

Issues in applied finance term paper

[Business](#), [Company](#)



Introduction

Webjet is an Australian company that provide online travelling services. It is one of the leading company in travelling tools, and technologies in the world. It offers its clients opportunity to easily search and book the travelling flight for their choice. In addition, Webjet offers other services such: as travel insurance, car hire and hotel accommodation. Graham, (2010).

- Webjet is not attractive business to invest in since it has no long-term competitive advantage. Furthermore, the market in which it operates is not secure because of the free entry. In addition, it faces stiff competition from the likes of Flight Centre and dedicated booking agents like Wotif. It confines its market in Australia and New Zealand.

The growing tourism industry in Australia has boosted the expansion of the webjet services in Australia and New Zealand. Some of the macro-economic factors affecting the company is stiff competition from other industries like Flight Centre and dedicated booking agents like Wotif. Other macro-economic factors include openness to trade which create the entry into the market. Pariot (2010).

- Webjet faces stiff competition in the online accommodation services with the likes of Wotif and lastminute. com. Other competitors include the likes of Flight Centre who are currently developing their brand name. These companies offer stiff competition to the Webjet Company since they offer almost the same services. The webjet business company has the following opportunities: they have a website which is easy to navigate. Graham, (2009)

They are also engaging and informative, a factor which gives the customers

confidence when managing their own travel arrangements. The Webjet company offers 24/7 customer support which take care of the customer's needs and wants. The business company also enjoys good brand name recognition within Australia.

However, despite being a business with good brand name recognition in Australia, it is unfortunate that Webjet has no durable competitive advantage. The company competitive advantage is sensitive to movements in the AUD. In addition, the online world has low barriers to entry and therefore the consumers can be fickle. Furthermore, the Webjet has to compete with other already established companies groups such as Flight Centre and dedicated booking agents like Wotif. It is because of this reason that Empire investing considers Webjet a good company with no competitive advantage. Dlabay (2008).

- The returns in investment from Webjet are dependent upon AUD.

Therefore, it is extremely difficult to estimate the amount of return that we are expecting to get from the company since it depends on the AUD. If the AUD drops then the returns on investment will drop and if they increase, then the returns on investments increase. The returns keep on fluctuating now and again hence making it difficult to ascertain the real return on investments.

- Apart from returns on investment, other factors that can be considered include competition and competitive advantage Northcott, (2009).

Competitive advantage is vital if the business is to succeed in a competitive environment. Therefore, we have to consider it since it is going to dictate our returns. Since Webjet has no long-term competitive advantage, it is not a

good venture to invest in.

- I therefore recommend that we should not invest in Webjet company group. My recommendation is drawn from the fact that the Webjet has no long-term competitive advantage hence investing in it pose a big risk.

References

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