

Business Planning Guide For Resource-Based Tourism Operators

The information provided in this package is intended as a guideline only. The Ministry of Northern Development and Mines' guide and templates provides clients with a clear outline of what should be included in a business plan for resource-based tourism diversification opportunities in a standard, simplified format. The suggested template/format should assist in meeting the needs of the operator and the lending requirements of most commercial lending institutions.

Introduction:

There are a vast number of business planning manuals and guide books available today. This guide has been prepared to assist the tourism operator or a third party prepare a business plan that meets the needs of the resource-based tourism operator and potential lending institutions who may use the business plan to assess financial requests from the operator. As important, this business plan will provide the businessperson with an effective tool to manage and plan for the continued success of his / her business.

How to use this guide:

The following guide has been designed to focus on the key areas that must be addressed in a business plan and standard financial statement formats. Given that no two resource-based tourism operators are the same, this format allows the business plan author flexibility in the amount of information required and how it is presented.

This template has been developed to address the needs of not only the business but also a potential lender that may support an expansion or upgrade of the business that completed a business plan. Tourism operators should consider all aspects of their potential business, be realistic in assessing their capabilities and be sure the calculations make financial and operating sense.

For instructions on the financial statement preparation see Section 4.10. It is recommended that tourism operators save the Excel Document Model to their hard drive to develop the required financial materials for the business plan.

Resource Based Tourism Operator:

This business plan format is provided to assist the tourism operator or a professional advisor to prepare a business plan and work with the tourism operator to examine their current operation and examine the potential opportunities to diversify, expand or upgrade their current product.

To assist in the diversification analysis, the Ministry of Northern Development and Mines (MNDM) retained a qualified consulting firm to undertake an in-depth assessment of the Ontario resource-based tourism industry. The *Ontario Resource-Based Tourism Diversification Opportunities Report – Overall Study Report* and *Ontario Resource-Based Tourism Diversification Opportunities Report – Product Development Opportunities for Resource-Based Operators* identify a number of tourism products/services in Ontario, the United States and overseas, one of which may be suitable for tourism operators in Ontario. These

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reports are available to operators by contacting the local MNDM Tourism Advisor or Ministry of Tourism (MTR) Tourism Consultant. The reports may also be accessed through MNDM's Web site at

http://www.mndm.gov.on.ca/mndm/nordev/redb/resources_e.asp.

Please note that completion of this business planning process does not guarantee that commercial financial assistance will be available to tourist operators, but will assist in developing a sound business plan for consideration by the banking community.

Business Advisor / Consultant:

Questions concerning the format and approach to developing your business plan can be directed to your local tourism consultant/advisor at the Ministry of Northern Development and Mines or Ministry of Tourism and Recreation.

Information Checklist:

To assist in developing an effective business plan the following information should be included:

- 1) **Historical Financial Records:** The **last three years of historical financial results** should be used as part of the planning process. These records should include a statement of Income and Expenses and a balance sheet. Audited financial statements would be ideal, however, if these are not available then the following documents should be utilized:
 - a. Accountant / bookkeeper prepared statements
OR
 - b. Business tax returns with appropriate schedules
- 2) **Marketing Information:** The business plan should provide information pertaining to past marketing efforts of the tourism operator including any tracking and customer information that has been collected. If the services of a consultant are being utilized, appropriate brochures, flyers, show materials, etc. should be provided to the consultant.

How to Select a Consultant / Business Advisor

Tourism operators may wish to engage the services of a business advisor / consultant to assist them. MNDM Tourism Advisors/MTR Tourism Consultants are available to assist in the process of finding a consultant.

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Types of consultants include:

- 1) Professional management consultants with a track record of preparing business plans for the Tourism Industry.
- 2) Certified accountants with experience in the tourism industry.
- 3) Business professional with a good knowledge of the area tourism industry working in partnership with a CGA. A personal resume will enhance the selection process.

Business Plan Guide:

The following guide provides an outline and supporting description of the required information and process to prepare a business plan.

1.0 Executive Summary

The executive summary should provide a one page summary of the project, the business and its history, the proposed direction / capital program and the financing request including proposed terms and conditions.

2.0 Existing Business Conditions

Introduction: The purpose of this section of the business plan is to document existing business conditions and assess performance and viability of the existing business.

