This case was prepared by Professor Jeremy Hall of Saint Mary's University for the Acadia Institute of Case Studies as a basis for classroom discussion, and is not meant to illustrate either effective or ineffective management.

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1

 **PEDDLER'S PUB AND JJ ROSSY'S LTD**

**Introduction**

Halifax was well known for its nightlife, especially the bar and nightclub industry. As an owner of one of the city's most successful operations, Joey Ross managed to become a major figure in the bar business. Ross, along with his two brothers Jimmy and Dave, established Peddler's Pub and gained a reputation as industry leaders during the so‑called *fast and free* 1980's. In the 1980's the bar business was booming because patrons freely and frequently spent money. However, by 1994 liquor sales were down and people were more conscious of how they spent their money. Peddler's Pub sales of draft beer, the traditional industry staple, had been dropping 16-18% a year for the last few years. In their other operation, JJ Rossy's, sales had been fluctuating from month to month, and management knew something had to be done to stabilize the operation. One thing Joey knew for certain was that both places could not run themselves, and tight control, planning and strategy re-evaluation were essential.

**Demographics**

Halifax, a beautiful and historic harbour city on the Canadian Atlantic coast, had a metropolitan population of approximately 350,000 people. As a regional capital, the city offered more than most cities of this size. There were four universities in the metro area, with a total population of over 15,000 students. Halifax also had the largest military presence in Canada, about 12,000 jobs. The city drew a considerable tourist population due to its friendliness and mild summers. Finally, the downtown area of the city was quite small, and most of the bars were in walking distance from each other and the universities, military bases and hotels.

**Industry Analysis**

**Liquor License Board Regulations** - The bar industry was highly regulated and under the control of the Liquor License Board (LLB). All liquor was to be purchased through the Nova Scotia Liquor Commission, the distribution arm of the board. Consequentially, all establishments had the same liquor costs. Distributor promotions such as contests, free promotional merchandise and special event sponsorships were common, but discounts were not allowed.

To enter a bar, patrons had to be 19 years or older, unless accompanied by a legal guardian and have entered the bar before 8:30 pm. Management was responsible for ensuring this regulation and were responsible for verifying official Nova Scotia Liquor Commission (NSLC) identifications. The Liquor License Board had inspectors who verified the age of patron. If an underage patron was found in the bar, the establishment could be fined or lose their license. A significant difficulty with this system was the ease with which an underage person could obtain an NSLC ID. Although the NSLC issues the ID, the bar was still responsible for ensuring that it was valid and that the patrons were of legal age.

Legal occupancy was the only restricting factor in terms of capacity, and it was based on one person per 12 square feet of floor space. The LLB also had inspectors who verified the alcoholic content and volumes of alcoholic beverages to ensure that drinks were not watered down or under poured.

There were significant changes in the Liquor Control Act that brought the industry into the twentieth century. In particular, draft beer was made available for any license category, whereas before it was only available in beverage rooms. People under the age of 19 were permitted in bars if accompanied by a legal guardian before 8:30 pm, but were not allowed to have alcoholic beverages. This was good for bars that wished to accommodate food service to families, who were often surprised that their children could not enter a bar with them. These changes in the license were not easy for some bars that were not designed around the new regulations. According to these new regulations each bar was to have a designated dining area where place mats were required and games, such as darts, shuffle boards and pool table, were not allowed. This arrangement could interfere with the previous harmony of the bar design.

**Types of Bars** - Lounges were allowed to sell all forms of alcoholic beverages. Food service had to be available for at least five hours a day and at least 25% of the facility dedicated to food service. Hours of operation were 11:00 am to 2:00 am and between 12:00 pm and 2:00 am on Sunday. Beverage Rooms were authorized to sell beer and wine from 10:00 am to 1:00 am Monday to Saturday, and between 12:00 pm and 1:00 am on Sunday. The new regulations made it easier to obtain lounge licenses, which offered all types of alcoholic beverages, and therefore many traditional beverage rooms obtained lounge license. Cabaret licenses were available to establishments "*whose primary business is the daily providing of high quality entertainment...*" (LLB Act). Entertainment must be provided at least four days a week. All forms of alcoholic beverages were available, and the permitted hours of operation were between 11:00 am and 3:30 am Monday to Saturday, and between 4:00 pm and 3:30 am on Sunday. No new cabaret licenses had been issued in the past few years, and it was unlikely that there would be any new ones in the future.

