

How to Start a Successful Tourism Business

Introduction

Starting your own business in tourism is undoubtedly a challenge and should never be entered into lightly or without due consideration. That said, with a feasible idea, effective planning and strong determination on your behalf you can and will succeed. To help you as you take the first steps on this exciting journey, Fáilte Ireland has developed a range of guides and tools to support you. This particular document should be seen as a 'gateway guide' and is designed to be considered at the early planning stage; it will help you to reflect upon important initial questions which will impact on the journey that lies ahead of you.

This guide is therefore more concerned with questions than answers at this stage. It is not intended to provide you with detailed guidance on what needs to be done, that will be available elsewhere in the Business Tools site; instead, it is focused on helping you to think about key planning considerations which are frequently overlooked by those starting new businesses. The questions are shown:



When you have reviewed these questions and taken a more holistic view of what is required to launch a successful tourism business, you can then find comprehensive guidance on the remaining sections of the Business Tools site.

1. Are you ready for this?

Being your own boss is a rewarding experience, but it's also extremely hard work and places a significant amount of pressure on your shoulders. Not everyone has what it takes to succeed as an entrepreneur and there is no shame in not choosing to set out on your own. That said, setting up a tourism business is not solely the preserve of a select few and with strong motivation, a broad range of skills and a lot of common sense, it is within the capabilities of many. Think about the following questions to help you decide if setting up your own business is really the right move for you:

Why are you doing this?

You may be setting out on this journey because it's something that you have dreamed about for many years, or perhaps you are simply doing so out of necessity. Maybe you have another reason entirely for taking the plunge. There is no such thing as a 'correct' motivation for setting up your own business, but you do need to have a strong desire to do so – it is that passion which will carry you through the tough times. If you feel that you are in some way being forced into this, perhaps by circumstance, or if your heart isn't 100% set on this path, then you need to stop now and think long and hard about whether you have the strength of motivation necessary to sustain you through the ups and downs that will undoubtedly arise.

If you are anxious about what lies ahead, recognise that this is normal and a good thing in many ways, so don't let that put you off. You can manage the natural anxiety and fear associated with starting a business. However, not feeling a strong passion for setting up a business is an entirely different matter and if you don't have that sense of passion, then maybe this is not the best route for you.

Who is supporting you?

Every business owner needs support, both emotional and financial, and you should consider this issue now if you haven't already done so. Are your close family and friends fully behind what you are planning to do? How do they feel about it? Have you discussed your plans with them, particularly your nearest and dearest who will be directly impacted by the decisions you take from now on?

At this point, have you also considered what funding you will need and where you might get help on that front? Sure, you may not have concrete financial plans in place as yet, but even now it's good to know what funding doors could be open to you and which ones are likely to be closed?

What skills and attributes do you have that can help you to develop the business?

Take a moment to conduct a simple exercise: find a piece of A4 paper and draw a line down the centre. On the left column, list all the skills and attributes you currently have which you believe will help you in setting up and running the business you are thinking about. Then, on the right hand side, list what you think you lack in terms of skills, or identify any negative personal attributes you feel could act against you as you move ahead. Of course, this is all very subjective, but be as honest as you can about yourself.

When you have the list finished, why not show it to someone you know and trust in a work setting and ask them to give you feedback on the points you have prepared? It's

probably best not to ask a family member or a friend for this, as it's very difficult for them to be fully honest with you. After you do get feedback, make a plan as to how you will protect your identified strengths and, more importantly, address any personal areas for development you might have highlighted.

All business owners are naturally different people but a common trait seen in all successful entrepreneurs is their strong self-motivation and how they have people behind the scenes who are there to support them as they face the challenges.

How do you feel now having considered the above questions?

2. How advanced is your idea?

What's your idea?

