

Cox's Yard in Stratford-upon-Avon



Getting back into the management game

What goes around, come around, so they say, and there are business cycles in the pub sector just as there are everywhere else. As befits an operator that will notch up 140 years in the game in 2016, brewer and pub operator Charles Wells understands those cycles all too well.

In 2006, the company made the strategic decision to exit from operating UK managed pubs in order to focus on its leased and tenanted estate. In the years that followed, alongside the bread-and-butter business of letting pubs to individual licensees, Charles Wells formed successful partnerships with a new breed of savvy operators with a foot firmly in the casual dining camp, such as Peach Pubs and Yummy Pub Company.

So the announcement at the start of 2014 that Charles Wells was investing £1.3m to refurbish a run-down hotel in its home town of Bedford to reopen it as a managed business, sparked some interest in the sector – probably not least from some of those multiple operators who would like such sites themselves.

Charles Wells is far from the only regional operator to take a renewed interest in the managed model over the past few years. Brakspear has a growing managed business, Frederic Robinson has converted a handful of higher profile tenancies into managed sites, ▶

With Charles Wells now once again reinvesting in its UK managed division, John Porter talks to director Craig Mayes about the reasons behind the decision and its plans for the future



Craig Mayes, director of Charles Wells managed pub division

Social media

Building and maintaining a social media following is an important part of the strategy for success within the Charles Wells managed pubs division. Mayes says: "As part of the launch process we've become quite social media savvy, starting with d'Parys where we had Facebook friends before we opened the door".

In the run-up to an opening, pictures of the build process and new staff members are posted online, building to an invitation for followers to trial the menu at a soft launch. Once open, new followers who provide feedback online can claim a free glass of wine. Mayes adds: "It's worked amazingly well. We normally have a team member who's a dedicated Facebook champion, and we expect the business to post at least three times a week - but we're not prescriptive about what they say."

d'Parys

Facebook followers gained:
Pre-launch (Oct 2013-Mar 2014): 1,027
Post-launch (Mar 2014-Sept 2015): 2,224

Salisbury Arms

Facebook followers gained:
Pre-launch (Feb 2015-Mar 2015): 200
Post-launch (Mar 2015-Sept 2015): 353

Merlin's Cave

Facebook followers gained:
Pre-launch (Feb 2015-Mar 2015): 697
Post-launch (Mar 2015-Sept 2015): 874

and Hook Norton reopened a large pub with letting rooms under direct management this autumn.

Factors influencing this trend include the finite number of suitable lessees with the funds and business acumen to operate larger sites, the challenge presented to traditional pubs by slicker branded food outlets, and the need for greater support from pub owners for licensees in areas such as the back office, recruitment and training, particularly as the industry tries to deal with a shortage of kitchen skills.

Craig Mayes, director of Charles Wells' managed pub division, points to another influence. "We were working with the Yummys and the Peaches, who are doing a really good job, and making some quite decent money out of some of our pubs," he said. "They'd bait us a little bit, tell us 'you're not really operators, you don't know what it's like'. So we thought why don't we have a go ourselves? Rather than own award-winning pubs, why don't we operate award-winning pubs?"

The question quickly moved from being rhetorical to real, although Mayes

makes the point that a new business plan for the leased and tenanted business is also firmly in place. "It's a dynamic business, everything about it is growing, and we've got some great tenants - but there's also no doubt that some businesses are becoming harder for tenants to run," he says.

That first site, a new pub and restaurant with rooms called d'Parys, opened in spring 2014 as part of a new business division called Apostrophe Pubs, and went on to win several awards. A second Apostrophe site, the Merlin's Cave in Chalfont St Giles, opened in July 2015. Another site, the refurbished Cox's Yard in Stratford-upon-Avon, opened in September and adapts the Apostrophe format into the first of what Mayes calls "our Riverside Collection".

These larger sites need a minimum of 120 covers, but alongside Apostrophe Pubs, a second managed division called Pizza, Pots and Pints opened at the Salisbury Arms in Cambridge in March 2015. This division will specialise in transforming smaller community sites to offer a focus on pizzas and one-pot meals served from a wood-fired oven, with menus designed around sharing as well as a contemporary craft drinks offer.

Starting from scratch

Things are clearly moving fast, particularly since Mayes has had to rebuild Charles Wells' managed operation from the ground up. "We had no infrastructure, all of the managed systems had gone eight years previously," he says. Chris Gerard, owner of the acclaimed Innventure pub restaurant business was bought in as a consultant when d'Parys was at the planning stage. "Chris helped us with our systems, our processes, our back office, and did the design," says Mayes. "We got it off the ground from there."

