

# WEEKLY BRIEFING REPORT

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## My insight

Britain's Confederation of British Industry - the CBI – stands accused of bullying, sexual harassment and worse amongst its staff. Scotland's Scottish National Party – the SNP - faces allegations of financial mismanagement and inadequate governance.

A significant characteristic common to these two different but very live issues is a breakdown in culture. The 'correct' culture has gone missing (no doubt it was present in both organisations at some point). The possibility that a culture that can go missing has implications for the foodservice sector. But before we get there, let's continue with what is happening to the CBI and the SNP.

Basically their customers are walking away. The efficacy, relevance and ultimately the success of both organisations rests, not on the amount their customers spend, as it would if they were commercial businesses, but on the actual numbers of those customers – members in the case of the CBI, and voters in the case of the SNP.

The current culture breakdown in both organisations puts the numbers of their customers at risk - in the case of the CBI they are already reportedly resigning in significant numbers - and accordingly the breakdown compromises the futures of each organisation, ultimately to the point where they no longer have a reason to exist.

Culture breakdown does not always result in such severe outcomes. Significant numbers of customers of a food supplier, for example, are unlikely to reject buying its products because of bullying or sexual harassment by senior management. VW has managed to retain its customers after falsifying emission test results in the so-called 'Dieselgate' scandal.

In other words, culture breakdown has more severe reverberations in some businesses than in others. The examples I've quoted here suggest that the reverberations are more severe when the organisation exists to provide a service, and less severe when customers buy a physical product.

The lesson for the foodservice sector is therefore fairly clear. The sector relies on providing a service. Culture is essential to the operation of a foodservice business. If culture breaks down, the future of the business is at risk.

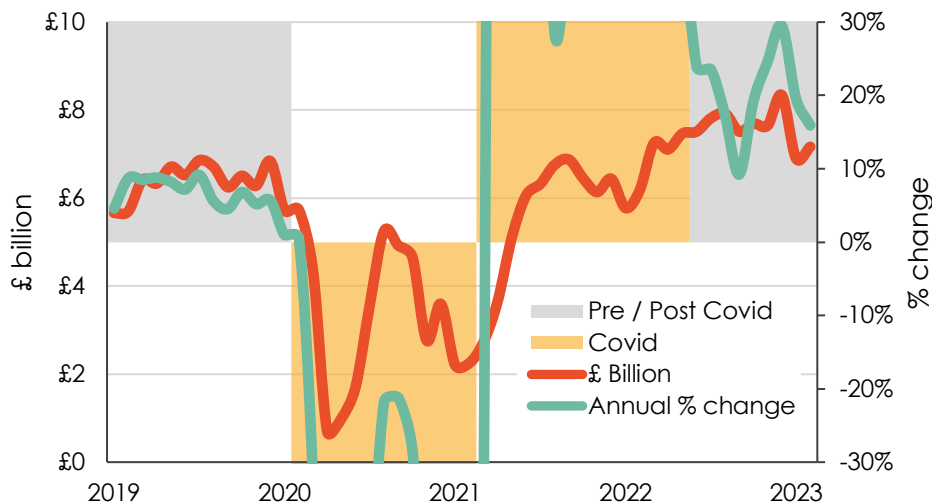
Fortunately, the foodservice sector is very aware of this but maybe an occasional reminder wouldn't go amiss. This is especially so when, as now, sensitivities about governance issues or mistreatment of staff are running at high levels.

## The numbers

A few weeks ago, in a recent issue of my Weekly Briefing Report, when drawing attention to the rate of pay increases in the hospitality sector, I concluded that more stable times are arriving.

And now there is further evidence. This time it's from the ONS survey of turnover in the 'foodservice and accommodation sector'. The latest figures follow a pattern represented by the 'covid graph' in the yellow section of the chart - a rapid downturn in 2020, then an upsurge, before a further reduction, and then a slow climb upwards from late 2021, punctuated by the omicron-induced fall in late 2021 / early 2022.

### Food & Beverage serving



Source: ONS; Peter Backman

and its associated lockdowns, pingdemics and general disruption - the rate of change recorded on an annual basis, in the yellow sections of the chart, has shown huge variations.

The green line shows the annual comparisons of monthly change. This fell by more than -80% in early 2022 - a year later it was rising at an annual rate in excess of 160%. But after these wild gyrations, things are slowing down.

Current annual growth - in the right hand grey section - was 15.9% in February. This is now a much more manageable rate of change even though it is still significantly higher than the average 6.5% in the twelve months up to the onset of the pandemic (the left hand grey section).

What this says is that the wild gyrations over the three years since the start of covid are now settling down, even though are not yet back to 'normal'.

During the early days of covid it was not uncommon to talk about the 'new normal' - the period when covid would be over and growth would once again be easy to measure and handle (even though in other respects, such as consumer expectations, things might be different from went before).

The latest ONS figures show we're not there yet - the rates of change are still too high - but it may not be too far off. Things are beginning to settle down.

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

In other words, although the foodservice market fell in the last couple of months of last year, it has been on an upward trajectory for a couple of years.

It's not so much the shape of this graph that I want to comment on though. It's the rate of change represented by these figures.

Because of the major fluctuations in the monthly numbers - caused by covid

## News in the past week

### Restaurants

- Mohari Hospitality acquires Tao Group Hospitality, owner of Hakkasan

### Pubs

- City Pub Group LfL sales rose 7.8% in the most recent quarter versus 2019

### Delivery

- UberEats is trialling reusable packaging in London
- Deliveroo orders in UK and Ireland fell -2.7% in the first quarter of 2023 versus 2022, GTV rose 6.3%, and revenue rose 11.6%

### Suppliers

- Brakes announced a freeze on 1,850 own brand frozen and ambient products for the next six months

### Around the World Delivery

- Just Eat Takeaway orders fell -14% in the first three months of 2023 versus 2022; GTV fell -8%

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.