

Coral Divers Resort Case Study

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1.

Identified Opportunities

- Growth of divers worldwide (PADI certified 1 million new divers in 2007, and estimated there were 22 million divers worldwide)
- Large selection of possible dive spots in New Providence, within a 30-minute boat ride
- Established shark diving and shark feeding locations nearby
- Median new diver age is 36
- Average salary of a recreational diver is estimated around \$75k a year

Identified Threats

- Youth must be 12 to be certified and dive with a parent until 15
- Shark feeding (ext. Shark diving) under attack and concern from environmental groups
- Coral bleaching from environmental damage
- 35% duties in place on imported materials
- Rapid expansion of diving resorts and locations across islands

2.

Identified Strengths

- Reputation in the industry
- Reputation for safety
- Affiliated with PADI and NAUI

- Approaches 90% capacity during high season

Identified Weaknesses

- No identifiable or distinguishing identity
- No full-time marketing or social media campaigns
- Approaches 50% capacity during low season

2a.

SWOT Analysis Chart (key points of analysis)

Opportunities	Threats
<ul style="list-style-type: none"> • Growth of overall divers • Late age of new entrant divers • Multiple diving location and shark diving locations nearby 	<ul style="list-style-type: none"> • Youth need to dive with parent until 15 years old • Environmental concerns (coral bleaching and shark feeding) • Rapid expansion of diving resorts and locations
Strengths	Weaknesses
<ul style="list-style-type: none"> • Reputation in the industry • Repeat customer base or continual customer base development 	<ul style="list-style-type: none"> • No central identity to attract clientele • No full-time marketing or social media presence

3.

	Adventure Diving	Family Specialist (Rascals)	Improving Efficiency
Finances	Minimum diver requirements to justify boat trip costs	Cottage renovations Motel renovations	Strict adherence to minimum number of divers per boat
Human Resources	Potential new staff for shark feeding and experience with shark diving	Chef Babysitter Teacher/escort	Possible loss of staff

Physical Resources	Shark food Chain mail diving suit for feeding	Play area/ park Toys	Strict attention to materials and fuel being ordered
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4.

Option A – Focusing on family outings with Rascal

Investment requirements:

- \$30,000 in renovations for the cottages
- \$10,100 in import taxes for materials (35%)
- \$26,320 for babysitters
 - Minimum \$5 an hour for a babysitter, 8 hours a day (\$40) on all days in operation (avg. 329) (\$13,160) with minimum two babysitters on staff (\$26,320)
- \$12,000 for a play structure on the premises
 - Avg. \$1,000 per intended child using play area, with a maximum of 12 children on the premises, or \$12,000 total
- Fees paid to Rascal’s (undetermined)
- Salary of new chef (undetermined)
- Cost of upgrading dining room and kitchen to use (undetermined)

Total Investment requirement of \$78,820

90% capacity guaranteed by Rascal’s

- Each cottage rental is \$1,355 minimum per week, 6 cottages rented out (\$8,130), Over 46.8 weeks (\$376,419)

376,419
78,820 = 4.77 (ROI)

With this strategy, it has the largest investment need, with the largest return. However, parts of this calculation could not be included, as the cost of a new chef hire, possible renovation of kitchen and dining hall, as well as the amount paid to Rascal’s were not determined, and would affect the overall feasibility of this strategy. This strategy also effects day to day operations, effectively making the cottages exclusive to family bookings, leaving the motel area open to

either family bookings or family bookings, meaning that the overall operations would shift dramatically to become more child centered, as required to partner with Rascal's.

Option B – Expanding into shark diving

Investment requirements:

- \$1500 for a chain mail suit
- \$1920 in yearly shark food (\$160 a week)
 - \$10 in shark food per dive, two dives per dive trip (\$20) twice a week (\$40) four times a month (\$160) twelve months a year (\$1920)
- New shark dive master OR employee raise to become shark dive master (undetermined)
- Shark diving licensing and insurance (undetermined)

Overall investment - \$16,920

Charging \$115 per two tank dive trips.

- running on Wednesdays and Saturdays **without interrupting regular business**

# of divers	\$ made per dive	\$ weekly	\$ monthly	\$ yearly
4 (min.)	460	920	3,680	44,160
12 (max.)	1,380	2,760	11,040	132,480
8 (avg.)	920	1,840	7,360	88,320

Sample: Average of 8 divers per trip, $8 \times 115 = 920$ per trip, running twice a week $920 \times 2 = 1,840$, 4 weeks a month, $1840 \times 4 = 7,360$, running twelve months of the year, $7,360 \times 12 = 88,320$.

Current total revenue - \$502,908

Additional possible revenue - \$99,360

Total possible revenue - \$602,268

for an investment of - \$16,920

Additional possible revenue only	Total possible revenue (current total + additional possible)
<u>99,360</u> 16,920 = 5.87 (ROI)	<u>602,268</u> 16,920 = 35.6 (ROI)

With this strategy, the initial investment is \$16,920, however this number does not include the cost of a potential new, very specific hire or the employee raise that would be given in lieu of an entirely new hire, and it also does not include the insurance that would be needed to properly

insure the company for shark diving. This being said, this strategy does not affect day to day operations, it is entirely new income brought on by new investment, thus the return on investment has been calculated as both the purely additional profit and the total possible revenue, as the final result would be the addition of this new revenue to the current total revenue of the operation.

