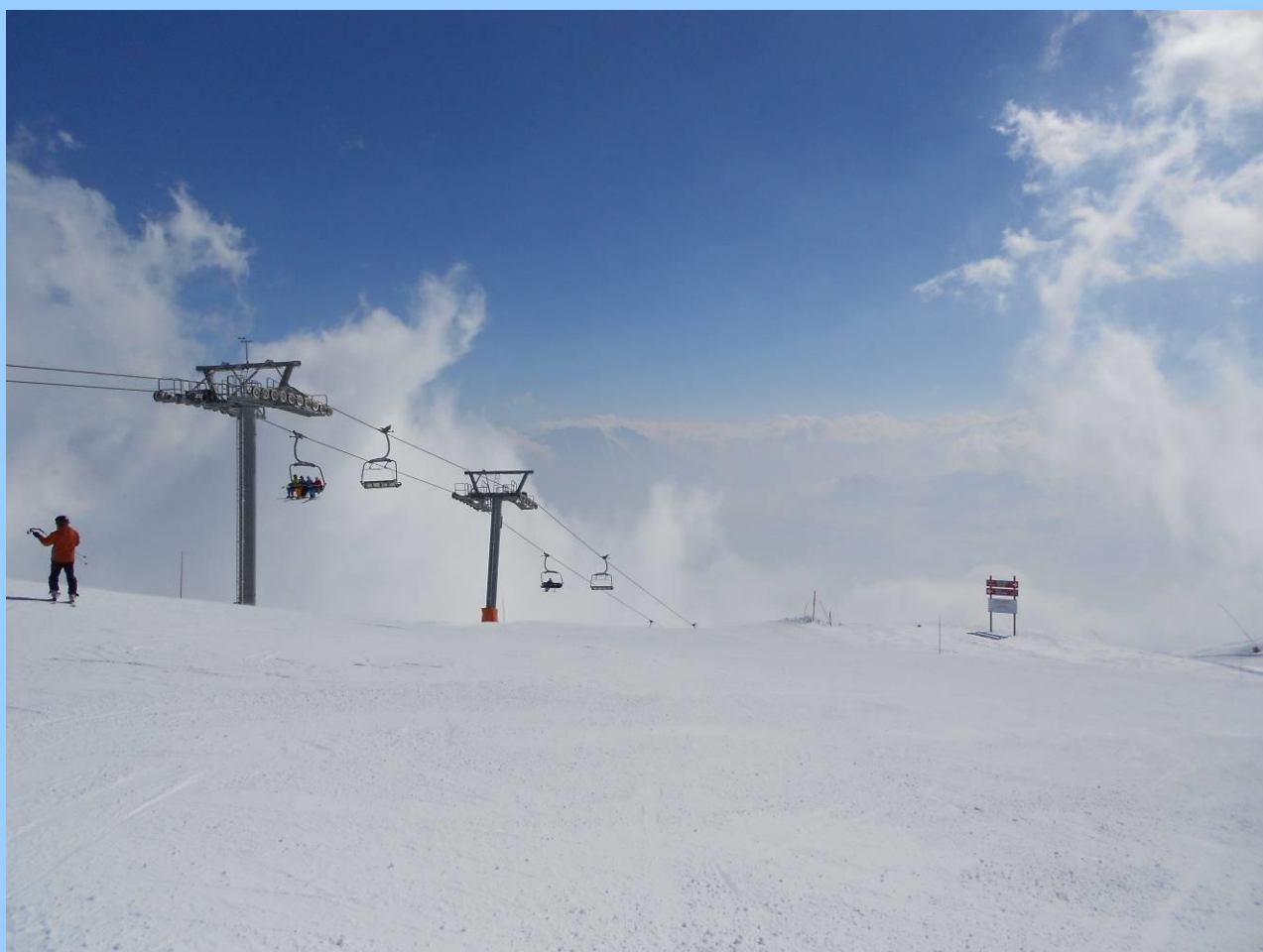


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# On tracks for a good business plan

*Handbook for the use of ski re-  
sorts operators*



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**Laurent Vanat** is an independent consultant with skills as a general practitioner and a specialist. With a Master's degree in commercial & industrial sciences from the University of Geneva, he has over 30 years of professional experience as both a business consultant and a senior executive in upper management. He possesses executive experience in sales, finance and general management on the one hand, and advises companies and organizations of all horizons on the other. This broad experience means that Mr. Vanat is well acquainted with numerous industries.

