the pandemic; while AOV has fallen in real terms.

The revenue accruing to the delivery companies is driven by the 'take rate' (aka commission); this has grown – from 20.9% in early 2020 to 23.4% in early 2022. In other words, the delivery companies have been able to increase the commission they charge while the market slowed. And so their nominal revenue has grown although GTV hasn't.

What do the delivery companies need to do now for that revenue growth to continue?

The numbers

Last week I heard a sound I hadn't heard in a long time – and very welcome it was. It was the sound of questioning – is the market declining (at 4%, 8% or what)? Is the medium term prognosis for annual growth at 3% or 2%? What's the likely growth in central London going to be in a year's time? What's going to be the difference in growth rates for restaurants offering a meal for less than £10 versus a meal for £10-20?

These questions were occasioned by my article last week which I signed off 'Meals down, sales up, costs up'. I wasn't sure whether the questioning arose because my words made people think or were they were thinking about these numbers anyway? I'd like to think it was the former, but it was probably the latter.

Whether they measure growth or decline, these numbers haven't been important over the last two years or more because, courtesy of covid, they have been so large and massively variable. What's the point of measuring the rate of decline when it's fifty percent – or seventy five percent or even one hundred percent?

And then nine months on, comparative growth reappears and it's been in the hundreds, or even thousands, of percent. There's been little point in trying to be accurate under these circumstances, especially since managers have been unable to influence them in any meaningful way.

The key thing about this is that now that covid lockdowns are over a year in the past, numbers that measure market performance are important once again, just like they used to be back in the day, for a host of purposes - for budgeting, for benchmarking, for reaching out to investors, for bragging rights.

And my discussions last week support those who yearn for small numbers that they can predict (or use as forecasts). That is the very welcome aspect of my discussions last week. Once again, we have been able to talk 'real numbers' – and what's more 'real numbers' that managers can influence.

So, once again, there is plenty of opportunity to discuss market numbers and I've gone into my topline views in my Quarterly Briefing Report, the most recent of my monthly Premium Briefing Report series.

However, we are now faced with a period – six months, a year, eighteen months? – when the changes we forecast - and experience - will be negative.

But do negative forecast numbers matter? If they are large, of course, they do. But what's the practical difference between a growth of 2% and a decline of 2%. If it's your sales figures, yes, they do matter. But if they describe the overall market in which you operate, do they really matter if you only have a modest share? If your market share is sufficiently small you won't be affected by the overall direction of the market – but you do have the opportunity to outperform it.

We're just about to enter a new period when our forecasts, which are tricky to arrive at in the best of circumstances, become problematic once again. As the saying (ascribed to Confucius but I doubt whether he actually said it) has it 'Forecasting is always difficult especially when it concerns the future!'

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

News in the past week

Financial & Legal

- Corporate insolvencies in England and Wales rose 80%+ in the April to June quarter versus 2021

QSR

- KFC pauses WOW Tuesday offer because of chicken on the bone shortage
- Gregg's sales rose 27.1% in the first half of 2022 versus 2021
- Domino's Pizza Group system sales fell -5.6% in the first half of 2022 versus 2021; LfL sales rose 2.4%
- KFC system sales in the UK fell -8% in the second quarter of 2021

Pubs

- Nightcap LfL sales rose 23.6% in the year to early July; total sales rose 55.1%

Leisure

- British Airways at Heathrow short-haul ticket sales
- London City Airport passenger numbers are down about -30% versus pre-covid levels

Around the World

- Ali Group, equipment manufacturer, acquires Welbilt
- Starbucks global same store sales rose 3% in the second quarter of 2022; average ticket prices rose 6%, transactions fell 3%
- Taco Bell same store sales rose 8% in the second quarter of 2021
- KFC international (excluding China) same store sales rose 7% in the second quarter of 2021
- Pizza Hut international (excluding China) same store sales rose 8% in the second quarter of 2021
- Tim Horton's same store sales in Canada rose 14.2% in the second quarter of 2022
- Papa John's North America same store sales rose 0.9% in the second quarter of 2022 versus 2021
- Shake Shack system sales rose 24.8% in the second quart of 2022

Around the World Delivery

- UberEats delivery sales rose 37% in the second quarter of 2022
- Just Eat revenues rose 7% in the first half of 2021, orders fell 7%

Delivery Offers in the Week

- Deliveroo: Win with 35% off KFC's bundle
- Deliveroo: We say 20% off (or more)
- UberEats: Your 35% discount is still available
- UberEats: Buy One, Get One Free this Eat Wednesday
- UberEats: Get 35% off your next 5 orders