



Issue 14 of our quarterly series



AlixPartners
when it really matters

Market Growth Monitor

Quarterly review of GB pub, bar and restaurant supply

DECEMBER 2018

At a glance: five headline Market Growth Monitor messages

1 Licensed premises fall 3.2% in a year



	Sites at Sept 2018	Change v Sept 2017	Change v Sept 2013	% Change v Sept 2017	% Change v Sept 2013
GB	118,905	-3,878	-5,882	-3.2%	-4.7%

The Market Growth Monitor has revealed a steady stream of pub, bar and restaurant closures over the last couple of years—and the pace is increasing. In the 12 months to March 2018, the number of licensed premises fell by 1.3%, and in the year to June it dropped 2.5%. Now, in the 12 months to September, the rate has moved up again, to 3.2%. This represents net closures of 3,878 licensed premises in a year—more than ten a day.

2 Pockets of growth still to be found



	City centre	Net increase in sites v Sept 2017
1	Birmingham	25
2	Manchester	16
3	London	15
4	Liverpool	10
5	Leeds	7

On the face of it, the clearance of pubs, bars and restaurants seems bad news. But the flip side of the trend is that capacity is easing and more room is opening up for ambitious and consumer-focused brands to roll out. And in major city centres in particular, there are still signs of growth. As this table shows, the five cities with the most new openings—Birmingham, Manchester, London, Liverpool and Leeds—have seen a combined net increase of more than 70 licensed premises in the last year.

3 North outperforming the south



	Sites at Sept 2018	Change v Sept 2017	Change v Sept 2013	% Change v Sept 2017	% Change v Sept 2013
North England	31,452	-896	-1,939	-2.8%	-5.8%
South England	31,531	-1,311	-1,898	-4.0%	-5.7%

There is often talk of a north-south side divide in England's economy—but in the licensed trade lately it has not been the one that might be expected. In the 12 months to September, licensed premises in the north of England fell 2.8%, but in the south the rate was significantly higher at 4.0%. Over a five-year period the pace of closures is virtually identical, but over-supply has become much more apparent in the south over the last 12 months.

4 Independent closures drive restaurant numbers down 2.0%



	Restaurants at Sept 2018	Change v Sept 2017	Change v Sept 2013	% Change v Sept 2017	% Change v Sept 2013
GB	26,892	-539	+1,912	-2.0%	+7.7%

Restaurants, for so long the boom area of the UK's licensed trade, are closing at a growing rate. Their numbers fell 2.0% in the year to September—an average of ten closures a week. There are still nearly 2,000 more restaurants across the country than there were five years ago, but it is clear that numbers are now settling back to levels that more accurately reflect demand.

Some of the clear out has come from big brands closing unprofitable restaurants or undergoing CVAs—but the managed sector remains in growth, albeit modest. Instead, it is independent, family-owned Chinese, Indian and Italian restaurants that are driving the closures. Across all types, independently-owned restaurants fell in number by 2.6% in the year to September—but managed restaurants grew by 1.0%.

5 Pubs and bars drop 11.3% in five years



	Sites at Sept 2018	Change v Sept 2017	Change v Sept 2013	% Change v Sept 2017	% Change v Sept 2013
Food-led pubs and bars	17,749	-265	+351	-1.5%	+2.0%
Drink-led pubs and bars	31,954	-961	-6,699	-2.9%	-17.3%
Total pubs and bars	49,703	-1,226	-6,348	-2.4%	-11.3%

Some restaurants may be struggling, but it is the pub and bar sector that is bearing the bulk of the increasing rate of closures. Across Britain, around 24 a week have closed in the last year alone. At September 2018 there were well over 6,000 fewer pubs and bars than there were five years ago.

Food-led sites have actually been in growth over this five-year period, and it is drink-led sites that have been swept away, and reduced by 17.3% in five years. With more pubs successfully turning to craft beer and premium spirits and talk of 'peak food' increasing, there are signs that the tide is turning for drink-led pubs—but the trend of closures won't end soon.

INSIDE:

What works in rural Britain + Towns losing to cities

Focus: Rural Britain

With so much media attention on restaurants' high street closures this year, the fortunes of operators in rural areas of Britain can often be overlooked. Many of the challenges faced by businesses here are the same as those encountered in towns and cities, but some—like recruiting staff and tempting people to travel sizeable distances—are doubly hard in the countryside.

