

The Moroccan Diamond Tangier, Morocco

A Feasibility Study Report

(Group Global Business Research Project)

Presented to

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Introduction

Our goal is to supply a quality holiday for every budget in the seaside metropolis of Tangier. The Moroccan Diamond, with its astonishing architecture and magnificent views will provide the comfort, service and affordability of a 3-star hotel. Though competitive pricing is difficult in these uncertain times, we do guarantee high quality service, adding to the value of our customers' experience.

We will open our hotel in Morocco because of the rising tourism industry, increasing prices in Europe, increasing GDP per capita in Morocco, and the trend towards more exotic vacations. Tangier is a particularly exciting location because of its potential for growth. The Agadir, Casablanca and Fez markets are largely saturated and the number of tourists visiting Marrakech decreased in 2009, but 11% more tourists visited Tangier last year (Tourisme.ma). Tangier's proximity to Spain is ideal, with ferries running to/from Tarifa and Algeciras, as well as a soon-to-be-built tunnel across the Strait of Gibraltar (Tourisme.ma). The website Immobiliertanger.ma was launched in August 2009 to specifically attract real estate investors to Tangier, suggesting that the government and local business community will support our entry into their market. These conditions will allow Moroccans, Europeans, and even Americans to explore this beautiful country, while relaxing on the beach at a cost-effective, high quality hotel.

Culture

Morocco is a diverse country, from the many languages spoken within its borders, to the many nationalities and different cultural traditions of the people. Morocco is heavily influenced by many other countries and cultures in Europe, Africa and Asia, which makes it a wonderful and colorful place to vacation. Moroccan culture is welcoming, exciting and full of discovery

for the tourist who just wants to relax on the beach try their hand at haggling at the souq, or touring the beautiful countryside (Moroccoproperty.org).

Language

Arabic is the official language of Morocco, however four different dialects are spoken, Moroccan Arabic being the most common. Berber is also spoken by many Moroccans, mostly in the rural areas, as a first language or bilingually with Arabic. Berber has three different dialects that are spoken in Morocco. French is considered to be Morocco's unofficial third language. It is taught throughout the country and is used as the primary language when dealing with commerce and economics as well as the government and education. In the northern part of Morocco due partially to the close proximity and strong influences, many Moroccans speak Spanish. Moroccan Sign Language, which is very different than American Sign Language is also used by a large number of deaf men, specifically in the city of Oujda. English is also an emerging language in Morocco and although is not spoken by many, is on the rise (kwintessential.co.uk and Morocco.com). Our Hotel will operate primarily in French, with Arabic and Spanish-speaking employees.

History

Morocco's diverse population derives from its tumultuous and rich history. Before Morocco became the country it is today, Libyans called Berbers, and Ethiopians inhabited the land. Over time national groups began to impact the area, the Arabs, Phoenicians, Byzantines, Romans, Spaniards, Portuguese and the French all made an imprint on this emerging nation. Morocco established its independence in 1956 after being ruled by a number of other countries. The impacts of these national groups were lasting and have created the wide range that can be seen today in language and culture (Mbs.ma).

Risks

Because the Moroccan culture is so focused on the group and appearance rather than the individual and performance, business transactions must be made slowly and carefully (kwintessential.co.uk). We as proprietors must make several trips to Morocco to spend as much time building relationships with our future suppliers, employees, and builders as possible. We must also avoid high-pressure tactics in our transactions. That said, Moroccans can be “forceful and deliberate negotiators” so we must also be sure to obtain favorable deals (kwintessential.co.uk).

Political and Legal Environment

Government Structure

In 1999 King Mohammed VI inherited his position as the head of the constitutional monarchy of Morocco and appointed the current Council of Ministers including Prime Minister Abbas El Fassi in 2007. Morocco’s constitution was ratified in 1972 and amended in 1996 to create a bicameral legislature. The judicial system is based on Islamic law, as well as French and Spanish civil law with a Supreme Court presided over by the king. The monarch appoints his prime minister and supreme court judges, but upper house legislators are elected indirectly and those of the lower house are elected by popular vote (CIA Factbook).

Politics

The multi-party system will allow our business to gain representation, despite the royal rule. King Mohammed VI has made a concerted and substantive effort to disseminate power as evidenced in the 2007 elections in which members of many non-Islamic parties were elected to parliament. Abdou Filali-Ansary of Aga Kahn University in London wrote, “Morocco offers one of the most promising contexts for democratic transition not merely in the Arab-Muslim world

but in the entire developing world today” (Filali-Ansary, 2008). Having an open democracy will allow us to further our interests, namely increasing FDI incentives, tourism subsidies, and regulations that work in our favor, rather than against us.

Corruption

Though the Corruption Perceptions Rating is a low 3.3/10 according to Transparency International, there is a tremendous effort on the part of NGOs and the government to reduce corruption that is endemic to Morocco. In 2005 the nation ratified the UN Convention Against Corruption and Transparency Maroc, created in 1996 has made significant headway. As a new enterprise, we would need to be wary of falling victim to corruption, especially in obtaining licenses and dealing with local officials. We will join Transparency Maroc to legitimize ourselves as an organization, but also as a form of protection as they provide support for victims of corruption (Transparencymaroc.com)

Economy

Morocco, being in one of the most strategic and astonishing places in the world, has improved its economy since 2003, when King Mohammed VI applied new macroeconomic policies and stabilized their economy. Exploring Morocco’s main trading partners, you can see Spain, the closest European territory, at the first place of the list and many other European countries, where the US only accounts for 4.5%. At \$4,600 (2009 est.) Morocco’s GDP per capita is lower than many other wealthy nations; and, that implies cheap labor and cheap resources that are very important for establishing a new business (CIA World Factbook). One the other hand, this number is steadily increasing (from \$4300 in 2007), enabling more people to afford a holiday.

