



Issue 16 of our quarterly series



AlixPartners

Market Growth Monitor

Quarterly review of GB pub, bar and restaurant supply

MAY 2019

At a glance: five headline Market Growth Monitor messages

1 Licensed premises down 2.3% in last year



	Sites at Mar 2019	Change v Mar 2018	Change v Mar 2014	% Change v Mar 2018	% Change v Mar 2014
GB	117,909	-2,753	-5,269	-2.3%	-4.3%

As of March 2019, Britain had 117,909 pubs, bars, restaurants and other licensed premises—2.3% fewer than a year ago, and 4.3% fewer than five years ago. That equates to 2,753 net closures in 12 months—around 53 a week. It is a seventh successive quarter of year on year decline, though the pace has slowed a little from the 3.1% of the previous edition of the Market Growth Monitor.

2 Restaurant closures accelerating



	Restaurants at Mar 2019	Change v Mar 2018	Change v Mar 2014	% Change v Mar 2018	% Change v Mar 2014
GB	26,398	-768	+1,314	-2.8%	+5.2%

Britain had 768 fewer restaurants at March 2019 than it did 12 months earlier. It is important to remember that the long-term story here is one of significant growth—Britain's number of restaurants has risen by more than 1,300 since March 2014—but things are firmly in reverse now. This is the fifth successive quarter of decline for the sector, and the pace of closures on a rolling 12-month measure has accelerated—from two a week at March 2018 to 15 a week now. There is more analysis of the group restaurant sector elsewhere in this edition of the Market Growth Monitor.

3 Mounting difficulties on the high street



	Sites at Mar 2019	Change v Mar 2018	Change v Mar 2014	% Change v Mar 2018	% Change v Mar 2014
High street	39,953	-985	-324	-2.4%	-0.8%
Suburban	42,853	-1,027	-3,202	-2.3%	-7.0%
Rural	35,103	-741	-1,742	-2.1%	-4.7%

In just about every issue of the Market Growth Monitor to date, high streets have outperformed suburban areas for new openings—often substantially so. But this is another narrative turning on its head in the complicated market of 2019. In the year to March 2019, British high streets lost 2.4% of their licensed premises—an average of 19 closures a week. This rate outpaced closures in suburban areas (2.3%) and rural areas (2.1%)—and the trend has potentially major implications for town and city centres.

4 Better news for drink-led pubs and bars as closures slow



	Sites at Mar 2019	Change v Mar 2018	Change v Mar 2014	% Change v Mar 2018	% Change v Mar 2014
Food-led pubs and bars	17,817	-114	+244	-0.6%	+1.4%
Drink-led pubs and bars	31,679	-692	-6,104	-2.1%	-16.2%
Total pubs and bars	49,496	-806	-5,860	-1.6%	-10.6%

Three years ago, the Market Growth Monitor reported that Britain's number of pubs and bars was tumbling at an average of 28 a week. Now, though, the rate has nearly halved, to an average of 15.

The trend is even starker on the drinks-led side of the pub and bar sector, where net closures have eased from 31 a week three years ago, to 13 a week in the 12 months to March 2019. In sharp contrast, food-led pubs were in growth just three years ago, but their numbers are falling now. Against this backdrop, it shows the vital importance to pubs and bars of striking the right balance between food and drink.

5 Alarm bells in major city centres



	Sites at Mar 2019	Change v Mar 2018	Change v Mar 2014	% Change v Mar 2018	% Change v Mar 2014
London	3,311	+21	+303	+0.6%	+10.1%
Glasgow	500	-5	+30	-1.0%	+6.4%
Liverpool	409	-6	+66	-1.4%	+19.2%
Newcastle	372	-10	+6	-2.6%	+1.6%
York	269	-4	+25	-1.5%	+10.2%

Big city centres have been magnets for restaurant, pub and bar openings in recent years, but saturation point has been reached in some of them. As this table of selected city centres shows, Glasgow, Liverpool, Newcastle and York have all seen a fall in their number of licensed premises in the last year, after years of steady growth. Even London, where premises have increased by 10.1% in the last five years, has struggled to keep numbers flat in the last 12 months.

INSIDE:

Harder times for restaurants + Premium and all-day bars in growth + A tale of two towns

Focus: Group restaurants

We make no apologies for returning to the segment of group restaurants—managed sites from operators with more than one location—in this issue of the Market Growth Monitor. We reported last time that this sector had seen numbers trimmed by 0.1% in the 12 months to December, the first fall since the start of the decade—and the pace of closures has accelerated in the first quarter of 2019.

