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HospitalityMarketMonitor

Review of GB pub, bar and restaurant supply

JULY 2023

Hospitality loses one in 18 sites after rocky year

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

After a tough first half of 2023 for businesses and consumers alike, our latest Hospitality Market Monitor sets out the mixed impacts on Britain's licensed sector. It shows a **1.1%** contraction in site numbers over the last quarter to a little over 100,000 sites, and if current trends continue the total will drop from six figures into five for the first time since the Monitor began.

The **1,139** net closures and associated job losses between March and June have been distressing for all those involved. Soaring costs in energy, food, labour and more inputs have worn away businesses' profit margins, and high inflation and interest rate rises have weakened consumer confidence.

Despite this, some key indicators remain positive. The Coffer CGA Business Tracker has recorded year-on-year growth in sales at managed pubs, bars and restaurants in every month of 2023 so far, while the CGA and Fourth Business Confidence Survey indicates leaders' optimism has increased since the start of the year. We have also seen the tide starting to turn on inflation in the UK with the latest figures showing the rate of inflation slowing. As we see on page 2, market segments including city centres and bars remain robust. More venue closures are likely while costs remain so high, but the outlook for well-resourced, distinctive and customer-focused groups remains good.

101,176 Total licensed premises in Britain at June 2023

-1.1% Net change in total outlets between March and June 2023

-5.4% Net change in total outlets between June 2022 and June 2023

1. Market overview

This edition of the Hospitality Market Monitor shows Britain had **100,176** licensed premises at the end of June 2023. It represents a net decline of **1,139** sites over the second quarter of 2023, and of **5,736** sites over the last 12 months. Put another way, Britain has lost around one in 18 of its licensed premises since June 2022.

This extends a long-term downward trend that was dramatically accelerated by COVID-19. Since the pandemic hit in early 2020, Britain has seen a net decline of **14,932** sites—**13.0%** of the pre-COVID total. Smaller businesses have borne the brunt, and **76.5%** of all these net closures have been in the independent sector. By contrast, the managed segment has only **3.7%** fewer sites than it did pre-COVID.

However, it's not all doom and gloom. Total net closures in the first half of 2023 (**1,895**) were less than half the number seen in the second half of 2022 (**3,841**), and many units that have been vacated recently have been swiftly reoccupied by other operators—often emerging multi-site groups. Of course, it remains to be seen whether this slowdown continues or whether relentlessly high costs force more closures over the remainder of 2023.

As this table shows, some segments have been more resilient than others in the last 12 months. Casual dining (down **5.6%** since June 2022) has been hit harder than most, with several major brands seeking to consolidate their estates. There have also been steep drops in sports and social bars (down **6.5%**) and nightclubs (down **12.2%**), though closures in the latter may be bottoming out (see page 2).

Other channels including pubs have held up better. Food-led pubs (down **2.9%** since June 2022), high street pubs (down **3.1%**) and community pubs (down **4.1%**) have all recorded notably fewer closures than the sector as a whole—a welcome sign that consumers are still eager to drink out.

Outlets by segment, June 2023 v March 2023 and June 2022

	Sites at June 2022	Sites at March 2023	Sites at June 2023	% change in sites, June 2023 v March 2023	% change in sites, June 2023 v June 2022	% change in sites, June 2023 v March 2020
Bar	4,544	4,457	4,413	-1.0%	-2.9%	-3.1%
Bar restaurant	3,380	3,242	3,206	-1.1%	-5.1%	-13.0%
Casual dining restaurant	5,381	5,160	5,082	-1.5%	-5.6%	-23.3%
Community pub	18,948	18,254	18,172	-0.4%	-4.1%	-11.1%
Food pub	12,055	11,754	11,702	-0.4%	-2.9%	-7.1%
High street pub	6,232	6,040	6,040	0.0%	-3.1%	-9.3%
Hotel	7,464	7,264	7,269	+0.1%	-2.6%	-6.5%
Large venue	4,550	4,519	4,263	-5.7%	-6.3%	-7.8%
Nightclub	994	865	873	+0.9%	-12.2%	-30.0%
Restaurant	16,372	15,350	15,192	-1.0%	-7.2%	-19.1%
Sports / social club	21,364	20,317	19,974	-1.7%	-6.5%	-12.3%
Total	**105,912**	**101,315**	**100,176**	**-1.1%**	**-5.4%**	**-13.0%**

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City centres

After months of lockdowns and restrictions, city centres have steadily welcomed back office workers and visitors in the last 12 months, with positive results for hospitality.

