

Goose Pond Marina

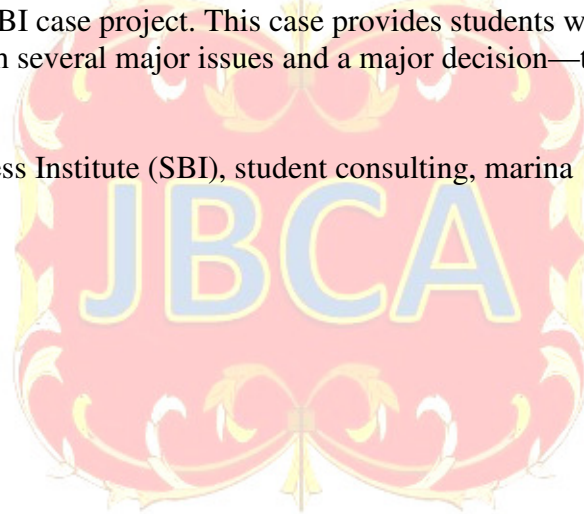
Martin S. Bressler
Southeastern Oklahoma State University

ABSTRACT

This case is based upon a Small Business Institute student project at a small, private business college in New England. Like the Service Corps of Retired Executives (SCORE), the Small Business Institute was a program of the U.S. Small Business Administration that leveraged volunteers to assist local small businesses. However, unlike SCORE, the Small Business Institute (SBI) program uses college students under the supervision of a college faculty member to work in assisting the small business.

SBI teams are usually comprised of upper-division business majors and team members are often selected based on their background and previous work experience. Although the business name and other information has been altered to maintain client confidentiality, this case is based upon an actual SBI case project. This case provides students with a good example of an actual small business with several major issues and a major decision—to keep or sell the business!

Key words: Small Business Institute (SBI), student consulting, marina



Copyright statement: Authors retain the copyright to the manuscripts published in AABRI journals. Please see the AABRI Copyright Policy at <http://www.aabri.com/copyright.html>

Introduction

Dr. Bill Martin and his Small Business Institute (SBI) student team arrived at the client's business promptly at 2 o'clock. The owner, Dave Belanger, had contacted Dr. Martin a few weeks earlier to request some assistance with his business. It was now early October and fall had arrived in New England. The air was crisp and cool and looking across the lake, only a couple of small boats could be seen in the distance.

As they turned into the driveway of the marina, they noticed that the business was set back from the road and couldn't be seen. The sign was also not very big and was on the top of a tall pole along the side of the highway. As traffic on this road often travelled even faster than the 55mph speed limit, they couldn't help but wonder how many people drove by the business without even knowing that it was a marina.

Background

Dave Belanger got into business the old-fashioned way, he inherited the business from his father. The marina was located on a pristine lake in Maine, known to vacationers throughout New England and beyond. The lake had not yet been heavily developed and had a great reputation for trout and salmon fishing.

Dave was very personable and enjoyed talking about fishing and everything about the lake he grew up on. Dave was approaching 60 years-old but had the enthusiasm and energy of someone half his age. Dave was quick to admit that he was not a manager and lacked any kind of formal business training. He explained that the business had been losing money for years and he was trying to decide whether he should hire someone to manage the business for him or just sell the business outright.

Despite his lack of business knowledge, Dave had kept the business going for more than ten years past his father's death. In his discussion with Dr. Martin and his student team, he pointed to a grove of large pine trees along the western border of the property and explained that his father had also owned a small campground there which was very profitable, but that Dave had to sell the campground to keep the marina afloat. He also told the team that not only was the lake the inspiration for the play and movie *On Golden Pond* starring Henry Fonda and Katherine Hepburn, but that the mailman who delivered the mail by boat to the people staying in the summer cottages around the lake was based on him! Some years ago, Dave had started delivering the mail by boat as another way to boost his income.

Although Goose Pond Marina had been in operation for more than twenty years and Dave was both well-known and liked, the business had been losing money since Dave took and began running the business a little more than ten years ago. Dave was getting desperate and needed to decide what to do with the business and was hoping that Dr. Martin and his team of business students would be able to help.

Dr. Martin had been teaching at the university for several years when a senior faculty member left and there was a need for someone to step into the role as Director of the Small Business Institute. Although most of Dr. Martin's business experience was from working in a large corporation, he had family members who owned small businesses. In addition, he had a broad range of business experience ranging from accounting and inventory control, to sales and marketing.

The Small Business Institute (SBI) was a program of the U.S. Small Business Administration (SBA), much like the Service Corps of Retired Executives, only instead of staffed with retired business executives, the SBI program used college students under the supervision of faculty members. In the last several years, Dr. Martin and his student teams had been recognized by the SBA with awards for outstanding client projects. Student team members were carefully chosen from among Dean's List students with junior or senior academic standing and who had completed sufficient coursework in their business major to be able to help the small business client.

The Team meets with the Client

When Dr. Martin made the appointment by phone, he had asked to meet with the bookkeeper but when he asked Dave where she was, Dave looked a bit embarrassed and explained that "the bookkeeper and the mechanic had fallen in love and gone away together for a few days". Dr. Martin got the impression that they did this on the spur of the moment and without prior permission from Dave.

