

**BUSINESS PLAN: SUSTAINABLE SURF RESORT IN  
SIMEULUE**

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## **Abstract**

The growing number of surfers is currently driving surf travellers to expand into remote regions with newly discovered surf breaks. Indonesia's favourable weather system and a vast exposed coastline makes the region one of the world's surf richest corners, attracting an increasing amount of surf minded visitors.

This Business plan describes the development of a sustainable Surf & wellness resort on the island of Simeulue, Indonesia. This innovative concept distinguishes itself from the already existing surf lodgings in Indonesia due to its unique approach on wellbeing, sustainability, and connection with the local communities.

The business plan is written based on a literature review, authors first hand research on the island of Simeulue and research on various sources in order to write an adequate and realistic business plan.

Keywords: Business plan, Surf tourism, Tourism in rural areas, Sustainable tourism. Indonesia, Sumatra

## **Resumo**

O crescente número de surfistas está atualmente a motivar viajantes de surf a expandirem-se para regiões remotas com pontos de surf recentemente descobertos. O sistema meteorológico da Indonésia e o facto da costa marítima ser bastante exposta fazem com que esta região se torne um dos locais mais apetecíveis do Mundo, atraindo um elevado número de visitantes direcionados para o surf.

Este plano de negócios descreve o desenvolvimento de um resort sustentável de surf e bem-estar na ilha de Simeulue, na Indonésia. O conceito inovador presente neste plano distingue-se dos já existentes alojamentos de surf presentes na Indonésia devido à sua abordagem singular e única no bem-estar e na sustentabilidade, tal como na conexão com as comunidades locais.

O plano de negócios foi escrito com base na consulta e revisão de textos, livros relacionados com o tema, realização de pesquisa de autores na ilha de Simeulue em primeira mão, tal como a consulta em várias fontes para possibilitar a escrita de um plano de negócios realista e adequado.

Palavras-chave: Plano de negócios, Turismo de surf, Turismo em áreas rurais, Turismo sustentável, Indonésia, Sumatra

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## Executive Summary

The continuous growth of global surfing population is opening business opportunities for accommodation and service providers catering for surf travellers. The favourable weather trends and a vast exposed coastline of Indonesia provide optimal conditions for year around surfing. Helped with the cheap cost level, beautiful nature and beaches it's an attractive option for the traveling surfer. The island of Simeulue has lower level of competition than the surrounding islands around the Sumatra's surfable coastline and thus is an inviting location for the business.

Rindo Surf Resort serves the market as a high-class sustainable surf and wellbeing resort that serves as the ultimate getaway. Majority of the existing surf camps on Simeulue do not offer a wide variety of services and activities and offer fairly basic living conditions. Rindo Surf Resort takes advantage of this business opportunity, by offering the premium option for the surf travellers visiting Simeulue.

The target market is global surf travellers, with the focus on surf travellers visiting Indonesia. The characteristics of the potential customer group are: mostly male, over 30 years old, Australian, American and European. Well earning and educated, time poor having 2 weeks to spend for their holidays. These customers resemble the leisure travellers and are ready to pay a little more for higher-end amenities when they travel. The age structure of the surf population is suggesting an increase in the demand of surf tours and high-quality accommodation, Rindo Surf Resort responds to that demand.

The marketing strategy of Rindo Surf Resort is based on active distribution of high-quality content created by professional photographers and filmmakers. The content is shared through online channels, which makes the marketing efficient, low-cost and world-wide. The main online channels used are social network pages, the website and newsletter of the resort, surf influencers and online surf magazines.

The competition on Simeulue is relatively low. 6 direct competitors were researched, each of them offering a varying level of accommodation and services. Weekly prices ranging from 500€ to 1200€. Rindo Surf Resort provides the premium option, but also serves the budget travellers with the option for a shared room. The competitive advantage comes from being sustainable and offering the widest range of activities and services to the customers.

Rindo Surf Resort's organizational structure is fairly simple since the company is relatively small and doesn't require multiple levels of management. This is favourable for the staff, providing easier communication and a tight work community. The staff consists of: CEO, Receptionists, Chefs, Surf guides, Yoga teachers, Housemaids and Surf photographers. The author of this paper serves as the CEO of the company.

The implementation of the business takes approximately 12 months. Including the permission process, where a foreign investment company is established and the Hak Guna Bangunan permission gained for being able to build on the land. The paperwork process is estimated to take 5-6 months and the building process 6 months. The marketing and recruitment of employees can be done during the building project and thus do not take any additional time.

Financial analysis of the project provides the numbers and serves as a proof of feasibility of the project. The required investment for initiating the project is 280,000€ and the total interest paid for the loan is 27,300€ . Projected net income of the 3 first years of operation is 330,000€. With 1 year of building and initiation of the business, the expected debt repayment takes 4 years. The net present value of the project is 623,568€, which indicates that the project covers the cost of the initial investment and generates income for the investors.

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## 1. Introduction

Global surfer population is growing with a rapid pace. Recent estimates of the global surfer population range from 23 million (Warshaw, 2005), to 35 million participants (O'Brien & Eddie, 2013).

Surfers are in a constant search of waves and since there is a limited number of waves and only one surfer can ride a wave at time, the overcrowding of surfing spots is a common problem. The growing number of surfers in urban settings is currently driving surfers to expand into regions with newly discovered surf breaks, located often in less economically developed parts of the world. (Towner, 2013)

One of these parts of the world is Indonesia. The favourable weather trends and a vast exposed coastline provide optimal conditions for around the year surfing, the islands of Indonesia contain perhaps the world's richest surfing fields. (Ponting et. al, 2013)

With the growth of the surfing population and subsequently the amount of surf travellers, opportunities for penetrating the needs of travelling surfers open.

The objective of this business plan is to describe the development of Rindo Surf Resort, a sustainable surf and wellness resort on the island of Simeulue, Indonesia. This concept distinguishes itself widely from the already existing surf lodgings in Indonesia due to its unique approach on wellbeing, sustainability, and connection with the local communities.

Island of Simeulue was chosen as the location of the surf resort due to its relatively unknown nature in the surfing world, good infrastructure and easy air access from Medan, capital city of North-Sumatran province and one of the main central cities of Indonesia. Simeulue is home to a large number of waves but due to its surf mighty neighbouring islands it has stayed as one of the last surfing frontiers of Indonesia.

Author's personal knowledge of Indonesia, its language and culture makes it the most reasonable place for this business project. Author has built a network of local contacts that can be helpful in the future. When deciding on the location of the business, author personally travelled to the island of Simeulue to evaluate the competitors and to search for a potential location for the business. This first hand information is used in creation of the Marketing Mix in the chapter 10.4 of this paper.

The body of this paper consists of four major sections: literature review, market analysis, development strategy and financial analysis. Starting with the literature review, which relies on Books and scientific articles written about nature of surf tourism, surf tourism in Sumatra, nature of surf camps and surfers as a consumer and sustainable surf tourism. The literature review gives a base to the research and helps to understand the constraints, benefits, trends and way of functioning of the surf lodging market in Sumatra

The market analysis includes analysing the business environment by using Pest analysis and Porters five forces tools, creating a customer profile of surf tourists and competitor analysis of the direct and indirect competition.

The development strategy uses data and insights acquired in the market analysis to form a strategy for the company. Lastly, the financial analysis gives an insight to the numbers of this project. Including projected sales, evaluation of the capital structure, calculating the investment required, presenting an income statement and finally, project evaluation giving the net present value and the terminal value of the investment

## **2. Description of the promoting entity & Identification of the innovative proposal**

The innovative aspect of this business plan comes from the way how things are done, not by what is done. Surf accommodation has existed for decades and is nowadays found at almost every surfable coast of the world, but this project rethinks surf accommodation and gives a sustainable solution suited for modern times.

The idea of this business plan started years ago, when the author was studying in the University of Udayana in Bali, Indonesia. On a study holiday in the island of Simeulue, the surfing potential of the island was clear, and the beauty of the untouched nature mesmerized the author.

The idea kept changing its forms, but always stayed in mind. What if a surf resort focused on sustainability and respected its surrounding culture and nature, what if we could help the local community and offer the guests a cultural experience. The idea of a high-class sustainable surf and wellbeing resort that serves as the ultimate getaway was born.

The idea is to create a protected haven situated on pristine and long white sandy beach with clear water, surrounded by quality waves, thousands of kilometres away from the modern world, surrounded by nature and has multiple beaches, natural points of interest such as waterfalls and hills in close proximity.

The key goals of the business are soft goals such as: Being a surf resort with good reputation, recognized for its positive impact, promoting environmentally friendly attitudes and sustainability, creating local partnerships that add value to the business and boost the local economy, Involving local community with the positive effects of surf tourism and invest on human resources.

The values of the business are: Sustainability: Being environmentally responsible, as self-sustainable as possible, using locally sourced products and providing jobs and wellbeing to the surrounding communities. Quality: Providing consistent, high-quality service, offer the widest range of activities and ensure the safety, comfort and enjoyment. Use high-quality materials. Hospitality: Passionate and welcoming staff making the guests feel special, providing unforgettable experiences to the guests.

### **3. Literature review**

The literature review in this chapter presents important and relevant facts from existing surfing and tourism literature. The concepts of surf tourism, surf tourism in Sumatra, the nature surf camps and sustainable surf tourism are all explored in depth in order to develop a further understanding of the viability of this business plan. This chapter is structured in around four main topics. The first topic focuses on the nature of surf tourism. The second topic presents an overview of the surf tourism industry in Sumatra, third explains the nature of surf camps, focusing on the Indonesian remote camps and resorts and the fourth chapter discusses sustainable surf tourism.

#### **3. 1 The Nature of Surf Tourism**

To understand surf tourism, one has to understand the nature of surfing as an individualistic sport. After surfing's initial boom, excessive crowding of the surf spots led to problems and aggression in the surfing hotspots. Surfers started travelling to rural regions in search of less crowded waves (Towner, 2013) This problem of overcrowding of the surf spots describes the surfers need to travel around the world, to search for the perfect and uncrowded waves around the globe in remote destinations (Butts, 2001)

The constant search is a crucial part of surf tourism, since once a new surf spot is discovered, keeping it as a secret from other surfers is difficult, and the newly discovered spots quickly become overcrowded. This ongoing process of the search is often helped by tour operators that coordinate arrangements of the travelling surfers. (Tantamjarik, 2004).

Even though surf tourism has been researched in the last years the definition is yet to be settled. (Barbieri & Sotomayor, 2013). Buckley (2002) defines surf tourism as:” Surfing becomes tourism as soon as surfers travel at least 40 km and stay overnight with surfing as the primary purpose for travel.”

