# Front Cover Page

# Executive Summary

On The Beach Group PLC (OTB)has established itself as a formidable player in the UK travel industry. Through its online platform, the company focuses on providing affordable beach holidays. Since its inception in 2004, the company has shown a consistent growth trajectory underpinned by a strong online presence and a customer-centric business model. This report comprehensively analyses OTB’s strategic positioning, financial health, and ethical practices to offer an investment perspective.

Strategically, OTB has capitalized on the increasing trend of online holiday bookings, positioning itself as a go-to platform for beach vacations. The company's adept use of digital marketing and technology has offered competitive pricing and convenience, appealing to a broad customer base. However, the travel industry's volatility, influenced by geopolitical tensions, economic fluctuations, and pandemics, challenges the company's growth prospects.

Financially, OTB has demonstrated robust performance with steady revenue growth and profitability. The financial analysis reveals a healthy balance sheet, although the company faces industry-specific risks such as seasonality and sensitivity to external shocks. The financial data suggests that OTB can sustain its growth and potentially offering favourable returns to investors.

The company's commitment to ethical business practices and corporate social responsibility (CSR) is evident in its environmental, social, and governance (ESG) initiatives. OTB has undertaken various efforts to reduce its environmental impact and engage in socially responsible activities, enhancing its brand reputation and aligning with the growing investor focus on sustainable and ethical investments.

On The Beach Group PLC presents a compelling investment case, with its strong strategic positioning, solid financial performance, and commitment to ethical practices. However, potential investors should consider the inherent risks associated with the travel industry's unpredictability. The investment recommendation considers these factors to provide a balanced view of the company's potential for delivering sustainable shareholder value.

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# List of Abbreviations

AGM: Annual General Meeting

OTB: On the Beach

OTAs: Online Travel Agencies

WSJ: Wall Street Journal

CAA: Civil Aviation Authority

ATOL : Air Travel Organiser's Licence

# Introduction

On The Beach Group PLC (OTB), founded in 2004, has revolutionized the travel industry with its innovative approach to online holiday booking (OTB 2021). Headquartered in Manchester, UK, the company has grown from a small start-up to a leading online travel agency specializing in beach vacations (OTB 2023). Focusing on user-friendly technology and customer satisfaction, On The Beach has successfully captured a significant market share in the competitive travel sector (AGMTradingUpdate 2024).

According to (Morrison 2022), the journey of OTB is a testament to the changing dynamics of the travel industry. In the early 2000s, the rise of internet usage began transforming how consumers planned and booked their travels. Seizing this digital trend, OTB positioned itself as a direct-to-consumer online platform, offering a wide array of beach holiday packages (OTB 2023) Unlike traditional travel agencies, which relied heavily on physical storefronts and brochure-based marketing, On The Beach embraced technology to streamline the holiday booking process, providing customers with a hassle-free and accessible way to plan their vacations(OTB 2024).

Over the years, OTB has expanded its offerings, catering to diverse preferences and budgets. From budget-friendly accommodations to luxury resorts, the company provides a comprehensive selection of beach holiday options across Europe and beyond. Its agile business model, characterized by a dynamic packaging system, allows customers to customize their holiday packages, including flights, hotels, and transfers, to suit their needs and preferences (AGMTradingUpdate, 2024).

The company's growth trajectory has been marked by strategic acquisitions and expansion into new markets (OTB 2023). (Zhao et al. 2020) expresses that by continuously enhancing its platform and service offerings, OTB has maintained a strong competitive edge in the online travel market. Its commitment to customer service, underscored by transparent pricing and flexible payment options, has fostered loyalty and trust among its clientele.

As the travel industry faces unprecedented challenges and opportunities, potential investors must understand the nuances of OTB’s business model, market position, and growth prospects (Reinhold et al. 2023).

# 3. Strategic Analysis

## 3.1. External Environment Analysis

### 3.1.1. PESTEL Analysis

#### Political Factors

The primary operational focus of On the Beach Group PLC (OTB) is in the UK; nevertheless, its exposure to international markets renders it vulnerable to political occurrences such as Brexit. The ambiguity surrounding Brexit discussions and subsequent rules has had an influence on customer trust and travel regulations, which might potentially affect cross-border travel and operating expenses for the company. (Amoamo 2022). Government policies also impact OTB, influencing the market competition, data protection regulations, and financial management strategies like Air Travel Organiser's Licence (ATOL) reforms by the UK Civil Aviation Authority (CAA)(Morrison 2022). These policies can either support or hinder the company's operations and profitability.

#### Economic Factors

The travel industry is greatly influenced by economic circumstances. Economic downturns, such as the one caused by the COVID-19 pandemic, have substantially decreased disposable income and consumer expenditure on travel. Conversely, economic recovery can result in an increase in travel demand. On The Beach has effectively managed these economic fluctuations by adjusting pricing and marketing strategies accordingly (Tomasz et al. 2021). Legal proceedings against airlines, and the cost-of-living crisis have also affected the consumer spending patterns and international expansion efforts. Supplier failures and intense market competition also pose challenges to revenue streams and growth ambitions (OTB 2021).

#### Social Factors

Consumer preferences are evolving, with a significant shift towards customized and experiential travel, which in turn affects the offers of online travel agencies like OTB. To provide ecologically friendly holiday options due to the increasing trend of eco-conscious travel, OTB is compelled to adopt more sustainable processes. (Inyang et al. 2023).

Understanding customer emotions, maintaining a positive work environment, and protecting brand reputation are also crucial factors in the development of trust and loyalty. However, talent retention challenges and economic downturns threaten workforce stability and market competitiveness (OTBReports 2023).

#### Technological Factors

OTB has consistently introduce new elements to its platform. To improve user experience, simplify booking procedures, and incorporate innovative features such as AI-powered personalized recommendations, (OTB 2024). OTB also invests in proprietary technology to enhance customer experiences and operational efficiency while mitigating potential security breaches (Evans et al. 2022).

Technological advancement of the services rendered by this company has offered growth opportunities but also cybersecurity risks.

#### Legal Factors

OTB prioritizes regulatory compliance, which consists of adherence to data protection legislation such as GDPR and consumer rights rules (Robinson et al. 2016). In order to mitigate legal risks and uphold customer trust, the company constantly ensure that its activities are transparent and in compliance with both international and local regulations(OTB 2023) .Hence, the successful legal outcomes against anti-competitive practices shows the company's commitment to fair competition and consumer protection (Rodríguez-Fernández et al. 2019).