Think again about what you are proposing. Is it an entirely new idea, or a variation on an existing business? Maybe it is not a new idea at all, but a tried and tested one? What markets is your proposal targeted at? Is it for local, domestic or overseas markets, or a combination of all of these? These are important questions to think about as you start to put more 'meat on the bones' of your idea because your business needs to be designed entirely with your customers in mind; they must be at the heart of everything you do from here on.

Particularly if you have come up with what you believe is a fantastic new idea, ask yourself why nobody else has tried it before? Is it feasible, can you make a decent living from it and are the returns worth the effort? Some budding business owners hit on what they think is a great new idea, but upon closer inspection they learn that whilst the idea is sound in principle, it's not so workable, or profitable, in practice.

What research have you done?

Even if your idea is still at the inception stage, you should at least have done some basic research to serve as an indicator of the validity of your idea. What have you done in terms of research? What have you found out to date? One of the dangers for people setting up in business is that they are so eager to 'get going' that they do some skimming research but little else. In fact, they have often made up their mind that they have a good idea so they either don't feel the need for the research, or worse still they massage the research simply to support the conclusion they have already made. As a result they miss, or ignore any warning signs thrown up by the research. Getting 'too close' to your idea is extremely dangerous. Sure, it's good to be determined, essential actually, and it's important not be swayed by every negative comment or less than glowing finding you make, but at the same time there is a major difference between being determined and being blinkered. What independent third parties have you consulted about your idea? What was their view?

By the way, if you are basing the potential for your idea on a calculation that estimates the overall market as being X and you believe that you can get Y% of that market be very careful with that sort of guestimating. Let's look at a simple example of what you should avoid. Imagine that your business proposal was for a new B&B targeting UK holidaymakers and through research you found out that around 30,000 British visitors come to your area each summer between June and September. Now, some new business

owners make the mistake in believing that if they could attract even a small proportion of the overall market, say 1%, that they would be on to a winner; in this case that would mean 300 guests for the period. Anybody can get 1% of the market right? Actually, no, that's not the case at all for many reasons. For example, maybe, of that 30,000 visitors, only 5% (1,500) use the B&B product, so to get 300 guests you would actually have to capture 20% of the summer market and that's an unlikely proposition. So, be very careful with 'brush-stroking' when it comes to estimating what the potential for your business is. It's much better to start at zero customers and work out how you can realistically build your base from there.

Is it easy or hard to set up what you are proposing?

Some businesses are relatively easy to establish in terms of the amount of regulations and red tape involved; others can be very daunting in that regard. The situation with respect to insurance is also another important factor to consider: for example, some fields like water sports, or activity centres are fraught with health and safety concerns and insurance challenges. Be very clear from the outset as to the likely barriers you will face and whether the potential returns in the business will make overcoming them worthwhile.

Who are your likely competitors?

It is rare that you can set up a new business for which there will be no competition so it's important you are very clear who your likely competitors will be. Of course, for some businesses, competition can be just down the street, for others it can be in another region or even country. For online enterprises, the competitors can be based at the other side of the world. You need to ask lots of questions about your competitors and one of those is what will you do that is better than what they are offering? What's going to be special or unique about your proposal? What can/will you do to set your business apart from the competition?

It's exciting to have what you believe is a good business proposition, and there is no harm in that. Where the harm can arise, though, is when you become obsessed with your idea to the extent that you either fail to explore the downsides or completely ignore them when they stare you in the face. You have to look at what you are planning with hard, objective eyes.

3. What help is available?

Thankfully, you are not alone when seeking to establish your business and there are plenty of sources of advice, assistance and even funding available for particular tourism businesses. Yet, despite all the help out there, many new business entrants don't go to the trouble of finding out what support could help them to lighten the load. What sources have you identified so far? Here are some sources to consider:

What Government/Departments and Agencies might help you?

There are lots of support options available from various government agencies which can advise and guide you on issues such as registering a business name and setting up a company to registering for taxation. Fáilte Ireland offers a wealth of online and direct support for those seeking to establish enterprises in tourism and that is certainly

something to explore. Equally, there is also useful advice on self-employment available from places like the Citizens Information Board.

