

The Pub (29.1.)

Task/Questions:

- 1) Identify the industry in which the Pub operates and conduct a macro environmental analysis for The Pub. What are the structural drivers of change affecting the industry?
- 2) Conduct a Five Forces analysis of the industry in which The Pub operates. Is this an attractive industry?
- 3) Conduct a value chain analysis of The Pub. Identify the value and non-value adding activities of The Pub in its current location.
- 4) Conduct a SWOT analysis for The Pub in its current location. Is The Pub well positioned to take advantage of the opportunities available and minimize the threats it faces? How would this change when it moved to its new location?
- 5) What should Scooter and the board of directors do to ensure the future sustainability of The Pub?

1) Identify the industry in which the Pub operates and conduct a macro environmental analysis for The Pub. What are the structural drivers of change affecting the industry?

Political

- **Government.** Provincial law/ politics. Change: advertising of prices is now allowed but forbidden by the university.
- **University.** Interested in reducing drinking (alc)

Economical

- **Minimum wages increasing,** leading to higher expenses for the Pub
- **Financial crises,** disposable income of students low/ decreasing.
- **Industry (drinking & food) increasing**

Sociocultural

- **Low brand loyalty**
- **Socialising increasing vs. drinking (advertising against drinking)**
- **Students want more food, less drinking**
- **Increase of enrolment Undergrads**

- 1) **Identify the industry in which the Pub operates and conduct a macro environmental analysis for The Pub. What are the structural drivers of change affecting the industry?**

Technological

- **Growing internet penetration/ usage**
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Environmental

- **Opportunity to use more environmental appliances**
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Legal

- **Legal drinking age 19 years**

2) Conduct a Five Forces analysis of the industry in which The Pub operates. Is this an attractive industry?

Suppliers (low)

- Food / drinks:
- Labour: low skilled worker, students,
- University: location, financing

Buyers (medium/ high)

- Students. Medium to high bargaining power
- Teachers, staff, visiting people have different preferences but less bargaining power

Substitutes (high)

- (dance) clubs, sport, reading .. club, gaming

2) Conduct a Five Forces analysis of the industry in which The Pub operates. Is this an attractive industry?

New Entrants (low)

- Barriers for entrants are low, alc license, no big capital investment needed.
- Not very attractive industry, decreasing drinking, low profitability

Rivalry (high)

- Some bars are closing, dying industry, other pubs will run activities to attract students and other people

Summary: hard to survive, low profits and increasing competition, declining industry.

3) Conduct a value chain analysis of The Pub. Identify the value and non-value adding activities of The Pub in its current location.

Support Activities:

General Management

- Experienced Scooter, good/ strong relation with university, informal/ not structured management style, long holiday break in summer is limiting the development of the Pub.
- Board of directors. Takes most decisions, monitoring situation, hands-off, slow in decision taking

HR

- Hiring students from university, trying to reduce turnover rate, people like to work at the Pub, informal communication style, friendly, informal, fun place to work (= workforce is motivated), no formal job descriptions, high salary expenses for Scooter.

Technological

- Website (low technology)

Procurement

- - Buying from local liquor shop
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3) Conduct a value chain analysis of The Pub. Identify the value and non-value adding activities of The Pub in its current location.

Primary Activities:

Inbound/Outbound Logistics. N/a

Operations

- **One cash register only, slow service and consumer complaints.**
- **No credit card accepted**
- **Dance/ DJ. DJ booth, dance floor at current location**
- **No kitchen (= no food)**

Marketing & Sales

- **Membership cards to increase loyalty, email updates**
- **No discounts at night**
- **Clear target group with access (students)**
- **Cross marketing activities**
- **Lowest prices in town but are not allowed to advertise**

