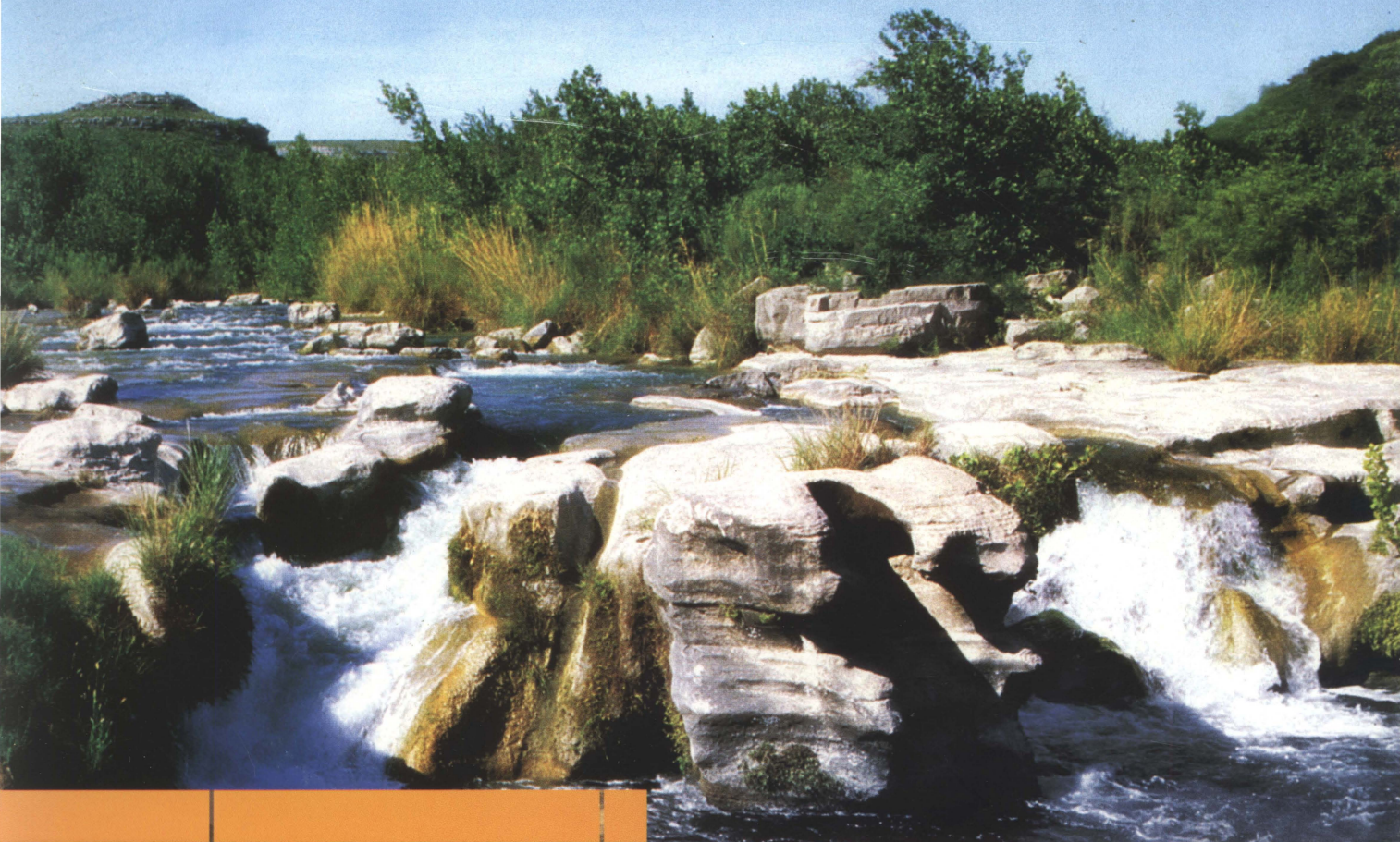


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Nature Tourism

A Guidebook for Evaluating Enterprise Opportunities

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Nature Tourism:

A Guidebook for

Evaluating Enterprise Opportunities

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Photographs courtesy of Andrea Donio and Texas Parks and Wildlife Department

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Introduction

Can a Tourism/Recreation Enterprise Help Achieve Your Goals?

An Enterprise Assessment Handbook

This resource guide aims to address the most important questions and issues to consider in evaluating a potential tourism/recreation enterprise. Because we know that your time is valuable, we have strived to be concise but acknowledge that such a handbook cannot provide all the answers on these topics. Consequently, we have included an "additional resources" section at the end for additional information.

This guide is designed to lead you through a step-by-step process so you will have a clear idea about:

- ☆ Whether an agritourism, nature/eco tourism or recreation business will work for you, your family and your ranch/farm operation.
- ☆ If the answer is "yes," you will have a specific idea about what that business will be.
- ☆ Whether or not a particular business will be economically feasible.
- ☆ How to enter that business based on sound research and planning.

Agricultural tourism/recreation is significantly different from traditional ranching/farming activities. It will be necessary for you to put on a "new pair of glasses" when considering these opportunities. However, tourism can be very compatible with a rural agricultural lifestyle, while providing significant benefits economically and in other ways.

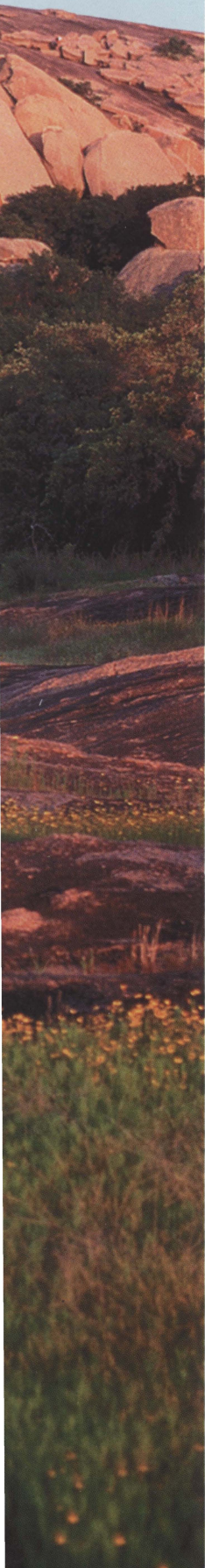
In addition, this handbook is...

- ☆ For landowners who have an interest in *tourism/recreation* enterprises that take advantage of the natural and heritage resources of the land.
- ☆ A guide to information sources about issues not fully covered in this handbook.
- ☆ Focused on tourism enterprises, but the framework for decision making can be applied to other alternative enterprises to traditional agriculture operations.
- ☆ Designed so landowners who complete the steps in this handbook will have the beginning of a business plan describing their enterprise and an estimate of its revenue potential.

Tourism Enterprises Defined

For the purpose of this handbook, tourism (or recreational) enterprises are those that use the natural and heritage resources of the land by inviting customers to visit the ranch/farm to "experience" the unique natural, cultural and historic resources of the site. To the rancher/farmer, the aim is to create a sustainable income stream or augment existing revenues.

This handbook is designed to be a 5-week assessment process, requiring about 2 or 3 hours of activities per week. Each weekly topic includes a section of the handbook, exercise and worksheet(s) to build on those topics. Some weeks require more time than others. You may invest more time for additional benefit. The book provides space for you to compile your ideas for your own situation. Each chapter includes an exercise worksheet for your potential operation. At the end of the process, you will likely produce a business plan framework, e.g., topics addressed in the worksheets can be inserted into an outline to become the beginning of your business plan, including a five-year projection of revenues and costs.



Section 1: How Do I Get Started?

Section 1 Objectives

- ☆ Identify potential tourism and recreation enterprises that interest you
- ☆ Define your strategic goals that this enterprise will support
- ☆ Identify some of the requirements of tourism and necessary skills that are different from those of traditional ranching
- ☆ Begin compiling a list of potential tourism and recreation enterprises for you to consider for your situation

What are my options?

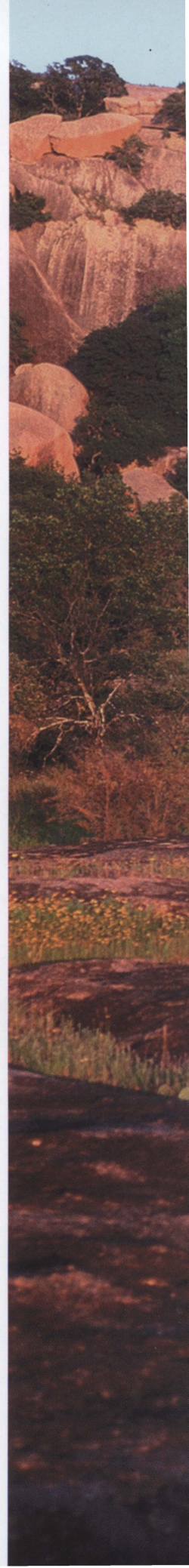
With the current changes in agriculture, many landowners are searching for other enterprises to generate revenues. While tourism and recreation operations are different from traditional agriculture, there are many options. The following list is by no means exhaustive and is included here to stimulate ideas as you start this evaluation process.

Nature Observation	Outdoor Recreation	Educational Tours & Talks
Bird and butterfly tours	Hiking and horseback riding	Ranch history and culture tours
Plant and wildlife tours	Fee fishing and hunting	Outdoor survival skills
Astronomy and star gazing tours	Camping and picnicking	Horsemanship clinics
Photography and painting	Sporting clay shooting	Ranch, farm, and garden tours
Self-guided wildlife viewing	Off-road vehicles	Winery tours
Entertainment	Agriculture technical tours	Exotic animal farm
Concerts	Mountain biking	Guided nature tours
Food and craft shows	Ranch/Farm Experience	Accommodations
Animal feeding or petting zoo	Trail rides	Bed and breakfast inns
Festivals, fairs or events	Round-ups	Farm and ranch vacations
Cowboy camps and shows	Rodeos	Guest ranches
Cowboy breakfasts and dinners	Working cow dogs	Cabins, lodges, tents, RVs
Wagon and sleigh rides	Working ranch experience	
	Tractor and hay rides	

Some traditional agricultural products can also be operated independently or in combination with tourism operations.

Direct Agricultural Sales

- On-farm sales, agriculture or retail products, for example, T-shirts related to a ranch experience
- Roadside stand selling fresh fruits, vegetables or other agricultural products
- Agriculture-related crafts and gifts
- U-pick operations





The first step in this evaluation process is to think about tourism in your area. List three of the existing tourist attractions or reasons people visit sites within 45 minutes to 1 hour from your place. (If you feel you are more than 1 hour from any existing attractions, list those closest to you.) Don't forget things like hunting and fishing or visiting family, etc. And don't worry about right or wrong answers.

1. _____
2. _____
3. _____

Tourism and Recreation Options for My Operation

The next step is to think specifically about any ideas you have "right now" about potential tourism/recreation enterprises at your place. These are just initial thoughts, and we will continue to build on these ideas throughout this workbook.

Based on my current understanding of tourism and recreation, I believe the following enterprises are options for my operation:

Defining Tourism and Recreation Products

Nature tourism, eco-tourism, outdoor recreation, agritourism and ranch/farm-based tourism are terms used to describe tourism and recreation on private lands. In this handbook, specific definitions for these terms are not as critical until particular products and services are selected. This selection will be based on the market for your particular product(s). At this stage in the evaluation, it is more important to determine if tourism and recreation fit your personal and family goals. However, for a brief clarification of terms, here are some definitions (for more complete definitions of agritourism and nature tourism, see *Agritourism and Nature Tourism in California*):

- ☆ **Nature tourism** is tourism that focuses on viewing and experiencing the natural world (i.e. plants, bugs, birds, geology, wildlife and other natural elements).
- ☆ **Eco-tourism** is responsible travel to natural areas, which conserves the environment and sustains the well-being of local people.
- ☆ **Outdoor recreation** is tourism that focuses on a specific activity that takes place in an outdoor, not necessarily, natural setting.
- ☆ **Ranch/farm-based tourism** includes activities that take advantage of the natural and historical resources of the land.

In the following section, you will explore the reasons why you are considering tourism and recreation enterprises for you and your family.

Where do I want to be?

In this section, you will identify why tourism/recreation activities might provide a potential enterprise for your ranch/farm business. These reasons should include personal and family considerations and will be related to the goals you have for your operation.

The idea of "adding an enterprise" to your current operation will become more clear as you work through this handbook. Our approach is based on the idea that these activities will be a *supplement* to your income and operation. Consequently, they must complement and not conflict with your current activities (e.g. livestock, oil and gas, grain production) or with you and your family's personal aspirations.

Personal and family considerations may include:

- ☆ Replacing or supplementing traditional agricultural product income
- ☆ Keeping your land in the family
- ☆ Offering your children a reason/way to stay on the ranch
- ☆ Preserving/maintaining a desired lifestyle
- ☆ Generating an income for your children's college education
- ☆ Personal/family use of wildlife resources
- ☆ Helping others understand agriculture and natural resources.

Strategic goals for your operation may involve a variety of financial, operational and management considerations, such as:

- ☆ Maximizing return on investment
- ☆ Tax relief or land investment
- ☆ Supplemental income
- ☆ Generating a reliable income stream
- ☆ Diversifying the income of your operation
- ☆ Providing a future estate.

Thinking about your values and goals, where do you want to be next ?

Using a measurable item such as dollars earned, number of guests to host or specific tasks that will be accomplished, list your goals for the time periods below:

Year 1 _____

3-5 Years _____



Tourism: Is it for me and my family?

Tourism and recreation enterprises require new skills and different perspectives than those needed to produce traditional agricultural products. Deciding to start a tourism and recreation enterprise will impact a family. In most cases, a family member's interest in a particular activity will strongly influence the type of tourism/recreation business you establish. Still, it is important to consider the requirements of these types of enterprises in relation to the skills and interests of all your family members.

Tourism and recreation enterprises require:

- ☆ Working with people
- ☆ Inviting people onto your land
- ☆ Managing the interaction between people, natural resources and other ranch/farm operations
- ☆ Focusing on the "experience" as the product, including "programming" to accomplish the desired experience
- ☆ Advertising and promoting your farm and the experiences you offer.

Working with people is the key component of a tourism/recreation business. The types of people you will serve should be compatible with your goals and with the accommodations, facilities, services and activities you plan to provide. Throughout this process you should keep in mind an idea of the types of people you enjoy spending time with and whether they would enjoy the things you are planning. This issue will arise again throughout the planning process and the life of your business enterprise. You will consider this question again in detail in Section 2 and Section 4 (marketing). Knowing your customers is key to making sure the resources and activities you offer are appropriate to the people you want to attract.

Respond to the following questions to determine if you have the personality traits required to operate a tourism/recreation enterprise. It would be helpful for other family members to complete the same evaluation. When you answer "no" to a question, use the right column to identify a person you know who might provide assistance or be better suited to do that function.

CATEGORY/QUESTION	Response	Resource Person
PEOPLE		
Do I like meeting and working with other people?	Yes or No	
Do I like entertaining strangers?	Yes or No	
SKILLS/KNOWLEDGE		
Do I know about the natural system in which I plan to work?	Yes or No	
Do I have in-depth outdoor skills?	Yes or No	
OUTDOOR LABOR		
Am I skilled in the operation and maintenance of equipment?	Yes or No	
Am I willing to work long hours in a difficult environment?	Yes or No	
MANAGEMENT and OPERATION		
Am I successful at managing and organizing expenses?	Yes or No	
Am I able to make decisions and carry them out?	Yes or No	
ENTREPRENEURSHIP		
Am I a self-starter?	Yes or No	
Am I independent/self-confident and positive?	Yes or No	
Am I willing to change?	Yes or No	
CREATING EXPERIENCES		
Can I learn to tell the story (human and natural history) of my place?	Yes or No	
Am I willing to create an enjoyable experience for my guests?	Yes or No	
FAMILY		
Is my family supportive of this activity?	Yes or No	
Do my family members have skills that will help this enterprise succeed?	Yes or No	
TOTAL		

Total the number of yes and no answers. For each no answer, identify and write down how you will address that issue, either by getting training or by hiring or partnering with others (name the person if possible). If there are more answers in the No column than in the Yes column, a tourism/recreation enterprise may not be an appropriate addition for you and your operation.

