

Whispering palms, the surprise! The growth years

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It was October 2007, more than 15 years since Deji and his wife Ibilola established Whispering Palms. Sitting by the waterfront, enjoying the Atlantic breeze, Deji sipped his beer and reflected on the future. Although Whispering Palms had not been a financial success, Deji was still convinced of its potential.

“The gas pipeline contractors have taken up a substantial number of rooms, and are demanding more.”

The demand of the gas pipeline contractors was a welcome relief, but Deji was thinking beyond the gas project. Their occupation had virtually eliminated Whispering Palms from the company conference/retreat market, and these customers would need to be recovered.

Whispering palms

“The entire environment is quiet with stunning ambience and a contrast to the maddening crowds and noise of Lagos”, excerpt from Whispering Palms Brochure.

Whispering Palms was developed on an 8.5 acre plot of land, acquired by Deji and Ibilola Femi-Pearse, in 1981. Known as “Iworo” until its commercialisation, Whispering Palms has gained acclaim as a leisure resort, with conferencing facilities situated in a rural area West of Lagos State. Accessible to visitors by road and motor boat, the road trip lasted anything from 90 minutes to 5 hours, and the boat ride was just under 75 minutes. Badagry Expressway, the major highway utilised, had deteriorated significantly since 1981, with the increased long journey times caused by traffic jams that resulted from one or more of the following interruptions - security checkpoints, bad roads and bus stops and/or markets situated on the highway.

The name Whispering Palms originated from experiences of a family vacation at a

beach resort named Whispering Palms in Northern Mombasa, Kenya.

“When the time came to name our small facility, we and the children pencilled 20 names like Coconut Grove, Silica Sands, Sun & Sand, Whispering Palms, etc. Because of their experiences and sentiments, the children chose Whispering Palms, and we unanimously agreed.”

Whispering Palms offered the following guest services:

Accommodation: From a 10-room guest resort, Whispering Palms had 82 rooms; all equipped with en-suite shower, cable television, reading area, tea-tray and refrigerator.

Conference: Whispering Palms was often used for corporate conferences and events. In addition to the accommodations, the conferencing facilities consisted of two conference rooms and syndicate rooms that accommodated breakout sessions. Upon request, conference groups could add group exercise such as aerobics or jogging to their package.

Dining: Whispering Palms offered various options for dining - two main restaurants, a grill centre and outdoor dining areas. The main restaurant (Dining Pavilion) was a simple open structure, located in the centre of the premises. For those more adventurous, the water-front Red Roof Club was available. These were complemented by additional outdoor facilities used for large conference/private groups. The dining pavilion, red roof club and grill centre were open to all guests; however large picnic groups were charged for use of the outdoor dining facilities. All self-catering picnickers were also charged a corking fee.

Cuisine: Whispering Palms specialised in local and continental cuisine with a preference for a variety of grilled foods that were especially popular with the picnickers.

Bar: Beverages were available from several locations on the premises the dining pavilion, the grill centre and the red roof club. A speciality was the local coconut milk drink that was used as a welcome drink for visitors.

Children: Isolated from the city, Whispering Palms provided specially developed areas to educate and entertain children of all ages. These included a play area, a mini zoo, an art centre, and other educational utilities like a sun clock and solar fountain.

Mini Zoo: The mini zoo at Whispering Palms was a simple concept that gave children the opportunity to interact with some animal species. It consisted of a duck pond, an aviary, baboons, monkeys and some reptiles.

Arts & Culture: The grounds were designed not just to provide access to nature, but included a mini-slave heritage museum and local arts and crafts, that provided education of the rich African heritage.

Sporting & Recreation: Whispering Palms provided various outdoor recreational facilities such as a tennis court, table tennis table, pool/snooker tables, pedal boats, speed boat tour of environs, soccer, volley ball, swimming, cycling, miniature golf putting holes, a jogging/bicycle track, and a mini-gym.

Badagry Excursion: Whispering Palms operated a tour to the historical sights of Badagry such as the Heritage Museum, Oldest Storey Building, Slave Port and the "point of no return", location where Christianity was first preached.

Common Amenities: In addition, the following public services were made available to all Whispering Palms visitors: toilets, day beds and shaded sitting areas.

Exhibit 1 shows an aerial map and exhibit 2 some distinctive features of Whispering Palms.

