

UKH, BBPA, BII & HU

MEMBERS SURVEY

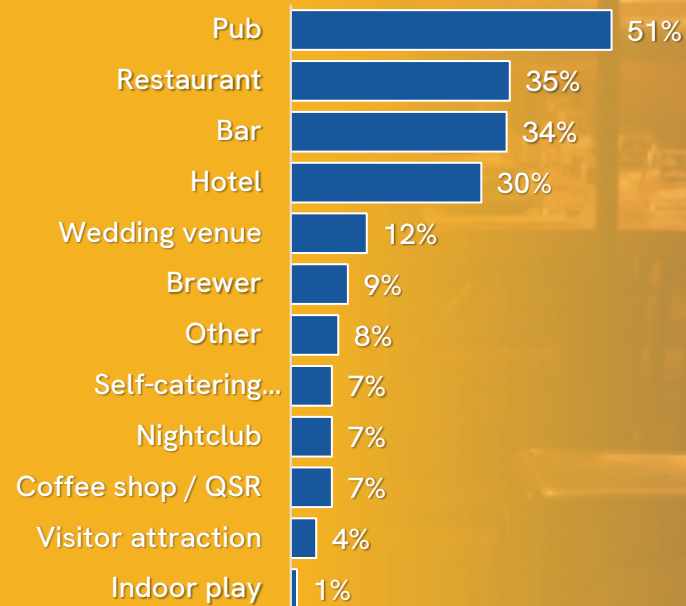
11.07.24 – 02.08.24

METHODOLOGY AND SAMPLE...

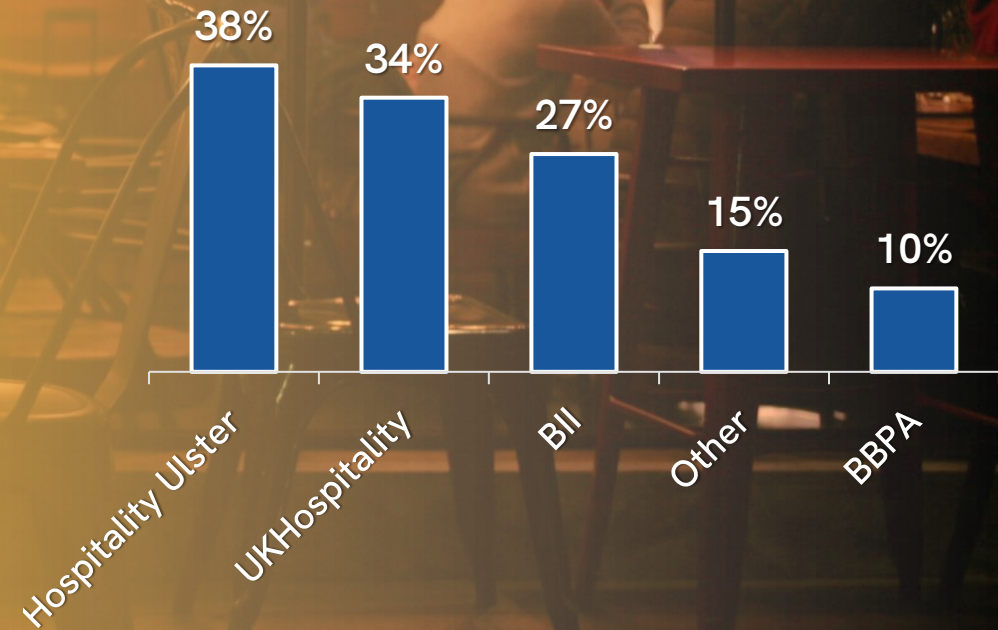
Results collected between 11.07.24 – 02.08.24

Overall responses:
200

Business type



Trade association membership

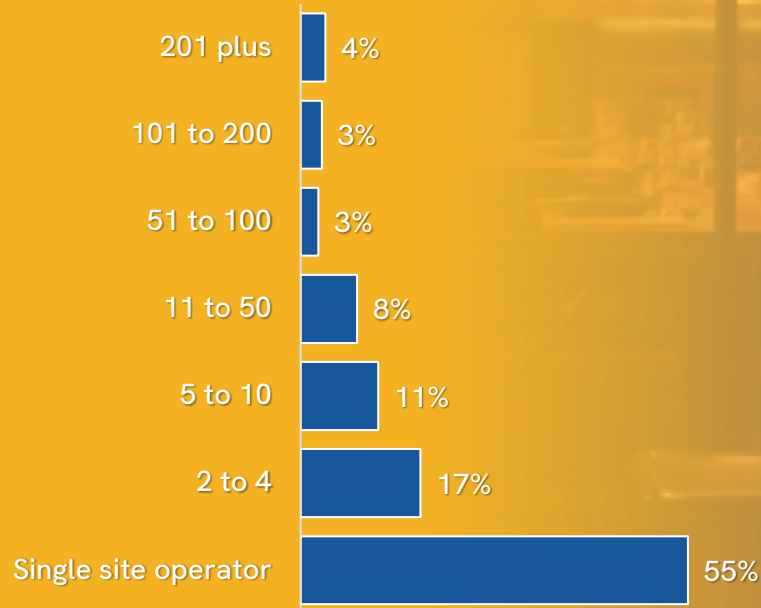


METHODOLOGY AND SAMPLE...

