

# Gap 360 Ltd essay sample

[Business](#), [Marketing](#)



Direct marketing is a vital part of many organisation's core business plan, consumer data, collected and held on in an information storage system, can steer a company's operational practice. (Tapp, 2008) A solid marketing strategy will use consumers and existing customers as a basis, and then critically examine the organisation from this angle to internal business. For this paper, Gap 360 Ltd has been selected as a case study. Gap 360 Ltd is a company which focuses on the gap year travel industry, their strategic aim is to become the leading brand in the UK gap year travel market. However, this aim cannot be achieved without thoroughly comprehending their position, relative to three environmental forces through a situational analysis (See Appendix 1). The situational analysis will examine, the macro, micro, and market environments. Many companies undertaking a situational analysis will need to identify both their current resources, and their market position, with reference to both their customers and their competitors, accounting for the fact that businesses exist within a fluid, changeable environment. (Thomas and Housden, 2011). This report will review and present a situational analysis of Gap 360 Ltd.

## 2. Macro Environment Analysis

In order to thrive and survive in this challenging market, Gap 360 Ltd could have a sound grasp of the macro environment which surrounds them. This understanding can lead to a shift in the operational and strategic procedures of the business in response to the wider market conditions (Hooley et al. 2007). In order to achieve this understanding, a PESTLE analysis is a vital tool as it provides a holistic overview of the macro environment surrounding Gap 360 Ltd. The acronym PESTLE represents political, economic, social,

technological, legal and environmental, which is examining the current macro conditions through the varied lenses of these different considerations. Regarding to Political factor, British government will be publishing guidance to cut off costly calls, which for departments' use of number prefixes shortly (4-traders, 2013). It aids the company, Gap 360 Ltd, to have good communications with consumers who will not concern to pay high call charges for accessing their service.

In contrast to most of UK industry, the impact of economic recession has not been felt as hard in this section of the travel industry. As the British Pound has appreciated against most other currencies (Financial Times, 2013), operational overheads in foreign countries have reduced. As the exchange rate of the pound against other currencies rises, these costs become cheaper. For example, the pound is currently strong against the dollar, as a result, costs related to the provision of Gap 360 Ltd's service in America have fallen. As such, it is important for Gap 360 Ltd to monitor the exchange rates closely and adjust their pricing, offering deals to countries which gain them the biggest net return.

Regarding social factors, the majority of people who take gap years have a 'higher socio-economic status, including having university-educated parents and higher household incomes' (Gov. uk Report, 2012), when compared with students who go straight to university. However, the majority gap year takers (83%) prefer to work, or go on voluntary placements, rather than travel. (Gov. uk report, 2012). The majority of gap year takers do so in order to gain a competitive advantage over their future job competitors. By

increasing the amount of their marketing activities which advertises the life experience that people can gain by travelling and relating this to employment. Therefore, Gap 360 Ltd could increase its share of the market.

Communication and Information technology play a vital role in the travel market. It has been suggested that businesses can be more efficient in direct and database marketing techniques, through technological solutions such as e-mail and web based marketing (Bains et al. 2011). This shift has been driven by the consumer expectation that information will be immediately available at their convenience.

As a business Gap 360 Ltd is surrounded by a legal framework, making legal considerations particularly important to the company. The framework governs them to obey the standard business law covers trade practice law, service safety, and marketing codes of practice, etc (Bains et al. 2011).

Given the inherent risk and uncertainty in travelling Gap 360 Ltd is statutorily obliged to provide safe, reasonably priced, travel services in order to ensure the safety and security of travellers.

Many firms might have a mind towards environmental considerations, often covered by environmental policies, corporate social responsibility policies, or the ethical provision of service (Bains et al. 2011). However these issues are accentuated in the travel industry both due to the environmental impact of travel, and the need to operate overseas. Gap 360 Ltd state that they aim to ‘treat customers and overseas suppliers in a fair and ethical way in the long term’ (Gap 360, 2013). By achieving the aim, Gap 360 can increase

customer retention and loyalty, and maintain excellent working relationships with the suppliers of services in other countries.

