

Coral divers resport

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Mr. Jonathan Greywell is contemplating a business decision in which there are four realistic options. He is the owner of Coral Divers Resort, located in the Bahamas on the island of New Providence. He caters to customers looking for a resort package that includes diving. This case discusses a decline in revenues for the three-year period of 2005-2007. His options include: selling the resort, partnering with another business, focusing on higher margin business, or improve his current business to be more competitive.

Selling Coral Divers ResortThe most significant reason to sell the business is the declining revenues. However, Greywell would need to find another means of income such as another business venture or a new location for a similar business. Greywell could have a business valuation done, but since his equity in the business is low, he would not have much left over to start another business venture. Greywell has built a lifestyle around the Coral Divers Resort business and enjoys it. At this time, I recommend that he focus on his other options and keep the business. **Partnering with Rascals in Paradise**Entering into a business agreement with Rascals in Paradise would change the direction of Greywell's business to a more family-oriented business. In addition to rebranding Coral Reef Resort to target families, there would be additional capital improvement expenses.

Cottage renovations would be nearly \$50, 000. The addition of a playground is estimated at \$15, 000. The wages expense to hire a chef could vary based on the quality and experience of the chef. However, making use of an existing facility such as the kitchen and dining room would add an additional stream of revenue and would help to offset the additional costs. In my

opinion is it unrealistic for the resort to be at 100% capacity on a regular basis. Therefore, if we look at realistic numbers using historical Coral Reef Resort data, we can reasonably predict a 90% capacity in the high season - an improvement over the current 70%. The revenue generated from this increase is approximately \$100, 000.

Another factor to consider in making this decision is whether Rascal's is worth the 30% commission. The fees for families (i. e. more people per room, etc.) when compared to the operation expenses keep the profit margin the same with the added benefit of a unique identity in the market. Higher Margin Adventure Diving Adventure diving generates a higher margin and therefore it is a good idea for Greywell to consider adding it to the mix of dive offerings. However, it cannot be considered without weighing the risks involved.

Coral Divers Resort has an excellent reputation and careful consideration should be given as to how to protect this intangible asset. Adventure dives would need specifically trained and experienced dive masters. Simply training existing employees might pose an additional risk since they aren't too excited about diving with sharks and also lack experience that might be helpful for safety issues. Within an hour's distance away, competitors are already a part of this market and bringing in \$115 per adventure dive which is \$50 above the regular dive experience. An additional \$600 per week can be earned on two days per week with an average of 6 customers each of those days. Despite hiring or training costs and additional \$31, 200 in revenue can be generated, after the expenses for sharkfoodand the special dive suit. Perhaps more adventure dive business is possible, yet this

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estimate would need to remain conservative until the demand can be established and adjustments made accordingly.

Improving Existing Coral Divers Resort Greywell should look at running the business more efficiently to see where he can lower expenses such as operating costs and both fixed and variable costs. However, improved efficiency alone will solve Greywell's current problem of reduced revenue. He needs to be looking at additional revenue sources by bringing in more customers for existing business or new offerings. While it is a good benefit to customers to get free services such as afternoon rides, many of those customers would also pay to go. If he had an average of 9 free-ride customers per week pay only \$25 for the ride, he would generate another \$225 per week in revenue. He could add a box lunch for purchase, a snack package, or a cocktail option. Having more offerings will help to increase revenue.

Although I don't expect these food and beverage items on the boats to bring in much revenue and could be more work for too little reward. Greywell would certainly not want to be distracted from his core business. Conclusion Greywell should go with the Rascals in Paradise partnership. They can help rebrand and market the resort driving up occupancy rates. While increasing profits through occupancy and additional revenue streams are a positive move, Greywell will still need to solve his issue of high debt in order to make the renovations needed. In addition, he should already be running the business efficiently and regularly seeking out ways to maintain a high level of efficiency. I would not recommend that Greywell enter into the Adventure Diving segment of the business under the Coral Divers Resort name.

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The risks of injury are too high and an accident can have a very adverse effect on the business reputation. Also, in my opinion, a family business and an adventure business would serve different segments and have different branding messages. Having both under the same resort name will dilute the message and negatively impact the more profitable business segment. Instead, if Greywell feels passionate about pursuing the adventure business, I recommend he wait until his partnership with Rascals shows results and then begin a subsidiary or a separate business with its own branding that caters to the adventure diving market. This way, his businesses can feed each other and the marketing messages for each remain clear and focused.