



2 getting started

2. Getting started

The New Zealand tourism industry is diverse in size, spread and character with many small, niche operators and positive opportunities for new entrants.

It's important to be realistic. Tourism is relatively easy to get into but it is complex, with many potential traps for new players.

If you're confident your idea has the potential to succeed, you'll need to develop a business plan. There are no guarantees in tourism (or any other business) but good research and planning will go a long way towards ensuring your business' survival and profitability.

This guide focuses on the areas that are particularly relevant to tourism, but there is also a lot of preparatory work and planning you must do that is common to all businesses, regardless of what they do.

For general advice, go to biz (www.biz.org.nz or 0800 424946), a specialist business information service for small to medium businesses (SMEs) provided by New Zealand Trade and Enterprise (NZTE).

The biz service assists you to identify organisations, people, training programmes and resources to help develop your business, as well as contacts and information on government and non-government services.

For practical tourism business planning tools, join the Tourism Industry Association (TIA) and get a copy of the CD *Tourism in Action – resources for successful tourism businesses*.

TIA's website also lists tourism services providers, including business consultants who may be able to assist you. www.tianz.org.nz.

Consult your own professional advisors – lawyer, accountant, insurance broker, etc.

Step 1 Look in the mirror

Much of what makes a small business successful has to do with the personality and qualities of the owner.

Successful businesspeople are passionate about what they do. They make a 24 hour a day, seven day a week commitment. Their bedtime reading is industry journals or business books. They enjoy making contacts with other people in the industry and are always on the look-out for good ideas.

It will help to talk to someone running a tourism business about what's involved – how many nights and weekends they put in, what problems they've encountered and what the rewards are.

If you've worked in a tourism business, you'll have some idea of what's involved. Think about what the people running that business did that worked, or didn't work.

While it is important to be technically competent, keep in mind that you can learn new skills, or buy in professional help. For example, if you can't cook, you can hire a chef or buy pre-prepared food. If you can't understand cash flows, you can do some training or employ an accountant. But nobody can replace your passion for your idea and your personal commitment to making it work.

Step 2 Develop your ideas

Consider carefully whether your idea will really appeal to visitors. Just because you are passionate about your idea – whether it's your favourite activity or your special place – it does not necessarily mean that it will attract enough visitors to become a successful business.

This is where your research and analysis begins as you get your ideas out of your head and down on a piece of paper. Expect to spend at least three to six months on this phase – there's a surprising amount of work to be done before your opening party but it's all necessary.

What product are you going to sell?

We're using the word "product" in the broadest sense to describe what you are making available to customers, whether it's accommodation, an activity or attraction, event, tour, transport, an item of merchandise or a service.

In tourism, it helps to think of your product in terms of the visitor's experience. For example, an accommodation product such as a bed night can deliver the experiences of friendliness, comfort and security in a particular location. With a museum exhibit, the experience will be learning and perhaps entertainment. Focusing on the experience can help you plan how to promote and operate your business successfully.

Keep in mind that most of your visitors are treating themselves to a holiday and will be looking for experiences that make them feel special. You can provide that by delivering the best you can in every aspect of your business.

If you provide visitors with an experience that measures up to what they expected, or is even better than they expected, they are more likely to come back or recommend your product to others.

One way to develop your product is to consider how you will make sure it is:

- Appealing
- Accessible
- Available
- Value for money.

Then you'll have to think about what's required to deliver your product to a high standard every day. That includes considering:

- Resources
- Operational requirements
- Cultural elements
- Environmental issues.

Appealing

What are your potential visitors interested in?

Overall, we know from Tourism New Zealand research that the elements our target markets find more appealing are beautiful scenery, a friendly guide, interaction, education, uniqueness and a genuine emotional connection (authenticity). More details are available in the companion volume to this guide, *Give it 100% – An introductory guide to marketing and developing your tourism product*, available from www.tourismnewzealand.com.

Accessible

Your business needs to be accessible to visitors. That means firstly they need to be able to find out that it exists, which relies on your marketing activity. Then they need to be able to get to it.

Keep in mind that there are a number of ways for visitors to find out about and decide to buy your tourism product. They may be direct – through finding your website or seeing a brochure, they turn up at the gate or phone or email you. Alternatively, they will come to you indirectly, through a third party, either in New Zealand or overseas. Those third parties form what's known as the Travel Distribution System. There's more on this in the companion volume to this guide *Give it 100% – An introductory guide to marketing and developing your tourism product* available from www.tourismnewzealand.com.

