



MarketRecoveryMonitor

Review of GB pub, bar and restaurant supply

JUNE 2021

A quarter of sites closed as 'freedom day' delayed

Introduction by Karl Chessell, CGA director – hospitality operators and food, EMEA

After five weeks of limited outdoor openings, hospitality has made a steady but unspectacular return to inside service from 17 May. Three quarters of licensed premises were back trading by the end of the month, and as we see in this edition of the Market Recovery Monitor, the picture has been brightening for managed groups and big cities in particular—though trading has been modest in many places.

However, 25,000 sites remain closed, and the postponement of hospitality's full return in England until 19 July—and Scotland and Wales likely to follow that lead—throws the future of beleaguered operations into doubt. In addition to the fierce headwinds whipped up by mounting debt, recruitment problems, rising input costs and much more, operators now face four more weeks of severely curtailed trading—or, in thousands of cases, no trading at all.

The withdrawal of government support measures for these businesses including furloughing and tax cuts could be costly, and news of an extension of the moratorium on evictions of tenants until 2022 is a welcome first sign of backing. Britain already has nearly 10,000 fewer licensed premises than it did before the pandemic, and further backing is going to be needed if many more fragile businesses are to make it through.

76.2%

Of Britain's licensed premises open at end-May 2021

1. Overview

The last Market Recovery Monitor reported that around a third (32.9%) of Britain's licensed premises were open for trading during the period of outdoor-only service. By the end of May, a fortnight after hospitality got the green light to bring guests inside, the number had more than doubled, to **76.2%**. That is equivalent to about 80,500 venues trading.

The flip side of this is that just over 25,000 venues remained closed. It remains to be seen how many of these closures are temporary and how many are permanent, but constraining service until 19 July has shifted the balance towards the latter. Some venues that have been able to open have meanwhile reported underwhelming sales, and Coffer CGA Business Tracker data shows that managed groups' total sales in May were down

by **26%** on May 2019. Trading may have restarted, but it is still far off pre-COVID levels.

Beneath the headline numbers are more nuanced stories of openings and closures in four key areas. One: sites in England and Scotland—the latter of which faced tougher restrictions in April and May—have reopened faster than in Wales. Two: there has been a much sharper reopening of eating-out establishments than drink-led ones (see page 2). Three: the managed sector has returned confidently, while independents have been much slower (see page 3). And four: major city centres have been generally more robust than towns and suburbs—though London presents a uniquely complex picture (see page 3).

Late-night sector suffers another blow

The late-night sector has been hardest hit of all by COVID, and one in eight (**12.3%**) nightclubs have already been lost since March 2020. The postponement of clubs' reopening in England is likely to add significantly to that tally.

Market Recovery Monitor data shows around half (**49.9%**) of venues in the nightclub segment were open by the end of May. But limiting them to table service and barring the music and dancing elements of visits have wrecked sales, and the Coffer CGA Business Tracker shows bars traded well below restaurants and pubs in May. The reopening figure is not much higher in another sector that has been heavily restricted by socialising rules, sports and social clubs, at **54.1%**.

CGA's consumer research shows that more than two thirds (**69%**) of nightclub visitors aged 18 to 34 plan to visit more than or as often as they did before COVID when clubs return. Strong underlying demand means many clubs can return in due course, but the extra four weeks of waiting could be the final blow for others.

Reopenings by country

	% of sites trading at end-April 2021	% of sites trading at end-May 2021	Total known sites at end-May 2021
England	29.6%	76.5%	89,789
Wales	24.6%	69.8%	6,218
Scotland	31.1%	77.6%	9,722
Britain	32.9%	76.2%	105,729

2. Segments

A breakdown of Britain's licensed sector reveals the rapid reopening of the food-led segment in the second half of May.