Data for this edition of the Hospitality Market Monitor shows a **4.2%** net fall in licensed premises in Britain's city centres in the 12 months to June 2023. This is a better figure than the drops of **5.9%** and **5.4%** in large and small towns respectively over the same period.

Cities are increasingly drawing in people from the suburbs and 'satellite' towns—not just to workplaces after an extended period of working from home, but for leisure too. They have also benefited from a growth in city centre residents. A wave of residential developments in cities like Manchester, Liverpool and Leeds over the last few years has increased the target market for pubs and restaurants, particularly during midweek trading periods.

These trends mean city-centre operators have been relatively well insulated against closures over the last quarter. Manchester (down **0.3%** since March), Bristol (**0.5%**) and Cardiff (**0.0%**) have lost only a small fraction of their outlets. Several key cities have actually achieved modest growth, including Birmingham (up **0.3%**), Edinburgh (up **0.6%**) and Liverpool (up **0.9%**).

Central London, which has more licensed premises than the next six biggest cities put together, has lost **0.5%** of its sites. The Coffer CGA Business Tracker has meanwhile recorded significantly higher sales growth within the M25 than beyond it in every month of 2023 so far. While the last three years have been tough for operators in the capital, recent trends point to a brighter future.

Outlets by location, June 2023 v March 2023 and June 2022

	Sites at June 2022	Sites at March 2023	Sites at June 2023	% change in sites, June 2023 v March 2023	% change in sites, June 2023 v June 2022
City centre	10,567	10,206	10,121	-0.8%	-4.2%
Large town	36,792	35,026	34,638	-1.1%	-5.9%
Small town	34,014	32,535	32,189	-1.1%	-5.4%

The late-night market

Late-night venues were the last to come out of COVID-19 restrictions, and lockdowns took a heavy toll on their numbers. Britain lost nearly a third (**30.0%**) of its nightclubs between March 2020 and June 2023, with the independent segment worst hit at **33.0%**.

As well as a consequence of lockdowns, this reflects a longer term change in consumers' late-night habits. The nightclub sector was contracting well before COVID, and it is now less than half the size it was ten years ago.

However, we may be starting to see club closures bottoming out. Numbers in the segment were in marginal growth of **0.9%** in the last quarter, leading to optimism that the clear-out of unsustainable venues has slowed, and that supply is now much better suited to demand.

Another positive is that some closed nightclubs have reopened as late-night bars. The number of venues in the bars channel has fallen by only **3.1%** % since COVID hit in March 2020, and longer term trends have been notably more positive than in clubs (see graph). While consumers no longer visit clubs in the volumes they did, many of them have not ditched their late-night habits but simply switched to bars or pubs. Others are going out earlier in the evening and choosing alternative experiences like competitive socialising venues, instead.

