

# Tui the worlds leading travel group tourism essay



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TUI is one of the leading tourism industry across the Europe started since 1997. TUI is the worlds leading travel group which operates in approximately 180 countries worldwide and provide more than 30 million consumers in over 27 base markets. The employees in the TUI travel group are approximately 65, 000 and operate a pan-European airline consisting of 146 aircraft. The company mainly serves the leisure travel customer and is organised and managed through four business sectors which are Mainstream, Specialist & Emerging Markets, Activity and Accommodation & Destinations. In the financial year ended 30 September 2009 TUI Travel had revenues of £13.9bn and an underlying profit before tax of £366m.

They are providing their services of travel and entertainment to millions of customers in different regions and as well as in different well reputed hotels worldwide. It owns travel agencies, hotels, airlines, cruise ships, retail stores, and container ships. TUI is offering their services in different and easy way through range of high street outlets and online services and as well as different travel agencies for the convenience of their customers. Therefore TUI has become one of the European well known and reputed tourism industries.

### **Environmental analysis:**

TUI environmental analysis can be possible by using different analytical tools such as PESTEL, SWOT and Porter's five forces. TUI environmental changes can be analysed in both external and internal to investigate how TUI achieved and maintained their leadership in the European tourism industry. However ANSOFF matrix can be useful for the TUI future implication.

Furthermore, to talk about the limitations of the analytical tools is part of the report as well.

### **P. E. S. T. E. L analysis:**

TUI external environmental analysis is done by the PEST one of the analytical tools. The PEST is used to analyse Political, Environmental, Social and technological factors of the TUI industry.

### **Political Analysis:**

It includes range of political issues in which terrorist attacks are the major issues which enables government to put restriction on in some regions and also some insurance denied to cover their insurance if travel to these regions. These attacks also results in tight security and immigrations laws which also highly affect the tourism industry. In addition political instability not only affect the tourism industry of particular country but also many other countries nearby.

### **Economical Analysis:**

It analyzes different and wide range of economical issues such as exchange rate, globalisation, oil prices and recession which highly affect the tourism industries. According to Galleggo et al 2007 that exchange rate plays a key role in international business and this highly impact on tourism industries for instance the difference between Pound sterling and Euro exchange rates can affect the tourism from UK into different other European Union countries. The globalisation gives many chances and very useful for international business and particularly for tourism industries to enhance them through many travel agencies and hotels worldwide. (Munoz 2005).

As discussed by Wahab and Cooper 2001 that companies have low barrier for entry to market and take over other companies so then the threat to tourism from globalisation is the tough competition and maintain the quality of the services which they provide to the customers. Porter 1980 stated that when the barrier to entry is low the competition will tough for the company in new market. Aviation and oil prices also impact on the tourism industries. The recent economic disaster is one of the causes of falling down the tourism industry but on the other hand it is a chance for other well stabled companies in market to attract customers. Although, the last economic crises report could be expected and take into account that tourism contributes 10. 6% of world GDP (refer case study).

### **Social analysis:**

This factor totally belongs to the life style and behaviour of the customers towards buying a product. Therefore tourism agencies offer a modified holiday packages and online booking services for the convenience of the customers. In additions, consumers are very responsive to environment and are more attracted to those companies who are offering better environmental policies. Another social factor is the brand awareness among the customers and majority of the customer trust in the company's brand name hence brand loyalty can be the result of past services provided by the company to consumers.

### **Technological analysis:**

Technology and tourism are two of the most dynamic motivators of the emerging global economy. It quite clear from the Office for National statistics 2009 that majority of even household people relying on the internet and <https://assignbuster.com/tui-the-worlds-leading-travel-group-tourism-essay/>

have got the access to it. That is the reason that online sales are growing day by day. As described by Porter 2001 that internet has a low barrier of entry and online sales make it easier for customers and companies to cut down their costs by reducing staff and other intermediaries but on other hand it has a threat for the companies because newcomer can easily come into the competition. Another major threat for the tourism industry is televisions which enable people to watch different tourist places live and avoid them from travelling.

