

Whitbread plc swot analysis

[Finance](#), [Financial Analysis](#)



Abstract:

An analysis of the FTSE 100 company Whitbread Plc, utilising the SWOT tool as a framework to investigate the strengths, weaknesses, opportunities and threats that the company faces in relation to its position within the Leisure industry. Drawing from an internal perspective, the SWOT analysis evaluates the company's operation in both its national and international domains.

Introduction:

The following essay comprises an analysis of Whitbread Plc, a company operating within the Leisure and Hospitality sector, presently ranked 85th on the FTSE 100 index (Source: etf. db. com). With engagements in the hotels, restaurants and coffee shop businesses, its portfolio of subsidiary companies includes the market leading brands Premier Inn and Costa Coffee, alongside a range of restaurant chains comprising Beefeater Grill, Brewers Fayre, Table Table and Taybarns. Analysis will centre around an investigation of Whitbread Plc's internal strengths and weaknesses, examining the presence of opportunities and threats that stand to prepare or hinder its progress within the leisure industry. This theme will be examined both within the context of both its national and international operations.

The current operating environment that all brands falling under the Whitbread corporate umbrella face is undoubtedly a challenging one, owing to increased cautiousness on the part of consumers in light of an unstable economic climate. This is particularly the case with discretionary expenditure on leisure and non essential services, for which the company firmly caters. However, recent financial figures suggest robust performances across the

board; the company share price in the 12 months to April 2012 has risen by 6.56 per cent (source ft.com), reaching a 52 week peak of 1889 pence per share on 28th March 2012 (Appendix 1). In line with this, the company are expected to announce a 15 per cent increase in underlying pre-tax profits of £314.2 million when their annual report is published on 26th April 2012 (Source business.scotsman.com). Further, the trend in recent years has been to pursue expansion both on the UK and international scenes. Costa Coffee has seen notable growth, with over 1600 stores worldwide; up from just 346 in 2003/04 (Appendix 2). It is now the leading UK coffee chain (Whitbread annual reports and accounts 2010/11). Similarly, Premier Inn has grown to 590 hotels throughout the UK and is targeting aggressive expansion into Dubai and India.

It appears that cautious optimism has been the basis for a continued strategy of growth in a market charged with both opportunities and threats for what is an established and experienced operator. Focussing on the company's internal environment, what follows is a brief SWOT analysis, detailing the Strengths, Weaknesses, Opportunities and Threats within its national and international markets:

Whitbread Plc SWOT Analysis

Strengths:

Whitbread are in the position of owning a strong brand portfolio. Premier Inn and Costa are market leading performers (Appendix 3), where as their restaurant arm is expected to announce a 1.9 percent increase in total sales

for the year ending April 2011. (Source scotsman. com) Further, the parent company is well established with many years experience in the brewery industry, before recently changing tack to focus on hospitality and restaurants. Recent managerial board moves in April 2012 have seen the well regarded companyfinancedirector, Chris Rogers, take control of the Costa business. (The Telegraph 03 Apr 12) This can perhaps be interpreted as a means of ensuring the future stability of a high performing brand.

Weaknesses:

Although the Costa brand has been very much the ‘ Rising Star’ of Whitbread’s brand portfolio over the past 10 years, there is perhaps a perception that the underlying reason for the company’s rapid expansion has been based on a fad, subject to changing customer tastes and therefore lacking in longevity. Being situated at the luxury end of the coffee chain spectrum, Costa is also at risk of overpricing its products; perhaps a door through which competitor coffee chains can leverage some market share during a period of recession. Seeing as Whitbread has traditionally managed a domestic portfolio, many of its brands remain untested outside of the UK market, with only a small number of Premier Inn and Costa outlets competing in the international marketplace. There remains a lack of necessary brand awareness in what is already a very saturated international leisure marketplace.

Opportunities:

On the domestic scene, with many traditional high street retailers facing store cutbacks or even complete closure, there exist strong opportunities to capitalise on the availability of prime high street retail space. There are further opportunities to become more flexible with the pricing structures employed in the Premier Inn chain, whereby the current CEO Andy Harrison has mooted plans to employ a 'Dynamic Pricing Model' which aims to maximise occupancy rates in each of its hotels. (Whitbread Interim Results Presentation 2011/12). This could prove particularly valuable at a time when UK residents are increasingly choosing domestic holidays over foreign travel. Viewing from an international perspective, there remains scope for considerable expansion, as is currently being undertaken with moves into Dubai and India, alongside Costa's recent acquisition of Poland's biggest chain, 'Coffeeheaven' for £32m in 2009 (telegraph.co.uk/finance). The spectre of London 2012 is perhaps the most tangible short-term prospect, with many chances to capitalise on tourist expenditure over the Games time period.

Threats:

In the Annual Report and Accounts for 2010/11, Whitbread chairman Anthony Habgood wrote, "Over the next twelve months the focus will be on strengthening our value propositions, controlling costs and accelerating our expansion." This intention to control capital expenditure will indeed need to be followed through rigidly, in order for expansion plans to progress without any financial backlash. With the global economic environment remaining turbulent, there remains a sizable degree of uncertainty in the process of

expanding into new markets. The increasing frequency of news articles based in the instability of world markets, with current headlines reading ‘ FTSE Tumbles Amid Political Doubt’ (The Press Association – 23. 04. 12) adds testament to this. Further recent speculations suggests the Costa arm may be demerged from Whitbread, owing to its viability as an independent entity (The Independent, 22. 04. 12). This effects of move are an unknown in terms of its outcome on Whitbread’s stability.

Conclusion:

Approaching the theme of strengths and weaknesses from a national and international perspective, this essay has outlined the balance of opportunities and threats as they affect Whitbread Plc, using the SWOT tool to provide a structured investigation into the environment in which the company operates. It can be seen that whilst Whitbread possess the attributes of a strong brand portfolio containing highly recognisable national companies, there is considerable reason for future optimism of plans for expansion and growth to be tempered by the reality of an unstable global economic climate and current lack of presence on the international scene.

Appendix

1)Whitbread Plc – 52 Week share price to April 2012

Financial Times – <http://markets.ft.com/Research/Markets/Tearsheets/Summary?s=WTB:LSE>

2)Whitbread growth transformation over six years

<https://assignbuster.com/whitbread-plc-swot-analysis-analytical-essay-samples/>

3) YouGov brand index for Coffee Shops and Hotels

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