**Products -** Draft beer could be purchased from the two local breweries, Moosehead or Oland's (a division of Labatts), and was generally the least expensive form of alcohol. Draft beer was allowed under all categories of licenses. Draft came from the same vats as bottled beer, but did not go through a pasteurization process, and therefore had a short shelf life. Imported draft beer was also available in some bars, but was more expensive. According to Chris Tzanteas, manager of the Argyle Street Bar and Grill, the perception of draft was that it was a poor man's drink. However, after studying the success of Toronto micro breweries, he concluded that draft was usually superior to bottled beer. Several brands of bottled beer were available through Moosehead and Oland's, as well as Western Canadian and imported breweries. Cans were available to a lesser extent. Wine could be purchased by the glass and by the bottle in up-scale establishments. Bar shots, or house brands, were the establishment's preferred, and usually low cost, hard liquor. Standard items included rum (white, light and dark), rye, scotch, gin and vodka. Premium liquors or premium shots, as the name implies, were generally the more expensive brands and rarely went on sale. Food service was available in most establishments, usually from opening until 10:00 pm.

Most managers agreed that the two main competitive factors in the industry were price and atmosphere. Atmosphere was composed of a variety of complex and often unquantifiable components. For the most part, atmosphere involved entertainment, service, cleanliness and the nature of the clientele.

**Entertainment -** The majority of bars had television sets, often tuned to sporting events, and played music of some sort. Some bars had live entertainment, such as rock, blues and jazz. Others had a DJ, catering to a dance audience, while others only had background music. A common complaint from both patrons and staff was that the music was too loud in many bars. Managers of these bars would have agreed, but would have also testified that it increased the tempo and improved sales. Some managers would play the music at low volume as part of their strategy; they wanted their patrons to be able talk to each other. Finally, some bars have tried comedy acts, but for the most part this has not worked in Halifax.

**Pricing Strategies - *The Draft Wars***- There were essentially two pricing strategies: discount and non-discount bars. Discount bars were those who cut their prices to near cost, offering a 12‑oz draft from as low as $1.00 at happy hour, and around $1.50 during regular times. This discount strategy created the so-called *draft wars,* in which several downtown bars fiercely competed for the high volume, price sensitive, draft drinking market. Some bars also discounted bar shots at certain times. Almost all discount bars had a cover charge. Non-discount bars sometimes offered a happy hour, but mostly sold liquor at standard prices, $3.00 to $3.50 for beer and shots. Many bars had reluctantly participated in the *draft wars*, and most managers would have preferred to stay out of this extremely competitive and low margin business.

**Cleanliness -** All bars were cleaned at least once daily, but some bars sustained more abuse than others - especially busy discount bars with heavy drinkers. Fixtures in discount bars also tended to be broken, and were usually less appealing than those in upscale bars.

**Service** was a major factor in the industry. Most waiting staff were paid the minimum wage plus tips, the latter being the significant part of the two. Because of this, tips were major incentives to maintain service. However, as volume increased, the ability of the server to cover their designated area decreased, so there was usually an inverse relationship between high volume sales and service. Wages earned by bar staff could be quite substantial. Working hours could also be relatively flexible, making the job quite attractive for employees, at least in the short term.

**Violence** - Heavy alcohol consumption and problems go hand in hand, especially violence. Almost all bars had door attendants who were responsible for checking IDs, preventing problems and "bouncing" patrons that could not be kept under control. There had been complaints of door attendants going overboard, as they usually did not take chances, moved in quickly and asked questions later. To deal with this problem, all bars had *Forceable Ejection Insurance,* which covered the bar up to $4,000,000 for legal liability. This was a major overhead cost for a bar. No claims had been made in Nova Scotia, but there had been cases in other parts of Canada. It was also important to note that there was an upper limit of liability. If legal costs went beyond this limit, then the owner was liable and could have lost the operation. A bar owner could also be held liable for the actions of their patrons if he/she allowed them to become intoxicated. For example, if a patron became drunk in a bar and decided to drive and was in an accident, then the bar owner could have been held liable.

**Cost Control -** Theft and spillage were problems in the industry, so cost control measures were critical. Inventories were taken regularly, and there were a variety of measuring mechanisms used in the industry. Cover charges were also an easily abused revenue source, as the door staff could allow people in without paying. Reliable staff were important, but ultimately tight control by management was the key to avoiding these problems.

**Video Gambling -** The joke in the industry was that a typical video gambler had a beer in his left hand, a cigarette in his right hand, and a callus under his right pinky. Once available in almost any retail establishment, video gambling was recently restricted to lounges and beverage rooms, five machines per license. This created both profits and problems. Bars could receive up to $20,000 per machine a year, and most owners admitted that the machines also increased the flow of traffic. However, players often did not buy anything else, and constantly asked for change or kept the staff busy without tipping. There was also the social issue. One manager described a case where someone put in $1600, an amount that he was sure the patron could not afford.

