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Yacht Charter in Portugal –
Developing a Business Model for a Sailing Charter Company

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Abstract

Given the signals that Portugal can be a great destination for charter sailing, the purpose of this work is to disprove this. Thereby the model of Porter's five forces has been used to analyze the Portuguese yacht charter market, whereas a SWOT analysis should give an overview and compare the Portuguese market with the well running charter market of Croatia. The research outcome on the supply side as well as on the demand side should then serve as a foundation for establishing a model of a sailing charter company in Portugal, explained with the aid of the Canvas model.

Keywords: Nautical tourism, Yacht charter market, Portugal, Business model

1. Introduction

Nautical tourism, which can be defined as "*a multi-functional touristic activity with a very emphasized nautical component*" (Lukovic, 2012), is characterized by a strong international demand and thus by continuous growth (Sousa et.al. 2009; AEP 2015; Ecorys 2014; European Commission a 2015; European Commission b 2014). Nevertheless in Portugal, where the sun & beach tourism is dominating, this sector has not yet reached its full potential, although the country with its geography and climate has great prerequisites to become a popular destination for nautical tourists (Ecorys, 2014). Particularly the yacht charter market in Portugal, as one of the main subtypes of nautical tourism, has great veiled potential and could become a new opportunity for the country to develop an attractive tourism product (AEP, 2015).

Hence the purpose of this paper is primarily to portray the contemporary market situation of the yacht charter business in Portugal, providing valuable insights and trying to answer the question, whether the nature of the market allows setting up a successful charter business. Within this process an investigation of the well running Croatian charter market has been performed in order to prove whether its conclusions can be helpful in the Portuguese market. Furthermore the goal is to show the charter market as accurately as possible, for the purpose of having the scientific basis for launching a company with containable entrepreneurial risk. This research and comparison will help to establish a charter business in Portugal, as there is the opportunity to capture a considerable market share on the present Portuguese charter market, which is less marked compared to other coastal states in Europe and still offers space for new companies.

2. Research Methodology

In order to understand the complex industry of yacht charters and build upon this information guidance for developing a charter business model, primary as well as secondary research methods has been used.

For the purpose of collecting primary data there has been a quantitative and a qualitative research conducted. The qualitative part of the research, which should help to analyze the supply side of the market and consequently identify the five forces of the Portuguese yacht charter market, comprises five interviews with experts of the industry (appendix 1). Within this approach, experts from the Portuguese as well as Croatian charter market has been interviewed in order to be able to carry out benchmarking.

In the second step, an Internet survey has been conducted to collect quantitative data on the demand side of the industry (appendix 2). For the purpose of illustrating an more accurate picture of the charter demand the survey was not directed to the broad public, but to persons either having the purchasing power to spend charter vacations or persons interested in yachting or nautical sports. Therefore the survey was spread by email, in various blogs and social media groups related to the topic.

In addition for the purpose of gathering secondary research, third-party sources such as (1) company websites, (2) journals, (3) research papers, and (4) reports have been analyzed. In terms of limitations it is noteworthy to mention that due to the language barrier, reading and interpretation of Portuguese language research studies on the topic was of great difficulty. Moreover research and data on this topic is already scarce, hence it has been used to the maximum in this paper.

3. Model Application

In order to analyze the Portuguese yacht charter market and consequently providing guidance to develop a charter business, demonstrated by the company example AloeVela, three models have been used: the Porter’s Five Forces, SWOT Analysis and the Canvas Model.

For the purpose of this paper the Five Forces Model has been used to analyze the Portuguese yacht charter market, regarding the nature of the market’s competitiveness and further its attractiveness. By applying this model, this should help evaluating, whether it is economically reasonable to establish a company in the Portuguese yacht charter market.

Based on the outcome of the Porter’s Five Forces model and further primary and secondary research, a SWOT analysis of the Portuguese yacht charter market has been conducted. Thereby the goal was to assess the strength, weaknesses, opportunities and threats of the market, in order to establish an example of a yacht charter business model, entering the Portuguese market successfully. Moreover a SWOT Analysis of the Croatian yacht charter market has been conducted, which should allow carrying out benchmark, as Croatia is one of the most popular destinations for charter tourists throughout Europe. Comparing the Croatian market with the Portuguese, the aim was firstly to find out what distinguish the one market of the other, and secondly trying to screen successful factors of the Croatian market, and evaluate whether those can be useful for entering the Portuguese market.

In the last step the Canvas Model has been used for the purpose to describe the concept of the business example AloeVela in a simple, relevant and intuitively understandable way, while not oversimplifying the complexities of the company's function.

4. Porter's Five Forces Model

Assessing the five forces of the Porter's model applied to the Portuguese yacht charter market, it comes to the result that the internal rivalry is low, whereas the buyer's power and threat of substitutes can be categorized as moderate. Noticeable is that the strongest forces are the threat of entry, which can be evaluated as moderate to high, and the suppliers power that has a high bargaining power in the market. The following part describes each force of the model in detail.

