

Greene King: new strategies for regional integrated brewers

The long-term repercussions of the 1992 Beer Orders continue to influence the structure of today's brewing and licensed businesses. **David McCaskey** looks at how Greene King plc has taken advantage of the improved business environment as the largest players like Bass and Whitbread have restructured and diversified.

A GAINST A BACKGROUND of steadily declining beer sales, the Director-General of Fair Trading's Beer Orders of November 1992 ordered the break-up of the complex monopoly which was found to exist in favour of brewers who owned tied houses and who had tying agreements with free houses. As a direct result, some of the largest players withdrew: for example, in 2001 Bass and Whitbread divested their low-margin and shrinking brewing interests in the search for more profitable areas for investment. This dramatic restructuring of the industry led to the development of national chains of Pubcos and, in clearing the field, allowed for the expansion, through consolidation, of some of the existing (though highly fragmented) regional, integrated brewing companies.¹

This case study analyses, using concepts and models, the strategies employed over the last five years by East Anglia brewer Greene King plc to maximise the growth opportunities in this much-improved business environment. Greene King have been acting like Pac-man, routinely acquiring small regional brewers and then driving down costs by closing the brewery and transferring production of the acquired brands to their Bury St Edmunds brewing centre. The inherited beer brands are added to the Greene King portfolio, affording them the much wider distribution and exposure to both the on-license and

the rapidly developing off-license trade. The pub outlets acquired are, if appropriate, absorbed into the Greene King network of managed and tenanted houses. That this business model works is shown by the almost doubling of turnover and profitability in the last five years, 2002–06.

Introduction

This study employs an 'outside-in' approach to understand and explain, in a strategic context, the success-

Greene King ...like Pac-man, routinely acquiring small regional brewers and then driving down costs... closing the brewery and transferring production... to Bury St Edmunds brewing centre

ful growth Greene King plc had achieved over the last five years. The emphasis is on a prescriptive or planned growth strategy through acquisition. It has immediate links to the policy-directional matrix and raises questions as to the choice, feasibility, acceptability and suitability of this approach.²

This article analyses the strategies employed by East Anglia brewer Greene King as it sought to maximise the opportunities to be found in this much improved business environment. Bowman's strategic clock suggests that Greene King adopted a differentiation

strategy.³ Michael Porter devotes a whole chapter of one of his strategy books to unlocking the fragmented structure of historically highly fragmented industries which, like breweries, are location-bound. He identifies a number of factors which would accelerate this transition: economies of scale, technological innovation and the experience curve. He also projects that 'overcoming fragmentation can be a very significant opportunity, the payoffs can be high'.⁴

That this business model works well will be shown here, as will Greene King's geographic ambition to spread their footprint into the Midlands and Scotland. An interesting irony is that the Department of Trade and Industry have called for the Beer Orders to be revoked as they have served their purpose of breaking that complex monopoly.⁵ Campaign for Real Ale (CAMRA) were shocked, their spokesman suggesting *there will be nothing to stop larger brewers and pub chains tying up huge chunks of the market restrict-*

The firm, which brews Old Speckled Hen, Abbott Ale, Ruddles and the cask ale Greene King IPA, owns *circa* 2,840 pubs and reported that purchase of the Laurel pub chain and the brewer Ridley's had helped boost profits to £55.8m.

The industry environment

The continued decline or drop in UK the beer market is illustrated in Figure 1.

The Beer Orders 1992

At the end of the 1980s, the market for beer in the UK was dominated by six national brewers (see Table 1) who accounted for over 75 percent of UK beer production, and controlled over half of all public houses and a substantial proportion of off licence sales. Owned public houses fell into two categories – managed houses where the publicans and their staff were employed by the brewery and tenancies where independent publicans rented the public house from the brewer. Under an exclusive supply deal, the 'beer tie', the tenants were required to retail their brewers' products, guaranteeing the brewer an outlet for their product. The remainder of public houses were owned by regional and small brewers or existed as free (from tie) houses. In many cases, however, these were in effect tied for supply by 'brewer loans' from the Big Six, usually for improvements and essential repairs (in particular, replacement roofs).

