



Issue 13 of our quarterly series



**AlixPartners**  
when it really matters

# Market Growth Monitor

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

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

### 1 Numbers of licensed premises down 2.5% in the last year

	Sites at June 2018	Change v June 2017	Change v June 2013	% Change v June 2017	% Change v June 2013
GB	119,800	-3,116	-4,892	-2.5%	-3.9%

The trend of pub, bar and restaurant closures is accelerating, CGA's data for the latest Market Growth Monitor reveals. After year-on-year drops of 0.3% reported in December and 1.3% in March, the rate of decline stepped up to 2.5% in the year to June. This represents net closures of 3,116 licensed premises - or an average of more than eight a day. After a period that saw the number of licensed premises hold level or even increase in 2015 and 2016, the trajectory is now firmly downwards again.

### 2 Restaurant numbers fall 1.0% - but many brands still expanding

	Restaurants at June 2018	Change v June 2017	Change v June 2013	% Change v June 2017	% Change v June 2013
GB	27,189	-264	+2,702	-1.0%	+11.0%

Pubs have accounted for the bulk of closures in recent years, but restaurants are now feeling the pinch too. Their numbers slipped by 1.0% in the year to June, or five closures a week.

Viewed over the longer term, Britain still has 11% more restaurants than it did five years ago - which many observers see as an oversupply that is causing the pressure in the market. Most of this growth has come from managed and branded restaurants, and although some of these have been severely challenged in the last 12 months, others continue to open new premises at a decent rate.

### 3 Northern cities feel the pace of a long-term 'boom'

City centre	Sites at June 2018	% Change v June 2013
Manchester	633	25.1%
Liverpool	417	23.7%
Leeds	353	20.9%
Bradford	110	18.3%
Southampton	126	15.6%

The north-south split is being driven by the major city centres of northern England. This table of cities with the strongest five-year growth in licensed premises is led by Manchester, which now has a quarter as many sites as it did just five years ago. Growth has been nearly as strong in Liverpool and Leeds, which have seen a surge in both new and established casual dining restaurants.

### 4 All regions show net closures

	Sites at June 2018	% Change v June 2017	% Change v June 2013
East Midlands	8,185	-2.5%	-6.4%
East of England	4,534	-3.3%	-5.2%
London	14,883	-2.3%	+0.5%
North East	4,907	-2.0%	-2.9%
North West	14,712	-1.7%	-5.8%
Scotland	10,897	-2.9%	-1.3%
South East	21,560	-3.3%	-4.2%
South West	12,862	-3.1%	-3.8%
Wales	7,198	-3.4%	-6.0%
West Midlands	9,261	-1.0%	-4.0%
Yorkshire and the Humber	10,250	-1.8%	-5.0%

As this table shows, the pace of closures in the last 12 months has been fairly even across the country. No part of Britain has been immune from the slowdown in pub, bar and restaurant growth - not even London, which has 2.3% fewer licensed premises than it did a year ago.

As the last edition of the Market Growth Monitor noted, there is a difference in the rate of closures in the north and south of England. By June, the north had 1.9% fewer licensed premises than a year earlier - but the decline in the south was nearly twice as steep, at 3.4%. It suggests that market saturation is highest in southern parts of Britain, while northern regions still have pockets of opportunities for new openings.

### 5 High streets more resilient than the suburbs

	Sites at June 2018	% Change v June 2017	% Change v June 2013
High street	40,634	-1.8%	+1.0%
Suburban	43,535	-2.9%	-7.4%

Despite gloomy reports about the state of British high streets, they continue to prove more fertile ground than the suburbs for restaurant, pub and bar operators. The number of licensed premises on high streets fell by 1.8% in the year to June 2018, against a 2.9% drop in the 'burbs.

Over a five-year measure, the contrast is even more apparent. Suburban areas have lost 7.4% of their licensed premises since June 2013, but high streets have actually increased theirs, by 1.0%. In rural areas of Britain, the five-year trend is of closures of drink-led pubs, and openings of food-led pubs and restaurants.

# Focus: Managed branded restaurants' halo slipping

Branded casual dining restaurants have been one of the big success stories of the UK economy over the last decade. But CGA data for the Market Growth Monitor confirms what many operators have found in 2018: that the market has become significantly tougher and new openings are being scaled back.

