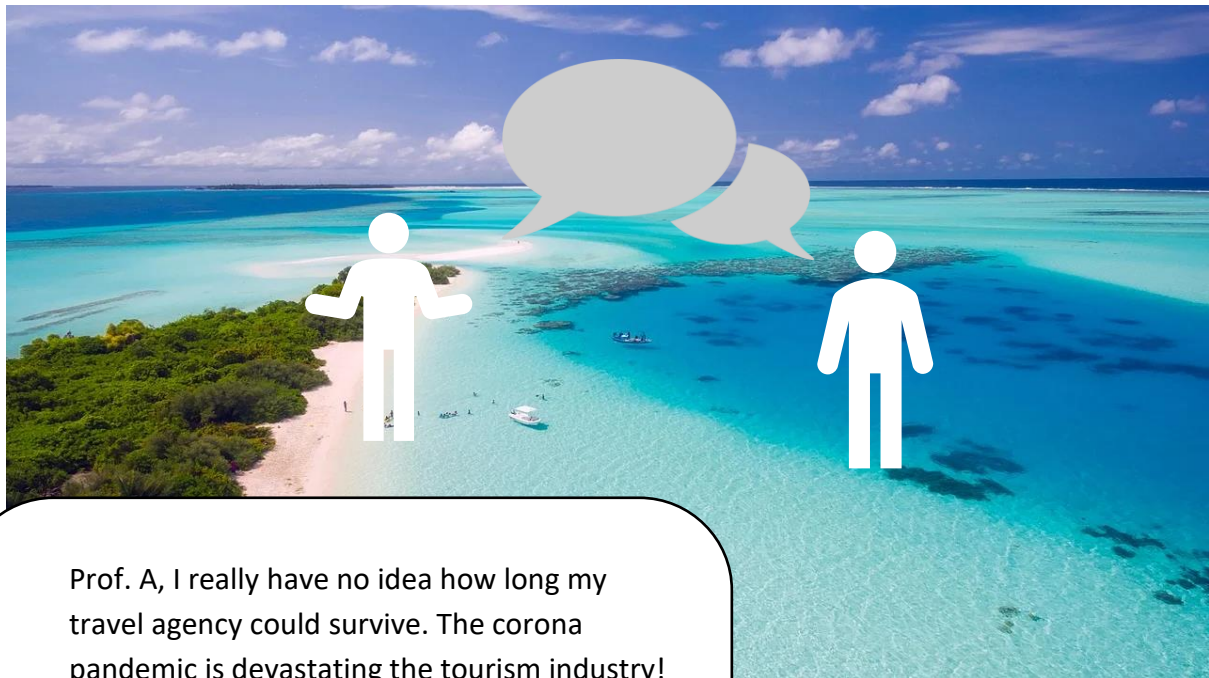


Case Study GoTravel

Business Background



Prof. A, I really have no idea how long my travel agency could survive. The corona pandemic is devastating the tourism industry! Travel was completely banned and is still not encouraged. The sales of my company declined 90% from April. Besides that, there is no in-house crisis management expertise. I am deeply worried about my business but not sure what to do. I heard you are specializing in crisis management, could you help me with that?

Thomas, I understand how disruptive the corona pandemic is impacting your business, in fact to the whole tourism industry! You shall take initiatives decisively and carefully. I and my brilliant students will try our best to help you.

GoTravel is a Berlin-based travel agency. It focuses on running its online travel sites for travelers to buy products and services like flight tickets, car hire, hotel rooms and vacation packages etc. from the agency. It has a good reputation for offering great value vacation packages at an affordable price, mainly because the agency has expertise on traveling advice and maintains a very strong relationship with a range of hotels and resorts. Its customers are mainly from Germany and it also has 2 physical stores in Berlin for costumers to book trips.

