

# Flight Centre Travel Group

- B2B “The Travel Junction”

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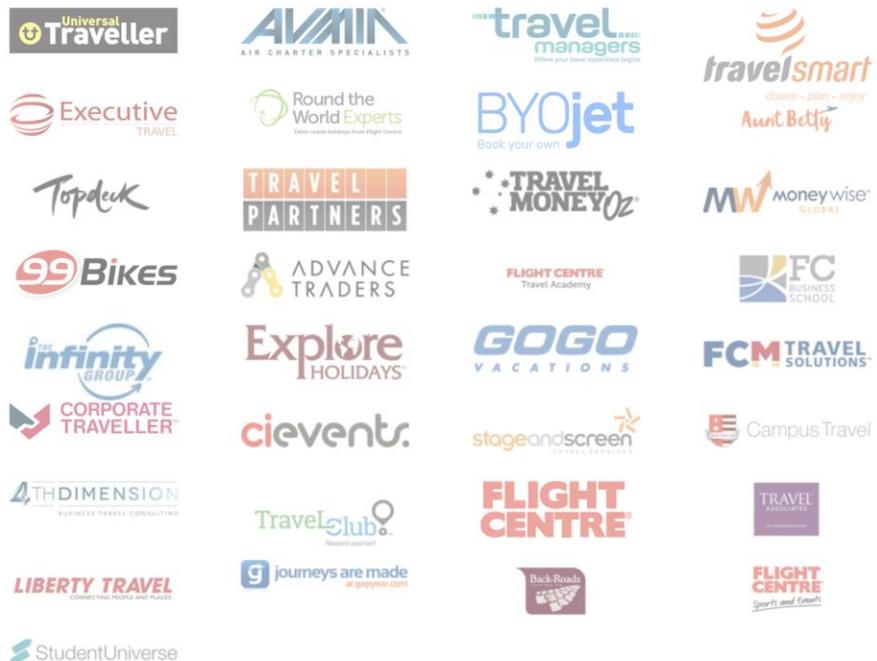


