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## **Innovative Business Plan**

HERDADE DAS LARANJEIRAS - RURAL TOURISM IN ALGARVE

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Project submitted as a partial requirement to obtain a Master's degree in Management

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This is only the beginning.

## Abstract

The main objective of this project is to develop and explore the potential of introducing rural tourism to the Herdade das Laranjeiras, trying to elevate the sense individuals have regarding rural tourism and take away the old image they associate with it. Being in the heart of Algarve, Almancil has already gained a great reputation for foreign visitors and of course domestic visitors as well.

This business plan hopes to explain the importance of rural tourism and the benefits it can bring to the local economy and its visitors, trying to set the idea that the Algarve is more than just beach resorts. This enterprise hopes to develop new touristic opportunities for this region, not only through accommodation but also by giving away new concepts and activities related to local culture.

To gain knowledge of the surrounding market, many studies were conducted throughout the development of this business plan along with the data collection and extensive research for the literature review. A market analysis, competitive analysis, strategy analysis, the creation of a marketing mix, and a survey, as well as an economic and financial study, were made.

On the final steps of this business plan, with a general analysis of all studies made plus the results of the economic and financial assessment, it is safe to say that the implementation of rural tourism on Herdede das Laranjeiras is viable and has the potential to be a successful enterprise, in the future.

**Keywords:** Rural tourism, Countryside, Algarve, Business plan, Seasonality.

## Resumo

O principal objetivo deste projeto de trabalho é desenvolver e explorar a viabilidade de introduzir o conceito de turismo rural à Herdade das Laranjeiras, tentando sempre inculcar aos seus visitantes que o turismo rural é mais do que aquilo que muitos têm como estereótipo deste tipo de turismo. Localizada no centro do Algarve, Almancil é uma localidade que tem vindo a ganhar uma distinta reputação e reconhecimento no que toca ao turismo, sendo um destino muito procurado tanto por visitantes estrangeiros como nacionais.

O presente plano de negócios, tenta explicar a importância do turismo rural e os benefícios que este pode trazer, não só para a economia local, mas também para os seus visitantes, tentando retirar a presente ideia de que o Algarve é apenas praia e resorts. A Herdade das Laranjeiras, vem assim por este meio tentar desenvolver novas oportunidades turísticas na região, também ligadas à cultura.

Para compreender o mercado em que este projeto se insere, vários estudos foram elaborados também como recolha de dados e uma vasta pesquisa que acompanha a revisão literária. No que toca aos estudos, o foco foram análises de mercado, do competidor, estratégias, a criação de um marketing mix e de um questionário assim como a análise económico-financeira deste projeto.

Depois de toda a informação recolhida e dos vários estudos elaborados, os resultados finais da avaliação económico-financeira mostra que a implementação de turismo rural na Herdade das Laranjeiras e todo o processo de restauração é viável e tem potencial para o seu futuro.

**Palavras-chave:** Turismo Rural, Casa de campo, Algarve, Plano de Negócios, Sazonalidade.

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## Introduction

The main idea that originated this business plan, was the dream of recovering a family-owned property that has much potential being wasted. Located in an amazing location, between the countryside and the beach, Herdade das Laranjeiras can be a destination many visitors would be delighted to spend time on and experience this magnificent countryside. The goal of this project is to understand if introducing rural tourism, to this property, would be a fit and viable idea.

As it is known, Algarve is a seasonal destination, due to what visitors come here for, the hotter months are the ones that thrive in the touristic aspect. This is an issue for the rest of the year as a great portion of national working-class individuals take advantage of tourism and their main source of income is from businesses associated with it. Trying to beat seasonality and bring tourists to Algarve all year round would be something that would not only benefit locals but also Portugal itself. That is why focusing on other types of touristic experiences should be a great concern.

Portugal has received some magnificent awards due to its fantastic coast that retains the most wonderful beaches, is considered one the best destinations in the world. But besides the beach and the climate, Portugal is home to the great countryside, filled with nature and culture.

The Algarve is known for its amazing coast that has the most incredible beaches, and it is internationally known as a “Sun & Beach” destination (Rodrigues *et al.*, 2017). Throughout the years the coast has been taken over by hotel chains, as visitors from all around the world come here to enjoy resort holidays near the beach. Tourism is a great source of income for this part of the country and Portugal all around.

The south side of Portugal has a lot to offer besides the typical beach holiday, there is a great vast countryside area that could use some interest as throughout the years it has become less searched by individuals. Trying to make it more appealing and connecting it with local culture could be an interesting start to a great investment. The local culture consists of an important variable to improve satisfaction and to create experiences for the Algarve visitors (Rodrigues *et al.*, 2017). With this, there should be a greater incentive for visitors to come to enjoy this part of the country any time of the year.

Rural development is very connected to small tourism entrepreneurs and in fact, they contribute to the revitalization of the social and economic life of these local communities, which lead to improving the environment and the landscape through a higher level of general business activity (Bosworth & Atterton, 2012 *in* Dinis., *et al* 2019).

Beyond the individual contribution that these small tourism entrepreneurs and especially local hosts give off, they offer job opportunities and stimulate other sectors of the local economy and with this, they are bettering the attractiveness of their local areas. Rural tourism depends tremendously on hosting with various forms of accommodations, namely: country houses, agrotourism, village tourism, and rural hotels (Dinis., *et al* 2019).



## Literature Review

### Tourism in Portugal

Tourism is an impactful social and economic phenomenon that tends to follow a pattern of evolution, which is important to understand (Serra *et al.*, 2013). In the world's economy, tourism is one of the most significant and dynamic industries and it has a considerable multiplier effect on economic activity. (Shih & Do, 2016).

Right before the recent Covid-19 pandemic, tourism had one of the fastest-growing rates in the market (Ugur & Akbiyik, 2020). This pandemic outbreak had a much larger destructive impact on the travel and tourism industry than previous studies indicated. Tourism managers from now on will have to assess the effects of the pandemic very carefully, on business development and on new risk management methods to deal with this enormous crisis (Skare, Soriano, and Porada-Rachón, 2020).

These recent events created a very pessimistic scenario for all industries, but especially for the tourism industry due to very low or even no mobility for individuals to travel. Tourism is an industry based on provision, short or long-time plans, and sometimes on dreams. This shows the vulnerability of this sector to adverse events and how an incident like this pandemic, can destroy intangible assets in the long run (Ugur & Akbiyik, 2020).

The development of tourism can have multiple effects regarding infrastructures such as accommodation, retailing, transportation services, and many others (Williams & Lew, 2015).

Here tourism is viewed as a strategic sector for economic development because of its capacity for wealth-generation, contribution to GDP, the balance of payments, job creation, and consequently to the country's competitiveness. Over the last decade, tourism has been an important economic activity in Portugal and is even considered the country's largest exporting economic activity. It generates the development process of many regions, without which a better quality of life for their population wouldn't have been possible (Bailoa & Cravo, 2020).

Tourism demand points to the consumers' willingness to buy various amounts of a touristic product at different prices during a certain period. Regarding tourism demand, there are two main factors to distinguish from, firstly the demand of traveling to a destination (e.g. Visitor arrival numbers or expenditure) and the demand for specific tourism-related products or services (e.g. restaurant meals, sunglasses) (Dwyer, Forsyth, & Dwyer, 2010).

Portugal is mostly seen as a summer destination, making its tourism highly focused in coastal areas, strongly dependent on sun and beach tourism. In Portugal massified cultural tourism is still quite recent and is more usual in large cities like Lisbon and Porto (Remoaldo *et al.*, 2018).

### **Tourism in Algarve**

Algarve has a lot to offer and is a great location to enjoy "time off", located along the southern coast of Portugal, it is one of the most popular touristic destinations in Europe, regarding golf, sun, and sand destinations (Correia & Kozak, 2012). It is known that this destination is a lot more successful in terms of tourism during the hotter months, as one can enjoy the climate and appreciate the shore even more. Countries from Northern and Central Europe have the Algarve as one of their main destination choices (Oliveira, Pedro, & Marques, 2013a).

Portugal sprung as an international tourist destination in the 20<sup>th</sup> century, in the 60s when Europeans discovered the white sand beaches and the sensational cliffs of Algarve's shoreline. This part of the country is quite centralized on attracting foreign tourists, as there is a diverse selection when it comes to accommodation offers. Starting with the simplest hostels to the luxurious resorts, throughout the years Algarve has greatly evolved in this matter, with the help of destination and hotel managers (Lopes, Soares, & Silva, 2017).

Having more than 40% of the golf courses in the country, Algarve has high international rankings that contribute to the area's attraction as a touristic location, for both the domestic and foreign market. This region attained a competitive advantage from nature resource-based products of 'sun and beach' and other factors such as golf (Oliveira, Pedro, & Marques, 2013a). These unique aspects have given the Algarve a competitive advantage when it comes to the conditions available for golfers. This different type of tourism has been benefiting the region as it is the main touristic product to help with seasonality (Pereira, Correia, & Schutz, 2015).

