

Christie + Co Market Analysis:

The UK Restaurant Market: And the brands played on...

The UK's branded restaurant sector continues to show resilience against the economic downturn. While established operators have become more cautious in their expansion plans and focused on promotions and offers, it is new concepts, up and coming companies, international brands and regional operators that are currently driving the sector forward.

As the scramble for the eating out pound has heightened over the last 12 to 18 months in line with the squeeze on consumer spending, many operators have decided to focus on operational efficiencies over expansion, leaving the way open for less established businesses to take advantage of the lack of competition to grow their estates.

Operators of the more established brands have also started to reassess their own estates, churning sites, which no longer match their minimum requirements, allowing regional operators to grow portfolios in their place. With several national operators also being forced into debt-for-equity deals and others out of business, the UK restaurant map is set to show some changes going into 2010.

Making waves

While the more established restaurant operators have reassessed their expansion plans over the last 18 months, new up and coming operators have taken the opportunity to enhance their estates and profiles.

Jamie's Italian – Launched at the start of 2008, the Italian restaurant chain spearheaded by the celebrity chef Jamie Oliver currently operates five sites but plans to open a further two this year in Cardiff and Guildford.

The company, which benefits from the experience of Ian Neill, Chairman of Wagamama, Simon Blagden, former executive at Mitchell's & Butler, and Kevin Bacon, former Managing Director of The Restaurant Group, plans to open a further seven sites across the UK in 2010. Bacon is also expected to oversee the international rollout of the already award-winning and popular brand.

A second Oliver-inspired brand — Recipease — also made its debut in the last 18 months, with two stores of the food and kitchen concept opened so far.

Cote — Led by the team which built up the successful Strada brand, Andy Bassadone and Chris Benians, Cote has been constantly tipped as “one of the ones to watch” by a number of magazines and market commentators over the last two years. Already dubbed “the French equivalent of Strada” Cote is still very much a newcomer to the UK restaurant sector. The company, which like Strada is backed by entrepreneur Richard Caring, will open its ninth site later this year in Horsham, West Sussex. Many believe it has the capability to match the size of Bassadone and Benians’ former 50-strong Strada operation, which was sold to the Tragus Group in 2007 for £140 million.

Wahaca — Launched in 2007 by 2005 MasterChef winner Thomasina Miers and Mark Selby, the Mexican casual-dining concept, plans to open its third restaurant this October in Canary Wharf. The group plans to expand in the capital by one or two sites a year over the next five years.

Tossed — First launched in 2005, this casual, healthy-eating restaurant chain, which is the brainchild of entrepreneur Vincent McKeivitt, opened its seventh venue earlier this year in Tottenham Court Road, London. The company, which secured venture capital funding last year, plans to open a further six sites this year.

Grand Union — Founded in 2006 by Adam Marshall and Adam Sandford, the operator of the burger bar and cocktail lounge concept has doubled in size over the last six months. It recently signed on its ninth site in Greater London, and expects to open further outlets in the capital next year.

Taybarns — Whitbread’s all-you-can-eat concept was launched in the first half of 2008 and now encompasses seven sites. Reported to produce an average weekly take per site of between £60,000 and £70,000, more openings under the brand are expected to follow with plans to convert 15 Brewers Fayre units to the concept being considered.

Regional winners

The slowdown in transactional activity by the national restaurant chain operators, coupled with the churn of some of their estates, has allowed many regional companies to take advantage of the lack of competition and the reduction in values to acquire well-located, quality units and expand their estates.

Bill's Produce — the East Sussex-based restaurant and greengrocer business Bill's Produce had already built up a loyal following in Brighton and Lewes when it was revealed this year that it had acquired a site in Chichester. The company, which is backed by Richard Caring, has also earmarked London and Bath as possible destinations, while an opening in Horsham has been mooted.

Ego — Originally launched in 1999, Ego, the Mediterranean restaurant concept, was given a new lease of life when it was acquired through a management buy-in led by James Horler, former chief executive of the La Tasca restaurant chain, in March 2008. Focusing on expanding in the North and the Midlands, the company currently operates eight restaurants but reportedly plans to open a further five sites by the end of this year, including outlets in Lytham and Leeds.

Reach For The Stars Group — Founded by Steve Cropper and David Stanton in 2004, the company currently operates four sites across Hampshire, the Propaganda Music Canteens in Fleet and Andover; the Seven Fish bistro and bar in Ringwood; and the Ketch Rigger a Waterfront Bar & Restaurant at Hamble Point Marina, Southampton.

The group has recently acquired its first site in West Sussex and plans to operate the site under its Seven Fish brand, which is a modern, ethical fish style bistro and bar concept.

Thai River Company — The Thai River Company currently operates three restaurants in north-west London, the Garden & Grill in Notting Hill, and two outlets trading under the Thai River brand in Paddington and North Kensington respectively. The group made its first move outside the capital in July when it purchased a 60-cover restaurant in Windsor, which it plans to re-open under its Thai River brand.

Boston Tea Party — The South West-based company was launched in 1996 when it opened its first café in Bristol, 14 years later it currently operates seven units in the region but announced plans this year to double that number over the next 18 months.

Cosmo Restaurants — The Pan Asian buffet concept operator is planning to open its biggest ever restaurant over the next six months in Croydon. Currently operating 10 sites across the South of England and Wales, the company is looking to open a further four or five restaurants in the next 18 to 24 months.

Independent squeeze

The slowdown in consumer spending, promotional activity and the economies of scale of the larger restaurant groups has inevitably had an impact on the state of the independent restaurant sector, with many operators struggling to stay open, whilst others have unfortunately fallen by the wayside.

There continues to be notable exceptions such as Mat Follas, the 2009 MasterChef winner, who acquired his first restaurant earlier this year in Dorset, while first-time entrants continue to be attracted to the market with the reduction in values generating a strong interest in well-located rural sites.

Conclusion

The landscape of the UK restaurant market at the start of next year will be similar in many ways to what it was at the end of 2007, with the majority of the national operators in some shape or form continuing to have the greatest influence and impact on the sector.

However, the economic downturn, and with it the slowdown of the expansion plans of many of the established operators, has allowed a number of fledgling groups to emerge and gain, in some cases, a significant foothold in national and regional restaurant markets.

The test for these operators now is to build on their initial inroads and success, especially when a recovery begins and the more established companies return to the acquisition trail in earnest.

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