



Issue 40



AlixPartners

HospitalityMarketMonitor

Review of GB pub, bar and restaurant supply

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Closures slow after Britain's licensed premises drop below 100,000

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

After another challenging year, Britain's hospitality sector has **3.6%** fewer licensed premises than 12 months ago. This equates to **3,766** net closures since September 2022, or just over ten per day. Significantly, the drop takes the total number of licensed sites below 100,000. This has been inevitable for some time, but is nevertheless a milestone in the story of the evolution of hospitality in Britain.

However, quarter-on-quarter trends are more positive (see below). Taken alongside solid trading data from the CGA RSM Hospitality Business Tracker, and positive sentiment in the latest CGA and Fourth Business Confidence Survey, there are reasons to be hopeful about prospects for 2024—especially in the managed sector (see page 2). However, many smaller businesses remain

vulnerable to high inflation and interest rates, and it may be a while before consumer confidence fully returns to pre-COVID levels. For now, it feels like a time for cautious optimism.

-3.6% Net change in total outlets over past 12 months

99,916

Total licensed premises in Britain at September 2023



-30.6%

Net change in total outlets between 2003 and 2023



Market overview

While Britain's number of licensed premises has now dipped below 100,000, the trend over the last three months has been more positive. The pace of net closures slowed markedly, from 13 a day across the three previous quarters to three a day in the three months to September 2023. It resulted in a net decline of 260 sites—**0.3%** of the June total. Whether this is the start of a recovery or a brief lull remains to be seen. Whatever the outcome, it is a decent third-quarter performance against a backdrop of soaring business costs.

As always, trends in openings and closures have varied significantly from segment to segment (see table). Casual dining restaurants increased by **0.8%** over the quarter, thanks to fresh expansion plans from some multi-site groups, and there was marginal quarter-on-quarter growth in the food pub (**+0.1%**) and bar restaurant (**+0.4%**) segments too. Drink-led channels like community pubs (**-0.6%**) and high street pubs (**-0.1%**) were worse by comparison, but nevertheless an improvement from the last few editions of the Hospitality Market Monitor.

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

	Sites at Sep 2022	Sites at June 2023	Sites at Sep 2023	% change in sites, Sep 2023 v June 2023	% change in sites, Sep 2023 v Sep 2022
Bar	4,487	4,413	4,390	-0.5%	-2.2%
Bar restaurant	3,331	3,206	3,220	+0.4%	-3.3%
Casual dining restaurant	5,292	5,082	5,123	+0.8%	-3.2%
Community pub	18,538	18,172	18,070	-0.6%	-2.5%
Food pub	11,877	11,702	11,717	+0.1%	-1.3%
High street pub	6,122	6,040	6,031	-0.1%	-1.5%
Hotel	7,379	7,269	7,219	-0.7%	-2.2%
Large venue	4,548	4,263	4,249	-0.3%	-6.6%
Nightclub	938	873	869	-0.5%	-7.4%
Restaurant	16,016	15,192	15,182	-0.1%	-5.2%
Sports / social club	20,552	19,974	19,922	-0.3%	-3.1%
Total	103,682	100,176	99,916	-0.3%	-3.6%

City centres after COVID

COVID lockdowns, travel restrictions and working from home took their toll on hospitality in Britain's big city centres. As this data shows, all of the 10 biggest centres now have significantly fewer licensed premises than they did before the pandemic struck in early 2020.

Some cities were hit harder than others, including London, with **15.6%** fewer sites (see box). Glasgow (**-16.7%**) and Birmingham (**-17.2%**) have been substantially reduced too but other regional hubs have been more resilient. Liverpool has only **2.6%** fewer sites than it did pre-COVID, and Manchester has stemmed losses to **6.8%**. This follows expansion in the north

west from both local groups like Mission Mars and operators that have previously focused on London, like Hawksmoor and Dishoom—a welcome vote of confidence in the future of these cities.

Both commuters and visitors have steadily returned to big city centres since the end of COVID restrictions, with welcome results for hospitality occasions like after-work drinks, weekend stays and—hopefully—festive celebrations. When the cost of living crisis eases, there is optimism that city-centre hospitality may return to its full pre-COVID vibrancy.

