



Sustainable Tourism: International Cooperation for Development  
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# SUSTAINABLE TOURISM ENTERPRISE DEVELOPMENT

## A BUSINESS PLANNING APPROACH

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Sustainable Tourism: International Cooperation for Development  
ONLINE TOOL KIT AND RESOURCE SERIES

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# Preface

Building a new business is hard work. The US Small Business Administration reports that 50% of new businesses disappear by their fifth year of operation. New businesses fail for a variety of reasons from lack of access to capital to poor management to insufficient linkages to markets. Yet there is one step, which should be the first step, that helps to address many of these issues and that is to develop a comprehensive business plan.

A good business plan analyzes opportunities and demand for products and services, sizes up competition, reveals competitive advantages, identifies target markets and strategies to reach them, and presents a clear financial picture of both revenue and expenses.

Some may argue that business planning is a waste of precious time, an academic exercise to create a document that will collect dust on a shelf somewhere. But shrewd investors and smart project managers know that the business planning process forces an entrepreneur to analyze all market forces that determine success or failure of a business concept, tests assumptions, and requires that they articulate their plans in a clear, concise, and intriguing manner.

At the end of this process the entrepreneur holds in his or her hand a document to attract investors and guide enterprise and product development, sales and marketing, training, financial management, and operations.

The goal of most businesses is the bottom line: revenue, profits, and growth. Sustainable tourism enterprises also confront the challenge to contribute to job creation, biological and cultural diversity conservation. The power of sustainable tourism as a development tool lies in that these philanthropic investments improve tourism products, differentiate and add value in the eyes of the consumer, and strengthen the enterprise itself.

These unique needs and opportunities are most prevalent in developing countries, in rural and indigenous communities, and in parks and protected areas that struggle to balance conservation goals with basic necessities of local populations. For these reasons, this toolkit was written with these conditions and local stakeholders in mind. But the overall process, information needs, industry insights, and tools presented below are based on universal business planning principles.

The business planning sections described in this document include

- Introduction to the Business Plan
- Conducting a Tourism Site Assessment
- Describing the Business
- Analyzing the Market
- Assessing the Competition
- Creating a Sales and Marketing Strategy
- Operations Planning
- Sustainability Planning

- Financial Projections

The creation of this document was a truly collaborative process, and I wish to thank individuals and organizations that contributed to its development.

First, thanks to Dr. Don Hawkins of The George Washington University, a fantastic contributor and mentor to the development of this toolkit. Dr. Hawkins, a walking encyclopaedia of all things touristic, was instrumental in providing insight, direction, and additional resources to assist in its creation. My deep appreciation and gratitude is also extended to our editor, Jon Kohl, and to Annessa Kaufman and Kristin Lamoureux of The George Washington University for their assistance.

The author would also like to acknowledge Roberta Hilbruner, Sustainable Tourism Development Specialist for USAID's Natural Resources Management Program. Roberta was the architect of the Global Sustainable Tourism Alliance (GSTA), a partnership of leading organizations in the sustainable tourism field working together with USAID missions to apply a holistic and market-driven approach to sustainable tourism development. The GSTA program created a critical platform for Solimar International's ongoing efforts to expand its knowledge and experience developing sustainable tourism enterprises that support conservation and communities.

I thank Rare, a US-based international conservation organization, whose former Ecotourism Enterprises Program helped to shape the overall enterprise development approach described within this toolkit. The author also wishes to thank Rare's leadership for their commitment to conservation and in particular Paul Butler for his contributions to this document.

I recognize the USAID MAREA program and its financial support in the development of these sustainable tourism toolkits.

I offer thanks to Solimar International's management team for its investment and dedication to the ongoing development of the Enterprise Development Program and its efforts to link sustainable tourism, biodiversity conservation, and community development.

Finally, I want to thank Solimar International's field staff, a group of inspiring and hard-working individuals on the front lines of conservation and community development every day. Their tireless efforts to implement these sustainable tourism development tools have provided the context to make them possible, and the lessons learned to make them better. My deepest thanks to Lucia Prinz, Eric Lin, Carla Campos, Ashley Silver, Hamilton McNutt, Jessie McComb, and Olivier Messmer for their contributions and commitment.

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# Acronyms

DR — Dominican Republic  
FAM — Familiarization trip  
FIT — Free and Independent Traveler  
GDP — Gross Domestic Product  
GSTA — Global Sustainable Tourism Alliance  
HR — Human Resources  
LLC — Limited Liability Company  
MAREA — Management of Aquatic Resources and Economic Alternatives  
NGO — Non-Governmental Organization  
SAVE — Scientific, Academic, Volunteer, and Educational (travel)  
SMART — Specific, Measurable, Attainable, Relevant and Time-bound  
SME — Small and Medium Enterprise  
SWOT — Strengths, Weaknesses, Opportunities, Threats  
TIES — The International Ecotourism Society  
UK — United Kingdom  
UN — United Nations  
UNWTO — United Nations World Tourism Organization  
USAID — United States Agency for International Development  
US — United States  
USD — United States Dollar

# Unit 1: Introduction to the Business Plan

At the end of this unit participants will be able to understand:

- The purpose of a business plan
- The audiences of a business plan
- The overall information included in a business plan
- The unique aspects of business plans (and businesses) that attempt to support communities and biodiversity conservation

## Introduction to the Business Plan

A business plan is a step-by-step document that outlines proposed products and services, as well as provides marketing and financial forecasts (usually one and five years). Developing a business plan identifies potential problems that the enterprise may face, as well as communicates its vision and plans to investors, colleagues, and employees. It is not a static document and should be frequently updated and revised. It is both a strategic development tool (a “road map” for moving forward in the development of the business concept) as well as a way to forecast profit and loss. By having benchmarks planners can periodically check-in on how the business is doing. It is better to know that the business idea is not feasible at the planning stage, than after having committed resources to it; or to put it another way it is prudent to make mistakes on paper, rather than in real life.

By drafting a business plan you will utilize your human and financial resources more effectively, minimize risk, prepare for the unexpected, and have a greater chance for a successful venture. A business plan will not prevent all your problems, but it can identify areas where you may be vulnerable, such as training needs, seasonal variations in income, competitor strengths, and government regulations that will require compliance.

A final reason for writing a business plan is to raise money. Most investors or donors will not put money into a venture without first having reviewed its business plan.

Because the business plan is a hybrid document — part pragmatic projection and part sale’s tool — it must walk a fine line between content and tone. The information must be accurate, yet must convey a sense of optimism and excitement. Although risks must be acknowledged, they should not be dwelt upon. The tone should be business-like. People will respond to a positive, interesting presentation, and will be turned off by one that is vague, long-winded, or not well thought out and organized. Therefore a business plan that makes good use of graphics or that paints a picture of the enterprise in a provocative way, has a better chance of being looked at closely than one marked by monotony and monochrome (Ford, Bornstein, and Pruitt, 2007).

## Business Plan Structure

If you enter the search term “business planning” on Google or Amazon, you will find hundreds of books and guides available to you that outline the structure and information presented in business plans. The reality is much of the information that you include in a business plan is somewhat standard. It is also worth noting that the lion’s share of business planning steps and information we will discuss within this course can also be found in those books and guides and it is worth picking one up as an additional resource for your business planning.

Yet there are some distinct information needs when it comes to establishing a sustainable tourism enterprise, particularly for one not only focused on revenue-generation, but also has development objectives such as poverty alleviation or biodiversity conservation. The following section begins to explore some of these specific aspects of business planning.

This course also provides insight into sources of information needed for a sustainable tourism business plan, particularly in developing countries. The overall structure of the business plan employed by Solimar International in the development of sustainable tourism businesses can be found in Table 1.1

Table 1.1. Business Plan Structure for Sustainable Tourism Businesses

Section	Contents
<b>1. Executive Summary</b>	A short synopsis that provides readers with highlights of the overall sections and financials of the business plan.
<b>2. Introduction</b>	Introduction helps to familiarize the reader with the overall background of the business, partners, region, and historical context.
<b>3. Need Statement</b>	A component of the business plan unique to development projects, this section provides a better understanding of the context and motivations behind starting the business.
<b>4. Mission Statement</b>	A concise statement that describes the overall purpose of the business, including who you are, what you do, how will you do it, and what you stand for.
<b>5. Vision Statement</b>	This statement conveys what success looks like for the business, communicated through a set of SMART (Specific, Measureable, Achievable, Relevant, Time-Bound) goals for the primary functional areas of the business, including sales, marketing, customer satisfaction, conservation support, etc.
<b>6. Business Description</b>	<ul style="list-style-type: none"> <li>• A summary of the business’s tourism products and services</li> <li>• Overall business structure</li> <li>• Roles and responsibilities of the management team</li> </ul>
<b>7. Market Analysis</b>	<ul style="list-style-type: none"> <li>• International, regional, and national tourism statistics and travel trends</li> <li>• Profiles of market segments in the region</li> <li>• Value chain/industry analysis</li> </ul>
<b>8. Competition Analysis</b>	<ul style="list-style-type: none"> <li>• A summary of competing businesses and products</li> <li>• Porter’s Five Forces Analysis (Porter, 1980)</li> <li>• Competitive advantages</li> </ul>
<b>9. Sales &amp; Marketing Strategy</b>	<ul style="list-style-type: none"> <li>• Strategic positioning</li> <li>• Pricing, placement, promotion</li> </ul>
<b>10. Operations &amp; Management Plan</b>	<ul style="list-style-type: none"> <li>• Business structure</li> <li>• Key personnel and training needs</li> <li>• Legal considerations</li> </ul>

	<ul style="list-style-type: none"> <li>• Risk and risk management</li> <li>• Communications</li> </ul>
<b>11. Sustainability Plan</b>	<ul style="list-style-type: none"> <li>• Conservation and community contributions</li> <li>• Best practices and sustainability principles</li> </ul>
<b>12. Work Plan &amp; Milestones</b>	Major milestones outlined and assigned a timeline and individuals responsible
<b>13. Financial Projections</b>	Income statement, cash flow statement, five-year income projections, fixed assets/depreciation costs

## Unique Aspects of Business Plans that Support Communities and Conservation

Many businesses established as a part of international development often assume the structure and mission of a “social enterprise”. A social enterprise is an organization or venture that advances its social mission through entrepreneurial, earned income strategies. For a social enterprise, profit is not the *point* of the business but the *means* by which the enterprise supports a social need.

Another widely accepted definition of social enterprise is “a business or organization whose purpose is to change the world for a common good” (Lynch & Walls, 2009).

When we apply this traditional definition of a social enterprise to sustainable tourism, we begin to see some of the benefits that this business model offers the development field:

### A Social Enterprise is...



Figure 1.2. A Social Enterprise Is...

A social enterprise is, first and foremost, a business. The social mission can only be achieved through financial viability and growth of the enterprise itself. Therefore a sustainable tourism enterprise must achieve the same success required of any small business, including:

- Healthy revenues and profit margins
- Sufficient working capital
- Effective marketing
- Product innovation

- Superior customer service
- Streamlined operations

- Strong leadership
- Comprehensive business skills

Social enterprise is not an uncommon or radical concept. A Google search for the term “social enterprise” reveals nearly 50 million direct references. Harvard Business School has its own Social Enterprise Program. And USAID currently supports social enterprise development programs in Bulgaria, Moldova, Lebanon, Egypt, and Morocco, and Ukraine, to name a few.

### The Triple Bottom Line Approach

Many social enterprises measure their success not only by their financial bottom line or profitability, but also by their ecological and social returns as well. This approach, called the “triple bottom line,” assesses an enterprise’s degree of sustainability.

Triple Bottom Line: Measures of Success		
<b>Economic   "Profit"</b> - Directly linking producers to markets, thus reducing costs and increasing profit - Distribution of profits to many rather than few	<b>Ecological   "Planet"</b> - Sustainable practices (waste, energy) - Profit linked to conservation actions: environmental education, monitoring, income diversification	<b>Social   "People"</b> - Fair labor, salary and profit sharing policies - Gender equality - Profit linked to social needs: health care, education

Figure 1.3. Triple Bottom Line: Measures of Success

Within development projects the opportunity often exists for the social enterprise and triple bottom line approach to support the economic, ecological, and social objectives of the project. For example, many of USAID’s projects include some of the following economic growth or biodiversity conservation objectives.

- Number of jobs created in target areas
- Increased sale of sustainable products or services
- Increased investment in target areas
- Number of small and medium enterprises supported in target areas
- Number of persons trained in target areas
- Number of environmentally sustainable practices and processes adopted by the tourism sector in target areas
- Number of alliances, cooperative agreements, concessions, and co-management agreements in target areas

## Summary

A business plan sets the vision for a product or business, charts the way in specific financial terms, and also sells the project to investors. While every industry uses business plans, sustainable tourism in particular emphasizes social enterprises that seek Triple Bottom Line returns, not just financial bottom line returns. Because of this social objective, a business plan often identifies the social need (including environmental) and shows how the business can be used as an instrument to generate returns that benefit society.

# Unit 2: Conducting a Tourism Site Assess-

At the end of this unit, participants will be able to understand:

- Information needs and potential sources for a supply-side tourism site assessment, including site profiles, partner profiles, and tourism inventories
- Information needs and potential sources for a demand-side tourism site assessment, including industry profiles, visitor surveys, and stakeholder interviews

## Introduction

Building a business plan is like building a house. It is only as good as the materials from which it is constructed. Before a planner can begin to develop a business plan and describe all of the components mentioned in the previous unit, he or she must first conduct a tourism site assessment to better understand supply and demand forces. Understanding these forces will not only help to develop the most viable tourism products and services, but will influence nearly every aspect of the business plan.

## Developing a Site Profile

First, we want to research and document some basic characteristics of our target area. This step is somewhat unique to sustainable tourism and international development projects. Conventional businesses may not find this information to be pivotal to their business planning process. But in our case, where the underlying goal is not only tourism development but to promote how such development supports communities and conservation, then this site profile is important to make those linkages.

As with all information in the site assessment, how and where this research plays a role in our business plan will soon become apparent. The site profile data for instance becomes useful in the plan's introduction.

The site profile often contains the following information.

- Location (country, region)
- A map of the location
- Size of the site (acres, hectares)
- Protected/legal status of the site

- Zoning of the site, if applicable (buffer, nuclear, etc.)
- Management plans currently in place, if applicable (public use, tourism, etc.)
- Prevailing land use/land tenure
- Major safety issues (crime, civil unrest, etc.)

Next, consider some overall environmental considerations.

- Ecosystems, topography, geology
- Climatic conditions (temperature, precipitation, seasons)
- Biodiversity: endemic/endangered flora or fauna, international designations such as World Heritage site

Finally, it is important to assess the social side, including important communities in the tourism development process.

- Local population (size, ethnicity, education level, average annual income, migration patterns)
- Historical relationship between the local population and site management, including any role that they have in site management
- Involvement or interest that local communities have in tourism at the site
- All steps taken to date with local communities to involve them in tourism development at the site

### **Information Sources**

Potential sources of information for developing a site profile include:

- Site visits
- Partner meetings
- Internet research
- Community meetings
- Project documents

## Conducting a Tourism Inventory

The primary supply-side assessment to identify potential products and prepare for the development of the business plan is the tourism inventory. A tourism inventory documents tourism site attractions and resources, existing or potential, and is organized into six categories:

- Biodiversity
- Natural Attractions
- Cultural Attractions
- Historic Attractions
- Recreational Activities
- Tourism Infrastructure/Facilities

## Biodiversity

Sustainable tourism is characterized by visitors who want to experience areas of high biodiversity, unusual ecosystems and species. Potential clients are motivated by the presence of endangered and/or endemic species, charismatic megafauna, and impressive numbers of birds and mammals. For example, some biodiversity highlights to mention in a business plan might include:

- “The site contains the largest remaining tract of rainforest in the country”
- “75% of the country’s floral species can be found at the site”
- “Site is home to jaguars and a large population of howler monkeys”
- “The country’s only endemic bird is found at the site”

## Natural Attractions

Next, describe natural attractions at the site. Examples include landscapes, wildlife, forests, waterfalls, bodies of water, caves, beaches, etc. Although there is some overlap between this category and biodiversity, the inventory identifies opportunities for biodiversity to be considered an “attraction” or a tourism experience.

These attractions can be analyzed with a simple SWOT approach (strengths-weaknesses-opportunities-threats) that may yield information relevant to product development (Table 2.1a).

Table 2.1a. Application of Simple SWOT to a Natural Attraction

Attraction	Description	Strengths/Opportunities	Weaknesses/Threats
<b>Howler Monkeys Troops</b>	4 resident troops of howler monkeys are located just a 15-minute boat ride from the main park interpretive center in a lowland tropical forest	Proximity to interpretive center, guides and transportation services required, charismatic megafauna, many visitors ask about monkeys	Monkey habitat being lost to cattle ranching, visitors like to feed monkeys, boat gas/oil very expensive, no safety equipment

## Cultural Attractions

Next, describe any cultural attractions. Examples include community festivals, traditional ceremonies and rituals, music/songs/instruments, dances, arts/crafts, local cuisine, as well as traditional economic activities such as net fishing.

Table 2.1b. Application of Simple SWOT to a Cultural Attraction

Attraction	Description	Strengths/Opportunities	Weaknesses/Threats
<b>Garifuna cultural evening</b>	Women’s group in the Garifuna community of Batalla presents a cultural evening of traditional songs, dancing, and homemade breads and fish stew.	Very engaging event with lots of audience participation, Batalla is a friendly community, excellent food, many jobs supported by this attraction	Petty theft on the rise in Batalla, in-fighting between three Garifuna women’s groups, expensive attraction because of salaries for

			musicians and dancers.
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### Historic Attractions

Next, describe historic attractions. Examples include archeological sites such as indigenous petroglyphs, forts, monuments, burial and birth places, religious centers, historic buildings and architecture, etc.

Table 2.1c. Application of Simple SWOT to an Historical Attraction.

Attraction	Description	Strengths/Opportunities	Weaknesses/Threats
<b>Indigenous petroglyphs and rock art</b>	1000-year-old petroglyphs in the shape of abstract animals carved into a large rock on the side of Rio Dulce. Located approximately 2 hours by boat from the interpretive center.	Isolated location in the middle of primary rainforest, wildlife sightings likely as well, large and well-preserved carving, local guides have excellent interpretive stories of site.	Increase vandalism of rock art in recent years, dangerous river currents en route, long ride for a day tour.

### Recreational Activities

Next, describe any recreational activities that exist at the site. Examples include hiking/trekking, biking, climbing, water sports such as snorkeling/diving, camping, boating/rafting, swimming, and traditional/indigenous sports and physical activities.

Table 2.1d. Application of Simple SWOT to a Recreational Activity

Activity	Description	Strengths/Opportunities	Weaknesses/Threats
<b>Two-day trek to Pico Alto</b>	A multi-day trek that climbs 3,000 feet into primary cloud forest above the community of Los Alamos. Ample wildlife viewing opportunities along a well-maintained trail.	Many unique bird and mammal species often seen, great views/vistas, highest peak in country, community wants to build new ecolodge along trekking route.	Very strenuous hike, current cabin used along trail is falling apart and rat-infested, guides do not prepare food; clients must bring their own.

### Tourism Infrastructure/Facilities

Finally, consider important tourism infrastructure and facilities categories that will directly impact products, markets, and ability to link them.

Table 2.1e. Application of Simple SWOT to Infrastructure.

Category	Description	Strengths/Opportunities	Weaknesses/Threats
<b>Access</b>	Site is only accessible by plane (1 hour) or boat (8 hours) from nearest major	Limited access keeps park an exclusive and unique destination.	Cost of flights increasing 10% a year

	airport/metropolitan area.		
<b>Trails</b>	Two trails, Rio Sico Falls trail is 3 km RT and relatively easy to hike; Valle de Oro trail is 6 km RT and winds through a fertile forested valley.	Both trails are well maintained during the dry season, local folk know the routes well and could make excellent guides.	The valley trail is a mud pit in the rainy season and cannot be used from Sept-Dec.
<b>Interpretive centers</b>	Interpretive center located at park entrance.	Park management has \$30K grant to build new center next year.	Current center is old and leaking; funding is dependent upon public use plan, which will take 12–18 months to develop.
<b>Public restrooms</b>	Public restrooms in interpretive center only.	New center next year with expanded bathroom facilities.	Need more facilities in areas outside of park entrance.
<b>Lodging</b>	Four hotels at site, one is three stars, and the other three are two stars.	All hotels are clean and safe.	Customer service is seriously lacking at all four hotels.
<b>Food and dining</b>	Six local cafés and eateries located throughout the site.	All serve excellent local cuisine that is safe to eat; all use bottled water for international guests.	Customer service is seriously lacking at all cafés and eateries.
<b>Highways and roads</b>	No roads — visitors travel through park in boats via rivers, lagoons, and waterways.	Traveling by boat is a unique form of transportation and gets visitors close to nature.	High cost of boat gas.
<b>Transportation</b>	Local boats can be hired either privately (more expensive) or using a collective service that is like a bus route.	Great way to see the site/wildlife, unique form of travel, no major infrastructure needed for transportation.	Boat drivers often drink on Sundays, river currents can be dangerous in the rainy season, boats do not offer sun protection.
<b>Medical facilities</b>	Small medical clinics are located in every village throughout the site.	Any basic ailment/injury can be treated; private charter flights can be arranged for emergency evacuations if a hospital is required.	Nearest hospital for major emergencies is located 1 hour by plane; commercial planes only fly once a day.

## Developing Partner Profiles

Developing sustainable tourism projects and enterprises usually involves a variety of stakeholders, from community leaders to protected area managers to private sector partners. Building these partnerships takes time, but also provides important financial, technical, social, and political resources and support needed to get a tourism project off the ground. The business plan should describe these partnerships and the resources they provide.

The following are partners often involved in tourism development projects, and the resources they may bring to the table.

Table 2.2. Project Partners, Roles, and Potential Benefits

Partner	Potential Role	Potential Benefits
<b>International development organizations &amp; agencies</b>	<ul style="list-style-type: none"> <li>Financial support</li> <li>Short-term technical assistance</li> </ul>	<ul style="list-style-type: none"> <li>Grants, loans, etc.</li> <li>Planning, product development, training, sales and marketing, etc.</li> </ul>
<b>Local organizations</b>	<ul style="list-style-type: none"> <li>Project planning support</li> <li>Long-term technical assistance</li> </ul>	<ul style="list-style-type: none"> <li>Insight into to local context (political, social, etc.)</li> <li>Long-term, ongoing support of projects</li> </ul>
<b>Industry associations</b> <ul style="list-style-type: none"> <li>Tourism</li> <li>Small business</li> <li>Ecotourism</li> <li>Adventure travel</li> <li>Community associations</li> <li>Indigenous associations</li> </ul>	<ul style="list-style-type: none"> <li>Networking with potential business partners</li> <li>Training support and publications</li> <li>Industry statistics and trends</li> <li>Consolidated purchasing (equipment, etc.)</li> <li>Peer-to-peer learning</li> </ul>	<ul style="list-style-type: none"> <li>Business contacts/partners</li> <li>Credibility (shows project is part of larger, established group)</li> <li>Long-term, specific training support</li> <li>Industry information that helps develop products</li> <li>More negotiating power with suppliers/better prices</li> <li>Peer support</li> </ul>
<b>Ministry of Tourism</b>	<ul style="list-style-type: none"> <li>Marketing and promotion of the country overall</li> <li>Marketing and promotion of destinations within the country</li> <li>Marketing and promotion of the niche travel within the country (nature-based tourism, cultural tourism, adventure tourism)</li> <li>National tourism training and certification program (for food, lodging, guides, etc.)</li> <li>Determine tourism taxes (if applicable)</li> <li>Promote tourism investment</li> </ul>	<ul style="list-style-type: none"> <li>Marketing support</li> <li>Networking support</li> </ul>
<b>Ministry of the Environment</b>	<ul style="list-style-type: none"> <li>Permitting (especially for tourism activities in parks/protected areas)</li> <li>Developing policy for tourism in parks/protected areas</li> </ul>	<ul style="list-style-type: none"> <li>Permits to operate</li> <li>Policy that supports communities and sustainable tourism</li> </ul>
<b>Ministry of Economic Development</b>	<ul style="list-style-type: none"> <li>Investment promotion</li> <li>Small business incubation (training, funding, technical assistance)</li> </ul>	<ul style="list-style-type: none"> <li>Investments</li> <li>Training and technical support</li> </ul>
<b>Ministry of Social Development (particularly with women's groups, indigenous groups, rural communities, etc.)</b>	<ul style="list-style-type: none"> <li>Training and technical assistance</li> <li>Grants and funding</li> </ul>	<ul style="list-style-type: none"> <li>Training and technical assistance</li> <li>Grants and funding</li> </ul>
<b>Protected area managers</b>	<ul style="list-style-type: none"> <li>Important partners if operating in a park/protected area</li> <li>Tourism planning and policy</li> <li>Permitting</li> <li>Funding</li> </ul>	<ul style="list-style-type: none"> <li>Political support</li> <li>Permits</li> <li>Funding</li> </ul>

<b>Local Municipalities</b>	<ul style="list-style-type: none"> <li>Local policy and regulations that apply to tourism and the enterprise</li> </ul>	<ul style="list-style-type: none"> <li>Political support — important to keep local politicians informed of project activities</li> </ul>
<b>Local tourism offices/chambers of commerce</b>	<ul style="list-style-type: none"> <li>Destination/local marketing and promotion</li> <li>Networking</li> <li>Training and technical assistance</li> <li>Funding</li> </ul>	<ul style="list-style-type: none"> <li>Same as listed</li> </ul>

### Information Sources

Potential sources of information for developing partner profiles are meetings and interviews with partners themselves.

## Conducting a Market Analysis

A market analysis helps not only to identify potential competitors and sales partners, but also highlights tourism statistics and trends that may directly influence the tourism products the project chooses to develop. In addition, visitation numbers (such as park entrance data, national-level arrival data, or local tourism business customer logs) also help to develop accurate and realistic projections when it comes to the business plan's projected financial models and documents.

First, consider other tourism service providers that might be operating at the site. Table 2.3 shows some basic data on national and international tour operators, travel agencies, hotels, and other tourism service providers that either bring visitors to the site or sell tourism products that include visiting the site.

Table 2.3. Tourism Service Providers at the Site

Name & Location	Tourism Products/ Services Offered	Average Cost of Products/Services	Clientele	Notes
<b>Rainforest Adventure Tours, St. George's (capital city)</b>	1. Rainforest hiking tour (half day): tourists arrive in the morning with a guide and do a four-hour rainforest hike 2. Rainforest hike and cultural tour (full day): tourists begin the day as above, but then have lunch prepared by a local indigenous women's group, which also performs a one-hour cultural demonstration and traditional dance	1. Rainforest hiking tour: \$50 per person 2. Hike and cultural tour: \$125 per person	Rainforest Adventure Tours mainly caters to international visitors who stay in the resort complex outside of the park. Their clientele is mostly European (German and English) who prefer physical activity and cultural exchange.	Rainforest Adventure Tours has been operating for nearly 10 years in the park. They hire local cooks, but bring in their own English-speaking tour guides. They are interested in seeing more ecotourism products developed in the park.

## Information Sources

- Interviews with tourism service providers
- Internet and print travel guide research
- “Secret shopping” (acting as a potential client to get basic product/pricing information)

Next, look at general tourism trends and statistics that will help paint a picture of the overall visitation to the site. These considerations include:

- **Visitor demographics:** Nationality, age, income level, number of travelers
- **Visitor motivations:** Why visit the site or country?
- **Visitor travel patterns:** Where are visitors coming from? Where are they going? What modes of transportation do they use? Independent travelers or packaged tours?
- **Visitor spending patterns:** How much do they typically spend at the site? And on what?
- **Visitor interests:** What tourism products, activities, or attractions interest them?
- **Visitor willingness-to-pay:** For specific tour products or for products/services in general.
- **Visitor statistics:** Arrival data to the site, region, country?
- **Visitor travel planning sources:** Which websites, guides, or other travel planning sources do they use to plan their trip? When do they make those decisions (before or after they arrive)?

## Information Sources

- **International tourism data:** UNWTO Barometer Report (<http://mkt.unwto.org/en/barometer>)
- **National tourism data:** Ministry of tourism, national tourism associations
- **Regional tourism data:** Tourism chambers of commerce, airline companies
- **Local tourism data:** Individual businesses, protected area managers
- **Tourism profiles, willingness to pay, key drivers and motivations:** Visitor survey and focus groups (see the following section)

## Analyzing the Tourism Market: Visitor Surveys

There is no better source of visitor information than visitors themselves. A well-designed and presented visitor survey can yield a trove of good business planning and product development information. Similarly, focus groups or one-on-one interviews with visitors also provide lots of important qualitative data and feedback, particularly in the final stages of fine-tuning products and the business plan.

Yet designing surveys is a science and can quickly become a waste of time, both that of the project and the target audience if not designed appropriately.

- Self-administered surveys should be 1–3 pages at most and not take more than 10–15 minutes to complete
- Surveys should be free from language bias, overcome by making surveys available in numerous languages (or at least the languages of targeted market segments)

- Surveys should only ask one specific question per inquiry. For example “How many days will you be visiting Bolivia and Madidi National Park?” are two different questions rolled into one.
- Surveys should be based on a well thought survey plan, discussed later in this unit.

The most common methods of designing survey questions include:

- **Multiple choice, multiple options.** For example: “Do you know of, or have you heard about, any of the following Bolivian tour operators? Please check all that you know or have heard about.”
- **Open question.** For example: “From the time you left your place of residence until the time you return to your place of residence, approximately how many nights will you have spent on your trip?”
- **Ranked matrix.** These questions ask respondents to rank their interest from low (1) to high (5) in activities such as bird-watching or hiking.

A typical tourism project requires visitor surveys and focus group market analysis in two stages.

First, in the initial stages of the project consider conducting a general visitor survey that provides a big picture analysis of the market at the site. This survey tries only to understand the broader visitor interests, trends, and motivations.

Then, after analyzing that data and using it to develop specific tourism product concepts, costs and prices (for example, a half-day bird watching tour for \$50), an enterprise can develop a more product-specific survey that essentially ground truths many assumptions derived from the first survey. This second product-specific survey gathers more detailed feedback from visitors and industry partners (e.g. tour operators) on the tour product such what they liked, what they would change, and their willingness-to-pay for the tourism product.

It makes sense to include some overall demographic questions on the second product-specific survey in order to identify trends within surveyed market segments (for example, 90% of visitors who label themselves “backpackers” are only willing to pay \$40 or less for the birding tour).

Two surveys follow. The first is an example of a general survey, while the second is a product-specific survey.

## RESOURCE 2.1

### Survey Tool: *Survey Monkey*

This online tool creates surveys, enters survey data, and shares results. Because it is online, multiple users can access shared surveys and databases, and options range from free access to monthly and annual memberships for more advanced features.

[www.surveymonkey.com](http://www.surveymonkey.com)

**Welcome to Puerto Plata!** This survey is being administered on behalf of the Dominican Sustainable Tourism Alliance. Your responses will help us gain greater insight about tourists' preferences. We respect your privacy, and all responses are anonymous. **Thank you for your help!**



**Travel Info**

- If you are not a resident, please indicated how long you are staying in Puerto Plata?  
 \_\_\_\_\_ Days                       I am a resident
- Have you planned or do you plan to book any excursions with a tour operator during this trip to Puerto Plata?  
 No, I planned this myself                       Concierge desk/hotel activity center  
 Tour operator     Other \_\_\_\_\_
- On a scale of 1 – 5 with 1 as not interested at all and 5 as very interested, what is your interest in the following:

<i>Interest</i>	<i>NOT INTERESTED AT ALL</i>	<i>NOT TOO INTERESTED</i>	<i>NEUTRAL</i>	<i>FAIRLY INTERESTED</i>	<i>VERY INTERESTED</i>
<b>Nature-based activities:</b>					
Wildlife viewing	1	2	3	4	5
Bird watching	1	2	3	4	5
Discovering local plant life	1	2	3	4	5
<b>Hiking:</b>					
A 1 hour easy hike near the base of the mountain	1	2	3	4	5
A mildly strenuous hike down Isabel de Torres (2-3hrs)	1	2	3	4	5
A more strenuous hike up Isabel de Torres (3-4 hrs)	1	2	3	4	5
Hiking up and down Isabel de Torres (6-8 hours)	1	2	3	4	5
<b>Adventure activities:</b>					
Zip-lining	1	2	3	4	5
Canopy tours	1	2	3	4	5
Overnight camping on Mt. Isabel	1	2	3	4	5
Mountain biking	1	2	3	4	5
Paragliding	1	2	3	4	5
Rappelling (descending from a rope on steep walls)	1	2	3	4	5
Exploring underground caves	1	2	3	4	5

- Do you prefer guided hikes or unguided hikes?     Guided hikes     Unguided hikes
- Gender:     Male     Female
- Age     18 to 24     25 to 34     35 to 44     45 to 54     55 to 64     Over 65
- How many people are you traveling with? \_\_\_\_\_
- Where do you live?  
 Australia     Canada     Caribbean     France     Germany  
 Italy     Mexico     USA     Other (please specify) \_\_\_\_\_
- Household Income (US Dollars \$)  
 \$24,999 or less     \$25,000 - \$49,999     \$50,000 - \$74,999     \$75,000 - \$99,999     Over \$100,000

Is there anything you would like to add to the information that you have provided (please let us know)?

