



Report of a Survey of North East Publicans

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Executive Summary

This report details the findings of a survey of North East publicans, commissioned by Balance, the North East of England's Alcohol Office, and delivered by an independent research agency, RSUK Limited. The survey was commissioned to:

- Look at recent trading trends and forecasts for the sector
- Identify factors impacting on business performance
- Obtain publican's views on the introduction of a minimum price per unit of alcohol and licensing and enforcement issues.

A total of 244 pubs and clubs in the North East of England took part in the survey carried out by post, on-line and by telephone. The research provides a robust picture of publicans views on issues of key importance to the sector.

Key findings are:

- More than one in two pubs and clubs in the North East experienced a decline in business performance in the last year (56%); two fifths (38%) predict further decline in trade over the next twelve months.
- 72% say customers come in later after drinking at home.
- 88% of pubs and clubs say supermarket price promotions have adversely effected their trade.
- Supermarket pricing encourages drinks price promotions in the pub trade, 51% offer drinks promotions to counteract supermarket price cuts.
- Legislation to help address cheap supermarket pricing would be welcomed by 72% of publicans, 55% say addressing supermarket pricing is amongst the top three factors that could increase their profitability.
- The vast majority of publicans (86%) have heard about the idea of introducing a minimum price per unit of alcohol.
- Support for the introduction of a minimum price per unit of alcohol is very strong; 81% of publicans support this strategy in the North East
- 30% of publicans put the introduction of a minimum price per unit in the top three factors that could make the biggest impact on their profits, topped by any change aimed at curbing supermarket pricing (55%) and controls on

breweries/pub companies to keep prices proportionate to the cost of brewing (47%).

- Relationships between publicans and police are generally described as good.
- Publicans would welcome more consultation and engagement with councils and trading standards bodies.
- A majority favoured a return to fixed closing times (61%) whilst 39% felt 24 hour drinking was a good thing and should be retained.
- Few publicans would be prepared to pay extra costs to stay open later (14%), 44% would close earlier if extra charges were involved and 42% said charges would not affect them.

1 Introduction

This report details the findings of a survey of North East publicans, commissioned by Balance, the North East of England's Alcohol Office, and delivered by an independent research agency, RSUK Limited. The survey was commissioned to:

- Look at recent trading trends and forecasts for the sector
- Identify factors impacting on business performance
- Obtain publican's views on the introduction of a minimum price per unit of alcohol and licensing and enforcement issues.

A total of 244 pubs and clubs in the North East of England took part in the survey carried out by post, on-line and by telephone. The research provides a robust picture of North East publican's views on issues of key importance to the sector.

Results are compared, where relevant to recent findings from a national survey carried out by The Publican, based on the views of 977 publicans across the country.

Percentages in the following report are based on the number of publicans providing an answer.

2 Profile of Publicans

Over one in ten North East publicans surveyed operated more than one pub (16%). A quarter owned the pub freehold (26%) and ran it themselves, 8% employed a manager. Almost a third leased the business (32%); all responses are shown in table one.

Table 1: Business Status

Business Status	%
Owned freehold and run by the owner	26%
Owned freehold managed by someone else	8%
Leased	32%
Tenanted	13%
Leased free of tie	5%
Managed	16%
Part of a pub group/brewery	18%

Source: Survey of North East Publicans

The survey included a diverse range of businesses from city bars (31%) to rural pubs (33%).

