BRINGING YOU DATA ANALYSIS

6 YEARS

Issue 38

HospitalityMarketMonitor

Review of GB pub, bar and restaurant supply

APRIL 2023

Small businesses fragile but managed groups resilient as hospitality closures slow

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

A net drop of 756 licensed premises in the first quarter of 2023 shows high inflation and the cost of living crisis continue to hurt hospitality. Each of these closures represents a sad loss of jobs and community asset.

More positively, the drop is less than half the net decline seen during the fourth quarter of 2022. This is a welcome indicator that demand for hospitality remains strong, despite the severe pressure on consumers' spending. It also reflects the value of the government's support on energy bills, which has undoubtedly saved many businesses.

However, the cut in this support, alongside the latest rise in minimum wage rates and the ongoing tax burden, will have a major impact on fragile venues. With inflation hurting profit margins and making real-terms sales growth difficult, many more closures are likely over the rest of 2023. Hospitality has shown how, with the right backing, it can generate jobs and power the post-COVID-19 economy—but sustained help is needed to tide the sector through the current crisis.

101,315

Total licensed premises in Britain at March 2023

-756

Net change in total outlets between December 2022 and March 2023

1. Market overview

At the end of a difficult first quarter for businesses and consumers alike, Britain's hospitality sector saw a net decline of **756** licensed premises. This is a drop of **0.7%** from the total at the end of 2022, and equivalent to **8.4** closures every day.

It also means Britain has **13,793** fewer pubs, bars, restaurants and other licensed premises than it did back in March 2020, at the start of the pandemic—a **12.0%** contraction that demonstrates the devastating impact of COVID-19 on hospitality. However, the latest figures represent a marked slowdown in closures from the pace of 2022—including a net decline of **1,611** venues in the final three months of 2022.

Beyond the headline figure lies a striking contrast in the fortunes of larger and smaller businesses. The independent sector recorded a **583 (0.9%)** drop in numbers over the first quarter of 2023, while the managed sector achieved marginal growth of **54 (0.3%)** sites. The gap is even wider over a three-year measure, with indies suffering a **14.1%** drop in sites but the managed side stemming losses to just **3.3%**. This reflects both the vulnerability of small, mostly family-run businesses in the face of COVID-19 and the cost of living crisis, and the resilience of well-resourced group operators.

As this table shows, there are notable differences in the first-quarter performance from segment to segment. Food-led venues (down **1.1%** since December) have seen more closures than the drink-led side (down **0.4%**). Bars **(0.0%)** and large venues down **(0.1%)** have been robust, and closures have slowed substantially in the sports and social and social club segment (down **0.3%**) since COVID-19 restrictions ended.

Trading has been more difficult in channels including restaurants (excluding casual dining brands; (down **1.8%**) and bar restaurants (down **1.2%**). Nightclub closures (down **1.9%**) have been even higher, and Britain now has **30.6%** fewer clubs than it did three years ago. Nevertheless, all these first-quarter numbers are better than those reported in the last edition of the Hospitality Market Monitor—grounds for cautious optimism about the long-term outlook.

Total sites by segment, March 2023 v December 2022 and March 2022

	Sites at March 2022	Sites at December 2022	Sites at March 2023	% change in sites, March 2023 v December 2022	% change in sites, March 2023 v March 2022
Bar	4,497	4,455	4,457	0.0%	-0.9%
Bar restaurant	3,332	3,283	3,242	-1.2%	-2.7%
Casual dining restaurant	5,387	5,185	5,160	-0.5%	-4.2%
Community pub	18,843	18,382	18,254	-0.7%	-3.1%
Food pub	12,017	11,813	11,754	-0.5%	-2.2%
High street pub	6,195	6,072	6,040	-0.5%	-2.5%
Hotel	7,440	7,328	7,264	-0.9%	-2.4%
Large venue	4,551	4,525	4,519	-0.1%	-0.7%
Nightclub	1,017	882	865	-1.9%	-14.9%
Restaurant	16,657	15,630	15,350	-1.8%	-7.8%
Sports / social club	21,345	20,377	20,317	-0.3%	-4.8%
Total	**105,908**	**102,071**	**101,315**	**-0.7%**	**-4.3%**

Contact: CGA Senior Insight Consultant Ted Mulcauley, ted.mulcauley@cgastrategy.com

City centres

COVID-19 lockdowns, travel restrictions and the wholesale switch to working from home have taken a toll on the hospitality sector in city centres—but there are positive signs for the future in many of Britain's biggest hubs.

