Issue 28

5 YEARS
BRINGING YOU DATA ANALYSIS

MarketRecoveryMonitor

Review of GB pub, bar and restaurant supply

MARCH 2021

Reopening nears after 7,600 sites lost in a year

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

January and February 2021 have been the toughest two months that the hospitality industry as we know it has seen. This edition of the Market Recovery Monitor shows that Britain has lost 2,713 licensed premises in those two months alone—by far the highest rate since CGA and AlixPartners started reporting figures. The number will undoubtedly rise substantially before hospitality's full reopening in May.

By then, however, there are reasons to hope that the worst will be behind us. The government's roadmap to reopening, while longer than the industry hoped, provides clarity for planning, and support in the Budget will give some struggling firms the help they need to make it through to May.

Meanwhile, all of CGA's consumer research points to major pent-up demand for hospitality, and our recent Business Leaders' Survey shows that those at the top are more confident about prospects than they have been since the start of the pandemic—and some are now planning new openings rather than more closures. As we see in this report, managed groups have been much more resilient than the battered independent sector, and major city centres may be well placed to bounce back.

It has been an unremittingly tough 12 months, and there is more pain to come. But there is light at the end of the tunnel—and it starts with the scope for outdoor trading from mid-April that we explore below.

1. Outside reopening: who can trade next month?

As we near the reopening of hospitality for outdoor service in mid-April, reports of operators being inundated with bookings suggests a good kickstart to sales ahead of a full relaunch in mid-May. But how many sites will actually be open?

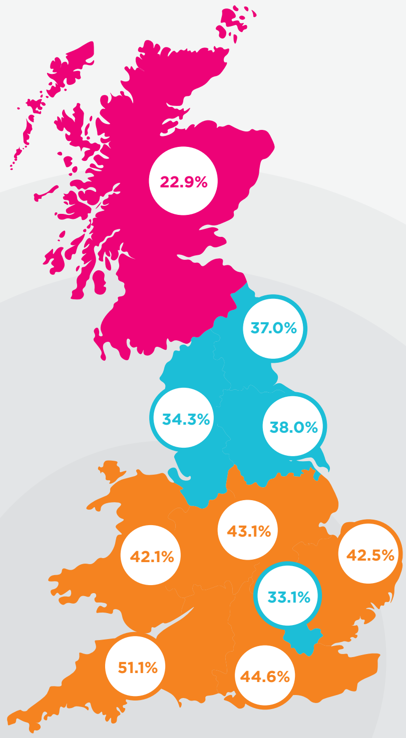
Across Britain, CGA's Outlet index shows that around 41,100 sites, or **38.2%** of the total, have a garden, terrace or other outdoor area that they can trade from—which includes, after clarification from the government, car park space. This means roughly two in five licensed premises will have some sort of footprint in which to operate. Not all of them will do so, because the limitations of their space and the costs of equipping and staffing them will make it impossible to trade profitably.

Equally, however, some businesses without outdoor areas may yet be able to open if local authorities give permission to use street space for tables and chairs. Authorities in parts of some cities, including London's Soho and Manchester's Northern Quarter, have taken this approach after previous lockdowns, and doing so again would give a welcome impetus to reopening in April.

As things stand, pubs will be reaping much more benefit from outdoor opening than restaurants. CGA's data suggests four in five **(80.5%)** community pubs in England, and even more food pubs **(86.4%)** have outside space to use—but just **11.9%** of casual dining restaurants and **7.2%** of other restaurants have that luxury.

This map shows how outdoor reopening will suit some regions more than others. In the largely rural South West, for example, more than half **(51.1%)** of sites can potentially trade outside, but the proportion is below a third in London **(33.1%)**, where space is at a higher premium.

In Wales, where hospitality is due to reopen outside from 22 April, **42.1%** of sites have outdoor areas. But in Scotland, less than a quarter **(22.9%)** will have any space to use when the sector is able to open outdoors from 26 April. Scotland has far fewer community and food pubs with gardens or patios, reflecting their heavy concentration in city centres—and, perhaps, the famed unpredictability of the Scottish weather.