Fluker (2003) In his pioneering study, classifies surf tourism as: "Surf Tourism involves people travelling to either domestic locations for a period of time not exceeding 6 months, or international locations for a period of time not exceeding 12 months, who stay at least one night, and where the surfer relies on the power of the wave for forward momentum,

is the primary motivation for destination selection." The origins of commercial surf tourism are recent but has become a significant component of the worldwide adventure tourism sector. There are over 35 million surfers worldwide. (O'Brien et. al, 2013). Third of which are cash-rich, time-poor and hence potential tour clients. (Buckley, 2002)

Buckley (2002) further divides surf tourism into two distinct categories, recreational surf travel, and commercial surf tourism. Pointing that in recreational surf travel, surfers plan their own trips, use their own equipment and transport, and stay in local inexpensive accommodation or their own tents. The length of the trips varies from long to short, domestic or international, but expenditure per day is typically low. Recreational surf travel is as old as surfing itself. In commercial surf tourism, tour operators organise the logistic aspects of the trip, generally including food, transport and accommodation. Clients bring boards and personal gear, and pay a package price for the tour, as for any other kind of tour. There is a wide range of choice for commercial surf tours, from high-budget boat tours to low-budget bus safaris, visits to fixed-site surf camps, lodges and resorts some of which have an exclusive access to famous surf breaks. (Buckley 2002)

Surf tourism started with independent travellers searching for the perfect wave (Ponting et. al, 2013). Nowadays the trend is changing, and surf travellers are no longer travellers with a lot of free time cruising around in the search of waves, but travellers that use the services of tour operators to help them coordinate their surf experience (Pitt, 2009)

surf tourism appears these days on almost every surfable coast worldwide. Surf tourism on the world tourism stage is rapidly growing, but there is still not a significant body of research available. (Ponting, 2008)

Surf tourism has evolved and increased rapidly over the last decades and the continuously increasing number of surfing documentaries, magazines, films and social media clips fuels the demand by representing new exotic destinations to the surfers. Another major influencer popularizing surfing among a wider audience, is the WSL, World Surf League, that is a professional surfing championships tour taking place in various different surf spots around the world. (Springwald, 2018)

### **3.2 Surf Tourism in Sumatra**

Indonesia, situated between Indian and Pacific oceans is the world's largest island country with more than seventeen thousand islands is home to over 269 million people (Worldometers, 2019) Sumatra is the westernmost island of Indonesia and the largest island located entirely in Indonesia. With its to the open coastline towards Indian ocean and it's shallow, wave producing reefs, Indonesia is home to some of the most perfect waves on earth.

After surfing's initial boom, excessive crowding led to aggressive confrontations in the water in the hotspots of surfing in Australia and USA. Surfers started travelling to rural regions in search of less crowded waves, but soon enough these surf breaks were also crowded. It led to a global search for waves, when the pioneering explorers left the traditional surf destinations and started to look for their own perfect wave. Morning of the Earth film started the series of discoveries in Indonesia. Revealing the untouched mysterious paradise of Bali, idealizing the surf exploring lifestyle. Other major Indonesian discoveries were soon to follow; Lagundri bay of Nias, located in the Northern Sumatra and Garajagan, East Java. (Towner, 2013)

Amazing waves were found even from the most isolated and hard to reach regions of Indonesia. The discovery of these waves often led to an establishment of a surf charter tour or a surf resort. (Warshaw et. al, 2005) This marked the birth of commercial surf tourism. The first known surf camp in Indonesia began operation in East Java in 1977 providing basic accommodation, water, food, beer and transport from Bali. (Lueras et. al, 1997) When the main surfing brands started advertising campaigns at the new found 'surfing paradise' of Mentawai islands in Sumatra in 1990s the market boomed. Only 6 years after its opening Mentawais were holding more than 30 surfing charter yachts. (Ponting, 2008) Located, 130 miles off the west coast of Sumatra, Indonesia. Most of the surf tourism market in the Mentawais has evolved around charter vessels (Ponting & McDonald, 2013). Surf tourists pay for all-inclusive 7–12-day surfing holidays on vessels that cruise around the various surf breaks with up to 12 surfers aboard.

Most of the surf tourism research in Sumatra is focused on Mentawai islands, since it is the destination drawing largest number of surf visitors. Since Mentawai islands have been on the world surfing map for a just couple of decades, surf tourism there is relatively recent activity. The number of charter boats and surf resorts is rapidly increasing every year, whilst

the majority of the indigenous Mentawai people live in poverty. Adverse impacts occur in the Mentawais and are potentially problematic since the communities aren't experienced with the tourism development and the nature environments are pristine. (Towner, 2013) The situation at the Mentawai islands is described by Baker (2006) as: "Surf tourism in the Mentawais is undergoing a rapid and far-reaching transformation that will change the island, the lifestyles of the local people and surfers experiences of the Mentawais forever"

### **3.3 The Nature of Surf Accommodation**

Surf camps are characterized as small beachfront hotels or guesthouses that fulfil the needs of the travelling surfers (Tantamjarik, 2004) They are mostly located in popular surf spots and provide surf classes, guided surf tours and various services such as accommodation and food. (Brochado et. al, 2018)

In this paper the term surf camp is used to describe a surf specific accommodation. Other terms used for these types of accommodations are: Surf resort, Surf stay, Surf hostel, Surf hotel, etc. Mostly these businesses offer the same experience with a different level of services.

First surf camps were created for the need of accommodation that surfers had while travelling around the coastline looking for surfable waves. This type accommodation can be very simple with base camps for experienced surfers, who independently search for the best waves. (Tantamjarik, 2004).

Other, more inclusive type of surf camps started with the local surf schools providing accommodation for the foreign surfers that were in need of it in order to be able to attend the surf classes (Bicudo & Horta, 2009). Surf camps and surf accommodation are usually

Surf camps are normally included as a part of package deal in commercial surf tours. This type of accommodation is mostly located in cities, towns or regions that are popular for their surf breaks and often perceived as places for surf tourism. (Tantamjarik, 2004)

Surf camps vary from the minimal service of offering surfers a place to sleep to all-inclusive resorts with 3 times a day meals and pre-arranged guided trips and surf instruction. They also may have their own surf school with in-house instructors, photographers and surf-guides. Some camps are on the level of luxury hotels in terms of their services, style, luxury level and number of add on activities. (Tantamjarik, 2004)



Buckley (2002) argued that the age structure of the surf population is suggesting an increase in the demand of surf tours and high-quality accommodation. Also, the ability to pay for the tours will increase as the surfing population grows older. Additionally, with the development of technology surfing becomes easier to learn. Thus, the popularity of surfing is likely to increase in the future generations (Buckley, 2002)

Tantamjarik (2004) argues that surf travellers have started to resemble the leisure travellers and are ready to pay a little more for higher-end amenities when they travel and choosing to travel by buying weeklong surf vacations packages at beachfront hotels and resort.

### **3.4 Sustainable Surf Tourism**

To understand sustainable surf tourism, we have to first understand sustainable tourism. It's clear that tourism provides considerable economic benefits for communities around the world. On the other hand, tourism's rapid expansion has led to detrimental environmental and socio-cultural impacts. Environmental degradation and natural resource depletion are commonly associated with tourism.

Sustainable tourism is attempting to lower the impact on the environment and local culture and help to generate future employment for local communities. Sustainable tourism aims to ensure that development brings a positive experience for the local communities and the tourists themselves. (Yazdi, 2012)

The term sustainable tourism first entered the language of tourism development around two decades ago. It was seen as an appropriate response to the challenges posed by tourism development in particular, it reflected the widespread adoption of sustainable development more generally in the society.

Since the rapid growth of tourism in the mid 60s, particularly international mass tourism, had been accompanied by increasing calls for restraint in its development. (Turner & Ash, 1975)

Sustainable tourism has maintained a dominant position in the academic study of tourism and in the tourism policy planning since early 1990s, when the attention was paid to the perceived negative impacts of tourism and the alternative approaches to tourism development become refocused, with a viewpoint on sustainable tourism. (Ashley et al, 2001).

Sustainable surf tourism, like sustainable tourism, is adapting the principles of sustainable development. Meaning that the overall goal is to respect the economic, social, cultural and ecological welfare of the local communities and create tourist satisfaction. (Springwald, 2018)

Surfers are the key stakeholders when it comes to sustainable surf tourism, thus it's very important to understand their attitudes towards the environment. In order to take steps towards minimizing the impact on the environment caused by surf tourism and surf community. (Springwald, 2018)

Increase in the number of visitors can threaten local cultures, which can afterwards lead to conflicts. Thus, can be argued that surf tourism can have detrimental impacts on the local community. Commercialization and increased crowding are seen to be the biggest challenges to sustaining local cultures (Ponting et al., 2005).

Moreover, surf tourism has been criticized as a process of Neo-colonialism with Ruttenberg (2014) describing it as: "local cultures and livelihoods increasingly marginalized by foreign-owned surf tourism business operating in a free-for-all atmosphere of market-based, neoliberal competition"

Ponting (2007) points out, that the surf tourism market is dominated by foreign businesses since the local communities often do not have the knowledge or to compete against foreign businesses. The negative influence of the Western culture is seen as another negative impact that commercial surf tourism has on the local communities. (Towner & Milne, 2017)

Surf tourism has also been recognized for its potential to provide economic income and significant employment opportunities for the local communities and contribute to a healthy society (Dolnicar & Fluker, 2003)

Increased employment and income generation opportunities can improve the education, infrastructure and health facilities of the communities and also assist in conserving the environment in developing countries. These benefits that can be generated by the surf tourism industry are increasingly acknowledged by coastal tourism destinations, and therefore they advertise surf spots and surf culture in order to attract surf tourism. (Buckley 2002)

