

Ashdale Insights

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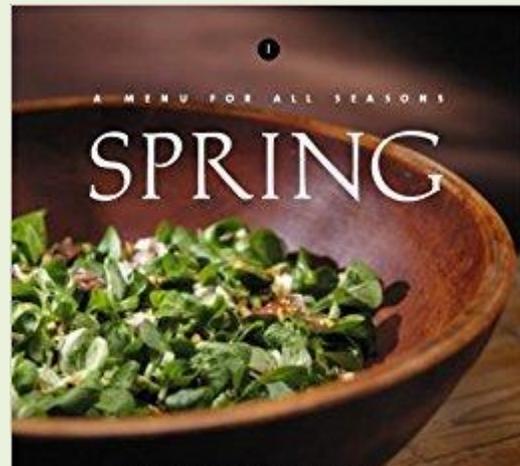
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A Menu For All Seasons

This month we look at what operators can do to mitigate rising costs?

It's fair to say that 2017 was a particularly challenging year for many operators. The rate of expansion that has been occurring across the sector in previous years definitely slowed down. In some instances plans to increase estate sizes have been put on hold whilst in other cases we have even seen well-known brands close sites. Whilst the circumstances behind each of these decisions needs to be viewed on its own merits it is fair to say that rising costs have played a significant part in most if not all of these situations.

Increases in business rates and wages aside one of the most notable factors which contributed to rising cost in 2017 came from the escalation in food inflation. Figures from Lynx Purchasing and CGA in the Autumn last year suggested that this was



running at just under 10%. All the indications are that as the pound continues to remain weak versus other currencies this state of affairs is likely to continue through 2018. So what can operators do to mitigate against this?

365 days a year

It doesn't matter whether you are an independent restaurant or a high street household name everyone will tell you that the key to driving repeat footfall is consistency. That said there is a big difference between consistency and always being the same. One of the traps that some operators fall into

is becoming wedded to the same menu week in week out. Their argument is that this is what their regular customers expect and if they change it this will somehow upset their 'loyal' guests.

A parallel to this can be seen in our supermarkets where the increase in globalisation means that stores now stock a similar range of fruit and vegetables all year round.

To read this and previous articles in full go to Ashdale Articles

www.ashdale-consulting.com

Inflation was helped as the price of games and toys fell between November and December

Economic Headlines

These headlines are from our Economic Bulletin.

CPI for December 2017 was +3.0% down on +3.1% in November, the first time it has fallen since June however RPI was up at 4.1%.

Latest figures from the ONS show that unemployment remained at 4.3%, as the number of

those in work increased and wages rose at their fastest rate in a year.

The preliminary estimate for GDP for Q4 was +0.5%, better than expected, however it meant 2017 grew overall by +1.8% - the slowest growth since 2012.

CPI	+3.0%
RPI	+4.1%
CPIH	+2.7%

UNEMPLOYMENT	+4.3%
PAY	+2.5%

Q4 GDP	+0.5%
TRADE BALANCE	(£6.2BN)
SERVICES	+£28.19BN

Aldi and Lidl are level pegging in the battle to be the nation's fastest growing supermarket

Retail Headlines

These headlines are from our Retail Bulletin.

Retail sales rose +1.4% in December 2017 vs. December 2016, as many shoppers had shifted spending to November to take advantage of Black Friday offers.

The trend to on-line spending is continuing with almost one in five

pounds now being spent on-line, this growth is being seen across all sectors.

Latest 12 week figures saw the Grocery Market grow by +3.8%, despite tightening household budgets, shoppers continued to trade up to more expensive options.

RETAIL VOLUMES	+1.4%
RETAIL VALUES	+4.4%
INTERNET SALES	+9.4%

GROCERY MARKET	+3.8%
GROCERY INFLATION	+3.7%

Aldi	+16.8%
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GfK are reporting a rebound in levels of optimism across the board after two years of the Overall Index sitting at zero or in negative territory

Consumer Spending Headlines

These headlines are from our Consumer Spending Bulletin.

Average family spending power was down (£1) a week in November* at £199, as the higher cost of essential spending has led to a decline in discretionary spending.

The estimated average mortgage debt in

November was £122,554, meaning the average annual interest paid would be £3,064 per household (based on a rate of 2.5%).

GfK's UK Consumer Confidence Index was (9) in January up +4 compared to December, as 2018 kicks off on a surprisingly upbeat note.

