

Environmental analysis of thomas cook tourism essay



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Summary

This report deals with one of the leading travel group in the world which has been in operation since the past. It has been considered as the most trustworthy and reliable travel group which offers travel packages to its customers across the world. The travel group is Thomas Cook and is one of the leading travel and tourism agencies in the world. In this assignment, the organisation of Thomas Cook has been analysed taking into consideration the internal and the external environmental factors. A number of the important models such as McKinsey model along with the Pest analysis, SWOT and other models have been used to analyse the organisation. The main aim was to analysis the external and internal environment affecting the organisation. Leadership style has been discussed, and it can be seen that Thomas Cook has one of the cost effective organisational structure and follows a flexible business model so that it can be altered as and when needed. Finally the paper ends with recommendation and conclusion which states that the company should work according to the demand of the customers in order to stay competitive and maintain its number one position.

Introduction

Aim of the Report

The aim of this report is to conduct an effective internal and external environmental analysis of Thomas Cook based on separate models. The analysis would help one understand the key competencies of the firm and also the areas where development is needed. Recommendations are also to be provided in due course to enhance the position.

Overview of the Organisation

Company Size

Thomas Cook is one of the biggest companies in the field of leisure and travel and is observed to operate along a large geographical segment pertaining to 22 countries round the world. The company has emerged out to be a key market leader in the leisure and travel category. Thomas Cook, during the financial year of 2011-12 earned total sales revenue emanating to £9. 8 billion from a total customer base of 23. 6 million people around the globe (Thomas Group Plc, 2012).

Company Structure

Thomas Cook operates based on a decentralised structure where the board of directors are responsible for delegation of tasks and duties to subsequent committees and other sub-boards. The structure operates along a top-down or vertical integration fashion in the company (Thomas Cook, 2010, p. 53).

Main Activities

Thomas Cook Plc works along several segments to render value-added services to the customers. The first or the core product segment contains of packaged tourism services where both flights and hotel services are grouped under one bundle and rendered to the customer. The second segment consists of independent packages that help in rendering consumers a larger flexibility in choosing the travel destinations, duration of tour and other value additions. The third product segment focuses on rendering financial support to the travellers in terms of foreign exchange or money transfers and also in tour assurance services. Fourthly the group also operates via retail houses

that help in distributing tour packages and offers to the consumers. Finally the group also operates on the basis of online networks where it focuses to serve consumers in European and pan-European markets effectively (Thomas Cook, 2011, p. 13).

Objectives of the Report

As a market analyst and researcher the report to be presented would highlight the strategic potencies and drawbacks of Thomas Cook operating around the world in the travel and leisure segment. The report presented would eventually help the company management potentially address the drawbacks highlighted to develop its performance potential in the future.

Analysis of the Organisation

Internal Environmental Analysis

Employee Engagement Analysis in Thomas Cook

The analysis of employee engagement in organisations reflects the manner in which the people involved relate their activities and conduct to the inherited cultures and values of the concern. Thus an employee engaged is taken to be highly conscious of the organisational values and cultures and thereby coordinates with other colleagues to effectively achieve organisational goals and objectives. The level of employee engagement enhances with the level of relatedness the employer has with the employee groups (Vazirani, 2005, p. 3).

Herein, the module of employee engagement is used to analyse the level of loyalty and reliability of the employees in Thomas Cook.

The management of Thomas Cook endeavours to effectively interrelate with the employees involved in different levels to share with them potential information pertaining to changes in organisational strategy and policies. Effective interrelation and communication is carried out by the management both along the web and physical sphere in terms of online chat and electronic mails and circulation of internal magazines respectively. Moreover the employees are also invited to participate in workshops and training programs that in turn enhance their potential to perform in their specific task areas. Further the management body of Thomas Cook from time to time conducts effective surveys to understand the level of interrelatedness of the employees, both new and old to the organisational values and business directives. Survey carried out would clearly hint on the satisfaction and commitment level of the internal people in Thomas Cook. Satisfaction level of the internal people duly enhanced helps Thomas Cook in addressing the changing needs of the consumers and also in effectively reducing the level of staff turnovers in the organisation. Henceforth, employee engagement activities in the company motivate the people to work more productively and thereby augment the revenue and productivity paradigm of the concern (Thomas Cook Group plc, 2011; Thomas Cook Group plc-a, 2011).

