



Issue 26



AlixPartners

Market Recovery Monitor

Review of GB pub, bar and restaurant supply

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Site numbers tumble 5.1% in 2020

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

Previous editions of the Market Recovery Monitor have shown the licensed sector's rollercoaster ride of closures and openings—from steady revival in July and August to stop-start restrictions in September and October to fresh wholesale lockdowns in November and December.

With all licensed premises closed except for takeaway and delivery in January, now is a good time to pause and take stock of the lasting damage done to hospitality in 2020. In this issue we reflect on the scale of closures that are permanent rather than temporary, and review the segments, locations and tenures that have suffered the worst casualties so far.

Our research shows that as COVID-19 swept through Britain last year, the licensed sector recorded a net loss of 5,975 sites—a **5.1%** drop on the number at the end of 2019. Net closures over the year are close to triple the 2019 tally of 2,171.

A very challenging December, when the vast majority of operators were forced to close at what should have been the

busiest time of year, ended a tough 2020 for the casual dining sector in particular, and will undoubtedly have caused more business failures. The only question is how many, and we will be tracking the numbers in our future Market Recovery Monitor reports.

After such a bleak Christmas it is hard to be optimistic about the market, but with a vaccine rollout underway we can be hopeful that hospitality's footfall and sales will start to return when the market reopens. Consumers are desperate to get back to eating and drinking out, and while the easing of supply is not what we would wish to see, it does mean there will be more demand for those businesses still trading.

The wave of closures that we report here will also bring opportunities for ambitious operators, by freeing up property and labour and reducing competition and costs. But that potential will only be realised if businesses can make it through the current turmoil, and the case for government support over the next few months is urgent and compelling. There are better days to come, but the sector will be in survival mode for some time yet.

1. Overview

In all, 9,930 licensed premises across Britain closed for good in 2020. But while 2019 saw nearly 6,500 sites start trading for the first time, 2020 recorded fewer than 4,000 new launches. Put another way, for every new site opening up last year, there were 2.5 closures—double the ratio of 1.3 in 2019.

The sector has always had a high level of churn, with restaurants, pubs, bars and other licensed premises coming and going at a brisk pace. The big difference in 2020 was that with the market in such turmoil, far fewer operators were willing to move into sites that had been closed. As a result, the fall in numbers was far steeper than at any point in the last seven years.

With so much uncertainty, we can expect this trend to deepen in 2021. Sadly there will be many thousands more permanent

closures as businesses find themselves unable to continue with the current levels of trading and external support, and far fewer numbers willing to take their place.

Sites closing and opening in 2019 and 2020

Note: 'Steady sites' refer to premises trading throughout the year

	Steady sites	Sites closing	Sites opening	Net decline	Closures per opening
2019	109,716	8,658	6,487	2,171	1.3
2020	106,273	9,930	3,955	5,975	2.5

Proportion of openings and closures by quarter

Year-on-year movement in Britain's licensed premises

This table shows how closures in 2020 were heavily weighted towards the second half of the year, when the effects of long periods of restrictions started to bite. Two in five (**39.3%**) closures occurred between July and September in the aftermath of the first national lockdown, with another quarter (**26.9%**) following between October and December. By contrast, openings were frontloaded, with well over a third (**37.4%**) taking place before the end of March, while market confidence was still high.

	Closures	Openings
Q1	24.3%	37.4%
Q2	9.4%	19.5%
Q3	39.3%	26.0%
Q4	26.9%	17.2%

2. Segments

Which parts of the licensed sector have been hit hardest by the pandemic? In this edition of the Market Recovery Monitor we set out the number of sites in key segments of the market that remained in business, closed for good and opened for the first time in 2020.

Our research shows that casual dining was one of the sectors worst affected by the pandemic. With 230 openings but 878 closures—3.8 closures for every new launch—this segment contracted by **9.7%** over the year.

