

**Business Plan for a Surf Company**

**Tin Barbo Gruden**

**Project submitted as a partial requirement for the degree of Master of  
International Management**

Supervisor:

Professor Gonçalo Pernas, ISCTE Business School, Department of Management

September 2018

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## Abstract

Portugal has become a high ranked European place to visit in last couple of years. The project Surf Company has been growing slowly but steady since 2012 with humble starts in times of recession. In last two years the amount of business has grown drastically and so did the project. To understand fully where does the Surf Company come from and where it can go, an analysis and a business plan had to be delivered. Implementing economic and financial factors and real data from the business conducted, this document represents the viability of the project and gives understanding where the project might be heading in the future. The document will present the feasibility of current operations in the Surf Company.

**Keywords:** Business plan, Surf Company, Tourism, Surfing, Sport, Short-rental

JEL Classification: Z320 – Tourism and Development, L83 – Sports, Gambling Restaurants, Recreation, Tourism; L26 – Entrepreneurship

Portugal tem sido classificado positivamente como um sítio para visitar nos últimos anos. O projeto Surf Company tem crescido de forma lenta e estável desde o ano de 2012 com um começo humilde na época da recessão. Nos últimos dois anos o volume de negócios e o projeto cresceram drasticamente. Para ter um entendimento completo das origens e também do destino da Surf Company, é necessário fazer uma análise e um plano de negócios, implementando nestes, fatores financeiros e económicos, assim como também dados reais sobre os negócios até à data realizados. Este documento representa a viabilidade do projeto e dá também um entendimento da direção em que o mesmo poderá chegar no futuro. O documento irá apresentar a viabilidade das operações decorrentes na Surf Company.

**Palavras chave:** Plano da empresa, Empresa de Surf, Turismo, Surf, Desporto, arrendamento curta duração

## Executive Summary

The documents main goals are to overview, position and analyze the current state of Surf Company - Surfasm project. Overlooking the current business operations from active guesthouses, tours, surf school and student residences. With thesis analysis one will be able to understand what does Surfasm strive for, what are strengths and weaknesses of the business. By reading this document one will understand the past and the present of the project.

For the document analysis and creation it was considered that Portugal and it's tourism was growing, becoming a worldwide destination. With the adventurous touch of surfing, this is a perfect fit for a potentially successful business.

The country itself has over thousand and two hundred kilometers of coastline with an unaggressive climate becoming milder and milder around Lisbon area and travelling further down south. Lisbon area has become a major player in Europe's surf destinations. Its coast and beaches differentiate highly in only about fifty kilometers of areal distance.

The document presents the financials behind 16 locations the company currently operates in. Guesthouses are all positioned in downtown area of the city with one exception, that is the beach house, where Surfasm team operates the surf school and the camp.

One can understand, by reading this document, what is the most common clientele and visitors. Furthermore the document presents what are current demographics and general statistics of guests, locations and services.

There is a general overview made with financial papers. Understanding what is the general gross sale made on each of the guesthouses. Each unit is analyzed by additional factors as costs of setting it up, utilities, licensing and other costs that occur with doing this kind of business. All is gathered in presentable data sheets, where calculations like profitability are made.

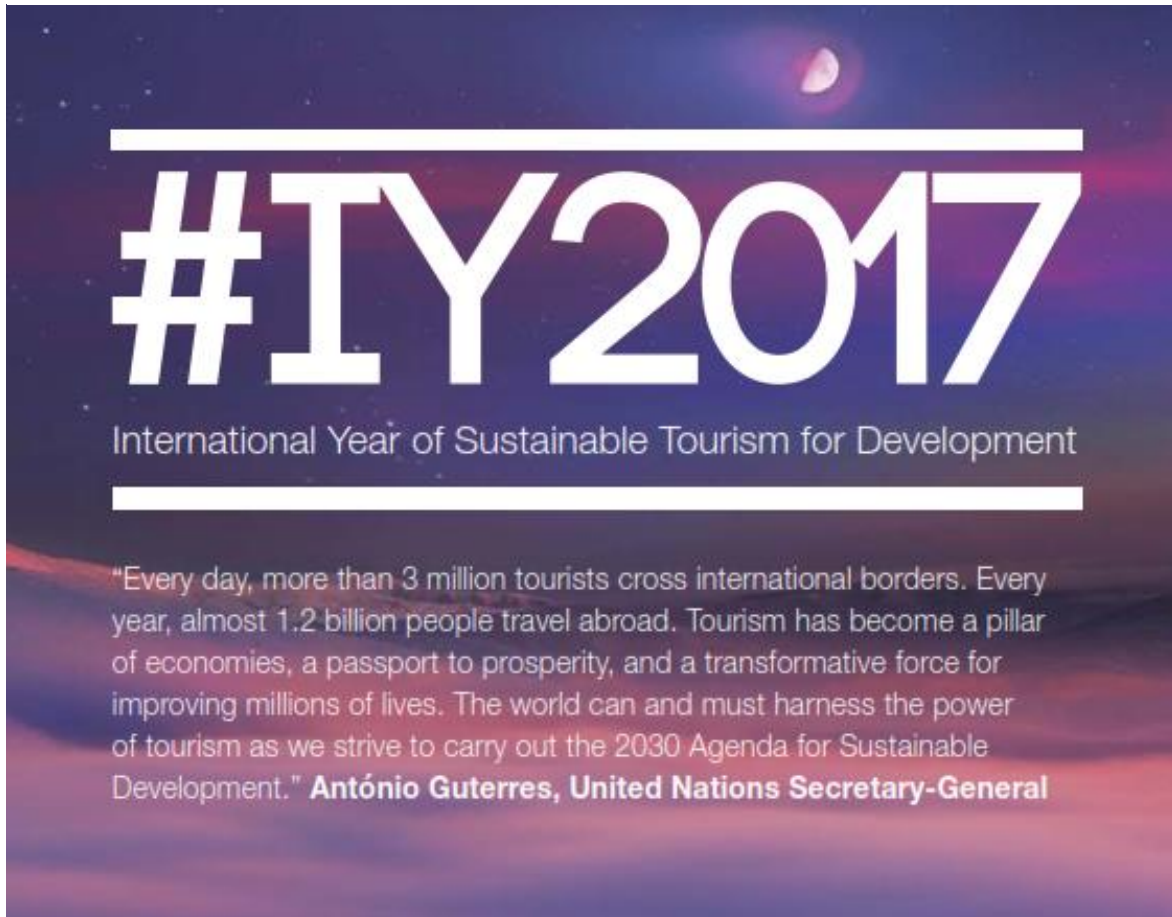
By creating the business plan, one will understand where Surfasm is at with the current "chiffre d'affaires". Surfasm, as the company had a very organic growth and it was building the necessary intelligence, business process and infrastructure alongside the exponential growth. This document will try to grasp and sum up current operations and financial aspect. There are many costs involved that are rounded up as an assessment, so the results will have a certain margin of error.

The company is currently run by a CEO that has equity and is involved with foreign investors that are closely observing the growth. In addition they help with consultation and guidance with legal, crisis matters or any other process needed.

The long term plan is to create a scalable business, knowing all processes from micro to macro aspect of the company and give an excellent and constant value to clients no matter the location or the management team.

The financial plan shows a positive net cash flow for both business segments which is an indication of profitability of Surfasm business in 2017 and with the reasonable forecast for the year 2018. The profit after tax is estimated between 10-25% per annum. This profit percentage is greater than an average cost of capital (6%) and therefore a good profit.

Figure 1: Quote of António Manuel de Oliveira Guterres, 9th Secretary-General of United Nations (Portuguese)



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## Introduction

This idea behind the business plan for a Surf Company is to position, understand and analyze the current situation in the market where the company is conducting business. The industry is tourism and real estate, specifically in Lisbon, Portugal. For a good assessment, one must understand the environment in the widest sense possible, taking in count the country, where the tourism business is located, but at the same time understanding foreign clients that come as guests to the locations and to join activities like tours and surf classes.

In the literature review section, the Portuguese setting is presented, so the reader can collect the basic knowledge on the topic; overviewing the tourism trends and how they impact Portugal in addition Lisbon's real estate context will be demonstrated. Lastly the surfing as a growing niche market will be displayed. With given data and interpreted results the researcher is going to have a strong position to look inward into the company's structure.

The company is going to be presented in the second section, covering all important aspects from historic development to active business services.

In the next section the researcher is going to conduct different business analysis to exhibit the company better to the reader. The approach is going to be methodological throughout. The knowledge collected till this point is going to help setting future business goals for the company, that are going to be discussed in the marketing plan, the next thesis section.

The Surf Company is already active for more than 24 months; this document is going to serve also as a direct assist for the strategy building. The financial analysis is going to be conducted in the fifth section. It will help to display if the company is profitable and sustainable.

The company is in structuration phase, where the internal systems are being built on monthly basis and that is why this business plan is of the utmost importance to the company's growth and stabilization.

Lastly, there will be an interpretation of the forecast of the business growth for the following 3 years. These results are going to help defining if the business plan is well set. The closing commentary will be conducted in the conclusion section.

## SECTION 1: Literature Review

In the section of literature review it will be spoken of the world tourism as it is and also of the Portuguese tourism that is growing exponentially in the latest years with a general overview of the real estate market in Lisbon, Portugal; in addition, the surf tourism as a new niche market is going to be introduced.

Literature review is going to help the company's current situation and positioning in the business environment with existing parameters inside the European tourism context. The Surf Company is positioned in two industries that are also interconnected. The company operates in real estate business – providing the accommodation, leasing and re-leasing real estate, renovating apartments and also does activities in the tourism sector – providing tours and day activities for tourists and travellers.

Down below the reader can find the list of sections that are going to be covered in the literature review, backing statements using official data posted in yearly reports from *World Tourism Organization*, *Portuguese National Institute of Statistic*, *Tourism Portugal*, *Global Property Guide* and others.

List of literature review sections:

1. World and European tourism context
2. Economic Impact of tourism for Europe and Portugal
3. Tourism and “Local Accommodation” in Portugal
4. Lisbon - LA tourist demographics
5. Portuguese real estate context
6. Surfing Context as a Niche Market

\*\*\*View Appendix 1 for the figure

## World and European Tourism Context

In the last decades tourism has become one of the continuously growing sectors with an ongoing diversification. It has become a crucial aspect of socio-economic progress worldwide. It creates jobs, pushes forward the economic growth, it encourages peace and security to deliver a sustainable lifestyle for the people involved. In addition it promotes cultural preservation and environmental protection.

Tourism produces a stunning 10% of world's GDP and creates 1 out of 10 jobs. As it states in the annual report of World Tourism Organization (*UNWTO Annual report 2017 file\**) that the year of 2017 was a record year, that reflected the continuous growth in last eight consecutive years; this kind of a stream was not recorded since 1960s. In the aspect of tourist arrivals there was about 1,323 million of them in 2017, meaning about 84 million more than in 2016.

In addition, the study states that there has been a constant growth of tourism at about 4% per year. Europe itself had about 671 million tourist arrivals covering the biggest share at 51%. In the last year it increased with striking 8%. Furthermore the forecast of international tourist arrivals for 2018 is somewhere between 3,5%-4,5%.

That is a comforting factor, showing that the global industry, economy and governments are working in direction that tourism as global activity becomes one of most sustainable business sectors in the following years.

Europe's short term accommodation for tourism purposes (Surf Company is operating in this economic sector) has had in first ten months of 2017 about 428 million of international arrivals. That is a strong indicator of diverse industry that is becoming bigger and more stable by the year.

In the study delivered by World Tourism Organization that covers the European Union tourism trends it has been stated that 61% of European Union residents made 1 or more tourism trips in 2015. European residents have made more than 1.2 billion trips and spent 6 billion nights as tourist. As domestic tourism (meaning that the tourist did not leave the country of residence) the percent is the highest – resulting to 74% of trips and 68 % of nights.

As the study shows, the European residents have spent 65% of international nights within the continent - Europe. The assessed average expenditure (spending) of a European tourist

travelling would be 89 € for the international trips and for the domestic trips it would be 53 € per nightly stay. (*EU Tourism Trends Report, UNWTO, 2017, Page 33*).

Portugal is stated as one of the countries positioned in Southern and Mediterranean Europe sub-group. The whole group spent about 49 billion on international tourism in 2016, raising the level for 3 billion from 2015. Portugal has spent 3.8 billion on international tourism in 2016 counting in the domestic and international tourism (*EU Tourism Trends Report, UNWTO, 2017, Page 31*).

From 2.5 billion nights spent by European residents, outside of their country (in the year 2015) – 1.9 billion were in Europe. It is represented with the fact that almost half (49%) of international nights in Europe are destined for Southern and Mediterranean Europe. Spain has the strongest position, but in the latest period there was an impressive growth of the Portuguese tourism market. Portugal, with good flight connections and very mild climate attract more European Tourists by the year.

Study shows (*EU Tourism Trends Report, UNWTO, 2017, Page 37*) that in 2015, tourists stayed on average about 4.3 days in Portugal as a part of the international trip within the European destinations.

\*\*\*View Appendix 2 for the figure

In the year 2016 there were 608 thousand registered accommodation establishments in EU offering over 31 million places to allocate tourist to sleep over. (*Eurostat European Statistic Report, EUROSTAT, 2017*)

The statistic data was derived from Eurostat that has classified the accommodation into the following sub-groups: hotels, camping grounds (and vehicles), “holidays and other short-stay accommodations” (the sub-group that represents Surf Company portfolio). The last sub-group covers 62 % of the group of accommodation establishments, almost the double of the hotel sub-group But at the same time, says the study, the “hotels and similar establishments” sub-group has been accountable for 62% of total nights spent, compared to 26% of the “holidays and other short-stay accommodations” sub-group. (*EU Tourism Trends Report, UNWTO, 2017, Page 39*)



The World Tourism Organization has stated that for the year 2016 the international tourist arrivals for European destinations by origin is 73 % from the EU-28 and the rest from out of Europe countries. (*EU Tourism Trends Report, UNWTO, 2017, Page 46*)

\*\*\*View Appendix 3 for the figure

## **Economic Impact of tourism in Portugal**

Tourism sector is one of the most important economic engines, bringing new job positions in macro and micro environment in world-wide and especially in European markets. It is super agile, can adapt to the market needs and can potentially bring above average job opportunities for women and youth. For the European Union, tourism itself brings over 10% of Gross Domestic Product (Source: Investeu.com, World Travel & Tourism Council (WTTC)). It is a big contributor to the European economy; Portuguese GDP has been growing for the last couple of years reaching 17.3 % in the year 2017. (Source: World Travel & Tourism Council (WTTC), knoema.com)

Portugal as a destination has been growing each consecutive year without decline for more than 6 years. The country has many high quality specifications that attract tourism, starting off with one of the longest solar exposures in Europe, a mild climate, accessible prices, diverse gastronomy, rich historical sites and wild nature. Portuguese people are perceived as a welcoming nation; that gives the “icing on the cake” for European and world travellers.

All the above written facts make Portugal as one of the best European destinations to visit in last couple of years and especially Lisbon, the capital, has lately received multiple awards for the best touristic destination of Europe. Furthermore in Portugal, there are many opportunities for entrepreneurs to start a new business connecting tourism with local or “g-local” environment. According to Eurostat (Source: *Eurostat, Report of 2014, page 57*) there were over 2.3 million enterprises in Europe, that supplied goods or services to tourists. This goes for businesses that are directly and indirectly connected to tourism sector. Meaning there are many potential jobs and opportunities for new entrants. Therefore it is important to understand fully the local environment backed up with the latest data and analysis. For Lisbon environment one of the main small to mid-size businesses models is connected with accommodation and logging for tourists. It is currently nested under the Portuguese law of the RNAU, the law of the urban accommodation (“Novo lei do arrendamento urbano”). This topic will be addressed in the next section.

## Tourism and “Local Accommodation” in Portugal

Portugal has been on a positive stride of tourism development in latest years. It has had record foreign visits for the country and also a strong economic recovery since the economic crisis connected with debt that happened between the years of 2011-14. The yearly growth has been bigger even compared to the neighboring Spain that is positioned strong as the tourism leader of Southern and Mediterranean Europe group. Hotel and tourism related revenues account for more than 10 percent of Portugal’s GDP. As mentioned before, the tourism sector is one of the key sources of employment in the country.

For the year 2017, the National Institute of Statistic has stated that in Portugal there has been 24.1 million guests and about 65.8 million of overnight stays. Counting in guests that stayed in hotels or similar establishments like local accommodation (Alojamento Local) or other rural logging. (Source: *Estatísticas do Turismo 2017, Instituto Nacional de Estatística, 2018, page 5*). The strongest nationalities by visits would be United Kingdom with about 21% overnight stays, German that is about 14% followed by French and Spanish that are about 10% each.

**Figure 2: Spreadsheet of number tourist (by nationalities) that were lodged in Portugal**

- Years 2016, 2017 (Source: INS)

<b>Country of residence</b>	To be calculated by x 1000	
<b>YEAR</b>	<b>2016</b>	<b>2017</b>
Portugal	17485	18762
<b>INTERNATIONAL</b>	<b>41943</b>	<b>47081</b>
Germany	5848	6512
Belgium	1007	1040
Brasil	1624	2262
Canada	590	763
Denmark	534	622
Spain	4337	4640
USA	1319	1830
France	4431	4660
Ireland	1442	1604
Italy	1318	1579
Netherlands	2695	2731
Poland	794	1074
UK	9594	9862
Sweeden	664	733
Switzerland	815	907
Others	4929	6262

In Lisbon, National Institute of Statistic is stating a strong 25.4% growth in tourist overnight stays for the year 2017. Adding up to the total revenue of € 3.7 billion in 2017. From that amount € 2.7 billion were brought from the revenue in tourism accommodation. That would be an impressive almost 20% growth compared to the year 2016. (*Source: Estatísticas do Turismo 2017, Instituto Nacional de Estatística, 2018, page 6*).