### 3. Market analysis

This section will provide an overview of the market in which Gap 360 Ltd operates. Gap year travel companies focus on organising extended travel for young people, which they undertake in lieu of educational activity, most commonly from sixth-form to university. This is a specialised market, and at the time of writing seventy to eighty companies approximately in the UK are active within it. Consumers prefer to have a specialist company to plan their travel (IDM, 2013), and growing demand within the market, coupled with a relatively small market size, and has created fierce competition amongst companies.

According to The Independent Newspaper (2012), the top five firms for gap year travel in the UK are Ripple Africa, i-to-i, Nonstop Ski & Snowboard, Raleigh International, and G Adventures. Although Gap 360 Ltd is a relative newcomer to the market, they aim to become the market leader by providing exemplary customer service. The company offers various packages for different experiences, namely; paid work abroad, adventure trips, volunteering, small group tours, and sports trips programme (IDM, 2013). In addition, Gap 360 Ltd offer travel to a varied array of destinations such as Australia, Thailand, South Africa, and so on. The good package design might boost the good financial performance, which estimate 2.5 million in 2013 (IDM, 2013). As a result of the competition and size of the market, Gap

360 Ltd must establish their unique brand within the market, and find every possible competitive edge.

The customer base of Gap 360 Ltd is an evolving beast. The gap year travel market have two hundred thousand travellers each year (IDM, 2013). 85% of these customers are aged 18-25, with the remaining 15% over 26. Despite its traditional role as an activity undertaken before or after university, nearly 50% of the market now are not in the university segment. Moreover, nearly a half of customer's current status are working. Most of the customers are interested specifically in places like Australia, the USA, and Thailand.

#### 4. Micro Environment Analysis

To discuss the micro environment of Gap 360 Ltd, Porter's five forces model is applied in the following part (see Figure. 2). The five forces model proposed by Porter (1985) designed to provide companies an understanding of competition and enable them to adopt a direction of direct marketing plan.

##### Rivalry among existing companies

There is much rivalry in the gap year travel industry, as noted above there are seventy to eighty competitors in the UK, including big names such as Ripple Africa, i-to-i, Nonstop Ski & Snowboard, Raleigh International, and G Adventures (IDM, 2013). These key players have a large market share, as such Gap 360 Ltd is required to utilise diverse direct and digital marketing strategies in order to attract sales. This glut of marketing leads to increased competition and rivalry in the field.

### Threats of new entrant

New Entrants can have a massive impact on business success. Due to the industry requiring a low level of specialised knowledge, the possibility of a new entrant is medium-high. However, economies of scale could provide a barrier possibly to market entry (Porter, 2008). Specifically in this arena, the economies of scale are supply-side, a large organisation can negotiate better deals from suppliers than a smaller one and increase their market share, and net profits, through reduced pricing and costs.

### Threats of substitutes

Porter (2008) describes a substitute as an entity, or service, which provides a similar role by a different means. For example, within the wider travel industry, a viable substitute could be video conferencing (Porter, 2008). Specifically within the gap year travel industry, the rise in paid UK based internships could be considered a viable alternative to travel abroad.

### Bargaining power of suppliers

Gap 360 Ltd draws many of their suppliers from abroad, including hostels, local communities and local organisations (Gap 360, 2013). These suppliers are both geographically, culturally, and organisationally diverse, which has an impact on sale trends, and sale volume. Gap 360 Ltd also needs to maintain and develop strong links with these suppliers, firstly in order to persuade them to offer their services and opportunities to Gap 360 Ltd's customers, and secondly to ensure that the service, or opportunity being provided is of good quality. Although, given the global nature of the service suppliers are plentiful, and switching suppliers is not hard, doing so requires

a significant investiture of time and energy, both in finding and persuading suppliers, but also in quality control and marketing changes. For example, when setting up a package volunteering in a Thai primary school, Gap 360 Ltd, would be required to contact, persuade, and quality control primary schools in Thailand. As a result of the impact that they have on a business, suppliers are a powerful force in the gap year travel market.

