

Kuoni marketing strategy essay sample



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“ With such an attractive country and such strong growth potential we are determined to ensure that Kuoni retains its leading position in the Indian market. We intend to put a special focus here on outbound travel, where we will be promoting vacation travel products for individuals and special-interest tourist in particular. In concrete terms, we want to see the turnover of Kuoni Travel India increase by about 15% a year in the next few years.” Andrea Hemmi, head, corporate communications, Kuoni Travel Holdings Ltd

A statement of intent from Mr. Andrea Hemmi as Kuoni tried to reproduce its success in India. The Indian market was very attractive and Kuoni had a huge investment when it came to India in 1996. Today, in the year 2001, Kuoni India has taken 2 major steps to reinforce its position in the country. * The acquisition of SITA travels, India’s largest Inbound Tour Operators and * Diversification of its Business portfolio with the VFS (Visa Facilitation Services) The acquisition of SITA would strengthen Kuoni India’s Inbound Travel Business and with the background of SITA travels, Kuoni India has taken a major step to be India’s largest Travel and Tourism Company. The road ahead for VFS is still relatively unknown but the business being completely unique and seemingly in demand, the future does look more bright than dull.

Kuoni Global

The Kuoni Group is one of Europe’s leading leisure travel companies, and generated consolidated turnover of CHF 4 855 million in 2008 with a worldwide workforce of 9 797 (full-time-equivalent) employees. The company’s activities are focused on its Leisure Travel and Destination Management businesses. Head Office is in Zurich, Switzerland, where Alfred

Kuoni founded the company back in 1906. The Kuoni Group has steadily and systematically developed its position in the world travel market over the years, and has branch operations today in more than 40 countries in Europe, Asia, Africa, Australia and North America. Kuoni aims to be the world's best and most successful tourist travel company in the premium and specialist segment. The Kuoni Group was named " World's Leading Tour Operator" at the World Travel Awards in 2008, the eleventh time in a row it has earned this distinction.

Indian Tourist Industry

In the year 1991, the Government of India headed by Narasimha Rao decided to usher in several reforms that were collectively termed as liberalisation of India. The reforms progressed furthest in the areas of opening up to foreign investment, reforming capital markets, deregulating domestic business, and reforming the trade regime. Liberalisation had done away with the Licence Raj (investment, industrial and import licensing) and ended many public monopolies, allowing automatic approval of foreign direct investment in many sectors. One such sector was the Travel & Tourism Sector. This was the first step led to Kuoni entering the Indian Market. The Tourism and Travel Industry in India was very attractive and rich in opportunity for a number of reasons: * There was constant growth of 3-6%

* Diverse natural beauty: over 4000 km of beach front, perennial glaciers, deserts, tropical havens, temperate grasslands, mangroves, etc. * Over 15000 sites and structures that are over 500 years old, with the oldest structures being well over 2500 years old. * A gastronomical delight with over 15 different cuisines that are well entrenched within their respective

geographies * Historical sites that cover all the major world religions. * A melting pot of cultural diversity within a generic commonality Kuoni Enters India - Acquires SOTC

In the mid nineties, Kuoni made its debut in India by picking up a majority stake in SOTC Holiday Tours, one of the top tour operators for Indians travelling abroad. Kuoni acquired a stake of 51 % in SOTC on World Tourism Day in September 1996. FIPB and RBI approvals had been received by Kuoni Travel to acquire 100 % shares in SOTC for a total consideration of Rs 50 crore. Kuoni Travel acquired a further 23 % share in SOTC in January 1997 and soon received the FIPB and RBI permission to hold the balance of 26 % shares in SOTC. On May 22nd 1997, Kuoni picked up the balance equity in SOTC and renamed the company as Kuoni Travel.

