

The Transformation of TGI Fridays

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At the beginning of the New Millennium Whitbread PLC embarked on a radical programme of corporate reform; in late 2000, it divested its core brewing business to Belgian brewer Interbrew; in May 2001, it sold its pubs to Morgan Grenfell Private Equity for £1.6bn thus, it shed the businesses of brewing and retailing beer which had sustained it for over 250 years. Whitbread declared that its future lay in leisure, food and hotels.

Since then, significant change has been wrought in its hotels division with the £536.2ml acquisition of Premier Lodge, now successfully integrated as Premier Travel Inn. Evidence of this may be found in Whitbread results FY to 3 March 2005 released 26.04.05 where an excellent ROCE was recorded alongside a 47% increase in operating profit. The disposal of its 11 Marriott Courtyard and remaining Swallow hotels was completed. A fundamental change was announced by CEO Alan Parker when he stated *“In Marriott, where we have been unable to generate successful returns, we made the decision to crystallise the value for shareholders.”* Whitbread expect to realise £1.3bn through the sale of Marriott Hotels and other assets that are not core to their strategy.

Their sights are now set on ambitious and fast-paced growth with plans to open at 1,000 new sites by 2010; currently employing 40,000, this could rise to over 60,000 by the end of the decade. For the TGI Friday brand (which Whitbread franchise from Carlson Restaurants Worldwide) the mission is to double its number of guests to 12 million p.a. and to treble its profits to well over £20 million over the next three years. This to be achieved through maximising covers on its current operations and to double its outlets; the new outlets to be a mix of current ‘Big Box’ 250 cover units along with a newly developed scaled-down version, ‘The Manhattan’, a new footprint model, with 150 covers. Unit size is dependent on such factors as drive times (Isochrones) and finding geodemographic clusters which match its three main current customer profiles or segments as established through research. (For a full explanation of this process, please see ‘Drinking by Number’ 1998)

TGI have to convince Whitbread main board of the financial feasibility of their plans and to demonstrate year on year growth in PBIT achieved through covers growth, improved value for money offerings to the customer, via menu reengineering and cost reduction and thus securing the necessary capital to fuel their growth and to ensure their presence in the parent company’s drive to become a high performance, high commitment company.

TGI’s revised brand mission is:-

To be **THE** entertaining restaurant experience in every major UK town and city

Based on the Promise – Escape the Ordinary

All strategies must demonstrate compliance with Whitbread WINCARD measures and fit with The Whitbread Way.

The aim of this paper is to consider the brand audit and research from which this growth proposal has emerged and to analyse its implementation through examination and evaluation of the proposed 5 strategic thrusts –

1. Improve operational efficiency and introduce cost reduction methods.
2. Share the magic, simplify and rejuvenate the menu including lighter options, increase the impact of consumer communications.
3. Improve the quality of the Big Box estate, open new sites, review weakest performing stores.
4. Pilot and roll out project Manhattan, identify and secure sites for these as well ‘Big Box’ outlets to meet our objective of presence in every major UK town and city.
5. Develop people resources to grow. For example to meet this growth, we will need 250 more managers we need a recruitment and training strategy to foster their talent and ensure that this is recognised and rewarded. Over the years, TGIs have always achieved high ratings in Best Employer and Best Place to Work national surveys, essential we maintain this esprit de corps which lends so much to our customer’s experience.

In developing its corporate strategy, Whitbread have often sought external advisers to help explain or advance a philosophy to underpin a particular approach. E.g. Harvard Guru of Guarantees, Professor Christopher Hart was called in to advise on and assist with their path-breaking strategy of offering 100% satisfaction guarantees at Travel Inn. McCaskey and Symes (2003). Throughout this period of radical change or revolution, the whole of Whitbread’s management cadre has been inculcated into the approach propounded by Harvard Professors Michael Beer and Russell A. Eisenstat in ‘How to Have an Honest Conversation About Your Business Strategy’ who suggest that,

Despite widespread rhetoric about the need for organisational agility, an astonishing number of businesses stay stuck in neutral, when they need to implement a new strategy.

They are convinced that the most powerful way for leaders to realign their organisation is to publicly confront the unvarnished truth about the barriers blocking strategic implementation. Typically, this involves looking at the roles and the decision rights of various parts of the business as well as changing the behaviour of people at every

level...such fundamental issues are difficult and likely to be painful but, pain contributes to the species survival by triggering learning and adaptation.

They conclude: Surprisingly, few corporate leaders make a serious attempt to engage their organisation in honest conversations about the strategic and organisational issues they face. As a consequence, they forfeit the benefits of transparency...the kind of frank public dialogue is needed to build the collective commitment that drives the rapid change, improved performance, and organisational vitality.

There can be no doubt that by adopting the approach advocated here, that Whitbread has and will continue to reap the rewards suggested both at corporate level and in their strategic business units. The full paper will analyse and evaluate the effect on one such business, TGI Fridays.

References

McCaskey D. and Symes S. (2003) 'Travel Inn: Everything You Want for a Good Nights Sleep – 100% Satisfaction Guaranteed or Your Money Back' originally CHME paper presented at Sheffield Hallam April 2003 the re-edited version appeared in the International Journal of Contemporary Hospitality Management September 2003 Vol.16 No.3 Emerald Publishing pp166-174

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