



Issue 27



AlixPartners

Market Recovery Monitor

Review of GB pub, bar and restaurant supply

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Licensed premises closing at 30 a day

Introduction by Karl Chessell, CGA business unit director - hospitality operators and food, EMEA

A year on from the start of the COVID-19 pandemic, this edition of the Market Recovery Monitor shows its seismic impact on hospitality. Since December 2019 we have seen an average of nearly three permanent closures for every new opening, and a total of 11,894 closures, or 30 a day, is by far the highest that the Monitor has seen. In January alone we have seen 1,749 net closures—a sign that the very tough restrictions on trading in December dealt a final blow to many hospitality businesses.

While the sector can return for outdoor service from mid-April, this will only benefit a limited number of operators (see box below). With indoor eating and drinking not returning until mid-May at the earliest, sadly we can expect to see closures mount even higher. Government support and renewed investment will be needed to arrest this serious decline and, in time, counter the closures with new openings.

If there are any positives to be taken at the moment, they are that there is huge pent-up demand for hospitality among consumers; and that despite the carnage there is encouraging resilience in some segments of the market. While casual dining restaurants continue to suffer, managed food-led pubs have proved more durable (see page 2). Another upside is that we continue to see new sites opening: 4,170 in all—or more than ten a day—since December 2019. There has been a steady flow of new bars and cafes in particular.

Closures in recent months will give operators who endure the pandemic access to a wide range of vacant sites at competitive terms in due course, though the rate at which this slack is taken up remains to be seen. For now, it is a question of how many businesses can sustain themselves through to happier times.

1. Overview

Britain's licensed premises totalled 108,479 at the end of January 2021—the first time the number has dipped below 110,000 since CGA and AlixPartners started tracking market movement.

It follows unprecedented turbulence in the market that has seen some 12,000 pubs, bars, restaurants and other licensed sites close their doors since December 2019. Nearly 4,200 new openings emerged to make up some of the shortfall, but it leaves a net decline of 7,724 sites. The drop of **6.6%** is the steepest that we have ever recorded, and equivalent to nearly one net closure every hour. Nearly as many sites have now closed in the last 13 months as in the previous four years combined.

Sites closing and opening, December 2019 to January 2021

Note: 'Steady sites' refer to premises trading throughout the year

	Total sites	Steady sites	Sites closing	Sites opening	Net decline	% Net decline v Dec 19
January 2021	108,479	104,309	11,894	4,170	-7,724	-6.6%

7,724 Net decline in Britain's licensed premises between Dec 2019 and Jan 2021



Outside openings from mid-April

The Government's roadmap for hospitality gives venues the chance to open for outdoor trade from mid-April—but that is going to benefit some segments of the market much more than others.

Market Recovery Monitor data show just under 26,000 pubs, bars and restaurants in England have an outdoor area of some kind—**43.2%** of the total. This proportion rises to two thirds (**68.1%**) of venues in rural areas, but falls to fewer than half (**46.1%**) in suburban areas, and just a quarter (**25.2%**) on high streets. More than three quarters (**78.4%**) of food pubs have outdoor spaces, compared to just one in nine (**11.4%**) casual dining restaurants.

All this points to potentially welcome trade for pubs in late April and early May, but little gain for restaurants. Of course, many

operators may decide that their outdoor spaces won't generate sufficient sales to justify reopening ahead of indoor trading—and the vagaries of Britain's spring weather may put consumers off altogether.

	Sites in England with outdoor spaces	% of total sites in segment in England
Bar	637	15.7%
Bar restaurant	789	26.4%
Casual dining restaurant	584	11.4%
Community pub	11,459	71.0%
Food pub	8,463	78.4%
High street pub	3,030	56.6%
Restaurant	1,017	6.5%

2. England, Scotland and Wales

Although responses to the pandemic have been generally consistent across Britain, there have been some differences in the way the Scottish and Welsh governments have approached hospitality. How have they been reflected in the pattern of closures?