Kuoni Business Model

Kuoni came to India with a large investment plan. They did not want to go in for a Green Field Model which is form of foreign direct investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up. In addition to building new facilities, most parent companies also create new long-term jobs in the foreign country by hiring new employees. This is opposite to a brown field investment. This was in consistency with Kuoni's Asset Light Model. The model was the primary differentiating factor between Kuoni and some of its Major competitors like Thomas Cook. Kuoni felt that with such a model they could achieve * Inorganic growth which is the rate of business, sales expansion etc. by increasing output and business reach by acquiring new businesses by way of mergers, acquisitions and take-over's. * Financial

benefits (e. g., one-time cash infusion, increase in ROA) were contingent on the transfer of the assets off the buyer's balance sheet, which required the change in ownership * Operational benefits (e. g., cost savings from improved operations, benefits of additional scale) required assumption of the control over assets and proximity to them * They could gain a competitive edge in depressed market conditions. * They could have good relations and get contracted rates and tie ups with their related industries like Hotels, Airlines etc. Thus it provides better supplier/buyer alignment. Refer to Exhibit - Porter's 5 Force Analysis

* A decline in outsourcing revenues

SOTC Fact File

SOTC opened its first office in 1949 at Cawasji Hormusji Street in Mumbai with five employees. Twenty years later, the company up scaled and moved to a larger office at Mint Road. It was, by then, already rated amongst the top ten travel agents in Mumbai and had achieved a turnover of Rs. 2. 5 crore (US\$ 625, 000). A major turning point came in 1976, when SOTC handled its first tour group visiting the US during the bicentennial celebrations. Within three years SOTC had taken about 500 passengers to Europe, the US, Singapore and Japan. By 1981 SOTC Package Tours began active advertising. The 1983/95 phase was one of uninhibited growth. The company leap-frogged over several competitors. Spurred by these successes, SOTC moved to new premises in Churchgate, Mumbai. It was here that SOTC installed its first computer to track sales and operations; it metamorphosed into a completely restructured organization with autonomous Strategic Business Units (SBUs). Kuoni Travel <https://assignbuster.com/kuoni-marketing-strategy-essay-sample/>

Holding, Switzerland, acquired 100% equity in SOTC on 22nd May 1997.

SOTC has been a leader in all segments, namely Escorted Tours, Free Individual Travel, Special Interest Tours and Domestic Holidays amongst others and has emerged as Kuoni India's key outbound travel brand.

Kuoni's move to buy stake in SOTC has been a strategic one as the company wanted to be No. 1 travel operator in India as soon as possible and acquiring a well established name like SOTC was definitely an added advantage.

Moreover, being cash rich at that point of time helped Kuoni to grow inorganically. Since SOTC's merger, the company has been on an acquiring spree (not Greenfield investment) to build its business strongly in Indian subcontinent. Also, one of the reasons for SOTC's acquisition was the emergence of India as the world's third fastest growing tourist market and one of the highest spending communities. With the economy growing consistently at over 8%, increasing disposable incomes, a change in spending habits, liberalization of exchange controls, increasing affordability, holiday packages and cheaper air fares, outbound tourist traffic increased and has grown at an annual average of around 25%. SOTC has been voted "Best Outbound Tour Operator" five times in a row by the Galileo Express Travel & Tourism Awards Committee.

SOTC's brand philosophy is "Expect More" that exhibits its commitment to offer superior value and services to its customers. Some of the lesser known facts about SOTC are: * SOTC was the first travel group to create a tour around the Seven New Wonders of the World. * It was SOTC which created the concept of a Holiday Bazaar. * In association with WorldCard, SOTC offers exclusive membership to esteemed clients. * In Switzerland, the town of

Engelberg was renamed SOTC Indian Village in 1999. * In 2001, SOTC became the only Indian tour operator to be bestowed the prestigious Friends of Thailand award. * The supplement Wow! which appears in The Times of India in Mumbai and New Delhi is a first-of-its-kind initiative undertaken by a travel company. It is a co-ordinated effort of SOTC to reach all Tourism Boards. * Cost Saver Tours were first introduced by SOTC.

* Holiday Now Pay Later was an SOTC Initiative.

