



## Case Study: Bungee Jumping Business Project Located in Madinah, Saudi Arabia

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**ABSTRACT:** This study illustrates the business model for a bungee jumping business that will be located in Al-Figrah, Madinah alongside other activities like a Kids' Playground, and Gift and Coffee shops. Also, the strategies and expectations for the business's future in the tourism and hospitality industry in Saudi Arabia. It started first by presenting the statues of the industry in Saudi Arabia and where the business stands in the industry.

**KEYWORDS:** Business Model, Innovation, Feasibility Analysis, Hospitality and Tourism, Business Management, Entrepreneurship, Competitor.

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### I. INTRODUCTION

This study will present the business model of a startup that is intended to be established in Madinah with the vision of the Kingdom of Saudi Arabia to flourish tourism in the kingdom as a major part of Vision 2030. The report will first include the business model aspects which are, key partners of the business, key activities, key resources that will be made use of, the value proposition, customer relationships, channels, customer segments, cost structure, and revenue streams. Second, the legal process of establishing the business. Third, financial options to finance such a business, alongside many other important components will be thoroughly discussed.

Then presented the feasibility analysis that was conducted to measure the business' appeal rate from four different aspects after surveys and research was made, which are:

- Product/Service Feasibility Analysis.
- Industry/Target Market Feasibility Analysis.
- Organizational Feasibility Analysis.
- Financial Feasibility Analysis.

Third, it presented the competition that the business might face, and was divided into different sections to ease its readability of it. First Porter's Five Forces and each force were explained separately as to how it can affect the business. Then proposed a direct competitor which is "Bungee Jumping in Al-Soudah", an indirect competition like "Edge on The World" in Riyadh, as well as Quad Biking in the deserts. And finally, future competition, which was the cooperation between Al-Soudah Development and Dakar Saudi Arabia, to endorse extreme sports in Al Soudah in the future with the vision. However, our business overcomes them in aspects like prices. Forth, the business' value proposition for the customer segments, Tourists, Locals, and Parents, was proposed and detailed on the bases of three aspects which are, entertainment and amusement, providing a new experience, and flourishing the tourism and hospitality industry in Saudi Arabia.

### The Hospitality and Tourism Industry in Saudi Arabia

The double pendulum is illustrated in Diagram 1. It is convenient to define the coordinates in terms of the angles Deloitte which is a leading consultancy company has published an overview report about Saudi Arabia's hospitality market and stated that "As the number of international tourist arrivals keeps increasing, the

tourism industry has become a top foreign earner in both developed and developing nations. Based upon this development, countries such as the Kingdom of Saudi Arabia (KSA), which was not known for tourism investment before, have started to make much investment in the sector in order to diversify their economy from being a single oil-based economy [1]. The hospitality and tourism industry did not take a huge place in Saudi Arabia's economy in the past. However, with the vision of 2030, it is considered a major component that will be invested in and making it a part of Saudi Arabia's economy and GDP. Based on the aforementioned principles, companies have started targeting the three pillars of sustainability, and hotels and travel agencies are no exception. In the hotel and tourism industry, thanks to globalization, the number of daily travelers worldwide is far different from that in the past [2]. Therefore, we expect huge growth and improvement in the future as the government is undoubtedly invested in this sector.

Moreover, Saudi Arabia has initiated The Tourism Development Fund, which according to the Ministry of Tourism, is partnering with various investment banks offering more than 150 billion in funding for tourism companies and startups.

## II. FEASIBILITY ANALYSIS

In this section, we will explain the process we went through to conduct the feasibility analysis for our business. Next, we will propose the analysis done by our team on the feasibility of different aspects including the services we provide, the target market, organization-wise, and financially wise.