#### 4. Reference framework

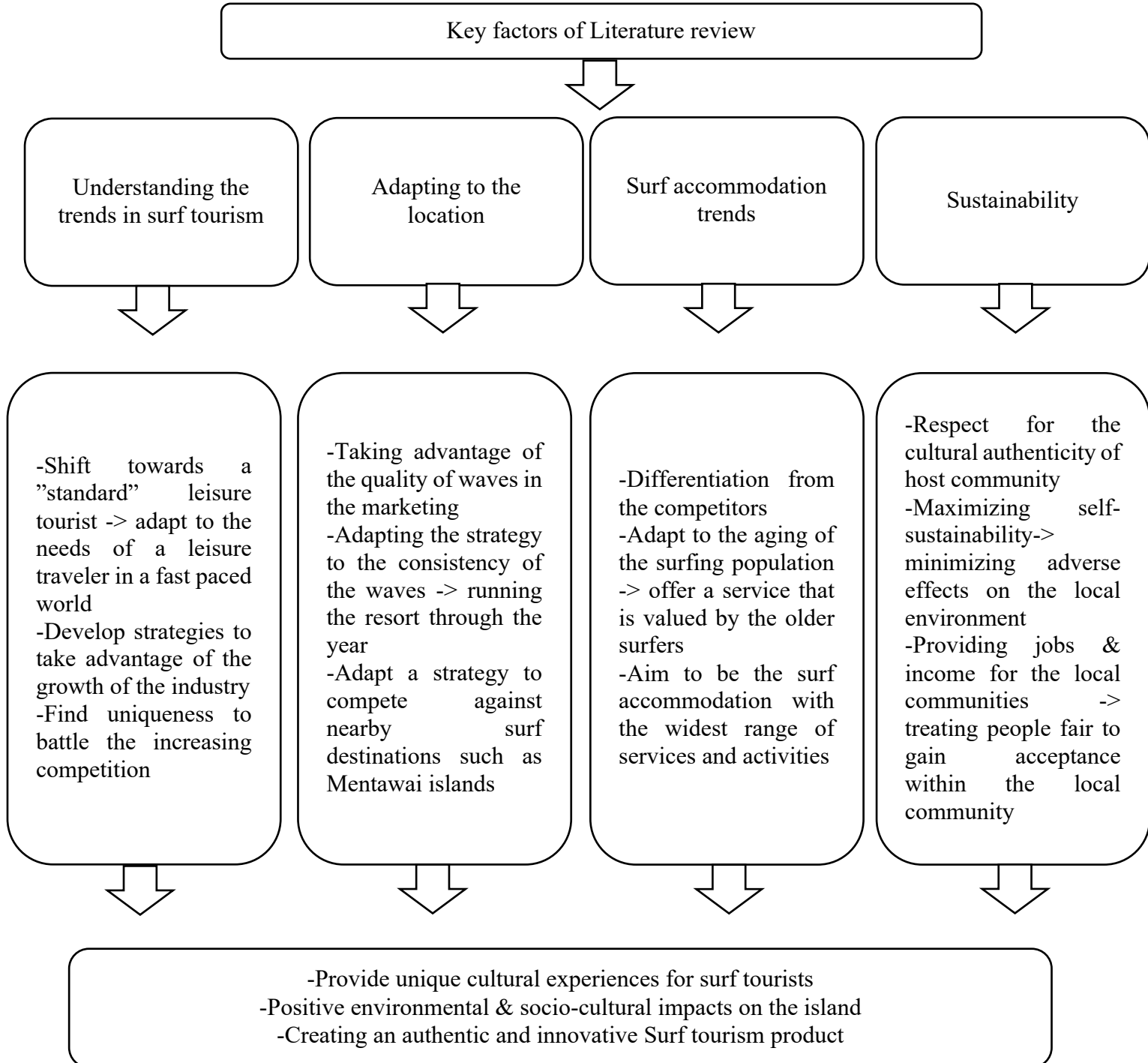


Figure 1: Reference framework of literature review

Source: Author

## **5. Market analysis**

The Market analysis in this chapter is conducted to find out relevant information of the business environment of the proposed business. Porter's five forces analysis is used to analyse the level of competition within the industry. Then a profile of the potential customers, surf tourists in Indonesia is drawn. The third and last part of this chapter evaluates the direct and indirect competition faced.

### **5.1 Business environment analysis**

The business environment for Rindo Surf Resort on the island of Simeulue is examined with Porter's five forces analysis. Porter's five forces is a framework aims to analyse the level of competition within an industry and business strategy development. The framework identifies five forces in the microenvironment that drive competition and threaten a company's ability to make profit. (Dälken, 2014) A nominal scale (1-5) is used to measure the attractiveness of a certain industry. Higher number indicates more power thus, attractiveness of the industry rises with the smaller numbers.

#### **Threat of new entrants**

The less time and money it cost for a new company to enter the market and start being an effective competitor, the larger is the risk of new entrants. When the barriers for entry are high in the industry, the bargaining power is on the companies, allowing them to negotiate better terms and charge higher prices. The surf camp business is relatively hard to enter due to the high starting investment required for acquiring the land and building the property. Legislation wise, Indonesia's bureaucratic system is known for long waiting times and possible communication problems, which can hinder the process of new companies entering the market.

#### **Competition in the industry**

This force refers to the existing number of competitors and their size and power in the industry. The larger the size and number of the competitors along with the similarity of products/services they offer compared to the proposed business, the lower the power of the proposed business. There are 6 direct competitors on the island, 2 of which represent the

luxury options. When comparing the size of the island and the amount of existing surfable waves there with the number of competitors, the results are less than Indonesian averages. For example, the neighbouring Mentawai Islands are home to over 100 surf accommodations/charter boats. Thus, the competition on Simeulue island is relatively low. When looking at the whole surf accommodation industry, the neighbouring islands are not the only competitors, technically any surf accommodation that provides similar level of accommodation and waves for a similar price, is a competitor.

### **Power of suppliers**

This force analyses the power of suppliers and how easy it is for a supplier to drive up the cost of inputs. The most important factor in power of suppliers is how many suppliers there are for key inputs and how unique the inputs are. Due to the nature of the business, there are not many supplies needed for running a surf resort. The main suppliers used at Rindo Surf Resort are related to providing the ingredients for cooking the daily 3 meals. There's a high number of farmers and fishermen on the island meaning that the power of the suppliers is relatively low. The activity suppliers also have low bargaining power, since the surf camp doesn't take a cut of their earnings.

### **Power of customers**

The power of customers deals with the ability of the customers to drive down the prices of the service. Higher number of customers decreases the power of customers. Having many, smaller and independent customers means more potential for charging higher prices. Since the proposed business aims at a niche sector of the tourism industry and accommodates only 16 people at time, the number of customers is relatively low, which increases the power of customers. Most of the customers are independent individuals, meaning there are no big companies with a lot of bargaining power as clients. This decreases the power of customers.

### **Threat of Substitutes**

Services that can be used to substitute the service of Rindo Surf Resort pose a threat. Companies that are able to produce services without close substitutes will have more power to increase their prices and negotiate favourable terms. The only substitutes are the surf charter boats operating in the area. The service offered by the charters limits the cultural

experience of the surfers since they spend their time mainly on the vessel. It also can't be seen as environmentally sustainable option and thus is not a major threat.

## Conclusions

With the average result of 2,2 out of 5 it can be concluded that the business environment seems attractive. The Existing competition and customers score the highest power ratings (3) where power of suppliers has the lowest rating (1).

Forces	Power
Threat of new entrants	2
Existing competition	3
Power of suppliers	1
Power of customers	3
Threat of Substitutes	2
Average result	2,2

Table 1: Porter's 5 forces  
Source: Author

## 5.2 Indonesia surf tourist profile

Understanding the profile of a surf tourist, helps to understand the surf tourism industry and clarifies the challenges and opportunities in the market. Integral part of being an active surfer is travelling to new surfing destinations.

A study conducted by Barbieri & Sotomayor (2013) regarding surf travel behaviour and destination preferences indicates that 91.1% of surfers had taken a surf trip in the past and that 94.1% of surfers are very willing to take a surfing trip in the near future. The findings indicate that surfing explicitly is a motivator to travel.

Indonesia surf tourist characteristics have been analysed by Towner (2013) in a study on Mentawai islands, that is in a close proximity of Simeulue island, the proposed location of this business plan. The study suggests that most of the surf tourists are male, 94% of the

respondents. 49% of the respondents were aged between 31 and 40 years. 35% older than 41 and 17% under 30 years. The reason for a low number of younger surfers most likely is related to the expensive prices of the surf packages in Mentawai islands. Most of the surf tourist being professionals that are able to afford more expensive accommodation options, but were time poor, meaning that they could stay for just 2 weeks.

The majority of surf tourists taking part in the survey were Australian (69%) and Americans (22%), with New Zealanders, Japanese and Venezuelans being the last 9% of the sample. The annual income of the survey respondents varied from 14% under 20,000US yearly to 11% earning more than 200,000US yearly. 65% of the participants earned over 60,000US yearly. According to Towner (2013) two types of travellers were identified during the research. The independent travellers that stayed in the cheaper homestays and mostly had a personal income on the lower side of the scale. And the tourist travelling on the high-range packages that were on the higher end of the early income, that could only take two weeks off every year and wanted a luxurious travel experience.

Participants of the survey were also asked about their perceptions of sustainable travel and awareness of the impacts of their surfing holidays and the sense of personal responsibility. 67% of the participants believed that they are sustainable travellers and the remaining 33% believed they are not.

The results also show that The Mentawai surf tourism is dominated by package surf tourism and that the independent travellers are less common.

The study conducted by Towner is the only research made in the area of Sumatra and is valuable knowledge for this business plan. The small sample size of the research can be seen as a possible factor adding unreliability to the results. However, the findings in the study strongly correlate with the authors personal experiences in the region.

### 5.3 Direct competition

Due to attractive natural characteristics of the island of Simeulue, some competing surf accommodation providers exist. However, when considering the size of the island and the number of the waves, the competition is not very strong. In order to proceed with the competitor analysis, a research of the existing surf accommodations on the island was conducted.

The competitors that were chosen for the final analysis are the ones that have specific characteristics and services similar to those desired for the surf camp of this business plan. The direct competitors include surf resorts, surf stays and camps. Some operators were not selected for the analysis due to their inactivity or insignificance due to their size or lack of services.

The following surf accommodation providers were chosen as direct competitors: Aura surf resort, Mahi Mahi surf resort, Salt Simeulue surf resort, Ranu surf camp, Moon beach resort, Simeulue surf lodges

	<b>Characteristics</b>	<b>Services</b>	<b>Activities</b>	<b>Target</b>	<b>Price</b>	<b>Promotion</b>
Aura surf resort	The original surf resort and a classic setup in this part of Simeulue. Located at Nancala beach, next to one of the most consistent waves of Simeulue "Peak" Aura Surf resort encompasses 5 traditional bungalows and main building, able to house 14 surfers. The rooms have views to the wave in front.	All-inclusive resort with Meals 3x a day included, flights from Medan, airport transfers and an option for photographer	day boat trips on a 27ft speedboat, island trips, fishing, snorkelling, waterfall trips, motorbike hire, hikes up the mountain	Families, couples, comfort seekers	1152€ per person/week	Well established marketing in surfing medias, Well-constructed and attractive website. Disclosed in various accommodation booking portals. Actively present on Facebook and Instagram with good content



Mahi-Mahi	Located at Nancala beach, next to one of the most consistent waves of Simeulue “Peak” and next to the Aura surf resort, Mahi Mahi carries similar luxurious feeling as Aura, but also focuses on minimising its ecological impact. The 2 villas and 2 double and single rooms are able to house up to 25 surfers. Buildings are constructed from up-cycled materials, re-incorporating traditional antique structures.	All-inclusive resort with Meals 3x a day included, free voluntary surf trips with a surf guide, free fruits, airport transfers, Satellite Wifi	a 9 hole pitch-and-put golf course, a volleyball court, a swimming pool. Yoga studio, Scuba diving, a fire-pit for bonfires	Families, couples, comfort seekers	900€ - 1173€ per person/week	Well established marketing in surfing medias, Well-constructed and attractive website. Disclosed in various accommodation booking portals. Actively present on Facebook and Instagram with good content
Salt simeulue surf resort	Located at Matanurung, next to a wave named Dylan’s, with 3 other surf camps in its close proximity Salt Simeulue surf resort offers the highest priced option of this part of the island. Salt accommodates maximum of 10 surfers with their five traditional bungalows that are fitted out with modern luxury amenities which include air-conditioning, private bathroom and a private balcony. The bungalows are situated right on the coastline offering views of the wave in front.	Meals 3x a day included, experienced surf guide, airport transfers	-	Couples, comfort seekers, surf focused visitors	540e per person/week	Some marketing in surfing medias, average website, not very active on social media channels and the quality of posted content is not top class.
Ranu surf camp	Located at Matanurung, next to a wave named Dylan’s, next to Salt and 2 other surf camps in its close proximity Ranu surf camp is a locally owned option consisting of 3 bungalows with a maximum capacity of 12 surfers at time. The rooms come with air-conditioning, private bathroom and a private balcony. The bungalows don’t have a view to the ocean.	Meals 3x a day included, airport transfers, free scooter use	Traditional dance, Canoe trip, Fishing trip to the islands	Surf focused visitors, budget option	475e per person/week	Some marketing in surfing medias, average website, not very active on social media channels and the quality of posted content is not top class
Moon beach resort	Located in between Matanurung and Nancala beach, with a short distance to both of the	Meals 3x a day included, experienced surf guide,	fishing, Island day tours, waterfall	couples, groups and families	498€ per person / week	Well established marketing in surfing medias,

	main waves of the island, Moon beach resort holds up to 8 guests, with 2 villas. The rooms come with air-conditioning, private bathroom and a private balcony. The bungalows have a view to the ocean, but the resort is not located in front of a wave.	airport transfers	trip, turtle watching.			fairly well-constructed and attractive website. Active on social media with quality content
Simeulue surf lodges	Located at Matanurung, in the proximity of Salt and Ranu . Simeulue surf lodges is a locally owned option accommodating up to 12 surfers at time. The houses are built in traditional Indonesian style and the rooms come with a fan and a private bathroom.	Meals 3x a day included, airport transfers	fishing, snorkelling, hikes and waterfall trips, spearfishing, island boat trip	couples, groups and families	350-475€ per person/week	Well established marketing in surfing medias, fairly well-constructed and attractive website. Fairly active on social media with quality content