4.1. Internal Rivalry (low)

The intensity of rivalry strongly depends on the number of companies that are competing in a market. The larger the number of firms involved, the greater the level of rivalry, as organizations have to compete more when trying to win consumers and buying resources (Besanko et al., 2013). According to the industry experts (appendix 1) there are numerous businesses offering daily charter in Portugal, however, there are only few companies providing the service of chartering vessels for a longer time of period. This statement can be also supported by the outcome of a research, which has indicated that in Portugal there are less than 12 companies (appendix 3), renting boats to clients for vacations. Consequently the conclusion can be made that the level of internal rivalry is low in this sector. Even though there are also few international charter companies, like Yachtico, BoatBureau and Sailogy operating in Portugal, the level of competition does not increase significantly.

A low level of product differentiation, which means that companies are offering similar services or products and thus the likelihood is higher that consumers might change to a competitor's service or product, creates also an environment of intense competition (Besanko et al., 2013). In Portugal there are few companies that are offering in addition to the service of chartering yachts the availability of booking add-on services like theme packages in order to distinguish their offer. However due to the low number of market incumbents, consumers only have a limited choice where they can book, therefore the differentiation of products in the Portuguese yacht charter market can be not seen as threat.

Switching costs are expenses that consumers associate with the process of switching from one provider to another (Burnham et al., 2003). Low switching costs as well as no need to spend a lot of time and effort to change provider, lead to an intense rivalry (Besanko et al., 2013). As most of the yacht charter companies in Portugal are operating their business through Internet and their number is limited, consumers have the possibility to compare offers and thus transfer from one charter company to another. Moreover there are no extra expenses connected with the switchover; therefore the assumption can be made that the yacht charter market in Portugal is characterized by low switching costs.

It is well known that among industries, where fixed costs comprise the majority of the total costs and thus need to be covered by revenues, the level of competition is higher (Besanko et al., 2013). In the charter industry fixed costs are unusual high as it comprise berth rental, boat maintenance, and boat insurance. A study (Gracan et. al., 2011), which examined factors that charter companies found the most crucial for the difficulties in operation, has shown that the costs of marinas and boat maintenance are aggravating factors. In particular the level of boat maintenance cost can be critical as it rises due to the vessel's age (Gracan et. al., 2011). Noticeable is also that the cost of berth rental; maintenance and insurance vary strongly with the length of vessel as well as with the location. For instance the price of a yearly rental for a boat of 12m-15m in the marina Vilamoura (7206 €) [1] is considerably higher than in the marina Parque das Nacoes in Lisbon (6075 €)[2]. Hence it can be stated that the occurrence of high fixed costs increases the competition within the charter market.

4.2. Threat of Entry (moderate to high)

There are several factors that determine the threat of new entrants. An industry that requires high levels of investment and expertise for instance, is harder accessible to new companies and hence does not challenge existing incumbents (Besanko et al., 2013).

In general there are two ways to enter the industry as a company, either sublease boats from private persons or other companies, or purchase and consequently own them. In the case of subleasing, the company has not necessarily high up-front investments to enter the industry, however if the firm purchase their own boats, this aggregates a high amount of investment and thus might hinder the entry (Gracan et.al., 2011). Moreover interviewees (appendix 1) have stated that a certain level of expertise is necessary and essential in order to establish successfully a business in this industry: Firstly in order to navigate a motorboat or sailing boat, a license that provides evidence of competence is needed; secondly in order to run a charter business it leads to an advantage to know about boat handling, navigation, maritime law and meteorology. In Portugal especially knowledge about the marine environment is required as the Atlantic coast is exposed to strong winds and waves, with tides that can vary substantially (Lukovic, 2012).

In terms of distribution channels charter companies can easily supply their service online through their websites and do not need any intermediary like travel agencies to succeed. Nowadays companies do not even need their own online platform, but can easily purchase an online booking system via Web at low charge[3]. Thus it can be inferred that companies of all sizes have access to distribution channels and, so enhance their market entrance.

[1] http://www.marinadevilamoura.com/fotos/editor2/aluguer_pa_mv_2015.pdf
[2] http://www.marinaparquedasnacoes.pt/the-marina/rates/
[3] http://www.planyo.com/yacht-charter-reservation-system.php

A factor, which might make the entrance challenging in this industry is customer loyalty. All interviewee have stated that charter customers are loyal - "*We have years after years clients that come always back. Sometimes we don't even have enough boats, then they ask us to take responsibility to find a boat from another charter company for them*."(SeaWay Charter, appendix 1) In terms of governmental barriers, Portugal does not exacerbate the entrance of the yacht charter market as it is also in their favor to increase tourism and so contributing to the wealth of the country. Nevertheless interviewees have affirmed that there is no support of developing the charter market in Portugal (appendix 1).

4.3. Supplier's Power (high)

The bargaining power of suppliers depends strongly on their concentration in the market compared to their customers. If there are only few suppliers but many buyers, this leads to a stronger position of suppliers (Besanko et al., 2013). Generally companies in the charter industry rely on the following three key suppliers: boat manufacturers/supplier, boat owners, and marinas and its services.

