



Case Study: Background, context and rapidly changing market conditions

Punch New Frontiers





RIALTO BACKGROUND, CONTEXT AND RAPIDLY CHANGING MARKET CONDITIONS

During Q4 2014 & Q1 2015 pub company Punch faced a watershed due to rapidly changing market conditions, a period of instability due to financial restructuring and changing customer dynamics. A greater focus on the customer together with increased innovation, competitiveness and collaboration were required at a time when building upon the best of the past must be delivered alongside a break away from historical, traditional and increasingly less effective customer, growth and business practices. Delivering a new set of and increasingly critical emerging strategic imperatives required all of its 400+ employees to step up to the challenge of superior/more focussed performance to achieve their vision to deliver the best pub hospitality for a new world, where better understanding of exceeding consumers' were needed to ensure stability and growth.

In parallel the new pressures on profitability due to the impending increase in employee costs from the introduction of the new national living wage required creating more innovative business, Human Capital and transformation solutions which go beyond the focus on cost reduction. The time had come to step up.

THE RESPONSE

A new generation of more effective transformation, leadership development strategies and capability enhancement imperatives needed to be shaped and executed in order to:

- | Deliver the shift in culture towards greater innovation, collaboration and customer focus
- | Design and execute an effective business transformation programme for all external and internal stakeholders
- | Increase the delight experienced by consumers resulting in footfall growth and increased sales and margin
- | Mitigate the impact of the forthcoming pressure on wage costs by broader means than just a focus on reducing the cost base
- | Ensure that 'business as usual' is removed from the vocabulary where necessary
- | Stay ahead of market trends, always alert to the very latest intelligence available

A joint collaborative transformation & leadership development project was therefore shaped and agreed between Punch and Rialto in order to secure the above imperatives.

PROJECT AIMS INCLUDED

- Delivering essential consumer and customer service requirements and genuine consumer centricity
- Delivery of a new Vision, Mission and BEST Values
- Having a broad field of vision and a multi-faceted response to the challenges of wage inflation
- Achieving an accurate appreciation of individual and team capability and capacity to deliver step up performance
- Definition and delivery of a set of solutions which encourages the delivery of performance excellence from every employee
- Working collaboratively in decision making, innovating and together improving the organisation
- Delivering the Transformation Project Plan to secure new business metrics as identified from the diagnostic phase
- Driving your inspiring messages, around all parts of the business, deep into the organisation such that the consumer benefits from targeted improvements
- Finding time to 'come up for air' in order to strengthen leadership capabilities and develop/embed new ways of working

THE CHALLENGE IN MORE DETAIL

From 2014 – 2015 Punch and the pub industry faced new and significant challenges from a number of quarters including more discerning, informed and demanding customers, the imminent implementation of legislation which fundamentally changed the relationship pub companies have with their tenants, a financial business model focussed upon debt management and (specifically in the case of Punch) the absence of a CEO role incumbent with the necessary leadership skills and support to drive the business through the necessary changes required.

One key growing market trend was a more discerning customer wishing to engage in a more multi-channel manner embodied in more sophisticated relationships with their service and catering providers. As such relying too heavily upon the 'wet lead' model of a traditional pub profile was significantly out of date, in need of innovation and more up to date and impactful solutions not only with food and beverage but also when considering the whole customer journey, experience and proposition.

“The process of engaging our employees behind the development of our business and cultural development strategy was facilitated excellently by Rialto. The combination of a questionnaire, in-depth one-to-one conversations with employees and focus groups has enabled us to capture both quantitative and qualitative insights, which were hugely valuable in the formation of our new vision, mission and values. Our Conference in November 2015 provided a fantastic platform to launch the outcome of this process to our entire employee base, signalling a positive change in our business and performance culture. The key was bringing our employees on the journey with us the facilitation and insights from the Rialto team has been pivotal to us achieving this.”

Jackie Burn, Group Human Resources Director, Punch

THE KEY NEW LANDSCAPE AND CHALLENGES

A key new challenge during this period for the business was the nature of its relationship with its Tenants (in the largest part of the business) who by virtue of the fact of not being Punch employees but rather self-employed, the emphasis was one of a working partnership where progress and change was delivered on the basis of mutual benefit for tenants as well and Punch.

