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Project in Entrepreneurship TINTAYA Spirit

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Advisor: Bart Claus

**Thesis presented in partial satisfaction of the requirements to obtain the degree
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Roger Mauricio CUELLAR GARZÓN - 1704884

César Eduardo CORTÉS ORRILLO - 1612491

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Module 1

FIRST SCREENING

The present project is the result of the work of 2 young students of an MBA in ESAN with a double degree of Master in Management at IESEG, from Peru and Colombia; whom, motivated by our entrepreneurial spirit, have decided to create a company in Peru.

To fulfill this dream, we have found the possibility of creating an Eco-hotel on Lobitos Beach, located in the northern coast of Peru; more precisely in the province of Talara, near to Piura city; ideal place with sandy beaches to practice water sports, mainly surfing. And where, despite the presence of some hotels, there is none that stands out for a differentiation in their accommodation and services.

In this business idea we want to combine the passion for share our best with people, nature, culture and activities related to the sea, with our knowledge and experience in the field of business administration. Our goal goes beyond creating a profitable and lasting business over time, we also want to highlight the Peruvian culture related to the region, generate a positive impact on all the stakeholders, especially on the environment and the inhabitants of the area.

Introduction

9 As a first step for the development of this module, we will evaluate the potential of the business idea, its relationship with current industry, the needs of the target market, the ability of entrepreneurs to establish and manage the business, as well as the financial needs of the project.

This project seeks to provide to the guest, besides enjoying the attractions of the place, a different experience based on our environmental practices, focus on the Peruvian culture of the region, its relationship with the sea and a very friendly treatment by the staff.

Strength of the business idea

	Low Potential (-1)	Moderate Potential (0)	High Potential (+1)
1. Extent to which the idea: • Takes advantage of an environmental trend • Solves a problem • Addresses an unfilled gap in the marketplace	Weak	Moderate	Strong
2. Timeliness of entry to market	Not timely	Moderately timely	Very timely
3. Extent to which the idea “adds value” for its buyer or end user	Low	Medium	High
4. Extent to which the customer is satisfied by competing products that are already available	Very satisfied	Moderately satisfied	Not very satisfied or ambivalent
5. Degree to which the idea requires customers to change their basic practices or behaviors	Substantial changes required	Moderate changes required	Small to no changes required

Figure 1.a: First screening - Strength of the business idea.

Industry-related issues

	Low Potential (-1)	Moderate Potential (0)	High Potential (+1)
1. Number of competitors	Many	Few	None
2. Stage of industry life cycle	Maturity phase or decline phase	Growth phase	Emergence phase
3. Growth rate of industry	Little or no growth	Moderate growth	Strong growth
4. Importance of industry’s products and/or services to customers	“Ambivalent”	“Would like to have”	“Must have”
5. Industry operating margins	Low	Moderate	High

Figure 1.b: First screening – Industry-related issues.

Market -and customer-related issues

	Low Potential (-1)	Moderate Potential (0)	High Potential (+1)
1. Identification of target market for the proposed new venture	Difficult to identify	May be able to identify	Identified
2. Ability to create “barriers to entry” for potential competitors	Unable to create	Mayor may not be able to create	Can create
3. Purchasing power of customers	Low	Moderate	High
4. Ease of making customers aware of the new product or service	Low	Moderate	High
5. Growth potential of target market	Low	Moderate	High

Figure 1.c: First screening - Market and customer related issues.

Founder-related issues

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	Low Potential (-1)	Moderate Potential (0)	High Potential (+1)
1. Founder or founders experience in the industry	No experience	Moderate experience	Experienced
2. Founder or founders’ skills as they relate to the proposed new venture’s product or service	No skills	Moderate skills	Skilled
3. Extent of the founder or founders professional and social networks in the relevant industry	None	Moderate	Extensive
4. Extent to which the proposed new venture meets the founder or founders’ personal goals and aspirations	Weak	Moderate	Strong
5. Likelihood that a team can be put together to launch and grow the new venture	Unlikely	Moderately likely	Very likely

Figure 1.d: First screening - Founder-related issues.

Financial issues

	Low Potential (-1)	Moderate Potential (0)	High Potential (+1)
1. Initial capital investment	High	Moderate	Low
2. Number of revenue drivers (ways in which the company makes money)	One	Two to three	More than three
3. Time to break even	More than two years	One to two years	Less than one year
4. Financial performance of similar businesses	Weak	Modest	Strong
5. Ability to fund initial product (or service) development and/or initial startup expenses from personal funds or via bootstrapping	Low	Moderate	High

Figure 1.e: First screening – Financial issues.

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Overall potential of the business idea

After evaluating each part, we obtained an overall score that shows a promising potential. Following we can see the potential of the business idea based on each part.

Part	Score (-5 to +5)	Potential
1- Strength of Business Idea	3	High Potential
2- Industry-Related Issues	2	Moderate Potential
3- Target Market and Customer	3	High Potential
4- Founders - Related Issues	3	High Potential
5- Financial Issues	0	Moderate Potential
Overall Assessment	11	High Potential

Figure 1.f: First screening - Overall potential of the business idea.

In the analysis we can observe at the First Screening, the aspects with the highest score are the strength of the business idea, the target market related issues and the Founder related issues. During the present business plan, we will show how we are going to take advantage of these aspects in favor.

FEASIBILITY ANALYSIS

Introduction

This first part of the project focuses on determining in general terms the viability of the project, the perception of potential clients with respect to the business idea and the characteristics that most interest them, as well as the characteristics that they consider less relevant and the aspects to improve.

To fulfill this purpose, 2 primary researches will be carried out; first, an initial interview to make a prior evaluation of the concept statement which was made to 20 people who were between 25 and 40 years of age and second, a survey to determine the purchase intent of the product and some aspects to focus and enhance.

Concept statement

Initial concept statement

TINTAYA Spirit will be a hotel in northern Peru, located on Lobitos Beach in Piura. Lobitos is recognized as an ideal destination for surfing due to the sea conditions and the tropical weather throughout the year. The project's name in Aymara (ancestral Peruvian language) means: Who accomplishes what is proposed, which will be the company's slogan.

It will provide a hotel service of high quality, friendly environment, equipped with modern technological solutions. Its exclusive operation will be managed with alternative energy sources. Furthermore, the hotel will have restaurant services focused on Peruvian cuisine (recognized worldwide - winner of World's leader culinary destination 2017). In addition, the hotel will provide surf lessons and rent out surf equipment.

Strengths of the business idea

People interviewed were composed of 12 men and 8 women, all of them with a bachelor's degree and 12 have a postgraduate degree; 14 are Peruvians and 6 from other nationalities; 5 people work or have worked in activities related to tourism or hotels and 5 have practiced surfing.

What has called the attention of the people interviewed to reinforce the concept statement, apart from the location where TINTAYA Spirit would be, the potential of the area and the growth of Peru as a tourist destination due to its culture and gastronomy, is the fact of providing an offer that tries to unify all services in a consistent concept.

The fact of looking for technological solutions for the guest and carrying out activities in an eco-friendly way is highly valued since it is a fundamental part of the global concept that we wish to implement.

It is favorably taken that the accommodation offer is offered for different types of guests and activities are carried out among them; people from different countries, backpackers with lots of stories to tell, couples and families who are looking to stay and in addition, enrich their trip by sharing cultural diversity in a suitable environment. Additionally, it fits the needs of those who travel alone for budget issues or because they like to meet new people.

They consider that the name TINTAYA Spirit strongly emphasize the concept that is to be offered about Peruvian culture and cuisine is directly related to grant the guest a different and unforgettable experience.

Suggestions for strengthening the business idea

A large percentage of people interviewed said that in addition to surfing, other activities related to water sports could be included and could be carried out by all members of the family. Focusing just in Surf can limit the market we can get if we broaden the scope.

In the same order people said that Peruvian food is great but is always good to have a wide range and is necessary to consider some extra international cuisine alternatives like pizza,

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hamburgers and Asian food.

On the other hand, it was found that part of the income or specific activities can be directed to social assistance in the sector, which would make more visible the impact that stakeholders want to generate.

They also recommended making Peruvian food classes and organizing tours or providing advice to hire and visit nearby attractions.

Another interesting proposal was the fact that you can count on membership packages and donate a percentage of the cost of your stay to help protect the natural environment and breakers.

To relate the project more with local culture, TINTAYA Spirit can promote ancient Peruvian cultures like Mochica, Chimu, Sipán, Sicán, Naylamp and many other ancient cultures from the area that can get the visitor more involved in local histories. This kind of activities can end in more product/services or social responsibility projects that would be valued by them.

One point that called our attention was a comment that noticed that the slogan doesn't sound very surf-like, nor very catchy; we decided to develop that point in order to show a stronger surf style or more related to the nature.

Perceived feasibility of the business idea

The people interviewed share the perception of seeing TINTAYA Spirit as a viable business idea, because the aspects of differentiation that it has and the strategic location of the project; very Close to the beach In Latin America, northern Peru, where is a known place for its waves and sea sports specially surfing.

In addition, tourism is a growing sector and people are eager to know places and sometimes do different things. People are always looking for a place to chill and have fun; this hotel will cover those expectations, especially for people who like activities related to the sea, the care of the environment and are interested in knowing new cultures and trying new foods.

Other comments and suggestions

Some of the comments received went beyond the general lines of the project and included interesting suggestions to be developed later in the business idea. Among them are the following:

“What is the added value compared to other hotels / tourist lodgings where surf lessons are offered?”

“Market analysis and target market; Hotel 2, 3, 4 stars or backpacker hostel? If the target market are backpackers, they may not be able to afford a hotel type price that offers prime cuisine on an alternative energy environment.”

“Define the strategy to reach the potential consumer of this hotel especially the public that would arrive from abroad.”

“Conceptually it is a positive proposal, but the concept idea could add more information on how the business will be sustainable profitable.”

Revised concept statement

TINTAYA Spirit will be an eco-hotel, that is a hotel with features designed to be eco-friendly, in northern Peru, located on Lobitos Beach in Talara, Piura. Lobitos is recognized as an ideal destination for surfing and other activities due to the sea conditions and the tropical weather throughout the year.

TINTAYA Spirit will provide the accommodation and restaurant services in the eco-friendliest way of Lobitos. It will seek to highlight the Peruvian culture and cuisine, especially its relationship with the area and the sea; paying special attention to details in a very friendly environment.

Buying intentions survey

The survey was focused on potential consumers worldwide; people who live in Peru who have already gone to the area or who plan to go in the next 2 years and people outside of Peru,

focused on those with preferences according to what we want to offer. The complete survey can be seen in appendix A.

It should be noted that we are basing the strategic focus, in addition, on three market research from PROMPERU, which is the Commission for the Promotion of Peru for Exports and Tourism, an entity under the Ministry of Foreign Trade and Tourism – MINCETUR -. This will be detailed in the marketing chapter, so the questionnaire has been directed to find other aspects that help us make the best decisions.

Survey statements

The survey was carried out through Qualtrics, the number of respondents was 250. 70% of the interviewed were from Peru and almost 70% were between 25 and 55 years old.

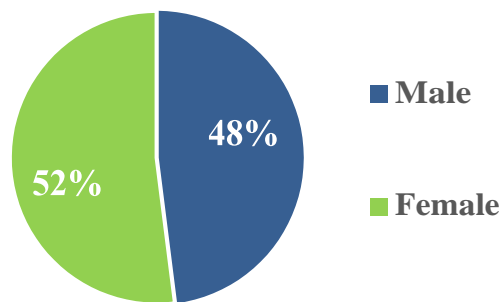


Figure 1.g: Feasibility analysis – Survey, Gender distribution.

In terms of occupation, the largest number of people responded to being employed, reaching 66%.

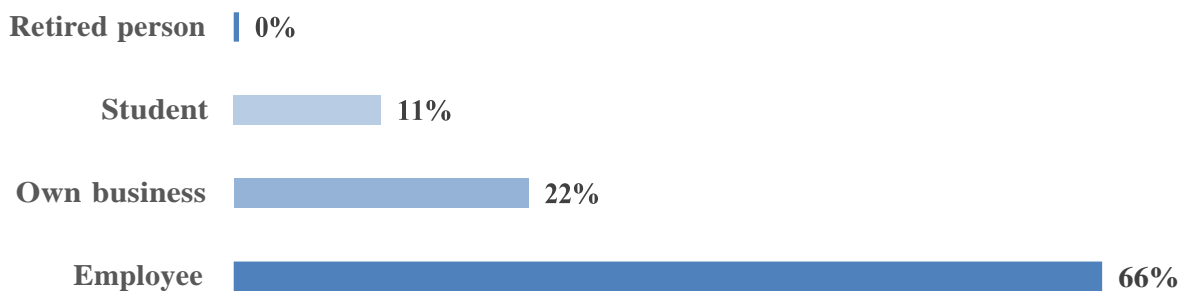


Figure 1.h: Feasibility analysis – Survey, Occupation distribution.

The interviewees answered that they would be willing to pay more during their vacations according to:

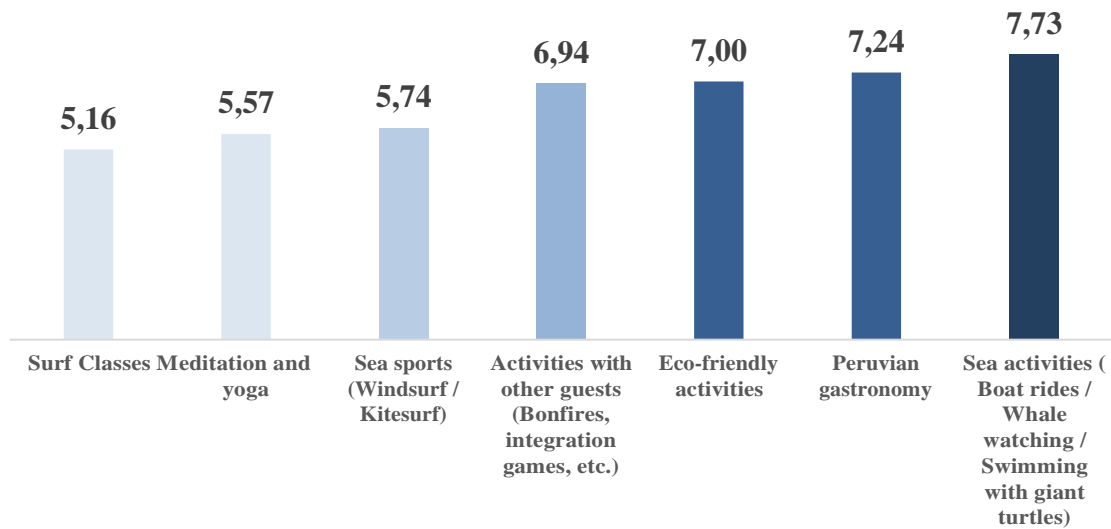


Figure 1.i: Feasibility analysis – Survey, willing to pay more. (Scale one to seven multiplied by 10/7).

To compare what aspects are more valuable to our target market in terms to choose a place to stay, we use the aspects that the platform Booking.com uses.

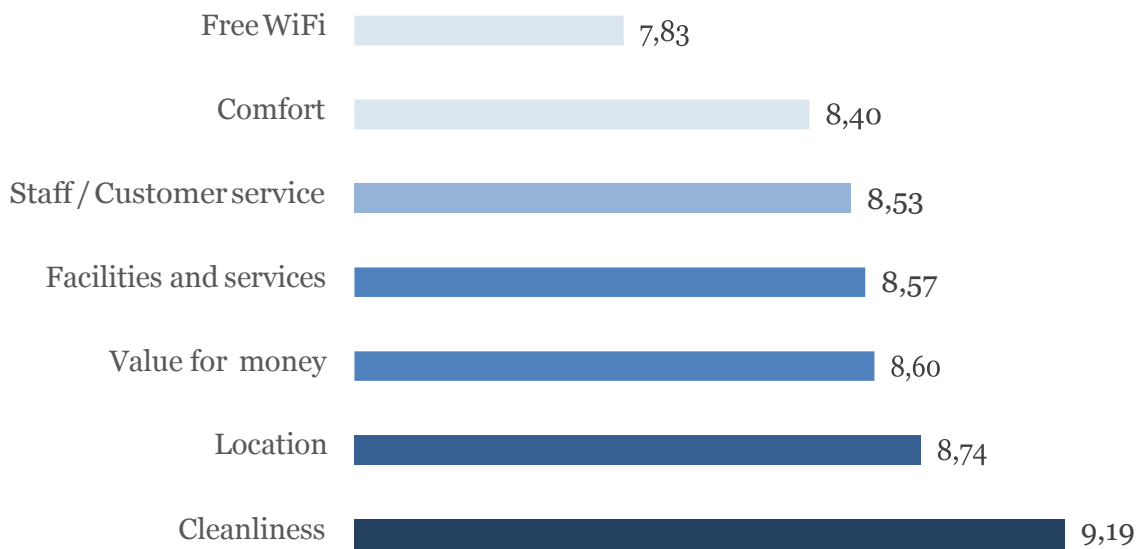


Figure 1.j: Feasibility analysis – Survey, aspects to decide for a hotel. (Scale one to seven multiplied by 10/7).

According to how much the potential customers would be willing to pay for a night's accommodation in an eco-hotel near to the sea in the north of Peru, with surf lessons and a

special concept that highlights the Peruvian gastronomy, local traditions and promotes positive activities like yoga, they responded according to the following chart.

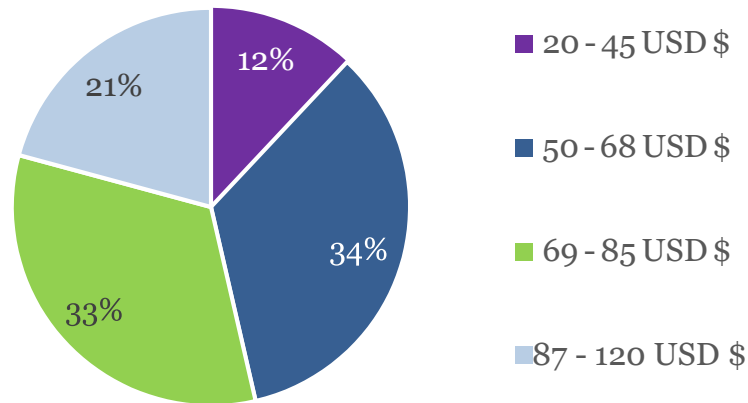


Figure 1.k: Feasibility analysis – Survey, percentage of customers willing to pay for a night.

In the case of how much is the amount in USD \$ that the target audience spends per day during their vacations without accommodation, on average the result was USD \$ 65.7.

In the case of the distribution of the two social networks most used by the target audience, the results are as follows:

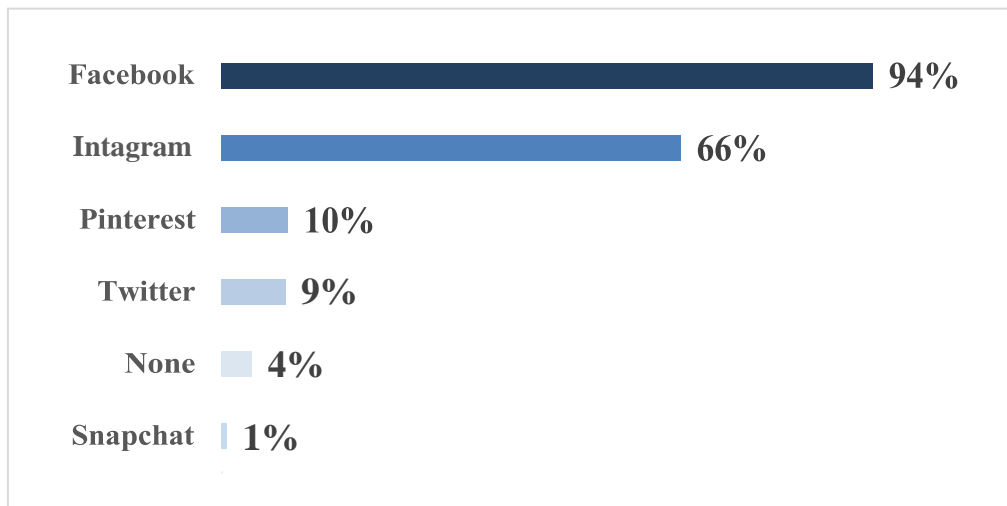


Figure 1.l: Feasibility analysis – Survey, two most used social networks.

About the competition mentioned by potential customers, they only named one hotel in Lobitos called Lobitos Lodge, which we will analyze within the direct competition. The most common responses were hotels in Máncora, a beach located one hour from Lobitos, famous

for its beaches, gastronomy, sea sports such as surfing (not as good waves as Lobitos), kitesurfing and windsurfing. Among the hotels that stood out in the survey were DCO and Kichic, both Spa Hotels focused on couples in front of the beach. Other hotels mentioned were the Royal of Cameron Punta Sal and the Hotel Punta Sal, both located in Punta Sal, 30 minutes in car from Mancora. These hotels are aimed at a family audience with the all-inclusive concept.

Conclusion

We noticed that the large percentage of employees stands out among the target audience. The activities for which the potential client would be willing to pay more is another important point to highlight; in first place, there are the activities related to the sea such as boating, whale watching and swimming with turtles. Followed by Peruvian gastronomy and eco-friendly activities. Then, in fourth place there are the activities to share among the guests. This allows us to focus even more on the conceptual offer of TINTAYA Spirit according to the services we want to offer.

Regarding the aspects for which the interviewees choose a place to stay, cleanliness is found first, followed by the location, facilities and services and then the staff. The importance of the local environment and all contact with the staff is taken into account. Almost 70% of potential customers would be willing to pay between USD \$ 50 and USD \$ 85 per night, in a place with characteristics that we want to offer. The same result had the answers on how much the interviewee spends per day during his vacations outside the lodging; the average was USD 65.7. This allows us to focus investments to globally provide the best service and evaluate how much the target audience is willing to pay.

As for the most used social networks, Facebook was the top choice followed by Instagram which will allow us to focus our advertising channels given the characteristics of our market.

Product/service feasibility

Product/service desirability

According to the revision of the concept statement and the buying intention survey, the service desirability is high. People would like to stay in a place where environmental solutions are practiced, the Peruvian culture, its gastronomy and the relationship with the sea are promoted.

Product/service demand

In the same line of the service desirability; the service demand is high, most of the people that answered the survey were especially interested in the possibility to visit the place that we want to launch. On the other hand, all the secondary data founded has allowed us, to focus even more on what we want to offer and achieve a better Marketing Plan.

Conclusion

According to the primary research we carried out and thanks to the detailed information found on PROMPERU and MINCETUR portals, we concluded that the service we propose through TINTAYA Spirit is a feasible business idea.

Industry/target market feasibility

Industry attractiveness

Receptive tourism worldwide reached 1,3 billion trips in 2017 and increased by 7% compared to 2016, being the highest since 2011. In 2017, there were 36.2 million tourists in South America, which represented a growth of 10 % compared to 2016 (PROMPERU, 2018c).

	Low Potential	Moderate Potential	High Potential
Number of competitors	Many	Few	None
Growth rate of industry	Little or no growth	Moderate growth	Strong growth
Average net income for firms in the industry	Low	Medium	High
Degree of industry concentration	Concentrated	Neither concentrated nor fragmented	Fragmented
Stage of industry life cycle	Maturity phase or decline phase	Growth phase	Emergence phase
Importance of industry's products and/or services to customers	Ambivalent	Would like to have	Must have
Extent to which business and environmental trends are moving in favor the industry	Low	Medium	High
Number of exciting new products and services emerging from the industry	Low	Medium	High
Long term prospects	Weak	Neutral	Strong

Figure 1.m: Feasibility analysis – Industry attractiveness.

The results show a tendency of moderate to high potential in the industry analysis. It is an industry with different types of offer according to the place where it is located and the target audience. According to the Economic and Financial Characteristics of the Service Companies in 2015, more than 90% of the companies dedicated to housing in Peru were small or medium-

sized companies. However, in terms of sales these are distributed as follows; small companies 32,6%, medium companies 4,7% and large companies 62,7% (INEI, 2017).

Target market attractiveness

There were 63,882 arrivals of vacationers who surfed in Peru in 2017 according to PROMPERU. Almost half of them came from Latin America, mainly from Chile, Ecuador, Argentina and Brazil. A quarter came from Europe (26%) and the rest from North America (13%), Asia and Oceania (5%) (PROMPERU, 2018e). This has been a great growth since in 2014; PROMPERU registered the arrival of 43,581 vacationers who practiced surfing in Peru (PROMPERU, 2016b), this meant an increase of almost 47% in three years.

The area where TINTAYA Spirit will be developed has tourist attractions for another type of target market that does not necessarily only surf. In this case, according to PROMPERU, in the profiles of national and foreign tourists who visit Piura in 2017, vacationers seek beach, cultural and adventure activities such as boat rides (PROMPERU, 2018c, 2018d).

Additionally, according to the survey carried out, the target public manifested as the first option for which they would pay an additional amount would be the activities related to the sea and secondly Peruvian cuisine.

	Low Potential	Moderate Potential	High Potential
Number of competitors in target market	Many	Few	None
Growth rate of firms in the target market	Little to no growth	Slow growth	Rapid growth
Average net income for firms in the target market	Low	Medium	High
Methods for generating revenue in the market	Unclear	Somewhat clear	Clear
Ability to create “barriers to entry” for competitors	Unable to create	May or not be able to create	Can create
Level of customers satisfaction with current offerings in the market	Satisfied	Neither satisfied or dissatisfied	Unsatisfied
Potential to employ low cost or marketing techniques to promote the services.	Low	Moderate	High
Excitement surrounding new product offering in the target market	Low	Medium	High

Figure 1.n: Feasibility analysis – Target market attractiveness.

We observe after analyzing the target market attractiveness assessment tool, that the results show a tendency of moderate to high potential.

Market timeliness

In the area where TINTAYA Spirit will be located, there is a varied offer, especially of cheap hotels with shared rooms and other small number of hotels for a market willing which is to pay more. Most places in Lobitos are very informal and these do not have a differentiated service offer; since they focus mainly on providing accommodation, food and some services in a different way without putting special focus on the target market needs.

	Low Potential	Moderate Potential	High Potential
Buying mood of customers	Customers are not in the buying mood	Customers are in a moderate buying mood	Customers are in an aggressive buying mood
Momentum of the market	Stable to losing momentum	Slowly gaining momentum	Rapidly gaining momentum
Need for a new firm in the market with your offerings or geographic location	Low	Moderate	High
Extent to which business and environmental trends are moving in favor the target market	Low	Medium	High
Recent or planned entrance of large firms in the market	Large firms entering in the market	Rumors the larger firms may be entering to the market	No larger firms entered or are rumored to the market

Figure 1.0: Feasibility analysis – Target market attractiveness.

Regarding the market timeless, we want to take advantage about the fact that there is still no very formal offer in the area and on the other hand, the environmental tendencies of the target market make the business more attractive.

Conclusion

Concerning the industry and market feasibility analysis, we can determine that our project is feasible to enter in the market. Indeed, we want to take advantage of the lack of a differentiated eco-hotel concept in the area, showing as much as possible our approach on the Peruvian culture and cuisine; in order to deliver a consistent offer to a captive audience that are Peruvian and foreign surfers. At the same, we seek to display the attractions of the area and our services to another type of vacationer from Peru and worldwide.

Organizational feasibility

Management ability

	Low Potential	Moderate Potential	High Potential
1. Passion for the business idea	Low	Moderate	High
2. Relevant industry experience	None	Moderate	Extensive
3. Prior entrepreneurial experience	None	Moderate	Extensive
4. Depth of professional and social networks	Weak	Moderate	Strong
5. Creativity among management team members	Low	Moderate	High
6. Experience and expertise in cash flow management	None	Moderate	High
7. College graduate	No college education	Some college education but not currently in college	Graduated or are currently in college

Figure 1.p: Feasibility analysis – Management ability.

We are a team with more than 20 years of working experience together, in fields like; commercial, marketing, financial planning and project evaluation; More than a business, what we want to create is a life plan that achieves a positive impact on the stakeholders, especially to the people and environment from the place.

To face our weaknesses and also achieve greater own investment outside the bank loan, we will include two strategic partners within the project. One of the partners is the owner of the land where TINTAYA Spirit will be built, who also has experience in people management, knowledge of the area and a large network in surfing in Peru.

The other partner would be the person who would perform the operation of the restaurant, this would be outsourced. Already he has a little chain of three coffee shops in Cajamarca (in the northern Andes of Peru). With this we would have decision and control within the activities of the restaurant, which is a critical point within the offer of the Project.

