

# VIEWPOINTS: THE LICENSED TRADE

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The licensing trade in Lancashire stands at a crossroads with pubs closing at a shocking rate due to the smoking ban, a rise in alcohol duty and cheap booze being sold at supermarkets. Lancashire Business View brought together representatives of the trade to see where this once booming business goes next. Our hosts were Ribby Hall Village.



PRESENT: Nick Hyde Lancashire Business View Peter Johnson Cassons Accountants Kevin Hughes Yorkshire Bank Adam Bromley Forbes Solicitors Ruth Rule-Mullen Forbes Solicitors Paul Rogers Railway Gastro pub Andy Wilkinson Clover Taverns Marvin Baldwin Forum, Preston Mike Damms East Lancashire Chamber of Commerce Mike Hiscock Moorhouses

## How is the pub trade coping with its many challenges?

**Adam Bromley:** I'm seeing a lot of things happening in relation to pubs. Many are closing down and changing use and there are a lot of pub companies looking at selling up stock rather than selling to other groups.

**Mike Hiscock:** The squeeze is on but, to be honest, there have been far too many pubs in the UK for an awfully long time. There has also been a decline in investment in many of those properties and that's certainly one reason so many are shutting up shop.

**Paul Rogers:** Pubs have changed and so have the habits of their customers. The social side, with its hardened regulars, has changed dramatically in the past decade and a lot of people don't seem to recognise that.

**Ruth Rule-Mullen:** Cost and customer changes are affecting the trade. Some of the work that we've done is to help clients who are opening gastro pubs, but costs are rising there as well.

**Andy Wilkinson:** There are other factors including legislation, from the minimum wage through to additional health and safety burdens. The law is a lot stricter than 10 or 20 years ago. Put that together with a change in people's lifestyles and the state of the economy and the results can be seen. Also, the industry is polarising. On one side we have pub chains taking up much of the industry while on the other are some excellent individual operators.

**Mike Damms:** A lot of people talk about regulation and it is the common cry of all small businesses that regulation strangles them. As Chambers of Commerce, we have an open door to government but we need

**"Successful pubs need individual excellence in a given field, whether that be value food, gastro food or cask ale."**

specifics. Tell us which regulations you wish to remove, and we'll take that to government on your behalf. But we need the details.

**Paul Rogers:** It isn't fair to say it is killing us. It's a process. There are elements to our business that that mean we work to the same rules as everyone else.

**Andy Wilkinson:** I don't think any of us round this table would ever disagree that things like environmental health and health and safety are essential. So I think to argue with the regulation is probably wrong. Cashflow is our real problem and some financial help in the form of long-term loans for health and safety and environmental health issues would help immensely. It would be a great move forward in the way in which small businesses can survive.

**Kevin Hughes:** I think that there are schemes out there. But one of the biggest problems at the moment is whether the banks are actually lending or not. Is the hospitality and leisure industry an area that banks want to lend in? I think it's a difficult one, but we have to see that there is good and bad in every



Mike Damms

sector. Financiers want to see differentiation, a well-managed pub and good strong management, because at the end of the day it's a combination of the management, the ideas and the ability to keep a business fresh and adaptable that will appeal.

**Andy Wilkinson:** The speed is the problem. When environmental health come in, they might give us a four-week window to complete and finance work.

## How do you develop a pub business?

**Paul Rogers:** It is difficult to expand in our industry and, unless you have a multimillionaire benefactor with a huge war chest, you will stay as you are.

**Mike Damms:** The point is well made for both small and large businesses, but that's the challenge and the conundrum: what do you do to break it?

**Marvin Baldwin:** We've had to up our game, change our focus and move more

towards a food offer. But with that comes a massive increase in cost, time, staff training and staff investment.

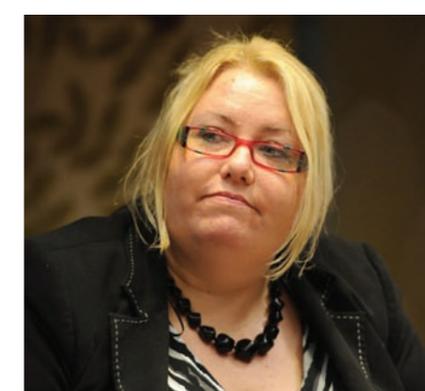
**Andy Wilkinson:** Successful pubs need individual excellence in a given field, whether that be value food, gastro food or cask ale, but it needs to have a point of difference and it needs to have a point it excels at.

**Mike Hiscock:** I think it's wrong to believe that the wet-led pub has gone. Andy himself has a pub that is thriving, and it has based its business on cask ale. The number of good wet-led pubs has reduced, but the better ones, or what people perceive as the better ones, are actually doing OK.

**Mike Damms:** People want a quality offer and they want food. It seems to use that this is what customers are responding to. They also want, increasingly it would appear to us, quality at all levels – beer, food and the experience. People are much more selective about their going-out experience. There might be the commodities in the supermarkets, but it's the experience that is increasingly being offered.



Andy Wilkinson



Ruth Rule-Mullen

**Adam Bromley:** I think Mike is right about the pub experience, it's the key thing. Gastro pubs and cask ales seem to be the two main draws but, as Kevin says, things change all the time. I don't know what other products can be implemented into pubs at the moment or where the next trend will go.

**Andy Wilkinson:** It depends on the pub and depends on the clientele, but the first



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Adam Bromley



Kevin Hughes

priority is that you identify and satisfy your target customers and if that target customer doesn't want gastro food then you need to adapt your offer.

