

The feel-good factor returns

Economic recovery is gathering momentum, but is this reflected in the drinks trade? **Andrew Don** takes soundings from the industry

All the latest economic indicators strongly point to a recovery that is largely nationwide and not merely confined to prosperous London and the wider south-east region.

The received wisdom is that those businesses that invest during the bad times stand to reap rewards during better ones – something that the Bull, in the village of Wrotham, in Kent's North Downs, bore in mind when husband-and-wife team Martin Deadman and Lygia Fontanella took over the business in December 2007, just a couple of months after the credit crunch triggered economic mayhem across the UK.

Fontanella says that they invested from the off despite the economic malaise. She adds: "We have managed to improve business turnover by 55% since then, and refurbished 11 en-suite bedrooms. We have gained one AA rosette and four AA stars for the hotel."

They promoted the Bull through advertising and PR, and successfully controlled costs. "Yes, we kept the investment going, both in time and money, and will carry on doing that."

Now that 2014 is under-way, Fontanella says that she is detecting an overall improvement in business, reflecting optimism from the public that results from the Bull's search for new beers – artisan varieties from London microbreweries – good-quality house wine and a comprehensive wine list, demonstrating quality and affordability.

Fontanella says business turnover increased 24% last year as a result of the changes.

The couple plan to invest about £50,000 this year on hiring additional kitchen staff to guarantee consistency, together with a restaurant supervisor to train bar and restaur-



Offering quality: investment in the customer environment is crucial

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Chris Jowsey, trading director at Star Pubs & Bars



rant workers. They also aim to purchase a new cooker and finish off the pub refurbishments.

"We will carry on advertising in local publications and email marketing to promote events and menus, and work more actively with social media. We are also investing in wedding parties as we have recently been licensed for civil ceremonies," says Fontanella.

Property agent Savills says that the nation's public houses are reflecting general improvements in the wider economy.

Kevin Marsh, head of leisure at Savills' office in Southampton, observes that the rate of tenant failures appears to have slowed down.

However, he concedes that this could be as a result of UK pub companies off-loading many of their bottom-end houses.

Marsh adds that successful pub businesses will continue to reinvest in the "customer environment" and social media will play an increasingly important part in marketing outlets in the future.

"The recession has provided a supply of pubs that have given entrepreneurs the opportunity to acquire freeholds and create small pub groups," he says.

Marsh believes that the publicans who are good at what they do will see business improve and therefore have reason for optimism. But trade will remain tough for the more mediocre operators.

He says Marston's, Greene King and Mitchells & Butlers have continued to invest in their managed estates and declared their intention to expand them. These are the companies that will perform best in 2014, Marsh believes.

Chris Jowsey, trading director at

Star Pubs & Bars, says that the firm is optimistic about the future and, where the business has invested in property refurbishments over the past 12 months, it has experienced great returns.

Jowsey says: "We are adding extra income streams, such as food, coffee and letting rooms – where possible – and generating returns of between 30% and 100% for lessees. We are confident that the positive trends in 2012 and 2013 will continue in 2014, if not improve."

Star plans to upgrade its estate over the next five years and will continue to invest in lessee training, helping to improve retail standards in pubs, Jowsey says. "We're not short of ideas or willing lessees also wanting to invest."

James Watt, founder of the Aberdeenshire-based BrewDog brewery, warns that whatever improvements there might be in the economy, bars that do not innovate and invest in improvement will continue to struggle and face closure.

"Attitudes to alcohol are changing, and pub groups need to invest in their staff, create bars that are inviting and vibrant, and serve something more than monolithic insipid lagers, and warm vodka and cola."

Watt points out that the growth of the craft-beer industry and independent drinks companies in the past few years shows that, despite the downturn, drinkers are looking for quality over quantity.

BrewDog plans to invest money raised through its own crowdfunding scheme, Equity for Punks, into continuing to build its estate of bars both internationally and in the UK.

"We will also be expanding our brewery and creating a series of UK bottle shops."

Watt says BrewDog looks likely to record turnover figures of £20m for 2013 and adds that he is "hugely optimistic" about the year ahead.

£50,000

the investments planned for this year at the Bull

£20m

the estimated turnover figure for BrewDog during 2013



James Watt: "drinkers want quality"