

The new motorway code

Granada Road Services (GRS) is planning to go 'high-tech' in what it calls a bid to change the face of UK motorway service areas. The company's managing director Mr Richard Martin envisages key locations equipped with touch-screen computers where customers can order anything from a picnic hamper to a bouquet of flowers.

By 2010 he wants them to be able to tap into weather and traffic reports and book theatre tickets. "The future is about communications and not just catering," he explains. "You will not necessarily be able to buy everyday groceries but you will be able to order high quality products by computer."

Granada's motorway service areas (MSAs) have been transformed from greasy spoons to establishments where chicken tikka massala and sweet & sour pork compete with more traditional fare. Mr Gerry Robinson, Granada Group chairman, says motorways had a record year in 1996. But old perceptions die hard. According to Mr Richard Hyman, chairman of Verdict Research, MSAs are "pretty awful, appealing to the lowest common denominator". In his opinion, MSAs are missing out on vast amounts of potential expenditure. "They are plastic and disposable and give little added value," he says.

In 1995, restaurateur and foodservice accreditation expert, Mr Egon Ronay, described the fried eggs at Granada's Reading restaurant on the M4 as "dried out" and the tea as "third rate". It did not fare as badly as RoadChef's Sedgemoor restaurant where, he claims, he was "forced to spit out the Yorkshire pudding" declaring it "some of the very worst food" he had tasted in the last 30 years.

However, a brief tour around GRS's Toddington site on the M1 in Bedfordshire appeared to demonstrate that MSAs have improved. The cold buffet salad selection is among the best to be found in any self-service environment - appearance-wise at least - while a wide choice of salad oils and mustards is provided in the sort of upmarket packaging you would expect to find in a better class of specialist delicatessen. All a far cry from the days of salad cream sachets. The fresh fruit salad includes grapes, mangoes and strawberries in individual trays, while soups are stored in old fashioned tureens.

Ms Debbie Walter, marketing controller of Booker Foodservice, says: "Granada now cooks a lot of products from fresh on-site. It will buy the meat and make the sauces itself. It has changed dramatically over the last two or three years." It may not be quite the fare of chef Mr Marco Pierre White: the enfant terrible of UK gastronomy has a £2m contract to run seven of Granada Group's hotel restaurants. But it does mean that the trucker previously doomed to pit stops with meals made up of what used to be the inevitable greasy fried egg, fatty bacon and chips, can choose a healthier diet.

Today the Granada Group division - which Mr Richard Harwood, leisure specialist at Collins Stewart forecasts will make pre-tax profits up by about £65m to £205m in the year to the

end of September - focuses on strong brand names such as Burger King, Rock Island Diner, Travelodge, Little Chef, Harry Ramsden's and La Brioche Dorée. It has just axed Pizza Hut, which was on test at Reading and Trowell - a roll-out had been anticipated at the beginning of the year. Granada's Mr Martin says that the time it takes to prepare the product has not proved conducive to the quick service demanded by travellers. But Pizza Hut franchise controller Mr Andrew Stones says there may still be an opportunity for Pizza Hut on MSAs, but not in the sort of food court environment it operated with Granada.

Huge potential

The first Harry Ramsden's table-service restaurant opened on March 29 last year at Hilton Park at Birmingham North on the M6. This has proved sufficiently successful to be rolled out at the rate of about one a year to a maximum of eight, according to Mr Martin. Its second site, at Exeter on the M5, will be followed by a third at Reading next year. Mr Richard Taylor, Harry Ramsden's finance director, says: "I do not think we can go on as many sites as Burger King, which involves smaller capital cost and fits into a smaller space."

Burger King features on all Granada's 42 service areas, which include two forecourts, a stand-alone Travelodge, 11 A road service areas and 28 MSAs. In some cases Burger Kings, which number 52 on Granada's MSAs, are run on both sides of the motorway. There is a rest Burger King at Stafford on the M6 in the forecourt shop, and a drive-through service has opened for people who just want to pick up a burger without having to stop at a restaurant. Development director, Mr Bruce Hodgson, is keen to roll out the forecourt version. "There is a huge potential market for travelling consumers," he points out. "The relationship with Granada has enabled us to plant our flag in a sector that had been very much closed to brands until five years ago."

The M6 Hilton Park site now has a small food store operating a Boots concession, a Sock Shop and a Tie Rack, and Boots' director of stores Mr Martin Bryant is keen to develop further with Granada. Other amenities include picnic areas, play and pets' areas, car valeting and automatic banking facilities.

Granada Group, Granada Road Services' £3.8bn parent, acquired Forte for £3.9bn on January 23 1996. The deal included 26 Welcome Breaks, all but four of which the Office of Fair Trading (OFT) forced it to sell in order to avoid the intervention of the Monopolies and Mergers Commission. The four it retained were on trunk routes in Oxford, Sutton Scotney, Grantham and Pease Pottage. The rest went to a management

Table 1: Granada Group Results (£m)

	1992	1993	1994	1995	1996
Turnover	1,340.0	1,615.1	2,097.7	2,831.2	3,816.9
Profit before tax	114.9	176.0	265.4	351.3	404.8

Balti by the roadside

The UK's first motorway balti house could be built next year - the Pakistan Welfare Association (PWA) has just completed a £5,000 feasibility study funded by Birmingham City Council for the motorway service area (MSA) planned for the M6 between Walsall at junction 9 or 10. The site could also be the first MSA to serve Halal food for the Moslem community.