Resource sufficiency

Legend

1. Available
2. Likely to be available
3. Unlikely to be available
4. Unavailable
5. NA: not applicable for my business

Ratings	Resource Sufficiency
1	Office space
1	Lab space, manufacturing space, or space to launch a service business
2	Contract manufacturers or outsource providers
1	Key management employees (now and in the future)
2	Key support personnel (now and in the future)
2	Key equipment needed to operate the business (computers, machinery, delivery, vehicles)
1	Ability to obtain intellectual property protection on key aspects of the business
2	Support of local and state government if applicable for business launch
2	Ability to form favorable business partnerships
Ratings: Strong, Neutral, or Weak	
<u>Strong</u>	Proximity to similar firms (for the purpose of knowledge sharing)
<u>Neutral</u>	Proximity of suppliers
<u>Neutral</u>	Proximity of customers
<u>Neural</u>	Proximity to a major research university (if applicable)

Figure 1.q: Feasibility analysis – Resource sufficiency.

At this level, the resources necessary for the operation of the company are no barrier to its operation, as all are available or could be acquired without much difficulty. Within the critical resources such as the land for the construction of the hotel, is insured and intended for the project; the land owner had wanted to develop the project for a couple of years nevertheless he had done it due to lack of resources and someone to take care of it; now having us as partners, this obstacle has become non-existent.

As for the key employees, the owner land is a person with extensive experience in people management and will joint to the project as a hotel manager, Eduardo with his knowledge and experience in marketing will oversee the marketing process and Roger will support the finance process. For the other employees of the eco-hotel; the objective is to hire them from the area in order to support the local economy.

In terms of proximity of customers, although due to the characteristics of the business we are not geographically close, if it is a destination to which a large number of consumers go to surf

and relax, and we can reach a large number of these potential consumers through social networks.

On the other hand, the companies necessary for the construction of the hotel, as well as some of the materials are not available in the area but we find them near; at no more than 1 hour, where are several companies and materials from the area at a low cost.

Conclusion

Regarding to the organization, once again, the project is feasible; this is supported by the ability of the management team to lead this business idea to success, our motivation and strong entrepreneurship mind. In the same way, a strength that makes the business feasible is the immediate availability of resources, the achievement of key employees and legal procedures according to our analysis of the environment are achievable without much difficulty.

Financial feasibility

In this section we are going to estimate the necessary costs to make our first sale.

Total start-up cash required

The following are the values obtained after the investigation carried out by the owner of the land, contact an architect to determine costs of construction and a marketing agency for the cost of the website, in addition to other research that will be detailed in the following modules.

Concept	PEN	EUR
Land	745.000	192.010
Building	1.602.000	412.886
Furniture & Equipment	387.390	99.843
Pre-operational Expenses	111.600	28.763
Working Capital	88.254	22.746
TOTAL	2.934.244	756.247

Figure 1.r: Feasibility analysis - Financial feasibility, total start-up cash required.

To launch TINTAYA Spirit, we will need a total of 2.934.244 Peruvian Soles - PEN corresponding to of 756.247€. Of which 56% will come from personal funds and 44% will be financed with a bank loan.

Financial performance of similar businesses

According to the study "Economic and Financial Services Companies, 2015" conducted by The Peruvian National Institute of Statistics and Informatics, in 2015, the large companies in the hotel industry obtained the next financial ratios (INEI, 2017):

- Average gross margin of 10,5%
- Average net margin of 6,6%.
- Average current ratio of 2,5
- In the acid test they get an 2,1
- Debt ratio 56,2%

Looking at the previous ratios we found that the hotel companies in the year of the investigation obtained on average a gross margin of 10.5% which at first tells us that the activity as such generates benefits; which reach to cover the payment of administrative expenses and taxes after which the net margin is established at 6.6%.

On the other hand, we have that the hotel companies as a whole have an average current ratio of 2.5 which indicates that in the short term they have to pay their short-term debts, which is supported by the acid test that gives a value of 2.1.

We consider that this indicator is a little high to be efficient but show us some positive information; because, talking about a service company, an inventory of products is not handled, and the payment of the clients must not be greater than 1 month when this is done with credit card, while in other cases they have payment in advanced or immediate payments; so, a considerable portion of this money may correspond to cash or cash equivalent.

Regarding the ratio of debt that reaches 56.2%, if we consider the ratio that hotels have in the short term most likely is that most of this debt is contracted in the long term. The previous capital structure is like the one we are seeking to establish initially.

Overall financial attractiveness of the proposed venture

	Low Potential	Moderate Potential	High Potential
1. Steady and rapid growth in sales during the first one to three years in a clearly defined target market	Unlikely	Moderate likely	Highly likely
2. High percentage of recurring income—meaning that once you win a client, the client will provide recurring sources of revenue.	Low	Moderate	Strong
3. Ability to forecast income and expenses with a reasonable degree of certainty	Weak	Moderate	Strong
4. Likelihood that internally generated funds will be available within two years to finance growth	Unlikely	Moderate likely	Highly likely
5. Availability of exit opportunity for investor if applicable	Unlikely to be unavailable	May be available	Likely to be available

Figure 1.s: Financial feasibility – Overall financial attractiveness of the proposed venture.

Conclusion

Overall, the financial attractiveness of the proposed project is moderate. The average profitability of companies engaged in housing activities in Peru is not particularly high.

On the other hand, our business model seeks to have a differentiation and higher standards than the direct competition, which in the beginning increases the amount of the investment, but in the future, it encourages the entry of greater cash flows. In the same way, we see that the sector has an interesting liquidity ratio, which shows the strength of the companies to maintain their flow of operations. As well as, the rapid growth of sales in the first years of operation of the company.

INDUSTRY ANALYSIS

Industry definition

In Peru, according to the International Standard Industrial Classification of all economic activities – CIIU (for its initials in Spanish) the activity is classified in the code: 5510 - Accommodation activities for short stays; This class includes the provision of accommodation for short stays in: hotels, resorts, suites, apartment hotels, motels, hotels for motorists, boarding houses, pensions, accommodation and breakfast units, flats and bungalows, units used in regime of timeshare, holiday homes, chalets and cabins with maintenance and cleaning services, youth hostels and mountain shelters.

The equivalent of the previous classification according to the List of NACE codes is I55.10: Hotels and similar accommodation.

Industry size, growth rate and sales projections

In 2017, the tourism sector in Peru generated revenues of more than 8 billion dollars, foreign tourists arrived in Peru leaving a foreign exchange income of more than USD \$ 4,5 billion; Focusing on the Hotel industry in Peru is growing with an average ratio between 7% and 8% during the last years (Guevara, 2018).

The previous growth due to its archaeological, gastronomic, natural and cultural attractions. This is reflected in around USD \$ 5,0 billion of income for the industry and that is partly due to the quality of spending made by tourists in Peru, which is superior to many countries in the region. Said the president of the “Cámara Nacional de Turismo” (CANATUR), Carlos Canales.

Additionally, in Peru accommodation associated with tourism activity grew 4.5% in the second quarter and 6.1% in the first semester of 2018, while during the year 2017 this activity grew 2.9% (INEI, 2017).

Activity	2017 / 2016				2018 / 2017			
	I Q	II Q	I H	4 last Q	I Q	II Q	I H	4 last Q
Accommodation and restaurants	0.8	1.3	1	1.8	3.6	2.9	3.2	2.4
Accommodation	0	2.6	1.3	2.9	7.7	4.5	6.1	3.5
Restaurants	0.9	1.1	1	1.6	2.7	2.6	2.6	2.2

Figure 1.t: Industry analysis - Accommodation and restaurants: Gross aggregate value, at constant 2007 prices (INEI, 2017).

According to official figures from the Ministry of Foreign Trade and Tourism, the arrivals to Peru of international tourists has evolved in the following way:

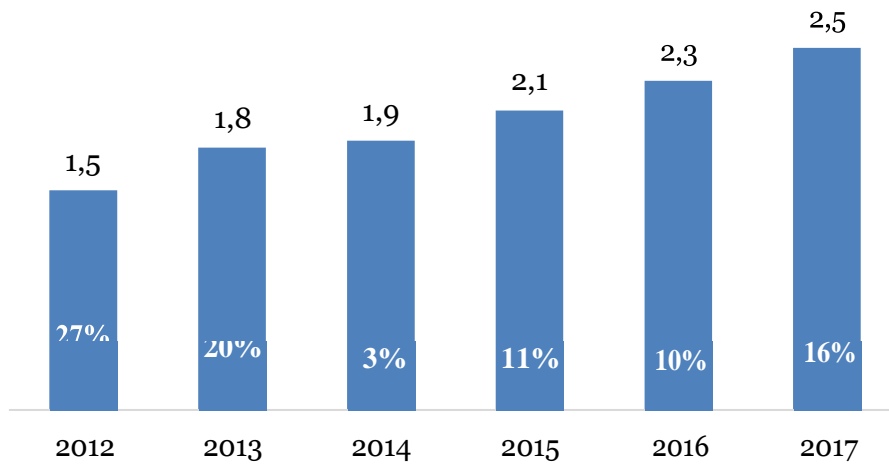


Figure 1.u: Industry analysis - Evolution foreign vacationer who traveled to Peru (Million & %GR) (PROMPERU, 2018a).

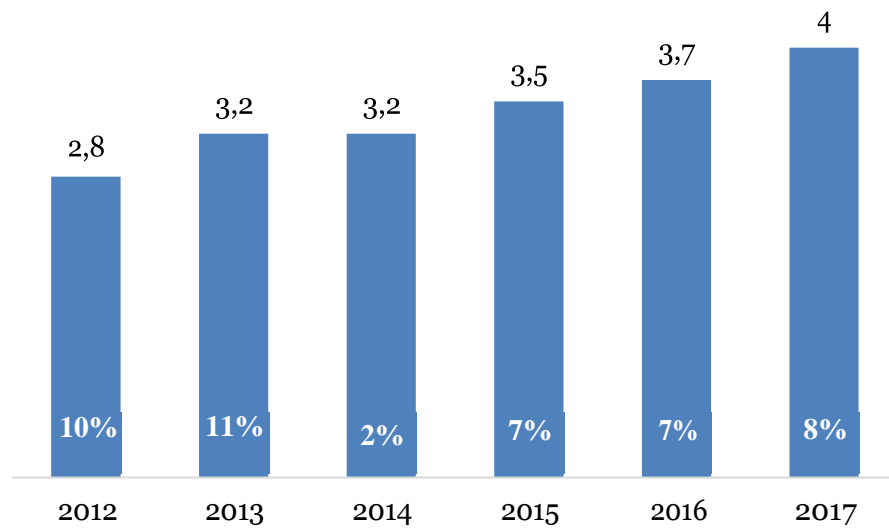


Figure 1.v: Industry analysis - Evolution foreign tourist who traveled to Peru (Million & %GR) (PROMPERU, 2018a).

Industry structure

Concentration/fragmentation

Regarding the number of accommodations, Piura ranked seventh place in 2017 with an amount of 911 accommodations, showing a growth of 7% compared to 2016. In the following figure we can see the number of accommodations in the main cities of Peru:

City	2012	2013	2014	2015	2016	2017
Lima	4.551	4.916	5.088	5.296	5.397	5.603
Cusco	1.300	1.378	1.538	1.756	1.884	1.959
Arequipa	1.053	1.079	1.163	1.292	1.398	1.472
Junin	800	849	935	1.047	1.131	1.181
La Libertad	819	858	924	976	1.011	1.058
Arequipa	1.053	1.079	1.163	1.292	1.398	1.472
Piura	648	669	730	774	849	911
Total	15.509	16.671	18.058	19.522	20.635	21.687
Piura growth		3,2%	9,1%	6,0%	9,7%	7,3%
Total Growth		7,5%	8,3%	8,1%	5,7%	5,1%

Figure 1.w: Industry analysis – Number of accommodations in the main cities of Peru (MINCETUR, 2018).

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In terms of the number of beds, the location at the national level is similar only here shows a growth of 5% as well as the national growth of 2017 with respect to 2016 as we can see below.

City	2012	2013	2014	2015	2016	2017
Piura	14.333	15.769	16.940	17.952	19.084	19.950
Lima	114.037	120.723	121.231	123.524	123.540	125.912
Total	375.066	403.638	425.550	451.471	472.320	496.073
Piura growth		10,0%	7,4%	6,0%	6,3%	4,5%
Total Growth		7,6%	5,4%	6,1%	4,6%	5,0%

Figure 1.x: Industry analysis – Number of beds in Peru, Lima and Piura. (MINCETUR, 2018).

In October 2016 there were 19,589 accommodation places in Peru, most of these accommodations corresponded to non-classified hotels with a percentage of 85.66%, followed by 2-star hotels with 7.21%; Also, the small proportion of Eco-lodge can be observed, the legislation changed and the MINCETUR no longer grants this classification. Next the detailed classification:

Accommodation places offer	October 2016	
	#	%
Classified	19.589	100%
5 stars	49	0,25%
4 stars	87	0,44%
3 stars	797	4,07%
2 stars	1.412	7,21%
1 star	391	2,00%
Hostal	70	0,36%
Ecolodge	4	0,02%
Not classified	16.779	85,66%

Figure 1.y: Industry analysis – Classification of hotels in Peru. Source: (MINCETUR, 2016).

According to the Economic and Financial Characteristics of the Service Companies in 2015, more than 90% of the companies dedicated to housing in Peru were small or medium-sized companies MINCETUR, 2016).

5 forces analysis

Rivalry within the industry

In the hotel industry there are a lot of competitors, which makes it a competitive industry. Offers are available in all price ranges. Piura is not the exception; it is possible to find a variety of offers that although most of them do not have a differentiating concept.

Threat of new entrants

There would be a latent threat since there are only some barriers to entry such as the high cost of investment and construction permits; however, the last only depend on the demarche that the incoming company do. In addition, it has been expressed by the President of CANATUR that there are brands that wish to enter the country, as it is attractive to invest in the Peruvian hotel industry. Even to the point of suggest the idea of creating a rule that favors investment in the hotel sector (Canales, 2017).

This could promote the appearance of more competitors in the medium and long term. Therefore, once the hotel is established, it must focus on its brand positioning, in order to generate that advantage with respect to the possible competitors that want to enter.

Threat of substitutes

Platforms like Airbnb have facilitated the appearance of substitute offers to the traditional hotel offer, due to its low cost and how easy it is for any person to rent properties using this type of websites.

Bargaining power of buyer

The bargaining power of the clients is really high and for the most part it is sensitive to the prices that the guests can find in the market; so that the clients limit the negotiations unilaterally since they are having easy access to different offers, prices and activities. Which is recognized as a high competition within the industry; but to offset this situation, the company will focus on highlighting the differentiating concept of the hotel, as well as its more ecological facilities than those of the nearby competition.

Bargaining power of supplier

There are a large number of suppliers for hotel industry. In the same way this facilitates to get low cost in some supplies and the culture of the suppliers is to negotiate prices.

Nature of industry participants

The president of CANATUR said: “98% of the hotel investment in Peru is made by national investors, which means that the development and evolution of the hotel infrastructure in the last 25 years corresponds to Peruvian companies linked to the construction sector, they have been investing in hotel infrastructure” (Canales, 2017).

According to the Economic and Financial Characteristics of the Service Companies in 2015 the companies dedicated to housing in Peru were distributed in 89,7% are small companies, 2,7% are medium-sized companies and 7,6% are large companies (INEI, 2017).

Operating industry ratios

According to Consulter STR Global, hotel occupancy had grown for 11 consecutive months, closing April with 68.9%; which represents a year-on-year growth of 8.8%. The same report indicates that accommodation rates were raised and the RevPAR index (income per available room) reached US \$ 82, higher than the regional average.

Considering that the high demand season in Peru corresponds to the second half of the year, some analysts estimate that the financial indicators of the Peruvian hotel market will be more positive at the end of 2018. Some projections suggest that the prices of the sector will increase between 6% and 7% (CANATUR, 2018).

Industry critical success factors

Customer service

This is a key aspect in this industry and it happens all times when the customer has contact with the company; these interactions and transactions should allow a good relationship with the client, guaranteeing quality interactions at all times. Many times, it is necessary to create

a positive experience of something negative, such as providing the best room to the client if they had an unpleasant experience in a contracted service. For example, if the guest made a mistake on the date of booking and only noticed it on the arrival, a change can be made at no cost (Capozzi, 2017).

Price strategy

Demand in hotel industry is fluctuating; there are seasons with higher and lower affluence depending on factors such as weather or holidays. The peaks of the demand must be identified, and the prices must be settled accordingly. In order to motivate purchases in periods of low demand and take advantage of high demand (Capozzi, 2017).

Differentiation

It is very important how the hotel can convey that their product is different from that of a competitor and how this is appreciated by customers. For example, personalization can include the decoration of the room, the gastronomy offered, technological and environmentally friendly solutions and complementary trips. One way to do it is; small features transmitted through photographs, description on the internet and videos. Examples practiced by some hotels to differentiate may be offering snacks at check-in, hanging hammocks in the yard and placing books in the lounge (Capozzi, 2017).

Adaptability to change

The hotel industry is very sensitive to fluctuations in the economy; therefore, it is essential to be able to reduce costs effectively during recessions and act prudently to define prices during boom times. An effective cost reduction must be achieved without negatively affecting the client. For example, if it is decided to dismiss an employee from the reception entrance, the expenses in salaries would be reduced, only that this will affect quality service offered (Capozzi, 2017).

Industry trends *Environmental*

trends (PESTEL) **Political**

Since the beginning of the year, several political crises have occurred in Peru, such as the change of the president of the republic by resignation in March of 2018. Investigations to politicians due to declarations of foreign construction companies that gave money for electoral campaigns and corruption acts have also been published by the judicial authorities. According to former foreign trade minister Alfredo Ferrero: "Peru could expand economically 6%, but the political crisis prevents it". He states that Peru has a growth projection of 4% this year due to the price of metals. However, according to MINCETUR, it is expected that the arrival of foreign tourists will increase by 10% during 2018 and 2019 due to the actions of PROMPERU

in incentivizing tourism, such as the actions carried out during the World Cup in Russia (El Comercio, 2018).

What has affected the political crisis is the delay in the reconstruction programs in northern Peru due to the effects of the “Niño Costero, which is a phenomenon that causes sea warming focused on the coasts of Northern Peru and Ecuador; this, produces heavy rains in the area of influence. The “Ministerio de Transportes y Comunicaciones” (MTC) has transferred to the Regional Government of Piura 350 million soles for the reconstruction of the place and 235 million soles to improve the connectivity and transportation of the region (Zapata, 2018).

Edmer Trujillo, the Peruvian minister of MTC said that the improvement of the Talara airport that will be ready by January 2019, will mean that more airlines will enter and benefit the city. (MTC, 2018a). The extension of the Piura airport runway will begin in November 2018 and will be progressive, part of the airport operations will be transferred to the Talara airport (MTC, 2018b).

Economical:

The “Asociación Peruana de Empresas de Investigación de Mercados” (APEIM) is responsible for calculating the distribution of Socioeconomic Levels (NSE) based on the national survey conducted by the INEI (Instituto Nacional de Estadística e Informática) in order to determine the Peruvian poverty indicators. For this, the questionnaire asks several questions about assets and possessions that households have, where each question has a different score. In the end, an NSE for the household is determined according to the total score obtained in the survey (APEIM, 2017). Regarding the distribution of socioeconomic levels, it is observed in Peru as follows:

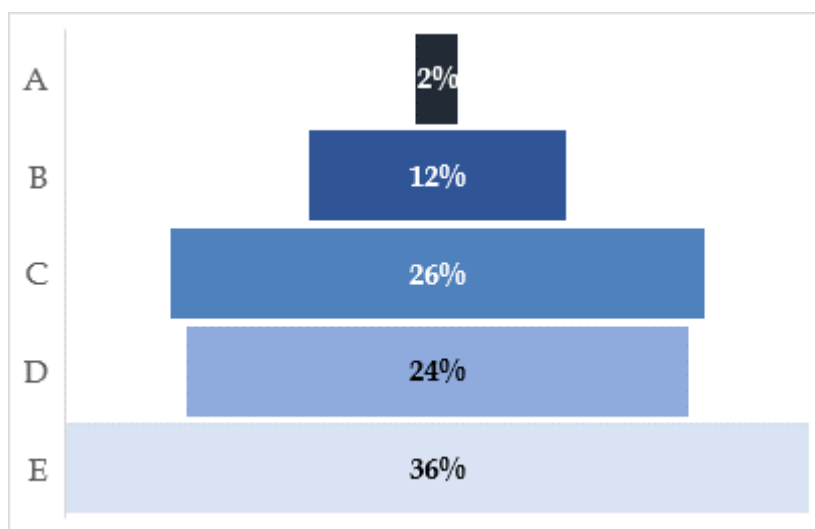


Figure 1.z: Industry analysis - Classification of NSE in Peru. Source: (APEIM, 2016).

In the case of Lima, it is as follows:

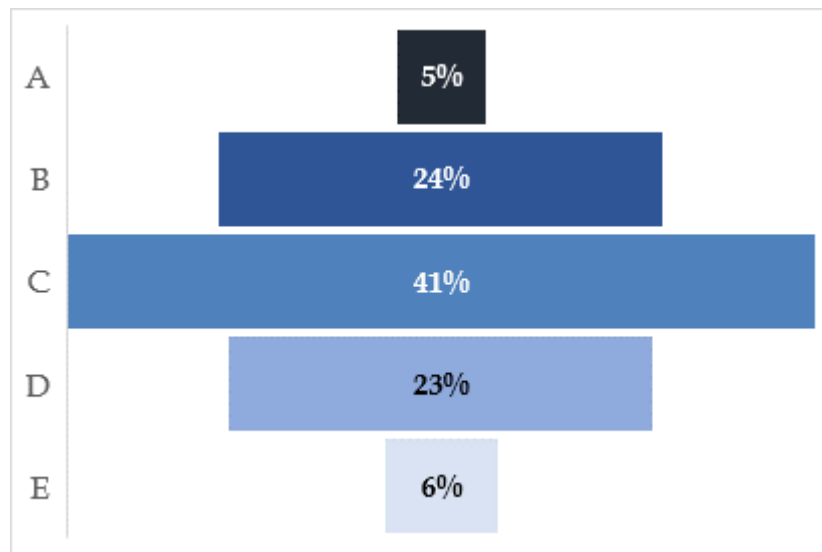


Figure 1.aa: Industry analysis – Classification of NSE in Lima. Source: (APEIM, 2016).

In 2017, the tourism sector contributed 3.8% of Peru's GDP; the highest rate in South America. The contribution of the sector in employment during the year 2017 was 1.2 million jobs, 8% of total employment and 400 thousand new jobs were created during this year. (Guevara, 2018).

Regarding the arrival at the airports of Piura Region, Talara airport registering the most important increase from the region as we can see:

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Airport	2016	2017	Growht
Talara	148.638	172.934	16,3%
Piura	849.388	891.907	5,0%
Tumbes	183.509	198.478	8,2%
TOTAL	1.181.535	1.263.319	6,9%

Figure 1.ab: Industry analysis - Number of flights in Piura region. Source: (MINCETUR, 2018).

With the entrance in the first semester of 2017 of the low-cost airline Viva air, the air fares of domestic trips will tend to decrease as happened with Latam Airlines that decided to lower its prices in single-fare rates, either roundtrip, assured the Director of Sales and Marketing (Perú21, 2018; Kuczynski, 2017).

Social

The search for transformative journeys is making it possible to develop other destinations different from the most popular worldwide (Entorno Turístico, 2018). We can see this trend in Peru by observing the decrease in destinations such as Cusco and the growth of visits to cities such as Piura. Foreign tourists have gone from a 4.7% preference for travel to Piura in 2013 to 9% in 2017 as can be seen in the table below:

City	2013	2014	2015	2016	2017
Lima	71.7	71	72	71	72
Cusco	33.4	37	38	39	30
Tacna	27.3	27	30	30	29
Puno	13.5	16	18	17	18
Arequipa	12.8	14	15	16	15
Ica	9.3	10	10	12	11
Tumbes	4	6	9	11	14
Piura	4.7	6	6	7	9
La Libertad	2.9	4	3	4	4
Madre de Dios	2.5	3	3	2	3
Loreto	1.7	2	2	2	2
Ancash	2	2	2	2	3
Lambayeque	1.7	1	1	2	2
Moquegua	1.3	1	1	1	1

Figure 1.ac: Percentage of main cities visited by foreign tourists from 2013 to 2017 (PROMPERU, 2014), (PROMPERU, 2015), (PROMPERU, 2016), (PROMPERU, 2017), (PROMPERU, 2018c).

There is a tendency to travel alone, seeking to learn in a more profound way cultures meeting new people and doing activities that would not be done within a group. Various OTA's have reported an increase in searches and accommodation reservations for single people, for example Hotelscan.com has reported an increase of 170% from March 2017 to March 2018 for those who wish to reserve a room for themselves, the most popular destinations are Thailand, Peru, Sydney, Portugal and Vietnam, respectively. (Fenwick, 2018).

Multigenerational trips are taking more and more strength, families above all seek destinations that offer something for everyone. Among the main trends of families to travel, are the search for beach resorts stays, active or adventure trips, celebration traveling, private vacation among others (Kickham, 2018).

According to the tourism portal from CANATUR that analyzed a study carried out by Byhours, it determined that women use more their on-line platform and their hotel booking.com App; they reserve mostly 3 and 4-star hotels and that they have additional services as a spa or room service. In addition, women use their mobile more than their computers to make reservations. (CANATUR, 2018b).

Communications consultant Axon Marketing & Communications states that 82% of users of tourism services follow the social networks or blog of influencers of travel, fashion and / or lifestyle. Additionally, 75% state that their influencers have to do with their choice of hotels and airports. This is due to the fact that followers are increasingly looking for more natural experiences (AXON, 2018).

Technological

The use of the internet in the tourism field has benefited the approach of the vacationer with the service providers in terms of the speed of operations and the amount of information that can be found. The amount and greater access to information allows the client to be more demanding and increasingly make direct purchases without the use of a tourism agencies. Additionally, the use of big data is becoming more common in the tourism industry due that it can help to in different ways to approach the client. Internet has allowed a greater reach of potential customers by connecting them to hotels 24 hours, 365 days of the year overcoming time zones and eliminating geographical and language barriers (Tovar, 2018).

A trend that grows in the world of tourism is the use of instant applications without the need to use the memory of the phone. This is happening because users are reluctant to install an application because they will use the service for only a certain time and this use the phone storage. In the case of Android Google establishes a size smaller than 4MB. (CANATUR, 2018c).

People are increasingly concentrating on the use of Internet web pages and APPs by their phones, so it is expected that in the future the most used messaging APPs and social networks will serve as a platform for the purchase of tourist services. Additionally, virtual reality is becoming more and more important in this industry since the client will be able to decide in greater detail on its purchases before the trip and is expected to awaken other sensations in the target audience that encourage its behavior (McSpadden, 2018).

Technological innovation also allows differentiation; for example, virtual tours of hotel facilities, that give more security of what the buyer will get in the hotel. As well as the use of automatic doors with access codes, lockers with code, solar panels, among others. These types of implementations could enrich the customer experience

Environmental

The Piura airport were affected during the first months of 2017 due the phenomenon of the "Niño costero". Now the accesses are normalized, and the government is carrying out prevention works in case this phenomenon may happens again. (Zapata, 2018).

Close to Lobitos is located the Northwest Biosphere that includes the "Parque Nacional Cerros de Amotape", the "Coto de Caza de Angolo", the "Reserva Nacional de Tumbes" and the "Manglares de Tumbes". These 4 protected natural areas have many endemic species of flora and fauna. The "Coto de Caza de Angolo" is the only official place in Peru where hunting sports are allowed; this area is the second natural protected area of national administration and BirdLife International, recognized it as "Area of importance for the conservation of bird". (SENARP, 2018).

Global warming and the reduction of natural resources are increasingly aspects that concern the human being awakening their social conscience with what increases the demand for products and services that offer environmental sustainability. (Redondo, 2017)

Legal

In the hotel industry of Peru, the regulations established by the following laws must be met:

The Supreme Decree N°001–2015-MINCETUR "Reglamento de Establecimientos de Hospedaje" establishes the requirements to determine the classes and categories that we can see below:

Class	Category
Hotel	One to five stars
Apart - Hotel	Three to five stars
Hostal	One to five stars
Hostel	-

Figure 1.ac: Industry analysis - Classification and / or categorization of accommodation establishments (MINCETUR, 2015).

The supreme decree N°006-2014-VIVIENDA "Reglamento Nacional de Edificaciones" establishes the construction requirements according to the category and class of the hosting business. (MINCETUR 2014).

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The law N° 28611 "Ley General del Ambiente" establishes the environmental policies that must be followed according to the type of ecosystem where the hosting business is located. (SPIJ, 2005).

The policies of the law N° 29408 "Ley General del Turismo" must be fulfilled by the establishments dedicated to the hosting business. (MINCETUR, 2014b).

The construction of hosting establishments must comply with what was established in the law N° 29090 "Ley de Regulación de Habilitación Urbana de Edificaciones, y sus Modificatorias" to be enabled for the start operations, (INDECOPI, 2007).

In order for a hosting business to start its operation, the rules of the law N° 28967 "Ley Marco de Licencia de Funcionamiento y los Formatos de Declaracion Jurada" must be met (INDECOPI, 2017).

For the treatment of solid waste, hosting businesses must comply with the law N° 1278 "Ley de Gestión Integral de Residuos sólidos" (MINAM, 2016).