Have you spoken to your County Enterprise Board?

An important contact point is your local Enterprise Board and if you haven't already paid them a visit then you should do so as a matter of priority.

What information can you get from Banks and Lending Institutions?

Banks can be a useful source of information and often produce useful start your own business guides and templates, particularly in areas such as business planning and financial management.

What Trade/Sector Associations could you join?

There are many bodies established to represent particular aspects of tourism and you should make contact with the most relevant one for the type of business you are planning to establish. These bodies will be very familiar with the challenges you are likely to face and can supply you with data on the sector which can help with business planning.

Online Resources

In addition to the comprehensive Business Tools available online from Fáilte Ireland, there is an endless supply of guides, templates and advice available online which you should make full use of.

There is any amount of advice available to you as you seek to set your business so it is important to make full use of it.

4. What will be required in terms of planning?

You are likely to already be aware that you will need a business and marketing plan for your business. However, a common mistake for new business entrants is that they develop the plan because the 'bank' needs it or because they are told that they have to submit one as part of an application for some form of assistance or funding. All of those requirements may well be necessary, but first and foremost your business plan is designed to assist you. It will:

- *Help you to put your ideas down on paper* – once seen in black and white, business proposals often look more, or indeed less, appealing.
- *Help you to identify the strengths and weaknesses in your idea* – often when something is in our head it's easy to focus solely on the good points – it is natural to put the bad news to the back of your mind. Business planning is about identifying the weak areas as well and then, from that, devising ways to overcome them. By preparing the plan it's harder for you to ignore the downsides.
- *Help you to think longer term as regards your business* – many new businesses fail to think beyond the first year and as a result the owners put all their eggs in one basket, assuming that they will make enough of a return in the first year to keep

going into the second and so on. That rarely happens so you need to be planning for three years ahead so that you can ensure you have the funds and resources necessary to really establish the business.

- *Help you to think of things you might otherwise miss* – by its very nature, formal business planning requires you to think holistically about the proposal and as a result you may well pinpoint challenges and concerns that might otherwise be overlooked. For example, many small business owners underestimate staffing requirements, or believe that because they will only employ one or two people that 'human resources' isn't really an issue for them. Whether you have 1 or 100 employees, you need to provide the appropriate terms and conditions for them to flourish and this needs to be planned and budgeted for.
- *Help you to define the true cost of establishing the business* – it is not uncommon for start-up business owners to overlook some costs associated with the business, particularly with regard to those expenses associated with their own time involved with establishing and running the business. This is a mistake. Sure, by not factoring in your time (or that of family members) into the cost side of the equation, that may make the financial picture look healthier but in reality it is a false economy because you are not showing the true cost of the business. Besides, you have to live on something and working for nothing, even when it's your own business, and even for a short period, is not sustainable or advisable.
- *Help you to reduce the risks involved* – it may well be a cliché to say that 'failing to plan is planning to fail' but it is also a fact. Planning cannot eradicate risk, but it does help to reduce it by first identifying the potential pitfalls and then by preparing effectively to ensure they are addressed as best you can. There is no substitute for effective planning.

What should be in your plan?

In terms of what will be required in your plan, regardless of the scale of your proposal, you should address the following content areas:

- Business contact details
- Business owners/directors details
- Business description
- Products, services, customers and marketing
- Customers
- Marketing
- Staff details
- Legal status
- Names of advisors
- Suppliers
- Business assets
- Business risks and response to risks
- The project
- Request for finance
- Financial information

Often when small business owners see such headings they imagine that this level of detail is far too excessive for what they are proposing, but that is an incorrect

assumption. All these areas must be considered when planning a business of any scale, but that does not mean your business plan must become a long-winded and unwieldy document; no, brevity is fine and it's a matter of the quality of content rather than the quantity of it.

5. What do you need to consider about Finance?

Every business is different so the financial model and scale of funding required to get things up and running will naturally be different. That said, there are many common financial considerations which are applicable to all new businesses:

Where will you get the required funding?

