

# Management Case Study Examination

## May - August 2023

### Pre-seen material



#### **Context Statement**

*We are aware that there has been, and remains, a significant amount of change globally. To assist with clarity and fairness, we do not expect students to factor these changes in when responding to, or preparing for, case studies. This pre-seen, and its associated exams (while aiming to reflect real life), are set in a context where current and on-going global issues have not had an impact.*

*Remember, marks in the exam will be awarded for valid arguments that are relevant to the question asked. Answers that make relevant references to current affairs will, of course, be marked on their merits.*

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## Introduction

Happywell Holidays (“Happywell”) is a quoted travel company that sells package holidays. The company operates its own flights and hotels and sells related third-party products such as insurance and car hire on behalf of third parties.




Happywell’s administrative base is in Westland. The company sells foreign holidays to Westlandian customers, who fly from their local airports to the destinations served by Happywell.

Westland’s currency is the W\$. Westlandian company law requires companies to prepare their financial statements in accordance with International Financial Reporting Standards (IFRS).

You are a Financial Manager at Happywell’s Head Office. Your primary responsibilities are associated with management accounting, and you report to Irina Juhas, the Senior Financial Manager, who reports directly to the Finance Director.

## The package holiday industry

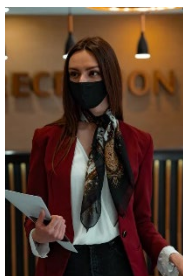
Package holidays usually comprise three core elements that are booked in a single bundle at a total price. Customers booking package holidays do not know the individual cost of each of the three elements of their holidays:

<p><b>Flights</b></p> 	<p>Customers choose the dates for their departure and return. They can choose from a range of destinations served by local airports that have flights matching those dates.</p>
<p><b>Accommodation</b></p> 	<p>Customers choose a hotel or other accommodation such as a villa at their chosen destination. Arrival and departure dates match the dates of chosen flights.</p>
<p><b>Transfers</b></p> 	<p>Customers are met on arrival at their destination airport. A coach or taxi takes them and their luggage to their hotel. They are collected and returned to the airport for their flight home at the end of their holidays.</p>

Package holidays can be booked online or in person by seeking advice from the staff at a local travel agency.

It is possible to book a holiday by buying the separate elements of travel and accommodation separately, but package holidays are usually more convenient. Customers can choose from packages that suit their dates and preferred destinations, knowing that accommodation is available to match the dates of their flights.

Package holidays can be cheaper than the total cost of making separate bookings. Tour operators may own and operate their own aircraft and hotels, or they may make block bookings on flights and hotel rooms from third-party airlines and hotel chains. The associated cost savings can be used to discount the selling price of their package holidays.



Package holiday tour operators offer advice and assistance that may not be available from holidays that have been booked independently. Most tour operators have representatives (or “reps”) based in the holiday resorts that they serve. Reps can provide customers with support and advice throughout their holidays. This can include dealing with any concerns or complaints that might otherwise spoil a holiday, recommending local attractions and assisting in the event of problems such as illness or lost passports.

Package holidays also offer financial safeguards that are not available on other types of booking. Westlandian law requires package holiday operators to be registered with the Westlandian Travel Operator’s Licence scheme (“WTOL”). Tour operators must make a payment in respect of each package holiday that they sell into a fund that is administered by WTOL. The fund is used to refund customers if their tour operator goes out of business before they travel. The fund is also used by WTOL to organise flights to repatriate customers who are stranded overseas if their tour operator goes out of business during their holidays.

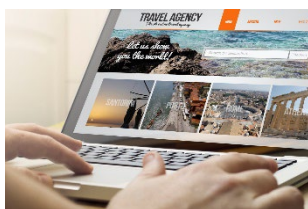
### Tour operators v travel agents

Tour operators are entities that combine the separate elements of a holiday into a package that can be sold directly to a customer or can be sold through a travel agent. Tour operators may provide the elements directly through ownership and operation of, for example, hotels and/or aircraft, or they may purchase those elements from third parties.



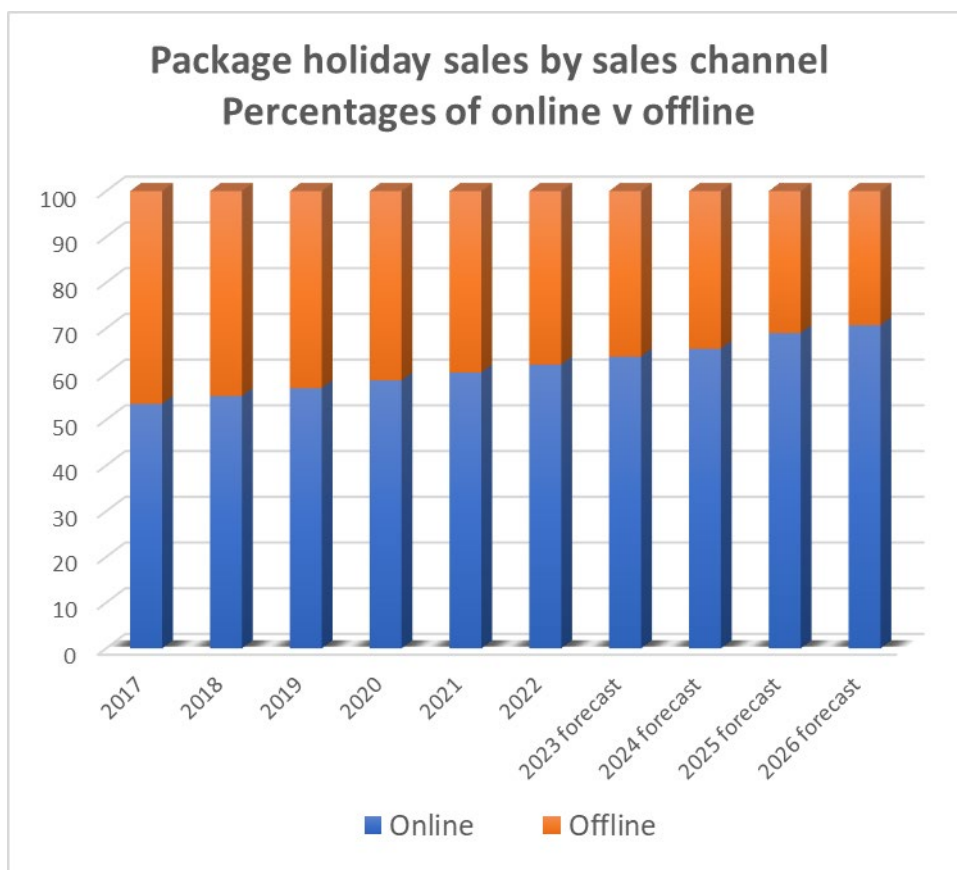
Travel agents are organisations that sell holidays and other travel products such as airline tickets and hotel bookings to customers. Traditionally, travel agencies were retail shops where customers could seek advice from agency staff. Such agencies still exist, but many travel agencies offer online services that enable customers to select and book holidays through travel agency websites.

Some tour operators sell exclusively to customers, either online or through a combination of online and physical shops. Other tour operators permit travel agents to sell their holiday packages in return for a commission.

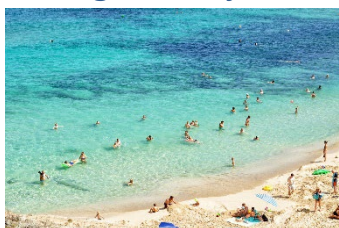


Many tour operators and travel agencies prefer customers to book online because it is cheaper to process online bookings than to operate shops. Online sales are generally based on interactive websites that enable customers to input variables such as their preferred local airports for departure, their preferred type of resort and their price range. Offline sales rely on interaction with a trained travel adviser to guide the customer through the same issues, with

the adviser offering recommendations based on the customer’s preferences. This requires the provision of retail premises and staff salaries.