The project, dubbed Shalimar 2000, will appeal for cash from the European Regional Development Fund. The venture will provide 600 jobs, and there will be 100 staff per shift working around the clock.

Mr Mohammed Akram Mirzan, vice chairman of the PWA, says the restaurant will not be solely for Moslems. "The wider community will use it. Prices will be lower than you would normally expect, and we will be serving healthy food," he says.

team backed by investment bank Investcorp for £476m on February 18 this year, representing a multiple of 22 times historic earnings and a premium to net book value of £142.6m. Granada increased Welcome Break's profit margins from 9 per cent to 11 per cent during its period of ownership.

It also acquired the 120-strong Travelodge chain of budget motels and 400 Little Chef table service restaurants, most of which were on trunk roads. Some 16 of the Travelodges were on the Welcome Break sites subsequently sold to Investcorp. Granada then re-branded 33 of its own Granada Lodges as Travelodges, and has built three new ones in the last 12 months, as well as extending five to provide another 220 rooms. Another four lodges are planned next year. It has also adopted the Travelodge standard, incorporating duvets and family bedrooms, and has put telephones and BSkyB in the rooms.

Improved performance

Little Chef meanwhile, came with highly visual meal boards which attempted to show exactly what customers got for their money - Granada incorporated that idea into its motorway self-service areas and it converted Forte's Happy Eaters to the format, realising a sales increase of 12 per cent to 13 per cent. Granada owned the 26 Welcome Break sites for a year, and Mr Martin says: "Their efficiency was not as good as ours. We significantly improved performance and introduced various ideas such as better amusement machine areas and developed some of the retail shop concepts and made them perform better."

Granada's 1996 annual reports and accounts reported a 39 per cent increase in profits at Welcome Break since the acquisition, and even more over the summer of 1996. "There was not a huge investment programme," explains Mr Martin. "Under the agreement with the OFT, prices could only go up in line with the retail price index. Lodge prices were kept the same, and retail and catering prices went up two or three per cent."

Granada had just started Granada Purchasing - a combination of motorway services and Granada Food Services' buying departments - at the time of the acquisition. "With the advent of Forte we were able to bring that together in a much stronger way," says Mr Martin. Granada Purchasing now buys on behalf of everyone in the group, including the hotels.

Mr Martin says the 27 Little Chefs it has built since March

1996 on MSAs have added a new dimension to what Granada is offering: "To have table-service restaurants on MSAs is a new concept from our point of view, and it fits with our customer profile," he says. Collins Stewart's Mr Harwood says the Little Chefs have increased the average spend per head on food from £4.90 to £6.90. And now Mr Martin is keen to introduce more brands into the self-service restaurants, including a separate Little Chef counter offering, perhaps, an all-day breakfast. He is also looking at incorporating Harry Ramsden's in the self-service restaurant as well as a coffee bar selling cappuccino and espresso. "It will be more like a food court, with different branded offers," he says. La Brioché Dorée was rested at Lancaster on the M6 a year ago, and in future it will also be featured in self-service restaurants selling filled baguettes, pastries and croissants.

The UK Department of Transport stipulates that MSAs cannot be destinations in themselves - areas which would increase the amount of traffic - but places where motorists can stop off and refresh themselves before continuing their journey. This means that leisure facilities such as multiplex cinemas or bowling alleys, among others, would not be permitted. It follows therefore that MSA operators have to beware of making their facilities so attractive that people want to visit them as destinations. Mr Martin admits it is a fine line to tread. One of those that must be coming close to that line is Ladbrokes, which operates at the twin-sided Toddington site in Bedfordshire at the M1 Junction 11/12 and at Tamworth in Staffordshire on the M42/A45 Junction 10. "Our main aim is to improve our offer to regular motorway users," he says.

The company's MSAs turn over about £550m in a year, of which catering accounts for about £120m, retail £50m, fuel £350m and accommodation £30m. Granada is the overall MSA leader in the UK with a 43 per cent market share by site. It is followed by Welcome Break with 31 per cent, Road Chef with 18 per cent, Blue Boar with a 4 per cent share, and three independents which together account for four per cent.

The UK government deregulated MSAs three years ago, and enabled private enterprises to develop sites instead of the Highways Agency. There have been about 120 applications for new service areas since then, although planning applications have been taking longer than expected because of local opposition, as many of the sites are within green belt land.

Granada hopes to open Winchester on the M3 and Kegworth on the M1 by the end of next year or early 1999, while Maidenhead on the M4 is subject to planning enquiry. It is trying to reduce the amount of investment needed - it can cost as much as £20m - as it opts for smaller MSAs.

GRS also owns Sogerba, which operates 42 Cote France service areas throughout France, where alcohol sales are permitted. The former Forte sites previously traded as Relais. Mr Martin insists that the UK compares with the best of European motorway sites but, in truth, the British would find some of the Sogerba areas altogether more upmarket - bar-cafes and more traditional brasseries abound - compared to the UK penchant for all things fast.

But Mr Martin does not fight shy of past criticisms: "A lot was fair and we recognise those faults," he says. "We are committed to making service areas a pleasure to visit rather than merely a necessity."

■ Andrew Don