



AIB Sector Report: The Licensed Trade Sector

28th August 2013

The latest sector report from AIB explores how Irish pubs are changing and investing for the future. The research forms part of a series of outlook reports for the SME sector compiled by AIB. The fourth report on the licensed trade industry is in association with representative organisations, the Vintners Federation of Ireland (VFI) and the Licensed Vintners Association (LVA).

Key findings:

- One in four pubs reduced their weekday opening hours in the last year, rising to one in three in rural locations. One in six pubs have reduced their weekend opening hours
- The research findings confirms the very serious challenges facing the licensed trade sector with half (50%) of publicans experiencing a decrease in turnover in the last year, particularly in rural areas. However 30% of those surveyed experienced an increase in turnover
- The report shows that publicans are more optimistic about their own business than they are about the industry in general. Almost half (52%) of publicans are optimistic that their own business will be better in next three years compared to 37% stating that it will take five years for industry to recover
- Progressive pubs are focussing on things they can change to improve their pub's performance and are using food, events and better customer service to drive sales. Food is an important driver of growth for pubs with 35% of pubs seeing an increase in food turnover. The survey found that almost four out of five pubs (79%) organised events such as comedy or quiz nights over the last year in order to attract more business
- The pub sector has benefited from the increase in overall tourist numbers with tourists quoting an Irish pub as one of the top things to do in Ireland however it is the urban pubs particularly those in Dublin which have benefited most. One in four Dublin/urban pubs have seen an increase in their tourism numbers in the last 12 months
- According to the research the customer population appears to be ageing with only a third of pub customers under 30 years of age, while 43% of publicans are not proactively targeting the under 30s market
- Customer behaviour has changed with close to three quarters (71%) of those surveyed arriving to the pub later and staying in the pub for a shorter time. The impact of access to cheaper alcohol in the on-trade business has resulted in increased levels of drinking at home. Almost four out of five publicans believe that their customers are having drinks before they come to the pub
- The top concern facing publicans is local authority rates, followed by access to cheap alcohol in supermarkets and wage costs
- Almost half of pubs surveyed (46%) are planning improvements for their business in the next three years.

Head of Business Banking at AIB, Ken Burke said: "This research demonstrates publicans are resilient and are adapting to market challenges and changing consumption habits through a revamped food offering and creating a pub experience through events and entertainment. With

overall tourism numbers on the increase more and more publicans are also tapping into the tourism market for customers and it is no surprise to learn that a visit to an Irish pub is cited by tourists as one of the top things to do in Ireland.

"AIB understands the importance of the licensed trade sector and is committed to supporting our customers in this sector. We have dedicated relationship managers across our corporate, business centres and branch banking operations with the knowledge and expertise to support licensed pubs customers to deal with the challenges and opportunities that lie ahead."

Chief Executive of the VFI, Padraig Cribben said: "This research confirms the severe challenges facing the pub sector at present. It demonstrates a level of polarisation in performance but also a resilience and determination on behalf of many in the sector to overcome these challenges by way of innovation, enhanced customer service and revised product offerings. Customers are spending less time and money in pubs while at the same time demanding a wider range of services overall."

Chief Executive of the LVA, Donall O'Keeffe said: "There is no doubt that the pub trade in Ireland has suffered enormously over the past five years. However, it is encouraging to note that this AIB research confirms that the Dublin market is performing relatively well and that leading Dublin publicans are reporting turnover growth in their businesses. Focus on the customer, excellent levels of service and continuous development of the drink, food and entertainment offers are all driving these businesses forward. Irish people love to socialise together, recession or not, and Dublin pubs are well-positioned to serve them. While serious challenges remain, we remain confident in the future of the Dublin pub."

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Note for editors:

Amarach Research conducted a survey among 200 publicans throughout Ireland in July 2013. Just over 70% of those interviewed were owners or co-owners of their pubs. Some 71% of those surveyed were owners or co-owners of their pubs.

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