



Issue 18 of our quarterly series



AlixPartners

# Market Growth Monitor

Quarterly review of GB pub, bar and restaurant supply

DECEMBER 2019

## At a glance: five headline Market Growth Monitor messages

### 1 Licensed premises down 2.0%

	Sites at Sep 2019	Change v Sep 2018	Change v Sep 2014	% Change v Sep 2018	% Change v Sep 2014
GB	<b>116,491</b>	-2,414	-6,974	-2.0%	-5.6%

Britain's number of licensed premises continues to fall at a steady rate of around 46 closures per week. At September 2019 there were 116,491 sites, a drop of **2.0%** on 12 months earlier. It is the ninth quarter of year-on-year decline in a row, and there are now nearly 7,000 fewer licensed premises than there were five years ago. But there is a positive message here too: the rate of year-on-year decline is the lowest it has been since June 2018.

### 2 Restaurants in decline—but better news for groups

	Restaurants at Sep 2019	Change v Sep 2018	Change v Sep 2014	% Change v Sep 2018	% Change v Sep 2014
GB	<b>26,259</b>	-633	+49	-2.4%	+0.2%

Britain's restaurants have been in year-on-year decline for seven quarters in a row now. Their number fell back 2.4% in the year to September—a net closure rate of 12 sites a week. The travails of the casual dining sector have been well publicised, with Jamie's Italian the most high profile casualty. But difficulties for some brands are opportunities for others, and as CGA's research has shown for some while now, small and medium sized groups have been accelerating, with the likes of Five Guys, Gigging Squid and Franco Manca picking up the slack left by retreating brands.

Altogether, group restaurants (managed sites of operators with more than one location) actually increased in number in the year to September, albeit by just 0.3%—a sharp contrast to the independent sector, where numbers have been falling at around 3% a year for some time.

### 3 Nightclub numbers fall but circuit bars bounce back

	Sites at Sep 2019	Change v Sep 2018	Change v Sep 2014	% Change v Sep 2018	% Change v Sep 2014
Nightclubs	<b>1,656</b>	-201	-531	-10.8%	-24.3%
Circuit bars	<b>7,864</b>	+12	-1,176	+0.2%	-13.0%

Changing consumer habits and rising costs have made trading challenging for nightclubs in recent years, and they have been closing at an average of nearly four a week over the last 12 months. But there is much better news from another segment

of the night-time market. For the first time since the launch of the Market Growth Monitor nearly five years ago, circuit bars are in year-in-year growth. There are **13.0%** fewer of them than five years ago, but in the year to September they increased by **0.2%**, with city centre growth especially strong.

### 4 Pubs closing at 17 a week, but food-led sites growing

	Pubs at Sep 2019	Change v Sep 2018	Change v Sep 2014	% Change v Sep 2018	% Change v Sep 2014
Food-led pubs	<b>10,373</b>	+129	+157	+1.3%	+1.5%
Drink-led pubs	<b>24,054</b>	-988	-4,558	-3.9%	-15.9%
Total pubs	<b>34,427</b>	-859	-4,401	-2.4%	-11.3%

After signs of a slowdown in pub closures in late 2018 and early 2019, the rate of year-on-year decline is picking up again—to nearly 17 a week over the 12 months to September. But as this table shows, there is a sharp contrast in the fortunes of operators focused on food and drink. Drink-led pubs, especially community locals, are bearing the brunt of the closures, and have shut at an average of 19 a week in the last year. Food-led pubs have been in net growth over the 12 months though—albeit modest at 1.3%. As with restaurants, groups are well ahead of independent operators in terms of openings. See page 2 of the Market Growth Monitor for more analysis of managed pubs.

### 5 More closures in suburbs than on high streets

	Sites at Sep 2019	Change v Sep 2018	Change v Sep 2014	% Change v Sep 2018	% Change v Sep 2014
High street	<b>39,515</b>	-827	-1,246	-2.0%	-3.1%
Suburban	<b>42,154</b>	-1,103	-3,584	-2.5%	-7.8%
Rural	<b>34,822</b>	-484	-2,143	-1.4%	-5.8%

There has been a lot of media commentary lately about declining footfall on Britain's high streets. But in many of the country's biggest city centres, licensed premises have been holding up well—and certainly better than in the suburbs. Across the high street segment, total licensed venue numbers have slipped by 2.0% in the last 12 months, compared to a 2.5% fall in suburban areas—though performing better than either of them is the rural segment of the market, with a net fall of 1.4%. But there is a significant divide in the high street sector: major cities have been welcoming a stream of restaurants, pubs and bars, but many small and medium sized towns are struggling to attract new operators. See page 2 of the Market Growth Monitor for more analysis of major city centres.

