

Strategic choices for the future direction of regent inns

[Business](#), [Company](#)



The purpose of this case study is to identify strategies suitable to enable Regent Inns to gain a competitive advantage and then critically evaluate these strategies as to their suitability to the future direction of the company.

Having disposed of all its unbranded pubs and bars Regent Inns is now concentrating on expanding its two premium high-street brands of walkabout and Bar Risa/Jongleurs and developing further its potential by launching a third brand to be known as PALS. Regent Inns is one of the key players in the license retail industry being identified in 2002 by Mintel as the top high street operator according to weekly sales figures (see appendix 1).

To ensure Regent Inns withholds this position in the market it must endeavour to maintain a competitive advantage over the players in the market. A competitive advantage exists when a company is able to deliver the same product and service as competitors but at a lower cost, or delivers a better product and service that exceeds the competing product. Through achieving a competitive advantage a company can create superior value for its' consumers.

Porter identified two basic types of competitive advantage:

- * cost advantage

- * differentiation

Through achieving one or both of these a company can sustain profits that exceed the average for its' industry.

Regent Inns has identified the following vision:

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Regent Inns is about creating; developing and managing great brands that inspire customers... we believe we have the most creative and dedicated team in the industry. We constantly have the brighter ideas that create new successes in the marketplace and so enable us to raise the game. Focused and efficient we are determined to be recognised as the best brand and business management in the sector.

(Regent Inns 2002)

From this it can be identified that for Regent Inns the main aim of the company is to be the best at what it does. It wants to be ahead of the game at all times. The future direction of the company should involve strategies that guarantee its' aims and objectives being met. Having already undertook strategies of consolidation and market penetration it is suggested that Regent Inns will achieve competitive advantage through:

- * Differentiation and
- * Market Development

This case study will now go on to identify and critically evaluate the strategies, which will achieve these aims.

The Ansoff's Matrix (see appendix 2) identifies four possible growth strategies that may be considered by a business as options for the future direction of the company. The four strategies include:

- * Market Penetration - the firm seeks to achieve growth with existing products in their current market segments, aiming to increase its market share.
- * Market Development - the firm seeks growth by targeting its existing products to new market segments.
- * Product Development - the firms develops new products targeted to its existing market segments.
- * Diversification - the firm grows by diversifying into new businesses by developing new products for new markets.

(Quickmba. com 2003)

As already identified Regent Inns has already adopted a strategy of market penetration through it's expansion of it's popular brands it intends to open a further 50 Walkabouts by the end of 2003 and 20 Bar Risa/Jongleurs. The company has also undertook product development through the introduction of it's third brand PALS.

From this it can be determined that for Regent Inns to continue to succeed it must now look into the remaining two strategies of market development and diversification. Methods of conducting these strategies include:

- o Market development - globalisation
- o Diversification/differentiation - Adding value to core competences and resources

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It must be taken into consideration that this type of strategic model was not created with a license retail company in mind. It was developed for the more product orientated businesses such as car manufacturers, which explains the product development option in the case of license retail it would be appropriate for that strategy to be called concept development. As concepts are what this industry develops not individual products. Due to its intangibility it is not as simple to adapt strategic models to this type of industry. However Ansoff's model is very useful as a basis to progress from when deciding upon the future strategic direction of a major license retail company.

A market development strategy will strengthen Regent Inns' portfolio of outlets further. The function of market development is when existing products are offered in new markets. As restrictions to enter foreign markets have minimized more and more industries are taking advantage by adopting a globalisation strategy mainly done through acquisitions. The UK brewing industry has successfully adopted this strategy so why not the license retail industry? By entering an international market Regent Inns would gain a number of advantages such as:

- o Economies of scale due to access to higher level of customers and markets
- o Extend the lifecycle of concepts, as older concepts that may seem tiresome now in the UK can be developed in lesser-developed countries.
- o First mover advantage, being the first company to offer this type of service to a market

- o Increased reputation and brand identification.

However adopting this sort of market development strategy does involve a high level of risks and problems can be encountered such as:

- o High initial cost (however Regent has money to divest from the sales of it's unbranded estate)

- o Communication barriers

- o Cultural differences

- o Diverse economies

A well designed global strategy can almost certainly help a firm to gain a competitive advantage however to create a successful global strategy, managers first must understand the nature of global industries and the dynamics of the global competition.

