

## The Future of Cask Beer – Parliamentary Inquiry – call for evidence.

### Hawthorn Overview

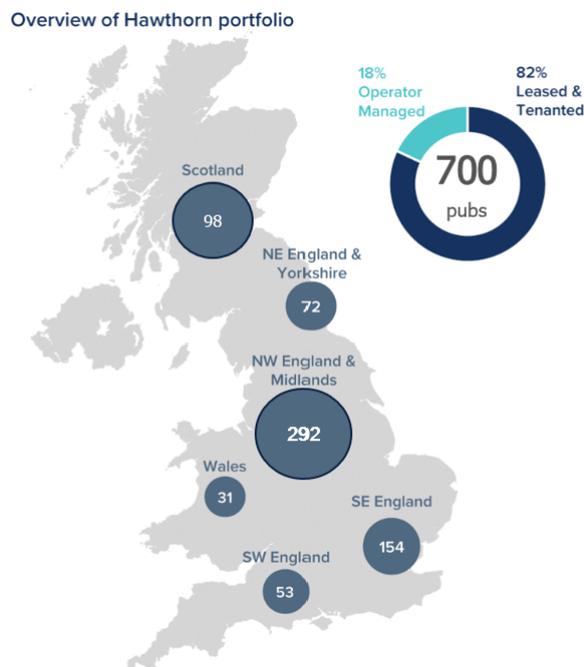
Hawthorn, the community pub company, owns 700 leased, tenanted and operator managed community pubs across the UK (see map below). With pubs in villages, residential neighbourhoods, towns, and city centres. Hawthorn is proud to serve its communities, and its ambition is to be the UK’s number one community pub operator.

Hawthorn is passionate about its people and pubs. It empowers its teams to give our Pub Partners and Operators the support they need to deliver best in class service and meet the needs of the communities they serve.

Hawthorn has provided more than £8m of rent support for its Pub Partners and Operators through the COVID-19 pandemic, in addition to £10m worth of CAPEX investment over the last year to renovate and refurbish pubs ahead of reopening this spring.

These packages have been met with positive feedback from Pub Partners and Operators and during the first lockdown, 97% of them said that Hawthorn met or exceeded expectations, and KAM Media’s recent Licensee Index saw Hawthorn outperform its peers across a wide range of categories, including COVID-19 support (9.2/10), quality of BDM (8.8), and likelihood to recommend the company to other publicans (8.3).

The company was shortlisted for Best Community Pub Operator at the 2021 Publican Awards.



## Impact of COVID-19 to date

Hawthorn's overwhelming priority throughout the pandemic is to protect our people and to protect our pubs that serve so many communities, so we can bounce back quickly on reopening, as we demonstrated in July 2020.

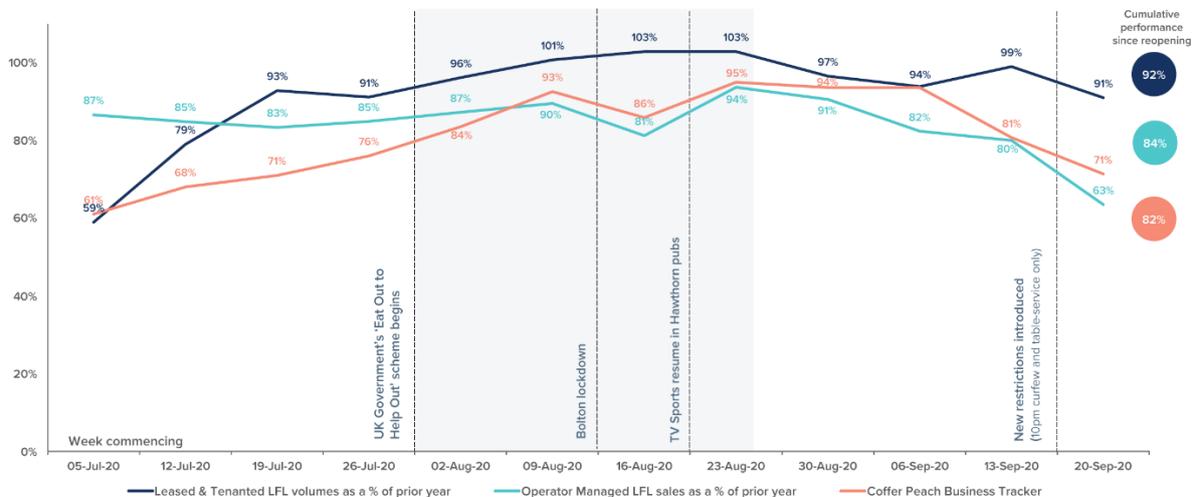
We have also continued to improve the quality of the portfolio, with over £10 million spent in the past twelve months, and projects being brought forward during the latest lockdown. A large portion of this investment has gone into improving beer gardens and a further £500,000 in 110 schemes have been invested by Hawthorn and its Pub Partners through a Pub Partner Investment Scheme

Further measures have been introduced to support Pub Partners include cashback incentives, enhanced credit terms and step-by-step re-opening guides and risk assessment support, as well as Point of Sale, PPE and Sanitisers provided to all pubs to enable to them to safely welcome back their Customers.