## Focus: Pub groups

For independent, tenanted and leased pub operators, trading conditions have been challenging for many years now. Market Growth Monitor data shows that Britain's total pub numbers have tumbled by around **11%** in just five years—equivalent to more than **4,400** closures, or more than two a day.

The country's major pub groups have been responding with two major shifts of strategy: towards managed models (see box) and a new emphasis on the food offer. The latter trend has led to a **0.3%** increase in the number of food-led pubs and bars over the last five years—compared to a **15.3%** fall in drink-led ones.

As the table on this page shows, there are important variations in the strategies of Britain's biggest pub groups, and churn in food-led and drink-led pubs in the managed sector in particular. At Mitchells & Butlers, for example, four in five of all sites are now food-led, reflecting a shift in opening strategy in favour of dining brands like Miller & Carter—numbers of which more than trebled from 35 to 114 in the five years to September. Greene King is moving even faster towards a food emphasis, having built up pub-restaurant brands including Chef & Brewer and Farmhouse Inns over the last five years.

JD Wetherspoon, meanwhile, is holding its balance of food and drink steady, while Whitbread is moving to consolidate a premium food-led approach with the roll out of the Bar + Block brand. But Stonegate Pub Company has moved in the other direction, targeting the drink-led bar sector with acquisitions like cocktail group Be At One. These striking contrasts reveal the evolving dynamics and strategies of the big five managed pub operators.

**2.4% DECLINE**   
in total pubs in the last 12 months

In terms of total site numbers, some big pub groups like Mitchells & Butlers and JD Wetherspoon have been in modest retrenchment over the last five years—an acknowledgement that some sites are unsustainable. Others, including Greene King and Stonegate Pub Company, have substantially grown their numbers through acquisition—and if Stonegate's huge deal for Ei Group completes (currently subject to regulatory clearance), its reach will massively extend. Beyond these pub heavyweights, medium-sized groups like Fuller's and Young's have held their numbers solid over the last year. Marston's has been steadily expanding, largely through food-led openings and often with new-builds, but it has also shed lower volume locations and in early November sold a package of 137 sites to Admiral Taverns.

### Site numbers and splits at large pub groups

Figures refer to managed food and drink pubs and exclude hotels

	Total sites at Sep 2019	% Change in total sites v Sep 2014	% Change in split of food-led sites v Sep 2014
Mitchells & Butlers	1,683	-5.7%	+0.7%
Greene King	1,678	+73.5%	+2.6%
JD Wetherspoon	866	-5.8%	0.0%
Stonegate Pub Company	768	+23.3%	-5.2%
Whitbread	420	+6.1%	0.0%

## Tenure transition

Along with the shift from food to drink, the pub sector has seen a major structural change in tenure.

Among all operators with a focus on pubs and bars, the number of leased venues has fallen by **5,085** in the last five years, while managed sites have increased by **980**. Put another way, managed pubs accounted for **33%** of operators' sites in September 2014—but five years on they account for **41.4%**.

Among top pub companies, the switch in tenure has been particularly significant for Greene King, where managed pubs have increased their share of the total estate by **8.3%**. Marston's (**up 13.4%**) and Punch (**up 11.5%**) have moved firmly in this direction too—as have smaller and more regional groups, like Thwaites (**12.6%**), Wadsworth (**6.4%**), Shepherd Neame (**6.1%**) and Robinsons (**4.7%**). The biggest leased pub operator of all, the Ei Group—which has been acquired by Stonegate subject to clearance from the Competition and Markets Authority—has

also been ramping up the managed side of its business, partly through a host of joint ventures with experienced pub management teams.

Data from CGA's Coffey Peach Business Tracker suggests that the managed approach is paying off, with managed pubs outperforming their restaurant counterparts in their like-for-like sales growth for most of 2018 and early 2019. With results like that, the strategic shift from leased to managed tenure in the pub world is likely to go on for some time yet.

**3.0% INCREASE**   
IN MANAGED PUBS IN THE LAST 12 MONTHS

## Focus: Major cities

While Britain's high street sector has seen a steady stream of closures in recent years, many of the country's major city centres have been welcoming an influx of new restaurants, pubs and bars. Despite all the challenges in the market, cities continue to provide the most fertile ground for expanding brands.

Of the ten British cities with the most licensed premises, eight have seen an increase in the last five years. Growth is as high as **20%** in the case of Manchester and Liverpool, and well into double digits in other hubs like Birmingham and Leeds.

