

CASE STUDIES & TEACHING CASES

Two steps from paradise: the case of Pousada Bravo House

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INTRODUCTION

This teaching case is based on the real history of Pousada Bravo House, a family business that operates in the hotel and lodging business, located in the city of Balneário Camboriú. Initially, the inn had only three bedrooms, which were already part of the property, and had been leased for another purpose. Later, two other bedrooms were quickly improvised so they could receive guests. The others were improvised and built over time. As its entire installation was adapted from an existing building, there were difficulties in achieving excellence. The managers' goal for that location was to reach ten bedrooms for lease, as they believed that, in this way, they would earn a good income. However, when finishing the seventh bedroom, they faced a dilemma related to the organization: to continue building improvised bedrooms in the inn itself or to go to another place with a different proposal?

In view of the above, it is intended to answer the following research question: which direction could the inn take in aiming at its growth? What would be the consequences of that choice? The case aims to provide a reflection on the formulation of strategies for the company's growth. Primary and secondary sources of data were used to build the case. The structure of the article is defined as follows: the next section describes the inn, its location, and its main features. In the third section, the case is described, from how the business was initially thought to the moment of decision for growth. The fourth section resumes the dilemma of the brothers and partners of the inn, transferring the managerial decision also to the class that analyzes the case. On the fifth, the teaching notes prepared for the exclusive access of teachers are presented. The section informs the pedagogical objectives and suggestively instructs the teacher on the use of the proposed content. On Friday, there are the final considerations.

THE INN

Pousada Bravo House is in Balneário Camboriú/SC (Figure 1). The city is busy with tourism, with several restaurants, bars, clubs, and tourist attractions, such as Parque Unipraias, Cristo Luz, and Morro do Careca. The development stands out for its location 1 km from the Central Beach of Balneário Camboriú and one block from Praia Brava de Itajaí, which has been growing exponentially in recent years due to the increasing demand by tourists.

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[Translated version] Note: All quotes in English translated by this article's translator.

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Figure 1
Facade of the Pousada Bravo House



Source: Author's personal collection.

Balneário Camboriú city is located on the north coast of the state of Santa Catarina and is approximately 80km from the state capital, Florianópolis. Gastronomic cuisine draws a lot of attention from tourists. According to the Tripadvisor platform, the city has about 1,400 restaurants, offering a variety of options, from steakhouses, pizzerias, Japanese food, and seafood, among others. In addition, the nights are very busy, since Balneário has more than 100 bars and clubs, options for all tastes and ages. The city is served by the Ministro Victor Konder International Airport, located in Navegantes.

Balneário Camboriú has approximately 520 accommodation facilities. The target audience is made up of young people and single adults in search of fun and leisure in the city, especially due to the beaches and nightclubs.

Although the Praia Brava neighborhood belongs to Itajaí, its location is on the border with Balneário Camboriú. The beach is very recognized, especially by the famous beach clubs. Currently, the region has complete infrastructure to receive tourists who choose Praia Brava as their destination. One of the great charms of Brava is its natural beauty. Brava's waters are known for being clear and refreshing. Its waves make it a region very frequented by surfers.

During the summer, the heat tends to be intense, which favors beach days. Winter here is mild, with no days of extreme cold. Autumn afternoons are ideal for sitting by the sea and relaxing. There is no shortage of leisure options at Praia Brava. It is also a destination for those looking to relax on the sand. Several beach bars offer sun loungers so that their customers can relax in comfort. Despite being a considerably new beach, it has enormous potential when looking at the last 10 years in terms of the number of works in progress, high-end buildings, sophisticated restaurants, and bars that seek to serve an elite public.

One of the main revenues of the hotel market is daily accommodation, with meals and bars, rental of spaces for events and meetings, laundry, and leisure activities. Its main costs are divided into fixed (depreciation of real estate and assets and administrative salaries) and variable (electricity, water, food, telephone, laundry, cleaning materials, and operating salaries).