Business trends

The hotel industry has been experiencing a strong expansion in the supply of services to meet the growing demand that we have previously seen; during the period 2017-2021, hotel investment will reach 1,141 million dollars, which means an increase of 90% compared to the 600 million registered between 2011 and 2016 (UNWTO, 2017).

Following the previous trend, the study "*Evolution of the air and hotel offer*" from MINCETUR mentions; between the years 2017 and 2021 the execution of 62 new hotels (some of them from recognized hotel chains) were established in Peru, increasing the offer in 8.279 more rooms. With a total cost of 1,141 million dollars; of which 265.6 million will be made in provinces and the remaining value in Lima (DGIETA, 2016).

Industry long-term prospects

Tourism has been distinguished by a virtually uninterrupted growth over time. Based on this premise, it is expected that between 2010 and 2030, international tourist arrivals in emerging destinations could increase by 4.4% per year. What in the case of Peru has been established in recent years in about 8%, as well se previously.

The CEO of The World Travel & Tourism Council (WTTC) points out; "Peru has achieved a significant growth rate and still has a lot of potential to develop. The objective of the sector for 2028 must be to reach US \$ 13 billion" (Guevara 2018).

PROMPERU indicates that currently it is working in emerging and exploratory markets in order to distribute the risk of fewer visits and have a constant growth. An example is the arrival of Chinese tourists to Peru, which increased about 22% last year, while the arrival of visitors from South Korea did so by 30% (Canales, 2018).

Module 2

COMPANY DESCRIPTION

Introduction

We want to show the project from its roots, how we have structured the idea and how we hope to continue growing with it.

Company history

Since we were young we have always been interested in adventure sports and sea activities; the sport that has most attracted our attention has always been surfing. Parallel to this passion we have had professional lives related to business management which gives us more than 20 years of working experience together, in fields like; marketing, health business, financial planning, commercial and project evaluation.

One day talking about their experiences, Roger tells Eduardo how he had always wanted to surf, but in Colombia he had not found a place to do it, that he could only do it when he traveled to Peru and it was something that he thought should do more publicity outside the country; because at least in Colombia people didn't consider Peru as a surf destination. Eduardo tells him that it was true but this sport is growing in a lot in Peru and here is great potential for the development of tourism for this reason. Then, Eduardo told Roger that he has a friend who owns a land near the seashore in a privileged Peruvian destination for surfing, where a hotel could be created focused on the practice of this sport; excited with this, we began to debate about the subject and investigate more, until we decide to focus on evaluate the viability of this idea.

After gathering more information from the industry, the market and other factors, we determined that it was a viable idea. But this idea could be better and more interesting if we focus the place on the Peruvian culture, especially in its gastronomy and in a very positive environment. We always think about doing environmental practices; during the market research we realized that this aspect was adjusted to be the central point of our strategy; is very accepted by the target audience, there is no such offer in Lobitos and encompasses everything we offer.

With this premise in mind the development of TINTAYA Spirit begins, focusing on produce a life plan that achieves a positive impact on the community and travelers.

Mission statement

TINTAYA Spirit offers an unforgettable eco-friendly experience of adventure and comfort; where the Peruvian culture and the positive impact are highlighted on all stakeholders, especially on the community.

Vision statement

In 5 years, TINTAYA Spirit will be the best eco-hotel committed with sustainability in Piura; according with the guests' valuation, economically successful and with a happy working team that surpass the guests' expectations; being ambassadors of eco-friendly tourism, seeking to highlight the culture and the impact on the community.

Company objectives

To achieve the brand's vision, the following objectives need to be attained:

- Start operations on January 1, 2020.
- In the realistic scenario achieve an occupancy rate of at least 46% in the first year and from the eighth year have at least the average rate of the Peruvian industry 68% (CANATUR, 2018).
- Maintain an average rating of the users above the average of the other hotels in the area: on platforms such as Booking.com and TripAdvisor.
- To be recognized at the end of 2020 as the lodging business with the greatest environmental focus from Lobitos; measured internally and in the comments from Booking.com and TripAdvisor.

Products and services

Accommodation: The 3 floors construction has 20 double rooms, with TV, private bathroom, hot water, ceiling fans and Wi-Fi. The accommodation will have a design according to culture of the area, with decorations related to Peruvian culture, plants and flowers planted in the exteriors and flowerpots in all communal environments. We want to bring a touch of modernism, to give a sense of nature and elegance to the client. It will also have common areas with outdoor spaces, an area for recreation activities and parking. Additionally, the eco-hotel will have a nursery garden and various eco-friendly solutions.

Restaurant: The Hotel's restaurant offers a spectacular atmosphere; adorned with Peruvian artistic samples to enjoy a unique gastronomic experience. The chefs of TINTAYA Spirit seek to highlight the Peruvian culinary heritage and diversity products from the area. In the same way include some dishes of world cuisine, all prepared with imagination and detail. Vegetarian dishes and other dietary restrictions can be prepared by request.

Conference Rooms: The hotel will have 2 multipurpose rooms of 35 square meters perfectly equipped to attend social meetings, conferences and various business activities.

Additional activities: According to our survey and from secondary data that we have founded, TINTAYA Spirit will focus on give to the guests a contact with suppliers of sea activities like boat trip, fishing, whale observation and swimming with turtles.

Other types of activities will be asked to the guests before their arrival according to the services that can be found in Lobitos like yoga, massages, meditation, rental and surf, windsurf, kitesurf and lessons for these sports. It should be noted that all these activities will be outsourced, for which we will be certified who are the ideal partners to deliver this service through comments in OTA's and through a field investigation.

Future products and services

As the operations progress, we will be measuring what kind of activities are the most in demand, according to the record of our own data and we will analyze costs and investment to stop outsourcing them.

In the long term, we seek to establish a business model that can be expanded to other regions of Peru and later to other South American countries. The main idea would be to maintain the union between adventure sports and cultural shows of the region; all the above under the principle to be an eco-friendly company.

Current status

TINTAYA Spirit is in process of development. We have reinforced the work in the field with the owner of the land; as we said previously he lives close to Lobitos and has contacted suppliers to find out approximate prices for the development of the project to obtain detailed project costs. In the same way, as stated above, we have had contact with a businessman, the owner of three coffee shops who will be the fourth partner of the business and his company will manage the restaurant as an independent contractor.

Once all the modules of the PCE are finished, we will begin with the registration of the brand and the legal creation of the company.

Company legal structure

We plan on establishing as a Closed Company (Sociedad Anónima Cerrada - S.A.C.) According with the Peruvian law this type of company is a legal person of private right with commercial nature. Its capital is represented by registered shares, which are constituted by the contribution of the shareholders, which can be monetary or non-monetary assets.

This type of company occurs when the number of its shareholders does not exceed 20 people and their shares are not registered in the Public Registry of the Stock Market. It has limited liability. As detailed in the Legal aspects of the PESTEL analysis, for the start of operations must comply with the requirements of the law N° 28976 "Ley Marco de Licencia de Funcionamiento y los Formatos de Declaracion Jurada" and also must complete the sworn declaration forms for such license.

MARKET ANALYSIS

Market segmentation:

First, we are going to present information regard to foreign and Peruvian travelers characteristics' and then, we are going to proceed with the segmentation of our market.

Due to the geographic conditions of the place and the type of offer we want to launch, the market would be made up of international surfers in Peru, national and foreign vacationers who travel to Piura.

Foreign surfers

As we mentioned in the target market attractiveness section, the number of foreign surfers in Peru grew considerably; from 2014 to 2017 increase 47%. (PROMPERU, 2018e, 2016b). The characteristics of this type of tourist are shown below:

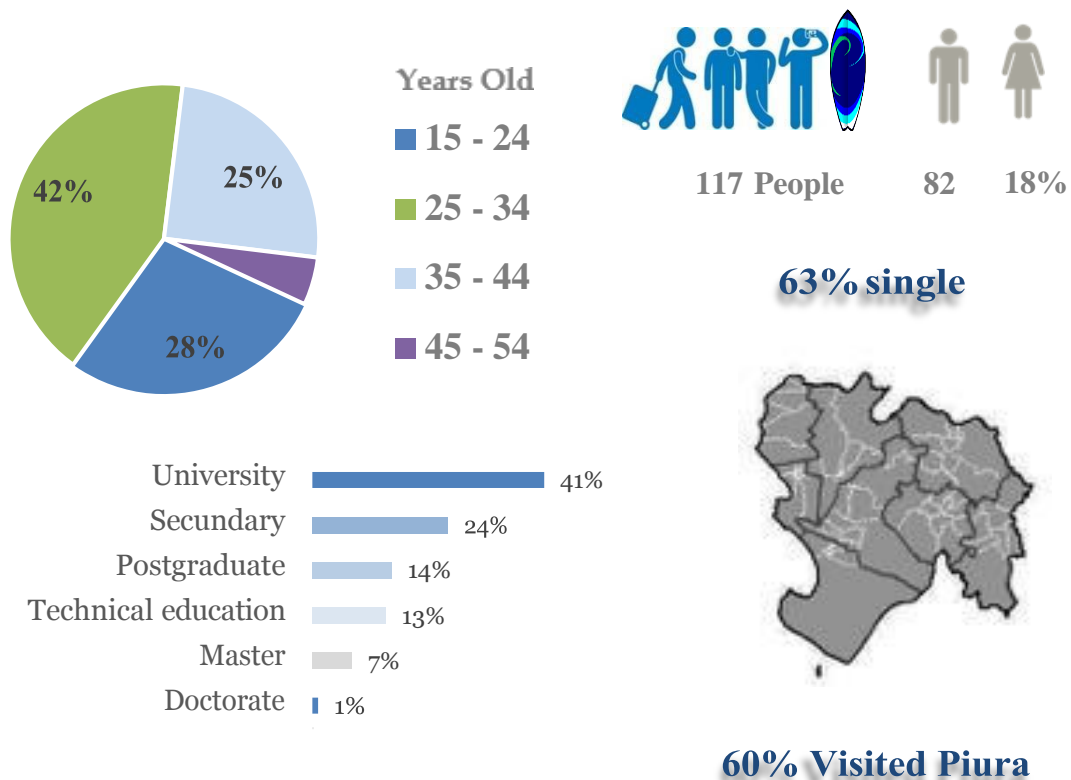


Figure 2.a: Market analysis - Characteristics of foreign tourist who surfed in Peru in 2017 (PROMPERU, 2018f).

The surfers came mostly from Latin America, representing 58% followed by the USA with 6% as we can see below:

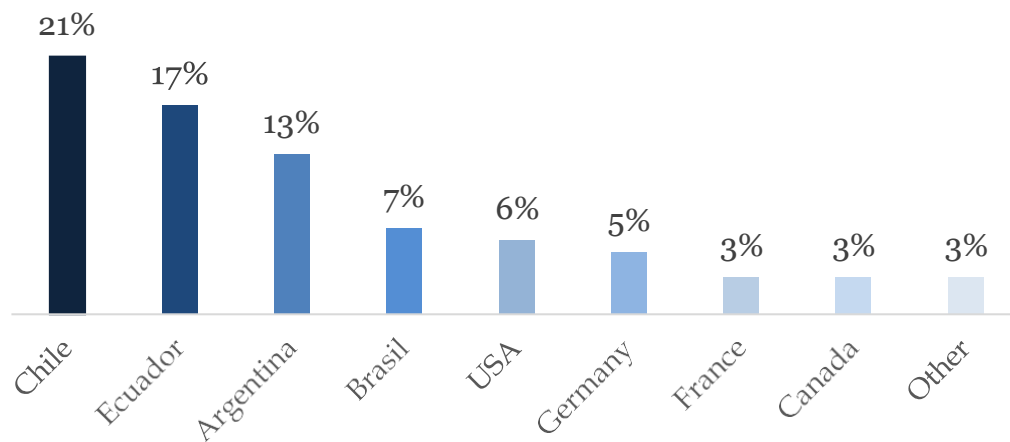


Figure 2.b: Market analysis - Country of residence of foreign tourist who surfed in Peru in 2017 (PROMPERU, 2018f).

The Adventure Travel Trade Association (ATTA) conducted a study for PROMPERU due to its high potential for surfing tourism. The study was carried out in 6 potential markets to increase the international tourist demand on this sport. They were interviewed and ask about their interest in visit Peru in the next two years. We can see below the results:

Country	No. Interviews	%
Germany	138	44%
United Kingdom	147	49%
Australia	129	44%
Brazil	130	64%
French	134	41%
United States	133	53%

Figure 2.c: Market analysis - (PROMPERU, 2018e) Country of residence from adventure vacationer interested in coming to Peru to surf within two years.

From this study, we obtained that the adventure vacationer from USA is 41 years old on average and 71% are between 25 and 55 years old. (PROMPERU, 2018e) The state of residence of this group is as follows:

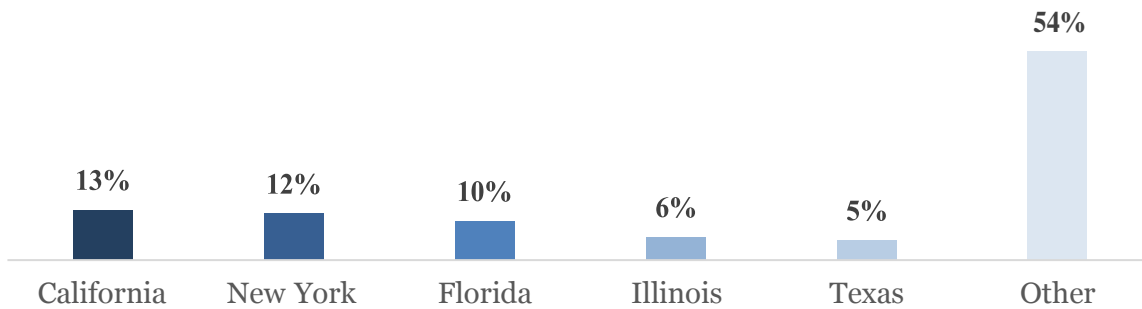


Figure 2.d: Market analysis – State of residence from USA adventures (PROMPERU, 2018e).

Foreign travelers

Receptive tourism worldwide reached 1,322 million trips in 2017 and increased by 7% compared to 2016, being the highest since 2011. In 2017, there were 36.2 million tourists in South America, which represented a growth of 10 % compared to 2016. People who arrived in Peru in 2017 for vacation were 2.52 million, growing 16% over the previous year and in the last five years, have increased by 37%. (PROMPERÚ, 2018c).

75% do not have children and 42% of travelers were between 25 and 34 years old (millennials). The most relevant information from the foreign tourist who visited Piura in 2017 is detailed below:

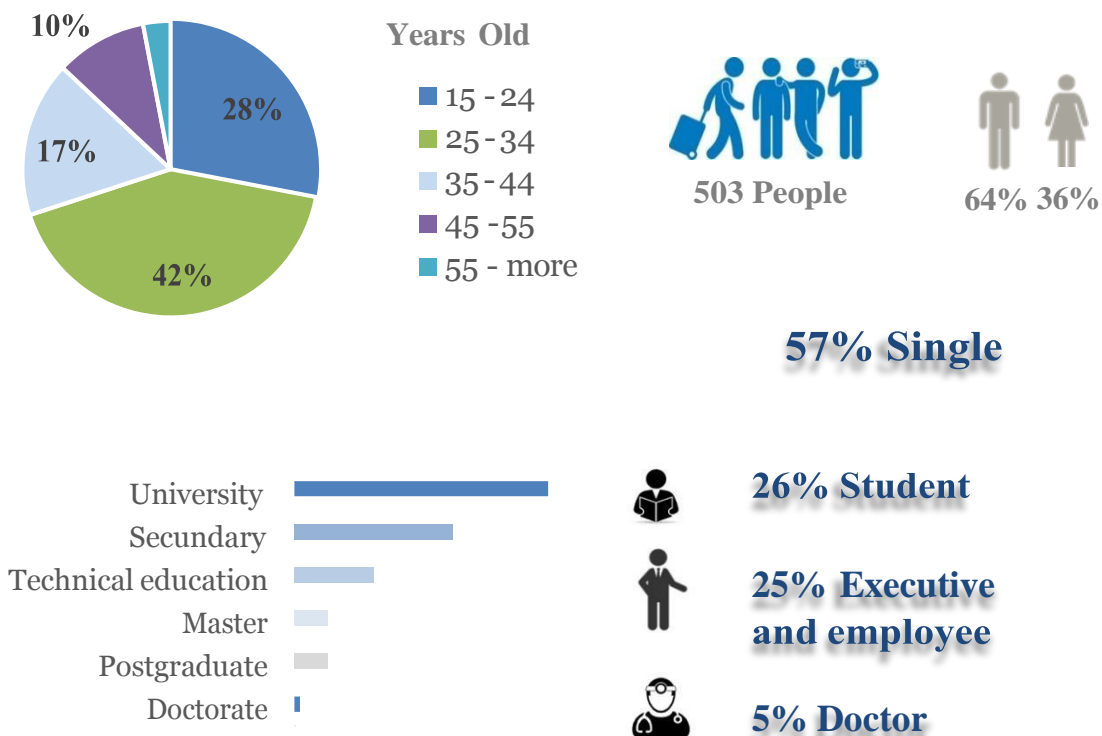


Figure 2.e: Market analysis - Characteristics of foreign tourist who visited Piura in 2017 (PROMPERU, 2018c).

In the case of the country where the foreign tourist who visited Piura in 2017 comes from, it can be seen below:

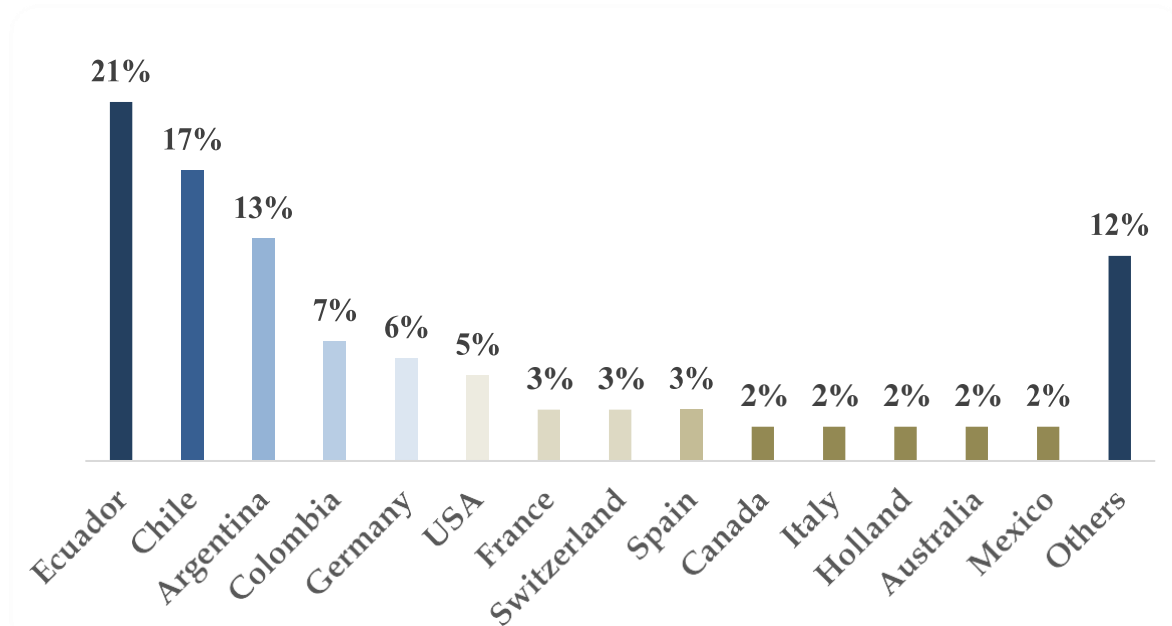
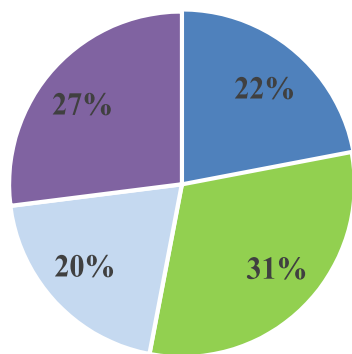


Figure 2.e: Market analysis - Country of residence of foreign tourist who visited Piura in 2017 (PROMPERU, 2018c).

Peruvian vacationers

According to PROMPERU, 8.7 million people would be vacationers in Peru. The city of Lima gathers more than 80% of the number of travel issues. Piura was the fifth most visited destination with 7% of trips made (PROMPERU, 2018b) and 62% do beach tourism. (PROMPERU, 2018d).

PROMPERU develops a study with more than four thousand respondents from Peruvians who traveled to Piura, as we can see below:



Years old

■ 15 - 24

■ 25 - 34

■ 35 - 44

■ 45 - 54



4,347 People

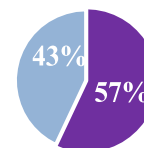


41% 59%

**64% it is part of a couple /
56% have children**

Socio-economic level

■ A / B ■ C



Technical education /
Incomplete university



**50% Executive and
Employee**

Secondary / Incomplete
technical education



20% Own business

University



21% Technician

Postgraduate / Master 2%

Figure 2.f: Market analysis - Characteristics of Peruvian vacationer who visited Piura in 2017 (PROMPERU, 2018d).

Primary research

According to our survey we can see the main characteristics of the target audience as follows:

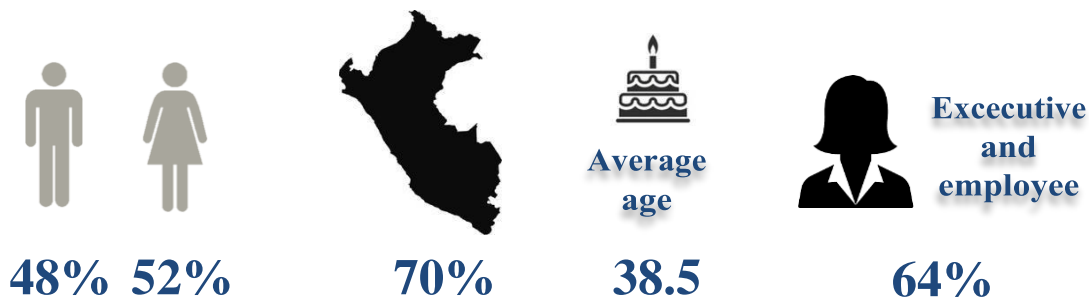


Figure 2.g: Market analysis - Characteristics of potential client from own survey.

Target market selection

According to the investigation that we have conducted, we decided to segment the market according to: the surfer from Chile, Ecuador and USA, the foreign vacationer from those countries who visit Piura and the vacationer from Lima who visits Piura. The detail is shown below:

Segment	Demographic and Geographic	Psychological variables	Behavioral variables
Foreign surfer	From Chile, Ecuador and USA; men and single; between 25 and 55 years old; university and post graduates.	Like risk and be active; curious about know new places; conscious about the environment.	Use of social media; able to share their experiences; like gastronomy and cultural experiences.
Foreign vacationer	From Chile, Ecuador and USA; Between 25 and 55 years old; University and post graduated.	Like to relax and be active; curious about new cultures and places; conscious about the environment.	Use of social media; Like beach and attracted by nature; like to meet new people; like gastronomy and cultural experiences
Peruvian vacationer	From Lima A/B and C socioeconomic sector; Between 25 and 55 years old; Executives and employees.	Like to relax and be active; curious about new things; conscious about the environment.	Use hotels to travel; use of social media; no use of tourism agency; enjoy the beach and nature; practice adventure sports or want to try.

Figure 2.h: Market analysis – Target market selection.

Target market size

To identify the size of the market we have found information about overnight stays from 2012 to 2016 of national and foreign visitors in Piura. (INEI, 2018b). In addition, overnight stays in the city of Talara and from the district of Mancora are specified in that report, due to the fact that Mancora had almost over 50% of overnight stays.

City	2012	2013	2014	2015	2016
Piura	1.548.643	1.713.387	1.761.557	1.715.571	1.721.008
Peruvians	1.391.868	1.540.395	1.553.819	1.536.126	1.517.239
Foreigners	156.775	172.992	207.738	179.445	203.769
Talara	345.509	426.207	394.000	396.701	480.547
Peruvians	232.818	305.046	267.044	292.815	364.100
Foreigners	112.691	121.161	126.956	103.886	116.447
Mancora	238.844	270.504	245.237	230.810	257.251
Peruvians	139.939	169.964	146.810	152.580	172.804
Foreigners	98.905	100.540	98.427	78.230	84.447

Figure 2.i: Market analysis – Overnight stays in Piura, Talara and Mancora. (INEI 2018b).

Then, in 2016 the number of overnight stays for Talara was 480,547 and for Mancora 257,251 as we can see above. It should be noted that Talara is composed by the districts of Pariñas, El Alto, La Brea, Lobitos, Los Órganos and Máncora. After that, to determine the percentage of overnight stays in the other districts, we assumed the distributing of percentages according to the appearance of accommodations establishments in Booking.com. As corroboration, it was obtained that a little more than 50% of hotels in Booking.com from Talara were located in Mancora, as in the case of the result of overnight stays estimated.

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City	Overnight stays	No. Hoteles by Booking	% Hoteles by Booking	Overnight stays estimated
Pariñas		9	6%	30.457
El Alto		2	1%	6.768
La Brea		0	0%	0
Lobitos		23	16%	77.835
Los Órganos		33	23%	111.676
Máncora	257.251	75	53%	253.810
Talara	480.547	142	100%	480.547

Figure 2.j: Market analysis – Estimation of overnight stays in Talara by districts.

Then, by data from the same report, in 2016 there were 607 lodgings in Talara and we assume it is still the same number now. (INEI, 2018b) Where, just 142 from Booking represent 23% and we translate it in that 80% of the overnight stays of Lobitos, were made by the 23 hotels that we have found in Booking.com according to the Pareto's principle.



Figure 2.k: Market analysis – Estimation of overnight stays in Lobitos in 2016.

We assume that all overnight stays have been carried out in double rooms:



Figure 2.l: Market analysis – Estimation of double room demanded in Lobitos in 2016.

With the estimated demand of double rooms in 2016 in Lobitos, we apply a growth rate of 8% every year; This growth rate is equivalent to the average growth of the last 2 years, 2017 and 2016, at the national level for foreign tourist (PROMPERU, 2018a).

	2016	2017	2018	2019	2020
Double room demanded	31.134	33.62	36.31	39.22	42.358
		5	5	0	
GR by year		8%	8%	8%	8%

Figure 2.m: Market analysis – Estimation of double room demanded in Lobitos.

Target market trends

Foreign surfers

In the case of the travel group distribution of this segment, we can see below:

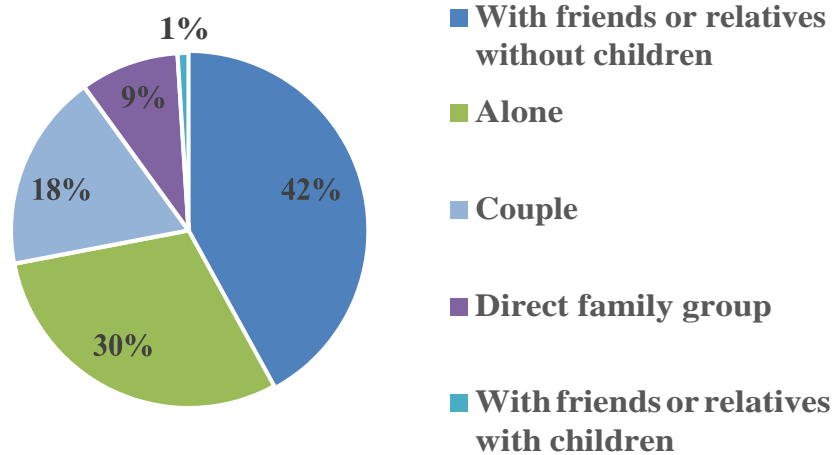


Figure 2.n: Market analysis – Travel group distribution of foreign surfer who visited Peru in 2017 (PROMPERU, 2018f).

In addition, 50% indicated that they visited other countries besides Peru and 72% said that it is the first time they visited the country. Also, 94% carried out cultural activities, 56% carried out activities related to nature such as visiting natural areas, walking through rivers, lagoons, waterfalls and waterfalls. 29% carried out birdwatching activities. (PROMPERU, 2018f)

All the surfers said they did other adventure activities such as those described in the table that we can see below:

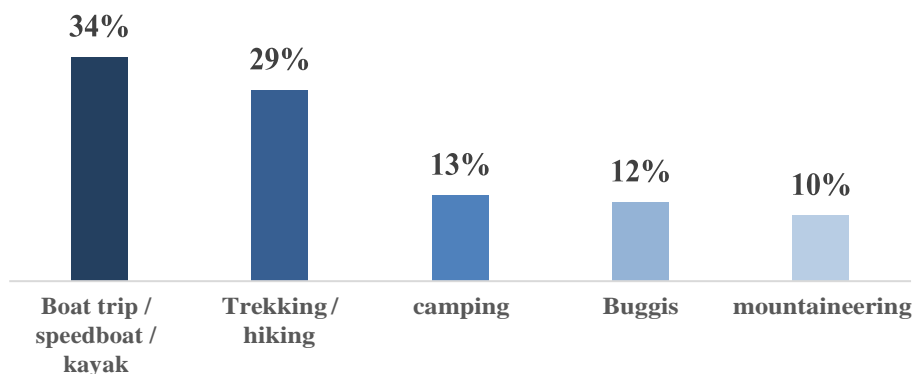


Figure 2.o: Market analysis – Adventure activities did by foreign surfers who visited Peru in 2017 (PROMPERU, 2018f).