Gerard was also, Mayes acknowledges, "a bit of insurance". He adds: "If we'd really messed it up then we might have offered him a lease, but we didn't! We made a real success of it, and we are now going quite quickly." Gerard still works on the design of new ventures, but has stepped back from the operational brief.

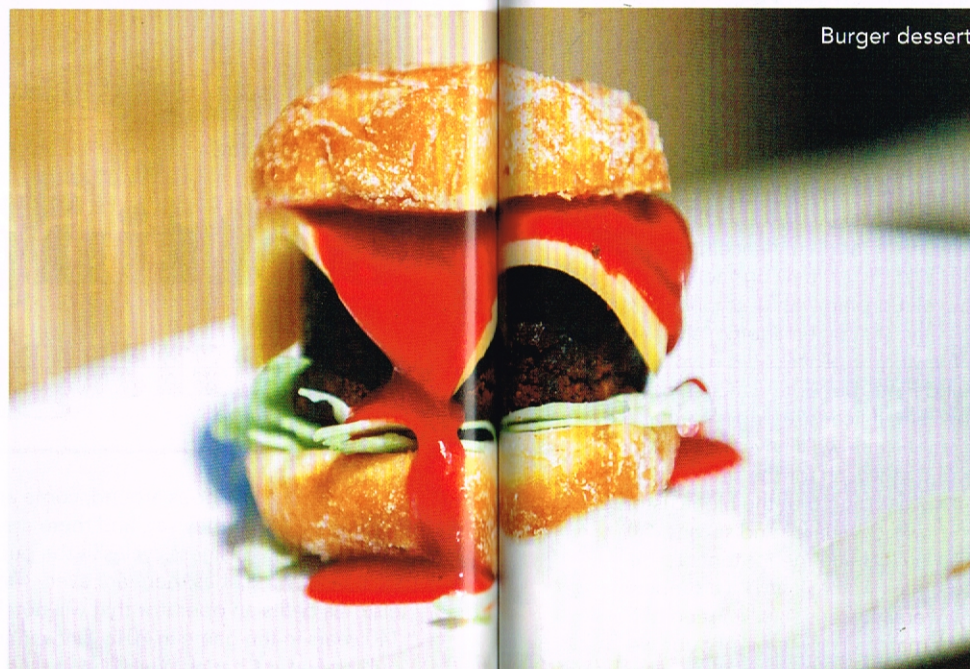
That leaves a very flat structure. Mayes reports directly to recently appointed chief executive Justin Phillimore, and in turn has an operations support manager, Ros Phillips, reporting to him. There is support available in areas like training and PR, some outsourced and some through Charles Wells' head office, but essentially each unit is run by a managing partner, which reports directly to Mayes.

"We'd seen the pros and cons of the different ways managed operators develop," Mayes says. "They start small, are quite entrepreneurial, with different menus at each site, and gradually become more structured. We were quite keen that our businesses maintain that individual and entrepreneurial approach."

"We want the managing partners to run



Pizza oven at the Salisbury Arms



Burger dessert



Merlins Cave restaurant

their pub as if it were their own, we don't want them to come into it thinking there's a big head office, because there isn't! So, we control the supplier base, they can't just go to a local butcher. We know what everything costs. I talk to the managing partner about menus every week, and we have some guidelines for our managing partners in terms of the menu."

So while, the obligatory burger and steak on the menu at each Apostrophe has to be cooked and served in a certain way, there is more flexibility with other menu choices. Chefs are given considerable freedom to decide how the dishes will be cooked and what accompaniments are served. "The menu guidelines are such that you'll find a pork belly at every pub, but they won't all be the same," says Mayes. "On the specials you'll have a fish, meat and vegetarian dish, and it has to be either Asian, Mediterranean or British, but within that they can play."

This approach has helped with chef recruitment, says Mayes. He adds: "It's tough; we have exactly the same challenges the rest of the industry does. I think there are a lot of frustrated chefs out there who are being told what, when and how to cook. We're trying to engage our guys' cookery skills, so for example we don't buy cut fillet steak, we buy a strip and they have to trim, cut and prepare it. Our commis chefs are learning about the different cuts of meat and fish. We're having some success, but it's slow."

The targets are very clear. Apostrophe pubs need to turn over £20,000-plus a week, or £1m a year. "Our first one, d'Parys, hasn't really dropped below £30,000, so £1.5m to £1.6m a year," says Mayes. "Merlin's Cave is about £24,000 net a week and Cox's Yard will start to be over £20,000. We have high expectations, because we invest quite heavily."