### Package holiday destinations



The most popular type of package holiday sold in Westland is the so-called “sun, sea and sand” (or “3S”) package. Westland has a temperate climate that is cold for much of the year and has mild summers. Many customers for package holidays wish to travel to destinations that offer hot weather and sunny skies. Most customers for 3S holidays are looking for an opportunity to relax on the beach during the day and to enjoy restaurants and other activities at their hotels or in their resorts in the evening.

3S holidays vary significantly depending on the destination and choice of accommodation. For example, customers booking family holidays generally choose holiday resorts and accommodation that are child friendly. They seek places where children can swim safely and that offer activities and attractions to amuse them. Proximity to theme parks is also a consideration.

Adults travelling without children often book “child-free” holidays in quieter locations where they can relax. Some hotels set a minimum age of, for example, 18 years for guests, so that they can guarantee an adult only environment.

Several other factors can affect the choice of 3S holidays:

- Prevailing weather – customers have different preferences for heat and sunshine. Some customers prefer to avoid extreme heat. Others are keen to enjoy sunshine during Westland’s winter months.
- Cost – local economies can affect the costs of accommodation and transfers. Some locations charge more for a higher quality holiday experience. Distance can affect the cost of flights. Customers generally have budgets for the cost of their holiday.

- Attractions – resorts vary in terms of the things that are available to do and see. Some customers may be keen to enjoy sports and adventure activities, while others may be keen to visit historical sites.
- Travel time – some customers dislike long flights, while others may be willing to travel further to reach their preferred destination.
- Culture – some customers prefer resorts that offer food and entertainment that are similar to those at home, while others prefer to experience local traditions.

3S holidays are often referred to as “mass market” by tour operators and travel agents because they are favoured by the majority of customers. Most large tour operators and travel agents offer a wide range of 3S destinations in order to meet the needs of as many customers as possible.

Some holiday destinations are open for business throughout the year. Others have designated “holiday seasons” that coincide with periods where there is sufficient demand for hotels, restaurants and other attractions to operate. It is generally possible to take a package holiday at any time of year, although it may be necessary to travel further for, sunny weather during Westland’s winter than during its summer months.

Some tour companies and travel agents offer alternatives to 3S holidays:

Specialist or niche holidays	<p>Niche holidays offer an alternative to the 3S model. They consist of packages that are usually aimed at niche markets that may be smaller than those for 3S holidays but are still large enough to be profitable. Customers might, for example, wish to ski and would be seeking a package that was based at a ski resort and could manage the transportation of skis and other equipment.</p> <p>Some tour operators specialise in specific niches and offer flights and accommodation, along with arranging the activities themselves. For example, a golfing holiday could include arrangements to transport customers’ golf clubs and also to make reservations for them to play at local golf courses near their hotels.</p> <p>Niche holidays are often offered by small but specialist tour operators.</p>
Tailored	<p>Some tour operators provide tailored holidays that allow customers to specify exactly what they wish in terms of destination and activities. For example, a customer might wish to travel to a remote location in luxury.</p> <p>Tailored holidays are generally much more expensive than mass market holidays. These holidays are usually offered by smaller tour operators who specialise in this market.</p> <p>Customers for tailored package holidays are not necessarily trying to save money. They are more likely to be paying for the convenience of having a holiday package designed to suit their specific needs.</p>



## Transportation

Most tour operators use charter airlines to provide flights. A charter airline essentially charters or leases a flight to another entity. Most charter airlines specialise in providing flights for tour operators. A charter airline would sell the entire flight to a tour operator, leaving the tour operator to sell the seats. Charter airlines differ from scheduled airlines, who operate their own flights according to a timetable and sell seats to passengers.



In addition to the aircraft itself, a charter airline will provide a tour operator with the crew and all the administrative and other support needed to complete the flight, such as filing flight plans and making the necessary arrangements with the airports. The tour operator's only responsibility is to sell seats on the flight to its customers.

Charter airlines can operate as independent businesses that do nothing but provide flights, but some tour operators have their own charter airlines that provide an in-house airline.

Charter airlines are cheaper than the scheduled airlines, partly because they do not offer as many services:

- Charter airlines do not usually include meals and drinks in the cost of their flights. Passengers can, if they wish, either prepay for in-flight meals when booking their holidays or they can buy drinks and snacks during their flight.
- Charter airlines do not usually offer different classes of service, unlike scheduled airlines that may offer the ability to book business class and first-class seats on longer flights. Most charter airlines offer a single class of service, although they may have a limited number of seats that have additional leg room that can be booked at an additional charge.
- Charter airlines typically grant passengers smaller baggage allowances than scheduled airlines and charge extra for baggage that exceeds the limit.
- Charter airlines often operate from smaller airports that may be less convenient than the airports used by scheduled airlines.
- Charter airlines usually offer direct flights between the departure airport and the holiday destination. Scheduled airlines often require their passengers to make a stop to change aircraft when travelling to less popular destinations. In principle, a charter airline can arrange a direct flight between any two airports that are within the range of its aircraft.

Package holiday customers will be informed about their flights when they make their bookings. They may also be offered the opportunity to buy "extras" such as:

- Extra legroom seats
- In-flight meals
- Extra luggage allowance
- Preselected seats, guaranteeing that the entire party can sit together and ensuring that preferences for window or aisle seats are satisfied

Most package holidays rely on charter airlines for flights, except for tailored holiday providers who normally use scheduled airlines because their customers are often keen to visit an exclusive destination. Scheduled airlines also offer business class and first-class seats on many flights, which are generally not available on charter flights. Customers for tailored holidays are usually willing to pay extra for greater comfort.



Transportation also includes transfers from the destination airport to the hotel. Most tour operators book 40-seat coaches to meet incoming flights. Coaches collect busloads of passengers, and the coach drivers are given a list of the hotels to which they must be taken. Passengers are then dropped at their hotels, and their luggage is retrieved from the coach's hold. Tour operators may have several flights per day arriving at popular resorts and so may require several coaches, each of which makes a number of journeys each day.

Coach transfers can require customers to endure a long journey if they are unlucky enough to be staying in one of the last hotels on the driver's list. Tour operators often offer customers the opportunity to upgrade, for an extra charge, to "private transfers". Customers who take that option are met at their destination airport by a taxi or a minibus and taken directly to their hotel.

### Accommodation

Most tour operators develop long-term relationships with hotels in the various destinations that they serve. Typically, they will rent most, if not all, of each hotel's rooms for the whole of the holiday season. In return, the hotel will permit the tour operator to incorporate its name and logo into exterior signage and will provide space where the tour operator's reps can interact with customers.

Some tour operators own hotels. That clearly gives them greater control over quality.

The cost of hotel accommodation varies in line with local economic factors. Some countries have higher labour costs and so they are more expensive destinations than alternatives with lower costs. Supply and demand can also affect pricing. If a particular resort is very popular, then its hotels will be able to charge more.

Individual hotels vary in terms of the level of comfort that they offer. More luxurious hotels with larger rooms and nicer public areas can charge more than basic hotels. Pricing can also be affected by location. Customers will pay more to be located close to the sea or to shops and restaurants.

When customers are booking, they will have a choice of rooms within any given hotel. It will cost more to book a room that features a balcony or a sea view.

Customers must also choose the meals that they wish to have included in their bookings. The choices typically on offer are:

- Breakfast only
- Half board (breakfast and dinner)
- Full board (breakfast, lunch and dinner)
- Fully inclusive (all meals, plus unlimited drinks and snacks)

Some hotels offer additional features such as swimming pools, beauty spas, organised children's activities and evening entertainments. These may involve an additional charge that can either be prepaid at the time of booking or paid for at the hotel. Alternatively, they may be offered as an element of the overall holiday package and not charged separately.