Figure 2.1. General Visitor Demand Survey

**Puerto Plata Visitor Survey**

For Internal Use Only: Date: _____ Location: _____ Comments: _____
---

1. What is your nationality? \_\_\_\_\_
2. In which hotel/resort are you currently staying? \_\_\_\_\_
3. How many total days will you be spending in the Puerto Plata region? \_\_\_\_\_
4. Which of the following best describes you as a traveler? *(please select only one)*
  - Backpacker (lodging less than US \$50/day)
  - Independent Traveler (lodging US \$50-\$150/day)
  - Independent Traveler (lodging more than US \$150/day)
  - Package Tour (lodging US \$50-\$150/day)
  - Package Tour (lodging more than US \$150/day)
  - Business traveler
5. If you indicated "Package Tour", please select the day of the week you arrived to Puerto Plata:
  - Mon     Tue     Wed     Thu     Fri     Sat     Sun     N/A
6. If you indicated "Package Tour", please select the day of the week you will depart Puerto Plata:
  - Mon     Tue     Wed     Thu     Fri     Sat     Sun     N/A
7. Including lodging, food, tours & other travel-related costs, approximately how much money do you plan on spending per day here in Puerto Plata (in US\$)? \_\_\_\_\_



*Puerto Plata is developing a weekly festival in its downtown park/plaza that will feature authentic Dominican food, arts, and attractions in a safe and enjoyable environment.*

Assuming you'd visit such a festival, circle your level of **INTEREST** in the various attractions. On the scale of 1 to 5, "1" = "no interest" and "5" = "very interested":

FESTIVAL ATTRACTION	☹ No Interest → Very Interested ☺				
8. <b>Food:</b> fresh breads, seafood, local favorites	1	2	3	4	5
9. <b>Non-alcoholic drinks:</b> fresh juices	1	2	3	4	5
10. <b>Alcoholic drinks:</b> beer, rum	1	2	3	4	5
11. <b>Arts/Crafts:</b> wood carvings, paintings	1	2	3	4	5
12. <b>Local products:</b> coffee, fresh flowers	1	2	3	4	5
13. <b>Jewelry:</b> amber, larimar, silver, gold	1	2	3	4	5
14. <b>Live music:</b> Merengue, Jazz	1	2	3	4	5
15. <b>Cultural presentations:</b> traditional dance, song	1	2	3	4	5
16. <b>Theatrical presentations:</b> movies, plays	1	2	3	4	5
17. <b>Special events:</b> jazz festivals, etc.	1	2	3	4	5
18. <b>Other?</b> _____	1	2	3	4	5

19. Please list any other activities or attractions you would like to see at the Puerto Plata festival:

---



---

*Please complete the other side of our survey...thank you!*

Figure 2.2. Product Specific Visitor Demand Survey Example Page



## Survey Plans

A survey plan defines the overall goals and target markets for the survey, as well as clarifies basic logistics of administering the survey. The following factors should be considered for any survey.

### Survey Sample Size

The project must consider how many completed surveys are needed to accurately reflect a sample of the respondents. This varies greatly, but the more surveys, the more accurate it will reflect the trends and the conditions at the site. Defining this number will also help determine the number of surveyors and time required. For example:

*The survey sample size goal is 200 completed surveys. It is anticipated that to do this, it will require 3–4 surveyors working for 2–3 days.*

### Target Respondents

Who is the survey targeting? General surveys may target a broader cross-section of site visitors. In this case, surveyors may work at an airport or some other tourism hub with a variety of travelers. Or rather, the survey might focus on specific market segments, such as backpackers who might be found at hostels or Internet cafes. For higher-end clientele, it might high-end resorts and hotels. For example:

*The survey targets international visitors, both independent and package, who are staying within an approximate half-hour drive from downtown Puerto Plata. In particular, the target market includes clients of all-inclusive resorts and hotels. The survey is in English, and not designed for domestic residents or domestic tourists.*

### Survey Locations

Regardless of where the survey is conducted, the survey will generate better results if administered at locations where visitors are not so rushed. Airport departure lounges, coffee shops, tourism information centers, and scenic overlooks are all places where visitors might be willing to take a few minutes to complete a survey.

If the surveys are being completed in areas of restricted access such as airports, it is important to meet with facilities managers to explain the survey process and receive official approval.

### Survey Method

Will respondents be read the questions by the surveyor who then enters the response or will respondents simply be handed the survey with basic instructions and asked to return them once completed?

## Survey Supplies

What supplies are needed to administer surveys? Clipboards? Pens? What else?

## Surveyor Appearance

The number and skill sets of surveyors should be defined, such as multi-lingual language skills. The surveyors' appearance is also important. Surveyors should be dressed professionally and appear enthusiastic and welcoming. In addition, they should be easily identifiable as official surveyors with some kind of nametag or other form of identification. Such formality conveys professionalism to potential respondents, puts them at ease, and increases the likelihood that they will participate in the survey.

## Surveyor Introduction

Surveyors should have a script to introduce themselves and the surveys. For example:

*Hello, my name is \_\_\_\_\_ and I work with the Dominican Sustainable Tourism Alliance. We are working with the government to identify new tourism products that support local communities. Would you be willing to take a few minutes to complete a short two-page tourism survey?*



Figure 2.3. Example of an official surveyor nametag

Upon completion of the survey, the surveyors should quickly review the survey to make sure that most (if not all) of the questions were completed, and should end the interaction by saying:

*Thank you so much. We appreciate your time.*

If anyone ignores or says “no” to the initial introduction of the survey, the surveyors should simply say “thank you” and move on.

## Survey Notes

You may want to include a small area on the survey with space for the surveyor to make notes. For example, after the surveyor receives a completed survey from a participant it is important that the surveyor record the date, the location in which the survey was completed (e.g., Hotel Príncipe, Puerto Plata Airport), and any additional comments.

## Survey Incentives

Although some argue it may affect survey results, the offering of survey incentives can significantly increase survey response rates. Incentives are small tokens of appreciation given to anyone who completes a survey. Potential survey incentives include small souvenirs unique to the

survey location (e.g. stickers or postcards from the destination, locally made trinkets, etc.) and should not be given away until a completed survey is received.

If this method is used, the surveyor should include the following statement at the end of their initial survey introduction:

*And, we would like to offer you this free gift, a (insert incentive here) that we will give you upon completion of the survey.*

## Analyzing the Tourism Market: Industry Interviews

Visitor surveys are excellent for measuring consumer demand. Another method to collect data on trends, expectations, and overall demands of the tourism market at a site is to speak with travel industry professionals who often have years of experience working with the same market segments. This step is particularly important for considering “indirect sales” scenarios in which the tourism enterprise works with intermediaries such as tour operators, travel agents, and hotels to market and sell tourism products.

Much like conducting visitor surveys, an overall strategy to reach out to travel industry experts should include

- An **initial interview** to better understand the same market forces and overall trends that they see in the local travel industry. This is also a chance to ask them pointedly which types of tourism products or services they would like to see the enterprise develop. If those products and services existed, what is the probability that they would be interesting in selling them? Additional questions can include their clients’ demographics, interests, and willingness-to-pay.

This information aids the next step of product development, in which specific tour concepts, tour costs and prices, and marketing materials are developed to describe new tour products to potential industry partners such as tour operators. It also provides everything needed for a follow-up interview.

- **Follow-up interviews** with tour operators present products that have incorporated their feedback. Share with them the tour sell sheet or description, explain unique qualities and pricing information. Now, ask for their overall reaction to the product. What did they like? What would they change? Do they think their clients would buy it for that price? What additional commissions or cost layers would they need to add to offer it to their clientele?

### Working with Tour Operators

As a tourism enterprise, there exists a wonderful opportunity to develop mutually beneficial sales partnerships with tour operators. In many places tour operators (and other intermediaries) form a critical link between tourism products and targeted markets. They can be very powerful allies if their motivations and interests can be piqued.

## Tour Operator Interests, Motivations, and Expectations

- **New Product:** In general, tour operators lack time and money to invest in product development. They are often understaffed and working with razor-thin profit margins that limit their ability to create new offerings. Therefore, another project's time and money to invest in developing tourism products may prove attractive. Coupled with the opportunity to shape the product, such a tour operator could soon become a very invested sales partner.
- Most tour operators are motivated by two main factors when considering a potential product:
  - **Profit:** Many tour operators, especially local and regional ones, prioritize revenue and profit above all else. Therefore, expect a hard-nosed negotiation on everything from commissions to payment terms. An enterprise's financial projections should guide negotiation when it comes to how much they are willing to sacrifice their own profit margins to reach agreement with a sales partner. Also beware of tour operators who are overly willing to sacrifice quality for profit, as they tend to be unprofessional and challenging with whom to work.
  - **Quality:** Many tour operators, especially high-end ones, are interested in the quality of the visitor experience above all else. Tour operators often package multiple tour products and destinations together into multi-day itineraries that they then sell to national and international clients. If a client has a great time for six days out of a seven-day itinerary yet on that last day has an awful experience, the tour operator knows that the client will return home with nothing but complaints. Multi-day itineraries are only as good as their weakest link, so good tour operators demand quality throughout.
- **Effective Communications:** Tour operators do not want to work too hard to book a tour and communicate with a partner tourism enterprise when they are ready to send clients. Therefore the partner must have well-established reservation and payment systems as well as phone and email communications in place.
- **Legal Considerations:** Many larger tour operators may require a partner to carry some form of liability or business insurance because of the legality of their working with international wholesalers sending them clients. Therefore, be sure to inquire about legal considerations in working with tour operators during industry interviews.

## Summary

Conducting supply-side analysis of potential tourism products and services is an important part of the tourism site assessment process. Even more critical is the examination of the demand of direct clients as well as industry representatives. A number of tools can be used to conduct both supply- and demand-side market analysis, such as stakeholder interviews, surveys, and focus groups.

By analyzing and combining information collected through these methods, project promoters gather the information to identify potential tourism products as services, as well as articulate and justify those opportunities within our business plan.

# Unit 3: Describing the Business

At the end of this unit, participants will be able to understand:

- The structure and information in the introductory section of a business plan, including the executive summary, need statement, mission statement, vision statement, and business description.

## Introduction

The executive summary is a short synopsis of the sustainable tourism enterprise, product or service. It provides the reader with highlights of product concepts, target markets, competitive advantages, marketing strategy, and financial projections. By condensing the various elements of the plan into one or two pages it reviews the plans and motivates the reader to continue reading.

The executive summary should neither read like an introduction, nor a background statement. Its purpose is to excite the reader and provide a sound understanding of the proposal, when and how to accomplish it, and why it matters to them. The reader's interest may be piqued by the product concept itself, the compelling nature of the competitive advantage, financial rates of return, or the concept's links to poverty alleviation and biodiversity conservation. Whichever, the executive summary needs to capture this so that the reader delves into the body of the business plan.

While the executive summary appears at the beginning of the business plan, it should be written last. Only then can the summary capture salient points and accurately convey the various components of the venture.

## Site Description

Before launching into the analysis, product opportunity, financials, and the other nuts and bolts of the business plan, the site description tells the story of the site or enterprise that the plan will document. The site description relies heavily on the profiling and site assessment information collected during the initial stages of the project.

The site description entices readers with an interesting location. It should describe the interactions that occur between the location and the proposed products providing a physical context for the business. The site description should answer questions such as:

- What is the overall attraction or allure of the site?
- The physical location of the site and business (ideally with a map)
- What has occurred in the location to make it suitable for the business?
- Which physical and intangible attributes make the location well suited for the business?

Your site description should draw on highlights of the tourism inventory, showcasing the biodiversity, natural attractions, cultural attractions, historic attractions, and recreational activities the site offers. See the Annex for the Loma Isabel Nature Trail Business Plan's site description.

### BOX 3.1

## Channel Your Inner Shakespeare!

William Shakespeare was a master of the three-act play, and the basic paradigm that it followed:

Act 1: Set-up

Act 2: Confrontation

Act 3: Resolution

You can follow this same structure to tell your own compelling story through the site description (set-up), need statement (confrontation), and mission/vision statement (resolution). Here is how:

#### **Act One: The Site Description**

Here you set the stage and introduce the protagonist (the site, the community, the business) and establish the dramatic situation. *Cue the handsome knight and white stallion!*

#### **Act Two: The Need Statement**

The need statement introduces the obstacles and challenges that our protagonist faces. From deforestation to lack of sustainable economic alternatives to overfishing, there are plenty of villains to face. *Boooooo, hissssss!!!!*

#### **Act Three: The Mission/Vision Statement**

Our mission and vision statement present strategies and solutions to the obstacles we face and help save the day! *Our hero...*

## Need Statement

The needs statement defines challenges and obstacles that the business and its products will face. Some common examples of these needs include:

**Economic Needs:** Factors that lead to poverty and overall decline of local living conditions.

- Lack of local jobs and revenue
- Lack of sustainable economic alternatives
- Lack of locally owned and managed tourism enterprises
- Economic leakage from existing tourism industry (lack of local tourism product and service sourcing)
- Invasion of outside forces such as illegal land colonist or corporate forces
- Lack of funding for protected areas and conservation activities

**Environmental Needs:** Factors that impact species, habitat, and biodiversity.

- Unsustainable agriculture
- Overfishing
- Illegal logging
- Illegal hunting
- Uncontrolled development (tourism, other)
- Climate change
- Lack of environmental awareness
- Lack of local involvement and conservation incentives

**Social Needs:** Factors that impact cultural heritage and community integrity.

- Lack of equitable employment for women, youth, and the physically disabled
- Loss of language and cultural values
- Lack of education, health, or social services
- Migration of populations, particularly youth, away from site to big cities

Now for some example needs statements.

- Budget cuts have left the site's Forestry and Wildlife Division without the resources to effectively protect and manage the Central Forest Reserve.
- Every year farmers clear 30 hectares of the Central Forest Reserve who have little economic alternative or incentive to enter into more resource friendly enterprises.
- Over the past five years, the population of the site's only endemic bird has declined by 73%, the result of hunting and habitat destruction.
- Over 100,000 tourists visit the site each year, and 73% have expressed an interest in visiting natural attractions such as forests, waterfalls and coral reefs. The fastest growing component of the local tourist industry is English-speaking visitors, and surveys have revealed their frustration at the lack of bilingual guides and English-speaking tours to natural attractions.

See the Loma Isabel Nature Trail Business Plan Need Statement in the Annex.

## Mission Statement

Although conventional organizational mission statements simply tell what an organization does to achieve its vision, a business plan mission statement should in three or four sentences tell the story about

- Who you are
- What you do
- How Will You Do It
- What you stand for

**Who You Are:** Is this a social enterprise, a community cooperative, a joint venture? Where is it located?

**What You Do:** What is the purpose of the new enterprise? Which products and services will it offer and to whom?

**How Will You Do It:** This point mentions the strategies to achieve the mission, such as sales, marketing, communications, etc.

**What You Stand For:** This might be to increase, decrease, mitigate, improve, etc. Try to make the statement specific and results-orientated, rather than simply describing the method.

The mission statement may include a values statement as well. Values are beliefs that the organization's members hold in common and put into practice. Values might include commitment to quality, fair pricing, revenue sharing, etc. In addition to these elements, the mission statement may define the problem that the enterprise addresses and who ultimately benefits.

Now look at the mission statement for the Dominican Treasures Tourism Network, a network of sustainable tourism products in the Dominican Republic:

*The mission statement of the Dominican Treasures Tourism Network:*

*To identify, develop, promote, and sell sustainable Dominican tourism products and services that meet a high standard of quality, social, and environmental criteria to national and international markets through innovative sales and marketing strategies.*

*In order to meet its mission, the Dominican Treasures Tourism Network will focus on following a number of key operational objectives. The network will focus on unique natural, cultural, and community tourism experiences that differentiate the network's tours from the DR's traditional "sun and fun" market, and use the network to promote the Dominican Republic as a new sustainable tourism destination in the region. In order to achieve this mission, the Dominican Treasures Tourism Network will:*

- *Package member tours/destinations together into multi-day, niche-specific itineraries to create stronger and more diverse tour offerings.*

- *Directly link travelers to cluster and community tourism products, thus reducing “middle man” costs, resulting in more competitive pricing and higher profit margins and greater revenue for both the network and its members*
- *Continue to develop and improve member tour products by creating a “network of learning” through monthly workshops, technical assistance, and sharing best practices amongst members.*
- *Provide top-quality, multilingual customer service to potential clients through effective phone, email, and in-person communications.*

## Vision Statement

Vision statements are different than mission statements. While a mission statement explains the main aim or purpose of the enterprise, a vision statement describes where the enterprise wants to be in the future. The vision statement should build upon the mission statement, communicate what the enterprise desires to create, but also provide specific results that will come from the successful realization of the mission. And remember, make your vision statement goals SMART!

To organize vision milestones look at major functional areas of the enterprise, such as operations, marketing, sales, environmental support, and community development. Another example from the Dominican Treasures business plan:

BOX 3.2	
SMART Goals	
<b>Make Your Goals SMART!</b>	<b>Not SMART</b>
<b>S</b> = Specific <b>M</b> = Measurable <b>A</b> = Attainable <b>R</b> = Relevant <b>T</b> = Timely	The enterprise will develop a handful of new tours.
	<b>Is SMART</b> The enterprise will launch 3 new tours (1 kayaking, 1 hiking, and 1 birding) by the end of June 2012.

*Within five years, the Dominican Treasures Tourism Network will become the recognized leader of sustainable tourism products in the Dominican Republic. Its marketing efforts will have established the DR as an emerging natural and cultural tourism destination. Direct tour sales will be achieved through innovative and effective online marketing, and indirect sales will be achieved through a diverse mixture of sales partnerships with both inbound and outbound travel industry partners. The network will expand both in members and products, as well as marketing and technical support it provides those members.*

*In addition, Dominican Treasures will achieve the following milestones in year one of operations:*

### **Operational**

- *Establish itself as a legal tour company in the Dominican Republic with a staff that includes an executive director, sales manager, operations manager, and accounting manager*
- *Establish a sales office in Santo Domingo from which to operate*

- *Develop a strong board of directors which provides industry knowledge and business development insight into company growth*

### **Marketing**

- *Launch the website [www.dominicantreasures.com](http://www.dominicantreasures.com) and average at least 500 unique new visitors per month by the end of the fiscal year*
- *Implement a social media strategy that includes Dominican Treasures pages on Facebook, YouTube, Twitter, and Flickr*
- *Generate at least 50 positive reviews on TripAdvisor*
- *Facilitate at least two national publications and one international publication (print or online media) to write a story about the creation of the Dominican Treasures Network*

### **Financial**

- *Recruit 10–15 initial members of the Dominican Treasures Tourism Network whose products will be promoted and sold*
- *Develop a sales partnership with at least two international tour operators or wholesalers who will in turn offer Network products to their outbound markets*
- *Generate \$100,000 in gross revenue, with at least a 25% net profit margin, enough to cover 100% of annual operational costs*

### **Environmental**

- *Develop a travel philanthropy program that will recruit guests to become long-term donors to conservation and social projects*
- *Develop a carbon offset program in which clients pay an additional fee to offset their travel carbon emissions (both air and land travel)*
- *Develop a clear sustainable tourism policy that reduces the environmental impact of day-to-day tour operations*

## Business Description

The business description showcases the proposed products and services, the business structure, as well as management or staffing plan.

Before we get into describing your products and services, let us take a look at the basic products and services visitors expect when visiting a community or destination, as well as some tourism trends in what motivates visitors when planning their vacation.

Regardless of the type of tourism enterprise, the following needs and guidelines apply to many tourism endeavors and should be considered when describing your products.

### **Visitors Need a Place to Sleep**

Visitors must have a place to eat and sleep in the community if they are to stay for more than a few hours. Developing lodging options as part of the enterprise (or packaging products with existing lodging) creates an “anchor” product that keeps visitors in the destination longer. This extended stay allows the time and additional visitor needs to sell those visitors other products,

such as guided tours, food, transportation, and ancillary products such as arts and crafts, merchandise, etc.

In smaller communities, overnight facilities can be lodges, bed and breakfasts, rooming houses, or even homestays in private homes. Many small and medium tourism enterprises are located in isolated natural settings that lend themselves to more basic accommodations such as palm-thatched cabins. Such rustic conditions are fine as long as accommodations are clean and well managed.

Some unique qualities that visitors to rural, natural settings expect from their accommodations include:

- **Local construction materials:** Visitors often prefer locally sourced, sustainably harvested natural building materials over concrete, aluminum, and steel. Examples include palm-thatched cabanas, bamboo furniture and wall hangings, and cozy natural fiber hammocks.
- **Site selection:** Visitors prefer accommodation that are integrated into natural surroundings, preserve native vegetation, and are not too close to local communities. Examples include cabins with open terraces overlooking sweeping natural vistas, ecolodges surrounded by natural habitat full of animal and plant life, and solitude away from the hustle and bustle of populated areas.
- **Design:** Environmentally conscious visitors prefer passive and active solar and wind design, as well as aesthetics that reflect the region's culture and sense of place. Lodging should strive for a limited dependency on electrical grids. Examples include sun and shade to heat and cool, solar panels for basic electrical needs (fans and low-watt lighting), local products arts and crafts as decorations.

In the Annex, find Rustic Lodging Designs and Best Practices in Lodging Management.

### **Visitors Like Convenience**

Most visitors are used to living in comfortable homes with modern bathrooms. Older visitors may need more accessible facilities. Cleanliness is, of course, absolutely essential to make the visitors' experience pleasant. In larger hotels the visitor expects a room with a private bath, while in smaller lodges and bed and breakfasts, shared bathrooms are often acceptable. In rural areas, outhouses may be acceptable but must be accessible, clean, and well maintained. Because of federal and state accessibility regulations, more and more establishments provide rooms, dining facilities, and restrooms that are handicap accessible. This includes wheelchair ramps and handrails.

Visitors cannot spend a day touring the community without restrooms. The key to successful tourism development is to keep visitors happy and comfortable at all times.

### **Visitors Need a Place to Eat**

Restaurants vary from large and elegant to small and homey. In rural locations, visitors are not surprised to find a more limited selection. Attempt to invite visitors into the culinary experience by keeping kitchens open and accessible so visitors can see and smell their meals being prepared. Keep in mind, though, open-air kitchens demand even more attention to order and cleanliness. Visitors travel to communities to experience something new and enjoy a meal with

local flavor. Even with this zest for local specialties, visitors still have basic culinary preferences that need to be considered when developing a menu.

- **Healthy:** Fresh fruits and vegetables, avoid processed foods, avoid excessive use of oil or frying or lots of sugar, a balanced menu (vegetables, fruits, grains, meats, etc.)
- **Local:** Buying local is a huge trend in developed countries and the more that restaurants source their food locally (and communicate that to clients) the better.
- **Organic:** Similar to buying local, organic foods produced without pesticides and fertilizers are highly valued in developed countries. Also food that is fair trade and sustainable.
- **Delicious!**

Some other important considerations to take into account when offering food services include:

- Vegetarian and vegan options
- Diversity of meals, particularly if set menus are offered
- Training kitchen and wait staff in hygienic food preparation and handling
- Best practices in food services management (see annex)

### **Visitors Like to Shop**

Visitors like to shop for crafts, artwork, and souvenirs from areas they visit. Developing ancillary tourism products such as these not only gives visitors what they seek but also provides additional revenue for the enterprise. Such products also provide employment for community members, particularly those that might not be physically able to work other roles, such as persons with disabilities and the elderly.

### **Visitors Need Safe, Reliable Transportation**

On any given tour, particularly longer itineraries that visit multiple destinations, visitors may find themselves spending a lot of time in various forms of transportation going from one place to another. Enterprises should attempt to limit time spent in vehicles and boats, should divide longer trips into shorter manageable sections, and should also consider some of the following suggestions to improve the visitor experience when traveling by land or water.

#### **Considerations for Land-based Transportation:**

- Trips in shuttles and buses are a great opportunity for a guide to interpret landscapes and communities, or prepare visitors for the destination.
- Drivers should be trained in road safety as well as in visitor expectations when it comes to driving. Visitors are easily alarmed by dangerous driving practices common in developing countries such as high speeds and daring passes.
- Most people enjoy music on a long trip, but keep the selection and volume appropriate.

#### **Considerations for Water-based Transportation**

- Water-based transportation — whether by motorized boats or canoe — can be a rare and enjoyable experience for many visitors. Boats can immerse visitors in natural settings inaccessible by land. So embrace that opportunity to show visitors something unique!
- Just as on land, safety is paramount when on water. You should offer life jackets, flotation

cushions, first aid kits, or whatever other safety equipment is needed.

- Even if you have a guide onboard, boat drivers should be instructed to help visitors spot wildlife as well as how to recognize and encourage a visitor who might want the boat to stop for a photo opportunity.

See the [Annex: for Best Practices in Transportation](#).

### Visitors Need Stuff to Do

Lodging alone is not enough of a reason for travelers to stay in a destination, at least not for very long. Travelers need interesting things to see and do. As discussed in the previous chapter, attractions can be natural (e.g. wildlife, rainforests), cultural (e.g. music, dance), historical (e.g. archeological sites, historic buildings), or recreational (e.g. museum, garden).

Regardless of which attractions exist at the destination, how the business packages and presents those attractions is extremely important and varies tremendously. Look at some basic needs and visitor trends that could influence product design:

- **Quality guiding and interpretation:** Guides provide an engaging and authentic tourism experience opportunity for visitors. Local community members typically possess a deep understanding of the natural world because they have often lived and worked in that world as fisherman and farmers, and also know the local culture and history. Although local guides often require training in areas such as interpretation and communication, the inherent knowledge local community members possess positions them to be excellent guides. Local guides also complement university-educated and multilingual “big city” tour guides who often lack local experience and knowledge.
- **Celebrate who you are:** Visitors are interested in attractions and experiences unique to the community or destination, from food to cultural traditions passed down generation to generation. Recognize that these attributes have value to the outside world and should be integrated into tours!
- **Desire to connect with nature:** Due to increasing urbanization around the world, city dwellers increasingly desire to experience nature that they no longer have in their daily lives. Hiking, kayaking, wildlife viewing, snorkeling and SCUBA holidays offer these visitors a chance to escape from urban environments and busy work lives (SNV, 2009)
- **Interest in experiential tourism:** The UNWTO’s “2020 Vision” report ranks experiential tourism, which favors experiences over amenities, among the sectors expected to grow most quickly over the next two decades. From cooking classes to learning how to prepare local meals to helping biologists measure and tag sea turtles, focus on experiences that cannot be replicated at an amusement park and that highlight unique qualities of the destination.

### BOX 3.3

## The Emergence of Experiential Tourism

In 1999 Pine and Gilmore argued that economies must evolve to compete. At one point economies moved mostly with raw materials (e.g. raw coffee beans) which got commoditized (that is, they only compete on price and availability). To compete, businesses added value to create goods (e.g. roasting those coffee beans and packaging them in bags) which eventually get commoditized. Then to compete they sell services (e.g. having someone brew that coffee and put it in a cup for you). The next step, the authors argue, is to sell experiences.

Businesses must orchestrate memorable events for their customers, they argue, and that memory itself becomes the product — the "experience". Businesses can charge for the value of the "transformation" that an experience offers. Pine and Gilmore give examples like Starbucks that can charge previously unheard of amounts for coffee because their product isn't merely coffee (which is a commodity) as much as it is the experience of drinking Starbucks Coffee in their chic cafés surrounded by their highly orchestrated ambiance of smells and sounds.

- **Demand for authenticity:** Another global trend driving growth in sustainable tourism products is the search for authenticity. Modern consumers want authentic experiences. Contrived experiences based solely around consumption (e.g. shopping, gambling, etc.) and manufactured or mass produced entertainment are no longer favored by a growing number of travelers. Instead, they want the real thing and are savvy enough to tell the difference. In Guatemala, for example, tour operators used to pay people of Mayan descent to put on a cultural show that might demonstrate a romanticized mock religious ceremony. Today, however, tour operators are seeking permission from real Mayan priests to allow clients to attend and observe authentic ceremonies when and where they normally occur. Similarly, tourism demand for interactions with captive animals has diminished sharply as tourists seek the authentic experience of witnessing wild animals in their natural habitat.
- **Fulfillment and exploration:** Visitors are engaged by experiences that provide an opportunity for personal growth and fulfillment. Whether that is intellectual growth delivered through an experience that is educational and enlightening, or a physical activity that gives the visitors a sense of personal accomplishment.
- **Active adventure:** Visitors, particularly younger market segments but including increasing numbers of Baby Boomers, seek experiences that provide excitement and some degree of risk-taking. Visitors also place a premium on safety, and enterprises that go beyond soft adventure (trekking, camping) into more hard adventure (rafting, mountain biking) need proper training not only in leading those tours but also in first aid, wilderness responding, emergency planning, and other disciplines to ensure client safety.

## Define Products and Services

Having given the reader an overview of the enterprise, its mission and vision, the plan must now provide an overview of the product line and services. This section should stress the most attractive and differentiating qualities about the products and services.

How this information is presented is somewhat dependant on the products and services themselves. A few examples follow.

**Lodging:** Include an overall summary of the property including number and type of rooms, interior design, bathroom facilities (private or shared), and additional room features such as terraces or lounging areas. Additional features of the facility overall should be described such as the reception area, meeting areas, common areas (pools, decks, overlooks, etc.), paths and signage, site vegetation and topography. Describe the materials used in construction and, if possible, include architectural plans or designs.

See sample lodging design plans in the Annex.

**Restaurants:** Describe the overall layout and ambiance, seating capacity, and once again architectural plans or designs if they exist. Describe the culinary theme or vision and maybe a few featured dishes.

See sample restaurant design plans in the Annex.

**Tours:** Provide an overview of the tour experience, highlighting attractions and activities that will be a part of the tour. The narrative might include a “tour at a glance” description that includes timing and a short summary of the major tour parts (e.g., 10 am depart trailhead with interpretive guide, 12 pm arrive to waterfall for swimming, 1–2 pm picnic boxed lunch at base of waterfall...). Once again, pictures are worth a thousand words, so include images of the main attractions.

See products and services in the Loma Island Nature Trail Business Plan in the Annex.

## Business Structure

There is no one business structure that fits everyone’s needs, which is why you should thoroughly research the various options to choose the best structure. Stakeholders should understand all available options and distinguish the advantages and disadvantages of them. Some important factors are the desired management structure, how many partners and their roles, the division and use of profits, organization registration, and legal advantages and limitation of each business structure option.

It is important to note that legal aspects of business structures (regulations and requirements, process and costs to register, etc.) are different depending on the country in which the enterprise exists. Therefore, extensive research is required to determine which structure best fits the enterprise’s needs. Consider then some general descriptions of various business structures that often apply to small and medium tourism enterprises.

**Private company — sole proprietor:** When one individual is the sole business owner, decision-making is easier; however, it may not be the best choice for community businesses that strive to involve many local actors. This also means that the business’s assets and the owner’s assets are the same. This is the easiest business to set up and dissolve, yet also carries the

highest risk for the owner and may also be difficult to raise development or foundation funding for investment.

**Partnerships:** This is similar in many ways to a sole proprietorship except that it involves more than one owner. Therefore, rules need to be established for how partners can be bought out and how new partners can enter the business.

**Limited Liability Corporation (LLC):** This structure is favorable to small businesses because an LLC resembles a corporation in limiting personal liability from losses and profits. There can be more than one owner and can be limited to its members (there does not need to be stockholders). The formation of an LLC is more complicated than a sole proprietorship or partnership and profits are often taxed at corporate rates.

**Cooperative:** A cooperative business is owned by the members. It is a structure in which decision-making and ownership power rest in the hands of members and an executive board. The purpose of this business is to benefit its members. Due to its participatory nature, cooperative decision-making can be slower, whether good or bad.

**Non-profit organization:** A non-profit organization is set up not for financial gains to be divided among shareholders or owners, but to work toward a socially beneficial goal. These organizations may still generate a profit and operate at a surplus however all surpluses must be reinvested in the organization. While incorporating a not-for-profit organization may come with certain benefits (tax exemption, legal protections, financial protections, legal recognition for fund solicitations, labor law exemptions, etc.) it also comes with certain obligations that may be similar to incorporating an LLC or a corporation.

**Associations:** Associations are not a business structure; instead they are a group structure that may choose to form a business. Associations form around groups that have a common purpose. This may be geographic (“we all live in same village”), profession (“we are all farmers”), or anything else (mothers, artisans, environmentalists, community activism, school alumni, etc.). An association typically motivates people to act with the group or independently to promote similar interests. Associations normally do not pay members and on the contrary they may require members to pay a membership fee. Often associations may not be legally recognized organizations. However there are steps associations can take to become legally recognized and therefore be able to open bank accounts and legally solicit funding.

