

Weekly Briefing Report

Week ending 26 July 2020

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Introduction

I have been publishing The Quarterly Briefing Report since 2009. Over four months ago, I started producing **The Weekly Briefing Report** to provide a more immediate view.

I would value your feedback on topics you would particularly like me to add to my coverage - my email address is peter@peterbackmanfs.com and my phone number is 07785 242809.

My insight

What happens to the foodservice sector when the coronavirus packs its bags and leaves town, as one day it will? The answer to this question depends on many things but they will all be influenced in one way or another by the length of time between now and the end of the virus. I have been investigating these issues in conjunction with the IGD over the last few months (and some results have been published in our joint report "Eating Out vs Dining In").

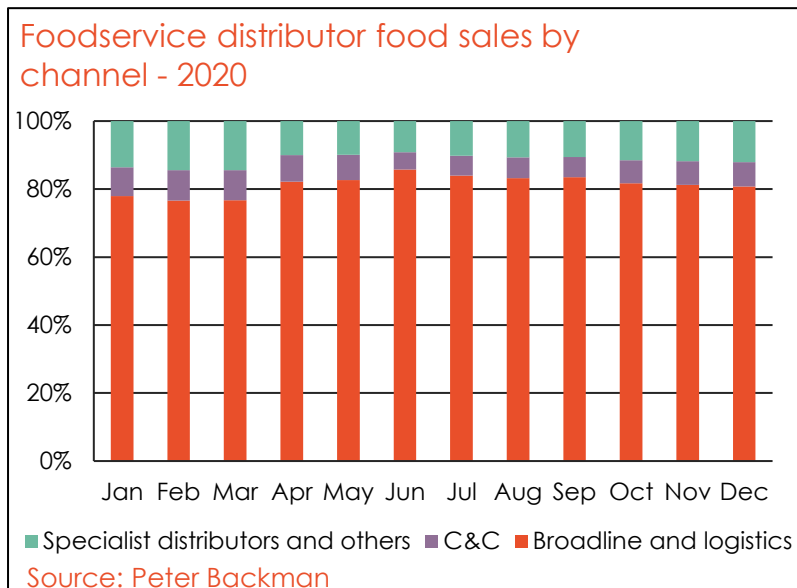
But there are many specifics that remain to be investigated and answered. It seems to me that up to now, for the foodservice sector at any rate and I would guess most other sectors of the economy, there have been four ways that the coronavirus has impacted on the industry and the people and companies within it. First, the virus has **exposed** faults (and positives) that underline foodservice. Second, it has led to a process of **degrading** (businesses have been downsized, valued employees have been made redundant and much more). Third, there has been an **acceleration** of past trends (reduction in overcapacity, and the rebalancing of relationships between tenants and landlords spring to mind). And the fourth has been an unleashing of **innovation** (meal kits prepared by high end restaurants for the home are a great example).

All of these matters are driven by the coronavirus. But how does the foodservice town pick itself up and start to **restore** itself? That seems to me to be a crucial question that may not yet be ready to be answered, but it should be, and soon. Businesses and civil organisations that analyse and address these issues will be placed to navigate the different world we'll find ourselves in. Getting to grips with the issues at a time when nothing is certain (Will there be a second wave? When will a vaccine, or effective mitigation, arrive? Who will be left standing?) is exceedingly difficult right now. But already some of the outlines are beginning to emerge. I address some of these issues in my Quarterly Briefing Report which will be published at the end of this month. And I am working with clients to understand the dynamics and potential outcomes. I have had tremendous engagement to my comments in my Weekly Briefing Report, from many people and businesses across the industry spectrum. Please get in touch if I can help you navigate your way to a restored world.

The numbers

Unilever announced this week that its global foodservice sales fell “nearly 40%” in the last six months. This includes two or three months of normal trading in most markets, so the fall due to coronavirus has been even more substantial. This underlines the fact that the impact of coronavirus lockdowns around the world is felt not only by frontline operators – restaurants, contact caterers and the rest – but the hinterland that supplies the sector too.

In the UK, food and beverage sales lost by suppliers (that is, sales that they would have made in normal times but were not achieved during coronavirus) were running at about £1.2 billion per month between April and June. Allowing for the “normal” trading pattern in the first quarter, and an uplift in the second half of the year (due to reopening of schools, restaurants and other sectors of the foodservice economy), I currently expect total sales lost in 2020 to amount to £9.3 billion. That equates to 61% of sales in 2019.



