

## **THE MIDDLE POINT INN: A BUSINESS PROPOSAL**

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### **EXECUTIVE SUMMARY**

Located on the Olympic Peninsula of Washington State in the Pacific Northwest, The Middle Point Inn is in a prime location to expand their small enterprise by adding a charter fishing component. In order to be successful in such an undertaking, it is critical to develop a sound business strategy that investigates different aspects of the proposal. Here, we are primarily concerned with general background information, competitors, and different functional areas that are of significant importance. These areas include marketing, finance, information technology, and licensing. This proposal is structured in a manner that will touch on all of these areas in a concise manner.

### **MISSION STATEMENT**

At Middle Point Inn, we are committed to providing a superior service to our guests in terms of their experience. We strive for excellence and continued improvement. Our main objective is to serve our guests in a meaningful and unforgettable way.

### **BUSINESS ENVIRONMENT**

#### ***Industry Trends***

The tourism industry in Sekiu, Washington is a compilation of small businesses. There are no major players in terms of either the hospitality industry or the guided fishing industry. In other words, there is no one business that is large enough to dominate the market in a meaningful way. The demand for fishing has remained somewhat stagnant,

while the demand for accommodation has been marginally increasing as visitors come to the region for reasons other than fishing.

### ***Local Trends***

The situation in Sekiu has been stagnant for quite some time. The same businesses have dominated the tourism industry for quite some time. As a newcomer, this business is unique. We have seen deterioration in the quality of service that is provided by the competitors in this market because there has not been any pressure for them improve upon or revise their business model. This leaves an opportunity for a business to exceed the precedent and capture market share.

## **MARKETING PLAN**

### ***Product***

The Middle Point Inn is an established business that has been in operation for approximately two years. The inn is simply a small, three bedroom house that is available for rent. The house also has a common living room, a dining area, and a full kitchen for guests to use while they are staying in Sekiu.

In addition to this, we intend to offer guided fishing trips during the fishing season in Washington State. Initially, the products offered will consist of trips that are tailored to each customers needs. The primary business will consist of guided fishing trips for Albacore Tuna and Halibut. The future goal will also include Salmon; however, this is not feasible currently due to regulations which have been put into effect whereby the government will no longer issue Salmon fishing charter licenses. These licenses are

highly sought after, and this shortage has created a sellers market in which the costs are high and availability is extremely limited. In the future, it may be realistic to pursue such a course of action; however, there will be sufficient demand for Albacore Tuna and Halibut in the short run.

In order to provide better services for guests and customers, it is important to be able to provide a service that would permit customers to purchase their fishing licenses. The Washington Department of Fish and Wildlife has recently introduced a new system called WILD for allowing businesses to issue such licenses. Using this technology, the Middle Point Inn expects to issue such licenses with a minimal markup as a corollary to the main business activities.

In addition, the guided fishing service will include cleaning of the fish that have been caught on the trip. Often, people do not enjoy this process. For an additional fee, the filets that result from the process of cleaning can be freeze-packed to ensure that they will be ideal for future consumption. Alternatively, the proprietors have vast experience with preparing fish using a variety of recipes. Using the open barbeque pit in the main lawn, customers can barbeque their own fish, or the proprietors will provide an additional service to cook the fish on their behalf.

### ***Competition***

There are several small businesses that cater to tourists in Sekiu. There are also many places to fish in Western Washington. For this reason, this section is divided into competition in terms of accommodation and fishing guides with fishing guides being broader in terms of geography covered. Two of the three accommodation sites covered here do not offer charter fishing services, but they are geared towards tourists who come

for fishing. As all of the outfits are small businesses that are privately held, it is impossible to gauge their level of debt or their financial condition. However we can assume that they each have small to average market share based on first hand accounts. Each of these competitors has extensive knowledge about local fishing with regard to Salmon, Halibut, Albacore Tuna, to a lesser extent, and a variety of other local fish.