The growth in branded restaurants has been phenomenal, hitting 10.6% in 2013-14 and a peak of 12.3% in 2015-16. By June 2018, there were 46.3% more of them than just five years previously.

But the annual rate of growth has tumbled to just 2.9% in the year to June - a stark slowdown that reflects rising costs, a fall in confidence and a realisation that restaurant supply now outstrips demand in some areas.

CGA's data reveals that branded restaurant growth has been consistently stronger inside the M25 than outside it over the last five years. That remains the case, with the number of branded restaurants increasing by 5.9% in the London area in the last 12 months, and by just 1.5% beyond the M25. There is a similar divide in locations, with restaurants growing significantly faster on British high streets than in the suburbs.

Some city centres have seen a particularly heavy influx of casual dining brands. As the table on this page shows, Oxford has 40.5% more managed restaurants than it did a year ago, thanks in large part to the development of the Westgate centre. Liverpool, Leeds and Edinburgh all have more than 50% more branded sites than they did five years ago.

But beyond these three northern hubs, growth in managed restaurants in big cities, like London, Birmingham and Glasgow, has flattened out in the last year. Instead, it is second tier cities like Oxford and York that are seeing the growth, as brands seek to fill in areas that have previously been under-served by casual dining operators.

Across Britain, newer brands tend to be opening restaurants at a faster rate than bigger, more established ones. Five Guys and Franco Manca have both rolled out apace over the last year, though it is Nando's, continuing its relentless openings programme in the UK, that is the fastest growing brand of all. Prezzo and its sister brand Chimichanga have meanwhile closed a large number of under-performing restaurants, along with Strada and Jamie's Italian. Their struggles in 2018 are a cautionary tale for all expanding managed restaurant brands.

## Five-year growth in managed branded restaurants by location

	Branded restaurants at June 2018	% Change v June 2017	% Change 2016-17	% Change 2015-16	% Change 2014-15	% Change 2013-14
Britain	5,005	+2.9%	+7.7%	+12.3%	+6.3%	+10.6%
Inside M25	1,589	+5.9%	+8.7%	+13.4%	+8.7%	+8.8%
Outside M25	3,416	+1.5%	+7.3%	+11.8%	+5.2%	+11.4%
High street	3,376	+3.4%	+9.0%	+13.0%	+6.8%	+10.6%
Suburban	1,295	+2.0%	+5.0%	+10.8%	+4.8%	+11.0%

**2.9%**  
**INCREASE**  
in managed, branded restaurants since **June 2017**

**46.3%**  
**INCREASE**  
in managed, branded restaurants since **June 2013**

## Managed restaurant brands with the most net openings and closures since June 2017

Top five growing brands	Net openings, June 2018 v June 2017
Nando's	+19
Five Guys	+13
Franco Manca	+10
Zizzi	+9
Wagamama	+7

Top five declining brands	Net closures, June 2018 v June 2017
Prezzo	-57
Chimichanga	-23
Strada	-21
Jamie's Italian	-13
Byron	-12

## Top five cities for managed restaurant growth since June 2017

Note: Includes cities with 40+ managed restaurants only

	Sites at June 2018	% Change v June 2017	% Change v June 2013
Edinburgh	97	9.0%	54.0%
Leeds	100	11.1%	53.8%
York	48	11.6%	20.0%
Liverpool	76	13.4%	81.0%
Oxford	52	40.5%	48.6%

**5.9% v 1.5%** Increases in managed, branded restaurants within the M25 and beyond the M25 since **June 2017**



## Focus: The truth about pub closures

For many commentators and observers, the pub sector has been in crisis for years now. But as with many broad-brush trends, the narrative is a lot more nuanced than that.

At a macro level, the change is obvious enough. Britain's number of drink-led pubs and bars has tumbled by more than a sixth (17.2%) in the last five years - equivalent to nearly 26 net closures every week. By stark contrast, the number of food-led pubs and bars has modestly increased in the same time, by 2.1%. There are always exceptions, but in short drinking pubs are struggling, while dining pubs are faring much better.

The bulk of closures have been of community pubs and circuit bars in towns and cities. By June 2018, there were 17.0% fewer community and local pubs than five years earlier, and 17.9% fewer circuit bars. This represents a combined net loss of 6,689 community pubs and circuit bars since June 2013, or nearly four net closures a day. Rural character pubs and, to a lesser extent, sports and social bars have seen their numbers fall too.



