

Case study

Navigating new waters: Challenges of a nautical company in the post-pandemic era

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Abstract

Objective: This teaching case was developed for undergraduate and graduate courses in disciplines related to Strategic Management, with a focus on decision-making in uncertain scenarios and economic recovery. **Dilemma:** The case presents the challenges faced by Sea River, a micro-enterprise in the nautical sector, after the growth observed during the Covid-19 pandemic. The case ends by inviting participants to reflect on how to sustain the results achieved in the post-pandemic period. **Relevance/Originality:** The company's response can be analyzed in light of the concepts of Dynamic Capabilities (DC) and Digital Transformation (DT). The theme of DC is contemporary, of abstract understanding and, therefore, not commonly addressed in teaching cases; the case exemplifies its application. It also allows us to address DCs associated with the theme of DT, and to deal with both in the context of a micro-enterprise during a rare and unique event that challenged the world and organizations: the Covid-19 pandemic.

Keywords: Dynamic capabilities, Digital transformation, Small and medium-sized enterprises.

Navegar por novos mares: Desafios de uma empresa náutica no pós-pandemia

Resumo

Objetivo: Este caso de ensino foi elaborado para cursos de graduação e pós-graduação, em disciplinas relacionadas à Administração Estratégica, com foco na tomada de decisão em cenários de incerteza e recuperação econômica. **Dilema:** o caso apresenta os desafios enfrentados pela Sea River, uma microempresa do setor náutico, após o crescimento observado durante a pandemia de Covid-19. O caso termina convidando os participantes a refletirem sobre como sustentar os resultados alcançados no pós-pandemia. **Relevância/originalidade:** A resposta da empresa pode ser analisada à luz dos conceitos de Capacidades Dinâmicas (CD) e Transformação Digital (TD). O tema das CD é contemporâneo, de compreensão abstrata e, por isso, não comum de ser abordado em casos de ensino; o caso exemplifica sua aplicação. Também permite abordar CDs associadas ao tema da TD, e tratar de ambas no contexto de uma microempresa durante um evento raro e único que desafiou o mundo e as organizações: a pandemia da Covid-19.

Palavras-chave: Capacidades dinâmicas, Transformação digital, Micro e pequena empresa.



WILL THE BOAT SINK?

The COVID-19 pandemic officially reached Brazil in March 2020. Subsequently, state and municipal decrees were issued restricting mobility, gatherings, and travel. Employees could no longer commute to work. Students stayed at home, and schools, shops, and services had their activities suspended.

Rodrigo, one of Sea River's partners - an importer and supplier of products for the leisure-nautical market - faced a critical decision: to import or not to import?

The company was about to place a large order when the pandemic began. Should the order be suspended, or could this represent an opportunity to build stock and maintain product availability for clients? Initially cautious, the company suspended imports. However, after approximately three months, it became evident that the leisure-nautical segment was an exception within the broader economic crisis. With leisure options restricted due to the ban on gatherings, many people chose to spend time with their families on boats. Demand accelerated.

Recognizing this scenario, Rodrigo resumed import orders. The products arrived promptly, allowing Sea River to benefit from the market boom. This outcome was further reinforced by the measures the company had implemented before the pandemic. With the gradual easing of isolation measures, the situation changed, and the demand for vessels began to stabilize. A new dilemma emerged: how could the company sustain the gains achieved during the pandemic?

BRAZIL'S NAUTICAL SECTOR: A SEA OF OPPORTUNITIES

The Brazilian nautical sector comprises companies engaged in the production and maintenance of vessels, the sale of parts, and support services such as storage, repair, and conservation. According to the Ministry of Tourism, vessels are structures required to register with the maritime authority. They must also be capable of moving on water - either by their own means or otherwise - for the transport of people.

The classification of vessels is the responsibility of the Brazilian Navy, which considers factors such as navigation area, propulsion type, and vessel length. The Navy also establishes the rules and procedures for vessels. These regulations, in addition to mandatory registration, are intended to safeguard the safety of passengers, crew, bathers, and the vessel itself, as well as to protect the environment.

Brazil represents only about 0.4% of the global nautical tourism market, despite possessing more than 35,000 km of inland navigable waterways, 9,260 km of freshwater reservoir margins, lakes, and lagoons, and 8,500 km of coastline. In 2016, the sector's total revenue slightly exceeded USD 538 million. Of this amount, USD 486.37 million came from boats and engines, USD 35.55 million from accessories and equipment, and USD 16.50 million from services and marinas.