Initially Rialto worked with the Group HR and Services Director to better understand and prioritise the challenges facing the business. As a result of this careful diagnosis using Rialto IP and key diagnostic instruments Rialto were able to accelerate the discussions of possible options for growing and developing the business fit for the new digital world which were shaped taking into account the diagnostic findings and the secret shopper findings.

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THE AGREED SOLUTION

Following the appointment of a new CEO in June 2015, a substantial programme of work was initiated in partnership with Rialto which accelerated clarity of the new business and marketplace trends. Enhanced and upgraded customer priorities and objectives were established and successfully executed on upon to take the business forward in a new digital world.

Circa 40% of the employee base of Punch (representing a diagonal cut of all levels and departments) participated in a bespoke business transformation, improvement, remodelling and engagement programme. The range of diagnostic activities included:

- | One to one conversations where managers were asked searching questions about current and future ways of working/objectives, culture and current/projected ROI
- | Diagnostic instrument completion covering a range of situations (on/offline)
- | Focus groups x 4 with up to 30 employees at any one group
- | Board strategic meetings x 3 to help review intelligence gathered, create and steer messaging to both customers and employees
- | Leadership training events and insight updates

The Rialto diagnostic instruments focussed upon:

- | Establishing and describing the current and preferred cultures together with a new target operating model described in a revised performance excellence framework such that this intelligence could be used to accelerate migration from one to the other effectively
- | Profiling the readiness for change, to establish to what extent the employees were ready to receive, adopt and implement the new ways of working required (and what strategies could be implemented which accelerated successful adoption of such required and collaboratively conceived change)

Rialto and Punch worked together with the business Senior Leadership Team taking shared ownership of the process and together reviewing the outputs from all of the interventions to determine a collaborative and high performance methodology for setting in place the necessary timed business transformation, improvement, capability development and alignment actions and how these were going to be measured.

During this time the Punch Senior Leadership Team had ensured that in 2015 many opportunities to grow the revenues and profits were taken, through the effective and efficient management of key operational managers and their head office counterparts and their teams who had remained loyal and committed to the objectives of the business whilst the new operating model was constructed.



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THE NEW TARGET OPERATING MODEL

As part of the robust discovery process a new world target operating model was created which has seen the delivery of:

- | A new brand focussing on **hospitality** – the word Taverns has been lost from the business which is now utilising Punch as the brand positioning
- | A refocus upon the tenants who are now positioned as the Punch **Customers** and the end user in each outlet who are now positioned as **Consumers**
- | The Punch HQ has been repositioned as the Service and Support Centre
- | Clarity & awareness of the new culture imperatives and how to migrate from the current to the required culture
- | Deeper insight into how ready/prepared team members are for change thereby structuring methodologies for how to make effective transformation take place as a business and within departments in a way which can be more easily digested
- | New Vision, Mission, Values created from the new operating model
- | New leadership behaviours & capability framework – Ways of Working embedded
- | Leadership development programmes were implemented for Heads of Departments and Regional Operations Directors which included focus upon sales, leadership behaviours, customer awareness, how to give feedback effectively etc.



“We are already making good progress delivering on the strategy we set out in November 2015. We have launched new operating models, renewed our focus on customer service and delivered improved support to our publicans”

Duncan Garrood, Chief Executive Officer of Punch Taverns plc

RESULTS

The financial and share price performance of the business have both seen improvement since the successful implementation of this project and the repositioning and step up performances of the leaderships teams including the adoption of a new business model and new operating divisions set up to be closer to customers.



DELIVERABLES & AWARDS RECOGNITION

A circa 25% increase in sales as a result of the remodelled business has been achieved together with a circa 30% increase in Punch share price over the life of this transformation project has been experienced (over a period where the FTSE100 has been in decline), enables many very powerful messages to be shared with the leadership communities in Punch that leaders make the difference, and how/what the step up to a different level of performance and engagement can deliver in terms of improved business metrics.

Example analysts’ consensus 12 months after this project quoted:

“As of today, the consensus forecast amongst 5 polled investment analysts covering Punch advises that the company will outperform the market. This has been the consensus forecast since the sentiment of investment analysts improved. The previous consensus forecast advised investors to hold their position in Punch.

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