The most obvious question for a start-up enterprise is what funding is needed to get it off the ground, so your first concern is to accurately define the start-up financial support needed bearing in mind that you need to consider the first three years of operation as the business finds its feet. With that established, the next question to be answered is where will that funding be sourced? At any time, but particularly in the current climate, sourcing the necessary funding is difficult and this further strengthens the need for having a viable and informative business plan, based on fact not fantasy, which can help persuade potential investors or lenders of the attractiveness of your proposition.

If you are proposing to source the necessary funds from family members and/or friends, you should ensure that this has some degree of formality attached to it. There are countless examples of where personal relationships were damaged beyond repair due to conflict that arose as a result of loosely constructed financial agreements between a business owner and his/her relatives and friends.

What financial system requirements do you have?

It doesn't matter what size or type of business you are planning, you will still need an appropriate financial system to ensure that you can manage the finances relevant to your operation. Frequently, new business owners lack skills in this area and that is not necessarily a fatal problem, but failing to make alternative arrangements to compensate for those shortcomings usually is.

Another difficult reality for small business owners is that they cannot afford to employ anyone to 'do the accounts' so this is an additional task that takes up a significant proportion of their already limited time. Yes, there is now plenty of user-friendly financial software available to ease the burden, but you should be aware of what must be done and how to do it; then you must factor in the time required to undertake that work and it's advisable, where possible, not to fall into the habit of doing such work on personal time, or late at night as lack of down-time is proven to cause frustration and burnout for the small business owner.

What financial reporting requirements do you have?

Linked to the above point is the need for appropriate and timely financial information to help you make smart decisions for your business. You must put the necessary systems and procedures in place so that you generate the data which gives you a holistic view as to how the business is performing at any given time. Unfortunately, many small business

owners do not have that depth of understanding so the answer to the question, *how are we doing financially?* often comes too late.

In addition, some small businesses only produce historical or end-of-year accounts which, whilst useful and necessary, only really tell you what has happened: it's too late to fix any problems that may have arisen. Financial projections, particularly as regards cash flow, are therefore also vital to support decision-making so you need to give some thought to what management information you will need – and this applies no matter how small the proposed business is.

What taxation considerations are there?

This is a critical area to consider not only from a compliance perspective but maintaining VAT records and payments can be a labour intensive process and the requirement to make regular VAT returns can mean you have to pay significant amounts every couple of months which, if not budgeted for, can place severe financial pressures on the business.

What will be your pricing strategy?

This is another challenging area for new business owners and many operators fall into the trap of modelling their pricing strategy solely on that seen in competitors. Of course, you do have to consider what others are charging for similar products/services, but your prices should be based on your cost base and margin requirements, not those of another business. Applying a 'price copying' strategy in terms of your business can prove to be a very unwise move, so you need to be clear as to what level you need to set your prices at in order to build a sustainable business; and as mentioned earlier this should include ensuring that you, and any other family members, receive adequate compensation for time and effort devoted to the business.

These are just some of the financial considerations you must address but already it is vital that you appreciate that strong financial management is often the difference between business success and failure. There have been numerous examples of start-up enterprises failing not because the idea was wrong, or due to bad execution of plans, but simply because poor financial management meant the owners ran out of cash to fund daily operations. Don't let that happen to you.

6. What will be important if you are employing people?

As touched upon earlier, whether you are planning to employ 1 or 100 employees, there is a range of obligations that you must adhere to. In addition, if you want to get the most from those employees, be they full- or part-time, then you must lead and manage them appropriately and provide the right work environment which maximises their motivation and commitment. Considerations here will include:

What employment legislation will you have to contend with?

You are likely to be aware that there will be various laws governing everything you do in the area of employment, but are you fully clear on just how many regulations apply, and the extra workload - and indeed potential costs - associated with seeking to comply with them?

What will you do to maximise the effectiveness of your recruitment and selection efforts?

