Business Analysis Framework – VRIO Model

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Introduction

The Australian tourism industry has been experiencing difficult demand condition largely due to subdued economic conditions in chief export markets, high exchange rate, slow growth in spending by households and repeated downturn in the resource investment of the travel and tourism sector. However, the demand for domestic tourism has strongly increased since 2014 as individuals employed in both public and private sector choose to undertake leisure travel for business related and personal recreation. Despite of the fact that Australian tourism in largely dominated by domestic tourism activity, the total revenue earned by the nation extended beyond $18 billion in 2013-2014 that ranked tourism as Australia's most valuable export after iron ore and coal (Australian Government, 2013).

Background of the company

INTREPID TRAVEL is a small travel ad tour company that was launched in 1991 by Darrell Wade. The head office of the company is located in Australia. The official website of the company has received exceptional growth in the last 21 years. Strategic market expansion policies helped the company to make the most of mergers, acquisitions and joint ventures to represent itself in 22 countries. The company offers more than 800 different tours in multiple destinations of the world. The company specializes in customized tours, organized tours and private tours that usually attract a large number of tourists by offering a discount of 10%. The company has emerged as a responsible tour operator that allows tourists to experience adventurous holidays in small groups. At present, Intrepid Travel leads 100,000 travellers across the globe and ensures providing tourists with carefully designed packages, themes and trip styles to create memorable grassroots travel experience.

The company combines entrepreneurial ambitions with wanderlust and creates customized holiday packages to help the people who love to escape from the monotony of life. The company has created a special niche in the market by providing assistance to people who lacked the confidence of backpacking by themselves. The company provides spacious accommodation facilities and well-organized transfer services to millions of tourists and creates a loyal customer base. The company didn't approach the travel industry in the orthodox manner. While other tour operators were outsourcing their trips to companies located in overseas, Intrepid Travels began its services by buying its own hotes and transport facilities to provide unparalleled service in the tourism industry.

PEST Analysis:

A PEST (Political, Economic, Social and Technological) analysis reveals the ways in which the company incorporates contemporary trends to survive in an industry that is dominated by leading giants like Thomas Cook, TUI, etc. With the help of this analysis, the company would make necessary amendments in their existing business processes and product offerings.

- **Political Factors:** The services provided by the company are largely regulated by factors such as political instability, terrorism, warfare or violence that negatively affects the development of the company. Rapid change in travelling rules, political unrest, strikes and cold war creates negative publicity and discourages tourists from undertaking travels

and tours. The investment that the company brings to the country is reduced as lesser number of tourists opts for leisure travels (Nunkoo *et a*l., 2013). Therefore, stability in the political scenario of Australia offers various growth and sustainability to Intrepid Travel

- **Economic Factors:** The travel and tourism sector is renowned for paying its employees better than the payment made by business organizations that function in other sectors. The company makes sufficient profit by attracting clients who have higher disposable income. It also makes the most of the changing lifestyle of the global travellers and provides them with customized packages (Mosedale *et al*., 2010). Fluctuating currency rates, oil price and increasing rate of unemployment in Australia has a negative impact on the earnings of the company.

- **Social Factors:** As a company that functions in the travel and tourism sector, Intrepid Travels should respect the social norms and values of every customer. The social factors include cultural and demographic aspects of the external environment of the company. The company emphasizes upon population growth rate, health consciousness, career attitudes and importance of safety measures while visiting a location. The management of the company should promote the local culture and highlight the societal factors of Australia to garner the interest of the tourists.

