



IB DIPLOMA PROGRAMME  
PROGRAMME DU DIPLÔME DU BI  
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**BUSINESS AND MANAGEMENT**

**CASE STUDY: OPEN VIEWS, WARM BREEZES AND CLIENT DELIGHT**

For use in May 2002 and November 2002

**COMMERCE ET GESTION**

**ÉTUDE DE CAS : HORIZONS LOINTAINS, ALIZÉS ET BIEN-ÊTRE DU CLIENT**

Pour utilisation lors des sessions de mai 2002 et novembre 2002

**EMPRESA Y GESTIÓN**

**ESTUDIO DE UN CASO: VACACIONES DE ENSUEÑO, BRISA CÁLIDA Y  
SATISFACCIÓN DEL CLIENTE**

Para uso en los convocatorias de mayo 2002 y noviembre de 2002



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**INSTRUCTIONS TO CANDIDATES**

- Case study booklet required for Higher Level paper 1 and Standard Level paper 1 Business and Management examinations.

## OPEN VIEWS, WARM BREEZES AND CLIENT DELIGHT

### Background

Joseph Obeng is the founder of an independent travel business called *Open Views*. *Open Views* is a private limited company operating out of four small city-centre premises, but selling most of its holidays through mailed brochures. Joseph has been the Managing Director and Chief Executive Officer of *Open Views* for fifteen years. *Open Views* specialises in individualized, adventure holidays to luxurious resorts and targets the “discerning customer”. Joseph defines these customers as individuals with high disposable income, looking for holidays to unspoilt resorts with an exclusive image, and who are seeking the “unusual” (*see appendix 1*). Joseph prefers to describe customers as “clients” and believes he offers a unique and individualized service. He aims to provide additional optional services with a high value added. These can include trekking, climbing, scuba diving and shark fishing. For an additional fee, mini-cruises in a traditional sailboat can be arranged. Joseph also offers a “bespoke” service where he visits clients in their homes to put together a specific programme to meet their individual needs. Several celebrities have used this service.

### Competition

Joseph’s success in the exclusive tourist niche has attracted the attention of other holiday operators. Two multinational organizations, *McGregor’s* and *Blue Sea*, now offer a specialist service for the luxury end of the market. As yet, they have not developed the individualized approach operated by Joseph. However, he is well aware that they are attracting some of his target market. There are many other smaller specialist holiday operators, which offer similar approaches, but they tend to be regionalized and as yet offer no particular threat to *Open Views*. Joseph knows that markets are dynamic and competition can only increase. He constantly reviews potential ways of expanding his business to create greater economies of scale and to offer a more varied experience for his clients. He has examined the possibility of going public, but is concerned about the potential for take-over. He believes that the way forward is through organic growth linked to strategic alliances and joint ventures. He wants to keep a tight rein on his business, having seen several of his rivals lose financial and operating control as their businesses grew. As a result, Joseph has become slightly obsessive about cost control in the business.

### Developments

In pursuit of his desire to expand his business, Joseph frequently visits the Caribbean to explore smaller islands, which might offer new travel opportunities for his brochure. Six years ago, he met the Daswami family, who own a chain of small and medium hotels and village resorts in the Caribbean. The family are very entrepreneurial and result-orientated and their businesses in the region have expanded rapidly.

35 The hotels and resorts are situated in established towns and are linked to many local businesses, several of which are owned by family and friends. The eldest daughter, Manjit Daswami, runs the financial side of the business, and Joseph and Manjit had quickly built up an excellent working relationship. For the last five holiday seasons, *Open Views* has used the Daswami hotels and resorts. All *Open Views*' customers are asked to complete a satisfaction survey at the conclusion of their holiday, but there is only a 40 % response rate. These 40 completed questionnaires show very high satisfaction ratings (*see appendix 2*). In particular, customers say they appreciate the personal service and the sense of being part of the local community. The excellent, local fresh food is also praised.

In January 1998, Joseph had suggested to Manjit that they form a joint venture to exploit a niche in the market for a centre-based, inclusive package holiday. The concept was to target 45 couples looking for a luxurious, all-inclusive holiday in a romantic setting. Couples would pay one fee to include all food, entertainment and use of facilities. After researching several possible locations for their holiday resort, Joseph and Manjit built a holiday complex called *Warm Breezes* on an unspoilt island. The local government, concerned about high unemployment rates, provided financial support.

