



IAS Institute of Alcohol Studies

AN INSTITUTE OF ALCOHOL STUDIES REPORT

September 2017

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EXECUTIVE SUMMARY

Key Points

There is significant common ground between public health bodies and publicans, and scope to develop policies approved of by both groups

Many publicans are deeply concerned about harmful alcohol consumption

Both see cheap alcohol in supermarkets and off-licences as a major issue to be addressed

Minimum unit pricing is an obvious way to address these issues, and is favoured by publicans

Publicans are also willing to support other measures such as a lower drink drive limit that they do not think will have an excessive negative impact on their business

Background

Pubs are widely considered an important part of Britain's culture and heritage, a major source of employment and potentially provide a less harmful drinking environment compared to home drinking. As a result, supporting pubs is a policy objective for politicians of all parties. However, the number of UK pubs has been in decline since at least 1980, and closures (particularly of traditional community 'wet led' pubs) have accelerated over the past decade. A wide range of theories have been advanced to explain this trend:

Theory	Description	Supporting Evidence
Social & Cultural Trends	Lower demand for pubs, due to falling alcohol consumption, declining working class/rural communities, alternative leisure activities and declining popularity of beer/ale	Difficult to test directly – yet to be empirically evaluated
Macroeconomic factors	Lower affordability of alcohol due to slow disposable income growth	Falls in disposable income have reduced affordability of alcohol, which is known to reduce alcohol consumption
Off-trade competition	Pubs undercut by supermarkets and off-licences	The price differential between on- and off-trade has increased, as has the number of on-trade outlets

Alcohol duty	Lower affordability due to higher taxes on alcohol	Rose between 2008 and 2013, but cut between 2013 and 2016, even as pub closures continued. Known to reduce alcohol consumption, but may have helped pubs by slowing switching from on- to off-trade
VAT	Pubs less price competitive because of higher VAT, especially on food	Raised in 2011, increasing the price of food in pubs but not in supermarkets, as well as the price of alcohol in both
Business rates	Pre-recession benchmarks blamed for high tax burden, raising costs	Period since revaluation has coincided with accelerating pub closures. However, rates have remained flat as a proportion of turnover
Smoking ban	Smoking ban seen as discouraging smokers from going to pubs	Self-reported sales declined after the introduction of the ban, and pub closures appear to have accelerated. However, international evidence suggests smoking bans have little effect on hospitality and cross-sectional evidence less clear
Drink Drive Limit	Lower legal blood alcohol limit in Scotland may have discouraged people from using pubs if they cannot drive home afterwards	Anecdotal and small-scale survey evidence of negative impact in Scotland from 2015, but formal evaluation yet to be released
Beer Tie	'Tied' pubs believed to be charged excessive costs by pub companies in exchange for subsidised rent	Evidence that tied pubs are less profitable; however, no directly comparable closure rates of tied and untied pubs
Rising Operating Costs	High food, property, fuel and satellite TV costs	Food price spike appears to have had some impact, though surveys suggest operating costs have fallen since 2009
Industry consolidation	Successful pubs have taken market share from competitors, running them out of business	Anecdotal evidence
Sale and Conversions	High property prices lead to sales to developers converting pubs to homes and retail sites	Anecdotal evidence

Policies often proposed to help pubs, such as cutting alcohol tax, loosening licensing restrictions and relaxing the smoking ban, often run counter to evidence-based public health policies. However, publicans are rarely directly consulted in the policy process, typically represented by trade organisations that must balance their interests against those of other members, such as brewers.

We wanted to speak to publicans to better understand the opportunities and challenges they face, their policy priorities and to discover whether common ground can be found between the pub trade and public health objectives. We commissioned CGA Strategy, the leading on-trade market research provider, to survey a representative sample of 103 pub managers in February 2017.

