Ford Consultancy Group Ltd

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Introduction

This report has been prepared to assess the likely performance of the Food & Beverage offers within a proposed new hotel and entertainment venue at 135-129 Shaftesbury Avenue, currently trading as the Odeon Cinema Covent Garden.

We have received an outline brief on the types of Food & Beverage that the venue is proposing to offer, and have validated our trading assumptions with the respective cinema and hotel consultants for the project.

The Food & Beverage provision is made up of the following elements:

Hotel Breakfast	06:30 – 11:00hrs
Hotel Restaurant	12:00 – 23:00hrs
Hotel Room Service	06:30 – 23:00hrs
Rooftop Bar	12:00 – 01:00hrs
Cinema In-Screen Dining	12:00 – 23:00hrs

Number of seats/covers has been based on 94 bedrooms and the floor plans from project architects Jestico & Whiles, (incorporating kitchen, back of house storage, and service areas for ground floor and lower ground floor) with minor adjustments for operational practicalities.

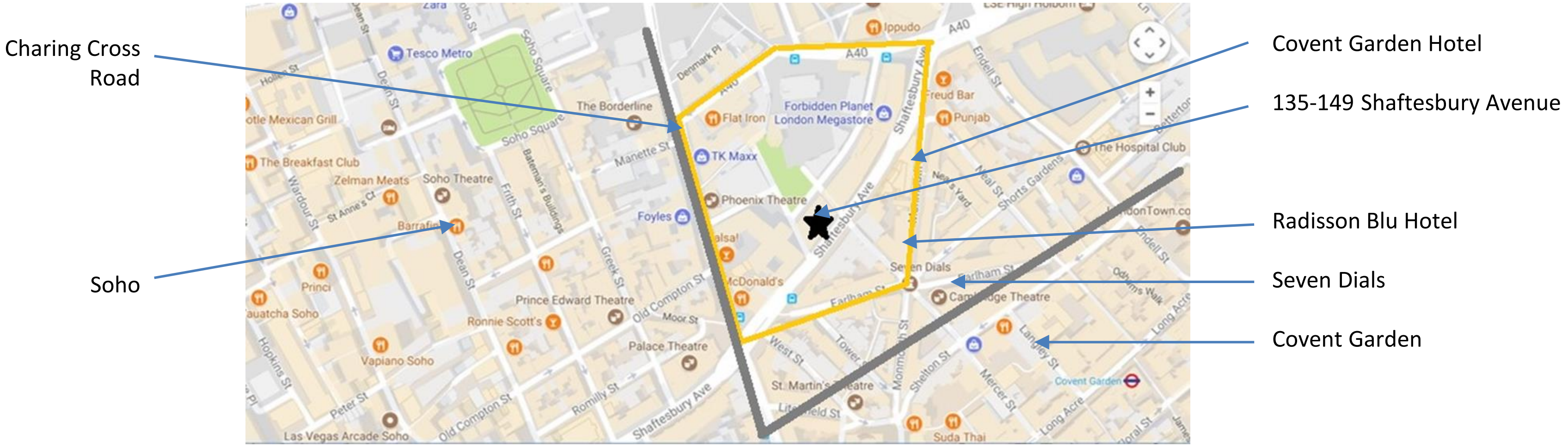
Location

Overview

The property benefits from a large frontage onto Shaftesbury Avenue, albeit at the quieter end of this main thoroughfare, and is surrounded by a high proportion of daytime retail outlets and commercial properties.

This particular section of Shaftesbury Avenue does not benefit from the high passing footfall of the area to the west of Charing Cross Road as it sits between the two main underground stations of Covent Garden and Tottenham Court Road and is not an obvious pedestrian route to any of the local amenities.

The orange highlighted area on the map denotes the property location and shows the physical boundaries of Charing Cross Road to the west and Seven Dials to the east beyond which lay Soho and Covent Garden respectively.