# Company Background

# 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

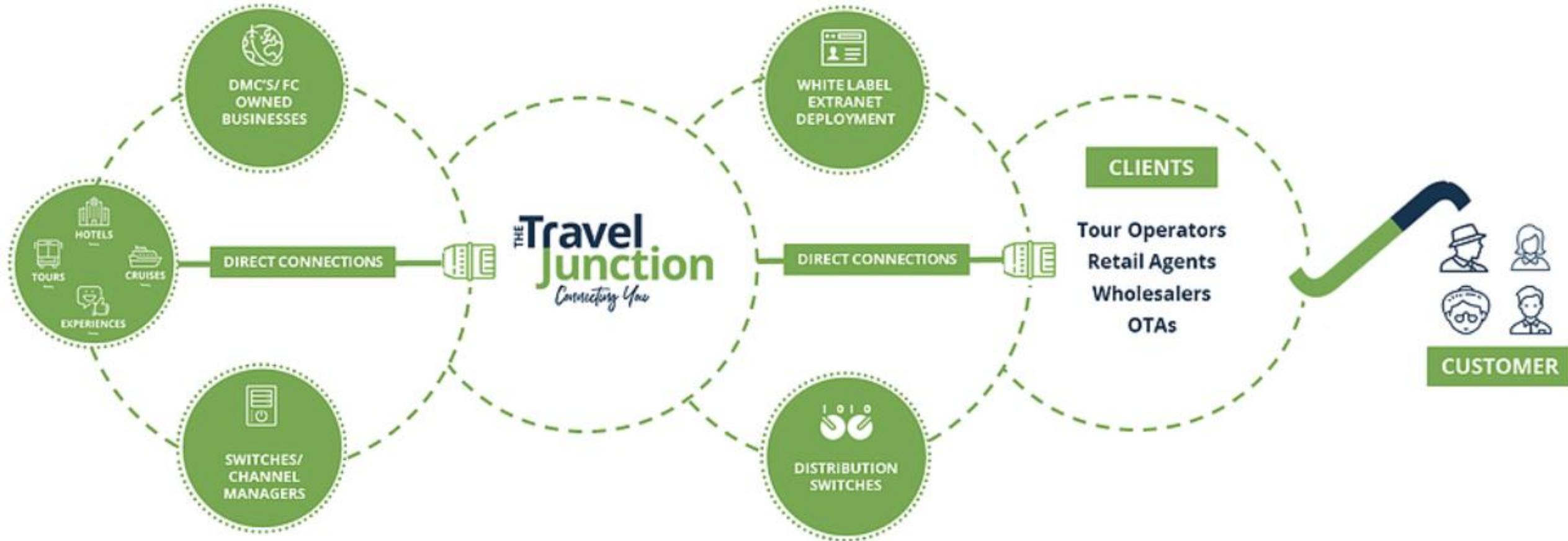


**TRAVEL JUNCTION: Flight Centre