Thomas Müller is the owner of GoTravel. After serving in the traditional travel industry as a professional travel agency manager for 20 years, he established his own network and a good reputation in the industry. 3 years ago, he built his own travel company GoTravel, made the

online traditional travel agency alive. During the past 3 years, the business is running decent and the profit has an overall upward trend.

Products and Services

Not like many big online booking platforms, where travelers booking themselves independently after doing intensive research with overloaded information. GoTravel as a modern travel agency provides clients professional advice from professionals and helps clients plan trips, leaving them with ease and saves their time.

The travel agency sells a limited range of travel-related products and services **online and offline**. Its main clients are Germany based. It has 2 physical stores In Berlin, one property belongs to the owner Thomas, the other one is being rented annually. The physical stores are also the office for the employees.

GoTravel’s online websites display its products and services. There is an algorithm behind all the products and services to recommend customers based on click history. It doesn’t offer an account function for online visitors. At the same time, bookings are processed by sending by emails, questions are answered by filling the request, emails or phones. Furthermore, GoTravel runs its online marketing on google ads and it doesn’t own social media accounts.

By selling products and services, GoTravel earns commissions from suppliers and charges service fees from customers. The products and services offered are listed as following.

Vacation packages



GoTravel is good at offering great value vacation packages at an affordable price. Currently, it offers 17 packages across 10 European countries. These packages were very carefully created by the professionals of the agency. Customers can select their accessible products based on pleasing features. If there is a wish to edit the content of the package, customers could wither call the agency directly or reach the professionals by filling a request, the professionals will call them back within 12 hours from Monday to Saturday.

Per package sold can bring GoTravel commissions around 15-20% of the total price.

Flight tickets



Customers can also book flights through GoTravel. Gotravel works with a tech company so that customers can have full access to all available flight tickets with a comparable price to other booking platforms.

With a rising amount of booking agencies, airlines are paying much fewer commissions, GoTravel earns 1% commission per sale.

Car rental



GoTravel works with a car rental company called Europcar because its rental price for customers is comparably lower to other car rental companies, however, there are feedback reviews from few customers mentioned the unpleasant experience with Europcar.

Earned commission: 5% per rental

Hotel rooms



Earned commission: 10-15% per sale

Transport services



Only if customers book hotels or their package covers hotel, transport services are offered from the hotel for free.

Insurance



GoTravel works with an insurance company and provides flight delay insurance, baggage & personal belongings insurance, foreign health insurance.

Earned commission: 3% per sale

Cancellation policy

The closer to the departure date of the cancellation date is, the higher of the cancellation fee.



Cancellation up to 30 days before the start of the holiday	20 percent of total travel expenses
Cancellation up to 22 days before the start of the holiday	30 percent of total travel expenses
Cancellation up to 15 days before the start of the holiday	35 percent of total travel expenses
Cancellation up to 7 days before the start of the holiday	45 percent of total travel expenses
Later cancellation	55 to 90 percent of total travel expenses
For the corona crisis, new policy is	5% less of all above

Product Circle

In normal times people book 20 days ahead on average.

Employee

The agency relies on the 4 professionals inhouse, who have been with the company since the very beginning and have gained the full trust of Thomas. Each of the physical store is placed with 2 professionals. When there is no customer visiting the physical agency, both of them are working for the online advising and booking services. They work 6 days a week from 10 am to 8 pm. Because of 12 hours online reply policy, Thomas has to deal with the online requests and questions flexibly when there are only 2 hours left and the professionals are not in their working hours.

Besides that, there are an IT person inhouse to maintain the website, and a marketing specialist to optimize the website and design advertising. They only work during the week.

Key Partners

Airlines, hotels, resorts, rental car company, tour operators, insurance providers, corporate travel managers, technology partner

Financial

During the past 3 years, the financial reports of GoTravel have shown a stable income. Sales and profits are presented in the following figures.