There is a lack of quality cafes and restaurants in the immediate vicinity, with the notable exceptions of Flat Iron steak house, Thai Square, and the in-house restaurants of the Covent Garden Hotel (Brasserie Max) and Radisson Blu Edwardian.

A much higher concentration and diversity of F&B operators is evident in both Soho and Covent Garden areas, attracting more destination traffic and natural footfall.

Location

Accessibility

The property has street level, public access to the front and services access to the rear. There are no ground floor windows to the side or rear elevations and restrictions on adding additional further glazing to the front.
Access is directly from the pavement and there is limited parking along the street outside, as well as taxi drop off points and nearby bus stops.
Both Tottenham Court Road and Covent Garden underground stations are around 5 minutes walk from the property, giving good access to and from the greater London area.

As the site sits between a run of commercial and retail properties, it does not benefit from a natural passing footfall in the evenings so requires ‘destination’ customers travelling specifically to the location. The property does not sit on a direct route to any of the local theatres either so fails to benefit from the overall draw of ‘theatreland’ enjoyed by operators in Covent Garden and Soho.

There are anti-social behaviour issues evidenced in the immediate vicinity, particularly in the area to the rear of the property known as Phoenix Garden and these may deter evening foot traffic from the area.

Physical Properties

The lack of ground floor entrances and windows means that any F&B offer will not benefit from a street-facing presence as a means of attracting and capturing passing trade. This lack of visibility will result in higher marketing costs to promote the venue and a greater reliance on the entertainment elements and hotel residents to populate the F&B spaces.
Marketing of F&B offers within the hotel would normally fall under the overall business strategy and overhead, but we have assumed independent PR activity to create specific awareness and drive footfall to the bar and restaurant at an additional cost of £25,000 per annum (PR agency contract) plus sundry costs associated with promotional activities.
This is more in line with the level of cost associated with a concession or licensed F&B offer operating independently within a hotel property.

Peer Business References

Cafes & Coffee Shops

All of the major coffee chains and several independents are represented within a 5 minutes walk of the property, although with the exception of the (members only) WeWork co-working offices, there is a lack of quality lounge spaces offering free wi-fi and good quality drinks and snacks so an opportunity exists for an accessible public space during the day.

High Street Restaurants

As highlighted above, the immediate vicinity is not as well served as the busier districts either side of it and the lack of suitable A3 properties on this section of Shaftesbury Avenue suggests that the profile is unlikely to change in the foreseeable future.
A lack of choice and variety in places to eat and drink prevents the locality becoming a true leisure destination as the business is driven from specific user groups i.e. cinema goers, hotel residents, local workers rather than benefitting from a wider catchment of leisure tourists and general public.
The upside of the somewhat isolated location is the enhanced opportunity to retain and capture the F&B business from hotel residents who may appreciate the convenience of a good quality, in-house offer rather than venturing out further afield.

Hotel Restaurants

Both the Covent Garden Hotel (58 rooms) and the Radisson Edwardian Blu (137 rooms) have substantial, high quality F&B offers that attract both resident and non-resident business.
The restaurants at these hotels, whilst owner-operated are given independent identities to increase their appeal to non-residents and provide disassociation from the bedrooms business.
As both a marketing tool and an opportunity to create independent selling devices, the benefits of a ‘stand alone’ F&B proposition would be highly recommended for the new site development.

F&B Proposition

Hotel Restaurant

Breakfast offers the greatest opportunity for capturing F&B spend from hotel residents (£16-24 local average pricing) as they are already in situ, and unlikely to leave the building without some form of sustenance.
Conversion rates from similar businesses are around 50-60% of sleepers.
The restaurant space needs to easily transition from breakfast through to lunch and evening trade, with the kitchen equipped and capable of delivering a suitably compelling offer with broad appeal.
The concept, pricing and service proposition should be in keeping with the quality of the bedrooms.

Room Service

Offering derivatives of the core restaurant menu and lobby bar menu, the room service proposition must provide the same quality of dining experience as the restaurant.
This provides an excellent opportunity to capture business guests, solo diners, early/late arrivals who may have travelled from abroad.

