

MONTHLY BRIEFING REPORT

May 2023

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Peter
Backman.





Introduction

This is the most recent of my **Monthly Briefing Reports** which, together with my **Quarterly Briefing Reports**, comprise the subscription-only series of **Premium Briefing Reports**.

In response to requests for a more compact and focused report, this latest issue follows a revised format which I introduced earlier this year.

I hope this new format is helpful to you; and I would value your feedback on it – and any topics you would particularly like me to add to my coverage - my email address is peter@peterbackmanfs.com and my phone number is 07785 242809.

Summary of a month of 3 Bank Holidays

- There were hopes in some quarters that because it was to include three Bank Holiday, May would be a good month.
- Trade over the May Day Bank Holiday was good but seems to have been influenced by the sunny weather especially in the pub sector.
- Trading over the Coronation weekend had mixed outcomes for different sectors. Some businesses reported negative effects, while others benefited to varying degrees.
- Initial indications suggest that trade in May was better than previous months would have suggested but there was only a limited boost as a result of the Bank Holidays
- Nevertheless, the restaurant, pub, and bar sectors showed positive growth up to mid-May. Companies like J D Wetherspoon and City Pub Group reported strong sales during the bank holidays,
- Also noticeable during May was significant signs of recovery in the travel sector, with transatlantic flights projected to exceed pre-pandemic levels, London remaining a top destination for meetings and events, and increased bookings and passenger numbers at Heathrow Airport.
- On the other hand, inflation – especially for food – remained high
- During the month, many businesses continued to face financial difficulties.

The early May Bank Holiday

- J D Wetherspoon reported exceptionally strong sales during Easter and the May bank holiday. City Pub Group also experienced their "best weekend ever" during the first bank holiday in May.

- The Oxford Partnership reported that during the first May bank holiday weekend, UK drinkers consumed 54.1 million pints of draught beer and cider, representing an 8.5% increase compared to 2022.
- Overall, the trading performance up to mid-May showed positive growth in the restaurant, pub, and bar sectors, boosted by public holidays and other commercial initiatives.

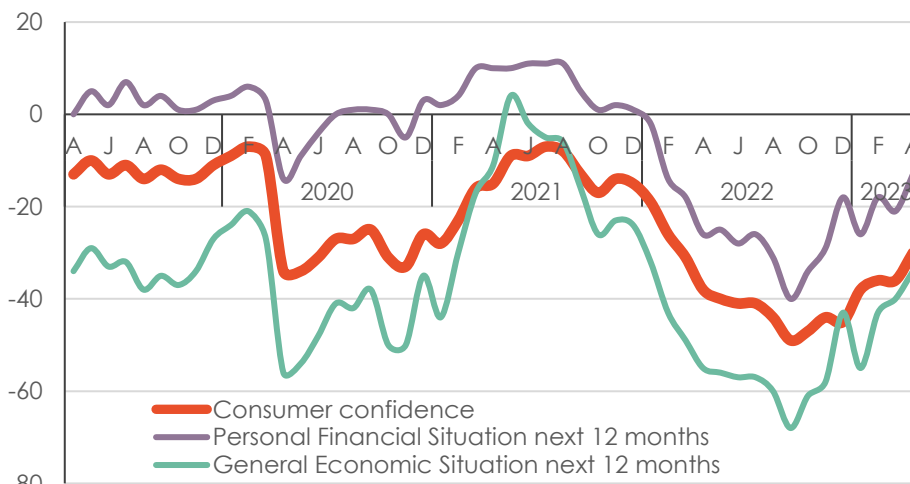
The Coronation weekend.

- There was evidence from several quarters that sales over the three days of the Coronation – the weekend and the Bank Holiday Monday - were similar to normal levels, but demand was compressed into fewer days.
- The poor weather also had an impact on market volume, reducing it to some extent below what could have been expected.
- UKHospitality noted that the weekend was divided into two halves. The first half saw visitors primarily focused on London and the Coronation events, while the second half was more in line with a typical bank holiday, emphasizing community activities.
- Businesses in London performed well, with hotel occupancy in the city centre reaching 95% on Friday and Saturday nights.
- Barclays data indicated a significant year-on-year increase of 26.7% in pub and bar transactions over the Coronation weekend compared to a normal weekend a year ago.

Trends over the past few months

- The restaurant, pub, and bar sectors showed positive growth up to mid-May.
- Mitchells & Butlers reported an 8.9% increase in LfL sales in the six weeks leading up to mid-May compared to 2019.

Consumer confidence



Source: GfK; Peter Backman

attributed to softer trading in the base year and the implementation of various commercial initiatives.