Once they've decided they want to experience your product, how will they get there? Things to think about include:

- Is your business on a major road or public transport route?
- Would a local tour or bus operator be interested in providing connections from the nearest town or transport hub? Or will you need to provide transport?
- What type of roadside signs do you need?
- Do you need to provide location maps? Where or how are you going to make those available?

Available

Visitors and travel distribution businesses will expect you to be open at hours that suit them. For example, they may expect seven days a week or evening opening. They may expect a 24 hour booking service and a 24 hour response time for emails.

If your doors aren't open, or you don't answer the phone or email, visitors will go elsewhere and booking agents will stop calling. You need to decide how you are going to meet these demands.

Value for money

Visitors will spread the word about whether they feel they got value for money from your product and this will impact on your business. At the same time, you need to set a price that covers all the costs associated with doing business and also delivers a profit. It's a matter of balancing price and benefits so that both you and your visitor are satisfied. Setting a price will be a key part of your business planning. There's more on pricing on Page 31.

Resources

Think through the resources you will need, where you will get them and how you will pay for them. This will be a big part of your business planning. Things to think about include:

- Will you use existing buildings and facilities?
- What specialist equipment will you need?
- What staff will you need? Keep in mind that tourism is a service industry, and having the right staff is a key part of delivering a quality experience for your visitors.
- What extras could you provide? For example, some tourism businesses make more money from selling photos and videos, souvenirs and refreshments than they do from ticket sales or bed nights.

Operational requirements

Many commercial businesses in the tourism industry require an operating licence. Transport businesses and those serving food and alcohol require a licence or certification.

All businesses must abide by laws governing business operations such as health and safety and employment legislation. There's more on your legal requirements on page 22.

Cultural elements

Visitors are looking for an experience they couldn't get anywhere else in the world, and you can deliver that by incorporating elements unique to New Zealand, whether that's our food and wine, our art, or our way of doing things.

Maori culture is unique to New Zealand and is something that visitors want to experience. There are many successful examples of Maori tourism businesses, and non-Maori business people can also incorporate cultural elements to add to their visitors' experience. For example, tourism products that interpret natural and historic sites may be more attractive if they include the Maori perspective.

Tourism New Zealand research provides further information about the elements that make up a satisfying tourism experience for visitors. It's available at www.tourismnewzealand.com or in the companion volume to this guide *Give it 100% – An introductory guide to marketing and developing your tourism product* available from www.tourismnewzealand.com.

It is important to include Maori cultural elements appropriately and sensitively. We would encourage non-Maori businesses who want to include a cultural component to work with Maori tourism operators who are providing cultural components. Your local Maori Regional Tourism Organisation can advise on opportunities to do this. Contact your local MRTTO through the recently-formed New Zealand Maori Tourism Council www.maoritourism.co.nz.

Environmental issues

New Zealand's landscape is the primary motivator for visitors to come here. We all have a responsibility to enhance and maintain our environment. Increasingly, visitors will choose products and businesses that actively demonstrate that they are operating in an environmentally sustainable way. Think about how your business can be environmentally sustainable. There is more on this on page 30.

CASE STUDY



Helping nature also helps business

For Elm Wildlife Tours, caring for the environment makes good business sense as well as being a personal ideal.

Elm Wildlife Tours offers wildlife encounters on the Otago Peninsula and the south-eastern coast of the South Island with some of the world's rarest species, including the endangered yellow-eyed penguin, or hoiho, and New Zealand sealsions.

Managing Director Brian Templeton set up the business when he secured a long-term lease of private coastal land on Otago Peninsula and established a private wildlife sanctuary conservation area.

"We lost money for the first two seasons and broke even in the following two. Gradually the word of mouth backpacker market found out about us, and the growth started."

Elm Wildlife Tours relies heavily on the environment to provide the wildlife that clients pay to see.

"Nature has provided us with so much, and it's necessary to give something back."

Elm Wildlife Tours has a comprehensive environmental policy and plan which is benchmarked by Green Globe, to the highest

international environmental standard of operation.

This includes measures such as reducing energy consumption by using smaller vehicles where possible. In 1992 a 12 hectare forest was planted to offset the carbon created through vehicle use. Presently the forest is sequestering five times more carbon than is being created by the business operation.

"The measures required to meet the Green Globe benchmark not only help the environment but do reduce costs overall."

Elm Wildlife Tours is also actively engaged in improving the environment for the yellow-eyed penguins, including a planting programme to increase the available breeding area.

