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Business Plan for Eco-Adventure Travel Company

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Bachelor of Business Administration

Economics and Business Administration

Thesis

February 2014

Author(s) Title	Julia Erkkilä Business plan for Eco-Adventure Travel company
Number of Pages Date	47 pages 13 February 2014
Degree	Bachelor of Business Administration
Degree Programme	Economics and Business Administration
Specialisation option	Finance and Accounting
Instructor	Pirjo Elo, Senior Lecturer
<p>The purpose of this thesis was to gain sufficient information and understanding of forming a business plan for an eco-adventure travel company and writing the actual business plan for future use to help establishing the planned eco-adventure travel company. Using the research of theoretical information about forming a business plan and combining it with extensive research of statistical and industry data, the initial business plan was written. The purpose was to write the business plan as a guide only. The theoretical information on writing a business plan was used to combine various parts and write a customised business plan to suit the needs of the author.</p> <p>The thesis consists of four main parts; Introduction, theoretical background, business plan, and conclusion. Each of these parts is further broken down into sub-categories and discussed in more detail.</p> <p>The introduction discusses the reasons for writing this thesis and gives an overall introduction to the work.</p> <p>Theoretical background consists of research from literary sources and describes the need for planning a business and structure of a business plan. Sources from various decades were used to showcase how writing a business plan has not changed over the years, but yet provides some fresh insights on business plan writing from the newer sources.</p> <p>The business plan section provides the reader with an insight on the proposed eco-adventure travel company. This section introduces the reader to the meaning of adventure and eco travel, and then takes the reader through the parts of the business plan in logical order. It also provides extensive research on adventure travel industry and market, as well as demographics of the customer. Surveys and reports of trusted organisations in the industry were used.</p> <p>The last section draws the conclusions made throughout the thesis. Based on the research one can see that adventure travel industry is a lucrative one, with big competition, but with the right positioning and attending to the customers' needs, there is a chance for success.</p>	
Keywords	Business plan, eco-adventure travel company, adventure travel, eco travel, adventure travel market, adventure travel industry, adventure traveller, sustainable tourism

Tekijä(t) Otsikko	Julia Erkkilä Business plan for Eco-Adventure Travel company
Sivumäärä Aika	47 sivua 13 Helmikuuta 2014
Tutkinto	Tradenomi
Koulutusohjelma	Liiketalous
Suuntautumisvaihtoehto	Rahoitus ja laskentatoimi
Ohjaaja	Pirjo Elo, Lehtori
<p>Opinnäytetyön tarkoituksena oli laatia liiketoimintasuunnitelma luonnonmukaisiin seikkailu- matkoihin keskittyvän matkatoimiston perustamiselle. Alustava liiketoimintasuunnitelma oli kirjoitettu käyttäen apuna teoreettista tutkimustyötä sekä matkailualan tilastoja. Liiketoimin- tasuunnitelma on kirjoitettu viitteellisenä. Eri lähteistä saatua tietoa on yhdistetty mukautetun liiketoimintasuunnitelman kirjoittamiseksi, joka vastaisi kirjoittajan tarpeita.</p> <p>Opinnäytetyö koostuu neljästä pääosasta – johdannosta, teoreettisesta taustasta, liiketoi- mintasuunnitelmasta, ja yhteenvedosta. Nämä pääosat ovat edelleen jaettu alaosiin, jossa aiheeseen paneudutaan tarkemmin.</p> <p>Johdanto käsittelee syitä tämän opinnäytetyön kirjoittamiseen, sekä tutustuttaa lukijan ai- heeseen ja antaa taustaa kirjoittajan motivaatiosta perustaa eko-seikkailu matkailuyhtiö.</p> <p>Teoreettinen osuus käsittelee liiketoimintasuunnitelman rakennetta ja tarkoitusta. Teoret- tista osuutta kirjoitettaessa eri vuosikymmeniltä peräisin olevia lähteitä on käytetty näyttääk- seen miten liiketoimintasuunnitelman laatiminen on pysynyt samana vuosien varrella. Läh- teet viimeisiltä vuosilta tarjoavat tuoreita oivalluksia aiheeseen.</p> <p>Liiketoimintasuunnitelma -osiossa esitellään seikkailun ja ekologisen matkailun merkitystä. Tämä osa esittelee lukijalle seikkailun ja ekologisen matkailun merkityksen, jonka jälkeen liiketoimintasuunnitelman eri osat käydään läpi loogisessa järjestyksessä. Siinä kuvataan myös matkailualan trendejä ja tilastoja sekä hahmotetaan potentiaalisten asiakkaiden pro- fiili. Opinnäytetyön laatimisessa käytettiin avuksi luotettavien matkailualan organisaatioiden laatimia kyselyitä ja raportteja.</p> <p>Viimeisessä osiossa käydään läpi esitelty informaatio ja tehdään johtopäätökset. Työn pe- rusteella voidaan todeta, että seikkailumatkat ovat tuottoisa sektori, jossa on paljon kilpaili- joita. Oikealla asennoitumisella sekä ottamalla huomioon asiakkaiden tarpeet, perustetta- valla yrityksellä on hyvät mahdollisuudet menestyä.</p>	
Avainsanat	Liiketoimintasuunnitelma, eko-seikkailu matkailuyhtiö, seik- kailumatkailu, eko-matkailu, seikkailumatkailija, kestävä mat- kailu

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1 Introduction

The author of this thesis has taken on a challenge of writing a business plan for her own future sustainable travel company. The idea has been brewing for a while, and together with the business skills learned in Metropolia University of Applied Sciences, it seemed only logical to try to implement the theory in practice. The goal is to write a realistic business plan to help with the formation of suggested business venture and to do the research regarding planning and writing a business plan.

The business plan is to be used as a guideline only, and it will not be complete or exhaustive. In addition to the theory of business planning, the author will do a research on market, industry, competitors, and customers, which constitute the largest part of a business plan, using the obtained theory.

The author has a deep interest in outdoor activities, extreme sports, and travelling. Out of these passions the idea for sustainable travel company was born. As an entrepreneur, the temptation to jump right into action is great, but as a business student the author understands the importance of careful planning and strategizing.

Various literature sources, and a few internet sources, have been used for the theoretical framework of the thesis in order to gather information on purpose and structure of a business plan. Literature sources were chosen based on the quality of information, and sources from 80's and 90's were included as well to showcase that the structure and the purpose of a business plan have largely remained the same over the years.

To serve better the author's purpose of writing a customised business plan, only the relevant parts of theoretical information on writing a business plan were used.

2 Theoretical background

2.1 What is a business plan

The business plan is a written summary of the entrepreneur's business idea. It looks into the future and describes the steps the company intends to take to reach its goals, how it

plans to do it, and what management intends to do for the company to succeed. (Zimmerer & Scarborough 1996, 326)

The business plan shows that the entrepreneur has committed to the business idea, has done substantial research and assessed the market and business opportunity. It is a vital tool that helps entrepreneur define all the areas of business that managers can follow in order to run a successful company. It sets targets for everyone and should therefore be drafted in cooperation with all the parties involved. Start-up businesses will benefit from planning on paper, since it will help them to measure venture's performance. (Zimmerer & Scarborough 1996, 328)

2.2 Why needing a business plan

Entrepreneurs often have the idea and strategy in their heads, but laying it all down on paper is a very important exercise. According to Zimmerer and Scarborough (1996, 330), going through the process of writing a comprehensive business plan is extremely valuable to every entrepreneur. Once the idea is written down, entrepreneurs have a much better understanding about their businesses, their markets, their customers, and their competitors. (Zimmerer & Scarborough 1996, 330)

A well prepared business plan shows that the entrepreneur is serious about the idea and that the management had the discipline to construct such a document. Possible investors would want to see that the management is not neglecting thorough planning and are therefore committed to running the business. A business plan will also help ponder both positive and negative aspects of running the business. (Zimmerer & Scarborough 1996, 330)

It is interesting to see that not all entrepreneurs, however, appreciate the business plan. Some prefer flexible business models that live and change together with the business and its managers.

