# 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 which an investor should buy if willing since it as a remarkable prospect and future, 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

# 1. Introduction

The investment landscape in the travel industry has experienced significant shifts due to technological advancements and evolving consumer preferences (Anckar and Walden 2001). On The Beach Group PLC (OTB), established in 2004, has transformed the travel industry with its innovative online holiday booking system (OTB 2021). Headquartered in Manchester, UK, OTB evolved from a small start-up to a prominent online travel agency focused on beach vacations (OTB 2023). Embracing digital trends and user-friendly technology, OTB offers a hassle-free holiday planning experience, distinguishing itself from traditional agencies (OTB 2024). The company provides a wide range of beach holiday options, from budget to luxury, with customizable packages that include flights, hotels, and transfers (AGMTradingUpdate 2024). Detailed business model in appendix 5.

This report aims to provide a comprehensive investment recommendation for potential investors considering OTB. Through a detailed SWOT analysis, the report evaluates the company's strengths, weaknesses, opportunities, and threats to determine the viability of investing in OTB. By examining key factors such as market position, financial performance, and strategic initiatives, this analysis seeks to offer a balanced perspective on whether OTB represents a sound investment opportunity. The ultimate goal is to inform investors of the potential returns and risks associated with investing in OTB, thereby aiding in making a well-informed investment decision.

# 2. Section A: Strategic Analysis

## 2.1. External Environment Analysis

External Environment Analysis involves evaluating and understanding external factors that can impact an organization's operations, strategies, and performance. It is a critical component of strategic planning as it assists organizations in identifying opportunities and threats in their external environment (Pulaj and Pulaj, 2015).

### 2.1.1. PESTEL Analysis

A PESTEL analysis evaluates the political, economic, social, technological, environmental, and legal factors influencing an organization (Sammut‐Bonnici & Galea, 2015). A detailed PESTEL analysis is provided in Appendix 1.

**Political Factors**

On the Beach Group PLC (OTB) operates primarily in the UK but is affected by international political events such as Brexit. The uncertainty of Brexit has impacted customer confidence and travel regulations, influencing cross-border travel and operational costs (Amoamo, 2022). Government policies, including data protection regulations and ATOL reforms by the UK Civil Aviation Authority, also affect OTB’s market competition and financial strategies (Morrison, 2022).

**Economic Factors**

The travel industry is sensitive to economic fluctuations. Economic downturns, like those during the COVID-19 pandemic, reduce disposable income and travel spending. Conversely, economic recoveries boost travel demand. OTB adapts to these changes by modifying pricing and marketing strategies (Tomasz et al., 2021).

**Social Factors**

Consumer preferences are shifting towards personalized and eco-friendly travel. OTB is adapting by offering sustainable holiday options and focusing on customer experience, brand reputation, and employee satisfaction (Inyang et al., 2023; OTB Reports, 2023).

**Technological Factors**

OTB enhances its platform with new features, such as AI-powered recommendations, to improve user experience and operational efficiency. While technological advancements offer growth opportunities, they also introduce cybersecurity risks (Evans et al., 2022; OTB, 2024).

**Legal Factors**

Compliance with regulations, such as GDPR and consumer rights laws, is crucial for OTB. The company maintains transparency and adheres to local and international laws to mitigate legal risks and uphold customer trust (Robinson et al., 2016; OTB, 2023). Successful legal outcomes against anti-competitive practices further demonstrate OTB's commitment to fair competition (Rodríguez-Fernández et al., 2019).

**Environmental Factors**

OTB promotes sustainable tourism to minimize environmental impacts. While this approach keeps holiday offerings appealing, environmental disruptions and the shift towards eco-friendly options challenge revenue and demand (Rodríguez-Fernández et al., 2019; Nigel & Sarah, 2024).

### 2.1.2. Porter’s Five Forces Analysis

Porter’s five forces framework (rivalry existing competitors, threat of new entrants, power of suppliers and buyers, substitute products and services) is based on the perception that an organizational strategy should encounter the opportunities and threats in the organizations external setting (Porter 1989). 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). Figure 1 below shows a summary of the Porter’s five analysis as it relates to OTB. Appendix 2 shows a detailed report of the porter’s five analysis.

