



Travel, Tourism, and Working from Home

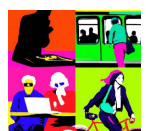
What's changing right now - and what current changes mean for eating out

PeterBackman.

Travel, Tourism, and Working from Home

In summary

- **Covid unleashed a wide range of changes** whose variability continues to make it difficult to understand what's happening to the economy in general, to the eating out market, and to those parts of it that are specifically impacted by, or relate to, travel
- This white paper addresses this issue by **focussing on short term – but current – metrics** and examining what they are saying about the current state of travel, tourism, and working from home
- **Travel** throughout the UK is **still highly variable** – within regions, by season, by mode of travel.
- Consequently, **eating out in sectors that depend on travel is also highly variable** – and they include: hotels, on board travel, catering at work, food on the go, as well as specific outlets (especially restaurants and pubs) that depend on the travelling public.
- And this **variability is compounded** for companies that compare current trading with a year ago, two years ago, and pre-covid. Their numbers are distorted by comparison against poorly performing prior year numbers.
- A helpful sign is the variability **appears to be narrowing** between, say regions – in other words the regions are becoming equally variable
- And this lessening volatility will help business that are focussed on **tourists** – which are currently back to 80-85% of pre-covid trading levels
- **Working from home** appears to be fixed at current levels, at least for the time being, with operators not showing much sign of encouraging (or succeeding in) driving workers back to their office.



From chaos to stability

This white paper sheds light on what is happening right now to the travel-related eating out sector - travel, tourism and working from home.

The background to this is that covid unleashed a range of forces that have led to an apparently chaotic market. These forces have thus far made it exceedingly difficult to identify what is going on in the foodservice sector, in general, and in that part of it that involves travel, in particular.



Note: That I address the meaning of 'chaos' in this context, later on

That's where we are now but we are not destined to be in this situation for ever. But right now, in the immediate post-covid period, there is little firm evidence of what is happening to travel and its associated sectors and much of what is presented as evidence is confused or confusing.

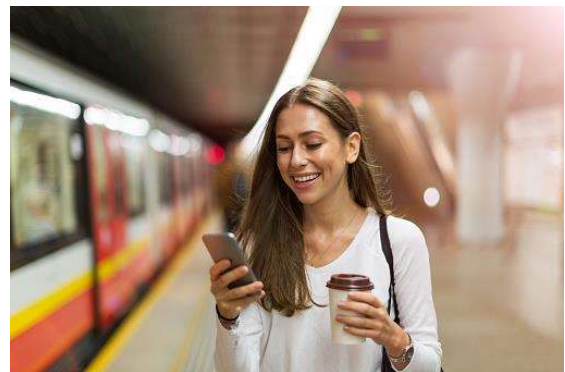
This white paper aims to provide clarity on this issue.

Three aspects of this white paper

This white paper is built on three significant pillars. The first two are time-based and the third influences the methodology behind the white paper

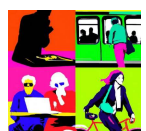
The first pillar on which this paper is built is that it aims to look at **the post-covid scene** – and the scene that has been influenced by covid.

The second is that it aims to be current, that is up to mid-2023. That means it sets out to identify **what is happening right now** - not a year ago or even six months ago - in the UK as we travel whether for work or for leisure – and what the implications are for eating while we travel.



The final pillar is that it is **evidence-based**. It relies on available evidence. There is not much of it that is reasonably specific; but it may be enough.

As a consequence of the specific limitations of these three aspects, this paper may appear to be short on comments about what is not measured.



The historical and wider market context

Operators, from airline meals providers to hoteliers, from coffee shops to delivery companies have noted major changes in the nature and scale of their business over the last two or three years. Covid clearly has a major role to play but what is happening?

The factor common to all these players is travel.

Travel has been an economic driver for centuries. In the most recent past, from the 1950s onward, technology and rising wages lead to explosive growth in local and international travel, on the road and in the air. Since then travel has been constantly reinvented – the role of international travel first to countries nearby and then globally, the growth of online booking, the development of high speed railways. The list of developments is long, seemingly endless, and never ending.



When covid struck it hastened the evolution already taking place by unleashing further changes which are by no means reaching their endpoint.

We now face a new world in which travel, and its close cousin tourism, are rapidly changing and being changed. And with these changes come changing ways for feeding travellers.

The intertwining of travel and eating

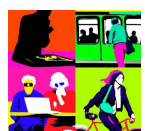
Sometimes travel is over a short distance – half a mile to the shops. Sometimes it's halfway round the world. Sometimes we travel on foot, or by bicycle, sometimes by car, or bus, sometimes by train or plane, or on a boat.

A key factor for these discussions is whether eating is involved – either as the reason for travelling or as a by-product because if we don't eat, we'll get very hungry.

Consequently, eating is an important component of travel – and, in parallel, travel is a significant aspect of the foodservice market. It gives rise to eating on the go at transport hubs, eating while one the move in airplanes – and travel is also associated with other aspects of foodservice such as eating at work through the mechanism of commuting , a specific form of travel.



In recent times we have been doing more travelling, by more modes and for longer times. So eating has been an ever more important component of our travelling.

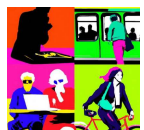


It is helpful, important even, therefore, to understand what is happening to eating out in sectors influenced by travel.

This is a little measured, and therefore a little understood, market.

What does this new world look like?

Before answering that question, we need to define what we're talking about in a bit more detail.



What is travel?

Travel comes in many varieties. But for simplicity - and to align with data that is available – it can be seen to come in three main varieties: **long distance** (generally involving overnight or longer stays; **medium distance** (over a period of hours); **short distance**.

Each meets the needs of travellers with a host of reasons for travelling, and each has its own requirements for infrastructure to meet the needs of those travellers. Here is a simple model of those requirements and needs as they relate to eating out:

| Travel (distance) | Activity | Infrastructure | Food offer |
|-------------------|---|---|---|
| Long distance | Business Leisure – holiday etc | Hotel Transport hub, station Filling station Airline, train | Restaurant Snacking on the go, coffee, sandwich |
| Medium distance | Business Commuting Leisure – day out etc | Transport hub, station Filling station | Snacking on the go, coffee, sandwich Feeding at work Lunchtime restaurant After work socialising Evening meal |
| Short distance | Social / household needs Local work-related | Local high street Retail Park, shopping mall | Destination restaurant Destination food to go, burger, pizza Ad hoc food to go |

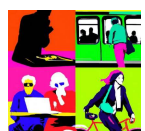
There is clearly a lot of overlap between all these factors – a filling station, for example, caters for all types of traveller, a restaurant caters for long distance and short distance travellers, and so on.