Brian and his team are passionately committed to their conservation ethic, and he says that does attract customers.

"Travellers really appreciate genuine enthusiasm."

Elm Wildlife Tours has won several Tourism Industry Awards, including the Westpac Small Tourism Operator Award at the 2005 New Zealand Tourism Industry Awards.

Step 3 Know your potential visitors

The more you know about your potential visitors, the better you will be able to attract them to your business.

Potential visitors can be broken down by nationality, purpose of travel, travel style, age, income and lifestyle. Many tourism businesses target a mix of potential visitors (such as different age groups, nationalities or domestic travellers from certain regions). This is wise, given that factors in a particular country such as economic downturns or natural disasters can change the number of people travelling from that country. If you have only one source of visitors, you'll be more vulnerable.

Keep in mind that over half of the national income from tourism is generated by New Zealanders visiting other parts of New Zealand. These local travellers are potentially as important as international visitors.

As a starting point, the following sources can help you identify your potential visitors and what they are interested in.

The Ministry of Tourism has a huge range of national and regional research available so that you can work out what type of travellers, from what countries, of what age and with what range of interests, you are likely to be able to attract. Free booklets *Understanding the Dynamics of Tourism in New Zealand* and *NZ Tourism Forecasts Summary Booklet* are available by emailing info@tourism.govt.nz or visit the website www.tourism.govt.nz.

Tourism New Zealand targets a certain type of visitor called the Interactive Traveller®. Currently over 50 percent of New Zealand's international visitors fit within this category. Research indicates that these visitors are the best fit for New Zealand, with their holiday preferences closely matching what we have to offer as a destination. To find out more about the Interactive Traveller®, what makes them choose a particular activity and what makes them satisfied, get a copy of *Give it 100% – An introductory guide to marketing and developing your tourism product* from www.tourismnewzealand.com.

Tourism New Zealand also undertakes research into visitor satisfaction that identifies the aspects of the New Zealand holiday experience that are most important in driving satisfaction and recommendations across all visitors. This provides useful information on what's working and where there's room for improvement. Full results are available on the Tourism New Zealand website under market research www.tourismnewzealand.com/tourism_info/market-research.

Statistics New Zealand produces the Commercial Accommodation Monitor (CAM) which identifies where guests who use commercial accommodation are from, including detailed regional information. The CAM is updated each month and is available from the Ministry of Tourism's research website www.tourismresearch.govt.nz.

Your Regional Tourism Organisation (RTO) and i-SITE Visitor Centre can talk to you about the types of visitors coming to your area. Contact details are listed in the *industry facts* section of the TIA website www.tianz.org.nz.

Your potential visitors are a valuable source of information. Talk to international visitors and local travellers. Find out what they like and dislike, and what they think of your idea. This may be difficult as they may not like to hurt your feelings by giving you negative feedback, especially if they're just passing through. Stress that you need honesty.

CASE STUDY



Dive in – but be prepared

Planning to set up a business is a bit like taking a boat to sea, according to Dive!Tutukaka Director Jeroen Jongejans.

"You have to make sure you have enough fuel, life jackets, flares, water, food, the boat is seaworthy and you have the right crew onboard. The same counts for business – you have to have everything organised before you set out.

"You also have to be enthusiastic, and be prepared to commit a large amount of time, money, energy and emotion plus a good dose of passion - if you haven't got the latter, it will be hard to make it a success."

Jeroen says when setting up Dive!Tutukaka, a lot of planning and research went in to how to make the best of a world class product - the Poor Knights Marine Reserve.

"I've seen very bad operators coming back from diving trips with happy clients, that's how good the product is. So, if we were committed to make the experience better, success had to follow."

Jeroen notes that if your product is not great, it will be hard to make it great, but your passion and interpretation can make a large difference.

He says the Dive!Tutukaka team works hard at being world class, which means putting passion and commitment into the business, having an overview of the product and an insight into the competition (domestic as well as international). They are always looking at how they can do things better and keep on improving, and involve their staff in that process.

"Business planning is something that happens non-stop. New things keep cropping up so you have to be flexible, but when you have a plan, you can measure your progress – or lack of!"

Dive! Tutukaka won the Supreme Award at the 2006 New Zealand Tourism Industry Awards. Dive! Tutukaka is a Qualmark endorsed visitor activity.

Step 4 Check out the competition

Develop a clear picture of what tourism products are already available that may be relevant to your plans.