Exhibit 1: Aerial Map

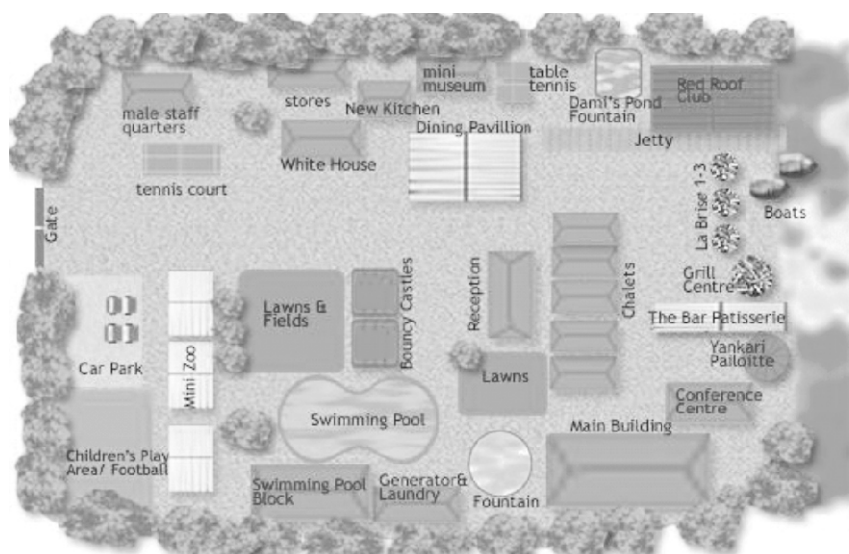


Exhibit 2: Distinctive Features

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The competitive environment

The local tourism industry had evolved since Whispering Palms was established (see Exhibit 3 for places of interest in Lagos State). Nigeria's relative political and economic stability had brought about new industry developments such as the presence of global car rental brands like Avis and Hertz; International airlines flying

directly to additional Nigerian cities; new hotel brands such as Sofitel, Novotel, Protea, Intercontinental, and Radisson; and an increase in private tourism initiatives within and outside Lagos. Whispering Palms' major competitors included Peninsula Resort, Eko Tourist Resort, Hermitage Gardens Resort, Obudu Cattle Ranch, and hotels.

Tinubu, Lagos Island, Lagos	This attraction has a fountain and has seats for relaxation.
Tinubu, Lagos Island, Lagos	This monument located within the square depicts the evolution of money. It is strategically located in front of the Central Bank.
No.1, Iga Idunganran Street, Lagos Island	Residence of the Oba of Lagos established since 1670. The modern wing was completed in 1960.
Martins Street, Lagos Island	This was built in 1892. It is in excellent condition and still has all features of the Brazilian style.
Marina / Odunlami Street, Lagos	It was finally dedicated in 1947 but the construction started in 1925. It was built in the Island 18 th Century Gothic Renaissance.
14, Marina, Lagos	Built in 1906 by the Colonial Republic Works Department. It was built in form of a letter E, the first of the name of then Governor Sir, W. Edgerton. Presently, the Federal Ministry of Justice.
Customs Street, Lagos	Built in commemoration of one of the colonial Governors. A first outlet of many Nigerian Indigenous theatres practitioners renovated and refurbished.
Tafawa Balewa Square Lagos Island, Lagos	Rebuilt in 1972 to replace a horse racing track known as Race Course. Accommodates 5,000 offices and Shopping Complex.
King George V/ Road Lagos	Houses different works of art from various past civilizations e.g. Benin Bronze, Nok Culture, Ife Bronze etc. Opens daily.
King George V Street, Onikan, Lagos	Music recital halls, Am phi-Theatre, Exhibition / Recreation halls, Restaurant and Bar
Awolowo Road, Ikoyi, Lagos	The location for so many local and international polo tournaments
Awolowo Road, Ikoyi, Lagos	Off Ahmadu Bello Way Victoria Island The most popular beach well known for relaxation and water based activities.
Maiyegun Tourism Zone, Lekki	A popular Beach for relaxation. The location of the popular Lekki Sun Splash Musical concert and other concerts.
Lagos-Epe Expressway, . Igbo-Efon, Eti-Osa LG	A conservation foundation
Iganmu, Lagos	Maroko Foreshore A private development provides facilities for hiring of boats, and other water recreational facilities. Bar and Restaurant services. Constructed in 1977, it has a main bowl with a sitting capacity of 3000 people and a conference hall.
Km 20, Lagos-Ibadan Expressway, Lagos	A unique sculpture depicting three Lagos White Cap Chiefs welcoming tourists to Lagos in the traditional way.