## Travel insurance

It is advisable to buy travel insurance before travelling abroad. Travel insurance provides cover against unexpected costs incurred while on holiday. For example, if a policyholder is injured or becomes unwell, then the insurer will offer advice and will pay for any medical care that is required.

Travel insurance can also refund the cost of a holiday if the policyholder is prevented from travelling because of illness. Uninsured customers usually forfeit the cost of their holidays if they are forced to cancel.

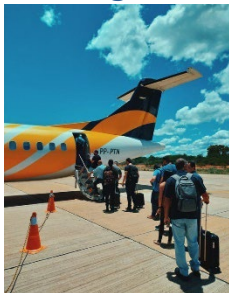
Travel insurance can provide limited cover in the event of the failure of the tour operator, which complements the safeguards provided by WTOL. For example, a customer who is stranded overseas by the failure of their tour operator can reclaim any costs for food and accommodation incurred while waiting for a repatriation flight, from the travel insurance company.

The cost of travel insurance is affected by the risks that are insured. A customer who is more likely to claim because of age or previous health issues will pay more than a younger and healthier customer.

Travel insurance can often be purchased from the travel agent or tour operator as part of a package holiday. The insurance cover is provided by an insurance company, and the travel agent or tour operator acts as an intermediary in arranging the cover in return for a commission.

Customers can buy their insurance directly from an insurance company. Some customers buy annual travel insurance policies that cover them for all trips taken during the year. Some banks provide their customers with travel insurance as a service that is paid for as part of the fee linked to their bank accounts.

## Booking



The duration of most package holidays is set as a multiple of seven nights, with most customers booking for 14 nights (or two weeks). This makes it easier for tour operators to fill every flight that it charters by having each plane operate on a weekly schedule.

For example, Happywell has an aircraft based at Westland's Newtown Airport. Every Monday morning, that aircraft flies a load of passengers from Newtown to Suntown Airport in Sunland. It offloads those passengers and their luggage and returns with the passengers who have just spent either one or two weeks holidaying in Suntown. The same aircraft makes a similar return journey to a different resort every Monday afternoon and operates two return flights each day to different locations for the rest of the week.

Customers usually have to pay a deposit at the time of booking their holidays to secure those bookings. The tour operator might cancel the booking and sell the holiday to another customer if the deposit is not paid. The balance of the cost of the holiday must be paid several weeks before the date of travel. Tour operators do not permit customers to travel unless their holiday has been paid in full.

## Dynamic packages

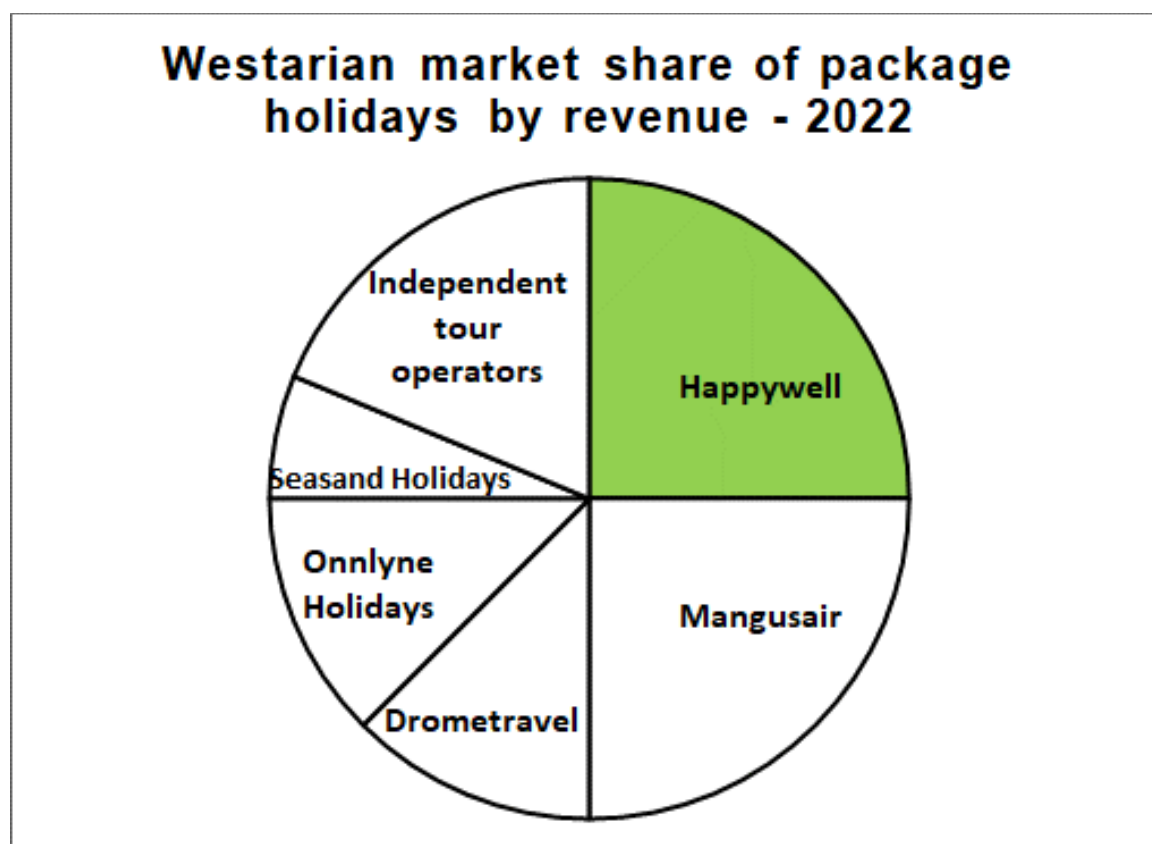
Dynamic packages are created when customers buy their holiday flights and accommodation as separate elements but from a single supplier. The fact that they are not sold as a single package means that they are not package holidays. For example, the websites of many scheduled airlines offer customers the ability to book hotels and other services such as car hire when they are purchasing flights.

Dynamic packages may offer greater flexibility than package holidays because they may offer a greater choice of destinations and flight times. A customer could wish to spend, for example, three days in a foreign city to sightsee and participate in cultural events.

Dynamic packages are popular, but there is a risk that customers may believe that they have purchased a package holiday even though they have not done so. If the purchase does not fall within the legal definition of a package holiday, then customers will not be protected by WTOL and so their payment could be at risk if their airline or hotel goes out of business.

### Major Westlandian tour operators

Westland's package holiday industry is dominated by two major tour operators: Happywell and Mangusair.



Happywell and Mangusair are the largest companies in terms of revenue share in this market. Both companies own and operate a large fleet of aircraft. Happywell also owns a large number of hotels in a variety of destinations, while Mangusair rents accommodation from hotels.