The weak domestic demand for leisure boats, namely motor and sailing boats, in Portugal induces that the country has not developed a shipbuilding industry. Also the fact that producing this kind of boat requires high resources, limits the number of boat manufacturers in Europe (Ecorys, 2014). Hence it can be inferred that the level of their bargaining power is high. However to circumvent this power, it is common that charter companies are subleasing vessels of private boat owners or other companies (Gracan et.al., 2011). This makes the charter company strongly dependent on the owners, as the provision of their boats is an important input resource for their operations. Especially in Portugal, where the ratio between vessels and inhabitants is significantly low (Sousa et.al., 2009), the bargaining power of boat owners is considerably high.

Since charter companies are strongly dependent on berth availability and boat maintenance services, marinas as the provider of these services, have a strong position in this market. In 2014 Portugal has featured 38 marinas, ranking Portugal among the countries with the lowest number of marinas along the Atlantic Arc (compared to France, Ireland, Spain, United Kingdom). Moreover figures of marina penetration have shown that per marina there are 74 km of coastline. Regarding the regional distribution, 65% of the supply is concentrated in the regions of Algarve and Lisbon (Ecorys, 2014). Nevertheless berth places in marinas and its provided services are still scarce in Portugal and thus the charter companies' dependence on its services is even greater, which leads to the marinas' great bargaining power.

4.4. Buyer’s Power (moderate)

As there are only few charter companies in Portugal, the offer is moderately low, thus consumers do not have a great choice when deciding to book a yacht in Portugal (appendix 3), which diminishes their bargaining power. The fact that the Portuguese yacht charter market is defined by low product differentiation and low switching costs, as already mentioned above, increases on the other hand the consumer's bargaining power.

In terms of price, the assumption can be made that consumers in this industry are considerably sensitive, as chartering a yacht can be categorized as a high-risk reward purchase. This means they spend a high amount of money, but also expect accordingly. Moreover booking a yacht trip represents a substantial proportion of their total expenses, which supports again their price sensitivity and hence this increases their bargaining power. However, all interviewees have stated that customer loyalty is highly present in this market (appendix 1), which means that consumers will be willing to pay a little bit more if they get the same experienced service again.

4.5. Substitutes (moderate)

Substitutes can be defined as products or services, which offer similar benefits to those of the products or services produced by companies within the industry. Due to the availability of close substitute products or services, an industry might be more competitive and the potential profit might be lower for the firms in the industry (Besanko et al., 2013).

Chartering a boat on distinctive waters, like lakes or rivers can be considered as a strong substitute, as the assumption is made that the main intention of a tourist who is chartering a yacht, is seeking for a water-based holiday experience. In this case the availability of chartering a boat on the River Douro in the north of Portugal can be seen as a great alternative of renting a yacht at sea (Yacht Charter FeelDouro[4]). Furthermore the possibility of booking a houseboat and moving on the Alqueva Lake[5] with no need of a license or skipper attracts tourists from all over the world. Additionally the lower price of booking these substitutes increases their possibility of threat (1950€ to 2230€ per week for two persons in the high season period).

Having the two components in mind - staying on a boat and being close to the water - holidays on a cruise ship can be a possible substitute to a yacht trip, especially as Portugal is a popular destination for cruise passengers[6]. Moreover in terms of price, holiday on a cruise ship is a lot cheaper than chartering a yacht. However, the majority of cruise ships are dimensioned for more than 100 persons, therefore there is only little space for neither privacy nor flexibility, as consumers do not have the chance to customize their trip individually. Considering these facts, the threat of cruising as an alternative can be categorized as low to moderate.

When talking about charter destinations a survey (Wolf, 2013) has shown that in Europe, Greece, Turkey and Croatia are the most popular destinations for chartering a yacht. Not only their marine environment attracts many charter tourists, but also the huge offer of yacht charter companies there creates a great advantage for the destinations. Thus the threat of considering alternative destinations instead of Portugal is significantly high (Wolf, 2013).

Considering sailing as a hobby or sport combined with vacation, someone could categorize other nautical sports as windsurfing, surfing, diving and fishing etc. as a substitute. Especially surfing has lead to a tremendous growth of the nautical tourism in Portugal.

5. SWOT Analysis – Benchmarking

By conducting a SWOT Analysis firstly of the Portuguese yacht charter market and consequently of the Croatian market should allow to examine the strength, weaknesses, opportunities and threats of

[4] http://yachtcharter.feeldouro.com/en/
[5] http://www.amieiramarina.com/en/
[6] "Portugal was the 6th European destination most visited by cruise passengers in 2012 (1.2 million passengers), placing it 11th in the ranking of European countries with the greatest direct impact of the cruise industry (€ 207 million in 2012), according to the ECC (European Cruise Council)"

each market. Whereas the appendix shows a more accurate picture of the outcome (appendix 4), the following part, dealing with the Croatian market, should serve as a benchmark analysis:

Comparing Croatia to Portugal, it has a double coastline length of 5.835 km, characterized by a large number of islands and islets; as well as several bays and coves. Moreover it provides favorable sailing conditions for experienced sailors as well as newcomers (Zajc; Vilabo 2010). Croatia has a great position for yacht chartering in Europe, enjoying a prestigious longstanding tradition in this business. Nevertheless Croatia as a charter destination has the weakness that due to the short-termed seasonal concentration, this results into overcrowded areas (MPPI 2009). Besides that, charter tourists complain about a fair balance between service, price and quality (Gracan et.al. 2011). Using the positioning of Croatia as well as the knowledge about the charter business, Croatia could create a recognizable and unique appearance on the nautical market of Europe and so set itself apart form the main competitors Turkey and Greece. However situated close to other popular charter destination in the Mediterranean can be seen as a threat. Moreover an increase in last minute booking has been observed due to the strong competition and high number of vessels. Furthermore a raise in berth prices, which are already higher than the average in other countries, determines the competitiveness of Croatia (Gracan et.al. 2011).

6. Market Demand

The previous section of the work dealt with the market's supply of the Portuguese yacht tourism, so in order to have a complete market analysis, the following part shows the market demand, including the outcomes of an quantitative research, assessing preferences of potential clients regarding yacht chartering.

As the yacht charter market is underdeveloped in Portugal, the assumption is made that this is one of the reason of lacking statistical information. This results in a difficulty in estimating key ratios like the turnover, generated solely by charter companies. However few studies have been made on nautical tourism in Portugal, which should allow gaining at least a rough insight into the market. Thereby a study (European Commission b, 2014) has shown that the overall Portuguese yachting and marina sector, including recreational ports and marinas, and the organization of other leisure activities, has generated a turnover of € 129.107.929 in 2012. Moreover according to an analysis (Fernando et.al., 2009) 10700 yachts enter annually the marinas and recreational ports in the south region of Portugal, implying a volume of an estimated 35 000 national and international yachters, whereas the demand on the part of United Kingdom, Spain and the Netherlands are the greatest. Despite the fact that this analysis concerns the south region of Portugal, the estimation can be made that the central part of Portugal is generating similar results, as the central and southern part are the major sites of recreational boating tourism (Ecorys, 2014). Furthermore it is a fact that in Portugal the recreational boating sector has a high growth potential in the short term and hence it can be inferred that it is characterized by scenery of international demand. This is supported by several studies (Sousa et.al. 2009; AEP 2015; Ecorys 2014; European Commission a 2015; European Commission b 2014) and also a study on the global yacht charter market was valued at US$ 35.0 Bn in 2014 and is expected to reach US$ 51.0 Bn by 2020, reflecting a CAGR[7] of 6.5% during forecast period (FMI-Future Market Insights 2015). The same study also stated that Europe, excluding the eastern part, is the largest market in terms of charter revenues. Research has shown that this growth is supported by rising disposable income of consumers and the increasing number of yacht charter destinations (FMI-Future Market Insights 2015). Further a study, examining the charter activity consumers, has come to the result that the length of stay is reducing, while the size of the crew and vessels is increasing (Gracan et.al. 2011). Moreover consumers prefer to spend their charter vacations with friends on sailing boats with three or four cabins, during the months from June until September (Wolf, 2013). Additionally it is known that many tourists nowadays seek a unique and customized experience rather than the more traditional type of "sun-and-sea” package holiday, which again is in favor for the development of the yacht charter tourism (European Comission b 2014).

[7] CAGR= Compounded Annual Growth Rate

6.1. Market Survey

The Internet survey, which has been made to get an accurate picture of the preferences of the market demand, had 118 respondents from 17 different nationalities, whereas 48% of them were female and 52% male. Most of the persons answering the survey were over 26 years old and majorly either employed for wages or self-employed. The monthly income of the respondents ranged between 1000€ to more than 5000€ (appendix 1). Moreover 36 % of the respondents have already chartered a yacht, whereas 64% have no experience. The results of the survey have been categorized according to six main topics: company & booking process, type of boat, past experiences in the charter business, trip organization, destination characteristics and chartering in Portugal.

Company & Booking Process – Factors as positive word of mouth, the offered type of yachts and the company's website are crucial factors, which are considered by customers when choosing a charter company. Moreover the sample stated that they rather prefer booking online than personal in agency or via phone. 78% of the sample is paying attention to price when evaluating the charter service.

Boat type – In terms of the vessel type the majority would choose a sailing boat for vacations instead of a motorboat or catamaran. Thereby safety gear and the boat's furniture and equipment have been mentioned as the most important features of a boat. Noteworthy is that the brand/manufacturer of the vessel has more importance for past charter consumers than for persons with no charter experience, which rated this factor as one of the least important ones.

Past experience – The majority of persons, who have at least once chartered a yacht, had chosen a sailing boat. Thereby only one person out of 118 has chartered before in Portugal, whereas most of the respondents spend their boat trip in Croatia. Recreation was the main purpose of the trip.

Trip organization – The majority has chosen vacations on a yacht for the purpose of relaxation and recreation, whereas friends, family and life partners are the favored accompaniments. In terms of booking extra services, most of the persons have chosen meals & beverages and sports equipment.

