



Issue 19 of our quarterly series



AlixPartners

# Market Growth Monitor

Quarterly review of GB pub, bar and restaurant supply

MARCH 2020

## The headlines: Five key Market Growth Monitor messages

### 1 Pub numbers fall, but at a reduced rate



|                         | Pubs and bars at Dec 2019 | Change v Dec 2018 | Change v Dec 2014 | % Change v Dec 2018 | % Change v Dec 2014 |
|-------------------------|---------------------------|-------------------|-------------------|---------------------|---------------------|
| Food-led pubs and bars  | 17,699                    | -102              | -87               | -0.6%               | -0.5%               |
| Drink-led pubs and bars | 30,989                    | -892              | -5,386            | -2.8%               | -14.8%              |
| Total pubs and bars     | 48,688                    | -994              | -5,473            | -2.0%               | -10.1%              |

With conflicting reports about the fortunes of the British pub sector lately, this issue of the Market Growth Monitor clarifies the picture: that despite pockets of growth, the country's long-term removal of unsustainable stock goes on.

A net total of **5,473** pubs and bars have closed in the last five years—equivalent to three a day—and the pace of decline stepped up over the course of 2019. Community and drink-led locals have been under the most severe strain, with **4,297** net closures since December 2014. But there are some brighter segments in the market, such as the **1.3%** rise year-on-year in the number of high street or 'drinking circuit' bars—thanks largely to a steady stream of new openings in city centres, plus investment in the offer and drinks ranges of bars to renew their appeal to consumers.

### 2 Total licensed premises down 1.8%



|    | Sites at Dec 2019 | Change v Dec 2018 | Change v Dec 2014 | % Change v Dec 2018 | % Change v Dec 2014 |
|----|-------------------|-------------------|-------------------|---------------------|---------------------|
| GB | 116,203           | -2,171            | -7,801            | -1.8%               | -6.3%               |

Britain's number of licensed premises continues to fall, but the pace of closures is slowing. This edition of the Market Growth Monitor shows the country had 116,203 premises as of December 2019—a drop of **1.8%** on a year earlier, and equivalent to 2,171 net closures, or six a day. It is the tenth successive quarter of year-on-year decline, but **1.8%** is the lowest rate since March 2018. It suggests that while the shutting of unsustainable licensed premises goes on, the trend might have peaked for now.

### 3 Group restaurants back in growth



|    | Restaurants at Dec 2019 | Total: Change v Dec 2018 | Group: Change v Dec 2018 | Independent: Change v Dec 2018 |
|----|-------------------------|--------------------------|--------------------------|--------------------------------|
| GB | 26,317                  | -1.6%                    | +1.8%                    | -2.4%                          |

There was a lot of talk in 2019 about the travails of the casual dining sector, with several high profile brands closing units. But group restaurants (managed sites of operators with more than one location) actually increased by **1.8%** in the year to December—the second successive quarter of growth. That was powered by openings in Britain's big regional cities, with Birmingham, Bristol,

Edinburgh, Glasgow, Liverpool and Manchester all in net growth year-on-year. Trading conditions remain challenging, but news of growth in the sector is a welcome sign for 2020. It contrasts with the independent sector, where restaurant numbers dipped **2.4%** in the year to December.

### 4 The regional view



|           | Sites at Dec 2019 | Change v Dec 2018 | Change v Dec 2014 | % Change v Dec 2018 | % Change v Dec 2014 |
|-----------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Anglia    | 8,683             | -166              | -773              | -1.9%               | -8.2%               |
| Central   | 15,404            | -312              | -1,006            | -2.0%               | -6.1%               |
| Granada   | 14,835            | -356              | -999              | -2.3%               | -6.3%               |
| London    | 22,316            | -263              | -1,232            | -1.2%               | -5.2%               |
| Meridian  | 10,912            | -204              | -899              | -1.8%               | -7.6%               |
| Scotland  | 10,688            | -176              | -567              | -1.6%               | -5.0%               |
| Tyne Tees | 5,299             | -131              | -290              | -2.4%               | -5.2%               |
| Wales     | 6,344             | -154              | -540              | -2.4%               | -7.8%               |
| Westward  | 11,183            | -188              | -747              | -1.7%               | -6.3%               |
| Yorkshire | 10,517            | -230              | -770              | -2.1%               | -6.8%               |