## ***Rooms***

### **Olson's Resort**

Olson's is arguable the best known resort in town. While they classify themselves as a resort, the fact of the matter is that they are simply a small motel. They have many rooms in the \$68-\$120 price range. The accommodation options range from motel style rooms to a few free standing bungalow style units which are much smaller than the Middle Point Inn. Olson's does not have a restaurant; however, they do have access to their own boat launch which is advantageous for their customers. It is also worthwhile to note that they offer camping and boat moorage. They are not open when it is not fishing season. Lastly, their website is clean with a good deal of information about fishing primarily.

### **Curley's Resort and Dive Center**

With 17 rooms and three small cabins, Curley's is worth mentioning. Rates range from \$48 - \$100 depending on the room and what is included. Some of these rooms offer kitchenettes for customers, and there is also no restaurant here. Their website is chaotically thrown

together, and it is quite difficult to navigate for information of any significant value either about the resort or local activities. Nonetheless, Curley's has been around for a while and is popular because of their cheap prices and proximity to the "downtown" area of Sekiu. They also offer moorage and small boat rentals for those wishing to troll around the bay. These 16 foot boats are equipped with 15 horsepower outboard motors which are less than ideal for the rough waters that can emerge in the straight.

### **Van Riper's Resort**

Van Riper's has the cleanest and easiest website to navigate. They offer boat rentals, moorage and rooms among other things. Rates run from \$65 for a single room to \$185 for rooms that are on par with the Middle Point Inn. This house is also 3 bedrooms, and they boast that is their most superior accommodation. In terms of comparison, their most expensive room would serve as the closest standard of accommodation that is being offered by the Middle Point Inn. They do not have a restaurant, and they are closed from October to March, when the fishing season begins.

## ***Fishing Guides***

### **Advantage Charters**

Advantage Charters is of significant interest in terms of competition for the charter fishing aspect of the proposed business. This outfit is located approximately 20 miles from Sekiu in Neah Bay at the

entrance of the straight of Juan de Fuca. They are important in terms of competition because they are one of the few outfits that actively goes after customers for the Albacore Tuna fishing opportunities. Their business model is slightly different in that they have a boat that is capable of making overnight journeys offshore in the Pacific. They do this for a variety of reasons. The most important reason for this has to do with the boating equipment they are running. As an older, refurbished boat, their equipment does not have the capabilities to run at the speeds needed to take customers out and back in a single day. Thus, the trips they offer for Albacore Tuna require a night on the boat.

The most useful part of the analysis of their business model is in terms of the demand that can be derived from their published availability. Their upcoming trips are highlighted on their website with availability. This has proved quite useful in this analysis and demand forecast that appears in the projected income portion of this business plan.

For Albacore Tuna, Advantage Charters charges \$535 per person. Salmon fishing is \$125 per person on the weekends and \$100 per person on weekdays. Finally, Halibut fishing is priced at \$210 per person. Their boat, The Advantage, is able to carry a maximum of 10 passengers.

Advantage Charters Tuna Schedule 2008 Availability

Trip Number	Departure	Return	Availability
1	Mon Aug 18	Wed Aug 20	Open
2	Wed Aug 20	Fri Aug 22	Open

3	Fri Aug 22	Sun Aug 24	Full
4	Mon Aug 25	Wed Aug 27	Open
5	Wed Aug 27	Fri Aug 29	2 Spots Open
6	Fri Aug 29	Sun Aug 31	Full
7	Mon Sept 1	Wed Sept 3	3 Spots Open
8	Wed Sept 3	Fri Sept 5	Full
9	Fri Sept 5	Sun Sept 7	Full
10	Mon Sept 8	Wed Sept 10	Open
11	Wed Sept 10	Fri Sept 12	Full
12	Fri Sept 12	Sun Sept 14	Full
13	Mon Sept 15	Wed Sept 17	9 Spots Open
14	Wed Sept 17	Fri Sept 19	Open
15	Fri Sept 19	Sun Sept 21	7 Spots Open
16	Mon Sept 22	Wed Sept 24	Open
17	Wed Sept 24	Fri Sept 26	Open
18	Fri Sept 26	Sun Sept 28	Open