The team asked Dave numerous questions about the business, including how many salespeople Dave employed, what incentives did Dave use to motivate the salespeople and how much they earned. Dave seemed to think that if only he could increase sales by about 10%, the business would be profitable and then he could sell the business for a reasonable price. As the team asked questions, Dr. Martin looked around carefully inside the sales building and the small warehouse where the inventory was kept.

Goose Pond Marina sold boats for fishing ranging from small rowboats to power boats in the 16 to 18-foot range. Dave explained that over the years he had tried adding other product lines including jet skis and snowmobiles. The snowmobiles would have provided some income over the winter, but sales were poor and after two years Dave dropped that product line. After that effort, to save money on expenses, Dave closed the marina for the winter and helped his employees find winter seasonal jobs at a nearby ski resort. The prime selling season for boats in Maine runs from early April until Labor Day weekend so Dave would hire his employees to start in March and finish up by October 1st each year. Up until a few years ago, Dave used to participate in the annual February boat show at the nearby capital city of Augusta Civic Center where he would usually sell a boat or two and develop some future sales leads but stopped doing so due to lack of funds to rent floor space and purchase marketing materials for the show.

Like everyone else, Dr. Martin liked Dave immediately, but also agreed that Dave was not a manager. Based upon his years of retail management experience, Dr. Martin observed several significant issues. One of the first things that bothered Dr. Martin was the amount of inventory in stock in October. Snow season could begin any time in central Maine and there were boats stacked up in the warehouse as well as boxes of outboard motors. Inside the sales area, the racks were filled with boating accessories such as anchors, rope, life jackets, and various accessories. Although Dave was an avid fisherman and the lake was well-known for salmon and trout fishing, the marina did not sell fishing equipment!

The student team had come up with some good questions regarding the sales and marketing aspects of the business. Dave said that he did almost no marketing for the business in part because he had no expertise and each year he had less and less money that he could allocate to local advertising. Both Dr. Martin and the team were concerned about the sign and the fact that the business was not visible from the highway---you had to know it was there! In addition to

Dave, sales were handled a full-time salesperson who was on salary. The students asked what incentives Dave offered his salesperson and Dave responded with “Well, if he does a good job selling that day I invite him back to the house for dinner” (Dave’s house was located on the property across from the marina store). Dr. Martin had to hold back from laughing and noticed that the students all had shocked looks on their faces.

As the team drove back to the university, they discussed the marina and what problems they had found during their visit. Dr. Martin wanted to go back again when the bookkeeper would be available to look over the financial records and ask her some questions regarding the financials. It also occurred to Dr. Martin that they had not met the salesperson when they visited the marina, Dave was the only one there at the time. The team brought up the issue of the salesperson’s compensation and incentives.

NOTE

The name of the business and certain other information in the case have been changed to maintain client confidentiality.

INSTRUCTORS MANUAL

Case Overview

This case profiles Dave Belanger, a small business owner who inherited a lakeside marina from his father about ten years ago. Sales began declining about that time and the business has not been profitable since that time. Dave sold off some adjacent land that he had been operating as a campground, popular with fisherman due to the property being lakeside on a lake well-known for excellent trout and salmon fishing in the state of Maine.

Dave knew his business was in serious trouble but did not know whether he should sell the business or hire someone to manage the business for him. Admittedly, Dave was not a businessperson and was not trained in management or any other aspect of business. What Dave knew was the lake, fishing, and boats and motors. Dave had three employees; a salesperson, a mechanic, and a part-time bookkeeper. He also used the services of a local Certified Public Accountant (CPA) who prepared the quarterly statements and taxes. The CPA also worked with the bookkeeper to make sure that the financials were accurate.

Dave had read an article in the local newspaper about the nearby university offering a program whereby students supervised by business professors provided free business counseling and that this program had received several awards for their work. He contacted Dr. Martin to seek assistance in making the marina profitable so that it would be worth more when sold.

Objectives

The objective of the case is for students to be able to reach a keep or sell decision. In the process, students should be able to make business recommendations to the small business owner to help the owner improve the value of the business should he decide to sell or to keep the business profitable until the owner is financially able to retire and sell the business.

Courses and levels

This case is designed for upper-division business students in entrepreneurship, small business management, marketing, or students enrolled in a strategic management class.

Epilogue

Dr. Martin and his team worked with Dave for the entire school year and came up with several useful recommendations. First, they suggested Dave purchase a new sign and move some boats and motors on trailers up close to the road. The boats and motors were secured so that theft would not be an issue. Fishing season would start in mid-April, so the students recommended a Grand-Opening Sale with a remote radio broadcast from one of the more popular local radio stations. The student team helped make this a successful event with free hot dogs and soft drinks donated from local suppliers, free giveaways from the manufacturers, and balloons and other decorations to provide a festive atmosphere. The sale featured big savings on leftover boats, motors and trailers and savings on all marine accessories in the store.

