



**As craft beer bars sprang up around Britain at the end of the last decade, London was surprisingly slow off the mark – until Martin Hayes resurrected a run-down estate boozier in Pimlico and turned it into a Mecca for fans of exciting brewing. John Porter finds out more**

# The art of selling craft

**W**hile the cask beer versus craft beer debate continues to rage, Martin Hayes views the battlefield with a slight weariness. On one side are the traditionalists, typified by the Campaign for Real Ale's official stance, who insist that cask-conditioned beer is the one true path. In the other camp is the new wave, spearheaded by businesses such as BrewDog, Meantime and Camden Town, inspired by the craft movement in the United States, and whose beers are no less authentic for being supplied in keg.

Both categories are increasing their appeal to consumers in a market that is otherwise in the doldrums. The 2014 edition of the Cask Report found that cask now accounts for just over 16% of on-trade beer sales, or one in six pints, with cask sales up 1.6% on the year to July 2014. CGA figures show that on-trade sales of craft beer grew by 32.7% by volume and 38.5% by value in the year to 6 September 2014, with craft beer having a 2.2% volume share and a 2.8% value share of total on-trade beer sales.

Hayes might be accused of hedging his bets, at least in terms of the way his business is named. His first pub, in the somewhat unfashionable Pimlico area of South West London, opened under the name Cask Pub and Kitchen in 2009. The six subsequent venues, from Clerkenwell, North London in 2011 through the highest profile opening to

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date in Covent Garden in May 2014, trade as Craft Beer Co.

"With hindsight, maybe it should have been The Good Beer Co," Hayes says. "I certainly don't want to be tied to the idea that we only have what is now considered 'craft beer'. We have every type of beer you can imagine. For us it's just about offering good beer.

"When I started, craft beer was a term that just meant small batch beer, made with love and passion by talented people. These days it doesn't even exclusively have to be on a small scale: a good example is Sierra Nevada. They are now pretty big, some would say too big, but it's still great beer and it's still made with love. For me, real ale is the British expression of craft beer."

## From founding

In 2009, Hayes was a newcomer to the industry, looking for an opportunity to test his view that there was a movement under way that was still below the radar of the major brewers and pub operators, especially in the capital. "London has always been a great place for pubs, but five years ago, you could have named maybe 12 amazing beer pubs in Sheffield, and you would have struggled to come up with five in London," he says.

"Yet, you had the farmers' market movement, the supermarkets pushing local sourcing – why would people not carry that mentality through to what they were drinking





Martin Hayes, managing director and Peter Slezal, operations director, of Craft Beer Co.

in the pub? If you pay extra to shop in Waitrose, and you do so to get better quality, why would you accept going into a pub and having the same old products on offer?"

Hayes's coup was to persuade Greene King to let him take a free-of-tie lease on a failed 1960s-built pub on the corner of a Pimlico council estate, to allow him to try to answer those questions. The fact that pub was closed and earmarked for redevelopment – "there was no sense of it having a viable financial future" – helped Hayes negotiate terms which allowed him to offer the range of premium beers from smaller brewers he believed would appeal to customers who, at the time, were poorly served by London's pubs.

He says: "Back in 2009 the economy was in a bad way, and there were two ways to go for a pub. It was either price, or quality and discernment, and as a small operator you can only choose one of those." There was also a new wave of brewers such as Dark Star and Thornbridge, who were creating excitement, but who were largely excluded by the established supply arrangements of the major pub groups.

"For a large pub company, turning a vessel that big needs a lot of people to agree," Hayes says. "As a small business, you can see a market and get there first. I was sure that the market would catch up, but good beer was where I could wage battle and win. Dark Star, for example, was a reasonable-sized brewer five years ago, but just wasn't seen that much in London. We put Hophead and their other beers on, and people loved them. They were instrumental in our growth."

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With Cask Pub and Kitchen putting on strong sales month-by-month, the business began to make waves, helped by winning several industry awards. "Cask did catch the industry's attention," Hayes says. "You don't expect successful pubs to be that ugly, and it isn't in a location where you imagine a busy, vibrant pub to be, let alone one with such a range of beer. The industry headlines were all '35 pubs a week closing', so we had a good story to tell."

By 2011, Greene King was sufficiently persuaded that the free-of-tie model negotiated at Cask Pub and Kitchen could work at other pubs, and terms were agreed on a site in Clerkenwell. It was at this point that the Craft Beer Co brand was developed. "Cask was very successful, but I thought the Craft Beer Co name was better vehicle to roll out the concept with," Hayes says. "Nothing changed, but if I was going to do more than one, then I was going to really try and run with it."