But several other types of pub have performed much better. Branded food pubs have increased in number by 18.7% in the last five years, following moves by major pub companies to 'replace drink-led pubs with formats with a bigger food offer and a wider appeal, and strategies like Ei Group's move to a 'managed expert'

model. Entertainment pubs and bars - including 'competitive socialising' concepts like Swingers, Bounce and Flight Club - have seen a steady rise in popularity too.

Across all pubs and bars, the managed segment has held up fairly well in the first half of 2018, with numbers nudging up 1.6%. Free and non-managed pubs, on the other hand, have fallen in number by 0.6% and 3.4% respectively. The shake-out of unsustainable leased and tenanted pubs has clearly not finished yet.



in the number of pubs and bars in the year to June 2018

As the table on this page shows, the pace of pub closures this year has been consistent across the country. It ranges from a low of 0.4% in the Midlands to a high of 3.1% in the eastern half of Scotland, with many other regions around the 1% mark. It is interesting to note that London has seen a 1.8% fall in pub numbers in the last six months, though the centre of the capital continues to trade strongly.

However, to add to the subtlety of the analysis, sales data from managed pub groups in the Coffer Peach Business Tracker shows that drink-led pubs are currently performing best, benefitting from increased food sales as well as better drink offers, while many food-led businesses are also being boosted by improved choice of drinks. It seems that nothing is straightforward in the pub world, although getting the balance right between food and drink sales is vital.

## Change in number of pubs in Britain

### Food-led and drink-led

	Sites at June 2018	% Change v June 2017	% Change v June 2013
Total pubs and bars	49,982	-2.4%	-11.2%
Food-led pubs and bars	17,747	-1.8%	+2.1%
Drink-led pubs and bars	32,235	-2.7%	-17.2%

### Type

	Sites at June 2018	% Change v June 2017	% Change v June 2013
Branded food pub	2,528	-6.4%	18.7%
Café / wine bar	6,593	-1.8%	9.4%
Rural character	7,684	-6.7%	-12.0%
Circuit bar	7,888	-7.0%	-17.9%
Community / local	24,347	-1.2%	-17.0%
Educational	766	-16.1%	-23.5%
Entertainment	4,112	3.6%	30.4%
Sports / social	24,846	-2.5%	-4.2%

### Tenure

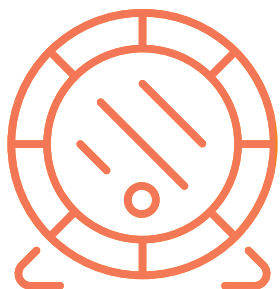
	Sites at June 2018	% Change v Dec 17
Free	19,412	-0.6%
Managed	10,065	+1.6%
Non-managed	20,505	-3.4%

### Region

	Sites at June 2018	% Change v Dec 2017
London & South East	15,695	-1.8%
Lowland & Eastern Scotland	2,333	-2.6%
Midlands	8,233	-0.4%
North & Mid Wales	978	-2.5%
North & North East England	6,917	-1.0%
North West England	6,350	-1.4%
South Wales	2,164	-0.7%
South West England	5,393	-0.9%
Western Scotland	1,919	-2.4%

## Nine numbers you need to know...

# 119,800



Total number of licensed premises in Britain at June 2018



# 2.5%

## DECREASE

in number of licensed premises in the last year

# 1,211

Net closures of pubs and bars in the last year



# 1.0%

## INCREASE

in licensed premises on high streets in the last five years



# 7.4%

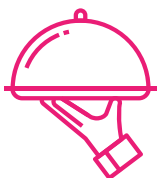


## DECREASE IN LICENSED PREMISES

in suburban areas in the last five years

# 5,005

Number of managed, branded restaurants



in Britain at June 2018

# 46.3%

**Increase** in managed, branded restaurants in the last five years

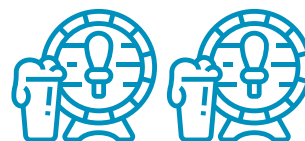


# 2.1%

**Increase** in food-led pubs and bars in the last five years

# 17.2%

**Decrease** in drink-led pubs and bars in the last five years



This edition of the Market Growth Monitor tells the story of a market responding to current pressures as the numbers of both bars and restaurants have fallen following a period of relative stability.