Blank & Dorf (2012, 35) see the business plan as an unnecessary tool that has outlived its time and only serves the purpose of attaining the finance, and once achieved that goal is forgotten, because it was originally useless. According to Blank and Dorf (2012, 35), business plans are drafted solely for the eyes of the investors, who want to see them

because it is an expected standard. Blank and Dorf (2012, 35) find it insane that a document based on guesses and assumptions is being used as a main guide for executing operations and running the company.

According to Blank and Dorf (2012, 37), the business model canvas is more flexible than business plan, as it changes along the way with the hypotheses being replaced by facts as they are being gathered by the management team and supported by interaction with customers. (Blank & Dorf 2012, 37)

Good business plan not only serves as a tool to raise funds, but is also a living map and guide to company's success. It should also be updated regularly, and theories should be replaced by facts. The following chapter will introduce the purpose of a business plan and its functions.

2.3 The purpose of a business plan

A business plan serves three vital functions. The first is being a guideline for successful business management. It serves as an opportunity to go through every aspect of running a company. It is a chance to plan everything, refine strategies, examine the company from all perspectives, and make mistakes on paper rather than in the real world. The second function is being a retrospective tool. Managers can compare the actual performance of a company over time against the business plan. The financial part of a business plan can serve as a basis for budgets, and should be monitored closely to see how business is sticking to those budgets. The third function is serving as a tool to raise the necessary capital from external sources for growth and expansion. Most lenders or investors will not be willing to finance a company that doesn't have a business plan. (Siegel, Ford, & Bornstein 1993, 1)

It is important to keep these three functions in perspective. Although, raising the funds for the business is of utmost importance, the main purpose of a business plan is to help entrepreneur follow the plan and keep the company on course.

The business plan is a valuable management tool, and as such, helps entrepreneurs focus on developing a specific path for their businesses and on improving managerial control over their companies. (Zimmerer & Scarborough 1996, 326)

2.4 The elements of a business plan

It is very important that the business plan is tailored to the needs of a company. According to Zimmerer and Scarborough (1996, 327) an entrepreneur should avoid mass-produced business plan models, since they are not tailored to bring out the winning features of a business. However, there are some common elements to business plans, which will be described in this chapter.

Not all entrepreneurs include every part described below in their business plans. A business plan is a living document that varies depending on the nature of the business and the personalities of its founders. Each entrepreneur must decide personally which elements to include in their own business plans to better serve the needs. (Barringer & Ireland 2008, 108)

2.4.1 Executive summary

An executive summary is the first part of the business plan. It should not be an introduction, but rather a summary of the entire business plan. It is a compact description of what the business idea and venture are all about, and how the business plans to operate and make money. It will serve as a profile of the company and describe its goals. The executive summary should be concise and touch on every point in the business plan. Therefore, each section of the executive summary should be a succinct version of the same section described fully elsewhere in the business plan. The key elements of an executive summary include descriptions of the company, products and services, audience and ideal customer, as well as describing future of the business and the industry. It should also discuss the financial request, the amount of it, and how the loan will be paid back. (Barringer 2009, 83; Barringer & Ireland 2008, 110)

The purpose of the executive summary is to capture the reader's attention and make the reader want to read the entire business plan. Often, however, the executive summary is the only part of the plan being read. Thus, the importance of the positive first impression is great. Even though the executive summary is the first part of a business plan, an entrepreneur should write it the last. (Barringer & Ireland 2008, 110)

2.4.2 Business profile and mission

A company description provides information on what a company does, what differentiates it from others, and the markets the business serves. Provided review of the business helps readers and potential investors understand the business model. The elements of this section include key employees of a business, mission statement, details about the products/services the business provides, and qualities that make the business a success. Mission statement is an expression of company's values and represents the reason why an entrepreneur wants to start the business. When describing the management team, an entrepreneur should explain how tasks and responsibilities are distributed throughout the business. (Zimmerer & Scarborough 1996, 330; Boulger 2006, 17)

The purpose of this part is to familiarize readers with business's background. It should include a general description of the business operations. The company's overall mission should come first. An entrepreneur should describe the goals a company wants to achieve and how it plans to achieve them. Besides summarizing the general idea an entrepreneur should describe the industry in which the company plans to operate, how the product/service fits in the market, how it is going to be implemented, and the qualities the company and its products/services have in order to succeed in the market. An entrepreneur should also describe in this part the growth trends for entire industry, and how the demand and emerging trends will affect the product/service and the company as a whole. It is also important to mention how the government and its legislation will affect the company. (Zimmerer & Scarborough 1996, 332)

2.4.3 Business strategy

The business strategy is the "game plan" for achieving success in a competitive environment, defining how the business and its products/services plan to achieve a competitive edge over rivals in the market place. It describes owner's strategy to accomplish company's mission, goals, and objectives. The strategy serves to anticipate the changes that come with time in the industry and business. This section should describe how a company plans to attain the competitive edge and the steps and qualities needed to achieve it. (Zimmerer & Scarborough 1996, 333)

2.4.4 Product or service

This section describes overall product/service, its position in the product life cycle and any applicable patents, trademarks, or copyrights. Description should be kept rather brief. An entrepreneur should also provide a comparison between his product/service and that of a competitor(s), describing specific advantages or improvements that make the product/service unique. Also, plans for future product/service development should be discussed. (Zimmerer & Scarborough 1996, 333)

When discussing product/service, an entrepreneur should make the case for why it is going to be successful. An entrepreneur should describe how the product fulfils the customer need in a unique way, who are the ideal customers, and why the product/service will be valuable to them.

The considerations about the product/service liability and insurance, and how an entrepreneur plans to limit this liability should also be included in this section. The type of liability insurance should be described here, as well as the percentage of the product's cost that will be applied toward liability coverage. (Boulger 2006, 20)

2.4.5 Industry analysis

To prepare a sound business plan, it is important for an entrepreneur to understand the industry in which the business will operate and the competitive forces within that industry.

This section should describe the main characteristics of an industry, its trends, current state, and size in terms of sales, profits, and margins. An entrepreneur should identify the major industry participants, like competitors, suppliers, major customers, distributors, etc., as well as identifying their performance, market share, and the advantages the company will have over them. An entrepreneur should also discuss on where the industry is going to be in five to ten years, and how those changes are going to affect the company. Also important to consider is who else may enter the industry. (Boulger 2006, 16)

The target market and the analysis of how a company plans to compete in that market should be described next.

2.4.6 Market analysis

One of the first things to do is to identify the target market and potential. An entrepreneur needs to demonstrate that there is a demand for his product/service and that people are willing to pay for it. When doing the market research, claims about the market size and growth rates should be supported by facts. (Zimmerer & Scarborough 1996, 335).

The target market should describe the primary customers and their characteristics and buying behaviour. Market size and trends observes the market and its potential growth and dominating trends, whereas pricing should consider how sensitive customers are to price changes and how to set the right price.

An entrepreneur should also consider the positioning at the company level, as well as at the product/service level, and how the company plans to meet the needs of its customers. Even though the market might seem hostile with many well established competitors already in operation, with a careful and well thought out positioning a business might discover a niche to cater for. (Barringer & Ireland 2008, 133)

2.4.7 Market segmentation

The market can be divided into segments by age, income, product needs, geography, buying patterns, family makeup, and other classifications. (Kaplan & Warren 2007, 66)

The following are examples of possible market segmentation:

Demographic segmentation divides the market based on age, income level, and gender. Geographic segmentation divides people according to location, such as by city, country, state, or region. International companies often divide their target groups by country or region. Psychographic segmentation divides population into cultural groups, value groups, or other interesting categories for classifying customers. Ethnic segmentations can be sort of a taboo in some countries, but can nonetheless provide a useful tool to classify the customers and observe their buying behaviour and needs. It is also possible to combine the segmentations, like demographic and geographic, for example. The nature of industry will dictate what kind of segmentation is needed. (Kaplan & Warren 2007, 68)

2.4.8 Competitor analysis

A good business plan always includes an unbiased competitor analysis. Analysing competition is an important part of the research, and omitting it would send out the image of unprofessionalism. An entrepreneur can easily access competitor information like competitor's market shares, products, and strategies through trade organizations and their research done on the industry, customers, and various literature and websites. The purpose of competitor analysis is to identify what advantages a company and its products/services will have over its competitors. (Zimmerer & Scarborough 1996, 338)

However, not all the competition is bad. Competitors can have mutual benefits, and function as opportunity generators and protectors. Existing competitors can motivate and develop each other, as well as protect each other by raising the entry barriers. Therefore choosing one's competitors carefully is essential. (Hougaard 2010, 175)

Competitors can also create new markets and therefore make it easier for a new venture to access the market or a niche by creating demand for the product/service. In case of sustainable tourism, the established eco-travel companies offered travellers something unique and opposite to the mainstream travel, therefore creating opportunities for new ventures.