This overlapping complexity means that nothing that follows is clear cut. So we'll simplify by considering what is happening in long-, medium- and short-distance travel

Why is timing important?

It's over eighteen months since the end of the last – omicron-induced – lockdown.

That's long enough to begin to see what's happening and to see whether the 'new normal' that we talked about in the early days of covid has come about – and if so, what it looks like in the context of travel.

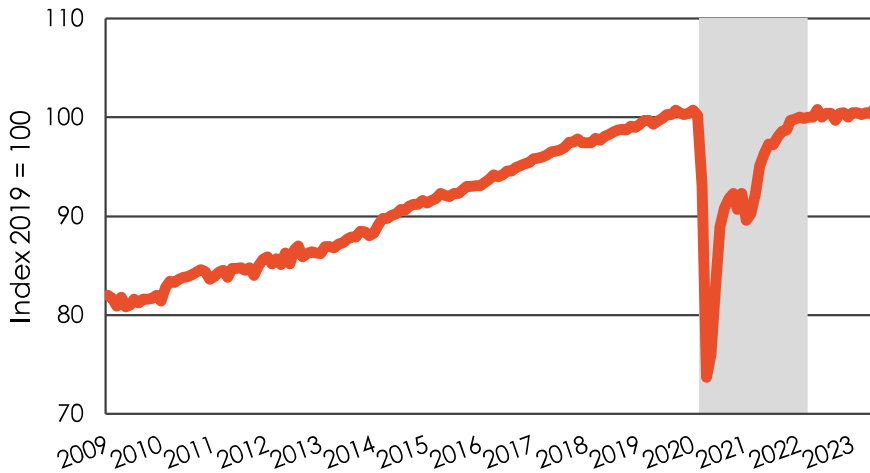


There is a spectrum of normality that ranges from what, in pre-covid times, used to be 'normal' to what has, or has yet to, become 'normal' in the post-covid era. Note, my view is that these two 'normals', are not, nor will they be, the same.

There are mixed messages as to whether we are yet in a new normal – which we can define as a period of stability, or at least consistent market development.

Evidence that **we are in the 'new normal'** can be found in changes to GDP.

Monthly GDP

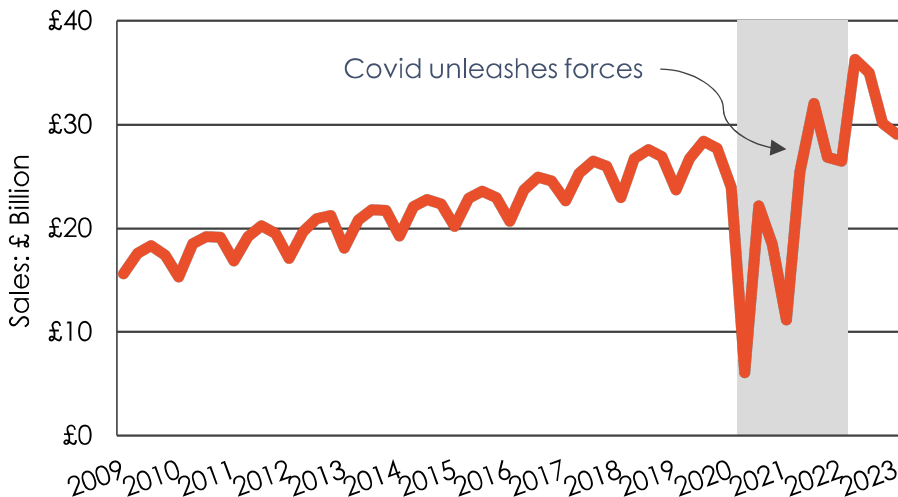


Source: ONS

The figures for UK GDP since 2009 (the time of the Great Recession) demonstrate stability – even if it's a case of there was growth until there wasn't. But in essence it highlights a return to stability even if growth is now flatlining.

On the other hand, there is other data from the ONS – this time Restaurant sales – that provides **a different picture, one of instability.**

Quarterly Restaurant sales

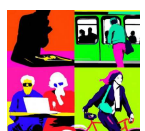


Source: ONS; Peter Backman

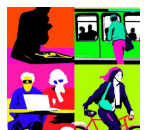
This shows steady growth and then – chaos.

A word of warning about the word '**chaos**' which comes freighted with images of uncontrollable and unpredictable activity. In the

sense that I am using it, chaos involves a range of forces some of which (perhaps all of them) are predictable but they ways in which they butt up against and react with one another lead to unpredictability.



In time the market will react against this unpredictability and will turn it into something which is more predictable and less chaotic. But that long term future is beyond the scope and aspirations of this paper.

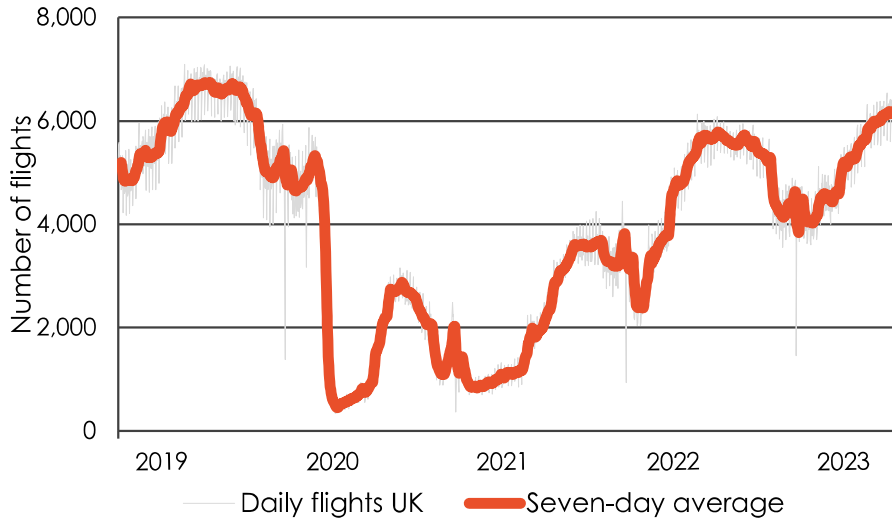


What long distance travellers did

Flying

The first piece of evidence is this picture of flights by air in the UK (and the majority

UK Daily Flights



Sources: EUROCONTROL; Peter Backman

are international flights) from the immediate pre-covid period until today:

