

# MarketGrowthMonitor

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## Fresh brands drive restaurant openings

By Peter Martin

Dynamic new restaurant operators continue to expand and disrupt Britain's eating out sector despite a host of tough challenges, reveals the latest Market Growth Monitor from AlixPartners and CGA.

It shows that Britain's total number of licensed premises stood at just under 123,000 at June 2017 – slightly more than at the time of the last Market Growth Monitor three months ago, but 0.3% fewer than in June 2016.

The net fall is largely down to the long-term trend of closures of drink-led pubs, especially in the leased sector. Pubs and bars in CGA's community and local category have now fallen in number by more than 19% in the last five years, and circuit bars have declined in many British towns too. Independent, one-site restaurants have also seen a steady decrease in number.

By contrast, food-led licensed premises have enjoyed a stellar few years. The Market Growth Monitor shows that the number of restaurants has increased by nearly 22% in just five years, but by a more modest 1.8% since June 2016. And of these, it is small and medium sized multi-site operators that have blazed the trail.

CGA research shows that small groups – classified as those with fewer than 25 sites – have enjoyed a 32.0% net increase in premises in the last three years alone. Medium-sized operators – those with between 25 and 99 locations – have grown even faster, by 47.7%. In stark contrast, the number of premises run by large companies

– those with 100 or more venues – has increased by only 7.6%.

This shows how the majority of new openings lately have come from brands that are bursting through from the fringes of eating-out to the mainstream. Wahaca, Honest Burgers, Pho and Bistrot Pierre, now all pushing the 25 mark in estate size, are just four of the many examples of energetic operators that have expanded rapidly in the last few years.

Franco Manca, Las Iguanas and Byron are among the brands that have meanwhile moved to the next tier of medium-sized operators, with ambitions to get even bigger.

Some of Britain's biggest eating-out brands, like Nando's and Wagamama, have been expanding relentlessly too. But many others have seen their strategies disrupted by this new generation of brands. This is especially

the case in London, where the concentration of new concepts has been heaviest. Here, small multi-site players have increased their number of premises by 37.8% since June 2014, and medium-sized groups by 67.8% – while large operators have seen a 4.3% fall.

**1.8%**  
Net increase in openings of restaurants in last 12 months

Regardless of size, all brands in the ultra-competitive landscape of casual dining are likely to face strengthening headwinds as 2017 wears on. Property costs, including significant rates increases in many places, continue to vex operators. High inflation in food costs – reaching 8.8%

in June, according to the Foodservice Price Index from CGA and Prestige Purchasing – are storing up more headaches for the future. Brexit negotiations, and their knock-on effect on European labour movement and consumer confidence, add worrying elements of uncertainty into the mix.

**47.7%**  
Net increase in restaurants from medium-sized groups in last three years

These and other factors have led many leading operators to sound notes of caution about future sales, and in a few cases to issue warnings that profits are likely to fall short of expectations. Several big brands have scaled back their

programmes of new openings, or closed some of their unprofitable locations.

It means that after an extensive period of expansion, growth in the number of food-led licensed premises as measured by the Market Growth Monitor is likely to slow in coming months. But with so many ambitious new brands entering the market all the time, Britain's eating and drinking out sectors will remain vibrant, diverse and innovative.

**122,916**  
Number of licensed premises in Britain at June 2017

**0.3%**  
Net decline in all licensed premises in Britain in last year

### Sunny south coast

Some of the brightest spots for new restaurant openings in the last year have been found along England's south coast. Southampton, Plymouth and Exeter have all been targets for expanding brands, thanks in large parts to ambitious new retail and leisure developments like Westquay in Southampton and Princesshay in Exeter. Bournemouth, and its BH2 development, has been the next stop along the coast for some growing operators. See page 3 for more analysis.