Service

- **No ATM available?**

Exhibit 3 Financial Statements

Year ending	1993	1995	1994	1996	1998	1997	1999	2000	2001	2002	2003	2004	2005	2006	2007 Expected	2008	
Revenue																	
Bar & Food—revenue	124,726	129,426	156,513	152,793	169,263	214,934	224,562	273,912	320,631	343,179	304,291	295,025	273,779	242,126	194,714	181,026	222,429
Bar & Food—cost of sales	73,650	73,679	89,532	109,877	103,731	113,082	117,033	121,275	122,732	123,070	123,737	144,132	129,148	128,332	98,472	92,327	112,327
Gross Profit	52,076	44,756	69,000	44,498	65,632	99,999	107,549	142,637	198,739	174,139	180,554	143,873	144,632	130,693	98,242	73,299	110,099
Membership fees	13,331	15,454	15,532	15,337	13,241	15,991	17,719	19,329	21,024	21,485	23,919	13,400	20,708	18,194	22,199	17,957	31,494
Insurance Claims	746	1,992	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous, Cover charges	3,520	14,952	19,424	19,873	12,441	24,247	24,373	21,335	22,730	32,090	33,039	21,090	22,325	13,522	18,199	14,843	21,327
Subtotal revenue	86,674	82,927	121,059	113,932	104,314	127,474	149,742	193,202	212,450	227,687	201,192	191,293	189,453	149,319	126,630	126,421	186,203
Expenses																	
Advertising & promotion	1,529	1,092	2,404	1,543	730	1,089	1,934	2,181	1,579	474	1,027	948	0	0	0	0	0
Dash/cafeteria	1,017	514	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cleaning	4,930	5,929	6,005	6,798	4,619	8,559	8,209	7,949	9,444	13,714	9,072	9,914	6,801	8,390	8,930	8,493	8,377
Coun settlement	0	992	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deprec—fixed assets	3,914	4,484	5,299	5,539	8,890	8,082	9,911	11,844	10,991	15,599	21,949	24,034	29,918	19,797	15,990	9,299	6,394
Deprec. leasehold improv.	7,045	8,045	9,345	5,701	3,030	3,030	3,182	0	0	0	0	0	0	0	0	0	0
Entertainment	8,299	7,759	9,590	5,815	7,479	7,699	4,217	3,917	8,590	9,299	9,044	8,992	5,849	7,429	4,993	2,729	1,399
Gas/electric	254	2,125	3,299	1,401	930	979	2,579	1,351	4,193	3,991	1,999	1,931	1,241	3,229	343	1,109	719
Insurance					472	600	600	600	600	600	600	990	6,275	17,199	13,124	9,214	7,210
Interest & bank charges	2,019	1,991	1,019	1,791	3,039	3,959	3,979	3,999	2,979	1,400	932	964	819	957	974	950	959
License fees	0	0	0	0	0	250	250	250	250	250	250	250	250	250	300	250	300
Miscellaneous	3,415	3,999	1,990	1,999	2,219	354	0	0	0	0	0	0	0	990	119	0	0
Office	2,797	2,025	2,555	2,824	3,039	3,044	4,921	4,493	8,025	4,519	8,039	8,100	7,299	8,052	7,793	6,149	6,214
Professional fees	1,579	1,990	1,250	1,250	3,095	2,921	3,999	3,141	3,992	3,419	3,991	3,910	3,210	5,929	4,500	4,990	4,845
Promotional	0	0	0	0	0	0	7,071	8,499	5,919	9,992	3,490	3,999	3,029	209	941	475	3,993
Rent	13,900	14,500	15,225	16,000	18,000	18,900	17,500	17,500	19,500	20,000	25,000	25,000	22,000	22,900	22,900	19,900	21,900
Repairs & maintenance	2,199	2,219	2,999	9,999	919	7,954	11,999	7,917	7,990	5,964	7,399	8,270	7,493	9,999	8,299	2,959	1,997
Salaries, wages, benefits	55,794	55,520	31,520	40,829	43,981	55,981	58,000	91,009	101,739	108,131	103,045	97,292	89,979	90,497	73,315	59,704	80,115
Security	0	0	0	1,474	144	997	3,084	4,199	3,274	4,994	4,099	4,379	3,993	2,927	1,979	999	1,344
Security stickers	1,700	2,123	2,125	2,299	2,021	1,000	595	0	0	0	0	0	0	0	0	0	0
Travel	0	0	0	0	0	1,997	1,200	1,491	1,002	1,413	1,291	2,019	2,549	2,039	1,799	993	1,302
Utilities	0	0	0	0	0	0	954	1,130	290	139	199	19	0	0	0	0	0
Subtotal expenses	98,119	93,552	81,525	103,229	99,032	123,232	141,289	192,237	192,170	199,292	124,999	127,281	127,475	121,144	101,220	120,159	131,844
Net Earnings	-11,445	-12,973	3,931	10,249	7,992	14,319	8,964	29,295	25,390	28,395	8,197	-1,988	979	-19,825	-14,299	-14,299	14,299

4) Conduct a SWOT analysis for The Pub in its current location. Is The Pub well positioned to take advantage of the opportunities available and minimize the threats it faces? How would this change when it moved to its new location?

Strength

- location, stable customer base, (emotional) direct connection with
- experienced manager
- Diverse staff from different student groups
- Low prices in the city
- Informal, friendly (working) culture
- Clear management structure/ clear job descriptions / know what to do

4) Conduct a SWOT analysis for The Pub in its current location. Is The Pub well positioned to take advantage of the opportunities available and minimize the threats it faces? How would this change when it moved to its new location?

Strength

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Weaknesses

- Financial difficulties
- Retention of employees (changing fast)
- Low capacity
- Physical conditions of the Pub (run down)
- Lack of management in summer months
- Not working with other target groups (conference guests, teachers,)
- Not (slowly) adopting to changing market conditions e.g. food/ ...
- Missing (?) market analysis

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Strength Weaknesses

Opportunities

- **Increased spending on food and entertainment**
- **Enrolment of students increasing**
- **Conference guests looking for a place to socialize**
- **Increasing customer base because other bars are closing**

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Strength Weaknesses Opportunities

Threats

- Less spending on alcohol (financial threat)
- Minimum wages regulation (further increase?)
- University authorities coming up with new regulations (advertising of prices)
- Prohibited advertisement of price
- Change of location necessary (can have advantages/ disadvantages)
- large number (increasing?) of substitutes (coffee shops, theatre...sport..)

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5) What should Scooter and the board of directors do to ensure the future sustainability of The Pub?

- Moving to another location (....)
- Partnerships with student café and other organizations
- Special meal for students
- Discount programs for students, “bring a friend”

See photo