

CALIFORNIA STATE UNIVERSITY SAN MARCOS

PROJECT SIGNATURE PAGE

PROJECT SUBMITTED IN PARTIAL FULFILLMENT  
OF THE REQUIREMENTS FOR THE DEGREE

MASTER OF BUSINESS ADMINISTRATION

PROJECT TITLE: 360 DESTINATION GROUP BUSINESS EXPANSION CONSULTING  
REPORT

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THE PROJECT HAS BEEN ACCEPTED BY THE PROJECT COMMITTEE IN  
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## Company Background

360 Destination Group has held its rank as a top DMC for four decades. 360 Destination Group offers full event solutions including coverage from the moment the first flight arrives until the last flight departs. From its unique concepts to event development and execution, the team has earned a continuous spot as a top DMC nationwide.

360 Destination Group currently has offices in six states and is rapidly growing. Co-owners Trevor Hanks and Shelly Archer have built a team of event professionals that continue to lead 360 Destination Group to dominate the event space one city at a time.

The company would like to see exponential growth in revenue over the next two years and plan to do this by opening offices domestic cities. Trevor and Shelly are not only looking to expand the company, but they want to strategically infiltrate up and coming cities lacking in event management companies to leverage the company further.

## Expansion of 360 Destination Group SWOT Analysis

The following is an assessment of the strengths, weaknesses, opportunities, and threats associated with 360 Destination Groups company expansion.

### **Strengths**

- Sustained profit growth
- Builds brand reputation
- Successful track record of opening in new cities
- Experienced leadership to support and lead new business ventures
- Booming economy leads to additional bookings

### **Weaknesses**

- Lack of experience in potential markets

### **Opportunities**

- Target's new demographics and customers
- Builds new relationships with venues
- Social media and online awareness

### **Threats**

- Additional competitors in existing markets
- Economic downturn can impact bookings

## Major Issue(s) Facing Company (Organization)

As the industry continues to head toward success, companies are preparing to expand in order to position themselves in the best financial state. An analysis of Porter's Five Forces was completed below to identify the industry's strengths and weaknesses. Porter's Five Forces analyzes the five competitive forces of industries: Threat of New Entry, Buyer Power, Threat of Substitution, Supplier Power, and Competitive Rivalry (Hitt et al., 2017).

### Threat of New Entry

Threat of new entry, or threat of new entrants, refers to the danger that new competitors pose on the existing ones. The less money it costs and time it takes a new company to enter the market, the more they pose a threat to all existing companies (Hitt et al., 2017). 360 Destination Group's position as a top leader could be threatened if they do not have the ability to identify new entrants, or to create entry barriers. Entry barriers are essential within an industry as it makes it difficult for new companies to thrive within the industry, allowing existing companies to dominate and earn more revenue.

Barriers to entering the industry include:

- External Factors: the condition of the local economy, government regulations, and taxation rates
- Internal Factors: competitor action, favorable supplier contracts, brand strength

### Buyer Power

Buyer power refers to the power customers have over companies to drive the prices down (insert citation). For DMC's, customers can ask for better or upgraded services or lower rates for services. Depending on the client, companies may feel compelled to bend to the demands of the buyer. If there are additional competitors, the DMC may bend to the clients wishes to keep the contract. If the customer is significant to the revenue of the company, they will have no option to oblige.

### Supplier Power

Like buyer power, supplier power is the power companies have over the market, from being able to drive prices up to producing lower quality products and services. A company is more powerful if there are only a few companies dominating the industry providing power over the pricing structure and quality of services and products.

### Threat of Substitutes

The threat of substitutes calls attention to the threat of losing clients to a different competitor. If competitors have a similar service, but lower prices, clients will be more than willing to switch providers. Threat of substitution can also refer to clients finding ways of doing what you do. DMC's may hire a part-time marketing team to avoid outsourcing and paying higher prices.

