

## **Section 2. Market Industry, Competitor Analysis & Guest Segmentation**

### ***Why target High-Net-Worth Individuals?***

Emirates is one of several major airlines that carry tourists to Sri Lanka and Emirates hub Dubai, is home to about 26,000 millionaires (USD) among a total population of about 2.2 million. This implies that one in every 100 people in Dubai is a millionaire. Dubai, however, is ranked second in the Middle East in terms of the number of millionaires that call it home.

While on an Emirates flight, I was interested in working out an example of how the dynamics of profitability can be significantly changed when catering to HNWI's. This particular flight was from Manchester U.K. and I was on one of Emirates new A380's. I was one of the 399 passengers in economy, paying an average of \$600. Upstairs, there were 76 passengers in business class paying an average of \$3,500 and another 14 passengers in first class paying an average of \$5,000. The demand for business and first class is rapidly growing. An analysis carried out for the Financial Times in London by the aviation data company OAG shows a significant rise in the number of first-class seats in the air.

Over recent years, first-class seat numbers have grown by 63% on Air China and 127% on China Eastern. Why is this? It is interesting to determine the income and expenditure from the various classes of passengers so as to begin analysing profit dynamics and search out where new opportunities are to be found. In theory, on my Emirates flight from the U.K., the revenue generated from the 14 passengers in first class and the 76 passengers in business class would have a total of \$336,000. Whereas, the total income from the 399 economy passengers is \$239,400 but with this income, there is a much higher percentage of costs with 399 passengers to be carried plus their luggage and their other their needs to cater for such as meals, drinks, and general operating costs. Therefore the percentage of profit from \$239,400 from the bottom deck of the plane is much less. However, to receive \$336,000 from only 90 passengers (even though the cost per head is much greater because of the higher standard of service), the overall profit from the top deck passengers will be much higher.

Because of operating costs, I believe there could be a greater overall profit in having a 50-bedroom hotel 50% full at \$1000 per night rather than a 500 bedroom hotel 100% full at \$100 per night. An example of this was in one of my first businesses as a 16-year-old. I had an ice cream van, and my competitors sold very small ice creams at 10p (going back many years – 10 English pence).

I invested extra and bought an ice cream van with a softy/whippy machine. My competitors and I both used the same ice cream mix, but my customers used to say that my ice cream was so much smoother and creamier. (Little did they know that it was because of the 50% air that was whipped in and I got the air for free.

The ice creams that I sold for 15p were three times larger than the tiny ice creams my competitors sold for 10p. This is where profit dynamics come into play. I did really well because the larger cone and the additional ice cream only cost me 1p extra, whereas I was receiving 5p extra per cone. The customers were delighted and came in droves as they were receiving 200% more. It cost so much per day to operate the van that this extra 5p on top of the 10p meant a dramatic increase in the overall profit margin.

There are now more people willing to pay many times extra for a better service. Using Emirates A380 as an analogy, it is the top deck passengers that we are looking to market to and attract as guests to Mountain Lodge. \$1,000 per room per night is now becoming average in many areas around the world. Interestingly, many years back some forward-thinking people bought beachfront land in the Seychelles, Mauritius, and the Maldives at very low prices. A tourism development delegation visited the Maldives and concluded that the only economic activity was locals fishing; there was no tourism infrastructure; therefore, it was a non-starter and basically wrote it off as a potential tourism destination. How wrong they were, as now many resorts are generating high revenues from wealthy guests.

Ella in Sri Lanka has been known for its perfect climate with cool mountains, clean air with high levels of oxygen, waterfalls, tea plantations, etc, and has been a backpacker's paradise because of the low prices for accommodation. Ten years ago there were around 100 rooms available in Ella and now there are around 1,000. The number of visitors to Ella is now increasing at a higher rate than the rest of the country as it's a great stopover and rest location set in the central area between the beautiful beaches of the South coast, surfers paradise in the East, and it's the beginning of the cultural triangle to the North.

In the past, most visitors would stop over for a few days on their way through, whereas now it's becoming a destination in its own right, with guests now staying for longer periods. The dramatic increase in visitor numbers has brought about an increase in demand for high-end accommodation; added to this, it is fast becoming a year-round destination. However, the end of October is still a very quiet time.

The average \$20 to \$50 per night hotel occupancy during this lowest part of the season was around 30%, but the main higher-end resort known as 98 Acres is now charging \$200 to 500 per night and is still running at a near continuous 100% occupancy. The demand for high-end accommodation with good service is outstripping supply.

I was recently staying at a lower-cost hotel and was joined by a hotel management consultant from Switzerland. He usually spends around \$1,000 per night when he is travelling, but when he came to Ella, he could only find 98 Acres and needing a room, he went there only to be told, "Sorry Sir, we are full".

There is a growing demand for high-quality establishments. New high-net-worth clientele are arriving from China, India, the Middle East, Russia, Ukraine as well as the long-established markets of Europe.

Countries such as these are now producing millionaires at a higher rate than ever before; hence, companies such as Etihad, Qatar, Emirates, and many more are not only increasing the number of flights to Sri Lanka but also increasing the number of business and first-class seats. The new HNWI's coming to Sri Lanka need places to stay. By catering to this emerging market, it will in itself generate further demand. It has been said, 'if you build somewhere worth visiting, then visitors will come.'

The incredible features of Mountain Lodge will make it a place like no other, with an atmosphere more of a private residence than a hotel and with our focus on the health and wellbeing of our guests. It will be a unique experience where you can pick fresh fruits from the garden for your breakfast surrounded by tropical plants, birds, and butterflies. The rooftop gardens with a natural-looking large infinity pool and extensive spa will provide guests with wow-factor wellbeing amenities for relaxation and revitalisation.

Many travellers are now working remotely while on holiday; therefore we will have a high specification business centre with private offices for guests who also need to catch up on work. We have been blessed in being able to own this most amazing property set in peaceful and beautiful surroundings with outstanding scenery and a perfect climate.

We invite you to partner with us in raising the necessary finance that would allow us to build an iconic mega-mansion 'residence-type hotel' attracting HNWI's by providing a unique guest experience. Investors and entrepreneurs need to work together in developing the necessary infrastructure and provide a service that is second to none so as to be in the position to take full advantage of this new and potentially very lucrative era within the Sri Lankan tourism industry.

There is a direct correlation between the increasing wealth of the nations mentioned above and the increasing numbers of HNWI's from those nations visiting Sri Lanka. There is a massive increase not only in tourism numbers but also in spending per head, thus creating an economic model for exponential growth to occur.

In Summary: The potential for a healthy return on investment is not only derived from the immense growth in the Sri Lankan tourism industry but also added into the Mountain Lodge equation is the additional profit to be derived from catering to the ever-increasing numbers of HNWI's now coming to Sri Lanka. We believe Mountain Lodge to be a unique two-fold opportunity for investors.

At your service

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