The purpose of the competitor analysis is to provide company with the competitive advantage. It is important to notice, however, that this cannot be done in isolation, and is therefore tightly related to the market and the whole industry. Being better than competitor alone will not guarantee success. One must consider the value the product brings to the customer. Therefore, any conclusions drawn from the competitor analysis should be considered in conjunction with the market and the industry. (Hussey & Jenster 2000, 21)

2.4.9 Advertising plan

The most important question for a business is how to attract customers. There are different types of media to be considered for advertising, as well as the budget for it. An entrepreneur should also consider how he plans to distribute his product/service.

Advertising is an intangible asset, and an asset only if it delivers the wanted results, whether it be promoting the image of a company or generating sales. Taking into account

the nature of advertising, an entrepreneur should consider carefully what those wanted results are, because once the money has been put in the advertising, there won't be anything tangible in exchange in case the message fails to reach the target group. An entrepreneur must consider the message he wants to send out to the public and which response he wants to get in return. (Barrow, Barrow & Brown 2001, 145)

When considering the choice of media to use for advertising, one should take into account that not all the media have an equal impact. Customers are more likely to buy the product after a trusted friend has recommended it, rather than based on sales pitch from a door-to-door salesman. Also unique promotions, which bring out the message in a funny or otherwise creative way, are worthwhile considering. (Barrow, Barrow & Brown 2001, 148)

In today's world saturated with various advertisements and promotions, the customer has become somewhat indifferent to all that aggressive marketing. Therefore it would be wise to concentrate the efforts on more unexpected and subtle delivery of promotional messages. The majority of literature on the topic provides traditional options for advertising, such as TV, radio, press, phone, websites, brochures, etc., which are all surely worth considering, but being creative and innovative in this area is vital.

2.4.10 Management team

The most important factor for a company's success is its people. Financial investors want to see that the management team is comprised of experienced individuals who have the skills to get the job done. This section should include the resumes of people involved in managing the company.

In the start-up phase of a business, especially, the initial entrepreneurial team is unlikely to be the professional management team an investor would expect, and luckily most investors don't expect it to be. The entrepreneurs don't necessarily have the experience needed to oversee all the aspects of running a successful business. What is important in this stage, is that entrepreneurs realize their limitations, and clarify in the business plan how they plan to recruit or reward a person or a small group that will complement the team's talent. (Legge & Hindle 2004, 326)

2.4.11 Financial forecasts

This section will be the most important in the eyes of a potential investor. It basically describes where and how an entrepreneur plans to spend money, and how much return on investment is expected as a result. Financial forecasts usually project two to five years in the future, with the monthly breakdown for the first year, and quarterly thereafter. The unknown factors facing a start-up tend to limit the accuracy and credibility of a long-term financial projections, and therefore it is only reasonable to make annual forecasts beyond year three. (Boulger 2006, 39)

The financial plan of a start-up needs to be put in a proper perspective. Lacking of historical financial data to support the projections for the years to come will result in nothing more than an educated guess supported by hypothetical numbers. The start-up faces a lot of uncertainty, but by paying high attention to detail and providing reliable data that is in accordance with the industry averages, an entrepreneur can make the guesswork more realistic. (Siegel, Ford, & Bornstein 1993, 139)

The assumptions on which the financial projections are based should be clearly stated in the plan, and overall, the financial section should conform to the business plan as a whole and be consistent. Forecasts, plans, and expenditures proposed in other parts of a business plan, like seasonal patterns or expensive marketing campaign, should be clearly reflected in financial projections. (Siegel, Ford, & Bornstein 1993, 140)

The financial analysis section should include an income statement, balance sheets, cash flow statements, and a break even analysis.

2.5 Mistakes and pitfalls of planning

Entrepreneurs are often too concerned with day-to-day activities of running a business and meeting payroll that they neglect the important exercise of writing a business plan and actually following it. If an entrepreneur doesn't make planning a habit, it can result in unexpected problems for the business and not knowing how to cope with those problems. The situation can turn into a vicious cycle, driving the planning completely out of the schedule, and can be a very difficult habit for owner to break. The lack of planning and failure in business have a strong correlation. (Zimmerer & Scarborough 1996, 326)

Once the business plan is written it should be the owner's guide and friend and a document of reference. There is no sense in drafting a comprehensive business plan and then forgetting about it. A business plan should live and develop together with the business. It is not a definite plan, but changes according to the needs and challenges of the company and the plans of the owner.

Often entrepreneurs prepare a business plan solely for raising funds, and don't actually plan to use it. The business plan should reflect owners' goals for the company and a plan on how to achieve those goals. If a business has more than one manager, all the parties should be involved in creating the business plan and committing to it. Once the business plan is completed, regular meetings should be scheduled amongst the managers to follow up on the progress made and accomplishing the goals and objectives laid out in the plan. When constructing a business plan, the user-friendliness should be kept in mind. Over complicated business plan will only discourage its use. One should, as well, maintain the balance and not concentrate too much effort on one part of the plan only – marketing or finance, for example. The purpose of the plan is to set objectives and describe how to achieve them. Other important aspect is to measure and control the outcomes. Managers should establish measurable standards in the plan and hold regular meetings to discuss progress. However, not everything in the business plan goes accordingly, so preparing contingency plans is vital. Updating the business plan periodically assures that management always has a plan to follow. (Thompson 1988, 21)

Mistakes to avoid in drafting a business plan

The following examples summarize the common mistakes done by entrepreneurs when applying for funds, and therefore should be avoided:

- Submitting a “rough copy” of their business plan, possibly with stains on it and crossed out words in the text, undermining the whole credibility of being serious about one's venture.
- Using outdated financial information or industry comparison, making the investors doubt the owner's planning abilities.
- Using unfounded assumptions and not explaining the “whys” of every point in the plan.
- Failing to consider possible risks and pitfalls, which can cause the plans to look unrealistic.

- Failing to comprehend one's own financial information.
- Overlooking the importance of environment. Owners must be aware about the influence of the economic environment as well as competitive factors on their business at the time of the request.
- Relying completely on the outside sources for finance. Lenders want to see that the entrepreneur has something at stake in the venture.
- Be unwilling to personally guarantee any loans. If business owners won't stand behind their companies, why should investors?
- Demanding unrealistic loan terms. Investors want to find out about the viability of the business before discussing loan terms.
- Focusing too much on collateral. Even for cash secured loans, bankers look toward projected profits for loan repayment. The emphasis should be on the cash flow.

(Broome 1993, 30)

An entrepreneur should never resort to business plan being written by somebody else. Outsiders rarely understand fully the business and therefore cannot envision the proposed company. (Zimmerer & Scarborough 1996, 330)

2.6 Investors and lenders

In order to start a business and make it grow every owner will need to secure the necessary funds first. There are various options for funding, and an entrepreneur might have his/her own savings to start the venture. In most cases an entrepreneur will have to look for an outside sources of finance.

Most entrepreneurs don't have enough savings to start a company, so they will most likely need to ask investors and lenders for funds. In order to attract the financing, an entrepreneur must showcase that the business idea is feasible and that there is a market for his products/services. Investors will also want to see that they will have a good return on their investment. In order to do that, one must create an attractive business plan. Such business plan will often play the key role in convincing the lenders to invest in a company. (Zimmerer & Scarborough 1996, 326)

The mistake most entrepreneurs do when applying for funds, is being poorly prepared, with inadequate business plans and few numbers scribbled down as financial statements to support the application. Well prepared business plan is the image of the company that will serve as a key factor in influencing potential lenders' and investors' decision. Therefore, preparing a sound business plan, doing substantial research, and providing adequate information is the key. The quality of a business plan will affect the first impression the investors will have about the business and its owners. The finished business plan should be professional and concise throughout. (Zimmerer & Scarborough 1996, 328)

When applying for a loan, it is very important that the entrepreneur knows the business plan thoroughly. Bad preparation or simply lack of understanding of one's own business plan will surely result in the loan application being denied.