The Director-General of Fair Trading, concerned about further brewer consolidation and the level of vertical integration (from production via distribution to retail and consumption) in the beer market asked the Monopolies and Mergers Commission (MMC) to investigate the market. Its report, *The Supply of Beer*, found that a complex monopoly existed working in favour of the brewers who owned tied houses or had tying agreements with freehold outlets. To increase competition in the industry, in particular price-led competition, and to enhance customer choice, the final agreement required that all brewers who owned more than 2,000 licensed premises either dispose of their breweries or release from their ties one half of on-licensed premises above the 2,000 threshold. In addition, landlords who remained tied were allowed

While Tesco currently has a 32.5-percent share of the grocery market, it is entirely dominant in some towns, enjoying what has been called a 'Tesco-poly'

*ing access to smaller brewers and smashing consumer choice*⁶

—a real sense of déjà-vu.

A flavour of Greene King's success is found in their most recent results where half-year profits to December 2006 reveal a 23-percent rise in profits.



to purchase one brand of draft cask-conditioned beer and one brand of bottle-conditioned beer from any supplier, the 'guest beer' provision. This also prohibited ties for non-alcoholic drinks.

Dominance in retail markets

A parallel can be drawn with the current Office of Fair Trading investigation by the Competition Commission into the dominance of certain UK grocery retailers, which will report later in 2007. While Tesco currently has a 32.5-percent share of the grocery market, it is entirely dominant in some towns, enjoying what has been called a 'Tesco poly' and thus reducing choice. (Bicester, Inverness and the ten Tesco outlets in the Fulham Road are regularly cited.)

According to market analyst CACI, Tesco has more than 40 percent of the market in 14 UK postal districts and more than 45 percent in another five. There is talk of 'Tesco towns', conurbations so dominated by a single retailer that a national market-share statistic is irrelevant. However, Tesco

CEO Sir Terry Leahy pointed out

90 percent of consumers live within 20 minutes drive of at least three different supermarket formats.⁷

The application of isochronous method (equal drive-time) will be very pertinent to the final findings. Similar location-tied densities or saturation were entirely prevalent in the licensed trade prior to the introduction of the Beer Orders.



The Primary, once a school, then a Hogshead, acquired by GK in 2003. Its substantial outside canopy, beer garden capacity of 120 and three sports screens illustrate GK's extensive preparations for Scotland's 2006 smoking ban. (Greene King)

Caterers might like to reflect on the similarity of behaviour as displayed by Starbucks. *The Guardian's* Oliver Burkeman reported 'a serious case of caffeine overdose'. He found that

if you stand on the corner of Regent Street and Wigmore Street in central London, you are within five miles of 164 branches of Starbucks. Even at home in the London suburbs, there are

158 branches within five miles.⁸

Check your personal proximity/density on the company's web site www.starbucks.com by entering your postcode into the store locator. Starbucks method of area saturation, which includes the cannibalisation of their own outlets'

sales, driving out all local competition, is well documented in the US by Naomi Klein's *No Logo*.⁹ They still have declared plans for further aggressive expansion in the UK as well as globally. On the next day, 17 January, the *Guardian* under the heading 'Skinny delocator' pointed out that there is another web site which gives you full details of all the independent coffee shops within the vicinity of your postcode: www.delocator.org.uk.

1989			2004		
Bass	Brewer	7,190	Enterprise Inns	Leased	8,739
Allied	Brewer	6,678	Punch Taverns	Leased	8,419
Whitbread	Brewer	6,483	Spirit Group	Managed	2,468
Grand Met	Brewer	6,419	Wolverhampton & Dudley	Mixed/brewer	2,112
Courage	Brewer	5,002	Greene King	Mixed/brewer	2,100
S & N	Brewer	2,287	Mitchell & B S & N	Managed	2,007
			S & N	Leased	1,094
			Wellington Pubco	Leased	835
			Avebury Taverns	Leased	750
			London & Edinburgh Inns	Leased/managed	696
Total		34,059			29,218

Table 1 Estimate of public house ownership, 1989 and 2004

The Beer Orders were effective in breaking the complex monopoly found in 1989, as shown in the second report to the Parliamentary Select Committee

if you stand on the corner of Regent Street and Wigmore Street in central London, you are within five miles of 164 branches of Starbucks

on Trade and Industry—*The Development of the UK Market for Beer 1989–2004*. This illustrated the radical nature of the change—in particular the emergence and consolidation of players in both the Pubco and brewer markets shown in Table 2.