As of the end of March, Britain had a total of 5,785 group restaurants—1.1% fewer than at March 2018, and equivalent to nearly six net closures a month. It is worth reiterating that in the longer term, group restaurants have seen huge growth: their numbers have increased by more than a quarter in the last five years, or by an average of nearly five a week. But it is becoming clear that those boom years are over.

Drilling deeper into CGA's data, we see that the rate of closures is not uniform around Britain. The number of group restaurants has fallen in the areas where their density is highest: by 2.8% in South England and by 1.3% in London. The rates of decline in North England (0.4%) and the Central / Wales region (0.5%) are markedly slower—probably because saturation in towns and cities here has not been quite so apparent. Scotland, meanwhile, has actually added to its number of group restaurants in the last 12 months.

It is little surprise to find that high streets are bearing the brunt of closures. Group restaurants here fell by 2.4% in the 12 months to March 2019, in sharp contrast to net openings of 1.8% in suburban areas. And the Italian sector has been a notable casualty: its group restaurant numbers have tumbled by 84 in the last 12 months, following moves by several firms to close swathes of under-performing sites.

-2.8% V -0.4%

DECLINE IN GROUP RESTAURANTS IN SOUTH ENGLAND V NORTH ENGLAND IN THE YEAR TO MAR 2019



Of course, all this has positive as well as negative aspects. As restaurants close, capacity eases and there is more room for surviving operators to breathe. And when restaurants shut, they are often taken on by ambitious smaller brands in particular—and often on better terms. But these latest figures are a reminder that the group restaurant sector is a survival of the fittest, and that brands need to have a better quality offer and a closer understanding of their consumers than ever before.

Group restaurants: total numbers

	Sites at Mar 2019	Change v Mar 2018	Change v Mar 2014	% Change v Mar 2018	% Change v Mar 2014
GB	5,785	-66	+1,239	-1.1%	+27.3%

1.3% DECLINE



IN GROUP RESTAURANTS IN LONDON IN THE YEAR TO MAR 2019



Group restaurants: trends by area

	Sites at Mar 2019	Change v Mar 2018	Change v Mar 2014	% Change v Mar 2018	% Change v Mar 2014
London	2,340	-30	+510	-1.3%	+27.9%
South England	1,272	-36	+230	-2.8%	+22.1%
Central / Wales	754	-4	+195	-0.5%	+34.9%
North England	1,048	-4	+236	-0.4%	+29.1%
Scotland	371	+8	+68	+2.2%	+22.4%

New openings: Smaller brands increasing share

Data from CGA's Outlet Index reveals an interesting contrast in the fortunes of group restaurants—between newer brands on the front foot and some more established names hunkering down to focus on their estates and like for like growth.

As the data here shows, bigger restaurant groups—those with more than 100 sites—now account for 43% of units—a drop of six percentage points from four years ago. Small (fewer than

25 sites) and medium (26 to 99 sites) groups have meanwhile both increased their slices of the market. This highlights the appeal of dynamic new entrants into the market, and the growing dangers for bigger operators that may have become complacent or outdated in consumers' eyes.

We will have more analysis of this trend in the next edition of the Market Growth Monitor.

	Share in 2014	Share in 2018	Percentage point movement
Small (under 25 sites)	34%	37%	+3
Medium (25 to 99 sites)	17%	21%	+4
Large (100+ sites)	49%	43%	-6

1.1% DECLINE



IN GROUP RESTAURANTS IN THE YEAR TO MAR 2019



Focus: Premium and all-day bars

The slowdown in the closures of pubs and bars, especially drink-led ones, is a significant and welcome trend (see page 1). It signals that the long-term clearout of unsustainable pubs and bars after years of oversupply may, finally, be reaching an end now. But as CGA data shows, the change also reflects the recent success of pubs and bars that have a premium-leaning offer and that can flex their offer to suit different dayparts.

The paid roll-out of managed groups like The Alchemist, Arc Inspirations and New World Trading Company with brands including Manhatta and The Botanist, plus the arrival of smaller but ambitious brands like London Cocktail Club, are part of this movement. They have tapped into the premiumisation trend that CGA has charted for several years now, serving consumers with a carefully curated range of upmarket and distinctive drinks—especially cocktails. Venues like these have higher than average price points, but if the offer is right consumers will pay the premium.