Heavily involved in the tourism, hospitality & leisure industry, Mr. Vanat has closely followed the ski area industry for numerous years. Since winter 2004/05, he prepares the end of season report for the Swiss ski areas. In its search for information on ski areas, Mr. Vanat quickly understood the importance of tracking skier visits and collecting statistical data. In order to analyze the competitive position of major players in a wider perspective, via invitation from leading industry bodies and tourism conferences, he extended the scope of its research to produce an overview of the key industry figures worldwide. For several years now, the **International Report on Snow & Mountain Tourism** has been a reference resource. Coverage expands every year, along with the update of major figures.

**On tracks for a good business plan** features an adaptation for ski resort operators of a generic business planning methodology that he uses in his general practice. Enriched on one side by his practical knowledge of the art of proper business planning and on the other side by his in-depth acquaintance of the ski industry, this handbook wants to offer a pragmatic and user-friendly support to ski resort operators facing the issue of preparing a business plan.

#### Disclaimer

This handbook tries to be as comprehensive as possible in the way it addresses business planning of a ski resort. It should however be noted that each ski area may have its own specificities and can require specific attention on one or the other issues raised in this document, or even some issues that have not been specifically mentioned in this manual.

Each operator should therefore be very careful to identify all drivers that may affect the evolution of its individual business and integrate them in its planning process.

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## Introduction

### *Why a business plan?*

You are a lift company that operates for many years the slopes in your area. You have managed to go throughout the years, good and less good, perhaps without ever making a business plan until today. Then, why starting such an exercise?

Often, investments lifts renewals do not bring in themselves an improvement in profitability. They generally do not justify a price increase and no longer naturally generate an increase in the number of skier visits. On the contrary, due to the new investment, profitability may in principle rather tend to deteriorate if nothing is done. It is therefore essential, in order to avoid such degradation, that the lifts company seeks in parallel for improved profitability measures, by leveraging the best of the advantages and opportunities created by the new investment (e.g. removal of existing parallel facilities, reduction of service personnel, energy...) or by implementing revenues improvement measures (marketing measures, yield management) or costs reductions. A new investment is therefore an opportunity not only to analyse the project itself, but also to dare to question in a broader way the management of the company as a whole.

The preparation of a business plan is the best tool to ensure a full, objective and positive future-oriented survey. It will allow not only to identify current problems or difficulties, but also to make an innovative reflexion, designed to produce concrete results. Progress towards these will then be followed by referring to the business plan.

#### **The business plan in a nutshell:**

- Where are we?
- Where do we want to go?
- How is it proposed to get there?
- Is it worth it?
- What are the risks and opportunities

## ***How to use this guide?***

This document is intended as a tool to help you in thinking about and preparing your business plan. Do not forget that a 50 pages business plan generally summarises a much more thorough and documented reflection. It is the final presentation document, synthesising in an orderly, coherent, quantified, supported and understandable way, both for insiders and for outsiders, the business goals and their implications.

The following document is structured so that it is possible to directly use it as a framework to construct the business plan. Following the introduction, it addresses immediately, one after the other and in logical order, issues to cover to complete a full and coherent business plan. The questions can be used as a basis to develop reflections and the proposed tables can easily be filled in.



## ***Comments and suggestions related to the preparation and the presentation of the business plan***

A business plan should be a comprehensive document while being enjoyable to read. Some frequent business plan criticisms should help you to avoid the classic pitfalls:

- The business plan is too long, lacks of synthesis;
- It is difficult to understand at first reading;
- Its structure is not consistent, it lacks logic;
- The data presented are not consistent from one section to the other;
- Lack of vision on the current situation or the past;
- Future plans ends up being unclear;
- Strategies are not enough commented;
- There is no link between the qualitative and quantitative reasoning.