FIGURE 1
GOTRAVEL COST BREAKDOWN
2017 – 2019 IN €

Cost/ Year	
4 Travel Professionals	158.400 €
IT Employee	30.000 €
Marketing Employee	25.200 €
Sum Employees	213.600 €
Tech Company	24.000 €
Office Thomas	- €
Rent Office A	18.000 €
Advertising	2.500 €
Admin	3.600 €
Others	2.000 €
Sum Cost	263.700 €

FIGURE 2&3
GOTRAVEL SALES PER LOCATION BREAKDOWN
2017 – 2019 IN €

Sales per Location	
Office Thomas	370.000 €
Office A	500.000 €
Online	2.000.000 €
Sum sales	2.870.000 €
Gross Profit	315.700 €
Net Profit	52.000 €
Accumulated Reserved Cash 2019	45.000 €

Gross Profit takes around 11% of the total sales,
Net Profit take around 1% of the total sales.

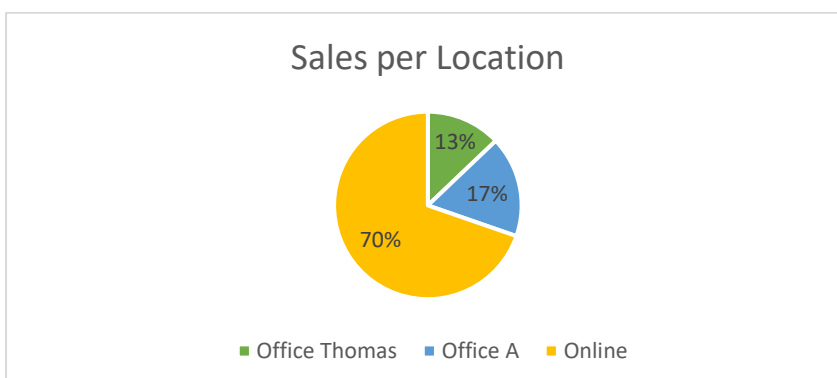
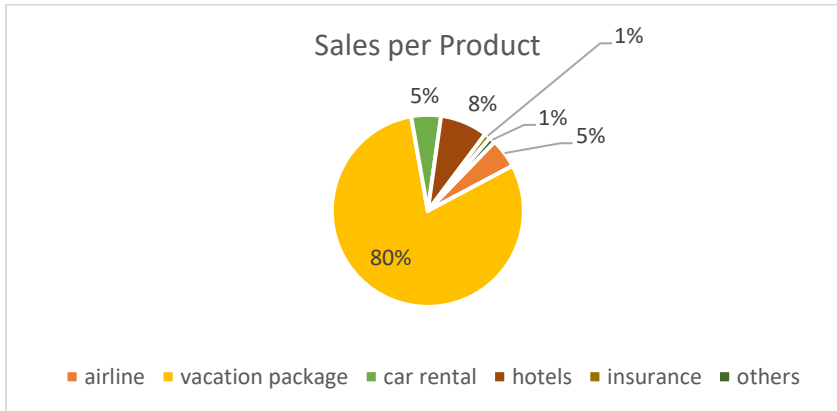