Considering international agreements, Morocco is taking advantage of their free trade agreement signed with European Union members in 2000, and free trade agreement with the US (Free Trade Agreement). Although gross national product per capita is low compared to other countries, there is a wealthy upper class and rapidly growing middle class throughout the society. High growth rate of the economy (5.1% 2009 est. relatively 22nd in the world) is also because of their cheap labor and location advantage – very close to Europe. Since the rise of foreign direct investments (FDI) in the world, economic incentives have attracted many European companies to invest in Morocco (CIA World Factbook).

In addition to general economic benefits, such as cheap labor and resources, Morocco has a growing tourism sector in itself. The hospitality of local people, amazing natural beauties, warm weather and numerous historical sites all around the country make Morocco an attractive tourist destination. Moreover, European tourists are particularly attracted to Morocco because of its geographic location and economic state, considering that one Euro is equal to nearly 11.23 Moroccan Dirhams (as of 17th of March 2010). The Central Bank of Morocco settles their currency exchange rate with respect to a basket of 20 countries on a daily basis (Economy of Morocco) Considering an investment in the tourism sector, which is quite labor intensive, the high unemployment rate shows potential for finding more qualified workers for a lower price than other countries.

Currently, the Moroccan the economy still appears small by figures, but a hotel that will mainly target international tourists rather than locals can use the benefits of a weak economy and growing tourism industry to supply good quality for low prices. In fact, such an investment will help development the economy, infrastructure and state of human rights in the country. Coming

from a developed nation and having strong business ethics will contribute to the education and employment of locals.

Resources

Agriculture and phosphates are the largest sources of income in Morocco. Fish, vegetables, and citrus fruits are abundant and will serve our restaurant well. The country also manufactures petroleum products and other chemicals (CIA World Factbook).

Labor Costs

Morocco has a minimum wage of approximately \$1.07/hour (Barakat, 2007). Additionally, workers are limited to working 44 hours per week and can only work a maximum of ten hours each day (Barakat, 2007). According to Moroccan law, any firm hiring more than 50 employees is required to provide its workers with medical services (“Morocco Labor Law”).

Utilities

Electricity and water costs in Morocco are relatively low. In Morocco, electricity is billed at a “time-of-use rate” (“Costs of Factors of Production”). Water is charged at a rate of anywhere from 1.64 to 6.27 Moroccan Dirhams/ cubic meter, depending on the area (“Costs of Factors of Production”). This rate is equivalent to about \$0.20 to \$0.75/ cubic meter.

Imports/Exports

We have decided to mostly circumvent the cost of importing goods by utilizing the resources that Tangier and Morocco has to offer. For instance, rather than having our restaurant serve typically “Western” dishes that might require costly imports, we have chosen to focus on serving typical Moroccan dishes. Dishes that will be served at the restaurant include “bisteeya,” a traditional Moroccan chicken pastry and “mechoui,” a lamb dish (Morocco.com). We

understand that some imports will be necessary but by limiting these we will not only be able to advertise our Hotel as traditionally Moroccan but also reduce our monthly costs.

MARKET OVERVIEW

The breakdown of Morocco's GDP contribution is in the three following sectors:

- Agriculture-18.8%
- Industry-32.6%
- Services-48.6%

Within the services sector, tourism accounts for some 9% of GDP and employs more than 400,000 people directly. According to The Observer, "Tangier, the international city par excellence, is living according to the rhythm of change, which has breathed new life into the city of the strait." Though it was perceived formerly as a town of refuge for celebrities and famous artists such as Paul Bowles, Allen Ginsberg and Matisse, Tangier is surpassing other tourist destinations (Tourisme.gov.ma).

Employment Benefits

According to the CIA World Factbook, 67% of Morocco's population is between the ages of 15-64. Also with the fact that Morocco's unemployment rate fell from 9.6% to 8% in the past year, our Hotel will create jobs for locals. In addition to the average age being 25 years old, Morocco offers both private and public professional and vocational training for the field of hospitality. For example, Tangier International Higher Institute of Tourism targets young Moroccans under 25 who are seeking to pursue a higher education in Hotel Management or Tourism. The institute was established by the Ministry of Tourism in 1972 and is unique to Africa and the Arab world. Private universities such as Pigiier and the Moroccan Institute of Management offer similar courses aimed to train top executives qualified to assure the conception, promotion and rational management of the tourism product. (Tourisme.gov.ma)

Target strategy

A large government sponsored marketing campaign to attract tourists advertised Morocco as a cheap and exotic, yet safe, place for European tourists. Morocco's relatively high amount of tourists has been aided by its location, tourist attractions, and relatively low price. Given the current global economic state, foreign direct investment inflows have also been falling in recent months hurting the tourism sector in particular (Figure 1). Admittedly, the majority of Morocco's tourism has declined including Marrakesh, the city that usually hosts at least one-third of Morocco's tourists, falling by 7% in 2009; on the other hand, Tangier recorded 11% growth. The downturn leaves room for growth, so the future looks promising. Most European economies are already in recovery mode and the "second wave" of the Moroccan Tourist Board's advertising campaign has begun. The campaign promotes tourism on TV and cinema screens, billboards and online at the end of September (Tourisme.gov.ma)

Government Support to Increase Tourism Market

Tourism is the second largest foreign exchange-earner in Morocco, after the phosphate industry. Knowing this, the Department of Tourism makes sure that the professional sector takes the same quality approach as the tourism industry. The country is investing heavily in its tourist industry according to Moroccan National Tourist Office UK and Ireland Director Ali El Kasmi.

With important natural assets and a rich cultural heritage, Morocco has opted for the promotion of tourism by creating a proactive tourism development strategy likely to trigger dynamic and integrated sustainable development.

