



GoApe! Live Life Adventurously

Case Study Part B: Eight Hundred Pound Gorilla?

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Abstract. The case study continues the story of GoApe!, a fast-growth entrepreneurial success story started in 2002 by the husband and wife team of Tristram and Rebecca Mayhew. Part B describes the first three years of growth of the business under the GoApe! brand, from one site in the UK to five. On this journey the couple are faced with numerous challenges, not least the need to raise finance without giving up their majority share of the business. Their business is also built on a set of personal values which they are unwilling to compromise. At the end of part B in 2005 the business is at a cross-road: should the owners go all-out for the next stage of growth, should they diversify, or should they first seek to consolidate what they already have? A detailed Teaching Note with an analysis and suggestions for questions is also available to stimulate discussion in the classroom. GoApe! was a category winner in the 2009 UK National Business Awards, the most prestigious awards ceremony of its kind organised in partnership with Orange.

Keywords: entrepreneurship, managing growth, sustainability, sources of finance, start-up valuations, UK.

Part B: Eight Hundred Pound Gorilla?

On Tuesday 26th March 2002 GoApe!'s first site, at Thetford Forest in Suffolk, opened for business. For six weeks Tristram and Rebecca had worked non-stop with their team of contractors from France at their site close to an existing children's playground and visitor centre. The constant stream of passers-by had created considerable local buzz and anticipation and on the morning of the first day there was a queue of customers eager to try the new attraction. In Tristram's words: "GoApe! is a high wire forest adventure, customers are fitted with a climbing harness, are given instruction, and then trek from tree to tree high above the forest floor, always attached to a safety system. The course comprises around

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1. The case has been prepared by Dr Stephanie Hussels and David Molian, both Lecturers in Entrepreneurship at the Bettany Centre for Entrepreneurial Performance and Economics at Cranfield School of Management, with help from the MBA class of 2008. The authors would like to thank Tristram Mayhew for his generous support and kindly provided insights into GoApe!. The case is intended as a basis for class discussion rather than to illustrate either effective or ineffective handling of management situations. The case study was awarded the 2009 EFMD Annual Case Writing Competition prize in the category of Entrepreneurship.

30 obstacles including various rope bridges, Tarzan swings, balance beams and zip wires. Participants take between two and three hours to negotiate the course.”

Exhibit 1: Images of a GoApe! Tree-top course



Source: GoApe!

It's Now or Never

By the end of the previous year Tristram and Rebecca had made up their minds. The GoApe! concept would be a huge success or a complete failure but, either way, they were more afraid of not trying than trying and failing. Conscious of the need to secure their position as much as possible, Tristram had returned to the Forestry Commission and negotiated an exclusive partnership for twenty-one years, subject to completing a minimum of five sites within a specified time. The couple finalized the agreement with their French contractors, sold some shares and prepared to put Rebecca's flat on the market. This was valued at £180,000 which, after the mortgage charges, would realise around £120,000. By their calculations this would comfortably provide the capital for the first site of £80,000, to be paid 40% upfront, 40% midway and 20% at completion. When combined with Rebecca's income as she continued to work, the remainder would also deliver the working capital required for getting the business up and running. Tristram approached his bank to provide a bridging loan against the property, allowing them to draw down money as they needed it before the flat was sold.

The couple had discussed raising external money but decided against it. For one thing, Tristram reckoned that if he and Rebecca were ready to take all this risk they should enjoy all the reward. For another, he dreaded the idea that he would be morally, if not financially, obligated to anyone who put in money if the project

went bust. As it was, the bank, despite agreeing to Tristram's plan at the outset and a relationship going back sixteen years, dragged their feet and the draw downs were not available in accordance with the schedule. The project was saved, however, by the strong personal relationship between the Mayhews and their French builders from the Forêt de l'Aventure. It was not just about payment for a job: the two parties shared the same philosophy of encouraging adventure in an environmentally responsible way. The same approach to construction was applied, meaning that the trees were undamaged and the environmental impact was minimized. Nothing was bolted into trees, but special braces were used that grip trunks allowing platforms to rest on them without damaging the trees. The system also permitted loosening the braces easily as trees grow minimizing the impact on the forest.