Destination – Asking the sample which destination they would prefer for a yacht trip, 40% have answered Croatia and 20% Greece. Furthermore the outcome of the survey showed that regardless of the charter destination, either Croatia or Portugal, the majority of the sample would pay between 500€ to 1500€ per person for one week of chartering a sailing boat excluding the service of a skipper. Moreover calm places like bays and small cities are places where they would like to stop during their journey.

Portugal - Asking whether Portugal could be a great destination for chartering a sailing boat, 68% of the sample answered with "yes". Additionally non-experienced as well as past charter clients agreed on the fact that Portugal has great potential to become a popular charter destination due to its culture, food and people, its picturesque landscape and its coastal attractiveness.

7. Business Model

Based on the outcome of the research, conducted for the purpose of this paper, the following example of a charter business, launching in the Portuguese market, has been established. The following part should give an overview of the business model, whereas in the following chapters the company will be explicitly explained on the basis of the Canvas model.

The company, named AloeVela is a business that is specialized in providing the service of renting sailing boats to domestic and foreign tourists for the purpose of recreation, sports and entertainment. The company operates mainly through its own well-structured and user-friendly online reservation platform, where the possibility is given to customers to book and pay easily a sailing trip according to their wishes. Moreover, an office in Cascais should provide a working space for its employees as well as contact point for the company's customers. In order to run a smooth business, an initial team of five qualified persons will be employed by the company, responsible for activities regarding the preparation of the vessels, marketing, accounting, customer relations, sales and finance.

In the beginning of the launch AloeVela will have a repertoire of four high quality sailing yachts, ranged from 12m to 17m. Those will be primarily subleased from private boat owners. Depending on the success of the business the goal is to expand the offer of sailing yachts by leasing them and so serve the customers' needs to their full satisfaction.

The company's vision is to become Portugal's first counterpart for sailing charter due to its expertise in this field, whereas their mission is providing consumers an unforgettable sailing experience along Portugal's unique coastline. In order to attain this AloeVela will build on the following values:

Expertise in sailing – *As we are exclusively chartering sailing yachts to our customers, this allows us to apply our fullest attention to this type of vessel and thus constantly gaining knowledge in this field. We think there is a great difference between motorboats and sailing boats, not only in the construction and operation, but also in the enjoyment and lifestyle connected with sailing.*

Customer service – *It is not only about chartering a sailing boat to our consumers, but instead it is about creating an unforgettable holiday experience in Portugal. Therefore AloeVela is assisting its consumers from the beginning on - consumers having the idea of chartering a sailing boat.*

Customized Charters – *For the purpose of creating an unforgettable sailing experience AloeVela attends to the customers' individual wishes. By having close contact to our customers through the provision of our customer services and the availability of adding a variety of products and services, giving our consumers the freedom of choice to build their ideal charter, with AloeVela wishes come true.*

8. Canvas Model

The Canvas model (Osterwalder, Pigneur 2010) is divided into nine blocks: customer segments, value proposition, key resources, channels, customer relationship, key activities, key partnerships, revenue streams and cost structure, which will be discussed in the following part. A chart of the Canvas Model applied to the business AloeVela is attached in the appendix (5), which should provide an overview.

8.1. Customer Segments

Based on the above-mentioned research of the market demand and the outcome of the online market survey (appendix 2), the following segmentation of the niche market has been made:

Thereby the general target market of AloeVela can be described as females and males, aged between 30-65, well educated and having high disposable income. Deriving mainly from Spain and northern European countries, they are defined as nautical tourists whose requirements, expectations, but also the inclination of spending are higher than within other tourists segments. Vacations close related to the marine environment is what they are seeking for. Within this niche market AloeVela is aiming two particular audiences:

The first target audience, called "the Adventurer" are groups of friends that are aged between 30-55 and thus belong primarily to the Generation X. They are travellers, looking for holidays, packed full with water related activities and adventures. Moreover individuals belonging to this target audience are either practicing sailing as a sport discipline; had already experiences with sailing or any other nautical sports; or have never stepped before on a sailing boat. The preference of choosing vacations on a sailing boat over a motorboat due to the eco-friendly nature of the craft supports their consciousness about environmental causes.

The second target audience, called "The Relaxed Sailors", are females/males in the age between 45-65, thus can be categorized in the generation of the baby boomers. Tourists belonging to this target group are already familiar with sailing or yachting in general and therefore seeking for recreational and calm moments in a marine environment. With their life partner they appreciate the feeling of quietly gliding through the ocean with the power of the wind, while enjoying the local cuisine and culture onshore.

8.2. Value Proposition

As an expert in sailing charter AloeVela provides premium service to adventurous persons, who enjoy quality moments with friends, looking for unforgettable experiences. By giving the possibility to book extra services AloeVela enables the first target audience to combine sailing with other nautical or onshore activities. Moreover the fact that the Portuguese coastline provides perfect conditions for several outdoor activities like surfing, cliff climbing and fishing is what makes the combination unique. For the sport sailors among the target, the Atlantic Ocean can be more temperamental and sometimes offers challenges to them that require a lot of energy.

