



Issue 12 of our quarterly series



AlixPartners
when it really matters

Market Growth Monitor

Quarterly review of GB pub, bar and restaurant supply **JUNE 2018**

At a glance: five headline Market Growth Monitor messages

1 A 1.3% drop in total number of licensed premises in the last year



	Sites at Mar 2018	Change v Mar 2017	Change v Mar 2013	% Change v Mar 2017	% Change v Mar 2013
GB	120,662	-1,619	-3,039	-1.3%	-2.5%

CGA's data shows there were 120,662 pubs, bars, restaurants and other licensed premises at March 2018—1.3% fewer than in March 2017. That represents 1,619 net closures in a year, or an average of more than four a day. It also marks an acceleration in the pace of closures since the last edition of the Market Growth Monitor, which recorded a 0.3% drop.

2 Restaurant numbers starting to fall



	Restaurants at Mar 2018	Change v Mar 2017	Change v Mar 2013	% Change v Mar 2017	% Change v Mar 2013
GB	27,166	-98	+3,675	-0.4%	+15.6%

The Market Growth Monitor has recorded steady growth in restaurants, many of them from casual dining groups, and their numbers have risen by 15.6% in just five years. But the last year has been much tougher, and CVAs and closures from a handful of brands have contributed to a 0.4% fall in numbers since March 2017. Further cutbacks seem likely over the rest of 2018. However, this masks the fact that many casual dining operators—especially newer and distinctive ones—remain firmly in expansion mode.

3 A north-south divide - but not as we know it



	Sites at Mar 2018	% Change v Mar 2017	% Change v Mar 2013
North England	31,917	-0.5%	-4.1%
Central / Wales	22,588	-1.1%	-3.8%
South England	32,097	-2.1%	-3.3%
Scotland	11,075	-1.8%	+0.8%

The usual economic narrative of recent years has been the buoyancy of London, the south east and the difficulties of northern regions. But in the licensed trade, the last year looks rather different. Numbers of licensed premises in South England have fallen by 2.1% since March 2017, compared to only 0.5% in the north. This is perhaps a consequence of saturation in the south, where many towns and cities have a greater concentration of pubs, bars and restaurants. Further north, Scotland is the only area to have recorded growth over the last five years, of 0.8%.

4 Entertainment venues up, circuit bars and locals down



	Sites at Mar 2018	% Change v Mar 2017	% Change v Mar 2013
Circuit bar	8,147	-3.6%	-18.6%
Community / drink-led local	24,224	-1.8%	-18.0%
Educational	877	-3.0%	-10.1%
Entertainment	4,124	6.3%	37.0%
Night club	1,987	-5.2%	-10.8%
Sports / social	24,950	-1.5%	-3.3%

In the drink-led sector, circuit bars and community locals have borne the brunt of closures, with their numbers down 18.6% and 18.0% respectively over the last five years. The educational and nightclub sectors have suffered a steady stream of closures too. By contrast, entertainment venues, including theatres and cinemas, have seen numbers rise by 6.3% in the past year – equivalent to more than four net new openings a week. Over five years, growth is 37.0%. It suggests that many consumers are demanding more than simply a drink on their nights out.

5 Food replacing drink in rural areas



	Food-led sites at Mar 2018	% Change v Mar 2017	% Change v Mar 2013	Drink-led sites at Mar 2018	% Change v Mar 2017	% Change v Mar 2013
North England	2,548	0.0%	+6.0%	4,656	-0.6%	-9.6%
Central / Wales	2,535	-1.2%	+3.9%	4,796	-1.0%	-7.9%
South England	4,528	-1.6%	+2.4%	6,530	-2.0%	-7.9%
Scotland	860	-2.8%	+13.8%	2,074	-1.6%	-7.5%

In rural areas of Britain, the five-year trend is of drink-led pubs and bars closing and more food-led pubs and bars opening. For instance, rural parts of southern England have seen numbers of drink-led venues fall by 7.9% since March 2013, while numbers of food-led ones have risen by 2.4%. In the North of England, the contrast is even sharper, with a 9.6% fall in drink-led sites but 6.0% growth in food-led ones.

INSIDE: The Wetherspoon effect + City centre magnets

Focus: City centres – still pulling them in

CGA data has been revealing growing numbers of licensed premises in regional city centres for some time now—often at the expense of suburban areas. And while the rate of new openings is slowing, centres are still pulling in new entrants.