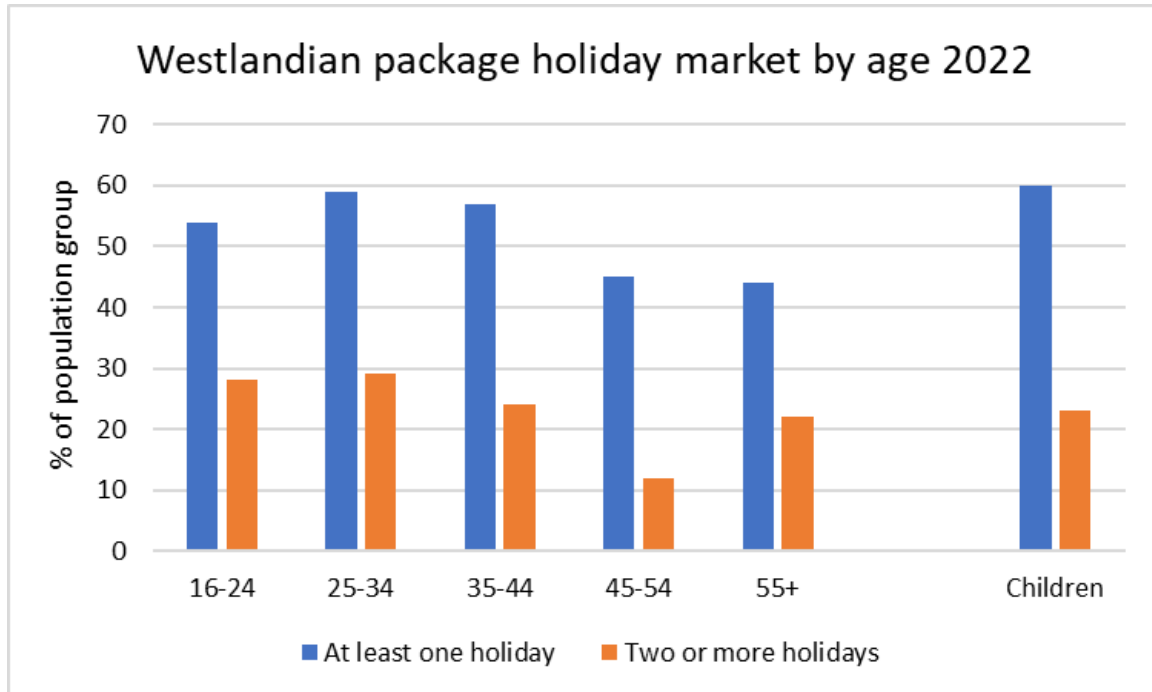
Seasand Holidays, Onnlyne Holidays and Drometravel use charter flights and rented accommodation to create package holidays.

All five of the above companies concentrate on the 3S mass market holiday market.

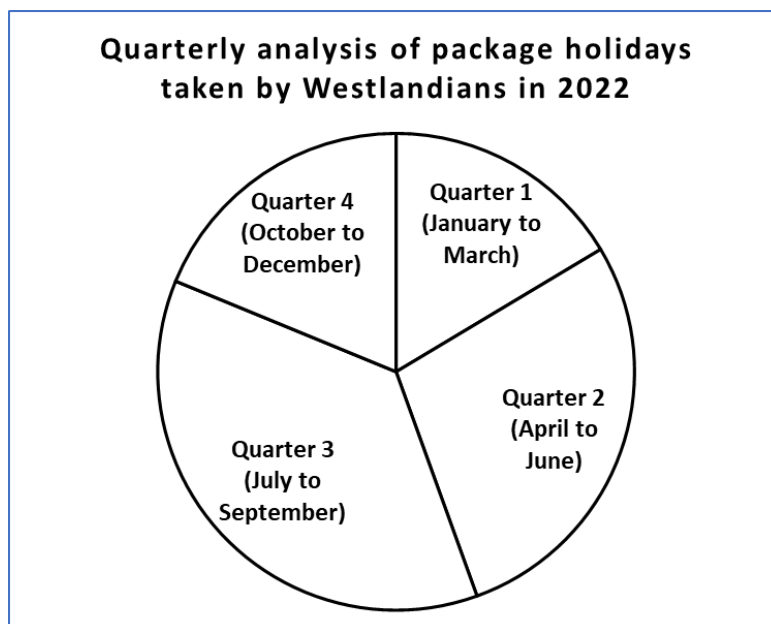
Independent tour operators tend to specialise in local departures. For example, Neast Travel is a relatively small tour operator that sells 3S package holidays to customers based in the north east of Westland. Its charter flights depart from three airports located in that part of the country.

Some independent tour operators provide specialised packages, while others focus on tailored holidays.

Demand for package holidays is strong. Most adults between the ages of 16 and 35 took a package holiday in 2022, and a significant minority of older adults also took a package holiday. Many took two or more holidays. 60% of children travelled on package holidays.



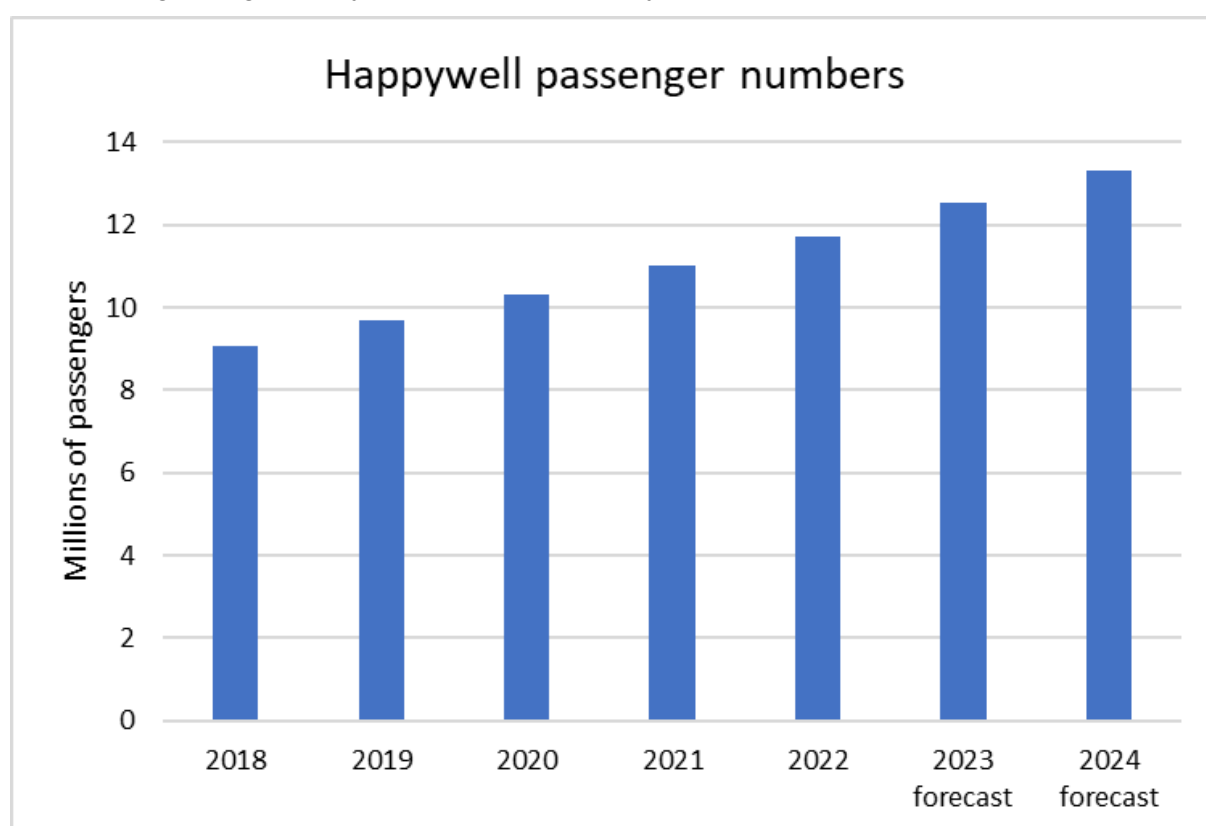
Demand for package holidays is seasonal, although there is always a significant demand even during quieter periods of the year:



## Happywell

Happywell was founded in the early 1970s, when foreign package holidays started to become popular in Westland. Previously, most families were unable to afford foreign holidays and had their holidays in seaside tourist resorts in Westland. Happywell's founders started by chartering two aircraft and booking blocks of rooms in a popular foreign holiday resort. The company sold package holidays comprising flights from Central City Metropolitan Airport, transfers from the resort airport and half board hotel accommodation.