The top six brewery players now own more market share, at 83 percent, than the top six players in 1989 who held 75 percent.

The drive for growth and expansion

Businesses must grow to maintain their market position and to keep up with or ahead of their competitors. They also need to satisfy the needs of their various stakeholders, in particular stockholders and staff. There is a vibrancy and confidence to be found in growth.¹⁰ Some of the growth motivations or advantages that apply to Greene King are:

- To increase market share, thus increasing buying power and economies of scale.
- To increase their geographic spread or footprint
- To broaden the range of their products, in particular acquiring valuable brands.
- To reduce competition by buying out competitors.
- To achieve preferential access to distribution channels.

- To make productive use of spare capacity both in brewing and bottling.
- To grow and develop their corporate reputation.
 - To be able to reinvest in their outlets maintaining them at the highest possible standards and to comply with changes in legislation where, for example, they have invested up to £100,000 in the provision of 'outside' smoking rooms at individual locations.
- To produce funds for the next acquisition.

Issues associated with growth by acquisition

Lynch endorses this list and observes: 'Financial reasons associated with purchase of undervalued assets could be another advantage'.¹¹ In all cases, Greene King's acquisitions have been of underperforming or marginal businesses on the treadmill of increasing production costs and declining volumes and yields. Through their core competences in turning round such acquired assets, they are able to return them to profitability.

In an earlier work Peters and Waterman strongly advocate the creation of an overpowering niche strategy, which is demonstrated here. They found that truly excellent companies should 'stick to their knitting'.¹² Lynch identifies one disadvantage of growth by acquisition as where the premium paid is too high. A thorough approach to due diligence ensures that this potential trap can be avoided.

Greene King's mission states

Our aim is to emphasise the achievement of organic growth, supplemented by a prudent acquisition strategy through three horizontally integrated trading divisions. The integrated model provides financial and operational synergies, as well as the opportunities to share intellectual capital across the group. It allows flexibility to transfer pubs between divisions, helping to maximise returns on assets, as well as giving balance and an element of natural hedging of risk.

That Greene King is obviously in the business of acquisition is evidenced here. During the late 90s they embarked on a series of takeovers. They bought the Magic Pub Company in 1996, Beards of Sussex in 1998 and Marston's southern estate in 1999. In the same year

Company	% market share	
	On trade	Off trade
Scottish Courage	26	23
Coors	20	17
Interbrew UK	16	26
Carlsberg-Tetley	14	11
Diageo	6	3
Anheuser-Busch	2	4
Total	84%	83%

Table 2 The top six brewers in Great Britain in 2003

they purchased Morland which had a considerable tenanted and managed pub estate and whose brews included Ruddles Bitter and Ruddles County. They then closed Morland's Abingdon brewery, transferring production to Bury St Edmunds. In total, these acquisitions provided Greene King with 903 pubs.

Growth continued through acquisitions in the 2000s. In September 2001 they acquired 136 managed pubs with the purchase of Old English Inns (of these, they retained 81 under management, transferred 25 to tenancy and disposed of the remaining 20). In April 2002 they bought the eight properties of Dalgety Taverns and followed in June with the purchase of Morrells of Oxford, acquiring a further 107 outlets.

In July 2004 they purchased 432 pubs from the Laurel Pub Co for £654m. This acquisition boosted their premises to more than 2,100. In June 2005, they acquired the 73 pubs of Essex-based T J Ridley & Sons. Two months later they agreed to acquire the Scottish group Belhaven for £187m, a purchase which added 300 pubs to their estate. Brewing is to continue at Dunbar near Edinburgh. Apart from sheer logistics, it would be politically imprudent to move brewing south of the border.