HOUSEHOLD INCOME	£774
TAXES & COST OF LIVING	£575
DISCRETIONARY	£198

HOUSEHOLD DEBT	£57,432
EXC MORTGAGES	£7,549

Overall Confidence	(9)
LY Personal Finances	(1)
NY Personal Finances	+6

* December update currently not available

Beer Update

Latest data from the British Beer & Pub Association shows that beer sales in Q4 2017 were up +0.9% on the same quarter a year ago.

The growth was driven by sales through Supermarkets & Convenience Stores as sales through Pubs, Bars & Restaurants were down in the quarter.

Sales through Pubs, Bars & Restaurants in the UK in Q4 were down (2.3%). This compares to a decline of (3.6%) in Q3 this year and a decline of (3.0%) in Q4 in 2016

Sales through Supermarkets & Convenience Stores in the UK in Q3 were up +3.6% compared to the same quarter last year.

This compares to a decline of (0.2%) in Q3 and a growth of +0.9% in Q4 in 2016.

Source: BBPA November 2017



There was a poor end to the year with sales volumes in both channels down almost (10%) vs. December last year

Supermarket Update

The latest grocery market share figures reveal the overall market has grown by 3.8%, with an additional £1 billion ringing through the tills compared to the same festive period last year.

Mince pie sales rose by 13.2% year on year, washed down with £3.9 billion worth of alcohol over the 12 weeks.

Alcohol sales grew by 5.1% year on year, with spirits leading the charge: up 7.6% as consumers favoured festive tipplers featuring gin and whisky.

Grocery inflation stands at +3.7% for the 12 week period ending 31st December 2017.

Prices are rising fastest in markets such as butter,

fresh cream and fresh fish, and are falling in only a few markets, including crisps and fresh poultry.

Source: Kantar World Panel



Alcohol sales grew by 5.1% year on year, with spirits leading the charge: up 7.6%

Weather Summaries

For more months and years then simply go to:

www.ashdale-consulting.com

DECEMBER	
	Temp = 0.2 Rain = 99 Sun = 115
<ul style="list-style-type: none"> • Cold & frosty with snow, especially in the Midlands • Strong winds at the beginning and end of the month 	

JANUARY	
	Temp = +0.4 Rain = 110 Sun = 103
<ul style="list-style-type: none"> • Started mild but changeable getting colder • 3rd week was cold with snow in Scotland, NI and Northern Eng. 	

January started mild and changeable, and it was very windy on the 2nd/3rd with the passage of Storm Eleanor

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Helping clients...

Sell More
Charge More
Lower Costs

About Ashdale Business Consulting

Ashdale Business Consulting is an independent consultancy providing analysis, insight and strategy across the UK alcohol and hospitality industry. Specialist areas include Strategic & Marketing Analysis, Scenario Planning & Forecasting, Category Management and Profit & Value Chain Modelling. We also deliver training across a range of business and marketing activities, all of which help to improve an organisations ability to make more profitable decisions.

Clients range from individual outlets and microbrewers through to regional/national brewers, as well as global drinks companies and trade organisations.

For more information go to our website:

www.ashdale-consulting.com

For more information about our FREE and chargeable eLearning training go to:

www.http://ashdale-academy.teachable.com

Dates and Events for Your Diary

General

February

13th Shrove Tuesday
14th Valentine's Day
16th Chinese New Year
(Year of the Dog)

March

1st St David's Day
8th Int'l. Women's Day
11th Mother's Day
17th St Patrick's Day
30th Good Friday

Licensed Trade

February

6th-8th Pub 18 (Olympia)
16th-18th Gin Festival (Lnd)
21st-22nd Casual Dining Show
22nd-24th Craft Beer Rising

March

4th Newcastle Wine Fair
12th-18th Sheffield Beer Wk
14th-15th Beer X (Liverpool)
23rd-24th Whisky Live (Lnd)

Sports

February

4th Super Bowl (USA)
9th-25th Winter Olympics
(South Korea)
25th League Cup Final (Lnd)

March

9th-18th Winter Paralympics
(South Korea)

Important

1st Old £10 notes stop being legal tender

Ashdale Training Dates

Licensed Trade

February

15th How To Make More Profit (BoT)
27th How To Make More Profit (BoT)

March

8th How To Make More Profit (BoT)
20th How To Make More Profit (BoT)

Marketing

February

6th For Small Businesses (BoT)
20th For Small Businesses (BoT)

March

27th For Small Businesses (BoT)