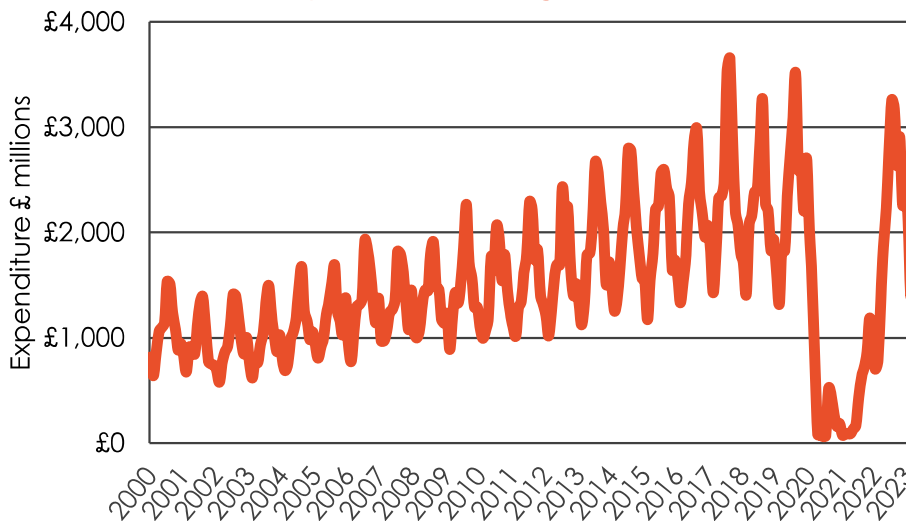
The build up from the depths of covid is similar to the patterns for most of the other modes of travel— long- and short-distance). The numbers of

flights are about 80% of pre-covid levels – and again this is similar to what other modes are experiencing at the moment.

Inbound tourism

The figures for daily flights clearly cover both business travellers and tourists. Turning specifically to **inbound tourism** into the UK:

Inbound tourism expenditure - long term



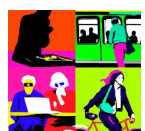
Source: ONS

The saw-tooth pattern of seasonal inflows is apparent over the long term. Then covid struck in early 2020.

Essentially, numbers, not unexpectedly, fell off a cliff. They were very low from early 2021 to mid-2022 before

climbing during the summer and then falling in the autumn and winter periods.

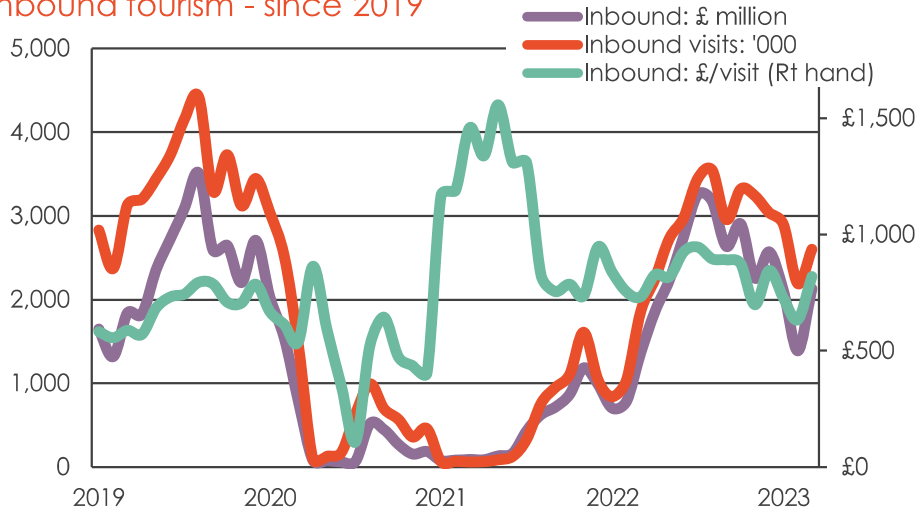
But **since then numbers are comparable with pre-covid inflows.**



A more detailed look, including numbers of visits as well as total spend provides more insight into what has been happening.

But a noticeable feature is that while numbers were low during 2021, **expenditure per person was exceptionally high**. It is very likely that this resulted from the type of overseas visitors at the time – or perhaps, rather than the type of visitor, it was the purpose of their visit to the UK that defined their expenditure.

Inbound tourism - since 2019



Source: ONS

It is reasonable to speculate that they were visiting for 'special' work-related purposes (and this could well have involved government or pandemic related purposes).

The people travelling would likely have had

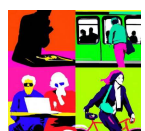
larger budgets for accommodation, eating out and similar expenditure than the 'average traveller in normal times' – and hence that could suggest that their overall expenditure would have been well above that of such 'normal' visitors to the UK.

Are there lessons from this?

Perhaps nothing firm beyond the fact that visitors at most times include people with a wide range of budgets (and expectations) – it was possibly the absence of people with 'normal' budgets during covid that lead to the increase in spend per visitor rather than something covid-related that lead visitors to spend more.



During covid, the relative importance of **the main regions** of Great Britain as tourist destinations remained relatively unchanged even though the total amount of business varied widely over the period.

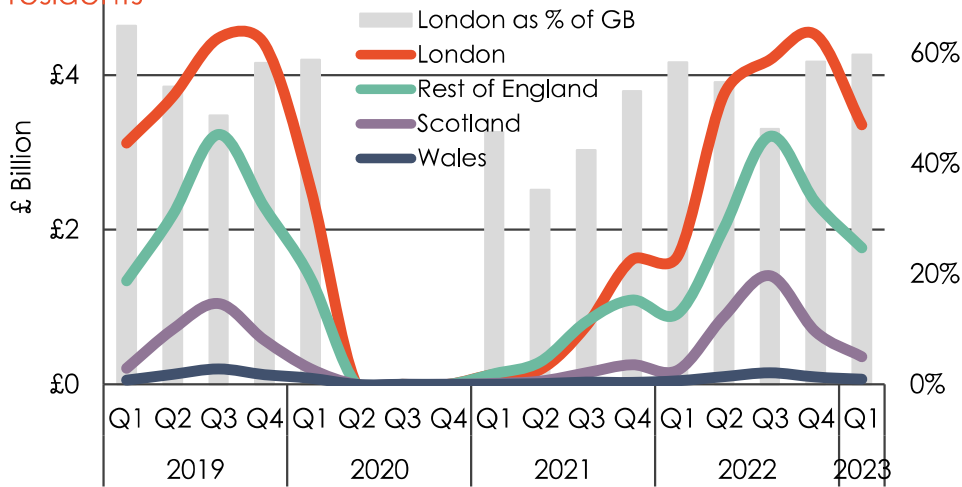


London accounted for about 55% of expenditure in the immediate pre-covid period – it has been closer to 50% since. Scotland accounts for 8-9%, Wales and the rest of the country account for the balance.

There are **seasonal variations**, but these have varied over the post-covid period – London accounted for 60% in Q1 2023, 58% in Q1 2022, and 46% in Q2 2021 – these figures are lower than in the immediate pre-covid years – 65% in Q1 2019, and 60% in Q1 2018.