The situation was a little better in pubs, with the three community, food and high street pub segments squeezed between **3.9%** and **5.1%**. These sectors, especially food-led pubs, are likely to face more contraction in 2021.

The sports and social club sector meanwhile suffered from bans on sporting activity and socialising throughout much of 2020, and recorded a **6.2%** drop in numbers—equating to 6.6 closures for every new opening.

In volume terms, closures were highest of all in the restaurant segment outside of casual dining—a market that is dominated by independent and family-run businesses. More than 2,000 of these venues closed last year, although nearly 1,200 new operators arrived.



Closures of community pubs per new opening in 2020

Time will tell if sectors like casual dining have now weathered the worst of the storm, or if there is much more pain to come. The longer that lockdown restrictions remain in place, the more likely it is that many temporary closures will become permanent.



Fewer casual dining and restaurant sites at the end of 2020

Permanent closures and openings in 2020 by segment

Note: 'Steady sites' refer to premises trading throughout the year

	Steady sites	Sites closing	Sites opening	Net movement	% Net change
Bar	4,019	484	545	61	+1.4%
Bar restaurant	3,336	372	210	-162	-4.4%
Casual dining restaurant	5,818	878	230	-648	-9.7%
Community pub	19,007	1,527	476	-1,051	-5.1%
Food pub	11,915	736	248	-488	-3.9%
High street pub	6,239	435	137	-298	-4.5%
Nightclub	1,100	163	103	-60	-4.8%
Restaurant	16,963	2,067	1,180	-887	-4.7%
Sports / social club	21,535	1,695	256	-1,439	-6.2%

3. Tenure

The pandemic hit independent hospitality businesses first and hardest in 2020. While supported by government grants, concessions and the furloughing scheme, some small businesses were unable to generate enough cash to stay afloat. Many group-run sites have closed too of course, but in general leading groups were better resourced to get to the end of last year in one piece.



Decline in sites in the independent sector in 2020

This trend is reflected in closure numbers across different types of tenure. Of the 9,930 permanent closures recorded in 2020, nearly three quarters (**72.3%** or 7,182 sites) were

independent venues, with leased (**13.6%** or 1,346 sites) and managed (**14.1%** or 1,402 sites) making up the rest. It meant the independent sector contracted by **5.5%** in 2020, compared to a **3.2%** decline for the managed sector.



Decline in sites in the managed sector in 2020

It wasn't all doom and gloom for independent operators. Just over 3,000 independent premises started trading for the first time: a welcome sign of confidence in the sector, and a cause for optimism that the tide of net closures might be stemmed as 2021 goes on.

Permanent closures and openings in 2020 by segment

Note: 'Steady sites' refer to premises trading throughout the year

	Steady sites	Sites closing	Sites opening	Net decline	% Net decline
Independent	68,123	7,182	3,007	-4,175	-5.5%
Leased	18,129	1,346	223	-1,123	-5.8%
Managed	20,021	1,402	726	-676	-3.2%
Total	106,273	9,930	3,955	-5,975	-5.1%

4. Location

Closures as a result of the pandemic have been spread fairly evenly around Britain. England, which is home to more than four in five of Britain's licensed premises, also accounted for more than four in five of permanent shutterings in 2020—around 5,000 in all. Scotland had a similar ratio of openings to closures, but the metric was notably higher in Wales, where closures outstripped openings by four to one.

With many high streets deserted for much of the year, operators in town and city centres had an exceptionally tough time. There were more than 4,000 permanent closures on the high street—one for every nine sites that made it through the year intact. However, new businesses also came through to replace them at a reasonable rate, making up nearly half the shortfall.

5,035  **net closures in England in 2020**

Beyond the high street, openings were in shorter supply. In suburban areas, there were 2.8 closures for every new launch, and the ratio was even higher in rural areas at 3.1. This suggests that although high streets are beleaguered, they remain more appealing to new businesses than the suburbs or countryside.