Seasonality is always a concern when it comes to this region. Trying to solve this problem has been a battle for many years, as this part of the country suffers tremendously. Mediterranean countries are the most affected by seasonality, where this occurrence is the highest and is still growing. Various factors can contribute to seasonality, but a country's location may be the biggest focusing point. The higher the latitude, the greater the seasonality, and the greater the growth. Many authors consider that this phenomenon has various negative impacts on the economy, employment, the environment, and society and is overall understood as a problem for most of the main destinations of the world. The negative effects of seasonal variations can affect destination choice, destination image, and tourist spending (Duro & Turrión-Prats, 2019).

There are new trends regarding Algarve's tourism, the "sun & beach" destination will always be the focus of this region, but nowadays visitors are giving light to segments linked with unique and local aspects, such as the landscape, gastronomy, the rural-urban heritage. Local culture is playing a big role and is now an important variable to take into consideration to create experiences for the Algarve visitors (Rodrigues *et al.*, 2017).

Culture is now viewed as a regional competitiveness factor since its resources are keys drivers of attractiveness. It can be found as much in heritage and traditions as in contemporary arts, languages, cuisines, music, handicrafts, museums, and literature. Culture is a focusing point on tourism as it can automatically make destinations differ from one another. With the help of fairs, festivals, fairs, and many other local activities, destinations are enhancing their uniqueness when it comes to touristic experiences (Guerreiro *et al.*, 2019).

## **Rural Tourism**

Rural tourism is tourism practiced in the countryside, embracing the rural environment as the main product offered. This type of tourism is considered a development tool of rural regions, as it has the potential to integrate diverse activities and resources available in them (Loureiro & Kastenholtz, 2011). These developments are thought to appeal to a post-modern market, that is looking for "unique" experiences. The rural tourism experience depends on a large number and diversity of resources, attractions, services, and environments offered by a destination, these weren't all designed for touristic use, but they end up having a great impact on the experience and are what tourists value the most (Kastenholtz *et al.*, 2012).

Rural tourism is focused on activities related to Nature and natural resources, provided by specialized companies and different types of accommodation (Dinis *et al.*, 2019). Individuals seem to have a hard time defining the 'rural' concept as there are quite a few different terms one can use for similar touristic pursuits and activities, in a rural scenario (e.g., agro-tourism, farm-based holidays, wine tourism, eco-tourism, green tourism, and so forth) (Pato & Kastenholz, 2017).

The main contributors to the development of rural tourism and rural locations overall are, tourism entrepreneurs, particularly local hosts that besides their contribution, offer job opportunities, stimulate other sectors of the local economy, and improve the attractiveness of their region. Hosting has such an important role in rural tourism that this type of touristic product is defined in Portugal by the typology of accommodations, namely: country houses, agro-tourism, village tourism, and rural hotels (Dinis *et al.*, 2019).

Promoting different activities with what these locations have to offer and making tourists have active participation in, should be a big concept to focus on. These activities could be for example guided tours through the agricultural fields while explaining what goes on beyond what visitors can see and even incentive them to participate in harvesting or other activities such as co-creative workshops on a typical handicraft that could influence visitors to experiment and even help the production process (Eusébio *et al.*, 2017).

There is a need to broaden these rural touristic experiences creating more complex and appealing rural touristic products, to exceed the accommodation offer (Loureiro & Kastenholz, 2011).

Allowing participating in wine and food tasting activities, in cooking classes of rural/typical food, letting them harvest and visit the olive oil mills are adequate ways of promoting and attracting visitors in the Portuguese countryside. Also, activities that can both integrate children and older visitors are a great strategy to attract families to these destinations (Eusébio *et al.*, 2017).

### **Consumer behavior in the sector**

With times changing the tourists' attitudes and demands are inevitably changing as well. Tourists have been searching for destinations offering experiences that make them develop their skills and potential, while also take an active part in the culture of the location.

Consumers nowadays are so knowledgeable about what they are looking for as touristic product, that they often know more than the ones who are supplying these experiences. These types of travelers are no longer acquiring the traditional packaged excursion, instead, they shape their own experiences, based on what they want to see and when they want to see it (Richards, 2010b).

As the years go by many studies in this area arise, from countries all over the world, trying to understand how the consumer thinks and acts, when choosing a destination. Tourism in the countryside is one of the motives for these studies, capturing their interest to visit a certain location. These studies are showing that this phenomenon has been gaining great interest worldwide, there are common patterns in demand, while also showing heterogeneity, both within the studied populations and the geographically and culturally diverse destination contexts (Remoaldo *et al.*, 2020).

Trying to identify the wants, needs, motivations, and travel behavior of the ones who seek these rural areas as holiday destinations is crucial to promote tourism in Portugal and any other country. The domestic market is nowadays the most important segment of the lodging units. Portuguese population who consumes the countryside, usually still possess connections with rural areas, as the urbanization of the country is relatively recent. From empirical evidence, one can identify that besides the diverse motivations that are attracting interest from visitors to the countryside, tourists' profiles, behaviors, consumption patterns, and experiences are also diverse (Eusébio *et al.*, 2017).

With COVID-19 came a new type of crisis for tourism, where travelers from day one started to face a new reality. Their decision-making regarding traveling automatically changed due to having to delay or even cancel their trips with the speed of the news, and immediately started to discuss travel assurance issues with companies. People, in general, are now aware of the situation and have developed fear, anxiety, and insecurity and are getting used to the idea of staying still and near their living location (Ugur & Akbiyik, 2020).

This pandemic and everything involving it, is only a temporary situation and with time we can expect that the "normal" out-of-home activities and travel demand will rise again when restrictions are lifted, but no one knows how long these measures will last for and if there will be subsequent epidemic waves. Also, when these restrictions are lifted, people might still fear social contact which can affect activity participation and travel demand (Vos, 2020).

Now more than ever, it is essential to understand tourists' "travel fear", especially for policymakers and providers, so post-pandemic tourism boosts and recovers. Effective communication will be crucial, so travelers feel safe, and measures should be easily learned and adopted by tourists, to increase the individual's perception of the effectiveness of COVID-19 spread prevention (Zheng et al., 2021).

## Business Strategy

The goal of strategy formulation is to be able to cope with competition and the level of competition within an industry depends on five basic forces. With all forces joined, the ultimate profit potential is determined (Porter, 1979). Porter's five forces are: 1) The threat of new entrants; 2) The Bargaining power of suppliers; 3) Threat of substitute products or services; 4) The Bargaining power of customers and 5) The industry, competitive rivalry.

To generate interest and captivate clients in a sustainable and long-lasting way, every business needs to have a strong corporate strategy. A powerful, well-thought strategy will ensure that the business is attracting maximum attention and situating the company to the right clients, helping the enterprise to gain a competitive advantage in such a competitive global market (Foroudi, 2020).

After understanding what forces affect the competition within the industry, and what causes them, the corporate strategist can settle the business's strengths and weaknesses. Establishing this, the strategist can commence a plan of action that includes: i) positioning the company so that its capabilities provide the best defense against the competitive force; ii) influencing the balance of the forces through strategic moves, thereby improving the company's position; iii) anticipating shifts in the factors underlying the forces and responding to them (Porter, 1979).

To Michael Porter, the fundamentals an enterprise must follow to attain a strong sustainable position in its environment, are known as generic strategies. These strategies will allow a business to gain competitive advantage, they are: i) cost leadership strategy, ii) differentiation strategy and iii) focus strategy (Tanwar, 2013).

In Porter's framework, a business must choose whether to work in a broad or narrow market segment and whether to seek advantage through low costs or perceived uniqueness. When one chooses broad markets and low costs, they are identified as "cost leaders" and the ones who seek "uniqueness" are seen as "differentiators". The same may happen for narrow markets, with either low costs or uniqueness, but in this case, they follow focus strategies. For the author, companies that do not have

a viable business strategy are labeled as “stuck in the middle”, this can happen due to two reasons, either they fail to pursue any successful generic strategy, or they are trying to follow more than one generic strategy at the same time (Kim, et al., 2004).

## Tourism strategy

For over a century, planning has been included when thinking about traveling. In the 50s, mass tourism in various European countries began. People were being allowed to have leisure time, therefore tourism started spreading, and with it tourism planning, starting with preparing touristic attractions and by building facilities for it. Entering the 70s, more communicative approaches started to arise, as a form of knowledge until nowadays. Overall, one can understand that tourism planning became a focusing process and has constantly grown together with the tourism industry's evolution (Rahmafritria et al., 2020).

Creating a strong customer relationship and corporate promise is directly linked with corporate personality and strategy. Achieving these two in the hospitality industry can have a positive impact on hotel performance and retail preference (Foroudi, 2020).

In today's era, social media plays a focal role when it comes to tourism and finding the perfect holiday destination. It has become a way that visitors can interact with each other, giving away their opinions and reviewing their experiences during their stays. Developing information and communication is crucial to growing the engagement between a destination and its visitors. Giving high focus on social media has been proven to work effectively and to be an outstanding strategy (Kiráľová & Pavlíčka, 2015).