#### Environmental Factors

The ecological consequences of travel and tourism are an escalating worry. OTB is intended and has continuously to contribute to sustainable tourism practices, lowering the environmental imprint of its packages and promoting eco-friendly travel options (Rodríguez-Fernández et al. 2019). OTB’s agile response to environmental changes ensures holiday offerings remain relevant and appealing. However, environmental disruptions like wildfires and consumer shifts towards eco-friendly options pose challenges to revenue streams and market demand (Nigel and Sarah 2024).

### 3.1.2. Porter’s Five Forces Analysis

The travel and tourism industry is an highly competitive industry, established players like Booking.com, Expedia, and Airbnb dominates and also present significant challenges for new entrants (Dwyer et al. 2018). These giants possess extensive resources, brand recognition, and well-established customer bases, which makes it difficult for newcomers to compete in the ecosystem (Leiper 2023). Moreover, regulatory complexities and the aftermath of Brexit add further barriers, revealing the importance of building customer trust and reputation (Heijveld and Gray 2016). Existing companies like OTB benefit from economies of scale, strong brand loyalty, and diverse supplier networks, which gives them a competitive advantage (Bennett and Strydom 2021).

Meanwhile, substitutes in the industry, such as competing online travel agents and alternative accommodation platforms, serve as a threat to companies like OTB, With the ease of customer switching depending on various factors, including cost, quality, and brand loyalty (Nordin 2021). While technological advancements may promote the appeal of substitutes, companies in this sector are reducing this threat by continually innovating, providing unique value propositions, and maintaining high-quality experiences (Riege and Perry 2020). Additionally, competitive rivalry has been intensified as companies engage in price wars, advertising battles, and product differentiation to attract customers in a recovering post-COVID-19 market (Middleton and Clarke 2021).

## 3.2. Internal Environment Analysis

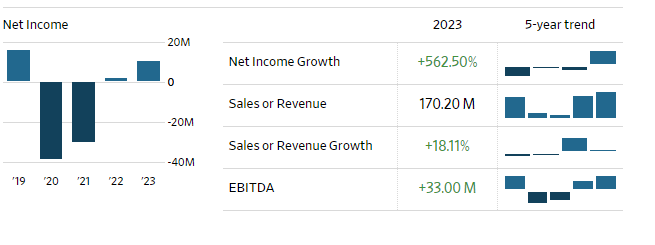
### 3.2.1. VRIO Analysis

While the company excels in providing value to customers through its innovative online platform, competitive pricing, and focus on customer service, these strengths are not highly rare or difficult for competitors to imitate (Henne 2024). The organization's effectiveness in leveraging these strengths for a sustainable competitive advantage is not also significant (Evans et al. 2022). Despite this, the company maintains a competitive edge in certain areas, such as customer service, where its specific values and offerings may differentiate it from some competitors (Chan and Tai 2022). However, OTB’s strengths are considered table stakes in the online travel agency industry, which implies that while they contribute to its competitiveness, they do not provide a significant long-term advantage.

Despite the lack of distinctiveness in its strengths, OTB also capitalizes on its competitive pricing and customer service initiatives to maintain its position in the market (Phillips and Moutinho 2018). However the company lack of focus on enhancing the rarity and inimitability of its offerings or explore new avenues for differentiation has been hampering its sustained success (Hiney et al. 2020). Also, improving organizational processes and alignment also enabled OTB to better leverage its strengths for competitive advantage, which then ensures its resilience and adaptability in the dynamic online travel agency industry (Páscoa 2022).

# Section B: Financial Analysis

## 4.1. Historical Financial Performance

The Beach Group PLC has demonstrated robust financial performance over the past few years, characterized by Fluctuating revenue growth and profitability. The company's strategic focus on expanding its online presence and enhancing customer experience has contributed significantly to its financial success as it continues to recover its earning strength (WSJ, 2024).Figure 1: 5 Years Income Statement on the Beach Group PLC. Available from: https://www.wsj.com/market-data/quotes/UK/XLON/OTB/financials/annual/income-statement.

Historically, On The Beach has increased its market share in the competitive online travel industry. For instance, between 2016 and 2019, the company reported a consistent upward trend in revenue, with an average annual growth rate of approximately 15% (Statista, 2024). This growth was driven by an expanding customer base and successful marketing strategies capitalizing on the increasing trend of online holiday bookings.

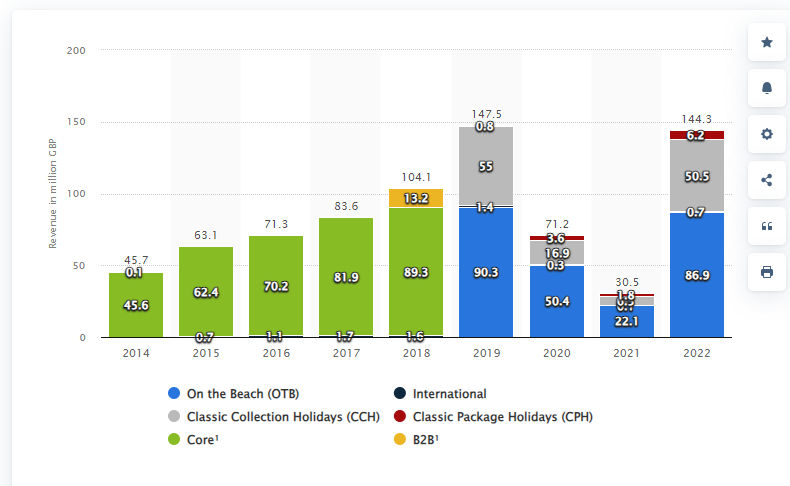


Figure 2: Revenue of On the Beach Group plc in the United Kingdom (UK) from 2014 to 2022 by business segment

The company's profitability has also been commendable. Before the pandemic hit in 2020, On The Beach reported a steady increase in operating profits, reflecting efficient cost management and strong operational performance (AnnualReport&Accunt, 2023). However, like many in the travel sector, On The Beach faced significant challenges due to COVID-19, with travel restrictions and lockdowns impacting its financial results in 2020 and 2021 (WSJ, 2024).