These are key questions when deciding how to form a company.

- What are the overall goals of the business not only financially, but also socially or environmentally?
- How should decisions be made within the business and who should be involved?
- Should investors be shareholders in the business?
- Who should maintain control of the business if investors are involved?
- What are tax benefits and liabilities for a particular structure?
- What are some of the risks?
- What are the legal restrictions or requirements on the types of business entities that can legally sell and operate tourism products in the country? How about in the protected areas where the business might work?

Once the structure has been chosen, the following details should appear in this section of the business plan:

- **An explanation or description of the business structure** including parties involved, legal and financial implications (especially advantages) of the chosen business structure, and why this structure best fits the enterprise's needs.
- **Narrative or graphic description of the business hierarchy** that explains how the enterprise will be structured. For example, if there will be a board of directors, president, general manager, and functional areas of the enterprise (such as sales, operations, accounting, etc.).
- **Brief description of roles and responsibilities of the management team**
- **Profit sharing structure**

See the business structure for the Loma Isabel Nature Trail and Dominican Treasures business plans in the Annex.

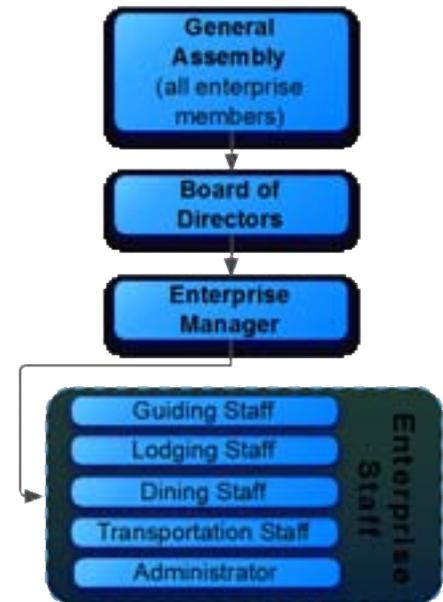


Figure 3.1. Sample Cooperative Business Structure

## Summary

The introduction and business description encompasses a broad range of background and strategic information. It must communicate effectively because if the business plan loses the interests of investors here, they may not even make it to the more detailed analysis to follow. In fact, they would not need to.

# Unit 4: Analyzing the Market

At the end of this unit, participants will be able to:

- Understand what international, national, and local market forces should be analyzed in the market analysis
- Gather and analyze data collected via research, surveys, interviews, and other sources to define and document this information
- Document changes and trends in the market that impact and support their proposed enterprise and product concepts.

## Market Analysis

Many business plan experts argue that the market analysis is the most important section of the business plan. Only within the market analysis can a business demonstrate that a consumer landscape motivated to purchase its tourism products and services actually exists. If the market analysis does not convincingly prove this demand with documented facts and figures, then investors will not believe that projected sales and revenues have any real basis.

Much of the information needed to write the market analysis section should already be available from the background work you did in Unit 2. These results of *international* tourism data (e.g. UNWTO “Barometer” report), *national* tourism data (e.g. statistics provided by the Ministry of Tourism), and *local* tourism data gathered through visitor demand surveys and interviews with local industry representatives are critical.

The market analysis then communicates convincing statistics, trends, and other travel industry data that justify the proposed products and services.

### Define the Overall Market

Begin this section by defining the overall tourism market. What is the size of the industry in terms of consumers, arrivals, total revenue, and market segments? The section can define the demographics and visitation characteristics of target markets (how long are they staying, how much are they paying on average, where are they coming from, what is their income and education level?). Start at the *global* level and then narrow to the *local* situation at the site. Cite sources and use those most recent.

Consider this example from the Dominican Treasures business plan:

## **Global Tourism**

*According to United Nations World Tourism Organization (UNWTO) the current increase in international tourist arrivals is projected to be around 4%, much in line with the forecast long-term annual growth rate of 4.1% through 2020. In 2004, ecotourism/nature tourism was growing globally three times faster than the tourism industry as a whole.*

## **Regional Tourism**

*The Caribbean boasts 19.5 million tourists annually. In the 2008 UNWTO Barometer Report, the Caribbean was the only sub-region in the world to show a growth in tourism, which was at a modest 1%, but nonetheless the most successful and resilient of all sub-regions.*

## **National Tourism**

*In 2009, 3.9 million tourists arrived to the DR. The DR itself grew at +0.7%, and the country continues to see growth even with the effects of the slowing global economy. Visitors to the DR primarily arrive from Europe (Spain, Germany, France), the United States, and Canada. According to the DR Ministry of Tourism, the average length of stay is eight days and the average amount each visitor spends on incidentals including tours and handicraft purchases is \$260. This figure excludes spending on meals and refreshments that were analysed separately.*

*Tourism generates over \$3 billion in the DR. As an industry, tourism counts for 25% of the DR's GDP, employs 500,000 people, and makes up 50% of exports.*

## **Define Trends and Changes in the Market**

This section highlights market trends. For example, trends in visitor arrivals over time, trends in average expenditures, and trends in market segments. These changes can have great influence over product profitability. For example, if the enterprise's first product is tours to German-speaking visitors then it is imperative to know not only how large this market segment is, but also how it is trending. If statistics were to show a downward trend in arrivals from Germany then focusing on this segment is probably unwise.

Graphs are an excellent tool to illustrate market trends. Graphs make it easier for the reader to scan data and will make the business plan more attractive.

The following page features a number of graphs that illustrate different types of tourism trends, all of which can easily be produced in *Excel* or *Word*.

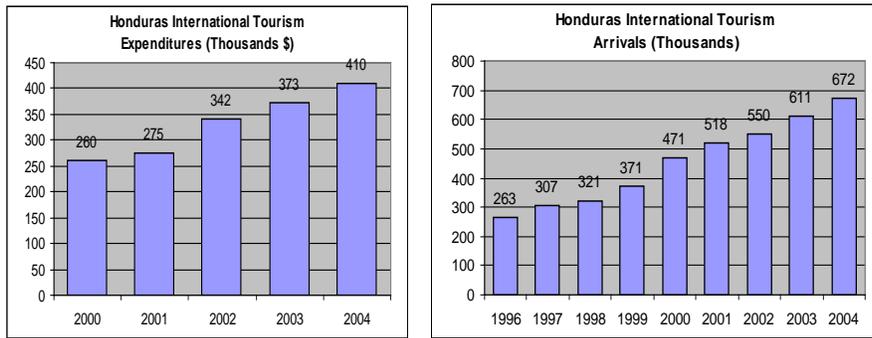


Figure 4.1. Visitation Trends. In these graphs show increasing trends in tourism expenditures and arrivals, which make a strong case for the development of tourism products and enterprises in general.

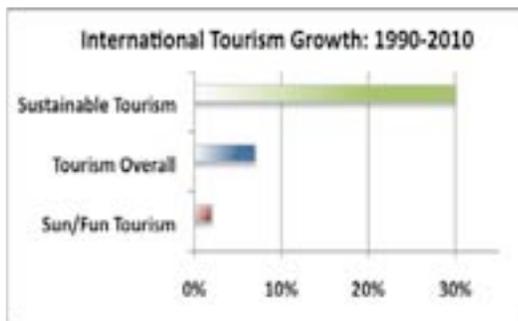


Figure 4.2. Market Segment Trends. This graph compares the size and potential of one market segment versus another. In this case, the author recognizes the higher annual growth rate of sustainable tourism over tourism in general and the “sun and fun” market segment.

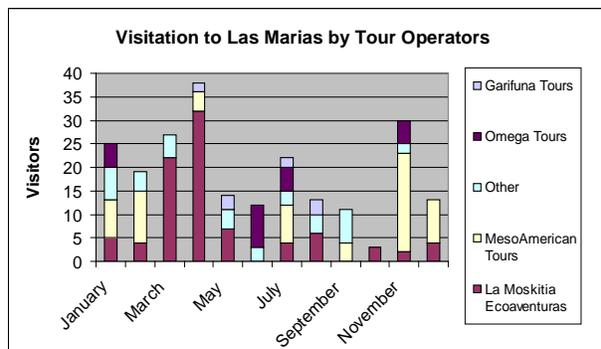


Figure 4.3. Local Industry Trends. This graph analyzes which tour operators come to an enterprise’s location, as well as the seasonality of their operations. Such data might justify a certain sales and marketing strategy (e.g. indirect sales through the leading tour operators) as well as justify the business plan’s financial projections (e.g., total revenue, seasonality of revenue, etc.).

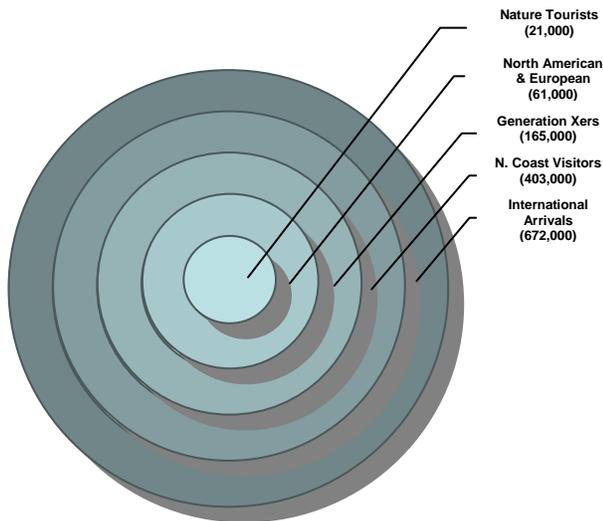


Figure 4.4. Target Market Trends. This graph shows the size of a target market. In this case, the business plan has identified that one of the enterprise's target markets is nature tourists from North America and Europe who are Gen Xers and visiting the north coast region (where the enterprise is located).

Using market research to extrapolate numbers, the author shows that the total number of international tourism arrivals was 672,000 Pax. Sixty percent of those arrivals flew directly to the North Coast airport, for a total of 403,000 pax. Forty-one percent of those arrivals were Gen Xers, for a total of 165,000 pax. Thirty-seven percent of those Gen Xers were North American or European, for a total of 61,000 pax. And finally, 35% of those in that group classified themselves as "nature tourists," for a final total of 21,000 pax. Therefore, the target market segment is 21,000 pax, useful for financial projections.

Now look at narrative text that might articulate the market analysis:

*Data from the Ministry of Tourism and the Tourist Board indicate that overall visitor numbers are increasing with an average annual growth rate of 15%. Tourist arrivals from Germany are the segment increasing at the fastest pace due to newly established daily routes operated by Condor from Cologne.*

*Over the past decade, the percentage of German arrivals has increased dramatically. In 2005 it comprised 16% of all arrivals; today Germans represent almost 35%. There have been declines in the numbers originating from the UK and more modestly from the USA and Canada. These changes can be attributed in part to aggressive marketing in Germany and recessions in other key markets.*

In addition to macro travel industry data and trends, the market analysis section reports more site-specific results of the visitor demand survey (Table 4.1).

Table 4.1. Information Needs and Sources for the Market Analysis

Section	Information Needs	Information Source
<b>Market Analysis — International and national</b>	<ul style="list-style-type: none"> <li>• National tourism statistics, trends, and profiles (arrivals, length of stay, daily expenditures, occupancy rates, seasonality, country of origin, projected trends)</li> <li>• Supply chain analysis/overall tourism industry structure in the country (e.g., all inclusive model vs. FIT market)</li> <li>• Interests               <ul style="list-style-type: none"> <li>○ Attractions/activities</li> <li>○ Lodging</li> <li>○ Transportation</li> <li>○ Food</li> </ul> </li> <li>• Willingness to pay               <ul style="list-style-type: none"> <li>○ Attractions/activities</li> <li>○ Lodging</li> <li>○ Transportation</li> <li>○ Food</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Existing tourism reports</li> <li>• UNWTO Barometer</li> <li>• The International Ecotourism Society (TIES) Fact Sheet</li> <li>• Google/KAYAK search term trends/data (<a href="http://www.kayak.com/trends">www.kayak.com/trends</a>)</li> <li>• National tourism ministry website/reports</li> <li>• Private sector interview (tour operators, travel agents)</li> <li>• Research institutions (university programs, trade associations)</li> </ul>
<b>Market Analysis — Local</b>	<ul style="list-style-type: none"> <li>• Local tourism statistics, trends, and profiles (arrivals, length of stay, daily expenditures, occupancy rates, seasonality, country of origin, projected trends)</li> <li>• Sales structures in region/how to reach tourists including communication abilities and relationship between lodging, transport, activity and souvenir providers</li> <li>• Interests               <ul style="list-style-type: none"> <li>○ Attractions and activities</li> <li>○ Lodging</li> <li>○ Transportation</li> <li>○ Food</li> </ul> </li> <li>• Willingness to pay               <ul style="list-style-type: none"> <li>○ Attractions and activities</li> <li>○ Lodging</li> <li>○ Transportation</li> <li>○ Food</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Visitor surveys</li> <li>• Focus groups</li> <li>• Interviews with local tourism reps (tour operators and travel agents)</li> <li>• Observe basic infrastructure of the area (phone connectivity, internet, language, roads, transportation, lodging)</li> </ul>

## Define Market Segments

Having presented the overall tourism market and trends, the plan must now present specific market segments for the tourism products and services. Since the market analysis has identified markets with the greatest potential, choosing the most apt segments for products should be relatively easy.

The presentation of target market segments should include at least the following:

**Description:** A short description summarizes the demographics and other characteristics of a particular market segment.

**Examples:** Where possible, provide specific examples of that target market. For example, if inbound (domestic) tour operators are the target, then list the names of specific tour companies.

**Key drivers:** Drivers are conditions or needs that motivate a market segment to buy a product. For example, price may be the key driver for budget-conscious backpackers. For patrons of five-star resorts, comfort and convenience might be their drivers.

**Potential products:** Finally, list whichever products in which this particular market segment might be most interested and willing to purchase. By doing so, the reader develops an overall idea of which products appeal to which segments. This information helps us to predict demand and revenue figures in the financial projections.

Now, take a look at how target market segments were represented in the Dominican Treasures business plan. In this case, the business plan divided the market segments. First, there are direct target market segments, or “business to client” (B2C), in which the client buys directly from the enterprise. Second, there are the indirect target market segments, or “business to business” (B2B), in which an intermediary sales partner such as an international tour operator is the target client.

Table 4.2. Direct and Indirect Target Market Segments (B2C)

**Direct: Inbound Free and Independent Travelers (FITs)**

Segment Description	Examples
<p>A primary reason to create the Dominican Treasures Tourism Network was to establish an inbound tour operator known for sustainable tourism products – rather than sun and fun all inclusive. North American and European travelers are increasingly comfortable planning their own vacations. These travelers are likely to book their tours months prior to arrival, but will also take advantage of cost savings from last-minute online promotions. International FITs are also likely to book a trip as a couple or join a predetermined “scheduled departure” that fits their schedule.</p>	<ul style="list-style-type: none"> <li>• US (particularly the east coast)</li> <li>• Canada</li> <li>• Europe (particularly Spain, Germany, and France)</li> </ul>
	<b>Key Drivers/Motivators</b>
	<ol style="list-style-type: none"> <li>1. Price</li> <li>2. Uniqueness</li> </ol>
	<b>Potential Products</b>
	<ul style="list-style-type: none"> <li>• La Caleta National Park</li> <li>• Loma Isabel</li> <li>• Calle 30</li> </ul>

**Direct: Domestic Residents**

Segment Description	Examples
<p>Domestic residents, particularly those from major metropolitan areas such as Santo Domingo and Santiago, represent a growing market segment for sustainable tourism products. Many middle- and upper-class Dominicans have second homes in the mountains or at the beach, or take advantage of their country’s natural resources on weekends and holidays.</p>	<ul style="list-style-type: none"> <li>• Santo Domingo residents</li> <li>• Santiago residents</li> </ul>
	<b>Key Drivers/Motivators</b>
	<ol style="list-style-type: none"> <li>1. Price</li> <li>2. Convenience</li> </ol>
	<b>Potential Products</b>
	<ul style="list-style-type: none"> <li>• Sonido del Yaque Ec lodge</li> <li>• Aguas Blancas waterfall</li> </ul>

**Direct: International Special Interest “Affinity” Travel Groups**

Segment Description	Examples
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Special interest groups are ideal for the Network's activity-specific multi-day package tours. Due to their laser-like interest in a particular experience, affinity travel groups can be highly labor intensive. But due to their potential high numbers, they can also be very profitable, especially if there is a chance for repeat business.

- Birdwatching groups
- Hiking/trekking clubs

#### Key Drivers/Motivators

1. Quality/Service
2. Uniqueness

#### Potential Products

- 7-day bird watching package
- 6-day trekking package

### Indirect: International Outbound Tour Operators

Segment Description	Examples
Most international tour operators create and sell their own travel programs. The Dominican Treasures Tourism Network will need to build its reputation and expertise in creating unique packages to attract this market. In addition to unique products, advantages that the Network might be able to offer international tour operators includes comprehensive packages with all required services (tours, transport, lodging) as well as more competitive pricing due to fewer cost layers between clients and service providers. Partnerships may require full coverage insurance policies. Many tour operators also will be direct or indirect competitors.	<ul style="list-style-type: none"> <li>• GAP Adventures</li> <li>• Colonial Tour &amp; Travel</li> <li>• TAUCK Travel</li> </ul>
	Key Drivers/Motivators
	<ol style="list-style-type: none"> <li>1. Quality/Service</li> <li>2. Safety</li> </ol>
	Potential Products
	<ul style="list-style-type: none"> <li>• Multi-day, multi-destination tour packages</li> </ul>

### Indirect: Domestic Inbound Tour Operators, Travel Agents, and Travel Companies

Segment Description	Examples
The Network will dedicate itself not only to directly promote and sell the Dominican Treasures-branded products, but also to facilitate their sale through other sales channels as well, including inbound (domestic) tour operators, hotels/resorts, and other travel companies in the DR. The Network will accomplish this by providing sales training and promotional materials to these sales partners on Network products, as well as by facilitating communications and operations between the sales partners and the Network's products.	<ul style="list-style-type: none"> <li>• Martsam Travel</li> <li>• DR Association of Travel Agents</li> <li>• Dominican Adventure Co.</li> </ul>
	Key Drivers/Motivators
	<ol style="list-style-type: none"> <li>1. Price</li> <li>2. Convenience</li> </ol>
	Potential Products
	<ul style="list-style-type: none"> <li>• Individual network member destinations/products</li> </ul>

## Summary

The market analysis section of your business plan requires considerable research into travel trends and statistics at the local, national, and international levels. But by doing a thorough market analysis, you enjoy invaluable data that helps to determine not only which tourism products and services should be sold, but also the market segments that should be targeted for those products.

# Unit 5: Assessing the Competition

At the end of this unit, participants will be able to understand:

- How to analyze competition
- How to conduct a Porter's Five Forces Analysis
- Competitive advantages in the marketplace

## Competition Analysis

The next section identifies those businesses that are or could become main competitors. A review of competitors will help the reader to understand who else offers similar products, what they sell, and what differentiates your products from theirs.

Ultimately, all this information should help to identify any competitive advantages that your enterprise and products hold over the competition. That competitive advantage information in turn provides important input and a foundation upon which to develop sales and marketing strategies.

While describing global competitors adds some context, the focus should be on local competitors. Likely the small or medium tourism enterprise desires to carve out a piece of the local market rather than compete directly against other sites internationally. Therefore, this unit will focus on local competition analysis.

### **Define the Competition**

Competitors are people and businesses that offer similar products and services and seek the same markets. These entities compete directly with your product.

### **Research the Competition**

There are lots of ways you can collect data on your competitors. Start with the competitors' marketing materials (websites, brochures, etc.) to get the basic product and pricing information. If necessary, print travel guides and other Internet travel sites also provide a wealth of information about your competitors.

For more in-depth information, such as quality and professionalism, then there is no better way to evaluate than for you to experience the tour yourself. Alternatively you could petition a friend

or colleague to do it. The value of having someone else undertake this assignment is that that person can later objectively assess your product and compare it to the competition.

Since a competitor's tour will cost money, and there may be many similar products, you may have to narrow down how many can be experienced. Select those that appear to compete most directly with the proposed product. The money will be well spent!

### **Assess the Competition**

Next develop a competition chart that outlines what will be assessed and the metrics for how to assess it. These factors or indicators might differ slightly based on the product or service, but the following are almost always worth assessing.

- Products and services (What is being sold?)
- Pricing (How much does it cost?)
- Product quality, including guided tours, food services, lodging, transportation, etc. (How good is the product?)
- Customer service (How well is it run? How qualified are the staff?)
- Cultural authenticity (Are local communities involved? Is the cultural exchange authentic?)
- Natural attractions (wildlife, habitat, landscapes, etc.)
- Community and conservation support (Does the enterprise support social and environmental efforts?)
- Marketing efficacy (How good is their marketing?)
- Sales efficacy (How good is their sales structure, process, and staff?)
- Target markets (Who are they selling to?)
- Marketing methods (What are their main strategies for marketing and promotion?)
- Overall strengths
- Overall weaknesses

For some of these factors, you might just fill in the blank (pricing information, target markets, etc.). For others, you might rate that factor (product quality, customer service, etc.) on some kind of numeric scale (for example, 1 to 5). The best way to ensure that you apply the same scale to all of your competitors is to simply have one person conduct the entire competition analysis. But if there is more than one person in this process, all members of the assessment team should agree upon what constitutes each numeric score.

Next, create the table and begin entering your competition analysis data. The following page shows an example of a competition chart. The chart serves to organize your competition data and rank competitors, but should also be included in the appendix of the business plan.

For the actual business plan, write a brief but critical analysis of each competitor. Outline their products and pricing, strengths and weaknesses. And be sure to include any solutions or strategies to address threats that they may pose. An example of this narrative summary of competitors can be seen in the Loma Isabel Nature Trail business plan example in the Annex.

	Proposed Enterprise	Competitor 1	Competitor 2
<b>Name</b>	Loma Isabel Nature Trail	Yasika Zip Line	Le Demajagua Waterfalls
<b>Years Operating</b>	0	5	20
<b>Overall Company Reputation</b>	To be determined	Professional tours, but not very professional at marketing and sales	Beautiful setting and fun tour, but poorly trained guides that put clients in dangerous situations
<b>Products</b>	Hiking tours	Zip line tours	Waterfall/hiking tours
<b>Pricing</b>	\$30-\$50 per pax	\$75 per pax	\$ 45-\$90 per pax
<b>Target Markets</b>	<ul style="list-style-type: none"> <li>Resort guests</li> <li>FITs</li> <li>Local residents</li> <li>School groups</li> </ul>	<ul style="list-style-type: none"> <li>Resort guests</li> <li>International tour operators</li> <li>FITs</li> </ul>	<ul style="list-style-type: none"> <li>Resort guests</li> <li>FITs</li> </ul>
<b>Promotion Methods</b>	<ul style="list-style-type: none"> <li>Website</li> <li>Print promotion (posters, rack cards, brochures)</li> <li>Tour catalogues</li> <li>Travel guides</li> <li>Online marketing</li> </ul>	<ul style="list-style-type: none"> <li>Website</li> <li>Billboards</li> </ul>	<ul style="list-style-type: none"> <li>Website</li> <li>Billboard</li> <li>Brochures</li> </ul>
<b>Overall Strengths</b>	<ul style="list-style-type: none"> <li>Low prices</li> <li>Quality guides and interpretation</li> <li>Close proximity to Puerto Plata</li> </ul>	<ul style="list-style-type: none"> <li>Only zip line tour in the region</li> <li>Strong sales partners with local resorts, international operators</li> <li>High-profit margins</li> </ul>	<ul style="list-style-type: none"> <li>Well known product (20 years)</li> <li>Beautiful scenery</li> <li>Fun tour</li> </ul>
<b>Overall Weaknesses</b>	<ul style="list-style-type: none"> <li>New product</li> </ul>	<ul style="list-style-type: none"> <li>Not close to Puerto Plata (45 minutes away)</li> <li>Too expensive for domestic market (local residents)</li> </ul>	<ul style="list-style-type: none"> <li>Dangerous</li> <li>Very crowded</li> <li>No interpretation, weak guides</li> </ul>
<b>RANKINGS (1 to 5, 1 = lowest, 5 = highest)</b>			
<b>Tours</b>	5 (highly trained guides with excellent tour content)	5 (great guides & tour)	2 (weak guides)
<b>Food</b>	4 (excellent local cuisine)	2 (terrible boxed lunches)	5 (excellent new restaurant)
<b>Lodging</b>	N/A	N/A	N/A
<b>Transportation</b>	3 (older van, but had air conditioning)	5 (very nice and new air conditioned vans)	N/A (visitors arrive on their own)

Table 5.1 Competition Chart

<b>Customer Service</b>	4 (all staff have been trained in customer service)	4	4
<b>Cultural Authenticity</b>	5 (community owned and operated)	1 (no mention of local culture at all)	3 (most guides are local)
<b>Natural Attractions</b>	5 (Loma Isabel park, nature, nature trails, beautiful vistas, some wildlife)	2 (zip line built in an open field, no nature)	5 (great birds, beautiful scenery)
<b>Community/Conservation Support</b>	5 (contributing \$7K to conservation and community projects in first two years of operations)	2 (most employees are local, but no other community support)	5 (locally owned and managed, some profits support comm. water project)
<b>Marketing</b>	4 (great website, great brand)	3 (good brand, but limited marketing efforts)	3 (bad website, but well known brand)
<b>Sales</b>	3 (sales staff don't speak English)	5 (very easy to buy tours in resorts)	5 (very easy to book/buy)
<b>Average Score</b>	<b>4.2</b>	<b>3.2</b>	<b>4</b>

## Porter's Five Forces Analysis

Porter's Five Forces is a framework for industry analysis and business strategy development formed by Michael E. Porter of Harvard Business School in 1980. It draws upon Industrial Organization (IO) economics to derive Five Forces that determine the competitive intensity and therefore attractiveness of a market. Attractiveness in this context refers to the overall industry profitability. Porter referred to these forces as the "micro environment," to contrast it with the more general term macro environment. They consist of those forces close to a company that affect its ability to serve its customers and make a profit.

Competition and competitive advantage are tied to the relative power of not only competitors, but also buyers and suppliers. Therefore, Porter's Five Forces includes three external sources: threat of substitute products, the threat of established rivals, and the threat of new entrants; and two forces from internal sources: the bargaining power of suppliers and the bargaining power of customers (Porter, 1980).

Table 5.2. Porter's Five Forces Analysis

Porter's Five Forces Analysis	
1.	The threat of established rivals
2.	The threat of new entrants
3.	The bargaining power of suppliers
4.	The bargaining power of buyers (customers)
5.	The threat of substitute products and services

Table 5.3. Rating the Forces

Force Strength	Force Effect	Force Result
Strong	Threat	Lower profits
Weak	Opportunity	Higher profits

The analysis rates the factors on strength or power. The relative power of each force, and the forces acting together, influence the success of an enterprise in a number of ways. But in general, it is important to remember two things in regards to these forces:

- The *stronger* a force, the more it limits an enterprise's ability to set prices. Strong forces tend to be threats because they reduce profits.
- The *weaker* a force, the more it allows an enterprise to set prices. Weak forces tend to be opportunities because they give an enterprise a chance to earn greater profits.

Understanding the relative strength of the Five Forces impact helps the enterprise become more competitive. As always in the business planning process, the insights generated by Porter's Five Forces Analysis may require that modifications be made to products and the overall business model.

The following section explores factors that affect each of the Five Forces, questions and methods to collect the data, and how to incorporate results into the business plan.

### **Force #1: The Threat of Established Rivals**

Rivalry between competitors is the *strongest* of the Five Forces. The strength, and therefore the threat, of this force increases with:

- Industry maturity
- Number and size of competitors
- Low buyer switching costs<sup>1</sup>
- High exit barriers
- High fixed costs
- Overcapacity in industry

Most data necessary to evaluate this force already exists in the competition chart. Some additional considerations include:

- A larger number of similar businesses increase rivalry, because more firms must compete for the same customers.
- Slow growth causes firms to fight for market share. In a growing market, firms are able to improve revenues simply because of the expanding market. (Check with the tourist board or ministry of tourism to see if it has data on year-by-year changes in tourism arrivals and on tourist preferences when it comes to tour itineraries and purchases. Is the site in a slow-growth, no-growth, or expanding market?)
- High fixed costs result in an economy of scale that increases rivalry. When total costs are mostly fixed costs, the business must produce near capacity to maintain profitability.
- Low switching costs increase rivalry. When a customer can freely switch from one product (or tour) to another, there is a greater struggle to capture and retain customers.
- Low levels of product differentiation are associated with higher levels of rivalry. This is the commoditization effect described by Pine and Gilmore in the previous unit.

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<sup>1</sup> Switching costs is the cost that a customer absorbs when switching from one product to another. For example, switching shampoo costs little to the consumer but a company switching its payroll system will incur much higher switching costs because it might have to buy new software and re-train its human resources department.

- Strategic stakes are high when a firm is losing market position or has the potential for great gains. This intensifies rivalry.
- High exit barriers place a high cost on abandoning the product. High exit barriers cause a firm to remain in an industry, even when the venture is not profitable. An example of this is a tour operator who has invested heavily in equipment and infrastructure such as a zip line is less likely to walk away from that business (and investment) if things slow down.
- Industry shakeout: A growing market and the potential for high profits induce new firms to enter a market and incumbent firms to increase production. A point is reached in which the industry becomes crowded with competitors and demand cannot support the new entrants. The industry may become crowded if its growth rate slows and the market becomes saturated, creating a situation of excess capacity with too many goods chasing too few buyers. A shakeout ensues, with intense competition, price wars, and company failures.

For your business plan, include a brief, critical analysis of the threat of established rivals, as well as any solutions or strategies to address the threat.

## **Force #2: Threat of New Entrants**

A new entrant is someone or some enterprise that wants to **enter an existing market**. This force considers the threat that new firms will enter the industry, and is higher when entry barriers are low or when a newcomer can expect to reap significant early profits.

Barriers to entry increase with:

- Industry patents and proprietary product differentiation
- Importance of brand identity
- High switching costs
- High capital investment
- Difficult access to distribution channels
- More government regulations
- Strong retaliation from incumbent companies

Some questions to ask in analyzing this force:

- Is it easy or hard for you to enter the market?
- Will it be easy for other businesses to enter the market in the future?
- If a business starts to make money, will it attract new entrants?
- Does it require a lot of money to enter this market?
- Does it require political or social influence to enter?
- Does it require special skills to enter or could any businessperson in general enter?

Opportunities may exist within certain enterprise sectors to raise entry barriers. In tour guiding, for example, certain guiding services may require specialized training and language skills, thereby raising the bar for new entrants. Likewise, a government-imposed guiding certification in the future also may raise barriers to entry.

For your business plan, write a brief, critical analysis of factors that contribute to the threat of new entrants, as well as any solutions or strategies to address those threats.

### **Force #3: Power of Suppliers**

Suppliers comprise all sources for inputs needed to provide goods and services. In the tourism industry, this includes all service providers and suppliers that contribute something that allows a company to offer tour products. Examples include transportation companies (e.g. hiring a shuttle for a tour), food vendors (e.g. produce suppliers, catering companies), and hotels or other lodging used during a tour.

For suppliers, we want to know the following:

- Are or will you be the sole customer to any suppliers?
- Which suppliers also service your competitors?
- Do they charge similar rates?
- How is the quality of service of your supplier?
- Can the business provide the suppliers' service itself?
- Do you or the supplier set the price?
- How important are your suppliers to the business in order to operate?

Your business will enjoy an advantage if suppliers are relatively small and unorganized. Suppliers gain power in the following cases:

- When it is difficult for buyers to switch to competing suppliers, or there are no substitutes for a particular input.
- When suppliers are large relative to buyers
- When switching costs from one supplier to another are high
- When they pose a credible threat of integrating forward and taking over the buyer's functions (for example, a transportation company may decide to sell not just transportation options but the tour itself, thus becoming a new competitor)

Many small tourism enterprises require some form of transportation to run their tours, whether hiring a shuttle for a multi-day itinerary or just picking up clients from the airport. Yet few of these same small enterprises have the money to buy their own vehicles, boats, and other transportation needs. Therefore, they often depend on other companies to provide them transportation services. The cost of transportation is by far the highest *direct* cost that many tours include, and therefore high transportation costs cause tour prices to increase or enterprise profit margins to decrease (both bad situations).

This dependency (and vulnerability) on transportation providers can be a real threat to small tourism enterprises. Yet many small tourism enterprises find that the additional costs of maintaining, insuring, and repairing their own vehicles is more expensive than simply subcontracting a transportation company. Determining which scenario is best comes down to an analysis of these comparable costs and the financial resources available.