Over the past twelve months, our Pub Partners have demonstrated their resilience in challenging circumstances, and we are confident that the vast majority of our pubs will emerge from the current restrictions in a strong position. The community and suburban location of our portfolio is well placed to benefit from consumers working from home and using their local services and facilities, and should Government guidance align with this, we are optimistic about the trading prospects of Hawthorn in the new financial year.

Table 1 below shows our divisional sales volumes as a percentage of the prior year tracked against the Coffer Peach index.

**Table 1 – Strong Recovery Post Lockdown 1**



Note: Coffer Peach Business Tracker data refers to its 'wet-led pubs' segment and uses weeks commencing on a Saturday, whereas Hawthorn Leisure data uses weeks commencing on a Sunday. The week with the closest overlap have therefore been used as a comparator.

This gives us a high degree of confidence that post the lifting of lockdown 2 our pubs sales levels will bounce back strongly, with the warmer weather and the confidence derived from the successful vaccination roll out and regular testing programmes now in place, this should lead to consumer confidence returning quickly.

However, we remain watchful on the possible threat of a third wave currently sweeping across Europe and how this may translate into yet further restrictions in our sector or indeed local or national lockdown 3.

### **Reopening plans on lifting the lockdown**

The roadmap in England and Scotland has been communicated by the respective Governments and is broadly understood and we have plans in place to reopen about 65% of our pubs that benefit from some form of outdoor space and where it is financially viable to do so. The remainder of the estate will reopen in May and save the odd exception we plan to reopen 100% of our pubs who will be able to trade indoors in addition to those pubs with outdoor facilities.

There remains a big risk that Government plans could change and the full lifting of restrictions in June be subject to amendment or indeed additional restriction applied. This level of uncertainty is not helpful and will impact the types and volume of beer stocked in pub cellars for the reasons set out below.

The position for pubs in Wales is unclear and at the time of writing the Welsh Government have indicated some loosening of the lockdown and we await further clarity. We have not seen any proposals coming forward on additional support measures being put in place to aid those businesses forced to remain closed or only able to trade in part. This situation is not acceptable, and we continue to lobby the Welsh Government to consult and communicate with our sector.

### **Cask ale sales - Pre COVID-19**

Prior to the pandemic the range of cask ales made available to our Pub Partners in England and Wales was extensive, our distribution partner Carlsberg Marston's Brewing Company, offered 30 of their own brewed cask ales plus a further 30 cask ales from other National brewer's cask ale ranges sourced via the Carlsberg Marstons distribution network. We also offer access to the SIBA range for those pubs in our estate who required an extended/local cask ale offering.

In Scotland there is a much smaller range of cask ales available through our distribution partner Tennents. This is primarily due to the reduced demand for cask ale north of the border with a small number of specialist cask ale pubs responsible for much of our cask beer volume in Scotland. In addition, we offer the Greene King/Belhaven cask ale range with deliveries made directly into our Scottish pubs.

### Cask ale sales mix

Prior to the pandemic we experienced a continued decline in the sales mix of cask ale within our total estate on an MAT basis. Table 2 below shows the progression away from cask and keg ale towards lager and stout.

**TABLE 2**

	Category Movement - All Volume		
	P11 FY20	P04 FY21	Var.
Cask Ales	8.2%	5.8%	(2.3%)
Cider	10.0%	9.2%	(0.7%)
Craft	0.9%	1.2%	0.3%
FABS	0.4%	0.3%	(0.2%)
Keg Ales	11.7%	11.6%	(0.2%)
Packaged ALC	3.5%	3.2%	(0.2%)
Premium Lager	10.2%	11.9%	1.7%
SIBA	1.4%	0.4%	(1.0%)
Standard Lager	43.8%	45.9%	2.0%
Stout	5.5%	6.3%	0.8%
World Lager	4.4%	4.3%	(0.1%)

Historically the mix of cask ale brands within our English estate, where most cask ale volumes are generated, has been derived through 6 key brands as per Table 3 below.

These brands account for 45% of the volume sold with the balance from a broad range of “other” national, regional, or local cask ale brands, which is reflective of the consumer demand for market leading brands supplemented with a wider range appealing to those consumers who wish to regularly drink something different on a rotational basis.

