

Business Excellence



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1 Introduction

Tourism is big business in Victoria, employing 208,300 people and estimated to be worth \$23.3 billion to the economy (2016-17).

It's also a fiercely competitive business. We not only compete with other businesses, towns, regions and states, but with all the other demands for the consumers' discretionary dollar.

It's an industry that can appear to be deceptively simple to outsiders – after all, it's all about 'people' and you simply need to meet their needs for rest, recreation and entertainment! However, a successful tourism operator requires a mix of business management, marketing and technical skills, combined with a heavy dose of customer service ability and consumer psychology.

Skills development for tourism operators needs to be ongoing, because the marketplace is forever changing.

2 Starting Up

Tourism is one of the world's fastest growing and most competitive industries. It is multi-faceted and is constantly changing because of economic conditions, cultural and social trends.

The aim of this module is to provide some important building blocks to maximise your chances of success.

However, it is no substitute for professional advice: from legal and accounting experts, industry specialists, other tourism operators and regional/local tourism staff.

Learn more about the [Victorian Government's training programs](#), which are held across Victoria

Business Victoria has developed a useful [step-by-step guide to starting a business](#). It's a free tool to assist in thinking through all the key elements you should consider.

3 What Research Should I Do?

The basis of a successful tourism business is the matching of the product (eg, the tour, the type of accommodation, the style of restaurant etc) to the particular needs and aspirations of the target market. You have a much greater chance of success if you offer something that people want, rather than what you think they want.

Fortunately, the tourism industry is blessed with a wealth of research material available at no or low cost to help you get to know your target market/s.

Sources of free or low cost data include:

- Council Economic Development Units
- Regional Tourism Associations
- Local/ regional tourism studies/ strategies
- [Tourism Australia research library](#)
- Other State/ Territory Tourism Organisation's research libraries (online)
- [Tourism Research Australia](#)
- [Australian Bureau of Statistics](#)
- Industry associations (you may need to be a member)

On a less formal basis, speak as much as possible to people already in your sector to gain a broad picture of the industry and to learn about localised conditions that could affect your operation. Industry briefings, conferences and networking functions are a low-cost way to do this.

You need to have a clear concept of your target market – from geographic and demographic factors, to personality and lifestyle characteristics. A solid understanding of the industry and the marketplace will generally mean a faster track to viability.

4 What Planning Should We Do?

It is important to think through some key questions, the answers to which could form the basis of a business plan:

- What is my/our objective in starting this business?
- Who are the primary targets for the product or service? (be as specific as possible)
- Is there a demand for the product – how do you know this?
- Is the market segment large enough and accessible enough to make the business viable?
- Will my product offering be diverse enough to withstand seasonal troughs and possible economic downturn?
- What is the level of competition in the region for the product; who else provides; how good are they?
- What will make the business stand out from the rest (ie the Unique Selling Proposition)?
- Are there other products in my area that I can work with to improve my offering?
- What investment and working capital will be required to start the business and how will this be sourced?
- How will I support myself/ my family until the business becomes profitable (typically 3-5 years)?
- How can I cost-effectively get my promotional message to the target market/s?
- Could the money I need to start and operate the business provide a better Return-on- Investment if I invested it elsewhere?

These questions are just a starting point. Download a template for a [typical business plan](#) prepared by the [Small Business Mentoring Service](#) and by [Business Victoria](#) that teaches how to develop a business plan.

The [Australian Tourism Accreditation Program](#) is a self-completion, externally verified program, which leads operators through a structured approach to business and marketing planning. It is an effective, low-cost internal business development tool.

Tourism isn't different to any other business. The amount of accurate research and pre-planning you do will usually be reflected in the level of success and the time it takes to become profitable.

5 An Existing Business Or A New One?

The answer to this question may be determined by the availability of a suitable business, your finances and aspirations. However, your ability and past experience often provides the best answer.

5.1 Existing business

For those starting from scratch in the industry – particularly those with no business background at all – it may be wiser to consider buying an existing business, with existing clientele, significant goodwill, and with a management and marketing system in place. It is often possible to negotiate a transition period as a condition of sale, whereby the previous owner/ manager remains to teach you the ropes, introduce you to key customers and suppliers, and to generally ensure a smooth change-over. Finance institutions often look more kindly on supporting the purchase of an existing business, with a proven track record.