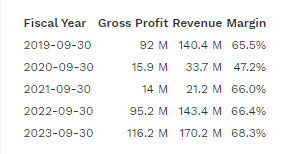
Despite these challenges, On The Beach's financial resilience was evident. The company took proactive measures to mitigate the impact of the pandemic, such as cost-cutting initiatives and leveraging its flexible business model to adapt to changing market conditions. As a result, it maintained a relatively strong balance sheet and liquidity position, setting the stage for recovery as the global travel market began to rebound in 2022 (Thompson, 2022).

Figure 3: Cash Flow on the Beach Group Plc 2019-2023

## 4.2. Ratio Analysis

### 4.2.1. Profitability Ratios

Profitability ratios are critical in evaluating a company's ability to generate earnings relative to its revenue, assets, and equity (Onthebeachannualreport, 2023). On The Beach's gross profit margin has remained strong, indicating efficient control over its cost of sales and successful margin management. The net profit ma….pg 11rgin experienced fluctuations due to the varying impacts of external factors like economic conditions and competitive pressures (Dividendmax, 2023). In September 2020, On The Beach experienced a significant drop in its gross profit margin, hitting a low point not seen in five years, recorded at 47.2%. This decline continued from the previous year, where there was a decrease in 2019 (from 65.5% to 39.3%, marking a decrease of 26.2%) and further into 2020 (from 47.2% to 19.2%, marking a decrease of 28.0%). However, there was a positive turn in the following years, with an increase noted in 2021 (from 19.2% to 66.0%, marking an increase of 40.0%), followed by a slight uptick in 2022 (from 66.0% to 66.4%, marking an increase of 0.5%), and a modest rise in 2023 (from 66.4% to 68.3%, marking an increase of 2.8%) (Finbox, 2024).



*Figure 4: Profitability Ratio of On the Beach Group Plc for the past five years, dated 2019 to 2023*

Return on Assets (ROA) and Return on Equity (ROE) are essential financial performance indicators. On The Beach has demonstrated a competent ROA and ROE in the pre-pandemic years, showcasing its ability to effectively utilize assets and equity to generate profits. These ratios dipped during the pandemic but show signs of recovery as the travel industry stabilizes. Over the last 12 years, On The Beach Group experienced a range of returns on equity (ROE). The highest recorded ROE percentage stood at 20.14%, indicating a peak in profitability during this period. Conversely, the lowest ROE dipped to -27.56%, reflecting a significant downturn in performance. Amidst these fluctuations, the median ROE settled at 6.22%, representing a middle ground in profitability over the years (GuruFocus, 2023).

## 4.2.2. Liquidity Ratios

Liquidity ratios, such as the current and quick ratios, measure a company's ability to meet its short-term obligations with its most liquid assets. On The Beach has maintained a current ratio above industry standards, reflecting a strong liquidity position. This robust liquidity helped the company navigate the financial strains caused by the pandemic and positioned it well for capitalizing on growth opportunities in the market's recovery phase (Onthebeachannualreport, 2023).

# Section C: ESG and Business Ethics Analysis

## 5.1. Environmental Initiatives

On The Beach recognizes the importance of environmental sustainability, particularly in the travel industry, where tourism has a significant impact on natural resources and ecosystems. The company has initiated several programs to reduce its environmental footprint and promote sustainable tourism.

One key initiative is the company's commitment to reducing carbon emissions. On The Beach has invested in carbon offset programs and partners with environmentally responsible service providers to offer eco-friendly travel options to its customers. These efforts contribute to the global agenda of combating climate change and promoting sustainability in the tourism sector (Onthebeachannualreport, 2023).

Additionally, On The Beach is involved in conservation projects and supports various environmental organizations. These partnerships aim to preserve natural habitats and promote biodiversity, particularly in popular tourist destinations. The company's environmental initiatives demonstrate its commitment to sustainability and, enhance its reputation and appeal to eco-conscious travelers (Onthebeachgroupannualreport, 2021).

## 5.2. Social Responsibility

Social responsibility is a key component of On The Beach’s business ethics framework. The company needs to contribute positively to society and ensure the well-being of its employees, customers, and the communities in which it operates (Spadero et al., 2023). On The Beach is committed to fair labor practices and provides a supportive work environment for its staff, offering training and development opportunities to foster career growth and employee satisfaction. The company’s inclusive workplace culture promotes diversity and equality, reflecting its dedication to social responsibility (Onthebeachannualreport, 2023)

In the realm of criminal activity, "modern slavery" encompasses a range of offenses, including slavery, servitude, forced or compulsory labor, and human trafficking. On the Beach Group plc and its subsidiaries maintain a steadfast stance of zero tolerance towards any form of modern slavery. They are committed to conducting themselves with integrity and transparency, striving to eradicate modern slavery within their business operations and supply chain. The statement below outlines the steps taken and ongoing efforts throughout the financial year to combat this issue. (Peopleonthebeachwebsite, 2023).



Figure 5: On the Beach Sustainable Practices Available from. https://www.onthebeachgroupplc.com/people/responsibility

## 5.3. Corporate Governance

Corporate governance refers to the systems and processes by which a company is directed and controlled. The Beach Group PLC has established a governance framework prioritizing accountability, transparency, and ethical business practices. The Board of Directors is responsible for setting the company's strategic direction and overseeing its implementation, ensuring that the organization's activities align with shareholder and stakeholder interests (Edward, 2023).

The company has implemented various policies and procedures to maintain high standards of corporate governance. These include regular board evaluations, transparent financial reporting, and a clear division of responsibilities among board members. On The Beach’s commitment to governance is also reflected in its adherence to the UK Corporate Governance Code, which sets standards for good practice (Onthebeachannualreport, 2023).

On The Beach engages with its shareholders and stakeholders through regular updates and meetings, ensuring their views are considered in decision-making processes. This approach fosters trust and transparency and aligns the company's operations with its long-term strategic goals (Elaine, 2023). On The Beach isn't reaching the targets of the previous years before the pandemics, and there is a need for revaluation of characters in its operations (GuruFocus, 2023).

# Section D: Investment Recommendation

## 6.1. Strategic Alignment and Future Outlook

On The Beach Group PLC has demonstrated a strong strategic alignment with the evolving dynamics of the travel industry. The company's focus on online travel booking, customer experience enhancement, and market expansion aligns well with the industry's digital transformation and growing consumer demand for personalized and convenient travel solutions. The strategic investments in technology and marketing and a flexible business model position On The Beach favorably for future growth (Edward, 2023).

