Issue 33

MarketRecoveryMonitor

Review of GB pub, bar and restaurant supply

JANUARY 2022

Omicron threatens fragile recovery as hospitality venue numbers grow in fourth quarter

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

Following nearly two years of relentless challenges for hospitality, it is a relief to report some encouraging signs in this edition of the Market Recovery Monitor.

A net increase in licensed premises over the fourth quarter of 2021 is testament to the resilience of operators and the enduring appeal of Britain's pubs, restaurants and bars. It is particularly pleasing to see green shoots in the independent sector (see page 2), which has been particularly vulnerable to COVID restrictions, but which is so important to hospitality's diversity and innovation.

The modest increase in site numbers is in line with the solid growth in managed groups' sales that CGA reported over the autumn. However, this trading revival was abruptly halted in December, as concerns about the Omicron variant and fresh trading restrictions badly damaged trading at what should have been the busiest time of the year. The various trading restrictions, such as in-venue social distancing, have impacted over 16,000 sites in Scotland and Wales, equivalent to **15%** of the GB licensed market.

Coming on top of other challenges, including rapidly rising food and energy costs, staff shortages and supply problems, the tough festive season leaves many businesses in a precarious position as 2022 opens. It threatens hospitality's recovery just as it was gathering momentum, and highlights the need for more government support. Emergency grants have been welcome, but more assistance on tax and costs is going to be needed. Hospitality is ready to power Britain's post-COVID economy, but only if it gets the support it deserves in the months ahead.

+1,672
Net change in outlets between September and December 2021

-8,228
Net change in outlets between March 2020 and December 2021

1. Overview

The last edition of the Market Recovery Monitor showed that Britain had a total of 105,208 licensed premises in September 2021. Three months on, that number had risen by 1,672 to 106,880. This is a net increase of **1.6%**, and the first quarter-on-quarter rise that we have reported in the Monitor for more than five years.

As this table shows, there has been modest net growth in numbers across all areas of the market, though it has been slightly higher in food-led segments like casual dining than in pubs. Some of the most striking growth has been seen in bars and nightclubs, thanks to the return of the late-night market after well over a year of restrictions.

However, these positive short-term trends cannot disguise the scars that COVID-19 has left on hospitality. Since the effects of the pandemic began to be felt in March 2020, there has been a net decline in numbers of 8,228 sites—equivalent to a net drop of around 13 venues every day.
The number of casual dining restaurants is now **17.3%** lower than in March 2020, while other restaurants have dropped by **10.1%** and nightclubs by **17.0%**.

The fourth-quarter figures are a very welcome sign that capacity is returning to the market, but it is unlikely to return to pre-COVID years for many years to come—if at all. As we hopefully begin to pass the worst of the pandemic, it is clear that Britain's eating and drinking out landscape has changed dramatically.

Total sites by segment, December 2021 v March 2020 and September 2021

	Sites at March 2020	Sites at Sep 2021	Sites at Dec 2021	% change in sites, Dec 2021 v March 2020	% change in sites, Dec v Sep 2021
Bar	4,552	4,395	4,507	-1.0%	+2.5%
Bar restaurant	3,685	3,281	3,372	-8.5%	+2.8%
Casual dining restaurant	6,625	5,342	5,477	-17.3%	+2.5%
Community pub	20,442	18,830	19,126	-6.4%	+1.6%
Food pub	12,590	11,979	12,115	-3.8%	+1.1%
High street pub	6,658	6,195	6,265	-5.9%	+1.1%
Hotel	7,773	7,427	7,525	-3.2%	+1.3%
Large venue	4,622	4,493	4,559	-1.4%	+1.5%
Nightclub	1,247	1,004	1,035	-17.0%	+3.1%
Restaurant	18,770	16,519	16,878	-10.1%	+2.2%
Sports / social club	22,782	21,178	21,343	-6.3%	+0.8%
Total	**115,108**	**105,208**	**106,880**	**-7.1%**	**+1.6%**

106,880
Total licensed premises in Britain at December 2021

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2. Trends by tenure

Since the start of the pandemic, independent operators have been harder hit by restrictions than their managed counterparts. Lacking the financial reserves of some bigger companies, many indies have been unable to ride out lockdowns, trading restrictions and drops in consumer demand. By the end of December 2021, their total numbers were **7.8%** lower than at March 2020—a drop more than twice as steep as the **3.5%** of the managed sector.

Towards the end of 2021, we finally saw a halt to the slide. Between September and December, there was a **1.8%** net increase in independent venues, with an even higher climb of **2.1%** in the free restaurant segment. It reflects the entrepreneurialism of those who took advantage of empty premises and good rental deals so start new businesses. It also reflects a wave of openings from people who had been waiting for market conditions to improve, and who finally felt able to launch in the fourth quarter of 2021.

+1.8%

Net change in independent outlets between September and December 2021

This optimism was unfortunately tempered in December, when the spread of the Omicron variant prompted many people to stay at home and cancel Christmas and New Year celebrations. The effect on independent restaurant, pub and bar numbers remains to be seen, but the shortfall in fourth-quarter sales will have hit the cash reserves that small businesses need to tide them through the quieter first few months of the year. Urgent help is now needed to protect them until consumer demand builds.