As the 'Top ten city centres for licensed premises growth' table shows, Leeds has recorded the sharpest growth over the last five years, with its number of licensed premises up by 24.8%, just ahead of Liverpool (24.5%) and Manchester (24.2%). These cities have benefited from major new retail and leisure destinations like Trinity Leeds, Liverpool One and Manchester's Spinningfields. Cities in northern Britain dominate this top ten, with only three in the Midlands or south.

As the other tables reveal, growth has been fuelled by restaurants. In Leeds, Bradford and Manchester, there are now more than a third more food-led licensed premises than there were five years ago. But the drink-led side of many city centres has been flourishing in many places too. Bradford, Liverpool, Manchester and Leeds all have at least 10% more such venues than they did in March 2013.

Notable by its absence from all these charts is London. Here, five-year growth in licensed premises stands at 10.2% strong, but below the rate of ten other British cities. With London's property costs spiralling and the risk of saturation becoming apparent, many new and expanding brands have instead been attracted to regional cities lately.



Net number of food-led licensed premises to have opened in Manchester since 2013

Top ten city centres for licensed premises growth

**City Centre defined as all licensed outlets within a city's central business district*

	Sites at Mar 18	Net new openings since Mar 2013	% Change v Mar 2013	% Change v Mar 2017
Leeds	352	13	24.8%	3.8%
Liverpool	417	24	24.5%	6.1%
Manchester	632	32	24.2%	5.3%
Bradford	109	7	18.5%	6.9%
Southampton	127	2	15.5%	1.6%
York	273	10	15.2%	3.8%
Birmingham	381	26	12.4%	7.3%
Glasgow	507	0	11.2%	0.0%
Worcester	112	2	10.9%	1.8%
Edinburgh	523	11	10.8%	2.1%



Increase in drink-led licensed premises in Liverpool in the last year

Top five city centres for food-led premises growth

	Food-led sites at Mar 18	Net new openings since Mar 2013	% Change v Mar 2013	% Change v Mar 2017
Leeds	200	55	37.9%	4.7%
Bradford	26	7	36.8%	8.3%
Manchester	342	86	33.6%	6.5%
Liverpool	178	43	31.9%	5.3%
Southampton	81	18	28.6%	0.0%



Increase in food-led licensed premises in Leeds since 2013

Top five city centres for drink-led premises growth

	Drink-led sites at Mar 18	Net new openings since Mar 2013	% Change v Mar 2013	% Change v Mar 2017
Bradford	76	10	15.2%	5.6%
Liverpool	209	27	14.8%	8.9%
Manchester	246	29	13.4%	3.8%
Leeds	134	15	12.6%	2.3%
York	107	8	8.1%	0.0%

All tables ranked according to five-year percentage growth. Includes city centres with more than 100 licensed premises only

Key stats: the market in numbers

120,662



Total number of licensed premises in Britain at March 2018

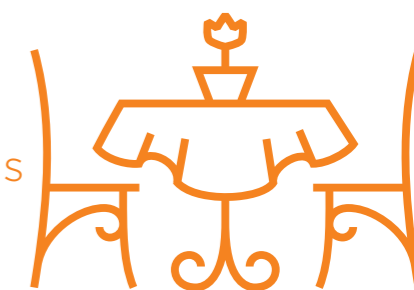


1.3% DECREASE in number of licensed premises in past 12 months



3,675

Net new openings of restaurants in last five years



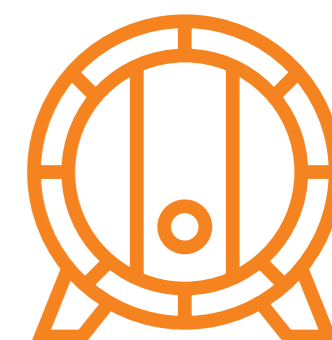
18.6%

Decrease in number of circuit bars in last five years



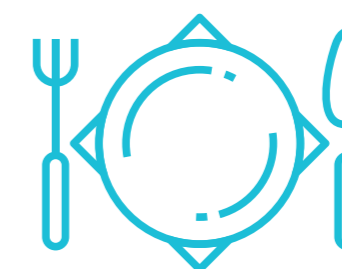
37.0%

Increase in number of licensed entertainment sites in last five years



33.6%

Increase in number of food-led licensed premises in Manchester in last five years



24.8%

Increase in total number of licensed premises in Leeds in last five years

Focus: The Wetherspoon effect

wetherspoon

When JD Wetherspoon opens a new pub, what impact does it have on the area? It is sometimes argued that the group's arrival damages trade for nearby pubs, bars and restaurants—but Market Growth Monitor data suggests that the change is actually much more positive.