**Social and Economic Factors -** The economy, and increased awareness of health concerns have had an effect on the industry in the last few years. Drinking, at least in bars, was not considered a necessity, and most consumers had decreased alcohol consumption. Anti-drinking and driving campaigns, and health concerns regarding alcohol and second hand cigarette smoke also decreased demand. Although there had been a shift towards food and non-alcoholic beverages, turnover from these items was not nearly as high as alcoholic beverages.

Another important factor in the industry was whether the establishment was a freehold or leasehold interest. Under a freehold interest arrangement, the company shareholders owned the premises, and could refinance the operation according to market trends and standard banking practices. Leasehold interests were lease agreements between bar operators and landlords. Usually these were long term agreements, based on past interest rates. Besides being tied to lease agreements, the operators were stuck with leasehold improvements, making it even more difficult to walk away from an operation. Occupancy costs should be no more than 10%, with product costs around 50%, labour around 15 to 20%, and the remainder being administration.

**Start-up costs** - Getting into the bar business was not inexpensive. Potential owners needed about $500,000, and banks would only lend about 40% of this amount. Joey Ross estimated that this worked to about $100/sq. ft. Besides start-up costs, there were also licensing restrictions. To get a license, owners must have a clean record, and there could not have been any opposition from local residents. There was no government financial assistance for this industry, and there was little support from private financial sources. Banks would not lend money to potential bar owners unless they had a strong financial history.

**The Players**

**Your Father's Mustache** - *"Quality products, good service based on a reasonable price."* Your Father's Mustache had been in operation for three years. According to part‑owner Alan Creaser, it was started two months before the beginning of the recession. Patrons of the bar were mostly professionals and about 50% of their customers were between 30 and 35 years old. Half the business was on the weekends, and had been slightly seasonal with a decrease of about 10% in the summer. YFM used to focus on imported beer, but with industry deregulation had replaced this focus with a wide selection of hard liquor. For entertainment, the bar had a Karaoke show Wednesday to Friday evenings, and played at low volume CD's or the radio in the day. The bar's busiest time was Saturday afternoon with live blues music, and it claimed to be second only to Peddler's in popularity.

Service and quality were important for their success. The bar had a variety of healthy foods such as salads and pastas, and believed that customers would recognize quality. Promotion was also important for the organization, and management had been concentrating on a new marketing plan based on 'Neighbourhood Marketing - Food service marketing for the 1990's'. Eighty percent of the business came from within a ten minute walk. Management previously used to target the entire Metro area.

*The thing about the kiddie market is that it is fickle and based on price. They are with you one day, but will leave you the next for 10 cents. They are not loyal, it's based on volume and there is no money in it*

(Alan Creaser, Owner/Manager, YFM).

**Lawrence of Oregano's, My Apartment and Cheers Complex** - *"People always come back to Lawrence's, it's a cosy place to go."* Lahave Developments was among the big players in town, operating My Apartment, Cheers, and Lawrence of Oregano's, formerly a beverage room, now a lounge. This complex was collectively known as the Liquor Dome. Lahave developments also owned the Five Fishermens' Restaurant, the Grafton Street Dinner Theatre, the North End Beverage Room and some operations in Bridgewater. However, all operations were run independently. Lahave Developments also operated the lounge Rosa's Cantina, which closed down after a few highly publicized incidents of violence.

Lawrence's was one of the older establishments in the downtown area, and had gone through many expansions. The bar had three sections, and it shared a well‑equipped dance floor, known as the Atrium, with My Apartment. Most areas of the bar were well ventilated. Deregulation had given customers in Lawrence's unrestricted access to Cheers and My Apartment. However, management had made an effort to keep the atmosphere of the three bars separate. Lawrence's was still primarily a tavern, while Cheers and My Apartment were to maintain a lounge atmosphere. The average age of Lawrence's customers was about 25 years, with students and young professionals in the majority. Cheers and My Apartment had an older clientele. The bars had some live music in the Atrium and Cheers, and played high volume music in the other sections of the bar in the evening. There was also a cover charge of up to $4.00 for entry.

The complex was busiest in the summer and around Christmas time, when Nova Scotians, who have left the province come back for vacations. Management believed that the key to success was repeat business, and tried to focus in this direction. Lawrence's was a "draft war" combatant, but withdrew from that market. The draft wars did cause some casualties - increased fighting and a decrease in service, both of which had been addressed. Bouncers were no longer as intimidating as they used to be, and started to carry radios in order to respond quickly to fights. Lawrence's recently improved and expanded the food line, in response to having a reputation for a bland menu. However, management kept food and liquor prices low.

*Lawrence's has history - it's a cosy place to go. The food looks and tastes good - it doesn't look like typical tavern food* (Tracey Aker, Day Manager, Lawrence's).