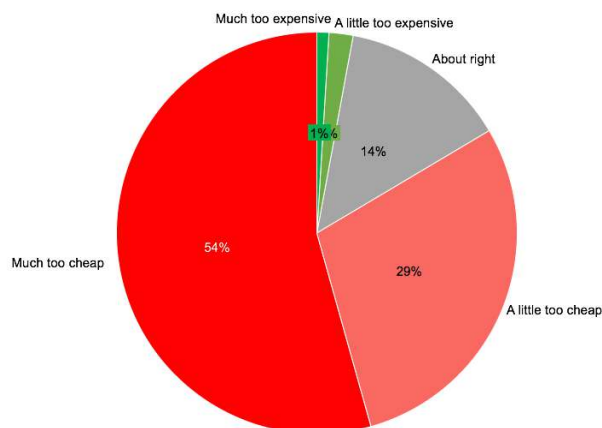
Survey Findings

- ▶ Contrary to the impression of crisis that dominates much of the debate around pubs, we found that publicans are generally optimistic about the state of the industry, with 53% predicting that this year will be better than the last.
- ▶ A common perception is that pub closures are the result of poor management and a failure to respond to market trends:

“Rubbish pubs have gone, good ones remain”

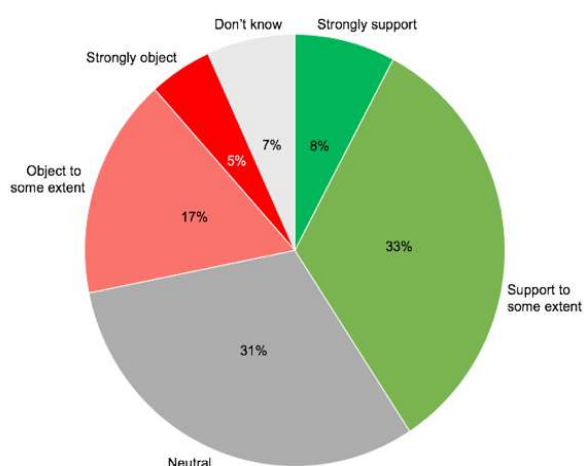
- ▶ This optimism is largely based on the opportunities provided by food sales, with 48% ranking the shift to food sales among the top three most promising developments for their businesses
- ▶ Intense competition is the other major commercial concern, with many publicans reporting improved sales following the closure of local competitors, but others fearing the negative impact of new openings (especially major chains such as Wetherspoons)
- ▶ Publicans acknowledge the negative consequences of drinking – 44% believe that the UK has an unhealthy relationship with alcohol
- ▶ In particular, cheap off-trade alcohol is seen as a grave danger, both to pubs’ commercial fortunes and to the country’s health:
- ▶ Supermarket competition is seen as the single greatest threat to pubs, with almost half (48%) of publicans rating it among their three biggest concerns
- ▶ 83% of publicans believe supermarket alcohol is too cheap, and 73% think increasing its price should be a priority for politicians in tackling alcohol problems

Generally speaking, how do you feel about the price of alcohol in supermarkets?

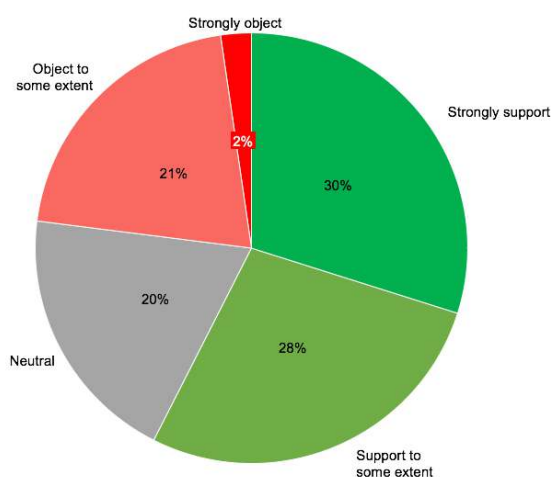


- ▶ Respondents were supportive of many policies to address alcohol-related harm
- ▶ Overall, **pub managers support minimum unit pricing** for alcohol, with 41% in favour to 22% against
- ▶ **Support for a lower drink drive limit is even stronger, with 58% of pub managers in England and Wales in favour** of following Scotland's lead on the issue

To what extent would you say you support or object to minimum unit pricing for alcohol?