On The Beach’s established market presence and robust digital platform can capitalize on this trend. However, the company must continue to innovate and adapt to changing consumer preferences and technological advancements to sustain its competitive edge and drive long-term growth (Reindrawati, 2023).

## 6.2. Financial Viability

Financially, On The Beach has shown resilience and a capacity for sustained growth. The company's historical financial performance, characterized by consistent revenue growth and strong profitability, indicates sound financial management and operational efficiency. The financial analysis reveals a healthy liquidity and solvency position, suggesting that On The Beach is well-equipped to manage its debts and fund its operations effectively (GuruFocus, 2023). Investors should remain cognizant of the industry’s cyclical nature and external risks, such as economic downturns or geopolitical tensions, that could impact financial outcomes (Parlindungan et al., 2021).

## 6.3. ESG Considerations

On The Beach’s commitment to ESG principles is evident in its corporate governance, environmental initiatives, and social responsibility efforts. The company’s governance structure, emphasizing transparency, ethical conduct, and stakeholder engagement, aligns with best practices and enhances its corporate reputation (Edward, 2023).

Environmental sustainability is increasingly becoming a priority for On The Beach, with initiatives aimed at reducing its carbon footprint and promoting eco-friendly travel options. These efforts mitigate environmental impact and resonate with the growing consumer preference for sustainable travel choices (Onthebeachgroupannualreport, 2021).

# Conclusion

On The Beach Group PLC has demonstrated a robust strategic and financial position, underpinned by its strong online presence, customer-centric approach, and adaptive business model. The strategic analysis highlighted the company's ability to leverage market trends and technological advancements, positioning it well for future growth in the evolving travel industry. Financially, On The Beach has shown resilience and profitability, with sound liquidity and solvency ratios indicating a stable financial foundation.

The company's commitment to environmental, social, and governance (ESG) principles further strengthens its market position, aligning with increasing consumer and investor demand for sustainable and responsible business practices. While the travel industry's inherent volatility and external risks pose challenges, On The Beach's strategic adaptability, financial health, and ethical business approach present a compelling investment case.

Therefore, based on the comprehensive analysis of its strategic alignment, financial viability, and ESG considerations, On The Beach Group PLC is recommended as a viable investment option, albeit with the recommendation to closely monitor industry trends and potential risks. This investment should be considered part of a diversified portfolio, considering the cyclical nature of the travel industry and external economic factors.

# Investment Recommendation

Considering On The Beach Group PLC’s strategic alignment with industry trends, strong financial performance, and commitment to ESG principles, the company presents a compelling investment opportunity. The strategic and financial analyses indicate a business poised for continued growth and profitability, while its ESG initiatives align with the broader trend towards responsible and sustainable business practices.

However, potential investors should also consider the inherent risks associated with the travel industry, including market volatility, regulatory changes, and external shocks. Balancing these factors, On The Beach is recommended as a sound investment, particularly for investors prioritizing companies with strong digital strategies, financial health, and a commitment to sustainability and ethical practices. On The Beach Group PLC is recommended as a viable investment option, provided investors know the potential risks and maintain a diversified investment portfolio to mitigate industry-specific uncertainties.

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*There doesn’t seem to be any supporting appendices here?*

*Models utilised to assist your analysis and shown in detail here might have been Business Model Canvas, PESTEL, Porter’s Five Forces, Porter’s Five Forces Radar Plot, Competitor Analysis, Competitor Perceptual Map, TOWS/SWOT, Porter’s Generic Strategies, Bowman’s Clock, Ansoff Matrix, BCG/Boston Grid, Value Chain, VRIO/VRIN, McKinsey 7 S, Stakeholder Analysis, Cultural Web, E-V-R framework.*

*A share price movement graph over 5 years would also have added and allowed additional discussion.*

***I suggest you add the following as a minimum... Business Model Canvas, PESTEL, Porter’s Five Forces, VRIO, TOWS, Share price movement graphic in the appendices with associated discussion (excl pestel/business model canvas) of these added to your narrative.***

**PESTEL ANALYSIS**

**Political factors**

Government policies can significantly impact On the Beach Group plc, a leading online beach holiday retailer in the UK, presenting both opportunities and threats to its operations. One positive influence is the UK Government's support for digital transformation and technological innovation, aligning well with On the Beach’s focus on leveraging proprietary technology to enhance customer experience. Government grants and incentives designed to encourage digital innovation present an opportunity for the company to further invest in its technology platforms, improving its competitive edge and attracting more customers. Additionally, policies promoting online commerce and consumer protection can enhance trust and loyalty, driving customer engagement and increasing revenue streams.

Conversely, restrictive regulations and competition law issues pose challenges for On the Beach. The ongoing legal claim against Ryanair highlights the complexities within the travel sector, where dominant airlines exert considerable market power. Government inaction or weak regulatory frameworks that fail to curb anti-competitive behaviours can hinder On the Beach’s ability to offer competitive prices and a wide range of options to customers, posing a threat to its market position and profitability. Furthermore, new data protection regulations, such as stricter GDPR compliance measures, although necessary, could increase operational costs and require substantial investments in data security infrastructure, impacting the company's bottom line and operational efficiency.

A newly introduced government policy that will impact On the Beach’s operations is the proposed ATOL reform by the Civil Aviation Authority (CAA). The reform aims to change the way customer monies are protected and managed, mandating more stringent financial arrangements. While this policy aims to enhance consumer protection, it presents a threat to On the Beach as it may require significant adjustments to its financial management strategies. Compliance with the reform could strain cash flow and necessitate strategic adjustments, potentially altering the business model to ensure continued compliance and financial stability, posing a threat to the company's financial health and operational efficiency.

Trade policies also play a crucial role, presenting both opportunities and threats to On the Beach. Free trade agreements facilitating easier movement between countries can boost travel demand, benefiting the company's revenue streams and market expansion efforts. Conversely, trade embargoes or increased tariffs on travel-related services could limit destination options and increase costs, posing a threat to the company's competitiveness and market share. Corporate have been no recent changes in corporate income tax or VAT directly impacting On the Beach, an increase in payroll taxes to fund social insurance programs could raise operational costs, posing a threat to profitability and financial sustainability. Similarly, new environmental regulations could necessitate more sustainable practices, impacting the company’s operational strategies and potentially increasing costs, posing both opportunities and threats depending on how effectively On the Beach adapts to and implements these regulations.

