

The european tour operators case essay sample

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The first part of the Portfolio Assignment will include an analysis of the external environment of two large travel companies, Thomas Cook and TUI. The three models that will be included and discussed in the first part of the assignment are PESTEL, Porter's Five Forces and Industry Life Cycle. These three models should be done for both of the companies. For this assignment I should also briefly discuss the overall attractiveness of the industries and identify the opportunities and threats. Background information of Thomas Cook

According to Thomas Cook's leading website (ThomasCook.com), Thomas Cook is the second largest leisure travel group in the UK with around 19,000 employees and has a network of more than 800 high street stores and some of the world's favourite travel brands including Airtours, Cresta, CruiseThomasCook, Direct Holidays, Elegant Resorts, Essential Travel, flythomascook.com, Gold Medal, hotels4u.com, Neilson, Netflights.com, Pure Luxury, Sunworld Holidays Ireland, Swiss Travel Service, The Big Snow Festival, Thomas Cook, Thomas Cook Signature, Thomas Cook Tours etc. The Company's airline, Thomas Cook Airlines, operates a fleet of 44 aircraft and flies from numerous regional airports to destinations worldwide. Background Information of TUI

According to TUI's official website (TuiTravelPlc.com) TUI Travel PLC is a FTSE 100 leisure Travel Company listed on the London Stock Exchange. TUI Travel is one of the world's leading leisure travel companies, with over 200 trusted brands in 180 countries and more than 30 million customers. TUI is a global business and at the moment employs approximately 54,000 people and operates in 31 key source markets worldwide. The TUI business is <https://assignbuster.com/the-european-tour-operators-case-essay-sample/>

grouped into four sectors, consisting of many of the market-leading travel brands worldwide – Mainstream, Accommodation & Destinations and Specialist & Activity.

1a. PESTEL Analysis for Thomas Cook and TUI Political Factors

Political influence can affect almost every industry because of the huge influence upon the regulation of organisations which are imposed and monitored by the government. These include legal matters or authorities government regulations under which organisations should operate. As Thomas Cook and TUI are both UK based businesses, and political environment of UK is one of a most attractive and stable comparing to the other areas of world, matters such as war against terror and enlargement of EU have had a consequence on the political stability of the authorities. Great Britain authorities are developing activities to make sure aviation reflects its environmental effects in the consequences of increasing awareness of the environmental effects. Proposals are rising for a revenue enhancement on VAT and aviation fuel on air tickets. Economic Factors

Economic factors can also affect businesses and industries. One of the most considerable effects of economic factor is purchasing power of potential customers. Package Holiday Companies highly rely on purchasing power of its customers as well as the contemporary economic factors of UK that affect the Tourism industry's offerings. However there are various elements which are affecting tourism industry of UK such as Great Britain economy is facilitating from gradual low inflation rate as compared to the other countries in additional Great Britain unemployment is low which provide a huge number of customers to Thomas Cook and TUI. Exchange Rates play a

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crucial role in international tourism and trade. Gallego et al. (2007) statistically discusses the impact of exchange rate regimes on tourism and concludes that more fixity in the exchange rate arrangements generates a positive impact on tourism. Considering the scenario of Euro is decreasing the gap with Pound Sterling may affect the outbound tourism from UK to other European Union Nations and this could definitely affect the tourism agents. Social Factors

There is an increasing social trend of using internet for shopping purpose in Great Britain, among all ages. According to various sources most of the UK population prefer spending their weekend and evenings by watching TV or hired videos or listen to radio and music, rather than making tour or avail package holiday offers. For their social life, most individuals consider entertaining friends and family at home rather than going out. A great trend has been seen in Great Britain population regarding health and diet issues in the contemporary years. This trend contributes for the demand of more fitness clubs and organic food for the individuals from Great Britain alters in the structure of the population on account of the immigrants from Africa, Asia and Europe will also affect the demand and supply of goods within the Great Britain economy. One of a contemporary concern in society is security and safety while travelling is founding the Great Britain residents. Lifestyle alters have also been affecting the Great Britain travel market for a lots of years. Deferring the commence of the family as well as raising in the number of earning couples structure are the main trends contributing the altering life style. Altering fashions that are unlike to forecast also have a consequence on the market.

Technological Factors

The fast increasing of the technology usage is affecting the businesses in Great Britain and entire over the globe. Customers relying on internet and online sales are increasing day by day. Statistics show a mere 70% of UK households had access to internet in 2009 (Office for National Statistics, 2009) and is increasing compared to previous years. Alters in the technology have changed the means of organisations performance and organisational operations that are internet booking for tickets and holidays, including Thomas Cook and TUI. Furthermore, quick changing in the technological development establishing a demand to react fast for unlike businesses for the purpose they want to maintain the competitive environment by providing the same innovative services, which their competitors are offering.

