

Kodiak Combos

Kodiak Combos is a charter boat operation based in Old Harbor on Kodiak Island. The business, in operation since 1988, provides visitors the opportunity to enjoy a combined hunting and fishing experience. In the summer months, clients fish for salmon and halibut. By August, they can fish for silver salmon and hunt Sitka Blacktail deer. The overlapping fishing and hunting seasons accommodate either or both activities. In the fall, Kodiak Combos provides transportation to big game guides and their clients, as well as to unguided individuals who want to be dropped off and picked up. The company's clients come from all over the country because the business is promoted by Cabalas, a national outfitter, which promotes hunting and fishing destinations around the world.

Business History

Old Harbor is located on the southeast coast of Kodiak Island, 70 miles southwest of the City of Kodiak and 322 miles southwest of Anchorage. Kodiak Island is the second largest island in the United States, two-thirds of which has been set aside to form the Kodiak National Wildlife Refuge. The area around Old Harbor is thought to have been inhabited for almost 2,000 years. The population of the community is 85% Alutiiq. Commercial fishing provides the majority of the income to the community, which is supplemented by subsistence hunting and fishing.

Kodiak Combos owner Jeff Peterson grew up in Old Harbor fishing with his father. Peterson, a U.S. Coast Guard licensed and insured captain, is one of the most experienced charter skippers on the island. After military service with the Marines he returned home in 1987 and resumed his interest in the sea by guiding sport fisherman in his 15' whaler. After the 1989 Exxon Valdez oil spill, he used his boat to help clean up the waters off Kodiak. With his oil spill clean up earnings, Peterson was able to purchase a 17' whaler to expand his charter fishing operation. In 1991, he was assisted by Community Enterprise Development Corporation (CEDC) to prepare a business plan, which helped him set his daily rate and to develop his marketing program. In 1995, he traded in the 17' whaler for a 26' Sea Sport cabin cruiser, designed to accommodate customers more comfortably.



Old Harbor, Alaska

Population:	192
Major Employers:	Fishing, tribal and city operations, subsistence
Location:	Southeast coast of Kodiak Island
Ethnicity:	85% Alutiiq
Median Income:	\$32,500

This boat has a 2004 Yanmar 315 hp diesel Engine and is equipped with modern electronics that include: VHF marine radio to communicate with other boats and US Coast Guard; Iridium satellite phone; GPS electronic chart/plotter; radar; and color sounder to confirm water depth and presence of fish. An inflatable raft with a Yamaha outboard is used to ferry guests to shore and back. The boat can accommodate a party of four and is chartered at a daily rate of \$1,200. Most guests charter the boat for three to four days per visit. Many customers are repeat clients.

Peterson also serves as the booking agent for two lodges in Old Harbor, where guests are accommodated in comfortable and modern facilities and meals are local cuisine. These lodges also have guided charter fishing boats, and sometimes they share an overload of clients with Kodiak Combos.

Economic and Community Impact

Kodiak Combos has one deck hand, a position usually filled by Peterson’s children, who is paid by the hour and works an average of five days a week from May through November.

The company purchases fuel locally at a rate of almost \$4.00/gallon. This is the largest cost for the business. The second most significant cost is parts and labor for maintenance of the boat, which is carried out locally at the Old Harbor dock.

Kodiak Combos	
Employment:	One part time, one owner
Percent Local:	100%
Percent Native:	100%
Ownership:	Jeff Peterson
Legal Status:	Sole proprietor
Years in Operation:	20 years

Last year the business grossed \$170,000 in sales and the boat was occupied approximately 60 percent of the time from May through November.

Business Management

Peterson manages the business with assistance from his family. His children serve as deck hand/fish processors/boat cleaners and make retail sales of shirts and hats, while his wife helps with bookings and planning. The website (www.KodiakCombos.com) provides a convenient contact point for prospective customers. Peterson coordinates his schedule with the local lodges to ensure a seamless experience for his clients. Because of his familiarity with the waters in the vicinity of the village, it is easy to take his clients to productive fishing areas. The Old Harbor fishing grounds are protected against winds from three directions, so there are no days when clients cannot fish because of bad weather. If it is blowing from one direction, they just move to a more protected area. The client season runs from May through November. In winter months, Peterson focuses on marketing and the replacement of gear and equipment.