The boom in foreign package holidays was fuelled by the deregulation of air travel in Westland, and Happywell was not the only operator to enter this market. Many tour operators failed because of high operating costs. Happywell succeeded by concentrating on the quality of its holiday packages and of its customer support. The company continues to provide customers with a good quality experience. Its holidays are regarded as offering value for money, even though they are not necessarily the cheapest. Passenger numbers have been growing steadily despite the availability of cheaper tour operators:



Happywell now flies from 32 airports in Westland to 83 destinations in 28 countries. All of Happywell's holiday destinations are located within a five-hour flight time from their departure airport.

## Booking

Happywell is the only major tour operator to provide customers with the option of booking their holidays through a retail shop. Happywell has 311 shops in Westland, covering most towns and cities. Each shop is staffed by travel advisers who have been trained to advise customers and to manage the booking process. Travel advisers also receive generous staff discounts, so they can also offer advice based on their own experiences of travelling on Happywell packages. The shops sell only Happywell packages.

The shops take 35% of Happywell's bookings. The remaining 65% are made through the company's website, which has been designed to be attractive and easy to use. Customers can browse through all the packages that are available or they can simplify their search by inputting as many variables as they wish from the following:

- departure airport
- departure date (either a specific date or a range of dates)
- duration of holiday (usually 7 or 14 nights)
- type of hotel (e.g., adult only or family friendly)
- type of resort (e.g., quiet and peaceful or with a bustling nightlife)
- maximum price
- location (a country, resort or even a specific hotel)

The booking process uses statistical models to price each holiday individually, taking account of demand and availability to maximise revenue. Families with school-age children may be unable to travel outside of school holidays, and so it may be cheaper to book holidays during school terms when demand is lower. Prices increase at hotels when they get close to capacity on certain dates and decrease when there is spare capacity. Pricing can also be affected by the timing of the booking. It is sometimes possible to make savings by booking late, close to the date of departure, because tour operators might otherwise be left with unsold capacity. Booking late can, however, also create the risk that there is limited availability, and so it may be necessary to pay more to book a package that might not even be the customer's preferred choice.

Demand is seasonal. At the height of the summer season, Happywell's flights and hotels are often full. There is less demand during the winter months, although most of the resorts served by the company have pleasant weather even during the winter months, and so there is demand for winter breaks. It remains cost-effective to offer holidays throughout the year, even though flights and hotels will not be at full capacity during the winter season.

Customers are required to pay a 10% deposit at the time of booking and to make a final payment at least 2 weeks before the departure date. Customers wishing to travel within 2 weeks of booking must pay in full immediately.

Happywell's booking procedures and IT systems are designed to maximise the revenue from each booking. Shop staff and the company website are designed to upsell by offering a number of paid extras to the booking:

- Flight upgrades such as extra legroom or additional luggage
- Better hotel rooms, with features such as balconies or a sea view
- Better dining options, such as half board instead of breakfast only
- Taxi transfers from the airport instead of coach transfers

The procedures also allow for cross-selling by offering additional products. Some of those are provided by Happywell itself, but most are offered by third parties who pay Happywell a commission, for example:

- Travel insurance
- Car hire
- Parking at the departure airport
- Leisure facilities at the hotel, such as beauty spa treatments

- Trips and other activities around the resort, such as transportation and entry to local theme parks

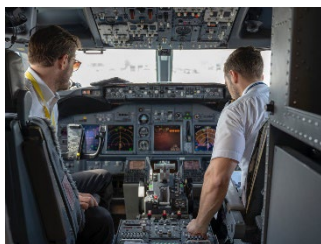
When customers are booking either online or in a Happywell shop, they are required to select a flight, transfer and hotel before they are given a total price. Happywell's systems determine the price that will be charged for each element but withholds that information from the customer. When customers decide to proceed with a booking, then they are offered a range of upgrades for their flight, transfer and hotel along with additional products such as travel insurance. Happywell has a long-standing arrangement with Toorcover, a major independent provider of travel insurance. The prices of those upgrades are stated and are added to the total package price if they are selected.

## Aircraft



Happywell owns a fleet of 97 Speedconfort 411 aircraft. This aircraft can carry 210 passengers and has sufficient range to reach the destinations served by Happywell, even when carrying a full load of passengers and their luggage. Using a single model of aircraft simplifies operations because any of

Happywell's planes can be flown by any of its pilots. Cabin crews are also interchangeable because they are all qualified to operate the 411. Maintenance is also more efficient because all engineers are trained on this model, and it is unnecessary to hold inventories of parts for different aircraft.



The aircraft and their crews are based at their departure airports in Westland. Each aircraft is scheduled to make two return flights per day. Outbound flights carry departing passengers who are starting their holidays and inbound flights carry returning passengers on their journey home. Each aircraft has three crews, each comprising two pilots and four members of cabin crew. Each round trip requires a fresh crew, and a "spare" crew creates capacity for crew rest days and flexibility in the event of any crew

member's absence.

Each aircraft is subject to careful checks before each flight. There is also an opportunity to conduct maintenance and repairs overnight after each aircraft returns from its second flight of the day. Aircraft are taken out of service at regular intervals to undertake more significant checks and maintenance at Happywell's engineering hangar at Viewel Airport. Viewel is a large airport in Westland that is used for passenger flights by many airlines, including Happywell.

## Hotels

Happywell owns 314 hotels that are spread across the 83 resorts that the company serves. These hotels are all designed to offer good quality accommodation and an enjoyable holiday experience.



Customers choose their hotel and the type of room at the time of booking. It is possible to specify a hotel that is close to the beach or that is equipped with a swimming pool or gym. It is also possible to specify a room that has a balcony or a private terrace. Customers are encouraged to book early in case their preferred hotel and room type is fully booked for the dates when they wish to travel.

The choice of accommodation can have a significant impact on the total cost of a package holiday. Happywell sets higher prices for the hotels that offer better facilities and more



comfortable rooms. It also charges more for nicer rooms. Prices reflect availability, which helps to maximise occupancy rates because customers will pay less for hotels and room types that are less popular.



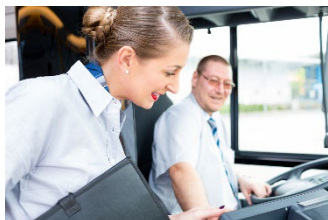
Hotels also provide the meals specified in each customer's booking. Customers often eat most of their meals at their hotels, so the quality of the food and the ambience of the restaurant can be important factors in ensuring a pleasant stay.

Some hotels offer shows and other entertainments. These can range from children's activities in family-friendly hotels to stage shows for adults in the evenings. Entertainment can enhance customers' holidays. It also encourages them to stay in the hotel and to spend money on snacks and drinks.

Hotels provide facilities for tour company reps to meet with customers, usually in the hotel's reception area. There is a daily schedule in each hotel so that customers know when a rep will be available. Customers often address any complaints to reps and expect them to provide a solution. For example, customers might be unhappy with their accommodation or feel that they have not received the facilities that they paid for when they booked. Reps are trained to deal with customer complaints and with the practical problems that can arise on holiday.

Happywell requires its reps to develop a good knowledge of their resorts. This ensures that they can offer informed recommendations about, for example, local restaurants or the location of the best beaches. It also gives reps an opportunity to cross-sell activities such as trips and visits to theme parks that will earn revenues and commissions for Happywell.

## Transfers



Happywell pays local coach and taxi companies to provide transfers to and from airports. This is an important part of the holiday because travel can often be stressful and the use of competent contractors is important.

Happywell's reps meet incoming flights and direct arriving customers to their coach or taxi. A rep usually rides on each coach and uses the journey time to brief customers on important information relating to their resort and the procedures on arrival at their hotel. Reps also accompany coachloads of departing customers back to the airport, offering advice about checking in for their return flights.

Reps maintain records of arriving and departing customers to ensure that everyone is accounted for. It is important to ensure that all customers are collected upon arrival or departure.