**Economic factors**

Economic factors significantly shape the operations and strategic decisions of On the Beach Group plc, presenting both opportunities and threats to the company's growth and profitability. The aggressive and anti-competitive practices of low-cost airlines, alongside legal proceedings, and regulatory interventions, can affect consumer choice and market competition, influencing the economic landscape of the travel sector. While recent success in legal claims against airlines, such as the £2 million refund from Ryanair, highlights favourable outcomes, the prolonged legal processes underscore the need for stronger regulatory frameworks to safeguard consumer interests and ensure fair competition, presenting an opportunity for On the Beach to advocate for regulatory reforms and level the playing field in the travel industry.

Strategic investments in proprietary technology, brand development, and market penetration have propelled On the Beach's performance in recent years, resulting in significant increases in business-to-consumer transactions, particularly in long-haul and premium bookings. This growth reflects the company’s adaptability and asset-light model. However, economic fluctuations, such as the ongoing cost-of-living crisis, pose challenges by impacting consumer spending patterns. Despite improvements in real wage growth, consumers remain sensitive to financial strains, necessitating competitive pricing and value-added services from On the Beach to retain and attract customers, highlighting a threat to the company's revenue streams and market share.

The decision to close the international business segment underscores economic challenges faced by On the Beach in expanding its geographical footprint. While the closure reflects a strategic shift towards focusing on more profitable markets, the operating loss of £0.5 million indicates the economic viability concerns that led to this decision. Economic uncertainties, exacerbated by the COVID-19 pandemic and failures of local airlines, present threats to the company's growth ambitions in international markets, necessitating careful evaluation of expansion strategies and market conditions.

Preparedness for supplier failures and associated financial implications is crucial in the economic environment. While On the Beach has modelled potential impacts and remains confident in its ability to manage risks, the cost-of-living crisis may heighten financial pressures on low-cost airlines, increasing the likelihood of supplier failures. This underscores the need for robust contingency plans and strategic partnerships to mitigate disruptions, presenting both an opportunity for On the Beach to strengthen its resilience and a threat to its supply chain stability and customer satisfaction.

Market competition and economic conditions directly influence On the Beach's strategic growth targets, presenting opportunities for innovation and expansion but also threats of intense competition and financial instability. As the competitive landscape evolves, the company must continuously adapt its offerings and operational strategies to maintain its market position and achieve long-term success, highlighting the importance of proactive risk management and strategic planning in navigating economic uncertainties.

**Social factors**

Social factors play a pivotal role in shaping the operations and strategic outlook of On the Beach Group plc, presenting both opportunities and threats to the company's success in the online beach holiday retail sector. Understanding the emotional significance of beach holidays to customers presents an opportunity for On the Beach to differentiate itself by delivering exceptional customer experiences. Proactive incident management processes, such as handling disruptions like the Rhodes wildfires, demonstrate the company’s commitment to safeguarding customer interests and maintaining trust, positioning it as a reliable and customer-centric brand in the market.

The company's work environment represents both an opportunity and a threat. Providing an excellent working environment with a positive culture enhances employee satisfaction and retention, fostering innovation and progress within the organization. However, the high competition for talent in the Northwest region poses a threat, as attracting and retaining skilled employees becomes increasingly challenging, potentially impacting the company's ability to maintain its positive work culture and achieve strategic objectives.

Investment in brand and reputation management presents an opportunity for On the Beach to build brand awareness and loyalty, attracting more customers to its platform. By monitoring satisfaction and continuously improving customer experiences, the company can strengthen its brand image and maintain competitiveness in the market. However, failure to protect and maintain this reputation poses a threat, as negative publicity and reduced customer trust could lead to a decline in demand and revenue, jeopardizing the company's market position and long-term growth prospects.

Economic conditions directly influence social dynamics and consumer behavior, presenting both opportunities and threats for On the Beach. A material deterioration in consumer confidence due to economic downturns poses a threat, leading to a decline in demand for beach holidays and potentially impacting the company's revenue streams. However, the company can capitalize on opportunities presented by economic stability and positive consumer sentiment to drive demand and sustain business growth.

In conclusion, social factors encompass both opportunities and threats for On the Beach Group plc, shaping its business operations and strategic decisions. By leveraging opportunities such as delivering exceptional customer experiences, maintaining a positive work environment, and building a strong brand image, the company can enhance its competitiveness and drive growth. However, it must also mitigate threats such as talent retention challenges and economic uncertainties to sustain long-term success in the market.

**Technological factors**

Technological factors play a pivotal role in shaping the operational landscape and strategic direction of On the Beach Group plc, one of the UK's foremost online beach holiday retailers. The company has made significant strides in advancing its technology, particularly in developing scheduled flight supply with airlines serving both east and west-bound long-haul destinations. This progress underscores the importance of leveraging technology to create a competitive edge in the largely offline long-haul market. By onboarding new airlines and adding more destinations, the Group has identified substantial growth opportunities. Technological advancements enable On the Beach to disrupt traditional market structures, offering customers enhanced travel options and booking experiences that were previously unavailable or less efficient.

A crucial aspect of On the Beach's technological advancement is its collaboration with airport partners to deliver a broad perks platform, a key differentiator in the industry. Unlike competitors who may lack the scale to appeal to airports or those overwhelmed by high volumes at peak times, On the Beach's balanced approach provides a strategic advantage. This collaboration highlights the company's ability to utilize technology to enhance customer experiences, offering perks such as fast-track services and lounge access. These perks not only improve customer satisfaction but also strengthen the company's market position by providing added value that competitors might struggle to match.

Investments in proprietary technology have been a cornerstone of On the Beach's strategy, enabling the company to support continued growth and handle a larger volume of holiday bookings. Significant efforts have been made to re-architect the core platform, resulting in improved site speed and reliability. The upgraded hotel platform now processes billions of searches with a high booking success rate, while the enhanced data acquisition platform ensures better availability and accuracy. These improvements are crucial for maintaining operational efficiency and meeting the high expectations of modern consumers. Additionally, the migration to the cloud has facilitated greater development speed, enhanced security, and reduced the complexity of running services. The adoption of cloud-native technology has also improved system performance and reliability, allowing the company to tap into a richer pool of tech talent.

The introduction and continuous improvement of a customer-facing app have been instrumental in boosting customer experience and engagement. The app's development has enabled faster iterations and ongoing experimentation, leading to a gradual increase in the conversion rate. This focus on mobile technology aligns with current consumer trends, where convenience and accessibility via smartphones are paramount. The company's investments in improving the app and self-serve capabilities reflect a commitment to enhancing the overall customer journey, from initial booking to the holiday experience itself. By expanding its perks proposition and improving customer service through technology, On the Beach can maintain high levels of customer satisfaction and loyalty.