As for the facilities, the inn has seven available bedrooms that accommodate from two to five people (e.g., Figure 1, Figure 2, Figure 3). All have cable TV, air conditioning, and a private bathroom. Breakfast, served from 8 am to 11 am, is included in the price of your stay. In the external area, for shared use, there is a complete kitchen that is available to guests. Located on a plot of land in front of the guesthouse, parking is offered free of charge. Check-in is always from 2 pm and check-out is until 12 pm. The reception is available 24 hours a day.

Figure 2
Suite with mountain view

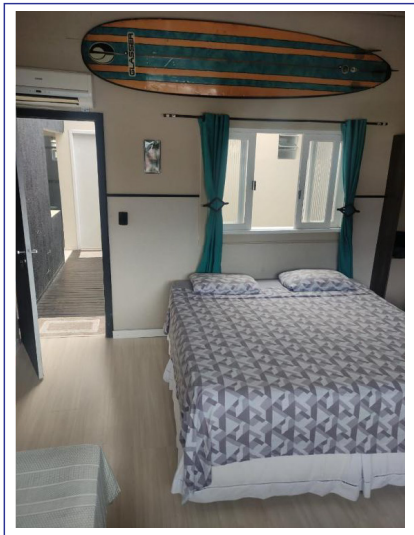


Figure 3
Double bedroom

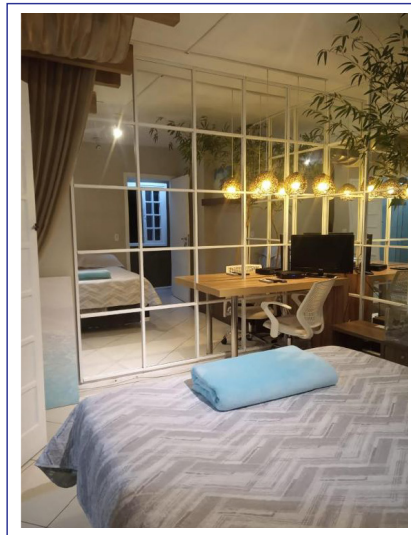
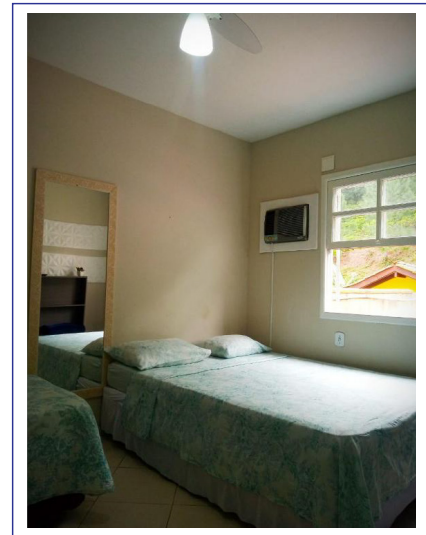


Figure 4
Triple bedroom



Source: Author's personal collection.

As a means of dissemination, various advertisements are managed on social networks, Facebook groups, marketplace, and Instagram. Specialized applications are also used; Booking, for example, is the biggest collaborator of the inn so far. Airbnb, although not directly aimed at the inn's target audience, provides some reservations.

THE CASE

Roger is a 35-year-old businessman who has already had other business ventures in Curitiba (PR), such as a gym supplement store, a bar, and some restaurants. When he moved to Balneário Camboriú, his entrepreneurial profile "spoke louder", leading him to build a new venture: a nutrition and aesthetics clinic.

It was early December, two years of operation of the clinic had passed, and the summer season had arrived. Roger receives a call from a friend from the time he lived in Curitiba and wanted to spend New Year's Eve in Balneário with a few other friends. He asked Roger for an inn for the date, at an affordable price.

Roger started looking for a place to recommend to his friend, with the requirement that it be close to the beach and at an affordable cost. He went to some inns and hotels close to the clinic where he worked, and researched on the internet, but most of the places he knew were already sold out and those that still had vacancies, in addition to being located far from the beach, charged absurd prices.

