

# WEEKLY BRIEFING REPORT

**Week ending 20 August 2023**

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## The numbers

Hooray! I'll explain the cause of this celebration shortly. But for now you should know that earlier this year the ONS published a report into the use of technology. They analysed the results by industry sector and what did they find out about hospitality (ONS refer to it as 'accommodation and foodservice')?

ONS asked: Do you use chatbots? The positive responses from hospitality were so vanishingly small that there weren't enough decimal places on the spreadsheet to record the answer. So no, the hospitality sector does not use chatbots. Nor does it use voice assistants. What about using facial recognition? Yes! Success! 2% of hospitality respondents do.

But the highest response was the 5% who use spam filters. I should put this into a bit more context: across all sectors, the answer - 11% - wasn't high, but hospitality was the lowest.

These low scores for using technology go a long way to explaining the difficulties experienced by the tech companies that approach me for my advice on marketing to the hospitality sector. The companies range from aspiring tech neophytes to longstanding industry veterans. What unites them is they really don't understand why selling tech to foodservice is such a challenge. Now the ONS have provided the answer: the highest tech aspiration for hospitality companies – for the mere 5% who use them - is to have a spam filter. That is hardly a sign of tech sophistication.

But, and here is the key point, the ONS survey also asked 'What do you plan to use technology for (in general, not just spam filters!)?'. And the fantastic answer from the hospitality sector was that 32% plan to use it to 'provide a more personalised service to customers'. That's the second highest of all sectors (full disclosure: the wholesale and retail trade recorded 34%).

And this is where I sidle up to the cause for my initial celebratory hurrah. On the one hand, as I have noted the ONS showed that the installation of spam filters may be the highest tech aspiration for the hospitality sector. But, on the other hand, the reason why the hospitality sector adopts any tech – not just spam filters - is to provide a more personalised service.

And this is a point that I have been making for a very long time. Of course tech has a place in hospitality, but the sector is not tech oriented – instead it is focussed on providing a personalised service.

So, hooray for the evidence that hospitality is about people – tech must mind its place!

## My insight

Good on you, Jamie Oliver. Jamie is launching a new restaurant venture; I hope he succeeds,

First, the causes of optimism. Jamie has great name recognition, and he's a foodie - attributes which he used to underpin his initial foray into the restaurant sector in 2008. He has subsequently tasted failure which is a great school for teaching success. These seem to be good enough reasons to believe that his new initiative will work. And there is another reason, and that is having an offer that works – one that resonates with the times, that catches the tide.

Today the tide today is washing away from the middle of the market to either end. The so-called squeezed middle is finding it difficult to compete against the cheap, and usually cheerful, oncoming tide of dessert parlours, gelato shops, sandwich bars and lifestyle cafes. While at the other end there are restaurants that cater for high spending customers who are prepared to spend significantly on a meal but want real, genuine, proper value for their money.

Jamie seems to have set his sights on that sector. He has stated that he has no intention to grow a chain of any size (his previous foray into yielded 25 sites created over an eleven-year period to 2019 – not a high number even in those days). His new venture isn't designed to compete with mid-market casual dining chains; instead it seems he will operate at a higher price point compared with most restaurants but even so there are still many competitors – independents, portfolio brand operators – like JKS – and premium chains such as The Ivy Collection.

My fear is that we may see a repeat of the factors that led to the downfall of the casual dining sector. Casual dining grew out of the scalability of the chain restaurant model – and for a discussion about what scalability means listen to Dan Warne, CEO of Sessions, on the latest episode of **The Delivery Prophets** podcast. What made casual dining a success was the scalability built on the observation that the way to double the profits (the sainted EBITDA) of a restaurant was to open another one of the same ilk. And you would then double profits again by opening two more – and on and on. And it worked.

Or at least it worked until other people saw this happening and opened their own chains. And pretty soon there were too many outlets for the available market, allied to which this explosive growth in outlets increased the bargaining power of landlords who were able to increase rents to what, ultimately, became unrealistic and unaffordable levels.

And it's in this story of explosive growth, initially rising profits, over capacity (and therefore falling sales per outlet, but increased property costs), and ultimately widespread failure that causes me concern for Jamie Oliver. It's not that he may fail, it's that too many other people will see his success. And try to replicate it – repeating the cycle of explosive growth, rising revenue, overcapacity, increased costs, and ultimately falling profits and failure.

One paradoxical hope is that the opportunity for Jamie Oliver, indeed for the sector he is stepping into, is that because of its premium price, it is considerably smaller than the casual dining sector ever was and is therefore less likely to encourage intemperate competition.

Let's hope that Jamie succeeds, and sanity prevails.

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

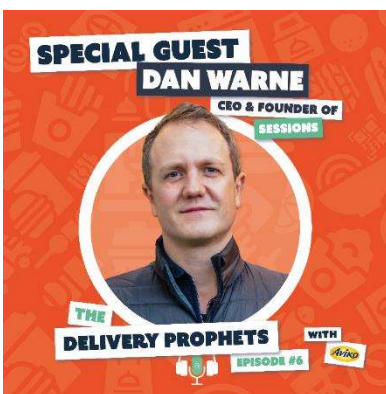
- Vinoteca announced that it proposed to appoint administrators

### Leisure

- Soho House sales rose 19% in the second quarter of the year

### Around the World

- Sysco US sales rose 2.5% in the quarter to end June; international sales rose 12.2%



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Don't miss the latest episode of **The Delivery Prophets** podcast, with **Dan Warne**, CEO and Founder of Sessions, and former Managing Director of Deliveroo. Dan explains ways for founder-led food brands to develop and scale. Our discussion unravels the new opportunities for independent restaurant brands, how data is revolutionising the consumer experience, and the complexities of grocery delivery. In the final segment of our chat, Dan provides an insightful perspective on the perils of venture capital and the potential pitfalls when businesses try to scale too quickly.

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