Permanent closures and openings in 2020 by location

Note: 'Steady sites' refer to premises trading throughout the year

	Steady sites	Sites closing	Sites opening	Net decline	% Net decline
High street	35,529	4,010	1,931	-2,079	-5.3%
Suburban	38,446	3,530	1,255	-2,275	-5.4%
Rural	32,298	2,390	769	-1,621	-4.7%

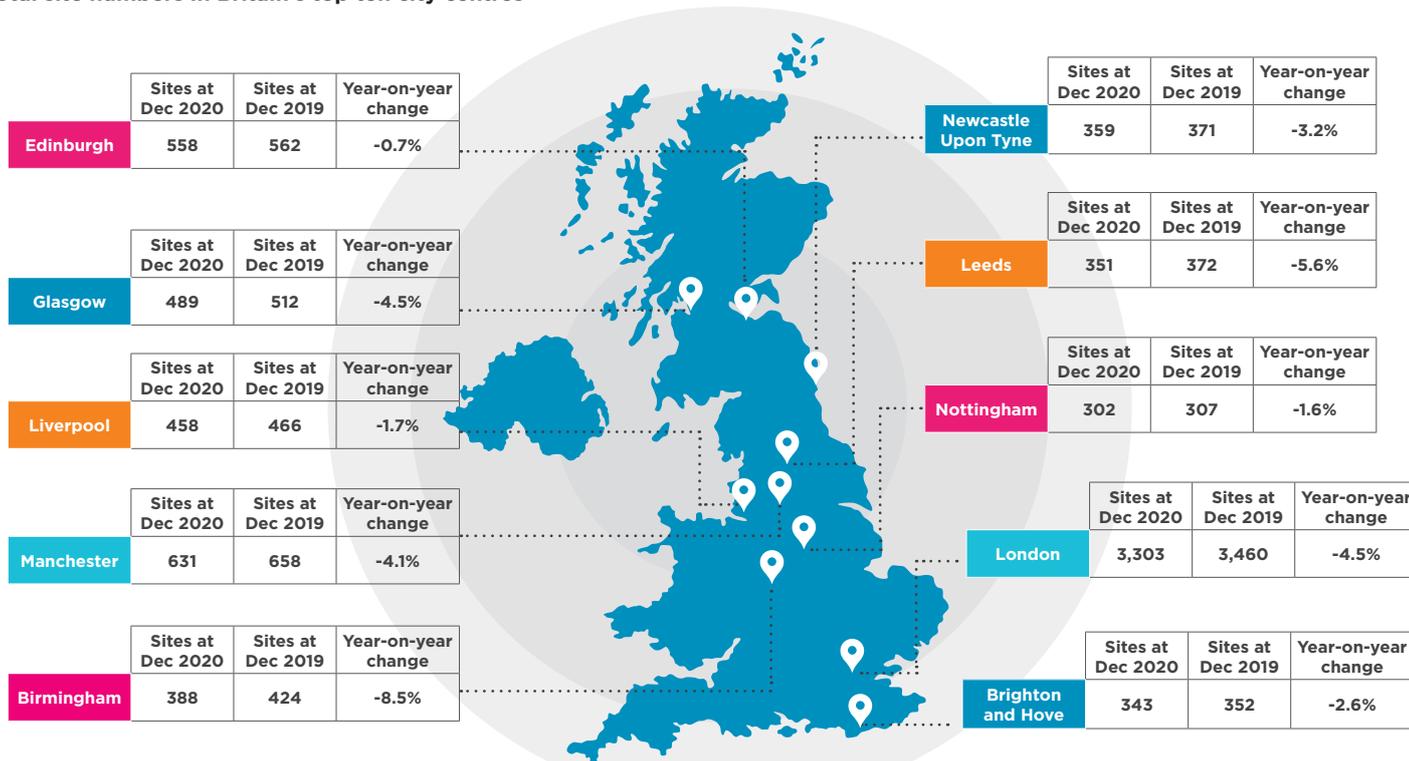
That may change as operators respond to the number of people working from home, and target residential-led areas over retail-led ones. But if town and city centres can get footfall back sooner rather than later in 2021, high streets will probably remain the top target for new restaurant, pub and bar concepts and expanding businesses.