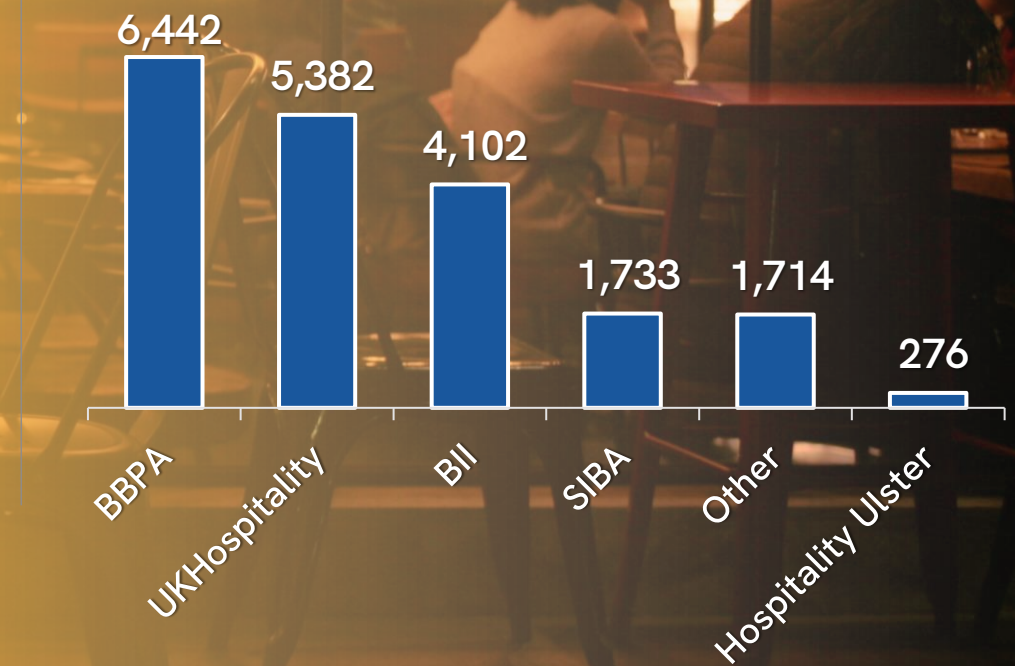
Representing...

Representing around
8,300
sites

Business size

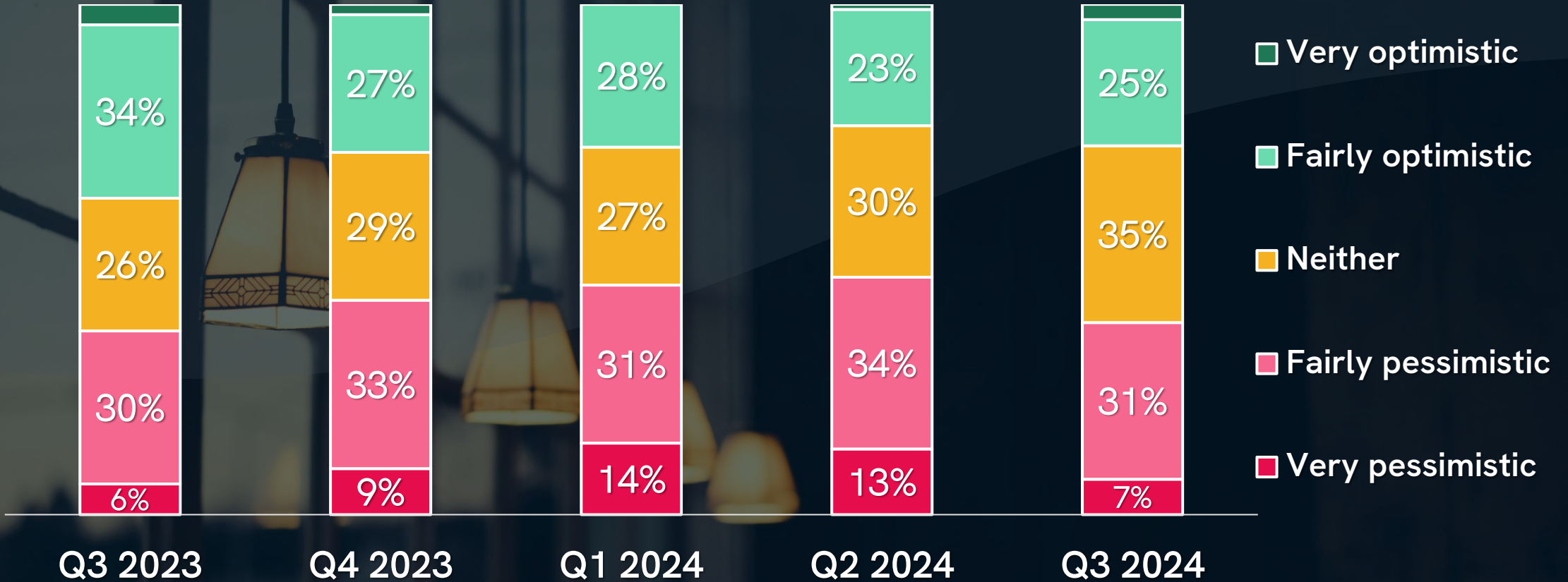


Sites represented by trade association



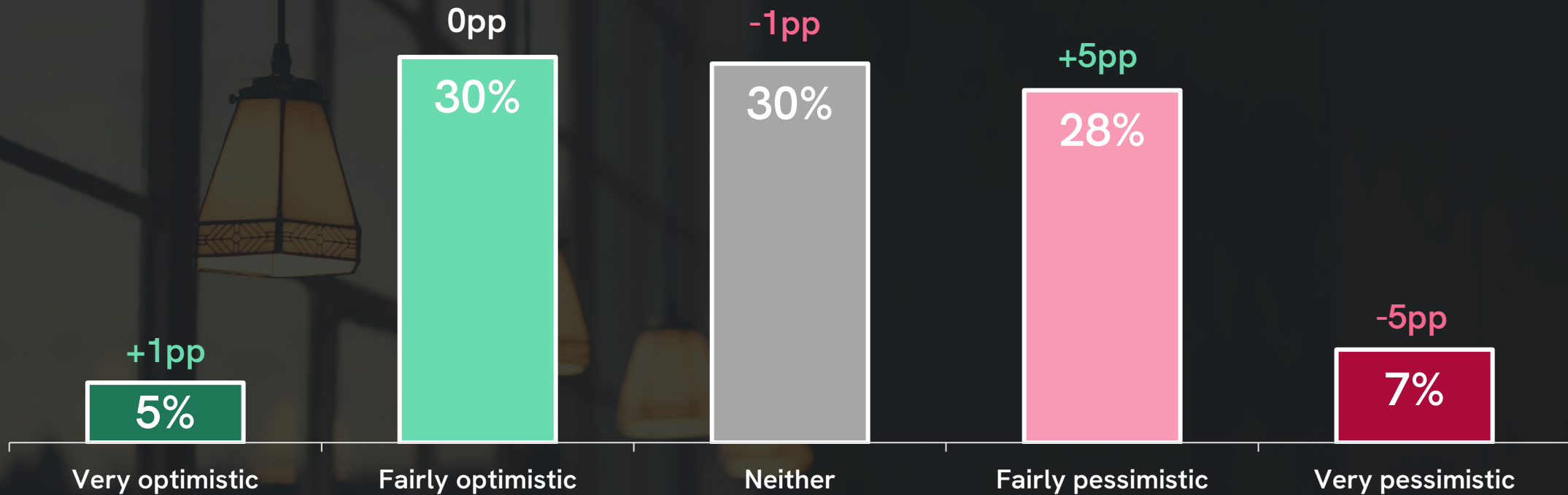
While market optimism is still down on the previous year, quarter-on-quarter confidence has shown a reversal in trend, with the number of very pessimistic operators almost halving

How optimistic are you about the prospects for the hospitality market as a whole over the next 12 months?