## Customer feedback

Happywell collects detailed feedback from customers at the conclusion of their holidays. Customers are emailed a link to an online survey that seeks customers' opinions about every aspect of their holiday, starting with the booking process and ending with their return flight home.

The Board is keen to identify any problems and to address them as quickly as possible. Ideally, customers will have good reason to make repeat bookings with Happywell. It is also important to minimise the number of unhappy customers, who might post negative reviews of their holiday on social media sites.

Feedback is analysed to provide Happywell with details concerning:

- Ease of booking
- Flights, including experiences at the airport
- Transfers
- Hotels, broken down by accommodation, meals, reception and any entertainment
- Reps

Feedback is also requested on the holiday package as a whole, including whether it offered value for money and overall enjoyment.

### Happywell's management structure

Happywell's Head Office management team is organised into the following departments:

Aviation	<p>Aviation is responsible for all aspects of the operations of the company's fleet of aircraft. That includes routine flight operations and compliance with all applicable regulations. It is a cost centre.</p> <p>Pilots and cabin crew must be trained and licenced to operate the Speedconfort 411 airliner that is flown by Happywell. The aircraft must also be certified by an engineer who is qualified on that model.</p> <p>The Aviation Department must maintain detailed records relating to each aircraft and must ensure that all requirements for inspections and servicing are met. Any faults with an aircraft must be rectified unless it can be shown to be minor and unlikely to affect flight safety.</p> <p>The Aviation Department maintains a close relationship with Speedconfort, the manufacturer of its aircraft. Happywell is a major operator of the Speedconfort 411 airliner, and Speedconfort is always keen to assist with any technical matters that arise. Speedconfort is also keen to sell additional aircraft as replacements or additions to the Happywell fleet.</p> <p>The Aviation Department is also responsible for liaising with departure and arrival airports and for the management of staff who work at departure airports:</p> <ul style="list-style-type: none"> <li>• Check-in staff are responsible for checking in passenger's luggage and for issuing boarding passes</li> <li>• Baggage handlers load luggage onto departing aircraft and unload baggage from arriving aircraft for collection by passengers</li> <li>• Gate staff check that all departing passengers have valid boarding passes before they board their flights</li> <li>• Despatchers deal with administrative and safety issues, such as checking passenger numbers before departure and checking that all necessary clearances have been obtained</li> <li>• Engineers conduct technical checks and carry out repairs, both immediately prior to departure and overnight after flight operations have ceased for the day</li> </ul> <p>Happywell uses third-party service companies to fulfil the above roles at arrival airports, primarily to deal with return flights bringing customers home</p>
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	<p>at the ends of their holidays. The Aviation Department is responsible for selecting and working with those companies.</p>
Hotels	<p>Happywell owns its own hotels. The Hotels Department is responsible for all aspects of the running of Happywell's hotels. That includes accommodation, meals and the maintenance of the buildings and their grounds. It is a cost centre.</p> <p>The Hotels Department is responsible for ensuring that all hotels meet applicable standards for safety and cleanliness. Happywell has a policy of complying with the higher of local regulations and those that would apply in Westland. In some cases, that means that Happywell exceeds the minimum requirements set by host governments, but it reduces the risk of customers being upset if they are disappointed or concerned. For example, the fire safety precautions in Happywell's Sunland hotels exceed the requirements set by Sunlandian law.</p>
Local Experience	<p>The Local Experience Department is responsible for a range of activities that affect the quality of customers' holidays and the management of cross-selling activities. It is a cost centre.</p> <p>Local Experience is responsible for the overall management of reps at Happywell's holiday destinations. In addition to supervision, Local Experience also supports reps with a 24-hour help desk at Head Office that can offer email and telephone assistance with any difficulties that the reps do not feel confident to handle themselves.</p> <p>Local Experience manages transfers between airports and hotels, working with local coach and taxi operators to ensure that customers are not kept waiting and that their transfers are as efficient as possible.</p> <p>Local Experience also manages relationships with third parties whose services and products are sold by Happywell in return for a commission. These include small, local businesses such as boat operators who sell trips that can be booked through Happywell's reps.</p>
Marketing	<p>The Marketing Department is responsible for the promotion of Happywell's brand and also for managing the booking process, both within the retail shops and online.</p> <p>Marketing also monitors customer feedback and maintains email contact with customers after their return in the hope of obtaining a repeat booking.</p>
Human Resources	<p>The Human Resources Department manages all issues of human resourcing across Happywell. Recruitment, training and staff retention are important matters for the company because many roles require specialised skills and qualifications.</p> <p>Human Resources must also ensure that all employment regulations are complied with. That can be complicated because many staff are employed overseas as reps or as hotel staff. Reps are often Westlandians, who are usually required to have work permits before they can be employed in foreign countries. Hotel staff are often employed locally, and their contracts and terms of employment must comply with local requirements.</p>
Information Technology	<p>The Information Technology Department is responsible for maintaining and updating Happywell's information technology (IT) systems. These include collaborating with the Marketing Department to ensure that the information on the website is up to date.</p>

Finance	The Finance Department is responsible for all aspects of management accounting, financial reporting and treasury management for Happywell.
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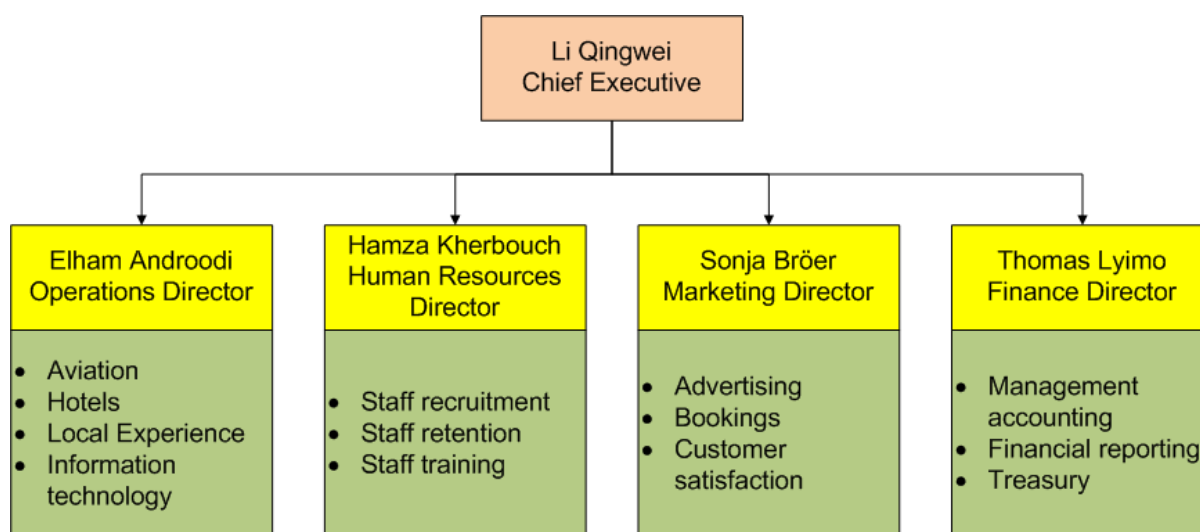
### Happywell’s resort operations

At a local level, each hotel has its own management team. The Hotel Manager is in overall charge, supported by managers who are responsible for accommodation, food, entertainment, maintenance and cleaning. Hotel managers report directly to the Hotels Department at Head Office.

Each resort also has a team of reps, one of whom is designated as the Resort Manager. The Resort Manager is responsible for setting work rotas and scheduling the duties for the reps within the team. This can be complicated because reps must be available to accompany customers on coach transfers to and from the airport and to ensure that each hotel has a rep on duty in reception for at least an hour every day. Resort managers report to Local Experience Department staff at Head Office.

