

# 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

### 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	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Expected 2008	
Revenue																	
Bar & Food—revenue	124,729	129,429	186,813	182,793	188,293	214,934	224,962	273,912	320,821	348,179	304,291	285,026	279,779	242,126	194,714	181,029	202,429
Bar & Food—cost of sales	73,690	73,679	89,593	109,877	105,731	118,089	117,089	121,275	155,795	175,070	193,737	144,182	129,148	109,802	98,472	89,807	119,397
Gross Profit	62,079	44,759	89,200	84,498	80,632	94,999	107,944	142,937	164,736	174,139	180,554	140,879	144,832	130,599	98,242	79,289	113,359
Membership fees	13,331	15,484	15,592	15,357	13,241	15,981	17,719	19,389	21,024	21,485	23,919	13,400	20,708	18,184	20,199	17,957	31,494
Insurance Claim	746	1,992	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous, Cover charges	9,580	14,992	19,424	19,879	12,441	29,247	29,879	21,935	29,790	32,090	30,090	31,090	29,925	19,990	18,199	14,949	21,357
Subtotal revenue	86,874	82,827	121,098	119,932	108,304	137,474	149,740	180,260	212,490	227,697	201,182	191,293	189,493	149,379	139,499	135,497	189,493
Expense																	
Advertising & promotion	1,529	1,092	2,494	1,543	730	1,099	1,934	2,191	1,579	474	1,097	949	0	0	0	0	0
Dash/cash/retail	1,017	914	0	0	0	0	0	0	0	0	0	0	0	8,399	0	0	0
Cleaning	4,930	5,939	9,935	9,799	4,939	9,939	9,299	7,999	9,444	13,714	9,075	9,914	9,901	9,990	9,930	9,493	9,977
Court settlement	0	992	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deprec.—fixed assets	9,914	4,494	9,999	9,939	9,990	9,099	9,911	11,944	19,991	19,999	21,949	24,934	29,919	19,797	19,990	9,999	9,994
Deprec, leasedhold improv.	7,049	9,049	9,349	9,701	9,000	9,000	9,192	0	0	0	0	0	0	0	0	0	0
Entertainment	9,999	7,799	9,990	9,815	7,479	7,999	9,917	9,917	9,990	9,999	9,044	9,992	9,949	7,499	4,990	9,799	1,999
Glassware	294	2,125	9,999	1,401	930	979	2,579	1,951	4,193	9,991	1,999	1,931	1,941	9,929	949	1,109	719
Insurance					472	900	900	900	900	900	900	990	9,279	17,199	13,194	9,914	7,210
Interest & bank charges	2,019	1,991	1,019	1,791	9,039	9,999	9,970	9,999	2,979	1,400	932	994	919	957	974	999	999
License fees	0	0	0	0	0	290	290	290	290	290	290	290	290	290	900	290	900
Miscellaneous	9,919	9,999	1,990	1,999	9,939	994	0	0	0	0	0	0	0	990	119	0	0
Office	2,797	2,095	2,555	2,824	9,939	9,044	4,991	4,495	9,995	4,919	9,939	9,190	7,999	9,992	7,799	9,149	9,214
Professional fees	1,979	1,990	1,290	1,290	9,099	2,991	9,999	9,141	9,992	9,419	9,991	9,910	9,910	9,929	4,990	4,990	4,949
Promotional	0	0	0	0	0	0	7,071	9,499	9,919	9,992	9,490	9,999	9,929	909	941	475	9,999
Rent	13,990	14,990	19,929	19,000	19,000	19,990	17,990	17,990	19,990	29,000	29,000	29,000	22,000	22,900	22,900	19,900	21,900
Repairs & maintenance	2,199	2,299	2,999	9,999	979	7,994	11,999	7,917	7,990	9,994	7,999	9,270	7,493	9,999	9,999	2,999	1,997
Salaries, wages, benefits	95,794	95,920	31,929	40,929	43,991	95,991	99,000	91,009	101,739	108,131	101,049	97,292	99,979	90,497	73,915	99,704	99,115
Security	0	0	0	1,474	144	997	9,094	4,199	9,974	4,994	4,099	4,979	9,999	2,997	1,979	999	1,944
Security stickers	1,700	2,129	2,129	2,999	2,091	1,000	999	0	0	0	0	0	0	0	0	0	0
Travel	0	0	0	0	0	1,997	1,290	1,491	1,092	1,419	1,291	2,019	2,949	2,939	1,799	949	1,302
Utilities	0	0	0	0	0	0	0	954	1,190	990	199	199	19	0	0	0	0
Subtotal expenses	98,119	93,992	91,929	109,929	99,932	129,932	141,089	199,937	199,170	199,999	194,999	197,991	197,475	191,144	191,929	129,199	191,944
Net Earnings	-1,449	-12,979	9,991	10,949	7,992	14,949	9,994	9,999	29,390	29,399	9,197	-4,999	979	-19,999	-19,999	-14,999	14,999



#### **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

- ....

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**

#### **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 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