Table 2: Direct competitors  
Source: Author

### Competitive matrix

The Competitors Matrix evaluates and compares the selected competitors on the following criteria presented on the table below. The standard scale is indicated below.

Standard scale

0	1	2	3	4
Inexistent	Weak	Reasonable	Good	Very good

Table 3: Competitive matrix standard scale  
Source: Author

	Aura	Mahi-Mahi	Salt	Ranu Surf camp	Moon Beach Resort	Simeulue Surf lodge
Price-Quality ratio	3	3	2	1	3	2
Proximity to waves	4	4	3	3	1	2
Range of services	4	4	3	3	3	2
Range of activities	3	4	0	2	2	2
Communication	4	3	2	1	3	2
Reputation	4	3	3	2	2	2
Total	22	21	13	12	14	12

Table 4: Competitive matrix

Source: Author

Main conclusions: The higher price range options Aura Surf Resort and Mahi-Mahi Surf resort rank naturally higher than the lower priced competitors. Interestingly Moon Beach Resort offers the best ranked service in the lower price category, being the option furthest away from waves, but offering a high-quality service. According to the competitive matrix, the main competitors are Aura and Mahi-Mahi, scoring the highest number of total points on the factors that Rindo Surf Resort is focused on.

#### 5.4 Indirect competitors/substitutes

There are other type of accommodations on the island of Simeulue, most of which are aimed for local or international tourists. These accommodation services can cater for surfers and thus are considered as indirect competitors. The main indirect competitors are: charter surf yachts, locally owned homestays in surroundings, Airbnb stays and local houses/rooms rented by private people.

Most of the land based indirect competitors are located around Matanurung area and their characteristics are fairly different from the ones mentioned in direct competitors. With a basic décor and no complementary services available. That enables the prices being much lower than the direct competitors evaluated previously. According to authors personal

research most of these accommodations were fairly inactive. The surf charters are active indirect competitors, providing a luxury service similar to the proposed one in this business plan, they offer less activities, but can access waves easier. The charters mainly operate on the outer islands of the Simeulue and Banyak islands region, focusing on waves that can't be accessed by land and thus aren't a major source of competition.

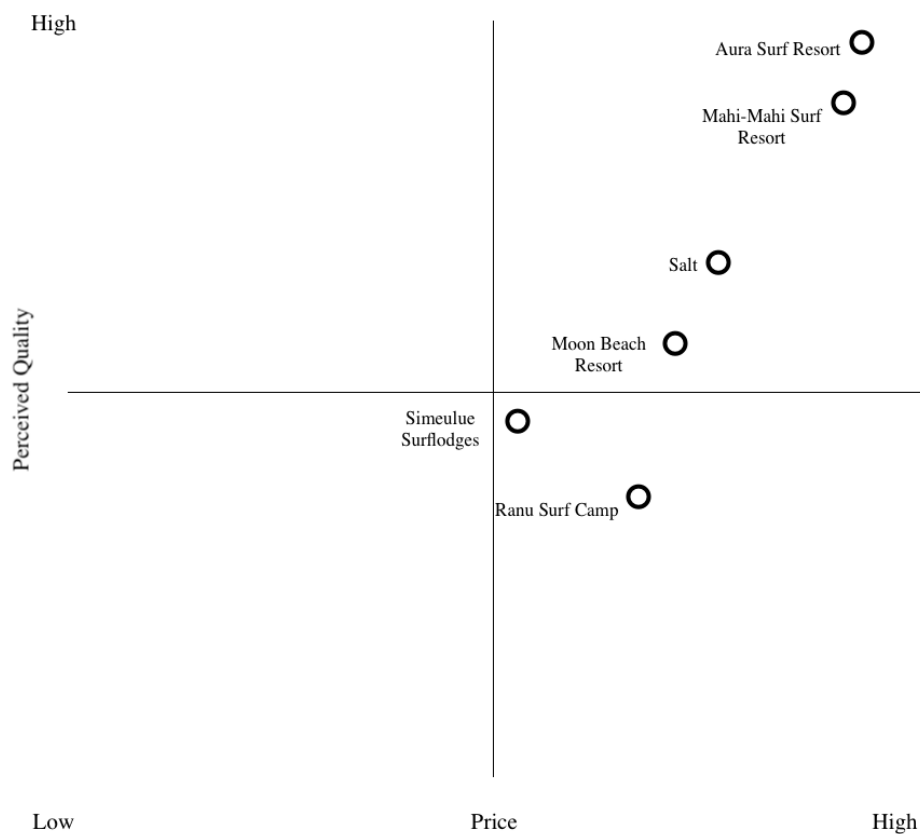


Figure 2: Perceptual map of competitors

Source: Author

## **6. Internal analysis**

### **6.1 SWOT**

A SWOT analysis is conducted in order to identify the internal strengths and weaknesses, and the external opportunities in an organization's environment. The internal analysis aims to identify resources, capabilities and competitive advantages of the company. The external analysis is conducted to identify market opportunities and threats by looking at the industry environment and the general environment as well as looking at competitors resources. The objective of a SWOT analysis is to formulate the company's strategy according to the knowledge of its internal and external environment. (Sammut-Bonnici et. al, 2017)

#### **Strengths**

The internal analysis of the strengths and weaknesses of an organization is a key element in defining the source of competitive advantage. For the firm to generate above the industry average profits, the competitive advantage has to be unique (Sammut-Bonnici et. al, 2017)

The strengths of Rindo Surf Resort concept are outlined in table 4. This chapter gives a more detailed look in to them. First of all, Rindo Surf Resort offers a wide range of activities outside of surfing. This offers competitive advantage, since most of the competitors offer few options. The location of the camp is another strength, where most of the competitors are located in the same areas and have to share the same waves, Rindo Surf Resort offers a pristine location without competing camps in sight. Rindo Surf resort's pricing system is competitive with the high and low budget options, meaning that the camp is able to match the competitors' prices and offer a better service for the price. The management of Rindo Surf Resort has long experience and deep understanding in marketing. Creating high quality content and being active in the surfing media and on social media platforms is one of the key strengths of the company. Rindo Surf Resort management has spent years in Indonesia, with the understanding of the culture and the language built in during these years, as well as

establishing a network of local and international contacts, recruiting and running an efficient and dedicated team of local and foreign staff will be one of the main strengths of the company.

### **Weaknesses**

The main weaknesses of the business are related to the difficulty of introducing a new concept to the market. Firstly, there's no existing client base or brand awareness. Therefore, it has to be built from zero. Attracting customers without any references means lower starting prices, which cuts the income. Another weakness large investment required in order to build the resort from scratch. The location of the surf resort can be seen as a strength and a weakness. It is relatively far away from 2 of the large markets, Europe and USA. Lastly, the fact that Rindo Surf Resort is focused for accommodating surfers makes it a niche company. Which means that relatively small percentage of the tourist flow that enters Indonesia is going to be interested in the service.

### **Opportunities**

Firstly, the development of technology provides great opportunities for the marketing of a far-flung destination. Online channels make it possible to reach the world wide surf travelling population. Secondly, the exponential growth of number of surfers world-wide means that there is a greater number of potential customers year by year. Environmentally friendly & sustainable approach to the business is a marketing strength, attracting the increasing amount of environmentally aware people. As seen by the Indonesian tourism growth numbers in the literature review of this business plan, tourism in Indonesia is expanding and even though it doesn't straight translate into increased demand in the surf camps of the archipelago, it offers indirect advantages and potential for bookings.

### **Threats**

Multiple threats can be identified for the project. Firstly, the state of the global economy affects to the amount of leisure trips people make and potential economic recession is eroding the disposable income of potential buyers. Also, the increase of competition during the last five years means that the customers have more options, meaning increased price

competition and difficulty to stand out. Indonesia is located in the ring of fire, with multiple active volcanoes nearby, high potential for earthquakes and tsunamis, the threat of a natural disaster is relatively high. The province of Aceh, where the surf resort will be located, has recovered from its previous instabilities mere 15 years ago. The history of the province is full of conflicts, thus political instability can be seen as a potential threat.

<p>Strengths</p> <ul style="list-style-type: none"> <li>-Wide range of activities</li> <li>-Proximity to waves</li> <li>-Competitive pricing</li> <li>-Focus on quality marketing</li> <li>-Experienced workforce dedicated to the mission</li> <li>-Environmentally friendly values</li> </ul>	<p>Weaknesses</p> <ul style="list-style-type: none"> <li>-No existing client base</li> <li>-No brand awareness</li> <li>-Large initial investment</li> <li>-Long distance from European and North American market</li> <li>-Niche player</li> </ul>
<p>Opportunities</p> <ul style="list-style-type: none"> <li>-Development of technology</li> <li>-Increase in the amount of surfers</li> <li>-Increased environmental awareness</li> <li>-Long surfing season</li> <li>-Increased tourism in Indonesia</li> </ul>	<p>Threats</p> <ul style="list-style-type: none"> <li>-Slowing down of global economy</li> <li>-Increase of competition</li> <li>-Location prone to natural disasters</li> <li>- Political instability</li> <li>-Tight religious atmosphere</li> <li>-Cultural differences</li> </ul>

Table 5: SWOT analysis

Source: Author

## 7. Competitive analysis

### 7.1 Qualified SWOT

After a SWOT analysis is undertaken, it is important to come up with strategic choices that are demanded by the outcome of the analysis. Thus, a qualified SWOT analysis is conducted, developing four new types of strategies: WT Strategies, WO Strategies, ST Strategies, and SO Strategies (Hiriyappa, 2013)

The WT strategies aim to minimize the weaknesses and threats that are facing the firm, WO strategies aim to improve a firm's internal weaknesses by the help of its opportunities, ST strategies use the strengths of a firm to reduce the impact of threats and SO strategies use the strengths of a firm to maximize on its opportunities. (Koontz & Weihrich, 2010).

