The case of TUI – Sailing into a bright future or sinking like Thomas Cook?

Jana Christina Schäfer

Dissertation written under the supervision of
Patrícia Amaro Machado

Dissertation submitted in partial fulfilment of requirements for the International MSc in Management – Entrepreneurship & Innovation, at the Universidade Católica Portuguesa,
15 June 2020.

Abstract

Dissertation Title: The case of TUI – Sailing into a bright future or sinking like Thomas Cook?

Author: Jana Christina Schäfer

Keywords: Exogenous Shocks, Dynamic Capabilities, Strategic Change, Corporate Strategy, Vertical Integration, Tourism Industry, TUI

In the rapidly changing environment of the tourism industry, it becomes crucial for its players to adapt to exogenous factors in order to stay competitive and profitable in the long run. As an increasing number of tourists were individually booking their holidays through online booking portals, the business model of pure tour operators was being undermined. While some players, like TUI, saw the digitalization as an opportunity to change its business model, others, like Thomas Cook, failed to adapt.

The case of TUI, one of the largest tourism groups worldwide, serves as an example of a successful strategic change and fit to environmental and organizational contingencies. The case demonstrates how TUI transformed its business model from a traditional tour operator towards a fully vertically integrated provider of holiday experiences. The new management introduced a strategic initiative in 2013, which involved the important merger of the parent company TUI AG with its subsidiary TUI Travel to reach full vertical integration. Thereafter, TUI highly invested in assets in terms of hotels and cruise ships as well as destination experiences. It illustrates, that the management made use of Dynamic Capabilities and changed the company's resource base through the corporate strategy of vertical integration, in particular in the form of taper integration.

Although the strategic change had proven to be successful, the vertical integration exposed the group to enormous financial challenges, when the corona pandemic brought the world to a standstill in 2020.

Sumário

Título da dissertação: O caso da TUI – A navegar para um futuro brilhante ou a afundar-se como a Thomas Cook?

Autor: Jana Christina Schäfer

Palavras-chave: Choques exógenos**,** Dynamic Capabilities, Mudança Estratégica, Estratégia Corporativa, Integração Vertical, Indústria do Turismo, TUI

Num ambiente em rápida mudança, como o da indústria do turismo, torna-se crucial que as empresas se adaptem a fatores exógenos para permanecerem competitivas e lucrativas a longo prazo. Com um número crescente de turistas a reservar as suas férias individualmente on-line, o modelo de negócios dos operadores turísticos puros foi posto em causa. Enquanto alguns players, como a TUI, viram a digitalização como uma oportunidade para mudar o seu modelo de negócios, outros, como a Thomas Cook, não conseguiram adaptar-se.

O caso da TUI, um dos maiores grupos turísticos do mundo, serve como exemplo de uma mudança estratégica bem-sucedida e adequada às contingências ambientais e organizacionais. O caso demonstra como a TUI transformou o seu modelo de negócios, de uma operadora de turismo tradicional para um fornecedor de experiências de férias totalmente integrado verticalmente. A nova administração introduziu, em 2013, uma iniciativa estratégica que envolveu a importante fusão da empresa-mãe TUI AG com a sua subsidiária TUI Travel para alcançar uma integração vertical completa. Posteriormente, a TUI investiu muito em ativos, tais como hotéis e navios de cruzeiro, bem como em experiências nos destinos de férias. O caso ilustra como a gestão de topo utilizou as dynamic capabilities para mudar a base de recursos da empresa por meio duma estratégia corporativa de integração vertical, em particular na forma duma '*taper integration*'.

Embora a mudança estratégica tenha sido bem-sucedida, a integração vertical expôs o grupo a enormes desafios financeiros, quando a pandemia causada pelo coronavírus parou o mundo em 2020.

Acknowledgements

First and foremost, I would like to thank my sisters Caro and Caro, who inspired me when I was burned out, who made me laugh when I was sad, and who pulled me up when I was down.

A special thank you goes to my supervisor Patrícia, who supported me patiently throughout my (sometimes messy) dissertation progress. Your constructive feedback motivated and helped me to improve my work.

I would also like to thank my mom, my family and my friends for their support throughout my master degree and my dissertation. I could not have done it without you.

Table of Contents

List of Figures

List of Tables

List of Exhibits

List of Abbreviations

DC	Dynamic Capabilities
FY	Financial year
GDN-OTA	Global Distribution Network – Online Travel Agent

Glossary

Package holidays	Package holidays usually contain travel and accommodation sold together for one price, but further provisions such as catering and tourist services can be included.
Tour operator	"Tour operators offer holiday packages which comprise of 1. Travel like by rail, road or air. 2. Accommodation like hotels, resorts, apartments, guesthouses 3. Travel services like airport pick and drop, sightseeing, excursions etc. These tour operators may be the wholesale operators who operate tours only through retail travel agencies or they may be direct sell operators who market their product directly to the public." (Watts & Parks, 2018)
Travel agent	"A travel agent provides information to the people on various travel destinations, advises them of available holiday packages to suit their tastes and budget and chart their travel plan. He would generally sell the travel associated products like currency exchange, car rentals, insurance etc." (Watts & Parks, 2018)

1 Introduction

Today's world is still in shock about the recent coronavirus pandemic. The unprecedented health emergency did not only bring our societies and world economies to a halt. Especially the tourism industry fell victim to the worldwide lockdown. Tourism, until now, was on the fast track – for a decade, international tourism receipts have been outpacing the world's GDP (UNWTO, 2019). Nevertheless, for tour operators, the competitive environment remained challenging due to the fierce competition of online booking portals. Competitors were forced out of the market, which has been recently showcased by the prominent bankruptcy case of Thomas Cook in 2019. At the same time, our world is still shifting from an analogue to a digital one with new information technologies, in which consumers increasingly search for travel-related issues online (Tjostheim, Tussyadiah, & Oterholm Hoem, 2007). Also, people are striving towards a more individualistic, authentic, and self-organized way of travelling, also known as "New Tourism" (Poon, 1994). This development raised the question, whether the business model of pure tour operators was still viable in the future.

Thus, in 2013, the tourism group TUI started a strategic shift from a traditional tour operator to an integrated provider of holiday experiences (TUI Group, 2020), as it faced these changes in its environment as well as several internal issues. In 2020, the new strategy was challenged by an exogenous shock: how can a highly vertically integrated company in the tourism sector address the challenges posed by the COVID-19 pandemic?

The corporate strategy of vertical integration and the concept of Dynamic Capabilities (DC) build the foundation of argumentation for this case. Literature on DC attempts to address how firms should best respond to rapidly changing environments and, thus, achieve competitive advantage. Teece, Pisano, and Shuen (1997) conceptualized the DC view, with (Barreto, 2010) further defining the concept as a firm's potential to systematically solve problems, formed by its propensity to sense opportunities and threats, to make timely and market-oriented decisions, and to change its resource base.

The business case is designed to teach university students (1) the importance of DC in order to remain competitive in a rapidly changing environment (2) the impact of vertical integration on a firm's business model and (3) the importance of having a clear strategy to realign a business.

The first part of the dissertation will analyze the conceptual frameworks of vertical integration, strategic change, and DC. The teaching case will portray the tourism industry and its major players and challenges. Thereafter, the tourism group TUI will be presented with a look at its history, its transformational change, and its group portfolio. To round up the case, an outlook into the future covers relevant facts about the corona pandemic and future traveller trends. The teaching notes will assist teachers to effectively apply the case study to the course content and will support a well-grounded debate. Finally, the discussion connects the theoretical concepts to the example of TUI and provides grounds for future research and limitations of this dissertation. In the last chapter, the conclusion is presented.

2 Literature Review

2.1 Vertical Integration

Past literature on strategic management differentiates between two types of strategies: business strategy and corporate strategy (Andrews & David, 1987; Ansoff, 1965).

According to Grant (2016), business strategy, also known as competitive strategy, describes how a firm competes in its distinctive industry or market and therefore focuses on how to create competitive advantage with regards to a firm's competitors.

However, according to Zenger (2013), the main challenge in strategy is "not how to obtain or sustain competitive advantage […] but, rather, how to keep finding new, unexpected ways to create value". Corporate theories can help to create cause-and-effect models, about how value can be created in the long-run. Corporate strategy explores the attractiveness of industries in which a firm can operate and aims to determine in which industries the firm competes. Hence, the main goal of corporate strategy is to define the scope of the firm (Grant, 2016). A firm has to decide, which activities should be conducted within the scope of the firm and which activities should be coordinated by market contracts. As synthesized by Delios and Beamish (1999), a firm can encompass the industry value chain in three different dimensions:

(1) **Vertical scope: Vertical Integration**
(2) Geographical scope: Internationalization
(3) Product scope: Diversification

Vertical integration as a corporate strategy has been regarded as a binary decision between 'make' versus 'buy' or, in other words, 'hierarchy' versus 'market' (Kim, 2016). The old concept that vertical integration means either be 100 per cent integrated or not has been outdated though (Harrigan, 1984). The modern definition also encompasses all choices along the governance structure continuum between the extremes of external contracting and full internal integration, namely organizing forms like "spot markets, short-term contracts, long-term contracts, franchising, licensing, joint ventures, and hierarchy (integration)" (Kim, 2016).

In addition, there exist several dimensions of vertical integration (Harrigan, 1984): A *fully integrated* firm satisfies all needs for a specific good in-house. A *taper integrated* company relies on both – in-house and external competences – simultaneously. A *quasi-integrated* firm does not own 100 per cent of the adjacent company in the value chain. And a *nonintegrated* company wholly relies on external contracting.

Thus, vertical integration is a managerial decision about the overall firm's scope and its boundaries to the external environment.

Motives for vertical integration are manifold and must be assessed carefully. Internal reasons are economies such as minimizing transaction cost of contracting on the market, reducing effortful and time-consuming coordination of activities with other contracting firms, avoiding duplicate overhead costs as well as decreasing operating costs. Looking at competitive advantages, vertical integration can be a source of increased market power and thus higher entry barriers for potential competitors, superior access to inputs or distribution via the integration of complementary assets, higher product differentiation, skills, (tacit) knowledge and synergies created by both parties (Grant, 2016; Harrigan, 1984, 1985).

Vertical integration, however, does not only come with benefits. Internal costs can arise from additional administrative cost of coordination, difficulties of absorbing the new company (e.g. incentive problems or the management of strategically different businesses), potential difficulties to manage excess capacities, or challenges to create and enjoy synergies. Competitive dangers comprise less flexibility in terms of processes, higher exit barriers once committed, higher dependence on adjacent business units, the loss of feedback from suppliers and/or distributors, and overrated synergies (Harrigan, 1984). Besides, Harrigan (1985) found that, if competitive conditions and demand were becoming unfavourable for the company, vertical integration could pressure companies to again reduce their degree of integration. Also, internal investment in the form of vertical integration could be harmful, if the company did not possess the ability to exploit synergies, if it lacked bargaining power in the market or if the industry was to become highly volatile.

In conclusion, neither vertical integration nor strategic outsourcing has a clear-cut superiority. In line with this trade-off, Rothaermel, Hitt, and Jobe (2006) made a novel suggestion, that a firm's performance could be enhanced by a product portfolio that relies on both: vertical integration and strategic outsourcing. The authors argue that the balanced joint effect of both, i.e. *taper integration*, can assist in optimizing the product portfolio and achieve product success. This, in turn, would be a source of higher competitive advantage and thereby improve firm performance. In their view, the ability to find the right balance of taper integration in consideration of a firm's resources and competitive environment is a DC.

The question remains, in which activities companies should vertically integrate to successfully create synergies. Argyres (1996) finds evidence that companies typically integrate into activities in which they have "greater production experience and/or organizational skills (i.e., 'capabilities') than potential suppliers" and outsource when they have inferior capabilities. The only exception was companies wanting to explicitly develop new internal capabilities. Furthermore, it is more likely for companies to integrate, when the firms' knowledge bases related to activities are similar and when it would take too much time to develop required activities in-house.

2.2 Strategic Change & Strategic Fit

Strategic change can be described as the "magnitude in alteration in, for example, the culture, or strategy, arid structure of the firm, recognizing the second order effects, or multiple consequences of any such changes" (Pettigrew, 1987). To reveal and implement a new direction in response to changing demand from the environment, it comes with "a redefinition of the organization's mission and purpose or a substantial shift in overall priorities and goals" (Gioia, Thomas, Clark, & Chittipeddi, 1994). Those overarching changes typically imply the alteration of "patterns of resource allocation and/or alterations in organizational structure and processes" (Gioia et al., 1994). Thus, strategic change is an exhaustive shift that affects all parts of an organization in regards to its structure, culture, and beliefs about the organization, its environment, competition, and value generation (Balogun, Hope Hailey, & Gustafsson, 2016). In contrast to this transformational divergent change, convergent change is of incremental nature and merely changes existing ways of doing things within the organization (Balogun et al., 2016).

In literature there are two schools of thought (Balogun et al., 2016): The first regards change as an ongoing process with continuous efforts of the organization to adapt to the environmental changes (Burnes, 1996; Orlikowski, 1996; Tsoukas & Chia, 2002). The second assumes that change occurs as a process of punctuated equilibrium with rapid, revolutionary, and discontinuous changes at specific points in time (Romanelli & Tushman, 1994). While the latter model has been criticized for neglecting the "fluidity, pervasiveness, open-endedness, and indivisibility" (Tsoukas & Chia, 2002) of change, it may be more suitable to explain drastic, strategic changes when major threats or opportunities disrupt the market (Biedenbach & Söderholm, 2008).

Changes are being implemented to achieve a better 'fit' of the organization's direction with the conditions of its environment (Zajac & Kraatz, 1993). The concept of '(strategic) fit' has been highly present in two kinds of literature streams: The strategy theory literature and the organization theory literature. In strategy, the concept of fit was defined as to match and align the company's resources in a way, that it can handle environmental threats and seize opportunities (Andrews & David, 1987; Chandler, 1962). In the organization literature, the fit was described as an alignment of the internal structure of the organization and the environmental factors.

Historically, the concept of strategic fit has been considered as a rather static one (Venkatraman, 1989). Venkatraman (1989) also argues though, that alignment is dynamic and should be explored in a longitudinal perspective. More novel research shows that - due to everchanging external and internal situations - a dynamic view on strategic fit seems more appropriate (Zajac, Kraatz, & Bresser, 2000): an organization will keep striving towards strategic fit, but will never reach a condition of perfect alignment. In conclusion, it is crucial to understand strategic fit as an ongoing process. Thus, strategic change to reach strategic fit can be a complex endeavour with multiple dimensions and potential conflicts of objectives regarding the adaptation to various external shifts and inherent internal competencies, which are unique and valuable to the organization (Zajac et al., 2000).

Recent strategic management literature suggests, that DC are necessary capabilities of a firm to implement successful change, which will be the topic of the next chapter.

2.3 Dynamic Capabilities

One of the most significant strategic questions is how firms can obtain and sustain competitive advantage in the long-run (Teece et al., 1997). This question becomes even more critical in regimes of rapid changes and hypercompetitive environments, in which time and uncertainty are the main aspects of strategic considerations. In a world of fast and sometimes unexpected political, economic, social, technological, environmental, and legal changes, it is crucial for a firm’s survival to detect such changes, to initiate market-oriented and timely actions to face those structural changes, and to adapt the resource base accordingly.

Precisely this capability of a firm has been coined as “Dynamic Capabilities” (DC) by Teece et al. (1997). In their landmark article, the authors mainly distinguish between two kinds of strategy models. The first kind is based on the assumption that firms build competitive advantage due to occupying privileged positions in the market, i.e. that rents are Chamberlinean. Prominent models in this category are Porter's (1980) ‘competitive forces approach’ and Shapiro's (1989) ‘strategic conflict approach’. The second kind assumes, that competitive advantage can be reached through efficiencies from within the firm, i.e. firm-level advantages. The ‘resource-based approach’ (Barney, 1991) surmises that rents are Ricardian, which means that competitive advantage is rooted in firm-specific resources and capabilities which are valuable, rare, inimitable, and non-substitutable (VRIN attributes).

In the eyes of the authors, those approaches fail to understand in depth why certain firms are better at building competitive advantage in rapidly changing environments and thus proposed the DC approach to fill the gap. Zajac et al. (2000) agree on the point, that “both the industry and resource-based perspectives have historically tended to emphasize static equilibria”, which hamper the application to strategic change and rapidly changing environments in general.

Teece et al. (1997) explain that DC can be understood as a strategy model that emphasizes efficiency, i.e. firm-specific capabilities. According to the authors, DC is an extension of the resource-based view, which has been criticized for failing to explain how firms can sustain competitive advantage in changing environments (Eisenhardt & Martin, 2000; Priem & Butler, 2001). Thus, the DC framework arose as a better explanation in a Schumpeterian world – an environment of ‘creative destruction’ and (disruptive) innovation. Teece et al. (1997) define DC as

> *“the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. Dynamic Capabilities thus reflect an organization’s ability to achieve new and innovative forms of competitive advantage given path dependencies and market positions”*

The core of the approach is to explain how firms can achieve “successive temporary advantages by effectively responding to successive environmental shocks” (Barreto, 2010). Due to the reception of great criticism and confusion towards this initial construct of DC (Danneels, 2008; Kraatz & Zajac, 2001; Williamson, 1999; Winter, 2003) and the abundance of literature streams in this field, Barreto (2010) attempted to shed light on the much-discussed topic and proposed a new conceptualization. Barreto (2010) suggested a new definition, which converges past attempts of research into a four-dimension construct:

> *“A dynamic capability is the firm’s potential to systematically solve problems, formed by its propensity [1] to sense opportunities and threats, [2] to make timely and [3] market-oriented decisions, and [4] to change its resource base.”*

According to Danneels (2008), the resource base can hereby be changed by reconfiguring, adding, and deleting resources or competences. The four dimensions highlighted in brackets form an aggregate concept, wherein each dimension has its right to exist and all of them have to be taken into consideration at the same time.

As Eisenhardt and Martin (2000) suggest, these four dimensions can be understood as ‘best practices’ which can be duplicated across firms but are in itself an equifinal concept. Finally, DC indeed are important and a necessary condition to enjoy firm success, but not a sufficient condition for success.

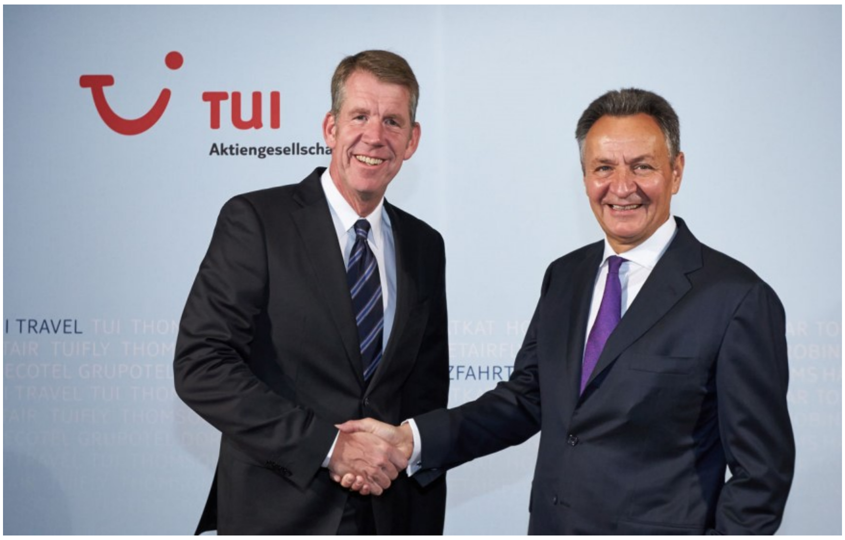
3 Teaching Case

"The maxim I have consistently pursued throughout my career has been to strengthen your strengths and not to waste too much time trying to improve your weaknesses."[1]

– Friedrich Joussen, 13 February 2013

In February 2013, Dr Michael Frenzel handed over TUI AG's chairmanship of the executive board to Friedrich Joussen (Figure 1), after being in charge for 19 years. The electrical engineer had been the former CEO of the telecommunication company Vodafone Germany and was yet to discover the tourism world for himself[2]. His new position as CEO did not only mark the beginning of a new chapter in his career, but also the beginning of a new era for the tourism and travel group TUI. Europe's most important tour operator, TUI Travel, sold package holidays to European customers, mainly from Germany and the UK.

Figure 1 – New and former CEO of the TUI AG in 2013[3]



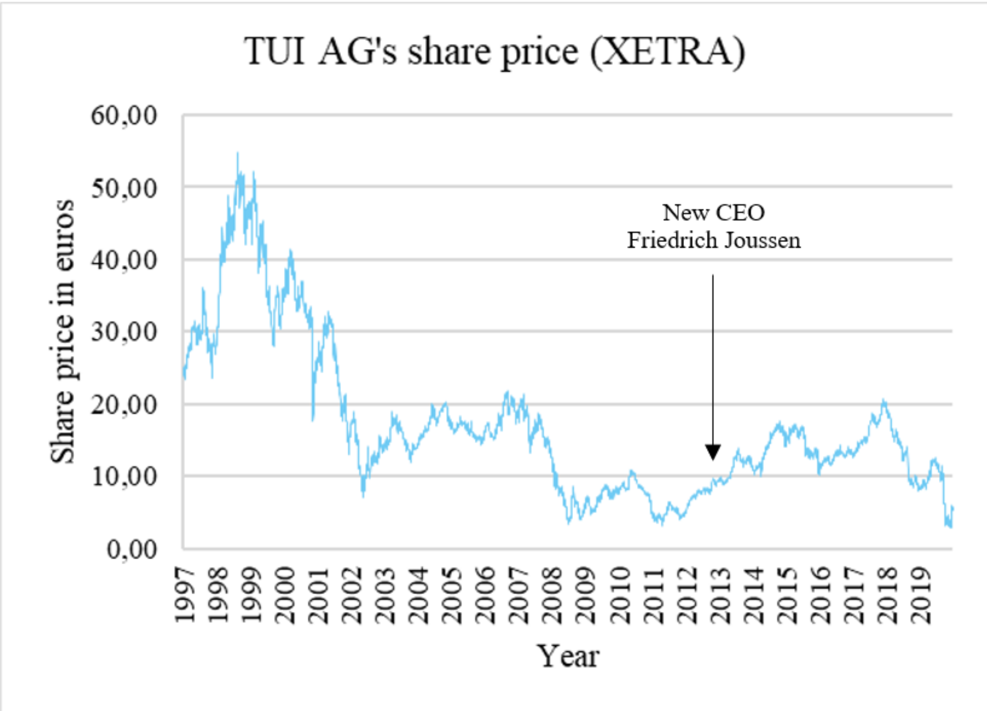
Note: Friedrich Joussen (left) and Dr. Michael Frenzel (right)

To discover the tourism industry and the tour operator business, naturally, Mr Joussen decided to travel through the TUI world. After talking to employees, management teams, customers as well as investors, he concluded that many perceived the business of TUI to be susceptible to natural catastrophes and political crises and therefore very volatile[4].

Friedrich Joussen, however, broke with this prejudice and was convinced that the industry was indeed more robust than many had thought. Although local crises, such as the Arab Spring in the early 2010s, negatively impacted the tourism business, capacities could be adjusted flexibly. In this way, negative economic impacts could be limited. Regarding the economic risk, tourism had also proven to be rather stable. After all, tourism was an important matter for Europeans[5].

Despite these positive factors, the share price of the TUI AG was on a level below 10 euros (Figure 2), which was rather disappointing for shareholders – also with regard to the rare dividend payments (Exhibit 1).

Figure 2 – History of TUI AG's share price[6]



The to-do-list of the new CEO was long: Mr Joussen was facing a dual structure of the German TUI AG and the British subsidiary TUI Travel – two different entities that were working on the same economic goals. In addition, TUI was still holding stakes in the unprofitable shipping company Hapag Lloyd, online providers were capturing the market, and growth markets in Asia were yet to be developed. Mr Joussen, however, was optimistic that the strong TUI brand would be able to deliver profitable growth in the future. Would he be able to navigate TUI through a strategic change and lead the company into growth? And yet, there was a major crisis to come in 2020. How would one of the largest tourism and travel groups survive the unprecedented challenges of the coronavirus pandemic?

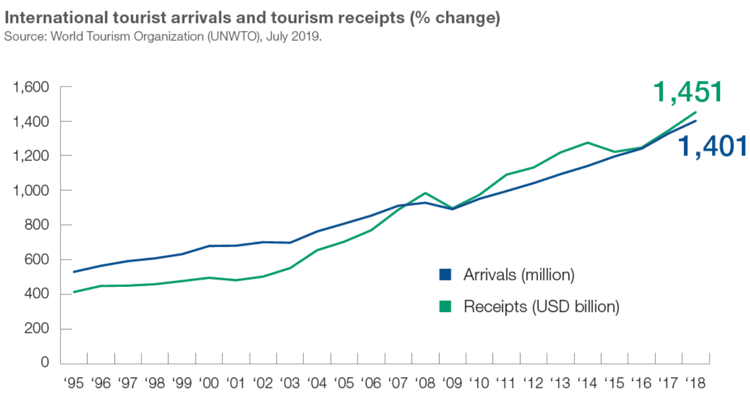
3.1 The Tourism Industry

3.1.1 Tourism around the globe

Often underestimated, the tourism industry was on the fast track: in 2018, the global travel revenues continued to grow faster than the world's GDP[7] and almost all regions reported substantial growth (Figure 3). Although occasional shocks such as the global financial crisis in 2007-08 hit the world economy as well as the tourism industry harshly, the latter had demonstrated resilience (Figure 4).