**Marvin Baldwin:** We talk about pubs all the time but my business is a bar, which is quite hard to define. Bars in the past were just places you went to drink on a Friday or Saturday night. I think it is evidence of a change in customer habits with a demand for more European-style eating and drinking.

**How has the rise in VAT affected the industry?**

**Peter Johnson:** The rise is going to have an effect, adding 6p or 8p on a pint, but that's just part of the story and it goes back to what we were discussing earlier. Cost increases are coming in from all angles. There are increases in fuel costs which affect us; we have the potential for increases in duty and raw material costs are, I believe, 50 per cent higher than this time last year. So, yes, the VAT increase will have some sort of effect, but when you couple it with all the other potential cost increases, I think tough times are ahead unless the government comes in and assists in some manner.

**Mike Hiscock:** I agree, it's not just about VAT. There's been very little reaction in our pubs to the rise but there's going to be a considerably bigger reaction at the major breweries and I can see prices rising up to 4 per cent. I think that's the time that people will decide how to



Mike Hiscock

spend their leisure budget.

**Ruth Rule-Mullen:** I sometimes would rather go out to a bar or a gastro pub on a Friday night than cook. Whether people are going to be able to carry on doing that, we're

**"While the principles of minimum pricing are right, the proposals by the government are not because they serve no purpose."**

going to have to wait and see.

**What are the problems arising from the minimum pricing of alcohol?**

**Andy Wilkinson:** I think the policy of minimum pricing is correct. But while the principles are right, the proposals by the government are not because they serve no purpose and it won't make the slightest difference to traders in the market. I believe that the policy being put forward is a politically motivated one: to be seen to be doing something.

**Peter Johnson:** It just increases the gap between the supermarkets and the licensed trade. In a sense, it almost legalises or normalises the price that supermarkets are selling beer at – and that's as low as 38p a can.

**Has the licensed trade recovered from the introduction of the smoking ban?**

**Marvin Baldwin:** From my perspective, it didn't affect me at all. At the time I was quite concerned with all the doom and gloom stories but we actually saw an increase in sales. We didn't really have a massive



Paul Rogers

smoking contingent, so it didn't really have a massive impact. But I imagine the old school working men's clubs and the old style pubs were affected badly.

**Mike Damms:** I think that it was a massive social change, not to mention the factories and workplaces that you went round. Here it seems to have been a broadly seamless change compared to, for example, the experience in Ireland.

**Paul Rogers:** To be honest, the government had already made their mind up about it. It was going smoke free and that was it. I think personally it's always been a good thing for the health of the country and for individuals.

**Ruth Rule-Mullen:** As an employment lawyer, we thought this was going to be big potatoes for us at the time but in reality we rolled out a smoking policy for our clients – if you smoke you're outside and that's it – and the majority of employers have done that.

**Peter Johnson:** I think there was something

like 175 million pints less sold in that period and it just added to the demise of the traditional pub.

**How do we improve skills in the trade?**

**Paul Rogers:** We try and get the right leadership in place, and that takes the guys forward who they work with. We don't have



Peter Johnson



Marvin Baldwin

**"We have to be adaptable. I think you've just got to widen the remit of your business to survive."**

time to put hours aside for training. In a sense, and it's a tough thing to say, we have to allow for a level of error because, frankly, our customers don't want the poshness of a Michelin restaurant experience. People like our attitude.

**Mike Damms:** Skills are always important and however you present your offer, you need to exceed expectations.

**Paul Rogers:** While there clearly is a skills shortage, we are quite fortunate because we have Lancashire College just down the road from us and we work closely with them. I do some mini-lectures for students and the students come to us. But it's very much at the top end where there are problems too. Out of perhaps 100 CVs for a head chef position, only three are actually likely to come up to the mark. To get to a position like that requires real dedication and real skill. I'd like to think that with so many TV cookery programmes around people will be encouraged to get involved, but must realise that success doesn't come overnight.

**What do pubs need to do to survive?**

**Andy Wilkinson:** I think the community pub is going unfortunately. They aren't taking enough money. Probably half the pubs trading over the last ten years have been right on the edge or losing money. Some pubs are operating outside minimum wage rules to get by, but that's being clamped down on. They need to nearly double turnover or it'll never go back to where it was.

**Marvin Baldwin:** We have to be adaptable. I think you've just got to widen your remit of business. We now do corporate events and private functions; and, as I have said, the food has been a big factor for us.

**Mike Hiscock:** We're driving forwards on good quality cask ale and not just our own, but from other brewers that we know. It's that constant change which brings a different customer in. Everybody is looking for value and service and as long as we're offering it

then people will continue to use our pubs.

**Adam Bromley:** When we're talking about the licensed trade it's easy to get carried away and talk about high-end bars, high-end gastro pubs and high-end restaurants. But the places that are closing, the places that are struggling, are the community pubs and they're the ones that are getting hit the hardest because they don't have the skilled workers there. They're the ones that are getting hit by all the pricing and the people



who used to drink in those pubs are the ones who are now sitting at home drinking supermarket beer.

**Mike Damms:** Pubs need to adapt to the way the market and the industry has changed. The question is: do we now have to jump a generation to find people who have the right entrepreneurial skills to come in to the business, or do we watch the existing trade evolve and morph?

**Andy Wilkinson:** I think it's a summary of what we've all been saying today - find your actual target customers and then give them a unique offer or ensure they have the best possible service.

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