

CGA Business Confidence Survey October 2022

In association with Fourth



CGA BUSINESS CONFIDENCE SURVEY OCTOBER 2022, IN ASSOCIATION WITH
FOURTH

METHODOLOGY

The CGA Business Confidence Survey (October) in association with Fourth surveys performance, forecasts and opinions based on senior leader research undertaken between 6th October to 20th October

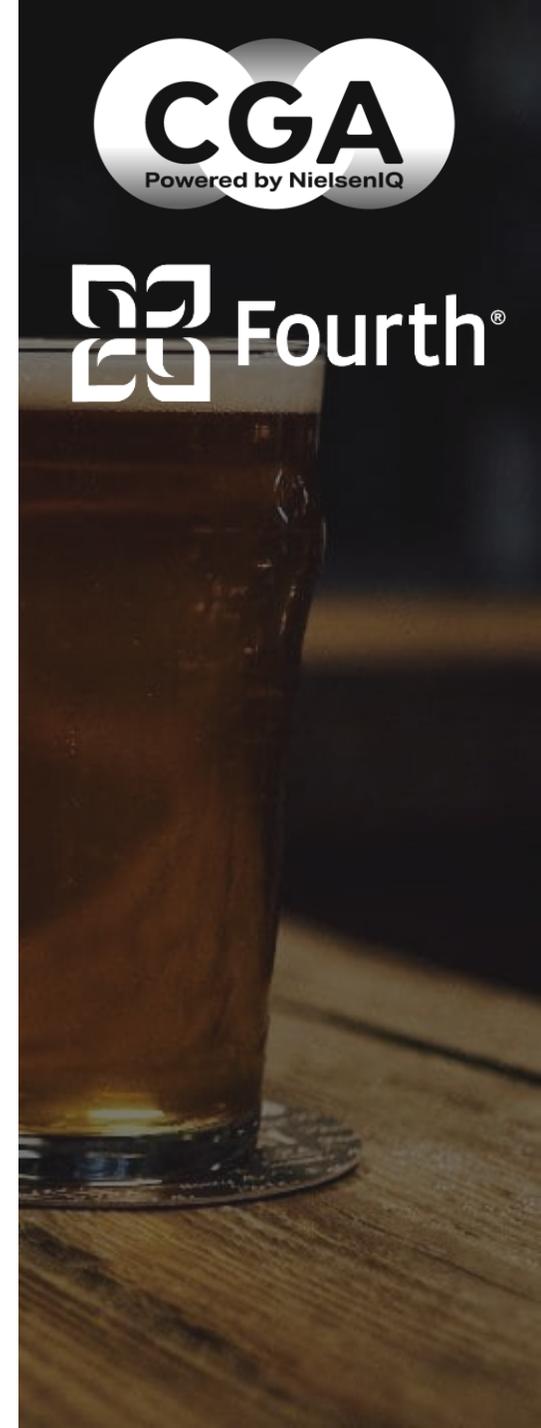
In total, leaders of multi-site operators across the hospitality sector taking the survey equated to over.....

16,000 sites

57% CEO / MD

37% Chair & board level

6% Other senior management



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- Falling optimism with tough times ahead
- Supply chain & rising costs
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Falling optimism with tough times ahead



