

BUSINESS PLAN

FOR

TOURIST HOTEL PROJECT

BY

KENYON INVESTMENT LIMITED

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1. EXECUTIVE SUMMARY

The Tourism industry has been one of the growing business segments in Northern zone of Tanzania and in the Country as a whole. Tourism, just-in-time and business optimization especially are such concepts that lately showed significant growth potential. For the selected region where the company operates the industry expects significant growth rates to persist in the near future so that investments in that segment are very profitable. The goal of this start-up is the operation of a Tourists hotel that offers a wide range of services. Additional to this core business the company offers a selection of Campsite and Animal husbandry services for their customers which will help to increase sales revenues and utilize personnel capacity.

1.1 Business Opportunity

The Tourism industry shows currently a strong growth marked by a higher demand but also growing costs. The development of new business strategies and solutions seems critical for new industry players to get market shares and survive in this highly competitive industry. The choice of services as well as the development of applications can be one strategy in this field of business. Additionally, a sound cost management is of critical importance for a solid stream of revenues. Big industry players have shown that even in a competitive market growth rate of more than 20% can be sustained. The operation of a Tourist Hotel that offers the following services is the core of this start-up. Tourists Accommodation services, Transportation, Swimming pools, Food and Beverages, Campsite with bonfire place. A strong focus of this business will be placed on the development of new and innovative and luxurious hotel for the customers that deliver a significant value. As an add-on a broad range of customized services will be offered, which will help utilize company and employee capacity. The range of services is selected to provide solid growth potentials. The operation of this business requires a good knowledge of the Tourism markets as well as a competitive Hotel service concept to increase customer satisfaction. The demand to explain the handling of special services for other companies is likely to require a high degree of individual customer advice. However, it is critical that this service is offered with a strong focus on cost management. The required investment for the proposed business is relatively low compared to companies in the industry. For the future there are further substantial investments in fixed assets required. This will be financed through retained earnings. Depending upon the initial demand the minimum required investment amount ranges between Tshs. 700,000,000/= and Tshs 800, 000,000/= in the start-up phase based on a 20-25% average revenue margin. This amount is well within the financial requirements observed for other comparable companies. We are striving to provide unique service that will meet international and domestic standards inside the tourism industry.

1.2 Service Description

The business will operate in the Tourism industry with a variety of services. Services will range from Accommodations to food and beverages services and all other tourist enjoyment activities. We are geared towards the fulfilment of the needs of any discerning guest. Hotel Facilities will include Banquet facilities, Bar, Computer

facility, Conference and meeting facilities, Disabled room, Fitness room, Sauna, Luggage storage, Non-smoking rooms, Parking outside the hotel, Pet friendly, at a surcharge, Restaurant and Complimentary Wi-Fi internet throughout the entire hotel.

2. Company Background

The goal of this start-up is the operation of a Tourist Hotel that provides all kinds of services as well as Animal Husbandry. The focus of this business will be on the segment for nation and international customers which show the highest profits. It is planned to reach an optimal utilization of personnel and company capacity. An initial investment amount of at least Tshs 700,000,000/= to Tshs 800,000,000/= is required.

3. Strategic Objectives

Our strategy as a business is to always ensure that our customers receive the best service and that meets or exceed their expectations. To achieve this, we have a number of metrics that we use to measure our success, below are some of the metrics;

