WEEKLY BRIEFING REPORT

Week ending 15 October 2023

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My insight

I know I often go on about the role of technology in the hospitality sector – but it's important. Too often tech companies speak in 'tech' while their customers speak in 'hospitality'. This results in confusion and ultimately disappointment. Let me put a bit of flesh on the bones of this argument. Hospitality businesses, as I have frequently remarked, build their business on personal relationships, on empathy, and lots of other good things that are related to being hospitable (the clue is in the name). That's its fundamental nature.

I'm not suggesting that there aren't tech people in hospitality, of course there are; and I'm also not suggesting that some hospitality businesses don't understand tech – lots of them do. But as a generality, hospitality has a problem coping with the concepts behind tech and the ways that tech operates.

Now consider what happens when a hospitality person needs to relate to something in tech. I'm not saying that tech companies are not full of people who are empathetic and have good interpersonal skills. But as businesses they are focused on technology, naturally, and so they talk about tech stacks, API, push notification and SaaS. Hospitality doesn't know what these words mean, let alone what they imply. So they cause confusion. At the same time, hospitality knows that it has to engage with tech, to use it, even to embrace it. But that's difficult when hospitality is coming from a position of confusion. So what happens? Hospitality does one of two things. It either decides not to make a decision – or it does make a decision but because of the confusion, the decision is likely to be based on too little knowledge. And so, unless there's a lot of luck, the decision will be sub-optimal – or worse.

This situation has been alive for decades – in the early days, for example, there was confusion over EPOS and while that situation is now broadly settled, the legacy is a mass of different options, operating systems, and hardware. The same applies to management software, employee scheduling and other back of house, tech-related activities. But as tech has moved into customer-facing roles, and as it has had to cope with delivery-related tech, and as it has had to tie all the bits of these processes together, there is massive and rising confusion across the industry.

Tech companies rail against this and complain about the difficulties in finding the decision makers, and the slow decision making processes across hospitality, I'm afraid they have to recognise that tech (in its current form as well as in the past) has got to this point because it hasn't recognised the fundamental, hospitality-based nature of the sector it serves. And I fear it will remain like this until the penny drops.

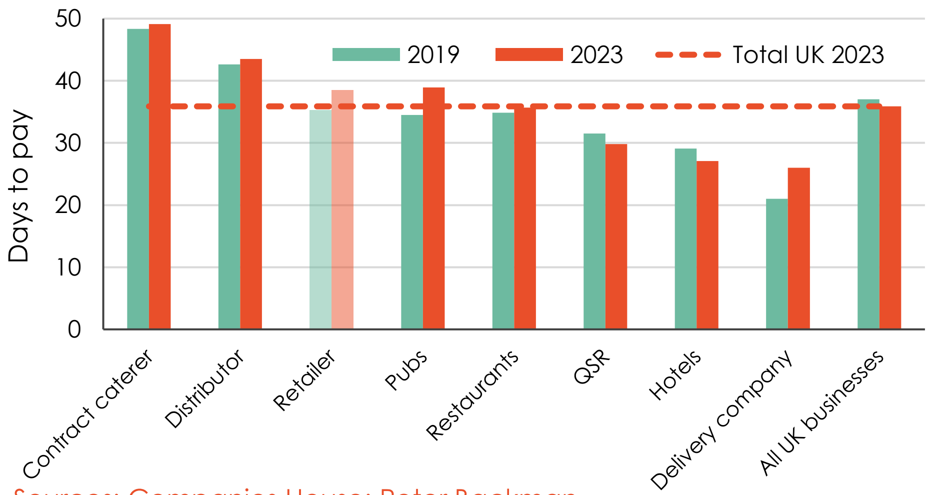
The numbers

The average, large business in the UK pays its bills within 36 days. Don't take my word for it, take theirs. My good friend, Geof Collyer of Lavender Bank Partners, pointed out in an article in MCA last week, that in 2017 the government started to require all businesses with a turnover of more than £36 million, a balance sheet total exceeding £18 million, and more than 250 employees, to publish information about the speed with which they pay their invoices.

And to a small degree it has worked; the average number of days taken to pay an invoice fell from 37.2 days in 2018 to 35.9 days this year.

This is an important issue for two reasons. On the supply side – that is from the perspective of the seller, the business that issues the invoice - the longer it takes for the customer to pay, the more working capital is required. On the demand side, it means that the customer requires less working capital from lenders and owners. Of course, suppliers are also customers and vice versa. So the borrowing picture is unclear, but late payment probably gums up the free flow of business more than necessary.

Average time to pay: Days



Sources: Companies House; Peter Backman

And how does this play out in the foodservice sector from the point of view of the food supplier? They provide over £12 billion worth of food each year to about 180,000 business customers. The largest of these are food distributors and contract caterers. How swiftly do they pay their bills?

The answer is more slowly than the national average and more slowly than retailers, and more slowly than their smaller peers in other sectors including quick service operators – some of whom are amongst the largest foodservice businesses worldwide, while very many more are micro-businesses.

Contract caterers take on average 49 days to pay their bills; in the case of foodservice wholesalers it's 43 days. The worse news is that these numbers are going up, if slowly – not down.

And one other notable figure amongst the numbers of days needed to pay bills, is the growing number in the restaurant delivery sector. Just Eat Takeaway and Deliveroo have increased the time they take to pay their bills from 20 days in 2019 just before the onset of covid to 26 days this year. The reason is pretty clear. It is to increase the amount of capital they can induce from suppliers - and therefore the less they require from their backers.

All in all, the largest foodservice players take longer to pay bills than in the economy as a whole. This is a cost of doing business and can only act to dampen investment and dynamism. Pay up!

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

News in the past week

Restaurants

- Apollo Funds acquires The Restaurant Group in a deal expected to close in 2024

QSR

- Benugo launches retail product from instore and workplace cafes

Pubs

- Marston's LfL sales rose 12% in September
- BrewDog Bars sales rose 12.3% in the nine months to end September
- Loungers LfL sales rose 7.7% in the six months to end September; they rose almost 10% in the three months to end September

Leisure

- Stansted Airport passenger numbers in September rose 10% versus 2022; fell -4% versus 2019

Delivery

- KBox Global put into administration

Suppliers

- St Peter's Brewery acquires Curious Brewery and Wild Beer Co

Around the World

- PepsiCo Inc sales rose 6.7% in the third quarter
- Domino's Pizza Inc US sale store sales fell -0.6% in the third quarter; delivery sales fell -2.3%

The Delivery Prophets podcast is back with another captivating episode, featuring Neil Sebba, the Managing Director of Tossed, the pioneering restaurant chain nestled in central London. Neil's insights transcend boundaries, making this episode essential for anyone intrigued by the world of food delivery.

Neil and his team at Tossed have mastered the art of preserving food quality during delivery like no other. Discover how they've cracked the code to preserve the freshness of salads by not mixing them until they reach your plate. It's all about innovative solutions for maintaining food quality on its journey to your doorstep.

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