Analysis of Thomas Cook based on McKinsey's 7S Model

The Model

In the McKinsey's 7S Model firstly, the management works on the basis of set strategies incorporating the views of many to help arrive at a specific action plan to accomplish end goals. Secondly, the management works on a definite structure to integrate the people working in different levels more effectively

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to meet end objectives. Thirdly, the organisation works based on a set of policies and procedures in achieving targets set. Fourthly, the concern uses internal people as a key resource in meeting the tasks set. Fifthly, different managers reflect different types of styles in meeting the same objectives. Sixthly, the management needs to share the objectives and policies of the concern with the employees to coordinate the actions taken. Seventhly, the skills of the people need to be enhanced in meeting end objectives effectively and successfully (Bhattacharya, 2011, p. 333-334). McKinsey's 7S Framework is reflected in the following diagram.

Figure 1

(Bhattacharya, 2011, p. 334)

The attributes of the model would be used to analyse the internal environment of Thomas Cook for they help in setting a paradigm through which the organisational manager gains the potential in drawing the attention of the employees in meeting end objectives.

Structure

The organisational structure of Thomas Cook is found to be vertically integrated with a top-down management structure. Thus decisions are generally taken by the board of directors and higher management body of the concern and percolated downwards to different organisational levels. However in recent times, Thomas Cook is observed to take resort of a global outsourcing strategy to transfer the finance and accounting services in the hands of outsourced teams to help in cost reduction and organisational productivity (Banham, 2005).

Systems

Thomas Cook works based on an integrated business model incorporating the designing of both individual and packaged tours and also assisting the consumers in terms of financing and insuring their tour activities. Similarly, the company works in gaining an enhanced consumer base through carrying out its operations via retail marts and also through the online base. Thomas Cook trains its staffs to render effective customer services acting on such planes (Thomas Cook, 2011, p. 13).

Style

The management style at Thomas Cook firstly works in encouraging the growth of organisational diversity in terms of employing people pertaining to different ethnic backgrounds, sex and age differences. Secondly, the management style in the concern promotes growth and promotion based on merits and performance parameters and thereby restricts the practice of discrimination in the workplace (Thomas Cook, n. d.).

Staff

The organisational management works in effectively recruiting a talented and knowledgeable workforce in the concern. Having recruited a talented and multi-skilled workforce the management works in motivating the people and effectively integrating training them to fulfil the needs of the concern (Thomas Cook Group plc-b, 2011).

Skills

The skills of the internal people are enhanced by Thomas Cook through the incorporation of effective training and performance management programs.

Feedback is generated to the employees based on performance appraisal systems to help them address the drawbacks. In 2011, the company invested around £9.9 million pertaining to the training segment (Thomas Cook Group plc-c, 2011).

Strategy

The core business strategy of Thomas Cook is to train its employee base to render value-additions to the service parameters pertaining to the category of independent travel. Further, the management also desires to enhance the financing and business development parameters of the travel related services framework to augment the customer satisfaction experience (Thomas Cook Group plc, 2012).

Shared Values

The higher management body of Thomas Cook works on the basis of transmitting potential information pertaining to business and strategic value to the employees pertaining to different levels. Through the above function the company management desires to work as a single unit in helping to achieve end goals effectively (Thomas Cook Group plc-d, 2011).

Leadership Style of Thomas Cook

Adair (2011) states that leadership style pertaining to an organisation gains effect such that where different individuals and groups are employed to help in achieving a desired task. Herein, the manager is required to divide the entire task among groups and individuals and thereby to monitor and evaluate their performance levels in helping to meet the objectives taken

(Adlair, 2011, p. 92-93). The same can be represented through the following illustration.

