WEEKLY BRIEFING REPORT

Week ending 15 January 2023

Published 16 January 2023

Peter Backman.

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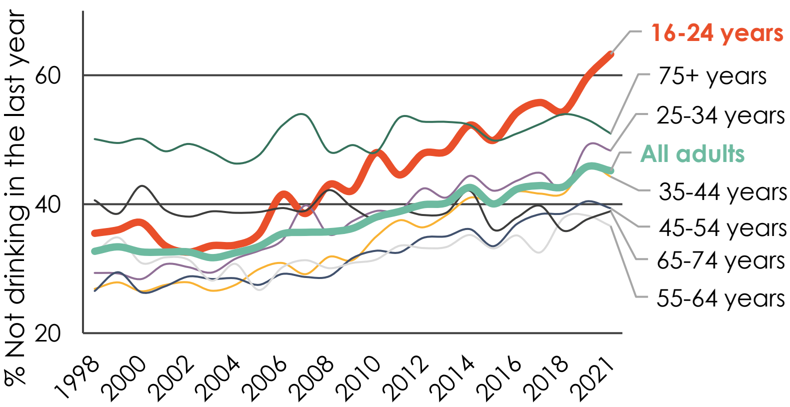
The numbers

And here's another thing affected by covid. The number of 16 to 24 year olds who don't drink has risen by 17% since the start of the pandemic. So what - we've known for a long time that young people are drinking less.

Well, look behind the numbers published by the NHS and let's see what they say. For a start, over 60% of young people said they haven't drunk alcohol in 2021, up from just over 30% twenty years ago. I'm not sure if these numbers should be taken at face value – after all a pint here or there might count as 'not having drunk alcohol'. But surely, you may say, this is a one-off change amongst the young and they'll revert to the heavier drinking habits of their elders as they grow older? The figures don't support this – 33% of the 2002 cohort of 16-24 year olds didn't drink, and by the time they were 25-34 the figure had actually increased to 39%; it increased again to 44% when they formed part of the 35-44 year olds. As the young grow old, they appear to be likely to become increasingly teetotal, not less.

% who haven't drunk alcohol in the last year



Source: NHS Digest

That means that as the years go by there will be an accelerating growth of teetotallers. This clearly has implications for the pub sector which has been coming to terms with reduced drinking amongst the young for years. But this acceleration in the numbers of non-drinkers seems to be something new and it means that alcohol sales will fall at a growing rate. The results, over time, will be more pubs closures, and accelerating growth in food and entertainment which will become ever more important to the viability of a goodly number of pubs, and the success of all of them.

Alcohol carries higher overall profitability than food and entertainment so the pub business will have to grapple with new valuation models which will be more challenging than existing ones. And all of this is happening at a time when the sector is challenged with increasing costs, and growing external competition from the likes of restaurants who are similarly challenged.

More non-drinking consumers are challenges for the long term - but they are starting to bite now.

My insight

Have pity on the poor analyst trying to tell the truth about what happened over Christmas. In the still relatively early days of the new year there's always pressure to answer the question 'What was Christmas like?' Rather than saying 'it's too early to tell', the questioner wants an answer even if the only things to go on conflicting 'facts' like:

- Springboard reporting footfall up 25%
- Upham Inns reporting sales up 15%.
- The Night Time Industries Association reporting business down -20%
- UKHospitality reporting sales downs -46%

Now, I'm not belittling what any of these organisations have said but what are we to make of these conflicting headlines?

To find out what happened we could take the average of the numbers they've quoted – it comes to -6.5%. But follow up questions consistently arise: What periods do each set of numbers refer to? Some are for the whole of December, some for just one week in the month. What sectors are covered? Is it hospitality (to be defined), bars and nightclubs, a 15-strong pub chain? What is measured - sales, footfall? Do the figures cover LfL figures or actual sales? Is inflation included? Which year are the figures compared with – last year, 2019, or some other period? How are the figures compiled – a flash poll, actual financial figures, an average reported by a selection of companies, or some other way?

When these questions are answered, it is clear that none of the examples I've quoted are comparable – they cover different sectors, years, and metrics.

One possible story the examples tell, is that sales for the whole hospitality sector were down massively in the middle of December compared with the last pre-pandemic year. At the same time, during the whole of December, the night time business specifically, saw a fall but only about half of that experienced by the total hospitality sector. Against these negatives, in parts of December, footfall rose significantly compared with pre-pandemic levels. And one pub operator saw a significant rise in December especially in the Christmas week.

There are several stories here but not much that can definitively confirm what 'Christmas was like'. More information is needed – and until it arrives, please pity the poor analyst.

But it's also incumbent on you, the consumer of whatever insights the analyst comes up with, to also be careful about the information you come across – you should ask: What does it cover and how accurate is it?

And one key question you should seek to answer is: 'What motivates the source to publish its information?'. Is it to make a political point? To promote something? To get one over on the competition? To reassure the market?

The scepticism with which you view the data should be based on the answers to these questions. And might I suggest that only if the answer is 'To search for the truth' should you put your full confidence in the answer.

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

News in the past three weeks

Christmas Trading

- Brewhouse & Kitchen LfL sales rose 15% over the 'festive period' versus 2021
- Mission Mars LfL sales rose 26% in the five weeks to 1 January

Financial & Legal

- Government to launch scaled-back support for business energy bills in April
- Government announced a ban on single-use plastic cutlery and crockery in England from October

Restaurants

- Tortilla confirms delivery accounts for 30% of sales
- Hostmore sales fell -14% in the second half of 2022 versus 2019
- Famously Proper sold to Tristar Foods; nine Byron units to be closed

QSR

- Crussh reportedly likely to be put into administration

Pubs

- Nightcap sales rose 60.9% in the last quarter of 2022 versus the prior year
- Mitchells & Butlers LfL sales rose 8.9% in the four months to early January versus 2019; and LfL sales rose 10.4% versus the prior year

Hotels

- Whitbread sales rose 18.3% in the last quarter versus the prior year
- London hotel revpar was 31% up in December versus 2019

Leisure

- Ten Entertainment sales rose 87.6% in calendar 2022 versus the prior year
- Lucky Voice sales rose 5% in the last six weeks of 2022 versus 2019

Around the World

- Global air traffic rose 41.3% in November versus 2021

Delivery Offers in the Past Week

- Deliveroo: Don't miss out on your £7 off!
- Deliveroo: Unlock money off with your next 3 orders