

# Free strategic management: thomas cook report sample

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



\n[[toc title="Table of Contents"](#)]\n

\n \t

1. [Part 1 - Strategic Capabilities](#) \n \t
2. [Financial Position of the Company](#) \n \t
3. [Part 2 - Industry Analysis](#) \n \t
4. [Conclusions](#) \n \t
5. [References](#) \n

\n[/toc]\n \n

## **Part 1 - Strategic Capabilities**

The VRIN Analysis, presented in Appendix 2 demonstrates some of the findings in regards to the resource and capability structure of the TCG. Given the outcome of this research is possible to argue that Thomas Cook is a resource based company, operating on asset-light value chain proposition. The research have identified that core competencies of the organization are located in the Management, Human Factor and Marketing elements. Given the focus on elimination of material assets the organization it is believed that Management and HRM are the key for the company. At the moment TCG is heavily investing into two elements: a) human element as a core competence of the company and b) resource management, which is represented by non-asset based sales channels, such as web and travel operator business and planned sales of the fixed assets, such as airplanes and non-core businesses of TCG portfolio.

Additionally, current market position of the Thomas cook and some of the affiliated companies as quality and reliability suppliers allows believing that

the strength of the Brand is one of the core competencies of the company. It is evident that the range of upstream partners gives the TCG great level of market responsiveness and allows fast switch from one product to another. Such a responsive organizational structure is the key for success in the tourism market and should definitely be accounted for as the core competence.

## **Financial Position of the Company**

Given global economic crisis and slower than expected economic recovery in such regions as Europe and North America, Thomas Cook could as many other corporations was affected by the external market environment. In spite of these challenges overall result of the company over the past two years demonstrates strong strategic capabilities and right management decisions. Financial results for the fiscal year 2012-2013 reflect strong position of the company on its core markets. Based on the data from TCG Annual Report 2013, the company's earnings before taxes (EBIT) grow from about \$ 300 million to \$ 500 million over the period, while the external debt reduced by 47%. One of the most interesting financial indicators however is the improved profit margin on the product portfolio that experienced 0.9% growth over the same period.

As the performance criterion since 2009 review TCG have chosen EPS (Earnings per share index). Based on the results of 2012 financial year this indicator reflects negative growth of 2.45p. Additional measure that can be utilized to evaluate TCG financial performance is Current Ratio. Based on the Balance Sheet this ratio for the financial year 2012 is estimated at 3: 7,

which indicates high proportion of borrowed capital and alerts low level of working capital ((Appendix A3: 2).

While the above statistics reflects positive trend makes a part of the investment benefit proposition, it is important to outline the fact that the debt reduction of the company is not an organic process and the major improvement came from the sales of fixed assets and brand sales operations of the company. One of the interesting financial indicators for the company in such position would be price to cash-flow (P/CF) ratio that can reflect actual value of the share price (Trotta, 2003). While current price of Thomas Cook Group Inc. share on London Stock Market is 165. 70p, with the P/CF as high as 86 relative to 11 of the industry average, the share price of Thomas Cook is highly overvalued. Given that, good debt ratio of Thomas Cook in the reality can be just a temporary occurrence and should be taken as risk factors for shareholders and investors (Reuters 2013).

The above analysis demonstrates volatile financial position of the Thomas Cook organization and risks associate with the availability of the working capital. Given the strategic focus on investment relationships these situation may undermine TCG borrowing capacity even further. Current asset-light strategy, however, proves to be an effective measure to address liability and fixed assets issues that contribute towards negative financial results. It is believed that with the current strategy the organization will manage to recover its financial position within the coming year.

## **Part 2 - Industry Analysis**

Thomas Cook extended SWOT analysis

Part 3 - Core Strategic Direction

- Organic growth through new and existing product sales
- Web penetration
- Cost-reduction strategy

The analysis of the strategic capabilities was performed with help of the Ansoff matrix that identified three types of strategic relationships, as shown in Appendix 4. It is important to mention that strategic directions of the company are focused much more on market rather than product penetration. One of the core focuses of the TCG is the market expansion through identification of new sales channels. This strategy is reflected in the investments into web penetration and widening the partnership network for already existing products. Such strategy is relatively low risk and non-investment intensive. Additional attention is given to product strategy; named second-level strategic goal reflects the effort to expand the portfolio of partners. This direction however is aimed to support core strategic direction, rather than stand alone.

## **Conclusions**

TCG has a very specific value chain, based on the strong dependencies on its upstream operations (suppliers, partners) as well as distribution channels (franchise operations, outsourced sales offices). Wide product portfolio and strong brand both created through Thomas cook operations and strengthened by the merger with MyTravel, definitely build on the core

strength of the company. Current market position as the second largest tour operator, following TUI takes in favor of the chosen strategy (Hong, 2008). Tourism industry is very seasonal and the ability to reduce fixed costs and increase market responsiveness through change in product portfolio is the key to build on competitive advantage. Thomas Cook Group is the example of this capability.

The analysis of the operations and financial stability of the company reveals two core issues that should be addressed by the group in order to maintain sustainable growth. First, based on the Annual Report 2011, 32% and 21% of the total operational profit is represented by Northern and Central Europe respectively. This number endangers sustainability of the Thomas Cook operations as economic and market environment in these countries makes TCG extremely dependent. Secondly, accounting ratio analysis reveals some systematic issues, such as poor performance of on the working capital and EPS indexes that were set by the company as major performance measure. This negative trend can reduce the level of stakeholder and shareholders confidence and, consequently result in poor borrowing capacity. It is determined that current asset relief strategy is taking company in a right direction and recovery of financial figures is expected in the coming years.

