

Marketing

Marketing Planning

Thistle Case Study: Recovering in a saturated market?

Situation

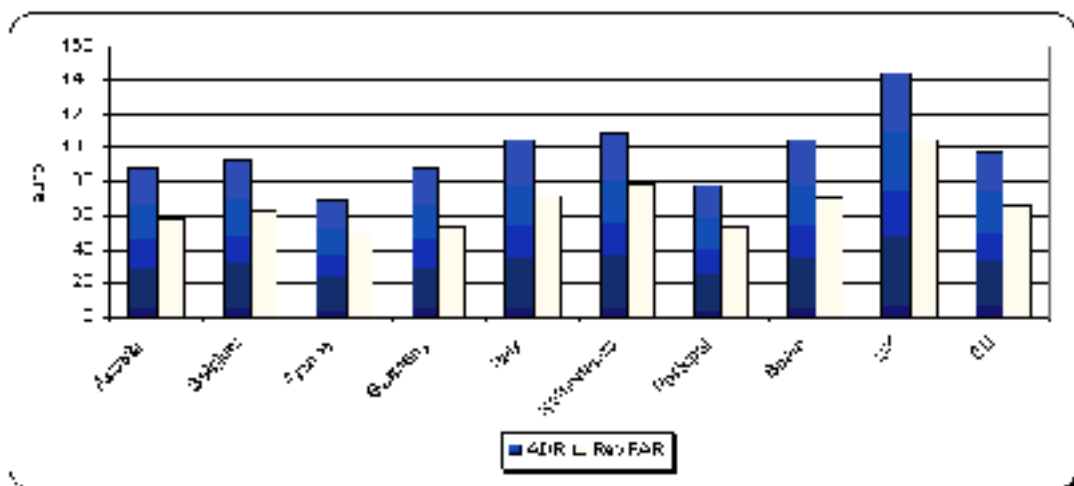
Tourism in crisis

During the period January to August 2001, compared to 2000, overseas visitors to the UK decreased by 6% to 16.4 million and spending in the UK by overseas visitors decreased by 10% to £7.8 bn. The British Tourist Authority (BTA) estimates that the terrorist attacks in the USA and the subsequent military action, have cost Britain's tourism industry around £2.5 billion. Spending by overseas visitors in Britain – originally forecast at over £13 billion – is likely to be somewhere around £10.8 billion, a drop of nearly 20%.

There is some evidence that the impact is levelling out and, while still severe, is unlikely to get any worse. In fact, some sectors are reporting small signs of recovery, for example in business tourism. Nevertheless a 2002 Mintel report calculates that since 1998, foreign arrivals have been falling steadily, reaching a 9% drop last year.

The Hotel Industry: an overview

In comparison to other European countries the UK has reported a substantial decline in RevPAR (revenue per room available shows the revenue return for each available bed space). It has been calculated that for 2001, the UK's Rev PAR dropped 6.5%. London hotels too saw a drop with a decline in RevPAR of 14.9%. This makes London, Europe's main gateway city with the largest decline.



Competition is particularly tough for hotels in London. Despite an existing oversupply of room accommodation in the capital, development plans to increase room capacity are still growing at almost 3% annually for the last 4 years.

It is estimated that the 4,000 rooms currently under construction will add almost 8% to the current capacity. Furthermore there are plans to build 15,000 more rooms.

Four star hotels have been hit particularly hard. Unlike other sectors, the 4-star hotels rely on airborne and international travellers and consequently has seen foreign guest numbers diminish as a result of a turbulent environment for the long-haul airline industry.

The scenario for hotels in provincial areas is positive. Unlike the hotel sector in London, provincial hotels have not reported declines and show a more promising future. Provincial hotel's revenue per room available is forecast to increase 6% over the 2000 estimate.

Thistle

Thistle is the parent company of 56 hotels operating in the UK and is the largest hotel group in London. Their flagship brand is the notable Selfridge which conveys this company's ethos. All the hotels under the Thistle brand are 4-star, full service hotels, although the company also manages 10 other hotels outside the Thistle brand. Namely these are 3-star, non-branded properties that are deemed incompatible with the Thistle brand.

The Thistle group was hit particularly hard as a result of September 11. With pre-tax profit dropping precipitously by 28% to £49.1 million, the Thistle group has much to worry about. Turnover at the end of December 2001 had fallen by 5.0% to £305.3 million, while the RevPAR fell by 8.8% to £60.61 in the London hotels.

Considering the gloomy prospects, the Thistle group could consider selling out or diversifying further into the budget accommodation sector or provincial hotel sector.

Task

Based on the Thistle case study, develop a brief marketing plan based on the planning cycle framework.

You should first identify:

- 1) Where is Thistle now? Conduct a SWOT analysis assessing external Threats and Opportunities as well as internal weaknesses and strengths;
- 2) Where do we want to be? Establish SMART objectives to be reached;
- 3) What is the best route to take? Sketch a possible strategy for Thistle;
- 4) Are we on course? Consider ways in which you can monitor ongoing progress;
- 5) Have we arrived successfully? Determine possible ways in which marketing objectives will be measured.