- a) Customer satisfaction: A happy customer is the most important aspect of our business, as they will dictate the survival of our business. Apart from the primary objective of knowing how well we are serving our customers, this metric and its trending over time helps in identifying the functions or services that need the most attention, hence helping us improve and becoming better.
- b) Employee Satisfaction: An unhappy workforce will ultimately cause a number of issues in trying to meet the business goals. The measure of the mood of our workers will help provide guidance on how best to improve performance by focusing on areas that matter most to our staff.
- c) Service: As a company we want to measure our success based on our strategic goal and determine
- d) Prices: Based on our analysis of our potential customers, we set our prices in a way that we can manage our brand and provide the profit margins we need.
- e) Cash flow: As a life blood of any business, ensuring that we have a good cash flow statement is very important, to ensure that we have enough cash to run the business – pay wages, pay supplies etc. As part of the business knowing what clients to extend credit lines and for how long will be very essential.
- f) Gross margins: This is like the mother of all business metrics and the best indicator of a business's health at least in our view. The higher the gross margin, the more the indication that we are on the right track in every operational aspect. We do not have to wait for the quarterly or annual financial results to determine profitability, service and customer satisfaction. Managing and monitoring gross margin on a regular basis goes a long way in reducing unpleasant surprises in the long run and also in deciding critical strategic initiatives for pricing, investments and sales efforts.
- g) Customer loyalty: Personal relationships between individual service providers and clients are critical to our success. We aim to add loyalty programs, referral bonuses, service freebies, and other promotions aimed at existing customers to create repeat business.

- h) Advertising and promotion: we intend to use demographics of our desired customer, such as age, geographic area or marital and parental status, to choose the right radio, TV, newspaper, magazine and website advertising vehicles. Create a website that lists your services and testimonials from clients. Don't talk only about your business -- provide personal beauty tips to make you a trusted partner and increase visits to your online pages. Maintain a current mailing list and use direct mail and email blasts to announce specials.

Apart from the list of key metrics described above, other metrics that we use are as follows:

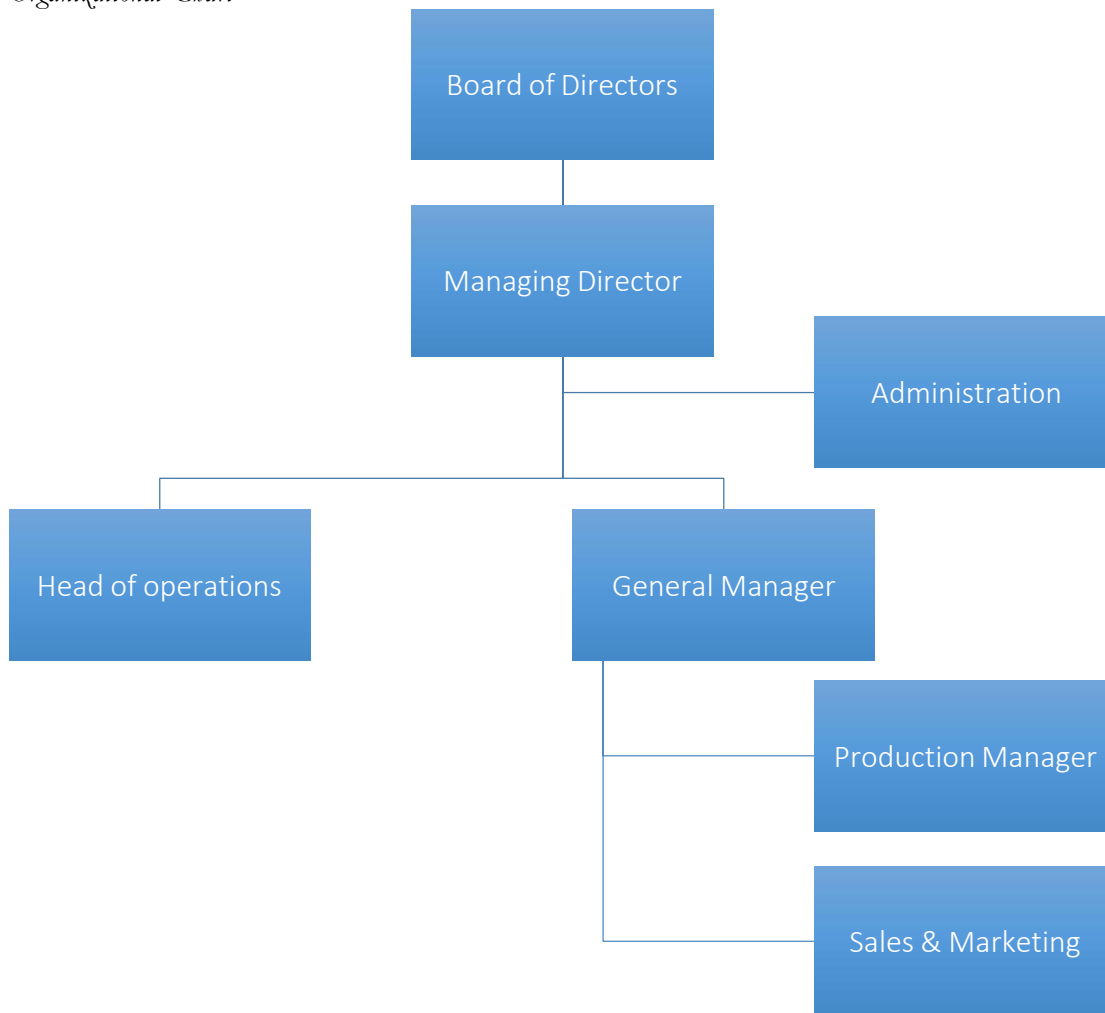
- Referrals from current clients
- Payment failures
- Growth
- Progress
- Client preference changes
- Repeat clients