### 2.1 Product/Service Feasibility Analysis

Bungee jumping has been used as an entertainment destination in many countries. As per our observation of thrilling and extreme activities such as Bungee Jumping, we have concluded that many people consider these places when they plan for tourism. Businesses have been focusing on the three pillars of sustainability based on the aforementioned principles, and hotels and travel agencies are no exception. Because of globalization, there are now many more everyday travelers than there were in the hotel and tourist industries [3]. Moreover, as per our plan, it will be held in "Al Figrah", which was chosen for the advantages of the environment that can be taken held off for our business.

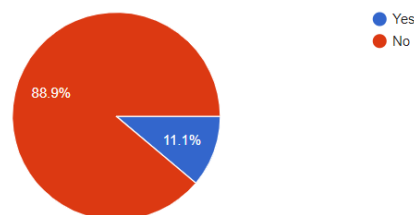
Moreover, it is considered a tourism destination in Al-Madinah, which lacks these kinds of sports. Also, based on where Saudi Arabia is heading, this is a perfect time to introduce such activities, especially with the future plans and special support of the General Entertainment Authority.

### 2.2 Industry/Target Market Feasibility Analysis

To measure our target market's appeal to the idea of a bungee jumping business, we conducted a survey on a sample of potential customers, which measures their appeal to the idea of bungee jumping, their experience with it, and their view of such a business. Here are the results of the survey:

?Have you ever been through a bungee jumping experience in Saudi Arabia .1

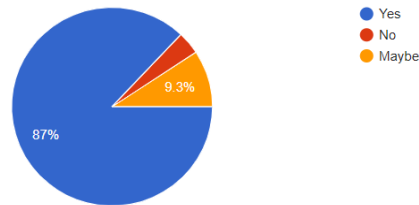
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In this question, we observed that the majority of them did not go through a bungee jumping experience with a percentage of 88.9% of them answering no to the question

?Are you willing to go through such an experience .2

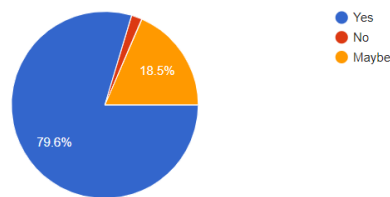
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In this question, we observed that the majority of them have an interest in trying such a sport and try bungee jumping, with a percentage of 87% answering yes to the question.

?Do you expect successful outcomes for a bungee jumping business in Saudi Arabia .3

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This question was put to measure their views about a bungee jumping business, and about 80% of the answers voted that they see the business succeed.

### 2.3 Organizational Feasibility Analysis

In relation to the availability of management expertise and resources, our team enjoys many members with BBA degrees in Management and Project Management training. Also, due to the nature of our business, the resources needed are limited to the building of the station and playground, which there are many manufacturing companies that could do the perfect job for it, and workers' and management employees' salaries.

### 2.4 Financial Feasibility Analysis

As per our research, the total cash needed to start a bungee jumping station costs around ten to fifty thousand dollars maximum, and the cost/per individual to bungee jump varies from ninety to hundred and fifty dollars. Taking these values into consideration it would take us one hundred to three hundred customers to cover our initial investment and start making a profit. Also, there would be revenues from the playground, coffee shop, and gift shop, which would add to our revenues and would not cost much to build.

## III. Porter's Five Forces

In this, we section we will present Porter's five competitive forces in relation to our business. The Threat of New Competitors in The Industry. At our start, we do not expect high competition based on our feasibility analysis. However, as Saudi Arabia has many places that can be used for such sports with great environments that can be taken into consideration, we expect the competition to be high nine months after our business starts. Sports academies have grown significantly in Saudi Arabia during the past ten years. Yet, the lack of knowledge on the contribution of sports academies to the growth of sports in Saudi Arabia from the perspective of society highlights the need of filling this informational gap [4]. Therefore, future competition is taken into consideration.

### 3.1 Rivalry Among Existing Competitors

Based on our research, there is no existing competition in the western region. Especially since this is the region tourists first go to when they come to Saudi Arabia. Therefore, we expect very low competition from existing firms.