50 *Warm Breezes* opened in January 1999. Holidays at the complex are sold exclusively through *Open Views* brochures. The resort boasts beautiful palm-fringed beaches and a coral reef, which is home to many exotic and rare fish. The hotel complex offers everything couples could want on site. A fitness centre and a spa pool sit alongside tennis courts and three swimming pools. There is even a nine-hole golf course and putting green. If 55 holidaying couples want a change of scenery, hotel ferry boats run day trips from the hotel jetty to local deserted islands for sunbathing or for fishing.

A recently introduced specialist service is to arrange weddings for couples, which are held below a secluded waterfall on the island, and offer them a “newlywed” five star package including beach party, bridal suite, flowers and midnight cruise. This proved very popular 60 with customers in the first season, and with Manjit and Joseph who are able to charge a premium price.

### Marketing

Marketing of *Open Views* holidays is minimal. Half of all bookings are repeat bookings from existing, satisfied customers. Word of mouth recommendation is very powerful and customers are offered a 5 % discount on holiday prices if they introduce friends who subsequently book 65 with *Open Views*.

Advertisements for *Open Views* are taken out in several specialist travel magazines and in the business press. However, the majority of holiday bookings are stimulated from the *Open Views* brochure, which is available in *Open Views* shops and by mail order. The brochure is glossy and expensive to print and Joseph wants to minimise wastage. Last year he 70 hired a direct marketing consultancy to coordinate mail drops focused on specific postal (zip) codes where affluent, potential customers are known to live. This campaign generated a substantial increase in new customers, and appeared to pay for itself.

When asked what sells *Open Views* holidays to clients, Joseph always says the quality of the experience. The introduction to the *Open Views* brochure states that the firm provides “a  
75 total sensory experience to provide client delight”. Several customers have said that they really do not know what this means. Joseph would like to develop a mission statement and a suitable logo to unify his products and provide a superior market identity.

### Human Resources

*Open Views* employs thirty-four staff in its head office in a sales or administrative capacity. Joseph is now spending approximately four months, in any one year, overseas. Colleagues  
80 who know him well can see signs of stress caused by his heavy workload, but he is unwilling to let go of major decisions or strategic planning. Communication throughout the company is poor and tends to be “top-down”. Most information handling is via the telephone. When Joseph is in the head office, he has a very “hands-on” leadership style and visits all of his shops weekly and is always eager to praise his staff and offer advice. The employees  
85 generally like his personal approach, but as the business grows they are finding Joseph’s visits rather disruptive. He tends to make decisions without all the information and then leaves experienced employees to cope when things go wrong. Two years ago he appointed an operations manager, Marc Leroux, to oversee the business when he is abroad, and to set a strategic direction for the business. Marc is a personal friend and invested capital in *Open Views*  
90 in return for a 20% shareholding. Although Marc has an excellent financial background, the staff feel he lacks a true understanding of the holiday business and concentrates too much on cost control, and sales and profit targets. These targets are very testing and demand year on year growth of approximately 10%. Salaries and bonuses are linked tightly to these targets. Over the last two years as competition has increased *Open Views* has been forced to cut  
95 profit margins to gain new business, and as a result salaries have not kept pace with average earnings in the industry. Concern is also being expressed about the slowdown of the United States and European economies, which is likely to affect the business adversely. Staff have become anxious and are considering approaching a trade union to represent their interests. Several employees have already visited the local branch of the ATS (Association of Travel  
100 Staff), the trade union representing employees in the travel industry.

Joseph delegates all staffing activities in the *Warm Breezes* complex to Manjit. She appointed a general manager, Peter Storm, who had previously worked for the rival travel company, *McGregor’s*. Peter is an autocratic manager and local staff find him unapproachable and patronising. He brought in a team of Europeans and appointed them to senior positions. Staff  
105 turnover is high and this often threatens to disrupt services. There have also been complaints about the safety of the working environment and the state of repair of cleaning and cooking equipment.

However, unemployment in the region is still significant and Peter has coped to date by using a local employment agency and casual staff. Casual staff are generally foreign students  
110 visiting the Caribbean and looking to finance their trips. The business is successful and net profits are good (*see appendix 3*). Customers mostly leave satisfied and Manjit believes Peter is doing a very good job. However, complaints about slow service and rude staff have increased over the last few months.

## The Future

115 Hotel room occupancy at *Warm Breezes* fluctuates throughout the year, with the complex being fully booked from April to September (*see appendix 4*). There is concern because occupancy falls to 40 % in the wetter, colder months of the Caribbean year, but at other times customers are turned away. Manjit and Joseph are exploring opportunities to extend the *Warm Breezes* complex further and to raise occupancy levels during the quieter months.