However, the reliance on technology also brings significant risks. A major security breach, whether due to human error, deliberate action, or technology failure, could result in unauthorized access to sensitive data and disruption of core business operations. Such incidents could lead to significant financial losses, fines, and reputational damage. To mitigate these risks, On the Beach has implemented comprehensive plans, including cyber insurance, to handle potential cyber-attacks. This proactive approach to risk management underscores the company's recognition of the critical importance of cybersecurity in today's digital landscape.

In conclusion, technological factors are integral to On the Beach's business model and strategic planning. The company's investments in technology enhance operational efficiency, customer experience, and market competitiveness. Collaboration with partners, continuous improvement of digital platforms, and proactive risk management are all essential components of its technological strategy. As the travel industry continues to evolve, On the Beach's focus on technology will likely remain a key driver of its growth and success.

**Environmental factors**

Environmental factors are increasingly significant in the PESTEL analysis of On the Beach Group plc. In an era marked by climate-related risks, the Group’s asset-light model, not owning physical assets like planes and hotels, provides unique flexibility. This agility allows On the Beach to swiftly adapt its holiday locations in response to climate risks and evolving market demands. By prioritizing customer safety, satisfaction, and preferences, the company ensures its holiday offerings remain relevant and appealing. This dynamic approach allows On the Beach to mitigate risks and capitalize on opportunities arising from environmental changes, enhancing its resilience in a rapidly evolving market.

The Rhodes wildfires this year underscored the necessity for On the Beach to manage and respond effectively to environmental events that disrupt operations. The ability to adapt quickly to such events is crucial for maintaining customer trust and satisfaction. The company has comprehensive customer incident management processes to identify and address disruptions, ensuring that it can maintain service quality even in challenging circumstances. This proactive stance not only safeguards the company’s reputation but also reinforces its commitment to customer-centricity. Effective management of environmental disruptions is essential for sustaining business continuity and customer loyalty.

Environmental and sustainability concerns are increasingly shaping consumer behavior, potentially impacting demand for beach holidays. As awareness of climate change grows, consumers may opt to travel less frequently or choose destinations with lower environmental impact. Extreme weather events, such as wildfires and extreme heat, can also affect the desirability of certain holiday spots, prompting shifts in consumer preferences. On the Beach must remain vigilant and responsive to these trends, ensuring its offerings align with environmental considerations and consumer expectations. By doing so, the company can continue to attract environmentally conscious travellers and maintain its competitive edge in the travel industry.

**2.6 Legal factors**

Legal factors play a significant role in the PESTEL analysis framework of On the Beach Group Plc, shaping its operations and strategies. The company is actively involved in legal proceedings against Ryanair for breaches of competition law, highlighting concerns about anti-competitive practices within the travel sector. This legal action underscores the importance of regulatory review and intervention to ensure fair competition and protect consumer interests. On The Beach advocates for regulatory scrutiny of low-cost airlines' market power and anti-competitive behaviours, emphasizing the need for regulatory bodies like the Competition and Markets Authority (CMA) to preserve competition and uphold consumer rights.

The successful outcome of legal claims against Ryanair demonstrates On The Beach's commitment to enforcing legal standards and holding airlines accountable for their actions. The company's focus on legal compliance extends beyond competition law to encompass data protection regulations such as GDPR. On The Beach prioritizes data protection and implements controls and monitoring to ensure compliance with GDPR requirements, recognizing the potential financial, operational, and reputational impacts of data breaches.

Furthermore, the Group's adherence to legal and regulatory frameworks extends to safety and consumer protection regulations, particularly as a package organiser under the Package Travel and Linked Travel Regulations 2018. The company acknowledges its responsibility for the proper performance of packages and the potential liabilities associated with failures from suppliers. Compliance with these regulations is crucial for maintaining consumer trust and safeguarding the Group's reputation and financial viability.

The highly regulated nature of the travel industry presents both opportunities and challenges for OTB. While regulatory compliance enhances consumer confidence and trust in the Group's services, non-compliance or unfavourable changes to existing laws can have adverse effects on its business operations and financial performance. The Group must navigate a complex regulatory landscape, ensuring alignment with legal requirements while mitigating legal risks and liabilities associated with litigation and regulatory scrutiny.

Legal factors have continued to significantly influence the business environment of OTB, shaping its interactions with competitors, regulators, and consumers. The company's proactive approach to legal compliance and enforcement underscores its commitment to upholding legal standards, protecting consumer rights, and maintaining operational resilience in a highly regulated industry. By addressing legal challenges and advocating for regulatory reform, OTB aims to foster fair competition, enhance consumer protection, and sustain its long-term growth and profitability.

|  |  |  |
| --- | --- | --- |
| **Factor** | **Opportunity** | **Threat** |
| **Political** | Government support for digital transformation and technological innovation presents opportunities for On the Beach to invest in technology platforms and attract more customers. | - Restrictive regulations and competition law issues pose threats to On the Beach's ability to offer competitive prices and a wide range of options, potentially impacting market position and profitability.  - Stricter GDPR compliance measures could increase operational costs and require substantial investments in data security infrastructure, affecting bottom line and operational efficiency.  - ATOL reform may strain cash flow and necessitate strategic adjustments, potentially altering the business model and threatening financial stability. |
| **Economic** | - Success in legal claims against airlines highlights opportunities for On the Beach to advocate for regulatory reforms, ensuring fair competition in the travel industry. | - Economic fluctuations, such as the ongoing cost-of-living crisis, pose threats by impacting consumer spending patterns and requiring competitive pricing to retain customers, potentially affecting revenue streams and market share.  - Economic uncertainties, exacerbated by the COVID-19 pandemic, present threats to international expansion efforts and growth ambitions, necessitating careful evaluation of expansion strategies and market conditions.  - Supplier failures due to economic pressures may disrupt business operations, posing threats to supply chain stability and customer satisfaction. |
| **Social** | - Understanding the emotional significance of beach holidays presents opportunities for On the Beach to deliver exceptional customer experiences, enhancing trust and loyalty. | - High competition for talent in the Northwest region poses threats to attracting and retaining skilled employees, potentially impacting positive work culture and strategic objectives.  - Failure to protect and maintain brand reputation poses threats, leading to negative publicity and reduced customer trust, impacting demand and revenue.  - Economic downturns may lead to a decline in demand for beach holidays, posing threats to revenue streams and market share. |
| **Technological** | - Advancements in technology enable On the Beach to disrupt traditional market structures, offering enhanced travel options and booking experiences, presenting opportunities for growth and competitiveness. | - Major security breaches pose threats, resulting in financial losses, fines, and reputational damage, highlighting the critical importance of cybersecurity. |
| **Environmental** | - On the Beach's asset-light model provides opportunities to adapt quickly to environmental changes, ensuring holiday offerings remain relevant and appealing. | - Environmental disruptions, such as wildfires, pose threats to operations, requiring effective management to maintain customer trust and satisfaction.  - Shifts in consumer preferences due to environmental concerns may impact demand for beach holidays, posing threats to revenue streams. |
| **Legal** | - Successful legal outcomes demonstrate On the Beach's commitment to enforcing legal standards and holding airlines accountable, presenting opportunities to advocate for fair competition and consumer protection. | - Non-compliance or unfavourable changes to existing laws pose threats, affecting business operations and financial performance. |

