

Business Operation: Planning

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Sustainable Tourism Online is an EarthCheck initiative.

Sustainable Tourism Online (STO) is a comprehensive online information resource delivering substantial research, data and tools within three main sustainability themes – Destinations & Communities, Business Operations, and Parks & Culture. STO also offers relevant information and knowledge on broader sustainability tourism topics.

Developed by Australia's Sustainable Tourism Cooperative Research Centre (STCRC) in 2010 to support sustainable policy, planning and practice, STO provides access to tourism research and tools developed by STCRC as well as other trusted sources of information.

Good business planning is essential for the development and growth of any tourism business. Business planning and management is an area that has been the focus of extensive research across all industries including tourism. In Australia, the Federal Government has committed over \$500 million to support small businesses, including tourism businesses. A 2010 publication from the Department of Resources, Energy and Tourism, in collaboration with the Department of Innovation, Industry, Science and Research, called [Supporting Small Tourism Businesses](#), provides a range of information and resources for tourism industry operators on business planning, marketing, legal obligations, financing, staffing and sustainability.

Regional and State Tourism organisations have also invested in developing tools and resources to assist tourism business development and growth. Tourism Victoria's Tourism Excellence Module identifies the **7 key steps** in successful business planning and management:

1. Identify your **strengths, weaknesses, opportunities & threats**
2. Determine the **critical success factors** of your business
3. Develop a **long term vision** for the business
4. Translate your vision and critical success factors into **key objectives**
5. Develop the **strategies, tactics and actions** to achieve the objectives
6. Install a **system to monitor and measure** performance
7. **Review, revise and improve** your performance

The Sustainable Tourism Cooperative Research Centre has also developed tools and research that can support industry operators in the planning process. This section provides information for tourism businesses on the planning phase of business development including business planning, investment, financing and regulatory compliance. A range of tools and best practice case studies are also provided throughout.

1. BUSINESS AND STRATEGIC PLANNING

Business and strategic planning is an essential component in the success of any business, no matter what size or industry. Tourism businesses need to be able to effectively plan and respond to changing conditions over time, to compete in this increasingly complex and competitive market. Research conducted by the Sustainable Tourism Cooperative Research Centre (STCRC) has shown that a lack of effective business planning is one of the most pressing needs of small to medium size tourism businesses (SMTEs) today.

The tourism sector is primarily a service industry where the customer comes to the product, rather than the other way around. This creates unique challenges for tourism businesses.

Research has highlighted some of these challenges which tourism businesses need to address in their planning processes:

- **Seasonality of demand** including low, high and shoulder seasons and even weekly fluctuations in visitation;
- **Understanding visitor market characteristics** and demand;
- **Understanding external trends** and influences that can impact on a business;
- Sourcing a **trained and professional workforce**;
- **Lending arrangements and taxation** regimes which are not always conducive to SMTEs;
- A lack of **government understanding and/or recognition of the value of tourism** in some areas;
- A failure to recognise the potential **benefits of industry clusters and collaboration**;
- **Industry fragmentation** and a proliferation of membership organisations;
- Scattered and difficult to locate **business research information**
- Planning for **risks and crises**
- **Single use nature of assets** such as accommodation facilities have limited alternative uses; and
- **High capital intensity** and ongoing fixed costs to operate the business and continue to meet market demand.

Business and strategic planning are not a one-off process, they are cyclical in nature and regular review and monitoring needs to be undertaken. Business planning should be undertaken on an annual basis while a strategic review of the business should be undertaken at least every three years.

The following sections provide further detail on the key steps in business planning – undertaking a situation analysis, developing strategic planning documents and aligning business planning with destination planning.

