

# Flight Centre Travel Group

- B2B “The Travel Junction”

# Contents



Company Background



Macro Environment - PESTEL Analysis



Micro Environment - Five Forces Analysis



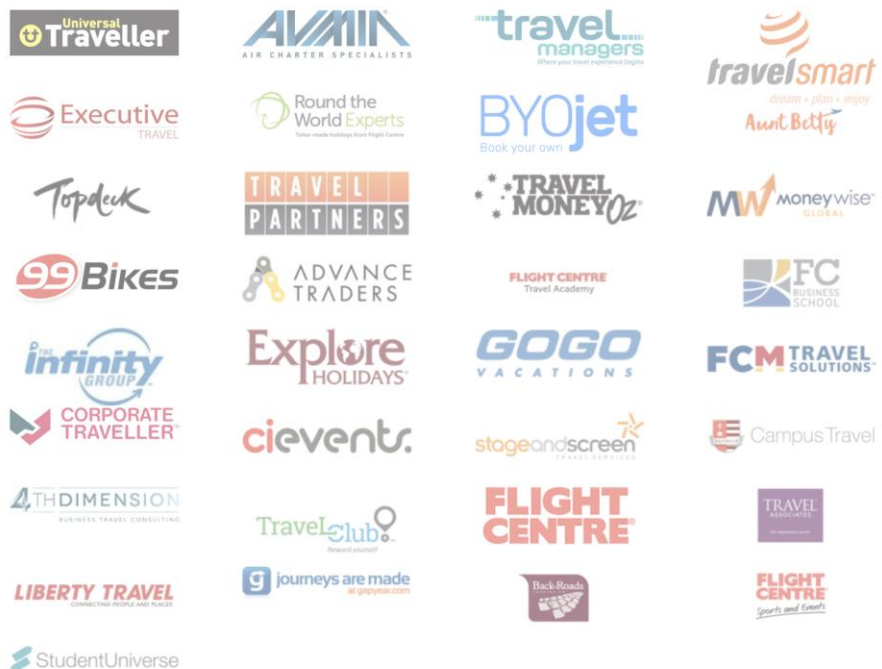
Conclusion and Recommendation



# Company Background

# Flight Centre Travel Group

**FLIGHT CENTRE**  
TRAVEL GROUP™



(Flight Centre Travel Group, 2019)

## Establishment

- Founded in 1982
- Headquartered in Brisbane, Australia
- Largest travel retailer in Australia

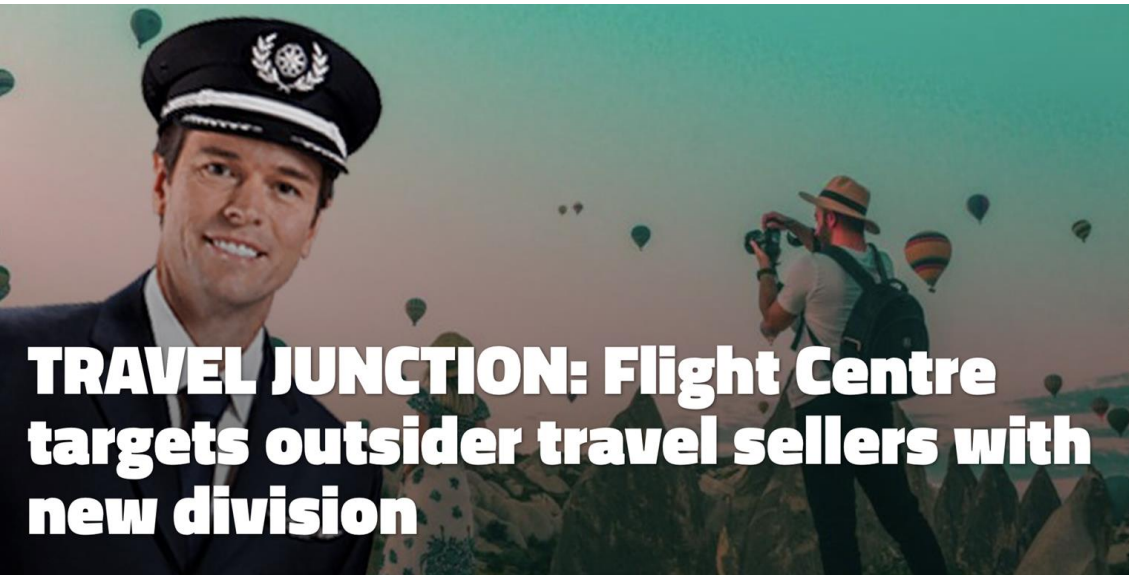
## Operations

- More than 30 brands
- Approximately 2800 shops and businesses under various brands
- Has operations in more than 80 countries (Including Australia, New Zealand, USA, UK, Canada, China, Singapore)
- Current Market Capitalization: AUD \$5 billion
- ASX S&P 100 company

