WEEKLY BRIEFING REPORT

Week ending 10 September 2023

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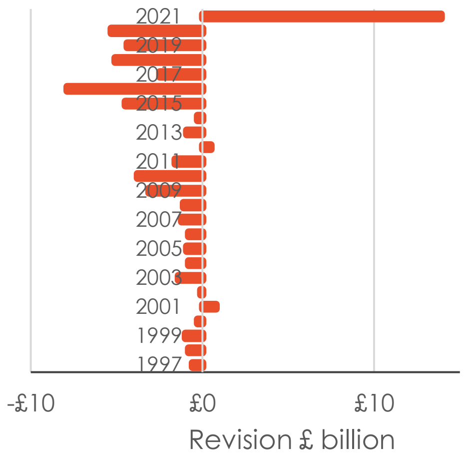
The numbers

I don't normally comment much on GDP figures – primarily because they have little direct impact on how we should interpret what's happening in the foodservice sector. But last week the ONS revealed a significant upgrade to its analysis of GDP with the result that its estimate of the change in GDP in 2021 was upgraded from a -0.9% decline to growth of 0.6%. What does this mean?

I am not competent to discuss how much of the change is just 'fiddling with the numbers' but it appears that the changes actually get closer to the 'truth' of actual levels of GDP. So the reported changes should be taken at face value. But given the scale of the change it's worthwhile looking at some of the details – especially what they mean in a historical context – and what they say about the foodservice sector.

Revisions to GDP



Source: ONS

The change in 2021 numbers reflects an increase of £13.8 billion in the value of GDP – hailed by the Chancellor as providing an outlook that is 'brighter than expected'. But the net change for each prior year (other than the 'recession years' of 2001 and 2012) has been negative. In other words GDP has been less than previously reported. It means that 2021 was the outlier in these recalculations. And of course, 2021 was a year when the economy was heavily impacted by covid. All this suggests that the underpinnings of the economy – which sectors did what and by how much – were significantly changed by covid. Not surprising really.

And let's look at what the changed numbers say about the foodservice sector. The ONS note that the biggest contributor to the additional growth in 2021 came from 'services'. But in case you thought that foodservice is part of this additional growth, I am afraid there is disappointment. The ONS are at pains to say that 'The largest contribution to the revision is repair of motor vehicles ...' but 'There are several services subsectors that see minimal revision … examples are accommodation and food services'

So in conclusion. The economy did worse than previously thought in years prior to covid, but did much better in 2021 than previously thought. And perhaps unfortunately the performance of foodservice was not upgraded – although repairing of motor vehicles was.

My insight

The news in the UK this past week has been much focussed on the issue of crumbling concrete in schools. For those not based in the UK, the proximate cause behind this issue is the fact that a form of concrete (known as RAAC) can fail catastrophically; it was used widely in schools (and other buildings including schools, prisons, and airports) fifty or so years ago in the UK. The political aspect is that successive governments have been aware of this issue but chose not to make the funds available to repair it.

I'm not going to comment on the politics, but there are lessons for the foodservice sector from this saga of 'crumbly concrete' and I'll have a go at illuminating them.

I'll start with the observation that there are many reasons – benefits even – for keeping buildings in good repair. There are customer- and employee-facing issues such as improving the customer experience, ensuring safety, contributing to staff morale

There are reasons related to good business practice such as protecting infrastructure assets and increasing their lifespan, improving energy efficiency, protecting the brand by retaining customers in a well-kept environment, and enhancing sustainability credentials. And then there are regulatory issues such as being compliant with relevant laws and regulations.

So the conclusion must be: keep repairing. There are of course, reasons why a business might not want to spend money on maintenance. Perhaps a lease is nearing its end, or the business will shortly be closing because the owner is retiring. And then there are financial constraints 'We can't afford it' which is the politician's argument par excellence.

What distinguishes these reasons for not repairing is that the cause or the repair, the need for the maintenance, still exists despite reasons not to. And if the maintenance is delayed beyond the time of ownership, or beyond the time of the tenant's responsibility, responsibility falls to the next owner or holder of the lease to do the repairs.

And this I where the real issue that I want to address arises. The cost of repair, under the conditions I have just noted, is borne by the incoming owner, tenant, or leaseholder who, by definition, will be uncertain of the financial return from spending on maintenance or repairs – the costs involved are yet another cost on the overall cost of opening a site.

This seems unfair on the incoming owner. I have no real suggestions for removing this unfairness – in theory, companies could be forced to carry out necessary maintenance, but there are many reasons why such pressure won't work, would be unfair, or would be inappropriate for some other reason.

Yet the unfairness remains.

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

News in the past week

Restaurants

- Big Table Group has agreed to acquire leisure division from The Restaurant Group
- Bill's Restaurants LfL sales rose 4.5% in the first six months of 2023
- Wagamama LfL sales rose 9%; delivery / takeaway sales fell -8%

QSR

- Dodo Pizza pulls out of the UK because of Russian connections

Pubs

- The Restaurant Group LfL sales rose 10.4% in the year to end June; pub sales rose 10%

Leisure

- Gatwick airport flights were about 86% in the six months to end June

Around the World

- Accor LfL sales rose 54% in the quarter to end June
- Pernod Ricard sales rose 10% in the twelve months to end July

Tune in to the latest episode of **The Delivery Prophets** podcast, with Andrew Maxwell, Director of Boojum. Prepare for a captivating conversation on the challenges and innovations in the food delivery industry. Uncover the transformative power of technology in the sector. Andrew takes us on a journey through technology systems designed specifically for off-premise operations. Learn how these systems optimise kitchen processes and enhance overall efficiency. Discover the potential of technology to revolutionise the world of delivery and elevate your game!

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