20 to 30% of sites with outdoor spaces

30 to 40% of sites with outdoor spaces

40% + of sites with outdoor spaces

	% of segment sites with outdoor spaces		
	England	Scotland	Wales
Bar	17.2%	14.7%	15.1%
Bar restaurant	28.7%	22.7%	26.5%
Casual dining restaurant	11.9%	10.1%	16.7%
Community pub	80.5%	26.8%	73.3%
Food pub	86.4%	48.9%	80.1%
High street pub	60.2%	29.5%	49.7%
Restaurant	7.2%	6.0%	9.7%

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2. One year on: the market since March 2020

As the graph here shows, the pandemic's impact on Britain's licensed premises has got progressively worse over the last 12 months—for small businesses in particular.

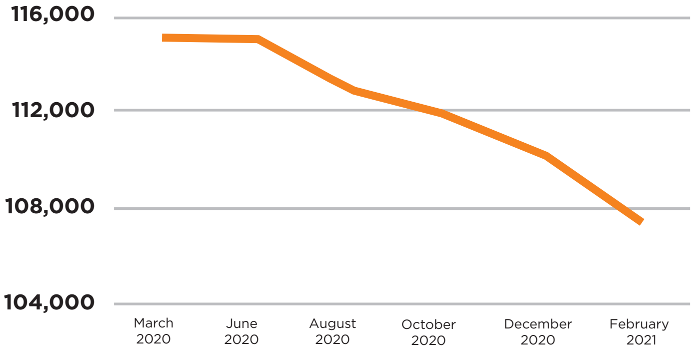
In March 2020, Britain had just over 115,000 licensed premises, and that number held steady until the summer, thanks to government support and optimism that lockdowns would not return. By October it had dipped by just over 3,000 sites as consumer spending proved to be restrained, despite the stimulus of the Eat Out to Help Out scheme. Closures then slowed a little over the autumn as businesses hoped for decent Christmas trading.

2,713

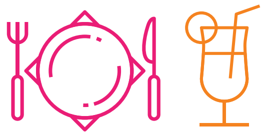
Net decline in licensed premises between Dec 2020 and Feb 2021

However, strict limits in December followed by national lockdown from the start of 2021 have triggered another wave of closures. We saw a net decline of 2,713 premises between the end of last year and the end of February 2021—an average of 46 closures a day. The pace appeared to slow a little in February compared to January, when the aftermath of disastrous Christmas trading pushed many businesses to the wall. But by the end of last month, Britain's total licensed premises stood at 107,516—7,592 fewer than at March 2020.

Britain's licensed premises, March 2020 to February 2021



7,592

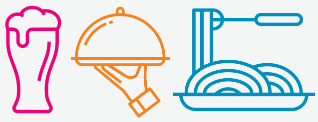


Net decline in licensed premises between Mar 2020 and Feb 2021

3. Tenure

Much of the media coverage of closures in the hospitality sector has focused on challenges for the UK's leading groups. However, managed restaurants, pubs and bars have emerged as much more resilient than the independent sector, which has carried by far the greatest share of failures.