To simplify compliance with local rules and regulations, Happywell has a 100% subsidiary in each country in which it operates. The subsidiaries own the hotels and other assets located in these host countries and are legally responsible for all employment issues relating to hotel staff and reps. As indicated above, all hotel managers and rep resort managers report directly to Happywell’s Head Office in Westland.

### Happywell’s Board structure

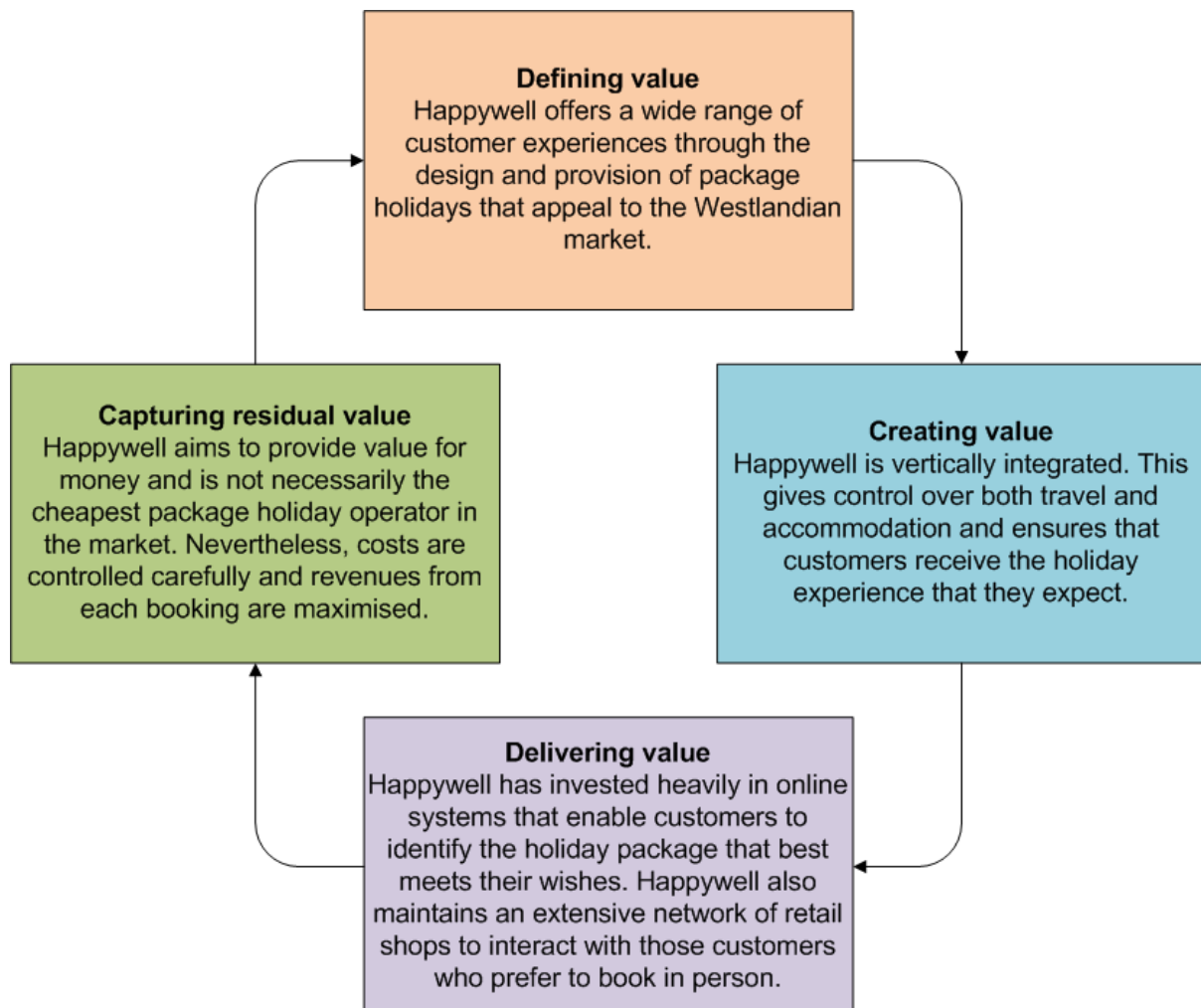


Happywell’s Board also includes the following non-executive directors:

- Lotta Salling – non-executive chair
- Stefan Kutsarov
- Isabel García Ponce
- Ken McDonagh
- Morgane Bertacco

### Happywell's business model

Happywell aims to compete on quality rather than price. It retains control over product quality by owning both aircraft and hotels. This also offers control over costs.



## Extracts from Happywell's annual report

### Happywell Group

#### Consolidated statement of profit or loss

For the year ended 31 December

	<b>2022</b>	<b>2021</b>
	<b>W\$ million</b>	<b>W\$ million</b>
Revenue	22,698.2	21,376.0
Cost of revenues	(19,504.6)	(18,045.8)
Gross profit	3,193.6	3,330.2
Administrative expenses	(907.9)	(961.9)
Selling and advertising	(1,361.9)	(1,111.6)
Operating profit	923.8	1,256.7
Finance costs	(147.0)	(138.2)
Profit before tax	776.8	1,118.5
Tax	(170.9)	(246.1)
Profit for year	<u>605.9</u>	<u>872.4</u>

### Happywell Group

#### Consolidated statement of changes in equity for the year ended 31 December 2022

	Share capital and premium	Retained earnings	Foreign currency	Total
	<b>W\$ million</b>	<b>W\$ million</b>	<b>W\$ million</b>	<b>W\$ million</b>
Balance at 31 December 2021	2,500.0	1,945.5	1,072.2	5,517.7
Profit for the year		605.9		605.9
Dividends		(321.5)		(321.5)
Foreign currency difference			(226.4)	(226.4)
Balance at 31 December 2022	<u>2,500.0</u>	<u>2,229.9</u>	<u>845.8</u>	<u>5,575.7</u>



**Happywell Group**  
**Consolidated statement of financial position**  
**As at 31 December**

	<b>2022</b>	<b>2021</b>
	<b>W\$ million</b>	<b>W\$ million</b>
<b>Non-current assets</b>		
Intangible assets	2,648.3	2,771.4
Property, plant and equipment	8,750.3	8,010.4
	<u>11,398.6</u>	<u>10,781.8</u>
<b>Current assets</b>		
Inventory	132.5	128.1
Trade receivables	328.7	326.4
Bank	947.2	938.7
	<u>1,408.4</u>	<u>1,393.2</u>
<b>Total assets</b>	<u><u>12,807.0</u></u>	<u><u>12,175.0</u></u>
<b>Equity</b>		
Share capital and share premium	2,500.0	2,500.0
Retained earnings	2,229.9	1,945.5
Foreign exchange	845.8	1,072.2
	<u>5,575.7</u>	<u>5,517.7</u>
<b>Non-current liabilities</b>		
Loans	2,100.0	1,800.0
<b>Current liabilities</b>		
Trade payables	1,560.4	1,515.8
Advance payments	3,404.7	3,099.5
Tax	166.2	242.0
	<u>5,131.3</u>	<u>4,857.3</u>
<b>Total equity and liabilities</b>	<u><u>12,807.0</u></u>	<u><u>12,175.0</u></u>

**Notes**

- Inventory comprises consumables used in aircraft maintenance or in hotel operations.
- Trade receivables are largely commissions payable by third parties for whom Happywell has made sales.
- Advance payments are deposits and payments made in advance by customers for holidays that have not yet taken place.

## Extract from Mangusair's annual report

Mangusair is a tour operator based in Westland that is Happywell's largest direct competitor. Mangusair owns and operates its own aircraft but does not own any hotels. Mangusair has an ongoing arrangement granting it the exclusive use of all of the rooms in 306 hotels. The hotels are branded as if they belong to Mangusair, with signs bearing Mangusair's logo in all public areas.

