

# [Whitbread the leading hospitality companies in the uk marketing essay](https://assignbuster.com/whitbread-the-leading-hospitality-companies-in-the-uk-marketing-essay/)

Whitbread Plc is one of the leading hospitality companies in the United Kingdom. It has several brands but their main focus is on their budget hotels and Costa Coffee chain. Premier Inn which is leading budget hotel chain in the United Kingdom consist of nearly 600 hotels and over 1000 store of Costa Coffee across United Kingdom and over 400 worldwide. The other brands are Beefeater, Taybarns, Brewers fayre and Table Table (Whitbread, 2010).

Unable to produce satisfactory returns on its Marriott properties, the group has back of from 3 star and the 4 star hotel markets in order to focus on its star-performing budget hotel & Costa Coffee business. The group profited £1. 3billion from the sale of the Marriott hotels and in 2006 Whitbread has also disposed of their high-street restaurant business, offloading Pizza Hut and TGI Friday’s in 2007, at the same time they set off the health club business with the sale of David Lloyd Leisure. As Whitbread sold underperforming pub-restaurants, they take decision to keep only those pub-restaurants that are co-located with a Premier Inn. Currently it operates four pub-restaurant and restaurant brands, mostly next to budget hotels. The flourishing Costa Coffee chain, UK’s second largest coffee shop brand, has switched their focus on quality rather than quantity through partnerships with such companies as BAA, Virgin Atlantic, Waitrose, Waterstone’s, Ottakar’s, P&O and Esso (Caterersearch, 2009a).

Costa expanded their market by having a joint venture with Hilton hotels (Caterersearch, 2009b) and after agreeing to buy coffee heaven for £36 million, they focused on their expansion in Eastern Europe – countries like Poland, Czech Republic, Bulgaria, Hungary and Latin which offers strong position in the important and rapidly growing central and eastern European market and helps it to maximise their profit & sales (Flex news, 2009). Whitbread further delighted to spread in India and Pakistan through franchising and intends to grow the brand to 1, 000 outlets here and abroad by 2010. Premier Inn & Costa Coffee are using market development and product development strategies through expanding to new countries. In case of Pubs restaurants they are adopting a market penetration strategy through consolidation. They are also using a product development strategy through developing their new menus

From Coffee shops-to-hotels group, Whitbread is working on unique plans on their expansion strategy, which is not as per their investment strategy. They decided to sell off their five properties of Premier Inn for £36. 5 million through a sale and lease back deal. Explaining this Whitbread said they wanted to “ selectively use its property” which is an alternative source of hard cash to fund its expansion plans. At the end of 2010, the leisure group is planning to open extra 2, 000 Premier Inn hotel rooms. Quoting on this Whitbread’s chief executive Alan Parker informed the company will retained its coffee shop and hotel buildings, but admitted it was all set to release a small portion of the estate to lift funds (London evening standard, 2010). As Whitbread is growing at a high pace in UK and Ireland, they expand internationally in South East Asia, setting their presence in India and Dubai. Opening three hotels by the end of 2010 in India (Delhi, Bangalore and Pune) which are metropolitan cities, so here their strategy is to attract business clients too, which offer high quality service, a warm welcome and clean comfortable rooms (Premier Inn, 2010a). On the other hand, hotels in Dubai are already start generating revenues for the company (Premier Inn, 2010b). So in Boston Consultancy Group (BCG) Matrix we places Premier Inn & Costa Coffee as stars with a high industry sales growth rate & a high relative market share position where as Pubs Restaurants are placed as DOGS. The BCG Matrix suggests Whitbread should be investing more in stars & divesting their Pubs Restaurants.

Turnover has steadily decreased overall since 2003 due to the selling off of brands and discontinuing activities. In 2006 Whitbread sold 236 of its pubs, the Marriott joint venture and its 50% share of Pizza Hut UK. In 2007 Whitbread sold David Lloyd Leisure ltd and TGI Fridays. However turnovers increased in the last two years and due to the streamlining of the company the cost of sales have decreased and gross profit margins have increased steadily every year since 2003.

The expenses have increased for the last two years but as a percentage of turnovers have decreased since 2008 and are set to decrease in the future as the Restaurants and Hotels divisions have merged after the disposal of several brands, to better align the management teams to the business and avoid duplication of resources. The highest profits and profit margin were reached in 2008 when Whitbread had just sold many of its strategic business units, however it now has plans to grow and invest in its Premier Inn and Costa Coffee brands, the non – current assets of Whitbread increased by 211. 2 million in 2009 from 2008. Future increases in investment may mean more borrowing, less profits and less dividends. The loss of £108. 2 Millions in 2009 is due to the repayment of £255 million into the defined pension scheme. Earlier the company had two separate divisions for Restaurant management & Hotel management which are further sub- divided into Pub restaurants, Coffee shops & Budget hotels. But now Whitbread merged the restaurant and hotel management divisions after disposing of several pub restaurants in order to increase efficiency & to cut cost.

In Scenario Analysis we have divided the y-axis into consumer trends to take an account that many customers may revert back to luxury brand after the recession such as what happened in 1994. (The operating profits for the Savoy Group rose by 155 per cent to £12 million). If this scenario happens Whitbread has the competence from previously owning a luxury brand hotel in the UK Marriot to adapt the changes. On the x-axis we have taken 2 scenarios where we accounted for environment movements. If this happens Premier Inn has the competence to adapt the changes if there is any movement to green hotels because they have already built the latest evolution in environmentally friendly hotels.