To understand fully how the statistics were made, the reader must know that there are sub-categories in the tourism accommodation sector. In Portugal the sector of touristic accommodation is split between:

- Hotels and similar establishments (hotels, “pousadas”, “quintas)
- Tourism in rural areas and lodging tourism
- Local Accommodation as known as “Alojamento Local” or the abbreviation “LA”

The Portuguese law lists under Local Accommodation short term accommodation like guesthouses, apartments and similar. All specifications can be find in the law of Local Accommodation and RNAU, the law of the urban accommodation (“Novo lei do arrendamento urbano”).

As claimed by Instituto Nacional de Estatística, Local Accommodation had about 2700 establishments in July 2017 with almost 66700 beds -counting in Local Accommodation with 10 beds or more. (*Source: Estatísticas do Turismo 2017, Instituto Nacional de Estatística, 2018, page 6*) The number has had a constant growth and has become a strong positioned market sub-group.

When conducted research, it was found out that the INS study did not count in registered “Local Accommodation”, that had less than 10 beds, so it was difficult to fully understand the size of the market. To understand the market situation better the research was conducted also with other official entities like Registo Nacional de Alojamento Local, Deloitte and Associação da Hotelaria, Restauração e Similares de Portugal. When assessing the number, it was not understandable if the entities speak of only registered LA or also about the illegal segment, that could be relatively big.

Registo Nacional de Alojamento Local (RNAL) has stated that in the end of 2017 there were more than 69.900 units of Local Accommodation. In addition the Deloitte group has claimed

that there exist over 51.000 units of Local Accommodation, that represent 205.261 beds. (Source: RNAL, Deloitte, Observador.com)

A study made by AHRESP –Associação da Hotelaria, Restauração e Similares de Portugal made a study in September 2017, where it was stated that Local Accommodation in Lisbon had generated a revenue of € 1.664 billion – tourist spending directly € 285.9 million on nightly stays and an indirect spending of € 549.6 million (spent on indirect services and products). The industry sector has also given more than 5700 direct and 13430 indirect job positions. Supposedly delivering about €51.4 million in salaries and other compensations. Local Accommodation has supposedly created about € 50 million additional money for the Portuguese state in 2017. This impressive stats are presenting the development of the tourism sector of accommodation in Portugal. (Source: AHRESP website, 2018)

As seen in the above written paragraph, the information varies and as for 2018 the process and Local Accommodation sector is still not standardized and centralized. The reader can expect more transparency in the years to come, especially from the official entities that are managing such a fruitful touristic sector.

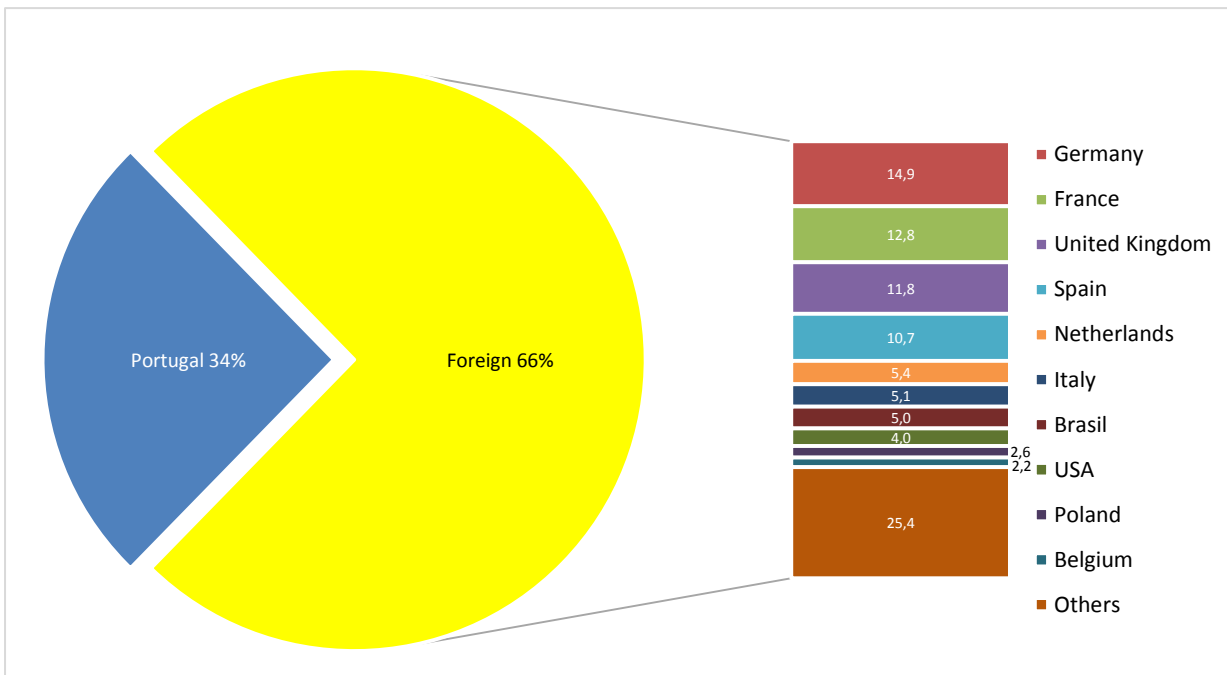
It is important to mention, that this is also the Surf Company's area of involvement. In the following chapters the reader will learn about the current company situation and also basic information about its accommodations.

The Local Accommodation has hosted about 3.4 million guests in Portugal for the year 2017. That is almost a 29 % growth from the year 2016. The guests and tourists have spent 8 million over night stays (showing a 27 % growth since the last year). As stated in the latest report of Portuguese National Institute of Statistic (Source: *Estatísticas do Turismo 2017, Instituto Nacional de Estatística, 2018, page 7*) the average nightly stay was about 2.35 nights.

## **Lisbon – LA tourist demographics**

By the study of Portuguese National Institute of Statistic for the year 2017, Local Accommodation has about 34 % national tourists and 66 % international tourists. The data are presented in the next section chart. Most international tourist that are coming to Lisbon area and stay in Local Accommodation, are from the following countries:

Figure 3: Percentage of guests staying in Local Accommodation by nationality, 2017 (Source: ET 2017)

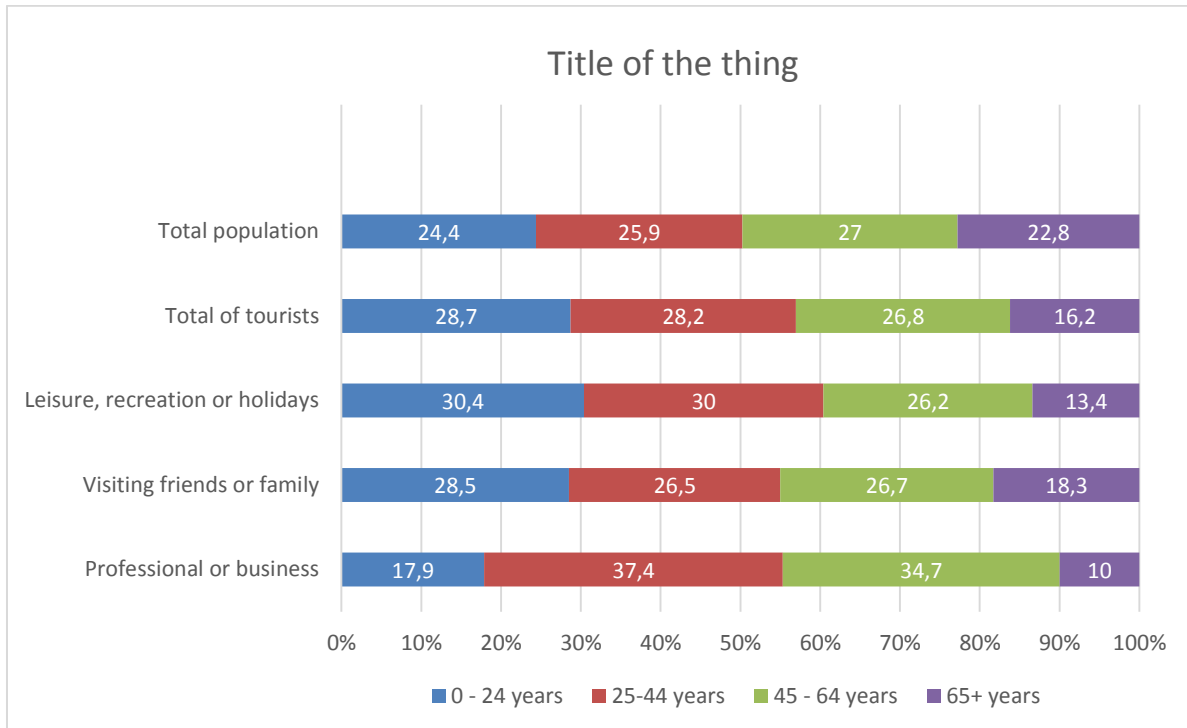


From the above chart it is clear that Germany (14.9%), France (12.8%), United Kingdom (11.8%) and Spain (10.7%) are the strongest foreign nationalities present in Lisbon like tourists.

A thorough search resulted no data regarding specific demographic of international tourists staying in Lisbon's Local Accommodation. The only tangible results could be find in the study of Portuguese National Institute of Statistic, where there is an overview of national tourist demographic. The INS claimed that in 2017, 44,5% of population living in Portugal made at least one touristic trip. From that amount 32,5 % travelled inside the country only. The "leisure, holidays and kickback" was the reason for travelling for about 31.9% of the residing population. "Visit of family and friends" was another justification for travelling inside Portugal for about 20.9% of the population. "Work and business" was the reason for about 4.7%. (Source: *Estatísticas do Turismo 2017, Instituto Nacional de Estatística, 2018, page 85*)

In the chart below, the reader can overview the motives for the travelling for residents and also the age groups separated in following four groups: 0-24 years, 25-44 years, 45-64 years and 65 and + years. The other parameters are stated as following: total population, total number of tourists, "leisure, holidays and kickback", "Visit of family and friends", "Work and business".

**Figure 4: Age groups of residents living in Portugal and their motives for travelling in 2017 (Source: INS 2017)**



There is an understanding of Portuguese national tourism demographics, but for the Surf Company’s interest, what is important is to understand the foreign tourist demographic, as majority of the clients are international and not local.

To battle the lack of data and information to conduct a relevant analysis, there has been made an in-depth survey of over 500 international guests that were staying in different Local Accommodations in Lisbon by the researcher. The analysis is going to be presented in the following chapters.

Covering the basic understanding of the short renting environment, the literature review heads towards the other aspect of the real estate market. As Surf Company is not positioned as the owner of the properties, it is important to understand how the local real estate market is evolving and what can be expected to happen in the following years, deriving assumptions from past studies, analysis and reports.

## Portuguese real estate context

The real estate market in Portugal is in a bloom phase in latest years and the prices are going up by the month. This is due to many factors, one of them would be a large foreign investment, that started to happen in last 2-3 years due to “Golden Visa” – golden resident permit, when the Portuguese government allowed the direct influx of capital for reconstruction, build and renovation of real estate in the country. In addition Portuguese government is granting a 5 year golden residency permit for non-European citizens who buy a minimum of € 500.000 worth of property (*Source: livinginportugal.com*). Other motive might be that Portugal is slowly but steadily rebuilding the economy after the economic crisis that happened between 2011 and 2014. In addition Lisbon, was one of the cheapest European capitals to buy the property in. Over the past 7 years it has been raising to become comparable to other European cities.

The Global Property Guide (2017) reported a booming property market in Portugal with rising property prices. The year-on-year increase in property prices in notable cities in Portugal are shown in the following table:

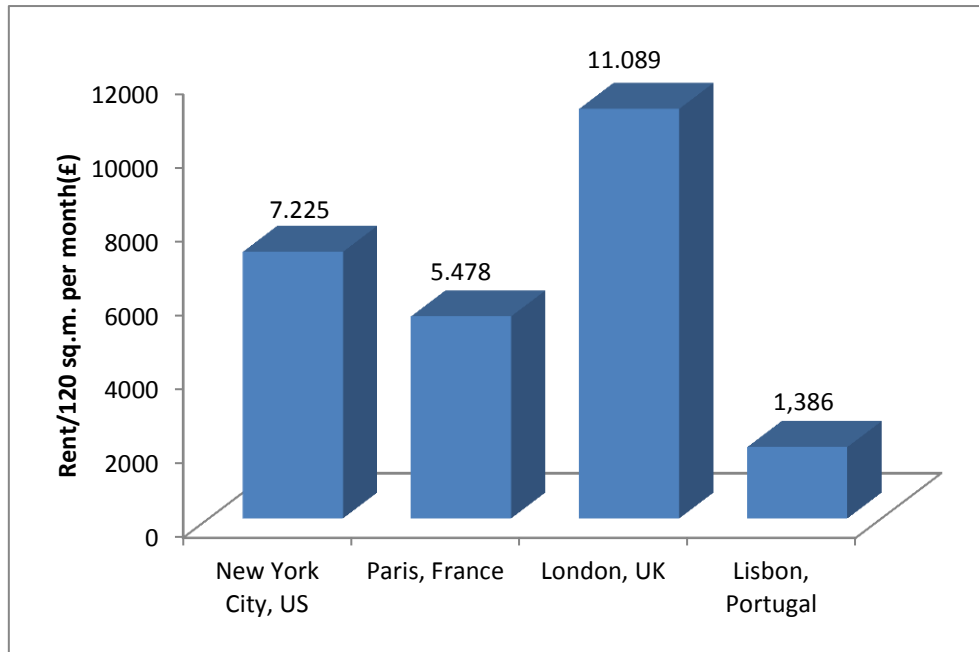
**Table 1: Increase in property prices by cities or areas (Source: Global Property Guide 2017)**

S/n	City	Increase in property prices
1	Lisbon metropolis	5.51 %
2	Amadora	12.88 %
3	Vila Franca de Xira,	7.75 %
4	Porto	5.28 %
5	Odivelas	12.62 %
6	Almada	7.47 %
7	Cascais	11.65 %

In Lisbon metropolitan area on the average, rent was estimated at €1,386 per sq. meter per month (*Source: Global Property Guide, November 2017*). There was a big development in areas close to Lisbon. There has been a stronger out flow of city center residents due to costs, tourism investments, traffic and other motives. As outer area started to develop residents could seek better opportunities of work and living there. In addition the area of Amadora or Odivelas had more constructible terrain compared to Lisbon center (renovations of the real estate). Lisbon’s rent per square / per month is the lowest among chosen capital cities in the

world including London in the United Kingdom, Paris in France and the New York City, United States (See Graph 1). Rents in the New York City, Paris, London and Lisbon were estimated at €7,225, €5,478, € 11,089 and €1,144 respectively.

**Graph 1: Rents in comparison by certain capitals in the world (Source: Global Property Guide 2017)**



In spite of the lower rents in Lisbon, Portugal, the city recorded the highest yields on rents in the year under review. Rental yields is the yearly amount of net income that a certain property generates. It can be also expressed in gross basis. The general calculation is the following: all property-related expenses (utilities and others), except of the annual mortgage (for gross rental yield calculation) must be subtracted from property-related revenue. (Source: Sapling.com)

**Rental yield calculation example:**

- 1.Determining monthly rent:  $12 \times 1000\text{€} = 12000\text{€}$
- 2.Estimating vacancy rate (not realistic 100%, comparing it with others in area):  
 $5\% \ 12000 \times (1 - 0.05) = 11400\text{€}$
- 3.Calculating annual operating expenses (maintenance):  $10\text{€}$  (insurance) +  $40\text{€}$  (general maintenance) +  $20\text{€}$  (taxes)  $\times 12 = 840\text{€}$
- 4.Calculating annual mortgage expense: buying price of the apartment (100,000€), mortgage of 80,000€ with 30 year mortgage with fixed 6% interest rate. For this

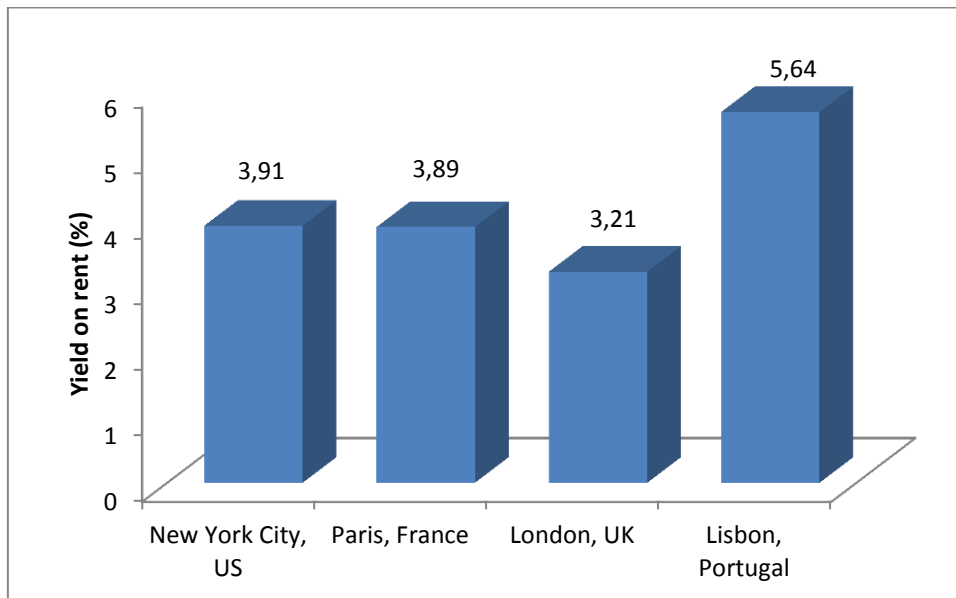


calculation annual mortgage formula (calculator) can be used – resulting in mortgage expense of 5.8119€.

