

Motorway Services Extraordinaire: Welcome Break case study

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Introduction

Welcome Break is one of the leading independent motorway service operators providing a variety of hospitality and retail services in the U.K. They currently have more than 27 locations that are open 24 hours a day, 365 days a year to provide service and products to more than 85 million customers annually. The Welcome Break brand is anticipated to have more than 648 £m in sales, with an EBITDA of more than 56 £m in 2016. Welcome Break has many name brand foodservice, retail and lodging properties that create a great motorway stop for everyone with brands that range from Burger King and Starbucks to Waitrose, Ramada Hotels, and WH Smith. The company has more than 5500 employees and a culture of innovation and caring for their most valuable assets, people. This focus on people is evident throughout the operations they serve and the programs that they implement. This case study gives an example of an organization that focuses on the assets that are hard to quantify on a balance sheet, the human capital and what happens when you prioritize people (Fleming & Asplund, 2007).

In the U.K., there are MSAs (Motorway Service Areas) that are regulated by the government and are places that drivers on the highways and motorways can go to in order to refuel their cars and themselves through rest or food. They also often have retail components and allow drivers to have a nice comfortable place to stop and enjoy their time off the road. The majority of guests stop for an average of 20 minutes, but the business travelers sometimes spend more time at the motorway services getting work and paperwork done. There are three primary companies in the U.K. that operate the majority of motorway service areas and they are Moto, Welcome Break, and Roadchef. These motorway services are known for having higher prices, but that is to defray the costs of obtaining a license to function in these types of locations. In most cases, the company that owns the motorway services is also the company that must pay to have the on ramps and off ramps to the locations built, as well as having to pay for the costs to construct the required safety features to ensure that customers can safely drive on and off the service areas to the highways. The aesthetic appeal of the locations is also the responsibility of the companies that run the service areas. It is due to these higher costs of construction and maintenance of the MSAs that the costs of the food and retail components tend to be higher than other locations.

MSAs have the challenge of higher costs of construction therefore they must charge higher prices to cover those costs. They also have the challenges of attracting a customer that is commuting and making decisions related to whether they should stop off on the highway to refuel, get food or other goods, or get closer to home. These situations make this type of an operation unique to run. The location also makes it hard to recruit employees to work for the businesses held within the MSA, as the employees must travel away from home, sometimes a long distance, to come and work in an MSA location. In an environment where good employees are hard to find, getting them to travel on the highway to get to their job is a unique challenge that MSAs and other travel services such as airports or rail stations face. Another operational challenge is the fact that these locations have multiple brands or co-brands that have a variety of operations procedures under the same roof.

These challenges compared to traditional, free standing restaurants, lodging, or retail operations makes operating a motorway service company difficult. This case study illustrates how a brand which has genuine people focus at the heart of their approach to doing business has been able to be successful. Welcome Break is an example of a company that focuses on human capital in order to attract and retain both employees and customers, which overall has led to sustained superior performance across a range of key performance indicators and under a variety of economic conditions. The case study presents some questions for moving forward for Welcome Break, and it also presents some challenges for other companies in the hospitality industry in focusing their limited resources to things that will help create a sustainable competitive advantage. Following the discussion of the case study, students will be able to identify a variety of positive human resources best practices. Students will also learn the importance of employer brand management by working through the Welcome Break case study.

People Make the Company Great

Welcome Break is led by an outstanding team of executives who have many years of experience with Welcome Break and with working in the hospitality industry. The Chief Executive Officer is Rod McKie who joined Welcome Break in 2001. His previous experience prior to joining Welcome Break was as Operations Director for Pret a Manger and as Managing Director of Coffee Republic. Nick Wright is the Finance Director of Welcome Break and has worked with them for more than 12 years. Prior to joining the company, Nick spent most of his

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Table 1

Brands in the Welcome Break Portfolio

Baskin Robbins	Ramada
Burger King	Starbucks
BP	Subway
Costa Coffee	Waitrose
Days Inn	WH Smiths
Dunkin Donuts	Shell Deli 2 Go
Krispy Kreme	Ed's Easy Diner
Harry Ramsdens	KFC
Papa Johns	Tossed
Chopstix	

career at Whitbread Restaurants, LLC. Lisa Parsons is the Commercial and Marketing Director, a relatively recent addition to the team with 15 years of experience in brand management, marketing and commercial strategy. The Director of Hotels & Forecourts, Steward Ashby has 36 years of experience with Welcome Break. The Operations Director, Hakim Attou has 11 years of experience and his team, consisting of four Regional Directors has combined more than 50 years of experience with Welcome Break. The Director of People, Karl Jolly, has been with Welcome Break more than 9 years and has over 20 years' previous experience in operations and human resources with TGI Fridays, Pret a Manger, and Mitchells and Butlers . This combined tenure of more than 150 years of experience in the top management team of Welcome Break creates a competitive advantage that cannot be overstated.