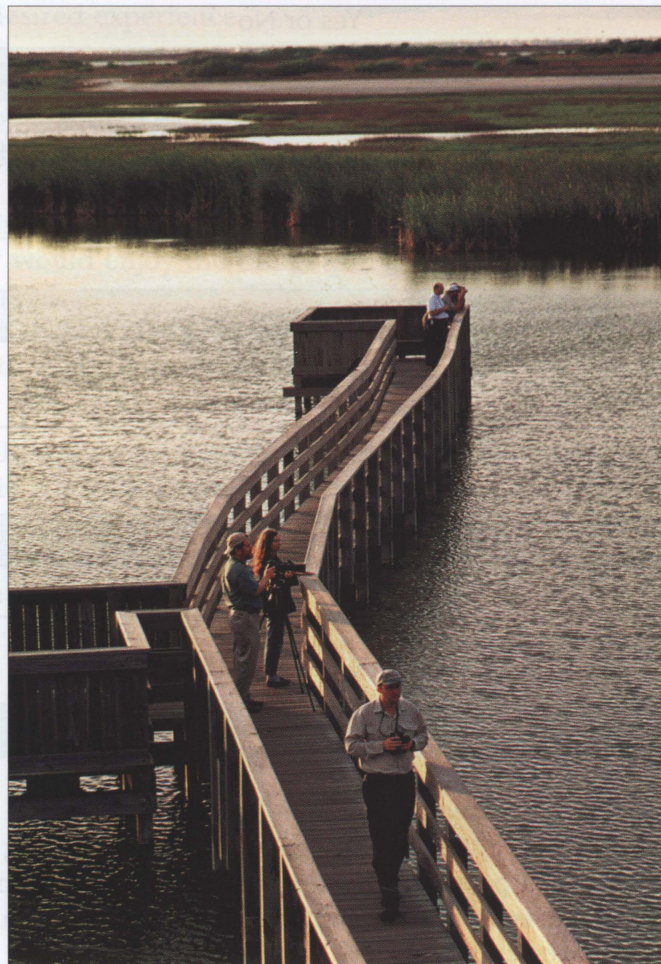
Section 1 Summary and Worksheets

At this point you should

- ☆ Understand why you are searching for new options.
- ☆ Have created an initial list of potential tourism enterprises.
- ☆ Have begun to identify your strategic goals.
- ☆ Have determined if you and your family have the skills, personality and resources to operate a ranch/farm recreation and tourism enterprise.

During the next week

- ☆ Complete worksheet #1, which will guide you through a brainstorming session where you list as many potential enterprises as possible.
- ☆ Use worksheet #2 to begin researching and developing a map of your ranch/farm that will help you identify important resources at your place. You will develop this map in more detail in the later sections of the handbook.



Section 2: Enterprise Selection and Product Development

Section 2 Objectives

- ☆ Understand ways to identify tourism enterprise alternatives
- ☆ Identify ways to gather information about tourism enterprise alternatives
- ☆ Understand how existing resources contribute to enterprise selection
- ☆ Narrow your focus to enterprises that match your situation

What Do People Want and What Will They Pay For?

This section identifies and describes two approaches to tourism enterprises. Each perspective will help you select the alternative tourism enterprises that best fit your situation. The first is finding what tourists want and then offering it to them (e.g. allow access, build it, package it, etc.). The second method is to evaluate your resources and determine what you have and then find out who is interested in it and advertise to them. Both methods are important for developing a quality, successful tourism/recreation enterprise. Combining these two perspectives will help you understand the tourism/recreation marketplace and your situation more clearly, which will help you select an appropriate tourism/recreation enterprise for you.

Perspective 1: Market perspective —What do tourists want?

Knowing and understanding your (potential) customer is, very likely, the single most important information you need to succeed in any business.

A market perspective examines what different groups (market segments) of people want in a tourism experience. A market perspective determines what the tourist wants. In addition, we recommend that you develop a strategy for gathering information about your (potential) customers, such as conducting surveys. This will be discussed again in Section 4, however, it can also help you while you are selecting your products and developing your interpretive plan.

"What do people want and what will they pay for?" are two important and challenging questions to answer. Market information is often not available from a single source for ranch/farm-based tourism products as it is for traditional farm and ranch enterprises. Therefore, information about what people are looking for and willing to pay for,



requires research. The following table identifies three methods of gathering information about the marketplace:

Comparables*	Find operations that are comparable to what you are thinking about and gather information about the requirements of that enterprise.
Web resources*	Many operations and a wealth of information can be found on the Internet. Most local libraries have computers for public use.
Guest perspective	Visit an existing operation as a guest and ask questions.

* Appendix D identifies resources for finding comparables and web resources, including those developed by Texas Cooperative Extension (<http://naturetourism.tamu.edu>).

Use your list of potential enterprises (created in section 1) to select one enterprise type (the most promising) to begin your search for information. Later you can return to this section of the handbook to research other enterprises that interest you.

My selected enterprise type is _____ (example: dude ranch).

What do I look for?

The following table of topics outlines the areas you will be gathering information about for each enterprise. This activity is addressed in great detail on Worksheet #3, which lists interview questions and examples. **Complete Worksheet #3** now before you proceed to the Resource Perspective.

Range of Activities and Services	Operating Schedule	Uniqueness
Costs	Programming	Capacity
Promotion and Advertising	Price	Interpretation
Seasonality	Target Market(s)	Resources



Perspective 2: Resource perspective – What do I have to offer?

IMPORTANT NOTE:

Following is a brief introduction to the topic “resources and facilities planning, development, management, construction, etc.” In this section, we look at your operation from a new perspective and evaluate the resources you have access to. In Section 5, we will provide details of specific issues to consider as you approach making decisions about resources and facilities development.

Most ranchers/farmers are aware of the time, planning and expense involved in developing new facilities related to traditional agriculture. However, many of the decisions involved in a tourism/recreation enterprise are different. Resources and facilities planning should be considered carefully and thoroughly because they can be the most costly of all parts of your business. For a start-up tourism/recreation enterprise, we recommend caution in investing too much in new facilities until you have a clearer idea of who your customers will be and what business you will ultimately establish. This process can take considerable time, and a prudent business manager does not generally want to overburden a fledgling business with large capital expenditures. At this point, you should be looking for tourism/recreation opportunities as they relate to this step in the enterprise development process. Consider what existing facilities can be adapted for a new tourism/recreation enterprise.

The resource perspective is based on the resources that you have available. This includes natural, historical/cultural, physical, human and financial resources. Decisions about potential enterprises should be based on a careful assessment of available resources.

Knowing “what people want” and what others are doing in the marketplace will help you evaluate your own resources for tourism. Using the information you wrote on Worksheet #3 and comparing those with *your resources* will help you make a more informed decision about your tourism/recreation enterprise.

To begin this process, you must know what you have. While this may seem obvious, you may discover that you have more to offer than you might expect. This is the point where creativity can pay off – and where “a new pair of glasses” will be very useful. What is ordinary to you can be extraordinary to someone else. By reexamining your site, you may find that “the old junk on the back forty” can be used in a farm history museum or as props for interpretive tours on farm and ranch heritage.

Assessing the Positives

Start your assessment by making a list, in a single column, of the resources on your place (you should have identified some of these when you started your map on Worksheet #2). You will most likely add to this over time as you become more creative in understanding what can enhance a tourist attraction. To begin, include the basics – a general outline of the property and the number of acres, buildings (list capacity in number of people seated), beds, bathrooms, etc. Also list water features such as rivers, windmills and tanks, topographic features, plants (e.g. grove of mature live oaks, field of wildflowers, key wildlife, historical features, old well, road, ruins, etc). Remember to list the “good” things you don’t have, for example, traffic noise, light pollution (so you can see the stars), etc.



After you complete your initial list, use Table 2.1 and fill in the appropriate columns in the table. Enter in the column "Their Resources," the answer to question 22 from Worksheet #3. From the list you just created (and your resource map from Worksheet #2), list your resources in the column "My Matching Resources."

The second step is to refine your initial site resource map. Use published maps or aerial photos, if available. Use Worksheet #2 as a "base map" to create this map. Don't worry about a finished product. Start with the basics and, over time, you can add detail. This map will help you understand your major and minor resources and communicate these concepts to others. Number the items on your list and place the number on the map where that item exists. For some features, such as a river, sketch them in. For items such as no traffic noise, place the number at a location where you would actually have people stop and listen to the quiet or look up at the stars.

Table 2.1 What resources do you have that have potential for creating tourism experiences?

Resource category	Their resources*	My matching resources	Can I offer with what I have?	Required changes to offer
Natural			Yes or No	
Historical/Cultural			Yes or No	
Physical			Yes or No	
Human			Yes or No	
Financial			Yes or No	

* Information for this column of the table should be taken from Worksheet #3, question 22.

What other useful resources do I have that this comparable business does not have?

The next step for evaluating your resources is to create a basic resource map of your "potential" operation. Complete Worksheet #2 with the new information you have gathered.

Does the Enterprise Match My Resources and the Market?

By this point, you should have an idea of the top two or three potential tourism enterprises that fit your resources, the market and your goals. Review your goals to make sure these options fit your family values and lifestyle.

List in ranking order the enterprises that you consider your best options:

#1. _____

#2. _____

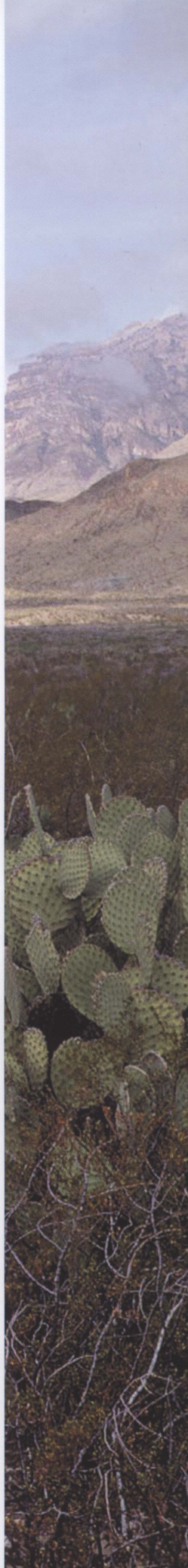
#3. _____

Do these enterprises fit with my current situation?

Time is an essential yet often overlooked element. List those things that currently require your time or your resources during each of the following time frames (these will be used to complete Worksheet #4):

Annually: *(Example: Round up and shear goats, plant oat fields, oversee hunters in fall)*

Weekly: *(Example: Check water, feed livestock, check fences)*





Daily: (Example: *Read paper, feed dogs, work part-time in town*) _____

Interpretation Plan

Your "story" or interpretive program is both a product that can be sold and a marketing tool to get your message out. An interpretive plan is an important aid in developing this crucial part of your tourism/recreation product.

Definitions of interpretation

Interpretation has several meanings. In tourism/recreation, it is defined in the following ways:

National Park Service: *Interpretation facilitates a connection between the interests of the visitor and the meanings of the resource.*

National Association for Interpretation: *Interpretation is a communication process that forges emotional and intellectual connections between the interests of the audience and the inherent meanings in the resource.*

Simply put, interpretation tells true and compelling stories of places, people and events.

Is interpretation educational? Yes!

Is interpretation similar to school? No, the audience is not captive — they don't have to be in your audience, and they will leave if you are boring!

Effective interpretation

Interpretation must be pleasurable, relevant, organized and thematic (Ham, S., 1992. *Environmental Interpretation: A Practical Guide for People with Big Ideas and Small Budgets*. Golden, Colorado: North American Press/.

- ☆ **Pleasurable** — People participate in nature and heritage tourism for pleasure. While this can involve learning, it must be enjoyable.
- ☆ **Relevant** — People are interested in things they care about — themselves, their property, their peoples' history, their concerns, etc. Effective interpretation builds on these interests.
- ☆ **Organized** — Most visitors do not want to work hard to benefit from their visits. You must make it easy for them to understand and appreciate what you are offering. This is best done by carefully organizing the interpretive programs so the visitor knows "where they are going."
- ☆ **Thematic** — People respond to stories and concepts better than "just the facts." They remember general ideas and incorporate them into how they think and act. Consequently, to effectively engage audiences, interpretation must have a clear story line.

In 1957, Freeman Tilden summarized the important ideas about interpretation.

Principles of Interpretation (Tilden, Freeman. 1957 [1977]. *Interpreting our Heritage*. 3rd edition. Chapel Hill: The University of North Carolina Press.)

1.	Relate what is being displayed or described to something within the personality or experience of the visitor.
2.	Information, as such, is not interpretation. Information is essential to good interpretation, but it should not stop there.
3.	Interpretation is an art that combines many arts. Any art is to some degree teachable.
4.	The chief aim of interpretation is not instruction, but provocation.
5.	Interpretation should aim to present a whole rather than a part and must address itself to the whole person rather than any phase.
6.	Interpretation addressed to children should not be a dilution of the presentation to adults but should follow a fundamentally different approach.

Developing the story of your operation

Start to think about the "story" for your place. While developing an interpretive plan for your tourism/recreation enterprise is important, you may do this later. However, it is crucial to begin thinking about what is special about you and your endeavor. (For more about developing your interpretive concept, visit www.rpts.tamu.edu/tce/nature_tourism/ntiusefulresources/interpintro.htm).





Two questions you should answer are (be imaginative!):

1. What are the main stories told by your place (e.g. long family heritage, settlement of the West, new agricultural experiments, wildlife behavior, etc.)?

2. What methods and facilities will be required to tell these stories (e.g. tour wagon, wildlife blind, artifact exhibit, etc.)?

Section 2 Summary and Worksheets

At this point you should

- ☆ Understand the approach used to select an enterprise.
- ☆ Have identified ways to gather information about potential enterprises.
- ☆ Understand how a resource assessment contributes to an enterprise assessment.
- ☆ Begin narrowing down to a few of the best enterprises for your situation.

During the next week

- ☆ Refine Worksheet # 2 to create a resource map of your "potentials" for a tourism/recreation enterprise.
- ☆ Use Worksheet # 3 to identify several enterprises and begin gathering information.
- ☆ Use Worksheet # 4 to determine how each enterprise will fit with current operations.

Section 3: Creating a Financial Plan

Section 3 Objectives

- ☆ Begin writing a description of the experience you will offer
- ☆ Complete the basic elements of a financial plan

Defining your product – the Experience

Write the #1 enterprise you are considering on the following line (based on the work you did in section 2)

#1 _____

Example of Descriptive Information on a Nature Tourism Enterprise Brochure

“Ranch Bed and Breakfast”

Quiet contemplation and inspiration – enhanced by the expanse of earth and sky. Recharge the soul – experience the grandeur and serenity of the beautiful West Texas desert. The traveler will find one of West Texas’ best kept secrets a perfect, tranquil place to rest a weary head at night.

A wide variety of activities include hunting – with cameras or guns; hiking trails can be experienced afoot or on mountain bikes. Bring your horse for scenic trail riding. Birdwatchers can enjoy many varieties of birds year-round. Abundant wildlife, native plants and fossils provide the visitor many opportunities to explore one of nature’s dramatic climates.