- 2.1 Business Description: Provide a detailed overview of the current business including information on location, history, property description (legal description), acreage, shoreline, units / key equipment. Include photographs and other information in the appendix of the document.
- 2.2 Ownership: Provide details of who owns the facility and the structure of the company (sole proprietor, incorporated, etc.), provide details of the original purchase of the business including owner's original investment. Existing appraisals, real estate listing, etc. should be provided in the appendix of the report.
- 2.3 Product Line (s): Describe the company's main line of business and secondary activities that support the main business function.

2.4 Current Business Assessment:

2.4.1 Industry Outlook: Provide an overview of the outlook for the tourism industry in Ontario, the region and the subject property. Provincial tourism research statistics are available at www.tourismpartners.com or from your local MNDM Tourism Advisor/MTR Tourism Consultant. Regional information may be obtained by contacting the regional marketing association in the area or Economic Development office. Information specific to the business type (outfitters, resorts etc.) is available from trade associations such as Accommodation Ontario, Resorts Ontario, N.O.T.O., etc.

2.4.2 Marketing: This section of the business plan provides two key elements: 1) detailing existing marketing activities and expenditures and 2) providing a profile of existing market demand and a profile of who their existing customers are.

Based on a review of the existing information the owner/consultant should summarize key geographic markets sources and develop a summary profile for each guest type (hunter versus fishing etc.)

2.4.3 Current Business Volumes: The business plan will provide a breakdown of current business volumes for the last 3 years by season, by product line indicating the potential capacity, the number of actual visitors and average revenue per period. The Total Gross Revenue must agree with the company's historical financial statements.

The intent of this section of the report is to provide the user with an indication of how well the business has performed in relation to potential capacity and average revenue per day and per guest.

2.4.4 Competition: Primary and secondary competition should be provided with a brief description of the product offering, published rates and services provided.

2.4.5 Management: Details of the owners, operators and key management staff backgrounds, training and experience as it relates to the operation of a tourism business.

2.4.6 Financial: Based on the historical financial information provided, a summary income statement and balance sheet should be completed as presented in the attached statement formats.

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The key financial ratios and indicators built into the summary financial statements will provide a synopsis of the financial position of the company. The plan author should provide an assessment and commentary on these statements.

- 2.4.7 Leases, Agreements and other notes: The plan must highlight all commitments, conditions and obligations that may impact the ongoing business. Terms, renewals, cost etc for each Land Use Permit, Moose Tag allocation, BMA's, operation agreements, leases etc.
- 2.4.8 State of Repair: Based on the review, the operator/consultant should provide a comment on state of repair of the facility, equipment and infrastructure. Photographs are to be included in the appendix of the business plan.
- 2.4.9 Current Banking Conditions Arrangements: The plan author will provide a summary of the existing banking relationship including details of all existing loans, lines of credit and other credit facilities.
- 2.4.10 Conclusion:

Based on the review and assessment of each of the above noted sections the Operator / Consultant will draw conclusions regarding the current state of the business and its financial well-being / viability.

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3.0 Strengths / Weaknesses / Opportunities / Threats (SWOT)

Based on the examination of the existing business, market conditions, financial performance and competitive consideration, the operator/consultant will prepare a simple SWOT analysis. Through the development of a SWOT framework, the business owner will be in a position to determine where, in his/her business and immediate market area, does the business enjoy a competitive advantage.

The development of the SWOT analysis should consider the attributes of the business, which may include the following:

Operational Issues : consideration of management skills, training, knowledge.

Competitive Environment: what are the competitors doing, what advantages, unique products, etc. do they possess.

Infrastructure Issues: state of repair, level of quality, age, of buildings / equipment etc.

Local Market Opportunities and Issues: What is in the immediate market area that the business is using or could consider? Consider all possibilities including snowmobile trails, canoe routes, heritage sites, ATV trails, etc.

Financial situation: Rank the current financial situation, bank relationship and business outlook as a strength, weakness, etc.

Tourism Industry Outlook: Based on the work undertaken, rank the outlook for tourism as a whole for the province and the region, and examine each of the source markets.

