

November 2019

**Pubs Code Adjudicator – Tied Tenants
Survey 2019 Research Report**

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1. Executive Summary

This report presents the 2019 results from the Tied Tenant Survey commissioned by the Pubs Code Adjudicator (PCA).

In 2017, the PCA identified a need to understand the experiences of tied pub tenants in respect of their relationship with their pub-owning businesses and to understand any issues that may be present across a range of aspects relating to the Pubs Code. A baseline telephone survey was conducted with follow-up qualitative depth interviews to help explain the survey findings. This approach has been repeated in 2019, to further validate these findings and to monitor progress between 2017 and 2019.

In 2019, a structured fifteen-minute telephone survey with tied-tenants (400 interviews in total) was followed by a series of depth interviews (25) with a selection of tenants who had undertaken the initial telephone survey. Fieldwork was conducted from February to June 2019.

Throughout the report, for ease of reading and flow, we use the descriptions of respondents, participants and tenants interchangeably. We also use the description of pub-owning business (POB), pub company (Pubco) and Pub Companies interchangeably.

This section of the report summarises key findings and trends from the 2019 results.

1.1 Key findings and trends (at a glance)

The 2019 telephone survey results uncover a number of key findings and trends:

- The demographic makeup of tenants is similar to that witnessed in 2017 and 67% of tenants intend to remain in tenancy beyond 5 years (down 5 points from 2017);
- The proportion of tenants that have seen, heard or read about the Pubs Code (78%) is similar to 2017 (77%) but fewer are 'very aware' of it (2019: 33%, 2017, 41%);
- Specifically, 56% feel 'very' or 'quite well informed' about the 'right to request a market rent only option to go free of tie in specific circumstances,' down 7 points from 2017;
- 47% are 'very' or 'quite aware' of the PCA (down 6 points from 2017);
- Although respondents are more than twice as likely to cite positive (37%) as negative relationships with Business Development Managers (BDMs) (17%), 31% disagreed that they had confidence in the way their tenancy is managed;

- The issue of repairs and dilapidations is a key business concern for tenants. 37% are happy with how they are managed but 44% disagree.
- Although a similar number of eligible tenants recall requesting MRO (14%, -1 point)¹, there has been a modest increase in the number that considered doing so (29%, +4pts).
- Nevertheless, a majority of eligible tenants continue to say that they do not consider MRO a 'genuine choice'. 55% gave this opinion in 2019 compared to 53% in 2017.

1.2 Context and Operating Environment

Telephone survey results from 2019 show that tenants continue to be something of a homogenous group.

Personal demographics: two-thirds surveyed were within the 45-64 age bracket (67%) and most were male (65%). These figures are virtually identical to 2017.

Career: most respondents were experienced pub operators with 7 in 10 having held tenancies at least 5 years or more in their career. In terms of their short to medium term future, two-thirds (67%) indicated that they would 'definitely' or 'maybe' still hold their tenancy in 5 years' time – a 5-point decrease from 2017. More than one in five (28%) said that they would not – similar to the 26% that said the same in 2017. Those less likely to continue as tenants tended to be older and those currently holding tenancies with Punch Taverns.

Tenancy details: almost all tenants (93%) interviewed were a single site operator and a minority were operating under short term agreements or tenancies at will. Both patterns match what we saw in 2017. However, 2019 witnessed a significant increase in the proportion of tenants surveyed indicating that they were 'new' tenants (+15 points) – that is those taking on a new tenancy for the first time since July 2016 when the Pubs Code came into force or those returning to the trade since that time.

The figures above reflect a consistent picture in terms of the demographics and career paths of tenants but also reflect a sector of the industry facing consistent churn, where one in four tied-tenants do not expect to hold their tenancy in 5 years' time and half are currently new tenants.

The follow-up depth interviews identified that length of career was influenced by similar factors to those identified in 2017; a feeling of freedom and flexibility and personal enjoyment of the work, feeling part of the local community, having a balance of financial security alongside business autonomy, and finally, having a positive and encouraging relationship with a Business Development Manager (BDM) or pub-owning business. Career-limiting factors were related to a lack of support or

¹ Further analysis of MRO data shows no discernible difference when responses from tied pub tenants who experienced a MRO event during the last year are disaggregated.

negative relationship with the pub-owning business, hours that are not conducive to family life and a range of financial concerns – namely the long-term viability of their business.

1.3 Awareness of the Pubs Code & PCA

Pubs Code

Whilst the proportion of tenants that have read, seen or heard something about the Pubs Code (78%) remains consistent with the proportion that said the same in 2017 (77%), there is some evidence that there has been a softening in the depth of understanding of the Code since then. In 2017, 41% of tenants indicated that they felt 'very aware' of the Code and the proportion that say the same now is 33%. Overall 68% feel 'very' or 'quite aware' of the Code compared to 72% in 2017.

These numbers are reflected when assessing the proportion of tenants that feel 'very' or 'quite well informed' about specific aspects of the Code. In the main, numbers are consistent with those seen in 2017. However, in some cases, the depth of understanding has fallen somewhat; most notably in the proportion of tenants that feel informed about their rights to request MRO in certain circumstances. In summary, the proportion of tenants that feel 'very' or 'quite well informed' in different areas is as follows:

- The right to a rent review every 5 years as a maximum (82%, -3pts since 2017);
- Responsibility of your pub company representative to provide you with notes of discussions about rent, repairs and your business plans (71%, -6pts);
- Information to make informed decisions about taking on a tied tenancy (73%, no change);
- The right to request a market rent only option to go free of tie in specific circumstances (56%, -7pts)

Reaching tenants effectively through appropriate communications channels will be crucial to success in such objectives. As it stands, tenants are most likely to get information on the Code through trade and tenant network sources, often informally through word of mouth. However, word of mouth interactions are usually superficial conversations in passing and there is a need for tenants to have access to clear and simple guidance on the Code, especially for new tenants and a desire to understand how the Code benefits tenants specifically (real world examples would be of value). Areas of greatest interest appear to be information on repairs / dilapidations, insurance and flow monitoring devices.

The Pubs Code Adjudicator

The 2019 survey results reveal a similar dip in awareness of the PCA to that seen for the Pubs Code. Overall, just fewer than half (47%) of tenants surveyed said that they were ‘very’ or ‘quite aware’ of the PCA this year, compared to 53% in 2017. Awareness of the PCA is highest amongst older, more experienced tenants and tenants of Punch and Admiral. Likewise, those that claim to have submitted a MRO also demonstrate high levels of awareness of the PCA, as do those with positive BDM relationships. This suggests that BDMs have the potential to play an invaluable role in communicating the specifics of the Code to tenants, as well as the benefits for all parties.

Respondents who were aware of the PCA were asked if they had personally contacted the organisation for information or enquiries in the past and at the time of the survey around one in five said that they had. This reflects a similar proportion to those saying they had in 2017 (23%).

1.4 Relationship with Pubco & Business Development Manager

Telephone survey data continues to show a strong relationship between satisfaction with the BDM relationship and the likelihood of tenants to continue with their tenancy. For example, 63% of tenants that have a positive relationship with BDMs say that they can ‘definitely’ see themselves continuing their tenancy beyond the 5-year mark compared to 47% of the tenant population overall. Therefore, the tenant – BDM relationship is of obvious importance to the pubs industry and to Pubcos.

Overall, BDMs continue to be viewed as doing a good job on administrative duties but there are some key business concerns around certain aspects of tenant support that should be addressed. In particular, this year we see that support around repairs and dilapidations is a major concern for tenants – particularly among tenants of Ei Group.

On administrative duties:

- 78% agree that BDMs ‘make formal notes of discussions about my pub’ and 91% of this group agree that they receive notes within 14 days and have 7 days to comment. These figures are consistent with those seen in 2017.

On support functions:

- 76% are happy with the frequency of contact and 72% agree that they ‘have all the information I need about their role’. Again, numbers are very similar to 2017.
- However, fewer (64%) agree that BDMs ‘supply the support I need on an ongoing basis’ – 65% in 2017.

- Fewer still (58%, +2 pts from 2017) agree that they have confidence in the way their tenancy is handled. 31% disagree. This score varies significantly by Pubco with 42% of tenants surveyed from Ei Group disagreeing with this statement compared to 5% of those surveyed from Admiral.

And on key business concerns:

- Just 37% of tenants agree that they are happy with the way BDMs 'manage repairs and dilapidations'. 44% disagree². This figure is again driven by Ei Group, where 60% of surveyed tenants disagreed with this statement. In fact, if tenants from Ei Group had been excluded from the survey then more tenants would have been happy with how repairs and dilapidations were handled than unhappy. Nevertheless, even then, a significant proportion of tenants from other Pubcos are unhappy in this area and it remains a key point for BDMs to address generally.

The follow-up depth interviews identified a clear desire for both a supportive and collaborative relationship with the BDM. As found in 2017, this type of relationship was driven by the following factors:

- Consistency; some reported too many changes in BDM in relatively short timescales which hindered the development of relationships;
- Frequency of contact; whilst more frequent for newer tenants, others recorded substantive contact only twice a year (they suspected this was due to the volume of pubs a BDM had responsibility for and/or too wide a geography to cover);
- Collaboration; a balanced relationship with BDMs that understand the pub business;
- Responsiveness; how many times they needed to chase for a resolution of issues;
- A tailored approach; some advice from BDMs did not seem appropriate for their context.

Turning to a key business concern, repairs and dilapidations, qualitative interviews showed that a lack of clarity on who was responsible and a general lack of BDM/ Pubco responsiveness on the issue were key areas for improvement. Cost was also cited as a major concern for tenants, with repairs and dilapidations seen as expensive and a lack of transparency around how they were calculated by the Pubco.

² Please note. Repairs and dilapidations was a new question area for 2019 and therefore trend data is not available.

Almost all new or returning tenants since July 2016 observed an element of new entrant training/procedures and the follow-up depth interviews revealed a positive view of these processes. Telephone survey results show that take-up of new entrant training is relatively low (46%) but this will not be relevant for all tenants. For example, 66% of new tenants claim to have taken part in this training compared to 29% of those holding tenancies in the past but taking on a new one since July 2016.

1.5 Experience of Code-related events

46% of tenants surveyed claimed to have experienced one of the two qualifying MRO events included in the survey yet just 1 in 7 (14%) claimed to have actually submitted MRO (-1 point). There are some signs of a (modest) increase in eligible tenants considering MRO (29%, +4 points) but overall a majority (55%) of those experiencing a MRO event continue to say that MRO does not present a 'genuine choice' for tenants.

Of the 26 tenants that claimed to have submitted MRO³, most were satisfied with the logistics of it but only 6 were satisfied with the final level of MRO / free-of-tie rent offered. (8 were dissatisfied and 11 said that they didn't know – perhaps because the process had yet to be formally resolved). Some 22 of 26 said that they would at least 'consider' applying for MRO again in future, which should be encouraging for the credibility of the process moving forward.

Qualitative follow-up interviews reinforced these findings from the telephone survey. The high cost of taking up a MRO offer (be it the expectation of this or personal experience) continues to be a barrier to pursuing MRO. High cost (perceived and actual) was also a key factor in feedback from qualitative interviews on why a majority of tenants continue to say that MRO does not offer a 'genuine choice' for tenants. The view follows that if the terms of MRO are prohibitive then it cannot be a genuine choice.

³It is important to note that the research was only conducted among tied pub tenants, therefore tenants who had been through the MRO process and gone free of tie would be naturally excluded. These reported findings on the MRO process and experience only reflect the views of those tenants who have considered, or been through the process and remained tied, and not the full picture.

2. Background and methodology

2.1 Introduction

The Pubs Code applies to all businesses owning 500 or more tied pubs in England and Wales. It governs their relationships with tenants of those tied pubs but not with their managed houses or free of tie pub tenants. Tied tenants are those that are obliged to purchase beer and other products and services from their landlord. The main principles which the Pubs Code seeks to ensure are fair and lawful dealing by pub companies in relation to their tied tenants and that tied tenants are no worse off than they would be if they were not subject to any tie.

The Pubs Code was introduced in July 2016 to address concerns that had been raised about the relationship between large pub companies and their tied tenants. Four successive Select Committee Inquiries, in 2004, 2009, 2010 and 2011, identified problems with the treatment of tied tenants and the share of risk and reward with pub-owning businesses. The Code aims to address these issues by imposing information and transparency obligations on the pub-owning businesses and giving tied tenants the right (in certain circumstances) to opt to move to a free of tie tenancy through the “Market Rent Only” (MRO) option. The MRO option gives tied tenants the choice between the tied and free of tie business models, driving pub-owning businesses to better demonstrate the benefits of the tied model.