After a few days of looking for accommodation for his friend, Roger had an idea. He knew that he would have to suspend care activities during the summer season, as the doctor in charge was on vacation and the aesthetic procedures could not be performed.

– My friend, the accommodations here are out of your requirements, the ones that still have a vacancy are too far from the beach or have exorbitant prices. But I have an alternative, as on New Year's Eve the clinic will be closed, with this amount you will spend at the inn, I can buy the beds and transform the clinic's reception rooms into bedrooms for you to stay in. And best of all, the clinic is just one block from the beach.

Without thinking too much, the friend already agreed. In less than a week, Roger organized and bought everything needed for his friends to be in Balneário Camboriú on New Year's Eve. For Roger, it was also a good option, since, even without the clinic's attendance movement, he would be receiving an amount with the rent of the space.

After the necessary adjustments, the clinic, and future inn, filled up at the first opportunity with Roger's friends from Curitiba. The five makeshift bedrooms have all been rented out. Accommodation with affordable prices and a good location – very close to the beach – were the strong points for the success and the renting of the clinic, or improvised inn, generating results beyond the imagined. Customers, who were exactly looking for a cost-benefit ratio in accommodation, were extremely satisfied and, with that, word of mouth was the greatest publicity of the future inn.

Even impromptu and without much planning, information about the new accommodation option ran among acquaintances and more and more people contacted Roger to make reservations at the improvised inn. A queue was formed for reservations. With that, seeing the results happen and the money coming in, Roger started to improve the accommodation more and more. At the end of January, he decided to close the clinic's activities and transform the entire space into a guesthouse.

As he was working virtually alone, he realized that he would need people to help him. At that moment, he called his brother Richard, who still lived in Curitiba, to be his partner. Richard left his job, transferred his undergraduate degree in business administration, and went to Balneário Camboriú, where he would help his brother with the inn. Soon they built another bedroom for the upcoming carnival; with that, they already had six bedrooms. Of the total of six bedrooms, four still shared two bathrooms, and only two had air conditioning. The demand, of course, was for bedrooms with air conditioning and private bathrooms. The brothers tried to equate the demand with the offer of bedrooms.

As happens in the entire hotel sector and especially in the coastal region, after the end of the summer season, in mid-March, the scenario changes and the movement drop considerably, the daily prices decrease. Even so, the demand for comfort, on the part of the guests, increases. Particularly for Pousada Bravo House, demand was only for bedrooms with private bathrooms, air conditioning and breakfast included.

Knowing this and to leverage revenue, the managers sought to improve the inn's structure in general during the first year. To this end, they installed air conditioning in all bedrooms, built individual bathrooms for each bedroom, set up the kitchen structure and dining area, and started serving breakfast included in the rate. With all the improvements, demand increased even more, as well as revenue. The second season was a success.

At that time, the inn, with six suites, accommodated a maximum of 18 guests. However, there was still space to build more bedrooms. Initially, they wanted the inn to have ten bedrooms, as they believed that, with that number, they would have a more comfortable income. Roger was always talking and making plans:

– These six bedrooms alone do not provide the billing we need. There are two of us here and the profit doesn't give us such comfortable living conditions. It does not provide the financial support we want. But I can already imagine when we will have the ten bedrooms ready, full. Oh yes! With the money that comes in, we can buy this property and have a good financial value to build our lives.

– Yes, with ten bedrooms, the reality will be different. The more bedrooms we have, the better for our billing. If we can continue to expand in this way, it will be very good for us. With four more bedrooms, we increased our capacity by almost 50%. Of course, we must think that we will have the work to occupy them, but with the demand and the reservations that we cannot accept, because of the capacity, I don't think that will be the problem. And I agree, we don't have the option of living only from this here, we need to increase our capacity. It will be a short-term effort that will ensure future security - agreed Richard.

Always looking for financially sustainable growth, they chose to build one bedroom at a time rather than building all four at once. So, they began building the seventh bedroom, which would accommodate up to four people. This factor brought a bit of reality to the pair of managers, as the construction brought many inconveniences. Richard complained:

– The bedroom took about three months to be ready, but it brought a lot of inconvenience to the business and complaints from customers.