Table 2: Business Type

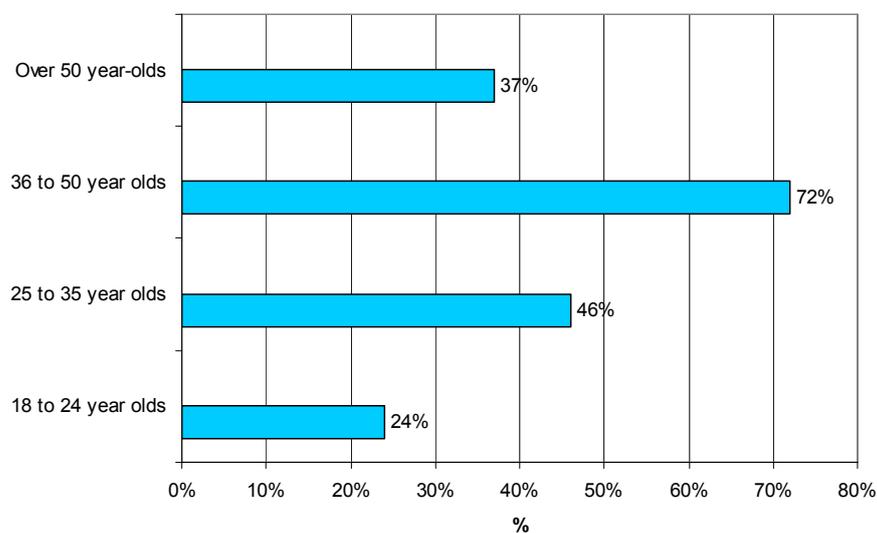
Business Type	%
Wine bar	<1%
City/town pub	31%
Rural/country pub	33%
Nightclub	4%
Theme bar	1%
Suburban/estate pub	25%
Hotel	3%
Restaurant	3%
Working Men's Club	1%

Source: Survey of North East Publicans

Over a quarter of North East pubs serve food all day (28%) and 21% serve lunch and evening meals only, the national figures are 28% and 39% respectively. Whilst the North East reflects the national trend in the growing importance of food to the pub trade, 38% of publicans opt not to go down this route and do not serve food, compared with 21% nationally.

Respondent's main customer groups spanned all age ranges with an emphasis on 36 to 50 year olds (see figure one).

Figure 1: Customer Groups



Source: Survey of North East Publicans
Multiple response: % total more than 100

Couples (82%) and men (82%) top the list of customers that are 'very important' to the trade of North East publicans, closely followed by women (76%). There is a greater emphasis on the family market in the North East (58%) than nationally (47%) and more North East publicans see students as a very important market (46%) compared to 31% across the country (see table three overleaf).

Table 3: Importance of Customer Groups by Location

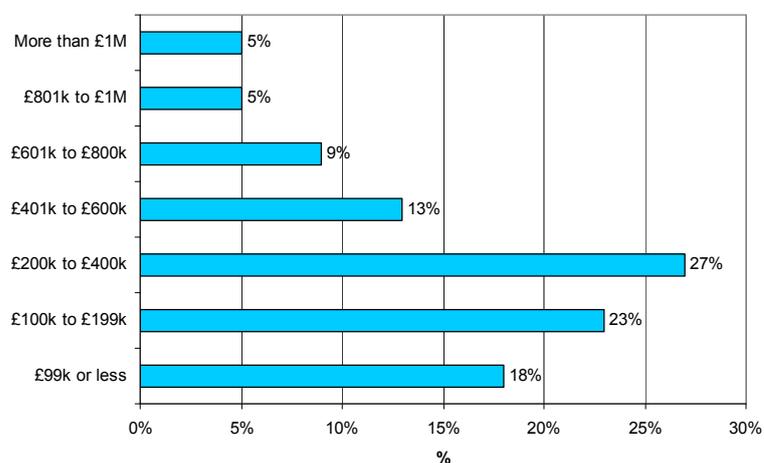
Customer Group	NE % Very Important	National % Very Important
Couples	82	79
Men	82	78
Women	76	73
Retired people	70	63
Families	58	47
Business people	58	59
Students	46	31

Source: NE - Survey of North East Publicans, National - The Publican Market Report 2010

3 Trading Conditions

North East pubs and clubs with annual turnovers of less than £99,000 to more than £1 million gave their views in the survey; 68% had a turnover of less than £401,000 per annum.

