



MarketRecoveryMonitor

Review of GB pub, bar and restaurant supply

OCTOBER 2021

980 more sites lost as pressures mount

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

News in this edition of the Market Recovery Monitor that nearly 1,000 more licensed premises were lost between July and September is a reminder—if it were needed—that hospitality’s COVID crisis is far from over.

The rate of closures has slowed from the peaks of last summer and early 2021, but difficulties continue in key parts of the market, like the independent and late-night sectors. Challenges have been intensified by severe operational difficulties including shortages of labour and disruption to supply—both of which have come at the worst possible time for businesses that have not long returned.

As we see in this Market Recovery Monitor, there are some bright spots in the market and reasons for optimism about the

long-term future of hospitality, especially its managed groups. CGA’s trading data indicates that sales began to build good momentum over the summer, and business and consumer confidence levels are gradually recovering. However, thousands of businesses remain extremely vulnerable, and more closures are possible if these significant trading challenges are not addressed. More government support, for example on VAT and rates relief, may be needed to prevent hospitality’s recovery stalling.

105,208

Total known licensed premises in Britain at September 2021



1. Overview

July’s edition of the Market Recovery Monitor showed that Britain had a total of 106,188 licensed premises. Two months on, that number has dropped by another 980 venues, or **0.9%**. It equates to more than 100 closures every week, or 16 a day.

As this table shows, closures over the last two months have been spread fairly evenly across the market. Leading segments like community, high street and food pubs and restaurants have all seen numbers trimmed by between **0.5%** and **1.2%** since July. Across the board, food-led venues have been reduced by **0.8%** since July, and the drink-led and accommodation-led sectors by **1.0%** (see page 4).

The outlier is the nightclub segment, where numbers dipped by 9.0% between July and September. There are now only just over 1,000 nightclubs in Britain, and with some consumers still anxious about crowded venues, we may see the number dip into three figures by the end of the year. While clubs were given the green light to open again in early July, 18 months of closure have taken their toll on the sector, and a fifth of the pre-pandemic total have now been lost since March 2020.

	Total known sites at July 2021	Total known sites at Sep 2021	% change in total known sites, July to Sep 2021
Bar	4,447	4,395	-1.2%
Bar restaurant	3,315	3,281	-1.0%
Casual dining restaurant	5,376	5,342	-0.6%
Community pub	19,066	18,830	-1.2%
Food pub	12,043	11,979	-0.5%
High street pub	6,249	6,195	-0.9%
Hotel	7,481	7,427	-0.7%
Large venue	4,519	4,493	-0.6%
Nightclub	1,103	1,004	-9.0%
Restaurant	16,688	16,519	-1.0%
Sports / social club	21,261	21,178	-0.4%
Total	106,188	105,208	-0.9%

COVID closures: September 2021 v March 2020

It is now 18 months since the first effects of COVID-19 were felt in hospitality, and the damage continues to mount. Between March 2020 and September 2021, Britain’s number of licensed premises shrunk by 9,900, or **8.6%** of the pre-pandemic total. That is equivalent to 550 net closures a month.

Market Recovery Monitor data here emphasises how eating venues have been hit hardest over the 18 months. More than one in ten of them have been lost since last March, with independent restaurants the most vulnerable segment. Drink-led venues have dropped by **6.9%**, and managed drinking venues by just **0.6%**—perhaps reflecting their ability to get up and running again after lockdowns with fewer operational challenges than their food-led counterparts.

Total known sites by type, March 2020 to September 2021

	Total known sites at March 2020	Total known sites at Sep 2021	Net closures, March 2020 to Sep 2021	% change in total known sites, March 2020 to Sep 2021
Food-led	43,126	38,457	-4,669	-10.8%
Drink-led	61,229	57,028	-4,201	-6.9%
Accommodation-led	10,753	9,723	-1,030	-9.6%
Total	115,108	105,208	9,900	-8.6%

2. Seven key trends

1. Independents' struggles go on

Britain's independently-run licensed premises shrunk by a further **1.0%** between July and September 2021, and they accounted for nearly three quarters of all closures in that time. Numbers have now plunged by more than 7,000 since March 2020, and the latest decline is a sign that the pain is not over yet. While many independents have got up and running over the summer, and some new ones have emerged on vacated sites, a shortage of staff and rising costs has hurt other businesses and held back other prospective new ones.