The setbacks of the works, with noise and debris, in addition to the movement of people and construction supplies, compromised the well-being of guests, and the service, and patience of managers. After finishing the seventh quarter, the plan was to immediately start the eighth, but, due to the setbacks, they started to rethink this next step. The work took much longer than expected and, due to the inconvenience caused, generated many embarrassing moments with customers.

THE DILEMMA

As they sat down to talk about the expansion project, Richard suggested to Roger:

– The ideal would be to close the inn to carry out renovations again, because, with guests coming in and out all the time, it gets complicated with all this mess.

– I agree. If we managed to close the inn and build the other three bedrooms at once, it would be much better. But now we don't have enough resources to keep the whole inn closed during the renovation, maybe just isolate some areas. Besides, we have nothing to do. We have movement all year round... If we decide to go ahead with the project, we will continue building as we can, as long as we can, trying to make as little mess as possible and only make noise between 11:00 and 16:00, when the guests usually go out for work or sightseeing.

Roger, worried, continued:

– Another detail that worries me is: if we make three more rooms here at the inn, will the other structures accommodate so many guests? With six bedrooms we accommodated 18 people, now we will accommodate 22; with three more double bedrooms, it already accommodates 28 people. If the majority decide to have breakfast at the same time, there won't be room for everyone. In addition, we will have to adapt a lot of things here, this house already has several small problems to be solved. I honestly don't know how we're going to do all this.

Richard then questioned:

– So, you think we should stop at seven bedrooms? Or do we do at least one more??

– I don't think we should stop, but maybe this isn't the ideal place to continue expanding... Have you seen that land that is next to the main entrance to Brava? It is available, empty. It may be a daydream, but I thought of a second inn there. Built calmly, cute, and without abandoning here, of course.

Roger proceeds:

– I even talked to a realtor who was here, informally, and from what he told me, the demand for land in the region is high and space tends not to be available for a long time. There are already three interested and negotiating. He even said that he has the trust of the landowners and can get priority if we want, but I believe that, in another week, it will no longer be available. The lease agreement is valid for 8 years. According to my calculations, in less than three years we would pay off the investment and the next few years would be profitable. But if we want to, we must race against time. That land has a very good location, it would be a great opportunity, but we must make a decision quickly.

Richard ponders:

– I agree, but I have my doubts because there we would have to do everything from scratch: there is no electricity, no water, and the terrain is not even flat. Here, as the inn was completely adapted from an existing building, some things ended up giving it a low-standard appearance. Some bedrooms are very close to each other, and some windows do not look out. This ends up being harmful to some reservations, we have already had cases of cancellation because of this. If we choose to build here, the next three bedrooms that we intend to build would also be adapted and there is still the problem, during work, of disturbing the peace. In this case, going to another location can be an opportunity to make the bedrooms in the best way, meeting all the requirements that people are looking for.

Roger argues:

– Yeah, we need to consider each choice's pros and cons. As you said, the good part is that we can build there without worrying about reservations at the inn here, with guests coming and going. Also, we can do it the way we want, without improvisations. In fact, for some time now I've seen construction done with containers, it's fast. If we need to hand

over the land in the future, we can take it to another place, but we must think: if will we spend to build everything, plus the expense of rent and two more employees.

At that moment, Richard raises a hypothesis:

– What if we do it differently? Airbnb rents a lot more complete houses than bedrooms in a guesthouse, maybe we can do it in the shape of houses, with the installation of a kitchen, barbecue, so we won't have so much work and we won't spend on breakfast and services. I notice that there is a huge demand for houses with one and two bedrooms and that they would be less work in relation to the provision of services. Also, I recently read that the reason people choose homes on Airbnb is that they like to take their pets when they travel, or they like to feel more comfortable when they go with more people, with a group of friends. Then you can barbecue. With the houses we can add to all this, we can have a barbecue grill and allocate space for the pets. If you look at it, Booking is the platform most used by our inn to attract customers and brings a lot of commercial return, while Airbnb is more used for renting private houses and apartments that are rented during periods of vacancy, so it does not give much return, because the focus is different from the inn's proposal.