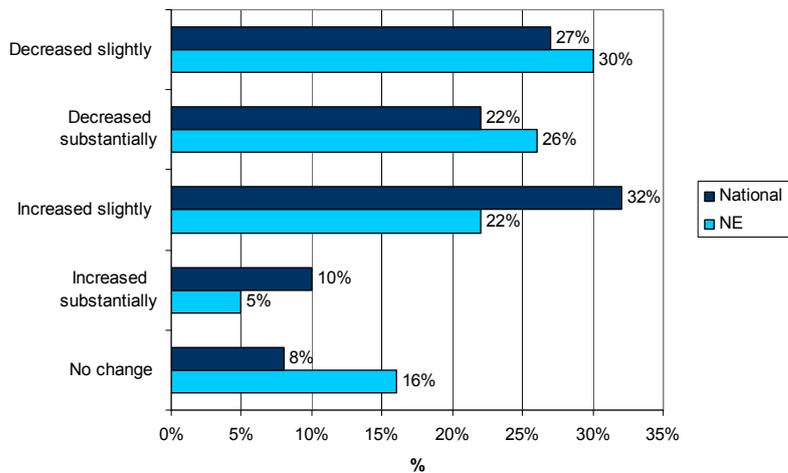
Figure 2: Turnover



Source: North East Survey of Publicans

More than one in two were experiencing a decline in business performance (56%). Over one quarter (26%) had seen a substantial decrease in their turnover over the last year, a further 30% had seen a slight decline. North East publicans were less likely to report a slight (22%) or substantial increase (5%) in turnover compared with the national picture of 32% and 10% respectively (see figure three overleaf).

Figure 3: Turnover by Location



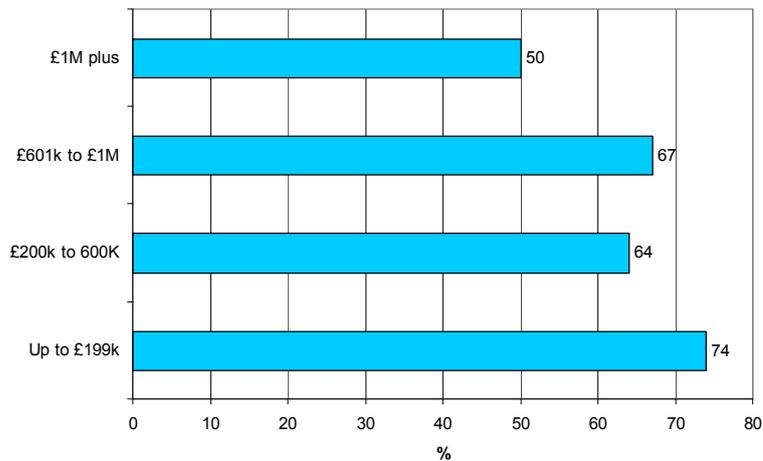
Source: NE -Survey of North East Publicans, National - The Publican Market Report 2010

Smaller businesses are most likely to report a decline: 72% of North East pubs with a turnover of up to £199k per annum had seen a decrease over the last year compared with 41% in the £600k to £1 million bracket.

The picture on profitability tells a similar story; almost two thirds of North East pubs (64%) had seen a decline in their profitability compared with the previous years trading, of substantial (28%) or slight proportions (36%). North East figures were again, slightly worse than the national picture where 28% report a slight downturn in profits and 22% report a substantial decrease.

Smaller operations are most likely to report a decline in profits although the differences are less marked: 74% of North East pubs with a turnover of up to £199k reported a decline in profits compared with 64% with a turnover of £200k to £600k.

Figure 4: North East Pubs Reporting a Fall in Profits by Turnover



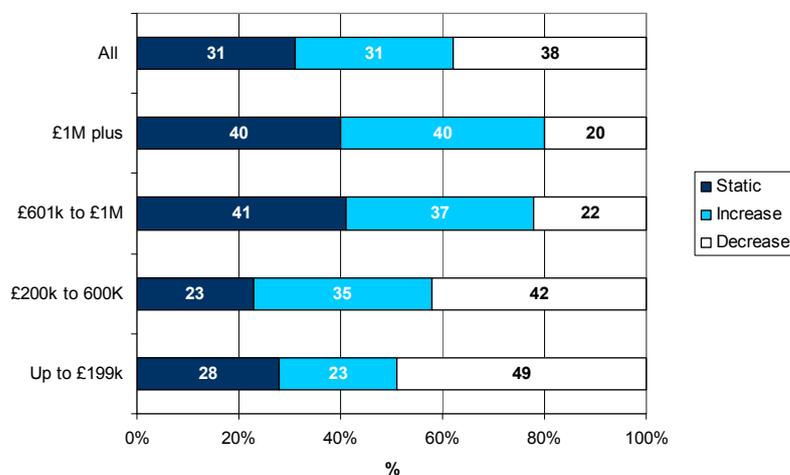
Source: Survey of North East Publicans

Changes in profits and turnover did not differ significantly across rural, city and suburban pubs.