Not all cities can match this, and in most cities openings have slowed in 2019. Glasgow, Newcastle and Brighton have all seen a dip in their licensed premises in the last year, and second-tier cities like Oxford, Leicester and Sheffield are down too. It probably reflects saturation in these places, as well as challenges to consumer and business confidence, and it's a warning sign for operators anywhere.

But for now at least, Britain's biggest city centres are still adding to their supply of restaurants, pubs and bars. In the largest of them all, London—which has more licensed premises than the next seven cities put together—year-on-year growth is running at **1.0%**. These are marginal gains, but evidence that there is still headroom in the capital, especially for dynamic small brands.

### Trends in the top ten cities

Data is for the ten British cities with the most licensed premises

	Sites at Sep 2019	Change v Sep 2018	Change v Sep 2014	% Change v Sep 2018	% Change v Sep 2014
London	3,300	+34	+212	+1.0%	+6.9%
Manchester	646	+18	+104	+2.9%	+19.2%
Edinburgh	530	+11	+42	+2.1%	+8.6%
Glasgow	496	-4	+17	-0.8%	+3.5%
Liverpool	423	+9	+74	+2.2%	+21.2%
Birmingham	395	+11	+55	+2.9%	+16.2%
Newcastle Upon Tyne	364	-14	-10	-3.7%	-2.7%
Leeds	360	+12	+43	+3.4%	+13.6%
Brighton and Hove	351	-3	-20	-0.8%	-5.4%
Nottingham	300	+1	+12	+0.3%	+4.2%

**LONDON YEAR-ON-YEAR GROWTH AT 1.0%**

**AND WITH MORE LICENSED PREMISES THAN THE NEXT SEVEN CITIES PUT TOGETHER**



## 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	Sep-14	Sep-18	Sep-19	19 vs. 14	19 vs. 18
GB		Total	123,465	118,908	116,491	-5.6%	-2.0%
		Managed	19,131	20,811	21,149	10.5%	1.6%
		Free	78,970	77,247	75,629	-4.2%	-2.1%
		Leased	25,364	20,850	19,713	-22.3%	-5.5%
Total Food-led Venues			43,908	44,642	44,017	0.2%	-1.4%
Total Drink-led Venues			68,261	63,268	61,756	-9.5%	-2.4%
Total Accommodation-led Venues			11,296	10,998	10,718	-5.1%	-2.5%

## Understanding Market Growth Monitor: Definitions

'Independent' or 'free' means that the venue is owned and operated independently—the individual owner has full decision-making responsibility for the venue's operation and profitability.

'Group' restaurants are managed sites of operators with more than one location, typically a collection of venues or portfolio of brands. They typically employ a manager to carry out the day-to-day running of the venue, according to the company's specifications and objectives.

'Managed' pubs are managed sites of operators with more than one location, typically a collection of venues or portfolio of brands. They typically employ a manager to carry out the day-to-day running of the venue, according to the company's specifications and objectives.