The company has outstanding SOMs (site operations managers) that oversee the operations of the specific motorway sites. These people are responsible for all of the units (whether retail, lodging or foodservice) within their service area location. They also utilize UBMs (unit business managers) in order to help them effectively operate the individual units within the larger sites. Many of their sites have 5-15 individual units operating within one site/location on the motorway. The company employs more than 4500 hourly employees as well and they know that without a great, people-focused culture they would not be able to deliver on their vision and brand promises. One testament to the focus on people in the organization is that instead of a person in charge of human resources or personnel, they have a 'Director of People' that works to develop and enhance the lives and productivity of the people in the organization. Welcome Break consistently emphasizes the importance of the employee at every level of the company.

The Director of People, Karl Jolly, focuses on developing people, hiring the right people, engaging the people in the company at all levels, and trying to achieve a fun, yet productive environment. The company focuses on operational excellence, but not at the expense of

the people in the organization, but with the help of people. There is a focus on creating a fun environment through incentives, cross-training employees, having a strong focus on proper recruiting and placement of people into the specific brands where they can create the best synergy. Because of the large number of brands that they have in their portfolio, they are able to place new employees into a brand that best fits their personality and working style, for example Starbucks' culture is very different than Waitrose's culture. See Table 1 for a full listing of the brands in the Welcome Break portfolio.

The company has a specific focus on development of people and creating the best environment within which to work. Initiatives in the organization that have shown the focus on people are the use of annual employee engagement surveys that the company actually reviews and acts on, investments in people through the use of incentives such as bonuses and paying a top wage in order to attract the best employees. In April 2016, the company announced that it was raising everyone's wage by approximately 30 cents an hour each, and they would increase their minimum wage to everyone to at least \$10.10 per hour. This increase in the minimum wage for Welcome Break employees is unprecedented and is just one way that the company is trying to be proactive in creating an environment where people want to be. The company also has an EVP (employee value proposition) that works towards engaging all employees in order to allow for a seamless view from the guest that each motorway location is comprised of multiple brands that are operated with excellence. The company is keenly aware that they have to differentiate themselves in the market of food away from home and retail services, and they are also aware of the very strong competitors in the motorway services arena. In order to create a competitive advantage, Welcome Break must attract and retain the best and the brightest employees in order to attract and retain the most valued customers.

History of Welcome Break

Welcome Break was formed in 1959 and has been one of the leading organizations in the motorway services industry providing hospitality operations for travelers in safe, clean and efficient locations across the UK. In August 1960, Charles Forte and Blue Star Petroleum created Newport Pagnell, the first fully operational service area in the UK. In 1963, the company expanded by developing two more sites at Keele and Charnock Richard. At this time, they began trading under the name of Motorchef. Other companies (including Ross Group) started developing their own motorway services starting in approximately 1966. In this period of growth for motorway services, the design was adapted to create a more comforting and tranquil area just off the motorways in order to help people get a refuge from the stresses of driving, so the motorway service areas became much more comfortable and had a more casual dining restaurant feel where travelers were welcome to enjoy some food and rest in a calm environment (Welcome Break, 2015).

After the expansion of approximately 6 more units from other

players in the motorway services, Ross Group changed its name to Motoross in 1975. In 1977, Forte (operating as Motorchef) was the second largest operator with nine service areas and Motoross changed its name to Welcome Break. In the late 1980s, the Forte sites (Motorchef) were also rebranded as Welcome Break. There was a hostile takeover in 1995 by Granada of the Forte group (including all of the Welcome Break motorway service areas). Unfortunately, the Monopolies Commission determined that by controlling this many locations, Granada would have too large a share of the motorway services, so they had to sell off the Welcome Break sites. Investcorp bought Welcome Break and they still are associated with the brand today. Investcorp invested in the Welcome Break brand and introduced many well-known name brands, as well as investing in upgrading and building sites in order to upgrade the look and image of the Welcome Break brand (Welcome Break, 2015).

The branding changes and additions to the Welcome Break portfolio have continued to introduce brands such as Starbucks, Burger King, KFC, as well as rebranding the Welcome Lodge, which was their most prominent motel offering, into Days Inns with more name brand recognition and exceptional brand image and operations standards and requirements.

