

Tourism is largest
industries in uk



1. Introduction

Tourism is one of the largest industries in the UK. In accordance with VisitBritain (2009a) which is Britain's national tourism agency, the economic contribution of tourism was worth £114.4 billion to the UK economy in 2009 which is equivalent to 8.2% of UK GDP. On the other hand, VisitBritain (2009a) also comments that, "The 31.9 million overseas visitors who came in 2008 spent £16.3 billion in the UK, the figures represent a 2.7% decline in volume and 2.3% increase in value compared with 2007". Apparently, there are some opportunities and challenges for a new comer in this industry. Therefore, if the company do not has effective scenarios to manage the uncertainty issues in future, the company will in danger, even can not survive. By research secondary data, and some analysis methods namely PSET and Impact/Uncertainty Model, this essay tries to seek the effective scenarios for AirFreedom Travel Agent which is first venture in British inbound tourism. Moreover, this essay will beginning with PEST analysis in order to examining the external factors. Secondly, Impact/Uncertainty model will undertake for finding the most important issues. Then, Scenarios will design for AirFreedom Travel. Lastly, the essay is going to analyse the impact of those scenario on the organisation.

AirFreedom Travel Agent is a company first involved in British inbound tourism market, which provide variable services related to tourism, such as ticket booking and hotel reservation. OECD (2001) indicates that "inbound tourism is the tourism of non-resident visitors within economy territory of the country of reference." The 31.9 million overseas visitors who came in 2008 spent £16.3 billion in the U. K. (VisitBritain, 2009a). Moreover, according to a

study undertaken by Deloitte (2008), the tourism sector created more than 2.75 million jobs, and the number of direct industry employment was 1.32 million. Unfortunately, both number of inbound visits and inbound visitor spending suffered from decline during the period from October, 2008 to September, 2009 by 9.2% and 0.7% respectively (VisitBritain, 2009b). The importances of U.K inbound tourism is not only the contribution to economy but also benefits other industry, namely retail industry and transportation.

2. Environmental Analysis (PEST)

PEST Analysis stands for Political, Economic, Social and Technological Analysis, and it is a framework of macro-environmental factors for strategic factors. However, the company is involved in tourism and environmental issues are vital important for tourism. So this essay will examine those factors from five segments and appendix 9.1 shows the factors will assessed.

2.1 Political

Political environment of U.K. is quite stable. It has positive impact on potential customers.

U.K.'s transportation infrastructure is both effective and efficient; London Heathrow Airport for example is the airport which the most international passengers landed in 2007 (ACI, 2007) and government plan to expand this airport for more landing capacity. The red double-decker bus is also a symbol of London.

In addition, Border policy is another factor, entry fee is the direct result of it. According to UKBA (2008), " To encourage even more tourist a new shorter

three-month group visa is being proposed at a possible reduced cost of £44". Apparently, the new visa fee policy is a positive factor.

Due to growing awareness of the green issues, U. K. Government is planning to declare some policies to protect environment. For instance, on one hand, the main road fuel duty rate in the U. K. was £0. 5035 per litre in from 1 October, 2007 (OPSI, 2008). However, the latest increase to £0. 5619 per litre from 1 September, 2009 (HMRC, 2009). As a result, tourists will pay more for the transportation system in U. K. On the other hand, VAT on the airline ticket is also adds cost to travelling, namely Member states of E. U have a minimum standard rate of VAT of 15% (EU, 2006).

Adversely, terrorism is always a significant negative factor influence on tourism. 52 people died in 7/7 London tube and bus bombings (BBC, 2008) and Shooting of Jean Charles de Menezes (Guardian, 2009) are two setbacks for British tourism which were happened in 7 July 2005 and 22 July 2005 respectively.

2. 2 Economic

Most countries of the world suffered from recession by Credit Crisis, except some nations namely China. Baily and Elliott (2009) comment that the GDP at annual rates for the first quarter of 2009 declined 14. 4% for Germany, 15. 2% for Japan, 7. 4% for the U. K., 9. 8% for the Euro area and 21. 5% for Mexico. Recession resulted in less people travelling because of purchasing power is decreasing.

Exchange rate of pound to foreign currency is not strong recently, so foreign traveller can spend less money than before for travelling U. K. For example,

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one Euro was equal to 0. 68675 British Pounds in 21 November, 2005 (ECB, 2009) and one Euro was equal to 0. 89915 British Pounds in 20 November, 2009 (ECB, 2009).