Rooftop Bar

Offering excellent views across theatreland and the West End, this venue could prove to be a valuable source of destination trade for the business as a whole. Servicing the needs of hotel residents, pre and post cinema-goers as well as leisure visitors, the bar has the capacity to trade strongly throughout the day and evening. We have included a limited food offer within the revenue calculations, assuming an all bar snack menu with premium snacks and light dining in the evening.

Cinema In-Screen Dining

The cinema will not have the ability to screen new releases in keeping with the larger cinemas in the area so will instead focus on lower-priced seats, quality of environment, and service to attract locals and higher than average occupancy rates.
Whilst the F&B offer for cinema-goers will be more convenience driven, the quality should reflect that of the rest of the F&B within the hotel and provide a step-up from mainstream cinema offers.
All food will be prepared from the main restaurant kitchen.

Assumptions

Hotel Occupancy & Sleeper Density

We have aligned with the hotel consultants for projected hotel occupancy rates and sleeper density across mid-week and weekends. This has been factored with the average breakfast uptake for similar hotels in the area of 55% to inform the restaurant and room service revenue in the mornings.

The Daytime and Evening covers is based on a mix of destination traffic, local business and hotel residents.

Average Spends

Restaurant ASPH has been benchmarked against similar styles of operation including; Hotel Indigo, Apex and M Gallery. Similar 4 star London hotel pricing: Breakfast £20.00 (excl. B&B), Lunch £27.50, Supper £33.00

Cinema

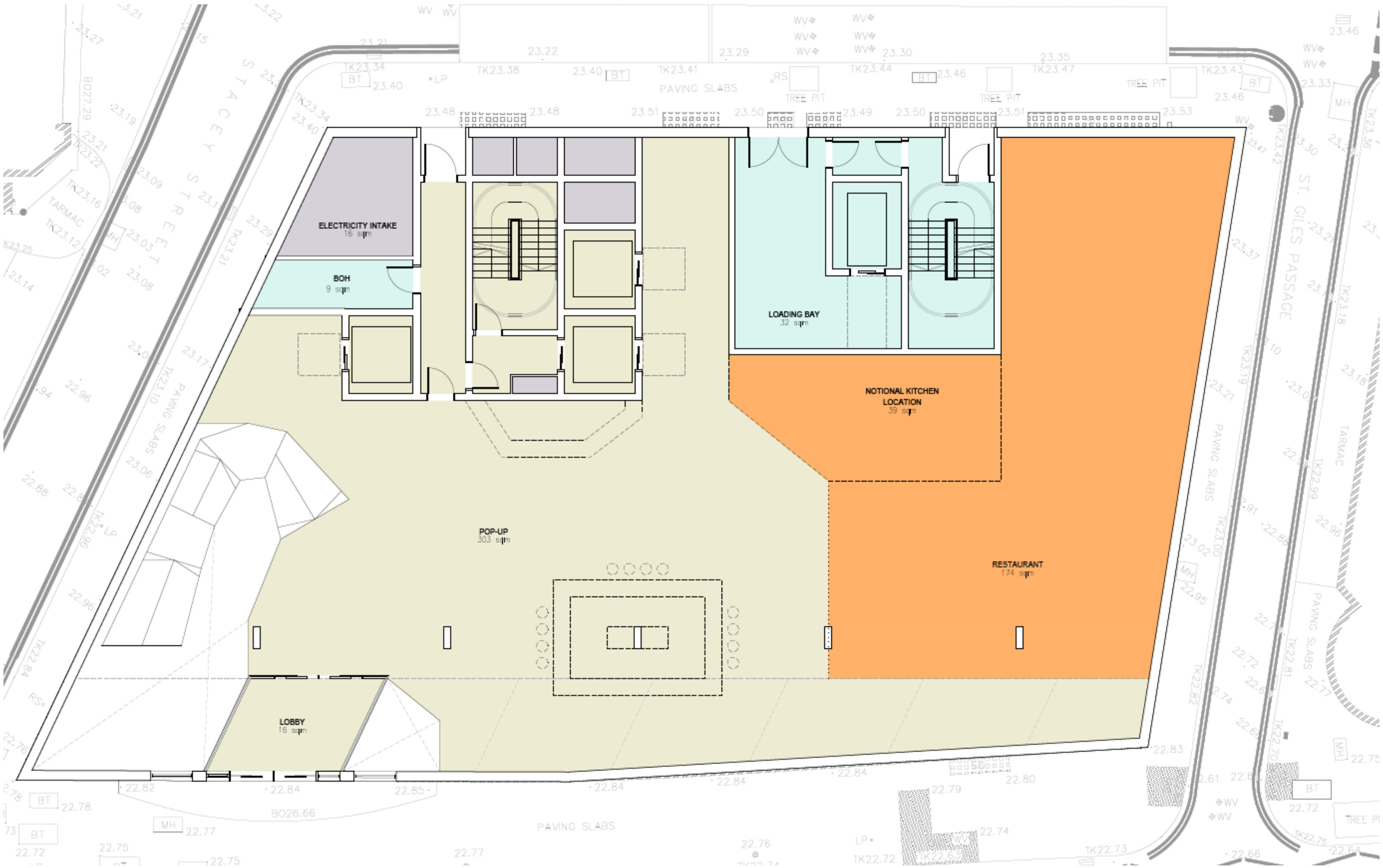
The cinema F&B spends have been provided to the team by an external cinema consultant and based on current trends in cinema-going audiences for a premium environment experience.