### **Environmental analysis:**

An increased emission of carbon CO<sub>2</sub> is a big threat and aviations and tourism industries are one of the major contributors of these emissions. The UK government is using new methods to reduce the emission to help the environment. It is a corporate social responsibility of the tourism and aviations industries to maintain their environmental responsibilities. However UK government is arguing for greener holiday locations around because these emissions can cause of many health problems for which tourism industries should be concerned.

### **Legal:**

Companies should be responsible of the legal issues and rules and regulations of other countries if they are going to join them because international trade laws play a vital role in the today's business world. However, government suggested aviation safety and regulations which cover up different legal issues such as environmental, health, aviations permits and customers issues.

**Local Resources:**

Tourism industry also affects the local resources like food, water minerals and energy which can be already in shortage.

**Water resources:**

Tourism industry overuses the water resources which could cause water shortage and degradation of water supplies.

**Pollution:**

The pollution which can take place because of tourism industry are air emission, noise, solid waste and littering.

**Porter's five forces analysis:**

Porter's five forces industry analysis helps to measure and manage the long-term survival. Michael Porter (1979) provided a framework that shapes the industry as being prejudiced by five forces.

The aims of Porter's Five Forces framework are

To understand the drivers of competitive behavior in the sector and

To evaluate the long-run profit potential of the sector

To highlight strategies to alter industry structure (Lynch 2000)

**Potential entrants:**

According to Porter (1987) there is a low threat of entrant to newcomers into market. However, companies already having high shares of the market make high barrier of entrant for the newcomers because more than 70 % of the market shares are taken by the existing leaders in the market. But still the

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chance for the newcomers is the brand recognition which can help them as a barrier of entrant into the market.

### **Substitutes:**

The substitutes for the tourism industry are the television program and some sort of games which can affect the business of tourism industries but on the other hand the low differentiation of products reduces the risk of substitutes because there is still lack of entertainment as compared with travelling physically.

### **Competitive rivalry:**

Due to the tough competition in the tourism industry the companies with the fixed cost are beneficial in the current circumstances because there is a clear difference in market shares between different companies for example the TUI with 21% and Thomas Cook with 13 % of shares in the market in present which alternatively reduces competition in the tourism industry.

### **Bargaining power of suppliers:**

Companies with low shares have low power against suppliers. But where the companies have more than 50 % of the market shares have high power of negotiation with suppliers which will be power balance in a reasonable bargaining power for the suppliers.

### **Bargaining power of buyers:**

The low differentiation of products and less number of substitutes in the market also reduce the bargaining power of buyer it is because of the changes in online cost sales and the use of internet.

**Leadership maintenance in the European tourism industry:**

Porter (2006) argued that an Organisation can only sustain their leadership if they set up some differences and keep its business attractive is the way to maintain their leadership.

TUI is one of the tourism industry leading companies with the current 21 % shares of the market and offers their services almost 180 regions internationally.

The internal analysis is carried out through SWOT analysis. It is used for review the general position of the business. Strength and Weakness are the internal factors, Opportunities and Threats are external factors. The strength of TUI helped them to maintain their leadership in the tourism industry. The value chain of TUI helped them to offer cheap prices to the consumer as compared to their competitors. The direct distribution channel plays a major role to boost up the revenue and helped them to cut down expenses of TUI travel group. TUI friendly shareholders and proper management and effective customer service helped them to retain their customers and attract new customers from the market. TUI travel group believed in their differentiated product and brand name attained the competitive advantage for the organisations. TUI always considered their shareholders and employees as the assets of the organisation.

According to Grant 1991 resources and capabilities are fundamentals of strategy direction and profitability. They maintained their capacity management resources to response to the changes happening in the business environment accordingly which helped them to achieve the



competitive advantage over the competitors and boosted up the economical level. This high economical scale helped them to beat the rivals in the market. The acquisitions of companies, product differentiation and cost leadership strategies helped to gain a competitive edge. In the market TUI is the one to implement these strategies all together and gained the competitive edge from their rivals in the market.