120 There are two options under consideration.

### Option 1

To develop a commercial centre adjacent to the main buildings, containing sales and conference facilities. These would be marketed to multinational organizations for staff training and motivation development. Manjit would like to create a “team-building” theme. There is a disused army training camp on the island, where the United States army used to practise jungle warfare. The old assault course could be easily restored and Manjit has even suggested to Joseph that they could create the world’s most exclusive war game development. Joseph is not sure that this approach fits their image.

### Option 2

To extend the complex by building forty new cottages alongside the beach front. These would offer self-catering accommodation. *Open Views* would need to target a different market segment, and again Joseph has some concerns about this option. Manjit is confident that this development would not compromise the luxurious image of the complex.

Both schemes will require the raising of additional finance to fund construction. Joseph and Manjit hope to persuade the local government to provide 50 % of the funds to be matched by a loan from an international bank. In return they are intending to employ an additional sixty-five local staff while offering a 20 % minority shareholding to the bank. They are anxious to highlight the positive effects on the local economy boosted by the building works and extra full time jobs.

However, the local government has recently changed and has different views to the one which gave permission for the original *Warm Breezes* development. It was elected amid concerns about the environmental effects of further tourist and business development and has received several complaints from local businesses about the impact of *Warm Breezes* on the local economy. Government officials are insisting that representatives of the local trade unions and small business associations be involved in any future negotiations. The government have already presented Manjit and Joseph with written details of some of the objections to their present operations and proposed expansion. These are summarised below.

- 70 % of the existing staff of *Warm Breezes* are locally recruited, but no senior managers come from the local community.
- Nightly entertainment is essentially brought in from the United States and Europe and local bands are rarely employed. When local bands and dancers are employed, the music and dancing is westernized to satisfy European and North American tastes.

- The “all-inclusive” package offered to holidaymakers restricts the use of the local restaurants and other services. Visitors to *Warm Breezes* frequently leave the island without coming into contact with the local population, or experiencing their culture.
- 155 • Staff are required to wear uniforms, which include designs from the Caribbean, but are not purchased locally despite using authentic island patterns. In fact, these uniforms are designed and manufactured by an Italian fashion house.
- The proposed new development will require the felling of twenty palms and the dredging of the shore to allow the mooring of boats, which would threaten the ecology of the reef.
- 160 • Most of *Warm Breezes*’ profits go overseas and not into the local economy.

Manjit is concerned about these criticisms, but is convinced that her family’s local connections will help promote their case to the government and unions. She suggests that they will have to develop detailed ethical and environmental guidelines for *Warm Breezes* to convince their opponents that the expansion is in the economic and social interests of the island and its population. Local businesses appear to favour the commercial centre over the cottages, as this will create more jobs. If all else fails, Manjit is already in discussions about a second *Warm Breezes* holiday complex, with the government of a neighbouring island, which appears to be more favourable to tourist development and is encouraging inward investment by offering tax breaks and subsidies.

**APPENDICES**

**Appendix 1: *Open Views* target customer profile**

|                          |  |                                   |
|--------------------------|--|-----------------------------------|
| <i>Age</i>               | 24 to 36   |                                   |
| <i>Net income</i>        | Single<br>\$<br>60 000 - 150 000   | Couples<br>\$<br>80 000 - 250 000 |
| <i>Social grouping</i>   | Upper middle class home owners - senior managerial, administrative and professional occupations. Over 50 % working in financial and service sectors. |                                   |
| <i>Family life cycle</i> | Bachelor stage and newly married couples with no children.   |                                   |
| <i>Location</i>          | Europe, Middle East and the United States plus Southern African countries.   |                                   |
| <i>Psychographics</i>    | Adventurous, risk-taking, fashionable, image conscious, early adopters, conspicuous consumers.   |                                   |