Figure 1: Summary of the Porter’s Five Analysis



## 2.2. Internal Environment Analysis

### 2.2.1. 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).

Figure 2: VRIO Analysis



# 3. Section B: Financial Analysis

## 3.1. Historical Financial Performance

On 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 3: OTB Financial KPI



Source: (OTB 2023)

The financial performance of On the Beach plc (OTB) from 2019 to 2023 highlights significant trends and strategic implications. Group Revenue consistently increased from £140 million in 2019 to an estimated £200 million in 2023, suggesting successful market expansion and customer acquisition strategies. However, Group Profit Before Tax experienced a substantial decline during the pandemic years of 2020 and 2021, indicating the severe impact of COVID-19 on the travel industry. Despite this, a recovery began in 2022, with projections for further improvement by 2023. Adjusted EBITDA followed a similar pattern, turning negative during the pandemic but showing recovery and projected growth by 2023, demonstrating effective operational cost management. These trends underscore OTB's resilience and strategic agility in navigating industry challenges, positioning the company for sustainable future growth

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## 3.2. Ratio Analysis (Detailed calculation in appendix 6)

### 3.2.1. Profitability Ratios

Profitability ratios are essential metrics for evaluating a company's profit generation relative to its resources and investments (Orbaningsih, 2022). These ratios are typically categorized into margin ratios, assessing profitability concerning sales, and return on investment ratios, analyzing profitability relative to investments or assets (Jain et al., 2020). Common ratios include Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (Miransyah et al., 2021). An analysis of OTB PLC's profitability ratios from 2021 to 2023 reveals mixed performance. The Return on Capital Employed (ROCE) increased notably in 2022, indicating improved efficiency, but declined significantly in 2023. The Gross Profit Ratio remained stable at 66-67%, reflecting consistent control over pricing and costs. However, the Quality of Profit ratio saw a decline, peaking in 2022 due to non-recurring factors and turning negative in 2023, indicating issues in converting profits to cash flow. Similarly, the Operating Cash Flow Margin dropped, showing reduced cash flow generation. ROE followed ROCE's volatility, rising in 2022 and falling in 2023, possibly due to changes in profitability or capital structure. These trends suggest OTB PLC improved capital efficiency in 2022 but faced cash flow and profitability challenges in 2023, necessitating further analysis to address operational issues.

Figure 4: OTB Profitability Ratio



## 3.2.2. Liquidity Ratios

Liquidity ratios are crucial financial metrics used to assess a company's ability to meet short-term obligations with its current assets (Brodunov et al. 2021). Analyzing OTB PLC's profitability ratios from 2021 to 2023 shows varied financial performance. The Return on Capital Employed (ROCE) increased in 2022, indicating better efficiency, but fell sharply in 2023, indicating room for improvement. The Gross Profit Ratio remained stable at 66-67%, reflecting effective pricing strategy and cost control. However, the Quality of Profit ratio declined significantly, with a peak in 2022 likely due to non-recurring factors and a negative ratio in 2023, indicating issues in converting profits into cash flow. The Operating Cash Flow Margin also dropped, showing reduced cash generation. The Return on Equity (ROE) followed a similar volatile pattern as ROCE. These trends indicate that while capital efficiency improved in 2022, challenges in cash flow conversion and profitability arose in 2023, necessitating further analysis to address underlying issues.

Figure 5: OTB Liquidity Ratio



**3.2.3 Efficiency Ratio**

It is a measure of operational efficiency that reflects the company’s ability to generate income relative to its operating costs (Chabachib et al., 2019). Interpreting the efficiency of OTB PLC through its Assets Turnover Ratio from 2021 to 2023 reveals significant insights into the company's operational performance. The Assets Turnover Ratio, which measures how effectively a company uses its assets to generate sales, increased dramatically from 0.08 in 2021 to 0.41 in 2022, reflecting a substantial improvement in efficiency (439.53%). This positive change suggests that the company either sold more products without a proportional increase in asset investment or shifted towards higher-margin products. However, the slight decline to 0.39 in 2023 (-5.39%) indicates a minor reduction in efficiency, which, while not immediately alarming, warrants monitoring to ensure it does not become a downward trend. These fluctuations highlight the importance of continuous assessment of asset utilization to sustain and enhance operational efficiency.

Figure 6: OTB Efficiency Ratio



**3.2.4 Capital Structure**

Capital structure ratio refers to the relationship between the debt a company holds and its total capital (Trung Thanh and Dinh Van 2022). The analysis of OTB PLC's capital structure ratios reveals a growing dependence on debt financing over the past three years, as evidenced by an increasing debt-to-equity ratio, which reached 1.59 in 2023. This trend is complemented by a declining equity ratio, which dropped to 0.39 in 2023, indicating a reduced proportion of assets financed by shareholders' equity. Additionally, both the debt ratio and gearing ratio, while slightly decreasing from 2022 to 2023, remain above 1, underscoring that the company's total debt exceeds its total equity. This shift towards higher debt levels, though not yet excessive, suggests a potentially riskier financial structure that necessitates careful management to ensure the company can meet its interest obligations and maintain financial stability (Brealey et al., 2020; Ross et al., 2019).