When thinking about tourism, one cannot forget about the network of stakeholder relationships, the strategic decision to expand a business, the impact of governance, and the sustainable development of these systems regarding innovation and research. As discussed previously, the Algarve is a well-known destination for its magnificent coastal region. For tourism connected to this type of touristic product, always mainly focused on “sea, sun, sand” activities, it is crucial to rethink its development strategies, to allow a more counterbalanced use of these areas, making coastal tourism more qualified, diversified, and sustainable (Brandão et al., 2019).

Having to adjust to the new reality, that is living through an epidemic scenario, countries must readjust all economic sectors including tourism. Although the world has been facing this crisis for over a year,

many countries have yet to conduct strategies and rehabilitation plans for their tourism sectors and are instead implementing short-term local solutions to contend with the current crisis. Perhaps a global and broad set of maneuvers and a shared vision, that could be achieved in various ways, would be more suitable for the current time, for countries to implement (Kreiner & Ram, 2020).



## Methodology

### Research objectives and used methods

To evaluate the viability of this business plan, some analyses are needed. These will be focusing on strategy, the competitors, the environmental context, and the stakeholders. The frameworks utilized were the PESTEL, Porter's Five Forces and Generic strategies, the Stakeholders analysis, and lastly the SWOT analysis. These will be filled with relevant information that can be used to monitor impactable factors on the project's performance, as the goal is to implement a new business. The frameworks will also give away imperative knowledge on the internal and external factors of the project to reduce the chances of failure and understand what extra steps could be implemented to have the best strategy possible.

Besides a qualitative analysis, a quantitative approach will also be taking place. For this, a survey was created and presented to the participants on social media. The purpose of it is to make well-thought decisions, that improve the ideas and actions to take further on, regarding the implementation of rural tourism on Herdade das Laranjeiras.

### Quantitative approach: The Survey

The importance of creating this analysis tool was to understand if the implementation of this project would be considered attractive to the public and to get a grip of the population's views and opinions on the given proposition of this business plan, rural tourism in Herdade das Laranjeiras. This method was the chosen one, due to many beneficial aspects for this project, such as quick responses, considerably easy management, general accessibility, convenience, and because it is economically friendly.

This Survey was created on Google forms, an easy and intuitive process. It is composed of six closed-ended questions, where respondents can choose their preferred option, answering only once, so there was no substitution. The aim was for the questions to not be seen as difficult and be as simple as possible, making respondents want to finish answering the form. The whole form does not take longer than two minutes to complete. It was shared only by e-mail and on social media, as these are the platforms the target age group tends to use and have considerably easy access to.

The survey was the connection needed between the business plan's ideas and the outside perspective. Analyzing the responses and creating a conclusive description of the outcome, helped to have a broader comprehension of people's views and opinions which is crucial as the project's future performance depends fully on its visitors.

### **The sample**

The sampling method used in this analysis was non-probabilistic, as the sharing tools of the survey were not random, they were selected and chosen one-by-one. The main tool used was social media with special emphasis on *Facebook*, *Instagram*, *LinkedIn* and, *WhatsApp*, the link of this survey was also shared by third parties to attain the most responses possible.

The gathered sample does not fully represent the population, but with this survey, the main goal was to have more resources that would improve this project's viability, so having the opinions and views of the participants is a considerably great starting point to shape this project and aim it to the right path.

#### **2.2.2. Data collection**

The survey was posted online on the 12<sup>th</sup> of June and was open until the 26<sup>th</sup> of the same month. The answers collected after the closing date were not taken under review.

#### **2.2.3. Data Analysis**

The survey was created with the *Google forms* tool, as mentioned previously, and throughout the whole response collection, it synthesized the information in several graphs. After the survey was closed, these graphs were utilized to better understand the data and create well-organized thought processes.

During the 15 days that the survey was available online, 314 participants responded. Every response is valid and there were no right or wrong answers, even the individuals who said they would not consider rural tourism in the future, helped get a broader view of the population's opinion.

The biggest portion of participants was from the younger age spectrum, being from 18 years old to 24 years old, making 48,8% of all participants, but there were participants from all age options, including of 65 years old or more.

Considering rural tourism specifically, out of the 314 participants, 28,7% have affirmed that they are not familiar with this type of touristic product and only 16,6% said they would not consider experimenting with rural tourism in the countryside of Algarve. When mentioning that the beach was very close to the Herdade's location, 92% said this was considered a bonus. Also, most of the participants, 88,9%, said they would enjoy participating in activities related to local culture. These numbers show a positive response as 83,4% would consider spending their holidays on this touristic product.

The options for the price per night, were developed having in consideration the surrounding touristic market, as it is explained on the marketing mix. Here there were 5 different options to choose from, being the two most chosen ones, the cheapest on the spectrum. These were the participants' responses:

1. From 50€ to 100€ - 61,5%
2. From 100€ to 200€ - 30,9%
3. From 200€ to 300€ - 6,4%
4. From 300€ to 400€ - 0,6%
5. 500€ or more - 0,6%

Observing these numbers, it's quite clear that there is a tendency for individuals to choose the options with the lowest prices, and this was expected as price plays a big role in the consumption behavior of any service. As this is considered a niche touristic product, it is almost inevitable for prices to be a little higher than most offered out there, but the responses were according to the project's expected price point.

Overall, with this survey, one can see the potential for this new project in the countryside of Algarve. Individuals had positive responses and most of all were considerate of trying this touristic experience, these results give a better idea of what's to come, although it was a very small sample it still had some positive impact on projects path.

## Business plan

### Algarve's region description and touristic overview

#### Touristic resources in Algarve

The south of Portugal, the Algarve, is a part of the country that has a quite diverse range of touristic resources, making this region very appealing when it comes to touristic options for individuals to choose from. These are the different regional areas, that make Algarve so diverse:

- **Litoral (the coast)**

This geographical part of Algarve is composed of the coastal area, where most hotel resorts are located and especially where all the famous, well-rated beaches are in. This is also where the most well-known cities are, Vilamoura, Quarteira, Albufeira, Portimão, Faro, Lagos, Tavira & Sagres which means that here is where the focus regarding tourism is. From Sagres, going up "Costa Vicentina", one can find more beaches but here they are quite different from the typical down south ones. In here the beaches are more integrated with nature and along the coast where there can be found many wild and secret beautiful locations.

- **Barrocal (central Algarve)**

The Barrocal area is in the center of the Algarve and it is constituted by land formed with clay and limestone, this is a very typical characteristic of the interior of the Algarve. These lands are usually taken by agricultural productions that harvest mostly typical produce like the well-known sweet oranges, almonds, figs, olives, among others.

- **Serra (Mountain area in the north of the Algarve)**

When one thinks about the highlands of Algarve, it automatically linked to Monchique and Serra do Caldeirão. Here there is not much population residing, as it is quite far away from big cities and city centers and is fully surrounded by nature. This is a destination searched for nature-based activities, like hiking or biking. Here you can again, find very traditional regional Algarve characteristics that can remind visitors and even locals, of the old times of the region. Monchique is also well-known for its water, being the most alkaline water in Portugal and one of the most alkaline in the world.

## **Touristic Offer in Algarve**

According to INE, in 2019 the Algarve had in total 990 touristic shelters, this number accounts for hotels, local and rural tourism accommodations. In this region, the option that has more impact on the total is local accommodations with 478, but it is quite close to the hotel numbers of 409 options. Regarding rural tourism, the offering number of establishments is 103, and as expected it is significantly lower compared to the others.

Considering the whole Portuguese continent, the Algarve was the 5<sup>th</sup> geographical region with the most nights spent in a touristic accommodation, from January of 2020 until April of 2021 (INE, 2021). This number decreased due to the current COVID-19 pandemic, before this, the Algarve was the most searched and chosen by visitors with over 20M nights spent in a touristic accommodation (INE, 2020).

## **Touristic Demand in Algarve**

Portugal in general is well-known for its gastronomy, weather, and amazing country. Visitors nowadays come from all over the world. In Algarve, as mentioned before, the region has visitors looking mostly for beach and golf holidays. Although a big percentage of these visitors is nationally based, international ones are taking over the rates. This year, 2021, the top three nationalities to visit the Algarve were United Kingdom, Northern Ireland, and German visitors. (travelBI, 2021).

Regarding golf, this sport has been seen as a very helpful touristic tool, as golf enthusiasts are very interested in playing golf in the Algarve on the vast courses, they are helping the local economy significantly. This region has more than 40 golf courses that are very well rated internationally, having already received some international awards. Although this sport helps beat some of the seasonality in this region, this issue is still a real concern, as most tourists only visit Algarve during the summer months.

## **What is missing in this region?**

Almancil is in the heart of the Algarve. Where one is surrounded by nature, having the countryside and the beach in the same location. This part of the country is well-known globally for its wonderful beaches, golf courses, and amazing cuisine. Almancil, belongs to the county of Loulé, here you can find the city center with shopping centers, local shops, typical handicrafts and learn about this region's

culture. Almancil is very near to Faro where the airport is located, Quarteira, Vilamoura, and Albufeira are famous for their beaches and nightlife.

