MARKETING

Marketing Mix Optimisation and Dynamic Pricing Strategy

Practical Analytical Report (Marketing Strategy Project)

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Executive Summary

This assignment evaluates marketing-mix optimisation and dynamic pricing through a Germany-focused case study of TUI Group. It combines the 4 Ps, segmentation, targeting and positioning (STP), price elasticity, break-even analysis, customer lifetime value (CLV), direct-to-consumer (DTC) distribution and campaign return on investment (ROI). TUI is an appropriate case because it combines tour operation with hotels, cruises, airlines and destination experiences, while its published strategy emphasises customer retention, loyalty, app-first personalisation, multi-channel distribution and lower distribution costs (TUI Group, 2025b).

The evidence indicates that the German travel market is large and increasingly digital. Destatis recorded 497.5 million guest overnight stays in Germany in 2025, while a separate platform dataset recorded 68.3 million holiday-home overnight stays booked through Airbnb, Booking.com and Expedia (Destatis, 2026a, 2026b). The 73% direct distribution mix and 49% online mix in TUI's Markets + Airline segment for FY2025 are different metrics as direct distribution also encompasses owned retail (TUI Group, 2025a).

The contribution potential of value-based and peak season prices is illustrated where there is a control over the demand elasticity, value of the product, and competitor conditions. While the modelling data suggests higher contribution per booking on DTC booking, the role of intermediaries in achieving incremental reach is also valuable. The recommended approach is to have an integrated good-better-best product portfolio, dynamic price fences that are transparent, an app-first but assisted omnichannel distribution system and promotion based on incremental contribution instead of the volume of clicks.

Introduction

Marketing strategy is the link between customer need, value proposition and a company's revenue generation. The traditional marketing mix (product, price, place and promotion) offers a practical approach in coordinating the decisions (McCarthy, 1960; Kotler & Keller, 2016). In travel services, the mix also needs to consider seasonality, perishable capacity, high customer involvement and cancellation risk, as well as the fact that customers will often purchase a package of transport, accommodation and experiences.

As the TUI Group is based in Germany, and is active in the main tourism markets, it is presented as the main case in this report. The analysis is not based on TUI's confidential customer level prices, marketing budgets or booking conversion data provided. All market sizing, CLV and campaign ROI calculations and all detailed price elasticity, channel cost calculations are illustrative planning assumptions based on published company and market statistics. This separation is important to prevent the simulation from appearing to be actual company numbers.

Market and Consumer Analysis

Germany has a large travel and tourism market. The number of guest overnight stays in accommodation establishments in 2025 was 497.5 million, which was 0.3 per cent higher than in 2024 and a new record (Destatis, 2026a). The 68.3 million overnight stays in holiday homes and apartments in Germany in 2025 on Airbnb, Booking.com and Expedia are 13.0% higher than in 2024 (Destatis, 2026b). These numbers aren't additive or directly comparable: platform booking numbers don't reflect the full accommodation market, and the platform dataset is based on stays at smaller properties that might otherwise not be covered by the official survey. Regardless, it reflects a rising trend in the significance of digital intermediaries.

The Markets + Airline business of TUI accounted for around 20.247 million customers in FY25. The direct distribution mix was 73% (versus 74% in FY2024) and the online mix was 49% (versus

50% (TUI Group, 2025a)). Direct distribution: sales via TUI's own retail and internet sales; Online mix: sales via internet of segment sales. The metrics themselves should not be confused as a direct sale may be helped by a retail consultant while an online sale may go through an intermediary. Both shares of the TUI group are down a bit, indicating that TUI needs to continue to work on its owned-channel offering and continue to execute well with partners.

There is a diverse range of consumer travel behavior. Certainty, convenient flight times, flexible changes, clear inclusions may be appreciated by families. Differentiated hotels, tours and activities might be more important to couples and experience seekers. Fewer price-sensitive customers will be receptive to early booking discounts or off-peak departure incentives if they believe that the service is of high quality and exclusive, while more price-sensitive customers will be more likely to accept early booking incentives or off-peak departure incentives if they are not convinced of the service quality or exclusivity. Whether the customer is comparing the total trip value or the headline price, they also take into account the other benefits of the trip, such as baggage, transfers, cancellation terms, location and customer support. So, segmentation needs to be driven by the purpose of the trip, the booking lead time, the type of party, the behavior and the expressed preferences and should involve consent-based data usage and clear personalization.