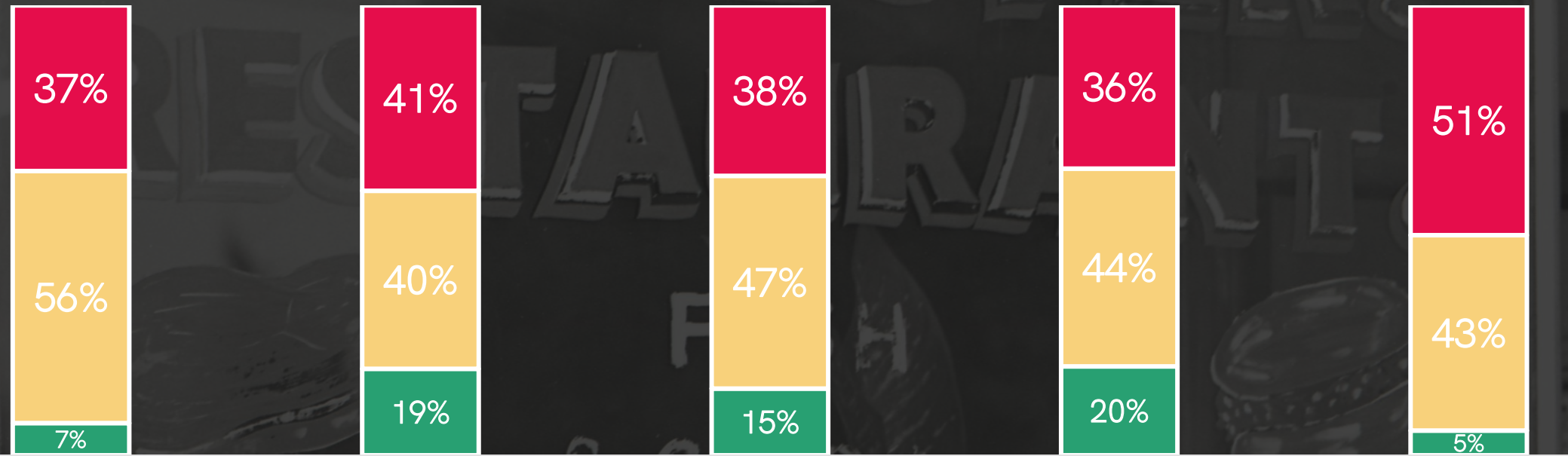
When considering own-business confidence, there have been no significant gains in optimism, but the strongest degrees of pessimism have eased

How optimistic are you about the prospects for your business over the next 12 months?
(Indexed vs previous quarter)



Concerningly, over half of operators report that footfall has declined in the late night, the hardest hit daypart

In general, how has your footfall changed in these dayparts, compared to last year?



Morning

Lunch

Afternoon

Evening

Late Night

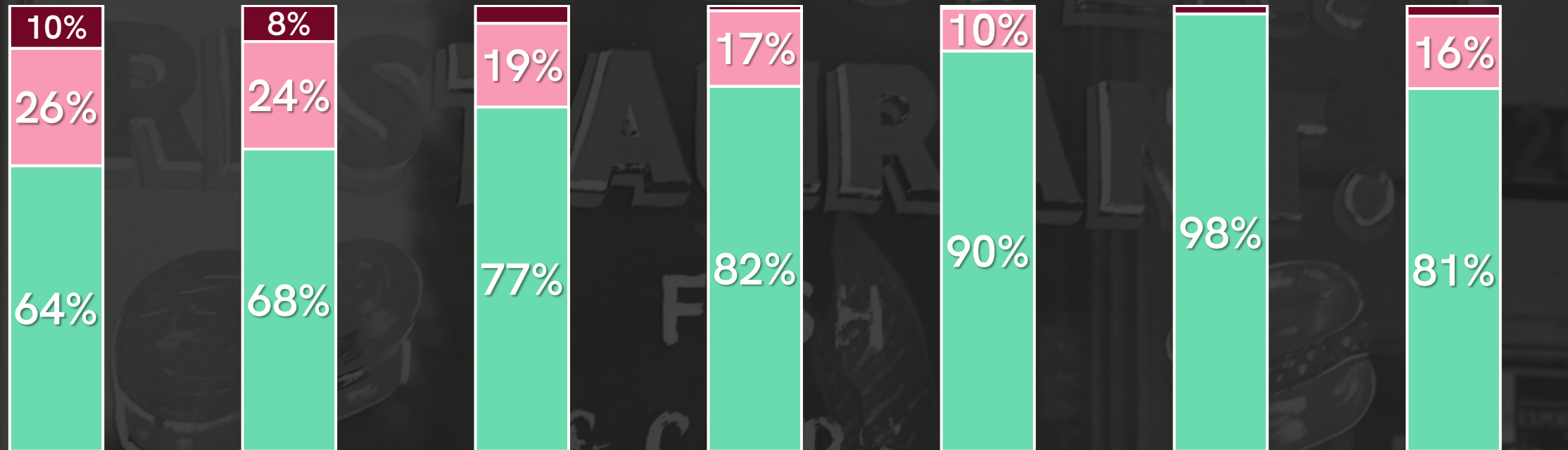
■ Increased footfall

■ Same as last year

■ Decreased footfall

And while Saturdays have held-up, all other weekdays are seeing at least 1-in-10 operators reducing their hours, if not ceasing to trade on those days completely

Compared to a year ago have you made any reductions to trading hours on the following days?