Extraordinary Culture and Climate

'We provide what they want, when they want it' Rod McKie, CEO of Welcome Break speaks about the visitors to the motorway services as he states the mission of the company. He notes that the goal of a successful motorway services company is to provide travelers with the things that they want in the ways that they want it and to ensure that you provide those things better than your competition. He believes that Welcome Break is striving to achieve success on a daily basis by focusing on this goal. He also notes that it takes great people and products to be able to achieve that aim. The official mission statement of Welcome Break is to 'Be famous for giving people what they want, and doing it passionately and profitably, when they want it'. The company is trying to ensure that they give travelers what they want when they want it and they try to live by that mantra.

Some of the core indicators that will help Welcome Break to determine if they are accomplishing their vision and mission are as follows:

- Driving profitable sales in the business
- Increased transaction and frequency of repeat guests to the Welcome Break services, ensuring that Welcome Break is the destination of choice as a traveler is driving along the motorways of the UK.
- Increased relationships with brand partners through improved operational standards.
- Team engagement by conducting employee surveys and monitoring retention of employees
- Business and developmental goals being accomplished with increased focus and specificity

It is clear that throughout the brand there is a focus on the people in the company, both internal and external guests. The internal guests or employees in Welcome Break are a focus of many of their initiatives. Welcome Break realizes that people are a valued part of their team and allows them to create potentials for outstanding service and profits. The external customers are the 'road warriors' out traveling the motorways that are ready for fuel or food or rest. The company has to accommodate a variety of needs and do that seamlessly for the guests.

The company maintains a cultural value of a need for passion in the services they provide as well as the ability for creating an experience for guests. It is critical to create an experience for guests that they remember and talk about in a positive way (Pine & Gilmore, 1999). This helps guests connect with the brand and location in a way that increases repeat visits and encouraging word of mouth communication.

More than 80 million guests visit the Welcome Break facilities each year and they strive to provide an outstanding experience for each of them. Every guest deserves a warm welcome and a comfortable environment for the short or longer duration that they wish to stay. There is a strong focus on the external and internal guest- they strive to provide their employees with the great work-life balance that will help them come to work ready to provide the external guest with the best experience possible.

The Welcome Break company also raises money in support of the BBC's Children in Need program and over the past four years has donated more than £2,000,000 to disadvantaged children and young people across the UK. They really strive to create a culture that gives to guests, takes care of employees, and creates opportunities to give back to the community (Welcome Break, 2015).

Competition in the Marketplace

The competition in the marketplace for Welcome Break is very difficult to surpass in many ways. There are other motorway services and depending on the location that people are in, they may intentionally choose another motorway services or they may decide to wait until they exit the motorway closer to home in order to eat or refuel at another location. The MSAs are not traditionally locations that a person would leave their house and preplan a trip for unless they knew that they were going to be traveling in a certain direction. This means that in general MSAs are not a 'destination' and rather are areas that are convenience stops for people traveling on the motorway.

The overall direct and indirect competitors of the Welcome Break MSAs are all of the restaurants and petrol or fuel stations out there. These can be other locations that travelers can choose when refueling their car or their bodies. Many people drive home via the motorway and then make plans to go out to eat after they arrive home. They also plan to go out to eat or to a retail location during the day, but that does not include a stop at the MSA on the way home.

The nature of the motorway services business does not allow for mediocre service or products. The traveler arriving at an MSA expects a clean surrounding, positive service experiences, quality products, and most importantly clean restrooms. Many of the travelers use services and products, but most travelers use the restroom. It is critical to provide the best service around to ensure that travelers remember the locations as a positive experience and next time they are on the motorway, they will remember the location.

Focus on People

Human capital theory and employer branding theory are two theoretical frameworks that help to drive Welcome Break to accomplish their goals and objectives. Human capital theory is the belief that people are the strongest and most sustainable asset of an organization and by investing in people through training and development, economic growth will occur (Fitz-enz, 2000). By enabling people to do their best on the job through support and training, a company is encouraging positive productivity and is allowing the connection between the employee and the customer to grow (Fleming & Asplund, 2007), thus increasing employee retention and customer revisit intention.

Employer branding theory is a concept in human resources and marketing that looks at how employees (current and future) perceive the company and its brand. The branded 'product' that is being assessed is the whole unique and specific employment experience (Edwards, 2009). It is a perception by employees from the current workforce as to how the entire employment experience is, positive or negative. It is a perception of the organizational brand as to how employees feel about the company. It is important for employers to know about current employees as it will help with retention of these employees and productivity in the workplace. It is important to know about what future employees think about the brand because how people perceive you will influence whether they will apply with and work for your company (Edwards, 2009). Some of the things that influence perception of the employer brand are through financial and economic benefits, but also intrinsic rewards and how your socio-emotional needs are filled by the company (Edwards, 2009; Luthans, 1998).

