Non stop yachts

In thecase studythere are three growth options facing Non Stop Yachts in 2003, Discuss and compare the pros and cons of each option and make a recommendation on which option to chose for the future. As indicated in the case the Non Stop Yachts has achieved the expected results in the first year of full operations. However in the end the 2003 fiscal year the target was to achieve sales of $10 million and profits of $1. 97 million. However in 2002 the sales were $300, 000 which was just 11 percent of the original business plan.

This was pressurizing Metcalf to revisit the business model. The three alternative business models that Metcalf is considering in order to improve organization’s performance are as follows: Option #1 Signing an agreement with Palmer Johnson or National Marine The sales growth expected from this deal is $3 million immediately with potential for 50 percent growth in the second year, 30 percent in the third and ten percent in the subsequent years. Metcalf have to invest extra $20, 000 for two extra administrative people and 25 percent in employee tax.

The gain on rent would be $10, 000 per year on his rent by moving into an office without public access. However the problem in this is that NSY will be the third party and stop dealing directly to the crew of mega-yachts. Option #2 Growth through Repair and Refit Yards and Dealing Direct to Yachts-a “ Hybrid” Option Metcalf believed that sales of more than $2 million in three years can be achieved. The additional growth of 15 percent for each subsequent year was expected. The additional investment required is of $ 40, 000 for two employees for the brick mortar office of Palma.

The other two offices will require $24, 000 for setting up and additional $60, 000 per annum for all the three offices. This will come to $124, 000 for the all three offices for first year. There are two major drawbacks of this approach. The first is that it might have to stop direct dealing with the crew of mega yachts. The second is that NSY could lose it recognition at the consumer end. Option #3 Organic Growth through Opening Multiple Locations Metcalf is considering this option to provide brick and mortar presence to the virtual company.

It will offer a local touch to the mega yacht owners or management. It will remove the apprehension of the yacht crew when they will have the shops at major destinations. Through this option, Metcalf has proposed to open multiple offices at several locations of the key ports across the world. The investment required was $100, 000 for the two additional offices. The returns expected by Metcalf were $1. 5 million in annual sales five years from now. Each of the option has some gains and drawbacks. The risks in the option one and two are higher than that of returns.

The risks in the first two cases are of losing the right to reach or interact with customers directly. This is one important factor to consider. Company would be able to reach more customers and explore the market place, provide innovative offers and products to the customers directly. These activities can build brand and long term image. The intermediaries or channel partners will have their own margins. Organization will have less control over the final price paid by the customers. Metcalf can opt any of the three business model to deal with the current situation of the company.

The profitability or the positive growth of the company is required in order to maximize stakeholders' benefits. Metcalf needs to ponder upon all the marketing mix and operational issues and find out the actual reasons behind not achieving the desired results and factors behind the same. The external factors can be out of the control of the CEO but the internal factors can be addressed through various strategies. It is possible that the company has not been promoted adequately in order to attract new customers and retain the old customers.

The value of repeat business for various spare parts and services are high for the mega yacht industry. There were more than 5000 mega yachts in the same year company had started its operations. The size and competition of this industry was increasing with theglobalizationand internationalization of the product and services. There were German, Asian and African companies competing along with US based companies to gain market share of US market. This strengthened customer's position as a buyer but decreased the position of the suppliers or the companies like NSY. NSY has been innovative.

It identified the gap of the market place and tried to pitching in there. It has considerable start as in the first year of full operation it was able to reach its target sales and profit levels. However, in responding to the customer's need, Metcalf realized the importance of the physical presence as well as it's identified its weaknesses and the opportunities of the market place. The business is a niche segment with highly lucrative returns. The option three along with the best cost generic strategy will help the company to sustaining its growth and achieve the business objectives.

In my view the Option #3 of the Organic Growth through opening multiple locations was the best options. The investments required for each of three cases is almost more than $100, 000. However the risk associated with the first and second option was higher as the direct interaction of the company is being restricted. The third option has the full control of the organization over the way of reaching the customer, interacting and controlling the all the operational, marketing and strategic decisions. The company should opt for best cost provider generic strategy.

Through this option company can reach to the customers directly. This will help in controlling marketing mix strategies. The return as compared to the investment is high for this option. As indicated in the Exhibit 5 Original Financial Projections for Non Stop Yacht of the case, the sales expected in the year 3 are $10, 698, 465. . In the case of the Option three, the sales expected in five year are $1. 5 million. The sale achievable through Barcelona and Palma offices was $500, 000 without much of investment.

It can be seen as a start of the brick and mortar office and the operations can be started from here. This will help in experimenting with the new business model without much of the risk. Once the feasibility of the business model is accessed through these two offices, more offices can be opened in the key ports of different parts of mega yacht destinations. The presence of brick and mortar office will increase the trust and confidence of the crew of the mega yacht members and help company to expand its operations through human touch as well.

This will help in dealing with the drawbacks of the virtual market place. The direct sellers may be appointed in the company in later stages to convince the visiting crew members, inviting them and promoting the products and services of Non Stop Yachts. The physical presence of the company will help in building brand and promoting the company. The company needs to be top of the minds of all the decision makers. The brick and mortar presence will help them in building the same position of the company in their mind. The pros of this option are as follows:

This option is practically feasible as compared to other options available to Metcalf. ? There is no risk of losing customers to the yacht management service companies. ? Company will have direct contact with customers ? Direct interactions with customer provide feedback of customer regarding products and services to the NSY. ? This feedback will provide a direction for incorporating changes in different management strategies. ? The marketing mix can be changed and aligned with changing businessenvironmentand organization's objectives andgoals.

Total control over all the strategic decisions regarding organization's activities. ? Company can take quick decisions and will have direct control over the processes, communications and other operations of the organization. ? The long term impact of this strategy is in favor of the organization. Drawbacks of this option: The risk is borne by the company alone whereas in the case of option one and two the risk was combined for the companies involved. Reference: Kotler, Philip, Marketing Management, Prentice-Hall Inc. New Jersey, 10th Edition, 2000