**Jerry's Pub** - *"Looking after the customer, not towards them."* With an average customer age of about 22 years, Jerry's attracted one of the youngest evening crowds in Metro. Students comprised most of this crowd, although management believed that this was decreasing. Jerry's was a major participant in the draft wars, but wanted to change their pricing strategy, and get away from draft as the main product focus. Formerly a part of the Palace complex, Jerry's had been under new ownership since January 1992, and the three owners had been satisfied with the financial performance. DJs played top 40 dance music at a high volume, and the bar had a large, high ceiling dance floor.

*We are not in it to be millionaires - If we can offer them a fair price and a good product, we'll be happy. People are using the size of the glass as a marketing tool, constantly decreasing the volume in the glass [while maintaining the same price]. It's a very fickle market - Price wasn't as big an issue ten years age* (Joe Keeping, manager, Jerry's Pub).

**Thirsty Duck** - *"Still a neighbourhood bar."* Located on Spring Garden Road and in operation since 1986, the Thirsty Duck was owned by a group of doctors and lawyers, but was run by a professional staff. Fifty percent of the Duck's customers were between 35-40, with a high percentage being female patrons. However, management tried to target everybody and anybody by offering "*...half decent prices and service; let the people choose if they want to come back...*" (Stan Ingram, assistant manager, Thirsty Duck). A comfortable bar, it had one of the lowest staff turnovers in Halifax. It also had a great sun deck, dart boards, a shuffle board and television sets, usually tuned in to a ball game. Management avoided video gambling as they believed it to be too much of a hassle. The music varied, but was always played at a low volume which made making conversation easy. Occasionally, the Duck had live music but never a cover charge. The bar had happy hours at various times, although the prices were only marginally reduced. "*People who think that they are getting a good deal tend to overdrink, then you have to baby sit them*" (S. Ingram).

Management perceived everyone to be their competition, but were also confident in their competitiveness. "*If a bar opens up around the corner, it's good for business, it increases the traffic* " (S. Ingram).

**Brandy's Cafe & Lounge** - Affiliated with the Keg chain of restaurants, Brandy's was the only nationally franchised bar in the downtown core and maintained an image as a late night spot. The clientele consisted mostly of students and young professionals, but the latter had decreased due to the recession. Therefore, management targeted students as their primary customer base and hoped to build up a reputation as the "Dal Bar" through cooperative ventures with Dalhousie University varsity teams. Brandy's main competition came from the "Liquor Dome" and JJ's, but they tried to distinguish themselves from these bars by having a higher level of service and atmosphere. The bar was also smaller than both, with a legal capacity of 219.

Brandy's was a dance bar, and played high volume top 40 music, although not exclusively. "*We believe that you can have fun without playing Bobby Brown, rap and top 40 all the time* " (M. Morgan). A cover was charged Thursday to Saturday. Thursdays were one of their most popular nights, when shots sold for $1.75. The bar had an early evening happy hour as well, from 4:30 to 8:30, while food averaged about $6.00 an entrée. Video gambling was available on the premises. As a franchised operation, Brandy's was obligated to abide by a standardized system and had little control over supplier relationships. Cost control was the only controllable factor. As the bar was located uptown, the tourist traffic was minimal. However, it did get some of the Palace traffic, people who would rather not wait in line at the Palace Cabaret, which was just around the corner.

*We are great believers in that prices are not the top priority - we still use premium liquors - service and quality are key to our success.* - Marion Morgan, Manager, Brandy's Cafe & Lounge.

**Argyle St. Bar & Grill** - *"It's the details that count."* A newer bar in the city, Argyle St. Bar was built on the former Bogart's Bar building, which burned down a few years before. Management tried to change the image completely, including entirely new staff. Management was continuing to build up the business by focusing on the upstairs part, which included both a bar and restaurant. Once this was established, management was to concentrate on the lower level dance format.

Chris Tzanteas, the manager of the bar, took Toronto trends and applied them in Halifax. When he and the owners designed the bar interior, they used dark wood fixtures and cut glass windows which complemented the dimly lit bar. It had a unique and expensive draft tower, a pizza oven, windows that open like garage doors and tiled washrooms. The dining room had table cloths that one could write on. Glasses were chilled and customers could run a tab, as opposed to making patrons pay per order. Cleanliness was critical. "*If the washrooms are not clean, what would the kitchen be like?*" (C. Tzanteas). Management liked to do things differently and create word of mouth opportunities. Mr. Tzanteas went as far as purchasing customized umbrellas, lending them to customers when it rained.