2.7 Definition of terms

Ecotourism

People have had the desire to explore and conquer new places since the beginning of times. People were always on the move, though, for various reasons. Nowadays, we have retained our thirst for the unknown, and, even though we do not travel to conquer new continents, we travel to broaden our world view and enjoy new places and experience new cultures. With this passion for travel comes great responsibility. Everybody wants to travel to a beautiful untouched destination, but what the travellers have to remember, is that it is themselves who are on one part responsible for maintaining the places they visit beautiful and clean.

Ecotourism revolves around conservation and protection of environment and is therefore non-consumptive in nature. Sustainable travel lies in the heart of ecotourism. It involves travelling responsibly to various natural areas. It has an element of participatory experience entailed and is aimed at improving the state of environment and the local population. It includes studying, learning and appreciation of surrounding nature and culture. Ecotourism also aims to raise the awareness of the need for conservation and protection of environment, local population, and culture.

Ecotourism, according to the definitions (Higham 2007, 2), usually involves travelling to rather undisturbed and natural destinations. However, in author's point of view, ecotourism is not so much about where you travel, but how you travel. It is about the interaction with nature and preserving it for others to enjoy it the same.

In other words, ecotourism is more than just interaction between people and their environment. It has to be sustainable tourism. And the main thing about sustainable tourism is that it has to sustain itself, to continue indefinitely, without taking away from the actual source it relies on.

Adventure tourism

Adventure tourism, as the name suggests, entails an element of adventure in it. It can mean various things to different people, but it usually combines interaction with nature, physical activity, and cultural experience. It takes place outdoors, most likely, but not necessarily, in wilderness or in exotic, remote location with relatively untouched nature or beautiful scenery. Adventure tourism is associated with some sort of level of risk that can vary with activity from low to high level of risk. It also requires various levels of physical activity. It can encompass untraditional ways of transportation and accommodation.

Soft adventure

Soft adventure travel can be described by such activities, which require traveller to have a little, if any, training in order to participate in these activities. Soft adventure activities are usually practised outdoors and include limited amount of risk to them. Soft adventure activities also tend to be less strenuous than hard adventure activities. Hiking, bike touring and trail riding, canoeing and rafting in peaceful waters, cross country skiing, wildlife viewing, etc. can all be categorised as soft adventure activities. Soft adventure is ideal for those travellers looking to be introduced into the world of adventure activities and also for those looking to spend time outdoors while performing relatively safe adventure activities.

Hard adventure

Hard adventure requires participants to have a significant amount of skills and fitness. It entails a higher level of risk than soft adventure. Activities such as rock and ice climbing, caving, abseiling, white water rafting and kayaking, kitesurfing, etc. can be considered as hard adventure. Proportion of population practising hard adventure activities represents relatively small percentages, but nonetheless uncover a big market.

Between soft and hard adventure travel, soft adventure represents a much larger market with the most significant growth. However, hard adventure is becoming more popular among the population and has experienced noticeable growth, especially in Latin America.

2.8 Adventure travel market segmentation

2.8.1 Adventure traveller segmentation by activity

Adventure travel can be segmented in two main categories: “soft” and “hard” adventure travel. Then there is ecotourism. Ecotourism can be classified as a sub-category of adventure travel. In author’s opinion it should not be restricted to adventure travel alone, but span across all sectors of travel.

2.8.2 Psychographic and demographic segmentation

The adventure travel market can be segmented in various ways, but taking into account the specialization within the industry as well as the values shared by adventure travellers it is common for many parties in adventure travel industry to use the psychographic segmentation. This means segmenting adventure travellers by their preferred activities. With the addition of demographic segmentation various marketing approaches can be developed.

There are two main segments of adventure travellers within the demographic segmentation approach; the younger generations Gen Y (ages 18 – 30) and Gen X (ages 31 – 44), and the older generation, “baby boomers” (aged 45 – 64). The ages given in brackets are simply a guideline. (ATTA, George Washington University, & Xola 2011)

The younger generations have most likely travelled a lot in their youth and/or studied abroad. They are good with internet and can easily search for various travel deals and destinations online. These younger generations can be further broken down into two segments in terms of interest to the adventure travel industry. These are the ones with more disposable income and limited time, and the ones with smaller budgets but more time on their hands. (ATTA, George Washington University, & Xola 2011)

The group of people with limited budget but more time are most likely to be students or young adults who are not employed full time yet and have therefore time to travel. When they travel they like to engage with the communities and places they visit in order to gain the authentic travel experience. This group is more likely to take the longer trips and fully submerge themselves into the experience. Budget and value will be of key importance to this segment, but also sustainability will play a key role in decision making. (ATTA, George Washington University, & Xola 2011)

The people with higher disposable income and limited time on their hands are likely to be employed full time and have only limited amount of time scheduled for their vacation. With the restraint of time this group will most likely want to fit as many once-in-a-lifetime activities as possible into their vacation regardless the cost. The limited amount of time can also influence the decision to use a tour operator instead of doing the extensive research online. (ATTA, George Washington University, & Xola 2011)

The “baby boomers” are the older generation with high disposable income and extensive time on their hands. They are most likely retired and are awakening or re-awakening to the opportunities of adventure travel and often take trips either together with partner or with their grandchildren. Baby boomers have large budgets and are likely to take more than one international trips annually. They value adventure activities combined with cultural activities and most likely book their trips through a tour operator or agency. This group gets their inspiration from TV series (Amazing race, etc.) and movies, as well as stories of their friends and relatives. As with the other groups mentioned above experience and authenticity play a key role in decision making for baby boomers. (ATTA, George Washington University, & Xola 2011)

3 Business Plan

3.1 Abstract

This business plan will serve as a road map for the future development of the proposed adventure travel venture. In doing the industry and market researches, the author will concentrate on the market areas of Europe, North America, and South America.

For the purpose of doing the market research, there was no reliable data found for ecotourism. There are existing organisations gathering information about ecotourism, but all of the data found was either outdated, or could not be accessed without payment. Since ecotourism is a sub category of adventure travel, the author will concentrate on the adventure travel market statistics.

It is difficult to obtain statistical data for adventure tourism because it is sometimes hard to define. There is however a reliable parties doing substantial market researches about adventure tourism. Adventure Travel Trade Association (ATTA) has conducted various surveys and researches of its tour operator members in partnership with George Washington University and Xola Consulting. They have produced many reliable studies over the years that will be the main source used when analysing adventure travel industry and market.

3.2 Executive summary

The proposed travel company will begin its operations in 2014. It is an online operating eco-adventure travel company offering adventure trips all over the world. The focus will be on sustainable and responsible travel.

The company's mission will be to fulfil and deliver the promise of sustainable and eco-friendly travel. Conservation and restoration of nature will be the guiding force behind each trip. Part of our income will be dedicated to good causes supporting the environment.

The operations during the first year will include partnering with various service providers and offering our customers customised trips through our partners.

The main activity will start on the second year with hiring professional guides and offering catered trips of various length and theme. As time progresses the services to disabled customers will take place as well as environmental consulting for businesses. Alternative business meeting services will be also offered.

Opportunity for success exists with adventure travel segment of the industry being on the rise and having a 65 percent annual growth. In the year 2012 adventure travel market was worth USD 263 billion. More and more people are adding elements of adventure travel to their trips.

The average adventure traveller comes from a middle to high income household, and is on average 36 years old with approximately 50/50 male to female ratio. The majority (37%) travel in couple, 30% travel with families, 21% in groups, and 12% travel solo. Out of adventure travellers 45% use tour operators. The spending on trip and gear has increased over the years despite the economic difficulties. Adventure travellers are early adapters and are the first ones to try out new destinations and activities.

The competition within travel industry is big, but with the right positioning and attending to customers' needs and desires the company can access a lucrative market.

Majority of adventure travellers use internet for their travel researches and Facebook is the preferred social media. Customised and targeted advertising using search engine optimisation and ads placed on social media are the key in the initial stage of the start-up.

3.3 Business profile

We are an online international environmental friendly eco-adventure travel company specializing in adventure, extreme sports and nature conservation.