Regional Market Opportunities and Issues: Give consideration to the markets / products that the regional tourism bodies are considering and how they relate to the business. Does the business have the ability to provide the product that these markets are seeking?

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SWOT Format: The SWOT analysis should be laid out in a table format that should provide a section for each of the segments, strengths, weaknesses, opportunities and threats. It is important to note that it is possible for an item to be both a Strength and a Weakness.

The following report headings should be used and the identified information provided:

Strengths (1)			
Description	Why is this a Strength (1)	Implications for the Business	Is this an opportunity for the business to take advantage of ?

Note: (1) prepare one template for each category Strengths, Weaknesses etc.

Conclusion:

The operator/consultant should draw conclusions concerning the SWOT analysis and highlight the key strengths and opportunities that are available to the business. This should be applied against the findings of the Product Development Opportunities Identification Study.

4.0 **Diversification Plan:**

4.1 **Market Opportunity Assessment** – Based on the SWOT assessment completed in the previous section, it should be clear whether or not the need for diversification of the product offering exists. Further, this analysis will have identified areas where the business has competitive advantages and where gaps may exist in the immediate market place. The operator/consultant may wish to compare the findings of the SWOT analysis with the Product Development Opportunities Identification Study. This information should be reviewed by the consultant/operator. MNM Tourism Advisors and MTR Tourism Consultants are available to discuss potential opportunities and the associated risks.

4.2 **Diversification Project Description:** Based on the review of potential opportunities, the operator/consultant will identify which opportunity offers the best fit with the existing business framework and the one that offers the greatest prospect for success. Utilizing the study and other available information, the operator/consultant will prepare a description of the opportunity which will include:

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- Overview of opportunity
- Market overview
- Required capital improvements / expenditure,
- Training and certification requirements,
- Manpower requirements,
- Business volume characteristics such as yield, seasonality, etc.

4.3 Product Development Strategy: The strategy should address the required steps to enhance and introduce the new product to the market / consumer:

- a) **Define Target Markets:** The business owner/consultant should identify initial and subsequent years target markets. The fine tuning of the target market may initially start with the near and traditional markets (domestic and border states) and move to working with the travel trade to enhance US and international opportunities.
- b) **Product Differentiation:** what will set this product apart from the rest of the market? What “Value added” services can the business add that increase the profitability and uniqueness of the experience? Ontario’s natural beauty and natural resources represent a strong market draw.
- c) **Pricing / Yield:** The price points for the new service or product should be established with a full understanding of:
 - the break even point and reflect the degree in which the product is different or unique.
 - establish what the competition is charging for a like product to set a base line for pricing.
 - commissions and “net” rates should be established.
- d) **Advertising and Promotion:** A budget and schedule is established to support the market entry strategy in step a). This should include paid and unpaid media, brochures, trade / consumer shows, advertising, etc.
- e) **Packaging and Alliances:** Careful consideration should be given to how the operator may be able to participate in an existing market alliance or create a new one. Alliances allow for shared product development costs and partnering with the Ontario and Federal Governments. As well, packaging the product to create a unique and different product that will stand out in the market place should be considered.
- f) **Travel Trade:** depending on the scale and capacity of this new product, consideration may be given to utilizing the travel trade to sell the product.

Within the area of Product Development, the Ontario Tourism Marketing Partnership and the Canadian Tourism Commission continue to provide assistance in this area. The local Tourism field officer will be able to direct and assist in matters such as alliances (Paddle Ontario, Arts in the Wild, Trails etc), Packaging, Travel Trade training. The Northern Ontario Tourist Marketing Partnership (NOTMC) may also be able to offer assistance in product development.

Check with your local tourism MNDM Tourism Advisor/MTR Tourism Consultant to learn more about education/information programs being offered across Ontario.