As this table of trends from the different TV regions of the UK shows, the pattern of closures of licensed premises in the last year has been fairly consistent from region to region. All ten areas have seen a net decline, ranging from a low of **1.2%** in the London TV region—which covers all of London within the M25 and a small area beyond—to a high of **2.4%** in Tyne Tees and Wales, though the rate of closures in the north (**2.3%**) has been a little higher than in the south (**1.8%**). However, this apparently even performance at a regional level disguises some very sharp contrasts in openings and closures—including growth in city centres and decline in seaside towns. We explore these twin markets in depth in this edition of the Market Growth Monitor (see pages 2 and 3).

### 5 Manchester and Liverpool outpace London



|            | Sites at Dec 2019 | % Change v Dec 2018 | % Change v Dec 2014 |
|------------|-------------------|---------------------|---------------------|
| London     | 3,326             | +1.3%               | +6.0%               |
| Manchester | 647               | +2.4%               | +19.8%              |
| Edinburgh  | 531               | +1.1%               | +8.1%               |
| Glasgow    | 494               | -1.6%               | +0.6%               |
| Liverpool  | 426               | +3.4%               | +20.0%              |

In line with this uneven trend, Britain's five most populous city centres for licensed premises have had different fortunes lately. Central London has **6.0%** more sites than it did five years ago, but Manchester and London—the inner city centre as opposed to the much larger TV region—has soared more than three times that rate. Glasgow, though, is virtually flat over the five-year period.

## Focus: Contrasting fortunes – Regional operators

With so much of the on-trade focused on London, it can be easy to overlook Britain's regional powerhouses. Growth in restaurants, pubs, bars and other licensed premises has been stronger here than in the capital for many years now—and it is often local rather than national operators that are driving the fast pace of openings.

The trend is particularly apparent in the north west, where city centres have been flourishing for hospitality venues. As of December, Manchester had **19.8%** more licensed premises than it did just five years earlier, while Liverpool had **20.0%** more. In keeping with the country-wide trend that has seen group restaurants increase by **1.8%** in the last year while independent restaurants fell by **2.4%**, it is multi-site operators that have powered this growth.

While major-league brands have flocked to these two cities, a crucial role has been played by operators like the New World Trading Company, which bedded in its Botanist brand and other concepts in the north west before taking them further afield. Multi-concept group Mission Mars has meanwhile made a big splash in Manchester with the Albert's Schloss bar, pizza joint Rudy's and a handful of standalone pubs and clubs.

Over in Liverpool, Graffiti Spirits Group has been at the heart of a revolution in the city's night-life, with nine venues including Slim's, El Bandito and, most recently, Duke Street Food and Drink Market. Beyond the big cities, several other north west groups have also been flying—like Lancashire's Seafood Pub Company, now up to ten sites, and Bravo Inns, a specialist in reviving community pubs that has reached 40.

Yorkshire-based Arc Inspirations has built 13 sites in the county, including nine in the Leeds area, and is now expanding into

Manchester and Newcastle. Elsewhere in the north east, Inn Collection Group now operates ten pubs, and there are many other examples of operators succeeding similarly across the UK. The west country has brands including Boston Tea Party and Rockfish, for example, with 23 and 8 locations respectively. Scotland has several big local players, including Buzzworks Holdings, which has 11 venues across its Lido, Scotts and House brands; and Italian-style Tony Macaroni, which has close to 20 sites. This trend is evident on the UK's islands too: the Liberation Group dominates Jersey and Guernsey with 20 pubs.