We will begin operations this year and provide adventure, sport/travel packages, and tours to people all over the world, serving their needs for adventure and extreme sport in eco-friendly way. We will be the link between people and great adventure.

We will offer a variety of different extreme sports catering to customers' skills and desires while also providing accommodation, and services of professional guides when required.

Our tours will take travellers in the most stunningly beautiful and exciting places in the world, offering them opportunities to experience local cultures in the most authentic way by participating and volunteering in daily activities of local residents, while spicing up the trip with variety of sport activities catered to skills and interests of our customers.

We will offer our customers an opportunity to influence the world of travel by choosing to travel green with us. There is an increasing trend in being aware of the environment and the need to preserve it. Since adventure travellers demand unspoiled nature for their travel destinations and support environmental friendly way of travelling, adventure travel promotes this cause. Travelling with us, our customers get to vote for responsible and environmental sustainable travel.

We will also dedicate a part of our operating income to good causes supporting the improvement of environment and sustainable development. Our aim is to be a climate neutral and zero waste to landfill company.

3.4 Our mission

It is not uncommon for travel companies take on the image of being “green” and “environmentally conscious”, while simply dressing the same activity they have been doing with more desirable words, thus creating positive image and avoiding criticism.

Our company’s mission will be to fulfil and deliver the promise of sustainable and eco-friendly travel. We will not compromise our responsibility as nature’s keepers in race for profit. Our customers will value our decision, and therefore help us in achieving our mutual goal. Conservation and restoration of nature will be the guiding force behind each travel, and our customers will be the custodians of this mission. This will be a true value delivered service unlike anything seen before.

3.5 Opportunity for success

An opportunity for our success exists because tourism continues to grow despite economic difficulties. As a sector, the adventure travel category of the tourism industry is in

a growth phase with a 65 percent annual growth. It reached an estimated 26% penetration (1 in 4 trips includes an adventure travel component) in 2010. If growth continues according to present modelling, adventure could be 50 percent of all reasons to travel by 2050. (Adventure Tourism Market Report 2010, ATTA, George Washington University, Xola)

Global warming and the factors behind it are a known fact. People, various organisations, and governments are taking actions around the world to reduce the impact of the global warming on the environment and eradicate the cause. Eco travel is one important link in this attempt to save the planet. Travellers, regardless of their activity preference, have a common interest in maintaining the environmental health of the planet. Places where environment is damaged are seen as unattractive destinations, and therefore, tourism of any kind is declining in those areas. Examples include closing the beaches due to pollution of the oceans and radioactivity, pollution of air, and declining of natural reserves such as fish stock due to toxins in the environment. Travellers want to experience clean and beautiful nature. Nobody wants to swim among the plastic trash, toxic algae, or take a stroll through the radioactive forest.

There is a common belief that an individual is too small to have any great impact on the things happening around us, and therefore any attempts to make a difference in the world are often abandoned or put down by external parties. What we offer is one of the solutions to this problem. We offer an alternative approach to environmental activism. It is true that a modern person is overwhelmed by the amount of work and daily activities taking away from the precious time that could be spent on personal growth, contribution towards the common good, and sustainable development. There are some windows in our busy lives, nonetheless, that allow us to leave the busy world behind, and indulge ourselves in pleasure and rest. This often means taking a vacation and travelling. We offer an opportunity to use this precious time in a way that will not only leave one feeling relaxed and renewed, but will also make a positive impact on the world, by choosing to travel eco-friendly with us. Putting that hard earned money where it matters is a form of voting for individuals – voting with their wallets. In a nowadays economy, this is a very effective way of taking a stand.

Providing individuals with this simple, yet effective way of making a difference and contributing towards the common good is what sets us apart from our competitors and gives us the competitive edge.

3.6 Service

Services provided by us will initially include adventure travel packages booked online segmented by different sports, accommodation, and custom packages according to clients' specifications. We will also offer travel consultation. This activity is planned for the year one, in order to start the business and gain customers. Activities in year one will not require hiring our own guides, as we will be partnering with and using the third-party providers of services.

Starting from year two, we plan to hire the guides and make reservations for multiple day adventure tours encompassed by our professional guides for small groups. Small groups are necessary in order to have a better quality adventure experience and guidance. The tours will be organized keeping in mind the ecological nature of our business, therefore with the least impact on the environment. The mode of transportation and accommodation during the tours will be as close to nature as possible, requiring only basic equipment. Buying necessary equipment to serve a small group at this stage is essential. Our professional guides will be experienced outdoor enthusiasts, and will emphasize and teach the basic survival skills as well as advanced skills to be used in the wild. Third-party service providers will be used only in some areas, when special transportation, and/or accommodation are needed, that cannot be provided by us.

The tours with our professional guides will be the core of our activities. To spice up the trip, we will offer exciting adventure and sport activities through partnering with various adventure and extreme sport service providers.

Every trip will have a mission that will improve the state of nature and/or its residents, be it tree planting, coast cleaning, helping with building housing, cleaning water, etc.

We will aim to organize our itineraries in such countries where government policies support natural, heritage and cultural resources. Through their visitation and expenditures, adventure travellers will support the country's on-going sustainable development strategies.

Adventure travellers frequently seek out opportunities to volunteer in the destinations they visit. By partnering with non-governmental organizations (NGO) we will aid organization partners by offering our customers opportunity to contribute to relevant causes. These volunteering opportunities will help our customers to make a difference in the world.

We will donate a percentage of our income to a good cause thus allowing our customers to participate in nature conservation.

We are also planning to provide tours to disabled travellers because we believe that everyone should be able to enjoy the wonders of nature.

Another increasing trend is business travelling. Companies often search an alternative to boring meeting rooms to do business differently in a unique, innovative environment. We will therefore offer businesses innovative alternatives for business meetings. What could be more exciting, refreshing and tonifying than holding a conference in the middle of natural setting? Be it wilderness style or adding a bit of luxury, meetings are to be a sure success, while adding some activities will bring the feeling of excitement. Unique team-building activities such as raft building, volunteering, canyoning, etc. will bring the people together and enhance the team spirit. Volunteering is a group activity that is particularly responsible and enriching, and contributes to corporate social responsibility programmes.

We will offer business consultancy on environmental issues and help them make a difference in the world. Through us businesses can take part in improving people's lives in various locations and contribute towards the sustainable development.

We seek to differentiate ourselves by unique bundling of our products, unlike our competitors, and provide an extensive range of different sport activities to cover all the desires of an adventure traveller.

We will only offer adventure activities experiences on location. Travel expenses to and from location, as well as personal insurance will be responsibilities of the customer. We might offer the insurance services of those companies we partner with.

3.7 Industry analysis

Tourism is a vital force behind economic recovery. Despite economic recession around the world, the tourism as a sector continues to grow providing many benefits to local communities by providing jobs, encouraging entrepreneurship, and bringing in much needed capital.

Adventure travel is not the largest sector of travel industry, but it is definitely the one to look out for. The adventure tourism sector is on the rise. More and more people are including elements of adventure travel into their planned trips and vacations. According to the research (ATTA & George Washington University 2013), up to 42 percent of travellers from Europe, North America, and South America included adventure travel in their last trip.

Between the researches done in 2010 and 2013 (ATTA & George Washington University 2013), the adventure tourism market grew from \$89 billion to \$263 billion worth. That is a staggering 65 percent annual growth since 2009. If the industry continues to grow with this pace, adventure travel could be 50 percent of all reasons to travel by 2050 (Adventure Travel Trade Association Industry, 2011).

The average adventure traveller usually comes from middle or high income household and is therefore very resilient to economic changes. The growth of adventure travel market is contributed to the increase in travellers from Europe and South America, as well as their increased spending (ATTA & George Washington University 2013).

There is a lot of innovation happening in this area due to many entrepreneurs realising the potential of adventure travel market. As adventure tourism market grows, it attracts the development and formation of new businesses and services. According to ATTA, the revenue of 63 percent of ventures in adventure tour operator business have grown by 17.3 percent (ATTA, 2012).

With such an intensive growth adventure travel is headed towards becoming mainstream. On the other hand, part of its attractiveness to travellers is exactly because it is not mainstream. This possesses a danger to the companies who are playing and capitalizing on this niche orientation.

