



WEATHERING THE SECTOR CHALLENGES



Whilst the UK eating and drinking scene has previously proved its resilience, many foresee challenges ahead due to increasing cost bases, Brexit uncertainty and market disruptors like Deliveroo and Just Eat. It will be interesting who remains popular and who is blown off course. A clear brand concept and vision is absolutely vital in ensuring success during these turbulent times.

- ▶ The national living wage will hit restaurant, bar and pub businesses given they have a lot of staff within this pay bracket. Many feel the industry is being used as a "pawn" in the bidding war between the political parties, with the Conservatives, Labour and the SNP all vying against each other to raise wages, without any consultation with those operators paying wages.
- ▶ Operators will be concerned as to whether the industry will be able to pass on those costs. To do so will be a challenge especially when coupled with a likely reduction in EU workers as a result of Brexit. Whilst the British Hospitality Association has said it is ready to work alongside the Government to develop immigration targets to fill the inevitable skills gap post Brexit, it remains to be seen if this will take effect.
- ▶ Brexit-aside, staff turnover is further aggravated in the sector by employees jumping ship to competitors offering small wage increases.
- ▶ Changing consumer habits will undoubtedly have an adverse impact on older, tired brands which will lead to owners and operators needing to refresh premises, offerings and menus. The cost that brings may put smaller chains under pressure.
- ▶ Business are also addressing a reduction in margin due to a host of factors; including:
 - ▶ increases in business rates
 - ▶ delivery services such as Deliveroo and Just Eat and the growth of the eat at home market
 - ▶ the increased cost of raw materials in the supply chain (not least due to Sterling's devaluation following the Brexit vote)
 - ▶ rising rents (although there is some evidence this is softening)
- ▶ This year will really test the suspicion that consumer confidence is slowing. The Brexit vote and the uncertain outlook post June's election may not help consumers spend – unless it is to drown their sorrows.
- ▶ Many businesses have been aggressively rolling out in major cities and market towns. Some fear that the pace of roll outs may slow, either as operators become cautious or lenders are reluctant to overstretch their position and to allow capex/acquisition facilities to be drawn. Investors in Comptoir Group have seen share prices fall due to "difficult" trading conditions and roll out plans have cooled.

"They're a close-knit team with a good work ethos and strong commercially"

How we can help

PROACTIVE ADVICE	IF THINGS DO GO WRONG
Strategic Advice	Immediate and all-encompassing advice on trading when under stress and possible solutions
Previous understanding of funder requirements	Ability to mobilise a large scale deal team with multi-disciplinary advisory team
Network of other professional support contracts	
TRAINING YOUR TEAM	REDUCING COSTS
Training for all levels of your business	Competitive fee proposals
Sector update seminars	Embedded Transaction Services Team of Paralegals

Who we have helped

We've advised a variety of lenders, investors, operators, landlords, funds and other shareholders in relation to distressed disposals, refinancing and restructures, insolvency planning and directors duties.

Who to contact

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