This region's main workforce comes from tourism, and it is a very seasonal destination as its touristic opportunities are extremely focused in the summer months, with the highest flow of visitors during this time. Seasonality ends up being one of the biggest problems of Algarve, as visitors are only used to coming to this region mainly for four months out of the whole year. There is a lot of potential on exploring other types of touristic products, like rural tourism.

Regarding the types of tourism, one can find here, it all mainly revolves around the same concept "beach holidays". Foreign tourists tend to choose mostly beach resorts that are very close to the sea and most of the time, do not even consider the countryside.

Almancil is grounded in the countryside, where calmness resides. Accommodation in this specific scenario is not as abundant as one may think. Although rural tourism is growing, in this specific region the selection of this type of touristic opportunity is still quite scarce.

### **What we are offering – the added value of Herdade das Laranjeiras**

The focus of this project is to introduce rural tourism to three country houses located on an agricultural property. This country lodge is formed by three houses built in the 1950s, and since then they have not had many types of recovery. To fulfill this project's idea, a renovation is going to be needed, never taking away the old and typical features that characterize Algarve but also introduce simple and modern accents to create a quiet, cozy, and fresh housing that fits perfectly with the landscape.

This property is home to a very rich land, full of various typical regional fruit trees and agricultural plantations, giving all year-round multiple vegetables and fruit harvests of sweet oranges, olives, locust beans, figs, almonds among other produce.

Besides the accommodation, the goal is to in the future offer visitor's other types of touristic products such as handicraft workshops, harvesting the farm's produce along with beach hikes and old town tours. Giving people the opportunity to relax in a serene shelter and having the possibility to interact and gain knowledge with locals in the typical old-fashioned ways of life of the Algarve would be the ultimate customizable experience for the visitors.

This project is going to help diversify touristic products offered in Algarve, specifically in Almancil, which already has a great reputation for golf and beach tourism. With it, we are adding value to the region, escaping the overly explored “beach & sun” tourism and allowing the vast countryside that has so much potential all year-round and not only during the hotter months, hoping this way to help beat local seasonality.



## **Mission, Vision, and Values**

The mission of Herdade das Laranjeiras is to offer its visitors an unforgettable experience in rural scenery combined with top-quality accommodation, making them feel welcome and appreciated.

Regarding the vision, the goal is to attain a sustainable growing market throughout the years and diversify the touristic options even more. As the volume of visitors grows, expanding the accommodation is a goal, as this lodge only has 3 houses and cannot support various visitors at the same time.

The foundation of this idea comes from many grounded values, that will accompany the implementation of the project since day one. Our main ones are equal rights, sustainability and always

providing quality services, whether it is regarding employees, suppliers, stakeholders, or clients. These topics are extremely valuable for the core organization and are essential to attain a successful enterprise.

## **Demographic target**

Herdade das Laranjeiras will focus its strategy on attaining visitors from the age of 30 and older, as people from this gap tend to be the ones searching for this type of tourism. There will be an interest in finding visitors with high education levels as it will lead to a higher monetary standard, individuals from this age range and characteristics, tend to have a more settled life with a capacity to consume this type of touristic product, that ends up being significantly costly overall.

## **Marketing Mix**

After understanding the market in which the project is going to be incorporated, to successfully develop its ideas, a marketing mix is an essential tool to use. With this framework, the aim is to formulate effective decisions when entering a market with other competitors. The focusing points of this analysis are regarding the product, the price, the promotion, and the place as these are the 4P's of the marketing. If a company understands the needs of its customers, it can create products that satisfy its clients' intentions and contain the features they desire. It will give these products a price that corresponds with the target market's willingness and it will offer where the target wants to spend, it will also build the brands' communication language, that speaks to the target market. Doing one or several of these propositions right can make the enterprise have a competitive advantage.

### **Product**

In this project, what is being created is a service (provided and consumed) instead of a product. Herdade das Laranjeiras is aiming to be a successful destination for visitors that are rural tourism enthusiasts, so the main service offered is accommodation followed by other extra provided services, such as different ludic activities. There are three main houses, making in total 8 available rooms, with double beds.

When mentioning accommodation as the main service, one is referring to a variety of intrinsic services like room service, food, cleaning services (rooms & clients requests), pool & lounge access. Besides these, Herdade das Laranjeiras wants to offer its guests, in the future, the opportunity to have different



experiences to choose from, for example harvesting homegrown produce, beach hikes, old-town tours, or even regional/local cultural handicraft workshops. These activities give the guest the chance to have a memorable and different stay, comparing to their usual typical holiday.

## Price

The price is essentially what the consumer must give up attaining a certain product or service. Throughout the whole framework, the price point is the most volatile aspect as one can easily change it and get an almost immediate effect on the product or service demand. To ask for a certain price, the business must have a consistent background that fundamentals its choice. The price point must be well thought as this is a critical factor for the outside viewer of the business, this indicator is always associated with the quality of the product or service. When prices are higher, they tend to be connected to a higher quality, as well.

There are many factors to consider when providing price for a service like Herdade's touristic proposition, such as the workforce's labor, the infrastructure conditions, the quality of the service, the procurement, and overhead costs, and on top of these a profit margin must be added. Also, as this is a very seasonal destination, prices will have to be adjusted accordingly with the high or low seasons. Breakfast is delivered every morning to each house if asked for previously and is included in the price per night.

**Table 1:** Herdade das Laranjeiras Price range

	Accommodation & Breakfast					
	Galé House		Falésia House		Evaristo House	
Nº of days	High season	Low season	High season	Low season	High season	Low season
1 Night	350 €	250 €	250 €	150 €	250 €	150 €
Weekend pack	600 €	400 €	400 €	250 €	400 €	250 €
4 Night pack	1 100 €	700 €	700 €	450 €	700 €	450 €
7 Night pack	1 500 €	1 200 €	1 200 €	750 €	1 200 €	750 €

**Source:** Made by the author

- Galé House: 3 double bedrooms, 2 bathrooms, kitchen, and living room
- Falésia House: 2 double bedrooms, 2 bathrooms, kitchen, and living room
- Evaristo House: 2 double bedrooms, 2 bathrooms, kitchen, and living room

These prices were decided also based on the surrounding touristic market of Herdade das Laranjeiras, always focusing on country houses with the rurality aspect. One can observe in table 2, a summary of the accommodation prices for Herdade da Corte in Tavira, Herdade dos Frades in Lagos and Quinta do Mel in Olhos de Água, Albufeira.

**Table 2:** Competitors Price Point

Season	Price/night	Price/week	Conditions
<b>Quinta do Mel</b>			
High	525 €	3 533 €	Fit for 6 people
Low	218 €	1 526 €	Fit for 6 people
<b>Herdade dos Frades</b>			
High	465 €	2 835 €	Fit for 6 people
Low	375 €	2 205 €	Fit for 6 people
<b>Herdade da Corte</b>			
High	403 €	2 852 €	Fit for 6 people
Low	234 €	1 628 €	Fit for 6 people

**Source:** Made by the author

## Place

The place, in this framework, is associated with distribution. The goal is to make sure the products and services are available when and where the customers want them to be, having to consider geography and location, making them available and convenient, being this way, smartly positioned. With this, one has also to make sure if some of the services being offered in the enterprise are outsourced or not and research with which companies, partnerships should be created.

Herdade das Laranjeiras is in Almancil, a prime region of Algarve, and this destination tends to be viewed as a great spot for its visitors, so regarding location, this project couldn't be more perfectly positioned.

In Herdade das Laranjeiras a few diverse experiences will be available for its customers, some of them will need to be outsourced like the tour agencies for the bike, hikes, and old town tours. Creating the best possible partnerships is essential, so this will be a focusing point for Herdade's soon. Lastly, to gain a broader sympathy of visitors, there will be a need to expand bookings with online travel agencies.

## **Promotion**

Promotion is what companies use to inform, educate, persuade, and remind customers that their products and services are available and are better than what the competition is offering. There are various ways an enterprise can promote its services such as through advertising, public relations, sales promotions, and personal selling. The foundation of a great business promotion is communication, having to be effective so it captivates and interests as many potential customers as possible.

To promote Herdade das Laranjeiras, the focus will be on advertising and sales promotion. The goal is to create a good website and social media accounts that show what is being offered in this project, these are methods that tend to be effective when created with a good foundation and knowledge of the market. Besides this, further along, promotions/discounts will be implemented during the right timestamp, this is also a great way of helping the consumer decide quicker when in doubt.

## **Business Plan Analysis**

### **Contextual environment – PESTEL Analysis**

In the business world, every action is involved in a contextual environment. To be successful and achieve certain objectives, one must understand the environment it is surrounded by. Many factors can influence a business's performance. To analyze the contextual environment and its macro-economic variables, a framework known as the 'PESTEL Analysis' was developed. As the name suggests, the six focusing contexts are: political, economic, social, technological, environmental, and legal.

The PESTEL Framework allows an enterprise to make considered and informed decisions about its organizational activities (Kremer & Symons, 2015). As Herdade das Laranjeiras is in Portugal, especially in a very international destination like Algarve, this analysis will consider not only important Portuguese aspects but also global ones.