5.2 New business

The establishment of a new tourism business is considerably riskier and is often best left to people with at least some business background, if not also possessing tourism industry experience. It may be a lot cheaper to establish a new business, but the path to viability and profit may also be a lot slower.

Click here for a more comprehensive overview of things you should consider when [establishing a business](#).

5.3 Buying a franchise

Franchising is becoming more commonplace for the dining and accommodation sectors of the tourism industry. A franchise can be a significantly less risky way of buying a 'turn-key' business, particularly for those with little or no business experience. However, franchising is not a fool-proof system to deliver all the business you will need. Franchisees still need to develop marketing strategies and tactical campaigns at the local level to be successful.

The [Franchising Council of Australia](#) website can assist your understanding of franchising and help you to evaluate the difference between good and poor franchise deals.

5.4 How much to pay?

You can determine market value by collecting data on similar businesses in the area.

The actual value of a business is usually determined through a combination of:

1. The value of the assets: book value and/or replacement value, and
2. The earnings potential – over the past five years.

However, regardless of the 'science', each business will have a number of unique features that can influence the asking price, including:

1. Location,
2. Reputation,
3. Exclusivity in the marketplace,
4. Quality of management.

The purchase of certain types of tourism and hospitality businesses can often be organised through specialist brokers.

5.5 Location

One final word about buying or establishing a tourism business...the old real estate adage 'location, location, location' equally applies to tourism businesses. It goes without saying that some of the most successful tourism enterprises are established where people already gather, or where they travel on established touring routes.

It requires a business with very special appeal to attract visitors off the beaten track.

6 Licenses, Permits And Insurances

The tourism/ hospitality industry operates in a highly regulated environment, which requires at least an awareness and understanding of many areas of compliance. It often also requires participants to undergo training to obtain the necessary licences before you can open the doors. It's recommended that you contact the relevant industry association to determine exact requirements. For a moderate fee, or for the cost of membership, they can help guide you through the usual maze of legislation and permits.

The [Australian Licence and Information Service \(ABLIS\)](#) brings together licence information from local, State and Federal governments. It can help you to identify which government licences or codes of practice are required to operate.

6.1 Insurance

Insurance cover will vary from business to business, as will the level of cover you require and your risk exposure.

It is important to identify all the things that could adversely affect the performance of your business, or those things that may result in dangerous situations for staff and clients. A risk assessment is a systematic process by which you determine the safest way to operate your business and avoid liability.

Many operators only see risk in terms of physical assets, such as steps, railings, paths etc. However, your risk assessment also needs to embrace the very real risks to the operation of your business, including legal, financial and operational risks.

6.2 Accommodation

Accommodation providers are legally obliged to comply with a wide range of legislation, including Corporations Law, the Trade Practices Act 1974 (Commonwealth) and the Fair Trading Act 1999 (Victoria).

6.3 Australian consumer law

The Australian Consumer Law is a single, national law concerning consumer protection and fair trading, which applies in the same way nationally and in each State and Territory. For the first time, consumers have the same protections and expectations about business conduct wherever they are in Australia. Similarly, businesses have the same obligations and responsibilities wherever they operate in Australia.

7 First Steps

The mechanics of starting a tourism business will differ slightly depending on the type of business it is. See Permits, license and insurances for an overview of the compliance and regulatory issues that apply to some sectors.

It is also important to consider from the outset which type of business structure is suitable to meet your current needs and future plans.

Business Victoria runs a series of low cost seminars throughout the year in both metropolitan and country regions dealing with the processes and procedures for starting up in business. It is well worth the investment of a few hours to attend.

8 What Skills Do We Need?

Tourism is a service industry that requires a high level of personal interaction and a high staff-to-client ratio.

Labour is generally the most expensive cost in running any business and there is a tendency for new business operators to try to do as much of the business operation themselves. However, in most tourism businesses it is unrealistic to imagine that you can handle all aspects.

The first task that should be done by a potential tourism operator is to objectively examine their own skills and experience, as well as those of key family members who will be working with them. This audit of skills will highlight which areas of the business operation may require outside assistance, either in the form of staff or specialist help.

While it is difficult to nominate all the skills that may be required to run the variety of tourism businesses, most operations will need to be able to cover the following general areas:

1. Financial management, including compliance requirements, book keeping, including payroll, taxation, superannuation etc,
2. Personnel, including human resource management, an understanding of OH&S, workplace safety etc,
3. Business planning,
4. Marketing – planning, product development, advertising, sales, distribution, public relations/ publicity, research analysis and, increasingly, e-marketing,
5. Customer service.