For those who are seeking for recreational time with their life partners under the sails in harmony with nature and the sea, AloeVela will be the optimal point of contact. In order to underline the attractiveness of sailing along the Portuguese coast, the company gives the availability to its target group "The Relaxed Sailors" engaging with the local cuisine and culture, by offering for instance culinary delights onboard or giving them local insights about the gastronomy offer and worth seeing places by the coast. Furthermore uncrowded waters and marinas are reasons, why Portugal can be seen as the perfect sailing destination for persons who are looking for relaxation.

In summary AloeVela sets itself apart from its competitors within Portugal and other charter destinations by combining the following four elements: premium service and expertise, a vessel fleet consisting of high-quality sailing boats, the availability of customizing own charter by adding services and products, in accordance with the advantage of the Portuguese coastal attractiveness and favorable climate throughout the whole year.

8.3. Key Resources

Vessel Fleet

A company's charter fleet can be formed by the purchase or by the sublease of vessels from either a natural or legal person. However, it is rarely the case that in the beginning vessels are purchased with the company's funds, as it involves high investments, thus subleasing is a common practice in this industry. In case of subleasing, a contract on the boat cession is concluded between an owner and a charter company for the purpose of rental (Gracan et al., 2011).

The charter fleet of the company AloeVela is formed by the sublease of sailing boats of private owners under the Performance Program (see key partners, appendix 6). Besides the reason that the company takes less risk and liability when subleasing, the company is also able to determine their vessel fleet in compliance with the experience from the previous or current season as well as on the basis of expectations for the following season. Initially the company will operate with four sailing boats, preferable having a length of 12m – 17m and accommodate up to eight persons. Those boats will be provided with all equipment necessary to navigate as well as safety equipment. The location of the sailing boat and so the starting point of the sailing trip depends on its original berth place chosen by the private owner.

Before entering a contract with the vessel owner, the boat will be carefully inspected by the company, whether it matches AloeVela's vessel quality standards. The duration of the boat subleasing will be 60 months afterwards the agreement will expire[8]. Nevertheless in the context of the Performance Program the yacht can be removed from the company's fleet at any time with adequate notices.

In the long-term perspective and after enough financial funding the plan is to consider the option of purchasing vessels by entering a leasing contract in order to meet fully the customers' expectations. Since it is not common that yacht manufacturer or dealers are leasing vessels directly to charter companies, the service of a finance corporation, specialized in boat purchases, has to be acquired [9].

Employees

Fulfilling the consumer's satisfaction and expectations is a priority to the charter company, thus well trained and highly motivated employees, that are sharing a passion for yachts and a commitment to outstanding service, are of great importance. The company's aim is to create a comfortable working environment and develop a culture throughout the years, which should give the employees the sense of belonging. The salary paid to the employees depends on their level of education, years of experiences as well as on their responsibilities in the company.

Brand

The goal of AloeVela is to create and deliver a service brand, which is associated with expertise in sailing boats, value for money, high quality and most important, consumer-focus. In order to achieve this, the company's elements - corporate culture, personnel, marketing and customer insights – need to work together. Especially its employees are a crucial input as they are responsible to create a superior customer experience. Consumers expect personalized, consistent, high quality

[8] This is due to the fact that rental after 60 months becomes hard as it requests equal or increased maintenance engagement, while its rental prices decline. Furthermore research shows that the structure of demand changes every 60 months in terms of boat type, its size and level of equipment (Gracan et al, 2011).

[9] http://sysfinance.es/en/sysfinace/partners/

service each time they interact with the brand. As AloeVela is in its initial phase, the company has to concentrate on establishing brand awareness among the target market.

8.4. Channels

Online Platform

The charter company operates mainly their business through their own online booking platform, where the sailing boats will be demonstrated with a description, images, features, prices and availability calendar. After registering their selves and creating a profile at no charge, customers are able to check the suitability and availability of the offered sailing boats and subsequently place an online reservation. Moreover the customer has the possibility to book additional services trough the online platform and so creating his/her own customized charter. In terms of paying, the customer will need to cover the amount of the first payment online, which is 50% of the reservation and the other part 25 to 30 days before departure. Within this procedure the company can assure the protection of the privacy and confidentiality of the customer's personal data. Furthermore AloeVela will provide consumers an online platform, where they can assess, review and exchange about the sailing boats and the services delivered by the company. This will not only allow the company to get feedback about their service but also gain insights into the market's demand. Besides that a live chat on the online platform will give consumers the possibility to interact immediately with the company and answer their questions in real time with precision.

Office

AloeVela will have an office in Cascais, which should serve firstly as a working space for the employees and secondly as a site where the company welcomes their customers and set up the sailing boats for the trip. In the case that the sailing boat is not located in the marina of Cascais, AloeVela will bring their customers from its office to the departure marina by offering a shuttle service at no extra charge.