*I consider this a bar; not a lounge, not a tavern; a bar. Anything you want, I can give you. Fresh squeezed orange juice, import draft, margaritas, non alcoholic beer, you name it. It's a better than average tavern. The market is more sophisticated... people are not looking for fine dining, they are looking for a great meal at a good price - value for the dollar* (C. Tzanteas).

Value for the dollar in this case meant an average entrée price of about $7.00, with bottled beer and shots selling for $3.50. Draft goes for $2.74 for a 13‑oz glass.

Next store to the Argyle St. Bar and Grill was the Graduate, which was owned by the same people, but operated quite differently. The bar participated in the draft wars by selling a twelve‑oz draft for $1.75 - all day, unlike their competitors. It had a large, airy solarium in the back but one had to go through a front section where the video gambling machines were kept. This area was usually occupied by gamblers and tended to be very smoky. This was in contrast to the Argyle St. Bar, where the videos were kept in a well concealed corner. The Graduate clientele were gamblers in the day and students at night, when the solarium turns into a dance floor. The bar also had a big screen projector in a middle section for sports.

**Maxwell's Plum** - *"Nobody is focusing as much as we are."* According to co-owner-operator Scott Little, Maxwell's Plum had the largest selection of single malt scotch and imported beer in Metro: 21 single malts, three blends, one Irish whisky, five imported draft and dozens of imported bottled beer. Importing so much does have its drawbacks, especially cash drain, as payment was due before delivery for special orders through the NSLC.

The atmosphere of the bar could be best described as traditional - the focus was on a large, well stocked bar with dark hardwood fixtures. Most of the time management played low volume music from a selection of 200 CDs and live jazz on Sundays, without a cover charge. "*We want people to be able to talk to each other and be comfortable*" (S. Little).

**O'Carroll's Piano Bar** - *"Very Much a Peoples' Bar."* Mr J. O'Carroll, owner and operator of O'Carroll's, had been operating the bar and the attached restaurant since 1982. Before this he operated several establishments in the United Kingdom and Ireland. One of the only piano bars in Nova Scotia, the clientele were in their mid 30s-40s. The music was from the 1930's through the 1960's, with some Celtic music at night, all of it at low volume. The goal was to have good service, a pleasant staff, a clean premises and a good atmosphere. Although the business was steady year‑round, the summer was busier due to its location near historic properties.

Mr O'Carroll's management style and tight control had been his keys to success. "*It is very important to be involved - to control all aspects of the business"* (J. O'Carroll). He believed that pleasure can be gained from giving people pleasure - "*There is no point in doing something unless you enjoy it*" (J. O'Carroll). He instructed his employees to put themselves in the place of the customer, and "*treat them the way you want to be treated*" (J. O'Carroll). The complex, restaurant and bar, was on one level and gave Mr. O'Carroll the ability to keep his eyes on the entire operation at once. Finally, he was against video gambling, and did not have any machines in spite of the profit potential.

**Salty's Bar and Grill** - *"A relaxed atmosphere, good prices and great food, not to mention the superb view."* Formerly the Clipper Cay Bar and Grill, the bar and adjoining restaurant recently changed ownership. Located on the waterfront at historic properties, the restaurant was one of the highest priced in the city. Most of the business was in the summer, with the increased tourist traffic. Management were in the process of increasing the patio space for the summer, making it one of the few places with an outdoor harbour front location.

Salty's offered live jazz and blues without a cover charge. Service and food quality were the main factors in the business which had been the trade mark for the restaurant upstairs. A unique feature of this bar was that there was really no standing room, giving the bar more of a restaurant atmosphere. With the changes in the liquor laws, the bar started selling Alpine draft for $2.25 a glass (12 oz), but was re-evaluating this price.

**Lower Deck Pub** - *"A Good Time Pub."* Located in a 225 year old building in Historic properties, Lower Deck was opened in 1975. It was one of several operations recently purchased by an organization that also owned the Upper Deck (an upscale restaurant above the Lower Deck), A.K.'s Restaurant (formerly Alexander's Tavern), Papa Gino's Restaurant, the Pickadilly Bar, McCaskels Restaurant and Pictures Restaurant.

Management made an effort to maintain the traditional pub atmosphere - they did not sell hard liquor, even though their license allowed them to do so. Draft came in a mug, which was sold at a premium price ($3.30 for 14 ounces). Management conducted studies that proved people do not mind paying premium draft prices if it was in a mug, and therefore could avoid the draft wars. Their clientele were heavy drinkers, but management was not afraid to cut people off, and rarely had fights. Their biggest problems included stolen and broken mugs.