### **Future implications of TUI:**

The usage of analytical tools such as PESTEL, Porter's five force, SWOT analysis, Ansoff matrix the macro and micro environmental analysis has been discussed in the previous sections of the report for the TUI travel organization. TUI implemented Ansoff matrix to lead the organisation on the progressive path although TUI is one of the leading tourism industry world wide and already counted in the top leader of the European market. As explained in the previous parts of the report depending on the key finding the future implications of TUI are as published in the Mintel report (2009) that the air flight was increased by short journeys just before the economic crises which benefited the low cost airlines but not for long because the recession has changed the whole scenario. Recessions has turned the consumers to low cost and cheaper alternative such as busses and rails even though these alternatives were more time consuming but because of the recession consumers preferred to have different experience of travelling however, these preference of consumers could be a chance for TUI to enhance their differentiation of products in the form of land transportations for short journeys rather than air flight to cope with the circumstances.

Internet gives an opportunity of low barrier entrant to the newcomers’.

Hence, potential entry barrier requires a high investment to enter into the tourism industry. In this situations TUI need to focus on the online services to attract the low spending consumers.

International trade can be highly affected by the fuel price instability and particularly the tourism industry therefore TUI need to deal with the oil companies to overcome this issue for specific period of time but have to take into account that this could be threat until the oil companies stabilize the fuel price fluctuation. In addition TUI needs to focus on the environmental such as the carbon emission factors which could highly impact upon the tourism industry. However, it is clear from previous part of the report that consumers prefer the companies who are aware to the environmental changes therefore TUI need to focus on the environmental changes to overcome this issue.

In the planning for the future implication, TUI should focus on enhancement of their market in the Asia but need to maintain their European market as they already one of the leading tourism industry across European market.

### **Limitations of the analytical tools used:**

The analytical tools I have used in my report to carry out analysis of TUI and its limitations are discussed below:

PESTEL analytical tool is used to analysis both macro and micro environmental changes of the industry and recognize the main issues which can affect the strategy and analyse the threats to the tourism industry, on

the other hand there are few limitations of tools used to identify the weakness of tourism industry and shape them for a solution as a result.

The aims of the Porter's five forces are to measure and manage the long-term survival and to understand the key drivers of competitive behavior in the sector and to evaluate the long run profit potential of the sector to highlight strategies to alter industry structure (Lynch 2000). Hence the limitations are that it does not think about the other products and also ignore most important aspects such as human resource, culture and management skills.

The use of Ansoff matrix is to analyze the corporate strategic growth of the organization and assesses the best position for the organizations but on contrary it only focus on the market shares and growth and does not consider the other significant factors.

The last analytical tool used in my report is the SWOT analysis which reviews the general position of the business. Strength and Weakness are the internal factors, Opportunities and Threats are external factors. It tells about the factor to be focused and helps in the better decision making circumstances. Although, it tells about the strengths of the organisations but no effective suggestions about how to use and be benefited the organisations from them.

## **Conclusion:**

The report examines both macro and micro environment of TUI tourism industry by the help of some useful analytical tools to find out the key factors and as well as explore that how TUI gained the competitive advantage and maintained their leadership in the European tourism industry by identifying

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their strength and as well as illustrate the future direction to TUI for its growth and success.

However, the recession effect the TUI in both ways when we go for disposable income, it is very true that it had affected all the industry, but the other way round although the group profit of TUI for the financial year ending 2005 has decreased compare to 2004 but in comparison of over all tourism industry TUI did well as of its competitive prices and direct selling channel i. e. internet selling which obviously reduce the operating cost by less staff working. As disposable income have badly effected the TUI but still they need to reshape their marketing structure to attract the new customers. The management of TUI need to take decision to move the company as a profit making with customers satisfaction.

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