After the conversation with his brother and all the possibilities raised, the problems put on the table and the imminent need to increase revenue, Roger sits down at the inn's reception and taking advantage of a moment of less movement, begins to do some calculations and think about the pros and cons of expansion possibilities.

At the inn, the average occupancy rate is 70%, the bedrooms are rented at an average rate of 150 reais per day for a couple and 30 reais more per person in the case of bedrooms that accommodate more than two people.

If you choose to expand the structure and build new bedrooms at the inn, the amounts invested would only be in the construction itself. In this case, operating costs would not be increased, as the entire structure was already in place and the processes defined. Also, the brothers would not need new hires and would have no rent-related costs. Leaving for another location, they would have to prepare for the expenses of building houses, and renting the land, in addition to operating costs such as electricity, internet, and new employees. By diversifying their activities, they expand the service options, being able to reach different segments of the public than those who frequent the inn.

At that time, not counting a large amount of cash, Roger could only build two two-bedroom houses on the rented land – although, considering the size of the land, two more two-bedroom houses or even three one-bedroom houses could be built in the future, increasing revenue for Roger. These houses would be semi-detached, and independent, each with its own parking space, its own barbecue, and lawn space for pets. The two-bedroom houses, when ready, could be rented, each one, for approximately 400 reais a day. As for the one-bedroom houses, for approximately 250 reais a day. The construction of the new houses would also bring an important benefit: with the construction taking place in another location, Roger could keep the inn running normally, without interrupting the service. If they chose to expand the inn in the place they were, they would need to close for renovations for an indefinite period, losing revenue during that period. Against these potential projects, Roger still had a third doubt: to expand the inn, he would have to use all the money in his strategic reserve, considered a "lifesaver" for the company, for himself, and even for his brother. The enterprise required expansion to ensure its financial sustainability, but it would be at the mercy of any kind of bad weather. The brothers have always avoided taking on debt and paying interest, incorporating this aspect into their management model.

With the days passing and the summer season approaching, the need for decision-making was making Roger anxious. Then, Roger, amid a bunch of scribbled papers with projects, values, contacts, and drawings, stops and says – talking to himself in a low voice:

– And now... The decision needs to be made, the next summer season is approaching, and time is the enemy, I have three options, I must choose from: I keep only the seven bedrooms, accepting a lower billing and a tight income and I don't spend our reservations? Or is it better to enlarge it? But if I want to zoom in, what would be better in that case?

- Build three more bedrooms, spending less, having to close the inn for "God knows how long" and, in addition, compromising the comfort of guests and making even more improvised accommodation?
- Or I diversify our activities and, consequently, our business model, investing all our reserves in the construction of rental houses. Can I manage both? Will we have an audience for this? The inn worked, but will we have the same success with rental houses?

– I'm in a big dilemma. And now what do I do? Which way to go?

TEACHING NOTES

Two steps from paradise: the case of Pousada Bravo House

Abstract

This teaching case portrays the history of Pousada Bravo House, in which two brothers, owners of the inn, faced a dilemma: should they build more adapted rooms in the inn or lease a plot of land nearby and build everything from scratch so there are no problems with the facilities? To build the case about the work of diversifying activities to increase revenue, data sources were obtained from primary sources, through interviews with the company's partners, and from secondary sources by searching the written media and article database. The script, events, company name, and participants remained real during the case, which focuses on the area of business strategy and allows analysis of managers' decision-making. The main objective of the case is to provide a reflection on the formulation of strategies for the company's growth and it can be used in graduation and technician courses in business administration.

Keywords: Diversification. Strategy. Inn. Tourism. Teaching case.