### **Tommycod Charters**

The Tommycod outfit specializes in numerous types of fish. They have been mentioned in numerous publications that deal with fishing in the Pacific Northwest. The boat is equipped to handle six passengers. They specialize in halibut and other bottom fish. Tommycod charges \$210 per person, or a discounted rate of \$1,160 for the day out on the boat inclusive of all needed fishing supplies. The official address of this organization is in Sekiu; however, most of their trips originate from the

Neah Bay area. They are also setup to take passengers into Canadian waters provided that they have already taken the legal steps that are required to have the fishing license and have the appropriate documentation with them at the time of the charter.

### **King Fisher Enterprises**

This is yet another outfit that operates out of the Neah Bay area. They are pretty unremarkable; however, it is useful to look at their pricing structure. For halibut, they charge \$220 per passenger, and \$180 for salmon. They do not let passengers who are not fishing accompany the charter. Their boat can accommodate up to six passengers.

## ***Pricing***

### **Pricing Objective**

The pricing objective is quite simple really. Prices need to reflect to quality of service that customers can expect when they come to the Middle Point Inn, or when they choose to go on a guided fishing tour. These prices need to be competitive. The bottom line is that the price of the services provided needs to reflect what customers are willing to pay. It will be worthwhile to review the prices in terms of competition, seasonal constraints, and fishing conditions on a periodic basis.

### **Pricing Policies and Price Determination**

We feel that we offer a superior product to our competition. However, we have chosen to price our guest rooms competitively. The price of a room is set at

a fixed \$200 per night. This is based on market research in the local hospitality industry in Sekiu. We are priced slightly higher than some of the other hotels and inns, but this is justified because of the increased privacy, full kitchen, and full living area that are offered to our guests. In other words, the product offered by the Middle Point Inn can be differentiated from other businesses in the hospitality industry in Sekiu. The price is not negotiable, and discounts are not given during the peak summer months. During the winter months, discounts will be incorporated and expanded on in the marketing section of this business plan.

Fishing prices must be competitive. In fact, all outfits providing this service have nearly identical prices. For this reason, we will initially follow the market trend in order to be competitive. The importance of pricing in this fashion cannot be overstated. As a new fishing guide, we will not have the word of mouth reputation that can be quite important in this market. An experienced guide is known by his or her reputation. That reputation depends, to a large extent, on word of mouth. With the explosion of the internet word of mouth, both good and bad, can disseminate into the general pool of potential customers very quickly. However, as a startup in this area, we will have to wait for our reputation to build. Thus, price is an important factor in the consumer's minds at this point.

### ***Competitive Advantage***

The Middle Point Inn is in a position of competitive advantage for two distinct reasons in terms of accommodation alone. First, the quality of the product being offered is exceptional when compared to what is being offered by the competition. The house that is being rented is complete, and it gives customers the feeling of being at a place they

can truly call a home away from home. All of the luxuries that one would expect to have in a modern, livable house are present in the inn. This exceeds the small kitchenettes found in the more “luxurious” rooms boasted by the so-called resorts that are already present. Second, the service provided is top-notch in that customers are always taken care of in the very same way that family should be looked after. The fact that the proprietors’ home is just a few steps away means that customers that encounter something they find unsatisfactory will have their issues resolved in a timely manner.

This combination of having a house for rent coupled with a fishing charter service provides excellent competitive advantage. Customers can stay in the same place their guide lives. This can make a significant difference for customers when it comes to a 5:00 am departure on the boat. There is no need for them to drive anywhere or even step foot into a land-bound motor vehicle. The fact that many of these guided tour groups come collectively means that a family or a group of friends can be afforded the opportunity to come and spend a weekend together under one roof and on the same boat. This clearly translates into the fact that customers will be more likely to choose the Middle Point Inn as both their fishing guide and accommodation destinations.