Why lies behind these seasonal variations ?

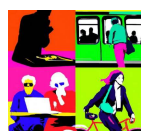
Regional spending in UK by overseas residents



Sources: ONS; Peter Backman Note: No measurements Q2-Q4 2020

They can arise from a multiplicity of factors – from the nature of inbound visitors – to the weather. But the fact that there are these variations, at all, points up that the market is constantly changing. And is one reasons

for the chaos that I've already instanced.

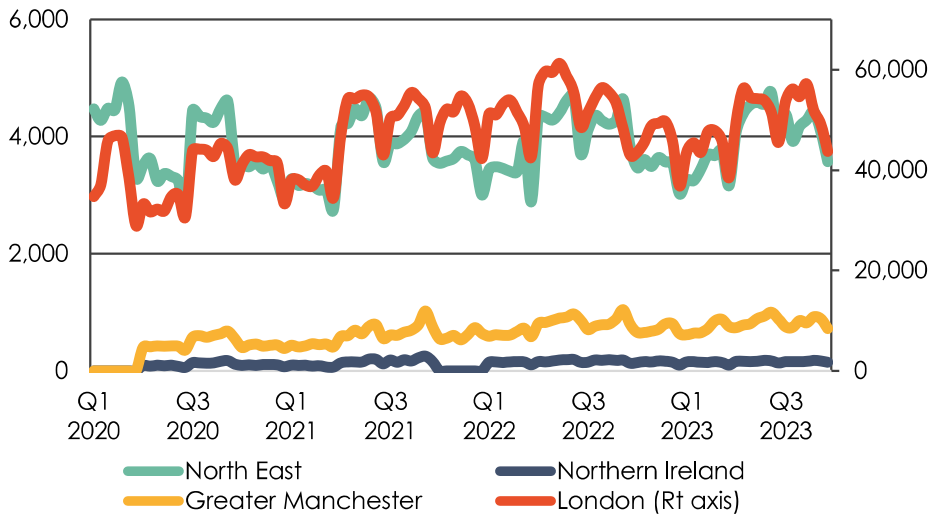


What UK-based travellers did

The next set of evidence covers primarily UK-based travellers.

The ONS has analysed travel in the UK by a variety of modes – cars, cycling, on foot

Pedestrians & cyclists



and with some selective analysis by region.

The data, based on CCTV, generally point to reasonable, but not overly, **wide variability** during covid

Travel on foot or by bicycle in late 2022 and

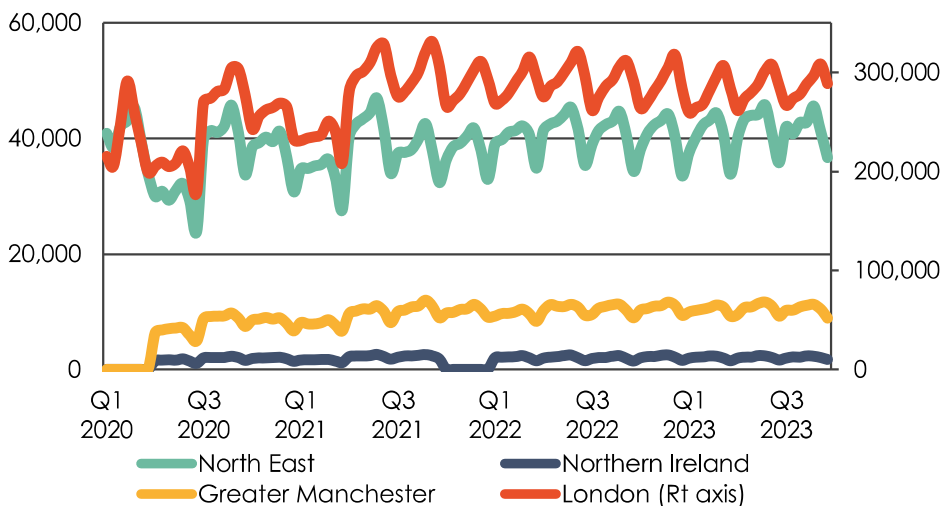
Sources: ONS; Peter Backman

early 2022 was lower than in both the immediately preceding periods and the same period a year before. Maybe weather had something to do with it?

Car travel was also varied during the height of covid but since then has settled into a predictable pattern – flatlined and not growing across all regions analysed.

Information from the Department for Transport supports this and shows that travel by

Cars

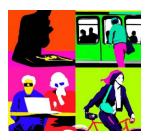


car was broadly at pre-covid levels by mid 2021 with a noticeable increase since the turn of the year.

One of the factors that can affect car travel is petrol prices (in the USA they are used as a factor to

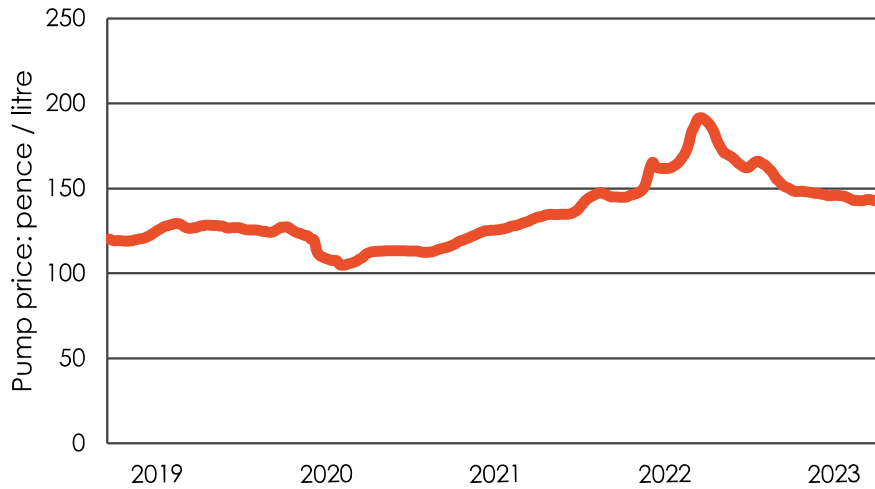
Source: ONS; Peter Backman

forecast growth in eating out but pump prices there are more sensitive to underlying wholesale gas prices (because the tax take is much lower), and distances travelled to restaurants are, in the round, larger than in the UK.



Nevertheless, it is reasonable to assume that when petrol prices rise in the UK at a time when household expenditure is under pressure will have some effect on driving to restaurants and hotels.

Pump prices from January 2019



Source: ONS

In the UK, pump prices peaked in late 2022 and have now stabilised (at least for the moment) at early 2022 prices.