8.5. Customer Relationship

As chartering a yacht can be categorized as a high involvement product, the company's aim is to strongly support customers in their consideration, evaluation and purchasing phase. In order to achieve this and engage with the customer's issues, AloeVela is offering consumers different communication tools like a live chat on their website, Skype, email, and call service, to get in contact with the company easily. Since AloeVela is just entering the market of yacht charters, it needs to pay attention to customer acquisition in the initial phase. By using the right marketing channels the company aims to reach as many customers of its target audience as possible, so then the company can build an enthusiastic client base. Moreover price incentives should arouse attention of customers leading them to book with AloeVela. Thereby customers who book their trip considerably in advance will pay less. Moreover lower prices in the off-season should help to attract nautical tourists and thus expand the charter season. This is possible in Portugal due to the mild climate all over the year.

After the acquisition of customers, the company's focus will be on their retention. Not only providing them a unique sailing experience but also other incentives like discounts will help to keep consumers. Thereby a discount of 3% will be guaranteed to past customers with the condition of writing a review on its online platform.

8.6. Key Activities

The main activity of the charter company AloeVela, settled and operating in Portugal comprises primarily the service of renting sailing boats to domestic and foreign tourists for the purpose of vacation. Thereby the company offers the option of booking vessel charter with skipper or bareboat charter without skipper. Whether a skipper or a crew is required depends on the size of the boat and on the consumer's qualification to navigate. Besides that the company needs to take responsibility of the following activities:

- berth rental in nautical tourism ports for the vessel accommodation;
- maintenance of the vessels;
- cleaning and preparation of vessels (e.g. refuelling gasoline and water);

- provision of various information to tourists navigators (weather forecast, nautical guides, itinerary planning);
- the supply of additional desired services as e.g. meals;

Marketing

By applying the company's marketing strategy, Aloe Vela wants to achieve (1) an increase in booking frequency by 8% by the end of 2016. This objective has been set in accordance with the forecasted growth in the yacht charter market in Europe as well as with the fact that many charter companies do not occupy the Portuguese market.

Moreover the company's marketing efforts should help driving consumers to purchase the charter service, experience an outstanding service and thus consequently perform repeat purchases, which in a best case scenario will result into (2) a high ratio of repeat clients in 2016.

A confidential engagement with the company's customers, through marketing and delivering high quality service, should provide grounds for AloeVela (3) to position itself as an authority or expert of chartering sailing boats in Portugal. Thereby sharing expertise and the passion for sailing aims to (4) build brand awareness in the yacht charter market, whereas (5) promoting Portugal as a sailing (charter) destination can be seen as a secondary supporting objective. The four Ps'- Product, Promotion, Place and Price - attached in the appendix (7) should provide further details about the company's marketing efforts.

8.7. Key Partners

Vessel Owners

The owner can be either private or another charter company, whereas in the latter formation the two companies take the boats from each other based on the contract on vessel takeover for a specific period or season (Gracan et. al, 2011). In case that a private owner is placing his/her vessel into charter management, which is a good way to reduce the cost of the boat and also offset the cost of ownership, there are two common programs in the industry offered by charter companies: Guaranteed Income Program and Performance (Income Sharing or Variable Income) Program Sailonline.com, 2015; appendix 6).

Since the company AloeVela is in its initial phase, it is subleasing vessels of private owners under the Performance Program. The advantage of this program for the charter company is that it involves less risk and liability. Subleasing from another charter company might be as well an alternative option if there will not be found owners ceded their vessels. However this will allow the charter company to offer their vessels at a competitive price.

Marina &Vessel Repair and Maintenance

Marinas can be considered as one of the most important partners of charter companies. Firstly due to the company's dependence on the availability of berths for the accommodation of the sailing boats and secondly marinas provide the charter company technical assistance, water, power, waste disposal and repair & maintenance services. As the charter company AloeVela has decided to sublease firstly their vessel fleet from private owners under the Performance Program, the firm is fully responsible for the maintenance and repair of the sailing boats.

Since the marina of Cascais offers besides a wide range of support services as 24 hour security, fuel quay and a laundrette, also several maintenance services, which are carried out by qualified and officially certified staff, the company will have its main base there. In addition the marina is well known for being the home of international sailing in Portugal and is close to the airport of Lisbon. However as the company does not only sublease sailing boats berthed in the marina of Cascais, it is of great importance also having a great cooperation with the other marinas, located in the central and southern part of Portugal.

Skipper and additional services

The consumer has the option to book a vessel charter with skipper or a bareboat charter without skipper. This depends whether the consumer has a navigation license. Offering bareboat charters AloeVela will need to build an internal network of self-employed skippers that allows the company to purchase the service of a skipper in the case it needs to. Thereby the company will pay attention that the skippers have experience in all aspects operating a yacht, that they are trained and skilled in navigation and familiar with maritime regulations. Their responsibility is then taking care of the safety of the boat and the crew on board as well as planning the voyages, navigating the vessel and maintaining the equipment during the trip.

As consumers have the option to book additional equipment or services, for instance food & beverages, sports equipment etc., the company needs to cooperate with various companies in order to enable an unforgettable sailing trip for the consumers.