### AlixPartners view

By Paul Hemming  
Managing Director, AlixPartners

"2017 has already proved to be a challenging year for operators. The last twelve months have left the industry battling unprecedented levels of competition, unrelenting price pressures, and an evolving retail market. As a result, casual dining chains have seen relatively little new investment activity, with many operators instead focusing on trimming tail sites from their estates. Quoted UK operators have also been feeling the pinch, judging from the recent string of profit warnings. "Despite these

negative headwinds, small and growing innovative businesses continue to thrive across the country. From a transaction perspective, the freehold pub market (in contrast to casual dining) has seen a raft of recent M&A activity as investors search for lower risk freehold-backed yield. We expect the move towards pub assets to continue. Although it is clear the casual dining market has matured, the reality is tired offerings that fail to evolve will have a limited shelf life in any environment. For emerging

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operators with a differentiated, consistent product, there will still be ample room to blossom."

# High street openings hit new heights

As Britain's casual dining sector continues to expand, albeit at slowing pace, it is clear where the focus of growth has been: the high street.

Data for this edition of the Market Growth Monitor reveals a 0.2% increase in licensed premises on high streets in the 12 months to June 2017. It is not exactly growth that sets the pulse racing, but against a national decline of 0.3% (see page 1) it is a welcome sign of life in the market. And the high street is outstripping both suburban areas, where the number of licensed premises fell by 0.9% in the year to June; and rural Britain, where numbers are flat.

The trend is even starker on a five-year measure. Since June 2012, the number of licensed premises in suburban areas has fallen by 6.8%, and in rural areas by 2.3%. But high streets have seen a 5.2% increase in numbers over the same period – equivalent to more than one net new opening a day. The shift is clear.

The dynamics behind this trend on the high street are well known: a steep fall in the number of drink-led pubs and bars, outweighed by an even steeper rise in the number of restaurants. Across Britain's high streets, the number of drink-led premises is 6.6% lower in June 2017 than it was in June 2012 – but the number of food-led premises is 18.9% higher.

Most of the high street growth has come from casual dining brands, including many small and medium-sized operators that have cut their teeth in London before embarking on new openings beyond the capital (see page 1). Managed pub groups have added to the breadth of the offer of high streets, either through

new openings from the likes of JD Wetherspoon, or from the conversion of pubs once dominated by drink into food-led brands.

As the two tables on this page show, growth has been pretty even across Britain, with the sharpest pace of openings, at 2.8%, to be found in the north of England. The fact that the list of ten cities with the biggest growth in licensed premises in the last year stretches all the way from Newcastle in the north east to Exeter in the south west shows that new openings have been spread far and wide round Britain.

What is making high streets so attractive to expanding restaurant operators? It is largely a reflection of general consumer trends. In both retail and leisure, there has been a gradual drift away from the suburbs to the centres of cities and towns – especially in major regional hubs like Manchester, Birmingham, Cardiff and Leeds. A succession of central retail complexes, like Grand Central in Birmingham and Trinity (and more recently Victoria Gate) in Leeds, has added to the magnetism of these hubs.

It has come at the expense of out-of-town malls and suburban shopping areas, which have struggled to compete with the wealth of retail and leisure brands on offer along bigger high streets. The impact of internet retail has been another drag on the suburbs, leading many consumers to order their shopping from home rather than venture out to their local stores. With the rise of delivery platforms like Deliveroo, more and more of them are choosing to eat in the comfort of their own home too, and that has impacted

**5.2%**  
increase in high street sites in the five years

**6.8%**  
Net decline in suburban sites in last five years

**2.3%**  
Net decline in rural sites in last five years

## HIGH STREET GROWTH BY REGION

% change in numbers of licensed premises since June 2016

Region	Total sites	Change in total sites	Change in food-led sites	Change in drink-led sites
London	11,223	0.1%	1.4%	-3.0%
Scotland	3,613	0.2%	1.3%	-1.0%
North England	10,237	0.6%	2.8%	-1.2%
Central / Wales	6,274	-0.1%	2.0%	-1.8%
South England	10,046	0.1%	1.8%	-2.1%
All	41,393	0.2%	1.9%	-1.9%

