

WEEKLY BRIEFING REPORT

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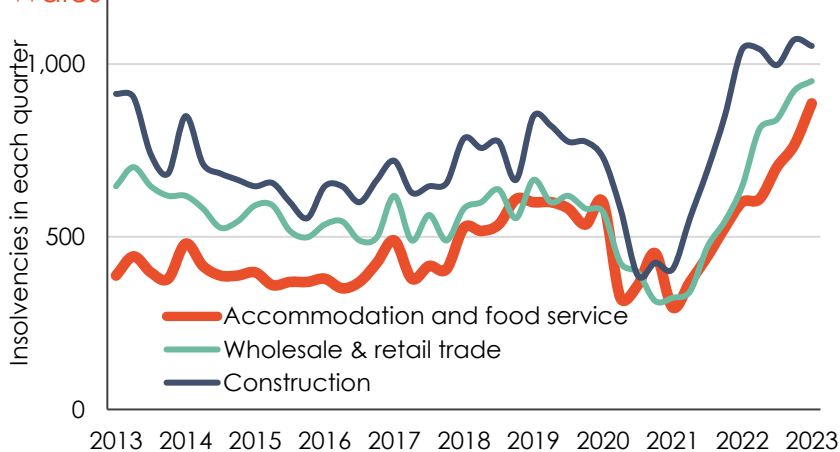
Have you enjoyed reading this Weekly Briefing Report? My **Premium Briefing Reports** provide an even more in-depth view, with a range of statistics and forecasts that help you make sense of what is happening in the foodservice market. Available on **monthly or annual subscription**

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The numbers

The foodservice industry has been showing resilience in the face of inflation and uncertain demand with many operators and commentators expressing cautious optimism, while roll out investment continues for brands such as Popeyes. However, a prevailing sense of apprehension seems to hang over the sector with many short term indicators suggesting stagnation or decline – the latest transaction figures from Pret, for example, show a -15.9% decline between July and August. In short, the sector is gripped with uncertainty.

Number of insolvencies in England and Wales



One factor behind this uncertainty may be to do with insolvencies, a key metric of business success. Insolvencies create uncertainty, affect suppliers, and disorient business generally. Figures from the ONS point to a growing number of insolvencies, with notable cases like Le Pain Quotidien, and Vinoteca, along with scores of lesser known restaurant businesses.

Other data from ONS show a rising number of corporate

'deaths' in the hospitality sector – currently at about 2,000 each month - due not solely to insolvencies but everyday management decisions as well.

Additionally and worryingly at a time when insolvencies are on the rise, senior managers in hospitality have varying perceptions of their companies' financial stability. Another ONS survey has shown that 3% see their business at 'severe risk' and 13% say 'moderate risk', while 25% believe there is 'no risk'. This insouciance at a time when insolvencies are rising, raises concerns about a potential disconnect between perceptions of risk and the reality of failure.

In summary, the foodservice industry faces a growing wave of insolvencies and business closures, despite pockets of optimism. These challenges, combined with a perception-reality gap, contribute to the industry's ongoing sense of uncertainty.

My insight

Surge pricing in pubs hit the headlines last week. But so what? It's all about communication.

Balancing price with a demand is a core business skill. If an increasing number of people want to buy something, businesses may well decide to increase their prices. It's really not rocket science.

That's why the mechanism of short-term changes in pricing happens across business sectors, from airlines and taxis to hotels, theatres and rock concerts. The London Congestion Charge is changed (albeit in a very blunt manner twice each day) to reflect vehicle numbers. The mechanism may be called 'surge pricing' or it may just be a fact of life. Where it becomes contentious is when prices are increased either seemingly at random or at short notice – or both.

So the news that Stonegate Pub Company may have instituted surge pricing in some of its pubs does not break overall business norms. But it does upset customers – and so dynamic pricing may not be a wise move. However, as a way to regulate demand when capacity constrains the ability to serve customers, it seems there may be a choice. Either keep prices where they are, and get so many customers that they can't be served (or can only be served slowly). Or raise prices and restrict demand. Either way you get frustrated customers. Damned if you do, damned if you don't.

Ultimately, though, it boils down to a communication issue: while it may not be wise to tell customers 'we're raising our prices because there are so many of you', it can be helpful to say 'we're incredibly busy at the moment but we can't expand our space so if you like the crowds come on in, and if you don't please come back later when the crush will have dissipated'.

And while we're talking about 'communication', it's instructive to consider the issue raised in a 'polite notice' that apparently appeared in a Stonegate pub that was indulging in the company's dynamic pricing activity. The notice reportedly said 'Any increase in our pricing today is to cover ... additional bar and door staff, the use of extra cleaning and plastic pint glasses'. I think it is stretching a point to suggest that prices have to go up specifically to cover costs that arise because of a surge in demand. I assume that the pubs concerned, at the very least, break-even (otherwise they'd be long gone) – and at the same time they will be making a profit on each pint they sell. Under those conditions, any additional income generates an increase to the bottom line. In other words more profit. There will, of course, be a step up in costs for every additional person serving at the bar or at the door, but surely, it's management's job to ensure that the increase in staff will be more than covered by the additional revenue.

The issue is that there are too many people in the pub not the additional staff needed to serve them. Under these conditions, as I have pointed out, businesses in other sectors raise their prices. Against this, the FT reports the Chief Executive of the Campaign for Real Ale as saying, 'We don't think an extra charge penalising customers that want to support the industry is the right solution'. I venture to suggest that the crowds attending busy pubs are not there in large numbers because they are motivated to support the industry – I would suggest they are there to be with their mates and to have a beer.

All in all, there is an argument for adjusting the price of a pint to match demand – providing, crucially, that the reasons are effectively communicated. It's up to the individual pub (or pub company) to decide whether the wrath of customers is worth it.

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

News in the past week

Financial & Legal

- Cash payments across the economy rise for the first time in ten years

Restaurants

- Serious Fraud Office (SFO) charges four people in connection with the failure of Patisserie Valerie five years ago

Pubs

- St Austell Brewery acquired Bath Pub Company

Leisure

- Manchester Airport passenger numbers in August were 93% of 2019 levels; East Midlands at 100%; Stansted at 102%
- The Gym Group membership rose 9.7% in the year to end June; sales rose 18.5%
- Heathrow passenger numbers fell 2% in August versus July

Delivery

- Deliveroo, Uber Eats, Just Eat pledge to make their drivers and other road users safer in London
- Taster launches spicy fried chicken brand in collaboration with rapper, ArrDee

Suppliers

- Fever Tree sales rose 9% in the first half of the year



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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