4.5%   **Decline in licensed premises in London in 2020**

As the data on this page shows, the pandemic has already taken a toll on Britain's biggest city centres. London had **4.5%** fewer licensed premises in December 2020 than it did a year earlier, and there was a similar drop in Manchester (down **4.1%**) and Glasgow (down **4.7%**). Worst hit was Birmingham city centre (down **8.5%**), but better protected were Edinburgh (down **0.7%**) and Liverpool (down **1.7%**).

With the vast majority of office teams likely to be working from home for several months yet, there are many more closures to come in city centres. How quickly big cities like London can bounce back when it is safe for people to return will determine the scale of the permanent damage to the licensed sector.

Total site numbers in Britain's top ten city centres



Market summary: Numbers of total and trading sites across three key segments: food-led, drink-led and accommodation-led

		Dec-18	Dec-19	Dec-20	Dec 19 vs Dec 18	Dec 20 vs Dec 19
All Venues	Total	118,374	116,203	110,228	-1.8%	-5.1%
	Managed	20,841	21,423	20,747	2.8%	-3.2%
	Free	76,722	75,305	71,129	-1.8%	-5.5%
	Leased	20,811	19,475	18,352	-6.4%	-5.8%
Food-led Venues	Total	44,089	43,535	41,312	-1.3%	-5.1%
	Managed	11,314	11,630	11,111	2.8%	-4.5%
	Free	27,487	26,837	25,381	-2.4%	-5.4%
	Leased	5,288	5,068	4,820	-4.2%	-4.9%
Drink-led Venues	Total	62,965	61,722	58,908	-2.0%	-4.6%
	Managed	6,659	6,810	6,621	2.3%	-2.8%
	Free	41,177	40,878	39,100	-0.7%	-4.3%
	Leased	15,129	14,034	13,187	-7.2%	-6.0%
Accommodation-led Venues	Total	11,320	10,946	10,008	-3.3%	-8.6%
	Managed	2,868	2,983	3,015	4.0%	1.1%
	Free	8,058	7,590	6,648	-5.8%	-12.4%
	Leased	394	373	345	-5.3%	-7.5%

Sources and definitions

Openings data in this report is sourced from CGA's Outlet Index, the leading database of licensed premises in Britain.

'Independent' or **'free'** 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.

'Tenanted' or **'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.

Comment from AlixPartners

"The wave of closures seen across the hospitality sector in 2020 have been devastating. Longer term this may bring opportunities for ambitious operators, by freeing up property and labour and reducing competition and costs. However, right now survival remains the name of the game. The Government support that followed this latest lockdown is a drop in the ocean for many operators, who continue to accrue debt and burn through cash. Critically, unlike the first lockdown, operators now don't have the benefit of a cash pile generated through the key Christmas trading period.

Businesses, their funders, landlords and other stakeholders urgently need certainty and a roadmap to reopening. The rapid rollout of the vaccine offers hope, but with restrictions unlikely to be lifted until Easter at the earliest, the coming months will likely see more sites lost for good.

What's particularly striking is the impact of the pandemic on independents, accounting for nearly three-quarters of the total permanent closures. Historically this sub-segment has been the most dynamic and innovative in the sector, but significant numbers have failed because they aren't able to draw on the greater financial resources that have allowed managed groups to better ride out the storm.

Business agility will be critical in the period ahead. Changing consumer needs and shifts in where people spend their days due to increased homeworking, as well as flexibly managing a restaurant or pub portfolio within an evolving patchwork quilt of tiered restrictions and regulations, means complex challenges remain in the sector for the foreseeable future."

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