London has many local brands as well, of course—but the difference is that many choose to go further afield after cutting their teeth in the capital. By contrast, these regional operators are content to stay in their areas rather than gamble on expensive London launches, even if their brands would work well there. The ultimate example of that is Loungers, which has shot past 100 sites with only a couple just inside the M25.

What all these brands have in common is a deep-rooted understanding of their local areas that only comes from years of experience of living and working in these regions. As several ambitious brands have found to their cost in recent years, success in London doesn't necessarily mean that a concept will thrive elsewhere if it isn't tailored to the area. This is where the value of location planning is pivotal.

**20% INCREASE** in licensed premises in Liverpool in the last five years



## 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 | Dec-14  | Dec-18  | Dec-19  | 19 vs. 14 | 19 vs. 18 |
|--------------------------------|---------|--------|---------|---------|---------|-----------|-----------|
| GB                             | Total   |        | 124,004 | 118,374 | 116,203 | -6.3%     | -1.8%     |
|                                | Managed |        | 19,214  | 20,841  | 21,423  | 11.5%     | 2.8%      |
|                                | Free    |        | 79,581  | 76,722  | 75,305  | -5.4%     | -1.8%     |
|                                | Leased  |        | 25,209  | 20,811  | 19,475  | -22.7%    | -6.4%     |
| Total Food-led Venues          |         |        | 44,645  | 44,552  | 44,016  | -1.4%     | -1.2%     |
| Total Drink-led Venues         |         |        | 68,074  | 63,883  | 61,597  | -9.5%     | -2.0%     |
| Total Accommodation-led Venues |         |        | 11,285  | 10,939  | 10,590  | -6.2%     | -3.2%     |

## 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.

**'Circuit'** bars are high-street bars situated on 'drinking circuits' that are typically drink-led but with a food offer and attract a lower aged consumer.

**'Licensed'** outlets are permitted to serve wine, beer and other alcoholic beverages.

## Focus: Contrasting fortunes – Seaside towns

It is no secret that many of Britain's seaside towns have been in long-term decline. Economic blows started with the rise of overseas holiday travel, and a shortage of investment and renewal strategies in the intervening decades has left large parts of the coast with significant social hardships.

Hotels, restaurants, pubs and bars have been important contributors to the seaside economy in that time, providing valuable sources of revenue and employment, as well as compelling reasons for holidaymakers and day-trippers to visit. But the licensed trade has not been immune from the challenges, and their numbers have mirrored the wider downturn in economic fortunes.

As the tables on this page show, Britain's top ten seaside towns (measured in terms of outlet numbers) have all seen a slide in site numbers over the last five years. The downward spiral is most apparent in the biggest resort of all, Blackpool, which has seen **17.3%** of its sites close since late 2014. In the last 12 months alone, it has seen net closures of 137 venues, or 11 a week.

While Blackpool has been worst hit, the downward trend is apparent up and down the coastline. Once bustling resorts have seen steep five-year dips in restaurant, pub, bar and hotel numbers—like Scarborough (**down 9.7%**), Great Yarmouth (**down 15.9%**) and Torquay (**down 11.9%**). Many smaller towns, like Margate (**down 23.0%**), Lowestoft (**down 15.9%**) and Morecambe (**down 26.7%**), have struggled even more.

The trend even extends to Brighton, a city that has seen some dynamic new restaurant and bar openings in recent years, and that has the advantages of a relatively affluent consumer base and good connections to London—but that has seen a **5.9% drop** in sites in the last five years.

Across all of Britain's seaside towns, licensed premise numbers have dipped **11.5%** since December 2014. Some places, though, have fared better. Southport has just four fewer licensed premises than five years ago, for instance, and a few, like Whitby (**up 3.4%**), have actually been in growth.

Five-year trends have also been better in the food-led sector (**down 4.5%**) than in the drink-led sector (**down 8.5%**). Unsurprisingly, hotels and other accommodation make up a higher proportion of the licensed sector than in most other

parts of the country, and these have borne the brunt of the closures, with their numbers down **11.5%** in the last 12 months. As in the rest of Britain, multi-site operators have generally fared better than independents. Hotel groups have seen **4.1%** growth in numbers in seaside towns in the last 12 months, while group restaurants have shot up **27%** in five years. There is another upward trend in the circuit bar segment, whose numbers have edged up **2.5%** in a year—possibly reflecting seaside towns' enduring popularity as stag or hen party destinations.