Common sense suggests that if there are several established operators in a region offering a similar product it will be more difficult for a new operator to succeed. A variety of factors go into deciding what is "too many" in a region, including the cost of running the business, the length of the peak visitor season and the number of potential visitors.

If there are, or have been, businesses similar to the one you propose, it is important to find out how they operate or, if they have failed, why they failed.

There may be opportunities to work cooperatively with existing businesses. For example, several attractions in Rotorua offer visitors the chance to buy entry to all their attractions in one package. Some accommodation providers have arrangements with each other to refer visitors on when one is full.

If you are going into direct competition with existing businesses then you need to identify or create your competitive advantage – the point of difference that will attract visitors to your business ahead of others. For example, this may be quality of experience (service or facilities) or location.

To develop a broad picture of what's available in New Zealand or in your region, the internet is a valuable research tool. It is essential for any tourism business to have a presence on the web as part of marketing themselves to international travellers, travel professionals and travel trade. Tourism New Zealand's consumer website www.newzealand.com has a comprehensive listing of tourism operators. Other directories offering a great deal of information include New Zealand Tourism Online www.tourism.net.nz, Jason's travel channel www.jasons.com, or AA Travel www.aatravel.co.nz.

Other research methods include talking to your Regional Tourism Organisation (RTO) or tour operators. Details of organisations are included in Further Information on page 39.

Your local i-SITE Visitor Centre is worth a visit, to look at its brochure racks and talk to staff.

Don't be afraid to go and try out competitive products. Stay overnight, try out local activities and attractions. From the visitor's perspective, you may be able to identify what's not being done well (or at all) and therefore where the opportunities are for you.

Step 5 Do a reality check

Have you really got the makings of a successful business? Be honest with yourself.

The most common error when establishing a new tourism venture is unbridled optimism. Many new operators think their business will be a roaring success, only to be disappointed at the small number of visitors they actually receive.

Now is the time to do a quick test of the feasibility of your idea. Note that this is not a substitute for a comprehensive business plan, simply a "back of an envelope" reality check.

Calculate your **start-up costs**. Allow for:

- Equipment (operating equipment including vehicles, office equipment, stationery)
- Premises (initial purchase or rent, fit out costs, getting the power connected, etc)
- Licence, concession or certification fees
- Promotion (brochures, website, advertising, public relations)
- Sales or distribution costs (such as commissions)
- Advisor fees (your accountant, lawyer, business or marketing consultant)
- Insurances
- Other start-up costs.

Calculate your **working capital**. It costs money to be in business and you need enough capital to cover your running costs until you get established. It will take longer to get established than you expect – it will be months until your visitor numbers build up and is likely to take three to five years to become fully established and profitable. Do you have enough working capital to cover your running costs until you are established? Running costs include:

- Staff wages
- Fees (accountant, bank, etc)
- Ongoing promotion and sales costs
- Rent, rates, leases
- Phone, power, internet connection, etc
- Insurances
- Vehicle running costs
- Other regular outgoings.

Decide how much money you want to make. This needs to be enough to at least cover your costs and provide an **income** for you and your family. You are also likely to want enough **profit** to be able to reinvest in your business to ensure its sustainability.

Calculate how many **products** you will need to sell to cover your costs and produce this level of **profit**.

How does it look?

Remember this is only a quick calculation at this stage. You will need a detailed plan to make sure you haven't overlooked anything that you may need to do or pay for.

Business planning

Your business plan is the most important document you will ever prepare for your business.

- It describes all aspects of your business venture; from what services or products you intend to deliver, to financing and marketing strategies.
- It will guide you and your team towards achieving your objectives.
- It can also be used to put your case to bankers or potential investors.

There are a range of ways you can go about business planning and many sources of advice. This guide provides an introduction to the issues that are particularly important to tourism businesses, and directs you to more detailed advice and information where appropriate.

The Tourism Industry Association provides a CD *Tourism in Action – resources for successful tourism businesses*. The CD will help you develop an action plan to operate a successful tourism business with practical, hands-on workbooks on everything from market research to training your team to calculating your returns. Contact the Tourism Industry Association www.tianz.org.nz.

Detailed advice and support on business planning is also available through biz www.biz.org.nz. *Planning for Success* is a publication that helps you develop your own business plan, including do-it-yourself templates. This publication is available at your nearest biz centre or can be downloaded from the New Zealand Trade and Enterprise (NZTE) website www.nzte.govt.nz.