In the case of adventure travelers from the USA, 50% plan their trip with an anticipation of between one to four months and 21% of five to eight months. Camping, fishing, trekking and snorkeling were the most practiced activities by the adventure tourists of USA. (PROMPERU, 2018e) As we can see in the figure below, three out of 10 USA adventurer, travel with family:

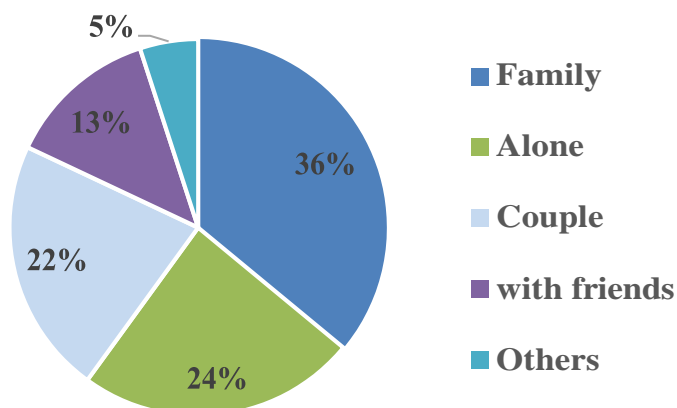
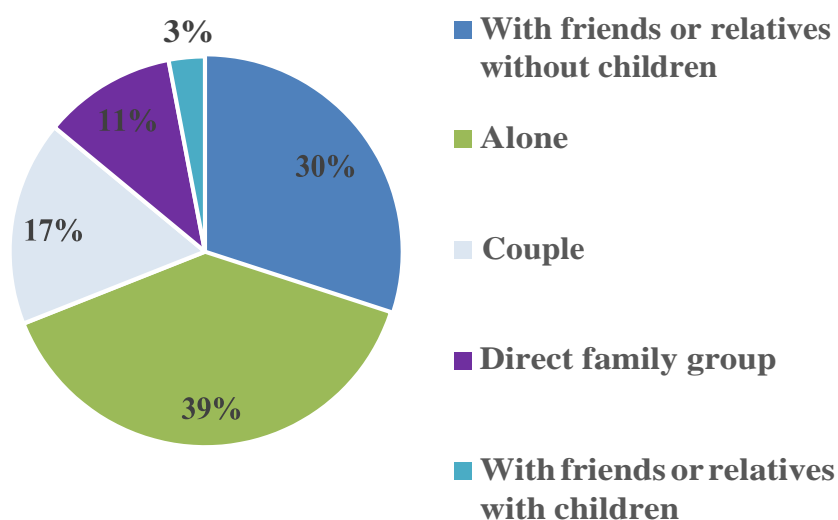


Figure 2.p: Market analysis – Travel group distribution of USA adventures (PROMPERU, 2018e).

Foreign travelers

In the case of the foreign tourist who visits Piura the composition of the tour group is as follows:



53 Figure 2.q: Market analysis – Travel group distribution of foreign tourist who visited Piura in 2017 (PROMPERU, 2018c).

62% have visited Peru for the first time and on average, one third of their time was in Piura. (PROMPERU 2018c). The main activities carried out by this group of tourists can be seen as follows:

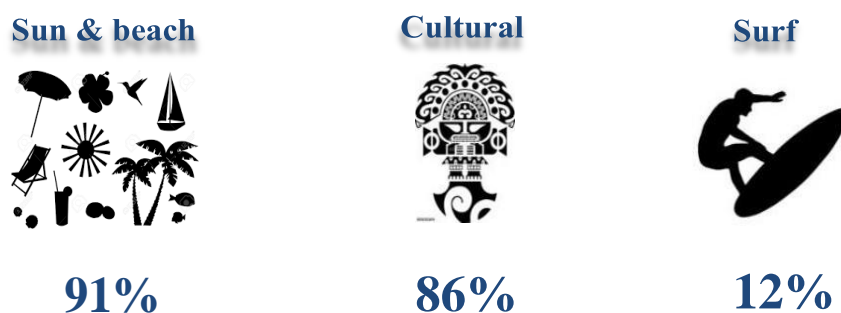


Figure 2.r: Market analysis – Main activities did by foreign tourist in Piura in 2017. (PROMPERU, 2018c).

Regarding the type of information sought before realizing the trip, 58% looked for accommodation costs and their characteristics, 45% tourist places to visit, 42% restaurants

where to go, 35% sought distances and access routes and 34% They looked for the transportation cost of the place visited. (PROMPERU 2018c).

In the case of social networks and what is the motivation to travel of this foreign tourist, we can see as follows:

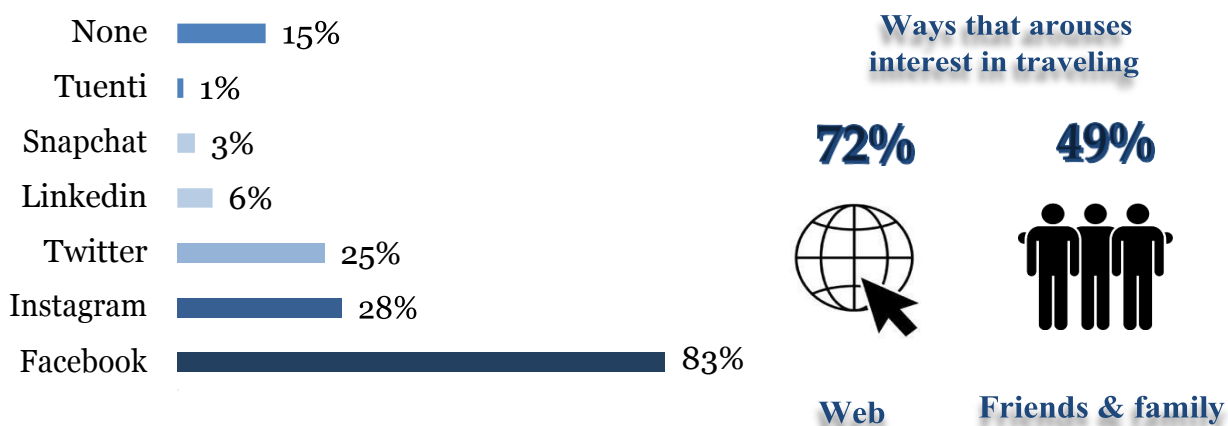


Figure 2.s: Market analysis –Social networks used and ways that motivated to travel of foreign tourist who visited Piura in 2017 (PROMPERU, 2018c).

54 Peruvian vacationers

71% already had knowledge of the place visited in Piura, where 53% previously traveled by recreation and 30% because they have family in the place. The travel group is done as follows:

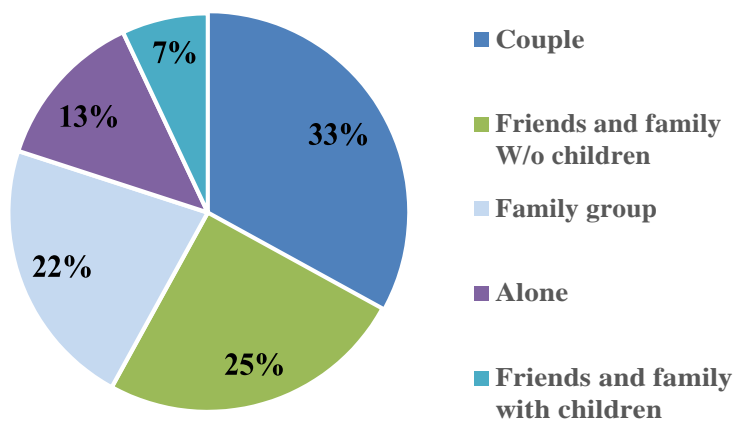


Figure 2.t: Market analysis – Travel group distribution of Peruvian vacationer who visited Piura in 2017 (PROMPERU, 2018d).

It should be noted that Peruvian vacationer couples, travel to Piura almost twice as much as tourists and foreign surfers.

The ways in which the vacationer's interest in traveling is aroused are seen below:

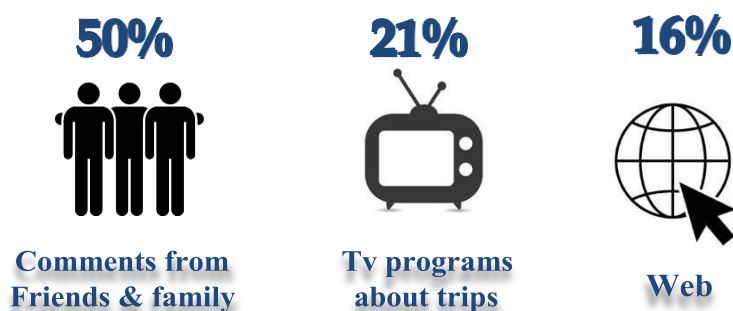


Figure 2.u: Market analysis – Ways that arouse greatest interest in traveling for the Peruvian vacationer who visited Piura in 2017. (PROMPERU, 2018d).

The most common reason to travel is to relax with 37%, followed by fun, discover new places and go out with the family with 19%, 18% and 13% respectively. (PROMPERÚ, 2018d).

About the activities carried out, 78% do urban tourism as walking through parks and visiting cathedrals and convents. Beach tourism is the second activity carried out with 62% attendance, followed by shopping and nature tourism with 58% and 23% respectively. Handicraft purchases represent 35% of total purchases and the products with the highest demand are ceramics and paintings (PROMPERÚ, 2018d).

Primary research

According to the survey conducted by us, we can see below the main market trends:



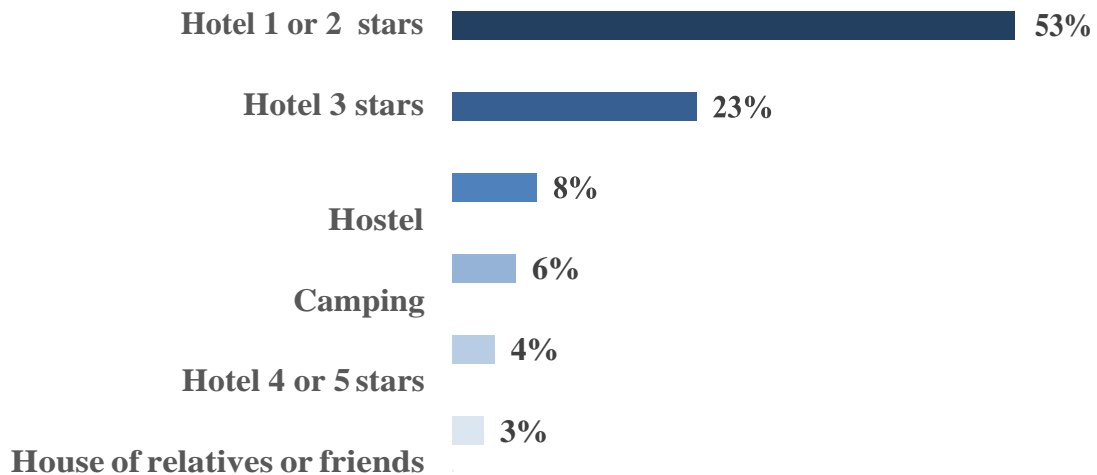
Figure 2.v: Market analysis – Most social networks used and most important aspects to choose a hotel from own survey.

A study carried by Booking.com revealed that 79% of people consider it important to book a hotel that applies eco-friendly practices (Redondo, 2017).

Buyer behavior

Foreign surfers

The average expenditure for this type of tourist in Peru was 3,560 PEN (PROMPERU, 2018f) and the type of accommodation that they used is shown below:



56 Figure 2.w: Market analysis –Type of accommodation of Foreign surfer who visited Peru in 2017 (PROMPERU, 2018f).

14% of this type of traveler purchased a tourist package and 63% bought their ticket or package from one to four months before their trip. 97% made purchases in Peru and 57% did fun activities such as going to clubs or bars and shopping centers. (PROMPERU, 2018f)

In the case of the USA adventure, 46% stayed in 4-star hotels while 30% in 5-star hotels and on average they had an expense of 14,235 PEN their last trip. This amount does not include transportation round trip from the city of origin. (PROMPERU, 2018e) Regarding the behavior of using websites for travel purposes, we can see below:

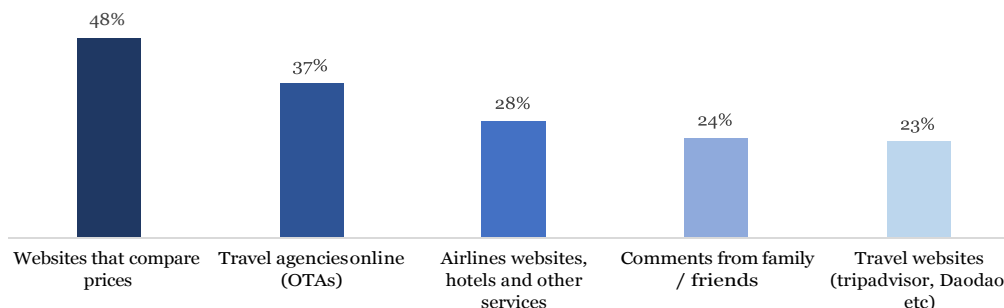


Figure 2.x: Market analysis – Behavior of using websites to travel of USA adventure (PROMPERU, 2018e).

Foreign Travelers

Only 5% of these travelers purchased a tourist package and they used the type of accommodation as we can see below.

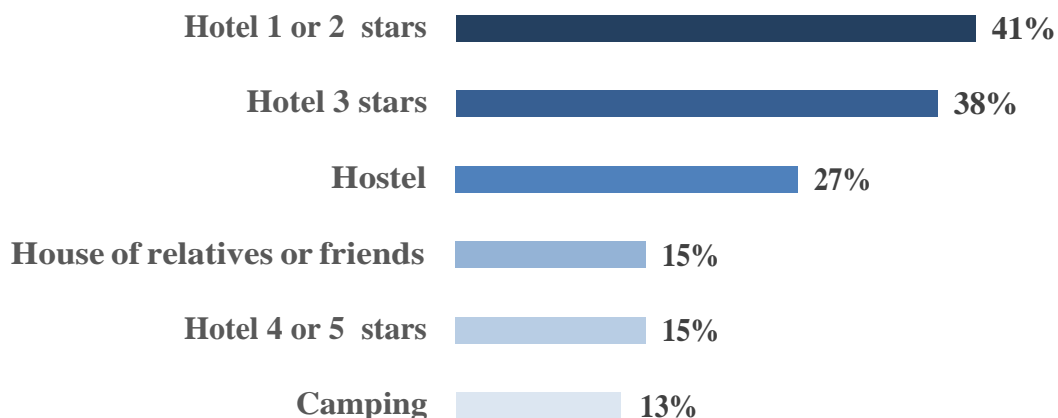


Figure 2.y: Market analysis – Type of accommodation of Foreign tourist who visited Piura in 2017 (PROMPERU, 2018c).

57 The use of Booking.com stands out with more than half of the study's answers as the page for reserving and the most used for accommodation

Web pages to book accommodation	Total %
Booking	53%
Tripadvisor	37%
Trivago	25%
AirBnb	19%
Couchsurfing	11%
OneFineStay	2%
Flipkey	1%
Others	4%
None	28%

Figure 2.z: Market analysis – Use of OTA's of foreign tourist who visited Piura in 2017 (PROMPERU, 2018c).

Peruvian vacationers

31% of Peruvian vacationers searched for information before the trip, with the Internet being the most used source with 85%, where the most used pages were Google, YtuquePlanes.com and Promperu.gob.pe (PROMPERU, 2018d)

It should be noted that 35% spend more than 600 PEN per person during the trip. Also, 98% prepared the trip without the use of a tourism agency and on average they stay 5 nights in the place visited. 52% of this group stayed in the place for 4 to 7 nights. (PROMPERU, 2018d)

For the items in which the Peruvian vacationer made their expenses, we can see below:

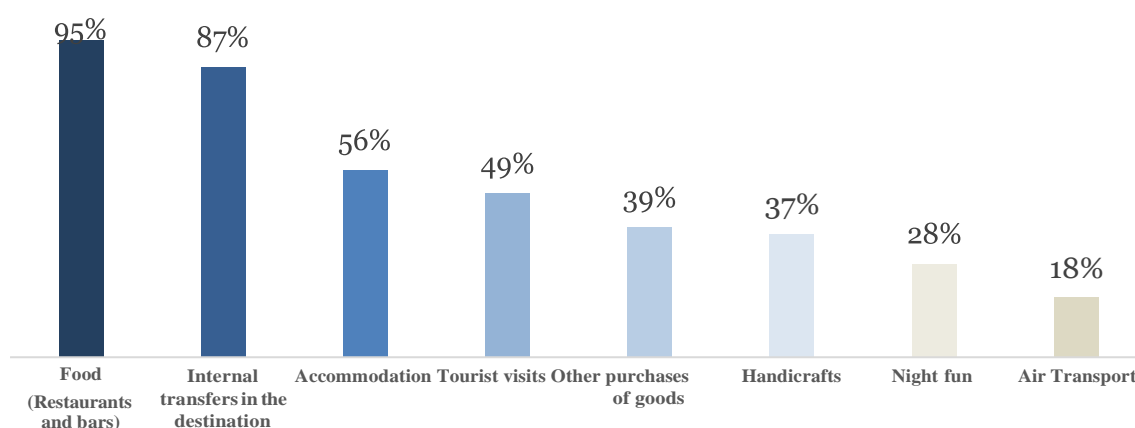


Figure 2.aa: Market analysis – Distribution of expenses of Peruvian vacationer who visited Piura in 2017 (PROMPERU, 2018d).

The months of greatest demand are July with 26%, January with 23% and December with 18%. February and August present 13%. Other months have an average of 7%. (PROMPERU, 2018b)

Primary research

According to our survey, 67% said they would be willing to pay per night, from 164.5 PEN to 279.65 for stay in a hotel with most of our features. In the figure below, we can see the activities for which they would be willing to pay an additional amount:



Figure 2.ab: Market analysis – Distribution of expenses of Peruvian vacationer who visited Piura in 2017 (PROMPERU, 2018d).

In the case of the amount spent per day during their vacations outside the accommodation, the average was 216.15 PEN.

Competitor analysis

The competition of TINTAYA are basically beach hotels in the northern area of Peru that provide similar services and target a similar segment as us, detailed in the target market selection part.

Direct competitors

Direct competition has been determined as the hotels located in Lobitos according to the following criteria:

- Location: Close to the beach and with rooms with sea view
- Facilities and services: Double room bigger than or equal to 20 m² and with restaurant and bar services.
- Scale Booking.com: Score based on more than 20 comments

In addition, photos were found on the Internet similar to what we want to achieve, and a field investigation was carried out by one of the partners.

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Company name	Facebook fans (K)	Extra activities	Total Puntuation	N° of comments
Lobitos Surf House	2.0	Massage	8.8	81
El Hueco Villas	1.2	Massage, windsurf, gym, pool, snorkel	8.2	28
Hotel Aloha Lobitos	1.3	Massage, pool, windsurf	7.7	38
Buena Vista Lobitos	3.0	Massage, fishing, yoga	9.5	21
Lobitos Lodge	3.0	Windsurf, snorkel, fishing	(-5) Comments	
Hotel Lobitos	1.7	Pool	Tripadvisor	

Figure 2.ac: Market analysis – Direct competitors.

Lobitos Lodge is considered even though it has less than 5 comments on Booking.com; it is being promoted on this platform since July 2018 and the rooms and the ambience are similar to what we want to achieve. As well as, the price range is within the competitive market. It was also the only hotel in Lobitos mentioned in the market survey conducted by us.

Another hotel that has been considered and is not in Booking.com, is the Hotel Lobitos that has more than 20 comments on Tripadvisor and is focused on the same target market.

Indirect competitors

It is made up of hotels in nearby areas that offer tourist attractions and services aimed at the target public. These hotels are located mainly in Mancora. Other indirect competitors are located in other nearby areas such as Los Organos and Punta Sal. In Máncora, we are focus on these following hotels:

Company name	Facebook fans (K)	Extra Activities	Booking.com Total	N° of comments
La Quebrada	4,0	Pool, snorkel	9,1	250
Las Olas	3,6	Surf	8,9	231
Kimbas Bungalows Mancora	2,6	Massage, pool	8,8	572
Eco Lodge	12,0	Massage, Kitesurf, Windsurf, pool	8,7	110
La Posada	0,3	Pool	7,8	157

Figure 2.ad: Market analysis – Indirect competitors.

The hotel that stands out and that we are following to imitate and try to improve some of its practices, is Eco Logde from Mancora; this hotel was Built with 100% local materials and One of its eco-friendly practices, is the reuse of water for watering plants. (VIAJALA, 2017).

According to our survey, the two hotels that had the highest number of mentions, with more than 5 each, were the DCO hotel located close to Mancora whose concept is to be a Spa for couples facing the sea and the Royal Decameron Punta Sal hotel, belonging to Cameron's large hotel chain. In addition, Eco Lodge hotel was mentioned once.

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Other indirect competitors are the small accommodation places located on AirBnb, usually rented rooms from inside family houses. It should be noted that 3 direct competitors were found on this platform.

In this category, there is also the platform Couchsurfing, that although it is true the guests do not pay for the stay, it is an alternative to stay in Lobitos and we have found almost 20 options in the area.

Future competitors

Lobitos is still an area with a lot of land available, so national and / or international investments could be made, taking advantage the growing of the tourist and surfing market in Peru, as well as the potential of the area in terms of touristic attractions.

Hotels from Mancora and further south such as Pacasmayo, Chicama and Huanchaco that offer a similar offer could have a presence in Lobitos and open branches. In addition, investors from abroad could develop projects in this area.

Competitive analysis grid

According to the rankings obtained from Booking.com and the survey we conducted, we established the competitive analysis grid. In the case of Booking.com, the result is based on 168 comments from the direct competition and in the case of the survey, it is focused on the most important factors for the choice of a hotel.

In the case of eco-friendly approach, because this aspect is not evaluated in Booking.com, the desk and field research were taken as a basis; these are based on ecological solutions offered by the hotel such as construction with recycled materials from the area, the use of alternative energies, the treatment of waste, as well as having more green spaces. In the case of the survey, the results were multiplied by the factor 10/7 and the eco-friendly approach was granted 25% because in this case it was asked for an additional payment for doing activities in a hotel.

Hotel Name	Total	Location	Comfort	Value for money	Cleanliness	Staff	Facilities and services	Eco-friendly approach	N°
AVERAGE MARKET	8.5	9.0	8.6	8.5	8.4	9.0	8.5	8.0	168
Lobitos Surf House	8.8	9.5	8.5	8.9	8.8	9.3	8.6	8.0	81
El Hueco Villas	8.2	8.0	8.1	8.1	7.9	8.9	8.6	7.5	28
Buena Vista Lobitos	9.5	9.7	9.8	9.5	9.9	9.9	9.4	8.3	21
Hotel Aloha Lobitos	7.7	8.7	7.9	7.3	7	7.9	7.2	8.1	38
Survey	8.7	8.7	8.4	8.6	9.2	8.5	8.6	8.8	250

Figure 2.ae: Market analysis – Booking.com and survey punctuation.

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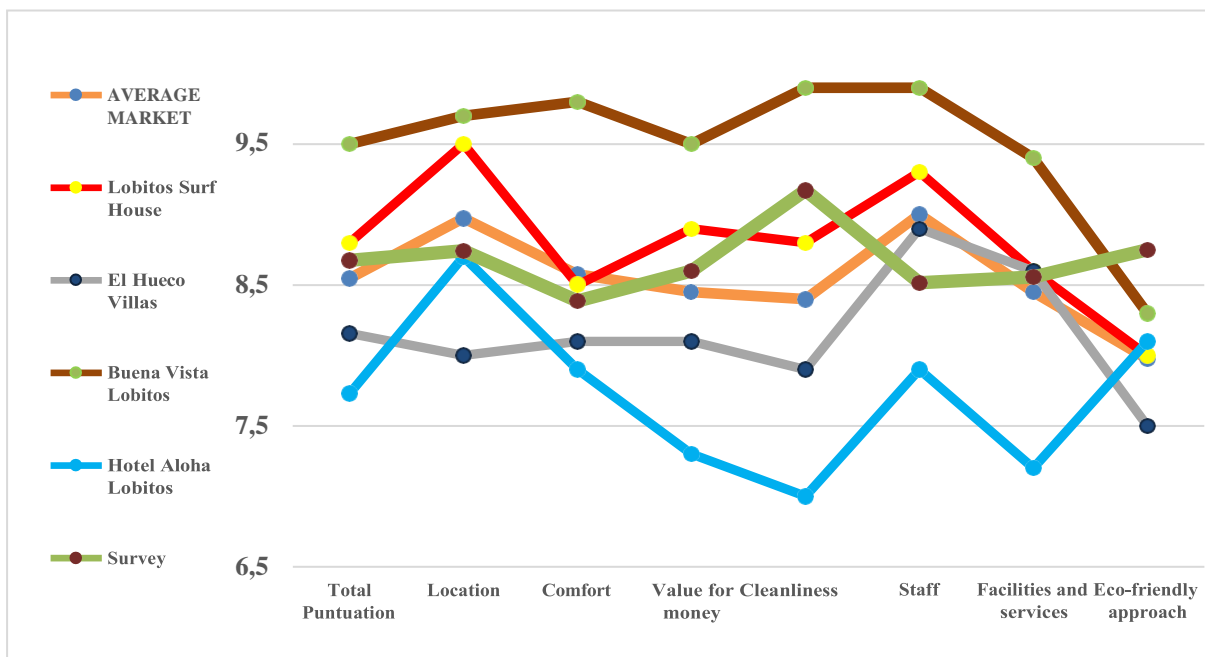


Figure 2.af: Market analysis – Competitive analysis grid.

Buena Vista Lobitos Hotel presents results above the others in the figure above except in case of the eco-friendly approach, where the response of the survey has a higher score.

In the case of our survey, the cleanliness aspect was the most important, where it obtained a higher score than Lobitos Surf House but less than Buena Vista Lobitos Hotel. It should be noted that Lobitos Surf house is the one with the most comments from all the competitors.

Estimate of annual sales and market share

From the target market size section, we obtained the demand for 2020 of accommodation in Lobitos; it would be 42,358 double room stays. Then, we have found 23 hotels that make the total of stays in Lobitos. We assume that the direct competitors identified by the Pareto's principle make 80% of all stays.

Hotels	Total %	E - Double room stays in Lobitos
23	100%	42.358
6	80%	33.886
17	20%	8.472

Figure 2.ag: Market analysis – Estimated distribution of double room stays in Lobitos in 2020.

Then we assumed that the 6 hotels of direct competition have the same market share, with each one having 5,647 (33,886/6) double room stays, which represents 13% of the market.

The objective participation in the first year of 8% is determined according to the research carried out since we do not find more investment in advertising in the competitors' networks, except for the direct ones from Booking.com; that appear when one searches for a location in Lobitos. We infer that the sales made by the competition are produced in greater proportion by searches of potential customers through the internet, by reviewing ratings and comments and on the other hand, recommendations from family and friends.

It was taken into account the occupancy rates from the competition that we will show in detail, at the determination of the price section. Then, sales per accommodation in the first year would be

Market share expected	Double room stays in Lobitos 2020	Stays at TINTATA spirit 2020	Price per double room PEN	Total Sales 2020 PEN
8%	42,358	3,389	158.00	535,399

Figure 2.ah: Market analysis – Estimation of accommodation sales of TINTAYA Spirit.

The restaurant, as mentioned, would be outsourced and the operations would be carried out by one of the shareholders; the income for this reason would be 6.000 PEN per month during the first year. Thus, the total 2020 sales would be 535.462 PEN + 72.000 PEN = **607.462 PEN** in a realistic scenario.

Overall marketing strategy MARKETING PLAN

TINTAYA Spirit seeks to achieve the following objectives by the end of 2020 in a realistic scenario:

- Achieve the sales target of **607,462 PEN**.
- Obtain the market share of **8%** about overnight stays in Lobitos.
- Overcome the eco-hotel occupancy rate of **45%**.

Positioning strategy

Market position relative to rivals

Trends confirm more and more, the greater interest for ecological solutions in the world and the vacationers are not the exception as it was manifested in the analysis of the PESTEL. (Redondo, 2007). Within the direct competition analyzed there is no hotel that stands out for carrying out environmental practices or disseminating them. Although, some small lodging places have the word “eco” in the name, they do not offer this type of solutions. TINTAYA Spirit wants to stand out for offering operational environmental solutions and promote them as well as to have an impact on the community from Lobitos.

