

# WEEKLY BRIEFING REPORT

**Week ending 8 October 2023**

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## My insight

Have you ever thought about coffee shops – I mean, thought deeply about them? They are communal spaces where people can gather, work, study, or socialize – in short, they foster connectivity, which can be seen as a social utility. Coffee shops are widespread and easily accessible, often open long hours. This accessibility can be seen as a convenience utility. Coffee shops generate employment opportunities and contribute to the local economy; in this sense, they provide economic utility by creating jobs and contributing to the tax base.

In short, coffee shops can be seen as a utility which, in turn, usefully can be defined as a service that provides essential benefits to individuals or society as a whole, like water, electricity, gas. Whether coffee shops are really a utility or not largely depends on one's perspective and the specific context in which they are being evaluated. But let's engage in a thought experiment and imagine a scenario where coffee shops are actually classified as utilities.

For investors there is the promise of steady demand making coffee shop investments more stable and less susceptible to economic downturns, making them (even more?) attractive as a long-term investment. Operators would benefit from a stable customer base and a dependable source of revenue. As for customers, they could expect prices to be regulated to ensure affordability, and they could possibly expect enhanced consumer rights, complain mechanisms, and fair treatment. And an additional could be that as part of their role as a utility, coffee shops might be required to adopt a focus on sustainability, accessibility, and social responsibility.

Against these advantages, with their status as a utility coffee shop would almost certainly be subject to additional government regulations related to things like pricing, quality standards, and accessibility, with additional administration and potential constraints on pricing.

This thought experiment - should coffee shops be considered a utility? – suggests that being a utility might bring enhanced stability to the industry while introducing regulatory challenges for investors and owners. And while there are theoretical benefits – regarding accessibility and customer service for example - these are generally already in place.

I guess the downsides exceed the potential upsides. But maybe it's worth considering? And if it works for coffee shops, then pubs, hotels won't be far behind. That's the problem with mind games they provoke us to explore unconventional possibilities and contemplate their consequences.

## The numbers

The National Living Wage will increase by about 6% next Spring to over £11 an hour – the potential range is £10.90 to £11.43 an hour – and will apply to about 2.5 million people.

The hospitality sector sits at the centre of the arguments for and against the NLW in principle and against the level at which it applies.

Advocates argue that the NLW provides a much-needed boost to low-wage workers. Opponents, however, stress things like the potential strain on small businesses, increased consumer prices, economic uncertainty, and, specifically within the hospitality industry, concerns over competitiveness.

In the context of the total economy, it is argued that a well-balanced increase in the NLW can contribute to overall growth by boosting demand for goods and services. This may have a positive domino effect, benefiting not only low-waged workers but businesses across the economy especially where consumer (as opposed to business) spending is vital, and that of course includes the foodservice and wider hospitality industry.

A higher NLW directly benefits low-wage workers by providing them with a more acceptable standard of living. It helps alleviate poverty and reduces income inequality, allowing individuals to cover their basic needs without relying on government assistance.

It is further argued that once they have additional income in their pockets, low-waged workers have more to spend. And this increased consumer spending may ultimately benefit the hospitality sector (plus a wide range of other industries).

An increased NLW can also help hospitality operators by enhancing employee retention; without an adequate living wage, it is frequently argued that hospitality will fall even further behind competing sectors making employee recruitment and retention even more challenging than it currently is. Against that of course, operators might struggle to absorb the increased labour costs leading to potential layoffs, reduced working hours, or even business closures, each of which ultimately adversely affects both employers and employees.

Against these arguments, operators will be under pressure to raise menu prices (even further than otherwise) to offset increased labour costs; and of course this makes eating out more expensive at a time when consumers generally are being squeezed financially. This potentially reduces restaurant visits and expenditure, with ultimately impacts the hospitality industry's bottom line.

Clearly, an increased NLW, indeed the NLW in principle, is a double-edged sword with significant implications for the hospitality sector, for the low-waged, for consumers, and for the wider economy.

Balancing the competing interests in the NLW while the economy generally, and hospitality specifically, is in its current stressed state, represents a complex challenge that must be navigated carefully to achieve the best possible outcome for all parties involved.

I don't envy anyone who has to cope with these challenges.

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

- National Living Wage to rise £10.90 to £11.43 per hour, with central estimate of £11.16

### Restaurants

- Tortilla sales rose 22% in the first half of 2023; LfL sales rose 5.0%

### QSR

- Greggs sales in managed stores rose 20.8% in the third quarter of 2023; LfL sales rose 14.2%

### Pubs

- J D Wetherspoon LfL sales rose 9.9% in the nine weeks from the start of August



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**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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