Monday

Tuesday

Wednesday

Thursday

Friday

Saturday

Sunday

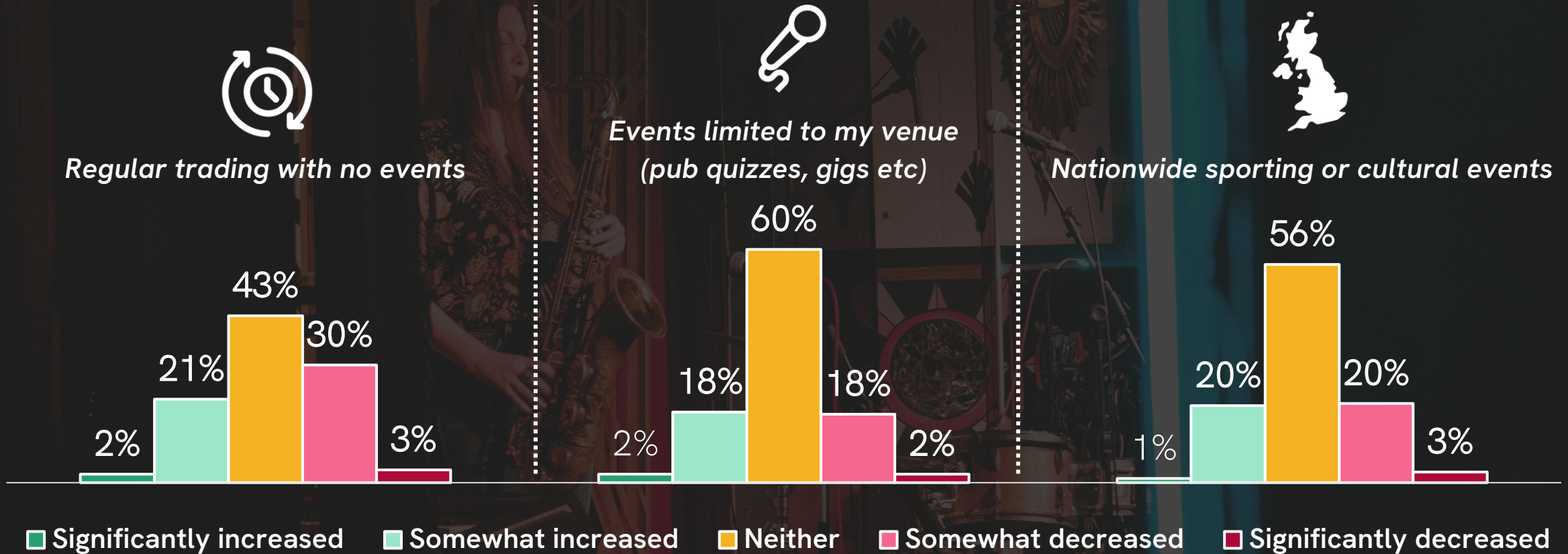
Business as usual

Trading but reduced hours

Previously trading but now closed

Across the whole market, operators report that the greatest losses in trade have been during standard trading, while event trading has stayed net-stable

Compared to last year, how has your performance changed in each of these trading circumstances?



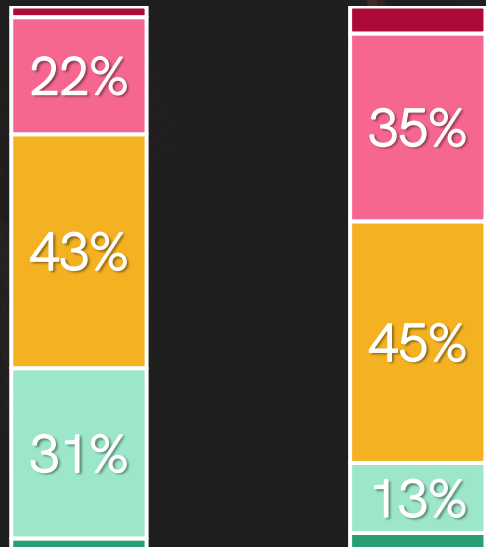
But when comparing operator groups (5+ sites) with independents, larger operators are better able to invest in events, and drive net increases in performance

Compared to last year, how has your performance changed in each of these trading circumstances?