Inflation is arising in the level of price of goods and services in an economy in a period time. For example, the inflation rate of U. K. year over year was 1. 5455% which compared to 1. 0879% for the pervious month (RI, 2009). It means you need to pay more money for the same commodity than last month, and it leads to increasing cost for travelling U. K.

Seasonality is another issue need discussion because of holidays is the busiest time for tourism market. It also is a problem for this industry, after the peak season tourism companies do not have many deals. According to Visitbritain (2009c), the number of U. K. inbound tourists in 2008 was approximately 7. 20million, 8. 41million, 9. 36million and 6. 93million by quarter. The percentage of spending of travellers who visit U. K. was 19% and 32% in January-March and July-September in 2008 respectively.

2. 3 Social

As a result of the increasing concerned on environmental issues on tourism linked to such as carbon footprint. People who focus on the green issues will refuse to travel in order to reduce the CO2 emission.

Spread of disease is vitally important for a country's inbound tourism. People do not want to travel to places which spread serious disease such as SARS. In accordance with NHS (2009), ' There were an estimated 53, 000 new infections in the past week, down from 64, 000 the week before.' It is a negative symbol for U. K. inbounds tourism industry.

Safe nations are more attractive than insecurity. Travellers do not want to be involved in crime during their journey. Home office (2009) points out U. K. experienced a 45% down of all BCS crime from 1995 to 2008/09 which is favourable.

On the other hand, social event is another positive factor for tourism, such as FIFA World Cup. The examples in Britain are the activities of Royal Family and 2002 Commonwealth Games in Manchester. For example, Kuala Lumpur in Malaysia host the 1998 commonwealth games, and about 60, 000 tourists visited Kuala Lumpur in 1988 (FCO, 2009).

2. 4 Technological

On-line booking is a method booking ticket of plane or other type transportation which is the result from rapid development of technology. It saves time and money of both companies and consumers.

Furthermore, hospitality network system is another example for tourism industry. It is useful to the travelling agencies provide package service including flight ticket and hotel booking.

Moreover, the technology development is also affecting the manufacture. Aircraft become more efficient, for instance new aircraft are 70% more fuel efficient than 40 years ago and 20% better than 10 years ago (IATA, 2009). It is not only saves the cost of aircraft operators but also reduces CO2 emissions. The efficient airplane resulted in lower price of ticket and lower air pollution. It attracts more tourists which is including people who are concern on green issues.

2.5 Environmental

In the first place, the average total annual sunshine from 1971 to 2000 in U. K. was only 1354.9 hours (Met Office, n. d.). Secondly, the high latitude and close to a large ocean of the west caused U. K. experiences strong winds. After that, the average days of rainfall ≥ 1 mm were 154.4 days during 1971 to 2000 (Met Office, n. d.). Lastly, U. K. some times suffered from flood which is negative factor to tourism (Environment Agency, 2009).

Graceful environment of the travel destinations is attractive. Environment of U. K. is pretty clean. According to EEA (2009), the measurement stations of air quality of U. K are slight.

3. Impact/Uncertainty Model

Impact/Uncertainty model is an effective tool for examining the factors which are impact on British tourism. The chart below is the Impact/Uncertainty model for U. K. inbounds tourism.

Terrorism always has negative impact on the destinations, especially, tourism. People travel to other countries in holidays for fun, and they do not the trip make their life in danger. For instance, the al-Gama'a al-Islamiya's attack happened in Egypt resulted in 62 deaths, and 58 of which were overseas tourists (Essner, 2003). Essner (2003) is also cites that international tourists avoided came to Egypt owing to 13% decline in arrivals. On the other hand, it is difficult to predict.

Meanwhile, exchange rate is direct related to the purchasing power of overseas tourists. Moreover, it is unpredictable because of the exchange rate fluctuates everyday. For example, recently, GBP is weak for exchange to

Euro. It is a positive factor for attracting the tourists to U. K. from countries which use Euro.

Another unpredictable factor is spread diseases, it influences not only the border policy which is resulted in more difficult to obtain visa but also the security of the destination. Additionally, people do not want go to the place which is possible infected diseases.

Overseas travellers come to U. K. by several transportation methods, namely, aircraft, train and ship. All those transportation methods use fuel as energy. Therefore, the price of fuel is directly related to the cost of trip.

Purchasing power of overseas travellers is another factor impacts on the British inbound tourism. Many factors have negative impact on purchasing power, such as recession, inflation and financial crisis.

Extreme weather is not usually happened in U. K and the advanced weather forecast system helps government predict it. It is also resulted in the seasonality of British inbound tourists' number. However, it still a negative factor to tourism, namely winds of up to 100mph have hit parts of the UK which was caused damage of property (BBC, 2009).