His Majesty Mohamed VI in January 2001 announced Morocco's new tourism policy "Vision 2010" during the National Focus on Tourism. The objectives of Vision 2010 include:

- Attract 10 million to Morocco by 2010
- Build 160,000 beds by 2010 (the national capacity to 230,000 beds)

- Raise between 8 to 9 billion Euros for investment by 2010 used to develop new Hotels, infrastructure, Hotels and entertainment
- Attain €48 billion in foreign exchange earnings in 2010
- Create 600,000 new jobs
- Increase annual average growth of GDP to 8.5%
- Have tourism amount to 20% of nation's GDP by 2010.

Further, the Moroccan government initiated “Plan Azur” to facilitate and achieve the goals of Vision 2010. The investment project seeks to create six coastal Hotels, five on the Atlantic coast and one on the Mediterranean coast. Of the six beach Hotels, five are upscale and the nearest one to Tangier is 25 miles south. Port Lixus features 5,190 new Hotel beds, a marina, two golf courses and a sports and leisure complex. Rachid Maaninou, Director of the Americas at the Moroccan National Tourist Office (MNTTO) stated, “This Hotel is dedicated to relaxation, spa and wellness... The region is well known for hunting, so it's a more sophisticated product than Saidia” (Kiesnoski, 2007). Therefore, this Hotel is not a threat to our business. Other Hotels developments include: Mazagan in El Jadida, Mogador Essaouira between Marrakech and Essaouira, Taghazout in Agadir and the non-upscale, family-oriented Mediterranean Saidia near Algeria (Booth, 2009).

Target audience

Morocco's prime location and proximity to Europe are great marketing tools. Morocco already attracts visitors primarily from Spain. Tourists in southern Spain's coastal areas enjoy weekend get-away trips to Morocco. In addition, Morocco is relatively inexpensive compared to other European travel destinations.

Tourists from France and Spain represented 60% of total arrivals in 2009. Both grew by 5% and 13% respectively (Figure 2). As a general consensus, “the people who are going to Morocco are really sophisticated customers,” said Maaninou, “they are high-income, university-

educated and newspaper readers. We know the type of people who are interested in vacationing in Morocco, so we're doing very targeted marketing” (Kiesnoski, 2007).

In the future, Morocco is looking to expand its target audience. For example, Morocco has 100,000 U.S. travelers in 2008 and the MNTTO hopes to double that figure in three years (Figure 3).

Reaching the Target Audience

Morocco markets itself against competing tourist destinations. For example, the increase of Hotel prices in Spain in recent years has been an advantage to Morocco. In addition, air services between Morocco and Algeria have been established. Morocco has an excellent road and rail infrastructure that links the major cities and tourist destinations with ports and cities with international airports. Low-cost airlines offer cheap flights to the country.

Risk

Morocco’s Tourism Department stated the country received approximately 3.5 million tourists in the first half of 2009, which is a 9% increase from 2008, the country recorded a decline in hotel and resort bookings over the same period. Also, travel revenues declined 14.4% from \$3.02 billion to \$2.6 billion in 2009.

Given the weakness of the European economy, tourist numbers have taken a small dip and there is skepticism about whether the government has hit Vision 2010’s goal of 10 million tourists by 2010. At the end of November 2009, Morocco recorded 7.7 million tourists since the start of Vision 2010 policy launched.

Morocco also faces intense competition from rival countries. The markets that have recorded an increase in terms overnight stays in one month are Spain (+5%), the Arab countries (+10%) and Belgium (+7%) (Tourisme.gov.ma).

Regulations and Procedures

Government Strategies to encourage FDI

Strategies have been put into place by the government of Morocco with the expectation of developing the tourism and travel industry in the country. Foreign Direct Investment (FDI) is encouraged through incentives to attract domestic as well as foreign investors. In addition, the government is attempting to lessen issues, such as pervasive bureaucracy, which dissuade foreign investors. It is anticipated that the 2009 launch of a business competition council to encourage a safe business environment will aid in the growth and development of the tourism industry.

Benefits of Investing in Morocco

In 2008, due to the rising costs of vacationing abroad, the Moroccan Office of Tourism strategized a plan to develop local tourism. “This strategy consisted of the construction of 30,000 more beds, mainly in campsites and tourist apartments to suit the more modest budgets of local families.” (Euromonitor.com). The architectural firm Foster and Partners, that designed a luxury real estate complex in Casablanca, was one of the first foreign firms to successfully enter this sector of the Moroccan economy.

Strategies and Agreements

The government’s goal for the year 2020 is to further integrate tourism into the economy of Morocco. Privatization and incentives for companies to invest in Morocco will create jobs and employment due to increased tourism activity. The General Agreement on Trade in Services (GATS), which was negotiated during the Uruguay Round and implemented in 1995, was the first agreement to establish a multi-lateral regime for the trade of services. “The Morocco-US Free Trade Agreement complies with international commitments, ensuring transparency in regulation and equality of treatment in access to public networks through all the traditional

mechanisms: transparency of regulation, clearly defined rights of action, access to the public network, rights and obligations of operators, and value added service providers” (ISAC, 13).

Risks/ Limitations

A risk of the aforementioned endeavors is the local community’s preference of local firms and stance against Foreign Direct Investment and outsourcing, child labor and the minimum wage – i.e. would the foreign firm or the local government decide on the minimum wage? Additionally, there are many restrictions regarding the movement of capital and prior consent is required for FDI. The Moroccan Office des Changes (Foreign Exchange Office) has administrative control over currency transfers for trade and investment. There are strict requirements that must be met in order to export currency. It should be noted that, with the exception of exporters, it is not possible to use a debit or credit card for international transactions. Moreover, it is not possible to use a local debit card to place orders over the Internet and local debit cards are valid only on Moroccan territory. Despite recent improvements, restrictions on the entry of foreign firms are still high and there has been little change in the close connection between the government and the management of the large, influential banks.

