

Business Plan

Abstract

The paper focused on developing a business plan for operating a traveling company. In order to assess the feasibility of the concerned business, industry analysis has been conducted. Tools such as Porter's five forces has been performed to analyze the attractiveness of the industry. A financial planning has also been incorporated in the paper to assess whether the proposed business will be profitable or not.

Introduction

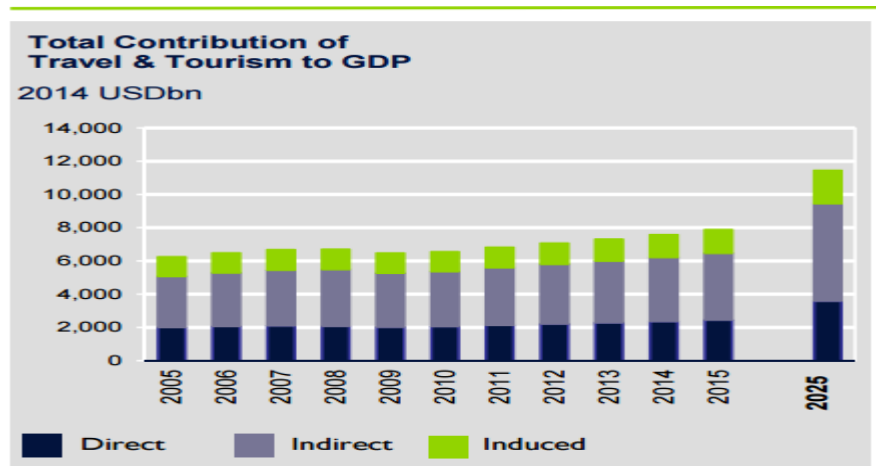
To make any business successful, proper planning and implementation of that plan is necessary (Lee, 2011; Clarke2010). From a management perspective, a business plan can be defined as an official testimonial of company's goals, reasons for which those are achievable, and strategy for accomplishment of the same (Bennett, 2005; Kaufman, 2010). The paper focuses on the travel and tourism industry in Singapore and developing a business plan for a new organization Sephat Tours and Travels (ST&T).

Travel and Tourism Industry

Industry Overview: Global perspective

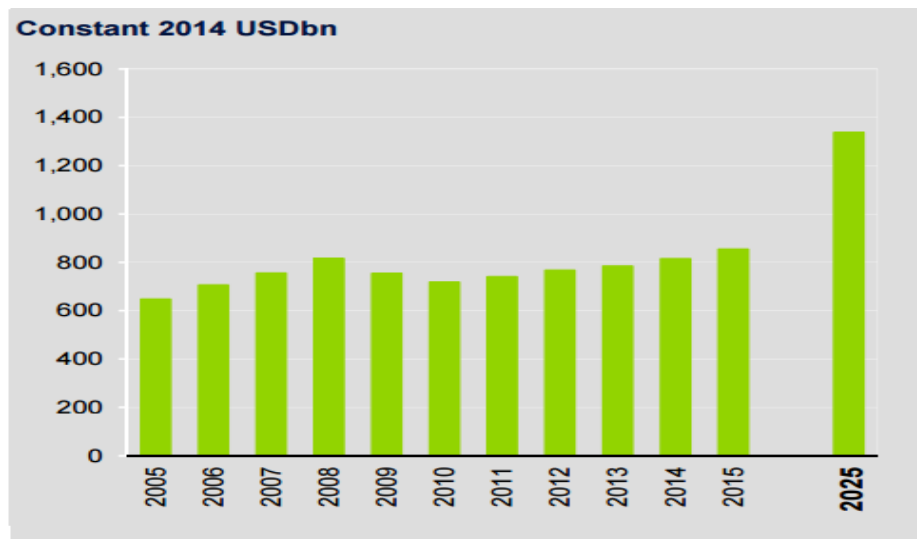
Across the globe, tourism industry has contributed \$1364.8bn which is close to 3.1% of the total GDP in 2014. It is expected to grow at 3.9% annually between 2015-2025 to reach \$3593.2bn by 2025 which will be 3.3% of total GDP (direct contribution). From the total contribution perspective, the figure was \$7580.9bn (9.8% of GDP) in 2014 and is expected to grow by 3.8% annually to reach 11,381bn (10.5% of total GDP). The total investment was \$ 814.4bn (4.3% of total investment) which is likely to increase at the rate of 4.6 % to touch \$1336.4bn by 2025 (World Travel and Tourism Council, 2015a).