Opposite the Lagos State House of Assembly, Alausa, Ikeja.	A cenotaph with the sculpture of the Lagos State House of Assembly Mace of Authority by a beautiful garden. It is the site for the celebration and laying of the writ on occasions marking the death of all Nigerian soldiers that died during the World War II and the Nigeria Civil War (1968-1970). Remembrance week is 9th to 15 th January.
Marina Badagry, Lagos	The first phase of the slave route project includes Museum and landscaping
Badagry, Lagos	The former District Officer's office that houses the Museum was built in 1863 and the Museum houses some relics and stories on the slave trade and its abolition.
Market Street, Badagry	This monument is located on the spot where Christianity was first preached under a tree in 1842.
Marina, Badagry, Lagos	The first one storey building in Nigeria built in 1845; it was built by Rev. Henry Townsend. It was been slightly renovated.
Badagry, Lagos	A modern beach resort with African architecture like chalets with all facilities for comfort and good African and continental cuisines
Iworo, Badagry, Lagos	A lagoon front holiday resort with sporting and recreational facilities, lagoon, bar and restaurant, mini 300 and beautiful landscaped areas.
Badagry-Seme Expressway	A serene white sand lined with coconut trees.
Hospital Road, Badagry, Lagos	Located close to the General Hospital are graves of early missionaries who died in the 18 th and 19 th centuries. Notable among them are Mrs. Gollmer, Mrs. Muller and Mr. Mrs. Cooten.
Behind Methodist Church, Badagry, Lagos	It is the tomb of a slave dealer, George Freemingo, nicknamed Huntokonu. He maintained a good relationship with the Badagry people but was late assassinated.
Mobee Family Compound, Marina,	Relics of the Slave Trade made up of shackles, chains and various locks are in the Badagry custody of the Mobee Family. Viewing is at a fee.
Lagos Badagry Expressway, Lagos	The location of international and local trade fairs. It has various facilities including a hotel, swimming pool and ten exhibition halls.
Akodo, Ibeju-Lekki, Lagos	150 modern chalets with all facilities / kitchen conveniences, conference room, waterfront picnic areas, amusement Park with modern ideas, restaurant and bar with Africa and continental cuisines.
Kaiyetero Town by the Coastal Road, Ibeju-Lekki Local Government, Lagos.	A unique and serene beach with coconut grove.
Itamarun Roundabout, Epe	The statue of the legendary founder of Epe
Ikorodu	This is the palace of the ruler of Ikorodu. It is a fine architectural masterpiece.
Ijede, Ikorodu	Beautiful scenic and cool environment, very comfortable for family and group picnic.

Peninsula Resort: a private resort in the Lekki-area of Lagos developed for conferences, retreats and family vacations. Operated by the owners of an established restaurant, the Peninsula Resort boasted Chinese cuisine, sports and recreation facilities.

Eko Tourist Resort: an initiative of the

Lagos State Government developed on a 10-acre site in the Lekki-area of Lagos. Facilities included 150 chalets, amusement park for children, waterfront picnic area, and a large conference hall.

Hermitage Gardens Resort: a 90-suite resort in the Lekki-area of Lagos. This beach resort has facilities for group events such as

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conferences and social receptions and events.

Obudu Cattle Ranch: located in the Obudu Plateau of Cross River State, the Ranch has a total of 33 chalets and additional natural attractions such as a gorilla camp.

Hotels: majority of the hotels in and around Lagos were equipped to serve business and individual needs.

The development years

"The growth of Whispering Palms has been demand-driven; so we had to supply."

1989 - 1994

The initial development of Whispering Palms consisted of 10 Chalets that opened in 1991, as a weekend getaway for Nigerians, with an appreciation for rest and recreation. For non-residential guests, Whispering Palms was conceived to operate as a club, where members paid annual subscriptions for access. This club concept was however short-lived, due to the low subscription numbers and the administration resources required to keep the club operational. In addition to the accommodations, the owners developed the following additional facilities - a restaurant, kitchen, mini museum that showcased relics of the slave trade, tennis court, mini golf put holes, the jogging/bicycle track, and gazebos. As a weekend getaway, Whispering Palms did reasonably well.

"When we opened to the public, many professionals and businessmen came to unwind over the weekends."

