

**BUSINESS PLAN  
OPENING A GUESTHOUSE IN MALDIVES  
(VEYLAA GUESTHOUSE)**



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**AN INDEPENDENT STUDY SUBMITTED IN PARTIAL FULFILLMENT OF  
THE REQUIREMENTS FOR THE GRADUATE SCHOOL  
STAMFORD INTERNATIONAL UNIVERSITY  
MASTER OF BUSINESS ADMINISTRATION  
ACADEMIC YEAR 2017**



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**The Business Plan has been approved by  
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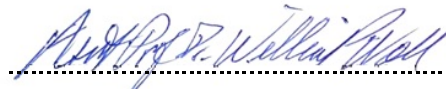
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June 2017

## ACKNOWLEDGMENT

I would like to express my appreciation to Dr Jan Abrahamson, my advisor for his patience, guidance, encouragement and constructive critique of this business plan. His immense knowledge and feedback has been a great help. I would like to acknowledge my fellow classmates and other students for their support and encouragement throughout my study.

A very special thanks to my friends who are the owners of this business for sharing information and giving me the time whenever I needed. In addition I wish to express my sincere gratitude to all my professors for their guidance & encouragement throughout my studies.

Last but not the least heaps of thanks to my family for the unwavering support and encouragement as always.

Shahida Abdul Haadi

## EXECUTIVE SUMMARY

**Market Analysis:** based on market analysis, guesthouse holidays are very popular among holiday makers in Maldives. Definition of Guesthouse in Maldives “guesthouse refers to an establishment, other than a tourist hotel, that has been developed, in compliance with standards determined by the Ministry of Tourism, to provide board and lodging or [only] lodging for tourists for a payment decided at a certain rate per day of stay.” (Tourism Year Book, 2016). The slowdown of economies across the world has made tourists to spend less so many resort holiday makers in Maldives are opting for guesthouse holidays. The feedback is very positive and about 90% agrees that their overall stay is value for money. Majority of the marketing of the business will be done through the affiliated OTAs to the target segments at the start and will be coupled with Facebook pages and paid adverts, website, Instagram, YouTube videos and selective international & local exhibitions. Market analysis carried out confirms that OTAs are the best method of selling for all target markets.

**Value Proposition:** offers holiday options that cost less than resorts by staying in a local island where one can discover true Maldivian life & culture. The competitive advantage includes tourists having excess to the exceptional turquoise lagoons, white sandy beaches that Maldives is famous for while staying in cozy guesthouse. Each island is unique & provides similar activities like resorts with the same standard at cheaper prices such as island exploration, fishing (night & day), beach BBQ, sandbank visits, scuba diving, snorkeling and many other water sports. Guesthouse are small & modern with traditional touches to cater for the best tropical holiday.

**Competitor Analysis:** Guesthouse primary competition is other guesthouses that offer similar products & services. In the island this business is going to start, already has one other guesthouse that have been in business for almost a year. This competitor does not have their own water sporting facility for which they come for us. Hence aim is to provide better packages with attractive prices for our customers and also do more vigorous marketing that has not been seen from the existing business in the island. Resorts are competitors too though the price of resort holidays are higher.

## EXECUTIVE SUMMARY (Cont.)

**Operational Planning:** Management position of the business will be handled by Husband & Wife. This is a family business so they have 100% ownership. Being just four room guesthouse only six staff are employed to do all the operational work excluding the owners. Sea sports, excursion & resort visits will be handled by staff from the existing water sports business that is going for 4years. Restaurant in the property is rented to an outside party and they run it independently however the prices for our guests are agreed upon depending on the inflation of food items in the market.

**Business Model:** Majority of customers for the business will be received through OTAs. Local segments can book holidays by telephones or through our website. Walk-in are welcome 24x7 for all segments and will try to promote direct reservation from our website that would be cheaper for customers by having a user friendly and attractive website.

**Financial Projections:** Veylaa Guesthouse financial projection shows that within 2.1yrs it will reach breakeven and then will start running on profit. Off peak and peak season also shows profits in three year financial projection. Net income projection in each year is adequate and shows profits of \$30, 843, \$40,050 & \$50,369 respectively.

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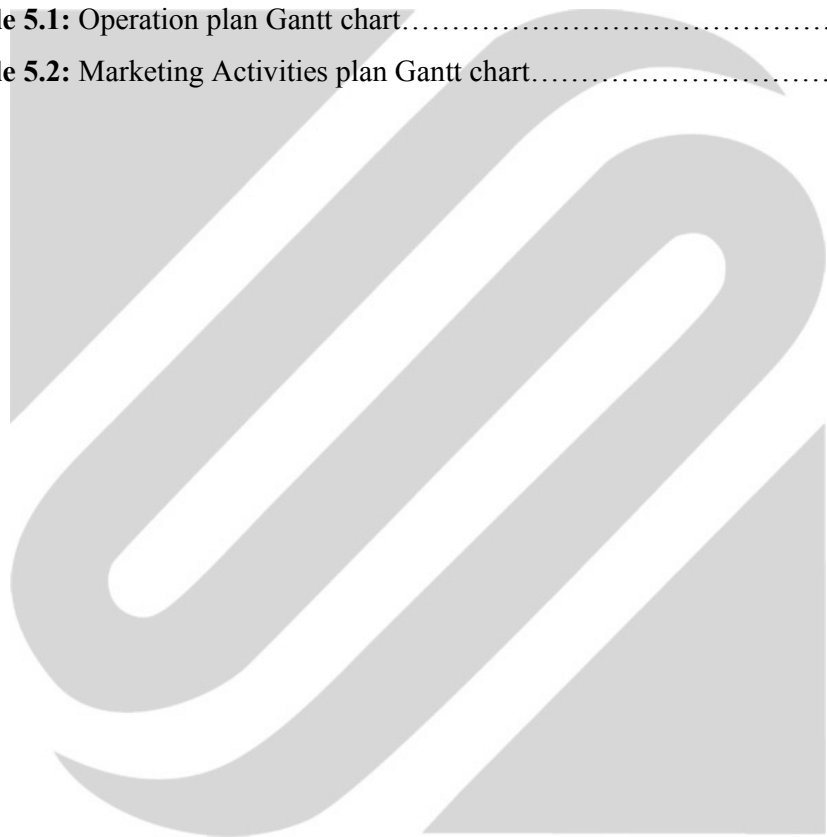
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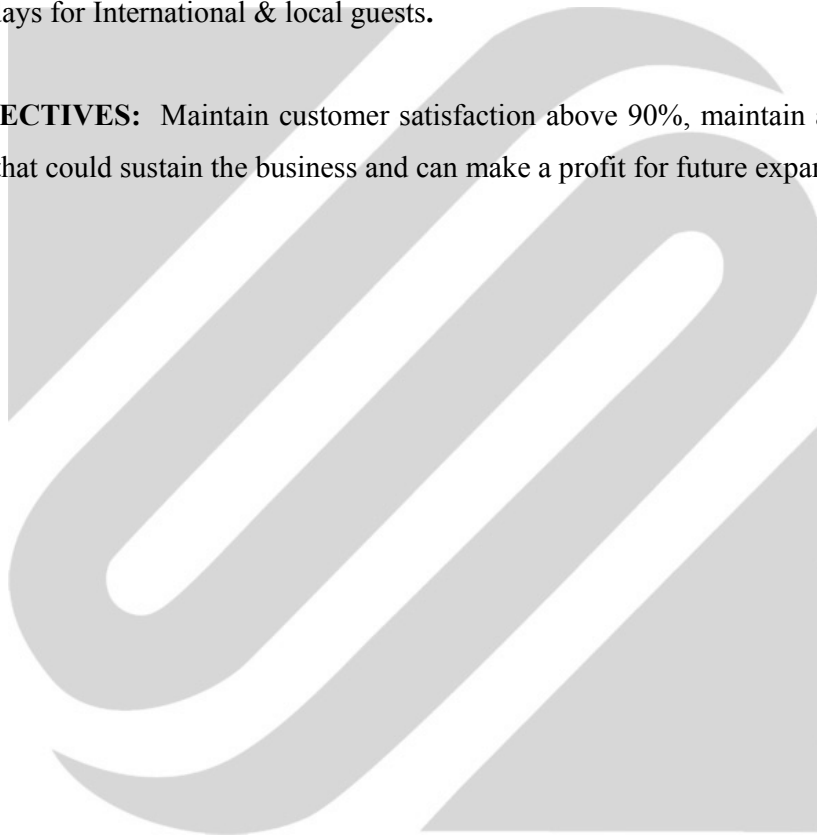


## **VISION, MISSION STATEMENT AND GOALS**

**VISION:** To be the first choice of guests & one of the leading guesthouse in Maldives.

**MISSION:** Make Maldivian guesthouse holidays as the best and most attractive holidays for International & local guests.

**OBJECTIVES:** Maintain customer satisfaction above 90%, maintain an occupancy rate that could sustain the business and can make a profit for future expansion.



# CHAPTER 1

## MARKET ANALYSIS

### External Environment

#### PESTLE Analysis

**Political Factor:** Since the adoption of new constitution in 2008, political parties were allowed for the first time in Maldives. The first democratic president was elected in the same year and lot of reform for betterment of the country in all aspects were initiated. (MALDIVES ASSAULT ON CIVIL AND POLITICAL RIGHTS, 2015).Maldives politics and tourism and its religion (Islam) have a good relationship where each one do not overstep the other. Good policies are in place to overcome negative impacts of each and the stakeholders so far have managed turbulences well. (Henderson, 2008).A coup d'état occurred in 7<sup>th</sup> February 2012 and political unrest occurred in the capital City Male'. Political rallies and protest occurs often in Male' however these activities do not have any effect on tourists as either they go to resorts or local islands that are far from city and does not affect any services offered to tourist. The confirmation of this is that the amount of tourist arrival shows increase year by year and many tourist agree that the local political unrest is not so significant when they choose Maldives as their holiday destination.

**Economic Factor:** Maldives is a middle-income country, main driving sector being tourism industry. Tourism accounts for approximately 30% of GDP and more than 60% of foreign exchange receipts. With the slowdown of economies across the world tourism was affected but was not stagnated unlike some similar destinations. A slowdown was experienced in 2015 but picked up in 2016. Quick facts about Maldives economy, see **Table 1.1** in Appendix.

Reforms to improve business environments were passed by parliament in 2015 that legalizes foreign ownership of land which is a positive for bringing foreign investments. For the first time in September 2, 2016 Moody's issued credit rating for Maldives that is B2 so the outlook is stable. (MOODY'S INVESTOR SERVICE, 2016).Likewise Fitch has assigned B+ rating for the first time this years' May 15<sup>th</sup>

that is another stable outlook. (Fitch Assigns Maldives First-Time 'B+' Rating; Outlook Stable, 2017).