### Competitive Rivalry

Organizations within the same industry that provide similar services are known as competitive rivals. This force determines how profitable and competitive an industry is. An industry is highly competitive if companies have to be aggressive to compete for market share, usually resulting in low revenues. Competition is high if there are high exit barriers, industry growth is slow/negative, and if there are many competitors. Customer loyalty plays a vital role in a competitive rivalry. The more loyal customers are, the less likely they will substitute one's services.

## Problem Statement

360 Destination Group wants to grow its business over the next few years. Mr. Hanks and Ms. Archer have engaged the CSU San Marcos F.E.M.B.A. program in hopes of finding key cities to continue its growth.

Preliminary discussions have identified several markets of interest as well as the interest in learning about new markets based on city growth and future earning potential. This project will focus on 360 Destination Groups potential growth while incorporating the following areas:

- Determine variables that need to be evaluated for domestic expansion
- Expansive research on the seven locations, initially provided to CSUSM consulting team by Trevor Hanks
- Determine additional cities for company growth
- Evaluate top competitors with a SWOT analysis to leverage 360 Destination Group

## Objectives

To successfully meet the above-stated goal, we completed two main objectives:

1. Conducted a market evaluation of top domestic cities to identify expansion locations.
2. Performed a comprehensive industry analysis to identify strengths, weaknesses, opportunities, and threats (SWOT analysis) among direct national competitors.

In subsequent sections, we explain how our research and analysis led us to deliver on our overall project goal. In addition to our detailed findings, we have included a set of final recommendations designed to address 360 Destination Group's growth. These recommendations are based on the results of our market analysis and strengths, weaknesses, opportunities and threats concerning its direct competition.

## Research Methodology

The purpose of the project was to provide an in-depth analysis of eight cities for 360 Destination Group expansion. 360 Destination Group provided the researchers with eight possible cities while two additional cities were added by the researchers to offer other options based on city potential. The researchers analyzed of each city to highlight the strengths and weaknesses of expansion into the proposed cities. To continue with 360 Destination Group's customer experience focus, the researchers chose the following variables to compile the research:

### **Airports**

Ease of use, top airlines, rankings of on-time arrivals providing customers with the best flying experience.

### **Hotels**

Local hotels, amount of rooms available, square footage of rental space.

### **Convention Centers**

Top convention centers for each city providing space for events.

## **SWOT Analysis**

Identified strengths, weaknesses, opportunities, and threats of each potential location allowing the researchers to rank each city. Researched potential clients and top competitors based on information provided by 360 Destination Group.

## **Things to Do**

Top attractions of each city to showcase activities.

### Summary of Major Findings

The researchers recommend expansion into the following cities, listed from most favorable to least favorable: Las Vegas, Seattle, Atlanta, Louisville, Washington D.C., Nashville, Boston, Denver, Philadelphia, and Hawaii. The recommendations provided by the CSUSM consulting team were decided based on extensive industry research including competition, market saturation, taxes, city growth, airports, top hotels, convention centers, and corporate client accessibility.

### Conclusions and Recommendations

Las Vegas receives the strongest recommendation for expansion. The city offers several perks including favorable corporate taxation laws, a plethora of hotel and event venues, and plenty of opportunity for business growth. The corporate taxation laws in Las Vegas encourage companies to establish or expand to the city. The twenty-four-hour mindset makes Las Vegas a unique city filled with countless opportunities to do business. Las Vegas has attracted over forty million visitors in the past three years with continued high projections for the upcoming years. The McCarran International airport is conveniently located less than three miles from many of Las Vegas' main attractions and top hotels. There is an overwhelming number of hotels serving the area. Although most of the hotels have preferred vendor lists for DMC collaborations, there are still ample opportunities in the area. Hotel sales departments have high turnover rates allowing DMC's to establish new relationships on a consistent basis.