#### Bargaining power of buyers

Consumers in the gap year travel market are a fragmented force, many of them procure services individually, or in small groups. However, the power they wield is quite high as switching costs are low, and good deals can be found online (Gap year 2013). In addition, information technology makes feedback and reviews easily accessible to potential customers, and customers always have the option of planning their own trip rather than going through a specialist company and paying organisational fees.

#### 5. SWOT Analysis

The direct marketing strategy development process can be understood with the help of SWOT analysis, which is an effective tool for examining the business operations of Gap 360 Ltd. SWOT analysis addresses both internal and external factors that influence Gap 360 Ltd.

#### Strengths

The management of Gap 360 Ltd is well versed in this arena, the three directors have over sixty years' experience between them in the travel industry. Division of labour among directors is good, with specialist roles in operations and sales, technical, and management (Gap 360 Ltd, 2013). As a



result of this Gap 360 Ltd have an in-depth and intimate knowledge covering all areas of their business. Communication with customers is excellent, using technological solutions and social media, many customers are garnered, served, and maintained entirely online (IDM 2013). The website is well designed with a clear layout, enabling customers to find information quickly and efficiently at any time.

### Weakness

Marketing has become more costly for Gap 360 Ltd, they employ a mostly digital marketing strategy and the cost of good advertising on the internet has risen. A 42% rise in the price of Paid per Click (PPC) advertising has been reported (New York Times, 2012). Therefore, it is difficult for organisations to stay visible in the search engine optimisation (S. E. O).

### Opportunities

The gap year travel sector in Britain has received a recent boost from ‘grey gap year adventures’(The Guardian, 2010). This growing market amongst older people provides an opportunity for Gap 360 Ltd to expand its services and marketing, to this segment of the population and to take advantage of the ‘grey pound’ (the greater financial wellbeing of those over fifty).

Coupled with the large knowledge base amongst the management team, the organisation has the ability to move rapidly into this new arena. In addition, the small size of the company allows it to respond quickly, effectively, and pro-actively, to emerging situations and trends. When compared to large organisations, which often unintentionally stifle innovation through bureaucratic structures and ‘tick box’ procedures. Gap 360 Ltd also

possesses many partner organisations abroad, this diversity enables them to respond quickly to emerging trends and customer complaints, and this creates a solid image of a customer focussed brand and supports their revenue stream.

### Threats

As noted in the analysis above using Porter's Competitive Forces model, the primary threat to Gap 360 Ltd is from a new entrant to the market, and the expansion of the sector may cause even smaller organisations to attempt to gain a market share. As a result of this, there is likely to be increased competition in the future.

A SWOT analysis can aid in the creation or adaptation of a business's marketing and business plan, helping the organisation build on its strengths and exploiting its opportunities, whilst covering its weaknesses and guarding against its threats (Hooley et al, 2007). For example, Gap 360 Ltd have a good team, and a good relationship with their customers, it can build upon these strengths and create a solid brand loyalty, raising sales and allowing the organisation to expand the size of its employee pool, allowing for further sales.

### 6. Summary and Conclusions

To conclude, Gap 360 Ltd need to create a solid direct marketing plan, informed from a situational analysis of the micro, macro, and market environment in which they exist. In order to become a market leader Gap 360 Ltd must understand the wider framework in which they operate and recognise external impacts, namely; political policy, exchange rates, market

trends, technological development, legal considerations, and the environmental considerations. In addition to this, they must have awareness of the market size, their competitors, financial capability, stakeholders, and customers in order to understand the wider market, their position within it and the opportunities it presents.

Their capacity to compete in this arena is illustrated by Porter's five forces model, which shows that these forces intensify market competition and could create problems for Gap 360 Ltd. The SWOT analysis of Gap 360 Ltd show that the company has a solid basis for operation, and many opportunities to build upon in order to achieve their ambitions of becoming market leaders. This basis derives from their strong leadership team, their excellent stakeholder communication and their in-depth knowledge of the market in which they operate. By understanding their situation and adapting their direct marketing plan in accordance with the analysis provided above Gap 360 Ltd have the potential to thrive in their chosen market, and take advantage of new opportunities as they present themselves.