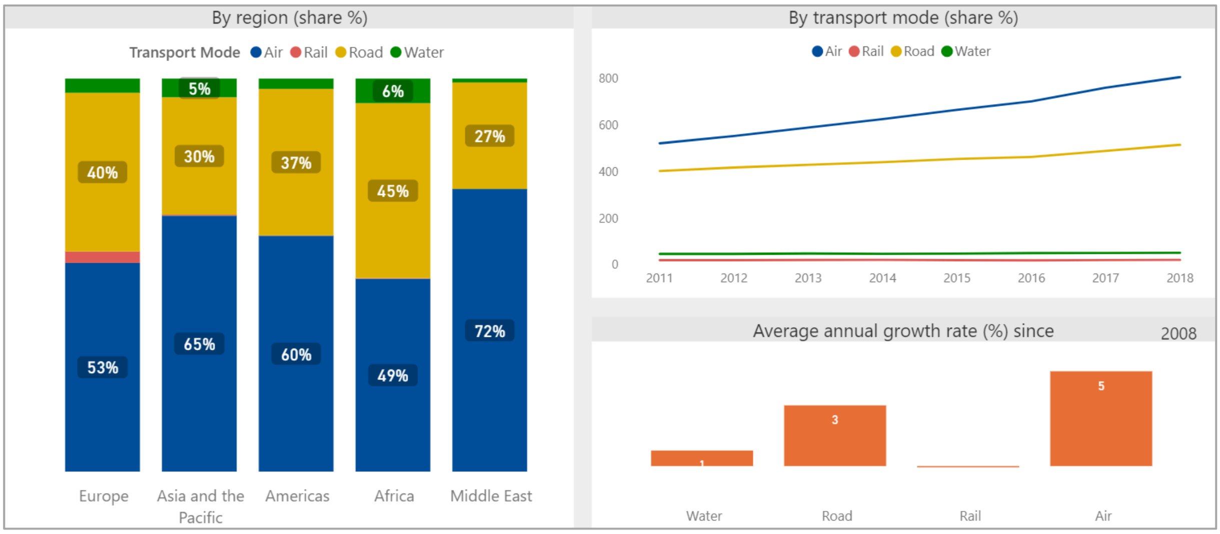
Figure 3 – Map of international tourist arrivals and tourism receipts in 2018[8]

Figure 4 – Development of international tourist arrivals and tourism receipts[9]



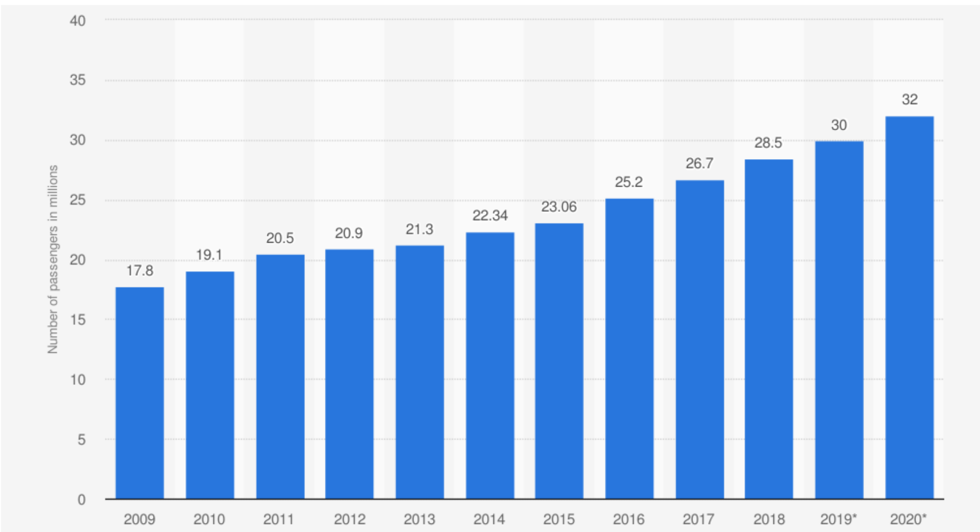
This trend in the overall tourism industry could be mainly explained by the strong economies, which were constantly pushing tourism expenses to higher levels. The industry was also favoured by an environment of increasing demand for air travel (Figure 5), improved visa facilitation, and technologies to improve customer's experiences[10].

Figure 5 – Mode of transport in 2018[11]



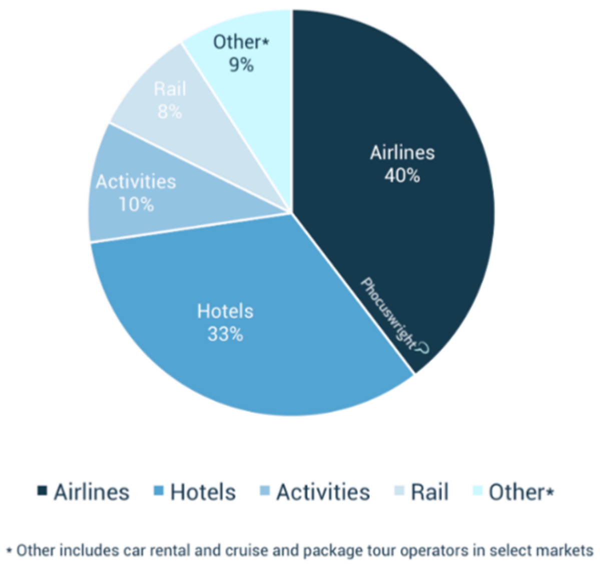
Not only tourism on land is booming, but also tourism on the water. The cruise segment of the tourism industry was profiting from a steady increase of passengers (Figure 6), with around half of the passengers originating from North America and around one quarter from Western Europe, mainly Germany and the UK[12].

Figure 6 – Development of cruise passenger numbers worldwide[13]



Looking at the supply side of the tourism industry, the airlines and hotels segments were the largest by market share (Figure 7). Travel activities, which had long been underestimated in their potential, reached global revenues of US$135 billion in 2016 and were expected to grow by 9% annually[14] – outpacing the growth of other segments and the tourism industry as a whole.

Figure 7 – Global travel market share by segment in 2016[15]



3.1.2 Exogenous shocks impacting the tourism industry in Europe

In the tourism industry, demand for certain destinations was largely influenced by the general economic environment and external factors, such as political events, natural disasters, epidemics, or terrorist attacks.

In this sense, the 2010s had been torn by many structural shocks. The Arab spring in 2010-12 negatively impacted tourist arrivals in the Northern African region. In 2015, 33 TUI customers lost their lives in a terrorist attack in a tourist resort in Sousse, Tunisia, which was a major shock. TUI, however, was able to react quickly by bringing guests home and re-arranging holidays for those who had planned to go to Tunisia. In the same year, a plane crashed in Sharm el Sheik in Egypt:

> *"Our strategic structure as an integrated tourism group has proven to be tremendously robust – last year [2015] especially, for all the external shocks. As we own access to every component in the tourism value chain and have a presence in almost every destination around the world, we can respond flexibly to our customers' changing*

travel wishes. For example, at the end of 2015 when a Kolavia plane crashed in Sharm-el-Sheik, within the space of 24 hours we had purchased additional bed capacity in Spain for 26 million euros, drawn up new flight timetables and geared our distribution channels to those destinations." [16]

– Friedrich Joussen, Annual Report 2016

Also, numerous natural disasters rocked the world. The European heatwave in 2018 could still be felt by tour operators in terms of declined bookings for the following summer holidays. This resulted in highly competitive pressure in 2019, especially due to overcapacities of the airlines flying into Spain. Consequently, tour operators, like TUI, had to cut prices in order to attract last-minute bookings, while margins were sinking[17]. Those exogenous shocks could be cushioned by offering alternative destinations or cutting prices.

Other exogenous shocks, however, could not be cushioned that well, namely the Brexit and the grounding of the Boeing 737 MAX.

The Brexit was still daunting over Europe's future since the referendum in June 2016. Most significantly, it depreciated the pound sterling and therefore lowered the Britons purchasing power abroad. After multiple postponements of the exit date, the UK left the EU on 31 January 2020[18]. Until May 2020, the two parties did not reach a trade agreement for the period after the transition phase, but TUI already confirmed that flights, as well as cruises, would continue to operate as usual[19].

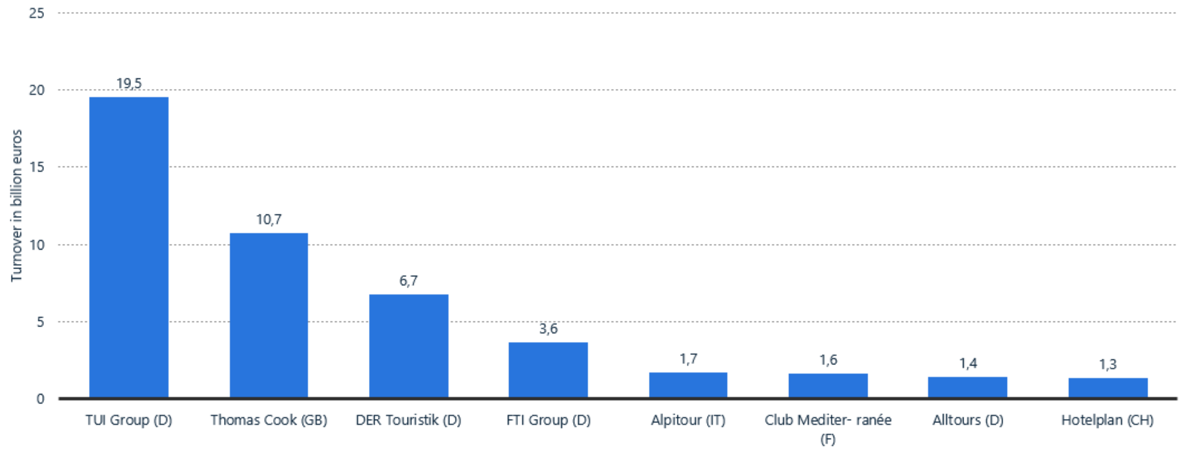
After two fatal accidents of the aircraft Boeing 737 MAX, the model had been grounded worldwide in March 2019 and was expected to be grounded until at least August 2020, as Boeing could not fix the software issues of the aircraft[20]. This affected the buyers of the jet: TUI operated 15 MAX planes, accounting for around 10% of its fleet. In FY 2019, the company already had attributable costs of 293 million euros due to the replacement of the grounded aircraft. Additionally, the group was expecting costs of 350 to 400 million euros in FY 2020. In 2019, TUI stated, it could have reached consistent earning as to the prior year if it was not for the MAX grounding, but instead the EBITA went down by 26%[21].

The tourism business, however, had never been challenged as much as by the coronavirus pandemic in 2019-20. Local crises, overcapacities, or shortages were manageable, but the COVID-19 outbreak pulled the rug out from under the tourism industry.

3.1.3 Competitive Environment

In 2018, the TUI Group was by far the largest tour operator in the European market (Figure 8).

Figure 8 – Turnover of major tour operators in Europe (FY 2018)[22]



These tour operators were selling their tourism services offline, via travel agencies, as well as online, via booking websites and mobile applications. Among German travellers, online booking methods were increasing steadily[23], although offline methods were still used (Figure 9, Figure 10).

Figure 9 – Booking methods of German travellers[24]

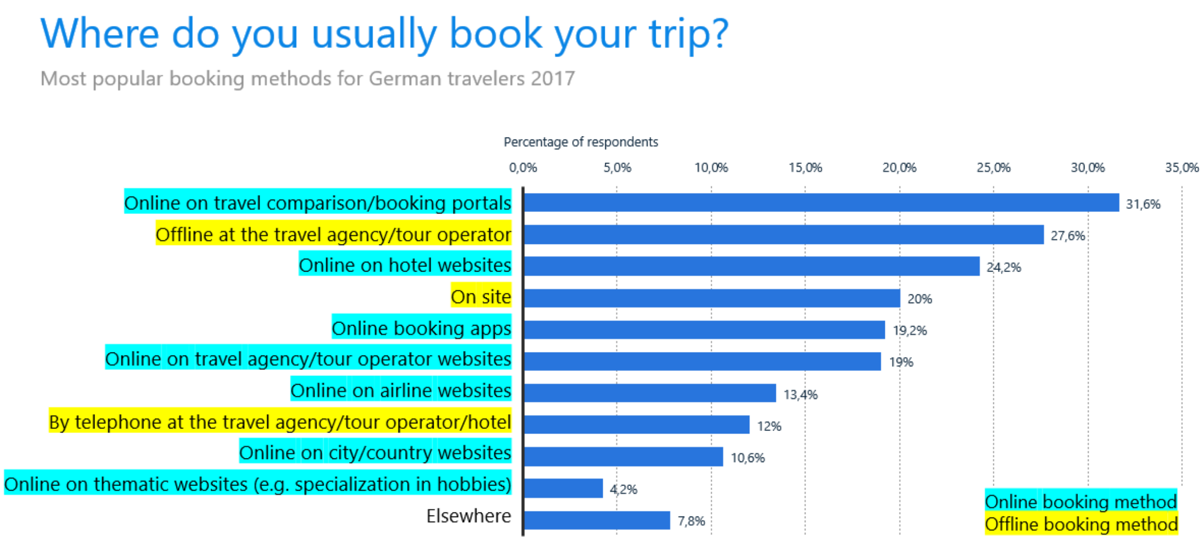


Figure 10 – Internet travel agencies in Germany[25]

Most popular internet travel agencies by use in Germany from 2017 to 2019

Ranking of the most popular internet travel agencies in Germany until 2019

	2017	2018	2019
booking.com	12,4%	16,6%	24%
ab-in-den-Urlaub.de	17,3%	14,6%	15,3%
Expedia.de	13,4%	11,6%	14,6%
trivago.de	9,3%	9,6%	11,7%
HolidayCheck.de	9,9%	9%	10,7%
fluege.de	7,4%	7,2%	8,5%
Opodo.de	9,6%	7,9%	7,8%
weg.de	6,8%	5,2%	6,2%
hrs.de	5,9%	5,1%	5,6%
tui.com	N/A	8,2%	N/A

Once tourists made their bookings, the time until the start of vacation could be used to sell travel activities. The supply of the market was highly fragmented, though: more than 90% of the 350,000 providers were small businesses[26]. Besides, the segment was yet relatively non-digital: as of 2017, more than 80% of the gross bookings were made offline. However, the steep growth of the things-to-do market and the shift from manual to digital bookings attracted a vibrant startup scene, traditional travel agencies, and major digital players to enter the market (Figure 11, Table 1).

Figure 11 – Relevant players in the global travel activities marketplace[27]

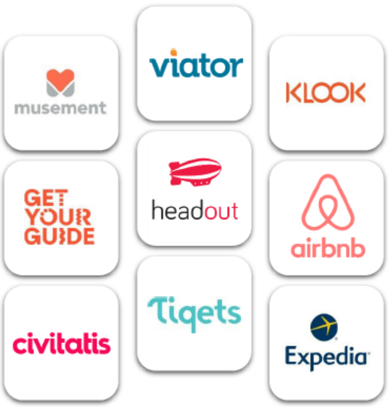


Table 1 – Major acquisitions in the travel activities market[28]

Acquirer	Target company	Date
Tripadvisor	Viator	2014
TUI	Musement	2018
Booking.com	FareHarbor	2018

3.1.4 Thomas Cook bankruptcy

A major event for the tour operator market was in late September 2019, when Thomas Cook declared bankruptcy after being in business for 178 years. The insolvency led to a broader market consolidation of the tour operator market, from which TUI could benefit immensely: Thomas Cook left behind a hole of 1.4% of all European short-haul seats as well as market shares at important European airports[29]. TUI and competitors reacted quickly by incorporating Thomas Cook's hotels in their programmes[30].

Reasons for the business failure of the world's oldest travel company were manifold. One of the main reasons was the merger with MyTravel in 2007 – a travel group that had only made profits once in six years prior to the merger[31] – which was planned to improve the digital portfolio of the group but instead piled up more debts. Thomas Cook was unable to take on the challenge of the emerging internet rivals: a former executive at MyTravel stated, that "Thomas Cook had an analogue business model in a digital world"[32]. Also, he said, much of the company value was to be found in the goodwill of the company, which relied on the brand strength and the loyalty of its customers[33]. Thomas Cook owned very little tangible assets, like hotels or planes (Exhibit 2, Exhibit 3), and suffered when customers left to book their holidays themselves or with online competitors. Other management problems worsened the situation and restructuring plans were chaotic[34].

All in all, the bankruptcy of Thomas Cook was a warning sign for all tour operators in the market. As Mr Joussen stated, TUI could "no longer [risk to be] the penultimate dinosaur, but the last"[35] in the tour operator market, hinting at the maturity of TUI itself.

3.2 The TUI Group

3.2.1 History of TUI until 2013

"A general store learns to smile - Preussag becomes TUI" [36]

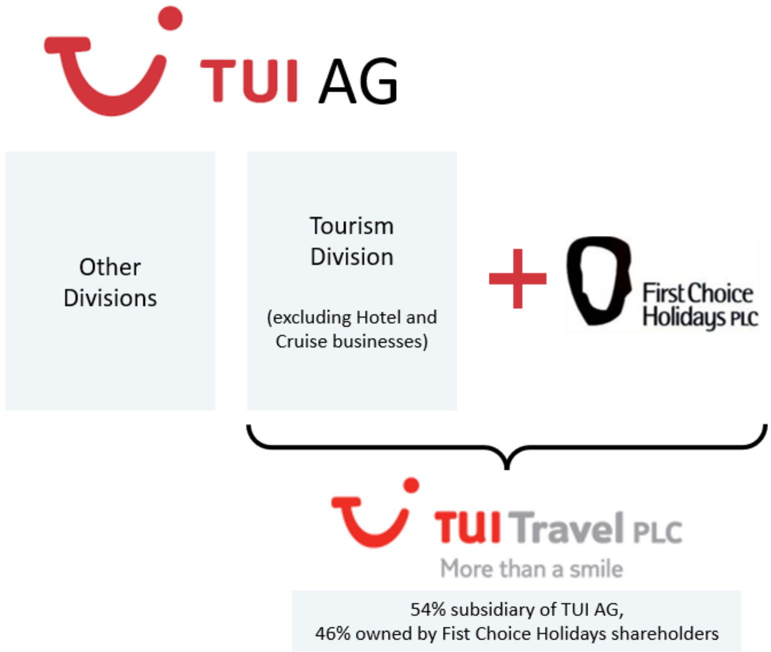
– Stern, 19 June 2002

The TUI Group started as a business that could not be more different from the one it was known for by the end of 2019. In fact, the company underwent a drastic change from the mining and heavy industry towards the tourism industry, which to this extent was nearly unprecedented by other German companies of similar sizes[37]. The state-owned 'Preussag', short for 'Prussian Mining and Smelting Company', has been founded in 1923[38]. After the Second World War, Preussag decided to enrichen its portfolio by various kinds of consumer goods. When Michael Frenzel took over the management in 1994, the enterprise started to take the pivotal shift into the tourism industry, mostly by the strategic acquisition of Hapag-Lloyd AG in 1997[39]. It was one of the leading German tourism providers with its air fleet, cruise ships, and chain of travel agencies. It also owned a 30 per cent share in the largest European travel company, Touristik Union International GmbH & Co, in short TUI, based in Hanover[40].

When the group bought prominent tourism companies such as the British 'Thomson Travel Group', it finally became one of the world's largest tourism groups[41]. In 2002, the parent company Preussag was renamed to TUI AG, which marked the definite farewell from the commodity industry and the final repositioning as a service provider for holidays and logistics. The TUI AG was the parent company of TUI Group, which subsumed all tourism investments and brands.

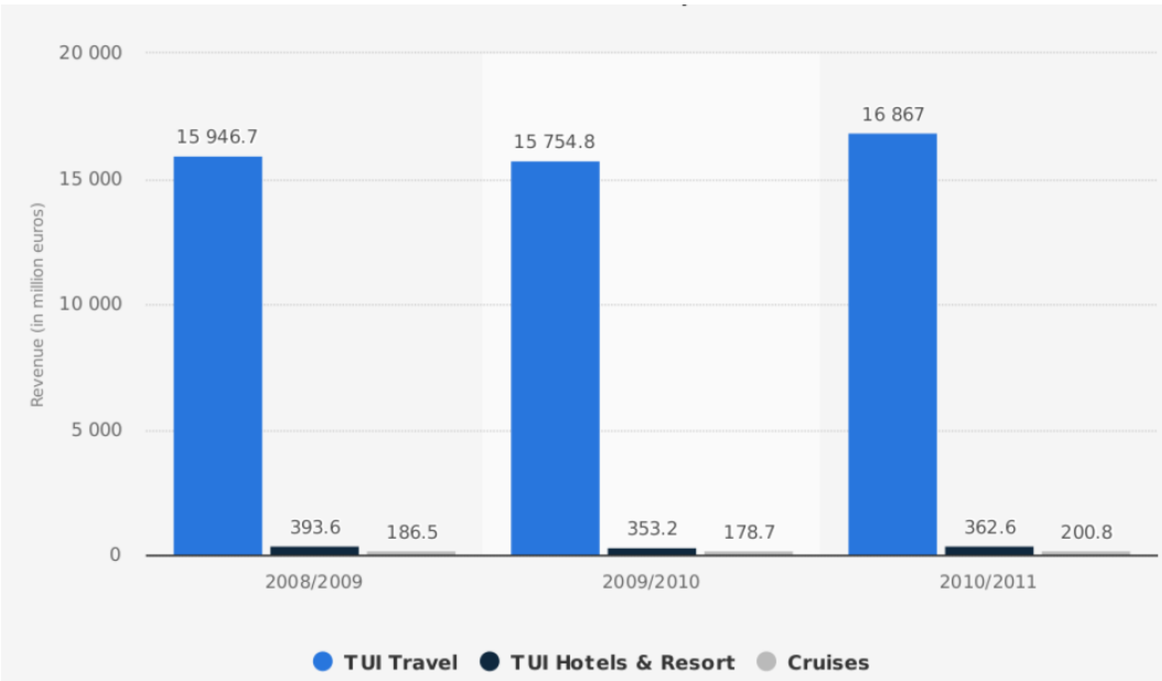
A landmark year was 2007, in which the tourism division of the TUI AG merged with the British 'First Choice Holidays PLC'[42] (Figure 12), which was renowned in the package travel segment. Since TUI AG did not possess enough financial means to fully take over First Choice, the two parties established the UK-based subsidiary 'TUI Travel PLC'[43].

Figure 12 – Merger of TUI AG's tourism division with First Choice Holidays PLC[44]



All tour operator activities – and thus by far the largest portion of the business – were carried out in the UK, while the holding company in Germany retained the group-owned hotel and cruise business along with the loss-making container shipping company Hapag-Lloyd and other smaller businesses[45] (Figure 13). In 2014, around 15% of TUI's content had been provided by its own brands.

Figure 13 – Revenues of the TUI AG by segment 2008-2011[46]



At this point, the new group managed around 48,000 employees, 101 tour operator brands, more than 3500 travel agencies, and seven airlines with more than 150 aircraft.

In 2008, the TUI AG and the Royal Caribbean Cruises Ltd., one of the global leaders in the cruise ship market, started the joint venture TUI Cruises, to bring a premium cruise product to the German market. A year later, TUI decided to sell shares of the container shipping company Hapag-Lloyd AG. The cruise division of Hapag-Lloyd AG, however, remained within the group. Thus, the group bowed out of the shipping industry in the following years and turned into a pure tourism group with three main divisions:

(1) TUI Travel: Tour operator, airlines, distribution and incoming
(2) TUI Hotels & Resorts
(3) TUI Cruise Holidays: Hapag-Lloyd Cruises, TUI Cruises, Thomson Cruises

After a failed merger attempt of TUI AG and TUI Travel, the TUI AG as a parent company remained troubled with a complicated group structure, and remaining Hapag-Lloyd shares were contributing to losses. Friedrich Joussen became the new CEO of the TUI AG in February 2013 and was optimistic to steer the company into a brighter future.

3.2.2 Strategic initiative 'oneTUI'

> *"After just 100 days, I announced that this financial year would be a year of transition. It is also a year in which we will leave no stone unturned and then have special effects as a result of write-downs. This approach is necessary. We are now making a clean sweep and will then turn our focus to the future."*[47]
>
> – Friedrich Joussen, Annual Report 2013

Friedrich Joussen initiated a wave of structural changes during his incumbency. The first one was subsumed under the name 'oneTUI' (Exhibit 4). The changes were initiated in May 2013 and were planned to be accomplished by 2016. While the first phase of the initiative in 2013 and 2014 focused on cutting costs, increasing efficiencies in underperforming business areas, and paying out dividends, the second phase was directed at growth.