From the word 'Go' Tristram also developed a schedule of maintenance and inspection, to ensure that the health of the trees remained a top priority by commissioning an independent arboriculturalist to inspect all trees annually. Moreover, the GoApe! site was designed to be friendly to wildlife by, for example, using wood peel in the zip line landing sites to create habitats for small creatures, installing bat boxes and designing the platforms in such a way that the undersides of the platforms provided the perfect shelter for nesting swallows and other birds unaffected by human activity. Also to help raise awareness of the importance of the forest, educational boards, commissioned from the Global Canopy Programme, were strategically dotted around the courses.

Figuring out the pricing had been less a scientific exercise and more a case of estimating what people would be prepared to pay when GoApe! was compared with alternatives such as theme parks. At the end of the day, according to Tristram, they went with the safe option and simply converted French course prices from euros into pounds. Initially the course was priced at £11.50 for adults, £7.50 for children, £7 per head for groups of five and £6.50 for ten or more². It turned out that customers were more than happy with these prices. The level of demand was way in excess of anything they had anticipated! People queuing up were rushing in as soon as harnesses became available, even stripping them off those who had just completed the course.

Like any typical start-up, there were numerous operational issues to sort out. Safety was never at any point compromised, but the business was operating with minimal numbers of qualified and trained staff. However, two basic elements of the concept were vindicated from day one. Customers liked the ways in which the GoApe! course differed from conventional high ropes parks. And the partnership with the Forestry Commission worked extremely well, with the Commission providing the infrastructure of parking and visitor facilities, and GoApe! providing an additional reason to use these.

2. In spring 2009, prices were set at £25.00 for adults and £20.00 for children, with slight increases for selected peak periods

Philosophy Behind the Business

Tristram had always intended GoApe! to be an outdoor adventure experience rather than “just another ride”. The completion time of up to three hours was much longer than competitors’ offerings, but he believed this was more than offset by people’s sense of being challenged, surprised and excited by the whole experience. The design purposely incorporated elements of well-managed risk, intended to liberate the customer from the usual safety constraints which got in the way of people “discovering” the forest. For example, in contrast to other operators GoApe! did not require the use of helmets or provide continuous supervision. Instead, instructors provided half an hour’s training until they were satisfied that customers were capable of connecting their own harnesses at each section of the course. This approach was not received well by all in the industry and some competitors seized on this as an opportunity to report GoApe! to the Health and Safety Executive³. Undeterred, Tristram decided to organise an open day to showcase the course to the Executive and invited others involved in this industry as well, to share ideas about approaches to risk and safety. This proved to be a smart move and resulted both in official approval from the Executive and the development of closer relations.

He believed in the ‘societal’ benefits of this approach, as well as adding to the element of fun and adventure. To endorse this position, Tristram enrolled GoApe! in the Campaign for Adventure⁴ which promotes the following view:

“The Campaign seeks to show that life is best approached in a spirit of exploration, adventure and enterprise; to influence and better inform attitudes towards risk; to build wider recognition that chance, unforeseen circumstances and uncertainty are inescapable features of life and that absolute safety is unachievable; and to demonstrate that sensible education and preparation enable an appropriate balance to be achieved between risk & safety and achievement & opportunity.”

Out of the Woods?

At the end of year one, December 31st 2002, incorporated as Forest Adventure Ltd GoApe! achieved a profit of just under £20,000 on a turnover of £153,000 (see *Appendix 1*). Tristram and Rebecca were settled into their new life in Suffolk and

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3. The Health and Safety Executive (HSE), is a United Kingdom non-departmental public body, responsible for the encouragement, regulation and enforcement of workplace health, safety and welfare, and for research into occupational risks in England, Wales and Scotland.
 4. The Campaign for Adventure (CfA) is a UK initiative to improve understanding of the important benefits for individuals and for society stemming from an adventurous approach to life in all its aspects. The major impetus for the Campaign came from the Conference ‘A Question of Balance’, held at the Royal Geographical Society on 29 November 2000. See www.campaignforadventure.org

confident that GoApe! had proven itself. Tristram was firmly of the view that the priority now was a land grab. Within months of the Thetford site's opening, he had been prospecting for new sites on other land owned by the Forestry Commission, and by early 2003 he narrowed these down as follows:

- Grizedale Forest, in the Lake District [NW England]: approximate annual visitor footfall 200,000
- Moors Valley in central south England: approximate annual visitor footfall 400,000
- Sherwood Pines, in the east midlands: approximate annual visitor footfall 100,000

Three new sites in one year was the most that the business could finance through retained earnings and the couple's remaining savings. In fact, once the plans were agreed with the Forestry Commission and they got down to detailed business modeling, it was clear to the couple that their funds were sufficient to finance two and a half new sites. The solution to the extra money came in the shape of the new Operations Director they recruited, Will Galbraith, an old army friend of Tristram's. The business needed Will to help manage the construction and running of sites, leaving Tristram to concentrate on business development and the new course pipeline, with Rebecca in charge of marketing. They offered Will a 10% share in the business in return for putting in a £50,000 loan to fund the shortfall for the third new site and agreeing to work for free for 12 months.

Will's £50,000 turned out not to be enough. Grizedale went according to schedule, but there were planning permission delays at Moors Valley which postponed the opening date by eight weeks. Sherwood Pines proved very slow to take off. So far Tristram had relied on local interest generated through PR and word of mouth to drive visitors to GoApe!. Located in the centre of a depressed former coal-mining area, Sherwood Pines was an area of below-average incomes and the locals showed little interest in spending their money on an adventure in the forest. As the year wore on the business was caught in a squeeze: delays had reduced turnover, marketing costs and staff salaries were higher than anticipated. With the peak revenues of summer holidays tantalizingly just six weeks away, GoApe! was on the brink of going bust.

To get the business through the cash flow crisis, Tristram needed £40,000 to pay June's wages. Fortunately, his mother came to the rescue with a six week loan and following strong summer holiday period ticket sales GoApe! survived.

Subsequently Tristram and Rebecca sold Will a further 10%, this time for £28,095. Revenues at the newly-opened sites picked up and they finished the second year of trading with a loss of £99,000 on turnover of £688,000 (see *Appendix 1*). By now very conscious of the need to accurately forecast cashflow,

Tristram recruited Paul Rossiter, an experienced Finance Director, initially on a one day per week basis. He also negotiated a bank loan during 2004 under the Small Firms Loan Guarantee Scheme⁵. This bolstered the balance sheet by £100,000 (see *Appendix 2*). 2004 was also the year in which they opened their fifth site, at Bracknell in the Thames Valley. The locations of the five existing sites are shown in *Appendix 3* at the end of the case.

What Next?

By the end of 2004 the business had turned over nearly £1.3 million and recorded a profit of £170,000. With five sites up and running and the business now established, Tristram and Rebecca were ready to review the next stage of growth. It seemed that they now found themselves at another crossroads.

One option was to consolidate their existing operations by putting each of the sites under the microscope and looking to get more value from them. Three obvious areas were the corporate market, add-ons such as clothing and other souvenirs, and catering. In each of these Tristram knew there were unexploited opportunities. Fewer than 5% of sales were to groups of corporate managers for training or team-building purposes, but this was well-known to be a growing market. The call centre and the website, however, were set up to deal with consumers, not companies. Selling corporate activities would be a great way to get traffic at off-peak times such as mid-week during school terms. GoApe! clothing and other mementoes was a second area where the business was weak. Many customers were used to taking home a souvenir of their visits to other theme parks: what was known in the leisure industry as “secondary spend”. The business was still some way from developing a co-ordinated range of merchandise. The third area, catering, was also very under-developed. The café facilities, if any, provided by the Forestry Commission were rudimentary. Many visitors preferred to bring their own packed food and drink. In fine weather there were opportunities to serve barbecues, but GoApe! staff were not recruited for their catering skills! If all of these activities were systematically addressed, average spend per head might well increase by 25% to 30%.

The second option was to go all-out for a second phase of growth, and worry about optimizing revenues per site later. GoApe!’s increasingly high profile had helped to encourage newcomers. During 2003 two British competitors opened similar style courses:

5. The scheme was designed to support smaller owner-managed businesses in need of development finance. Although provided by retail banks, most of the money lent was underwritten by the UK government, thus reducing the banks’ exposure and encouraging them to lend to this sector.