6.9%



Decline in independent premises between Mar 2020 and Feb 2021

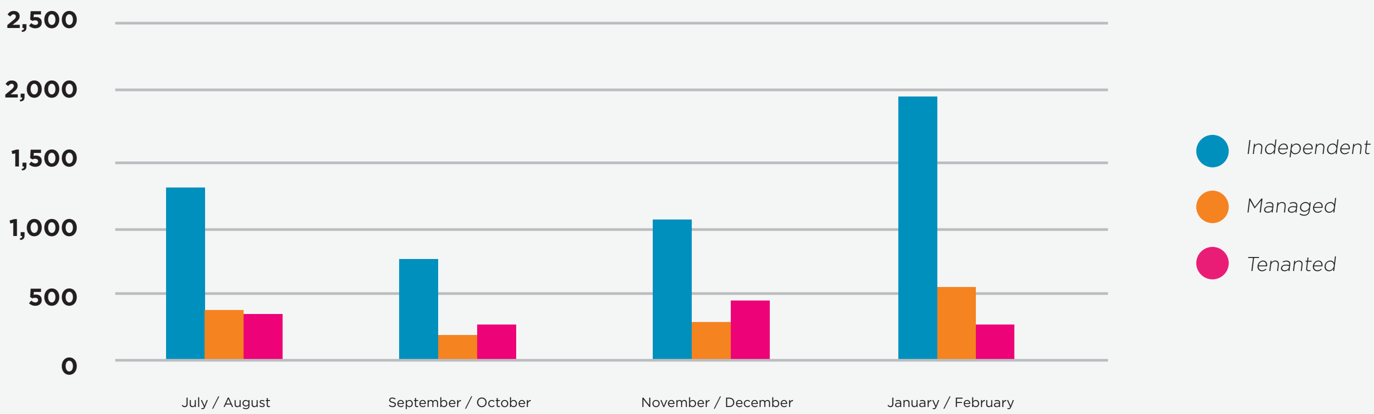
As this data shows, the segment shrunk by nearly 2,000 sites over January and February, accounting for nearly three quarters **(72.7%)** of all closures. There are now **6.9%** or 5,112 fewer independent premises than there were in March 2020—the equivalent of around 15 closures every day.

The pandemic has inflicted serious damage on the managed sector too of course, but its net decline since March 2020 is lower at **5.7%**. The tenanted segment has recorded a **6.5%** drop.

This trend reflects the greater resources of multi-site groups compared to small businesses. Family-run restaurants have been particularly vulnerable, and as the pandemic has gone on, many have judged that the stop-start nature of opening made it unviable to carry on.

The independent sector remains by far the biggest, with nearly twice as many premises as the managed and tenanted segments combined. But the pandemic has taken a high toll on their numbers, and well-invested groups appear better placed to capitalise on the release of pent-up demand this summer.

Net closures from July 2020 to February 2021 by tenure



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4. Segments

This table shows the segments of the hospitality market that have lost the most licensed premises since March 2020, the benchmark for the pre-pandemic market.

It shows that the restaurant sector—heavily dominated by independents—has shrunk by nearly 1,600 sites, or nearly five a day. Another segment that is nearly completely run by independents, sports and social clubs, has lost almost as many, having been badly affected by restrictions on sporting occasions and gatherings of large groups.

Relative to their pre-pandemic size, however, the casual dining sector has seen some of the sharpest contraction. There have been 1,133 closures here since March 2020, reducing capacity by a sixth. This trend was already in play before the pandemic, as casual dining groups trimmed their estates after several years of rapid expansion that took many cities and towns to saturation point. But as with many dynamics in the hospitality market, COVID has acted as an accelerant of change.

On the pub side, numbers in the community segment have dipped by **5.9%** since March, with a similar trend in high street pubs. At **4.0%** down, food-led pubs have been a little more resilient, perhaps reflecting the higher concentration of managed venues here.

17.1% Decline in casual dining restaurants between Mar 2020 and Feb 2021

Net closures since March 2020 by segment

Ranked by number of net closures. Segments with 100+ closures only

	Sites at Feb 21	Net closures since Mar 20	% change Feb 21 v Mar 20
Restaurant	17,206	-1,564	-8.3%
Sports / Social Club	21,506	-1,276	-5.6%
Community Pub	19,227	-1,215	-5.9%
Casual Dining Restaurant	5,492	-1,133	-17.1%
Guest / Boarding House	2,345	-635	-21.3%
Food Pub	12,086	-504	-4.0%
High Street Pub	6,295	-363	-5.5%
Bar Restaurant	3,386	-299	-8.1%
Hotel	7,550	-223	-2.9%
Nightclub	1,162	-85	-6.8%

5. City centres

As we move deeper into 2021, it is becoming clear that major city centres have recorded fewer closures than smaller ones. Five big regional hubs—Bristol, Liverpool, Nottingham, Edinburgh and Sheffield—have all lost fewer than **3%** of sites since the pre-pandemic levels of March 2020. By sharp contrast, five relatively small city centres—Plymouth, Aberdeen, Worcester, Exeter and Swansea—have shed more than **10%**. London, by far the biggest market of all, sits in between the two lists with a **7.8%** drop.