### ***Market Segmentation***

This information can be derived from the statistics given by the Washington Department of Fish and Wildlife. The statistics shown below are only available in entirety from 2005; however, they can be useful in establishing demographic information. The statistics reveal the number of fishing licenses sold in Clallam County for different segments of the market.

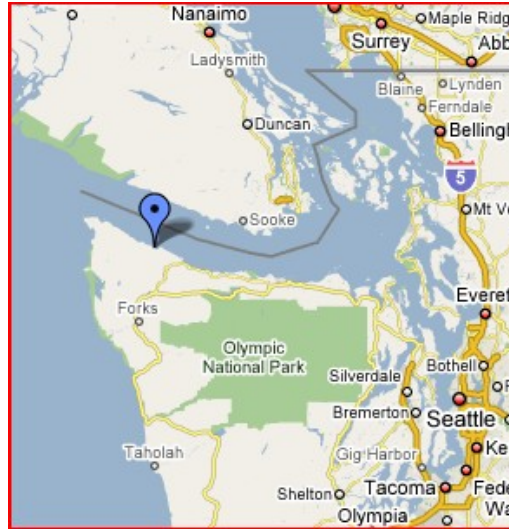
Age									
< 16	16-19	20-29	30-39	40-49	50-59	60-70	>70	Total Customers	
146	982		2,744	3,174	4,208	4,317	3,158	1,595	
20,324									
Gender									
Female	Male	Total Customers							
5,021	15,303	20,324							

This data is fairly consistent for the years from 2001 – 2005. Specific information about the types of licenses reveals that the vast majority of fishing licenses issued are for one or two days which indicates that most people are recreational anglers. It is important to note that fishing licenses can be obtained outside of Clallam County and brought in by customers themselves. These numbers cannot be considered with accuracy because of the vast territory of Washington State and the sheer number of fishing locations in both saltwater and freshwater. Instead, these statistics show who the vast majority of people interested in the services to be provided are.

### ***Location***

The Middle Point Inn is located at the following address:

Middle Point Inn  
15526 Hwy 112  
Sekiu WA, 98381  
360-963-2788



This is a home-based business. The primary residence of the proprietors is situated on the same grounds as the inn itself. All business activities take place at the address mentioned above. There are no significant zoning regulations of concern because of the small scale of the inn. The fishing charters are obviously on the sea, so zoning is not of concern.

The location is ideal, as it is situated in the heart of Clallam Bay. Boat launching facilities are located directly across the street. To reach them entails a 30 meter walk. This is a small bay with very easy access to the Strait of Juan de Fuca. This is the primary channel that exists between the Pacific Ocean and the Puget Sound and Seattle. Thus, prime fishing opportunities exist within a few minutes from the boat launch. In terms of Albacore Tuna, the best fishing opportunities exist approximately 30 miles offshore in the Pacific. This can also easily be reached with the proper boating equipment.

### ***Promotion and Sales***

The nature of the inn gives significant incentive for groups wishing to hire a guide for fishing purposes. These small groups will be afforded the opportunity to stay together under one roof with a common area where they will be able to relax and enjoy their holiday together. At the same time, they will each be able to have private areas where they can relax and get some rest. As an additional incentive, customers who take a guided fishing tour will be provided with 10% off of the cost of the room as additional incentive for them to stay at the Middle Point Inn.

During the off-peak times, rooms will be discounted by 10% to provide incentive for people to book the house. It is worth noting that a further discount may provide additional incentives and increase demand. However, this has the potential to bring in customers that are less than desirable. A state penitentiary is located within a few miles of the inn, and people often come to visit their incarcerated loved ones. Other resorts have had significant problems with payment and room damage due to some of these customers. Overall, it seems worthwhile to keep prices at a level that would help to mitigate some of these concerns.