An experience is created through a mix of products and services. Take a moment to read the “Example of Descriptive Information” provided above and consider the types of products/activities that are being described. Then complete the exercise below by writing out the products and services that the “Ranch Bed and Breakfast” offers.

Products/Activities

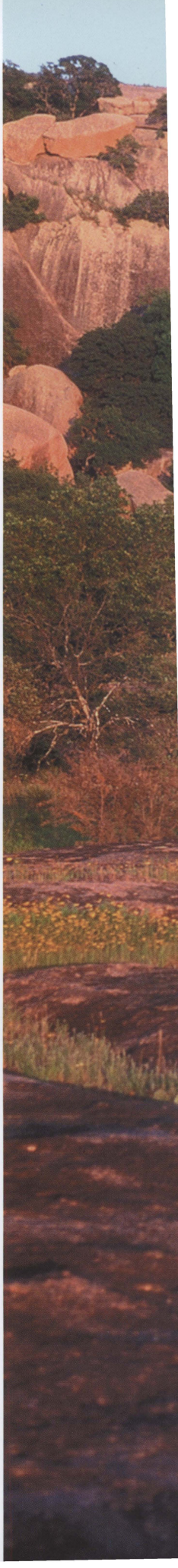
Products that guests that are charged for:

Products that guests are NOT charged for:

Services/Accommodations

Services guests that are charged for:

Services that guests are NOT charged for:





Did you notice that the key selling point was not a bed to sleep in or a meal to eat, but rather the experience they offer? Being able to describe the experience your guest will encounter at your place is essential. Go to Worksheet #5 and write a description of your site and the products, services and experiences you will offer. This description will help you focus on the specifics, which leads to the next section in the handbook — evaluating the economic feasibility of your proposed tourism/recreation enterprise.

What is a financial plan?

A financial plan helps you, your partners and any potential investors or loan officers evaluate the amount of money likely to be generated by the operation. Although estimating income and expenses may seem impossible, by using information already gathered on other enterprises, you can develop much more informed financial plans. At this point you will create a basic projection of costs and returns for the enterprise you are evaluating. This exercise is designed as a starting point to guide you in the decision-making process. If you decide to proceed with a particular enterprise, additional financial analysis will likely be required.

Read the following description of "Mr. Jones's Cattle Ranch" and his idea for a new tourism/recreation enterprise. Then note how we have broken the example down to be evaluated using the Recreation Finances 1.0 Microsoft Excel spreadsheet included with the Handbook.



Mr. J's Cattle Ranch

The Situation

Mr. Jones manages a 2700-acre cow-calf operation. He runs 55 cows and sells a hunting lease. Mr. Jones nets about \$36,000 from all the ranch enterprises. He wants the tourism enterprise to earn about one-fourth that amount (\$9,000). He wants the ranch to support him, be self-sustaining and generate enough income to expand his operation.

The Idea

Mr. Jones wants to begin a tourism business consisting of three parts

- ☆ Renting rooms in a bunkhouse
- ☆ Offering guided bird tours
- ☆ Providing ranch tours.

Mr. Jones has decided to evaluate the potential profitability of the ranch tour enterprise first; later he will go back and evaluate the other two possibilities. (Although this idea has been overly simplified for demonstration purposes and does not take into account all income, expenses incurred or profitability of a tourism/recreation business, it does provide a starting point for assessing the economic viability of the proposed activity.)

Ranch tours will be offered primarily between January and May to avoid conflicts with hunters and the summer heat. Mr. Jones will provide a meal and then drive the guests around in a modified trailer. He will conduct an interpretive program — telling guests about the natural and cultural history of the ranch.

How do I determine if I will make money?

Steps In the Process

The steps in this economic assessment process are the same steps you take when using the Recreation Finances 1.0 Software (Detailed instructions for Recreation Finances 1.0 is included in Appendix D).

1st Getting Started Questions

2nd Projecting Gross Revenue

3rd Projecting Expenses

4th Projecting Net Income

5th Creating Income and Cash Flow Projections

Step 1 Getting Started Questions

To start, Mr. Jones answered the questions below. You will answer these questions for your operation on Worksheet #6. For the first time through, concentrate on your first or most likely scenario. Refer to the information you gathered from your comparables to help answer the questions. In each question, an event is the item for which you are charging. In the case of a ranch tour operation, a tour is the event. An event could also be a night stay in a lodge, a guided horse ride, etc.



Getting Started Questions . . . and Mr. Jones's answers

1. How many **hours per event** are required to prepare, conduct and clean up for each event? 8
2. What is the maximum **capacity per event** (number of people)? 40
3. What is my predicted rate of **attendance** or **% of capacity**? 75%
4. How many **events per day** will you offer? 1
5. What will be your **average event price per guest**? \$25
6. How many **acres** will be **used for each event**? 2700

What will be your **attendance seasonality (events per month)**:

- | | | | | | |
|---|------------------|-------------------|------------------|------------------|-------------------|
| 7. Jan <u>4</u> | 8. Feb <u>4</u> | 9. Mar <u>6</u> | 10. Apr <u>6</u> | 11. May <u>6</u> | 12. June <u>0</u> |
| 13. July <u>1</u> | 14. Aug <u>0</u> | 15. Sept <u>0</u> | 16. Oct <u>2</u> | 17. Nov <u>0</u> | 18. Dec <u>0</u> |
| 19. How many total events per year ? <u>29</u> | | | | | |

These answers are put into the table in the next section. When you complete Worksheet #6, enter your answers directly into the table.

Financial Projection Help – Recreation Finances 1.0 Software

The answers to these questions will be used to complete a series of tables in the following sections (and on Worksheet #6). The tables are part of a specialized software program called "Recreation Finances 1.0" developed by Texas Cooperative Extension, the Department of Recreation, Park and Tourism Sciences Nature Tourism Program and the Department of Agriculture Economics Risk Management Program at Texas A&M University.

A basic financial projection is most easily completed by using the "Recreation Finances 1.0" computer software, because it automatically does your calculations and offers more detail than is included in this handbook. This program can be obtained from the program Web site, <http://naturetourism.tamu.edu>, or by contacting the Department of Recreation, Park and Tourism Sciences at Texas A&M University in College Station, Texas.



Step 2 Projecting Gross Revenue

Revenue is the amount of income you expect to generate before expenses. The following table represents how Mr. Jones answered the "getting started" questions for his operation.

Question #		Ranch Tour Enterprise
1	Work Hours per Event	8
2	Capacity per Event	40
3	Attendance - % Capacity*	75%
4	Event per Day	1
5	Avg. Event Price per Guest	25
6	Acres used for Event	2,700
Attendance Seasonality (Events per Month)		
7	January	4
8	February	4
9	March	6
10	April	6
11	May	6
12	June	0
13	July	1
14	August	0
15	September	0
16	October	2
17	November	0
18	December	0
19	Total Events per Year	29

* Note that the attendance capacity % is estimated at 75%. This figure provides a more realistic estimate of attendance. Organized events often do not fill to capacity, so your revenue projections should reflect that fact.

From this information, Mr. Jones determined his projected revenue by using a calculator and multiplying the answers to the following questions together. The Recreation Finances 1.0 does this automatically.

Question #		Ranch Tour Enterprise
2	Capacity per Event	40
3	Attendance - % Capacity*	75%
4	Event per Day	1
5	Avg. Event Price per Guest	25
19	Total Events per Year	29
	REVENUE	\$21,750

STEP 3: Projecting Expenses

The next step is to assess expenses. When conducting a financial projection for a business, there are typically two types of expenses — *indirect* and *direct*. Both will be discussed below.



Indirect Expenses

An indirect expense is any cost that is incurred one time, regardless of the number of events. The costs can be paid completely in year 1 or paid out over multiple years. Do your best to place each expense into one of the following nine categories: "Advertising," "Equipment," "Facilities and maintenance," "Insurance," "Professional" (legal, accounting, etc.), "Management," "Permits, fees and licenses," "Land cost" and "Income Tax."

Mr. Jones identified the following indirect expenses for his enterprise:

Advertising:	Wildlife Expo booth, Web site, brochure and word of mouth advertizing (\$2,000)
Equipment:	A trailer modified to haul people on tours (\$3,000)
Facilities and Maintenance:	Build a 1/8-mile native plant trail and interpretive program (\$250)
Insurance:	Commercial Liability Policy (\$1,300/year)
Management:	Mr. Jones's net income (\$36,000), of which \$9,000 is paid by the tourism enterprises

Permits, etc.: Health Department (\$75)

Professional: Hire a trained interpretive guide to develop a plant and history interpretive program (\$500)

Item	1 st Year
Advertising	\$2,000
Equipment	3,000
Facilities, Maintenance	250
Insurance (cost for recreation)	1,300
Professional (legal)	500
Management (your salary portion)	0
Permits, Fees and Licenses	75
Land Cost	0
Income Tax Rate	28%

Expense Allocation:

☆ Some of these costs will be paid off over the next three years (in other words, 33.3 percent of the expense will be paid off during the first year).

☆ To calculate how much expense to assign to the first year, divide the cost of items by the number of years it will take to pay off the expenditures. Example: Trailer — 3 years ($\$3,000/3 = \$1,000$ expense per year). In this example, this is the only item to be paid over multiple years. This would be the case if Mr. Jones took a loan to pay for the \$3,000 trailer and his payments equaled \$1,000/year.

Now, Mr. Jones adds up the costs for each category and places that amount in the "\$ per Unit" column below.

Mr. Jones' Ranch Tour Enterprise Total Indirect Expenses Table

Indirect Costs	Cost
Advertising	\$2,000
Equipment	\$1,000
Facilities and Maintenance	\$250
Insurance	\$1,300
Professional (Legal, Acct, etc.)	\$500
Management (Salary)	\$0
Permits, Fees, and Licenses	\$75
Land Cost	\$0
Income Tax Rate	28%
TOTAL	\$5,125

This table is used to calculate the indirect expenses to assign per year. The second year costs should decline because items such as the trailer and trail have already been purchased. This expense assumes the land is paid for or the payments will not be charged against the tourism operation. Note: Management expense is \$0 because this is Mr. Jones's salary and will be shown by net income.



Direct Expenses

A direct expense is any cost that is required each time an event is conducted. Therefore, total direct expenses will depend on the number of events that take place. All direct expenses should fall into one of the following five categories: Food, Labor, Guide, Supplies or Fuel. In this case, Mr. Jones hires help (Labor) to assist planning every event at a cost of \$75.

Mr. Jones' Ranch Tour Enterprise Direct Cost Table

Direct Expenses	Unit	\$ per Unit	#Units*	Total
Food	Person	\$5.00	780	\$3,900.00
Labor	Event	\$75.00	29	\$2,175.00
Guide	Event	\$0	29	\$0
Supplies	Person	\$0.10	870	\$87.00
Fuel	Event	\$5.00	29	\$145.00
Total				\$6,307.00

*# units for person = Questions #2, #3 and #19 from Step 1 multiplied together (#units for event = Question #19)

STEP 4: Projecting Net Income

In this step, you will take the gross revenue of each enterprise (from step 1) and subtract from it the expenses of each enterprise (from step 2) to find your projected net income. By doing this for each enterprise, you can see which enterprises are producing the most net income.

Mr. Jones' Ranch Tour Enterprise Net Income Table

Gross revenue	Direct Expense	Indirect Expense	Net
\$21,750	\$6,307	\$5,125	\$10,318

According to preliminary estimates, Mr. Jones would achieve his goal of \$9,000 income over the year. This process has helped determine what he may need to charge for his product. After finishing a first projection, he can easily evaluate other scenarios by changing some of the values in these projection tables. For example, how would Mr. Jones's net income change if he charged \$30.00 or if he added one more event per year? These are the types of "what if" scenarios that can easily be performed using the Recreation Finances 1.0 software to focus on the economic feasibility of your proposed enterprises.

Note: If you do perform additional analyses, be sure to change values in all the appropriate places to get an accurate analysis (e.g. increasing tour capacity or the number of tours will increase meal and supply expenses and, perhaps, your labor). In Mr. Jones's case, he has decided to set \$25 as the price for his product because it meets his hoped-for net income. This price should also compete with what other people are charging for similar activities in his area. This pricing evaluation should have been completed while Mr. Jones conducted research about "comparables." After he conducts a number of

tours, he will learn more about how people respond to his product, how his advertising plan works and with whom he may want to create a partnership or cooperative effort.

STEP 5: Creating Income and Cash Flow Statement Projections

Finally, you will create an income statement and monthly cash flow statement using the information gathered in the steps above. You will see examples and complete your own income statement and monthly cash flow statements in Worksheet #6.

Section 3 Summary and Worksheets

At this point you should

- ☆ Understand how products and services assist in creating an experience.
- ☆ Understand the four steps of financial planning.

During the next week

- ☆ Use Worksheet #6 to create your enterprise financial plan.



Notes

...to his product... he will learn more about how... a partnership or cooperative effort... plan works and with whom he may... distribution it takes an... Therefore, total direct expenses will depend on the number of projects that take place... All direct... **STEP 3: Creating Income and Cash Flow Statement**... Guide, Supplier or... every

Finally, you will create an income statement and monthly cash flow statement using the information gathered in the steps below. To do this, you will use the information from your own income statement and monthly cash flow statements in Worksheet 3.

Section 3 Summary and Worksheets

At this point you should:

- Understand how products and services relate to creating an enterprise.
- Understand the four steps of financial planning.

During the next week:

- Use Worksheet 3 to create your enterprise financial plan.

Category	Value
Materials	50
Labor	25
Supplies	10
Total	85

STEP 4: Projecting Net Income

In this step, you will take the gross revenue of each enterprise from step 1 and subtract from it the expenses of each enterprise from step 2 to find your projected net income. By doing this for each enterprise, you can see which enterprises are producing



Section 4: Developing a Marketing Plan

Landowners considering tourism enterprises consistently identify marketing as the area where they need the most information and assistance.

What is Marketing?

Although the terms "marketing," "advertising" and "promotion" are often used interchangeably, there are some subtle but important differences.

Marketing is the combination of product design, price, advertising and promotion used to sell a product and fulfill a business mission. This includes marketing directly to customers and also to suppliers and potential market partners.

Other activities that support a marketing effort include:

- ☆ *Paid advertising* is money spent to promote a product/activity through television, magazines, newspapers, billboards, the Internet, etc.
- ☆ *Promotion* includes marketing activities such as special contests, coupons or trade show displays used to demonstrate products and services to the general public or special groups.

A marketing plan should clarify how the product is going to "meet a need or desire" or provide a service. Each market segment may have a different need (or problem to be addressed) and require a different form of marketing. Sometimes those needs overlap. The examples below illustrate some potential needs and desires.

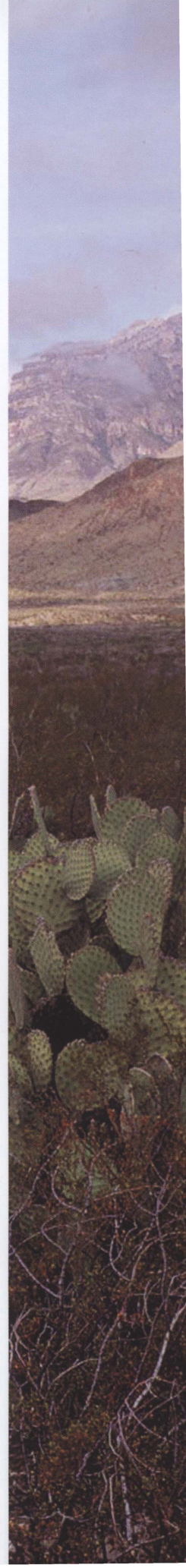
Your marketing plan should address the needs and desires of each target market. This may change over time as your business evolves. Your marketing plan should draw on the Interpretive Plan discussed in Section 2.