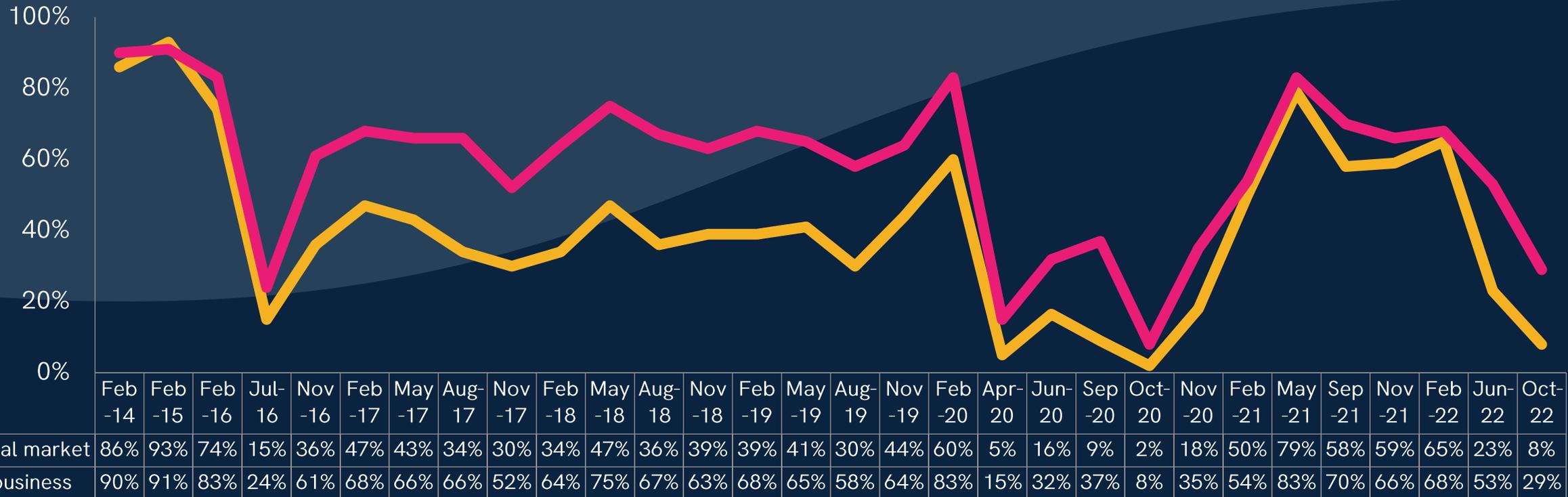
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Business Leader confidence has fallen significantly since June, with low levels not seen since the worst periods during COVID

Business leader confidence across the market and in own business



Low optimism is despite L4L sales performing ahead of 2019 in recent months, indicating underlying demand remains strong. Taking inflation into account however (+14% vs 2019), sales fall below 2019 in 'real terms'



CGA's recent consumer survey shows many remain highly engaged in the eating & drinking out sector despite the cost-of-living crisis

In the past month, how often have you been to restaurants, pubs, bars and other licensed venues?

52%

Of typical On Premise visitors* have visited the sector at least weekly in the last month