### ***Advertising***

In this day and age, the internet is of paramount importance for reaching potential customers. Recently, a website was launched to highlight the Middle Point Inn. While it is still under construction, there have already been a few inquiries as a result. In an effort to improve the appearance of the organization, a new email address was created that is associated with the domain name of <http://www.middlepointinn.com>. The construction is scheduled to be completed by the end of May. At this time, the webmaster will employ

proper techniques with regard to currently available information for search engine optimization purposes.

Once the charter fishing portion of the business is ready to launch, another website will be developed that is comprehensive with regards to that particular business. The goal of this website will be to develop competitive advantage by showing customer testimonials, pictures, and general fishing expertise in a professional looking page. It is worth noting that many of the sites that have been built by competitors in this market lack a professional quality. For this reason, this website will make use of advanced Flash programming in order to showcase what we have to offer. There are no websites making use of this technology that would be in direct competition at this point.

We will rely heavily on word of mouth advertising. This is often seen as the most important and effective form of advertising available. In the two years the inn has been open, we have seen this first hand. A large number of the new customers we get have been recommended by a previous customer. Furthermore, repeat customers are becoming an increasingly important part of our business as we continue to grow.

As such, another factor that can help to drive demand is making yourself known. There are countless websites that are devoted to helping fisherman gain a better understanding of the sport. These websites often have forums that are exploding with popularity in recent times. The proprietor is already an active member of such communities, and by providing customers with a signature line link in each and every post, people will become increasingly aware of the website and services offered. Furthermore, this kind of activity can serve to increase the reputation of the guide

services provided because the guide himself often provides practical tips to fisherman based on his expertise in the field.

We have taken active steps to become actively involved with the Sekiu Chamber of Commerce who maintains a website that is designed to increase tourism in an area that is considered underdeveloped. The Middle Point Inn is listed on their website as a recommended place to stay. Full contact details are on their website. This step has proven valuable, as a number of customers have reached us through this portal. We have recently added our new webpage to this site and upgraded the email address to reflect the more professional one that has already been mentioned.

It has already been mentioned that the internet is of increasing importance, so it would be worthwhile to adopt an online advertising strategy. The main strategy will be to make use of Google Adwords for both the Middle Point Inn and the charter fishing service. The costs for this can vary considerably, but Google was chosen because of the ability to put a ceiling on the amount one is willing to spend per day. These figures will be accounted for in the financial section of this document. Additionally, websites such as Salmon University and Halibut.net draw a steady stream of visitors. Advertising on such sites would be a consideration at a future point in time.

An addition contact point can be seen in terms of professional organizations that exist within the fishing community. More broadly, there are organizations that deal with the entire boating community in the greater Seattle area. The qualifications for obtaining membership to the organizations are similar to those required for licensing. More information about this will be forthcoming.

Lastly, the proprietor will begin his own fishing blog for the regions that will be covered as a guide. The benefit of this is that it provides incentive for repeat traffic to the website. A strict weekly timeline will be adhered to that will report the current conditions and success of outings. This will demonstrate consistency in the ability of the guide to catch fish. The bottom line is that people take guided fishing tours because they want to catch fish. If this is true, then the guide is responsible for doing the best job possible in assisting customers with this goal. Therefore, the blog will serve as a diary of sorts where people can gain confidence in this regard.

## **MANAGEMENT**

As this is a small-scale operation, there is no organizational structure. With regards to the inn, there are only two persons in charge of all aspects of the operation. The two proprietors are Al Bridges and his wife, Patti Bridges. Unless future demand permits, there is no reason to expect this to have any significant change in the near future. With increased demand, this business plan can be modified to reflect the conditions that have manifested themselves. However, such an analysis is not needed at this point in time. Management will consist solely of the two initial proprietors.

Largely related to one another, the fishing guide service and the inn can be seen as complimentary to each other. It can be useful to separate each of them in terms of this analysis. Because of his greater expertise with fishing, Al Bridges would primarily be responsible for the charter fishing arrangements. He would be responsible for the internet boat maintenance, tackle, fishing equipment, and providing information to potential customers.

