

“Bohemian Rhapsody was a song from my student days and when I first got involved with CAMRA” **Springhead Brewery owner Helen Teasdale, page 55**

Light touch for Enterprise

Nick Light steps up as managing director of operations for the eastern division of Enterprise Inns at the end of March, replacing Colin Pedrick. He tells **Ewan Turney** his views on the thorny topics of beer ties, rents and transparency

What does your new role involve?

I think there are three facets:

- Becoming more involved in the strategic aspect of our business. Making sure what we offer in the market place is highly competitive and attracts and retains the best retailers. We are evolving our business agreements and our support packages and should announce some exciting news in the next few weeks.

- Critically, to provide effective leadership to a team of seven divisional directors, who each have typically eight or nine regional managers reporting to them, and to make sure that they are inspiring them to do the job in the right manner and to the best of their ability.

- Making sure we transact our day-to-day business in a manner that is commercially sound, mutually beneficial and morally correct.

What's your big idea for improvement?

Other than progressing some of the planned enhancements to our business agreements, I think we need to ensure that we share our business ideas with our retailers at an early stage of their development and elicit honest and direct feedback from respected and credible retailers on what we do well and what we need to do better.

We've been holding Retailer Forums in the past few months, which have been incredibly valuable in providing feedback on some of our ideas for evolution and support packages, some of which we will now adapt as a result. It becomes a valuable testing ground for us in a constructive and frank environment.

Did you agree with the Business & Enterprise Committee report into the conduct of pubcos?

I have to say that there are some aspects of the report that I did not recognise from the industry I am in and from the people I know, although we obviously have to take the findings very seriously and adapt our

business where needed.

I think that one legitimate criticism is that there has been inconsistency in disclosure of information and transparency. It's critical that retailers make truly informed decisions about the business they are in or are thinking of entering.

Is the industry capable of voluntary improvement?

The industry is absolutely capable of making changes itself and the BBPA

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Light: will be taking over from Colin Pedrick at the end of next month

industry code is a huge step in that direction. The clarity of the responsibilities of both parties is what I am particularly keen on.

A fantastic development is the Pubs Independent Rent Review Scheme (PIRRS). For every applicant to be fully informed about those options in writing at the outset of their agreement is a huge step in the right direction. It will take away some of the emotive nature of a rent review by providing a low-cost binding rent assessment. I'm keen to see it used.

How do you identify licensees that need support from Enterprise Inns?

We try and identify the deserving causes – the people who are doing their best to run their business in difficult circumstances, but where a combination of factors may be temporarily preventing it from being viable. Once we've analysed the

available financial information, we'll try and help by making adjustments to their terms where appropriate. In return, though, we'll often seek a commitment to either improve certain aspects of the retail proposition or increase their financial controls. We have introduced some conditional training courses and have a network of qualified trade accountants. We will also conduct retail standards audits so we can provide our retailers with a consumer's view of their business.

Enterprise will be announcing some new agreements soon, is it just reacting to the political pressure on the industry?

I think they would have happened anyway because we are always keen to evolve our model to attract and retain the best retailers. We introduced some flexible new agreements some 18 months ago, which have proved very popular and our imminent changes are a natural progression of that. In addition, we are advancing the levels of disclosure and transparency so that anyone who applies for a pub understands entirely how we have assessed its potential profitability.

Clearly, it is still up to applicants to make their own business decisions and to take professional advice. We are so keen to ensure that they do that we actually pay £250 towards the fees of their chosen professional advisor for every successful applicant.

Does Enterprise believe in a 50:50 split of profits as a rent?

No – it's not formulaic. That myth has grown within the industry and it shouldn't have.

Every pub is different and rental bids should be a reflection of profitability, desirability of business, the sustainability of future business and prevailing market conditions.

It should be based on what the open market would pay for the profit opportunity of that business

– and the market doesn't routinely pay 50:50.

Do BDMs have a rent target?

No. They do an assessment of a pub's fair maintainable profitability and submit that to their line manager for approval. Some rents go up at rent review and some come down. What I look for as a divisional director is a consistency of approach and that they have been well researched. We are standardising the format in which licensees see the calculation.

Are RPI rents fair?

I think so. They have been in our industry for many, many years and it is rare that the existence of indexation is an objection that is raised from those looking to enter our business. And those retailers in our business who have index-linked agreements have, of course, seen their rents drop in recent months.

How do you deal with so-called "problem" tenants?

There are tenants who are less inclined to work with us and, although a relatively low figure, they do take up a disproportionate amount of management time and also tend to be more vocal in their criticisms of us. That's a challenging part of the job, no question.

Where possible, I like to see us restore a co-operative relationship, so they fall into our deserving category who we can support, but clearly that's not always achievable.

If that's the case and if their contractual obligations to us can't be met, we should be trying to manage their exit from the business in as dignified and painless way as possible.

Do BDMs have a churn rate target?

Not at all. It is out of the question. It would be a folly. Economically it makes no sense at all. A pub that fails is very, very costly for all parties.

I never under-estimate the impact it has on an individual licensee, but for a landlord company it is also very costly.

Business failure and closure of a



Aiming for consistency: an Enterprise Inns BDM in action

“We would not wish to see good retailers go out of business – it makes no commercial sense

pub is the last resort. We have no ambition other than to maintain and support retailers who are performing as well as can be reasonably expected in their businesses. For those who aren't performing, our motivation should be to get them there.

Why are some pubs then re-let on a smaller rent after the previous tenant has left?

It's a fair question. Look, we would not wish to see good retailers go out of business – it makes no commercial sense. If their terms are fundamentally wrong then their regional manager has the power to do something about that.

The problem is when a pub is closed, it can become stigmatised, customers find somewhere else to go to.

Our rents reflect what the market is willing to pay for that particular business at that particular time, and inevitably if you are taking on a closed pub with no customers you would expect a lower initial rent.

In those circumstances, a lot of our rents are stepped, but also the rents may be different because the nature of the lease may be different.

It's a difficult comparison to make without knowing the component parts of each lease.

How do you defend the beer tie?

It provides a direct incentive for the landlord company to improve that business. We have invested millions over the years to improve our businesses.

We have a direct incentive in doing this and I think that shared motivation to get the best out of that business is why, despite the recession, the vast majority of our estate is still performing well.

18
months since flexible new agreements were introduced

£250

Enterprise's contribution to the cost of professional advice for all successful applicants



Why are AWP machines tied?

A large proportion of our estate is actually not tied on machines. That said, I believe that professional management of machines, with scrutiny of machine performance, regular machine changes and embracing the most recent innovation and technology can only enhance the likely performance of those machines and tied arrangements can help achieve that.

Retailers have enough on their plate without being expected to be experts on such things.

What makes a good tenant?

There are a huge amount of pubs out there and getting people off their sofas and into them is not easy in the current climate. A good tenant is someone who achieves that by identifying and creating that point of difference, someone who embraces the community they operate within, someone who has a high regard for retail standards and for their customers. And someone who, hopefully, is also keen to work with their landlord in pursuit of those ambitions.



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