These bright spots in the market should provide grounds for optimism for resorts in the years ahead. If the government can provide some long-overdue investment for coastal regions, the licensed sector could be at the heart of a reimagining of the great British seaside town—but there is clearly a long way to go.

**27% INCREASE** in group restaurants in seaside towns in the last five years



### Seaside trends

(Combined figures for all of Britain's seaside towns)

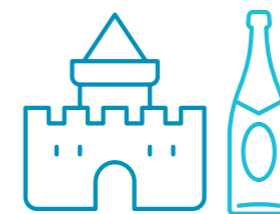
|                 | Sites at Dec 2019 | % Change v Dec 2018 | % Change v Dec 2014 |
|-----------------|-------------------|---------------------|---------------------|
| Food-led sites  | 1,375             | -2.5%               | -4.5%               |
| Drink-led sites | 1,895             | -2.1%               | -8.5%               |
| Accommodation   | 2,117             | -11.5%              | -18.7%              |
| All sites       | 4,767             | -5.8%               | -11.5%              |

### Britain's top ten seaside towns

(Figures for the 10 towns with the most licensed premises)

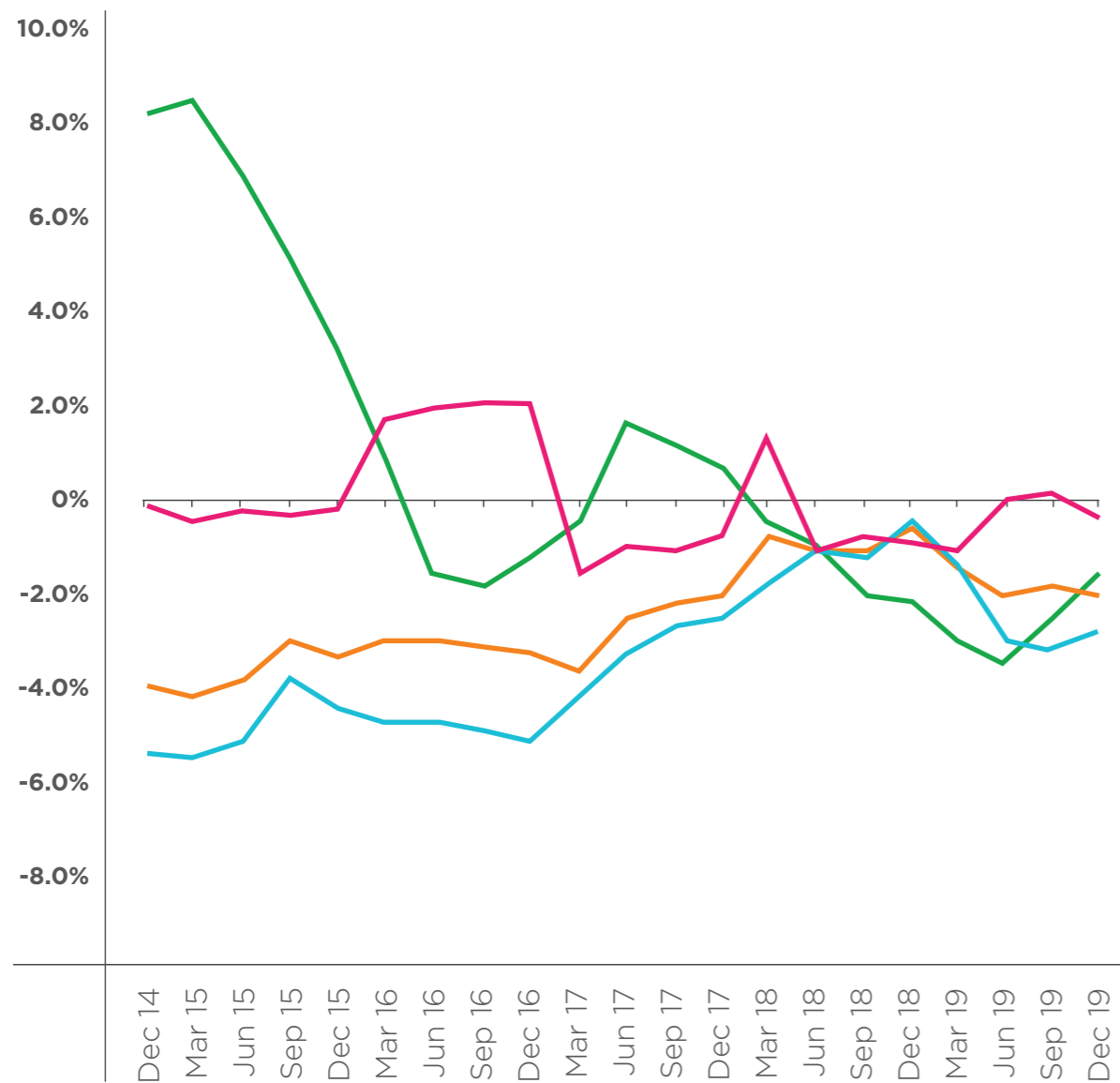
|                   | Sites at Dec 2019 | % Change v Dec 2018 | % Change v Dec 2014 |
|-------------------|-------------------|---------------------|---------------------|
| Blackpool         | 1,127             | -10.8%              | -17.3%              |
| Bournemouth       | 491               | -3.7%               | -5.4%               |
| Scarborough       | 299               | -4.8%               | -9.7%               |
| Great Yarmouth    | 290               | -4.6%               | -15.9%              |
| Torquay           | 289               | -4.0%               | -11.9%              |
| Southport         | 238               | -2.5%               | -1.7%               |
| Skegness          | 226               | -1.3%               | -3.8%               |
| Newquay           | 211               | -6.2%               | -13.5%              |
| Weston-Super-Mare | 202               | -2.9%               | -6.9%               |
| Westcliff-On-Sea  | 175               | -4.9%               | -6.9%               |