- Aerial eXtreme, a joint venture backed by the biggest builder of poles based high ropes courses in the UK.
- Extreeme (sic) Adventure, the closest to GoApe! in style, set up by a farmer diversifying into leisure.

Tristram and his team kept a close eye on the competition. None of them, in Tristram's mind, had as strong a proposition as GoApe!, but he was aware that he – and his staff - were necessarily biased. If industry rivalry was going to intensify, then the better alternative could be to go single-mindedly for expanding across the UK as quickly as possible. There were many more Forestry Commission sites available and already he had been approached by other landowners interested in the possibility of hosting GoApe!

To go down this route meant, inevitably, more people, more resources, and more investment. Experience showed that the business could cope with three, possibly four, new sites in a year, but it was an open question whether this could be financed through retained earnings. If outside money was needed this meant either new equity or increased bank lending. Would a bank be prepared to lend against the company's balance sheet (*Appendix 2*), and would they look for personal guarantees? Neither Tristram nor Rebecca was keen to put all they had back on the line. Alternatively, they could look for early-stage equity capital. The market for raising this kind of money seemed fairly buoyant at the moment, but this would mean Tristram and Rebecca diluting their shareholdings still further, and Tristram feared that professional investors would try to force a sale of the business within three to five years or might want to push for profits thereby compromising the environmental and sustainable aspect of the business they had so carefully developed. Tristram had always paid lip-service to the idea that it was better to have a smaller slice of a bigger cake than the other way round. However, he liked the idea even better of a big slice of a bigger cake!

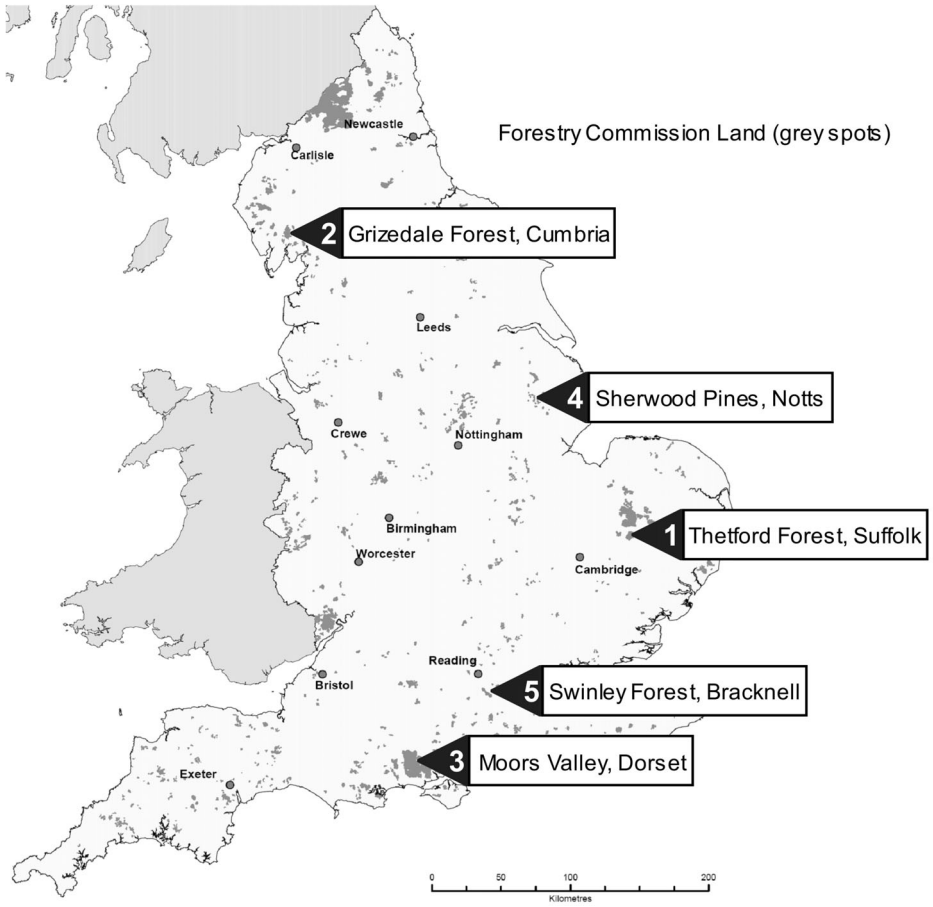
Appendix 1: Profit & Loss Account, Adventure Forest Ltd (GoApe!)

