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# Hotel Ivory – Harvard business school Case study

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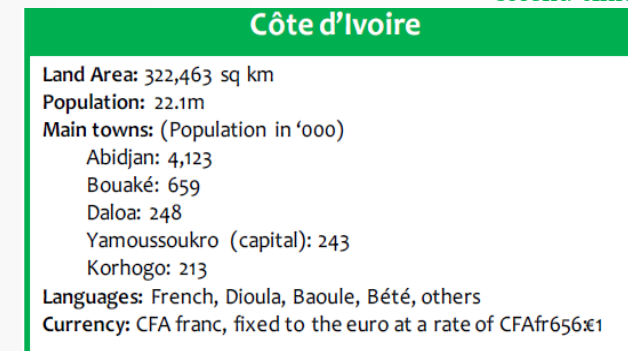
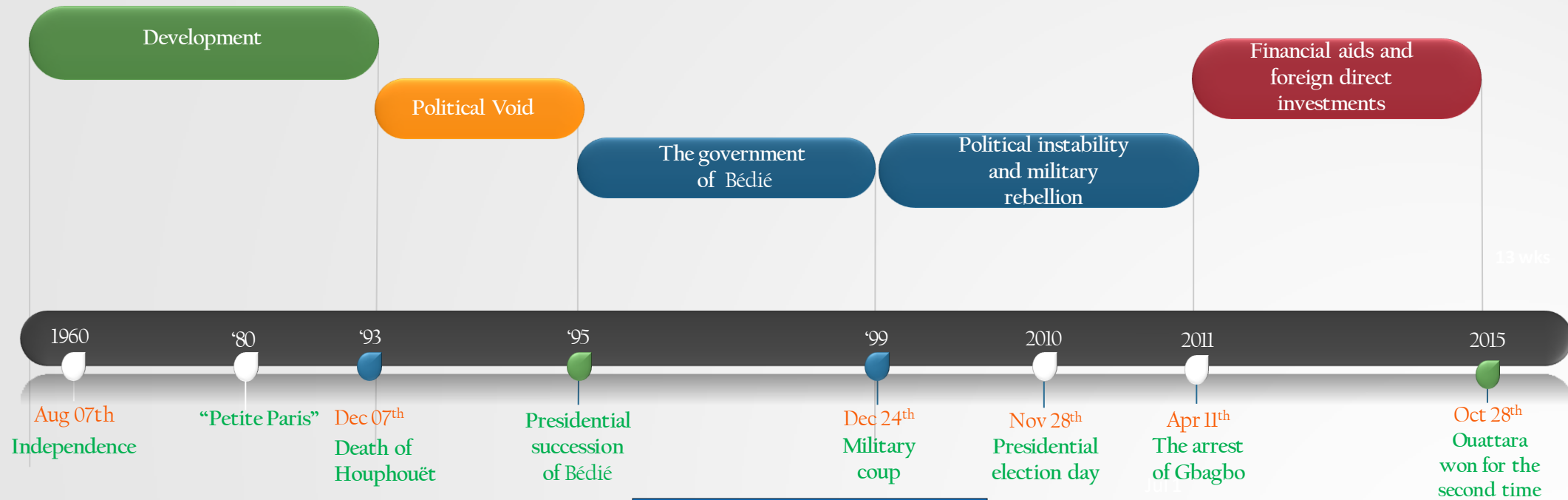
# Hotel Ivory

Harvard Business School -  
Case study

Professor Doctor Duarte Pitta Ferraz

Raising Capital in Global Markets 2016/2017

# Côte d'Ivoire timeline



# SWOT analysis

Attractions	Location(s)
Basilica of Our Lady of Peace of Yamoussoukro	Yamoussoukro (240 km north of Abidjan)
Beach- & water-related activities	Assinie, Grand Lahou, San Pedro, Sassandra
Cultural, culinary, and arts-and-crafts diversity	Abidjan (south), Korhogo (north), Gagnoa/Daloa (west), Bondoukou/ Abengourou (east)
Nature tourism	National parks (e.g., Comoé, Thäï), fauna reserves (Abokouamékro), and protected areas (e.g., Nimba Mount, Ehotilé Islands, etc.)
Nightlife	Abidjan
Agrotourism	South of Côte d'Ivoire

- S**
1. UNESCO World Heritage
  2. Animal parks, nature reserves, natural landscape;
  3. Low cost of life.

- O**
1. Government policies (eg. leisure facilities);
  2. Investments in tourist villages;
  3. Increasing of internal tourist demand
  4. Increasing of the international tourist market.