5. Computing rental yield (net) dividing the net income with the price the property was bought.  $11,400€ - 840€ - 5.8119 / 100,000 = 0.105541 \times 100$  (percent) = 10.5541% rental yield. The rental yield in this example is about 10.5 percent.

In the graph below, the rent yields for chosen capitals are presented. While the yield on rents in New York City, Paris and London were estimated at 3.91%, 3.89% and 3.21% respectively, that of Lisbon was 5.64%.

**Graph 2: Rents yield in comparison by certain capitals in the world (Source: Global Property Guide 2017)**



When comparing to other cities there is a lower rent and higher yield in Lisbon. This can be interpreted that Portugal, as a country has an interesting disposition for further interest. Investors could invest relatively low amount in real estate (when compared with bigger cities, like New York City, Paris and London) and get high relative return on their investments in form of rents. The cost of construction is expected to have a positive covariance with rents. In other words, a high cost of construction and putting an apartment in a proper shape usually reflects in the rents payable.

## Surfing Context as a Niche Market

The emerging surf tourism is opening up another intriguing dimension to the ever-green real estate business. Portugal has over 950 kilometers of coastline (continental coastline) and in addition Lisbon is the only European capital that has waves that can be surfed all year around in thirty minutes reach. Naturally, beaches and waterfronts attract premium clients in real estate. Combining with more dynamic part of clientele, seeking active tourism, Surf Company did find a stable positioning. According to Holliday in Lazarow (2007, 12) “everybody wants access to the coast... the coast is where people want to live, do business, create development and where people want to recreate”. Adding the allure of surf tourism to the real estate potential along coastal lines appears to be promising business-wise. Surf Company is positioning itself as a reference point in Lisbon’s Surfing and real estate niche market.

\*\*\*View Appendix 4 for the figure

The origin of modern surfing tourism is traced to beginning of the 19th century in Hawaii after a prolonged religious war that decimated the population and ruined their means of livelihood (Lazarow, 2007). Desperate to find any means of survival, the Hawaiians noticed an unusual interest in surfing by the *Haole* (foreigners) among them and took advantage of it by preparing surf beach and providing surf gears for a fee to the *Haole*. With time, these services attracted people from far and near places and became full time businesses among the Hawaiians. Consequently, surf tourism was born.

Surfing has become one of the fastest growing recreation and sporting activities in the world. Surfing is not only a major recreational but also an economic activity “involving intimate human interaction with diverse coastal environments and is expanding both in intensity in traditional locations, as well as in reach into new environments” (Lazarow, 2007, 13). Buckley (2002) estimated the growth rate in the number of the surfers per annum at between 12-16%. Given these statistics, the number of surfers is estimated at between 10-30 million worldwide by the end of 2017 using the compounding principle. According to O’Brien and Eddie (2013), there are about 30 million surfers worldwide. There are different estimates on the number of surfers, done by different studies, making the calculation with sub-classes like – people, who own a surfboard, students that have taken a surf class and similar. According to well-established associations like International Surfing Association and Surf Manufacturer’s Association the world wide population is estimated to be somewhere

between 17 and 35 million. (*Source:ISAsurf.org*). In 2012 ISA has delivered a study to the IOC presenting numbers of 35 million surfers or people involved in surfing. The International Surfing Association is recognized by International Olympic Committee and has promoted the sport to the level that it will be taking place on the following Olympic games - Tokyo 2020. This will give an incredible exposure of surfing to the worldwide audience. Reader might understand there are different claims from different sources. Number being realistic or not, what is clear that the sport is becoming more popular every year.

*\*\*\*View Appendix 5 for the figure*

As the number of surfers grows, so does the popularity of the sport and the business opportunities inherent in it. This implies of surfing has a brighter future prospects and could present a unique opportunity to the early birds with innovative offerings like Surf Company. Many people engage in surfing as a one-off lifetime experience or as an occasional or a continuous recreational activity, while others, particularly professional surfers, engage in it as a means of livelihood. The first category is termed recreational (free) surfing while the other is referred to as professional (lifestyle or contest) surfing in this report. This indicates that there are two distinct direct business opportunities in surfing. A category of the surfing business opportunities is inherent in the organized surfing sport activities like those overseen by the World Surf League (WSL) and the International Surfing Association (ISA). The other categories of surfing business opportunities can be found in providing surfing platforms and supportive services to non-professional surfers around the world. This second category of surfers constitutes the market segment being targeted by the Surf Company.

The business opportunities inherent in surfing are not only limited to those that come from participants (either professional or not) but also from surf lovers and spectators who had never surfed but derive great pleasure in watching surfers display their skills while surfing. Value can be profitably captured by astute entrepreneurs and companies from this growing niche in the surfing business (Lazarow, Miller, & Blackwell, 2008).

Surfing usually occurs on natural waves onshore but its growing economic potential is attracting investments in alternative Artificial Surf Reef (ASR) to improve wave quality for surfing (Rendle & Rodwell, 2014). Surfing is a new face of tourism particularly in coastal communities with potential to improve the livelihoods of the coastal dwellers.

The report of *Global Industry Analysts Incorporated* have presented research results which states that the major growth in the surf industry is expected to happen in United States and Europe. The global surf industry is estimated on about 13.22 billion dollars in year 2017. (Source: *Surfing Industry Market Research, Global Industry Analysts, 2018; comparethesurfbrand.com*)

Surfing provides employment for professional surfers as well as many entrepreneurs along the coastal communities in which surfing takes place. Transporters, restaurants, hoteliers, room service providers and entertainers are making brisk businesses from surfers and surfing enthusiasts at various reputable surfing sites. Aside the direct employment, income and leisure opportunities that surfing offers, it also serves as a catalyst for a new wave of real estate businesses (Ponting & Mach, n.d.).

The growing number of surf enthusiasts is creating a new hospitality business referred to as commercial Surf Tourism. Surf Tourism emerges from the recreational tourism and ecotourism. The branch of tourism (surf), unlike the private recreational surfing, is still nascent but developing at a very fast pace (Buckley, 2002). Tourism describes a hospitality 'home away from home' but the Surf tourism appears set to take hospitality to a new intriguing level that will attract enthusiasts from far and near with prospects for viable business spinoffs. In the recent years the Portuguese surf industry has grown drastically. There has been over 300 registered surf school in Portugal (Source: *Federação Portuguesa de Surf*) and many co-related businesses opened up in last 2 years. There has not been made a statistical study with any tangible data regarding the surf industry in Portugal, so in the next section just a general overview of Surfing will be made.

## **Surfing in Portugal**

Portugal has a growing reputation as one of the best sought-after surfing destinations in the world. The country is endowed with huge coastal line with quality waves in many areas including Lisbon. (Source: *Delgado, 2014*). Rapture Camps (2011) put the surf able coast lines in Portugal at about 950 kilometers (continental coastline) excluding the Islands. The more famous coast lines for surfing in Portugal include Ericeira, Lisbon, Peniche and Algarve. In the late winter to early spring, the wave height is put at between 1-1.5 meters while the coastlines can produce waves between 2-4 meters during the early winter (Source: *Rapture Camps, 2011*). To confirm the submission that Portugal is one of the best

Surfing destinations in the world, Ericeira was accredited as a World Surf Reserve (WSR) in October, 2011 as the second WSR after Malibu, California (Stewart, 2012). Apart from the vast coastlines and quality “breaks” (surf spots) that are the unique advantages of Portugal as a surfing destination, the climate also supports year-round surfing activities (*Source: De Sa Leal & Cipriano, 2012*).

Although the water is cold, the climate is temperate with regular waves all year round. The implication of this for surf-focused businesses like the Surf Company is that planned surfing business activities can go on throughout the year ensuring continuous cash flow. Continuous cash flow is crucial for good business. Having recognized the potential of Portugal as a surfing destination of choice in the world, a number of surf resorts and surf-focused brands is springing up in the country.

Surf Company is one of such companies, it has been present for last few years, so it has competitive advantage to the new entrants. Surf Company is situated in Lisbon. The emerging surf companies are trying to outperform each other in many business areas. Some of them focused on providing on-the-beach services while others specialize in the provision of accommodation and/or surf trips to their clients. Surf Company provides planned surfing trips, accommodation and a combination of value added services thereof. In the following chapters Surf Company is going to be introduced.

The name of the company is “Surfgasm”.

*\*\*\*View Appendix 6 for the figure*

## Methodology

This document is created for the purpose of understanding well the current position of the Surf company - Surfasm and the evaluation of the business and its activities.

This section represents point by point guidance how the analysis is made. By reading this paragraph and bullet points one can understand the methodology behind the thesis. The bullet points are ordered in the linear time frame.

- Firstly, the identification of business, the history – how it has legally developed
- The company and the brand that is being presented to the market, with its core values and main objectives for the year of 2018
- Defining the niche market, the combination of real estate and surfing and then presenting the unique selling point (USP)
- Presenting Surfasm services, from accommodation to tours and activities, prices and additional info
- Presenting the management positions and how the organization currently runs
- Overview of the marketing analysis and an introduction into marketing strategy
- Assessment of the business and competitive environment
- SWOT and PEST analysis of Surfasm Company
- Presentation of Surfasm Business Chart
- Financial aspect of the company, including a simplified income statement, balance sheet, cash flow. Three year forecasting assessment of the company's business performance
- Summary presents the facts and findings of the companies situation
- Further on there was a need to overview the document for any typos or errors in the process and correction of any miss calculation made along the way
- Then the bibliography was correctly inserted
- The last overview was quite detailed, checking all pictures, tables or graphs

This was a general list of actions that were taken to succeed the completion of the document.

## Topics and Discourses

With the study made, one will be able to find answers that are of the highest importance of the Surf Company -Surfgasm business. The questions are crucial for the existence and sustainability of the project.

- *What is the exact activity and positioning of the Surfgasm project?*
- *What is the most profitable activity that Surfgasm is doing business with?*
- *What are the biggest costs for the Surfgasm Company?*
- *What are strengths, weaknesses, opportunities and threads of Surfgasm Company?*
- *What is the financial forecast for next three years?*
- *Is Surfgasm profitable and sustainable?*

## **SECTION 2: Surf Company – “Surfgasm”**

### **The History**

Surfgasm was established in its former legal embodiment in 2013 as an association for sport and students. It is situated in Lisbon – one of the fastest growing surf tourism destinations not only in Portugal, but in the world with high number of tourists, travellers and surf enthusiasts. Surfgasm was originally formed to provide outdoor experiences to Erasmus students residing in Lisbon, but later morphed into a dynamic and innovative surf school and guesthouses experience with a range of outdoor-focused services. The company has Intellectual Property Right to the eccentric name; ‘Surfgasm’ which intrinsically denotes pleasuring experience in surfing.

### **The Brand and company**

Surfgasm is a surf-focused company that prides itself in providing excellent surf trips, organizing tours, events and dealing with complementary services including accommodation and transportation. The idea behind the name was coined from the word ‘surf’ and ‘gasm’. The ‘surf’ represents surfing as recreation and business activity while the ‘gasm’ denotes pleasure experience dished out to the company’s clients on demand. Surfgasm, therefore, ideally connotes ‘pleasuring experience’ through direct surfing provision or its supportive services. This submission is exemplified in the company’s first mission statement which was the following; “to deliver the most profound and Gasm-giving experience into the world of surf adventures, amazing locations to stay & mingle with great people, exploring the nature and living up to decadent parties” and the company’s first slogan; “Life’s A Beach...Ride, till You Get a Surfgasm” (Surfgasm, 2015). The company’s logo, a wave in natural ocean blue color, a diving insignia and a black rising star, is shown below (*See Figure 12*).

*\*\*\*View Appendix 7 for the figure*



The company's slogan, that is, "Life's A Beach... Ride, till You Get a Surfgasm" is a powerful message that plays into the psyche of the young and trendy, who are out to enjoy to the fullest what life has to offer. Young professionals, dynamic travellers and adventurous couples appear to fall mostly within this category. The categories of clients targeted by Surfgasm confirmed this assertion. The company targets clients within 18-50 years age range with various subgroups within the age range. Surfgasm is one of the new innovative brands in the emerging surf tourism businesses in Portugal.

## **Mission**

Surfgasm has the following mission:

To deliver unforgettable experience to guests with prime lodging and mesmerizing tours.

## **Vision**

Surfgasm's vision is to become and remain an internationally recognized provider of a unique 'Gasmic' experiences in surfing, dynamic activities and vacation-rental. The company is scaling with the demand and setting a very high standard for the leisure and adventure industry. It strives to become a sustainable market leader in the "surf and vacation rental"-focused businesses in Europe.

## **Core Values**

Surfgasm's core values, that are crucial guidelines for each manager, employee or partner being involved - are following:

+ "Come with the solution, not with the problem"

(Problem solver & be a pioneer and inventor if needed)

+ "Become the best version of you"

(Personal / professional excellence and continuous wish to improve, while serving your guests and clients)

+ "Let Your integrity shine"

(Doing the right thing at all times and in all circumstances, whether or not anyone is watching)

+ “Care about the outcome & take responsibility”

(Caring about the final result, the attention to the detail and responsibility for the actions taken or words said. Giving feedback, communicating well.)

+ “Experience the adventure”

(Be part of this beautiful expedition to the unknown, bring your passion onboard)

CEO personal mission is: *“Each representative of Surfasm gets a strong connection with the company’s values and that this connection translates into habits and practices in daily life. I will do my best to always find time to try to support and motivate anyone who would be seeking guidance to make these values as part of their own.”* (Source: Letter from CEO, Feb 2018)

## **Main Goals for 2018**

The following paragraph points out the main Surfasm goals and objectives for the year 2018:

+ *“Bring the global Airbnb reviews from our listings from 4,5 to 4,8”*

meaning each check-in, each person, each review (good and bad), each situation counts, going an additional step further to make our people (we accommodate) feel GASMIC.

+ *Connect the hosts with the management team* closer than ever with the upcoming Surfasm academy, where teams will be working closely to become specialists in their area and where hosts will be educated to reach the Super host level. This includes improving the transparency of listings, how to use all the tools available, everything regarding check-ins, communication, cleanliness and overall experience.

+ *“Surfasm academy implementation”*

As part of Surfasm academy, hosts will learn how to sell and close Surfasm experiences enthusiastically (Surf Classes, Tours, Walking Tours). They will bring additional value to our Gasm-guests with small in-house services (Coffee Machines, Bio-Wine Boxes, new integrations).

+ *“Being pioneers reinventing services and keep on the good work”*

Reinforce our pioneer position as one of the first 5 Hosts ever on Airbnb in Lisbon with the highest number of Airbnb reviews in Portugal.

With current goals and objectives Surfasm is going to increase the overall satisfaction of clients/guests and in addition the company's profitability. Year 2018 has brought many challenges in the company as the team went onto the full internal restructuration and organizational (business process) optimization.

## **Niche market - Surf / Real Estate**

What would be the company's positioning on the market? As previously explained in the literature review and company section, Surfasm is a relatively new innovative surf-focused brand based in Lisbon, Portugal. The niche market, the combo of surf activities and real estate has developed very organically and the clear positioning was made only in the year of 2017. As main business activity it combines those 4 areas:

- |                               |                         |
|-------------------------------|-------------------------|
| Accommodation:                | 1. Guesthouses          |
|                               | 2. Student residences   |
| <i>and</i>                    |                         |
| Leisure and sport activities: | 3. Surf school          |
|                               | 4. Tours and activities |

Company operates in distinct, but related business activities revolving around guesthouses, student residences, surf school and touring activities. Between years 2012 and 2016 this was a blue ocean market, so it was giving enough of opportunities, that the founder has built it into a stable business. Started as one room to be leased out to students (year 2012), who are enthusiastic about surfing, the founder developed (years 2013-2017) the concept into four above written main areas of business. The business activities of Surfasm are explained in the following section.

*\*\*\*View Appendix 8 for the figure*

## **Services**

The company has four major services that produce the income. There are also other activities that bring the cash flow, but mainly the next section is going to focus on the services that produce about 85% of the total gross income to the Surfasm.

## **Guesthouses**

Surfgasm operates with 10 active guesthouses that are focused on short-term renting. The company uses various platforms to promote the service, but foremost works with Airbnb, as it is the platform that was first in use and Surfgasm has a special Pioneer position as the 3<sup>rd</sup> host that posted the listing on the site since starting of officially in Lisbon, Portugal.

The core service offered in this niche market is combination of housing and surfing experience. To provide this service, 10 apartments were renovated and stylized into a 'surf house'- a unique housing design that appeal to surf enthusiasts. Depending on the clients preferences, the houses may be occupied on temporary or stays up to 1 month. The houses are open for bookings on *www.airbnb.com* throughout the year and they are, with slight exceptions and seasonal dependencies, 70-90% booked.

