

The transformation of T G I Fridays

David McCaskey and Ruth Hutchison describe the new-look TGI Fridays. Now that the four-star hotels have gone, the TGIF chain offering an entertaining restaurant experience is a key focus of the Whitbread group, with ambitious expansion plans.

How is Whitbread ensuring that they can offer the TGIF experience consistently nationwide? How do you staff up for such dramatic growth?

AT THE BEGINNING of the new millennium Whitbread PLC embarked on a radical programme of corporate reform. In late 2000 it had divested its traditional core brewing business to Interbrew, the massive Belgian brewer, and then, 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.

Exit four-star hotels stage left

Since then, significant change has been wrought in its hotels division with the £536.2m acquisition of 141 Premier Lodges, now successfully integrated as Premier Travel Inn. Evidence of this may be found in Whitbread results for the year to 3 March 2005 where an excellent ROCE was recorded alongside a 47% increase in operating profit.¹ 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.

The process for Whitbread's departure from the four-

star market is as follows. A joint-venture company has been formed with Marriott to take over 46 Whitbread franchised hotels with a view to selling the hotels

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whilst the US company retains the management contracts. This is expected to net Whitbread £2bn over the next two years.

Some readers may remember that it is only ten years (1995) since Parker led the ground breaking (for the UK) re-franchising of most of the UK's (Commonwealth/Scots Hospitality owned) Holiday Inns across to the Marriott franchise and left his old boss Brian Langton to eventually re-establish the UK Holiday Inn network via the later purchase of Forte's Post Houses.

A new strategic direction

Some analysts noticed that 2003–04 was the first year that the Whitbread Marriott returned to profitability since 9/11 so, in strategic terms, they are selling or divesting while strong. How many Marks & Spencer shareholders wish that they had taken Philip Green's offer of 400p last year, which valued their company at £9bn? How long will it be before shares return to anywhere near that value?

Those with very long memories will recall the J.

Lyons & Co 'fire sale' caused by the 1977 oil crisis, when, with large business expansion loans in the US, Lyons was forced to sell Strand Hotels to Charles Forte for £28m when one hotel alone, the Cumberland at Marble Arch, was worth more than the total sale price. Many of the deals made in the aftermath of 9/11 similarly exploited sellers' weakness.

From many aspects, Whitbread provides a text-book study for the application of corporate strategy concepts, models and theories. The audit of 'Where they are now', the projection of 'Where they want to be' and the options selected for Implementation or 'How do they get there?' are clearly discernable. Classical SWOTS; PESTLES; Ansoff 's growth matrix; the Boston box and other directional policy matrices; PIMS analysis (for caterers, in this case, it translates as Profit Impact of Market Share); Bowman's strategy clock and stakeholder mapping for examples may all be invoked.

Growth in T G I Friday

Whitbread now looks for ambitious and fast-paced growth, with plans to open at 1,000 new sites by 2010. There are currently 40,000 employees, 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 12m p a and
- to treble its profits to well over £20m over the next three years.

This customer and profit growth to be achieved through maximising covers on its current operations

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and doubling the number of TGI Friday outlets.

The new TGI Friday outlets will 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 the presence of geo-demographic clusters of sufficient size which match its three main current customer profiles or segments as established through research.² If you have not already tried this, visit the website www.upmystreet.com enter your postcode and request the ACORN profile for your micro-area of 25-35

households (ACORN stands for A Classification of Residential Neighbourhoods).³

Isochrones (lines joining points of equal travel time) were used recently by the Office of Fair Trading to evaluate the takeover of Safeway by Morrison; this was permitted, provided that Morrison sold some 52 stores. Otherwise these stores would create local monopolies or a lack of choice within a 25-minute drive time. It is of interest to note that, with only 1,195 strategically sited stores, 79% of the UK population live within 15 minutes of a Tesco outlet.⁴

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 growth in covers, improved value-for-money offerings to the customer via menu re-engineering and cost reduction. Thus they secure the necessary capital to fuel their growth and to ensure their part 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 Whitbread way

The 'Whitbread way' is the underlying culture of the firm, which is like DNA, a common thread running throughout the company. The values of the firm have been segmented into four main principles, which are shared and carried across their family of brands that are used to guide the actions and behaviour of employees. The following principles ensure that teams are trying to achieve the same objectives and work

to the same bench-marked standards, which in turn links to the brand and overall performance.