	Opportunities	Threats
Strengths	<p>SO</p> <p>-S4 vs. O1 use the development of the technology to spread the quality marketing content created to gain increased amount of exposure</p> <p>-S6 vs. O3 Use the environmentally friendly values of the company as an advantage in the marketing since the client base is environmentally aware</p> <p>-S3 vs. O5 competitive pricing together with increased tourism flow in Indonesia, increase the booking rates of the business.</p>	<p>ST</p> <p>-S3 vs. T1 Manage to attract customers with the competitive prices even though the global economy is slow</p> <p>-S1 vs. T2 Overcome the increased competition by offering the widest range of services and activities to be the most inviting option</p> <p>S5 vs T6 Use the experienced workforce to help quests navigate through the cultural differences and turn it into a learning experience</p>



Weaknesses	<p>WO</p> <p>-W1 vs. O1 Use development of technology to attract customers and grow a client base</p> <p>-W3 vs. O3 Overcome the large initial investment with the income potential that the long surfing season offers</p> <p>-W5 vs. O2 Being a niche player, but competing in a growing segment, with continuously increasing potential</p>	<p>WT</p> <p>-W3 vs. T4 Large initial investment and a risk of political instability that stops the tourist flow, invest time in researching cost cutting options for the slow times.</p> <p>-W1 vs. T1 Building a client base from nothing difficult in slowing global economy, invest in creative marketing and ensure every client is served in best possible way to initiate positive WOM</p> <p>-W2 vs. T2 No brand awareness and increased competition make it difficult to find market share, research the competitors and offer a better service for a competitive price</p>
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Table 6: Qualified SWOT analysis

Source: Author

## 8. Objectives of the plan

Objectives are set for this business plan to identify the goals of this plan, to determine the path the business will take and to position the proposed business in the market. The objectives are divided into two categories, Qualitative and Quantitative. These objectives are goals that the company needs to achieve in order to fulfil its mission.

### Qualitative

- Being a surf resort with good reputation, recognized for its positive impact
- Promote environmentally friendly attitudes and sustainability
- Promote job creation on the island of Simeulue
- Promote a customer-oriented service, ensuring satisfied clients
- Create local partnerships that add value to the business and boost the local economy
- Involve local community with the positive effects of surf tourism
- Invest on human resources, educate and provide useful knowledge to the youngsters

### Quantitative

- Cover the initial investment in 4 years
- Reach 10% return on the investment
- Reach average 50% occupancy rate through the year
- Rank in top 10% in customer satisfaction polls
- Reach average growth of sales of 9% for the next 7 years

## 9. Development Strategy

Strategy development is fundamental to creating and running a successful business. The following chapter presents a strategic action plan based on SWOT and qualified SWOT analyses conducted in chapter X of this business plan. Second part of the chapter states the mission, vision and values of the company.

### 9.1 Action plan

The strategy planning starts with marketing. When combining the Strengths and Opportunities of the projects,

The objectives of the plan were set in previous chapter. To reach **Profitability index of 80%** the client base has to be built. This can be achieved by taking advantage of development of the technology to spread the quality marketing content created to gain increased amount of exposure. Development of technology means that it is easier to collect wide audiences, target the specific audience better than ever before and reach people world-wide no matter if they are home or away. This increased reach means that it is easier to spread the word, but also that it is easier to disappear amongst all the other marketing fuss. That's why the high-quality marketing content is an important part of this strategy. Since the author of this text is a photographer and filmmaker, the standard of the published content is high. To ensure a strong input of content 1-2 surf photographers/filmmakers are continuously on the site. Their job is to record the waves surfed by the guests, but also to create marketing material in coordination with the CEO.

**Promote environmentally friendly attitudes and sustainability** is a vital part of the strategy for a sustainable business. One of the main goals of the company is to make the world better place and spread positivity to its surroundings. The environmentally approach can be used as an advantage in the marketing strategy to is to differentiate from the competitors and attract the environmentally aware customers in the client base.

**Create local partnerships that add value to the business and boost the local economy** Creating partnerships is a vital part of the company's strategy. To offer the widest range of quality services and activities and to provide specialists that can give the best experience to the guests, the activities and services have to be outsourced. Partnership creation and maintenance is one of the first things to be looked into when initiating the business.

**Cover the initial investment in less than 5 years** This part of the strategy allows a large initial investment due to the high income potential that the long surfing season offers and due to the opportunity of competing in a growing segment, with continuously increasing potential.

## 9.2 Mission, Vision and Values

Mission, vision and values are the key elements of an organization's strategic planning. They should be communicated through the company to the staff, volunteers, members and other stakeholders. (Deazeley, 2013)

**Mission:** Provide high-quality sustainable accommodation & cultural experiences for travelling surfers on the Island of Simeulue

**Vision:** Sustainable accommodation available for everyone, care of your surroundings

### **Values:**

Sustainability: Being environmentally responsible, as self-sustainable as possible, using locally sourced products and providing jobs and wellbeing to the surrounding communities.

Quality: Providing consistent, high-quality service, offer the widest range of activities and ensure the safety, comfort and enjoyment. Use high-quality materials...

Hospitality: Passionate and welcoming staff making the guests feel special, providing unforgettable experiences to the guests.

## **10. Definition of Implementation Policies**

### **10. 1 Marketing mix**

The marketing mix can be seen as one of the leading ideas in modern marketing. Kotler at al. (1996) define it as “the set of controllable tactical marketing tools that the firm blends to produce the response it wants in the target market” This marketing mix involves everything a company can do to make an impact on the service and is therefore divided into the 4 P’s, better known as product, price, promotion and place.

#### **Product**

Products are determined as the services and goods offered by a firm to the target market. In the case of Rindo Surf Resort the product a high-class sustainable surf and wellbeing resort on a leasehold beachfront land within a close proximity of quality waves. The property is surrounded by nature and has multiple beaches, natural points of interest such as waterfalls and hills in its close proximity. Motorboat of the surf resort opens up easy access to the shoreline and nearby islands.

#### **Characterization of the property**

The idea of the project is to create the ultimate getaway. A protected haven situated on pristine and long white sandy beach with clear water, being thousands of kilometres away from the of the modern world. The surf resort is set on approximately 10,000 square meters of beachfront land covered in tropical plants and coconut trees. The property has approximately 60 meters of beachfront land.

The surf resort is started with 4x bungalows that host up to 4 persons, a main building that serves as the restaurant/rest area as well as the office/reception, one beachfront building for wave watching and relaxing. There will be space for building more bungalows to answer to the higher demand in the future. The complete project includes a motor boat, 4 scooters, large van for the airport transfers and guided surf trips around the island.

### **Main building**

The main house is composed by two floors, Downstairs the restaurant and the kitchen, upstairs an open balcony with a pool and the premises for the staff. The open area upstairs can be used for movie watching and for photo watching. Every day after the dinner, the guests are taken upstairs for seeing the video and photo footage of the day made by the resident photographers/videographers. The main building serves as a place to get together and play or relax, as well as the information centre, providing the maps of the island and surf forecasts for the following days. The main building is built of locally sourced hard wood and designed to be the most prestigious one of the buildings, to be shown in the marketing materials of the resort.

### **Outside**

The outside area is open and spacious, with direct views to the wave in front for the guests to time their surf sessions when the quality of the waves looks the best. Since the equatorial sun is unforgiving during the daytime, much of the palmtrees will be left as a natural shade. Sheltered relaxation corners consist of hammocks and waterproof bean bags for the quests to relax after their surfing sessions. Even though Simeulue island is extremely consistent surfing location, there will be days without surfable waves. The yard will offer possibilities for outdoor games and relaxation services.

### **Rooms**

The rooms will be total of 4. With an option to build 4 more in case of an increased demand. Each of them is built from high quality hard wood and has a private western styled bathroom, private balcony, air-conditioning and a fan. The rooms will be built following a traditional way, using the services of local carpenters. Only sustainable and ecologically friendly materials and products will be used. All of the first 4 bungalows will have a direct view to the wave in front. Free Wi-Fi is provided. In the bathrooms of each room, guests will have at 100% organic Indonesian products such as soaps, shower gel, shampoo and moisturizing cream.

## **Meals**

Island of Simeulue is a great source for organic fruits and vegetables, fresh fish, free range chickens and a traditional delicacy, buffaloes. Organic garden will be started on the premises and the aim is to be 100% self-sustained with the fruits and vegetables within 5 years from the start of the business. A wide variety of fish can be obtained from the local fishermen with a reasonable price. The boat of the resort will be used to take the guests out for fishing trips and the catches will be eaten. The resort will grow its own chickens for the eggs.

Breakfast will be served every morning between 8am and 10.30am, in case of an early surf trip, a basic breakfast will be packed with the guests. The breakfast consists of home baked bread, fruits, a healthy porridge bowl and regional products as well as natural juices, and coffee.

Light lunch will be offered at the surf resort, considering that surfers tend to miss the lunch time in search of the waves, the lunch will not be the main focus of the three daily meals.

Dinner is served at 7:30pm, after the sunset. It is a communal dinner, meaning everyone eats the same food except for special diet requirements. The dinner is prepared by professional chefs and is made only of the highest quality locally sourced fresh and organic ingredients. There's a high focus on vegetarian friendly options as well as the fish caught by the local fishermen. Dinners in the house are enjoyed around a big communal table, aimed to bring the guests of the resort together. The dinner time will serve as a brief re-cap of the day and the best waves surfed, announcement of the following days surf forecast, program and display of the surf photos and videos taken by the professional photographers of the resort. The photos/videos are sold to the guest at an extra price.

## **Activities**

Activities are a valuable part of the service offered, offering the guests non-surfing activities will make their stay more enjoyable if the waves are not good during their stay. Also, many surfers come for their holidays with a non-surfing companion, friend or family. To ensure that these companions will be entertained during their stay, Rindo Surf Resort has a wide variety of free of charge and paid activities. The resort has a selection of indoor and outdoor games, pool table, table tennis, and a full-length professional quality croquet course. The white sand beach directly in front of the surf resort offers relaxation moments and an

option for snorkelling. For discovering better reefs for snorkelling there's an option for a paid trip to the nearby little islands, or a paradise bay. The resort offers free Yoga twice a day with a certified instructor. The first one-hour session is at the sunrise and the second session during the sunset. The paid activities include cooking classes teaching the customers to cook the most delicious traditional Indonesian and Sumatran dishes, traditional dance shows available on order and also provided for free for the whole resort on special occasions like Christmas and new year's, A free traditional massage is provided for the clients staying in the deluxe bungalows. The massage can be booked for an additional cost for the following days. Trips with a local fisherman on their traditional boats are available on request as well as an option for guided spearfishing. The resort rents scooters and cars.