Creating a lean corporate centre

Due to high costs and interest payments at the headquarter of the TUI AG, the parent company was making huge losses, which led to a loss of investor's trust towards TUI AG[48]. Thus, Mr Joussen decided to cut costs in the headquarters, for example through a staff reduction from 200 to 90 employees as of summer 2014, the cancellation of all sport sponsorship deals, and the sale of the corporate jet[49]. In addition, the debt had been restructured in order to lower the interest burden.

Solving the problematic dual structure of TUI AG and TUI Travel

Since the merger in 2007, the duality had continued to be a structural problem, hindering and slowing down decision making, since every decision of the holding firm, TUI AG, had to be discussed with the subsidiary management of TUI Travel, which managed most of the operating activities[50]. Due to the first phase of the oneTUI initiative, financial capabilities were available to finally merge the dual structure of the tour operator on the one side (TUI Travel) and the 'content', i.e. hotels and cruises, on the other side (TUI AG) into one and thereby cutting overlapping functions[51] (Table 2). On 15 September 2014, TUI AG and TUI Travel had agreed on the merger terms and the 6.5-billion-euro merger was completed by the end of 2014 – thereby creating the world's largest leisure tourism group[52].

Table 2 – Synergies versus costs of the TUI Travel & TUI AG merger[53]

Synergies		One-off costs	
Eliminating a head office	€ 45 million	Merger costs	€ 35 million
Tax benefits	€ 35 million		
Saved costs of sending passengers to the same destination (airline business)	€ 20 million	Uncoupling the accommodation business	€ 76 million
Opening 30 new hotels for TUI customers exclusively	€ 40 million		
Improved hotel occupancy	€ 30 million		

The TUI Group, under which name the new TUI was operating, was more agile, leaner, and better equipped to manoeuvre into the future. Thanks to the merger, TUI AG was able to cover the whole value chain in tourism:

"We will broaden our unique holiday portfolio which is a strategic advantage for the tour operator. The differentiated hotel portfolio has always been cornerstone of the strategy and we can broaden that. [...] We can actually guarantee occupancy levels much more easily when we run an integrated business. The last advantage is we will change our yield management so we behave more like hotels." [54]

– Friedrich Joussen, CEO of TUI AG

"We are taking the best of both businesses to create a stronger business with long term sustainability and you have de-risked growth. [...] As you grow your hotels portfolio if you have your own distribution channel you are de-risking and that enables us to strengthen our position. [...] It's working and strengthening us against many competitors round the world that we compete with. We see more growth." [55]

– Peter Long, CEO of TUI Travel

Eventually, the merger carried more power for Friedrich Joussen and resulted in the resignation of Peter Long as TUI Travel's chief executive, who became chairman of the supervisory board of TUI[56].

Centralizing functions

In FY 2015, six functions of the TUI Group were centralized to be managed at the group headquarters, among them the content management of hotels, cruises, and destination experiences as well as the brand, IT, and airline management. Through an alliance of all airlines, the group was able to create cost advantages, for example through a higher purchasing power towards the supplier Boeing, a one-stop-shop for maintenance and ground handling, and the simplified exchange of aircraft between airlines. The planning of flights as well as the crew management remained a local responsibility of each airline.

Optimizing the portfolio: Think Travel. Think TUI.

The TUI Group had been launching a strategic realignment to focus on its core business: 'Pure Tourism'[57] (Exhibit 5, Exhibit 6). The overall goal was to transform the business model from a dependence on the traditional tour operation towards content and brand-driven value creation[58] (Exhibit 7).

Mr Joussen systematically reviewed all activities in terms of their affiliation to the core business. For example, every hotel had been analyzed, whereupon some parted the company, and some were repositioned. At the same time, TUI divested in business areas, which did not generate synergies and did not belong to the core business (Table 3).

Table 3 – Non-core business disposal program[59]

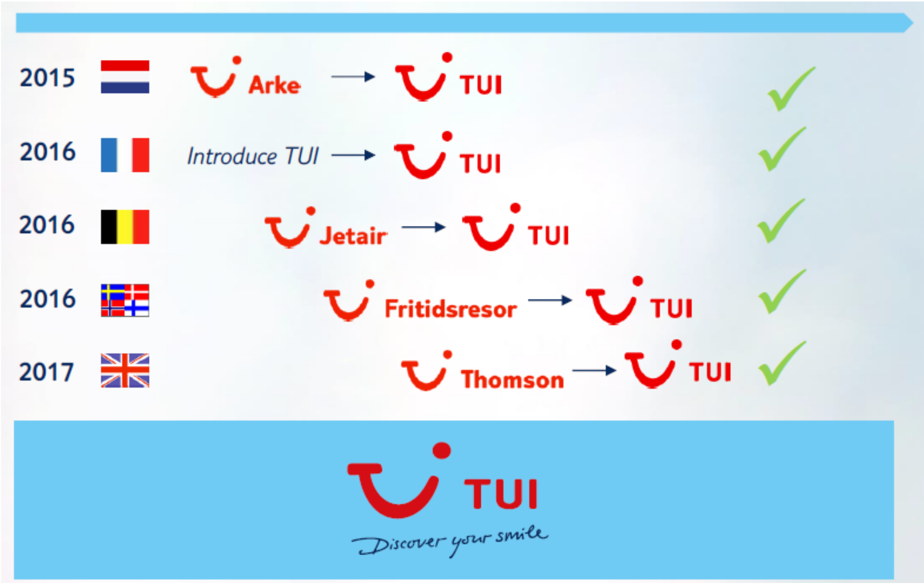
Disposal object	Description of business	Date	Gross disposal proceeds
LateRooms	British Hotel booking website	October 2015	€ 11.55 million
Hotelbeds Group	Spanish business-to-business accommodation wholesaler (hotel distribution platform)	September 2016	€ 1.19 billion
Travelopia	British group of > 50 specialist travel brands	June 2017	€ 369 million
Last Hapag-Lloyd shares (12.3%)	German Shipping company	July 2017	€ 407 million
Corsair	French airline	March 2019	Non-disclosure
(1) Berge & Meer (2) Boomerang Reisen	German specialist tour operators: (1) specialist for round trips (2) tailor-made long-haul trips to Oceania, Africa, and North/South America	August 2019	€ 100 million
Wolters Reisen	Holiday home and tours specialist	December 2019	Non-disclosure

Following this strategy, TUI reinvested the disposal proceeds in its transformational growth of hotels, cruises, and destination experiences.

Developing the brand: oneBrand initiative

There was an abundance of brands, which turned out to be difficult to differentiate by consumers[60]. To create less confusion around the brand portfolio, the oneBrand initiative had been launched (Figure 14): aside from Germany, Poland, Switzerland, and Austria, where the business had always operated under the name TUI, other countries were planned to migrate to the global umbrella brand TUI.

Figure 14 – Development of the oneBrand initiative launched in 2015[61]



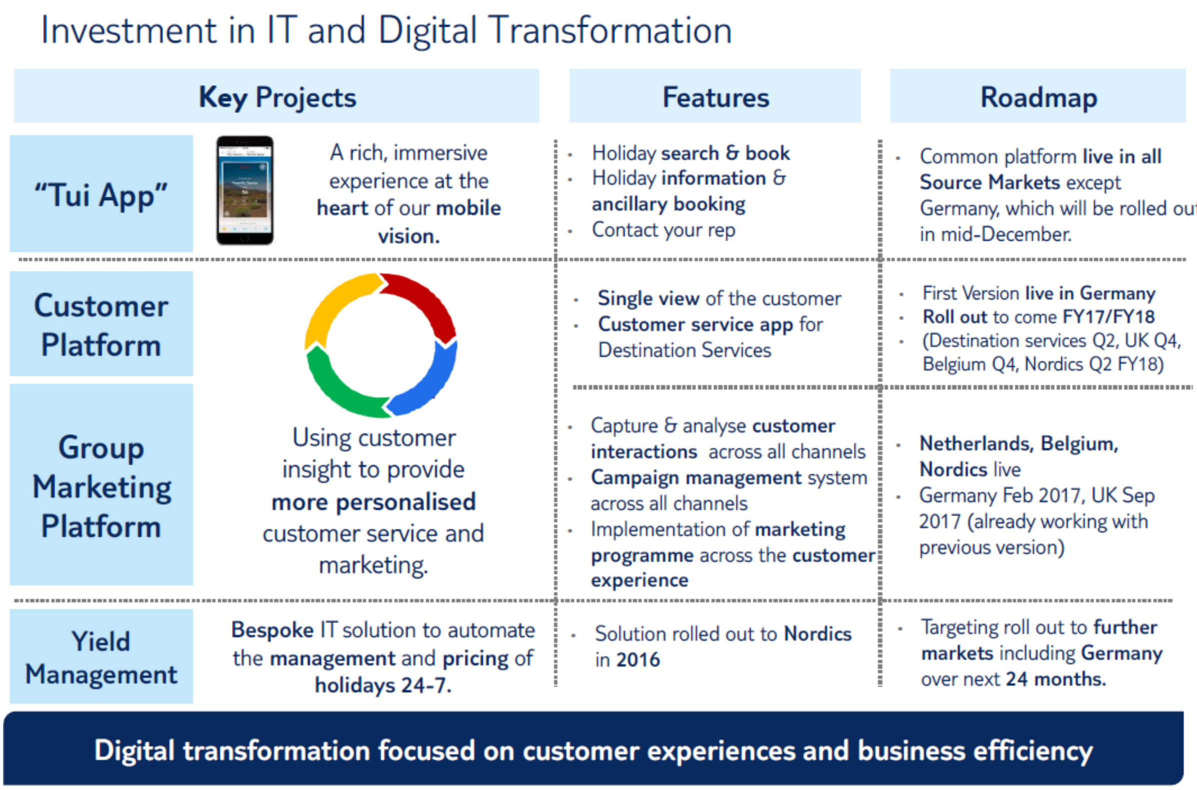
The rebranding initiative was aiming to harmonize the brand appearance and to create visibility along the whole value chain – to portray TUI as one big, international, consistent power brand with local roots[62]. This had to be conducted offline, for example by rebranding planes, buses, group activities and publications or posters and banners in holiday destinations, as well as online, for example through introducing a centralized URL, search engine optimization, and online advertising campaigns[63].

In line with the oneBrand initiative, in 2016, TUI introduced the first in-house developed hotel chain to feature "TUI" in its name: the life-style brand TUI Blue. This new brand was meant to address modern, culturally interested guests with a special focus on authenticity by offering regional cuisine, traditional architectural styles of the hotels and excursions off the beaten tracks. Individuality was guaranteed by a multi-lingual app as a digital service assistant, through which hotel guests could book hotel services, sports offerings, or excursions.

Digitalizing the business

The digitalization of the business model was also on the agenda (Figure 15). The “TUI App” was launched in FY 2016 and was planned to become TUI’s biggest digital sales channel.

Figure 15 – Digitalization roadmap as of 8 December 2016[64]



A newly setup Mobility Hub in London in 2014 was also working on other ways of digitalizing the customer experience, for example by testing the ‘TUI Smartband’ – a waterproof wearable which could be used to access the resort, to make purchases through the digital wallet and to smartly control the guest’s room features[65].

Beyond that, the group was planning to absorb the customers’ willingness to pay for higher quality through online differentiation and personalization. For example, TUI was aiming at exploiting the higher willingness to pay of customers for a specific room through its ‘Select your Room’ service at TUI Blue hotels[66].

3.2.3 Group Portfolio as of 2020

> *"We deliver the full customer experience, from inspiration and booking, through the travel journey, to the experience in the destination."*[67]
>
> – Annual Report 2019

The TUI Group's portfolio was comprised of the two main businesses 'Holiday Experiences' and 'Markets & Airlines', as well as the remaining 'All other segments' (Figure 16, Exhibit 8).

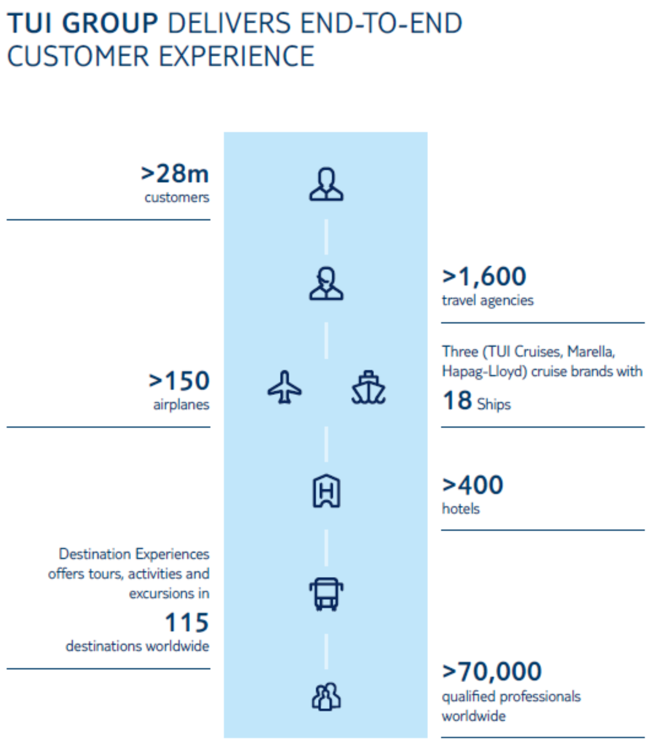
Figure 16 – TUI Group structure as of 30 September 2019[68]

Those two main businesses were clustered into five business units[69]:

(1) TUI Hotels & Resorts
(2) Cruises
(3) TUI Destination Experiences
(4) Sales & Marketing
(5) Airlines

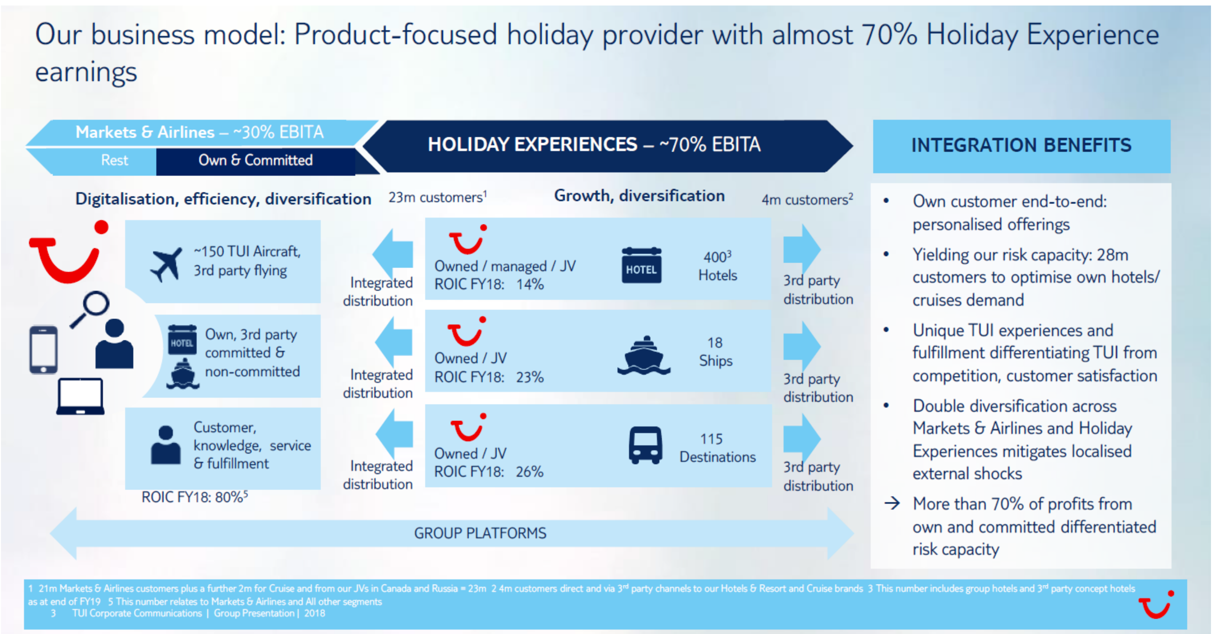
Since summer 2018, the business units Sales & Marketing and Airlines have been combined into the Markets & Airlines business to use the synergies of the tour operator business in the source markets and the airline management. The five business units were the foundation of the fully integrated business model of TUI and enabled to cover the whole holiday customer journey (Figure 17), which was one of the main differentiating factors towards competitors, who often only covered parts of the value chain (Exhibit 9).

Figure 17 – End-to-end customer experience of TUI[70]



After the oneTUI transformation, TUI was a product-focused holiday provider, which could leverage its vertical integration (Figure 18, Exhibit 10).

Figure 18 – The business model of TUI[71]



3.2.3.1 TUI Hotels & Resorts

In 2020, the Hotels & Resorts portfolio of the group included its six top brands (Figure 19, Exhibit 11): Robinson, TUI Magic Life, TUI Suneo, TUI Blue, TUI Sensatori and Riu, the 49% joint venture.

Figure 19 – TUI's leading leisure hotel brands[72]

At the end of FY 2019, the total number of hotels amounted to 411, which included the top brands of TUI as well as worldwide partnerships with numerous other hotel chains (Figure 20).

Figure 20 – Worldwide partnership hotel chains of TUI[73]

All in all, the Hotel & Resorts segment was not only the largest contributor to the adjusted EBITA of the group in 2018 and 2019 (Figure 21, Exhibit 12) but also the core holiday element for the customer. TUI's main belief was that the accommodation was one of the main decision factors for a tourist's booking and drove customer loyalty[74].

Figure 21 – Underlying EBITA by segment of FY 2018 and FY 2019[75]

In €m	FY19	FY18[1]	Change
Hotels & Resorts	**451.5**	**420.0**	**31.5**
- Riu	326.2	390.3	-64.1
- Robinson	54.7	41.8	12.8
- Blue Diamond**	9.9	18.4	-8.4
- Other	60.7	-30.4	91.1
Cruises	**366.0**	**323.9**	**42.1**
- TUI Cruises**	202.6	181.3	21.3
- Marella Cruises	120.4	106.4	14.0
- Hapag-Lloyd Cruises	43.0	36.2	6.8
Destination Experiences[2]	**55.7**	**45.6**	**10.1**
Holiday Experiences	**873.2**	**789.5**	**83.7**
- Northern Region	56.8	278.2	-221.4
- Central Region	102.0	94.9	7.1
- Western Region	-27.0	124.2	-151.2
Markets & Airlines	**131.8**	**497.3**	**-365.5**
All other segments	-111.7	-144.0	32.3
TUI Group	**893.3**	**1,142.8**	**-249.5**

*Table contains rounding effects | **Equity result | 1 PY reported adjusted for retrospective application of IFRS 15 |
2 PY restated for reclassification of TUI DX Crystal to Destination Experiences from Markets & Airlines Northern Region and TUI Italy to Markets & Airlines Central Region from All other segments

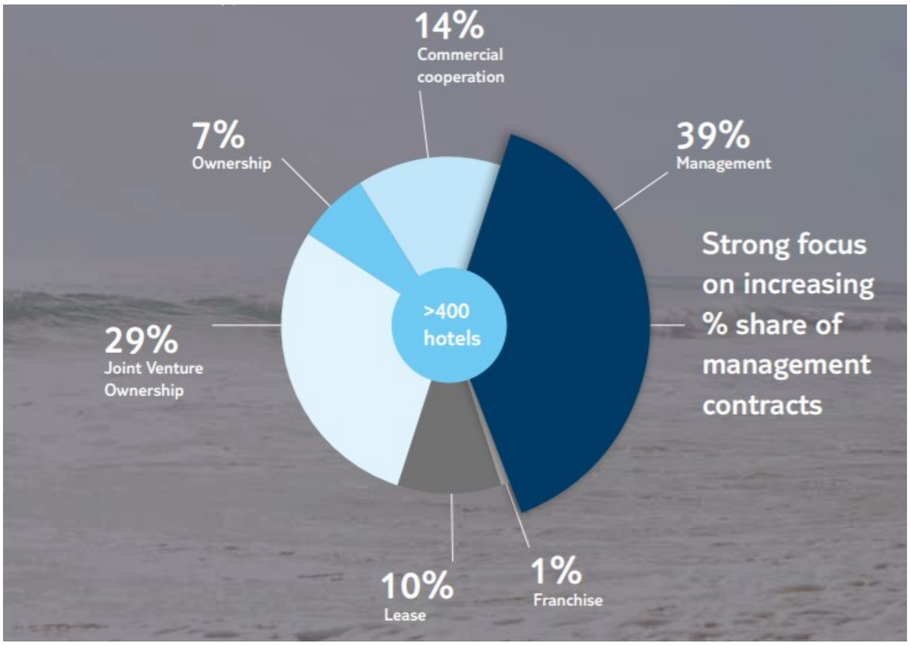
For this reason, the TUI Group had been striving for the growth of its portfolio in this segment (Table 4). In total, TUI operated its hotels under 6 different contract types (Figure 22). As a guideline for investment, the growth roadmap for hotels stated, that ownership and joint venture models were to be fostered in high growth regions with scarce supply, and other hotel investments should be conducted primarily under a management model[76].

Table 4 – Count of hotels by financing structure[77]

	End of FY13	End of FY14	End of FY15	End of FY16	End of FY17	End of FY18	End of FY19
Ownership and Joint Venture	95	98	112	115	127	132	145
Other financing structures	137	140	198	188	200	198	209
Management	116	119	143	133	147	148	163
Lease	14	12	46	46	43	43	42
Franchise	7	9	9	9	10	7	4
TUI concept hotels run by third-party hoteliers (commercial cooperation)	n/a	n/a	n/a	45	53	50	57
Sum of Hotels	**232**	**238**	**310**	**348**	**380**	**380**	**411**

Note: Third-party concept hotels included TUI Sensatori, TUI Sensimar, TUI Family Life

Figure 22 – TUI Hotels & Resorts' portfolio contract type as of 2019[78]



The hotels and resorts were mostly located at or near beaches (Figure 23). Especially, long-haul destinations were becoming increasingly important, as 365 days of sunshine promised high returns on investment[79] (Figure 24). After 2016, around three-quarters of the capital expenditures were invested in year-round destinations and the remaining quarter in summer-only destinations[80].

Figure 23 – Hotels & Resorts' regions as of 30 September 2019[81]

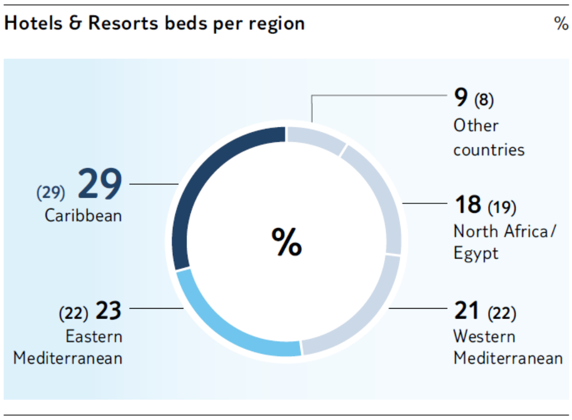
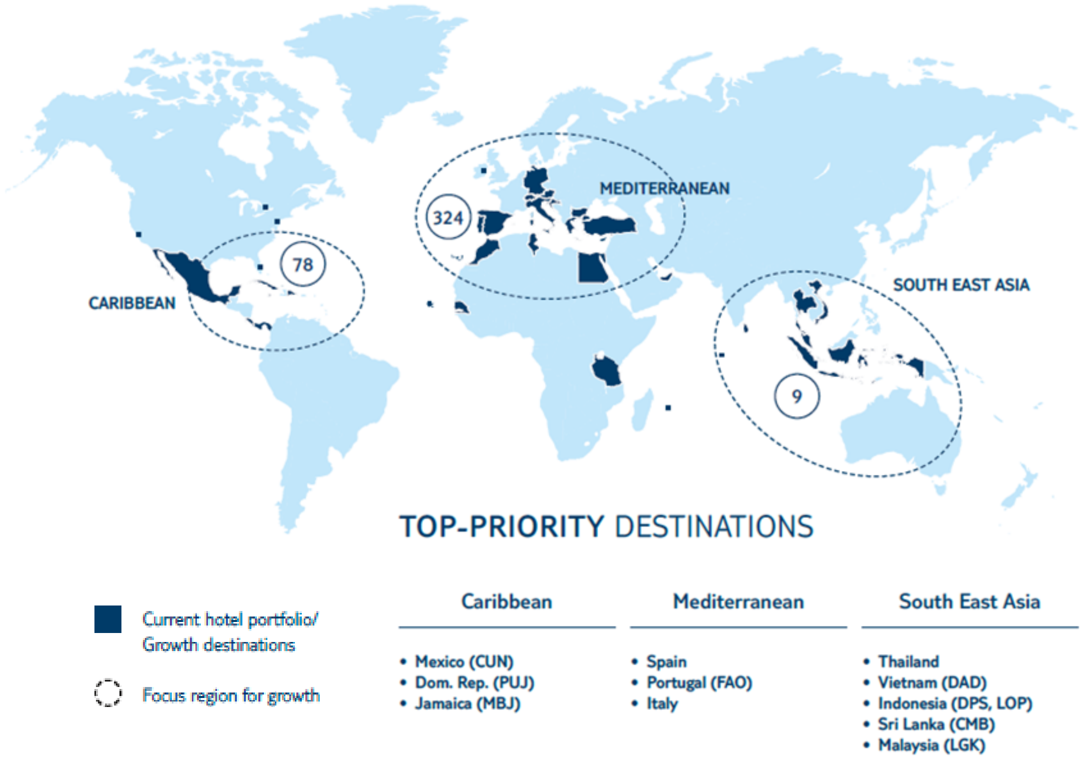


Figure 24 – Map of existing hotels by regions and regions of growth[82]



In particular, TUI's new flagship brand TUI Blue (Exhibit 13) was receiving higher attention and was planned to become the world's largest and internationally known holiday hotel brand. Two existent hotel brands (TUI Sensimar, TUI Family life) had been rebranded into TUI Blue hotels and the portfolio was planned to be augmented from around 10 hotels in March 2019 to around 100 hotels in 2020[83]. The expansion was intended to be mainly driven by repositioning existing hotels and by asset-light financing structures, i.e. management, franchise, or third-party hotelier concept models[84].