## Mission and Award

- Australia's best employer
- People, Customers, Brightness of future, Taking responsibility, Egalitarianism and unity

# Flight Centre Travel Group - News

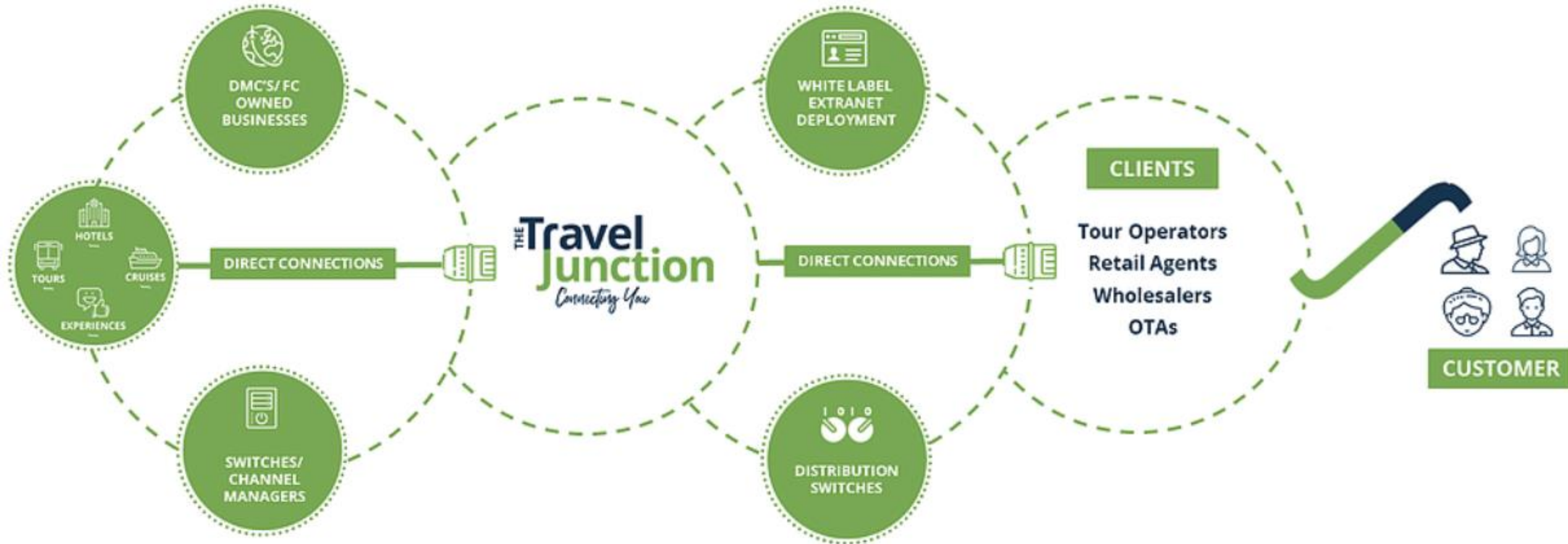


(Karryon, 2019)

