

# [The compass group is the world s leading foodservice marketing essay](https://assignbuster.com/the-compass-group-is-the-world-s-leading-foodservice-marketing-essay/)

## Introduction

This work is about The Compass Group. The Compass Group is the world’s leading foodservice company. The company is specialised in providing food, vending and retailed services in 98 countries. This includes developing and delivering original food and service solutions in the workplace, schools and colleges, hospitals etc. In this material it is discussed the company’s main events depicted during 2001-2005 years, Including the company’s disposals and acquisitions, strategic aims and the company’s performance.

There are also identified company’s management aims, company’s mission and objectives with the relevant theories.

In 2005 The Compass Group had serious problems with the bribery act. The company’s competitors lodged a claim in the court for about $500 million in total. The problem was the UN tender to feed the UN peacekeepers in countries such as Liberia and Eritrea. The company was alleged to win the contract with the fraud and bribery.

In the final part of the work, it is shown the company’s competitive position in terms of the opportunity matrix, the threat matrix and TOWS strategic options with their relevant theories.

## Disposals and Acquisitions

## Recent Acquisitions:

## 2004

ô€€€ In discussions to acquire the Keith Prowse corporate hospitality business for at least £10m.

ô€€€ Mitropa, the operator of concessions in German stations and motorway service areas, for £12m

ô€€€ Creative Host Services, the US airport concessions company, for £22m.

## 2003

ô€€€ Millies Cookies, the Bury-based operator of 100 cookie outlets, for £24m.

## 2002

ô€€€ 60% stake in Italian catering company Onama. For £80m 30-Sep-2002

ô€€€ Gruppo Events, the provider of catering services at Somerset House in London, for up to £6. 6m.

ô€€€ Bon Appetit Management, the US foodservice company based in California, for £114m

ô€€€ Castle Independent school meals business, which includes 2, 500 staff across the country, from Castle View for undisclosed terms.

ô€€€ London-based contract caterer Woodin & Johns for undisclosed terms, in order to expand its

City dining branch Restaurant Associates.

## 2001

ô€€€ Three catering companies from the parent of Swissair – Restorama, Rail Gourmet and parts of Gourmet Nova. For £41m 24-Dec-2001

ô€€€ Seiyo Food Systems, the Japanese contract catering company, for £193m.

ô€€€ Manpower Kantineservice, the Norwegian staff restaurant company, for undisclosed terms

ô€€€ Crothall Services, the US provider of ancillary healthcare services, for £120m, which will help it win hospital management contracts in North America.

ô€€€ Vendepac, the supplier of vending machines, from TM Group for £84m.

ô€€€ Milburns, the supplier of catering services at a number of historic sites.

ô€€€ 75% stake in HSG, the German catering company with an option to buy the remaining 25%.

ô€€€ Remaining 67% of Selecta Group, the European vending machine operator, for £374m.

ô€€€ Morrison Management Specialists, the US contract caterer, for £383m,

## Recent Disposals:

## 2006

ô€€€ Select Service Partner travel concessions business for £1. 8bn, with Macquarie Bank getting the Moto motorway service stations division and EQT Partners getting the airport and railway concessions.

## 2002

ô€€€ 220 Travelodge hotels and 368 Little Chef restaurants to private equity group Permira for £712m. 19-Dec-2002

## 2001

ô€€€ Le Meridien chain of hotels to Nomura International for £1. 9bn. 28-May-2001

ô€€€ 48 Heritage country hotels to a joint venture between Macdonald Hotels and Bank of Scotland for £235m, while 79 Posthouse hotels are being sold to Bass for £810m.

ô€€€ Chain of seven Wheeler’s fish restaurants and a number of wine bars, in order to raise about £8m.

ô€€€ Two London hotels – the Strand Palace and Regent Palace – to London & Regional Properties for £105m

## The Main Events

This moment company is oriented on organic growth. But this aim is not short term; they are planning that over several years. The management is very satisfied with the professionalism of the management team. In 2004 the company spent over £215m on acquisitions and for next year they are planning to improve that. The plan is to improve the performance by about 30%. In May the company had already spent over 150m and it is going to grow until the end of the year.

In 2004 the target for the company was the 6% in like-for-like organic sales growth and 20-30 basis point improvement in the margin. For next year it is planned to double the results and reach 40-50 basis point improvement in return on the capital.

There are different methods of growth strategies. A growth strategy means the way or strategic direction for the company to grow. There are three different strategies: internal development, through acquisitions (or disposals) and joint development (or alliances).

Internal development is when strategies are developed by building on and developing an organisation’s own capabilities. For many organisations, internal development has been the most popular strategy of the growth.

Acquisition is when strategies are developed by taking over ownership of another organisation. For the compass group, findings about the impact of acquisitions on financial performance act as a reminder that acquisition is not an easy or guaranteed rote to improve financial performance. The compass group needed to work hard not to happen to them as it happens in majority of cases that this strategy often leads to poor performance on serious financial difficulties. It should be remembered that the detailed implementation agenda following an acquisition or disposal will vary considerably depending on the strategic direction for which that development method is being used.

