

## 3.1.3 Demergers

### Demergers

- Involve the separation of a large company into two or more smaller companies
- An example is whitbread which owned costa coffee and premier inn (due to investor pressure)

### Reasons for Demergers

- Focus on core business, higher profits could be made through specialisation
- Increase profit, loss-making parts of business can be sold off
- Raise finance, this can be achieved by selling shares in the new company
- To avoid diseconomies of scale, merged firms can become too large to effectively manage
- To meet regulator demands, this may be done to increase competition in economy
- With reference to the costa/premier inn split, these two brands had different images which made little sense to be conflated together. Costa wants to assure the image of luxury and a low budget hotel brand does not help to achieve this

### Impacts of Demergers

- On Businesses: Business increases focus on core business, funds can be raised by selling parts of the business, and loss-making parts can be pruned
- On Workers: There may be increase in job security if business is pruned of loss making parts. There will be a reduction in culture class. There will be in increased focus on the business. Some jobs may be lost however
- On Customers: Greater competition leads to lower prices. Higher business focus meets consumer demands more effectively. Service may become limited. An example of this is the Lloyds TSB split leaving some consumers without a local branch