Figure 2

(Adair, 2011, p. 92)

Task

Individual

Team

The leadership style of Thomas Cook reflected that it works on a task based model where decisions taken by higher management are percolated through the management hierarchy along different levels.

Task

Individual

Team

Ideal leadership style of Thomas Cook would be where the task is uniformly matched with team and individual pursuits. However, the same is difficult to implement for it means a complete restructuring of the organisational structure.

Task

Individual

Team

Thus the ideal style would be to delineate and percolate the entire organisational task along different layers while at the same time encouraging the development of individuals and teams by incorporating them in decision making functions.

Organisational Structure of Thomas Cook

The organisation structure of Thomas Cook is reflected in Figure A in the Appendix section. Headed by the Board of Directors the company is run by different committee bodies looking after finance, health and safety, auditing and disclosure functions and similar other departments. These committee bodies report to the body of Directors. Similarly the different segments and functions of the company are governed by different boards which are linked therewith other country heads serving different markets (Thomas Group Plc-a, 2012).

Human Resource Systems in Thomas Cook

Induction

The induction program of Thomas Cook helps in introducing the people to the procedures and policies of the company. It also helps in providing guidance to the students regarding aspects of value and culture of the company. Moreover, a buddy is rendered with the apprentices who introduce the aspirant to the task to be performed at different levels along with the values of the company. Effective survey is conducted based on the apprenticeship program where feedback is gained from them to be used for further developments in the induction training rendered. Again, the

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apprentices are also rendered specific electronic learning modules to enhance the knowledge of the employees in the light of modifications and developments (People 1st, 2011).

Appraisal

The company conducts effective performance appraisal programs of the people pertaining to different levels in the organisation. Performance reviews of the people in the concern are conducted on an annual basis and feedbacks are generated to the people on that behalf. Development of the people is done through involving them in training programs where the skills sets are honed to meet drawbacks (Thomas Cook Plc, 2010).

Communication

Internal communication is practiced in Thomas Cook through the holding of meetings by the board of directors of the concern every year on timely schedules. In addition to the scheduled meetings the directors are also responsible for conducting of other additional and supplementary meetings as and when needed by the company. It is observed that on a general note the board of directors holds around 9 scheduled and 10 other additional meetings in the company (Thomas Cook, 2011, p. 45).

Incentive

A host of financial and other incentives and amenities are rendered to the individuals by the organisation so as to effectively retain a productive and highly skilled workforce. The range of benefits rendered range from holiday packages, to shopping discounts and also other insurance and other leave

related benefits. Moreover the workplace is made advanced in terms rendering flexible working hours to help the people work more productively.

Areas of Development in Thomas Cook

Structural Paradigm

Pertaining to the structural paradigm the introduction of decentralisation in the organisational ambit has required the company to incorporate information technology infrastructure in the designing of data centres in different regions (Chillingworth, 2010).

Leadership Style Paradigm

The managers of Thomas Cook are required to adapt to changing situations through training programs rendered based on change leadership models. Similarly, the management skills are honed through incorporation of tenets pertaining to emotional intelligence and qualities to manage stress in the workplace (People 1st, 2008, p. 3).

Systems Paradigm

Pertaining to operation systems and procedures the company is focusing to enhance its relationship with the consumers through augmenting their safety paradigm and suppliers like hotels and air services on an enhanced scale. Moreover the company is also working for promoting a safer and healthier environment through evaluation of carbon footprint (Thomas Group Plc, 2009).

Plan of Development in Thomas Cook

Kotter's Eight Step Model

The analysis of the plan of development in Thomas Cook is conducted based on the Eight Step Model presented by John P. Kotter of Harvard. The first three steps focus on analysing external changes, modifying the vision and thereby aligning teams to incorporate the change process. The subsequent three steps focus on implementing the change process through effective communication, empowerment of individuals and motivating people through short-term wins. Finally, the seventh and eight steps focus on sustaining the change rendered and enhancing the impacts of the change through modifications (Kotter, 2006, p. 4). The same can be shown in the following illustration.