The Enterprise Training Programme (ETP) also regularly delivers business planning training that is fully funded by NZTE. The ETP is delivered by specialist training providers throughout New Zealand and is open to owners and operators of SMEs. Visit www.biz.org.nz to find the Enterprise Training Provider closest to you.

You should also consult your own professional advisors – your lawyer, accountant, insurance broker, etc.

Your business plan should identify:
• The purpose of your business – what it exists to do
• Your objectives – where you want to be in five years
• Your product or products – what you are going to offer
• The resources you'll need to deliver your product – staff, equipment, premises etc
• The major regulations you'll have to comply with – the approvals, licences, concessions etc you must obtain before you start
• Quality – your service standards and how to achieve them
• Your visitors – who they will be, how many you forecast there will be
• How you will reach them – your marketing plan
• How you will sell to them – your sales or distribution plan
• Analysis of the sector/market you'll be operating in
• Who you will work with – industry associations, wholesalers, tour operators, etc
• Your budget /financial plan
• Risk management – what you'll do to protect your business if something goes wrong.

Step 6 Get all the help you need

All businesses need professional advice – primarily legal and financial, but potentially also in other areas. You will need a lawyer and an accountant. Depending on your experience and your business circumstances, you may also want to talk to an insurance broker, a specialist business consultant, marketing professionals or experts in other areas.

More general advice and support is available from biz www.biz.org.nz.

You may also want to join the Tourism Industry Association www.tianz.org.nz and get a copy of the CD *Tourism in Action – resources for successful tourism businesses*.

Your lawyer

You should always consult your lawyer when dealing with any matters relating to the law, particularly before signing any legal documents.

Lawyers specialise in different areas and it's advisable to find one who has experience in business matters. Ask business contacts to recommend one, or visit the Law Society website www.nz-lawsoc.org.nz.

Ask at the beginning about the likely cost – or tell your lawyer you don't want to spend more than a certain sum without the lawyer checking back with you.

Your accountant

Your accountant can advise you on specialist financial management and tax. Don't just see your accountant once a year with a shoe-box of papers. He or she can provide you with a timely analysis of how your business is doing – based on the financial information you've given them.

Choose an accountant who has experience with small businesses. Ask them how many small businesses they have as clients.

Ask at the beginning about the cost. Get quotes and expect them to stick to those quotes unless there are good reasons for any increase.

Your bank

Talk to your bank early on. Even if you don't need to borrow money, they may have useful advice on how best to structure your accounts. Some banks also offer general business advice as part of their service.

Getting started checklist

How many of the following can you tick off? Answer honestly because there is no point in deceiving yourself about your business prospects.

1	Commitment and passion
<input type="radio"/>	Do you have a real passion for what you want to do? (It will be difficult to maintain your interest or sell products or services to others unless you are enthusiastic about what you do.)
<input type="radio"/>	Is tourism something you enjoy and can perform well in?
<input type="radio"/>	Do you have the drive and persistence to overcome obstacles and keep going? (Persistence is a key to success.)
<input type="radio"/>	Are you prepared for the impact starting a business is likely to have on your personal and family life? (You might have to work long hours at first.)
<input type="radio"/>	Does your family understand the impact?
2	Experience and skills
<input type="radio"/>	Do you have experience in tourism?
<input type="radio"/>	Do you have any small business experience or skills (for example, financial, marketing, sales or management skills)?
<input type="radio"/>	Are you willing to gain business skills before you start your business?
3	Business idea
<input type="radio"/>	Have you talked to experienced business people (not just friends and family) about your business idea?
<input type="radio"/>	Do they think it is a good idea?
<input type="radio"/>	Has your idea worked before (for example, in other countries or regions)?
<input type="radio"/>	Is your idea sustainable?
<input type="radio"/>	Have you got a strong point of difference from any competition?
4	Research
<input type="radio"/>	Have you done any formal market research to test the feasibility of your idea?
<input type="radio"/>	Do you know who the competition is?
<input type="radio"/>	Is your business able to compete effectively against the competition?
<input type="radio"/>	What opportunities exist for growth?
5	Funding the business
<input type="radio"/>	Have you discussed with your accountant and business advisors the start-up costs of the business?
<input type="radio"/>	Can you raise enough money or back-up funding to support you until the business starts producing a profit?
<input type="radio"/>	Are you sure that you will not be taking on more debt than the business will be able to repay?

This check list is adapted from material provided on www.biz.org.nz by New Zealand Trade and Enterprise.