Following an intensive review and due diligence, in September 2006, they bought Midlands-based (Kimberly) Hardys & Hansons, with 268 pubs for £270m. It was reported that H&H's high-quality estate would be integrated into Greene King's managed and tenanted-pub estate division and that they would benefit from the shared experience, expertise and enhanced support of a larger group, while maintaining their individual characters and ability to service their local communities.

In a media release CEO Rooney Anand stated that *with regret, it does not make economic sense to continue brewing at Kimberly and sadly this means that the brewery will close at the end of the year. Greene King invests more in cask beer than any other brewer but, to remain viable, returns have to be delivered on this investment. The best way to ensure that Hardy's and Hanson's brands continue to flourish in a challenging ale market is to transfer brewing to Bury St Edmunds. The head office functions will also be moved there.*

Beer matching will begin shortly and we'll soon be

beginning the painstaking process of brewing trials and taste-profiling. We'll ensure that customers can continue to drink the same great beer in the future. We have a track record in making a success of the brands we acquire and look forward to offering H&H's Dark Mild, Cool and Olde Trip to a much wider audience in both the on and off trade. At the time of this deal, our companies make an ideal match historically, culturally and structurally. Like Greene King, Hardys and Hansons built its trade on running great pubs and selling top-quality beer. By joining together H&H can extend beyond their current communities.¹³

This demonstrates the flexibility and sensitivity exercised in both integrating and bringing acquisitions on side.

While this much-expanded portfolio of pubs gives them both critical mass and improved location representation, it also presents the opportunity to review the total estate and churn or sell off those deemed surplus or not to today's quality standard. As the trade press reported:

Greene King has appointed Pricewaterhouse Coopers to advise on the sale of 150 tenanted pubs. The pubs, most of which are freeholds, are said to be a mix of smaller drink or wet-led operations and sites with property development potential.¹⁴

with regret, it does not make economic sense to continue brewing at Kimberly and sadly this means that the brewery will close at the end of the year

A key criterion emerged as the smoking ban approached: after July 2007 only pubs capable of strong food business would be retained. On 21 November 2006, Greene King announced the sale of 155 (five extra) pubs to Admiral Taverns for £56.53m. Anand stated:

Greene King's drive to improve the quality of our estate has meant that we have long been sellers as well as buyers of pub assets. Today's deal marks another step in this strategy.

A similar strategy is being employed by Punch Taverns, Britain's biggest pubco. On 21 March it was announced that 'Punch calls time on 1,000 pubs ahead of the smoke ban.'¹⁵ Here it was reported that Punch had

earmarked for disposal many of their small drink- or wet-led tenancies that would suffer most when smoking was banned in Wales from 2 April 2007 and in England from 1 July. It was also mentioned that *most of Punch's rivals had already sold or put on the block large tranches of smaller pubs that are less able to mitigate the impact of the ban by serving more food.*

In his half-year profits statement December 2006, Anand confirmed that

these recent acquisitions had served to increase operating profits by 17 percent to £101m on revenues of £419m.

Having led the consolidation of regional brewing in the East of England, Greene King is now bidding to increase its geographic footprint. The excursions into the Midlands and Scotland are most certainly a portent for its future growth.

In his seminal work, *Competitive Strategy*, Michael Porter devoted a whole chapter to the unlocking of the structure of traditionally highly fragmented industries where owner-managers abounded, often in disparate locations. He predicted that, as these industries became more consolidated, there would emerge 'market leaders with the power to shape events'. Porter projected that

overcoming fragmentation can be a very significant strategic opportunity and that the payoffs can be high.

All of the factors he called 'accelerants' in this process are present here.¹⁶

- 1 Greene King achieves significant economies of scale through cost dilution, central-cost savings and increased buying power.
- 2 Their expanded portfolio of pub outlets gives them better representation and/or critical mass,

the opportunity to review the total estate and churn or sell off those deemed surplus or not to today's quality standard

often filling gaps and allowing better opportunity to churn their estate, determining the most appropriate mix in terms of managed to tenanted pubs. They can also sell off units which perform below par, or fail to reach quality standards.