Market Growth Monitor data shows that more than half of rural premises still rely on drink for the bulk of sales. Of the 35,306 licensed premises classified as rural at September, well over half (55.4%) are drink-led venues—far higher than the proportion on high streets (42.3%). As the table on this page shows, sports and social venues and community or drink-led pubs account for nearly half of them.

The numbers also show that the rising interest in casual dining of recent years has been a largely urban rather than rural phenomenon. Across Britain, the number of restaurants has risen by 7.7% in the last five years, but in rural areas their numbers have nudged up by just 0.7%. In the last year alone, rural restaurants have tumbled by 4.9%—far higher than the countryside decline of 2.0% (see page 1). Overall, the pace of closures of licensed premises in rural areas has been faster than

on high streets but slower than in the suburbs. Those drink-led community pubs have seen the sharpest drop, and one in six of them have closed their doors in just five years.

But several other types of rural premises are faring much better. One is the sports and social segment, which has seen a modest increase in numbers since 2013—a sign, perhaps, of the importance of these types of venues in sustaining rural communities. Another is the branded food pub, whose numbers have risen 16.1% on the back of moves by some pub companies to convert drinkers' sites into diners' ones. Growth has been sharpest of all in the entertainment segment of the market, which highlights the importance of the all-round experience in consumers' eating and drinking out decisions.

This experience is often a premium one. On CGA's quality classification scheme, more than a third (35.1%) of rural licensed premises fall into our gold or platinum categories—much higher than in either the high street (31.3%) or suburban (20.2%) segments of the market. Rural operators know that if they are to tempt people out to eat or drink, they have to offer something a cut above the norm.



in rural licensed premises in the year to September 2018

Licensed premises: Location type

	Sites at Sept 2018	Change v Sept 2017	Change v Sept 2013	% Change v Sept 2017	% Change v Sept 2013
Rural	35,306	-1,335	-2,008	-3.6%	-5.4%
High street	40,342	-1,062	-125	-2.6%	-0.3%
Suburban	43,257	-1,481	-3,748	-3.3%	-8.0%

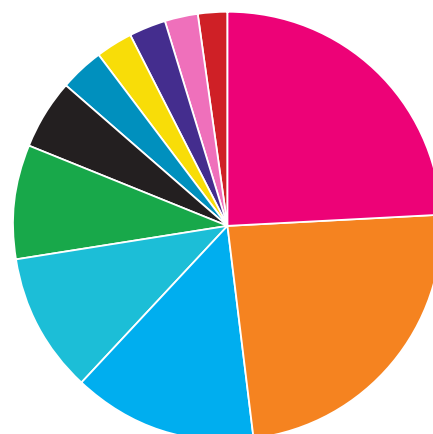
Rural licensed premises: Segment type

	Sites at Sept 2018	Share of total	% Change v Sept 2017	% Change v Sept 2013
Drink Led	19,561	55.4%	-3.3%	-8.2%
Food Led	11,439	32.4%	-2.5%	-0.7%
Other	4,306	12.2%	-8.0%	-4.2%

Rural licensed premises: Leading types

	Sites at Sept 2018	Share of total	% Change v Sept 2017	% Change v Sept 2013
Sports / social	8,579	24.3%	-2.1%	1.4%
Drink-led / community pubs	8,412	23.8%	-3.9%	-17.5%
Food-led pub	4,941	14.0%	0.2%	-4.6%
Restaurant	3,682	10.4%	-4.9%	0.9%
Hotel	3,110	8.8%	-9.0%	-6.3%
Entertainment	1,822	5.2%	-1.9%	24.3%
Guest / boarding house	1,196	3.4%	-5.1%	1.9%
Branded food pub	989	2.8%	-4.5%	16.1%
Café / wine Bar	917	2.6%	-1.2%	16.2%
Rural character pub	910	2.6%	-6.5%	-13.3%
Other	748	2.1%	-12.2%	-36.5%

Share of total



Focus: Towns

One of the big themes of new openings in recent years has been the flocking of brands to cities—especially in northern and Scottish hubs. But the other side of the coin is that many towns have watched as consumers are lured to these rejuvenated city centres, triggering a fall in their own numbers of restaurants, pubs and bars.