- Marston's also experienced LfL sales – growing at 7.9% from the beginning of April to mid-May compared to 2020, with their drink segment outperforming food sales.

- Whitbread reported that their UK food and beverage sales for the seven weeks up to April 20, 2023, were 10% higher than the previous fiscal year. This increase was

Several businesses in the food and hospitality sectors have faced financial difficulties:

- In February 2023, a total of 249 hospitality businesses entered insolvency.
- Amongst more recent difficulties:
 - Tillery Valley Foods Limited, formerly owned by Sodexo until 2021. a food supplier based in Abertillery with 250 employees, has been placed into administration.
 - Black Sheep, a brewery located in Masham, announced its entry into administration. The brewery attributes its financial challenges to a combination of factors, including the impact of Covid-19 and rising costs.
 - The Vurger Co, a food company, has also been placed into administration.
 - Lakeland Inns was put into voluntary liquidation.
- These instances highlight the financial struggles and challenges faced by businesses in the food and hospitality sectors, potentially exacerbated by the impact of the Covid-19 pandemic and other economic factors.

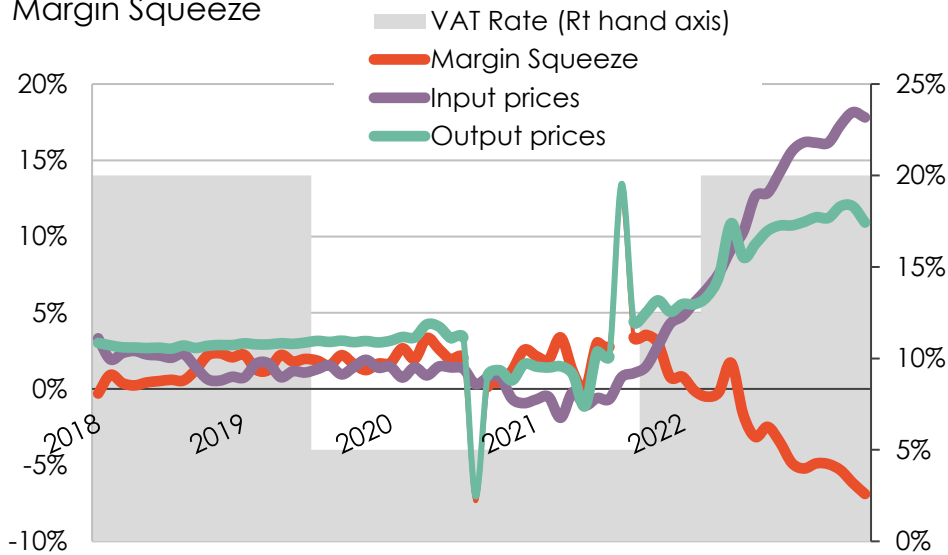
Factors and longer term trends

- There has been recent news about factors that are likely to influence the direction of foodservice over the coming months:
 - According to Centre for Cities, a think tank, office workers in central London are spending an average of 2.3 days per week in the workplace. This suggests a shift towards more flexible working arrangements.
 - Barclays' group CEO, CS Venkatakishnan, predicts that UK mortgage holders will see their monthly payments increase to up to 30% of their income. This represents a rise from the previous average of about 20% over the past few decades.
 - UK Hospitality reports that despite some positive indicators, there is still a significant shortage of workers in the hospitality sector. There are currently 132,000 vacancies, which is 48% higher than pre-pandemic levels. This shortage may impact the industry's ability to meet demand and operate at full capacity.
 - Restaurants in the US experienced a third consecutive month of slowing like-for-like (Lfl) sales and traffic growth in April. This indicates a potential decline or slowdown in the restaurant industry's performance.
 - Barclays' group CEO predicted increased mortgage payments for UK homeowners, but the rental market remains strong.
 - Office workers in central London continue to shift towards more flexible working arrangements. The hospitality sector continued to face a significant worker shortage, and inflation remained high in food and energy.
- Meanwhile in the US, restaurants saw a third consecutive month of slowing sales and traffic growth in April.

Inflation

- Inflation and the pressures driving it in the UK have remained high, particularly in the areas of food and energy.
- However, the governor of the Bank of England expressed concerns that inflation is persistent and may be slow to come down, indicating risks on the upside.
- However, Ofgem's new price cap for energy is expected to result in a drop in prices from July, with a projected decrease of £426 to £2,074.

Margin Squeeze



- The Bank of England reported that pay settlements have been averaging 6%, with higher increases for lower-paid workers due to the rise in the National Living Wage.