Image 1: Total Contribution of Travel and Tourism to GDP



(Source: World Travel and Tourism Council, 2015a)

Image 2: Capital investment in Travel and Tourism



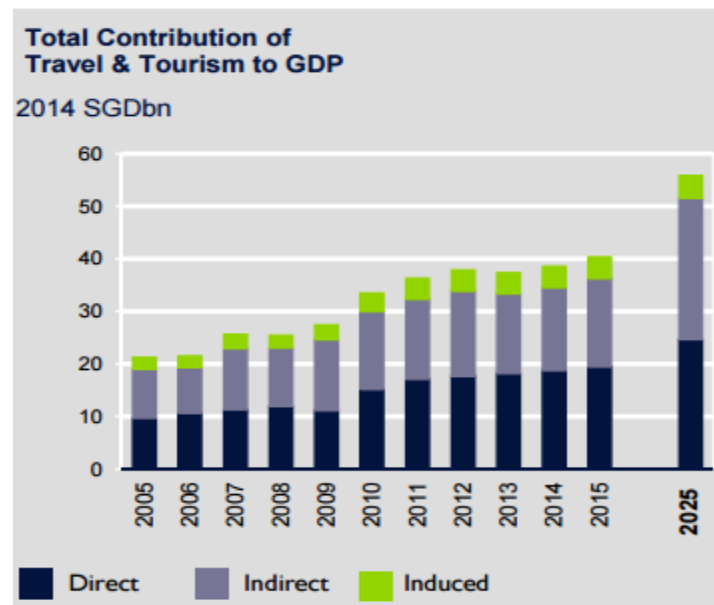
(Source: World Travel and Tourism Council, 2015a)

Comprehensive Market Analysis:

Travel and Tourism and its impact on the Economy of Singapore

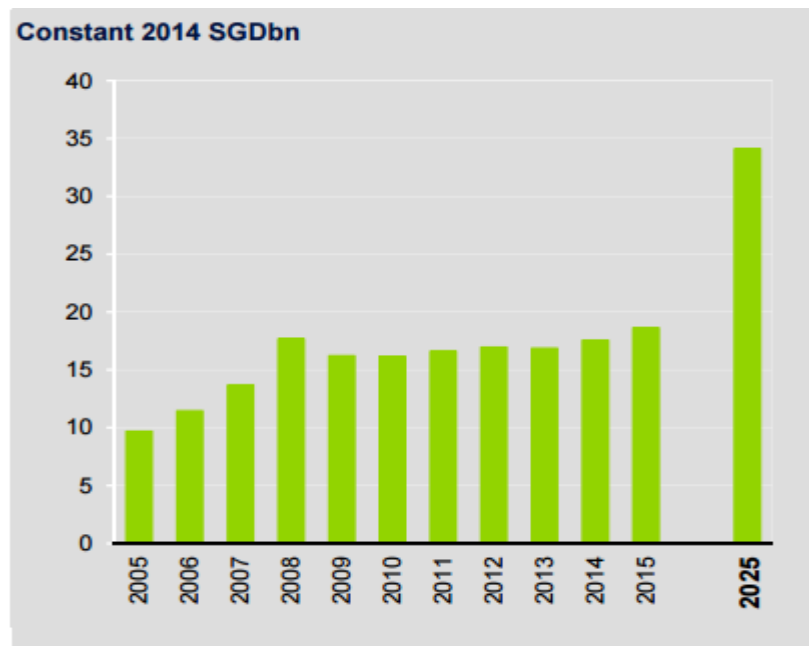
The industry directly contributed SGD 18.8bn (4.9% of GDP) in the economy of the nation as on 2014 and it is expected to grow at a rate of 2.4% annually to reach SGD24.7 bn by 2025 with a 4.5% contribution to total GDP. In terms of total contribution, the total figure was SGD38.5bn (10.1% of GDP) as on 2014 which is expected to grow at a rate of 3.3% annually to touch SGD55.8bn by 2025(10.3% of GDP). In Singapore, the amount of investment associated with this segment is SGD17.5 bn (18.1% of total investment) as of 2014 and experts believe that it will grow at a rate of 6.2% annually to reach SGD34.1bn (21.6% of total investment) by 2025 (World Travel and Tourism Council, 2015b).

