



Issue 21



AlixPartners

Market Recovery Monitor

Review of GB pub, bar and restaurant supply

AUGUST 2020

Introduction by Peter Martin

Welcome to the second edition of the new Market Recovery Monitor from CGA and AlixPartners. As the licensed sector reopens after lockdown, our monthly report, based on CGA's exclusive Outlet Index of Britain's licensed premises, will provide the definitive picture of its progress. One month after relaunch, it is obvious that the revival of the industry will take time. Our headline finding—that fewer than two thirds (62%) of the country's licensed premises were trading again by the end

of July—indicates the caution with which businesses have approached reopening. Scotland and Wales were later to open than England and the data demonstrates this, but we have also seen London slower to open. Certain types of outlets have reopened quicker week on week, with many more pubs reopening than restaurants across July. Some licensed premises will take much longer to reopen, and some will not do so at all.

1. Week-by-week review

As the eating and drinking out sector rebooted over July, two major trends became clear.

First, the reopening of pubs, bars and restaurants has been gradual rather than sudden. Seven days after the sector in England was given the go-ahead to reopen on Saturday 4 July, only two in five (41%) of all venues had opened their doors. This reflects many operators' decisions to opt for staggered rather than wholesale reopening, as well as the need to prepare complex logistics like food and drink supply and safety protocols. It also mirrored widespread hesitancy among the public. CGA's Consumer Pulse survey indicated that only a third (35%) of British adults had returned to the sector in the first ten days of reopening. Hesitancy meant that not all venues were commercially viable yet—especially in city centres, to which people have been particularly reluctant to travel.

But while reopenings began carefully, they have gathered momentum. By 2 August, nearly two thirds (63%) of casual dining restaurants had reopened, while food pubs had returned to nearly nine tenths (87%) of March numbers. These figures can be expected to go on rising through August—but the big question is how far they eventually return towards pre-COVID levels.

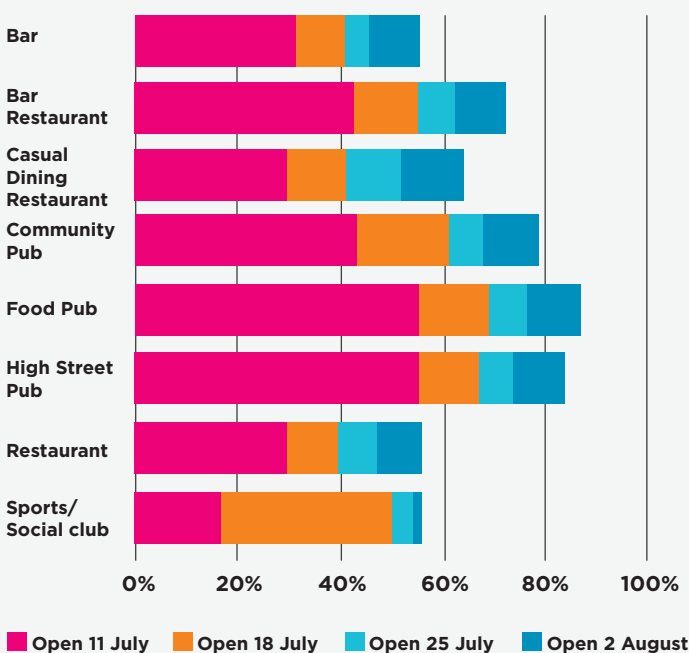


Of total known licensed premises trading at end-July 2020

Second, pubs outpaced restaurants for reopenings by a distance over July. A fortnight after relaunch, more than two thirds of food pubs (69%) and high street pubs (67%) had opened their doors, compared to only two in five (41%) casual dining restaurants. While pubs have benefited from consumers' desire to stay close to home immediately after lockdown, restaurants—especially in city centres—have been slower to reopen. With several leading brands announcing permanent site closures or undergoing Company Voluntary Arrangements (CVAs), we are likely to see significant churn in the casual dining sector in the months ahead.