However, adventure travel being on the rise, many countries are realizing the potential of this market and are starting to prioritize their environmental policies, which in turn enable the adventure travel. The attractiveness of this market will also open up the field for new entrants, which in part will become competitors, but when not competing directly will be of a valuable addition to the various adventure travel services including, transportation, accommodation, etc. (ATTA & George Washington University 2013)

Adventure travel requires healthy environment and beautiful untouched nature. Adventure travellers are therefore acting as the leaders in sustainability by protecting the wildlife, culture, and habitat. Adventure travellers also bring more financial benefits to the destinations by seeking out local lodging, food, guiding, and crafts. Also the need for infrastructure is not relevant for adventure travel as it depends mostly on what nature has to offer or what is already there.

3.8 Market analysis

There has been a 15.6 percent increase in the adventure travellers between 2009 and 2012, from 26.3 percent in 2009 to 41.9 percent in 2012 in Americas and Europe.

The tables below are depicting statistic proportion of the population among soft and hard adventure travellers.

Table 1: Proportion of the population in hard adventure (ATTA & George Washington University 2013)

Proportion of the population: Hard adventure			
	2009	2012	Growth per year
Europe	1.9%	4.9%	54%
North America	2.3%	0.9%	-20%
South America	1.4%	8.0%	153%
All regions	1.6%	4.7%	62%

Table 2: Proportion of the population in soft adventure (ATTA & George Washington University 2013)

Proportion of the population: Soft adventure			
	2009	2012	Growth per year
Europe	23.2%	41.9%	27%
North America	18.5%	15.5%	-5%
South America	34.9%	40.3%	5%
All regions	24.8%	37.2%	17%

As seen from the tables above, the proportion of the population preferring soft adventure activities is generally larger than that preferring hard adventure activities. This might be explained by the fact that people involved in activities categorised as hard adventure are usually experienced and are able to practise them on their own. Those looking to step into the world of either soft or hard adventure are usually starting with activities categorised as soft adventure, and taking into account possible lack of experience are looking for professionals to safely guide them through the activities. Soft adventure tourism stands as the largest adventure tourism market out of which most of the sales occur.

The proportion of adventure travellers in North America is declining, more so in the hard adventure sector. The reasons for this could be the effect of the financial crisis on individual's spending and favourable conditions for self-practise of activities categorised as adventure activities. On the other hand, there is a 17 percent yearly growth in soft adventure travellers in all regions, and hard adventure is on the rise, with staggering 62 percent growth per year in population in all areas. According to the data above, hard adventure activities are very popular in South America, with yearly growth of 153 percent in proportion of population.

The following charts depict the percentage of adventure travellers in each region for the year 2012.

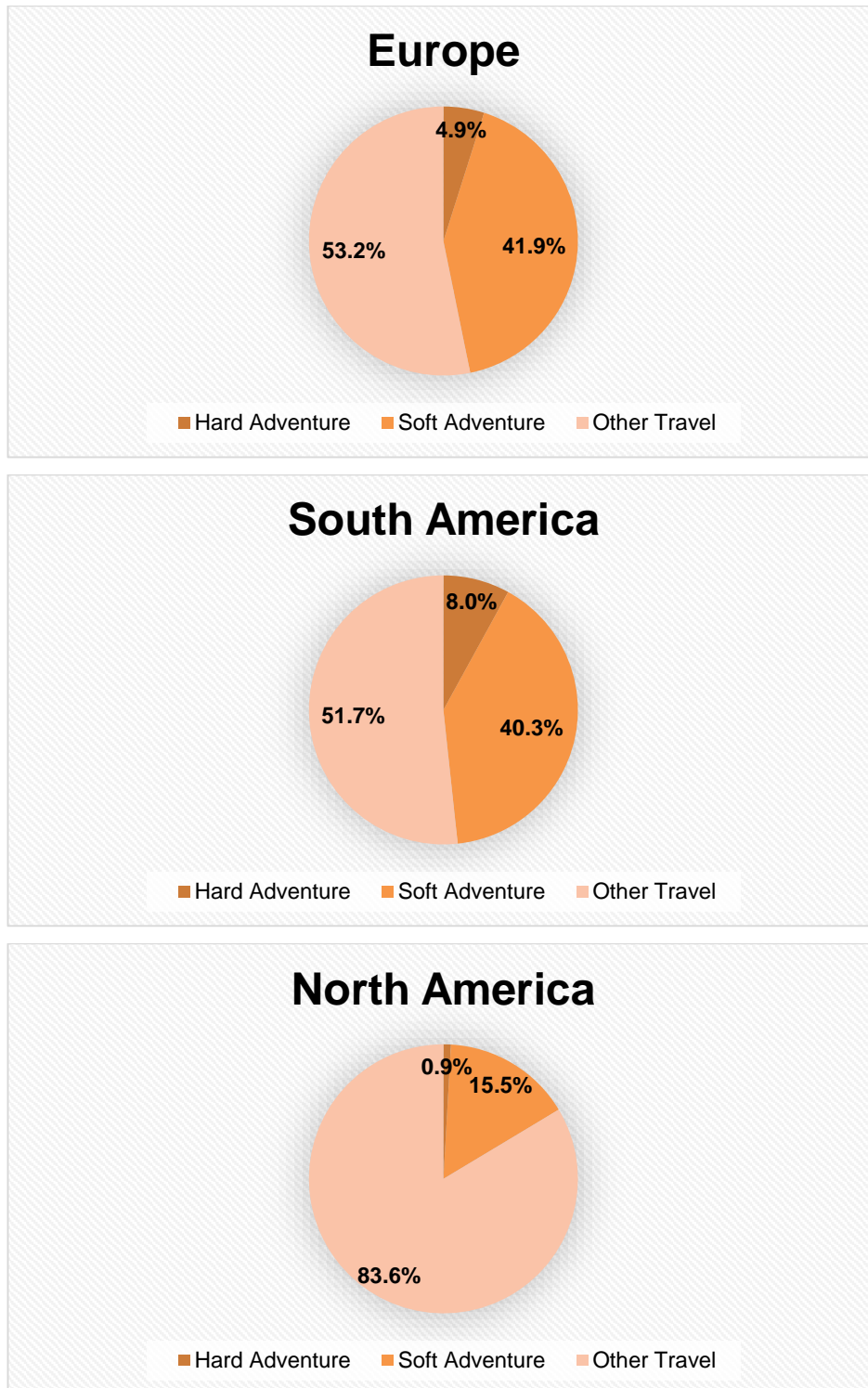


Figure 1: Percentage of adventure travellers in each region (ATTA & George Washington University 2013)

The charts above show that adventure tourism is an important market in the tourism industry.

According to the 2013 Adventure tourism market study by ATTA and George Washington University, the average length for the trip including adventure activity was 10 days. The adventure travellers' spending (excluding flights and gear) has increased yearly almost 20 percent between the years 2009 and 2010 for both hard and soft adventurers and in all regions, from \$593 in 2009 to \$947 in 2012. In trend with previous information on South American adventure travellers and increase in percentage of hard adventure travellers in that area, their average spending on hard adventure trips has increased by 85 percent per year, and 25 percent per year for soft adventure trips.

The tables below depict the average spending of hard and soft adventure travellers on their trips by region.

Table 3: Average spending of soft adventure travellers per trip (ATTA & George Washington University 2013)

Average spending of soft adventure travellers per trip		
	2012	Growth per year (2009 – 2012)
Europe	\$897	24%
North America	\$1,152	9%
South America	\$1,501	25%

Table 4: Average spending of hard adventure travellers per trip (ATTA & George Washington University 2013)

Average spending of hard adventure travellers per trip		
	2012	Growth per year (2009 – 2012)
Europe	\$924	28%
North America	\$875	25%
South America	\$1,333	85%

The reasons for increased spending might be the recovery from financial crisis, leaving travellers with more disposable income to spend on the trip, activities, and gear. On the other hand, taking into account the average price of any adventure travel trip which can range anywhere from 500€ and up, and are on average more expensive than “normal” trips, the information in the tables above suggests that adventure travellers in all regions and especially in South America are most likely to come from the wealthier households thus explaining the higher average spending. The length of trips is also a contributing factor to the higher average spending, which is approximately 9 days for hard adventurers and 10 days for soft adventurers.