A dois passos do paraíso: o caso da Pousada Bravo House

Resumo

Este caso de ensino retrata a história da Pousada Bravo House, em que dois irmãos, proprietários da pousada, encontram-se em um dilema: construir mais quartos adaptados na pousada ou locar um terreno próximo e construir tudo do zero para que não haja problemas com as instalações? Para construção do caso sobre o trabalho de diversificação de atividades como forma de ampliar o faturamento, as fontes de dados foram obtidas de fontes primárias, através de entrevistas com os sócios da empresa, e de fontes secundárias, pela busca na mídia escrita e base de artigos. Roteiro, acontecimentos, nome da empresa e participantes se mantiveram reais durante o caso, que se concentra na área da estratégia empresarial e permite analisar a tomada de decisão dos gestores. O caso tem como objetivo central proporcionar a reflexão sobre a formulação de estratégias para o crescimento da empresa. Pode ser utilizado em cursos de graduações, tecnólogos e cursos técnicos de administração.

Palavras-chave: Diversificação de atividades. Estratégia. Pousada. Turismo. Caso de ensino.

Keywords: Diversification. Strategy. Inn. Tourism. Teaching case.

A dos pasos del paraíso: el caso de la Pousada Bravo House

Resumen

Este caso didáctico retrata la historia de la Pousada Bravo House, en la que dos hermanos, dueños de la posada, se enfrentaron a un dilema: ¿construir más habitaciones adaptadas en la posada o arrendar un terreno cercano y construir todo desde cero para que no haya problemas con las instalaciones? Para construir el caso sobre el trabajo de diversificación de actividades para aumentar los ingresos, las fuentes de datos se obtuvieron de fuentes primarias, a través de entrevistas con los socios de la empresa, y de fuentes secundarias, mediante la búsqueda en los medios escritos y la base de artículos. Para la elaboración del caso se mantuvo toda la información real (acontecimientos, nombre de la empresa y participantes), que se enfoca en el área de estrategia empresarial y permite analizar la toma de decisiones de los gestores. El objetivo principal del caso es brindar una reflexión sobre la formulación de estrategias para el crecimiento de la empresa. Se puede utilizar en cursos de graduación y de técnico en administración de empresas.

Palabras clave: Diversificación. Estrategia. Posada. Turismo. Caso didáctico.

Data sources

The information used in this teaching case was based on the author's experience during the company's management and on learning from academic life in recent years. The case brings information from primary sources, provided by the company's partners via interviews, and from secondary sources, through the collection of websites, the written media, and articles on diversification, via a search on the Google Scholar base. The script and events are real situations experienced by the author. Both the company name and the characters are real.

The case was tested at a Higher Education Institution in the South of Brazil, in the 1st half of 2021, in the business administration undergraduate course, in the discipline of sales management and customer relationship. In sum, the feedback indicated a well-organized structure, simple and straightforward to read, clearly presenting the problem, in addition to providing the reader with a vast amount of information for decision-making. Suggestions and comments were fully accepted. Finally, the application allowed students to reflect and discuss the topic addressed, presenting possible solutions for the case.

Teaching objectives

The case was developed with the aim of providing students with the experience of putting themselves in the shoes of managers, analyzing the real situation of the company and the context in which it finds itself, for a decision-making process. The central objective of this case is to provide a reflection on the formulation of strategies for the company's growth.

In addition, specific objectives are sought:

- Identify the need for and importance of growth strategies, as well as moments and precautions.
- Understand the concept, reasons, and forms of activity diversification strategies.
- Demonstrate the strategic importance of resource allocation and its difficulties in decision-making.
- Develop the ability to devise strategies based on the particularities of the case presented.

The case can be used in undergraduate courses, technologists, and technical courses in Administration. It is recommended application in the disciplines of Business Management, Strategic Administration, Strategic Planning and Corporate Strategy.

Teaching plan and timing

The application of this case (Box 1) should preferably be done in its entirety in the classroom.

Box 1
Suggested teaching plan

Activity	Suggested time
Previous reading of the case	20 min.
(Moderator) Identification of the dilemma	10 min.
Reflection and query	10 min.
(Moderator) Groups formation	5 min.
Group discussion	30 min.
(Moderator) Discussion in plenary - Introduction - Analyze - Closure	45 min.
(Moderator) Closing with the indication of the best alternative	20 min.