Strategic alliance is where two or more organisations share resources and activities to pursue a strategy. This kind of joint development of new strategies has become increasingly popular. This is because organisations cannot always cope with increasingly complex environments such (as globalisation) from internal resources and competences alone.

## The Compass Groups performance

Over the period of 2001 – 2005 performance of the compass group was positive. Depending on the compass groups chief executive officer Michael J. Bailey; the like – for – like sales growth grow by 6% that was coming from new contract wins. He says that the company had very good sales over this period. The sectors which are driving the fastest growth, where the double-digit growth is coming from, are Education, Healthcare and our Remote Site, Military and Defence business. Geographically they have had excellent growth in North America and had good growth in Japan, Australia, China and Spain in particular. They’re the key countries. In the recent history of the company if we look back at stronger economic times, Compass has grown at the 8 per cent – 9 per cent level. In the last year or two they have been 6 per cent – 7 per cent. The contract pricing has remained pretty stable during the course of the year.

America is the most mature market in the world and in business and industry the statistics are around 75 per cent to 80 per cent contracted. The important factor is the 25 per cent that remains is actually $7. 5bn. It’s a $30bn market opportunity. So there is without doubt room for continued growth in the business and industry market in the USA. The Education and Healthcare sectors in the USA are well under contracted. Education is about 40 per cent contracted – that’s closer to 60 per cent on college and university and around the 20 per cent mark in the K through 12 public school system. Healthcare is around 33 – 34 per cent contracted.

In Europe the compass group has the lowest level of outsourcing by a significant margin. The CEO of the company thinks that what they are doing there is really what we’ve already done. They have acquired several large businesses in recent years but what that has done is given us a presence in 98 countries. Their top two competitors in the world combined are not in 98 countries.

In Japan the company was not so successful. The compass group is the number three player in Japan. The company acquired Seiyo Foods but the business was making losses. They had 25 per cent stake in Yoshinoya a fast food, beef bowl operation and the company also had number of cross shareholdings in its clients. The compass group diversified all those and now the company is more focused on the contract business.

The contract business in Japan is growing very well with double digit growth. The profits in Japan when the company acquired the business were breakeven. In 2003 they were a little over 1 per cent. In 2004 they are close to 3 per cent and it is planned to get it up to 5 per cent, which is a fairly normal margin in Japan in that industry, over the course of the next 24 months.

For the compass group Asia is the booming area. China is the country that the company is mostly focused on. In China the compass group created a joint venture company with the Shanghai Railway network, which has been endorsed by the Minister of Railways in the government. The compass group owns 51 per cent of that business. It’s putting food on the trains between Shanghai and Beijing. It’s been going about six weeks now. The start is not the best but the opportunity is absolutely enormous.

## Mission

Mission is a statement of the overriding direction and purpose of an organisation. Some organisations use the term ‘ vision statement’ – some even have both vision and mission statement. If there is a substantial disagreement within the organisation or with stakeholders as to its mission (or vision), it may well give rise to real problems in resolving the strategic direction of the organisation.

The mission of the compass group is to deliver great service and results through its people – to achieve leadership in the chosen foodservice markets through the constant pursuit of superior levels of service, efficiency and quality. The total dedication of its staff to the achievement of excellence is regarded as the major factor in its success.

## Objectives

Objectives are statements of specific outcomes that are to be achieved. Objectives – both ar corporate and business unit level – are often expressed in financial terms. They could be the expression of desired sales or profit levels, rates of growth, dividend level or share valuations.

The objectives of the compass group is to become the highest quality and most profitable owner and operator of the world’s top foodservice & hospitality business, based on strategic focus in 5 key areas:

Customer and client satisfaction

Market leadership

Preferred employer

Operational excellence

Financial performance

The objective of the plan is the most important part. Every plan should spell out the goals. Every objective should specify results and activities that can be easily tracked. These may be increasing monthly sales or profits to some specific number or by a specific percentage, decreasing costs or operating expenses to a specific number or percent, maintaining cash flow, paying off a loan, or finding a specific amount of new funding.

## Strategic Planning Process

We are living in a highly competitive business environment, for large corporation to survive and prosper it is vital to have planning methods like; forecast-based and budget-oriented planning. In company’s strategic planning must be foreseen clearly defined objectives and missions.

The diagram shown below explains the strategic planning process: and it shows how important it is the mission and objectives for company’s strategic planning process:

## EVALUATION & CONTROL

## STRATEGY IMPLEMENTATION

## STRATEGY FORMULATION

## ENVIRONMENTAL SCANNING

## MISSION AND OBJECTIVES

## THE STRATEGIC PLANNING PROCESS

## Business Ethics and Bribery Case

Bribery is a way of corruption. It is an act that involves paying money or giving gifts that is followed by unethical act. Bribery is the act of crime and is defined by Black’s Law Dictionary as the receiving, giving, soliciting or offering of any value that can cause the action of any person or an official or avoid the legal duty. The bribe is when the gift is given in return of some favour from the gift receiver. The way of bribe can be: property, good, privilege, money, advantage, some objective of any value, to vote or to influence a person from public or official sector.

