

GLAMPING HUB: CREATING A NEW TOURISM MARKET PLACE¹

It was the beginning of 2017. Talal Bejelloun, David Troya, and Rubén Martínez —the three founding members of Glamping Hub—, accompanied by their financial director, Antonio Bustamante, walked toward the room where the meeting was to take place in order to prepare for the first Board of Directors meeting of the year. Their task was to talk about the close of 2016 and the goals they were going to present to the Board of Directors for their approval.

Antonio Bustamante began by explaining:

“In 2016, we have doubled our turnover with respect to the previous year. Right now, we have more than one million euros in our treasury; but the structure costs, as well as our growth investments, are high. We are still losing 100 thousand euros out of pocket every month, and we need a new round of investments or in ten months, we will have to close.”

Talal Bejelloun, director of Growth²:

“Although they have improved greatly, the conversion metrics are still very low. Investors insisted at the last board meeting that to generate more site traffic, we should begin to invest in SEM³ in a big way. As we know, our two main investors can’t keep supporting the project with more capital, so we need to set some very ambitious goals and make a bold plan of action to encourage the group of most recent investors and, why not, attract new ones as well.”

¹ This case has been published by the Research Division of Instituto Internacional San Telmo, Spain. It has been written by Professor José Luis García del Pueyo and research assistant Bassem Nwelati Artillo. This case has been developed as a basis for class discussion only and is not intended to illustrate any judgment on the effective or ineffective management of a specific situation.

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² The name of the department of growth and expansion.

³ See Appendix 1 to find a description and basics of SEM and SEO

David Troya, CEO of Glamping Hub:

“This may be a better time to invest in SEM, but SEO is what we have always thought would generate more traction in the long-term. It’s slow, but more reliable (see Appendix 1). We could design campaigns using ‘influencers’⁴ and increase our ‘adwords’⁵ budget to generate more traffic. We would then have to estimate the costs that would accompany an aggressive campaign and estimate the return on investment.

On the other hand, I agree that we must be ambitious. Right now, we are the leaders in our field, and we should aim high. If we triple our turnover this year, we can pass the break-even point⁶. I believe it is feasible to reach 100 million EUR in turnover by 2020. All we have to figure out is how to do it.”

Rubén Martínez, director of Sales and Expansion:

“It is quite a challenge. We need to increase the number of listings considerably. After four years of work, we have accumulated 5,731 listings. To reach that turnover, we should have at least 100,000, which is to say twenty times more. I cannot do that without a bigger team. If we establish a headquarters in the U.S. with native, veteran employees who do not need so much training and generate better results in the short-term, we might have a chance. I am picturing a group of at least forty professionals dedicated to securing more listings.”

Antonio Bustamante:

“It could be a good idea, Rubén, but that would raise costs by a lot. As you all know, the kind of people who are currently doing that work for us are recent graduates, of many different nationalities, living in Seville. This allows us to increase our offerings without a big spike in costs. We have to measure this very carefully. On the other hand, we should also clarify what strategy we are to follow. Should we continue strengthening markets where we have the most lodgings or should we start to develop offers in those regions where we have the least, in order to stimulate demand?”

⁴ An “influencer” is a person that attracts a big community of followers through social media around a certain interest (sports, culture, fashion, lifestyle, video games, etc.). Influencers are able to guide their community of followers in their consuming habits and lifestyle.

⁵ Google Adwords is a publicity tool from Google that allows for ads to appear among the same search results simultaneously with—and in a better position than—organic or natural search results. It is paid per click.

⁶ The break-even point is the point at which turnover exceeds the cost of operations, excluding costs of growing structure.

David Troya:

“No matter which decision we make in this respect, they will all create the need for more investment. But for that, we also have to improve our metrics (see Exhibit 1). There are many elements that we have to work heavily on. The conversion rate of visitors to customers is 0.6%, while portals like Booking have around 4%. The average price of our commissions is 12%, while other companies in the sector charge up to 20%. The ratio of booking confirmations is at 33%, we’re going to have to work in detail on each aspect that may affect our end results. We know our business better than ever. Let us set those objectives and create a concrete plan of action for the Board of Directors in February.”

The meeting was adjourned, and each of them returned to their workstation.

THE ORIGIN OF GLAMPING HUB

David Troya, who had always held great international ambitions, finished his tourism degree in Seville in 2005. He had studied some years in Hawaii and Germany as well. Immediately after receiving his university degree, he presented an entrepreneurial project related to the tourism sector to a contest for young entrepreneurs. He won a prize and some recognition, but a lack of confidence and experience kept him from seeing it through.

After working in a hotel for a few months, he got a job as operations director for a travel agency of fourteen employees, led by two young Americans who had decided to launch their business in Seville. His responsibilities were to organize trips for young tourists who would travel from Seville to other parts of Spain as well as Morocco and Portugal.

Given that the agency’s partners put considerable trust in him, and that David was not content being a simple employee, he proposed that they allow him to become a partner. Despite the good relationship between the three, they could not come to an agreement, which led him to think that it would be a good idea to take a course in business management and gain the necessary knowledge to start his own business.

David learned about a scholarship program called Talentia⁷ —provided by the Andalusian Regional Government— which enabled young people from the community with good academic standing to study at the best business schools and universities in the world. The scholarship provided complete funding for tuition and living expenses, with the condition that the student return home after finishing their studies in order to reinvest their knowledge.

⁷ <http://www.juntadeandalucia.es/economiainnovacionyciencia/talentia/>