One of the best and most commonly used methods for learning about your market is to survey your customers. Knowing where they come from, when they want to visit and why they visit is important for addressing their needs and desires. We have provided an example of a survey being used for the Tourism Market Match system developed by Texas A&M University. For more information and to see the survey, refer to Appendix D or visit the Web site at http://survey.tamu.edu/tourism_marketmatch.

How Do I Create a Customer Profile?

Understanding your typical customer (market) can help you build your business successfully. Gathering basic information about that customer is easy to get simply by asking questions. Marketing seminars and publications often focus on the following groups of information for understanding tourism customers:

Demographics (age, sex, income, etc.)	Activities/interests
Point of origin	Spending patterns
Features of previous destinations	Season of travel



I don't have any customers yet, so how do I create a customer profile?

In the beginning, you may not have much information about your potential customers, but you probably have an idea of the type of customers you would like to attract. You also have asked similar business owners (comparables) about their customers when you gathered customer information for Worksheet #3, question 13. To get started with your marketing efforts, you can use their information, but as you begin to gather information about your customers, you can enter that data into your marketing plan.

How do I describe my ideal customer?

Answer these questions to begin describing your preferred customer.

Question

Answer

Is your average customer married?

What is the average age range of your customers?

What is the approximate average income level of your customers?

What size of groups will your guests be coming with?

What will be your average group's composition?

#children ____ #teenagers ____ #adults ____

#families ____ #other _____

What are your guests' hobbies and interests?

Use adjectives to describe your average customer (relaxed, adventuresome, luxury seeker, etc.)

How far do you expect your average customer to travel to get to your place? (miles)

Season of Travel Characteristics

What times of year do you expect your customers to travel to your destination? This information can be taken from your operating schedule on Worksheet #4, where you specified the timing of your business activities on a month-by-month basis. You can use this information to determine when to place an ad or when to conduct other promotional activities. Place an X in the months that guests will be coming to your place.

- | | | | | | |
|-------------------------------|------------------------------|-------------------------------|------------------------------|------------------------------|-------------------------------|
| <input type="checkbox"/> Jan | <input type="checkbox"/> Feb | <input type="checkbox"/> Mar | <input type="checkbox"/> Apr | <input type="checkbox"/> May | <input type="checkbox"/> June |
| <input type="checkbox"/> July | <input type="checkbox"/> Aug | <input type="checkbox"/> Sept | <input type="checkbox"/> Oct | <input type="checkbox"/> Nov | <input type="checkbox"/> Dec |

Components of Your Marketing Strategy:

- ☆ *Information pieces* include materials such as maps, description of amenities, description of landscape and wildlife, interpretive materials, etc. Information may not specifically be designed to bring customers in but should provide information that may attract them to your place or, at least, catch their attention.

☆ *Press/media releases* are information letters/videos that you send to TV, radio, newspaper or other organizations to let them know about something special happening at your site — or simply that you are special. The announcement should be something newsworthy so the media will use it. You have no control over whether or not they use your release. This is where creativity can go a long way to get significant "free advertising."

☆ *Sponsorship* involves financial support of a special event or activity to be an involved community member in hopes of gaining exposure to potential customers.

Marketing Methods

Landowners want to know how much it will cost to promote their businesses. However, some of the best promotion can be free.

Type	Cost*	Advantages and Disadvantages
Internet Web site	\$/month	24 hrs/day; world wide access but people need to be online, and you still need to advertise the site in other media
Internet advertising	\$\$	Can be useful for target audience; limited exposure to some markets but great way to target special interest groups
Brochure placements	\$\$\$	Very common and expected; generally low per brochure customer purchases, i.e. you need to distribute many of them in the right places
Mail outs	\$\$	Very good for existing customers, repeat business or special audience, usually too expensive for general audience
Yellow pages	\$\$\$	Probably not useful for rural operation; expensive
Special event booths	\$\$-\$\$\$	Great for direct contact but time consuming
Coupons	\$\$	Generates interest but be careful to maintain profit margin
Word-of-mouth	Free	Great when positive but you cannot control; encourage referrals
Television advertisement	\$\$\$	Most effective for mass tourism destinations; very expensive
Radio advertisement	\$\$\$	Good for target areas but you cannot select exact audience
Newspaper advertisement	\$\$\$	Great exposure but time limited and expensive
Articles in newspapers	Free	Very good exposure when positive; you cannot control
Magazines/journals	\$\$\$	Useful in special interest magazines but expensive
Press/media release	Free	Great way to get coverage, but useful only for newsworthy topics
Special interest stories	Free	Great way to get coverage, but you have no control over publication, and hosting travel writers takes planning and work
Public Service Announcement	Free	Can be good but useful only for true public service activities

* Average Cost Range: Free =no cost, \$= <\$100, \$\$=\$100-\$500, \$\$\$= \$500+



From the options on previous page, how will my customers find out about my place (how will I advertise?)?

Selected Promotional Pieces:

Example Media Story Excerpt (part of a press release)

"Our goal is to reach a point that when people around the state and beyond hear the name No Name Ranch, they think of a self-catered nature retreat. It includes clean and comfortable accommodations with plenty of charm; quiet and peaceful settings full of rugged West Texas beauty; wildlife observation areas complete with bird and wildlife feeders and water; miles and miles of hand-made nature trails for hiking, mountain biking or horseback riding; beautiful backdrops for scenes just waiting to be painted, photographed or written about; a cool swimming hole for a hot summer day; a crisp and blinding star-lit sky; and plenty of critters looking for new friends. Come join our family of friends at the No Name Ranch."

www.nonameranch.com

Web sites

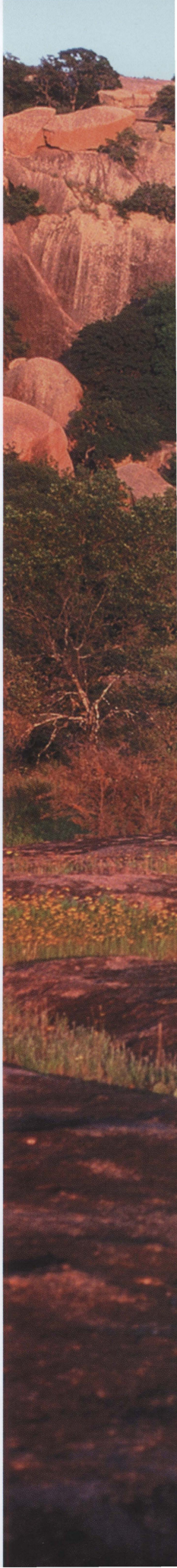
The usefulness and power of a Web site for marketing and other purposes is so great that it should be given important consideration if you decide to start a tourism/recreation enterprise. Of all of the ways to promote a business, the Internet provides some of the most useful and cost-effective ways to inform and attract your customers and answer their questions.

A well-developed Web site can answer questions that customers — and potential customers — might have. You can give directions, provide pricing, confirm reservations and stimulate interest in your place through a well designed and attractive Web site.

In addition, by employing some basic Web marketing techniques, the Web can enhance your ability to reach your market. The State Benchmark Survey, conducted by the Department of Recreation, Park and Tourism Sciences at Texas A&M University, found that 65-80 percent of travelers are using the Web to gather information about their destinations before they travel.

Another way to leverage your marketing efforts is to identify other businesses and community organizations (e.g. chambers of commerce, regional tourism groups) and create "links" to their Web sites, cooperating with them to promote your region as a tourist destination. These linkages then create new "doorways" for people to find your business on the Web. These doorways can be a valuable asset to small start-up businesses.

Getting a Web site hosted can cost as little as \$5.95/month, and you may get a Web site developed for a few hundred dollars (or for free if you can find a sharp high school or



college student familiar with Web programming). In recent research about small nature tourism businesses with Web sites, the owners recommended that proprietors learn to manage their own Web sites. A Web site does not need to be fancy or sophisticated to be effective — “Simple is Best.” Resources to help people learn the “basics” for developing their own Web sites can be found at <http://naturetourism.tamu.edu> and click on the Web site development link under “Practical Tools.”

Create a Brochure that Sells!

Your business brochure is a key marketing tool.

- ☆ **The top front 1/3 must “hook” the reader.** This is often the only part that shows in a brochure rack, so it must be exciting.
- ☆ **How do customers describe you?** Use testimonials (quotes from former customers).
- ☆ **Make an emotional connection.** Use text and photos that include people enjoying what you are selling.
- ☆ **Tell highlights and specifics, such as price, times, etc.** How much detail is required? Remember the brochure is meant to get them to 1) call 2) attend 3) buy/pay to attend.
- ☆ **Use design to strengthen your message.** Use fresh, updated photography that tells a story. Choose a typeface that is distinctive and easy to read against your background color/image. Make sure the size fits the rack!
- ☆ **Maps. Maps. MAPS!** Where are you in the world, state, county, city, etc.? Include a map to your site, meeting point, etc. Include a reference to a landmark they can see from the road.
- ☆ **Tell them how to get additional information** — phone, email, Web address, mailing address.
- ☆ **Create a complete package** so it is easy to say “Yes.” Consider needs for people to sleep and eat.
- ☆ **Inquiry** (flyers, etc. intended to stimulate calls for information) **and fulfillment pieces** (intended to complete payment/reservation, what they get when they call for more info) should be consistent in style and information.
- ☆ **Your text and photos should sell the experience!** Sell the enjoyment of riding a boat, not the ticket; sell the enjoyment of your dining experience, not just eating a meal.

Understanding where your customers come from

To reach potential customers and inform them about your operation, you must first know where they are (geographic region). Once you have customers, this information can be acquired simply by asking them for their zip codes. You should also gather zip codes from those who inquire about your place.

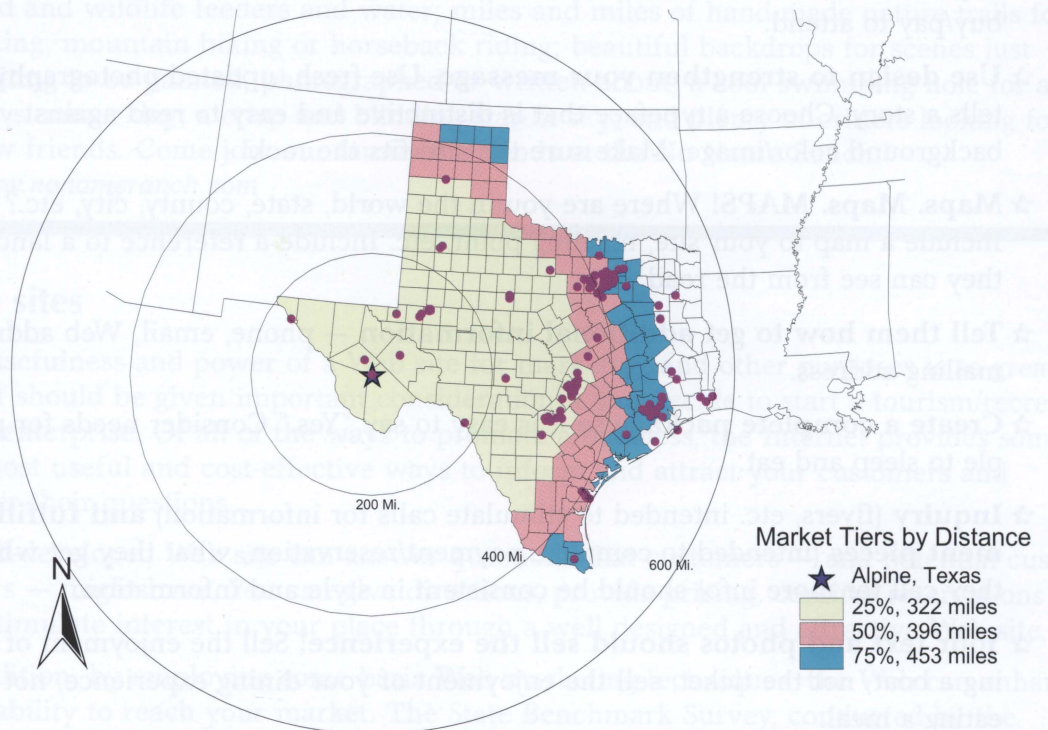
My customers will come from my _____?_____.

Neighborhood	City	County
Region	State	Nation
Other Nations		

Which one of the above best describes where you would have to advertise to reach 50 percent of your market, i.e. 50 percent of the people who will visit your place? This question can be answered by getting your customer's zip code (see the map and discussion below).

Most tourism destinations are dependent on customers who are located closer to home than most people expect. The map presented below shows actual results of our analysis of zip codes of visitors to Brewster County and Big Bend National Park.

Market Analysis for Brewster County and Big Bend National Park



According to the Texas Department of Economic Development Tourism Division, 80 percent of visitors to rural Texas travel less than 300 miles.

How Do I Evaluate the Plan?

Marketing plans must be constantly adjusted and updated so customers can be reached most effectively. Sometimes the type of customer that we assume we will attract is not what we were expecting; therefore, being flexible with your marketing plan process is essential. It is important to evaluate your success monthly, annually and by marketing tool (brochure, Web site, magazine article, etc.). Continually collect information about

your customers and people who inquire about your place. Zip codes are the simplest to collect, and a survey will provide much information about your customers and your overall business.

Evaluation is critical to your overall business operation. You should continuously gather information about your customers and be aware how to better serve them. Although there would be no way to provide a comprehensive discussion here, please consult the last section of this handbook for additional information about marketing.

Section 4 Summary and Worksheets

At this point you should

- ☆ Understand the basic elements of a marketing plan.
- ☆ Be able to create a method to collect information about customers.

During the next week

- ☆ Use Worksheet #7 to create your enterprise marketing plans.



Notes

Section 4 Summary and Worksheets

At this point you should

Understand the basic elements of a marketing plan and how to create a marketing plan. You should also understand the importance of a marketing plan and how to use it to create a marketing plan.

During the next week

Use Worksheet #1 to create your enterprise marketing plan. Use Worksheet #2 to create your enterprise marketing plan.

Market Analysis for Brewster County and Big Bend National Park



How Do I Evaluate My Marketing Plan?

Marketing plans are not created in a vacuum. They are created based on what we were expecting. It is important to have a tool (brochure, website, etc.) that can be reached by the target audience. The plan process is not a one-time event. It is a continuous process that should be updated by marketing information about the market and the business.

Section 5: Enterprise Selection and Beyond

You are nearing the end of this guidebook. The next exercise takes you back to your original goals and asks you to evaluate whether or not your chosen tourism/recreation enterprise will satisfy your personal/family/business goals and objectives. Because fitting with your goals is critical to success, answer the questions thoughtfully.

Section 5 also provides an overview of other issues to be addressed with business planning and development. Because these topics are covered in great detail elsewhere, we provide only a summary to help you move forward. Some additional sources of information and assistance are included in the Appendix.