One of guesthouses is located in the coastal town in Costa de Caparica (thirty minutes' drive), where Surfgasm started to organize surf camps. Guests and surf practitioners come for a weekly up to monthly stay, with main focus – to live close to the beach and surf as much as possible. The house has a private patio and the location is only 5 minutes walking from the ocean. The house has been renovated inside out with the investment from Surfgasm.

## Student Residences - EHL

The company operates currently with 4 student residences that are located around the center of Lisbon. The difference between this service segment and the Airbnb lies in the customer focus. While the Airbnb focuses on Surf enthusiasts and travelers, the Erasmus Housing business segment focuses on the international students, in various universities, that desire or is compelled to live within the Lisbon metropolitan area. Usually students come to study for one to two semesters (up to 10 months). The Erasmus Housing Lisbon (EHL) focuses on the rental of rooms in apartments to the students. EHL seeks to facilitate an easy process for Erasmus students regarding their housing concerns as well as local integration. Furthermore Surfasm promotes activities like surfing, tours and events with students to create additional income.

*\*\*\*View Appendix 9 for the figure*

**Table 2: Basic EHL overview - numbers and marketing channels**

Number of apartments:	4
Number of rooms:	20
Price per / room / month on average:	350 €
Main marketing channels:	EHL Facebook page, Housing Anywhere
Current student number:	22

The collage on the right side (*See Figure 15*), the reader can see one of EHL rooms that a student can choose for the time of stay in Lisbon. What EHL does is assist the student with the whole process of staying in the foreign country. Helping with bureaucracy, doing the pick-up at the airport on the time of arrival, language integration with a local language school, assist with the maintenance of apartments and takes care of landlord's rent delivery.

*\*\*\*View Appendix 10 for the figure*

## Surf School

In the leisure and sport activities section, Surfsgasm offers surf classes with a nationally certified surf instructor at the local beach of São João of Costa Caparica. The service is as an addition to guesthouses stay or it can be also taken as a stand-alone experience. Anybody can join, with the pre-condition of knowing how to swim. Surfsgasm has a booking department team that manages the entry process regarding communication and organization before the actual surf class happens. The booking department team works on communicating with guests, booking procedure, payment completion and communication with the surf instructor. With the stronger marketing campaign in recent months, Surfsgasm has grown in marketed customer base, but the main customer base still consists of guests staying in the surf houses. Company is currently expanding the customer base with local and international partnerships. People that join in become a member of Surfsgasm and the general focus lays on learning surfing basics and having great time with everybody involved. Employees of Surfsgasm join in whenever they can (it is a part of employee benefits plan) in order to create a bond between the people and in this way the feeling of the ‘Surfsgasm Family’ is created.

*\*\*\*View Appendix 11 for the figure*

**Table 3: Basic data of Surfsgasm Surf School**

Types of surfing tours:	Group class, individual class, family class
Price per surf class (in €):	40 (+5 transport) / 60 (+5 t.) / 40 (+5.)
Capacities:	16 surfboards, 35 wetsuits
Guides:	2 certified instructors 1 intern (certif. 2019)
Transportation:	2 vans with capacity of 8 guests/van

As seen in the above written table, Surfsgasm offers three types of surfing tours. Group class – a normal class, individual class – private class up to 5 people and family class. Surf school has 16 surfboards and 35 wetsuits for the daily use. It is important that wetsuits are dry when given to the guests so the company has quite many in stock. There are two surf instructors that work with the company and one surf intern becoming the coach through the Surfsgasm school internship in 2018. For the transportation up to 2 vans can be booked, with 16 seats altogether available for the class.

## Tour Company

Surfgasm conducts different types of tours around the city and in the towns around Lisbon. In addition. These trips can consist of day trips or can span whole weekends depending on the wishes of guests and what Surfgasm is able to offer at the given time. Especially in the low season 2 days arrangements can be made. In the high season the main focus are the daily tours. The principle regarding the booking department is equal to the surf classes and the same team members take over booking tasks. Main offers are usually daily trips that go from walking tours, hidden spots tours and Sintra tours.

**Table 4: Basic data of Surfgasm Tour Company**

Types of tours:	Hidden spots tour, walking tour, Sintra tour
Pricing per tour (in €):	45 / 15 / 50
Capacities (people):	8 / up to 15 / 8
Transportation:	1 van / walking / 1 van (partnership)

It is evident from the presented services that Surfgasm operates as combination of interrelated business activities, there is a big amount of logistic involved as there are 2 vans that are in use on daily basis. Schedules, cleanliness, maintenance and payments need to be planned and overviewed. The company captures value in each business segments and tries to intra-connect it. It relies on ‘surfing’ as the central business idea but captures values in the spin-off businesses of above presented tours. On the photo shown below, the reader can see the tours content from certain hidden spots the guests are taken to. (*See figure 17*) There are other secondary tours and activities that are not going to be mentioned in this research.

*\*\*\*View Appendix 12 for the figure*

### **Complementary in-house services**

Surfgasm offers a suit of interrelated services that cover the 15% of the above mentioned total gross income. Services offered by Surfgasm include concierge type attention. From restaurant recommendations, with percentage on earnings, in-house sales like coffee machines or organic wine boxes and also professional activities like massage-sessions by certified massager. These services are complementary with potential to create synergistic effects on business outcomes. A service synergy is a concept that holds the combined effect of two separate services is greater than the sum of the individual services. There is a big potential for expansion in all additional services that Surfgasm is providing as the conversion rate of guests is still low (amount of guests take the in-house services). By latest statistic from the company, the conversion would be somewhere between 5-15% depending on the service offered. This generates additional income, what Surfgasm is focused on in goals for the year 2018 and especially 2019.

*\*\*\*View Appendix 13 for the figure*

### **Management Team**

Surfgasm operates a specific management and staff structure. The company has over 25 personnel including the CEO - *Tin Barbo*, general manager and 8 permanent staff, but often secures the services of ad-hoc staff to augment excess work requirements. The year 2018 the company start integrating over 10 interns with different backgrounds with a plan to give them employment after the internship period is done and the co-worker does manage the job position well. This staff and management structure has an advantage of quick decision making and cost effectiveness. Besides, the custom management and staff structure creates opportunity for growth by investing funds that would have otherwise been spent on salaries on essential facilities that the company vitally needs. The following figure (*see figure 19*) depicts the staff structure of Surfgasm. The company operates in an office, that comes as a monthly expense and has a staff house, where the team is lodged. The staff house is a monthly expense too, presented as a rent to deliver.



*\*\*\*View Appendix 14 for the figure*

The sections that are presented in the following figure are grouped in a logic system. Each team member has a basic set of skills and tasks to take over. Next, there will be an overview of general roles of the Surfasm staff. Presenting various tasks from CEO to the Host Manager.

CEO: - general overview and planning of departments, - strategy, - crisis management, - relations with partners, landlords and suppliers, - finances, - approval of major tasks from other departments – overview of investment or renovation plans

General manager: - delegation of work to the departments, - feedback from departments, - overseeing construction, renovation and buying of material – general finances (payments of utilities, profits), - crisis management

HR manager: - human resources management, - new talent acquiring, - hiring, - department planning, - internal operation processes, - main communicator with coworkers for everyday tasks, - integration of new coworkers – delegation of tasks to the HR team

Marketing & Business Development Manager: - marketing department with all tasks of promotion online and offline, - building campaigns that bring new profit, - assistance with structuration, - activities development, - delegation of tasks to the marketing team

Communication manager: - online portal management, - online communication with customers management, - pricing strategies, - algorithm creation / booking analysis - resolution center with guests, - guest reviews control - weekly schedule/check-ins of hosts – delegation of tasks to the communication team

Experience / booking manager: - booking of surfing, tours, activities with guests, - online sales with guests, - control over money to be received from activities, - communication and schedule making of tour guides - delegation of tasks to the communication / booking team

Host manager: - management of hosts from guesthouses, – inhouse crisis management, – host assist, – host support, – motivator of hosts, - guest review control- delegation of tasks to the host team

Cleaning & Quality manager: - cleaning activities and quality control in guesthouses, – overseeing the cleanliness levels of hosts

Other positions: - guesthouse hosts - communication interns, - booking interns, - HR interns, - accounting intern, -accountant, -lawyer, - surf instructors, - tour guides – consultant.

The company is currently integrating a massive system overhaul; principle called E-Myth (that was defined by Michel E.Berger), that involves heavy business process development and monitoring. The company has actively structured internal processes and developed guides and policies for each position and correlated processes in the organization. This was made to avoid any bottlenecks or crisis situations, when a member of the organization gets sick or leaves. A team member is working full time on the development of this internal structures and guides. By now there is more than 300 pages of tutorials and know how put together to serve the organization in the best possible way.

The manual are overviewing all areas/sectors of the company, from the accounting, booking department, communication department, cleaning department, crisis management, marketing department, tours, surfing, hosting department, maintenance, salary and commission plans, holiday / presence policies, vehicles guide and others.

One of major company goals for 2018 is that the whole business process development gets digitalized, standardized, automated and simplified. This is a task is already more than half a year in making and will be an ongoing process for the following years. It will better the internal organization of the project, better the communication between the departments and team members vertically and horizontally on the organization tree.

*\*\*\*View Appendix 15 for the figure*

## **Business Model Canvas**

BMC is an important document that gives an overview of the business.

Surfgasm has two canvases that are presented in the bottom figures.

*\*\*\*View Appendix 16 for the figure*

*\*\*\*View Appendix 17 for the figure*

## **SECTION 3: The Business and competitive environment**

### **Analytical models explained**

In the following section, the analytical models will be explained and applied to understand better the current situation in the market for Surfasm company. There will be three main models this study will attend to:

- PEST analytical model
- Porter's Five forces analytical technique
- SWOT analysis

“Business environment” refers to factors that are external to a business organization and outside its control that potentially affect the company's operation. It has the potential to affect the attainment of business goals. Duncan (1972) described external environment as forces over which business has no substantial control but which affect its operation and the achievement of its objectives. The Surfasm's internal and external business environments are discussed below using appropriate business analysis tools. A business needs to take into account these factors or forces and device a countermeasure to safeguard its interest. To device effective countermeasures, these forces threats and potential benefits need to be defined particularly in relative terms. Within the business environment, the competition is important for the Surfasm company. This is because all existing tourism companies are affected by the broad current environment. PEST refers to an analytical model which assess the business environments from the purview of Political, Economic, Social, Technology dimension (*Gasparotti, 2009*). Furthermore a number of tools have been developed and employed in measuring the competitive business environments and their actual and potential impact. However, the Porter's Five Forces analyses appear the most prominent option (*James, Debra and Paul, 2010*). The Porter's Five Forces analytical technique is used in assessing the competitive environment, it also helps to define industry's weaknesses and strengths. The Porter's Five forces, unlike the PEST analysis, appears to measure the external environment from viewpoints that have more direct relationship with an organization. In other words, it appears to be more market oriented. As the name indicates, the Porter's Five Forces measures the external environment from the purview of the industry competitors, threats of new entrants, threats of substitutes, bargaining power of buyers, bargaining power of suppliers and rivalry among competitors. On the other hand SWOT analysis presents a framework to

evaluate the competitive position of the company, taking in count and presenting company's strengths, weaknesses, opportunities and threats. The model is used in the modern business environment as it presents the measures what an organization can or cannot do and makes an overview of potential opportunities and threats. (*investopedia.com, 2018*)

## PEST Analysis

The analysis presents the current situation in Portugal, Europe.

**Table 5: PEST Analysis of Portugal in 2018**

Political environment	Economic environment	Social environment
<ul style="list-style-type: none"> <li>-Parliamentary democracy</li> <li>-Country is slowly growing stable from the recent economic crisis between 2011-14</li> <li>-The corruption is still present, there are monopolies and lobbies</li> <li>-Judicial system is not efficient</li> <li>-Trading Agreements: Member of EU and WTO, agreements with China, Brazil and Africa</li> </ul>	<ul style="list-style-type: none"> <li>-Currency: EURO</li> <li>-GDP: 217.571M\$</li> <li>-GDP by sector: services 75,7%, industry 22.1%, agriculture 2.2% (2017)</li> <li>-Inflation rate eased in August 2018 to 1.2%</li> <li>-Miscellaneous services increased 0.65%</li> <li>-Housing &amp; utilities increased 2,65% and 2,60%</li> <li>-Monthly consumer price index for hotels 1,4%</li> <li>-Unemployment 6.7% August 2018</li> </ul>	<ul style="list-style-type: none"> <li>-Population: 10.283.000 (September 2018)</li> <li>-Growth Rate: - 0.37%</li> <li>-Distribution of population by region and gender – people living in Portugal have tendency to live closer to the coast than in the interior of the country</li> <li>-Age: There is a high rate of old people in Portugal, median age 43.9 years,</li> <li>-Life expectancy: 78.5 years</li> <li>-Births per day : 213</li> <li>-Deaths per day: 306 (September 2018)</li> <li>-Age dependency: 52% - relatively high (working population must provide goods for aged people)</li> </ul>

Technological environment
<ul style="list-style-type: none"> <li>-Lisbon on the way to become startup capital of Europe</li> <li>-Portugal is a leading country with the ATM payments usage</li> <li>-Fiber Internet connection covers over 20%</li> <li>-Big IT and Tech summits take place in Portugal</li> <li>-Biggest export: processed petroleum oils 3.8 billion \$ in 2017</li> </ul>

*(Source: World Bank, Eurostat, Tradingeconomics, StatisticsPortugal, Worldpopulationreview.com, IMF)*

## **Porter’s Five Forces**

The analysis is representing the Surfasm’s competitive environment. The figure below represents main dimension of Porter’s Five Forces:

*\*\*\*View Appendix 18 for the figure*

### **Threat of new entrants**

Surf tourism and its supportive services are not yet fully developed in Portugal, but they are on a quick rise. It is an emerging hospitality business with brands springing up in many places in the country. This means that the new entrants threat is high. Surfing, accommodation and transportation being an experiential product pushes the organization to innovate and produce a unique yet fun-filled experiences, which can secure company’s customer base and attract new clients. This could effectively shield the organization from the high threats posed by new entrants to the market. The market is still attractive which brings in new entrants. Innovative new entrants particularly pose greater threats to Surfasm in its quest to claim more share of the growing market and make its brand to become a reference point in the market. The implication of this is that the management of Surfasm must monitor the market on a continuous basis and assess its Strength, Weakness, Opportunities and Threats (SWOT) against both established and new entrants with a view and possibility of repositioning as the market demands a dynamics change.

## **Bargaining Power of Suppliers**

Surfgasm's business segments, as stated earlier, include Surfgasm Guest Houses that are directed to travellers, tourists and surf enthusiasts, organization of surf events, city tours, and in addition the housing service for students living in Lisbon. The key partners that ensure successful service delivery include landlords / real estate entities, online rental sites and other business partners (language schools, wine shops, student associations and similar).

The bargaining power of the landlords / real estate entities is high. This is because the real estate is now owned by the company. It is leased, with certain long term conditions. The problem arises when the landlord opposes the contract or passes away. Furthermore it is desirable that lodgings on these trips are as close as possible to strategic locations for convenience and to maintain lean transportation cost. Sometimes, landlords/real estate entities have demands from other service providers competing for these facilities which could affect the rents payable. Surfgasm has to plan trips ahead of time and make reservation on time to secure resources and facilities. The constraint in doing this is having the required number of clients on time to facilitate early plans.

The bargaining power of the online portal Airbnb.com is high. Surfgasm receives over 90 percent of reservation through the online portal. Due to the pioneer positioning on the site (Surfgasm, one of the first hosts in Lisbon, that posted the listing on Airbnb), Surfgasm receives a high exposure and consequentially high booking rate. Surfgasm, specifically in this area, needs to diversify onto other portals like Booking.com, FlipKey.com and similar to remove the potential threat of losing the customer base. Therefore a channel manager should be integrated to receive bookings from different sources and in addition to integrate the booking possibility on the newly created website [www.surfgasm.com](http://www.surfgasm.com).

The bargaining power of online housing portal HousingAnywhere.com is medium to high. The HousingAnywhere.com is a middleman organization that provides Surfgasm with about 10 students a semester. Students book over the online portal / website. The partner has numerous alternatives to choose from in Lisbon. Unsuccessful deal with them could negatively affect the realization of the Surfgasm – Erasmus Housing Lisbon sales forecast.

The students' associations present a medium level threat to Surfgasm business plan. These associations often 'supply' Surfgasm with students for student apartments and surf classes. This usually occurs during lean academic activities in the university. Threats come from other surf schools who also target the student's population and try to negotiate with the

student's association. Surfasm is able to mitigate this threat by diversifying the customer base as well as by signing an exclusivity deal with the Students' Associations.

The supportive staff (interns and project workers) present a medium-level threat to the achievement of the Surfasm business objectives. These are ad-hoc staff who are engaged only when needed or start a career path with Surfasm with possibility of future employment. The threat may arise when these people want to leave unexpectedly, due to low motivation levels, need of higher wages, meaning the organization needs to find a substitution in shortest possible time from current work without prior notice. To mitigate this threat, a defined number of young workers is usually contracted to provide support in emergency situation.

The bargaining power of the *Language schools* is low. There are many language schools that meet the demand of Surfasm for its clients. These partners are therefore not a potential threat to Surfasm. This is also true for the wine shops that supply Surfasm with premium wines for the clients. There are alternatives that could be called upon within the shortest time possible.