The crime of the bribe can be divided into two parts:

When the person is investing the amount of money to use power of money and avoid justice.

When the bribe is given to a person who has powerful role to impact the results, this type of bribe is more known as Extortion.

Business ethics is the form of ethics that studies ethical issues and ethical or moral problems that could be caused in a business environment.

In compass group the company was suspected in to the bribery at the United Nations. In the investigation was involved Compass groups subsidiary Eurest Support Services (ESS), a company that supplied UN peacekeepers. The company was suspected to use some leaked information of UN tenders and won the contract illegally and unethical way.

In 2006 the compass group was taken to a court from its competitor company ES-KO International. ES-KO International is one of the compass group’s competitors in the industry that was its rival in the UN tender. The company is claiming for $369 million against the compass group for unethical action. However the ES-KO was not the only was alleging the compass group in unethical act about UN tender. There was also another compass rival Supreme Foodservice who claimed in the court asking $125 million that the compass group used a fraud and bribery to win the contract to feed the UN peacekeepers in countries such as Liberia and Eritrea.

## The Compass Groups Competitive Position

Michael Porter’s famous Five Forces of Competitive Position model provides a simple perspective for assessing and analysing the competitive strength and position of a corporation or business organization.

Porter’s Five Forces model provides suggested points under each main heading, by which you can develop a broad and sophisticated analysis of competitive position, as might be used when creating strategy, plans, or making investment decisions about a business or organization.

The threat matrix is the tool to estimate the future threats of the company, how serious and critical can the threat be and how high is the probability of happening.

This tool can be useful for the compass group to estimate the company’s threats if there is any. During 2001 – 2005 company had some problems and the threat matrix could be useful to estimate them how serious the problems were and help the company to overcome them.

The opportunity matrix is the manual for the organization to estimate the opportunities on the market. With the opportunity matrix it will be easier to estimate the attractiveness of market, how successful can it be and how high probability it is to be successful.

This matrix could be for the compass group before and after entering new market. It helps to estimate the probability of success and quality of it. It also lets to decide if it is worthy to start growing strategy or any changes inside or outside the organisation and how profitable it could be. The compass group is already in 98 countries so it undoubtedly is really useful tool for the organization.

## Competitive strategies

Michael Porter (1980) suggests four basic competitive positioning strategies:

## Overall cost leadership

Lowest costs through greater efficiencies in distribution and production.

## Differentiation

Creation of highly differentiated products and marketing programmes.

## Focus

Focus on serving a few segments very well.

## ‘ Middle-of-the-roaders’

Undefined strategy.

Attempt to be all things to all people!

TOWS Analysis is an effective way of combining a) internal strengths with external opportunities and threats, and b) internal weaknesses with external opportunities and threats to develop a strategy.

To carry out a TOWS Analysis, consider the following combinations:

Strengths/Opportunities:

Consider all strengths one by one listed in the SWOT Analysis with each opportunity to determine how each internal strength can help you capitalize on each external opportunity.

Strength/Threats:

Consider all strengths one by one listed in the SWOT Analysis with each threat to determine how each internal strength can help you avoid every external threat.

Weaknesses/Opportunities:

Consider all weaknesses one by one listed in the SWOT Analysis with each opportunity to determine how each internal weakness can be eliminated by using each external opportunity.

Weaknesses/Threats:

Consider all weaknesses one by one listed in the SWOT Analysis with each threat to determine both can be avoided.

## Conclusion

Over the period 2001-2005 The Compass Group in sum had positive business performance. We can conclude that depending on the information given in the material. Most of the main events like disposals and acquisitions it is clearly shown the total growth and success of the company. Studying The Compass Groups PLC for five year summary the turnover of the company after exceptional items and goodwill amortisation grow from 2001 – £8, 716 million to 2005 – £12, 704 million.

Depending on the CEO of The Compass Group Michael J. Baley in the interview given in the material company had serious positive growth almost in every sector despite of the recent problems.

It is also discussed the mission and the objectives of The Compass Group:

The company’s mission is to deliver great service and results through its people – to achieve leadership in the chosen foodservice markets through the constant pursuit, of superior levels of service, efficiency and quality.

The company’s objective is to be the highest quality and most profitable owner and operator of the world’s top foodservice & hospitality businesses.

The Compass Group had serious problems in case of Ethical Issues and Bribery Act. The company was alleged to win the contract of the UN tender in feeding the UN peacekeepers. There was a claim lodged in the court from The Compass Group competitors proving the fact of bribery and unethical issues.

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