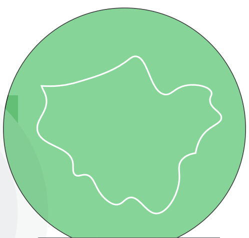
Partly, this reflects the higher profile of managed groups in major cities, and the concentration in smaller centres of independents, who have been more vulnerable to lockdowns (see page 2). But it also shows that Britain's regional powerhouses have greater built-in resilience. In due course, these cities will again pull in people for work and retail as well as leisure, including from suburbs and satellite towns. When large operators have assessed their estates over the last 12 months, it appears that many have placed their bets on trade returning to major centres, and retreated instead from smaller cities.

City centres with fewest and most net closures since March 2020

Ranked by % of net closures. Includes all city centres with 100+ licensed premises

Fewest closures

	Total at Mar 2020	Total at Feb 2021	% Net decline
Edinburgh	561	547	**-2.5%**
Liverpool	464	455	**-1.9%**
Nottingham	305	299	**-2.0%**
Sheffield	221	215	**-2.7%**
Bristol	195	194	**-0.5%**



London

Total at Mar 2020	Total at Feb 2021	% Net decline
11,174	10,299	**-7.8%**

Most closures

	Total at Mar 2020	Total at Feb 2021	% Net decline
Plymouth	193	173	**-10.4%**
Aberdeen	249	223	**-10.4%**
Worcester	124	111	**-10.5%**
Exeter	134	117	**-12.7%**
Swansea	137	118	**-13.9%**

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

		Sites at Feb 21	Sites at Dec 19	Feb 21 vs Dec 19	% Feb 21 vs Dec 19
All Venues	**Total**	107,516	116,203	**-8,687**	**-7.5%**
	Managed	20,232	21,423	**-1,191**	**-5.6%**
	Independent	69,159	75,305	**-6,146**	**-8.2%**
	Tenanted	18,125	19,475	**-1,350**	**-6.9%**
Food-led Venues	**Total**	39,533	43,535	**-4,002**	**-9.2%**
	Managed	10,650	11,630	**-980**	**-8.4%**
	Independent	24,125	26,837	**-2,712**	**-10.1%**
	Tenanted	4,758	5,068	**310**	**-6.1%**
Drink-led Venues	**Total**	58,088	61,722	**-3,634**	**-5.9%**
	Managed	6,568	6,810	**-242**	**-3.6%**
	Independent	38,497	40,878	**-2,381**	**-5.8%**
	Tenanted	13,023	14,034	**-1,011**	**-7.2%**
Accommodation-led Venues	**Total**	9,895	10,946	**-1,051**	**-0.2%**
	Managed	3,014	2,983	**+31**	**-3.2%**
	Independent	6,537	7,590	**-1,053**	**-3.3%**
	Tenanted	344	373	**-29**	**-0.1%**

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

"We've seen a spate of operators announce plans to reopen for outdoor service on 12 April, and while it's unlikely to be profitable for the majority to do so, businesses will do all they can to maximise their usable space. Pubs, which were arguably hit harder than many businesses by the latest lockdown, are better placed than restaurants to benefit from outdoor openings. Restaurants will need to continue to demonstrate the agility and resourcefulness that we saw during lockdown periods, when many ran successful delivery and takeaway services, ahead of the relaxation of further trading restrictions in the Summer.

"For those that do reopen, managing cashflow will now be of critical importance as work with supply chains begins again, and relationships with suppliers, landlords and other stakeholders will be tested. The pandemic has forced many businesses to adapt and does offer the potential to drive stronger and more efficient operations on the other side, but many in the sector will be weighed down by debt for some time to come and will spend the next year and beyond rebuilding their balance sheets and clearing their arrears. The overhang of rent liabilities also remains largely unresolved which means that, in spite of the clear pent-up consumer demand that exists, the hospitality sector is far from out of the woods."

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