Our survey of towns and cities in which JD Wetherspoon has opened since 2010 reveals that many have subsequently seen an increase in licensed premises (see table 1). A year after it opened, just over a third of places had seen a fall in numbers within a half-mile radius of the new pub. Three years on, well over half (57.3%) of locations had seen growth or no change in the number of licensed premises, and only two in five (42.6%) had recorded a decline.

This counters the theory that a Wetherspoon pub hurts business for other licensed operators. Instead, it backs up the suggestion from the chain and its supporters that a new opening simply stimulates demand in the area. Rather than driving independents out of business and scaring off multi-site operators, a new Wetherspoon seems to have a halo effect, attracting more people into an area to eat and drink.

This is especially true in city centres (see table 2). Three years after opening, two thirds (66.7%) of Wetherspoon's new city locations had seen the number of licensed premises within half a mile increase. That chimes with the view from CGA research that many city centres have thrived for new openings in the last decade or so.

The picture is a little different in the suburbs. Here, fewer than a third (29.5%) of locations have recorded growth in licensed premises three years after Wetherspoon opened its doors.

Breaking down the licensed premises that are opening following Wetherspoon's arrival, we can see a similar split in impact between restaurants and pubs (see table 3). Three years after its arrival, the number of food-led sites increased in more than half (52.7%) of locations—but the number of drink-led sites increased in less than half that number (25.6%).

Drinkers' pubs and bars can clearly find it hard—though by no means impossible—to compete with Wetherspoon's value offer. But for restaurants, the chain's arrival appears to be more of an opportunity to drum up footfall than a threat to trading.

Change in number of licensed premises within a 0.5 mile radius of a new JD Wetherspoon opening

1 All areas

Impact	After 1 year	After 2 years	After 3 years
Growth	36.9%	43.5%	42.0%
No change	28.1%	15.5%	15.3%
Loss	35.0%	41.0%	42.6%

2 By location

Impact after 3 years	City centres	Town centres	Suburbs
Growth	66.7%	44.7%	29.5%
No change	-	11.4%	29.5%
Loss	33.3%	43.9%	40.9%

3 By licensed premise type

Impact after 3 years	Food-led sites	Drink-led sites
Growth	52.7%	25.6%
No change	24.9%	21.6%
Loss	22.5%	52.8%

Data based on sample of 223 Wetherspoon pubs that have opened since 2010

56.1% 

Proportion of town centres that have seen an increase or no change in licensed premises after three years

As predicted in the previous edition of the Market Growth Monitor, the total number of restaurants in the UK has fallen for the first time - we expect the decline to continue over the short to medium term as larger chains manage their site portfolios.

This presents an opportunity for younger, growing concepts to expand (e.g. Rosa's, following its recent investment from TriSpan), potentially at preferential terms or in locations that were previously reserved for the larger chains, which could help kick start their next phase of growth.