Consolidation of position in India

Between 1996 and 2000, Kuoni India registered prolific growth with an eight-fold increase in profit and consolidated its position as the uncontested leader in India's outbound market. However, the ABC of Kuoni's success in India has been to arrive early (Kuoni arrived in India when foreign travel in India was not yet hot; this ensured low entry cost), buying/acquiring existing businesses (for example SOTC and SITA) and continuously creating value (Kuoni now provides many travel services under one roof from visa management to online reservations to forex management). After SITA's acquisition, the strategic acquisition of Tour Club in 2001, India's principal destination manager in the Middle East, further strengthened Kuoni India's leadership position in the Inbound travel segment. Kuoni launched VFS, its visa services arm, in July 2001 as an outsource partner of diplomatic missions.

Acquisition of SITA World Travel (India) Ltd

Students International Travel Association came into being in 1933 when John C. Dengler set up a bicycle tour at New York. The company soon became

popularly known by its acronym - SITA and launched itself into the orbit of world travel. After resounding success in the U. S. A., SITA entered the travel market in Europe and Asia. In 1956 the Chairman Emeritus, Mr. Inder Sharma, set up SITA's first office at New Delhi. Foreseeing a policy of Indianisation, in 1963, SITA was converted into a private limited company under the guidelines of the Companies Act 1956 and came to be known as SITA World Travel (India) Pvt. Ltd. With the rapid growth of the incoming tours business, SITA started its first overseas office in Paris in 1972, followed by Milan, Frankfurt, London, New York, Stockholm, Barcelona and Lisbon. At the same time SITA extended its operations and services to include neighboring countries - Sri Lanka in 1982 and Nepal in 1984. In 1993, it became a fully owned Indian public limited company and came to be known as SITA World Travel (India) Ltd. Between 1970 and 1994; the company achieved a spectacular growth rate.

The foreign exchange earnings showed an impressive and unprecedented increase as well. In the year 2000 Kuoni Travel Holding, acquired a 100 percent stake in SITA World Travel (India) Ltd., and this merger resulted in the creation of India's largest travel company known as Kuoni Travel India Ltd. It has since then being the leading brand for Kuoni Destination Management (Inbound Division) of Kuoni Travel India Ltd. Kuoni's objective to become the dominant player in all the travel segments was one of the major reasons behind its acquisition of SITA World Travel (India) Ltd. At the time of acquisition, SITA World Travel was India's largest travel organization with a turnover of Rs 2. 85 billion and pretax profit of Rs 133 million. It was

active in all three travel segments: Inbound, Business Travel and Outbound with Inbound being the main profitable business.

SITA enjoyed strong presence country wide as well as in Nepal & Sri Lanka¹. Kuoni acquired SITA World Travel (India) Ltd for Rs 140 crores (Rs 1.4 billion)², buying the company with higher financial figures than that of itself. It is was a strategic move to buy SITA as SITA's strong inbound business complimented the Kuoni SOTC outbound travel segment perfectly to make Kuoni the leading travel operator in all travel segments in India. Prior to this bigger-than-size acquisition, Kuoni was looking to acquire one other company but the talks failed. (As told by Mr. Rustom; company name not disclosed). This acquisition also provided an opportunity for Kuoni to tap into the within country travel business which was growing rapidly. The Inbound travel business was estimated to increase by 30 to 40 percent. Also, brand building investments were low for Kuoni as SITA was already a well-known travel brand in India. Challenges Faced after SITA's acquisition

1. Working Culture Differences

One of the prominent differences was the working culture of Kuoni Travels & SITA World Travel (India) Ltd and the differences in the form of leadership that both the businesses had. Kuoni Travels Group India, located in Mumbai had executive leadership in the form of CEO and executive council whereas SITA Travels India Ltd., located in Delhi, was a family owned business, headed by Mr. Inder Sharma at the time of acquisition. Thus, initially Kuoni had to face a lot of working culture differences issues. These issues were resolved gradually through the process of integration of management of the two merging partners. ¹ As per the report published in rediff. com (March 24, <https://assignbuster.com/kuoni-marketing-strategy-essay-sample/>

