



HospitalityMarketMonitor

Review of GB pub, bar and restaurant supply

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Mixed outlook for 2024 after 800 sites lost in Q4

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

As we enter 2024, hospitality's post-COVID recovery is delicately poised. This edition of the Hospitality Market Monitor reveals a net decline of **0.8%** of licensed premises in the last three months—equivalent to **803** closures or nearly **nine** per day. While all closures are disappointing, this figure is much healthier than the peak average of **24** closures a day that the Monitor recorded in mid-2022. The flood of business failures after COVID lockdowns has slowed substantially.

However, the licensed sector remains vulnerable. Inflationary pressures continue to put strain on operators' costs and consumers' spending, leaving some businesses—especially smaller ones—very fragile. January has already brought news of

some high-profile restaurant and pub closures, and we can expect more in the weeks ahead as hospitality's Christmas hangover kicks in.

CGA's recent research points to improved confidence among business leaders and consumers alike, and the long-term future for well-run and well-resourced hospitality groups is good—but the exact turning point for when we get back to outlet number growth is unclear.

99,113



Total licensed premises in Britain at December 2023

Market overview

At the end of a difficult 2023, Britain had **99,113** licensed premises—a quarter-on-quarter net drop of **0.8%** and a year-on-year decline of **2.9%**. This means there are nearly **3,000** fewer premises than there were at the end of 2022, and **16,000** fewer than at March 2020, the point at which COVID-19 arrived in Britain.

It is a dramatic decline, especially on the independent side of the sector, which is now **16.6%** smaller than it was before the pandemic. Closures have continued over the final quarter of 2023 in several segments of the market—most notably nightclubs (down by **2.1%**) and high street pubs (down **2.0%**). The second of these is part of continuing turbulence in the pub category (see page 2).

Fourth-quarter closure patterns were similar across the market. Managed venues shrunk by **0.7%**—only just ahead of the independent sector (down **0.8%**). By location, there were equal

trends in high streets (down **0.7%**), the suburbs (down **0.9%**) and rural areas (down **0.8%**).

However, this data shows some channels had a brighter end to 2023. Losses of community pubs (down **0.3%**) and large venues (down **0.2%**) were very modest, while bar restaurant numbers were level and hotels increased by **0.2%**. These are unspectacular numbers, but a welcome indicator that the downward trajectory of site numbers may be flattening out in some segments.

Optimism has been further raised by CGA's trading data that points to a solid final quarter for managed pubs, bars and restaurants, and by recent cuts in inflation and interest rates that will hopefully loosen people's spending as 2024 goes on. Whether or not this translates into a further slowing of closures and a trigger for new openings remains to be seen.

Outlets by segment, December 2023 v September 2023 and December

	Sites at December 2022	Sites at September 2023	Sites at December 2023	% change in sites, Dec 2023 v Sep 2023	% change in sites, Dec 2023 v Dec 2022
Bar	4,455	4,390	4,363	-0.6%	-2.1%
Bar restaurant	3,283	3,220	3,221	0.0%	-1.9%
Casual dining restaurant	5,185	5,123	5,085	-0.7%	-1.9%
Community pub	18,382	18,070	18,021	-0.3%	-2.0%
Food pub	11,813	11,717	11,639	-0.7%	-1.5%
High street pub	6,072	6,031	5,910	-2.0%	-2.7%
Hotel	7,328	7,219	7,232	+0.2%	-1.3%
Large venue	4,525	4,249	4,240	-0.2%	-6.3%
Nightclub	882	869	851	-2.1%	-3.5%
Restaurant	15,630	15,182	14,968	-1.4%	-4.2%
Sports / social club	20,377	19,922	19,737	-0.9%	-3.1%
Other*	4,139	3,924	3,846	-2.0%	-7.1%
Total	102,071	99,916	99,113	-0.8%	-2.9%

-2.9%

Net change in outlets between December 2022 and December 2023

-0.8%

Net change in outlets between September and December 2023

Focus on pubs

The last edition of the Hospitality Market Monitor highlighted the long-term trend of closures in Britain's drinking-out sector, leading to a **43.6%** drop in the number of drink-led pubs, bars and nightclubs between 2003 and 2023. Pub failures accelerated during COVID, and at the end of last year there were **11.8%** fewer community pubs than in March 2020, and **11.2%** fewer pubs on the high street.

Food-led pubs have been more resilient, with a **7.6%** drop since the start of the pandemic. This reflects the long-term shift in the way people use pubs, and their change in focus from drinking out to eating out. Some other types of drink-led venues have struggled since early 2020, like nightclubs (down **31.8%**) and sports and social clubs (down **13.4%**).

The numbers also illustrate how people have become more willing to travel to a pub if the experience is worth it, which has added to the pressures on pubs in small communities and on town high streets. Another pattern has been the resilience of operators in Britain's biggest city centres, where food-led pubs and many other types of venue have been more sustainable than pubs in surrounding towns in the last few years.

CGA by NIQ's new PubTrack service provides more analysis of pub groups' performance and trends against a variety of metrics. To learn more, email Danielle Rowlands at danielle.rowlands@nielseniq.com.

