

Saga

Sidney De Haan died in 2002. Two years later the business he had founded, Saga Group, was sold by his son Roger who had taken over as chairman and was controlling shareholder with the remaining shares held in a family trust. None of the family was involved in the business. At that point Saga Group employed 3000 people, had a turnover of £340 million and made profits of £51 million. Over the five years between 1998 and 2003 the company enjoyed a compound annual growth rate of 20%.

Saga is best known for providing holidays for the over 50s, claiming 60% of those who holiday with the company will have done so before. But in fact 80% of its profits now come from insurance - home, car, travel, medical, pet, boat and caravan. And its range of businesses extend to publishing, financial services, share trading, internet services, telecoms and radio - all targeted at the same over 50s market. With nearly 44% of Britain's adults now over 50 year old, this is the fastest growing and wealthiest consumer sector in the UK and one in which Saga has a strong brand image. This older generation has the time, money and inclination to take holidays. It now accounts for about 22% of domestic holidays and 26% of holidays abroad. And the market is similarly skewed in other countries. This older generation accounts for 40% of tourism in Germany and 17% in Ireland.

Born in the East End of London in 1919, one of 11 children of a shoe factory foreman, Sidney De Haan left school at 14 to work as a chef at the Waldorf Hotel before joining the Royal Medical Corp at the start of the Second World War. After the war he bought the 12 bedroom Rhodesia Hotel in Folkestone, Kent which he ran with his wife Margaret. It was in the winter of 1949 that came up with the original Saga business concept. He was sitting on a park bench worrying about how to fill his empty hotel when he realised that he was surrounded by pensioners who had plenty of time on their hands. So he came up with the idea of selling low-priced, out-of-season, all-inclusive full-board holidays at his hotel, complete with travel by coach to his door. He was forced to market it himself because travel agents refused to believe that pensioners had spare money to spend on holidays. The idea was a resounding success and he soon bought a second hotel. It did not take long for Saga to start marketing similar holidays in other hotels along the south coast and then overseas. It was Saga that first spotted the potential of Romania, Yugoslavia and the Algarve as holiday destinations. The profile of customer has changed and got younger. Saga now offer short and long breaks, long-haul travel, cruises, safaris and even activity holidays.

But it was the attention to its target market and the resulting attention to service detail that gained it the loyal customer base that it enjoys. Taxis can still pick you up from your door and representatives are always at hand to meet customers when they change their form of transport or arrive at their destinations. In the early days they even checked out the number of steps into the hotel and specified it in their reservation system. Their hotel contract would even specify a minimum and maximum temperature in the hotel rooms.

Saga was floated on the stock market in 1978 and bought back by the family in 1990, although only a minority of the shares were ever traded. And it was in this period that the Saga Group started to sell new products to its target market, building on the trusted reputation that the brand enjoyed. Just about everything has worked from credit cards to magazines. For example, with a readership of 2.5



million, Saga Magazine is now Britain's second largest subscription magazine after Reader's Digest. Even its radio reaches 600,000 listeners a week.

Sidney De Haan retired in 1984. His son, Peter, stood down as a director in 1999 to pursue other business interests, leaving Roger in control. But in 2003 Roger reached the age of 55 and decided he wanted to spend more time with his family and travel. He had spent much of the last few years steadily delegating his responsibilities to a new management team, lead by Andrew Goodsell, Saga's deputy chief executive, and getting less involved with the day-to-day running, preferring instead to spend more time on his charitable interests. In 2004 he sold Saga to Charterhouse, the private-equity firm, in a £1.35 billion management buy-out led by Andrew Goodsell.

Case questions:

1. Why has Saga been so successful?
2. Is there any limit to the range of products or services Saga can sell?