VIANET INSIGHT REPORT

THE PROFIT OPPORTUNITY THROUGH GAME CHANGING INSIGHT
Vianet Group was established 22 years ago and has been an AIM listed business since 2006. With over 300 customers including a number of global blue chip companies, and more than 250,000 devices connected to the platform, our experience and knowledge combine to form a powerful technology and insight capability that few can match. iDraught is the system offered through Vianet Smart Zones, it intelligently monitors all aspects of the bar to ensure the operator gets the best return from its draught products and customers receive a perfect pint every time.

Vianet’s insight is based on data from more than 250,000 devices, including iDraught, which currently track consumer experience on 777 million pints of beer every year in UK pubs. The results in this report are indicative and based on sites that Vianet actively measures.

WELCOME

The current volatile economic environment and uncertainty the pub sector faces alongside the disproportionate tax burden pubs encounter is widely recognised. As beer duty and business rates continue to be an escalating cost issue for pubs there is a clear and present imperative for operators to maximise every profit opportunity available to mitigate these additional cost pressures.

The insight delivered by Vianet shows that pubs which keep rigorous and consistent control of costs, wastage and quality can see a significant profit opportunity. The 2018 report shows that utilising an insight-led approach to draught beer management can have a fundamentally positive impact on bottom-line profit. However, it still highlights that many retailers are missing out on the additional profit through the lack of or disregard of actionable insight. Vianet’s insight is delivering better retail standards which benefit drinkers and ultimately the operators who reap improved sales and profit.

The Vianet team has been successfully working with customers across the hospitality sector for over 20 years. Using their significant operational experience they work closely with our customers unlocking the profit opportunity through insight. Whether that is tackling retail standards through quality, ensuring the right range of products are on the bar delivering a great customer experience, delivering yield improvements with staff training or tackling overall draught stock management issues. We know where the opportunities are and how we can deliver them working as part of our customers’ team. We really do understand the power of actionable insight. We trust that you find the insight in this report valuable and would welcome an opportunity to work with your business to unlock your profit opportunities.

Steven Alton, Managing Director, Vianet

KEY FINDINGS

• 1 IN 3 PINTS ARE SERVED VIA A BEER LINE OVERDUE A CLEAN
• 71% OF ALL PUBS ARE NOT ACHIEVING TARGET POURING YIELD
• PUBS ARE OVER RANGING BY AN AVERAGE OF AT LEAST 3 PUMPS
• 22% OF SITES IN THE UK SERVE BEER AT THE WRONG TEMPERATURE

IF YOU DON’T HAVE THE SYSTEM, YOU DON’T HAVE THE INSIGHT

VIANET & iDRAUGHT

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BACKGROUND: INDUSTRY OVERVIEW

THE PUB INDUSTRY IS FACING INCREASED COSTS
We recognise the very real pressures of mounting costs on the hospitality sector and the need to consistently deliver the highest level of profitability from trading. The draught drinks category still presents a significant contributor of overall profitability and with active management through insight can deliver improved levels of performance that can significantly offset increased trading costs.

**BY 2021**

£430M
COST PER YEAR TO THE INDUSTRY FROM EXTRA EMPLOYMENT REGULATIONS, BUSINESS RATES AND TAX
Source: BBPA

**THIS EQUATES TO**

£8,900
ADDITIONAL COST PER PUB PER YEAR

**THE OPPORTUNITY**

£13,500
AVERAGE ADDITIONAL PROFIT PER YEAR IF A PUB USES iDRAUGHT

AND THE INDUSTRY LOSES MONEY DUE TO QUALITY

**HOW MUCH IS LOST**

£593M
TOTAL LOST PROFIT PER YEAR THROUGH SUB-STANDARD QUALITY

**WHERE THESE LOSSES HAPPEN**

£173M
QUALITY UPLIFT (AT 50% GP) at 3% improved quality

£75M
OVER TAPPING COST

£115M
POURING LOSS 1% loss through training and quality issues

£230M
CASH LOST AT THE TILL at 2% loss

THE POTENTIAL OF USING iDRAUGHT

It's imperative pubs understand their costs and iDraught enables them to be much closer to costs associated with losses, waste and quality.

**ANNUAL BARRELAGE**

300
£15,900

400
£20,700

500
£24,900

**SAVINGS OPPORTUNITY**
GREAT CUSTOMER EXPERIENCE: THE IMPACT

RETAIL STANDARDS EXECUTION
A number of our customers are making great progress in delivering sustainable improvements in line cleaning with significant business results. Vianet is focused on ensuring our customers both know when their sites are line cleaning and as importantly, is it being done effectively in line with correct process? Our customers using iDraught technology can gain real time insight into the true effectiveness of line cleaning and the impact on yields and sales volumes. There remains a substantial opportunity for improvement in this key retail standard.

