

WEEKLY BRIEFING REPORT

Week ending 12 November 2023

Published 13 November 2023

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My insight

How do we place a value on anything? That was a question I posed at the start of recording the latest episode of my podcast, [The Delivery Prophets](#). Value is obviously important when we're selling something. How much do our customers value what we're offering? And how much are they going to pay?

But my question goes beyond the monetary value of whatever it is we're offering. There are factors such as recognition, and appreciation: 'I appreciate your great service and I want to recognise it by saying thank you'. And that raises the linkage between saying 'Thank you, I appreciate what you've done' and the very act of paying for it. We should of course both pay and say 'thank you' - and to be really generous and appreciative, we should add something heartfelt along the lines of 'Your service was great, just what I needed. And I'll be back'.

However, all of this hides an important issue. It is the thought that, by saying 'thank you', we can 'get away' with not paying - or not paying enough - for something that we value but haven't been charged for. I assume nobody sets out to deliberately not pay, or not pay enough. But human nature being what it is, it's easy to mislead ourselves over our motivation.

All of the this applies especially in the restaurant sector because, for a variety of reasons, people who are at the front end of providing the service - waiters, bar staff, cloakroom attendants and those like them - are not paid a lot.

Restaurant operators usually overcome this by tapping into our inclination to tip which they do by adding a 'compulsory' tip - they call it a 'discretionary service charge' which is anything but discretionary. I have railed against this in the past arguing that it should be replaced with a proper price on the menu that allows adequate wages to be paid.

However, we discussed this on [The Delivery Prophets](#) with our guest, James Brown - the CEO of BrewDog Bars, who, amongst his other achievements was the co-founder of TipJAR, the cashless tipping platform. So he knows a thing or two about tipping.

James made the pertinent point that tipping is the other side of the hospitality relationship: one side (the person to be tipped) provides the 'personal warmth' of hospitality; the other side (the tipper) provides the 'personal reward' and shows the value they place on the relationship.

And that's a value that is truly discretionary but also desirable and, I hope, heartfelt too.

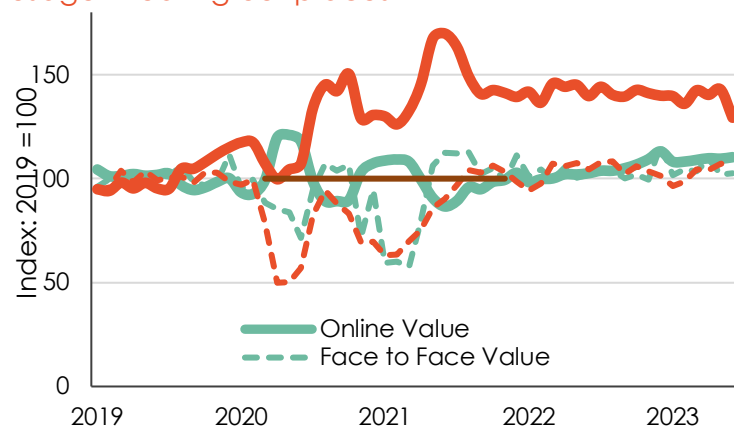
The numbers

I have frequently bemoaned the lack of up to date information about the foodservice market in the UK – and the drag this lack of data acts on our understanding of what's going on. To be fair, in the last two or three years, the ONS has started to address this issue and now publishes relevant data that shines a light on what is currently happening, in some cases right up to the last month.

There is a criticism though: it is rather patchy and sometimes not sufficiently fine-grained to be really helpful. But it's a start. And I have drawn on some of these datasets in my weekly commentaries. In that spirit, this past week I have been examining information based on credit card usage – transactions and values – with base data supplied to the ONS by VISA.

It shows for example how credit cards have been used in 'eating places' since before the pandemic. The data are split between expenditure made in face-to-face environments and those made online – that is purchases made on the internet which include app-based in-store payments as well as payments made from home for delivered restaurant meals.