Revisiting Goals

Go back to section 1 and review your goals. Answer the following questions:

1. Does my selected enterprise meet all my goals? Y or N (yes = skip to 7, no = go to 2)
2. Does my enterprise meet any of my goals? Y or N (yes = go to 3, no = skip to 5)
3. Can I adjust my enterprise to match my goals? Y or N (yes = go to 4, no = go to 5)
4. I can adjust my enterprise to match my goals by

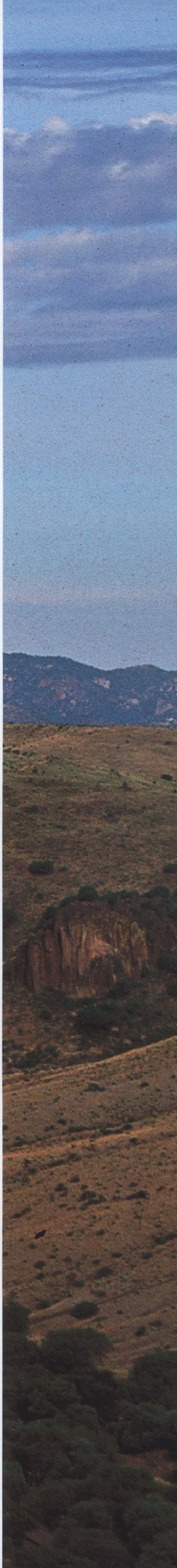
_____ (go to 7)

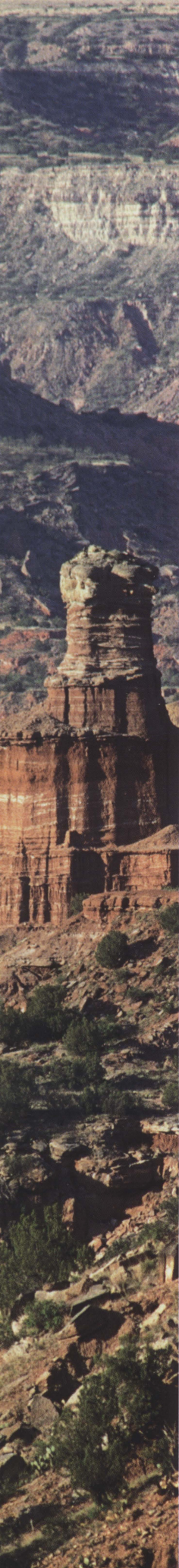
5. Look at the following options and determine if a different level of involvement can change the compatibility of the enterprise and your goals:
 - ☆ Contract with a tour company/guide/outfitter to do part of the work (like advertising and transportation), while you do the rest.
 - ☆ Lease some portion of your property to a tour company/guide/outfitter service to take care of everything.

Do either of these options make the enterprise meet my goals? (yes = go to 7, no = go to 6)

6. Go back to section 2 and evaluate a different enterprise type.
7. My selected enterprise is

Congratulations! You have finished the primary content of this handbook. You should have enough information to take definitive steps to start your business. However, there remains considerable work to do. Below is an outline of the major "next steps" you would need to undertake in any business planning process. A number of other resources, including publications on business planning or tourist enterprise development, can guide you in further development of your business.





We recommend *Agritourism and Nature Tourism in California*, published by the University of California Small Farm Center. This publication covers many of the topics that we have addressed and provides in-depth discussion of some topics.

Some of the next steps involve important legal and financial questions. It is advisable to consult a lawyer, insurance agent and an accountant, or financial advisor, to get the most accurate information for your specific situation. While situations can vary significantly, considerable assistance is available. For personal assistance you might contact your local chamber of commerce or the U.S. Small Business Administration (SBA) at Web address www.sba.gov or SCORE (Service Core of Retired Business Executives) at www.score.org.

Next Steps

Below are additional steps to consider if you are interested in further developing your tourism/recreation enterprise. These topics are not unique to tourism/recreation; they are relevant to business development in general. There are excellent sources of information and assistance available from many agencies or organizations. The following list is by no means comprehensive and should serve only as a guide.

- ☆ Completing your business plan
- ☆ Legal and regulatory issues
- ☆ Risk management plans
- ☆ Resource assessment, site/activity and facilities planning
- ☆ Taxes and employment
- ☆ Administrative planning
- ☆ Operation planning

Completing Your Business Plan

Creating a business plan is an important part of formalizing the ideas you have for your business. It will also be useful when you approach others for potential collaboration or financing. Because of the abundance of business planning books, Web sites and personalized assistance available at no or little cost, we provide here only an outline of a common form of a business plan. See Appendix A for "business plan" resources.

Parts to a Business Plan (*a general outline*)

- ☆ Executive summary
- ☆ Mission statement
- ☆ Your business concept or idea
- ☆ Measurable goals and objectives
- ☆ Background information (industry research and market analysis)
- ☆ Management needs and management history
- ☆ Marketing strategy
- ☆ Financing
- ☆ Appendix

Legal and Regulatory Issues

Legal forms of business

When starting a new tourism/recreation enterprise, you will likely want to consider establishing a formal business separate from your home/ranch. To do this, you must decide what legal form of business to establish. Five common forms of businesses are:

- ☆ Sole proprietorship
- ☆ Partnership
- ☆ S Corporation
- ☆ Corporation
- ☆ Limited liability company (LLC)

Each of these business types involves different responsibilities and liability protections. Appendix B shows a summary provided by the Texas Economics Extension program regarding legal forms of business. This information is available online at <http://ruralbusiness.tamu.edu/center/pdfs/legalform.pdf>.

It is a good idea to seek legal advice about the proper form of business for your specific situation.

Liability and insurance

We recommend that you consult a lawyer and an insurance agent for specific information applicable to your business. Appendix C provides general information about liability exposure for landowners in Texas that has been prepared by the Real Estate Center at Texas A&M University. However, it will be important for you to give careful consideration to your particular situation.

Regulatory Issues

Regulation is a broad and potentially complex topic that can vary significantly depending on location. There may be regulations in force at several jurisdictional levels — federal, state, county or city. In some parts of rural Texas, there are few regulations in place regarding land use and development; however, a business owner must be aware of the applicable regulations and how they might impact his or her operation. Regulations will also vary depending on the type of business that you operate. If you plan on accommodate overnight guests or serve food, you need to comply with laws that govern those types of activities. For specific information, contact the industry organizations or agencies familiar with applicable rules. Most regulations will fall under the following general categories:

- ☆ Land use and land development
- ☆ Public health and safety
- ☆ Environmental health
- ☆ Direct marketing
- ☆ Business

For information on a particular topic in Texas, you can refer to the following list of topics and contacts. You should also get information from an official source in your area.



Lodging/Overnight accommodations

Texas Hotel/Motel Association

Web site: www.texaslodging.com

Phone: 800-856-4328

Americans with Disabilities Act

Web site: www.usdoj.gov/crt/ada/

Phone: 800-514-0301

Food service

Texas Department of Health (TDH)

Web site: www.tdh.state.tx.us/

Phone: 888-963-7111

Texas Restaurant Association

Web site: www.restaurantville.com/

Phone: 800-395-2872

Buildings/Facilities/Fire

Local building codes (city offices)

Local fire code (local fire department)

Risk Management — Reducing Liability and Financial Risks

Risk management is of utmost concern to people considering a tourism/recreation enterprise because it deals with landowner liability. Because lack of planning can be very costly financially and personally, careful planning should occur to reduce risk and ensure the safety of both visitors and employees. A well thought-out risk management plan can improve operations in your business.

There are numerous publications available that provide the information needed for developing your risk management plan. In Texas, landowner liability for recreational



visitors has been reduced significantly by Chapter 75 of the Texas Civil Practices and Remedies Code (summarized in Appendix C). The two kinds of risks that can challenge a tourism/recreation enterprise are ranch/farm safety risks and financial risks. The most common strategies to reduce these risks are:

- ☆ Avoid certain activities
- ☆ Make your operation as safe as possible
- ☆ Issue liability waivers
- ☆ Select the appropriate legal structure for your business
- ☆ Buy insurance
- ☆ Learn and follow good management practices when hiring, training and working with your employees

Appendix C provides a summary provided by the Real Estate Center regarding recreational visitors as outlined in Chapter 75. In addition, we have provided references to three sources for guidance on developing a risk management plan.

Resource Assessment, Site/Activity and Facilities Planning

This section expands on the activities previously completed in Section 2 (Worksheet #2, Resource Map, etc). This outline focuses on facilities. This part of the business development process is important because it can be the most costly part of an enterprise.

Careful consideration should be given whether to build new facilities for a ranch/farm recreation enterprise so as not to overburden a fledging operation with large capital expenditures. Most nature-based tourism/recreation businesses do not produce large incomes, so paying off large capital expenditures could take considerable time. Adapting existing facilities to a new use is a prudent approach until the size, scope and potential of the new venture becomes evident.

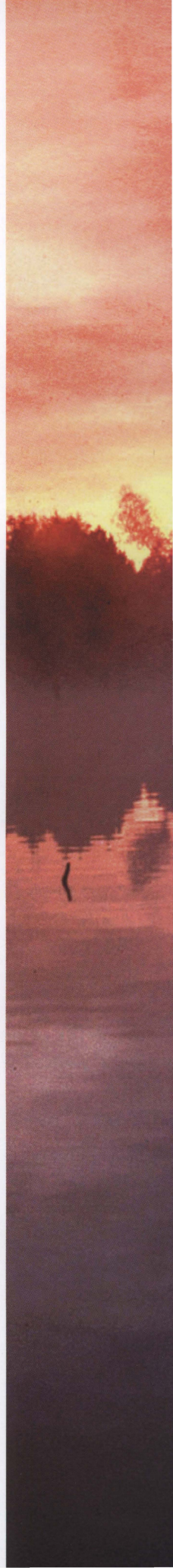
However, simply converting an old house to a guesthouse will not suffice. Remember that tourists typically have high expectations when they are on vacation. The activities and services associated with ranch/farm tourism and recreation need to provide a quality experience. Careful consideration needs to be given to hospitality, facilities, scheduling and programming. The following outline can provide a starting point for your resource inventory and site/activity planning efforts.

When you conduct a resource inventory you should:

- ☆ Identify and assess potential recreational use areas, trails, etc. (include photos, detailed descriptions and maps).
- ☆ Identify and assess existing facilities (include photos, detailed descriptions and specific recommendations for necessary improvements).

Site/activity planning refers to how you plan to match your facilities with the activities that you will provide.

- ☆ Conduct site assessments for areas that you have identified for recreational activity development (include maps).
- ☆ Identify places of special interest or use (historical, cultural, geological, etc.).
- ☆ Carefully identify vulnerable areas and their characteristics, such as:
 - Threatened/endangered species and habitats



- Wetlands
 - Riparian zones
 - Recharge zones and features
 - Nesting sites or other vulnerable habitats
 - Cultural or archeologically significant sites.
- ☆ Develop plans for access/non-access and management
 - How will visitors get to the site?
 - How will visitors move while at the site?
- ☆ Use the site assessments and other resources to develop a site and facilities development plan (develop a plan and have it written on paper). Using maps in any form is useful, even if they are hand drawn. However, using other "base" maps such as topographical, GIS or arial photos would be even better.
 - Your plan should meet the goals for your entire enterprise (e.g. personal/family, customer satisfaction, resource protection, etc.).
 - Your interpretive plan provides a way to develop the methods to meet these goals (e.g. quality experience, visitor management, etc.).
 - Develop your plan with resource protection and sustainability in mind.
 - Develop your plan to avoid or minimize impacts — Impacts are most often associated with the types and locations of facilities/amenities and may be minimized by the type of construction methods used.
 - Plan your site with accessibility in mind, giving consideration to your market/audience and the ADA (Americans with Disabilities Act).
 - Your facilities plan should include a map and outline (current, future) of locations and characteristics — uses (what kind of activities will take place?), sizes (how many people does it need to accommodate?), style (materials, utilities, waste disposal, etc.), codes and standards.
 - Development stages — A tourism/recreation business will not usually build all the facilities it will ultimately need at the start of the business. This is to avoid overburdening the business with capital expenditures. The facilities development plan should include the sequence that the facilities will be developed and the phases of project development.

Taxes

Taxes can be very complicated. We recommend you consult with a professional about taxes associated with small businesses and consider the following (Potts):

- ☆ Self-employment
- ☆ Tax Preparation
- ☆ Social Security and State Taxes
- ☆ Sales Tax
- ☆ Hotel Occupancy Tax
- ☆ Special Deductions
- ☆ Tax Credits

Employees

Hiring employees creates a new group of business management issues. However, many ranchers/farmers have dealt with hired help, so some issues may not be entirely new. In any case, it is important to note again that a tourism/recreation business is very different from traditional agriculture. While someone once said that "nature tourism is like people ranching," we would caution that perspective. People, or your customers, have greater expectations and needs than livestock or crops. Consider carefully who you hire, the responsibilities they will have and if they match with the individual's capabilities (e.g. work with people, level of professionalism, etc.).

The following list outlines a few things you should consider; however, state and local regulations may differ. In Texas, you should contact the Texas Workforce Commission for specific information about state and federal laws applicable to employers. Appendix E lists resources for landowners who are considering hiring employees.

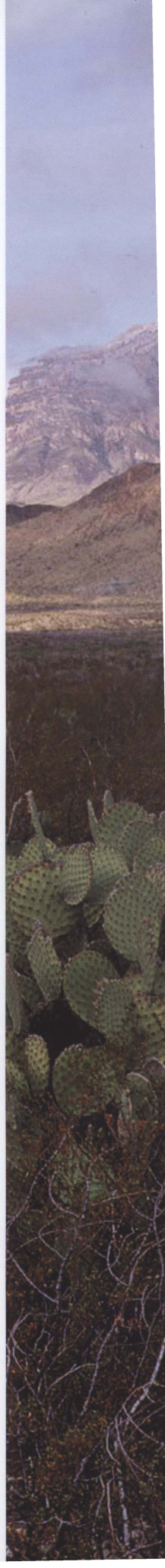
- ☆ Will employees live in town or will I provide them a place on-site?
- ☆ What changes will be needed in my insurance policy to cover employees?
- ☆ What will workman's compensation cost and is it required?
- ☆ How much will employees cost and how will I manage them?
- ☆ Am I required to withhold income taxes and, if so, how much?

Administrative Planning

Much like your business plan, your business administration plan provides the organizational structure for your operation. Careful planning during the initial stages can pay off significantly and can eliminate many frustrations. While planning, look towards the future and prepare for the growth of your business. You should plan for contingencies and accomplishments long-term so transitions during times of business growth will be much less problematic.

The list below shows the general categories to consider. These items and how much effort they require on your part will depend significantly on the size and kind of operation you decide upon.

- ☆ Forms of payment
- ☆ Reservation requests — Reservations are generally made through telephone, mail or over the Internet. Customers trying to make reservations expect to get through in the first couple of tries and expect to talk to a knowledgeable person. Use preprinted forms to gather the necessary information in a uniform format. Once a deposit is received, send a reply to the customer and keep a record for yourself. Enter all reservations into a date book or calendar, and make this readily available to those handling reservations.
- ☆ Office equipment and supplies — Personal computers are huge assets for a small business. They can keep records, give correspondence a professional look and provide access to the Internet and its wealth of helpful information. You will also need common office supplies such as stationary, staplers, etc.
- ☆ Bookkeeping and accounting — Set up an accounting/record keeping system before starting your business. Keeping good records increases your business's



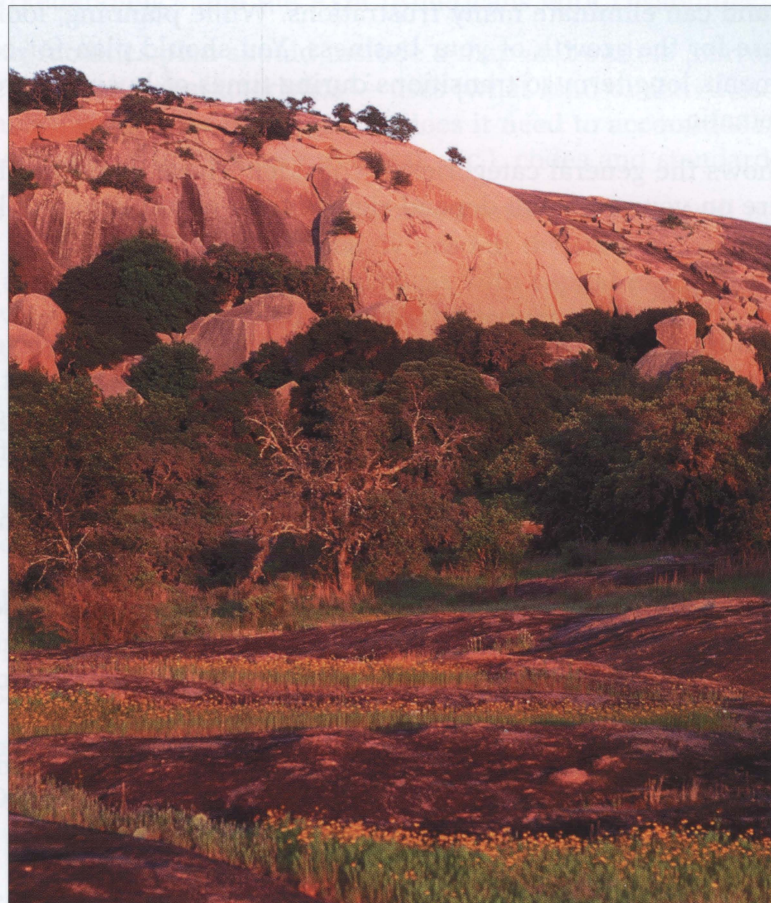
chance of survival. Accurate records will help you make informed decisions rather than using guesswork. An accountant can greatly help organize information for tax purposes, but other information should be organized for future business decisions. For example, keeping accurate information about customers who come to your place will allow you to profile them in the future.