#### **Tourism Tip: Tourism Networks**

The formation of tourism networks or clusters, as well as membership in industry associations such as a national tour operators association, can significantly increase your power over your

suppliers. This is because the collective power (in purchasing, in negotiations) as an organized group of buyers is greater than as individual businesses.

### Supplier Power in Isolated and Rural Areas

Many small tourism enterprises exist in rural areas and isolated parks far from cities that offer a multitude of suppliers. The advantages of this situation is that most suppliers are likely to be small businesses and relatively unorganized. These are two factors that reduce supplier power and create opportunities for your enterprise to negotiate better prices. Yet such isolated settings may also require that supplies (e.g. food, gas, and equipment) are brought in by truck or plane that always increases costs of those products. The choice of suppliers in such areas might also be extremely limited. Both of these forces increase supplier power and the cost of the products and services they provide. Once again, these are two contradictory forces that affect the power of your suppliers.

In order to assess the force of supplier power, make a simple supplier chart of current and potential suppliers, and consider the above factors. Include the chart in the business plan appendix. See example below:

Table 5.3. Supplier Assessment

Service	Supplier	Assessment
Transportation	Ronny's Shuttles	They do not offer exclusivity, and furthermore give a better rate to some of our competitors.
	Aquila Van Lines	Smaller company, older vehicles, but might be willing to reduce rate if we guarantee a certain volume each year.
Food	Dona Elma's Kitchen	Our tours are nearly 100% of her business, and there are a number of other small food providers who could offer the same service.

### Force #4: Buyer Power

Buyers in the tourism industry include both direct and indirect buyers. Direct buyers are travelers and tourists who buy directly from the enterprise whether by phone, email, or as a walk-in client your office. Indirect buyers are other companies and travel representatives that act as intermediaries and facilitate the sale of your product to the client. In many places, small tourism enterprises depend on these indirect buyers that include inbound (domestic) tour operators and outbound (international) tour operators, hotels and resorts, cruise ships, and travel agents. These indirect buyers may either purchase the product and resell it to travelers (often packaging it with other products in the process) or these buyers may be marketing and sales partners that provide an additional channel for you to reach more clients.

Direct buyers, in this case individual clients or groups, exert varying levels of buying power. But indirect buyers (such as tour operators) may exert great influence and hold the key for certain businesses to access large numbers of potential clients.

Buyer power increases (a threat to your enterprise) in the following cases:

- When buyers are large (or buy in large volumes) relative to the seller. This occurs if a company sells craft items to a supermarket or large store, or block-booked tours to a wholesaler or large tour operator.

- When it is easy for buyers to switch to another supplier. Free and independent travelers (FITs) normally have more power here because that switch might be easy and no cost to them. But partnerships with larger, more-organized tour companies often involve contracts that may be more difficult to get out of. This is also the case when large tour operators have set departures/itineraries that may be difficult to change.
- When buyers can integrate backward and assume the role of supplier (directly competing with the business). For example, an inbound tour operator may buy a tour from a small enterprise as a part of the larger itinerary, but over time realizes it can provide the same product itself at lower cost and higher profit.
- When the buyer knows the production costs of the product.
- When the product is undifferentiated and can easily be replaced by substitutes. This may well be the case if a business sells a tour similar in price and experience to a competitor's product.

A tourism enterprise can organize its buyer power research into a basic table (Table 5.4) that summarizes the power of their common buyers such as FITs, large outbound tour operators, and small local tour operators.

Table 5.4. Assessment of Buyer Power

Buyer/Market Segment	Purchasing volume	Ease of buyer switching	Importance of product to buyer	Chance of backward integration	Awareness of production costs	Level of substitutes
<b>FITs</b>	Small	Easy	Depends	Low	Low	Depends
<b>Large outbound tour operators</b>	Large	Difficult	Depends	High	Medium	Depends
<b>Small local tour operators</b>	Medium	Medium	Depends	High	High	Depends

For the business plan, write a brief, critical analysis for each buyer and the power it holds, as well as any solutions or strategies to address potential threats. Include the buyer chart in the appendix of your business plan.

### **Force #5: Threat of Substitutes**

Substitute products are those that target the same customers in the same marketplace as another enterprise, but with a different product. For example, a seafood restaurant on the beach would have to compete not only with direct competitors (other seafood restaurants on the beach) and indirect competitors (like Chinese restaurants), but also with substitute options (bringing a picnic from home). The narrower the market segment the fewer the substitutes.

The only way to minimize the power of a substitute product is to motivate the customer and persuade him or her that in reality there is no alternative at all. This means understanding the drivers or motivations that persuade customers to purchase a particular product and the barriers that might stop them. For example, a person with a passionate interest in natural history is unlikely to see a day in a casino as a substitute for a walk in the forest. Whereas for someone on a shoestring budget, a free day on the beach might be a real alternative to an expensive waterfall tour.

Overall, industries with few substitute products are more attractive than those with many substitutes. However, in tourism, a destination is typically more attractive the more activities and therefore substitutes it offers. In the tourism and leisure business, there are often many substitutes.

Take some time to create a table that summarizes the substitute products that you propose. In addition to listing the substitute product and price, also consider substitute strengths and weaknesses compared to your proposed product.

Table 5.5. Assessment of Substitute Products

Substitute Product	Pricing	Advantages	Disadvantages
<b>Water and amusement parks</b>	Varies, but usually \$75+ for the day	Very well positioned with a large market presence	Artificial parks may appeal more to families, but less to nature-based target market segments.
<b>Other parks and protected areas on the north coast</b>	Varies	Strong natural attractions (e.g. Aguas Blancas National Park has amazing waterfalls)	Few organized tour products or service providers. Most are farther away from Puerto Plata as well.

For your business plan, write a brief, critical analysis of substitute products and services available in your region. Be sure to include strategies and solutions to address threats. Include the substitute chart in the appendix of the business plan.

See the Five Forces Analysis of the Dominican Treasures Business Plan in the Annex.

Table 5.6. Summary of Porter's Five Forces

Force	Description	Factors Affecting Force
<b>Threat of Established Rivals</b>	Often the strongest of the Five Forces; it describes the intensity with which existing firms are jockeying for position within the industry.	Rivalry increases with: <ul style="list-style-type: none"> <li>• Industry maturity</li> <li>• Number and size of competitors</li> <li>• Low buyer switching costs</li> <li>• High exit barriers</li> <li>• High fixed costs</li> <li>• Overcapacity in industry</li> </ul>
<b>Threat of New Entrants</b>	Threat that new firms will enter the industry is higher when entry barriers are low or when a newcomer can expect to reap significant early profits.	Barriers to entry increase with: <ul style="list-style-type: none"> <li>• Industry patents and proprietary product differentiation</li> <li>• Importance of brand identity</li> <li>• High switching costs</li> <li>• High capital investment</li> <li>• Difficult access to distribution channels</li> <li>• More government regulations</li> <li>• Strong retaliation from incumbent companies</li> </ul>
<b>Supplier Power</b>	Suppliers to an industry exert strong influence when they have sufficient bargaining power to fetch price premiums for their products or services.	Supplier power increases if: <ul style="list-style-type: none"> <li>• Few suppliers exist</li> <li>• Their inputs are differentiated (i.e. not a commodity)</li> <li>• There are high switching costs to the buyer (i.e. the company within the industry)</li> <li>• Supplier may forward integrate into the industry being considered</li> </ul>
<b>Buyer (Customer) Power</b>	Customers become more powerful as they are able to exercise bargaining leverage over companies in the industry.	Buyers' power increases if: <ul style="list-style-type: none"> <li>• Buyers are concentrated (i.e. few buyers exist)</li> <li>• Buyers tend to purchase in high volumes</li> <li>• Buyers have low switching costs</li> <li>• There is low product differentiation in the industry (i.e. service or product is a commodity)</li> </ul>
<b>Threat of Substitutes</b>	Threat posed by substitutes is high when prices of substitutes are attractive, buyers have low switching costs, and the substitute alternatives provide the same benefits as the product being considered.	Threat of substitutes increases with: <ul style="list-style-type: none"> <li>• Low switching costs</li> <li>• Rapidly changing technology</li> </ul>

## Competitive Advantage

Now that the competition analysis is done, the next section of the business plan summarizes the opportunities and strengths the enterprise will embrace to increase its competitiveness.

Competitive advantage is defined as the strategic advantage one business entity has over its rival entities within its competitive context. Achieving a competitive advantage strengthens and positions a business better within the business environment.

Based on research and analysis, this section outlines the competitive advantages that your enterprise possesses. Much of this information will also be incorporated into the Strategic Position, presented in the following unit.

For the business plan, simply outline the major advantages your enterprise holds over the competition in some or all of the following areas:

- Products
- Staff & training
- Operations
- Legal
- Sales & marketing
- Infrastructure

For example, based on the competition analysis, the Loma Isabel Nature Trail has determined the following competitive advantages:

### **Competitive Advantages — Product**

- *Loma Isabel Nature Trail's close proximity to Puerto Plata (30 minutes closer than any competitors).*
- *Loma Isabel Nature Trail is the only organized tour product in the protected area.*
- *Loma Isabel Nature Trail is superior to its direct competitors with respect to its guides and interpretation, the overall level of biodiversity, and cultural authenticity. All of these qualities will be reinforced in the brand and marketing materials.*
- *Loma Isabel Nature Trail's pricing is 50% less than any direct competitor.*
- *Compared to its direct competitors, Loma Isabel Nature Trail is the only enterprise that has developed a "SAVE" (Scientific, Academic, Volunteer, and Educational) tour product targeting school groups.*

### **Competitive Advantages — Sales & Marketing**

- *Compared to its direct competitors, Loma Isabel Nature Trail's marketing strategy is more comprehensive, particularly its online marketing and print promotion campaigns.*
- *Loma Isabel Nature Trail is the only tourism enterprise in the region directly supporting conservation, which should appeal to ecotourists and will be messaged through promotional materials.*

### **Competitive Advantages – Operations**

- *Although the costs for new entrants and competitors in the market are low, operating tours in the protected area requires a permit that must be acquired from protected area managers. The process to acquire that permit was complex and time-consuming, and was granted largely due to the enterprise's direct support of the park's conservation activities. It will be difficult for competitors to acquire this permit.*

## Summary

Honestly and accurately assessing competition is critical to any business plan. It allows an enterprise to examine its competitors, which in the end helps fine tune products and better meet the needs of target markets. It gives investors or donors confidence that a market does in fact exist for a proposed product and that its promoters have assessed the competitive landscape and identified a niche that can be filled or outcompeted. And it identifies specific competitive advantages that will help direct investment of time and resources to grow the enterprise.

# Unit 6: Creating a Sales & Marketing Strate-

At the end of this unit, participants will be able to understand:

- The 4 Ps of product marketing
- The tourism supply chain and its relevance to marketing
- How to calculate cost-plus pricing and value-based pricing

## Introduction

The marketing section is one of the most important pieces of the business plan, as it conveys to the reader how the product or service meets the demand of a particular market segment. It also outlines the channels to reach that segment, the promotional activities to capture their attention, and the pricing. This section relies on overall market data and target market segment information outlined in the “Market Analysis” section.

This section, as well as the market analysis and financial projections sections, are the most closely scrutinized parts of the plan. The standard contents of a sales and marketing strategy revolve around the *4 Ps*: **P**roduct, **P**lacement (or distribution), **P**rice, and **P**romotion. These four elements are also commonly referred to as the “marketing mix.”

Your business plan has already discussed the enterprise products at length in the “Business Description” section, so now we continue with the other three components of the marketing mix.

## Placement (Distribution)

Placement (i.e. distribution channels) refers to the places or channels through which a potential client might purchase a tourism product or service. Channels come in two main categories, direct and indirect sales channels.

1. **Direct sale** — when a tour product or service is sold to the client by the same enterprise providing the product or service.
2. **Indirect sale** — when an intermediary, such as a tour operator, travel agent, or hotel, sells a tour product or service to the client.

In order to differentiate between direct and indirect sales, let us briefly explore the tourism supply chain.



## Tourism Supply Chain

A *supply chain*, regardless of the industry, is the system of businesses, people, and technology that moves a product or service from a supplier to a customer. In the tourism industry, the supply chain includes:

- International intermediaries such as outbound tour operators, wholesalers, and travel agents.
- Domestic intermediaries that exist in the same country as the tourism enterprise such as inbound tour operators and travel agents.
- Local intermediaries such as hotels and lodges, as well as local tour operators.



Figure 6.1. Tourism Supply Chain.

For indirect sales, the tourism enterprise whose product is being sold usually pays the intermediary a commission. A commission is the fee that an intermediary earns in exchange for the service of selling a tour product.

A good way to determine which of these potential sales channels is best to “place” a tourism product is to simply consider how and where the target market segments are likely find and eventually purchase that product. If the target market is internet-savvy “young professionals” who are known to research and purchase their tour products online, then direct sales through your website (or indirect sales through a sales partner’s website) is the best placement. If the target market is all-inclusive resort clients who can only book day tours through tour operators that have contracts with those resorts, then best to target those intermediaries and focus on an indirect sales scenario. In many cases, the best placement of the tour products is through a mixture of both direct and indirect sale channels.

### Direct Sales

Direct sales of course garner higher profits because they avoid intermediary commissions. Tourism enterprises typically develop pricing so that their “rack rates” (or public rates) include a percentage that can either be paid to an intermediary as a commission for selling the tour, or can be kept by the enterprise if the tour is sold directly.

Direct sales, on the other hand, require that the tourism enterprise maintain high-quality marketing, professional, often multilingual sales staff, and reliable reservation and payment systems (e.g. website transactions, ability to receive bank transfers). Direct sales can be more profitable but they also require considerable more investment and expertise by the tourism enterprise.

## Indirect Sales

The advantages of working with intermediaries in the indirect sales scenario are that it can often produce quick sales for a new tourism enterprise. Tour operators and travel agents are often well established with a strong sales and marketing presence and existing clientele. For a new enterprise to sell directly, it requires that same strong sales and marketing presence, which can take time to develop. By working with intermediaries who are already well established, a new tourism enterprise can quickly be inserted into those channels.

The disadvantage of indirect sales is that it often means splitting tour profits and commissions with an intermediary, which means less revenue for the tourism enterprise.

The placement section of the business plan should describe in detail the proposed sales channels and how they operate. For example:

*Clients interested in taking a Loma Isabel tour will have three options to reserve and purchase their tour product.*

- **Directly with the Loma Isabel sales office:** *Clients will be able to reserve and pay for their tours directly with the enterprise either through phone, email, or as walk-in clients at the Loma Isabel sales office downtown. The sales office will be staffed by a bilingual sales representative seven days a week from 8.00 am to 6.00 pm.*
- **Indirectly at the airport information kiosk:** *A sales agreement has been established with the airport information kiosk to sell Loma Isabel tours for a 10% commission. In this scenario, the airport kiosk staff collects a 10% deposit from clients upon reservation with the remainder of the tour balance paid directly to the enterprise on the day of the tour. The airport kiosk keeps that 10% as its commission.*
- **Indirectly at the hotel concierge desk and with hotel tour representatives:** *Similar to the agreement with the airport information kiosk, six hotels and eight hotel tour representatives offer Loma Isabel tours for a 10% sales commission as well.*

Thus pricing also needs to reflect the distribution and sales channels to place products.

## Price

Pricing is a complex subject; there are many factors to consider, both short- and long-term. For example, prices need to:

- Reflect the value provided relative to that of competitors
- Consider what the market will truly pay for the product
- Enable the enterprise to reach its financial goals
- Maximize profits

The major steps to determining prices are the following:

1. Include all of the product's direct costs in the price
2. Include additional pricing layers such as profit and commissions in the final product price, based on sales channels and partners through which it is sold.
3. Understand where the enterprise's pricing falls in relation to competitors.
4. Ensure that the price (and profitability) generates enough profit to pay for the indirect (i.e. administrative) costs of the enterprise and meets overall financial objectives.

### **Determining Product Direct Costs**

Before we begin determining the direct costs of our tour products, let us review some important financial terms that are important to know before we begin this process:

*Fixed Costs:* Costs that do not change regardless of number of customers on the tour

*Variable Costs:* Costs that do change in relation to the number of customers on the tour

*Direct Costs:* These are all of the variable and fixed costs that are directly related to the sale of products and services. These are the tour costs, and do not include administrative costs.

*Indirect Costs:* These are the non-tour costs to operate the tourism enterprise, regardless of the volume of tours sold during the year.

*Net Rate:* The lower rate offered to intermediaries like travel agents and tour operators that can be marked up to sell to the customer

*Rack Rate:* The rate quoted to the public

### **Cost-Plus Pricing vs. Value-Based Pricing**

There are two common ways to determine tour prices: *cost-plus pricing* and *value-based pricing*.

**Cost-Plus Pricing:** Simply add up total tour costs and then multiply by a percentage profit (such as 20%) to calculate the final price.

**Value-Based Pricing:** The price is based on client willingness to pay for that product. This approach requires a good understanding of clients and competition in order to determine the highest price the client is willing to pay.

Table 6.1. Comparison of Cost-Plus and Value-Based Pricing.

Cost-Plus Pricing	
<b>Advantages</b>	<b>Disadvantages</b>
<ul style="list-style-type: none"> <li>• Simple/easy to calculate</li> <li>• Not much information required (just costs)</li> </ul>	<ul style="list-style-type: none"> <li>• May miss potential profit</li> <li>• Tends to ignore trends in consumers/competition</li> </ul>
Value-Based Pricing	
<b>Advantages</b>	<b>Disadvantages</b>

<ul style="list-style-type: none"> <li>• If successful, produces higher profit margins</li> <li>• Allows enterprise to earn revenue on “added value” of conservation and social benefits, not just costs</li> </ul>	<ul style="list-style-type: none"> <li>• Requires understanding of consumers and competitors</li> <li>• Requires enterprise to communicate additional value of conservation and social benefits to clients</li> </ul>
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The best price is the highest price the client is willing to pay. This statement argues for value-based pricing, but for the sake of demonstrating both pricing methods, an example of cost-plus pricing follows.

To determine total direct tour costs, there are five overall categories that typically capture everything that goes into a tour package. These categories include staff, transportation, lodging, food, and extras (Table 6.2).

Table 6.2. Examples of Direct Tour Costs.

Staff	Transportation	Lodging	Food	Extras
<ul style="list-style-type: none"> <li>• Guides</li> <li>• Cooks</li> <li>• Waiters</li> <li>• Performers</li> <li>• Artisans</li> <li>• Housekeepers</li> <li>• Boat and shuttle drivers</li> <li>• Managers</li> <li>• Accountants</li> <li>• Security</li> </ul>	<ul style="list-style-type: none"> <li>• Gas (for boats or vehicles)</li> <li>• Boat and vehicle rentals</li> <li>• Oil</li> <li>• Road tolls</li> </ul>	<ul style="list-style-type: none"> <li>• Soap and shampoo</li> <li>• Cleaning products</li> <li>• Decoration (fresh flowers, etc.)</li> </ul> <p>Many lodging costs (such as sheets, towels, etc.) are considered indirect operational costs, not direct tour costs because they are used repeatedly.</p>	<ul style="list-style-type: none"> <li>• Food: meat, vegetables, etc.</li> <li>• Beverages: water, soda, beer, etc.</li> <li>• Supplies need for food preparation: oil, seasonings, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Entrance fees</li> <li>• Tickets</li> <li>• Donations</li> <li>• Any additional costs outside of other categories</li> </ul>

### Calculating Tour Costs and Prices

Table 6.3 on the following page represents a standard approach to calculating tour costs and prices. Each column left to right represents tour groups of increasing size starting with just one pax (or client) and increasing to a group of 12 pax.

In the first section of the tour cost/price sheet, enter the tour items specific to the tour to be developed. In the example, the direct tour costs include staff, transportation, and food. There are examples of fixed direct costs (such as staff salaries) as well as variable direct costs (such as the boxed lunch).

Next, to calculate the tour costs, both the total tour costs as well as the tour costs per pax. Refer to the formulas in the table to understand where these numbers come from if necessary.

The desired profit margin multiplied by tour costs generates the internal tour price.

The price per pax (see formula below) for the rainforest hiking tour reflects a 25% profit margin, but a company would never advertise a price to the exact cent (such as \$21.33). So round out those exact prices to create final prices that are easier for clients to understand and remember.

$$\text{Price per pax} = \frac{\text{Tour costs per pax}}{1 - \text{profit}}$$

It is more convenient to group different price per pax figures into only three or four tour prices rather than 12. To do this, identify a price that may apply to a range of pax on a tour whether 1–2 pax, 3–4 pax, or 5–12 pax, etc. The price for a range of pax should be rounded to the nearest dollar amount, such as \$22.00 instead of \$21.33.

### **Don't Go Too Low**

So, why does the table show that final price per pax stopped changing after it lowered to \$20 for groups of six or more? For example, look at the price per pax for a 10-pax group in the 25% profit margin scenario. With a 25% profit margin on tour costs, tour price could be as low as \$14.00 and still make a 25% profit margin. Why still charge clients \$20.00 for the tour?

In short, because we can. Based on willingness-to-pay market knowledge as well as what competitors charge, we know that \$20 is about as low as anybody sells this tour, so there is no need to lower the price even more.

Finally, calculate the tour profit per pax or profit per group. Based on the final price per pax selected, the profit margin has been calculated as well (which in this case should always be at least 25%, but in some cases increases considerably based on tour group size).

Table 6.3. Tour Cost and Price Sheet

**Tour Cost/Price Sheet: Rainforest Hike**

Each of these columns represent the total number of pax in a group. For example, this column is for a group of 11 pax

		NUMBER OF PAX											
TOUR ITEMS		1	2	3	4	5	6	7	8	9	10	11	12
Staff: Guide		25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Staff: Boat Driver		20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
Transportation: Boat Gas		10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Food: Boxed Lunch		5.00	10.00	15.00	20.00	25.00	30.00	35.00	40.00	45.00	50.00	55.00	60.00
<b>TOUR COSTS</b>		<i>Formula</i>											
Total Tour Costs		<i>sum of all tour items</i>											
Tour Costs per Pax		<i>total tour costs / number of pax</i>											
<b>TOUR PRICES</b>		<i>Formula</i>											
Price per Pax <b>(25% profit margin)</b>		<i>tour costs per pax / 1 - profit margin</i>											
Final Price per Pax		<i>price equal to or greater than price per pax</i>											
<b>TOUR PROFIT</b>		<i>Formula</i>											
Profit per Pax		<i>final price per pax - tour costs per pax</i>											
Profit per Group		<i>profit per pax * total pax</i>											
Profit Margin		<i>profit per pax / final price per pax</i>											

Fixed Cost

Variable Cost

**Determining Commissions**

For indirect sales, the final price determination step is to calculate rates that include the fee that intermediaries expect for their sales service, called a *commission*. Assume that a tourism enterprise has negotiated a 10% commission for tour operators/travel agents when those intermediaries sell a tour product that has a net rate of \$100. The same price per pax formula can calculate the new rack rate price that includes the commission.

Price per pax = tour costs per pax / (1 – profit margin)  
 Price per pax = \$100 / (1 – 10%)  
 Price per pax = \$100 / .9  
 Price per pax = \$111.11  
 In this case, our new rack rate is \$111.11

**Calculate Correctly**

Many people make the mistake of using the following formula to calculate profit margins and commissions:

Price per pax = tour costs per pax x 1 + profit margin

This formula generates the following results:

Price per pax = \$100 x 1.10

Price per pax = \$110

This may look right, but see what happens when our sales partner takes their 10% commission from that number:

Commission = Price x Commission %

Commission = \$110 x 10%

Commission = \$11

When we subtract that commission from the price, the enterprise ends up with less than its anticipated net rate (which was \$100).

$\$110 - \$11 = \$99$

That is because the first formula we used (the correct one) calculates the profit margin or commission on the *price* rather than the *costs*.

### **Comparing Pricing Versus Competitors**

Now that you have calculated the final price, it is important to compare it with that of your competitors. If your product lacks differentiation from that of your competitors in terms of content or quality (which is never good in tourism) then you should focus on pricing similar or lower to that of your competitors. But, if your product is unique, high-quality, and demand-driven, then having a slightly higher price than that of your direct competitors is less of a concern.

### **Comparing Pricing (and Profitability) Versus your Indirect (Administrative) Costs**

This exercise ensured that the price covers all of your direct tour costs (along with profit), but it is equally critical to ensure that the profit also covers your indirect administrative costs such as office rent, electricity, and depreciation. How to project your revenue vs. expenses will be further discussed in the “Financial Projections” section.

## Promotion

Solimar International has developed a complementary “Tourism Sales and Marketing Toolkit” that documents strategies and steps to reach your target market segments through effective sales and marketing. Related to promotion, major sections of that toolkit include:

1. Marketing strategy
2. Website design
3. Online marketing
4. Social media strategy
5. Public relations

Because the “Tourism Sales and Marketing Toolkit” provides an in-depth overview of these promotional activities, this section will focus rather on some basic planning steps that the enter-

prise can take to guide the development of a more comprehensive sales and marketing strategy. The Promotional Strategy Worksheet does just this.

### Promotional Strategy Worksheet

The Promotional Strategy Worksheet (Table 6.4) is a quick reference guide that identifies an enterprise's target market segments, the buying motivations of those segments, key messages and images to capture the segment's attention, and specific promotional and marketing activities to reach those segments. The more specifically an enterprise understands target market segments and their motivations, the more effective your promotional and marketing activities can be.

An example of Promotional Strategy Worksheet can be found on the next page. The following is a short description of the information to understand the sheet.

**Target Market Segments:** This column includes any direct or indirect markets targeted with your products. In the example there are two direct market segments targeted (young professional FITs and bird watching groups) and one indirect market segment (big city tour operators).

**Who Are They:** Be as specific as possible about whom the products target. In the case of FITs, list the countries from which they arrive. For indirect market segments like tour operators or hotels, list names of specific companies.

**Key Motivations for Buying:** For each specific market, which are the top three drivers or motivations that impact what each customer purchases? For some segments it may be the type or quality of the tour, while for others it may be price, convenience, or some other factor altogether.

**Potential Products:** Of all your offered tour products and services, which appeals most to each specific target market segment?

**Key Messages & Images:** Considering those key buying motivations, which words, phrases, and images capture the essence of your product that appeals most to the target market segment? Be creative, but also descriptive and concise. When developing promotional materials, these phrases, key words, and images will be very helpful.

**Promotional & Market Activities:** Then define the wide spectrum of promotional materials, mechanisms, and marketing activities to target your specific market segments. The definition of this overall direction facilitates developing and implementing a marketing strategy with more clarity, precision, and cost efficacy.

Table 6.4. Promotional Strategy Worksheet

Target Market Segment	Who Are They?	Potential Products	Key Motivations for Buying	Key Messages	Key Images	Promotional & Marketing Activities
Young Professionals Free & Independent Travelers (FITs)	US, UK, Germany, France	<ul style="list-style-type: none"> <li>• Traditional dance presentation</li> <li>• Arts/crafts</li> <li>• 1-day rainforest trekking tour</li> </ul>	<ul style="list-style-type: none"> <li>• Culture</li> <li>• Active Adventure</li> <li>• Authenticity</li> </ul>	<ul style="list-style-type: none"> <li>• “Authentic cultural exchange”</li> <li>• “Primary rainforest full of wildlife”</li> </ul>	<ul style="list-style-type: none"> <li>• Cultural ceremony</li> <li>• Traditional dress</li> <li>• Group of tourists hiking in rainforest</li> </ul>	<ul style="list-style-type: none"> <li>• Website</li> <li>• Online marketing</li> <li>• Update guidebooks</li> <li>• Posters</li> <li>• Brochures</li> </ul>
Bird Watching Groups	North American birding clubs	<ul style="list-style-type: none"> <li>• Half-day birding tour</li> <li>• 5-day birding tour</li> </ul>	<ul style="list-style-type: none"> <li>• Birds</li> <li>• Uniqueness</li> <li>• Quality</li> </ul>	<ul style="list-style-type: none"> <li>• “The only place to find X bird in the country”</li> <li>• “More than 20 endemic species”</li> </ul>	<ul style="list-style-type: none"> <li>• Picture of a rare bird</li> <li>• Local guide pointing out a bird to a visitor</li> </ul>	<ul style="list-style-type: none"> <li>• Birding tour “sell sheet” to send to birding groups, then follow up with phone call</li> </ul>
Big City Inbound Tour Operators	Rainforest Expeditions, MC Tours, Tropic Tours	<ul style="list-style-type: none"> <li>• Half-day “extension” tours</li> <li>• Overnight “extension” tours</li> </ul>	<ul style="list-style-type: none"> <li>• Quality</li> <li>• Commission</li> <li>• Professionalism</li> </ul>	<ul style="list-style-type: none"> <li>• “10 years of successful and professional operations”</li> <li>• “We offer 20% commissions on all tours”</li> <li>• “We are insured”</li> </ul>	<ul style="list-style-type: none"> <li>• Smiling staff in professional uniforms</li> <li>• Photos that show tour elements</li> </ul>	<ul style="list-style-type: none"> <li>• Sell sheets</li> <li>• Trade shows</li> <li>• Print/digital tour catalogs</li> </ul>

## Summary

The sales and marketing section may be the most scrutinized section of an entire business plan. Products live and die based on their ability to accurately target markets and deliver. Thus, any new enterprise must understand the 4 Ps of the marketing mix — product, placement, price and promotion — in order to reach and penetrate target markets with products.

# Unit 7: Operations Planning

At the end of this unit, participants will be able to understand:

- How to prepare a staff and training plan
- How to develop operations and communications plans
- Financial management
- How to develop a risk assessment and risk mitigation plan
- The legal considerations of establishing an enterprise

## Staffing and Training Plan

The operations section of the business plan outlines specific staffing requirements, both full-time and seasonal/part-time positions, as well as roles and responsibilities. Many new small and medium tourism enterprises make the mistake of not clearly outlining roles, which leads to a lack of clarity for staff. This confusion can hurt efficiency and makes it more challenging to identify training needs.

### Minimizing Fixed Salaries

A grave financial error that many new tourism enterprises make is to pay staff members, most often management and administrative roles, fixed salaries. The danger is that in the first year or two of operations as the enterprise builds its client base and reputation, it may very well suffer low seasons with very few clients. If the enterprise is paying fixed salaries (an indirect administrative cost) with little or no revenue, cash flow problems or even a negative balance at the end of the year can result rather quickly. Therefore, whenever possible structure staff salaries as variable costs that are only required and paid when the company is earning. This may be impossible for all staff members (especially full-time managers), but should be a financial strategy particularly in early years.

### Tourism Tip: Staff Financial Incentives

In addition, building financial incentives into as many staff salary/payment structures as possible is always advisable, particularly for sales staff. A few examples of staff financial incentives might include:

- **Sales staff:** Pay sales staff a low fixed base salary, and offer them a sales commission percentage (5% for example) for each sale.

- **Managerial staff:** Instead of fixed salaries, pay operations and managerial staff a daily rate based upon a percentage of each tour package sold. The more clients (and logically the more the work for those staff) the higher the daily rate.
- **Guides and waiters:** Although not every client will be a great tipper, most international travelers understand that tipping is customary for many staff working in the tourism industry (such as guides and waiters), especially if they are given great service and attention. Communicate to your staff that they have the opportunity to increase their income through tips if they provide high-quality service to clients.

If you elect to build financial incentives into certain staff salaries, then it is important of course to reduce that staff person's base salary to a lower amount that reduces your enterprise's fixed administrative costs. In addition, keep in mind that certain staff positions may be more limited than other in their opportunities to receive tips from clients (for example, housekeepers have less direct interaction with clients than say, nature guides). Balance out all of these factors to develop base salaries and financial incentives that encourage staff to provide the best possible customer service, yet also meet their personal financial needs.

### Job Descriptions & Training Requirements

The business plan should briefly outline staffing roles and responsibilities, training requirements, and training resources available. It can include full job descriptions in the annex. See the staff training needs section of the Loma Isabel Nature Trail Business Plan.

## Operations & Communications

Although the sales and marketing section already includes a detailed description of the direct and indirect sales channels, the plan should still describe the overall process of tour operations and communications. The tour operations and communications include the entire process of client experience from the moment clients inquire about the product to after tour completion.

For example, Figure 7.1 describes the overall operations and communications between clients, the Loma Isabel enterprise, and indirect sales intermediaries (when involved) from tour inquiry to tour improvement.