Economic diversification is a top priority in government agendas so the country can move beyond tourism and fishing which are the key two industries. Lot of reforms are being implemented in public finance, employment opportunities and carb corruption. Maldives being a low-lying island nation of 1.2m above sea level will have direct impact of sea level rise to its economy. (Maldives, n.d.).

Exchange rate is an important macroeconomic fundamental and has shown to influence travel choice and purchase among travellers. Maldivian Rufiyaa to US dollars fluctuate within MVR 10.28 –MVR 15.42 which is comparatively attractive among travellers as it's not so high. (Gharlegghi, 2015). Total contribution to GDP-% share from 2007-2016 shows substantial fluctuations however in 2016 it ended at 79.4% that gave a positive change of 0.76% change, see **Figure 1** in Appendix.

**Social Factors:** Maldives population is 392,960 and out of these approximately 60% lives in atolls while the other 40% lives in the capital city (Grater Male' area consist of three urban cities). Maldives has one culture, one religion (Islam) & one language. The people of Maldives are indigenous though there are no tribes or cast systems so it's a homogenous society where everyone is equal and has excess to resources and services. Maldivians are happy, peace loving, friendly and law abiding lot. (Metz, n.d) & (Maldives Demographics Profile, 2016) 21.29% of the population age is 15- 24yrs and 47.63% is 25-54yrs age bracket. Thus the population consist of relatively young people.

Literacy rate of the whole population is 99.3% and the younger population speaks fluent English and approximately 15 % of Maldivian working in tourism sector can speak Russian, Italian & Chinese. Education across the country is the same and it's compulsory to complete education up to year 10. Education is free in all government schools, 7.3% of GDP is allocated for education. Mode of instruction in schools are mainly English except the local language and Religious subject (Islam). Health facilities across the country is improving and 22.3% of GDP is allocated for health & social services. (Goverment Budget In statistics, 2017) .An

Increase in private sector investments in health is on the rise in big urban cities and government tries to deliver basic health facilities in every region of the country.

Every atoll of Maldives have different traditions and cultures and the cuisines are also different. Some regions are famous for various sorts of handicrafts and boat building. Being a 100% Muslim country, alcohol and pork products are not available in inhabited island though in resorts these products are available to tourists. Maldivian cuisines that contain mainly of fish and vegetables are popular among tourists and food is relatively cheap. (Metz, n.d)

**Technological Factor:** Information & Communication Technology (ICT) is widely used in the tourism sector across Maldives. All resorts, guest houses, hotels, live-aboard etc. has websites, Facebook pages, Instagram accounts, YouTube videos etc. Tourism businesses are affiliated with at least three popular OTAs through which most customers do their reservations. Emailing and live chat components are also part of this process. Maldives government & private stakeholders are investing in technology to leverage and take advantage of the global e-commerce technologies that plays an immense role in marketing and advertising. (Vizaad Ali, 2013)

Financial institutions and many other support service are introducing Apps through which customers can easily get access to the services and e-pay platforms. There are two major players in the telecommunication sector, one is owned by Maldivian government and cable & wireless (Dhiragu) and the other is Ooredoo a Qatar based Telecom Company. These two major players provide telephone and internet services all over Maldives. Both company have used submarine cables across the country to provide better services and the quality of ICT has improved rapidly with competitive prices. In the Greater Male' area there are many small internet service providers. (Ali, n.d).

Digital literacy of Maldivians are on the rise because government is investing in Research & development expenditures. In schools students are taught computing as a subject of choice and there are many private educational institutions that teach ICT courses of various levels. In all resorts and other tourist accommodations' free Wi-Fi is available & few Cafes started to provide free Wi-Fi for 30mins in Male' city.

Future for technological advances looks positive in Maldives as in today's business environment almost every service offered includes some sort of technological involvement. (Ali, n.d). The ICT Development Index (IDI) of Maldives compared to Asia & the Pacific, see **Table 1.2**, in Appendix.

**Environmental Factors:** Maldives, 1000km long chain of islands are one of the most environmentally vulnerable country to the fluctuation of global warming & climate change. The country's environment fragility is a grave concern for the whole population. Tourism completely relies on beautiful white beaches & exceptionally unique marine ecosystem. Thus from the very beginning sustainable and environmentally responsible tourism is strictly practised with laws and regulation in place.

The environment protection and preservation (EPP) act is the key legislation and was implemented in 1993. This is the basic framework for environmental protection & conservation, waste management and many related issues. Frequent natural disasters occurring due to climate change has made the country to focus more on marine conservation, creating awareness among all stakeholders, strict and science based monitoring & establishment of Environmental Management Systems(EMS) across the board of all tourism related operations. New key policies are being implemented on waste management, conservation of biodiversity and maintenance and enhancement of regulation in daily basis.

Legislations are being implemented to mitigate the risks during developmental stage activities as well as in operations across the country. Respective environmental laws are implemented across industries like fishing, agriculture, construction etc. Maldives fisheries industry still practice pole and line fishing that is more environmentally friendly compared to netting. In the latter case over fishing frequency is higher than in pole and line method. Maldivian government is very vocal on environmental issues and are part of almost all environmental organisations through which the country tries to convey climate change messages to the bigger players of the world. (FOURTH TOURISM MASTER PLAN, 2013-2017).

**Legal Factors:** Tourism Act 1999 is the guiding framework for lease of islands for resorts, hotels, marinas, guesthouse developments and all the related

tourism activities. This act has terms and conditions regarding lease of island, lands, sale/transfer of lease to a third party, taxation from tourism operations and tourists. This act overarches the regulation and operation of tourist's vessels (e.g.: live-aboard, safari boats), diving centres and travel agencies. New reforms in foreign investment policies offers the following incentives from 2012 onwards. They are as follows according to (FOURTH TOURISM MASTER PLAN, 2013-2017)

1	Right to 100% foreign ownership.
2	Legally backed investment guarantee.
3	Provision for overseas arbitration of disputes.
4	Long-term contractual agreements and long term lease of land.
5	Freedom to use foreign managerial, technical and unskilled workers.
6	No foreign exchange restrictions.
7	No restrictions on the repatriations of earnings or profits.

**Table 1.3:** Source: Fourth Tourism Master Plan, 2013-2017

**Conclusion:** Based on the PESTLE Analysis, Maldives has a conducive external environment to start a tourism business even though there are few negatives that could hinder the business. 11 new resorts opened in 2016 and approximately 10 guesthouses aimed for mid budget travelers opened. The arrival rates and occupancy rate of tourists in Maldives tourism sector has seen an overall increase as mentioned before. All in all tourism sector business are performing better than 2016 of the same period. Tourist arrivals in 2017 compared to 2016 in the first four months, **Table 1.4**, see Appendix.

## Competitor Analysis

### Porter's Five Forces

#### Rivalry among Guesthouses: High

Rivalry among guesthouses are one of the strong competitive force. Competition among guesthouses are very high. According to (Guest House, 2017) there are 422 registered guesthouses however about 421 are in operation in various atolls. Registered no of beds accounts over 6425 that is very low compared to the

increase in steady demand for guesthouse holidays by budget travelers. Despite the high rivalry there are immense opportunities for new guesthouse business to flourish. The growth of guesthouse sector is rapid and the market share has increased to approximately 20% from 2009 to 2016.

**Potential entry of new competitors: High**

The no of new guesthouses registered in 2016 increased about 10% that implies it's fairly easy to enter the business. This business does not require a huge investments, most establishments are houses that have been converted to B&BS where families run the business with very low operational costs. Some difficulties faced by owners include marketing and having to affiliate with OTAs that cost them a high price. Therefore the profitability of the business is not as high as resorts and is not a means to get rich quick as many has the perception.

**Potential development of substitute products: Moderate to Low**

Hotels & Safaris Vessels (live-aboard) offer similar services. Hotel market has not picked up as expected thus many hotels are being closed due to non-compliance. The market share of hotels is less than 5% and not very popular among mid & low end market segments. Safaris Vessels are popular among professional diving enthusiast and are expensive compared to guesthouse sector. These vessels cruise around unique diving spots and have luxury accommodation facilities with all amenities. The market share of safaris are approximately 9% that has stayed the same since 2012. Some resorts in the offseason has started similar packages like guesthouses thus resorts are becoming a substitute seasonally but at higher rates.

**Bargaining power of Suppliers: Low**

As small establishments most suppliers they deal with are in contract with them so have very little room for price hikes randomly. Most guesthouses gets their food supply from locals' shops & transport for excursions and other means have fixed prices. If guest are using public transport it will be cheaper and have fixed rates too.

**Bargaining power of Buyers: Moderate to High**

Low and mid-market travelers have a range of guesthouse they could choose from however most travelers choose an island where transport from the capital city is easier. This is because it reduces the cost of their stay and have to spend less time

reaching the destination of choice. Each guesthouse has its differentiation and uniqueness thus the experience is unrepeatable.

**Conclusion:** Despite the high rivalry & competition guesthouse tourism has positive outlook. Global economic crisis has made the disposal income of people to decline. Hence travelers' choice for low & mid budget holidays are increasing and Maldives guesthouse sector is benefitting from it compared to resorts and other alternative choices offered in the market. According to Guesthouse Magazine the revenue of this sector is approximately \$100 million by end of 2016.

### SWOT Analysis

Strengths (Internal)	Weaknesses (internal)
Tropical islands with exceptional natural beauty.	Poor inter -island transport network.
Excellent ocean based activities (Diving, snorkeling, fishing, water boarding etc.) .	High taxation system.
Cheaper price throughout the year compared to resorts and alternatives available in the market.	High employee turnover
Good brand image of the market.	Fluctuating fuel rates.
Passion for the business by owners.	Some imported vegetables & fruits are too expensive.
Owners sound knowledge and good rapport with many others in the business.	Distance from airport to destination.
Already existing water sporting facility by the owners and experience of this business.	Limited affordable avenues for marketing.
Location of the business & its	Poor information about the market available for customers.
	Lack of financial management skills among owners.
	No alcohol & pork products available for customers.
	Modest dressing at all times except in

proximity to capital city.

private beach & during excursions.

Not many guesthouse business in the island.

Sound knowledge of customers need & preferences

Opportunities(external)	Threats(external)
Product differentiation at higher degrees such as segments like ecotourism, halal tourism & island tourism with a holistic cultural and tradition experience.	Environmental vulnerability due to global warming & climate change.
Human resource developments.	Rapid commercialization of the sector without a plan for sustainability.
More supports and opportunities from government to provide marketing platforms to this sector like existing resorts.	Falling into the trap of monochromatic product line.
Relaxation of taxes from these business.	Probability of some establishments not complying with the standard and quality and delivering a substandard products & services to make a quick buck.
Easy access to finance from public & private financial institutions.	High competition due to low barriers to entry in the market.
	Seasonality of the business might create difficulty to meet operational costs.