Reforms to encourage growth and FDI

Regardless of the continued restrictions on the movement of capital, significant changes have been made to modernize the financial system. “Reforms in the early 1990s allowed the creation of a modern financial system, able to play its intermediary role at a lower cost and to create the saving and investment instruments necessary for the country’s development” (ISAC, 13). The government has also established reforms to facilitate its participation in foreign shipping and transportation service operations. Reforms to the transportation sector have improved its efficiency as well as promoted and benefited the trade and tourism sector. Tourist

transportation was deregulated and reforms are being put into place to improve the transportation network for travelers. Regarding air transport, Morocco has ratified two open skies agreements with the US and EU. The national maritime transportation company was privatized and the Kingdom of Morocco dismantled the bilateral maritime conferences and negotiated a global treaty with Europe which opened new maritime lines between Morocco and Europe (Figure 3).

Taxation

Moroccan corporations are taxed according to a unitary tax system. “The corporate tax (impôt sur les sociétés or IS) rate was reduced to 35 percent in 1996” (Infoprod.co). Foreign-owned corporations are considered Moroccan, and taxed as such, once their operations take place in Morocco and so, taxation of all corporations is the same despite ownership.

“Taxable income is based on receipts and accruals from products delivered, services rendered and work carried out and accepted by customers. Interest, royalties, income and service fees are subject to corporate income tax at the rate of 36 percent. Dividends received by corporate shareholders from taxable entities incorporated in Morocco are not taxable. This exemption does not apply, however, to foreign investment income, which is taxed after deducting foreign withholding taxes.” (Infoprod.co)

Expenses such as salaries, wages, rent and depreciation, are usually tax deductible. “Only 75 percent of the amount paid for purchases of raw materials and products, start-up expenses, donations and other general expenses equal to or exceeding MDh 10,000 are deductible, unless the payment is made by a non-assignable crossed check, bank transfer or bill of exchange” (Infoprod.co). With the exception of corporate tax (IS), taxes are deductible.

“Companies subject to corporate tax must pay a levy called National Solidarity Levy (PSN). The base used to assess this levy is equal to the base chosen for the assessment of

corporate tax, and is calculated by applying a 10 percent rate to the amount of the corporate tax.” (Infoprod.co) A tax of 15 percent has been placed on the revenues incurred from stocks, shares and comparable income that are allocated by companies based in Morocco and that pay taxes on corporations.

Individuals and enterprises which consistently operate business activity in Morocco are charged a business tax, or patente, which ranges between 5 percent and 30 percent. This charge is a combined figure based on the rental value of the site of the business operations and the size and scale of the business. Reimbursements are allowed for businesses that commence or cease operations during the tax year.

As can be seen from the facts provided, the Moroccan government is attempting to encourage foreign investment and develop the country’s tourism sector. Numerous treaties have been formed with countries such as the United States, the United Kingdom, Canada, France, Germany and Tunisia for the prevention of double taxation. However, most of these treaties do not contain specific anti-abuse provisions which would aid in gaining additional support from the local community for Foreign Direct Investment (FDI).

Hotel Design and Financial Forecast

Operations:

The Moroccan Diamond will operate using Moroccan Dirhams; however, statements for this business plan are prepared in US dollars, using an estimate of 8.30 Dirhams per dollar. The hotel is not all-inclusive, quoted at a nightly rate to attract short term and long term clientele.

Structure and Building:

The Moroccan Diamond building will have shape of a diamond with four floors and black-glass outfit (See idea in Figure 4). The décor will be a fusion of contemporary and

traditional Moroccan décor. The floor plans are included (Figure 5). An average hotel room is approximated to be 30 m² (325 square feet) including bathrooms and excluding hallways.

Assuming an average villa in the Tangier area that can hold 8 rooms including hallways, will cost around \$300,000, the Diamond will have a construction cost of $(6+9+14+21)*300,000/8 = \$1,875,000$; however, we are expecting an additional cost of \$125,000 in total due to the shape of our building and glass exterior. Adding all construction costs will give us a total of \$2,000,000. This cost of construction is extremely favorable, as the national average for a 6 story glass and metal curtain wall hotel in the United States is approximately \$19million (Reed Construction).

Floor Usage:

1st Floor: Lobby, Diamond Bar (Figures 6 and 7)

2nd Floor: Management offices, Supply Rooms

3rd Floor: 14 normal rooms (Figure 8)

4th Floor: 4 normal rooms, 1 Family Suite *, 1 King's Suite**, Gibraltar Restaurant, Meeting/Entertainment Room (Figure 9)

Additional: Elevators, hallways and fire exit on every floor. Pool outside of the Hotel (Figure 10).

* Family Suite will be as big as 2 normal rooms.

** King's Suite will be as big as 4 normal rooms. It will include a Jacuzzi, a bigger bedroom, a working space, and a kitchenette.

Equipment and Furniture:

1st Floor:

(i) Lobby and main hall: \$30,000

(ii) Diamond Bar: \$10,000

2nd Floor:

(i) Computers: \$20,000

(ii) Desks, chairs, office tables: \$20,000

(iii) Office Supplies and other expenses: \$10,000

3rd Floor:

(i) Regular Room Expenses: \$4,000 (14*4,000= \$56,000)

(ii) Hall décor and furnishing: \$4,000

4th Floor:

(i) Restaurant: \$100,000

(ii) Meeting Room: \$20,000

(iii) Family Suite and 2 Normal Rooms: \$20,000

(iv) King's Suite: \$40,000

Cleaning, security, electronic equipment: \$70,000

Total: \$400,000

Management:

Our team has investigated that Cyprus is another popular European tourist destination in the Mediterranean and we want to employ a Cypriot general director in our Hotel to make sure that we give the best service for our European target customers. During our negotiations we have settled with him for \$2,350/month and free boarding. In comparison, a minimum wage worker that works 44 hours a week for 4 weeks in a month gets an average of \$300 a month including benefits and all other costs. He thought that would be a great opportunity for him (it will be calculated as \$2,500/month considering extras such as benefits, medical services, etc.).

