

Independent Pubs - UK - July 2009

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What is this report about?

Independent pubs appear to be in the middle when it comes to performance of the varying pub business models: managed pub groups have benefitted during the recession from their significant buying power and ability to offer extremely competitive pricing, tenanted/leased venues have been significantly hampered by their supply ties which has left many uncompetitive on pricing for consumers. Although independent venues do not have the financial or knowledge backing of the big managed pub groups, they have benefitted during the recession from the greater operational flexibility they enjoy and the fact that their cost base is lower and more controllable than that of many of their rivals, especially tenanted/leased pubs.

Key issues covered in the analysis

- The current trading year is proving quite tough for independent operators. Many are extremely happy if they can maintain their turnover and a number have reported sales down by as much as 15%.
- The recession has prompted a significant decline in the number of people willing to pay extra for good quality beer, which is an area that independents generally focus on.
- Pubs also have to cope with long term societal changes such as the decline of consumers just popping in for a quick pint after work. Trade research has indicated that over the past two or three years, the ratio of food and drink sales has altered from 60% food 40% drink to 70:30.
- Although 2009 is proving a tough trading environment for independent pubs, the longer-term prospects for the sector are good, given the control over the business that they exert and the fact that many have a clear point of differentiation to keep bringing customers back.
- Independent venues are also ramping up their marketing efforts and are being savvy when it comes to economical ways of doing it. For example, utilising social networking sites helps operators to meet market demands both for raising the profile of their venue as well as rationalising their bottom line generally.
- Improving consumer confidence is thought to be the main factor for improving trade levels overall. For this reason, outlets have been trying to trade as close to normally as they can, since they feel canceling events to save money sends out the wrong impression to customers.



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Scope of the report

Mintel defines an independent pub or bar as one which is not part of a chain or group tied to a particular brewer or owned by a large pub retailing company. In the traditional terminology of the on-trade (ie outlets licensed to sell alcohol), the term 'independent' is interchangeable with 'free house'.