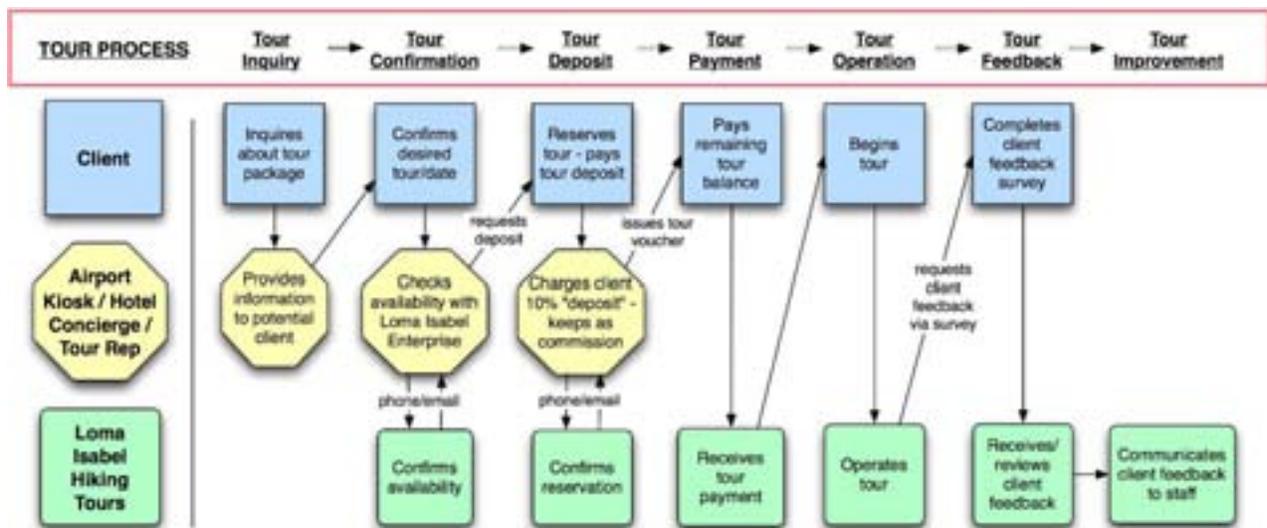


Figure 7.1. Overall Tour Process.

## Financial Management

Equally important to managing tour operations and communication is managing money. The operations section of your business plan should outline major financial considerations including:

- What are the daily, monthly, and annual financial procedures that the enterprise will follow to help ensure financial stability? For example, managing petty cash, making bank deposits, reporting taxes, making and receiving payments from suppliers and buyers, paying staff, profit sharing.
- Who is involved in these daily, monthly, and annual financial procedures, and what are their overall responsibilities? For example: managers, administrators, staff, external consultants/accountants.

## Risk Assessment and Risk Mitigation Plans

It is important that business plan readers understand that you understand where your business might be exposed to risk, and that you are actively working to minimize that exposure. Table 7.1 shows potential risks and how to mitigate them.

Table 7.1. Risks and Risk Mitigation

Potential Risk	Risk Mitigation
<b>Public liability</b> If someone is injured or killed while participating in a tour. For example, if the tour bus crashes and a client dies.	Preventing accidents from occurring in the first place [as defined in the mitigation column on the next page], and obtaining insurance. The enterprise must confirm that all of its suppliers carry the right level of insurance and that they all comply with laws.
<b>Property damage</b> For example if the business were a small ecolodge, fire or hurricane damage could destroy the key asset. Likewise if the business were an enterprise that offered boat tours or kayaking trips, boat theft could threaten the entire enterprise.	Adequate insurance
<b>Business interruption</b> Financial downturn, hurricanes, withdrawal of key permits can all interrupt service. Any might prohibit the business from meeting its financial obligations.	Insurance and maintaining a cash reserve
<b>Medical</b> If a client requires medical treatment or evacuation, the business may have to assume costs.	Again insurance, trained personnel, and risk management
<b>Loss of key individuals</b> If your enterprise is reliant upon one or two key individuals, its success may be jeopardized if these people were to leave or become incapacitated.	Although impossible to keep staff person from leaving, the business can encourage long-term retention by offering fair compensation, opportunities for advancement, financial incentives, and clear job descrip-

tions and employment contracts.
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The business plan should include a concise yet comprehensive risk assessment. It should trace every step of the tour, enterprise activities, and business partners, critically documenting where problems may arise. Then, for each potential risk scenario, present a potential solution to minimize that risk. See Tables 7.2a and b.

Table 7.2a. Loma Isabel Risk Assessment: Daily Operations

Risk	Mitigation
Tour bus door opens to the right leaving disembarking passengers at trailhead exposed to on-coming traffic.	Ensure that the tour bus driver picks up and drops off clients inside trail head parking area
At mile 3, mountain road becomes very steep and dangerous in very wet weather.	Ensure that the driver always uses alternate Playa Dorada road
Second trail overlook steps in disrepair	Work with park managers to repair steps before first tour
Injury along trail	Tour guides receive basic first aid training and carry cell phones with emergency contact numbers on all tours as well as first aid kit.

Table 7.2b. Loma Isabel Risk Assessment: Overall Business and Market

Risk	Mitigation
Principal tour product tailored to North American market segments. A downturn in this market could cripple business.	Although financial projections show that the enterprise would still break even with 66% drop in North American clients, new tours will be developed in the first year of operations that appeal to German-speaking tourists and domestic markets.
A number of hotel points of sale go out of business.	Loma Isabel's tours are currently only being offered in 50% of local hotels. Options exist to diversify and expand these sales points.
Hotel points of sale demand higher commissions	Develop and sign long-term sales agreements with hotel sales point to avoid any sudden changes in commission rates
Hurricanes disrupt tourism or damage or close the hiking trail.	Community enterprise members have pledged to rebuild the trail within 30 days if necessary.
Loss of key bi-lingual trip leaders	The two bi-lingual community guides have signed long-term contracts. While risk is minimal, new guides will continue to be trained.
Loss of Loma Isabel park tour operating permit	Community enterprise continues to foster good relations with park management by contributing time and money to park conservation activities.

## Legal Considerations

In the legal considerations section, outline the overall legal environment within which the enterprise operates, as well as the various legal steps, regulations, and agreements the enterprise has considered. Such legal considerations might include business registration, employee/membership agreements, permits, insurance coverage, contracts with buyers and suppliers, trademarks, and copyrights. For example:

**The Loma Isabel enterprise** has been registered under the 1993 Dominican Community Enterprise Act and is a recognized legal entity; its name has been registered as a trademark. It currently has 27 members comprising interested individuals from the community of Los Dominguez. Its board of directors, elected by the membership to serve a three-year term commencing October 2012, includes a chair, vice chair, treasurer, and secretary.

**The Loma Isabel enterprise** has received a permit to operate tours inside Loma Isabel de Torres National Park with a maximum of 25 pax per day in the park, renewable annually. Annual contracts have also been signed with Montevideo Shuttle Company (transportation), and with six hotels and eight hotel tour representatives (sales points).

**The Loma Isabel enterprise** will comply with all Dominican laws that apply to tour operators, including those that cover business registration, taxes, and minimum insurance requirement.

**The Loma Isabel enterprise** will carry the following insurance:

Insurance Type	Coverage required	Annual premium
General liability	Yes	\$1000 estimated
Fire/theft/contents	50% value of fixed assets	\$450
Medical	Staff covered by Dominican National Insurance	N/A

## Key Milestones

The key milestones section is simply a Gantt chart (a bar chart outlining tasks and when they occur) for major activities related to the establishment of your enterprise and its tour products and services. See Figure 7.2.

Key Milestone	Month															
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
<b>Planning</b>																
Business planning	■	■	■													
Conservation planning	■	■	■													
Finalize business plan				■												
<b>Training</b>																
Initial enterprise structure training with community					■											
Select and train community Manager						■	■	■								
Select and train community naturalist guides									■	■	■					
Select and train community food services staff												■	■			
<b>Enterprise/Product Development</b>																
Initiate steps to legalize tourism enterprise					■											
Develop guided tour content									■	■	■	■	■			
Finalize package tours											■	■	■			
<b>Infrastructure Development</b>																
Finalize trail and infrastructure designs			■	■	■											
Construct nature trail						■	■	■	■	■	■	■	■			
Construct dining area						■	■	■	■	■	■	■				
<b>Sales and Marketing</b>																
Finalize enterprise brand				■	■											
Develop content for print and digital promotion						■	■									
Website design and development							■	■	■							
Print promotion design and development								■	■	■						
FAM Trips with select sales partners													■			
Finalize contracts with sales partners (ongoing)													■	■	■	■
Launch online/social media marketing campaign										■	■	■				
Launch press/publicity campaign										■	■	■				
Print and distribute promotional materials											■	■	■			
“Soft launch” with friends, school groups, etc.													■			
<b>Enterprise Launch</b>																

Figure 7.2. Loma Isabel Enterprise — Key Milestones

## Summary

Aside from strategic planning and convincing investors that the proposed products can reach target markets and compel them to buy, a business must also run effectively in order to avoid collapse. No product has value if the offering organization cannot manage its personnel, finances, communications, and risks. Investors look for such efficiencies in determining if they should support the proposed venture.

# Unit 8: Sustainability Planning

At the end of this unit, participants will be able to understand:

- That sustainable tourism seeks Triple Bottom Line returns
- That several channels exist by which tourism can promote conservation
- How to develop a sustainability plan that includes assessing conservation threats

## Sustainable Tourism as a Tool for Conservation

Sustainable tourism has the potential to not only mitigate potentially harmful impacts of visitation to a site, but it can also support conservation of the resources upon which it depends. To achieve such results, Solimar International employs a market-based approach that links jobs and revenue generated by sustainable tourism to support conservation that mitigates threats to sea turtles and their habitats.

At its best, sustainable tourism better aligns economic activities and needs of rural populations, particularly those living in or around protected areas, with biodiversity conservation objectives. Throughout the world, communities often conflict with protected areas because they may view protected area managers as enforcers that interfere with activities that provide for their families. And protected areas often view communities as extractive and destructive and requiring constant monitoring and policing (Figure 8.1).



Figure 8.1. Sustainable Tourism vs. Resource Extraction

The reality is that communities, and their history of dependence upon the extraction of natural resources to survive, are often at the center of direct and indirect conservation threats. As Brett Jenks, President and CEO of Rare Conservation, a global leader in conservation awareness

building puts it “conservation is not an ecological challenge. It is an economic, social, and political challenge.” But it is for this very reason that Rare, Solimar, and other conservation and development organizations around the world focus on solutions that engage and address the needs of local communities, rather than ignore them.

Specifically, sustainable tourism offers economic alternatives dependent upon the preservation of natural resources, rather than their extraction. Furthermore, sustainable tourism helps communities and protected areas to align their interests, begin a collaborative and productive dialogue, and bridge the incongruity that has traditionally existed between them.

In order to achieve these linkages between community-based tourism and conservation, Solimar employs financial incentives to encourage local community adoption of sustainable tourism principles and practices.

Two examples of this approach include

- **Memorandums of Understanding (MoUs):** During the project development and business planning stage, MoUs outline specific agreements that clarify stakeholder commitments. For example, the project partner may commit to a certain level of financial or technical assistance to support the establishment of a community tourism enterprise. In exchange, the community partner agrees to contribute a certain amount of time or percentage of money to support project conservation objectives.
- **Profit Sharing Mechanisms:** Community members may earn a higher percentage of year-end tourism profits in exchange for time and labor contributed to support conservation activities throughout the year.

Solimar International’s approach encourages local entrepreneurs to develop or improve sustainable tourism enterprises through technical support and highly customized tools, including this “Business Planning Toolkit.” Once successful, these local enterprises generate two primary resources, time and money, that support biodiversity conservation.

Figure 8.2 highlights tourism’s ability to produce these two resources not only by local beneficiaries, but also by visitors that patronize sustainable tourism businesses and destinations.



Figure 8.2: Channels through which tourism-generated time and money can directly support conservation strategies

## Tourism Conservation Models

Over the past five years, Rare and Solimar International have analyzed their own sustainable tourism projects, as well as partner projects, to identify linkages between sustainable tourism, biodiversity conservation, and community development.

The result has been the development of six tourism conservation models that attempt to link the resources that successful sustainable tourism enterprises generate, particularly time and money, to direct conservation and community development strategies. These models build on valuable work by Brandon (1996) and Brandon and Margoluis (1996).

These six overall tourism conservation models include:

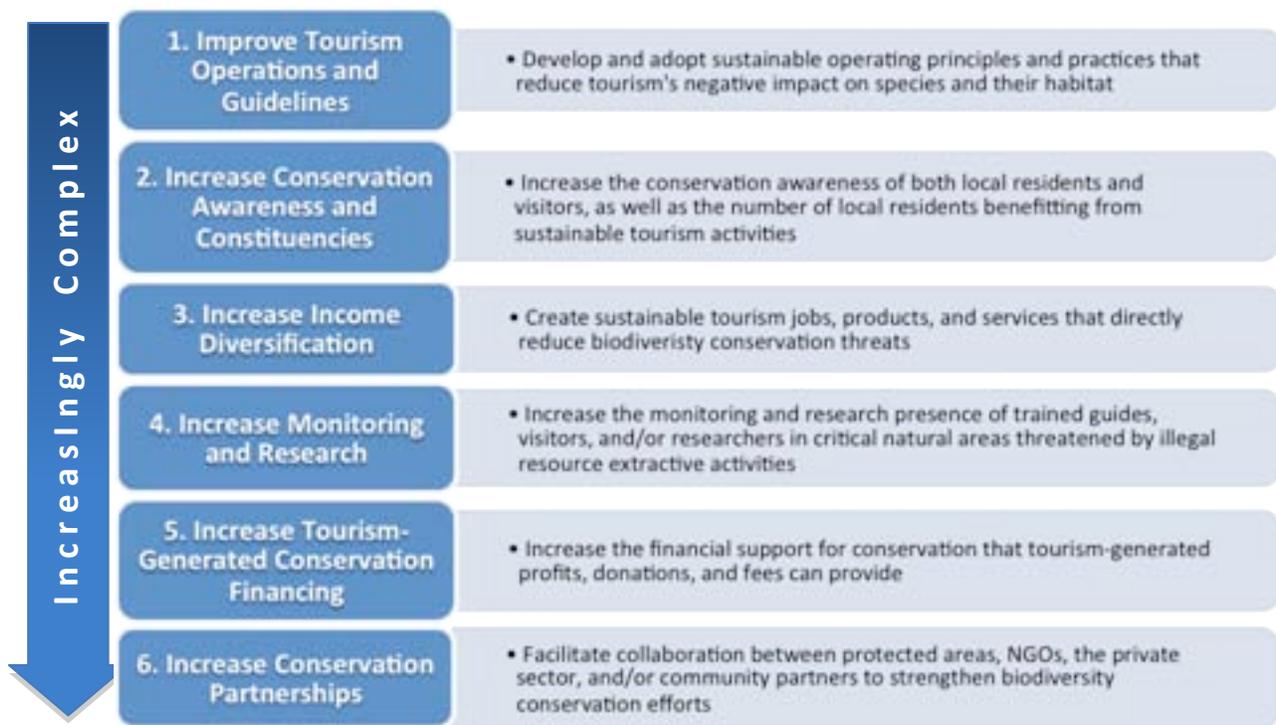


Figure 8.3. Tourism Conservation Models

The six models are presented here in order of increasing complexity in terms of commitment of resources (money, time, infrastructure), collaboration amongst stakeholders, and overall coordination and implementation.

### Tourism Conservation Strategies

Within each of the six overarching tourism conservation models, individual tourism conservation strategies exist. The strategies represent different conservation activities that utilize unique approaches to implementing the overarching tourism conservation model.

1. Improve Tourism Operations and Guidelines	<ul style="list-style-type: none"> <li>• 1.1 - Promote sustainable tourism guidelines with visitors</li> <li>• 1.2 - Promote sustainable tourism guidelines with the travel industry</li> <li>• 1.3 - Promote sustainable tourism guidelines within protected areas</li> </ul>
2. Increase Conservation Awareness and Constituencies	<ul style="list-style-type: none"> <li>• 2.1 - Increase awareness and conservation support of visitors</li> <li>• 2.2 - Increase awareness and conservation support of local residents</li> <li>• 2.3 - Link benefits of sustainable tourism to the community as a whole</li> </ul>
3. Increase Income Diversification	<ul style="list-style-type: none"> <li>• 3.1 - Target resource extractors with sustainable tourism employment</li> <li>• 3.2 - Develop sustainable tourism products that directly mitigate conservation threats</li> </ul>
4. Increase Monitoring and Research	<ul style="list-style-type: none"> <li>• 4.1 - Increase the role of local residents in monitoring &amp; research</li> <li>• 4.2 - Increase the role of visitors in monitoring &amp; research</li> </ul>
5. Increase Tourism-Generated Conservation Financing	<ul style="list-style-type: none"> <li>• 5.1 - Utilize sustainable tourism profits to support conservation activities</li> <li>• 5.2 - Develop travel philanthropy programs</li> <li>• 5.3 - Develop conservation-themed brands and merchandise</li> <li>• 5.4 - Promote mandatory or voluntary protected area entrance/user fees</li> </ul>
6. Increase Conservation Partnerships	<ul style="list-style-type: none"> <li>• 6.1 - Develop partnerships between protected areas, NGOs, and universities</li> <li>• 6.2 - Develop partnerships between protected areas and communities</li> </ul>

Figure 8.4. Tourism Conservation Strategies

The “Tourism Conservation Models and Strategies Toolkit” describes both the models and strategies in detail, and also contains a series of case studies that highlight organizations and individuals who have implemented these strategies, outlines the process they went through, and also shares some of the practical lessons learned. The majority of these case studies come from Central America, although a handful of projects outside of the region are cited as well.

It is important to note that the program supporting the development of these models and strategies was USAID-MAREA, a project designed to address human-based threats to coastal and marine ecosystems throughout Central America. Because of this, the theory and practical application of these models and strategies as described in the “Tourism Conservation Models” publication reflects MAREA’s geographic (Central America) and thematic (coastal and marine) focus. Yet it is also worth noting that none of the tourism conservation models and strategies presented in this document are exclusive to Central American coastal and marine ecosystems or conservation threats. The principles and assumptions upon which they are based apply equally to terrestrial ecosystems, conservation threats, and tourism products as well.

## Developing a Sustainability Plan

First identify the direct and indirect conservation threats addressed by your enterprise's sustainability plan. The following section brief overviews the conservation threat assessment and planning process, which it itself requires considerable planning and involvement of stakeholders. These stakeholders should include national and international conservation organizations, protected area managers and government representatives, community and municipal leaders, and private sector partners. Additional information on performing conservation threat assessments and conservation action planning can be found at <http://conserveonline.org/workspaces/cbdgateway/cap/index.html>.

### Conduct a Conservation Threat Assessment

Any good sustainability plan builds upon the strong foundation of a comprehensive conservation threat assessment. Within the process of developing the tourism conservation models, Solimar and partner organizations often conduct a conservation threat assessment that is based on a methodology utilized by national and international conservation organizations throughout the world.

The approach defines a target condition (such as a particular species or habitat) and develops causal chain concept models that identify direct and indirect threats to that target condition. Participants collect and prioritize conservation threat data through workshops and in-depth interviews with stakeholders including scientists, NGOs, protected area managers, community leaders, and private sector representatives.

The conservation threat assessment is built on cause-and-effect relationships between indirect threats to biodiversity (such as lack of economic alternatives or lack of conservation awareness), direct threats to biodiversity (such as illegal logging or wildlife harassment), and a site-specific target species or habitat (Figure 8.5).

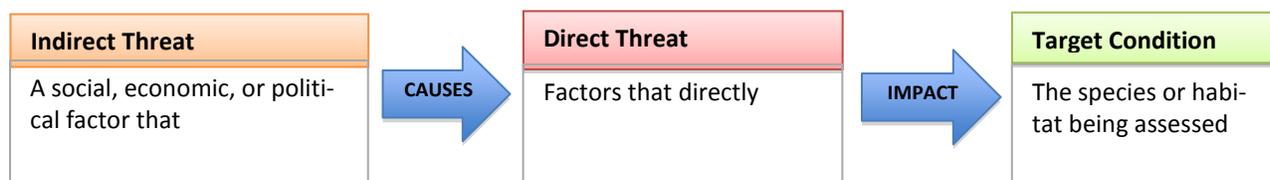


Figure 8.5: Sample threat assessment “causal” chain

For example, the Loma Isabel Nature Trail project included a conservation threat assessment workshop that brought protected area managers, community leaders, national conservation organizations working in the park, local tour operators, as well as Environmental and Tourism Ministry officials together to discuss conservation threats in the park.

Through this workshop, a conservation threat assessment model was developed that showed a number of direct and indirect conservation threats and the cause-and-effect relationships that exist between them. For the sake of simplifying the Sustainability Planning chapter, we will look at only one part of the Loma Isabel conservation threat assessment on the following pages. Different examples of conservation threat assessments in their entirety are included in the Annex.

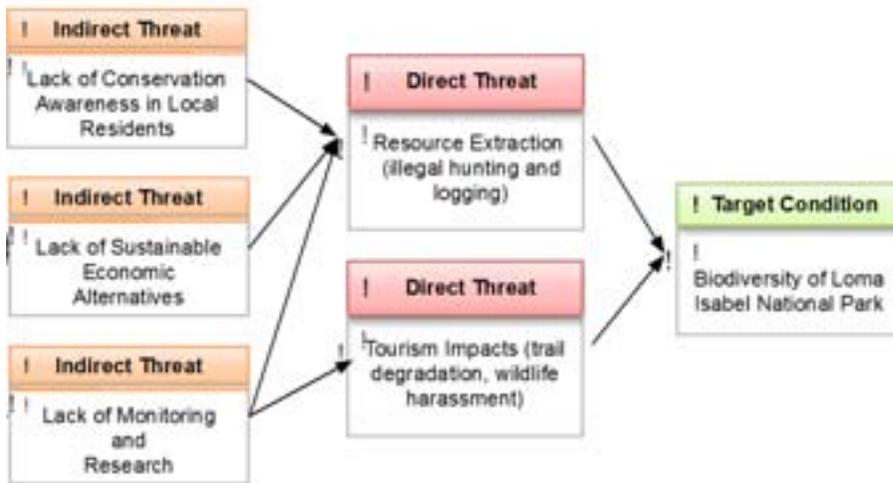


Figure 8.6. Loma Isabel Conservation Threat Assessment

The *target condition* is the biodiversity of Loma Isabel National Park. The group identified two *direct threats* that included resource extraction (illegal hunting and logging in the park) as well as tourism impacts (trail degradation and wildlife harassment). Then, the group identified three *indirect threats* that included a lack of conservation awareness in local residents (which results in resource extraction), a lack of sustainable economic alternatives (which also results in resource extraction), and finally a lack of monitoring and research efforts in the park (which interestingly enough results in both resource extraction *and* tourism impacts).

### Develop a Sustainability Plan

With the direct and indirect conservation threats identified, the Loma Isabel group can choose tourism conservation strategies that address those threats. In Loma Isabel, these include:

- An environmental education program for local residents
- Sustainable tourism job creation
- A trail monitoring and research program

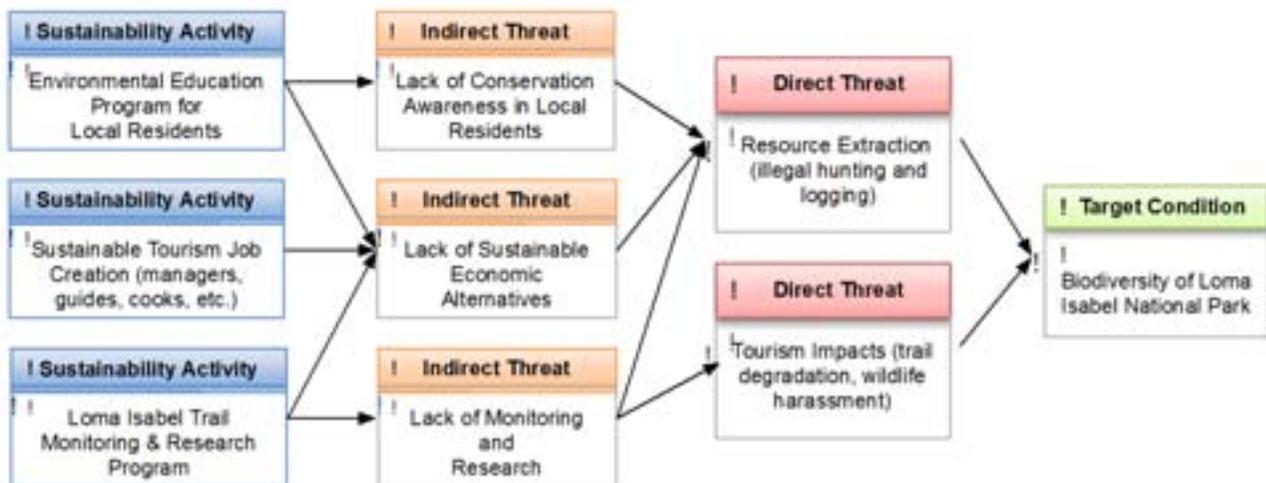


Figure 8.7. Loma Isabel Tourism Conservation Strategies

With these activities, participants developed the sustainability plan (Figure 8.8).

Sustainability Activity	Description	Threats Addressed		Resources Required	
		Indirect	Direct	Time	Money
<b>Environmental education (EE) program for local residents</b>	An environmental education curriculum will be developed with a local Peace Corps volunteer that focuses on conservation issues in Loma Isabel NP. The course will be taught by any of the enterprise's staff that complete a short EE training course, and will require 2 people teaching 4 hours every other Friday during the school year. The program will target school kids ages 10–15 in the four communities surrounding the park. The program will also be presented at community special events.	<ul style="list-style-type: none"> <li>• Lack of conservation awareness in local residents</li> <li>• Lack of sustainable economic alternatives (because staff will be paid to teach EE program)</li> </ul>	<ul style="list-style-type: none"> <li>• Resource extraction</li> </ul>	<ul style="list-style-type: none"> <li>• The time of the enterprise's staff to teach the EE program (although they will be paid)</li> <li>• Peace Corps volunteer's time to develop and train staff in EE curriculum</li> </ul>	<ul style="list-style-type: none"> <li>• Teaching materials for EE program</li> <li>• Daily salaries for staff teaching the EE program</li> <li>• Travel between schools on bus</li> </ul>
<b>Sustainable tourism job creation</b>	The establishment of the Loma Isabel Nature Trail enterprise will create 20–25 new jobs in the communities surrounding the park. Local residents who are somehow involved in illegal hunting or illegal logging will be targeted with employment within the enterprise, particularly as naturalist guides, in an effort to reduce their dependency on resource extraction.	<ul style="list-style-type: none"> <li>• Lack of sustainable economic alternatives</li> </ul>	<ul style="list-style-type: none"> <li>• Resource extraction</li> </ul>	<ul style="list-style-type: none"> <li>• No additional time outside of the steps that will be taken to establish the enterprise</li> </ul>	<ul style="list-style-type: none"> <li>• No additional costs outside of the investment to start up the enterprise</li> </ul>
<b>Trail monitoring and research program</b>	In partnership with park managers and a local conservation organization, the Loma Isabel enterprise will contribute to a monitoring and research program in the park. In response to the park's lack of funding for park guards, enterprise naturalist guides will be trained to monitor and report illegal activities to park managers. The guides will also collect and report basic biological data for the limits of acceptable change indicators along the trail and in the park.  Guides will incorporate their monitoring and research activities into the tours themselves by interpreting their data collection activities with clients, developing ways in which visitors can participate in the research	<ul style="list-style-type: none"> <li>• Lack of conservation awareness in local residents</li> <li>• Lack of sustainable economic alternatives (because guides will be paid to conduct some research that will take place outside of the time/region of the tours).</li> </ul>	<ul style="list-style-type: none"> <li>• Resource extraction</li> <li>• Tourism impacts</li> </ul>	<ul style="list-style-type: none"> <li>• Support of park managers and conservation organization to develop monitoring and research program and train enterprise guides to monitor and research</li> <li>• The time of the enterprise's guides (although they will be paid)</li> </ul>	<ul style="list-style-type: none"> <li>• Daily salaries for guides when conducting monitoring and research outside of tours</li> <li>• Monitoring equipment</li> <li>• Research equipment</li> </ul>

	program, and sharing results with visitors.				
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Figure 8.8. Loma Isabel Sustainability Plan

### Develop a Sustainability Plan Budget

The final step in developing a sustainability plan is to budget how much its implementation will cost. These costs may include salaries, equipment, materials, and trainings.

Table 8.1. Sustainable Plan Costs

<b>Loma Isabel Enterprise</b>		<i>All Figures in US \$</i>		
Item	Units	Cost per Unit (US\$)	Total Cost (US\$)	Notes
<b>Environmental Education (EE) Program</b>				
EE teacher salaries	100	\$ 20	\$ 2,000	\$20 per person per 4 hours of work
EE program materials	1	\$ 800	\$ 800	Printed materials, props, games
Travel to/from schools	100	\$ 6	\$ 600	Bus fare = \$6/person round trip
		<b>Subtotal</b>	<b>\$ 3,400</b>	
<b>Monitoring and Research Program</b>				
Guide salaries	48	\$ 40	\$ 1,920	\$40 per guide per 8 hours of work
<b>Monitoring equipment</b>				
Backpacks	4	\$ 25	\$ 100	
VHF radios	4	\$ 100	\$ 400	
GPS transmitters	2	\$ 200	\$ 400	
Misc. monitoring equipment	1	\$ 250	\$ 250	
<b>Research Equipment</b>				
Measuring tools	1	\$ 100	\$ 100	
Motion cameras	3	\$ 150	\$ 450	
		<b>Subtotal</b>	<b>\$ 3,620</b>	
		<b>TOTAL COSTS</b>	<b>\$ 7,020</b>	

With these costs identified, the enterprise determines what percentage of year-end profits might be required to support them, something that will be explored in the next section on Financial Projections. If it appears as if the projected enterprise profits will not be sufficient, the enterprise has a number of options:

- Increase sales and profits of existing products
- Develop new products (such as conservation-themed merchandise, one of the tourism conservation strategies)
- Solicit funds from other sources that might support sustainability activities
- Reduce sustainability activities and costs

## Sustainability Costs...Plan Ahead

Many sustainable tourism enterprises rely upon their year-end profits to cover costs associated with sustainability activities. Because first-year enterprises will not have any year-end profits saved up, the enterprise will not begin any activities that rely on year-end profit to implement until the second year of operations.

Options do exist, though, that may allow investment and may encourage the investment time in sustainability activities, particularly during the first year of operations.

- **Revolving Fund:** A revolving fund is established for a certain purpose with the stipulation that repayments to the fund may be used anew for the same purpose. In the case of sustainable tourism enterprise, when soliciting funding from investors for the enterprise's start-up costs, include the establishment of a revolving fund that would support the enterprise's sustainability activities, particularly in the first year of operations. Then, each year the enterprise allocates a percentage of year-end profits to repay or even expand the revolving fund balance.
- **Award Contributions of Time through Enterprise Year-End Profit Sharing:** Establish a profit-sharing system through which enterprise members earn a percentage of the year-end profit (also sometimes referred to as "dividends" or "shares") by contributing their time to sustainability activities. This encourages member support by rewarding their time at the end of the year, yet it does not require that money be available while activities take place. This approach is further explained in the "Financial Planning" section of the "Tourism Operations & Management Toolkit."

## Summary

Conventional hard-nosed businesses only concern themselves with financial returns, and often short-term ones at that. Sustainable tourism, on the other hand, assumes the mission of bettering the world through the support and promotion of social and environmental goals. As such as business plan must reflect this Triple Bottom Line orientation by including within its contents a sustainability plan. This plan identifies conservation and environmental threats and how the business intends to mitigate, at the same paying heed to the need to pay for such efforts.

# Unit 9: Financial Projections

At the end of this unit, participants will be able to understand:

- Why the financial projections is the most scrutinized section of a business plan
- Start up costs embody an important part of financial projections
- How to calculate fixed asset depreciation costs
- How to calculate tour costs, profits, and commissions in a tour cost and price sheet
- The principle elements of an income statement, including: key inputs, indirect (administrative) costs, gross profit and revenue, and net profit and revenue
- That a cash flow statement indicates how much money there is at the end of a given month that allows planners to save cash when it is expected to be low.
- That five-year projections indicate how an organization will grow over the mid-term

## Introduction

The Financial Projections section of your business plan will likely be the most scrutinized by investors. This section must present a detailed and compelling financial forecast for your enterprise, the section where the enterprise concept becomes real. The time for descriptive language and compelling arguments has passed, now only numbers can speak.

Yet those numbers can speak volumes. And be careful, savvy investors easily spot inflated expectations and unrealistic assumptions. Be thorough and conservative with your financial projections.

## Start Up Costs

The first point of interest for investors is the total costs to start up the enterprise. Organize start up costs in thematic sections such as infrastructure costs, office equipment, legal fees, promotional costs, etc. The analysis should also detail individual start up costs by providing the unit quantity of each item, the cost per unit, as well as the total cost (units x cost per unit).

