



Market Recovery Monitor

Review of GB pub, bar and restaurant supply

DECEMBER 2020

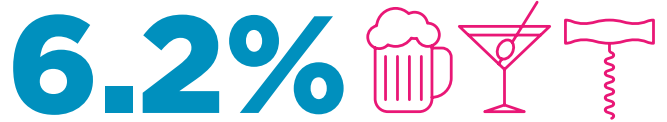
Site numbers plummet as England's lockdown bites

Introduction by Peter Martin

This edition of the Market Recovery Monitor illustrates the seismic impact of COVID-19 lockdowns and restrictions on hospitality's ability to trade. After steady recovery in July and August, it shows how we have been pushed back nearly to square one, with fewer than one in 16 sites trading by the end of November.

The sector will move forward again from 2 December, when England's lockdown on pubs, bars, restaurants and other licensed sites ends. But with a tough tiered system of restrictions to follow, many venues will remain shut well beyond then. And as our analysis here proves, release from lockdown provides no guarantee of a bounce-back. Fewer than half of sites in Scotland and Wales are back trading despite the easing of restrictions there—an ominous sign for England—and Wales has quickly returned to stringent limits on trading.

Many of the victims of the first lockdown in the spring were in the crowded casual dining and independent restaurant sectors, but this time round it is pubs that are most vulnerable. Curfews, strict limits on socialising and local bans on selling alcohol without food have all conspired against drink-led businesses, and many are now in a critical condition at a time of year when they should be making the cash that tides them through winter. December is often a make-or-break month for operators' years, but in 2020 it could make the difference between business survival and failure.



Of Britain's licensed premises trading at end-November 2020

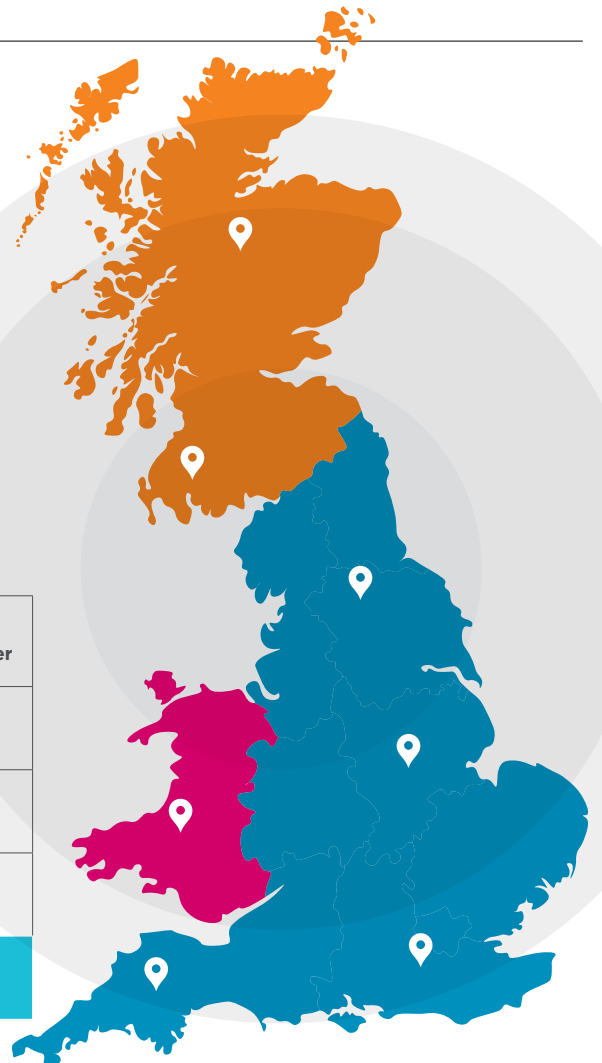
1. Overview

From **80.4%** open in late September to just **6.2%** in late November, the recovery of Britain's hospitality sector has taken a battering in recent weeks. Stringent restrictions in Scotland and complete closures in Wales were followed in early November by total shutdown in England for everything except deliveries and takeaways, leaving only around 7,000 sites welcoming guests inside in Scotland and Wales (see analysis on page 2).

With Christmas looming, operators in England will be eager to get their doors open as soon as possible. But right across Britain, the big question remaining to be answered is how many of these closed sites will reopen in due course, and how many are lost for good.

