

# TUI Group Strategy

## Tourism remains a growing sector – fundamentals intact

The travel and tourism market is a significant contributor to the global economy<sup>1</sup>, growing above global GDP levels pre-pandemic.<sup>2</sup> Demand for tourism is driven by strong fundamental trends – people living longer, healthier lives; the growth of middle classes across the globe, which increases disposable income; and the desire for experiences, of which travel plays a significant part. Therefore, we expect leisure tourism to continue to be an attractive growth market over the long-term.

In the shorter term, the industry has withstood unprecedented disruption as a result of COVID-19. Despite this, the underlying strong desire of people to travel is clear, as demonstrated the resurgence of bookings as restrictions were relaxed.<sup>3</sup> At TUI, we experienced a strong uplift in bookings for our destinations on the easing of government travel restrictions, and in Summer 2022, Markets & Airlines customer numbers rebounded to around 90 % of pre-pandemic levels, coupled with a strong 18 % increase in average selling price.

As the pandemic subsides, the global geopolitical and economic environment remains challenging for the industry, in particular the impact this has on cost inflation, foreign exchange rates and consumer sentiment. In this context customers value brands which they can depend on, and which deliver choice and flexibility in configuring the right product for them. Building on this development, TUI will focus on delivering quality services to our customers while increasing choice and flexibility, both in terms of our product offer, and in the right-sizing of the proportion of risk capacity for flights and hotels. This will be supported by our strategy of growing our dynamic packaging and components business, through increasingly flexible supply of flights and hotels.

## TUI's business model – foundation for success

TUI is a global tourism group covering the entire holiday journey, serving millions of customers, operating 134 aircraft, 418 hotels and 16 cruise ships<sup>4</sup>, as well as a digital platform for tours and activities with a strong portfolio. The group is structured into two divisions – Holiday Experiences and Markets & Airlines.

**Holiday Experiences** delivers differentiated content in hotels, cruises and tours and activities:

1. Our hotel portfolio consists of own and differentiated leisure brands such as Robinson, TUI Magic Life, TUI Blue and TUI Suneo, complemented by JV hotel brands such as Riu, Atlantica, Blue Diamond and Grupotel. The portfolio is well-diversified in terms of product offer, destination mix and ownership models, and benefits from multi-channel and multi-source market distribution via Markets & Airlines, direct to customer, and via third parties such as Online Travel Agents (OTAs) and tour operators.
2. Our three cruise brands (Mein Schiff, Hapag-Lloyd Cruises, Marella) cover the cruises sector from premium all-inclusive to luxury to expeditions, with leading positions in the German-speaking and UK markets, benefitting from multi-channel distribution via Markets & Airlines, direct to customer and via third parties.
3. TUI Musement is one of the largest digital providers in the online intermediary market for tours, activities and experiences<sup>5</sup>, connecting our own and third party product portfolio in destinations with Markets & Airlines customers, open market (B2C) customers, and B2B partner customers (such as OTAs, meta-search sites and tour operators), as well as providing transfers and support to our customers at the destination.

**Markets & Airlines** distributes and fulfills holidays to a large customer base in 13 source markets<sup>6</sup>. TUI is (according to consumer surveys for unaided brand awareness and consideration) a leading tourism brand.<sup>7</sup> We differentiate ourselves from the competition (such as tour operators, OTAs, hotels and airlines) based on exclusive and high-quality product, service and trust. By covering the whole customer journey, TUI holds multiple digital and physical touchpoints with its customers, and therefore delivers a strong blend of digital and human interaction. This enables TUI to follow a customer centric approach, aiming to create long-term relationships with its customers. Growth will be driven by a wider product range, reflecting consumer demand for more choice and flexibility, and increasing the appeal across different customer segments.

<sup>1</sup> Based on WTTC Economic Impact Research – Travel & Tourism sector contributed 10.3 % to global GDP in 2019; this decreased to 5.3 % in 2020 and 6.1 % in 2021, due to government restrictions on mobility.

<sup>2</sup> Based on UNWTO international travel arrivals CAGR versus global GDP CAGR for 2015 to 2019.

<sup>3</sup> E.g. UNWTO World Tourism Barometer July 2022 – nearly 250 million international trips were recorded worldwide between January and May 2022, compared with 77 million in the comparative period in 2021.

<sup>4</sup> As at 30 September 2022, including concept hotels in third party properties.

<sup>5</sup> According to Bernstein analysis, TUI Musement ranked 2nd for market share in the tours, activities and experiences market.