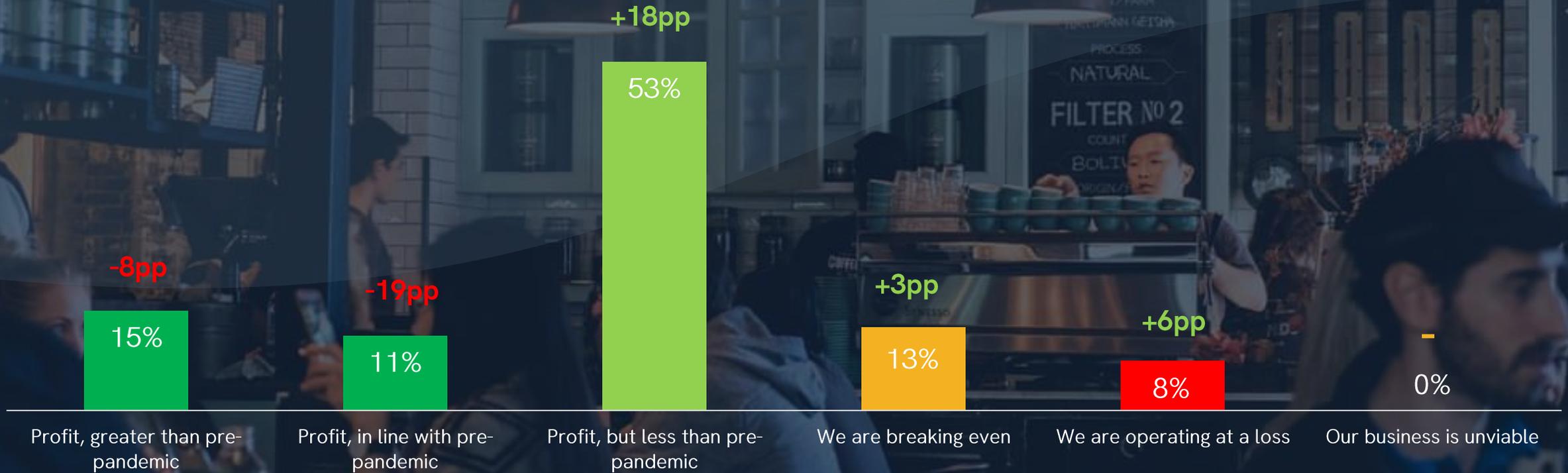
96%

Of typical On Premise visitors* have visited the sector at least once in the last month

**Typical On Premise visitors defined as those who typically visit the sector at least once every six months*

8 in 10 business leader operators are currently in profit, albeit most are now seeing profit below pre-pandemic levels

Which of the following best describes your operations currently? (vs June 2022)



Current political/economic uncertainty is impacting confidence however, particularly with concerns on the level and duration of business & household energy bill support from April 2023

Average energy bill forecast to hit £4,347 after Truss U-turn on support

Move to reduce duration of help from two years to six months could mean financial cliff edge for millions in April, charities warn

Hunt rips up almost all of mini-budget and scales back energy help

UK businesses plead for political stability as economic conditions worsen

Executives call for end to policy 'flip-flopping' after Truss resigns

Hospitality leaders call for 'stable leadership' and general election after PM's resignation

Given the uncertainty, leaders expect the picture to worsen in the coming months, with fewer in profit, and 13% expecting to be operating at a loss or unviable

Considering both anticipated revenue and costs, how do you think your business will be performing by the end of 2022?

Current performance

80% of
leaders in profit

8% in
loss/unviable



What leaders anticipate by end of 2022...

75% of
leaders in profit

13% in
loss/unviable



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We are already seeing the impact of uncertainty in the sector with 2,200 net closures in recent months, particularly in the independent sector. Without further support & clarity, more closures are to be expected

Net change in no. of On Premise sites – Managed v Independents – June to September 2022