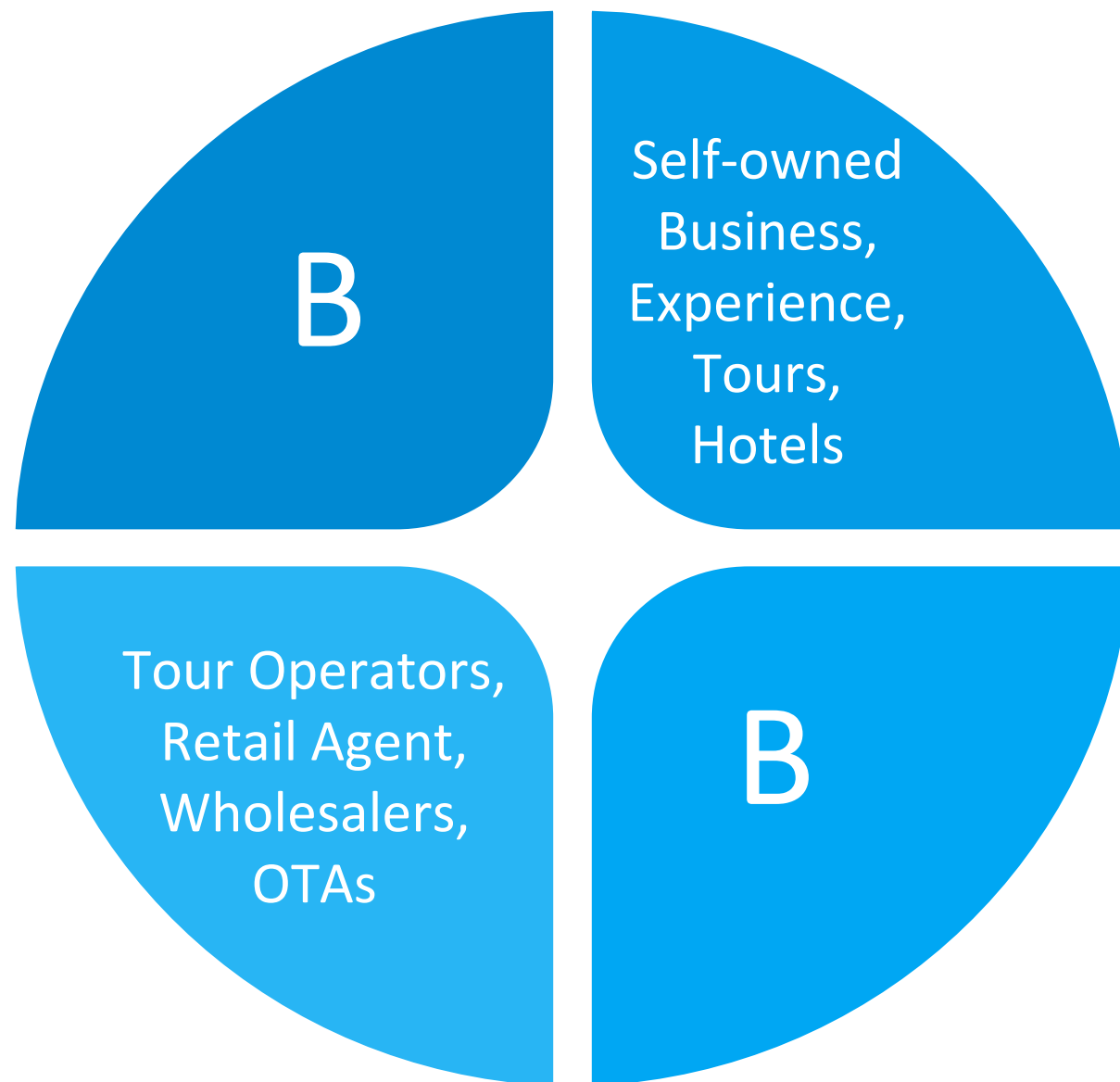
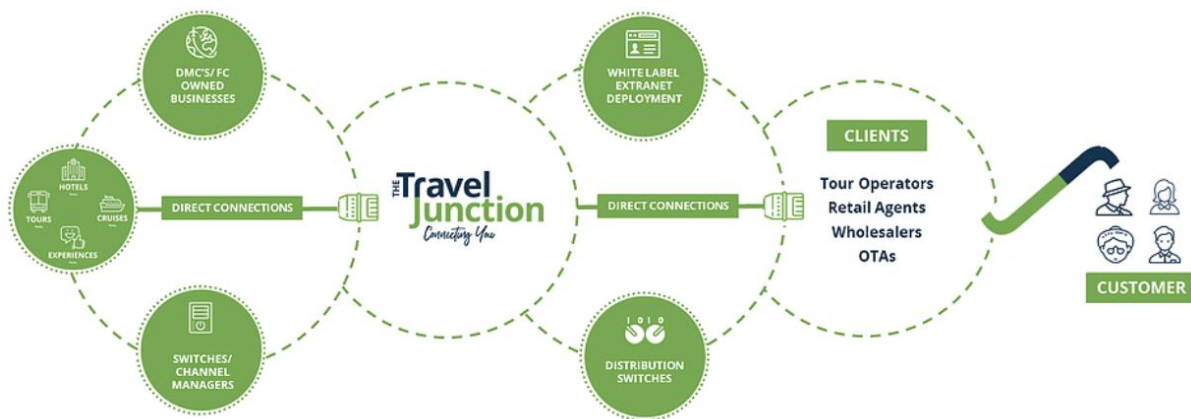
Flight Centre Travel Group (FCTG) has just made a very large, strategic move to grow its sales outside the business with the launch of a new B2B division that targets outsider travel sellers called 'The Travel Junction'.



# Flight Centre Travel Group



# Flight Centre Travel Group



(Karryon, 2019)





# Market Expansion Opportunity - Chinese Market



Underdeveloped Chinese Market

High B2B Development Potential

Opportunity for International Expansion

	<b>AUSTRALIA</b>	TTV: \$11.2b, up 3% EBIT: \$246.3m Businesses: 1,505
	<b>NEW ZEALAND</b>	TTV: \$1.3b, up 13% in AUD (up 15% in local currency) EBIT: \$20.2m Businesses: 201
	<b>USA</b>	TTV: \$3.2b, up 7% in AUD (up 10% in local currency) EBIT: \$51m Businesses: 246
	<b>GREATER CHINA</b>	TTV: \$304m, up 8% in AUD (up 8% in local currency) EBIT: (\$0.8m) Businesses: 28