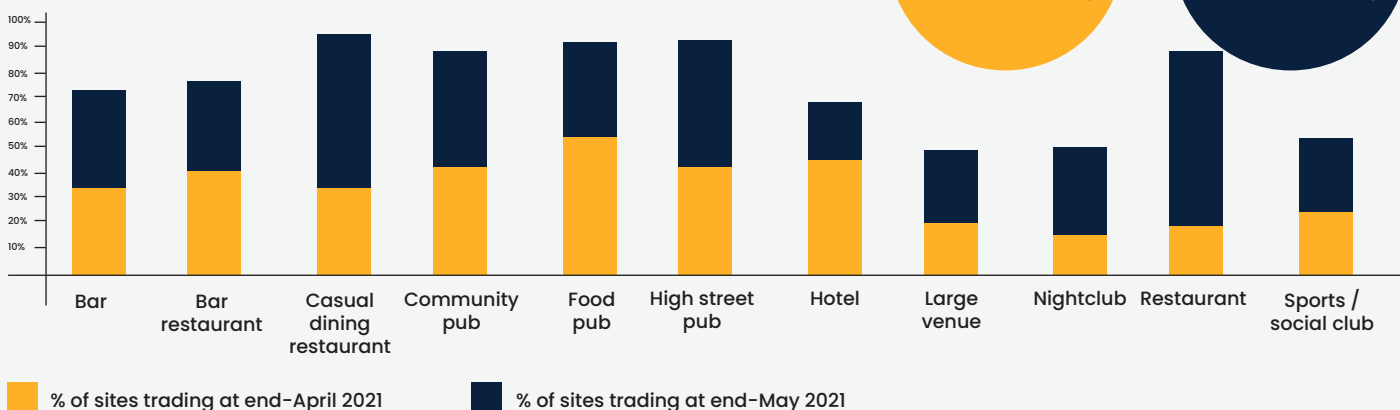
Just under three quarters (**71.1%**) of drink-led venues were open by the end of May—40 percentage points more than a month earlier. But the number of trading food-led sites jumped by 55 percentage points to **88.7%**.

Partly this reflects the relatively high number of pubs that were able to return in April, thanks to their greater availability of outdoor space. However, it also demonstrates how restaurants and other food-led venues have found it easier to resume inside trading than drink-led segments like bars and nightclubs.

As this table shows, the pub sector is now not far off pre-COVID levels, with around nine in ten high street pubs (**92.9%**), food pubs (**91.9%**) and community pubs (**89.3%**) back up and running. Restaurants (**87.5%**) nearly closed the gap in May though, and casual dining (**93.9%**) is the segment that has got closest of all to full reopening.

Casual dining tops another chart on this page: the list of segments with the highest rate of closures over the last 14 months. Market Recovery Monitor data shows that **20.3%** of Britain's casual dining restaurants have shut since March 2020. That is a total of 1,345 units, or more than three closures a day.

Reopenings by segment



Total known sites, March 2020 (start of pandemic) to May 2021

	Total known sites at end-May 2021	Total known sites at end-March 2020	% change in total known sites, May 21 vs Mar 20
Bar	4,361	4,552	-4.2%
Bar restaurant	3,296	3,685	-10.6%
Casual dining restaurant	5,280	6,625	-20.3%
Community pub	19,061	20,442	-6.8%
Food pub	12,020	12,590	-4.5%
High street pub	6,249	6,658	-6.1%
Hotel	7,460	7,773	-4.0%
Large venue	4,464	4,622	-3.4%
Nightclub	1,094	1,247	-12.3%
Restaurant	16,528	18,770	-11.9%
Sports / social club	21,306	22,782	-6.5%
Total sites	105,729	115,108	-8.1%



3. Tenure

The return of inside trading from 17 May saw a deepening of one of the most vivid contrasts of post-lockdown reopening: between the speedy return of managed sites and the ongoing struggles of independents.

More than nine in ten (**93.1%**) managed venues were back trading by the end of May, compared to just two thirds (**66.9%**) of indies. While this is a slight narrowing of the gap since the start of outdoor trading—the numbers of managed and indie sites grew by 41 and 43 percentage points respectively—it shows that managed groups have had more resources to restart operations than smaller firms.

Reopenings by tenure

	Total known sites at end-May 2021	Total sites trading at end-May 2021	% Sites trading at end-May 2021	% change in total known sites, May 21 vs Mar 20 (pre-pandemic)
Managed	20,065	18,671	93.1%	-6.5%
Independent	67,712	45,314	66.9%	-8.8%
Leased	17,952	16,559	92.2%	-7.3%

4. Location

So far at least, inside trading is benefiting urban venues more than rural ones.

Data here shows that four in five (**80.1%**) high street sites were back open by the end of May—more than in suburban (**75.4%**) and rural (**72.8%**) areas. The proportion is even higher in city centres (**81.3%**), which overlaps with the high street segment.

This is a big catch-up from April, when trading was limited to outside service—which favoured rural operators, who tend to have greater outdoor space. Inside opening led to an increase of **51.5** percentage points in the number of high street venues trading, compared to increases of **42.6** and **35.1** percentage points in suburban and rural areas.

The return of inside areas has led to some impressive numbers in major cities. Well over four in five sites were back by the end of May in regional hubs like Nottingham (**87.6%**), York (**86.6%**), Bristol (**86.4%**), Liverpool (**84.9%**), Edinburgh (**84.8%**) and Leeds (**83.6%**), and not far off that in most other top cities. All these numbers should nudge up again hopefully when the late-night sector is finally able to return.