Figure 3: Kotter's Eight Step Change Process

(Kotter, 2006, p. 4)

Change Process in Thomas Cook

Firstly, the company management created the urgency in gaining profits from the market. Secondly, a team was created through replacements and promotions rendered in the executive body to incorporate the change. Thirdly, a new vision was created focusing on reducing costs, redesigning its organisation structure and enhancing its existing brand image (Linder, 2004, p. 114).

Fourthly, the management endeavoured to share the vision gained with the employees involved at different levels. Fifthly, employees were empowered to take individual decisions while rendering services to the consumers.

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Sixthly, a reward system was brought out to effectively motivate the employees to enhance the service quality (Srinivasan, 2009, p. 280).

Seventhly, the company focuses on gaining hold of talented and effective people that would help the concern achieve its set goals. Communication along the lines is enhanced through holding of training and interactions on a two-way level. Finally, new leadership policies and procedures are brought about by the company management to motivate the people to work in a productive fashion (Thomas Cook, 2010, p. 40).

External Environmental Analysis

No organisation tends to exist in vacuum as each of the organisations is affected by the external environment. The external environment refers to the context in which organisation promotes, provides and also distributes its services. In maximum number of cases, the organisation doesn't have control or has limited control over the environmental factors. According to Rubright and MacDonald (1981), if any of the organisation faces weakness it would become the tendency of the organisation to overlook the opportunity or the obstacles in the market place, also the external environment (Winston, 1985, p. 45).

Process of Environment Monitoring in Thomas Cook

With a wide range and scale of environmental impacts across the business of Thomas Cook, the operating companies tend to coordinate the performance of the environment locally under the banner of " Group Environmental Policy". Thomas Cook is committed in reducing the impact of the environment by way of protecting the environment and the resources and

the business usually depends on safeguarding the wildlife, biodiversity and also animal welfare.

Market research: In order to monitor the upcoming challenges and trends of the consumer Thomas cook can conduct market research based on the needs of the customers. As the disposable income rise, there arise a shift in the mindset and thus it is required to introduce and act accordingly the customer's expectation. Thus doing a proper market research would help the travel agency to stay ahead of its competitors. The company can make a page and share it in social networking sites to get feedbacks about the new schemes and can alter accordingly.

Demographic: Thomas Cook is a well known and the oldest travel agency and thus the customers are attracted towards it because of the reliability and experience. Thomas cook can expand its stores where most number of customers visit to attract even more customers.

Benchmarking: Thomas Cook has benchmarked the employee satisfaction. The company believe that employee who is engaged tends to perform better which leads to satisfied and loyal customers. Thomas Cook has compared each of the business segments through an employee survey and the rate of response was 64% in the year 2009. As per the survey in 2009 the engagement index was 3. 74 as compared to the benchmark index of 3. 67 (Thomas Cook Group Plc, 2009).

Trade publication: Thomas Cook pocket guides covers about 170 destinations and at the same time compact and practical guide for the sun seekers and also for the city breakers. Other guides available for the <https://assignbuster.com/environmental-analysis-of-thomas-cook-tourism-essay/>

travellers include driving guides, travellers guide and others. Recently Thomas cook has launched Canadian website which is a conjunction with rebranding of all the retail locations of Thomas Cook across Canada (Travel Trade, 2012).

Scenario Planning: Thomas cook has acquired other travel agents in order to stay competitive in the travel agency sectors.

PEST Analysis of Thomas Cook

PEST Analysis is mainly used to scan the environment. PEST refers to political, economical, social and technological factors (Henry, 2008, p. 41). Thus Pest is used to analyses and scans the general environment surrounding Thomas cook. It is through PEST that the company will be able to detect as well as monitor the weak signals in order to recognise the fractures which shape the environment.