- **Technological Factors:** The company's technological factors comprise of reduction in efficient production level, low barriers to entry in the Australian market, outsourcing decisions of the company, etc. As a leading Australian travel and tour company, Intrepid Travels maintains a strong online presence, implements latest technological advancements to convey information through social media and makes efficient use of television, call centres, etc. A strong online presence of the company assists in appealing to travellers from around the world (Gretze, *et al*., 2015). The management of the company should make use of technology to promote sustainability, which will help in attracting more tourists.
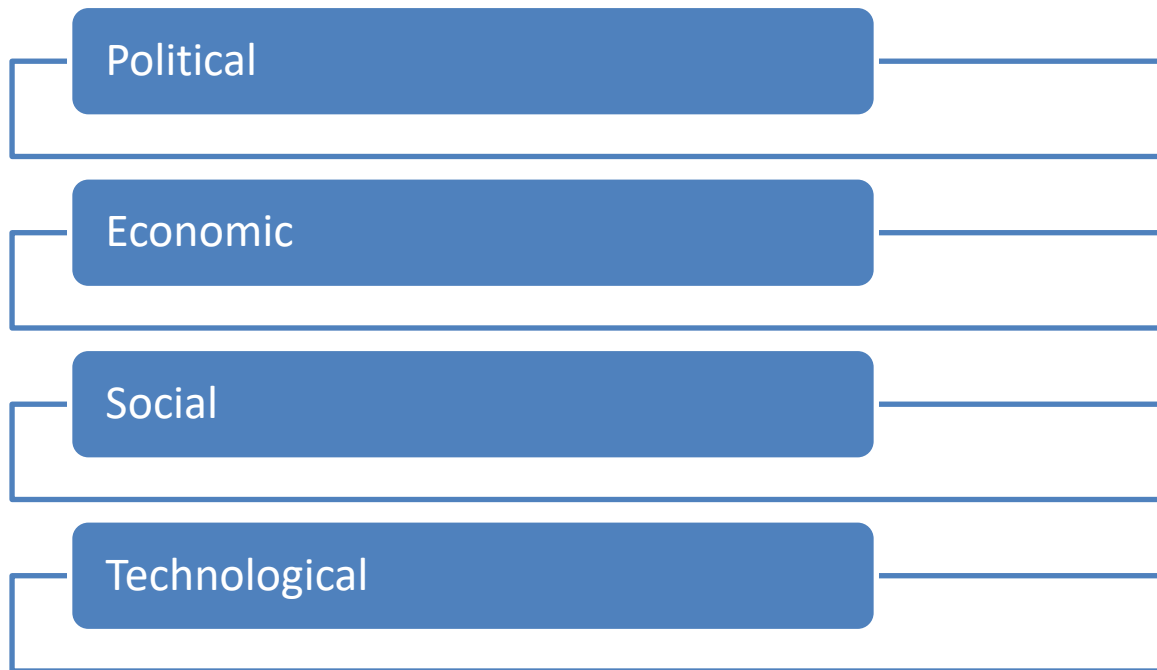
| Political |
| Economic |
| Social |
| Technological |

Figure 1: PEST analysis

Source: Created by the author:

An accurate PEST analysis helps the managers of Intrepid Travels to understand the key drivers of change and highlights upon the differential impact of the drivers of the industry and the external influences, market environment and policies of similar organizations.

Evaluate the level of competition within the industry in which INTREPID TRAVEL operates.

Porter's five forces is an analytical tool that tests the activity of Intrepid Travel in a highly competitive environment. The conceptual framework consists of five key components that rely on the attractiveness of the market of the travel and tourism industry.

➢ **The threat of new entrants**

When the company entered the Australian market as a new entrant, it suffered from limited number of suppliers result in limited choices of destinations. Because of overdependence on key suppliers, new companies decided to take more risk to increase their profit margin and compete with influential travel operators (McCabe and Johnson, 2013).

➢ **The threat of substitute products**

The travel industry is marked by plentiful product choices that allow tourists to opt for self-driving tour rather than choosing a regular travel agent. Most potential tourists of Intrepid Travels make the best of teleconferencing and video conferencing to eliminate the need to travel (Huang *et al*., 2011).

➢ **The threat of competitive rivals**

The profit margin of the industry is constantly reduced by leading travel and tourism companies that offer affordable packages to make sure that the purchasing power of the consumer is utilized to provide best services in the sector. Continued uncertain economic environment and higher cost of input increases the rate of competition in the Australian market (Choice.au, 2016).

➢ **The bargaining power of suppliers**

The company enjoys great power while negotiating price with the suppliers that basically consists of transportations, hotels, mega events, etc. Self-owned aircrafts and hotels will decrease the cost of operation of Intrepid Travel.

➢ **The bargaining power of customers**

With rapid digitalization, customers of the travel industry are well informed and demand transparent prices. The company has to create packages that have value added services to develop loyal customers. Providing customized services, individualized and prompt services of the company should be highlighted to tourists who book services by checking the prices of other tour operators (Choice.au, 2016).

Intrepid Travels functions in an industry that is characterized by large amount of resources and low skilled employees. With the advent of rapid digitalization, the online growth of the company has been higher than the offline growth.