In addition to the general director, we will need a financial and a marketing manager. We will hire a qualified Moroccan financial manager as well as a marketing manager who understands our target market. Their wages will be \$1,000 and \$1,750 respectively, but we will account for \$3,000 per month to cover benefit expenses.

Employment:

Using the star methodology, we will need approximately 3 employees per normal room ($20 \times 3 = 60$). In total we will have 60 employees excluding the management. The minimum wage in Morocco is about \$1.07/hour; however, we will account for an approximate average wage of \$1.30/hour considering the skilled labor and wage differences between people. Although the maximum working hours are 44 hours/week in Morocco, we will only make our employees work for 40 hours and pay them a weekly average of 44 hours. The 4 hours of difference per employee will be used for bonus and incentive purposes to improve employee performance. In our budget, we will use a 50-hour basis for each employee to include benefits, federal unemployment tax, medical services, etc. ($50 \times 1.30 = \$65/\text{week}$).

Utilities:

Given the aforementioned water and electricity rates, we estimate the monthly cost of utilities to be about \$4,000 per month.

Food and Drink Services:

Estimated to be \$15,000 per month.

Marketing and Advertising:

We will advertise in Morocco, North Africa, and Europe. Our website will be published in French with a translation to Arabic, English and Spanish. Our advertising campaign will focus in Spain because the Spanish are the primary visitors. We will also market to the United States to a lesser extent, as this sector is growing. Our website will cost approximately \$3,000, and travel magazine advertisements will cost approximately \$7,000. Other print and online advertisements will run at \$7,000 per month. An additional fund will be allotted for reservation website subscriptions such as Travelocity, Expedia, and Orbitz, which will allow us to reach a broad audience and outsource some of our reservation services.

Pricing:

Comparable hotels in Morocco indicate that our room rate should be \$130 per night average for a normal room. We will charge customers or wholesalers less for booking in advance and online whereas we are going to charge the highest rate for on the spot last minute booking. The above quoted price was calculated as the average of these rates so that it can have a good estimate in our financial budgets. The Family Suite will run at \$200 and the King's Suite will run at \$600 per night.

Initial Required Funds:

(i) Employment:

We will need to run operate for some time before opening for training, financing and marketing purposes. Detailed information is given below:

Accounting, finance and security personnel: 1 month (~ 4 weeks) – 6 employees

Marketing: 3 months (approx. 12 weeks) – 2 employees

Cleaning: 1 week – 12 employees

Management: 1 month - \$5,500 total

Total: $\$65(4*6 + 12*2 + 1*12) + \$5,500 = \$10,750$

(ii) Legal and Accounting Fees:

Money paid to lawyers for legal fees and expenses such as a liquor license.

(iii) Pool and Landscaping:

The cost of our special diamond shaped pool and traditional Moroccan landscaping, with many traditional items (outdoor lamps, benches, gazebo, etc.).

(iv) Utilities:

Expected \$1,000 for utilities for the month when the Hotel was prepared for opening.

(v) Beginning Food and Drink Inventory:

We are planning to have 1-month worth of inventory ready for opening.

(vi) Working Capital (Cash):

We want to have \$15,000 (according to Stern Business School rate, 12.5% to sales) in cash at all times for operating purposes.

Initial Required Funds - 3 Months Pre-Opening

<u>Item</u>	<u>Amount</u>
Land and Construction	\$2,000,000
Pool and Landscape planning	\$125,000
Equipment and Furniture	\$400,000
Advertising	\$21,000
Legal and Accounting Fees	\$10,000
Salaries and Wages	\$46,800
Utilities	\$12,000
Vehicles	\$50,000
Inventory	\$30,000
Working Capital(Cash)	\$15,000
Revenue from Discounted Rooms in PreOp*	\$(51,696)
Total	\$2,658,104
Proprietors' Contribution	\$1,200,000
Bank Loan (with 5.80% yearly interest rate for 10yrs)	\$1,458,104
*20% of regular monthly revenue	

Financing:

We, as the six proprietors, will contribute \$200,000 per person, totaling \$1,200,000. We will also apply for a loan at a major Moroccan bank (eg. Attijariwafa Bank) for the remaining capital at an approximate interest rate of 5.80%. Because we want to receive a monthly contribution from our investment, we are going to borrow a 10-year loan rather than a shorter-term loan.

Moroccan Diamond Income Statement For the first operating month

Operating Revenues:	
Sales for Normal Rooms*	\$56,160
Sales for Family Suite**	\$2,000
Sales for King's Suite***	\$3,000
Restaurant and Bar Sales	\$25,000
Total Revenues	<u>\$86,160</u>
Operating Expenses:	
Wages of Employees	\$15,600
Wages of Management	\$5,500
Food and Drinks	\$15,000
Utilities	\$4,000
Office Supplies and Other Operating Expenses	\$1,000
Total Operating Expenses:	<u>\$41,100</u>
Gross Profit	<u>\$45,060</u>
Other Expenses:	
Advertising	\$7,000
Interest Expense^	<u>\$7,048</u>
Net Profit	\$31,012
Less: Income Tax (20% average)	<u>\$6,202</u>
Net Profit After Tax	\$24,810
Less: Principal Payment to the Bank^^	\$(12,151)
Less: Proprietors' Draw^^^	<u>\$(9,000)</u>
Net Profit After Draw and Principal Payment^^^^	\$3,659

*Revenues are assuming 80% occupancy for the normal rooms

**33% yearly occupancy for the Family Suite

***16% yearly occupancy for the King's Suite

^Although interest expense is high for the first month, it will decrease in following months as our business is going to pay some part of it's loan monthly.