Failing to feel the priority to dedicate time, the temptation might be great for the management to delegate the task of business plan. However, it is at the level of management that the reflection should be made and the business plan will also be the vector of the enthusiasm and the determination of the business leader. Who else could be conveying the vision he has for his company (even if he is assisted by a coach or consultant, which is always possible)?

The basic rules for the development of a business plan are therefore, very briefly, as follows:

- Write in an understandable manner for an uninitiated reader (avoid jargon);
- Target the business plan on the recipient;
- Avoid too long business plans and rehearsals;
- Support and document the assumptions;
- Be comprehensive.

This document will help you address all the questions to consider. One last tip: carefully check the consistency of the basic assumptions. If they are incorrect, the whole will also be. For example, if you plan an annual growth of 10% of the skier visits without any convincing justification, in a stagnant market with more and more adverse weather conditions, your business plan will have no value.

For more general explanations on the business plan and methodology, you can refer to the many publications prepared by the banks, various business support institutions and major consulting firms. A synthetic presentation lies on the [www.vanat.com](http://www.vanat.com) website.

The expectations of the recipients of the business plan vary according to their nature:

**Banks**

Concerns:

- How much would the company borrow?
- What will be the use of the funds lent?
- When will the company be able to repay the funds borrowed?
- Will the company be able to pay the interests?
- Can the company survive a drawback in its plans?
- What are the guarantees that may be provided if necessary?

Provide the usually requested figures:

- Balance sheet for past years and forecast;
- P&L for past years and forecast;
- Cash flow statement forecast on the long term;
- Short term cash plan.

Key points:

- Presentation should be similar with commonly used practice;
- Transparency, readability, coherence of figures are essential;
- Benchmarks and references should be supplied to support the assumptions;
- Bankers like the presentation of a "base case" and a "worst case";
- It is compulsory that the company demonstrates its capacity of payment of interest and repayment of loans (cash flow);
- Consider and mention alternative financing opportunities;
- If necessary, consider what collateral guarantees can be supplied.

**Investors:**

## Concerns:

- Does the business plan allow understanding easily the company and its industry context?
- Are the risks and opportunities clearly identified?
- Do future prospects provide enough attractive yields?
- What are the exit scenarios (reimbursement, repurchase, sale of the company, IPO) and when shall they happen?
- Is proper management guaranteed?

## Risks:

- Difficulty to get the interest of investors;
- High rejection rate of business plans by investors;
- Weaknesses in the business plan;
- Shortcomings in the project itself;
- Shortcomings in the management;
- Unsatisfactory return on investment.

**The management:**

## Concerns:

- Are growth objectives clearly defined and measurable?
- Should orientations changes be considered on the long range?
- Are performance measurement metrics defined, with some comparative references?