At the time of this research the pub-owning businesses covered by the Pubs Code were:

- Admiral Taverns
- Ei Group
- Greene King
- Marston’s
- Punch Taverns (now Punch Pubs)
- Star Pubs & Bars

The Pubs Code Adjudicator⁴ (the PCA) is responsible for enforcing the Pubs Code and has powers to investigate where the Adjudicator has reasonable grounds to suspect that there has been a breach of the Pubs Code. The PCA can take enforcement action as necessary.

⁴ For further background see the PCA website <https://www.gov.uk/government/organisations/pubs-code-adjudicator>

2.2 Aims and objectives of the research

The PCA commissioned this study as a repeat of an initial benchmark wave of research carried out in 2017. The purpose of this second wave of research was primarily to measure change in tied tenant experiences since the original survey and to monitor perceptions around a series of specific business objectives. These included:

- How do tied pub tenants characterise their relationship with their pub-owning business?
- What is the current level of awareness and understanding of the Pubs Code, and the Pubs Code Adjudicator, amongst tied tenants? How has this changed over time?
- What are the experiences of tenants that have had an event that entitles them to request a MRO option (e.g. a rent assessment in connection with a rent review); what happened, what issues, if any, did they encounter and what aspects worked well?
- How do issues related to the Pubs Code compare to other issues faced by tied pub tenants?
- Whether, and if so how, the answers to these questions vary by POB; and by the characteristics of the tenant such as length of experience, type of pub or type of tenancy agreement?

The research was carried out amongst tied tenants of the six pub-owning businesses listed in the method and sample section (those in a pub in England and Wales and who are obliged to purchase some or all of their alcohol from their landlord). More details on research methodology can be found below and in an accompanying technical appendix.

2.3 Project structure

The project was carried out in two stages:

Stage One: an initial structured 15-minute telephone survey providing feedback from 400 tied tenants across a number of question areas designed around the above objectives.

Stage Two: follow-up depth interviews with 25 of the respondents from Stage One so that some issues and themes identified in the survey could be discussed and ‘unpicked’ in much more detail.

2.4 Method and sample

2.4.1 Stage one – telephone survey of tenants

A similar approach was taken in 2019 to 2017 in terms of the quantitative sample. In 2019, **400 telephone interviews were completed** with tied tenants between 27th February and 13th March 2019.

As an entirely representative profile of completed interviews would have given a low base size in two of the pub-owning businesses, it was agreed to survey a minimum of n=50 tenants per pub-owning business and weight the data to be representative of the tenant universe at the analysis stage. This was increased from a minimum of n=40 responses per pub-owning business in 2017, with the aim of ensuring a larger minimum sample size per Pubco for analysis purposes.

Table 2.1: Final achieved sample distribution by pub-owning business:

	No. of interviews
Admiral Taverns	50
Ei Group	120
Greene King	50
Marston's	50
Punch Taverns	50
Star Pubs & Bars	80
TOTAL	400

A list of pub names and postcodes were supplied by all six pub-owning businesses. These were reviewed for any duplicates and sampled following stratification by postcode. A telephone number was then matched to as many cases as possible. As fieldwork progressed, wrong numbers/numbers not in service were isolated at intervals and manually cleaned. All numbers were called a minimum of eight times. Sample was managed carefully so that numbers were called at different times of day and days of the week and interviewing teams were available evenings and daytimes, weekdays and weekends to meet respondent appointments.

Interviews were undertaken with the tenant for each pub as sampled. The interviewer clarified that they were speaking to the person who held control of the tenancy with the pub-owning business for that particular establishment before the survey began.

2.4.2. Stage two – follow up depth interviews

All respondents in the telephone interview (Stage One) were asked if they would be happy to take part in a follow-up interview. It was made clear that not everyone would be contacted. The areas for exploration in these follow-up interviews were discussed with the PCA and it was agreed that these interviews would further explore a range of issues including awareness of the Pubs Code; experiences with BDM. **25 interviews were completed in total.**

Ipsos MORI ensured that they interviewed tenants from a spread of pub-owning business, with a mix of respondents based on gender and length of service in the industry.

2.5 Report structure

This report presents findings from both Stage One (structured telephone survey) and Stage Two (follow-up depth interviews). The report this year follows the same structure as the 2017 report, based around questionnaire topics and the qualitative discussion guide, with the addition of new content and trend data where relevant. Each section contains a summary up front which outlines the key findings and trends, followed by detailed analysis of relevant questions as well as analysis by key demographics / sub groups. The different sections of the report are as follows:

- **Section 3:** Context and operating environment; demographics of the respondents alongside experience in their position, plans to stay in the industry, best and most challenging aspects of being a tenant and optimism for the future;
- **Section 4:** Awareness and understanding of the Pubs Code and the PCA; awareness in general (anything read, seen or heard) of the Pubs Code, specific understanding of key Code elements, awareness of and communication with the PCA, experience of this communication;
- **Section 5:** Relationship with the pub-owning business and Business Development Manager (BDM); satisfaction ratings with elements of the relationship and services provided, an exploration of best practices and key improvements needed, new tenant procedures (including training) and experiences;
- **Section 6:** Experience of Code related events; the telephone survey explored whether tenants had experienced events under the Code and the proportion going through MRO while the follow-up depth interviews were able to 'unpick' in more detail each stage of the process encountered and any issues experienced.

2.6 Note on trends

As this is the second year of the project, the report makes comparisons between year one and two in the data to analyse changes in results over time. Trends are not cited for every question; only where

significant change is noted or where the continuation of a trend from 2017 reinforces what we have already learned.

When reading this report, it should be noted that the second wave of any research study is often the most difficult to interpret. As we only have one data point for comparison (2017), it is difficult to assess when analysing these results whether movements in the data are the sign of genuine trends or shifts that will revert to the mean next time. In addition, where results stand out or look unusual, we cannot be sure if 2017 or 2019 is the outlier. In this context, we should treat trend data seriously but with care at this stage. Year three will provide greater clarity as to the presence of long-term trends in the data.

The Technical Appendix accompanying this report provides more detail on methodological considerations and the approach taken, including the full questionnaire.

2.7 Reporting and terminology

A number of important sub-groups are referred to throughout this report, and these are defined below. Where relevant, analysis by Pubco is mentioned.

Group	Notes (subgroups are defined by responses in the telephone survey)
New tenants	Respondents who reported in the telephone survey that they had taken on a new tenancy since 2016 (either first time or returning to the industry)
Type of operator	Single or multi-site operations identified by the tenant (more than one tenancy operated by this individual across pub-owning businesses)
Aware of Pubs Code	Unprompted awareness (anything seen, read or heard) in the telephone survey
Positive about BDM	This is a derived variable which includes the response to the support led statements (as opposed to the administrative statements) at question C1
Experienced an MRO event	All those who said 'yes' to either event readout in the telephone survey. These were - received a tied rent proposal or rent assessment proposal; renewed a tenancy agreement under the Landlord and Tenant Act
Submitted MRO	Respondents who experienced an event as described in the telephone survey who agreed that the event led them to submit a Market Rent Only or MRO Notice
Considered MRO	Respondents who experienced an event as described in the telephone survey who said that although the event had not led them to submit a Market Rent Only (MRO) Notice, they had considered it

Length of tenant career	Number of years, in total, respondents had held pub tenancies. This included all their experience in different pubs and with different pub-owning businesses.
Five-year plan to remain as tenant	Respondents were asked 'Can you see yourself remaining as a tenant with your current operation and tenancy agreement for the next five years?' We discuss, where significant, differences between those who said 'Definitely', 'Maybe' or 'No'.

2.7.1 Stage one – telephone survey of tenants

Findings emerging from the telephone survey are clearly labelled in the section title as above.

Throughout the report, analysis is conducted by key sub-groups. Where findings for sub-groups are shown to be significantly different to the overall response or other sub-categories, they are described in the report if relevant. Significant differences in charts are displayed with green (significant increase / significantly higher) or red (significant decrease / significantly lower) arrows.

It should be remembered that the survey was conducted with a sample of tied tenants, rather than the entire population. Results are therefore subject to sampling variability – we cannot be certain that the figures obtained are exactly those we would have if all tied tenants had responded (the 'true' values). We can, however, predict the variation between the sample results and the true values from knowledge of the size of the samples on which the results are based and the number of times a particular answer is given. The confidence with which we can make this prediction is usually chosen to be 95 percent – that is, the chances are 95 in 100 that the true value will fall within a specified range (the margin of error). Based on the sample size used here (n=400), we can expect the true values to lie within 5 percentage points either way of the figures obtained in this survey. As this survey has been conducted using a quota sample, rather than a random probability sample, statistical differences are presented on an indicative basis.

The 2019 report differs from the 2017 report in that it includes analysis by Pubco for various key measures. When analysing results by Pubco we should take into account the relatively small base sizes surveyed for each company. In most instances, a sample of n=50 respondents per PubCo were surveyed. The exceptions are Ei Group (n=120) and Star Pubs & Bars (n=80). This means that differences in scores by Pubco will be indicative in the main, with only very large differences likely to

be statistically significant.⁵ For this reason, when analysing results by Pubco in this report, we have tended to focus on how Pubco scores compare to the overall average rather than other individual Pubcos. Therefore, whilst sample sizes of $n=50$ are perfectly valid for analysis purposes, we should take care in interpreting scores when we compare across Pubcos in this report.

Where respondents can give multiple responses to a question, the sum of the individual responses may be greater than 100 percent. Also, the percentages in the tables and charts may not always add up to 100 percent due to rounding, and the sum of subgroup percentages discussed in the text may differ from the apparent totals in the charts due to rounding. Similarly, where a number of responses have been grouped together (such as agree strongly and tend to agree), or for 'net scores', responses may not always equal the sum of the individual responses, again due to rounding.

2.7.2 Stage two – follow up depth interviews

Findings emerging from the follow-up depth interviews are clearly labelled in the section title as above.

Mirroring the successful approach employed in the 2017 research, a telephone depth interview approach was chosen to explore tenant experiences. It should be noted that recruitment was slower and more difficult this year compared to 2017, with more participants expressing that they were too busy to participate despite 75% of those who had taken part in the quantitative survey agreeing to be re-contacted. This led to an extended fieldwork period, with telephone depth interviews taking place between 12th April and 3rd June 2019.

The key strength of a qualitative approach is that it enables researchers to gather spontaneous attitudes and insights, as well as more nuanced feedback about the research objectives. Whilst depth interviews follow a clear structure, they emphasise the role of the participant in leading and driving the conversation through allowing them to answer in their own words and leading to responses that are full of deeper insights. Participants are not limited in the way they answer the questions by being required to choose from multiple-choice answers as they necessarily would in a structured telephone survey. The main limitation to using this research approach is that it emphasises self-expression and insight over numerical outcomes and so relies on detailed discussion with relatively small sample sizes. Whilst we included a range of tenants in the research, the overall sample size means that the qualitative follow-up depth interviews cannot be considered to be statistically representative. The findings in this report focus on participant views and opinions; the findings do not attempt to quantify these.

⁵ It is not possible to put an exact figure on what constitutes a significant difference, but a 'rule of thumb' is that a difference of approximately 20 points will be significant when preparing two sample sizes of $n=50$. Please note – this is an educated 'rule of thumb' rather than a precise figure

The quotes used in this report are not attributed for anonymity.

3. Context and operating environment

SUMMARY

This chapter contains:

- Information about the tenants that took part in the survey, including the demographics and behaviours of tenants.
- Perceptions of the best and most challenging aspects of being a tied tenant and what the future holds.

In terms of demographics, tied tenants show similar characteristics to those surveyed in 2017.

Most tenants surveyed were within the 45-64 age bracket and/or male. They tended to be experienced pub operators, with seven in ten having worked in the industry for 5 years or more. This compares to 67% in 2017.

Most tenants run single operation tenancies and half of those surveyed were new tenants. Almost all tenants interviewed were running single operations and the majority were not operating under short term agreements (of 12 months or less) or a tenancy at will. Half of the sample this year had either taken on tenancies for the first time or had returned to holding tenancies after a break since the Pubs Code came into practice in July 2016. This compares to 35% saying the same in 2017.

The follow up depth interviews showed the pros and cons of holding tenancies. Positive aspects of being a tenant included: freedom and choice over running the pub; positivity about the location of the pub and having the pub as their home; community role the pub plays; and support received from the Pubco. Negative aspects of being a tenant included: cost of tied products and pub repairs; tight finances; working hours/ lack of work-life balance; managing bills and finances (particularly noted by new tenants).