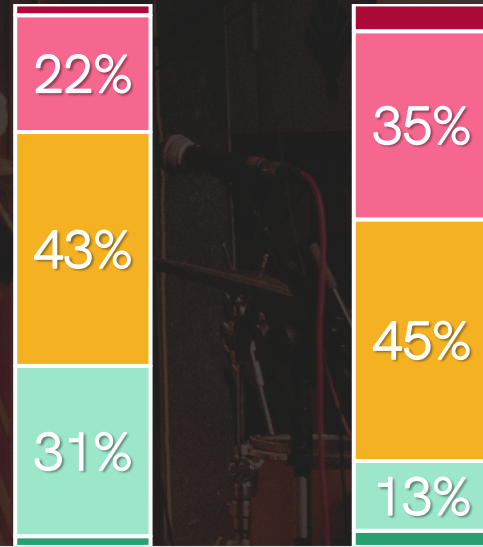
Regular trading

Operator groups Independents



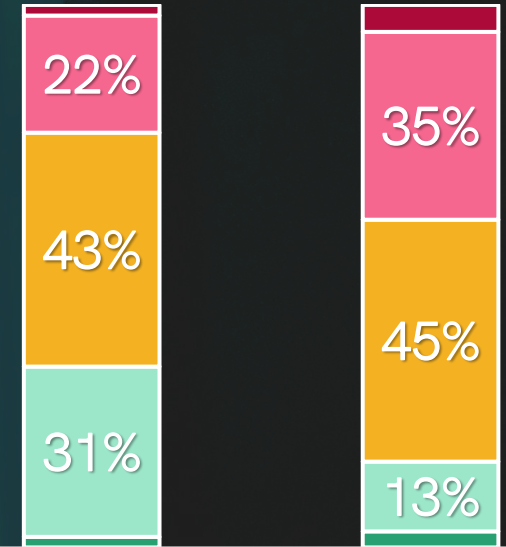
Events limited to my venue

Operator groups Independents



Nationwide events

Operator groups Independents

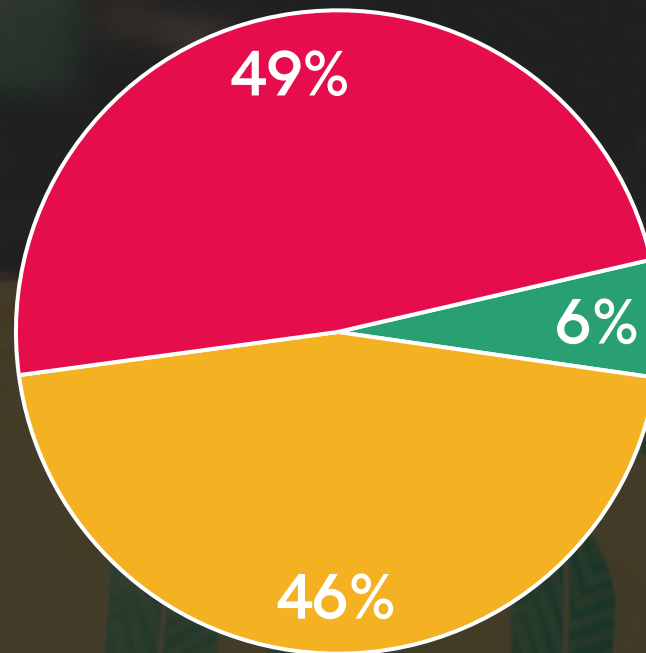
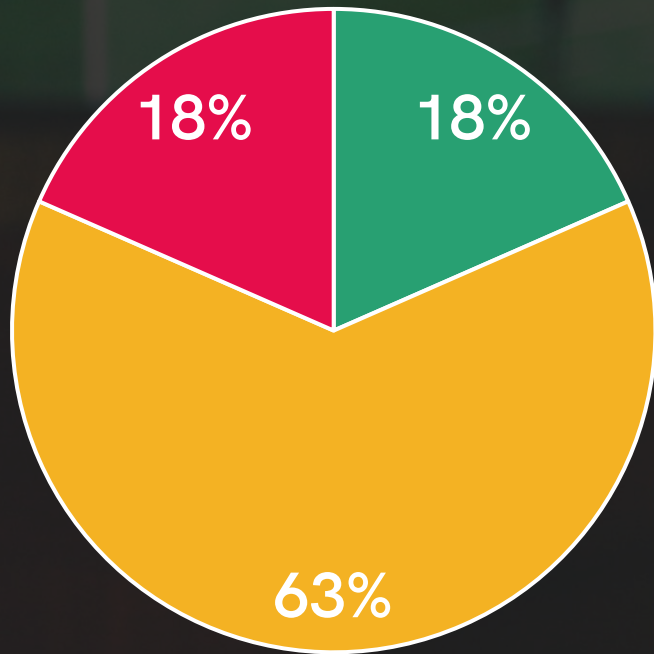


The same is seen in trading performance during major sporting events, with larger operators able to hold performance, while independents are performing significantly behind

How has your performance during the recent Euros games compared to previous sporting events of similar size?

Operator groups (5+ sites)

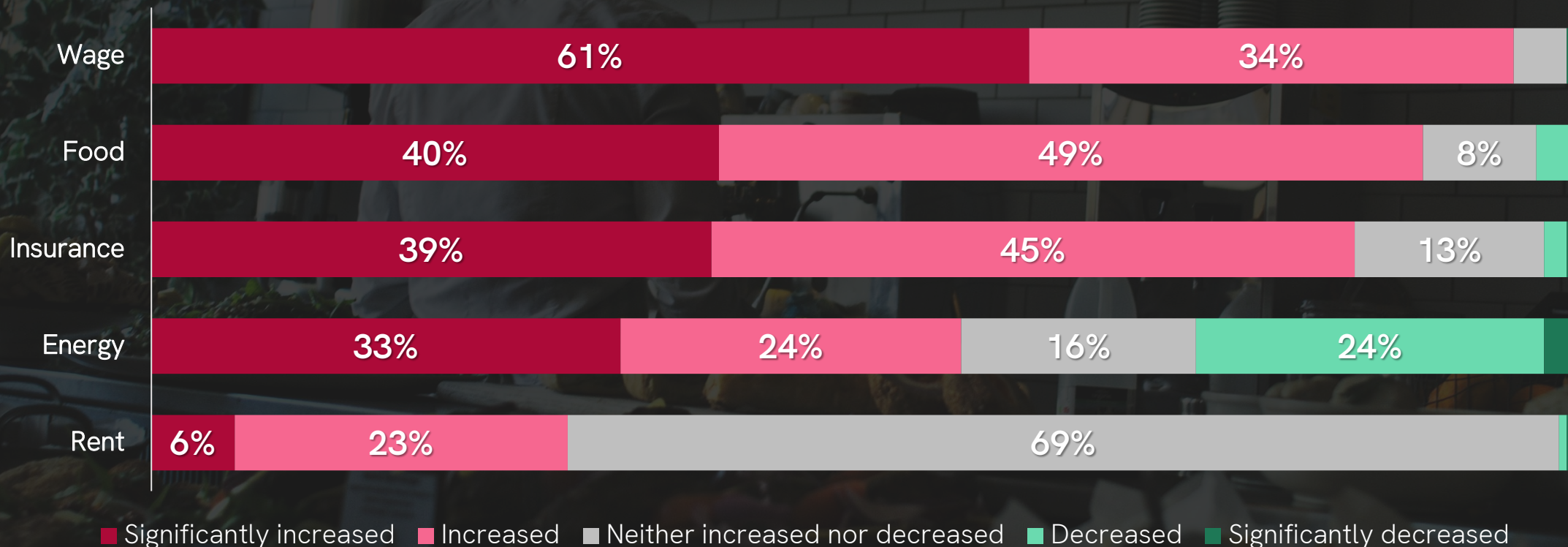
Independents



- Stronger than previous
- In-line with previous
- Behind compared to previous

Cost changes are broadly in line with the previous quarter, but falls in energy prices continue, with now over a quarter seeing their bills reducing on last year

How have your following costs changed compared to this time last year?



Dine and dash incidents are another source of concern, with a third of operators having recently experienced one, and among those affected the incidence is increasing

Have you experienced an incident of "Dine & Dash" in the last six months?