Looking ahead almost two fifths (38%) of North East publicans predict further decline in trade over the next twelve months compared to 31% nationally. Less than one in three predict growth (31%), less positive than the national outlook where 47% of publicans predict an upward turn. Three in ten North East traders (31%) anticipate no change.

Larger businesses are more optimistic about the future than smaller ones, as shown in figure five.

Figure 5: North East Publicans Trading Forecasts by Current Turnover.



Source: North East Survey of Publicans

4 Changes in Drinking Patterns and Customer Base

Over one in ten North East publicans said their customer profile was getting younger (12%), whilst one in three said customers were older (33%). There is a greater emphasis on food rather than drinking for one in three pubs (33%) and almost three quarters of pubs said customers come in later after drinking at home (72%), a pattern driven by sales in supermarkets and other outlets.

Rural (44%) and suburban pubs (32%) were more likely to report an increased emphasis on food than city pubs (20%).

5 Impact of Supermarket Price Cutting

Supermarket pricing of alcohol is recognised as a significant challenge for the sector; 88% of North East pubs and clubs surveyed said that supermarket price promotions had adversely affected their trade, compared with 79% nationally. This impact was felt across the board in the North East from city pubs (89%) to rural (84%) and suburban establishments (91%) and businesses with a turnover of one million plus per annum (100%) to less than £200k (93%).

The response is often to run drinks price promotions (51%), a strategy linked to binge drinking. Other common responses include staying open later (29%) and/or longer (32%) and introducing/enhancing food (29%) and entertainment offers (53%).

Comments included:

"We can buy drinks cheaper from the supermarket than the brewery"

"I haven't done anything, I can't compete with it. I can't sell it cheaper than I can buy it."

Almost three quarters of pubs and clubs surveyed said that changes to help the pub trade compete with supermarkets would help to improve their profitability in the next twelve months and 55% named this in the top three factors that would make the biggest positive impact on their business.

6 Views on Minimum Price Per Unit

The vast majority of North East publicans (86%) have heard about the idea of introducing a minimum price per unit of alcohol. When asked to describe what this concept means, some confusion is evident with slightly less than one in two choosing the *correct meaning* (49%):

- A fixed price per unit of alcohol that everyone has to charge (24%).
- A fixed price per alcoholic drink that everyone has to charge (11%).
- *A limit for the lowest price you can charge for a unit of alcohol - you can choose to charge more* (49%).
- A limit for the lowest price you can charge for an alcoholic drink - you can choose to charge more (16%).

Levels of understanding did not differ significantly by business type, turnover or publicans age and gender.

Support for the introduction of a minimum price per unit of alcohol was strong in the North East with 81% of publicans saying they would support the strategy, in line with national findings of 79%. Slightly less than one in five North East publicans oppose the measure (19%). Differences across the industry in the North East were not found to be statistically significant (see table four overleaf) and again, no significant differences emerged by publican's age or gender.

One in two North East publicans (55%) believed the introduction of a minimum price per unit would have no effect on their alcohol prices, close to the national figure of 59%. Over one in ten (14%) believed it would increase their prices, double the figure at national level (7%). Levels of uncertainty were also high as 31% of North East publicans were unsure what the impact would be on their future pricing strategies, close to the national figure of 34%.

Table 4: Support for a Minimum Price Per Unit in the North East by Business Profile

Profile	Support %
City pub	80
Suburban pub	85
Rural pub	78
Turnover less than £200k	76
Turnover £200k to £600k	87
Turnover £601 to £1M	89
Turnover £1M plus	80
Serve food	79
Don't serve food	84

Source: North East Survey of Publicans

Publicans were also asked to give their general views and comments on the idea of a minimum price per unit; 168 North East publicans gave their views.

Many saw the initiative as a good thing on the basis that it would curb supermarket promotions (61) and in so doing, help to reduce binge drinking at home (19) or elsewhere (2). The introduction of a minimum price was also seen as mechanism that could help with underage drinking (6).