Week-by-week reopenings: Selected market segments

All figures are % of pre-lockdown site numbers at March 2020



70,655

Total licensed premises trading at end-July 2020

2. Reopenings by tenure

So far at least, it is the managed and leased sectors that have led the reopening of licensed premises, while independent or free operators return more slowly. By the end of July, three in four (75%) managed venues and even more (85%) leased and tenanted sites were back trading—compared to only just over half (52%) of free sites.

The contrast may be an issue of infrastructure. Many pub and restaurant groups have been able to draw on large resources and reserves to bring their operations up to speed relatively quickly, while smaller businesses have had to work harder on their supply chains and detailed safety and hygiene measures. As the sector enters its second month of trading, there are signs that the gap between tenures is narrowing, but the long-term impacts of the coronavirus crisis on the balance of managed, free and leased models remains to be seen.

Openings at end-July: Tenure



75%
Managed



52%
Independent



85%
Leased

3 in 5



of licensed premises were back trading at the end of July

3. Reopenings by location

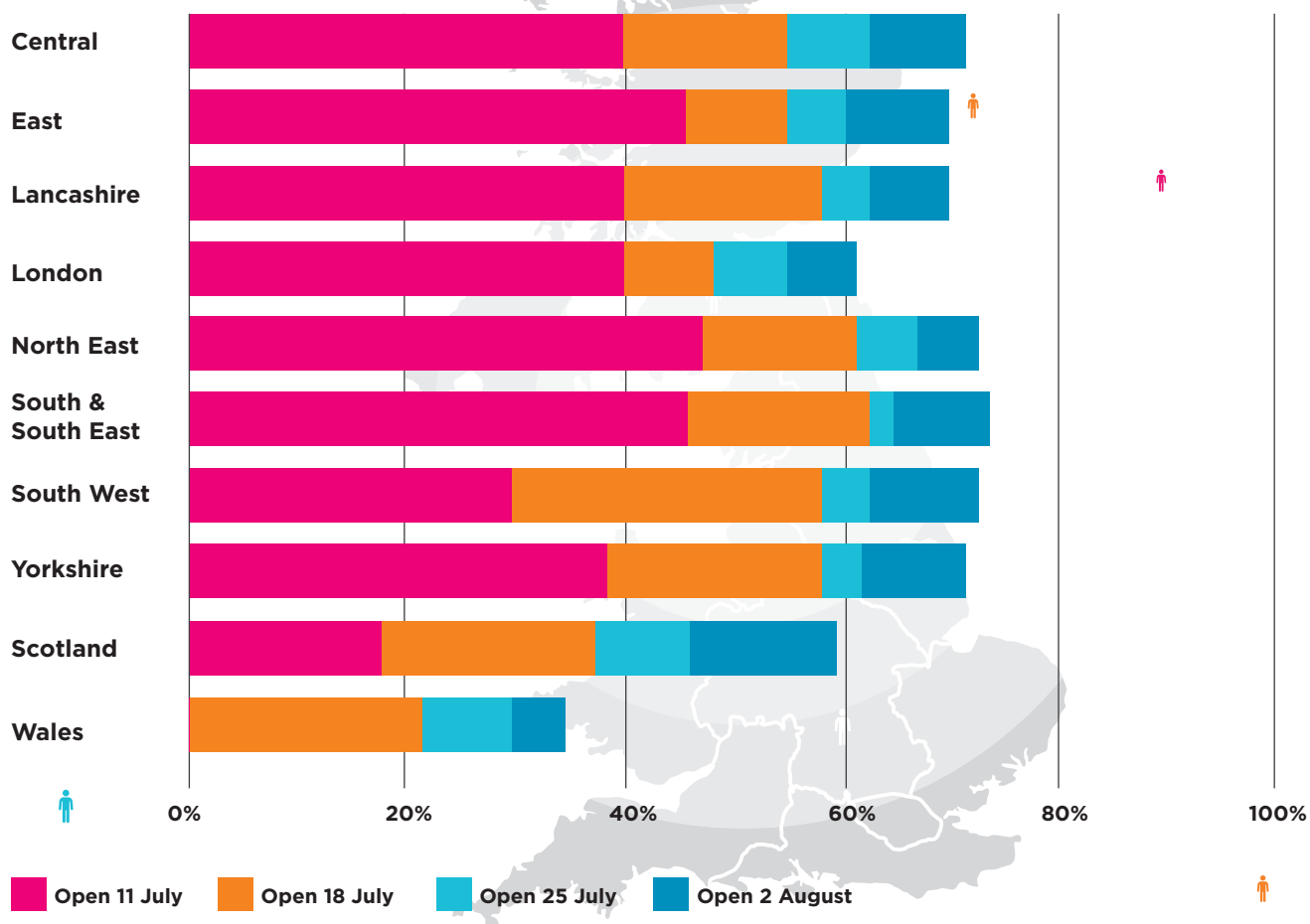
Just as the speed of reopening has varied by tenure and segment, so it contrasts from region to region.

