

City & Business **This Week**

An award-winning Midlands company is offering licensees a new franchise model

# A SPORTING CHANCE

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AS TIMES get tough and tensions grow between landlord and tenant the debate around the leased model that dominates the UK pub industry has intensified.

The Fair Pint campaign aims to remove the tie, while recently in the pages of *The Publican* (May 12) licensee Mike Smith laid out an articulate case for pubs to be offered the sort of franchises offered by fast-food chains. And, as if by magic, one has now appeared.

It was pulled out of the hat by Midlands-based Bar Sport, which currently runs four large upmarket sports bars under management, and which won the title of Entrepreneurial Business of the Year at the 2007 *Publican Awards*.

To extend the successful brand out of its heartland, the company has chosen the franchise route, inspired by a number of similar ventures that dominate the market in the US. It

aims to open 100 Bar Sport franchises around the UK before taking the concept into Europe.

Managing director Scott Murray, a former boxer who trained in America, describes the arrangement as “a genuine franchise”, setting it firmly apart from existing pub franchise schemes and most definitely leases.

### Screwed

“What the pubcos offer is a disgrace,” Murray says. “Lessees are sold a dream, then they’re screwed on their rent and screwed on their beer. We won’t do that. We’ll make them profitable.”

The key difference is Bar Sport’s renewable 10-year franchise – “like nothing else on the market”. The company will pass on 100 per cent of the discounts it negotiates direct to the franchisee, a saving that Murray says will offset the five per cent of turnover the licensee pays for the company’s ongoing support.

Another one per cent will be paid into a separate bank account to fund marketing, in effect a mandatory

plough-back into the business.

An initial fee of £35,000 includes finding a site. Bar Sport is targeting ‘secondary towns’ and its research suggests up to 160 suitable towns around the country match the brand’s profile. Murray is also banking on the current wave of pub closures enabling him to find sites cheaply.

“There’s a massive opportunity,” he says. “We’re even seeing reverse premiums out there and we want to seize the moment.”

Once the site is agreed on, the franchisee pays for it to be fitted out to Bar Sport’s specifications, including the till system, and in return he or she gets a style of operation that’s a proven success.

### Strictly defined

If there is a catch it’s that the Bar Sport concept is so strictly defined. This suits the classic franchise model, but it may not suit the licensee who wants to impose their personality on the business.

For Bar Sport is aimed squarely at the working class – both male and female. “People who love sport, beer, burgers and playing games,” explains Murray.

Each will be decorated with sports memorabilia and have more than 100 screens – a staggering number – including some in the toilets. Food, supplied by Foodworks, will be of the quality burger variety.

As well as watching sport, customers will be encouraged to play pool and table football plus quizzes and poker through the Buzztime on-screen entertainment system, which has proved successful in keeping punters in Bar Sport beyond the final whistle.

A state-of-the-art sound system will enable the venue to host DJ sets and live music while centrally-supplied sports celebrities will make personal appearances each month.

Optional extras include men’s grooming – fans can get a haircut for the big match – travel clubs and licensed betting.



### The Numbers

#### Franchisee pays

Initial fee: £35,000  
Fit-out costs: approx £40 per sq ft  
Monthly fee: 5% of turnover (ex VAT)

Marketing & promotions fee: 1% of turnover (ex VAT)

#### Franchisee gets

Turnover: £750,000-£1.5m pa  
Gross profit: 65-70%  
EBITDA: 20%+plus  
Payback on initial fee and fit-out: three years

This is the formula that works for the company, which will also continue to open directly-managed bars in its Midlands heartland, but it’s certainly not for every location nor for every aspiring licensee.

Yet the Bar Sport franchise is a sharp break with existing business models that offers entrepreneurs a tempting alternative. It also comes at what might be a turning point for the pub industry.

It will be interesting not only to see whether it succeeds but whether others will follow suit. ■



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