3.2.3.2 Cruises

At the end of 2019, TUI comprised 18 vessels consisting of three brands: TUI Cruises, Marella Cruises (formerly: Thomson Cruises), and Hapag-Lloyd Cruises[85]. TUI Cruises, the 50/50 joint venture with the worldwide market leader in the cruise business – Royal Caribbean Cruises – was operating in the German-speaking premium volume market. Marella Cruises served mainly the British family and city cruise market and Hapag-Lloyd Cruises were operating in the luxury and expedition market. The TUI Group was heavily investing in the cruise ship market since it was expecting growth in this market (Exhibit 14, Exhibit 15). Heavy investment went into buying cruise ships from former lessors in all three cruise brands (Table 5). Especially the capacities for the joint venture TUI Cruises, the main investment vehicle of TUI, was expanded through the acquisition and commission of cruise ships.

Table 5 – Cruise fleet by ownership structure from 2016 until 2019[86]

Cruise Brand	Owned				Finance Lease				Operating Lease				Total			
	2016	2017	2018	2019	2016	2017	2018	2019	2016	2017	2018	2019	2016	2017	2018	2019
TUI Cruises (JV)	5	6	6	7	-	-	-	-	-	-	-	-	5	6	6	7
Thomson Cruises/Marella Cruises	-	1	3	4	3	3	2	2	2	2	1	-	5	6	6	6
Hapag-Lloyd Cruises	3	3	3	4	-	-	-	-	1	1	1	-	4	4	4	4

Note: All numbers refer to 30 September of the stated year.

In February 2020, TUI sold the expedition and luxury cruise subsidiary Hapag-Lloyd Cruises to the joint venture TUI Cruises. The value of the transaction was estimated at 1.2 billion euros without net debt and resulted in a net cash inflow of approximately 700 million euros. Mr Joussen stated, that this was the next logical step in order to push the growth of the cruise segment faster and less capital intensive. Royal Caribbean Cruises facilitated access to new international customer groups and the financing of new ships. There were no layoffs planned in the course of the company restructuring of the brand and the proceeds were planned to be further invested in the digitalization of the business[87].

3.2.3.3 TUI Destination Experiences

Besides the Hotels & Resorts and Cruise business, the third growth sector for TUI was the Destination Experiences. Several months would usually pass between booking and start of the vacation and so TUI identified its opportunity to offer customized destination experiences in the meantime.

There were three main brands under the umbrella of the Spanish subsidiary TUI Destination Experiences: Intercruises, Pacific World, and Musement, one of the leading online providers in the activities market (Table 6).

Table 6 – TUI Destination Experiences brands[88]

Brand	Description
INTERCRUISES SHORESIDE & PORT SERVICES	"Intercruises looks after cruises for all the world's major cruise companies in around 60 countries. With a market share of 14 percent, the company is one of the leading providers in its segment."
pacific world opening up perspectives	"Pacific World is active in the conference and events business. The company offers its services in 30 countries worldwide – preferably in Asia – and accompanied over 1 million events last year."
musement	"Five years after its foundation [in 2013], Musement is one of the leading online providers in the tours and activities market. The Italian start-up offers travellers activities and excursions in 1,900 cities in 80 countries worldwide via its platform."

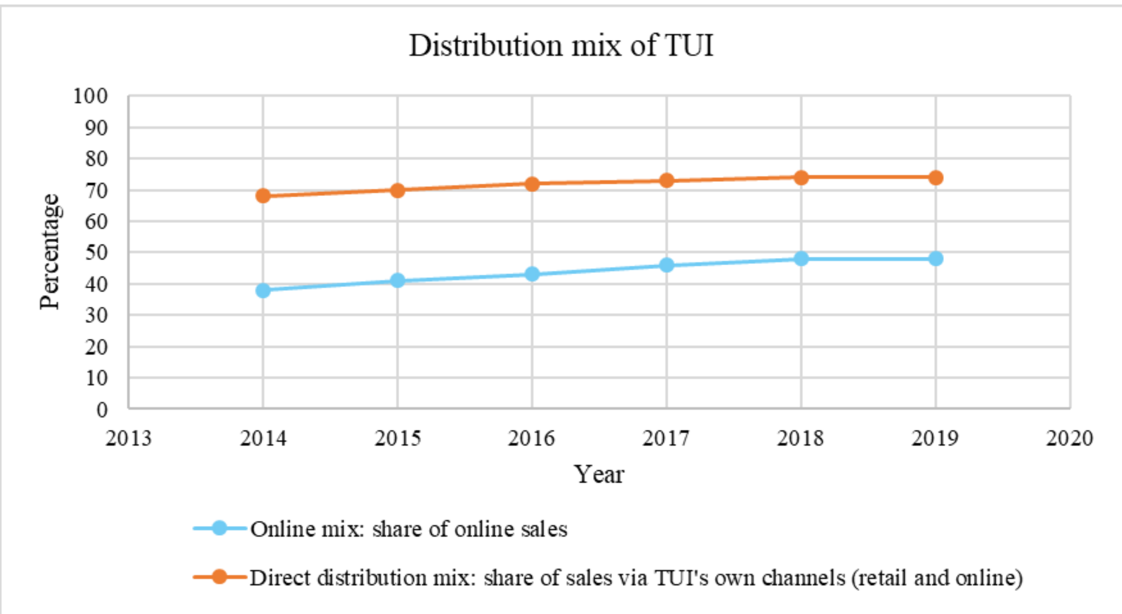
Aside from cruise handling and event management, the offer of TUI was including all services for a destination, that a guest could imagine: excursions, activities (wellness, sports, culture, guided tours, etc.), round trips, guest care and transfers. The tours and activties platform Musement was designed as a two-sided open platform, which offered not only its own products but also experiences from distribution partners and third parties to its own customers as well as external customers. After the strategic acquisition of Musement in 2018, the bookings had doubled within 3 months already and promised more growth[89]. It offered a range of 150,000 activities, of which 50,000 were curated by TUI. To eventually reach its vision of '1 million things to do', TUI had started, for instance, a cooperation with Ctrip in March 2019 - the leading Chinese online provider for tours and activities[90]. It allowed Ctrip's 200 million mostly Chinese customers to have direct access to Musement's offers.

In contrast to other online providers of activities, like Tripadvisor, TUI may have entered the market a bit late, but it could compensate with a clear advantage, Mr Joussen stated: TUI was the only provider represented locally with its own employees – a total of 10,000 in 50 countries – to ensure safety and quality of the excursions[91]. The company not only promised high quality and individual offers, but also high reachability, be it through the TUI Contact Centre, the travel agency, the Rep on-site, the website, or the app.

3.2.3.4 Sales & Marketing

The segment of Sales & Marketing comprised the tour operator and travel agency businesses. The travel agencies comprised around 1,600 group-owned agencies, 1,200 franchise partners, and around 15,000 independent points of sale in Europe[92]. Via those retail channels as well as online channels, TUI sold holiday packages to its 21 million customers (Figure 25). This business, in turn, ensured occupancy in its own hotels and cruises and the use of destination experience offers.

Figure 25 – Distribution mix of the TUI Group[93]



Note: Mobile sales were at 1% in FY 2018.

The segment was clustered into three core regions: the Northern Region, the Central Region, and the Western Region (Figure 26).

Figure 26 – Map of TUI's main source markets[94]

While the main source markets were located in Europe, TUI was aiming to further attract customers from new source markets (Table 7).

Table 7 – TUI's source markets[95]

<table>
<tr><th colspan="2">Major source markets</th><th>New source markets (GDN-OTA)</th></tr>
<tr><th>Country</th><th>Customers in million FY19</th><th>Country</th></tr>
<tr><td>Germany</td><td>7</td><td rowspan="7">• Portugal
• Spain
• Brazil
• India
• China
• Malaysia</td></tr>
<tr><td>UK</td><td>6</td></tr>
<tr><td>The Netherlands & Belgium</td><td>5</td></tr>
<tr><td>Sweden, Norway, Finland & Denmark</td><td>1</td></tr>
<tr><td>France</td><td>1</td></tr>
<tr><td>Poland</td><td>1</td></tr>
<tr><td>Switzerland</td><td>0.2</td></tr>
<tr><td>Sum</td><td>21.2</td><td>Goal = 1 million customers by 2022</td></tr>
</table>

To draw customers from those six new markets, TUI had launched the 'Global Distribution Network – Online Travel Agent' (GDN-OTA) platform in 2019. The new platform offered mainly 'accommodation only' instead of package holidays[96]. TUI's vision for this platform was to become the leading meta-search engine for hotels, including independent third-party hotels, as a "holistic digital hotel service provider"[97]. TUI declared, that it was willing to push this platform through competitive pricing and simultaneously accepted little or no profitability. Its main aim was to engage as many customers as possible in the TUI ecosystem, from where TUI could cross- and upsell more products and offers. In 2019, the platform had 250,000 customers from the new markets[98]. Other than in the traditional sourcing markets of TUI, the group did not intend to build up a dense network of offline travel agencies but purely relied on online presence and strong local partnerships[99]. In the future, TUI planned to not only offer accommodation but also flights (sourced from other airlines), transfers as well as activities[100].

In addition, a new 'Property Management System', which relied on blockchain technology, enabled hoteliers to sell their hotel beds in a more differentiated way: the customer could book a specific room of choice based on, for example, morning or evening sun, with garden or sea view, or rooms with guaranteed baby phone range, for an additional charge of 5-10 euros per room per night[101]. This new system, which had been initially developed for group-owned hotels, was adopted by 30% of the customers already and enabled to lead to higher margins[102].

Although the GDN-OTA platform was directly competing with market leaders, such as Booking.com, TUI justified its market entrance by offering more freedom to hoteliers and more options for individualization with the new Property Management System[103]. Overall, the occupancy risk of TUI's hotels was to be reduced by appealing to a more diverse and international composition of its target audience.

3.2.3.5 Airlines

According to the main source markets in Europe, TUI's airlines included a fleet of around 150 aircraft of the following five airlines in FY 2019:

(1) TUI Airways (Great Britain & Ireland)
(2) TUI fly Belgium
(3) TUI fly Germany
(4) TUI fly Netherlands
(5) TUI fly Nordic

In line with the growing hotel, cruise and destination experience portfolio, TUI expanded its aircraft portfolio to be able to fly its customers to the holiday destinations (**Fehler! Ungültiger Eigenverweis auf Textmarke.**).

Table 8 – Aircraft assets by financing structure in million euros[104]

	End of FY13	End of FY14	End of FY15	End of FY16	End of FY17	End of FY18	End of FY19
Ownership and finance lease	491.5	635.7	1,166.0	1,202.0	1,207.2	1,415.2	1,592.6
Operating lease*	1,722.2	2,036.1	2,144.7	1,886.3	1,461.1	1,547.1	1,418.0

Note: *According to IASB rules, TUI AG was not the economic owner of these assets

The main differentiator towards other leisure airlines was the Boeing B787 Dreamliner, which was operated on long-haul flights. Due to its high-quality experience for customers and fuel efficiencies compared to similar-sized aircraft, the fleet was planned to be extended by this aircraft type – to serve the increasing long-haul destination portfolio. To further extent its fleet, TUI had ordered 72 aircraft of the (problematic) Boeing 737 MAX until 2023[105]. While Boeing had already reached agreements with American airlines on compensation payments due to the flight ban of the 737 Max, such results have been delayed in Germany[106].

3.3 Looking into the future

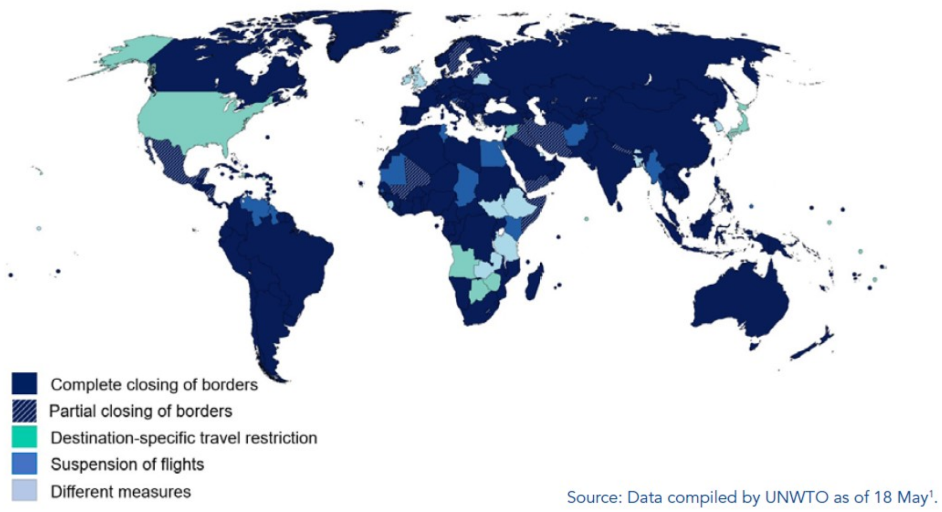
3.3.1 COVID-19 pandemic

> *"There is no reason and no indication to believe that demand for travel will decline – on the contrary."* [107]

– Friedrich Joussen, Annual Report 2018

At the beginning of 2020, the world was facing an unprecedented global health emergency: the outbreak of the coronavirus. The COVID-19 pandemic had brought the world to a standstill and impacted not only our daily lives but also our livelihoods and societies as a whole. While every country in the world was affected and attempted to curb the pandemic, the economies were suffering during the politically imposed containment measures due to a heavy reduction of economic activity and travel restrictions (Figure 27).

Figure 27 – Type of COVID-19 travel restrictions by destination as of May 2020[108]



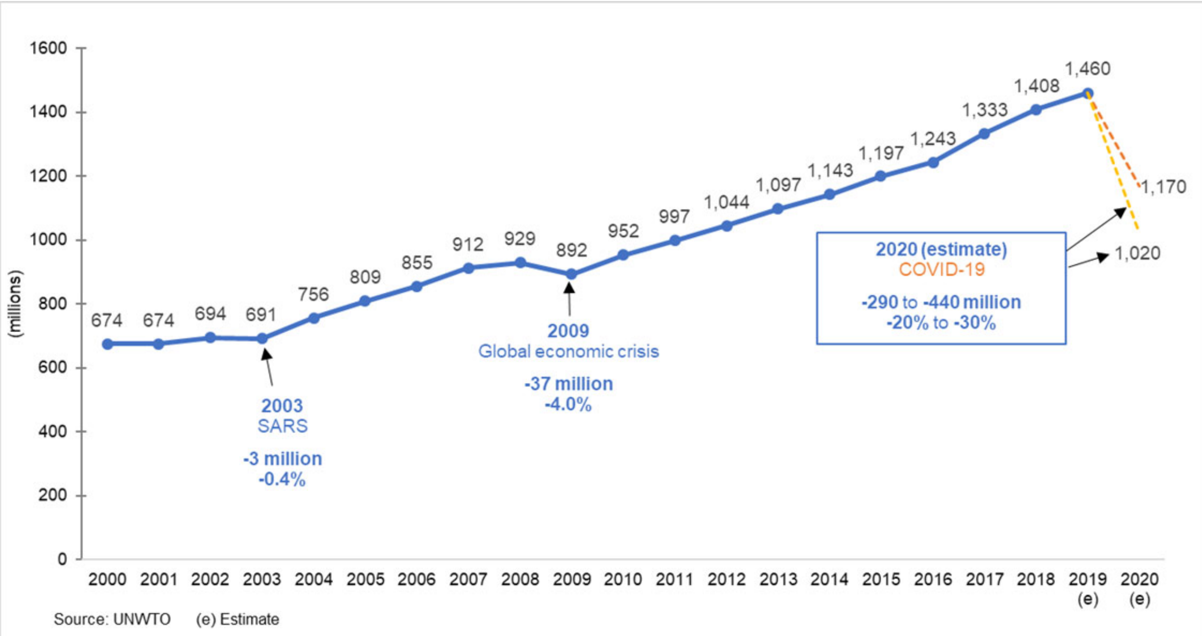
The tourism industry, in particular, had been negatively affected by the crisis:

> *"In many otherwise popular tourist destinations, hotels have been deserted and restaurants, bars, tourist attractions, theme parks and museums closed. […] Major cruise companies have halted operations; cruise ships have been stranded at sea, as more and more ports have temporarily refused them entry. Many countries have reintroduced border controls or banned certain travelers from entering their territory, leaving them struggling to return home."* [109]

– European Parliamentary Research Service, April 2020

Worldwide, around 100 million people were predicted to lose their job in the travel and tourism industry, including 13 million jobs in the EU[110]. In total, the EU tourism industry was losing around 1 billion euros in revenue per month. As of spring 2020, it was still extremely difficult to estimate the consequences of COVID-19 on international tourism. However, the UNWTO attempted to put forward some estimates (Figure 28). Its calculations of a 20-30% decline in international tourism would translate into a loss of 300-400$ billion loss in tourism receipts, which was around one-third of international tourism receipts worldwide[111].

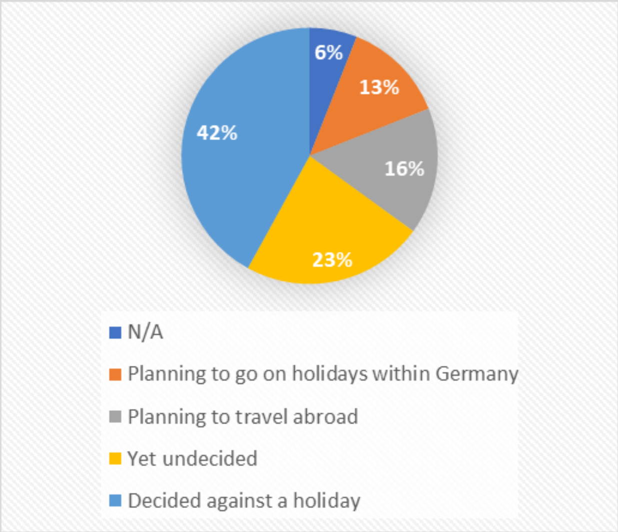
Figure 28 – 2020 forecast of worldwide international tourist arrivals[112]



Especially the air transport had been harshly impacted. It was estimated a worldwide reduction of revenue passenger kilometre (RPK) of 38% compared to 2019 and a passenger revenue decrease of 252 billion dollars[113]. Until June 2020, 2 million passenger flights had been cancelled and airlines were struggling due to low liquidity. In March 2020, the corona crisis claimed its first victim: the airline Flybe was forced to cease operations[114].

Although the tourism sector had shown strength and resilience towards crises like the SARS outbreak in 2003 in the Asia Pacific or the global economic crisis in 2008-09, the COVID-19 pandemic seemed to have a much heavier impact on the tourism industry due to its far-reaching travel restrictions. In Germany, for example, the government extended the worldwide travel warning until 14 June 2020, and many Germans had decided against holidays in 2020 (Figure 29).

Figure 29 – Holiday plans of Germans as of April 2020[115]



A vast majority of TUI's travel operation was suspended on 15 March 2020[116] and, until amelioration of the corona situation was in sight, all cruise ships returned to the port of Hamburg and aeroplanes were parked. TUI fly as well as Lufthansa and Condor participated in the German repatriation program of stranded tourists and made aircraft available, which were chartered by the German government[117]. As for the bookings already made, the group stated that customers' trips could be postponed free of charge and that payments were sufficiently secured[118]. As of April 2020, the crisis management team of TUI had put together a task force, which was handling the restart of the business activities as soon as it was safe to travel again[119]. However, TUI withdrew its guidance for FY 2020 and stated to have cash and available facilities of 1.4 billion euros to mitigate the impact of the coronavirus[120]. In addition, after prior approval of the German Federal Government, TUI signed a state aid bridging loan of 1.8 billion euros in April 2020[121]. TUI announced that from April until September employees would reduce work hours and would get wage subsidies from the German state[122]. Despite obtaining a state loan, Mr Joussen announced that every ninth job, and thus up to 8,000 employees, were to be laid off[123]. Criticism rose as the main beneficiaries of the loan were TUI AG's wealthy foreign shareholders. Alarmingly, the sum of the loan was so high that the German state could have bought the group completely, given its market value in mid-May 2020[124].

3.3.2 Future Travelers

Whether the corona crisis was about to have a long-lasting impact on the future traveller behaviour, was yet unclear. Especially the cruise segment had been negatively impacted by the large media coverage of failed quarantine on some cruise ships[125]. Experts stated, however, that travelling had become a normal part of life in many societies, especially in Europe, and people would go on holidays again once it was safe and budget permitted[126]. It was yet too early to understand if the corona crisis could lead to a shift away from mass tourism, but trends such as quality-oriented tourism and sustainability were pursued despite the corona crisis[127].

In the mid-term future until 2030, overall global trends were expected to shape the future of the tourism industry. The global population was projected to rise from 7.7 billion in 2019[128] to 8.5 billion in 2030[129]. While developing countries were projected to increase in population, developed countries' populations were on the decrease. The markets of the Pacific Asia region, Latin America and Africa were growing – shifting the global power to the south-east[130]. In general, more people around the globe would be able to afford holidays due to more economic activities in these regions.

According to the World Tourism Organization, six different consumer travel trends were apparent as of 2019 (Figure 30).

Figure 30 – Consumer travel trends[131]

- **Travel 'to change'**
  Live like a local, quest for authenticity and transformation.
- **Travel 'to show'**
  'Instagramable' moments, experiences and destinations.
- **Pursuit of a healthy life**
  Walking, wellness and sports tourism.
- **Rise of the 'access' economy.**
- **Solo travel & multigenerational travel**
  as a result of aging population and single households.
- **Rising awareness on sustainability**
  zero plastic and climate change.

In summer 2018, the 15-year-old Greta Thunberg started the Fridays for Future movement, which shortly after became viral on social media, spread to European countries, and finally all over the world. Millions of students peacefully protested every Friday against the governments' lack of action on the climate crisis. Thus, one of the main keywords for the 2020s and tourism would remain sustainability. The Sustainable Development Goals formulated by the UN would continue to shape the decisions of companies, governments, international organizations as well as consumers. In 2019, 68% of the German population considered environmental and climate protection to be the most important societal challenge and to be crucial to master future tasks, to ensure prosperity and competitiveness and to create jobs[132]. Awareness about the individual carbon footprint was increasing through environmental movements and, in 2020, around half of the global travellers were willing to travel with a slower mode of transport to reduce their negative impact on the environment[133].

At the same time, ongoing digitalization would create an abundance of information. Inventive tech inspiration and recommendations could help travellers to choose from the abundance of places to visit and excursions to do. For 2020, almost half of the travellers worldwide revealed their willingness to use an app as an efficient and easy way to get inspired, to book activities while travelling, or to pre-plan activities. Thus, it was expected that more apps integrating Artificial Intelligence would be developed, which could offer tailored recommendations according to the taste, previous experiences, and other factors like the weather and popularity of attractions[134].

3.3.3 TUI's future outlook

*"From an integrated holiday provider to an integrated **digital** tourism **ecosystem**"*[135]

– Annual Report 2019

Since 2017, the new strategic initiative 'TUI 2022' focused on transforming TUI from a product-centric to a platform-centric company, mainly through digitalization. The overall goal was to gain an additional 1 million customers in the new markets and an additional 1 billion euros turnover in five years[136].

Although January 2020 started off being by far the best booking month in company history[137], the TUI AG was facing one of the largest crises in company history just a few months later.

The coronavirus pandemic did not only bring the tourism industry to a halt but also reinforced concerns about the future risk situation of the company. According to CEO Mr Joussen, TUI took two steps to deal with the corona pandemic: ensure liquidity and cut costs. The former could be attained through the state loan, the latter through short-time work, and the reduction of fixed costs by 70% through efficient cost management. He also confirmed that future seasons were very well booked: for the summer holiday season 2021, bookings were already double as high as expected by May 2020. TUI's website was also advertising the summer holidays 2021 in particular. Also, a 10-step plan had been written to ensure hygiene standards in hotels and safe travelling for customers. Ultimately, he stated, people wanted to go on holidays – but it had to be made safe[138].