^^The business is set up in a way that in 10 years it will to cover all of its debts but also profit.

^^^Which will be 9% yearly CASH return on investment (per proprietor) in addition to the ownership of the hotel at the end of 10 years.

^^^^This money will be our allowance for debt-beats and monthly cash requirements.

**Moroccan Diamond
Income Statement
For the first operating year**

Operating Revenues:	
Sales for Normal Rooms	\$673,920
Sales for Family Suite	\$24,000
Sales for King's Suite	\$36,000
Restaurant and Bar Sales	\$300,000
Total Revenues	<u>\$1,033,920</u>
Operating Expenses:	
Wages of Employees	\$187,200
Wages of Management	\$66,000
Food and Drinks	\$180,000
Utilities	\$48,000
Office Supplies and Other Operating Expenses	\$12,000
Total Operating Expenses:	<u>\$493,200</u>
Gross Profit	<u>\$540,720</u>
Other Expenses:	
Advertising	\$84,000
Interest Expense	<u>\$80,694</u>
Net Profit	\$376,026
Less: Income Tax (20% average)	<u>\$91,582</u>
Net Profit After Tax	\$284,444
Less: Principal Payment to the Bank	\$(145,810)
Less: Proprietors' Draw	<u>\$(108,000)</u>
Net Profit After Draw and Principal Payment	<u><u>\$30,634</u></u>

Year 1 Interest Expense

Amount Owed	Month/Period
\$7,048	1
6988.773478	2
6930.044289	3
6871.3151	4
6812.585911	5
6753.856722	6
6695.127533	7
6636.398344	8
6577.669156	9
6518.939967	10
6460.210778	11
6401.481589	12
\$80,694	Total

Conclusion

Despite, or perhaps because of, the recent downturn in the global economy, our hotel has excellent prospects for profitability. Before the recession, tourism in Morocco, and especially Tangier had increased significantly, and now, because of the recession, there is even more room for growth. The vibrant Moroccan culture, beautiful beaches and majestic mountains are a draw for Europeans looking for a nearby exotic destination. The favorable exchange rate, privatized transportation, and increasing price of tourism in Spain create value for the European tourist as well. Local tourists are also a promising target because of their increasing wealth and the government efforts to keep local tourists in Morocco. Other government incentives and support will bolster our entry into the sector, with Vision 2010 and the continuing effort to increase tourism. General business practices will be a challenge, as corruption and regulations are still rampant, but they are improving under the reign of Mohammed VI. With hard work, and a bit of luck, the Moroccan Diamond will become the most stayed-at Hotel in, not only Tangier, but the entire country of Morocco.

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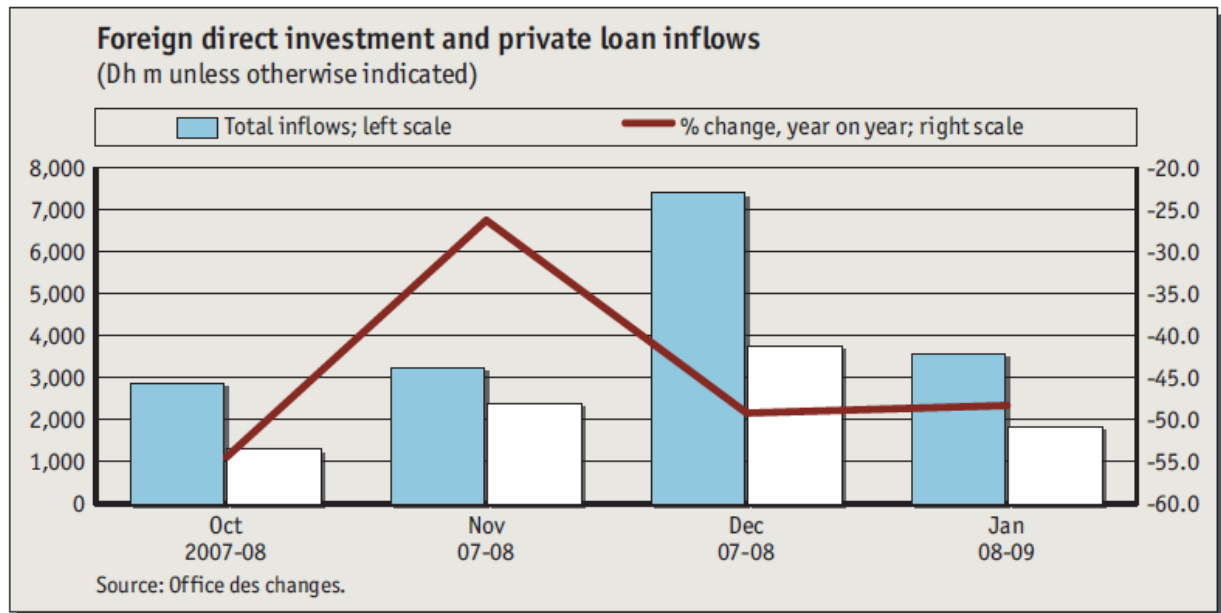
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Figures

Figure 1. Recent Trends in FDI



Source: *Tourisme.gov.ma*

Figure 2. Annual evolution of tourist arrivals at frontier posts

Tourism data				
('000 unless otherwise indicated)				
	2001	2007	2008	% change
Arrivals	4,380	7,408	7,879	6.4
Moroccans abroad	2,130	3,377	3,667	8.6
Foreigners	2,250	4,031	4,212	4.5
Overnight stays	12,695	16,894	16,461	-2.6
Non-residents	10,293	13,703	13,067	-4.6
Residents	2,402	3,191	3,394	6.4
Hotel occupancy rate (%)	48%	48%	45%	-6.2
Tourism revenue (Dh bn)	29.2	58.7	56.6	-3.6
Revenue per visitor (Dh)	6,667	7,918	7,184	-9.3

Source: Ministry of Tourism.