3.9 Customer profile

The adventure travel is slightly more male than female dominated, with 57 percent being males and 43 percent females (ATTA & George Washington University 2013). This division can be explained by the physical requirements, especially in the area of hard adventure. Soft adventure tends to be more preferred by females than hard adventure, even though the division between males and females in both hard and soft adventure sectors is not that obvious.

The average age of an adventure traveller is 36, which is relatively young compared to the average age of 41 of a non-adventure traveller. This in turn helps to explain the fact that 48 percent of adventure travellers are single. (ATTA & George Washington University 2013)

Adventure travellers are usually well educated, with an average income level of \$46,800 per annum (ATTA & George Washington University 2013).

International travel is of high importance to adventure travellers, and only a small portion of them doesn't have a valid passport. Only few travel solo, and majority of adventure travellers travel either in the company of friends (21%), with the spouse or partner (37%), or with their family including kids (30%). (ATTA & George Washington University 2013)

Areas of natural beauty are one of the most important criteria on the adventure traveller's list, together with the choice of activities to push their physical limits, and the climate in the destination.

Adventure travellers are more risk tolerant than other travellers. A certain level of risk is an important part of the adventure trip and is the main incentive for adventure travellers. In a 2011 survey conducted by ATTA, George Washington University, and Xola, researchers found that the perceived level of risk from the activity itself was rated much higher by the adventure travellers than the perceived risk from the destination. Adventure travellers, being risk takers, are most likely to be the first ones to try out new things and locations. They are intrigued by unique or new travel destinations and activities, and are less sensitive to the lack of tourism infrastructure.

The use of professional services, including tour operators, guides, and instructors, is more frequent with adventure travellers than non-adventure travellers. This can be explained by the skill level required during the activities and the need for special gear. Also since adventure travellers are prone to travel to new and unique destinations and try new activities, they might feel the need for professional guidance. Also the use of either one of professional services mentioned above is not mutually exclusive, as an adventure traveller can use all of them during one trip. This provides a good opportunity for professional service providers. However, according to the 2013 Adventure tourism market study by ATTA and GWU, 56 percent of adventure travellers did everything on their own. According to the same study, 22 percent of adventure travellers used a guide on their last trip, 18 percent used a tour operator, and 13 percent used the services of an instructor. The need for professional services is emphasised during the hard adventure activities, and activities in both hard and soft adventure sectors for non-adventure travellers who want to be introduced into the world of adventure. The older generation is more likely to use the services of a tour operator, and not surprisingly, they also have the higher average income level.

Adventure travellers usually find their inspiration and ideas for travel from the internet, browsing various travel related websites, reading blogs, using social media, such as Facebook, and reading magazines such as National Geographic and various travel related publications. Stories and photos from friends, which are most likely shared on social media (Facebook), are of great influence. Most do the research using Google, either by typing in the name of the destination or the preferred activity. This suggests that targeted ads would best be placed on the internet and social media.

3.10 Competitor analysis

The competition in the travel industry is severe. There are many well established companies that have large market shares, and it is very hard for new businesses to enter. Travel industry, however, has many niches and sub categories that cater for different customers. Adventure travel and ecotourism are some of those sub categories.

Competition in adventure travel and ecotourism is also quite tough, with many well established players that have managed to seize a good size of the market. Not all of the competitors, though, are what they claim to be. There are many of the competitors who do not adhere to the definition of ecotourism or sustainable travel. Many take on the image of being environmentally friendly because of the benefits the label brings with it, such as improving brand image and enlarging the pool of customers.

There are multiple adventure travel companies offering a great variety of adventure activities. Some are specializing in specific area, like bike tours, hiking tours, etc., but for the purpose of narrowing down the competition we will concentrate on the companies offering various adventure activities in various fields.

Intrepid Travel and G Adventures (formerly known as GAP Adventures) seem to be the two most well-known adventure travel companies.

Intrepid Travel was founded in 1989. They offer grass root type travel with attention to everything local; public transportation, local accommodation, local food, etc. Their purpose is for traveller to see the world through the eyes of locals. Intrepid Travel is considered as Asia-specialist with almost 250 trips running to Asia, and 80-130 trips offering Oceania, Latin America, Africa, Europe, and the Middle East. Intrepid Travel place a lot of effort on being sustainable and have good policy on responsible travel. They also offer specialized tours specifically catered for families, gays and lesbians, and private groups, as well as offering shorter city-tours called "Urban Adventures". This "Urban Adventure" branch offers tours as short as few hours. Other lengths of tours vary from 2 days for Short Break tours to 207 days for Anchorage to Ushuaia tour. Majority of their more than 700 trips last between 8 to 28 days. The costs for their trips (excluding Urban Adventure tours) can vary from USD 100 for Short Break tours of 2 days, to USD 12,000 for their

207-day Anchorage to Ushuaia tour. Climbing adventures start from USD 1,400 and a 14-day Best of Burma trip costs USD 1,900. (Intrepid Travel)

G Adventures was founded in 1990 and is considered as a specialist in Latin America travel with approximately 450 tours to Latin America and 80-140 trips in each area covering Asia, Africa and Europe. They offer very few trips to Oceania and North America. They do, however, have a separate category for Arctic trips. G Adventures offer similar philosophy behind their tours with emphasis on sustainability and responsible travel. G Adventures tours are between 2 days to 80+ days in length. G Adventures offer around 900 trips and majority of them last between 5 to 20 days. The cost of trip starts from USD 100 for a 3-day trip in Central America and USD 12,000 for their longer trips of 80+ days. Climbing adventures start from USD 1,800 and 15-day Turkey adventure is USD 1,600. (G Adventures)

It is hard to compare prices for various trips offered by adventure travel companies as there are numerous factors affecting the quality of the tour, like itinerary, guides, group, etc. The traveller will only be able to grade the tour after it had happened. Most travellers, however, look first of all at interesting itineraries that are available at the time suitable for them and take the risk when it comes to tour guide and group. This is the problem with big travel companies: Customers won't know about the tour guide until they begin the trip. The competitive advantage here is to be closer to the customer and introduce the tour guides before each trip.

There are many more adventure travel companies like Intrepid Travel and G Adventures:

- Geographic Expeditions
- Austin Adventures
- International Expeditions – Focused on ecotourism and natural travel. They offer photography expeditions in exotic locations during the annual animal migration, with professional photographers giving tips on taking better photos.
- Natural Habitat Adventures
- National Geographic Adventures
- Discovery Adventures

These are all big, well established and known adventure travel companies. Some are more expensive than the others, but prices are more or less dictated by the market, so even though some variance in prices occurs, they are quite standard.

REI Adventures is a fresh change from monotony of typical adventure travel companies. It is a consumer's cooperative selling outdoor gear, cloths, and equipment. It was founded in 1938, but began adventure travel activities in 1987. REI offers a lifetime membership for a fee of USD 20, but caters to non-members as well. Members receive various discounts and benefits on gear and trips alike. REI Adventures are very active in sustainability issues and are aiming to be climate neutral and zero waste to landfill company by 2020. They have more than 140 active trips all over the world which range from weekend adventures to three-week expeditions. REI annually dedicates a part of its profit to help and protect the environment, increase access to outdoor activities, and encourage involvement in sustainable and responsible travel. (REI Adventures)

Being environmentally green and encouraging sustainable and responsible travel seems to be the key to winning customers hearts. The efforts have to be genuine, though.

Environmental conservation and sustainable travel will be the heart of our activities, which will attract likeminded people, and with close and personal service and quality trips will turn them into loyal customers, who in turn will spread the word of their positive experience and help attract new customers.

3.11 Marketing plan

There's nothing better than a positive word-of-mouth from happy customers telling their friends and circles about their good experience. According to the 2013 Adventure tourism market study by ATTA and GWU, 64 percent of adventure travellers consult their friends and family prior to taking a trip. It is important, however, to invest in a well thought out advertising plan to reach those initial customers and to attract new ones.

According to ATTA, 69 percent of adventure travellers do the research for their next trip online using various sources. Social media seems to be the main tool for adventure travellers to communicate and do the research on their travel destinations. Almost 80 percent of adventure travellers use Facebook as their preferred social media (ATTA & GWU 2013). The destinations are also being searched through Google and watching videos

on YouTube. Reading travel related blogs is also very important research method for adventure travellers.