- W**
1. Low level of investments;
  2. Low competitiveness (131°);
  3. Low marketing strategies (134°);
  4. High prices of airplane and taxi fees
  5. Trivial bureaucracy.
  6. PROPERTY LAW

- T**
1. Political instability
  2. Financial issues
  3. Terrorism.

COUNTRY	EXTRAJUDICIAL KILLING	LACK OF WOMEN'S POLITICAL RIGHTS	LACK OF INTERGROUP COHESION	POLITICAL INSTABILITY	RANK IN GTI 2014
Bangladesh	✓	✓	✓	✓	23
Iran	✓		✓	✓	28
Sri Lanka	✓	✓	✓	✓	37
Burundi	✓	✓		✓	39
Cote d'Ivoire	✓	✓	✓	✓	40

- (A). SHORT TERM IMPACT
1. LOSS OF HUMAN CAPITAL
  2. SHORT TERM FINANCIAL LOSS
  3. INVESTOR'S BEHAVIOUR
- (B). LONG TERM IMPACT
1. POLITICAL INSTABILITY
  2. GLOBAL IMPLICATIONS
  3. LONG TERM FINANCIAL LOSS

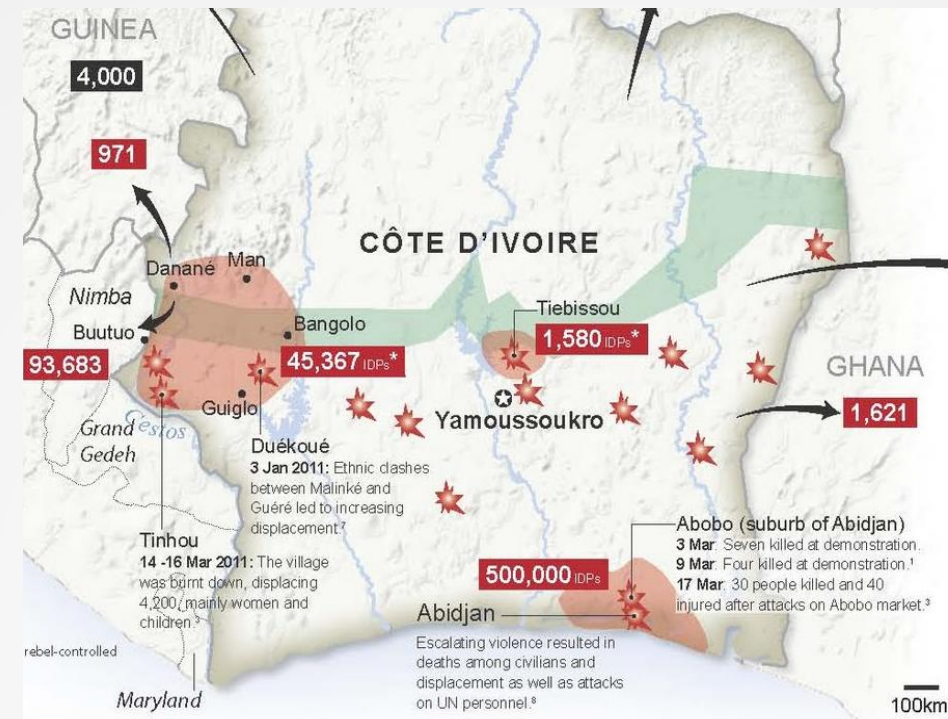
# The Papins history

## Pre-crisis

- Papin set up his car dealership in 1987
- Fiscal audit and bankrupt in 1992
- The Papins moved to Senegal and they analysed automotive market
- First approach with Mr. Dupont in Ivory Coast in 1994
- Proposal of managing Dupont's restaurant in exchange for a fixed fee
- Hotel Ivory was founded in April of the 1998

## After crisis:

- Political crisis and attacks against tourists in 2004
- Building of other 15 bungalows in 2010
- Starting the negotiation with Sanankoua in 2012