### 3.2 Threat of Substitute Goods\Services

There are plenty of substitutes for normal sports. However, the main activities of our business are extreme sports, and although there is high interest in these kinds of sports based on our survey, there is not much attention to extreme sports here in Saudi Arabia as far as our research. People have the choice to pay for a service that is more highly regarded, similar to how train or airline passengers can buy a first-class ticket, under

this pricing strategy, which is frequently referred to as "value pricing"[5]. That will be used as a strategy to fight against competition.

### **3.3 Supplier Bargaining Power**

Based on how well each sector performed in achieving crucial success factors crucial to the transition, the research grades each sector. By using the rating, the government, and policymakers would be able to execute targeted policies and reforms for low-ranked industries rather than applying general ones [6]. Therefore, there are plenty of companies that could be used as suppliers for the building of our bungee jumping station. This concludes that suppliers won't have much bargaining power over our business.

### **3.4 Customer Bargaining Power**

There would be no bargaining power due to the low capacity of alternatives to our business. Moreover, we are offering a service for individuals for the porous of entertainment, so no huge purchases will be made, and customers won't have the higher power over us.

## **IV. Competitors**

There are several types of competitors and we explain each type in the following list:

### **a. Direct Competitor**

One of the competitors the direct competitors that we will be facing is a bungee jumping business that is located in Al Soudah, Asir. That location has a nice view and weather which could attract many customers. However, our business can attract more people due to its location of it as well. Many tourists take Madinah as one of the first cities that they will visit when they consider visiting Saudi Arabia, due to its sacred position. Moreover, Al Figrah where our business will be in is also considered one of the places that enjoy nice weather. This will give us more advantage alongside our low costs.

### **b. Indirect Competitors**

Sports were categorized by competition type according to the behavioral contingency and the role of the opponent, as defined by the rules of the sport [7]. There are some businesses in Saudi Arabia that focus on extreme sports and are considered indirect competitors like "Edge on The World" in Riyadh, as well as Quad Biking in the deserts. Some of them are located in Riyadh which is a major city where people seek tourism here in Saudi Arabia. Therefore, our business can be negatively affected by them. However, these are businesses that are repeatedly experienced here in Saudi Arabia. Thus, by providing a new experience that people rarely go through in Saudi Arabia, we will attract more people to our businesses seeking a new thrill and experience they can add to their adventures.

### **c. Future Competitor**

The analytical role of managers is growing more difficult as the world grows more complicated since they must now go beyond simply the main competition to the network of enterprises that are related to that competitor[8]. The scale of this project is large which could affect our business. However, their main focus will be one rally and races which are different kinds of sports that has their own base of people who are interested in them, on the other hand, our business still stands its ground on delivering the thrill of bungee jumping that Saudi Arabia lacks.

## **V. The Business Model**

Throughout time, the word "business model" has been distorted and abused, leading to deficient comprehension and application on the parts of both practitioners and academics. It is sometimes mixed up with other well-known terminology in management literature, including strategy, business concepts, revenue models, economic models, and even business process modeling [9]. In this section we will discuss the business model elements in detail in the following list:

### **a. Value Proposition**

In this section, the value proposed for the customers will be presented and discussed

#### **5.1.1 Entertainment and Amusement**

The focus of the business is to provide entertainment for the customers. Therefore, the business will work with the mentality of providing them with an enjoyable experience that they can remember.

#### **5.1.2 New Experience**

As discussed earlier Saudi Arabia lacks such activities, especially in Madinah. Thus, providing such a new experience is thrilling for customers, especially tourists.

#### **5.1.3 Flourishing the tourism industry in Saudi Arabia**

By filling the gaps of what the industry misses.

### **b. Customer Segment**

The business' customer segments that will be focused on in our marketing will be presented in this section.

**i. Tourists**

Tourists from both genders will take a big portion of our customers since they are the ones looking for new thrilling experiences.