### **Political context**

The Portuguese Republic is built upon a democratic structure. Until 1975 it was a country governed by dictatorship for over 40 years, the "Estado Novo" as it was known, ended due to a rebellion of multiple forces that were determined to give another future to its country. After this, and until this day, the

parties that have dominated the Portuguese political system are the Social and the Social Democratic parties.

Portugal Is a considerably small European country, being a European Union member since 1986, the actions and decisions made by the members can cause significant macroeconomic changes in the country's performance.

When looking at past events, like the global 2008 crises that caused tremendous negative impacts, also Brexit that has been going on for around two years and has had a considerable impact on the trade balance, showing almost immediate effects in the Algarve tourism, as this region is the chosen destination for many British visitors.

The most recent event, that is already showing its deeply negative effects is the current COVID-19 pandemic, affecting all countries without exception. This pandemic will most likely generate an enormous crisis, that is expected to last for quite some time. It has already shown negative side effects in all economic sectors. Regarding politics, and the strategies created to help defeat the virus, the tactics some countries like the United States America and Brazil, chose to initiate the vaccination process did affect Europe, for example. As the USA is such a powerful economy, very early on they decided to initiate the process, buying most vaccine production leaving other countries on standby. Still as of now, many countries are fighting this battle to get their nation vaccinated as are all European countries, but supply is very slow still.

Besides these events, Portugal is a stable country and there isn't any concern about a political disfunction happening. The Government is well structured, and the President is very active regarding the nation's well-being and positive expansion.

### **Economical context**

Portugal, along with all of Europe, was caught up in a great economic crisis, from 2008 up until 2013, where things started to improve ever so slightly. This crisis took a big toll in the country, various salary cuts happened, and many businesses had to close their doors. Although the countries performance has improved since this tragic economical event, Portugal is still very sensitive regarding various economic issues.

Up until the recent pandemic, Portugal was on the right track. The country's economic performance was improving, the national GDP (Gross Domestic Product) grew 2,2% in 2019 exceed all expectations. When we look at Banco de Portugal's Economic Projections for Portugal's upcoming years, one can observe that in 2020 and due to the beginning of the pandemic crisis, the national GDP decreased

8,4%. Also, with the global pandemic came new ways of working. Remote work became a reality for most company employees, with individuals staying home and not having their normal routines, many habits changed and led to different choices of consumption either of products or services.

With this global recession, almost immediately after the first lockdown in March 2020, many businesses had to close their doors, having inevitably to let go of their workers. Job losses became a nightmare for thousands of individuals, the unemployment rate in 2020 increased 7% and its prediction for 2021 is to reach 6,8%.

For 2021 the projection is that the GDP will grow 4,8% and in 2022 around 5,6%. This is a good sign for economic evolution, as the country has been suffering tremendously with the current crisis, having the ability to “get back up” with business re-opening and exports playing a big role, growing up to 13,1% in 2021.

Regarding the sector we are most invested in, Tourism, this is a considerably strong sign of improvement. Although the levels of private consumption will remain considerably low, 4,3% for 2021, in 2022 this number is expected to go up to 4,9%, hence that individuals will most likely feel safer to get back to their previous lifestyles.

**Table 3: Portuguese Economic Projections**

<b>Economic Projections for Portugal</b>				
<b>Variables/year</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Gross domestic product	-8,4%	4,8%	5,6%	2,4%
Harmonized Index of consumer prices	-0,1%	0,9%	0,9%	1,0%
Private consumption	-7,1%	4,3%	4,9%	2,3%
Public consumption	0,4%	5,2%	0,4%	-0,2%
Gross fixed capital formation	-2,7%	5,6%	8,2%	5,8%
Exports	-18,6%	9,6%	13,1%	4,8%
Imports	-12,1%	9,7%	10,6%	5,1%
Employment	-1,9%	2,6%	1,3%	0,4%
Unemployment rate	7,0%	6,8%	7,1%	6,8%

**Source:** Banco de Portugal, 2021.

## **Social Context**

The Portuguese nation is very enriched with traditions and culture, from the 15<sup>th</sup> century marked by the Discovery times, until nowadays with traditions still being routed by those who care for them to not be forgotten.

Focusing on the present, Portugal has a population of around 10,3 million being the regions with the most population density, the North and the Center of Portugal with 3,5M and 2,2M, respectively. The metropolitan area of Lisbon accounts for 2,8M individuals (PORDATA, 2020). The Portuguese people have a high average life expectancy at birth, of around 81 years (80,93 years precisely) (INE, 2020). This high number shows that the population has generally good living life conditions and access to health and medical care.

Although it is shown that Portuguese individuals have good living conditions, Portugal has a quite low birth rate (10,9 ‰) (INE,2020). This number can generate some concern regarding future generations and the evolution of the Portuguese population. Such a small percentage of growth, regarding the birth rate, combined with such high life expectancy leads to a very elderly population.

Since March 2020, the regular patterns of social interaction had to tremendously change. The COVID-19 pandemic forced individuals to adapt to a new reality with various restrictions like social distancing, the use of facemasks, travel restrictions, the closure of many businesses like restaurants, coffee shops, hairdressers, among many others. During the most vulnerable times of this pandemic, the population was advised and even forced, with lockdown orders, to stay home and do not have interactions with people outside their family circle.

These restrictions lasted for more than a year. They were revised various times throughout the evolution of the pandemic. There were periods when restrictions were lifted as the situation would show consistent patterns of positive evolution and if signs of negative impacts were permanent, the restrictions would be heavier.

Almost a year and a half later, the pandemic is showing signs of positive evolution. Globally, vaccination has started, which gives hope to individuals of a comeback to their old routines. The vaccination and the diminish of COVID-19 cases, has led to businesses re-opening and to the slow gathering of individuals.

These small steps are hopefully, a great comeback to the tourism industry. People have the urge of going outside and take advantage of their time, as they were restricted for so long. As expected, their travel behavior will change, a probably their travel destinations. As Herdade das Laranjeiras is focused on rural tourism, in a peaceful, surrounded by nature, property, it may be a great new touristic option for many Individuals that were not used to be attracted to this type of tourism.

## Technological Context

Over the last century, technology has gone through a tremendous evolution. These evolving steps have impacted society in unimaginable ways. From day-to-day products such as cars, home electronics, and mobile phones, life nowadays is very dependent on technology.

Technology advances have made many tasks much simpler, bettering life quality of society, corporations, and their infrastructures. Having constant access to the Internet, made connections improve in a significantly drastic way, whether it is regarding personal life or corporate networks, the Internet lead to a performance never seen before, making transactions faster and easier.

Nowadays, more than ever, having to adapt to the pandemic lifestyle, the old work habits had to switch to fully remote ways, having individuals connected online every day, using their devices to maintain their positions and to keep up with their normal work tasks. If technology wasn't as powerful as it is now, daily routines would be completely different, and many businesses wouldn't have survived the COVID-19 pandemic.

Portugal has been home to some of the most high-tech innovations that are changing the current world. Web summit, a very well-known international event, is held annually in Lisbon since 2016. This technology conference event focuses on internet technology, emerging technologies, and venture capital. Such a well-known event generates a great tourism flow during its occurrence, and, besides visitors, many celebrities and top CEOs attend the event.

## Environmental context

Globally, a change in people's perspective regarding environmental facts is being noted. Although much change isn't observed, topics like "environmentally friendly" and "sustainability" are considered *hot topics*. With the years passing, and natural resources diminishing, there is a sense of need to alert the ones who are distracted and not aware of the worlds' situation.

Most companies nowadays even have departments solely directed to sustainability, which gives off to the outside an image of ethical choices and concerns. In some businesses, this image captivates even more clients and is used as a tool instead of a global need.

As individuals are being more considerate of their choices, whether it is diminishing fast-fashion consumption or by using more public transports, there is an understanding that every daily choice can be better planed.

Many people are changing their travel behaviors and thought processes regarding tourism. Looking for different types of activities and niche experiences in not-so-common mass tourism destinations. Portugal is an amazing destination not only for historical and beach holidays but also for natural and rural tourism as it is a county filled with a massive countryside and beautiful landscapes.

Herdade das Laranjeiras is a perfect fit for tourists who are looking to enjoy nature and some peaceful days on an agricultural property, having the opportunity to participate in activities related to local culture. In this country house, one of the goals is to use locally cultivated produce, having fresh and organic products, helping with waste, and being mindful of the benefits of small steps towards a sustainable lifestyle.

### **Legal context**

Regarding legal aspects, Portugal, as its fellow members of the EU (European Union) tend to follow the same legal structure regarding all subjects. There aren't many restrictive laws that make Portugal seen as a less attractive country to visit, the opposite is what tends to happen. Many foreign individuals decide to retire in Portugal, especially British natives, that find the Algarve a great second-home with various positive benefits.

Legal aspects regarding corporations and businesses, in Portugal are still seen as a burden. Administrative legal processes are known to be costly of money and time. This may be a red flag for individuals who want to invest in this country.

In Portugal, there is still some corruption, with well-known legal cases like "Operação Marquês" and "O Caso BES". These cases have been in court for several years, which shows that these processes take overly excessive periods and amounts of money. It is said that corruption is one of the biggest causes of economic and social inequality in Portugal.