### **Bargaining power of buyers**

The bargaining power of buyers (clients) is high. The clients have alternative services as substitutes. The competition is becoming fierce with many players trying to position themselves and appropriate a sizeable share of the growing market. Product differentiation with strong brand name appears to be the key to securing continuous patronage. With the growing competition, Surfasm may need to vigorously promote its 'Gasm' sensation to get surf enthusiasts hooked to its services. There should be an effective marketing campaign that will push sales up for the year 2018/2019.

### **Threat of Substitutes**

The substitutes threat to Surfasm suits of services is high. Surf-focused businesses are innovation-driven. A new innovation from new entrants that meets the needs of clients may trigger a chain reaction that undermines the achievement of Surfasm's business objectives. Issue stands in the high production rate of new surf instructors by the Portuguese Surf Federation and University of Lusofona, who yearly license over 100 new instructors. These individuals head out to create their own tourism projects, surf schools or start working as a surf instructors. The unique selling point (USP) of Surfasm lies in the "Gasm" experience it offers. The 'Gasm experience' is not only innovative but trendy. The company tries to capture values at every point within a chain of interrelated business segments. There is

a synergistic effect in the combination of services that Surfasm offers. In addition Surfasm has already more than 5 years of experience in making. This has potential to strengthen Surfasm position against substitutes from established competitors and new entrants.

### **Rivalry among Competitors**

The competitive rivalry is a condition in the market that is determined by the aforementioned forces (i.e. the threats of new entrants, the bargaining power of suppliers, buyer's bargaining power and the threats of substitutes). The rivalry among competitors is moderate. The increase in the number of competitors is being matched with market expansion and positive tourism trends that were reviewed in the literature review section. There are even collaborations among surf schools to take advantage of synergy associated with productive collaboration. For instance, Surfasm enters into vertical collaborations with HousingAnywhere in a deal that creates a win-win situation for both HousingAnywhere and Surfasm. The Surfasm's suits of services are experiential in nature and time-bound. Attempts to make sure the revenue is realizable (from the services provided) often results in giving discounts to clients to encourage full booking / subscription per time. This nature of the market necessitates a strong brand name, that could on the long term attract high-end clients who can afford to pay premium price for the 'Gasm' experience.



## SWOT Analysis

The following table shows the Surfasm brand' Strength, Weaknesses, Opportunity and Threat (SWOT).

Table 6: SWOT Analysis for Surfasm



## **Strengths**

As enumerated earlier, the brand name of Surfsgasm is captivating and plays the ‘sexism card’ to target the young and trendy. The brand name communicates ‘pleasuring experience’ to actual and potential clients. The young and trendy are known to seek relatively higher pleasuring experience than the older generation (Riediger, Schmiedek, Wagner & Lindenberger, 2009). These consumer groups are mostly the Generation X and the Millennial. The generation X and the millennial are very much exposed, and breaking away from norms that limit adventure. They are therefore more likely to buy into the company’s ideology of ‘Gasm’ pleasuring experience. The ‘Surfsgasm’ brand name connotes a competitive advantage. Jobber and Ellis-Chadwick (2013, 310), posited that strong brands creates benefits for a firm “because of its value adding potentials, ability to positively affect brand perceptions by consumers, acting as barriers to competition, improve profit and provide a base for brand extensions”. Surfsgasm will need to keep promoting its brand name.

Surfsgasm offers daily tours and other activities that combine with the guesthouse accommodation. That creates synergy and its benefits, to have a potentially constant cash flow and continuous customer base. Regarding the structure the company is applying the lean management structure, using less resources than traditionally needed, in a constant observation to find new ways to optimize the business processes and to cut down costs for a more sustainable future of the company. The idea behind this kind of practice is the following: if the organization is flexible, cost perceptive, it can navigate through turbulent and dynamic industries and markets. The core of Surfsgasm is the team, the young, “adventurous”, innovative group of managers, who are ready to take on challenges that lie ahead.

## **Weaknesses**

Finance, financial capital is the lifeblood of many businesses. Surfsgasm’s business is not an exception, it does not have a big financial backing. The company is still young. The co-founders have limited funds as well as ability to attract loan from lending agencies including the financial institutions. This limits growth potentials. The bullish nature of the market and growing number of clients, however, promises more financial returns that could be reinvested to capture the potential growth opportunities. To tackle this weakness, Surfsgasm has been dedicating the year of 2018 for internal business process definition, creating internal guides, policies that will help stabilize the organization areas like communication team, booking team, accounting and similar. In addition this systematic overview will improve chances to

become invested in. To secure the business Surfasm needs to remove potential weaknesses or tame them down to the point that could not affect the future expansion of the project.

The company does not have a high organic customer base and this is something that needs to be attended to in the following year. Company has majority of bookings over the online portal of Airbnb, meaning that if there will be potential regulation state-wise, the Surfasm business might be affected due to location dependency.

Throughout the recent development of online short term renting (in last few years), the industry is quite new; there are many unknown factors, changes and regulations that the project needs to handle along the way with the expansion and strong positioning. The learning curve is high and there are many errors or mistakes that the company can do, but cannot afford on doing. Passion for surfing, life experiences and cheer determination to succeed have been the main drivers of the company's successes rather than professionalism. The company has made huge progress within the short lifespan by climbing a steep learning curve. Several mistakes were made at the initial stage despite having business plan. For instance, from May 2016 to mid August 2016, Surfasm renovated a house in Ericeira to be a surf house. The owner of the house promised the rental contract, but did not provide it in the end. He made fake documents and Surfasm's management did a renovation to the tune of 16.000 Euro. This experience has become a lesson to Surfasm's management to always verify the authenticity of contract documents before committing resources. It is a part of the steep learning curve described under the SWOT analysis. Although the company learnt through these mistakes faster than a contemporary new venture, this was not without a cost in terms of opportune cost of time and resources wasted in the process. Because of limited financial resources, the company could not hire seasoned professional business manager at the onset who could have avoided many initial mistakes. Currently, the learning curve is still steep and could lead to more mistakes but the great passion for the business by the founder and core team, who have eventually upgraded their training and education on the job and the dedication of the staff usually provided a leeway to success.

The company is dependent on many outside factors like current stability of the local of the business activity, government regulations, economic stability, tourism development and when looking at micro-economic factors, there are many licenses or insurances that needed to be obtained to run the business. Exclusive right to use beaches for surfing activities may be the ultimate decider of surf tourism business in the future. Unless legislation is put in place to forestall this possibility, well established competitor with rights to some beaches may bully

competitors. The number of beaches with potential for surfing in Portugal is greatly due to vast coastlines with good waves..

In addition Surfasm is depending on the housing leases and it would be preferable if the company would get an investment to take over the real estate to function without any drawbacks. Surfasm company needs to have housing facilities in different areas particularly at the beach sides and the center of Lisbon (close to Universities, downtown area, to cater for its clients' needs). This could help in reducing the bargaining power of housing suppliers in these chosen places and give Surfasm a competitive advantage over its competitors. These facilities are still lacking. With limited resources, it may take time before this becomes materialized. This portrays a weakness which competitors could seize to their advantage.

### **Opportunities**

The market demand for surfing trips and surfs camp participation is on the rise globally. The 'Surfing Australia' stated that over 17 million people engage in surfing at least once in a year (American Sports Data). Jose (2011), summarizing the Global Industry Analyst, Inc. report, stated that the world surfing market is expected to reach \$US13.2B by the year 2017. Portugal's share of the market due to her rising profile in surfing appears disproportionately large which connotes growth potential for Surfasm.

Based on the previous analysis (*see section of the Literature review*), there is relatively high returns (rents) on housing investment in Lisbon. With relatively lower construction cost and higher returns in form of rents, guesthouses, student residences and prospective similar investments promise good Return On Investment. The rents could provide a steady stream of cash flow that could be plough back into the business and a viable countermeasure against the capital inadequacy problem troubling the company. Aggressive investment in Airbnb and surf-focused housing due to good ROI (rents) could give Surfasm competitive edge when the market eventually matures. The key competitive advantage in service provision is the satisfaction of consumer needs in a profitable way. Both the markets for surf trips and lodging for surf enthusiasts-two major services that Surfasm provides are still bullish, that is, with increasing market size and returns. Surfasm must take the issue of customer care very seriously and constantly conduct market survey to discover the consumer needs at all time. As of year 2018 there is an internal system of reviews and feedback, that is collected by the team to ensure best possible experience.

Surfgasm is based in Lisbon- the capital city of Portugal. The city is reputed as one of the surf tourism destinations in Portugal. It is usually the landing place for international tourists and students. The metropolitan city has good road network and many monuments that attract tourists and other adventure lovers. With the growing demand for surf tourism and allied services, the city is set to become a hotbed of clients seeking surf 'Gasm' experience. The location being a point of call for international tourists and students present a great opportunity for Surfgasm to have a continuous patronage, good ROI and a greater chance to expand more rapidly.

### **Threats**

The bullish nature of the market and relative low barrier to entry is attracting more competitors with innovative management ideas and product offerings. One of the most severe threats to Surfgasm is the threat of new entrants which is adjudged high. The established competing brands like "Surf Lisbon", "Gota de Agua", 'We hate Tourism Tours', "Epic surf school" and competitive "Airbnb Experiences" (a new segment for specialized tour experiences) in the surf trips, tours and education segments are fairly known, can be profiled and their offerings countered through preplanned activities. In addition "Erasmus Life Lisboa", "Liv'in Lisbon" and "Uniplaces" are few notable mentions in the housing segment. New entrants, however, are generally unpredictable with potential to disrupt the market.

With the competition becoming fierce, the bargaining power of clients is increasing. The rising bargaining power is boosted by availability of alternatives in every segment of the surf tourism business. The consumer is the centerpiece of every marketing effort. As more and more companies venture into the surf tourism business, product differentiation is narrowing with tendency to increase price sensitivity. For instance, the Erasmus Life Lisboa offers commercial students housing, the Liv'in Lisbon provides guest houses, residences to surf enthusiasts among other clients, Surf Lisbon provides surf school and a hostel. With many options in each market segment, consumer bargaining power is rising. This poses threats to sales and revenue forecast of Surfgasm.

An important characteristic of service is that it is transitive and cannot be stored. This service feature often puts pressure on service providers to consider giving heavy discounts to avoid total loss. This is common in hospitality industry including hotel services, tourist attraction business, housing and hosts of other services in industry. With fierce competition for clients mouth-watering discounts are given which could negatively affect budgeted revenue

projection. In the following section, the reader will be able to quickly overview few of core Surfasm competitors.

**Figure 5: Few of Surfasm's competitors**



Erasmus Life Lisboa (and her co-venture Place to Stay) is one of the foremost hospitality organizations in Lisbon. It is a profit organization that stemmed from the Erasmus-an European Union (EU) Students' Exchange program. The organization offers a range of hospitality services that focused primarily on students, but in last two years extended into city tours and boat parties. These services include events, trips, housing, surf and other sports. The organization also offers an innovative program tagged "Buddy Program". The Buddy Program offers a one-on-one assistance to incoming guests or clients without a good knowledge of the geography and other important aspects of Lisbon (Erasmus Life Lisboa, 2016). The assistant (referred to as Buddy) does everything possible, within terms of reference and even beyond, to ensure that clients have memorable experience in Lisbon.

The organization also offers referral services to its various partners. This generates referral funds to Erasmus Life Lisboa and also helps their clients in getting discounts on their partners' product and services. Uniplaces offers accommodation booking service to students in choice cities worldwide. The organization was launched and began operation in 2013. Within a budget range, Uniplaces also provides consultancy service to students in terms of the best accommodation for them given their income range and other circumstances. Although, Uniplaces does not focus exclusively on Lisbon, its services are also sought by students who desire or are compelled to stay in Lisbon. Surf Lisbon also offers a range of surf-focused services and housing. The primary target customers of the organization are tourists and university students. Specifically, Surf Lisbon offers a hostel (surf house), camp and surf classes. They offer "Trip advisory service" with certificate of Excellence from the reputed

TripAdvisor web page(Surf Lisbon, 2017). We hate Tourism Tours is a Tour & Travels organization that offers unique tours & travel experience to tourists and travelers. Unlike the Surfasm that projects ‘Gasm experience’ as its core marketing communication, *We hate Tourism Tours*, right from its name, projects to clients that they would have an unusual pleasing experience when they patronize its services. The company attracts fun lovers that treasure surprises and risky adventures. The company offers trips and tours services, food services, surf trips and prides itself as offering ‘crazy’ tours. This can be seen in some of the inscriptions on its adverts as shown below:

\*\*\*View Appendix 19 for the figure

In terms of marketing communication, Surfasm and *We hate Tourism Tours* appear to focus on adventure but from different perspectives. While Surfasm readily shows, in its communication, that clients will experience a ‘Gasm experience’, the *We hate Tourism Tours* generally put the prospective clients in suspense of what to experience. Although, activities (tours) of the company are published, details are experienced in real time by its clients. In other words, the USP of the *We hate Tourism Tours* is ‘suspense’.

**Gota D’água** Surf School specializes surf-focused services. Other services offered include organizing surf camps and tours. The company prides itself as the most visited surf school in Lisbon. The target customer segment is everyone within the age of 4-80 years (Gota D’água, 2017). The company’s marketing communication emphasizes pleasure while surfing and taking their security as a high priority.

## **SECTION 4: Marketing Strategy – market analysis**

The market in which Surfasm operates is a growing one with potential for success. There is a big demand for surfing as a recreational activity in the world. Similar trend stands for short-rental, especially for Lisbon, reputed as a top surf destination. Annual growth of surf tourism demand is projected between 12-16%. (*Source: Buckley, 2002*) and with the registration of over 300 surf schools in last 5 years (*Source: FPS*), there is a clear indicator that market is growing. Portugal has a big share of the market because of its vast coastlines and good waves that are available throughout the year. In addition it represents a warmer climate and a good choice for European travellers and tourists that are looking for cultural and sportive experience.

The overall strategic marketing plan is to promote Surfasm brand name and position it as a reference point in the industry. The company aims to employ effective Segmentation, Targeting and Positioning Strategy (STP) in achieving the plan. More precisely, the plan is to target the appropriate age groups and consumer that meet psychographic profile for particular service of the company (guest house, student residences, surf lessons, surf trips, tours) and provide customized ‘Gasm’-giving experiences with the highest possible client conversion rate and turnover. A survey and analysis was conducted to understand what is the current (target) demographic of the customer. Firstly, Surfasm’s Unique Selling Point is going to be presented.

### **Unique Selling Point (USP)**

The Unique selling point is the essence of what makes a product better compared to the competitors. (*Source: optimizely.com*) Surfasm is creating a community of youthful surf enthusiasts who seek regularly (1-3 times a year) the ‘Gasm experience’- the company synonym that connotes pleasuring experience with high level of satisfaction. Company delivering each time a standardized high-quality leisure experience, curated with surf, adventure and nature in mind.

In marketing its services, Surfasm used both online and offline marketing media. The company’s webpage ([www.surfasm.com](http://www.surfasm.com)), Airbnb webpage (Tin&Surfasm Family as most reviewed host in Portugal – over 4000 reviews), Facebook page and Instagram handle (#surfasm) are funnels through which the company’s services are marketed and marketing communication done. The company also uses the traditional word of mouth



(WOM) in marketing and communicating with actual and potential clients. The company relied on referrals and therefore takes customer care as a very important area both online and offline.

## **Capacity**

There are 14 apartments with an average of 4 rooms, 4 of these are used for students residences, other 10 for guesthouses. There are altogether 37 guesthouse listings posted online. Majority of rooms are set for 2 people only; there are 3 rooms with possibility to have an extra person in the room and 1 room that has 3 bunk beds and runs like shared room).

For surf classes, tours and trips (secondary business) the company has 2 vans, each of which is equipped with 8+1 seats. There are also 16 surfboards and 35 wetsuits.

## **Selling Channels and webpage creation**

Selling channels are mainly online through:

- Airbnb
- webpage [www.surfgasm.com](http://www.surfgasm.com)
- social media (Facebook page: [facebook.com/surfgasm](https://facebook.com/surfgasm), [instagram.com/surfgasm](https://instagram.com/surfgasm))

Beyond these, the company is trying to find proper software for managing the cleaning and the check-in activity. There has been two investment into “channel managers” in the year 2017 and 2018 that did not manage to satisfy the Surfgasm team, due to bugs, errors and failures. Guest houses sales are mainly paid through online payments while daily trip and transportation are usually paid with cash and receipt.

Part of the marketing project for 2018 was the overhaul of the webpage – surfgasm.com. There has been a dedicated team of IT developers working on the page and the project is in the finalization stage. In the photography below (*See figure 22*), the reader can see the layout of the new webpage, where clients will be able to book their stay in a guesthouse, book a surf camp, surf class or any of other tours available. The site design was made specifically to attain more customers and have a high conversion rate (meaning how many people click and book the Surfgasm’s service per visit). The site is going to be translated in 4 languages, to fit the demographics of Surfgasm’s customers. It will be translated into German, French, Italian and Spanish.

The page has all custom made content and was constructed in the way of using the right keywords, that will be used in campaign made for Google Ad-Words.