England, which accounts for well over **80%** of Britain's licensed premises, has seen 2.8 closures for every new opening since December 2019. Scotland, with 2.9, has experienced a similar rate. But in Wales the ratio is notably higher at 4.6 closures for every opening. While 725 premises have closed there, only 159 have opened.

This may be a result of the tough restrictions placed on hospitality in Wales—especially in late 2020, when premises were limited in their trading ahead of shutdown in England. It may also reflect the rural character of much of the market and the limited number of major cities compared to England; and the higher proportion of independent businesses, which have been less able to withstand the financial pressures of lockdowns.

England v Scotland v Wales: Sites closing and opening, December 2019 to January 2021

Note: 'Steady sites' refer to premises trading throughout the year

	Total licensed premises	Steady sites	Sites closing	Sites opening	Net decline	Closures per opening
England	91,652	87,978	10,192	3,674	-6,518	2.8
Scotland	9,994	9,666	938	328	-610	2.9
Wales	6,348	6,189	725	159	-566	4.6



Closures per opening in Wales between Dec 2019 and Jan 2021

3. Segments

The pandemic continues to hit eating-out operators a little harder than drink-led businesses, Market Recovery Monitor data suggests.

Britain's number of food-led venues dropped by **7.6%** between December 2019 and January 2021—a notably steeper fall than the **5.5%** suffered by drink-led sites. Restaurant closures have been driven by the casual dining sector, which has contracted by **15.8%**—equivalent to more than 1,000 casual dining restaurants, or nearly one in six of the total, shutting their doors since December 2019.

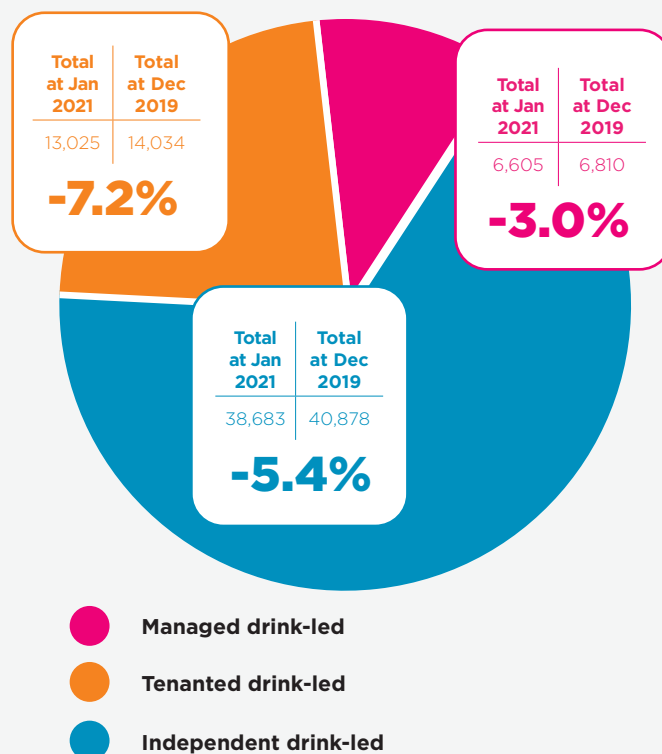
Drink-led businesses like community pubs (**down 6.2%**) and high street pubs (**down 5.4%**) have endured a little better since the start of the pandemic. This may be down to the level of support from local communities and government grants targeted at the drink-led sector, even if the latter has widely been regarded as insufficient. Group-run drink-led businesses have proved more resilient than independent or tenanted ones. Across the drink-led segment,

declines in the independent (**5.4%**) and tenanted (**7.2%**) segments have been significantly higher than the managed (**3.0%**) part of the market. This indicates the struggles that independent operators and tenants have faced in financing their businesses through long periods of closure with no income, while large managed groups have been able to draw on deeper reserves.