The entire Welcome Break top management team has a focus on the people that ensure that services are provided to the guests in a way that is memorable, thus providing a great opportunity for positive employer branding at the company. The internal guest or the employee is ensured a positive experience when they come to work for Welcome Break. The company tries to ensure positive results by taking the time to recruit the right kind of people and to encourage retention by providing the right kind of work environment, thus working from the human capital and employer branding perspective. Welcome Break knows that it takes a special person to have the service qualities that are needed for the company. They also know that finding employees or team members willing to drive to an MSA for work is difficult, so

they pay a higher wage than most organizations and then also provide many opportunities for development. When they hire team members, they do a job evaluation after 5 weeks in order to ensure that the employees are comfortable and are getting the right guidance in their jobs. They also know when hiring, they have to set themselves apart from other organizations. They try to solve this issue by providing events and rewards for people on all levels of the organization. By focusing on good wages, great training and development, and incentives, rewards, and events for the company, they can try to hire the best of the best employees to be a part of this outstanding team.

The training and development component of Welcome Break is outstanding through the use of the brand standards of the numerous brands that Welcome Break operates, as well as the Welcome Break standards. The company provides online training programs that all employees are encouraged, and in many cases mandated, to do. The training programs are not only developed for hourly employees, they are also created for unit business managers and site operations managers in order to ensure that the constant development of people within the company provides a competitive advantage. Many organizations cut the training budget when times are difficult, but Welcome Break believes that without development of the people delivering on the brand promises, there is no chance to achieve success. They are the type of company to increase spending on people when the economic times are difficult.

Welcome Break uses a third party company to complete an employee survey of all employees annually. The survey results show that the company is doing a great job of keeping people happy overall. The findings of the survey are that more than 90% of employees believe that they have approachable managers and that their job is positive. They also believed that the technology could be improved and the work-life balance could be improved. These are common problems in the service industry, but Welcome Break will be taking action on these items to try to find a solution as soon as possible. Those survey results have also given the company a good sense about what their employees like and would like to see changed about the organization. The past five years have seen an increase in the results of the engagement level of the employees. This past year showed that the company has some improvements that they could make in terms of 'opportunities for advancement' of their employees and 'being well informed about Welcome Break'. In order to combat these gaps in their performance, Welcome Break is putting together more development opportunities for their employees as well as using a more advanced intranet in order to help improve communication to employees at all levels.

Welcome Break sees that the highest rated component of the organization is the relationship of employees with their managers. This strength of the organization is partly due to the fact that the top management of the company is very approachable and willing to listen to people from every level of the organization. The organization has a

very flat organizational chart and open access is the mantra that they use in order to encourage people to bring them new and innovative ideas regarding guest services.

For the external customer, this focus on the internal people provides them with the best service. They have focused on creating a team environment where employees are cross-trained in a variety of areas in order to provide a company that has good employees that can help out in other areas as needed in order to keep the outstanding service levels at all of their brands, not just one or two select brands. Also, by providing internationally and locally known name brand restaurants, hotels, and retail operations, Welcome Break has forced themselves to perform at a higher level of operational excellence and standards than other MSAs and other free-standing locations that do not have the high expectations and standards of organizations such as Starbucks, Waitrose, and Burger King.

Current Challenges

The biggest challenges moving forward over the next few years will be creating increased competitive advantages in the marketplace through: increasing staff retention; improving the technology platform to keep pace with brand partners and customer demands; ensuring people and customers drive the sales and profits of the brand and not the other way around; and focusing on the healthy eating trend in the UK. An interview with Rod McKie, CEO and Karl Jolly, Director of People in October 2015 showed that the leadership of Welcome Break was most concerned about two issues. They both stated that the biggest tests moving forward were going to be: 1) People- finding and attracting the best in this increasingly stronger economy (more job opportunities, more struggles for the service sector), and 2) Information Technology- being able to keep up with the changing information technology needs of the business and the consumer. These concerns will be discussed in detail below.

Related to the people issue and concern with the inability to recruit and hire the number of people needed for success in a service business, it will be important that Welcome Break focus on the climate of the organization. Increasing staff retention will occur as more employees become engaged with their jobs and with the Welcome Break organization. Through the use of surveys and being able to pinpoint areas of concern by employees, the company will be able to make some substantive changes as needed to engage their employees and ensure that they are connected with the Welcome Break team.