1.1 ALIGNMENT WITH DESTINATION PLANNING

The Sustainable Tourism Cooperative Research Centre (STCRC) has an extensive body of research into understanding consumer choice and behaviours. This research has shown that visitors commonly select a holiday destination not based on a particular product but rather on the range of experiences, products and services offered by a destination, region or country. It is therefore important that a business understands the marketing proposition and experience offered by their own region or destination to ensure consistency and also identify ways to promote their business as a key experience within the destination. To maximise exposure to target markets and desirability to visitor markets, a business' strategic planning process should:

- Align with one of the **core target markets of the destination** based on the markets needs and expectations;
- Deliver a **product / experience that is aligned with the visitor perceptions** of the destination, as demonstrated by the Australian Wine Tour Co that identified the demand for food and wine day tours through the Yarra Valley;
- Deliver a **service level that is aligned with the visitor's expectations** of the destination;
- Align with the **destination's brand and the marketing messages** presented to the visitor markets of the destination; and
- Align with the **risk and crisis management strategies** of the region or destination.

Understanding the tourism network in which a business operates is also important in identifying partnership opportunities, strategic alliances and cooperative marketing opportunities with other industry stakeholders. One of the landmark reports produced by the STCRC analysed the structure of the tourism sector in several regions across Australia. The report, The Network Structure of Tourism Operators in Three Regions of Australia, provides methodologies for assessing the relationships between tourism organisations in a destination and how these relationships influence destination structure, information exchange and collaborative management.

For further information on tourism planning, development and management at a destination level please visit the ['Sustainable Destinations and Communities'](#) section of the portal.

1.2 BUSINESS PLAN

Clear articulation of the strategic direction and actions for the development, marketing and management of a tourism business is essential for long-term sustainability. The development of a Business Plan should be informed by the findings of the ['Situation Analysis'](#) phase of planning to ensure that all existing knowledge is considered and incorporated into the strategic direction of the business.

An effective Business Plan should:

- Identify a long-term **vision, mission and goals** for the business in order to provide a common direction for development and operation;
- Include a **SWOT and product analysis** of the business based on the findings of the Situation Analysis;
- Identify the **unique selling point or competitive advantage** of the business and its products / services, as demonstrated by Southgate in Melbourne that developed a unique

point of difference through careful planning and strategic communication with target markets;

- Identify the **current and future target markets** of the business, including a market demand assessment;
- Identify the strategic direction for the businesses including **prioritisation of actions and strategies**;
- Identify **responsibilities and timelines** for the implementation of the Business Plan actions;
- Include a **financial analysis and forecast budgeting** for business operations and identification of funding sources;
- Identify **key performance indicators (KPIs)** that are aligned with the goals and vision of the business and that are directly linked to the outcomes of the strategic plans and those elements of the business that a business manager has control over; as demonstrated in the Bussleton Jetty Business Plan which identifies key performance areas and indicators for their business operation;
- Provide a **planning review framework** to regularly monitor and review the success of the strategic plans against the KPIs, as demonstrated by the Greenhouse backpackers in Melbourne;
- Include advice and **input from a range of industry and planning experts**;
- Include a **business exit strategy** that is based on the business owners long-term goals.

Business mentoring and support from Regional and State Tourism Organisations can assist small and medium tourism businesses in strategic business planning. The Tourism Victoria Excellence Module on [Business Excellence](#) provides extensive information and tools on strategic planning for tourism businesses including case studies of best practice organisations.

1.3 MARKETING PLAN

Successful marketing can influence a potential customer's planning process, product choice and also encourage word-of-mouth referrals. A Strategic Marketing Plan is a business planning document that identifies the marketing activities and strategies to successfully attract customers and influence product choice. The development of a Marketing Plan should be informed by the findings of the '[Situation Analysis](#)' phase of planning to ensure that all existing market knowledge is considered and incorporated.