Source: Elaborated by the authors.

It is suggested that the professor dedicates the first part of the class to the previous reading of the case. Then, he can explain and identify the central dilemma, avoiding possible doubts. This done, it is recommended to divide the participants into small groups so that they can solve and discuss the suggested questions, putting themselves in the place of the company's managers. Finally, in a plenary session, each leader presents the answers in writing. As closure, the moderator, without exercising control, leads the class to understand the best alternative to the dilemma of the case. Finally, the moderator can suggest a round of discussions based on the reality of the companies in which the academics are inserted, connecting the proposed alternatives with the experience of the class in the professional market (Salvador & Ikeda, 2019).

Assignment questions

By citing the protagonist Roger, his actions, and doubts, the reader must “put himself in the role of the protagonist” to answer the questions presented. Based on the reading of the story, the reader will understand his anxieties and fears and, within the scenario provided for Roger, will resolve the dilemma present in the case.

1. Analyzing the situation at Pousada Bravo House, if you were in Roger's place, what decision would you make? Would it still only have seven bedrooms? Would you build three more makeshift bedrooms at the inn to increase your income? Would you rent another piece of land and build everything from scratch? What would be the risk of building on rented land?
2. For Roger, what would be the points that would boost interest in diversifying activities and, consequently, the company's business model? What would be the difficulties in carrying out this process?
3. Analyzing the context of the region where the inn is located and considering that there is a constant flow of people daily, what other products or services could Roger offer to satisfy the needs or desires of guests and increase the company's revenue?
4. If Roger decides to build the houses for daily rental, what would be the differentials he could offer, in relation to the options he already has, to attract people's attention and attract new customers? How would he find these new customers?

Analysis of assignment questions

Question 1: Suggested core readings

- Books:

- A economia da estratégia (Besanko, Dranove, Shanley, & Schaefer, 2012) – Chapter 7.
- Estratégia competitiva: Técnicas para análise de indústrias e da concorrência (Porter, 1986).

According to Porter (1986), the economy of scale refers to the reduction of unit costs and an increase in production volume. Therefore, staying with only seven bedrooms is not a financially viable option, because the more available accommodation the company has, the lower the cost to maintain it, resulting in increased profit.

When the strategy is involved, one should think about long-term growth. Besanko et al. (2012, p. 211) “[...] companies that diversify according to an essential set of resources, and that focus on integrating old and new businesses, tend to perform better than companies that do not work with the intention of creating interrelationships between its units”.

In the case of Pousada Bravo House, considering that there is a great demand throughout the year and the average occupancy rate of the bedrooms is 70%, the managers should choose to build a new location, as, in this way, they can offer different options to its customers and serve them in a way that best suits their needs. Consequently, with this new range of options, losing a sale also becomes much more difficult. As the land is rented, the construction must be done with a container; that way, when the lease is up, they can move you to another location.

Question 2: Suggested core readings

- Books:

- Administração estratégica (Hitt, Ireland, & Hoskisson, 2011) – Chapter 6.
- Estratégia de produção e de operações (Paiva, Carvalho, & Fensterseifer, 2009) – Chapter 4 and Chapter 6.

- Article:

Antecedents and performance outcomes of diversification: a review and critique of theoretical perspectives (Hoskisson & Hitt, 1990).

Hitt et al. (2011) mention that, as the diversification of activities can increase both the size of the company and the administrative remuneration, managers have reasons to diversify. Hoskisson and Hitt (1990) point out that this diversification can be driven by corporate interests, or even by virtue of the personal desires and needs of managers in charge of decision-making.

According to Paiva et al. (2009), the diversification of activities is an option for growth and strengthening followed by several companies. This can occur by expanding the product mix, horizontalization, or market diversification. To Rumelt (1986), companies with diversified activities, but related to the company's original business, performed better than companies with diversified activities not related to the company's main business. It is important to consider Trechter (1996) that internal factors, such as better financial performance and risk aversion, influence more on the diversification of companies more than external factors, such as taking advantage of existing opportunities or decreasing market share.