This is a vital concern for you because if you can find the most suitable candidates for the positions you need to fill, then managing those employees and maximising their contribution to the business becomes much easier. Too many business people simply do not pay enough attention to this area and as a result fail to recruit the right people, which in turn makes running the business infinitely more difficult. In addition, it is often believed by those starting-up in business that interviewing candidates is 'easy' but it most certainly is not; effective interviewing is a skill and to do it well - and to comply with relevant legislation - requires training in a range of proven interview and selection techniques. Have you had interview training in the past? If not, how do you propose to improve your skills in this area?

What terms and conditions will be applicable for employees?

Regardless of the number of employees you need in the business, and in line with the various legislation concerns highlighted above, all employees have rights and entitlements (and obligations) and as an employer you must ensure that you comply with all requirements in this area. This, for example, might involve planning for the provision of facilities such as changing rooms, or operational concerns such as providing meals for employees, and these are all additional capital and/or current expenses which need to be factored into your plans.

What will your leadership philosophy be?

Getting the best from employees today is never easy and a big factor in employee motivation is how they feel they are managed on a daily basis. Many business owners lack the required people management skills and as a result end up facing continuous problems due to poor morale of employees. In a large business, one or two disgruntled or underperforming employees, although problematic, will not necessarily bring the company to its knees, but in a small business even one person not carrying their weight can severely impact on performance and profitability.

7. How will you gain and retain customers?

Nothing matters more than your customers, so this is a critical area for you to focus upon – not just in planning the business but every single day when you are up and running. One of the advantages of a small business is that you can get very close to your customers, but don't imagine for one moment that they are going to be satisfied with 'friendly service' alone, although that is of course vitally important. No, customers today are very demanding and highly sophisticated and whilst they don't expect you to have the same systems and procedures as a big business, they do expect similar levels of professionalism and high standards of quality and service regardless of the fact that you are a small operation. So, you need to think about:

Who are your customers?

Have you at this stage identified who your likely customers are going to be? If not, then you need to really turn your attention to this issue. You cannot plan and develop your offering without being very clear as to who the end user will be. Equally, you can never

hope to market successfully to those customers until you know precisely who they are likely to be.

What are their needs and expectations?

There is really no such thing as a 'typical customer' these days, but rather different types of them, each with separate needs and expectations. Small business owners often fall into the trap of viewing their customers' needs as being largely homogenous, but they most certainly are not. Yes, there are common customer expectations such as friendly service, good quality and so on, but each customer segment will have its own unique requirements and it is those specific needs you want to first define and later respond to.

How will you ensure you respond to those needs?

The key to success for a small business is the ability to offer a 'tailored' service which exceeds customers' expectations. This may sound easy to achieve on paper but it is a massive challenge to achieve focused and high quality service on a continuous basis. Setting your business apart from the competition will therefore require you to have defined systems and procedures in place which deliver the required consistency, but at the same time do not over-formalise your service to the extent that it loses its personality and spontaneity. These systems do not need to be complex, but they must work.

How will you measure your success?

Feedback is important in all aspects of business life and particularly in relation to your customers you will want to continuously understand what they really think of your offering. Again, these feedback mechanisms do not have to be overly complicated but they must provide you with timely and accurate information on how your customers feel about the experience you offer.

Conclusion

These seven questions are not intended as an exhaustive list of concerns, but are simply designed to get you thinking about important drivers of success for start-up companies. Hopefully you will now have greater focus on what lies ahead than you did before reading this document. Now, you probably want more answers and guidance to help you progress your plans and Fáilte Ireland has a range of tools and resources to help you. On the Business Tools Online, under 'Owning and Managing a Small Tourism Business', you will find the following portals where you can gain access to a wealth of information in areas such as:

- How to Develop a Business Plan
- How to Market your Products and Services
- How to Recruit and Lead your Team
- How to Provide Customer Service Excellence
- How to Make Sound Financial Decisions
- How to monitor Ongoing Performance