8.8. Revenue Structure

The main income of the company is the booking commission (18%) paid by the boat owners under the Performance program as well as the amount of the net charter income after the allocation between the owner (75%) and the company (25%). Furthermore the company reckons up a margin of 20% on additional services provided to the consumers. In case that a skipper is booked for the sailing trip, AloeVela acts as an intermediary between self-employed skippers and customers, charging a commission of 18% (appendix 11).

8.9. Cost Structure

Since the company is subleasing its fleet of sailing boats from private owners under the Performance Program the owner bears for all major operational costs related to the vessel. This includes maintenance cost, berth rental as well as the insurance of the boat. However AloeVela is covering the expenses, which occurs due to the preparation of the vessel for the trip, including the variable costs of laundry and boat cleaning. The distribution costs including renting costs for the office and the online platform management, marketing expenditures and the salaries of the employees comprise the company's fixed costs. In terms of start up costs, the company needs to equip its office, provide its employees technological equipment, develop an online booking platform as well as endow the sailing boats with additional equipment as bed sheets, towels etc. (appendix 11)

9. Financials

Assuming the company charters in 2015 four sailing boats for the duration of 20 weeks, charging a booking commission of 18% and receiving 25% of the net charter income, this results into a revenue of € 68.861.82. Furthermore the company gains a 20% margin on providing extra services, which amounts €24.696,00 and charges booking commissions on the service of a skipper, resulting in €6.531,84. Summarizing the amounts the company will make a total revenue of €100.089,66 in the first year (appendix 8).

Subtracting the company's variable costs (laundry, boat cleaning) of € 3.990,00 and fixed costs (marketing costs, office rent, salaries, online platform management) of € 104.980,00, this results into a negative profit of €6.660,26 in 2015. Nevertheless as the forecast for the yacht charter market in Portugal looks promising and the company aims to add each following year a sailing boat to their fleet, an increase in revenues of 8% per year is expected. Coupled with more demand also the variable costs will increase. Thus the company will have its first profit of €5.332,98 in the third year This shows that the charter company will be profitable in the long run and that the projected future cash inflows will cover the future costs of starting and running business can also be confirmed by the net present value. Thereby the value is positive with € 5.012,30, covering the initial investment of - € 17500,00 (appendix 8).

In order to analyse possible future events a best-case and a worst-case scenario has been established. In the best case scenario (appendix 9) AloeVela is purchasing two additional sailing boats in 2018 by entering a leasing contract for 15 years. Thereby the company needs to pay initial contribution of 30%. In the end a residual value of 10% remains, which AloeVela needs to pay in order to take the ownership of the sailing boat. By owning two more boats the assumption is made that the revenue from 2018 will increase by 12%. Moreover the increase of duration of the tourism season, as sailors discover Portugal as a new destination for chartering in the off-season, contributes to the raise in revenue. Even though the company will bear a loss in the year when entering the leasing contract, just the year after the company is making a profit of € 28.486,36.

In the worst-case scenario (appendix 10) the company's expenses remain the same but revenues increase only by 4% each year, due to the choice of consumers chartering in other destinations and not seeing Portugal's potential as a charter destination. Furthermore climate change might cause a shorter booking season of 17 weeks. This scenario can be a great threat, as with these circumstances the company will generate loss for the following years, beginning with the launch of the company. Besides this the net present value is negative with €77.935,51, which means that future cash flows will not cover the investment.

10. Conclusion

Examining the Portuguese yacht charter market by applying the Porter's Five Forces Model, it can be concluded that there is potential of market growth. Moreover, this is supported by several studies, identifying Portugal as an unveiled destination of nautical activities. Despite the fact that there are already several countries having a focus on this tourism sector, Portugal has considerable strengths, distinguishing the country from other nautical destinations. Benchmarking Croatia has shown that this is barely possible, as the given resources like the coastal landscape and the advances in maritime infrastructure and the development of the charter market are incomparable. However knowing the weakness of the Croatian charter market, helps Portugal to use them for its advantage and consequently build on its unique strengths to become a fellow player of European charter market. Thereby Portugal should promote itself as a nautical destination with a mild climate all over the year, a unique coastal landscape, uncrowded waters and marinas, great price value and availability to practice other nautical activities besides yachting. The mild climate also gives the availability to expand the nautical tourism season. Nevertheless, in order to attract more charter tourists, Portugal needs to foster and build more marinas and to extend the number of anchorages possibilities.

Due to the positive forecast of the Portuguese yacht charter market and low number of incumbents, this might have a result in several entries, increasing the internal rivalry of the charter market. In order to sustain in the competitive market, it is from great importance for AloeVela to distinguish its offer from others. Providing more than just a boat for sailing, but enabling customers a unique unforgettable and customized sailing experience, the company has a great advantage in the charter market. Moreover AloeVela's high quality of service is an essential source of competitive distinction. Considering these facts, it can be concluded that the company will enter the Portuguese charter market with success and capture a considerable market share.

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