An effective Marketing Plan should be developed from the customer's perspective and include:

- Identification of the **current and desired target markets** for the business;
- Identification of the **visitor markets' information-searching and decision-making process** and factors that influence destination choice and product selection;

- **Identification of trends and influences** that may impact on the target markets of a destination in their travel preferences and choices;
- Identify the **marketing proposition and brand** for the business that is aligned with the overall destination brand, as demonstrated by Queensland's Capricorn Caves and their alignment with Central Queensland's Dig the Tropics geotourism positioning;
- Identifying marketing strategies and techniques that are **aligned with the business' target market segments, vision and values** and that are cost-effective for the business to implement;
- Identify strategies to incorporate **e-marketing and use of ICT technologies** for the promotion and sales of products;
- Identify **clear timelines and responsibilities** for actions identified in the plan;
- Include a **marketing budget and identification of funding sources**;
- Identify **key performance indicators** to monitor and review the implementation of the plan and individual marketing campaigns;
- Link to the **local, regional and state marketing plans** to ensure consistency in the marketing messages being presented to the consumer;
- **Identifying partnership and funding opportunities** including cooperative marketing programs with industry, local, regional and state tourism organisations is important in ensuring that tourism's share of voice in the marketplace is strong. This is demonstrated by the Great Ocean Road's approach to cooperative marketing, industry participation and alignment with destination marketing programs.

Please see the section on ['Marketing'](#) for further information on the implementation of sales, distribution and promotions strategies for tourism businesses.

1.4 RISK MANAGEMENT PLAN

Tourism businesses operate in a rapidly changing environment in which unforeseen risks and crises can significantly impact on profitability. Risks to tourism businesses can be as simple as customer cancellations through to a major natural disaster, all which can affect the business' bottom line and long-term sustainability. A Risk Management Plan outlines the framework and processes for identifying and responding to risks and crises that may impact on a business. One of the landmark reports by the APEC International Centre for Sustainable Tourism in collaboration with the Sustainable Tourism Cooperative Research Centre (STCRC), produced a comprehensive risk management guide for managing crises in tourism. The 'Tourism Risk Management Guide' provides a framework for tourism businesses undertaking a tourism risk management process and developing a Risk Management Plan:

Source: Tourism Risk Management; An Authoritative Guide to Managing Crises in Tourism, APEC International Centre for Sustainable Tourism, 2006

A crisis can have a significant effect on a tourism business whether it directly impacts on the business or occurs within the same region, state or country.

For this reason it is important that businesses are aware of the risks and crisis management processes for their own region, state and country. This will assist in effective communication of response and recovery actions when a crisis occurs.

1.5 SITUATION ANALYSIS

The business environment is constantly evolving, regardless of the business' stage of development. A situation analysis involves examining the environment in which a tourism business operates to identify key factors that will influence how the business is developed, marketed and managed over time as part of the strategic planning process. The situation analysis should underpin and inform all phases of business planning and operation.

A situation analysis should include analysis of both the internal and external environment. Research indicates that a comprehensive analysis might include:

- Analysis of the **internal operating environment and resource capacity** of the business including financial and human capital, products and experiences audit, infrastructure and services, strengths and weaknesses and business structure;
- Analysis of the **external operating environment** including key trends and influences in the market, the statutory and planning environment, threats and opportunities and competition. A **SWOT analysis** can assist in analysing both the internal and external environment.
- Identification and analysis of **current visitor markets**; as demonstrated in the 'customer auditing' approach featured in Tourism Victoria's Excellence Module to identify consumer needs and demands. Tourism Australia and all of the Australian State Tourism Organisations are a good source of guidance for identifying visitor market needs.
- Reviewing existing market research sources to understand visitor characteristics, behaviours and preferences and identify **markets**,
- **Forecasting of future visitation** based on market trends to understand both the overall volume and the future mix of visitors;
- While current industry and market trends can provide useful insights, **social and economic trend analysis and forecasting** is one of the best ways for businesses to identify future market opportunities ahead of competitors. Social trend forecasting is available through a number of specialist research organisations such as IBISWorld;
- Undertaking a **product and experiences analysis** matched with the visitor demand analysis to identify key gaps and opportunities in the business' product offering, as

demonstrated by Victoria's Chocolate Gannets which responded to the visitor demand for luxury accommodation along the Great Ocean Road;

- Review of the **goals and values of the business**;
- Review of **lessons learned from other similar businesses** on pitfalls, successes and future opportunities.