### Second site

The second Craft Beer Co was also the first outside London, opened in Brighton in 2012, on a lease with Enterprise Inns. On his success in persuading pubcos to vary their terms in order to let him offer a beer range unhampered by the tie, Hayes says: "I've been lucky enough to meet some fantastic people at Greene King who believed in what I was trying to do from the beginning. One has to be realistic, and say they wouldn't perhaps been so amenable to those ideas had the original site not been a failed pub. There weren't many other options on the table."

"With Enterprise, I won't say it was easy, but it was easier. It's different because they don't have the brewing side, so for them it's a numbers game." At the Craft Beer Co sites that followed, Greene King is also the landlord in Islington, Enterprise again in Clapham, and a private commercial landlord in Brixton. The deal at Covent Garden was done with Punch Taverns, but the site has subsequently been sold to another commercial landlord.

With Hayes still the majority shareholder in the business, and operations director Peter Slezak also holding a stake, they are determined to stick to their guns on retaining independence on the beer range. ➤





"I've had lost of conversations over the years with pub companies who've asked me to do one of my pubs within certain restraints," Hayes says. "I've also had plenty of people suggest that we do a financial deal with certain beers or even brewers and tie our taps. I don't do any of that. Every time we order a beer, it's our free choice. We ask people to come to us because they trust us on quality alone."

### Food offer

The format has been flexed enough to offer food, through a partnership with a "better burger" specialist, Forty Burgers. "Food isn't an integral part of the business. I'd much rather run pubs that didn't do food if I'm honest," Hayes says. "We spend a vast amount of time and effort sourcing our beers and ensuring quality on the bar, and I wanted the food offer to match that, I don't want to just chuck something in a basket."

A trial of the burger menu proved popular with customers, as well as adding a revenue stream at busy sites such as Covent Garden, "where it looked like there would be a daytime food trade and we had the choice of either ripping out the huge kitchen or making use of it."

The upward sales curve for the business remains healthy. "The World Cup wasn't great for us this summer, because we don't show football, but year-on-year growth is really strong," Hayes says. Like-for-like growth at the original Cask site is about 7%, and stronger at more recently opened sites, with Islington around 16%.

All of which inevitably raises the question of further openings. Hayes insists: "I don't have a road map in my office to 10 or 20 sites. If I stopped growing today would I be happy with my business? I would. I don't have any gun at my head, I haven't taken any money for from anybody to deliver a certain amount of growth. I only want to grow as long as we can maintain our standards."

He also questions whether the strength of the consumer recovery is anywhere near as robust as the ambitions of the capital's commercial property owners. "We're doing very well, but I don't think consumers are spending like mad, so the sort of money that operators are spending on pub premiums is interesting," he says. Given that Craft Beer Co



changes the customer demographic of any site it takes over, "I find it difficult to justify paying a premium for goodwill."

However, potential landlords continue to beat a path to Craft Beer Co's door, and "we're still looking, mainly in London, but also outside. I see scope across the country, particularly in Birmingham and Manchester, and I'm also looking in Oxford and Cambridge. However, there's still plenty of scope in London. What we do works, and we're known here now."

### Craft beer boom

In terms of how long the craft beer boom can be sustained, Hayes believes there are other operators with more to worry about. "You can't get away from the fact that there's a lot of people piling into the market who don't understand it. There are people from the pubcos saying craft beer is the salvation of pubs, but I don't think industrially brewed beer is craft beer just because nobody's ever heard of it."

Equally of concern is "every Tom, Dick and Harry opening a brewery in their shed. Local isn't always better. I have no problem supporting local brewers, but you cannot ask people to go to the pub and pay more for something local if it's going to be less good."

Ultimately, "what we do is highly niche. I feel that we're the top end of the arrow, and other operators doing craft beer is fine, because it pushes their customers towards us."

### Martin Hayes, founder of Craft Beer Co

#### MOST ADMIRED BREWERS:

"The two brewers I've worked with most are Dark Star and Thornbridge. Of the newer boys on the block, I think Siren is really pushing the envelope, while in London, we have one of the finest brewers in the world, Kernel."

**FILM:** "'The Candidate' – a great political movie starring Robert Redford, with a powerful message featuring an underdog winning against the odds."

**BOOK:** "The best book I've read recently was 'No Angel', the secret life of Bernie Ecclestone, written by Tom Bower. It's a fascinating account of his rise to billionaire status from the most humble of beginnings and the many battles along the way."

