

# Coast4life inc.

Economics, Tax



This report outlines the strategic options available to Coast4Life for the upcoming fiscal year. Through my research, I have identified the current situational analysis that is necessary to be considered for the options that will be provided in this report. Current situational analysis: Vision: Coast4Life cruise will be the first choice for vacationers who are seeking a safe, enjoyable and unique cruise experience in the northeastern Pacific Ocean. Mission: Coast4Life meets the needs of vacationers by offering safe, enjoyable and unique cruises along BC coast at affordable prices and at a high quality of service.

Coast4Life strives to minimize the safety effects of cruising on ecology and maximize the safety of customers, staff and marine life by ensuring ships are well maintained and environmental and safety regulations are exceeded.

Preferences: The Board of Directors(BOD) preference is to be profitable and maintain a positive net income in light of upcoming economic downturn. The General Manager of the Fraser dry dock believes it defines the reputation on BC Coast for Coast4Life safety. Constraints: Cash available on hand is \$10,461,000 and an after tax rate of return on 16%.

Key Success Factors: Coast4life cruises wants to provide high quality services to the passengers. Refer to the passenger/crew ratio in comparison to industry averages(see Appendix 3-1). Current Financial Analysis(See Appendix 1- Financial Ratios): Ongoing increase to Coast4life's abilities to meet its short-term obligations. In light of the slight increase of acquiring additional assets, our revenue streams still continues to outmatch this on a steady basis; however, the incremental revenue is declining with each year.

Our service offerings grow; generating incremental income each year; nevertheless, Coast Native and Natural Splendour gross margin's are the same, and each offers different services. Company's ability to cover interest is growing over the years, and our debts are declining. Coast4Life's ability to convert investments into profit has increased. Strategic Options: To cut costs. Option#1: Divesture of the Fraser dry dock Pro(s): Gain on sale of \$7, 274, 000; in favour of BOD preferences and in line of providing the necessary funds to maintain incremental financial targets for upcoming economic downturn(see Appendix 3- 2).

Con(s): Against general manager's preference, as can affect the reputation of the company - the quality of safety regulations the company adheres to. Option #2: Registering Coast4Life's ships in Liberia Pro(s): Wages&Salaries will be cut by 30%; In favour of BOD's preference to cut costs - \$1, 423, 530 would be saved by outsourcing from Liberia(see Appendix #3- 3). Con(s): Affect quality of service provided by the crew; be against the mission statement Hiring unskilled labour can potentially increase management expenses(Additional Training).

Minor options: For materiality purposes with respect to revenue sources the following are minor options to generate additional revenue: Option #1: Switching customer target markets Pro(s): By targeting 40-60 year olds, revenue streams will increase by 20%, which could also increase all financial ratios by the same rate and, thus be in line with the vision statement. This target group can afford a more unique experience given industry annual family income of \$78, 000. For ages 40 -60 Industry is higher by 8% so we have space to grow and target this age group (see Appendix 3-4). Con(s):

By changing target there is no guarantee that revenues will be maintained throughout the downturn in the following fiscal year even with growth in tourism industry in Canada. Option #2: Implement a web-based booking system Pro(s): Can potentially save the company up to \$1, 341, 250 [(\$2, 146, 000x10% reduction)/16% after tax rate of return] in travel agent commissions over the life of the company and assist in further increasing the company's activity ratio Can be paid off in less than 4 months. The payback formula proves that no cash is needed to be spent, as through the incremental savings this investment will be recouped(see Appendix 3-5).

Cons: Decrease word of mouth advertising via travel agents. Increase global competition due to the online presence. Recommendation Given the uncertain future ahead, it is best to be conservative and in line with the current mission statement for company objectives. It would be best that Fraser dock would be divested and web-based booking system would be implemented. This would cut costs and increase revenues via savings that can be earned without risking the reputation of the company or established revenue stream. With this consideration, the company will still have enough resources to maintain its financial position.