Source: *Tourisme.gov.ma*

Figure 3. More Recent Trends in FDI

TABLE 1 SHOWING THE EVOLUTION OF FDI FLOWS INTO MOROCCO BY ORIGIN COUNTRY, 2001-08 (Millions of Moroccan dirhams)

Country	2001	2002	2003	2004	2005	2006	2007	2008	2001-08
France	27650	2252	2889	4745	19523	8450	14682	10573	90764
Spain	939	390	18095	477	1423	7246	6179	2559	37306
United Arab Emirates	9	118	222	331	710	759	4509	5501	12159
United Kingdom	287	356	244	455	452	906	2603	1704	7007
United States	699	380	471	448	221	833	2858	4017	9927
Total	32,486	5876	23257	9485	26130	25482	41379	35526	196620
US Share (percent)	2.15	6.46	2.03	4.72	0.85	3.27	6.91	12.35	5.05

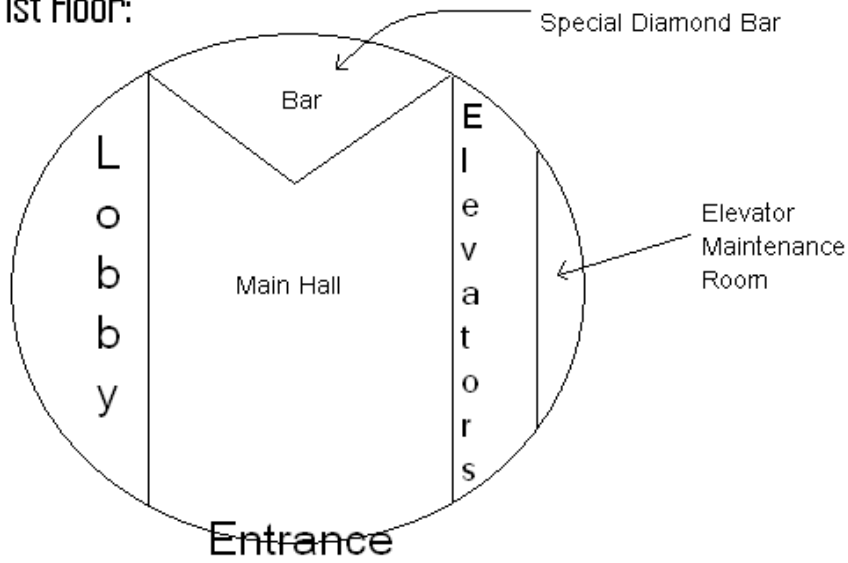
Source: Royaume de Maroc

Figure 4. A Diamond-Shaped Building

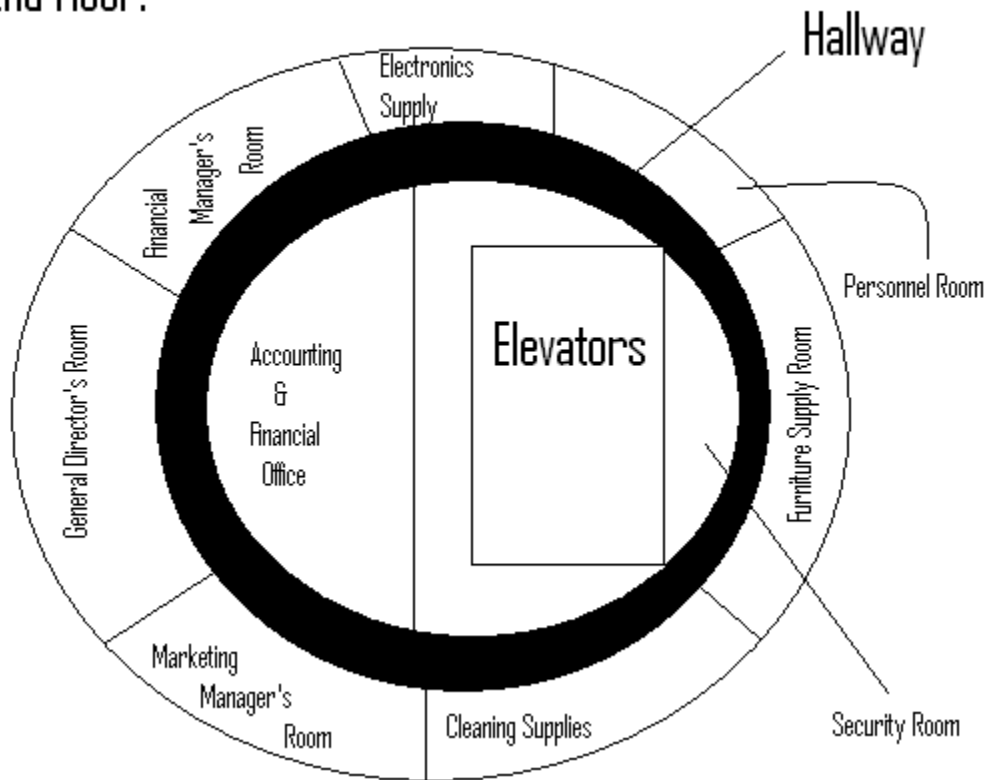


Figure 5. Floor Plans

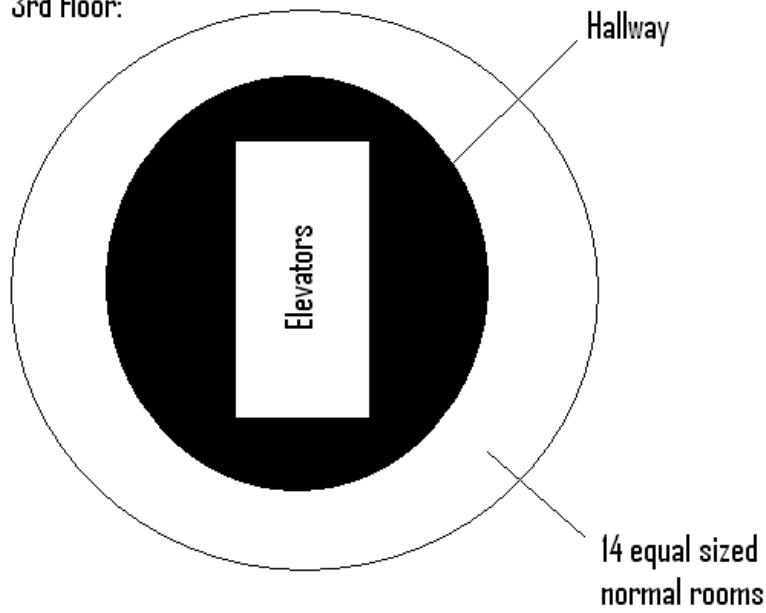