2000) “ Kuoni acquires Sita Travels, eyes more buy-outs” ² As per the report published in Business Line (March 30, 2000) “ Tata group, Kuoni sign MoU for e-com company”

2. Management Shuffling after the merger

Kuoni had gone for a full acquisition (100% stake) of SITA Travels. However, they had to reach an agreement with the owners of the merged company to provide them with leadership roles in the new setup for two years. This was done to ensure smooth transition & integration of management and work processes under SITA regime with the culture of Kuoni Group. 3. Re-branding

Kuoni Group is a strong international brand. After acquiring SOTC and SITA World Travels, it used their brand equity to its advantage by allowing them to operate under their brand names as they were well known travel brands in India. This was also important as there were strong regional as well as national players in Indian travel industry. For example, Raj Travels in Gujarat, Kesari Travels in Maharashtra etc. However, Kuoni has recently announced to add its premium Kuoni brand to its product and brand portfolio in the Indian market. This has been done to create same recall value as associated with SITA and SOTC to Kuoni as brand in the minds of Indian customers/travelers.³

4. Shutting of businesses in conflict with SOTC Outbound Travel segment

As SITA travel was present in all travel segments of the travel industry, after its merger with Kuoni, certain services were pruned down in order to avoid conflict of interest with the corresponding brands in Kuoni umbrella brand. According to one newspaper article, “ Around the year 2000, Kuoni did not

want SITA outbound to compete with SOTC which anyway handled outbound travel, commented a top industry source, while adding that 12 offices of SITA outbound were closed and SOTC and SITA outbound were amalgamated.”^{3 3}

As per the report published in The Financial express “ Kuoni brand enters India” retrieved from http://www.financialexpress.com/old/print.php?content_id=116537

Business Portfolio Diversification - VFS

In July of 2001, Kuoni India started VFS as a specialist Business Process Outsourcing agency, exclusively dedicated and focused to serve diplomatic missions and immigration authorities to facilitate the visa application procedures across the world. The organization initially started as a courier intermediary between visa applicants and the embassy of the United States in Chennai, India. VFS - A breath of fresh air

VFS focuses on serving consular sections of diplomatic missions by providing administrative support. They manage non-judgmental tasks related to the entire lifecycle of a visa application process, thereby enabling the missions to focus on the key tasks of assessment and decision making. Their area of operation includes providing services like dedicated visa application centers and websites; biometrics facility, waiting lounges, online appointment scheduling facilities, courier pickup and delivery services. This business was completely unique at the time of its introduction. There was no serious competition of note and Kuoni looked to build from here. It was a Greenfield strategy adopted by Kuoni India which was a first for them. They felt that Visa facilitation is a lucrative business as diplomatic missions pay a significant amount of money for processing visa requests. The Indian government was ready to pay \$10 for each visa application processed. The

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fee can go up significantly for the rich diplomatic missions like UK, USA or France.

On the other hand, it's a win-win deal for diplomatic missions. With increasing international travel, their offices are unable to attend to the applications. For instance, 1, 000 visa applications are filed every day in Paris and most of them remain unattended, as the Indian Embassy is unable to handle this huge demand for Indian visas in France. Apart from this Kuoni India felt that this helped them diversify their business portfolio at a time of market boom and helped enhance their core competence. (Refer to Exhibit)

It also complimented their outbound and inbound business well. Services Offered

As a partner, VFS handles a number of services including accepting visa applications, ensuring that these documents are in order, submitting them to the appropriate Embassy and collecting them. For example, VFS offers ' a-track- your-passport' service. Apart from these VFS plans to set up merchandising of its product. Stakeholders

Initial Problems

Thomas Cook

With the introduction of VFS, all travelers looking for Visa's had to go via VFS. This raised the question of Data Confidentiality. Thomas Cook felt that VFS could gain access of their customers and Kuoni India's travel arms could benefit from this. This encouraged Kuoni India and VFS to work as completely separate bodies with only high level corporate positions being common.