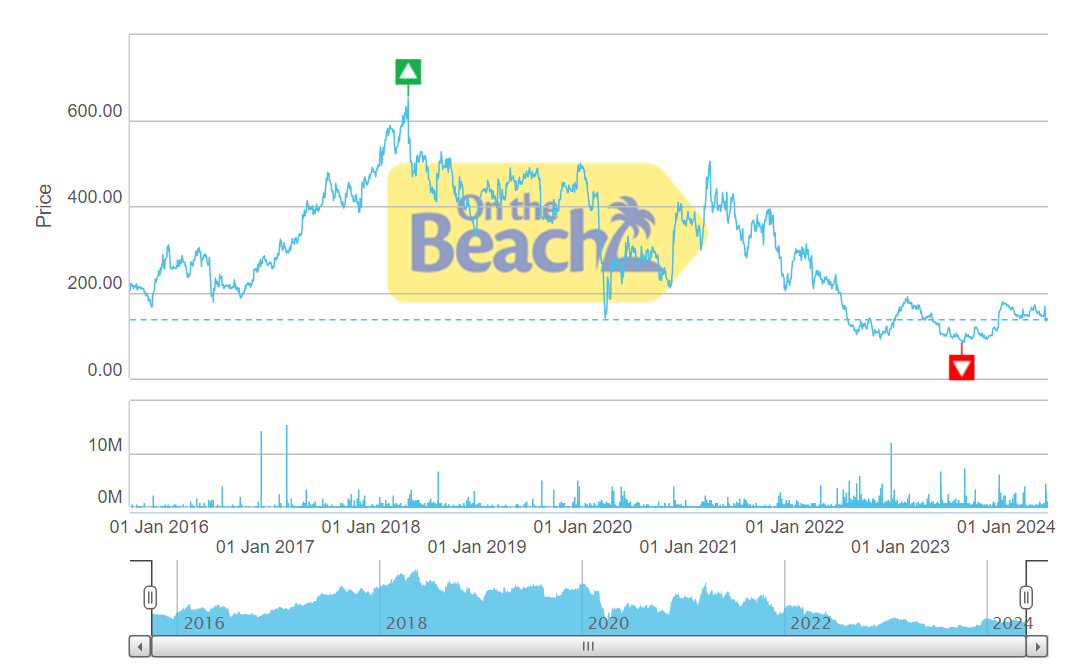
Figure 7: OTB Capital Structure Ratio



**3.2.5 Share price**

The graph depicting OTB PLC's share price from 2015 to 2024 indicates a significant downward trend, with the price dropping from approximately £600 per share in 2015 to around £200 per share in 2024. This decline suggests a long-term loss of investor confidence, likely influenced by various factors. Decreasing profitability, as evidenced by reduced cash flow and overall profitability in 2023, may be a contributing factor. Additionally, increasing competition within the travel industry and a generally negative industry outlook stemming from economic downturns, geopolitical instability, and the COVID-19 pandemic could further dampen investor sentiment. While the current low share price might appeal to bargain hunters, the persistent downtrend implies potential underlying issues with the company's financial health or future prospects.

Figure 8: OTB Share price between 2019 to 2024



# Section C: ESG and Business Ethics Analysis

## 4.1 OTB PLC's ESG Performance: A Summary

This summary critically analyzes OTB PLC's Environmental, Social, and Governance (ESG) performance based on the company's ESG report in their 2023 annual report. It addresses the company's commitments, initiatives, and the efficacy of their efforts, providing a cohesive evaluation of their strategies and outcomes.



Figure 9: Summary of OTB ESG report

### 4.1.1 Environmental Performance

OTB PLC acknowledges the significant environmental impact of its operations and is committed to reducing its environmental footprint through various initiatives and long-term goals aimed at mitigating climate change. Recognizing climate change as a major threat, OTB has set a long-term goal of achieving net-zero emissions by 2050 and aims to reduce carbon emissions per employee by 10% by FY25, although the baseline for this target is unspecified, complicating progress assessment (OTB, 2023). The company has implemented initiatives such as reducing energy consumption, investing in energy-efficient technologies, and promoting sustainable travel. Additionally, OTB collaborates with suppliers to lower emissions across the supply chain. Specific targets include a 5% annual reduction in landfill waste. However, performance data shows stable carbon emissions per employee over five years and modest water consumption reductions, indicating the need for more effective measures (OTB 2023).