In the managed sector, site numbers increased by **1.6%** between September and December, and by **2.6%** in both the high street pub and community pub segments. There was similar growth in the 2021-on-2019 increases of **3%** and **2%** in managed groups' sales in October and November respectively, as measured by the Coffer CGA Business Tracker.

Total sites by segment, December 2021 v March 2020 and September 2021

	Sites at March 2020	Sites at Sep 2021	Sites at Dec 2021	% change in sites, Dec 2021 v March 2020	% change in sites, Dec v Sep 2021
Managed	21,461	20,380	20,708	-3.5%	+1.6%
Independent	74,271	67,267	68,470	-7.8%	+1.8%
Leased	19,376	17,561	17,702	-8.6%	+0.8%

-7.8%

Net change in independent outlets between March 2020 and December 2021

3. Trends by location

Shortfalls in office workers and tourists have hurt hospitality businesses in city centres and large towns during the pandemic, and their numbers are now **8.0%** and **7.5%** lower respectively than in March 2020. Last summer and autumn brought something of a revival though, as restrictions eased, late-night venues returned and consumer confidence increased.

+1.9%

Net change in high street outlets between September and December 2021

This has now fed through into high street site numbers, which recorded a net increase of **1.9%** between September and December. As this table shows, high-street growth was notably higher than the **1.4%** net increase in both suburban and rural areas.

Nevertheless, the high street has seen total licensed premises numbers dip by **8.3%** since March 2020, and the contrast with the pre-COVID landscape is very stark in many towns and cities. With December trading difficult and commuters and international tourists still in short supply, their recovery has a long way to go.

Total sites by location, December 2021 v March 2020 and September 2021

	Sites at March 2020	Sites at Sep 2021	Sites at Dec 2021	% change in sites, Dec 2021 v March 2020	% change in sites, Dec v Sep 2021
High street	39,206	35,248	35,934	-8.3%	+1.9%
Suburban	41,514	37,969	38,516	-7.2%	+1.4%
Rural	34,387	31,990	32,429	-5.7%	+1.4%

-8.3% Net change in high-street outlets between March 2020 and December 2021

City centres

There were some positive fourth-quarter opening trends in city centres High streets, with their site numbers increasing by **1.9%** between September and December. The centres of big cities like Liverpool **(+4.4%)**, Leeds **(+3.9%)**, Edinburgh **(+3.3%)**, Manchester **(+2.5%)** and Newcastle **(+2.3%)** were all up by above that average after a flurry of new openings before Christmas.

Numbers in all five cities are still well below pre-COVID levels of course, and some consumers' anxiety about crowded places continues to dent footfall there—but the latest figures suggest a positive long-term outlook. The picture is also encouraging In London, where a **10.1%** net drop in sites since March 2020 contrasts with a **1.6%** increase since September 2021.

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Comment from AlixPartners

"It has been another tough few weeks for the hospitality industry, in particular with the loss of lucrative trade over the festive period due to trading restrictions, and significant challenges remain as the industry faces into inflationary cost headwinds and grapples with the exit from the remaining Coronavirus restrictions. The full cost of this for the industry will only become clear as the UK emerges from the pandemic, but with 8,000 fewer sites in the sector than March 2020, it is clear that the UK's hospitality landscape has dramatically changed.

"There are, however, signs of light on the horizon, as the Government's decision to reduce isolation times for those testing 'positive' suggests that we may see a further relaxation of restrictions in the coming months. Ultimately, when the sector has the oxygen of being allowed to trade without restrictions – as was the case in England between July and mid-December – demand is strong, providing hope for a sustainable recovery."

Graeme Smith, Managing Director, AlixPartners, gsmith@alixpartners.com

Market summary: Total sites across three key segments: food-led, drink-led and accommodation-led

		Sites at March 2020	Sites at Sep 2021	Sites at Dec 2021	Dec 2021 v Sep 2021	% change Dec 21 v March 2020	% change Dec 21 v Sep 2021
All Venues	**Total**	**115,108**	**105,208**	**106,880**	**+1,672**	**-7.1%**	**+1.6%**
	Managed	21,461	20,380	20,708	+328	-3.5%	+1.6%
	Independent	74,271	67,267	68,470	+1,203	-7.8%	+1.8%
	Leased	19,376	17,561	17,702	+141	-8.6%	+0.8%
Food-led Venues	**Total**	**43,126**	**38,457**	**39,220**	**+763**	**-9.1%**	**+2.0%**
	Managed	11,659	10,642	10,793	+151	-7.4%	+1.4%
	Independent	26,437	23,168	23,726	+558	-10.3%	+2.4%
	Leased	5,030	4,647	4,701	+54	-6.5%	+1.2%
Drink-led Venues	**Total**	**61,229**	**57,028**	**57,776**	**+748**	**-5.6%**	**+1.3%**
	Managed	6,777	6,739	6,885	+146	1.6%	+2.2%
	Independent	40,478	37,700	38,222	+522	-5.6%	+1.4%
	Leased	13,974	12,589	12,669	+80	-9.3%	+0.6%
Accommodation-led Venues	**Total**	**10,753**	**9,723**	**9,884**	**+161**	**-8.1%**	**+1.7%**
	Managed	3,025	2,999	3,030	+31	0.2%	+1.0%
	Independent	7,356	6,399	6,522	+123	-11.3%	+1.9%
	Leased	372	325	332	+7	-10.8%	+2.2%

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.