Capital Costs

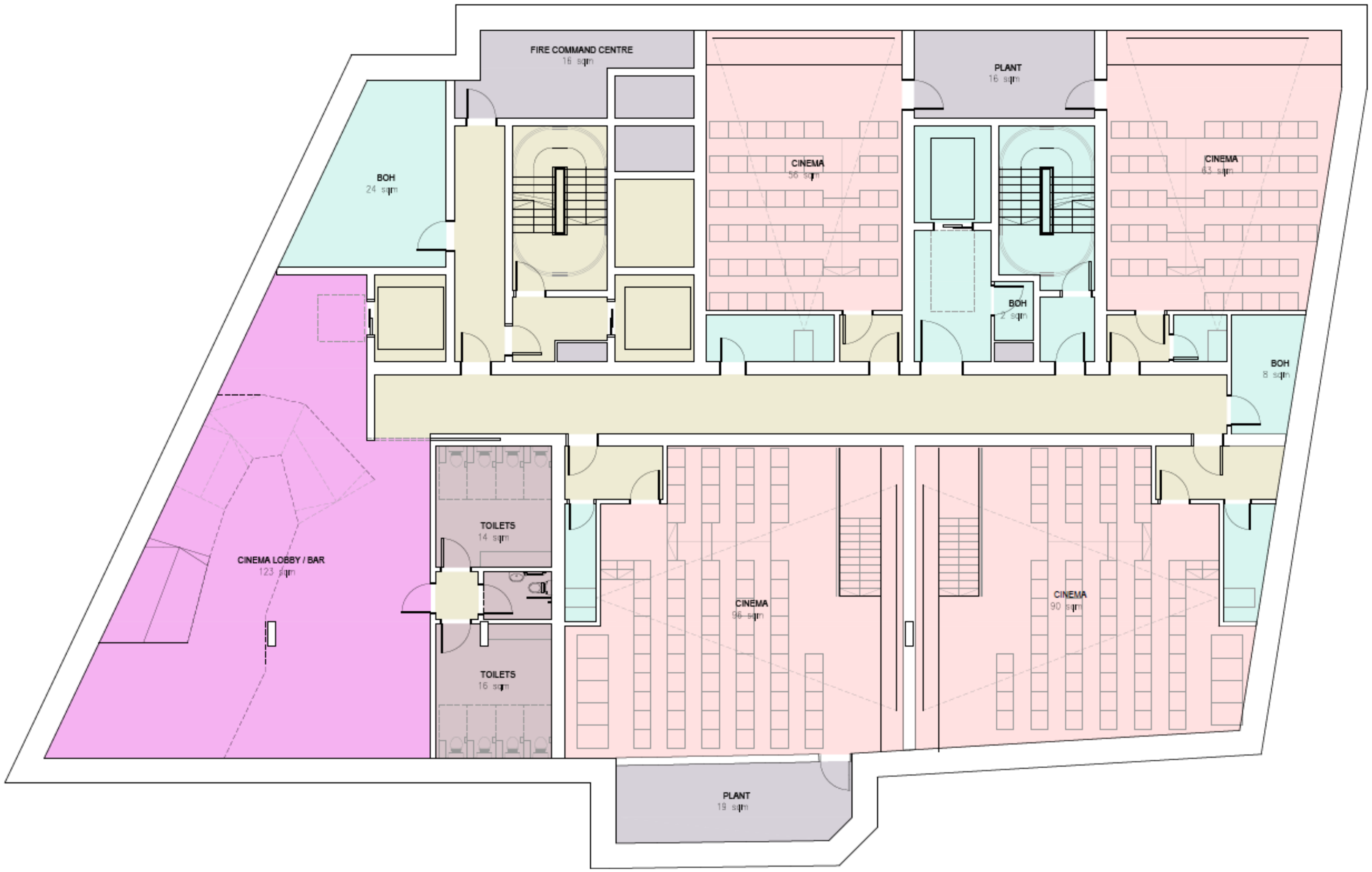
The following sums should be considered as part of the Capital Expenditure relative to the F&B operations:

Uniforms	£7,500
EPOS	£15,000
Light Equipment & Tableware	£20,000

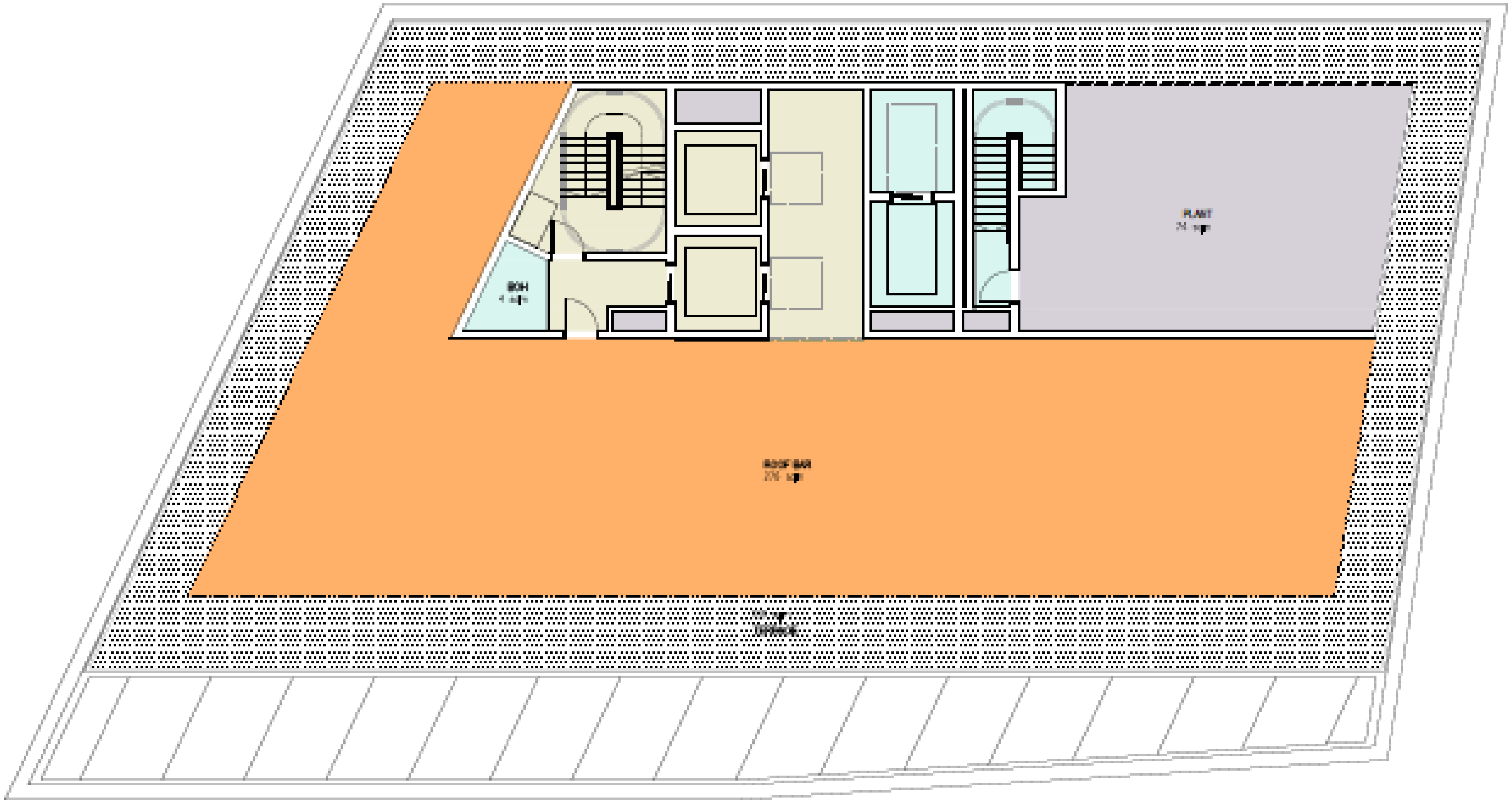
Ground Floor Plan



Lower Ground Floor Plan



Rooftop Floor Plan



F&B Revenue

135 Shaftesbury Avenue F&B			Revenue Breakdown			
Meal Period	**Day**	**Dept**		**Yr 1**	**Yr 2**	**Yr 3 on**
			net asph			
Breakfast	Mon-Fri	Restaurant	£ 16.50	£ 200,944	£ 214,518	£ 222,237
	Sat-Sun	Restaurant	£ 16.50	£ 124,220	£ 132,611	£ 137,383
Total Breakfast				**£ 325,165**	**£ 347,129**	**£ 359,619**
Lunch	Mon-Fri	Restaurant	£ 18.33	£ 255,650	£ 270,989	£ 289,958
		Bar	£ 11.00	£ 135,694	£ 143,836	£ 158,220
		Cinema	£ 4.16	£ 39,930	£ 52,708	£ 63,888
	Sat-Sun	Restaurant	£ 27.50	£ 183,091	£ 194,076	£ 207,662
		Bar	£ 13.75	£ 114,940	£ 121,836	£ 130,365
		Cinema	£ 4.16	£ 26,620	£ 35,138	£ 42,592
Total Lunch				**£ 755,925**	**£ 818,583**	**£ 892,684**
				£ -		
Afternoon	Mon-Fri	Restaurant	£ 18.33	£ 255,910	£ 271,264	£ 290,253