GB On
Premise

-2,230
sites

Managed

+179
sites

Independent

-1,751
sites



Supply chain & rising costs

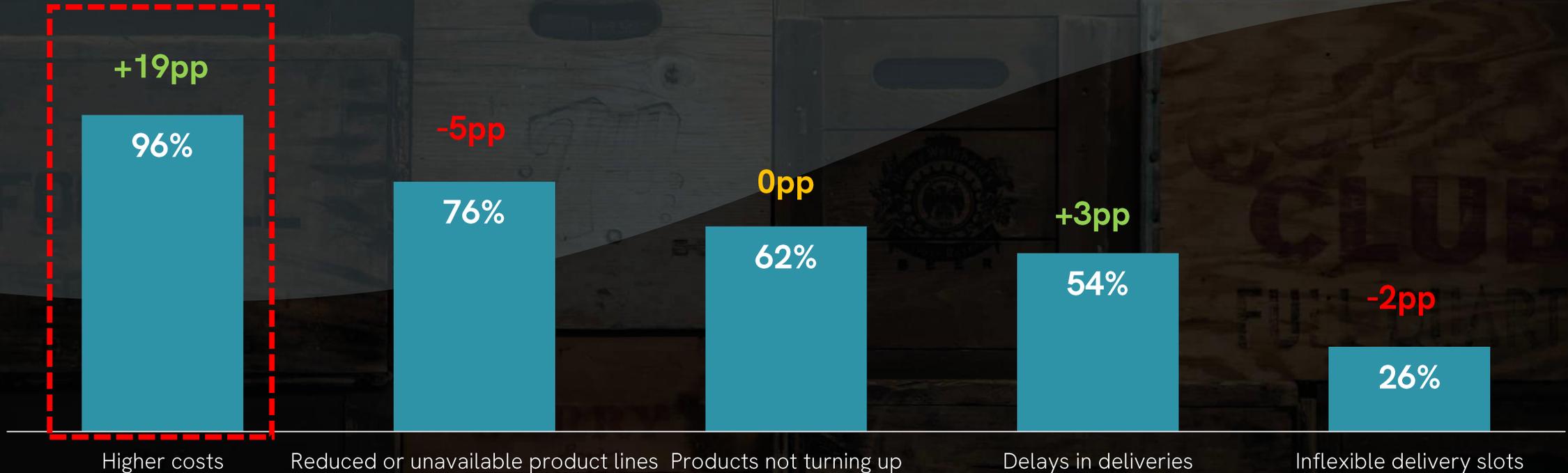


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96% of leaders are currently seeing higher costs in their supply chains, another important factor in explaining low business leader confidence

Are you experiencing any of the following issues in your supply chain?
(vs June 2022)



Leaders are seeing significant cost rises across multiple areas, with almost 9 in 10 seeing significant rises in both food/drink and energy costs

How have your supply chain costs changed in the last 12 months?
(% Significant increases)

Food/Drink
Prices

Energy
Costs

Back of
House Staff

Front of
House staff

June
2022

60%

71%

25%

15%

October
2022

86%

86%

46%

29%

Significant price rises have already been passed onto consumers. How much more headroom do they have before price rises impact consumer demand?

Business leader
food menu prices

+13%

in the last
12 months

Business leader
drink menu prices

+11%

in the last
12 months





Staff Shortages



11%

of roles are currently
vacant and open for
application (on avg.)
(vs 11% June 2022)

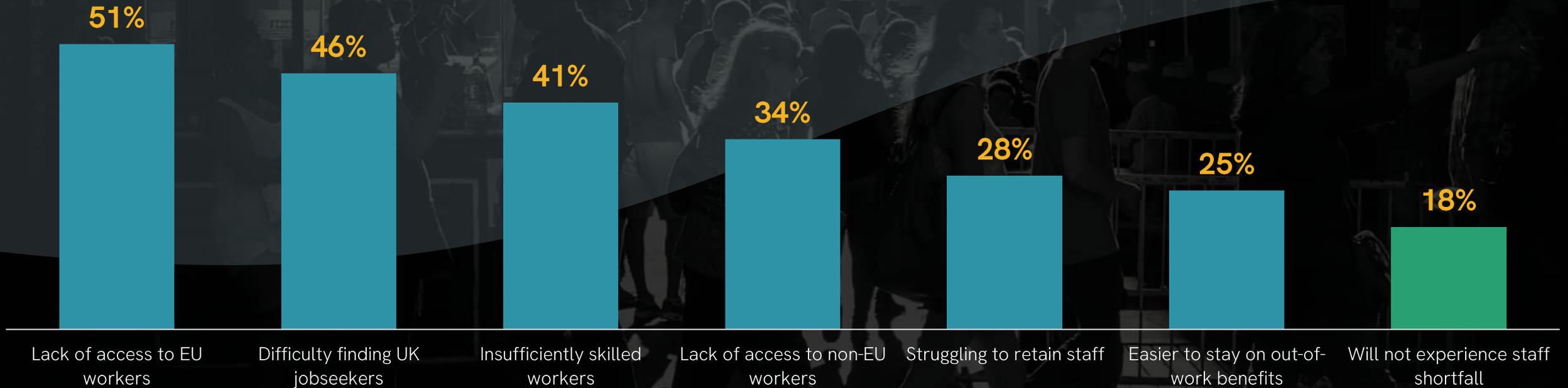
This high vacancy rate remains despite significant pay increases in the sector, indicating pay alone will not solve the challenge