**Loma Isabel Enterprise**

All Figures in US \$

Item	Units	Cost per Unit (US\$)	Total Cost (US\$)	Notes
<b>INFRASTRUCTURE</b>				
Trail Infrastructure (wood, hardware)	1	\$ 18,864	\$ 18,864	
Visitor's Center - Building (wood, hardware)	1	\$ 13,786	\$ 13,786	
Visitor's Center - Roof (palm thatch)	1	\$ 5,000	\$ 5,000	
		<b>Subtotal</b>	<b>\$ 37,650</b>	
<b>LEGAL FEES / LICENSES / INSURANCE</b>				
Business registration costs	1	\$ 1,671	\$ 1,671	One-time cost
SECTUR Tour Operator license	1	\$ 1,114	\$ 1,114	One-time cost
Park wood extraction permit	1	\$ 1,421	\$ 1,421	One-time cost
		<b>Subtotal</b>	<b>\$ 4,207</b>	
<b>PROMOTION</b>				
Office Signage	3	\$ 84	\$ 251	
Website	1	\$ 5,000	\$ 5,000	
Sales Catalogs / Promo CDs	600	\$ 6	\$ 3,870	
FAM Trips	15	\$ 250	\$ 3,750	
Trade shows	3	\$ 1,000	\$ 3,000	
T-Shirts	250	\$ 5	\$ 1,250	
Hats	125	\$ 8	\$ 938	
Banners	4	\$ 150	\$ 600	
Business cards	500	\$ 0.20	\$ 100	
		<b>Subtotal</b>	<b>\$ 18,758</b>	
<b>EQUIPMENT</b>				
Computer	1	\$ 1,179	\$ 1,179	
Printer	1	\$ 55	\$ 55	
Generator	1	\$ 1,259	\$ 1,259	
Freezer	1	\$ 370	\$ 370	
Refridgerator	1	\$ 539	\$ 539	
Kitchen Equipment	1	\$ 772	\$ 772	
Tables	8	\$ 50	\$ 398	
Chairs	40	\$ 17	\$ 663	
		<b>Subtotal</b>	<b>\$ 5,235</b>	
<b>CONSTRUCTION COSTS</b>				
Meals for community members during trail co	650	\$ 5	\$ 3,250	
Transportation costs for construction materia	4	\$ 1,330	\$ 5,320	
		<b>Subtotal</b>	<b>\$ 8,570</b>	
<b>TELEPHONE/INTERNET</b>				
Codetel - Office phone Intallation	1	\$ 250	\$ 250	One-time cost
Internet Installation	1	\$ 330	\$ 330	One-time cost
		<b>Subtotal</b>	<b>\$ 580</b>	
		<b>TOTAL COSTS</b>	<b>\$ 74,999</b>	

Figure 9.1. Start Up Costs

## Fixed Assets and Depreciation

Fixed assets are items of value that the enterprise has purchased and will use for an extended period of time. Fixed assets normally include land and infrastructure, motor vehicles, furniture, office equipment, computers, etc.

Most fixed assets constantly lose value through continued use and increasing age. Eventually, those fixed assets need to be replaced. Depreciation is the concept that describes fixed asset devaluation over time. Stated differently, depreciation means subtracting a little bit of value from fixed assets each year until it's the *residual value* or *salvage value* or the price for which the enterprise could sell the asset or its parts is no longer useful to the business.



## Tour Cost and Price Sheet

The next financial projection to discuss is the Tour Cost Price Sheet. Earlier, we discussed tour costs and pricing. The Tour Costs and Price Sheet contains costs and pricing information for all tour products and services.

The Loma Isabel Tour Cost and Price Sheet example (Figure 9. 3) has a few important aspects to point out.

**Total Costs + Profit (20%) (Rows 16-17):** This equation is calculating the initial *price* of the tour product by totaling all of the costs and adding a profit margin using the following calculation:

$$\text{Price} = \text{total costs} / 1 - \text{profit margin}$$

For example, in the Loma Isabel Tour Costs and Price Sheet this calculation is highlighted for “Product 1: Exploration Hike” in row 17 to calculate the price for 1 pax using a 20% profit margin:

$$\text{Price} = \text{total costs} / 1 - \text{profit margin}$$

$$\text{Price} = \$ 130.75 / 1 - .20$$

$$\text{Price} = \$ 130.75 / .80$$

$$\text{Price} = \$ 163.44$$

**Final Price Groupings (Row 20):** The enterprise is using a single fixed price of \$50 per person for all hiking tours. Because they use a single fixed price, they require a minimum of four pax to reach their target 20% profit margin. BUT, since their market research has shown that group sizes will average eight pax, this should not be a problem.

**Total Profit (Rows 21–22):** The actual profit is calculated using the following formula:

$$\text{Total Profit} = (\text{Final price} \times \text{number of pax}) - \text{Total Costs}$$

**Total Profit Margin (Rows 23–24):** The actual profit margin is calculated using the following formula:

$$\text{Total Profit Margin} = \text{Final price} \times \text{number of pax}$$



## Income Statement

The most complex and telling financial projection is the Income Statement. This spreadsheet not only contains projected revenue and expense (which in turn result in either profit or loss), but should also clearly illustrate key inputs used to calculate those projections.

Consider an example of an income statement from the Loma Isabel enterprise (Figure 9.4) as well as a number of important aspects of this spreadsheet.

**Key Inputs:** In order to project the volume of clients the enterprise will manage during the year, it is important to include key inputs such as total pax (which can be divided into target market segments) and seasonality shifts in the number of pax arriving each month.

For example, in the Loma Isabel Income Statement the enterprise researched the total number of visitors to the Loma Isabel National Park the previous year, both domestic residents (cell G5) and international visitors (G6). Furthermore, the enterprise has decided it can capture 1% of the total domestic residents (K5) and 3% of the total international visitors (K6). Multiplying these two numbers together produces the total number of projected domestic pax (O5) and international pax (O6) that the enterprise expects will buy its hiking tours.

**Seasonal Fluctuation in Overall Pax Volume:** Next, the enterprise has researched the seasonality of visitation to the national park, and has included a monthly percentage of the total annual visitation in the key inputs section (row 8). Using these monthly percentages and the total annual visitation for both domestic and international visitors, the enterprise then calculated the projected total number of pax in each of these two groups for each month of the year (rows 10–11).

**Projected Tour Preference:** Then, the enterprise projected the total percentage of each of its four tour hiking products versus each other (H14–H17).

**Projected Tours/Tour Groups:** Based on extensive market analysis, the Loma Isabel enterprise is confident its tour groups will average eight pax. Therefore, the key inputs section also includes the average (and rounded) number of tours/tour groups per month (rows 22–25) based on the overall pax data above it.

**Revenue from Tour Sales:** With this key data defined, the Income Statement then calculates revenue based on two factors for each tour product; the total number of groups per month for that tour product multiplied by the total profit for that tour product (which is drawn from the Tour Cost and Price Sheet) for that group size. For example, to calculate the gross profit of the Product 1: Exploration Hike for the month of January, the Loma Isabel Income Statement multiplies the number of groups that month for that product (8 groups – cell I22) by the total profit for that tour when there are 8 pax (\$99.00 – cell K22 in the Tour Cost and Prices spreadsheet) to get the total tour sales for that product for that month of \$792.00.

**Revenue from Beverage Sales:** In addition to tour sales, Loma Isabel is also counting on revenue from the sale of beverages as well as merchandise to tour clients. Both are calculated the same way in the Income Statement. First, the cost per unit of that item is included (column D). This is the cost of the raw product to the enterprise. The profit margin per unit is included next (column E). Using the standard pricing formula ( $= \text{cost} / [1 - \text{profit margin}]$ ), the price per unit is

included next (column F). Then, the profit per unit is calculated using the standard formula (= price – cost) (column G). Finally, the Income Statement asks for the percentage of total pax projected to buy that particular item (be it a soda, t-shirt, postcard, etc.). For example, in January the Income Statement projects that for T-shirt sales (with a profit of \$5.00 per T-shirt), 10% of the total pax for that month (152 pax) will buy a T-shirt, thus generating \$76.05 for that product for that month (= \$5.00 x 152 x 10%).

**Gross Profit:** This section simply totals all revenue sources (i.e. tours, beverages, and merchandise) per month.

**Indirect Costs for Administration:** This includes all monthly or annual indirect or administrative costs. These are the non-tour costs to operate the tourism enterprise regardless of tours sold. Examples include phone, travel, promotion, as well as depreciation costs (drawn directly from the Fixed Assets/Depreciation spreadsheet).

**Net Profit/Loss:** At the very bottom of the Income Statement is the most interesting information in this particular spreadsheet. The Net Profit/Loss calculation subtracts all indirect administrative costs from total revenue to see the remainder at the end of each month (and over the course of the year). There are some months when there is a margin of net loss as low as 19% (in February) while some months have a net as high as 52% (the very next month in March). This is because tour revenue changes each month based on the seasonality of tour volume, while most indirect costs remain constant throughout the year.

	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U				
1	<b>Profit &amp; Loss Model - Year One</b>																							
2	Loma Isabel Enterprise All Figures in US \$																							
4	<b>KEY INPUTS</b>																							
5	Total Visitors 2008 - Domestic		43000	Projected % of Domestic gas		1.00%	Total Projected Domestic gas		430															
6	Total Visitors 2008 - International		92000	Projected % of International gas		3.00%	Total Projected International gas		1960															
8	Monthly Visitation % of Total (based on 2008 data)																							
9	<b>OVERALL PRX</b>		7.6%		4.8%		10.1%		8.8%		6.2%		4.9%		12.8%		4.4%		6.8%		6.2%		Notes / Assumptions	
10	TOTAL		Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec										
11	Domestic Residents		33	46	41	36	35	53	54	20	26	28	40											
12	International FITs		119	167	150	129	127	193	197	73	94	102	146											
13	Total Pac		152	213	192	165	162	246	251	93	120	130	186											
14	<b>TOUR/TOUR GROUPS</b>		% Pac																					
15	Product 1: Exploration Hike		40%	8	4	11	10	12	13	5	6	6	9											
16	Product 2: Loma Isabel Summit Hike		20%	4	2	5	5	4	4	6	2	3	5											
17	Product 3: Summit Overlook Hike		20%	4	2	5	5	4	4	6	2	3	5											
18	Product 4: Mountaineer's Hike		20%	4	2	5	5	4	4	6	2	3	5											
19	Total Tours		20	10	26	25	20	20	30	31	11	15	24											
20	<b>REVENUE</b>																							
21	<b>TOUR SALES</b>		Cost/Unit		Price/Package		Pac/Unit		% Pac															
22	Product 1: Exploration Hike		\$792.00	\$198.00	\$495.00	\$495.00	\$792.00	\$792.00	\$1,080.00	\$1,207.00	\$495.00	\$594.00	\$594.00	\$594.00	\$810.00									
23	Product 2: Loma Isabel Summit Hike		\$396.00	\$198.00	\$495.00	\$495.00	\$396.00	\$396.00	\$594.00	\$594.00	\$198.00	\$297.00	\$297.00	\$297.00	\$495.00									
24	Product 3: Summit Overlook Hike		\$396.00	\$198.00	\$495.00	\$495.00	\$396.00	\$396.00	\$594.00	\$594.00	\$198.00	\$297.00	\$297.00	\$297.00	\$495.00									
25	Product 4: Mountaineer's Hike		\$460.00	\$230.00	\$575.00	\$575.00	\$460.00	\$460.00	\$690.00	\$690.00	\$230.00	\$345.00	\$345.00	\$345.00	\$517.50									
26	Total Tour Sales (Gross Profit):		\$31,656.00	\$2,568.00	\$1,284.00	\$3,309.00	\$3,210.00	\$2,568.00	\$2,568.00	\$3,852.00	\$3,951.00	\$1,383.00	\$1,926.00	\$1,926.00	\$3,111.00									
27	<b>BEVERAGE SALES</b>		Cost/Unit		Price/Package		Pac/Unit		% Pac															
28	Beer sales		\$1.00	200.00%	\$1.00	\$2.00	15.00%	\$45.63	\$24.15	\$54.04	\$57.47	\$49.43	\$48.63	\$73.70	\$75.25	\$27.85	\$36.03	\$30.91	\$55.90	Assumes 15% of clients buy 1 beer				
29	Water		\$0.50	100.00%	\$1.00	\$0.50	25.00%	\$19.01	\$10.06	\$26.68	\$23.95	\$20.60	\$20.26	\$30.71	\$31.36	\$11.60	\$15.01	\$16.21	\$23.29	Assumes 25% of clients buy 1 water				
30	Soda		\$0.50	100.00%	\$1.00	\$0.50	25.00%	\$19.01	\$10.06	\$26.68	\$23.95	\$20.60	\$20.26	\$30.71	\$31.36	\$11.60	\$15.01	\$16.21	\$23.29	Assumes 25% of clients buy 1 soda				
31	Gatorade		\$0.75	100.00%	\$1.50	\$0.75	5.00%	\$5.70	\$3.02	\$8.01	\$7.18	\$6.18	\$6.00	\$9.21	\$9.41	\$3.48	\$4.50	\$4.86	\$6.99	Assumes 5% of clients buy 1 gatorade				
32	Total Beverage Sales:		\$1,169.13	\$89.36	\$47.29	\$125.41	\$112.54	\$96.80	\$95.24	\$144.33	\$147.37	\$54.54	\$70.57	\$109.47										
33	<b>MERCHANDISE SALES</b>		Cost/Unit		Price/Package		Pac/Unit		% Pac															
34	T-shirts		\$5.00	50.00%	\$10.00	\$5.00	10.00%	\$76.05	\$39.78	\$80.05	\$95.78	\$82.38	\$81.05	\$122.84	\$125.42	\$46.42	\$60.06	\$64.86	\$93.16	Calculates profit margin on PRICE (vs markup on COSTS)				
35	Hats		\$7.50	50.00%	\$15.00	\$7.50	10.00%	\$114.07	\$60.37	\$160.10	\$143.67	\$123.58	\$121.58	\$184.25	\$188.13	\$69.62	\$90.09	\$97.29	\$139.74					
36	Bags		\$7.50	50.00%	\$15.00	\$7.50	5.00%	\$57.04	\$30.19	\$80.05	\$71.84	\$61.79	\$60.79	\$92.13	\$94.07	\$34.81	\$45.04	\$48.64	\$69.87					
37	Calendar		\$5.00	50.00%	\$10.00	\$5.00	5.00%	\$38.02	\$20.12	\$53.37	\$47.89	\$41.19	\$40.53	\$61.42	\$62.71	\$23.21	\$30.03	\$32.43	\$46.58					
38	Walking Stick		\$3.00	50.00%	\$6.00	\$3.00	17.50%	\$79.85	\$42.26	\$112.07	\$100.57	\$86.50	\$85.10	\$128.98	\$131.69	\$48.74	\$63.06	\$68.10	\$97.02					
39	Postcards		\$0.50	50.00%	\$1.00	\$0.50	2.50%	\$1.90	\$1.01	\$2.67	\$2.39	\$2.06	\$2.03	\$3.07	\$3.14	\$1.16	\$1.50	\$1.62	\$2.33					
40	Total Merchandise Sales:		\$4,800.88	\$366.93	\$194.20	\$515.00	\$462.15	\$397.51	\$391.07	\$592.69	\$605.15	\$223.95	\$289.78	\$312.94	\$449.51									
41	<b>GROSS PROFIT</b>																							
43	<b>TOUR SALES</b>		\$2,568.00	\$1,284.00	\$3,309.00	\$3,210.00	\$2,568.00	\$2,568.00	\$3,852.00	\$3,951.00	\$1,383.00	\$1,926.00	\$1,926.00	\$3,111.00										
44	<b>BEVERAGE SALES</b>		\$1,169.13	\$89.36	\$47.29	\$125.41	\$112.54	\$96.80	\$95.24	\$144.33	\$147.37	\$54.54	\$70.57	\$109.47										
45	<b>MERCHANDISE SALES</b>		\$4,800.88	\$366.93	\$194.20	\$515.00	\$462.15	\$397.51	\$391.07	\$592.69	\$605.15	\$223.95	\$289.78	\$312.94	\$449.51									
46	Total Gross Profit		\$ 37,826	\$ 3,024	\$ 1,525	\$ 3,949	\$ 3,785	\$ 3,062	\$ 3,054	\$ 4,589	\$ 4,704	\$ 1,661	\$ 2,286	\$ 2,315	\$ 3,670									
47	<b>INDIRECT COSTS</b>																							
49	<b>ADMINISTRATIVE COSTS</b>		TOTAL		Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Notes / Assumptions							
51	Phone		\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200								
52	Interest		\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200								
53	Travel		\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100								
54	Office Supplies		\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100								
55	Depreciation (non-fixed assets)		\$ 4,132	\$ 4,132	\$ 4,132	\$ 4,132	\$ 4,132	\$ 4,132	\$ 4,132	\$ 4,132	\$ 4,132	\$ 4,132	\$ 4,132	\$ 4,132	\$ 4,132	\$ 4,132								
56	Legal Fees / Insurance		\$ 1,450	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0								
57	Maintenance (non-fixed assets)		\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150								
58	Promotion (non-fixed assets)		\$ 1,200	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100								
59	Rent		\$ 2,000	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250	\$ 250								
60	Salaries		\$ 7,000	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750								
61																								
62																								
63																								
64																								
65																								
66																								
67																								
68	Total Indirect Costs		\$ 23,212	\$ 2,204	\$ 1,914	\$ 1,914	\$ 1,914	\$ 1,914	\$ 1,914	\$ 1,914	\$ 1,914	\$ 1,914	\$ 1,914	\$ 1,914	\$ 1,914	\$ 1,914								
69																								
70	Net Profit Loss		\$ 14,414	\$ (239)	\$ (288)	\$ 2,136	\$ 1,971	\$ 1,249	\$ 1,241	\$ 2,775	\$ 2,890	\$ (152)	\$ 473	\$ 502	\$ 1,856	NET profit AFTER indirect costs								
71	Net Profit Margin		38%	8%	19%	54%	52%	41%	41%	60%	61%	9%	21%	22%	51%	NET profit margin AFTER indirect costs								
72																								
73																								

Figure 9.4. Income Statement —Year One.

## Cash Flow Statement

Fluctuating tour revenue and consistent indirect costs requires that the enterprise develop the next financial projection called the cash flow statement. The cash flow statement essentially projects how much actual money is on hand (or in a bank account) at the end of each month based on revenue and cost projections of the Income Statement. Looking at the Loma Isabel Cash Flow Statement (Figure 9.5), all revenue and cost categories and figures should look familiar; they come from the Income Statement. The last row of the spreadsheet titled Ending Cash Balance is most revealing. This shows the cumulative monthly balance of the enterprise's cash reserves based on each month's profit or loss. The first two months show a negative cash balance for the enterprise (remember, January and February are the enterprise's slowest months) with February showing a negative balance of -\$526.25, while the rest of the months have a positive cash balance. In terms of financial planning, this means that Loma Isabel needs to set aside some cash for the first year of operations, particularly the first few months, because that extra cash will pay the bills.

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
1	<b>Cash Flow Statement - Year One</b>															
2	<b>Loma Isabel Enterprise</b>															
3	All Figures in US \$															
4	<b>YEAR ONE</b>													Year 1 Total		
5		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec			
6	<b>BEGINNING CASH BALANCE</b>	\$0.00	-\$238.23	-\$526.25	\$1,609.64	\$3,580.82	\$4,829.61	\$6,070.39	\$8,845.89	\$11,735.90	\$11,583.87	\$12,056.69	\$12,558.32			
7	<b>CASH RECEIPTS</b>															
8	Tour Sales															
9	Product 1: Exploration Hike	\$792.00	\$396.00	\$1,089.00	\$990.00	\$792.00	\$792.00	\$1,188.00	\$1,287.00	\$495.00	\$594.00	\$594.00	\$891.00	\$9,900.00		
10	Product 2: Loma Isabel Summit Hike	\$396.00	\$198.00	\$495.00	\$495.00	\$396.00	\$396.00	\$594.00	\$594.00	\$198.00	\$297.00	\$297.00	\$495.00	\$4,851.00		
11	Product 3: Summit Overlook Hike	\$920.00	\$460.00	\$1,150.00	\$1,150.00	\$920.00	\$920.00	\$1,380.00	\$1,380.00	\$460.00	\$690.00	\$690.00	\$1,150.00	\$11,270.00		
12	Product 4: Mountaineer's Hike	\$460.00	\$230.00	\$575.00	\$575.00	\$460.00	\$460.00	\$690.00	\$690.00	\$230.00	\$345.00	\$345.00	\$575.00	\$5,635.00		
13	Total Tour Sales	\$2,568.00	\$1,284.00	\$3,309.00	\$3,210.00	\$2,568.00	\$2,568.00	\$3,852.00	\$3,951.00	\$1,383.00	\$1,926.00	\$1,926.00	\$3,111.00	\$31,656.00		
14	Non-Tour Sales															
15	Beverages	\$ 89.36	\$ 47.29	\$ 125.41	\$ 112.54	\$ 96.80	\$ 95.24	\$ 144.33	\$ 147.37	\$ 54.54	\$ 70.57	\$ 76.21	\$ 109.47	\$1,169.13		
16	Merchandise	\$366.93	\$194.20	\$515.00	\$462.15	\$397.51	\$391.07	\$592.69	\$605.15	\$223.95	\$289.78	\$312.94	\$449.51	\$4,800.88		
17	Total Non-Tour Sales	\$456.29	\$241.50	\$640.41	\$574.70	\$494.31	\$486.31	\$737.02	\$752.52	\$278.49	\$360.34	\$389.14	\$558.97	\$5,970.00		
18	Total Cash Available	\$3,024.29	\$1,525.50	\$3,949.41	\$3,784.70	\$3,062.31	\$3,054.31	\$4,589.02	\$4,703.52	\$1,661.49	\$2,286.34	\$2,315.14	\$3,669.97	\$37,626.00		
19	<b>CASH PAYMENTS</b>															
20	Start Up Costs															
21	All costs listed in "Start Up Costs" budget															
22	Total Start Up Costs	\$74,999.00														\$74,999.00
23	Fixed Costs (Annual)															
24	Phone	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$300.00		
25	Internet	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$300.00		
26	Travel	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$600.00		
27	Office Supplies	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00	\$600.00		
28	Depreciation (from fixed assets)	\$413.52	\$413.52	\$413.52	\$413.52	\$413.52	\$413.52	\$413.52	\$413.52	\$413.52	\$413.52	\$413.52	\$413.52	\$4,962.23		
29	Legal Fees / Insurance	\$1,450.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,450.00		
30	Maintenance (non-fixed assets)	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$1,800.00		
31	Promotion	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00	\$1,200.00		
32	Rent	\$250.00	\$250.00	\$250.00	\$250.00	\$250.00	\$250.00	\$250.00	\$250.00	\$250.00	\$250.00	\$250.00	\$250.00	\$3,000.00		
33	Salaries	\$750.00	\$750.00	\$750.00	\$750.00	\$750.00	\$750.00	\$750.00	\$750.00	\$750.00	\$750.00	\$750.00	\$750.00	\$9,000.00		
34	Total Fixed Costs	\$3,263.52	\$1,813.52	\$1,813.52	\$1,813.52	\$1,813.52	\$1,813.52	\$1,813.52	\$1,813.52	\$1,813.52	\$1,813.52	\$1,813.52	\$1,813.52	\$23,212.23		
35	Other Costs															
36	Total Other Costs	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
37	TOTAL CASH PAID OUT	\$78,262.52	\$1,813.52	\$1,813.52	\$1,813.52	\$1,813.52	\$1,813.52	\$1,813.52	\$1,813.52	\$1,813.52	\$1,813.52	\$1,813.52	\$1,813.52	\$98,211.23		
38	CASH BALANCE	-\$238.23	-\$288.02	\$2,135.89	\$1,971.18	\$1,248.79	\$1,240.79	\$2,775.50	\$2,890.00	-\$152.03	\$472.82	\$501.63	\$1,856.45	\$14,414.77		
39	LOANS TO BE RECEIVED															
40	EQUITY DEPOSITS															
41	Project Grant Funds	\$75,000.00														\$75,000.00
42	ENDING CASH BALANCE	-\$238.23	-\$526.25	\$1,609.64	\$3,580.82	\$4,829.61	\$6,070.39	\$8,845.89	\$11,735.90	\$11,583.87	\$12,056.69	\$12,558.32	\$14,414.77	\$14,414.77		

Figure 9.5. Cash Flow Statement — Year One.

## Five-Year Projections

The last financial projection to include in the business plan is a five-year projection. This statement projects financial trends of tourism products and services further into the future to show long-term potential of the tourism enterprise.

This endeavor requires first some overall assumptions about the trends of revenue and expenses. In the Loma Isabel Five-Year Projections statement, for example, revenue is projected to increase 20% on average each year (and the financial projections reflect this steady increase in sales). On the expenses side of the equation, Loma Isabel projects that indirect costs will also increase each year but at a steady rate of 10% (to reflect inflation).

The Five-Year Projections statement can also include additional costs for which the enterprise may want to plan such as contributions to social or conservation projects. In the case of Loma Isabel (Figure 9.6), the enterprise is contributing 50% of its year-end net profits (what is left after all bills are paid) to its Sustainability Plan that includes an environmental education program and a monitoring/research program. The projected costs for the first year of the sustainability plan (which in this case will be year two of business operations since the sustainability activities depend on year-end profit) were \$7,020. Based on the five-year projections statement, it appears as if the enterprise's revenue and profit should be enough to support those costs.

### Loma Isabel Enterprise

*Based on 20% annual increase in sales volume and 10% annual increase in fixed & variable costs*

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>REVENUE</b>					
<b>NET SALES</b>					
<b>Tour Sales</b>					
Product 1: Exploration Hike	\$9,900.00	\$11,880.00	\$14,256.00	\$17,107.20	\$20,528.64
Product 2: Loma Isabel Summit Hike	\$4,851.00	\$5,821.20	\$6,985.44	\$8,382.53	\$10,059.03
Product 3: Summit Overlook Hike	\$11,270.00	\$13,524.00	\$16,228.80	\$19,474.56	\$23,369.47
Product 4: Mountaineer's Hike	\$5,635.00	\$6,762.00	\$8,114.40	\$9,737.28	\$11,684.74
<b>Total Tour Sales</b>	<b>\$31,656.00</b>	<b>\$37,987.20</b>	<b>\$45,584.64</b>	<b>\$54,701.57</b>	<b>\$65,641.88</b>
<b>Non-Tour Sales</b>					
Beverages	\$1,169.13	\$1,402.95	\$1,683.54	\$2,020.25	\$2,424.30
Merchandise	\$4,800.88	\$5,761.05	\$6,913.26	\$8,295.91	\$9,955.09
<b>Total Non-Tour Sales</b>	<b>\$5,970.00</b>	<b>\$7,164.00</b>	<b>\$8,596.80</b>	<b>\$10,316.16</b>	<b>\$12,379.39</b>
<b>Gross Sales</b>	<b>\$37,626.00</b>	<b>\$45,151.20</b>	<b>\$54,181.44</b>	<b>\$65,017.73</b>	<b>\$78,021.27</b>
<b>GROSS PROFIT</b>					
<b>Gross Profit</b>	<b>\$37,626.00</b>	<b>\$45,151.20</b>	<b>\$54,181.44</b>	<b>\$65,017.73</b>	<b>\$78,021.27</b>
<b>EXPENSES</b>					
<b>INDIRECT COSTS (ANNUAL)</b>					
Phone	\$300.00	\$330.00	\$363.00	\$399.30	\$439.23
Internet	\$300.00	\$330.00	\$363.00	\$399.30	\$439.23
Travel	\$600.00	\$660.00	\$726.00	\$798.60	\$878.46
Office Supplies	\$600.00	\$660.00	\$726.00	\$798.60	\$878.46
Depreciation (from fixed assets)	\$4,962.23	\$5,458.45	\$6,004.30	\$6,604.73	\$7,265.20
Legal Fees / Insurance	\$1,450.00	\$1,595.00	\$1,754.50	\$1,929.95	\$2,122.95
Maintenance (non-fixed assets)	\$1,800.00	\$1,980.00	\$2,178.00	\$2,395.80	\$2,635.38
Promotion	\$1,200.00	\$1,320.00	\$1,452.00	\$1,597.20	\$1,756.92
Rent	\$3,000.00	\$3,300.00	\$3,630.00	\$3,993.00	\$4,392.30
Salaires	\$9,000.00	\$9,900.00	\$10,890.00	\$11,979.00	\$13,176.90
<b>Total Fixed Costs</b>	<b>\$23,212.23</b>	<b>\$25,533.45</b>	<b>\$28,086.80</b>	<b>\$30,895.48</b>	<b>\$33,985.02</b>
<b>NET PROFIT BEFORE TAXES</b>	<b>\$14,413.77</b>	<b>\$19,617.75</b>	<b>\$26,094.64</b>	<b>\$34,122.25</b>	<b>\$44,036.25</b>
<b>TAXES</b>					
<b>NET PROFIT AFTER TAXES</b>	<b>\$14,413.77</b>	<b>\$19,617.75</b>	<b>\$26,094.64</b>	<b>\$34,122.25</b>	<b>\$44,036.25</b>
<b>NET PROFIT MARGIN</b>	<b>38.31%</b>	<b>43.45%</b>	<b>48.16%</b>	<b>52.48%</b>	<b>56.44%</b>

### Sustainability Plan Contribution (50% of net profit)

OTHER COSTS	Year 1	Year 2	Year 3	Year 4	Year 5
Sustainability Plan Contribution	\$7,206.89	\$9,808.87	\$13,047.32	\$17,061.13	\$22,018.12

Figure 9.6. Five-Year Income Projection

## Summary

The financial projections section is likely the most scrutinized part of any business plan. Although both sustainable tourism promoters and supporters require that the enterprise reap Triple Bottom Line returns, no business, sustainable or otherwise, will reap any kinds of returns if it cannot demonstrate financial growth. To demonstrate such growth potential, a business plan must accurately define its financial outlook, taking into consideration start up costs, depreciation, cash flow, business model, and five-year projections. These elements must work in concert to convince investors that this proposal is worthy of their investment.

# Glossary

**Biodiversity:** The degree of variation of life forms within a given ecosystem, biome, or an entire planet. Biodiversity is a measure of the health of ecosystems.

**Board of Directors:** A body of elected or appointed members who jointly oversee the activities of a company or organization.

**Business vs. Enterprise vs. Venture** Similar terms that are generally used to describe an initiative or an undertaking. Used interchangeably throughout this document.

**Cash Flow Statement:** A financial statement that reports the *cash* generated and used during a specified time frame and its affect on the balance sheet.

**Commission:** The fee that an intermediary (tour operator, travel agent, hotel, etc.) earns when they sell a tour products.

**Depreciation:** The decline in the value of fixed assets.

**Demographic Information:** Considerations such as age, ethnicity, income, gender or other elements of the composition of the group of people.

**Direct Sale:** When a product or service is sold to the client by the same enterprise providing the product or service.

**Equity:** A value of ownership in a business. Profit distribution and voting rights are often determined based on the amount of equity a partner owns.

**FAM Tour:** A trip offered as a prize, usually by a company to stimulate sales or productivity.

**FITs:** Free and Independent Travelers.

**Fixed Assets:** Items of value that an enterprise has purchased and will use for an extended period of time. Fixed assets normally include items such as land and buildings, motor vehicles, furniture, office

equipment, computers, fixtures and fittings, and machinery.

**Gantt Chart:** A bar chart outlining activities of a project, when they occur, as well as any dependency between the activities.

**Gross Profit:** The difference between revenue and the cost of making a product or providing a service, before deducting overhead, payroll, taxation, and interest payments.  $\text{Gross profit} = \text{Net sales} - \text{cost of goods sold}$ .

**Gross Sales:** TOTAL sales (minus any customer discounts) and prior to deducting any direct or indirect costs.

**Inbound Tour Operator:** A "domestic" tour operator who is based in the destination country.

**Indirect Sale:** When an intermediary, such as a tour operator, travel agent, or hotel, sells a tour product or service to the client.

**Itinerary:** The travel schedule or package tour provided by a travel representative to his or her client. A proposed or preliminary itinerary may be relatively vague. A final itinerary, however, spells out all the details, i.e. flight numbers, departure times, etc., as well as describing planned activities.

**Market Segment:** A group of buyers that share similar purchasing characteristics.

**Marketing Mix:** The standard contents of a sales and marketing strategy, commonly referred to as the "4 Ps": Product, Placement (or distribution), Price, and Promotion.

**Net Profit:** The difference between revenue and ALL costs of making a product or providing a service including overhead, payroll, taxation, and interest payments.  $\text{Net income} = \text{Gross profit} - \text{total operating expenses} - \text{taxes} - \text{interest}$ .

**Net Rate:** The rate offered to intermediaries like travel agents and tour operators that can be marked up to sell to the customer.

**Outbound Tour Operator:** An “international” tour operator who is based in the country from which visitors/clients are originating.

**Pax:** A travel industry term that means clients or visitors. One pax, two pax...

**Porter’s Five Forces Analysis:** A framework for industry analysis and business strategy development formed by Michael E. Porter of Harvard Business School in 1980. It draws upon Five Forces that determine the competitive intensity and therefore attractiveness of a market.