Two thirds of tenants surveyed said that they could see themselves holding their existing tenancy in five years' time. Just under half said that they 'definitely' could. This varied significantly by Pubco with tenants of Punch Taverns the most likely to say that they *could not* see themselves holding their existing tenancy in 5 years. Admiral tenants were the least likely to say they expected to leave in the next 5 years.

Follow-up depth interviews found different degrees of optimism for the future. Those most optimistic planned to maintain or build on the financial position of the pub. This was often reinforced by positive social links to the pub/ community. Those least optimistic described the financial position of the pub as a 'balancing act' and had concerns about the future financial viability of the pub.

Key findings and trends:

- Personal characteristics; 65% of respondents were male and 67% were between 45 and 64. This compares to 67% and 64% in 2017 respectively.
- Context; 93% of tenants were running a single pub (unchanged)
- Half of tenants were in a new tenancy, either for the first time or having held tenancies in the past. This has increased from 35% in 2017.
- Intention to remain; more than a quarter (28%) of tenants do not intend to remain in their current tenancy for the next five years, compared to 26% in 2017. This is highest amongst Punch tenants.

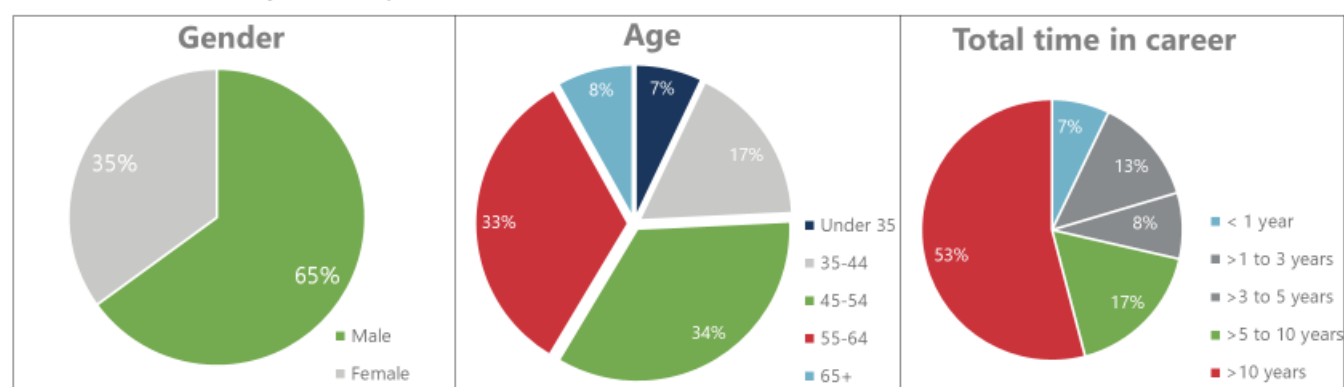
3.1 Context and operating environment

3.1.1 Findings from stage one: Telephone survey

Personal demographics

The demographic makeup of the tenant population emerged as very similar to that in 2017 – 65% of tenants in 2019 were male, and 35% female (compared to 67% & 33% in 2017). The clear majority (67%) of tenants this year were aged between 45 and 64 – the proportion was 64% in 2017. Of the remaining tenants surveyed, 8% were older than this and 24% were aged under 45 years (both groups also stable year on year). There were no notable variations on these demographics by sub groups (e.g. Pubco). However, there was a modest increase in the proportion of tenants who had ten or more years' experience – 53% of the sample this year compared to 48% in 2017. Meanwhile one-fifth (20%) of tenants were in the first three years of their career (22% in 2017).

Chart 3.1: Tenant demographics



F1. (interviewer coded gender); F2. What is your age?; F3. For how many years in total have you held pub tenancies?

Circumstances of the tenancy

As was the case in 2017, almost all tenants sampled operated just one pub (93%).

In order to understand the sales composition of pubs for the purposes of this research, “wet-led” pubs were classified as those with 75% or more of their sales from drinks; and “dry-led” as those with at least half of sales from food. Based on this classification, 44% of tenants surveyed could be understood as being “wet-led”, 7% as “dry-led”, and 49% did not fall into either category. This balance compares to 49% “wet-led”, 21% “dry-led” and 30% mixed in 2017.

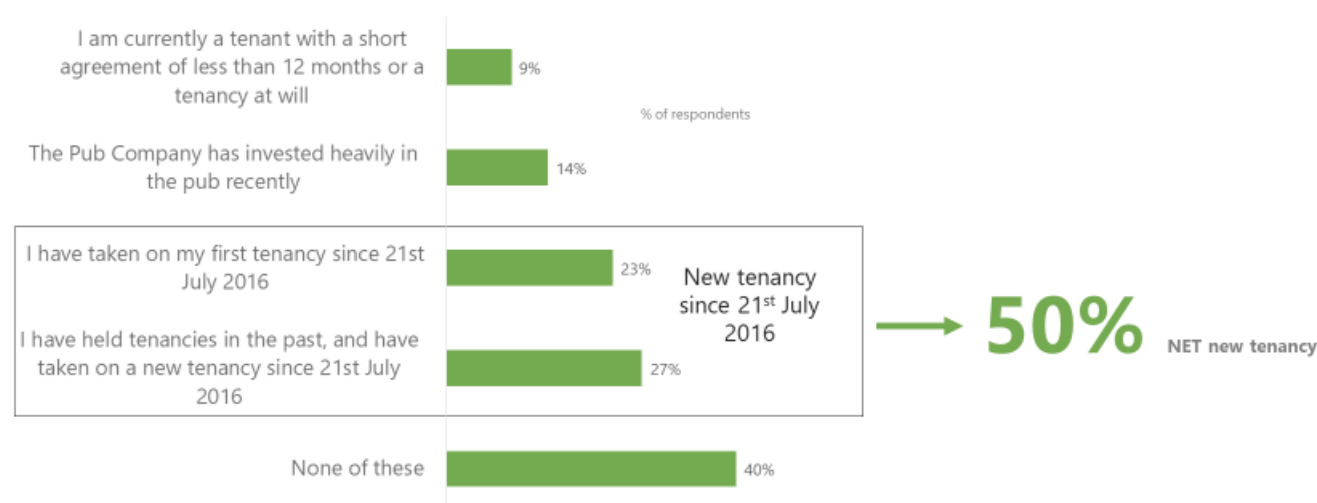
To further understand the context of their tenancy, respondents were asked about a number of specific circumstances and whether each of them applied to their situation. For example, tenants were asked if they:

- Were signed up to a short agreement of less than 12 months or a tenancy at will;
- Had recent experience of heavy investment in the pub;
- Identified themselves managing a new tenancy since the Pubs Code was established; either as a new first-time tenant or as someone who had held tenancies before.

Overall, 50% of tenants in 2019 were classified as being 'new' tenants – meaning that they were either holding tenancies for the first time or running a new pub having managed others previously. This proportion of new tenants increased from 35% in 2017, perhaps reflective of industry churn. More than one in five tenants (23%) had taken on their first tenancy since 21st July 2016 (unchanged from 2017). However, the significant change this year was that 27% of surveyed tenants had held tenancies in the past but taken on a new one since the Pubs Code came into place, this reflects a ten-point increase from those surveyed in 2017. As this is wave two of the research, it is not clear what the 'normal' number should be.

Other tenancy characteristics were largely unchanged. Just under one in ten tenants (9%) identified that they had a short tenancy or tenancy at will, compared to 8% in 2017. Meanwhile, 14% of tenants said that their pub company had invested heavily in the pub recently (down 6 points from 20% in 2017).

Chart 3.2: Characteristics of tenancies



A1. Which if any of the following apply to yourself and your operation[s]?

3.2 Best and most challenging aspects of a tenancy

3.2.1 Findings from Stage two: Depth interviews

Qualitative participants were asked what they felt to be the best and most challenging aspects of being a tenant. Views mirrored those gathered in 2017.

Best aspects of being a tenant included:

- **Freedom and choice:** being self employed, running your own business and having the freedom to make choices (e.g. menus) were frequently mentioned as key benefits of being a tenant. Some further noted that being self-employed gave them the flexibility to fit work into their lifestyle.
- **Home and location:** participants who felt that home and location was a key positive part of being a tenant were typically those who had strong ties to the local area.

"We love the pub...it's been our life."

- **Community:** similarly, some participants had strong ties to the local community, and felt proud of the role that the pub played in the locale.
- **Support from Pubco:** those who cited support as a good aspect of being a tenant felt that the Pubco provided support in a range of ways, with mentions of promotions (especially amongst new tenants), servicing on equipment and deliveries.

"A little bit of security - it's easier to get into it if you're a tenant. The [Pubco] can be used as a backstop, if things are a little tight, as obviously you're working for them."

The most challenging aspects of being a tenant tended to focus on costs and finances and included:

Costs of tied products and repairs: both the cost of tied products and the cost of carrying out repairs via the Pubco were mentioned as key downsides to being a tenant sometimes leading to tight financial situations.

"The ludicrous costs...repairs."

Working hours/ work-life balance: participants felt that the pub trade was often stressful, involving long working hours and a poor work-life balance. This was considered particularly stressful where long hours had little impact on the financial success of the pub.

“You have to work 18 hours a day, 7 days a week to pay for the exorbitant rent the [Pubco] charge and they’re always on your case to make sure everything is done in their favour and give you little or no backup.”

Managing bills and finances: challenges with managing bills and finances were mentioned by tenants new to the pub business, or those who had previously worked in managed pubs.

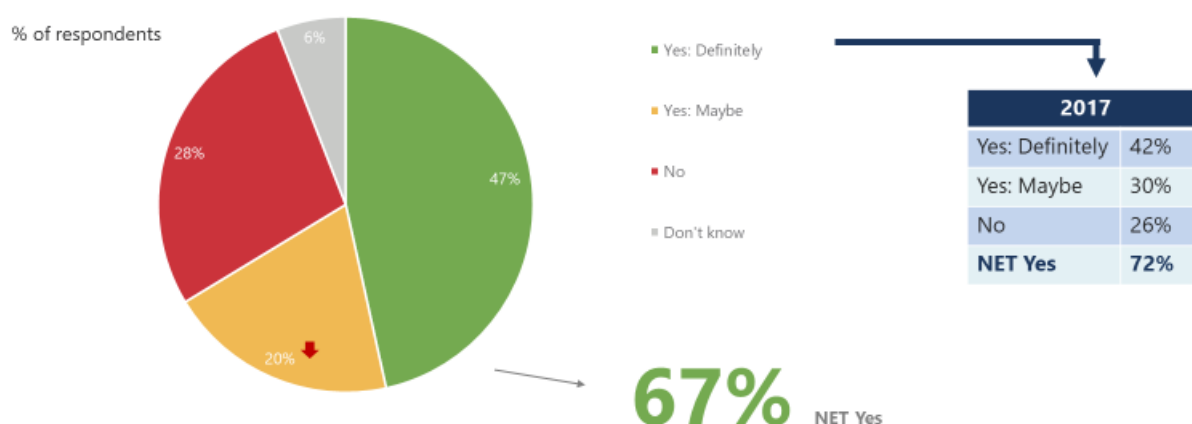
3.3 Optimism for the future

3.3.1 Findings from stage one: Telephone survey

All tenants were asked if they could see themselves remaining as a tenant with their current operation and tenancy agreement for the next five years. More than a quarter of tenants responded ‘no’ (28%) which was consistent with 2017 (26%). 67% of tenants said ‘yes’ this year – 47% definitely so; 20% maybe. This is slightly below the level seen in 2017, when 72% of tenants said yes, though the balance seems to have shifted towards ‘definitely’ (only 42% said yes definitely in 2017; and 30% maybe). In reality, the picture is very similar to that observed in 2017.