# The Papin's management (1994-2012)

**Firm infrastructure:** Restaurant, hotel, low maintenance cost, IBS and “brick by brick”

**Human resource management:** loyal local workforce with experience, low wage and high flexibility

**Technology development:** conference room with state of the art equipment

**Procurement:** suppliers paid in cash, shopping to local market twice a week, minimizing food losses and theft

**Inbound logistics:**  
km 0 (only fresh  
foods)

**Operations:** hotel  
and catering services,  
tourism crocodile  
farm, conferences and  
seminars

**Target:** European  
citizens, local and  
high profile  
corporate customers  
and French soldiers

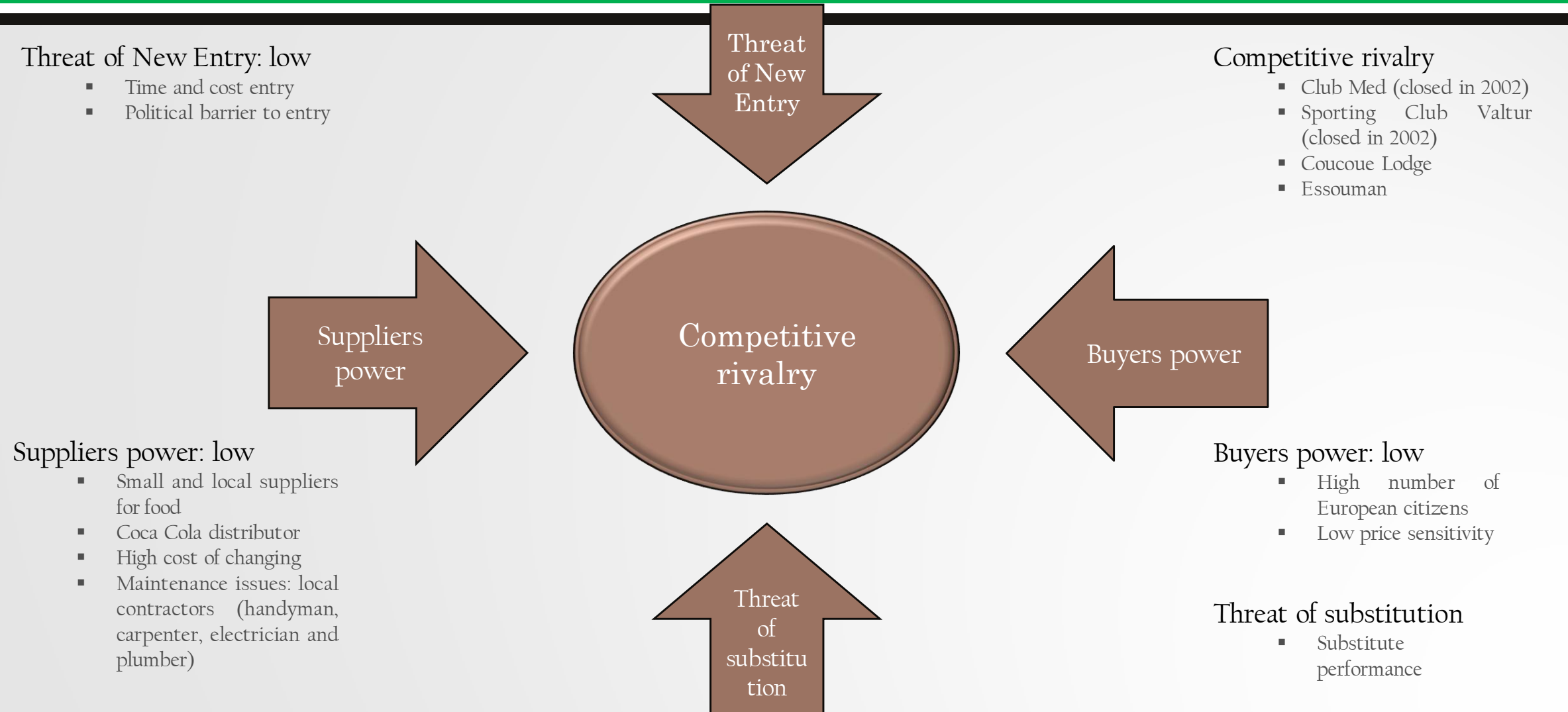
**No marketing or  
advertising**

**No services  
room or  
minibar**

Revenue: 60% seminars

Cost of the hotel: €30,000

# Porter's Five Forces



# CARPEDIEM: “buy low, sell high”

The timing is optimal for investing

The presence of large-scale investments encourages the opening of private business

## 2011-2015

SECTOR	INVESTMENT
INFRASTRUCTURE	€ 1.69 Billion
POWER	€ 1.03 Billion
GAS STORAGE	€ 343 Million
REAL ESTATE	€ 82 Million
RETAIL	€ 1.9 Million
<b>TOTAL</b>	<b>€ 3.15 Billion</b>

+200%

## POST 2016

SECTOR	INVESTMENT
INFRASTRUCTURE	€ 3.35 Billion
POWER	€ 1.18 Billion
MINING & HYDROCARBONS	€ 2.83 Billion
TOURISM	€ 1.03 Billion
<b>TOTAL</b>	<b>€ 9.93 Billion</b>

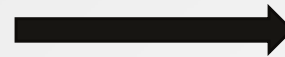
Public aids

- ❑ State of France aid package of \$414 million.
- ❑ The American Growth and Opportunity Act (AGOA)
- ❑ IMF approved \$616 million Extended Credit Facility.
- ❑ HIPC → over \$3 billion of debt cancellation by international lenders.