Image 3: Total contribution of Travel and Tourism to GDP in Singapore



(Source: World Travel and Tourism Council, 2015b)

Image 4: Capital Investment in Travel and Tourism Sector in Singapore



(Source: World Travel and Tourism Council, 2015b)

Analysis of Micro and Macro Environment:

While developing a business plan, any organization needs to conduct an in-depth micro and macro environment analysis to ensure that the business plan is up to the mark and every aspects of the business are being taken care of effectively. In this case, the organization needs to conduct 3 major analyses namely 4P, Porter 5 forces Model analysis and PEST analysis. Out of these 3, the Porter 5 forces and PEST analysis will help the organization to understand the macro environment and based on that, organization will design its 4P and STP and other financial strategies.

Porter 5 Force:

- **Bargaining power of the Buyers:** In Singapore, travel and tourism industry is growing at a fast pace and, total numbers of travels and tourism service providers are increasing every year as the numbers of tourists are increasing. In Singapore, leisure spending by the travelers are increasing as it is close to 51% as of 2014, spending of the foreign visitors in 2014 was also 69.3%, more than double than that of the domestic travelers (World Travel and Tourism Council.2015b) As there are number of options available for the travelers in terms of getting services related to travel, hotel booking etc. the bargaining power is very high.
- **Bargaining Power of the Suppliers:** For travel and tourism industry, the major service providers are the hotels, car and transport providers and people who act as professional guide during the tour. There are number of hotels available in Singapore. Apart from that, with increasing demand of the sector, local people are using this opportunity to earn some extra by providing their own home as an option for the travelers to stay and assist them in every possible way. All these are challenges for the travel solution providers as the new organizations needs to establish a good relation with hotels all across the city so that people get good service. As there are number of option available for the suppliers (hotel and car providers) to tie up with; therefore, the bargaining power is very high (Middleton and Clarke, 2012).
- **Threat of New Entrants:** The possibility of new organization starting business in this sector is very high as travel and tourism industry is one of the highest performing industries in Singapore. The startup cost associated with this industry is also not on the

higher side as by reputation any organization can increase the customer base at the initial level (Middleton and Clarke, 2012).

- **Threats of Substitute:** There is no direct substitute in this industry as people either customize their tour plan or need to take help of the travel consultant to arrange their tour. If any travel agency initially like to promote themselves as an organization which provides diversified service as well as encourage people to enjoy offbeat destinations, then it will be easier for it to establish a position in the market. The only threat for the organization can be increasing number of online travel and tourism service providers as the availability of discounts can attract the consumers to get the services from that e-consultant (Middleton and Clarke, 2012).
- **Competitors:** One of the major points here the competitor in the sector with which the new organization has to compete in order to establish themselves in the market. In the travel and tourism sector, there are number of players who already exist in Singapore and provide services to the travelers. Apart from that, due to the popularity of the destination, various foreign companies are also getting attracted towards this industry and started its operation in Singapore. As a result, the competition in this industry is very high and the new company needs to design a business plan properly to compete with these existing players.

PEST Analysis:

- **Political:** One of the key points associated with the success of travel and tourism sector in the country is the existence of business friendly government. Various government agencies are playing a vital role in promoting the place as a global MICE destination (a

strategy of Singapore Tourist board) which is helping several existing and new companies to establish their business. *Your Singapore* campaign launched in 2010 help this venture to a great extent (Dongugan News, 2006).