\*\*\*View Appendix 20 for the figure

## Target customers demographics - survey

Surfgasm’s target customers are actual clients who would like to live up to an active holiday and are young at heart, wanting to explore the city and participate in dynamic activities. The targeted age is from 18 up to 50 years depending on service provided. For this specific tasks a survey / analysis was made in the period of one month – August 2018, to fully understand who is booking what and when. Every guest staying at the guest house had given the information to fill up the online spreadsheet with tangible data that will result in a general understanding of Surfgasm’s target customer group. The data was collected from the first till the thirty-first of August 2018. The research was conducted with customers that stayed in the guesthouses only. Meaning that below stated target demographics count for people that used the accommodation only, without services of surf classes and tours.

For the quantitative research, there needed to be set important parameters. The spreadsheet is split into three figures, to grasp the vast majority of the data, that will be interpreted in next sections. Main parameters that are presented in the spreadsheet below are following: *nationalities, age assessment, group type, travel type, amount of guests, booking type, portal, bookings by rooms, total bookings, total nights confirmed bookings,*

DATE FILTER	CONFIRMED BOOKINGS	413	TOTAL CONFIRMED NIGHTS	1087	SELECTED LISTINGS	37
1/8/2018	CANCELLED BOOKINGS	8	TOTAL CANCELLED NIGHTS	33	DAYS UNTIL CHECK-IN AVERAGE	31
BETWEEN	TOTAL BOOKINGS	421	CONFIRMED OCCUPANCY	94.77%	LENGTH OF STAY AVERAGE	3
31/08/2018	TOTAL NIGHTS	1147	CANCELLED OCCUPANCY	2.88%	NIGHTLY PRICE AVERAGE	€ 35.99
ROOMS	NATIONALITIES		AGE ASSESSMENT		BOOKINGS	
MARQUESS - ENDLESS SUMMER	FRANCE	100 23.75%	20 - 25	127 30.17%	LAPA - SUMMER	19 4.51%
MARQUESS - HANG LOOSE	GERMANY	86 20.43%	25 - 30	94 22.33%	MM1ST - A	17 4.04%
MARQUESS - OFF-SHORE	SPAIN	33 7.84%	UNKNOWN	79 18.76%	MARQUES - HANG LOOSE	15 3.56%
MARQUESS - DOWNTOWN	UNITED STATES OF AMERICA (USA)	26 6.18%	30 - 35	66 15.68%	LAPA - SUNNY	15 3.56%
LAPA - SUMMER	ITALY	20 4.75%	40 - 45	16 3.80%	MM4TH - A	15 3.56%
LAPA - SUNNY	GREAT BRITAIN	18 4.28%	35 - 40	15 3.56%	MF2ND - B	15 3.56%
LAPA - SUNSHINE	NETHERLANDS	15 3.56%	45 - 50	8 1.90%	LAPA - SUNSHINE	14 3.33%
LAPA - SMALL & COSY	AUSTRIA	9 2.14%	-20	6 1.43%	LAPA - SMALL & COSY	14 3.33%

Figure 6: 1/3 Customer Demographics

*total confirmed nights, cancelled bookings, total cancelled nights, confirmed occupancy, cancelled occupancy, selected listings, days until check-in on average, length of stay average, nightly price on average.*

Regarding demographics, the study shows that 23.75% of all guests that stayed with Surfasm in August 2018 were French, followed by German (20.43%), Spanish (7.84%), Americans (6.18%) and Italians (4.75%).

				GROUP TYPE						
SANTOS - B	POLAND	8	1.90%				MM2ND - B	13	3.09%	
SANTOS - C	SWITZERLAND	8	1.90%	COUPLE	136	32.30%	MARQUES - OFF-SHORE	12	2.85%	
SANTOS - D	AUSTRALIA	7	1.66%	UNKNOWN	130	30.88%	SANTOS - C	12	2.85%	
SANTOS - E	PORTUGAL	7	1.66%	FRIENDS	78	18.53%	SANTOS - F	12	2.85%	
SANTOS - F	RUSSIAN FEDERATION	7	1.66%	SOLO	35	8.31%	MM1ST - C	12	2.85%	
MM 1ST - A	ARGENTINA	4	0.95%	FAMILY	32	7.60%	MF1ST - B	12	2.85%	
MM 1ST - B	BELGIUM	4	0.95%	TRAVEL TYPE			MARQUES - DOWNTOWN	11	2.61%	
MM 1ST - C	BRAZIL	4	0.95%	TOURISM	281	66.75%	SANTOS - A	11	2.61%	
MM 2ND - A	FINLAND	4	0.95%	UNKNOWN	114	27.08%	SANTOS - B	11	2.61%	
MM 2ND - B	CZECH REPUBLIC	3	0.71%	SPECIAL OCCASION	13	3.09%	MM1ST - B	11	2.61%	
MM 2ND - C	HUNGARY	3	0.71%	WORK	3	0.71%	MM4TH - C	11	2.61%	
MM 2ND - D	KOREA, REPUBLIC OF (SOUTH KOREA)	3	0.71%	AMOUNT OF GUESTS			MARQUES - ENDLESS SUMMER	10	2.38%	
MM 4TH - A	SLOVENIA	3	0.71%		2	326	77.43%	SANTOS - D	10	2.38%
MM 4TH - C	UKRAINE	3	0.71%		1	46	10.93%	MM2ND - C	10	2.38%
MF 1ST - A	DENMARK	2	0.48%		3	31	7.36%	MF1ST - C	10	2.38%
MF 1ST - B	GREECE	2	0.48%		4	8	1.90%	PALMIRA - B	10	2.38%
MF 1ST - C	IRELAND	2	0.48%		5	0	0.00%	PALMIRA - D	10	2.38%
MF2ND - A	ISRAEL AND THE OCCUPIED									

Figure 7: 2/3 Customer Demographics

Regarding what was the age of guests, it was an assessment only, with an option without stating the age, or in case the researcher did not have this data. The research showed that besides not having the age assessment for about 18.76% of all guests, there was 30.17% of guests, between the age of 20 and 25. Another 22.33% for the group between 25 and 30 years old. The final more noticeable group between 30 and 35 years old, that had altogether 15.68%.

Regarding the group type, the study shows that besides having a large percentage of not knowing if guests were alone or accompanied, the majority group type is “couples” with 32.30%. Next group type was friends, meaning people travelled with friends and that was 18.53%. Guests in majority (77.43%) travelled for the tourism sake – compared to work or special occasion motives. The demographics show that majority of guests – 77.43% (326 guests) came with another person – two in total per reservation.

The second ranked was a solo traveler that was at 10.93%. Majority of guests booked as instant booking (81.24%), where as little as possible pre-communication needs to be made to reserve the accommodation. Surfasm has a “pioneer position” with Airbnb as the third host in Lisbon, Portugal. The Airbnb algorithm gives posted listings exclusive exposure and a high booking rate. Majority reservations come through the portal of Airbnb, 95.49% for the month of August 2018.

Listing	Country	Count	Percentage	Booking Type	Count	Percentage	Channel	Count	Percentage
MF2ND - A	ISRAEL AND THE OCCUPIED TERRITORIES	2	0.48%		6	0.00%			
MF2ND - B	SLOVAK REPUBLIC (SLOVAKIA)	2	0.48%						
MF2ND - C	VIETNAM	2	0.48%						
PALMIRA - A	CHINA	1	0.24%						
PALMIRA - B	CROATIA	1	0.24%						
PALMIRA - C	GEORGIA	1	0.24%						
PALMIRA - D	INDIA	1	0.24%						
COSTA - A	KENYA	1	0.24%						
COSTA - B	KOREA, DEMOCRATIC REPUBLIC OF (NORTH KOREA)	1	0.24%						
COSTA - C	LUXEMBOURG	1	0.24%						
COSTA - D	MEXICO	1	0.24%						
COSTA BED - A	MOROCCO	1	0.24%						
COSTA BED - B	NEW ZEALAND	1	0.24%						
COSTA BED - C	NORWAY	1	0.24%						
COSTA BED - D	SERBIA	1	0.24%						

Booking Type	Count	Percentage
INSTANT BOOKING	342	81.24%
INQUIRY BOOKING REQUEST	43	10.21%
INTERNAL	6	1.43%
HOMEAWAY	3	0.71%

Channel	Count	Percentage
AIRBNB	402	95.49%
INTERNAL	6	1.43%
HOMEAWAY	3	0.71%

Figure 8: 3/3 Customer Demographics

There was a total of 421 bookings for all 37 listing in 10 guesthouses in the month of August. Resulting in 1147 nights that would be booked. From that amount there have been 413 confirmed bookings with 1087 confirmed nights and 8 cancelled bookings with 33 cancelled nights in total. The analysis shows that the average length of stay is 3 days and the listing was booked about 31 days in advance. The average price per accommodation rounds up to 36€ per night. August is the peak season and guesthouses should be fully occupied the most of the time, to compensate losses in the down time (low season). The number presents the above written statement with confirmed occupancy rate of 94.77%.

Furthermore the total database from guesthouse guests from last 4 years was gathered, processed and brought together to show certain statements of the company’s progress. The database consist with over 8000 rows each of them presenting a reservation from the online portal and over 2000 reservation that present the internal database.

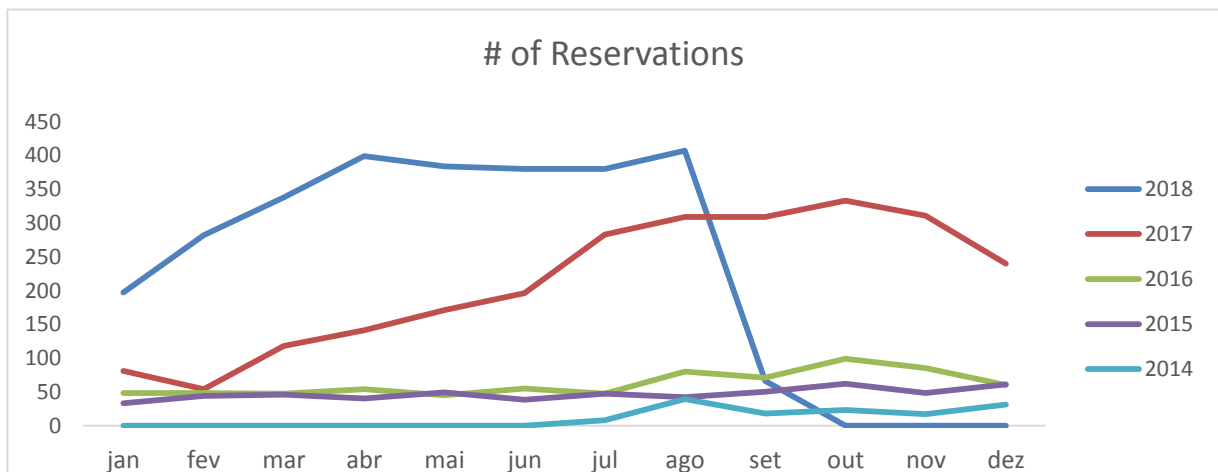
**Table 7: Total number of reservations per month and year, from online database and internal database**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
2018	# of Reservations (Online DB)												# of Reservations (Internal DB)
	197	282	338	399	384	380	380	407	66	0	0	0	
2017	# of Reservations (Internal DB)												
	59	71	253	210	270	259	296	360	33	0	0	0	
2016	# of Reservations (Online DB)												
	81	54	118	141	171	196	283	309	309	33	31	240	
2015	# of Reservations (Internal DB)												
	0	0	0	2	12	16	52	49	52	41	42	12	
2014	# of Reservations (Online DB)												
	48	48	47	54	45	55	47	80	71	99	85	60	
2013	# of Reservations (Internal DB)												
	0	0	0	0	0	0	0	0	0	0	0	0	
2012	# of Reservations (Online DB)												
	33	44	46	40	49	38	47	42	50	62	48	61	
2011	# of Reservations (Internal DB)												
	0	0	0	0	0	0	0	0	0	0	0	0	
2010	# of Reservations (Online DB)												
	0	0	0	0	0	0	8	39	18	23	17	31	
2009	# of Reservations (Internal DB)												
	0	0	0	0	0	0	0	0	0	0	0	0	

In the above presented table it is clear that by each consecutive year Sufgasm’s booking rate was growing. It shows a dynamic change comparing the month of August, year 2014 where there are only 39 reservations online and at the same time in the year 2018, the reader can see 407 online booking and 360 being already centralized in the internal booking system.

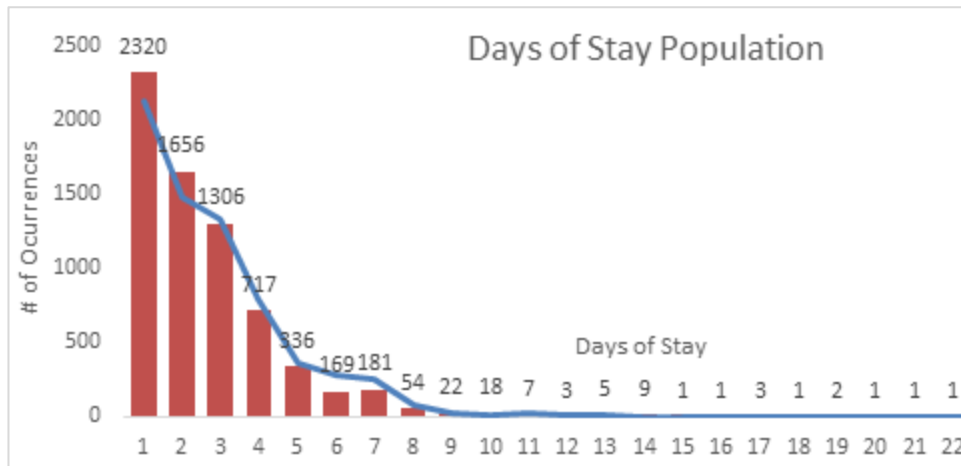
This numbers are also presented in the graph below for the visual assist. The latest (blue line) has a drop in September representing the lack of data for the upcoming months of the activity. By the current predictions the blue line is not going to drop under the red line representing the year 2017. The assessment states higher reservation rate in 2018.

**Graph 3: Visual graph of the number of reservations per year**



Guests staying in Surfasm’s guesthouse have short term stay in mind. By the statistic conducted the results are following; people mostly stay up to a week. The Bordeaux red column represents the portal reservations and the blue line shows the internal reservation statistic.

**Graph 4: Guests length of stay in Surfasm guesthouses**



This statistical data was provided to understand better who are the guests that visit and stay in guesthouses, their general demographics and also how and when they book their stay with Surfasm.

### **Marketing / business goals and target dates 2018-19**

In the following section few of Surfasm’s marketing goals will be presented for the years 2018 and 2019. Goals are set with the deadline of completion and the departments that are going to be involved in the development process.

**Table 8: Goals, target dates and departments responsible for 2018-19 marketing goals**

Goal	Target Date	Department
<ul style="list-style-type: none"> <li>• Guest houses capacities to be filled at least 90% (occupation rate) on monthly basis even in the low season</li> <li>• Introducing a viable Channel Manager for Costa Caparica Surf House, to start promoting on different online channels</li> <li>• Renovate current guesthouses and add up to 3 new apartments for the expansion (Martim Moniz, Alfama, Costa)</li> <li>• Introduce the new salary system with the commission plan and benefits with all co-workers</li> <li>• Be profitable in the low-season</li> </ul>	<ul style="list-style-type: none"> <li>• December, 31<sup>st</sup>, 2018</li> <li>• October 31<sup>st</sup>, 2018</li> <li>• February, 28<sup>th</sup>, 2019</li> <li>• October, 31<sup>st</sup>, 2018</li> <li>• November, December 2018, January, February, March 2019</li> </ul>	<ul style="list-style-type: none"> <li>• Communication and marketing department</li> <li>• Communication and marketing department</li> <li>• Management, Construction and maintenance</li> <li>• Management and strategy department</li> <li>• Whole team with accounting department overview</li> </ul>
<ul style="list-style-type: none"> <li>• Surf classes, becoming a year around service, resulting from 2 times a week classes in the low season, up to 5 times lessons in the high season per week. Up to 8 people per class – resulting a minimum income of 1800€ (low) up to minimum of 3600€ a month (high, 5 people on average)</li> <li>• Contract 1-2 long term surf instructors, that would run the surf school independently</li> </ul>	<ul style="list-style-type: none"> <li>• November, 2018</li> <li>• December, 31<sup>st</sup>, 2018</li> </ul> <p>October, 31<sup>st</sup>, 2018</p>	<ul style="list-style-type: none"> <li>• Booking and marketing department, surf instructors</li> <li>• Human resources department</li> </ul> <p>Human resources department</p>

<p>Hire a high-profile Portuguese speaking secretary, with skills in finance, accounting and resource optimization</p>		
<p><b>Goal</b></p>	<p><b>Target Date</b></p>	<p><b>Department</b></p>
<ul style="list-style-type: none"> <li>Hidden spots tour, will be conducted 1 time a week in the low season up to 3 times a week in the high season. Up to 8 people per tour – resulting a minimum income of 700€ (low) up to minimum of 2100€ a month (high, 4 people in average)</li> </ul>	<ul style="list-style-type: none"> <li>March, 2019</li> </ul>	<ul style="list-style-type: none"> <li>Booking and marketing department, tour guides</li> </ul>
<p>Walking tour will be conducted 1-2 times a week in the low season and up to 4 times a week in the high season. 6 people per tour – resulting a minimum income of 240€ (low) up to minimum of 720€ a month (high, 4 people on average)</p>	<p>March, 2019</p>	<p>Booking and marketing department, tour guides</p>
<ul style="list-style-type: none"> <li>Student rooms capacities to be filled 100% during 1st and 2nd semester (25 students)</li> <li>Raise prices for 20% of all student accommodations</li> <li>Sell 3 different tours, activities or surfing class to students per month – generate 150 € a month</li> </ul>	<ul style="list-style-type: none"> <li>September, 2018</li> <li>November, 30<sup>th</sup>, 2018</li> </ul> <p>October 2018 – July 2019</p>	<ul style="list-style-type: none"> <li>Erasmus Housing Lisbon department</li> <li>Erasmus Housing Lisbon department</li> </ul> <p>Erasmus Housing Lisbon department</p>
<ul style="list-style-type: none"> <li>Fully renovate the webpage <a href="http://www.surfgasm.com">www.surfgasm.com</a>, with new</li> </ul>	<ul style="list-style-type: none"> <li>October, 31<sup>st</sup>, 2018</li> </ul>	<ul style="list-style-type: none"> <li>Marketing department,</li> </ul>



<p>content, website optimization that is going to help with the conversion rate and higher customer involvement, resulting more bookings over the webpage channel,</p> <p>Finalizing the booking section, so the customer can book the guesthouse, surfing or tour</p>	<ul style="list-style-type: none"> <li>November, 30<sup>th</sup>, 2018</li> </ul>	<p>outsourced IT company</p> <ul style="list-style-type: none"> <li>Marketing department, outsourced IT company</li> </ul>
<b>Goal</b>	<b>Target Date</b>	<b>Department</b>
<ul style="list-style-type: none"> <li>Book 14 people for the weekly package of Surf Camp - Costa Caparica for May 2018, resulting minimum of 5600€ in sales</li> </ul>	<ul style="list-style-type: none"> <li>February, 28<sup>th</sup>, 2019</li> </ul>	<ul style="list-style-type: none"> <li>Marketing department</li> </ul>
<p>Contract 5 new tour guides that will create specialized content to promote their tour over Surfasm - Airbnb Experiences and to guests, conducting those events in special places, workshops or even in guesthouses</p>	<p>January, 31<sup>st</sup>, 2019</p>	<p>Marketing department, legal department</p>

Summarizing planned income goals - an additional income of 3100€ in low season, 6780€ high season per month. If there is a margin of error in prediction due to not finding right people to work with – surf instructors, tour guides, low marketing campaign investments, low funds, high competition, the income could be lowered down for a maximum of 35 %. This would result in an additional income of 2015€ in low season and 4407€ in high season.