Decline in drink-led sites between Dec 2019 and Jan 2021

Drink-led closures by tenure, January 2021 v December 2019



Decline in food-led sites between Dec 2019 and Jan 2021

Food-led v drink-led closures, January 2021 v December 2019

	Total at Jan 2021	Total at Dec 2019	Net decline	% Net decline
Food-led	40,238	43,535	-3,297	-7.6%
Drink-led	58,313	61,722	-3,409	-5.5%

4. City and town centres

As we near a full year of on-off trading restrictions, we can see that British town centres have seen a slightly sharper decline in licensed premises than cities.

In some ways this is counter-intuitive. The sudden end to inbound tourism and the closure of offices has emptied many major city centres, while a surge in people working from home has pulled many consumers back into suburban areas and towns. However, so far at least, cities have proved more resilient than smaller urban areas. Figures here show that between December 2019 and January 2021 we saw 2.8 closures for every new opening in town centres—but a significantly lower ratio of 2.0 in city centres.

This may indicate the success of many city-centre businesses in pivoting towards takeaway, delivery and retail offers. It could also reflect the saturation of restaurants, pubs and bars in some provincial towns before the pandemic, and the need to reduce capacity.

But it also suggests that the country's biggest operators might be taking a long-term view to the crisis, and opting to close branches in secondary towns while maintaining city sites. They are betting on city centres bouncing back when life returns to something like normal in Britain, and there is certainly a lot of latent demand for both tourism and socialising in major cities. Popular town centres have reason to be optimistic about the future too, but cities may rebound fastest in 2021.

City centres v town centres: Sites closing and opening, December 2019 to January 2021

Note: 'Steady sites' refer to premises trading throughout the year

	Total licensed premises	Steady sites	Sites closing	Sites opening	Net decline	Closures per opening
City centres	11,686	10,925	1,559	761	-798	2.0
Town centres	20,467	19,515	2,703	952	-1,751	2.8

Britain's ten most resilient cities

While all city centres have been dramatically affected by the COVID-19 pandemic and lockdowns, some have proved more resilient than others. The data here shows that Sheffield, Liverpool, Edinburgh and Nottingham have all seen fewer than 3% of their licensed premises close since December 2019. Newcastle, Manchester, Brighton, Cardiff and Glasgow have all lost well below the 6.6% average for the whole of Britain in that time. Even central London, with a 6.3% decline, has so far held up better than some feared.

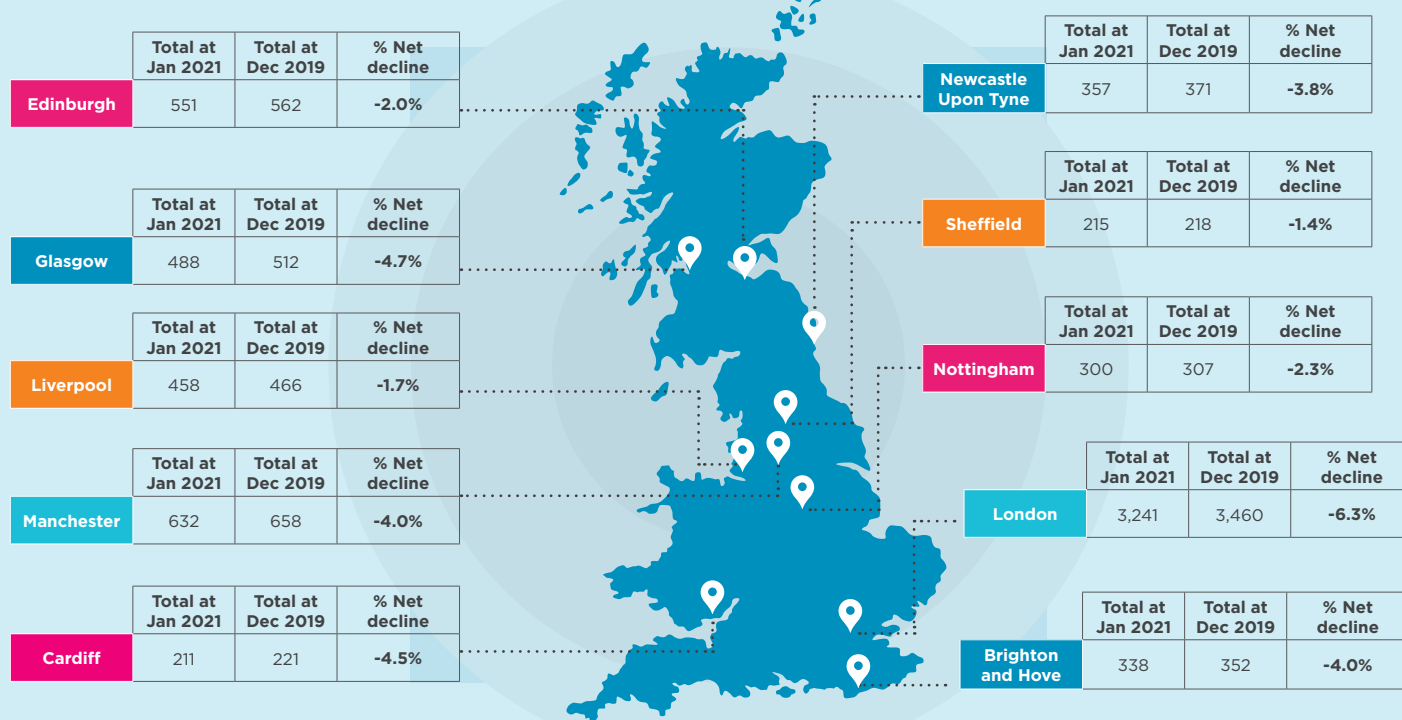
This indicates the durability and agility of businesses in these cities. More casualties are inevitable before lockdowns finally end, but there can also be optimism that hospitality in these city centres will spring back strongly when consumers start to return for work and leisure.