Political Factors

The UK travel and tourism industry has faced immense pressure from the government as it has introduced tourism tax and has said to affect all the travel and tourism business including Thomas Cook. The travel agents had opposed to the proposal of bed tax which the government had levied £1 per head per night from the visitors staying in the local hotels. The proposed bed tax is said to increase the domestic price and keep the foreign visitors from holidaying in UK (The Guardian, 2012). The potential tax of about 5% to 10% would make England the proposed bed tax is said to increase the domestic price and keep the foreign visitors from holidaying in UK (The Guardian, 2012). It is one of the highest taxed holiday destinations in whole of Europe

(BHA, 2012). Thus with the rise in tax, business like the local shops, the restaurants and the travel agencies are said to be affected.

Economic Factors

During the past few years the tourism sector have faced hard times due to challenging economic times and have largely impacted the global travel market but however there are signs of recovery within the consumers. The travel and the leisure sector were impacted mainly due to the consumer's disposable income, unemployment rate, fluctuation in the rate of currency and the oil price. All these drives have hugely impacted the travel and leisure industry. The GDP declined by 6% in the year 2009, the rate of unemployment has increased to about 2%, the price of oil continued to be highly volatile. In addition to the above factor, there are other factors which have impacted the global travel market. Global terrorism has impacted the confidence of the consumers from travelling along with the swine flu in Mexico which had similarly affected the travel planes along with an increased taxation the economic conditions seems to get worst. Therefore due to these challenging economic conditions, the travel market over the past few years has significantly declined in the travel market (Thomas Cook Group Plc, 2009).

Social Factors

The economy of UK is one of the strongest economy in Europe where the disposable income of the consumers are at a rise and thus the expenditure made on leisure is growing at about 6% and thus has higher level of expectation from the travel and tourism sectors. Most of the people will at least go for one holiday to abroad, thus increasing the demand of the travel

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and tourism industry. In addition one of the important markets in travel and tourism is the grey market which mainly comprises of older people who are healthy and fit and as such has plenty of time along with funds to spend on travelling (Pearson School and College, n. d, p. 11).

Technological Factors

Technological factors refer to the use of internet which has allowed the people the opportunity to become much more independent and make plans according to their desire. Thomas Cook aims to be among the top online service provider and it can be done through modified and advanced technologies.

Analysis of the Competitive Environment of Thomas Cook

The competitive environment is analysed in order to describe the nature of the following attributes. As the environment keeps on changing each of the listed attributes becomes more or less attractive in order to achieve profitable growth rate. Thus the competitive environment of Thomas Cook has been analysed.

Figure 4: Attributes in the Competitive Environment

(Source: Bigler & Norris, 2004, p. 81)

Diversity

The Thomas Cook Group is committed to provide a workplace which is free from discrimination and that supports diversity. Not only is it beneficial to the employee but also to the company in having a diversified workforce. The organisation provides employee training and monitors the diversity among its employees. Diversity is key strength of Thomas Cook and is an essential

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part of the business. The company operates in about 22 countries and thus employs people from different backgrounds and cultures. A diverse workforce tends to create a dynamic as well as innovative culture of the company (Thomas Cook Group Plc-a, 2011). (Refer Appendix A)

Rivalry

Rivalry is high among the leisure industry as with the rise in the disposable income people are spending more amount of money on travelling which has led to the development of many tourism and travel agencies. As a result Thomas Cook also faces rivalry from other travel agencies such as American Express Company, Carlson Wagonlit Travel and Holiday break plc (Hoovers, 2012).

Buyers

The buyers are not given many options to choose from, by the company and thus they need to finalise from the given set of options and thus it can be said that the degree of power of the buyers are low.

Hostility

The degree of hostility is low to moderate in case of tourism industry. The travel and tourism agencies face from fierce competition but they do not declare an open war with respect to price. The marketing strategy adopted by the Thomas Cook and its competitors are almost the same to attract the customers. The companies compete with each other in all the aspects but do not declare open price wars with the competitors.

Cost of Entry

The cost of entry into the travel and tourism industry is relatively moderate to high. The capital requirement is usually high and thus creates a high rate of barrier for the new entry in the tourism sectors. Also the market share is occupied by the top leaders in the market and therefore it becomes hard for the new company to form a brand image and acquire a decent market share to compete with the already established firms. Brand recognition also acts as a barrier to the new entrant.