"I think it will stop a lot of low price promotions, it will stop the supermarkets selling too cheaply and stop people binge drinking before going out."

"Would bring supermarkets into line. Would stop unfair promotions by supermarkets and them selling alcohol as a loss leader causing anti social drinking habits due to people binge drinking at home before coming out."

"It might stop all the really cheap drinks being available where youngsters binge drink and get into trouble."

"It would end legalised swamping of the young at supermarkets and hopefully encourage more to visit the pub."

"It would stop supermarkets etc selling alcohol too cheap for consumption at home where there are not the control measures against drunkenness and anti social behaviour as there are in licensed premises."

Supermarket pricing was viewed as having a major impact on the industry and one of the key areas in which the government could make a positive contribution to the trade:

"Pre loading via cheap promotions at supermarkets would hopefully be brought into line."

"Stop pubs going out of business. Supermarkets are killing us off"

"We need to reduce the price gap between the supermarkets and the pubs. The pub needs to be portrayed to be the hub of the community and have a safe environment that everyone can enjoy."

Others (14) felt that the 'devil is in the detail' and put conditions on their support:

"Should only be used to stop selling below cost."

"Needs to be higher to combat supermarket prices".

"It's all pointless without a proper definition of what constitutes a unit. There is a vast difference between a 3.5% ABV ale and one at 8%-10% ABV."

"The minimum price should vary depending on the strength of the alcohol."

"This should be targeted at high strength drinks only as that is where the main problem is."

"Would depend what the minimum price was set at. The off licence prices seem to be overlooked. This is where the main problems surrounding alcohol originate."

Table 5: Comments on Minimum Price

Comment	Number of cases
Will allow us to compete with supermarkets	61
Will reduce binge drinking at home	19
Depends on how it is implemented	14
Will be good for our business	13
Will not effect our prices	11
Will increase our prices	10
Will create fairer competition	10
No impact	10
Should apply to supermarkets/off trade not licensed trade	7
Will reduce under age drinking	6
Will reduce irresponsible drinking	6
Its a bad idea	5
Bad for our business	5
Will not stop cheap price promotions	4
Should apply on and off trade	3
Other things will have a bigger impact	3
Target at those creating the problems, not all	3
Will not stop price promotions	2
Will reduce our prices	1

Source: North East Survey of Publicans

7 Improving the Profitability and Sustainability of North East Pubs and Clubs

North East publicans were asked what would help to improve the profitability of their business in the next twelve months with the most common answers shown below:

• Improving indoor decor/ambience	34%
• Improving range of drinks	12%
• Introducing/improving letting accommodation	11%
• Introducing/improving food	26%
• Improving marketing	41%
• Improving entertainment	31%
• Recruiting and retaining staff	19%
• Training staff	23%
• Improving outdoor areas/garden	34%
• Introducing minimum price per unit of alcohol	47%
• Changes to help compete with supermarkets	72%
• Breweries/pub companies to keep price increases proportionate	69%
• Pub/club rent rises to be proportionate to cost of living	50%
• Introducing minimum retail prices in on-licensed premises	44%

Source: North East Survey of Publicans

When asked to select the top three factors that would make the biggest impact on profitability, changes to help the pub trade compete with supermarkets was the most common response (55%) followed by breweries/pub companies keeping prices proportionate to the cost of brewing (47%) and the introduction of a minimum price per unit of alcohol (30%).

8 Licensing and Policing

Relationships between publicans and local police, councils and trading standards were explored, with publicans being asked which of the following best described their relationship with these bodies:

- Good relationship, we work together to address any problems
- Reasonable relationship, attempts are made to get our views
- No consultation, the emphasis is on enforcement.

The majority of North East publicans reported positive relationships with their local police force with joint working to address any local issues/problems (85%), 9% described this relationship as reasonable with attempts being made to get their views and 7% said there was no consultation.

Feedback was less positive for local authorities with 61% reporting good relationships with their local authority, 25% describing relationships as reasonable and 14% identifying a lack of consultation.

Almost two thirds (64%) report good relationships with trading standards, 13% said relationships were poor and 23% said there was no consultation with an emphasis on enforcement.