Currently, Patti Bridges is primarily responsible for the inn. She would continue on in that role and ensure that operations go smoothly. This would include taking payment, making reservations, monitoring email, cleaning, and other details with regard to the upkeep of the rooms themselves.

However, the complimentary nature of these two divisions of the entity would mean that both Al and Patti would be involved with all aspects of both to some extent. It is difficult to separate them entirely, but their main areas of focus have been outlined.

## **FINANCIAL DATA**

### **Startup Costs**

#### ***Boat***

The primary expenditure for this proposal is the boat. The type of boat that is required will need to be able to comfortably seat six persons for extended periods of time. This means that there needs to be amenities that customers would expect on a first class fishing trip. Such amenities would include the capability to cook light meals, comfortable seating arrangements, protection from the elements, and a lavatory for the customers to use. Such a vessel would also require storage for equipment and a proper place to store fish for several hours so they could be preserved for future consumption purposes.

There are a number of options in terms of the type of boat that could be used for this. In order to provide the aforementioned services to paying customers and be able to reach the offshore locations needed to fish for Albacore Tuna in a timely fashion, a vessel of no less than 26 feet is required. In terms of boat design, aluminum will be the material

of choice. This has some long term advantages to other materials in terms of maintenance.

While the most ideal situation would be to build a custom boat for the purposes put forth in this document, it is not financially feasible. It is reasonable to expect that possibility in the future when profits begin to take hold. For the time being, this analysis will make use of the prices of used boats that would be able to support the needs outlined above.

### ***Equipment***

Most of the equipment is already owned by the proprietors of this business for the charter fishing. However, it is best to have top of line equipment. For purposes of this document, it is not really worthwhile to go into specifics with regard to brands, etc.; nonetheless, items like reels and rods will need to be purchased.

### ***Licensing***

Because these fishing trips will require the vessel to navigate through what are referred to as ‘federally navigated waters’, the Department of Fish and Wildlife will require that any fishing guide have a Captain’s license from the United States Coast Guard in order to obtain proper licensing from the state government. This captain’s license is formally called an Operator of Uninspected Passenger Vessel. More commonly, this license is referred to as a “6 pack license” because it limits the skipper to having no more than 6 passengers on board at any given time. In order to receive this license, Al will have to submit the application, take a course in CPR, and pass a very difficult examination. With some studying and his experience, this should not be a

problem. Furthermore, this certification is beneficial because it demonstrates that the skipper is knowledgeable and seaworthy which is important for customers to know. When this step is complete, a license may be obtained for \$180<sup>1</sup> from Washington State. The cost payable for the 'six-pack' license is just under \$300.<sup>2</sup> These are exactly the types of licenses that have already been mentioned to gain entry into the professional organizations that have been alluded to in the marketing section.

### **Business Financing**

There are a number of sources for financing available. For purposes of an actual business plan, this section will be modified to cater to the particular loan or grant being sought. Grants are of particular interest for obvious reasons. Quite simply, they do not need to be paid back. Obtaining such grants can be a cumbersome and time consuming process that has no guarantee of final results. Documents must be prepared that cater to the organization that is funding such a project. Such grants exist, and the first order of business in seeking financing would be to contact the appropriate legislator's office to obtain their assistance (Murray). Because time is not of critical importance, it would be worthwhile to pursue this goal for an extended period of time. The state of Washington offers numerous grants for increasing the level of economic development in certain areas they consider to be in need. As it is in a remote location, Sekiu falls into the classification of being underdeveloped. As such, there are grants that are designed to increase tourism to these places. This business plan should be modified as needed to apply for such grants to obtain the cheapest financing possible.