The four main principles that Whitbread believe in are:

- **People and teamwork** – this comprises:
 - ▲ The encouragement and development of teamwork
 - ▲ A pro-active approach to staff welfareStaff currently receive a privilege discount card giving them 25% off every Whitbread brand purchase and a person-to-person phonenumber is available for support.

- ▲ Inspiring staff through positive leadership.
- **Caring for guests** – this comprises:
 - ▲ Understanding the customer's needs and delivering on satisfaction
 - ▲ Creating successful brands which grow in strength such as the introduction of Brewers Fayre.
 - ▲ Giving good customer service which adds value to the guests experience, which is then passed on via word-of-mouth.
- **Passion for winning** – this comprises:
 - ▲ Strength in decision-making
 - ▲ The drive to expand and grow their brands at a rapid rate.
 - ▲ Pro-active reward management to inspire and recognise success of employees.
- **Continuous improvement** – this comprises:
 - ▲ Staying abreast of changes in consumer tastes, wants and needs and being flexible to accommodate these changes to avoid stagnation.
 - ▲ Keeping things simple—using tools such as WINcard to measure performance and identify how improvements can be made year on year.
 - ▲ Being innovative.

Having these explicit principles ensures the winning culture of Whitbread is understood, adopted and maintained by employees and all brands are integrated by this philosophy.

WINcard

The WINcard (standing for 'Whitbread in Numbers scorecard') is a balanced-scorecard approach which has been introduced as a communication tool to improve performance levels and brand recognition. Unlike other methods already in place, the WINcard is a holistic system which will score a common set of measures across each unit, each brand and at a group level.

This new concept, which supports the Whitbread way, will enable employees to understand better what they are doing and ensure that all Whitbread staff are working towards the same key corporate goals and mission. It provides a consistent, tangible way of both motivating them individually and as a unit and identifying areas for improvement on a monthly basis and potentially will differentiate them from their

competition.

The implementation will be via both a spreadsheet which will track performance results on a monthly basis against the agreed target and an in-store wall chart which will clearly display to employees the year-to-date results and monthly results via a colour coding system. A traffic light system will be applied to measure these scores, i.e.

- Green** if a result against a measure is better than budget and better than last year
- Amber** if a result against a measure is better than last year but worse than budget
- Red** if a measure is worse than last year and is worse than budget

These colours will in turn score points associated with the unit's performance: Green = 3 points, Amber = 1 point and Red = 0 points. A unit will be able to score a maximum of 21 points. The WINcard will offer a more focused way of setting targets and align-

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ing incentives and will become central to the decision making process providing a way of predicting future performance.

For the first time by using this system, by March 2006, guest recommendation at every unit, will be monitored every month. It is understood that these solid future indicators and improved efficiency/performance are paramount in delivering to their three stakeholder groups: guests, their people and investors. This delivery is essential to improving customer retention and increasing profits and achieving their business ambition to 'Double shareholder value by 2010'.

This article now analyses the implementation of the growth proposal through examination and evaluation of the proposed five strategic thrusts

1 Improve operational efficiency and introduce cost-reduction methods

Although, through brand strength, TGI are able to support a premium over their identified competitors (Frankie and Benny's, Old Orleans, Chiquitos etc), they are aiming to further reduce the entry-point gap on 'known value' items within 15% to improve their value-for-money ratings and future sales volume.

The Quantum Leap programme has a range of

strategies to reduce costs via menu simplification and supplier management. An important aspect is the introduction of hand-held terminals which should much improve the preparation and service interaction, increasing cover-turn at capacity and capturing additional pudding spend, extra coffee and so on. The systems investment will deliver a large part of the savings as the brands' current in-store systems are near the end of their useful life.

2 Share the magic

TGI's two main intentions for their future menu are to include health-conscious dishes as options for the customer and offer better value for money. Their menu strategy includes optimising the range of dishes by improving food margins and labour productivity and pruning the menu so that quality is delivered.

A reduction of about ten percent from their current 60 dishes, net of any new dishes introduced, is anticipated this year. Research is also providing them with key indicators on foods which perhaps are not as

TGI like McDonald's are focusing on introducing dishes which are perceived as lighter and healthier

significant as they once were. Currently in question is the relevance of pizza and pasta, which are now less than 4% of the sales mix within the brand.