**5.8% DECLINE** in licensed premises in seaside towns in the last year



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

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



■ Food and drink pubs  
 ■ Food-led pubs  
 ■ Drink-led pubs  
 ■ Restaurants

## Comment from AlixPartners

“Overall, the eating and drinking out market remains dynamic and attractive to investors, with this very much in evidence across last year where pubs and experiential businesses took up the slack in investment activity from the more subdued restaurant sector.

This edition highlights a regional success story in the return to sustained growth of managed restaurant groups (versus single site independents), driven by innovative local operators in major cities across the UK. What sets many of these businesses apart is their experience and deep understanding of what works for different customer groups in their local area.

Reduced political uncertainty, more positive recent trading results and encouraging returns when investing in sites, provide a platform for increased M&A and investment activity in 2020 across both wet-led and food-led concepts. However, investors will be looking carefully at what the impact on trading will be from the recent coronavirus outbreak.”

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

# The 10 numbers you need to know...

**116,203**  
Licensed premises in Britain at December 2019

**1.8% DECLINE**  
in licensed premises in the last year

**6.3% DECLINE**  
in licensed premises in the last five years

**2.4% DECLINE**  
IN INDEPENDENT RESTAURANTS IN THE LAST YEAR

**1.8% INCREASE** IN GROUP RESTAURANTS IN THE LAST YEAR

**2.0% DECLINE** IN PUBS AND BARS IN THE LAST YEAR

**19.8% INCREASE** IN LICENSED PREMISES IN MANCHESTER IN THE LAST FIVE YEARS

**26,317**  
Total restaurants at December 2019

**5.8% Decline** in licensed premises in seaside towns in the last year

**27.0% INCREASE** in group restaurants in seaside towns in the last five years

## 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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