- 3 For their much-expanded portfolio of beer brands they can achieve more effective and efficient distribution in 'on' sales and have much more clout with the major UK retailers for their 'off' sales. All this leads to increased yields and profitability.
- 4 There is an increase in their core competence in brewing as they travel down this experience curve. Bottling and other distribution costs are reduced pro rata.

The Greene King experience

Greene King's competitive strategy is that of broad differentiation on the definition used by Bowman's strategic clock:

*They seek to provide products and services that offer benefits different from those offered by others and that are widely valued by buyers.*¹⁷

They are particularly proud of the range of their cask and bottled-beer brands which they are currently repositioning through up-market advertising in the broadsheets. Certainly their brands are well represented on the supermarket shelves where promotion is essential to securing shelf space. The increasing significance of the 'off-trade' sale through supermarkets (in particular the Big Four: Tesco, Asda, Sainsbury and Morrisons) and off-licenses and the steady decline in 'on-trade' is illustrated in Figure 2.

Mintel reported that according to the latest statistical handbook by the British Beer and Pub Association, pubs and bars have continued to lose ground to the supermarkets, which now hold 41 percent of the country's beer purchased off-trade.¹⁸

Greene King's pubs very much reflect today's needs for families, for females and for food (the 3 Fs). Customers demand a lot more from their pub experience than a simple pint of beer. Mintel detect a period of transition as pubs adopt specific consumer profiles better reflecting the demands of the locality. Investing in a meal service is their high priority where they now achieve over 50 percent of turnover.

Greene King's own research, corroborated by evidence from their Scottish operations, show that *one in three young couples with families who have avoided pubs would be prepared to buy family meals there once the ban came in. It said that the survey*

showed more women aged 45 to 54 were likely to visit pubs when the ban came into force.

Wetherspoons plc pre-empted the smoking ban in England. Since 2004 they have ensured that all new branches that opened (over 100 per year) were non-smoking and that those that were refurbished were returned as non-smoking outlets; in some cases, this conversion took longer than expected as kitchens had to be extended due to the anticipated increase in food orders.

Greene King are making a significant investment in training and have recently launched their Get Ahead flexible-learning initiative, including a career progression ladder, a structured BIIAB industry-recognised qualification and a four-stage house-manager training programme. The scheme has won the IDG Food Industry Award for Learning and Development.

They experience relatively low staff turnover for this industry, their investment in training paying off when they were recognised as the third best Restaurant, Drink, Pub and Brewery employer in the *Management Today* survey published December 2006.¹⁹

The *London Evening Standard* recorded that across the country, hundreds of Greene King landlords and staff are poised to swing into Operation Clean and Fresh (OCF) the moment the smoking ban comes into force in the UK hospitality industry on 1 July 2007.²⁰

The earlier purchase of Belhaven has given Greene King much insight as the ban on smoking in Scotland was introduced in March 2006. As Anand stated:

we want to win back people who stopped going to pubs, particularly women and families. We are making for pristine surroundings ... in part to achieve this we are installing industrial-scale air-fresheners.

The Belhaven experience has proved reassuring, the negative impact on beer sales being more than offset by better food sales.

The results

In his CEO review of the business in the 2005/06 Annual Report Anand wrote:

We firmly believe in our business model which combines the scale required for efficient processes and purchasing with the advantages of integration. These advantages include:

□ *The ability to transfer pubs between management*

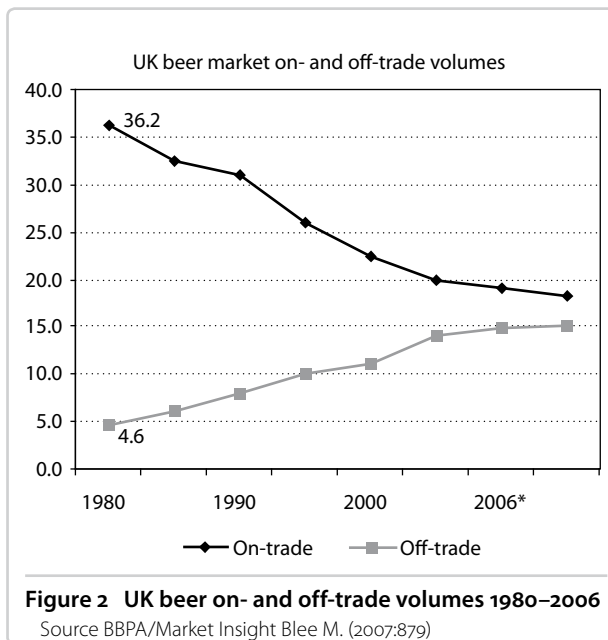


Figure 2 UK beer on- and off-trade volumes 1980–2006

Source BBPA/Market Insight Blee M. (2007:879)

and tenancy thus optimising their contribution over the life cycle...

- *The ability easily to integrate other integrated brewer/pub companies.*
- *The customer insights that come from being both buyer and seller.*
- *Leveraging our trusted heritage brand with both consumers and the trade.*

In his closing statement he reasserted the basis for the company's success:

The leisure industry remains a changing, intensely competitive space and it is only the dynamic players that will survive. Within it, the British community pub has proved remarkably resilient and adaptable over many centuries. Greene King, founded in 1799, has remained at the heart of this through its commitment to the enduring strengths of the business and continuous innovation to improve customer appeal.

These results demonstrate our proven strategy that delivers value for shareholders. The intrinsic quality of our assets, combined with the passion and talent of our team, along with recent acquisitions, give us confidence that there are exciting opportunities to deliver further growth in future.

The five years' financial highlights show an enviable and incremental growth in all prime indicators—turnover, profitability and dividends paid.

In my earlier study about the consolidation or polarisation of the various sectors of the hospitality

industry, Conrad Lashley was quoted as saying that this cleansing and renewal process was apparent in the licensed retail sector.²¹ Lashley cites Mintel

Mintel estimates that there has been a six-percent reduction in pub outlets between 1993 and 1998... with some 5,000 fewer properties ...and industry analysts suggest that there is scope for further shrinkage in pub capacity. Another 5,000 could easily go, through releasing property for private use. However, this shrinkage is being matched by new licensed applications in new buildings.

And thus, the churn continues.

Growing pains?

For many years, Greene King had been regarded as a White Knight buying out uneconomic brewers, revitalising their pubs and maintaining the favourite 'local' tipple, albeit brewed at Bury St Edmunds. But

we want to win back people who stopped going to pubs, particularly women and families. We are making for pristine surroundings

in its dash for growth (now worth more than £1bn and listed in the FTSE 250 index) they have begun to attract the sort of opprobrium reserved for other big corporations, being accused of insensitivity to local needs and decimating local businesses.

The first sign of this revised status came as this paper was going for publication, with a four-page exposé by Tim Minogue in *The Guardian*. Below are a few extracts from the story at the centre of his critique:

Hundreds of regulars already have withdrawn from... their most popular pub, The Lewes Arms. They have been boycotting the 220-year-old pub since December 11, when Greene King, despite a petition signed by 1,200 locals, including Lib Dem MP Norman Baker, withdrew Lewesians' favourite tipple, Harveys Bitter, from sale.

Harveys has been brewed a few hundred metres away, beside the River Ouse, by an independent family firm since 1790. It was voted best bitter in 2005 and 2006 at the Great British Beer Festival. In the Lewes Arms, as a 'guest beer', it outsold Greene King's own IPA, brewed in faraway Bury St Edmunds, Suffolk,

by at least four times. But GK, as supplier as well as retailer, made more from every pint of IPA sold than Harveys. Get rid of Harveys, the thinking went, and the locals, after a bit of grumbling, would switch to IPA and GK would make more money. But it hasn't worked out that way. According to the trade paper the Morning Advertiser, the pub has lost 90 percent of its business since the boycott, which was 100 days old on Wednesday, and now sells very few pints of anything. At lunchtimes and weekday evenings, hours go by when no one at all crosses the threshold.²²

Storm in a pint pot!