15%

Say the frequency of incidents has decreased

56%

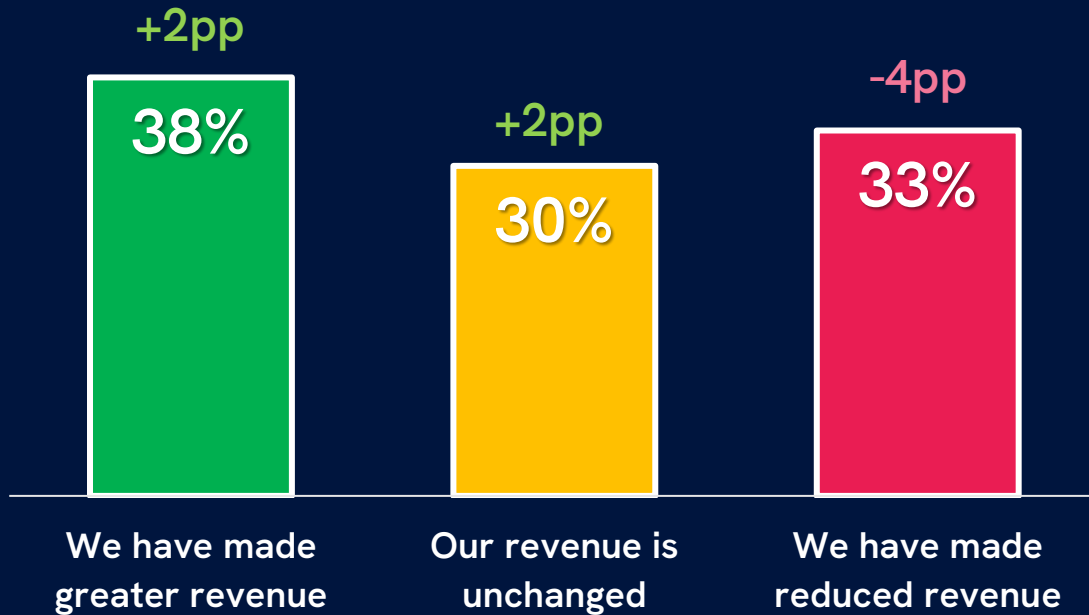
Say there were the same number as last year

29%

Say the frequency of incidents has increased

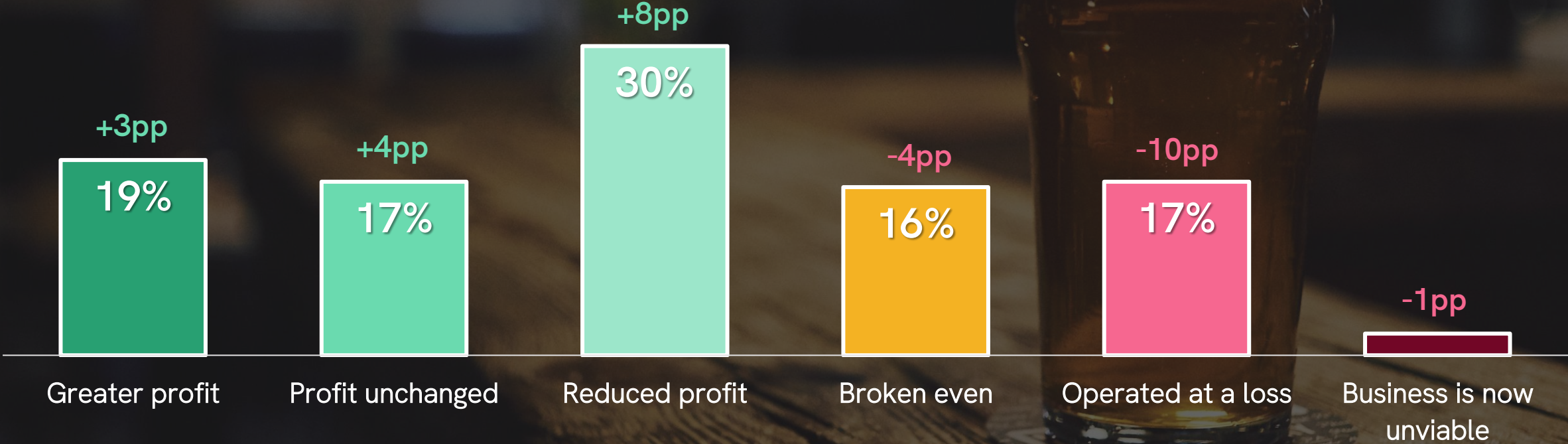
Despite these operational challenges, operators have been able to drive minor revenue growth

How does your REVENUE in Q2 compare to last year?



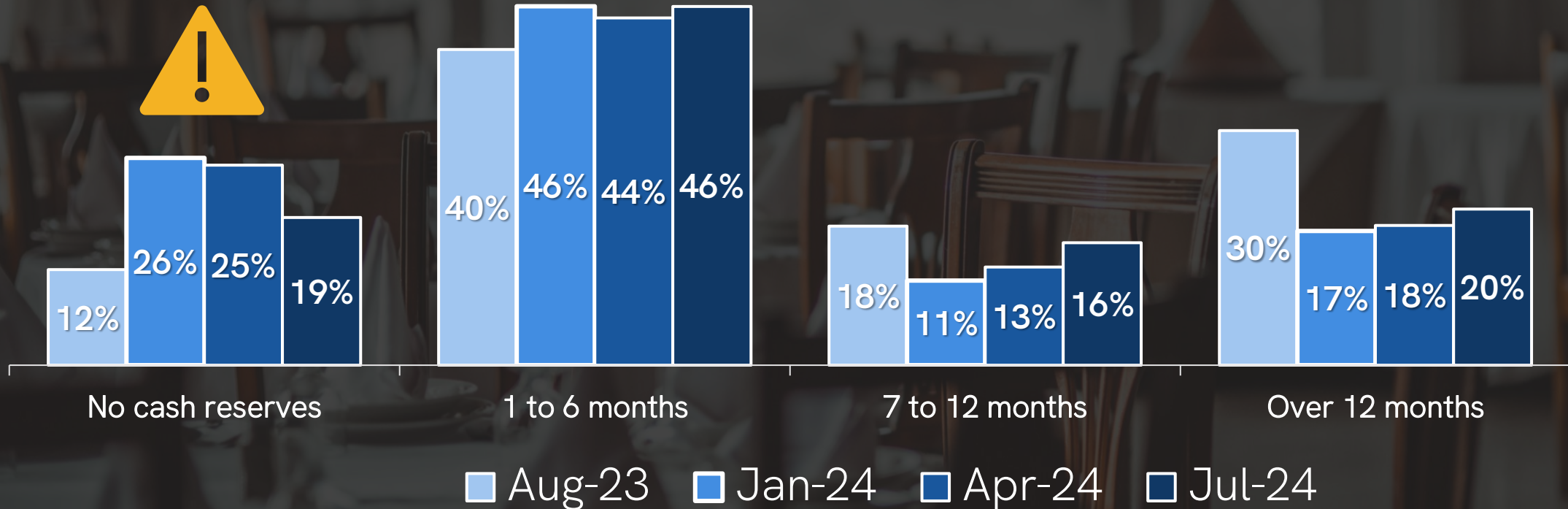
Profit growth has been even stronger. However, this could be a mix of positive factors like event sales, and negative factors like opening hour rationalization, which diminish the overall market

