



Market Recovery Monitor

Review of GB pub, bar and restaurant supply

NOVEMBER 2020

Furloughing, lockdown - how far we've come

Introduction by Peter Martin

After three months of steady recovery, Britain's reopening of licensed premises was slammed abruptly into reverse in October. Now, with England once again in full lockdown, the situation has worsened further, and many more permanent closures can be expected before 2020 is over. We are unlikely to see site numbers return to the levels seen in August, let alone the pre-pandemic scale.

It is not all doom and gloom. As the popularity of the Eat Out to Help Out scheme and the post-lockdown experiences of international cities like Melbourne have shown, consumer demand for pubs, bars and restaurants remains high. Financially resilient businesses should be able to endure the second lockdown, and they will enjoy reduced levels of competition and pent-up consumer demand when they return.

But as this edition of the Market Recovery Monitor makes plain, every new COVID-19 restriction has a rapid and immensely damaging effect on the sector. The Chancellor's extension of the furlough scheme until March is welcome, but the case for further government support to sustain businesses over a daunting winter is clear and urgent.



12,000 sites closed their doors over October

1. Overview

Strict new trading restrictions in England, widespread closures in Scotland and total lockdown in Wales meant only just over two thirds (69.9%) of Britain's licensed premises were trading by the end of October.

This represents a drop of more than ten percentage points on the sites trading at the end of September (80.4%)—equivalent to nearly 12,000 sites closing their doors over October. It is a sudden reversal of fortunes from August and September, when nearly 20,000 sites opened their doors to the public again.

Around half of October's closures were in Wales, where pubs and restaurants were completely shut for two weeks (see page 2). Numbers were also substantially reduced in England by the new three-tier system of restrictions, which forced pubs and bars in 'Very High' alert areas to close unless they were serving substantial meals. The result was that by the end of the month only just over half (52.8%) of licensed premises in Tier 3 areas were open—far below the number of sites in 'Medium' (83.6%) and 'High' (82.8%) alert areas.

The tiered system, alongside the 10pm curfew, has hit drink-led businesses hardest. Across Britain, only 63.1% of drink-led sites were open at the end of October, compared to 79.9% of food-led ones. Segments of the market that rely on late night drinking for much of their revenue have seen the highest rate of closures (see page 2).



The number of trading sites collapsed again from Thursday 5 November, when England's second national lockdown came into force—though some sites will remain operational for takeaway and delivery, and the Scottish and Welsh markets will be at fluctuating levels of capacity. The rate of reopening after England's second lockdown remains to be seen, but businesses will be eager to trade again as quickly as possible in the run-up to the crucial Christmas period. It will be an anxious wait-and-see November for the sector.

Month-on-month movement: Total, food-led and drink-led sites

	% Open at end-September	% Open at end-October	Sites open at end-October
Total sites	80.4%	69.9%	78,261
Food-led sites	87.1%	79.9%	33,372
Drink-led sites	76.5%	63.1%	37,881

Sites trading: Breakdown of tiered regions of England

	Total sites	Sites open at end-October	% Open at end-October
Tier 1 areas	43,190	36,103	83.6%
Tier 2 areas	37,285	30,885	82.8%
Tier 3 areas	14,022	7,406	52.8%

2. Trading sites by segment

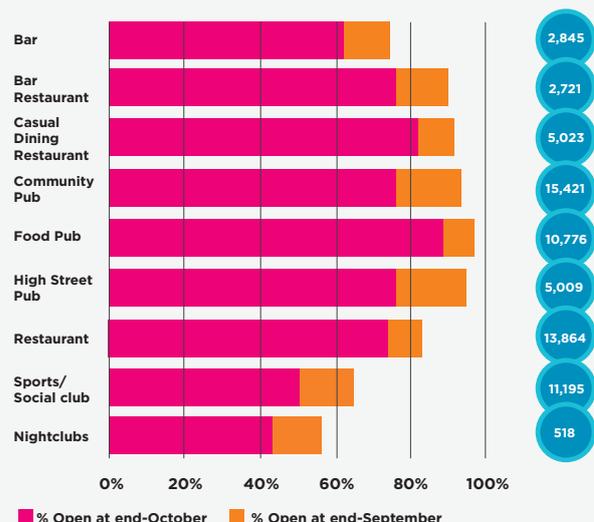
Pubs and bars enjoyed a solid return to trading after their first lockdown ended in July, boosted by warm weather, staycations and consumers' desire to socialise after so long in isolation. But their footfall has been reduced by the succession of new trading restrictions in recent weeks, and drink-led segments of the market bore the brunt of October's closures as a result.

As this Market Recovery Monitor data shows, the number of bars trading dropped by around 11 percentage points over the course of the month. Community pubs and high street pubs, down by 14 and 17 percentage points respectively, fared even worse, as drinkers were put off by the 10pm curfew in England, and locked out altogether in Wales and a swathe of Scotland. In Tier 3 areas of England, just **31.6%** of bars and **51.4%** of high street pubs were trading at the end of October.

Closures were more modest in food-led segments like casual dining restaurants and food pubs, where numbers were down by six and eight percentage points respectively.