As this Hospitality Market Monitor research shows, the rate of closures in the three years from March 2020 to March 2023 has differed widely from city to city—from a low of just **1.5%** in Bristol to a high of **18.9%** in Aberdeen. This reflects the varying resilience of places like Bristol, with high affluence and an influx of residents from London; and Birmingham (down **17.1%**), where many residents in the surrounding suburbs were likely to reduce their trips into the centre during COVID-19.

Also notable in this ranking of the 15 British city-centres with the most licensed premises is the strength of northern England. Liverpool has seen a net decline of only **2.6%** of sites in the three years to March 2023, and Newcastle (down **6.0%**), Manchester (down **6.7%**) and Sheffield (down **7.2%**) have all been relatively resilient.

At the other end of the rankings, Glasgow (down **14.7%**), York (down **14.9%**) join Birmingham and Aberdeen in outpacing the three-year net decline of **12.0%** across Britain as a whole. London city-centre (down **15.6%**), where COVID impacts have been uniquely severe, has fared worse than all but two of the 15 biggest cities (see box).

Encouragingly, closures in all major cities have slowed since the start of the year, as COVID-19 concerns subside and workers and tourists steadily return to centres. Despite the pinch on consumers' spending, the late-night economy remains strong in big cities like Liverpool, Newcastle and Manchester, and there has been a steady stream of new openings as well as closures. While the frequency of pub, bar and restaurant visits will remain under pressure until consumers feel more money in their pockets, it's clear that many of Britain's city centres are now back to their pre-COVID vibrancy.

City Centre licensed premises: March 2023 v March 2020 and December 2022

Britain's 15 biggest city centres by number of licensed premises. Ranked in order of net decline, March 2023 v March 2020

		Sites at March 2020	Sites at December 2022	Sites at March 2023	% change in sites, March 2023 v March 2020	% change in sites, March 2023 v December 2022
1	**Bristol**	195	190	192	-1.5%	+1.1%
2	**Liverpool**	464	451	452	-2.6%	+0.2%
3	**Newcastle**	367	346	345	-6.0%	-0.3%
4	**Manchester**	660	620	616	-6.7%	-0.6%
5	**Sheffield**	221	204	205	-7.2%	+0.5%
6	**Edinburgh**	561	520	518	-7.7%	-0.4%
7	**Leeds**	368	340	337	-8.4%	-0.9%
8	**Brighton**	353	325	320	-9.3%	-1.5%
9	**Nottingham**	305	277	276	-9.5%	-0.4%
10	**Cardiff**	226	203	203	-10.2%	0.0%
11	**Glasgow**	510	437	435	-14.7%	-0.5%
12	**York**	296	256	252	-14.9%	-1.6%
13	**London**	3,462	2,951	2,922	-15.6%	-1.0%
14	**Birmingham**	414	342	343	-17.1%	+0.3%
15	**Aberdeen**	249	201	202	-18.9%	+0.5%

-1.5%

Net decline in licensed premises in Bristol city centre, March 2020 to March 2023

London: hard hit but bouncing back

As visitors and office workers stayed away, COVID lockdowns curtailed footfall in London more than in other city centres. It has contributed to a net decline of **15.6%** of the capital's licensed premises in the three years to March 2023—equivalent to **540** closures, or **one** every two days.

