

On trade trends for 2009

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Through the gloom



“Whilst consumers do not seem to be spending less when they go out, they are going out less frequently”

Deloitte analysts, The Publican On Line, 08.12.08

A truly gloomy forecast for 2009+

- consumers drink more at home
- deal seeking
- going out less
- retrench to core occasions
 - mid week drinking gets hit
- but stay closer to home to avoid taxis and higher priced town centres
- or go out later having stayed at home first
- same, same, no different?

Everyone's seeing it...

It's been a tough time for Licensed – and it may get tougher!



The number of daily on trade visitors has fallen by over 1/3 since 2001



The average GB adult now spends less than an hour a week in the on trade
• Around 5 minutes less per week than last year
• This equates to around 4 million lost on trade drinking hours every week



Only 32% of smokers visited the on trade in the last 7 days in Q1 2008 - compared to 40% in the same quarter last year.



Since 2003, the proportion of on trade occasions on which...
• a fruit machine is played ↓40%
• pool is played ↓20%
• people dance or listen to a DJ ↑25%



The switch from drinking in the on trade to drinking at home is now happening at a younger age than ever before



And it's biting...



Of 1400 pubs recently surveyed (CGA data)

- almost 1 in 10 said they are closing on Mondays and Tuesdays
- 8% said they would close on Wednesdays

And...

- 20% are considering experimenting with opening before 10am for breakfast trade
 - MAB also report significant growth in breakfast business
- 64% close at 11pm on weekdays
- 22% midnight
- 13% later
- 4% 10pm or earlier

Silver linings 1

“Mid-market pubs are losing trade to the takeaway market, according to the latest analysis of eating out trends.

However, at the top end of the market, destination food pubs are benefiting from a sales growth spurt”

The Publican On Line
08.12.08

“...upmarket pubs have benefited from double digit sales growth in the 'premium casual' segment, where average spend is between £17 and £23 a meal. This includes gastro pubs, destination country inns, as well as speciality restaurants”

Premium performers

- best operators continue to succeed
- the strugglers fall by the wayside
- there will be three pubs all competing for the same drinkers on your local high street and one will win out
- retail standards and quality of offer will continue to be important, perhaps more so in tough times
- if you're going out less you're likely to want a decent experience
- mid market squeeze

Silver linings 2



Unique and different experience

- the on trade is different
- the internet is not a challenger in the same way that it might be for other sectors
- but it's too often lazy and complacent
 - poor value relative to quality of offer
 - poorly defined and differentiated offers
 - yesterday's standards
- VFM in good quality surroundings will be come increasingly important
 - that's not cheap, but realistic prices

Silver linings 3

YOUR M&S



Lateral adoption

- learn from the supermarkets and independent food sector
- value ranges vs taste the difference equivalents
- £10 for 2 meals @ M&S
- healthier options
- plus, deli counters in bars? bakers selling booze...
- 'multifunctionality' in the on trade
 - food and drink that combines on and off trade experiences
 - true experience bars - the return of 'themed' bars
- bland, boring 'style bars' just will not cut it any more
- and gastro pubs are increasingly 'normal' in London

Silver linings 4



Here come the girls

- increase in mixed sex groups
 - prompting changes in brands and behaviour
 - wine?
 - food?
 - lighter brands?
- increased female adoption of beer
 - lighter brands
 - unisex brands - e.g. Peroni
- women tend to adopt brands and categories more quickly than men
- how else can pubs target women more effectively?

Silver linings 5



Staying local: local as premium

- suburban locals in London villages continue to do well and develop
- urban locals in provincial city centres develop along similar lines
- independence and fluidity of offer - unrestricted by branded status
 - multifunctionality again
- avoiding the taxi fares
- so town centres become BNO focused - high energy for the kids
- ales and speciality beers benefit from considered occasions

From The “Future Foundation”



The volume of real-ale sales grew by 3% between August 2007-2008, whereas total beer sales were flat (TNS, 2008)

Again, we're not the only ones saying this...



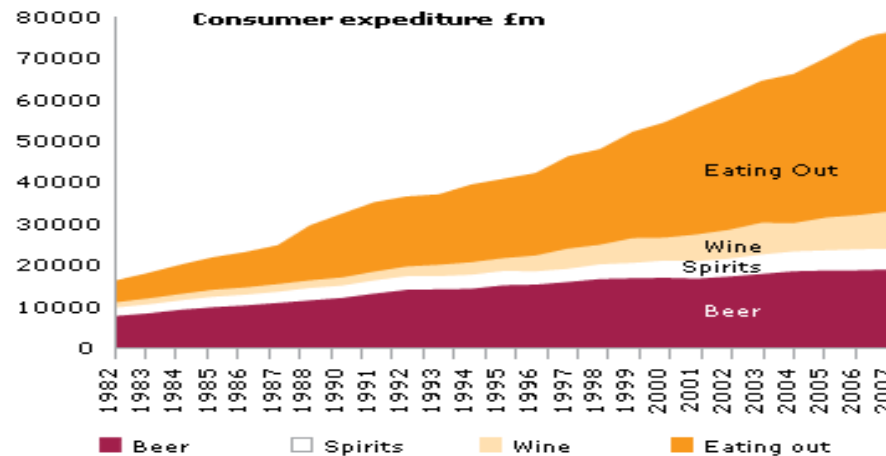
- “Local” becomes another premium
- Revitalisation of the UK-based holiday, motivating pubs to act as shop windows for local produce
- Growing customer base of non-local travellers in search of local gems

Silver Lining 6



Eating out in pubs is the macro trend and this will continue beyond the crunch

- more women at work
- higher number of single households
- more socially active retirees
- and greater disposable income
- at the heart of the community



Summary



"The drinker" Cherri Wood

A significant challenge over the short to medium term

Pubs and bars build on what they do that is unique and special

- atmosphere
- human contact
- interesting brands
- well served

And crucially their role in the community evolves...

As ever, take the lead from quality independents who will find a way forward through the gloom

The future is food, local orientation and in the sharp end multifunctionality