FROM THE STREAM TO THE SEA

Sea River began its activities in 1990 in Curitiba (state of Paraná, Brazil). It started as a manufacturer of Holmes emergency lights—a maritime lifesaving device used on offshore vessels and platforms. At that time, the company had three partners who shared administrative, production, and commercial responsibilities.

In 2005, two partners left the business, leaving Rosa Maria as the sole owner. She hired one employee to continue producing the Holmes lights and retained three sales representatives responsible for serving specialized nautical retailers located in the South, Southeast, and Northeast regions of Brazil.

At the end of 2009, the company decided to include new maritime lifesaving products in its portfolio. It also added lighting equipment for vessels, aircraft, and land and rail vehicles. To this

end, Rodrigo, Rosa Maria's son, and Jefferson, her nephew, became partners. Jefferson had joined Sea River as an employee in 1993 and received 20% of the company's shares in 2010. Rodrigo, a veterinarian by training and formerly a manager at an animal-protein company, joined Rosa Maria as the principal executive. While Rosa Maria managed administrative matters, Rodrigo focused on prospecting new products and suppliers, and Jefferson became responsible for production.

Expanding the product line required deciding whether to manufacture or purchase the items. This decision necessitated understanding the legislation governing nautical equipment for offshore vessels, regulated by the Brazilian Navy. It was commonly said in the domestic nautical market that the supply of maritime lifesaving equipment had to be of Brazilian manufacture. However, studies conducted by Sea River's managers revealed no legal requirement for exclusively domestic production. As Rodrigo explained: "So, it was said that the Brazilian Navy, which has historically been responsible for supervising this, would only accept products made in Brazil. That's what people used to say in the market. But then we decided to look into the legislation and understand the international standards."

From 2009 onward, the partners began monitoring the business environment more closely. They examined the conditions necessary for the company's growth, deepened their understanding of international nautical legislation, and learned how the nautical sector operated in the merchant, offshore, and recreational segments. In parallel, they strengthened ties with clients and sales representatives to gather information about their needs. They researched potential products and suppliers, importing samples to evaluate specifications and quality. They identified product lines within each nautical segment and verified the technical requirements to supply both foreign and domestic vessels. They developed processes for remote supplier approval and assessed the risks involved in introducing new products. Through this continuous monitoring, Sea River's partners identified several opportunities.

Subsequently, the company began import operations for commercial purposes. It expanded its product portfolio according to each nautical segment, adopted digital sales channels, and entered the motorhome and agribusiness markets. To achieve this, the partners sought support from an international trade consultancy, which assisted with logistics, customs procedures, and foreign exchange operations.

For instance, to decide whether to manufacture or import, Rodrigo researched the international market and found that importing was more advantageous due to lower costs—even with five taxes levied on nationalization—and the higher quality of imported products compared to domestic ones. For example, foreign manufacturers were already using LED technology, whereas Sea River and its competitors still relied on incandescent bulbs.

A bold move occurred in mid-2011, when the company made its largest single-item import: SOLAS-class life jackets. Sea River imported a 20-foot (6.1 m) container of this product. In addition to the financial risk, the company lacked the facilities to store the goods. It had an 18 m³ room for an import volume that required 28 m³ of space. To overcome the shortage, the life jackets were temporarily stored in the homes of the partners and close relatives. Nonetheless, the entire stock was sold within twenty days of customs clearance, as Sea River could offer prices 50% lower than its competitors.

To avoid similar issues in the future and to support portfolio expansion, the partners decided to lease an industrial warehouse in 2012, thereby expanding the company's storage capacity. Rodrigo continued researching new products to add to the portfolio, as he explained: "We couldn't rely solely on the offshore segment." From 2015 onward, Sea River decided to enter all nautical segments, and diversification became part of its strategy.

The company increased the number of sales representatives and ventured into the pet accessories market, importing collars,



muzzles, and cages for transporting small animals. Although this sector grew by around 25% annually, sales fell short of expectations, and the company discontinued the initiative within a year.

In 2018, Rosa Maria and Rodrigo decided to professionalize management. As Rosa Maria noted: “A few years ago, we professionalized the company. We had to move beyond being a family business and that culture of ‘I think’”

They hired Maurício as Commercial Director and Pamela as Accountant and Controller. Both lived in São Paulo, while Sea River was headquartered in Paraná, so the company allowed them to work remotely. To make this possible, Sea River implemented digital technologies such as process automation, cloud computing, an integrated management system, the replacement of fixed hardware with mobile devices, and the digitization of the product catalog.