### 4.1.2 Social Performance

OTB PLC's social performance includes notable initiatives in community investment, customer satisfaction, and ethical business practices. The company engages in partnerships with charities addressing food waste, youth development, and marine conservation, and encourages employee volunteering (OTB, 2023). Significant improvements in customer satisfaction over the past five years are attributed to enhanced customer service strategies and continuous feedback (OTB, 2023). OTB PLC maintains a zero-tolerance policy on modern slavery and human trafficking, implementing responsible sourcing policies and regular supplier audits to ensure compliance with social and environmental standards (OTB, 2023). However, the company faces a significant gender pay gap of 35.3%, with a two-point plan to attract more women and improve promotion processes, though more comprehensive strategies are needed (OTB, 2023). Additionally, despite efforts to improve workplace health and safety, the company reported a 5% increase in work-related accidents in FY24, prompting continued focus on risk assessments, training, and accident reporting to enhance safety measures (OTB, 2023).

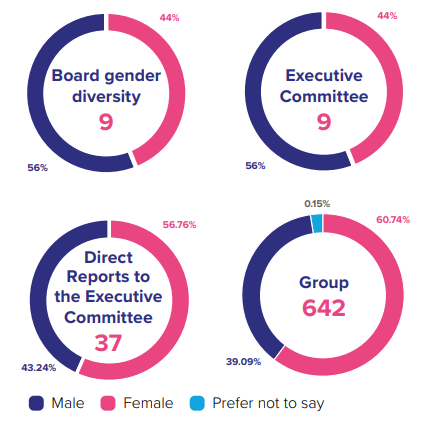


Figure 10: OTB Gender Diversity

### 4.1.3 Governance Performance

OTB PLC's governance performance is marked by a structured, transparent approach emphasizing accountability, risk management, and ethical business conduct. The board comprises eight directors, including six non-executive and two executive members, ensuring a balance of independent oversight and executive leadership, although details on board diversity are lacking (OTB, 2023). Climate change oversight is a key focus, with regular ESG updates and a dedicated board member for sustainability, underscoring OTB's commitment to integrating ESG into governance (OTB, 2023). The Audit and Executive Risk Committees systematically manage risks, including climate-related ones, enhancing corporate resilience (OTB, 2023). Adherence to governance codes and best practices for ESG reporting further demonstrates transparency and accountability, fostering investor confidence. Robust anti-corruption policies, supported by top management and a whistleblowing hotline, highlight OTB's proactive stance on ethical governance (OTB, 2023).

# Section D: Investment Recommendation

By understanding the external and internal factors influencing OTB, we can conduct a SWOT analysis to provide a comprehensive investment recommendation.

## 5.1 SWOT Analysis

**Strengths**

OTB’s robust market position and innovative use of technology are significant strengths. The company’s user-friendly platform, which offers a variety of customizable beach holiday packages, enhances customer experience and satisfaction (Morrison 2022). Strategic acquisitions and market expansions have bolstered OTB’s growth, enhancing its competitive edge. Commitment to customer service, transparent pricing, and flexible payment options has fostered loyalty and trust among its clientele (Zhao et al. 2020). Financially, OTB has shown impressive growth, with revenue increasing from £140 million in 2019 to an estimated £200 million in 2023 (OTB 2023). Furthermore, OTB’s dedication to ESG practices, including ambitious environmental goals and social initiatives, strengthens its market position (OTB 2023).

**Weaknesses**

However, OTB faces certain weaknesses that could impact its long-term sustainability. Its offerings, while innovative, are not highly rare or difficult for competitors to imitate, limiting its long-term competitive advantage (Henne 2024). The pandemic's impact revealed vulnerabilities in the travel industry, with significant declines in profitability during 2020 and 2021. Additionally, liquidity challenges and a substantial gender pay gap indicate areas for improvement in financial management and social equity (WSJ 2024; OTB 2023).

**Opportunities**

OTB has numerous opportunities, particularly in technology and market expansion. Enhancements like AI-powered recommendations can drive growth and operational efficiency (Evans et al. 2022). The trend towards eco-conscious travel presents a chance for OTB to adopt sustainable practices and cater to modern traveler preferences (Inyang et al. 2023). Financially, improved profitability ratios and operational cost management suggest potential for sustainable growth (Jain et al. 2020). Continued investment in ESG initiatives can enhance OTB’s brand reputation and attract socially conscious consumers (OTB 2023).

**Threats**

Nonetheless, OTB must navigate several external threats. Uncertainty from Brexit, economic downturns, and intense competition from established players like Booking.com and Expedia pose significant challenges (Amoamo 2022; Leiper 2023). Additionally, increased debt levels and potential ESG-related risks, such as environmental disruptions and regulatory scrutiny, require careful management to maintain financial and operational stability (Brealey et al. 2020; Ross et al. 2019; Nigel and Sarah 2024).