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Another important point that we will highlight in TINTAYA Spirit is the culture, Peruvian cuisine and the use of local products. Although there is a very good culinary offer in the area, no hotel highlights this point in depth, it is not related to the products of the area or the Peruvian culture.

The scores collected from Booking.com for the evaluation of staff, services and facilities are the highest after the location in Lobitos. TINTAYA Spirit will provide a standardized service that seeks to exceed the expectations of customers in an integrated manner with the ambience of the place.

Differentiation strategy

TINTAYA Spirit will seek to follow a strategy of differentiation in relevant points to the target market and will also try to go beyond their expectations; paying attention to details that can generate positive emotions to the guest, increase their fidelity and share the experience they lived at our eco-hotel.

Within the operations, we will seek to offer the greatest number of environmental solutions according to a cost / benefit evaluation and our investment capacity. This type of solutions will be reported in the company communications aimed at potential customers as well as the impact we will seek to generate on the community.

Peruvian culture will be used in the ambience of the place and in the information provided to the guest, highlighting:

- The cultures of northern Peru and its relationship with sea and surfing.
- Peruvian cuisine, highlighting the agricultural and sea products from the area.

TINTAYA Spirit will provide the staff with continuous training about dealing with the client, as well as other topics, which will influence the guest to always get the best impression about the interaction with the staff. The common areas and the ambience of the place will be focused on providing the guest a pleasant and comforting stay.

Points of differentiation

The construction of the hotel (50% of recycled material coming from the area, detailed in the chapter of the operations plan) and the eco-friendly practices carried out will be one of the main messages of our communications.

Another important aspect that will allow us to make a greater eco-environmental impact is the one we want to look for the community. For this we will offer the guest a promise:

- For each person staying at TINTAYA Spirit, we will plant a tree; This activity will be carried out in coordination with the students of the main school in Lobitos.

In the case of planting trees, it will be done once a month. We will publish each month the date of the activity and invite the guests who want to join us. For this, we will coordinate with the director from Lobitos School N° 14912 through a letter. This activity will be carried out in coordination with the NGO CEATA, “Centro de Estudios Tecnológicos y Ambientales”, which has its operations center 60 kilometers north of Lobitos, in Cancas-Tumbes. This NGO is focused on a reforestation and ecotourism project in that area that borders the “Reserva Nacional de Tumbes” (Conzalez & Nieri, 2015). Students will receive training on the sowing and tree species of the area and eco-friendly techniques.

This NGO will be in charge of managing our nursery. Additionally, CEATA will be in charge of coordination about TINTAYA Spirits’ construction in terms of environmental solutions; especially in the treatment of wastewater and its reuse for the nursery. This coordination has already been carried out with one director of that organization.

In all the profiles that we have found in PROMPERU, more than 85% of the vacationers from the target audience, carried out cultural activities. Besides, we found in our survey, that Peruvian gastronomy was the most relevant item for which the respondents would be willing to pay more.

TINTAYA Spirit will stand out the Peruvian cuisine of the restaurant, making emphasis and introducing the use of products from the area, its properties and the variety of species from the sea of the surrounding coasts.

Likewise, in the atmosphere and communication of TINTAYA Spirit, information about the Peruvian north culture and tourist attractions of the area will be expressed. We will focus on the ancestral cultures close to the area and that had a connection with the sea and surfing; as well as tourist attractions, in order to provide useful information to the traveler.

TINTAYA Spirit will seek to provide in the environments and the rooms the feeling of well-being and cleanliness at all times, guaranteeing the client's satisfaction in this sense; considering the characteristics of the area, a lot of sand and the need for protection from mosquitos. There will be limited smoking areas.

From the arrival to TINTAYA Spirit, the client will receive a very kind treatment (emphasis in the training at the moment of the arrival of the client and in all contact with them) and will be received with a welcome detail, food and beverage from the place and information about it. At this time, the guests will receive the information that a tree will be planted for their stay.

Retake competitive analysis grid

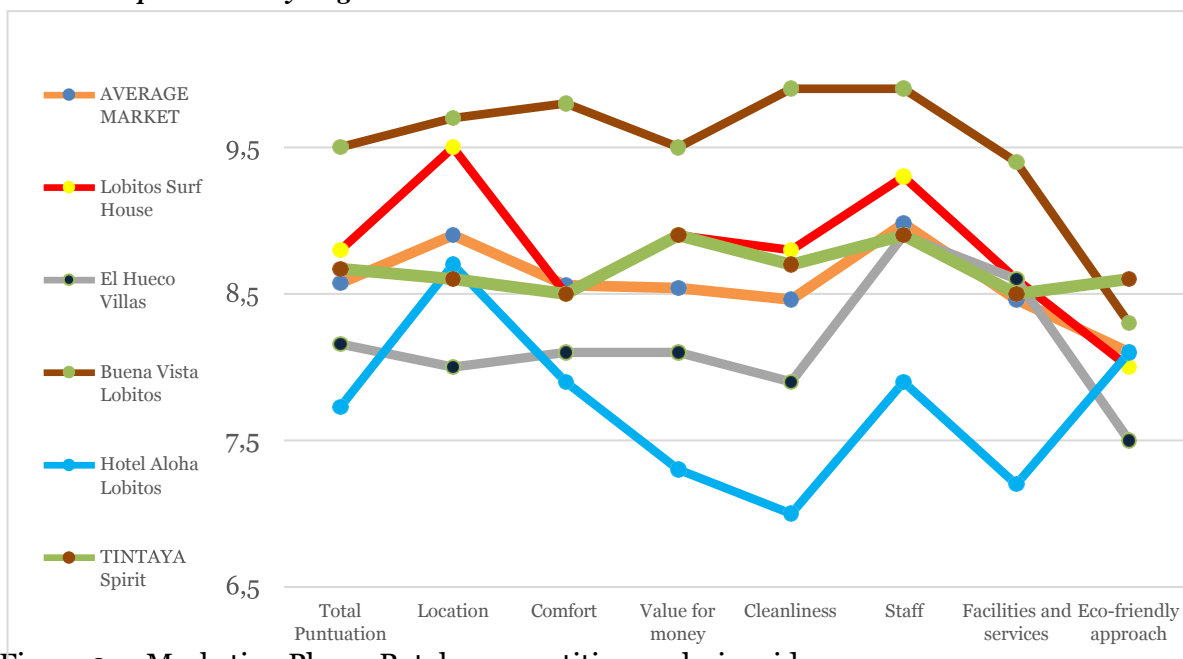


Figure 2.a: Marketing Plan – Retake competitive analysis grid.

In the case of the location, the TINTAYA Spirit score would be the average, since the land is very close to the competence and with similar rooms with sea view.

In the case of the comfort aspect, TINTAYA Spirit would be like the average and below Buena Vista Lobitos which is the first one in this category. For the aspect of the value of money we

hope to achieve an impact on the guest with the detailed points of differentiation that we are committed to provide.

We will focus our efforts on providing a good cleaning service, since it was the aspect that had the highest score in the survey, for which the interviewees decided for a hotel and also because it is an integral part of the eco-friendly global concept that TINTAYA Spirit seeks to offer.

According to the score observed on Booking.com and the detailed comments on this website, the treatment of staff is an aspect highly valued by vacationers from Peru and other countries. As mentioned, the emphasis on staff training will allow the guest to always have a pleasant treatment, always thinking about details that exceed their expectations.

As for the services and facilities, the most demanded services will be delivered according to a previous request asked to the guest before their arrival. The facilities will seek to capture the entire ecological and cultural concept that TINTAYA Spirit wishes to offer.

The aspect of the eco-friendly approach is our strongest point of differentiation and the figure reflects the goal we want to achieve the first year and become the leaders in this matter. Regarding the competition, some environmental solutions have been observed but none of them take advantage on in it in their communication.

Product attribute map

	Basic	Discriminator	Energizer
Positive	Personalized attention, free breakfast included and Location.	Good food in restaurant; details to the guests like good treatment of the staff; room service.	Eco-friendly and sustainable concept of TINTAYA Spirit; the ambience of the place; information delivered about the Peruvian culture.
Negative	On-site experience, comments on web-site operators.	Customer database.	Experience doing the business in the area.
Neutral	Other Activities inside like yoga or massages (These can be outsourced).	Sea and touristic activities (These can be outsourced).	

Figure 2.b: Marketing Plan – Product attribute map.

Pricing strategy

Value-based pricing

First, we verify the price that the potential client would be willing to pay according to our survey and more than 85% would be willing to pay more than 164.50 PEN and 51% would be willing to pay between 226.32 PEN and 393.60 PEN per stay one night in a hotel with our characteristics. This price will be taken as reference to make comparisons with the prices of direct competition.

Competitor-based pricing

An analysis of the competition prices has been carried out considering the value of the average price in high season and low season and the square meters of the double rooms from six main competitors.

Company name	Average double room price PEN	M2 per room	% Average occupancy / year
Lobitos Surf House	127.49	20	70%
Hotel Aloha Lobitos	176.84	22	55%
El Hueco Villas	205.63	30	65%
Buena Vista Lobitos	164.50	25	65%
Lobitos Lodge	172.73	20	60%
Hotel Lobitos	205.63	25	60%
Average price PEN	175.47		

Figure 2.c: Marketing Plan – Competitions prices by double room.

To obtain the price per day, a reservation base of 5 days was made on Booking.com for each hotel; using two different dates, one in high season and the other in low season. In the case of Hotel Lobitos, an average price from TripAdvisor information was obtained and from the Peruvian booking page Atrapalo.com.

The average price obtained from the competence per double room was 175.47 PEN and the highest price was 205.63 PEN from the hotels El Hueco Villas and Hotel Lobitos. The lowest price was offered by Lobitos Surf House and this hotel had the highest percentage of occupancy.

We will define the price of the double room at 9.4% above the average price, since we hope to achieve greater uptake by offering a different environmental and cultural concept to the existing offers in the area. The price for the double room of TINTAYA Spirit would be 192.00

PEN per night on average throughout the year. It should be noted that this price contains the 2.7% commission of credit card services and 15% commission of OTAs as Booking.com. The net price would be 158.00 PEN.

Cost-based pricing

The cost of the service is composed of 2 types of cost; the first is the variable costs, which depend on the level of sales and for our case they have been estimated at 6.20 PEN per night/room. And the fixed costs, which will be covered by the unitary contribution margin (the difference between the price and the variable cost) which amounts to 151.8 PEN.

Sales process

This section is intended to represent the sales process to identify the relationship with potential customers and specify the sales process.

Prospecting

From the survey we have obtained 200 e-mails and we will send them information about us during the building processes to make them feel part of TINTAYA Spirit. We are going to look for engage them for use our services and at the same time to obtain that they become diffusers between their contacts of the offer that we want to launch.

We have also created a Facebook group that shares information about related topics that TINTAYA Spirit will be focus on. This group, which is called "Good vibes, culture and sports", already has more than 300 members; through this channel we want to test trends and ideas that we want to implement.

We want to reach executives and employees from Lima through the human resources department of the companies starting with our network; then, through LinkedIn we are going to reach the human resources staff from medium and large companies to offer promotions and discounts to all employees.

The participation in forums of topics related to our offer will be very important to let us know. For example, we are already participating in the "Surfing Travel Tips" forum on www.surfing-waves.com, in order to review trends and publish information about surfing in Lobitos and the services of TINTAYA Spirit. In the same way, we will participate in forums related to the care of the environment, especially those focused on the protection of the sea and also in forums related to Peruvian culture, especially about the cuisine.

Through social media and its advertising focus, we want to reach the foreign and national target market with the possibility of measuring the return and adjusting the focus. In this case, we will focus advertising efforts on the target audience defined in the chapter of market target selection.

The initial contact

After conducting the survey, we received 10 responses from people interested about the Project, this helped enrich our network and also let us know that there is an interest to know more about this business plan. Thanks to this, the coordination with the NGO CEATA to carry out environmental and impact activities for the community could be done.

Additionally, other contacts were made through potential clients, people interested in the project and one potential investor. It was possible to contact a sponsor, who would be a Peruvian professional surfer.

We will seek the optimization of the internet and social networks to reach the target audience, using images and videos that can be shared. This communication will be focusing on the differentiation points raised after the investigation.

Qualifying the lead

We will be very explicit in the way we communicate the benefits of TINTAYA Spirit in order to capture the target audience as defined in the market target selection. In first place, we will highlight the environmental focus and the social impact that we want to deliver in our communications in order to attract people who are interested in this. Then, we will seek to promote the knowledge of the cultures of the area, especially the cuisine and the use of the products of the area. We will also highlight the attractions of the area for sports such as surfing, kitesurfing and windsurfing and, in addition, the attractions of nearby areas such as boating, fishing, whale watching and swimming with turtles in the beach “El Ñuro” in order to reach people who will seek carry out activities related to the sea.

Additionally, before each arrival we will inform the guests about the details of our offer and we will consult about special requirements and other services in the area that could be provided. All this will be done in order to avoid dissatisfied customers for not meeting their demands.

Sales presentation

Due to the characteristics of the industry and the target market trends, we will focus sales presentation efforts on the internet and social networks. We will present an offer of 15% discount on hosting service website for the first three months of operation and special offers for certain groups.

To the mails obtained from the survey and the group created on Facebook, we will promote the special offer of launching about the discount in accommodation and a dinner free for two at the restaurant. This will seek to have as our first guests' people from our network and get a sincere feedback and at the same time, get positive comments on Booking.com and TripAdvisor. This offer will be extensive for contacts throughout our network.

A letter - presentation brochure and a corporate video will be sent to the human resources departments of the companies contacted.

In the case of the forums contacted, the start of operations will be announced through the advertising of the launch promotion. It is hoped that we will be able to contact potential guests and send them direct information through email or by our social networks.

The start of operations will be announced through social networks, these will be the first paid publications. It will seek to impact the target audience by awakening their interest in the hotel and managing to direct them to our website or other hosting platforms.

Meeting objections and concerns

One of the main objections could be the price since we will be 9.4% above the average. In this case we will explain that our price is below two hotels in Lobitos and also TINTAYA Spirit is an eco-hotel; we will explain the eco-friendly solutions that we will implement and that also seeks to positively impact on the community.

Another objection that could arise is about the services offered and that these do not adjust to the needs of the clients. If it is due to lack of knowledge, the services provided, and the tourist attractions of the place and surrounding areas will be detailed in the communications of the company so that the client can have all the information. If the offer does not meet the client's needs, it is best to opt for another option.

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Another important aspect is that when we start operations we will not have comments on Booking.com and / or TripAdvisor, so many people will not use our services for that reason. For this case we will announce that we are in a launch stage and also. As mentioned, we will launch a promotion to seek that the people of our network are the first users of TINTAYA Spirit in order to obtain feedback and positive comments on these platforms.

Closing the sale

The closing sale in almost 100% cases will be made through the internet by the contracted applications or the website of the company. For the first three months of operations, in case the client has contacted us through the website, a telephone number will be added so that the client can communicate either by calling or through WhatsApp to give them more details to close the sale.

Follow up

During the first three months we will seek to have direct contact with the clients before their arrival; in order to deliver all the information about our offer, so that the first point of follow-up will be once the client has looked for information about us. All this will be placed in an excel form, that contains information of each client; apart from the general format of

reservations. This information will be used to track the customer and keep them in touch and to be used in future marketing plans. We can see the format as follows:

Tracking format / Guest					
Personal information					
N°		N° Passport		Country of Residence	
Name		WhatsApp		Birthday	
Gender		E-mail		Facebook	
Accommodation details					
N° Nights		Restaurant Consumption	USD \$	Services acquired	USD \$
Price / nighth					
Booking by	% Commission				
Complaint report					
Yes					
No					
Details					
<div style="border: 1px solid black; height: 100px; width: 100%;"></div>					
TOTAL spent on accommodation	0	TOTAL	0	TOTAL	0
TOTAL spent	0				
Other comments	<div style="border: 1px solid black; height: 100px; width: 100%;"></div>				

Figure 2.d: Marketing Plan – Guest tracking format.

Once the client arrives at TINTAYA Spirit, they will be provided with a WhatsApp number, so they can communicate us from 05:30 to 23:00; during that time, we can comply with the guest requirements and we will act in the case they have an inconvenient.

A compensation policy will be established for cases of dissatisfaction with any hosting service. In the case of restaurant services and activities related to the sea, it will be established in the outsourcing contract that these must have a compensation policy for their services. In the case of TINTAYA Spirit the policy will be:

- Change of room (for a superior if there is one) and late check out (18:00 h) in case the guest finds a minor cleaning problem.

- Change of room (for a superior if there is one) and a free night in case the guest finds a major cleaning problem.
- In the case of laundry services, if the customer was not satisfied with the result, the washing machine can be used again.

The determination of whether it is a minor or major problem will be defined by the general and administration manager; as a basic criterion it is understood as minor missing details in the cleaning of the rooms and as a major, some problem related to the previous guests of the same room.

At check-out time, the guest will be asked to complete our satisfaction survey and the evaluation and comments of Booking.com and / or TripAdvisor. It will seek to encourage the guest to do this by rewarding the completed survey and comments on the mentioned platforms. In order to avoid the use of paper, the survey will be done through a link or QR addressed to SurveyMonkey.com and will consist of the following questions:

How would you rate TINTAYA Spirit in the following aspects?	Appalling	Bad	Regular	Good	Excellent	Not applicable
Attention when making your Reservation						
Attention when registering at the Hotel (Check-in)						
Attention during your departure from the Hotel (Check-out)						
Cleaning and bathroom conditions						
Cleaning and conditions of outdoor facilities						
Comfort in your room						
Facilities and atmosphere.						
Restaurant						
Laundry						
Price						
Transportation						
Security						
TINTAYA Spirit ecological approach						
We will appreciate your comments or suggestions						

Figure 2.e: Marketing Plan – Satisfaction survey.

Promotions mix

In this section we will present different tactical approaches in order to reach the target audience according to the market research carried out.

As we saw in target market trends, foreign tourists prefer more than 70% the Internet as the most influential medium in the choice of a destination; In contrast to the Peruvian vacationer, where are the comments of family and friends, those which have half of the preferences as we see below:

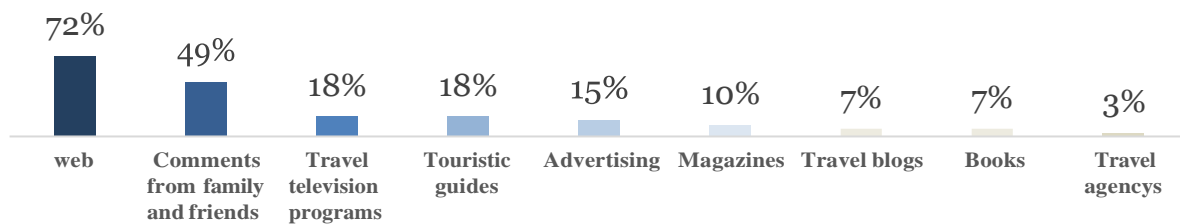


Figure 2.f: Marketing Plan - Ways that arouses interest in traveling of foreign tourist who visited Piura in 2017 (PROMPERU, 2018c).

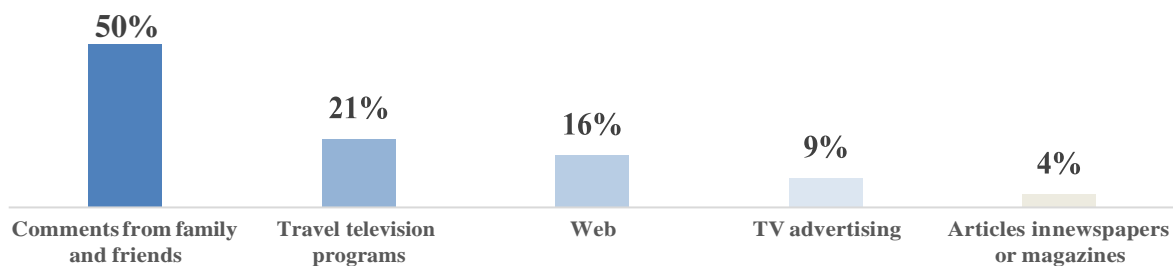


Figure 2.g: Marketing Plan - Ways that arouses interest in traveling of Peruvian vacationer who visited Piura in 2017 (PROMPERU, 2018d).

We will focus advertising investment in social networks, earmarked 70% of this budget to potential customers residing outside of Peru, from the USA, Ecuador and Chile; according to the characteristics of the market target selection.

The presence in TripAdvisor will be important since according to the foreign tourist who visited Piura in 2017. TripAdvisor is the page that this kind of tourist knows the most, with a 79% of choice. (PROMPERU, 2018c)

We will also use advertising on the internet through Google AdWords, for this we will hire the services of the company Kolau.es, in order to optimize the investment.

In the case of the investment towards the residents of Lima, 30% of the social network budget will be allocated. In the case of this segment; we will seek to develop contacts through our network, seeking potential guests through developing contacts with human resources from

Peruvian companies in Lima. This will be developed internally and will be part of the functions of the marketing and sales manager, as well as the creation of the different social networks and their respective advertisements.

We will seek to have an impact on television and on-line travel programs by influencers. We will send information to contacts from TV channels and on the internet about us.

Additionally, we will look for exchanges with schools and Surf associations in Lima to promote TINTAYA Spirit among the members and their friends and family. We will also seek to reach associations of this type from the countries of the target market.

In the same way, it will seek to sponsor Peruvian professional surfers and young surfers from the area. next we see the advertising schedule:

Promotional activities	2019				2020			
	1st Qtr	2nd Qtr	3th Qtr	4th Qtr	1st Qtr	2nd Qtr	3th Qtr	4th Qtr
Social network								
Social networks development								
Advertising development								
Management of social networks								
Advertising publication - Foreign target								
Advertising publication - Lima target								
TripAdvisor								
Perfil plus								
Perfil normal								
Google Adwords								
Contact with Kolau.es								
Personal service - Kolau.es								
Standard service - Kolau.es								
Human resources departments								
Data base creation								
Contact and send information								
Public relations activities								
Tv & on-line travel programs (Influencers)								
Sponsoring								
Schools & Surf associations								
Environmental associations								

Figure 2.h: Marketing Plan. - Promotions mix schedule 2019 – 2020.

Advertising

The investments in advertising as we see in the figure above, will focus on social networks and Google AdWords. In the case of social networks, we will focus the investment on Facebook the first year; due to the preference of use of the foreign tourist that traveled to Piura in 2017, which as we saw in the market trend section. This target market prefers Facebook with 85% of the responses, compared to 28% on Instagram. (PROMPERU, 2018c).

We are going to focus the scope of Facebook advertising on delimiting geographical, demographic, interest and / or behavior aspects of the target public for each of the 3 countries outside of Peru and for Lima.

For example, to promote TINTAYA Spirit in USA, we defined first the parameters advertising for this target market who have an interest in these three aspects.

- Surf
- Beach
- Ecology

The screenshot displays the 'Edit Audience' window in Facebook Ads Manager. At the top, there are tabs for 'All', 'Men', and 'Women', with 'Men' selected. Below this is the 'Age' section with a range of 25 to 55. The 'Locations' section lists 'United States' with sub-options for 'California', 'Florida', and 'New York'. The 'Detailed Targeting' section is set to 'INCLUDE people who match at least ONE of the following' and lists interests: 'beach', 'Ecology', and 'surf'. A progress indicator at the bottom shows a needle pointing to 'Specific' on a scale from 'Broad' to 'Specific', with the text 'Your audience size is defined. Good job!' and 'Potential Reach:: 320,000 people'. 'Cancel' and 'Save' buttons are at the bottom right.

Figure 2.h: Marketing Plan - Audience definition from USA for advertising in Facebook.

In the case of the promotion of advertising, a budget is established for 5 days, starting the first day of each month.

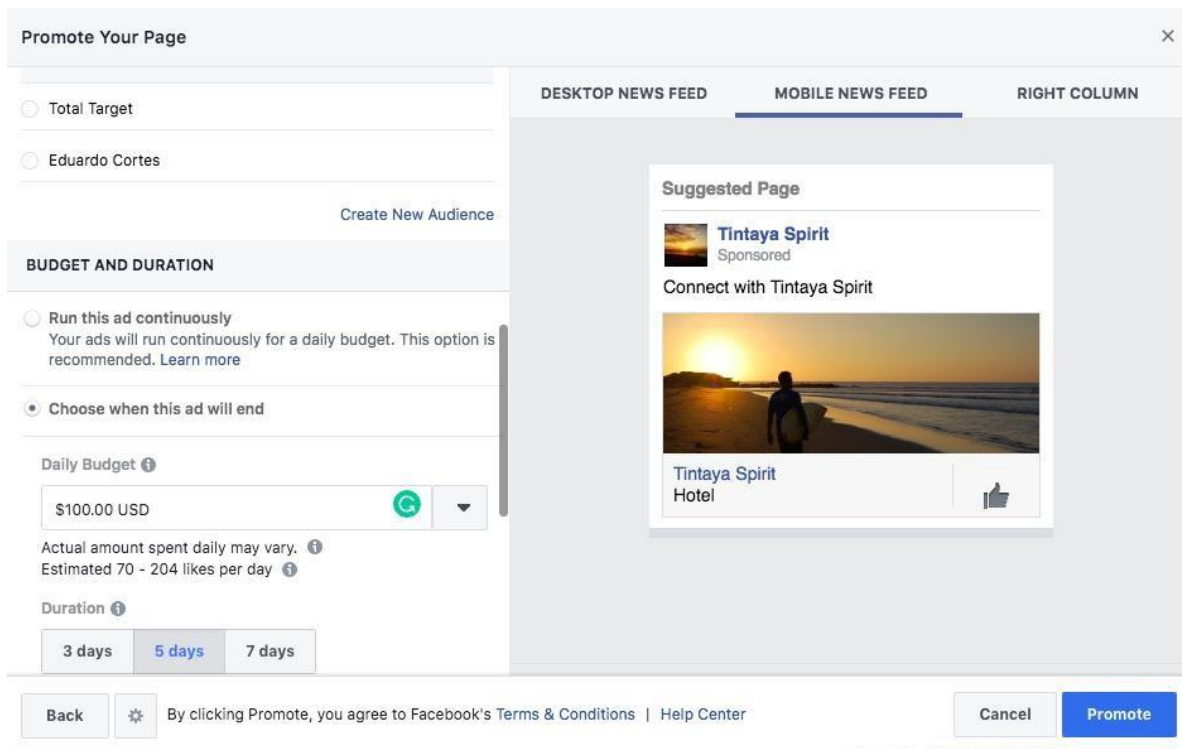


Figure 2.i: Marketing Plan. Definition of Facebook advertisement to men surfer and tourist from USA.

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For the cities of Quito, Guayaquil, Santiago de Chile and Lima, the same selection criteria – surf, ecology and beach - will be established for Facebook advertising, with the difference that advertising will be done in Spanish. In the case of the potential market reached we can see as follows:

City	Country	Potential reach people (K)	Potential reach men (K)	Estimate Likes per day investing 100 USD	Potential reach women (K)	Estimate Likes per day investing 100USD
California	USA	430	140	68	290	142
New York	USA	240	80	40	160	79
Florida	USA	330	100	50	230	112
Santiago	Chile	410	120	58	290	142
Quito	Ecuador	180	74	36	106	52
Guayaquil	Ecuador	120	53	26	67	33
Lima	Peru	790	320	157	470	230

Figure 2.i: Marketing Plan. Potential market reached and estimated likes from the target market selection.

To achieve greater market penetration, three months before and three months after the launch, we will hire the services of TripAdvisor plus profile. With this, we will find ourselves in the first places of search and open direct connection with Booking.com to make the reservation.

Advertising in Google AdWords as mentioned, will be through the on-line company Kolau.es. The first 3 months before the operation begins, will use the personalized management service, in order to use the expertise of this company. Then we will use the standard service that uses search optimization engines during the year.

Public relations

Thanks to the environmental approach of TINTAYA Spirit, we will look for an appearance on TV and on the web. For this, we will give information about us, as videos and pictures about the construction of the hotel; about the materials used and about all the environmental practices we carry out, as well as the impact on the community, mainly at the School N° 14912.

We will seek to work with travel influencers from Peru. The researcher GFK, revealed a study with almost 1000 interviewees in Lima, in October of 2017 about the most popular influencers in Peru and the result was as follows:



Figure 2.i: Marketing Plan - Advocacy percentage of influencers in Lima (PROMPERU, 2018d).

From these influencers who have a YouTube channel and other social networks, we have chosen the blogs "Viaja y Prueba" because it is dedicated to promoting places of travel in Peru and its cuisine and also "Buen Viaje", that fits the characteristics of the target market selection from Lima.

Additionally, we have recently had conversations to be a sponsor of a Peruvian professional surfer, who is Lucca Mesinas, he is 21 years old and was born in Máncora – Piura. He, is ranked 44 (October 2018) on the World Surf League and he is the second best ranked from Peru. We will be his sponsor for 2020, with the possibility of extending the contract. The scope

of the sponsorship must be defined in a contract. Additionally, from 2021 it is expected to sponsor young surfers from the area.