City centre outlets, September 2023 v March 2020 and June 2023

Figures for Britain's ten biggest centres by site numbers

	Sites at March 2020	Sites at June 2023	Sites at Sep 2023	% change in sites, Sep 2023 v Mar 2020	% change in sites, Sep 2023 v June 2023
London	3,462	2,908	2,923	-15.6%	+0.5%
Manchester	660	614	615	-6.8%	+0.2%
Edinburgh	561	521	523	-6.8%	+0.4%
Glasgow	510	428	425	-16.7%	-0.7%
Liverpool	464	456	452	-2.6%	-0.9%
Birmingham	414	344	343	-17.2%	-0.3%
Leeds	368	332	328	-10.9%	-1.2%
Newcastle Upon Tyne	367	341	339	-7.6%	-0.6%
Brighton & Hove	353	317	318	-9.9%	+0.3%
Nottingham	305	271	273	-10.5%	+0.7%

0.5 

Net growth in managed venues between June and September 2023

12.4%

Net change in outlets in Britain's ten biggest cities between March 2020 and September 2023

London

Will London ever return to its pre-COVID levels of restaurants, pubs and bars? With **15.6%** fewer sites than in March 2020—a net decline of 539 in three-and-a-half years—there is a long road ahead. However, London is still Britain's most desirable city, demonstrated by the fact that it has the most concentrated hospitality sector by far, and has built back steadily but surely in recent months. Positively, its number of licensed premises increased by **0.5%** over the third quarter, encouraged by the steady return of office workers and the strength of inbound tourism.

This three-month trend compares favourably to other big cities. Net gains in the bellwether restaurant segment, which has always had a rapid churn of sites, is a welcome sign that investor, business and consumer confidence are all on the right track.



Managed v independents

Ever since the start of the COVID-19 pandemic, managed groups have recorded far fewer closures than independents—and that trend continues.

In the three months to September 2023, the number of indie-run venues has dropped by **0.6%**, while the managed segment was in **0.5%** growth. This rises to **0.9%** in the managed casual dining segment, which is back in good health after a steady flow of closures from some medium

to large brands. On a year-on-year measure the contrast is even sharper, with a **5.1%** dip for independents and just **0.3%** for managed operators.

This reflects the greater resilience of multi-site groups during the twin pressures of COVID and the cost of living crisis. Smaller and often family-run businesses have had smaller resources to draw on, and more of these venues that have been weakened by several years of turmoil are likely to close in the months ahead.

	Sites at September 2022	Sites at June 2023	Sites at September 2023	% change in sites, September 2023 v June 2023	% change in sites, September 2023 v September 2022
Managed	20,812	20,658	20,754	0.5%	-0.3%
Independent	65,802	62,846	62,475	-0.6%	-5.1%

Comment from AlixPartners

"While it is never nice to see the number of licensed premises in the UK continue to fall, what the figures don't show is that, whilst the sector has contracted overall, this masks an evolution of the market as it has become more varied and more innovative. In addition, the standard of offer across the full spectrum of the hospitality industry has never been higher. Recent figures show that the contraction in site closures has slowed, this comes after a period of significant estate consolidation. It also marks a period when many operators have tentatively returned to the expansion trail, coupled with the continued entry of new concepts and international brands into the sector. If consumers continue to spend on hospitality and experiences in the face of more challenging economic conditions, we could see site numbers begin to expand again in 2024."

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 Sep 2022	Sites at June 2023	Sites at Sep 2023	Sep 2023 v June 2023	% change in sites, Sep 2023 v June 2023	% change in sites, Sep 2023 v Sep 2022
All Venues	Total	103,682	100,176	99,916	-260	-0.3%	-3.6%
	Managed	20,812	20,658	20,754	+96	+0.5%	-0.3%
	Independent	65,802	62,846	62,475	-371	-0.6%	-5.1%
	Leased	17,068	16,672	16,687	+15	+0.1%	-2.2%

Food-led Venues	Total	37,931	36,461	36,485	+24	+0.1%	-3.8%
	Managed	10,732	10,612	10,674	+62	+0.6%	-0.5%
	Independent	22,578	21,314	21,263	-51	-0.2%	-5.8%
	Leased	4,621	4,535	4,548	+13	+0.3%	-1.6%

Drink-led Venues	Total	56,105	54,604	54,403	-201	-0.4%	-3.0%
	Managed	7,022	6,993	7,000	+7	0.1%	-0.3%
	Independent	36,944	35,771	35,563	-208	-0.6%	-3.7%
	Leased	12,139	11,840	11,840	-	0.0%	-2.5%

Accommodation-led Venues	Total	9,646	9,111	9,028	-83	-0.9%	-6.4%
	Managed	3,058	3,053	3,080	+27	+0.9%	+0.7%
	Independent	6,280	5,761	5,649	-112	-1.9%	-10.0%
	Leased	308	297	299	+2	+0.7%	-2.9%

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.