Still in 2018, following its diversification strategy, Rodrigo sought new distribution channels. Although the company's main focus remained on specialized nautical retailers, it began selling through the Mercado Livre platform, reaching end consumers directly. Besides enabling higher profit margins, operations on this channel provided information on customer purchasing behavior and market trends. Rodrigo identified two new opportunities: the motorhome and agribusiness segments.

Sea River's presence on Mercado Livre led motorhome owners to discover that nautical products could also be used in motorhomes. Items such as bilge pumps, hoses, showers, and fixed or portable toilets could be installed without adaptation. Entry into agribusiness stemmed from an atypical purchase made by an individual client who ordered a large quantity of a single item. One of the partners called to understand the reason for such a purchase—typical of commercial use—and discovered that bilge pumps could be used in irrigation systems and were cheaper than those marketed for agribusiness. As a result, Sea River began serving both segments regularly.

The experience and knowledge gained from Mercado Livre led the company to launch its own e-commerce platform targeting end consumers in 2019. A technology firm was hired to develop and maintain the website. Among other actions, the company replaced its printed catalog with a digital version, allowing greater reach and easier updates. The same firm began managing Sea River's social media, enabling more active engagement with clients compared to the previous word-of-mouth approach.

Operating in the direct sales channel required Sea River to ensure that the products advertised online were available for immediate delivery. As Rodrigo emphasized: “For nautical clients, one thing is mandatory for everyone—you must have products available.” Some clients also managed their own e-commerce websites and relied on Sea River's stock to fulfill their sales, since their customers expected immediate delivery. In early 2019, Sea River adopted a policy of maintaining larger inventories and increased imports accordingly. That same year, Maurício—the Commercial Director hired in 2018—became a partner, acquiring 1% of Rosa Maria's shares. Thus, as a consequence of this trajectory, the partners of Sea River, without realizing it, were preparing the company for the rough waters ahead.

THE TSUNAMI CAME

In late 2019, the first reports emerged of human infection by a new virus, SARS-CoV-2. Until the first two months of the following year, the scale that this disease would reach was unimaginable. However, in March 2020, the World Health Organization (WHO) declared the infection a pandemic, requiring governments to adopt measures to contain and mitigate its spread. Governments then imposed restrictions on movement and gatherings, limiting the operation of various productive activities across nearly all economic sectors. This context created Sea River's dilemma regarding whether to maintain or suspend its imports.

Considering the immediate scenario, the outlook was grim. A contraction of economic activity in Brazil and globally—along with

reduced income, expense containment, layoffs, and widespread crises—was widely anticipated. Being concentrated in the nautical leisure and tourism segment, the company had no apparent reason for optimism. The tourism sector was expected to be among the most severely affected, given the impossibility of people moving and gathering. Moreover, with declining income, people's last priority would be “going on a boat trip.” Rodrigo believed this logic would guide the company's approximately 2,000 retail customers in Brazil.

Furthermore, how could they sustain operations when the company itself was subject to pandemic restrictions, such as sanitary risks and limitations on travel and in-person meetings, among others? How long would the pandemic last? Would operations, the market, and the world remain “stopped”?

On the other hand, placing orders at that moment represented an opportunity to secure products at a discount, because manufacturers needed to move their production and many channels would suspend their purchases. Customers who demanded products would encounter an undersupplied market, meaning there would be gains for those who maintained stock. Given its e-commerce operations, maintaining item availability was almost obligatory for Sea River. This context reinforced Rodrigo's dilemma: to import or not to import?

After evaluation, Sea River's managers opted for caution. As Rodrigo recounted: “I called everyone for a meeting. I said, ‘Guys, here's the deal: pandemic... the first thing people will stop using—because crisis is coming, and everything else is coming—will be the boat.’”

This perception was shared by many retailers in the nautical sector. Indeed, shortly after the adoption of restrictive measures, many customers anticipated employee vacations. These actions negatively impacted sales and corroborated the suspicion that the sector would suffer the effects of COVID-19. Therefore, Sea River decided to slow down foreign purchases until the environment appeared less uncertain.

THE TSUNAMI BECAME A RIPPLE

After the first three months following the pandemic's onset, Sea River's managers realized that, contrary to initial forecasts, the recreational nautical sector was experiencing growth.

Although tourism was directly affected, this was not the case across all segments. For instance, in nautical tourism, maritime cruises were suspended by ANVISA in 2020. Conversely, the nautical sports and leisure segment saw an increase in demand. Travelers began to view these activities as safe, isolated, and local alternatives that could be enjoyed without exposure to crowds. This led to a boom in the segment, as many people devoted the time previously spent on other activities to nautical leisure. In addition to the increase in new boat purchases, the demand for repair and renovation services for existing vessels also rose, driving the entire supply chain.