Improving technology throughout the Welcome Break organization will help facilitate customer relations and also the transfer of information in the company. The increased technology will also help the connectivity with brand partners and allow the faster transfer of information from brand partners to Welcome Break. Customer demands are also becoming more evident related to the need for technology and the use of mobile devices throughout the world. As

technology changes and creates more chances for customers and employees to engage with a brand, Welcome Break needs to stay ahead of the curve by ensuring that there is ample financial investment into the IT infrastructure of the organization.

Ensuring people and customers drive the sales and profits of the brand means that the service-profit chain will be accomplished through ensuring employees are happy and satisfied, they will keep the external customers happy and satisfied. Once the employees and customers are satisfied, it will drive sales and repeat patronage. If employees are doing the right things, then they can drive profit to the bottom line by not making mistakes and doing things in an inefficient way (Heskett, Jones, Loveman, Sasser, Jr., & Schlesinger, 1994).

Incorporating more healthy options into the motorway service areas that are operated by Welcome Break will give customers more options for dining and will encourage a wider selection of food products that can provide the healthful nutrition that people need. Traditionally, food options at motorway services may not have included a lot of healthy options, but this trend with healthy eating is not going away and with the obesity rates continuing to rise, this is an important community initiative that should be undertaken by every organization. Offering more healthful options can lead to positive increases in customer satisfaction as well as customer healthiness.

There are always going to be important initiatives and needs for improvement, but staying ahead of the competition by recognizing these needs and acting on them will help Welcome Break to get the competitive advantage they will need. The following discussion is around the current opportunities that Welcome Break has in continuing to stay a leader in the motorway services industry.

Current Opportunities

Welcome Break used to be a company comprised of branded and non-branded units. The company is transitioning into a fully branded organization with national, regional, and international brands that provide foodservice, retail and lodging motorway services. The company is looking to increase its stronghold in the market and to increase

Table 2
Sales History for Welcome Break

	Sales (£m)	Non-Fuel Sales (£m)	EBITDA (£m)
FY12	631.8	246.8	41.4
FY13	636.7	253.2	43.8
FY14	645.9	269.8	44.3
FY15	670.6	298.1	50.3
FY16	648.3	316.8	56.6

its success through the following initiatives during the next year: to create a new organizational structure to realize the benefit of a fully branded environment; development of food courts and adding brands such as Subway, Harry Ramsdens, and Papa John's to the mix of offerings; and the potential sale of alcohol. The two largest brands in terms of foodservice sales for 2015 are Starbuck's with 17.5% of total non-fuel sales and Waitrose with 16.9% of total non-fuel sales. Welcome Break is adding new brands to their portfolio on a regular basis with Ed's Easy Diner (full service restaurant) and Chopstix (Asian cuisine) the most recent additions to the portfolio. Sales and operating results have been trending up and are looking very positive for this year as well. See Table 2 for more information.

The immediate future for Welcome Break has some upside advantages. The macro-economic conditions are strong and continue to improve and the stronger economy make for a customer base that feels comfortable traveling and increases traffic on the motorways. The company has had strong financial results for the past several years and it appears that will continue. The company has a strong brand line up and has introduced some very strong brands just recently that add to the value of the portfolio. The company has continued to add more capital investment to the company and is also committed to a continued focus on investment in their people. Having co-brands and multiple brands per location is an advantage and a disadvantage. There are opportunities for advancement into many brands for employees, there are multiple brands to attract customers and this gives variety, but there also are many different operations manuals, human resource manuals, and ways of doing business. The challenge and the opportunity for Welcome Break is that they provide the highest level of internal and external customer service and ensure that all people, those who work there and those who shop there, are happy and satisfied and return!

Case Study Challenge

In this competitive industry, Welcome Break has overcome many struggles, but still has many to overcome as they continue to try to stay as leaders in the motorway services industry. In order to learn more about the challenges and possible advantages in this industry, perform an industry analysis on motorway services in the UK, perform a SWOT analysis and assess the strengths, weaknesses, opportunities and threats of Welcome Break compared to their direct and indirect competition.

Determine what 3 key areas Welcome Break needs to address over the next 5 years (10 years) in order to stay competitive and to stay at the top of the motorway services industry. What challenges will they possibly have moving forward? What are the potential prospects for Welcome Break in the future? What are the struggles specifically of working with multiple brands when it comes to the people part of the business?

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