The team was also able to help Dave secure a small loan for some additional advertising throughout the area with the tag line “Drive a little, save a lot”. In addition, the marina now carried a more reasonable inventory which now included fishing equipment specific to the area. At the end of the weekend Grand Opening event, Dave reported the biggest sales numbers the marina had ever experienced. The salesman was also pleased with the new incentive program when he also made his biggest paycheck ever.

By the end of the year, Goose Pond Marina recorded a sales increase of almost 50% and was making a good profit. Dave now decided to sell the marina and retire to Florida. The student team received an award from the SBA and the students earned an A for the course.

Today, under new ownership, the marina has added kayaks, paddleboards, ski boats, pontoon boats, a fueling dock, and a quaint resort-casual restaurant.

Questions for Discussion

- 1) How would you evaluate the marketing effectiveness of the marina?
- 2) If Dr. Martin and his team help Dave increase sales, will that solve the problem? Why or why not?
- 3) What recommendation(s) would you make to Dave?
- 4) Assuming the recommendations help make the business profitable again, would you keep or sell the business? Are there other options? Explain

TEACHING NOTE**Answers to questions**

- 1) Marketing seems to be almost non-existent. The road sign is too small and hard to read, and the marina is not visible from the road. In addition, Dave indicated that there is very little advertising and only through a local newspaper.
Second, Dave needs to develop an incentive plan to motivate his salesperson. Inviting the salesperson to dinner is a nice gesture but not an adequate incentive to sell more boats and motors. The team recommended the salesperson be paid a 1% commission on boats, motors, and trailers, and a 3% commission on all other items in addition to the base salary.
- 2) Simply increasing the sales might make the business profitable but there are some obvious problems that need to be addressed. There is a lack of controls in the business. His bookkeeper and mechanic should not be allowed to just come and go as they please. Dave needs to take a more assertive role with his employees and get them engaged in making the marina profitable. Inventory is an obvious problem as inventory in October will probably still be there until spring, at which time it may have become shopworn or outdated. Last year's models will need to be sold at a discount. Until then, Dave has hundreds of thousands of dollars tied up for months. Business and financial controls, along with better personnel policies would likely result in better profitability.
- 3) Dave needs a bigger, easier to read sign along the highway. In addition, as Dave cannot move the marina closer to the road, he should bring a few boats and motors on trailers out to the front where people driving by can stop and look them over. Of course, Dave will have to secure them so that they are not stolen, but that can be done easily and at low cost.

In addition, the team suggested to Dave that he add some additional product lines, beginning with fishing equipment to help increase sales.

Dr. Martin also recommended that the bookkeeper work with the CPA to develop some cost controls for the business.

- 4) Dave has several options available to him. First, if the business can be profitable, Dave can stay there running the business until he is financially able to retire. This would require an infusion of cash but that should not be difficult as there is plenty of collateral. Second, if the business becomes profitable again, Dave could sell the business and be able to get a more reasonable price for the business. A third option would be for Dave to hire someone to manage the business and Dave could focus on sales. This option appealed to Dave as he knew the lake and the people who lived in the area well. Finally, as the value of prime waterfront property was skyrocketing, Dave could sell the property to either a developer or to someone who wanted to build a high-end house on a picturesque setting on a lake.

Please also refer to the following articles to assist in student learning.

Have the class watch this YouTube video on small business marketing. 14 marketing strategies for small businesses. Retrieved 07/15/2019 from <https://www.youtube.com/watch?v=a2x-4CKNWxU>

Not many business students will have a background in accounting controls. Have the class watch this YouTube video on internal controls. 17 Internal Financial Controls Every Small Business Should Have in Place from <https://www.score.org/resource/17-internal-financial-controls-every-small-business-should-have>

How to Commission and Structure a (High Performing) Sales Team from <https://www.youtube.com/watch?v=7te138iaH-s>

Salespeople Compensation Plans: Base, Commission and Total Compensation from https://www.youtube.com/watch?v=QghBO_LGJfs

Help students learn how to determine the value of a business. See the Entrepreneur article at <https://www.entrepreneur.com/article/66442>

References

17 Internal Financial Controls Every Small Business Should Have in Place. Retrieved 07/15/2019 from <https://www.score.org/resource/17-internal-financial-controls-every-small-business-should-have>

How to commission and structure a (High Performing) sales team. <https://www.youtube.com/watch?v=7te138iaH-s>

How to value a business. From Entrepreneur magazine available at <https://www.entrepreneur.com/article/66442>

Salespeople Compensation Plans: Base, Commission and Total Compensation. Retrieved 07/15/2019 from https://www.youtube.com/watch?v=QghBO_LGJfs

Thompson, E. (1979) On Golden Pond Retrieved 06/01/2018 from [https://en.wikipedia.org/wiki/On_Golden_Pond_\(play\)](https://en.wikipedia.org/wiki/On_Golden_Pond_(play))

YouTube Video-14 marketing strategies for small businesses. Retrieved 07/15/2019 from <https://www.youtube.com/watch?v=a2x-4CKNWxU>