



VALUE FOR MONEY CASE STUDY

TITLE	Social entrepreneurship – GL’s Brave new world pays off
MANAGER	Debrah Mukuku
PROGRAMME OR UNIT	GL Cottages – Leveraging
NATURE OF SERVICE	Hospitality Industry
DATE/S	April 2013-March 2014

Synopsis

One of our donors had this to say regarding the GL Cottages investment.

"It's encouraging to see an NGO stepping out and taking the initiative to generate its own resources instead of always relying on donor funds. Gender Links has certainly become a pacesetter for other NGO's"

–Wonder Jekemu SIDA Donor.

	RANDS	NOTES
Cost price of GL Cottages	5,500,000.00	Cottages bought "voestoos" and all inclusive
Cost of major renovations	663,382.00	Additional bathrooms for Conference Room, Renovation of 4 existing rooms, 5 new rooms SADC House Internet, Tar road
Cost of capital investment	6,163,382.00	Initial cost of Cottages plus renovations done
Most recent valuation	9,750,000.00	Being current market value of Cottages
Appreciation in value	3,586,618.00	
Consolidated operating profit to date	1,375,266.00	Operating profit to date
Value added	4,961,884.00	Summation of appreciation in value of property and operating profit to date
Targeted and projected annual profit going forward	1,598,000.00	Total Annual profit projection for 2014 R1598 000
Break even period for original investment	3.00	Within the next 3 years we will have recouped the amount invested in GL Cottages

KEY RESULTS

- It is exciting to note that the property has already appreciated in value by 58% from the time of purchase to date. Current market value assessment shows that GL Cottages has increased worth by R3,586,618.00
- In addition to the appreciation value of the asset itself, GL Cottages has recorded a total trading profit of R1,375,266.00 from April 2011-March 2014
- Total value added so far including appreciation and profit is R4,961,884.00
- Going forward we forecast an annual net profit of R1, 598,000.00 every year which means within the next 3years we will have recouped the initial amount invested and yet still own the asset!

BACKGROUND TO THE GL COTTAGES INVESTMENT

Gender Links purchased the Cottages at a cost of R5, 500,000.00 in the year 2011, through its own hard earned reserves generated from Consultancy services, publications and training. Besides the fact that property was sighted by financial advisers as the best investment option, there were also a number of factors that contributed to the motivation for the investment.

Gender Links had spent substantial amounts of money, close to R1million Rands, during R2010/2011 financial year on accomodation and conferencing. Buying the GL Cottages therefore meant that Gender Links going to make better use of financial resources and make huge savings as they would now use the Cottages facilities.

In addition, Gender Links believed in the social entrepreneurship model in which case all profits generated by the Cottages would be re-invested in the work of the NGO. Also with the looming the global crisis, donor funds were continuously decreasing, therefore creating pressure for NGO's to raise their own finances for sustainability. With Gender Links getting into the profit- making industry, this opportunity then became part of the organisation's diversification strategy.

This investment has proved to have been worthwhile especially in terms of property value appreciation. A recent evaluation has shown that the market value of GL Cottages has increased from R5, 5m to R9, 750m within a two year period. There could certainly be no other better value for money as banks could never pay that much interest. In addition, as evidenced by the GL Cottages financial performance to date, the Cottages investment has been worth every cent. Despite the original investment and initial renovations that were funded from GL reserves, GL Cottages has since become self-sustaining through its own profits. All expenses, including salaries and bills, are paid from the GL Cottages income. No donor funds are ever used to cater for Cottages expenses. For the period under review, 2013/2014, GL Cottages has made a trading profit of over R1, 2m after expenditure.

Within the next three years, Gender Links will have successfully managed to recoup its original investment, yet still proudly boasting of owning a solid fixed asset on their balance sheet.

ECONOMY

HOTEL	Bed and breakfast for Board and staff for 3days RANDS	Advantages	Disadvantages
GL Cottages	R59,160.00	Sharing rooms, low cost, flexible working hours, proximity to GL	Facilities cannot accommodate more than 100 people
Indaba	R84,514.28	Can host more people than GL Cottages	Very far from GL, Transport costs would be high, more expensive
Mercure	R112,665.00	Close to GL near Eastgate	Cannot house 3pple in one room, Costs are double the Cottages price.
Parktonian	R62,580.00	Bigger venue	Public place close to CBD, hence too many distractions and noise, more expensive than Cottages, no sharing

Before making GL Cottages the venue of choice, GL was doing business with mainly with Mercure Hotel, Westford hotel, Gilloolys Golf club and Protea Parktonian. However, after careful consideration, various reasons justified the GL Cottages option. For instance, Mercure Hotel costs R1, 295.00 per person for bed only without breakfast and this is double the amount charged by GL Cottages including breakfast. Westford Hotel had almost the same pricing as GL Cottages but the Hotel is based in Sandton, which does not make it cost effective in terms of travel expenses. The Parktonian Hotel was charging a minimum of R750 per person which also worked out to be more expensive than the Cottages. For the April 2013 summit, it would have cost R21 700 to keep the staff at Indaba Hotel for 3 days and yet they stayed at GL Cottages and used only R15 600. This goes to demonstrate that the GL Cottages option was justified as the best option economy wise, and not to mention the eco-friendly environment.

1. GL Cottages has put in place an effective procurement policy which ensures maximum economy and cost savings. Before any purchase, three quotations are obtained and compared. A quote comparison form is completed and motivation made for the best buy, which may not necessarily be the cheapest but also the offering the best value for money in terms of quality and durability. In some instances, we have preferred suppliers; however we occasionally review their pricing structure to check if they are still competitive.