There are no staff transfers between Kuoni India and VFS. The company was

also renamed in an attempt to go global and not face a similar problem worldwide. “ We have renamed the company as VFS Global Services and would use it as a vehicle to set up subsidiaries in other countries worldwide,” says VFS COO Sanjay Bhaduri. Data Handling

There was lot of private information of travelers which needed to be stored and the data needed adequate security and confidentiality. (Refer to exhibit) The operational efficiency of the firm was tested and had to be the best. Hence the company decided to invest a lot in technology to come up with adequate IT solutions to all business problems it face now and in the future.

Role of Technology

VFS Global plans to make major investments in software development in order to handle large volumes of applications. The plan is to develop proprietary software systems for passport tracking, database creation and data upload. Apart from this, technology support also extends to website maintenance and online appointment scheduling facilities. In order to achieve this VFS plans to enter into technical and support agreements with leading IT hardware and software giants to ensure compliance to security policies and also adhere to meeting the stringent norms of diplomatic missions on IT Security and Data Protection. VFS has contracted with one of the Top 5 global Audit firms to conduct health checks and internal reviews on our systems and procedures so as to ensure robustness and continuous monitoring of their commitment to agreed customer service levels. “ VFS Global’s continuous commitment to investment in new technologies, customisation of systems and progressive automation of process has seen

acceptance by most diplomatic missions globally,” VFS Chief Operating Officer Sanjay Bhaduri

The Road Ahead

Exhibit - Kuoni India Group

Kuoni Travel Group, India is a 100% subsidiary of the CHF 4.1 billion Kuoni Travel Holding Ltd. - a one of the world's leading premium tour operators. Founded in 1906, and head-quartered in Zurich, Kuoni has operations in 30 countries today and its core businesses are Leisure Travel and Destination Management. It was named “ World's Leading Tour Operator” at the World Travel Awards in 2007 - the ninth time it has earned this distinction. With total turnover of INR 18 billion (USD 420 million), 347 offices and 2,900 employees, Kuoni India is India's largest travel company. Kuoni India has five core activities: * Leisure Travel

* Destination Management Services

* Business Travel

* Visa Services

* Travel Education

Leisure Travel

Kuoni India is India's No. 1 Outbound Travel Company, operating under its core brands: * SOTC : one of the oldest and most treasured brands in the Indian travel industry * Kuoni Holidays: India's only travel brand focused exclusively on the premium segment. It is a market leader in Group Travel, FIT Travel, MICE and Domestic leisure travel. Destination Management Services

It is also India's No. 1 Destination Management Company under the umbrella brand Kuoni Destination Management. It handles all segments of the incoming market, operating under key product brands, SITA, Tour Club, Distant Frontiers & e-Holidays. Business Travel

Among the top two in India, Kuoni India's Business Travel activity has been re-launched as HRG Sita India in January 2007. HRG is a global giant in the business travel segment. Visa Services

Kuoni launched VFS, its visa services arm, in July 2001 as an outsource partner of diplomatic missions with one customer and three offices. Today, VFS Global is a worldwide leader in the visa services business, with operations in 39 countries. Travel Education

Kuoni India launched its own travel academy - Kuoni Academy of Travel (KAT) - in 2003, primarily as a Corporate Social Responsibility initiative. Today KAT has 7 centres across India and has recently launched its first centre outside India - in Guangzhou, China. KAT also offers courses in collaboration with International School of Tourism Management, Zurich.