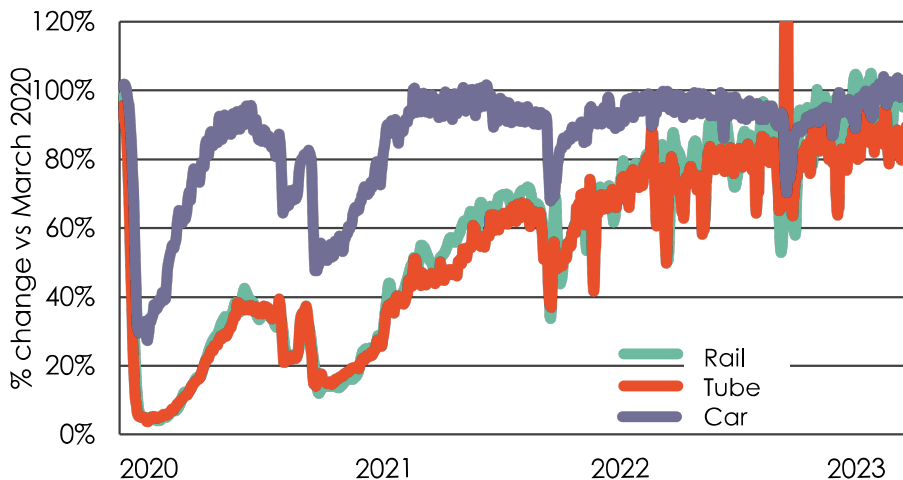
Travel by **rail** has taken longer to reach pre-covid

levels than car travel but, after a steady rise since early 2021, it is broadly there.

Tube travel has developed a more variable pattern – but, like rail travel, has been growing over the last two and a half years. It is now at about 85% of pre-covid levels.

Changing patterns of rail and tube travel indicate that commuting has perhaps changed since covid – and that, of course, ties in with the much-noted changes in Working from home (of which more below).

Change in use of modes of transport

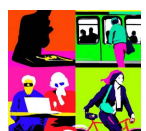


Source: Department for Transport

Information from Transport for London (TfL) shows a similar pattern of travel on public transport in the capital – encompassing, **bus, underground, Docklands Light Railway, and TfL overground.** It

is showing monthly variability but is currently at about 80% of pre-covid levels.

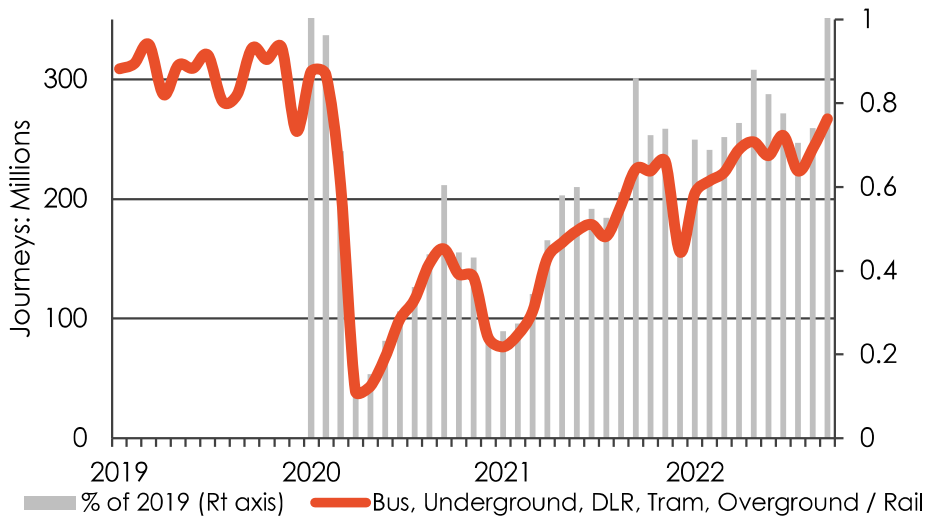
Working from home is a part of this variability but plays more to the fact that the numbers of journeys are only 80% or so of pre-covid levels.



Daily variations

Anecdotaly, people are not travelling to city centre workplaces – especially in London – five days a week. Instead, so the stories have it, they are eschewing office-based work on Mondays and Fridays.

TfL Passenger Journeys



Source: TfL; Peter Backman

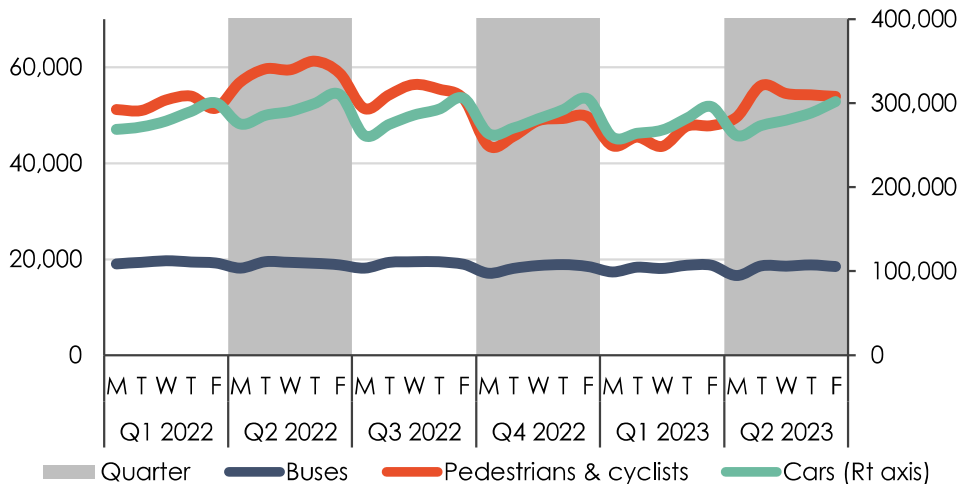
The implications of this mean fewer people at work at the start and end of the week with accordingly lower demand for workplace feeding, coffee and other food to go offers at transport hubs

and less early morning demand for coffee and lunchtime demand food on the go and restaurant meals.

But evidence from TfL suggest a much **more nuanced picture**.

Information about tube travel on each day of the week in each quarter since Q1

Daily CCTV counts - London

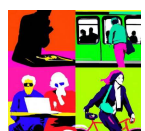


Sources: TfL; Peter Backman

2022 from TfL shows considerable variation.

