

Placing their bets

The last twelve months have been brutal and one of the toughest environments experienced for 60 years. How have young businesses adapted to the new market? *EP* looks at case studies from two very different businesses

It is not all bad news – a recent survey by the American Express OPEN Small Business Monitor found that 37% of respondents believed that the current economic environment actually creates opportunities for their business. Of this group, referred to as the ‘glass half full entrepreneurs’, 92% said that managing through a recession has made them better business owners compared with 77% overall. Nearly half of these owners were based in the service industry.

Of course, there have been well-publicised stories of small businesses failing, with blame laid partly at the door of banks refusing to lend. Entrepreneurs in the industry have increased over the past decade and it is estimated that small- and medium- sized businesses account for more than 75% of all companies globally. The entrepreneurial spirit has been an important feature of the industry’s success and for those individuals responsible the tactics of operation remain the same regardless of economic climate: calculated risk, innovation and strong relationships. In this special feature Alan Duff, Chief Executive of Heritage Portfolio and Calum Ross, Proprietor of Loch Melfort Hotel and Restaurant discuss their experiences.

Alan Duff, Chief Executive, Heritage Portfolio

Heritage Portfolio was established in 2002 by the merger of Heritage Hospitality and Portfolio Catering. They provide private and corporate hospitality to clients in Edinburgh and are regarded as being a market leader. They also operate a number of retail contracts in historic venues such as Hopetoun House, and have developed Beetroot Blue, an online ordering service, to provide bespoke office catering. The company has won numerous awards for innovation.

“We have stuck to our principles. Heritage Portfolio has a vision that it is proud of. Where there might be the tendency to cut things at the first sign of a fall, this can damage your reputation and so we have tried to buck that trend. However, we have had to be sensible and calculated.

Where most people have been betting on black, we have been betting on red.

We appointed a Sales Director, Scott Robertson, at the beginning of the year, having decided it was the right thing to do in order to enhance the depth of relationships. His remit has been to develop existing relationships with clients to a different level, and to ensure that we are at the top of people’s minds for any enquiries. We needed to evolve and adapt our offer and there is strength in numbers, it is a mutual relationship and one that has worked well.

This year has been an opportunity to draw breath and refine the services, so that we are better prepared when the recovery comes.

There was a huge reduction in corporate business after the first quarter. Our private event business has remained relatively steady, although there is less flamboyance. People are resistant to be seen to be spending money. Having said that, clients realise that there is a need to spend money to entertain, albeit sensibly. And despite the negative publicity surrounding

financial institutions, they know that they do have to entertain.

Innovation has continued, particularly through creating different levels of the offer to give variety in price points. People want the best coffee, the best gala dinner, but we have also seen a shift to cocktail parties and canapés. Corporate events are changing in nature, so we have jazzed up meetings in to make them more of an occasion. ‘Tailcoats and Tutus’ is a cocktail party offer involving canapés being prepared by chefs in the venue, offering tips and guidance to guests. It’s about creating something different at the right price.

These ideas were trialled last year – it takes time and effort to innovate.

Beetroot Blue has seen growth throughout the year and we have revamped the website. Our retail sites have benefited from staycations; these are located in free-entry venues and the mentality of customers is such that they want to have a good time, so coffee and cake is an affordable treat.

Calum Ross
Proprietor, Loch Melfort
Hotel and Restaurant,
Argyll, Scotland



**Calum Ross,
Proprietor, Loch Melfort Hotel and
Restaurant, Argyll, Scotland**

Formerly the Chief Operating Officer, Foodsolutions Latin America for Unilever, Calum had spent 24 years in the food service industry working throughout the world. In October 2008 this all changed when Calum and his wife Rachel took over Loch Melfort, a 25 bedroom hotel near Oban.

“The recession started about two weeks after we took over at Loch Melfort to give an idea of the timing of our arrival here – we were already committed to the purchase of the property. However, we knew that the hotel was a struggling business which had had no investment for many years. Occupancy levels were low already, so we started from a slightly different place.

It has been a fascinating experience. Having spent my career on the supply side of business, I had a long-held ambition to work as an operator. Although I had built up a fair amount of insight into the hotel market as a supplier, there was a question mark as to whether I could successfully run one myself. So far, Loch Melfort

is more than fulfilling my expectations.

The biggest change has been the exposure to the final consumer. I had previously been close to operators in industry, but still many layers of organisation away from the customers. The closeness of that relationship for people who are paying you to provide a service has been a new experience for me and the most inspirational part of the journey. The reward has been not only in the instant changes you can make following feedback, but also from seeing the benefit of these changes.

Has the recession made a difference? The answer is no. Things had to happen: from refurbishment to marketing to establishing standards. The business product was not sustainable for the long-term and there was

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no choice, we had to invest. While some of our priorities in terms of expenditure changed from the point where we started, these have not been dictated by the recession, rather they have been because our priorities inevitably changed as we got stuck in.

It's been about creating a product for the future. The focus has been on web-based and technology based marketing, purchasing and refurbishment.

I think from a support perspective, suppliers have expected to be put under pressure and we have renegotiated all our agreements, although we were going to do this anyway. The difference is that I am now investing for my financial future and there is much more of a direct impact. In my previous positions I would have been working towards targets which changed each year funded by the company I worked for, the targets we are working to at Loch Melfort don't change!

It is easier to spend money even though the risk, in some ways, is higher.

Less risk-taking is unhealthy. If we had chosen not to make some of the decisions then we would not have been investing in the long-term value of the property. It has been a huge gamble but I have every confidence it will pay off.”



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Alan Duff
Chief Executive,
Heritage
Portfolio

We have a huge degree of trust from our clients – you cannot buy that. Ultimately we have a good cash-flow and no debts or borrowing, so perhaps have not been under as much pressure as some.

Heritage Portfolio is in it for the long term. You cannot suddenly be known for innovation – it does not go down well. The momentum has to be there. The goal is to be at the forefront of people's minds so that when the upturn comes, they will choose our services and know we can provide a flexible offer.”