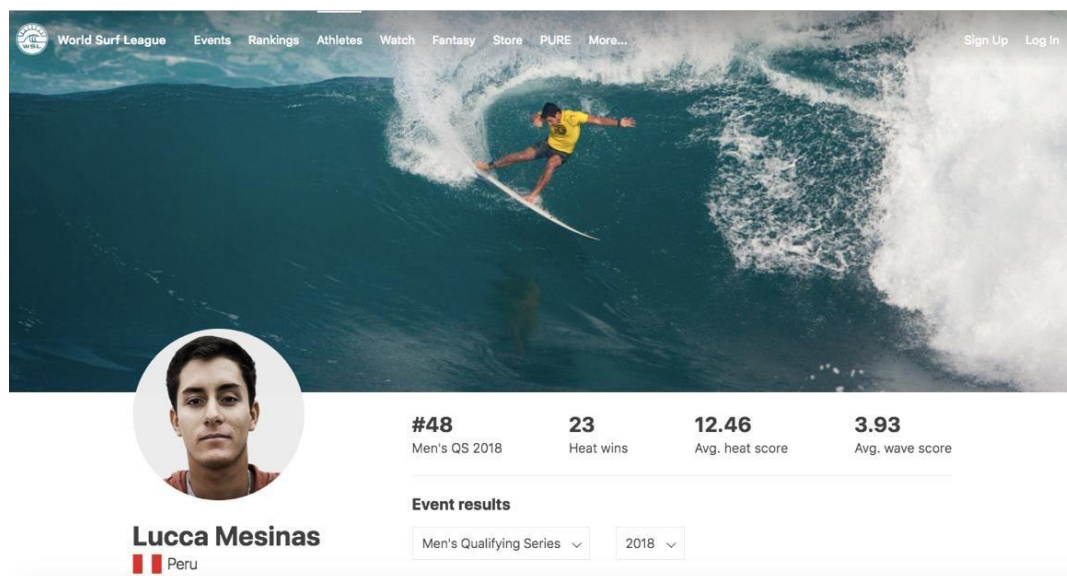


Figure 2.i: Marketing Plan - World Surf League ranking of TINTAYA Spirit sponsored (WSL, 2018).

78 We will seek internally to coordinate with schools and institutions related to surfing, as well as organizations that protect the environment; this, in order to be able to give the brand a name among members of institutions that are related to what we want to offer. We will start by developing the database and then send the relevant information.

Other promotion-related activities

Another way that we will seek to reach potential clients in Lima, is through companies and their human resources departments. First, using the network of all shareholders and their scope we will contact personnel from human resources areas of large and medium-sized companies; in order to reach them through offers addressed to the staff for being part of the company.

Additionally, we will use LinkedIn to contact human resources personnel, we will locate them directly or through our network on that platform.

In the same way, we will offer the facilities of TINTAYA Spirit for conventions of these companies according to our capacity. The first floor of the eco-hotel will have multipurpose rooms and basic equipment for conducting conferences.

Annual promotions budget

In order to promote the services of TINTAYA Spirit and increase customer awareness, advertising budgets will focus on:

Item / PEN per year	2.019	2.020
Web management		1.000
Videos & photos creation		3.500
Total web & videos	0	4.500
Advertising publication - USA target	4.000	6.000
Advertising publication - Ecuador target	1.200	2.000
Advertising publication - Chile target	1.200	2.000
Advertising publication - Peru target	2.000	2.500
TripAdvisor	8.400	12.500
Perfil plus	2.500	2.500
Total Social network	2.500	2.500
Personal service - Kolau.es	1.200	
Standard service - Kolau.es		800
Total Google Adwords	1.200	800
Tv & on-line travel programs (Influencers)		8.000
Sponsoring		7.000
Schools & Surf associations		1.500
Environmental associations		1.500
Public relations activities	0	18.000
Total budget	12.100	38.300

Figure 2.i: Marketing Plan. Advocacy percentage of influencers.

In addition, the cost of the web development, as well as the brand creation and the brand manual are 20,000 PEN and will be paid in 2019, before the start of operations.

In order to obtain these prices, a quote has been received from the online communications agency "Oscar Alvarado Digital Marketing Advisor"; in this, the website development and management, videos creation and the handling of public relations are included. In the case of sponsoring, the Peruvian pro-surfer was contacted directly. The prices of TripAdvisor were collected from the same page as well as the budget of Facebook ads and the services of Kolau.es.

Distribution and sales

Due to the coverage and the preference of foreign tourists as we saw in the buyer behavior section; the company Booking.com stands out with the 53% preference as Internet pages to book and pay for accommodation that this segment has used. Therefore, we decided to focus our sales to this platform. The commission percentage of Booking.com in Peru is 14% for normal service and 16% for preferential service (Ardila, 2018). To optimize searches, we will use the preferential service.

We will also work with other OAT's such as atrapalo.com, agoda.com, hotels.com, expedia.com, among others and also AirBnb to expand the offer. The OTA's increasingly gain space in the market especially in the younger public and the commission charges are between 5% and 33% at times for better positions. (Gomez, 2015)

Additionally, we will work thanks to the coordination we have already done with PROMPERU staff; with its travel portal Ytuqueplanes.com, which appeared as one of the most important platforms when the Peruvian tourist searches the internet for information about his trip. The use of this platform is free (PROMPERU, 2018b).

Booking.com also offers its own website management service without booking branding. This service has a commission of 9%; however, in this case we have decided to manage our own website in order to obtain more direct customers.

The total percentage that will be handled as commission for sales distribution will be 15% on average.

MANAGEMENT TEAM & COMPANY (OWNERSHIP) STRUCTURE

Management team and key personnel

Board of partners

It will be held once a month and the members will be the four partners who will contribute the capital for the creation of the company; they will elaborate the strategic plans and make the decisions in order to guide the whole organization. A member of the board of advisors will be invited depending on the topic to be discussed.

- *RIVERA Jose* (land owner), more than 15 years in healthy business and extensive experience in people management. 5 years of experience as an entrepreneur in a family business. He has strong surfing experience and strong network in the surfing community as well as wide knowledge of the area. Jose will be the general and administrative manager.
- *CORTES Eduardo MBA (c)* at ESAN and *MSc (c)* at IÉSEG, Entrepreneurship and Innovation track: more than 10 years of experience in marketing areas in healthy business and managing work teams. He practices and is passionate about surfing and has strong network in the surfing community. Eduardo will be the marketing and sales manager.
- *CUELLAR Roger MBA (c)* at ESAN and *MSc (c)* at IÉSEG, Finance track: more than 6 years of experience in different corporate financial functions, strong accounting knowledge and successful projects creating and standardizing processes. Roger will be in charge of reviewing financial statements and coordinating with the accountant who will be outsourced. In addition, he will be in charge of the approval of purchases that exceed 1000 PEN.
- *PAJARES Julio* (Restaurant Investor), extensive experience in the management of companies related to the hotel and food industry. Currently owner of a group of three coffee shops and one hotel in Cajamarca city. Julio will be in charge of managing the restaurant and will also support logistic controls, as well as legal aspects for the eco-hotel management.

General and Administrative Manager: *RIVERA Jose*.

Be responsible for enforcing the policies and strategic plans of the board of partners. Evaluate the results of all areas and be responsible for raising the budget and verify its implementation. In addition, be in charge of the administrative and operational management, controlling and managing the purchase process for accommodation. Also, he will be carrying out the consolidation and programming of the requirements of goods and services requested by each area of the accommodation. Responsible for verifying the compliance of the company's

logistic operations; compliance with the dates of deliveries of goods, as well as the contracting of external maintenance services. Responsible for the possible returns of any goods to the suppliers or to make claims of the bad services.

Responsible for all activities related to personnel; supervise and train company personnel as well as hire new workers; in addition, monitor the performance of personnel to ensure efficiency and compliance with policies and procedures.

Marketing and Sales manager: *CORTES Eduardo.*

Responsible for establishing and implementing the strategic marketing plan and be alerting about market trends in order to deliver feedback to the company with the customer needs. In charge of dealing with sales distribution channels such as OTA's, websites, as well as advising potential buyers, customer loyalty and attracting potential institutional customers.

Responsible for the social networks' profile creation, as well as the publicity development and publication in these networks. Also, responsible for publicizing TINTAYA Spirit's brand and services through the different forums related to our concept.

Responsible for choosing and carrying out all the coordination with the advertising agency for the website creation and maintenance and public relations activities.

Responsible for all the coordination with the NGO CEATA for the realization of eco-friendly activities and positive impact on the community.

Management team skill profile and gaps

Below is a chart with the most important skills required to successfully launch the hotel.

Manager	Leadership	Technical operations	Marketing & sales	Supply chain Management	Legal	Accounting & finance	Ecological construction	Webdesing & management
CORTES Eduardo	✓		✓					
CUELLAR Roger	✓					✓		
RIVERA Jose	✓	✓		✓	✓			
PAJARES Julio		✓		✓	✓			
Gap							○	○

Figure 2.a: Management team & company (ownership) structure - Skill profile and gaps.

We notice that we have to cover ecological construction and website design and management gaps. In the case of architectural design and construction, we have contacted the Chete Cortes Arquitectos studio, which has more than 10 years of experience in the Peruvian market. One of the buildings of this study was nominated for the building of the year 2018 at ArchDaily; which is a weblog that covers architectural news, projects, products, events, interviews and contests, among others (ARCHDAILY, 2018). The director of this architecture studio was very interested in this project since his specialty is the buildings near the beach and mainly, because

of the eco-friendly background and the impact on the community that TINTAYA Spirit seeks to implement.

This architecture studio will work in conjunction with the NGO CEATA; mentioned above in order to safeguard that all environmental solutions are made in the construction of the eco-hotel and generate the least environmental impact with it. The aim is to ensure the minimum use of 50% of recycled materials from the area and also ensure the management of wastewater, especially to irrigate the nursery garden.

In the case of the website management and development, the services of the digital marketing agency mentioned in the annual promotions budget section will be contracted.

Ownership structure and compensation

The associates will provide support in the development of some activities such as financial control, logistic and legal support; however, this will not represent a salary because they are not activities that require full time dedication.

Considering the above, all associates will be compensated according with the profits obtained by the hotel and will depend on their percentage participation in the equity. Jose will hold 54,54% of the company, Eduardo, Roger and Julio will hold 15,15% of the company each one.

Board of advisors

BERNINZON Luis Felipe: President of the NGO CEATA; he will be in charge of carrying out the supervision of all the activities of the ecological construction of TINTAYA Spirit, as well as the maintenance of the nursery garden and the eco-friendly activities related to the guests and the community.

PONCE Rodrigo: MSc, Ecotourism. Director of Ecoaldeas Peru; which is a promoter center of educational adventures, internships and volunteerism, and Adventure Tourism. Rodrigo will give us support with his experience of handling tourist groups.

CORTES Daniel: MBA, architect and director of Chete Cortes Arquitectos; He will be in charge of designing and carrying out the construction of TINTAYA Spirit as well as coordinating with the NGO CEATA the environmental solutions of that construction.

Other professionals

For the development of the activities, it is considered necessary to cover the following positions:

Receptionist: 3

Is the person who has the first direct contact with the guest and who must provide information about the services and facilities; besides the different tourist attractions of Lobitos and surrounding areas.

Among their activities are the check in - check out of guests, control the availability of rooms in the accommodation, coordinate the cleaning of the rooms, control and verify the extension of stays and coordinate reservations with the sales assistant. They will also be responsible, in coordination with the sales assistant, for filling out the guest tracking format described in the marketing plan. One of its functions is to make the wake-up call if it is requested.

Cleaning Staff: 3

Personnel in charge of keeping all accommodation facilities in perfect condition and ensuring the management of solid waste. For this, cleaning and maintenance controls of the rooms, common areas and laundry must be carried out. Additionally, this staff will carry out the support functions in the nursery garden.

Operations assistant: 1

In charge of assisting the general and administration manager in all the logistic and operations functions. This person is in charge of the control of the personnel and the cleaning supplies, and of the good functioning of the nursery garden in coordination with the NGO CEATA. Also responsible for the laundry service to the guests.

Sales assistant: 1

In charge of assisting the marketing and sales manager in all his functions. Its main function will be to take control of the accommodation through our own website and from the other OTA's. Responsible for carrying communications via WhatsApp in case the guest has a problem or needs to hire a tourist service like an activity related to the sea, yoga, surfing classes, among others. In addition, this person has to coordinate with the guests if they want to take a package that includes all meals, for which this person must also coordinate with the staff in charge of the restaurant.

Additionally, the sales support is responsible for the transport coordination of the guests and assist companies that carry out a convention in our facilities and this person must perform all the guest coordination with the reception staff.

It is important to highlight the need to carry out an accounting process, but this will be outsourced as we said; since the size of the operation does not merit the contracting of an accountant and Cajamarca investor has been working for several years with a company that performs this process.

Security: 1

One person per shift will be outsourced to a security company from Talara for this task. This person should be at the front door all the time to provide security to the eco – hotel and also in order to help the guests with their luggage. This person will not be part of the company's form but will be part of the training given to all personnel.

Organizational chart

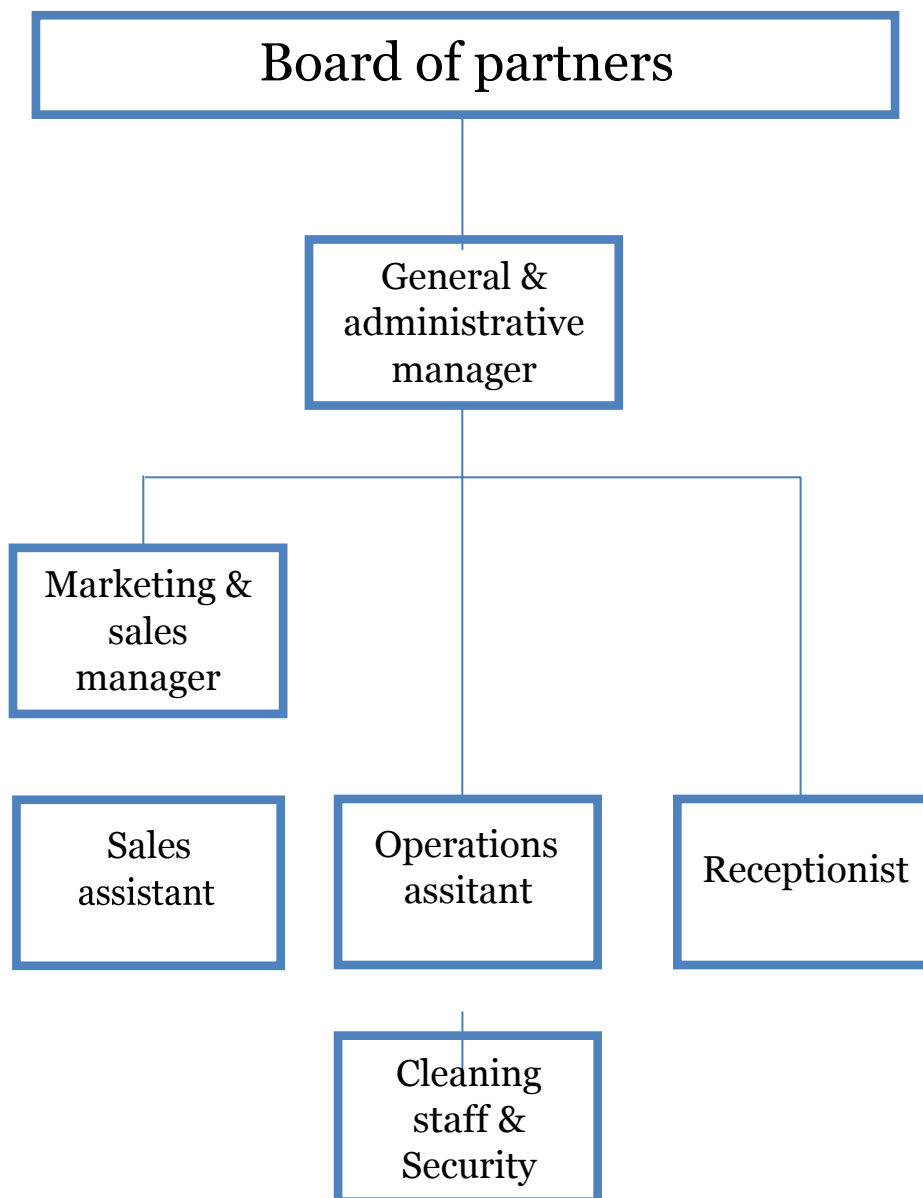


Figure 2.b: Management team & company (ownership) structure - Organizational chart.

OPERATIONS PLAN

Operations model and procedures

General approach

The World Tourism Organization (UNWTO) defines ecotourism as any form of tourism based on nature; where the main motivation of tourists is the observation and appreciation of that nature or the dominant traditional cultures in the natural areas. For this UNWTO establishes ten priority areas for generating sustainability that the tourism sector must carry out are (UNWTO, 2002):

- Reduction, reuse and recycling of waste.
- Energy efficiency, conservation and management.
- Proper management of drinking water resources.
- Proper management of wastewater.
- Proper management of hazardous substances.
- Transport more sustainable.
- Management and proper planning of tourism.
- Involve staff, clients and local communities in environmental issues.
- Realization of designs for sustainability.
- Establishment of collaboration agreements for the consequence of sustainable development.

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We emphasize this because TINTAYA Spirit is an eco-hotel and the building construction and all of our operations will be guided by these principles. The main activity is to provide accommodation in double rooms in an eco-friendly and sustainable way, seeking to generate a positive impact on the community.

Back stage operations

Logistics and administration: Have all the areas of the eco-hotel ready, materials and equipment necessary to receive guests and at the same time carry a control mechanism. The activities that stand out are:

- **Maintenance and decoration work:** Once the construction is completed, a monthly control mechanism will be exercised to carry out the repairs and verify the details of the decoration of the spaces. In the same way, maintenance of the nursery garden, biodigesters and solar panels will be carried out.

- **Cleaning of rooms and common areas:** The legal requirements regarding cleaning periodicity will be complied with and supervisory formats will be developed in order to guarantee the cleanliness of each area and rooms according to the standards established by the eco-hotel. The general cleaning of the rooms and common areas should be done daily.
- **Disposal of waste:** The organic waste in a hotel represents almost 40% of the total waste generated (WRAP, 2011), that is why different waste bins (in two categories, organic and inorganic waste) will be available for this process in all areas of the hotel; including the rooms. The collection of these elements will be carried out daily and will be stored separately; the organic waste will go to the nursery to be processed and converted into compost.

Marketing and Sales: All activities from the marketing plan must be fulfilled in order to generate the expected demand. Among the activities stand out:

- **Booking system:** all reservations will be linked through our website, which in turn it will be connected to the online reservation pages. This in order to keep updated the available capacity of the eco-hotel in all channels and centralized the information of the guests.
- **Transport coordination:** Before the guest's arrival, their transfer must be coordinated; especially if they request it from the airport of Talara, Tumbes or Piura or nearby bus stations.

To seek a better development of the activities before contact with the guests, training meetings will be held; These will be directed by the members of the board of directors and these meeting will focus on the following aspects:

- **General Training:** Quality and attention to the guest, handling complaints and claims, Internal customer, Touristic information, teamwork, negotiation, English classes, personal finances, among others.
- **Housekeeping training:** Procedures and processes and security norms.
- **Front office training:** Quality of service in front office, telephony, reservations and suggestive Sales / Upselling.
- **Positive leadership:** PERMA Method and character strengths.

Front stage operations

We call this case the moment of truth, which is when the client interacts with our staff or with one of our services.

Front office service: Special emphasis will be placed on this activity since it is the main physical contact with the guest. The check-in should be done quickly and smoothly; showing a kind, efficient and always smiling treatment, which will be one of the principles of TINTAYA Spirit. Upon arrival we will deliver a detail to the guest that consists of a drink from the area, an algarrobina cocktail, made from the honey of the carob tree that grows in the dry forests of the area and Pisco, the Peruvian national beverage. Also, there is an option drink without alcohol and fruit juice. This drink accompanied by Chifles, fried plantains characteristic from the north of Peru and Ecuador. This service will be provided by the restaurant, being placed in the lease. In the same way, each contact that generates valuable information should be recorded in the format of the guest track.

Customer service: For the guest this is one of the most important factors as could be seen in our market investigation. That is why this process should be characterized by its kindness, customer's understanding and guidance to meet their needs. For this, people whose profile is aligned to these characteristics will be hired. In the same way, they will be trained in accordance with the different aspects mentioned above; this in order that any employee can help the guest to solve some inconvenient that may arise.

Eco-friendly activities: Information will be provided to the guest about the plant and animal species of the area; In addition, the guests will be invited to visit the nursery and show them the environmental solutions of TINTAYA Spirit and how it was built. Guests who are present on the planting trees days, can participate as well as other activities such as cleaning the beach with the NGO CEATA and the students from the school N° 14912.

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The change of sheets and towels will be made daily unless the guest requests to change it less frequently to be eco-friendlier; for which a poster will be placed in each room, this in order to generate a less use of water. Likewise, information will be provided to the guest on how to save energy by placing posters with eco-friendly tips such as unplugging plugs, closing the water while bathing and brushing teeth, among others.

Restaurant and bar: It will be outsourced as mentioned above by one of the partners; which it will ensure the same level of service and it will be guided by the same principles.

Other activities: According to market research, activities related to the sea, yoga classes, massages, among others, are requested by the target market. For this the sales assistant will coordinate the contracting of services with the suppliers and guests.

Payment issues

As previously mentioned, all hotel reservations will be made through our website and specialized platforms or OTA's, mainly by Booiking.com. It should be noted that most payments are made on site once the guest arrives. This type of purchases has as main characteristic the payment with credit cards. However, payments will also be accepted directly to our bank account for which a period of one business day will be given from the

moment of booking and a minimum of 50% will have to be paid; the remaining value will be paid on the day Check-in is done.

Directly at the hotel can make purchases and accept payment in cash. All purchases will be paid in full before the delivery of the room. Remaining as backup the credit card for the consumptions made during the stay. This will avoid problems with payments.

Through personalized attention to the guests before arrival, thanks to communication via e-mail and WhatsApp, additional services will be offered. The sales assistant will coordinate with the guests if they wish to take an all-inclusive alternative; specially to acquire all the restaurant meals but also other types of activities offered in the area will be included. No additional fee will be charged for this coordination; it seeks to increase sales of the restaurant and provide greater comfort to the guest.

Quality control

Specific training will be provided to the eco-hotel employees in order to ensure that they understand the service practices that we seek to establish. Likewise, periodic and random reviews will be scheduled to monitor the correct performance of cleaning, cooking and customer service processes in the different services. For this we will have control formats completed by the operations assistant and reviewed by the general manager and administration.

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In addition to the above, we will seek feedback from guests in order to have as much information as possible; regarding their satisfaction with the service and determine possible variations between the desired standards and the service provided. For this, all personnel will be able to directly ask the guest and through the satisfaction survey detailed in the marketing plan. The constant review of the comments through the purchasing platforms, the web and social networks will be an important source for the revision of the quality level of our service.

After-sales service

Although our product itself does not have after-sales service; we will always be attentive to answer any guest's requirements after departure or we will proactively try to return forgotten objects in the hotel.

We will send by email to the guests and through social networks; information about the state of the tree that was planted in their name and advertising about accommodation as well as some novelty and greetings for their birthday.

Business model

<i>Key Partnership</i>	<i>Key Activities</i>	<i>Value Proposition</i>	<i>Customer Relationship</i>	<i>Customer Segment</i>
<ul style="list-style-type: none"> - Restaurant & bar administration. - Tour operators and Companies subcontracted to provide the services. - Digital marketing agency. - PROMPERU & MINCETUR. - OTA's (Booking.com, expedia.com, among others). - NGO CEATA. - Principal of school N° 14912. - Surf and environmental organizations. 	<ul style="list-style-type: none"> - Lodging management. - Marketing plan implementation and monitoring. - Environmental solutions control processes. - Outsourced activities control. 	<p>Offer to the guests an eco-friendly and sustainable accommodation service that generates a positive impact on the community, where the Peruvian culture is highlighted, in a strategic location on Lobitos beach.</p>	<ul style="list-style-type: none"> - Maximum possible level of service, personalized and very kind treatment. - Deliver tourist and interest information before, during and after the trip. 	<ul style="list-style-type: none"> - Foreign surfer: From Chile, Ecuador and USA; men and single; between 25 and 55 years old; University and post graduates. - Foreign vacationer: From Chile, Ecuador and USA; between 25 and 55 years old; University and post graduated. - Peruvian vacationer: From Lima A/B and C socioeconomic sector; between 25 and 55 years old; executives and employees.
	<i>Key Resources</i>		<i>Channels</i>	
	<ul style="list-style-type: none"> - Modern eco-friendly infrastructure and comfortable facilities. - Strategic location. - Website and social networks accounts. - Investors' knowledge & Trained staff. 	<ul style="list-style-type: none"> - Specialized websites. - Social media. - Word of mouth. - Own website and e-mail. - Network. 		
<p>Cost Structure</p> <p>Variable Cost</p> <ul style="list-style-type: none"> - Season employees - Supplies 		<p>Fixed costs</p> <ul style="list-style-type: none"> - Maintenance of the facilities - Personnel costs. - Legal permits 	<p>Revenue Structure</p> <p>Price determined in the Marketing plan:</p> <ul style="list-style-type: none"> - Accommodation sales by different platforms and directly at the hotel; it will be charged by: PayPal, credit card, cash and bank deposit. - Restaurant lease by bank deposit. 	

Figure 2.a: Operations plan - Canvas model.

Business location

We have the advantage of being inside one of the best countries to surf as mentioned by the specialized website BIO SURF CAMP; this site also highlights that some of the most popular beaches in Peru are Organos, Cabo Blanco, Lobitos, Mancora, Pacasmayo and Chicama (BSF, 2018).

Specifically, we will be located on Lobitos beach; a paradise for surfing and for kitesurfing, its quality of left waves is magnificent. It has 2 accesses: By Talara (capital of the province) or directly from the Panamericana Road at the height of kilometer 1104.

Without a doubt this is one of our strengths; since it was here where this sport had its beginnings; *"With a sport similar to surfing, where the water was plowed on boats called caballitos de Totoro, it was a sport very punished by religion and for centuries it has been nonexistent. Therefore, the popularity of surfing in this country, as we know it today, is relatively recent, around a decade. Every year, a lot of foreign surfers' travel to the numerous beaches of the country to enjoy the high-quality waves that their sea gives"*(BSF, 2018).

As mentioned, TINTAYA Spirit will be located in the department of Piura, which has an area of 621.2 m², located north of Peru and has a border with Ecuador. Piura has tourist attractions like beautiful beaches, dry forests, mountains, birdwatching tourism, archaeological remains, esoteric tourism, hunting among others. The eco-hotel will be located on Lobitos beach in Talara city, northwest of Piura as indicated above:

PIURA

Sechura, Peru's largest desert, displays unique landscapes, and the valleys of the rivers Piura and Chira have great export crops like banana, citrus fruits, mangoes, and cotton.

Distances from Piura (Main Square)

Destination	Km (miles)	Time
Coboccos	12 (7)	15 mins
Sechura	58 (36)	1 hr
Chulucanas	60 (45)	45 mins
Paíta	60 (45)	45 mins
Colón	75 (45)	1 hr
Cerros de Amotape	120 (78)	2 hrs 30 mins
Talara	120 (75)	1 hr 30 mins
Lobitos	127 (79)	1 hr 40 mins
Cabo Blanco	160 (99)	2 hrs
Los Organos	175 (109)	2 hrs 15 mins
Máncora	187 (116)	2 hrs 30 mins

PERU



EXCURSIONS MAP



Figure 2.b: Operations plan. Piura touristic attractions map (PROMPERU, 2014b).

The land micro localization is located in the coordinates $4^{\circ}27'19.8''$ S $81^{\circ}17'01.7''$ W as shown in the figure above; in the red location marker. TINTAYA Spirit is located on the second row from the beach.

