WEEKLY BRIEFING REPORT

Week ending 12 March 2023

Published 13 March 2023

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My insight

Success, in the cut and thrust of the restaurant industry, can come with scale – but success without scale is much more difficult.

Why is it then that restaurant chains frequently modify their offers substantially? I don't mean just adding another dessert to the menu or launching a meal deal offer. I am talking about going through a huge brand overhaul, or a design makeover, or moving into a format with a smaller footprint, or moving from a business built on a high street format to one that relies on travel-related business, or launching a parallel business with a different offer, a different price range, and a different menu.

A crucial feature that gets overlooked when a style makeover is in play, or a new format is launched, is the issue of consistency. Although consistency is not, on its own, a guarantee of success, it sure can help. Some of the most successful operators in the restaurant sector are paragons of consistency. Nando's started in 1987 and have kept the same format, and the same menu for years – they only set up their smaller-scale Nino format in 2018. McDonald's, launched in 1942, took until 1991 to launch their Express format.

While there may be a commercial case for launching an offshoot, a new format or a radical design overhaul, the reasons may be flimsy – it may be that a new CEO wants to make a mark; it may be investors pushing for a change based on what they see working in, say, Texas or Dubai, it may be that management are too entranced by the lure of doing something new and dramatic.

Developments take immense time, they distract from the core business, they cost real money. And the result may be a reversion to sub-optimal scale – when implemented, they may reduce purchasing power (such as if purchases of core products are fragmented and become spread over more skus – more skus mean higher unit prices).

And fatally, they may not be consistent. The ethos and founding promise of a restaurant business – indeed any business – is reinforced through consistency in all aspects of the business. All change needs to be true to the core promise of the brand – and consistency over many years allows businesses to grow. Lack of consistency, on the other hand, while it may not be an indicator of failure, makes the job of change much harder.

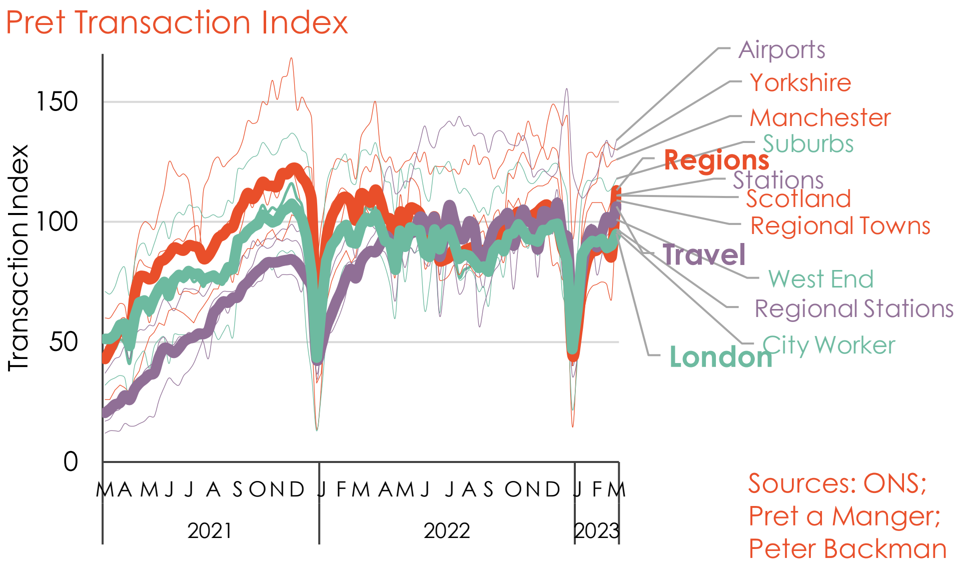
Get new developments in line with the core promise of the restaurant and success may then ensue.

The numbers

Pret a Manger's UK trading patterns since early 2021 are documented by the ONS. They provide insights into what's happening in the food to go (and related markets – such as coffee, lunchtime, travel, fast casual, and other alternative segmentations).

What do the documented figures tell us?