FIGURE 4
 GOTRAVEL SALES PER PRODUCT BREAKDOWN
 2017 – 2019 IN €

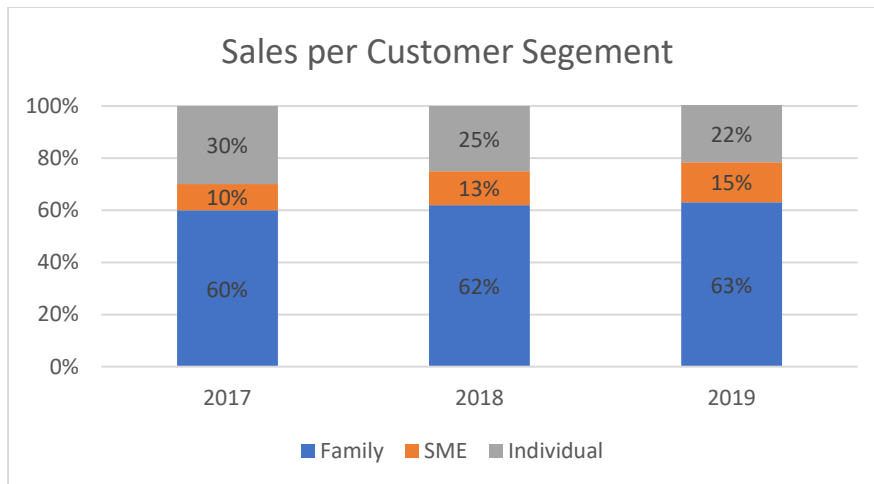


Customers

GoTravel categories its customer into Companies(Business), Individual and Family.

GoTravel gained some loyal customers over the years, they are mainly some German small medium companies and families. They take more than half of the sales and are easy to retain for years. They like the offers of agency because they cannot find them anywhere else and the price is very affordable. Over years they think GoTravel can be a company to trust and don't mind trying more products and services with a premium price. On the contrary of companies and families, individual customers seem easily to turn to other big travel agencies.

FIGURE 4
 GOTRAVEL SALES PER CUSTOMER SEGMENT
 2017 – 2019 IN €



Corona Pandemic Crisis

Before April the business was running stably. However, the negative effect of the corona pandemic started to show up from April. It was a heavy blow to GoTravel, as it caused a major decline of 90% sales from April. Thomas estimated the same situation will at least last to August. However, if the travel banning is getting looser, the canceled bookings would be stopped, and the bookings might rise 30% from the fourth quarter of the year.

The employees are working from home. They are badly battered with customer service, as people with existing travel plans needed to either cancel or reschedule. They told Thomas there are many repeated asked questions related to travel restrictions both in Germany and within the EU. Besides that, customers are concerned about safety, and they switched a lot from flight to automobile.

For the rent of office A, the landlord agreed to reduce the rent of 30% for six months starting from July.

GoTravel applied for the first aid grants from the federal government and got 9000 Euro as direct grants in June. The company is now (in June) considering taking a loan from banks and the manager of the bank explained the policy to take a loan.

- 25% of the annual turnover in 2019 or
- double the wage costs in 2019

If the company meets the criterion, then the loan will be launched in 1 month, and it has to be paid back with 3% with a term of five years. (indicate the company is financially safe till the first quarter of next year)

At the same time, few tech travel startups who are financed generously by their investors are showing big interest in GoTravel.

Competition

The movement of GoTravel's competitors coping the pandemic

TUI

Closing physical stores, dismissing employees globally, reducing capital intense, driving digitalization

DER Touristik

Adjusting canceling policy, offering vouchers, offering exclusive offers, cutting costs, bought half stake of a German holiday company

Thomas Cook

Dismissing employees, partly being acquired by the Swiss property partner, launching a helpline