Changes in pub numbers by segment, December 2023 v March 2020 and December 2022

	Sites at March 2020	Sites at December 2022	Sites at December 2023	% change in sites, Dec 2023 v Mar 2020	% change in sites, Dec 2023 v Dec 2022
Community pubs	20,442	18,382	18,021	-11.8%	-2.0%
Food pubs	12,590	11,813	11,639	-7.6%	-1.5%
High street pubs	6,658	6,072	5,910	-11.2%	-2.7%
Total pubs	39,690	36,267	35,570	-10.4%	-1.9%

Managed, indie and leased pubs after COVID

The broad story of closures hides very significant changes in pubs by tenure—especially the success of managed groups amid difficulties for the independent and leased sectors.

This Hospitality Market Monitor highlights the gulf in fortunes between the three tenures since the start of the COVID-19 pandemic. Britain's number of independent pubs at December 2023 was **14.1%** below the total at March 2020—equivalent to **9.5** net closures per week. The drop in leased pubs has been even sharper at **14.4%**, or **13.5** net closures per week.

Against this backdrop, managed pub groups increased their numbers in the same period by **4.2%**—an average of **1.8** net openings every week. This partly reflects a move of some groups away from a leased model in favour of putting pubs under direct management or managed partnerships.

But it also indicates the resilience of managed groups and the advantages of scale that helped them cope better with disruption to trading in 2020 and 2021. This trend continued through much of 2023, when the managed sector's numbers fell slower than independents or leased sites. However, a modest net decline of 69 managed sites in the fourth quarter of last year—reflecting some high profile closures by leading groups—showed it hasn't all been plain sailing.

Growth on the managed side has been led by smaller operators. Monitor data shows that managed groups with more than 250 sites lost **1.1%** of their estate in 2023, while groups in the 50-to-100 sites bracket have increased their pub numbers by **41.3%**. This emphasises the confidence and ambition of mid-sized and regionally-focused businesses, and the need for big nationwide pub firms to stay focused and relevant.

	Sites at March 2020	Sites at December 2022	Sites at December 2023	% change in sites, Dec 2023 v Mar 2020	% change in sites, Dec 2023 v Dec 2022
Managed	8,391	8,751	8,744	+4.2%	-0.1%
Independent	13,074	11,525	11,225	-14.1%	-2.6%
Leased	18,225	15,991	15,601	-14.4%	-2.4%

+4.2% Net change in managed pubs between March 2020 and December 2023

-14.1% Net change in independent pubs between March 2020 and December 2023

Comment from **AlixPartners**

Prevailing economic conditions meant 2023 was a difficult year for many industries, particularly those exposed to discretionary spending, and with high operational gearing, like hospitality and leisure businesses. However, it was and clearly remains an uneven market.

Well capitalised, well-run establishments in resilient parts of the market enjoyed continued growth through 2023, whereas smaller independent businesses struggled to absorb the increase in operating costs.

While the long-term headline-grabbing pub closure rates are on the face of it shocking, they speak to a societal shift, from drinking-out to more food-led occasions. This has happened amid a 20-year structural expansion in food venues across the country. It is a hospitality mega-trend of the first quarter of this century. The other material shift in behaviour in recent times is that of young consumers moving away from large late-night venues, which has left this segment of the market facing a challenge to adapt.

Leading operators have predicted that 2024 will likely be a year of two halves, with continuing volatility in the first part, allied to cautious optimism for a stronger second half of the year. The closures of a number of high-profile independent businesses and ongoing issues faced by the late-night sector suggest this could be borne out. We are optimistic that the relative stabilisation of closure numbers seen in the current Hospitality Market Monitor figures will continue.

As we head into 2024 the outlook looks brighter. With inflation pressures easing and financing costs looking like they have peaked, many operators are looking forward to a more profitable year ahead.

These first signs of a break in the economic storm have played a part in the recent injection of much-needed impetus into the UK M&A market, with deals for The Restaurant Group (TRG), City Pub Group and Ten Entertainment. The return of differing types of investors, and specifically of global buyout giant Apollo (acquiring TRG and providing financing to Stonegate), will draw others to the market.

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 Dec 2022	Sites at Sep 2023	Sites at Dec 2023	Dec 2023 v Sep 2023	% change, Dec 2023 v Sep 2023	% change, Dec 2023 v Dec 2022
All Venues	Total	102,071	99,916	99,113	-803	-0.8%	-2.9%
	Managed	20,697	20,754	20,602	-152	-0.7%	-0.5%
	Independent	64,392	62,475	61,954	-521	-0.8%	-3.8%
	Leased	16,982	16,687	16,557	-130	-0.8%	-2.5%
Food-led Venues	Total	37,294	36,485	36,125	-360	-1.0%	-3.1%
	Managed	10,679	10,674	10,555	-119	-1.1%	-1.2%
	Independent	21,986	21,263	21,044	-219	-1.0%	-4.3%
	Leased	4,629	4,548	4,526	-22	-0.5%	-2.2%
Drink-led Venues	Total	55,581	54,403	53,987	-416	-0.8%	-2.9%
	Managed	6,970	7,000	6,954	-46	-0.7%	-0.2%
	Independent	36,564	35,563	35,300	-263	-0.7%	-3.5%
	Leased	12,047	11,840	11,733	-107	-0.9%	-2.6%
Accommodation-led Venues	Total	9,196	9,028	9,001	-27	-0.3%	-2.1%
	Managed	3,048	3,080	3,093	+13	+0.4%	+1.5%
	Independent	5,842	5,649	5,610	-39	-0.7%	+/-4.0%
	Leased	306	299	298	-1	-0.3%	-2.6%

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.