## 5.2 Investing Recommendation

Based on a comprehensive analysis of On the Beach PLC (OTB), the recommendation for potential investors is a qualified buy. OTB's strong market position is attributed to its innovative use of technology, enhancing customer satisfaction and loyalty through a user-friendly platform and dynamic packaging system. This technological advantage is vital in the digital-centric travel industry. Additionally, OTB's strategic acquisitions and market expansions have significantly bolstered its financial performance, with revenue growth from £140 million in 2019 to an estimated £200 million in 2023, demonstrating effective market expansion and customer acquisition strategies. The company's commitment to environmental, social, and governance (ESG) practices, such as targeting net-zero emissions by 2050 and engaging in social initiatives, further enhances its brand reputation and appeal to conscious consumers.

However, potential investors should consider the competitive landscape, economic uncertainties, and financial stability risks. OTB faces competition from established players like Booking.com, Expedia, and Airbnb, which possess substantial resources and brand recognition. The travel industry’s susceptibility to economic downturns and regulatory changes, such as those caused by Brexit and the COVID-19 pandemic, could impact consumer spending and operational costs. Additionally, OTB's growing reliance on debt financing raises concerns about financial stability and debt management. Despite these challenges, OTB’s strategic growth initiatives and robust market position present a compelling investment opportunity for those willing to consider associated risks and have confidence in the company's ability to navigate industry challenges and sustain long-term growth.

**Conclusion**

In conclusion, OTB Group PLC has established a strong market position through its innovative business model, customer-centric approach, and technological advancements. However, the company faces significant challenges, including high competition, external economic factors, and financial volatility. By leveraging its strengths and addressing its weaknesses, OTB can capitalize on opportunities such as market expansion, technological innovation, and sustainability initiatives. Strategic diversification, enhanced technological capabilities, and robust risk management will be crucial for OTB’s long-term success and growth. Potential investors should consider these factors when evaluating the investment potential of OTB Group PLC.

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# Appendix 1: PESTEL ANALYSIS

|  |  |  |
| --- | --- | --- |
| **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. |

# Appendix 2: PORTER’S FIVE FORCES ANALYSIS

**Threat of New Entrants:**

The travel industry is fiercely competitive, with Booking.com, Expedia, and Airbnb dominating the market. Their vast resources, brand recognition, and established customer bases make it hard for newcomers to compete. Digitalization adds to the challenge, as these giants invest heavily in search engine marketing, making it tough for new players to attract users. Regulatory complexities, including safety standards and data protection laws, pose further barriers, especially in the aftermath of Brexit, which has reshaped the industry's landscape. Building customer trust is crucial, requiring significant investment in reputation management. Despite these obstacles, companies like On The Beach Group PLC benefit from economies of scale, giving them a competitive edge. Cost efficiencies, bulk purchasing power, and strong brand loyalty further solidify the position of existing players, making it difficult for new entrants to break into the market.

**Bargaining Power of Suppliers:**

On The Beach Group PLC's innovative business model distinguishes it from other players in the travel and tourism sector by prioritizing flexible supplier relationships over fixed ties. Without exclusive contracts with airlines or hotels, OTB negotiates advantageous terms and accesses a wide array of holiday products. This independence diminishes the influence of individual suppliers, empowering OTB to switch providers effortlessly to optimize its offerings. Moreover, OTB's collaboration extends to various suppliers like airlines, hotels, and tour operators, fostering competition that benefits customers with top-notch products and competitive pricing. The absence of long-term commitments enables OTB to swiftly forge new partnerships, adapting to evolving market dynamics. Although the concept of supplier forward integration poses a theoretical threat, the practical complexities make significant disruption improbable. In sum, OTB's decentralized approach and diverse supplier network bolster its resilience and adaptability in the ever-changing travel and tourism industry.

**Bargaining Power of Buyers:**

Assessing the bargaining power of buyers for OTB within Porter's Five Forces framework reveals the company's substantial customer base of over 1.8 million annually. Buyers in the travel industry prioritize both price and quality. They actively seek competitive prices and discounts, aligning with OTB's strategy of transparent pricing. However, quality is also crucial, with positive reviews and repeat customers fostering brand loyalty. The balance between affordability and high-quality offerings is essential for OTB's competitiveness. Moreover, substitute products and services in the travel industry impact buyer behavior. Alternatives in transportation, accommodations, and activities provide choices based on convenience, cost, and quality. This poses a challenge for OTB to differentiate itself and retain customers. Despite substitutes, OTB's significant customer base and focus on competitive prices and quality experiences provide leverage. Understanding diverse customer preferences allows the company to tailor offerings and maintain loyalty. OTB must continually innovate to attract and retain customers amidst substitute availability.