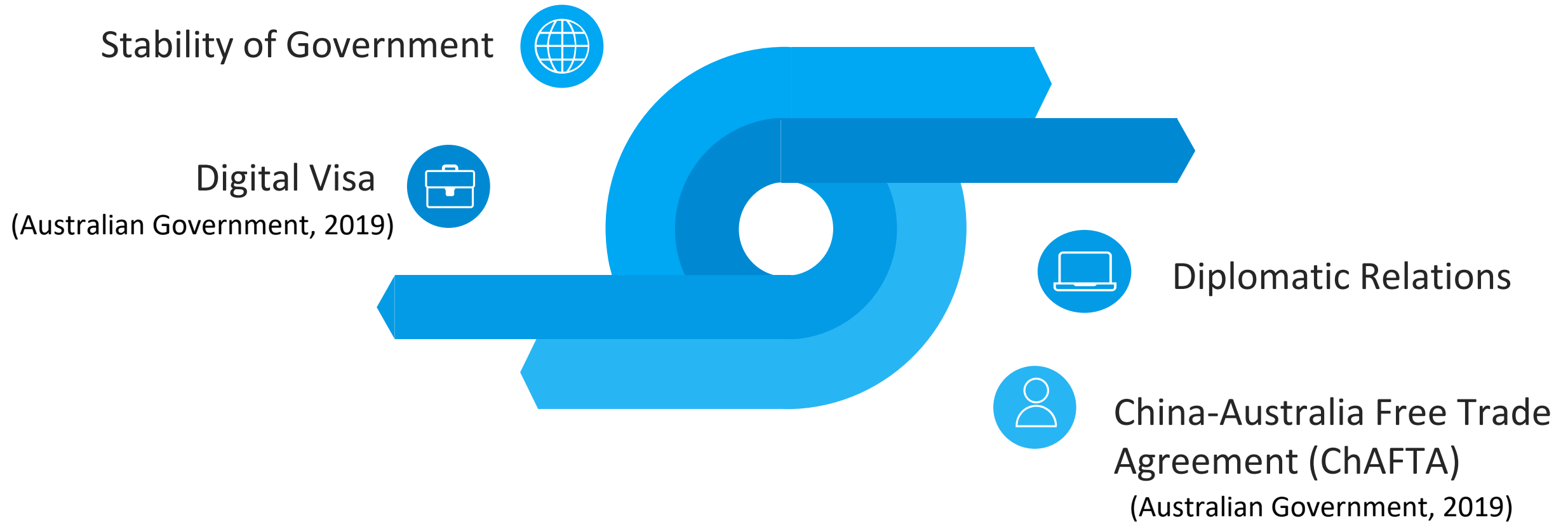
(Flight Centre Travel Group, 2019)



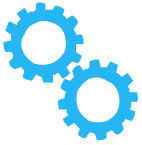


# PESTEL Analysis

# Political



# Economic



## Growth of Economic (10% GDP Growth)

(The World Bank, 2019)



## Increase Disposable Income

(Ming, 2019)



## Exchange Rate

(Yap, 2012)



# Social

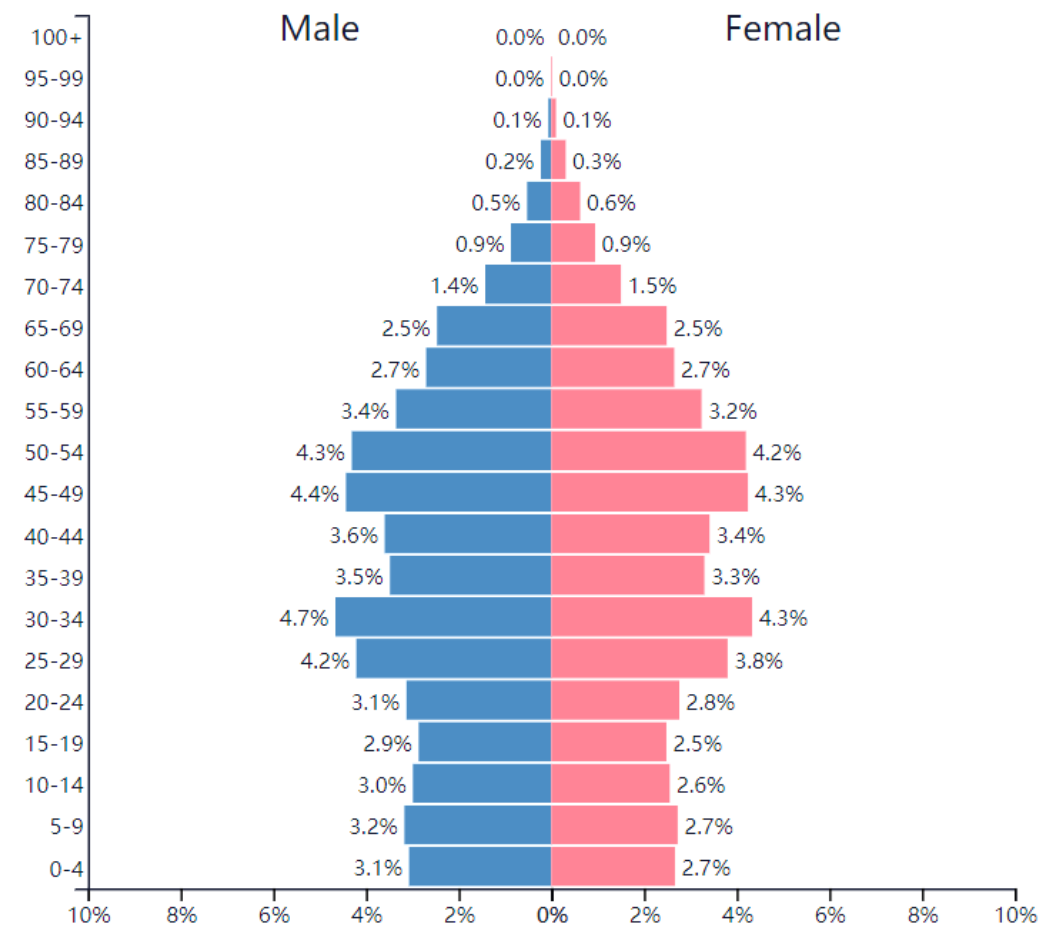
- Largest population in the world (1.4 billion)
- Aging population



