

### Unicorn Inns

When Chris Hutt set up Unicorn Inns he did not think he would sell it ten years later in 1996 to Moorland for over £13 million. But it was not until 1991 that he analysed and started to understand the successful *Newt & Cucumber* formula.



Newt & Cucumber is a prime-sited town or city-centre free house close to offices, shopping centres and focal points of entertainment, feeding off continuous pedestrian flow. It has a 'traditional but trendy' atmosphere and serves regional real ales alongside national lagers and premium bottled beers. It is open all day and offers food. It is designed to appeal to a wide and varying target market according to the time of day and time of week. It has a large floor space which allows it to have different areas with an informal, basic and unpretentious décor. These areas combine hard-floored, stand-up drinking areas and soft-carpeted, sit-down eating sections. There are large open vista but there are also intimate corners. It is meant to display 'traditional' pub values – the primacy of beer over any elaborate and frivolous decoration. In this way it is meant to appeal to a wide range of drinkers. It feeds off heavy pedestrian flows. It offers:

- A wide range of premium liquor brands;
- Tasty, filling, value-for-money lunch-time meals, served fast;
- Competitive pricing;
- A warm, traditional and lively atmosphere;
- Efficient, friendly service by motivated staff;
- A safe, secure environment with no games of pool or juke boxes.

It is a formula very similar to the Weatherspoon chain of pubs. An extract from the firm's original business plan, showing their target markets and marketing mix is shown on the next page.

Chris believed that rigorous, centrally applied financial controls were the key to profitable operation at Unicorn Inns. He appointed Geoff Jones, aged 30, as Finance Director in 1993 on a part-time basis to provide the Board with in-house financial management skills. As part of Chris's emphasis on control, the company ensures:

- Daily checks on cash takings and bankings, carried out by telephone and direct computer input to the company's bank account.
- Weekly sales and profit performance measured within 16 hours of each week ending. Results are reviewed immediately by management and priorities for action identified.
- Weekly stocktaking to ensure there were no stock losses and gross margin targets were attained.
- Labour costs, as a percentage of sales, monitored through monthly management accounts, mailed to all affected parties no later than 10 working days after each period.

All of these factors were linked to targets set for each pub manager and tied into their bonus scheme.

Chris believed that two of the key pieces of financial information any growing business needs to monitor are the break-even point and the margin of safety. He monitored this data monthly and above his desk he kept a graph showing sales against break-even point. (The difference between the two is the margin of safety.) It makes interesting reading, showing the gradual improvement in the margin of safety



because of the high margins and low fixed costs as Unicorn Inns rolled-out the Newt & Cucumber concept.

Chris planned his exit strategy almost from the first day he started rolling out the Newt & Cucumber chain – an exit either through a trade sale or a stockmarket floatation. With this in mind Chris had developed his marketing plan. But his experience of the trade told him that there were four critical success factors that would maximise its value so that when he exited from Unicorn the business would continue to prosper without him in what is a highly competitive industry:

- Finding suitable sites to roll out the Newt & Cucumber pub formula so that they could get to an appropriate size to benefit from bulk purchase discounts and to be sufficiently attractive to potential buyers.
- Recruiting and motivating good pub management. To this end he put in place training programmes, appraisal systems and an attractive bonus package that rewarded managers who achieved targets in sales, margins, stockholdings and staffing costs (as percentage of sales) – four of the six key financial drivers.
- Putting in place strong financial controls – daily checks on cash takings and bankings (the fifth driver), weekly stocktaking and performance measurement against budget and the production of monthly management accounts.
- Promoting the brand, not only to customers, but also to the trade. To this end he started writing articles for the trade press and made every effort to get PR. For example, in 1992 Unicorn won the Multiple Operator of the year award.



In 1996 he sold Unicorn Inns to the brewer Moorlands for £13.2 million. This was the culmination of almost five years work perfecting the Newt & Cucumber market offering, but always with an eye to the ultimate objective.

### *Case questions:*

1. Why is the extract from the Newt & Cucumber plan so informative?
2. If the plan works, what will it achieve?
3. What other factors are essential for the plan to work?
4. Are the controls that have been put in place adequate? Why?
5. What do you think of the final four critical success factors?
6. What reservations might you have if you were purchasing a pub-chain of this sort?

## Case Studies in Entrepreneurship

### NEWT & CUCUMBER

SEGMENTS:	Shoppers	Office professionals	Pensioners/ low paid	Unemployed	Office professionals	Students	Regulars	Pre-clubbers
<b>Time</b>	12.00-5.00	12.00-2.00	12.00-2.00	2.00-5.00	5.00-7.00	Anytime	7.00-11.00	7.00-11.00, Fri/Sat
<b>Male/female split</b>	10/90	40/60	90/10	90/10	60/40	50/50	60/40	60/40
<b>Marketing mix:</b>								
<b>Product</b>	coffee/tea, soft drinks	choice of good food	cheap beer	cheap beer	wide range of quality drinks	wide range of quality drinks	wide range of quality drinks	fashionable, brand leaders
<b>Service</b>	friendly	fast	low priority consideration	low priority consideration	friendly	low priority consideration	friendly	fast
<b>Price</b>	competitive	food up to £3.50, vfm	Worthington bitter £1.04	Worthington bitter £1.04	20% happy-hour discount	competitive	competitive	low priority consideration
<b>Place</b> - environment	safe, sit down, clean toilets	clean, comfortable	warm	music, TV	upbeat atmosphere	relaxed, safe	Home from home	Lively, 'in place'
- convenience in choice of pub	90%	80%	50%	50%	80%	70%	50%	80%
<b>Critical success factors</b>	safe, clean environment	rapid delivery of tasty, filling, good value meals	cheap beer	cheap beer	cheap drinks and upbeat atmosphere after work	relaxed atmosphere and used by other students	good service and atmosphere	'in-place' reputation