1st Floor:



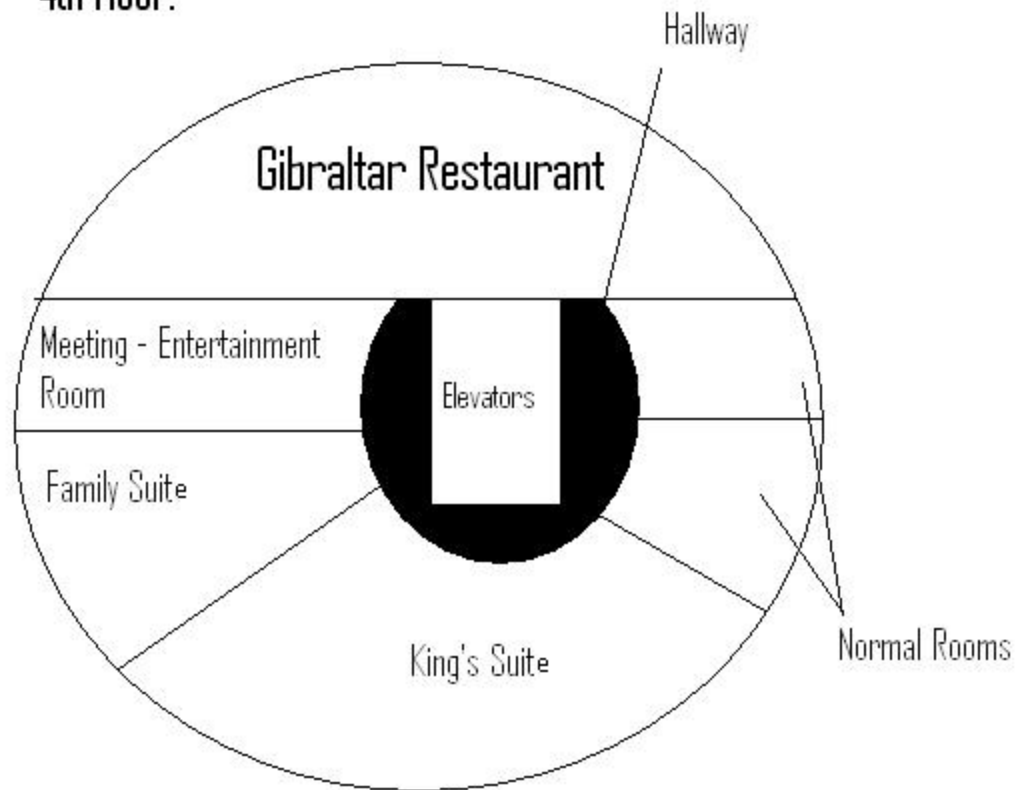
2nd Floor:



3rd Floor:



4th Floor:



Pool:

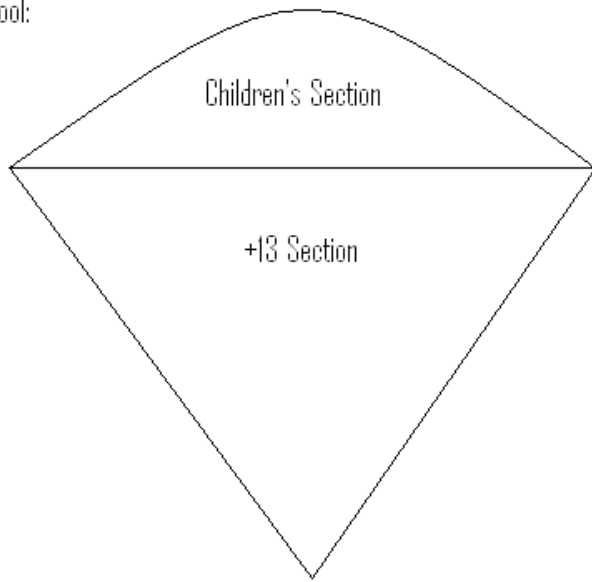


Figure 6. Lobby Design Example: Golden Tulip Farah, Casablanca.



<http://www.goldentulipfarahcasablanca.com/>

Figure 7. Lobby Bar Design Example: Golden Tulip Farah, Casablanca.



<http://www.goldentulipfarahcasablanca.com/>

Figure 8. Normal Room Design Example: Golden Tulip Farah, Marrakesh



<http://www.goldentulipfarahmarrakech.com/Gallery.aspx>

Figure 9. Gibraltar Restaurant Design Example: Agadir Beach Club Hotel, Agadir



https://mymotels.com/propertyimages/292780/agadir_beach_club_hotel_restaurant_agadir_morocco.jpg

Figure 10. Pool, Beach View and Gazebo Example. Movenpick Hotel, Tangier



http://www.moevenpick-hotels.com/en/pub/your_hotels/worldmap/tangier/overview.cfm