China ▼

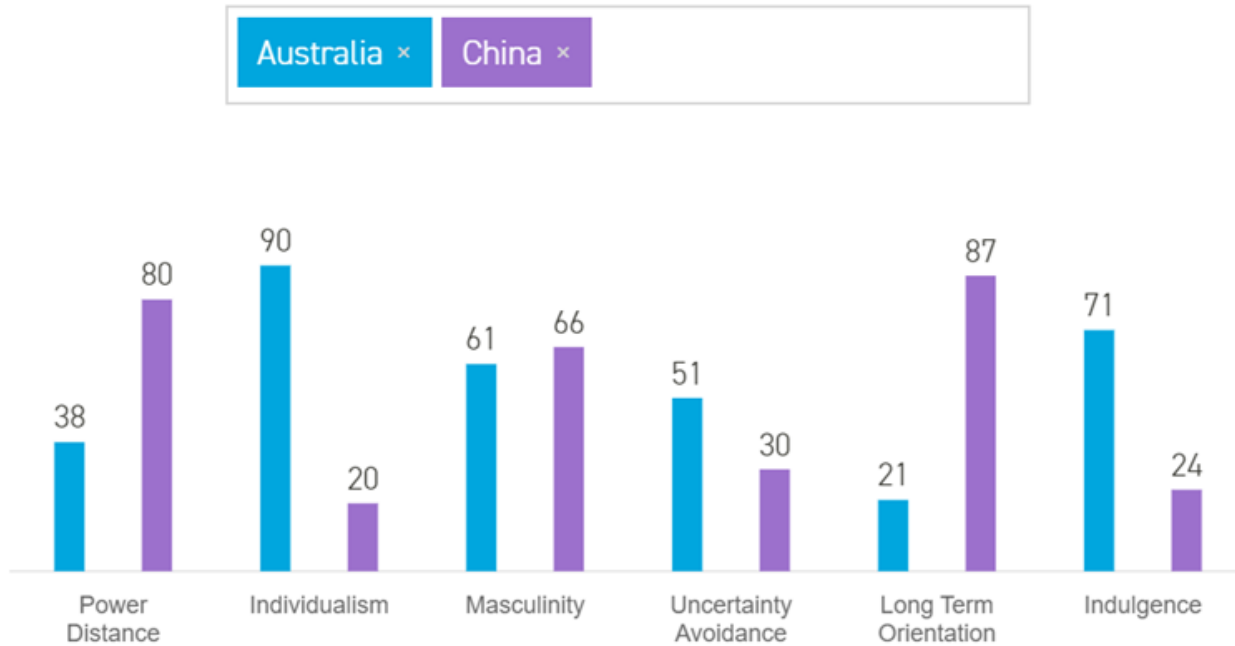
2019

Population: 1,398,582,297



(populationpyramid, 2019)

# Social



(Hofstede-insights, 2019)

- Education level  
(Alrwajfah, Almeida-García & Cortés-Macías, 2019)
- Collectivism