# The Deal

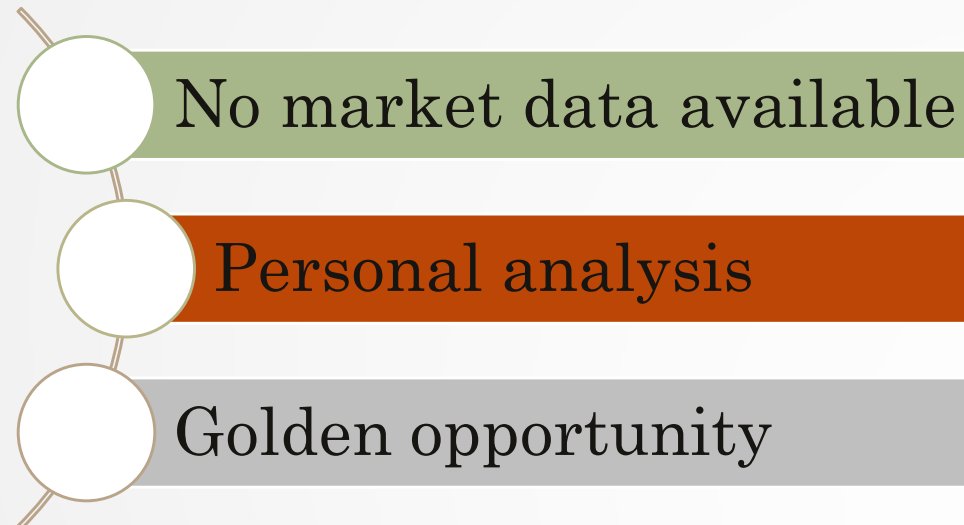
Initial target sale price: 2.000.000€



71.429€ per room

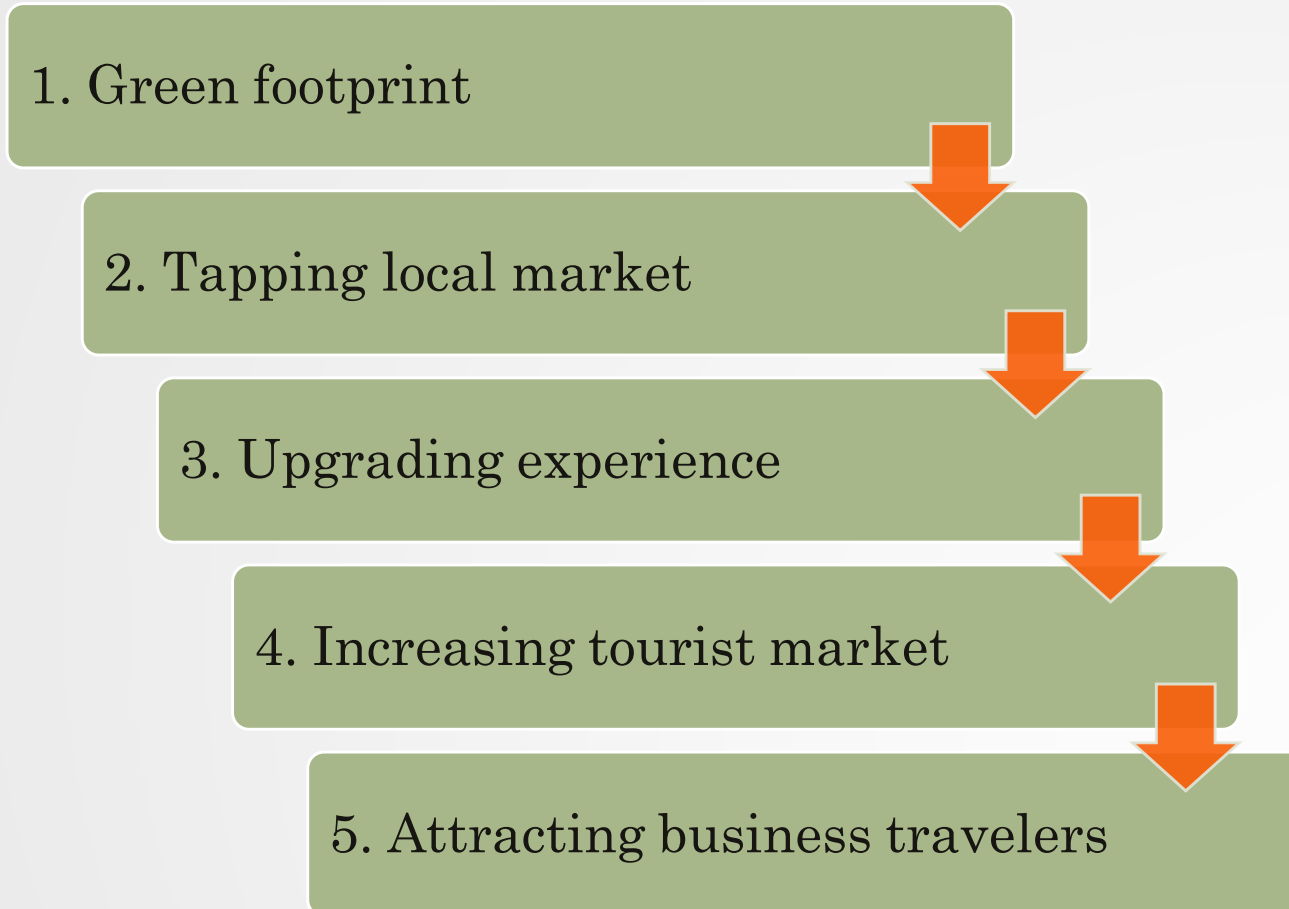
This first proposal was based on Papin's expenditure on the previous 14 years

