

Strategy used by premier inn



Premier Inn is the UK's biggest and fastest growing hotel company, owned by Whitbread. And the company contributes 70 of the total profits of Whitbread (Annual Report, 2009). As the hotel industry, the development of Premier Inn is highly dependent on the macro-environment, especially the tourism industry. Indeed, hotel industry and tourism industry have been so close that the following reduce in tourism after the economic crisis has strong impact on hotel operations. However, the British hotel industry has been suffered significant loss although it has manifested recovery during the previous years.

Last year, the continuing crisis in global finance and trade has triggered the world's worst economic plunge. UK's unprecedented economic contraction was described by Sir Terry, Tesco's chief executive, as low point. However, from the second half of year 2009, the UK economy appears to be in a slowly recovery. Companies have begun to hire and consumers seem to be increasing. This paper focuses on the strategies used by Premier Inn in this situation. Then we will review these strategies, and recommend some resolutions to close the gap. The following section will also use PEST analysis to audit the macro-environment that Premier Inn is facing.

2. Review on the Strategy Used by Premier Inn

In this part, we will review the strategies that used by Premier Inn. And we will only focus on the marketing strategy and operating strategy.

2.1 Marketing Strategy

Marketing strategy is very important and even could be the biggest factor in the success or failure of the company. Premier Inn also attached great

importance to the marketing strategy. In this year, the company makes an additional 8 million pound in marketing investment (Annual Report, 2009).

First, Premier Inn has start out a commercial action plan to enhance its status as the preferred hotel brand for travelers and to attract more leisure customers. They put in place four key levers in their marketing plan: “ focused advertising; increased sales activity; Premier Offers; and widening reservation distribution” (Annual Report, 2009).

Furthermore, the new website went live in November 2008 and has increased visits by 80, and now the site helps to attract over three million visits per month (Annual Report, 2009).

Third, Premier Inn has also set out development of a new 267 bedroom budget hotel at Stratford, which adjacent to the Olympic Stadium (Annual Report, 2009). It can be seen that Premier Inn has already prepared for the 2012 Olympic Games.

2. 2 Operating Strategy

This paper considers that operating strategies in Premier Inn are as follows:

First, Premier Inn has specific short and medium term growth programs, which give employees a specific direction. For instance, the company wants to increase room numbers in November 2010 by over 2500 rooms and target a 32 increase to 55000 rooms in the UK by the end of 2014 (Annual Report, 2009).

In addition, the Premier Inn has decreased the overheads instead of adopting streamlining management, promoting the “ back-office processes” and

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delivering a series of procurement initiatives. The company want to control cost tightly, through both procurement and operation efficiencies. And this helped underpin its operation margin.

Last but not the least, the Whitbread launched Good Together program in January 2010, to drive sustainable performance and further deepen its corporate responsibility. This program has set goals for CO2 reduction, sustainable sourcing and waste management (Annual Report, 2009). Premier Inn also announced that they would build green hotel. The 60 bedroom Premier Inn, starting the business in autumn 2010, will use the best level sustainable construction materials to reduce 30 carbon emission and 40 water savings.

3. Evaluation on the Strategy Used by Premier Inn

A PEST analysis is an outline that classifies environmental influences such as political, economic, social and technological forces (Camisón, 2000). The analysis inspects the impact of each factors on the business (Muller & Martin, 2009). The results can be used to seize the opportunities or to make contingency plans for threats when preparing business and strategic plans (Byars, 1991; Cooper, 2000). In this part, we will use PEST analysis to evaluation the strategy adopted by Premier Inn. Owing to the limited understanding of the technology, we will focus on the political, economic and social factors. At the end of this part, we will give recommendation on the strategy used by Premier Inn.

3. 1 Political Factors

Government policy is a major influence factor; its policy will influence the company directly and indirectly, but they also offer chances and challenges. After the global economic downturn in 2008, the government has issued a series of policies to boost economic growth. However, the policy aimed at hotel industry or tourism industry is very rare. But when the United Kingdom general election of 2010 was held, the three parties all put forward many programs to promote the tourism industry. Meanwhile, the British Tourism Association and Hospitality Association has lobby the government to issues some policies that are positive to tourist industry and hotel industry. Besides, in 2009, Prime Minister Gordon Brown offered the proposed program “ Low Carbon Industrial Strategy”, which plans to provide more than 1. 4 billion pound for the low carbon sector and those already adopted, and outlay 10. 4 billion pound for low carbon investment over the next three years (Plesch, Austin & Grant, 2005) .