Year end 31st December	2002	2003	2004
Number of sites	1	4	5
Total revenue	152,704	688,128	1,386,351
Direct site costs			
Total labour	76,375	379,667	452,076
Ers NIC	-	14,813	37,410
Rent	500	18,161	44,515
Insurance	3,182	47,520	52,944
Call centre costs	-	64,279	73,556
Depreciation	10,375	47,623	65,821
General running costs	2,846	39,123	105,395
Corporate day running costs	-	-	-
Training	3,091	25,006	5,687
Others	-	0	2,586
Total direct site costs	96,369	636,192	839,991
Gross Margin	56,335	51,936	546,360
	37%	8%	39%
Head office costs			
Salaries	-	44,520	82,697
Ers NIC	-	1,163	7,032
Office Equipm Depn	-	2,141	7,178
Printing, postage, stationery	5,593	12,408	25,780
Accountancy	3,455	6,791	7,456
Legal	8,200	18,907	69,587
Public relations	6,192	18,241	28,111
Sundry contingencies	-	0	0
Advertising	8,541	13,959	27,272
Branding	-	-	-
Corporate package development	-	-	-
Franchise development	-	-	-
Training	-	0	0
Telephone	1,438	8,528	12,531
Office rent and rates	-	0	11,883
Utilities	-	305	170
Insurance – Office AllRisks	-	0	0
Travel and subsistence	2,239	12,821	45,633
Repairs and renewals	126	2,654	0
Subscriptions	150	456	2,285
Refreshments	-	479	1,767
Bank charges	80	7,585	18,081
Others	741	0	12,985
Total Head office costs	36,755	150,958	360,447
PBIT	19,580	(99,021)	185,914
Bank interest receivable (payable)	160	(389)	(849)
SFLG Interest	-	0	(2,000)
Loan interest @ 6%, say	-	0	(12,585)
Total interest	160	(389.23)	(15,434)
Profit (loss) before tax	19,740	(99,410)	170,479

Appendix 2: Balance Sheet, Adventure Forest Ltd (GoApe!)

Year end 31 st December	2002	2003	2004
Number of Sites	1	4	5
Fixed Assets			
Stucture Costs			
Cost	0	111,303	242,236
Additions	111,303	242,236	180,599
Depreciation	(10,375)	(57,999)	(125,511)
Net Book Value	100,928	295,540	297,324
Office Equipment			
Cost			9,323
Additions		9,323	13,749
Depreciation		(2,141)	(7,627)
Net Book Value	0	7,182	15,445
Total Fixed Assets			
Cost	0	111,303	251,559
Additions	111,303	251,559	194,348
Depreciation	(10,375)	(60,139)	(133,138)
Net Book Value	100,928	302,723	312,769
Current Assets			
Debtors	1,883		1,071
Prepayments		14,466	17,959
Bank balance	43,028	417	262,962
Cash		146	0
Total Current Assets	44,911	15,029	281,992
Current Liabilities			
Bank Overdraft	0	13,196	0
Trade/Other Creditors	3,592	5,186	39,978
Tax & Social Security		6,875	10,424
VAT		1,601	(8,961)
Forestry Commission			33,805
Other Creditors		50,000	50,000
Accruals	2,895	39,003	43,607
Directors Loan Account	111,757	281,460	234,544
Small Firms Loan Guarantee scheme			100,000
Total Current Liabilities	118,244	397,322	503,396
Net Current Assets/(Liabilities)	(73,333)	(382,293)	(221,404)
Creditors falling due after more than 1 yr			0
Deferred Tax Provision			19,048
Net Assets Employed	27,595	(79,570)	72,317
Capital & Reserves:-			
Share Capital	100	100	111
P&L Account B/F	0	19,740	(79,225)
P&L account - current period	27,495	(99,410)	151,431
Other reserves			
Total Shareholders Funds	27,595	(79,570)	72,317

Appendix 3: GoApe! Locations in England at the end of 2004



Source: GoApe!