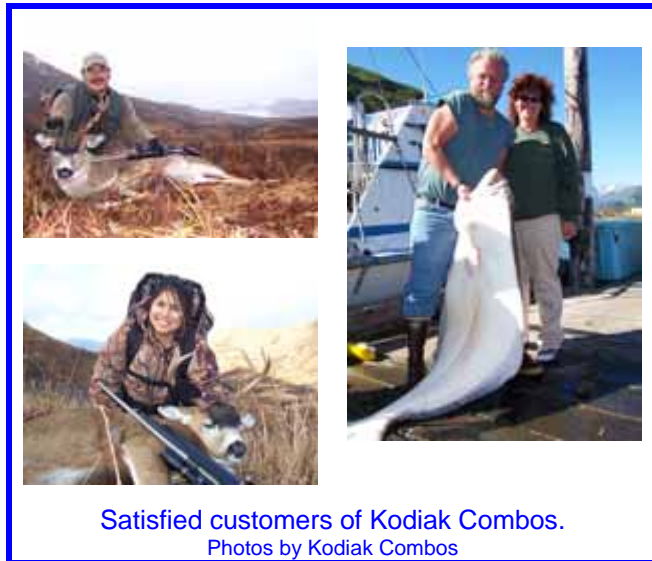
Peterson stresses the importance of customer service. To this end, he maintains his boat for the maximum comfort and safety of his clients. He also buys and maintains the highest available quality of fishing gear and makes sure that all his clients’ needs are met. As a result, nearly 50 percent of his business is repeat customers.

Funding. Initially Peterson financed the business through savings and retained earnings. When he purchased the larger boat in 1995, he borrowed money to expand the business. This vessel was financed by National Bank of Alaska in Kodiak. He anticipates replacing the Sea Sport in the coming year at a cost of \$200,000. This capital expenditure will also be financed locally. He expects no difficulty in securing the loan because he performed under the terms of the previous note and his sales have increased steadily over the past five years. He also replaces motors every other year and has borrowed funds from Wells Fargo to provide for that vital equipment.

Marketing. Clients initially learned about Kodiak Combos by word of mouth, with referrals coming from two sports shops in Kodiak. In 1991, Peterson developed a brochure and participated in an outdoor sportsman show in Anchorage to solicit clients. Since then, he has attended at least one sportsman show annually. In 2002, the development of the website increased the visibility of the company considerably.

In 2003, Peterson saw video footage of a halibut charter service promoted by Cabela's, the world's largest outfitter of hunting, fishing and

outdoor gear and adventures. Cabela's has thousands of stores, produces hundreds of different catalogues and is now the largest hunting and fishing consulting agency in the world, recommending and making customer reservations for endorsed destinations and outfitters. Peterson wanted Kodiak Combos to be a Cabela's endorsed product, so he called them and invited them to come to Old Harbor. He sent them video footage of the boat and his customers, and provided references from satisfied customers. Kodiak Combos first appeared in the Cabela's catalogue in 1995, and clients soon started booking trips to Old Harbor. Today, Cabela's referrals represent half of his clients. When there are more requests than he can handle, he refers clients to one of the other four operators in Old Harbor. The Cabela's endorsement and the quality of the fishing and hunting experience have established Old Harbor as a destination for sportsmen across the country.



Challenges and Lessons Learned

Kodiak Combos has been a successful charter operator since 1988. The first challenge Peterson overcame was taking the risk to borrow money for a high quality boat. Early on, another challenge was penetrating the market and securing customers. The steady growth experienced by the business over the past 15 years has also benefited other entrepreneurs in Old Harbor. The increase in sportsmen led to the development of the two lodges that cater to hunters and fishers, and there are now five charter boats in Old Harbor with the demand for more.

The looming challenge for Peterson is whether or not to add a second boat. He is confident he can fill it, and there are skilled skippers he could hire to run the vessel. He is reluctant, however, to take on the management of employees. Understanding the hard work, long hours, and friendly disposition required to manage a charter boat operation makes him apprehensive about overseeing another skipper to assure the necessary level of performance.

Peterson knows there is a market for additional lodging in Old Harbor, but is apprehensive too about the management demands of operating accommodations. Using existing unoccupied housing might be an economical way to provide overflow accommodations in the form of a bunkhouse and gathering place/kitchen house.

Peterson believes this type of business can be replicated in other communities if there are reliable sources of sport fish and/or game and a boat harbor that would like to keep skippers fishing year round. Commercial fishing boats could be used in the “off season” for sport fishing, instead of putting the boats away and laying off the skippers. This seasonal layoff has caused some skippers to move from the village to seek full time jobs.

Peterson knows clients want safe and comfortable accommodations, and to meet friendly people. The residents of Old Harbor have welcomed the summer visitors, taking advantage of the opportunity to share their culture and to sell their art and crafts.

Peterson’s advice to prospective entrepreneurs is to do something you know and love and to be prepared to work hard at it. He thinks supporting agencies should focus their efforts on teaching clients how to prepare business plans, secure financing, and develop marketing strategies. He also thinks people need help developing accounting practices for both banks and tax preparation. He proposes that agencies consider sending an economic development circuit rider to villages to work with people one-on-one during the winter.