4. Marketing Plan

In the start-up phase it is a central task of the marketing concept to establish a name recognition and own trade mark. Later on, the strategy will primarily be targeted to gain new customers and create customer loyalty of repeat customers. Several marketing and sales promotion strategies are available in the Tourism industry. Printed advertisements in national newspapers and magazines is regarded as very beneficial in the start-up phase to attract a large group of potential customers and draw attention to the range of articles offered. 49% of businesses in the industry use printed advertisements and about 60% of this group regard this as the most beneficial form of marketing. Sales promotion strategies have temporary effects only. They are used at business openings primarily and offer special discounts. 49% of businesses use sales promotion strategies frequently and 81% of the users responded that this instrument is successful. Marketing alliances with other businesses to generate cost savings and increase efficiency are used rarely. Such strategies include mutual use of marketing and web promotion events and joint promotion arrangements. Only 45% of businesses have used these elements and 55% of this regard this instrument as beneficial. Web and e-mail marketing is used frequently in the industry although this would be a relatively inexpensive additional effort. Direct mailings are a very efficient strategy that sends mailing to selected customers or businessmen groups. Since spreading costs of such mailing are very low this marketing element provides a useful tool for special offer promotions. The use of marketing and sales promotions proceeds as follows: to a broad base attract new customers the strategy will include a combination of printed advertisements and special offers with opening discounts. Furthermore, a group of customers will be selected for direct mailings. This strategy is expected to continue for 3-4 months after which the effort will turn towards creating a customer loyalty for regular customers. This strategy is supplemented by a regular marketing strategy and direct mailings to regular customers. A marketing alliance and online advertisements will also come to use Financial Plan.

5. Organization Strategy

Organizational Chart



The Different roles and departments will help the business grow and manage it to run smoothly, efficiency and ultimately meet our overall objectives. Some of the different roles are as follows:

- Enable the clear identification of the required human resources, and specialties
- Ease management of responsibilities and activities
- Reduce room for errors by assigning tasks to qualified staff
- Easy to set strategic goals for particular functions or areas in the company

6. Management Strategy

By having the right attitude and clear communication between the

management and staff, and having regular performance appraisals, monitoring and reviews, standards and performance indicators, and have set evaluation methods, we believe we will be able to capture problems and opportunities as they arise and ultimately deal with them or adjust our strategies appropriately to take advantage of the opportunities.

Risks affecting our business, the level of impact, and steps that we will take to reduce them.

Risks	Description	Level	How to reduce Risks
Strategic	<ul style="list-style-type: none"> • Change in Consumer preferences 	Low	<ul style="list-style-type: none"> • Have close relationship with customers and use appropriate feedback tools to stay informed
Compliance	<ul style="list-style-type: none"> • Change in legislation, rules and regulation • Additional checks and compliance issues to abide with to continue doing business. 	Medium	<ul style="list-style-type: none"> • Stay informed on regulations and certification • Assign a person to specifically deal with compliance issues
Financial	<ul style="list-style-type: none"> • Cash flow issues • Loan management • For international business, taking account of foreign exchange rates • Taxes 	High	<ul style="list-style-type: none"> • Get financial advice from a certified financial adviser / Accountant • Employ Accountant
Operational	<ul style="list-style-type: none"> • Transportation breakdown, failure of suppliers to deliver service on ingredients 	Medium	
Reputation	<ul style="list-style-type: none"> • Service failure • Copy cats with lower standard service • Negative publicity 	Medium	