Fragmentation

The degree of fragmentation is high among the travel and tourism industry. Thomas Cook remains highly fragmented as it had the opportunity to achieve the top three market position. Thomas Cook has targeted gross booking with value of about £3. 5bn (Thomas Cook Group Plc-b, 2010).

Turbulence

The travel and tourism industry suffers from unpredicted variance and thus the turbulence is also high. With economic downturn and other related factors the tourism industry tends to gets affected to a very large extent and it increases the rate of turbulence.

SWOT Analysis of Thomas Cook

SWOT analysis is mainly used by organisation as strategic planning and usually refers to the identification of the strength, weakness along with the opportunities and threats of the organisations. SWOT is conducted to know about the internal as well as the external environment of the company and act accordingly. SWOT Analysis of Thomas Cook will enable the travel group

to know its strength and overcomes its weakness and through opportunity overcome the threats.

Strength

Thomas cook has a strong brand name and image and is one of the leading leisure travel agencies in the world. It offers various package tours and other holiday components and other services. The group has recorded revenue of about £9, 808. 9million during the financial year 2011 The company has managed to show an increase of about 10. 3% from the previous financial year 2010 (Research and Markets, 2012). The group continues to build upon the strengths which the company has created over the years which include strong financial position, trusted brand portfolio and the ability of the company, with its flexible model, to manage the business so that the group is able to meet the needs of the customers in the future (Thomas Cook Group Plc-c, 2009).

Weakness

One major weakness lies is that with a economic slowdown the travel agencies have experienced a huge break down in the number of consumers travelling from one place to another. This has impacted Thomas Cook Group.

Opportunity

With a rise in the disposable income of the consumers a huge opportunity lies with Thomas Cook to expand itself into various other countries and help the consumer experience the pleasure of travelling. Technology being an upper hand for the travel agencies, the online market is said to flourish

which makes it easier for the consumers to select from various options made available from the travel agencies.

Threat

Threat lies from the other competitors which has been doing equally well in the travel and tourism sectors. With many travel and tourism agency, the customer's gets a wide variety to choose from the best options and this tends to increase the competition among the travel and tourism industry. Also shift in the consumer behaviour also poses a threat for Thomas Cook.

Major Challenges of Thomas Cook

Thomas Cook has been facing some tough challenges which include financial consolidation as well as restricting. The CEO of the company, Manny Fontenla-Novoa resigned which took the company as a surprise. Another set of challenges is the growth of the company through acquisition. Growth by way of acquisition was one of the core strategies together with strict cost in order to improve the profit margins. In recent years Cook had sealed its market entry in Russia by a majority of stake in tour business operator. But at the same time, both internal as well as external problems have increased in Thomas Cook and it becomes a huge challenge for the company to undergo its operation when the environment is not healthy. The demand has slowed because of the weak economy of UK and also its strong focus on cost cutting, UK invested little in IT and product which left Thomas Cook positioned poorly in the market (FVW, 2011). The oldest travel agency has also seen a drop in summer holidays by about 10% which is one of the core businesses of Thomas Cook of sending the families off to destinations like Balearics and Canaries. The shares of Thomas Cook have also slumped to <https://assignbuster.com/environmental-analysis-of-thomas-cook-tourism-essay/>

about 86% but still many of the problems of the company tend to persist (Moulds, 2012).

Conclusions

Thomas Cook is one of the most successful travel agency which meets the travel need of the customers. Thomas Cook is the leading travel groups with flexible business model and also focused strategy and has a team of more than 31000 people who are equally committed towards the vision of the company. It can be said that the company has been performing well in the financial year and plans to do well in the near future but with changing market environment along with the demands and needs of the customers Thomas Cook needs to adapt to new technologies and serve or provide its customers with the wants and requirements. Thomas Cook has been facing few challenges as mentioned and it should take the necessary steps to avoid problems which could hamper the