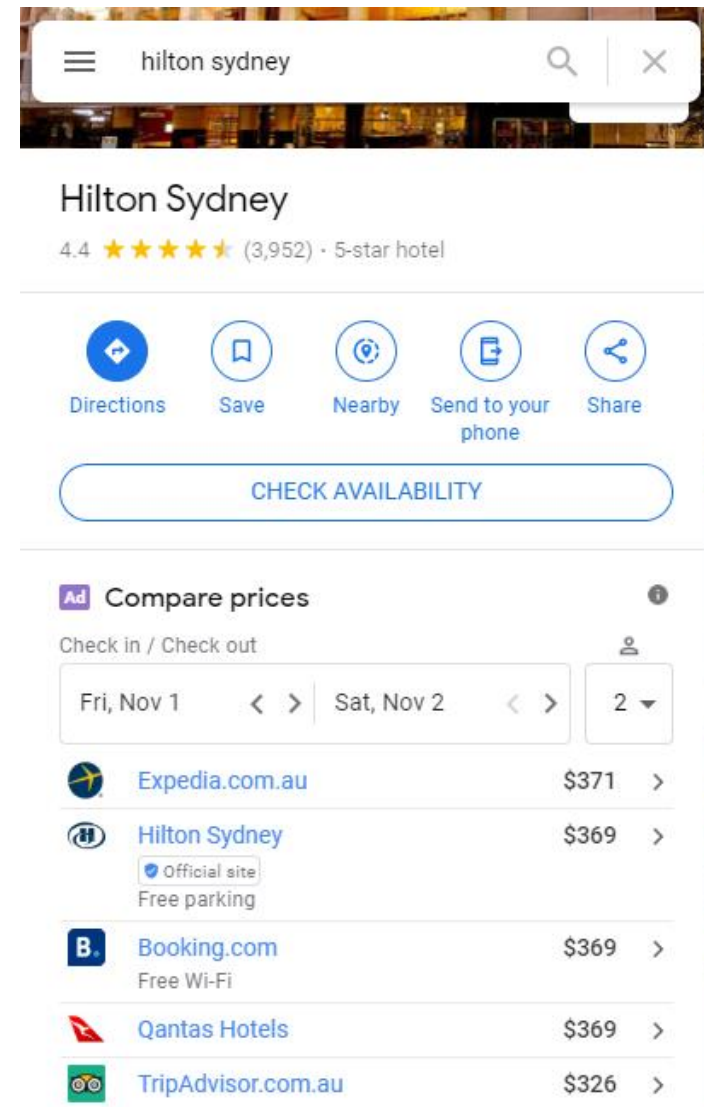
# Technological

- ★ With the development of technology, people can easily book travel packages on the Internet



# Technological


- Information posted online is posted to the whole world
- An example of B2B business - Booking.com and Google
- This gives implications for Flight Centre to corporate with other business to spread its information



# Technological



People can apply for digital visa to go to Australia (Australian Government, 2019)

×	Menu	< Home Affairs Portfolio	 Australian Government Department of Home Affairs	Immigration a
Home		Getting a visa	>	
Entering and leaving Australia	>	Working in Australia		
Visas	<	Employing or sponsoring workers	>	
Australian citizenship	>	Bringing someone	>	
Change in your situation		When you have a visa	>	
What we do		Your visa is expiring or has expired		
Settling in Australia		Permanent resident (PR)		
Help and support	>	Cancelling visas		
News and media				

- The convenience for applying visa may attract many people to go to Australia

# Environmental



People are attracted by Australian environment



- The ocean is beautiful, the water is clean
- The environment may attract many people to go to Australia

# Environmental



People want to go to Australia to experience different seasons



- Australia is in the southern hemisphere, the season is opposite to China
- No matter is summer or winter, Australia may be an attractive place

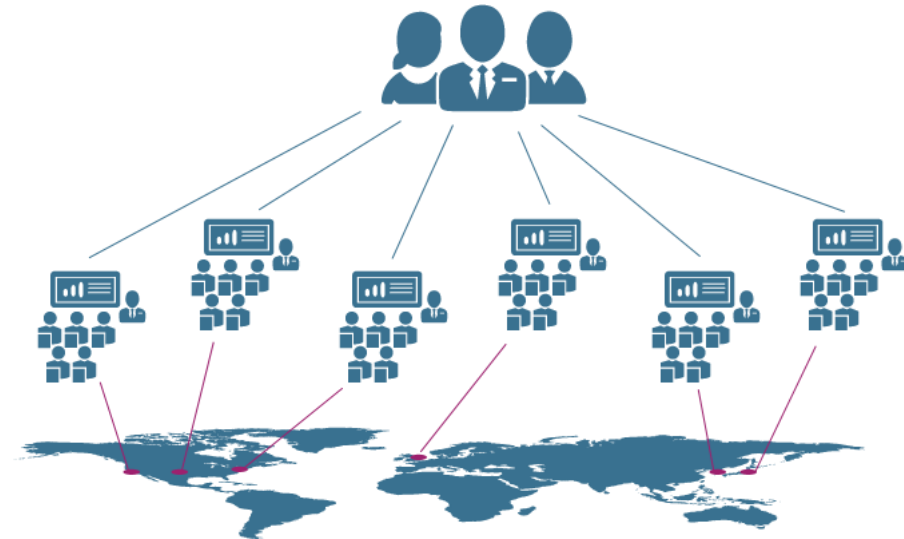
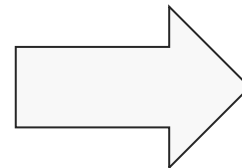
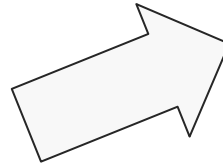