Online and face to face credit card usage in eating out places



Source: ONS; Peter Backman

Notably, this set of metrics basically flatlines in the run up to covid. There is then a period of turbulence until mid-2021 when online values first rise and then decline before rising again in 2021 - and then settle back to pre-covid levels. Face-to-face transactions and expenditure mirror this. In other words the much talked about shift away from dine-in to delivery is reflected in this data.

Now the really interesting thing for me is the performance of online transactions. Stripping away the ups and downs throughout covid, they stabilise at about 40% above pre-covid levels (there has

been a fall in the most recent data – to July this year but I suspect this may be reversed when more recent data is received – we shall see).

While the number of online credit card transactions in eating places is now 40% higher than before covid, the value of face to face spending and the numbers of such transactions have returned to pre-covid levels. As, notably, has the value of online expenditure. In other words, the number of online transactions has risen significantly since before covid – which is what I'd expect.

But the value of online transactions has not risen. This is counter-intuitive given the well documented rise both in delivery (paid for online) and app-based in-store payments. But it ties in with data from Deliveroo that shows average GTV / order in the UK (and Ireland) has been stable at about £25 since 2020 - despite current high levels of inflation.

And that is the value of data of this sort because while the results may seem counter-intuitive they support - or are supported by - data from other sources. And that leads to greater understanding.

The rest of this Weekly Briefing Report is a summary of short-term news in the past two weeks:

News in the past week

Financial & Legal

- The Real Living Wage will rise 10% to £12 an hour outside London, £13.15 in London
- The number of company insolvencies rose 10% in the quarter to end September versus 2022
- Bank of England agents report employment intentions weakened a little further
- Bank of England agents report price inflation has sustained revenue growth at pubs and restaurants; fall in customer numbers

QSR

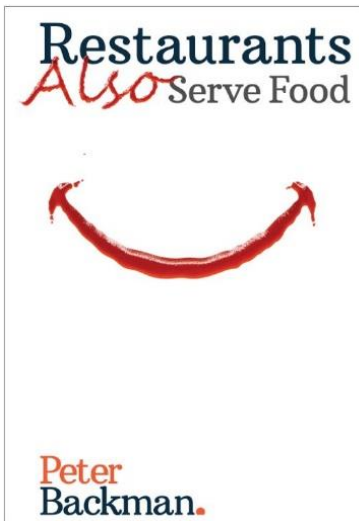
- KFC system sales in the UK rose 10% in the three months to end September
- Domino's Pizza UK system sales rose 3.7% in the quarter to end September

Pubs

- Gastro Pubs plans company voluntary arrangement
- JD Wetherspoon LfL sales rose 9.5% in the quarter to early November; food sales rose 8.2%

Around the World

- McDonald's total global sales rose 14% in the three months to end September; same store sales in the international lead sector including UK rose 8.3%.
- Pizza Hut global sales rose 3% in the three months to end September; same store sales rose 1%
- Taco Bell global sales rose 11% in the three months to end September; same store sales rose 8%
- Papa John's sales rose 2.4% in the quarter to end September; North American same store sales rose 2.9%
- Starbucks sales rose 9.7% in the quarter to end September
- Wendy's sales rose 2.9% in the quarter to end September; US same store sales rose 2.2%
- Burger King system sales rose 10% in the quarter to end September
- Popeyes system sales rose 16% in the quarter to end September
- Shake Shack system sales rose 24.3% in the quarter to end September; same store sales rose 2.3%
- Carlsberg to leave Russia
- NH Hotel revenues rose 28.1% in the nine months to end September



The revised edition of my book – **Restaurants Also Serve Food** – has now been published. It is addressed to suppliers, especially those who are proficient at selling to the retail sector but find selling to the foodservice sector is a challenge.

I recently took part in an engaging and highly informative **webinar** with Carl Orsbourn and Meredith Sandland. We discussed our books – theirs on the subject of delivery and mine on what makes foodservice tick – and what suppliers need to understand about it if they are to be successful in selling to this complex and ultimately rewarding sector.

You'll find more about Restaurants Also Serve Food – and how to buy it **-here**

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