**Table 9: Planned earning in services 2019**

Jan-Apr / Oct-Dec	7 x 2015 = 14.105,00 €
May – Set	5 x 4407 = 22.035,00€
Resulting a <b>revenue</b> in services in the amount	= <b>36.140,00 €.</b>

## Marketing guidelines

Company's online campaign *keywords*, that are also used on the upcoming website are: Lisbon, Portugal, Surf, Surf Camp, Guesthouse, Airbnb, Surfasm, Daily Trip, Surf Lesson, Accommodation, Tours. To provide customers a high quality experience, Surfasm parades dynamic team, which fully confronts changing situations and tries to fix problems immediately if possible. Regarding the guesthouse and tour improvements, the team:

- plans to get strong connections and contracts with important partners (hostels, faculties, NGO's) depending on each service, trying to play »hand-in-hand« game helping others and receive help in need,
- For the services which are not (still) available to perform (restaurant, bar, association) the team will build partnerships (giving tourists / travelers all services for their »points of interest« or »tourist attractions« in area of Greater Lisbon),
- With every/each guest, whatever service is, the team is going to build »authentic connection« and communication, which means, giving attention to the client, an experience of being accepted with a local. That will increase possibility of returning and becoming a regular / yearly guest.
- Constantly thinking of small important changes which can rapidly improve on recognizing the Surfasm company. (example – making logo more visible in the guesthouse, giving a bottle of water/wine on arrival for people who book over 300€ reservation, promotion materials from sold T-shirts, wine degustation boxes, coffee machines)
- provides a wide panel of discounts (package of 3 tours) to improve the conversion rates of guest attending experiences

## SECTION 5: Business Plan

### General assumptions

In the business plan section, general Surfasm accounts for the year 2017 are going to be presented. The period of the analysis takes place between following dates: 1.1.2017 to 31.12.2017. With a general overview of assets and liabilities, the company's profitability will be presented. General assumptions are going to be made from three main financial document:

- Balance sheet
- Income statement
- Cash flow analysis

Furthermore, the data is going to be interpreted in a way, that the reader will know what were the inputs and outputs of the company and understand why they were made. Not only that this analysis is going to show the financial situation in the Surfasm company at the end of 2017, but it will be a strong base for the forecasting of years to come. In addition, three years projection is going to be made to justify upcoming investments and plans for expansion. At the end, the conclusion is going to be made, presenting the claim if the project is viable or not.

### Balance sheet

Table 10: Surfasm's Balance Sheet for the year 2017

<b>Balance sheet</b>	<b>1/1/2017</b>	<b>12/31/2017</b>
<b>Assets</b>		
<b>Currents Assets</b>	<b>1.809,00</b>	<b>46.984,00</b>
Cash	1.809,00	46.984,00
Accounts receivable	0,00	0,00
<b>Long term Assets</b>	<b>0,00</b>	<b>0,00</b>
Fixed Assets	0,00	0,00
Other Long term Assests	0,00	0,00
<b>Liabilities</b>	<b>0,00</b>	<b>7.092,26</b>
Current liabilities	0,00	3.396,10
Current tax liabilities	0,00	3.696,16
Long-term liabilities	0,00	0,00
<b>Equity</b>	<b>1.809,00</b>	<b>39.891,74</b>
Paid up capital	1.000,00	3.938,86
Current year profit	0,00	35.144
Retained earnings	809,00	809,00

## BALANCE SHEET INTERPRETATION AND PROJECTION:

For the year 2018 and for upcoming fiscal years both assets and liabilities are going to increase due to higher cash assets and accounts receivable. On the other hand the company projects higher expenses, which will result in increasing the current liabilities. It is possible that down the line the company is going to invest heavily - around the year 2020 for the European Tourism Fund called Portugal 2020. This would affect long term financial liabilities in the form of a credit loan.

From the analysis of the balance sheet as the young company, there can be a calculation made between the current assets and current liabilities on the last day of the year. It is called Liquidity Ratio ( $=\text{Current assets} / \text{current liabilities}$ ). Surfasm's liquidity ratio for the year 2017 is 6,6247. The company has no accounts receivable, because there are no invoices made or paid afterwards, as clients (travellers and tourists) pay in advance or on the spot. There are no long term assets, as the company rents the office space, but down the line a credit loan might be taken to acquire a real estate.

Surfasm has current liabilities in form of deposits that students (renters) send before taking a room within the student residence. This money is going to be sent back in short-term period (less than a year) when the student is going to leave the room that has rented, it can be interpreted as a security deposit. Regarding current tax liabilities, Surfasm can assume that in 2018, the company is going to pay the tax on profit for the year 2017, that is legally presented as IRC ("Imposto sobre Rendimento Colectivo") 2017. Company does not have other short-term liabilities to suppliers or other long term financial liabilities (in a form of a credit loan) as pending payments are completed by 31.12.2017. Equity can be represented as capital, from owners or founders. Additional founder investment is stated as paid up capital. Current yearly profit is the profit that was made in the period between 1.1.2017 and 31.12.2017. Likewise the retained earnings present last year's profit that was transferred to this year's balance sheet.

## Profit and loss statement

Table 11: Surfasm's profit and loss statement with 3-year projection

<b>Profit and Loss statement:</b>	<b>1-12 2017</b>	Projection		
		2018	2019	2020
<b>Revenue</b>	<b>222.284</b>	<b>254.513</b>	<b>292.738,65</b>	<b>312.775</b>
<i>Expenses;</i>				
Renting	-102.675	-112.943	-118.589,6	-124.519,1
Utilities	-28.047	-30.852	-32.394,4	-34.014,1
Maintenance	-12.951	-14.247	-14.958,9	-15.706,8
Other operating expense	-28.316	-28.316	-28.316	-29.731,8
Accounting and fees	-1.600	-1.600	-1.600	-1.600
Bank charges	-134	-134	-134	-134
Salary expenses	-3.825	-36.000	-37.800	-40.635
Other expenses	-5.896	-6.486	-6.486	-6.486
<b>Operating expenses:</b>	<b>-183.444</b>	<b>-234.708</b>	<b>-240.278,2</b>	<b>-252.826,2</b>
Tax for the period	-3.696	-1.980	-5.246	-5.995
<b>Net Profit</b>	<b>35.144</b>	<b>17.824</b>	<b>47.214</b>	<b>53.954</b>

### PROFIT AND LOSS (INCOME) STATEMENT INTERPRETATION:

The profit and loss statement is one of the major financial statements that represents the profitability of the company in this case Surfasm's profitability. The revenue summarizes the gross sales in year 2017, along with rents received from renters and tourists. Under the expenses sections, renting is presented as rents that needed to be paid to landlords for the use of the properties, where the project is taking place. Utilities would be water usage, electricity usage, gas usage, telecommunication and additional reoccurring expenses that provide a certain must-have energy or resource. Maintenance states company's renovations, improvements, repairs and similar that occur in locations. Under other operating expenses section all taxes are summed, excluding the above mentioned tax on profit, IRC 2017. Accounting fees are fixed and paid on yearly basis. Bank chargers represent certain costs to keep bank accounts running, additional provisions from operations and transfers. Salary expenses represent costs of salaries that in 2017 is quite small due to a small team, that have received other compensations and benefits; company has provided accommodation for co-workers and all main living expenses were covered. Under other expenses, the profit and loss statement presents all random expenses that are not directly connected with current running operations or conducting the business; fines, out of the line expenses, events for co-workers

fit in this category. Operating expenses category is the sum of all expenses presented. Tax for the period is the tax on the profit that is IRC 2017. The accounting department has to check all inputs, outputs, possible deductions and then by the scale (quotient set by the ministry of finance) calculates the upcoming tax expense. Last, not least is the Net Profit, that represents how much Surfasm has actually made in the year of 2017, after all expenses; that is 35.144 €.

#### PROFIT AND LOSS (INCOME) STATEMENT PROJECTION INTERPRETATION:

The base for profit and loss projection was the analysis of the year 2017. The projection was made for the three consecutive years – 2018, 2019 and 2020.

For the year 2018 there is predicted a 10% growth in revenue, due to high improvements in guesthouses and changes of internal structure (regarding policies, guides, online optimizations and similar). In addition it is expected that there will be an income of 10.000 € from newly promoted tours, activities and surf classes. A marketing manager is going to be hired to improve service sales of the company. As mentioned before the conversion rate of clients is small and this is going to be one of major tasks for the opened job position. The renting costs will grow for about 10% due to new office space that is going to be leased for the company expansion. Utilities are going to grow, due to higher rotation of clients, as some of apartments were used in 2017 as student residences and in 2018 were transformed into guesthouses. Maintenance is going to have a similar raise as there are costs of renovation and repair of the office that needed to be counted in the calculation. Other operating expenses, accounting and fees, bank charges categories remain the same as the previous year. In 2018 the company is hiring new talents and is expected to pay for salaries about 36.000 €. Other expenses are planned to grow for about 10%. As the net profit, due to many investments, new office space, hiring spree is going to be lower than the year of 2018, the tax for the period should diminish too. By the calculation the tax adds up to about 10% from the gross profit.

For the year 2019 there is a predicted growth of 5% of the core business and by the marketing plan assessment (*see Marketing plan section*) a 36.000 € income for the services – tours, trips, activities, surf classes and camps. The rents are expected to grow for 5%. In addition we have yearly raises with utility companies and higher taxes on utility usage from the state, so there is also an additional 5% growth in utilities category. With more locations, decay and daily use a 5% growth in maintenance cost is expected. Other operating expenses,

accounting and fees, bank charges categories stay the same as the previous years. Regarding salaries, a salary plan is being formed in 2018 to set the development of the HR department who is introducing the career path for co-workers who are planned to develop their skill sets, share same values and show loyalty to the project. Therefore a 5% raise in salaries can be expected for the year 2019. Other expenses may stay the same as the year before. Operating expenses are planned to grow for about 5.000 €. Due to higher net income for the year 2019, the company is going to pay higher tax IRC. The net income for the year 2019 is expected to be 47.214 €.

For the year 2020 there is a predicted growth of 5% of the core business and a service income of 43.200 € - a 20% growth from the last years accomplished goal. It is possible that the company will invest into a bigger project, getting a credit loan for the Portugal 2020 founding, counting in that there will be 2 years of successful business and a strong financial base. This is not counted in the forecast as there are too many variables to calculate for 2-3 years upfront. As mentioned in the upper section, rents, utilities and maintenance costs are going to grow for expected 5% on the yearly basis. Three years taxes did not change (other operating expenses) but due to possible change in the political environment, or new applicable laws, one can expect a 5% growth in general taxes as known as other operating expenses. Accounting fees and bank charges are staying fixed. Salary raise is planned to be at about 7,5%. Other expenses may stay at the same amount as of the year 2019. Operating expenses are planned to grow for about 12.000 €. IRC Tax would round up on about 6.000 €. Net profit for the year 2020 is predicted at 53.954 €.

## **Cash flow analysis**

Cash flow statement is the third statement that is representing the Surfasm's business activity. It shows the liquidity of the business, the company's financial resources and obligation in a certain point of time. It is split into three main sections:

- Cash flows from operating activities
- Cash flows from investing activities
- Cash flow from financing activities

Table 12: Surfasm's Cash Flow statement for the year 2017

Statement of cash flows	2017
01.01.2017-31.12.2017	
<b>Cash Flow from operating activities</b>	
Net income	35.144
Increase/decrease in current receivables	0,00
Increase/decrease in current liabilities	7.092
<i><u>Net Cash Flow from operating activities</u></i>	<u>42.236</u>
<b>Cash Flow from investing activities</b>	
<i><u>NET cash flow from investing activities</u></i>	<u>2938,86</u>
<b>Cash Flow from financig activities</b>	
<i><u>NET Cash Flow from financig activities</u></i>	<u>0</u>
<u>NET cash flow</u>	<u>45.175</u>
<u>Beginning cash balance</u>	<u>1.809</u>
<u>Ending cash balance</u>	<u>46.984</u>

The cash flow statement represents the year of 2017. There are two models of the cash flow analysis and for this research, the indirect method was used. For the direct method all incomes and outcomes are being analyzed and for the indirect method, the data is derived from net income (profit), where the direct changes between current assets and liabilities in the year are taken into account. Net income represents as above mentioned profit of the company. The increase/decrease in current receivables represents the difference between accounts receivable on 31.12.2016 and 2017, meaning any amount that somebody would still be owing to the company. The increase/decrease in current liabilities represents the difference between accounts payable on 31.12.2016 and 2017, meaning any amount that Surfasm would still be owing to somebody. In this case, the security deposits - 7.092 €, received from students need to be delivered back in the maximum period of one year. NET cash flow from investing activities represents all investment cash-in flows from the side of the founder or equity holder. There is no current credit loans, that Surfasm has taken so the NET cash flow from financing activities is 0. The NET cash flow is 45.175 €, this is the amount that came into the Surfasm's account in the year of 2017, an alignment that can be seen on the Surfasm's balance sheet for 2017 under the current asset section (*see balance sheet section*).



## Summary of analysis

After all that Surfasm has gone through in short few years of existence, a core question arises, is the company:

- Profitable and sustainable?

Throughout the study one could learn about the environment, industries involved, the economic setting, the company history and Surfasm's internal structure. With the elaborated marketing plan and the realization of most important financial statements the reader can see that the company has the potential to grow and become stronger.

Analysis shows that company Surfasm is profitable. It has had a stable growing income in last 2 years. Management is working tightly on structuration, organization and improvement.

With the three years projection, the reader can see that though the company may have big operating costs, it has a potential to cover even a bigger part of the market share in next 3 upcoming years. As the analysis shows the company Surfasm should be sustainable.

## Leads for future research

The initial aim of this research was to understand the company's environment, background, business structure, basic operations and financial activity layout. While fully recognizing the limitation of the study due to only one year analysis, the default setting was presented. Nevertheless, the study can be completed with all financial documents for the years of 2018, 2019 and 2020 when the time comes. In addition other financial parameters can be counted in to better understand the performance, bottlenecks, problems and solutions for the company. An aspect that was hard to cover is the Portuguese economic environment, where there is a high rate of cash only transactions and individuals avoiding on paying taxes so there were certain costs that were covered from the private founder account and could not be realistically presented as a company expense. If there would be another study made on the subject, the researcher would split financials in more sub-categories so the reader could understand fully what are the resources used for. It would be of an utmost importance, that for the future research, the company would have all aspects covered in a three years period, so the reader can see the realistic progression and comparison of where the company was and where it is heading at.

## Conclusion

Surfgasm is a relatively new enterprise that is focusing on surfing, trips, tours, housing and related business. Set in the European environment, where study shows that the tourism sector has a continuous growth in last years. By overviewing general demographics, one can understand who are potential clients and what they are looking for. The country as it is, offers a lot of potential for tourism development and has had a positive GDP after the economic crisis.

An assessment of the feasibility of the business through this plan revealed that both business segments – housing and activities, are not only profitable but with growth potentials. The ‘Gasm experience’ which forms the core marketing communication of the company is sellable to the targeted customer segments. Customers, young at heart, seeking for a dynamic holiday would fit best for what Surfgasm has to offer.