Before answering that, a note of caution. While Pret a Manger is a major player in its markets, with an extensive UK footprint – albeit London-centric – the company's trading patterns are not necessarily typical of the whole market. Even so they probably are good enough to provide a reasonable sense of what is going on – and how patterns are changing. Additionally, the data measure transactions – which are closely related to frequency and possibly volumes – but they do not directly measure value. Accordingly please be careful when drawing conclusions from what follows.



The chart summarises the data available from ONS with some combined measures based on weighted data in three types of locations: Regions (a polite way of saying 'not London or its suburbs'), Travel (airports and train stations), and London (including its suburbs).

The chart starts off with a long haul through 2021 – generally uphill all the way with a pause in London during the summer. December brought the usual 50% plus decline in demand (at a time when demand typically rises in other sectors, notably full-service restaurants and pubs).

Omicron affected the country at the start of 2022. Nevertheless Pret transactions grew into the spring (although more slowly in the travel sector than in other types of location). There was a downturn in the summer especially in the regions. The market picked up again in the autumn, and then again experienced its annual deep downturn over the Christmas period.

This year has started with lower levels than 2022 except in travel.

In summary, this detailed, regularly published information shows that that the market defined by the Pret data has fallen (at least for now) from its late 2022 peak; meanwhile travel is showing more signs of growth than 'high street' locations in the regions and in London.

This much is pretty well known – the benefit of this data set is that puts numbers to what is generally 'felt' to be the case.

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

News in the past week

Restaurants

- The Restaurant Group sales rose 38.7% in calendar 2022 versus 2021
- Wagamama sales rose 2% in calendar 2022 versus 2021

QSR

- Greggs LfL sales in January and February 2023 rose18.8% versus 2022
- Hotel Chocolat sales fell -9.2% in calendar 2022 versus 2021
- Cholco Consulting acquires El Mexicana (including Don Churro)
- Domino's Pizza LfL sales rose 13.9% in the last quarter of 2022 versus 2021
- Chopstix Group acquired Chozen Noodle

Pubs

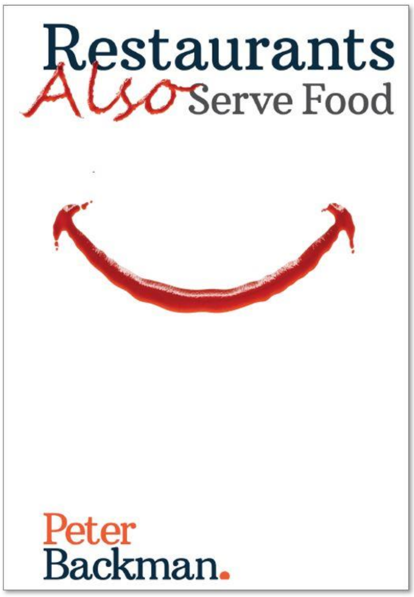
- Revolution Bars Group LfL sales rose 17.3% in the last five weeks of calendar 2022 versus 2021
- Peach Pubs LfL sales rose 7.5% in the last five weeks of calendar 2022 versus 2021
- Brunning and Price sales rose 9% in calendar 2022 versus 2021

Leisure

- Soho House sales rose 46.5% in the last quarter of 2022 versus 2021

Delivery

- Wagamama delivery sales fell -17% in calendar 2022 versus 2021
- Restaurant Group leisure division delivery sales fell -17% in calendar 2022 versus 2021



The revised edition of my book – Restaurants Also Serve Food – has now been published. It is addressed at suppliers, especially those who are proficient at selling to the retail sector but find selling to the foodservice sector is a challenge.

In my Weekly Briefing Report published on 6 March I briefly outlined just one of the many issues I discuss in the book. I noted that the unknown should always be expected in foodservice – and this means, for instance having too much back up resource 'just in case'. 'Just in case' can't be predicted; it is a built-in inefficiency, and inefficiency has costs. Operators, investors, and suppliers are all exposed to this inefficiency – and they have to confront the fact that they must face the costs of dealing with it.

Restaurants Also Serve Food provides solutions to this, and many more conundrums – you'll find more about my book and how to buy it here.