**Threat of Substitutes:**

In the travel industry, On The Beach Group PLC faces competition from various alternative products and services. Online travel agents like Expedia and Booking.com offer similar holiday packages, while traditional agencies provide personalized assistance. Customers may also book directly with airlines and hotels or use platforms like Airbnb for unique accommodations, presenting substitutes for On The Beach (OTB). Customer willingness to switch depends on factors like cost, quality, and brand loyalty. While price-sensitive buyers may explore alternatives, brand trust can deter switching. Yet, technological advancements like mobile bookings and AI services enhance substitutes' appeal, making switching easier. To counter this threat, OTB must innovate, differentiate its offerings, and leverage technology to provide unique value propositions and high-quality experiences. By doing so, OTB can maintain its competitive edge in the travel industry amidst substitutes.

**Competitive Rivalry:**

The travel and tourism industry operates amidst intense competition, with players like Hostelworld Group, Fuller, Smith & Turner, and others vying for market share in the consumer cyclical sector. Pre-pandemic, this industry was fiercely competitive, featuring a plethora of online travel agents, tour operators, airlines, and accommodation providers competing for customers. The Travel & Tourism Competitiveness Index underscores this rivalry among countries and destinations, considering factors like business environment and infrastructure. Competition is fueled by price wars, advertising battles, and product differentiation, impacting profit margins and consumer benefits. Economic variables such as employment rates and currency exchange rates also influence demand and spending on travel. Post-COVID-19, challenges and opportunities abound as companies adapt to changing consumer preferences and safety concerns, intensifying competition. OTB navigates these dynamics by capitalizing on strengths, investing in innovation, and differentiating offerings to maintain competitiveness in a recovering market.

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# Appendix 3: VRIO Analysis

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Strength | Value | Rarity | Inimitability | Organization | Conclusion |
| Innovative Platform | The platform adds clear value to customers by simplifying the booking process and offering a wide range of holiday options. | While the platform is valuable, similar online booking platforms are common in the industry. | Competitors can replicate similar technology platforms, as the capabilities are not unique. | It's unclear if the organization effectively leverages the platform for competitive advantage. | Considered a table stake. |
| Competitive Pricing | Competitive pricing strategy adds value to customers by offering affordability and savings on holiday bookings. | Pricing strategies are common in the industry, and OTB's competitive pricing is not highly rare. | Competitors can adjust their pricing strategies to match or undercut OTB's prices. | Pricing decisions may be organized, but the effectiveness of pricing optimization is uncertain. | Table stake for OTB. |
| Customer Service | Customer service initiatives add significant value by enhancing the overall holiday experience and customer satisfaction. | While customer service features are common in the industry, OTB's specific offerings may set it apart. | Competitors can replicate similar customer service features, although exact offerings may vary. | The organization appears to prioritize customer service, but the effectiveness of its implementation is unclear. | Considered a table stake. |
| Efficient Packaging | Efficient packaging adds value by simplifying the booking process and offering cost savings. | Packaging capabilities are common in the industry, and OTB's approach is not highly rare. | Competitors likely have similar packaging capabilities, and replicating this strength may not require significant effort. | Packaging processes may be organized, but the efficiency of operations is uncertain. |  |

# Appendix 4: SWOT Analysis

**Strengths**

Firstly, OTB’s strong market position is a significant strength. The company’s ability to leverage technology to streamline the booking process has set it apart from traditional travel agencies. By offering a wide array of beach holiday packages directly to consumers, OTB has created a user-friendly platform that enhances customer experience and satisfaction (Morrison 2022). The dynamic packaging system that allows customers to customize their holiday packages further differentiates OTB from its competitors, making it a preferred choice for many travelers (OTB 2024). Moreover, OTB’s strategic acquisitions and expansion into new markets have bolstered its growth trajectory. These strategic moves have enabled OTB to enhance its service offerings and maintain a competitive edge in the online travel market. The company’s commitment to customer service, transparent pricing, and flexible payment options has fostered loyalty and trust among its clientele (Zhao et al. 2020).

OTB’s financial performance has been robust 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. Group revenue increased from £140 million in 2019 to an estimated £200 million in 2023, suggesting successful market expansion and customer acquisition strategies (OTB 2023). OTB has demonstrated a strong commitment to environmental, social, and governance (ESG) practices, which is a significant strength in today’s market. The company acknowledges the significant environmental impact of its operations and has set ambitious goals to reduce its environmental footprint, such as achieving net-zero emissions by 2050 (OTB 2023). Additionally, OTB’s social initiatives, including partnerships with charities and a focus on ethical business practices, reflect its commitment to social responsibility and community engagement (OTB 2023).

**Weaknesses**

However, OTB faces certain weaknesses that could impact its long-term sustainability. While the company excels in providing value to customers through its innovative online platform and competitive pricing, these strengths are not highly rare or difficult for competitors to imitate. This lack of distinctiveness in its offerings means that OTB's competitive advantage is not significant in the long term (Henne 2024). Additionally, OTB’s focus on enhancing the rarity and inimitability of its offerings has been limited. This lack of focus on differentiation has been hampering its sustained success. Improving organizational processes and alignment could better leverage OTB’s strengths for competitive advantage, ensuring its resilience and adaptability in the dynamic online travel agency industry (Phillips and Moutinho 2018).