Lower Deck had live Irish and Folk music most of the week, with a comedy routine on Saturday afternoons. The bar had bench seats, which forced patrons to interact with their neighbours, and the staff dressed casually in tartan shorts. The bar was loyal to Keiths, and the brewery helped them out whenever possible. The food was consistent with mainstays that had been on the menu for years. Video gambling was available, although considered a hassle by the bar staff and manager. The pub was somewhat seasonal, busier in the summer, and had a large patio on the docks near the Bluenose schooner. If the hotels were busy, then so was the Lower Deck.

*It's an historic bar with slate floors and wooden tables. You can slam your beer mug after you're done. People who come to the bar have a good time, let off some steam - and drink* (George Conrad, Manager, Lower Deck).

**The Studio** - *"Everybody's welcome here...it works."* A common fixture in The Studio was a pink triangle, a potent symbol to the gay and lesbian community. During World War II, the Nazis tried to exterminate gays in the concentration camps, along with Jews, Gypsies, Communists and other groups who were considered "undesirable". Each group had to wear an identification symbol on their forearm, the six pointed Star of David for Jews, and a Pink triangle for homosexuals.

The Studio was the only bar in the down town core to cater to gays and lesbians, with gay men comprising about 80%. Most patrons were between 25 and 30 years old, and most business was generated between 10:00 pm and 2:00 am. Rumours, a private club on Gottingen Street, was their sole competitor and had the bulk of the lesbian market.

Although the gay and lesbian community was the backbone of the business, management had made an effort to keep an open atmosphere. On weekends the clientele were evenly split between homo- and heterosexual patrons. The bar has had no problems with gay-bashing or violence since opening. "*A lot of people who have come here have a much better opinion of the gay and lesbian community*" (Dan Joseph, owner of The Studio).

The Studio was a dark bar with hardwood floors and neon lights. A noticeable feature was the lack of seats - only about 50, even though there was a legal capacity of 200 people. Music was an important aspect of the business - the Studio had a large dance floor and played "Euro Beat", "Techno", "House" and material that nobody else played. The bar had a cover from $1.00 to $3.00; a "Looney Hour" when they sold shots and 14 oz draft for $1.50, and a happy hour price of $2.75 (shots and bottled beer). Regular prices were $3.00 for draft, $3.25 for shots and $3.50 for bottled beer.

The bar had been successful in a location where others failed, including Bleachers, a discount bar, and Yuk's, a franchised comedy club. Plans included the opening of a gay and lesbian bar in New Brunswick.

**Birmingham St. Bar & Grill** - *"Catering to every need is what it is all about".* Located in the fashionable Park Lane Mall, the Birmingham Street Bar and Grill was known as an innovator in the upscale market. Mostly a restaurant, there was a small bar that played jazz, the first to do so in Metro. Management constantly changed the menu, giving customers above average variety. The main reason for this innovative strategy was to avoid competition.

The bar tried to cater to everyone from "suits to students", although 70% of the business was between 35 and 40 years. It was busiest on the weekends, between 7:00 and 11:00. Liquor prices were above normal - around $4.00, and the bar had a happy hour when the prices were $2.50. There was no video gambling or draft.

**The Palace** was the only cabaret in Halifax, and brought in big name musical acts and charged admittance accordingly. It had two levels, the upper floor being a balcony, with the stage as the focal point. Most of their business was late at night, as the bar was allowed to stay open an hour after most other bars.

**The Midtown** was one of the oldest taverns in the city and, with the exception of prices, had not changed in years. Its charm was that it remained the same: its innovation was being non-innovative. The Midtown sold food and mostly draft and refused to sell shots. The bar did not have discount beer or long hours, but did have a lunch special and a famous steak.

The Midtown was a favourite "jock" bar. The owner and staff, who seemed to have been there as long as the fixtures, could field any sports trivia. For the longest time the bar was frequented by men only and there was no women's washroom. Legislation in the 1970's forced them to convert the staff washroom behind the kitchen into the Ladies room.

**The Seahorse** was another older bar in the city but it had gone through several changes and had become a late‑night gathering spot. Most recently it could be considered an alternative bar. The recommended dress code was anything black and well worn. Hard liquor was not available and draft beer was the main product.

**Meryll's** was a new operation located in the recently renovated Meryll Lynch building. The owners previously operated Scoundrels, a full service late night club located across the street. The bar had a good operation with a clientele that consisted of students and military personnel. Whether that success could be carried across the street, especially with a much greater overhead, was not known.

