

DECLINING PUB SALES – NO QUICK FIXES

Foodservice experts Horizons (Horizons For Success) are set to release a report entitled 'How Can Food Fill A £1bn Gap?' in which the industry analysts question whether the growth in food sales will be sufficient to prevent the entire on-trade to move backwards this year in terms of total revenues. The key findings of the report are that:

- * Wet sales fell in 2007 and will fall across the on-trade by £1bn in 2008 and by another £1bn in 2009.
- * Food sales may plug this gap over time but, in 2008 and 2009, pubs will do well to achieve incremental growth of £400m suggesting that a decline in total revenues will not be avoided.
- * What change does occur in the mix of sales will adversely impact net margins as these are structurally lower in food than they are in wet-sales.
- * The pain will not be shared equally as not all pubs are well-suited to selling food as opposed to drink as the premises and skill-sets required can be materially different.
- * Horizons believes that 'current estimates of 1,500 pub closures per year are on the low side'.
- * Furthermore, pub-driven price promotions will put pressure on restaurants and 'will ensure closures in the restaurant and quick service sector'.

The work conducted by Horizons concludes that, whilst wet sales will fall, food sales will rise. When one factors in that in some restaurants 'drink-with-food' is a large part of wet-sales, the divergent performances look even starker still. Add in the fact that a large number of pubs are simply not suited to selling food in any volumes and the expert's conclusion that closure rates of c1,500 per annum may understate the current risks to the industry are understandable.