**Conclusion:** Based on the SWOT analysis, weaknesses & threats identified could be turned into strengths & strengths to opportunities. Furthermore it helps to strategise and formulate business better and maximize the chances of success. Guesthouse market has very positive outlook that could make small business like this to achieve profitability as well as a reputation among the potential and existing customers.

## **CHAPTER 2**

### **BUSINESS MODEL**

**Company Profile:** Veylaa guesthouse is a family business and this family has been running a very successful watersports business in the same island. The owner's, husband & wife have sound knowledge of consumers' preferences and wants of the target markets. Hence they converted their parents' house into a guesthouse. This small property is near the south east side of the island and have a beautiful beach in front of it. Under local tourism regulation beach front properties can pay a small annual fee (\$100) and can have the beach area turned into a private beach that is a competitive advantage for the business.

Veylaa guesthouse is situated in North Central Province in Felidhoo Vaavu atoll, **Figure 2**, see Appendix. (Map of Felidhoo Atoll Maldives, 2011). Felidhoo is the capital of Vaavu atoll and the least populated island in Maldives. The population is about 200 people and the island is unspoiled unlike other island with paved road, high rises and vehicles. Island is just 500meters in length and width. This island is beginning to open itself for guesthouse business so guest who prefer a quiet, comfortable stay and also get a true Maldivian local village experience, this is the island for you. There are 19 islands in the atoll out of which only five islands are inhabited. There are plenty of choice to choose from for excursion, island trips and sandbank visits in this atoll at affordable prices. There are two high ranked resorts nearby and guest have the option to combine resort visits with island stay.

Veylaa is a two story house that has four standard rooms (170 sq. ft.) designed using contemporary and traditional Maldivian style. All rooms are in the first floor, each room has sea view or island view. Each room comes with a private balcony with full sliding doors. Balconies have patio table and chairs for relaxing at once owns leisure. Each room has its ensuite with rain showers and heated showers, stocked minibar and coffee making facilities. Downstairs house the reception, a lobby, kitchen and an outdoor restaurant that's almost on the beach that is exclusive for guest. The indoor restaurant that faces the main road is a common restaurant for locals and guest. Mini bar and coffee making facilities are available in the lobby too and the restaurant

offers range of traditional Maldivian cuisines and international cuisines. Main Amenities available include free continental breakfast, free Wi-Fi, private beach, restaurant, ferry shuttle service, 24hr front desk, air conditioning, daily housekeeping, ironing service, laundry, luggage storage, BBQ facilities, tour desk, currency exchange, smoking area ,sundown entertainment, diving,finshing, water sports (motorized & non-motorized) and bicycle rentals . On request babysitting service is available with a surcharge.

**Cost Structure & Revenue Stream:** Veylaas' all operating cost can either be fixed costs or variable costs. Fixed cost incudes taxes, insurance, utilities, telephone bills, internet bills etc. these cost will be the same and do not depend on the occupancy rate and these are the highest cost of the guesthouse and Veylaa needs to have revenue streams that could generate enough income to make profit. The other cost involved will be the variable costs that will depend on the occupancy rate of the guesthouse. These cost include food, cleaning, supplies, OTAs commission, wages & maintenance etc. In service industry labour accounts for the highest operating cost. However Veylaa being such a small establishments will have only six staffs. Owner couple will be in charge of marketing, financial management and overall management of the guesthouse. The restaurants in the property is leased to a restaurant business in the island & Veylaa is not spending any money on F&B served to tourists. The contract is such that the restaurant has to keep the rates of dishes for our guests at the same rate as any other restaurants in the island. If there variable costs increases both party negotiate and come to an agreement on food rates. Therefore Veylaa operating cost on F&B is low and is getting a sweet deal out of the restaurant space. To reduce the operations cost on lightings, heating and other electronic appliances, Veylaa would implemented environmentally friendly and energy conserving modern appliances throughout the property so that the cost can be minimized. Maintenance of the property will be done periodically, since it's a beach front property elements like salt, high wind and extreme weather at times can make the cost higher. Veylaa will spend a decent amount of money for marketing purpose because this is a necessary cost to create awareness and build our brand image among our target markets. Revenue streams of veylaa includes room rates, rent from restaurant & bicycles.

**Key Activities, Partners & Resources:** key activities include providing a complete bed and breakfast service with a complimentary breakfast every morning and also trips, excursions and watersports. Those who prefer to have a quiet holiday can stay in the cozy room or come out and enjoy the sun on the beach. Furthermore can just walk/cycle around the beautiful island and explore the local people way of life and daily activities.

Key partners are the restaurant partner, watersports facility and the local toiletries manufacturer who supply us with our organic products. Veylaa has 6 months contracts with each of these partners, if things work out well with the partners one year contract with will renewed with each after discussions.

Key Resources include the team of Veylaa though it's small. Every member of the team plays a huge role in making the business a success. Natural beauty of the island and the surroundings where guest enjoy on trips, excursions and in various water sports are also key resources.

**Customer Relationship:** Veylaa's team understand the importance of customer relationship hence will maintain an excellent relationship online as well as offline. Social media platforms like Facebook, Instagram, YouTube & website will be used to communicate and engage customers and get their feedback as well as to offer various type of attractive packages with discounts depending on the season and occupancy rate. Loyal customers will get special treatments though Veylaa does not have loyalty cards or points system yet. Online reviews on OTAs and other platforms will be closely monitored and if improvements are required such step will be taken to rectify the problems. Veylaa will try to its fullest capacity to keep guest satisfaction as high as it could and would want the guest to be repeat customers and do word of mouth marketing.

## CHAPTER 3

### VALUE PROPOSITION

**Customer Benefits:** Holidays in Veylaa (guesthouse) are more budget friendly compared to conventional resort holidays in Maldives. (Veylaa cost \$130 per night off peak season & budget resort will cost approximately \$300 per night). Guests are free to explore the local islands nearby independently unlike in resorts, guest are very much restricted within that island. A public ferry system is available between island 3days a week with regular schedules. (306 Rakeedhoo- Male city, 2016). **Table 3.1**, see Appendix. Apart from this tourists can integrate and interact with local indigenous communities and learn about their traditions & culture first hand that is not possible in resorts. No places of any islands are off limits to tourists, tourists can visit local mosques, schools, and local houses, participate in soccer or volley matches in the evening with locals etc. Guest who want privacy can have all the privacy they want inside and outside the guesthouse. The private beach is huge and guests will not have the problem of crowds thus do not have to compete to get umbrellas and sunbathing beds or chairs. Public transport option are available and the transport network from capital city to Veylaa is excellent so guest do not have to spend \$100s of dollars on speedboat or seaplane option resorts provide for their guests. All in all travel style of guest are more independent in Veylaa guesthouse holidays.

**Competitive advantage:** Relieves the customer from the burden of paying outrageous price for a holiday in Maldives. Ocean, beach & sun the key features of Maldivian holiday are the same in resorts and in other islands. Colour, purity & temperature of the water are the same likewise beaches are white and sandy. Sun shines the same everywhere & it can be dangerous if tourist expose their skin without protection. Watersports & excursions are offered at cheaper prices & tourist get the same standard and quality of services like any resort. Veylaa can combine guesthouse stay & a luxurious resort experience if guest wants to do it with little extra budget. Guest can choose out of two resorts nearby and spend a day in those resorts for a relatively cheaper rate. Guest can enjoy glamorous winning, dinning & other

services of their choice. More child friendly and children can play and enjoy with local kids in a very safe environment where parents can relax and enjoy.

**Downsides:** Being a Muslim Country guest who spend holidays in guesthouses have to wear modest clothing when they are in the local community. Alcohol & pork products are not available however guest have the option to enjoy these in resorts visits. At times beach and sea around the island can have floating litter that guest sometimes encounter. However islands where the guesthouse business are very mindful of managing waste properly and try very hard to keep sea & beaches clean like resorts. Public transport is reliable though they can get cancelled due to rough weather. Fridays are public holidays so public transport will not continue though after Friday prayer guesthouses will have alternative arrangements for transport that would be a bit expensive.

## **CHAPTER 4**

### **MARKET SEGMENTATION & TARGETING**

Based on behavioral & psychographics of travelers, Veylaa guesthouse will focus on international travelers who come to Maldives for its natural beauty (e.g. Beaches, underwater, unique small islands), peacefulness, weather, uniqueness, reputation and privacy. The reasons for visits by international travelers varies depending on the season. According (Maldives Visitor Survey, 2016) 46% of international visitors come to Maldives because of its natural beauty that includes beaches, underwater beauty & unique small islands. 13% comes because of the peacefulness, 12% weather, 10% uniqueness, 8% reputation & 8% for privacy.

Another aspect that is immensely important to consider is common reasons to visit. Recent statistics shows most common reasons are rest & relaxation, snorkeling, diving & honeymoons. 28% rest and relaxation, 15% snorkeling, 9% diving & 40 % for honeymoon. The reason for visit among traveler differ in peak season & off peak season. During peak season more travelers come for rest & relaxation while in off peak season more for honeymoon. (Maldives Visitor Survey, 2016)

Based on geography, veylaa's segmentation and targeting will be focused on international travelers from our popular source markets that are Asia & the Pacific & Europe. The market share of these two regions are the highest and Maldives is a popular destination. Market share of Asia & the Pacific in 2016, 46.5% & Europe 44.7%. The travelers in these two regions has shown an incremental growth despite the economic slowdown in their economies and the forecast for 2017 shows a positive outlook though the tourists from China & Korea showed a decline. These two countries decline could be compensated by the emerging markets like India and Thailand.

The target age of international travelers would be between the ages of 18yrs – 44yrs. Statistics shows 57% visitors are of ages 25 to 34yrs, 16% 34 to 44yrs & 9% is 18-24yrs. Young visitors travel more during off peak season and more young travelers are seen in Asia & the Pacific region compared to European counterparts. (Maldives Visitor Survey, 2016)

In the local segment Veylaa will target more on all ages of people who live in the greater Male' area because the city is overcrowded and people love to spend holidays in quiet island with water sports excess. In recent past many Maldivians who are working in the city with disposable income has started exploring guesthouse holidays instead of going abroad. Especially during school semester breaks many parents take time off and spend holidays in these establishments and enjoy the combination of seaports and island trips that they would otherwise would not have opportunities to do easily. Main local target market is people who live in Male' city, area of 5.8km<sup>2</sup> & an estimated population of more 100,000 this equates to about 38% of Maldives population. (MALDIVES,Population & Housing Census, 2014) Statistics shows about 45% of people who live in Male' take at least three short holidays which is a good opportunity to utilize by providing attractive holiday packages.

## **CHAPTER 5**

### **MARKETING MIX (4Ps)**

**Product:** Veylaa (a small guesthouse) is a beachfront property that comes with a private beach and a picturesque view. Veylaa has an ambience like a small hotel and offers all-inclusive packages to guests. Situated in North central Province 77km away from international airport. Our airport representatives guides the guests to public/private ferries that can be easily accessed from airport to the destination.