Overall, restaurant numbers have fallen for the second consecutive quarter, but expansion is still on the agenda for some companies. Managed, branded operator - the branded groups that have been the drivers of the growth numbers over the last five years - are still opening, but now at a much more cautious pace. The number of sites in this category has increased by over 46% over the last five years, but growth has dropped to just under 3% over the last 12 months - a rational reaction to the challenges of executing a roll-out in current market conditions.

In line with recent editions, it's clear that opportunities still exist for successful managed groups to grow - particularly in those locations across the UK that have previously been under-served by casual dining operators. But management teams - and investors - need to carefully consider their opening strategies.

When it comes to pubs, the data reveals that drink-led pubs and bars have borne the brunt of closures over the last five years, to the tune of almost four net closures a day. However, those operators with a well-executed food offer remain attractive - as evidenced by The Restaurant Group's recent acquisition of Food & Fuel. Those who add accommodation to the mix are also under the spotlight of investors looking to businesses with more diversified revenue streams and broader trading windows.

**Graeme Smith, managing director, AlixPartners, [gsmith@alixpartners.com](mailto: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	Jun-13	Jun-17	Jun-18	Change 18 v 13	Change 18 v 17
GB		Total	124,697	122,916	119,800	-3.9%	-2.5%
		Managed	18,794	20,227	20,755	10.4%	2.6%
		Free	78,551	80,251	77,892	-0.8%	-2.9%
		Leased	27,352	22,438	21,153	-22.7%	-5.7%
Total Food-led Venues			41,871	45,521	44,936	7.3%	-1.3%
Total Drink-led Venues			71,248	65,593	63,840	-10.4%	-2.7%
Total Accommodation-led			11,578	11,802	11,024	-4.8%	-6.6%
Dry	Branded Food Pub	Total	2,129	2,702	2,528	18.7%	-6.4%
		Managed	1,135	1,274	1,317	16.0%	3.4%
	Café/Wine Bar	Total	6,029	6,717	6,593	9.4%	-1.8%
		Free	4,436	5,074	4,948	11.5%	-2.5%
		Leased	458	369	328	-28.4%	-11.1%
		Managed	1,135	1,274	1,317	16.0%	3.4%
	Dry Led	Total	8,156	7,639	7,684	-5.8%	0.6%
		Free	2,811	2,777	2,717	-3.3%	-2.2%
		Leased	4,099	3,784	3,692	-9.9%	-2.4%
		Managed	1,246	1,078	1,275	2.3%	18.3%
	Restaurant	Total	24,487	27,453	27,189	11.0%	-1.0%
		Free	19,787	21,482	21,126	6.8%	-1.7%
		Leased	272	283	262	-3.7%	-7.4%
Managed		4,428	5,688	5,801	31.0%	2.0%	
Rural Character	Total	1,070	1,010	942	-12.0%	-6.7%	
Other	Guest/Boarding House	Total	3,973	3,853	3,680	-7.4%	-4.5%
		Managed	2,430	2,642	2,706	11.4%	2.4%
	Hotel	Total	7,604	7,949	7,344	-3.4%	-7.6%
		Free	4,818	4,996	4,357	-9.6%	-12.8%
		Leased	356	311	281	-21.1%	-9.6%
Wet	Circuit Bar	Total	9,602	8,485	7,888	-17.9%	-7.0%
		Free	3,064	2,968	2,931	-4.3%	-1.2%
		Leased	3,540	2,760	2,490	-29.7%	-9.8%
		Managed	2,998	2,757	2,467	-17.7%	-10.5%
	Community/Wet Led/Local	Total	29,325	24,640	24,347	-17.0%	-1.2%
		Free	9,150	8,347	8,303	-9.3%	-0.5%
		Leased	18,005	14,378	13,611	-24.4%	-5.3%
		Managed	2,170	1,915	2,433	12.1%	27.0%
	Educational	Total	1,001	913	766	-23.5%	-16.1%
	Entertainment	Total	3,154	3,968	4,112	30.4%	3.6%
	Night Club	Total	2,220	2,098	1,881	-15.3%	-10.3%
	Sports/Social	Total	25,946	25,489	24,846	-4.2%	-2.5%

## 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](mailto: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](mailto:gsmith@alixpartners.com)



PHENOMENAL DATA. EXPERT INSIGHT.

**AlixPartners**  
when it really matters