Based on these political factors, this paper considers that the strategies Premier Inn adopted are valid, especially the operating strategy. First, the operating strategy in Premier Inn is aggressive which just meet the political situation. Second, the Premier Inn has launched Good Together program which aims at CO2 reduction. These practices not fit the proposal the government advocated, but fit the society’s environmental demands.

3. 2 Economic Factors

Economic factors influence how easy or hard it is to be successful and lucrative (Thompson, 2002). The UK government has held a serious of international sporting events in 2009, such as the Ashes and the ICC World

Twenty 20. These events may promote visitor numbers and then boost the hotel industry. In addition, the 2012 Olympic Games and Paralympic Games will hold in London. This will provide the Britain hotel industry with a huge chance.

Obviously, Premier Inn has already seized the opportunity because it has already developed some hotel which is adjacent to the Olympic Stadium. And the new website will play a significant role in convenient the consumers. Actually, the marketing strategy that Premier Inn adopted has already worked. From the annual report of the Whitbread, Premier Inn outperformed its competitors during October 2009. Regional income was down about 6.4 last year, compared to a decrease of 8.5 in the regional hotel sector and a decline of 9.6 in the whole regional hotel industry (Annual Report, 2009).

3.3 Social Factors

Social factors also play an important part in the development of enterprises. Living conditions, income distribution and lifestyle all have tremendous influence on the operating methods of enterprises. With the improvement of living conditions, people are willing to spend more money in enjoying life and choose to relax after working, because their work are so busy and they have rare spare time. Therefore, the services provided by high-level hotels just meet the demands. But after economic crisis, the domestic demand has been weak, and an increasing number of British people choose to travel aboard instead of domestic travel. These social factors are clearly not advantage for the hotel industry.

The marketing strategy Premier Inn adopted, as we described above, does not aim at this social situation. In the author's opinion, these strategies have more concern about the external market other than the domestic social conditions. But on the other hand, the increase in the number of non-profit environmental organizations indicates that public's sensitivity to environmental issues has significantly increased. The society has become more anxious and critical about the environmental practices of firms. Good Together program of Premier Inn not only shows the efforts made in environmental protection, but also enhances the corporate image and upgrades its enterprise competitiveness.

3.4 Technique Factors

Technology is widely recognized as an important competitive advantage (Chu & Choi, 2000). As the hotel industry, technique factor seems have little relationship with the hotel development. But sometimes new and proper technology could provide unexpected harvest.

From the strategy we mentioned above, Premier Inn have adopted the new website that now attracts over three million visits per month. Moreover, the company has used streamlining management to reduce the internal cost.

In general, we think the strategy used by Premier Inn is very appropriate under the current situation. But the problem is that it is too much reliance on the international tourist industry. Once the outbreak of the economic crisis, this mode of operation is very dangerous and company may get into trouble. Actually, the domestic business and conference market is a buoyant sector for hotel (1996); meanwhile the economic gradual recovery will help to

stimulate the hotel market. So Premier Inn should make some strategies to attract these potential consumers. To serve these high standards clients, Premier Inn should offer amenities services to meet the highest requirements. High quality and multi-functional rooms equipped with latest communication facilities, such as online 3D conference, will be very attractive. In details, based on what the businessman needs may different from the common consumers, the quick and facility services are obligatory to them. Such as the office supplies, fast printers and speedy laundry facilities are all very important to these consumers.

4. Conclusion

In this paper, we focus on the strategies used by Premier Inn after the serious economic crisis. The article mainly analyzes the marketing and operating strategies with PEST analysis in the current situation. In general, we consider that Premier Inn has adopted appropriate strategies to boost its development. But the problems in the strategies were pointed out that the company has not paid enough attention on the domestic market. In the author's opinion, Premier Inn should pay more attention on its domestic market.