Quantitative Market Modelling and STP

The illustrative serviceable-market model assumes that the serviceable market would consist of 200,000 reachable households in Germany, an average of 0.40 package trips per household per year and an average package price of €1,200. This results in 80,000 trips per year which can be targeted, and the planning market value of € 96 million. A 10,000-booking base case would be 12.5% of this opportunity modelled. These are not the official market figures, but rather planning assumptions which need to be confirmed with customer research, search demand, booking records and competitor analysis before investments.

The pricing model is based on a constant elasticity demand function: $Q = Q_0 \times (P/P_0)^e$ where Q_0 = 10,000 and the assumed price elasticity e = −1.35. Assumption: If the price of a product increases by 1%, the quantity demanded of the product decreases by roughly 1.35%. The model is based on comparing €1,100 introductory/off-peak, €1,200 standard, €1,300 value-based, €1,380 dynamic peak and €1,450 premium-bundle price points. The volume margin trade-off is illustrated by the drop in demand from 10,000 to about 8,976 bookings, at €1,300 respectively.

The fulfilment cost is assumed at the standard price to be €840 per booking. The cost of direct channel acquisition and services is estimated at €80 per booking, and intermediary commission and services at €159. Weighted channel cost is €111.60 and contribution before fixed cost is €248.40 per booking with a 60% DTC/40% intermediary mix. The break-even volume is around 7,246 bookings with €1.8 million in modelled fixed campaign operating costs and allocated operating costs. The margin of safety is around 27.5% when considering the 10,000-base case of bookings. The midpoint elasticity for the model is between −1,200 and −1,300, close to the assumed constant elasticity.

For differentiated bundles, attention of STP should be given to the high intent repeat customers and experience customers; for price sensitive segments, attention should be given to off-peak price offers. The positioning should be “a trusted, curated holiday journey with clear value, differentiated experiences and support throughout the journey”. The free trip-planner/app offer is a freemium acquisition model, rather than a free vacation: Users will get inspiration and planning tools, paid bookings, upgrades and experiences will bring revenue.

