

WEEKLY BRIEFING REPORT

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My insight

The cherry tree in our garden burst into blossom last week. Its pink and white flowers were one of the reasons why we bought the house and every year, in the middle of April, they repeat their magic.

There has been sunshine – and showers too. But April Showers happen every year.

And last week, the squeals of the children in the park opposite echoed across the road as they hunted, and found, their Easter eggs. Easter had arrived.

And so the cycle of the world continues. Of course, it does so against a backdrop of war and recovery from the pandemic. So not everything is as it was. But it never is. When I was young, my elders were seemingly forever banging on about 'the war', and rationing, and smog, and things not being like in the old days (though why one should want to hanker for those old days of war was beyond me). And they talked about 'the coronation' too although in those days it was the coronation of an earlier monarch.

One of the truly beneficial effects of growing up and then ageing is that personal history acts as a context within which to frame the world. Without that context, growth and change seem random. With the context of personal history change becomes part of a story that we can use to make sense of the world and create views about why things happen and therefore where they may be going.

Gen Alpha – those under the age of 10 – don't have that historical context. Seven and eight year olds may not even remember periods of lockdown; their older siblings of nine and ten might remember those times but, because they can't recall pre-covid times, they have little by way of historical context to put lockdowns into their long term place.

And so, as they age, Gen Alpha will carry this view of the world with them - and what went before will be something they read in a book, or hear their elders banging on about. The world of Gen Alpha will not only be different from today, it will seem different too. And in the middle years of this century, when they become the adults and as they move into middle age, their personal histories will influence their actions, reactions, and perceptions of their world.

So what does that have to do with foodservice? Well, to be honest, I'm not at all sure. But, hey, the cherry tree is in blossom, we've just had Easter, and summer beckons. Enjoy.

The numbers

Figures just published by pricing consultancy, Pearson Ham, show that prices paid, in February, for food by pubs increased almost three times as fast as their menu prices. But Pearson Ham noted something else as well. The price of what they call 'add ons' rose by over twice as much as overall menu prices. A pub company, that they quoted, increased its prices for side dishes by 13.4% – while increasing prices on mains by only 3.2%.

These figures support what I have observed. The squeeze on margins continues. Right now, the squeeze is exacerbated by the differential rate of inflation in the costs of goods – the price of food and beverages – which, in the figures quoted by Pearson Ham, rose on average by 18.3%, three times faster than menu prices which increased by 6.1%. This three-fold differential puts hard, significant pressure on profits.

For operators, the seat of the pants reaction when the price of the food and beverages they buy increases, is to raise their menu prices by the same amount and so protect their margin. But of course, it's never that simple because, to take just one example, care must be taken over what competitors are doing as well.

Instead, look at what is happening to the actual margin. The margin on some items is much wider than on others – soup made from otherwise waste vegetables, or from stock, carries a much higher margin than, say, burgers made from expensive beef; desserts generally provide more profit than mains. And so on.

Many operators steer their customer towards the menu items with the highest margin. Intelligent pricing of this type takes a leading role when, for example, the operator increases prices significantly on dishes that customers must have – steak for instance – and raises prices more modestly where margins are already high but which the customer might not want to choose – dessert for example. Intelligently constructed pricing steers the customer toward the high margin dessert while protecting sales of high volume dishes.

The customer may not be influenced by blandishments such as these though. She may choose to pay the same as before. But what she chooses may be different. And intelligent pricing should protect the cash margin. Encourage her to choose the products which she may not necessarily choose but which carry the highest percentage margin while ensuring that she continues to contribute the cash margin on the products that she definitely will chose.

This world of pricing is not a science, but nor is it an art. It used to be based on gut feel and experience. Nowadays, software can do much of the heavy lifting; algorithms contribute the experience and AI provides the gutfeel.

But even then, the customer is not to be outguessed – she may choose to do something unpredicted – or the competition can overthrow the apple cart with some price change that is unexpected.

All in all, pricing is about balancing the margin with demand – that's not an obvious equation and is certainly not subject to precise prediction. But get it right and you provide the conditions for the business to flourish.

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

News in the past week

Restaurants

- Toridoll to acquire Fulham Shore

Pubs

- Oakman Group LfL sales fell-1.9% in the three quarters to end March; organic sales rose 9%

Leisure

- Saga sales rose 54.1% in the year to end January
- Hollywood Bowl sales rose 10.9% in the six months to end March
- Heathrow passenger numbers rose 16.% in March versus the prior month

Around the World

- Sodexo sales rose 13.4% in the six months to end February

Jamie Barber, restaurateur and founder of Hush, Cabana, and owner of Haché Burgers, joins Jon Borzacchiello of [Aviko](#) and me on [The Delivery Prophets](#) podcast to discuss his latest venture, [My Supper Hero](#). This finish-at-home meal kit was launched with Myleene Klass at the end of the omicron lockdowns. Barber approaches delivery from several angles, including as an additional channel for his bricks and mortar business, as an operator in a dark kitchen, and through the innovative model of meal kits. Listeners can gain a deep understanding of the market for restaurant meals served at home, the use of dark kitchens as production facilities, the case for serving customers in rural areas, subscription opportunities, and why they envision having a high-street space to promote the business. The podcast also explores the impact of technology on delivery logistics, changing consumer demands and preferences, the rise of dark kitchens, and opportunities from virtual brands.



The Delivery Prophets podcast is the perfect way to stay informed and ahead of the curve in the world of food delivery for delivery companies, marketplace apps, technology companies, restaurant owners, investors, and consumers.