Seattle ranks number two on the recommendation list due to the growing presence of major companies in the area like Amazon and Microsoft. The triple threat of corporation growth, the expansion of the Washington State Convention center, and the projection of hotel growth in the upcoming years yield a promising future for the DMC industry. The airports in the area serve over forty-five million passengers annually, proving Seattle's popularity for visitors. Seattle has low competition, is rated in the top ten Small Business Policy Index state rankings. The city is expected to continue to grow in corporate market saturation over the next several years. Although Seattle is faced with investment constraints and growth stunts, the city overall yields strong potential, especially if acted on quickly, while competition is low.

Atlanta and Louisville show great expansion potential with both cities showing growth in corporations and attractions. Atlanta is home to major companies such as Delta Air Lines, The Home Depot, and the Coca-Cola company while Kentucky recently made Yelp's top fifty cities to start a business. Both cities have recently undergone expansions to popular event venues drawing visitor attraction. Both cities are relatively less expensive, yielding lower costs than other cities listed from the consultant's research.

Washington D.C. made the top 5 recommendations due to its location. As an international travel hub, Washington D.C. is ideal for drawing in corporations and offering more potential for business. Washington D.C.'s corporate industry continues to grow making it a perfect place for expansion. Compared to the researched cities, it is recommended that the existing 360 Destination Group office in New York develops a client list in the city first, before opening an office. Washington D.C. is a three-and-a-half-hour train ride away from New York City, and one hour by plane. The proximity of these cities will allow the Director of Sales to conveniently travel to Washington D.C. and meet with clients ensuring revenue before investing in an extremely expensive city. When a sufficient number of clients is reached, the 360 Destination Group can determine if a physical office is needed, or if they can continue to work virtually from New York.

Nashville has experienced a forty percent increase in visitor foot traffic over the past ten years, contributing to healthy growth in the economy. Tennessee ranked in the top twenty friendliest states based on policy environments for small businesses, making a good option for expansion. Although there are positives to expanding to Nashville, each of the top competitors provided by 360 Destination Group are currently established in Nashville. The city is saturated with competitors who have been in the market for years which may make expansion difficult when building relationships with hotels and event service industries. However, the high turnover rate for sales positions in hotels provides consistent opportunity to build relationships. The researchers recommend Nashville for its growth and potential.

Although a potential location for expansion, Denver is not as established as other cities on the list. The current expansion and relocation of big corporations to Denver are a promising sign for the development of the city. However, the researchers recommend waiting to expand to Denver for a year or two, as it would be more beneficial to move to the city once it is more established. Boston's technological, biotech and pharmaceutical industries have been booming in the last few years. Such exponential growth could warrant potential clients with high revenues. However, similar to Washington D.C., the researchers recommend working virtually from a nearby office to earn revenue and exposure before a big investment is placed for a physical office.

Although it is an up and coming city, Philadelphia ranked lower on the researcher's list. The economy is in an upward trend, with promising hotel expansions providing 360 Destination Group a future advantage. However, Pennsylvania was named one of the top twenty least friendly states based on corporate tax laws, representing higher costs to run a business. Before making the commitment to spend heavily in Philadelphia, the city needs time to continue to develop and grow. Until then, it is suggested for 360 Destination Group to invest in the above-listed cities.

The researchers least favorable recommendation is Hawaii due to the challenging market entry. Of all cities researched, Hawaii was the most competitive. Hawaiian businesses thrive off of community. Most companies, including hotels, are only willing to work with local businesses and prefer to offer partnerships with local islanders. Although Hawaii is a popular destination with an abundance of beautiful venues and event opportunities, the market may be too challenging to penetrate at this time. Considering the fact that 360 Destination Group will be

looking into an acquisition, Hawaii would not be the best place to expand just yet. On top of the high competition, Hawaii is also rated in the top five least friendly policy environments for small business and entrepreneurship.

## Citations

Hitt, M. A., Ireland, R. D., & Hoskisson, R. E. (2017). *Strategic management: Competitiveness & globalization: Concepts & cases*. Boston, MA: Cengage Learning.