Demonstrating the fleetness of foot that has helped Greene King stay ahead in these markets, within three days of that feature Anand had deflected what might have developed into a PR disaster. On Monday of the following week he announced a restructuring of the company's estate, dividing it between destination and local pub divisions.

The destination pub division, of 280 properties, focuses on food and includes the company's branded food pubs, Hungry Horse and Old English Inns. It is led by Jonathan Webster,

who was chief executive of Hardys & Hansons, with 20 years' experience of the industry. The local pubs division is headed by Jonathan Lawson, previously retail operations director for Sainsbury's Convenience. In this division are the 510 community and 'town-local' pubs

shaped by the individual style of the managers and their relationship with staff, customers and the local community.

At the time GK commented:

Running a community pub is clearly quite different from operating a destination food pub that attracts families from far and wide.

The speed of response, and the inspired idea of bringing in a retailer, suggest that this move had been planned at least as early as the trouble originally blew up at Christmas 2006.

Retailers are pragmatic: within a month, Jonathan Lawson announced that Harveys would continue to be sold in *The Lewes Arms* as well as other Harveys pubs, making the best of it for the media:

the history of the pub, including its role as former

This impressive space, combining open and enclosed areas with a clear emphasis on food service, is at The Fishes, North Hinksey Oxon, a Greene King tenanted house (Greene King)



brewery tap, combined with activities ranging from dwyle flunking to pea throwing made this hostelry very special. Now that Harveys is going back into the pub, my team and I are hoping that we can make a fresh start with our customers and are looking forward to helping The Lewes Arms once again play a full role in the local community.²³

Stop press

This business model most certainly works. The enviable growth in all prime indicators—turnover, profitability and dividends—continues. The 2006/7 results allayed any fears about the smoking ban after announcing a 17 percent rise in full-year pre-tax profit to £139.8m. Shares closed up 76p at £10.36 on the announcement as it also posted a 12 percent increase in sales to £917.5m.

The group assured investors it was well positioned for the smoking ban, which came into force in England the previous Sunday and said that its pubs in Scotland, where the ban came into effect in March last year, had given it extensive experience. CEO Rooney Annan said

sales in our pubs were higher this Sunday than the same day last year. More than 95 percent of the group's pubs have outside areas, and Greene King has been developing the food side of its business. In moving to a OpCo-PropCo we believe that we could

benefit from additional skills and disciplines which will further help us to unlock property value from our estate.

Shares were helped by the news of a Greene King spin-off of up to 872 pubs into a OpCo-PropCo structure—an operating company and a property company—with a joint-venture partner. The remaining 65 percent of its estate is already securitised.²⁴

In ten years, Greene King has made 11 purchases, so speculation is rising about a possible takeover target for 2007/early 2008. They have been mentioned as a suitor for Loch Fyne Seafood restaurants (35 restaurants, valued around £70m) their first venture into the growing eating-out market. Among more 'traditional'

they have begun to attract the sort of opprobrium reserved for other big corporations being accused of insensitivity to local needs and decimating local businesses

contenders are Youngs of Wandsworth with their 221-pub estate (valued freehold at £399m), food sales of more than 30 percent of turnover and very attractive cask ales. Another possibility is Charles Wells of Bedford with a desirable estate of over 200 pubs. Or how about Shepherd Neame of Faversham, Kent with a well-managed estate of 370 pubs, strong food focus and famous ales? Who is it to be? Watch your financial and trade press.

