

# WEEKLY BRIEFING REPORT

**Week ending 24 September 2023**

Published 25 September 2023

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## My insight

I have been finalising my keynote presentation on 'Delivering Lunch' for the [Lunch!](#) show that is taking place at the Excel Centre this week. This is an agreeable task that arrives every autumn and together with the [Casual Dining](#) show, at which I am chairing a delivery panel sponsored by Uber Eats, is something I'm really looking forward to.

Putting my notes together I have been struck by a significant development in the world of restaurant delivery: it is no longer some sort of sideline for restaurants but instead it is something that is done in its own right.

This development is driven by a number of factors, not the least of which is the technology required for delivery. This technology is significantly more intensive than the technology needed for a takeaway operation, and even more intensive than the technology required for a restaurant focussed on dine-in. Another factor driving the separation of delivery from restaurants is the growing role of delivery-only brands that don't have a brick and mortar presence.

While all this is going on, another major development is at work. Some operators are following an evolving omni-channel approach; in such a strategy, delivery is just one of several complementary activities – dine-in, outside catering, drive through, click & collect, walk up takeaway, selling branded products through retail outlets, and no doubt others.

Restaurants generally follow an omni-channel strategy for one of two reasons. The first is to widen the reach of the brand – and thereby increase sales. The second is to reduce the resources (and therefore costs) need per unit of sale – and thereby increase profits.

An inherent question surrounding omni-channel is whether to integrate as much as possible onto one site. However integration can readily lead to complexity that arises from an increase in the number of activities that are followed on each site. Complexity inevitably leads to higher costs, and therefore lower profits.

Thus profits are at risk if multiple channels are operated under an integrated omni-channel strategy. It's best to keep the parts separate – delivery included.

My conclusion from this short analysis is that the forces driving delivery are becoming separated from those driving the evolution of restaurants – delivery and restaurants are becoming separate sectors. And, if so, they need to be managed as such.

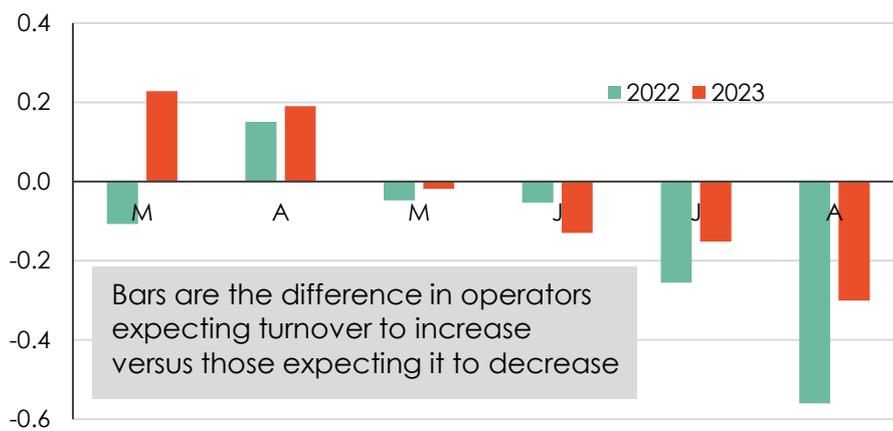
## The numbers

I don't normally return to a subject that I only covered the week before. However, the ONS has just published some data that arrested my attention.

Last week I discussed uncertainty in the foodservice market and concluded that numbers of insolvencies, and the rate at which they are increasing, might partly explain why there is this uncertainty. And importantly for what I am about to say, I noted that while insolvencies are increasing, operators generally don't think that they are at risk. In other words, this analysis suggests that operators are not being realistic about the threat they face.

Indeed, numbers being published by organisations as varied as Revolut, Barclays, PMI, CGA, and Pret slowed down significantly in August and, in most cases, they went into reverse on a year on year basis.

### Difference between operators' expectations regarding turnover in next 2 months



Source: ONS; Peter Backman

third expected no change, just ten percent or so expected an increase and over a third expected a decrease. In other words, those expecting a reduction in turnover easily outdistanced those expecting an increase. That suggests a realistic assessment of the situation – the current situation is not good, and a preponderance of operators believe things will get worse.

However, it's not quite that simple. I've produced a chart based on the ONS data that shows the ratio of operators expecting an increase in turnover in two months' time versus those expecting a decrease. And I've shown how the ratio has changed month by month from March to August this year and last year.

I've simplified the data to present a chart that, I hope, is easy to take in but, in the process, some of the nuances might be lost. In essence the chart shows that optimism (ie those expecting an increase easily outpaces those expecting a decrease over the next couple of months) is high in the spring (although it was low in March 2022 when lockdowns were easing). The chart also shows that optimism wanes during the summer and into the autumn.

But the main point I noted was that optimism this year is generally higher than last year. Unfortunately, the declining data (from Revolut credit card purchases, and the other sources I instanced above) suggests that this comparative optimism may not be justified.

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

- City of London Corporation extends pavement licences for restaurants until September 2024

### Retail

- Aldi launch free delivery, pop up pizza delivery service for students on one day in freshers' week

### Restaurants

- Comptoir Group sales rose 2.1% in the six months to mid-July
- Bank of England agents report pubs and restaurant customer numbers picked up as the weather dried in August. Spending per customer was lower than last year.

### Pubs

- Adnams sales 0.3% in the first half of 2023
- City Pub Group sales rose 21% in the first half of 2023

### Hotels

- Bank of England agents report hotels and other accommodation providers say demand from UK tourists was lower than last summer

### Leisure

- Bank of England agents report reasonably strong demand at visitor attractions; spending on food, drink and other secondary items was weaker than last year.
- Manchester Airport passenger numbers in August were 93% of 2019 levels; East Midlands at 100%; Stansted at 102%
- SSP sales are expected to rise 100% in UK and Ireland in the four months to end September

### Delivery

- Deliveroo launched a Hop grocery store in London

### Around the World

- Big Mamma Group majority stake acquired by McWin
- DP Eurasia sales rose 24.7% in the first half of 2023



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