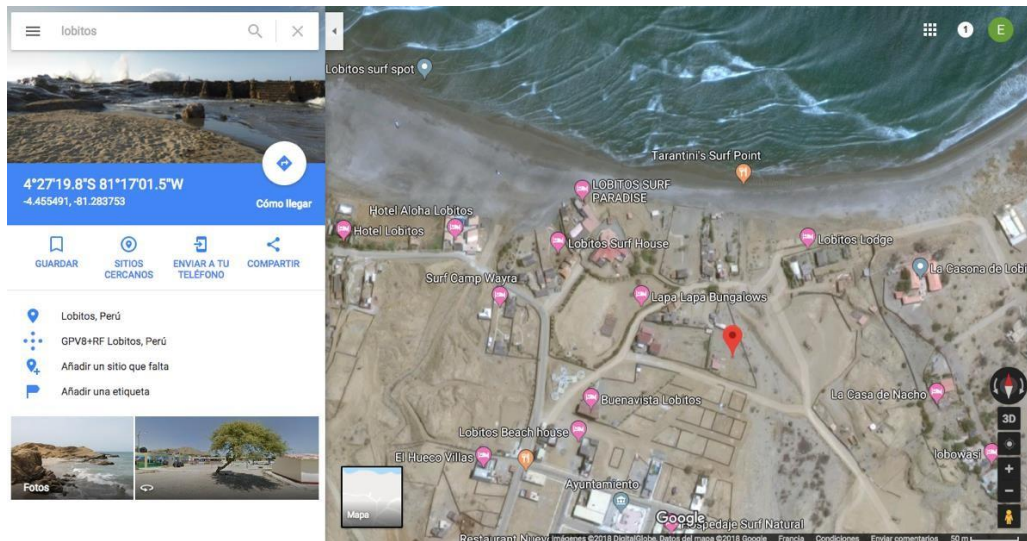


Figure 2.c: Operations plan - Micro localization map (Google Maps).

Facilities and equipment

How the facilities and equipment are being chosen

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The choice has been made by the partners advised by the architecture studio: Chete Cortes Arquitectos; according to the sustainable and eco-friendly approach of TINTAYA Spirit, the analysis of the competition, the characteristics of the place and the experience in the hotel sector of one of the partners. All this thinking to adjust the needs of the target market and try at the same time to exceed their expectations.

It has considered what is offered by direct competition, the 6 hotels have different characteristics, highlighting the Hotel Buena Vista Lobitos and the Hotel Lobitos. As mentioned, we are also following the guidelines of the Eco Lodge Hotel in Mancora for the construction of the hotel and the development of the facilities. Likewise, we have found images in Pinterest that have helped us to define the facilities.

As for the facilities, equipment and services are detailed below:

- Nursery garden and composter.
- Solar panels for thermal baths and lighting.
- Biodigester.
- Waste separation and recycling.
- Gardens and places of relaxation.
- Lounge with open fire.
- Access ramp to the second floor
- Restaurant & Bar.
- 25 m2 Double rooms with sea view w / TV / bathroom.

- Conference rooms w / 2 TV / Sound system / Projector & screen.
- Mini cinema*.
- Parking lot.
- Luggage store and custody service.
- 05:30 h to 23:30 h reception.
- Check in 14:00 h.
- Check out 12:00 h.
- Wake up call.
- Room service.
- Laundry service.
- Transportation and Touristic services (Outsourced).
- Free Wi-Fi in all rooms and common spaces.
- First aid kit.
- Electronic doors with code.
- Surf board storage.

*The projector, screen and sound equipment will be used to watch movies in the lounge area with open fire. Films with a positive message, about Peruvian culture or surf and sea sports documentaries will be screened.

In the case of the facilities decoration the advice of the architecture studio will be followed; highlighting the natural environment and the surrounding beach by having recycled material in the construction of the building. It will be a combination of noble material and wood and recycled materials from the area. The common spaces and the open areas will have a lot of vegetation besides the nursery garden.

A special detail is that the walls will be white to give more light in combination with the sand color of one of the recycled materials used. In these walls we also want to capture in the form of drawings; information about tourist attractions in the area and information about Peruvian ancestral cultures that influenced the area and its relationship with the sea and surfing.

Below is shown in the figures of how we want to project the facilities of TINTAYA Spirit:



Figure 2.d: Operations plan – The building.



Figure 2.e: Operations plan - Rooms and restaurant.



Figure 2.f: Operations plan - Common spaces.



Figure 2.f: Operations plan – Surf board storage and nursery garden.



Figure 2.g: Operations plan – Sea view, room service and solar thermal bath.

Building and future growth

The construction, as mentioned, will be executed with 50% of recycled material coming from the area; all the planning, distribution and construction activities will be directed by Chete Cortes Arquitectos studio.

The recycled material from the area will be:

- Tornillo wood
- Cane
- Bamboo
- Lime
- Sand
- Sawdust

The architectural distribution of TINTAYA Spirit, according to the advice of the architecture studio, would be as follows:

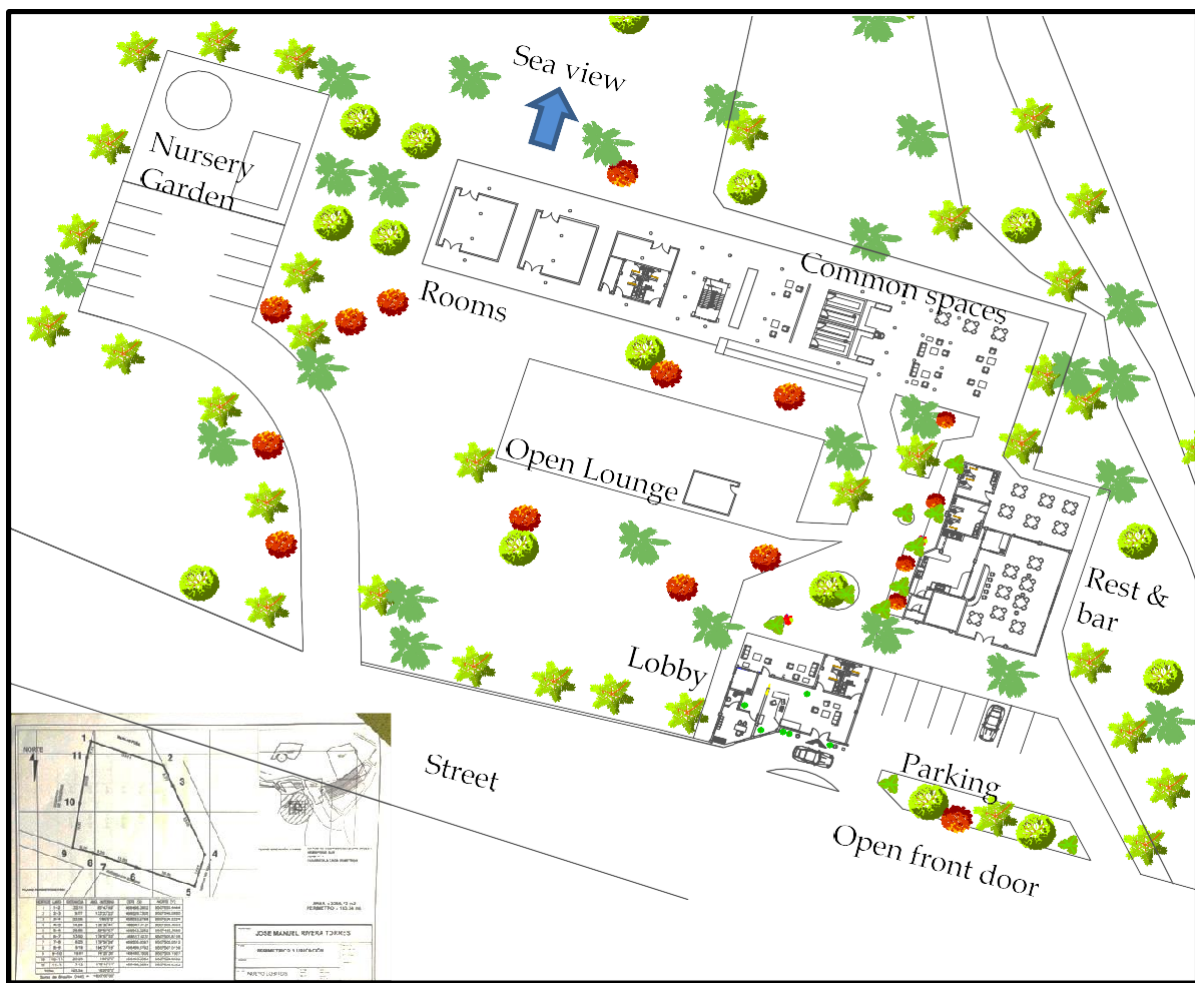


Figure 2.h: Operations plan – Architectural distribution and area of the land (Chete Cortes Arquitectos).

We consider that the construction of the building as planned is sufficient to support the growth for several years de according to the local market growth estimate. Later we could think about expanding the company through the creation of new eco-hotels in other locations.

Technology

The hotel will focus its efforts on including the greatest number of technological advances that help diminish its environmental impact. For example, the use of solar panels for the energy supply, led lights in the rooms, automatic lights in common areas and an architectural design that allows to take advantage of the greatest amount of light and natural water. The use of wastewater from operations to maintain the nursery garden and the use of a biodigester are eco-friendly technological solutions that we are going to implement.

In the same way, the company will seek to keep abreast of technological advances, in order to provide the guest, the mixture between modernity and ecology. For example, all doors would have a code system for opening and also the Wi-Fi connection will be guaranteed in the common spaces, rooms, restaurant & bar of the eco-hotel.

We will be awaiting advances about technology in the field as well as its influence on tourism marketing.

Government regulations

To begin operations, the legal requirements of the PESTEL analysis must be met according to the TINTAYA Spirit offer; these are detailed below:

TINTAYA Spirit will be classified as a three-star hotel but the commercial name will be called eco-hotel. To be classified as a three-star hotel, we must comply with the requirements included in articles 4, 5, 7, 8, 13, 14, 15, 16, 19, 20, 21, 22, 23, 24, 25, 27 of the technical norms of the supreme decree N°001-2015-MINCETUR “Reglamento de Establecimientos de Hospedaje” (MINCETUR,2015).

To comply with the construction requirements and be considered as a hotel, we must meet the requirements of articles 7, 8, 11, 12, 13, 14, 15, 16, 17, 19, 20, 21, 22, 23, 24, 25 and 26 from the supreme decree N° 006-2014-VIVIENDA “Reglamento Nacional de Edificaciones” (MINCETUR, 2014). While proceeding with the classification and category of the establishment, the minimum construction requirements detailed below must be fulfilled:

- a) The number of rooms is six (6) or more.
- b) Have a differentiated access for the circulation of the guests and service personnel. Have a reception and counseling area.
- c) The area of the rooms (including the closet and wardrobe area) is 6 m² or more.
- d) The total area of private or common sanitary services is 2 m² or more.
- e) The hygienic services must have floors and walls covered with impermeable material. In the case of the shower area, said coating will be 1.80 m.
- f) If it is an establishment with four (4) or more floors, it must have at least one elevator.
- g) The building of the lodging establishment keeps harmony with the environment in which it is located.
- h) For people with disabilities and / or older adults, the stipulations of the norm “A. 120 Accesibilidad para personas con discapacidad y adultos mayores” (MIMP, 2016), must be considered.
- h) For the design and emergency exits, passages of people circulation, stairs, fire protection system, etc., the norm “A. 130 Requisitos de Seguridad”, (VIVIENDA, 2012) must be considered.
- i) Partition. The internal walls and divisions, especially between bedrooms, must comply with the security requirements of the "Reglamento Nacional de Edificaciones" being incombustible,

hygienic and easy to clean, providing privacy and soundproofing conditions. (MINCETUR 2014).

The law N° 28611 “Ley General del Ambiente” establishes in the articles 25, 65, 67, 68 and 101 the marine and coastal ecosystems policies that must be followed and fulfilled for the operations (SPIJ, 2005).

Articles 17, 22, 38, 39 and 40 from the law N° “Ley General de Turismo” provide the policies that must be followed and complied with to carry out this project. Article 39 states that MINCETUR promotes that the tourist offer has a base of qualified and competent human resources for what drives the educational offer in tourism; the development of quality management and the professionalization of human resources are involved this activity. (MINCETUR, 2014b).

Articles 10, 25 and 28 from the law N° 29090 “Ley de Regulación de Habitación Urbana de Edificaciones, y sus Modificatorias” provide the necessary policies that must be followed and complied with to enable the TINTATA Spirit building. (INDECOPI, 2007).

Articles 7 and 8 from the law N° 28967 “Ley Marco de Licencia de Funcionamiento y los Formatos de Declaración Jurada” must be fulfilled in order to start operations. (INDECOPI, 2017).

99 Articles 5, 6, 7, 8, 9, 10 and 11 from the ley N° 1278 “Ley de Gestión Integral de Residuos sólidos” must be followed and complied with to implement the eco-friendly and sustainable project (MINAM, 2016).

Operations strategy and plans

Relationship between business strategy and operations strategy

We are looking for the execution of TINTAYA Spirit operations, always an eco-friendly and unsustainable approach; at the same time is the main aspect that we seek to highlight within the target market selection in order to generate the expected demand and finally, achieve the organizational objectives. The operations are the support of the business strategy. For this reason, we can infer that there is a very close relationship between the business strategy and the operations strategy.

In-house and outsourced activities

All the activities directly related to lodging, detailed in the chapter of operations, will be carried out by TINTAYA Spirit.

As mentioned, the restaurant operations would be outsourced by one of the partners; which ensures the policies and procedures are complied with as determined by the board of partners.

The experience of this person in the management of restaurants and hotels will allow that this knowledge for sharing between the eco-hotel and the restaurant. It will seek to take advantage of the synergy of the two activities especially in logistics issues such as purchases and control mechanisms. In addition, the restaurant staff will participate in the training carried out by the board of partners.

The restaurant must apply eco-friendly solutions required; especially in handling organic waste that will be used for the composter of the nursery garden. In return, some species from the nursery garden will be used in the kitchen of the restaurant. Additionally, the restaurant should highlight the Peruvian culture and the agricultural and maritime products of the area.



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Figure 2.i: Operations plan – Restaurant products, algarrobina cocktail and chifles as a welcome detail for guests and ceviche, the Peruvian main dish.

Another of the main activities to subcontract and offer to the guests are boating and fishing, whale watching and swimming with turtles. For these services, the sales assistant, as stated, will be in charge of coordinations; for which the company Pacific Tours will be contracted, this company obtained the certificate of excellence by TripAdvisor in 2017. (TRIPADVISOR, 2018)



Figure 2.j: Operations plan – Sea activities provided by outsourced company.

Other activities aligned with our concept and that are demanded by the target market will be offered as: Yoga classes, massages, Surf Classes, birdwatching among others. For this, there is a lot of offer in the area for these services; we will make first a database of suppliers to have the most suitable alternatives. The coordination of these activities will also be done by the sales assistant.

PRODUCT/SERVICE DEVELOPMENT PLAN

Development status and tasks

At the moment the project is in its development phase.

Timeline

The general guidelines have been developed in this business plan and we have contacted strategic partners for the development of crucial business operations and to offer a differentiation to the target market. The project implementation will be established in three stages according to the schedule below:

Stages	Activity	2019												2020			
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
First stage	Eco-hotel design development																
	Operations plan development																
	Marketing plan development																
Second stage	Obtaining financing																
	Building execution																
	Building implementation																
Third stage	Start of operation																

Figure 2.a: Product / Service Development Plan – Activities schedule.

Milestones to be completed

Eco-hotel design development: The Chete Cortes Arquitectos studio will be responsible for carrying out the architecture technical files for the building execution as mentioned. For this, it will be based on the scope of this business plan.

Operation plan development: The detail of all processes and function manuals will be developed to guarantee an operational management of the entire integral system of the hosting service. It will be carried out by the board of partners.

Marketing Plan development: The proposed in this business plan will be implemented. The person in charge will be one of the partners, the marketing and sales manager.

Obtaining financing: The realization of the project depends on obtaining a bank loan that covers the capital needs that the partners did not contribute. For this, different financial were contacted in order to know the requirements of each one and their costs. with these estimated costs and the financial plan that is being developed for module 3 will seek to obtain said financing. The person in charge of this activity is one of the partners; the one in charge of reviewing the financial issues.

Building execution and implementation: The company responsible for the construction, implementation and decoration of facilities will be the same as the one responsible for the architectural design, Chete Cortes Arquitectos studio.

Challenges and risks

The biggest challenge that we will face for the execution of the project is the approval of the loan. However, we believe that this situation is unlikely thanks to the support provided by the piece of land that would be an asset of the company. Likewise, we will have projected financial statements for 10 years, which will be an additional support to the viability of the project.

A major challenge will be the eco-friendly construction of TINTAYA Spirit; for this Chete Cortes Arquitectos studio has already contacted the foreman, Mr. Gerardo Aghuash, who was in charge of the construction of the Eco lodge hotel in Mancora. Additionally, as mentioned, everything will be coordinated with the NGO CEATA to promote environmental solutions.

Another important challenge will be to convince the first buyers to choose the hotel; even if they can find other cheaper options in the area and with comments from clients that support their decision. We hope to overcome this challenge through the marketing plan development of the present business plan.

Costs remaining

The outstanding costs for the implementation of the project are outlined below. These will be detailed in more depth in module 3.

Organizational Expenses	Cost
Public deed	1.000
Notarial charges	1.500
Operating License - Work Compliance	15.000
Revision "Defensa Civil" - Indeci	1.500
Building license	5.000
Declaración of Building	10.000
Design and architectural consulting	15.000
Web creation	20.000
TOTAL	69.000

Figure 2:b. Product / Service Development Plan – Pre-operational expenses.

Endowment expenses must for 42.600 PEN must be added to these costs to obtain a total of 111.600 PEN.

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Module 3

FINANCIAL STATEMENTS

Sources and use of funds

To start our business, we will have an overview of what the company expect to have in terms of money and how this money will be used. Following is mentioned in detail the expenses that the hotel will require to start operating; all the values mentioned below are found in Peruvian Soles – PEN, the average exchange rates From January 01 to November 15 (Investing, 2018) are as follows:

EUR/PEN: 3.88

USD/PEN: 3.28

Land: For the construction of the hotel the first necessary resource was the land. This was a contribution from the capitalist partners. It has a value of 745.000 PEN.

Building: The construction of the hotel would be the highest cost to be assumed. Complying with the standards mentioned in the previous modules, there is a total cost of 1.602.000 PEN. This cost is derived from the cost per m2 fully finished that we have quoted for construction; 1.500PEN Internal construction and 450PEN External construction. These prices were obtained by the owner of the land in coordination with the architectural studio.

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AREA	SUB-AREA	m2	TOTAL m2	Cost m2	TOTAL Cost
Reception	Lobby	30	35	1.500	52.500
	Luggage store	5			
Restaurant	Kitchen	40	140	1.500	210.000
	Dining room	100			
Other services	Bathrooms	20	270	1.500	405.000
	Multipurpose rooms	70			
	Cistern	40			
	High tank	40			
	Common and circulation areas	100			
Lodging area	Double rooms (25m2)	500	500	1.500	750.000
Admisnitrative	Offices	20	48	1.500	72.000
	Laundry	8			
	Bathrooms	5			
	Warehouse	15			
External area	Green areas and gardens	130	250	450	112.500
	Nursery & Biodigester	50			
	Parking lots	70			
TOTAL			1.243		1.602.000

Figure 3.a: Financial statements – Building prices.

Furniture and Equipment: The costs of furnishing in detail can be found in Appendix B. In the following table are the summarized costs per area; it should be noted that the cost of the

external area includes the value of the 4 solar panels kits worth 69.230 each (24 Polycrystalline Solar Panel 275 Wp each kit), the biodigesters (4 valued at 2.500 PEN each), the water bombs and the electric motors for a total of 387.390 PEN.

AREA	Total Cost
Reception	6.960
Other services	11.290
Lodging area	45.500
Admisnitrative	11.180
External area	312.460
TOTAL	387.390

Figure 3.b: Financial statements – Furniture and equipment cost.

Pre-operational Expenses: Before to start the business, there are 2 different kind of expenses we need to cover; the organizational expenses and the endowment expenses. Below is a detailed description of the items that integrate these expenses:

Organizational Expenses	Cost
Public deed	1.000
Notarial charges	1.500
Operating License - Work Compliance	15.000
Revision "Defensa Civil" - Indeci	1.500
Building license	5.000
Declaración of Building	10.000
Design and architectural consulting	15.000
Web creation	20.000
TOTAL	69.000

Figure 3.c: Financial statements – Organizational expenses.

The 69.000PEN corresponding to Organizational expenses will be consider as an intangible asset and depreciated in 3 years.

Endowment expenses	Quantity	Cost	Total Cost
Nursery plants and equipment	1	15.000	15.000
Sheets	80	60	4.800
Bedspreads	60	100	6.000
Pillow	80	50	4.000
Cover	80	70	5.600
Body Towels	80	40	3.200
Towels Set (B, M, S)	80	50	4.000
TOTAL			42.600

Figure 3.d: Financial statements – Endowment expenses.

The items needed to provide the rooms will be assumed in the expense of the first year.

Working Capital: This is the last value we need to contemplate to obtain the total amount of money needed to start the business; the value for it will be the corresponding to 1 quarter of administrative expenses, marketing and payment of loan interest. This value is: 88.254 PEN, later will be explained the calculation of each value independently.

In summary we have that the total investment necessary for the operation of the hotel is the following:

Concept	Value
Land	745.000
Building	1.602.000
Furniture & Equipment	387.390
Pre-operational Expenses	111.600
Working Capital	88.254
TOTAL	2.934.244

Figure 3.e: Financial statements – Endowment expenses.

To cover this initial investment, the following 2 sources of financing will be available:

Investors: The partners that will contribute a total of 1.650.000 PEN, which will be considered as the share capital. Three of the partners will contribute 250.000 PEN in cash and the owner of the land will contribute the mentioned land plus 155.000 PEN. Therefore, three of the partners will have a participation of 15,15% and the owner of the land will have a participation of 54,54%.

Loan: The additional need for cash will be covered with a bank loan of 1.300.000 PEN payable in 8 years.

Assumptions sheet

Our projected financial statements are based on a set of critical assumptions and projections. Here are the generals those the projected financial statements are based on:

- The hotel will take a year in construction, as shown in the activity schedule of the previous chapter; for which, year 1, for the projection, will be the year 2020 and 0 will be 2019.
- The evaluation horizon of the project will be 10 years.

Below we will explain the assumptions and projections that were taken for each financial statement.

Income statement

According to the data obtained in the marketing study, there will be a sales price of 158 PEN per night. And an expected sales level of 535.462 PEN double night stays in the first year. For the second year it is expected to have a 15% growth in sales thanks to the advertising strategies and the positioning acquired by the company. The next two years sales would increase to 6%. Up to 60% occupancy; point where we consider that growth would be limited to 3%.

The lease income of the restaurant will have a value of 6.000 PEN per month and will have an increase of 2,67% every 3 years.

We estimate that both the price and the prices will increase by 2,67% each year, this value corresponds to the average inflation of the last 10 years in Peru (BCRP, 2018).

Within the estimated income does not include the leases of multipurpose rooms and the percentage earned by other outsourced services.

The following figure details the concepts of variable costs and their estimated value for the first year. Appendix C details the value of variable costs for all years.

Variable cost	2020
Personal Soap	0,30
Personal Shampoo	0,50
Hygienic paper	0,40
Breakfast	4,50
Bottle of Water	0,50
Variable Cost of sales	6,20

Figure 3.f: Financial statements – Variable cost.

The concepts considered as direct costs are detailed in the table below with their estimated value for the first year. Appendix D details the value of fixed direct costs for all years.

Direct Costs	2020
Water	12.000
Telecommunications & TV	7.200
Maintenance of facilities	12.000
Cleaning products	9.000
Salaries	118.188
Sheets	4.800
Bedspreads	6.000
Pillow	4.000
Cover	5.600
Body Towels	3.200
Towels Set (B, M, S)	4.000
Total Direct Costs	185.988

Figure 3.g: Financial statements – Direct costs.

In addition to the above fixed costs, there are other indirect fixed costs that are listed below; Appendix E details the value of fixed direct costs for all years.

Indirect Costs	2020
Salaries	85.224
Training	2.000
Security	18.000
Hosting	300
Ms Office	1.092
Office attachments	1.000
Total Indirect Costs	107.616

Figure 3.h: Financial statements – Indirect expenses.

For the salaries total amount calculation, the base salary plus the additional legal benefits in which it must be incurred is taken into account; this factor increases the value of wages by 34%. Below are the salaries of the annualized employees and the calculation of the salary multiplying factor.

Position	Quantity	Monthly Salary	Annual Salary
General Manager	1	2.000	32.160
Marketing Manager	1	2.000	32.160
Operations assistant	1	1.300	20.904
Sales assistant	1	1.200	19.296
Receptionist	3	1.100	53.064
Cleaning Staff	3	950	45.828
TOTAL	10	8.550	203.412

Other laboral costs	
Concept	% Month
Gratifications	17% ² Extra salier per year
CTS	8% ¹ Adittiona salary
ESSALUD	9%
Total multiplier	1,34

Figure 3.i: Financial statements – Salaries total amount calculation.

Within the marketing expenses of the first year, expenses incurred in the year 2019 and 2020 are considered; which were explained in detail in the marketing plan. By 2021 and the following years, the value of the investment in marketing will grow at the same rate of sales.

For the building depreciation calculation; This is done in a straight line with a term of 20 years.

The equipment depreciation will be carried out at different useful lifetimes between 3 and 10 years without salvage value. Except for solar panels that will have a salvage value of 20% at 10 years. The detail of the useful life and depreciation of each asset is shown in Appendix G.

As for the amortization of the establishment expenses this will be done in a straight line over a period of 3 years. The following is a summary of the depreciations for the 10 years.

Concept	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Building	80.100	80.100	80.100	80.100	80.100	80.100	80.100	80.100	80.100	80.100
Furniture & Equipment	37.059	37.059	37.059	35.193	35.193	30.089	30.089	30.089	30.089	30.089
Furniture Purchases Y4					1.400	1.400	1.400	1.400		
Furniture Purchases Y5						1.680	1.680	1.680	1.680	1.680
Furniture Purchases Y8									1400	1.400
Organizational Amortization	23.000	23.000	23.000							
Total Depreciation	140.159	140.159	140.159	115.293	116.693	113.269	113.269	113.269	113.269	113.269

Figure 3.j: Financial statements – Total depreciation.

We will use the tax control chart to calculate the payment of income tax. The tax rate to apply is 29.5% and will only be applied in the years in which the company generates profits; if the company has had losses in previous periods, this tax will be paid when an accumulated benefit has been generated. The following is the tax control chart:

Tax Control Chart	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Profit	-92.713	22.289	88.190	184.568	240.770	303.451	366.404	429.178	493.818	538.052
Tax rate 29,5%	-	-	5.241	54.447	71.027	89.518	108.089	126.607	145.676	158.725
Accumulated loss prev. years	92.713	70.424	-	-	-	-	-	-	-	-

Figure 3.k: Financial statements – Total control chart.

Balance sheet

For the cash balance it is expected to have a minimum value of 15.000 PEN, so if the value is lower than this, a treasury credit will be requested; which would be paid in the next period along with its interest.

Another point to emphasize is that we do not consider revalorization of land. For this reason, land will have the same value all periods.

During the first 4 years, the profits generated will be maintained in the capital of the company; since year 5 it is expected to make a return to investors of 80% of net income.

Cash flow

In terms of payment; both the suppliers and the customer payments will be effective the same period that the service is realized.

The IGV (VAT) is not considered within the different financial statements because the provision of this service is not taxed in Peru.

Pro forma statements

In the analysis of the financial projections we will perform 3 scenarios; Realistic, pessimistic and optimistic.

The first of these will comply with the characteristics mentioned above.

The pessimistic scenario will consider a projection in sales lower by 10% and the optimistic scenario a projection in sales 10% higher than the estimated.

Pro forma Income Statement

According with the previous information the following are the proforma Income statements.

Realistic scenario

Concept	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Var. Sales		15%	6%	6%	3%	3%	3%	3%	3%	3%
Var. Price		2,67%	2,67%	2,67%	2,67%	2,67%	2,67%	2,67%	2,67%	2,67%
Var. Cost		2,67%	2,67%	2,67%	2,67%	2,67%	2,67%	2,67%	2,67%	2,67%
Number of nights	3.389	3.897	4.131	4.379	4.510	4.646	4.785	4.929	5.077	5.229
Price per night	158	162	166	170	175	180	185	190	195	200
Accommodation	535.462	631.371	685.778	744.441	789.326	836.235	885.247	936.448	989.924	1.045.766
Leases	72.000	72.000	72.000	73.922	73.922	73.922	75.896	75.896	75.896	77.923
Sales	607.462	703.371	757.778	818.363	863.248	910.157	961.143	1.012.344	1.065.820	1.123.688
Variable Cost	21.012	24.809	26.999	29.383	31.073	32.860	34.749	36.747	38.860	41.095
Fixed Cost	185.988	190.954	196.052	201.287	206.661	212.179	217.844	223.661	229.633	235.764
Cost of Sales	207.000	215.763	223.052	230.670	237.734	245.039	252.594	260.408	268.493	276.859
Gross Profit	400.462	487.608	534.726	587.693	625.514	665.118	708.550	751.936	797.327	846.830
Administrative expenses	107.616	110.489	113.439	116.468	119.578	122.771	126.049	129.414	132.870	136.417
Marketing	50.400	44.045	46.688	49.489	50.974	52.503	54.078	55.700	57.371	59.092
Depreciation/Amort	140.159	140.159	140.159	115.293	116.693	113.269	113.269	113.269	113.269	113.269
Operative Income	102.287	192.914	234.440	306.443	338.270	376.576	415.154	453.553	493.818	538.052
Other incomes	-	-	-	-	-	-	-	-	-	-
Loan interest	195.000	170.625	146.250	121.875	97.500	73.125	48.750	24.375	-	-
Other expenses	-	-	-	-	-	-	-	-	-	-
Net Income Before Taxes	-92.713	22.289	88.190	184.568	240.770	303.451	366.404	429.178	493.818	538.052
Taxation (29,5%)	-	-	5.241	54.447	71.027	89.518	108.089	126.607	145.676	158.725
Net Income	(92.713)	22.289	82.949	130.120	169.743	213.933	258.315	302.570	348.142	379.326

Figure 3.l: Financial statements – Income statement realistic scenario.