Of the 222 British towns that CGA identifies as having more than 100 licensed premises, more than nine in ten (90.5%) have seen their numbers reduce or stay the same in the 12 months to September. That makes for a striking contrast with cities. Food-led licensed premises in cities have leapt by 9.5% in five years, but growth has been less than a third of that in large towns (2.7%) and small towns (3.0%).

Restaurant-wise, the picture is more positive. Two in five (40.5%) towns have increased their number of food-led premises in the last year, and over a longer, five-year measure, well over half (61.3%) have done so. As the table on this page shows, pockets of the West Midlands have been particularly popular, and

Redditch, Sutton Coldfield and Walsall all have more than 30% more food-led premises than five years ago.

Some other towns are struggling though. Dunstable, Dumfries, Worksop, Caernarfon, Rhyl, Pontefract and Morecambe all have at least a fifth fewer food-led licensed premises than they did in September 2013.

2.7% INCREASE 

in food-led licensed premises in large towns in the five years to September 2018—compared to 9.5% in cities

This churn in British towns is likely to continue. And with such variation in performance from town to town, it makes it more vital than ever for operators to understand the nuances of communities and identify the right towns for new openings.

Licensed premises: Large towns v small towns v cities

	Sites at Sept 18	% Change v Sept 2013	Food-led premises: % Change v Sept 2013	Drink-led premises: % Change v Sept 2013
Large towns	42,025	-6.8%	2.7%	-11.6%
Small towns	37,957	-5.2%	3.0%	-9.3%
Cities	38,922	-1.8%	9.5%	-11.2%

Ups and downs: The ten towns with the sharpest rise and fall in food-led licensed premises since September 2013

	Town	Food-led premises: % Change v Sept 2013	Total premises: % Change v Sept 13
1=	Redditch	45.8%	1.0%
1=	Newquay	45.8%	-9.1%
3	Matlock	44.0%	2.7%
4	Llandudno	40.0%	0.6%
5	Falkirk	39.3%	-4.7%
6	North Shields	38.7%	-2.8%
7	Sutton Coldfield	32.3%	13.0%
8	Walsall	31.0%	-2.9%
9	Inverness	30.6%	5.4%
10	Windermere	29.7%	11.3%

	Town	Food-led premises: % Change v Sept 2013	Total premises: % Change v Sept 13
10	Goole	-16.7%	-7.8%
9	Haverfordwest	-18.6%	-11.3%
8	Torquay	-19.1%	-11.1%
7	Dunstable	-20.5%	-11.4%
6	Dumfries	-20.7%	-0.8%
5	Worksop	-22.9%	-16.3%
4	Caernarfon	-23.1%	-6.3%
3	Rhyl	-24.2%	-7.3%
2	Pontefract	-25.0%	-14.5%
1	Morecambe	-30.8%	-20.3%

Comment from AlixPartners

The past 12 months has seen eating and drinking out operators continue to battle unprecedented levels of competition, escalating cost pressures and a fast-evolving retail market. As a result, 2018 has been punctuated by news of site closures and company restructurings, particularly in the casual dining arena, as operators have moved to recalibrate their businesses around profitable locations.

But the figures in this edition of the Market Growth Monitor again illustrate that space remains for ambitious and innovative businesses to expand in areas outside of London. Pockets of growth are still to be found for businesses with a highly differentiated offer and strong focus on the guest experience.

As ever, for operators to succeed, they need to show a deep understanding of their local communities and what will work for their customer base. Those who fail to meet these expectations will inevitably fall by the wayside. But for businesses in the sector looking to grow, there remain a multitude of options across both equity and debt and investors continue to see attractive opportunities.

With the number of pubs and bars experiencing double digit decline over the past five years, there's no doubt that community wet-led venues have borne the brunt of closures, and will continue to do so. However, the spate of recent trading figures illustrate the innate resilience of well-invested pub and bar groups, helped of course by last summer's warm weather and buoyant World Cup-fuelled feel good factor.