2. At GL Cottages, we have come up with a green policy that we put in each and every guest room. The policy covers issues that address being environment friendly and also result in major savings. We conscientise our guests on best practices for sustaining mother earth. Electricity usage, water usage is substantially reduced as a result of the implementation of the green policy as detailed in the green savings schedule attached. For the period 2013/2014, a total annual savings of R251 538.00 were made due to the green policy measures.

3. Having the GL Cottages has been economically beneficial to Gender Links. GL Cottages' pricing structure is flexible and offers special discounts to the NGO clientele, being cognisant of the fact that NGO's need to make the best use of resources and donor funds. To remain cost competitive, GL Cottages offers three-tier pricing which allows us to be able to cater for all categories from low-cost to premium packages. GL Cottages frequently carries out a market analysis of pricing in comparison to its competitors within the same league. For Gender Links particularly, GL Cottages charges the lowest price because of our partnership. For instance, GL had planning meetings in January 2014 in which all staff used sharing rooms. The cost per head at the Cottages was R640 bed and breakfast, as opposed to if they would have stayed at Garden Court(also in the vicinity) where they would have been charged R1 100 per head bed and breakfast. Total savings for the accomodation only for the GL planning meetings amounted to R132, 500.00

EFFICIENCY

1. GL Cottages has improved efficiency by making best use of human resources. Although Cottages only has a staff compliment of 10, our team is made up of multi-skilled staff who have the capacity to multi-task. For example, we have a house manager who is also the receptionist. Our driver is also in charge of weekend night security and is a handy-man for quick fixing of anything that is faulty. GL Cottages also makes use a helper who assists with kitchen cleaning, waitressing as well as coordinating conferences and manning the reception area when the house manager is away. The rule at GL Cottages is that we do not observe job titles, anyone is capable of doing anything.

2. In an effort to improve efficiency, GL Cottages has now hired a Finance officer so that we function as an independent unit. This will relief pressure from GL and ensure efficient processing of invoices and payments. The coming of the financer will also help to with the implementation of strict internal controls for cost savings and avoiding revenue leakage.

3. GL Cottages is an efficient option for Gender Links because of the favourable pricing and preferential bookings given to them. Cottages also offers GL flexible pricing and conditions for accomodation and conferencing. For example, GL Staff can be three in each room to reduce the cost of accomodation, and yet the other guests are only allowed a maximum of two adults per room. In addition, the proximity factor makes it very convenient for Gender Links as they avoid huge transport costs when commuting from the GL offices. GL Cottages is literally 3km away from GL HQ offices.

EFFECTIVENESS

1. This intervention has also had many other benefits that came with it.

- Networking-GL Cottages has leveraged from its association with GL as most of its clientele is from the civil society. GL Cottages is able to network within the existing database that GL deals with. For example, we were able to market the GL Cottages at the just ended summit at Kopanong.
- Branding-GL Cottages has taken advantage of the goodwill of the GL Brand within the NGO world and gained trust with potential and targeted customers as they are willing to support a worthy cause.

- Donor relations-GL Cottages has also established good working relations with donor partners. In October 2013, GL Cottages hosted a conference for Norwegian Church Aid, one of our donors. Recently, in May 2014, a marketing presentation was made to all the GL donors at the summit and we hope to get some future business.
- Service Culture-A new service culture was introduced at the GL Cottages which ensures that we deliver service to our customers cheerfully with a smile. This has changed staff attitudes in the way they deal with customers. At the planning meeting in January 2014, a presentation on service culture was made to all staff including the GL staff.
- Management case study- The CEO shared best practises from the GL Cottages which she shared with all GL staff. This case study has had a positive impact on most staff and has resulted in change of mentality on the way staff conduct their day to day routines at work.

2. GL Cottages and the GL staff have learnt to work as a team and share ownership. We work as a family to ensure that we make it possible to achieve each other's desired outcomes. Cottages understand the importance of the NGO work. Similarly, the staff at GL carry around Cottages flyers wherever they go and help with the marketing. There is generally a sense of responsibility among all staff.

3. There has been permanent change of mindsets within staff; this is an invaluable benefit to which we cannot put a price. In addition, because of good customer service, GL Cottages has established very good relationships with existing customers and therefore continuously getting repeat sales e.g. University of Stellenbosch, SAASTA, Action Aid. There has also been a lot of new business for GL Cottages such as Equal Education, G.I.Z, Embassy of Finland, Stop Aids now, Freedom House and many others. Most of all, the Cottages have doubled profits made in 2013 in the first half of 2014.

4. This approach has also gone a long way in capacity building. Chukela our driver went through driving lessons and is being groomed to handle customers in a professional way. Naomi our housekeeper took on the house manager role the whole month of January while Mum Nancy was away on leave. She learnt to use the computer for the first time and to check bookings on the Nightsbridge system. To sum it up, all staff received training on Service Excellency from one of our board members.

5. The following quotes are from our customers:

"GL Cottages is a peaceful place which brings restoration to the spirit, body and soul!"

"Thank you GL Cottages, our conferences have never been more productive. All participants were engaging fully"

"The staff members at GL Cottages are professional and responsive. Well done"

6. GL takes pride in the combination of its intellectual property and physical structure. The GL Services arm largely offers Consultancy services and training. This leg is very profitable for GL as its expenses are very minimal, with little overheads involved. In addition to publications, GL Services offers training and is involved particularly in the Gender and Media Training. To help GL maximise on this, GL Cottages will therefore offer full training facilities and cater for conferencing, accomodation and food requirements as favourable partner rates.