References

- 1 Regional, integrated brewing companies are vertically integrated businesses which are involved in all stages in the value chain incorporating brewing, distribution, retailing to the off trade and retailing for direct consumption on pub premises, many of which they own.
- 2 This article is related to a case for class sessions for the final strategic management semester where strategic formulation, choice and implementation are considered. The aim of the case is for students to develop an appreciation of the need to analyse the strategic position and options and their implementation. In short, it helps them to develop an ability to combine analytical rigour with the reality of the process within a live case-study context. The outcome can be expressed in student-learning objectives:
 - 1 To appreciate the particular business environment or context.
 - 2 To understand why objectives concerning growth and expansion become important to a business.
 - 3 To enable them to apply appropriate models, concepts and theories.
 - 4 To consider the issues associated with acquisition as a means to growth.

The case has now (March 2007) been trialled by over 30 final-year BA(Hons) business students: the consensus was that the aim and objectives were met in full.
- 3 C Bowman 'The Strategy Clock: Competitive Strategy Options' in G Johnson K Scholes R Whittington (eds) *Exploring Corporate Strategy* 7th edition (FT Prentice Hall 1995) pp 242–243
- 4 Michael Porter *Competitive Strategy* (New York, Free Press 1980) pp 199–214
- 5 Select Committee on Trade and Industry *Second Report Development of the UK Market for Beer 1989–2004* (The United Kingdom Parliament Publications and Records www.dti.gov.uk accessed December 2006)
- 6 CAMRA *Ale Report* (January 2007) <http://salisbury.camra.org.uk/BeerOrders.htm> accessed 19 January 2007
- 7 Julia Finch 'Big chains wait nervously for "Tesco poly" report' *The Guardian* 20 January 2007; Fiona Walsh 'Commission puts Tesco in the spotlight' *The Guardian* 23 January 2007
- 8 Oliver Burkeman 'A Serious Case of Caffeine Overdose' *The Guardian* 16 January 2007; 'Skinny Delocator' *The Guardian* 17 January 2007
- 9 Naomi Klein *No Logo* (London, Flamenco 2001) pp 135–139
- 10 D Campbell G Stonehouse and B Huston *Business Strategy* (Oxford, Butterworth Heinemann 1999) p186
- 11 R Lynch *Corporate Strategy* 4th ed (Harlow, FT Prentice Hall 2006) pp 466–469
- 12 T Peters and R Waterman *In Search of Excellence* (New York, Harper & Row 1982) pp 292–305
- 13 Greene King Media Release 'Integration Plans for Hardys and Hansons announced' www.greeneking.co.uk 3 October 2006 accessed December 2006 and January 2007
- 14 'Greene King appoints PricewaterhouseCoopers to advise on sale of 150 pubs' *The Morning Advertiser* 18 October 2006
- 15 Dominic Walsh 'Punch calls time on 1,000 pubs ahead of smoke ban' *The Times* 21 March 2007 p 44
- 16 Porter *op. cit.* pp 199–214
- 17 Bowman *op. cit.*
- 18 Mintel (2006) 'High Street Pubs and Bars-UK-May 2006' <http://academic.mintel.com/Sinatra/academic/>
- 19 *Management Today* December 2006–January 2007 www.managementtoday.co.uk accessed 12 January 2007
- 20 Nick Goodaway 'Greene King aims for smoking ban clean up' *London Evening Standard* (5 December 2006) www.theeveningstandard.co.uk accessed 8 December 2006
- 21 C Lashley 'Goodbye pub... Hello licensed retailer' *The Hospitality Review* 1 (4) October 1999 pp 45–49 quoted in D McCaskey 'The Future is Polarised' *The Hospitality Review* 2 (2) April 2000 pp 25–30
- 22 Tim Minogue 'Last Orders' *The Guardian* G2 (23 March 2007) pp 6–9 www.guardian.co.uk accessed 23 March 2007
- 23 Greene King Media Releases, 26 March and 20 April 2007
- 24 Marianne Barridaux 'Greene King to use fresh air and food to fight pub smoking ban' *The Guardian* 4 July 2007



DAVID MCCASKEY is programme manager to the postgraduate certificate and diploma in management at Colchester Institute, Centre for Management Studies. He holds an MBA, is a Fellow of the Institute of Hospitality, a Chartered Marketer and a Fellow of the Higher Education Academy. Email: www.wivenhoe.gov.uk/people/mccaskey.htm