Alltours

Adjusting canceling policy, offering vouchers

FTI

Taking over quarantine costs in Turkey, promoting certain destinations

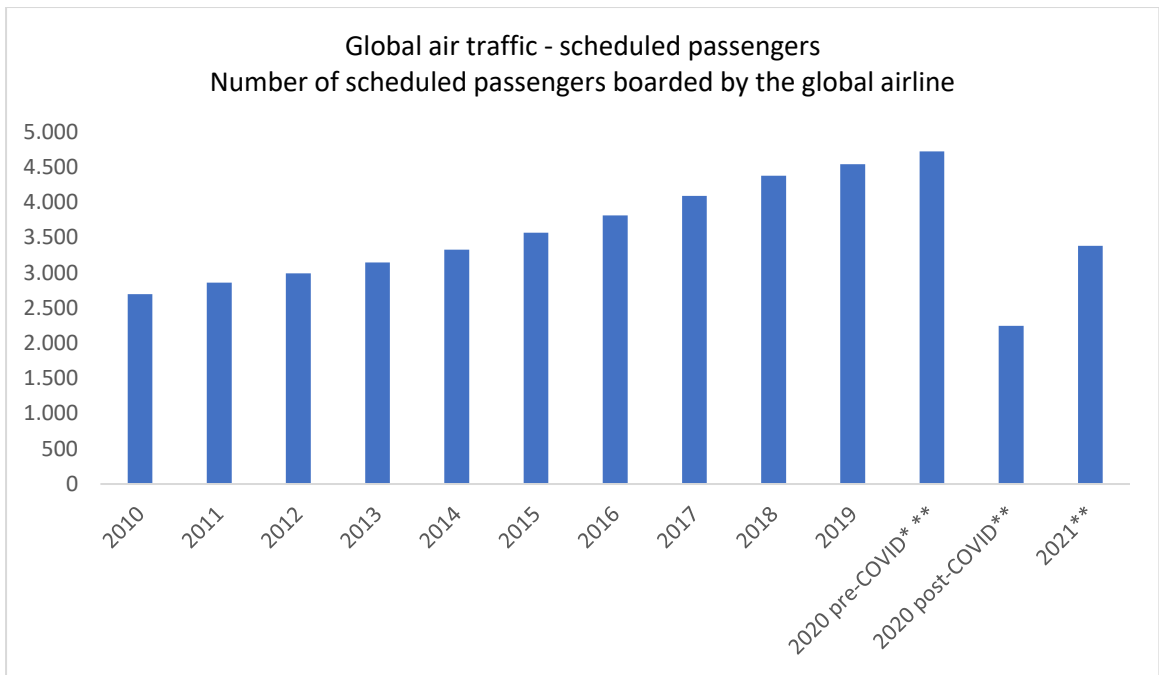
News of Corona Pandemic

The borders opened from 21st June between Germany and other EU countries, and travel restrictions are lifted. Some countries still have quarantine regulations or entry bans. Masks are still mandatory when taking public transportation.

Prediction:

Travel by automobile, passenger rail, and shorter flights will see the first indication of renewed demand. People with decent incomes might have the most buying power.

FIGURE 5
NUMBER OF SCHEDULED PASSENGERS BOARDED GLOBAL AIRLINE
2010 – 2021 IN MILLIONS €



Source: IATA; ICAO, 2020. IATA Fact Sheet: Industry Statistics, page 1. IATA, p.1.

Questions:

Part 1: Liquidity Crisis

Please conduct a Monthly Cash Flow Forecasting of 2020 by the information collected from the case and answer the following questions.

1. Is GoTravel facing a liquidity crisis this year, when will the business run out cash? Should Thomas self-financing the firm by mortgaging his office? Should the company take a loan, if yes then which kind? When will the business run out cash based on the new scenario?
2. What if travels are going to be restricted at all times which means there wouldn't have a 30% rebound of the bookings, for how long can the refinanced cash support the business?

Part 2: Strategic Crisis and Operation Crisis

3. Please conduct a SWOT Analysis for GoTravel.
4. What are GoTravel's biggest risks? Its competitors are offering lower price travel packages, should GoTravel also follow the trend?

Let's formulate a crisis strategy for GoTravel in a time structure



5. What timely initiatives would you suggest GoTravel to do?
 - Which parts of the costs could be cut or replaced and why?
 - How to complete the operations and improve efficiency? Are there any untapped needs

under the pandemic? Come up with related KPIs to measure and monitor the initiatives.

6. How to increase the value of GoTravel? How to grow and innovate in a long-term perspective? Anything they could do to minimize the competition? How should the plan be developed over time?

The Alternative Scenario

7. You already conducted a cash forecast based on the scenario that travels are going to be restricted at all times from questions 2. If this would be the case, how could you address the strategic plan for GoTravel and how would the plan be developed?

Advisory Box



- Customers Analysis
- Value Proposition
- Value Processes
- Strategic Risk Map
- Future trends, new market potential Analysis
- Profit Potentials
- Competition