7. People Strategy

Our business aims to ensure employees are happy and motivated to fulfill their responsibilities by implementing the following techniques:

- 7.1 *Communication*: Open communication is most employees' #1 priority. We aim to find out what interests them and what doesn't. Speaking with an employee frequently shows that we care about them in more ways than simply wanting them to keep up with productivity.
- 7.2 *Ensure Employees understand the company goals/vision*: Having employees harness self-direction in pursuit of common goals rather than forcing people to meet goals they don't understand or share.
- 7.3 *Creating a positive working environment*: Since most of the workers will be spending most of their hours in a working environment, we will ensure to create a workplace that will encourage information and knowledge with team leaders and managers.
- 7.4 *Recognition and Rewards*: We aim to have a built-in reward program for our employees, either by having an employee of the week, or month and giving them rewards in front of his/her colleagues to remind employees that they are appreciated and help them meet their long-term goals
- 7.5 *Keeping employees informed*: We will strive to always keep our employees informed on what the company is doing and the direction it taking.
- 7.6 *Provide training*: create an ongoing training program that can help fill the gap between lack of skills and better productivity after training needs are assessed.

8. Marketing

Our targeted customers are both men and women and our long-term goal is to cater for different companies and government as our main clients. This will increase the distribution and sales of our vehicles.

1. Customer retention strategies

- a. Never get complacent with first sale, and strive to get the customer to return for more and more service. *'Sell and then sell again'*
- b. Frequent communication: To avoid losing customers by building relationships and keeping in touch by sending seasonal greeting cards, calendars, t-shirts, SMS, or informing them of special offers
- c. By providing impeccable customer service to have our customers pass on the experience to others.
- d. Ensure service integrity: To ensure we produce products that meet/ exceed our customer's expectations in terms of taste, package innovation and creativity, quality, reliability and serviceability.
- e. Create a system to capture customer feedback
- f. Provide Questionnaires and Surveys

2. Customer Attraction strategies

- g. By identifying our ideal customer
- h. Using repeating customers as ambassador to testify on the quality and effectiveness of our services.
- i. Advertise
- j. Approach and provide free demonstrations of our services in trade fairs, or

festivals.

Our competitors

With the Tanzanian government goal to support and transform the country to a more industrial based economy, more and more people are venturing into entrepreneurship, with the majority of them focusing on constructions and business related to constructions.

Our Service

We have different tourism services which are essential to our field and we import our service experts from the United States of America.

Sales strategies

To ensure that we can increase sales to our current and future costumers we have come up with a number of strategies that we think if applied, can make a great impact in increasing sales.

- Defining the right way of assembling our services so that our customers will get by can have access to them easily.
- Being creative and innovative in our molding process of the tools.
- Advertising through social Medias, websites, TVs, radios and all platforms that can easily reach our customers.
- Partner with other companies to create distribution of motor vehicle sector.

9. System Strategy

Hard and software systems that will be put in place to increase business efficiency.

10. Finance and Resource Management

What is our financial model?

Our expected monthly cash flow for the first year is between 15,000 USD to 23,000 USD per month, with a breakeven point of 30,000,000 T.shs per month. For the next three years we project that our Income will start to increase, especially in the second and third year as we gradually reduce the distribution and equipment costs. The first year and first quarter of the second year we plan to reinvest most of our profits into expanding our business (buying equipment and paying for a permanent working space) and searching for markets.