The Sustainable Tourism Cooperative Research Centre has an extensive body of research into understanding consumer choice and behaviours and the impact on identifying appropriate visitor markets.

2. INVESTMENT AND FINANCING

The ability of businesses to source and secure adequate funding and investment is essential to the long-term sustainability of a business in implementing their strategic direction. Businesses require investment in new developments, redevelopment and refreshment of tourism products, services and facilities to ensure that a destination and individual businesses can maintain and enhance market appeal and provide exceptional tourism experiences. Investment in tourism can be generated either from investment by existing business owners into expanding / developing their operations, from new investors (including external funding and loans) or from grant funding programs.

Whether it is investment by existing businesses or new investors, investment decisions need a strong business case to ensure investor confidence. Investment and financing research has shown that:

- There are a **wide range of investment and funding models** that can be adopted by a business. Identifying the right model for a business depends on the business's stage of development, financing needs and the characteristics investment opportunity.
- Attracting investment or finance needs to be based on a clearly demonstrated **positive return on investment (ROI) forecast** based on visitor market research, projected market growth and supply / demand comparisons.
- Third party consultants can assist businesses with identifying an appropriate funding model and undertaking **pre-feasibility and ROI assessments** for business opportunities. For more information on assessing the feasibility of a tourism project, please visit the section on '[Product Development](#)'.
- **Strong community and industry support** for potential investment opportunities should be sought before promoting ideas to the investment community;
- Investors may choose a particular opportunity based on **visitor demand, destination image and branding, stakeholder support for tourism, planning and regulatory**

environment and **supporting infrastructure** within and close to the destination when developing a project concept.

- **Business loans** are also an option to source the required funds for tourism development. The Australian Government has developed a [Business Loan Finder](#) to assist small businesses compare business loans and identify credit options;
- **Regional, State and National funding and grant initiatives** offered for individual tourism businesses can be an alternative source of finance for a business eg. the Australian Government's TQUAL program. As part of the actions arising from the 'National Long-Term Tourism Strategy' in Australia, the Investment and Regulatory Reform Working Group have documented the funding and investment assistance programs available in Australia for tourism development.

3. REGULATORY COMPLIANCE

Tourism is a complex sector that incorporates a wide range of industries. This means that the regulatory and planning environment in which a tourism business operates can be very confusing for operators of all sizes. Research by the Sustainable Tourism Cooperative Research Centre (STCRC) found that there are currently 175 Acts in Australia which might impact on tourism businesses, without necessarily being tourism specific legislation. The regulatory environment for a tourism business includes consideration of:

- Business registration and licensing
- Accounting and taxation
- Financing
- Credit and debt recovery
- Staff recruitment and employment
- Supply chain management and contracting
- Public liability
- Occupational health and safety
- Franchising
- Intellectual property
- Fair trading
- Leases
- Import and export licensing
- Climate change and sustainability
- Land use planning and development
- Sector specific legislation for gaming, liquor, events, transport, national parks, marine parks and coastal development

The regulatory requirements of tourism businesses will differ depending on the type and size of business and the State or Country of operation. In Australia, the Department of Innovation, Industry, Science and Research has developed The Legal Issues Guide for Small Business which provides quick and easy online information about a range of legal issues which frequently confront small business including identification of sources of assistance and preventative measures.

Governments at a State and National level commonly provided business mentoring and legal advice services for small businesses in understanding their legal obligations. The STCRC Report, The Legal Basis for State and Territory Tourism Planning provides a summary of all 175 Acts that directly or indirectly impact on tourism planning and business operation, State by State.