However, these successes were not reflected on the bottom line, as the place was typically empty on the weekdays. With continued operating costs, Deji and Ibilola knew they had to address this mismatch.

1995 - 2000

The management responded to this vacuum with the development of 34 additional rooms and a 40-seater conference room in 1995. With a room capacity of 44, Whispering Palms entered the corporate conference market. The trend for conferencing facilities continued to increase, and in 1997, a new 100-seater conference room with adjoining syndicate

room and business centre were commissioned. Other facilities added during this period included the swimming pool in 1999, a play area for children, a mini zoo, and a new reception/bar.

2001 - 2007

In 2005, a new opportunity for expansion was exploited as a result of the construction of the West African Gas Pipeline (WAGP); an onshore and offshore pipeline in excess of 600 KM, which would carry gas from Escravos, Nigeria through Benin, and Togo to Ghana. The nearby town of Ajido was in the path of the new pipeline and was also the location of a compressor station. With the demand for accommodation, the local and expatriate personnel in the vicinity, Whispering Palms increased its room capacity to 82 by mid-2007.

Construction Financing

The initial development of Whispering Palms was privately financed. In as much as Deji sought assistance from a large Nigerian bank, he was unsuccessful.

"The bank officers thought the project was destined for failure."

Unperturbed, Deji, who believed in his vision, self-financed the development from savings and investments in real estate and the capital market. After several more attempts with the bankers, he finally had access to collateral-backed debt of up to N7 million.

"A female bank officer, who had travelled extensively with her husband, was instrumental in our access to bank funds. She opined that it would be nice to drive at the weekends and relax, as was often done in the United States."

To economise on development costs, all building works were done by a mason from the Republic of Benin and supervised directly by Deji. The construction style employed was different as it made extensive use of distinct red clay-based blocks, as opposed to cement blocks.

"The construction technique used by Whispering Palms is a framed concrete structure that is then infilled with light weight clay-blocks to demarcate the internal spaces."

For the flooring of the external spaces, Deji conceived the idea to use broken ceramic tiles sold at reduced prices. Installed to form artistic patterns, each area had a unique and colourful finish.

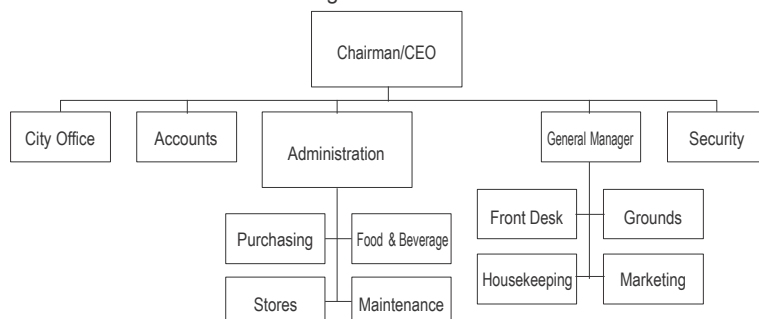
Due to financing constraints, Whispering Palms adopted a phased approach to construction that resulted in gradual

finishing and occupation upon completion of the external structure.

Operations

Whispering Palms employed more than about 80 full-time staff at the resort and Lagos office (see exhibit 5 a high level hierarchy).

Exhibit 5: Organisation Structure



City Office: Focal point for direct customer enquiries, reservations and payments. Daily synchronization of all reservations and payments was mandatory.

Accounts: Collections, reconciliations and maintenance of ledgers.

Food & Beverage: Servers and the administration of restaurants and bars.

Purchasing: Procurement and supplier relations management of operational and maintenance goods and services.

Stores: Inventory of perishable and non-perishable items.

Maintenance: Repairs of electrical and mechanical services and equipment such as generators.

Front Desk: Reception of guests, check in, checkout, and other guest services.

Grounds: Maintenance and upkeep of external spaces – grounds, waterfront, gardens, animals, swimming pool, and waste disposal.

Housekeeping: Maintenance and upkeep of internal spaces – rooms, conference facilities, etc.

Marketing: Corporate and group sales for conferences and/or day picnics.

Security: Provision of perimeter and internal security.

Operating Whispering Palms had been challenging; rising operating costs attributed to electricity supply and maintenance, the inability to charge city hotel rates, low-skilled personnel and resource pool, and road access were some of the major problems (see exhibit 6 for financial statements and breakdown of operating expenses).

