

# Expedia inc manage to increase profits marketing essay



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Expedia inc. is an online booking engines which provides corporate and leisure travellers with the information required to plan and book a fully supplied travel. expedia is based in Washington and is the parent company which was founded in 1996 as a division of Microsoft. as expedia inc. is a joint venture it supplies its services through a wide range of brands which are the following " expedia. com®, hotels. com®, hotwire. com™, expedia® affiliate network, classic vacations, expedia local expert, egencia™, expedia® cruiseshipcenters®, elong™, inc. (" elong") and venere net spa (" venere")"[1]in addition, expedia inc. acts as an agent for 145, 00 hotels in 200 countries and for 300 airlines, car rentals and cruises.[2]

Expedia Inc.'s core aim is " to revolutionize travel through the power of technology. "[3]as it published. The company also objectifies to reduce the losses made when exchanges currencies, thus plans to only accept one currency.[4]Moreover, the incorporation plans to advance the call center technology in order for customers to have better support.

## **Data collection / Methodology used**

To answer the question ' XXXXXXXXXXXXX' several theoretical concepts will be used to analyze Expedia Inc. To contemplate this essay, research has been conducted both primarily and secondarily. Although the main source of the essay is Expedia Inc.'s 2011 Annual Report.

### **Primary Research**

The undertaking of primary research consists of first-hand data. In the form of primary research I conducted an interview with the manager I worked on during the summer which is a shareholder of Expedia Inc. being to several <https://assignbuster.com/expedia-inc-manage-to-increase-profits-marketing-essay/>

meetings of the incorporation he was able to give me an understanding of the background of the company and how it works.

### Secondary research

The term of secondary data is defined as second-hand information. My main secondary research was through the internet where I found the 2011 Annual Report of the incorporation. Moreover, I used several sites to source the financial information of the business and its managing strategy.

The theoretical basis of the essay includes a SWOT analysis, PESTEL analysis, Ansoff Matrix and financial analysis mainly through ratios and XXXXXX.

### SWOT Analysis

A SWOT analysis consists of strategic assessment of a organisation identifying internal strengths and weaknesses and external opportunities and threats which will influence the future direction and success of a business.

[5]Carrying out this analysis will help to identify the main issues of the incorporation which should aimed to be tackled. Moreover it will aid to identify the strengths and opportunities of the incorporation which the managers should aim to built upon.

### PESTEL Analysis

The acronym PESTEL stand for Political, Economic, Social, Technological, Ethical and Legal. It is a systematic mean of analysis of possible external factors that may affect business objectives and strategies[6].

## **2. Internal Environment**

SWOT Analysis[7]

### **Strengths**

Has a global market space, spreading risks.

Consumer's loyalty and strong brand name.

Offers a large range of travel products / services

bought travel keywords

multilingual content and has local currencies

technical assistance 24 hours a day

### **Weaknesses**

rely greatly on Information Technology

provide undifferentiated services compared to those of competitors

sales are influenced by the services provided by hotels, airlines and car rental companies

Difficulties in managing staff and operations[8]

share price highly volatile[9]

amortization !!!!

### **Opportunities**

an increasing number of people have access to the internet.

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Expand in low rival countries

## **Threats[10]**

competitors

internet terrorism and hackers

fraudulent trade

## Strengths

Expedia Inc. sells travel packages from all around the world, meaning that the company is able to spread risk. Moreover, Expedia Inc. has a large brand portfolio; every product is branded individually, which is an ample advantage that increases brand loyalty.

Moreover as each compartment of the incorporation has a brand name it has its own passive loyalty from customers, which is a big advantage as there is customer base which will always buy services from Expedia Inc.

In addition, Expedia Inc. retails through e-commerce solely, having low transaction costs which enables it to charge lower prices. Subsequently, as Expedia Inc. sells online it has the benefit of having an international audience, but also internet consumers are rapidly growing.

Last but not least, people find it a lot easier in our days to book their travel package on their own rather than having to rely on a travel agency  
(OPPORTUNITY).

Having bought travel keywords from leader internet search engines, i. e. such as Google, Expedia Inc. has a marketing privilege of coming up amongst the first results.

Expedia Inc. services are translated in many languages, meaning that its services can be used globally. Justifiably, Expedia Inc. is an award winning company in customer experience as it gives the ability to customers to book travels in their own local currencies.

Being a incorporation that retails online it has a department of technical assistance which is open 24 hours, 7 days a week.

#### Weaknesses

as Expedia Inc. retails only through the internet, it relies on technology, meaning that its services are only accessible by internet users. In this way, it could lose potential customers that do not have Information Technology knowledge or do not have access to the internet.

Furthermore, all the brands owned by Expedia Inc. sell the same travel packages as competitors meaning they all aim at the same market.

