



HospitalityMarketMonitor

Review of GB pub, bar and restaurant supply

AUGUST 2024

Hospitality back in outlet growth after solid first half

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

While it's too early to be sure that hospitality's downward trend in outlets has bottomed out, our latest Hospitality Market Monitor numbers are a welcome sign of the confidence of business leaders and investors.

They are also in line with other positive indicators—like year-on-year sales growth in eight of the last nine months in the CGA RSM Hospitality Business Tracker, and 12 consecutive positive months for deliveries and takeaways in CGA's Hospitality at Home Tracker. A steady easing in inflation, relief on some household and business bills, and greater economic certainty after the General Election have all been beneficial too.

Of course, any optimism needs to be cautious. Cost pressures mean thousands of businesses remain fragile, and millions of consumers' discretionary spending continues to be tight. Growth, whether in outlet numbers or sales, will continue to be hard won over the second half of 2024.

99,207

Total licensed premises in Britain at June 2024

Market overview

After four very challenging years of the COVID-19 pandemic and costs crisis, hospitality emerged back into growth in the second quarter of 2024. Outlet numbers rose **0.5%** between March and June—equivalent to 462 net new openings, or five per day.

This is the first quarter-on-quarter increase for two years, and only the third since the start of the pandemic in early 2020. Growth was broadly even across the different sectors of hospitality—most notably in the independent segment, where net openings matched the headline figure of **0.5%**. Having been disproportionately hit by COVID and inflation, this is a very good bounceback for the entrepreneurial start-ups and family-run businesses that are so important to hospitality.

Trends were also similar across food-led (**up 0.6%**) and drink-led (**up 0.4%**) sectors. As this table shows, all 11 of the Hospitality Market Monitor's segments were either up or flat, with growth highest in bars (**up 2.5%**) and casual dining another notable climber (see page 2).

While quarter-on-quarter movements are positive, longer-term comparisons are weaker. Outlet numbers are down by **1.0%** from June 2023, and there are 969 fewer licensed premises than at this point last year. Sites are also still **13.8%** below the pre-COVID figure of March 2020. Britain's hospitality sector may never fully return to that size in outlet terms, but these latest numbers show it is back on a surer path.

Outlets by segment, June 2024 v March 2024 and June 2023

	Sites at June 2023	Sites at March 2024	Sites at June 2024	% change in sites, June 2024 v March 2024	% change in sites, June 2024 v June 2023
Bar	4,413	4,351	4,459	+2.5%	+1.0%
Bar restaurant	3,206	3,219	3,272	+1.6%	+2.1%
Casual dining restaurant	5,082	5,119	5,167	+0.9%	+1.7%
Community pub	18,172	17,899	17,933	+0.2%	-1.3%
Food pub	11,702	11,554	11,557	0.0%	-1.2%
High street pub	6,040	5,874	5,911	+0.6%	-2.1%
Hotel	7,269	7,210	7,208	0.0%	-0.8%
Large venue	4,263	4,248	4,289	+1.0%	+0.6%
Nightclub	873	784	787	+0.4%	-9.9%
Restaurant	15,192	15,037	15,139	+0.7%	-0.3%
Sports / social club	19,974	19,616	19,630	+0.1%	-1.7%
Other*	3,990	3,834	3,855	+0.5%	-3.4%
Total	100,176	98,745	99,207	+0.5%	-1.0%

+0.5%

Net change in outlets between March 2024 and June 2024

-1.0%

Net change in outlets between June 2023 and June 2024

Focus on bars

At the headline level, the bar segment has been pretty static lately, with just a **1.0%** increase in numbers between June 2023 and June 2024. But at a more granular level there have been significant changes in bar types as consumers' habits change.

As this table shows, the number of themed bars (which includes both competitive socialising venues and bars with a particular theme) has jumped by **28.9%** in the last 12 months, while the cocktail and craft segments have grown by **10.8%** and **5.6%** respectively. This reflects consumers' evolving preferences for different experiences in bars, like competitive socialising or an expertise in drinks like cocktails and craft beers.

Growth has been at the expense of venues like late-night bars and educational bars (Student Unions and bars in student halls), which have lost **5.7%** and **7.1%** of sites in the last 12 months. Two factors have been key here: a falling spend from consumers hit by the cost-of-living crisis, and a shift from late-night visits to earlier dayparts. These dynamics have also hit the nightclub sector, which has shrunk by **9.9%** in a year. Clubs' closures have worked to the advantage of experiential bar brands, who have been able to swiftly reoccupy many vacated premises.

Bars by type, June 2024 v June 2023

	Sites at June 2023	Sites at June 2024	% change in sites,
Themed Bar	218	281	+28.9%
Cocktail Bar	785	870	+10.8%
Craft Bar	684	722	+5.6%
Bar Restaurant	3206	3272	+2.1%
Wine Bar	649	637	-1.8%
Late Night Bar	1401	1321	-5.7%
Educational Bar	676	628	-7.1%

Focus on casual dining

CGA and AlixPartners' Hospitality Market Monitor has charted the rise and COVID-era fall of Britain's casual dining sector, and at the mid-point of 2024 there are encouraging signs that the channel is returning to growth.

The inexorable expansion of managed chain restaurants in the 2000s and 2010s meant there were 6,696 casual dining sites at March 2020. However, even before the pandemic hit there were signs that the segment had reached saturation point, and COVID closures and restrictions accelerated a retrenchment. By June 2023 the casual dining sector was reduced to **5,082** sites—a drop of **1,611** or **24.1%** of the pre-COVID total, and equivalent to just over one net closure per day.