targets outsider travel sellers with new division**

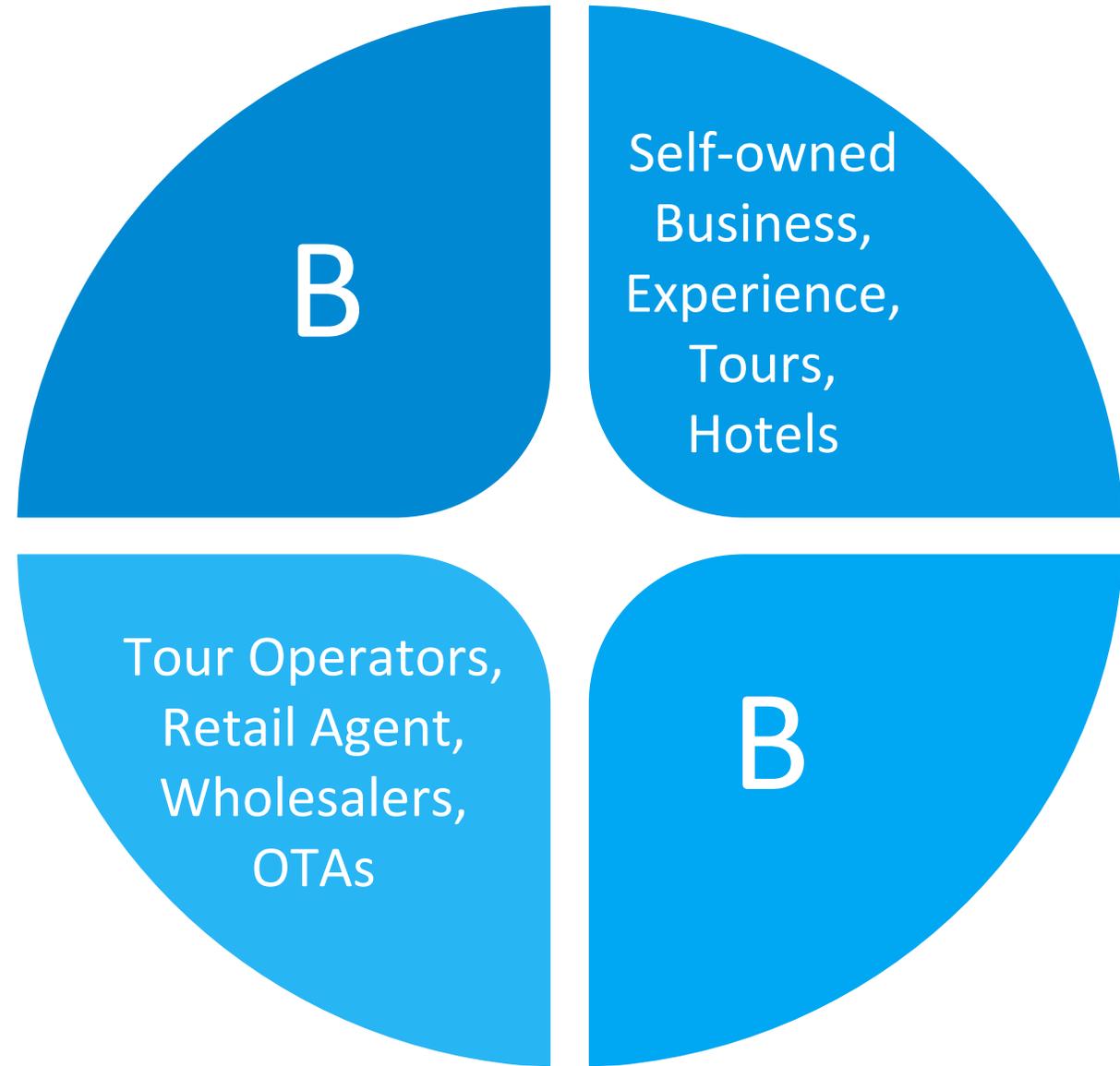
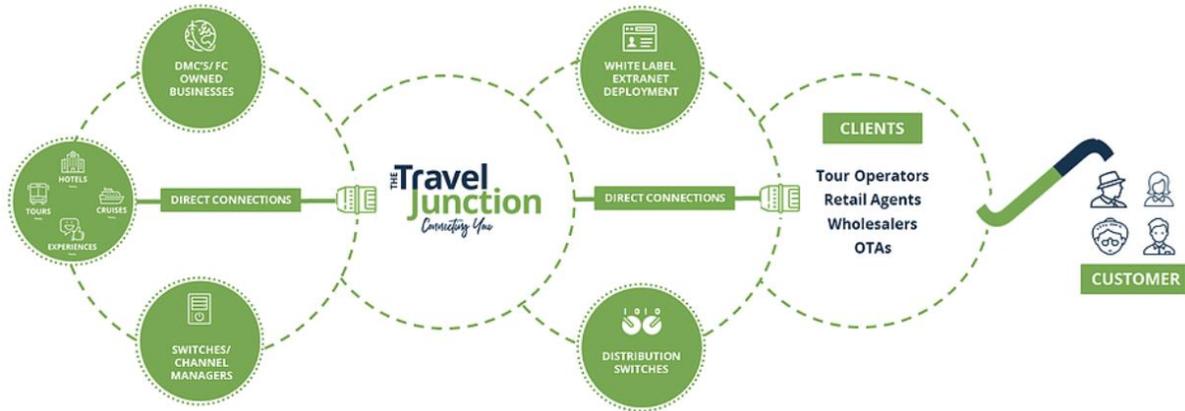
(Karryon, 2019)