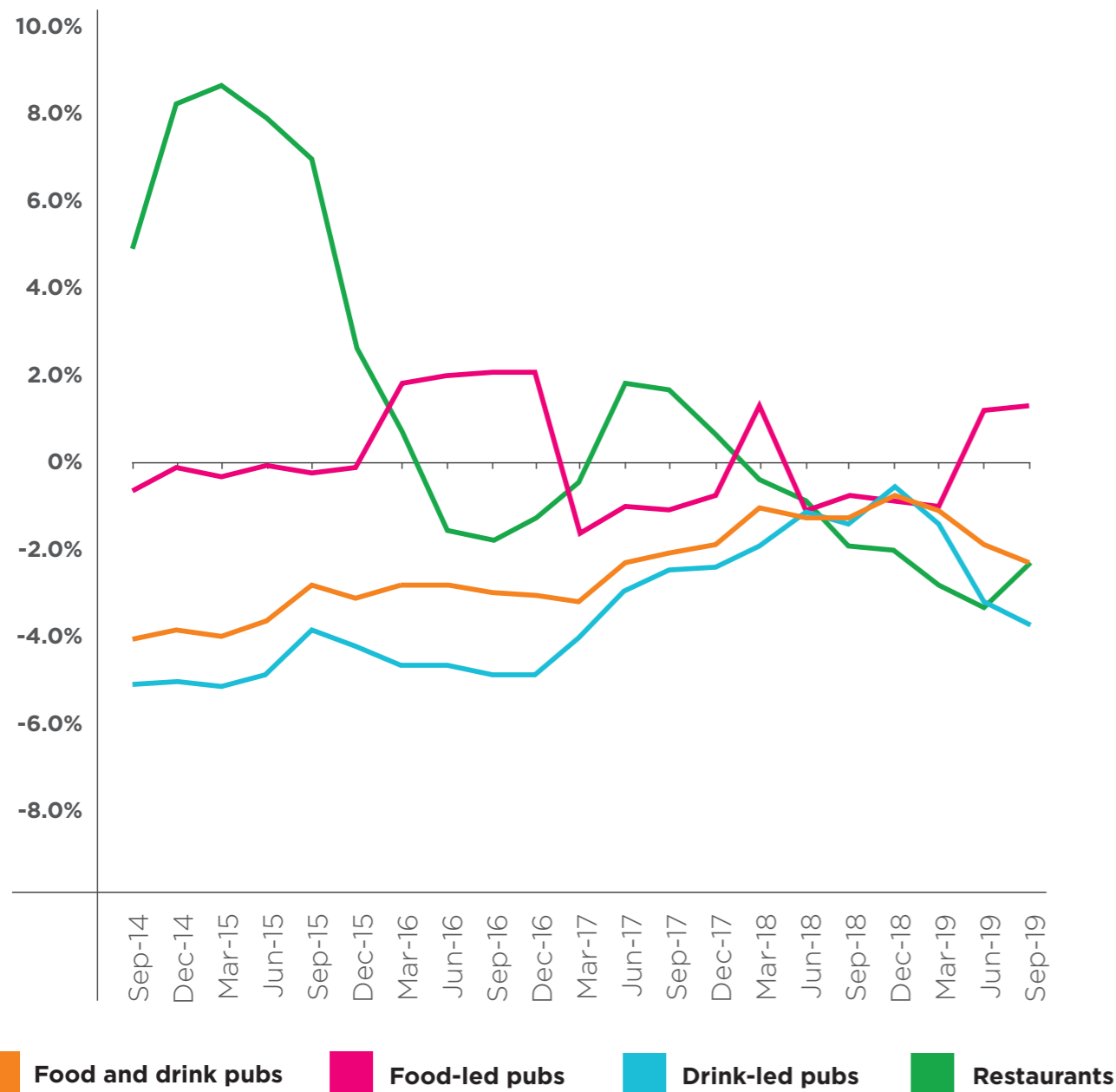
'Tenanted' or 'Leased' outlets are run by individual tenants who pay a tenancy fee or rent to a corporate landlord, typically a pub company.

'Entertainment' includes sites like cinema, theatre, concert hall, cabaret, festival hall and arts centres.

'Nightclubs' are late-night venues that typically have DJs / live PAs, music and related entertainment

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

Growth/decline in site numbers vs a year ago - quarterly view



## Comment from AlixPartners

"While the overall number of restaurants has dipped further, the situation is not quite as gloomy as it seems, with a number of smaller restaurant groups continuing to expand site numbers. In addition, many major cities are reporting increases in the numbers of licensed premises, despite an overall downward trend.

In the pub sector, the evolution of operating formats and offer continues. Whilst drink-led sites are declining and food-led outlets have grown to have a greater share of overall site numbers, there still holds a place in the market for wet-led operators who deliver a differentiated experience to customers. This is demonstrated by the success of high-quality operators, such as the likes of Arc Inspirations through its BOX and Manahatta concepts.

From an M&A perspective, there remains high interest in concepts with growth potential and which tap into consumer trends. This is evidenced by Social Entertainment Ventures, the operator of various experiential leisure concepts in the UK and US that recently secured a \$20m fund raise to aid expansion plans in the UK and internationally, and Richard Caring securing a £200m investment from Hamad bin Jassim bin Jaber Al Thani for a 25% stake in Caprice Holdings, the operator of The Ivy, Annabel's and Sexy Fish."

Graeme Smith, managing director, AlixPartners, [gsmith@alixpartners.com](mailto:gsmith@alixpartners.com)

# The 10 numbers you need to know...

**116,491**

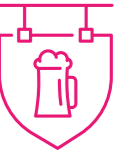


Licensed premises in Britain at September 2019



**2.0% DECLINE** in licensed premises in the last year

**5.6% DECLINE** in licensed premises in the last five years



**633**



**TOTAL RESTAURANTS THAT HAVE CLOSED IN THE LAST YEAR**

**0.3% INCREASE**

IN GROUP RESTAURANTS IN THE LAST YEAR



**1.3%**

INCREASE IN FOOD-LED PUBS IN THE LAST YEAR



**988**

NUMBER OF DRINK-LED PUBS THAT HAVE CLOSED IN THE LAST YEAR



**10.8%**

Decline in nightclubs in the last year

**0.2%**

Increase in circuit bars in the last year



**350**

Number of managed pubs that have opened in the last year

## 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:

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