- 4.4 Management Capacity: The business plan should detail the owner's / management's experience and ability to see this product successfully to market.
- 4.5 Projected Capital Cost with quotations: The plan should provide a schedule of required capital costs and supporting quotations.
- 4.6 Assumptions: The business plan will provide detailed explanation of all of the assumptions used in creating the projected financial statements. The following are the key areas that must be provided:
- a) Business Volume Forecast: The plan should clearly indicate the calculations used to project the continuation of the existing business and the introduction of the new product line. Where available, comparison to industry norms should be included to support the reasonableness of the projections.
 - b) Financing Assumptions: Provide details of the existing financing and the projected new financing including amount, term, interest rates used, payment frequency and monthly / annual interest and principal costs.
 - c) Other assumptions: Provide details for each projected revenue and cost.
- 4.7 Financial Projections: A series of projections should be prepared on the attached financial statements. The projections examine the impact of new product line and continuation without the new product. As each business plan is unique, the plan author will adapt the revenue

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headings and expenses headings to reflect historical statements and the addition of the new product line(s). The financial projections will be based on the assumptions and projection of business volume established in the previous sections of the business plan. The financial statements include projected Income and Expenses Statement, Balance Sheets and a Breakeven and Sensitivity Analysis.

4.8 Risk Assessment: In order to support a potential loan application it is strongly recommended that the operator/consultant should prepare a risk assessment summary addressing why this proposal offers the institution / lender reasonable risk. It should include:

- Management
- Credit History
- Reasonableness of projections
- Existing banking relationship
- Security
- Debt Coverage

4.7 Recommended Financial Plan: Based on the work undertaken, provide a summary of the required financing that includes capital requirements, market development costs (advertising), cash flow requirements and owners contributions.

4.8 Conclusion: The plan author should draw a conclusion on the strength and viability of adding a new product line to an existing business.

4.9 Attachments: The following is a list of required attachments to the business plan:

- Financial Statements (3 years) or Income Tax returns (3 years)
- Photographs
- Marketing Materials (current or existing)
- Required Approvals
- Drawings / Specifications
- Quotation (s)

Completed Financial Statements and Tools

- Projected Cash Flow (3 years)
- Projected Income and Expense Statement (3 years)
- Projected Balance Sheet
- Break-even and sensitivity analysis

4.10 Suggested Instructions on how to Use the Financial Section

1. This is an **Excel Document Model** intended to demonstrate through the use of a fictitious company, the internal build-up of the financial material required for a complete business plan.

BE SURE TO COPY A BACK-UP PROGRAM TO FILE PRIOR TO USING AND ENTERING DATA.

UNLESS YOU HAVE EXCEL PROGRAM EXPERTISE, PLEASE MAKE ALL CHANGES TO DOCUMENT ONLY IN THE YELLOW AREAS!

2. The first document to be completed is the **HISTORIC MODEL**. The information required is from the existing business statements, two years compiled and the current year, month by month. Fill in this model fully **in the yellow areas**, both revenue and expense items are required. This statement must balance with the business accountant's un-audited yearly financial statement.
3. The second document is a **THREE YEAR FORECAST** and has been designed to illustrate the (growth/lack of growth) and future direction of the present business **without the addition** of a new (second/third) revenue source. This **THREE YEAR FORECAST** draws its information data from the **HISTORIC MODEL** and activates the **CONSOLIDATED INCOME STATEMENT**. If the operator feels that there will be slight growth or continuance of decline over the next three years indicate by changing growth rate areas by month.

Changes can only be made in the yellow areas as a percentage ratio (+/-) using the growth rate cells, if the subject has an accommodation business changes can be made to revenue by adjusting average rate.

4. The **DIVERSIFICATION MODEL** is designed to present and co-ordinate the proposed new business into the financial statements. Use primarily the second page and **using the large yellow area** fill in appropriate data. Changes can readily be made to all headings & amounts, **do not attempt to change the location of the white cells unless you have the knowledge required.**

The new business information automatically appears on the **CONSOLIDATED INCOME STATEMENT** as **New Venture 1.**

Banking information (debt service requirements) can be added on the first page in the **yellow monthly cells.**

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5. The **CONSOLIDATED INCOME & EXPENSE STATEMENT** will be fully formed following the insertion of data and appropriate changes to the first three areas. If there are slight problems, trace the problem cell back to the functioning area to make sure adjustments or new data have been properly inserted.
6. The **BALANCE SHEET** is not fully integrated with the **CONSOLIDATED INCOME STATEMENT** and the consultant is required to manually insert the required information into the **marked yellow areas**.
7. The **BREAK-EVEN ANALYSIS** is self-explanatory and will be produced as a result of all the correct data being entered.