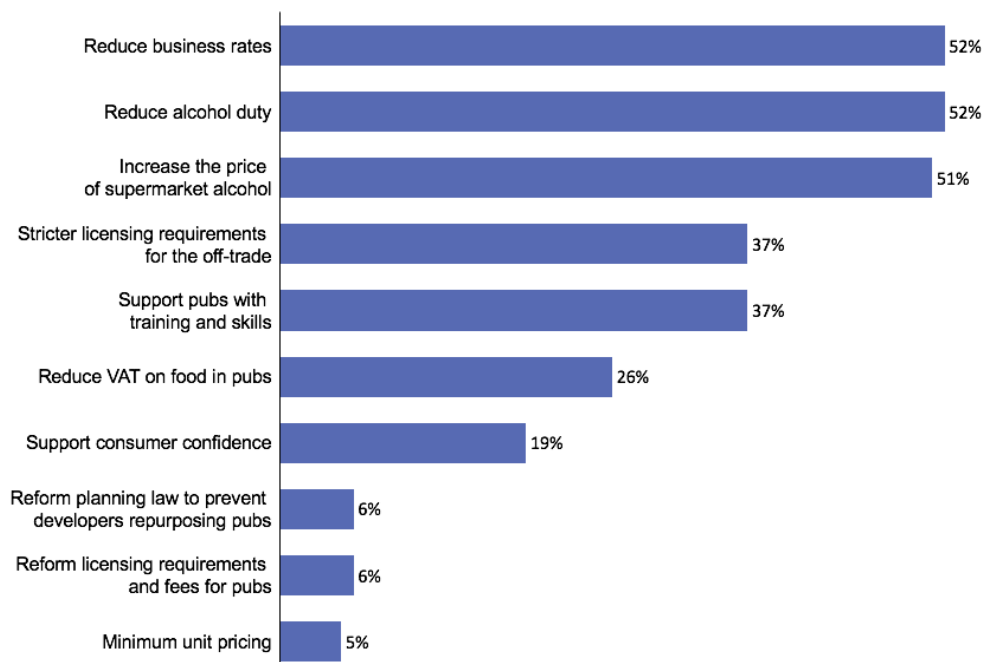


To what extent would you support or object to reduced drink drive limits being introduced in the rest of the UK? (England & Wales only)