Continual research identifies gaps in their menu offering and fuels innovation so that their menu development remains relevant and current. For example, concurrent with the recent government white paper *Choosing Health* (which highlights the need for careful consideration of nutritional aspects in menu development) and the growing trend of a more informed consumer desiring healthier food alternatives, TGI like McDonald's are focusing on introducing dishes which are perceived as lighter and healthier. This alignment of the brand to the changes in customer needs, especially with the growing 'Easy Dining' sector, is ensuring satisfaction is achieved and gaps in their offering are closed quickly.

Healthier options they are looking into include:-

- pizza-style appetiser with a variety of toppings
- more fish dishes
- lighter pasta dishes
- burgers and steaks with innovative toppings and salad accompaniments
- fruit-based desserts.

They are currently nearing the completion of their

communications strategy and have agreed that their priority communication tasks will be to:

- build brand preference and saliency
- position the brand as once again "cool" and aspirational for those of a young mindset
- extend the relevance of the brand for the rapidly growing 'easy dining' occasion.

Higher marketing investments are being explored—especially television—in order to accelerate their growth. It has been recognised that heavier consumer communication is a vital ingredient in their growth strategy and as such, their business plan assumes a marketing budget of £2.6m in 2005/06 rising to £5.9m in 2008/09. They have already had positive signs from their short-term marketing and sales activity. Sales in November 2004 increased significantly in response to their first national press campaign and their Christmas bookings increased considerably with the inclusion of a party organiser being in each store, part of their *Putting The Magic Back* initiative.

A useful definition of magic comes from Glen Earlham marketing director of Alton Towers:

How you define magic is an endlessly difficult question; we call this The Night Before Christmas—think back to when you were eight, nine or ten years old and you were putting your head down to go to

sleep the night before Christmas, think of the excitement and the emotion and everything that's churning round in your head.....that's the sort of excitement, if you like expectation/anticipation is what we want to achieve before a visit to Alton Towers.'

For TGI's this about their determination to own and deliver their unique promise and American style of entertaining,

3 Enhance the TGI Fridays estate

This is about improving the quality of the 'big box' estate, opening new sites and reviewing the weakest performing stores. As with any 'estate' there will be variations—often shown in improvements overtime in new builds. It is TGI's determination that all outlets are brought up to the latest Generation Four standards. The company is working to identify and where possible take remedial action to bring back to full strength those few underperforming outlets.

4 Pilot and roll out project Manhattan

As well as improving some 'big boxes', the company also needs to identify and secure sites for the new Manhattan stores as well as 'big box' outlets to meet the objective of a presence in every major UK town

and city.

Already, two pilot Manhattan stores are open in Bath and Harrogate, and progress review is yielding good results close to project statements. There are plans at various stages in the pipeline for four sites in 2005/06 and ten in 2006/07. Other new 'big box' sites are under consideration.

The relationship with Carlson, the franchisor, has always been very positive. They too have been experimenting with scaled down versions, our UK exclusivity has another five years to run, they are very positive about this rollout.

5 Develop people resources to grow

The expansion plan is built on the people who deliver it. For example, to meet this growth, TGIs will need 280 more managers and an effective recruitment and training strategy to foster talent and ensure recognition is given and rewarded. Over the years, tgis have always achieved high ratings in Best Employer and Best Place to Work national surveys. It is essential to maintain this *esprit de corps* as it adds so much to their 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. Harvard 'guru of guarantees', Christopher Hart was called in to advise on and assist with their path-breaking strategy of offering 100% satisfaction guarantees at Travel Inn.⁶

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'. Beer and Eisenstat 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.⁷

The Strategic Fitness Programme (see table) starts when the senior management team prepare individual answers to six simple but profoundly important questions.

- What are the company's objectives and aspirations?
- What are the market threats and opportunities?
- What is the value proposition you are delivering?
- What is the most critical thing the business must do to deliver on the value proposition and create or sustain competitive advantage?
- Which organisational capabilities are needed to implement the strategy?
- Which values should guide the organisation?

From this process, a statement about organisational direction is developed to be used as the basis of the

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enquiry into the organisation's strategic alignment. Then select a taskforce of eight of your best managers to interview pivotal people in all parts of the organisation. The team sends out the message that it is serious about uncovering the truth and making changes.