Leaders have increased staff pay by **+9%** in the last 12 months



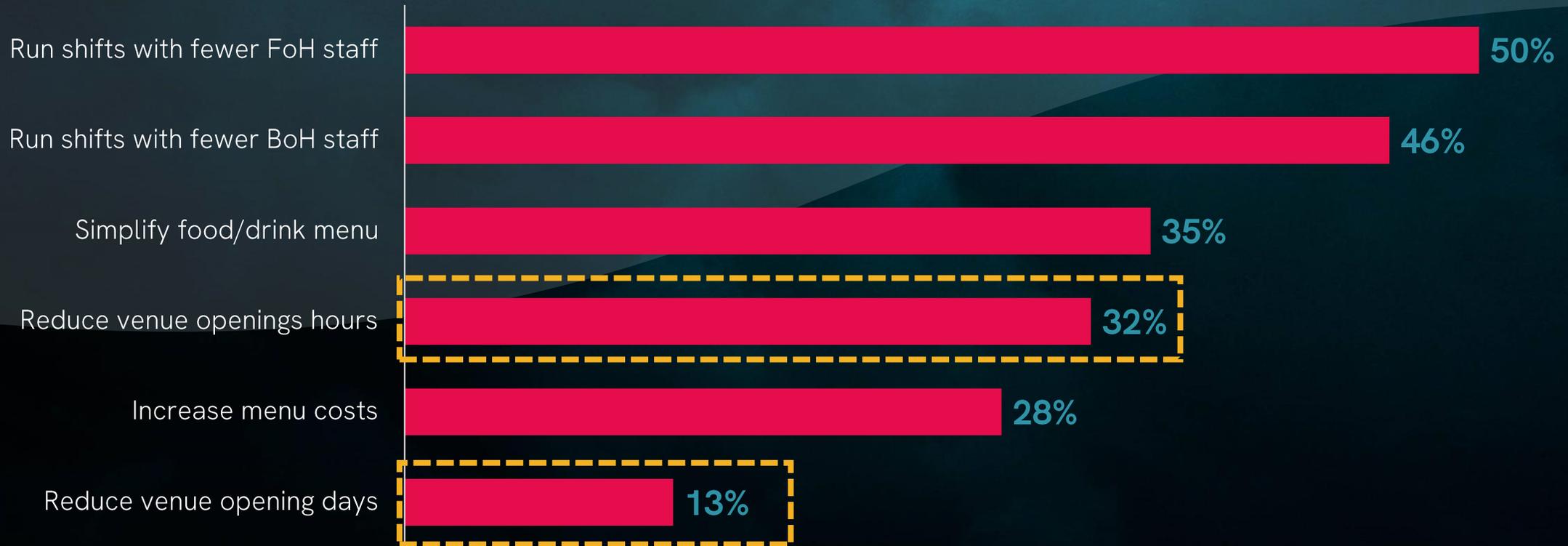
A lack of access to EU workers, and difficulties finding UK jobseekers, are the main causes for staffing shortfalls in the sector

What are main causes for this shortfall in your staffing levels?



As a result of staff shortfalls, half of leaders plan to run shifts with fewer staff this Christmas, while 1 in 8 even consider reducing their venue opening days

If you're expecting staff vacancies this Christmas, what actions may you have to take to mitigate it?



- *Business Leader confidence has fallen significantly since June, with low levels not seen since the worst periods during COVID*
- *Underlying consumer demand remains strong, despite the cost-of-living crisis. Current sales are relatively strong, with 8 in 10 leaders in profit*
- *There is however significant uncertainty in the market, especially around energy bill support. As such, the picture is expected to change in the coming months with fewer in profit, and 1 in 8 expecting to be operating at a loss or unviable*
- *We are already seeing the impact of uncertainty in the sector with 2,200 net closures in recent months, particularly in the independent sector. Without further support & clarity, more closures are to be expected*
- *96% of leaders are currently seeing higher costs in their supply chains, another important factor in explaining low business leader confidence*
 - *9 in 10 are seeing significant energy and food/drink price rises*
 - *As such, leaders have raised food & drink menu prices by +13% and +11% respectively in the last 12 months*
- *Serious staffing challenges remain, with a vacancy rate of 11% and staff wages rising +9% in 12 months*
 - *Some businesses are considering reducing opening hours & days this Christmas due to shortages*

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