**PORTER’S FIVE FORCES ANALYSIS**

**Threat of New Entrants:**

The dominance of established players like Booking.com, Expedia, and Airbnb creates intense competition, making it challenging for new entrants to gain visibility and market share. These giants have extensive resources, brand recognition, and well-established customer bases, making it difficult for newcomers to compete on equal footing. Additionally, the digitalization of the industry poses hurdles as established online travel agencies invest heavily in search engine marketing, making it tough for new players to attract users to their platforms and establish a significant online presence.

Furthermore, regulatory complexities within the travel industry present significant barriers for new entrants. Compliance with safety standards, data protection laws, and licensing requirements can be daunting and costly for startups. Moreover, the aftermath of Brexit has reshaped the travel landscape, with changes in labour markets and regulations impacting businesses. Adapting to these post-Brexit realities adds another layer of challenge for new companies entering the market. Additionally, building customer trust and reputation is crucial in the travel sector, where established brands have a track record of reliability and quality. New entrants must invest considerable time and resources in reputation management to compete effectively.

Despite these barriers, existing companies like On The Beach Group PLC benefit from economies of scale, giving them a competitive advantage over potential newcomers. Cost efficiencies, bulk purchasing power, and well-established distribution channels contribute to their dominance in the market. Moreover, strong brand loyalty among customers further solidifies the position of existing players. Loyalty programs, personalized services, and employee engagement strategies enhance customer retention, making it challenging for new entrants to lure customers away from established brands.

**Bargaining Power of Suppliers:**

The company's unique business model supports the traditional reliance on suppliers compared to other players in the travel and tourism industry. On The Beach Group PLC operates without fixed ties to airlines or hotels, giving it more flexibility and autonomy in sourcing holiday products. By maintaining independence from specific suppliers, the company can negotiate favourable terms and access a diverse range of offerings, ensuring competitive pricing and a broad selection for its customers. This decentralized approach to supplier relationships reduces the bargaining power of individual suppliers, as OTB can easily switch between providers to optimize its offerings and maintain its competitive edge.

Furthermore, the availability of alternative suppliers in the travel and tourism industry adds to the reduced bargaining power of individual suppliers. OTB collaborates with various types of suppliers, including airlines, hotels, tour operators, transportation services, and technology providers. This diverse supplier network allows the company to leverage competition among suppliers to its advantage, ensuring access to the best deals and ensuring high-quality products and services for its customers. Additionally, the absence of long-term contracts or fixed ties with suppliers gives OTB the freedom to explore new partnerships and adapt to changing market dynamics swiftly.

However, the potential for supplier forward integration poses a theoretical threat to OTB bargaining power. If suppliers decide to forward integrate and move closer to end customers, they could potentially bypass intermediaries like OTB altogether. While this scenario could disrupt existing distribution channels and impact the company's market position, it is unlikely to materialize significantly due to the complexities and resource requirements involved in direct customer-facing operations. Overall, OTB decentralized supplier relationships and access to alternative suppliers contribute to its relatively low bargaining power of suppliers, ensuring the company's resilience and adaptability in the dynamic travel and tourism industry.

**Bargaining Power of Buyers:**

In assessing the bargaining power of buyers for OTB within Porter's Five Forces framework, the company's extensive customer base of over 1.8 million annually indicates a substantial buyer presence. Buyers in the travel and tourism industry exhibit both price sensitivity and quality sensitivity. Many travellers prioritize cost-effective options, actively seeking competitive prices and discounts, which aligns with OTB strategy of offering transparent pricing and competitive rates. However, buyers also value quality in their holiday experiences, including accommodations, customer service, and destination experiences. Positive reviews and repeat customers contribute to brand loyalty, emphasizing the importance of quality in buyer decisions. Overall, the combination of price and quality sensitivity among buyers highlights the need for OTB to balance affordability with high-quality offerings to maintain its competitive edge in the market.

Furthermore, the availability of substitute products and services in the travel and tourism industry influences buyer behavior and impacts OTB bargaining power. Substitute products and services provide alternatives for travellers seeking similar experiences, whether in transportation, accommodations, or destination activities. Buyers consider factors such as convenience, cost, and quality when evaluating substitutes, posing a challenge for companies like OTB to differentiate themselves and retain customers. The labour-intensive nature of the tourism industry contributes to the homogeneity of tourism products, further emphasizing the role of substitutes in shaping buyer choices. As such, OTB must continually innovate and provide unique value propositions to attract and retain customers amidst the availability of substitutes in the market.

Despite the presence of substitutes, OTB significant customer base and focus on offering competitive prices and quality experiences afford it some leverage in bargaining with buyers. By understanding the preferences and priorities of its diverse customer segments, the company can tailor its offerings to meet buyer expectations and maintain customer loyalty.

**Threat of Substitutes:**

On The Beach Group PLC is a company which operates in an industry where numerous alternative products and services exist. Competing online travel agents (OTAs) like Expedia and Booking.com offer similar beach holiday packages and flight-inclusive deals, providing customers with alternatives to OTB offerings. Additionally, traditional travel agencies offer personalized assistance, while customers may also opt for direct bookings with airlines and hotels, bypassing intermediaries like OTAs. Alternative accommodation platforms such as Airbnb cater to travellers seeking unique lodging options beyond traditional hotels, presenting further substitutes for OTB.