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

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	Sept-13	Sept-17	Sept-18	Change 18 v 13	Change 18 v 17
GB		Total	124,787	122,783	118,905	-4.7%	-3.2%
		Managed	18,748	20,358	20,811	11.0%	2.2%
		Free	78,845	80,113	77,247	-2.0%	-3.6%
		Leased	27,194	22,312	20,847	-23.3%	-6.6%
Total Food-led Venues			42,378	45,445	44,642	5.3%	-1.8%
Total Drink-led Venues			70,847	65,498	63,268	-10.7%	-3.4%
Total Accommodation-led			11,562	11,840	10,998	-4.9%	-7.1%
Food-led	Branded Food Pub	Managed	2,146	2,696	2,521	17.5%	-6.5%
		Total	6,033	6,675	6,565	8.8%	-1.6%
	Café/Wine Bar	Free	4,446	5,016	4,930	10.9%	-1.7%
		Leased	464	366	314	-32.3%	-14.2%
		Managed	1,123	1,293	1,321	17.6%	2.2%
		Total	8,134	7,638	7,723	-5.1%	1.1%
	Food Led	Free	2,811	2,757	2,730	-2.9%	-1.0%
		Leased	4,095	3,785	3,668	-10.4%	-3.1%
		Managed	1,228	1,096	1,325	7.9%	20.9%
		Total	24,980	27,431	26,893	7.7%	-2.0%
	Restaurant	Free	20,230	21,407	20,845	3.0%	-2.6%
		Leased	277	277	244	-11.9%	-11.9%
		Managed	4,473	5,747	5,804	29.8%	1.0%
		Total	1,085	1,005	940	-13.4%	-6.5%
	Rural Character	Free	570	542	510	-10.5%	-5.9%
		Leased	454	419	384	-15.4%	-8.4%
Managed		61	44	46	-24.6%	4.5%	
Total		3,957	3,839	3,628	-8.3%	-5.5%	
Other	Guest/Boarding House	Free	3,876	3,730	3,518	-9.2%	-5.7%
		Leased	13	10	9	-30.8%	-10.0%
		Managed	68	99	101	48.5%	2.0%
		Total	7,604	8,001	7,370	-3.1%	-7.9%
	Hotel	Free	4,828	5,018	4,364	-9.6%	-13.0%
		Leased	354	309	281	-20.6%	-9.1%
		Managed	2,422	2,674	2,725	12.5%	1.9%
		Total	9,527	8,473	7,852	-17.6%	-7.3%
Drink-led	Circuit Bar	Free	3,030	2,981	2,925	-3.5%	-1.9%
		Leased	3,494	2,742	2,449	-29.9%	-10.7%
		Managed	3,003	2,750	2,478	-17.5%	-9.9%
		Total	29,126	24,442	24,102	-17.2%	-1.4%
	Community/Drink Led/Local	Free	9,122	8,248	8,271	-9.3%	0.3%
		Leased	17,885	14,287	13,407	-25.0%	-6.2%
		Managed	2,119	1,907	2,424	14.4%	27.1%
		Total	990	913	768	-22.4%	-15.9%
	Entertainment	Total	3,177	4,061	4,040	27.2%	-0.5%
		Free	2,717	3,500	3,442	26.7%	-1.7%
		Leased	17	15	11	-35.3%	-26.7%
		Managed	443	546	587	32.5%	7.5%
	Night Club	Total	2,237	2,092	1,857	-17.0%	-11.2%
		Free	1,621	1,584	1,400	-13.6%	-11.6%
		Leased	91	60	47	-48.4%	-21.7%
		Managed	525	448	410	-21.9%	-8.5%
	Sports/Social	Total	25,790	25,517	24,649	-4.4%	-3.4%
		Free	24,604	24,417	23,544	-4.3%	-3.6%
		Leased	49	42	36	-26.5%	-14.3%
		Managed	1,137	1,058	1,069	-6.0%	1.0%

The 10 numbers you need to know...

118,905



Total number of licensed premises in Britain at September 2018



3.2% DECLINE

in licensed premises in the last year



DECLINE

in restaurants in the last year



2.9% DECLINE IN DRINK-LED PUBS AND BARS IN THE LAST YEAR

7.7% INCREASE

in restaurants in the last five years



2.8% v 4.0%



Decline in licensed premises in the north of England v the south of England in the last year

5.4% DECLINE

in rural licensed premises in the last five years



90.5%

of towns have seen total licensed premises fall or stay the same in the last five years



6.8% v 1.8%

Decline in licensed premises in large towns v cities in the last five years

2.6% decline in independent restaurants vs **1.0% growth** in managed restaurants



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

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