Month-by-month reopenings in Britain: Sites trading in England, Scotland and Wales

	% Open at end-August	% Open at end-September	% Open at end-October	% Open at end-November
England	77.1%	81.1%	78.1%	0%
Scotland	71.2%	76.0%	34.9%	40.4%
Wales	72.3%	76.7%	0%	42.2%
Britain	76.3%	80.4%	69.9%	6.2%



2. Scotland

With hospitality in England shut down in November, Scotland has provided a pocket of opportunity. But even here, enforced closures in swathes of the country and limits on trading elsewhere mean that just two in five (**40.4%**) sites were trading at the end of November.

This is only a modest increase on the **34.9%** of sites trading at the end of October, and an indication of the difficulty of rebooting hospitality while so many restrictions remain in place. More food-led sites (**38.8%**) are open than drink-led ones (**35.2%**), reflecting the tough controls on serving alcoholic drinks in particular. The accommodation-led sector (**65.4%**) has been able to reopen more extensively.

Regulations have made trading easier for some segments than others. Half of food pubs (**49.3%**) and licensed cafes (**52.4%**) were trading in late November, but curfews and social distancing regulations have held back bars (**34.5%**), nightclubs (**22.5%**) and sports and social clubs (**29.4%**).

A breakdown of licensed premises by level of restriction (see table) meanwhile shows the consequences of Scotland's levelled system of responses to COVID-19 infections. In Level 1 and 2 areas, where trading is relatively free, around four in five sites were open by late November. But numbers are barely half that in Level 3 areas, where alcoholic drinks cannot be served and all venues must close by 6pm. In Level 4 areas, where all pubs, bars and restaurants have been ordered to close until at least 11 December, current trading numbers are limited to a handful of hotels.

The level system has made life especially difficult for city centre operators. With Glasgow and Edinburgh in the highest and second-highest levels respectively, only just over a quarter (**28.4%**) of licensed premises in cities were open in November. One bright spot is Scotland's third city, Aberdeen, which has faced tough restrictions for much of 2020 but which is now in Level 2 and has **84.7%** of sites open.

3. Wales

Wales's 17-day 'firebreak' lockdown ended a few days after England's began, but the relaxation of restrictions did not trigger a full reopening of hospitality. By late November, only 2,766 licensed premises were back trading—well under half (**42.2%**) of the total.

42.2% 

Of Wales's licensed premises trading at end-November 2020

As in Scotland, venues that rely on late-night trade and high-tempo occasions have suffered most. Nightclubs (**24.2%**) and bars (**37.8%**) were slow to relaunch, while segments like food pubs (**59.1%**) and high street pubs (**58.0%**) found it easier to get going again. Numbers of casual dining restaurants (**39.8%**) and other restaurants (**25.9%**) remained low.

Another striking contrast between Wales and Scotland is in major cities. With fewer restrictions on drinking, just over half (**52.4%**) of city centre premises were trading by late November—nearly twice the proportion in Scotland. Small towns (**39.9%**) and rural areas (**39.8%**) were slower to return.

After brief respite following the firebreak lockdown, Wales's pubs, bars, restaurants and cafes now face massive new challenges from a ban on alcohol sales and a 6pm curfew. This will undoubtedly prompt many sites that are currently trading to close once again, and make reopening unviable for those that are still shut. After such a blow to business in what should be the most profitable month of the year, some sites will not reopen at all.

Generally though, trading numbers are much higher in small towns (**49.4%**) and rural areas (**54.0%**), where regulations have tended to be looser—though even here, the sector is still far below capacity. Even if restrictions can be eased in cities in the weeks ahead, widespread working from home and consumers' caution about mixing with crowds will continue to make city-centre trading difficult.

Reopenings in Scotland: Total, food-led, drink-led and accommodation-led sites

	% Open at end-October	% Open at end-November	Sites open at end-November
Total sites	34.9%	40.4%	4,124
Food-led sites	31.3%	38.8%	1,243
Drink-led sites	32.1%	35.2%	1,970
Accommodation-led sites	55.0%	65.4%	911

Sites trading: Breakdown of tiered regions of Scotland

	Total sites	Sites open at end-November	% Open at end-November
Level 1 areas	1,149	899	78.2%
Level 2 areas	1,862	1,514	81.3%
Level 3 areas	3,757	1,592	42.4%
Level 4 areas	3,433	119	3.5%