The points that would attract Roger's attention, therefore, would be the diversification into a new product mix and the impetus for the possibility of increasing revenue and risk aversion, according to theory. The fear of building a new place comes from the construction phase itself, since as described earlier, the managers had some difficulties building and serving at the same time in the existing inn. In addition, they could serve a new segment of customers in this new location. The negative points are related to financial resources since they will have to spend on labor, rent, and employees, in addition to the use of all resources, which would leave them financially short.

Question 3: Suggested core readings

- Book:

- Marketing de serviços: pessoas, tecnologia, estratégia (8a ed.) – (Wirtz, Lovelock, & Hemzo, 2021) – Chapter 9.
- Administração Estratégica de Serviços (Corrêa & Giansi, 2018) – Chapter 4.

The desires and needs of service consumers are influenced by advertising, commemorative dates and, until recently, by the expansion of electronic commerce - the latter even with the possibility of generating data that provide managers with the ability to identify the needs and expectations of each one (Corrêa & Ginesi, 2018). In the case of Pousada Bravo House, the insertion of the business in the electronic medium allows the brothers to collect customer data, such as cultural, social, personal, and psychological factors, to identify which public each of the businesses applies to, either at the inn or at the houses.

One of the most difficult tasks in management is to determine the demand curve. Therefore, having historical revenue information, in addition to research, trial and error, is one way, although companies choose to design different services, trying to reach a different segment; in any case, the objective will always be to maximize the income received (Wirtz et al., 2021).

Besanko et al. (2012) reaffirm that diversification, when effective, has businesses that are widely related in terms of technology or market. Thus, as the brothers did not leave the acting segment, they could still invest in new forms of hosting services. Reflecting on the basic needs and desires of people who visit the region, we can see that, in addition to a place to rest, they also need to eat, move around, and have fun. Therefore, adding the sale of food, drinks, transport options, offering packages with tickets to parks or parties, and renting bicycles or surfboards would bring an even greater diversification of products and services offered that could maximize the company's revenue.

Question 4: Suggested core readings

- Books:

- Strategy, structure, and economic performance (Rumelt, 1986).
- Marketing para o século XXI: Como criar, conquistar e dominar mercados (Kotler, 1999).

Rumelt (1986) points out that diversification is the extension of skills possessed by the firm, which begins to exercise a new product or market activity, requiring or implying an increase in valuable administrative competence within the firm. New business activity may be related in various ways to the firm's current activity, but still requires technological production knowledge, different marketing concepts, and methods, or the introduction of new investment decisions, planning, and control.

For Kotler (1999), it is much better for companies to focus their activities on specific niches and adopt their positioning according to the chosen target market. The differential of the houses in relation to the other accommodation options that the company already has is that they will have a pet space and barbecue grill, so the greater demand is for a group of people, whether they are family members or friends looking to spend a few days at the beach, stay close to the sea, take your pets, have a barbecue. To attract these customers, it is essential to use advertising tools, such as applications, websites, social networks, and, above all, Airbnb, which was already used by the company before, but without much return, due to the accommodation options offered, which did not match what people were looking for in the app.

Class closing

Since this is a real case, the closure of the case can be executed with the synthesis – by the moderator – of the main suggestions and alternatives elaborated by the students and addressed to the company. As for the dilemma, the brothers opted to build the houses, as detailed in the case, carrying out a diversification strategy. The moderator should ensure that students, as solution providers, present best practices for the above in the case.

The managers were already envisioning better profitability of the business, a longer period of “quietness” without putting all the “eggs in one basket”. Therefore, the option to enter a new hotel service activity did not necessarily require an increase in the administrative competence of the two brothers, who already operated the inn. The new activity, house rates, can somehow still be related to the firm's current activity. control, considering the maintenance of the inn's activities. Finally, the limitations of this case for teaching are related to financial information, especially on reserves and cash flow, which respondents preferred not to inform.

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