The following outline provides a brief overview of considerations for supporting your business administratively (*Nature-Based Tourism Enterprises: Guidelines for Success*, Potts and Rourke, 2000, used with permission of author).

Operation Planning

To develop a plan of operations, you should begin by deciding:

- ☆ The activities to be carried out to operate the business.
- ☆ Who will carry out these activities.
- ☆ How their jobs will be defined (job descriptions).
- ☆ What talents are necessary to make the business operate smoothly.
- ☆ How any inadequacies will be handled.
- ☆ The objectives for the major activities and the policies and procedures for reaching them.



An important facet of operations is developing safety procedures, rules and regulations for clientele and staff. Sufficient resources and time should be allocated to assure their safety. A well-organized excursion into nature begins with an educational session covering safety requirements. Clientele should also be made aware of the need for conservation and preservation. (Excerpt from Potts by permission)

Job Responsibilities

It takes much effort to run a successful recreation and nature tourism business; therefore, organizing job responsibilities is important to make sure everything goes smoothly. Since most small businesses operate with relatively few employees (1-10), the tendency is for everyone to be responsible for everything. However, it is highly recommended that you divide duties or, at least, put individuals in charge of specific parts/tasks. Create a chart similar to the one below to organize your operation's employees.

Employee Name	Enterprise Part	Task Description	Due Date/Cycle
Me	Farm Tour	Trim trails	Quarterly
Me	Farm Tour	Prepare/Revise tour agenda	Each tour
Nancy (wife)	Farm Tour	Prepare name tags and ice tea	Each tour

Safety procedures

To ensure the safety of your customers, safety procedures should be written out for each activity/service you offer. For example, if you are operating a horseback-riding program, you may require guests to wear helmets, heeled leather-soled boots and denim jeans. You might also require them to go through a "horse orientation" course before being allowed to ride. Although it may take them several times to remember the cautions, it is important to convey these safety procedures to your guests.

Consider the multiple ways safety procedures can be conveyed — brochures, waivers of consent, posted signs and verbal communication through your employees. Creativity can be useful in explaining safety procedures. Clientele should also be made aware of the need for conservation and preservation.

Safety procedures should also include the actions that employees should take if an accident or other injury should occur. These procedures will differ depending on the severity of an injury — one injury may require a band-aid and ice while another might require your employee to contact EMS services immediately. Your employees must know what the procedure is if a guest does not follow the safety rules. It is also important to have safety regulations for your employees, so they will know what is acceptable, safe conduct while working with your customers. Know the route to the closest hospital and when they accept patients.



Section 5 Summary

At this point you should

- ☆ Select and evaluate your tourism/recreation enterprise.
- ☆ Be familiar with the parts of a business plan.
- ☆ Be familiar with some important considerations for continuing to build your business.

During the next week

- ☆ Look at the online resources for developing nature tourism at <http://naturetourism.tamu.edu>.

(Portions of this section were based on *Nature Based Tourism Enterprises: Guidelines for Success* by T.D. Potts and T. A. Rourke, Strom Thurmond Institute of Government and Public Affairs. Available online at www.strom.clemson.edu/publications/Potts/nbt2000.pdf.)

GOOD LUCK!

Worksheet #1

Brainstorming Potential Enterprises

There are numerous resources about brainstorming. There is no right or wrong way to brainstorm. These instructions are only provided as a guide. The following excerpt is from JPB Web site at www.jpbc.com/creative/brainstorming.php.

Brainstorming can be an effective way to generate lots of ideas and then determine which idea(s) best solves the problem. Brainstorming is most effective with larger groups of people and should be performed in a relaxed environment. If participants feel free to be silly, they'll stretch their minds more and therefore produce more creative ideas. In order to brainstorm, you will need either a chalkboard or white-board or BrainStormer, our new software for brainstorming.

Brainstorming works best when you have a larger group of varied people. If you are a division in a company, invite people from other divisions to participate. Try to get as varied a group as possible to participate; this will result in the widest and most creative range of ideas.

Step by Step

Worksheets

Define your problem. It can be a problem, a goal, or a challenge. It can be necessarily negative — your problem could be, "We need a new product for the Christmas season" or "How can we effectively use our departmental budget surplus for this year?" Write out your problem concisely and make sure that everyone understands the problem and is in agreement with the way it is worded. There is no need to put a lot of restrictions on your problem at this time.

Give yourselves a time limit — we recommend around 25 minutes, but experience will show how much time is required. Larger groups may need more time to get everyone's ideas out.

Everyone must shout out solutions to the problem while one person writes them out. There must be **ABSOLUTELY NO CRITICIZING OF IDEAS**. No matter how daft, how impossible or how silly an idea is, it must be written down. Laughing is to be encouraged. Criticism is not. Why?

Because you want to encourage the free flow of ideas, and as soon as participants of the brainstorming session begin to fear criticism of their ideas, they'll stop generating ideas. Moreover, ideas that first seem silly may prove to be very good or may lead to ideas that are very good.

Once your time is up, select the five ideas which you like best. Make sure everyone involved in the brainstorming session is in agreement.

Write down about five criteria for judging which ideas best solve your problem. Criteria should start with the word "should"; for example, "it should be cost effective," "it should be legal," "it should be possible to finish before July 15," etc.

Give each idea a score of 0 to 5 points depending on how well it meets each criterion. Once all of the ideas have been scored for each criterion, add up the scores.

Section 5 Summary

At this point you should

- ★ Select and evaluate your tourism/recreation enterprise.
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- ★ Be familiar with some important considerations for continuing to build your business.

During the next week

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Workshops

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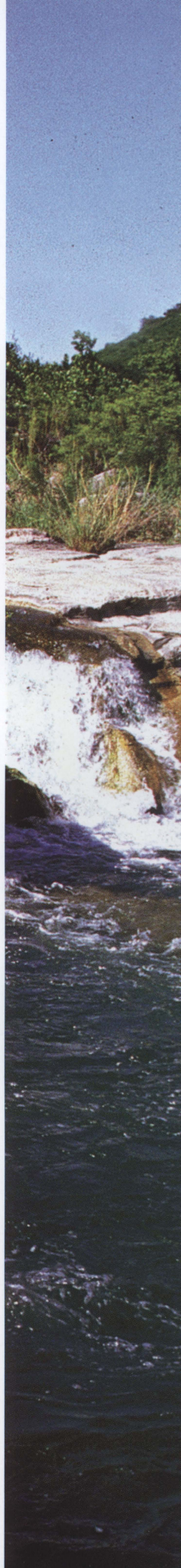
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Give each idea a score of 0 to 5 points depending on how well it meets each criterion. Once all of the ideas have been scored for each criterion, add up the scores.





The idea with the highest score will best solve your problem. But you should keep a record of all of your best ideas and their scores in case your best idea turns out not to be workable. Use the table below to list the ideas that scored the highest from your brainstorming session.

Brainstorming for Potential Enterprises and Markets

Enterprises	Markets

Define your problem (please note that the word "problem" is not necessarily negative — your problem could be "We need a new product for the Christmas season," or "How can we effectively use our departmental budget surplus for this year?"). Write out your problem concisely and make sure that everyone understands the problem and is in agreement with the way it is worded. There is no need to put a lot of restrictions on your problem at this time.

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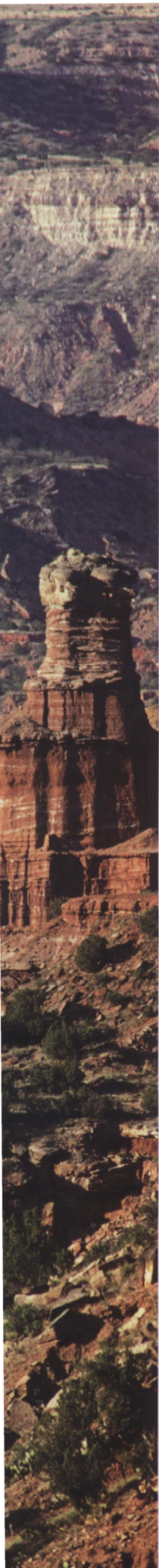
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Give each idea a score of 0 to 5 points depending on how well it meets each criterion. Once all of the ideas have been scored for each criterion, add up the scores.



Worksheet #3

Enterprise Information Gathering (Comparables)

Instructions

1. Answer as many questions as possible before you make personal contact. Most Web sites will provide answers to several of those questions.
2. Contact each "comparable" by phone or in person (use Texas INFRONT to find comparables at <http://survey.tamu.edu/texasinfront>).
3. Complete this worksheet for each enterprise you evaluate.
4. Use these questions as a guide for the interviews.
5. Take notes of other open-ended responses that seem important.
6. Immediately or soon after the interview, return to this worksheet and fill out the responses more completely. This step is important because during the interview you won't have enough time to include details about the topics.

Basic Information

Enterprise Name: _____ Phone #: _____

Enterprise Address: _____

Enterprise Type: _____

Source of Information: _____

Web site _____ Brochure _____ Personal Interview _____ Other _____

Email Address: _____

Range of Activities and Services being Offered to Guests

1. What experiences do you offer your guests? _____

2. What activities do you offer? _____

3. What services do you offer? _____

Price — the amount they charge for their experiences and services

4. Do you charge a flat per-person fee, or do you charge by each activity/service?
If flat fee, go to question 5. If per activity/service, skip to question 6.

5. What is the flat per-person fee (then skip to question 8)? _____

Costs – the expenses that their business incurs to offer the experiences

10. How much initial money was required for you to get started? _____

11. What are the various expenses exclusively related to this tourism/recreation enterprise?

Examples: Marketing \$400, salaries \$8,000, utilities \$3,000, etc.

12. What expenses does this enterprise share with other enterprises on your land?

Examples: Land debt, insurance, salaries, vehicles, gas, etc.

Target Market(s) – the type(s) of people they try to attract

13. Describe your target customer:

Age? _____ Married? _____ Education? _____

Income Level? _____ Group size (# people)? _____

Group composition (2 adults, 1 child, family)? _____

Hobbies/Interests? _____

Customer type? (relaxed, adventuresome, luxury seeker, etc.) _____

14. How far does your average customer travel to get to your place? _____ miles

Promotion and Advertising – ways they get information about their place to the market

15. How do your customers find out about you? (e.g: word of mouth, brochure, website, direct mail) _____

16. Have you ever had a newspaper/magazine article or radio/TV news program done about your place? _____

Uniqueness – the things that set them apart from other similar operations

17. What sets your enterprise apart from other similar enterprises? _____

Operating Schedule – hours per day, days per week, months per year they are open for business

18. How many hours per day are you open? _____ Which hours? _____
19. How many days per week? _____ Which days? _____
20. Which months of the year: (Put an X in the box if they are open that month)
- | | | | | | |
|-------------------------------|------------------------------|-------------------------------|------------------------------|------------------------------|-------------------------------|
| <input type="checkbox"/> Jan | <input type="checkbox"/> Feb | <input type="checkbox"/> Mar | <input type="checkbox"/> Apr | <input type="checkbox"/> May | <input type="checkbox"/> June |
| <input type="checkbox"/> July | <input type="checkbox"/> Aug | <input type="checkbox"/> Sept | <input type="checkbox"/> Oct | <input type="checkbox"/> Nov | <input type="checkbox"/> Dec |

Seasonality – the times of the year when most of their guests come

21. Are guests more likely to visit your place during certain times of the year? Y or N
If so, when? _____
22. What are your busiest days of the week? _____

Resources – facilities, wildlife, people, talents, money, water, location, etc.

23. What resources do you have that contribute to your business in the following areas:

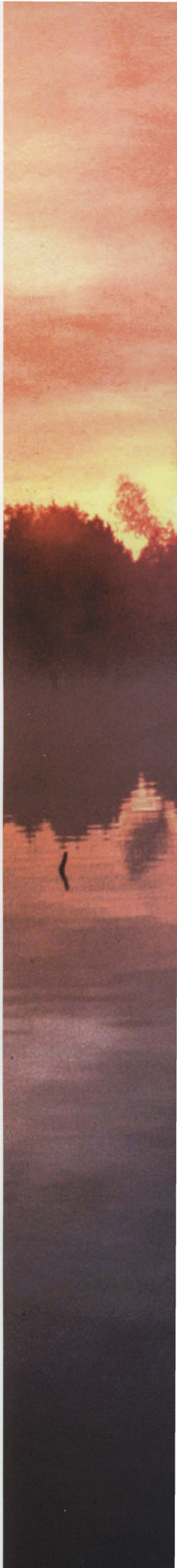
Natural: (Examples: $\frac{1}{2}$ mile of river frontage, bluebonnet fields, etc.) _____

Historical/cultural: (Examples: 3rd generation cactus farm, Jesse James's birthplace, etc.) _____

Physical: (Examples: 3 cabins, 5 horses, 1 catfish pond, etc.) _____

Human: (Examples: 1 resident expert butterfly guide, I am certified in CPR and first aid, etc.) _____

Financial: (Examples: the ranch is endowed, I work part-time in town, etc.) _____





Programming – the act of converting your activities and services into an experience

24. What special programs/activities do you host for your guests?

Interpretation – the true and compelling stories of people, places, and events being told

25. Are there special stories about your place that are important to the success of your business? (Examples: unique natural, historical, cultural, etc.)

Promotion and Advertising – ways they get information about their place to the market

Uniqueness – the things that set them apart from other similar operations



Worksheet #5

My Enterprise Profile

Instructions

This worksheet is similar to the one you used for "Comparables" (Worksheet #3). Based on the work you have done, complete the worksheet about your potential tourism/recreation enterprise.

My range of activities and services being offered to guests

1. What experiences will I offer my guests? _____

2. What activities will I offer? _____

3. What services will I offer? _____

Price — the amount you will charge for your experiences and services

4. Will I charge a flat per-person fee or will I charge by each activity/service?
If flat fee, go to question 6. If per activity/service, skip to question 7.
5. What is the flat per-person fee (then skip to question 8)? _____
6. What are the activities/services and their prices (*then skip to question 9*)?

Activity/Service	Price	Unit
Example: <i>Horseback rides</i>	\$40	2 hours

7. What do you offer guests that you don't charge for? _____

Target Market(s) – the type(s) of people I try to attract.

8. Describing my target customer:

Age? _____ Married? _____ Education? _____

Income Level? _____ Group size (# people)? _____

Group composition (2 adults, 1 child, family)? _____

Hobbies/Interests? _____

Customer Type? (relaxed, adventuresome, luxury seeker, etc.) _____

9. How far will my average customer travel to get to my place? _____ miles

Resources – facilities, wildlife, people, talents, money, water, location, etc.