**Products:** Products are the physical goods that are sold to customers.

**Profit:** The portion of revenue that remains after accounting for all direct and indirect costs.

**Income Statement:** A financial statement that summarizes the revenues, costs and expenses incurred during a specific period of time - usually a fiscal quarter or year.

**General Assembly:** The highest policy-making body of a business cooperative and the final authority in the management and administration of the affairs of the cooperative. General assemblies are normally composed of members who are entitled to vote.

**Rack Rate:** The rate quoted to the public.

**SAVE Tourism:** Scientific, Academic, Volunteer, and Educational tourism.

**Services:** Services are the activities provided for the satisfaction of needs or desires of your clients, they are often intangible, that is, not physical objects, though the provision of a service may often require the use of materials.

**SMART Goal:** Goals that are Specific, Measurable, Attainable, Relevant and Time-bound.

**Social Enterprise:** An organization or venture that advances its social mission through entrepreneurial, earned income strategies. For a social enterprise, profit is not the *point* of the business but the *means*

by which the enterprise supports a philanthropic mission.

**Supply Chain:** The system of businesses, people, and technology that moves a product or service from a supplier to a customer.

**SWOT Analysis:** A strategic planning method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a project or in a business venture.

**Target Area:** Within this document, our target area is the place where our business is being established. That may be a protected area, a community, and a region of the country or any geographic area. This is also referred to as the “site” throughout this unit.

**Target Market:** The target market for a product or service is the subgroup of consumers you are targeting with the sale of that product or service.

**Tour Operator:** A company that creates and/or markets inclusive tours and/or performs tour services and/or subcontracts their services. Most tour operators sell through travel agents, wholesalers, and directly to clients.

**Triple Bottom Line Approach:** Measuring success not only by economic returns, but by ecological and social returns as well.

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# Annex: Loma Isabel Business Plan Sections

## Site Description/Background

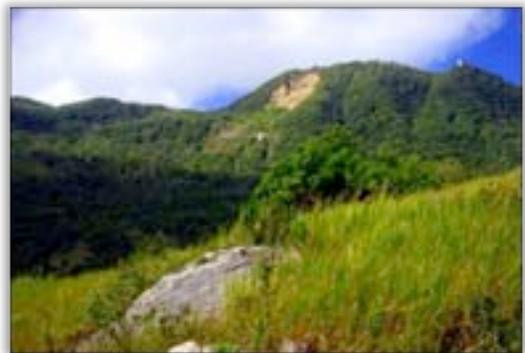
La Loma Isabel de Torres was originally named Montaña de Plata by Christopher Columbus himself, in fact, the city of Puerto Plata over which the Loma Isabel de Torres stands guard draws its name from the mountain's original name. The Loma Isabel de Torres was declared a natural monument, category 3 national park in 1999 after several changes in designation. It stands 799 meters above sea level just southwest of the Puerto Plata's urban center. Currently, Dominican and international visitors can reach the top of the mountain by cable car where they are rewarded with panoramic views of Puerto Plata's harbor and the old Spanish fort that once guarded it, the city, and the Atlantic coastline.



The mountain itself holds a spectacular biodiversity. Its steepness and the damp sea breeze that constantly blows from the northeast sustain a cloud forest near the top of the mountain. The average temperatures are 5–10 degrees Celsius cooler than low-lying tropical forest. The brunt of this wind hits a dwarf forest. Thirty-seven species of birds, 13 of which are endemic to the island, and 594 species of plants, in addition to the bats, lizards, snakes, and insects call the Loma Isabel de Torres home. There is even a local legend that a dragon lairs in the mountain's peak.

## Need Statement

The communities that surround the park have found themselves increasingly marginalized as the farming lands that traditionally provided them livelihood have been incorporated into the protected area. In addition, sprawl from Puerto Plata have swallowed up swaths of fields. This has led to a high rate of unemployment and some displacement of communities. Tourism, the main driver of the regional economy, has not yet been an economic alternative to these communities, cut off from traditional incomes and newer industries. Some community members continue to use protected areas in spite of increasing enforcement, posing a conservation threat while simultaneously creating conflicts with the environmental ministry.



## Mission Statement

The Loma Isabel Nature Trail will be a community-managed tourism business that will offer one-day hiking tours to Loma Isabel de Torres National Park. The business will promote conservation and improve livelihoods for local communities in and around the park through the creation of a sustainable nature-based touristic business.



The creation of a community business anchored by a nature-based hiking trail and visitor interpretative center will form linkages between the community and the tourism sector. The community business will directly create 10–20 jobs for community members and opportunities for training and capacity building that will lead to additional employment. Community members will be employed as managers, interpretive nature guides, cooks, servers, artisans, sales staff, and even park guards.

These activities will provide economic alternatives to illegal agriculture within protected areas. The community businesses will also create financial resources for social and environmental projects, selected and implemented by community members with support from local non-governmental organizations (NGOs). In addition to the direct benefits, the community will indirectly benefit by being linked to region's principal economic sector, tourism.

## Business Description

### Products and Services

The business will offer three primary product lines: hiking tours, food service, and sale of arts & crafts and branded merchandise. The “anchor” product of these three lines will be guided hiking tours through Loma Isabel de Torres. Hiking tours will produce an estimated 71% of gross profit and be the focus of marketing and sales strategies. The other product lines will complement this product. The four initial tour offerings follow.

#### Product 1: Exploration Hike

Visitors will arrive at the tram and meet their guide who will accompany them on the cable car to the top of the mountain. After taking pictures and viewing the top of the Loma Isabel de Torres, the group will begin a hike of 3–4 hours to the base of the mountain. Along the trail, the guide will point out the numerous native and endemic species of plants, birds, and other wildlife. There will be rest stops and scenic views along the way. The community business plans to construct a visitor center where visitors will view interpretive displays and can purchase beverage and snacks, branded souvenirs, and postcards.



### Product 2: Loma Isabel Summit Hike

At the base of the mountain, visitors will meet their guide who will lead a tour of the interpretive displays where visitors can purchase merchandise. The group will then begin a 4–5-hour hike from the base of the mountain nestled in the Los Dominguez community to the top of La Loma Isabel de Torres. The guide will point out local and endemic species with numerous stops along the way. Once at



the top of the Loma Isabel de Torres, the visitors will be able to take photos and enjoy the views before taking the cable car down to the tram where transportation will take them to their hotels. An alternative will be offered in the future in which transportation will take visitors back to the visitor center in the Barrio Los Dominguez for a meal.



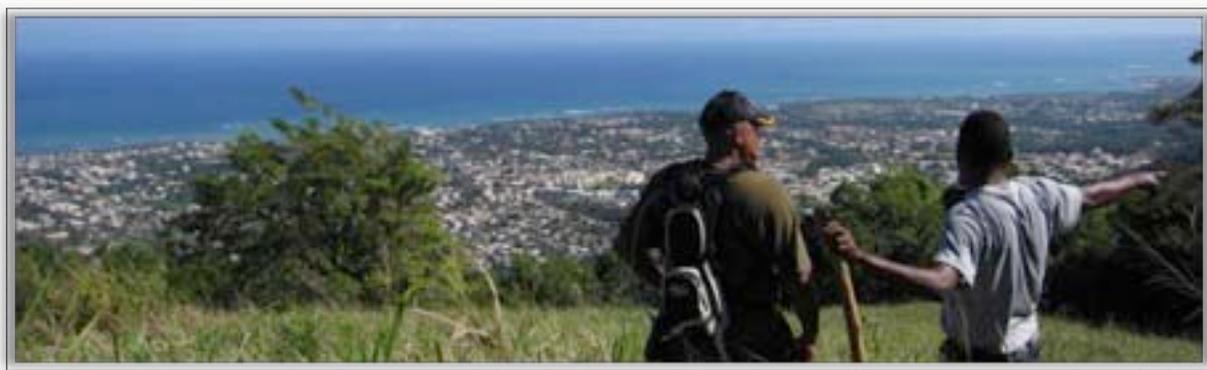
### Product 3: Overlook Nature Hike

Visitors will arrive at the base of the mountain in the Barrio Los Dominguez where they will meet their guide and depart on a shorter interpretive hike from the nature center to the scenic overlook where the guide will point out interesting bird and plant species. Visitors will rest and take photos at the overlook before heading back to the base of the mountain where transportation will then take visitors back to the hotel or up to the tram. Future phases of the business will include a visit to the visitor center to purchase drinks or snacks, as

well as branded merchandise, and works of local artisans.

### Product 4: The Mountaineer's Hike

Visitors will arrive to the base of the mountain in the Barrio Los Dominguez where they will meet their guide and depart on a relatively long hike from the bottom to the top of La Loma Isabel de Torres and back down again. This hike will include several rest stops and the guide will point out interesting wildlife along the way. This hike will take 6–7 hours. Once back at the base of the mountain transportation will take visitors to their hotels. In future phases of the business, hikers will be able to buy snacks and drinks, as well as branded merchandise, and view an interpretive display at a visitor center.



Additional products will be developed to complement the nature-based trail hiking excursions including the sale of locally grown fruits and coffee, locally made artisan products, branded merchandise, and potentially, a community restaurant — all of which will be offered in Barrio Los Dominguez.

## Business Structure

A local community manager will have day-to-day management responsibility of the community business. Several partner organizations, such as the DSTA led by Solimar International, will provide in-depth technical training and assistance for the creation and management of the business. The Centro de Promoción y Solidaridad Humana (CEPROSH), the Cluster Turístico y Cultural de Puerto Plata (CTCPP), and the Federation of Neighborhood Councils (In Spanish, *Federación de Juntas de Vecinos*) will also support the community business in its first year of operations.

Together CEPROSH, the Puerto Plata Cluster, and the Federation of Neighborhood Councils will work with SEMARENA to regulate the park. These regulations will include the frequency of trail monitoring, safety measures, a park entrance fee, and the approval of new infrastructure inside the protected area, among others.

CEPROSH will own the business under a stewardship agreement with the Federación de Juntas de Vecinos. As such CEPROSH will approve business decisions, such as pay rate changes, prices for excursions, product line changes, among other internal decisions. It as well will own the assets and the business itself, with all profits not reinvested in the business going towards conservation and community development projects. The communities situated at the base of the Loma Isabel de Torres will be direct beneficiaries of the business and indirect beneficiaries of social programs and conservation efforts. The Federation of Neighborhood Councils will form work groups to build and maintain infrastructure as well as cleanup and stewardship of the trail.

CEPROSH and the community mentor and manager will receive the technical assistance provided by the DSTA-Solimar International so that within one year the community group will fully manage the business with only minimal support from outside actors.



The general manager will be selected from the community and trained through an intensive six-week course developed and implemented by Solimar International. This manager will oversee daily operations including the management of staff, tours, cash flow, payments, of trails and facilities, reporting, and product promotions.

A tourism mentor will accompany the manager during train-

ing sessions for at least the first year of operations. The mentor will have substantial experience in the tourism enterprise management.

All profits from the business will be reinvested first in the business and second in a fund to develop the community and protect ecosystems that provide the foundation for the business. The communities immediately adjacent to the Loma Isabel de Torres will send members to a committee that will select development and environmental projects coordinated with SEMARENA.

## Market Analysis

Puerto Plata, as a tourism destination, has been in decline for some time. However, the destination still enjoys the arrival of over 500,000 international tourists each year. These tourists come 32% from Canada, 23% from the UK, and 21% from the United States. Germany and France make up another 7% and 5% respectively. All together, these five countries constitute almost 90% of foreign arrivals.

These visitor data indicate that nearly 77% of visitors to Puerto Plata are English-speaking. The remaining 10% of international visitors to the region are divided among over 50 countries. In 2008, Puerto Plata received over 540,000 international, non-resident visitors and over 54,000 visited the tram in the National Park La Loma Isabel de Torres. The region's next most visited natural attraction after the park is the 27 Waterfalls of the Damajuagua River with 38,000 visitors. ([www.27charcos.com](http://www.27charcos.com)). Including Dominicans, visitation of the Loma Isabel de Torres jumps to over *100,000 visitors annually*.

Recent market research conducted by tourism consultants in 2010 from The George Washington University's found that 25% of visitors to the Loma Isabel de Torres expressed high levels of interest in a nature-based, guided trail excursion in the mountain and national park. This represents a potential latent market of 25,000 visitors annually for the trail business.

These visitors reported an average willingness to pay for a nature-based excursion of US\$35, which does not include transportation or additional purchases. Most other outdoors excursions in the area cost \$80–\$90 per adult when purchased from tour operators and in hotels implying that this willingness to pay may in reality be higher. According to Central Bank statistics, tourists in the Dominican Republic spend, on average, US\$110.35 a day.

## Market Segments

Promotional activities should focus on four primary market segments — two of which are international markets and two of which domestic. The two primary international market segments are all-inclusive resort tourists and independent travelers. The two primary domestic market segments include residents and school/youth groups. The following is a brief profile of these target market segments.

### **All-Inclusive Resort Tourists**

All-inclusive resort tourists make up the largest portion of the tourism market in Puerto Plata, and therefore impossible to ignore. The interests in the Loma product by all-inclusive resort tourists tends to focus more on the nature-based aspects of the tours, and less on the physically demanding aspects. Therefore, shorter and less strenuous hiking options would be ideal for this target market. Increasing visitation to a number of nature-based activities offered in the region, including the 27 Waterfalls, numerous Jeep Safari excursions, and Yasika Zip Line supports this analysis that the all-inclusive market prefers low exertion nature-based tourism experiences.

This all-inclusive resort tourist segment use excursions offered by the resort and do so in larger groups.

### **Independent Travelers**

Based on data collected by the Puerto Plata tourism cluster, there is an increasing number of international independent travelers to the region. These travelers report more interest in physically demanding touristic activities. Twenty-five percent of non-resident visitors (e.g. tourists) surveyed at the tram had planned their visit independently and also expressed a high level of interest in hiking up and down the Loma (6–8 hours) compared to just over 11% for visitors who booked their excursions through tour operators.

Independent travelers typically stay in Cabarete and Sosua; therefore, transportation would be a logistical necessity for their tours. Such survey data also indicates that these two locations would be ideal for targeted promotional activities.

### **Domestic Residents**

Reported demand among Dominican visitors for more physically challenging activities was rather low, with under 5% of domestic visitors expressing interest in hiking activities (although over 60% of domestic visitors surveyed expressed interest in the wildlife-viewing aspects of guided hiking tours). Domestic visitors often have their own transportation and tend to come alone or with only one companion. The small group size of this market segment presents a financial challenge as well when considering their slightly lower reported willingness-to-pay for hiking tours and the lower profit margins associated with operating the tour with smaller groups (less than 4–5 pax).

### **School/Youth Groups**

Qualitative data on the school/youth group market segment was collected through interviews with local stakeholders. Based upon those interviews, the potential for this market segment is high. Local schools already make field trips to the Loma Isabel de Torres, and there are numerous other local youth groups including the Scouts, youth groups at local churches, and local youth volunteer organizations. All of these groups present an opportunity for repeat visits from large groups. Prices may need to be lowered to accommodate this segment, however given the large size of such groups, this discount would not have any significant negative impact on profit margins.

## Competition Analysis: Competing Products

### **La Demajagua – 27 Charcos**

The primary competition for the Loma Isabel product is the 27 Waterfalls (27 Charcos) at La Demajagua. Located about 30 minutes outside of Puerto Plata, 27 Waterfalls offers visitors the chance to scramble up and jump down a series of waterfalls and natural limestone pools. The Demajagua River route is complemented by a hiking trail if visitors do not wish to scramble up waterfalls. The destination has been in operations for nearly 20 years, though only 4 years with an official tourism license. Recently the guide association reached a co-management agreement with SEMARENA which permitted it to secure investment for greatly improved infrastructure and facilities. The visitor reception area now includes a large, well-maintained parking lot, open reception desk, offices, a restaurant, bar, and gift shop.

The product will directly compete with Loma Isabel with its hiking trails and its adventurous and active product offering. However, 27 Waterfalls offers much less in terms of interpretation, there are more crowds and fewer opportunities to interact with local flora and fauna. The two products differ in their focus within that natural setting. 27 Waterfalls focuses on adventure and the Loma Isabel product focuses on wildlife and interpretation.

The 27 Waterfalls pricing, of US\$8–\$16 per visitor, would make price-based competition a concern if tour operators did not typically sell the excursion (which is also packaged with transportation) in hotels for between US\$45–\$90. However, for FIT and local markets, who do not typically depend on tour operators to book excursions, price differences may be an issue.

The 27 Waterfalls product would pose serious competition to the Loma Isabel product, however, if not for the drowning deaths that occurred very recently when a flash flood swept away two Canadian tourists. This has hurt the credibility of the product and has raised concerns with the tour operators and hotels offering 27 Waterfalls, which may create opportunity for Loma Isabel.

### **Iguana Mama**

Iguana Mama is an established local tour operator based in Cabarete. It offers a range of nature-based and adventure tours including mountain biking, kayaking, scuba diving, and snorkeling tours. The company also offers guided hiking tours on La Loma Isabel making them the only existing direct competitor. However, interviews have indicated that for tourists this is not a popular product due to the price, which is set at \$85 for a day-long tour.

The company has been open since the early 1990s and has changed ownership four times. The current owners have been leading Iguana Mama for three years now and have continued the success of the tour company. A small-sized business with eight full-time employees, Iguana Mama focuses solely on the free and independent traveler (FIT) markets in Cabarete and Sosua through their website, Facebook page, fliers, word of mouth, and store front in Cabarete. Iguana Mama probably represents one of the largest competitors because of their solid reputation and established market base. They have received excellent reviews from a number of reputed travel guides in the past and are touted as the only adventure tour operator in the Dominican Republic.

## Yasika Zip Line

Yasika Zip Lines, a new company in Puerto Plata, has only been open for about a year and a half. The product offers a 30–45 minute zip line tour about 45 minutes from Puerto Plata in a rural, quaint community. Owned by a Dominican businessman, the company employs about 14 people with all but two being from the local community. Costa Rican zip line experts with high safety standards completed the construction of the zip lines and guide training. Additionally, the business is accredited through strict British insurance programs as well as having supplemental insurance for their trucks.

Yasika has contracts with international tour operators to market to the all-inclusive resort market. They also market to FITs through their website and billboards but are restricted in their pricing policy by the international tour operators. The operators, not wishing to be undersold, have pressured Yasika to keep their prices high for independent tourists. Although this is beneficial for Yasika in terms of profit per tourists, it restricts access to the lower-end domestic market.

In terms of adventure, Yasika is a competitor for the Loma Isabel product. However, the Loma Isabel visitor center and trails will compete both on quality of its natural area, as well as on price if they choose a marketing model more like Damajagua (described in more detail in the Marketing Recommendations section below). Additionally, Yasika management is open to partnerships, which may help to leverage resources for more efficient marketing.<sup>2</sup>

## Jeep Safari

There are various safari excursions offered in the Puerto Plata area including “Off Road Adventures” and “Puerto Plata Runners.” Currently these excursions are very popular among the all-inclusive market segment.

Off Road Adventures offers a safari excursion on two-person dune buggies, while Puerto Plata Runners offers excursions on a large truck (with other operators offering similar excursions on ATVs). The activities include some wildlife viewing and home visits. However the motorized experience does not afford the kind of direct and close encounter with nature offered by the Loma Isabel product. These safari excursions often have contracts with tour operators and do not market to FIT or domestic visitors.<sup>3</sup>

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<sup>2</sup> Peralta, Cesar (Business Owner), Interview with Frances Grullon, Jessie McComb, Elizabeth Weber, June 19, 2009.

<sup>3</sup> Paulino, Abel (Business Owner), Interview with Carla Campos, Jessie McComb, June 20, 2009.

## Business Description

One of the greatest challenges that small and medium-sized tourism enterprises face is how to link their products to national and international markets. Unfortunately, many of these businesses fail for the following reasons:

- They **lack the capital** required to pay for registration fees and legal services required to sell tourism products, as well as money for marketing materials and mechanisms such as websites, print promotion, and advertisements which are essential to promote their products.
- They **lack the training** to deliver high quality, multi-lingual customer services and sales support.
- They **lack the technology** such as web-based communication, reservation, and payment systems.
- They **lack the knowledge** of how to introduce their products to the worldwide network of tour operators, wholesalers, tourism media outlets, travel writers, and online travel sites.

Many tourism enterprises supported and developed through the Dominican Sustainable Tourism Alliance (DSTA) Innovation and Fondos Destinos grant programs, as well as enterprises within the clusters themselves, face these same challenges. And the challenges are real. One does not need to look beyond the Caribbean region, nor the DR itself, to find tourism project after tourism project failed due to an inability to link products to national and international markets.

The Dominican Treasures Tourism Network will offer a diverse set of demand-driven tourism products and services, including individual member products, packaged itineraries of multiple member products, a SAVE tourism program, and merchandise, all of which will allow the network to tap into a wide range of revenue sources.

## Products & Services

### 1. Individual network member tour products that primarily target Free and Independent Travelers (FITs)

During the first year of operations, the network will identify, promote, and sell five to ten initial products and destinations that meet the network's criteria. Currently, the DSTA is funding 10 Fondos Destinos destinations as well as five Innovation grant destinations (see following page) representing 15 new or existing community tourism products that could benefit from network

marketing and sales support, and from which the network could earn revenue from sales commissions.

2009 Dominican Sustainable Tourism Alliance (DSTA) "Innovation Grant" Recipients

**La Caleta National Marine Park**  
(Santo Domingo Cluster)

•Just outside the country's capital, La Caleta National Marine Park will offer an alternative tourism destination for Santo Domingo residents, business travelers, and international visitors alike. A community-operated tourism enterprise will manage guided snorkeling and kayaking tours, beach chair and cabana rental, dining services, authentic arts and crafts, and a Taino Indian museum.



**Calle 30 Dominican Street Market**  
(Samana Cluster)

•Calle 30 will be a restored Caribbean street market that offers unique Dominican arts and crafts products to local, domestic, and international visitors. Additional products may include weekly/monthly street fairs and festivals, musical and theatrical performances, and local food and beverage vendors.



**Aguas Blancas / Valle Nuevo Park**  
(Constanza Cluster)

•At the heart of the Valle Nuevo protected area stands Aguas Blancas, the highest waterfall in all of the Caribbean. A partnership between the Constanza cluster and local communities will develop new tour products in the park - such as guided hiking and horseback riding - along with a small restaurant, arts/crafts sales, and vendors offering fresh local produce. Revenue will go to support park conservation.



**Ecolodge Sonido del Yaque**  
(Jarabacoa Cluster)

•In Jarabacoa, an Innovation grant will be awarded to the Sonido del Yaque Ecolodge, an existing facility run by Dona Esperanza, a women's association. The grant will help to support improvements to the lodge's rooms and infrastructure, to improve staff training and service, and to link the ecolodge to target national and international markets through more advanced communications and reservation systems.



**Loma Isabel de Torres Park**  
(Puerto Plata Cluster)

•La Loma Isabel de Torres is a mountain and national park that lies just outside of Puerto Plata. Visitors reach the peak via a cable car ride above the cloud forest that covers the mountain. The Innovation grant will go to a new community enterprise that will offer guided hikes down the Loma to a picturesque restaurant where clients can enjoy local cuisine, buy arts & crafts, and visit an interpretive nature center.



**2. Package network member destination tour products into single and multi-day itineraries**

The Dominican Treasures Tourism Network has the opportunity to target FITs as well as niche tour operators and wholesalers with multi-day, multi-destination tour itineraries that unite member destinations. The result is a diverse product that benefits several network members.

The Network's activity-specific niche tour packages include:

- Undiscovered beaches
- Bird watching
- General nature observation (whales, turtles, manatees, etc.)
- Authentic cultural exchange
- Hiking and trekking
- Arts and crafts traditions

In order to provide more comprehensive services to operate multi-day, multi-destination itineraries, the Network will also need to identify and engage larger, more established member service providers — particularly hotels and transportation companies — who can provide those services.

### 3. **SAVE** travel itineraries that create unique learning and experiential tourism products

Scientific, academic, volunteer, and educational (SAVE) travel programs not only attract additional niche market segments such as tropical biology and cultural anthropology university programs, but also long-term and dedicated volunteers who might bring valuable skills and development expertise to meet the social and environmental objectives of network members.

For example, a community-based tourism business may support the construction of a health center in its destination. The Network could promote long-term specialized volunteer opportunities to attract construction assistance and medical mission groups instrumental in the establishment of this health facility.

### 4. **Merchandise**

The Dominican Treasures Tourism Network will invest a small amount of money from the DSTA Innovation grant to make Dominican Treasures-branded hats and T-shirts that can be used both as a promotion tool with tour operators and travel agents during FAM (familiarization) trips, as well as a source of revenue for the Network with clients of the multi-day itineraries.



## Business Structure

In the first year of operations two full-time staff persons, an executive director and a sales manager will manage the Dominican Treasures Tourism Network and provide sales and marketing support to members and their products. Staff responsibilities will include:

### Executive Director

- Develop and implement internal bylaws and operational procedures for the company
- Manage the Network’s day-to-day operations, including finances and HR
- Negotiate sales agreements with both Network members as well as private sector partners
- Develop assessment criteria for potential members
- Identify and assess potential members based on established criteria
- Evaluate and ensure the highest level of quality with all tourism products
- Serve as the communications hub between the board of directors, staff, and Network members

### Sales Manager

- Maintain daily communications via phone and email with current and potential clients
- Manage the reservation and sales systems
- Communicate booking information directly to Network members
- Manage and update the Dominican Treasures website portal and client/partner database
- Follow up with clients including satisfaction surveys, e-bulletins, and ongoing promotional emails

### Board of Directors

In addition to its staff in year one, the Dominican Treasures Tourism Network will also form a board of directors composed of representatives from the Dominican Consortium for Tourism Competitiveness (CDCT), the public and private sectors, as well as cluster and community members of the Network.



## Porter’s Five Forces Analysis

The following tables analyze the five main competitive forces that affect profitability of any given industry: barriers to entry, supplier power, buyer power, substitute products, and rivalry amongst competitors.

## Barriers to Entry

Factor	Solution/Action
<ul style="list-style-type: none"> <li>Some tourism providers in the Dominican Republic use corruption and political pressure to maintain monopolies of national markets, particularly in all-inclusive hotels and resorts.</li> </ul>	<ul style="list-style-type: none"> <li>The network will develop a strong marketing campaign that will promote and sell tour packages directly to international outbound operators, wholesalers, and individual clients.</li> <li>The network will develop “exclusivity” sales agreements with as many Network members as possible in order to increase competitiveness.</li> </ul>
<ul style="list-style-type: none"> <li>Conducting tourism activities in protected areas in the DR may require special permits and agreements that require both time and money to obtain.</li> </ul>	<ul style="list-style-type: none"> <li>The involvement of government agencies such as SECTUR and SEMARENA in the DSTA project will ideally help to navigate the various regulations that apply to establishing the Network and operating tourism products in protected areas.</li> </ul>
<ul style="list-style-type: none"> <li>The cost of starting a new tour company can be high in the DR. These costs include legal fees and licenses, staff, administrative costs, and marketing/promotional costs.</li> </ul>	<ul style="list-style-type: none"> <li>The Network will take advantage of economies of scale by selling a high number of member products, a number that will increase each year as new products are added.</li> </ul>

## Supplier Power

Factor	Solution/Action
<ul style="list-style-type: none"> <li>The Dominican Treasures Tourism Network suppliers are, for the most part, the Network members themselves. The majority of these member destinations and products are small, new, and in need of Network support and are therefore willing to negotiate good terms with the Network. In addition, the Network’s suppliers include non-member tourism service providers such as hotels and transportation companies, who in general do not have strong supplier power in the DR because there are so many of them.</li> </ul>	<ul style="list-style-type: none"> <li>The Network will develop fair sales agreements with member destinations that are mutually beneficial to both parties.</li> <li>The Network will develop partnerships with a small number of key non-member service providers (such as transportation companies). By focusing on a few partners rather than many, the high volume of business that the Network will do with those providers will give it a stronger negotiation position.</li> </ul>

## Buyer Power

Factor	Solution/Action
<ul style="list-style-type: none"> <li>The Network’s buyers are both direct (FITs) and indirect (outbound operators, wholesalers). Both buyers have many different tour companies and destinations to choose from, and therefore have strong buyer power.</li> </ul>	<ul style="list-style-type: none"> <li>For both direct and indirect buyers, it will be critical that the Network builds a strong reputation and brand based on the unique qualities of its products.</li> <li>By reducing middleman costs, the Dominican Treasures Tourism Network will offer competitive prices that appeal to buyers.</li> </ul>

## Substitute Products

Factor	Solution/Action
<ul style="list-style-type: none"> <li>There are few well-established ecotourism operators in the DR, and none of them are very large.</li> </ul>	<ul style="list-style-type: none"> <li>The Dominican Treasures Tourism Network will move quickly to dominate the market by adding as many unique sustainable tourism products to its network.</li> </ul>
<ul style="list-style-type: none"> <li>If “sun and fun” products are considered substitutes — their cost is usually lower.</li> </ul>	<ul style="list-style-type: none"> <li>The Dominican Treasures Tourism Network will brand its products as unique and authentic, and will use its marketing messages to point out that all-inclusive “sun and fun” tourism products do not have near the value that sustainable tourism products do.</li> </ul>

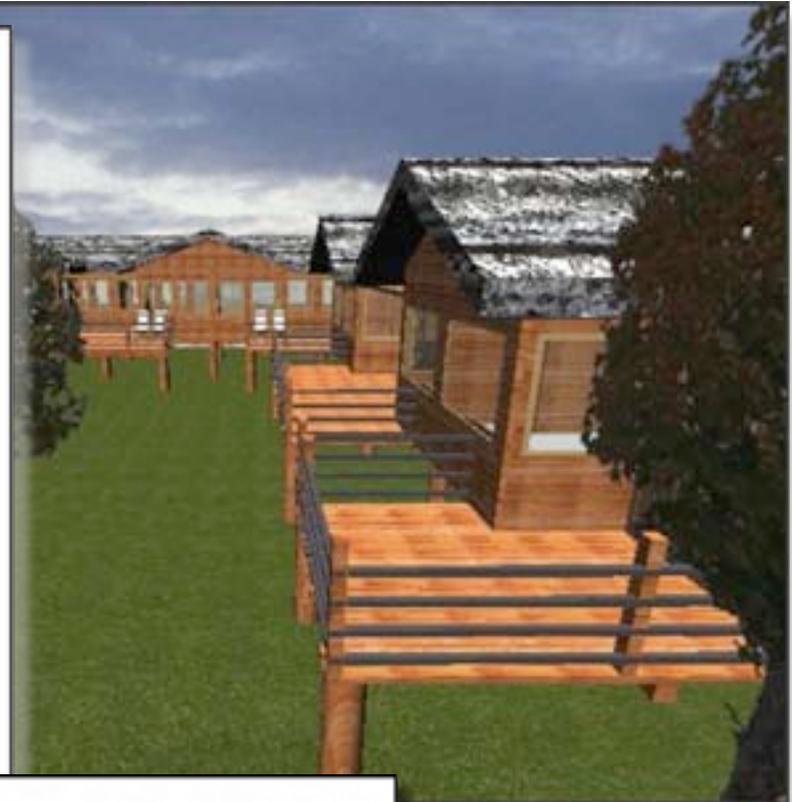
## Rivalry Amongst Competitors

Factor	Solution/Action
<ul style="list-style-type: none"> <li>It is easy for customers to switch from one provider to another, and there is no real cost if they do so.</li> </ul>	<ul style="list-style-type: none"> <li>The Dominican Treasures Tourism Network will attract and hold onto its clientele based on the quality and uniqueness of the product, as well as the price.</li> </ul>

# Annex: Rustic Infrastructure De-

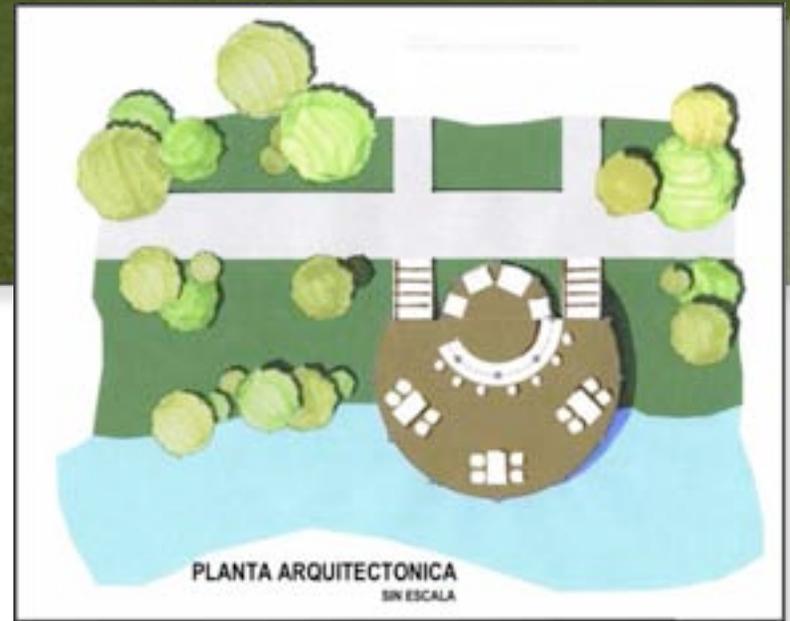
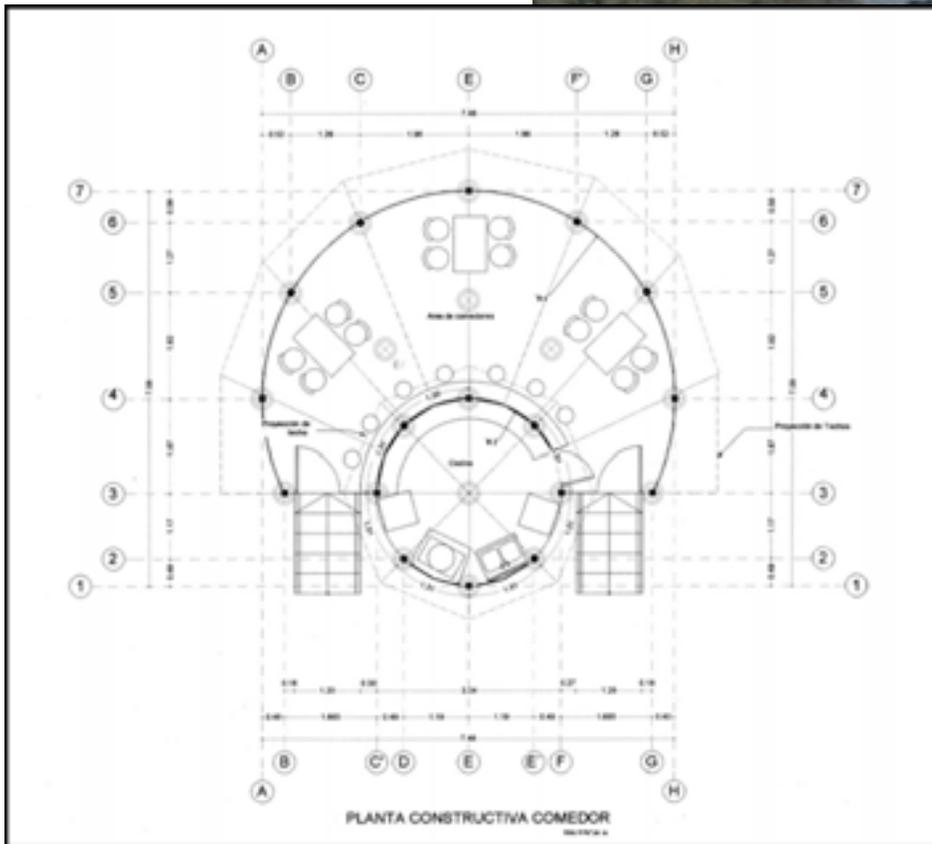


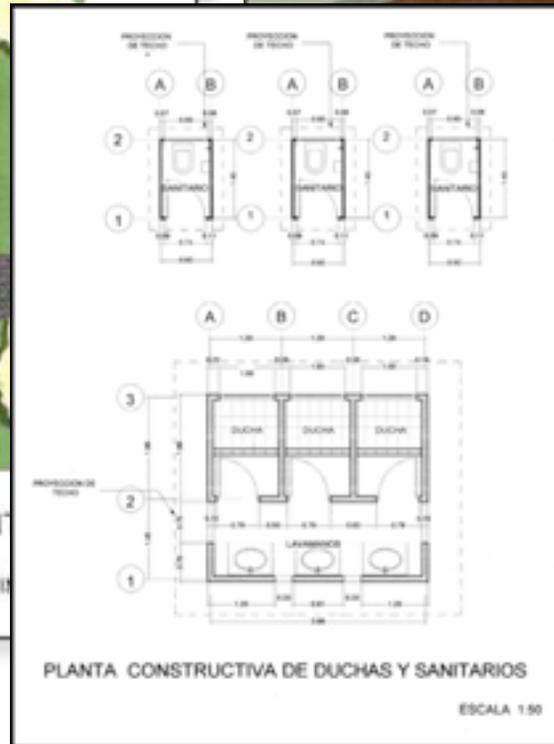
## Rustic Cabin Designs



## Rustic Lodge Designs

# Kitchen/ Dining Area Designs





# Bathroom Designs

# Annex: Best Practices in Tourism Lodging and Infrastructure Development

The following information comes from Conservation International (2009).