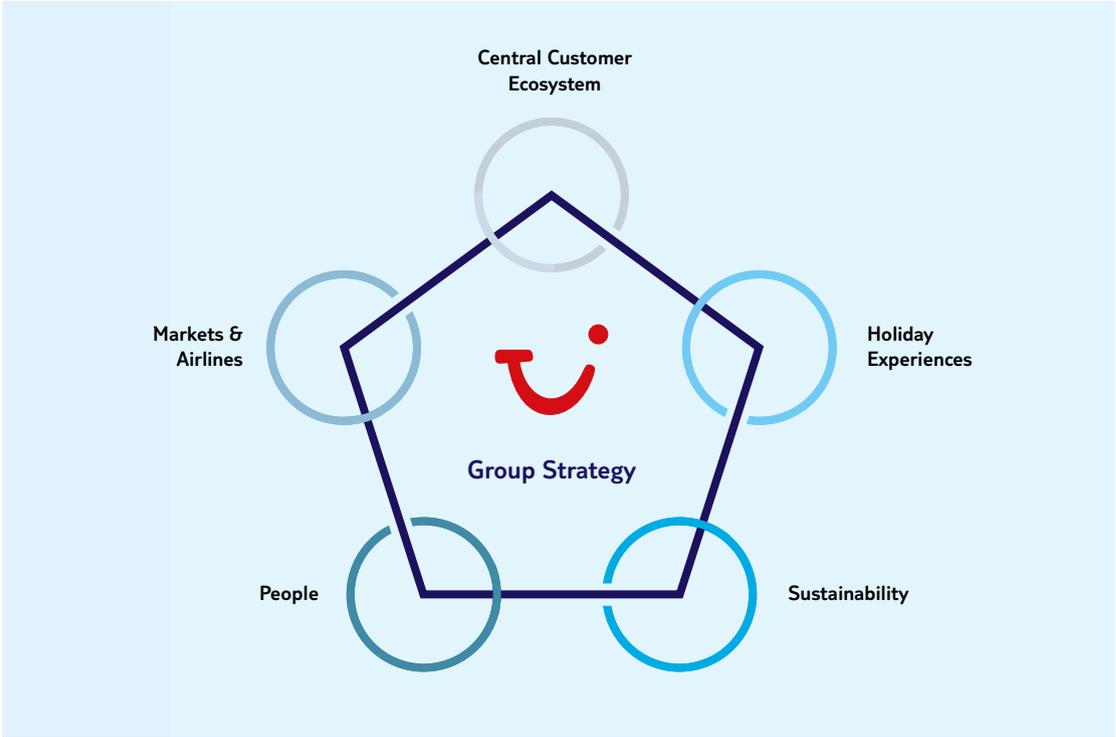
<sup>6</sup> Germany, Austria, Switzerland, Poland, UK, Ireland, Sweden, Denmark, Norway, Finland, Belgium, Netherlands, France.

<sup>7</sup> As measured by brand consideration in TUI brand performance tracking, completed by Metrixlab.

### TUI's strategy for growth

TUI's strategy focuses on delivering growth in both Holiday Experiences and Markets & Airlines, embedded onto one central customer ecosystem, underpinned by our Sustainability Agenda and by our people. The framework for implementation can be visualized with our "strategy diamond", based on five key elements – Holiday Experiences, Markets & Airlines, Central Customer Ecosystem, Sustainability and People.

#### Strategy Implementation – our strategy diamond



#### HOLIDAY EXPERIENCES: GROW DIFFERENTIATED CONTENT, GROW CUSTOMER BASE

Our Holiday Experiences business strategy focusses on asset-right growth in differentiated content and expanding the customer base with multi-channel distribution.

In Hotels & Resorts, content growth will be delivered both with our hotel brands in existing and new destinations, as well as introducing new brands to complement our portfolio. Growth in hotels will be based on an asset-right approach – through our joint ventures, the Global Hotel Fund, recently launched by TUI and partners, and expansion with management and franchise partners. Our hotel distribution strategy is focused on optimisation of rate and occupancy of hotels, based on sales via Markets & Airlines, as well as growing the volume and proportion of sales via direct and third-party channels.

Growth in Cruises will be driven by investment into new-build ships by our TUI Cruises JV, as well as a continuation of Marella's fleet upgrading strategy, by replacing older ships with newer and larger vessels, enabling it to increase product pricing. Our distribution strategy for Cruises covers all channels, with sales via Markets & Airlines complemented by sales via direct and third-party channels, in order to drive yield and occupancy. We will focus on enhancing our digital cruise marketing and distribution, particularly for Marella.

TUI Musement's strategy is to focus on growing customer demand, product offer, and digitalisation. Customer growth is targeted from all three segments – TUI customers (based on Markets & Airlines volume growth plus increased uptake of tours, activities and experiences), B2C customers (by promoting the Musement platform for direct bookings, and proving an entry point into TUI customer ecosystem) and B2B (by digitalizing our partner product portfolio). Product growth will be delivered both with new tours, activities and excursions, as well as other products such as mobility, multi-day tours, and destination passes. The inclusion of these products is enabled by the continued digitalisation of the business, which is also transforming the way TUI Musement delivers service directly to its customers, as well as its interactions with B2B customers.