### Mangusair Group

#### Consolidated statement of profit or loss

For the year ended 31 December

	2022	2021
	W\$ million	W\$ million
Revenue	21,336.3	20,948.5
Cost of revenues	(19,295.8)	(19,187.3)
Gross profit	2,040.5	1,761.2
Administrative expenses	(426.7)	(523.7)
Selling and advertising	(1,066.8)	(1,026.5)
Operating profit	547.0	211.0
Finance costs	(42.0)	(39.5)
Profit before tax	505.0	171.5
Tax	(111.1)	(37.7)
Profit for year	393.9	133.8

### Mangusair Group

#### Consolidated statement of changes in equity for the year ended 31 December 2022

	Share capital and premium	Retained earnings	Foreign currency	Total
	W\$ million	W\$ million	W\$ million	W\$ million
Balance at 31 December 2021	1,000.0	1,023.8	569.3	2,593.1
Profit for the year		393.9		393.9
Dividends		(204.8)		(204.8)
Foreign currency difference			(124.1)	(124.1)
Balance at 31 December 2022	1,000.0	1,212.9	445.2	2,658.1

**Mangusair Group**  
**Consolidated statement of financial position**  
**As at 31 December**

	<b>2022</b>	<b>2021</b>
	<b>W\$ million</b>	<b>W\$ million</b>
<b>Non-current assets</b>		
Intangible assets	1,028.2	1,324.6
Property, plant and equipment	5,858.2	5,168.2
	<u>6,886.4</u>	<u>6,492.8</u>
<b>Current assets</b>		
Inventory	68.8	64.1
Trade receivables	311.3	307.4
Bank	842.1	811.6
	<u>1,222.2</u>	<u>1,183.1</u>
<b>Total assets</b>	<u><u>8,108.6</u></u>	<u><u>7,675.9</u></u>
<b>Equity</b>		
Share capital and share premium	1,000.0	1,000.0
Retained earnings	1,212.9	1,023.8
Foreign exchange	445.2	569.3
	<u>2,658.1</u>	<u>2,593.1</u>
<b>Non-current liabilities</b>		
Loans	600.0	400.0
<b>Current liabilities</b>		
Trade payables	1,543.7	1,611.7
Advance payments	3,200.4	3,037.5
Tax	106.4	33.6
	<u>4,850.5</u>	<u>4,682.8</u>
<b>Total equity and liabilities</b>	<u><u>8,108.6</u></u>	<u><u>7,675.9</u></u>

## News reports

# Westland Business Daily

## Airlines criticised over seat pitch



Seat pitch is the name given to the measurement between the back of a seat and the back of the seat in front of it. Seat pitch gives a rough indication of the amount of space that a passenger will have on a long flight, although the cushion on the back rest takes up some of that space.

In theory, seat pitches can be adjusted because airliner seats are fixed to tracks that run the length of the fuselage. It would be possible to remove rows of seats and use the space that would be created to move some or all of the remaining seats further apart.

The length of the seat pitch can have a significant impact on passenger comfort, particularly on a long flight. Even a few centimetres can make the difference between sitting in reasonable comfort and having one's knees jammed into the seat in front. Unfortunately, airlines are not always willing to grant those few centimetres because even a small concession to passenger comfort could result in the loss of a row or two of seats that could otherwise be sold to fare-paying passengers on every flight.

On short-haul flights of up to three hours, the seat pitch should be at least 71cm. On mid-haul flights of three to six hours, the minimum seat pitch is likely to be 81cm. Long-haul flights of six hours or more might offer 86cm. These are not mandatory. The regulations governing seat pitch focus more on passenger safety than on comfort.

Many airlines turn the discomfort of narrow seat pitches to their commercial advantage by selling so-called "extra legroom" seats. Those are generally very popular even if they do increase the cost of the flight to the passenger.

# Westland Daily News

## Travel column – Tailored package holidays



Tailored package holidays are becoming increasingly popular. They offer their customers the flexibility to design their own holiday rather than simply choosing between the packages that are on offer from the traditional package tour operators.

I conducted an informal consumer test by logging onto Dreemsky's website and planning a holiday. I input a departure date, specifying a luxury beach holiday and the maximum price that I was willing to pay. I quickly received an email that there were no packages available in my price range. I tried again, removing the upper limit on price, and was soon offered a package that would cost four times as much I would usually spend on a family holiday.

Sadly, the Editor would not allow me to use my company credit card to book the holiday.

# Westland Daily News

## Travel column – Travel insurance



Make sure that you have adequate travel insurance when you go on holiday. Travel insurance provides cover in case of holiday disasters.

Foreign visitors have to pay for medical treatment in most countries and that treatment is usually expensive.

Travel insurance covers the cost of replacing belongings that are lost or stolen while on holiday.

Costs associated with cancelled holidays can also be recovered. If a customer cannot travel because of illness or the holiday is cancelled because the resort hotel has had to close because of health and safety concerns, then the insurance company will refund any lost deposits or payments.

Insurance premiums are set according to the insured risk. For example, elderly passengers are often charged more because there is a higher risk that they will require medical attention.

Insurance companies always include exclusions in the wording of their policies. These are effectively warnings that certain risks are not covered by the policy. For example, a customer who participates in a hazardous activity such as motor racing while on holiday is unlikely to be covered for any medical treatment required as a result of crashing a racing car.

Insurance companies will also refuse to make payments in the event of a pre-existing condition. For example, if you book a holiday in a destination where frequent bad weather can result in long flight delays, then it is unlikely that you will be compensated if you lose 2 days of your holiday because the weather delayed your flight.



## Westland Daily News

### Travel column – Escape airport stress at a lounge



Airports are busy and often stressful places. Travellers leave early for the airport in case they are delayed on their journey, only to discover that they have nothing to do for 2 hours after they have checked in for their flight. Departure lounges can be crowded and noisy and do not lend themselves to relaxing before boarding the aircraft.

Many airports offer an escape in the form of “airport lounges”. These are basically quiet spaces that offer comfortable places to sit and relax. They also serve unlimited drinks and snacks at no additional cost to users.

Some airport lounges are operated by specific airlines who restrict entry to their own first class and business class passengers. Others are open to all, but there is a substantial fee for admission. High entry fees enhance profits and help ensure that the lounges do not become overcrowded. For example, Westland Relax charges W\$35 per person for access to the lounges that it operates at most of Westland’s largest airports.

Always check your booking carefully if you are travelling on a premium ticket because some airlines provide access to a lounge at no additional cost to the passenger.

## Happy Comic

### Readers' questions

**Question:** We have just returned from holiday. Our return flight was late getting us home because the aircraft had been delayed by technical problems in Westland before it could come and get us. When we finally boarded, one of the cabin crew told us that the aircraft makes two flights almost every day and that the technical delay was because a small part had to be replaced after a warning light came on in the cockpit. Is it safe for planes to fly so often?

Maurice, age 11



**Answer:** I hope that you enjoyed your holiday, even if you were a little late in getting home. You were perfectly safe because every aircraft is checked carefully by its pilots and an aeronautical engineer before it is allowed to take off. Most charter airliners make two flights each day, getting back to their home base late in the evening. That leaves several hours for the airline's engineers to make additional checks before the next day's flights. The engineers can also complete simple tasks such as topping up lubricants and hydraulic fluids and replacing small parts that are worn or damaged.

Aircraft are very reliable, which is a good thing because airlines cannot afford to have planes standing by at every airport as spares. If an aircraft has to be taken out of service for technical reasons, then its flights usually have to be delayed or even cancelled until the problem has been corrected.

Airlines do, however, have a few spare aircraft so that a small number of planes can be taken out of service at any time for major repairs or scheduled maintenance. For example, Mangusair's engineering hangar at Westland's Central Airport has all the necessary staff, parts and equipment to handle work that cannot be completed at local airports. Each of the airline's planes will spend some time at the hangar at least once or twice every year.