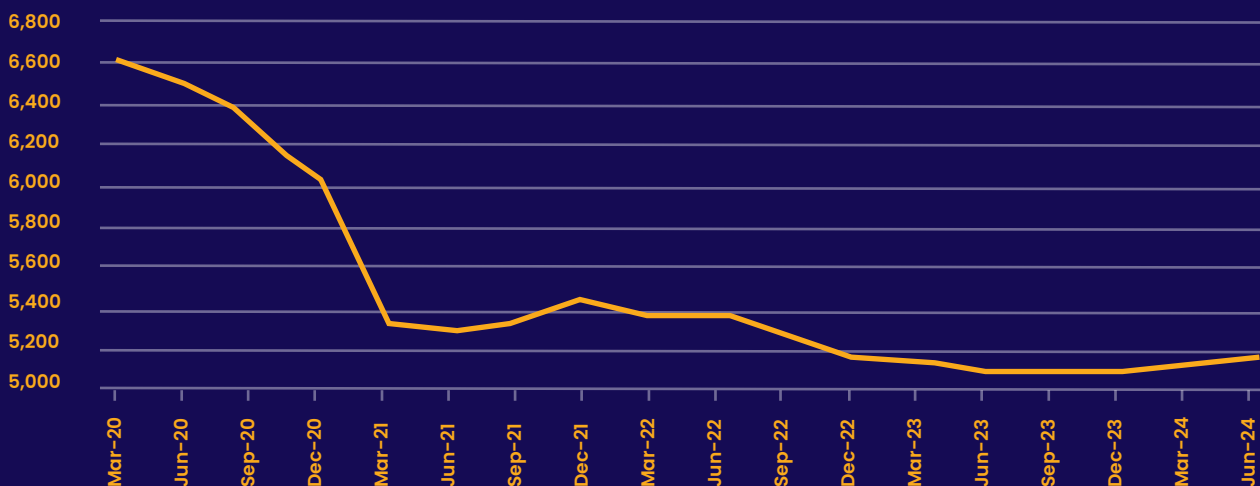
Beneath this topline trend was a lot of churn, with some long-established chains closing sites or, in several high-profile cases, going out of business altogether.

In their place came a new wave of start-ups that took advantage of vacated premises and advantageous terms to grow into sizeable brands.

These dynamic businesses have contributed to a modest revival in the sector. A year on from that low of **5,082**, there are now **5,167** outlets—a **1.7%** increase. The first half of 2024 has brought 82 net new openings, or about one every other day.

Casual dining brands continue to face major pressures on inputs like food, labour and energy prices, but they have been better insulated against inflation than independently-run restaurants. They have also benefited from the steady return of commuters and tourists to city centres after COVID, and restaurant supply now appears better suited to demand than it was in the late 2010s. Casual dining's growth from here on is unlikely to be as spectacular as it was in its first wave, but the downward trend has at least bottomed out.

Casual dining restaurants, 2020 to 2024



Comment from **AlixPartners**

The easing of some very significant market pressures for hospitality – including labour, food and drink inflation, energy prices and interest rates – has paved the way for a stabilised hospitality market. Receding headline inflation – back down to c.2% – and a new government promising a more stable political landscape further compounds this growing sense of calm. With wage inflation outpacing overall inflation, people will hopefully feel better about the money in their pockets, and this summer, there has even been a boost for pubs from the Euros.

These conditions all contribute to a sense that the hospitality market is rapidly normalising, as illustrated by the headline outlet growth revealed in this latest Hospitality Market Monitor.

It's especially encouraging to see strong growth of 28.9% in the themed bar segment – a segment that includes both competitive socialising venues and bars with a particular theme. This growth has been driven by the continued popularity of experiential leisure and the demand from consumers to elevate their experiences when socialising out of home.

Our sense is that it's not just the management teams of themed bar and experiential businesses that feel confident enough to reassess roll out plans and return to the expansion trail.

The last two pieces of the puzzle are, in the short term, a run of fair summer weather and a material cooling of interest rates – the process of which has at last started with the recent 0.25% rate cut. All these indicators point to a period of stability, and a clear return to the right conditions for growth and investment in the sector.

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 June 2023	Sites at Mar 2024	Sites at June 2024	June 2024 v Mar 2024	% change in sites, June 2024 v Mar 2024	% change in sites, June 2024 v June 2023
All Venues	Total	100,176	98,745	99,207	+462	+0.5%	-1.0%
	Managed	20,658	20,595	20,689	+94	+0.5%	+0.2%
	Independent	62,846	61,705	62,034	+329	+0.5%	-1.3%
	Leased	16,672	16,445	16,484	+39	+0.2%	-1.1%
Food-led Venues	Total	36,461	36,145	36,369	+224	+0.6%	-0.3%
	Managed	10,612	10,567	10,617	+50	+0.5%	0.0%
	Independent	21,314	21,086	21,240	+154	+0.7%	-0.3%
	Leased	4,535	4,492	4,512	+20	+0.4%	-0.5%
Drink-led Venues	Total	54,604	53,634	53,874	+240	+0.4%	-1.3%
	Managed	6,993	6,935	6,977	+42	+0.6%	-0.2%
	Independent	35,771	35,039	35,215	+176	+0.5%	-1.6%
	Leased	11,840	11,660	11,682	+22	+0.2%	-1.3%
Accommodation-led Venues	Total	9,111	8,966	8,964	-2	0.0%	-1.6%
	Managed	3,053	3,093	3,095	+2	+0.1%	+1.4%
	Independent	5,761	5,580	5,579	-1	0.0%	-3.2%
	Leased	297	293	290	-3	-1.0%	-2.4%

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' pubs 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.

*Segments

'Other' consists of: Cafe/Delicatessen, Guest/Boarding House Holiday/Caravan Park.