Chart 3.3: Plans to remain

Retention: remaining in current tenancy agreement for the next five years



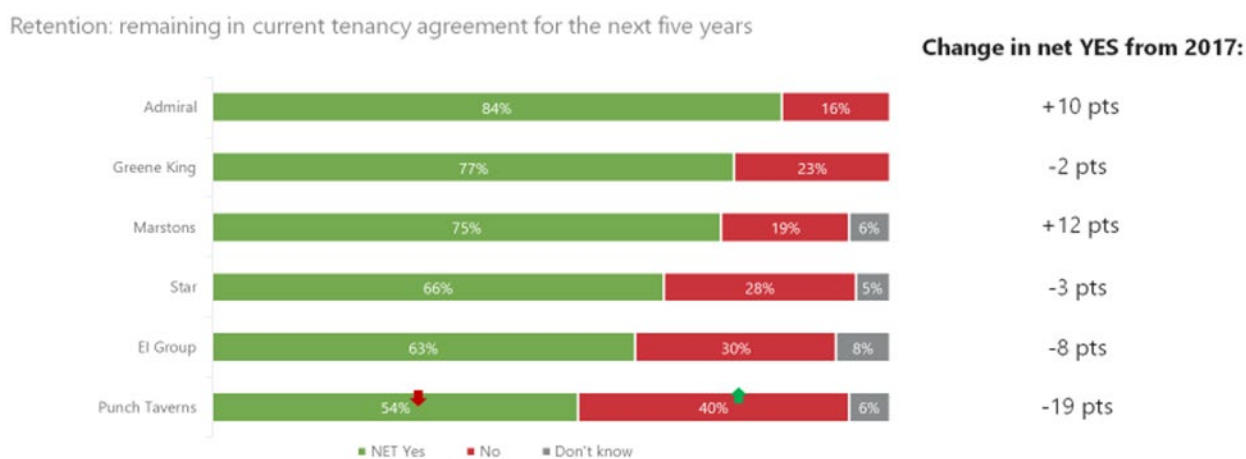
F4. Can you see yourself remaining as a tenant with your current operation and tenancy agreement for the next five years?

Unsurprisingly, intention to remain in operation related to demographic factors including age and length of career. Tenants in the first year of their career were significantly more likely to say ‘yes’ to intending to remain (either ‘definitely’ or ‘maybe’) – 83% of this group said this compared to 65% of

those with more than ten years' experience. The quality of tenant – BDM relationship also seems to play a role in driving intention to remain – of those with a positive BDM relationship, 81% intend to continue with their tenancy long-term, compared to 42% of those with a negative relationship.

As well as demographic factors, intention to remain appears to vary by Pubco. Tenants with Punch were significantly more likely to answer 'no' to this – 47% compared to 28% overall. Results from other Pubco's were more consistent with the overall balance, with Admiral tenants the most likely to intend to remain (84% yes 'definitely' or 'maybe'); and least likely not to (16%).

Chart 3.4: Intention to remain by Pubco



F4. Can you see yourself remaining as a tenant with your current operation and tenancy agreement for the next five years?

3.3.2 Findings from stage two: Depth interviews

As found in 2017, optimism for the future was mixed across qualitative participants and reflected a combination of factors.

Those most optimistic for the future had clear plans for maintaining or building on the financial position of the pub and plans for investment and diversification.

"Being more profitable now I'm a little more happy, but it's still tight. It's not like the old days when people were banging down the door to drink your beer. You've got to diversify, I've got to do food, have a big TV, coffee machines - you've got to be all things to all people."

Feelings of optimism were reinforced by social aspects of their position ranging from family ties to the local area (children attending local schools and feeling 'settled'), to enjoyment and pride in being a part of a local community.

“We’ve built up quite a busy little business, we’re settled around here with children in school. For us, at the moment, it wouldn’t make sense not to do it.”

Others felt that their situation was more of a balancing act. These participants were less confident about their future at their pub. Whilst occasionally linked to a change in personal circumstance, this balancing act was primarily driven by concerns around the financial viability of the business going forwards.

“[I feel] hopeful - it would have been better if I’d had a bigger discount and my rent was lower, but I will just struggle through.”

Feelings of uncertainty about staying in the business were further strengthened by concerns about the work-life balance of running a pub, with many describing it as a stressful lifestyle.

Some participants noted that they were going to wait and see where things were at the end of their current lease. This included those who were approaching retirement and were considering retiring in the future.

Those most pessimistic about their future were those who could not envisage that the financial situation of the pub would improve and did not feel that their pub company was supporting them in trying to make the business more successful.

“[At the end of the lease] I’m going to give the keys back and leave...everything they tell you, when you first come in to the role...it’s my own fault...I feel like I’ve been duped all the way.”

4. Awareness and Understanding of the Pubs Code and PCA

SUMMARY

This chapter contains:

- Overall levels of awareness and understanding of the Pubs Code
- Awareness of, and experience of contact with, the Pubs Code Adjudicator

Whilst general awareness of the Pubs Code has remained relatively stable, depth of knowledge appears to have slightly weakened. Just over three quarters (78%) of tenants had read, seen or heard something about the Pubs Code (+1 pt from 2017). However, after hearing a full description of the Code, 68% described themselves as being either 'very' or 'quite aware' of it (compared to 72% in 2017). The proportion of those who are 'very aware' has fallen significantly from 41% to 33%. In terms of the specific tenant rights within the Code, patterns have remained relatively stable with half or more tenants stating that they feel informed across all four rights prompted. However, tenants feel least informed about the 'Right to request an MRO option in specific circumstances'; the proportion feeling informed in this area has dropped significantly from 63% to 56%.

Trade / tenant networks emerge as the central source of information on the Pubs Code for tenants.

Specifically, 'word of mouth' was mentioned as a source of information by one in five of tenants aware of the Pubs Code. At the same time, mentions of more neutral, external sources including newspapers and the PCA website have seen minor dips in mentions this year.

Almost two thirds of tenants stated having experienced a need for information on issues governed by the Code (63% - down from 68% in 2017) – the most frequently cited issue being 'Information on repairs and dilapidations', mentioned by 35% of tenants (not asked in 2017).

Awareness of the PCA has dipped slightly. 47% of tenants described themselves as aware of the PCA – a 6-point fall from 53% in 2017. Of those who were aware, 21% said that they have had contact with the PCA in the past, similar to 2017.

Follow-up qualitative participants had become aware of the Pubs Code and PCA in a range of ways.

Information was sometimes considered difficult to understand, using 'legalese'.

Key findings and trends:

- Overall awareness of the Pubs Code has remained stable (78%), though a smaller proportion of tenants hold an in-depth understanding now compared to 2017 (falling from 41% to 33%);
- The proportion of tenants that feel informed about their rights related to MRO has fallen since 2017 (56% informed, -7 points);
- 'Information on repairs and dilapidations' emerges as a key area which tenants seek information on;

Around half of tenants said they were 'very' or 'quite aware' of the PCA. One in five of these had contact with the PCA in the past, with experience of contact mixed.

4.1 Awareness and understanding of the Pubs Code

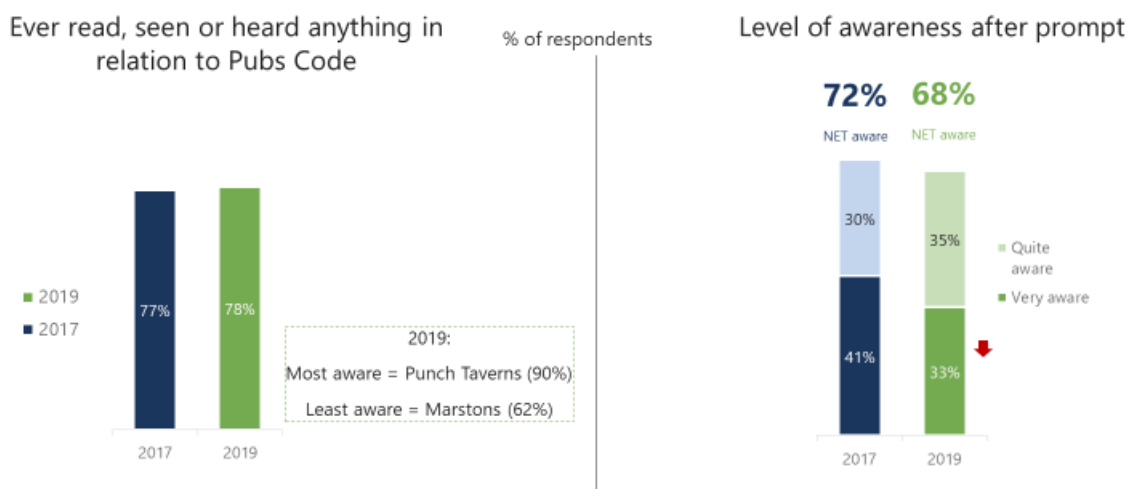
4.1.1 Findings from stage one: Telephone survey

The telephone survey aimed to track levels of awareness and understanding of the Pubs Code amongst tied tenants compared to the baseline established in 2017. The structure of this section of the questionnaire was unchanged in 2019 – respondents were asked about both their high-level recall of the Code and their depth of understanding of it.

Approximately three quarters of tenants (78%) agreed that they had read, seen or heard something in relation to the Pubs Code - unchanged from 2017 (77%). There was some variation in awareness of the Pubs Code across the Pub Companies – 90% of Punch tenants were aware of the Code, the highest of the six Pubcos.

Following this, all respondents were given a definition of the Pubs Code and were asked again, based on this information, how aware they were before the interview, to provide a more considered understanding of tenant awareness. After prompting, 68% of tenants in 2019 identified themselves as aware of the Code to some extent, compared to 72% in 2017. Though overall knowledge has dipped only slightly, it is worth noting that the balance in terms of depth of knowledge has shifted more significantly. A significantly smaller proportion of tenants said they were 'very aware' (33%) in 2019 than did in 2017 (41%), suggesting that deeper understanding of the Code has fallen amongst tenants as time has gone on. There were no notable differences in Code awareness between the Pub Companies.

Chart 4.1: Awareness of the Pubs Code



B1. Have you ever read, seen or heard anything in relation to the Pubs Code?; B2. How aware, if at all, were you before today of The Pubs Code?

Following the exploration of awareness of the Pubs Code in general, tenants were asked in the telephone survey to rate how informed they felt on a number of their rights contained within the Pubs Code. These were as follows:

- Information to make informed decisions about taking on a tied tenancy;
- The right to a rent review every 5 years as a maximum;
- The responsibility of your pub company representative to provide you with notes of discussions about rent, repairs and your business plans;
- Right to request a market rent only option to go free of tie in specific circumstances.

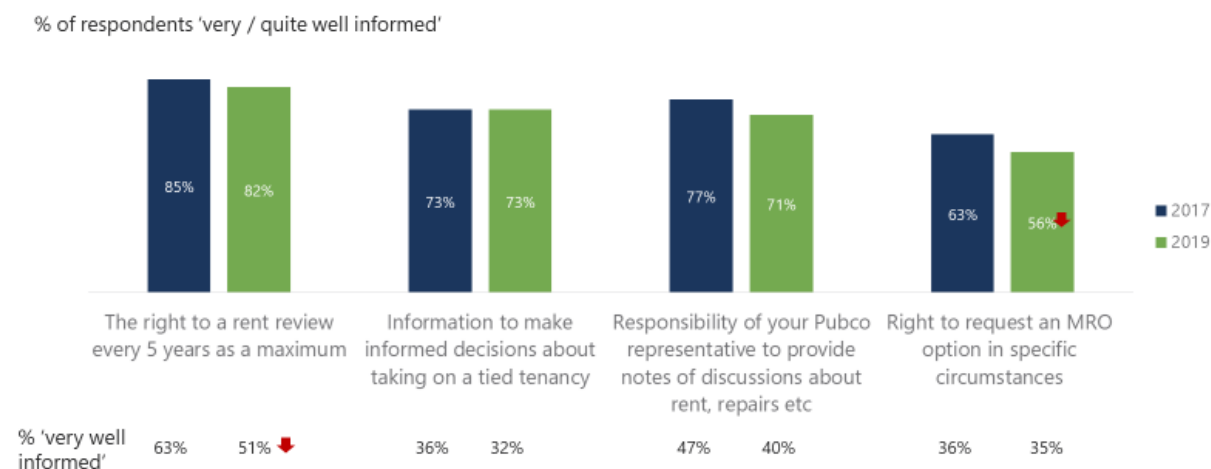
Patterns of agreement were very similar to those seen in 2017, with most rights seeing stable or slightly lower levels of agreement than in 2017 – unsurprising given the dip in more in-depth knowledge of the Code witnessed at the overall level. Tenants were again most likely to feel informed about having the ‘Right to a rent review every five years’ (82% felt quite or very well informed of this right, compared to 85% in 2017). However, as was the case with more in-depth awareness of the Pubs Code overall, there has been a drop in the proportion of tenants this year who said they felt ‘very well informed’ (down from 63% to 51% in 2019).

Slightly lower levels of feeling informed were seen for two other aspects – ‘Information to make informed decisions about taking on a tied tenancy’ (73% - unchanged year on year); and the ‘Responsibility of your Pub Company representative to provide notes of discussions about rent, repairs etc’ (71% agreement, down 6 points from 77% in 2017).

The lowest levels of feeling informed were seen for the ‘Right to request a MRO option in specific circumstances’. Just over half of tenants said they felt ‘very’ or ‘quite well informed’ of this right (56%) – a significant drop from 63% in 2017. This fall in understanding could be a specific area to address in the future to ensure understanding of the Code does not continue to fall.