Environmental Factors

Air flight rationing is proposed by UK government as a method to reduce pollution (Drury, 2009). Government of UK is campaigning for greener holiday locations (Directgov, 2009). Increased emission of CO₂ is a major threat of climatic conditions in earth and aviation is a major contributor of CO₂. The government report goes on to describe the CO₂ emission in rail travel is only one-third of air travel. Even air flight companies are including carbon footprint charges in their tickets. According to ThomasCook.com, Thomas Cook focuses their efforts on increasing efficiency, more effective environmental management and the reduction of emissions from our aircraft. As reported in their Operating Review, Thomas Cook airlines has achieved some of the highest load factors in the industry meaning that each aircraft departs with a high occupancy.

On a per passenger basis, Thomas Cook airlines are already relatively efficient. However, over the past year, a number of environmental and fuel saving initiatives have been implemented across our Group airlines. Other environmental initiatives include eco-labels being placed on every UK aircraft by the boarding doors to show passengers the impact of their flight in emissions and noise, as well as on-board recycling. Also Thomas Cook UK Airlines launched a national on board recycling scheme in January 2009 where the cabin crew have to collect any plastics, aluminium, paper and card in a separate rubbish bag which is then sent for recycling on landing. Both Thomas Cook and TUI are working in partnership with the Carbon Trust to identify a variety of energy efficiency projects and working towards becoming low carbon businesses. Legal Factors

Governments recommend a wide range of regulations on Aviation Safety and Regulations (Department of Travel, 2009). This covers domestic, environmental, health and consumer issues and aviation permits, and all these come under legal factor. In recent years in the UK there have been many significant legal changes that have affected firms' behaviour, including Thomas Cook and TUI. The introduction of age discrimination and disability discrimination legislation, an increase in the minimum wage and greater requirements for firms to recycle are examples of relatively recent laws that affect an organisation's actions.

1b. Porter's 5 Forces of Thomas Cook and TUI

Competitive Rivalry

There is a moderate competitive rivalry in the industry. High fixed cost largely favours the incumbents. According to Scribd. com there is a

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significant 8% difference in market share between the top two market leaders (TUI 21% and Thomas Cook 13%). These huge variations of market shares of incumbents lessen the competition in the industry. Suppliers Power Scribd. com also states that suppliers have high negotiation powers against the companies having a low share in the market. However in a market where the top 4 market leaders covering more than 50% of market and possessing a threat of backward integration, there will be a power balance. This implies only a moderate bargaining power for the suppliers. Buyers Power

There are various new and international package holiday companies that are operating in UK which are considerable competitors for Thomas Cook and TUI, therefore, the power of buyers is increasing in a very substantial manner. There is a low switching cost to buyers with the emergence of internet and online sales. But the low differentiation of products and lesser number of substitutes limits the bargaining power of buyers to low (Scribd. com). Threat of Substitutes

Thomas Cook is facing a serious threat of substitute. There are some other industries which can be considered as Thomas Cook's substitute such as Hotel and travelling companies' joint ventures also a substitutes threat for Thomas Cook. In other words there is a close competition of Thomas Cook with another industry on account of their respective products are good substitutes. There is a threat of competition because the prices of substitutes industry or services and means are considerable low price. However there are various buyers in the market who prefer single window service therefore they use Thomas Cook or TUI. In additional a competitive strategy that

differentiates TUI's and Thomas Cook's package holiday from substitute offers is cost benefit with better, effective, efficient and friendly service with combine services in through a single window feature providing competitive advantage in some extent. Another find out of the competitive force is whether it is hard or high-priced for customers shifting to substitute, e. g. the introduction of new technology, the extensively employ of videoconferencing system, electronic mail and camera cuts down the cost of doing business in the contemporary business arena. Threat of Entrants

According to Scribd. com high Capital Requirement creates a high barrier of entry for newcomers. And more than 70 % of market share is controlled by the top 10 leaders and this reduces the price retaliation and keeps the economies of scale high. Brand Recognition also acts as a barrier to new entrants. Hence, the threat of new entrants is low. 1c. The Industry Life Cycle

According to the Navhind Times the Industry Life Cycle is an important parameter in determining the profitability of companies in a given industry. There are four different stages of the cycle, which are introduction stage, growth stage, maturity stage and decline stage. Thomas Cook and TUI are both in the maturity stage. This is when the product or service has been standardized, is widely available on the market and its distribution is well established. In the maturity stage competition increasingly takes place over cost and a growing share of the production takes place in low cost locations. This is the stage where the industry will start to see slowed growth with the rate of sales growth often slowing to the rate of overall economic growth. TUI Asia states that TUI operates primarily in markets at a mature stage of development and sees its future growth coming largely from emerging <https://assignbuster.com/the-european-tour-operators-case-essay-sample/>

markets, which is why it is now focusing on Asia and Russia. For investors, maturity of an industry can mean relatively stable stock investments with the possibility of income through dividends. According to Thomas Cook's official website, Thomas Cook and Son (company found by Thomas Cook in 1841) in the early 1950s began to promote 'foreign holidays' (particularly Italy, Spain and Switzerland) by showing information films at town halls throughout Britain. However they did not sell cheap package holidays, which included transport and accommodation, a decision costly to the company. As a result the company went into decline, which was later rescued by a consortium of Trust House Forte, Midland Bank and the Automobile Association that bought the company from the British Government on 26 May 1972.