In 2020, the sector's revenue reached R\$761 million - a 20% increase compared to 2019. This resulted in Brazil surpassing the North American market in boat sales for that year. For 2021, a further 10% growth was expected, reaching a projected turnover of R\$840 million. Sea River quickly decided to increase the volume of its imports during the COVID-19 pandemic. In the second half of 2020, this was done to ensure stock availability for the growing demand. As Rodrigo remarked: “Guys, we were wrong! On the contrary, let's step on the gas, because a lot of boats are going to sell.”

However, merely having stock was not enough; it was also necessary to support retailers. These retailers were traditionally served by sales representatives through in-person visits. As the COVID-19 pandemic restricted mobility, these representatives began contacting clients via instant messaging applications. Activities that did not require the physical presence of employees at the company headquarters were shifted to remote work. This

transition was facilitated by the company's earlier adoption of digital technologies for this purpose. Thus, Sea River maintained its administrative, commercial, and client-prospecting operations by relying on digital technologies as essential support.

Digital technologies were also employed for prospecting new suppliers and product certification. Before the pandemic, this process involved partners traveling abroad to visit potential suppliers, evaluate their manufacturing lines, and certify product functionality. With the restrictions imposed on the international transit of people, Sea River once again leveraged the digital technologies implemented prior to the pandemic. Video call platforms, for example, allowed the organization to hold conferences directly on the production lines of new manufacturers and products slated for import. These digital tools were also used to monitor logistics, with videos showing container movements, packaging, and loading for shipment.

Finally, digital technologies supported decision-making. Before the pandemic, meetings between partners were held in person and occurred monthly, as two of them lived in another state. With movement restrictions, video calls replaced face-to-face meetings - which, in turn, became more frequent.

AFTER THE STORM COMES THE CALM?

Sea River benefited significantly from the pandemic scenario. Between 2019 and 2021, its revenue increased from R\$10,173,774.30 to R\$23,652,865.51—a growth of 132%. New partners and employees were added to its staff, and the number of commercial representatives also increased. In 2021, Sea River had five partners and five employees hired under the CLT regime, plus a contracted legal entity to manage social media publications (compared with four partners and three CLT employees in 2019). The company also had 20 commercial representatives across Brazil serving approximately 2,000 retail stores. Its focus remained on serving traditional nautical product retailers, although it also supplied products to virtual stores and end consumers through its own e-commerce platform. Among other developments, the company secured an exclusive import contract with a Chinese manufacturer.

However, the scenario was returning to normalcy at the beginning of 2022. Restrictions on movement were being lifted globally, and Brazil was no exception. The waves that had propelled Sea River's growth appeared to be subsiding. Would people maintain the habit of enjoying their leisure time on boats? Would they continue to invest in marinas, services, and nautical maintenance? Would the return of tourism activities suspended during the pandemic "take back" the growth of that period, or had new habits already been established? Would the ventures into new segments - motorhomes and agribusiness - prove sustainable? Would Sea River's traditional competitors in the nautical sector resume importing equipment and accessories? Regarding the technological advances that facilitated Sea River's migration during the COVID-19 pandemic and allowed it to "swim with ease" in the sector - would competitors catch up? Even concerning the advantages of remote work, would they be preserved once hybrid work - partially remote and partially in person - became the "new normal"? This was the whirlwind of doubts in which Rodrigo and his team found themselves immersed in the post-pandemic moment.

QUESTIONS

1. "Why was Sea River able to prosper during the COVID-19 crisis?"
2. "How can Sea River sustain the growth achieved during the pandemic?"

Case Study

This case study provides the teaching notes separately.

Conflict of interest statement

The authors declare that there is no conflict of interest.

Authors' statement of individual contributions

Roles	Contributions		
	Fernandes B. H. R.	Lopes da Silva M. A.	Takahashi A. R. W.
Conceptualization	■	■	■
Methodology	■	■	■
Software		N. A.	
Validation	■		■
Formal analysis	■	■	■
Investigation		■	
Resources		■	
Data Curation		■	■
Writing - Original Draft	■	■	■
Writing - Review & Editing	■		
Visualization	■		
Supervision	■		■
Project administration	■		
Funding acquisition		N. A.	

Note: Acc. CRediT (Contributor Roles Taxonomy): <https://credit.niso.org/>

Open Science: Data availability

All the data that supports the results of this study is available as follows.

Badge	Description
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	Not applicable.
	https://doi.org/10.14211/regepe.esbj.e2466pr
	Not applicable.