

Good essay on thomas cook group plc

[Business](#), [Company](#)



A Strategic Management Analysis

- Identify and discuss strategic capabilities (resources and competences) of the chosen company using appropriate strategy tools and identify strengths and weaknesses for the firm. Apply the Value Chain and identify and discuss any core competences the organization may have.

Thomas Cook is one of the major leisure travel groups in the world. It is also the second major in the United Kingdom. It maintains these top positions across all of its major markets and with well established and trusted tour operator brands. About 23 million customers travelled with the Group in 2012.

Human and Physical Resources

Thomas Cook Group Plc is the next biggest travel group in Europe. It has 129, 000 employees situated in about 19 nations (Peters, p. 1). The Group also owns some of the most popular travelling brands globally such as Cresta, Airtours, Sunset, Direct holidays, Sunworld. It also owns Thomas Cook, Thomas Cook essentials, Thomas Cook Tours, and Thomas Cook sports (Johnson, Scholes & Whittington, p. 565). Thomas Cook Group also holds 44 aircrafts exclusive to its fleet. It has its own travel plan and a range of financial services. These services include foreign exchange, cash Passport (prepaid currency), among others. The Thomas Cook credit card also offer its own travel insurance. These policies are controlled by its in house insurance department called the White House Insurance Ireland. In the meantime, the company is the largest retailer of prepaid currency or cash passport worldwide.

The unification of Thomas Cook brands reinforces its customers to understand the total capacity and final value of the entire Thomas Cook Group together with its creative products and services.

Financial Resource Analysis

The company's financial performance last year (2013) is highlighted by its £86 million year on year increase by its £263 million revenues in 2013 (as compared to £11 million in 2012) (Thomas Cook Group Website, 2013). It has also reduced its net debt from £788 million in 2012 to £421 million in 2013 (p. 1). Its underlying gross margin is up by 22. 1% (p. 1). Its cash conversion ratio is at 48% on a last 12 months basis.

The company's financial summary is as follows:

The following financial analysis is provided for Thomas Cook Plc (Yahoo Finance, p. 1):

Strengths and Weaknesses Analysis

The following strengths have been displayed by Thomas Cook:

- Thomas Cook Group has various top brands, which include Neckermann in Europe, Ving in Sweden, Condor in Germany and Airtours in the UK. Brand consciousness is a very vital socio-cultural factor which is favorable for Thomas Cook. Consumers believe in the company's intangible guarantee depicted by the name of its brand.
- It is making financial gains for the company by showering customers with trust and personal holiday experiences delivered through technologically advanced and high touch method.
- The company is also employing an asset light strategy by offering some of

its non-core assets the same way as it sells its Thomas Cook India Ltd. shareholdings.

- High asset turnover - e. g. being able to operate airlines at high capacity utilization and intensively on short-haul routes.
- Low operating costs – attained by offering relatively standardized products with few options for customer personalization (e. g. filling 3 star accommodations in Spain and Greece with travellers from the same flight).
- Supply chain control and greater bargaining power over suppliers - a tour operator travelling more than 4 to 5 million travellers for short-haul itineraries every summer certainly has a powerful bargaining clout with suppliers like small hotel chains.

The weaknesses illustrated by Thomas Cook include the following:

- The company's brand image has been negatively affected after the company's financial problems in late 2011 when it had to resort to renegotiating its short-term loan arrangements.
- The persisting problems of Thomas Cook in 2011 after the Arab Spring movement which caused sharp decline of Egyptian and Tunisian customer bookings.

Value Chain

Adopted from Porter's Analysis

Thomas Cook Plc spreads throughout the value chain by vertical integration. This made them deliver better value at cheaper price. Thomas Cook is vertically integrated since they have Thomas Cook tour operators, Thomas Cook Travel Agents and Thomas Cook Cruises. They also have an airline.

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They also have a lot of other company's under their umbrella. They have a good grip of their suppliers and have a strong bargaining power.

Thomas Cook is a mass market tour operator which organizes tours for travel groups. It also arranges transport accommodation and other activities and extra services which might be needed. It has a very excellent grasp of the global tourist industry, i. e. which is the cheapest routes and modes of transport, etc. It truly understands operations of travel related companies and how they complement or compete with their own offerings. For instance, Thomas Cook agreed to merge with MyTravel to reduce costs. They predicted £75 million a year saving and beat the competition from low-cost airlines and Web-based travel agents (p. 1).

Thomas Cook is well suited to work in partnership with transport companies like coach companies and taxi agencies as it ensures its customers get to their tour destinations. Domestic transports and travel networks also benefit because they get business and trading from Thomas Cook. This aids their profitable businesses.

Thomas Cook is also considered as a horizontally integrated company as it has merged with travel and co-op travel firms which linked together in an attempt to reduce expenses and earn more profits for their respective companies. This type of merger means more efficiency for Thomas Cook Group.

Core competencies

Fundamentally, Thomas Cook relies on trust, personalization, high-tech and high-touch. These are its core competencies in terms of high quality customer service (Mitchell & Faal, p. 4). Hence, it designs its products and

services along these lines and it creates a new portfolio of flexible, trusted products and services. Its strategic management is also a core competency. To illustrate, the strategic management enables the company to derive better financial and operational performance for 2013. Its new strategy consists of driving profitable growth by fulfilling customer needs through its special packages and services. Hence, it can take advantage of the growing market for package holidays, such as in the German and Swedish markets (Singh, p. 28).

Thomas Cook launches online new products and service that are accessible worldwide. It benefits from mass-customization, which consists of reaching across a wider audience (Ritchie, et. al., p. 6). It employs a single customer gateway which allows a consistent, personalized customer experience with access to a broad of travel and tour products and services and personal referrals across all networks. This, in turn, enables the company to develop more serious and deeper customer relationships that extend from the mere travel booking transaction (Competition Commission, p. 7).

2. Taking into account the above findings as well as the conclusions from your first assignment, construct a SWOT matrix to show strategic position of the organization.

This SWOT matrix clearly illustrates the various strengths and opportunities open for Thomas Cook.

3. Identify and discuss (providing examples and evidence) one strategic direction OR a method for your chosen organization.

In the last few years, there have been various key trends in leisure travel, such as the increasing online distribution and the rise of low-cost carriers

(Singh, p. 5). These have facilitated a shift towards more flexible consumer-led travel choices. As an outcome, there has been a decline in pre-packaged holidays with a matching increase in the dynamically packaged products and single travel offerings. The rate of transfer between the conventional travel packages and dynamic tour services by source market is greater in the current markets with cost efficient carrier penetration. This is illustrated by the markets in Germany and the UK.

In this line, Thomas Cook Group should focus on developing an omni-channel distribution model for its travel and tour products and services, including the Internet, retail stores and call centers, while driving an increase in in-house distribution to lessen its third party distribution costs. In most of Thomas Cook Group's operating segments, retail stores stays as a major distribution channel, specifically for mainstream package products (Johnson, Scholes, & Whittington, p. 160). However, the Group must focus on the growing online market. Its business must continually reassess its presence on both the online and the high street channels. Across its sales operations, it must increase its focus on web distribution. It should develop more powerful web channels tailored to local markets. As shown above, the company can take great opportunity in the travel and tourism boom, particularly in the packaged holidays. By utilizing and integrating mobile, internet and computer technologies, Thomas Cook has a wide market base, considering that most global travelers pay for premium services. It needs to outcompete the niche markets and small travel agencies and tour operators who are now penetrating larger markets overseas.

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