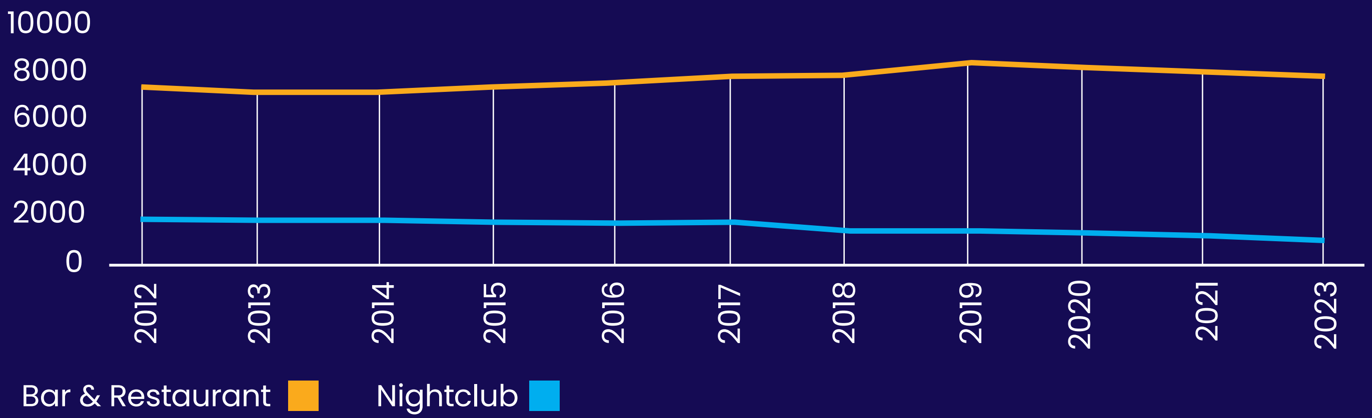
-30.0%

Net decline in nightclubs, March 2020 to June 2023

-3.1%

Net decline in bars, March 2020 to June 2023

Number of nightclubs v bars / bar restaurants, 2012-2022



Comment from AlixPartners

It is clearly a very challenging market for hospitality and leisure businesses right now. But what we can clearly see from this latest edition of the Hospitality Market Monitor is that large parts of the market continue to demonstrate remarkable resilience and robustness.

The pain of a high-inflation has served to squeeze profitability, suppress investment and, in the worst scenarios, challenge viability, continues to be felt most acutely by independents. This is where the pain of a market yielding a 5% closure rate in the latest 12 months, is most pronounced. There are signs appearing though that this pressure may be starting to ease and the latest inflation figures begin to offer hope of this.

That the number of licensed premises will drop below 100,000 in the next few weeks, highlights the impact the last few years has had on the sector, and the amount of capacity lost, and still being lost. The closure rate is pushing 15,000 since March 2020.

However, it also creates more opportunity for those that can navigate their way through; especially those who have best adapted to the current market and that have growth on their agenda. We are all waiting for this margin-compression cycle to turn. When that comes the market will, from an investment and lending perspective, right itself quickly. When it does, investors will return, with businesses that have delivered stability and are demonstrating growth, top of target lists

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

		Sites at June 2022	Sites at March 2023	Sites at June 2023	June 2023 v March 2023	% change in sites, June 2023 v March 2023	% change in sites, June 2023 v June 2022
All Venues	**Total**	**105,912**	**101,315**	**100,176**	**-1,139**	**-1.1%**	**-5.4%**
	Managed	20,633	20,751	20,658	-93	-0.4%	+0.1%
	Independent	67,553	63,809	62,846	-963	-1.5%	-7.0%
	Leased	17,726	16,755	16,672	-83	-0.5%	-5.9%
Food-led Venues	**Total**	**38,596**	**36,866**	**36,461**	**-405**	**-1.1%**	**-5.5%**
	Managed	10,718	10,698	10,612	-86	-0.8%	-1.0%
	Independent	23,106	21,620	21,314	-306	-1.4%	-7.8%
	Leased	4,772	4,548	4,535	-13	-0.3%	-5.0%
Drink-led Venues	**Total**	**57,554**	**55,339**	**54,604**	**-735**	**-1.3%**	**-5.1%**
	Managed	6,860	7,008	6,993	-15	-0.2%	+1.9%
	Independent	38,060	36,419	35,771	-648	-1.8%	-6.0%
	Leased	12,634	11,912	11,840	-72	-0.6%	-6.3%
Accommodation-led Venues	**Total**	**9,762**	**9,110**	**9,111**	**+1**	**0.0%**	**-6.7%**
	Managed	3,055	3,045	3,053	+8	+0.3%	-0.1%
	Independent	6,387	5,770	5,761	-9	-0.2%	-9.8%
	Leased	320	295	297	+2	+0.7%	-7.2%

Sources and definitions

Data in this report is sourced from CGA by NIQ'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.

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