A tale of two towns

Beneath the headline stories of the Market Growth Monitor lie many complex and varied pictures: of some towns and city centres with thriving restaurant, pub and bar scenes, and of others that are fading fast. Understanding these wide variations in fortunes—which often occur within a few miles of each other, or even a few postcodes—is crucial if operators are to succeed with their new openings strategies.

Two towns very well known to CGA, Stockport and Northampton, illustrate the point. At March 2019, Stockport had a total of 409 licensed premises—ten more than 12 months earlier. Northampton has more premises at 477—but that number has fallen by 12 in a year.

What makes one town centre flourish and another struggle? There are financial considerations like rents and rates, and levels of local investment make a big difference. Clearly identifying consumer types—something CGA's segmentation tools can help with—is crucial. The domino effect is at play too: if a few good new bars and restaurants open, as in Stockport, or a few struggling ones close, as in Northampton, others often follow.

Northampton's figures are part of a wider malaise that makes it symbolic of Britain's high street crisis. Several major department stores have closed in the town in recent years, and a third of the units on the main thoroughfare, Abington Street, are now vacant. Competition from online retailers and the nearby Rushden Lakes shopping and leisure park have sucked footfall away. In Stockport by contrast, hospitality operators have updated people's perceptions of what is on offer in the town, and a just-opened food and drink hall is likely to continue the rejuvenation.

Identifying the next 'Stockport' or 'Northampton' is, of course, the big challenge for every expanding business—and that requires a proper grasp of hyper-local factors and consumer types.

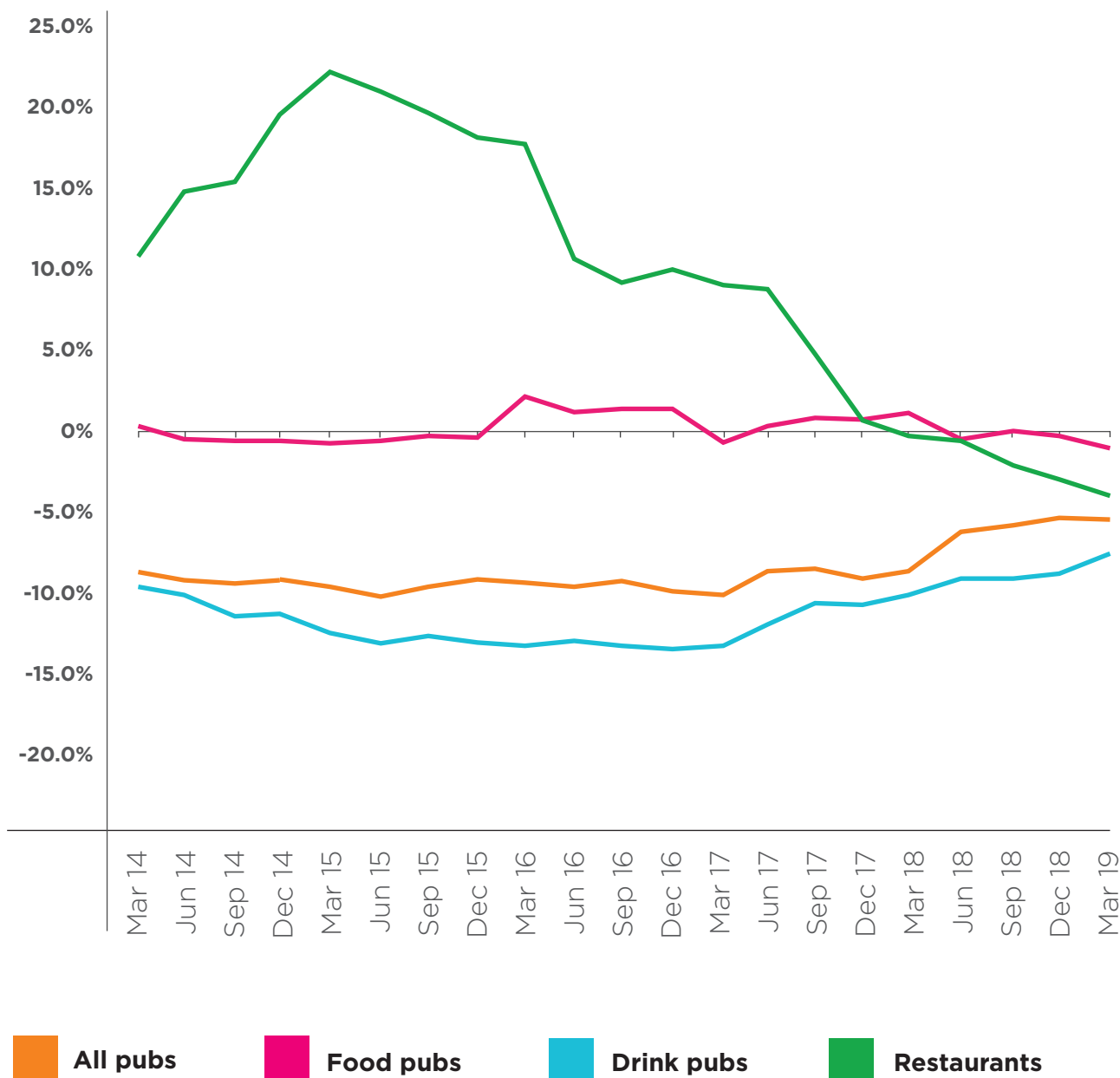
Many of these top brands also share an ability to morph their offer to suit different times of day. The experiential aspect—recognising that a visit is as much about the environment and theatre as about the drinks—is another important success factor.