**Peddler's Pub and JJ Rossy's**

Peddler's was one of the most well‑known bars in the province, and famous for their Saturday afternoon matinee. The bar had a loyal following and management tried to maintain the same atmosphere, even though they had gone through several expansions. Management had also been shrewd in business, taking advantage of leasing opportunities when available. According to Dave Ross, "...*you won't find a more profitable bar, and you won't find a better lease.*"

Peddler's was opened in 1980, with a 10‑year lease and a five‑year option. After some friction with the landlords, Halifax Developments Ltd, the management thought that it would be more lucrative to buy and move Peddler's to a location across Granville Square. In 1987, the Ross brothers purchased a 22,000 square foot building for $750,000. Meanwhile, management changes at HDL improved relations, which in turn led to a lucrative expansion and a favourable lease agreement. Thus, the Ross brothers had a profitable and stable operation in Peddler's, and a potential money maker with the new property, which became JJ Rossy's in 1987. The combination of good credit and strong negotiating skills led to the financing of JJ's without securing the assets of Peddler's.

**Operations** - When combined, Peddler's and JJ's employed over 150 people, 50 of them full time, with an annual payroll of over $1,000,000. Both bars offered food and full bar service. Peddler's, being the older, had a very small kitchen that had not changed much over the years and was located behind the bar. JJ's kitchen was in the basement and was the epitome of a modern kitchen. Ironically, it was Peddler's that was the most efficient, and if one considered the size, it was probably the most efficient kitchen in the province.

**Purchasing** ‑ As one of the largest operations in Atlantic Canada, Peddler's and JJ's received special treatment from suppliers. The two bars purchased 8000 T-bone steaks a month, which in turn allowed them to offer their customers an excellent steak for less than $5.00. Management could also demand consistency from suppliers. For example, all steaks had to be less than an inch thick, otherwise it took too long to cook, but not so thin as to offend customers. This was consistent with their quality control strategy. Finally, management had an excellent relationship with Moosehead, a local brewery. This relationship was primarily for promotions, as all bars still had to purchase alcohol through the NSLC at standard prices.

**Product Focus** - "*Food and booze goes hand in hand. People get drunk once a month now - the future is in food*" (D. Ross). Traditionally Peddler's and JJ's were focused on the draft market, but had shifted towards food. Unfortunately to increase profit by $15,000 per month, food sales would have to be increased by over $1,000,000. Therefore, long term growth could only be achieved through increased space. The target market for Peddler 's was also broad, although the customers would get younger as the hours passed. The new regulations had also helped the bar, especially those that have made it easier for families. JJ's target market was the high volume, price sensitive under 25 segment.

**Innovation** - Besides the radical pricing strategy, the Ross brothers had introduced several unique innovations. For example, Peddlers was the first to use cow tenderloins. They were as tender and tasty as that from a steer, but much less expensive. They were one of the first bars in the province to have metered draft, shots and pop, and developed an effective total inventory control system. Finally, they developed their own payroll and personnel systems.

**Success Factors** ‑ Quality, service and consistency were the three main success factors. Consistency, was the cornerstone to quality assurance. Joey had a policy where everyone was responsible for maintaining consistency. He expected all food orders to have the same amount of food and to be delivered within a relatively tight time frame. For example, if a meal had fewer fries than the last time or it took 10 minutes longer patrons would feel cheated or think that the service had slipped . This was the type of inconsistency that turned customers away. At Peddler's, customers knew what to expect and would have been disappointed otherwise. When it came to service, Joey was quick to recognize that his customers were spoiled. He thought they did not appreciate the effort that went into delivering restaurant quality food at fast food prices.

Dave claimed that the secret to Peddler's success was the atmosphere which had evolved over 14 years. The bar was clean and bright and the staff were friendly and casual. They had few promotions: they were not needed. They sold Coke in a can "*because that's the way customers want it*" even though they sold fountain pop in JJ's (D. Ross). Peddler's also did not have video gambling. The bar had one of the highest liquor prices in town, $3.20 for a 12‑oz draft and $3.50 for shots and bottled beer, and people did not care. When asked why another bar could not copy their success Dave had no quick answer.

JJ's, on the other hand, was the industry low‑cost leader - "*the price club of bars*" as Dave Ross put it. He knew the price sensitivity of the bar and fully realized that the slightest increase could cause a steep decrease in business. As a major player in the draft wars, Dave was the first to admit that most of the younger market was spoiled by cheap prices. "*If we up the price [of our draft] by five cents, 1,000 people will run up the street. We will never go into business like that again*" (DR). In spite of this, JJ's remained a major student bar in the city. It was big enough for large gatherings, and offered excellent value for students on a tight budget; on a Thursday night one could get a Chinese dinner for a dollar, draft for between $1.00 - 1.50, and shots for around $1.50. Similar deals were on other nights; Tuesdays had a quarter‑chicken special and Wednesdays had an Italian special.