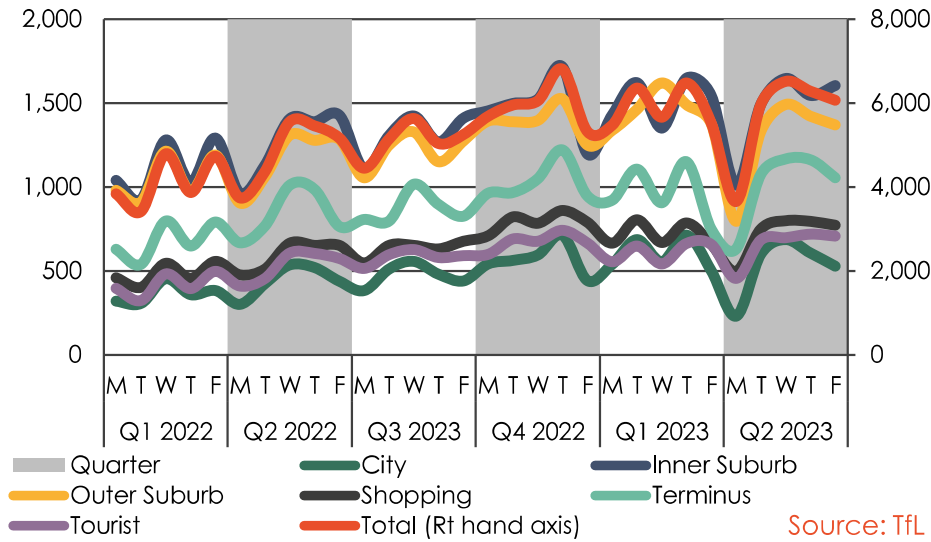
In the first quarter of the year (in both 2022 and 2023, there was as much variation within the mid-week days (Tuesday to Thursday) as there was between mid-

week days and Mondays and Fridays.



The second quarter in both years emphasised the relative importance of mid-week days – and thereby underscored the anecdotal evidence). The third quarter (with information only available for 2022) shows a pattern not dissimilar to the first quarter, and the fourth quarter showed a major spike on Thursday (is this a function of

Tube travel on each weekday

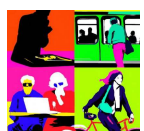


Source: TfL

Christmas parties perhaps?).

Thus, in summary, there is a constantly changing pattern of daily tube travel. And (or perhaps it should be 'but') the differences between the first and last

days of the week and the mid-week days is not that large when measured by passenger journeys – certainly not sufficiently large to explain the experiences of businesses that cater for lunchtime meals in the City.



Working from home

The enduring presence of remote work refuses to fade away but working from home is not limited to those whose departure from offices was encouraged, and then developed, by covid.

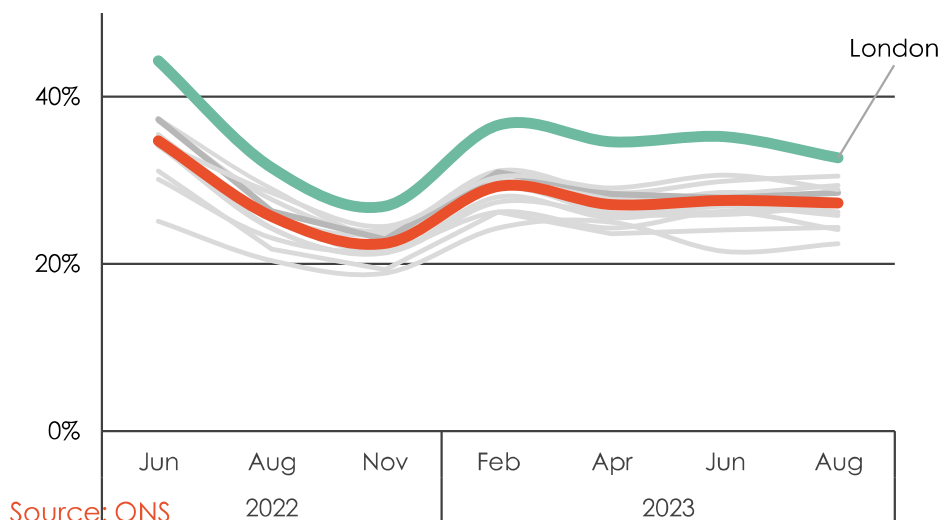
Just think of salespeople on the road, service engineers, business coaches. Their work might have tethered them to their workplace at times, but the lion's share of their hours was invariably spent elsewhere. Equally there are scientists on field expeditions, midwives attending expectant mothers in the comfort of their homes, and so forth. Then there are delivery drivers – from trunker drivers to white van man. Individuals like these are, in a sense, absent from their formal place of work. Or are they?



The conclusion from this is that working from home is hardly a nascent concept. What does stand out as innovative, though, is the expanded access to work from home arrangements now extended to a considerably broader range of workers and jobs.

Whereas in the past, a manager (using the term broadly) might have taken occasional retreats, or dedicated selected time for work at home, they now have the capacity, and the right, to engage in more sustained periods of remote work.

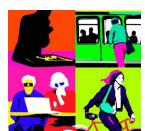
Businesses intending to increase homeworking



This paradigm shift presents challenges for senior executives – or at least some among them – who grapple with the need to "manage" their enterprises. It also places trials in the path of businesses – like

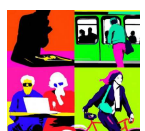
coffee shops and contract caterers - that previously catered to workers who now carry out their duties from home.

What are senior executives doing in response to this evolving landscape? The answer appears to be multifaceted, though, despite high profile pronouncements in the media, not extensively so.



Indeed figures from ONS, show that about 25% of employers throughout the UK intend 'to use increased homeworking as a permanent business model going forward' – and in London the figure is nearer 33%. Employers give several reasons for this, the most significant being 'improved staff wellbeing' (so say about three quarters of those who intend to use homeworking as a business model), followed by the 'ability to recruit from a wider geographical pool in the UK' (45-50%) and 'increased productivity' (just over 40%).

These are potent reasons for allowing people to work from home and I suspect despite some high profile claims to the contrary we'll see people still working from home at current levels for a long time to come.

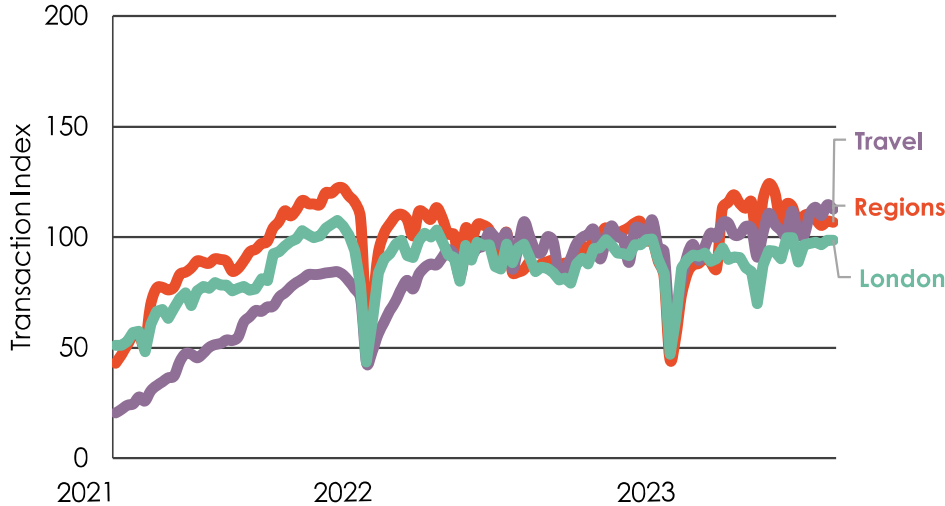


The results

Reaching 80%+ of pre-covid levels

The patterns identified so far point to a generally **rising tide of travel by all modes**, reaching 80% perhaps more of pre-covid levels, and in the case specifically of working from home there appears to be a less pronounced pattern of variation with any week than anecdotes would suggest. This is not to be taken as saying there are not deep intra-week variations, it's just that they may be much more noticeable in