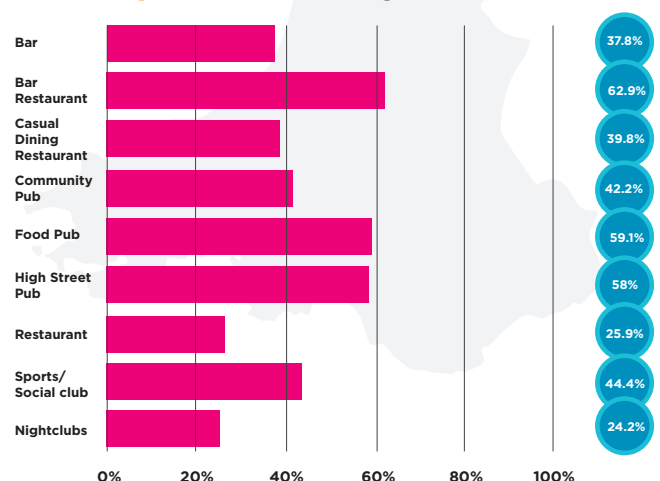
40.4% 

Of Scotland's licensed premises trading at end-November 2020

Reopenings in Wales: Total, food-led, drink-led sites and accommodation-led sites

	% Open at end-October	% Open at end-November	Sites open at end-November
Total sites	0%	42.2%	2,766
Food-led sites	0%	43.5%	811
Drink-led sites	0%	43.3%	1,711
Accommodation-led sites	0%	33.1%	244

Sites trading in Wales: selected segments



4. England after lockdown

What do the experiences of Scotland and Wales tell us about the English hospitality sector's return when the national lockdown ends on 2 December? The obvious implication is that reopening will not be instant. Even with Christmas trading approaching, multi-site operators may choose to stagger reopenings and hold back others altogether.

Of course, the tiered system of restrictions means that many will simply be unable to reopen venues in some parts of the country. Even in lower tier areas, limits on trading may make it uneconomical for business to operate.

As this table shows, the vast majority of hospitality venues will find themselves in high alert areas in December, with only 2,227 located in Tier 1 regions. Nearly 37,000 are in Tier 3 areas, where hospitality venues must close completely except for takeaways and deliveries. More than 55,000—well over half of England's total—are located in the middle ground of Tier 2, where alcoholic drinks can only be served alongside substantial meals.

That restriction is likely to make reopening unviable for at least a third of operators in Tier 2—which will take the number of sites in England that are unable to trade after 2 December to at least 50,000. Put another way, more than half of England's licensed premises are unlikely to open their doors to guests while the current tiered arrangement remains in place.

In each of these three tiers, just over four in five licensed premises reopened between July and November. But these strict new limits in England will make it much harder for some operators in Tier 3 to get back to trading. The longer they endure restrictions, the less likely it is they will survive.

Post-lockdown experiences in Scotland and Wales suggest the challenge will be tougher for small businesses than big groups. In Scotland, nearly half (**47.3%**) of managed venues have reopened—much more than independent sites (**39.8%**). Many multi-site groups will have the funds to sustain themselves through what will be the weakest Christmas trading in memory—but smaller operators may not have the same cushion. Those in city centres, where footfall is likely to remain low for some time, face an even tougher challenge. And as Wales's rapid move to impose new limits on trading has shown, there is a constant risk that even more restrictions may be introduced at very short notice.

Breakdown of sites in three tiered regions of England after 2 December

	Total sites	Sites that opened July - Nov	% of sites that opened July - Nov
Tier 1	2,227	1,840	82.6%
Tier 2	55,502	46,209	83.3%
Tier 3	36,648	30,551	83.4%

92,150 

Licensed premises in England that are in Tier 2 and Tier 3 areas after lockdown

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

"After what has undoubtedly been an 'annus horribilis' for the hospitality sector, in normal times we would now be entering the most important four trading weeks of the year. However, for the overwhelming majority of businesses in this sector they are operating under crippling conditions. Figures from UKHospitality suggest the sector could see around £7.8bn of revenue wiped out with the tier system in place, compared to last December. Any dreams that operators might have had of a post-lockdown bounce in England have quickly turned into the nightmare before Christmas as a result of these new restrictions. Much attention is being placed on what comes next given the messaging from the Prime Minister that restrictions will likely be in place well into the new year.

"What's critical now is how these businesses survive until the point an effective vaccine is rolled out across the country and hopefully allows society to open back up and a return to normality. While many larger groups will have funds to sustain them through reopening and the tough times ahead, smaller operators may not and face a highly uncertain future. The Government's latest offer of additional financial support appears unlikely to be sufficient to enable all businesses to survive. Unfortunately, given all of this, we expect that insolvency activity will ramp up in the early part of 2021 and the question remains how many of these sites will actually reopen and how many are lost for good."

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