10. What resources do I have that can contribute to my business in the following areas:

Natural: (Examples: 1/2 mile of river frontage, bluebonnet fields, etc.) _____

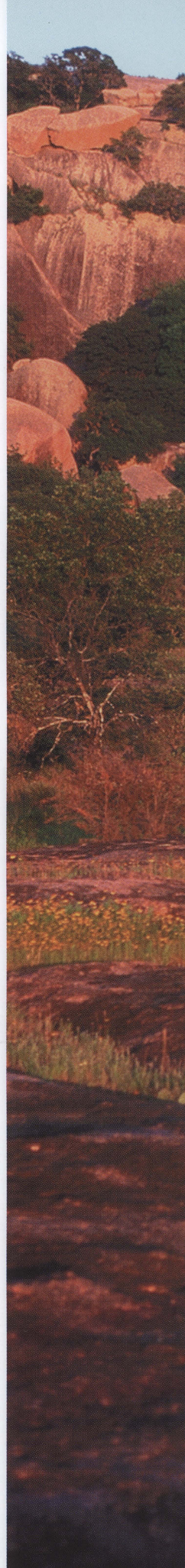
Historical/cultural: (Examples: 3rd generation cactus farm, Jesse James's birthplace, etc.) _____

Physical: (Examples: 3 cabins, 5 horses, 1 catfish pond, etc.) _____

Human: (Examples: 1 resident expert butterfly guide, I am certified in CPR and first aid, etc.) _____

Financial: (Examples: the ranch is endowed, I work part-time in town, etc.) _____

11. What resources are lacking that would be required to produce this experience?



Capacity – the maximum number of guests I can reasonably handle in a day/year/tour.

12. What is your maximum number of guests (per unit)? (Example: 10 people per night)
 13. For each activity/service (from question 6), what is your maximum number?

Activity/Service	Maximum # units per activity	Maximum # activities per day	Maximum Capacity
<i>Example: Horseback rides</i>	<i>6 riders per tour</i>	<i>4 tours</i>	<i>6 X 4 = 24</i>
<i>Example: Maid Services</i>	<i>1 cleaning per cabin</i>	<i>5 cabins</i>	<i>1 X 5 = 5</i>

Costs – the expenses my business incurs to offer the experiences.

14. How much initial money will be required to get started? _____
 15. What are the expenses exclusively related to this enterprise and their cost?
 (Examples: Marketing \$400, salaries \$8,000, utilities \$3,000, etc.)

16. What expenses does this enterprise share with other enterprises on the land?
 (Examples: Land debt, insurance, salaries, vehicles, gas, etc.)

Promotion and Advertising – ways you will get information about my place to the market.

17. How do your customers find out about you? (Examples: brochure, website, direct mail) _____



18. Have you ever had an article or radio/TV news published about your place? _____

Uniqueness – the things that set me apart from other similar operations.

19. What sets your enterprise apart from other similar enterprises? _____

Operating Schedule – hours per day, days per week, months per year, you will be open for business.

20. How many hours per day are you open? _____ Which hours? _____

21. How many days per week? _____ Which days? _____

22. Which months of the year: (Put an X in the box if they are open that month)

- | | | | | | |
|-------------------------------|------------------------------|-------------------------------|------------------------------|------------------------------|-------------------------------|
| <input type="checkbox"/> Jan | <input type="checkbox"/> Feb | <input type="checkbox"/> Mar | <input type="checkbox"/> Apr | <input type="checkbox"/> May | <input type="checkbox"/> June |
| <input type="checkbox"/> July | <input type="checkbox"/> Aug | <input type="checkbox"/> Sept | <input type="checkbox"/> Oct | <input type="checkbox"/> Nov | <input type="checkbox"/> Dec |

Seasonality – the times of the year when most guests visit.

23. Are guests more likely to visit your place during certain times of the year?

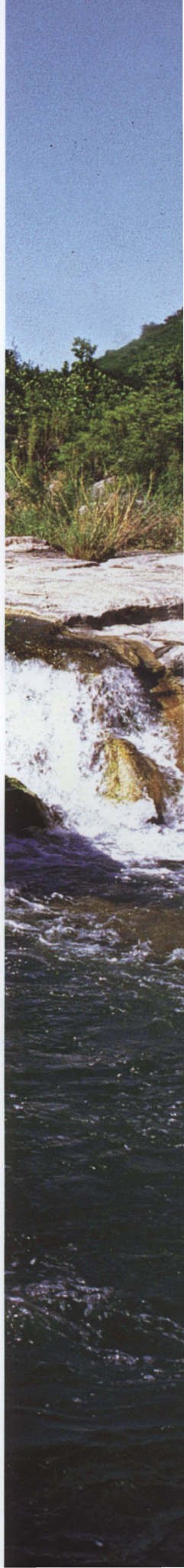
Yes or No

If Yes, when? _____

24. Are guests more likely to visit your place during certain times of the week?

Yes or No

If Yes, when? _____



Worksheet #6

Financial Plan

Remember, this process is based on four easy steps:

1st Project Revenue

2nd Project Costs

3rd Project Income

4th Estimate net income and cash flow

You can either complete the worksheets provided here or go to the Web site (<http://naturetourism.tamu.edu>) and use the specialized software program "Recreation Finances 1.0," developed by the Texas A&M University Nature Tourism Extension Program together with the Agricultural Economics Program. This program will automatically do your calculations and offers more detail than is included in this handbook.

Step 1: Projecting Revenue

Fill in the following table using your answers to the Getting Started Questions in Section 3.

Question #		Ranch Tour Enterprise
1	Work Hours per Event	
2	Capacity per Event	
3	Attendance - % Capacity	%
4	Event per Day	
5	Avg. Event Price per Guest	
6	Acres used for Event	
Attendance Seasonality (Events per Month)		
7	January	
8	February	
9	March	
10	April	
11	May	
12	June	
13	July	
14	August	
15	September	
16	October	
17	November	
18	December	
19	Total Events per Year	

From the information above, you can determine your projected revenue by using a calculator and simply multiplying the answers to the following questions together.

Calculating Gross Revenue

Question #		Ranch Tour Enterprise
2	Capacity per Event	
3	Attendance - % Capacity	%
4	Events per Day	
5	Avg. Event Price per Guest	
19	Total Events per Year	
	Multiply entries together for gross revenue*	

*Note: use decimals for percentage when calculating. Example: use 0.75 for 75%

Step 2: Projecting Costs

It may take a little research to estimate how much something might cost per person or per event. For example, you may have to develop a menu or go to a store and price it. Don't forget to use your comparables for information about expenses. Also, asking others who might know can sometimes help.

Direct Costs

Remember that a direct cost is any expense that is required each time you conduct an event.

1. Fill in the "\$ per Unit" column (this is how much it will cost per person or event) with the proper amount.
2. Fill in the "# Units" column, which is determined by the following equation: # units Person = Questions #2, #3, #19 multiplied together and the # Units for an Event = Question #19* (Questions from Getting Started Questions).
3. Multiply the "\$ per Unit" and the "# Units" columns together and put the total in the "Total" column.

Direct Costs	Unit	\$ per Unit	# Units*	Total
Food	Person			
Labor	Event			
Guide	Event			
Supplies	Person			
Fuel	Event			
Direct Cost Total				

Indirect Costs

An indirect cost is any cost that is incurred one time, regardless of the number of events. These costs can be paid completely in year 1 or paid out over multiple years.

Each cost will fit into one of the following nine categories: "Advertising," "Equipment," "Facilities and maintenance," "Insurance," "Professional" (legal, accounting, etc.), "Management," "Permits, fees and licenses," "Land cost" and "Income Tax Rate."

Fill in the following table to determine your indirect costs.

As in the workbook, use the table below for notes to estimate overall indirect costs. For example, you enter \$3,000 for Equipment to pay for a trailer. If you are going to spread the costs over three years, enter only the year 1 portion (\$1,000) of the total cost in the far right column. Most items in this table will be the same for Cost and Year 1 because most are annual expenses.

Indirect Cost	Cost	Cost for Year 1
Advertising		
Equipment		
Facilities and Maintenance		
Insurance		
Professional (Legal, Acct, etc.)		
Management (Salary)		
Permits, Fees and Licenses		
Land Cost		
Income Tax Rate		
Indirect Cost TOTAL		

Step 3: Projected Income

Use the totals from the tables above to fill in the following table. $\text{Income} = \text{revenue} - \text{direct cost} - \text{indirect cost}$.

Revenue	Direct Cost	Indirect Cost for Year 1	Income

The amount of income is whatever profit you would make with this scenario. If you wanted to hire someone else to run the operation, their salary would be subtracted from this amount by entering it in as a Management cost.

Step 4: Cash Flow Statements

This section is intended to break down the yearly revenue and expenses by month so you can better plan when you will need cash in hand to pay bills or when you will actually be receiving cash.

- Using the numbers you entered in the revenue projection tables, enter the income and cost amounts for each month. For Indirect Costs in this example, we assume you will make 12 equal payments for one year. Use the total calculated above for indirect costs and divide by 12. Enter this same amount for each month.

Worksheet #7

Marketing Plan

Instructions

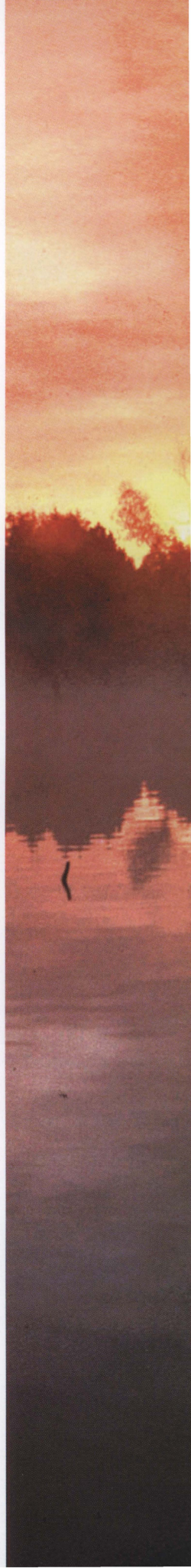
You completed the first components of a marketing plan in Section 4. Now build on those ideas to identify specific tasks you will accomplish. Lay out an initial plan for marketing/promoting your enterprise. You may need to do some research to determine your best strategies.

Advertising to reach your market segments

Market Segment	Advertisement-Medium	Location	Cost/Year or Event
<i>Example</i>	<i>Newspaper classifieds</i>	<i>Houston</i>	<i>\$1,200 a month</i>
1.			
2.			
3.			
4.			
5.			
6.			
7.			

Marketing Plan - Interpretive Program

Story Topic / Message	Audience / Purpose	Program Setting
<p>Example: Hunting "success" over mid-day on the generations as we learn more about the adaptability of the deer.</p>	<p>Hunters — To give added value to the lease/hunt while educating hunters how and why they should follow hunting rules; encourage word of mouth advertising by adding social element and educational information on deer.</p>	<p>Campfire BBQ opening weekend. Here the message of pride, land management and hunter responsibility is delivered in a fun way, helping build clients.</p>
<p>1.</p>		
<p>2.</p>		
<p>3.</p>		
<p>4.</p>		



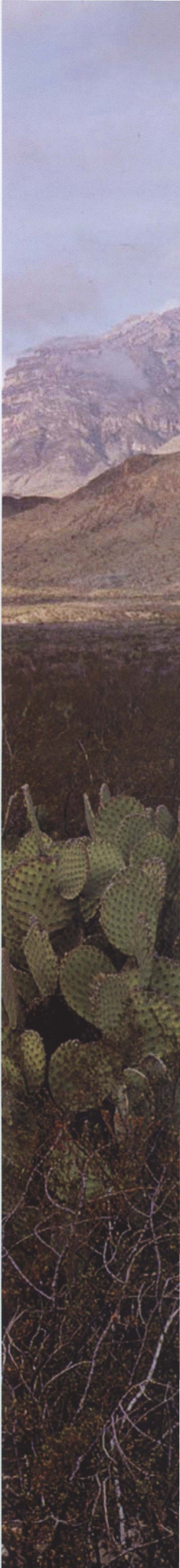
Worksheet #8

Next Steps

Task	Resource Person/Agency	Completion Date
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
15.		
16.		
17.		
18.		
19.		
20.		

APPENDIX

Resources for Further Assistance



Appendix A. Business Plans

You will be able to take the work you have completed so far in this handbook and use it to develop your business plan. However, there will be some major gaps in your business plan. The following section will address some of those areas and add to fill the gaps. Remember, there are many sources designed to help you with a business plan including software programs and handbooks. Another excellent resource for assistance would be a university or community college in your area. Make contact with an agribusiness specialist of the business school or department.

Resources for business plan assistance

Department of Agriculture

"Building an Agribusiness or Small Business Plan" (pdf file)
www.agr.state.tx.us/eco/rural_eco_devo/economic_development/docs/2000plan.pdf

Texas Economic Development

General business information — www.tded.state.tx.us/Small Business/

Business Owner's Tool Kit (www.toolkit.cch.com)

This website supplies information to help small-business owners answer questions, make decisions and "get the most from their business."

Microsoft Office™

From version '98 forward, the full version of Microsoft Office™ contains an interactive business plan writer that incorporates your financial statements. It is available in the "Templates" menu.

The Business Plan: Road Map to Success (U.S. Small Business Administration)

This Web site is an online business-plan tutorial, in English and Spanish — www.sba.gov/starting_business/planning/basic.html

The U.S. Small Business Administrations' (SBA) Small Business Start-Up Kit

Hard-copy is available through your regional SBA office of local Small Business Development Center (SBDC) — www.sba.gov/starting_business/startup/guide.html

Virtual Business Plan

By the developers of Business PlanPro software, this site offers good quick advice — www.bizplanit.com/vplan.html

Appendix B. Forming a Business

When starting a new operation, you may want to consider establishing a formal business separate from your home/ranch. To do this, you need to decide what legal form of business to establish. Common types are: Sole Proprietor, LLC (Limited Liability Company), LLP (Limited Liability Partnership) and Corporation. Each involve different responsibilities and liability protections. Below is a short summary provided by the Texas Economics Extension program regarding legal forms of business. This information and more is located online at <http://ruralbusiness.tamu.edu/center/pdfs/legalform.pdf>.

You will probably need to seek legal advice about the proper form for your business. The following may help you decide which business form is right for you.

Legal Forms of Business

Sole Proprietorship — Sole proprietorships are businesses owned by one person and are the easiest form of business to establish. Essentially, all a person needs to do to establish this business type is let people know you are in business and perhaps file forms in the city or town where your firm is located.

Costs of organizing a proprietorship are low. The proprietor has complete control over the business, and income is reported to the IRS as part of personal income tax. However, in the event of a lawsuit, the sole proprietor's personal assets are equally as vulnerable as the business' assets. Additionally, the ability to generate capital through equity or debt financing is limited to the assets and credit limits of the proprietor.

Partnership — General partnerships are legal business relationships in which two or more individuals equally share responsibilities, resources and profits. General partnerships are essentially the same as sole proprietorships, except control is divided among partners and legal liability increases because each partner is now liable for the actions of other partners as well as himself/herself.

Income from a partnership is reported to the IRS as part of each partner's personal income tax. Limited partnerships are legal business relationships in which, according to a written agreement, some owners have limited liability for business debts and are not involved in daily management or operations. Individuals involved in limited partnerships are sometimes called "silent partners." Income is reported and taxed in the same way as a general partnership.