Veylaa's excellent services and superior facilities will give an unforgettable experience and stay. Guest can enjoy services like 24-hour room service, 24-hour front desk, express check-in & check-outs, Wi-Fi in public areas and luggage storage. Veylaa guesthouse has four rooms spread over the first floor with beautiful views in each room. All rooms provides amenities such as television, internet access, air conditioning, heating, minibar, private bathrooms and many more. Trips, excursions & activities on offers include fishing, diving, snorkeling, dolphin tours, sandbank picnics, island hopping, various water sports (banana rides, water skiing, jet skiing, fly boarding etc.). This is an ideal place for mid & low budget travelers seeking comfort, charm and an unforgettable experience in Maldives.

**Price:** Price of room rates will be similar to the guesthouses in other island in the same region. Room rates in the peak season (December to April) will be \$160 per person & in off peak season (May –November) \$ 130 per person including all taxes and breakfast. Veylaa will not go into a price war and reduce prices like some competitor. Market research done shows customers are willing to pay the rates in this range and about 80% agrees accommodation & quality of services offered are excellent and perceives them to be value for money. Travelers' segment we target are price sensitive and are looking for mid & low budget holidays hence trips , excursions & watersport activities we offer are priced very carefully and are relatively cheaper than our direct competitors. This is possible because we have an established water sports facility, speedboat & a diving boat. This part of the business is in demand and we have contracts with other guesthouses in the island and nearby island. However the rates will not be so low that we will be at a loss and also will create an unhealthy

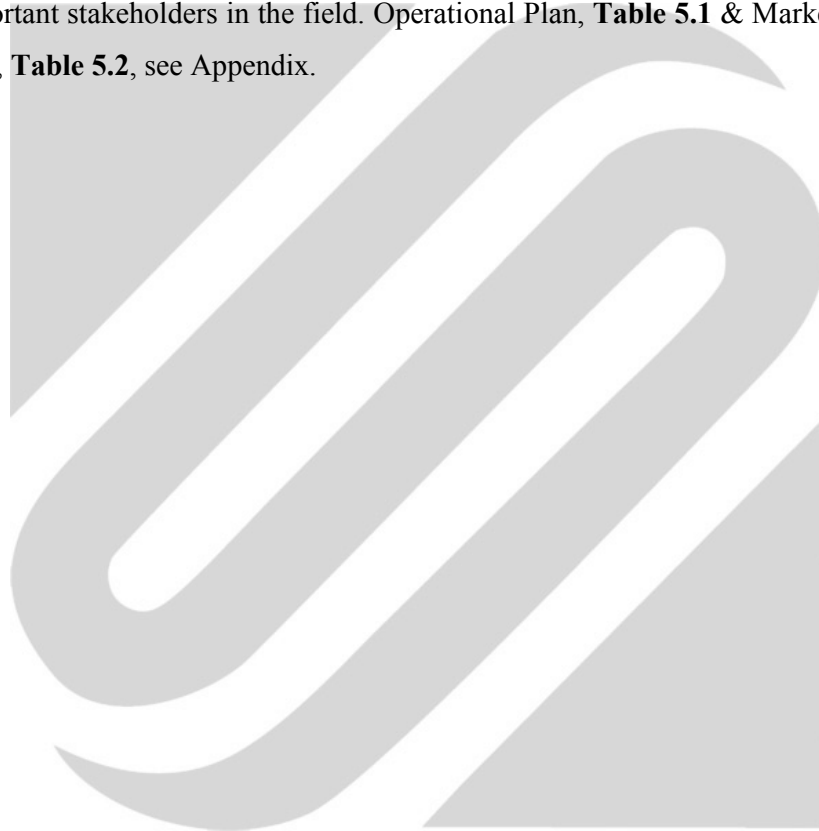
competition between the existing businesses. We as a business will try to have a balance in pricing and nurture a sustainable business that could get a huge market share gradually as we keep growing.

**Place:** Veylaa's distribution channels will be through the Website, OTAs, social media & visitor's information Centre at international airport. Based on empirical evidences of existing guesthouse businesses, OTAs chosen will be Trip Advisor, Booking.com, and Expedia.com & Hotels.com. Through the OTAs chosen a large segments of our target markets can be reached. According to interviews done among international travelers 60% of them uses OTAs to find information and book their trips. There is variation in use of OTAs by nationalities hence the chosen four are most commonly used OTAs among Asia & the Pacific and European customers. Veylaa's website as a distribution channel could be made into a critical tool as the business matures. Among international travelers to Maldives about 60 % of Europeans book their trips through guesthouse websites and Asia & the Pacific travelers approximately 35%. Booking trips through websites are on the rise among travelers as it's provides them with better incentives and customers get a better idea of the property compared to booking through OTAs. Aforementioned distribution channels will help to increase the chances for Veylaa to get customers, improve positioning and also to gain a competitive advantage in the market.

**Promotion:** Veylaa guesthouse will open in the peak season of 2019 (1st December) and will offer special packages to guest for first two months. These promotional offers will be communicated to our target markets through OTAs, website, Facebook page, Instagram & YouTube. Digital platforms will be used for promotional activities such as short term sales promotion, direct marketing & publicity.

To create awareness billboard will be used for advertising in the main airport arrival and departure lounges for two months prior to opening as it's costly. Sale discounts of 10% will be given to all customers who book the trips for first two months of the opening from all digital platforms. Vouchers & coupons deals are provided to customers who book their trip through the guesthouse website to create awareness and start the internet word of mouth marketing. On Facebook & Instagram contest will be held through sharing of guests experience on their holidays such as

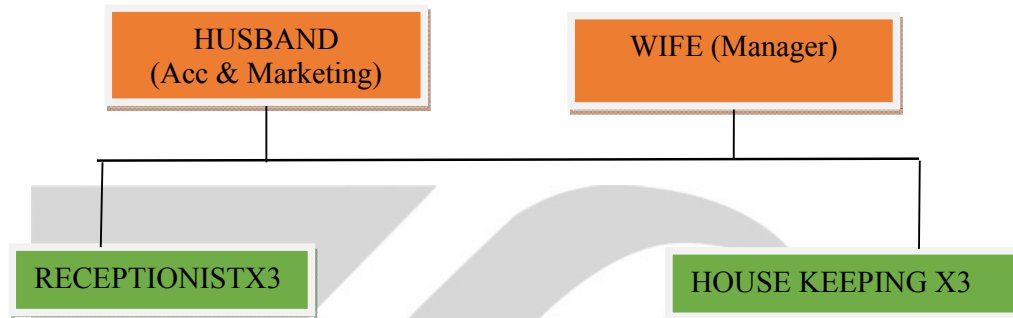
videos, pictures and comments. Winners of these contest will get free packages of excursions/watersports. Aim of these promotions are to increase customers' engagement and also to pass information to their friends and families about Veylaa. Annually Veylaa will choose one local & international travel exhibition to participate for reaching out to target markets as well as to do essential and effective networking for the future. These kinds of events are expensive however the ROI in the long run will be beneficial as Veylaa can build a good relationship with customers and important stakeholders in the field. Operational Plan, **Table 5.1** & Marketing Activity Plan, **Table 5.2**, see Appendix.



## CHAPTER 6

### MANAGEMENT TEAM & FINANCIAL PROJECTION

#### Management Team



Veylaa guest house has total of 8 staff. Owners, wife is the Manager and husband handles accounting and marketing. For the reception three staff are employed where each one has a working shift of 8hrs and for five days each will have regular 8hr roster and on the 6th day one staff will be given off day while the other two staff works 12hr shift and will be paid for over time. Similar roster is followed for housekeeping three staff. All the staff are given required training prior to opening to make them ready for the job. Manager will regularly monitor all staff for their skills such as communication skills, service behavior (service mind) and leadership quality. Each staff will have ongoing on the job training under the manager to perfect their skills. Reception staffs are on permanent contracts of one year and housekeeping staffs are on casual contracts of one year. Reception staffs has qualification of year 12 and can fluently speak English and all are locals. Housekeeping staffs are stay home mums who can speak in English and has immense experience in housekeeping jobs and are all locals. Guesthouse businesses economic contribution to local communities are higher compared to resorts and have a very good supporting network to make it a success.

#### **Financial Plan.**

Total required start-up fund is \$ 60,000, all of it is coming from both owners. Monthly salaries accounts for \$4600 & fixed operating expenses account for \$4709. Projected sales forecast of low season shows a profit of 53.19% & high season 54.64% in the first year. Break even nights of first year is 436, that means Veylaa guesthouse would have to sell at least 437 rooms before getting a profit. Projected

income statement of year one shows a net income of \$30,674, total cash inflow of year one is \$164, 210 & total out flow is \$128,874 which gives a positive cash flow. Break even sales is \$ 124,116 that equates to approximately 2.1years for the forecasted revenue to exactly equals the estimated total costs and from this point onwards profit begins and business become financially viable. All the amounts are in US dollars in the following financial projections below.

<b>START UP FUNDS</b>				
<b>Required Start-Up Funds</b>	<b>Amount</b>	<b>Totals</b>	<b>Depreciation</b>	
<b>Building Renovation</b>	15,000		7.00	years
<b>Equipment</b>	4,000		7.00	years
<b>Furniture and Fixtures</b>	10,000		5.00	years
<b>Total Fixed Assets</b>		29,000		
<b>Operating Capital</b>				
<b>Pre-Opening Salaries and Wages</b>	3,000			
<b>Prepaid Insurance Premiums</b>	1,000			
<b>Website fee</b>	800			
<b>Staff Training</b>	300			
<b>Utility Deposits</b>	2,000			
<b>Supplies</b>	700			
<b>Advertising and Promotions</b>	1,000			
<b>Licenses</b>	500			
<b>Misc Exp</b>	200			
<b>Working Capital (Cash On Hand)</b>	21,500			
<b>Total Operating Capital</b>		31,000		
<b>Total Required Funds</b>		\$60,000		

<b>FIXED OPERATING EXPENSES</b>					
<b>Fixed Operating Expenses</b>		<b>Monthly</b>	<b>Year One</b>	<b>Year Two</b>	<b>Year Three</b>
<b>Percent Change</b>				3.00%	3.00%
<b>Expenses</b>					
<b>Advertising</b>		\$ 500	6,000	6,180	6,365
<b>Entertainment</b>		200	2,400	2,472	2,546
<b>Office Expenses &amp; Supplies</b>		500	6,000	6,180	6,365
<b>Internet Wi-Fi</b>		600	7,200	7,416	7,638
<b>Sales &amp; Marketing</b>		400	4,800	4,944	5,092
<b>OTA commisions</b>		500	6,000	6,180	6,365
<b>Utilities</b>		1,600	19,200	19,776	20,369
<b>Total Expenses</b>		4,300	51,600	53,148	54,742
<b>Other Expenses</b>					
<b>Depreciation</b>		393	4,714	4,714	4,714
<b>Total Other Expenses</b>		393	4,714	4,714	4,714
<b>Total Fixed Operating Expenses</b>		4,693	56,314	57,862	59,457