**5.2.2 Locals**

Many locals here in Saudi Arabia are also new to such extreme sports. Thus, we will target them to the business as well.

**5.2.3 Parents**

Parents who are willing to go through the experience will not face many problems with their kids, because a playground that targets them will be established as well.

**c. Key Resources**

This section will show the key resources that will help in initiating the business.

**5.3.1 Environment**

The nature of the environment in Al-Figrah with the mountains will be a major resource for the business.

**5.3.2 Workers**

A set of talented engineers will help in building the jumping station.

**5.3.3 Investors**

Loyal and liable investors who believe in the idea will help in financing the business.

**d. Key Activities**

This section will present the key activities that will help in the entertainment and satisfaction of customers.

**5.4.1 Bungee Jumping**

Bungee jumping will be the main activity of the business. As per our observation of thrilling and extreme activities such as Bungee Jumping, we have concluded that many people consider these places when they plan for tourism. As explained earlier, people always look for the sensation of adrenaline, so they seek these kinds of sports.

**5.4.2 Kids Playground**

Since adults only are the ones who are allowed to bungee jump and to satisfy all customer segments we plan to initiate a playground for those who come with kids. Therefore, they will be able to leave their kids to enjoy on the playground and they themselves enjoy the bungee jumping experience.

**5.4.3 Gift and Coffee shops**

Foreign tourists will have the urge to have something that reminds them of such an experience. Thus, a gift shop will be there to let them buy whatever they like as a memorial. As well as a coffee shop of our partner's brand that will allow them to rest and wait for their turn.

**e. Key Partners**

This section will present the key partners that will help in the establishment of such a business.

**5.5.1 General Entertainment Authority**

The General Entertainment Authority has been playing a major role in the enhancement and nurturing of the tourism sector in Saudi Arabia, which is the key sector that our business is focusing on. As they are offering financing options for tourism businesses, we will present our idea seeking their adaptation to the idea and their financial support.

**5.5.2 Saudi German Hospital**

The nature of a bungee jumping business is extreme and could be dangerous sometimes. Therefore, people need insurance with such a sport, that is if something happens a medical team from Saudi German Hospital is there to provide them with the necessary medical actions.

**5.5.3 Nomi Beans**

As it is a part of the business activities to open a coffee shop, we'll partner with Nomi Beans' brand to provide the needed products and services that will satisfy our customers. It will be a coffee shop sponsored by Nomi Beans which will provide our customers with a place to rest whenever they need to.

**f. Channels**

This section will illustrate the channels which will be used to reach our customers.

**5.6.1 Social Media**

Foreign tourists look firstly through social media for good places to go. Therefore, using social media platforms like Instagram and Twitter will allow us to reach more customers.

**5.6.2 Tourism Campaigns**

Tourism campaigns are beneficial for us as well since they connect with many tourists. Therefore, we will collaborate with them to introduce our business to those tourists. Their acceptance can be measured to help improve the business more.

**5.6.3 Busses**

Busses will be ready to relocate the customers to Al-Figrah. Since it may be hard for foreign tourists to reach such a place.

## **5.7 Customer Relationships**

The building of strong relationships with the customers will be discussed in this section.

### **5.7.1 Instructions Point**

To fully instruct our customer with all the needed precautions for the bungee jumping experience, we will have a team of professionals during the process before the bungee jump, where they will inform the customers with what they are to expect during the jump and what they are expected to do to live this extreme experience to the fullest. As well as taking all the necessary precautions of it.

### **5.7.2 Safety Requirements**

It is suggested that adopting a spotless safety record and gold-standard safety measures might help the sector grow [10]. To insure the well-being of the customers' experience. All safety requirements will be extremely met. Moreover, with the assistance of our partner Saudi German Hospital, a fully prepared medical team will be there to deal with any urgent situation. This will increase our customers' loyalty and willingness to go through the experience.

