



Full-Service Restaurants in the UK

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WHERE KNOWLEDGE IS POWER

Full-Service Restaurants in the UK: Sector Overview

What trends are shaping the industry?

Industry revenue is expected to grow at a compound annual rate of 3.5% over the five years through 2018-19, including a forecast rise of 2.5% in the current year, to reach £21.3bn. The full-service Restaurants industry has been recovering strongly over the past five years. The industry's performance has been largely influenced by trends in consumer preferences. As disposable income and consumer confidence recovered, consumers returned to full-service dining, which supported the industry as consumer tastes became more adventurous. Nevertheless, an influx of new restaurants and the expansion of casual dining chains has led to saturation in the market, limiting profit opportunities. Changing consumer tastes have shaped industry growth over the past five years. In the past five years, chains like Nando's and Wagamama have moved into the spotlight while Pizza Hut and Frankie & Benny's have failed to excite. The growing popularity of alternative cuisine has provided opportunities for new entrants to the market.

The Outlook

The full-service restaurants industry is anticipated to fare well over the next five years, although growth is expected to remain subdued by the potentially difficult economic conditions caused by the process of leaving the European Union. Challenges are likely to come from subdued consumer confidence, which could lower discretionary expenditure on eating out. Operators are also expected to face increased cost pressures, as a result of ongoing increases in the National Living Wage, the effect of the weaker currency on imported produce, and a significant increase to business rates in London, while the high level of industry competition prevents operators from passing on the entirety of costs to consumers. A greater focus on food service in rival industries like pubs and cafes could also constrain industry growth. However, changing consumer tastes could offer new opportunities for restaurateurs. Industry revenue is forecast to grow at a compound annual rate of 1.3% over the five years through 2023-24 to reach £22.7bn.

Key Statistics

Revenue

£21.3bn

Annual Growth 14-19

3.5%

Annual Growth 19-24

1.3%

Profit

£1.9bn

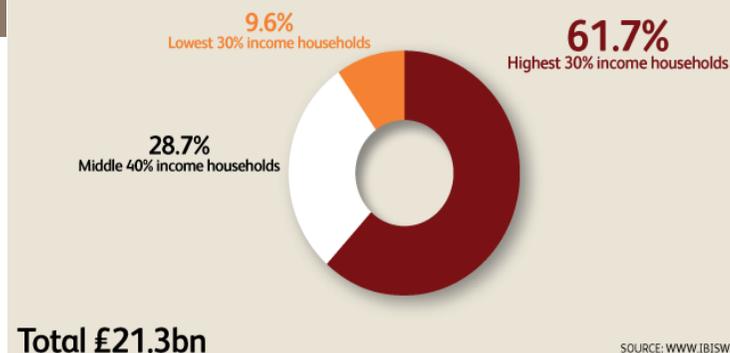
Wages

£8.6bn

Businesses

31,285

Major market segmentation (2018-19)



Full-Service Restaurants in the UK



Regional Insights

London

- London accounts for the largest share of industry establishments, with 19.2% of establishments. London is the second highest populated region in the UK, with over 8.5 million residents making up 13.4% of the population in the UK, and has the highest gross disposable income per capita, at more than £25,000. It is a globally recognised tourist destination and one of the most influential financial centres in the world. This region, given its share of higher income households and tourists, tends to have more upmarket silver-service restaurants with high average expenditure per table. According to Hardens restaurant guide, 2016 saw the ratio of London restaurant openings to closures at a peak of 3.2:1, the second highest in the last quarter century.

The South East

- The South East, which has the advantage of being close to London, is home to 13.8% of the population in the UK, and accounts for 12.5% of industry establishments. It has the second-highest share of gross disposable income in the UK, with an average of nearly £22,000 per capita. This is a good determinant of industry demand, but otherwise the spread of establishments is largely consistent with population spread.

Sector Trends

Average weekly hours of work

The number of hours worked per week acts as a proxy for leisure time availability. Consumers are often pressed for free time due to family commitments, work and other pressures. This can affect demand for full-service restaurants because it is quicker to order takeaway food. In 2018-19, the average weekly hours of work is expected to grow slightly, which may encourage more consumers to order takeaway meals instead of visiting restaurants.

Demand from takeaway and fast-food restaurants

Takeaway meals are the main source of competition for the industry. Demand from this industry acts as a proxy for competition from takeaway outlets. Takeaway outlets have become more popular over the past five years as new delivery apps have increased the convenience of ordering takeaway food. Competition from takeaways and fast-food restaurants is expected to remain strong and continue to grow in 2018-19.

Real household disposable income

Changes in real household disposable income affect discretionary spending on items such as meals eaten at restaurants. Real household disposable income is sensitive to changes in employment levels, interest rates, tax rates and inflation. Real household disposable income is forecast to rise in 2018-19.

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