<b>SALARIES &amp; WAGES</b>						
<b>Salaries and Related Expenses</b>		<b>#</b>	<b>Monthly</b>	<b>Year One</b>	<b>Year Two</b>	<b>Year Three</b>
<b>Percent Change</b>					3.00%	3.00%
<b>Salaries and Wages</b>						
<b>Owner's Compensation</b>		2	\$ 1,600	19,200	19,776	20,369
<b>Salaries</b>		6	3,000	36,000	37,080	38,192
<b>Total Salaries and Wages</b>		8	4,600	55,200	56,856	58,562
<b>Total Salaries and Related Expenses</b>			4,600	55,200	56,856	58,562



### PROJECTED INCOME STATEMENT- YEAR 1

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Totals
<b>Income</b>													
Low season	-	-	-	-	11,440	10,790	10,790	11,700	11,050	11,700	11,700	-	79,170
Peak Seson	15,680	15,200	15,360	15,520	-	-	-	-	-	-	-	15,840	77,600
Resturant Income	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Bike Rent Income	120	120	120	120	120	120	120	120	120	120	120	120	1,440
<b>Total Income</b>	<b>16,300</b>	<b>15,820</b>	<b>15,980</b>	<b>16,140</b>	<b>12,060</b>	<b>11,410</b>	<b>11,410</b>	<b>12,320</b>	<b>11,670</b>	<b>12,320</b>	<b>12,320</b>	<b>16,460</b>	<b>164,210</b>
<b>Cost of Sales</b>													
Low season	-	-	-	-	1,320	1,245	1,245	1,350	1,275	1,350	1,350	-	9,135
Peak Seson	1,470	1,425	1,440	1,455	-	-	-	-	-	-	-	1,485	7,275
<b>Total Cost of Sales</b>	<b>1,470</b>	<b>1,425</b>	<b>1,440</b>	<b>1,455</b>	<b>1,320</b>	<b>1,245</b>	<b>1,245</b>	<b>1,350</b>	<b>1,275</b>	<b>1,350</b>	<b>1,350</b>	<b>1,485</b>	<b>16,410</b>
<b>Gross Margin</b>	<b>14,830</b>	<b>14,395</b>	<b>14,540</b>	<b>14,685</b>	<b>10,740</b>	<b>10,165</b>	<b>10,165</b>	<b>10,970</b>	<b>10,395</b>	<b>10,970</b>	<b>10,970</b>	<b>14,975</b>	<b>147,800</b>
<b>Salaries and Wages</b>													
Owner's Compensation	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	19,200
Salaries	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000
<b>Total Salary and Wages</b>	<b>4,600</b>	<b>4,600</b>	<b>4,600</b>	<b>4,600</b>	<b>4,600</b>	<b>4,600</b>	<b>4,600</b>	<b>4,600</b>	<b>4,600</b>	<b>4,600</b>	<b>4,600</b>	<b>4,600</b>	<b>55,200</b>
<b>Fixed Business Expenses</b>													
Advertising	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Entertainment	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Office Expenses & Supplies	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Internet Wi-Fi	600	600	600	600	600	600	600	600	600	600	600	600	7,200
Sales & Marketing	400	400	400	400	400	400	400	400	400	400	400	400	4,800
OTA commisions	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Utilities	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	19,200
<b>Total Fixed Business Expens:</b>	<b>4,300</b>	<b>4,300</b>	<b>4,300</b>	<b>4,300</b>	<b>4,300</b>	<b>4,300</b>	<b>4,300</b>	<b>4,300</b>	<b>4,300</b>	<b>4,300</b>	<b>4,300</b>	<b>4,300</b>	<b>51,600</b>
<b>Other Expenses</b>													
Depreciation	393	393	393	393	393	393	393	393	393	393	393	393	4,714
Taxes	831	765	787	809	217	131	131	252	165	252	252	652	5,443
<b>Total Other Expenses</b>	<b>1,223</b>	<b>1,158</b>	<b>1,180</b>	<b>1,202</b>	<b>610</b>	<b>524</b>	<b>524</b>	<b>644</b>	<b>558</b>	<b>644</b>	<b>644</b>	<b>1,245</b>	<b>10,157</b>
<b>Net Income</b>	<b>4,707</b>	<b>4,337</b>	<b>4,460</b>	<b>4,583</b>	<b>1,230</b>	<b>741</b>	<b>741</b>	<b>1,426</b>	<b>937</b>	<b>1,426</b>	<b>1,426</b>	<b>4,830</b>	<b>30,843</b>

**PROJECTED INCOME STATEMENT- YEAR 2**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Totals
<b>Income</b>													
Low season	-	-	-	-	12,584	11,869	11,869	12,870	12,155	12,870	12,870	-	87,087
Peak Seson	17,248	16,720	16,896	17,072	-	-	-	-	-	-	-	17,424	85,360
Restaurant Rent	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Bike Rent	120	120	120	120	120	120	120	120	120	120	120	120	1,440
<b>Total Income</b>	<b>17,868</b>	<b>17,340</b>	<b>17,516</b>	<b>17,692</b>	<b>13,204</b>	<b>12,489</b>	<b>12,489</b>	<b>13,490</b>	<b>12,775</b>	<b>13,490</b>	<b>13,490</b>	<b>18,044</b>	<b>179,887</b>
<b>Cost of Sales</b>													
Low season	-	-	-	-	1,452	1,370	1,370	1,485	1,403	1,485	1,485	-	10,049
Peak Seson	1,617	1,568	1,584	1,601	-	-	-	-	-	-	-	1,634	8,003
<b>Total Cost of Sales</b>	<b>1,617</b>	<b>1,568</b>	<b>1,584</b>	<b>1,601</b>	<b>1,452</b>	<b>1,370</b>	<b>1,370</b>	<b>1,485</b>	<b>1,403</b>	<b>1,485</b>	<b>1,485</b>	<b>1,634</b>	<b>18,051</b>
<b>Gross Margin</b>	<b>16,251</b>	<b>15,773</b>	<b>15,932</b>	<b>16,092</b>	<b>11,752</b>	<b>11,120</b>	<b>11,120</b>	<b>12,005</b>	<b>11,373</b>	<b>12,005</b>	<b>12,005</b>	<b>16,411</b>	<b>161,836</b>
<b>Salaries and Wages</b>													
Owner's Compensation	1,648	1,648	1,648	1,648	1,648	1,648	1,648	1,648	1,648	1,648	1,648	1,648	19,776
Salaries	3,090	3,090	3,090	3,090	3,090	3,090	3,090	3,090	3,090	3,090	3,090	3,090	37,080
<b>Total Salary and Wages</b>	<b>4,738</b>	<b>4,738</b>	<b>4,738</b>	<b>4,738</b>	<b>4,738</b>	<b>4,738</b>	<b>4,738</b>	<b>4,738</b>	<b>4,738</b>	<b>4,738</b>	<b>4,738</b>	<b>4,738</b>	<b>56,856</b>
<b>Fixed Business Expenses</b>													
Advertising	515	515	515	515	515	515	515	515	515	515	515	515	6,180
Entertainment	206	206	206	206	206	206	206	206	206	206	206	206	2,472
Office Expenses & Supplies	515	515	515	515	515	515	515	515	515	515	515	515	6,180
Internet Wi-Fi	618	618	618	618	618	618	618	618	618	618	618	618	7,416
Sales & Marketing	412	412	412	412	412	412	412	412	412	412	412	412	4,944
OTA commisions	515	515	515	515	515	515	515	515	515	515	515	515	6,180
Utilities	1,648	1,648	1,648	1,648	1,648	1,648	1,648	1,648	1,648	1,648	1,648	1,648	19,776
<b>Total Fixed Business Expense</b>	<b>4,429</b>	<b>4,429</b>	<b>4,429</b>	<b>4,429</b>	<b>4,429</b>	<b>4,429</b>	<b>4,429</b>	<b>4,429</b>	<b>4,429</b>	<b>4,429</b>	<b>4,429</b>	<b>4,429</b>	<b>53,148</b>
<b>Other Expenses</b>													
Depreciation	393	393	393	393	393	393	393	393	393	393	393	393	4,714
Taxes	1,004	932	956	980	329	234	234	367	272	367	367	1,028	7,068
<b>Total Other Expenses</b>	<b>1,397</b>	<b>1,325</b>	<b>1,349</b>	<b>1,373</b>	<b>722</b>	<b>627</b>	<b>627</b>	<b>760</b>	<b>665</b>	<b>760</b>	<b>760</b>	<b>1,420</b>	<b>11,782</b>
<b>Net Income</b>	<b>5,687</b>	<b>5,281</b>	<b>5,416</b>	<b>5,552</b>	<b>1,863</b>	<b>1,326</b>	<b>1,326</b>	<b>2,078</b>	<b>1,541</b>	<b>2,078</b>	<b>2,078</b>	<b>5,823</b>	<b>40,050</b>