- Meanwhile, contacts surveyed by the Bank of England expressed intentions to maintain stable headcount over the coming year, despite facing higher labour costs

Source: ONS; Peter Backman

and weak demand.

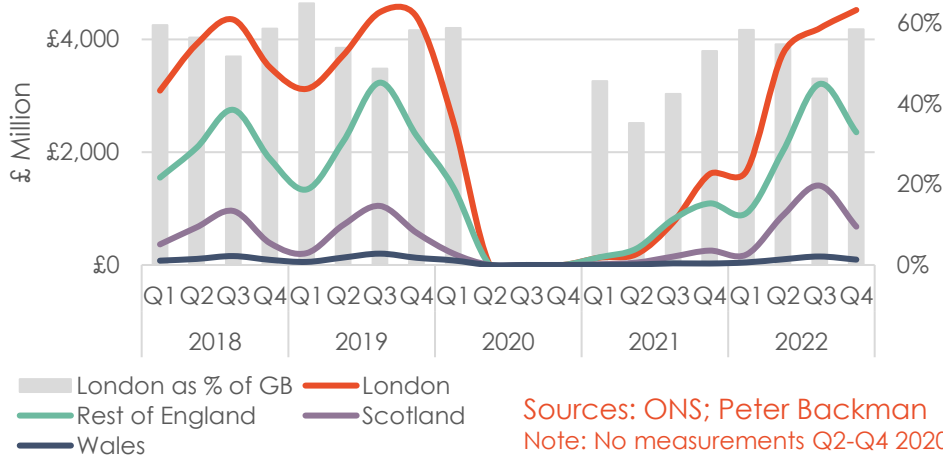
- A study by Caterer.com revealed that pay for pub workers saw a significant increase of 11.3% over the past year.
- The Office for National Statistics reported that average total pay growth for employees, including bonuses, was 5.8% for the three months leading up to March, slightly lower than the previous three-month period.
- The National Farmers' Union highlighted that gas prices would likely remain under pressure as long as the war in Ukraine continues, suggesting that the situation is unlikely to change in the near future.
- Despite good numbers of people in employment there are still significant shortages across hospitality with a reported 132,000 vacancies at the end of April.

International travel

- One of the more positive aspects of the foodservice sector over the past month has been those parts of it that are related to international travel because travel trends are showing signs of recovery and positive growth in certain areas.

- They include on-board catering, foodservices at airports, and hotels.
- Aviation specialist OAG predicts that transatlantic flights will surpass pre-pandemic levels during the summer, indicating a strong rebound in international travel.

Spending in UK by overseas residents



- London has maintained its position as the top destination in Europe for meetings and events this year, according to tech provider Cvent.
- Heathrow Airport assures that there will be no flight cancellations despite the industrial action by security staff scheduled for 25-27 May.

- The US National Travel and Tourism Office reports a significant increase in UK visitors crossing the Atlantic, with 3.47 million visitors in the previous year, marking a 652% rise from 2021. However, the numbers still remain below the levels seen in 2019.
- Online travel agency Lastminute.com experienced a 19% year-on-year increase in bookings during the first quarter of 2023, driven by strong customer demand and a higher share of holiday packages.
- Heathrow Airport handled approximately 6.4 million travellers in April. While there are indications of growth stabilizing at around 93% to 95% of 2019 levels across the first four months of this year, there are signs that passenger recovery may be levelling off.
- Overall, the travel industry is showing signs of recovery, with transatlantic flights projected to exceed pre-pandemic levels, London remaining a popular destination for meetings and events, and increased travel bookings and passenger numbers at Heathrow Airport.

Pulling this together

- Foodservice performance during May was satisfactory.
- Although it was not set alight by Bank holiday trading, the weather contributed to a positive month.

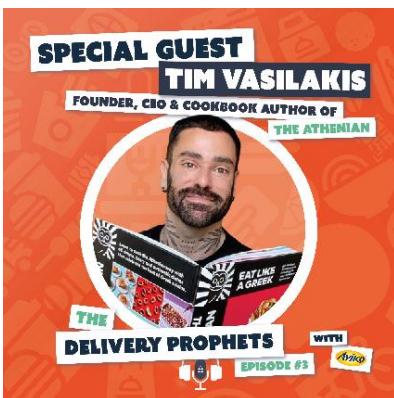
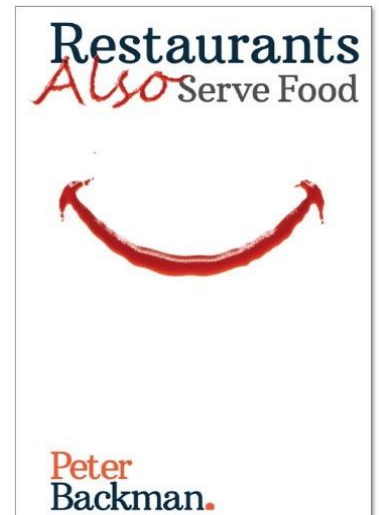
Looking ahead

- Recent trading appears to give grounds for some confidence about the future.