A GREAT CUSTOMER EXPERIENCE IS MATERIAL TO SUCCESS

LINE CLEANING EFFECTIVENESS
Sites that clean their lines regularly and correctly see higher volumes, better pouring yields and reduced wastage. Consumers enjoy a higher quality product and operators see increased sales and more beer in the glass. iDraught not only allows you to monitor whether your lines have been cleaned, it enables you to see the effectiveness of the clean and reduce the amount of beer used in the cleaning process.

AVERAGE DIFFERENCE IN ANNUAL BEER VOLUMES & PROFIT

BETWEEN A PUB THAT SERVES 90-100% OF BEER VIA CLEAN LINES AND THOSE THAT SERVE ONLY HALF VIA CLEAN LINES.

<table>
<thead>
<tr>
<th>50 BARRELS</th>
<th>EQUALS 14,400 PINTS</th>
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AND IS WORTH APPROX.

<table>
<thead>
<tr>
<th>£25,000 PROFIT</th>
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<tbody>
<tr>
<td>AT £3.50 PER PINT, AT 50% GP</td>
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29% OF BEER IS SERVED THROUGH UNCLEAN LINES

A CLEANING REGIME THAT WORKS
‘iDraught provides the team with an agile line cleaning regime depending on the beer dispensed. Some products only requiring 14-day clean cycle and some seven. This massively reduces the pints lost during line cleaning whilst still maintaining the quality. Data also shows how much beer we lose in the clean which has enabled managers to reduce this level of wastage and cost.’

Matt Halls, Company Auditor, Brewhouse & Kitchen

VOLUME VS LINE CLEANING PERFORMANCE
It’s no longer optional to give a great customer experience

**QUALITY AND EFFECTIVENESS**

With the drive for increased customer choice and the opportunity for premiumisation, there is real pressure to have the very best range. However, too many products with poor sales volumes can actively work against providing the very best customer experience. We have worked closely with a number of pub groups using insight from iDraught to target and remove low throughput taps, this has delivered an improved customer experience, increased yields and sales volumes.

**BEER TEMPERATURE**

**THERE’S A CRAFT REVOLUTION BUT ARE WE SERIOUS ABOUT QUALITY?**

**SERVING YOUR CUSTOMERS BEER THAT IS AT THE WRONG TEMPERATURE MEANS YOU WILL LOSE THEM.**

- **BEER SERVED TOO WARM**
  - Causes fobbing and reduction in yields and profit
  - Reduces appeal and likelihood of repeat purchase

- **BEER SERVED TOO COLD**
  - Develops chill haze impacting aroma and flavour
  - Cask beer will lack conditioning and reduce quality

**OVER 22% OF SITES ARE OUT OF SPEC WITH TEMPERATURE ISSUES**

**TEMPERATURE OUT OF SPEC BY MONTH**

**TAP EFFECTIVENESS**

**EVERY UNDER USED TAP ON YOUR BAR COSTS £500 A YEAR**

**ALL TAPS DISPENSING LESS THAN...**

- **<88 OR 72 PINTS PER WEEK**
  - **67%** Managed
  - **67%** Leased & Tenanted

- **<20 PINTS PER WEEK**
  - **20%** Managed
  - **23%** Leased & Tenanted

**ALWAYS MEASURING OUR CUSTOMER EXPERIENCE**

‘As an operator I want to make profit and iDraught ensures that this is maximised in terms of controls and rigour in a business and it gets everyone engaged. It’s data you use to improve your business processes and training which ultimately improves profit. The investment benefit far outweighs the cost and I wouldn’t run a pub business without it now.’

Kris Gumbrell, Brewhouse & Kitchen
**CATEGORY PROFIT: THE REALITY**

**HOW MUCH ARE YOU GIVING AWAY TO CUSTOMERS?**

Getting paid correctly for the drink you serve to your customers should be a minimum standard for all operators. However, Vianet has seen the impact of poor controls and training with losses at the till in excess of 2%. With every drink lost at the till directly hitting the bottom line, using real time iDraught insight, the Vianet team has been able to work with its customers to improve performance in this key area. Our experience is that overall levels of losses are on average 2% when iDraught is first installed.

71% OF PUBS ARE NOT ACHIEVING TARGET POURING YIELD

<table>
<thead>
<tr>
<th>TILL YIELD</th>
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<tbody>
<tr>
<td>OCTOBER</td>
</tr>
<tr>
<td>-0.5%</td>
</tr>
</tbody>
</table>

**% OF SITES NOT ACHIEVING POURING YIELD**

<table>
<thead>
<tr>
<th>LEASED &amp; TENANTED</th>
<th>MANAGED</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALL PRODUCTS</td>
<td>76%</td>
</tr>
<tr>
<td>STANDARD &amp; PREMIUM LAGERS</td>
<td>59%</td>
</tr>
</tbody>
</table>

**£230m**

2% OF DRINKS SERVED DON’T MAKE IT THROUGH THE TILL

Based on total on trade beer value

**HELPING US TO ACHIEVE HIGHER YIELD**

‘iDraught has enabled us to be much more fluid in terms of our draught offer on the bar by trading session, having the right number of taps of the product. iDraught has also reduced desk work at head office, providing the automated reports we need to take action and combined with the right training we have increased our yield by 2% overall at a 900 brewers barrel site.’