However, the downward trend may be bottoming out. London had a net decline of only **1.0%** of its licensed premises in the first quarter of 2023, after a dip of just **0.2%** over the previous three months. This improving picture is reinforced by figures from the Coffer CGA Business Tracker, which has shown that sales growth for managed operators within the M25 has been at least twice as high as in the rest of Britain over the first few months of 2023. With tourist and commuter numbers recovering well, the outlook for hospitality in London is brighter than it has been since the start of the pandemic.

-15.6%

Net decline in licensed premises in London city centre, March 2020 to March 2023

Contact: CGA Senior Insight Consultant Ted Mulcauley, ted.mulcauley@cgastrategy.com

Comment from AlixPartners

While the number of pubs, restaurants and other licensed venues continues to contract in UK hospitality, there is some positivity in this latest analysis of the market, given that the overall cadence, or rate of decline, has slowed significantly.

Underpinning this is the fact that the rate of closures in all major cities is reducing, as COVID-19concerns subside, and workers and tourists steadily return to urban centres – even to a degree, on Mondays. This stabilising picture extends to London – the largest leisure market, which was most affected by COVID-19 – and it's clear that many of Britain's city centres are returning to something comparable to their pre-covid vibrancy.

Tellingly, this latest study underlines the growing divide between larger and smaller operators, reflecting the varied ability to withstand the continued headwinds the sector faces. The closure rate of independent businesses – the lifeblood and entrepreneurial driving force of the sector – continues to vastly outstrip the better-funded corporates and the branded operators. It highlights the need for government support to be extended, especially on energy costs, if small (often family-owned) businesses are to survive.

On a 12-month view, the number of closures is still very significant. A statistic hoving into view is that by the end of the year, the total number of licensed venues is likely to fall below 100,000 for the first time in many decades. It reflects approximately 13,000 closures since March 2020, and the many thousands of pubs that have shut in the decades prior.

This is a trend that speaks to the relative decline of high-frequency drinking occasions, which have in part made way for the explosion in (less frequent, higher spend) dining-led visits, and the rise, in recent times, of (less frequent, higher spend) competitive socialising occasions.

Graeme Smith, managing director, AlixPartners, leads the corporate finance team - gsmith@alixpartners.com

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

		Sites at March 2022	Sites at Dec 2022	Sites at March 2023	March 2023 v Dec 2022	% change in sites, March 2023 v Dec 2022	% change in sites, March 2023 v March 2022
All Venues	**Total**	**105,908**	**102,071**	**101,315**	**-756**	**-0.7%**	**-4.3%**
	Managed	20,438	20,697	20,751	+54	+0.3%	+1.5%
	Independent	67,786	64,392	63,809	-583	-0.9%	-5.9%
	Leased	17,684	16,982	16,755	-227	-1.3%	-5.3%
Food-led Venues	**Total**	**38,783**	**37,294**	**36,866**	**-428**	**-1.1%**	**-4.9%**
	Managed	10,670	10,679	10,698	+19	+0.2%	+0.3%
	Independent	23,373	21,986	21,620	-366	-1.7%	-7.5%
	Leased	4,740	4,629	4,548	-81	-1.7%	-4.1%
Drink-led Venues	**Total**	**57,383**	**55,581**	**55,339**	**-242**	**-0.4%**	**-3.6%**
	Managed	6,733	6,970	7,008	+38	+0.5%	+4.1%
	Independent	38,027	36,564	36,419	-145	-0.4%	-4.2%
	Leased	12,623	12,047	11,912	-135	-1.1%	-5.6%
Accommodation-led Venues	**Total**	**9,742**	**9,196**	**9,110**	**-86**	**-0.9%**	**-6.5%**
	Managed	3,035	3,048	3,045	-3	-0.1%	+0.3%
	Independent	6,386	5,842	5,770	-72	-1.2%	-9.6%
	Leased	321	306	295	-11	-3.6%	-8.1%

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.

Contact: CGA Senior Insight Consultant Ted Mulcauley, ted.mulcauley@cgastrategy.com