The layout of the two bars strongly contrasted each other. Peddler's had one level with a patio that could be used in the summer. JJ's had three stories and a small patio, with draft being the main focus downstairs and shots upstairs. The upstairs also had a dance floor where they played top 40 music in a night club atmosphere. All three floors were dark and carpeted, with a modern design in a building of historical significance. JJ's was actually two bars, the upstairs officially being Shooters. This area was set up to accommodate the previous liquor laws. This meant that they had two licenses and were allowed to operate 12 video gambling machines with a potential yearly profit of $200,000. The second level bar was usually the busiest late in the evening, when patrons were attracted to the dance floor. This sometimes caused over-crowding and line-ups as people crowded around the dance floor, while the lower level was unoccupied. Unfortunately, the line-up was started outside the lower level which often did not appear busy and this in turn often annoyed patrons.

JJ's had gone though several growing pains other than the bruises from the draft wars. The menu was too extensive and unfocused and there was the occasional fight. There was also the perception that a nightclub cannot serve good food, and therefore was not known as a place where one could get lunch. However, their primary problem was the unpredictable and erratic cycles of the bar. When they opened, they made $200,000 in the first eight months of operations, but lost $200,000 in the next six months. Slow reaction to staffing, sales fluctuations and costs provided an expensive business education. Although reaction times increased, they still had problems maintaining a profitable clientele and sales continued to fluctuate. They banned cellular phones and pagers, often tools of the drug trade, when the clientele became undesirable. "*It's not the bar owner who decides what is a good crowd, it's the customers, (through support) who tells the owner*" (JR).

Although JJ's was profitable, management wanted to figure out some sort of strategy that would stabilize the operation, much like Peddler's. They also knew that the success of Peddler's was established in the 1980's when, unlike the 1990s, one could afford to make a few mistakes. However, they were in the business for the long term, and they were quickly reducing the debt. As they owned the building, they looked at the operation as an investment, even though commercial property values were depressed and vacancy rates were high. Finally, as Joey put it: "*It's not the building that costs; it's the business.*"

 **Table 1 - Competitive Factors**

 (From 1993 survey)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | YF's Moustache | Lawrence's | Jerry's | Maxwell's | Salty's |
| Target Market | professionals, 25-50 years, 50% between 30-35 years | Students, professionals | Students at night, civil servants, professionals, tourists in day. | General | Professionals, tourists, 50% is between 35-40 years |
| Peak Times | Wed -Sat 9-2: am, lunches & early evenings | Wed-Sat 9-close, lunches, early evenings | 9:00-close, weekends, lunch | 7:00-close, weekends, lunch | lunch, early evenings, summer |
| Size Seating Legal Cap. Washrooms Av. Staff | 1804/56-7 | 1827204w/5m? | ?2205w/4m12 | 951143w/4m4 | 1501502w/3mn. av. |
| Product Focus | Full bar | Draft, Full bar, food | Draft & food | Import beer, premium scotch | food, complete bar |
| Ownership | 3 owners (two are managers) | Corporation | 3 owners 2 are also operators | 2 owners /operators | 2 owner-operators |
| Perceived Competition | Thirsty Duck, Lower Deck, Bir'm St, Split Crow, Lawrence's | J.J's | JJ's, Graduate, Secretaries | Thirsty Duck | Lower Deck, O'Carroll's. |
| Vid. Gambling | Yes | Yes | yes | yes | no |
| Av. Entrée Price | $5.50 | $4.50 | $4.50 | $4.50 | $7.50 |

**Table 1 (cont’d)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Lower Deck | Peddlers | JJ's | O'Carrolls |
| Target Market | Military, students, professionals tourists | Everyone, 25+ | Day - professionalsNight- 19-25 = 100%, students | Military, civil servants, professionals, tourists, 30-40 years |
| Peak Times | weekends  | 12-2pm, 4:30-9:00, Saturday afternoon  | 12pm-2:00pm, 5-7, 10-2am, weekends  | lunch, weekends 9:00-close |
| Size Seating Legal Cap. Washrooms Av. Staff |  2421002w/4m16 | 3003004w/7m20 | ?10506w/7m20+ | 781002w/2m10 |
| Product Focus | Draft (in a mug) | Food and booze | Food & full Bar | Hard Liquor, wine, bottled beer |
| Ownership | Limited corp. | 3 brothers-operators | 3 brothers-operators | Single owner-operator |
| Perceived Competition | Duck, Your Father's Mustache, Split Crow, Peddlers | Duck, Your Father's Mustache, Split Crow, Lower Deck | Jerry's, Liquor Dome, Graduate, Lower Deck, Scoundrels | Argyle St, used to be Middle Deck. (Spring Garden too far away |
| Vid. Gambling | yes | no | yes | no |
| Av. Entrée Price | $5.50 | $4.50 | $4.50 | n. av. |