		Bar	£ 13.75	£ 90,994	£ 96,454	£ 106,099
		Cinema	£ 4.16	£ 19,965	£ 26,354	£ 31,944
	Sat-Sun	Restaurant	£ 18.33	£ 106,080	£ 112,445	£ 120,316
		Bar	£ 13.75	£ 57,470	£ 60,918	£ 65,791
		Cinema	£ 4.16	£ 13,310	£ 17,569	£ 21,296
Total Afternoon				**£ 543,728**	**£ 585,003**	**£ 635,699**
				£ -		
Supper	Mon-Fri	Restaurant	£ 27.50	£ 310,024	£ 328,625	£ 351,629
		Bar	£ 16.50	£ 503,665	£ 533,885	£ 587,274
		Cinema	£ 4.16	£ 139,755	£ 184,477	£ 223,608
	Sat-Sun	Restaurant	£ 32.08	£ 258,039	£ 273,522	£ 292,668
		Bar	£ 13.75	£ 126,915	£ 134,530	£ 161,436
		Cinema	£ 4.16	£ 93,170	£ 122,984	£ 149,072
Total Supper				**£ 1,431,568**	**£ 1,578,023**	**£ 1,765,686**
Total Restaurant				**£ 1,693,958**	**£ 1,798,050**	**£ 1,912,104**
Total Bar				**£ 1,029,678**	**£ 1,091,459**	**£ 1,209,184**
Total Cinema				**£ 332,750**	**£ 439,230**	**£ 532,400**
Total F&B				**£ 3,056,386**	**£ 3,328,739**	**£ 3,653,688**