	Total known sites at end-May 2021	Total sites trading at end-May 2021	% Sites trading at end-May 2021	Percentage point change, end-May v end-April 2021
City centre	10,480	8,515	81.3%	49.1
High street	35,319	28,287	80.1%	51.5
Suburban	38,160	28,777	75.4%	42.6
Rural	32,249	23,479	72.8%	35.1

81.3%   

Of Britain's city centre licensed premises trading at end-May 2021

Groups have also been more resilient to permanent closures than independents since the start of the pandemic. The managed sector is now **6.5%** smaller than it was in March 2020, while the independent segment has been trimmed by **8.8%**.

More independent venues will return in due course—especially when restrictions ease and the indie-dominated sports and social club segment can get back on its feet. But in the meantime, these figures highlight how hard COVID has hit small hospitality businesses. Targeted and sustained government support is going to be essential if permanent closures are to be averted in the second half of 2021.

London

By the end of May, just under four in five (**79.9%**) of inner London's licensed premises were trading. That is above the nationwide average of **76.2%**, but well below many other big cities.

As this data shows, reopenings have followed a similar pattern in outer parts of the capital. In both cases, food-led sites have returned to much fuller capacity than drink-led ones. It follows a drop in restaurants that means inner London now has **12.8%** fewer food-led sites than it did in March 2020, before COVID-19 hit—a decline that is twice the drop in the drink-led sector (**6.1%**). Central London's total decline of **11.4%** represents a bigger clearout than the **8.4%** average for Britain's next ten biggest cities for licensed premises—and that has given remaining businesses a little more room to breathe and confidence to reopen.

London's hospitality market will undoubtedly bounce back when tourists and commuters return, and that will be crucial to the whole country's economic recovery. However, lockdowns have hit the capital harder than other big cities in the short-term, and the eating and drinking out landscape that emerges in the months ahead may well look significantly different to before COVID.

London reopenings by region and segment

	Total known sites at end-May 2021	Total sites trading at end-May 2021	% Sites trading at end-May 2021	% change in total known sites, May 21 vs Mar 20 (pre-pandemic)
Inner London: Total	8,191	6,548	79.9%	-9.9%
Inner London: Food-led	4,773	4,138	86.7%	-12.8%
Inner London: Drink-led	2,779	2,018	72.6%	-6.1%
Outer London: Total	4,805	3,846	80.0%	-10.6%
Outer London: Food-led	2,350	2,085	88.7%	-14.2%
Outer London: Drink-led	2,182	1,559	71.4%	-7.2%

Comment from **AlixPartners**

"Many operators will have reopened in anticipation of restrictions falling away on 21 June, and likely forecast and accepted suppressed trade for the period up to that point. While far from ideal, knowing that 'Freedom Day' was on the horizon meant operators could battle through this challenging time, perhaps welcoming team members back to the business in anticipation and getting operations up to speed.

"A further delay of four weeks is a devastating blow, creating significant uncertainty and further financial strain, in particular for drink-led venues. At a time when Euro 2020 is in full swing and there is a feelgood factor across the country, this extension to restrictions could not have come at a worse time for pubs and other drink-led venues. The delay is a setback for companies' financial plans and will ramp up the pressure on balance sheets even further. While the rent moratorium may have been extended into next year, there is a toxic cocktail of costs for operators to swallow which not only casts doubt as to how many of those venues still closed will actually reopen under their current ownership – but whether those trading will have to shut their doors again."

Graeme Smith, managing director, AlixPartners, gsmith@alixpartners.com

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

		Sites at May 21	Sites at March 20	May 21 vs March 20	% May 21 vs March 20
All Venues	Total	105,729	115,108	-9,379	-8.1%
	Managed	20,065	21,461	-1,396	-6.5%
	Independent	67,712	74,271	-6,559	-8.8%
	Leased	17,952	19,376	-1,424	-7.3%
Food-led Venues	Total	38,461	43,126	-4,665	-10.8%
	Managed	10,527	11,659	-1,132	-9.7%
	Independent	23,218	26,437	-3,219	-12.2%
	Leased	4,716	5,030	-314	-6.2%
Drink-led Venues	Total	57,467	61,229	-3,762	-6.1%
	Managed	6,538	6,777	-239	-3.5%
	Independent	38,032	40,478	-2,446	-6.0%
	Leased	12,897	13,974	-1,077	-7.7%
Accommodation - led Venues	Total	9,801	10,753	-952	-8.9%
	Managed	3,000	3,025	-25	-0.8%
	Independent	6,462	7,356	-894	-12.2%
	Leased	339	372	-33	-8.9%

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.

'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.