- **Economy:** Country's economy is largely dependent on the exports during 2007-2010, the average GDP growth of the country was 7.62% with a very high per capita income (Trading economics.com, 2010). It is highly rich in terms of natural beauty along with that its state of art infrastructure, excellent transport and availability of various kind of adventure sports and theme park promoting the place as a center of attraction for all the tourists. Presence of more than 500 MNCs is helping the investment part as well (Trading Economics, 2016).
- **Social factors:** Presence of vibrant social culture is making Singapore one of the most popular destinations among people from not only Asia but across the globe as well. Strong education system and availability of well English speaking tour guide helps the people for USA and other parts of Europe to come down to this place and explore the natural beauty , theme parks and adventure sports. It is recognized as one of the safest cities in Asia. This feature along with its multi-cultural natural history, Singapore is one of the most admired travel spot across the globe (Soon Heng et al., 2009).
- **Technology:** The city is considered as one of the most advanced cities in terms of technological development. During 2010, the country was top in terms of technological innovation among 110 nations across the globe and the reflection of the same is very prominent in various theme parks, amusement park which are there in Singapore and acting as a live example of its technological improvement. The IT infrastructure and IT

support of Singapore is world-class and it is developing with every passing day (Yeoman, 2012).

Segmentation Targeting and Positioning:

The main focus will be on the foreign tourists in Singapore as the number is continuously increasing. Majority of the tourists are from USA and Europe and also from other parts of Asia. Total number of tourists turnout in Singapore as on 2012 was 14.4 million and despite a slow growth rate in last 2 years, travel organizations are expecting a large number of foreign tourist in coming 3 years as the economic condition all over the globe are now slightly stable (Srimalee and Rungfapaisarn, 2013). Majority of the tourists are from Thailand and Myanmar, therefore it is necessary to target them and design tour plan according to their choice.

The targeting will be based on market needs and trends of the tourists. It has been noticed that the young generation of tourists prefer adventure sports, trekking; therefore, it will be better to design that particular segment keeping in mind the choice of the youth. Whereas, people who are coming with their family for a vacation are more likely to explore the city and all the well known establishment of the country, City tour along with some key attraction like theme park, safari etc can be a better option. Heritage site and offbeat destination generally attracts handful of travelers and the company can allow that segment to be customized as and when travelers ask for.

Positioning is the final segment of STP where organization places its offering among the target consumers. For positioning, using specific tagline like *enjoy the thrill, a tour to remember*, *Beauty of Nature* can be attractive options. Linking all these with the proper tour plans will help the organization to promote their offering among all tourist segments.

4P Analysis:

For any business plan, 4P is another important factor as it is associated with basic offerings that organization is planning to offer at the initial stage to its consumers. 4P are the basis of marketing and over the time, the concept has evolved greatly keeping in mind the changing pattern of various sectors.

- **Product:** Products associated with this industry are accommodation, foods, transportation and most important one is providing value for money. People have different choices in terms of travelling as some prefers popular destinations, some like to visit off-beat places; whereas, there are people who prefer to look at all kind of development associated with any city in terms of technology and social structure. Based on that, the products here can be:

Table 1: Product Offering by Sephat Tours and Travels

Products	Duration
City Tour	2 nights
Adventure Tour	3 nights
Tracking	3 nights
Offbeat destination	3 nights
Adventure Sports	2 nights
Heritage and Tradition of Singapore	3 Nights

(Source: Author's Creation)

- **Price:** To be competitive in the market, strategic pricing is one of the most important points that every organization needs to look at. In travel and tourism industry, for any new organization providing attractive pricing and offering off session discount and offers

are one of the key strategies to attract tourists. Some of the sample pricing strategies that Sephat Tours and Travels can implement at the initial phase are discussed below:

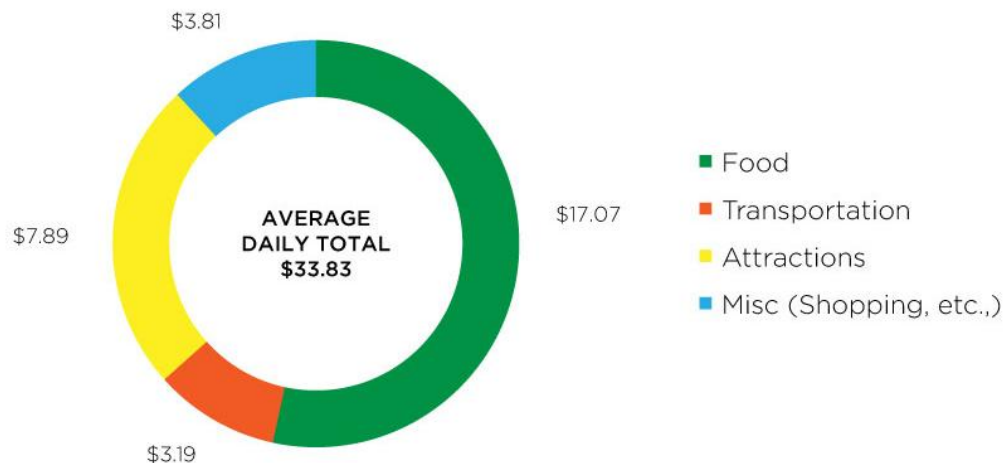
Table 2: Cost of Travel (Per head basis)

Products	Price
City Tour	\$75.00
Adventure Tour	\$110.00
Tracking	\$105.00
Offbeat destination	\$85.00
Adventure Sports and City Tour	\$120.00
Heritage and Tradition of Singapore	\$125.00

(Source: Author's Creation)

Image 5: Total Spending in Singapore (Average)

costs per person (in USD)



- **Promotion:** For any organization, be it a new or existing one, promotion plays a major role to become successful in the market. For Sephat Tours and Travels, promotion has to

be a major point to become a successful player in this industry. As a new organization, it needs to provide some attractive promotional offers to the consumers like off season discounts, attractive packages for corporate and student groups, discount for family bookings or people who are looking to stay for long period of time. At the same time, organization can promote the government strategy of using the various promotional taglines for people of different nations after analyzing their choices. Some of the example are mentioned below:

Table 3: Promotional tagline for people of Different countries in Singapore

Country	Tagline
Australia	Get Lost in the Nature
Australia	The Holiday You Take Home With You
Indonesia	Right Now It Is In Singapore Only
Malaysia	Only in Singapore

Image 6: Promotional Image for the Organization



Image 7: Some key Destinations in Singapore



Sentosa (Night Safari)

Singapore Flyer

Underwater World

In order to promote the organization, the company can adopt strategies such as direct marketing by the sales force in various travel exhibitions etc, advertising through digital, print and social media, organizing and promoting number of events etc.

- **Place:** In marketing mix, place is the point which helps any organization to represent itself to the consumers. An attractive location or an eye catchy office in the center of the city or in the most happening place can help the company to get an additional advantage. For this organization, place will play a major role as it is a start up. Therefore, to set up offices in key areas like airport, central bus and railway stations, nearby various adventure sport park and even in the proximity of tourism office of the government can help the organization to promote its business.

Financial Strategy:

The financial aspects are one of the key points associated with the business plan. An organization with effective financial strategy can reach break-even point faster so that it can easily make more profit and at the same time look to expand its service offerings which will help it to reinforce its position in the market. The financial table for Sephat Tours and Travels based on following key assumptions:

- Health of the economy will remain strong in the country;
- The segment will see a stable growth rate (minimum of 2%) as mentioned in The Strait Times (2016);
- There will be no changes in government policy etc.