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



	<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

Underdeveloped Chinese Market

High B2B Development Potential

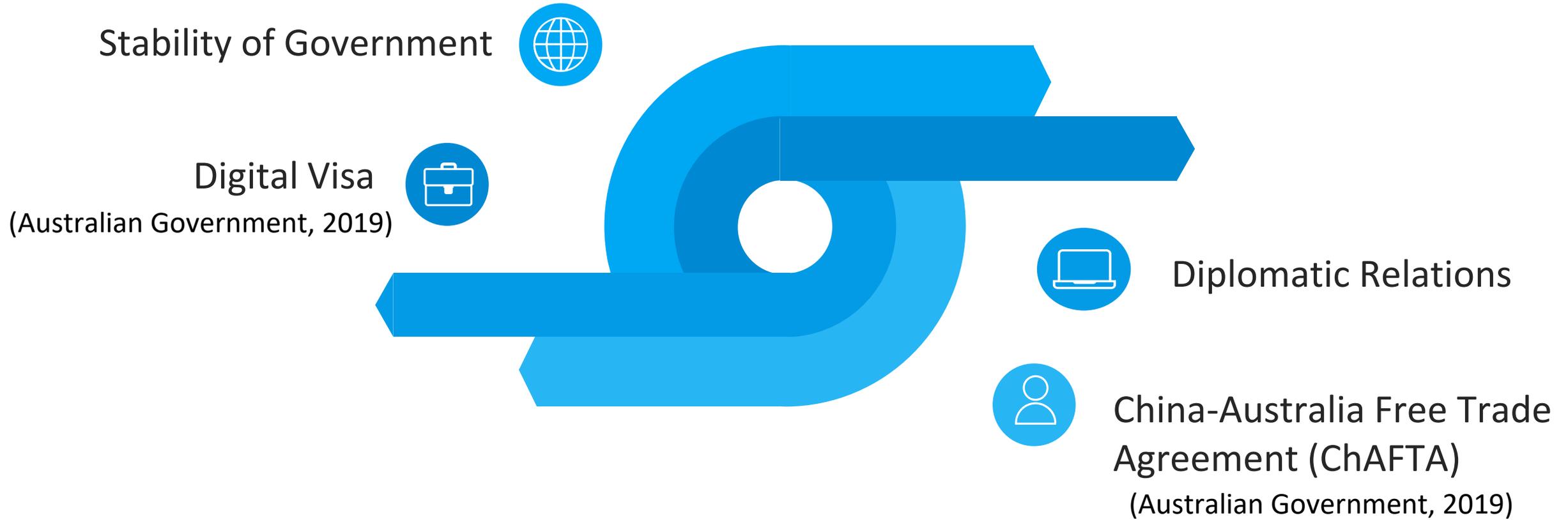
Opportunity for International Expansion

(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)