A sub-section of the drink-led market that is performing particularly well at the moment is CGA's 'wine bar / café' segment, which includes many premium bar groups and independents and fast-growing all-day operators like Loungers. Site numbers in this segment fell for six successive quarters in 2017 and 2018, but increased in the year to March 2019 by 0.3%—and managed groups grew by 4.1% over the same period.



The GB out-of-home market over the last five years

3 year quarter on quarter trend % chg.



Comment from AlixPartners

This edition sees an acceleration of the group restaurants closures trend, albeit coming after a period of sustained growth in the past five years. As this shakeout continues, many believe that a period of intense consolidation is overdue, especially following the spate of casual dining restructures and ongoing cost pressures that have left investors looking at ways to exit struggling businesses. However, the question remains whether anyone really has the appetite or courage to bring together some of the more established groups that are currently looking inward and focused on returning to an even keel through reinventing their estates.

We note that as larger managed groups are consolidating their estates, smaller brands – particularly those with private equity or bank funding available to them - are seizing the opportunity to grow their site portfolios and take market share from their less agile counterparts.

The slowdown in closures of pubs and bars is also a welcome trend, as it reflects the growth in quality operators in the premium bars sector. Keys to success have been an experiential offer paired with a distinctive drinks proposition, and many have also developed a high quality food offer which is taking share from traditional casual dining operators. The success of Loungers’ recent float is testament to this, and we expect to see renewed private equity interest in the premium bar sector over the next 12 months.

