

# 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](mailto:peter@peterbackmanfs.com)

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## My insight

I am writing this while the sadness arising from the death of the Queen is still raw.

Amongst the many words that people have spoken about her I have been struck by a thread of comments about her constancy, the continuity she provided, and the certainty she embodied. Before the announcement of the Queen's death I had already drafted my words for this Weekly Briefing Report. And I had based them on the theme of 'uncertainty'. So it seems that I had, by chance, already drafted words appropriate to these times.

What does 'certainty' mean? As the CEO of a respected restaurant chain wrote to me a few weeks ago: 'Certainty is an illusion at the best of times' – there is no such thing as certainty just varying degrees of uncertainty. Certainty is one of those things that are possibly so – perhaps approaching 100% or perhaps approaching zero. Certainty is relative – it's more, or less, likely that you can be certain.

In business, certainty is the switching between degrees of likelihood. But what happens in business, or as an individual, when you find you have a respectable amount of certainty about some issue?

Bearing in mind you can't have certainty at 100%, it's still possible to place a bet that is based on quite a high likelihood of certainty. Five years ago, there was a high likelihood that if you opened a restaurant with an offering, modestly differentiated from that of your competitors, priced at about £15 all in, with a fairly mainstream menu, in one of about 200 locations, you'd make money from a casual dining business based on these principles.

The certainty of turning a profit was pretty high. So, lots of people did it. And because they did, the likelihood that there'd be enough profit in it for everyone involved, declined. In other words, the certainty became less than before. From this, the lesson is that, ultimately, certainty has the ability to turn itself into uncertainty.

Despite that paradox, in a world where Mark Zuckerberg can claim that it is good to 'move fast and break things', certainty can be an antidote to making foolish decisions. A spirit of certainty can also provide comfort, and a time to reflect. That is the lesson that, in my small way, I draw from the death, and more importantly the life, of the Queen.

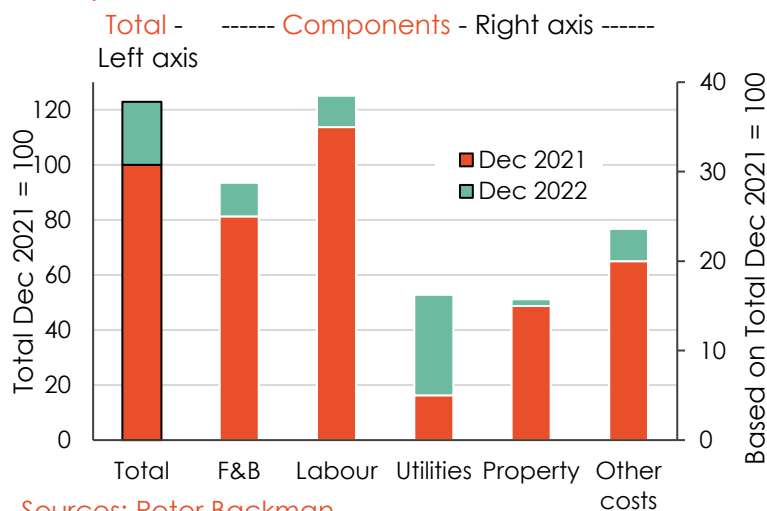
With the loss of the certainty she embodied, will our world change – or will we find new sources of certainty in the difficult times that lie ahead?

## The numbers

For obvious reasons, I have covered inflation quite a bit recently. In this section, I want to return to the topic because I have been looking, not so much at inflation in general, but at the components of inflation within the foodservice operator's mix of costs and sales.

While the cost of most things (from labour and food to gas and electricity) is increasing – the costs of other things (most notably rent) are being held in check. Taking account of each element of the costs, my analysis suggests that foodservice operators' headline inflation will be (about) 21% at the end of the year.

### Components of Inflation at end 2022



While this is a useful headline number, I can also be pretty sure it won't be correct – and that the actual number may well be lower. That is for two reasons. First, my figures are based on a 'typical' operator, but in reality, there is no such thing. Operators differ in the numbers of people they employ relative to their turnover, or the rent they pay, or the efficiency of their fuel usage. So, on that basis I can see that inflation might be in the range 18% to 29% by the end of the year.

And the second reason why my headline number won't be correct is that operators will react to rising costs – they may start to buy food from a cheaper source, they

may cut items from their menu that cost too much to prepare, they may employ fewer people (perhaps because they can't find them to employ in the first place, or perhaps because they find it expedient to close on some days or at some times), they may find ways to improve their fuel efficiency, or they may find other ways to reduce their costs.

In other words, inflation will induce change.

And then there are the numbers above the line – sales, too, will be affected by inflation. Putting prices up by 21% to counter inflationary costs, when many customers are finding they have less to spend, may not be a good move – it may be OK for some consumers and the outlets they frequent, but not for others. More likely, putting prices up by that amount may induce customers to change their habits – buying cheaper items off the menu, foregoing wine, or dessert, or a starter. All of these have happened in prior periods of high foodservice inflation. So, even if menu prices should rise by 21%, the actual prices paid by customers will rise less – probably much less. Thus, high cost inflation is not going to be balanced by an equal degree of price inflation. It doesn't really need me to point out that this hits profits – probably dramatically.

The government is planning to do some things to reduce cost inflation for the foodservice sector – and help consumers meet their rising bills, thereby leaving them with some more disposable income. Will this be enough – for consumers? For foodservice operators? Who knows? Time will tell.

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

## News in the past week

### Finance & Legal

- Hospitality sector business asks the government to reduce VAT to 10% for the sector, provide business rates holiday, reinstate HMRC Time to Pay scheme, reintroduce trade credit insurance scheme for energy
- Prime Minister announces effective household energy price cap of £2,500 from 1 October
- Prime Minister announces six months support 'equivalent' to household energy cap of £2,500 for business

### Restaurants

- Wagamama LfL sales fell -5% versus 2019 in 14 weeks 21 August 2022
- The Restaurant Group leisure division LfL sales fell -4% in 14 weeks 21 August 2022 versus 2019

### QSR

- Pret a Manger ends trial with Tesco

### Pubs

- Rekom UK sales rose 7.5% in April to June versus 2019
- Bunning and Price sales grew 8% in 14 weeks 21 August 2022 versus 2019
- CAMRA reports pubs closing at rate of 18.7 a week in the first six months of 2022

### Hotels

- InterContinental Hotels Group suffers 'unauthorised technology' activity

### Leisure

- Grosvenor Casino staff vote to strike over pay

### Delivery

- Just Eat grocery offer now covers 60% of UK population

### Around the World

- Dalata Hotel Group sales rose 9% in the first six months of the year
- MrBeast Burger opens its first bricks and mortar site in New Jersey
- Cineworld UK business unaffected after filing for Chapter 11 in the US
- Global air traffic -24% below 2019 in July

## Delivery offers in the week

- Deliveroo: Enjoy a delicious 20% off or more! It's Tasty Thursday
- Uber Eats: Free delivery, this Eat Wednesday
- Uber Eats: 50% off groceries in time for the weekend