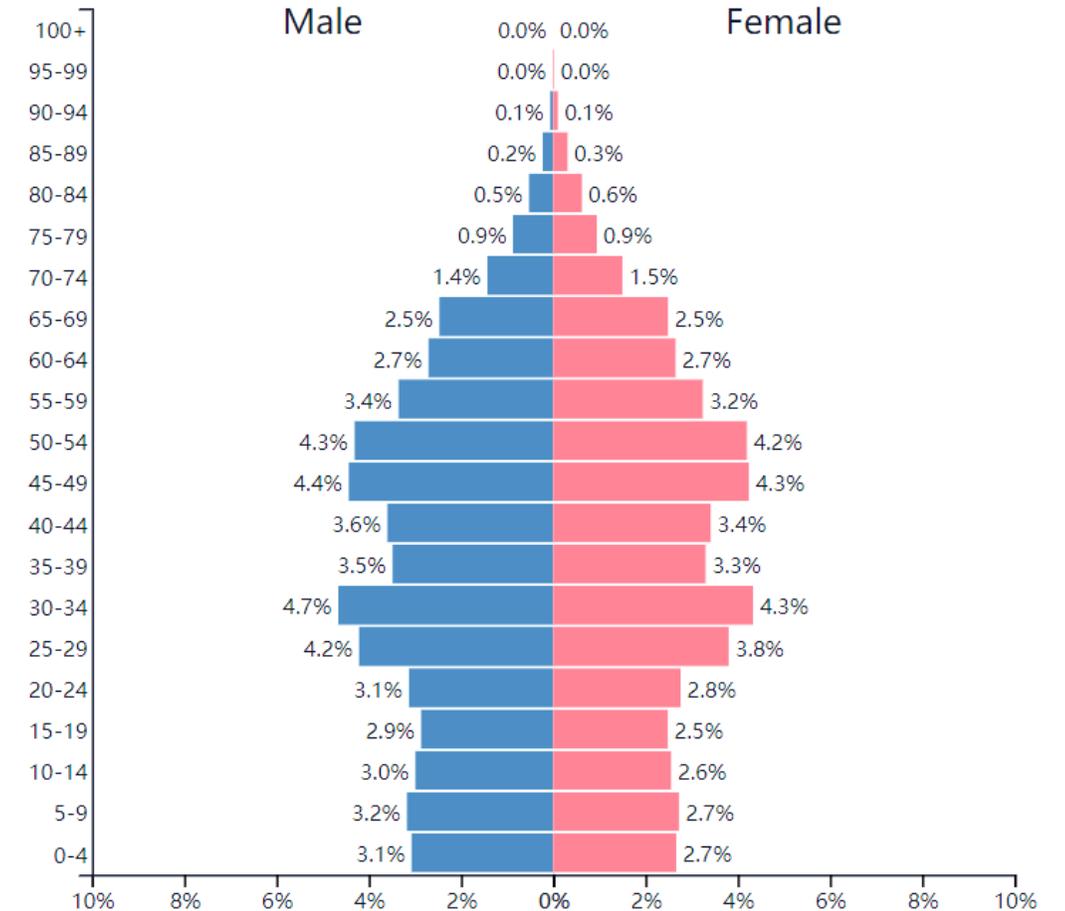
# Social

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



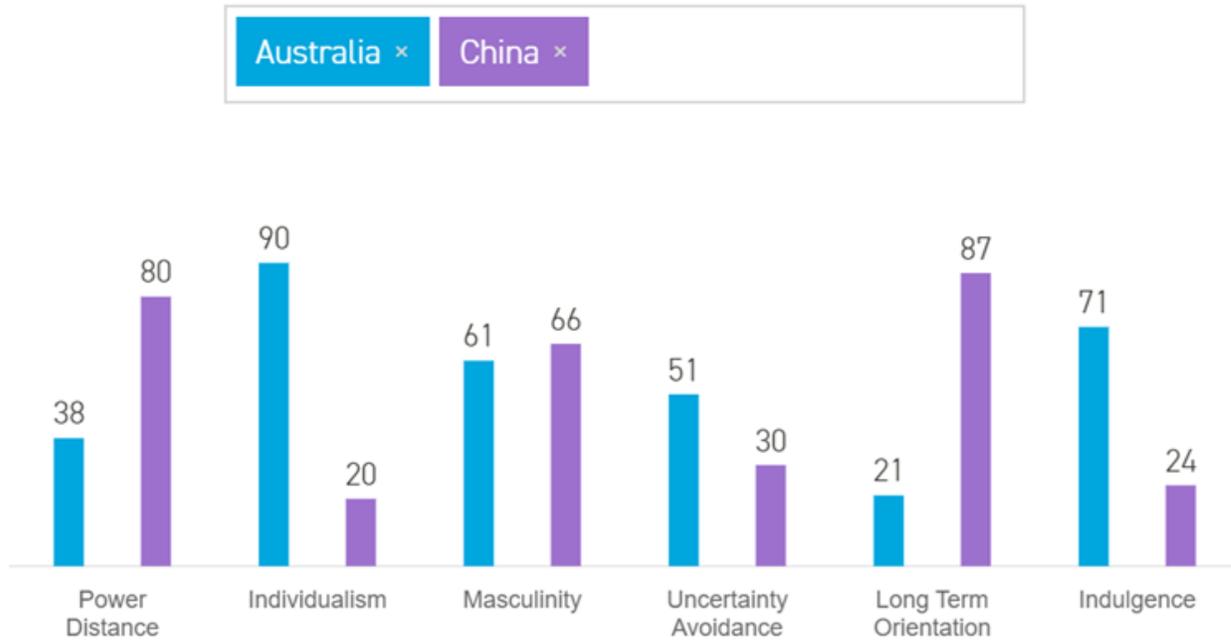
China ▼  
2019

Population: 1,398,582,297



(population pyramid, 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

The screenshot shows a mobile search interface for "hilton sydney". At the top, there is a search bar with the text "hilton sydney" and a magnifying glass icon. Below the search bar, the results for "Hilton Sydney" are displayed. The hotel name "Hilton Sydney" is followed by a 4.4-star rating (represented by four stars and a half) and the text "(3,952) · 5-star hotel". Below this, there are five circular icons with labels: "Directions", "Save", "Nearby", "Send to your phone", and "Share". A large blue button labeled "CHECK AVAILABILITY" is positioned below these icons. Underneath the button, there is an advertisement section titled "Ad Compare prices" with an information icon. The ad section includes a "Check in / Check out" field with "Fri, Nov 1" and "Sat, Nov 2" selected, and a "2" in a dropdown menu. Below this, there is a list of five travel agencies with their respective prices and a right-pointing arrow:

Agency	Price
Expedia.com.au	\$371
Hilton Sydney Official site Free parking	\$369
Booking.com Free Wi-Fi	\$369
Qantas Hotels	\$369
TripAdvisor.com.au	\$326

# 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	>	Working in Australia			
Entering and leaving Australia	>	Employing or sponsoring workers	>	Bringing someone	>		
Visas	<	When you have a visa	>	Your visa is expiring or has expired			
Australian citizenship	>	Permanent resident (PR)		Cancelling visas			
Change in your situation							
What we do							
Settling in Australia							
Help and support	>						
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