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

Changing shape of the GB out-of-home market

Total site numbers by type of business, with one and five year changes

Sector	Segment	Tenure	Mar-14	Mar-18	Mar-19	19 vs. 14	19 vs. 18
GB		Total	123,178	120,662	117,909	-4.3%	-2.3%
		Managed	18,847	20,715	21,127	12.1%	2.0%
		Free	77,828	78,461	76,281	-2.0%	-2.8%
		Leased	26,503	21,486	20,501	-22.6%	-4.6%
Total Food-led Venues			42,657	45,097	44,215	3.7%	-2.0%
Total Drink-led Venues			69,347	64,309	62,687	-9.6%	-2.5%
Total Accommodation-led			11,174	11,256	11,007	-1.5%	-2.2%
Food-led	Branded Food Pub	Managed	2,166	2,657	2,530	16.8%	-4.8%
		Total	6,183	6,581	6,604	6.8%	0.3%
	Café/Wine Bar	Free	4,571	4,926	4,917	7.6%	-0.2%
		Leased	448	337	315	-29.7%	-6.5%
		Managed	1,164	1,318	1,372	17.9%	4.1%
	Food Led	Total	8,124	7,746	7,746	-4.7%	0.0%
		Free	2,817	2,757	2,766	-1.8%	0.3%
		Leased	4,060	3,757	3,635	-10.5%	-3.2%
	Restaurant	Managed	1,247	1,232	1,345	7.9%	9.2%
		Total	25,084	27,166	26,398	5.2%	-2.8%
		Free	20,249	21,047	20,382	0.7%	-3.2%
	Rural Character	Leased	289	268	231	-20.1%	-13.8%
		Managed	4,546	5,851	5,785	27.3%	-1.1%
		Total	1,100	947	937	-14.8%	-1.1%
Rural Character	Free	578	512	506	-12.5%	-1.2%	
	Leased	461	391	382	-17.1%	-2.3%	
	Managed	61	44	49	-19.7%	11.4%	
Leased							
Other	Guest/Boarding House	Total	3,607	3,841	3,527	-2.2%	-8.2%
		Free	3,524	3,733	3,416	-3.1%	-8.5%
		Leased	11	9	10	-9.1%	11.1%
		Managed	72	99	101	40.3%	2.0%
	Hotel	Total	7,567	7,415	7,480	-1.1%	0.9%
		Free	4,782	4,450	4,417	-7.6%	-0.7%
		Leased	345	287	276	-20.0%	-3.8%
		Managed	2,440	2,678	2,787	14.2%	4.1%
Leased							
Drink-led	Circuit Bar	Total	9,178	8,147	7,832	-14.7%	-3.9%
		Free	2,911	3,019	2,903	-0.3%	-3.8%
		Leased	3,291	2,577	2,404	-27.0%	-6.7%
		Managed	2,976	2,551	2,525	-15.2%	-1.0%
	Community/ Drink Led/Local	Total	28,605	24,224	23,847	-16.6%	-1.6%
		Free	9,041	8,267	8,199	-9.3%	-0.8%
		Leased	17,452	13,753	13,165	-24.6%	-4.3%
	Educational	Managed	2,112	2,204	2,483	17.6%	12.7%
		Free	903	877	766	-15.2%	-12.7%
		Total	3,251	4,124	4,172	28.3%	1.2%
	Entertainment	Free	2,771	3,526	3,496	26.2%	-0.9%
		Leased	16	14	11	-31.3%	-21.4%
		Managed	464	584	665	43.3%	13.9%
	Night Club	Total	2,208	1,987	1,667	-24.5%	-16.1%
		Free	1,610	1,502	1,248	-22.5%	-16.9%
		Leased	80	52	40	-50.0%	-23.1%
	Sports/Social	Managed	518	433	379	-26.8%	-12.5%
		Total	25,202	24,950	24,403	-3.2%	-2.2%
Free		24,071	23,845	23,265	-3.3%	-2.4%	
Sports/Social	Leased	50	41	32	-36.0%	-22.0%	
	Managed	1,081	1,064	1,106	2.3%	3.9%	

The 10 numbers you need to know...

117,909



TOTAL NUMBER OF LICENSED PREMISES IN BRITAIN AT MAR 2019



2.3% DECLINE

IN LICENSED PREMISES IN THE YEAR TO MAR 2019

27.3%

INCREASE IN GROUP RESTAURANTS IN THE FIVE YEARS TO MAR 2019



2.4%

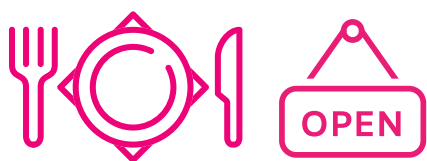


DECLINE IN LICENSED PREMISES ON HIGH STREETS IN THE YEAR TO MAR 2019



10.1% INCREASE IN LICENSED PREMISES IN LONDON IN THE FIVE YEARS TO MAR 2019

244

 NET NEW OPENINGS OF FOOD-LED PUBS AND BARS IN THE FIVE YEARS TO MAR 2019

5,785

GROUP RESTAURANTS AT MAR 2019

2.8% DECLINE

DECLINE IN RESTAURANTS IN THE YEAR TO MAR 2019

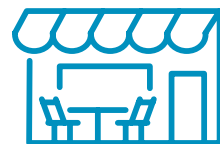


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NET CLOSURES OF GROUP RESTAURANTS IN THE YEAR TO MAR 2019

4.1%

INCREASE IN NUMBER OF GROUP WINE BARS / LICENSED CAFES IN THE YEAR TO MAR 2019



About the AlixPartners CGA Market Growth Monitor

This quarterly Monitor provides a snapshot of pub, bar and restaurant supply in Great Britain. All the data is drawn from CGA's Outlet Index, a comprehensive, continually updated database of all licensed premises. For more information about the Monitor, data or more granular analyses of locations or types of businesses, contact:

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The Market Growth Monitor is delivered in partnership with AlixPartners, the leading global financial advisory firm. Contact:

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