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<sup>1</sup> [http://wdfw.wa.gov/lic/charter\\_guides.htm](http://wdfw.wa.gov/lic/charter_guides.htm)

<sup>2</sup> <http://www.uscg.mil/stcw/lcfr-userfees.htm>

Al Bridges is in a unique position, as he is a veteran of the United States Air Force. This status enables him to take advantage of special programs for debt financing. The main fear that exists with taking out a loan for financing is the collateral that must be used to secure the loan should the business not work according to plan. However, there are programs in place that are administered by the Small Business Administration that enable veterans to take out business loans through approved organizations without having to use collateral.

Of primary interest for purposes of this document at this point in time would be the Patriot Express program.<sup>3</sup> This is a program that has been set up to provide guarantees for loans made to veterans of the armed forces. These loans are made for up to \$500,000 for a variety of business reasons including startup and business expansion. Their website demonstrates that the rates on these loans can range from 2.75% - 5% over prime depending on the lender that originates the loan. For this program, loans of up to \$25,000 can be guaranteed by the Small Business Administration without collateral.

A break even analysis is the most important type of analysis that can be undertaken with respect to this business model. Here, we can explore how many customers will be needed in order to meet the expected costs.

***Break-Even Analysis \*assumes 10 year amortized loan at 6% and May to October operating season***

Monthly Loan Payment	\$832
Annual Loan Service	\$9984
Adjustment for extra costs	\$5000
Total Cost Annually	\$15,000

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<sup>3</sup> <http://www.sba.gov/patriotexpress/>

**Break-Even Accommodation – Middle Point Inn**

- $\$15,000 / \$135$  (booking fee for one room) = 112 nights booked

**Break-Even Fishing – Halibut**

- $\$15,000 / \$210$  (halibut per person) = 72 halibut fishing clients

**Break-Even Fishing – Albacore Tuna**

- $\$15,000 / \$250$  (albacore per person) = 60 albacore clients

**Break-Even – All with costs**

For purposes of this analysis, a 30% reduction will be taken from the charges to cover costs associated with trips. In addition to this generous reduction, and additional 20% will be taken off to account for taxes. This assumes that fishing clients will be staying at the Middle Point Inn and that there will be four customers per trip. Clearly, this is a very, very conservative estimate. Because the group will be staying at the Middle Point Inn, this analysis uses a \$175 rental rates. Thus, the dollar amount has been calculated as follows:

$$(\$210 + \$250) / 2 = \$230 \text{ for fishing group per person}$$

$$\$230 * 4 \text{ people} = \$920$$

$$\$920 + \$175 = \$1,095 \text{ per group}$$

$$\$1,095 * 50\% = \$547.50$$

- $\$15,000 / \$547.50 = 28$  groups of four

Here we can see that we would need 28 groups in total. This is very, very realistic. Anything above and beyond this number would result in a profit. Currently, the inn has about a 50% vacancy rate during the peak season. This has been decreasing each year of operation. There is no reason or indication that we should expect otherwise.

## **LEGAL CONSIDERATIONS**

### ***Business Organization***

This business has already been registered as a limited liability corporation (LLC) under the name Bridges & Bridges LLC. This organizational structure is beneficial in that it reduces the liability of the owners with regard to the business. In other words, if an event should occur that might result in legal action being taken by a customer for one reason or another, the assets of the owners will not be responsible for payment or damages that result from their own personal assets. In essence, this organizational structure enables the owners to retain profits while establishing the business as an independent legal entity.

### ***Insurance Requirements***

Insurance is also required. There are a number of options available, but at the very least, the boat needs to be covered. Also, any injury sustained on the boat by customers also needs to be of significant concern. Companies like Old United Insurance Company provide 'six-pack' charter insurance. The premium for this insurance is \$2500.<sup>4</sup> Again, this will provide peace of mind to potential customers.

## **RISKS**

The most significant risk facing the Middle Point Inn would be in terms of a change in government regulations. Although it has not happened in about 20 years, there is always the risk that the Salmon count conducted by the state will be low. Because the

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<sup>4</sup> <http://www.oldunited.com/productsSixPack.aspx>

entire tourism industry is primarily based upon the visitors that come during the salmon season, this presents a significant risk.