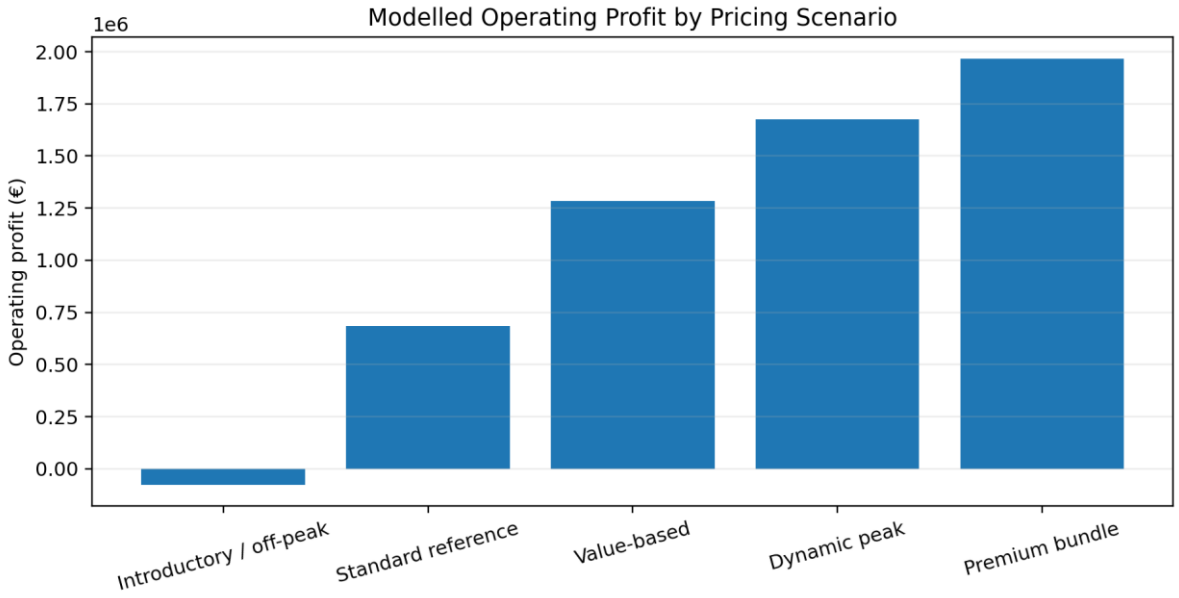


Figure 1. Modelled operating profit by tested price point. All prices, elasticity and costs are illustrative assumptions.

Integrated Marketing Strategy (4 Ps)

1. **Product: -** The packages should be clearly divided into Essential, Comfort and Premium categories by TUI. Core inclusions are clearly communicated by Essential, convenience and flexibility by Comfort and differentiated accommodation and priority services/curated experiences by Premium. Selected protection products and room upgrades, as well as transfers and excursions, can be provided as relevant add-ons. The idea is to add value and attachment to the product but without any hidden charges. The quality of the product, the recovery of the service and the accurate description are important since travel is an experience service, part of which is judged after the service is consumed.

2. **Price**: - A value-based approach must price a product based on the benefits that customers perceive, not just cost-plus mark-ups (Hinterhuber, 2008). Dynamic pricing allows for the consideration of booking lead time, departure date, available capacity, demand, and competitor pricing and exposure to cancelation. But the price fences must be comprehensible; flexible cancelation, room category and departure time can warrant difference in price. The

highest profit out of the price points tested is achieved at the €1,450 premium scenario, which is dependent on the elasticity assumed and the fulfilment cost remaining constant. Not an optimum or a recommended general price hike. TUI should test prices per segment and departure, establish minimum contribution limits, track conversion and refunds and refrain from discriminatory pricing and/or misleading pricing.

3. **Place: -** All DTC channels – website, app, retail stores, contact centers – can grow the engagement of customers with their data and cross-selling and repeat relationships. It is estimated that a contribution of €280 is made per DTC booking as the assumed OTA commission is more than the direct acquisition cost. An OTA can provide customers that might not otherwise be aware of the product, can help minimize the need for some paid prospecting and can help bring in customers from international markets. As the 73% of TUI's sales that are direct show, owned channels can play a vital role, but that does not mean to say that all intermediary sales should be removed. Retention and repeat purchase should be done via owned channels and incremental demand or market entry via selected intermediaries should be used in a hybrid model.

4. **Promotion: -** The combination of consent-based CRM, email, app notification, search, social media, creator partnerships, destination content and referral and retail advice should be used in promotion. The strategy clearly focuses on customer loyalty and retention, digital marketing, social media, personalization and automated cross-channel campaigns (TUI Group, 2025b). Evaluate campaigns by incremental contribution, customer acquisition cost (CAC), return on advertising spend (ROAS), repeat booking test and holdout test. In 2025, Booking Holdings spent US$8.186 billion, or 4.4% of gross bookings, on marketing expenses of which 30.4% was allocated to performance and brand marketing in online travel (Booking Holdings, 2026). These are not directly comparable with figures from TUI, due to the different business models and revenue base.