Now, in 2021, Portugal still lacks political corruption prevention. In a year marked by the COVID-19 pandemic crisis, corruption numbers did not improve nor did its perception, states the International Transparency Index (Revista Público, 2021).



## Stakeholders' analysis

Every business core depends on its stakeholders. The term stakeholder calls for all the individuals and groups of people that are involved in the enterprise, whether they are internal or external, these groups are the employees, suppliers, clients, competitors, the media, authorities, and many others.

The stakeholder analysis helps the company to better identify the organization's main players. The base of every company is people, and successful corporate performance is achieved when there is knowledge and accountability for these individuals. Analyzing the transactional environment and having a good communication system with the stakeholders is crucial and can only bring benefits to the company, such as solving potential issues earlier.

For Herdade das Laranjeiras, the stakeholders will ultimately be the clients/visitors, suppliers, all employees, local cultural associations & businesses, regulatory authorities, and its competitors. In this analysis, the focus will be on employees, clients, and suppliers.

### Employees

As mentioned above, people are the core of every business, especially the individuals that work directly in it, like the staff. In the tourism industry, the staff is one of the most important factors if not the most important, for an enterprise to have an outstanding performance. These people are the first to have interactions with the visitors, so they are automatically responsible for the first impression of the business.

Employees must be motivated and happy with their work to always demonstrate a positive attitude and the best performance possible. People are not machines, and it is normal to not always be at the same level of productivity. To help with the employee's motivation, business managers must ensure they feel safe in their work environment, by giving an ethical salary, job security, health benefits, and by making them feel needed and a part of the core business.

In Herdade das Laranjeiras, the goal is to try and give the staff the best opportunities possible. Making them feel at home and part of the family. To understand when the employees are not feeling appreciated and are looking for a change, communication is crucial and will always be the way of solving possible issues.

## **Clients**

Attaining clients/visitors, in the tourism industry is what makes any business go on. Having the best strategies for the services and products is essential to gain a sustainable market recognition and loyal customers. This is exactly what Herdade das Laranjeiras, wants to achieve, a sustainable range of loyal clients.

As discussed previously, the expected age range of possible clients will be from 30 years and beyond, and the market is expected to have national and international visitors. The clients' needs will certainly differ according to their age and their lifestyles, but all in all, Herdade das Laranjeiras visitors will all look for the same main touristic experience, some enjoyable time surrounded by nature's beautiful landscapes and the rurality of Algarve.

## **Suppliers**

Suppliers are external stakeholders, supplying the business with goods and services. In Herdade das Laranjeiras, regarding essential products for the accommodations and food, the goal is to attain as many local and national suppliers as possible, being able to give guests organic and locally produced goods. When it comes to services, as mentioned previously Herdade das Laranjeiras intends on having cultural and nature-related experiences, for this, tour agencies and local associations will be the main suppliers.

Having the best suppliers as possible, enables the business performance to be on its best behavior, so choosing the right ones is not only essential but can also be a challenge as nowadays there are so many options one can choose from.

## **Competitive Analysis**

Understanding the competitive environment helps get a better sense of the business competitors, the strengths, and weaknesses of the organization reveal potential opportunities in the market and will help identify the position of the company against its competitors. Lastly, it will assist in strategic decision-making.

There are quite a few frameworks a company can follow to conduct competitive analysis, such as the SWOT Analysis, Porter's Five Forces, Strategic Group Analysis among many others. For Herdade das

Laranjeiras, the three frameworks used were Porter's five forces Porter's generic strategies, and the SWOT analysis.

## Porter's Five Forces

This model was created by Michael Porter and it aims to understand the level of competition within the industry. It focuses, as the name indicates, on five factors that can affect the market in which the business is. For this business plan, it will be the tourism sector, which has a vast market.

These five forces are rivalry among competitors, the threat of new entrants, the threat of substitute products or services, the suppliers' bargaining power, and the customers' bargaining power. If these forces, that surround the business and its competitors, are strong, the rivalry amongst competitors will also be very strong, in this case, the market may not very attractive.

### Rivalry among existing competitors

This is the middle section of the model, and all competitors focus on it here. The rivalry of the competitors is being influenced by the four forces around them. In this business plan, the focus is on rural tourism. In Portugal, this is a growing touristic segment, but the offer still is quite scarce and for this reason, it is safe to say that the rivalry **among competitors is low**.

### The threat of new entrants

Every business has a certain threat of entrants, who want to enter the market in which its competitors are. They are trying to set a position for themselves, selling products or services, that tend to be very similar to the already existing ones. The touristic market is constantly growing, and businesses are, more than ever, trying to differentiate their products and services from their competitors, as the market is so vast, automatically the threat of **new entrants is considered high**.

### The threat of substitute products or services

As one can imagine, some products and services are quite similar within the market and perhaps they can be perfect substitutes for some. With these having the possibility of being a potential substitute, they automatically are seen as a competitive threat to the business, as one can significantly reduce its sales. Nowadays, in the tourism market, competitiveness depends severely on the pricing point. If buyers/customers can find a better deal, even if it is not identical to what they were initially looking for, they will choose it.

Rural tourism is growing day by day and will possibly have a boost because of the COVID-19 pandemic, as tourism enthusiasts are searching for more isolated touristic experiences in nature, Herdade Laranjeiras is a perfect match for these characteristics. But as it is evolving, more enterprises like this are expected to appear, making the **threat of substitute touristic products considered high**.

### **Bargaining Power of Suppliers**

To create the products or generate services, any business must have its suppliers. Nowadays the decision making regarding the choice of supplier is quite hard as there is an enormous variety of them, so choosing the one that fits the best with the company, is a big task. For some niche enterprises, the supplier selection may not be as big. When having few suppliers to choose from, they can choose their prices or volumes or even make a choice not to supply a business against a certain price.

For Herdade das Laranjeiras, suppliers will mostly be of products such as equipment, machinery, electronic, alimentation goods and, some other items but also services like tour agencies, security, and transfer agencies. As it is known there is a big selection of these products and services in the current market, making Herdade's decision-making process broad, and for this reason, the **bargaining power of suppliers is considered low**.

### **Bargaining Power of Buyers**

The buyers are the customers. Nowadays the market can be very transparent, making the buyer know the exact price they want to pay or should pay, for a specific product or service. In this case, the business may not have a lot of power over the buyers' price choice, making them free to buy this product where else if the price is not right. But if the selling product or service, is unique and exclusive, then the business holds the power, and the buyer/customer does not have many other choosing options. Analyzing the surrounding market of where Herdade das Laranjeiras is in, one can observe that there aren't many touristic products with the same characteristic and style of accommodation on rural tourism, for this reason, consumers can't find many other options making **their bargaining power considered low**.

After understanding the 5 forces surrounding Herdade das Laranjeiras, it is much clear to view the threats and strengths of this enterprise. Mostly, this project must be more aware of the threat of substitute touristic products and the threat of new entrants on the market. On the contrary, the strengths of this project can be viewed as the low bargaining power of suppliers, the still quite low bargaining power of visitors leading to a current low rivalry among competitors.

## Porter’s Generic Strategies

As briefly mentioned before, Michael Porter defined three generic strategies. In Porter’s opinion, in order to have a successful performance, any business must find the one that better fits with their ideas/goals. These three strategies are cost leadership, differentiation, and focus strategies.

For Herdade das Laranjeiras, the strategies that best fit with the project’s goals, are the differentiation and focus strategies. The service this enterprise will provide to its guests is focused on rural touristic experiences, located in the countryside, related to nature activities. This is a touristic product that is considered niche, as it attains very specific characteristics that not every individual would be interested in. In Herdade das Laranjeiras, the service aims to be of top quality, always putting the guests first and fulfilling all their wishes.

**Diagram 1:** Porter’s Gerneric Strategies for Herdade das Laranjeiras



**Source:** Made by author

## SWOT Analysis

To get a better hold of the company’s external and internal environment, a SWOT framework is essential. In this analysis the output will lead to strong knowledge of the business’s resources and competencies, analyzing the strengths, weaknesses, opportunities, and threats.

In the table below, one can observe that strengths and opportunities seem much more than weaknesses and threats. Although there are quite a few strong positive aspects, the missing expertise with business tools/strategy/marketing methods mixed with this being a new project can impact the

kick start of this enterprise. Also, not so positive are the threats, starting with seasonality which has been a reality in Algarve for a long time, joined with indirect competitors like resorts and considerably big hotel chains that have taken over throughout the years. But, to counterbalance these weaknesses and threats, this business plan has great strengths like location, property, and the fact that the main houses are still in great condition.

For the opportunities, there is easy access to an international Airport that has nowadays a vast selection of European flights, well-known international destination, good gastronomy, great weather and most recently there has been a change in customers travel behavior due to the COVID-19 pandemic, making this type of touristic product more appealing and searchable.