2. Managed groups building back

In contrast to the independent sector, managed groups have made a stable start to reopening. They were actually in growth over the summer, their numbers edging up by **0.1%** between July and September. Pipelines of new openings are starting to fill in this sector too, as small to medium sized groups in particular seek to take advantage of relatively low property and fit-out costs. Nevertheless, total managed premises have dropped by 1,081—**5.0%** of the total—since March 2020. While consumer confidence and spending are building, they remain very much in the recovery phase, and growth ambitions will have to be tempered by caution for some time to come.



3. A mixed picture for the leased sector

The trajectory for the leased sector has followed the independent market. Leased venues have dropped by **1.7%** since July 2021 and **9.4%** since March 2020—a net closure total of 1,815 sites in 18 months. With their customers' spend returning, but facing the same recruitment, cost and supply pressures as managed and indie operators, the future of leased operators will be keenly watched.



Total known sites by tenure, July to September 2021

	Total known sites at July 2021	Total known sites at Sep 2021	% change in total known sites, July to Sep 2021
Managed	20,362	20,380	+0.1%
Independent	67,968	67,267	-1.0%
Leased	17,858	17,561	-1.7%

4. Similar patterns in cities, towns and rural areas

The first waves of national and local lockdowns hit city centres first, as people switched to remote working and, when permitted out again, stayed close to home—trends that played to the advantage of suburban and town operators. However, after restrictions eased in July, the rate of net closures has been almost exactly the same in cities (down **0.9%**), large towns (down **1.0%**), small towns (down **0.9%**) and rural areas (down **0.7%**), with cities benefitting from increased domestic tourism and a slow return to the office. As offices continue to reopen and international travel builds, we can expect to see city-centre trading and openings start to recover further, though continued domestic tourism should work in favour of rural pubs and restaurants too.

0.9% Percentage of city net closures between July and September 2021



5. Even closures from region to region

COVID's blanket impact is also reflected in site numbers by region. As defined by BARB, all regions have seen a drop in numbers of between **0.7%** and **1.3%** since July 2021, and of between **6.4%** and **9.9%** since March 2020. In previous recessions we have seen something of a north-south divide in hospitality's fortunes, with trading holding up slightly better in London and the south than in other regions, but that hasn't been the case this time round.

Seven key trends... continued

6. Some city centres faring better than others

While closure patterns are similar across Britain, there have been a few small but interesting differences in site numbers in Britain's ten biggest city centres. Manchester and Glasgow have lost fewer than **1%** of their licensed premises since July, while three city centres—Edinburgh, Birmingham and Nottingham—have lost more than **2%**. Central London, which has more premises than the next seven centres combined, sits in the middle with a **1.2%** decline. The licensed sector in the capital has contracted by **11.5%** since March 2020, but with footfall increasing the worst of the damage might be over.

Total known sites in Britain's leading city centres, July to September 2021

Includes ten city centres with the most licensed premises



7. Green shoots for casual dining

After sustained growth in the 2010s, the casual dining segment has been substantially reduced during the pandemic. In this sector, the number of restaurants fell by nearly 1,300 between March 2020 and September 2021—nearly a fifth of the pre-COVID total. However, the downward trend has slowed lately, with numbers clipped by just **0.6%** since July, and many casual dining brands are now dusting off expansion plans that were shelved 18 months ago. Further casualties are possible in this segment, but new openings, from ambitious start-up groups as well as established brands, are likely to gather pace.

COVID closures by outlet quality

Market Recovery Monitor analysis of closures by quality of outlet provides some fascinating insights into COVID's effects—and emphasises the point that the pandemic has been largely indiscriminate in its impact on hospitality.