Readers may wonder whether a taskforce handpicked by top management will confront the senior team with the truth.

Beer and Eisenstat found the answer to be:

emphatically yes, provided that certain safeguards were in place. Task force members came to feel a deep obligation to those they had interviewed. Many saw this as a once-in-a-lifetime opportunity to make things better and not shy away from brutal facts. They found that, to protect the truth, they had to protect the people in the conversation. The taskforce would distil from its hundreds of hours of rich and emotionally charged discussion, the business-critical issues for their presentation to the senior management team (SMT).

The Task Force's presentation to SMT needed careful management. Members were often apprehensive about their individual brief and would feel exposed and vulnerable because they could be identified with some portions of bad news. Beer and Eisenstat recommend that the findings form part of a discussion with the members around a table in the middle of the room (see goldfish bowl diagram) whilst SMT sit at tables outside this observing and taking notes. For each of the major themes, the members discuss the range of perspectives that emerged. They do not make recommendations and don't deliver a written report of any kind: the depth of

Table 1 Beer & Eisenstat's Business strategy process

Step	By	Purpose	Duration	Description
1	Senior team	Senior management launch meeting	1 day	<i>The senior team develops a statement of strategic and organizational direction. The team selects a task force of eight of the best people in the organization.</i>
2	Fitness task force	Task force training session	1 day	<i>The task force is trained in interviewing. The task force identifies interviewees.</i>
3	Broader organization	Data collection period	2-6 weeks	<i>The task force interviews people throughout the organization.</i>
4	Fitness task force	Task force data consolidation meeting	1 day	<i>The task force identifies major themes in the interviews. The task force prepares feedback. The meeting is held immediately.</i>
5	Fitness task force	Task force feedback discussion	1 day	<i>The task force presents feedback to the senior team using the fishbowl format.</i>
6	Senior team	Senior team feedback response	2 days	<i>The senior team conducts an analysis of the root causes of the issues identified in the feedback and develops an integrated plan to address them.</i>
7	Fitness task force	Task force plan critique	1 day	<i>The senior team meets with the task force again to present its plan and receive feedback</i>
8	Broader organization	Implementation		<i>The senior team announces change plans to the 'top 100' and initiates further dialogue. Changes are implemented throughout the organization.</i>
9	Broader organization	Institutionalization		<i>The senior team periodically repeats the process and extends it into subunits.</i>

the SMT's understanding and insight is far greater when they listen and take notes.

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. For one such business, TGI Fridays, the analysis and evaluation for significant growth and transformation has been completed. We have previewed the plans for implementation, let's observe them as they roll-out.

References

- 1 Whitbread PLC Results FY to 3 March 2005 available on www.whitbread.co.uk visited 26.4.05, on their release.
- 2 The focus of creative executions will be an appeal to the opinion-forming and gregarious 18-24 year age group, which will also be aspirational for our other targets of teenagers and 25-40s. Research is currently exploring this more in depth.
- 3 For a fuller explanation of this process, see 'Drinking by Number' *New Scientist* (April 1998) and David McCaskey 'If you're not talking segmentation, you're not talking marketing' *The Hospitality Review* (October 2002) pp 9-16
- 4 'Grand Prix Winner Tesco' *Awards for Excellence Supplement Marketing* (June 2005) p 5
- 5 Glen Earlham *Marketing a Theme Park - The Alton Towers Story* A video production from TV Choice BB0301 (1998)
- 6 D McCaskey and S Symes (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 also *International Journal of Contemporary Hospitality Management* September 2003 16 (3) pp 166-174
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David McCaskey is programme manager to the postgraduate Certificate and Diploma in Management at Colchester Institute, Centre for Management Studies. He holds an MBA and is an FHCIMA, a Chartered Marketer and a member of the Higher Education Academy.



Ruth Hutchison is Human Resources Director for TGI Friday's – responsible for all aspects of the people strategy – and part of the leadership group within Whitbread. She started in this role last September 2004 and has been responsible for leading the TGI Friday's transformation process, introducing new technology, working processes and a new reward framework. Prior to joining Friday's she had spent three years in Marriott as Group Human Resources Manager responsible for reward, policy and talent management. Her time in Whitbread has spanned ten years with three years as head of business quality with Premier Travel Inn, where she led the introduction of the 100% satisfaction guarantee and three years with Thresher prior to its sale.