However, the pandemic years of 2020 and 2021 saw a substantial decline in Group Profit Before Tax, indicating the severe impact of COVID-19 on the travel industry. Although a recovery began in 2022, the fluctuations highlight the vulnerability of the travel sector to external shocks. Additionally, the company’s liquidity ratios have shown mixed results, reflecting challenges in cash flow conversion and profitability (WSJ 2024). However, OTB faces challenges in its ESG performance, particularly regarding the gender pay gap. The substantial gender pay gap of 35.3% indicates a need for more comprehensive and effective strategies to achieve gender pay equity (OTB 2023). Additionally, the company’s efforts to reduce work-related accidents have not met targets, highlighting areas for improvement in workplace safety (OTB 2023).

**Opportunities**

OTB has numerous opportunities to capitalize on, particularly in the realm of technology and market expansion. The continuous introduction of new elements to its platform, such as AI-powered personalized recommendations, presents significant growth opportunities. Investing in proprietary technology can enhance customer experiences and operational efficiency while mitigating potential security breaches (Evans et al. 2022). Furthermore, the increasing trend of eco-conscious travel presents an opportunity for OTB to adopt more sustainable practices. By providing eco-friendly holiday options, OTB can cater to the evolving preferences of modern travelers and position itself as a leader in sustainable tourism (Inyang et al. 2023).

Despite these challenges, OTB’s financial outlook presents several opportunities for growth. The projected improvement in profitability ratios and adjusted EBITDA suggests effective operational cost management and potential for sustainable future growth. By leveraging its strong financial performance and focusing on improving efficiency and cash flow generation, OTB can strengthen its financial position (Jain et al. 2020). OTB’s ESG initiatives present numerous opportunities to enhance its strategic position. By continuing to invest in sustainable practices and improve its social performance, OTB can strengthen its brand reputation and attract environmentally and socially conscious consumers. The company’s governance practices, including robust risk management and adherence to ethical standards, provide a strong foundation for sustainable growth (OTB 2023).

**Threats**

Nonetheless, OTB must navigate several threats in the external environment. The ambiguity surrounding Brexit and subsequent regulations can impact customer trust and travel regulations, potentially affecting cross-border travel and operating expenses. Economic downturns, such as those caused by the COVID-19 pandemic, also pose a significant threat, reducing disposable income and consumer expenditure on travel (Amoamo 2022). Moreover, the highly competitive nature of the travel industry, dominated by established players like Booking.com, Expedia, and Airbnb, presents substantial challenges for OTB. These competitors possess extensive resources, brand recognition, and well-established customer bases, making it difficult for newcomers to compete effectively (Leiper 2023).

However, the increasing dependence on debt financing poses a significant threat to OTB’s financial stability. The growing debt-to-equity ratio, which reached 1.59 in 2023, indicates a potentially riskier financial structure. This trend necessitates careful management to ensure the company can meet its interest obligations and maintain financial stability (Brealey et al. 2020; Ross et al. 2019). However, the company must navigate several threats related to ESG practices. Environmental disruptions, such as wildfires, and consumer shifts towards eco-friendly options pose challenges to revenue streams and market demand. Additionally, the increasing regulatory scrutiny on ESG practices requires OTB to maintain high standards and transparency to avoid potential legal and reputational risks (Nigel and Sarah 2024).