Included activities	Additional activities
<ul style="list-style-type: none"> <li>-Waterfall trip</li> <li>-Snorkelling</li> <li>-Yoga</li> <li>-Bicycles for use</li> <li>-Hiking</li> <li>-Croquet</li> <li>-Table games</li> <li>-Outdoor games</li> <li>-Pool table</li> <li>-Table tennis</li> </ul>	<ul style="list-style-type: none"> <li>-Local cooking classes</li> <li>-Traditional dance show</li> <li>-Massage</li> <li>-Boat trips to the islands</li> <li>-Fishing</li> <li>-Spearfishing</li> <li>-Scooter/car rental</li> </ul>

Table 7: Activities

Source: Author



## **Price**

Pricing is one of the key aspects of the marketing mix, many scientists consider the price as one of the most important elements of the market, which increases not only profits, but also market share. (Isoraite, 2019)

The pricing strategy followed with this project will be value based, meaning that the price of the service is based on buyer's perception of its value, rather than its actual cost. The buyer's perception depends on all aspects of the service, such as the quality of the image and prestige. (Isoraite, 2019) For determining the final price of the service, three factors will be taken into consideration for finding the right initial price. These factors are: average price of competitors, company costs and demand. They serve as criteria for establishing a price of a service or a good.

The price per night of the surf resort was defined using the first criteria, the average price of the competitors. However, the competitors were split into two categories: the luxury and the low-cost options and a different pricing strategy was created to compete in both of these categories. The luxury pricing strategy follows the pricing of Aura surf resort and Mahi Mahi surf resort. Second pricing category is the low-cost option, that makes the Rindo Surf Resort experience available for younger surfers travelling the Sumatran archipelago on a lower budget. The lower price option will be a shared dorm room, including all the services of the resort. The pricing of the budget option will fall in to the price category of the lower priced direct competitors. By adopting this policy of premium price and a budget price, the surf resort will cover a wider range of potential customers.

The price will be established based on the price analysis made in chapter 5 and an average is calculated based on the price of the two different pricing categories, found in the perceptual map of competitors previously evaluated. Additionally, the year is divided in to two distinct seasons, the low and high seasons. Low season being November-March and High season April-October, the normal pricing policy will be followed in the high season and the prices are discounted 20% for the low season.

The rate includes VAT, 3 meals a day and all the included activities mentioned in the previous chapter. The prices are based on the average price of the direct competitors mentioned in chapter 5. The prices are discounted around 10% from the competitors equivalents for the initiation period of the business, for attracting the first customers and initiating the word of mouth.

### Rate per week

	High season	Low season
Deluxe	999€ / person	850€ / person
Budget	499€ / person	425€ / person

Table 8: Weekly rate

Source: Author

### Special packages

Special packages are created to make the resort more attractive to special customer groups. According to authors fieldwork, most of the surf camp/resort visitors on Simeulue are groups of male surfers. The family package offers a major discount for the surfers taking their family on the trip. The package for couples is aimed to give a discount for the non-surfing partners. There is an additional 30% discount for stays over 2 weeks.

	Price
Family pack (1-2) kids	2250-2500€ for family
Couple pack	1600€ per couple
Long stay pack	30% discount for stays over 2 weeks

Table 9: Special packs

Source: Author

Price	
Traditional cooking class (2 hours)	20€ / person
Massage (1-2 hours)	20-40€ / person
Traditional dance show	150€ / booking
Boat trip to the islands	20€ / person
Fishing trip (half day)	30€ / person
Guided spearfishing	50€ / person
Scooter rental	10€ / day
Car rental	50€ / day

Table 10: Activities pricing  
Source: Author

## Place



Figure 3: Map of Indonesia

Source: geology.com – Indonesia satellite image

The favourable weather trends and a vast exposed coastline of Indonesia provide optimal conditions for around the year surfing, the islands of Indonesia offer some of the best surfing conditions in the world. Helped by the cheap cost level, interesting culture and endless beaches it's an attractive option for the surf traveller. Due to the authors personal knowledge of the country, its language and culture it is the most reasonable place for this business project.



Figure 4: Map of Sumatra

Source: Orange Smile

The Simeulue island lies 150km off the west coast of Sumatra, the westernmost island of Indonesia. Simeulue is located next to Banyak islands, a group of small islands that offer high quality surfing options but suffer from non-existent infrastructure. The next island to the south is Nias, known for Lagundri bay. Which is an example of a destination that has developed without any regulations of tourism, surfers paying less than one US dollar per day for a locally managed accommodation. (Ponting, 2008).

South of Nias lies Mentawai islands, considered as some of the best waves for surfing found anywhere in the world. What makes really attractive is the number of high-quality waves in close proximity. (Towner, 2010) The problem of Mentawais comes with the crowds, according to Towner (2010) there are approximately 50 surf charter boats, 20 land based western owned resorts and estimated 50-60 of locally owned surf homestays in the Mentawais.

Island of Simeulue was chosen as the location of the surf resort due to its relatively unknown nature in the surfing world, good infrastructure and easy air access from Medan, capital city of North-Sumatran province and one of the main central cities of Indonesia. Simeulue is home to a large number of waves but due to its surf mighty neighbouring islands it has stayed as the last surfing frontier of Indonesia.



Figure 5: Map of Simeulue  
Source: Sumatra eco tourism



Figure 6: Coastline at the island of Simeulue

Source: Author's fieldwork

### **Promotion**

The last 4P marketing complex element of the promotion, which helps to increase consumer awareness in terms of their products, leads to higher sales and helps to build brand loyalty. Thus, the promotion of the marketing mix is a tool that helps disseminate information, encourage the purchase and affects the purchase decision process. (Isoraite, 2019)

#### **Communication goals:**

- To show the quality and diversity of services
- Promoting brand awareness
- Show the premium positioning of the service
- Arising memories in old guests
- Get potential customers to visit the website
- Reaching maximum number of potential customers

**Creation of an appealing, easy to navigate website.** Information will be presented clear and well organized. Visitors can view the property and its interiors, feel the comfort of each room, and find all the information about the activities and services offered as well as information of the surroundings. The website displays high quality photography and videos of the property and its surrounding waves. It is designed to sell, and direct bookings can be made through the website.

**Creation of active social network pages** is an important factor in the process of channelling the potential clients to the web page of the surf resort and to other booking portals. Facebook, Instagram, YouTube are going to be used as the main social network channels. Apart from the sales, another main goal is to build a closer relationship with future customers and customers that have already visited the resort, the social media channels will be focused on frequent, interesting surf related publications that have the highest potential of raising interest among consumers. Social media channels will be used to spread the sustainable and ecological mindset of the business and to appreciate the local culture and showcase the wide variety of activities offered in the surf resort.

**Advertising in surf specialized journals and magazines** such as Surfer, Surfers journal, Stab, Magicseaweed, swellnet, surfline, inertia, etc options range from paid advertisements to stories, where the surf magazine makes an article about the location of the surf resort, usually in exchange for a free stay in the resort.

**Using surf influencers** - The prevalence of online social networks has given rise to the emergence of social media influencers, that are internet celebrities. (Pratt et. al 2018) Partnerships will be created with the internet celebrities of the surfing world.

**Using Google AdWords for search engine optimization.** The key idea of SEO is to appear on top of the search results on Google search engine, when those interested in surf accommodation in the area are searching.

**Creation of positive Word of mouth** by offering the clients more than they expected, keeping up a high-quality standard and asking guests to give their feedback on social networks and bookings sites.

## **People**

Anyone who is in contact of the customers of the business will make an impression that can have profound effect on customer satisfaction. To ensure that the effect is positive the staff must be appropriately trained, well-motivated and have the right attitude. The Rindo Surf Resort relies on two types of employees, the paid regular staff such as chefs, cleaners, drivers and boat captains. And the volunteers that are taking care of the surf guiding, surf photography, yoga, gardening and local projects.

The paid workforce mainly consists of Indonesian professionals, due to the tight work legislation with western workers and relatively low costs of the local workforce. The local workers will be paid well over the Minimum wage at Sumatra, in order to attract skilled workers and to keep the workers committed to their work for a long period of time. The volunteers can be recruited online internationally, they will work at the resort in exchange for food and accommodation. It's a typical system that is a win-win situation for the volunteers and the surf resort.

## **Process**

Service process is the way in which a service is delivered to the end customer, the process of giving a service and the behaviour of the staff that deliver it are crucial to customer satisfaction. The key points in smoothening the processes are to ensure that customers interested booking the service don't have to wait and that they are being informed by helpful staff. To ensure this, Rindo Surf Resort will create partnerships with professional & reliable online travel agencies. Externalizing this part of the business is necessary in order to provide the guests 24h support with the booking process. This is extremely valuable, since the bookings come from different time zones, outside of any normal operating hours.

Another key part of the processes is efficiency, in this type of business the efficiency is mainly related with the logistics. Direct transfers from the airport to the surf resort, sourcing out the waves with the best surfing conditions for the next day and taking the guests there via the most efficient form of transport. In this case, the boat, van and scooters can be used.



### **Physical evidence**

The nature of a service is that it can't be experienced before it's delivered. Meaning that choosing to use a service is easily perceived as a risky business since you are buying something intangible. To help the potential customers overcome this uncertainty, they can be helped to see what they are buying. Case studies and testimonials are a way to provide evidence that the company keeps its promises.

Facilities that are kept clean and tidy, such as a well decorated reception area can help to reassure. The consumer creates their own idea of the service according to the physical evidence through the quality of the materials used, the conditions of facilities, the communication from the staff, the communication in the magazines and advertisements, the website and so on.

## **10.2 Legal framework**

To establish a business in Indonesia, foreign investors have a range of options depending on their need. In this case, establishing a Foreign investment company (PMA) is necessary, it permits the company to purchase land and buildings for nearly any type of commercial or residential use. (Azmi et. al 2008, pp 3)

“Under the Investment Law of 2007, the form of business entity allowed for foreign investors is that forming a foreign investment company in the form of limited liability company based on the law of Indonesia, which can be carried out by having shares when such company is established, or by purchasing the shares.” (Erawaty, 2012)

There are 3 ways of setting up a PMA company:

1. Establishing a new PT in a joint venture with other foreign investors, thus it is so called 100% foreign owned PMA company; or
2. Establishing a new PT in a joint venture with Indonesian partners; or
3. Purchasing shares in an existing PT

(Erawaty, 2012)

Rindo Surf Resort will be operated as a joint venture with Indonesian partners. In a joint venture the shareholding structure can range from 49% foreign ownership to a maximum of 95% foreign ownership. (Erawaty, 2012)

The investing parties will decide the minimum amount of capital to be invested in the company, The current laws don't regulate the minimum capital required to start a PMA company. However, the company's investment is evaluated by Indonesian Capital Investment Coordinating Board (BKPM) the agency will give an approval on the basis of economics and scale of the project. The approval is needed obtain the legal status of a PMA Company. Which is vital, since a foreign investment company is not allowed to make any business activities before getting the approval. (Erawaty, 2012)

Hak Milik (right of ownership) is the most complete form of land ownership in Indonesia. A foreign person or a company can't obtain land with Hak Milik title. (Azmi et. al 2008, pp 1) Thus, the land has to be obtained on a leasehold contract with a Hak Guna Bangunan (Right to build) permission. It's the most common title for commercial and industrial properties allowing the holder of the contract to construct and own buildings and other structures on the land. The initial lease period is granted for up to 30 years and may be extended for further 20 years. By payment of up-front official costs, the land ownership may be renewed for another 30 years making the total lease period last a maximum of 80 years. It is possible to resell, exchange or gift the ownership of the property under a Hak Guna Bangunan during the lease period. (Azmi et. al 2008, pp 2)

### **10.3 Organizational Structure and Staff**

Rindo Surf Resort's organizational structure is fairly simple since the company is relatively small and doesn't require multiple levels of management. This is favorable for the staff, providing easier communication and a tight work community. This also leads to more personalized service for the guests. The author of this paper acts as the CEO of the company, receptionists, chefs and housemaids will be sourced locally, providing jobs to the surroundings areas and being closer to the local culture. All of the local workers are paid a monthly salary. The surf guide, yoga teacher and surf photographer jobs are volunteering jobs, meaning that in exchange for their work they will have free accommodation and food. The surf photographers can make some earnings on the side by selling the photo/video packages to the guests. Yoga teachers can earn extra by giving private classes.