**Diagram 2: SWOT Analysis Forces for Herdade das Laranjeiras**

<p style="text-align: center;"><b>Strengths</b></p> <p>3 Country houses in great condition.</p> <p>Minimum construction needed.</p> <p>Situated in a very touristic point.</p> <p>Easy access to famous city centers.</p> <p>Located in an Agricultural property.</p> <p>Biological and organic produce.</p> <p>Social and economically sustainable.</p> <p>New touristic preferences.</p>	<p style="text-align: center;"><b>Weaknesses:</b></p> <p>Lack of knowledge from owners of touristic/marketing strategies.</p> <p>Lack of experience with other business entities and networking.</p> <p>New brand/business.</p>
<p style="text-align: center;"><b>Opportunities:</b></p> <p>Well-known international destination.</p> <p>Easy access to Faro Airport.</p> <p>Close to the main touristic attractions.</p> <p>Young, qualified workforce.</p> <p>Possibility to create partnerships.</p> <p>Good weather and gastronomy.</p>	<p style="text-align: center;"><b>Threats:</b></p> <p>Seasonality.</p> <p>New market entrants and few already existing enterprises in rural tourism.</p> <p>Various indirect competitor (big hotel chains, resorts).</p>

**Source:** Made by author

To have this project come together, an investment will be necessary so all aspects needing assistance will be covered. The investment will be 90100€ and, it will be used to fulfill the following needs:

- Recovery of the 3 country houses.
- Recovery of the tank and surrounding sunbathing area.
- Decor and furniture recovery.
- Land grooming/gardening.

After these main aspects have been accomplished, the business will start, and the 3 country houses will be the only accommodation available. Hopefully, 5 years later and after some considerable profit, an expansion of the accommodation area would be an idea to consider, as the property has the space and potential for it.

After all the bureaucracy regarding the legal approvals is finished, Herdade das Laranjeiras construction/recovery is aimed to last less than 2 years, being hopefully ready for its guests in May of 2023.

Throughout the initial five years, the market research to have the best possible experiences for the guests will still take place, finding the right companies to partner with for the hikes, old town tours, and the local handicrafts. These experiences will not start right along with the opening of Herdade das Laranjeiras, as the owners want to understand the business evolution in the first seasons after the opening and then adapt the best fitting experiences for its guests. Some of the experiences like harvesting are going to be available from the opening day

The operational plan for Herdade das Laranjeiras will follow the following steps:

1. Understand the recovery needs of the property.
2. Legal construction approvals.
3. Construction/Rehabilitation start.
4. Rural tourism legal approval.
5. Staff hiring.
6. Grand opening.

# Economic & Financial Viability

When creating a business plan, an economic and financial study is essential to understand the project’s viability regarding all expenses and profits. This is a crucial step, as one before going ahead with the project, needs to have a clear view of what it can expect in the future, whether it has a good or a not-so-good outcome.

## Assumptions

- Average Term of Payments: Prompt Payment.
- General VAT rate: 23%;
- Current prices are considered.

## Sales volume forecast

As this is a very seasonal destination, it is necessary to understand that there will be a high and a low season, and with them comes a discrepancy in the occupancy rate and on price points for this touristic product. The years are divided by seasons, with the highest being from May until September and the Lowest from October till April.

The aim of this project is for the activities to begin in May of 2023, with an occupancy rate of around 20% as it starts during peak season. For the future years, the goal is that each year the occupancy rate increases as the business tends to broaden and evolve, on either of the seasons, as one can observe in the table below.

**Table 4:** Occupancy rate per season

Occupancy rate					
Season/year	2023	2024	2025	2026	2027
<b>High season</b>	20%	40%	60%	70%	80%
<b>Low season</b>	10%	20%	30%	40%	45%

**Source:** Made by the author

To predict the total annual sales (table below), a five-year projection was conducted. To have the most accurate calculations, the peak season was considered of having 20 weeks and the low season of having 28 weeks. For the high season, the three options are available regarding accommodation, during the low season it was only considered the weekend pack, as it is the option most individuals



tend to choose during these months. These numbers were calculated with prices discussed previously, in the marketing mix.

**Table 5: Annual Sales Forecast**

High Season					
Sales - 20 weeks	2023 - 20%	2024 - 40%	2025 - 60%	2026 - 70%	2027 - 80%
Weekend pack	6 800 €	13 600 €	2,0 400 €	23 800 €	27 200 €
4 night pack	19 600 €	39 200 €	58 800 €	68 600 €	78 400 €
7 night pack	16 000 €	32 000 €	48 000 €	56 000 €	64 000 €
Low Season					
Sales - 28 weeks	2023 - 10%	2024 - 20%	2025 - 30%	2026 - 40%	2027 - 45%
Weekend pack	2 200 €	4 400 €	6 600 €	8 800 €	9 900 €
<b>Total Annual Sales</b>	<b>44 600 €</b>	<b>89 200 €</b>	<b>133 800 €</b>	<b>157 200 €</b>	<b>179 500 €</b>

**Source:** Made by the author

## External services costs

After capitalizing the annual sales projection, it is also essential to specify annual costs. Regarding the expenses, there can be many, but the one of the most impactful in the P&L (Profit and Losses) of the business are the outsourced services and the amenities that come with them. For these, another five-year forecast was conducted.

For the expenses like electricity, gas, water, insurance, and maintenance products, this forecast was developed based on renting experience from the owning family, who has been consistently been renting houses for more than twenty years.

Regarding marketing and advertising costs, a monthly budget was provided by *Dina Ferreira – Marketing para PME's*, a specialized company that helps businesses reach their advertising goals. This company proposed to focus on engagement and increasing sales, for this, they suggested a monthly campaign on *Facebook* and *Instagram*, for 150€ as well as a *Google, Adds* campaign, for 250€ a month.

## Staff remuneration

Regarding the staff, Herdade das Laranjeiras is going to start with 3 employees. The Manager which will be one of the owners of the property, a Housekeeper that will help with the accommodation necessities, and a Maintenance worker that will help with any problems that may emerge, this

employee is destined to work only two hours a day. Each salary includes social security (23,75%) and a meal allowance of 4,77€/working day.

### Investments in fixed assets

As mentioned before, the owners of the property will invest, initially, 90100€ in this project, with the main goal of recovering the country houses interior and surrounding space, as well as the water tank so it can be turned into a dipping pool. The forecast of investments needed for the construction and recovery of the complex was estimated by a civil engineer family member who works in this specific area. The costs of the house’s recovery and the water tank will be around 81000€.

This property has a water wells that has been recovered less than a year ago, so it is in great condition, it is used to water the agricultural plantations of the whole property.

Regarding the 3 houses, the only construction needed is on the inside area, meaning the floors, the bathrooms, and kitchen tiles and cabinets, as well as the installment of closet space in the bedrooms. For the décor and as the goal is to maintain the rural aspects of the property, the owners will recycle and restore all furniture of the houses, so the focus will be on amenities like mattresses, linen, new electronics, cutlery, and crockery. For the reception area, where the manager will be working a computer as well as a printer will be acquired. These items were considered as basic equipment and administrative equipment, respectively.

**Table 6:** Investment Forecast

Investments	2022
Construction	81 000 €
Basic Equipment	7 500 €
Administrative Equipment &	1 600 €
Total	90 100 €

**Source:** Made by the author

This property’s land, natural resources and existing buildings were estimated of having a value of 725000€, this evaluation was conducted a few years ago by the owners and through a real estate company.

## Project Evaluation

The final step on a business plan is to evaluate the viability of the project and if it is going to be profitable or not. For this study, financial statements were devolved to gather the necessary financial information for this business plan.

Firstly, to have a summary of the business's revenues and expenses over the five-year projection, there is the Income Statement, where the last calculation is to obtain the Net Earning. In the Income statement, there is the total operating revenue, coming from the annual sales forecast, the total operating costs, that include all global expenses, purchased goods, as well as the outsourced services, and staff expenses. In this business plan, as there is no financing throughout the project, so no interests or loans are considered.

For this study, one can use many tools to get an accurate result. In this case, the Net Present Value (NPV) was calculated, this indicator is attained through the cash inflows and outflows, and for that, there is the Cash Flow Statement.

After these assessments, with the total cash flow results and a discount rate of 10%, one can calculate the NPV of the project. For Herdade das Laranjeiras, the NPV is 762 030€ showing a positive outcome, meaning that the project can recover the initial investment, therefore being viable. Also, the Internal Rate of Return (IRR) came down to 72%, and the payback period to approximately 4 years.

**Table 7:** Cash Flow statement

<b>Project cash flow</b>	<b>Year 0</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Cash flow from operations		9 635	41 013	76 573	94 721	112 111
Investments	91 200	600	600	600	600	600
Investment in Working Capital	5 367	-3 686	597	285	292	292
<b>Total Investments</b>	<b>96 567</b>	<b>-3 086</b>	<b>1 197</b>	<b>885</b>	<b>892</b>	<b>892</b>
<b>Total Cash Flow</b>	<b>-96 567</b>	<b>12 721</b>	<b>39 817</b>	<b>75 688</b>	<b>93 829</b>	<b>111 219</b>
<i>Accumulated Cash-Flow</i>	<i>-96 567</i>	<i>-83 847</i>	<i>-44 030</i>	<i>31 658</i>	<i>125 487</i>	<i>236 706</i>

Source: Made by author

## Conclusion

The development of this business plan has the aim of recovering three country houses in an agricultural property located in Algarve and turning them into a touristic enterprise. This study's goal is to understand if introducing rural tourism to Herdade das Laranjeiras would be a good fit and viable option.