Exhibit 6: Financial Statements (2002 – 2005)

A. Balance Sheet

	2005	2004	2003	2002
Fixed Assets	64,784,399	63,304,851	65,292,099	59,415,487
Current Assets				
Stocks	1,117,268	420,405	246,317	470,655
Debtors	3,955,039	315,286	61,292	249,289
Cash at bank	123,530	674,644	852,434	726,132
	5,195,837	1,410,335	1,160,043	1,446,076
Creditors Due within one year	-10,391,674	-14,804,563	-18,713,253	-21,372,796
Net Current Liabilities	-4,819,023	-13,394,228	-17,553,210	-19,926,720
Total Assets less Current Liabilities	59,965,376	49,910,623	47,738,889	39,488,767
Capital & Reserves				
Share Capital	1,000,000	1,000,000	1,000,000	1,000,000
Share Deposits	20,000,000	20,000,000	20,000,000	20,000,000
Directors Account	42,923,658	41,371,159	46,640,465	44,942,166
Profit & Loss	-3,927,277	-12,180,232	-19,901,576	-26,453,399
Shareholders' Funds	59,996,381	50,190,927	47,738,889	39,488,767

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B. Profit & Loss Account

	2005	2004	2003	2002
Turnover	63,289,361	67,056,472	60,345,753	64,353,597
Cost of Sales	-11,759,696	-23,129,158	-16,451,482	-33,298,350
Gross Profit	51,531,670	43,927,314	43,894,271	31,055,247
Operating Expenses	-45,629,439	-39,188,716	-35,925,650	-34,536,215
Other Operating Income	5,902,231	4,738,598	-	-
Operating Profit (Loss)	2,631,028	106,947	7,092,449	-3,480,958
Profit (Loss)	8,533,259	4,845,545	7,092,449	-3,480,958
Provision for Taxation	-	-	-540,626	-577,098
Profit/(Loss) for the financial year	8,533,259	4,845,545	6,551,823	-4,058,056
Retained (loss) brought forward	-12,460,536	-17,025,777	-26,453,399	-22,395,343
Retained (loss) carried forward	-3,927,277	-12,180,232	-19,901,576	-26,453,399

C. Operating Expenses

Description	2005	2004	2003	2002
Director	384,942	-	1,136,915	560,000
Salaries & W ages	10,234,937	9,623,049	9,297,336	6,533,943
Labor	606,100	-	64,000	64,000
Postage & Telephone	1,569,580	1,427,400	1,197,500	980,000
Printing & Stationary	978,695	731,000	254,200	364,500
Advertising	69,560	171,720	439,400	813,580
Insurance	639,000	860,000	198,378	478,529
Legal Professional Fees	-	145,000	132,000	108,000
Audit fee	-	-	300,000	300,000
Repairs & Maintenance	6,566,728	7,046,788	4,864,469	4,969,520
Motor & Travels	2,566,870	1,044,069	618,970	493,520
Security	113,000	337,842	858,439	276,110
Electrical & Electricity	3,929,996	3,932,750	4,444,112	3,843,820
Diesel & Gas	10,093,521	7,859,012	5,344,875	4,385,540
Medical	29,687	201,301	315,482	328,929
Newspapers & Periodicals	151,550	146,610	260,000	172,680
Staff Welfare	325,910	-	-	-
Entertainment	847,160	221,660	435,369	405,985
Community Development	-	272,975	-	-
Animal Maintenance	43,750	-	-	-
Bank Charges & Interest	899,870	221,660	524,550	1,167,436
Depreciation	5,578,583	4,945,880	5,239,655	8,290,123
	45,629,439	39,188,716	35,925,650	34,536,215

“The costs of generator maintenance and diesel fuel reduce profits substantially.”

In addition, the manual processes utilised, increased day-to-day management challenges. Prominent among these were inventory management, customer database administration, facilities management, and synchronisation with city office on reservations and collections.

Staff development

People-oriented businesses, such as tourism and hospitality entities, were challenging in Nigeria due to the lack of locally qualified resources.

“The graduates in the industry are poorly trained. The hotel and catering colleges are not affiliated to any hotels for internships or hands on training experience.”

As a result of these lapses, Whispering Palms regularly conducted on-the-job training for a majority of its personnel. The cooks were encouraged to watch cooking channels such as BBC Food, for new menu ideas and culinary techniques. Management and administrative staff were sponsored on business management programmes run by a Lagos-based small and medium enterprise (SME) development provider.