PLANNING OF INTREPID TRAVELS

Step 1: Outline of the Plan

The project plan of the company should include the activities, services and functions provided by the company, and the amount of profit or revenue that the company intends to earn in a given span of time

Step 2: Collecting Relevant Business Travel Information from the Management of the Company

In order to design packaged holidays for both economically affluent and the vulnerable population, the company has to conduct market surveys to gain complete information regarding the preference of customers and the amount that they are willing to pay for those services.

Step 3: Conducting a Staff Travel Survey

Evaluating the awareness regarding travel pattern and preferences of the staff employed at Intrepid Travels will help the company to gauge the willingness of the staff to serve the customers with the most professional services.

Step 4: Executing the Newly Developed Plan

After collecting relevant market information from the management an evaluating the efficiency of the workforce, the company can set short term and long etrm objectives that aligns the goals of the company with the goals of the management and the employees. It reduces the resistance of employees towards organizational changes.

Step 5: Sticking to the Plan based upon its effectiveness

Once the new plan has been implemented, the management of the company should compare its financial performance with those of the previous year to evaluate the effectiveness of the new plan.

Incorporation of sustainability in these practices

The company focuses to conduct the business with responsibility. The company is not committed to tread lightly but it focuses to make real difference in the society. The company is aimed to incorporate the principle of sustainable developments and tourism, so that it can offer better experience to its customers. In order to protect the environment, company has more than 27 carbon-neutral branches.

Human resource management of Intrepid Travels:

Human Resource Management is the total knowledge, creative abilities, skills, aptitudes, talents, values, beliefs and approaches of individuals who are part of an organization. It deals with managing employment, utilization of human resource and development of compensation. Intrepid Travels applies the "best practice" and "best fit" practices to facilitate human resource management:

The company practices the model because it establishes a close connection between Human Resource practices and the performance of the organization that is often associated with higher level of commitment management. These activities are characterized to be mutually compatible that forges high level of workforce competence, boosts employee commitment and encourages motivation among employees (Vanhove, 2017).

The approach questions the universality assumption of the perspective of best-practice (Han *et al*., 2015). It allows the company to emphasize upon contingency fit between the Human Resource activities and the various stages in the development of the company that is marked by internal structures and external environment (suppliers, clients, competition and labour markets).

Vrio Model and Strategic Management:

It assists the Human Resource executives of Intrepid Travels to specify the characteristics to ensure optimal performance and efficient structure of human resources that contributes to organization's growth and success that other companies do not have and cannot be easily imitated

VALUE	• Strategic exposure and location • Exemplary customer service • Valuing the employees with employee benefits and supporting higher education
RARE	• Store concept based on aesthetic appeal • Helping employees to value customers • Creating corporate social responsibility
	• Utilizing exclusivity and loyalty to create

IMITABILITY	a cult customer base
	• Allowing old customers to avail special benefits
ORGANIZATION	• Hiring skilled, efficient and competent employees (Simao, 2010).
	• Encouraging a healthy corporate culture

VRIO Model

Application of the VRIO model to manage and develop an effective workforce

Intrepid Travel has a good record of being an innovator in sustainability. In order to promote the sustainability, the company has focused on the carbon management, which would reduce the emission of harmful gases (Barney and Wright, 1998). The company has recognized that climatic changes have become as one of the main problem and tourism sector is the main contributor issues of climatic change. The carbon management plan of the company helps in operating the business in a sustainable manner. The company has also contributed towards addressing the environmental commitment under *"United Nations Global compact"* (iipt.org,2018)

The first step in our journey toward carbon neutrality was to measure our impacts. Intrepid undertook an extensive Life Cycle Assessment (LCA) on the business to understand where our environmental impacts were. We found that our main carbon emissions came from:
1. Our corporate/office sites
2. Our trips
3. The flights that passengers were taking to meet our trips

We chose to include the sources of the following six gases (where appropriate) covered by the Kyoto Protocol:
• Carbon dioxide (CO_2)
• Methane (CH_4)
• Nitrous oxide (N_2O)
• Hydro fluorocarbons (HFCs)
• Per fluorocarbons (PFCs)
• Sulphur hexafluoride (SF_6)

Outline of Carbon Management Plan of Intrepid Travel

(Source: iipt.org, 2018)

Any sustainable practice been applied to the INTREPID?

The company realizes the impact of sustainable practices and incorporate greener ways to attract customers who prioritize environmental safety. The advertising campaigns of the company are based on sustainable practices that are actively supported by various local and international communities.