11. TOTAL INVESTMENT COST

The project developer estimates that the project will be as follows: -

KENYON INVESTMENT LIMITED COST STRUCTURE

PARTICULARS	USD
EXPERTISE COSTS	50,000
MANUFACTURING MATERIALS	31,000
COST FOR RUNNING A BUSINESS	13,000
LAND AND BUILDINGS	70,000
SUPPLEMENT FUNDS	30,000
MOTOR VEHICLES	75,000
WORKING CAPITAL	231,000
TOTAL	500,000

12. FINANCIAL PROJECTION FOR THE NEXT FIVE YEARS

12.1 PROJECTED PROFIT AND LOSS STATEMENT

The Income and expenditure statement shows the projected income for the 5 years period.

The position depicted is that the project earns profit throughout its life. Accumulated aftertax profits shall grow from TSHS 100,000,000/= in the first year to TSHS 1,000,000,000 TSHS in the fifth year.

	1st YEAR	2nd YEAR	3rd YEAR	4th YEAR	5th YEAR
Revenue	99,190.00	109,109.00	120,109.00	168,027.86	235,239.00
Operating expenses	51,578.80	56,736.68	62,410.35	58,809.75	82,333.65
Profit before depreciation on interest	47,611.20	52,372.32	57,609.55	109,218.11	152,905.35
Depreciation	70,550.00	70,550.00	70,550.00	70,550.000	70,550.00
Net profit	22,938.80	18,177.68	12,940.45	38,668.11	82,355.35
Tax (30%)				11,600.43	24,706.61
Profit after Tax	22,938.80	18,177.68	12,940.45	27,067.68	57,648.75
Accumulated profit	25,914.00	44,091.68	57,032.13	29,964.45	57,684.30

12.1 PROJECTED CASH FLOW

This is shown in the financial statements. The project has a positive end of year cash flow from year, ie TSHS 100,000,000/= of operation to the 5th year ie TSHS 1,000,000,000/=

MOTOR VEHICLES BUSINESS PROJECTED CASH FLOW USD (PROJECT PAYBACK PERIOD)

	1 ST YEAR	2 ND YEAR	3 RD YEAR	4 TH YEAR	5 TH YEAR
SOURCES					
Profit before interest and depreciation	47,611	52,372	57,609	109,218	152,905
Equity	-	-	-	-	-
Total sources	47,611	52,372	57,609	109,218	152,905
Applications:					
Capital expenditure	-	-	-	-	-
Workingcapital & others	35,000	35,000	35,000	35,000	35,000
Cash	12,611	17,372	22,609	62,618	93,199
Tax	-	-	-	11,600.43	24,706.61
Sub total	47,611	52,372	57,609	109,218	152,905

13. PROJECT IMPLEMENTATION SCHEDULE

It is expected that the project will take 5 months to implement as shown below:-

	ACTIVITY	PERIOD
1.	Fund Mobilization	August - September 2023
2.	Arrival of renovation services and parts	February 2024
3.	Trial operations	October – 2024
4.	Commercial operations	November-2025

14. ECONOMIC ASPECTS OF THE PROJECTS

Besides the financial/monetary returns to the owners, there are other benefits to be derived for the whole country

