

# WEEKLY BRIEFING REPORT

**Week ending 23 July 2023**

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## My insight

'Innovate – or die'. So said management guru, Peter Drucker (or maybe it was someone else – the authorities don't agree on this). For humans, dying is inevitable, so innovation has nothing to do with it. But do businesses die? The vast majority certainly disappear - generally within a few years, although maybe some last for decades. So, for business, it's not so much a question of innovate or die but innovate and we'll die anyway.

What does that have to do with foodservice? Well, it seems to me that, like all industries and sectors, the world of foodservice is constantly moving on – sometimes quickly, sometimes slowly; parts of it die, other parts just carry on. And what appeared to be the right thing under the 'old' conditions, whatever they were, is no longer correct under the 'new' conditions. That suggests that innovation may just be the ability to react to change. This is particularly true at the current time. Staff shortages mean that the old ways of recruiting staff, and their pay levels, may no longer be appropriate. Reduced interest from private equity means that company expansion may have to look for alternative sources of finance. Vegan food, the poster child of menus only eighteen months ago, may no longer be what it was – what to replace it with?

Arising from this, it seems to me that the key question is: does the foodservice sector innovate enough? It has certainly shown itself able to innovate – look at the rise of franchising in the 1970s, or its embrace of delivery right now. But I venture that most innovations in the sector are a case of one person, or one company innovating, and some of the rest following on by copying. With the general need to innovate - and its imperative right now - what can be done to enhance innovation in the foodservice sector, and to get more businesses to do it?

There are, it seems to me, three things that hold back hospitality businesses from innovating. One is the actual recognition that innovation is needed in the first place (Spoiler alert: it almost certainly is). The second is what to innovate? My answer to that question is: Look around, observe, analyse your business and that of others. And finally, how to innovate? What processes are needed to install innovation, monitor it, and control it. Or is innovation just a case of serendipity? The answers aren't simple, they are varied, and they depend on each individual business.

Given all these considerations, I've been delighted to be part of the government's Hospitality Sector Council initiative. Its Innovation Working Group (the IWG) is tasked with helping the sector to innovate. The deliberations are still in their early stages, but the IWG has already launched a report that starts to get the ball rolling by getting businesses to think about these issues.

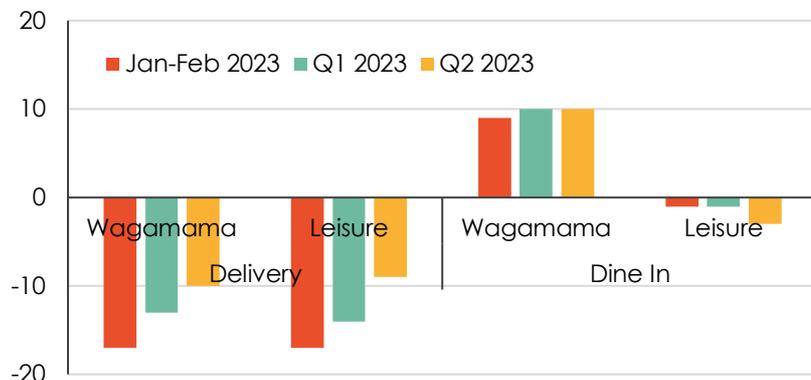
To get started, why not read the [report from the IWG](#)?

## The numbers

Last week The Restaurant Group (TRG) published its latest quarterly update for the three months to the end of June. It showed, amongst other things, that the fall in Wagamama's delivery sales

which had been posted in the first quarter of this year, continued into this latest quarter.

### Restaurant Group sales - Delivery and Dine In



More specifically, the first quarter's decline of -13% (which included a decline of -17% in the first two months) was followed, in the second quarter, by a fall of -10%. And, in passing, I'd note that this pattern was also reflected in the figures from the TRG's Leisure division which includes Frankie & Benny's and Chiquito.

Sources: The Restaurant Group; Peter Backman

This pattern should be set alongside the results recorded by the two

aggregator platforms on which Wagamama sits. Both have only revealed their first quarter figures for this year (the second quarter figures are still awaited). Deliveroo UK and Ireland GTV sales (that is, sales to consumers) were up 6% in the first quarter. Meanwhile Just Eat's GTV in the UK and Ireland fell -6% in the same period (the company claims that this decline should be set against very strong figures in the first quarter of the prior year).

A short summary is in order at this point: in the first quarter this year, Wagamama delivery sales fell -13% compared with Deliveroo's increase of 6%, and a fall of -6% by Just Eat (half of the fall experienced by Wagamama).

However, Wagamama is very definitely a bricks and mortar brand, and other things are happening within virtual brands. For example, TRG itself is rolling out Street Feud, its own virtual brand. At the same time, The Big Table Group has announced the continuing roll out of Super Nonna, its virtual pasta brand, to about 70 UK sites. On the other hand, MrBeast Burger, the leading, albeit US-based, virtual brand announced that it was pulling out of the delivery market.

What to make of this? Does the decline at Wagamama (and the repealing of MrBeast Burger) mean delivery is on the way down? Well, no. For a start, overall sales to consumers are still rising. Second, most of the figures show an improvement in the second quarter of this year versus the first. And third, while some brands are falling relative to the market, others are on the up.

To me this suggests that we are seeing a realignment of brands in the UK delivery sector. And out of it, just as McDonald's, KFC and a handful of other brands, emerged from a scrum of fast food brands in the US in the 1960s and 1970s, we will witness the emergence of a handful of delivery brands from the existing scrum. And these brands will form the cohort that the rest of the market will look up to in the coming years.

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

## News in the past week

### Financial & Legal

- The Insolvency Service reported an increase of 27% of insolvencies in June

### Restaurants

- The Restaurant Group announced the roll out of virtual brand Street Feud
- Tortilla LfL sales rose 21.6% in the first half of 2023
- Wagamama LfL sales rose 5% in the quarter to end June; they rose 8% after allowing for VAT changes
- The Restaurant Group Leisure division LfL sales fell -7% in the quarter to end June

### QSR

- Pret a Manger sales rose 20.2% in the first half of the year

### Pubs

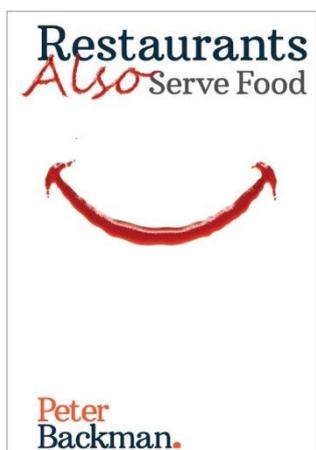
- Brunning and Price LfL sales rose 13% in the quarter to end June
- Loungers LfL sales rose 5.7% in the quarter from mid-April versus 2022
- Fuller's organic sales rose 17.0% in the quarter to mid-July versus 2022; LfL sales rose 15.1%; City and central London LfL sales rose 17.9%

### Leisure

- Camel Creek went into administration

### Around the World

- Domino's Pizza Poland LfL sales rose 16.8% in the quarter to end June versus 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.

I recently took part in an engaging and highly informative **webinar** with Carl Orsbourn and Meredith Sandland. We discussed our books – theirs on the subject of delivery and mine on what makes foodservice tick – and what suppliers need to understand about it if they are to be successful in selling to this complex and ultimately rewarding sector.

You'll find more about Restaurants Also Serve Food – and how to buy it **here**.