**PROJECTED INCOME STATEMENT- YEAR 3**

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Totals
<b>Income</b>														
	Low season	-	-	-	-	13,842	13,056	13,056	14,157	13,371	14,157	14,157	-	95,796
	Peak Seson	18,973	18,392	18,586	18,779	-	-	-	-	-	-	-	19,166	93,896
	Restaurant Rent	500	500	500	500	500	500	500	500	500	500	500	500	6,000
	Bike Rent	120	120	120	120	120	120	120	120	120	120	120	120	1,440
<b>Total Income</b>		<b>19,593</b>	<b>19,012</b>	<b>19,206</b>	<b>19,399</b>	<b>14,462</b>	<b>13,676</b>	<b>13,676</b>	<b>14,777</b>	<b>13,991</b>	<b>14,777</b>	<b>14,777</b>	<b>19,786</b>	<b>197,132</b>
<b>Cost of Sales</b>														
	Low season	-	-	-	-	1,597	1,506	1,506	1,634	1,543	1,634	1,634	-	11,053
	Peak Seson	1,779	1,724	1,742	1,761	-	-	-	-	-	-	-	1,797	8,803
<b>Total Cost of Sales</b>		<b>1,779</b>	<b>1,724</b>	<b>1,742</b>	<b>1,761</b>	<b>1,597</b>	<b>1,506</b>	<b>1,506</b>	<b>1,634</b>	<b>1,543</b>	<b>1,634</b>	<b>1,634</b>	<b>1,797</b>	<b>19,856</b>
<b>Gross Margin</b>		<b>17,814</b>	<b>17,288</b>	<b>17,463</b>	<b>17,639</b>	<b>12,865</b>	<b>12,169</b>	<b>12,169</b>	<b>13,144</b>	<b>12,448</b>	<b>13,144</b>	<b>13,144</b>	<b>17,990</b>	<b>177,276</b>
<b>Salaries and Wages</b>														
	Owner's Compensation	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	20,369
	Salaries	3,183	3,183	3,183	3,183	3,183	3,183	3,183	3,183	3,183	3,183	3,183	3,183	38,192
<b>Total Salary and Wages</b>		<b>4,880</b>	<b>4,880</b>	<b>4,880</b>	<b>4,880</b>	<b>4,880</b>	<b>4,880</b>	<b>4,880</b>	<b>4,880</b>	<b>4,880</b>	<b>4,880</b>	<b>4,880</b>	<b>4,880</b>	<b>58,562</b>
<b>Fixed Business Expenses</b>														
	Advertising	530	530	530	530	530	530	530	530	530	530	530	530	6,365
	Entertainment	212	212	212	212	212	212	212	212	212	212	212	212	2,546
	Office Expenses & Supplies	530	530	530	530	530	530	530	530	530	530	530	530	6,365
	Internet Wi-Fi	637	637	637	637	637	637	637	637	637	637	637	637	7,638
	Sales & Marketing	424	424	424	424	424	424	424	424	424	424	424	424	5,092
	OTA commisions	530	530	530	530	530	530	530	530	530	530	530	530	6,365
	Utilities	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	1,697	20,369
<b>Total Fixed Business Expenses</b>		<b>4,562</b>	<b>4,562</b>	<b>4,562</b>	<b>4,562</b>	<b>4,562</b>	<b>4,562</b>	<b>4,562</b>	<b>4,562</b>	<b>4,562</b>	<b>4,562</b>	<b>4,562</b>	<b>4,562</b>	<b>54,742</b>
<b>Other Expenses</b>														
	Depreciation	393	393	393	393	393	393	393	393	393	393	393	393	4,714
	Taxes	1,197	1,118	1,144	1,171	455	350	350	496	392	496	496	1,223	8,889
<b>Total Other Expenses</b>		<b>1,590</b>	<b>1,511</b>	<b>1,537</b>	<b>1,563</b>	<b>847</b>	<b>743</b>	<b>743</b>	<b>889</b>	<b>785</b>	<b>889</b>	<b>889</b>	<b>1,616</b>	<b>13,603</b>
<b>Net Income</b>		<b>6,782</b>	<b>6,335</b>	<b>6,484</b>	<b>6,633</b>	<b>2,576</b>	<b>1,984</b>	<b>1,984</b>	<b>2,812</b>	<b>2,221</b>	<b>2,812</b>	<b>2,812</b>	<b>6,931</b>	<b>50,369</b>

### PROJECTED CASHFLOW STATEMENT- YEAR 1

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Totals
<b>Beginning Cash Balance</b>	21,500	27,430	32,925	36,182	41,967	43,807	43,915	45,180	47,250	48,198	50,268	52,338	
<b>Cash Inflows</b>													
<b>Income from sales</b>	16,300	15,820	15,980	16,140	12,060	11,410	11,410	12,320	11,670	12,320	12,320	16,460	164,210
<b>Total Cash Inflows</b>	16,300	15,820	15,980	16,140	12,060	11,410	11,410	12,320	11,670	12,320	12,320	16,460	164,210
<b>Cash Outflows</b>													
<b>Cost of Sales</b>	1,470	1,425	1,440	1,455	1,320	1,245	1,245	1,350	1,275	1,350	1,350	1,485	16,410
<b>Salaries and Wages</b>	4,600	4,600	4,600	4,600	4,600	4,600	4,600	4,600	4,600	4,600	4,600	4,600	55,200
<b>Fixed Business Expen</b>	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300	51,600
<b>Taxes</b>	-	-	2,383	-	-	1,157	-	-	548	-	-	1,355	5,443
<b>Total Cash Outflows</b>	10,370	10,325	12,723	10,355	10,220	11,302	10,145	10,250	10,723	10,250	10,250	11,740	128,653
<b>Cash Flow</b>	5,930	5,495	3,257	5,785	1,840	108	1,265	2,070	947	2,070	2,070	4,720	35,557
<b>Operating Cash Balance</b>	27,430	32,925	36,182	41,967	43,807	43,915	45,180	47,250	48,198	50,268	52,338	57,057	
<b>Ending Cash Balance</b>	27,430	32,925	36,182	41,967	43,807	43,915	45,180	47,250	48,198	50,268	52,338	57,057	

**PROJECTED CASHFLOW STATEMENT- YEAR 2**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Totals
<b>Beginning Cash Balance</b>	57,057	64,141	70,747	74,620	81,545	84,130	84,540	86,492	89,330	90,663	93,501	96,339	
<b>Cash Inflows</b>													
Income from Sales	17,868	17,340	17,516	17,692	13,204	12,489	12,489	13,490	12,775	13,490	13,490	18,044	179,887
<b>Total Cash Inflows</b>	17,868	17,340	17,516	17,692	13,204	12,489	12,489	13,490	12,775	13,490	13,490	18,044	179,887
<b>Cash Outflows</b>													
<b>Investing Activities</b>													
Cost of Sales	1,617	1,568	1,584	1,601	1,452	1,370	1,370	1,485	1,403	1,485	1,485	1,634	18,051
<b>Operating Activities</b>													
Salaries and Wages	4,738	4,738	4,738	4,738	4,738	4,738	4,738	4,738	4,738	4,738	4,738	4,738	56,856
Fixed Business Expen	4,429	4,429	4,429	4,429	4,429	4,429	4,429	4,429	4,429	4,429	4,429	4,429	53,148
Taxes	-	-	2,891	-	-	1,543	-	-	873	-	-	1,761	7,068
<b>Total Cash Outflows</b>	10,784	10,735	13,642	10,768	10,619	12,079	10,537	10,652	11,442	10,652	10,652	12,562	135,123
<b>Cash Flow</b>	7,084	6,606	3,874	6,925	2,585	410	1,953	2,838	1,333	2,838	2,838	5,482	44,764
<b>Operating Cash Balance</b>	64,141	70,747	74,620	81,545	84,130	84,540	86,492	89,330	90,663	93,501	96,339	101,821	
<b>Ending Cash Balance</b>	64,141	70,747	74,620	81,545	84,130	84,540	86,492	89,330	90,663	93,501	96,339	101,821	

**PROJECTED CASHFLOW STATEMENT- YEAR 3**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Totals
<b>Beginning Cash Balance</b>	101,821	110,194	118,039	122,601	130,798	134,221	134,973	137,701	141,402	143,170	146,871	150,573	
<b>Cash Inflows</b>													
Income from Sales	19,593	19,012	19,206	19,399	14,462	13,676	13,676	14,777	13,991	14,777	14,777	19,786	197,132
<b>Total Cash Inflows</b>	19,593	19,012	19,206	19,399	14,462	13,676	13,676	14,777	13,991	14,777	14,777	19,786	197,132
<b>Cash Outflows</b>													
Cost of Sales	1,779	1,724	1,742	1,761	1,597	1,506	1,506	1,634	1,543	1,634	1,634	1,797	19,856
Salaries and Wages	4,880	4,880	4,880	4,880	4,880	4,880	4,880	4,880	4,880	4,880	4,880	4,880	58,562
Fixed Business Expenses	4,562	4,562	4,562	4,562	4,562	4,562	4,562	4,562	4,562	4,562	4,562	4,562	54,742
Taxes	-	-	3,459	-	-	1,975	-	-	1,238	-	-	2,216	8,889
<b>Total Cash Outflows</b>	11,221	11,166	14,643	11,203	11,039	12,924	10,948	11,076	12,223	11,076	11,076	13,455	142,049
<b>Cash Flow</b>	8,372	7,846	4,562	8,197	3,423	752	2,727	3,701	1,767	3,701	3,701	6,332	55,083
<b>Operating Cash Balance</b>	110,194	118,039	122,601	130,798	134,221	134,973	137,701	141,402	143,170	146,871	150,573	156,904	
<b>Ending Cash Balance</b>	110,194	118,039	122,601	130,798	134,221	134,973	137,701	141,402	143,170	146,871	150,573	156,904	

**BALANCE SHEET YEAR 1**

	Base Period	End of Year One
<b>Assets</b>		
<b>Current Assets</b>		
Cash	21,500	57,057
Inventory	800	800
Prepaid Expenses	8,500	8,500
Other Current	200	200
<b>Total Current Assets</b>	31,000	66,557
<b>Fixed Assets</b>		
Building Renovation	15,000	15,000
Equipment	4,000	4,000
Furniture and Fixtures	10,000	10,000
<b>Total Fixed Assets</b>	29,000	29,000
<b>Less: Accumulated Depreciation</b>	-	4,714
<b>Total Assets</b>	60,000	90,842
<b>Owner's Equity</b>		
Common Stock	60,000	60,000
Retained Earnings	-	30,843
<b>Total Owner's Equity</b>	60,000	90,843
<b>Total Liabilities and Owner's Equity</b>	60,000	90,842

**BALANCE SHEET YEAR 2**

	End of Year One	End of Year Two
<b>Assets</b>		
<b>Current Assets</b>		
Cash	57,057	101,821
Inventory	800	800
Prepaid Expenses	8,500	8,500
Other Current	200	200
<b>Total Current Assets</b>	66,557	111,321
<b>Fixed Assets</b>		
Building Renovation	15,000	15,000
Equipment	4,000	4,000
Furniture and Fixtures	10,000	10,000
<b>Total Fixed Assets</b>	29,000	29,000
<b>Less: Accumulated Depreciation</b>	4,714	9,429
<b>Total Assets</b>	90,842	130,892
<b>Owner's Equity</b>		
Common Stock	60,000	60,000
Retained Earnings	30,843	70,893
<b>Total Owner's Equity</b>	90,843	130,893
<b>Total Liabilities and Owner's Equity</b>	90,842	130,892

<b>BALANCE SHEET YEAR 3</b>			
		End of Year Two	End of Year Three
<b>Assets</b>			
<b>Current Assets</b>			
Cash		101,821	156,904
Inventory		800	800
Prepaid Expenses		8,500	8,500
Other Current		200	200
<b>Total Current Assets</b>		<b>111,321</b>	<b>166,404</b>
<b>Fixed Assets</b>			
Building Renovation		15,000	15,000
Equipment		4,000	4,000
Furniture and Fixtures		10,000	10,000
<b>Total Fixed Assets</b>		<b>29,000</b>	<b>29,000</b>
<b>Less: Accumulated Depreciation</b>		<b>9,429</b>	<b>14,143</b>
<b>Total Assets</b>		<b>130,892</b>	<b>181,261</b>
<b>Owner's Equity</b>			
Common Stock		60,000	60,000
Retained Earnings		70,893	121,262
<b>Total Owner's Equity</b>		<b>130,893</b>	<b>181,262</b>
<b>Total Liabilities and Owner's Equity</b>		<b>130,892</b>	<b>181,261</b>