#### MARKETS & AIRLINES: GROW PRODUCT OFFERING, GROW CUSTOMER BASE

Having accelerated the strategic transformation of our Markets & Airlines during the pandemic and expecting the full realisation of our Global Realignment Programme goals in 2023, our business strategy is now focused on recovery and growth. Taking into account the current macro environment, we will drive the recovery by leveraging our core capabilities as well as increasing the flexibility of accommodation and flight supply, with a corresponding reduction in the proportion of risk capacity. In addition, TUI Airline will continue to build resilience and improve quality, following the above normal levels of disruption experienced by the industry this year, as well as further enhance our multi-layered approach to seat supply (in-house fleet plus third party carriers) by building a central Capacity Demand Management function.

We will invest into growth by offering more product choice, growing our customer ecosystem into untapped segments, and increasing customer value. This includes increasing the volume and proportion of dynamically sourced packages, as well as significantly increasing our component offer in accommodation only and flight only. In addition, we will grow our multi-day tours business, which operates in an attractive but fragmented market, with the launch of a new digital platform; and we will expand our car rental offer for both TUI and open-market customers. Finally, we will maximise the value of each customer by enhancing our ancillaries merchandising and offer across the entire TUI ecosystem. All of these initiatives aim to enlarge TUI's customer ecosystem and grow volumes, based on dynamic sourcing, which will balance our risk capacity exposure.

**CENTRAL TUI CUSTOMER ECOSYSTEM: TAP GROUP SYNERGIES, MAXIMISE CUSTOMER VALUE**

As well as growing customer volumes, our marketing and distribution strategy focuses on maximizing customer value, utilizing synergies between both of our business divisions. As the basis for this, we will continue to strengthen and leverage the TUI brand in existing and untapped customer segments. We are streamlining the digital customer experience via the operation of a single customer account, implementing a common payment process, and deploying marketing and recommendations which cover all TUI products (including in-flight and hotel). We also focus on enhancing our app to enable customers to access all TUI products and services more easily, as well as targeting further growth in the proportion of digital sales made in-app. All of this will facilitate a full product suite offering and cross-selling, and increase the number of holiday and experience touchpoints we have with the customer.

**Sustainability agenda 'people, planet and progress'**

We want to set the standard for sustainability in the market and live up to our commitment. We believe that the sustainable transformation should not be viewed as a cost factor, but that sustainability pays off – for society, for the environment and for business. Our strategy is therefore underpinned by clear, evidence-based goals and targets on sustainability. Our new Sustainability Agenda consists of three building blocks – People, Planet and Progress.

[→ Details see page 79.](#)

**PEOPLE**

- 1. We will ensure that local people and communities benefit from tourism and the local supply chain.
- 2. We will empower a generation of sustainability changemakers. TUI Care Foundation will drive positive social and environmental impact in tourism communities around the world.

**PLANET**

- 1. In 2022, TUI joined the Science Based Targets initiative (SBTi), committing to implement emission reductions in line with the latest climate science.
- 2. We will achieve net-zero emissions across our operations and supply chain by 2050 at the latest. We will change the way we use natural resources and become a circular business.

**PROGRESS**

- 1. Together with our partners we will co-create the next generation sustainable business model for the tourism industry, through the Destination Co-Lab Rhodes.
- 2. We will enable our customers to make sustainable holiday choices in every stage of the customer journey.

We already operate one of Europe's most carbon-efficient airlines and we aim to continuously improve our environmental performance. We will build on the progress we have already made and reduce emissions further through our commitment to science-based targets and our emission reduction roadmap. In 2022, relative carbon emissions across our airlines decreased by 18.5%. This improvement was largely a result of significantly improved load factors compared to 2021, as well as TUI's on-going re-fleeting with older aircraft being replaced by new, more carbon-efficient aircraft. In 2022, we operated with 19 Boeing 787 aircraft and the Boeing 737 Max fleet grew from 25 to 35 aircraft during the financial year.

## People strategy – digital, engaging, inclusive

With their competence and commitment, our employees make a key contribution to TUI Group's success. The challenging interplay between our transformation to a digital platform company, the impact of the COVID-19 pandemic and a volatile labour market have substantially altered expectations about the way we work and how we interact with present and future employees.

Against this overall backdrop, we have developed a new People Strategy with Sybille Reiss, Chief People Officer and Labour Director. The strategy adopts a holistic approach towards both our HR function as such and our employees. It puts people first. Our vision is to be "*Digital, Engaging and Inclusive*".

Our People Strategy focuses on strengthening our business and enhancing the experience of existing and future employees. In order to implement our strategy, we have adopted a mission defining our relevant areas of action:

- Simplification, harmonisation and focus
- Digital transformation
- Supporting growth
- Positive employee experience
- Diversity, equity and inclusion
- Facilitating top performance

We are thus seeking to create a framework that empowers our employees to deliver their best performance and succeed as a team.

[→ Further information is provided on pages 87 to 95.](#)

## TUI is set for recovery and growth

TUI has emerged from the pandemic as a more digital, more lean and stronger company, which we believe positions us well to capture further market growth potential. TUI will continue to grow its differentiated Holiday Experience and Markets & Airlines product offerings, grow the volume and value of its customer ecosystem, increase flexibility for our customers and operations, and maximise synergies within the business.