Case Study: Relaxing Travel

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Relaxing Travel is a successful, family-owned travel agency that has been in business for over 20 years. In that time, they have expanded to two locations with over 15 total employees. Their original store, where they have been located for 20 years, is in the Main Street Mall, a central shopping destination in Turnbuckle, NJ. Their second store, which opened about 10 years ago, is located across town in a large outdoor shopping center that contains several high-end, factory outlet stores. Both locations have been very successful over the years, with high foot-traffic resulting in very good sales.

Recently, however, there has been a development that could cause changes in how Relaxing Travel operates. The owner of the outdoor shopping center, where Relaxing Travel has its second location, has decided to sell to a corporate group that owns and manages shopping centers such as this one. Because the shopping center contains outlet stores from high-end retailers, the new owners have decided to increase the rent of these stores to almost double the amount that was previously charged. Where many of the high-end retailers can probably afford this increase in rent, the owners of Relaxing Travel feel that it will cut too far into their profits, making operating at this location unfeasible.

Company Background: The owners of Relaxing Travel are Marie and Joseph Brown. They started Relaxing Travel in their early forties after both had spent many unsatisfying years working in middle management for large corporations. They both loved to travel, and their above-average salaries at the time allowed them to do so to many exotic places around the world. But when Marie lost her job in a corporate restructuring project, they decide to parlay their business acumen and love of travel into starting their own travel agency. They rented a small space in the Main Street Mall, and Marie handled most of the startup duties while Joseph kept his full-time job in order to pay the bills. After two years, and a good amount of success in the agency, Joseph left his job, and joined Marie on a full-time basis. After five years of continued success, they move into a larger storefront in the same mall. About five years after that, they were joined in the business by their two children who had recently graduated from college: Justin, an Information Technology major, and Elena, a Business Administration major. They created an informational website and opened the second location. Today, the original location is run by Marie and Joseph, with a staff of two clerical employees and seven full-time agents. The second location is run by Justin and Elena with two clerical employees and five full-time agents.

You are the owner of Project Management Associates (PMA), a firm that guides and assists companies with the decision making and tasks that accompany major projects. Relaxing Travel has reached out to you for guidance and management. With the increase in operating costs at the second location, decisions need to be made regarding how the travel agency will go forward. In your initial consultation with the company, it was decided that the agency will pursue one of two possible projects, with an overall budget of approximately $100,000 and a time period of approximately three months to complete:

1. Keep operations the same, and move the second office to another location. This will involve moving the equipment, furniture, and people to another office in a different area that may not have the same foot traffic, but will cost less in rent and operating fees. It will also involve rebuilding the brand as the proposed new storefront is several miles away from the one they are leaving
2. Close the second office altogether and transition to a remote workforce. This would involve consolidating operations at the original office with better than half the employees working remotely from home. It would also involve setting up home offices for those who choose to work remotely, with secure channels of communication. It could also mean transitioning to an ecommerce website and digital advertising to replace the physical presence at the second location. This solution could very possibly lead to greater growth than a second physical location, but it could be more expensive initially, and require greater adherence to government regulations regarding credit card payments and customer privacy.

Ownership is divided on which path to choose. Marie and Joseph like the first option as it reflects how they started their business in the first place. To them, it is a tried-and-true method for building their business. Justin and Elena will probably be taking over the business from their parents when they retire in a few years, and they are bullish on the second option as they feel it is time to modernize the business. After all, most of the people they know like to purchase goods and services online. And why should they be limited to a client base that only includes one city?