Sanankoua found it relatively inexpensive

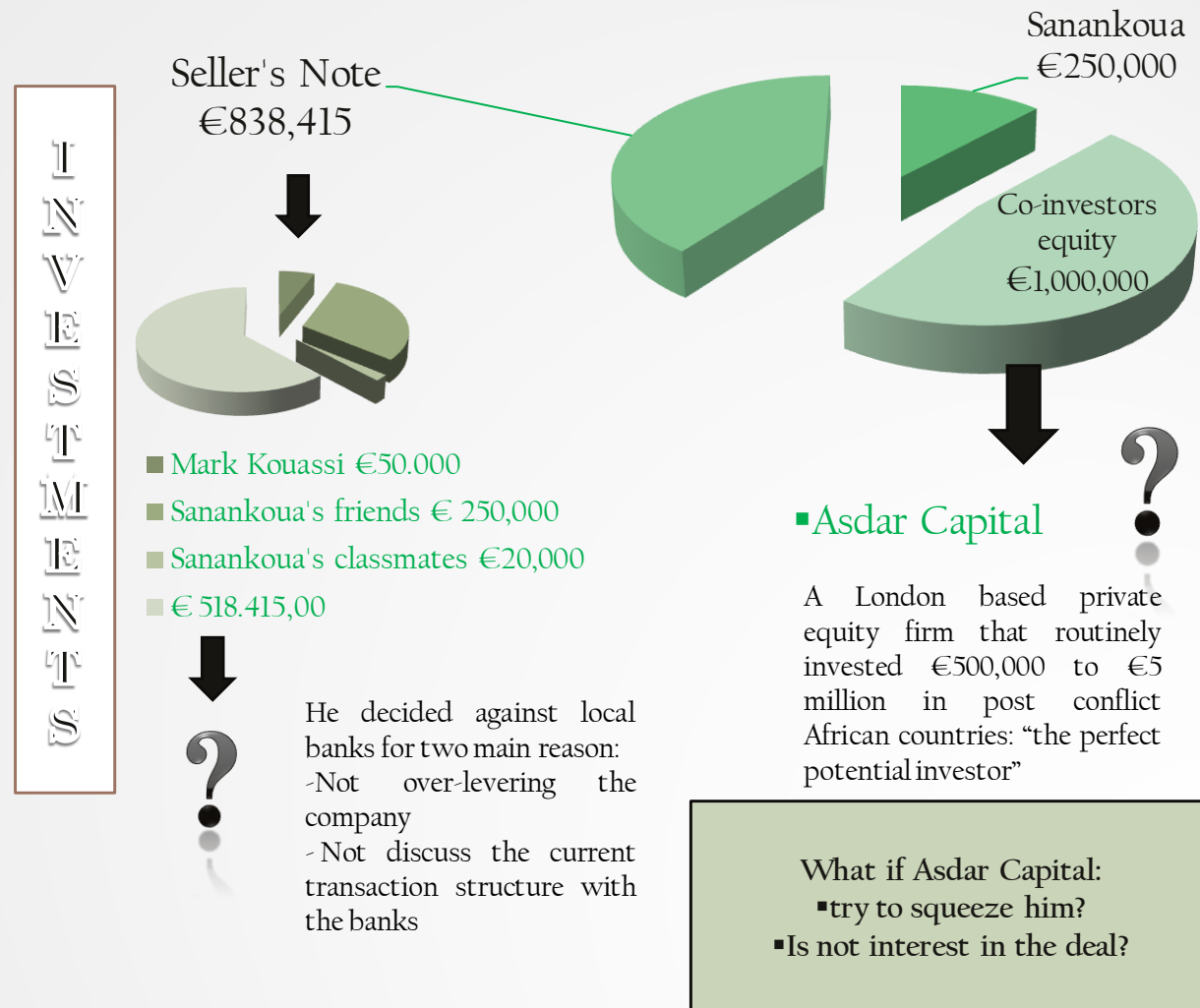
