

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. 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

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The news

The other day I was passing the Maestro sandwich bar in Lower Belgrave Street, near Victoria station, and I popped in for old times' sake. It was there, most days over thirty years ago, I used to buy my lunch.

The place, now in its fourth generation of owners, had been spruced up but the layout was just the same – and my recollection of the choice on offer was that not much had changed. It was a great choice back in the old days, and so it was still a fantastic range of offers today. 'A roast beef sandwich, please' (try getting that at Pret), 'Sorry, the beef is off'; 'Brie?', 'Sorry the brie is off – and the tuna and ...'. So I questioned: 'Supply chain issues are hitting you hard?'. 'Oh no! We've just had an order for an unexpected party of 40!'. A couple of days later I was chatting to the CEO of a major distributor. I'd heard that his business was doing well – ahead of pre-covid levels (even after inflation). And the reason? In the current inflationary climate, many smaller customers were consolidating their purchases to get better terms – and he was a beneficiary of this development. And then I was talking to a City analyst about Loungers – revenue up 42% on last year, moving from a loss to £21.6 million profit. And what about Dishoom, whose offer – with its focus on quality and experience - is taking the delivery market by storm?

These are a handful of positive stories in a time of post-Brexit aggravation, covid, climate change and a cost of living crisis. What ties them together? For some, it's a question of lucky judgement – Loungers have not tried to penetrate London in the past – and working from home has shown how lucky that judgement was. Dishoom focused on quality from the outset – and that quality has allowed them to charge the 'correct' price for their delivery offer.

And for some it's more luck than judgement. A party of 40 pitching up on a slow business day is a real boost to the bottom line. And being large and on everybody's radar is a boon when your customers are looking for a safe haven supplier.

It seems that for these companies – and for the many like them – there is nothing specific that leads them to success in these incredibly trying times. But there needs to be judgement (or perhaps the many judgements required to keep a business going for many generations). And there needs to be luck too. But as Gary Player, the revered golfer of the last century observed (or maybe it was fellow golfer, Jerry Barber): 'The more I practice, the luckier I get'

Maybe luck and judgement are the same thing.

My insight

One day, millennia ago, the temperature over the lands we now call the UK reached forty degrees, as it had regularly done for aeons before. The next day it failed to reach forty degrees and it was not to reach that temperature again until last week.

The world moves in cycles and reacts to conditions of nature. The forces unleashed are unpredictable in their enormity. But they are relentless, and they change the world. So the lesson to learn is that the world carries on, changed if necessary but ever continuous. The losers in this ongoing, relentless change are the living things. To escape threatening changes they have the flexibility to evolve; some do this with success. Does humanity?

Imagine an algorithm let loose on the numbers and tasked with identifying what is causing climate change and what to do about it. It would likely conclude that humanity is the problem, and the solution is to get rid of him. That seems to be happening. I'm not suggesting that unseen malevolent forces from beyond the universe are driving current changes (although, as the basis for a conspiracy theory, perhaps they are). But the changes are ongoing and unstoppable. If that's the big picture what about the smaller, closer to home picture? Forty degrees is hot – for the UK. But go to Malaga (top temperature 44.2°C) or Melbourne (46.8°C) and we have a way to go yet in this country. Unfortunately though, that's the destination that beckons.

And bringing this to the parochial level, what does the foodservice industry do about it? The industry could take the view that nature persists so let's do our thing and let nature react to it. Or as a concerned citizen, the industry could take the view that we may be able to do something about it; and then get on and do the things that stand a chance of reducing climate change.

Or the industry can shrug its collective shoulders and develop mitigating measures. Last week we had two days in which to begin experiencing this new world of high temperatures – and that's too short a period to try to work out what to do. But even so there were clues – travel, for example, was reduced to below recent working-from-home levels. So the shift from city centre to suburbs may grow even more pronounced with implications for restaurants, food to go, pubs.

And much hotter weather may influence the type of food we eat – smaller portions perhaps, less hot food, more cold drinks – and customers taking more, leisurely, time to finish their meal. It's difficult to work out what to do. It's probably good for a business to develop cool shady areas suitable for outside seating in hot, sunny weather. But six months later high winds and rainstorms will render such expenditure rather a waste. Or install air conditioning to reduce the impact of high temperatures and humidity. But remember that it will exacerbate the impact on the climate and ultimately achieve the very opposite of what it's trying to do.

It's not going to be easy. Maybe we should carry on as before, and just let nature take its course. In which case: Long live the world – and goodbye humanity.

That's for the future. As for the here and now, I have had some very positive feedback from the series of recollections that I have been running about 1978. Next week I'll feature the thoughts of Geof Collyer, sometime head of Deutsche Bank Pan European Travel & Leisure Equity Research.

Meanwhile, the rest of this Weekly Briefing Report provides a summary of the limited news that relates to the last few weeks. The volume of results for longer periods is now increasing once again and I'll cover these results in my [Quarterly Briefing Report](#) for July, to be published next week

News in the past week

Financial & Legal

- ONS says pay in UK, excluding bonuses, fell 2.8% in the quarter to end May versus 2021
- City of London Corporation to extend free pavement licences until September 2023
- Eurostar reports business travel rose 70% versus 2019
- Recovery Loan Scheme, loans for small businesses, extended to 2024

Restaurants

- Tortilla sales rose in the half year to end June to 60%, LfL sales rose 19%

QSR

- Domino's Pizza sales volumes rose 5.5% in the latest quarter versus 2021

Pubs

- Mitchells & Butlers LfL sales rose 0.9%, post allowance for VAT, in the most recent quarter versus 2019; food sales in the ten months to mid-July rose 5.5%
- Fuller's sales in the last four months rose 3% versus 2019
- Mission Mars sales rose 34.1% in the latest nine months versus 2019

Hotels

- Premier Inn UK occupancy in June rose 22% versus June 2019

Suppliers

- Britvic turnover increased 11.2% in the latest quarter versus 2019

Around the World

- Domino's Pizza Same Store Sales fell -2.9% in the latest quarter versus 2021; delivery fell -11.7% and take out rose 14.6%

Around the World Delivery

- Just Eat Takeaway to cut 390 jobs in France

Delivery Offers in the Week

- Deliveroo: Get 20% off for Tasty Thursday
- UberEats: Free items, this Eat Wednesday