The SWOT analysis shows that the Surfgasm’s strength lies in its strong and appealing brand name, complementary services that create synergistic benefits and lean management structure with tendency for efficiency in terms of cost and effective decision-making.

There is a growing competition in both sectors so the company needs to stay agile to tackle possible challenges that come along in the bullish market.

The company is however, confronted with a limited financial capacity for growth. The net profit margin of Surfgasm for the year 2017 is 15.8%. By the prediction of the year 2020 the net profit margin should be 17.25%. That shows a positive development and growth for company’s sustainability.

Conclusively, the Surfgasm business plan is a viable one and should be embarked upon.

*\*The study may have been applied in real-time business as an addition and guidance on the Surfgasm path of growth and stabilization.*

## Appendix

Appendix 1:



Figure 9: Data and studies were provided by the above mentioned organizations

Appendix 2:

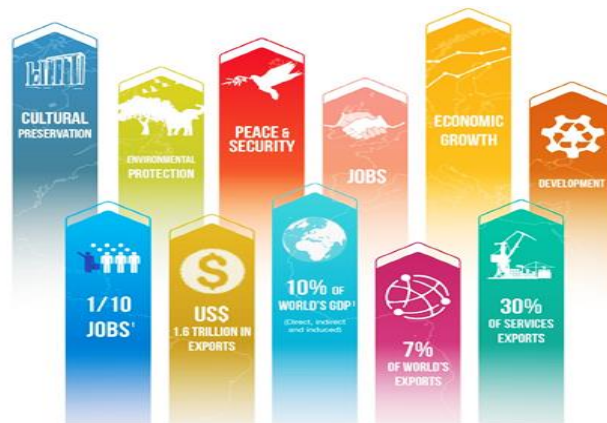


Figure 10: Sustainable tourism key factors (Source: UNWTO)

Appendix 3:

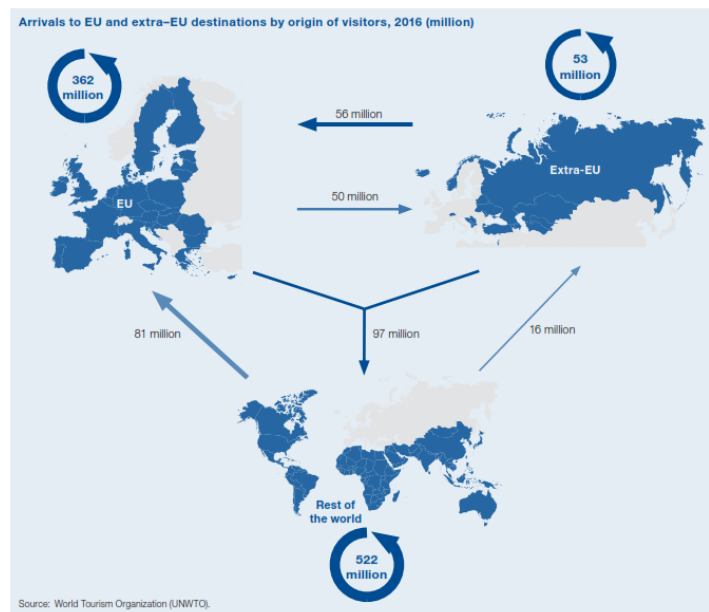


Figure 11: Arrivals to EU and extra-EU destinations by origin of visitors, 2016 (Source: UNWTO)

Appendix 4:



Figure 12: Organizations that are referenced in the study

Appendix 5:



Figure 13: Tokyo 2020 Surfing Figure (Source:IOC)

Appendix 6:



Figure 14: Surfsgasm Team

Appendix 7:



Figure 15: Company logo: Surfgasm - Lisbon Surf School & Guesthouse Experience

Appendix 8:



Figure 16: Surfgasm Guests enjoying the common area

Appendix 9:



Figure 17: Erasmus Housing Lisbon Logo

Appendix 10:



Figure 18: Example of one of EHL apartments



Appendix 11:



Figure 19: School at the beach, conducting the class

Appendix 12:



Figure 20: Flyer for Surfasm Tours

Appendix 13:



Figure 21: The coffee machine as one of the in-house services

Appendix 14:

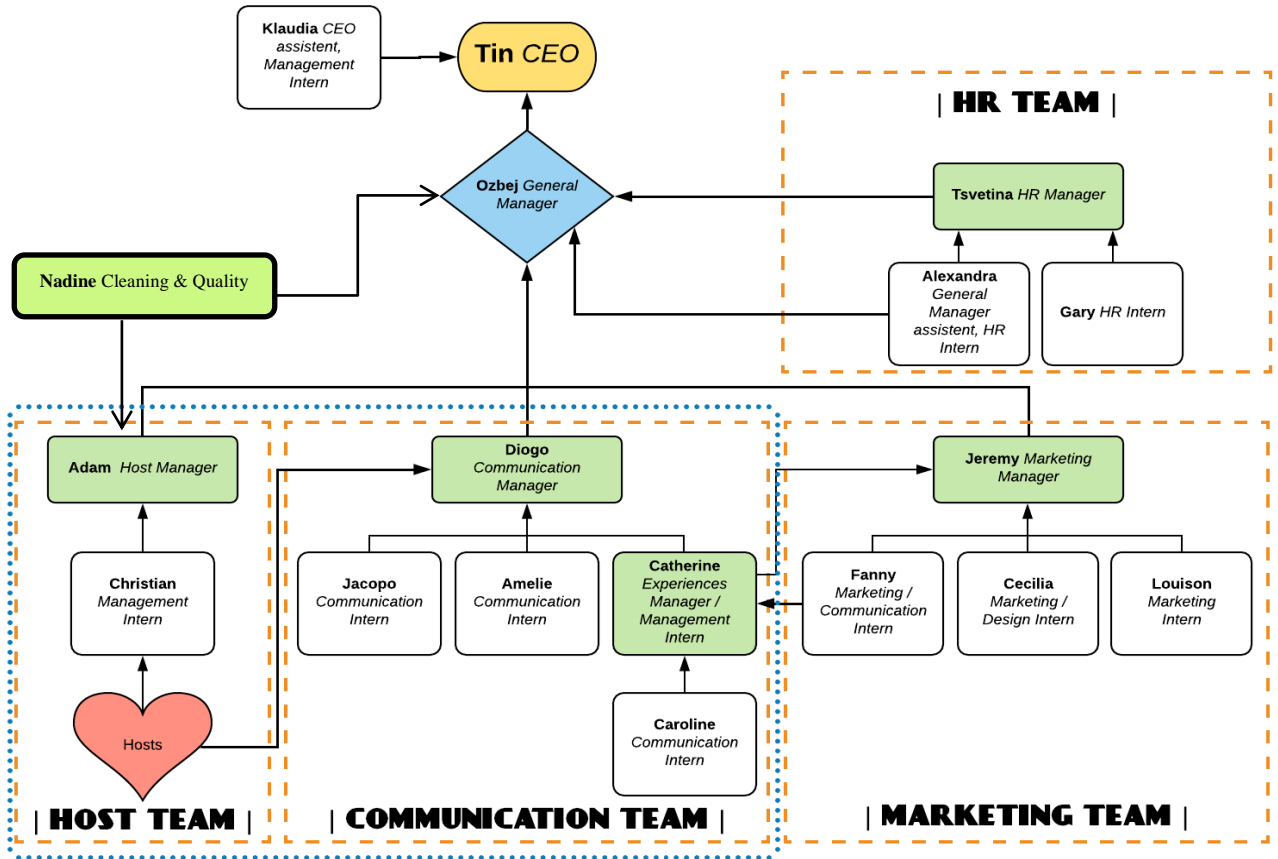


Figure 22: Staff structure of Surfasm

Appendix 15:

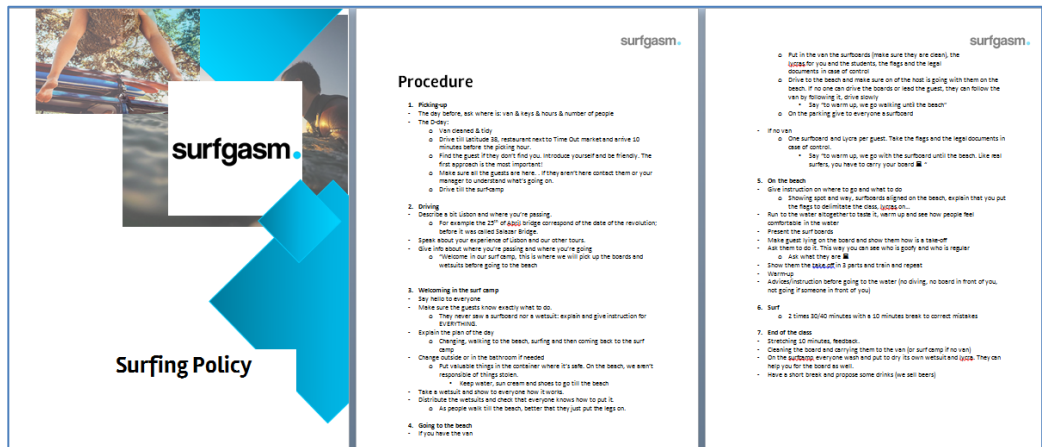


Figure 23: Example of a section of Surfasm manual

Appendix 16:

The Business Model Canvas

Team or Company Name: **Surfgasm (Guesthouses/EHL)**  
 Date: 1/9/2018

Primary Canvas  
 Alternative

<p><i>Key Partners</i></p> <ul style="list-style-type: none"> <li>Landlords /Real Estate Entities</li> <li>Travelers and tourists / Students</li> <li>Online Rental Sites (Airbnb,Housing Anywhere,...)</li> <li>Business Partners (tour companies, language school, wineshop, student associations,...)</li> <li>School agreements (supportive staff)</li> </ul>	<p><i>Key Activities</i></p> <ul style="list-style-type: none"> <li>Long term leases on conditioned real estate (residences)</li> <li>Renovating Residences</li> <li>Subletting Rooms @Residences -&gt; Semestral basis for a higher margin</li> <li>Subletting Rooms in Guest Houses for Tourists &amp; Travelers (Nightly, Short Term)</li> <li>Maintenance of real estate</li> <li>Buying real estate</li> </ul>	<p><i>Value Proposition</i></p> <ul style="list-style-type: none"> <li>One in the lifetime logging experience for Travelers &amp; Tourist, with a customizable activity list, that is fully automated</li> <li>High-end student housing with full social integration &amp; exploration of Portugal (Students)</li> </ul>	<p><i>Customer Relationships</i></p> <ul style="list-style-type: none"> <li>Customer service (quick response / maintenance team on call)</li> <li>Social media marketing</li> <li>Tours / experiences made for customers</li> <li>Automated services</li> </ul>	<p><i>Customer Segments</i></p> <ul style="list-style-type: none"> <li>Couples</li> <li>Young Workers</li> <li>Tourists</li> <li>Travelers</li> <li>Students</li> </ul>
	<p><i>Key Resources</i></p> <ul style="list-style-type: none"> <li>Dynamic, specialized responsible staff (coworkers)</li> <li>Centralized cloud management</li> <li>Automated systems of control</li> <li>Great business development processes</li> </ul>		<p><i>Channels</i></p> <ul style="list-style-type: none"> <li>Page <a href="http://www.surfgasm.com">www.surfgasm.com</a></li> <li>Rental sites (Airbnb,...)</li> <li><a href="http://www.facebook.com/erasmushousinglisbon">www.facebook.com/erasmushousinglisbon</a></li> <li><a href="http://www.housinganywhere.com">www.housinganywhere.com</a></li> <li>Facebook Group (for events)</li> <li>Contacts, Word of Mouth</li> <li>Instagram</li> </ul>	
<p><i>Cost Structure</i></p> <ul style="list-style-type: none"> <li>Huge Fixed Costs (Utility Bills)</li> <li>Huge Initial Investment Costs (Renovation of the real estate)</li> <li>Maintenance Costs</li> <li>Salaries to permanent staff</li> <li>Payments to outsourced work (construction specialists, designers, lawyer)</li> <li>Taxes</li> </ul>			<p><i>Revenue Streams</i></p> <ul style="list-style-type: none"> <li>Surfgasm Guest Houses: Short renting night rates</li> <li>In-house services</li> <li>Erasmus Housing Lisbon: Student Rents – monthly from September to June, July</li> <li>Commissions from business partners for sending students/tourists and travellers to their business</li> </ul>	

Figure 24: Surfgasm's Primary Business Model Canvas



Appendix 17:

<i>Team or Company Name:</i> <b>Surfgasm (Surfing, Tours, Trips )</b>	<i>Date:</i> 1/9/2018	<input type="checkbox"/> Primary Canvas <input checked="" type="checkbox"/> Alternative
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The Business Model Canvas

<i>Key Partners</i> <ul style="list-style-type: none"> <li>Surf Instructors (outsourced, one intern in training)</li> <li>Tour Guides</li> <li>Travelers and tourists</li> <li>Students</li> <li>Business Partners (wines shops, student associations, local businesses)</li> </ul>	<i>Key Activities</i> <ul style="list-style-type: none"> <li>Bring people on a surf experience</li> <li>Take people on road trips</li> <li>Shoot customer footage</li> <li>Organize prime events for customers</li> </ul>	<i>Value Proposition</i> <ul style="list-style-type: none"> <li>Prime experiences in Surfing with 99,9 % of people standing up and catching the waves in 3 classes</li> <li>Epic tours with mesmerizing moments and sites , where guests can get actively involved</li> <li>Sublime dining/catering experiences on the panoramic rooftop (private chefs)</li> </ul>	<i>Customer Relationships</i> <ul style="list-style-type: none"> <li>Customer service (personalized trips / progress tracking of surfing members)</li> <li>Social mediamarketing</li> <li>Content Marketing (back to basics belief – gratitude)</li> <li>Sustainable living / urban escape / clean environment</li> </ul>	<i>Customer Segments</i> <ul style="list-style-type: none"> <li>Tourists</li> <li>Travelers</li> <li>Students</li> <li>Young Workers</li> </ul>
	<i>Key Resources</i> <ul style="list-style-type: none"> <li>Surf instructors , tour guides</li> <li>2 vans + Gear</li> <li>Brand Trademark / License Tours / Surf school License</li> </ul>		<i>Channels</i> <ul style="list-style-type: none"> <li>Page <a href="http://www.surfgasm.com">www.surfgasm.com</a></li> <li><a href="http://www.facebook.com/surfgasm">www.facebook.com/surfgasm</a></li> <li>Instagram Account Surfgasm</li> <li>Trip advisor, Airbnb Experience, Withlocals</li> <li>Contacts, Word of Mouth</li> </ul>	
<i>Cost Structure</i> <ul style="list-style-type: none"> <li>Costs of transportation</li> <li>Costs of maintenance gear &amp; vans</li> <li>Salaries for staff</li> <li>Taxes</li> </ul>			<i>Revenue Streams</i> <ul style="list-style-type: none"> <li>Surf School Classes (Surfing days on the beach)</li> <li>Tours &amp; Trips</li> <li>Catering events organized by Surfgasm Staff</li> </ul>	

Figure 25: Surfgasm's Secondary Business Model Canvas

Appendix 18:

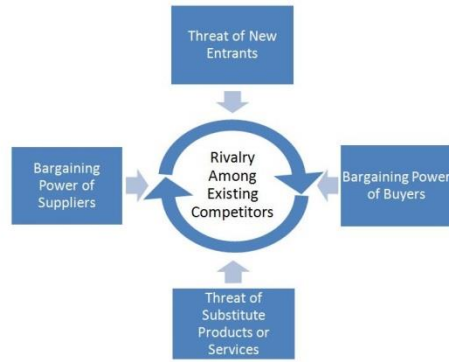


Figure 26: Porter's Five Forces - visually

Appendix 19:



Figure 27: We hate tourism tours online ad (source: WHTT web page)

Appendix 20:

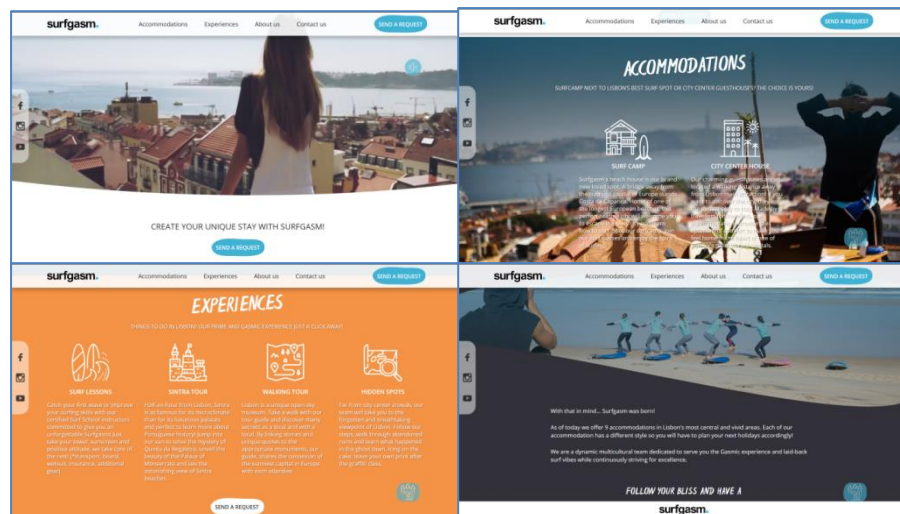


Figure 28: Webpage overhaul (design) in progress

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