

## OnLine Case 9.2

### David Bruce

David Bruce was in his late twenties when he opened his first pub-brewery in 1979. He had previously worked for a number of UK breweries, including Courage and Theakstons, and felt that there was a market opportunity for a pub that brewed its own beer on site. He bought the lease on a site at the Elephant and Castle in London, an existing pub which was being closed down, and renamed it the Goose and Firkin. The pub was completely remodelled with one large bar with wooden seats, bare floor boards and several decorations such as a stuffed goose. The aim was to re-create a traditional drinking house. Brewing took place in the cellar, which had a production capacity of 5000 pints per week. In addition, other real ales were sold. Lloyds Bank lent £10,000 for this new venture, but Bruce was turned down by others whom he approached. He had to take a second mortgage on his house to provide collateral for his overdraft and he borrowed some money from a friend of his wife.

Three types of real ale were brewed and sold, all with individual brand names and varying in strength. These were Bruce's Borough Bitter, Bruce's Dog Bolter and Bruce's Earth Stopper, which at o.g. 1075 was claimed to be the strongest draught beer in Britain. Traditional food of high quality supplemented the beer. Success came instantaneously and the turnover was into the thousands of pounds within weeks of opening. It quickly reached an annual quarter of a million pounds. A manager and a team of seven, including a brewer, were employed to run the pub.

A second outlet was opened in 1980; by 1985 there were seven, with the total reaching 11 in 1987. All 11 were in the Greater London area, and nine of them had in-house breweries. The last two were called the Fuzzock and Firkin and the Flamingo and Firkin. By the mid-1980s Bruce was the fifth largest operator of breweries in the UK. All of the pubs had Firkin in the name, and by this time a number of new real-ale brands had been introduced, including Spook, brewed exclusively in the Phantom and Firkin. Bruce had also developed a reputation for promotional slogans for each pub. The Flounder and Firkin was a 'place worth whiting home about' and at the Phantom and Firkin you could 'spectre good pint when you ghost to the Phantom'.

Sales in 1986–87, with eight outlets operating, were £4 million. Bruce had sold 10% of the equity to Investors in Industry for £100,000, and they also provided additional loan facilities. There had been difficulties, however. In 1982 Bruce had obtained a pub-brewery with additional warehouse capacity in Bristol. His aim was to distribute his real ales to West Country pubs. But the company was already experiencing problems from the rapid growth. Beer quality was inconsistent, there were cash-flow problems, and David Bruce's own role was unclear. A microbiologist and an accountant were brought into the business, which relieved the first two of these. However, Bruce still faced the problem that, while there were managers in every outlet, he was personally responsible for ensuring that his original success formula at the Goose and Firkin was implemented and maintained in all of the pubs and at the same time was seeking new opportunities for growth and development. Once the company spread outside London Bruce felt that he was no longer able to pay sufficient attention to detail throughout the organization. Essentially the problem was one of managing growth and at the same time retaining the 'personal touch', a key success factor for this type of service business. The Bristol site was sold.

Bruce had hoped to take the company to the Unlisted Securities Market in 1987, but this never happened. Further growth, he felt, was inhibited by a lack of equity capital and the problems of interest charges on loans. In March 1988 Midsummer Leisure, an expanding public house, snooker club and discotheque business with some 130 outlets, bought Bruce's Brewery, comprising 11 outlets and one site for development, from David Bruce for £6.6 million in cash. The business had a number of different owners in the 1990s, during which period it continued to expand to a chain of 179 pubs, not all of which brewed on site. It was

sold again in 1999, this time by Allied Domecq to Punch Taverns, who plan to close some outlets and take on-site brewing out of all the others. Punch had little choice in this, because of legislation and their present mix of activities; but the brand will be preserved. Is it the end of an era?

After paying off loans and capital gains tax, Bruce was left with £1 million in 1989, part of which he used to establish a charitable trust to provide canal holidays for disabled people. In 1990 David Bruce started brewing again. Two pubs, both named The Hedgehog and Hogshead, and offering beers such as Hogbolter and Prickletickler, were opened in Hove and Southampton. The conditions of sale of Bruce's Brewery prevented Bruce from opening in Greater London. Key staff were recruited back from Midsummer Leisure, the sites were leased rather than freehold, and borrowing was kept to a minimum. Bruce personally invested £500,000. He later moved to other ventures before entering a joint venture with WH Brakspear in September 1999. Prior to this he had devised and built the female-friendly chain of Slug and Lettuce bars for Grosvenor Inns; and one of his other ideas had been the Bertie Belcher brand, 'pubs that brew the beer you'll want to repeat'.

Brakspear has brewed in Henley-on-Thames since 1779. The name for the new venture was Honey Pot Inns; David Bruce was chief executive. Brakspear put seven managed pubs into the venture (six more were to be added every year) and they would be retained as independent pubs which reflected the character of the building and their local communities. They were to be a loose chain, linked by a common brand name but they would all be individual. The new additions would be unusual sites rather than typical high streets.

Brakspear believed that Bruce has 'tremendous skills for identifying opportunities for the development of retail operations that catch the imagination of consumers'. But this joint venture failed – Bruce reflected afterwards that he needed to be in control and responsible. Whatever else Bruce is, he is certainly a master of the weak pun. Bruce asserts that 'creating the right ambience is an innate skill – not something I can explain'. He fully intends to move on again when any venture is properly up-and-running . . . 'I put my all into these ventures for up to 5 years and then I have to do something else'.

In 2003 he formed the Capital Pub Company to open freehold pubs that get back to the basics and are not part of a themed chain. Nostalgia for 'the local' is part of the business model but they would serve food as well as drinks.

**Questions:** Following the growth of the chain and its associated changes of ownership, can an individual 'Firkin' pub be the same as the original that David Bruce opened back in the 1980s?

Is this necessarily a disadvantage?