He adds: "Cox's Yard is a different entity, its 1,000 square metres in total trading area and is a game changer for us in terms of where Charles Wells is going." The Riverside format could turn over £70,000 to £80,000 in the summer, and "we've agreed heads of terms on a second riverside location in Bedford," said Mayes.

The ratio of staff costs to turnover is about 33% in the Apostrophe/Riverside format, and falls to about 21% in the Pizza, Pots and Pints format, which has less skilled kitchen teams. Mayes says: "Pizza, Pots and Pints is about crispy, home-made, artisan pizza, and terracotta pots of dishes such as macaroni cheese, coq au vin and chorizo cheese melt, all baked in our wood fired oven. The pints are our beer range."

"The first one in Cambridge was a bit of a trial. We'd done something previously with the site that was a disaster, we needed to turn it around and this has been a phenomenal success. They're smaller sites, but it hasn't dipped under £10,000 a week and it makes money for us at that level, since it's got a different wage structure."

Retail reach

Although only one Pizza, Pots and Pints is trading when we speak, Mayes is already talking in the plural, and believes the format could stretch into the casual dining space. He adds: "It's making money and it's a good brand, so we could probably go faster with it. It's not just something we're thinking about for pubs, we've been looking at retail units."

The range of formats will also help with staff development. Mayes believes the step up from deputy manager to managing partner is a big one in a business as large and busy as an Apostrophe site, with Pizza, Pots and Pints providing a stepping stone for someone ready to take on their first manager role.

Gross profits in the high 60s to 70% are being achieved on food and drink across the managed business, with food accounting for about 60% of sales in Apostrophe formats and 40% in Pizza, Pots and Pints. The wet sales split is

Craig Mayes, director managed pubs Charles Wells



Having started his career at Marriott Hotels and also worked at Scottish & Newcastle Retail, Craig Mayes joined Charles Wells in 2007. He was a finalist in the Association of Licensed Multiple Retailers' Operations Managers Awards in 2008, and has held roles including a stint as director of operations for Charles Wells' French operation John Bull Pub Company.

■ **Favourite Book:** I enjoy reading biographies, particularly of successful people to gain inspiration. I think my favourite is Steve Jobs

■ **Favourite Film:** Gladiator

■ **Favourite Hotel:** Hospes Maricel, Majorca - my wife and I always go away for our anniversary. We said we'd always go somewhere different, but we went there and just keep going back



d'Parys bar area

roughly even between wine, soft drinks, and importantly for a brewer, beer.

"Wine is important, and we challenge our brewers because the craft beer market is changing, and we need something more innovative, more creative," says Mayes. New beer brands such as Young's London Stout, Charlie Wells Dry Hopped Lager and collaboration IPA Dogfish Head have helped meet higher consumer expectations of beer, "and with all of our dishes there's a beer and a wine match", adds Mayes.

Events tailored to each site also help to drive customer traffic. "In the more rural sites we need a more frequent calendar of events," says Mayes. "We've done a cider matching night, and a create your own whisky blend evening. In Cambridge, a two-for-one pizza night on Monday is big for us."

Expansion plans should see the managed estate grow to about 25 sites in the next five years. More immediately, one more Apostrophe site and a second Pizza, Pots and Pints are expected to be trading early in 2016, with a further Apostrophe site to follow in March 2016, and the third Pizza, Pots and Pints in April. The second Riverside site, in Bedford, is due to open in the company's next financial year, which starts in September 2016.

Despite this schedule on the managed side, there should be no shortage of opportunities for tenants and lessees either, believes Mayes. He says: "d'Parys, Merlin's Cave and the Salisbury Arms were existing sites where the licensees had indicated they wanted to leave, and none of them through business difficulty. Cox's Yard was an acquisition and the new Bedford site is an acquisition. The core driver is how do we grow the Charles Wells pub business? By running these sites ourselves we can do that.

"We're trying to get the balance right. At its heart Charles Wells is a family business that is all about the relationship with everyone we work with"

"We're trying to get the balance right. At its heart Charles Wells is a family business that is all about the relationship with everyone we work with. Yummy have just taken another site with us in Stoke Newington. That could have been a Pizza, Pots and Pints, but our relationship with them is important. If licensees indicate that they want to leave their site we'll have a discussion about the right approach for the site."

While acknowledging that the high customer expectations for food quality and service standards can be a challenge for tenants, he adds: "I don't think we have as big a problem as the industry overall because we've been quite specific about matching the type of pubs we have to the type of operator we need. Some pub companies might rush it a bit, at Charles Wells we can take long term decisions." ■



d'Parys burger