The ease with which customers can switch to substitutes depends on various factors, including cost, quality, brand loyalty, convenience, and market accessibility. Price-sensitive buyers may readily explore alternatives if substitutes offer lower prices, while those prioritizing quality and positive experiences may be less likely to switch. Established brand loyalty and trust can deter customers from switching, especially if they have positive experiences with a particular brand or platform. However, technological advancements such as faster mobile bookings, AI concierge services, biometric technology, and virtual reality experiences could enhance the appeal of substitutes by offering improved convenience, efficiency, and immersive travel experiences, potentially making it easier for customers to switch.

Overall, while the presence of substitutes poses a threat to OTB the extent of this threat depends on factors such as customer preferences, brand loyalty, and technological advancements. The company must continually innovate and differentiate its offerings to retain customers and withstand competitive pressures from substitutes. By focusing on providing unique value propositions, maintaining high-quality experiences, and leveraging emerging technologies, OTB can mitigate the threat of substitutes and sustain its competitive position in the travel and tourism industry.

**Competitive Rivalry:**

The company operates in an industry characterized by intense competition. Competitors such as Hostelworld Group, Fuller, Smith & Turner, and others offer a range of travel-related services and experiences, competing for market share within the consumer cyclical sector. Before the COVID-19 pandemic, the tourism industry was highly competitive, with numerous players including online travel agents, tour operators, airlines, and accommodation providers vying for customers. The Travel & Tourism Competitiveness Index further highlights the competition among countries and destinations based on factors such as business environment, infrastructure, and safety.

Factors such as price wars, advertising battles, and product differentiation significantly impact competition within the travel and tourism industry. Companies often engage in price competition to attract customers, leading to lower profit margins but potentially benefiting consumers. Aggressive marketing and advertising campaigns create brand awareness and compete for consumer attention, while product differentiation through unique offerings, personalized experiences, and quality is crucial for setting companies apart. Economic factors such as employment rates, fuel costs, and currency exchange rates also influence travel demand and consumer spending on travel, further impacting competitive dynamics. Additionally, destination competitiveness, including factors like infrastructure, safety, and marketing, contributes to the rivalry among countries competing to attract tourists.

The post-COVID-19 landscape has introduced additional challenges and opportunities for competition within the travel and tourism industry. Recovery efforts involve adapting to changing consumer preferences and safety concerns, further intensifying competition as companies strive to differentiate themselves and attract travelers in a recovering market. As the industry continues to evolve, OTB continues to navigate these competitive dynamics by leveraging its strengths, investing in innovation, and effectively differentiating its offerings to maintain and enhance its competitive position.

|  |  |
| --- | --- |
| **Framework** | **Summary** |
| **Threat of New Entrants** | * Dominance of established players (Booking.com, Expedia, Airbnb) creates intense competition. * Digitalization presents hurdles for newcomers. * Regulatory complexities act as significant barriers. * Building customer trust is crucial. |
| **Bargaining Power of Suppliers** | * Unique business model reduces reliance on specific suppliers. * Diverse supplier network reduces individual supplier bargaining power. * Freedom to explore new partnerships mitigates supplier power. |
| **Bargaining Power of Buyers** | * Customers exhibit price and quality sensitivity. * Availability of substitutes influences buyer behavior. OTB leverages extensive customer base and competitive pricing. |
| **Threat of Substitutes** | * Numerous alternative products and services exist. * Ease of customer switching depends on various factors. * Technological advancements enhance substitute appeal. |
| **Competitive Rivalry** | * Intense competition among various players in the industry. * Price wars, advertising battles, and product differentiation shape competitive dynamics. * Economic factors and destination competitiveness further impact rivalry. |

**Value, Rarity, Imitability, and Organization (VRIO) Analysis**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Value** | **Rarity** | **Inimitability** | **Organized** | **Competitive Advantage?** |
| **Strength1: Innovative online platform** | Yes | No | No |  | Table stake |
| **Strength 2: Competitive pricing** | Yes | No | No | Yes | Table stake |
| **Strength 3: Focus on customer service** | Yes | No | No |  | Yes |
| **Strength 4: Efficient packaging of flights and hotels** | Yes | No | No | Yes | Limited competitive advantage |

**On the Group, PLC VRIO Analysis - Evaluation**

**Strength 1: Innovative online platform that offers a seamless booking experience for customers.**

* **Value**: The platform adds clear value to customers by simplifying the booking process and offering a wide range of holiday options.
* **Rarity**: While the platform is valuable, similar online booking platforms are common in the industry, making it not highly exclusive.
* **Inimitability**: Competitors can replicate similar technology platforms, as the capabilities are not unique to OTB.
* **Organization**: It's unclear if the organization effectively leverages the platform for competitive advantage.

**Conclusion:** considered a table stake in the online travel agency industry**.**

**Strength 2: Competitive pricing for its holiday packages, providing better value compared to traditional package holidays.**

* **Value**: Competitive pricing strategy adds value to customers by offering affordability and savings on holiday bookings.
* **Rarity**: Pricing strategies are common in the industry, and OTB's competitive pricing is not highly rare.
* **Inimitability**: Competitors can adjust their pricing strategies to match or undercut OTB's prices.
* **Organization**: Pricing decisions may be organized, but the effectiveness of pricing optimization is uncertain.

**Conclusion:** It is a table stake for OTB.

**Strength 3: Focus on customer service offering features such as 24/7 support, free COVID tests, and airport lounge access.**

* **Value**: Customer service initiatives add significant value by enhancing the overall holiday experience and customer satisfaction.
* **Rarity**: While customer service features are common in the industry, OTB's specific offerings may set it apart from some competitors.
* **Inimitability**: Competitors can replicate similar customer service features, although exact offerings may vary.
* **Organization**: The organization appears to prioritize customer service, but the effectiveness of its implementation is unclear.

**Conclusion:** a table stake

**Strength 4: Efficient packaging of flights and hotels providing flexibility and often better value for customers.**

* **Value**: Efficient packaging adds value by simplifying the booking process and offering cost savings.
* **Rarity**: Packaging capabilities are common in the industry, and OTB approach is not highly rare.
* **Inimitability**: Competitors likely have similar packaging capabilities, and replicating this strength may not require significant effort.
* **Organization**: Packaging processes may be organized, but the efficiency of operations is uncertain.

**Conclusion:** a table stake in the online travel agency industry.