Pret Transaction Index



Sources: ONS; Pret a Manger; Peter Backman

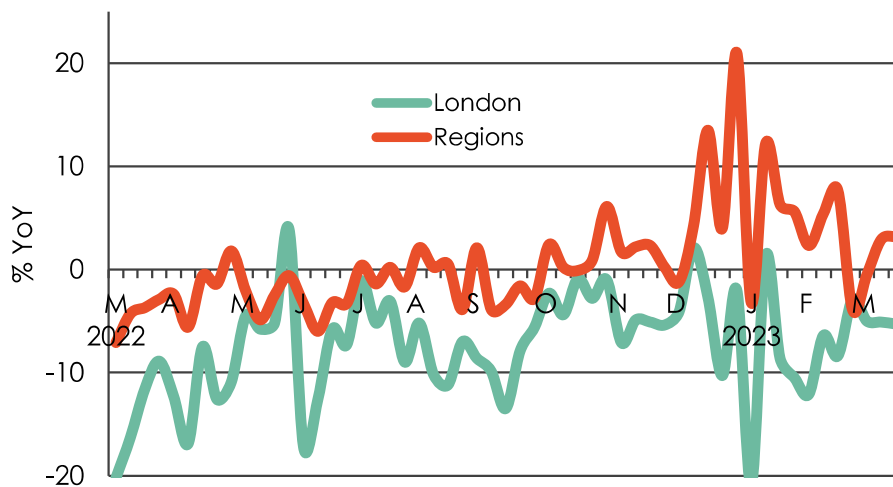
some areas, and market sectors than across the board would suggest.

This is pointed up in the data provided by Pret a Manger covering the food to go company's trading patterns as measured by transactions.

The company's figures show similar patterns whether measured by the regions, within London, or at travel-specific locations at stations and airports.

Having said that, **London has underperformed** over the last twelve months, while both travel outlets and regional outlets have followed similar paths (except for Q1 and Q2 this year when trading in the regions outperformed travel outlets).

Occupancy change year on year

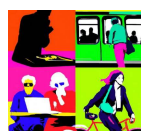


Sources: STR; Peter Backman

trading in the regions outperformed travel outlets).

Some of this variability is reflected in hotels – another sector entirely.

Hotel room occupancy (which is related to

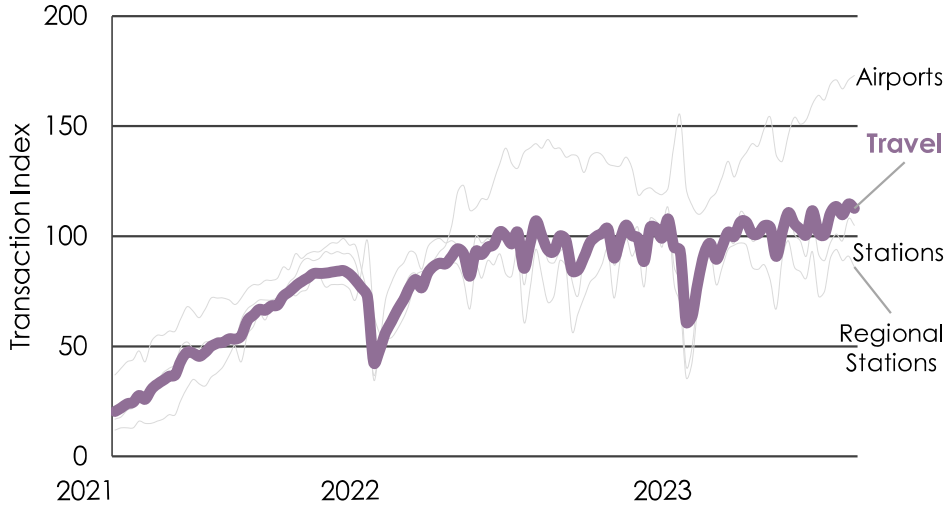


sales) has been consistently higher in the regions outside London than in the capital itself.

Travel

Pret a Manger's transactions at airports have outperformed those at stations (In London and in the regions) pointing up the growth noted above in air flights. Trading

Pret Transaction Index - Travel



at airports from May to the end of July is now about 70-80% higher than at rail stations.

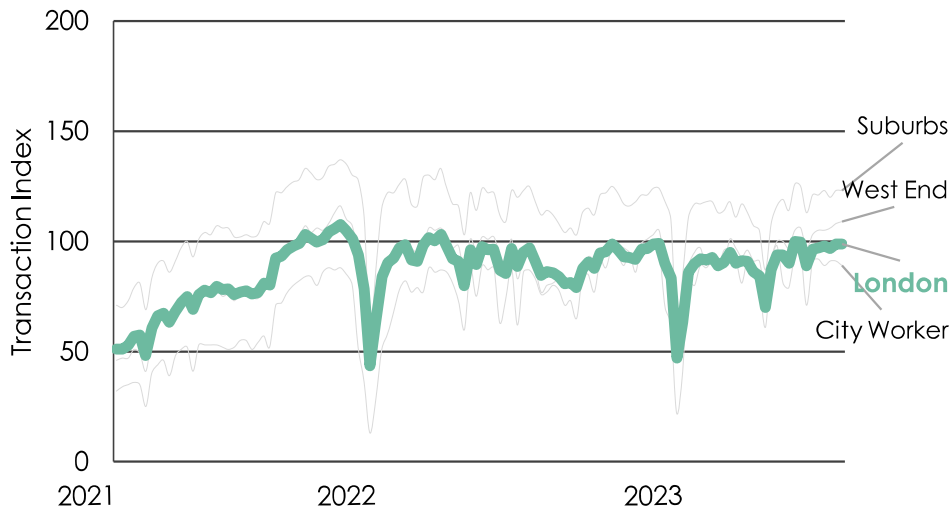
And London stations have outperformed regional stations over the same period by 15% or so, indicating a build-up of traffic in

Sources: ONS; Pret a Manger; Peter Backman

London. This is probably an outcome of increased numbers of tourist rather than workers returning to their offices, or more shopping.