P&L

135 Shaftesbury Avenue F&B		Annual Net Sales		
P&L		Yr 1	Yr 2	Yr 3 on
Restaurant Sales	55.42%	£ 1,693,958	£ 1,798,050	£ 1,912,104
Bar Sales	33.69%	£ 1,029,678	£ 1,091,459	£ 1,209,184
Cinema F&B Sales	10.89%	£ 332,750	£ 439,230	£ 532,400
Total Sales	**100.00%**	**£ 3,056,386**	**£ 3,328,739**	**£ 3,653,688**
Direct Expenses				
Restaurant Cost of Sales	27.00%	£ 457,369	£ 485,474	£ 516,268
Bar Cost of Sales	24.00%	£ 247,123	£ 261,950	£ 290,204
Cinema F&B cost of Sales	27.00%	£ 89,843	£ 118,592	£ 143,748
Total Cost of Sales	**27.00%**	**£ 794,334**	**£ 866,016**	**£ 950,220**
Payroll				
Staff Salaries	**38.40%**	**£ 1,173,652**	**£ 1,278,236**	**£ 1,403,016**
Operational Costs				
Staff Welfare and Training	1.00%	£ 30,564	£ 33,287	£ 36,537
Staff Uniforms	0.20%	£ 6,113	£ 6,657	£ 7,307
Recruitment	0.50%	£ 15,282	£ 16,644	£ 18,268
Crockery, Flatware and Glassware Replacement	1.00%	£ 30,564	£ 33,287	£ 36,537
Flowers and Plants		£ 10,000	£ 10,000	£ 10,000
Laundry and Linen	1.00%	£ 30,564	£ 33,287	£ 36,537
Repairs and Renewals	0.70%	£ 21,395	£ 23,301	£ 25,576
Printing and Stationery	0.20%	£ 6,113	£ 6,657	£ 7,307
Marketing and Promotion	1.00%	£ 30,564	£ 33,287	£ 36,537
Website Maintenance / IT	0.20%	£ 6,113	£ 6,657	£ 7,307
Total Operational Costs	**6.13%**	**£ 187,270**	**£ 203,067**	**£ 221,914**
Fixed Costs				
Rent	12.00%	£ 366,766	£ 399,449	£ 438,443
Business Rates	3.00%	£ 91,692	£ 99,862	£ 109,611
Service Charge	1.00%	£ 30,564	£ 33,287	£ 36,537
Refuse Charge	0.25%	£ 7,641	£ 8,322	£ 9,134
Utilities	1.50%	£ 45,846	£ 49,931	£ 54,805
Insurance	0.40%	£ 12,226	£ 13,315	£ 14,615
Bank Charges	1.50%	£ 45,846	£ 49,931	£ 54,805
Credit Card Charges	1.00%	£ 30,564	£ 33,287	£ 36,537
Licences		£ 2,500	£ 2,500	£ 2,500
Accountancy and Audit		£ 20,000	£ 20,000	£ 20,000
Total Fixed Costs	**21.39%**	**£ 653,644**	**£ 709,885**	**£ 776,987**
EBITDA		**£ 247,486**	**£ 271,536**	**£ 301,551**
		8.10%	**8.16%**	**8.25%**