## YEAR END SUMMARY

			Year One	%	Year Two	%	Year Three	%
<b>Income</b>								
Low season			79,170		87,087		95,796	
Peak Seson			77,600		85,360		93,896	
			6,000		6,000		6,000	
			1,440		1,440		1,440	
<b>Total Income</b>			<b>164,210</b>	<b>100.00%</b>	<b>179,887</b>	<b>100.00%</b>	<b>197,132</b>	<b>100.00%</b>
<b>Cost of Sales</b>								
Low season			9,135		10,049		11,053	
Peak Seson			7,275		8,003		8,803	
<b>Total Cost of Sales</b>			<b>16,410</b>	<b>9.99%</b>	<b>18,051</b>	<b>10.03%</b>	<b>19,856</b>	<b>10.07%</b>
<b>Gross Margin</b>			<b>147,800</b>	<b>90.01%</b>	<b>161,836</b>	<b>89.97%</b>	<b>177,276</b>	<b>89.93%</b>
<b>Salaries and Wages</b>								
Owner's Compensation			19,200		19,776		20,369	
Salaries			36,000		37,080		38,192	
<b>Total Salary and Wages</b>			<b>55,200</b>	<b>33.62%</b>	<b>56,856</b>	<b>31.61%</b>	<b>58,562</b>	<b>29.71%</b>
<b>Fixed Business Expenses</b>								
Advertising			6,000		6,180		6,365	
Entertainment			2,400		2,472		2,546	
Office Expenses & Supplies			6,000		6,180		6,365	
Internet Wi-Fi			7,200		7,416		7,638	
Sales & Marketing			4,800		4,944		5,092	
OTA commisions			6,000		6,180		6,365	
Utilities			19,200		19,776		20,369	
<b>Total Fixed Business Expenses</b>			<b>51,600</b>	<b>31.42%</b>	<b>53,148</b>	<b>29.55%</b>	<b>54,742</b>	<b>27.77%</b>
<b>Operating Income (before Other Expen</b>			<b>41,000</b>	<b>24.97%</b>	<b>51,832</b>	<b>28.81%</b>	<b>63,971</b>	<b>32.45%</b>
<b>Other Expenses</b>								
Depreciation			4,714		4,714		4,714	
Taxes			5,443		7,068		8,889	
<b>Total Other Expenses</b>			<b>10,157</b>	<b>6.19%</b>	<b>11,782</b>	<b>6.55%</b>	<b>13,603</b>	<b>6.90%</b>
<b>Net Income</b>			<b>30,843</b>	<b>18.78%</b>	<b>40,050</b>	<b>22.26%</b>	<b>50,369</b>	<b>25.55%</b>

**BREAK EVEN ANALYSIS**

<b>Breakeven Analysis</b>	<b>Dollars</b>	<b>Percent</b>
<b>Annual Sales Revenue</b>	\$ 164,210	100.00%
<b>Cost of Sales</b>	<u>16,410</u>	<u>9.99%</u>
<b>Gross Margin</b>	147,800	90.01%
<b>Salaries and Wages</b>	55,200	
<b>Fixed Operating Expenses</b>	<u>56,314</u>	
<b>Total Fixed Business Expenses</b>	111,514	
<b>Breakeven Sales Calculation</b>	<u>111,514</u>	
	90.01%	
<b>Breakeven Sales in Dollars</b>	<u>\$ 123,896</u>	2.1 Years

<b>BREAK EVEN NIGHTS</b>	<b>LOW SEASON</b>	<b>HIGH SEASON</b>	<b>TOTAL BEN</b>	<b>Total rooms sold</b>
YEAR 1	242	192	434	1094
YEAR 2	249	198	447	1204
YEAR 3	593	461	1054	1324

**CHAPTER 7**  
**RISK & MITIGATION STRATEGY**

<b>Potential risk</b>	<b>Mitigation strategy</b>
<b>MARKET RISK</b>	
Demand	Having a comprehensive marketing plan & strategy will help to keep the demand of product and services.
Price	Lowering the price is not a good competitive strategy instead using product differentiation, good relationship with customers, excellent operation and customer service can reduce the risk.
Seasonality of demand	Seasonality is inevitable so spending more on promotions in low season can attract and stimulate potential customers.
Foreign exchange risk	This is very low but minor fluctuations can happen that will not be a high risk.
<b>OPERATING RISKS</b>	
Operating cost overrun	Keeping a contingency fund and also having monthly audits of operational cost can mitigate this risk.
Technology risk	Having an expert to rely on for advice when it comes to technology used in the whole operation.

<b>FINANCIAL RISK</b>	
Inflation	Inflation is factored in financial projections so that it could be minimized
Cash flow problems	Occupancy rate has direct impact on cash flow, so if occupancy rates is below the sustainable rate, then business can arrange some overdraft facility from the bank as a temporary fix when it's undergoing serious cash flow problems.
<b>HEALTH &amp; ENVIRONMENT RISK</b>	
Health & Environment Related Risk	Having specific health & occupational safety policy in place and making sure all staff implement in their daily work. Having essential environmental management systems in the guest house and making sure the waste produced in the establishment is properly disposed. Supporting the water sports facility and restaurant in having proper regulation in both health and environmental related risk areas to implement best practices.

## REFLECTIVE STATEMENT

In my opinion this business plan is a good plan and is very realistic and doable. My friends who are going to start up this business has experience in the same field as they both have a water sporting business that has been running successfully for few years. These two people have sound knowledge of the business and do understand what the target customers prefer and wants from their holiday.

The market research they did by themselves when I asked for them to do was done reliably as their results and existing data on tourism shows similar results. According to them, they have learned a lot and are very clear about their business plan. My friends and I feel that we have done through research on all needed and essential market areas and we have a very comprehensive plan as a final product. I am very glad that I got the opportunity to do this work and if I had the kind of money like my friends I would love to start a similar business.

As tourism is a seasonal business, a tad of fear is there for the off peak season though I hope that with the promotional packages and low room rates , business will get a sustainable occupancy rate to save the business from loss. Another trend that might occur in future maybe price wars among guesthouses as year by year the amount of new business are rapidly increasing. If this happens all businesses will be affected and all will face losses. Global warming and more frequent natural disasters will have a direct impact on the business. Maldives reefs have experienced El Nino, in some areas coral bleaching is visible. These kind of adverse effect on environment is a threat to business.

In my opinion my skill of market research has improved and are more sure of the type of data to look for and the type of sources that are most reliable. Learned a lot about the finance aspect of the business and I still feel I have to learn a lot to fully comprehend the larger picture of this section. Though I gave my all to learn and understand finance.

All in all this business plan has the potential to become a viable business and make heaps of profit in the long run. The owners have expansion plans and add additional revenue streams to keep it flourishing and making huge profits in future.

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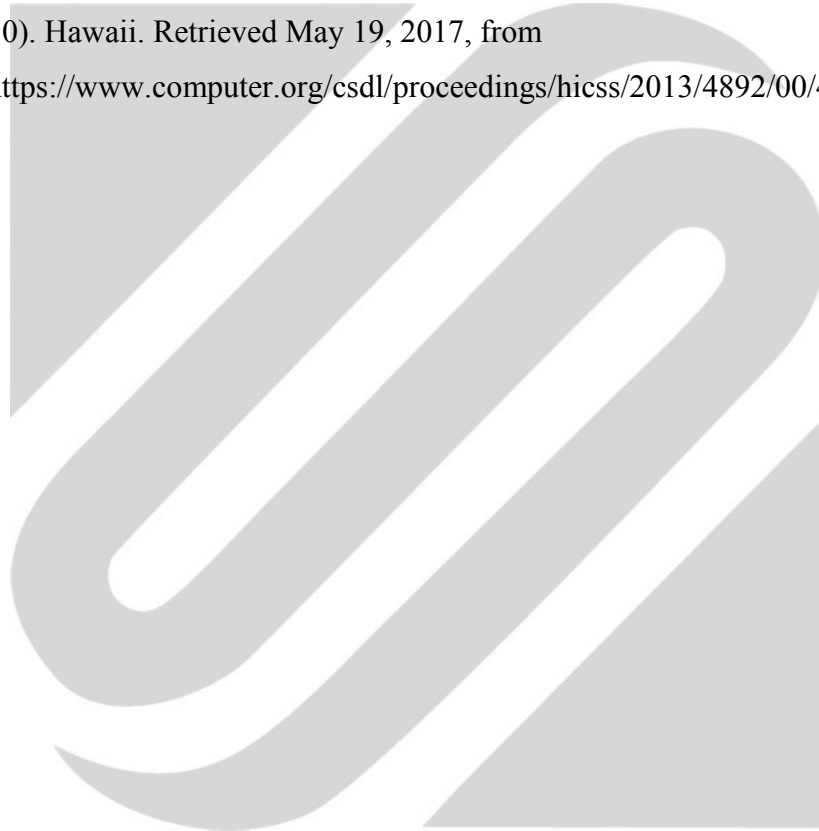
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**Table 1.1: Quick Facts about Maldives Economy**

<b>POPULATION:</b> 0.3 million	<b>UNEMPLOYMENT:</b> 11.8%
<b>GDP (PPP):</b> \$5.2 billion 1.9% growth in 2015 5-year compound annual growth 4.9% \$14,923 per capita	<b>INFLATION (CPI):</b> 1.4%
	<b>FDI INFLOW:</b> \$323.9 million
	<b>PUBLIC DEBT:</b> 72.9% of GDP