Social events hold by Britain is also attracts tourists to travelling U. K. In future, 2012 London Olympic Games is a brilliant opportunity to encourage U. K. inbounds tourism. Most of the social events are applied by government, so the level of uncertainty is low, but high impact on tourism. For instance, in the last quarter of 1999, international visitor arrivals Australia increased by 15 per cent compared to the same time in 1999 (ATC, 2001).

Environment pollution is not in the high impact and high uncertainty quadrant. Although environment is essential of tourism, and tourists put pressure on the area, namely overusing water resources in hotels and increasing plastic pollution. Consequently, new environmental legislations will regulate the market, but the impact and uncertainty level are low.

4. Scenario Planning

There are four scenarios below designed for AirFreedom based on the findings of Impact/Uncertainty model above. Appendix 9. 2 shows the developing of the four scenarios. The four scenarios will describe below.

Scenario A: Crusades, it arises in the situation which U. K. suffers from terrorism and GBP is weak to other currency. It will leads to the demand of U. K. inbound tourism decrease in long-term and government will restrict overseas tourist enter to certain places. On the other hand, the infrastructure and environment will damage by terrorism. However, the travelling cost will reduce, and it will attract customers who take advantage of price.

Scenario B: Pandora's Box happens when U. K. with terrorism and GBP is strong to other currency. It resulted in demand of U. K. inbound tourism dropping sharply in long-term and significant financial losses. Some problem namely rising unemployment rate and crime rate will increase. On the other hand, the government will declare entry regulation owing to terrorism.

The situation of Scenario C: Heavenly Love is similar to the present which U. K. inbound tourism is a " sunset industry" without terrorism and GBP is weak to other currency. Due to the circumstance, the travelling cost will decline

and U. K. government will encourage inbound tourism for example, overseas tourists easy to obtain entry clearance.

Scenario D: Seraphim occurring when GBP is strong to other currency and without terrorism. As a result, the demand of U. K. inbound travel reduce in short-term due to the costly tourism spending. Instead, overseas travellers will go to alternative destinations and possibly U. K. government will encourage this industry by entry policy.

5. Analysis

AirFreedom as a new player in British inbound market, those scenarios are vitally important for the company, because of the trend of British tourism is directly related to not only the external competition but also the internal operation of AirFreedom. The table in appendix 9. 4 shows the implications of each scenario on the company.

Crusades: the market share will rapidly decrease in long-term and the company need to afford extra expense to hire security staff. On the other hand, AirFreedom will focus on the tourists who take advantage of price under this circumstance by penetration pricing strategy. Moreover, the company should consider about reduce the price of service by cooperation.

Pandora's Box: the U. K. inbound tourism market will suffer significant decline, and the company need to reduce cost by downsizing. Then, company need also hire security staff. Furthermore, the company should consider venture the U. K. outbound tourism service market.

Heavenly Love: U. K. inbound tourism will as a “ sunset industry” resulted in potential growth in market share of AirFreedom. The company however should focus on the competitive market with market-oriented pricing strategy and hire more staff for expanding.

Seraphim: the market share will stagnate or slight decline and people with strong purchasing power will become the main potential customers. In addition, The company need to dismiss some staff for reduce cost and it should also consider enter the U. K. domestic tourism service. The price strategy is also market-oriented pricing.

6. Adopt Strategy

In according to Mckinsey (2001), 86% of the biggest business winners followed market-shaping strategies between 1985 - 1995. However, AirFreedom as a new comer, the company is not powerful enough to influence or determine the structure of U. K. inbound industry. Therefore, AirFreedom should to follow Adopt strategy which is the company follow the existing structure and then developing with speed in order to capture opportunities in future. For instance, AirFreedom could launch “ Olympic-Travel Package” for expanding which contains the air ticket, two weeks hotel and tickets of several Olympic Games during the 2012 London Olympic Games.

7. Conclusions

In conclusion this essay has argued that the future developments in British inbound tourism for AirFreedom which is first venture in the industry by several methods, namely PSET analysis and scenario. The question posed at the outset was to evaluate and discuss the future development trend of <https://assignbuster.com/tourism-is-largest-industries-in-uk/>

British tourism. It has been seen that the two most impactful and uncertainly issues for the industry are terrorism and spread of serious diseases. One can therefore conclude from the proceeding discussion that the scenarios influence not only the profitability of the company but also the operation strategies. More primary is required for this topic in further research. How much 2012 London Olympic Games will impact on the development in U. K. inbounds tourism under global recession is a key question still not solved. Given the current economic climate, AirFreedom should face both challenges and opportunities in this industry.