

Livoria persuasive essay

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Livoria deliver enjoyable experience to vacationers 2. Livoria is socially responsible that always exceeds environmental and safety regulations 3. Crew members , vacationers and marine life are safe during the journey 4. The services on cruise are high quality but affordable Leveraging (S-O Strategies) Livoria's strong brand in safety can take advantage of the growth in tourism industry and strengthen economy in Canada. After acquiring Natural Splendour, Livoria can offer mix of products that can satisfy both vacationers who value for price and for special amenities.

The steady growth in revenue and income has developed a strong financial fundamental for Livoria to expand the business in Canada. Constraints (W-O Strategies) Ineffective and inefficient promotion strategies become constraints for Livoria to get full benefit of strong demand in cruise. Because of the lack of web-based booking system, Livoria only can rely on Sales agent for booking. This not only cause Livoria to miss the opportunity to capture Saleslers who prefer booking online, but also increases the passenger acquisition cost. Even worst, Livoria attracts younger people who less willing to spend on cruises.

Vulnerability (S-T Strategies) As Livoria is known as outstanding safety among competitors, It can give confident to vacationers that the probability of on-board outbreak of disease in the cruise is minimal. Its unique services such as whale watching and ports of call can serve a niche market in cruise industry. This allows Livoria to compete with large brand operators in the market. Problem (W-T Strategies) Canadian market is relatively small for cruise industry and the industry is already dominated by large cruise ships

and large brand operators. The competitive force among rivals is very intense..

The accident of Sandwich causes Livorla over 3 Millions repair cost. In the future, Sandwich will still potentially harm Livorla's financial stability as its damage insurance coverage is limited. Livorla's high operation cost and ineffective marketing strategies can drive it out of the business easily. Issue Terrorist attack is a severer external threat for Livorla. Base on the effects of the past terrorist attacks, Livorla's revenue is expected to drop around 35% in 2011. Fortunately, the effect should only last for a year. In addition, the accident of

Sandwich will increase the repair cost for Livorla in 2011. Combining with the affect Livorla's financial health. If management does not have contingency plan, Livorla is expected to have 32.4M record losses in 2011. Current financial situation in 2010 fiscal year, Livorla performed better than planned. Total passenger was almost 2% more than planned. Revenue was 6.6% more than budgeted, so was net income 15.7%. (Appendix 2) Given the terrorist attack incident and 6 Millions repair cost in 2011, solvency and liquidity of Livorla are being concerned. The current long term debt to equity is 1. which implies that Livorla has risk of overleveraging. Fortunately, income before tax and interest is 6.43 times interest expense and current asset is 1.75 times current liability. Moreover, Livorla has over 10 Million cash and marketable securities which is enough to pay off repair cost and interest expense next year. This concludes that the solvency and liquidity of Livorla is not an issue. Comparing over the course of 4 years, Livorla recorded increase in revenue, expense and net income. However, in 2010

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fiscal year, the annually growth rate of revenue is lower compare to 2009 (13% vs. 31%).

This also causes the annually growth rate of net income drop from 67% in 2009 to 33% in 2010. Given both cruises, Sandwich and natural Splendour were operating at more than 90% capacity, even there was no terrorist attack incident, Livoria would not have impressive growth in number of passengers in the near future. Assumptions: 1) Direct material, credit card and Sales agent commission is variable to revenue. Thus, if revenue drops 35%, so does these variable costs. 2) Dry dock revenue stays the same as maintenance works should be performed no matter good or bad season. 3) Livoria can book 2.

M in capital gain by selling the dry dock 4) All maintenance, refurbishment and repair for Sandwich can be finished before the beginning of May next year. Thus, Sandwich can service in 2011 cruise season 5) Termination cost for all kinds of labour are also \$6, 000 each 6) Training cost for unskilled labours is \$1, 000 each. Alternative: 1) Divesting the Fraser dry dock. Pro: During the economic downturn, it is wise to spin off non-core business, so that company can focus its limited resources to improve its core business. Dry dock business is non-core business for Livoria. It only contributed 8. of company's total revenue in 2010. If removing inter-division transaction and associated direct material cost, dry dock actually reported 667 thousands loss. Con: Selling price for dry dock is only 4. 3 Million which is not enough to cover the estimated repair cost for Sandwich in 2011. Later on, Livoria has to spend two Million on refurbishment every year. More importantly, reputation for safety is core competency of Livoria. Livoria is relying this to stay
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competitive in the market. Livoria can no longer ensure maintenance works are well performed and exceed regulation standards if it contracts the maintenance work out.

The effects on project 2011 net income for divesting dry dock; Divesting dry dock will worse off than status quo. 2) Target more profitable market segment Base on customer survey conducted in 2010, Annual family income of our customers is \$72 thousand vs. \$78 thousand in the industry. It is mainly because we have more customers who under 40 years old than the industry (40% vs. 29%). The revenue per passengers per day for this group is only \$209 vs. \$334 for 40 to 60 years old group. In addition, we find it difficult to attract repeat customers. Here only customers were repeated vs. % in the industry. Each repeat customer can generate \$2000 vs. \$1800 from first timer. The effects on project 2011 net income for aligning customer mix to industry average: Net Income before tax (691. 15)

3) Hire unskilled crew and hospitality from underdeveloped countries. Pro: It is a W-T strategy that prevents firm's weakness from intense competition in the industry. Because of registering in Canada, Livoria has higher operating costs than competitors. By hiring employees in underdeveloped which commonly practice in all kinds of businesses, Livoria can lower its labour cost by 30%.

It is critical for Livoria to stay competitive in the industry. Con: Experienced crew is rare and invaluable. By swapping all experienced crew by unskilled labour, Livoria may risk losing its core competency - reputation of safety. Moreover, this may also affect our quality of service. Superior service is also critical to survive in the industry as well. Furthermore, termination and

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training costs can offset the benefits of labour cost saving. The effects on project 2011 net income for hiring unskilled labour Net Income before tax.