How does your PROFIT in Q2 compare to last year
(Indexed vs April)



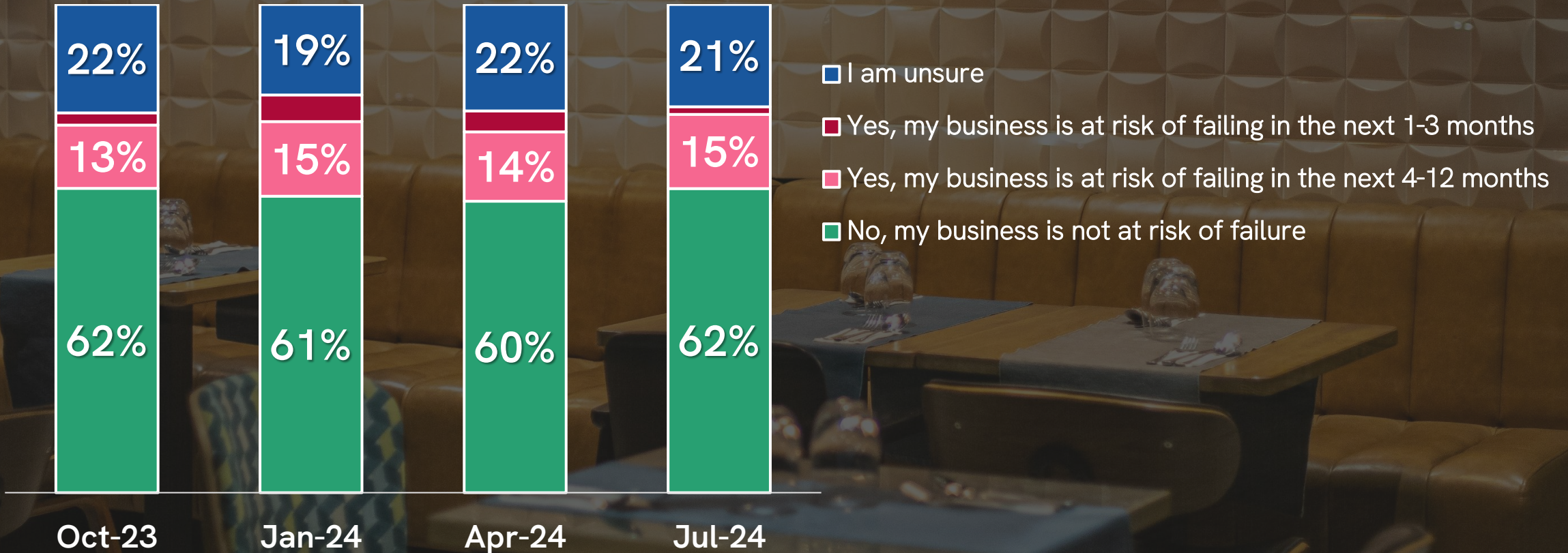
Profit gains this quarter have allowed some financial relief, with more than 8-in-10 now able to hold cash reserves

How many months' worth of cash reserves does your business currently have?



However, this single strong quarter is not enough to allay longer-term concerns around business failure, with a fifth still unsure as to what the future holds

Is your business at risk of failing over the next year?



Despite significantly increased staffing costs,
the breadth of staff shortages remains

44%

of businesses are experiencing
staff shortages

vs 40% in April

vs 44% in January

vs 61% in October

However, the depth of vacancies remains near a stable low

8%

*Vacancy rate weighted by number of staff employed

of roles are currently
vacant and open for application,
vs 6% in April 2024
vs 10% in January 2024
vs 8% in October 2023
vs 15% in August 2023

Operators are largely critical of Labour Government policies to ban zero hours contracts and increase living wages, given staff shortages are still commonplace, and payrolls have increased significantly since increase to the National Living Wage in April

Thinking about these Labour Party proposals, please indicate what impact these policies will have on your business?



"Ban exploitative zero hours contracts and introduce basic rights from day one"

"Make the living wage a genuine living wage and ensure it applies to all adults regardless of age"

■ Very positive
 ■ Quite positive
 ■ Neither positive nor negative
 ■ Quite negative
 ■ Very negative

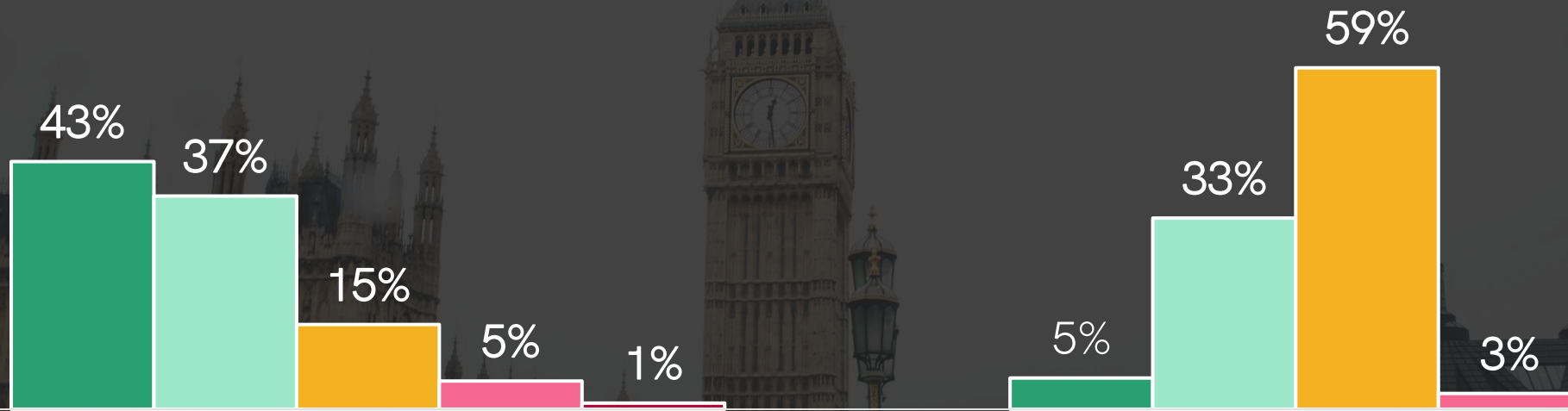


July 2024 UKH, BBPA, BII, UH Members Survey



However, plans to reform Business Rates and the Apprenticeship Levy garner widespread support. Among larger operator groups (5+ sites) - who are more likely to pay into the Apprenticeship Levy - support rises to 52% of operators

Thinking about these Labour Party proposals, please indicate what impact these policies will have on your business?