At the end of May 2020, the rating agency Moody's downgraded the corporate rating of the TUI AG, which then reached a level of 'substantial risk' (Figure 31). Even before the corona crisis in December 2019, Moody's had downgraded the credit rating to 'speculative' because the necessary investments no longer appeared to be covered by the operating cash flow (Exhibit 16)[139].

Figure 31 – TUI AG's corporate ratings as of May 2020[140]

Corporate Rating	Standard & Poor's	Moody's
Long-term	**B-**	**Caa1**
Outlook	CreditWatch with negative implications	negative

Those dooming outlooks rose existential fears for the group and put high pressure on CEO Mr Joussen: would the strategy realignment initiated by him pave the way into a bright future or was TUI about to suffer from the same fate as Thomas Cook?

4 Exhibits

Exhibit 1 – Dividend payments of TUI AG[141]

Year	Dividend yield in %	Dividend
2019	5,06	0,54
2018	4,34	0,72
2017	4,50	0,65
2016	4,98	0,63
2015	3,43	0,56
2014	2,79	0,33
2013	1,59	0,15
2012	0,00	0,00
2011	0,00	0,00
2010	0,00	0,00
2009	0,00	0,00
2008	0,00	0,00
2007	1,31	0,25
2006	0,00	0,00
2005	4,45	0,77
2004	4,42	0,77
2003	4,66	0,77
2002	4,76	0,77
2001	2,79	0,77
2000	3,14	1,09

Exhibit 2 – Development of Thomas Cook's asset structure[142]

Asset structure of Thomas Cook Group PLC (GBP in millions)

	2014	2015	2016	2017	2018
Fiscal Year Ends	30.09.2014	30.09.2015	30.09.2016	30.09.2017	30.09.2018
Assets					
Non Current Assets					
Intangible	2,873.00	2,794.00	3,077.00	3,136.00	3,104.00
Tangible	755.00	807.00	848.00	720.00	718.00
Investments	15.00	5.00	9.00	7.00	86.00
Other	322.00	317.00	364.00	511.00	548.00
Total	**3,965.00**	**3,923.00**	**4,298.00**	**4,374.00**	**4,456.00**
Current Assets					
Stock	34.00	32.00	43.00	42.00	44.00
Debtors	301.00	252.00	320.00	311.00	399.00
Cash and Securities	962.00	1,276.00	1,754.00	1,379.00	1,001.00
Total	**1,829.00**	**2,035.00**	**2,645.00**	**2,231.00**	**2,113.00**
Held for Disposal	-	-	-	-	-
Total Assets	**5,794.00**	**5,958.00**	**6,943.00**	**6,605.00**	**6,569.00**

Exhibit 3 – Development of TUI AG's asset structure[143]

Asset structure of TUI AG (EUR in millions)

	2015	2016	2017	2018	2019
Fiscal Year Ends	30.09.2015	30.09.2016	30.09.2017	30.09.2018	30.09.2019
Assets					
Non Current Assets					
Intangible	4,131.90	3,399.30	3,437.60	3,556.30	3,696.40
Tangible	3,636.80	3,714.50	4,253.70	4,876.30	5,840.40
Investments	1,134.00	1,231.20	1,343.40	1,452.40	1,550.60
Other	711.30	786.80	802.90	765.80	870.00
Total	**9,614.00**	**9,131.80**	**9,837.60**	**10,650.80**	**11,957.40**
Current Assets					
Stock	134.50	105.20	110.20	118.50	114.70
Debtors	754.70	708.60	700.90	821.90	876.50
Cash and Securities	2,007.60	2,338.70	2,528.00	2,367.50	1,490.50
Total	**4,430.30**	**4,396.30**	**4,318.80**	**4,934.50**	**4,263.50**
Held for Disposal	42.20	929.80	9.60	5.50	50.00
Total Assets	**14,086.50**	**14,457.90**	**14,166.00**	**15,590.80**	**16,270.90**

Exhibit 4 – oneTUI overview as of FY 2013[144]

»oneTUI« AT A GLANCE

TUI Aktiengesellschaft

PROJECT LEAN HOLDING

- [x] Reduction of admin costs
- [x] Cancellation of sponsoring activities
- [x] Headcount reduction

FURTHER REDUCTION OF INTEREST COSTS

- [x] Repayment of debt

CONTINUING EXIT STRATEGY HAPAG-LLOYD

- [ ] IPO or 3rd party sale

TUI Hotels & Resorts

RESTRUCTURE UNDERPERFORMERS

- [x] Develop going forward strategy for Castelfalfi
- [x] Restructure Grecotel

FOCUS & CAPITAL EFFICIENCY

- [x] Lean leadership and focus on core brands
- [x] Active asset management
- [x] Enhance cooperation with group tour operators

INCREASE CASH FLOW TO TUI AG

- [x] Clear dividend policy for Riu, Iberotel and Grupotel agreed and confirmed

TUI Cruises / Hapag-Lloyd Kreuzfahrten

TUI CRUISES
FOCUS ON GROWTH AND DIVIDENDS

- [x] Growth path for 4-ship operation defined
- [x] Encouraging bookings for Mein Schiff 3
- [ ] Optimise capital efficiency & increase dividends to TUI AG

HAPAG-LLOYD KREUZFAHRTEN
FOCUS ON TURNAROUND

- [x] Implement cost efficiencies
- [x] Increase occupancy
- [ ] Adapt fleet structure

TUI Travel PLC

STRATEGIC INITIATIVES TO IMPROVE OPERATING PERFORMANCE

- [x] Germany
- [x] France
- [x] Russia
- [x] Brand Management

STRATEGIC REVIEW

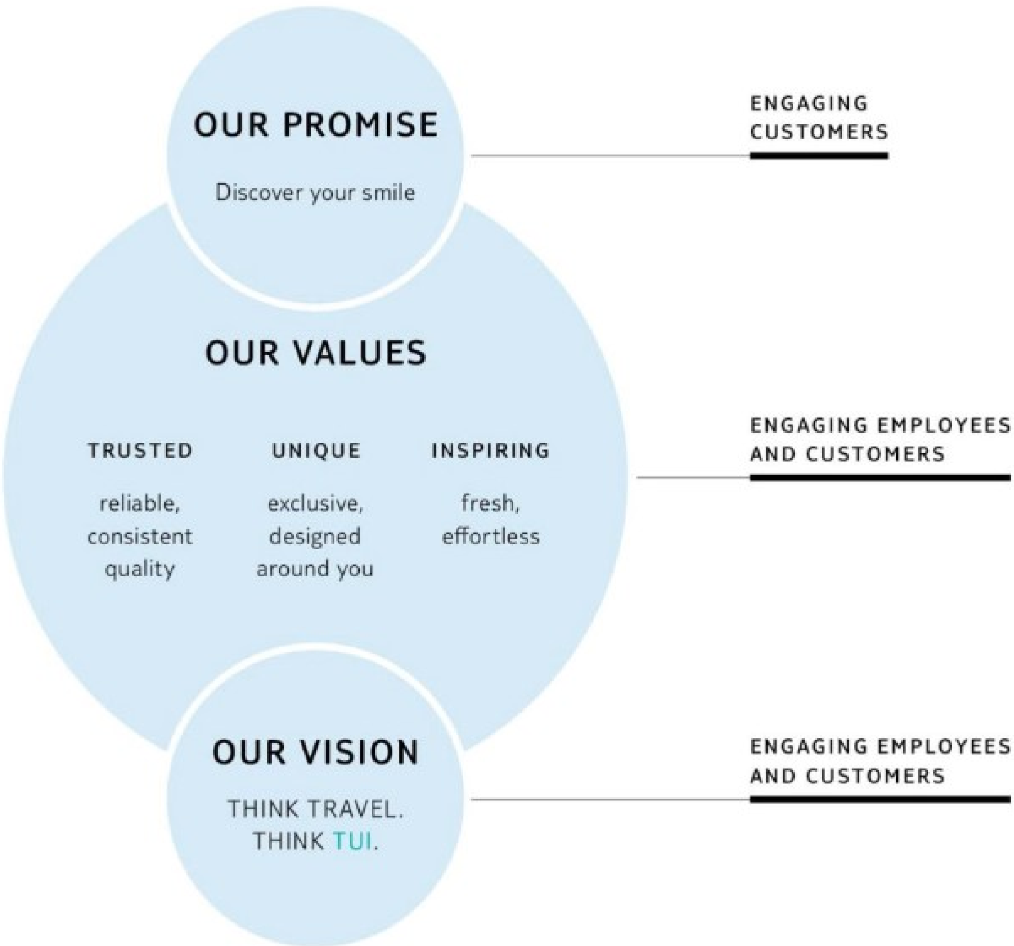
- [x] Specialist & Activity
- [x] Accommodation & Destinations

FOCUS ON CASH FLOW AND DELEVERAGING

- [x] Cash flow targets agreed and measures defined

Exhibit 5 – TUI Group's vision and values

Our vision, values and customer proposition form the basis of our action and our attitude – both inside and outside.



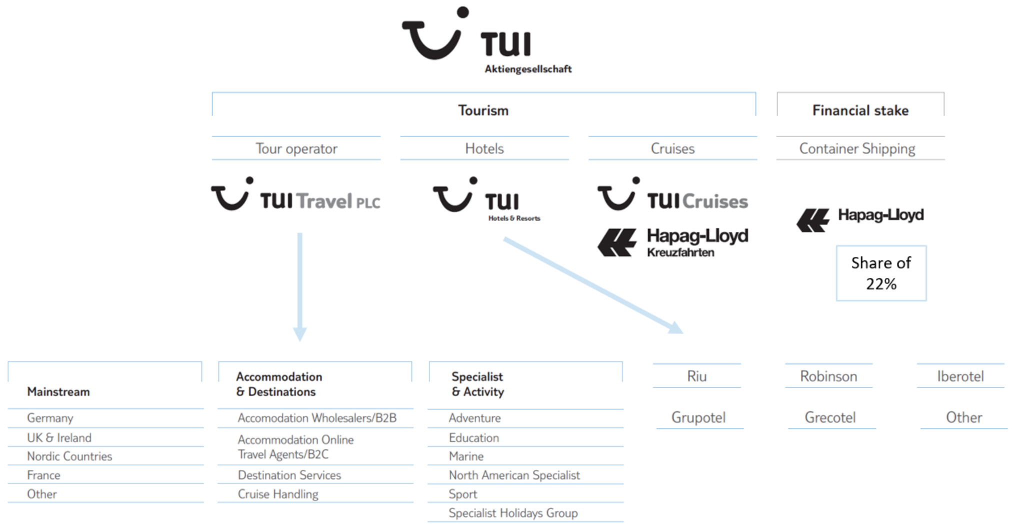
Discovering the world's diversity, exploring new horizons, experiencing foreign countries and cultures: travel broadens people's minds. At TUI we create unforgettable moments for customers across the world and make their dreams come true.

We are mindful of the importance of travel and tourism for many countries in the world and people living there. We partner with these countries and help shape their future – in a committed and sustainable manner. **Think Travel. Think TUI.**

Exhibit 6 – Development of TUI's structure[145]

Year	Group structure

2013



2014

2015

2016

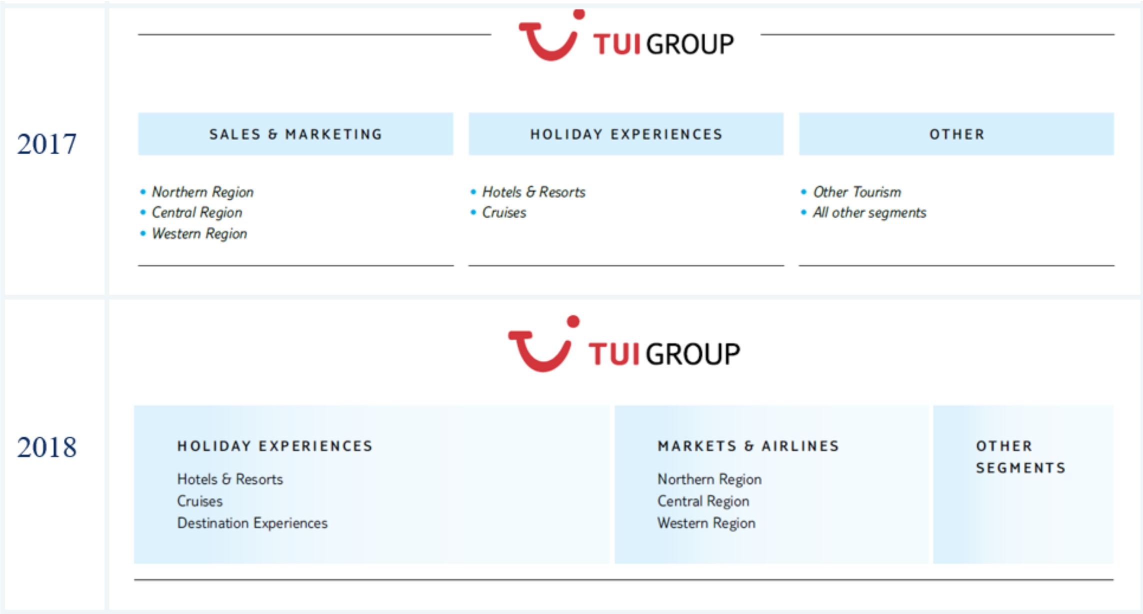


Exhibit 7 – Change of main markets for TUI[146]

Main Market Environments and Competition in FY 2012/13	Main Market Environments and Competition in FY 2018/19
Tour operator travel market	Hotel Market
Market for business and holiday hotels	Cruise Market
Cruises	Destination Experiences

Exhibit 8 – Fact Sheet of TUI AG for FY 2019[147]

Fact Sheet of TUI AG	
Foundation	9 October 1923
Headquarter	Hannover, Germany
Employees	71,473
Turnover	~ € 18.9 billion
Net profit	€ 531.9 million
Market capitalization	€ 6.3 billion
Reporting period	1 October – 30 September
Customers	~21 million (in the Markets & Airlines businesses)
Aircraft	~150
Hotels	411
Cruise ships	18 (as at December 2019)
Destinations served	115

Exhibit 9 – TUI and selected competitors regarding the customer's journey in 2015[148]

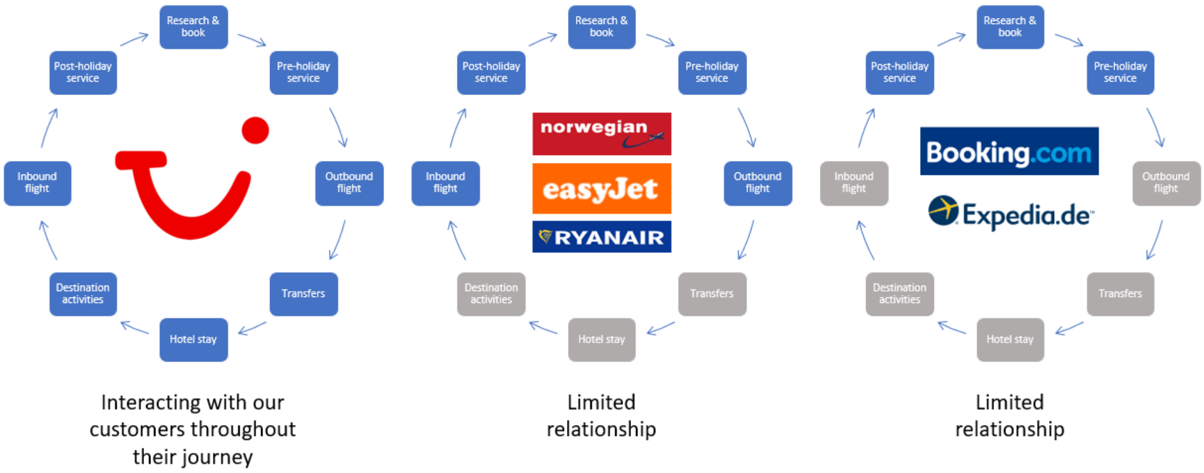


Exhibit 10 – Development of TUI AG's EBITA[149]

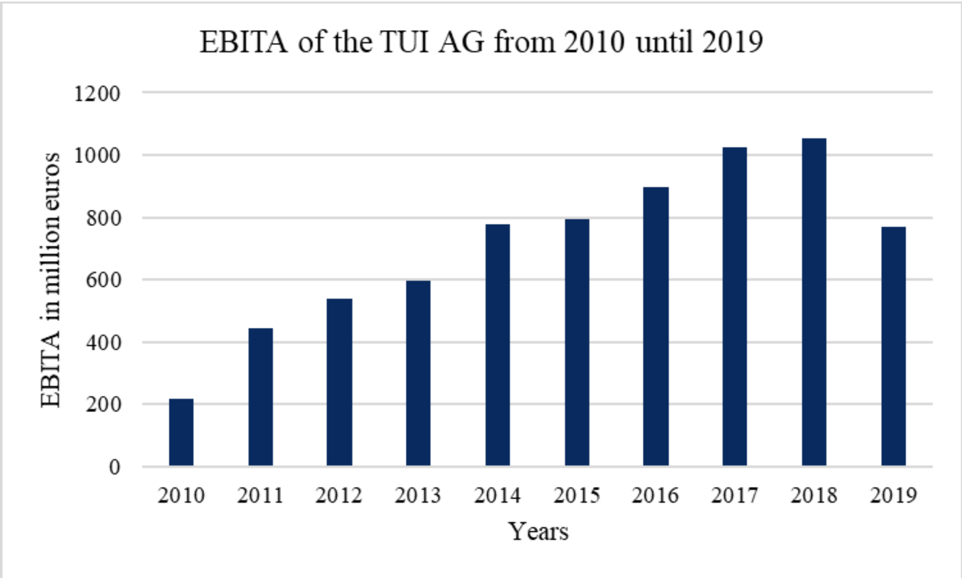


Exhibit 11 – TUI’s leading leisure hotel brands before the rebranding of TUI Blue[150]

Brand			Description
TUI BLUE	**Type** Hotel **Category** Premium	**Positioning** Experience **Slogan** Explore the more	Premium hotels in first-class locations with high-class F&B with regional influences, modern technology features, a professional BLUEf!t programme and BLUE Guides as the experts for individual local experiences cater to all the needs of the modern lifestyle traveller.
TUI MAGIC LIFE	**Type** Club **Category** Quality	**Positioning** Action & Activity **Slogan** Where magic happens	Ultimate all-inclusive holiday in top-located beachside 4-star clubs with 99% of the offered services included. TUI MAGIC LIFE offers a wide choice of entertainment programme & sports activities.
ROBINSON	**Type** Club **Category** Premium	**Positioning** Wellness & Sports **Slogan** A new experience every day	Premium clubs in excellent locations at the beach or in the mountains. ROBINSON offers emotional entertainment and high-quality, exciting sports & wellness activities with professional trainers & branded equipment as part of the WellFit® concept. Gourmet dining is prominent, from huge international buffets to gourmet a la carte restaurants.
RIU HOTELS & RESORTS	**Type** Hotel **Category** Quality	**Positioning** Quality & Service **Slogan** Service from the heart	Over 100 3- to 5-star hotels at the best beach destinations in the world, offering holidays from family all-inclusive fun to romance and luxury. RIU is famous for its distinctive and its excellent gastronomy.
TUI SENSATORI	**Type** Hotel **Category** Premium	**Positioning** Service & Balance **Slogan** Fuel your senses	Modern luxury holidays designed to fuel the senses. In TUI SENSATORI resorts, customers can unwind in 5-star surroundings. Gourmet dining, state-of-the-art bedrooms and first-class pool scenes come as standard.
TUI SENSIMAR *** rebranded to TUI Blue for Two**	**Type** Hotel **Category** Premium	**Positioning** Couples **Slogan** Just the two of us	Stylish 4- to 5-star hotels designed for adults with space and relaxation in mind. TUI SENSIMAR hotels are located at stunning locations with stunning views - most of them on the first row by the sea. Excellent but unobtrusive service & culinary experiences.
TUI FAMILY LIFE *** rebranded to TUI Blue for Families**	**Type** Hotel **Category** Quality	**Positioning** Togetherness **Slogan** Family moments together	TUI FAMILY LIFE holidays promise the ultimate environment for a family holiday to remember. Accommodation with contemporary design, big pool areas, children's clubs & hang-out areas for teens.

Exhibit 12 – Development of TUI AG's adjusted EBITDA in the Hotels & Resorts sector

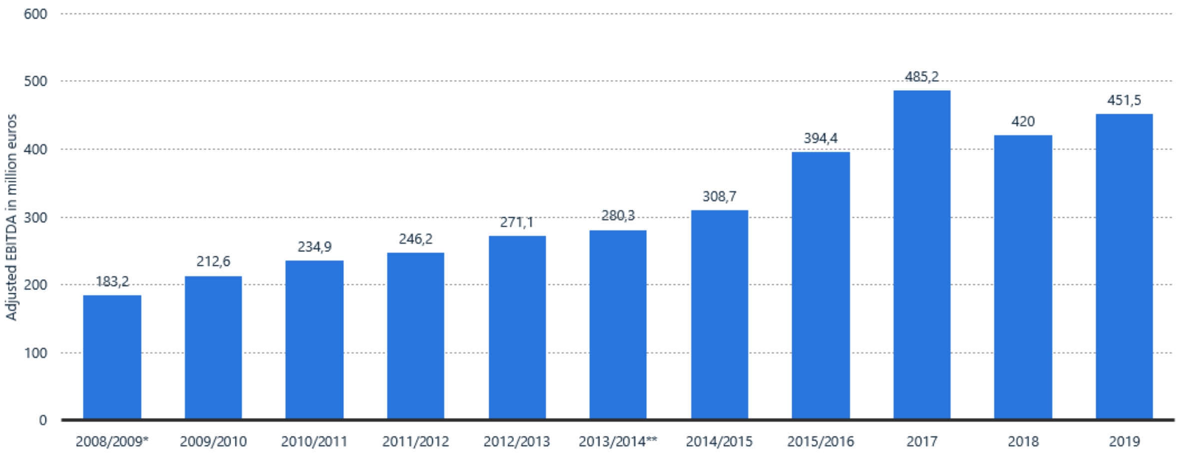


Exhibit 13 – New umbrella brand TUI Blue[151]

New umbrella brand

TUI BLUE FOR ALL	TUI SENSIMAR → TUI BLUE FOR TWO	TUI FAMILY LIFE → TUI BLUE FOR FAMILIES
TUI BLUE For All: For individualists and discoverers! The perfect choice for those who want to immerse themselves in the culture of the country and taste regional, authentic delicacies.	**TUI BLUE For Two:** For all guests aged 16 and over! In these stylish Adults Only houses you can enjoy a relaxing time for two thanks to the quiet zones and wellness offers. The TUI Blue For Two hotels are aimed at all those who have previously spent their holidays in TUI Sensimar hotels.	**TUI BLUE For Families:** For families! Just the right hotels for your holiday with the kids and/or grandchildren. You can expect children's clubs and childcare for different age groups, child-friendly restaurants and children's entertainment as well as large pools.

Features of all TUI BLUE hotels

BLUE® Guides: BLUE Guides, local contacts who provide you with tips for excursions and see themselves as "friends and helpers" are waiting for you in all TUI BLUE hotels - even before you arrive via the BLUE App.

BLUEf!t®: Professional fitness courses, relaxation exercises, well-equipped fitness studios and outdoor sports areas allow you to train in a group or alone.

BLUE® Design: All TUI BLUE hotels are in breathtaking locations and offer modern, high-quality facilities with local influences.

BLUE® Connect: The BLUE app helps you plan your holiday. Here you can find all the information about the hotel, the excursion destinations, the opening hours of the restaurants and the activity program.

BLUE® Taste: You can expect a variety of regional and international delicacies as well as culinary events and live cooking. Vegetarian, vegan and gluten-free dishes are also on the menu.

BLUE® Experiences: If you want to try something new on holiday, the TUI BLUE hotels are the right place for you. There is a wide range of offers, from cooking courses and wine tasting to concerts and evening entertainment.

