WEEKLY BRIEFING REPORT

Week ending 26 March 2023

Published 27 March 2023

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My insight

This is the 3rd anniversary of my Weekly Briefing Report. I launched it at the onset of covid to provide support for an embattled foodservice sector and its supply chain. Over the intervening three years I've been delighted, privileged even, to continue to provide that free support, which, so the huge feedback indicates, continues to be valued by readers across the sector.

Looking back over the 150,000 or so words that I've written (enough for a small novel), there seems to be a theme built around the resilience of the foodservice sector. In the first issue I noted 'In the face of a total inability to operate, restaurants and other hospitality and leisure businesses, have been urgently shutting down their operations'. I wrote that further challenges lay ahead and 'this is only the start of a very long haul for the foodservice sector … it is still far too early to comment on what will happen when the pandemic is declared over, because, as yet there is no clarity over how long it will last, and how things may develop while it runs its course.'

A year passed. I wrote that once restrictions were lifted there would be a 'post lockdown surge in demand', that 'delivery had grown, is growing and will continue to grow' and that 'Working from Home would change the face of the world'. While the immediate future would still be unclear, the foodservice market 'looks set to restart its growth'. And 'the emergence of new business models, new operators and innovations' would be setting the sector on a promising path.

This time last year, as the omicron variant was fading, I noted that 'Demand was driven by … the spirit of breaking loose' and by 'the money that many people had been able to save during the year'. And although operators had pivoted to delivery, as lockdown restrictions were removed '… previous stellar growth rates for delivery fell during 2021 and into 2022'. Meanwhile responses to changes in commuting patterns 'were very noticeable'. Overall, the outlook was uncertain in the face of many headwinds: the war in Ukraine, rising fuel inflation, pressure on customer spending. But challenges were met and overcome, and I was able to comment: 'like it always has, the foodservice sector will fight its way through to the other side.'

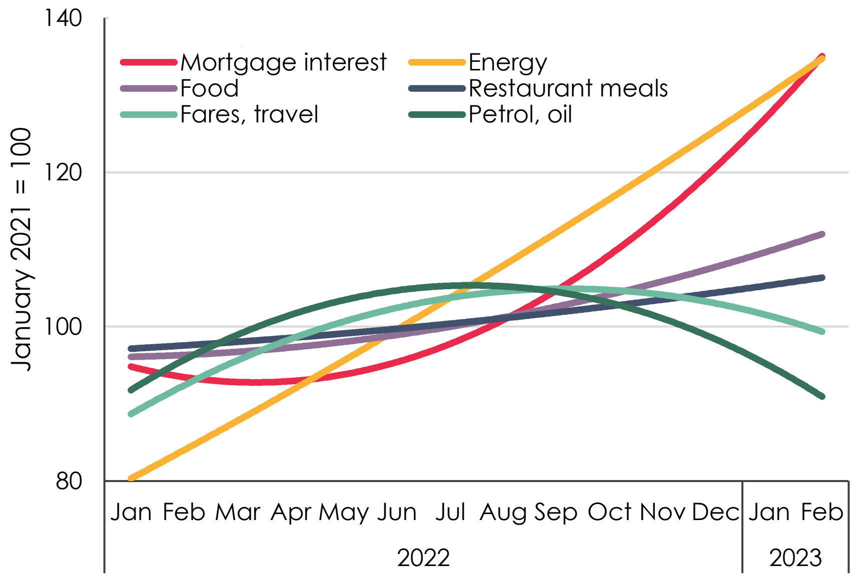
We are now emerging, blinking, into the sunlight on that 'other side'. There are challenges – still-rising fuel costs, an ongoing squeeze on consumers' disposable income, social uncertainty. But despite these challenges and more, the theme of resilience, ingenuity and the social importance of foodservice means it will continue to develop, expand and, in time, thrive.

So on this 3rd anniversary may I say thank you for your support, please keep your comments flowing, and my very best wishes for deserved success in the coming twelve months.

The numbers

This week I want to rummage around with a view to seeing what I can find. I do so, knowing full well that I lack the expert knowledge both of a psychiatrist and an economist whose expertise, you will see, is important in the context of what I'm writing about. And what is that context? It's inflation and how its changes affect what people do.

Variations in rates of inflation - simplified



Sources: ONS; Peter Backman

Headline inflation in the UK hit 10.4% last week – it had increased compared with the previous month and was higher than most (knowledgeable) people had been expecting. Moreover it is expected to fall substantially over the next few months to reach the Bank of England's target by the end of the year.

The key thing for what I am writing about, though, is that while this is the headline rate, the components that make up the inflation rate move at different speeds, indeed in different directions. This is important in the context of the question posed to me, more than once, last week: How do these differing rates drive change?

The graph is very selective and (perhaps over) simplified to make the point that inflation, while growing fast for some categories (energy and mortgage interest, for example), for others (petrol and travel, for example) it peaked last summer and is now falling. If your spending is heavily skewed to paying off a mortgage, then the pressure on your wallet is rising, while if it is biased towards travelling, you'll find your spending is becoming less pronounced and your decisions on where to spend your money will be less compromised.

While that may be complex in itself (and bear in mind there are many other categories than are shown on the graph), so far as what's happening to spending in the foodservice sector you can add in rising restaurant prices. As I have said, I am not an expert in these matters, but the way in which inflation moves - and moreover the differential ways in which it moves between different categories, and the importance of those categories to individual consumers – will drive spending patterns. And the complexity means that perceived changes will also be complicated – because people are complicated and not readily identified by just rummaging around.

Nevertheless, the changes may explain some of things that we find baffling, such as where do people spend their money? And why, and how, are their patterns of eating out changing?

To answer those question requires more rummaging which I will return to on a later occasion.

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

News in the past week

Financial & Legal

- Henry Dimbleby resigned as the government's 'food tsar' at DEFRA

QSR

- Grind acquired Bottleshot Coffee

Pubs

- Shepherd Neame LfL sales rose 12.8% in the quarter to mid-March versus 2022
- JD Wetherspoon LfL sales rose 9.1% in the seven weeks to mid-March versus 2019; LfL sales of food rose 12.0% in the year to end January 2022 versus 2019

Leisure

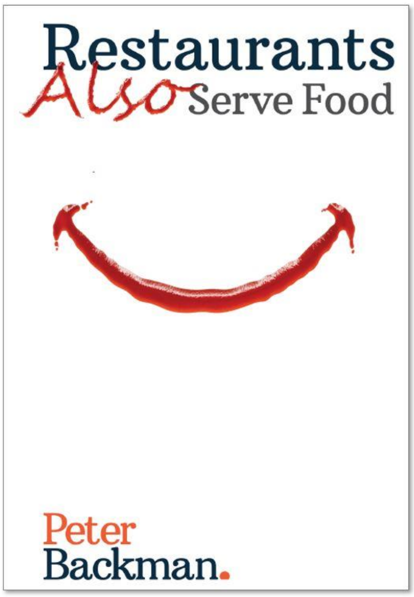
- Rileys sales rose 49.8% in calendar 2022 versus 2021
- Ten Entertainment Group LfL sales rose 2.7% in the first ten weeks of 2023 versus 2022

Delivery

- Just Eat Takeaway moves 1,700 roles from employees to contractors; makes another 170 operational roles redundant

Suppliers

- Fever Tree sales rose 10.6% in calendar 2022 versus 2021



The revised edition of my book – Restaurants Also Serve Food – has now been published. It is addressed to 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.