There were no notable differences in levels of feeling informed across the various types of tenancy or Pub Company, though unsurprisingly tenants who expressed higher levels of awareness of the Pubs Code more generally (at question B2) were more likely to express feeling informed on its specific aspects.

Chart 4.2 Understanding aspects of the Pubs Code



B3. How well informed, if at all, do you feel of your rights to the following...

4.2 Sources of information on the Pubs Code

4.2.1 Findings from Stage one: Telephone survey

Tenants aware of the Pubs Code were asked what sources of information they had consulted about the Code. Responses were categorised in terms of the types of sources consulted. The most frequently mentioned category was 'Trade / tenant network' (mentioned by 43% of those who were aware of the Pubs Code); followed by the 'Pub Company or BDM' (mentioned by 34%); and finally the PCA itself (mentioned by a quarter of tenants who were aware of the Pubs Code).

In terms of the individual sources of information within these categories, the five most frequently mentioned sources were as follows (only significant differences from 2017 are shown):

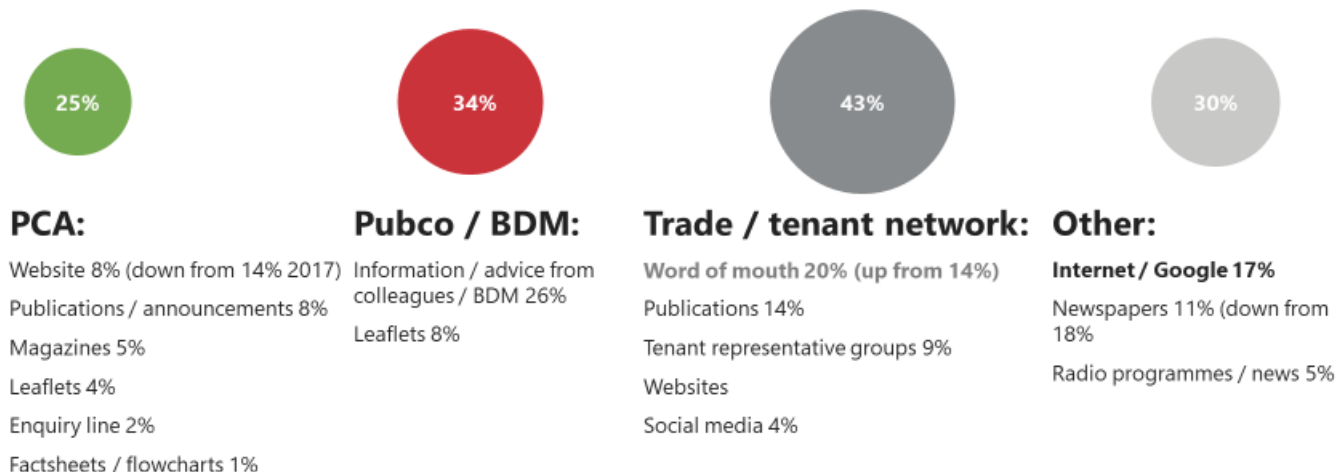
- Information / advice from colleagues / BDM (26%)
- Word of mouth (20% - up from 14% in 2017)
- Internet / Google (17%)
- Trade / tenant publications (14%)
- Newspapers (11% - down from 18% in 2017)

Patterns relating to sources of information seem to be shifting as time goes on. Tenants seem to be relying increasingly on personal, more informal networks for information on the Pubs Code – over two fifths mentioned sources related to 'Trade / tenant network' and the proportion mentioning specifically 'Word of mouth' has increased over time. Simultaneously, the proportion mentioning more neutral, external sources has dropped (fewer mentioned newspapers in 2019 and mentions of the PCA website fell from 14 to 8% year on year). Such shifts are likely reflective of the widespread

media coverage and information shared on the Pubs Code around the time of its point of inception, which has over time died down, driving tenants to closer to home, more informal information sources.

Chart 4.3: Sources of information on the Pubs Code

% mentioning the following as sources of information on the Pubs Code (unprompted):



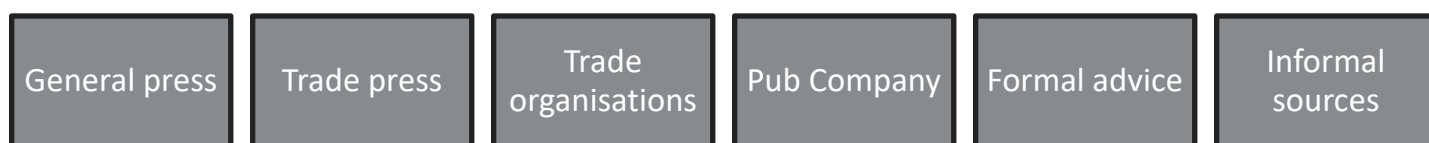
B4. What sources of information have increased your awareness of the Pubs Code?

4.2.2 Findings from Stage two: Depth Interviews

Not all qualitative participants had heard of the Pubs Code or the PCA before taking part in the research study.

"I didn't know who [PCA] were until [Ipsos MORI survey] phone call."

Those that were aware, cited a range of information sources:



The press was a key source of information about the Pubs Code for participants who tended to be more generally engaged in and interested in seeking out information about the pub trade. These participants mentioned general press coverage during the time when the government was announcing the formation of the PCA. Trade press such as the Morning Advertiser was also mentioned as a key source of information about the Pubs Code and the PCA.

"I'm quite clued up with trade knowledge...I read the trade press."

Only a few mentioned hearing about the Pubs Code via trade organisations such as the British Institute of Innkeeping (BII) and a personal licencing organisation.

There was mixed recall of having received information about the Pubs Code and the PCA from the Pubco. Some recalled receiving a leaflet whilst others recalled having been told about the Pubs Code when discussing an upcoming rent review. However, not all had engaged with this information, noting that they would look into it when needed - for example, when they came up to a rent review.

"We were given pamphlets from the [Pubco]...I'll be honest with you, I haven't looked a lot because it's not up until now that we've had much to do with the [Pubco]."

Those who had looked at this information felt that it was not always easy to understand.

"It's not specially designed or laid out to make it any easier to understand...I wouldn't say they [Pubco] go out of their way to provide that information."

Sources of information included:

- Being signposted to information and factsheets about the Pubs Code - specifically in relation to submitting a MRO notice - on the PCA website by a former BDM (who no longer worked for the Pubco).
- Formal sources including legal advice around rent reviews.

"[Pubco] sent over the standardised information on the Code and the PCA...in that format...it was fairly confusing until I actually went to my solicitor and asked his advice. Getting the information from him, in layman's' terms [was] helpful."

- Informal sources including organic conversations between tenants and family/ friends in the pub or hospitality trade. These were informal conversations where experiences, interesting articles and views would be shared. These were considered useful, but ultimately participants felt that they were anecdotal and would not be a trusted source for formal or legal information. There was mention that these types of discussions had not been possible where a tenant had been asked to sign a non-disclosure agreement with their Pubco having gone free of tie.
- Formal tenant groups with mention of a social media group.

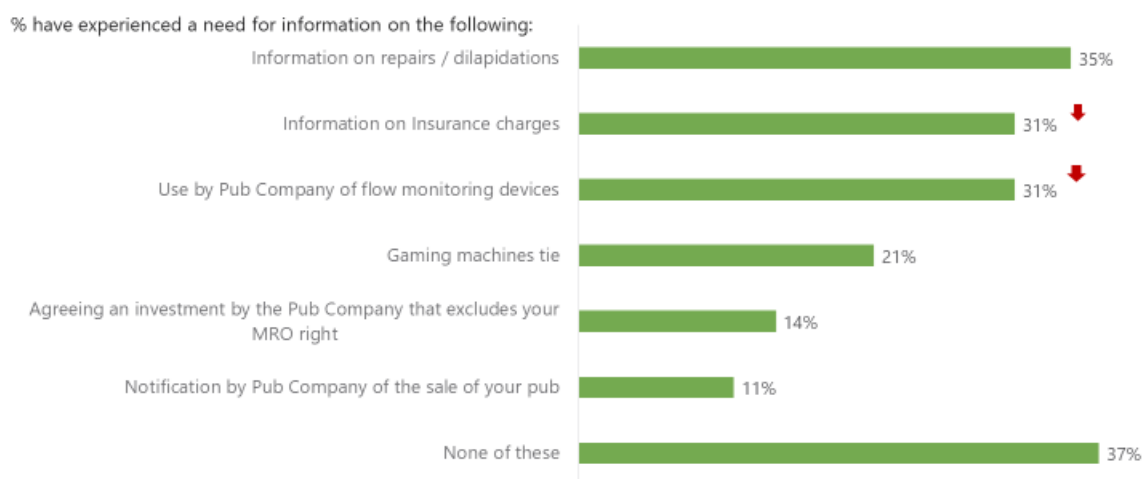
"I've also been in contact with a couple of groups online...the pro publican groups on...social media."

4.3 Need for information on Code related issues

4.3.1 Findings from Stage one: Telephone survey

All tenants, regardless of their level of awareness, were asked if they had experienced a need for information on a number of Code related issues. Overall, just under two thirds (63%) said they had experienced a need for information on one or more issues, a slight drop from 68% in 2017. The most frequently cited was the newly added issue 'Information on repairs / dilapidations' - mentioned by 35% of all tenants. This was followed by 'Information on insurance charges' and 'Use by the Pub Company of flow monitoring devices' (each mentioned by 31% of tenants); both of which had fallen significantly year on year (from 47% and 38% respectively).

Chart 4.4: Need for information on Code-related topics



D10. And since 21st July 2016, have you experienced a need for information on any of the following issues governed by the Pubs Code...

4.3.2 Findings from Stage two: Depth Interviews

Qualitative participants noted that they felt that a lot of the information about the Pubs Code had focused on rent review and the right to submit a MRO notice. These participants felt that they had seen limited information about the other aspects of the Pubs Code.

There was also, more broadly a sense that the Pubs Code was complicated and still relatively new.

"It's too new. No one understands it."

Participants reflected that the Code used legalese and anticipated that it would be difficult to understand.

A few participants felt that the Pubs Code (as with legal documents in general) was open to interpretation with the most sceptical participants feeling that Pub Companies referenced the Pubs Code to suit their own agenda. Multiple operators with pubs across different Pub Companies felt the Code was interpreted differently by different Pub Companies.

“As part of the Pubs Code we have to do x, y, z...but no one else is making me do this, it's as if they're making their own rules up, and they use the word 'Pub Code' as if it's a badge of honour.”

4.4 Awareness and usage of the PCA

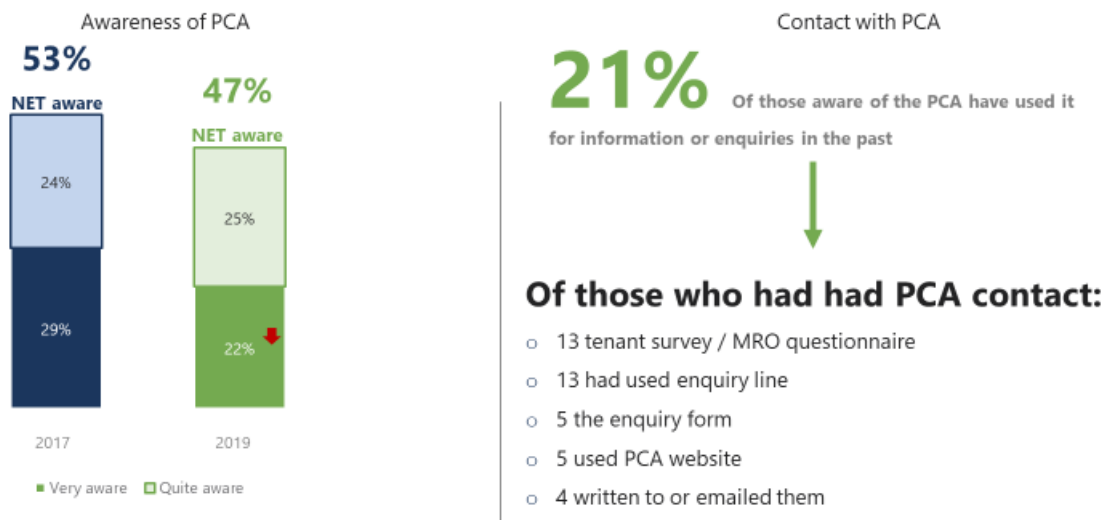
4.4.1 Findings from Stage one: Telephone survey

After hearing a brief description of the PCA and its responsibilities, respondents were asked how aware they had been of the organisation before the interview. In 2019 47% of tenants stated they were either 'very' or 'quite aware' of the PCA, a slight dip from 53% in 2017. As was the case with knowledge of the Pubs Code, this dip has predominantly come from the proportion stating more in-depth knowledge – 22% this year said they were 'very aware' of the PCA, down from 29% in 2017.