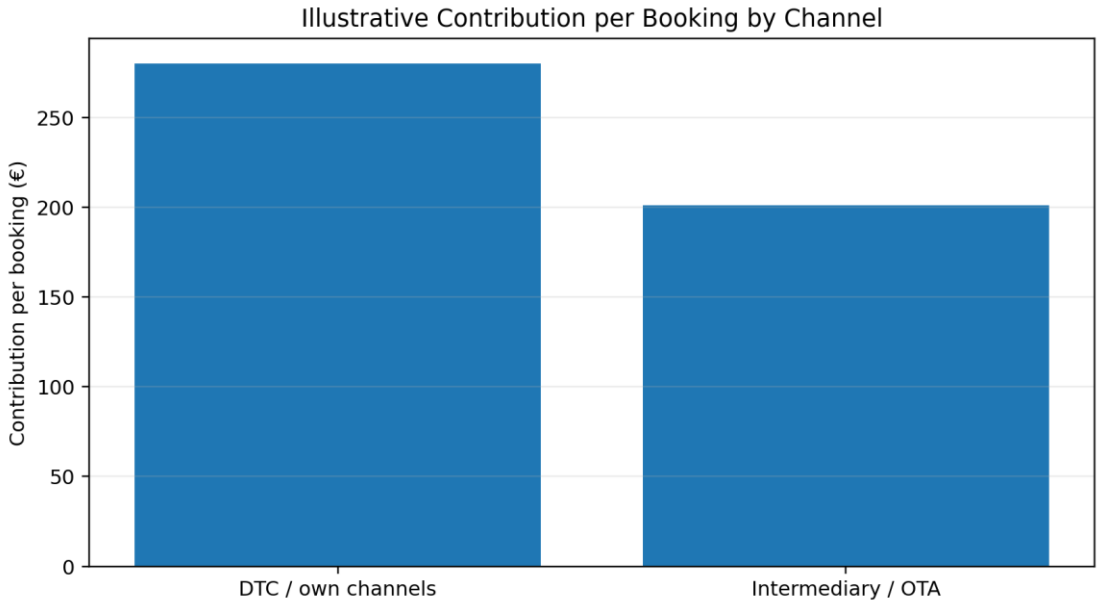


Figure 2. Illustrative contribution per booking by distribution channel.

Campaign ROI and KPI Metrics

This is an illustrative campaign plan that includes €75,000 in CRM and loyalty reactivation spend, €150,000 in paid search and social prospecting spend, and €75,000 in creator and destination partnerships spend. The incremental bookings are assumed to be 900, 1,300 and 700 respectively. This model yields €714,700 incremental contribution with €300,000 in campaign expenditures, and €414,700 net contribution. This means that the ROI of the campaign is to be calculated as 138.2% (incremental contribution - campaign spend) / campaign spend. The ROAS for this channel is 11.6 times, attributed revenue is at €3.48 million, and the package price is assumed at €1,200. The results shown are not actual TUI campaign results, and are simulated.

The ROI of CRM is assumed as highest as it targets existing customers at lower cost of acquisition. Paid search and social are the two largest assumed booking engines that are more costly. For destination credibility and reach, creator partnerships are needed, albeit with the need for attribution discipline. Holdout groups or controlled tests should be used to estimate incremental bookings, and organic demand should be charged to a campaign account instead of a contribution

account. Canceled and refunded bookings should be charged to a contribution account. Some KPIs should be qualified traffic, conversion rate, CAC, booking contribution, ROAS, repeat booking, CLV, cancellation rate, and direct-channel share and customer satisfaction.