# Appendix 5: Business Model Canvas

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **KEY PARTNERS**  **Corporate**  **Travel Agencies:** Distributing On the Beach packages to a wider audience.  **Food and Beverage Suppliers:** Ensuring high-quality ingredients for restaurants and bars.  **Activity Providers:** Partnering with local companies for excursions and entertainment.  **Technology Providers:** Maintaining and developing the booking system and website. | **KEY ACTIVITIES**  **Sourcing and Negotiating Deals:** Securing competitive deals with travel partners for flights, accommodation, and activities.  **Marketing and Promotion:** Creating targeted marketing campaigns to reach different customer segments.  **Customer Service:** Providing excellent customer support throughout the booking process and during the trip.  **Website and App Maintenance:** Continuously updating and improving the booking platform for a seamless user experience. | **VALUE PROPOSITION**  **Beachfront Location:** Prime position offering stunning views and direct access to the beach.  **Variety of Accommodation:** Catering to different budgets and preferences, from budget-friendly rooms to luxurious suites.  **All-Inclusive Packages:** Offering a hassle-free experience with meals, drinks, and activities included.  **Activities and Entertainment:** Providing a range of options for relaxation, fun, and adventure.  **Excellent Service:** Ensuring a comfortable and enjoyable stay for all guests. | | **CUSTOMER RELATIONSHIP**  **Dedicated Booking Team:** Assisting customers with finding the perfect vacation package.  **On-Site Staff:** Providing excellent customer service throughout the guest's stay.  **Loyalty Programs:** Rewarding repeat customers with discounts and special offers.  **Online Reviews and Feedback:** Actively monitoring and responding to customer reviews. | **CUSTOMER SEGMENT**  **Families:** Seeking a relaxing and fun beach vacation with plenty of activities for children.  **Couples:** Looking for a romantic getaway with beautiful scenery and luxurious amenities.  **Solo Travelers:** Desiring a peaceful escape with opportunities for relaxation and exploration.  **Adventure Seekers:** Interested in water sports, diving, and other outdoor activities on the beach**.** |
| **KEY RESOURCES**  **Beachfront Property:** The prime location is a key asset for attracting guests.  **Hotel Infrastructure:** Buildings, rooms, restaurants, pools, and other facilities.  **Technology:** Booking system, website, and online marketing tools.  **Staff:** Experienced and friendly personnel to ensure guest satisfaction. | **CHANNELS**  **Website:** Providing information, booking options, and special deals.  **Travel Agents:** Partnering with travel agencies to reach a wider audience.  **Online Travel Agencies (OTAs):** Listing properties on popular travel booking platforms.  **Social media:** Engaging with potential customers through social media marketing. |
| **COST STRUCTURE**  **Staff Costs:** Salaries, benefits, and training for employees.  **Property Maintenance and Upkeep:** Ensuring the resort remains in excellent condition.  **Marketing and Advertising:** Promoting On the Beach to potential customers.  **Food and Beverage Costs:** Ingredients, supplies, and operational costs for restaurants and bars.  **Technology Costs:** Maintaining and upgrading the booking system and website. | | | **REVENUE STREAMS**  **Room Rates:** Varying depending on room type, season, and package options.  **Food and Beverage:** Restaurants, bars, and cafes within the resort.  **Activities and Excursions:** Offering additional experiences for purchase.  **Spa and Wellness Services:** Providing relaxation and rejuvenation treatments. | | |

# Appendix 6: Calculation of financial ratio

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **PROBABILITY RATIO** | **2023** | **2022** | **2021** | **Change between 2022 and 2021** | **Change between 2021 and 2020** |
| **Return on Capital Employed (ROCE) (Operating profit\*100)/(Share captial and reserves + Long term loans)** | 6.03% | 1.69% | 18.47% | 257% | -90.85% |
| **Gross profit ratio ((Gross Profit/Turnover)\*100)** | 66.98% | 66.18% | 67.92% | 1.21% | -2.57% |
| **Quality of Profit ((Net Cashflow from Operating Activities/Operating Profit)\*100)** | 213.59% | 811.11% | -3.35% | -73.67% | -24298.15% |
| **Operating cash flow margin (Cash flows from operating activities/turnover)** | 5.10% | 6.17% | -1.08% | -17.31% | -668.98% |
| **Return on Equity (Net Income/(Total Assets - Total Liabilities))** | 6.00% | 1.02% | -20.15% | 488.47% | -105.06% |
| **LIGUIDITY RATIOS** |  |  |  |  |  |
| **CURRENT RATIO (Current Assets/Current Liabilities )** | 1.33 | 1.39 | 1.53 | -4.39% | -9.60% |
| **CASH COVER RATIO (Cash Genetated from operations/Creditors due within one year)** | 0.08 | 0.12 | 0.01 | -28.91% | 1112.44% |
| **EFFICIENCY RATIO** | **2023** | **2022** | **2021** | **Change between 2022 and 2021** | **Change between 2021 and 2020** |
| **ASSETS TURNOVER RATIO (Turnover/Total Assets)** | 0.39 | 0.41 | 0.08 | -5.39% | 439.53% |
| Capital Structure | **2023** | **2022** | **2021** | **Change between 2022 and 2021** | **Change between 2021 and 2020** |
| **Debt-to-Equity Ratio (Total Debt / Total Shareholders' Equity)** | 1.59 | 1.21 | 0.85 | 30.93% | 43.32% |
| **Equity Ratio (Shareholders’ Equity/Total Asset)** | 0.39 | 0.45 | 0.54 | -14.49% | -16.56% |
| **Debt Ratio (Total Assets/Total Debt)** | 1.63 | 1.82 | 2.18 | -10.68% | -16.38% |
| **Gearing Ratio = Total Debt / (Total Equity + Long-Term Liabilities)** | 1.61 | 1.24 | 0.86 | 30.44% | 43.68% |