Older and more experienced tenants were more likely to state awareness of the PCA – at least half of tenants aged 45 or over said they were 'quite' or 'very aware'; and 54% of tenants with ten or more years' experience reported the same, compared to 26% of those in the first year of their career. In terms of Pub Company, Admiral tenants were the most aware of the PCA (59% 'quite' or 'very'). Awareness rises to 60% of those with positive BDM relationships – highlighting the key role for BDM's in communicating knowledge and information to tenants.

Following the awareness question, tenants who stated awareness of the PCA were then asked if they had ever used the PCA for information or enquiries in the past. A fifth (21%) of this group stated that they had used the PCA previously.

Chart 4.5: Awareness of & contact with PCA



B5. Before today, how aware, if at all, were you of The Pubs Code Adjudicator?; B6. Have you ever had contact with the Pubs Code Adjudicator in the past?

5. Relationship with Pubco and Business Development Manager

SUMMARY

This chapter contains:

- Tenant's views about their relationship with their pub-owning business and their BDM(BDM)
- Take up of new tenant training processes

Just over a third of tenants are classed as having a positive BDM relationship, 17% have a negative relationship, with the rest being mixed. The proportion holding a positive relationship with BDMs has fallen slightly (dipping from 42% to 36% from 2017), and this seems to correlate closely with intention to remain as a tenant. 63% of those holding positive relationships with their BDM say that they will 'definitely' continue their tenancy beyond the next 5 years compared to 47% overall. Qualitative follow-on interviews found that positive BDM relationships were driven by how knowledgeable and supportive BDMs were and how responsive they were to queries.

Tenants report varying levels of satisfaction with their BDM – a key business question to address is how repairs and dilapidations are dealt with. Generally, BDM's are seen as doing a relatively good job when it comes to their operational, more administrative responsibilities but their performance when it comes to tenant support is more mixed. However, satisfaction is weakest around support related to the Code or dilapidations. Just under half (48%) agreed that '[They] inform me clearly on the details of the Pubs Code; and signpost appropriate sources of further advice' – a slight dip from 54% in 2017. Meanwhile, just 37% agreed that 'I am happy with the way they manage issues relating to repairs and dilapidations at my pub' (asked for the first time this year). 44% disagreed.

Issues relating the repairs and dilapidations were explored in follow-on interviews. Concerns regarding repairs and dilapidations focused on two key areas: who is responsible for repairs and dilapidations (this was particularly queried by those who had been a tenant for less than 3 years); and the process for addressing repairs and dilapidations.

BDM results can sometimes vary significantly by Pubco. For example, although 44% of tenants surveyed overall disagree that they are happy with how repairs and dilapidations are managed this rose to 60% of Ei Group tenants. Similarly, 42% of Ei Group tenants disagree that they have confidence in how their tenancy is managed overall, compared to an average of 31%. Therefore, aspects of the BDM relationship clearly vary by Pubco and targeted action is needed to improve these scores next year.

Take up of new tenant procedures remains stable year on year. Among new or renewed tenants, take up of new tenant processes and training is still high, with 94% of that group having undergone at least one training process (from 96% in 2017). Take up is highest for having inspected the pub premises (88%), and lowest for having completed new entrant training (46%) – similar patterns to those seen in 2017.

Key findings and trends:

- 36% of tenants hold positive relationships with BDMs, down 6 points from 2017.

- Repairs and dilapidations are a key business question in the tenant / Pubco relationship – particularly among tenants of Ei Group.

5.1 The Business Development Manager relationship

5.1.1 Findings from stage one: Telephone survey

Respondents were given a list of statements relating to their BDM and were asked about the extent to which they agreed or disagreed with each one. The statements were designed to reflect the operational/administrative aspects of their role according to the Pubs Code, the supportive elements of the role more generally, and their effectiveness of information sharing about the Pubs Code.

Respondents were asked to rate their BDM on each of these statements (on a scale of “strongly agree” to “strongly disagree”):

- *Operational/administrative functions*
 - They make formal notes of discussions about rent, repairs and business plans for my pub
 - I receive the notes made within 14 days; and I’m given 7 days to comment
- *General support*
 - I have all the information I need about their role
 - They supply the support I need on an ongoing basis
 - I have confidence in the way they handle my tenancy
 - I am happy with the frequency of contact with my BDM (*newly added in 2019*)
- *Pubs Code information*
 - They can inform me clearly on the details of the Pubs Code; and signpost appropriate sources of further advice.
- *Repairs and Dilapidations*
 - I am happy with the way they manage issues relating to repairs and dilapidations at my pub (*newly added in 2019*)

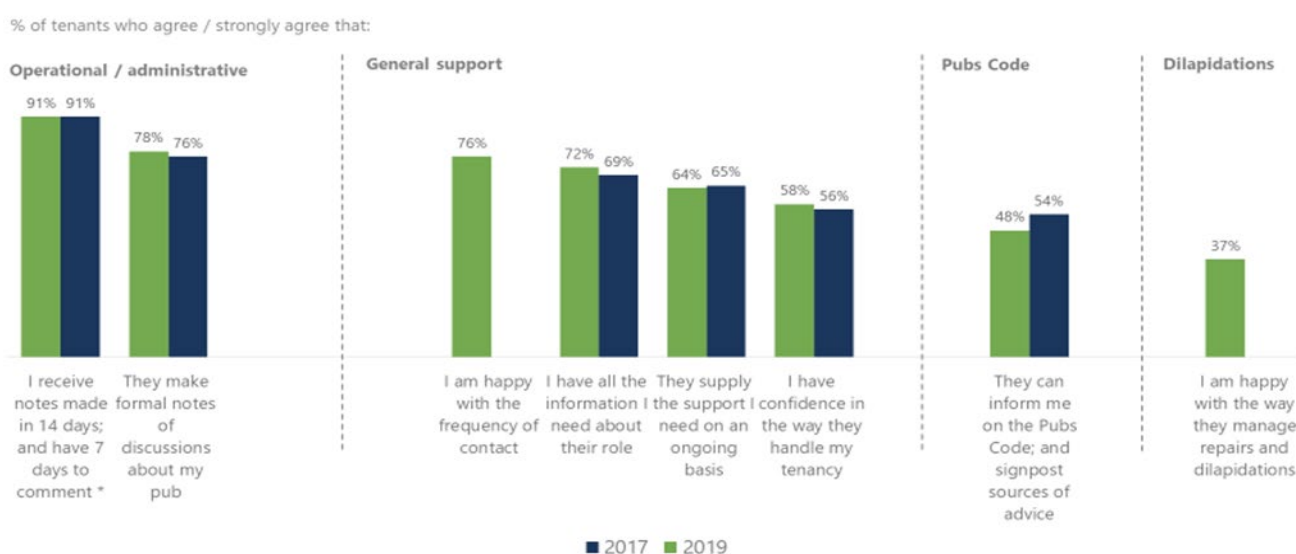
As was the case in 2017, the highest levels of agreement (and therefore most positive reactions) were awarded in relation to the *operational/administrative statements*. 78% of respondents agreed that their BDM made ‘formal notes of discussions about rent, repairs and business plans for their pub (from 76% in 2017). Everyone, except those who disagreed strongly with this statement, were also asked to consider timely receipt of these notes and, in this instance, over nine in ten (91%) tenants agreed that ‘I receive the notes made within 14 days; and I’m given 7 days to comment’ (unchanged year on year).

Statements relating to the *general support* provided by BDMs received mixed levels of agreement overall. 72% of tenants agreed that 'I have all the information I need about their role' (slightly up on 69% in 2017) and just under two-thirds (64%) agreed that 'they supply the support I need on an ongoing basis' (65% in 2017). The statement least likely to receive agreement in this sub-category this year was 'I have confidence in the way they handle my tenancy' (58% - stable with 56% in 2017). On this measure some 31% of tenants disagreed with this statement in 2019, in line with 29% in 2017 – suggesting that this continues to be an area of focus for BDMs. A new statement around support was added this year – 'I am happy with the frequency of contact with my BDM'. Three quarters (76%) of tenants agreed with this statement; 53% strongly agreed.

The single statement around *Pubs Code information* – '[They] inform me clearly on the details of the Pubs Code; and signpost appropriate sources of further advice' – saw slightly lower agreement still, with 48% of tenants agreeing with this statement (a slight dip from 54% in 2017). Two-fifths disagreed with this statement; 26% strongly disagreed.

Agreement was lowest overall for the second newly added statement in 2019 – 'I am happy with the way they manage repairs and dilapidations'. Just 37% of tenants agreed/ strongly agreed with this; 44% disagreed (the highest level of any of the statements). This area was also the most commonly cited Code issue that tenants sought information on (see section 4.3.1), reinforcing the importance of this subject as a future area of focus.

Chart 5.1: Agreement with BDM fulfilment of duties



C1. To what extent, if at all, do you agree with the following statements about your contact with your BDM

BDM relationship differences by Pubco and tenant demographics

Whilst agreement with the operational and administrative statements listed above were almost universally high amongst different types of tenant, as in 2017, there were notable differences when considering the scores for tenant support and (new this year) repairs and dilapidations, between both the various Pub Companies and different demographic groups.

Turning first to the Pub Companies, full results by Pubco are shown below (with significant differences versus the total denoted by ↓↑):

Table 5.1: Agreement with BDM fulfilment of duties by Pub Company (% agree/ strongly agree):

	Total	Admiral	Marstons	Punch taverns	Star	Greene King	Ei Group
	N=400	N=50	N=50	N=50	N=80	N=50	N=120
They make formal notes of discussions	78%	93%	72%	75%	82%	82%	73%
I receive the notes made within 14 days	91%	97%	97%	93%	88%	84%	92%
I am happy with the frequency of contact with my BDM	76%	86%	86%	78%	78%	72%	70%
I have all the information I need about their role	72%	91%	74%	77%	78%	79%	61%↓
They supply the support I need on an ongoing basis	64%	80%	73%	64%	69%	73%	53%↓
I have confidence in the way they handle my tenancy	58%	78%	71%	52%	60%	71%	48%↓
They can inform me clearly on the details of the Pubs Code	48%	76%	50%	42%	47%	54%	43%
I am happy with the way they manage repairs and dilapidations	37%	67%	58%	34%	35%	49%	27%↓

When analysing the results by Pub Company, a few key patterns emerge:

- Results by POB are consistent with those overall in terms of the areas of support – agreement is highest for operational roles and lowest for dilapidations (with the exception of Marstons):
- Tenants with Admiral show the highest levels of agreement out of the six Pub Companies; with the highest scores for each of the seven statements

Meanwhile, tenants with Ei Group gave the lowest scores for any Pub Company on all except for two of the statements. Ei Group scores were significantly lower than the overall average across three of the four support-related duties, as well as dilapidations:

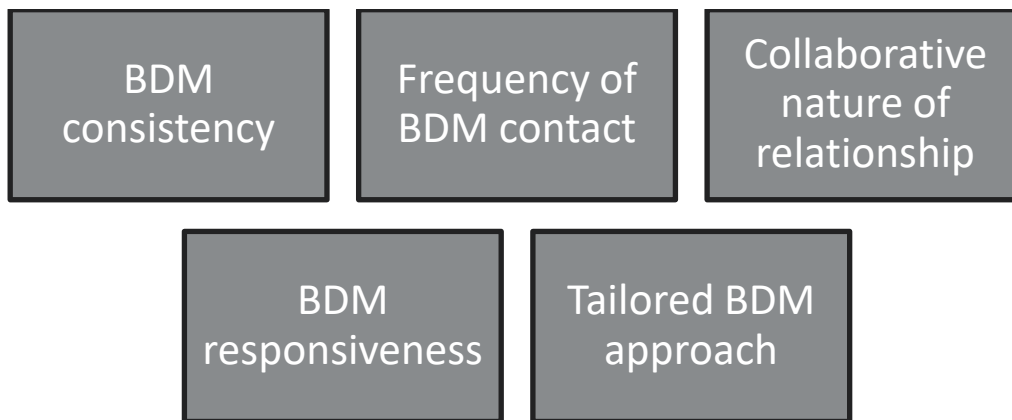
- 61% agreed that *'I have all the information I need about their role'* - this compares to 72% amongst tenants overall
- 53% of tenants with Ei Group agreed that *'They supply the support I need on an ongoing basis'*; 39% disagreed with this statement
- *'I have confidence in the way they handle my tenancy'* - 48% of Ei Group tenants agreed with this compared to 58% overall; 42% disagreed (compared to 31% overall)
- In terms of dilapidations (*'I am happy with the way they manage repairs and dilapidations'*), Ei Group results were ten percent lower than average (27% agreed next to 37% overall). Over half (60%) disagreed with this (compared to 44% overall).