Four weeks after the sector was given the green light to trade again, the North East and South West had seen the largest proportion of their sites reopen (73%). London has lagged behind the rest of the country, with only three in five (61%) of its venues open again by 2 August. The shortfall probably reflects London's reliance on office workers and tourists for a large

proportion of its trade—both of which are in short supply at the moment. As some people return to workplaces over the next couple of months and use of public transport increases, we can expect to see London's numbers pick up, though progress is likely to be slow.

It is important to remember that different parts of Britain have been at different phases of lockdown. While England's relaunch came on 4 July, Scotland and Wales had to wait longer, and the numbers of sites trading are lower as a result.

Week-by-week reopenings by location



Market summary: Numbers of total and trading sites across three key segments: food-led, drink led and accommodation-led

		Total pre-lockdown sites (March)	Total known sites at end-July	Sites trading at end-July	% of sites trading at end-July	Share of market at end-July
All venues	Total	115,108	114,484	70,655	62%	100%
	Managed	21,461	21,321	15,977	75%	23%
	Free	74,271	73,947	38,255	52%	54%
	Leased	19,376	19,216	16,423	85%	23%
Food-led venues	Total	43,126	42,850	29,684	69%	42%
	Managed	11,659	11,544	9,075	79%	31%
	Free	26,437	26,297	16,179	61%	54%
	Leased	5,030	5,009	4,430	88%	15%
Drink-led Venues	Total	61,229	61,071	36,192	59%	51%
	Managed	6,777	6,752	5,200	77%	14%
	Free	40,478	40,478	19,260	48%	53%
	Leased	13,974	13,841	11,732	85%	32%
Accommodation-led Venues	Total	10,753	10,563	4,779	45%	7%
	Managed	3,025	3,025	1,702	56%	36%
	Free	7,356	7,172	2,816	39%	59%
	Leased	372	366	261	71%	5%

Sources and definitions

Openings data in this report is sourced from CGA's Outlet Index, the leading database of licensed premises in Britain.

'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.

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

Comment from AlixPartners

"The eating and drinking out market faces an uncertain time even when it begins to reopen. While fast food and food-to-go operators are currently leading the emergence from lockdown, those running restaurants and pubs are working hard to find the best way to operate whilst social distancing remains in place.

Many operators have got their tape measures out to assess the impact of social distancing restrictions on operations and capacity. Even with well-configured space, cover counts will be meaningfully reduced and may prompt further questions on whether it is sensible to reopen, or not, from a profit perspective. Location considerations will be another factor – it's easier to foresee rural and suburban venues opening faster than those located in large city centres given there will be a significant period before offices reopen and footfall numbers return to prior levels, particularly where mass-transit is key for commuters.

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