This year the salmon count has been low. There are widespread rumors that the possibility for this event to occur again could be imminent. At the time of writing, things are still unclear with regards to this phenomenon. It is noteworthy that when this did happen previously, the local economy suffered to such an extent that government intervention was required to help ‘jumpstart’ the economy to take a term from Keynesian Economics. To revitalize the local economy, the government built a new, state of the art prison facility in the nearby town of Clallum Bay. This was meant to introduce new jobs to offset the imbalance created by the restriction on salmon fishing.

At this point in time, the Middle point inn has sustained itself with only income generated from guests. This part of the business would be a financial disaster. Furthermore, the proposal to add a fishing guide component to the business model would also be destroyed should this unfortunate event unfold. This would seriously impact the aforementioned heavy reliance on word of mouth advertising. If there are no guests to talk about their success and good experiences, then there is no word of mouth advertising.

In addition, government regulations can change with regards to the licensing requirements for charter fisherman. This is an unlikely turn of events because the salmon count is low. It is also unlikely that there will be an foreseeable change in the limits imposed on fisherman with regard to halibut or tuna in the near future. The populations of these fish are not in short supply. If anything, it would be more likely that a change would take place to increase the daily limit for halibut which would be a benefit to the guided fishing component.

Another key risk to identify is that this entire business model rests on the successful upkeep and performance of the boat. Just as it is with a land automobile, boats are subject to a wide array of technical difficulties that can arise at very short notice. With only one boat, a serious problem could have devastating results in terms of projected cash flows. In order to minimize this risk, it is crucial that maintenance be held with the highest regard. Thankfully, Mr. Bridges has extensive knowledge of boats and mechanics. This means that most minor problems can be fixed in a timely fashion and that operations can continue as planned.

Lastly, conditions are not always ideal for fishing. There are a number of factors to consider. First, the weather is beyond the control of the captain. Thus, if an unexpected storm were to come about unexpectedly, the proprietors would have no choice but to refund the money of the customers. By not doing so, he would be putting the lives of the customers and his own life in jeopardy. In addition to this, there are factors beneath the surface of the water that have an effect on the likelihood of catching fish. For example, bottom fishing is usually the way that halibut fishing is done. Without going into technical details about the various aspects regarding tackle and bait, it is sufficient to say the ebb and flow cycles of the tide can affect the positioning of the very instruments being used to catch halibut. Thus, it is imperative that captain stay abreast of the times when optimal fishing can occur, the times surrounding what is known as a slack tide. The risk is that these times are a function of many things like lunar gravity. Therefore, they can occur at times when it is less than ideal for people to be fishing. These slack tides vary from year to year depending on a host of factors, but

modern science and a bit of research can be used to forecast effectively. It is the responsibility of the skipper to ensure that customers are aware of this phenomenon.

## **ASSUMPTIONS AND CONCLUSIONS**

This analysis assumes that the risks that have been outlined are negligible. However, it is reasonable to conclude that these risks have very little probability of actually happening. This is the only limitation of this study. Past performance of the inn coupled with the already increasing demand prove that the inn itself will be profitable. In addition, there will be further income potential associated with the startup of the guided fishing component of the business. Coupled together, we see an even larger increase in demand for a superior service in Sekiu.

This outline has demonstrated that there is significant potential for growth for the Middle Point Inn. Therefore, it would be highly advisable to enter this market in a meaningful way as soon as possible. With the business savvy that seems to be lacking within the greater Sekiu business environment, it is best to enter this market as soon as possible to gain first mover advantages that may not present themselves in the future. By doing so, the Middle Point Inn can establish itself as one of the original destinations for an all inclusive guided fishing service for tourists in the Sekiu area. While competition exists in other areas of Washington, Sekiu is remarkable for the fishing opportunities presented in nearby waters. One would be remiss to ignore this business opportunity.