Three quarters (75%) of publicans report having some form of local forum where police, local authority and trading standards bodies come together with publicans to talk about issues in the local area. Over one in two (58%) said they currently attended this type of forum, 26% would like to in future and 15% were not interested in participating.

Publicans running rural pubs were least positive about their relationships with local authorities and the police than their counterparts in city and suburban locations.

Table 6: Relationships by Pub Type

Relationship Between:	% Good relationship	% Reasonable relationship	% No consultation
Local Authority			
All	61	25	14
Rural pubs	56	26	18
City pubs	67	22	11
Suburban pubs	60	26	14
Trading Standards			
All	64	13	23
Rural pubs	64	13	23
City pubs	61	14	25
Suburban pubs	68	11	21
Police			
All	85	9	7
Rural pubs	79	9	13
City pubs	89	8	3
Suburban pubs	91	5	3

Publicans in rural areas were also far less likely to be attending a local forum where these authorities meet to talk about local issues (44%) than those in city centres (77%) and suburban areas (52%) and less likely to want to get involved in the future (29%).

Table 7: Involvement in Local Forums

Have Local Forum	% Yes	% No	% Don't Know
All	75	17	8
Rural pubs	60	25	15
City pubs	92	3	5
Suburban pubs	69	28	3
Want to attend in future	% Already do	% Like to	% No
All	58	26	15
Rural pubs	44	29	28
City pubs	77	14	10
Suburban pubs	52	41	7

9 Views on 24 Hour Drinking

Almost one in three pubs and clubs surveyed traded past 11.00 pm every night (31%), 8% did so on special occasions and 46% traded later at weekends only.

The majority favoured a return to fixed closing times (61%) whilst 39% felt 24 hour drinking was a good thing and should be retained. Again, no significant differences emerged by business size or type.

Those preferring a return to fixed closing times suggested the times shown in table eight.

Table 8: Preferred Closing Times

Preferred closing time	Pubs %	Clubs %
01:00	12	3
01.30	1	0
02:00	4	36
02.30	1	2
03:00	0	24
04:00	0	12
05:00	0	1
06:00	0	2
22:00	1	1
23:00	31	7
23:15	1	0
23:30	4	1
23:45	2	0
00:00	41	8
00.15	1	1
00:30	2	1
23.30	2	0

Source: North East Survey of Publicans

Later opening hours increase demand upon policing and other services. Publicans were asked to give their views on Coalition proposals to give powers to local councils to charge more for late night licences to pay for these additional costs.

Just over one in ten of all publicans surveyed said they would be prepared to pay extra costs to stay open (14%), 44% would close earlier if extra charges were involved and 42% said it would not affect them because they rarely stayed open beyond 11.00 pm.

10 Top Headlines

To summarise this robust survey of 244 North East publicans has shown that:

- More than one in two pubs and clubs in the North East experienced a decline in business performance in the last year (56%); two fifths (38%) predict further decline in trade over the next twelve months.
- 72% say customers come in later after drinking at home.
- 88% of pubs and clubs say supermarket price promotions have adversely effected their trade.
- Supermarket pricing encourages drinks price promotions in the pub trade, 51% offer drinks promotions to counteract supermarket price cuts.
- Legislation to help address cheap supermarket pricing would be welcomed by 72% of publicans, 55% say addressing supermarket pricing is amongst the top three factors that could increase their profitability.
- The vast majority of publicans (86%) have heard about the idea of introducing a minimum price per unit of alcohol.
- Support for the introduction of a minimum price per unit of alcohol is very strong; 81% of publicans support this strategy in the North East
- 30% of publicans put the introduction of a minimum price per unit amongst the top three factors that could make the biggest impact on their profits, topped by any change aimed at curbing supermarket pricing (55%) and controls on breweries/pub companies to keep prices proportionate to the cost of brewing (47%).
- Relationships between publicans and police are generally described as good.
- Publicans would welcome more consultation and engagement with councils and trading standards bodies.
- The majority favoured a return to fixed closing times (61%) whilst 39% felt 24 hour drinking was a good thing and should be retained.

- Few publicans would be prepared to pay extra costs to stay open later (14%), 44% would close earlier if extra charges were involved and 42% said charges would not effect them.