Option C – improve efficiency by 10%

The total expenses in 2007 was \$537,467

This makes 10% of costs totaling out to \$53,746

The business has been losing an average of \$25,000 over the three recorded years in revenues, assuming this continues, projected revenue for the 2008 fiscal year is \$477,908

Projected expenses for the 2008 fiscal year are projected to be \$483,721

This leaves the company at a deficit again, however a much smaller deficit than previous years, with the possibility to continue the growth of efficiency and control of expenses to become an expansion again.

5.

Political	<ul style="list-style-type: none"> • Part of the commonwealth system, independent prime minister, and an appointed governor general • Stable government system
Economical	<ul style="list-style-type: none"> • Tourism accounts for 50% of the GDP, and 37% of the employment • Services accounts for 15% of the GDP and 49% of the employment • 17.6% of the GDP comes from taxes • Charges duties up to 35% on materials imported • Budget deficit of 2.6% of the GDP
Social	<ul style="list-style-type: none"> • Total population of 332, 634 • Two thirds of population live on New Providence • 30.8% of youth ages 15-24 are unemployed
Technological	<ul style="list-style-type: none"> • One of the only countries running exclusively on fossil fuels • Has one of the more advanced telecommunication networks of the developed islands • Remains one of the main transportation hubs across the ocean, for both legitimate freight and drug transportation
Legal	<ul style="list-style-type: none"> • Legal system adopted after the standard British Commonwealth system • Similar in setup and execution to other commonwealth countries such as Canada, Australia, or South Africa

Ethical & Environmental	<ul style="list-style-type: none"> • 9.3% of population live below the poverty line • Lack of definition in environmental concerns have led to an overconsumption of the environment to satiate tourists
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This breakdown effectively shows that The Bahamas are a relatively stable country to continue to operate in, with a fully realized legal and governmental system that operates similarly to other commonwealth countries and an advanced state of telecommunications compared to other island countries. Two of the biggest issues to take into consideration with the Bahamas are the poverty statistics and how heavily it relies on tourism and services industries.

As shown, only 9.3% of the population is below the poverty line, however 30.8% of youth between 15-24 are unemployed. These statistics could be a good signifier for possible expansion of the company towards younger employees, increasing revenue by paying less, as well as possibly implementing a dive training program for young employees to give back to the country through business, thus incurring taxation benefits from the local government.

In terms of the country's reliance on tourism and services, of the GDP, tourism accounts for 50% and services for 15%, while in employment, tourism accounts for 37% and services account for 49%. This translates to an already realized issue by the client, oversaturation of the market. With a country so reliant on tourism, the market is at the same time oversaturated and highly competitive, with tax break allowances to better serve tourism operations and keep them in the local economy. This creates a highly competitive marketplace that is also dependent on government allowances to sustain themselves.

6.

In terms of the corporate life cycle, Mr. Greywell and Coral Divers resort sit squarely in the aristocracy phase, or possibly late in the stability phase. The reason for this is the steady success yet decline of the business. The balance sheets given show year over year decline in overall revenue for the business, with no changes or new additions being made towards the business. Because of this stagnancy, Coral Divers is pushing itself into a decline, there is no push from the owners and no large call for invention or reinvention, thus no motivational upkeep by clientele and no significant signs of continued growth. The fact is however, that Greywell saw this himself, and his ability to see stagnation early enough to seek outside council is the most important factor in whether or not the business can be brought back into an energetic and growing state. The three strategies proposed will purposefully reroute the trajectory of the

business and involve an overhaul of current conceptions within the business, and each one has merits that could help the business immensely with escaping its own downfall on the life cycle.

7.

The strategy recommended for Mr. Greywell is option C, cutting costs and creating more efficiency in his expenditures. Both other options involve many different, undetermined variables, and with the current financial track of the company, each of these investments could easily create an economic downswing for the company. The suggested route with this pathway is to actually arrange to improve efficiency by more than 10%, aiming for 10% the first year and improving from there. This option is the soundest to set the company back on track and create the economic upswing that is needed to assert change throughout the company.

The reason this option is chosen over others is simply because the risk does not match the reward, for investing into a family specified resort, the initial investment is monstrously too high to justify the overall outcomes. With option B, going into adventure diving, the risk is worth the reward, however again the undetermined elements pose a massive risk on overall cost and effectiveness of the program, and when included the possibility of shark diving becoming an extinct practice with more environmental groups petition against the act, it is not seen as a long-term business solution.

The intended route is, as stated, to create efficiency year over year and get back on track, as well as to refocus and grow the company into an identifiable range in the marketplace, creating an identity for the company that will distinguish it and bring more clients overall. After this, the possibility of growth into adventure diving could be very promising, but only worth the risk of investment after re-stabilizing and restructuring of the company on mass.

References

The World Factbook: Bahamas, The. (2018, February 01). Retrieved from <https://www.cia.gov/library/publications/the-world-factbook/geos/bf.html>