Markets

Although initially conceived as a family recreation club with limited accommodations, Whispering Palms had been agile in its ability to adapt to market needs. Whispering Palms targeted local consumers, corporate organisations and social, cultural, religious or educational groups.

Utilised by resident and non-resident guests, the lion share of Whispering Palms' business was corporate and residential.

“98% of our business is residential; where the split is about 80% corporate and 20% individual.”

Residential customers comprised of corporate and government organisations, the occasional social/recreational group, and individuals. Corporate organisations and government establishments found Whispering Palms a convenient and serene location for executive development sessions, retreats and meetings. Social/recreational groups, such as the

Yacht and Navy sailing clubs, used Whispering Palms as the end-point for annual sailing meets. Individual customers comprised of Nigerians that vacationed or honeymooned.

Non-residential guests included families and social, cultural, religious or educational groups, that used the facilities for day outings. The educational groups were primarily Lagos-based schools that saw Whispering Palms as a destination for school trips. Current tariffs for all Whispering Palms services are shown in exhibit 4.

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Exhibit 4: Tariffs

A. Accommodation

Description	Rate ¹ (NGN)	Cash Deposit (NGN)
Atlantic Suite (sleeps 4)	18,108	37,000
Mini Suite (sleeps 2)	9,435	16,000
Double Room (sleeps 3)	8,670	15,500
Double Room (Swimming Pool Building)	10,200	17,500
Double Room overlooking swimming pool	11,050	20,000

B. Picnic & Grounds

Description	Gate Fee (NGN)	Corkage Charge (NGN)
Adult Entrance	500	200
Child Entrance	300	100

C. Conferencing

Description	Rate (NGN)
Conference Room 1	42,500
Conference Room 2	25,500
Syndicate Room	12,750

Distribution channels

Whispering Palms utilised two main distribution channels to sell its services – direct and indirect. Through its city office, Whispering Palms was able to reach customers directly. Indirect channels were served by travel operators and training companies for vacation tourism and business events respectively. However, the opportunities from the travel operators were somewhat bleak due to market trends; Nigerians sought to visit foreign destinations. In the sale of conferences and events, established training companies partnered with Whispering Palms.

Marketing

The marketing by-line used by Whispering Palms was “the surprise”, because for first time visitors, it really was a surprise in the midst of the hustle and bustle of metropolitan Lagos.

The primary and most successful marketing method employed was word of mouth; this was however complemented by a picture brochure (see exhibit 7). To expand its reach, a brochureware website (<http://www.whisperingpalms-ng.com>) and email facilities were added in 2005. Local newspaper adverts were also used to advertise Whispering Palms to prospective

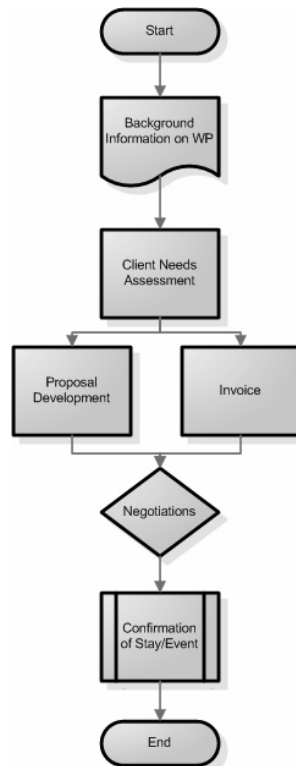
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picnickers (see exhibit 8). During the holiday and festival seasons, these adverts carried information on special events and/or attractions. Marketing corporate

organisations and governments was typically by referral or direct calls (see exhibit 9 for marketing process employed for group sales).

Exhibit 9: Corporate & Group Marketing Processes



Last thought

Seated close to nature, Deji dreamt about the future of Whispering Palms; although the venture had grown, there was still so much to do – additional infrastructure development, improving internal operations and introducing new products or services. The gas pipeline project had brought a wave of relief, but Deji was concerned with winning back the conference customers once the pipeline was completed. Capital expansion projects included room renovations,

self-catering vacation homes, acquisitions of a pontoon, and the development of a golf course. Operational and quality improvements international certification, and continuous staff development. Additional services consisted of a more extensive tour that included locations like Cotonu in the Republic of Benin and Olumo Rock in Abeokuta, some fishing ponds for real life fishing, and additional boating and water sporting equipment/facilities.