Leadership Style:

The company implements the participative leadership style that emphasizes on the inclusion of the workforce in the decision making process of the company. The management obtains regular feedback and opinion from the workforce to decrease their resistance to organizational change. The company also invests in providing training the existing workforce which makes them feel valued ad appreciated by the company. It also eliminates the cost of hiring a new task force (Jabbour and Santos, 2008). The leadership approach inculcates a feeling of responsibility among the employees by obtaining general consensus to help the employees align their personal objectives with the goals of the company. Employees are motivated to perform good as the company pays them for better performance. It cuts down

the costs of turnover and improves employee retention (Christian *et al.,* 2011).   The leader of the company should understand the interconnection of the system. The leader should be responsible, so that it can guide its employees to promote sustainability. The leader should also be responsible to lead its team, as the action of the leaders can directly or indirectly affect the performance of the company.

Controlling and value chain technology

The value chain analysis helps the firm to compete with companies that operate in the same industry. The analysis allows the company to identify the cost of each business activity and the contribution of each factor in contributing to the price of the services offered by the company. It helps in determining the firm's position in comparison to the cost of operations of its competitors and also identifies the measures that are to be undertaken to reduce the overall cost of the company.

Figure 1: Value Chain Analysis

(Source: Cox and Ray, 2011)

➢ **Primary Activities:**

Logistics input comprise of the activities of receiving, collecting and analyzing the bids that are received from the tourism sector of Australia. The management of Intrepid Travel should focus on providing better transportation facility to its customers.

Operations of the company consist of design and preparation of tourism products. The output logistics of the company gathers products of tourism and the distribution to correspondents and partner agencies (Cabiddu *et al.,* 2013).

Marketing and Sales refer to the studying of the local market of the country and promoting the products and services of the travel and tourism sector. The company should develop its package by understanding the needs of the customers. This will help in attracting more customers from across the globe.

The after-sales service comprises of evaluating the post-sale scenario of Intrepid Travels.

➢ **Secondary Activities:**

According to the value chain model, secondary activities include the **infrastructure** for accounting and secretarial functions.

The **Human Resource Management** (HRM) strategies of the company consist of recruitment policies, staff development, training and hiring.

Technological development of the company is directly related to the tourism product that is designed and developed by Intrepid Travels.

The supplies of the tour company Comprises of the suppliers of the various components in the creation of packaged tours and agency relationships.

Attaining sustainability of business:

The value chain analysis highlights the correspondence between the primary and supporting activities of the travel and tour company. It provides an insight into the various factors that aid the company in attaining a competitive advantage in the highly competitive Australian market and suggests the ways to work upon the derivations to emerge as a leading travel and tour company of Australia.

Recommendation and future strategies

The Australian Travel and Tourism sector is dominated by leading tour companies such as Thomas Cook, Virgin, Emirates, etc., that create intense competition in the sector. Intrepid Travels should make use of profitable expansion strategies to enter into successful mergers, acquisition and joint ventures to make the best use of new and emerging markets that are located in the third world countries of the world. Seeking opportunities to open more brand hotels will not only improve the customer service of the company but also increase the profits of the company. Since customers respond well to own brand hotels, the company can largely increase its satisfaction ratings and create a loyal customer base.

Improving holiday offering, owning beach clubs and providing discounts on attractive packages to smaller European destinations like Bulgaria and Cyprus will increase the profitability of the company and facilitate the survival of the company despite of a competitive environment. Adding new flight destinations to the flight program of the company will expands the options to choose from and increase the value of the company in the eyes of the customers. It is recommended to the company to make use of the latest technology, which will help in minimizing the impact of tourism in the society. In order to compete with the other tourism industry, the company should focus in conducting more market research, which will help in attracting more number of customers. This will help in increasing the revenue of the company.

The future strategies of the company should emphasize upon investing in the maintenance of high-end offices and delivering increased value to the shareholders. Prioritizing the satisfaction of the customers by providing them with spacious accommodation facilities, delicious cuisine and tours to exotic locations will increase the confidence of the customers in the brand image of the company.

Conclusion

Intrepid Travels functions in an essentially dynamic travel and tourism sector that happens to be the world's second largest export commodity. The company continually strives to provide innovative services by depicting the adventurous aspect of nature. The project looks into the various factors that highlights the functioning of a travel and tour company in Australia and suggests ways in which the company can evaluate competitiveness in the industry and strive to develop its management and organizational structure.

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