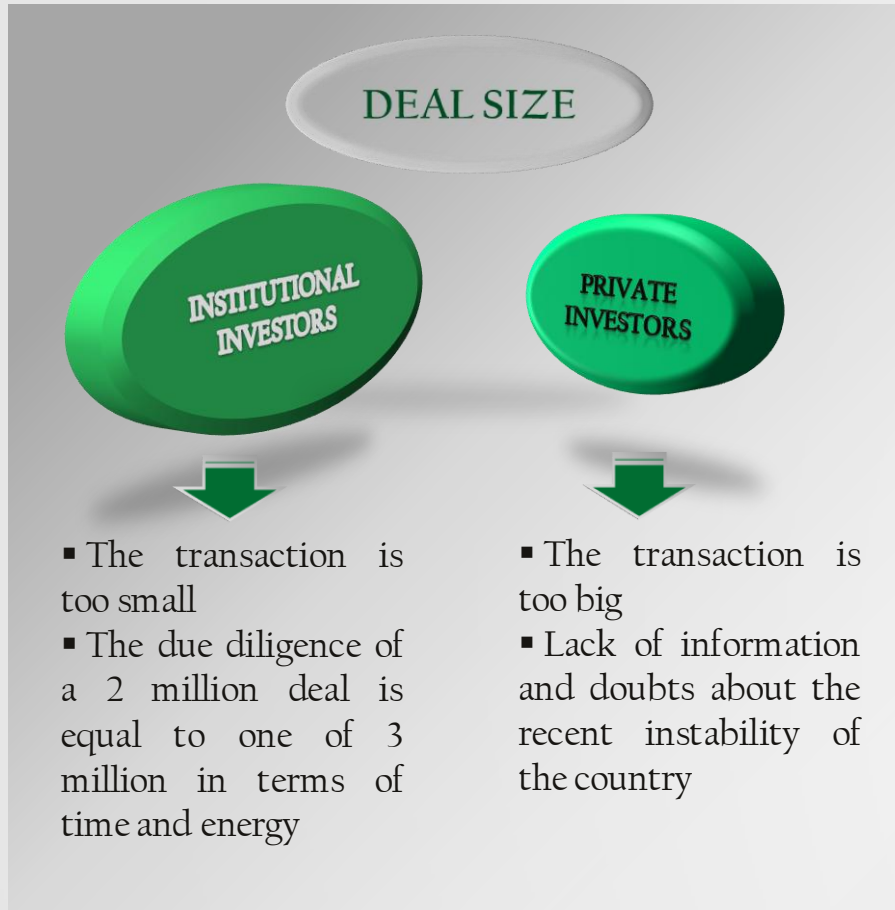