As with differences by Pub Company, agreement across demographic groups generally varies most for the statements around support and dilapidations, with the length of tenant career appearing to play a key role here:

- *'I have confidence in the way they handle my tenancy'* - 74% of tenants in the first year of their career agreed; this fell to 52% amongst those with ten or more years' experience;
- *'They supply the support I need on an ongoing basis'* – agreement was 73% amongst tenants in the first year of their tenancy; and 60% for those with ten or more years' experience;
- *'I am happy with the way they manage issues relating to repairs and dilapidations at my pub'* - again, newer tenants were more likely to agree (50% of those in their first year, but just 29% of those with more than ten years' experience).

5.1.2 Findings from stage two: Depth interviews

As found in the 2017 research, five key aspects of the BDM relationship emerged as important:



Participants particularly focussed on the importance of **BDM support** and **collaboration**.

Views regarding contact with the BDMs were mixed. There were individual preferences for **frequency** of contact with BDMs. Whilst some appreciated frequent contact (e.g. once a fortnight) others preferred less frequent contact; these were typically tenants with many years of experience, and valued a sense of 'freedom' in running their pub.

Regardless of frequency of contact preferences, participants agreed that a **responsive** BDM was important, ensuring that they could contact and speak to the BDM when needed.

"If I call them they always answer the phone...they're only a phone call away...I like it as it is, I know what I'm doing, and they understand that."

"[BDM] took an interest in the business and us personally...answering phone calls and getting back to you."

Those who struggled to speak to their BDM typically felt that they had a less supportive relationship.

"Getting in touch with someone at the [Pubco] - I get passed from pillar to post."

Lack of responsiveness from BDM was often cited in relation to repairs and dilapidations which is fully discussed in the following section.

Relationship with BDM was also influenced by **consistency** of BDM. Those least satisfied with this had experienced a high turn-over of BDMs. Participants felt that it was important to build up a relationship with their BDM over time, and therefore found it frustrating when their BDM changed.

"You build up a relationship with one [BDM] - it takes a while to build up a relationship and for them to get to know your business, and then you get a new one."

Those most sceptical about the frequent change of BDM wondered whether this was a way for the Pub Company to limit any relationship between BDM and tenant.

"I don't know if they think the relationship between the BDM and tenant gets too close they might help us."

Having a relationship with the BDM was crucial to a feeling of **collaboration** between tenant and BDM. Participants described the ideal relationship as one where there was collaboration and honesty. Core to a collaborative approach, was a BDM who understood the pub business, and what it was like to run a pub.

"They've come from running their own business or running their own pubs, so they understand business and you can speak to them about business better."

"[BDM] listens to what I'm saying...knows the pub business well."

Participants felt that lack of knowledge about the business could result in BDMs making business development suggestions that were not **tailored** to the pub for example, suggesting events or promotions that the tenant felt were unlikely to be successful or suitable based on their knowledge of the clientele and area.

Feelings of collaboration between BDM and tenant were also driven by whether participants felt they had an **honest** relationship with the BDM.

"If you're having a conversation with someone and you can't believe that they're going to be honest with you then don't bother because it's going to cost you money in the long run."

This was often linked to whether participants felt that the BDM had the authority to make decisions to help support the tenant. Some felt that the BDM was not able to do this.

"They've got no authority, they can't do anything for you."

"They do try and get a bit more involved, but their hands are tied from above."

"I don't think [BDM] has got any authority whatsoever to be able to do anything for me. From a point of business development, to me that indicates that [BDM] should be meeting with me at least once a month, helping me get onto [social media], helping me with promotion, look at what beers are going to be...the in thing."

Those most sceptical felt that BDMs solely focused on what was best for the Pub Company rather than what would be helpful for the tenant/ pub.

"I don't expect a lot from them to be honest. Some of them [BDMs] you can sit down and talk to and they'll help you if they can. But most of them, they just frame everything to be on the side of the pub company."

Repairs and dilapidations

The way that BDM manages issues relating to repairs and dilapidations was explored in the qualitative depth interviews as a key issue emerging from the quantitative survey. With this in mind the depth interviews looked to include those who had expressed **dissatisfaction** with this, to explore these views in more detail.

Across the qualitative depth interview, two inter-linked issues emerged when thinking about dissatisfaction with repairs and dilapidations:

Who is responsible for repairs/ dilapidations

The process for addressing repairs/ dilapidations

Participants expressed varied views towards responsibility for repairs and dilapidations. Whilst some recognised that they were responsible with fully maintaining or repairable leases, they still felt that there was lack of support regarding repairs/ dilapidations from their BDM.

"They don't help...we've got a full repairable lease so there is no help."

These participants felt that their BDM simply said that it was their responsibility and did not offer any further support. Those financially struggling felt that their BDM could show further support or understanding particularly where paying for repairs or dilapidations would put further stress on their financial situation.

"If you can't afford it, you can't afford it, and then you're telling me I've got to do it. Well, you're just putting your own business in debt."

For some participants there had been confusion during their tenancy about who was responsible for repairs and dilapidations. This tended to be mentioned by tenants who had been a tenant for less than 3 years.

"Everything I phone up for now they just refer me back to the [Pubco] contract."

These participants agreed that greater clarification was required, and that they should have been clearer on this point when they signed the agreement with the Pub Company (this is further discussed in section 5.3).

"There are lots of grey areas with dilaps and decorations. Are curtains part of it? It would be good if [Pubco] clarified."

Some queries around responsibility for repairs and dilapidations referred back to the state of the building and equipment before they had taken on the pub. Participants expressed concerns on this matter and had not realised that they would be responsible for making these repairs or replacing equipment. They often felt that these things had not been in good working order/ had been old before they took the pub on.

"If they didn't do things like cowboys at the start, then things would be sorted. If it's not up to scratch when we first get it, then we're not happy."

"Don't mind keeping it right but they've got to put it right first."

Those dissatisfied with the **process for addressing repairs/ dilapidations** tended to cite two key issues: calculated cost of repairs/ dilapidations; and speed at which repairs/ dilapidations were addressed by the BDM/ Pub Company.

Participants expressed frustration in the **costs** of repairs and dilapidations when calculated by the Pub Company. They felt that cost calculations were high, and often based on using certain services that the participant knew that they could acquire - to the same standard - at a more commercially advantageous price. Examples included high cost calculation for a departure statement (multiple operator) and high cost calculation when a pub was being assessed as part of a lease renewal.

"When they come out renewing your lease they send someone around, they look at the property...works out a report...work out how much it's supposedly going to cost to get it up to standard if you were to sell...but the figures are ridiculous."

The calculated cost of repairs and dilapidations was also mentioned in relation to the costs included in MRO offers.

Frustrations regarding the speed at which repairs/ dilapidations were dealt with were also cited. This tended to focus on the speed of the BDM/ Pub Company actioning a request with many mentioning the need for any requests to be processed by a number of people within the Pub Company.

"Anything [Pubco] is responsible for it has to go down the chain, it takes about 6 months to get anything even spoken about."

"We have to talk to too many different people to get anything done at the moment."

"Always waiting for a response, asked a few times about replacing stuff."

5.2 Positive and negative relationships

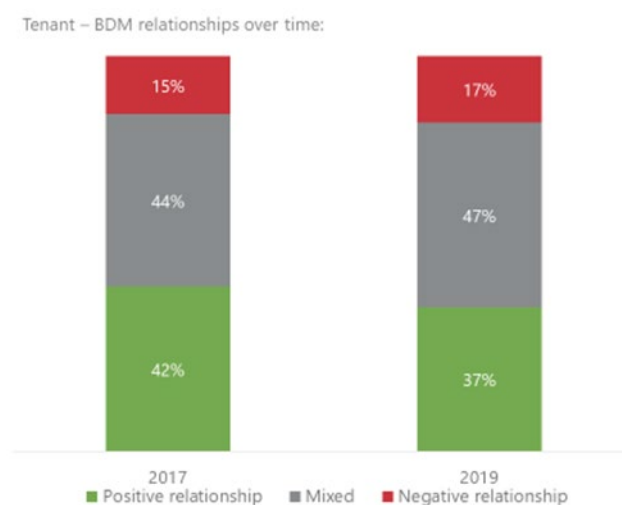
5.2.1 Findings from stage one: Telephone survey

In order to better understand the dynamics of the tenant – BDM relationship, derived variables were developed using three of the support focused statements, to measure the proportions of those with positive, negative and mixed relationships. These were defined as follows:

- Positive relationship: those who agree/ agree strongly with each of the following:
 - They supply the support I need on an ongoing basis
 - They can inform me clearly on the details of the Pubs Code; and signpost appropriate sources of further advice
 - I have confidence in the way they handle my tenancy
- Negative relationship: those who disagreed/ disagreed strongly with each of the same statements
- Mixed relationship: those falling into neither of the above categories

Based on the above, 37% of tenants were defined as having positive BDM relationships; 47% mixed; and 17% negative relationships. Results are largely stable with 2017 (with the exception of a slight dip in the proportion of positive relationships, down from 42%) and tenants remain more than twice as likely to have positive as negative relationships with BDMs.

Chart 5.2: BDM relationships

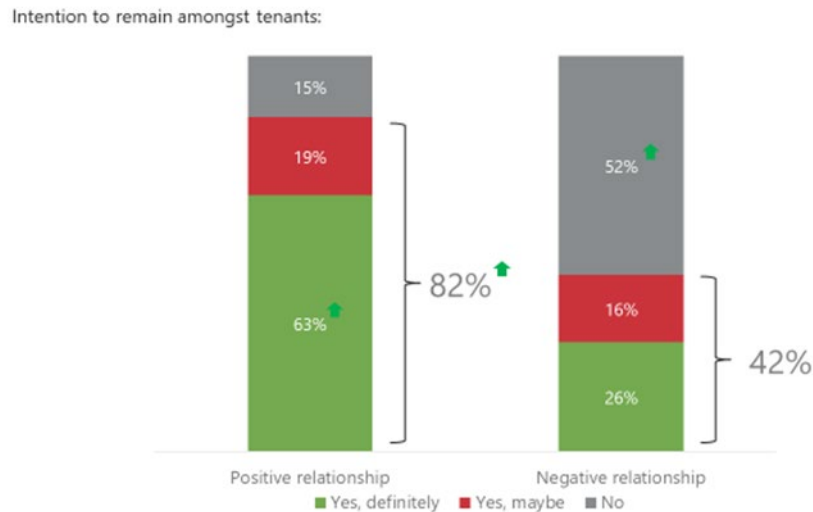


C1. To what extent, if at all, do you agree with the following statements about your contact with your BDM

There was some variation in this within the various tenant subgroups – of the six Pub Companies, the proportion of positive relationships is highest among Admiral tenants (66%), whereas Ei Group were the most likely to report negative relationships (24%). In terms of demographics, positive relationships appear to be highest amongst those earlier on in their careers – 42% of those in the first year of being a tenant had positive relationships. This rises to 50% amongst those in 1-3 years of the tenancy who have operated for its entirety under the Pubs Code. The figure is lower amongst those with three or more years' experience whose tenancies pre-date the introduction of the Pubs Code. Positive relationships also seem to be more likely amongst those who were aware of the Pubs Code / PCA (41 and 46% respectively) – though this could be more indicative of supportive BDM's being more likely to share knowledge and information on the Code and PCA with their tenants, rather than a response to knowledge of the Code / PCA itself.

The quality of the tenant-BDM relationship appears to correlate clearly with tenant intentions to remain in post. Of those with a positive BDM relationship, 82% intend to remain (63% definitely); amongst those with a negative relationship, this falls to 42% (36% definitely) – highlighting the role of both the BDM and Pub Company in driving tenant job satisfaction and likelihood to stay as a tenant for the long term.

Chart 5.3: BDM relationships and intention to remain amongst tenants



C1. To what extent, if at all, do you agree with the following statements about your contact with your BDM; F4. Can you see yourself remaining as a tenant with your current operation and tenancy agreement for the next five years?

5.3 New tenant procedures

5.3.1 Findings from stage one: Telephone survey

Those who had entered into their first, or a new tenancy, since the Pubs Code came into force in July 2016 were given a list of practices that the Code would expect them to have been exposed to. These were:

- Completed new entrant training
- Submitted a sustainable business plan
- Received information from your Pub Company describing the pub, setting out the rent and explaining both your and their obligations under the tenancy
- Inspected the pub premises

It should be noted that the above are not universal requirements for all new / returning tenants. Tenants with past experience (i.e. those entering into a new tenancy after having held previous ones) are not required to complete new entrant training.

