



Special Report on the Pub Food Market of Little Chadwick

(Information in this report is valid only for the current game)

Size of the Market

Depending on the pubs' prices and the quality of their offerings, the size of the food market in a typical quarter is likely to be between £100,000 and £200,000.

As there are 8 pubs in the village, an average pub's food sales are therefore likely to be in the range £10,000 to £20,000.

Pubs performing very strongly in the drinks market would expect to see quarterly sales of £30,000 to £40,000.

Market Segments

The market can be split crudely between those looking for basic 'pub grub' (find a table number and place your order at the bar) and those looking for a 'gastro pub' dining experience (table service, bill arrives on a little plate for you to leave a tip). These segments are further split into lunchtime and evening dining.

The relative size of these segments (in terms of the number of potential customers in each) would be:

	PUB GRUB	GASTRO	TOTAL
LUNCH	40%	30%	70%
EVENING	15%	15%	30%
TOTAL	55%	45%	100%

Pub Grub (Lunchtimes and Evenings)

Easily the most important factor for these customers is pricing. The size of the menu and the food quality are also fairly significant.

Gastro Pubs at Lunchtime

Food quality is the most important factor, followed by the quality of the decor, the margins (lower the better), the customer service level (based on pay rates as well as numbers) and the presence of a proper dining area.

Note that the margin is the difference between the cost price and the selling price. So, a pub with low margins and a high cost of ingredients may actually be more expensive than a pub with higher margins and lower quality ingredients.

From the customers' point of view the winning combination is high quality food and a low margin. Unfortunately, such a strategy will need a very large number of customers, since only a small profit will be made on each meal served.

Gastro Pubs in the Evening

Quality is even more important for this segment – in terms of the food, the decor and the service levels. Less price sensitive than at lunchtime. All entertainment is unhelpful in attracting this group – especially loud music, discos, karaoke and adult entertainment. Pool tables and fruit machines will also detract from the dining experience. Advertising tends to be important for this sector.

You do not make a choice as to whether your business is a 'pub grub' kind of place or a gastro pub – the market will decide based on what you are offering compared to your rivals. Even if you target the gastro market you may find you attract some of the 'pub grub' segment, though they'll probably spend less per head.

Pricing

The price of your meals depends on three factors:

- The quality of your food and thus its cost price
- The margin on your food (that's the gap you're putting between the cost price and the selling price)
- The food promotions you're offering ('kids eat for free' etc)

The average price per meal that you pub achieves will also depend on the menu choices made by your customers.

These figures give you a rough guide as to what to expect. They are typical spends per head including VAT:

Pub Grub	Margin %	Food Quality				
		1	2	3	4	5
	60%	3.75	4.40	5.00	5.65	6.50
	65%	4.30	5.00	5.75	6.50	7.25
	70%	5.00	5.75	6.75	7.50	8.25
	75%	6.00	7.00	8.00	9.00	10.00

Gastro (average of lunch and evening)

60%	9.75	11.50	13.25	14.75	16.50
65%	13.50	15.75	18.00	20.25	22.50
70%	15.75	18.50	21.00	23.75	26.25
75%	19.00	22.00	25.25	28.50	31.50

The Functions Market

Meals associated with functions could bring in revenue of between £6,000 and £10,000 per quarter (in the whole village). This revenue can only be shared by pubs that have built a function room, so those who have built a function room should achieve a share in excess of one eighth of the market. An average function involves about 20 meals (some are much smaller, some are much larger).

Meals sold to overnight guests

About 80% of your overnight guests will eat in your pub. In the summer, the large number of tourists means you can expect to have about 1.8 people in each room you sell. In the winter, when few tourists visit the village, the average number of people per room is about 1.25.

Managing space for your diners

You have a limited amount of space available to your diners. It can be increased by adding a dining room or a garden (though the garden is useless in the winter and of limited use in spring and autumn). It will be decreased by adding a pool table, TV, dartboard, fruit machines and by almost all entertainment. Space only becomes an issue for your pub if you create a high level of demand through what you are offering the market.

Managing service levels for your diners

This will depend on your staffing levels at peak times and on your average pay rates (you can attract more experienced personnel if you offer a bit more). Again, your service level will only become an issue if you create a high level of demand for service.

Extra Costs associated with Dining

Your wage cost will increase if you have more customers, since you will need to get more bodies on the ground. You will also see small increases in your energy cost, your cleaning cost, replacements of crockery and repairs. Providing food in the evening is bound to increase these costs, even if sales are low.

If you have high quality food, you will have to employ a decent chef in the kitchen. 'Good' food will cost an extra £4,000 per quarter, 'excellent' food will cost an extra £7,000 per quarter. A higher quality offering will mean providing an improved level of customer service and that will also increase the wage cost (you will have fewer customers per staff member). You will also be using tablecloths and that will increase your laundry cost.

Creating a dining room is an example of 'capital expenditure,' so the cost won't all hit the profit in one go. Instead, your depreciation charge will increase by £1,000 per year (or £250 per quarter).

Location, Location, Location

Particularly for the food market, the decisions of all seven rival pubs will affect your own pub's performance. The similarity of a rival's offering will be more important than the geography of the village, but the closer pubs will still have a marginally greater impact on your performance than those further away. This table shows the closest rivals of each pub.

	<u>Nearest Competitors</u>
Black Horse	Bluecoat Arms, White Hart, Green Man
White Hart	Green Man, Orange Tree, Black Horse
Red Lion	Silver Bullet, Bluecoat Arms, White Hart
Green Man	White Hart, Orange Tree, Golden Eagle
Bluecoat Arms	Black Horse, White Hart, Silver Bullet
Orange Tree	Green Man, White Hart, Golden Eagle
Golden Eagle	Green Man, White Hart, Orange Tree
Silver Bullet	White Hart, Green Man, Orange Tree

Note – pubs with the more advantageous locations pay higher business rates.