# Implementing a value creation strategy

Mr. Sanankoua's  
strategy was very clear  
and detailed

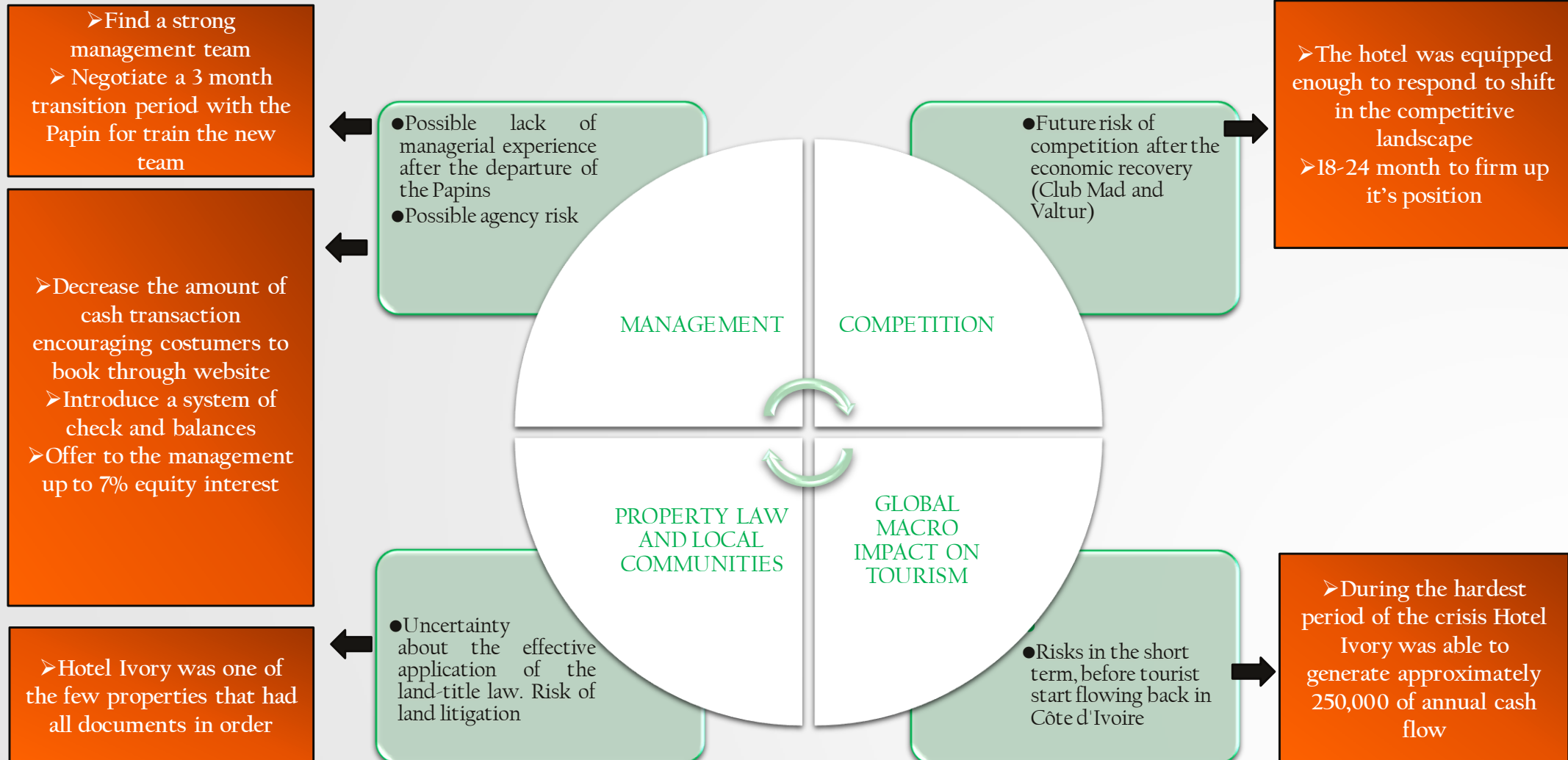


# Fundraising



# Investor's concerns

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# FINDING THE RIGHT METRIC:

Recognize consumer action and take into account the profitability through consumer influence.

$$\text{REVPAR} = \frac{\text{rooms revenues}}{\text{number of rooms}} = \frac{382,355}{28} = 13.65$$

It's able to see how well the hotel is filling its vacant rooms. This performance measurement also let see how well the average hotel room is priced.

The most revenues for Hotel Ivory come from food & beverage (580,793) and less from the rooms (382,355). This could be a sign that Sanankoua should consider reconfiguring the space and adding more rooms, or even should consider increasing the price for Food & beverage.

$$\text{REVPASF} = \frac{\text{total revenues}}{\text{square meters}} = \frac{967,988}{1232} = 785,7$$

$$\text{VACANCY RATE} = \frac{\text{empty rooms}}{\text{number of rooms}} = \frac{17}{28} = 0.6 \%$$

The vacancy rate is very high but since the most of revenues come from food & beverage and Sanankoua has plans to change the business, it should not discourage investors.