Limited Liability Company (LLC) — A LLC circumvents the increased legal liabilities and risks associated with general partnerships, even though most aspects of the two structures are the same. A LLC requires a legal agreement between partners in which control issues are addressed. LLC profits, after division between partners, are treated as additional personal income to each partner. Unlike a general partnership, each partner's liability is limited to his/her invested capital. Depending on the legal agreement between partners, ownership shares may be transferred to other parties with or without the consent of the other partners.

S Corporation — S Corporations have the same legal standing as corporations but, for tax purposes, the stockholders are treated as partners in the business and profit or loss is distributed to them according to their shares. S Corporations must use Jan. 1-Dec. 31 as their fiscal year.



Corporation — A corporation is a legal business relationship in which a group of people join to create an entity treated by law as a separate individual. As individuals, corporations, through their officers, make contracts, conduct business activities and assume responsibility for debts. Ownership of corporations is divided into "stocks" or "shares," and owners are called "stockholders." There must be at least one stockholder meeting every year to decide how to manage the company and what to do about profits or losses. Profits can be reinvested in the business or distributed among the stockholders as "dividends." Company control and profit are proportional to the number of shares a stockholder owns.

Department of Agriculture

Texas Economic Development

Administrative

Appendix C. Liability Exposure and Insurance

The following is an excerpt from the Texas A&M Real Estate Center publication, "The Texas Deer Lease," Technical Report 570. To order, phone 1-800-244-2144.

Insurance Information for Ranch-Based Tourism

Basic Information on a Landowner's Liability When Offering Recreational Activities on Private Agricultural Land

These guidelines are intended only to provide basic information about what landowners can expect in terms of their liability. Anyone considering adding recreational use to his or her enterprise should seek specific legal advice. Liability depends on classification at the time of injury. The following are common law classifications for people who might be on your land:

Invitees — This classification includes fee-paying trail users.

Licensees — These people are social guests such as friends and family who are permitted to enter without paying.

Trespassers — These people do not have permission to enter your land. However, if you meet certain requirements (see below), the law places invitee recreational trail-riders into the trespassers category. This reduces the level of care owed by the landowner.

Children — Unaccompanied by an adult, they have less ability to make their own sound judgments and, therefore, require a higher level of care (Attractive Nuisance Doctrine).

Statutory Classification

If certain requirements are met, Chapter 75 of the Texas Civil Practices and Remedies Code says that recreational guests fall into the same category as trespassers in terms of what you, the landowner, owe them in reasonable care.

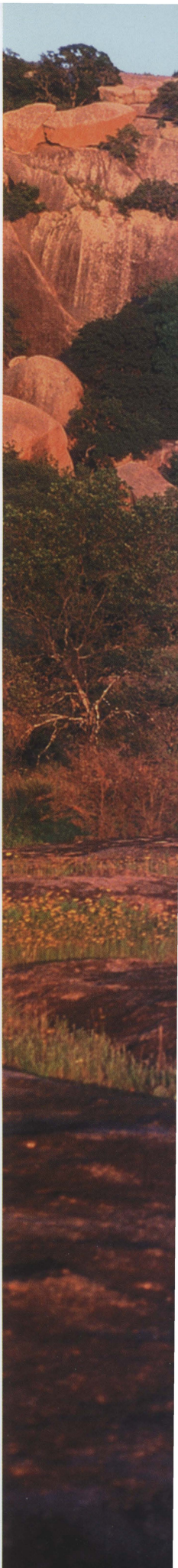
If your land is agricultural land (as defined by statute of Chapter 75, and it is a broad definition), if guests are on the land for recreational purposes and if you're bringing in less than four times [in 2003 the Texas legislature increased this amount to 20 times your ad valorem taxes] last year's ad valorem taxes in fees, in the eyes of the law you owe recreational guests no more than what you would owe a trespasser. If you are bringing in more than four times your ad valorem taxes in fees, then you can still meet these Chapter 75 requirements by carrying minimum liability insurance. Minimum liability insurance coverage on agricultural land used for recreation is:

\$500,000 for each person

\$100,000 single occurrence for each injury or death

\$1,000,000 single occurrence for property damage.

Consequently, if a landowner is providing recreation for a fee on agricultural lands and carries minimum coverage liability insurance (as indicated above), the law equates the level of care owed those recreational users with that of a trespasser, no matter how much money the activity generates for the owner.



Keys to limiting liability regarding recreational visitors

Meet your common-law duty. If a person is classified by law as an "invitee" or "licensee," you must give adequate and timely notice of concealed or latent perils. If a person is classified by law as a "trespasser," the landowner owes them no legal duty. The law basically says that a landowner may not willfully harm a trespasser except in self-defense or to protect property.

Comply with Chapter 75 charging limits. This means that you must know how much you are bringing in relative to how much tax you pay. If you bring in less than four times [in 2003, twenty times] the amount of the tax on your land annually, you may be less concerned about having the minimum liability coverage. If you bring in more than four times [in 2003, twenty times] your annual tax, you should have minimum liability coverage. Carry minimum liability coverage as specified above no matter what you are earning.

Get waivers (developed with legal advice) from all recreational users. Include a statement in the waiver that releases the landowner from any acts arising "from the landowner's or sponsor's negligence." In the waiver, make the release provision conspicuous. For example, use bold face print and/or place the negligence statement on a separate page and ask participants to sign it separately. Though not required when dealing with those classified as "trespassers," inspect your land on a regular basis to see if problem areas exist and either warn people or make the conditions safe.

Liability Planning

Insurance — In a landowner workshop on nature tourism conducted in 1998 by Texas Cooperative Extension, liability information was indicated as a major need. Unfortunately, this handbook cannot go into all the details associated with liability, but the following areas should all be addressed when creating an insurance policy:

- ☆ Liability (business and personal)
- ☆ Medical
- ☆ Personal liability for assistants
- ☆ Client medical coverage
- ☆ Property coverage
 - Building
 - Contents
 - Equipment (trucks, boats, electronics, etc.)
- ☆ Loss of Income

Finding an insurance agent and company familiar with agriculture and/or recreation may help avoid confusion when setting up an insurance policy. One way to find an insurance company is simply to ask others who they use and what type of policy they have. Professional associations such as the Texas Nature Tourism Council, a council of the Texas Travel Industry Association (online at www.tourtexas.com/tntc/), may be able to help guide members to a knowledgeable insurance company.

The Texas Wildlife Association (TWA) is another organization that is actively involved with limiting liability for landowners and offers liability insurance to its members. TWA would be an excellent resource for learning more about liability issues on private lands (www.texas_wildlife.org).

Appendix D. Resources by Topic

Writing Goals

The Magic of Goals (Ron Reynolds) — A short book that effectively highlights the importance of writing goals

Comparables

Texas INFRONT is an online database of farm/ranch, outdoor recreation and nature tourism businesses and community, tourism/recreational opportunities. Available at <http://survey.tamu.edu/texasinfront/>

Primary Audiences

- ☆ The traveling public that is interested in finding nature tourism destinations and rural recreational opportunities
- ☆ People interested in comparables (comparables are a method of gathering information from other businesses in order to understand what is involved in nature tourism enterprises)

Benefits

- ☆ A central place for travelers to locate rural tourism destinations that would otherwise be difficult to locate
- ☆ Information to guide landowners to evaluate nature tourism as a new business enterprise
- ☆ Creation of a network of businesses and a mechanism for open channels of communication between businesses that share common markets
- ☆ Additional marketing opportunities for businesses and communities that typically find marketing a significant burden because of the cost and the level of expertise involved

Enterprise Matrix: List of example businesses and the activities/experiences they offer. You can also click on an activity to see which businesses offer that activity — <http://naturetourism.tamu.edu>

“Developing Trails and Tourism on Private Lands in Texas” (Extension Publication B-6103): A booklet describing seven enterprises that use mountain biking and horseback riding trails to generate revenue. This is available free online at http://rptsweb.tamu.edu/tce/nature_tourism/trailcasestudies.htm or by mail for \$5.

“Establishing a Birding Related Business — A Resource Guide”: Extension Publication B-6093. This is available online for free or by mail for \$5 — <http://tcebookstore.org/pubinfo.cfm?pubid=1187>.



Financial Planning

Enterprise Financial Assessment is a specialized software program developed by the Texas A&M University Nature Tourism Extension Program with the Agricultural Economics Program. It can be found at <http://naturetourism.tamu.edu>.

Instructions for using the Financial Projection Program (Recreation Planning 1.0), an Excel 2000, Spread sheet — Miles Phillips and Jon Parker

Go to the Nature Tourism Information Home Page (<http://naturetourism.tamu.edu>). Then select the link for "Financial Analysis" under "Practical Tools." "Right click" on "Download," and save as Finance Projection on your hard drive or disk. You must "Accept Macros" for the program to work correctly. (You may also simply complete the data input form on paper and work with your county agent to provide you with the computer printout projections that are created from your data by the program.)

Key Points

- ✧ The ONLY sheet (Tab) that you enter information into is the first one, "Input Data." The rest of the sheets (Tabs) are output, i.e. for observation only. These outputs include a year by year financial statement showing gross revenue, fixed and variable costs and net income. Graphic charts, pie charts and bar charts showing selected information are also created automatically.
- ✧ In the "Year 1" sheet (Tab), which is the financial statement for your first year, a special option calculates your financial projections in a "per unit" basis. This is done to help you get a clearer idea of the return on your efforts and how it compares to your existing livestock, hunting or other operations.

Using the drop-down box (click on the arrow to the right of the small box near the top), you can select "per acre," "per tour," "per guest," etc. The program will automatically calculate your costs and income on a per unit basis.

Instructions on Entering Data

First, in the top right to the right of "Name," enter the name of your ranch or operation. Next you will see that the spreadsheet has been set up to handle six revenue generating activities. The first three, "Tours A, B, C," are for you to label in the blue boxes to the right. Enter the title of one to three activities you plan to sell, i.e. ranch trailer ride, self guided birding, BBQ dinner, weekend hog hunt, etc.

You will then find three options that are common to many operations — Lodging, Retail and a year-round Hunting Lease. If you do not wish to enter hunting information, simply leave that part blank. Now click on "Hide Years 2-5" in the top box. This will make it easier when you are just getting familiar with the program.

The first input items you will see are just below the top box where you entered activity names. This section is for you to note your "rough" estimate of overall investments and guest numbers. This is not used by the program for financial projections but may be useful for you to refer to when splitting up overall costs among the various activities.

Now click on "Tour A" or scroll down to the "Tour A" input section. Input your estimates in the blue boxes for each item. Remember, you may have a slightly different label or term for a particular item box. Don't worry about slight differences in titles,

simply put in your best estimate as appropriate. After each section, save the program so you will not lose your work.

Now click "Back to Top" and go on to "Tour B" and the rest of the six sections. When you have entered data for "Year 1" in each section you are interested in at the moment, you can view the output or go ahead and enter data for Years 2-5. Most of the data for years 2-5 will be exactly the same as Year 1. You may, however, want to change your costs, as many will be incurred the first year but not in following years, or you may want to split the costs over multiple years rather than in year 1. Also, as people begin to learn about your operation and your advertising gets going, you may anticipate increased visitation in years 2-5. You can indicate this in the program. Good luck!

Please remember to utilize your Texas Cooperative Extension Web site, agents and specialists. Feel free to contact Miles Phillips, Nature Tourism Program Specialist, between the hours of 8 a.m. and 5 p.m. at (361) 265 9203 or online at <http://agfacts.tamu.edu/~mPhillips>.

Business Plans

Small Business Questions: Answers to small business questions by the small business center at www.sba.gov

Agricultural Business Plan Form: From the Farm Assistance Program, available online at www.agr.state.tx.us/eco/rural_eco_devo/economic_development/docs/2000plan.pdf

Marketing

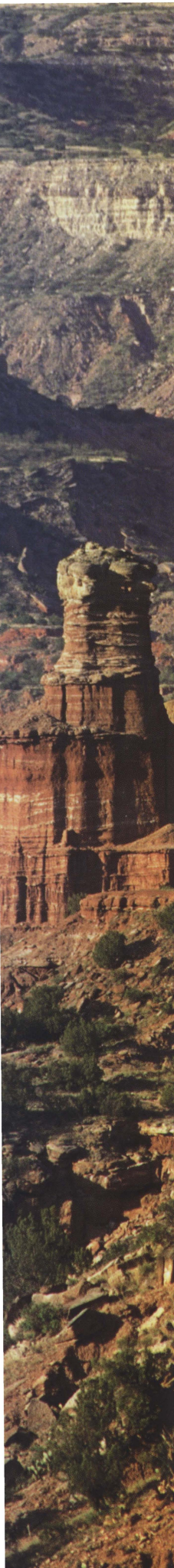
Answering Landowners' Questions About Marketing is a slide show developed to answer basic questions about marketing for tourism recreation development: To see the Powerpoint® slideshow, go to the Texas Nature Tourism Information Center Web site (<http://naturetourism.tamu.edu>) and click on "Marketing" (under "Practical Tools").

Tourism Market Match is a service provided by Texas A&M University to assist in collecting marketing information about your customers. Developed by Texas Cooperative Extension in the Department of Recreation, Park and Tourism Sciences, it is an innovative solution for gathering, analyzing and reporting marketing information for rural tourism. You can find it at http://survey.tamu.edu/tourism_marketmatch.

Purpose — to address the need of rural areas to access up-to-date, reliable market information about travelers in their area. Communities, attractions and businesses in rural areas are at a competitive disadvantage with urban areas in growing tourism because useful data about travelers, their characteristics, preferences and activities are not currently available.

Background — A number of facilitated workshops have been conducted over the last 15 years to determine the information needs of the Texas travel industry, communities and landowners. These workshops were conducted to expand understanding of what and when certain kinds of information are needed and how the information should be delivered and used by decision-makers to make more informed management decisions. In each of the workshops, market information was consistently the number one need identified by the workshop participants. The *Tourism Market Match* information system is the result of these needs assessments.

Benefits — *Tourism Market Match* fills a major gap in information for regions, communities and enterprises (clients) for developing marketing strategies. It improves their



ability to profile their current customers and identify current or future target markets and assist clients to:

- ☆ Identify the market segments that are being served
- ☆ Identify the market segments that are not being served
- ☆ Evaluate these markets and identify a "match" and determine
 - if the markets that are identified will be valuable to pursue
 - if these markets are accessible, given the marketing resources available
 - whether these markets are large enough to be sustainable over a period of time.

Tourism Market Match will help rural tourism business owners identify segments of markets based on visitor characteristics and behavior, such as:

- ☆ Where are their customers from? (Geographic)
- ☆ What are their customers like? (Socio-demographics)
- ☆ What do their customers do? (Product/service related)
- ☆ What makes their customers tick? (Psychographics)
- ☆ What is the seasonality, frequency of visit, channels of distribution, etc. of these travelers?

Information on Developing Interpretive Materials

Developing interpretation materials developed by Dr. Jim Kimmel with The Center for Nature and Heritage Tourism at Southwest Texas State University. These materials are a concise guide to interpretive planning and resource development. Available online by clicking on "Product Development/Interpretation" under "Practical Tools" at the Texas Nature Tourism Information Web site (<http://naturetourism.tamu.edu>)

Guiding and Interpretative Planning National Association for Interpretation — online at <http://interpnet.com>

Texas Organizations Providing Assistance for Tourism

- ☆ Texas Nature Tourism Council
- ☆ Texas Cooperative Extension
- ☆ Texas Parks and Wildlife
- ☆ Texas Equestrian Trail Riders Association
- ☆ Texas Department of Agriculture
- ☆ Texas Office of Rural Community Affairs (ORCA)
- ☆ Texas Department of Economic Development
- ☆ Texas Chapter of the Natural Resource and Conservation Service
- ☆ Texas chapters of many national organizations, both government, non-profit and private business and tourism organizations

(Links to these agencies and additional resources are available online at <http://naturetourism.tamu.edu>)

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