Anthony Pender, Yummy Pubs

**USE iDRAUGHT TO MAKE SURE BEER IS GOING IN THE GLASS AND NOT THE DRIP TRAY**
**MAKING CHOICES: THE ACTION**

**LACK OF INSIGHT PREVENTS GREAT BUSINESS PERFORMANCE**

iDraught ensures you get the best return from your draught products. Actionable data allows you to counteract profit pressures before they embed in your business.

**SPORTS EVENT IMPACT — ARE YOU WINNING?**

Recent major sporting events presented a great opportunity to grow sales and establish returning customers. On average 1 in 3 pints served during this period were dispensed through unclean lines.

**OPTIMUM TAP EFFECTIVENESS**

<table>
<thead>
<tr>
<th>Leased &amp; Tenanted</th>
<th>Managed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average Taps</strong></td>
<td><strong>Ideal Tap Count</strong></td>
</tr>
<tr>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>22</td>
<td>18</td>
</tr>
</tbody>
</table>

**AVERAGE NUMBER OF TAPS**

<table>
<thead>
<tr>
<th>Pub Type</th>
<th>Leased &amp; Tenanted</th>
<th>Managed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ale – Cask</td>
<td>3.9</td>
<td>4.8</td>
</tr>
<tr>
<td>Standard Lager</td>
<td>2.6</td>
<td>4.9</td>
</tr>
<tr>
<td>Premium Lager</td>
<td>2.3</td>
<td>4.3</td>
</tr>
<tr>
<td>Cider</td>
<td>2.0</td>
<td>3.1</td>
</tr>
<tr>
<td>Ale – Keg</td>
<td>1.8</td>
<td>3.3</td>
</tr>
<tr>
<td>Stout</td>
<td>1.1</td>
<td>1.5</td>
</tr>
<tr>
<td>Grand Total</td>
<td>13.8</td>
<td>21.9</td>
</tr>
</tbody>
</table>

**GET THE RANGE RIGHT**

‘The iDraught data supported further information we had to ensure we had the right number of draught products on each bar and that they provided the highest throughput and subsequent yield. This has enabled us to save money and improve the quality of our beer.’

Rupert Bagnall, Operations Director, Managed Houses, Wadworth

**HIGHEST DRAUGHT BY SPORTING EVENT**

<table>
<thead>
<tr>
<th>Event</th>
<th>Barrels Sold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sat.07.07: World Cup – Sweden vs England</td>
<td>12,000</td>
</tr>
<tr>
<td>Sat.26.05: Spring Bank Holiday Weekend, UEFA Champions League Final</td>
<td>10,000</td>
</tr>
<tr>
<td>Sat.14.04: Grand National, English Premier League – Tottenham v Manchester City</td>
<td>8,000</td>
</tr>
<tr>
<td>Sat.10.05: FA Cup Final: Chelsea v Manchester United</td>
<td>6,000</td>
</tr>
<tr>
<td>Sat.17.03: Rugby 6 Nations – England v Ireland, FA Cup Quarter Finals</td>
<td>4,000</td>
</tr>
</tbody>
</table>

**POOR QUALITY PINTS IN WORLD CUP 2018**

<table>
<thead>
<tr>
<th>Leased &amp; Tenanted</th>
<th>Managed</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>35%</td>
<td>28%</td>
<td>35%</td>
</tr>
</tbody>
</table>

**HIGHEST EARNING CALENDAR EVENTS**

<table>
<thead>
<tr>
<th>Event</th>
<th>Barrels Sold</th>
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<tbody>
<tr>
<td>Sat.07.07: World Cup – Sweden vs England</td>
<td>12,000</td>
</tr>
<tr>
<td>Thu.22.12: Mad Friday Before Christmas</td>
<td>10,000</td>
</tr>
<tr>
<td>Sat.26.05: Spring Bank Holiday Weekend, UEFA Champions League Final</td>
<td>8,000</td>
</tr>
<tr>
<td>Sun.24.12: Christmas Eve</td>
<td>6,000</td>
</tr>
<tr>
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<td>4,000</td>
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HOW DO YOU KNOW?

IF YOU DON’T HAVE THE SYSTEM, YOU DON’T HAVE THE INSIGHT

VIANET’S IDRAUGHT MARKET LEADING PLATFORM PROVIDES REAL TIME INSIGHT IN THREE KEY AREAS:
QUALITY MANAGEMENT
YIELD AND STOCK MANAGEMENT
IMPACT ANALYSIS ON INVESTMENT DECISIONS

It includes:
• Real time alerts on quality and yield issues
• Advanced analytics platform to review performance at estate, site, product and individual drink level
• Ability to track investment impact at site and product level
• Draught stock management
• Integration with all leading EPOS platforms
• Ability to integrate with your management workflows
• Supported with experienced operational team

UNLOCK YOUR PROFIT OPPORTUNITY WORKING WITH THE VIANET TEAM AND IDRAUGHT

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