Month-on-month movement: Selected market segments

% of sites trading by segment and decrease in sites in October vs September

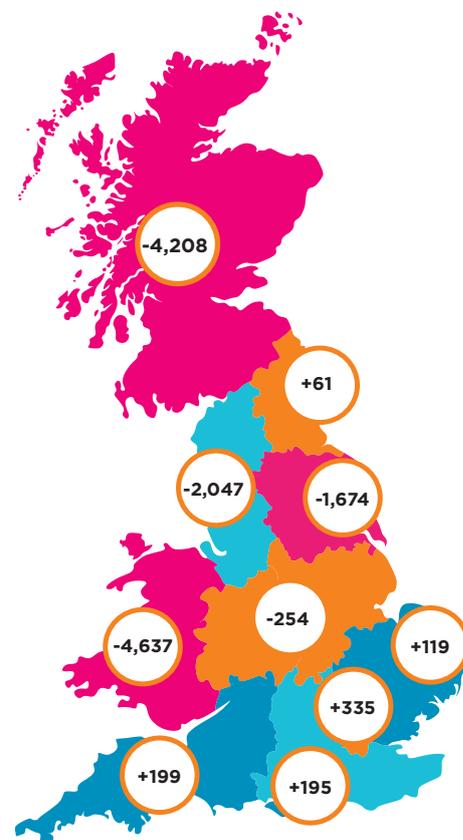


3. Trading sites by location

This breakdown of trading sites by region emphasises the rapid effect of trading restrictions in different parts of Britain. It shows how parts of England with a high proportion of upper-tier towns and cities areas have seen a steep decline in numbers: more than 3,700 venues closed in October in Lancashire and Yorkshire alone, for example. More than 4,200 sites shut in Scotland after hospitality venues in the central belt were ordered to close, and numbers fell to zero in Wales for a 'firebreak' lockdown.

But in parts of England like the south where regulations were more relaxed, there was a net increase in venues over October—a welcome sign that the market can recover when restraints are eased.

Region	Number of sites open at end-October	% Of sites open at end-October
East	6,987	83.3%
Central	11,805	79.8%
Lancashire	9,185	64.9%
Wales	0	0.0%
London	17,907	82.7%
South and South East	8,777	83.0%
Scotland	3,641	35.4%
North East	4,363	84.8%
South West	8,802	82.2%
Yorkshire	6,794	66.6%



4. Trading sites by tenure

October's tightening limits on trading extended a key dynamic of 2020 in the licensed sector: the relative resilience of managed operators and an uphill struggle for independents to return to trading.

At the end of the month, more than four in five (**81.8%**) managed premises were trading, compared to only **63.1%** of independent businesses. Both numbers are well down on September, but October's curbs on trading will have deepened the difficulties for small businesses—especially those that had only recently opened their doors again. Well-capitalized pub and restaurant businesses will be better placed to endure England's second lockdown than small firms relying on savings, loans and overdrafts. There will be more business failures on both sides, but the gap in the resilience between managed and independent tenures is likely to become even more apparent over the next few months.

Tenure	% Open at end-September	% Open at end-October	Sites open at end-October
Managed	91.7%	81.8%	17,154
Independent	73.3%	63.1%	45,508
Leased	94.8%	83.0%	15,599
Total	80.4%	69.9%	78,261

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-October	Sites trading at end-October	% of sites trading at end-October	% change October v September	Share of market at end-October
All Venues	Total	115,108	111,914	78,261	69.9%	-13.2%	100.0%
	Managed	21,461	20,960	17,154	81.8%	-11.3%	21.9%
	Free	74,271	72,169	45,508	63.1%	-14.1%	58.1%
	Leased	19,376	18,785	15,599	83.0%	-12.7%	19.9%
Food-led venues	Total	43,126	41,743	33,372	79.9%	-8.3%	42.6%
	Managed	11,659	11,291	9,729	86.2%	-7.8%	29.2%
	Free	26,437	25,549	19,230	75.3%	-5.6%	57.6%
	Leased	5,030	4,903	4,413	90.0%	-6.8%	13.2%
Drink-led Venues	Total	61,229	60,064	37,881	63.1%	-17.8%	48.4%
	Managed	6,777	6,654	4,999	75.1%	-17.8%	13.2%
	Free	40,478	39,887	21,978	55.1%	-19.2%	58.0%
	Leased	13,974	13,523	10,903	80.6%	-14.8%	28.8%
Accommodation-led Venues	Total	10,753	10,107	7,008	69.3%	-9.0%	9.0%
	Managed	3,025	3,015	2,425	80.4%	-10.3%	34.6%
	Free	7,356	6,733	4,300	63.9%	-8.1%	61.4%
	Leased	372	359	283	78.9%	-12.6%	4.0%

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.

'Managed' outlets 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 recovery of hospitality has been halted by the second lockdown in England and with the Government stating that, once lifted, the country will return to the tiered system and significant trading restrictions, the question must be whether some of these sites will ever reopen under their current ownership.

"The report illustrates the acute stress independent businesses are suffering and October's curbs on trading will have deepened these difficulties, especially for those that had only recently opened their doors (and had borne the significant re-opening costs that come with re-emerging from an enforced closure, which will now be felt again in December). Undoubtedly, more financially resilient managed pub and restaurant groups are in a better place to ride out the storm, however, while the recent extension of furlough does offer some security, it also raises the spectre of further lockdowns in the months ahead; with an extended stop/start period potentially worse for operators in cash terms. This will be of huge concern for management teams and investors, already faced with the prospect of their businesses trading sub-optimally for some time to come, and particularly as we fast approach the key festive trading period. A strong dose of dynamism and determination will be required to stay in the game. Now the Government has provided welcome assistance with wage costs, companies will be looking to Westminster for further support to help solve the sector's rising debt mountain, especially when it comes to rent and the stalemate many are experiencing in negotiations with landlords."

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