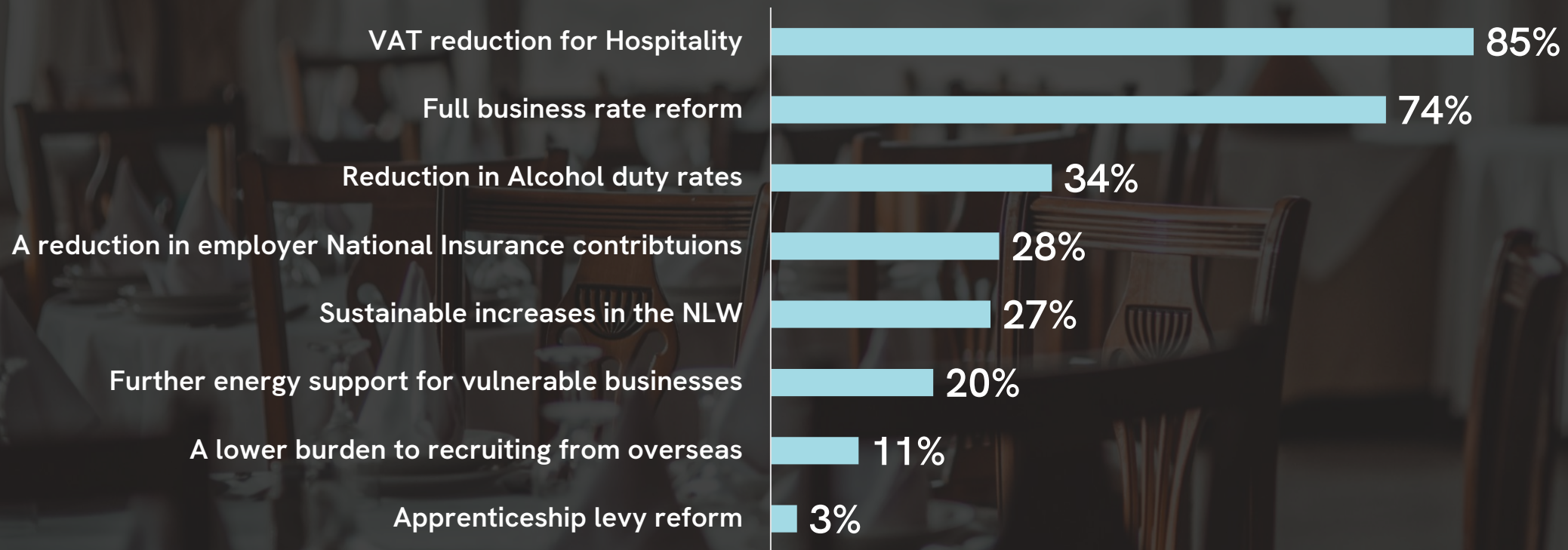
"Replace business rates with a new system that would raise the same revenue in a fairer way, and level the playing field between the high street and online giants"

"Replace the Apprenticeship Levy with a broader Growth and Skills Levy"

■ Very positive
 ■ Quite positive
 ■ Neither positive nor negative
 ■ Quite negative
 ■ Very negative

Despite the wide support for Apprenticeship Levy reform, it does not offer comprehensive enough support to rank as an industry priority. Calls for more widely effective hospitality VAT reductions, and Business Rates reform, remain top of the agenda

Of the future Government support that could allow your business to grow, what are the most important 3?



Summary

Industry health:

- ❑ Member confidence in the market has rebounded this quarter. Strong optimism remains in a very slim minority (3%), but strong pessimism has almost halved from 13% to 7% since April. The same is broadly true of own business confidence, with strong pessimism decreasing from 12% to 7%.
- ❑ Across all dayparts, over a third of operators report a decrease in footfall on last year. The late night is the worst affected daypart with 51% reporting a decrease in footfall, and only 5% reporting an increase.
- ❑ This has manifested in all but Saturdays seeing at least 10% of operators reducing operating hours, and in the worst case on Monday 26% are reducing operating hours and a further 10% have ceased trading entirely.
- ❑ Regular trading has seen greater declines than trading during events, with larger operators better able to capitalise on events.
- ❑ Broad cost increases remain; however, energy prices are down on last year for over a quarter of operators (27%)
- ❑ These challenges all contribute to the continued polarisation of revenue growth, with 38% seeing greater revenue than Q2 last year, and 33% seeing reducing revenue. Operator responses have driven greater profit though, with two-thirds making a profit in Q2 2024.
- ❑ This has offered some financial respite, and restored some cash reserves, but longer-term stability is still difficult to appraise.
- ❑ Staff shortages remain among 44% of operators, at an 8% vacancy rate, broadly in line with the last year

Government Support:

- ❑ On balance, operators are critical of Labour's proposed "ban on zero hours contracts and basic rights from day one", and their commitment to "make a genuine living wage and apply it regardless of age". These policies come during a year of significant payroll increases after NLW rises, and continued staffing challenges.
- ❑ Reform of Business Rates and the Apprenticeship Levy is viewed far more favourably, with less than 6% of operators anticipating a negative impact from these policies. 79% assess Business Rate reform as having a positive impact, an overwhelming majority. While Apprenticeship Levy reform sees a higher level of indifference, it is viewed increasingly favourably by operators with more employees.
- ❑ Despite Apprenticeship Levy reform being widely welcomed, it does not have the same widely beneficial impact that key policy demands of hospitality VAT reductions and Business rate reform do, which stand out among the top 3 requirements for the industry