As Expedia Inc. sells travel packages which a third party provides the customer, thus the service provided by the hotel, airline or car rental company determines the sales of incorporation.

There are difficulties in managing staff as it is a multinational and between different quarters there are distances, different time zones and many times language may be a problem

There are huge fluctuations in the share price of Expedia Inc. this is mainly due to seasonality of the travel industry, high share price volatility is a weakness to the incorporation as it becomes a very risk bearing investment.

[11]

### Opportunities

an increasing number of people have access to the internet increasing possible customers

the incorporation could expand in countries with low rival competition so it could have a high market share in that region.

### Threats

competitors is a threat as buyers have a lot of power. Moreover, competitors in the market also have a big market share.

As Expedia Inc. sells only through the internet it is very prone to hackers and breakdowns.[12]

as the incorporation trades even through local currencies it is threatened by appreciation mainly and fluctuation of a certain currency meaning it will lose money.

Due to fraudulent trade many people are afraid to use the internet to buy services thus potential customers are lost.

## **External Environment**

### PESTEL

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## Political

Political instability in some countries

## Economic

finance charges

exchange rate fluctuations

economic crisis / Unemployment

## Social

greater affluence/ more leisure time

## Technological

higher internet coverage

## Ethical

## Legal

## Deregulation

## Political

In countries like Greece and Spain where Expedia Inc. has invested there is high political instability. Expedia Inc. could make a great loss if Greece exits the euro zone as people may not buy any Greek travel services from Expedia Inc.



## Economic

Credit card companies impose a finance charge when a customer buys something online making the cost of a service go up[13]

Expedia Inc. sells product in several currencies which then exchanges into US Dollars, there might be several fluctuations in the exchange rate and the incorporation might lose money due to these appreciations or depreciations of currencies.

For the past few year there has been a global economic crisis which has led to many people being unemployed and thus having a lower income, as Expedia Inc. sells a tertiary product and does not provide an essential good it may have an effect as people may see it as a =====

## Social

In modern days people have greater affluence meaning that they have more money and leisure time to travel, this could have a direct positive impact on the sales of the incorporation.

## Technological

As the internet coverage increases people become more aware of online selling, being a great advantage for Expedia Inc. as this increases the number of potential customers.

## Legal

Through deregulation it has become easier to become a multinational as there is a wider liberalization of trade

## **Growth strategy**

### Product Innovation

Each of the brands owned by Expedia Inc. has a technology team dedicated to provide the best possible service experience to visitors. Very significant investments[14]have been made in the incorporation's technology platforms which were developed further in order for updates to be delivered in a quicker paste to the sites. Moreover, the company is making a substantial effort to facilitate customers to find the best possible travel option that suits them best and later on make the booking of the travel package easier.

### Global expansion

Expedia Inc. has made intense efforts in this section as to become international and sell hotel-rooms all over the world. More descriptively in Asia, the company owns the majority share of eLong, the second biggest travel company in Asia. Subsequently, in Europe the company owns Venere, which focuses exclusively with the European market. Furthermore, the incorporation owns a 50/50 joint venture[15]with AirAsia which is a low-price carrier[16]in the Asia-Pacific region.

### New Channel Penetration

Expedia Inc. is constantly trying to develop tools that will enhance both operations and customer satisfaction[17], by extending further; giving

customers the opportunity to book flights through portable gadgets, such as phones and iPad's. To achieve this accretion, it has taken over a leading company, Mobiata, an application manufacturer applying to contrivances. Through this, Expedia Inc. aims to ease customers when booking their holiday.

### Ansoff Matrix

The Ansoff Matrix is used to show how risky it is for a business to grow into the four growth strategies being market penetration, market development, product development and diversification.

New

Existing

Products

Existing

Increasing

risk

New

Markets

Increasing risk

Market Penetration - producing phone and gadget applications.

Product Development – innovating sites and services and selling day-tours.

Market Development –

Diversification-

## **Financial Analysis**

### **Ratio Analysis**

With the aid of performance ratios, the progress of a firm is conducted.

Using the profit margin ratio in an intra-firm comparison[18] basis will help in accessing the efficiency of the management of Expedia Inc. in converting sales revenue into profit.

#### **Profit Margin Ratios**

The profit margin ratio is used to determine the percentage of sales which were converted into gross profit and net profit. A comparison between the two is utilized to assert how big the costs and overheads of sales are.

### **Gross Profit Margin (%) = gross profit**

In 2010 the cost of sales were 22.6% leaving the gross profit to be 77.4% although the net profit is 16.5% this indicates that the incorporation has very big overhead costs. Comparing these ratios to those of 2011 where cost of sales were slightly less at 22% making the gross profit 78%. The net profit of the firm in 2011 was lower than 2010 at 13.7% suggesting that the firm had even higher overheads.

## **Conclusion and Recommendation**