Table 5: Financial Analysis

General Assumptions	Year 1	Year 2	Year 3
Current Interest rate	10%	10%	10%
Long term interest Rate	10%	10%	10%
Tax Rate	18.08%	17%	18.08%
Profit and Loss			
Sales	\$350,000	\$556,500	\$630,000
Cost of Sales	\$70,000	\$111,300	\$126,000
Other Cost	\$0	\$0	\$0
Total Cost of Sales	\$70,000	\$111,300	\$126,000
Gross Margin	\$280,000	\$445,200	\$504,000
Expenses			
Payroll	\$112,800	\$266,400	\$289,200
Sales and Marketing Cost	\$23,700	\$27,163	\$29,879
Depreciation Cost	\$0	\$0	\$0
Other cost	\$2,400	\$2,640	\$2,904
Rent	\$14,400	\$15,840	\$17,424
Leased Equipment	\$0	\$0	\$0
Travelling Cost	\$1,800	\$1,980	\$2,184
Maintenance Cost	\$12,000	\$0	\$0
Insurance	\$12,000	\$13,200	\$14,520
Total operating Expenses	\$179,100	\$327,223	\$356,111
Profit before Tax	\$100,900	\$117,977	\$147,889
Taxes	\$16,799	\$20,056	\$26,743
Net profit	\$84,101	\$97,921	\$121,146
Net Profit/Sales	24.03%	17.60%	19.23%

(Source: Author's Creation)

Conclusion

From the overall study, it can be pointed that Sephat Tours and Travels has a great opportunity to commence their business in Singapore. The tour and travel industry of the nation is growing and it is forecasted that it would further increase. However, the new organization is required to develop effective marketing strategies to combat any market threats and to make the customer aware about the new products and services offered by the company. Also, finance need to be invested intelligently so that there is no any shortfall of capital for the future growth of the company.

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Appendix

Literature Review

For any new business units, there are some key areas which need to be properly addressed to become successful in the long run. Among those, five most important ones are value proposition, STP (Segmentation, Targeting and Positioning), detail market analysis keeping in mind points such as growth rate, size and trends associated with the market, profitability and cost structure of the industry and key success factors, analyzing key competitors and most importantly figuring out core competency and competitive advantage of the organization. Segmentation is associated with dividing the market according to the needs of the consumers. It helps the organizations to understand the requirement of the market and based on that target the appropriate customer segment to offer their product or services (Bose, 2010). Positioning refers to offering the service to the consumer in an attractive manner which differentiates the offerings from the other players. Price plays an important role in positioning as people based on their purchasing power often choose the products (Dayal, 2010). Comprehensive market analysis is associated with the determination of market attractiveness of any sector. This helps any organization to understand the opportunity and threats associated with the industry itself and based on that, it can design its own business policies (Loudon, 2011). Market analysis is generally done based on factors such as present size of the market and expected market size down the line, growth rate and profitability associated with the market, cost associated with setting up a new venture, general success factors and general trends associated with the market. Before entering into any market, every organization must analyze all these factors to understand their positions and based on that, the decisions must be taken (Wisner, 2010). Value creation and value proposition often helps an

organization to establish itself among the customers. For any new business entities, it is absolutely necessary to fulfill the promises which they are giving to the consumers as at the initial level, word of mouth popularity or promotion is the most important one. Generally, value proposition helps any consumer to understand how the particular product or service will add value to their life or solve the problem which they are facing, provide specific quantifiable benefits, and at the same time deliver some unique features which the other organization in the sector cannot provide (Uniqueness). Core competency or the competitive advantage is the key strength based on which any organization outperforms others in the same sectors. Presence of competitive advantage helps a company to generate more sales, profits and at the same time delivers values to the consumers (Boulding et al., 2010). One can say that, every organization always looks too built on its competitive advantage to gain maximum profit and at the same time, strengthen the position in the market to make sure that the brand image of the company established in the mind of the consumers. To sum it up, it is very clear that the analysis clearly points out the fact that all these 5 points are important when any organization is looking forward to start a new business operation and analyzing all the factors properly is absolutely necessary to make sure that company will going to deliver a better result in the long run and at the same time, able to deliver value which the consumers are looking for and paying for while availing the travel and tourism service from any service provider (Eggert and Ulaga, 2006).