WEEKLY BRIEFING REPORT

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My insight

When I hear, or read about, tech companies proclaiming that one of the main sources of their value is data, I am reminded of this comment from Paul Theroux, the novelist and travel writer: 'We confuse data (of which there is too much) with ideas (of which there are too few)'.

'I have data lots of shiny data' seems to be the mantra of the tech business. But bearing in mind Paul Theroux's aphorism, what would you rather have: data? or ideas? Data is a valuable commodity that investors are prepared to fund more of. But what is data? Specifically, what is its role? And how does it compare with ideas?

Some years ago, there was much talk of the 'Information Superhighway'. This was generally perceived as the rolling benefit of the computer, not only for businesses, but for society in general. Thinking about this at the time, I created a modified definition of this superhighway. It started with data, which was turned into information, which was turned into insights, then into understanding and, finally, into action via ideas:

Data > Information > Insights > Understanding > **Ideas** > Action

In this model lies the notion that data is only the starting point - ideas and action are the end point. Added to that, and to misquote Winston Churchill*: "Without ideas, data is mere idleness". In other words, data is a necessary first step because without data, ideas are unlikely to be productive. But that's all data is: a necessary first step. So when a company trumpets its 'data', it is implying that there is a lot of work still to be done before you can benefit from what the data is telling you.

Sure, you can adjust the price of a product because the data is telling you that sales are falling (that's what Tesla have done in China – they reduced prices by up to 13.5% in January) but without understanding what falling prices are telling you, you will lack the 'context'. Acting on the data alone will quite likely lead to the wrong decision (Tesla cars are losing their value at an unprecedented rate in the Chinese used-car market).

The lesson is to look carefully at what tech companies actually promise when they promise you data. Do they promise you ideas?

**The actual quotation from Winston Churchill is: 'Without execution, thinking is mere idleness'*

The numbers

Andy Hornby, CEO of The Restaurant Group was quoted recently questioning whether 'The casual dining industry will ever be quite as big as it was?' But how big was it and will it ever return to that scale?

Casual dining has been around for years. There were casual dining restaurants operating successfully in the 1890s – Veglio's, the Aerated Bread Company, Lyons Corner Houses are just three examples. By the 1950s, Elizabeth David had lit widespread interest in restaurant dining after the ravages of the second world war. Then along came Berni Inns, The Golden Egg, and others, followed shortly by My Kinda Town, Pierre Victoire and many more. And casual dining was not all about brands – it included (as it still does) much pub dining, and independently run restaurants.

These casual dining businesses were defined by the expectations, prices, and capabilities of their age. Some would perhaps struggle for salience today – but they were casual dining for the times in which they existed and grew. In today's terms, and allowing for changing purchasing power, they had a small share of the economy, but probably a growing share of the eating out market. In 2019, I had identified this market worth just shy of $19 billion.

But I doubt Andy Hornby was talking about this extended market – consisting of some pubs (generally 'gastro pubs') and restaurants. Instead, I suspect he had in mind the more specific chain sector that benefited from the debt fuelled growth of PE-backed chains in the 2010s.

That sector suffered from its faults – a convergence on a bland offering, with moderate service levels, and, above all, overcapacity driven by the lure of scalable growth (which made the sector so appealing to investors). Nevertheless this sector, just one manifestation of casual dining, showed solid year on year growth in the post Great Recession period.

The drivers of this growth included a number of convergent activities and structures. An important one was the consumer, who became ever more aware of casual dining and built it into weekly spending patterns – casual dining became something that consumers just did. The increasing availability of space in, so-called, non-traditional locations – leisure parks, shopping malls, airports, railway stations – was another important driver. And a third was the growing ranks of a cadre of managers whose experience of growing and rolling out restaurant brands met the requirements of private equity - which made significant funds available for scalable growth.

It was this market that was challenged and then down-sized by covid. Will it ever return and become as big as it was? The confluence of the key growth drivers was, arguably, a one-off. But the basics are there: consumers are returning to eating out, and rents for restaurants in high streets and non-traditional locations alike are becoming more affordable.

Crucially though, will private equity regain the scale of its former appetite for casual dining? It looks unlikely in the short term anyway. In the meantime, there are plenty of other ways to fund a restaurant - by franchising for example - and these 'other' ways will give rise to different operating models which will, in turn, influence where consumers eat out and how much they spend.

The 100 year plus history of casual dining suggests that it will easily, once again become as large as it was - but quite probably without the overriding influence of private equity.

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 government's 'food tsar' at DEFRA
- Bank of England agents reported that price increases continued to support revenue growth in the hospitality sector
- Manchester launched daily city visitor charge for hotels

Restaurants

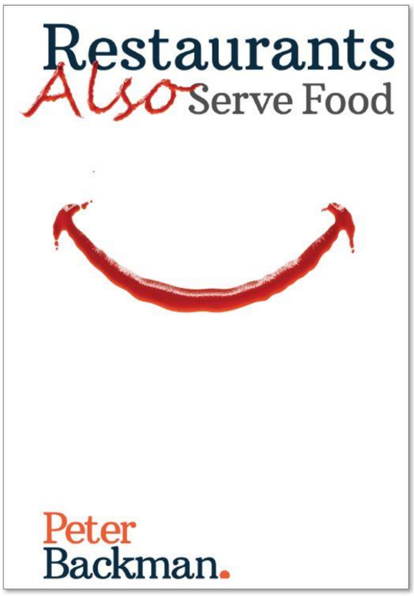
- Pho sales rose 109% in calendar 2022
- Tortilla sales rose 20.0% in calendar 2023
- Regular Cafes acquired Real Eating Company after pre-pack administration

QSR

- Domino's Pizza LfL sales rose 10.8% in the last six months

Hotels

- Castle Leisure sales rose 83.9% in calendar 2022



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.