## NET OPENINGS AND CLOSURES IN THE LAST YEAR BY REGION

Region	Total sites	Food-led sites	Drink-led sites
Anglia	-0.7%	-0.2%	-1.3%
Central	-0.6%	0.9%	-1.7%
Granada	0.0%	2.3%	-1.6%
London	-0.6%	0.4%	-2.2%
Meridian	-0.2%	-0.1%	-0.9%
Scotland	0.2%	1.6%	-1.3%
Tyne Tees	0.9%	3.7%	-0.5%
Wales	0.0%	-0.2%	-0.7%
Westward	0.2%	1.7%	-1.4%
Yorkshire	-0.6%	0.6%	-1.7%

independent suburban restaurants in particular.

But the trend also illustrates the changing nature of the British high street. Once largely the preserve of retailers and drinking pubs, many high streets have evolved into major destinations for meals out – a shift that has breathed new life into town and city centres and regenerated night-time

economies. A more enlightened approach from some councils to change of use has helped with this transition, though there are still complaints that authorities are not doing enough to encourage the rejuvenation of high streets that restaurant operators are leading.

**For an analysis of Britain's nine fastest growing towns and cities, see page 4**

## 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 Jamie Campbell, CGA director, [jamie.campbell@cga.co.uk](mailto:jamie.campbell@cga.co.uk). The Market Growth Monitor is delivered in partnership with AlixPartners, the leading global financial advisory firm. Contact managing director Paul Hemming, [phehming@alixpartners.com](mailto:phehming@alixpartners.com).

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# New openings rising up down south

Casual dining brands looking for new openings have been fanning out along the south coast – and Southampton has proved the hottest spot of all over the last year.

An influx of operators has increased the number of

## Three more happy hunting grounds on the south coast

### EXETER

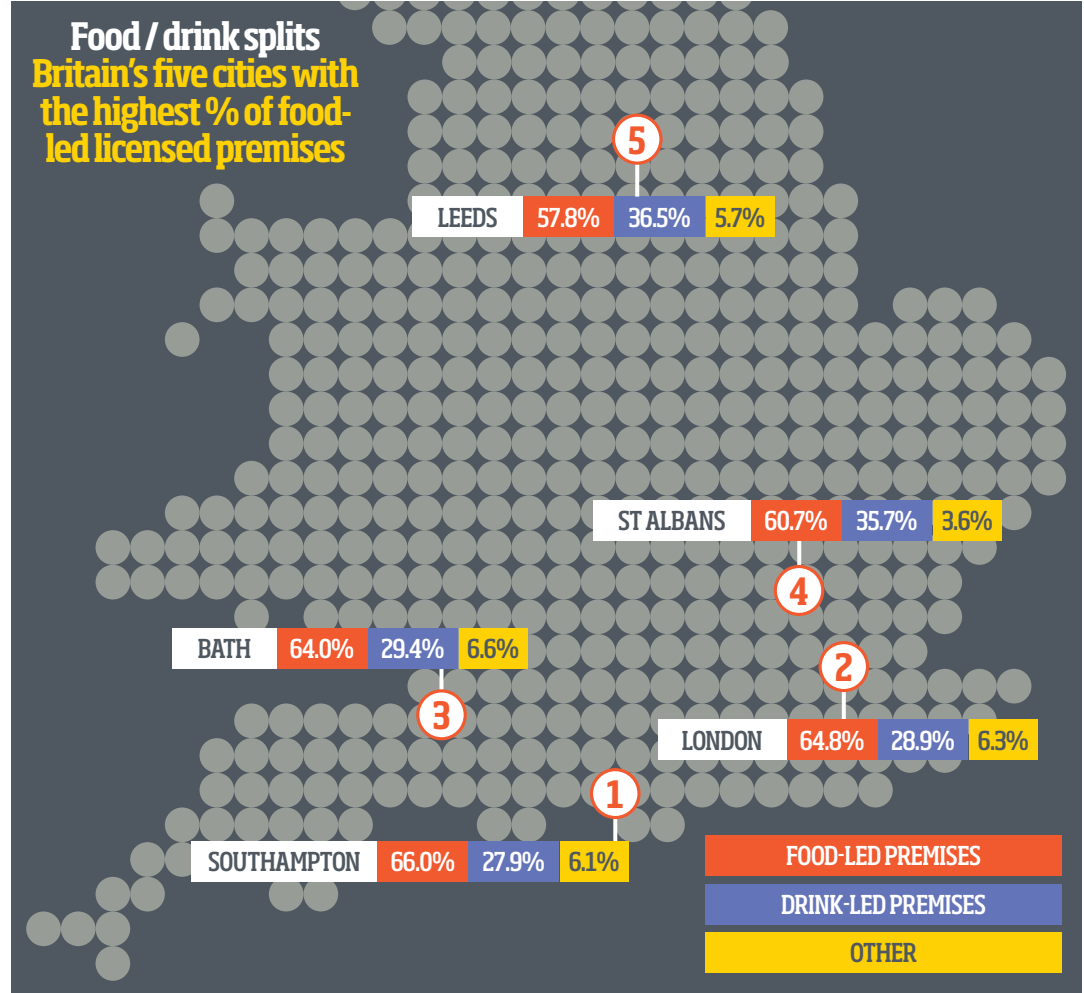
A host of casual dining brands have made Exeter their first stop on moves into the south west, and the number of licensed premises in its city centre has jumped 36.5% in the last five years. Recent openings from brands ranging from Five Guys to Polpo show the breadth of opportunities here. A leisure-based extension of the Princesshay centre, already home to brands including YO! Sushi, Coal, Nando's, Giraffe, Wagamama and Byron, will begin in 2018, opening up more restaurant units.