Exhibit 14 – Overview of the active and planned cruise fleet as of 2020[152]

Cruise brand	Cruises	Max Capacity (passengers)	Year of completion	Launch with respective cruise brand	Status as of spring 2020
TUI Cruises (JV)	Mein Schiff 1	1,924	1996	May 2009	Since 2018: Marella Explorer
	Mein Schiff 2	1,912	1997	May 2011	Since 2019: Mein Schiff ♥
	Mein Schiff 3	2,506	2014	June 2014	Active
	Mein Schiff 4	2,506	2015	June 2015	Active
	Mein Schiff 5	2,534	2016	July 2016	Active
	Mein Schiff 6	2,534	2017	June 2017	Active
	Mein Schiff 1 (new)	2,894	2018	May 2018	Active
	Mein Schiff ♥	1,912	1997	January 2019	Active
	Mein Schiff 2 (new)	2,894	2019	February 2019	Active
	Mein Schiff 7	2,894	-	2023	In planning
	Mein Schiff 8	~ 4,000	-	2024	In planning
	Mein Schiff 9	~ 4,000	-	2026	In planning
Marella Cruises (formerly: Thomson Cruises)	Marella Celebration	1,262	1984	November 2004	Active
	Marella Dream	1,533	1986	April 2010	Active
	Marella Discovery	1,830	1996	Spring 2016	Active
	Marella Discovery 2	1,836	1997	May 2017	Active
	Marella Explorer	1,924	1996	May 2018	Active
	Marella Explorer 2	1,814	1995	February 2019	Active
Hapag-Lloyd Cruises	MS Bremen*	155	1990	October 1993	Active
	MS Europa	400	1999	September 1999	Active
	MS Europa 2	500	2012	May 2013	Active
	Hanseatic nature	199 - 230	2019	May 2019	Active
	Hanseatic inspiration	199 - 230	2019	October 2019	Active
	Hanseatic spirit	199 - 230	-	2021	In planning

Notes: * The MS Bremen was planned to be sold in 2021

Exhibit 15 – Development of TUI AG's adjusted EBITDA in the cruise sector[153]

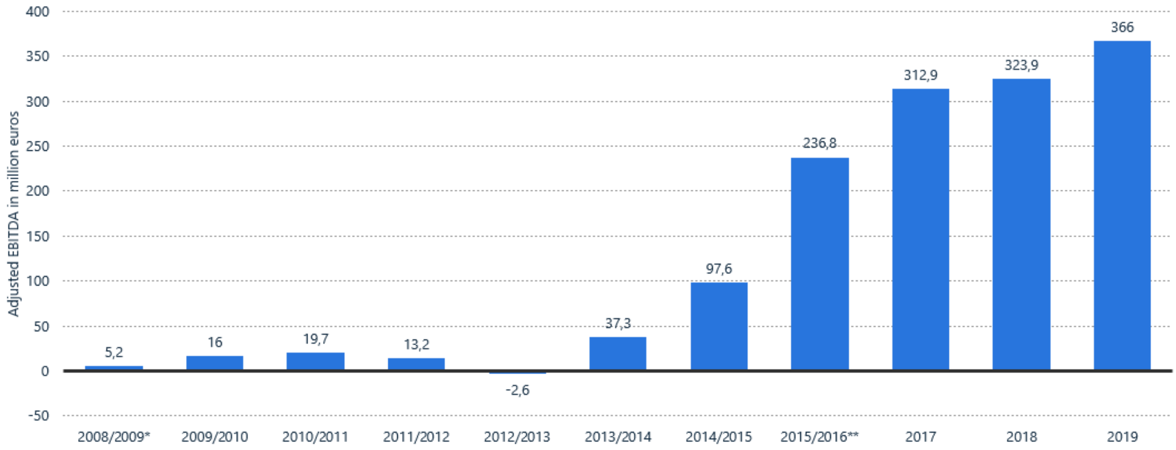


Exhibit 16 – TUI AG ratings by Standard & Poor's and Moody's[154]

TUI AG ratings

	2014	2015	2016	2017	2018	**2019**	Outlook
Standard & Poor's	B+	BB–	BB–	BB	BB	BB	negative
Moody's	B2	Ba3	Ba2	Ba2	Ba2	Ba2	negative

5 Teaching Notes

5.1 Synopsis

This case analyses the transformation of the tourism group TUI AG from a traditional tour operator to a fully vertically integrated holiday provider from 2013 onwards.

The introduction part paints a picture of the threats and challenges which TUI AG was facing when the protagonist CEO Friedrich Joussen decided on the new transformative strategy called oneTUI. The first part of the case focuses on the tourism industry with its major challenges and players. The second part zooms in on the TUI AG by explaining the mingled company history, the transformational initiative oneTUI of 2013, and the group portfolio. The last part of the case not only analyses future traveller trends but also how an exogenous shock – the coronavirus – has brought tourism to a halt. The worldwide travel restrictions have far-reaching, existence-threatening consequences not only for TUI but also for competitors in the industry.

5.2 Teaching objectives

The teaching case was designed to be taught to both undergraduate and graduate students in the fields of strategic management, particularly for classes on Strategic Change and Corporate Strategies. The main objective of this case is to present students a real example of a management problem with the following teaching objectives:

- Introduce the students to a large, incumbent firm and its ability to successfully adapt to new market conditions
- Understand the importance of constantly detecting shifts in the environment and of reacting to them accordingly by making timely, market-oriented decisions and also by changing the resource base to stay competitive (Concept of DC)
- Understand how the corporate strategy of vertical integration can impact a firm's business model
- Alert students to the importance of having a clear strategy to be able to realign a business

5.3 Intended contribution

The case's focal contribution is to showcase an incumbent company's ability to perform a strategic change in order to adapt to the changing environment, in particular to a changing customer demand mainly due to digitalization. Specifically, tour operators like TUI had to become creative to respond to the fact that travellers were increasingly booking via online travel agencies or independently, thereby destroying the business for traditional tour operators. Thus, the case intends to draw a thorough picture of which extent the company was able to make use of DC to remain competitive in the tourism industry. TUI's strategic initiative oneTUI was aiming at achieving full vertical integration by investing in assets with a clear focus on leisure tourism. Therefore, the case demonstrates that the corporate strategy of vertical integration can help a company to reach competitive advantage by using synergies along the holiday value chain and by engaging in the whole customer journey. Ultimately, the case was framed to allow students to understand and critically analyze the motivation and implementation of strategic change, which reconfigured the business model.

5.4 Pedagogical overview

To be able to thoroughly understand and discuss the case, the instructor and students should review the concept of DC. It is recommended to read the article "Dynamic Capabilities: A Review of Past Research and an Agenda for the Future" (Ilídio Barreto, 2010, Journal of Management), which covers the definition, the four main dimensions as well as the appropriate application of the DC concept. Furthermore, students need to be familiar with the concepts of corporate strategies and vertical integration.

Additionally, the instructor and students should visit TUI's online travel agency websites (e.g. the UK website or the German website) to fully understand the range of hotel brands, cruises, holiday experiences, and other holiday offers. Furthermore, the corporate website should be explored, in particular the 'About TUI Group' section. To grasp the company's current situation and the protagonist's goals in 2020, it is also recommended to read the speech and presentation of CEO Friedrich Joussen which he held on the Annual Shareholder Meeting on 11 February 2020.

5.5 Assignment questions and analysis

The following 3 assignments have been designed to be posed by the instructor to connect the theoretical strategy concepts to the teaching case, to stimulate critical thinking about TUI's actions and, finally, to reach the pedagogical objectives.

Assignment 1: *How did the oneTUI initiative change the way TUI was operating in terms of its core business model & markets and organizational structure?*

This assignment is designed to make students aware of the fact, that TUI underwent a drastic strategic change that affected all parts of the organization.

Change	Solution Approach
Change in core business model and markets	Change in core business model: ❖ TUI shifted from a traditional tour operator – a trader of holiday tours and packages – to a fully vertically integrated tourism provider – including its own hotels, cruise ships and rapidly growing destination experience offers New focus on 'Pure Tourism' markets: ❖ Disposal of all non-core business units, that were not affiliated with leisure tourism (Table 3 – Non-core business disposal program) ❖ TUI was aiming to pull customers from growth in its upstream market i.e. from its own hotel, cruise and destination experience offers (Exhibit 7 – Change of main markets for TUI): • Hotels & Resorts (Table 4 – Count of hotels by financing structure) • Cruises (Exhibit 14 – Overview of the active and planned cruise fleet as of 2020; Table 5 – Cruise fleet by ownership structure from 2016 until 2019) • Destination Experiences (Table 6 – TUI Destination Experiences brands; Table 1 – Major acquisitions in the travel activities market)

Change of organizational structure	The shift in the importance of the markets also became apparent in the continuous change of the TUI Group's organizational structure (Exhibit 6 – Development of TUI's structure): ❖ After the merger in December 2014, TUI Travel PLC (tour operator business) had been integrated into the TUI Group ❖ Other financial stakes in the shipping company Hapag-Lloyd, B2B services and tourism specialists were sold, thus disappeared in the structure ❖ Renaming into "Holiday Experiences" in FY 2016/17 to show that holidays are not just travel and accommodation, but a wholly unique experience ❖ Destination Experiences as a growing segment appeared in the structure in FY 2017/18

Assignment 2: *After carefully reading the case, please analyze the advantages and disadvantages of TUI's corporate strategy of vertical integration.*

The oneTUI initiative led the company into full vertical integration: through the merger of TUI Travel and TUI AG in December 2014, the final vertical integration was achieved by combining the tour operator side with the 'content' side. The growth strategy of TUI's hotel, cruise, and destination experience portfolio further extends the vertical integration, since it shifts the focus from the tour operator business to the holiday experiences business. It should be noted here that TUI is pursuing the vertical integration strategy in the form of taper integration, meaning that TUI does not only rely on its own 'content' and distribution but also third-party activities.

Pro	Contra
Synergies from integrating parts of the value chain: There are clear-cut synergies as well as one-off costs from the merger (Table 2 – Synergies versus costs of the TUI Travel & TUI AG merger), where the synergies outweigh costs. TUI is able to guide the customer along the whole value chain of a holiday trip, thereby	**Administrative costs:** The company became huge and business units had to work closely with each other, which created administrative costs. For example, a whole new central IT infrastructure had to be built for the TUI group (Figure 15 – Digitalization roadmap as of 8 December

being able to cross- and upsell services and thus building up value along the value chain. The TUI Destination Experiences, which were later on integrated, differentiate TUI from other online travel agencies or airlines and increase customer satisfaction and loyalty.	2016) to better serve the customers individual needs. In addition, costs will be induced by harmonizing the systems and processes of the whole group, which was planned to be implemented by the TUI 2022 initiative.
De-risking business: The direct access to the markets makes it easier for TUI to plan its investments in hotels and cruise ships and occupancy can be secured early on. Improved yield management leads to less risk for the business as a whole and less dependence on third parties. In addition, diversification in both – source markets and destinations – helps to mitigate cyclical changes in destinations and geopolitical crises.	**Limits flexibility:** Although TUI is able to flexibly adjust to local crises, such as the demand decline in the Northern African region, owning assets limits the flexibility of opting out of unprofitable businesses and/or destinations.
Superior coordination: Sales and marketing campaigns, tour operator activities, airline management, hotel and cruise capacities and destination experiences can be coordinated as a whole, which constitutes the value proposition of TUI: it is a non-stop shop for everything, that the traveller desires. In particular, customer relationships along the whole value chain enable more personalization of the holiday experiences and targeted marketing.	**Compounding of risk:** The growth strategy of TUI consists of high investments in assets. Ownership brings responsibility and this will compound the risk of TUI in specific destinations/regions. In times of the corona pandemic, which led to long-lasting quasi nonexistence of customer demand, a heavy asset strategy poses the company at a very high, existential risk.
Avoids transaction costs of market contracts: If TUI wants to push a certain destination, it has its own online and offline channels in sales and marketing to do so – without being dependent on other intermediaries or third parties. In-house brands can also be marketed better because they have high reliable quality.	

Assignment 3: Please analyze TUI's strategic initiatives since 2013 using Barreto's four dimensions of DC. Justify your answer with examples taken from the case.

In this assignment, students are asked to deploy Barreto's 4 dimensions of DC to analyze the strategic initiative oneTUI.

DC Propensity	Solution approach
DC 1: Propensity to sense opportunities and threats	❖ TUI AG understood that the merger with TUI Travel was the only logical step to become fully vertically integrated and that the business units were profoundly complementary ❖ Sensed the growth and positive opportunities of the tourism industry worldwide (until the coronavirus hit the world) ❖ Sensed especially the enormous potential of the activities market ❖ Sensed especially the growth in the cruise segment ❖ Recognized the negative consequences which digitalization would eventually have on the customer demand of a tour operators' services ❖ Sensed the opportunities which digitalization would have on the tour operator business model
DC 2: Propensity to make timely decisions	❖ Reacted to the fact that customers were increasingly booking holidays on their own or via online travel agencies: successful shifted from the focal tour operator business to a fully integrated holiday provider to avoid the same fate as main competitor Thomas Cook, who heavily relied on the tour operator business instead of its own assets (here, the asset structures of Thomas Cook and TUI AG can be compared: Exhibit 2 – Development of Thomas Cook's asset structure, Exhibit 3 – Development of TUI AG's asset structure) ❖ Considering the strong presence of online travel agencies and platforms, TUI's OTA-GDN platform may come too late to attract customers in the extent that it was hoping to (TUI 2022 goals), TUI still needs to raise brand awareness in those markets

	❖ Regarding local crises, the management was able to react in a flexible and fast manner (example from the case with the plane crash in Sharm el Sheik) and could avoid large economic losses through redirecting customers to other destinations in its diversified, international portfolio
DC 3: Propensity to make market-oriented decisions	❖ Understood that the tourism world was becoming more digital, TUI launched the TUI App for customers to enable them to book offers and activities online ❖ Sensed the abundance of brand names and the possible confusion of customers as well as the opportunity to create a big international umbrella brand (Figure 14 – Development of the oneBrand initiative launched in 2015) ❖ Understanding that customers wanted more authentic, customized experiences instead of mass organized, standardized package holidays and launched its in-house hotel brand TUI Blue, which stands for authenticity (Exhibit 13 – New umbrella brand TUI Blue) ❖ Understood that (at least) 30% of its customers were willing to pay more for a specific room and launched its 'Select your Room' service
DC 4: Propensity to change the resource base	Reconfigure resources ❖ Restructuring debt ❖ Merger with TUI Travel to use synergies (Table 2 – Synergies versus costs of the TUI Travel & TUI AG merger) and combine tour operator business and 'content' ❖ Internal restructuring of the business units and introducing Destination Experiences ❖ TUI Blue had been introduced as a new flagship hotel brand and existing hotels had been rebranded into TUI Blue hotels to create a worldwide known holiday hotel brand

Gain resources

- ❖ High investments in its own assets
  - Hotels & Resorts: ownership and joint venture structure in high growth destinations with scarce supply, otherwise more asset-light financing structures were favoured (Table 4 – Count of hotels by financing structure)
  - Cruises: the fleet has been extensively increased by new cruise ships; ownership was favoured over finance and operating lease (Exhibit 14 – Overview of the active and planned cruise fleet as of 2020, Table 5 – Cruise fleet by ownership structure from 2016 until 2019)
  - Destination Experiences: most importantly, acquisition of the innovative, digital company Musement (Table 6 – TUI Destination Experiences brands)

Release resources

- ❖ Cutting costs at the headquarter to create a lean, agile structure (sale of the company jet, termination of sponsorship deals)
- ❖ Divestment of non-core businesses, that were not in line with the new focus of leisure tourism (Table 3 – Non-core business disposal program), most importantly:
  - o Its remaining stake in the container shipping company Hapag-Lloyd
  - o Hotelbeds (business-to-business)

DC Dimensions	**DC Evaluation**
(1) Propensity to sense opportunities and threats	High
(2) Propensity to make timely decisions	Medium
(3) Propensity to make market-oriented decisions	High
(4) Propensity to change the resource base	High
Overall possession of DC	High

5.6 Board plan

The schedule of the activities for a 90-minute lecture is the following:

Activity	Duration (min)
Literature Review & Teaching Case Review	15
Assignment 1	20
Assignment 2	25
Assignment 3	25
Conclusions and Take-Aways	5

6 Discussion

This dissertation focuses on the strategic change of TUI and utilizes the corporate strategy of vertical integration and the concept of DC to support the line of argumentation.

The TUI AG has been chosen as an object of study because it exemplifies the strategic change of a large, incumbent company. Its shift from a traditional tour operator to a vertically integrated provider of holiday experiences was mainly driven by the digitalization of the tourism industry and its customers. As customers were increasingly booking their holidays with online providers or independently, the classical tour operator business with its large network of (offline) travel agencies became significantly less crucial in the holiday booking process.

The transformational change process affected all parts of the group, most importantly regarding its core business model and markets as well as its organizational structure, which is in line with the definition of Pettigrew (1987). The transformation of the oneTUI initiative was defined to run from 2013 to 2016 but keeps evolving and inspiring the strategic moves of the years thereafter. It shows, that the strategic change in this case can be seen as a process rather than a rapid, revolutionary change (Burnes, 1996; Orlikowski, 1996; Tsoukas & Chia, 2002).

The TUI case presents the transformation into full vertical integration with its advantages and disadvantages. On the bright side, TUI was able to successfully realign its business model and was able to generate substantial growth through its assets, which contributed to around 70% of its EBITA. The remaining 30% were attributable to the tour operator business and its airlines. Thomas Cook, which used to be one of its largest competitors in the European package holiday market, had not been able to sense this threat of digitalization to its business model and went bankrupt, not only but also due to this shift in the environment. On the downside, a global crisis like the corona pandemic would highlight the asset-heavy strategy of TUI and respective financial losses and risks in line with the competitive dangers emphasized by Harrigan (1985). As the industry was facing immense pressure from online providers and demand suffered from the corona pandemic, the vertical integration strategy by TUI appeared to be rather harmful to the overall financial situation. The motives for TUI's vertical integration are aligned with the ones supported by Harrigan (1984) and Grant (2016). Synergies from the merger with TUI Travel could be created by coordinating vertical activities more efficiently and by cutting costs.

Furthermore, the end-to-end customer service is a successful differentiator towards competitors and a lucrative means to cross- and upsell services. In line with the findings of Argyres (1996), TUI vertically integrated into activities, in which it already had great organizational skills and in which the knowledge base was similar. Since TUI was an experienced tour operator, running its own hotels, cruises and destination experiences was a logical step. In fact, the case of TUI showcases an example of taper integration and the success of TUI in recent years supports the line of argumentation by Rothaermel et al. (2006): the simultaneous vertical integration and strategic outsourcing help to enrich the company's portfolio and the success of the products, which would lead to competitive advantage and increase firm performance as a whole. While TUI became a fully vertically integrated company and covered the whole value chain of a holiday experience, it was still relying on sourcing activities externally via market transactions. Upstream, TUI invested in hotels via the ownership model or a joint venture, when it detected high profitability, i.e. in growth regions with a scarce supply of hotels. Other hotel investments, however, were conducted under other financing structures, such as management, lease and franchise contracts or commercial cooperation. In addition, the tour operator business of TUI also sells holiday packages including third-party sourced hotel beds and flight seats. The same balance of vertical integration and strategic outsourcing could be observed in the cruise segment. While the largest cruise brand, TUI Cruises, was run as a joint venture with Royal Caribbean, Marella Cruises' and Hapag-Lloyd's ships were partly owned and partly leased via operating lease or finance lease contracts. Regarding the Destination Experiences segment, TUI had made strategic acquisitions to internalize skills, knowledge and customers of those target companies, such as Musement. At the same time, TUI build up a two-sided open platform for its experience offers, which did not only offer its own experiences but also from third party distribution partners. In this way, TUI was not only dependent on its own activities in-house, but also on third party contracts and other forms of strategic cooperation. Downstream, TUI had its own distribution channels, in terms of travel agencies and online platforms. However, TUI holiday package were also sold via franchise travel agencies and independent third-party agencies. The major cooperation with Chinese provider Ctrip in the destination experiences segment unveiled another opportunity to increase its visibility and attract customer. Rothaermel et al. (2006) summarized that the appropriate balance of taper integration in accordance with the firm's resources and its competitive environment can be considered a DC.

The scientific research about DC has been triggered by Teece et al. (1997) and extensively researched since then. Barreto (2010) clarified the concept of DC and defined 4 dimensions, which are used in this case to analyze TUI's ability to adapt to changing environments in an appropriate manner. This concept is superior to other concepts as the SWOT analysis. The latter statically portrays four dimensions, which are interpreted in a mostly subjective way. As it analyzes the situation in a certain point of time, it cannot capture that digitalization for TUI could either considered a threat in the beginning, as online providers were conquering the market and took away market share, or as an opportunity later on, as a chance to enhance its whole business model by providing an app or by offering more individualized packages for its customers. The DC approach focuses more on concrete actions taken by the company to react to fast-changing exogenous factors. In a rapidly changing world of tourism, which is influenced by geopolitical crises like the Brexit or supply shortages and regulatory issues like the Boeing 737 MAX grounding, it is crucial to adapt in order to achieve new forms of competitive advantage. According to the analysis, TUI proved to possess DC and was able to sense and react to these threats accordingly, as highlighted by Barreto (2010). Through its differentiated portfolio of hotels, cruises, and destination experiences and its new approach to tap into new source markets, the tourism group diversifies in two different parts of the tourism value chain. Besides, the occupancy risk of hotels could be minimized by its strong marketing and sales channels with a large customer base. However, the corona pandemic was a worldwide crisis, which no one could have anticipated in its far-reaching consequences and duration. It put the TUI AG at an enormous, substantial financial risk. It remains debatable if the TUI AG will use the state loan in the right way to survive the crisis. At this moment in time, it was still unsure whether the management will take the measures to lead the company into a position to repay its debts in the future.

In conclusion, the tourism group was performing a successful shift with its oneTUI initiative and was on a good way with its next transformation to become a digital platform company by 2022, which was one of the largest transformations in company history. The global shock of the corona pandemic, however, was unprecedented in its form. Until 2020, TUI had been well prepared to adapt to the environment due to its transformation to a taper integrated company and its ability to use DC. But what proved to be a successful solution at one point in time, may not ensure profitability in another point in time: the heavy investment in assets since 2013 turned out to be counterproductive for the overall financial situation in 2020. Costs were induced by the maintenance of hotels and cruises and loan instalments, as well as employees' wages, had to be paid. Despite all the negative consequences though, the pandemic could also be considered an opportunity for the company to restructure and push the new initiative forward even faster as planned. Overhead costs were planned to be cut by 30%, mainly through layoffs. It was not stated, how many layoffs the TUI 2022 would have induced, but it can be assumed that layoffs would have been necessary anyway due to increased digitalization. After all, the basis for business was still strong: the demand was fundamentally existent, only interrupted, or shifted to another season. As of May 2020, TUI took reasonable measures to mitigate the effects of the crisis.

As for the limitations of the dissertation, TUI AG is a tourism group like no other, and the applicability of its measures and strategic initiatives is constrained. The company's history goes way back and a lot of internal processes, high brand awareness, or source markets have grown historically. The solutions to business problems presented in this case may not apply to other companies in the same industry since TUI is a unique big player in the market. Nevertheless, the case showcases a smart way of realigning a company towards a clear purpose, i.e. leisure tourism, and can serve as an example for other companies and practices could be transferred. Also, the oneTUI initiative seemed to be successful in the short-run, but long-run effects are yet to be discovered, as strategic change and fit are defined as ongoing processes. While secondary data, in the form of financial data from the annual reports, display positive results of the initiative, primary data were not used in this case study. A major factor in the overall equation may become the increasing awareness and concerns for environmental issues. Due to movements, like 'Fridays for future', the pollution attributed to aircraft and cruise ships were thematized in society. Thus, environmentally friendly travel solutions may be preferred in the long run. In this sense, customer preferences and behaviour will have to be monitored closely to adapt accordingly.

In general, extensive data collection and field research can further measure the impact of the corona pandemic, especially in the tourism industry. In addition, future studies could explore the effects of the coronavirus on the future travel behaviour of tourists and study if the demand shifted, for example, more towards domestic tourism or towards certain destinations, that were considered safer than others. Concerning TUI specifically, the coronavirus interrupted the second strategic initiative and it would be an interesting topic to research whether it impeded or accelerated the process of change. Future research could also be directed at the new GDN-OTA platform and its success factors, since the online provider market was already occupied by big players, as Booking.com.

7 Conclusion

The theoretical groundwork for this dissertation was the corporate strategy of vertical integration and DC. Vertical integration as a corporate strategy has been a much-discussed topic in the literature and advantages and disadvantages have to be evaluated on a case to case basis. The clear advantage for TUI was to serve and support customers along the whole customer holiday journey. However, external factors as the corona pandemic have contributed to manifest the downsides of this corporate strategy as well. The concept of DC appears to be the most appropriate concept to grasp a company's ability to adapt to a rapidly changing environment at the present state of strategy research. The tourism industry has been torn by many structural shocks, including geopolitical crises, the Boeing 737 MAX grounding, or most recently the corona pandemic. Besides, costumers' booking preferences for holidays have changed drastically through digitalization and travellers increasingly desire more authentic experiences. My dissertation "The case of TUI – Sailing into a bright future or sinking like Thomas Cook?" showcases a real-life example of the successful application of the given concepts. I have chosen to examine the specific actions as of 2013: it was the time when the new CEO Mr Joussen appeared as an agent of change, who was able to refurbish the whole company and initiate a strategic change. Back then, the core business of TUI Group was organizing and selling package holidays. Since this business was being threatened by online travel agencies, which started to combine hotel and flight offerings in dynamic packages, TUI strategically moved into a fully integrated provider of holiday experiences. Thomas Cook, which used to be TUI's main competitor in Europe, failed to understand major shifts in the market and went bankrupt, which led to further consolidation of the tour operator market. The thesis showcases how vertical integration was used as a means to extend TUI's resource base in the given context. TUI's strategic shift proved to be successful and the Holiday Experiences segment contributed 70% to the group's EBITA in 2019. It is yet unclear, however, which consequences the corona pandemic will have on future traveller behaviour and the business of TUI AG.