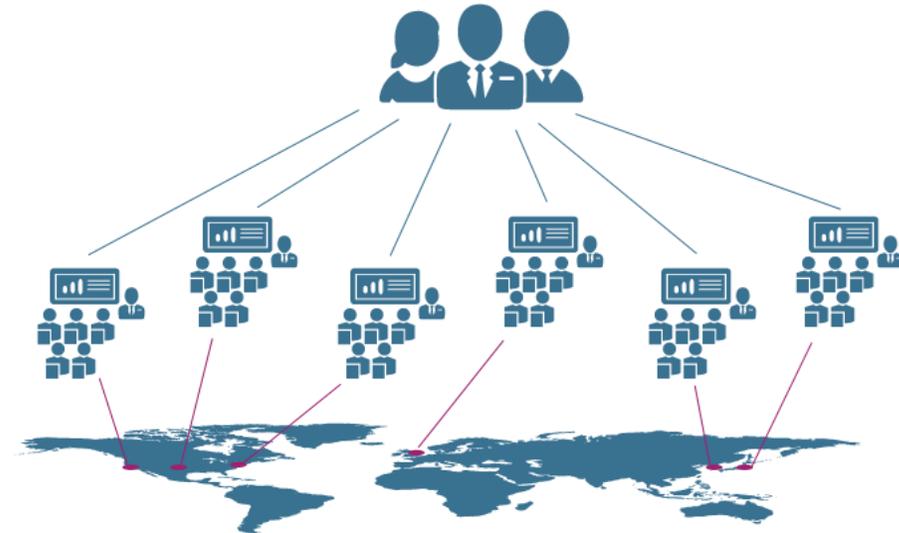
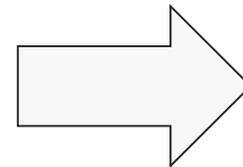
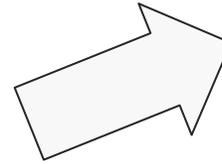
- Australia is in the southern hemisphere, the season is opposite to China
- No matter is summer or winter, Australia may be an attractive place



# 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

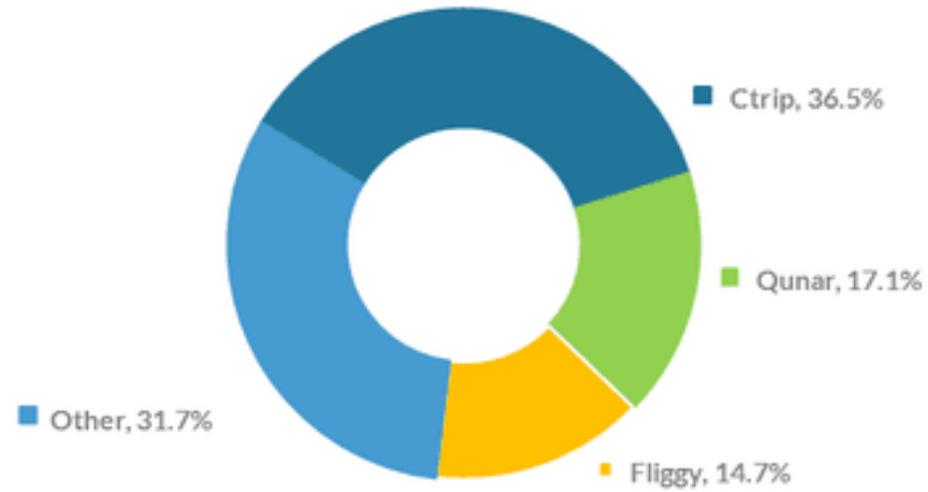
Question	Yes (Low)	No (High)	Cannot assess
There are many current and potential suppliers in this industry.	✓		
Inputs (material, labor, services) in this industry are standard rather than differentiated.		✓	
Firms can switch between suppliers quickly and easily.	✓		
Firms are price sensitive and well-educated 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