Buliding the Vision

Core Ideology

Kuoni's employees hold particular passion for travel, for exotic cultures and different ways of life. Keen to share it with their guests, they work dedicatedly to get people's holiday experience just right. That means engaging in a true dialogue, accommodating their needs thoroughly, understanding what each individual person wants, and seeking an optimal

solution every time. It also means keeping pace with the times, being innovative, and setting up itineraries with due heed to current trends and changes in the contemporary mood¹. Core Values

“ Perfect Moments” is Kuoni’s core value. The Kuoni brand rests on:

Reliability - Dependability

Authenticity - Innovation, creativity, intense travel experiences Passion -

Talking to customers, seeking optimal solutions to serve them every time ¹

As per “ Kuoni Brand Report 2008”

Core Purpose

To mirror the spectrum of social development in new styles of travel, so even

the most discerning demographic can continue to satisfy travel aspirations with Kuoni Envisioned Future

* To dominate all segments of the travel market

* Building a strong global presence and reach through strategic acquisitions

Kuoni’s future is all about diversification and congruent brand extensions that allow for more individual travel experiences. This will allow Kuoni to differentiate itself from the competitors.

Exhibit - Organization Structure

Exhibit - Milestones Kuoni India

November 2001

Kuoni India consolidates its leadership position in the Destination

Management business segment by acquiring Tour Club, India’s Number One Destination Manager for visitors from the Middle East. July 2001

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Kuoni India sets up VFS, a 100% subsidiary, to provide visa processing services to foreign consulates in India. March 2000

Kuoni Travel (India) Ltd. becomes India's largest travel company with the acquisition of Sita World Travel. Sita becomes another prestigious brand of Kuoni India. May 1997

Kuoni Travel Holding, Switzerland acquires 100% equity in SOTC on May 22nd, 1997. The company is renamed Kuoni Travel (India) Ltd. SOTC World Famous Tours also becomes a prestigious brand of Kuoni India. May 1996

Kuoni enters India by acquiring a 51% stake in SOTC.

Exhibit - Kuoni India Growth

VFS - Core Values

1) Data Security

VFS has adopted a combination of systems security and monitoring measures for transactions to create a secure environment. They have firewall systems, strong data encryption, anti-virus protection and round-the-clock security surveillance systems to detect and prevent any form of illegitimate activities on our network systems. They appreciate the importance of information security and have a program to achieve ISO 27001 (a well-known internationally accepted standard for Information Security) compliance within their business processes. To ensure that all their operations are ISO compliant, they have an ongoing program to address information security risks within various business processes. Following broad activities are carried out as part of ISO 27001 compliance at the visa

application centre (VAC) level: * Risk Assessment & Risk treatment of business process and associated assets

- * Mitigation of risk based on risk analysis
- * Training of end-users to make them aware about information security risks
- * Physical security review
- * Implementation of ISO 27001 controls using technology
- * Management awareness
- * Incident reporting & management
- * Change control management
- * Compliance audits

2) Data Confidentiality

Data Confidentiality covers data in storage, during processing, and in transit. VFS ensures that the information will not be made available or disclosed to unauthorized individuals, entities, or processes and will be protected from intentional or accidental attempts to perform unauthorized data reads. To ensure data confidentiality and integrity, all information transmitted over the Internet is encrypted using the 128-bit Secure Sockets Layer (SSL) protocol from VeriSign Certificate Authority. SSL is a secure way of transferring information between two computers on the Internet using encryption. Strong end-to-end encryption is also adopted within the company's computer networks and resources. 3) Integrity

Integrity, in terms of data and network security, is the assurance that information can only be accessed or modified by those authorized to do so. VFS takes measures to ensure integrity, which include controlling the

physical environment of networked terminals and servers, restricting access to data, and maintaining rigorous authentication practices. Practices followed to protect data integrity in the physical environment include: making servers accessible only to network administrators, keeping transmission media (such as cables and connectors) covered and protected to ensure that they cannot be tapped, and protecting hardware and storage media from power surges, electrostatic discharges and magnetism. Their network administration measures to ensure data integrity include: maintaining current authorization levels for all users, documenting system administration procedures, parameters, and maintenance activities, and creating disaster recovery plans for occurrences such as power outages, server failure and virus attacks.