On a personal note, I learned a lot about the tourism industry and the TUI Group. Also, I deepened my knowledge of DC. In particular, I learned how the four dimensions are intertwined and only provide success, when a company manages to detect opportunities and threats from the rapidly changing environment and modifies its resource base in a purposeful, market-oriented way in the right timing.

8 References

Andrews, K. R., & David, D. K. (1987). *The concept of corporate strategy*: Irwin Homewood, IL.

Ansoff, H. I. (1965). *Corporate Strategy: An Analytical Approach to Business Policy for Growth and expansion*. New York: McGraw-Hill.

Argyres, N. (1996). Evidence on the Role of Firm Capabilities in Vertical Integration Decisions. *Strategic Management Journal*, *17*(2), 129–150. https://doi.org/10.1002/(SICI)1097-0266(199602)17:2<129::AID-SMJ798>3.0.CO;2-H

Balogun, J., Hope Hailey, V., & Gustafsson, S. (2016). *Exploring strategic change* (Fourth edition). Harlow, United Kingdom: Pearson Education.

Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, *17*(1), 99–120. https://doi.org/10.1177/014920639101700108

Barreto, I. (2010). Dynamic Capabilities: A Review of Past Research and an Agenda for the Future. *Journal of Management*, *36*(1), 256–280. https://doi.org/10.1177/0149206309350776

Biedenbach, T., & Söderholm, A. (2008). The Challenge of Organizing Change in Hypercompetitive Industries: A Literature Review. *Journal of Change Management*, *8*(2), 123–145. https://doi.org/10.1080/14697010801953967

Burnes, B. (1996). No such thing as … a “one best way” to manage organizational change. *Management Decision*, *34*(10), 11–18. https://doi.org/10.1108/00251749610150649

Chandler, A. D. (1962). *Strategy and Structure: Chapters in the History of the Industrial Empire*. Cambridge, MA: MIT Press.

Danneels, E. (2008). Organizational antecedents of second-order competences. *Strategic Management Journal*, *29*(5), 519–543. https://doi.org/10.1002/smj.684

Delios, A., & Beamish, P. W. (1999). Geographic scope, product diversification, and the corporate performance of Japanese firms. *Strategic Management Journal*, *20*(8), 711–727. https://doi.org/10.1002/(SICI)1097-0266(199908)20:8<711::AID-SMJ41>3.0.CO;2-8

Eisenhardt, K. M., & Martin, J. A. (2000). Dynamic capabilities: What are they? *Strategic Management Journal*, *21*(10-11), 1105–1121. https://doi.org/10.1002/1097-0266(200010/11)21:10/11<1105::AID-SMJ133>3.0.CO;2-E

Gioia, D. A., Thomas, J. B., Clark, S. M., & Chittipeddi, K. (1994). Symbolism and Strategic Change in Academia: The Dynamics of Sensemaking and Influence. *Organization Science*, *5*(3), 363–383. https://doi.org/10.1287/orsc.5.3.363

Grant, R. M. (2016). *Contemporary strategy analysis: Text and cases* (Ninth edition). Chichester, West Sussex: Wiley.

Harrigan, K. R. (1984). Formulating Vertical Integration Strategies. *The Academy of Management Review*, *9*(4), 638–652. https://doi.org/10.2307/258487

Harrigan, K. R. (1985). Vertical Integration and Corporate Strategy. *The Academy of Management Journal*, *28*(2), 397–425. https://doi.org/10.2307/256208

Kim, J. (2016). Vertical Integration and the Theory of the Firm. In R. J. Aldag (Ed.), *Oxford research encyclopedias*. Oxford: Oxford University Press. https://doi.org/10.1093/acrefore/9780190224851.013.27

Kraatz, M. S., & Zajac, E. J. (2001). How Organizational Resources Affect Strategic Change and Performance in Turbulent Environments: Theory and Evidence. *Organization Science*, *12*(5), 632–657. https://doi.org/10.1287/orsc.12.5.632.10088

Orlikowski, W. J. (1996). Improvising organizational transformation over time: A situated change perspective. *Information Systems Research*, *7*(1), 63–92. https://doi.org/10.1287/isre.7.1.63

Pettigrew, A. M. (1987). Context and action in the transformation of the firm. *Journal of Management Studies*, *24*(6), 649–670. https://doi.org/10.1111/j.1467-6486.2012.01054.x

Poon, A. (1994). The ‘new tourism’ revolution. *Tourism Management*, *15*(2), 91–92. https://doi.org/10.1016/0261-5177(94)90001-9

Porter, M. E. (1980). *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. New York: Free Press.

Priem, R. L., & Butler, J. E. (2001). Tautology in the Resource-Based View and the Implications of Externally Determined Resource Value: Further Comments. *The Academy of Management Review*, *26*(1), 57–66. https://doi.org/10.2307/259394

Romanelli, E., & Tushman, M. L. (1994). Organizational Transformation as Punctuated Equilibrium: An Empirical Test. *The Academy of Management Journal*, *37*(5), 1141–1166. https://doi.org/10.2307/256669

Rothaermel, F. T., Hitt, M. A., & Jobe, L. A. (2006). Balancing vertical integration and strategic outsourcing: Effects on product portfolio, product success, and firm performance. *Strategic Management Journal*, *27*(11), 1033–1056. https://doi.org/10.1002/smj.559

Shapiro, C. (1989). The Theory of Business Strategy. *The RAND Journal of Economics*, *20*(1), 125–137. https://doi.org/10.2307/2555656

Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, *18*(7), 509–533. https://doi.org/10.1002/(SICI)1097-0266(199708)18:7<509::AID-SMJ882>3.0.CO;2-Z

Tjostheim, I., Tussyadiah, I. P., & Oterholm Hoem, S. (2007). Combination of Information Sources in Travel Planning A Cross-national Study. In M. Sigala, L. Mich, & J. Murphy (Eds.), *Information and Communication Technologies in Tourism 2007* (pp. 153–162). Springer Vienna.

Tsoukas, H., & Chia, R. (2002). On Organizational Becoming: Rethinking Organizational Change. *Organization Science*, *13*(5), 567–582. https://doi.org/10.1287/orsc.13.5.567.7810

TUI Group (2020). Strategy. Retrieved from https://www.tuigroup.com/en-en/about-us/about-tui-group/strategy

UNWTO (2019). *International Tourism Highlights, 2019 Edition*: World Tourism Organization. https://doi.org/10.18111/9789284421152

Venkatraman, N. (1989). The Concept of Fit in Strategy Research: Toward Verbal and Statistical Correspondence. *The Academy of Management Review*, *14*(3), 423–444. https://doi.org/10.2307/258177

Watts, R., & Parks, Z. (2018). *Development of Tourism and Travel Industry*. Waltham Abbey Essex, UK: ED-Tech Press.

Williamson, O. E. (1999). Strategy research: Governance and competence perspectives. *Strategic Management Journal*, *20*(12), 1087–1108. https://doi.org/10.1002/(SICI)1097-0266(199912)20:12<1087::AID-SMJ71>3.0.CO;2-Z

Winter, S. G. (2003). Understanding dynamic capabilities. *Strategic Management Journal*, *24*(10), 991–995. https://doi.org/10.1002/smj.318

Zajac, E. J., & Kraatz, M. S. (1993). A Diametric Forces Model of Strategic Change: Assessing the Antecedents and Consequences of Restructuring in the Higher Education Industry. *Strategic Management Journal*, *14*, 83–102. https://doi.org/10.1002/smj.4250140908

Zajac, E. J., Kraatz, M. S., & Bresser, R. K. F. (2000). Modeling the Dynamics of Strategic Fit: A Normative Approach to Strategic Change. *Strategic Management Journal*, *21*(4), 429–453. https://doi.org/10.1002/(SICI)1097-0266(200004)21:4<429::AID-SMJ81>3.0.CO;2-%23

Zenger, T. (2013). What is the theory of your firm? *Harvard Business Review*, *91*(6), 72–78. Retrieved from https://hbr.org/2013/06/what-is-the-theory-of-your-firm

9 Endnotes

[1] TUI Group (2013, February 13). Speech by Friedrich Joussen designated CEO TUI AG. Retrieved from https://www.tuigroup.com/damfiles/default/presse/hv/2013/2013-02-13_Speech_Fritz_Joussen-762403b809279f5f60da7005fbd57548.pdf
[2] TUI Group (2020). Friedrich Joussen: CEO. Retrieved from https://www.tuigroup.com/en-en/about-us/about-tui-group/management/executive-board/friedrich-joussen
[3] TUI Group (2013, March 13). Annual General Meeting 2013. Retrieved from https://www.tuigroup.com/en-en/media/agm/agm-2013/agm-2013-pictures
[4] Klesse, H.-J. (2014, April 2). Kosten kappen - für TUI überlebensnotwendig: Friedrich Joussen will Marken reduzieren. *Wirtschaftswoche*. Retrieved from https://www.wiwo.de/unternehmen/dienstleister/friedrich-joussen-will-marken-reduzieren-kosten-kappen-fuer-tui-ueberlebensnotwendig/9681200.html
[5] Klesse, H.-J. (2014, April 2). Kosten kappen - für TUI überlebensnotwendig: Friedrich Joussen will Marken reduzieren. *Wirtschaftswoche*. Retrieved from https://www.wiwo.de/unternehmen/dienstleister/friedrich-joussen-will-marken-reduzieren-kosten-kappen-fuer-tui-ueberlebensnotwendig/9681200.html
[6] vwd group / EQS Group AG (2020, June 7). TUI AG (XETRA). Retrieved from https://charts3.equitystory.com/chart-xetra/tui/English/
[7] UNWTO (2019). *International Tourism Highlights, 2019 Edition*: World Tourism Organization. https://doi.org/10.18111/9789284421152
[8] UNWTO (2019). *International Tourism Highlights, 2019 Edition*: World Tourism Organization. https://doi.org/10.18111/9789284421152
[9] UNWTO (2019). *International Tourism Highlights, 2019 Edition*: World Tourism Organization. https://doi.org/10.18111/9789284421152
[10] UNWTO (2019). *International Tourism Highlights, 2019 Edition*: World Tourism Organization. https://doi.org/10.18111/9789284421152
[11] UNWTO (2019). Global and regional tourism performance. Retrieved from https://www.unwto.org/global-and-regional-tourism-performance
[12] CLIA (2019, December 12). State of the cruise industry outlook: 2020. Retrieved from https://cruising.org/-/media/research-updates/research/state-of-the-cruise-industry.pdf
[13] CLIA (2019, December 13). Number of ocean cruise passengers worldwide from 2009 to 2020 (in millions) [Graph]. Retrieved from https://www.statista.com/statistics/385445/number-of-passengers-of-the-cruise-industry-worldwide/
[14] Jong, A., Liu, B., & Quinby, D. (2017, July 17). Tours & Activities Come of Age: Global Travel Activities Marketplace 2014-2020. *Phocuswright*. Retrieved from https://www.phocuswright.com/Travel-Research/Destination-Activities-Marketing/Tours-amp-Activities-Come-of-Age-Global-Travel-Activities-Marketplace-2014-2020
[15] Jong, A., Liu, B., & Quinby, D. (2017, July 17). Tours & Activities Come of Age: Global Travel Activities Marketplace 2014-2020. *Phocuswright*. Retrieved from https://www.phocuswright.com/Travel-Research/Destination-Activities-Marketing/Tours-amp-Activities-Come-of-Age-Global-Travel-Activities-Marketplace-2014-2020
[16] TUI Group (2016, December 12). Annual Report 2015/16: Delivering. Retrieved from https://www.tuigroup.com/damfiles/default/tuigroup-15/en/investors/6_Reports-and-presentations/Reports/2016/TUI_AR_2015-16_withMagazine.pdf-4572fe3dec10f0196450291182933f8c.pdf
[17] Smout, A. (2019, May 15). TUI warns of 2019 headwinds from Spain overcapacity, 737 MAX grounding. *Reuters Media*. Retrieved from https://uk.reuters.com/article/uk-tui-results/tui-warns-of-2019-headwinds-from-spain-overcapacity-737-max-grounding-idUKKCN1SL0M7
[18] Proctor, K., & Boffey, D. (2020, January 24). 'Fantastic moment': Boris Johnson signs Brexit withdrawal deal. *The Guardian*. Retrieved from https://www.theguardian.com/politics/2020/jan/24/sombre-eu-leaders-sign-brexit-withdrawal-agreement
[19] TUI Group (2019). HOW WILL BREXIT AFFECT MY HOLIDAY? Retrieved from https://www.tui.co.uk/destinations/info/brexit
[20] Shepardson, D. (2020, April 28). Boeing 737 MAX expected to remain grounded until at least August: sources. *Reuters Media*. Retrieved from https://www.reuters.com/article/us-boeing-737max/boeing-737-max-expected-to-remain-grounded-until-at-least-august-sources-idUSKCN22A35G
[21] Young, S. (2019, December 11). TUI says 737 MAX grounding could cost it 400 mln euros in 2020. *Reuters Media*. Retrieved from https://www.reuters.com/article/us-tui-results/tui-says-737-max-grounding-could-cost-it-400-mln-euros-in-2020-idUSKBN1YF1B2

[22] Adapted from: Statista (2019). Tourismusbranche weltweit. Retrieved from https://de.statista.com/statistik/studie/id/6362/dokument/tourismusbranche-weltweit-statista-dossier/

[23] Statista (2019). Online-Reisemarkt. Retrieved from https://de.statista.com/statistik/studie/id/12303/dokument/reisemarkt-online-statista-dossier/

[24] Adapted from: Statista (2019). Reiseveranstaltermarkt. Retrieved from https://de.statista.com/statistik/studie/id/6660/dokument/reiseveranstaltermarkt-statista-dossier/

[25] Adapted from: Statista (2019). Reiseveranstaltermarkt. Retrieved from https://de.statista.com/statistik/studie/id/6660/dokument/reiseveranstaltermarkt-statista-dossier/

[26] TUI Group (2019). TUI Destination Experiences – the world's leading provider of destination experiences. Retrieved from https://www.tuigroup.com/en-en/about-us/about-tui-group/our-business/tui-destination-experiences

[27] TourScanner (2019, October 31). TourScanner: Annual Report 2019. Retrieved from https://tourscanner.com/tourscanner_report_2019.pdf?x78444

[28] Own composition. Source: TourScanner (2019, October 31). TourScanner: Annual Report 2019. Retrieved from https://tourscanner.com/tourscanner_report_2019.pdf?x78444

[29] Gill, O., & O'Dwyer, M. (2019, September 25). Why Thomas Cook collapsed: How debt, heatwaves and the internet sent travel giant into a spin. *The Telegraph*. Retrieved from https://www.telegraph.co.uk/business/2019/09/25/why-thomas-cook-collapse-bust/

[30] Wetzel, D. (2020, February 11). Digitale Umwandlung: Mit der Neuerfindung der Pauschalreise flüchtet TUI nach vorn. *WELT*. Retrieved from https://www.welt.de/wirtschaft/article205781663/Digitale-Umwandlung-Mit-der-Neuerfindung-der-Pauschalreise-fluechtet-TUI-nach-vorn.html

[31] Collinson, P. (2019, September 23). Why did Thomas Cook collapse after 178 years in business? *The Guardian*. Retrieved from https://www.theguardian.com/business/2019/sep/23/thomas-cook-as-the-world-turned-the-sun-ceased-to-shine-on-venerable-tour-operator

[32] Dominic O'Connell (2019, September 23). Thomas Cook: What went wrong at the holiday firm? *BBC News*. Retrieved from https://www.bbc.com/news/business-46452374

[33] Dominic O'Connell (2019, September 23). Thomas Cook: What went wrong at the holiday firm? *BBC News*. Retrieved from https://www.bbc.com/news/business-46452374

[34] Dominic O'Connell (2019, September 23). Thomas Cook: What went wrong at the holiday firm? *BBC News*. Retrieved from https://www.bbc.com/news/business-46452374

[35] Wetzel, D. (2020, February 11). Digitale Umwandlung: Mit der Neuerfindung der Pauschalreise flüchtet TUI nach vorn. *WELT*. Retrieved from https://www.welt.de/wirtschaft/article205781663/Digitale-Umwandlung-Mit-der-Neuerfindung-der-Pauschalreise-fluechtet-TUI-nach-vorn.html

[36] Stern (2002, June 19). TOURISTIK-KONZERN: Ein Gemischtwarenladen lernt lächeln - aus Preussag wird TUI. *STERN.De*. Retrieved from https://www.stern.de/wirtschaft/news/touristik-konzern-ein-gemischtwarenladen-lernt-laecheln---aus-preussag-wird-tui-3118764.html

[37] Stier, B., & Laufer, J. (2005). *Von der Preussag zur TUI: Wege und Wandlungen eines Unternehmens 1923-2003*: Klartext.

[38] Tagesspiegel (2009, May 17). Vom Förderturm zum Ferienflieger: DIE GESCHICHTE DER PREUSSAG. *Tagesspiegel*. Retrieved from https://www.tagesspiegel.de/wirtschaft/die-geschichte-der-preussag-vom-foerderturm-zum-ferienflieger/1514510.html

[39] Tagesspiegel (2009, May 17). Vom Förderturm zum Ferienflieger: DIE GESCHICHTE DER PREUSSAG. *Tagesspiegel*. Retrieved from https://www.tagesspiegel.de/wirtschaft/die-geschichte-der-preussag-vom-foerderturm-zum-ferienflieger/1514510.html

[40] TUI Group (2013). Zeitreise durch die Geschichte des Konzerns. Retrieved from https://www.tuigroup.com/damfiles/default/konzern/geschichte/TUI_Geschichte_des_Konzerns-6de135ff45fde136ee50a12bf3e4c929.pdf

[41] TUI Group (2020). Geschichte. Retrieved from https://www.tuigroup.com/de-de/ueber-uns/geschichte

[42] TUI Group (2020). Geschichte. Retrieved from https://www.tuigroup.com/de-de/ueber-uns/geschichte

[43] TUI Group (2020). Geschichte. Retrieved from https://www.tuigroup.com/de-de/ueber-uns/geschichte

[44] Own composition. Source: Potter, M. (2007, March 19). First Choice to merge with Germany's TUI. *Reuters Media*. Retrieved from https://uk.reuters.com/article/uk-tui-firstchoice-uk/first-choice-to-merge-with-germanys-tui-idUKNOA93268420070319

[45] Klesse, H.-J. (2014, June 27). Tui AG will Tui Travel schlucken: Reisekonzern. *Wirtschaftswoche*. Retrieved from https://www.wiwo.de/unternehmen/dienstleister/reisekonzern-tui-ag-will-tui-travel-schlucken/10119036.html

[46] Statista (2011, December 12). TUI AG revenue by segment 2008-2011. Retrieved from https://www.statista.com/statistics/270794/tuis-tourism-revenue-by-segment/

[47] TUI Group (2013, December 18). Annual Report 2012/13: Changing Course. Retrieved from https://www.tuigroup.com/damfiles/default/ir/31_Geschaeftsbericht_2012_13/downloads/TUI_AR_2012-13_English-13dd083da778908a0624a01f23968268.pdf

[48] Klesse, H.-J. (2014, April 2). Kosten kappen - für TUI überlebensnotwendig: Friedrich Joussen will Marken reduzieren. *Wirtschaftswoche*. Retrieved from https://www.wiwo.de/unternehmen/dienstleister/friedrich-joussen-will-marken-reduzieren-kosten-kappen-fuer-tui-ueberlebensnotwendig/9681200.html

[49] TUI Group (2013, December 18). Annual Report 2012/13: Changing Course. Retrieved from https://www.tuigroup.com/damfiles/default/ir/31_Geschaeftsbericht_2012_13/downloads/TUI_AR_2012-13_English-13dd083da778908a0624a01f23968268.pdf

[50] Klesse, H.-J. (2014, June 27). Tui AG will Tui Travel schlucken: Reisekonzern. *Wirtschaftswoche*. Retrieved from https://www.wiwo.de/unternehmen/dienstleister/reisekonzern-tui-ag-will-tui-travel-schlucken/10119036.html

[51] TUI Group (2015, December 10). Annual Report 2014/15: Upgrade. Retrieved from https://www.tuigroup.com/damfiles/default/tuigroup-15/en/investors/6_Reports-and-presentations/Reports/2015/TUI_AR_2014_15.pdf-5fc3533700b336f9aa822a767588d0ac.pdf

[52] Young, S. (2014, December 17). TUI Travel, TUI AG merger completes. *Reuters Media*. Retrieved from https://uk.reuters.com/article/uk-tui-travel-m-a-tui-ag/tui-travel-tui-ag-merger-completes-idUKKBN0JV0KP20141217

[53] Own composition. Source: Blitz, R. (2014, October 27). Tui AG and Tui Travel lay out merger plans. *Financial Times*. Retrieved from https://www.ft.com/content/14bea73a-5b7d-11e4-a674-00144feab7de

[54] Hayhurst, L. (2014, June 27). Tui merger ‘will bring synergies, growth and de-risking’. *Travel Weekly*. Retrieved from https://www.travelweekly.co.uk/articles/48463/tui-merger-will-bring-synergies-growth-and-de-risking

[55] Hayhurst, L. (2014, June 27). Tui merger ‘will bring synergies, growth and de-risking’. *Travel Weekly*. Retrieved from https://www.travelweekly.co.uk/articles/48463/tui-merger-will-bring-synergies-growth-and-de-risking

[56] Aglionby, J. (2014, September 15). Tui Travel and Tui AG agree merger terms. *Financial Times*. Retrieved from https://www.ft.com/content/4bcaa302-3ca4-11e4-871d-00144feabdc0

[57] TUI Group (2019, March 18). TUI Group setzt Umbau fort – Klare Ausrichtung auf Touristik: Verkauf von Linienfluggesellschaft Corsair an INTRO Aviation. Retrieved from https://www.tuigroup.com/de-de/medien/presseinformationen/ag-meldungen/2019/2019-03-18-verkauf-von-corsair

[58] TUI Group (2013, December 18). Annual Report 2012/13: Changing Course. Retrieved from https://www.tuigroup.com/damfiles/default/ir/31_Geschaeftsbericht_2012_13/downloads/TUI_AR_2012-13_English-13dd083da778908a0624a01f23968268.pdf

[59] Own composition. Sources: Prior, D. (2019, May 29). TUI makes £100m loss on LateRooms.com as it sells Manchester-based site to Indian travel group. *Prolific North*. Retrieved from https://www.prolificnorth.co.uk/digital/featured/2015/10/tui-makes-%C2%A3100m-loss-lateroomscom-it-sells-manchester-based-site-indian ;
TUI Group (2016, September 12). TUI Group announces closing of Hotelbeds Group sale. Retrieved from https://www.tuigroup.com/en-en/media/press-releases/2016/2016-09-12-closing-hotelbeds-group-sale- ;
TUI Group (2017, June 15). TUI Group: Verkauf von Travelopia abgeschlossen. Retrieved from https://www.tuigroup.com/de-de/medien/presseinformationen/ag-meldungen/2017/2017-06-15 ;
Reuters (2017, July 11). TUI raises 244 million euros from sale of remaining Hapag-Lloyd shares. *Reuters Media*. Retrieved from https://www.reuters.com/article/us-tui-disposal/tui-raises-244-million-euros-from-sale-of-remaining-hapag-lloyd-shares-idUSKBN19W0G8 ;
TUI Group (2019, March 18). TUI Group setzt Umbau fort – Klare Ausrichtung auf Touristik: Verkauf von Linienfluggesellschaft Corsair an INTRO Aviation. Retrieved from https://www.tuigroup.com/de-de/medien/presseinformationen/ag-meldungen/2019/2019-03-18-verkauf-von-corsair ;
TUI Group (2019, August 12). TUI Group to sell German specialist tour operators “Berge & Meer” and “Boomerang Reisen” / Group sharpens its profile. Retrieved from https://www.tuigroup.com/en-en/media/press-releases/2019/2019-09-12-divestment-berge-und-meer-boomerang-reisen ;
TUI Group (2019, December 23). TUI Group sells German holiday home provider Wolters Reisen. Retrieved from https://www.tuigroup.com/en-en/media/press-releases/2019/2019-12-23-tui-group-sells-wolters-reisen

[60] Klesse, H.-J. (2014, April 2). Kosten kappen - für TUI überlebensnotwendig: Friedrich Joussen will Marken reduzieren. *Wirtschaftswoche*. Retrieved from https://www.wiwo.de/unternehmen/dienstleister/friedrich-joussen-will-marken-reduzieren-kosten-kappen-fuer-tui-ueberlebensnotwendig/9681200.html