Recovering the property's complexion, never taking away its rural ancient features is the main goal regarding the construction process. After this part of the project is concluded, finding the right employees is the next step, to ensure service is as top quality as possible. In the future, activities related to local culture will be introduced into Herdade das Laranjeiras, hoping to diversify even more the Algarve's touristic options.

To analyze the viability of the project, various studies were conducted. These were market analysis, competitive analysis, stakeholder's analysis, and lastly the economic and financial analysis. The market and business studies all showed positive outcomes.

For the economic and financial study, the analyzes were conducted over five years. Some financial statements were developed to have all relevant information available for this business plan. The results showed that the project is viable with a positive NPV, and a payback period of approximately 4 years.

During the creation of this whole business plan, many ideas that were previously an option were no longer seen as a good fit for the project. This is due to all the extensive research that helped generate greater thought processes and idealize what makes sense in a business of this spectrum, rather than unrealistic ideas that wouldn't have had great success.

As this is a family-owned property and the goal is to have family members manage the business, it is important to learn as much as possible and gain knowledge on how to run such a business. Having the right background can help reach success faster, but in the end, hard work and dedication are what makes a business stand out and be prosper, that's what is in store for Herdade das Laranjeiras.

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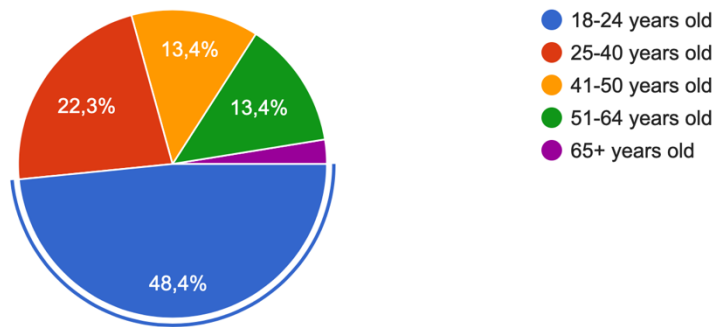


## Appendixes

### Appendix 1. - Online Survey

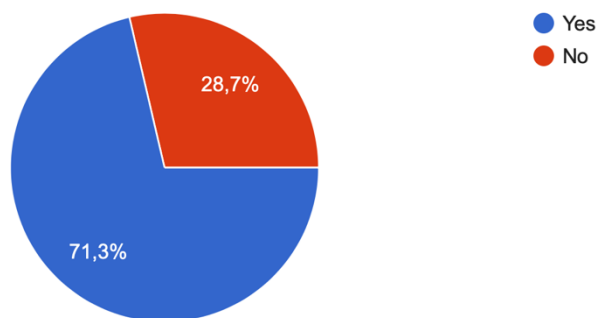
Your age range is between:

314 respostas



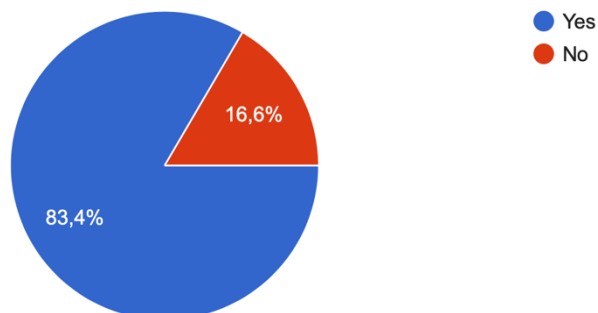
Are you familiar with Rural Tourism?

314 respostas



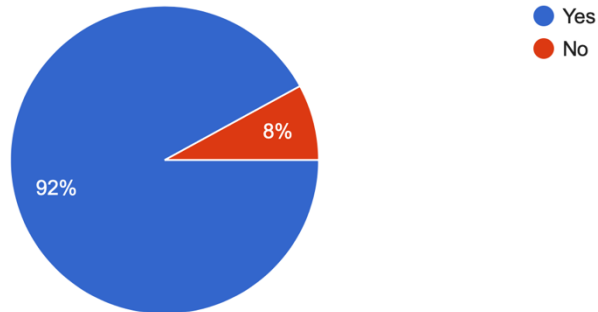
Would you consider spending your holidays in the countryside of Algarve?

314 respostas



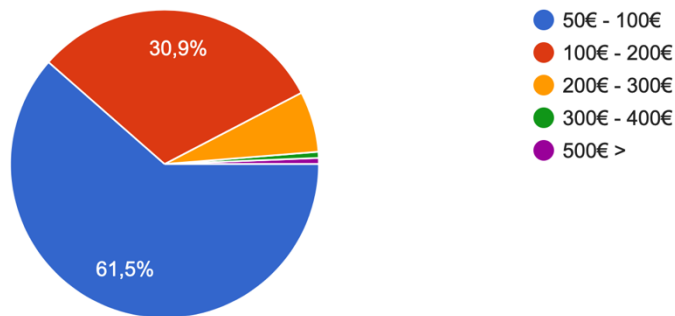
If the accommodation was in the countryside, but 5 minutes away from the beach, would this be a plus for you?

314 respostas



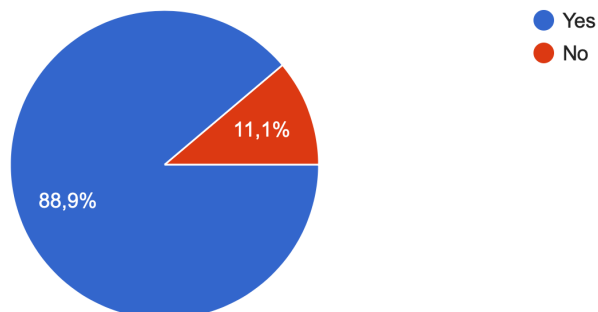
How much would you be willing to spend daily, on average, on accommodation in this type of tourism?

314 respostas



During your vacation, would you enjoy participating on activities related to local culture? For example harvesting, traditional handicraft workshops, Old-town tours or local beach hikes?

314 respostas



## Appendix 2. - Financial Calculations

### Appendix 2: Income Statement

Herdade das Laranjeiras		Year 1	Year 2	Year 3	Year 4	Year 5
Sales		44 600	89 200	133 800	157 200	179 500
<b>Costs</b>						
Personnel costs		33 789	39 681	40 412	41 157	41 917
<b>Sub Total</b>		<b>33 789</b>	<b>39 681</b>	<b>40 412</b>	<b>41 157</b>	<b>41 917</b>
<b>EBITDA</b>		<b>10 811</b>	<b>49 519</b>	<b>93 388</b>	<b>116 043</b>	<b>137 583</b>
Amortization		4 620	4 753	4 887	3 820	3 520
<b>Total Costs</b>		<b>38 409</b>	<b>44 435</b>	<b>45 298</b>	<b>44 977</b>	<b>45 437</b>
<b>Earnings before Interest and Tax</b>		<b>6 191</b>	<b>44 765</b>	<b>88 502</b>	<b>112 223</b>	<b>134 063</b>
Cost of Financing		0	0	0	0	0
<b>Earnings before Taxes</b>		<b>6 191</b>	<b>44 765</b>	<b>88 502</b>	<b>112 223</b>	<b>134 063</b>
Taxes	19%	1 176	8 505	16 815	21 322	25 472
<b>Net Earnings</b>		<b>5 015</b>	<b>36 260</b>	<b>71 686</b>	<b>90 901</b>	<b>108 591</b>

Source: Made by author

### Appendix 3: Cash Requirements

Cash requirements	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Origin of funds</b>	<b>750 000</b>	<b>9 635</b>	<b>44 699</b>	<b>76 573</b>	<b>94 721</b>	<b>112 111</b>
Operational cash flow	0	9 635	41 013	76 573	94 721	112 111
Shareholder equity	750 000					
Financing obtained	0					
Disinvestment in Working Capital		0	3 686	0	0	0
<b>Application of Funds</b>	<b>96 567</b>	<b>7 144</b>	<b>9 105</b>	<b>18 012</b>	<b>22 207</b>	<b>26 364</b>
Investment in fixed capital	91 200	600	600	600	600	600
Investment in Working capital	5 367	5 367	0	597	285	292
Tax on Earnings		1 176	8 505	16 815	21 322	25 472
Loan payback		0	0	0	0	0
Financial costs		0	0	0	0	0
<b>Annual cash balance</b>	<b>653 433</b>	<b>2 491</b>	<b>35 593</b>	<b>58 561</b>	<b>72 513</b>	<b>85 747</b>
<b>Accumulated cash balance</b>	<b>653 433</b>	<b>655 924</b>	<b>691 518</b>	<b>750 079</b>	<b>822 592</b>	<b>908 339</b>

Source: Made by author