i. Employment Opportunities

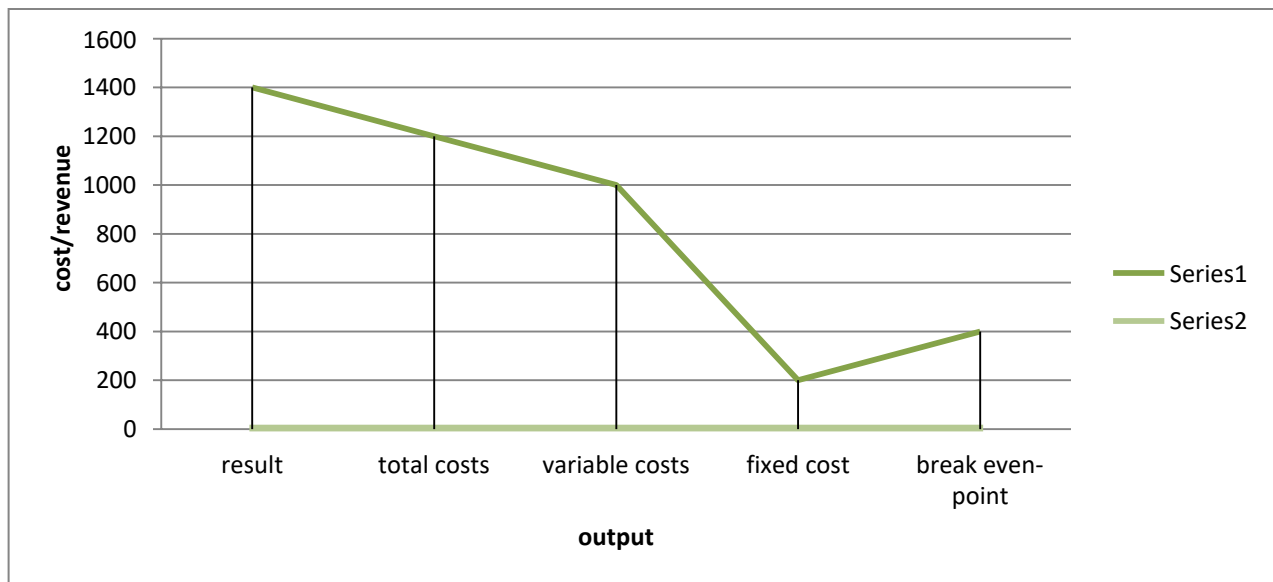
Employment and poverty reduction are among the major concern of the central and local government authorities. It is gratifying to note that KENYON INVESTMENT LIMITED is going to provide employment to people. This is a significant contribution coming from investors.

ii. Revenue to the Government

The project is expected to pay a substantial annual amount in the form of corporate tax and other taxes and levies.

15. Break-even Analysis

The break-even analysis shows how earnings rise as a function of sales. The break-even point is the point at which revenues from sales cover total costs (fixed costs and costs rising with sales). This analysis is important for the development of the liquidity plan. If the break-even point is not achieved in the long run the business loses liquidity and may become insolvent. This requires that a critical amount of revenues must be generated. At sale revenue of Tshs. 600,000,000 and given fixed costs the business will generate a profit. Fixed costs are estimated at Tshs. 120,000,000 to Tshs. 130,000,000 and variable costs at Tshs. 480,000,000. At realizable revenue of Tshs. 1,000,000,000 after 2-3 years profits will rise to Tas. 70,000,000 pre-tax. This represents an earnings margin of 10% pre-tax and 7% after-tax. These estimates are realistic in this market segment. Increasing sales volume will increase pre-tax earnings margins but this development reverses when administrative costs begin to rise sharply. Up to a sales volume of Tas. 3,000,000,000 earnings margins rise to 12.5% after which the margin decreases to constant 11.5%.



16. Liquidity Plan

The liquidity plan shows the amount of finances necessary to assure permanent liquidity of the business. The plan is based on 4 representative months of a typical business with 3 to 5 employees, annual sales of Tshs.1,300,000,000/= and net profits of about Tshs. 300,000,000/= Revenue estimates are drawn from a standard normal distribution.

17. Risk Analysis

The risk analysis considers critical factors that may lead to a failure of the business concept. Such factors can involve failures during the implementation phase as well as during operations. Such potential factors are ordered according to the probability at which they can arise. Shown is the key factor that led to the failure only. Data are drawn from questionnaires of 10 Tourism businesses with comparable product offerings and revenue- and cost structures that went bankrupt during the last 3 years as well as analyses of different research institutes.¹ Insufficient demand: This is the most frequent reason that leads to business failure. This includes permanently low demand as well as a temporary collapse in demand. Often demand estimates were too optimistic at the outset. Such failures might also come from external shocks instead of operating deficiencies. 19% of businesses within sufficient demand go bankrupt. 50% of these businesses report that once demand slacked, they did not react accordingly because they believed that this phenomenon was only temporary. Since the expected frequency of customers during the start-up phase.

Conclusion

After the foregoing economic and financial evaluation of the project, we strongly recommend that this project be implemented and be given all the support required by all the concerned Government ministries and agencies, including, Tanzania Revenue Authority etc. The project deserves this support because of its viability, since it is technically feasible, economically viable and socially acceptable.