London

Pret Transaction Index - London

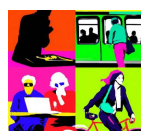


Trading in the suburbs, according to Pret a Manger, has significantly outperformed more central areas of the capital for the past two and a half years.

Trading in the City has, on the other hand,

Sources: ONS; Pret a Manger; Peter Backman

underperformed against other parts of London – suburbs and the West End - although the gap between these latter two areas has narrowed over the past year

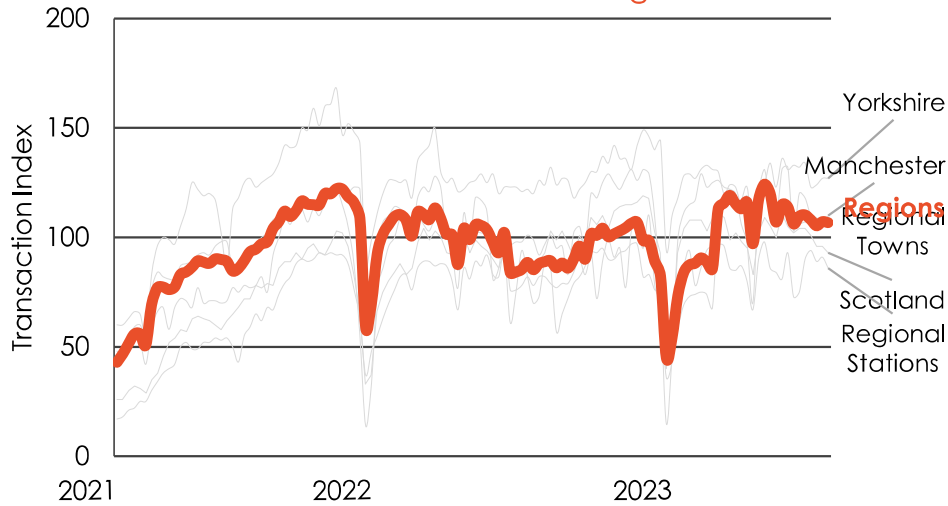


The Regions

Pret a Manger transaction data show the regions have performed similar to one another and, although Yorkshire has consistently topped the list, the differences between the regions are narrowing

While none of this is conclusive it points to **higher than average performance** in the

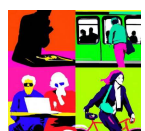
Pret Transaction Index - Scotland and Regions



regions and at **travel hubs** especially airports.

Pret a Manger transaction data is useful because it is current (generally about three weeks old) and reasonably detailed.

Sources: ONS; Pret a Manger; Peter Backman



What do other companies say?

Other evidence - less specific and less up to date – is available from companies that are exposed to travel.

They include **Whitbread** – operator of Premier Inn hotels. Like for Like sales in the accommodation sector rose 23.8% in [Q3 2023] and 18.0% in [Q4 2024]. While this suggests that sales are slowing down, comparison against a rapidly growing prior year distorts the pattern.

A perhaps a more comparable feel for the numbers is available by comparing the 31% increase in [Q1 2023] and the 36.6% increase in [Q1 2024] both measured against pre-covid 2019. These readings far from suggesting a decline suggest significant growth.

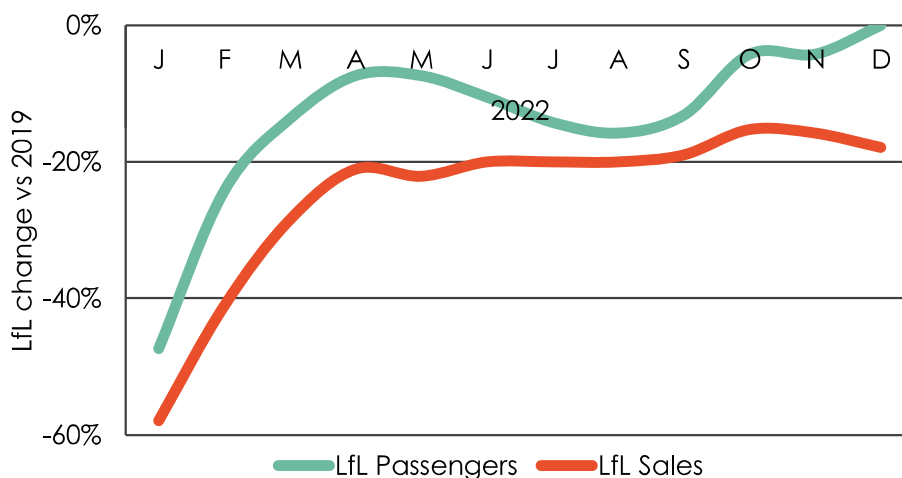
SSP operate concessions (at airports and train stations). However their operations span global markets and are therefore not UK-specific. However for completeness their sales were 94% of pre-covid 2019 in [H2 2023], 85% in [H1 2023], 84% in [H2 2022] and 65% in [H1 2022]. While suggesting reasonable growth they are not properly reflective of the situation in the UK, and it is unrealistic to draw conclusions about the UK from these numbers alone.

Other companies exposed to travel are motorway service operators such as **Roadchef**, **Welcome Break** and **Moto Hospitality**, and transport hub operator, **Network Rail**. However, none of these provide sufficiently detailed or up to date figures.

Caterers – including **Compass**, **Sodexo**, **Elior**, **BaxterStorey** and **CH&Co** – are exposed to changing working from home patterns but they do not publish information about the last couple of quarters.

The Restaurant Group operate **concessions** at some UK airports (as well as operating restaurants and pubs).

TRG Concessions 2022 vs 2019

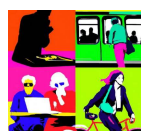


Sources: The Restaurant Group; CAA

published by the company show comparison against figures from Civil Aviation

The company's concessions business was operating at about 80% of pre-covid levels (-20% LfL versus 2019) at the end of 2022.

But they have not published an update since. Figures



Authority which show that air passenger numbers, at the end of 2022, were at pre-covid 2019 levels and are consistent with other figures on inbound tourists (presented above) published by ONS.

References and more information

Information for this white paper has come from:

- Civil Aviation Authority (CAA)
- Department for Business, Energy & Industrial Strategy (BEIS)
- Department for Transport
- EUROCONTROL
- Office for National Statistics (ONS)
- Pret a Manger
- STR
- The Restaurant Group
- Transport for London (TfL)

Contact **Peter Backman** at peter@peterbackmanfs.com for more information and discussion