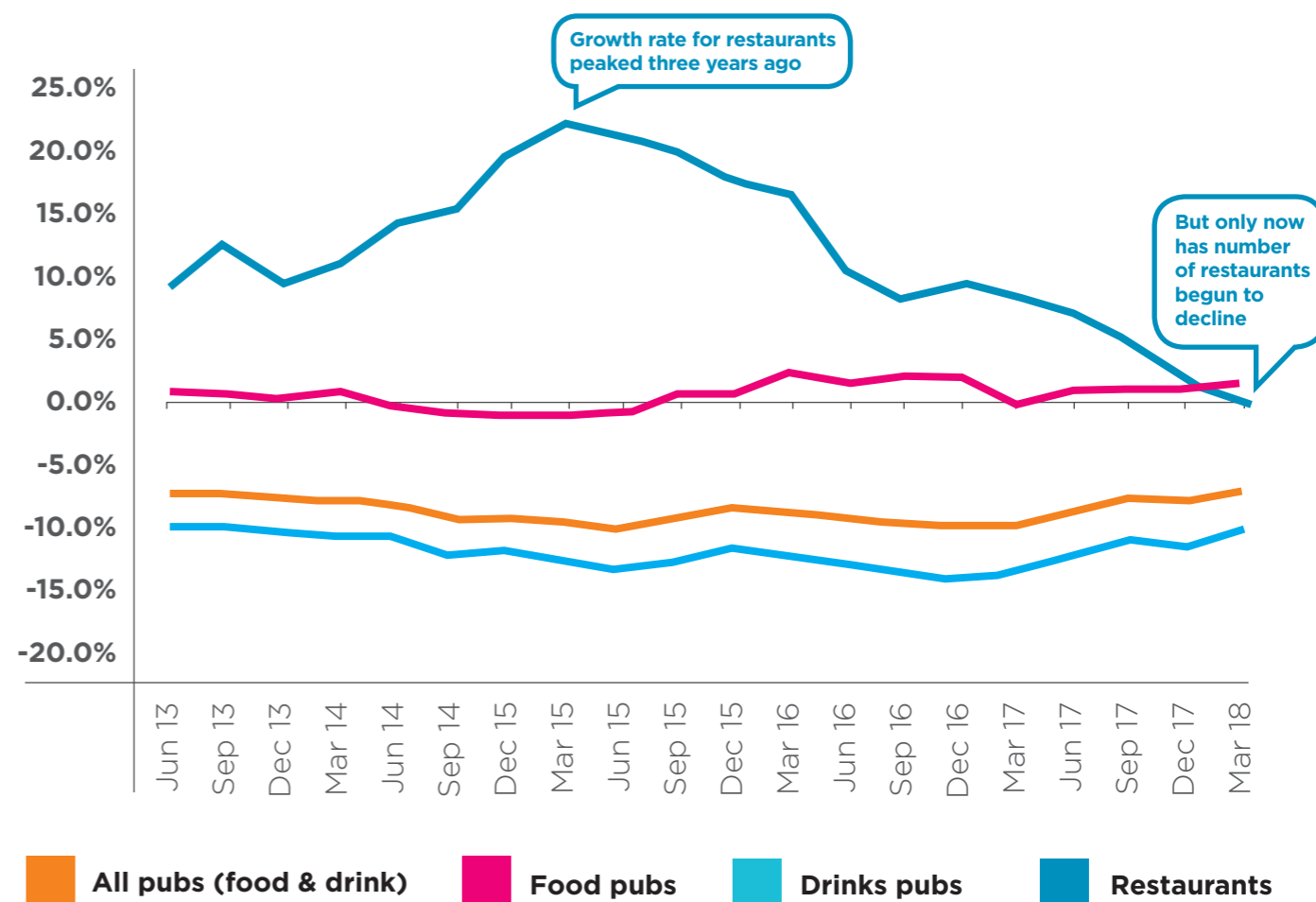
The data also shows the continued growth of licensed premises in the North, with quality Northern-based operators, such as Living Ventures and Arc Inspirations, leading the charge. These businesses illustrate impressive growth and returns can be delivered outside of London, and we believe that significant white space exists for further expansion in the region.

In the drink-led sector, the rise of entertainment-led venues is clear to see from the figures. Operators such as Swingers, Bounce and Flight Club have tapped into evolving consumer demand by providing "competitive socialising" - we believe this trend is here to stay, and is an area being looked at closely by the larger operators and the investment community alike.

Graeme Smith, managing director, AlixPartners, gsmith@alixpartners.com

The GB out-of-home market over the last five years

Changing growth/decline rates by type of business - rolling quarter on quarter % change



Changing shape of the GB out-of-home market

Total site numbers by UK location, with one and five year changes

City	All Licensed sites				
	Mar-13	Mar-17	Mar-18	Change 18 v 13	Change 18 v 17
London*	10,814	11,371	11,357	5.0%	-0.1%
Manchester	1,990	1,943	2,018	1.4%	3.9%
Glasgow	1,761	1,852	1,859	5.6%	0.4%
Bristol	1,618	1,606	1,572	-2.8%	-2.1%
Liverpool	1,359	1,364	1,383	1.8%	1.4%
Birmingham	1,366	1,340	1,376	0.7%	2.7%
Edinburgh	1,251	1,292	1,293	3.4%	0.1%
Nottingham	1,260	1,183	1,166	-7.5%	-1.4%
Leeds	1,122	1,138	1,147	2.2%	0.8%
Sheffield	1,065	990	1,003	-5.8%	1.3%