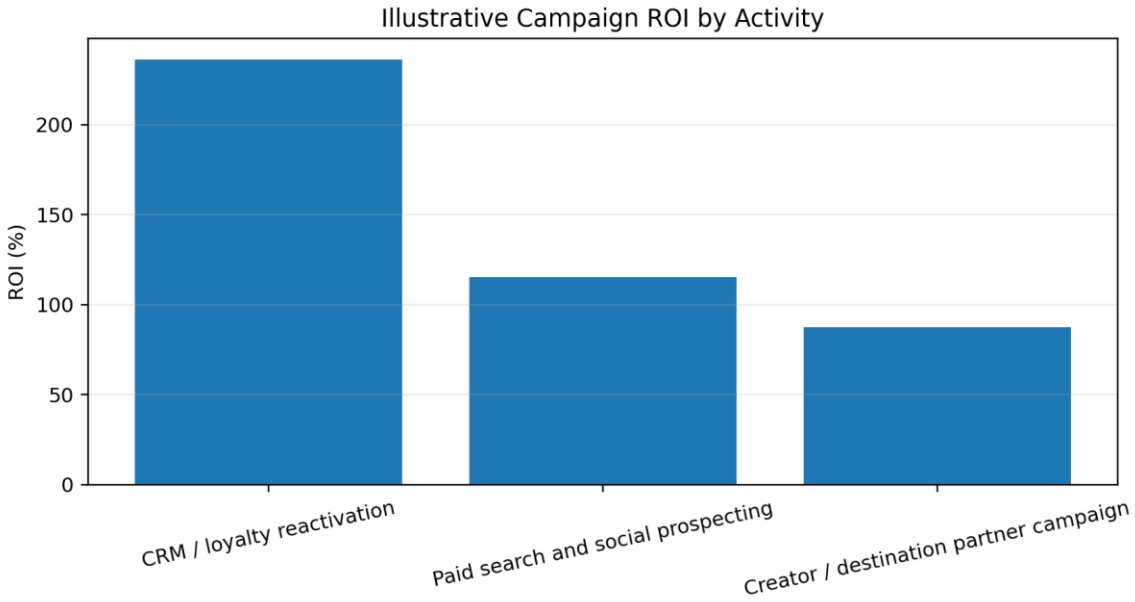


Figure 3. Illustrative campaign ROI by activity.

Conclusion and Recommendations

TUI should use the marketing mix as a single, integrated commercial package, and not as four marketing functions. The record overnight stays in the German market, plus the increased activity in online platforms, create demand opportunities, while TUI's own-channel reach and differentiated holiday products create a platform for customer retention. The quantitative model illustrates how decisions on pricing and channels can significantly affect the contribution and break-even conditions, but the results will rely on assumptions that need to be tested with real booking data.

The suggested route to follow would be to maintain a robust DTC relationship and selectively engaging intermediaries for incremental reach, with some experimentation, value-based and dynamic pricing with transparent price fences and expanding good-better-best bundles and relevant add-ons. Investing in marketing should be reallocated to campaigns that can prove themselves to be

incremental in value and to the customer in the long term, rather than simply on the basis of click-throughs. There should be a connection of price elasticity, contribution margin, channel mix, CAC, CLV, cancellations and customer satisfaction in quarterly reviews. This evidence-based approach can lead to higher profits and help to maintain trust and long-term brand equity.

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Appendix A – TUI and German Market Facts

The company and market statistics below are published data. Direct distribution mix and online mix are separate indicators.

Published TUI and German Tourism Indicators

Indicator	FY2024 / 2024	FY2025 / 2025	Definition
Markets + Airline revenue (€m)	20,232.9	20,993.5	TUI financial-year segment revenue
Customers (000)	20,297	20,247	TUI Markets + Airline
Direct distribution mix	74%	73%	Own retail and online channels
Online mix	50%	49%	Share of segment sales online
Germany guest overnight stays	—	497.5m	Destatis official accommodation survey
Holiday-home platform nights	—	68.3m	Airbnb, Booking.com, Expedia; separate dataset

Source: An excel workbook that has been created for this assignment. Published company and market data are referenced in the main text; all simulated inputs are labelled as illustrative.

Appendix B – Pricing and Profitability Model

This output displays the cost contribution analysis for five price levels based on the constant-elasticity demand model in the workbook.

Excel Output – Pricing and Profitability Scenarios

Pricing option	Price (€)	Demand (units)	Unit contribution (€)	Operating profit (€)	CM %
Introductory / off-peak	1,100	11,246	153.20	-77,047	13.9%
Standard reference	1,200	10,000	248.40	684,000	20.7%
Value-based	1,300	8,976	343.60	1,284,071	26.4%
Dynamic peak	1,380	8,281	419.76	1,675,834	30.4%
Premium bundle	1,450	7,745	486.40	1,967,398	33.5%

Source: This is an Excel workbook programed for this assignment. Published company and market data are referenced in the main text; all simulated inputs are labelled as illustrative.

Appendix C – Price Elasticity and Break-even

The midpoint elasticity and break-even scenarios are based on the illustrative standard and value-based scenarios.

Excel Output – Elasticity and Break-even

Measure	Model result	Interpretation
Midpoint price elasticity	-1.35	Demand is price elastic under the illustrative assumptions
Unit contribution at €1,200	€248.40	After variable fulfilment and weighted channel cost
Break-even bookings	7,246	Fixed cost divided by contribution per booking
Margin of safety	27.5%	Base volume above break-even

Source: This is an Excel workbook programed for this assignment. Published company and market data are referenced in the main text; all simulated inputs are labelled as illustrative.