**Appendix 2: *Open Views*' customer satisfaction research: 2001 (2000 in brackets)**

|                              | <i>Excellent</i><br>% | <i>Good</i><br>% | <i>Satisfactory</i><br>% | <i>Poor</i><br>% | <i>Very poor</i><br>% |
|------------------------------|-----------------------|------------------|--------------------------|------------------|-----------------------|
| Service                      |                       |                  |                          |                  |                       |
| • When booking               | 40 (42)               | 45 (46)          | 6 (10)                   | 7 (2)            | 2 (0)                 |
| • At the resort              | 46 (55)               | 34 (37)          | 8 (4)                    | 10 (2)           | 2 (2)                 |
| Accommodation                | 65 (62)               | 20 (20)          | 8 (9)                    | 4 (5)            | 3 (4)                 |
| Local environment            | 54 (55)               | 38 (39)          | 6 (4)                    | 2 (2)            | 0 (0)                 |
| Entertainment                | 42 (45)               | 30 (29)          | 14 (10)                  | 8 (10)           | 6 (6)                 |
| Food                         | 40 (50)               | 30 (38)          | 15 (4)                   | 8 (4)            | 7 (4)                 |
| Leisure facilities           | 58 (55)               | 32 (36)          | 8 (4)                    | 2 (5)            | 0 (0)                 |
| Entire package               |                       |                  |                          |                  |                       |
| • Value for money            | 42 (50)               | 48 (46)          | 6 (4)                    | 2 (0)            | 2 (0)                 |
| • Quality experience         | 46 (54)               | 36 (36)          | 8 (6)                    | 6 (2)            | 4 (2)                 |
| • Optional activities        | 50 (48)               | 38 (36)          | 8 (8)                    | 4 (4)            | 0 (4)                 |
| Comparison with expectations |                       |                  |                          |                  |                       |
|                              | <i>Exceeded</i><br>%  | <i>Met</i><br>%  | <i>Fell short</i><br>%   |                  |                       |
|                              | 40 (46)               | 50 (52)          | 10 (2)                   |                  |                       |



**Appendix 3: Open Views - Summary Profit and Loss Accounts and Balance Sheets: 1999-2001**

*Profit and Loss and Trading Account for the years ending 31 December:*

|                     | <b>1999</b> | <b>2000</b> | <b>2001</b> |
|---------------------|-------------|-------------|-------------|
|                     | <b>\$m</b>  | <b>\$m</b>  | <b>\$m</b>  |
| Sales revenue       | 28.6        | 34.5        | 40.2        |
| <i>less</i>         |             |             |             |
| cost of goods sold  | 3.8         | 4.9         | 6.1         |
| <i>Gross profit</i> | 24.8        | 29.6        | 34.1        |
| <i>less</i>         |             |             |             |
| overheads           | 21.2        | 25.8        | 30.6        |
| <i>Net profit</i>   | 3.6         | 3.8         | 3.5         |

*Balance Sheet as at 31 December:*

|                           | <b>1999</b> |             | <b>2000</b> |             | <b>2001</b> |             |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                           | <b>\$m</b>  | <b>\$m</b>  | <b>\$m</b>  | <b>\$m</b>  | <b>\$m</b>  | <b>\$m</b>  |
| Fixed assets              |             | 42.8        |             | 43.4        |             | 46.6        |
| <i>Plus</i>               |             |             |             |             |             |             |
| Current assets            | 3.4         |             | 3.8         |             | 4.1         |             |
| <i>less</i>               |             |             |             |             |             |             |
| Current liabilities       | <u>2.1</u>  |             | <u>2.5</u>  |             | <u>2.9</u>  |             |
| Net current assets        |             | <u>1.3</u>  |             | <u>1.3</u>  |             | <u>1.2</u>  |
| Total/net assets employed |             | <u>44.1</u> |             | <u>44.7</u> |             | <u>47.8</u> |
| <i>Represented by:</i>    |             |             |             |             |             |             |
| Share capital             |             | 24.0        |             | 30.0        |             | 30.0        |
| Reserves                  |             | 6.4         |             | 6.6         |             | 7.0         |
| Long term liabilities     |             | <u>13.7</u> |             | <u>8.1</u>  |             | <u>10.8</u> |
| Total capital employed    |             | <u>44.1</u> |             | <u>44.7</u> |             | <u>47.8</u> |

**Appendix 4: Warm Breezes occupancy rates**

|              | Jan | Feb | Mar | Apr | May | June | July | Aug | Sept | Oct | Nov | Dec |
|--------------|-----|-----|-----|-----|-----|------|------|-----|------|-----|-----|-----|
|              | %   | %   | %   | %   | %   | %    | %    | %   | %    | %   | %   | %   |
| <i>Year:</i> |     |     |     |     |     |      |      |     |      |     |     |     |
| 1999         | 44  | 42  | 63  | 100 | 100 | 100  | 100  | 100 | 100  | 65  | 42  | 48  |
| 2000         | 45  | 45  | 65  | 100 | 100 | 100  | 100  | 100 | 100  | 66  | 43  | 48  |
| 2001         | 43  | 44  | 63  | 100 | 100 | 100  | 100  | 100 | 100  | 62  | 40  | 46  |