- International travel is on the up and the UK foodservice sector should benefit.
- Inflation is still very high but is showing signs of falling.
- However, the pressures on operators that have been building over the past few months still remain – the key one being financial fragility, especially amongst independent operators – and this will limit investment.
- And as I discussed in the Quarterly Briefing Report for Q1 2023 – this fragility will result in more corporate failures over the coming months.

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.

Restaurants Also Serve Food provides solutions to the many conundrums facing the food supply chain in the foodservice market – you'll find more about the book and how to buy it [here](#).



The latest episode of **The Delivery Prophets** podcast features guest Tim Vasilakis alongside Jon Borzacchiello of Aviko and me. Tim is Founder, CEO and author of The Athenian and he shares his trenchant opinions on the importance of effectively executing ordering, delivery, and collection, and how delivery has become a basic commodity that needs to be even more integrated into our lives today.

The rest of this Monthly Briefing Report provides a summary of the news reported in the past month that relates to more than three months ago (see my Weekly Briefing Reports for more recent news):

News in the month

Restaurants

- Hostmore sales rose 23.9% in calendar 2022 versus the prior year
- Mowgli sales rose 214% in the year to end July 2022 versus 2021
- Giggling Squid sales rose 94% in the year to end April 2022 versus 2021
- Comptoir Group sales rose 49.7% in calendar 2022 versus 2021
- Gordon Ramsay Restaurants sales rose 201% in the year to end August 2022 versus 2021; up 4.2% versus 2019
- Flat Iron sales rose 1193% in the year to end August 2022 versus 2021; up 29.2% versus 2019
- Côte Restaurant Group sales rose 98.6% in the year to end September 2022 versus 2021
- Rare Restaurants sales rose 38% in calendar 2022 versus 20221; up 29% versus 2019

QSR

- Soho Coffee Co sales rose 107.5% in the year to end January versus 2022
- Parsons Bakery sales rose 1.5% in calendar 2022 versus the prior year
- Wimpy UK sales rose 6.7% in the year to end February 2023 versus 2021
- New Demipower sales fell -8.4% in the year to end October 2022 versus the prior year

Pubs

- Kingdom Taverns sales rose 153% in the year to end July 2022 versus 2019
- Greene King sales rose 62.2% in the year to end January 2023 versus 2022
- Dorbiere sales rose 94.5% in the year to end September 2022 versus 2021; up 6.3% versus 2019
- Buccaneer Holdings sales rose 65.5% in the year to end October 2022 versus; up 12.5% versus 2019
- Freedom Brewery sales rose 16% in calendar 2022 versus 2021
- Urban Pubs & Bars LfL sales rose 13% in the year to end April 2022 versus 2021; up 12% versus 2019
- Liberation Group LfL sales rose 4.5% in the three quarters to end January 2023 versus 2022
- Punch Pubs Group Limited sales rose 10.9% in the six months to end February versus 2022
- Hook Norton Brewery sales rose 45.7% in the year to end September 2022 versus 2021; up 20.2% versus 2019
- Cameron Ventures Group sales rose 108% in the year to end August 2022 versus 2021; up 42.8% versus 2019

Hotels

- Torquay Leisure Hotels sales rose 125% in the year to end April 2022 versus 2021; and 11.5% versus 2019
- MAC Hotels sales rose 48.0% in the year to end June 2022 versus 2021; up 31.4% versus 2019

Leisure

- Lyons Holiday Parks sales rose 63.2% in the year to end January 2022 versus 2021
- Unity Farm sales rose 37.7% in the year to end October 2022 versus 2019
- Thorpe Hall Leisure, sales rose 52.6% in calendar 2022 versus 2021
- Bluestone Resorts sales rose 56.5% in the year to early January 2022 versus 2021

Suppliers

- LWC Drinks sales rose 113% in the year to end September 2022 versus 2021
- Global Brands sales rose 26.6% in the year to end September 2022 versus 2021
- Beyond Meat net sales fell -15.7% in the first quarter of 2023 versus 2022
- Britvic sales in restaurants, pubs and hotels rose 4.6% in calendar 2022 versus 2021

Around the World

- Genting sales rose 135% in calendar 2022 versus 2021