### BRIGHTON AND HOVE

Long a popular destination for independent operators, total licensed premises here have risen by 9.5% in the last five years. A new wave of bars has also made Brighton a rare example of a city centre that has increased its supply of drink-led premises as well as restaurants – by 9.8% in five years.

### PLYMOUTH

Proximity to Exeter has not worked in Plymouth's favour as it seeks to attract new openings, but investment in the city could change that. Work begins soon on a new leisure scheme at Bretonside, while Urban Splash is seeking to work its regeneration magic on two areas of the city, Royal William Yard and the Civic Centre.



food-led licensed premises in Southampton's city centre by 10.2% in the last year, the Market Growth Monitor shows – and by 16.9% in the last three years. The number of restaurants alone rose by 11.4% between June 2016 and June 2017. It means that two thirds (66.0%) of Southampton's licensed premises are now food-led – a higher proportion than any other city centre in Britain, including London (see table).

A large chunk of the new openings have been at the Westquay retail centre, where Hammerson's new £85m Watermark leisure complex opened late last year. From long-established names like Pizza

Hut and Pizza Express to newer concepts like Franco Manca and Five Guys, the scheme is something of a who's who of casual dining. It's also a staging post for brands expanding beyond London, like Cabana, Tortilla and Wahaca, and launches from smaller groups, like Kupp and Red Dog Saloon. Add in other fast growing names, including Bill's, CAU, Real Greek, Taikhun and Wagamama, and it is clear that Hammerson has made Westquay a magnet for casual dining brands. One of them, Nando's, likes the development so much that it has opened at Westquay twice, on both the north and south sides of

the complex.

The flood of new openings isn't all good news. Westquay has made Southampton an ultra-competitive battleground for casual dining, and it has sucked footfall away from parts of the city that are now much quieter. Whether it can sustain all its new arrivals remains to be seen. But for now it makes a fine case study of Britain's recent boom in casual dining.