The proportion reporting having been through each of the processes followed similar patterns to 2017, with slight (not significant) decreases overall. Results per process breakdown as follows:

- 46% had completed new entrant training (a slight dip from 50% in 2017);
- Just under seven in ten (68% - unchanged) new / renewed tenants said that they had submitted a sustainable business plan since the Code came into force;
- Three quarters (74% down from 79% in 2017) had received information from their pub-owning business describing the pub, setting out the rent and explaining both the tenant, and Pubco obligations under the tenancy;
- 88% of tenants said they had inspected the pub premises (a slight dip from 92% in 2017).

Six percent of new/ renewed tenants had not completed any of the four new entrant procedures – this falls to 3% amongst first time new tenants. There were very few notable differences in these proportions across processes amongst the tenant subgroups, though it is worth noting that take-up of new tenant processes seems lower amongst those new/ renewed tenants who answered 'no' to their plans to remain as a tenant (just 83%). Amongst those with a positive BDM relationship, 99% have completed at least one process (significantly higher than average), perhaps reflecting the positive role that BDMs can play in ensuring new tenants begin their tenancy in the right way.

Chart 5.4: New tenant processes



C2. We understand that you have taken on a tied tenancy at some point since 21st July 2016. Can you tell us whether or not you have done any of the following since this date?

6. Experience of Code-related events

SUMMARY

This chapter discusses:

- The potential for the right to request MRO and the experiences of those that submitted;
- Motivations for and barriers against submitting a MRO;
- Tenants' perception that there is a genuine opportunity to move to a free of tie relationship.

Just under half of tenants reported having experienced a MRO event in the 2019 survey – a slight increase from 2017. Only a minority of these went onto submit a MRO notice. The proportion of tenants who reported having renewed their tenancy agreement has increased slightly, from 19% to 24% year on year. The proportion who report having received a tied rent proposal or rent assessment proposal has remained more stable over time (from 35% to 37%). Of those who claimed to have gone through at least one event (46% - from 41% in 2017), 14% went onto submit a MRO notice (stable over time). At the same time a slightly higher proportion said that they did at least consider MRO this year, 29% up from 25% in 2017.

However, amongst those who were aware of the right, an increased proportion put this down to a satisfaction with their current situation this year (23% up from 9% in 2017). Of those who had the right to, but did not submit, 24% said this was because they did not know they had the right to a MRO at the time (from 26% in 2017). Only one in ten reported having chosen not to because they 'couldn't see any advantage in going free of tie' this year, a significant dip from 21% in 2017.

Most tenants who experienced a MRO event still did not feel that they had a genuine choice between MRO and tied offers. Just over one in three tenants who reported having been through a MRO event said they felt they had had the opportunity to make a genuine choice between offers. This is a slight dip from 41% in 2017. More than half felt that the choice was not genuine (55% from 53% in 2017). Qualitative follow-on interviews found that lack of genuine choice was focused on two key issues: lack of awareness of right to submit MRO notice, and the cost and terms of MRO offers.

Key findings and trends:

- The proportion of eligible tenants who went onto submit a MRO is stable over time - just under one in seven
- A majority of tenants still do not feel they have a genuine choice between tied and free offers.

6.1 The MRO Journey

6.1.1 Findings from stage one: Telephone survey

All tenants were asked whether or not they believed they had experienced an event – receipt of a tied rent assessment proposal or renewal of their tied tenancy – that would have made them eligible to request MRO. 46% of respondents reported experiencing such a MRO event. 24% of respondents reported having ‘renewed their tenancy agreement under the Landlord and Tenant Act; 37% said they had ‘received a tied rent proposal or rent assessment proposal’.

Of the 46% who felt they had experienced a MRO event, 14% reported going onto submit a MRO notice. A further 29% of those who reported having experienced an event said that they had considered submitting a MRO request.

The decision on whether or not to submit a MRO notice varied within the sample. There were no significant differences by Pub Company (partially driven by the small sample sizes at this question), though indicatively Punch tenants appear more likely to have submitted (with 7 of 25 eligible tenants saying they did). Admiral tenants appear to be the least likely to submit with just 1 of 14 tenants in this group reporting having done so.

Amongst the 26 tenants⁶ who reported having submitted a MRO notice:

- 13 said that they were now still tied to the Pub Company (7 of these on negotiated better terms; 6 on the same terms as previously)
- 12 reported still being in the process at the time of the survey
- One respondent was unable to answer

None of the surveyed tenants said that they were now operating free of tie⁷.

Those who had been through the process but elected to stay tied were asked about their reasoning for this. Of the thirteen tenants who were asked

- Four said that this was because the MRO terms or rent they were offered were not what they were expecting

⁶ Please note that this figure is based on the number of responses after weighting

⁷ It is not possible to make a statistically reliable comparison over time given the small sample size here; so findings are not trended with those in 2017

- Three tenants said that they couldn't see any improvements to going MRO or were happy with their existing terms
- Two said that they were deterred by the upfront costs involved
- The same number said that the process seemed too long / complicated
- Of the thirteen, two mentioned (in their own words) that their Pub Company pressured them not to go any further with the process

Tenants who had been through the MRO process reported being most satisfied with the 'Ease of identifying the event that gave them the right to ask for a MRO' (19 out of 26); the 'sources of information available when submitting your MRO notice' (16) and the 'timings for submitting your MRO notice' (14). Just six of the twenty-six reported being satisfied with the 'final level of MRO or free of tie rent reached (whether or not a MRO tenancy was agreed)'.

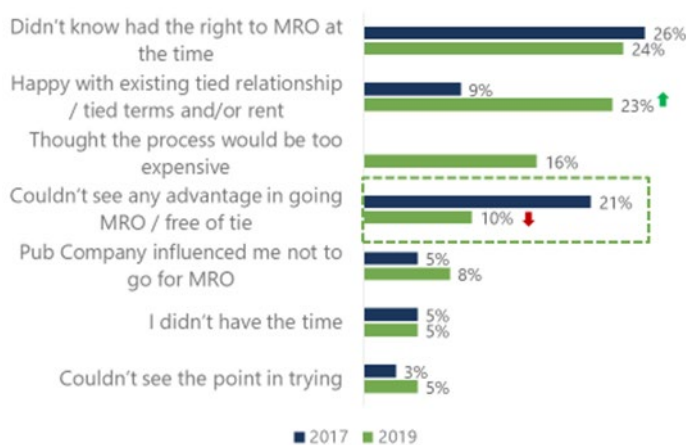
6.2 Barriers to submitting a MRO notice

6.2.1 Findings from stage one: Telephone survey

Those tenants who reported having experienced a MRO event but not having submitted a MRO were asked why they chose not to submit. The chief reason for not having submitted was unchanged from 2017 - '(I) didn't know I had the right to MRO at the time' (mentioned by 24%, from 26% last year). At the same time, amongst those who were aware of their MRO right, an increased proportion attributed the decision not to submit to a satisfaction with their current set up rather than a lack of awareness of the benefits of the free of tie offer, possibly reflecting an increased awareness amongst tenants generally of the pros of the free of tie offer as time goes on. This year 23% reported (being) 'Happy with existing tied relationship / terms' – up from 9% - whilst just one in ten reported seeing little advantage to going free of tie (down from 21% in 2017). Almost one in six tenants said they 'Thought the process would be too expensive' (asked for the first time this year), a theme which was reflected in the qualitative depth interviews.

Chart 6.3: Reasons for not submitting a MRO

Reasons for not submitting an MRO notice:



D4. It seems that you had the right to request a MRO agreement, but chose not to, why was that?

6.2.2 Findings from stage two: Depth interviews

The qualitative depth interviews included those who had experienced a code-related event and had not been aware that they could submit a MRO notice to explore these views and experiences in more detail.

Participants who had given this answer in the quantitative survey included some new tenants, who had taken on their tenancy in the last 3 years. These participants expressed a lack of knowledge and awareness of the Pubs Code in general and were typically unfamiliar with the phrase 'MRO' or 'free of tie'. Other participants who had not been aware of their right to submit a MRO notice further reflected that they anticipated they would not have done so as they were content with their current arrangement or anticipated that the rent would be unaffordable.

"I'm happy with what I'm paying...they are treating me fairly."

Participants across the depth interviews also included those who had experienced a MRO gateway event and had decided not to submit a MRO notice. A range of reasons were given for this. Participants whose pubs were food-led felt that there was less value in seeking MRO but noted that they would likely feel differently if they were wet-led.

"We're more food led than we are liquor so for us we just made a decision that it probably wasn't the best way to go forward, we wouldn't be any better off going for it."

Amongst a few participants there was additionally a sense that requesting MRO could negatively impact on the relationship with the Pub Company. Whilst this had not been the key reason for not submitting, it was taken into account during their decision about whether to submit.

"The offer that they've give us was far better than the deal we had at last rent review...so while free of tie would still be better...it keeps the relationship friendly in the hope that of course at the end of the tenancy we'll have built up quite a strong business here and at the end of the tenancy we're not thrown out on our ear in favour of a manager."

A few specifically focused on the perceived cost of MRO rent. This included the view that it would be too expensive, and one participant expressed a desire to stay on an incentive-based lease.

"I spoke to [Pubco] about the possibility of the MRO option and did start to get a bit worried about what it was going to cost us and whether we would survive it to be honest."

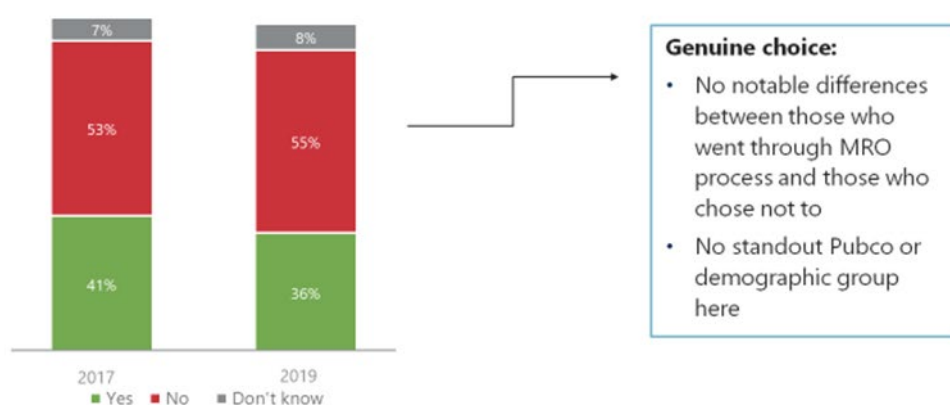
6.5 Genuine choice

6.5.1 Findings from stage one: Telephone survey

All respondents who reported having experienced at least one of the MRO events, whether or not they engaged with the MRO process any further, were asked if they perceived they had the opportunity to make a genuine choice between remaining in tie and going MRO. 36% said that they did, slightly down from 41% of this group in 2017. Over half (55%) said that they did not feel the choice was genuine (stable with 53% in 2017). There were no notable differences in these proportions across Pubco or demographics.

Chart 6.4: Perception of having had a genuine choice

Of the tenants who had experienced an MRO event:



D9. Based on everything we have discussed so far, would you say you had the opportunity to make a genuine choice between the tied and MRO offers made by your Pub Company?

In a question newly added this year, tenants who had submitted a MRO notice, but were still tied at the time of the interview, were asked if they would consider applying for MRO again in the future. Of the 26 tenants (weighted) asked, 22 said that they would and 3 that they would not.

6.5.2 Findings from stage two: Depth interviews

Across the qualitative follow-on interviews, two key issues emerged that influenced perceived lack of choice between MRO offer and tied rent offer.



Lack of awareness of right to submit MRO

Those who had experienced a gateway event but did not submit a MRO notice due to lack of awareness felt that this ultimately meant that they had not had any choice. This included some new tenants (taken on first tenancy in last 3 years) who were confused around whether they could have requested MRO at the point of taking on their tenancy.

Cost

Cost was the key barrier amongst those who knew that they could submit a MRO notice/ did submit a MRO notice. Reasons included:

Perceived cost: many who did not ultimately submit a MRO notice commented that they anticipated that it would be unaffordable. These participants felt that there was not genuine choice between MRO and tied rent offers because MRO would simply be too expensive.

Changes to terms: changes to terms were an additional reason for feeling like there was not a genuine choice between offers.

"The big thing [that would make it feel like a genuine choice] is making it an assignment of the lease instead of taking out a new one with new deposit and repairs."

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