9 Who Should We Be Speaking To?

It is often said that to really succeed in business it's not 'what you know' but 'who you know'. Establishing networks as early as possible is even more important in the tourism industry. Tourism is an amalgam of small and often family-based enterprises that have little time to get out and observe other operations.

- ❖ Victoria is well served by a network of regional tourism associations (RTAs) and local tourism associations (LTAs). They are often attached to, or affiliated with, councils. Both types of association will most likely charge a modest membership fee, which will entitle you to:
 - attend networking functions, workshops/ seminars,
 - receive email and/or hardcopy newsletters,
 - use their research sources,
 - call upon the help of their staff for advice,
 - cost-efficiently participate in regional/local marketing campaigns.
- ❖ Take time to introduce yourself and to keep in contact with the staff of the local visitor information centre (V.I.C.).
- ❖ There is likely to be a member-based industry association for your tourism sector. Most of these organisations provide extensive industry information and training services, an annual conference and more informal networking opportunities.
- ❖ Visit Victoria, is the lead marketing agency for tourism in Victoria. It is not a member organisation, but it does organise a number of industry learning events throughout the year.

- ❖ Most areas of Victoria are served by a Regional Tourism Board. These are jointly funded by local and state government and are responsible for tourism marketing, industry development and operator training on a wider scale than RTAs/LTAs.
- ❖ The [Victorian Tourism Industry Council \(VTIC\)](#) is the peak private sector tourism industry body in Victoria.

10 Growing A Business

Tourism operators also need to be aware of changing economic and social trends. The ability to 'read' the business landscape, in order to adjust your product offer and its marketing, can avoid or considerably slow-down the decline phase of the business lifecycle.

If you have developed a business plan from the beginning, an annual review and analysis is highly recommended. You should also nominate some key performance indicators that you can review every month or quarter. Regular monitoring will alert you to changes in the marketplace.

If you haven't prepared a business plan and you wish to systematically grow your business into a valuable commodity for profit and sale, then it is essential that you prepare a strategy now to guide you through the next few years.

The [Small Business Mentoring Service \(SBMS\)](#) is a low-cost service to assist businesses to review their operations. Specialist tourism mentors are available.

11 The International Scene

At some stage many tourism operators consider entering the international marketplace. It is a significant step to take because reaching the international market often involves working through a system of wholesalers, inbound tour operators and retailers, all of which can add up to 30 percent commission. However, benefits include a new audience that travels off-peak and mid-week, and interaction with other cultures that can augment your enjoyment of your business.

You also need long term commitment to international marketing, as it can typically take 3 to 5 years before any substantial business starts to flow, if it does at all. It is usually coordinated through Visit Victoria and your regional tourism office.

Tourism Australia has information on [Getting Ready For International Visitors](#), aimed at those thinking of getting involved in developing and marketing an inbound tourism product.

Visit Victoria's international specialists can advise you on the suitability of your product for international markets. To find out about the international markets, contact Visit Victoria's Product Department on 9002 2264.

12 Spreading The Word

The power of endorsement and word of mouth is enormous in the tourism industry. You can spruik the benefits of your business as much as possible in brochures, websites and through advertising, but it is only when others start talking about you and telling their friends about you that you know you are well on your way to sustained success.

Exemplary customer service is the key to word of mouth – not just creating a satisfied customer, but creating one that is delighted with what they have received.

Today's high level of internet use makes it easy to stay in touch with your past customers, especially via social media. Legislation means that you need to seek their permission before sending them e-bulletins or offers, but most people are happy to receive communication that has a strong benefit to them. Make sure that your communication is brief, full of interesting, useful news, plus offers real benefits.

Getting involved with third party providers of endorsement services, such as Trip Advisor, etc is worth investigating, but there are an increasing number of pitfalls associated with using third party social media channels.

Consider becoming an accredited tourism business through the [Australian Tourism Accreditation Program](#). The self-completion application form, coupled with an external verification process, not only helps you to think through many aspects of business planning, but provides another set of objective eyes to keep your product looking good and operating well.

The annual [Victorian Tourism Awards](#) is another valuable tool to not only regularly assess your business performance, but gaining recognition through the awards can provide invaluable exposure and consumer credibility.