Southampton isn't alone on England's south coast in enjoying a surge in eating out, with several other cities and towns seeing an upswing (see box). As in Southampton, city-centre retail and leisure developments like Exeter's Princesshay and Bournemouth's BH2 have been instrumental in the growth. Once dominated by drink-led pubs and bars, these centres have evolved into more sophisticated night-time destinations, with food a much bigger part of the mix now.

### LICENSED PREMISES IN SOUTHAMPTON CITY CENTRE

% change in numbers of licensed premises

	Change since June 2014	Change since June 2016
Food-led	16.9%	10.2%
Drink-led	-7.1%	0.0%
Other	12.5%	0.0%

# Opening focus: Cities and towns

FOR A RELATIVELY AFFLUENT CITY, WORCESTER HAS BEEN UNDER-SERVED BY RESTAURANTS UNTIL RECENTLY

## Nine fast-growing cities and towns

PREMISES AT JUNE 2017

INCREASE SINCE JUNE 2012

**9 EDINBURGH** 519 12.1%

The new restaurant hub on the south side of St Andrew Square has been the latest addition to Edinburgh's burgeoning eating-out scene. Dishoom, Wahaca and Drake & Morgan are already open there, and Vapiano is following them in the autumn.

**1 MANCHESTER** 610 26.3%

Manchester has been a boom city for restaurant and bar operators for a while now, with the number of licensed premises up by 5.7% in the last 12 months alone. Dirty Martini and the Ivy are among those preparing launches. While these figures relate to central Manchester, its suburbs including Didsbury and Altrincham have also seen a rush of new openings.

**6 SUTTON COLDFIELD** 610 26.3%

Sutton Coldfield has felt the halo effect of Birmingham's recent regeneration, and new openings so far in 2017 have included Loungers and Bistrot Pierre at the Mulberry Walk mixed-use development. Gusto will follow them into the scheme, and elsewhere in Sutton Coldfield Midlands group Bitters n Twisted is bringing a fifth branch of its Bodega concept in the autumn.

**2 WORCESTER** 610 26.3%

For a relatively affluent city, Worcester has been under-served by restaurants until recently, and it has a healthy independent scene. The opening of the Cathedral Square development in late July has added a host of casual dining brands to the mix, including ASK Italian, All Bar One, Cosy Club, Miller & Carter and YO! Sushi. Byron is among those to follow in due course.

**3 BATH** 195 15.4%

Bath's SouthGate centre has become the hub of Bath's eating-out economy, and brands including ThaiKhun, Comptoir Libanais and Absurd Bird moved in last year when British Land and Aviva Investors completed the development of the new Little SouthGate quarter. US better burger concept Smashburger has made it one of its first stops on its expansion into the UK.

**5 LEEDS** 343 25.6%

Leeds city centre's number of food-led licensed premises has increased at a rate of one a month over the last five years, and Cosy Club, Chilango, Be At One and Côte have all joined the ranks this year. Perhaps the most high profile launch of 2017 has been D&D London's pair of high-end rooftop ventures at the Victoria Gate centre.

**4 YORK** 263 21.2%

Carluccio's, Gusto and Cosy Club are just three of the brands to have followed the recent procession of casual dining operators into York this year. The city centre now has nearly a third more food-led licensed premises than it did five years ago.

**8 LEICESTER** 226 10.8%

The regeneration of the Highcross development has been the catalyst for rapid restaurant growth in Leicester, with TGI Friday's, Turtle Bay, Wagamama, Zizzi and Nando's just some of the brands there. Recent additions to Highcross have included Gourmet Burger Kitchen, and Pho is following in the autumn.

**7 MILTON KEYNES** 372 10.4%

The growing popularity of Milton Keynes among families and young professionals has brought casual dining brands flocking in, and the number of food-led premises has rocketed by more than a third in five years. Some 30 different food and drink brands operate at the centre:mk complex, and plans have just been approved to add more restaurant space in a revamp of Intu's Milton Keynes retail centre.