*2015 data unless otherwise noted. Data compiled as of September 2016*

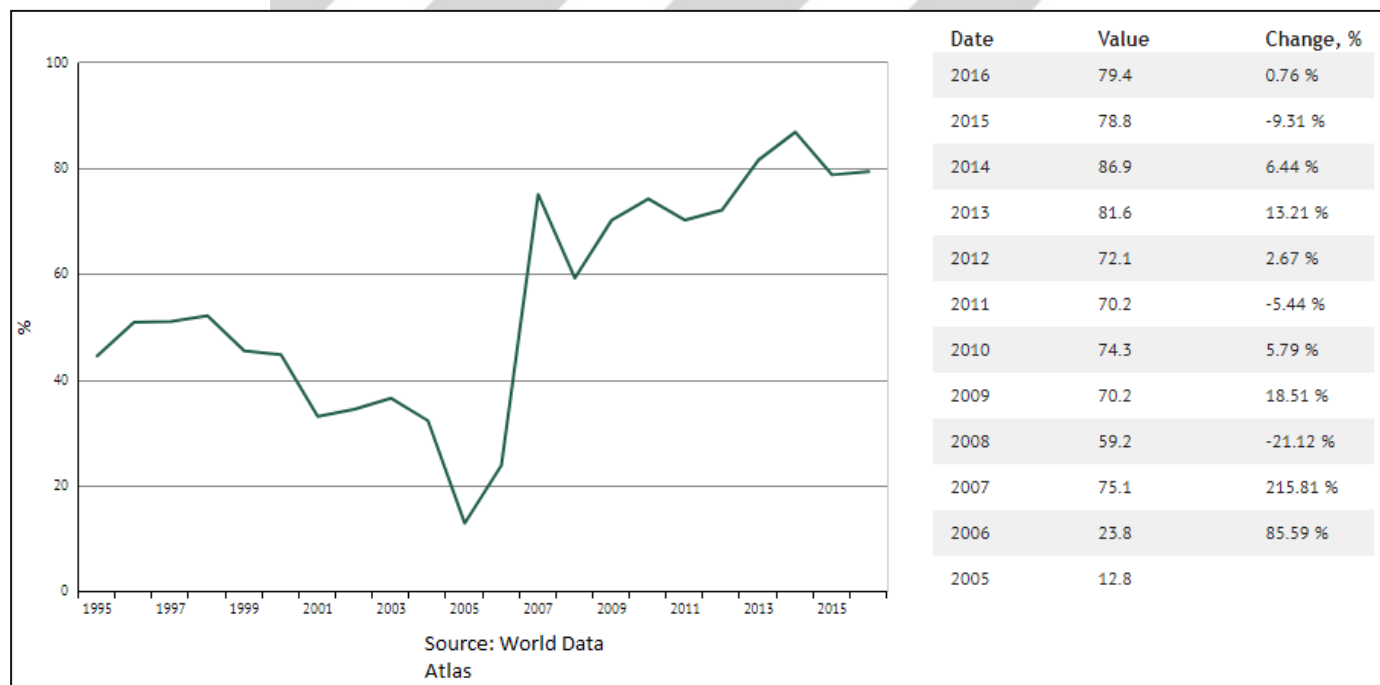
**Figure 1: Maldives Travel & Tourism Total Contribution to GDP - % share**

Table 1.2: The ICT Development Index (IDI)

	Maldives	Asia & Pacific
<b>IDI RANK</b>		
<b>2016</b>	<b>86</b>	-
<b>2015</b>	<b>88</b>	-
<b>IDI VALUE</b>		
<b>2016</b>	<b>5.04</b>	<b>4.58</b>
<b>2015</b>	<b>4.68</b>	<b>4.35</b>
<b>ACCESS SUB-INDEX</b>		
Fixed-telephone subscriptions per 100 inhabitants	<b>6.12</b>	<b>11</b>
Mobile-cellular telephone subscriptions per 100 inhabitants	<b>206.66</b>	<b>93</b>
International internet bandwidth per Internet user (Bit/s)	<b>88,008.29</b>	<b>34811</b>
Percentage of households with computer	<b>68.49</b>	<b>36</b>
Percentage of households with Internet access	<b>49.62</b>	<b>36</b>
<b>USE SUB-INDEX</b>		
Percentage of individuals using the Internet	<b>54.46</b>	<b>38.20</b>
Fixed (wired)-broadband subscriptions per 100 inhabitants	<b>6.47</b>	<b>8.90</b>
Active mobile-broadband subscriptions per 100 inhabitants	<b>63.64</b>	<b>37.70</b>

<b>SKILLS SUB-INDEX</b>		
Mean years of schooling	<b>5.84</b>	<b>7.76</b>
Secondary gross enrolment ratio	<b>72.30</b>	<b>81.22</b>
Tertiary gross enrolment ratio	<b>13.18</b>	<b>33.22</b>

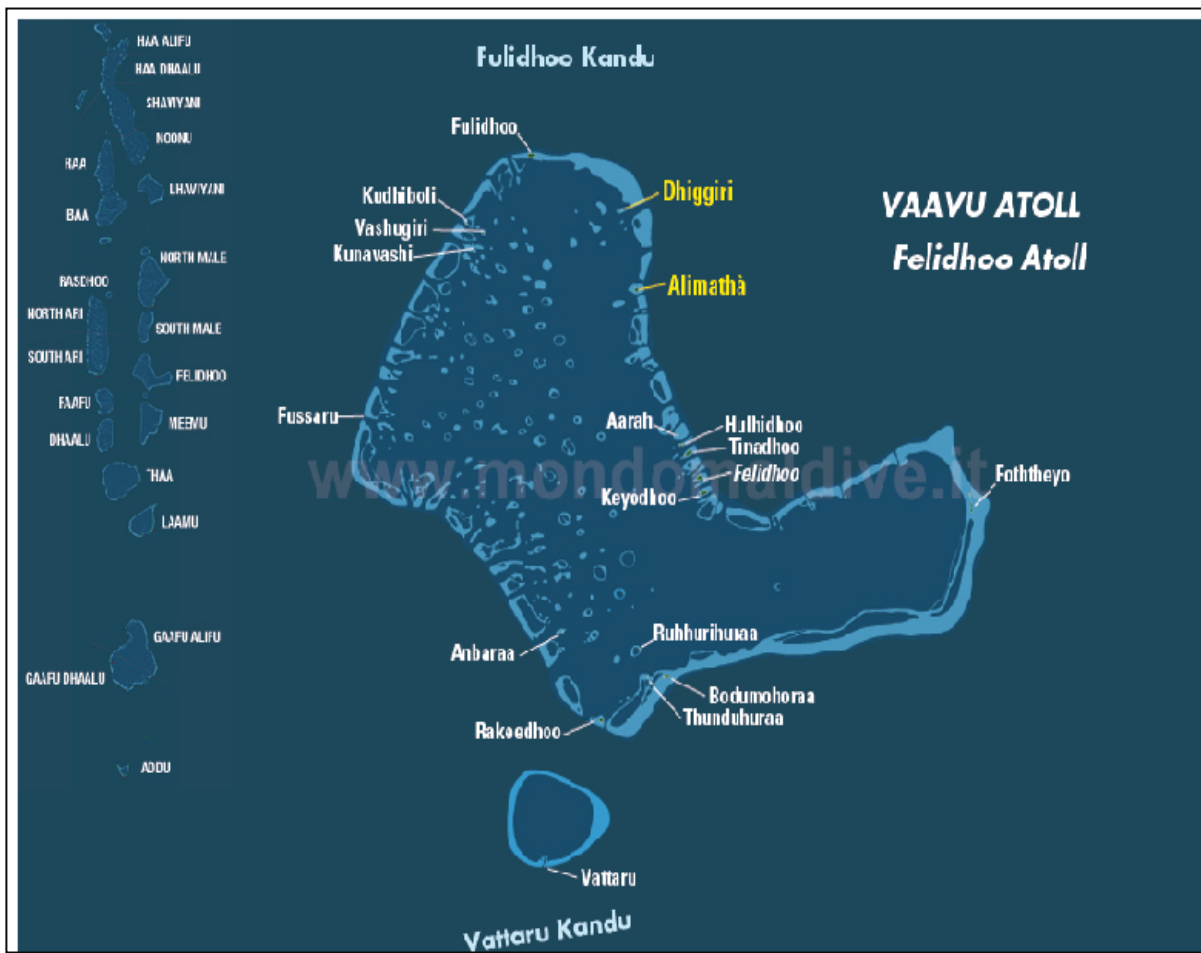
**Table 1.4: Tourist Arrivals 2016-2017 of First Four Months**

		Jan	Feb	Mar	Apr	Jan - Apr
<b>TOURIST ARRIVALS</b>						<b>Total</b>
2016	Male	52,580	58,245	55,809	49,741	216,375
	Female	55,816	62,394	59,322	53,752	231,284
	<b>Total</b>	<b>108,396</b>	<b>120,639</b>	<b>115,131</b>	<b>103,493</b>	<b>447,659</b>
2017	Male	60,242	58,195	54,157	57,109	229,703
	Female	65,094	62,857	58,508	62,665	249,124
	<b>Total</b>	<b>125,336</b>	<b>121,052</b>	<b>112,665</b>	<b>119,774</b>	<b>478,827</b>
<b>% Change (2016/2017)</b>		<b>15.6</b>	<b>0.3</b>	<b>-2.1</b>	<b>15.7</b>	<b>7.0</b>

Source: Ministry of Tourism  
 Note: -<sup>1</sup> includes estimates for missing data

Date: 28/05/17  
 Revised on: 06/06/17

Figure 2: Map of Felidhoo Atoll Maldives



**Table 3.1: Public Ferry Schedule from Male to Vaavu Atoll & Back**

ISLAND	DEPARTURE TIME	ISLAND	ARRIVAL TIME	DAYS
Rakeedhoo	07:00	Keyodhoo	08:10	Saturday, Monday and Wednesday
Keyodhoo	08:20	Felidhoo	08:40	Saturday, Monday and Wednesday
Felidhoo	08:50	Thinadhoo	09:05	Saturday, Monday and Wednesday
Thinadhoo	09:15	Fulidhoo	10:50	Saturday, Monday and Wednesday
Fulidhoo	11:00	Maafushi	12:45	Saturday, Monday and Wednesday
Maafushi	12:55	Male'	14:25	Saturday, Monday and Wednesday
Male'	10:00	Maafushi	11:30	Sunday, Tuesday & Thursday
Maafushi	11:40	Fulidhoo	13:25	Sunday, Tuesday & Thursday
Fulidhoo	13:45	Thinadhoo	15:20	Sunday, Tuesday & Thursday
Thinadhoo	15:30	Felidhoo	15:45	Sunday, Tuesday & Thursday
Felidhoo	15:50	Keyodhoo	16:15	Sunday, Tuesday & Thursday
Keyodhoo	16:25	Rakeedhoo	17:35	Sunday, Tuesday & Thursday

Table 5.1: Operation plan Gantt Chart

Operational Plan	01-04/19	05-07/19	08-9/19	10-11/19	1 <sup>st</sup> 12/19
Business Registration	■				
Document Preparation	■				
Submit Document	■				
Renovate Building		■	■		
Beach contract with Island council					■
Selecting & buying Furniture	■	■			
finishing Interior of building	■	■			
selecting Room Amenities	■	■			
Job posting in Island council website			■	■	
Interview				■	
Training					■
Connect with Online Travel agents			■	■	
Setup Hotel rooms and amenities			■	■	
Contract with Restaurant Operator				■	
Finalizing prices with water sports facility				■	
Marketing and selling				■	■
Start Social Media accounts			■	■	
Advertisement			■	■	■
Launch Hotel					■

**Table 5.2: Marketing plan activities Gantt Chart**

	Frequency	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec
Billboard advertising	1 <sup>st</sup> 3 months	←→											←→
Paid Facebook Ads	monthly	←											→
Facebook & Instagram updates	weekly	←											→
Facebook & Instagram contests	quarterly	←→			←→		←→		←→		←→		→
Special offers & discount offers	Low peak season					←→						→	
Events	Biennial	←→											←→
International travel Shows	Annually			←→									
Personnel selling	Daily	←											→
OTAs	Daily	←											→
Website	Daily	←											→
Honey moon special packages						←→						→	

## BIOGRAPHY

<b>NAME</b>	Miss Shahida Abdul Haadi
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