# Five Forces

# Threat of New Entrants

High initial capital investment



# Threat of New Entrants

Question	Yes (Low)	No (High)	Cannot assess
Profitability requires economies of scale.			✓
Initial capital investment is high.	✓		
Does a new comer to the industry face difficulty in accessing distribution channels?	✓		
Are there proprietary products/services on offer in this industry?	✓		
Proprietary technology is an issue			✓
Government policy is an issue (Are there any licenses, insurance and other qualifications required in this industry that are difficult to obtain?)			✓
Do customers incur significant costs in switching suppliers?		✓	
Can a new comer entering this industry expect strong retaliation from the existing players?			✓



# Bargaining Power of Suppliers



6,807 (PwC, 2008)



1.34 million passengers  
(CLIA, 2017)



Large amount of suppliers

# Bargaining Power of Suppliers

Question	Yes (Low)	No (High)	Cannot assess
There are many current and potential suppliers in this industry.	✓		
Inputs (material, labor, services) in this industry are standard rather than differentiated.		✓	
Firms can switch between suppliers quickly and easily.	✓		
Firms are price sensitive and well-educated about the product.	✓		
There are existing substitutes.			✓
Firm's purchases comprise large portion of supplier sales.			✓

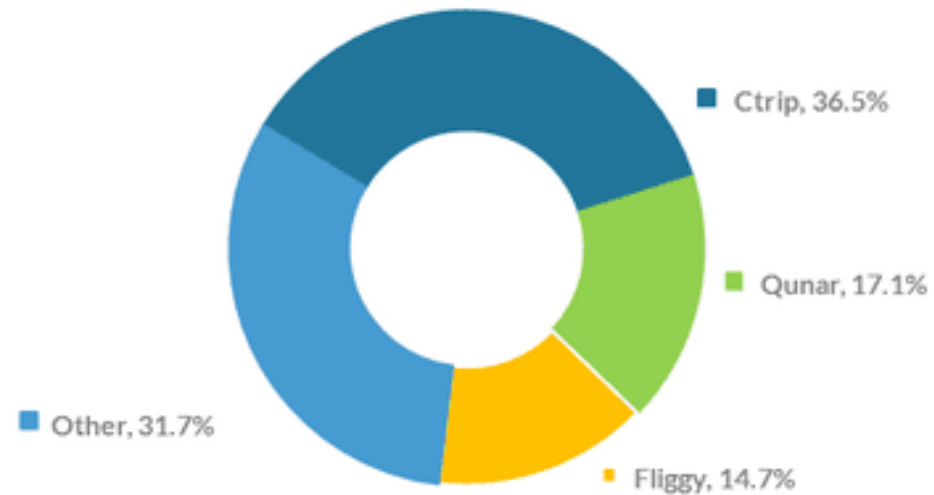




# Bargaining Power of Buyers

CIW

## Share of Online Travel Agencies in China by Transactions in Q1 2018



China Internet Watch



Source: Analysys, Jun 2018

(chinainternetwatch, 2018)

# Bargaining Power of Buyers

Question	Yes (Low)	No (High)	Cannot assess
Are there a large number of buyers relative to the number of firms in this business?	✓		
Does the customer face any significant costs in switching suppliers?		✓	
Is there anything that prevents the customers from manufacturing the produce/service in-house?		✓	
Are customers less price sensitive and uneducated about the product?		✓	
Are products unique to some degree?	✓		
Are there no substitute products?			✓



# Rivalry among Existing Competitors



Highly differentiated service

# Rivalry among Existing Competitors

Question	Yes (Low)	No (High)	Cannot assess
The industry is growing rapidly.	✓		
The fixed costs of the business are a relatively low proportion of the total costs.			✓
There are significant product differences and brand identities among the competitors.	✓		
It would not be hard to get out of this business because there are no long-term commitments that bind players to the industry.	✓		
No excess production capacity			✓
Customers would incur high costs if they switched from one player to another.		✓	