As this table shows, the number of venues in CGA's highest category of Platinum has dropped by **9.2%** since March 2020, while there has been a **9.5%** drop in the lowest Bronze segment. It shows how upmarket venues like premium wine bars and fine dining restaurants have been just as vulnerable to closures as value-driven pubs and social clubs.

Reductions in the middle two categories, Gold and Silver, have been a little lower, at **8.4%** and **7.8%**. This suggests that mainstream venues that find the sweet spot between value and quality have been better insulated against problems than ones at either end of the price spectrum—though not by much.

There are nuances between segments. The number of premium bars, for example, fell by **9.0%** between March 2020 and September 2021, perhaps because many of these venues depend on city-centre footfall and after-work drinks, both of which were decimated by COVID. Bronze bars, by contrast, have grown in number by **1.9%**, possibly since more consumers have been tightening their spending and staying close to home.

In the food pub category, the trend is reversed. Bronze food pubs have dipped by **6.7%** since March 2020, but Platinum ones by only **1.2%**—which suggests that people's expectations of quality in pub restaurants might be rising. Platinum venues have suffered fewer closures than Bronze ones in the community and high street pub segments too.

Total known sites by outlet quality, March 2020 to September 2021

	Total known sites at March 2020	Total known sites at Sep 2021	% change in total known sites, March 2020 to Sep 2021
Platinum	5,683	5,160	-9.2%
Gold	27,137	24,868	-8.4%
Silver	42,303	39,007	-7.8%
Bronze	39,985	36,201	-9.5%

Mostly, though, the figures show how COVID has inflicted business failures across the board. For venues that have survived, the lesson may be that consumers are increasingly looking not for quality or value when eating or drinking out, but both.

Outlet quality explained

CGA's quality categorisation is based on outlets' stocking and pricing information and analysis of demographic and socio-economic data. The calculations place each venue in one of four segments: from Platinum at the top down to Gold, Silver and Bronze at the bottom. For more about how the categorisation works, and how it helps businesses deepen their understanding of venues and brand positioning, contact hello@cgastrategy.com.

Comment from **AlixPartners**

"These figures are a stark reminder, if needed, that the full lifting of restrictions in July did not signal an end to the challenges faced by hospitality businesses. The summer was characterised by issues around labour shortages and supply chain complications, which have run into the autumn and show little sign of easing in the short term. While many groups are reporting robust sales and strong consumer demand, the fact remains that inflationary pressures are squeezing margins and operational costs are escalating. Combined with this month's VAT increase and the end of the furlough scheme, operators face renewed headwinds that offset some of the optimism from strong demand as the key festive trading period approaches.

"Analysis of closures over the past 18 months reveals how the pandemic has been largely indiscriminate and inflicted significant damage across the board. Outlets of all quality, from city-centre fine dining venues to local community pubs, have borne the brunt and the market has shrunk by almost 10,000 sites when compared to pre-COVID times. This shakedown does, however, present a host of opportunities for a select group of ambitious operators. There are genuine prospects to accelerate growth during this period through opportunistic expansion or acquisitions, and conversations with investors show a healthy appetite for deal activity."

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

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

		Sites at July 21	Sites at Sep 21	Net closures, July to Sep 2021	% change, July to Sep 2021
All Venues	Total	106,188	105,208	-980	-0.9%
	Managed	20,362	20,380	+18	+0.1%
	Independent	67,968	67,267	-701	-1.0%
	Leased	17,858	17,561	-297	-1.7%
Food-led Venues	Total	38,785	38,457	-328	-0.8%
	Managed	10,657	10,642	-15	-0.1%
	Independent	23,418	23,168	-250	-1.1%
	Leased	4,710	4,647	-63	-1.3%
Drink-led Venues	Total	57,581	57,028	-553	-1.0%
	Managed	6,701	6,739	+38	+0.6%
	Independent	38,070	37,700	-370	-1.0%
	Leased	12,810	12,589	-221	-1.7%
Accommodation-led Venues	Total	9,822	9,723	-99	-1.0%
	Managed	3,004	2,999	-5	-0.2%
	Independent	6,480	6,399	-81	-1.3%
	Leased	338	325	-13	-3.8%

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.

'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.