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# HIGH STREET RESTAURANTS AND BARS;

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# TIRELESS GLADIATORS

October 2021



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Restaurants, Pubs & Bars have had to fight a long hard battle just to remain in the game.

And for the Hospitality sector, what a battle this has been. Lasting longer than some wars, this has been the sector worst hit.

Against all odds, like gladiators, they have had to fight hammer and nail to survive, and with a bit of luck, thrive.

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From one side of the arena, Brexit, which took a large number of their staff and made supplies more expensive and harder to source.

From the other side, Covid-19, which brought 3 lock down waves that partly stripped them off their remaining weapons: their savings, their energy reserves & endurance.

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It is now that the dust is settling down, that we can witness the survival of the fittest.

## Shortage of qualified staff

Shortage of staff has been one of the first challenges this sector has had to battle with. Already as soon as 2016, following the result of the Brexit referendum, many workers started considering leaving the UK.

This has been a big problem, particularly in the South East of England and London, where sourced skilled people, have originated mostly from the EU.

Looking at pre-Brexit numbers, more than 30% of hospitality staff working in the UK originated from the EU. In London this percentage is higher at around 50%. Many of these workers have left, and the ones remaining find it more difficult due to the new immigration process & new policies originating from Brexit.

In response of the ongoing hospitality staffing crisis, and to avoid churn, some eateries are now increasing staff wages by about 10%, which will inevitably reflect on rising bills for their customers.

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“50%  
of staff in  
London  
relies on  
EU  
workers”

The Guardian (August 2021)

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“3.2%  
August  
Inflation  
leading to  
an increase  
of food  
costs”

Office of National Statistics (ONS)

## Sourcing goods becomes more expensive

Brexit and Covid have long collaborated to aggravate the issues regarding the necessary supplies needed for this sector. There have been different challenges with shipments, such as delays resulting mainly from the added Covid security protocols. The lack of lorry drivers, also, another major issue at the moment.

All these difficulties have led to an increase in prices, also worsened recently by the current inflation from 2% in July to 3.2% in August. This has been the highest rate since March 2012.

Many businesses in this sector, particularly small ones have had to rise up to so many economic challenges, that in several cases, many have run out of working capital & reserve funds, and had to negotiate time to pay agreements with their suppliers, which altogether has resulted in very difficult and stressful situations, for which they have had to endure for a long period of time.

## Looking for new strategies

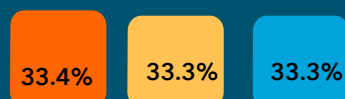
Just like any other sector, the hospitality sector has looked at different tools to overcome the various problems suffered, but unlike others, due to the nature of this sector, the need to keep close contact with people has made it more difficult to adopt some of the strategies that others have profited from, ie., moving to a virtual environment.

There are however, some changes that many of these businesses have been able to adopt to a degree, helping cushion the impact of the situation. For example, we can mention the adoption of technology by implementing table/self-ordering methods, or increasing their online presence to enable their customers to safely place orders online.

“33.4%  
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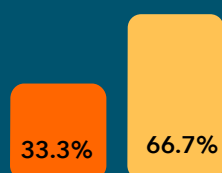
Close Brothers Asset Finance (March 2021)

Looking at businesses nationwide, they have become more online-based as a result of Covid-19



- 33.4% State that their day to day operations occur online
- 33.3% State that more trading occurs online
- 33.3% State that their Business model is the same

Looking at businesses nationwide, they have invested more in digital infrastructure as a result of Covid-19



- 33.3% State that they have invested slightly in digital infrastructure
- 66.7% State that they have not invested in any additional tools

## Using technology to keep clientele

The pandemic imposed social distancing in public places, which resulted in consumers being forced to dine out less, with businesses having to comply with social distancing security measures, having to cut down the number of tables, or take less bookings.

Some sources say that the year over year change of seated diners in the UK in September 2021, compared to 2019, was 37%.

To make things worse, the hospitality sector has suffered not one, but three long lock downs, which once more aggravated the situation for this already struggling sector. Many of these businesses remained unable to provide their services, or in the best of case, had to reduce their offering to just take away products.

As a result, businesses had to adapt becoming more online-based, by looking for other ways to sell their services: a 33.4% of business in the UK in this sector reported that their day to day operations now occur online, as a result of Covid.

This also means that many of them had to invest in a new digital infrastructure in order to stay ahead of their latest encountered challenges, and keep and attract what clientele they could.

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"The no. of Pubs serving food fell by 4.2%.

Bars & Pubs only serving drinks fell by 5.2%."

The BBC (May 2021)

## The end of the road for some

Such challenges have left many of these hospitality combatants with few weapons available, and having run out of reserve funds, and endurance, many have ended up with no other alternative than closing their doors.

Net market change	March 2020	April 2021
Restaurant	18,770	16,853
Food Pub	12,590	12,055
Casual Dining Restaurant	6,625	5,338
Bar Restaurant	3,685	3,330

Here we can see how the number of Restaurants, Food Pub, Casual Dining Restaurants & Bar Restaurants decreased in April 2021 compared to March 2020.

Table from The BBC (May 2021)

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“The greatest danger in times of turbulence is not the turbulence; it is to act with yesterday’s logic”

Peter Drucker

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According to the main trade body UKHospitality, UK pubs and restaurants owe an eye watering c. £6bn directly in unpaid rents and loans as a result of Covid – an average of £48,000 each! This is a frightening reality.

However, as the quote suggests, does this prompt new thinking? Perhaps it should do!

As mentioned, the pandemic has lasted longer than most wars, but global wars have also represented some of the most accelerated periods of innovation in history!

So, the question is, how are hospitality commercial teams innovating to claw back the loans and the cash-burn?

Yes many have asked their suppliers to share the pain... and many have had to re-tendered Key contracts.

However, this is still applying the old logic; re-tender, make the market as competitive as possible, and negotiate hard.

Does this sound familiar? Does this create completely new benchmarks for your business? Difficult to say for sure, but what is true, is that it is the “old logic”!

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Pro Commercía management has over a 20 year period, been responsible for disrupting purchasing norms and driving collaborative win-wins for all parties.

Isn't NOW the time to disrupt yesterday's purchasing logic, and find new profitability?

Isn't it time for a new approach?

If not now, then when?

### Who to chat to

If you wish to discuss this in more detail, please feel free to contact Dave Freeman. He will be delighted speak and share ideas either by phone or email

T: 0208 159 6933

E: [dave@procommercía.com](mailto:dave@procommercía.com)

Dave is a Hospitality Specialist with over 23 (*very happy*) years in a variety of commercial and operational roles, both B2B and B2C, working with **Whitbread, Mountain Trading Company, Mitchells & Butlers, Diageo, Greene King Brewing & Brands, Greene King Pub Partners & Stonegate Pub Co.**



Given his wide experience and deep industry knowledge, he fully understands the day-to-day and more strategic challenges that hospitality faces, particularly in the current climate.

In sharing new insight and challenging the industry "norms", Dave's intention is to support his 23 year Network to accelerate the recovery without burdening them with additional costs and further risk taking!

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Report: "High street Restaurants & Bars. Tireless Gladiators"

Authors: Teodora Barr-Gonzalez & Dave Freeman

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Part of the data used originates from a survey carried out by Close Brothers Asset Finance (March 2021). This data is focused on companies across the UK with a turnover greater than 10m pa.