Inner London**	8,562	9,111	9,133	6.7%	0.2%
Outer London	5,794	5,911	5,727	-1.2%	-3.1%

* London defined as London TV region, which includes areas outside M25; ** Inner and Outer London comprise boroughs inside M25

Changing shape of the GB out-of-home market

Total site numbers by type of business, with one and five year changes

Sector	Segment	Tenure	Mar-13	Mar-17	Mar-18	Change 18 v 13	Change 18 v 17
GB		Total	123,701	122,281	120,662	-2.5%	-1.3%
		Managed	18,750	20,132	20,715	10.5%	2.9%
		Free	77,173	79,740	78,461	1.7%	-1.6%
		Leased	27,778	22,409	21,486	-22.7%	-4.1%
Total Food-led Venues			40,796	45,213	45,097	10.5%	-0.3%
Total Drink-led Venues			71,561	65,331	64,309	-0.8%	-4.1%
Total Accommodation-led			11,344	11,737	11,256	0.0%	-0.3%
Dry	Branded Food Pub	Total	2,117	2,701	2,657	25.5%	-1.6%
		Free					
	Café/Wine Bar	Total	5,970	6,665	6,581	10.2%	-1.3%
		Free	4,352	5,015	4,926	13.2%	-1.8%
		Leased	476	376	337	-29.2%	-10.4%
		Managed	1,142	1,274	1,318	15.4%	3.5%
	Food Led Pubs	Total	8,099	7,567	7,746	-4.4%	2.4%
		Free	2,770	2,760	2,757	-0.5%	-0.1%
		Leased	4,084	3,751	3,757	-8.0%	0.2%
		Managed	1,245	1,056	1,232	-1.0%	16.7%
	Restaurant	Total	23,491	27,264	27,166	15.6%	-0.4%
		Free	18,846	21,358	21,047	11.7%	-1.5%
		Leased	282	281	268	-5.0%	-4.6%
		Managed	4,363	5,625	5,851	34.1%	4.0%
Rural Character	Total	1,119	1,016	947	-15.4%	-6.8%	
Other	Guest/Boarding House	Total	3,814	3,843	3,841	0.7%	-0.1%
		Free					
	Hotel	Total	7,525	7,894	7,415	-1.5%	-6.1%
		Free	4,769	4,971	4,450	-6.7%	-10.5%
		Leased	358	314	287	-19.8%	-8.6%
Managed	2,398	2,609	2,678	11.7%	2.6%		
Wet	Circuit Bar	Total	10,013	8,453	8,147	-18.6%	-3.6%
		Free	3,230	2,915	3,019	-6.5%	3.6%
		Leased	3,736	2,765	2,577	-31.0%	-6.8%
		Managed	3,047	2,773	2,551	-16.3%	-8.0%
	Community/Wet Led/Local	Total	29,534	24,674	24,224	-18.0%	-1.8%
		Free	9,165	8,370	8,267	-9.8%	-1.2%
		Leased	18,184	14,376	13,753	-24.4%	-4.3%
		Managed	2,185	1,928	2,204	0.9%	14.3%
	Educational	Total	975	904	877	-10.1%	-3.0%
	Entertainment	Total	3,011	3,880	4,124	37.0%	6.3%
	Night Club	Total	2,228	2,095	1,987	-10.8%	-5.2%
	Sports/Social	Total	25,800	25,325	24,950	-3.3%	-1.5%

About the AlixPartners CGA Market Growth Monitor

This quarterly Monitor provides a snapshot of pub, bar and restaurant supply in Great Britain. All the data is drawn from CGA's Outlet Index, a comprehensive, continually updated database of all licensed premises. For more information about the Monitor, data or more granular analyses of locations or types of businesses, contact:

CGA client director Andy Dean, andrew.dean@cga.co.uk

The Market Growth Monitor is delivered in partnership with AlixPartners, the leading global financial advisory firm. Contact:

Managing Director Graeme Smith, gsmith@alixpartners.com



PHENOMENAL DATA. EXPERT INSIGHT.

AlixPartners
when it really matters