[61] TUI Group (2017, December 13). FY17 Full Year Results & Stragey Updates. Retrieved from https://www.tuigroup.com/damfiles/default/tuigroup-15/en/investors/6_Reports-and-

presentations/Presentations/2017/TUI_Group_FY17-YE-Results-vFINAL-CLEAN.pdf-9f8f9cc2eaa04575b299756c6d114751.pdf

[62] TUI Group (2016, December 12). Annual Report 2015/16: Delivering. Retrieved from https://www.tuigroup.com/damfiles/default/tuigroup-15/en/investors/6_Reports-and-presentations/Reports/2016/TUI_AR_2015-16_withMagazine.pdf-4572fe3dec10f0196450291182933f8c.pdf

[63] TUI Group (2015, December 10). Annual Report 2014/15: Upgrade. Retrieved from https://www.tuigroup.com/damfiles/default/tuigroup-15/en/investors/6_Reports-and-presentations/Reports/2015/TUI_AR_2014_15.pdf-5fc3533700b336f9aa822a767588d0ac.pdf

[64] TUI Group (2016, December 8). FY Results 2015/16. Retrieved from https://www.tuigroup.com/damfiles/default/tuigroup-15/de/investoren/6_Finanzberichte-und-Praesentationen/Praesentationen/2016/TUI-Group-FY16-Results---Strategy-Presentation-vFINAL.pdf-f1854adf11d23aff85dd4fa6da17552b.pdf

[65] TUI Group (2016, December 12). Annual Report 2015/16: Delivering. Retrieved from https://www.tuigroup.com/damfiles/default/tuigroup-15/en/investors/6_Reports-and-presentations/Reports/2016/TUI_AR_2015-16_withMagazine.pdf-4572fe3dec10f0196450291182933f8c.pdf

[66] TUI Group (2018, November 26). Select Your Room at TUI Blue Hotels. Retrieved from https://www.tuigroup.com/en-en/media/stories/2018/2018-11-26-tui-blue-select-your-room

[67] TUI Group (2019). TUI Hotels & Resorts: Ready for sustainable growth. Retrieved from https://www.tuigroup.com/damfiles/default/tuigroup-15/de/ueber-uns/geschaeftsfelder/hotel-scouting/2016_TUI_Hotels_Resorts_Expansion_Profile.pdf-556d45c5afeafe2e7948704e9119d685.pdf

[68] Adapted from: TUI Group (2019, December 11). Annual Report of the TUI Group 2019. Retrieved from https://www.tuigroup.com/damfiles/default/tuigroup-15/en/investors/6_Reports-and-presentations/Reports/2019/TUI_AR_2019_EN.pdf-196ebc3fcc7cbb4d4fa946d5295001b2.pdf

[69] TUI Group (2020). Our business. Retrieved from https://www.tuigroup.com/en-en/about-us/about-tui-group/our-business

[70] TUI Group (2020). Hotel Scouting. Retrieved from https://www.tuigroup.com/de-de/ueber-uns/ueber-die-tui-group/geschaeftsfelder/tui-hotels-resorts/hotel-scouting

[71] TUI Group (2019). TUI Group: The world's number one tourism group. Retrieved from https://www.tuigroup.com/damfiles/default/tuigroup-15/de/ueber-uns/geschaeftsfelder/Konzernpraesentation/2018_tui-group_presentation_eng.pdf-32eb99677ac61ebddca8382a2003c73c.pdf

[72] Adapted from: TUI Group (2020). Hotel Scouting. Retrieved from https://www.tuigroup.com/de-de/ueber-uns/ueber-die-tui-group/geschaeftsfelder/tui-hotels-resorts/hotel-scouting

[73] TUI Group (2019). TUI Hotels & Resorts: Ready for sustainable growth. Retrieved from https://www.tuigroup.com/damfiles/default/tuigroup-15/de/ueber-uns/geschaeftsfelder/hotel-scouting/2016_TUI_Hotels_Resorts_Expansion_Profile.pdf-556d45c5afeafe2e7948704e9119d685.pdf

[74] TUI Group (2017). TUI Hotels & Resorts: READY FOR SUSTAINABLE GROWTH. Retrieved from https://www.tuigroup.com/damfiles/default/tuigroup-15/de/ueber-uns/geschaeftsfelder/hotel-scouting/2016_TUI_Hotels_Resorts_Expansion_Profile.pdf-556d45c5afeafe2e7948704e9119d685.pdf

[75] TUI Group (2019, December 11). FY19 Full Year Results & Strategy Update. Retrieved from https://www.tuigroup.com/damfiles/default/tuigroup-15/en/investors/6_Reports-and-presentations/Presentations/2019/TUI_Group_FY19-FY-Results-Presentation-FINAL.pdf-36da7ee0706ff5629053bc7c8cc4dcbb.pdf

[76] TUI Group (2016, December 8). FY Results 2015/16. Retrieved from https://www.tuigroup.com/damfiles/default/tuigroup-15/de/investoren/6_Finanzberichte-und-Praesentationen/Praesentationen/2016/TUI-Group-FY16-Results---Strategy-Presentation-vFINAL.pdf-f1854adf11d23aff85dd4fa6da17552b.pdf

[77] Own composition. Sources: Multiple web sources and TUI AG's annual reports

[78] TUI Group (2019). TUI Hotels & Resorts: Ready for sustainable growth. Retrieved from https://www.tuigroup.com/damfiles/default/tuigroup-15/de/ueber-uns/geschaeftsfelder/hotel-scouting/2016_TUI_Hotels_Resorts_Expansion_Profile.pdf-556d45c5afeafe2e7948704e9119d685.pdf

[79] TUI Group (2016, December 12). Annual Report 2015/16: Delivering. Retrieved from https://www.tuigroup.com/damfiles/default/tuigroup-15/en/investors/6_Reports-and-presentations/Reports/2016/TUI_AR_2015-16_withMagazine.pdf-4572fe3dec10f0196450291182933f8c.pdf

[80] TUI Group (2016, December 8). FY Results 2015/16. Retrieved from https://www.tuigroup.com/damfiles/default/tuigroup-15/de/investoren/6_Finanzberichte-und-

Praesentationen/Praesentationen/2016/TUI-Group-FY16-Results---Strategy-Presentation-vFINAL.pdf-f1854adf11d23aff85dd4fa6da17552b.pdf

[81] TUI Group (2019, December 11). Annual Report of the TUI Group 2019. Retrieved from https://www.tuigroup.com/damfiles/default/tuigroup-15/en/investors/6_Reports-and-presentations/Reports/2019/TUI_AR_2019_EN.pdf-196ebc3fcc7cbb4d4fa946d5295001b2.pdf

[82] TUI Group (2019). TUI Hotels & Resorts: Ready for sustainable growth. Retrieved from https://www.tuigroup.com/damfiles/default/tuigroup-15/de/ueber-uns/geschaeftsfelder/hotel-scouting/2016_TUI_Hotels_Resorts_Expansion_Profile.pdf-556d45c5afeafe2e7948704e9119d685.pdf

[83] TUI Group (2019, March 1). TUI Blue soll weltweit größte Ferienhotel-Marke werden. Retrieved from https://www.tuigroup.com/de-de/medien/presseinformationen/ag-meldungen/2019/2019-03-01-tui-blue-soll-weltweit-groesste-ferienhotel-marke-werden

[84] TUI Group (2019, December 11). Annual Report of the TUI Group 2019. Retrieved from https://www.tuigroup.com/damfiles/default/tuigroup-15/en/investors/6_Reports-and-presentations/Reports/2019/TUI_AR_2019_EN.pdf-196ebc3fcc7cbb4d4fa946d5295001b2.pdf

[85] TUI Group (2019, December 11). Annual Report of the TUI Group 2019. Retrieved from https://www.tuigroup.com/damfiles/default/tuigroup-15/en/investors/6_Reports-and-presentations/Reports/2019/TUI_AR_2019_EN.pdf-196ebc3fcc7cbb4d4fa946d5295001b2.pdf

[86] Own composition. Sources: TUI's annual reports from 2016 until 2019

[87] Knape, A. (2020, February 7). Milliardenverkauf: Tui bündelt Kreuzfahrt-Geschäft in Gemeinschaftsunternehmen mit Royal Caribbean Cruises. *Manager Magazin*. Retrieved from https://www.manager-magazin.de/unternehmen/industrie/tui-baut-um-hapag-lloyd-cruises-geht-an-tui-cruises-a-1304618.html

[88] TUI Group (2019). TUI Destination Experiences – the world's leading provider of destination experiences. Retrieved from https://www.tuigroup.com/en-en/about-us/about-tui-group/our-business/tui-destination-experiences

[89] Louven, S. (2019, May 19). Mit der Blockchain ins Hotelzimmer – wie Tui sich digitalisiert. *Handelsblatt*. Retrieved from https://www.handelsblatt.com/unternehmen/dienstleister/friedrich-joussen-im-interview-mit-der-blockchain-ins-hotelzimmer-wie-tui-sich-digitalisiert/24354984.html?ticket=ST-3399142-Oi6omtSydlNzdN1c10OZ-ap6

[90] TUI Group (2019, March 4). TUI and leading online provider in China start partnership. Retrieved from https://www.tuigroup.com/en-en/media/press-releases/2019/2019-03-04-ctrip-china-and-tui

[91] Louven, S. (2019, May 19). Mit der Blockchain ins Hotelzimmer – wie Tui sich digitalisiert. *Handelsblatt*. Retrieved from https://www.handelsblatt.com/unternehmen/dienstleister/friedrich-joussen-im-interview-mit-der-blockchain-ins-hotelzimmer-wie-tui-sich-digitalisiert/24354984.html?ticket=ST-3399142-Oi6omtSydlNzdN1c10OZ-ap6

[92] TUI Group (2017, March 6). TUI brand growing: More than 2,222 TUI travel agencies across Europe. Retrieved from https://www.tuigroup.com/en-en/media/press-releases/2017/2017-03-06-tui-brand-growing-travel-agencies-europe0

[93] Own composition. Sources: TUI AG’s annual reports from 2014 until 2019

[94] TUI Group (2020). Sales & Marketing. Retrieved from https://www.tuigroup.com/en-en/about-us/about-tui-group/our-business/sales-and-marketing

[95] Own composition. Source: TUI Group (2019, December 11). FY19 Full Year Results & Strategy Update. Retrieved from https://www.tuigroup.com/damfiles/default/tuigroup-15/en/investors/6_Reports-and-presentations/Presentations/2019/TUI_Group_FY19-FY-Results-Presentation-FINAL.pdf-36da7ee0706ff5629053bc7c8cc4dcbb.pdf

[96] TUI Group (2020). Business model and strategy | Annual Report 2019. Retrieved from http://annualreport2019.tuigroup.com/business-model-and-strategy

[97] TUI Group (2020). Strategy. Retrieved from https://www.tuigroup.com/en-en/about-us/about-tui-group/strategy

[98] TUI Group (2019). Buchungsupdate. Retrieved from https://www.tuigroup.com/de-de/investoren/news/2019/ir-news/20190924

[99] TUI Group (2017, December 13). Annual Report 2017. Retrieved from https://www.tuigroup.com/damfiles/default/tuigroup-15/en/investors/6_Reports-and-presentations/Reports/2017/TUI_AR_2017.pdf-7661895445c56eebea39a5b74aa9e5b3.pdf

[100] TUI Group (2020). Weltweit wachsen. Retrieved from https://www.tuigroup.com/de-de/medien/storys/moments-2020/12_weltweit_wachsen

[101] Louven, S. (2019, May 19). Mit der Blockchain ins Hotelzimmer – wie Tui sich digitalisiert. *Handelsblatt*. Retrieved from https://www.handelsblatt.com/unternehmen/dienstleister/friedrich-joussen-im-interview-mit-der-blockchain-ins-hotelzimmer-wie-tui-sich-digitalisiert/24354984.html?ticket=ST-3399142-Oi6omtSydlNzdN1c10OZ-ap6

[102] Wetzel, D. (2020, February 11). Digitale Umwandlung: Mit der Neuerfindung der Pauschalreise flüchtet TUI nach vorn. *WELT*. Retrieved from https://www.welt.de/wirtschaft/article205781663/Digitale-Umwandlung-Mit-der-Neuerfindung-der-Pauschalreise-fluechtet-TUI-nach-vorn.html
[103] Meier, J. (2019, November 16). TUI-Chef Friedrich Joussen über die Zukunft des Tourismus. *Neue Zürcher Zeitung*. Retrieved from https://nzzas.nzz.ch/wirtschaft/tui-chef-friedrich-joussen-ueber-zukunft-tourismus-ld.1522439?reduced=true
[104] Own composition. Sources: TUI AG's annual reports from 2013 until 2019
[105] ZDF (2019, December 17). Wer durch den Baustopp der 737 Max verliert. *Zweites Deutsches Fernsehen*. Retrieved from https://www.zdf.de/nachrichten/heute/boeing-stellt-produktion-ein-wer-durch-den-baustopp-der-737-max-verliert-100.html
[106] Recklies, B. (2020, January 7). Noch keine Einigung wegen 737 Max zwischen Boeing und deutschen Airlines. *Airliners.De*. Retrieved from https://www.airliners.de/boeing-american-airlines-entschaedigungszahlungen/53237
[107] TUI Group (2018, December 13). Annual Report of the TUI Group 2018. Retrieved from https://www.tuigroup.com/damfiles/default/tuigroup-15/en/investors/6_Reports-and-presentations/Reports/2018/TUI_AR18_EN.pdf-41a3f925c083a43d9ef92d2abeb95a62.pdf
[108] UNWTO (2020, May 29). COVID-19 related travel restrictions: A global review for tourism. Retrieved from https://webunwto.s3.eu-west-1.amazonaws.com/s3fs-public/2020-05/TravelRestrictions%20-%2029%20May.pdf
[109] European Parliamentary Research Service (2020, April). COVID-19 and the tourism sector. Retrieved from https://www.europarl.europa.eu/RegData/etudes/ATAG/2020/649368/EPRS_ATA(2020)649368_EN.pdf
[110] World Travel and Tourism Council (2020, April 24). WTTC now estimates over 100 million jobs losses in the Travel & Tourism sector and alerts G20 countries to the scale of the crisis. Retrieved from https://wttc.org/News-Article/WTTC-now-estimates-over-100-million-jobs-losses-in-the-Travel-&-Tourism-sector-and-alerts-G20-countries-to-the-scale-of-the-crisis
[111] UNWTO (2020, March 27). Impact assessment of the COVID-19 outbreak on international tourism. Retrieved from https://www.unwto.org/impact-assessment-of-the-covid-19-outbreak-on-international-tourism
[112] UNWTO (2020, March 27). Impact assessment of the COVID-19 outbreak on international tourism. Retrieved from https://www.unwto.org/impact-assessment-of-the-covid-19-outbreak-on-international-tourism
[113] IATA (2020, April 14). COVID-19: Updated Impact Assessment. Retrieved from https://www.iata.org/en/iata-repository/publications/economic-reports/covid-fourth-impact-assessment/
[114] Flybe (2020, March 10). Flybe Limited (in Administration). Retrieved from https://www.flybe.com/
[115] Adapted from: YouGov (2020, April 29). Reisewarnung soll bis Mitte Juni verlängert werden. Retrieved from https://yougov.de/news/2020/04/29/reisewarnung-soll-bis-mitte-juni-verlangert-werden/
[116] TUI Group (2020, March 15). TUI temporarily suspends vast majority of all travel operations due to COVID-19. Retrieved from https://www.tuigroup.com/en-en/media/press-releases/2020/2020-03-15-tui-group-covid-19
[117] Merkur.de (2020, April 6). Coronavirus-Luftbrücke: Tausende Deutsche sitzen fest - Neuseeland blockiert die Ausreise. *Merkur.De*. Retrieved from https://www.merkur.de/welt/coronavirus-luftbruecke-deutsche-lufthansa-touristen-fluege-rueckholaktion-urlauber-krise-covid-19-zr-13600178.html
[118] Finanzen100 (2020, April 8). Tui: Weg für staatlichen Milliardenkredit frei. Retrieved from https://www.finanzen100.de/finanznachrichten/boerse/tui-weg-fuer-staatlichen-milliardenkredit-frei_H4219867_11862332/
[119] TUI Group (2020, April 14). An interview with Ulrich Heuer, TUI Germany Crisis Manager. Retrieved from https://www.tuigroup.com/en-en/media/stories/2020/2020-04-14-interview-crisis-manager-ulrich-heuer
[120] TUI Group (2020, March 15). TUI temporarily suspends vast majority of all travel operations due to COVID-19. Retrieved from https://www.tuigroup.com/en-en/media/press-releases/2020/2020-03-15-tui-group-covid-19
[121] TUI Group (2020, April 8). TUI AG: KfW arrangement signed – banking consortium approves German Federal government bridging loan. Retrieved from https://www.tuigroup.com/en-en/media/press-releases/2020/2020-04-06-kfw-arrangement-signed
[122] N-tv (2020, March 19). Sparkurs beim Reisekonzern: Tui-Mitarbeiter gehen in Kurzarbeit. *N-Tv NACHRICHTEN*. Retrieved from https://www.n-tv.de/wirtschaft/Tui-Mitarbeiter-gehen-in-Kurzarbeit-article21653648.html
[123] Schlautmann, C. (2020, May 13). Tui: Die Staatshilfe war ein Fehler. *Handelsblatt*. Retrieved from https://www.handelsblatt.com/meinung/kommentare/kommentar-entlassungen-trotz-milliardenkredit-staatshilfe-fuer-tui-war-ein-fehler/25824054.html

[124] Schlautmann, C. (2020, May 13). Tui: Die Staatshilfe war ein Fehler. *Handelsblatt*. Retrieved from https://www.handelsblatt.com/meinung/kommentare/kommentar-entlassungen-trotz-milliardenkredit-staatshilfe-fuer-tui-war-ein-fehler/25824054.html
[125] Mcfall-Johnsen, M. (2020, February 28). How the Diamond Princess cruise ship coronavirus quarantine went wrong. *Business Insider*. Retrieved from https://www.businessinsider.com/how-diamond-princess-cruise-ship-coronavirus-quarantine-went-wrong-2020-2#japanese-health-officials-tested-passengers-and-transported-those-who-tested-positive-to-health-facilities-on-land-3
[126] Schmidt, K. (2020, April 24). Where are we heading? Tourism after the coronavirus crisis. Retrieved from https://www.dw.com/en/where-are-we-heading-tourism-after-the-coronavirus-crisis/a-53208870
[127] Schmidt, K. (2020, April 24). Where are we heading? Tourism after the coronavirus crisis. Retrieved from https://www.dw.com/en/where-are-we-heading-tourism-after-the-coronavirus-crisis/a-53208870
[128] United Nations, Department of Economic and Social Affairs, Population Division (2019). Demographic Profiles. *World Population Prospects*. (2), 1–5. Retrieved from https://population.un.org/wpp/Graphs/1_Demographic%20Profiles/World.pdf
[129] UN (2015). UN projects world population to reach 8.5 billion by 2030, driven by growth in developing countries. Retrieved from https://www.un.org/sustainabledevelopment/blog/2015/07/un-projects-world-population-to-reach-8-5-billion-by-2030-driven-by-growth-in-developing-countries/
[130] Amadeus & Future Foundation (2015). Future Traveller Tribes 2030. Retrieved from https://amadeus.com/documents/en/retail-travel-agencies/research-report/amadeus-future-traveller-tribes-2030-report.pdf
[131] UNWTO (2019). *International Tourism Highlights, 2019 Edition*: World Tourism Organization. https://doi.org/10.18111/9789284421152
[132] Umwelt Bundesamt (2020, February 19). Umweltbewusstsein und Umweltverhalten. Retrieved from https://www.umweltbundesamt.de/daten/private-haushalte-konsum/umweltbewusstsein-umweltverhalten#stellenwert-des-umwelt-und-klimaschutzes
[133] Booking.com (2019, October 10). Booking.com Predicts the Top Travel Trends for 2020. Retrieved from https://globalnews.booking.com/bookingcom-predicts-the-top-travel-trends-for-2020/
[134] Booking.com (2019, October 10). Booking.com Predicts the Top Travel Trends for 2020. Retrieved from https://globalnews.booking.com/bookingcom-predicts-the-top-travel-trends-for-2020/
[135] TUI Group (2020). Business model and strategy | Annual Report 2019. Retrieved from http://annualreport2019.tuigroup.com/business-model-and-strategy
[136] TUI Group (2017). TUI 2022. Retrieved from https://www.tuigroup.com/en-en/media/press-releases/2017/2017-02-14-tui-2022
[137] Wetzel, D. (2020, February 11). Digitale Umwandlung: Mit der Neuerfindung der Pauschalreise flüchtet TUI nach vorn. *WELT*. Retrieved from https://www.welt.de/wirtschaft/article205781663/Digitale-Umwandlung-Mit-der-Neuerfindung-der-Pauschalreise-fluechtet-TUI-nach-vorn.html
[138] TUI Group (2020, May 18). TUI Talk mit Fritz Joussen. Retrieved from https://www.tuigroup.com/de-de/medien/storys/2020/2020-05-18-tui-talk-mit-fritz-joussen
[139] Schlautmann, C. (2020, May 20). Tui: Ratingagentur Moody‘s warnt vor „substanziellem Risiko“. *Handelsblatt*.
[140] TUI Group (2020). Ratings. Retrieved from https://www.tuigroup.com/en-en/investors/bonds-and-ratings/ratings
[141] finanzen.net (2020, April 26). TUI Aktie. Retrieved from https://www.finanzen.net/dividende/tui
[142] Own composition. Source: Morningstar (2020). Thomas Cook Balance Sheet | TCG. Retrieved from https://tools.morningstar.co.uk/uk/stockreport/default.aspx?tab=10&vw=bs&SecurityToken=0P0000JA9X%5D3%5D0%5DE0WWE%24%24ALL&Id=0P0000JA9X&ClientFund=0&CurrencyId=BAS
[143] Own composition. Source: Morningstar (2020). TUI AG Balance Sheet | TUI. Retrieved from http://tools.morningstar.co.uk/t92wz0sj7c/stockreport/default.aspx?tab=10&vw=bs&SecurityToken=0P000153H4%5D3%5D0%5DE0EXG%24XLON&Id=0P000153H4&ClientFund=0&CurrencyId=GBP&orderType=ascending&rounding=2&view=0&period=5
[144] TUI Group (2013, December 18). Annual Report 2012/13: Changing Course. Retrieved from https://www.tuigroup.com/damfiles/default/ir/31_Geschaeftsbericht_2012_13/downloads/TUI_AR_2012-13_English-13dd083da778908a0624a01f23968268.pdf
[145] Own composition. Sources: TUI’s annual reports from 2013 until 2018
[146] TUI Group (2013, December 18). Annual Report 2012/13: Changing Course. Retrieved from https://www.tuigroup.com/damfiles/default/ir/31_Geschaeftsbericht_2012_13/downloads/TUI_AR_2012-13_English-13dd083da778908a0624a01f23968268.pdf and TUI Group (2019, December 11). Annual Report of the TUI Group 2019. Retrieved from https://www.tuigroup.com/damfiles/default/tuigroup-15/en/investors/6_Reports-and-presentations/Reports/2019/TUI_AR_2019_EN.pdf-196ebc3fcc7cbb4d4fa946d5295001b2.pdf

[147] Own composition. Sources: Multile web sources and TUI AG's annual reports from 2019.
[148] Adapted from: Coussement, L. (2015, September 9). Customer Engagement @ TUI: Discover your smile. Retrieved from https://slideplayer.com/slide/9809627/
[149] Own composition. Sources: TUI AG‘s annual reports from 2013 until 2019
[150] TUI Group (2017). TUI Hotels & Resorts: READY FOR SUSTAINABLE GROWTH. Retrieved from https://www.tuigroup.com/damfiles/default/tuigroup-15/de/ueber-uns/geschaeftsfelder/hotel-scouting/2016_TUI_Hotels_Resorts_Expansion_Profile.pdf-556d45c5afeafe2e7948704e9119d685.pdf
[151] Own composition. Source: TUI Group (2019). TUI Hotels & Resorts: Ready for sustainable growth. Retrieved from https://www.tuigroup.com/damfiles/default/tuigroup-15/de/ueber-uns/geschaeftsfelder/hotel-scouting/2016_TUI_Hotels_Resorts_Expansion_Profile.pdf-556d45c5afeafe2e7948704e9119d685.pdf; Miriam (2019, November 6). TUI BLUE – Die globale Hotelmarke der TUI: Wir stellen euch das neue Konzept vor. *TUI Reiseblog*. Retrieved from https://www.tui.com/blog/tui-blue-globale-hotelmarke-konzept
[152] Own composition. Sources: TUI’s annual reports from 2013 until 2019 and multiple web sources
[153] Statista (2019). TUI AG. Retrieved from https://de.statista.com/statistik/studie/id/12281/dokument/tui-ag-statista-dossier/
[154] TUI Group (2019, December 11). Annual Report of the TUI Group 2019. Retrieved from https://www.tuigroup.com/damfiles/default/tuigroup-15/en/investors/6_Reports-and-presentations/Reports/2019/TUI_AR_2019_EN.pdf-196ebc3fcc7cbb4d4fa946d5295001b2.pdf