It has been stated:

As hospitality firms expand it is therefore important to study the local, national and international political and trading frameworks in which they have to operate... The complexity of these issues means that strategic development options must be fully researched prior to taking decisions about market penetration and development.

(Anon 2003)

Another problem with globalisation is that as identified by Anon (2003) " Maintaining a consistent culture when expanding globally is difficult." However also stated by Anon (2003) being global " Enhances a firms reputation, which is critical in the service industry."

Globalisation seems to be the way forward nowadays as stated by Mintel (2001) " Most of the profitable deals have already been done in the UK... companies are now looking overseas to grow by acquisition."

With the sound management team that it is apparent Regent Inns is fortunate to have to lead the way a globalisation strategy could be implemented without any detrimental impact on the present activities of Regent Inns.

As mentioned earlier Porter argued that there are two ways of achieving competitive advantage, cost advantage and differentiation, which he then suggests lead to three generic strategies:

- o Cost leadership
- o Differentiation and
- o Focus

They are referred to as generic strategies as they are not firm or industry dependant and can be adapted for use for any type of business. (See appendix 3)

For the purpose of Regent Inns it is not recommended that it attempts to gain a competitive advantage purely through cost leadership. Mintel implies that competing on something as basic as price merely has adverse affects on profits, Mintel advices that operators should look at using the quality of their offers in terms of location, décor and the range of food and drinks it offers instead. If the only thing to differentiate bars is the price then obviously customers will opt for the cheapest option.

It is far too easy in this type of industry for competitors to replicate drink offers and promotions, due to this it is vital that Regent Inns attempts to differentiate it's service and environment in such a way that customers will choose it's venues regardless of whether the drinks are marginally more expensive.

Mintel identified Regent Inns as being a pub company that is specialised in its' industry with an intimate knowledge of their market and deep understanding of the requirements of their customers. This indicates that Regent Inns has the core competences and resources to develop upon in order to achieve a competitive advantage over the remaining high street brands.

Therefore to do this Regent Inns must adopt a strategy of differentiation. This can be achieved by using two main methods:

- o Branding
- o Internal development

Both of these methods will contribute to Regent Inns securing a strong position of superiority above its' rivals.

Developing a strong portfolio of brands within a company will help to increase customer awareness. Nowadays due to the excessive advertising campaigns and marketing of brands consumers are far more brand aware they perceive unbranded outlets as inferior. Mintel highlights that consumers' tastes have become far more discerning as a result of the changing external environment and the new stylish branded pubs are becoming increasingly more popular. Mintel also suggests that the most successful pub retailers will be those who develop a portfolio of different brands, each with their own individual positioning.

Regent Inns has already developed one very strong brand with its Walkabout concept however it must endeavour to further promote its other two brands if they hope to remain successful in this " cut throat" industry. As identified by Anon (2003) branding is a very beneficial tool and results in retailers being able " To command a higher price in the long term, through presenting their products as premium quality and distinct from their competitors."

A disadvantage highlighted by Anon (2003) to branding is that " brands need constant attention and high level of investment to sustain a competitive advantage". If a company becomes lax and fails to maintain the level of promotion and marketing needed to make the brand successful it will end up to be a totally pointless exercise.

From branding this means that the company can actually adopt the differentiation focus strategy suggested by Porter as it can aim different concepts at different market segments.

Porter argues that a company should remain specific in its' choice of strategy. If not it may risk getting "stuck in the middle" therefore not satisfying any strategy. However there have been arguments against this theory. It was argued by Miller that:

A sharply specialised strategy can be disastrous: "most products must satisfy a significant market in numerous ways: with quality, reliability, style, novelty, convenience, service and price. Unless all the important hurdles are met, customers will be driven away.

(Partridge 1994)

Mintel suggests:

The winners will be the ones who find a good balance on price while also getting the offer right in terms of atmosphere, customer service, food and all the other aspects that go to make a bar successful.

(Mintel 2002)

For this reason it may be appropriate for Regent Inns to consider using a strategy identified by Bowman's' Strategy Clock (see appendix 4.) Bowman suggests the hybrid strategy, which as summarised by Johnson and Scholes

(2002 p326) " Seeks simultaneously to achieve differentiation and a price lower than that of competitors."