

WEEKLY BRIEFING REPORT

Week ending 26 November 2023

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Backman.





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My insight

There was sad news last week. The Loch Fyne brand is being closed down. Those of us of a certain age remember how, twenty years ago or more, it was an aspirational brand and one of the first leaders in what was to become the casual dining sector. It held a place roughly akin to the Ivy Collection in the sector of the time. And now its remaining 11 sites (there were as many as 40 plus ten years ago) are being converted by Greene King, the owner, into regular pubs.

That got me thinking about the difference in the nature of a physical asset, such as a pub, and a brand such as that embodied in the Loch Fyne operation. Of course, a brand may be an asset, but a brand is something that lives and breathes and talks to the customer; an asset is a number on balance sheet.

A brand comprises many parts. For Loch Fyne one of those parts was its back story – starting as a seller of high quality oysters from the west coast of Scotland to become an ‘aspirational dining’ restaurant. What was the true value of this back story? There was a period some many years back when FMCG companies attempted to use ‘brand value’ as a core metric of their value. Thirty five years ago, RHM (Ranks Hovis McDougall) successfully defended a hostile bid by demonstrating that the offer had significantly undervalued the company’s brands. But as an ongoing activity this didn’t really work out because of the difficulty, some would say the impossibility, of measuring value on a regular basis especially in a holistic, non-numerical, manner.

Despite the difficulty of measuring things like this, there are ways to get part of the way there – using Net Promoter Scores for example. But I am going on to suggest something different. It is that companies for which the brand lives and breathes – and that, to my mind, includes all hospitality businesses – could include a regular measure of the brand.

While being tricky in the extreme to implement, there are benefits. The most significant would be to force management to focus on the ‘brand’ – of course many companies do that anyway, others pay lip service to it, while the remainder don’t care at all. But with that focus on the brand would come the obligation to explain. For instance: ‘The value of the brand has fallen this year through our policy of buying the cheapest meat available’; or possibly: ‘Through implementing the rule that all tables will be wiped clean within 90 seconds of the guest leaving, customers are much happier, and the value of the brand has increased’.

Pie in the sky? Possibly but it’s worth thinking about making the value of the restaurant brand an explicit metric, so that the restaurant itself is not treated as just a number on a balance sheet.

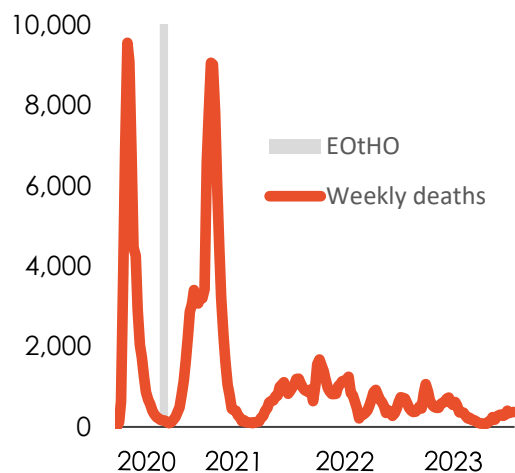
The Numbers

Getting on for a quarter of a million people in the UK have died from covid (or more accurately, have had covid listed as a cause of their death) since the start of the pandemic. As of early November the figure was 229,529 and even now is growing at about 300 or so each week.

Nevertheless it seems that as a nation we have, in our minds at least, put the dark days of the pandemic behind us. We seem to have blotted it out. Perhaps that's because it's too painful to think about or perhaps we just want to be forward looking. However, the Covid-19 Inquiry, which still has a long way to go, is rehashing those difficult times not least by its examination of dysfunctional government decision making.

But the point I want to get to is what we are learning about the Eat Out to Help Out Scheme that

Weekly deaths from covid



Source: ONS; Peter Backman

ran in August 2020, and the discussions that surround it. I suppose this will feature in the final report from the inquiry, and in any case, I should imagine it is likely that further light will be shed on the scheme while the inquiry runs its course. Be that as it may, we have already heard from Sir Patrick Vallance, the Government's Chief Scientific Adviser during covid. He has told the inquiry the scheme was 'highly likely to have' increased the number of covid deaths – and I believe his comments were based on an assessment that EoHO was a covid spreading event – so its results would have been difficult to quantify.

Some voices at the time, while acknowledging that there may have been deaths as a result of running the scheme, claimed (on one way of analysing a report

from Public Health England) that fewer than 3% of covid cases could be linked to the EoHO scheme. Maybe the covid inquiry will provide more insight into this but I thought at the time, and with the additional benefit of hindsight I still think, even at such a low level, this was a brutal justification for keeping restaurants open.

The scheme met its objectives of boosting demand in the restaurant sector at a time when it was on its knees – the LSE reports an uplift of 5-6% in visitor numbers for each percent uptake by operators. While that is a benefit, it did not last long because customers were deterred by lockdowns later in 2020 and in 2021. And, as Sir Patrick Vallance has noted, in overall terms, the scheme may have contributed to the numbers killed by covid.

True, the latest figures from ONS show only 1,240 covid-related deaths during the period of the EoHO scheme and the following month, but the figures also show that between the start of the scheme and the end of the year, there was a total of 30,000 covid-related deaths – an uncounted number were likely to have been induced by EoHO.

All of this is depressing and something we would all, I imagine, want to put behind us. But the cost in human lives, whatever it was and whatever contributed to it – whether government dysfunction, or EoHO, or anything else - has been too high and needs to be acknowledged.

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

News in the past week

Financial & legal

- Budget freezes business rate multiplier
- Budget freezes beer duty until August 2024
- Budget sets National Minimum Wage rise 9.8% in April

Pubs

- UK pub and bar insolvencies rose 66% in the year to end September
- Nightcap LfL sales fell -16.7% in the July- September quarter

Delivery

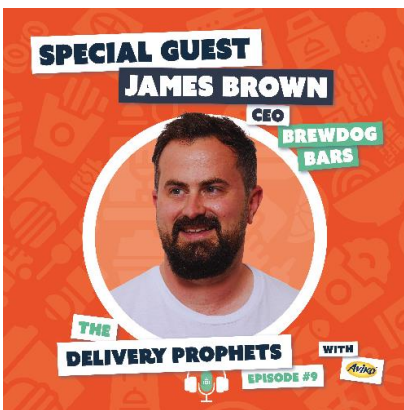
- Deliveroo riders are not workers, able to form a union, rules the Supreme Court

Suppliers

- Britvic sales in Great Britain rose 7.9% in the year to end September

Around the World

- Compass organic sales rose 12% in the three months to end September
- Compass Group acquires Hofmanns in Germany
- Elixir contract catering sales rose 8.0% in the quarter to end September; overall sales were up 7.5%



In the latest episode of **The Delivery Prophets** podcast, we had the pleasure of hosting **James Brown**, CEO of BrewDog Bars. Join us as we dive deep into the world of craft beer, delivery services, and the crucial role of customer experience.

James shares valuable insights on how BrewDog Bars is shaping the craft beer landscape and enhancing customer satisfaction through innovative delivery and takeaway options. Stay tuned for more thought-provoking insights from this episode that's bound to leave you thirsty for more knowledge! This opportunity is too valuable to let pass.

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