

# [Assessing the decline of the pub industry](https://assignbuster.com/assessing-the-decline-of-the-pub-industry/)

The Leisure Industry is one of the major part of UK economy and has many branches. The key components of UK leisure industry includes pubs, bars, restaurants, cinemas, sport and physical recreation, arts and entertainment, countryside recreation, home based leisure and activity based leisure. Pub industry plays a vital role in community cohesion and social life in Britain and attracts millions of tourists every year. Pubs are frequently remaining few places where communities come together to socialize. Mintel Report states that in 2008 the pub sector experienced some of the toughest trading conditions because of the reasons like smoking ban, licensing laws, credit crunch, changing dining habits and cheap supermarket booze. Despite facing the tough conditions it is still on top of the UK leisure industry holding maximum share. The following report will show changing trends in UK Pub industry along with analyses articles written on Pub industry and showing data taken from Mintel UK leisure industry review report and then exploring the Pub industry information to possible events to be included within the portfolio.

Smoking Ban

Since the smoking ban was introduced there has been a marked decline in number of pubs in UK. There was an expectation that smoking ban would become more appealing to a wider consumer base such as women and families. The ban has shown the rise in the food business, however the loss of frustrates smokers has not been matched by the influx of new pub goers. Between 2004 and 2007 all of the four United Kingdom legislatures voted to introduce a ban on smoking in most enclosed public places and workplaces. The bans came after considerable debate centered around the risks of exposure to environmental tobacco smoke and especially on the likely impact of a ban on the hospitality industry and particularly Britain’s pubs. (Paraphrase It and give PUB Visiting Mintel referencing -According to an Office for National Statistics report (2008/09) on visiting pubs since smoking restrictions were introduced, by smoking status; one in four smokers went to the pub more often before the smoking ban, compared to one in five non-smokers who go more often nowadays. Mintel Pub Visiting Report (2010) shows that while a third of consumers (32%) agree drinking outside the home is more enjoyable since the smoking ban, there are mixed reports as to whether the smoke-free laws have achieved the health benefits expected. A report by NHS Information in September 2009 stated that men over the age of 35 smoke fewer cigarettes than before the ban, but younger men have started smoking more since it was introduced. Positive findings from the report were that a third of smokers now stay at home to smoke instead of going out, resulting in adults being exposed to less second-hand smoke than before the ban.

Credit Crunch, Changing Dining Habits, Higher Taxes and Cheap alcohol selling by supermarkets

White (2009) states that the UK Pub industry is facing perfect storm and finding it hard to compete with cheap alcohol sold at supermarkets, a trend increasing amid the credit crunch. Mintel Report shows that pub sales declined after the increase in taxes with their new licensing laws done by government and recession which led in increase of alcohol sold at supermarkets resulting in people changing dining habits. In 2007 Pub industry earned 26000 million pounds however in 2009 UK Pub industry earning has been gone down to 24000 million pounds resulting in loss of 2000 million pounds. According to Pratten (2003) the reason for falling trade is the major changes in pattern of leisure. Home entertainment became increasingly popular with an increase in rented videos and television. When combining the greater varieties of take away food and the lower prices of alcohol at the off licenses and supermarkets, a night at home become more attractive to people and the use of licensed retail premises fell. Moreover people are more willing to save for foreign holidays. As shown in Figure 2. 2, the value of market was showing an increase until 2007; however it dropped by 3. 08 percent in 2008 and 4. 76 percent in 2009.

Muir (2009) states that the changing consumer taste in alcoholic beverages in one of the factor of long term decline. Beer is the mainstay of pub incomes and yet beer consumption has fallen significantly in the last thirty years as show in Figure 2. 3.

The Pub Industry is also facing tough competition from alternative leisure pursuits. The relative affluence of the last decade saw a significant rise in the number of people eating out in restaurants and there was a threefold increase in the rate of new restaurant openings between 1992 and 2007. (BBC News Online 2007). According to Mintel Report (2009) there has been a sharp increase in number of live sports event attendees from 2004 to 2009. In Addition, there has also been a significant rise in cinema attendees in recent years, which reached a 38 year high in the summer of 2007(The Independent 2007).

According to the figures published in BBPA Statistical handbook 2010, there was a sharp, 6% decline in total alcohol consumption in 2009, making it the fourth annual decline in five years. UK drinkers are now consuming 13% less alcohol than in 2004. UK consumption remains below the average for the EU The UK Pub licensees are also facing rising cost. Increased materials and utilities prices have been passed on by the brewers in the higher wholesale price of beer. A shortage of malting barley and rising demand for bio-fuels has seen barley prices increase faster than inflation. Packaging costs have also been driven up by rising energy prices (BBPA 2008b). Licensees have seen their own operating costs increase. For example licensees have had to spend increasing amounts on entertainment to stay competitive. A recent survey by the ALMR found that their members third largest cost was entertainment. The 2003 Licensing Act abolished the ‘ two in a bar’ rule which had meant that no licence was required for putting on two live performers. In addition many pubs rely on live football to bring people through the door and Sky television fees have continued to increase. These are calculated on the rateable value of the pub and this can be disproportionately expensive for small pubs in higher rated rural areas.(APPBG 2008).

Why Pubs matter

The UK Pubs act as hubs for the development of social network between local people. As per data shown in figure 3. 1 by CAMRA Omnibus survey (January 2009) 36 percent of the people said that pubs were important for get together compared with local cafes and restaurants showing 20 percent and 15 percent for local shops.

According to APPBG (2008) the pub industry amounts to 2 percent of national GDP and community pubs provide 350, 000 full or part time jobs. Mintel (2010) latest report on Pub visiting shows that 34 pubs were closed per week which were drink led and 5 pubs were closed which were food-led between July to December 2009. According to CGA, the pub closure rate has slowed to 29 per week for the first six months of 2010. At it worse, the pub closure rate was 52 pubs per week.( Morning Advertiser 2010). In addition, government has unveiled measures to protect british pubs which include 3. 3 million pounds to be spent on business support to make pubs more successful and to help communities buy into struggling premises to keep them open. Pubs will be allowed to extend into ventures including restaurants, gift shops and book shops without planning permission. (BBC News)

In addition to this benefit, pubs add a great deal to UK economy and hold a highest share in UK leisure industry. As per data shown in graph below, Pub industry holds 35 % share of total leisure industry by earning 24000 million pounds in 2009

According to news published in Guardian the government would be consulting on the introduction of banning low cost alcohol sales. Report suggested that supermarkets will be banned from selling wine, beer and spirits below a national minimum price.

## Conclusion

The UK Pub industry is more than retail business which act as a local institution for encouraging people to mix with others from different background. In recent years the pub industry has been hit hard with thousands of pubs closed due to recession, smoking ban, high rents. But in any downturn there are opportunities which are investing in an independent or managed Pub located in central place offering good variety of food and drinks along with warm and friendly environment. While the pubs remain biased towards men, pub needs to sell wine and ciders to attract women market. In addition, the steps taken by government to save pubs are a good option to invest in pub industry.