This impact on the supply chain is huge and over the last few months has morphed in favour of broadline wholesalers, as my chart shows.

The businesses most affected are those that rely on foodservice for the bulk of their sales (and in many cases for all their sales). The biggest hit in total value terms is felt by the major distributors. But there are many companies, many of them small concerns, that have found their foodservice business dissolved in front of their eyes. Some will not be making it back.

Many manufacturers, though, have been able to pivot towards supplying the retail market which has seen sales increases of the order of 15% during the coronavirus lockdown. Some of these sales will re-pivot to foodservice over the coming months and years. But for now, foodservice suppliers are having to be as innovative as their customers in finding new ways to hang on, and then build a platform for growth and success over the long term.

Meanwhile here are the latest readings from the Huq Index and OpenTable:

	July						Metric
	20	21	22	23	24	25	
Huq Index	33.2	33.1	30.6	31.0	27.6	26.6	Footfall vs 6-26 Jan 2020 = 100
Open Table	-47.1%	-49.9%	-42.6%	-40.5%	--28.8%	-26.8%	YoY % change in bookings

The remainder of this Weekly Briefing Report contains a summary of financial, legal, and corporate activity in the past week.

Financial / Legal

- Bank of England economist Andy Haldane says about half of the 25% fall in activity in March / April has been reclaimed
- Government confirms face masks to be worn when buying food and drink for takeaway
- Government announces new plans for displaying calories on menus for businesses with over 250 employees
- Vaccine developed by Oxford University and Astra Zeneca to move to next development stage

Foodservice

- Government reveals over 32,000 restaurants have registered for Eat Out To Help Out scheme
- One third of furloughed hospitality workforce potentially redundant according to PwC

Landlords

- The Crown Estate starting to offer turnover-related rental deals

Restaurants

- ASK and Zizzi reopen 39 sites
- Blacklock reopens one site
- Boparan Restaurant Group to apply Eat Out To Help Out scheme to all sales including those over £10
- Buzzworks reopens eight sites
- Dim T reopens four sites
- Dirty Bones reopens two sites
- Frankie & Benny's reopens 12 sites for delivery and takeaway
- Galvin Restaurants reopens 3 sites
- Gourmet Burger Kitchen reopens 14 sites
- Hard Rock Cafe UK to provide half price meals on Thursdays and Fridays (as well as on Mondays to Wednesdays as per the Eat Out To Help Out scheme)
- Hickory's reopens four sites
- JKS Restaurants reopens Hoppers Marylebone
- Paul UK reopens 21 sites for dine-in
- Pizza Hut to reopen about 60 sites for dine-in
- River Cottage Kitchen in Winchester permanently closed
- TGI Friday's launches Butcher's Boxes, premium meat delivery service
- The Coconut Tree reopens one site
- The Ivy Collection reopens four sites
- The Pass recipe-sharing platform was launched by Barrafinna, Dishoom, Krickit, Lina Stores, Patty & Bun, Quo Vadis, and Tom Aikens
- The Restaurant Group to reopen quarter of its estate by end July
- Turtle Bay reopens six sites
- Vittoria Group reopens one site
- Wagamama closes Noodle Lab

- Wildwood reopens 29 sites, makes over 280 redundant
- YO! reopens three sites

QSR

- Chilangos to appoint administrators
- Coffeesmiths Collective placed into liquidation
- McDonald's reopen 700 restaurants for dine-in
- Pho reopens one site
- Tesco reopens all its cafes
- Tesco to pass all VAT reduction savings to customers

Pubs

- Cosy Club reopens 19 sites
- Loungers reopens 75 sites
- Oakman Inns offers replica "Eat Out to Help Out" for two weeks before official formal introduction of the scheme

Hotels

- Hotel occupancy at 30% in first week after removal of lockdown according to STR
- Super 8 reopens one site

Leisure

- Mission Mars permanently closes two venues

Delivery

- Mindful Chef, frozen home meal kit, sales rose almost four times since start of lockdown

Suppliers

- Unilever global sales to foodservice fell nearly -40% in the last half year