# 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

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.		✓	

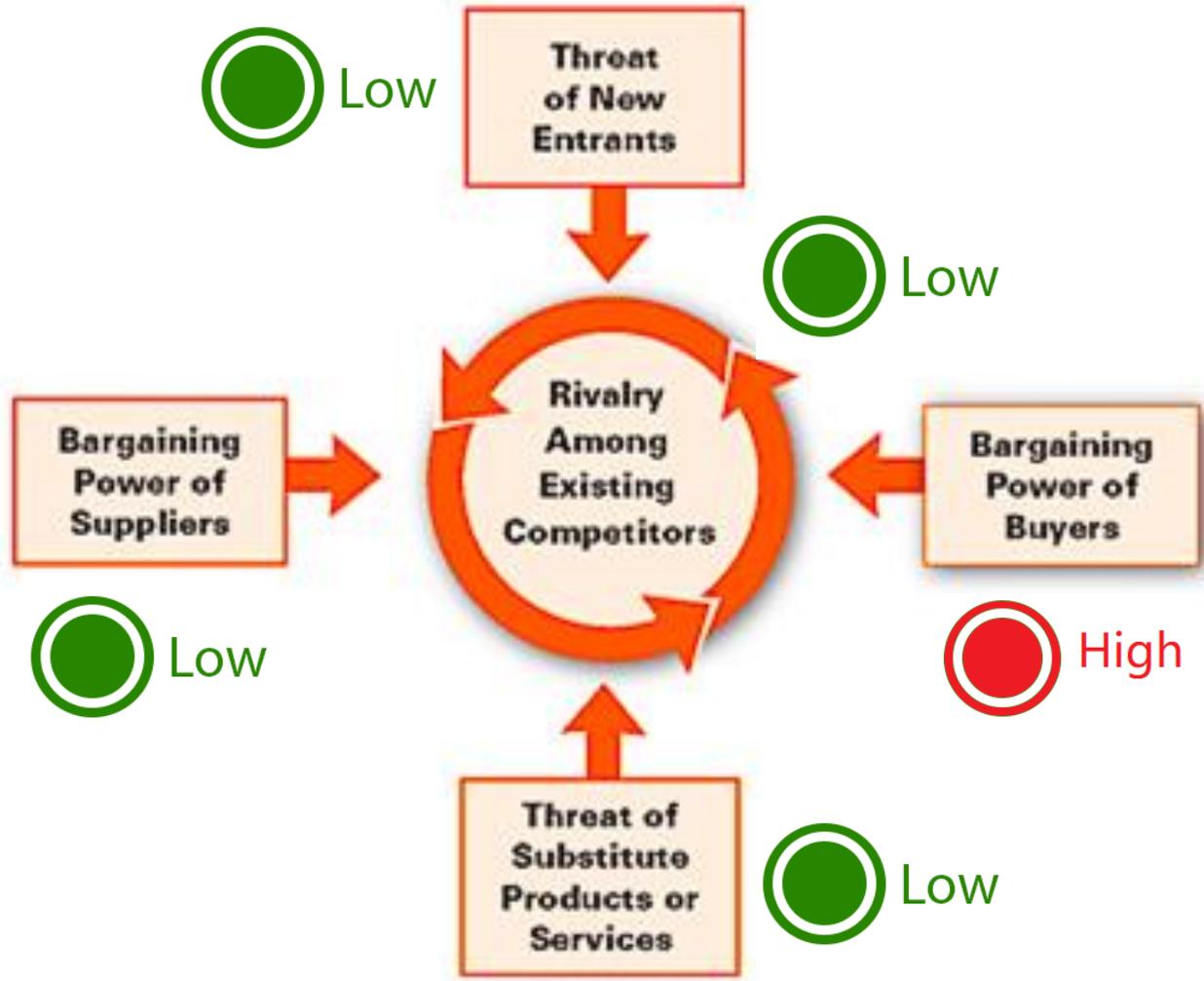


# Threat of Substitutes

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 in a suit is holding a blue pen and pointing at a document with a bar chart. Another person is holding a tablet. The scene is slightly blurred, focusing on the text.

**Thanks for Your Attention**

**Q&A**