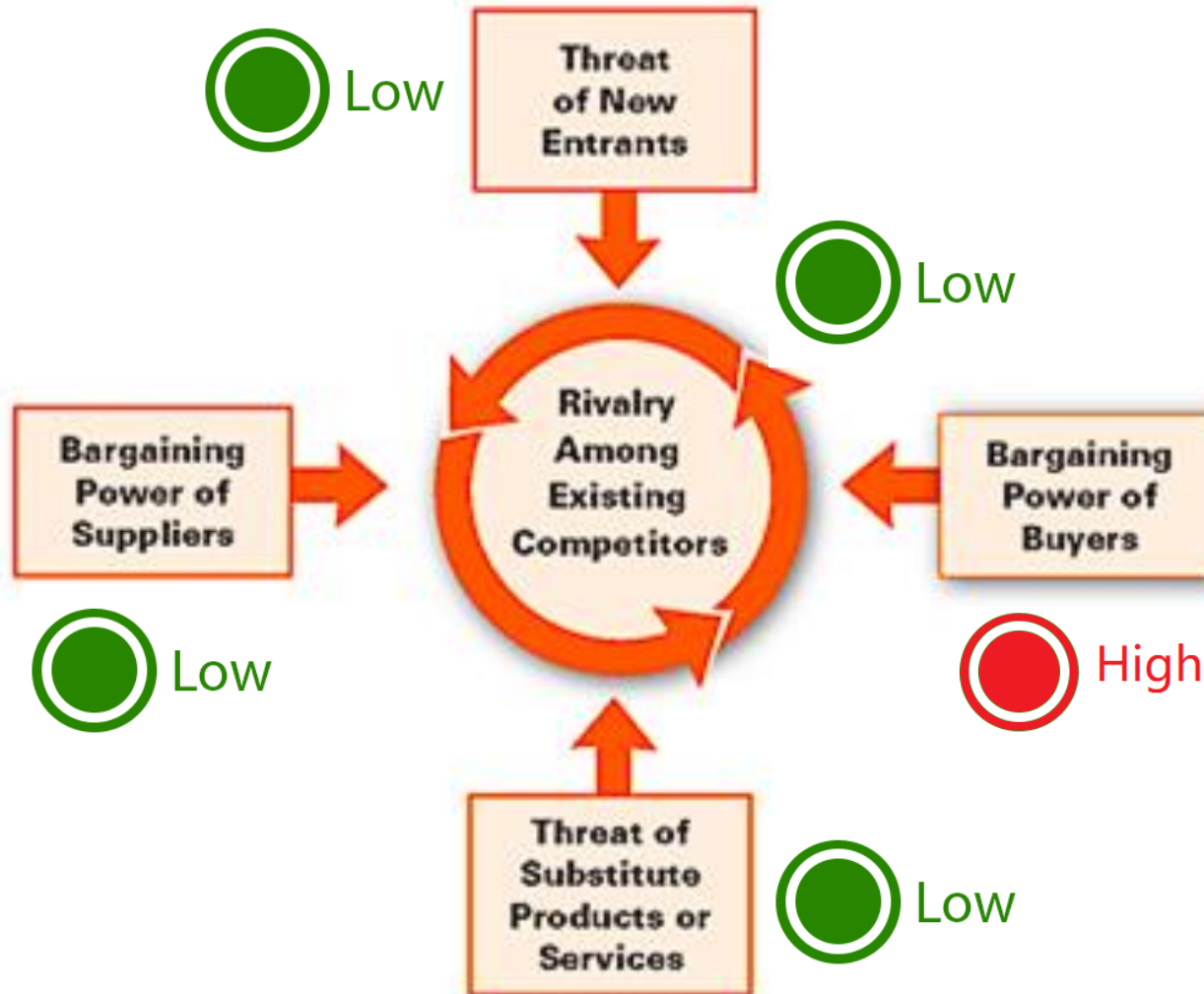
# Threat of Substitutes

If there is no travel agency...?





# Summary



Quite Attractive



# Conclusion & Recommendation

# Conclusion

## Opportunities

- Free political environment
- Rapid economic development
- Underdeveloped market
- Great business opportunities
- High potential

## Threats

- Cultural difference
- Strong local business domination

## Industry Attractiveness

- Market highly attractive
- Expansion recommended

# Recommendation



B2B Products  
Customization



Reputation  
Buildup &  
Opportunity  
Seeking



Business  
Relationship  
Establishment

# B2B Product Customization

- ★ Customize the products based on the culture or social elements to provide more personalized experience
- ★ Hire employees with similar cultural background to contribute to products design





# Reputation Buildup & Opportunity Seeking



## ★ Reputation Buildup

- Marketing efforts on major travelling or B2B related journals, magazines (e.g. Travelling Scope) or websites in China to establish higher reputation



## ★ Opportunity Seeking

- Join B2B related travel exhibition to seek more corporation opportunity
- e.g. COTTOM, ITB China, ILTM China, China International Travel Mart etc.

(Dragon Trail Incentives, 2019)

# Business Relationship Establishment

- Establish friendly relationship with major OTAs or retail travel agencies in China
- Promote attractive and personalized packaged products
- Incentivize potential business partners with detailed mutual cooperation benefits to induce contract signing



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A blue-tinted background image showing a business meeting. A person's hand is visible holding a blue pen over a document with a bar chart. Another person's hand is visible on the right, holding a tablet. The overall scene is professional and collaborative.

# Thanks for Your Attention

## Q&A