Function	Main responsibilities
CEO	<ul style="list-style-type: none"> <li>-Supervision and coordination of staff</li> <li>-Strategic decisions of the company</li> <li>-Obtaining financing</li> <li>-HR, recruitment of new workforce</li> <li>-Organising marketing</li> </ul>
Receptionist	<ul style="list-style-type: none"> <li>-Check in and out</li> <li>-Showing the premises to the guests and leading them into their rooms</li> <li>-Taking bookings from guests</li> <li>-Satisfying the requests from the guests</li> <li>-Contact partners for bookings of activities</li> </ul>
Chef	<ul style="list-style-type: none"> <li>-Deciding weekly menu with the ceo</li> <li>-Preparing 3 meals a day</li> <li>-Preparing fruit snacks for the guests</li> <li>-Sourcing out the best ingredients from local markets, fisherman, butcheries etc.</li> </ul>
Surf Guide	<ul style="list-style-type: none"> <li>-Taking the guests to surf to surf spots matching their skill level</li> <li>-Looking after the client's safety</li> <li>-Giving tips and creating a good atmosphere</li> <li>-Helping the chef with serving the food</li> <li>-Assisting in daily tasks at the surf resort</li> </ul>
Yoga teacher	<ul style="list-style-type: none"> <li>-Giving 2 daily yoga classes</li> <li>-Private classes on request</li> <li>-Helping the chef with serving the food</li> <li>-Assisting in daily tasks at the surf resort</li> </ul>
Housemaid	<ul style="list-style-type: none"> <li>-Housekeeping and cleaning the rooms</li> <li>-Cleaning the exterior of the houses</li> <li>-Cleaning the common areas</li> <li>-Dishwashing</li> <li>-Washing the linen and towels</li> </ul>
Surf Photographer	<ul style="list-style-type: none"> <li>-Taking photographs of the guest surfing</li> <li>-Making promotional videos for the surf resort</li> <li>-Daily posts on the social media channels of the camp</li> <li>-Helping the chef with serving the food</li> <li>-Assisting in daily tasks at the surf resort</li> </ul>

Table 11: Work function descriptions  
Source: Author

## 11. Implementation Requirements

This chapter demonstrates the activities required for initiating the project of this business plan. The estimated duration of implementation activities is given in order to plan the time structure of the project. The activities table below summarizes the time requirements for separate stages of the project.

	Activities	Estimated duration in days
A	Realization of studies	35
B	Feasibility analysis	25
C	Investment decision	3
D	Establishing a PMA	45
E	Company and Brand registration	30
F	Obtaining Hak Guna Bangunan (Building license)	60
	Hiring an architect for the design	10
G	Review of the architectural design by the local government	20
H	Obtaining financing	10
	Buying the vehicles	20
I	Building the property, landscaping the garden	140
J	Selecting the suppliers and negotiating the deals	30
K	Promoting the business	90

	Final inspection	1
	Recruitment of employees	30
	Opening	1

Table 12: Implementation requirements estimated durations  
Source: Author

## 12. Financial Evaluation

This chapter studies the financial viability for the investment of this business plan. A financial analysis is conducted to examine if the proposed business is profitably adequate to be invested in. Since the project is yet to be started, the analysis is based on assumptions based on data of the industry and the competitors. Sales forecast is created based on these assumptions, estimating an average booking price and percentage of the services and activities consumed. The sales forecast is followed by evaluation of the capital structure, calculating the investment required, presenting an income statement and finally, CAPM model presenting the estimated rate of return for the investment on this project.

### 12.1 Assumptions

Growth of occupancy rate of 4% per year, with an assumption of 30% occupancy rate of the first year. The growth rate of 4% is based on the average annual growth rate of the tourist arrivals in Indonesia, which is roughly 10% for the last 10 years. The record high being 13 percent more than a year earlier in 2018, with 15.8 million arrivals. (Indonesia's statistics bureau) The low starting occupancy rate is realistic, given the fact that the first years of the activity are likely to be slower due to the difficulty of introducing a new concept to the market without existing client base or brand awareness.

-Installed capacity 5840 (16 beds x 365 days)

### 12.2 Sales forecast

Previously given assumptions were taken into account when developing the sales forecast. Since there are as many beds in the deluxe and the budget range, and the occupancy rates of the two options are expected to be nearly equal, the "regular accommodation" is the average price of the both price ranges of the resort 703€/week per person.

	2020	2021	2022	2023	2024	2025	2026	2027
Occupation rate forecast	30%	34%	38%	42%	46%	50%	54%	58%
Regular accommodation	175 354,39 €	198 734,98 €	222 115,56 €	245 496,15 €	268 876,73 €	292 257,32 €	315 637,90 €	339 018,49 €
Packs	8 767,72 €	9 936,75 €	11 105,78 €	12 274,81 €	13 443,84 €	14 612,87 €	15 781,90 €	16 950,92 €
Total sales (VAT)	184 122,11 €	208 671,72 €	233 221,34 €	257 770,95 €	282 320,57 €	306 870,18 €	331 419,80 €	355 969,41 €
<b>Total sales</b>	<b>165 709,90 €</b>	<b>187 804,55 €</b>	<b>209 899,21 €</b>	<b>231 993,86 €</b>	<b>254 088,51 €</b>	<b>276 183,17 €</b>	<b>298 277,82 €</b>	<b>320 372,47 €</b>

Table 13: Sales Forecast

Source: Author

### 12.3 Investment

The complete project amounts to 270,000€ including the 80-year leasehold of the 10,000sqm of beachfront land, construction of the 4 bungalows and the main building, furniture, a motor boat, 4 scooters, large van and the necessary machinery.

<b>Capital Structure</b>			
Investment		Equity	
Tangible assets	275 000,00 €	Current savings	20 000,00 €
Intangible assets	5 000,00 €		
		Debt	
		Bank loan	260 000,00 €
<b>Total investment</b>	<b>280 000,00 €</b>	<b>Total Resources</b>	<b>280 000,00 €</b>

Table 14: Capital Structure  
Source: Author

### 12.4 Financing

A research of foreign and domestic loan providers and banks showed that Finnish bank Nordea is the funding option for the project. Attractive interest rates were offered by other loan providers, but the relatively long duration of the loan closes most of the competitors out, since most of them provide loans of 24 months maximum.

<b>Financing</b>	
Loan Provider	Nordea Bank Oyj
Start Date	1.1.2020
Loan Amount	260 000,00 €
Loan Duration	5 years
Interest Rate	4,07%
<b>Yearly Payment</b>	<b>57 459,60 €</b>
<b>Total interest</b>	<b>27 297,74 €</b>

Table 15: Financing the business  
Source: Author

## 12.5 Income statement Analysis

An Income statement analysis is performed to forecast the company's financial performance on the period of the following 7 years. Income statement primarily focuses on the company's revenues and expenses giving us idea how the sales of the company are transformed into net income.

	2020	2021	2022	2023	2024	2025	2026	2027
Total Sales	165 709,90 €	187 804,55 €	209 899,21 €	231 993,86 €	254 088,51 €	276 183,17 €	298 277,82 €	320 372,47 €
COGS	17 520,00 €	19 856,00 €	22 192,00 €	24 528,00 €	26 864,00 €	29 200,00 €	31 536,00 €	33 872,00 €
Gross Margin	148 189,90 €	167 948,55 €	187 707,21 €	207 465,86 €	227 224,51 €	246 983,17 €	266 741,82 €	286 500,47 €
Supplies	26 000,00 €	26 800,00 €	27 600,00 €	28 400,00 €	29 200,00 €	30 000,00 €	30 800,00 €	31 600,00 €
Personnel costs	16 257,60 €	16 257,60 €	16 257,60 €	16 257,60 €	16 257,60 €	21 676,80 €	21 676,80 €	21 676,80 €
EBITDA	105 932,30 €	124 890,95 €	143 849,61 €	162 808,26 €	181 766,91 €	195 306,37 €	214 265,02 €	233 223,67 €
Depreciation	8 583,33 €	8 583,33 €	8 583,33 €	8 583,33 €	8 583,33 €	8 583,33 €	8 583,33 €	8 583,33 €
EBIT	97 348,97 €	116 307,62 €	135 266,27 €	154 224,93 €	173 183,58 €	186 723,03 €	205 681,69 €	224 640,34 €
Interest paid	5 000,00 €	4 375,00 €	3 750,00 €	3 125,00 €	2 500,00 €	1 875,00 €	1 250,00 €	625,00 €
EBT	92 348,97 €	111 932,62 €	131 516,27 €	151 099,93 €	170 683,58 €	184 848,03 €	204 431,69 €	224 015,34 €
Income Tax	923,49 €	1 119,33 €	1 315,16 €	1 511,00 €	1 706,84 €	1 848,48 €	2 044,32 €	22 401,53 €
<b>Net income</b>	<b>91 425,48 €</b>	<b>110 813,29 €</b>	<b>130 201,11 €</b>	<b>149 588,93 €</b>	<b>168 976,74 €</b>	<b>182 999,55 €</b>	<b>202 387,37 €</b>	<b>201 613,80 €</b>

Table 16: Income statement analysis

Source: Author



## 12.6 Working capital

Working capital is the difference of a company's current assets and its current liabilities. Working capital is used to measure company's liquidity, short-term financial health and operational efficiency. Working capital is needed to maintain smooth operating of the business and meet its financial obligations within the year. (Boyte-White, 2019) Rindo Surf Resort's net working capital forecast shows a healthy growth during the first 7 operating years, reaching the record high of 125,417 € in 2027.