England	TABLE 3	
Cask Ale	Volume	Volume Split
Fullers London Pride	269	3%
Doombar	776	10%
Greene King IPA Bitter	814	11%
Tim Taylor Landlord	729	9%
Hobgoblin Gold	249	3%
Marstons Pedigree - cask	624	8%
Other	4,248	55%
<b>Total</b>	<b>7,709</b>	<b>100%</b>

Throughout the pandemic we have seen some reluctance from our Pub Partners to carry a broader range or even stock cask ales.

This has been driven by the changing nature of restrictions and the lifting and subsequent reintroduction of restrictions and closure orders imposed.

With keg products having much longer best before dates than cask ale and the resulting beer waste or destruction following on from slow sales or having to close and the resulting increase of risk to both cashflow and profit margins.

### **Reopening likely impact**

Cask ale will be one of the key categories consumers will be looking for in local community pubs as lockdown lifts as the cask ale experience cannot be replicated in the home.

Whilst future trading levels are as yet uncertain as we come out of lockdown, we are expectant that sales will recover in line with the volume recovery performance as outlined in Table 1 above.

We do know from our distribution partners that the cask ale brands either stocked or available will have some limitations as follows:

Carlsberg Marston's will offer a significantly reduced range of their own brewed brands commencing with circa 10+ brands available with a smaller selection of circa 8 to 10 non-Carlsberg Marston's brands available relevant to regional demand.

We are also experiencing an increase in inquiries for SIBA brands as the current lockdown is eased and lifted, however we fear consumer choice will be impacted by those smaller brewers who will not have survived the impacts of the pandemic.

We expect to see demand for smaller container sizes of 4.5 gallon (Pins) and 9 gallon (Firkins) which helps to ensure cask ale is sold in prime condition with the sell through of each container being achieved inside the recommended 3 days once the cask is broached.

However, these smaller container sizes come at a cost to both brewer and customer due to greater handling and storage costs when compared to the larger 18 gallon (Kilderkins). Furthermore 4.5 gallon Pins are not currently broadly available in the supply chain and will require investment and manufacture which will result in added cost and delay.

An additional cost consideration to cask ale being sold is the increased cost of beer dispense equipment borne by Hawthorn. We own all the cask ale hand pulls within our estate and this has been a substantial investment we have made.

Should a hand pull remain inactive (due to low or no sales volume) or take up valuable space on the bar counter when other more profitable lines could replace them, we will need to review this investment.

However, where possible we look for opportunities to install cask ales as a key differentiator to the drinking at home experience.

Once hand pulls are removed from a pub offering it can be cost prohibitive to reinstall them for the reasons outlined.

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### **Actions required to aid recovery of cask ale sales**

Throughout the pandemic our pubs have continued to support their local communities whilst they have been closed through continued fundraising events, foodbank collections, virtual quiz nights etc. and we hope consumers will return quickly.

We welcome any initiatives to encourage consumers to return to community pubs which help to build confidence levels and confirm that the pub is a safe environment to meet with family and friends, socialise and provide the much-needed interaction for those in society who are elderly, lonely or have no one else to speak to on a daily basis.

The Eat Out to Help Out initiative and the VAT rate reduction following the lifting of lockdown 1, did little to help the local community pub sector as these initiatives did not apply to alcohol sales.

We would like to see a more targeted level of support from Government aimed at community pubs to encourage the responsible consumption of alcohol in the already safe and regulated environment of the pub.

A reduction in VAT on beer or cask beer would help encourage sales and drive footfall, a reduction on beer duty which again could be targeted towards cask ale would be helpful for the brewers especially should they need to invest in smaller container sizes as outlined above.

Some form of incentive from brewers to stock their cask ales for our Pub Partners would help rebuild confidence in the category and help mitigate some of the financial risks.

Awareness campaigns targeted at consumers to promote the “USP’s” of cask beer in a local community pub should be considered and bodies such as CAMRA have a part to play in promoting this further.

Lastly cask ale dispense needs some more radical thinking at this point of crisis for cask beer sales as the sector recovers.

The traditionalists such as CAMRA have sort to dismiss any innovation away from the historical norms of dispensing cask ale from stillages and frowned upon the usage of Aspirators or Cask widge's which seek to extend the life or quality of cask ale "in glass".

Carlsberg Marston's have developed the "Fast Cask" innovation which enables a speedier settlement of the sediment in the container, resulting in a cask of beer being able to be dispensed within a few hours of delivery, against the usual methods of tapping and venting a container a few days in advance of the beer being conditioned and ready for sale.

Perhaps this technology could be more widely promoted, encouraged, and adopted by the sector which would remove some of the barriers to dispensing cask ale through reduced costs for operators and improve uptime by speeding up the time between restocking cellars and having beer ready to dispense.

ENDS.