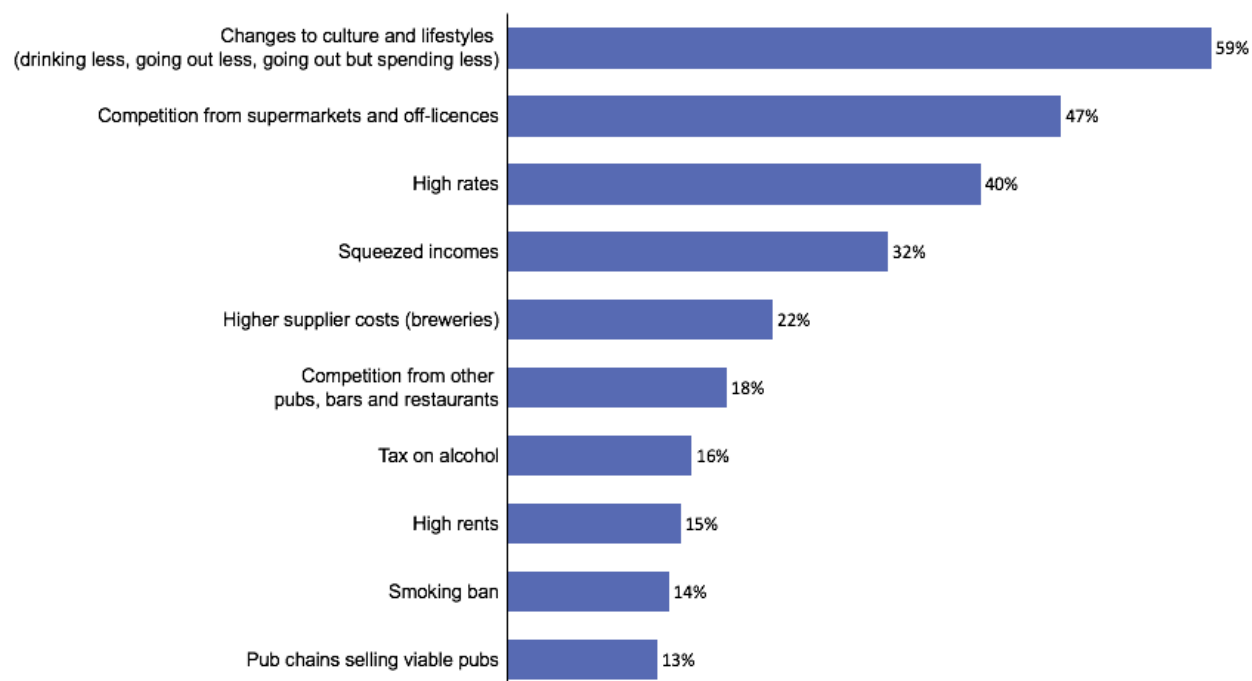


- ▶ All taxes are unpopular with publicans, but **business rates drew greater objections than alcohol duty and VAT**
 - ▶ While reducing all three were among the leading 'asks' for politicians, rates were more likely to be blamed for the pub closures, and were seen as a greater commercial threat

What are the top three things you would like politicians to do to support the pub trade? (% Ranking in Top 3)



What do you think are the main causes of pub closures in recent years? (% Ranking in Top 3)¹

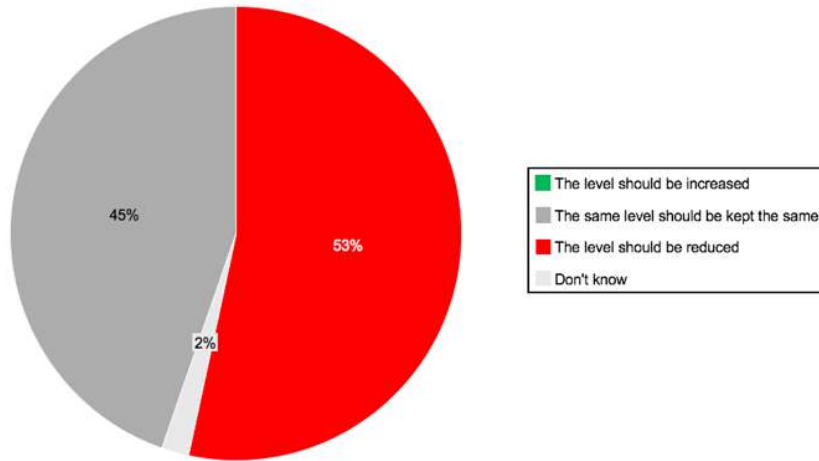


- Moreover, despite the general unpopularity of duty, **almost half of publicans are content with the current level of tax on alcohol**

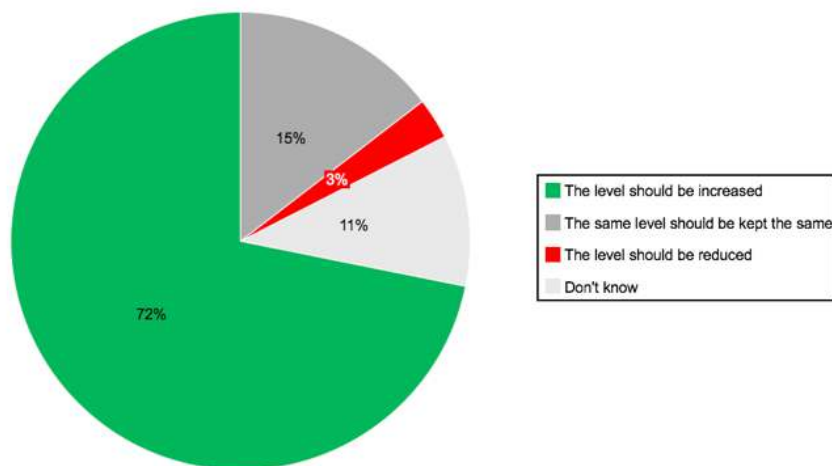
¹ Top 10 ranked categories shown

- Indeed, **72% favour raising alcohol duty in supermarkets** (though this is not currently possible without raising duty in pubs)

Which of these statements best describes your view on what the government's position should be on alcohol taxes in pubs?



Which of these statements best describes your views on what the government's position should be on alcohol taxation in supermarkets?





An Institute of Alcohol Studies publication

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