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Weekly Briefing Report

Week ending 31 January 2021

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Introduction

I write [The Weekly Briefing Report](#) to provide an immediate view of the market. My premium service which includes Monthly and Quarterly Briefing Reports provides a slightly more measured view. You can find details [here](#) of how to subscribe to this premium service.

I value your feedback. And I would particularly appreciate your thoughts on the topics you would like me to add to my coverage – contact me at peter@peterbackmanfs.com or on 07785 242809.

My insight

As a nation we eat an amount of food each year that is broadly fixed – maybe we eat too much but the amount stays the same (after allowing for changes in the population). But we buy food in a multiplicity of places with the two biggest categories being retail and foodservice. These two sectors are generally treated separately because they are different in many respects. And for the purposes of what I have to say here, the biggest difference is in the supply chain – via wholesalers in the case of foodservice, and direct from the manufacturer in the case of retail (I am simplifying of course, but the basic truth holds).

All this means that the two sectors are treated separately, and not viewed as a whole, by both operators (whether retailers, restaurants or pubs) and by their suppliers. And that is why, together with the IGD I have published “Eating In vs Dining Out 2020” – a totally new update on the work we published last summer when the path of covid was unknown and when it was possible to conceive of a world where there were no vaccines on the horizon.

This most recent project I have completed with the IGD brings the retail and foodservice sectors together – and I believe this is an industry first and not only in this country but in Europe and probably the USA too. Although we did this work in light of the impact of covid, the results are enlightening in a broader sense. First they show the swing from foodservice to retail, during covid. After allowing for the large differences in margins, we showed that foodservice sales of food and beverage that had been lost since last March translated into an increase for retailers. But the interesting thing was that about £6.4 billion of these lost foodservice sales were not carried across to retail – they just disappeared. The explanation is that the disappearance was due to changes in the mix of products between the two sectors – grilled sea bass in your local pub replaced with fish fingers grilled in your oven, eating a Hobnob with your coffee at home instead of enjoying a freshly baked muffin at Caffe Nero, and replacing Tempranillo Finca La Estacada at Wahaca with Tempranillo from Tesco at a tenth of the price.

So, while the retail sector has gained from the fall in meals over the last ten months in restaurants, pubs, hotels and the many other sectors within foodservice, it's not been a direct swap. Amongst other things some of the added value products that are so attractive to the customer in the foodservice sector, just do not appeal in a retail setting.

As the foodservice sector ramps up again later in the year, retail sales look destined to fall. By how much and which products will be worst hit, remains to be seen.

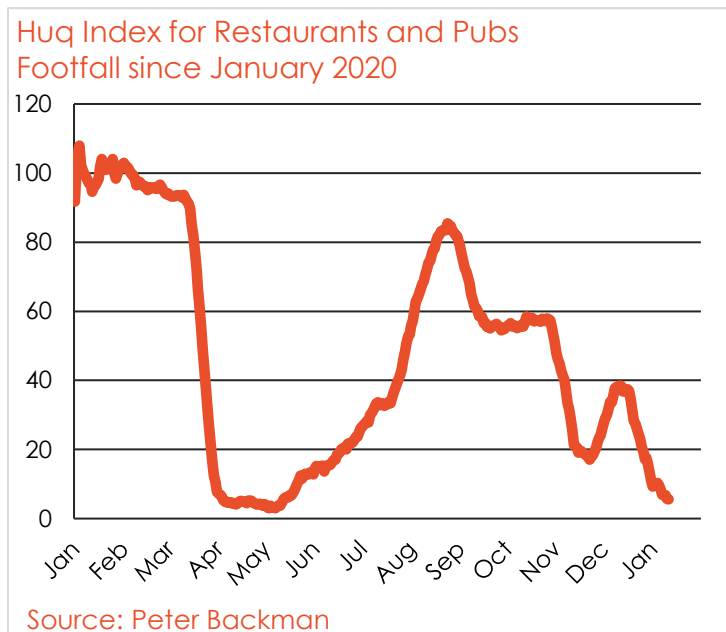
The numbers

I say maximise your income streams – bricks and mortar, delivery, click & collect, takeaway, dark kitchen, virtual brand, retail product, sell by post, whatever. But multichannel (as opposed to a two- or three-channel approach) is not a long term strategy.

For one thing, it's far too complicated; for example, managing a brand and its supply chain in just one channel is challenge enough, managing more than one adds to the challenges. And another example, the compromises needed for success in each channel can easily build to the point where the brand starts to be pulled apart. And another thing is that one of the channels you use is bound to have the lowest margins of all the channels you use – and it will pull overall profitability down. So, for optical reasons, if for no other, too many channels give a poor impression of profitability. Product and service specifications will have to be different to optimise

pricing, to minimise costs, and to address customer perceptions. Given these variables, branding will be tricky and will have to cope with many different competitors - several in each channel. And so on.

So why do I favour multichannel? For now, while the world of foodservice is almost in hibernation, the short term future is immensely uncertain. Not only is there uncertainty over what customers will want, how often they will want it, and how much they'll spend, but there is also uncertainty over what the competition will look like, how much past practices will have been upended by covid, even what the property landscape will look like.



As the eating out market starts to wake up, you will need to have the answers to these, and many other questions so that you can create the winning offer when the world of foodservice warms up again and starts setting out for the long term.

With that uncertainty, it seems to me that at this point in time it's necessary to have as much flexibility as possible – and that's why I favour a multichannel approach. A short term solution to a long term problem.

In the meantime, here are the latest figures from the Huq Index and OpenTable:

	January							
	25	26	27	28	29	30	31	Metric
Huq Index	5.9	5.5	5.3	5.5	4.8	4.9		YoY % change in footfall
Open Table	-65.9%	-66.2%	-62.3%	-58.5%	-49.3%	-43.9%		YoY % change in bookings

The rest of this report contains a summary of corporate and other activity over the past week:

News in the past week

Financial & Legal

- Government regulations give local councils power to lockdown restaurants, pubs, shops etc, until mid-July
- ONS says furloughed workers were 17% of workforce mid-January – up from 14% in December
- Isle of Man social distancing measures have been removed – restaurants and pubs reopen
- Wales lockdown extended by three more weeks

Retail

- 13% of shops are empty according to the British Retail Consortium

Landlords

- Restaurants, pubs, bars rents paid on estimated 23% of outlets in Q4 2020 say Cushman & Wakefield

Restaurants

- Michelin Guide awards 22 stars in the UK

Pubs

- Red Lion Holdings acquires Red Mist Leisure, pub group

Hotels

- UK hotel occupancy at 26.1% in December, average rate fell -18.2% on prior year
- Travellers returning from restricted countries to pay for quarantining in hotels
- Occupancy in hotels on New Year's Eve was 14%
- Whitbread to install up to 1,000 high-powered electric car charging points

Education

- Schools in England will not open before 8 March
- Wales schools may return after half term

Suppliers

- Greencore sales of ready to eat sandwiches and other food to go fell -21.7% in the last quarter of 2020
- Britvic out of home sales in GB fell -32.5% in last three months of 2020; total sales down -4.1%
- Diageo sales fell -5% in the second half of 2020

Around the World

- California reopens restaurants for outdoor dining
- California extends eviction moratorium until end June
- European tourism sales fell -7% according to the EU
- Elior sales fell -26% in Q4 2020
- Starbucks US LfL sales fell -6% in the latest quarter
- McDonald's US LfL sales grew 0.4% in the three months to end December