Pessimistic scenario

Concept	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Number of nights	3.050	3.508	3.718	3.941	4.059	4.181	4.307	4.436	4.569	4.706
Price per night	158	162	166	170	175	180	185	190	195	200
Accommodation	481.916	568.234	617.200	669.997	710.393	752.611	796.722	842.803	890.932	941.189
Leases	72.000	72.000	72.000	73.922	73.922	73.922	75.896	75.896	75.896	77.923
Sales	553.916	640.234	689.200	743.919	784.316	826.533	872.619	918.699	966.828	1.019.112
Variable Cost	18.911	22.328	24.299	26.445	27.966	29.574	31.274	33.073	34.974	36.985
Fixed Cost	185.988	190.954	196.052	201.287	206.661	212.179	217.844	223.661	229.633	235.764
Cost of Sales	204.899	213.282	220.352	227.732	234.627	241.753	249.119	256.733	264.607	272.749
Gross Profit	349.017	426.952	468.848	516.187	549.689	584.780	623.500	661.966	702.221	746.363
Administrative expenses	107.616	110.489	113.439	116.468	119.578	122.771	126.049	129.414	132.870	136.417
Marketing	50.400	44.045	46.688	49.489	50.974	52.503	54.078	55.700	57.371	59.092
Depreciation/Amort	140.159	140.159	140.159	115.293	116.693	113.269	113.269	113.269	113.269	113.269
Operative Income	50.842	132.258	168.562	234.937	262.445	296.238	330.105	363.583	398.711	437.585
Other incomes	-	-	-	-	-	-	-	-	-	-
Loan interest	195.000	175.858	161.374	139.272	108.469	86.426	62.779	37.308	10.807	-
Other expenses	-	-	-	-	-	-	-	-	-	-
Net Income Before Taxes	-144.158	-43.600	7.187	95.665	153.976	209.812	267.325	326.275	387.905	437.585
Taxation (29.5%)	-	-	-	-	20.375	61.895	78.861	96.251	114.432	129.087
Net Income	(144.158)	(43.600)	7.187	95.665	133.600	147.918	188.464	230.024	273.473	308.497

Figure 3.m: Financial statements – Income statement pessimistic scenario.

Optimistic scenario

Concept	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Number of nights	3.728	4.287	4.544	4.817	4.961	5.110	5.264	5.422	5.584	5.752
Price per night	158	162	166	170	175	180	185	190	195	200
Accommodation	589.008	694.508	754.355	818.885	868.259	919.858	973.772	1.030.093	1.088.916	1.150.343
Leases	72.000	72.000	72.000	73.922	73.922	73.922	75.896	75.896	75.896	77.923
Sales	661.008	766.508	826.355	892.807	942.181	993.780	1.049.668	1.105.989	1.164.813	1.228.265
Variable Cost	23.113	27.290	29.699	32.322	34.180	36.146	38.224	40.422	42.746	45.204
Fixed Cost	185.988	190.954	196.052	201.287	206.661	212.179	217.844	223.661	229.633	235.764
Cost of Sales	209.101	218.243	225.752	233.609	240.842	248.325	256.069	264.083	272.379	280.968
Gross Profit	451.907	548.264	600.604	659.198	701.339	745.455	793.599	841.906	892.434	947.297
Administrative expenses	107.616	110.489	113.439	116.468	119.578	122.771	126.049	129.414	132.870	136.417
Marketing	50.400	44.045	46.688	49.489	50.974	52.503	54.078	55.700	57.371	59.092
Depreciation/Amort	140.159	140.159	140.159	115.293	116.693	113.269	113.269	113.269	113.269	113.269
Operative Income	153.732	253.571	300.317	377.948	414.095	456.913	500.204	543.523	588.924	638.519
Other incomes	-	-	-	-	-	-	-	-	-	-
Loan interest	195.000	170.625	146.250	121.875	97.500	73.125	48.750	24.375	-	-
Other expenses	-	-	-	-	-	-	-	-	-	-
Net Income Before Taxes	-41.268	82.946	154.067	256.073	316.595	383.788	451.454	519.148	588.924	638.519
Taxation (29.5%)	-	12.295	45.450	75.542	93.396	113.218	133.179	153.149	173.733	188.363
Net Income	(41.268)	70.651	108.618	180.532	223.200	270.571	318.275	365.999	415.192	450.156

Figure 3.n: Financial statements – Income statement optimistic scenario.

Pro forma balance sheet

Realistic scenario

Concept	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
ASSETS											
Current Assets											
Cash	146.610	31.556	31.505	92.113	169.426	147.747	141.302	143.734	149.416	332.313	521.447
Total Current Assets	146.610	31.556	31.505	92.113	169.426	147.747	141.302	143.734	149.416	332.313	521.447
Fixed Assets											
Land	745.000	745.000	745.000	745.000	745.000	745.000	745.000	745.000	745.000	745.000	745.000
Building	1.602.000	1.521.900	1.441.800	1.361.700	1.281.600	1.201.500	1.121.400	1.041.300	961.200	881.100	801.000
Furniture	387.390	350.331	313.271	276.212	246.620	219.847	186.678	153.510	125.941	92.773	59.604
Intangible	69.000	46.000	23.000	-	-	-	-	-	-	-	-
Total Net Fixed Assets	2.803.390	2.663.231	2.523.071	2.382.912	2.273.220	2.166.347	2.053.078	1.939.810	1.832.141	1.718.873	1.605.604
TOTAL ASSETS	2.950.000	2.694.787	2.554.576	2.475.025	2.442.645	2.314.094	2.194.380	2.083.543	1.981.558	2.051.186	2.127.051
LIABILITIES											
Short-term Liabilities											
Treasury credit	-	-	-	-	-	-	-	-	-	-	-
Loan	162.500	162.500	162.500	162.500	162.500	162.500	162.500	162.500	-	-	-
Long-term Liabilities											
Loan	1.137.500	975.000	812.500	650.000	487.500	325.000	162.500	-	-	-	-
Other long-term liabilities	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	1.300.000	1.137.500	975.000	812.500	650.000	487.500	325.000	162.500	-	-	-
OWNER'S EQUITY											
Capital stock	1.650.000	1.650.000	1.650.000	1.650.000	1.650.000	1.650.000	1.650.000	1.650.000	1.650.000	1.650.000	1.650.000
Retained earnings	-	-	(92.713)	(70.424)	12.525	6.851	5.448	12.728	28.987	53.044	97.725
Period Profit	-	(92.713)	22.289	82.949	130.120	169.743	213.933	258.315	302.570	348.142	379.326
Total shareholder's equity	1.650.000	1.557.287	1.579.576	1.662.525	1.792.645	1.826.594	1.869.380	1.921.043	1.981.558	2.051.186	2.127.051
TOTAL L&E	2.950.000	2.694.787	2.554.576	2.475.025	2.442.645	2.314.094	2.194.380	2.083.543	1.981.558	2.051.186	2.127.051

Figure 3.o: Financial statements – Balance sheet realistic scenario.

Pessimistic scenario

Concept	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
ASSETS											
Current Assets											
Cash	146.610	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	138.265	344.082
Total Current Assets	146.610	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	138.265	344.082
Fixed Assets											
Land	745.000	745.000	745.000	745.000	745.000	745.000	745.000	745.000	745.000	745.000	745.000
Building	1.602.000	1.521.900	1.441.800	1.361.700	1.281.600	1.201.500	1.121.400	1.041.300	961.200	881.100	801.000
Furniture	387.390	350.331	313.271	276.212	246.620	219.847	186.678	153.510	125.941	92.773	59.604
Intangible	69.000	46.000	23.000	-	-	-	-	-	-	-	-
Total Net Fixed Assets	2.803.390	2.663.231	2.523.071	2.382.912	2.273.220	2.166.347	2.053.078	1.939.810	1.832.141	1.718.873	1.605.604
TOTAL ASSETS	2.950.000	2.678.231	2.538.071	2.397.912	2.288.220	2.181.347	2.068.078	1.954.810	1.847.141	1.857.137	1.949.686
LIABILITIES											
Short-term Liabilities											
Treasury credit	-	34.889	100.830	115.983	73.126	88.673	93.529	86.221	72.046	-	-
Loan	162.500	162.500	162.500	162.500	162.500	162.500	162.500	162.500	-	-	-
Long-term Liabilities											
Loan	1.137.500	975.000	812.500	650.000	487.500	325.000	162.500	-	-	-	-
Other long-term liabilities	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	1.300.000	1.172.389	1.075.830	928.483	723.126	576.173	418.529	248.721	72.046	-	-
OWNER'S EQUITY											
Capital stock	1.650.000	1.650.000	1.650.000	1.650.000	1.650.000	1.650.000	1.650.000	1.650.000	1.650.000	1.650.000	1.650.000
Retained earnings	-	-	(144.158)	(187.758)	(180.571)	(178.426)	(148.369)	(132.376)	(104.928)	(66.335)	(8.811)
Period Profit	-	(144.158)	(43.600)	7.187	95.665	133.600	147.918	188.464	230.024	273.473	308.497
Total shareholder's equity	1.650.000	1.505.842	1.462.242	1.469.429	1.565.094	1.605.174	1.649.549	1.706.088	1.775.096	1.857.137	1.949.686
TOTAL L&E	2.950.000	2.678.231	2.538.071	2.397.912	2.288.220	2.181.347	2.068.078	1.954.810	1.847.141	1.857.137	1.949.686

Figure 3.p: Financial statements – Balance sheet pessimistic scenario.

Optimistic scenario

Concept	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
ASSETS											
Current Assets											
Cash	146.610	83.001	131.311	217.588	345.312	334.325	339.208	353.631	372.000	568.307	771.606
Total Current Assets	146.610	83.001	131.311	217.588	345.312	334.325	339.208	353.631	372.000	568.307	771.606
Fixed Assets											
Land	745.000	745.000	745.000	745.000	745.000	745.000	745.000	745.000	745.000	745.000	745.000
Building	1.602.000	1.521.900	1.441.800	1.361.700	1.281.600	1.201.500	1.121.400	1.041.300	961.200	881.100	801.000
Furniture	387.390	350.331	313.271	276.212	246.620	219.847	186.678	153.510	125.941	92.773	59.604
Intangible	69.000	46.000	23.000	-	-	-	-	-	-	-	-
Total Net Fixed Assets	2.803.390	2.663.231	2.523.071	2.382.912	2.273.220	2.166.347	2.053.078	1.939.810	1.832.141	1.718.873	1.605.604
TOTAL ASSETS	2.950.000	2.746.232	2.654.383	2.600.500	2.618.532	2.500.672	2.392.286	2.293.441	2.204.141	2.287.179	2.377.210
LIABILITIES											
Short-term Liabilities											
Treasury credit	-	-	-	-	-	-	-	-	-	-	-
Loan	162.500	162.500	162.500	162.500	162.500	162.500	162.500	162.500	-	-	-
Long-term Liabilities											
Loan	1.137.500	975.000	812.500	650.000	487.500	325.000	162.500	-	-	-	-
Other long-term liabilities	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	1.300.000	1.137.500	975.000	812.500	650.000	487.500	325.000	162.500	-	-	-
OWNER'S EQUITY											
Capital stock	1.650.000	1.650.000	1.650.000	1.650.000	1.650.000	1.650.000	1.650.000	1.650.000	1.650.000	1.650.000	1.650.000
Retained earnings	-	-	(41.268)	29.383	138.000	139.972	146.715	162.666	188.142	221.988	277.055
Period Profit	-	(41.268)	70.651	108.618	180.532	223.200	270.571	318.275	365.999	415.192	450.156
Total shareholder's equity	1.650.000	1.608.732	1.679.383	1.788.000	1.968.532	2.013.172	2.067.286	2.130.941	2.204.141	2.287.179	2.377.210
TOTAL L&E	2.950.000	2.746.232	2.654.383	2.600.500	2.618.532	2.500.672	2.392.286	2.293.441	2.204.141	2.287.179	2.377.210

Figure 3.q: Financial statements – Balance sheet optimistic scenario.

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Pro forma cash flow statement

Realistic scenario

Concept	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Sales	-	607.462	703.371	757.778	818.363	863.248	910.157	961.143	1.012.344	1.065.820	1.123.688
Cost of Sales	-	-207.000	-215.763	-223.052	-230.670	-237.734	-245.039	-252.594	-260.408	-268.493	-276.859
Administrative expenses	-	-107.616	-110.489	-113.439	-116.468	-119.578	-122.771	-126.049	-129.414	-132.870	-136.417
Marketing	-	-50.400	-44.045	-46.688	-49.489	-50.974	-52.503	-54.078	-55.700	-57.371	-59.092
Other incomes	-	-	-	-	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-	-	-	-	-
Taxation (29.5%)	-	-	-	-5.241	-54.447	-71.027	-89.518	-108.089	-126.607	-145.676	-158.725
Operating cash flow	-745.000	242.446	333.074	369.358	367.288	383.935	400.326	420.334	440.214	461.410	492.595
Building	-1.602.000	-	-	-	-	-	-	-	-	-	-
Furniture	-387.390	-	-	-	-	-	-	-	-	-	-
Pre-operational Expenses	-111.600	-	-	-	-	-	-	-	-	-	-
Working Capital	-88.254	-	-	-	-	-	-	-	-	-	-
Replacement of assets	-	-	-	-	-5.600	-9.820	-	-	-5.600	-	-
Investing CashFlow	-2.934.244	0	0	0	-5.600	-9.820	0	0	-5.600	0	0
Net change in debt variation	-	-162.500	-162.500	-162.500	-162.500	-162.500	-162.500	-162.500	-162.500	-	-
Interest paid	-	-195.000	-170.625	-146.250	-121.875	-97.500	-73.125	-48.750	-24.375	-	-
Payment of dividends	-	-	-	-	-	-135.794	-171.146	-206.652	-242.056	-278.513	-303.461
Raised funds (equity)	-	-	-	-	-	-	-	-	-	-	-
Net Change in Cash	-115.054	-51	60.608	77.313	-21.679	-6.445	2.432	5.683	182.897	189.134	189.134
Cash at beginning of year	146.610	31.556	31.505	92.113	169.426	147.747	141.302	143.734	149.416	332.313	332.313
Cash at end of year	31.556	31.505	92.113	169.426	147.747	141.302	143.734	149.416	332.313	521.447	521.447

Figure 3.r: Financial statements – Cash flow statement realistic scenario.

Pessimistic scenario

Concept	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Sales		553.916	640.234	689.200	743.919	784.316	826.533	872.619	918.699	966.828	1.019.112
Cost of Sales		-204.899	-213.282	-220.352	-227.732	-234.627	-241.753	-249.119	-256.733	-264.607	-272.749
Administrative expenses		-107.616	-110.489	-113.439	-116.468	-119.578	-122.771	-126.049	-129.414	-132.870	-136.417
Marketing		-50.400	-44.045	-46.688	-49.489	-50.974	-52.503	-54.078	-55.700	-57.371	-59.092
Other incomes		-	-	-	-	-	-	-	-	-	-
Other expenses		-	-	-	-	-	-	-	-	-	-
Taxation (29.5%)		-	-	-	-	-20.375	-61.895	-78.861	-96.251	-114.432	-129.087
Investing Cash Flow	-2.934.244	0	0	0	-5.600	-9.820	0	0	-5.600	0	0
Land	-745.000	-	-	-	-	-	-	-	-	-	-
Building	-1.602.000	-	-	-	-	-	-	-	-	-	-
Furniture	-387.390	-	-	-	-	-	-	-	-	-	-
Pre-operational Expenses	-111.600	-	-	-	-	-	-	-	-	-	-
Working Capital	-88.254	-	-	-	-	-	-	-	-	-	-
Replacement of assets	-	-	-	-	-5.600	-9.820	-	-	-5.600	-	-
Net change in debt variation		-127.611	-96.559	-147.347	-205.357	-146.953	-157.644	-169.808	-176.676	-72.046	-
Interest paid		-195.000	-175.858	-161.374	-139.272	-108.469	-86.426	-62.779	-37.308	-10.807	-
Payment of dividends		-	-	-	-	-93.520	-103.542	-131.925	-161.017	-191.431	-215.948
Raised funds (equity)		-	-	-	-	-	-	-	-	-	-
Net Change in Cash		-131.610	-	-	-	-	-	-	-	123.265	205.818
Cash at beginning of year		146.610	15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	138.265
Cash at end of year		15.000	15.000	15.000	15.000	15.000	15.000	15.000	15.000	138.265	344.082

Figure 3.s: Financial statements – Cash flow statement pessimistic scenario.

Optimistic scenario

Concept	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Sales		661.008	766.508	826.355	892.807	942.181	993.780	1.049.668	1.105.989	1.164.813	1.228.265
Cost of Sales		-209.101	-218.243	-225.752	-233.609	-240.842	-248.325	-256.069	-264.083	-272.379	-280.968
Administrative expenses		-107.616	-110.489	-113.439	-116.468	-119.578	-122.771	-126.049	-129.414	-132.870	-136.417
Marketing		-50.400	-44.045	-46.688	-49.489	-50.974	-52.503	-54.078	-55.700	-57.371	-59.092
Other incomes		-	-	-	-	-	-	-	-	-	-
Other expenses		-	-	-	-	-	-	-	-	-	-
Taxation (29.5%)		-	-12.295	-45.450	-75.542	-93.396	-113.218	-133.179	-153.149	-173.733	-188.363
Operating cash flow	293.891	381.435	395.027	417.699	437.392	456.964	480.294	503.643	528.460	563.424	
Land	-745.000	-	-	-	-	-	-	-	-	-	-
Building	-1.602.000	-	-	-	-	-	-	-	-	-	-
Furniture	-387.390	-	-	-	-	-	-	-	-	-	-
Pre-operational Expenses	-111.600	-	-	-	-	-	-	-	-	-	-
Working Capital	-88.254	-	-	-	-	-	-	-	-	-	-
Replacement of assets	-	-	-	-	-5.600	-9.820	-	-	-5.600	-	-
Investing CashFlow	-2.934.244	0	0	0	-5.600	-9.820	0	0	-5.600	0	0
Net change in debt variation		-162.500	-162.500	-162.500	-162.500	-162.500	-162.500	-162.500	-162.500	-	-
Interest paid		-195.000	-170.625	-146.250	-121.875	-97.500	-73.125	-48.750	-24.375	-	-
Payment of dividends		-	-	-	-	-178.560	-216.457	-254.620	-292.799	-332.153	-360.125
Raised funds (equity)		-	-	-	-	-	-	-	-	-	-
Financing cashflow		-63.609	48.310	86.277	127.724	-10.987	4.883	14.424	18.368	196.307	203.300
Net Change in Cash		146.610	83.001	131.311	217.588	345.312	334.325	339.208	353.631	372.000	568.307
Cash at beginning of year		146.610	83.001	131.311	217.588	345.312	334.325	339.208	353.631	372.000	568.307
Cash at end of year		83.001	131.311	217.588	345.312	334.325	339.208	353.631	372.000	568.307	771.606

Figure 3.t: Financial statements – Cash flow statement optimistic scenario.

Ratio analysis

Profitability ratios

The first ratio we will measure is the Net Profit Margin; this ratio shows us the percentage of sales made up by net income. In our case, the ratio started with a negative value in the three scenarios but for second year we get a positive ratio; except for Pessimistic scenario that achieve positive value until third year. This ratio continues growing in the following years thanks to the increase in sales.

Net profit margin										
Scenario	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Realistic	-15,3%	3,2%	10,9%	15,9%	19,7%	23,5%	26,9%	29,9%	32,7%	33,8%
Pessimistic	-26,0%	-6,8%	1,0%	12,9%	17,0%	17,9%	21,6%	25,0%	28,3%	30,3%
Optimistic	-6,2%	9,2%	13,1%	20,2%	23,7%	27,2%	30,3%	33,1%	35,6%	36,6%

Figure 3.u: Financial statements – Net profit margin ratio.

ROA ratio measures the net income produced by total assets that the company owns; to calculate it, the total assets we used is the average between the beginning and ending assets, without consider the current year profit or loss. It shows that the hotel uses effectively their assets. In our case, the ratios increase year after year, starting from a negative ratio in 2020.

Return of assets ROA										
Scenario	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Realistic	-3,3%	0,8%	3,3%	5,3%	7,1%	9,5%	12,1%	14,9%	17,3%	18,2%
Pessimistic	-5,1%	-1,7%	0,3%	4,1%	6,0%	7,0%	9,4%	12,1%	14,8%	16,2%
Optimistic	-1,4%	2,6%	4,1%	6,9%	8,7%	11,1%	13,6%	16,3%	18,5%	19,3%

Figure 3.v: Financial statements – Return of assets ratio.

ROE ratio measures how efficiently the company uses the money from shareholders to generate profits. The shareholders equity used of its calculation is the average between the beginning and ending equity value. This ratio has an incremental trend what is a good sign for investors.

Return on equity ROE										
Scenario	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Realistic	-5,8%	1,4%	5,1%	7,5%	9,4%	11,6%	13,6%	15,5%	17,3%	18,2%
Pessimistic	-9,1%	-2,9%	0,5%	6,3%	8,4%	9,1%	11,2%	13,2%	15,1%	16,2%
Optimistic	-2,5%	4,3%	6,3%	9,6%	11,2%	13,3%	15,2%	16,9%	18,5%	19,3%

Figure 3.w: Financial statements – Return on equity ratio.

Liquidity ratios

To measure the liquidity of the company, we only use the current ratio; since, we cannot use the quick ratio because we do not have inventory. Current ratio indicates a company's ability to meet short-term debt obligations with its current assets. The higher ratio is, better is the company's liquidity position.

For our case we can see how the liquidity of the company is improving even in the negative scenario; although this has more fluctuations. It is important to mention that, as mentioned in the assumptions part, it is considered that both the suppliers and the client's payments are effective in the same period so that once the short-term financial debts are totally canceled, they are not more current liabilities.

Scenario	Current ratio									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Realistic	0,19	0,19	0,57	1,04	0,91	0,87	0,88	-	-	-
Pessimistic	0,09	0,08	0,06	0,05	0,06	0,06	0,06	0,17	1,92	-
Optimistic	0,51	0,81	1,34	2,12	2,06	2,09	2,18	-	-	-

Figure 3.x: Financial statements – Current ratio.

Overall financial stability ratios

The debt ratio represents the proportion of a company's assets that are financed by debt. Thanks to the constant payment of debt in all scenarios, the company has less financing of its assets; until the debt is totally paid, which means that the ratio has no value for the last's years. In the realistic scenario, the ratio decrees at a higher speed thanks to the greater income of cash.

Scenario	Debt									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Realistic	0,42	0,38	0,33	0,27	0,21	0,15	0,08	0,00	0,00	0,00
Pessimistic	0,44	0,42	0,39	0,32	0,26	0,20	0,13	0,04	0,00	0,00
Optimistic	0,41	0,37	0,31	0,25	0,19	0,14	0,07	0,00	0,00	0,00

Figure 3.y: Financial statements – Debt ratio.

The debt to equity ratio evaluates the company's financial leverage; compares a company's total liabilities to its shareholder equity. Investors uses this ratio to evaluate how much leverage a company is using. Higher leverage ratios indicate that more creditor financing (bank loans) is used than investor financing (shareholders); that means higher risk to shareholders.

The highest point of indebtedness occurs at the beginning of the project, since year 1 the debt begins to fall, which makes the indicator decrease. This process occurs with less speed in the pessimistic scenario.

Scenario	Debt Equity									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Realistic	0,73	0,62	0,49	0,36	0,27	0,17	0,08	0,00	0,00	0,00
Pessimistic	0,78	0,74	0,63	0,46	0,36	0,25	0,15	0,04	0,00	0,00
Optimistic	0,71	0,58	0,45	0,33	0,24	0,16	0,08	0,00	0,00	0,00

Figure 3.z: Financial statements – Debt equity ratio.

Operational ratios

The occupancy rate at a hotel is the number of available rooms that are occupied to the total amount of available rooms over a period. In our case the total available rooms for the year is 7.300. According to the growth in sales estimated year by year, the level of employment will increase. In the realistic scenario, the current industry average is reached (61%) in 5 years.

Scenario	Occupancy rate									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Realistic	46%	53%	57%	60%	62%	64%	66%	68%	70%	72%
Pessimistic	42%	48%	51%	54%	56%	57%	59%	61%	63%	64%
Optimistic	51%	59%	62%	66%	68%	70%	72%	74%	76%	79%

Figure 3.aa: Financial statements – Occupancy rate ratio.

Break-even analysis

Break-even = Total fixed costs/ (price - average variable costs)

Variable costs = The cost assumed for each night at the hotel. It varies, each year as it was explained in the income statement assumptions part.

The fixed cost includes all the cost that remains stable no matter the sales. The only value that is not included in the calculation is the interest value. With this information the Break- even for each year is the following:

Concept	Break-Even Point									
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Price	158	162	166	170	175	180	185	190	195	200
Variable Cost	6,2	6,4	6,5	6,7	6,9	7,1	7,3	7,5	7,7	7,9
Fixed cost	484.163	485.647	496.339	482.537	493.905	500.721	511.240	522.044	533.142	544.542
Number of nights	3.189	3.120	3.113	2.955	2.938	2.896	2.876	2.860	2.846	2.834
Estimated sales	3.389	3.897	4.131	4.379	4.510	4.646	4.785	4.929	5.077	5.229

Figure 3.ab: Financial statements – Break-even point.

As can be see, the first year is the only one in which the break-even point is not reached. After that the break-even decreases year by year thanks to the increase in the unit contribution margin. As a result, we will achieve the break-even in 2021; when number of products sold is higher than the break-even point.

Profitability analysis

To evaluate the project's profitability, we will use the evaluation method; Net Present Value (NPV). This method values all future cash flows (positive and negative) over an investment's entire life discounted to the present.

For this calculation, we have that the value of the investment will be 2.934.244 PEN, the discount rate will be of 10.25% which is the return that the investors could be earned in

alternative investments. The calculation of each of the discounted flows can be found Appendix F.

In addition to the previous method we will also use the Internal rate of return (IRR). this is a metric that estimates the profitability of the project. If the value obtained in this calculation is greater than the opportunity rate (discount rate used for calculating the NPV) then the project is more profitable than the other options of the investors.

Profitability analysis			
Concept	Realistic	Pessimistic	Optimistic
Discount rate	10,25%	10,25%	10,25%
NPV	331.808	-355.355	1.011.363
IRR	11,5%	8,8%	13,8%

Figure 3.ac: Financial statements – Profitability analysis.

Both in the realistic scenario and in the optimistic one we have NPV positives; which indicate that the Project would be more profitable for shareholders than its other investment options. Which is corroborated by the IRR which is 11.5% and 13.8% respectively. However, in the pessimistic scenario we have an NPV and an IRR that are not favorable for the project. We consider that with the additional values not included in the evaluation of the project as they are; leasing of multipurpose rooms, revaluation of the land and commission in outsourced services could compensate this value.

DEVELOPMENT OUTLOOKS & EXIT STRATEGY

National expansion

The first option for the business development is the creation of new eco-hotel with the same characteristic; As mentioned in the previous modules, the idea is to export the model that use recycle products and material from the area for the construction, the eco-friendly and self-sustained operations, highlights the Peruvian culture and the practice of sports that take advantage of the natural spaces of the region. It is sought with the experience and the characteristics of the area, to implement more and more environmental solutions. We will expand first on the coast, taking advantage of the experience near the sea, to then move to the mountains and then to the jungle of Peru.

For this purpose, the surplus cash generated by the operation can be used, which, according to our projections, is mostly paid as dividends to the shareholders. If an ideal location is found for the new project, the payment of dividends could be reduced in order to establish a new project. It is also considered the possibility of associating with owners of other lands in order to decrease the cash needs for these projects.

International expansion

120 In the long term, it is also evaluated to export the model to other countries in the region; adjusting the model to highlight the culture of the countries in which the new eco-hotels are established. This situation would allow us at the same time to offer tourist packages that include several countries or regions under our same model of service.

Similarly, physical presence in another country would be another channel to publicize the hotels that the company has in Peru.

Exit strategy

In the long-term, if we wanted to sell TINTAYA Spirit, we could sell it to another hotel chain or other interested investor of the sector. The value of the company would be the filter that would reduce potential buyers; however, investors with more capital could be interesting in acquiring an already established business with a clear differentiation.

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