### **5.7.3 Feedback**

We strive for improvement and enhancement, so we will arrange a station for the customers to give us regular feedback for any improvement the business needs and to have a great stable relationship with them. As well as using their good responses in social media to increase our customer base and make use of word-of-mouth marketing.

## **5.8 Cost Structuring**

As expected, the execution of such a business requires huge financing, from the building of the station to the execution of it to labor expenses to secondary activities that our business offers. However, we expect the expenses to be lower by taking advantage of the environment of mountains as explained earlier. According to The General Entertainment Authority, they have partnered with many agencies and institutions to help new startups as a means to support them find financing options, including The Social Development Bank, Al Rajhi Bank, and many others. <sup>10</sup> This is one of the key reasons for our partnership with the General Entertainment Authority, which is investing to enhance the tourism and entertainment experience in Saudi Arabia. Moreover, it will help in cutting the land costs, which our activities will be run in, as they offer lands for such businesses to support their establishment. By renting the machines needed to reduce costs and taking advantage of the nature of the mountains in Al-Figrah, costs will be limited. Since the bridge for the jumping station is connected by mountains. The sponsoring of the Nomi Beans brand and Saudi German Hospital will help in covering the costs of the coffee shop and medical needs expenses. Establishing the kids' playground is a secondary activity that will be covered with the business' growth.

## **5.9 Revenue Streams**

Many revenue streams can be taken advantage of which are:

### **5.9.1 Commissions**

The payable amount for bungee jumping and kids' playground reservations.

### **5.9.2 Advertisements**

The business will be open for advertisement requests from other entities or companies, so we will use our location to advertise for other businesses.

### **5.9.3 Reservation**

Early reservations can cost a bit more than the usual reservations.

### **5.9.4 Gift and Coffee Shops**

Through a percentage of profits generated by the coffee shop. As well as the gift shop revenues.

## **The Legal Process for The Establishment of The Business**

In this section, all the legal processes and requirements for establishing the startup will be presented. Based on The General Entertainment Authority, the business will have to go through a process of registration and presentation to governmental organizations in order to get approval for the establishment of the business. The first step will be the issuance of a Commercial Registration Version. The second step is to issue a business license. The third step is the issuance of a Municipal License (2022)<sup>11</sup>

## **Financing Options**

There are many financing options for startups to use as sources of funding to establish startups. Here are some that were seen as the most suitable for such a business.

### **g. Angel Investors**

Angel investors can be a great help for the establishment of a startup, especially for ideas that are anticipated to flourish in the future. In the case of a bungee jumping business here in Saudi Arabia, we believe that it holds a big opportunity to flourish since it's a new experience for this area.

#### **h. Crowdfunding**

We'll reregister the business in crowdfunding platforms to spread and look for investors that are interested in the idea. Selling shares of the business to those investors looking for good investment opportunities in crowdfunding platforms will make it easier to gather more funding for the startup.

#### **i. Government Funding**

With the government's interest in uplifting the entertainment industry in Saudi Arabia, we expect more funding from the general entertainment authority. Moreover, the general entertainment authority is expressing support for these entertainment businesses as part of vision 2030.

#### **j. Debts**

As a last resort and after further studies of the business's future and seeing the business' ability to buy debts, we can gather funding by buying government loans that will help in establishing and improving the business.

#### **Management Team**

Our business is run by Two with management backgrounds. They will be managing the business and its operations. Two with accounting, alongside finance and Project Management background, will be in control of auditing and the business' financials. Also, one with a civil engineering background and background certified by OSHA will be the Safety Officer for our operations.

### **VI. Conclusion**

Based on the results of this study, a business model for bungee jumping was presented. A feasibility analysis has also been discussed from four perspectives, including Product/Service Feasibility Analysis, Industry/Target Market Feasibility Analysis, Organizational Feasibility Analysis, and Financial Feasibility Analysis. Additionally, Porter's five forces and direct and indirect competitors have been explained. Finally, tourism and hospitality in Saudi Arabia were discussed, as well as the management team and financing options.

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