The business is focused on food & beverage but expanding it through the creation of new meeting rooms will allow greater diversification.

$$\text{COMPANY CORE VALUE} = \frac{\text{F \& B revenues}}{\text{total revenues}} = \frac{580,793}{967,988} = 0.6\%$$

# OWNERSHIP STRUCTURE

Acquiring knowledge and thinking locally



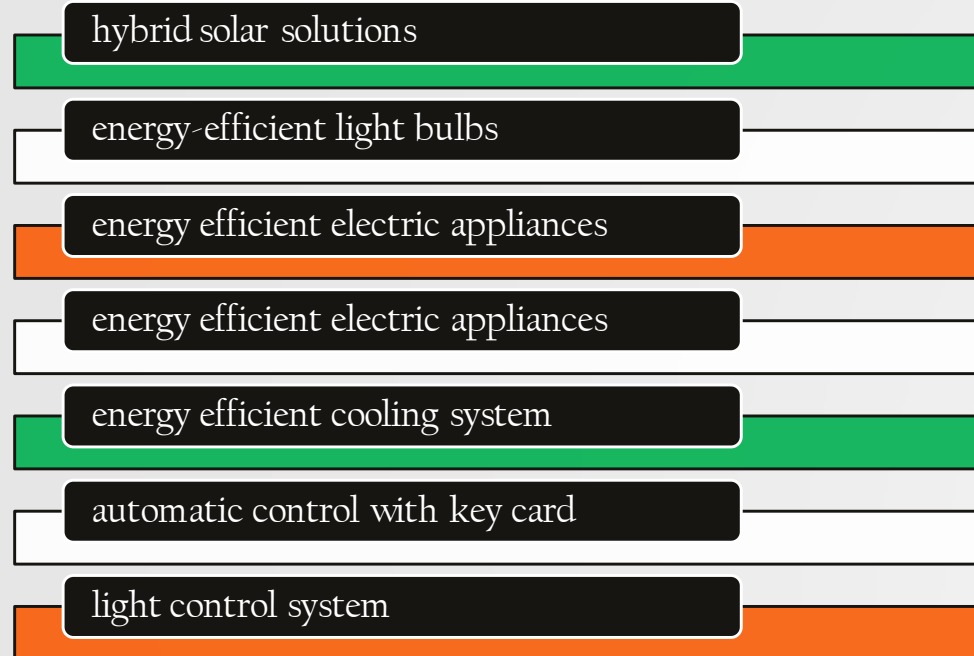
- It provides companies the opportunity to gain new capacity and expertise.
- It can have a limited life span, and reduces both commitment and the business' exposure, without exiting from a non-core businesses.
- Investors can gradually separate a business from the rest of the organization, and eventually, sell it to others companies.

- Venture capitalist could offer a direct connection between Sanankoua and the skills needed to grow the business.
- Building a network of advisors and gain access to a network of Africa focused investors.
- For example venture capitalist Grovest take advantage of the growing demand for solar energy requirements and invests funds in a portfolio of solar energy projects, which demonstrate predictable cash flow by long term power purchasing agreements



# Differentiation strategies matched to community needs

## LEVERS FOR MAKING HOTEL IVORY GREEN



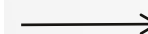
## COUNTRY'S NEEDS

The electricity consumption per capita was bound to increase and the government was investing heavily (1.03 Billion) in the country's power production capacity to prepare himself for electricity demand. There was a chance that in few years Cote D'Ivoire would find itself in an energy crisis because growth was faster than anticipated.



## AFRICAN DEVELOPMENT BANK GROUP

-  Black Solar Lite
-  Prise de participation - MCI
- Kempiski hotel project



Why the bank should finance the project?

Increase local workers  
It meets country needs

# Conclusion: choosing the suitable covenant or option

How could  
we set his  
exit  
strategy?

## OPTION CONTRACT

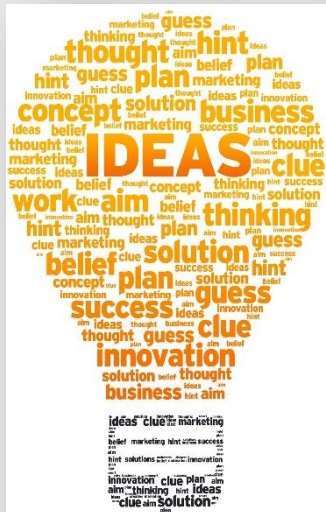
Fixed-Buying term

Fixed price

Irrevocable offer

No purchase required

Difficulty to buy?  
Need additional  
time?



## COVENANTS

LIMITS ON  
CIRCULATION OF  
SHARES

Ban on the transfer of shares

STOP THE  
REMUNERATION  
OF DIVIDENDS

Postponing, interrupting or  
cancelling dividends  
remuneration at certain events

MAINTAINING  
CORPORATE  
CONDITIONS

Don't change company statute  
regarding structure, business  
purpose, etc.

# Thank you for your kind attention



## References:

- OECD/ African Development Bank (2006), African Economic Outlook 2006 (OECD Publishing, 2006)
- Jeune Afrique number 2665, *La Lettre du Continent*, February 5-11, 2012
- Casewriters, based on data from *La Côte d'Ivoire* (Les Editions du Jaguar, 2008)
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