Internet based marketing is the key for a start-up company to advertise its services. It is relatively cheaper than mainstream media advertising, such as TV, magazines, and various travel publications, and with the majority of adventure travellers doing their research online and using social media, targeted ads on Facebook and SEO (search engine optimization) are preferable methods. Blogging is also important tool to increase awareness of our services.

Adventure travellers are original people who search meaningful connections and authenticity. Therefore, the marketing messages need to be specifically tailored for them as well in order to offer this market exactly what it is looking for. These sort of messages can be placed where adventure travellers least expect them, like at their yoga studios and their organic supermarkets.

Since adventure travellers are relatively young, with an average age of 36 years, it is wise to attract the younger travellers through advertising in schools and universities, as well as partnering with various student organisations.

In order to reach the target group we will also partner with other travel associated enterprises, accommodation providers, and volunteering organisations.

After the initial stage of start-up, advertising in travel related magazines and publications will be essential.

3.12 Management team

The management team at the start-up phase will comprise of 2 owners/managers.

Both of the managers have a background in business studies, and have experience in the outdoor activities. One of the managers will take on the responsibilities in operational activities and the other in financial activities. Full resumes of the managers will not be included in this version of the business plan.

We plan to broaden our expertise in the team by hiring professional guides. Guides will participate in the planning of tours and itineraries.

Every employee in the company will have a say in day-to-day running of business. We want our company to have an open atmosphere where everyone is welcome to contribute according to one's abilities, skills, and passion. We believe that this kind of open participatory environment encourages generation of new innovative ideas and will positively differentiate us from our competitors.

3.13 Financial calculations

The following financial calculations will show the total financing required in the start-up phase, profit and loss account, cash flow, and balance sheet for the first three years of operation. As all projections into the future, the following calculations serve as a rough estimate to provide a perspective.

3.13.1 Start-up phase

The proposed eco-adventure travel company will need a total of 20,000€ start-up capital for the initial phase. The main expenses are the necessary camping and touring equipment and the pre-opening costs, which include setting up a website for the business, salaries, training of staff, etc.

The amounts are estimates based on current market value and the assumption that the groups of trip participants will be kept small for better safety and in terms of trip experience. The maximum number of participants will be restricted to 8 people. The overnight lodging will happen in tents, when weather allows, and in local/forest huts in winter and rainy periods. Otherwise, participants will be trained to build their own shelters from natural material found in woods. Activities requiring equipment will be organized through the specialized parties.

Table 5: Start-up capital requirements

**Eco-Adventure travel company
Capital requirements**

	Amount (€)
Capital assets	
Equipment	
Camping and trip equipment	5,000
Office equipment	3,000
Subtotal	<u>8,000</u>
Pre-opening soft costs	
Salaries	4,000
Staff training wages and costs	2,000
Pre-opening marketing, website, PR	5,000
Incorporation and registration	400
Legal and accounting fees	200
Subtotal	<u>11,600</u>
Working capital	
Cash reserve	(5,000)
Contingency	5,400
Total external financing required (bank loan)	<u>20,000</u>

The funds will come from two sources. Owners will invest 5,000€ and 20,000€ will come from a commercial loan.

3.13.2 Profit and loss account

The profit and loss account projects the income for the first three years of operation. The numbers are estimates and based on the following assumptions:

General Assumptions

	Year 1	Year 2	Year 3
Interest Rate	12.00%	12.00%	12.00%
Tax Rate	24.00%	24.00%	24.00%

Sales numbers are calculated based on estimation of tour price of 1,900€ and cost of sales being 60% of the tour price. During the first year it is expected to organize trips of maximum 8 people 1-2 times a month. During the second year the business is expected

to run better, and therefore sales number is calculated based on trips being organized twice a month. In the third year trips of 8 people are ran three times a month.

Table 6: Projected profit and loss account for the years 1-3

Eco-Adventure travel company			
Projected Profit and Loss account for the Years 1-3			
	Year 1	Year 2	Year 3
	€	€	€
Sales	273,600	364,800	547,200
Cost of sales	164,160	218,880	328,320
Gross margin	<u>109,440</u>	<u>145,920</u>	<u>218,880</u>
Expenses			
Salaries	64,800	86,400	86,400
Advertising	5,000	7,000	10,000
Equipment	8,000	3,000	20,000
Fixed business expenses	4,800	4,800	4,800
Principal repayment	5,000	5,000	5,000
Other expenses	5,000	5,000	5,000
Total operating expenses	<u>92,600</u>	<u>111,200</u>	<u>131,200</u>
Profit before interest and taxes	16,840	34,720	87,680
Interest expenses	600	600	600
Taxes	4,042	8,333	21,043
Net profit	<u>12,198</u>	<u>25,787</u>	<u>66,037</u>
Net profit/Sales	4.46%	7.07%	12.07%

Salaries are equal for all the employees and owners alike. During the first year, one guide will be hired and trained, and starting from the second year, two guides will be employed.

3.13.3 Projected balance sheet

The balance sheet projects into the three first years of company's operation, and shows the assets and liabilities at the end of each year.

Table 7: projected balance sheet for the years 1-3

Eco-Adventure travel company
Projected Balance Sheet for the Years 1-3

	Year 1	Year 2	Year 3
	€	€	€
Assets			
Cash	205400	458400	873800
Total assets	<u>205400</u>	<u>458400</u>	<u>873800</u>
Liabilities and capital			
Liabilities	<u>5000</u>	<u>5000</u>	<u>5000</u>
Total liabilities	5000	5000	5000
Capital	5000	0	0
Retained earnings	183202	427613	802763
Earnings	<u>12198</u>	<u>25787</u>	<u>66037</u>
Total capital	200400	453400	868800
Total liabilities and capital	205400	458400	873800

The loan of 20,000€ is paid back in four years, therefore breaking the amount of 20,000€ in four parts, making it 5,000€ per year.

3.13.4 Cash flow forecast

The cash flow forecast shows cash in-flow and out-flow on annual basis. The owners will provide initial capital of 5,000€ and 20,000€ will be obtained through a commercial loan. Calculation of sales and salaries numbers have been described above.

Table 8: Cash flow forecast for the years 1-3

Eco-Adventure travel company
Cash flow forecast Year 1 - Year 3

	Year 1	Year 2	Year 3
	€	€	€
Cash inflows			
Capital	5,000		
Loan	20,000	0	0
Sales	273,600	364,800	547,200

Subtotal	298,600	364,800	547,200
Cash outflows			
Equipment	8,000	3,000	20,000
Salaries	64,800	86,400	86,400
Advertising	5,000	7,000	10,000
Telephone and internet	2,160	2,160	2,160
Legal and accounting fees	2,640	2,640	2,640
Principal repayment	5,000	5,000	5,000
Interest on loan	600	600	600
Other expenses	5,000	5,000	5,000
Subtotal	93,200	111,800	131,800
Net cash flow	205,400	253,000	415,400
Cumulative cash b/f	0	205,400	458,400
Cumulative cash c/f	205,400	458,400	873,800

The cash flow is positive, meaning the company will have sufficient funds to meet its operating and other business related costs.

4 Conclusion

This thesis was written in order to gain sufficient information and understanding of forming a business plan for an eco-adventure travel company and writing the actual business plan for future use to help establishing the planned eco-adventure travel company. Using the research of theoretical information about forming a business plan and combining it with extensive research of statistical and industry data, the initial business plan was written. The theoretical information on writing a business plan was used to combine various parts and write a customised business plan to suit the needs of the author.

As a result of the study, it seems that adventure travel market is on the rise and that there is a big potential lucrative market with various needs to be served. If finding the right niche, a company has a great chance of accessing the market and becoming profitable. There is a lot of competition within the travel industry and its sectors. The competition in adventure travel sector is also tough, but with the right positioning and attending to the needs of the customers with quality service that will offer them the chance to contribute towards the improvement of environment, a company can succeed.

The owners' experience in both business studies and outdoor activities, as well as the passion in sustainability and nature conservation, will be of great help when forming the eco-adventure travel company.

The written business plan is to be used as a guideline only. It is not complete nor was it meant to be complete and exhaustive.

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