Appendix D – Direct and Intermediary Channel Economics

The channel comparison uses identical package price and fulfilment cost, but different acquisition/commission costs.

Excel Output – Direct vs Intermediary Channel Economics

Channel	Bookings	Acquisition / commission (€)	Service (€)	Contribution / booking (€)	Total contribution (€)
DTC / own channels	6,000	65.00	15.00	280.00	1,680,000
Intermediary / OTA	4,000	144.00	15.00	201.00	804,000
TOTAL / weighted	10,000	—	—	248.40	2,484,000

Source: Excel workbook prepared for this assignment. Published company and market data are referenced in the main text; all simulated inputs are labelled as illustrative.

Appendix E – Market Sizing, CLV and Freemium Funnel

All household, trip frequency, retention and conversion inputs are planning assumptions, not official statistics.

Excel Output – Market Sizing and Customer Lifetime Value

Metric	Model output	Interpretation
Reachable households	200,000	Illustrative planning assumption
Annual targetable trips	80,000	Households × 0.40 trips
Illustrative serviceable market	€96,000,000	Trips × €1,200 average package price
Base booking capture	12.5%	10,000 bookings / targetable trips
CLV after CAC	€217.04	Simplified retention-based CLV
Freemium net contribution	€413,000	1,600 paid conversions less €35,000 platform cost

Source: Excel workbook prepared for this assignment. Published company and market data are referenced in the main text; all simulated inputs are labelled as illustrative.

Appendix F – Campaign ROI and KPI Outputs

Campaign outputs are simulated; ROI is calculated using incremental contribution after variable costs.

Excel Output - Campaign ROI and ROAS

Campaign	Spend (€)	Bookings	Contribution (€)	Net contribution (€)	ROI	ROAS
CRM / loyalty reactivation	75,000	900	252,000	177,000	236.0%	14.4x
Paid search and social prospecting	150,000	1,300	322,920	172,920	115.3%	10.4x
Creator / destination partner campaign	75,000	700	140,700	65,700	87.6%	11.2x
TOTAL	300,000	2,900	715,620	415,620	138.5%	11.6x

Source: Excel workbook prepared for this assignment. Published company and market data are referenced in the main text; all simulated inputs are labelled as illustrative.

Appendix G – Integrated 4Ps and STP Matrix

The 4Ps/STP matrix is a strategic recommendation for a German tourism package proposition.

Excel Output - STP and Integrated 4Ps

Area	Strategic choice	Execution / KPI
Segmentation	Families, couples, experience seekers, premium customers, city-break travellers and price-sensitive off-peak	Use booking history, trip purpose, party composition, lead time and willingness-to-pay indicators; avoid sensitive
Targeting	Prioritise high-lifetime-value repeat customers and high-intent customers for differentiated packages; use off	Compare contribution per segment, conversion, repeat booking, cancellation and CAC.
Positioning	A trusted, convenient, curated holiday journey with differentiated hotels, cruises and experiences, backed by	Brand promise should be supported by measurable service reliability, product quality and transparent inclusions.
Product	Good-better-best packages: Essential, Comfort and Premium; add-ons for transfers, excursions, insurance an	Track attach rate, satisfaction, refunds, product contribution and repeat purchase.
Price	Value-based price fences, dynamic seasonal prices, early-booking and off-peak offers, transparent add-on pri	Use elasticity tests, contribution margin floors, competitor monitoring and fairness guardrails.
Place	App and website as primary owned digital channels; retail/call-centre support for complex/high-value booking	Track direct share, online conversion, assisted conversion, channel contribution and CAC.
Promotion	CRM lifecycle campaigns, search/social, creator/destination partnerships, referral and content marketing; per	Measure incremental contribution, CAC, ROAS, repeat booking and holdout-test lift.

Source: Excel workbook prepared for this assignment. Published company and market data are referenced in the main text; all simulated inputs are labelled as illustrative.