## LODGING/INFRASTRUCTURE DEVELOPMENT

### Design and Construction of Buildings and Infrastructure

- ☑ Comply with local zoning and protected or heritage area requirements.
- ☑ Respect the natural or cultural heritage surroundings in siting, design, impact assessment, and land rights and acquisition.
- ☑ Use locally appropriate principles of sustainable construction.
- ☑ Provide access for persons with special needs.

### Waste Management

- ☑ Collect all waste generated during tours and dispose of this waste outside of natural areas.
- ☑ Ensure that visitors and guides bury their feces (where no facilities are available) at least 15 cm deep and at least 100 m from any natural water bodies.
- ☑ Recycle whenever possible.

### Energy Management

The following best practices are applicable for marine and tropical forest operations:

- ☑ Use battery or solar-operated lights where possible.
- ☑ Use fuel stoves instead of open fires.
- ☑ Plan driving (or boating) routes to minimize distance traveled and avoid congestion.
- ☑ Maximize the energy efficiency of our vehicles by:
  - Servicing our vehicles regularly.
  - Making sure our vehicles are fuel-efficient.
  - Not having our vehicles be too powerful for the terrain covered.
  - Having our vehicles be appropriately sized to not be larger than required to seat our typical tour group size.

### Water Management

The following best practices are applicable for marine and tropical forest operation:

- ☑ Track water consumption and adopt measures to reduce consumption.
- ☑ Use water efficient devices.
- ☑ Recycle/reuse wastewater.

### Pollution Reduction

- ☑ Measure greenhouse gas emissions from all sources controlled by the business and implement procedures to reduce and offset them as a way to achieve climate neutrality.
- ☑ Effectively treat and reuse wastewater, including gray water, where possible.
- ☑ Implement a solid waste management plan, with quantitative goals to minimize waste that is not reused or recycled.

- ☑ Minimize the use of harmful substances, including pesticides, paints, swimming pool disinfectants, and cleaning materials. Whenever possible substitute harmful substances for more benign ones. Properly manage all chemical use.
- ☑ Implement practices to reduce pollution from noise, light, runoff, erosion, ozone-depleting compounds, and air and soil contaminants.

## **FOOD SERVICES**

### **Seafood Consumption and Purchasing**

- ☑ Provide information to tourists about the sensitive nature of coral reef ecosystems, including which species in a given region should not be consumed as seafood or purchased as souvenirs.
- ☑ Support ecologically sustainable fisheries practices. Avoid choosing fish that are threatened or endangered.
- ☑ Avoid selling or purchasing marine ornamental souvenirs.
- ☑ Observe the law; abide by all regional, national, and international laws regarding the harvesting of marine species.

## **TRANSPORTATION**

### **Vehicles and Boats**

- ☑ Avoid sensitive sites during operations including important habitats, breeding grounds, and small local communities.
- ☑ Stay on designated or defined routes where possible.
- ☑ Avoid skidding, rough riding/driving, or excessive speed.
- ☑ Keep vehicles clean to avoid transfer of weeds, fungi, and diseases.
- ☑ Use fuel-efficient vehicles when possible.
- ☑ Consider fuel consumption when designing tour routes.
- ☑ Use soundproof vehicles to minimize engine and exhaust noise.
- ☑ Keep vehicle colors neutral to blend with natural environment when possible.
- ☑ Maintain low vehicle speeds in and around sensitive sites to minimize levels of disturbance and injury to wildlife and local communities.
- ☑ Minimize the use of toxic chemicals for vehicle maintenance, cleaning, and protection.
- ☑ Use bunding systems, drop trays, or ground liners to reduce the chance of fuel and oil spillage.
- ☑ Keep vehicles and engines well maintained and serviced to help avoid oil and petrol leaks polluting air, soil, and water.
- ☑ Maximize the time spent outside the vehicle to include walking or educational activities.
- ☑ Practice good driving techniques to reduce gas consumption. This can include reducing idling times, driving at a constant speed, and braking slowly.
- ☑ Avoid damage to banks and vegetation when unloading, launching, and coming on shore with watercraft.
- ☑ Use soft ties when using trees as natural anchors for watercraft.

### **Boat Maintenance**

- ☑ Avoid the use of natural waterways for cleaning vehicles or equipment.
- ☑ Use non-toxic chemicals for vehicle and vessel maintenance and protection where available.

- ☑ Avoid the use of chemicals or personal cleaning products in natural waterways.
- ☑ Perform regular engine maintenance by having a mechanic perform servicing of engines, fuel tanks and associated components, to maximize operating capacity and minimize fuel consumption. Use clean-burning four-stroke engines whenever possible.
- ☑ Regularly inspect areas that are susceptible to potential leaks of toxic substances. This can include regularly checking fuel lines and tanks, filters, separators, vents, and bilge pumps.
- ☑ Keep toxic-absorbent sponges in bilges. Those sponges can significantly reduce and/or eliminate discharge of oils and fuels. Many types of sponges are available that absorb fuel and oil, but not water. Absorbent sponges should always be kept on hand while a vessel is being fueled in a marina or harbor. In areas where the use of bilge water separation devices is mandatory, they should be used in place of sponges.
- ☑ Use biodegradable cleaning agents.
- ☑ Avoid onboard refrigeration units that use chlorofluorocarbons (CFCs). When possible use newer air conditioning units that use special gas mixtures without CFCs in their chemical composition.
- ☑ Avoid pumping oily bilge water or other hazardous substances into the sea. Unless the boat is in danger, wait to pump out oily bilge water, particularly when the ship is near sea-bottom habitat.
- ☑ Avoid using detergents or emulsifiers as bilge cleaners.
- ☑ Avoid draining black (toilet) and grey (kitchen, shower, and wash basins) water directly into the ocean at harbors or coastal visitor's sites.

### **Anchoring**

- ☑ Use mooring buoys or mooring systems. Provide permanent lines that allow boaters to fix their position without dropping anchor.
- ☑ Promote and support mooring buoys installation programs. If there is a mooring program already implemented in the operation area, report any problems the system may have and offer full support to the initiative.
- ☑ Use soft wraps when tying to trees and use or install mooring rings or pylons wherever possible.
- ☑ Avoid damage to vegetation and banks when unloading, launching, and coming ashore.
- ☑ Change boating practices including:
  - Correctly use mooring buoys whenever possible. For reasons of safety, always run a check when a ship ties up to a mooring point (a buoy). Give the ship more room to maneuver by passing a mooring line about half the length of the boat through the eye of the buoy and securing both ends to a cleat on the deck.
  - If anchoring is absolutely necessary, anchor the boat only in a designated area, away from important ecosystems and reefs and avoid dragging anchors.
  - Consider the use of drift dives instead of anchored dives when no moorings are present.
- ☑ Educate visitors who rent boats, sailboats, kayaks, or canoes (if allowed in an area) by:
  - Explaining what mooring buoys are and that renter should use them whenever possible.
  - Explaining the proper way to anchor, before the renters set out.
  - Explaining the potential impacts of poor anchor use.

## TOURS & ACTIVITES

### Land-Based Wildlife Interaction

- ☑ Minimize noise and disturbances when in close proximity to wildlife, and nesting, breeding, or feeding areas. Wherever possible and practical we use hides or other structures to view wildlife with minimal disturbance.
- ☑ Minimize noise from equipment, phones, radios, and loud conversations, as well as sudden movements, flash photography, bright-colored clothing, and open fires.
- ☑ If using spotlights to view wildlife at night, use low wattage lights with red filters and only for short periods of time on particular individual animals.
- ☑ Where possible, keep group sizes to 15 or fewer people per guide.
- ☑ Improve the knowledge and be aware of the location of important feeding, breeding, and nesting sites, as well as seasonal activity, and avoid direct, prolonged, or repeated contact with wildlife. Modify how long and often you frequent particular paths and sites.
- ☑ Talk to local tropical forest area managers, conservation groups, or local wildlife groups about what kinds of behaviors the local wildlife may be sensitive to and what guidelines are available regarding appropriate interactions.
- ☑ Avoid wildlife handling or feeding as a general rule, and do not try to force particular behaviors from wildlife.
- ☑ Inform and manage visitors by providing pre-tour information on keeping appropriate distances from wildlife, minimizing noise and disturbances, handling and feeding restrictions, and any potential health and safety risks from wildlife. Include the reasoning behind particular actions or precautions.
- ☑ Work cooperatively with other tour operators to stagger visitation to particular sites.
- ☑ Modify the times of day and seasons when you use the tour paths and sites to limit environmental impact
- ☑ Only harvest from the wild, consume, display, sell, or trade wildlife species as part of a regulated activity that ensures that their utilization is sustainable. Limit harvest sizes to our immediate needs and avoid harvesting threatened or endangered species.
- ☑ Follow humane killing methods.
- ☑ Never hold captive wildlife, except for properly regulated activities. Only keep living specimens of protected wildlife species if authorized and suitably equipped to house and care for them.
- ☑ Only use native species for landscaping and restoration and take measures to avoid the introduction of invasive alien species.
- ☑ Do not produce adverse effects on the viability of populations in the wild as a result of our interactions with wildlife. Minimize any disturbance of natural ecosystems, and help rehabilitate any populations adversely impacted. Have a policy of providing a compensatory contribution to conservation management if clients or business adversely impact a natural ecosystem.

### Coastal and Marine Wildlife Viewing

- ☑ Limit the number of non-motorized watercraft to eight per tour.
- ☑ Limit the number of customers per guide to 15 or fewer.
- ☑ Avoid chasing marine animals. Whether in the water or on a boat always operate at a slow speed and never chase marine animals.
- ☑ If in an area well known for encounters with marine mammals, use low-noise propellers. If animals approach the vessel, engines will be slowed down or stopped.

- ☑ Practice a no-contact policy. Always avoid touching and handling marine animals such as turtles, whales, whale sharks, dolphins, sea lions, seals, and manatees.
- ☑ Never feed wild animals.
- ☑ Avoid chumming the water or cleaning fish in the back of a boat (throwing meat, blood, or other animal effluents in the water to attract sharks).
- ☑ Avoid surrounding animals when viewing marine wildlife.
- ☑ Limit use of thrill craft or fast boat operations in sensitive marine habitats, in order to protect slow-moving or endangered marine animals.
- ☑ Be litter conscious. Always make sure that trash goes in its proper place and does not end up in the marine environment.
- ☑ Avoid illegal import of captive animals.

### **Land-Based Adventure Activities**

- ☑ Improve knowledge by talking to local tropical forest area managers or conservation groups to help identify sensitive sites and increase understanding of the resilience and ability of sites to regenerate under the pressure of particular adventure activities.
- ☑ Stay on designated tracks/roads where possible when traveling on horseback or by bike and keep to the middle of these tracks to avoid erosion, trampling of vegetation, and ever-widening tracks.
- ☑ Use only existing tracks to access cliffs for rock climbing or caves and be aware of avoiding any geological and cultural areas of significance.
- ☑ Keep to designated routes when in caves. Paths should not block natural water flows and structures should be built to protect sensitive cave formations.
- ☑ Prevent the spread of invasive species by regularly inspecting and cleaning vehicles, equipment, clothing, and footwear before entering natural areas.
- ☑ Avoid intensive or constant use of particular areas.
- ☑ Where there are no designated tracks or roads, avoid intensive use of the one area or route by spreading out over the area and/or using different routes on different days.
- ☑ When rock climbing, rotate the use of areas and keep group numbers small (5–15 people) to minimize impacts.
- ☑ Avoid handling and removal of animals, vegetation, or rock structures that, over time, can damage sensitive tropical forest ecosystems (and particularly those in cave environments and rocky areas).
- ☑ Use equipment efficiently and appropriately to avoid damage to natural landscapes and features when rock climbing or caving. Minimize the use of fixed equipment on any climbing areas. Use soft materials to cushion ropes and natural anchors. Minimize the use of marking materials.

### **Hiking, Nature Walks, and Camping**

- ☑ Make tourists aware of how they can help protect tropical forest areas (e.g. stay on trails, use equipment appropriately, avoid smoking, carry all waste out) to help prevent accidents and avoid damage to the environment.
- ☑ As said before, limit the number of visitors per guide to 15 or fewer to provide a better experience for visitors, decrease impacts, and make the groups more manageable.
- ☑ Use areas which have site-hardened infrastructure when possible (e.g. boardwalks, gravelled paths, bird hides, designated camp sites). Have a site/route rotation plan to avoid repeated use of the same (non-hardened) areas, for areas without site-hardening infrastructure.
- ☑ Retain canopy cover in camping areas and day-use areas, as well as along walking tracks and forestry roads.
- ☑ Avoid open fires and smoking to reduce accidental fires and scarring of the landscape.

- ☑ Keep waste and chemicals away from natural water bodies.
- ☑ Use portable chemical toilets or bury human waste at least 15 cm deep and 100 m from water sources or campsites when portable toilets are not available.
- ☑ Camp at least 30 m away from water bodies.
- ☑ Avoid the use of soaps, detergents, and toothpaste near or in freshwater.
- ☑ Clean all equipment and boots before entering tropical forest areas to avoid chemicals entering waterways and exotic seeds and diseases entering the local ecosystem.

### **When Using Domestic Animals to Conduct Tours (applicable only to land-based operations)**

- ☑ Keep animals clean. Keep horse coats, tails, hooves, and manes free from seeds and plant materials and collect and remove any animal waste. Deliver feed through a nose bag to ensure that feed is not deposited into natural areas.
- ☑ Only use animal feed that contains treated/processed ingredients and not raw grasses and seed, if animals are used in our tours.
- ☑ Keep the company's animals contained with portable, non-wire fencing.
- ☑ Keep the company's animals away from water bodies, banks, and sensitive areas.
- ☑ Use soft ties when using trees as natural anchors for the company's animals.

### **Water-Based Recreational Activities**

- ☑ Avoid the use of natural waterways for cleaning vehicles or equipment.
- ☑ Use non-toxic chemicals for vehicle and vessel maintenance and protection where available.
- ☑ Avoid the use of chemicals or personal cleaning products in natural waterways.
- ☑ Limit the number of non-motorized watercraft to eight per tour.
- ☑ Limit the number of customers per guide to 15 or fewer.
- ☑ Improve knowledge by talking to area managers and local conservation groups to help identify sensitive sites such as breeding or nesting grounds in rivers and creeks and along banks. Avoid these areas when porting, launching, anchoring, or mooring watercraft and when choosing sites to come ashore.
- ☑ Be considerate around wildlife.
- ☑ Be aware of the presence, general locations and common travel routes of large animals likely to be using or navigating the river.
- ☑ Encourage sustainable and humane fishing practices.
- ☑ Be aware of and follow any regulations on maximum fish catch and minimum size regulations, as well as seasonal closures or zoning restrictions.
- ☑ Use appropriate tackle and native bait and limit catch sizes to immediate need.
- ☑ Avoid catching threatened and endangered species.
- ☑ Avoid the disposal of wastewater, sewage, trash, food stuffs, fishing line and tackle into freshwater bodies.

### **Snorkeling, Diving, and Snuba**

- ☑ Establish a no-contact policy.
- ☑ Conduct environmental awareness briefings for tourists and other marine enthusiasts.
- ☑ Conduct buoyancy refreshers and other basic dive skills training for inexperienced, out-of-practice or infrequent divers, addressing the importance of issues such as proper weighting and streamlining of gear.
- ☑ Use reef hooks in places with strong currents.
- ☑ Do not use tank bangers.
- ☑ Discourage feeding and harassment of sharks, reef fish, and other marine wildlife.

### **Prevent Introduction and Dispersal of Non-Native Species**

- ☑ Control food introduction. Food should be introduced only under strict environmental health control and according to site's laws.
- ☑ Prevent the unintentional transport of insects and other small animals by regularly inspecting and cleaning the equipment, vessels, and supplies to ensure that no wildlife is transported from one island to another. Also inspect, and whenever needed, clean passengers' clothing and footwear.
- ☑ Decrease the number of bulbs kept on deck and minimize the use of lights. This can help reduce the attraction of insects to the vessel.
- ☑ Avoid hanging bunches of bananas to ripen on the outer decks. This practice attracts insects that could be spread to other islands.
- ☑ Fumigate boats regularly to avoid infestations. Ensure that fumigations are performed by authorized personnel and use a control register.
- ☑ Whenever possible use bait traps rather than chemical products to control infestations in the kitchen.
- ☑ Store cargo and products from the mainland in storage rooms that prevent the infiltration of organisms such as insects and rodents. Transport cargo in clean and disinfected containers and properly pack and seal it to avoid the introduction of organisms. Strictly supervise the loading and dispersal of all cargo.

## **COMMUNITIES/CULTURAL PRESERVATION**

### **Support Local Communities**

- ☑ Employ local, qualified (assuming training courses are accessible) guides, staff, and managers.
- ☑ Maintain equitable hiring practices. Do not discriminate against hiring women and local minorities, including in management positions, while restraining child labor.
- ☑ Implement a policy against commercial exploitation, particularly of children and adolescents, including sexual exploitation.
- ☑ Respect international or national legal protection of employees and pay employees a living wage.
- ☑ Fund or support guides and employees in attending language or training courses.
- ☑ Purchase locally made food, provisions, and services and use local facilities.
- ☑ Give priority to local service providers who are environmentally and socially responsible (i.e. businesses from whom you purchase goods and services).
- ☑ Offer discounts for local groups, residents, or community development workers or researchers.
- ☑ Participate in work experience or mentoring programs to help locals develop tourism- and guiding-related skills.
- ☑ Actively support initiatives for social and infrastructure community development including, among others, education, health, and sanitation.
- ☑ Encourage visitors to support local businesses by:
  - Recommending local businesses that offer other tourism-related services of interest to visitors such as accommodation, entertainment, transport, regional food and wine, souvenirs and craft markets.
  - Increasing visitor awareness of other local attractions and sites of cultural and historical interest.
  - Incorporating stops or stays with other local businesses as part of the tour experience can be a good way of creating integrated tour packages and supporting local businesses.

- Encouraging and having available information on visitor opportunities to participate in community development projects.

### **Tour Interaction with Local Communities**

- ☑ Educate visitors on sites of significance and cultural, historical, and social values.
- ☑ Consult local communities to avoid carrying out operations in sensitive sites. Ask where sensitive and/or private areas are located. Identify ways to avoid crowding shared infrastructure and services.
- ☑ Collaborate with local communities to ensure that company's activities will not jeopardize the provision of basic services, such as water, energy, or sanitation.
- ☑ Develop and agree upon a code of conduct for activities in indigenous and local communities.
- ☑ Negotiate with cultural groups on appropriate access, behavior, and interpretation regarding heritage, culture, and people.
- ☑ Avoid highly sensitive or private sites on the tour and seek local community endorsement in the selection of sites visited.
- ☑ Keep visitors to defined areas and routes.
- ☑ Communicate cultural "dos and don'ts" to visitors to increase cultural awareness and minimize inappropriate behavior, activities, and communication with hosts and cultural sites during their stay.
- ☑ Establish guidelines or a code of behavior for visits to culturally or historically sensitive sites, in order to minimize visitor impact and maximize enjoyment.
- ☑ Do not sell, trade, or display historical and archeological artifacts, except as permitted by law.
- ☑ Protect local historical, archeological, cultural, and spiritual properties and sites.
- ☑ Do not impede access to historical, archeological, cultural, or spiritual sites by local residents.
- ☑ Use elements of local art, architecture, or cultural heritage in operations, design, decoration, food, and/or shops while respecting the intellectual property rights of local communities.

## **CONSERVATION**

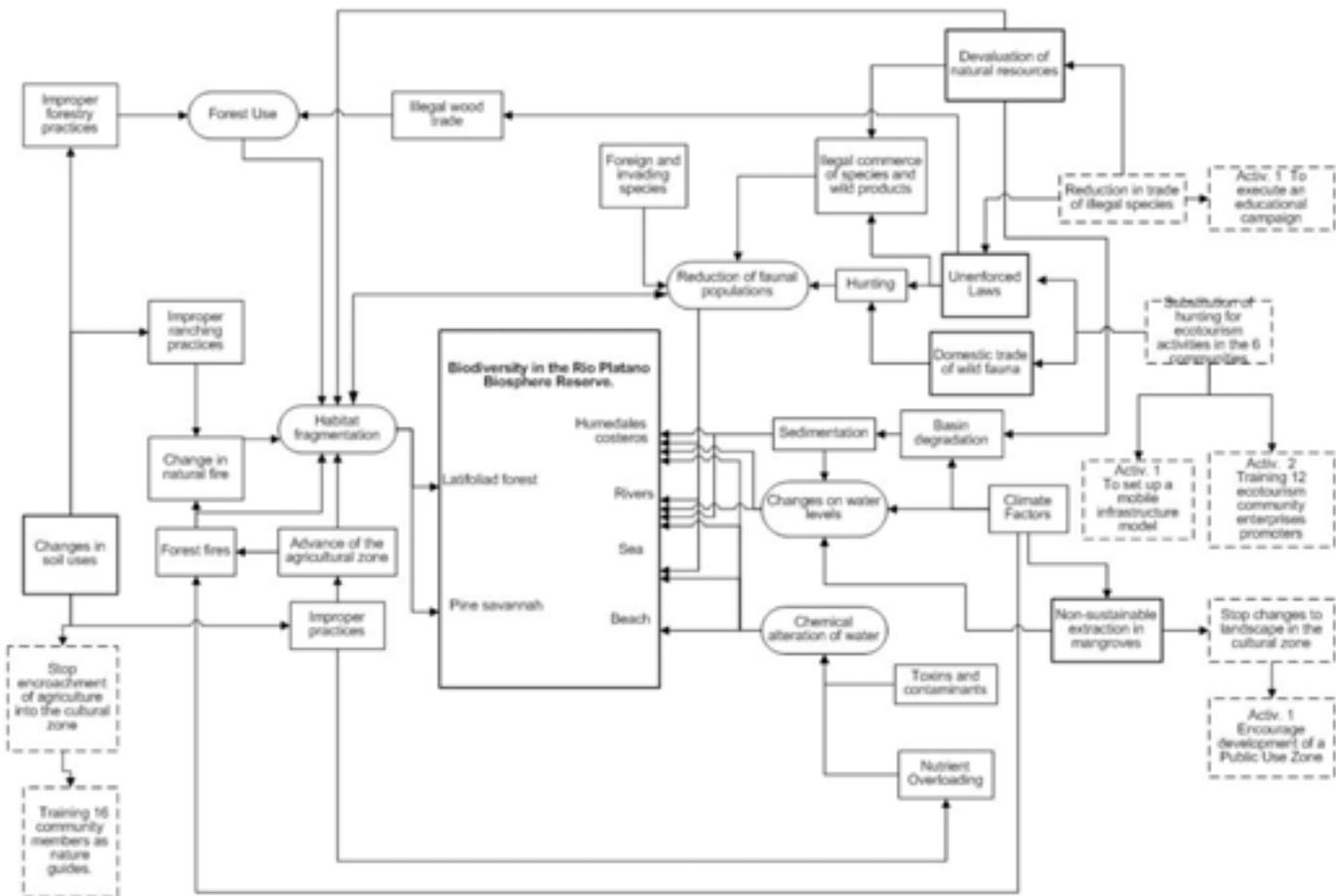
### **Support Ongoing Conservation Efforts**

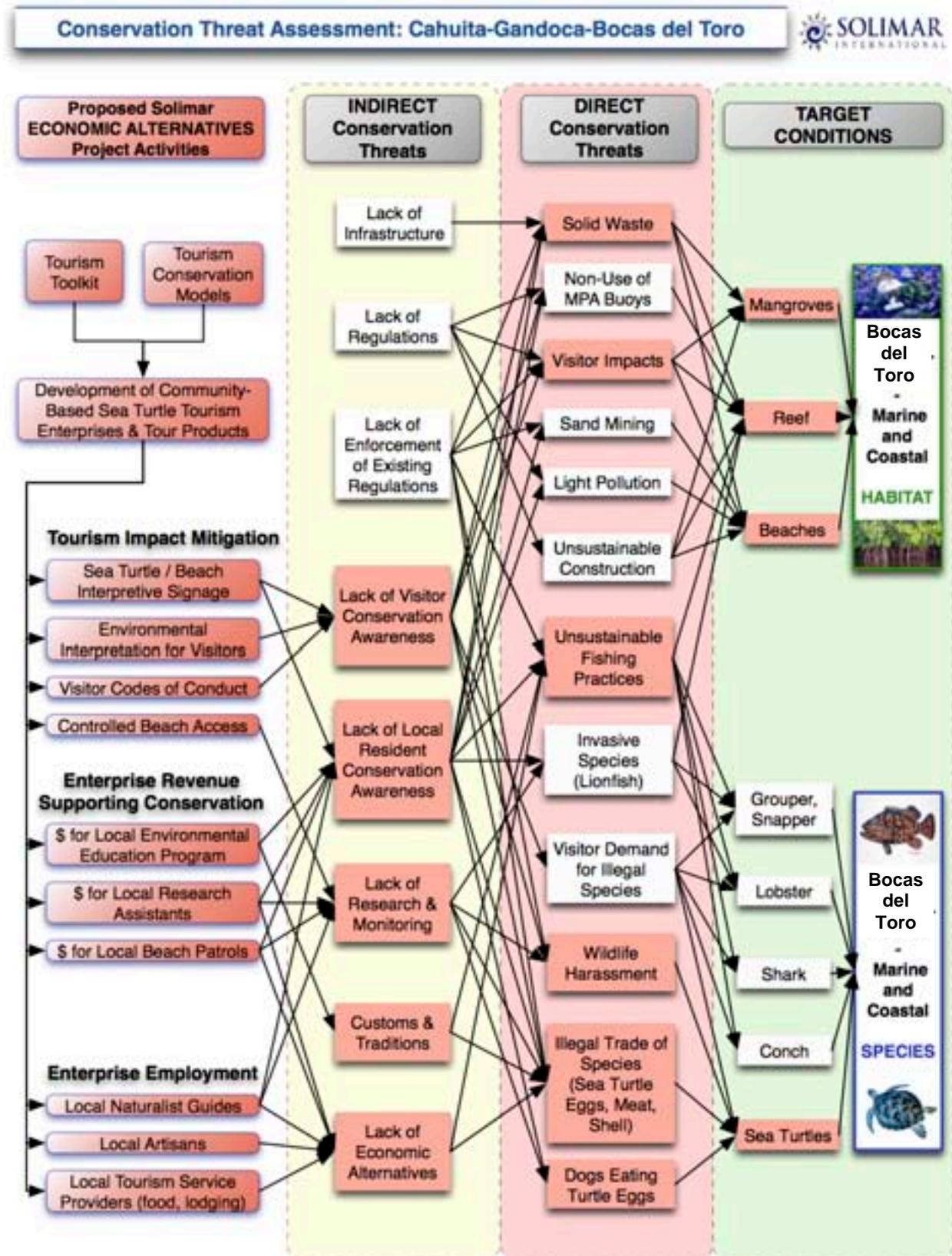
- ☑ Communicate best practice to visitors to minimize environmental impacts of their activities and improve awareness of what constitutes appropriate behavior in rainforests, marine ecosystems, and other local environments during their stay.
- ☑ Encourage visitor participation in local conservation activities. This may include the promotion of conservation groups and local conservation projects or it may include making participation in such projects part of tour activities.
- ☑ Support conservation projects or schemes. In addition to the activities suggested for visitors, operators can also contribute to the conservation by:
  - Working with natural area policy makers and managers and participating in environmental monitoring programs (e.g., species monitoring, conditions of roads, tracks and infrastructure).
  - Working with policy makers and managers and participating in visitor monitoring programs (e.g., visitor surveys and monitoring visitor numbers at particular sites as well as the number of commercial operators provides useful information for planning, infrastructure development, and impact management).

- ☑ Monitor erosion and degradation of sites and tracks and participate in the re-vegetation of these areas. Photograph sites at regular intervals, keep consistent records of monitoring, and share this information with the natural area's managers.
- ☑ Assist in the development or maintenance of site-hardening infrastructure (such as paving, pathways, and boardwalks).
- ☑ Participate in feral animal and weed management activities.
- ☑ Support research and provide concession rates for groups and institutions that study and promote rainforest conservation.
- ☑ Influence visitor attitudes through the incorporation of an interpretation component into tour programs.

# Conservation Threat Assessments

Conservation Threat Assessment: Rio Plátano Biosphere Reserve, Honduras (Rare, 2004).





(Back Cover)

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