	2020	2021	2022	2023	2024	2025	2026	2027
<b>Assets</b>								
Cash	22 639,00 €	36 570,19 €	44 325,32 €	52 080,44 €	58 835,57 €	57 590,70 €	63 199,82 €	70 954,95 €
Accounts receivable	0,00 €	54 855,29 €	59 517,99 €	64 577,01 €	70 066,06 €	76 021,68 €	82 483,52 €	89 494,62 €
Other liquid assets	34 673,00 €	36 406,65 €	39 319,18 €	42 464,72 €	45 861,89 €	49 530,85 €	53 493,31 €	57 772,78 €
<b>Total assets</b>	<b>57 312,00 €</b>	<b>127 832,13 €</b>	<b>143 162,48 €</b>	<b>159 122,17 €</b>	<b>174 763,52 €</b>	<b>183 143,22 €</b>	<b>199 176,65 €</b>	<b>218 222,34 €</b>
<b>Liabilities</b>								
Short term debt	13 465,00 €	13 868,95 €	14 285,02 €	14 713,57 €	15 154,98 €	15 609,63 €	16 077,91 €	16 560,25 €
Wages payable	16 257,60 €	36 257,60 €	36 257,60 €	36 257,60 €	36 257,60 €	41 676,80 €	41 676,80 €	41 676,80 €
Other account payables	24 567,00 €	25 795,35 €	27 085,12 €	28 439,37 €	29 861,34 €	31 354,41 €	32 922,13 €	34 568,24 €
<b>Total liabilities</b>	<b>54 289,60 €</b>	<b>75 921,90 €</b>	<b>77 627,74 €</b>	<b>79 410,54 €</b>	<b>81 273,92 €</b>	<b>88 640,83 €</b>	<b>90 676,84 €</b>	<b>92 805,29 €</b>
<b>Net Working Capital</b>								
<b>Net Working Capital</b>	<b>3 022,40 €</b>	<b>51 910,23 €</b>	<b>65 534,75 €</b>	<b>79 711,63 €</b>	<b>93 489,61 €</b>	<b>94 502,38 €</b>	<b>108 499,81 €</b>	<b>125 417,05 €</b>
<b>Increase in NWC</b>	<b>-</b>	<b>48 887,83 €</b>	<b>13 624,52 €</b>	<b>14 176,88 €</b>	<b>13 777,97 €</b>	<b>1 012,78 €</b>	<b>13 997,42 €</b>	<b>16 917,25 €</b>

Table 17: Working capital

Source: Author

## 12.7 Project Evaluation

The CAPM (Capital asset pricing model) model was used for evaluating the expected cost of shareholder equity. The model establishes the existence of a positive linear relationship between the required rate of return on securities and the related risks in a portfolio context. (Dzaja et. al, 2013) The CAPM model was used to forecast the shareholder equity on Rindo Surf Resort. Indonesian market's return rate and risk-free rate was used. The cost of shareholder equity in Rindo Surf Resort according to the CAPM model is 9,15%. The cost of equity is used to calculate WACC, weighted average cost of capital. By using WACC as the discount rate, the net present value (NPV) and terminal value of the project can be calculated.

The net present value of the project is 623,568€, which indicates that the project covers the cost of the initial investment and is able to generate financial surpluses to the investors. The terminal value is an assumption of cash flows that grow at a stable rate forever, starting at the end of the 8-year forecasting period that was used determining the NPV. The terminal value for the project is 2,481,675€.

<b>CAPM</b>	
Rf	7,38%
Bi	0,76
ERm	9,71%
(ERm-Rf)	2,33%
<b>Ra</b>	<b>9,15%</b>

Table 18: CAPM  
Source: Author

<b>WACC</b>	
Ra	9,15%
Rd	4,07%
E	350 000 €
D	260 000 €
V	610 000 €
E/V	57,38%
D/V	42,62%
Tc	1,00%
<b>WACC</b>	<b>6,87%</b>

Table 19: WACC  
Source: Author

<b>NPV</b>	
Year	0-8
Undiscounted cash flow	968 000,00 €
<b>NPV</b>	<b>623 568,05 €</b>

Table 20: NPV

Source: Author

<b>Terminal value</b>	
Cash flow	118487,8421
WACC	6,87%
Growth rate	2%
<b>Terminal value</b>	<b>2 481 675,54 €</b>

Table 21: Terminal value

Source: Author

### **13. Conclusion**

Main findings of the business plan are summarised in this chapter. This business plan started with a literature review, that shaped an idea of the surf travel market and its trends.

Finding out that the age structure of the surf population is suggesting an increase in the demand of surf tours and high-quality accommodation indicated that there is demand for a premium service. This information encouraged the creation of a premium service.

The literature review also suggests that surfers resemble leisure travellers and are ready to pay a little more for higher-end amenities when they travel, and that they are time poor, shaped an idea of all-inclusive surf resort catering for the needs of this customer group.

Literature review of surf tourism in Sumatra and author's fieldwork there provided valuable insights to the location of the proposed business. Amount of competition ruled the neighbouring islands of Nias and Mentawais out and lack of infrastructure ruled the Banyak islands out. Island of Simeulue was chosen as the location of the surf resort due to its relatively unknown nature in the surfing world, good infrastructure and easy air access from Medan, capital city of North-Sumatran province and one of the main central cities of Indonesia. Simeulue is home to a large number of waves but due to its surf mighty neighbouring islands it has stayed relatively quiet with the surf tourism development. These factors mean that there is a vital opportunity for a high-class surf resort on Simeulue.

The key strengths of Rindo Surf Resort are: Location, Wide range of activities, Competitive pricing, focus on quality marketing, Experienced workforce dedicated to the mission, Environmentally friendly values. The competitive advantage comes from being sustainable and offering the widest range of activities and services to the customers on Simeulue

Rindo Surf Resort's organizational structure is fairly simple since the company is relatively small and doesn't require multiple levels of management. This is favourable for the staff, providing easier communication and a tight work community. The staff consists of CEO, Receptionists, Chefs, Surf guides, Yoga teachers, Housemaids and Surf photographers. The author of this paper serves as the CEO of the company.

The implementation of the business takes approximately 12 months. Including the permission process, where a foreign investment company is established and the Hak Guna

Bangunan permit gained for being able to lease the land and build on it. The paperwork process is estimated to take 5-6 months and the building process 6 months. The marketing and recruitment of employees can be done during the building project and thus do not take any additional time.

Financial analysis of the project provided the numbers and serves as a proof of feasibility of the project. The required investment for initiating the project is 280,000€ and the total interest paid for the loan is 27,300€. Projected net income of the 3 first years of operation is 330,000€. With 1 year of building and initiation of the business, the expected debt repayment takes 4 years. The net present value of the project is 623,568€, which indicates that the project covers the cost of the initial investment and is able to generate profit to the investors. Based on the results of the financial analysis, the project of this business plan, Rindo Surf Resort, is a feasible project and a profitable business model.

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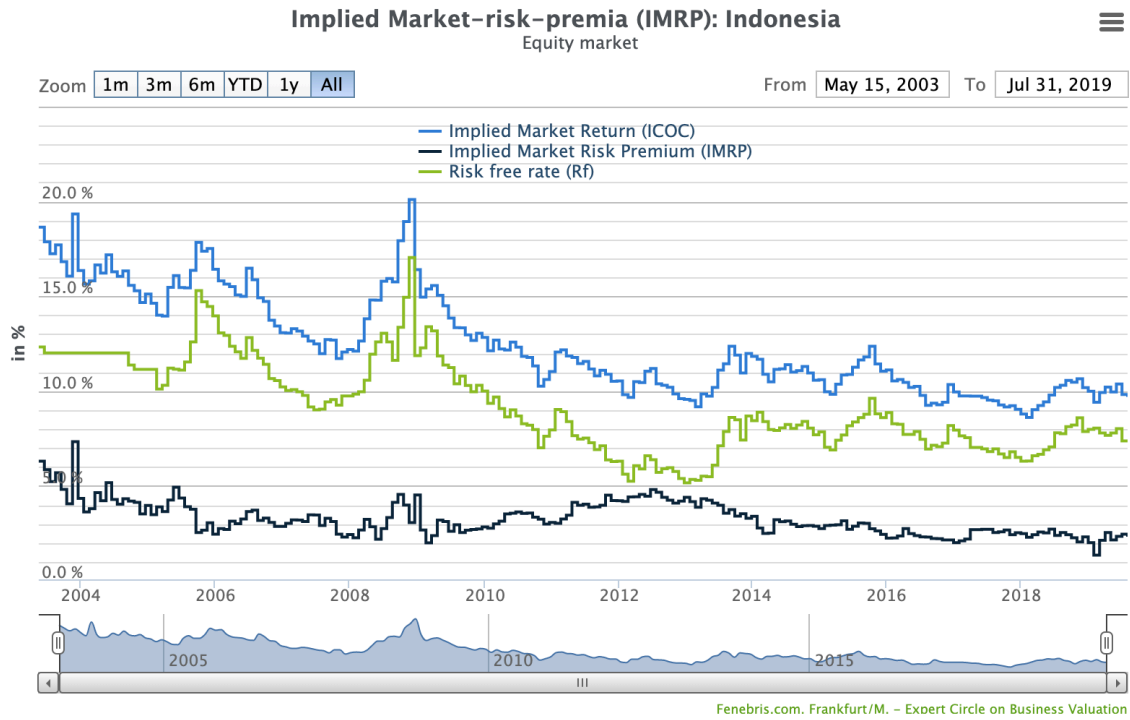
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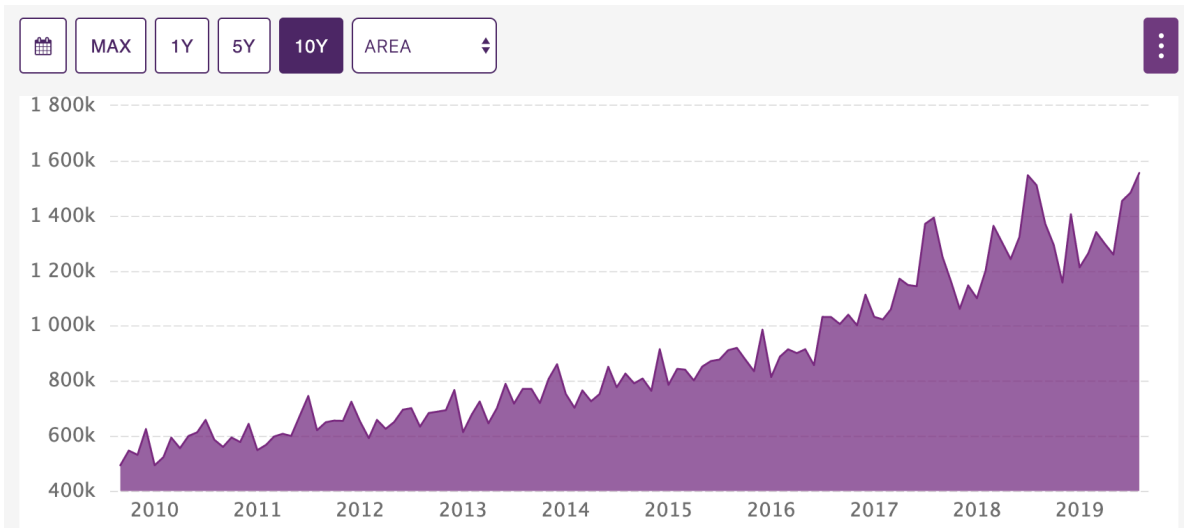


# 15. Annexes

## Annex 1: Market risk premium Indonesia



## Annex 2: Indonesia visitor arrivals 2009-19



**Annex 3: Photos of Simeulue island**