## **References**

Johnson G, Scholes K and Wittington R (2011). Exploring Strategy. 9th Edition. London: Prentice Hall.

Market Line Report (2013). Company Profile. Thomas Cook Group Plc. Market Line, 15 may 2013. Available at: <http://store.marketline>.

<https://assignbuster.com/free-strategic-management-thomas-cook-report-sample/>

com/Product/thomas\_cook\_group\_plc? productid= 657A516D-8285-402E-BF7D-327F8742C5F4

Thomas Cook Inc. (2013). Thomas Cook Group Inc. Annual Report 2013.

Available at: <http://annualreport2013.thomascookgroup.co.uk/web/>

Reuters (2013). Financials: Thomas Cook Group Plc. Available at: <http://www.reuters.com/finance/stocks/financialHighlights? symbol= TCG. L>

TCG Plc. (2011). Thomas Cook Group Plc. Annual Report & Accounts 2011.

Available at: <http://www.thomascookgroup.com/wp-content/uploads/2013/02/Annual-Report-Accounts-2011.pdf>

com/wp-content/uploads/2013/02/Annual-Report-Accounts-2011. pdf

FT (2013). Equities. Thomas Cook Group. Available at: <http://markets.ft.com/research/Markets/Tearsheets/Summary? s= TCG: LSE>

com/research/Markets/Tearsheets/Summary? s= TCG: LSE

Sadler Ph (2003). Strategic Management. 2nd Edition. London: Kogan Page Limited.

Inkpen A and Ramaswamy K (2006). Global Strategy. Creating and Sustaining Advantage Across Borders. Oxford: Oxford University Press.

Trotta R (2003). Translating Strategy into Shareholder Value. New York: Amacom Books.

Acton A (2013). Issues of Hospitality, Travel and Tourism. Atlanta: Scholarly Editions.

Robbins T (2007). Package Holiday Giant Targets Independent Travellers.

The Guardian, 2 December 2007. Available at: <http://www.theguardian.com/travel/2007/dec/02/escape.thomascookgroup>

com/travel/2007/dec/02/escape.thomascookgroup

Ecorys (2009). Study of the Competitiveness of the EU Tourism Business.

Final Report 2009. Ecorys Research and Consulting. Available at: [http://ec.europa.eu/enterprise/newsroom/cf/\\_getdocument.cfm? doc\\_id= 5257](http://ec.europa.eu/enterprise/newsroom/cf/_getdocument.cfm? doc_id= 5257)

europa.eu/enterprise/newsroom/cf/\_getdocument.cfm? doc\_id= 5257

<https://assignbuster.com/free-strategic-management-thomas-cook-report-sample/>

Hong W C (2008). Competitiveness in Tourism Sector. A Comprehensive Approach from Economic and Management Point. Taipei: Physica-Verlag.

Blanke J and Chiesa T (2013). The Travel and Tourism Competitiveness Report 2013. Reducing Barriers to Economic Growth and Job Creation. Brussels: World Economic Forum.

#### Appendix 1 - Company Introduction

##### Thomas Cook - Company Outlook

Thomas Cook is a leading Group in the leisure segment, operating in six geographical areas: The UK, Northern Europe, Western and Eastern Europe, North America, Central Europe and special segment of Airlines Germany. Distribution network of the organization is impressive as it comprises more than 3, 400 retail sales units, 1, 100 of which is owned and employs about 33, 500 people around the globe.

Portfolio analysis of the Group reveals a number of strategic directions that range from low-cost travel segment, represented by Sunset and Neckermann Companies to top notch tourist operator, such as Thomas Cook Tours and 86 high level resorts owned by Medhotels. Latest focus of the company was outlined on the investor's presentation and organizational Annual Report 2011, stipulating the need to pursue asset-light strategy. Strategic vision of the company is built around flexibility and responsiveness to the market and its loyal customers. With that in mind, Thomas Cook offers packages and individual travel components through a chain of physical location as well as online travel agency (Sadler, 2003, pp. 13-16).

#### Appendix 2 - VRIN Tool - Thomas Cook

#### Appendix 3 - Financial Indicators

<https://assignbuster.com/free-strategic-management-thomas-cook-report-sample/>



### A3: 1 - Balance Sheet Thomas Cook Fiscal Year 2012

Source: Thomas Cook Group Annual Report 2012. Available at:

<http://ara2012.thomascookgroup.com/>

### A3: 2 - Income Statement Thomas Cook Fiscal Year 2012

Source: Thomas Cook Group Annual Report 2012. Available at:

<http://ara2012.thomascookgroup.com/>

### A3: 3 - Financial Ratios

Current Ratio: Current assets - (Current Liabilities):

The ratio allows getting a high level picture of availability of the working capital for a given period of time.

Current Assets = 1, 524, 2 - (Current Liabilities) = (3, 540, 1) = 3: 7

EPS Ratio: (Market value per shares) / (Total Earnings / shares)

This ratio tells us the real share price relative to the market value and allows to see whether it is under or overvalued.

TCG EPS: TCG Market value per share (EOY 2012) = 164, 90p

Calculated Earnings per share is negative (67, 2)

EPS = 164, 90 / (67, 2) = (2, 45)

Source: FT Financials. Available at: <http://markets.ft.com/research/Markets/Tearsheets/Summary?s=TCG:LSE>

### Appendix 4 - Strategic Outlook - Ansoff Matrix

Source: Adapted from H. I. Ansoff, Corporate Strategy, Penguin, 1988,

Chapter 6