Closures in city centres per new opening between Dec 2019 and Jan 2021

Most resilient cities, January 2021 v December 2019

Includes all city centres with 200+ licensed premises



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

		Sites at Jan 21	Sites at Dec 19	Jan 21 vs Dec 19	% Jan 21 vs Dec 19
All Venues	Total	108,479	116,203	-7,724	-6.6%
	Managed	20,341	21,423	-1,082	-5.1%
	Independent	70,011	75,305	-5,294	-7.0%
	Tenanted	18,127	19,475	-1,348	-6.9%
Food-led Venues	Total	40,238	43,535	-3,297	-7.6%
	Managed	10,716	11,630	-914	-7.9%
	Independent	24,764	26,837	-2,073	-7.7%
	Tenanted	4,758	5,068	-310	-6.1%
Drink-led Venues	Total	58,313	61,722	-3,409	-5.5%
	Managed	6,605	6,810	-205	-3.0%
	Independent	38,683	40,878	-2,195	-5.4%
	Tenanted	13,025	14,034	-1,009	-7.2%
Accommodation-led Venues	Total	9,928	10,946	-1,018	-9.3%
	Managed	3,020	2,983	+37	+1.2%
	Independent	6,564	7,590	-1,026	-13.5%
	Tenanted	344	373	-29	-7.8%

Sources and definitions

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

'Independent' 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' 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

"While the Prime Minister stated in his address last week that the country was on a one-way road to freedom, the hospitality sector still faces months of subjugation. Businesses have spent almost an entire year closed or operating under the most severe restrictions, and the Government's roadmap to reopening does very little to ease their pain in the near-term. While permitting businesses to trade outdoors from mid-April will clearly benefit some segments of the market, a significant proportion of operators, even some of those with outdoor space, will not find it a viable option. For many businesses, it will not be until mid-June, when restrictions are more fully lifted, that they will be able to trade on a profitable basis.

The rapid acceleration in site closures since the start of the year demonstrates just how brutal the situation is. Businesses are burning through cash at an alarming rate as costs stack up, and within the sector there is despair as to why hospitality is at the back of the queue when it comes to reopening. The Budget is absolutely crucial to the future survival of thousands of sector businesses; a substantial package of financial support is needed to prevent greater numbers of closures across this year and beyond."

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