## Major issues:

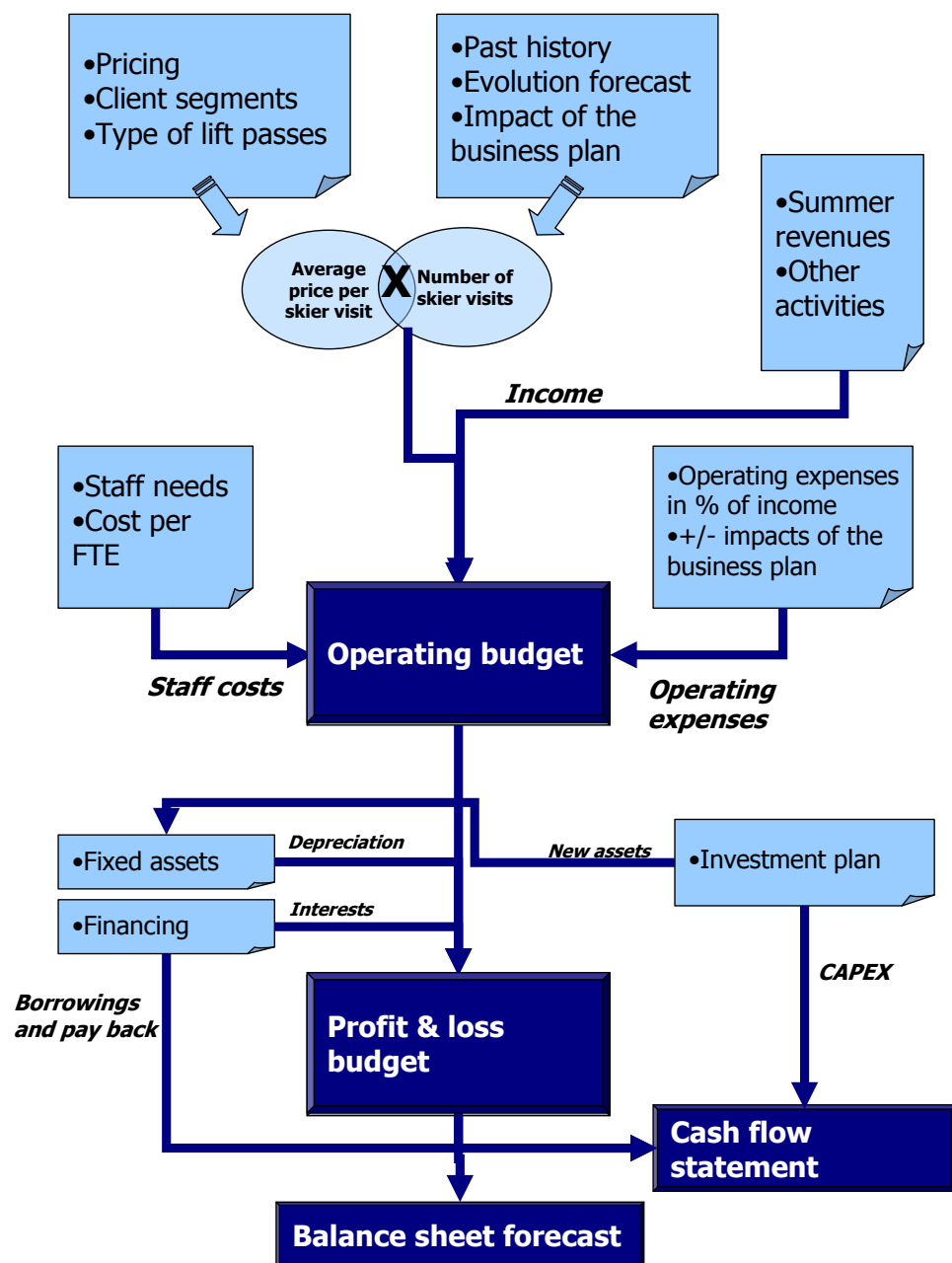
- Are the necessary resources available?
- What are the terms set to review and update the business plan?
- Is there an action plan attached?



## Model for operating forecasts and financial statements

In order to be practical, the business plan must include specific and documented operating forecasts, with basic assumptions and scenario description. For a lifts company, the main basic assumptions are **the evolution of the number of skiers** and **the evolution of the average price per skier visit**. It can be modelled according to the following scheme:

### Business plan financial model





Each element of this model will be discussed in more details in the dedicated section, with recommendations for producing consistent figures. It should be noted that, to be easily usable, the proposed model sometimes involves simplifications. However, a well-supported reflection based on reasonably detailed figures is better than a false reflection based on excessively precise figures! In all cases, estimates should be based on the perception of a sustainable evolution of the business. Nevertheless, after the writing of the business plan, figures may change based on hazards sometimes beyond control of the company.

Due to the maturity of concessions and renewal of facilities issues, demonstration of the sustainability of a lifts company should rely on forecasts over a period of twenty years, even though this horizon may also seem filled with hazards. With regard to facilities, the reflection must cover a period corresponding to the duration of life of the main equipment.

Finally, in the model proposed in this document, inflation or price adjustments have been purportedly ignored. These factors complicate the model, and hide some evolutions, while they are in principle offset.



## Executive summary

The introductory section in fact presents a summary of the business plan. Through tables, charts and a few paragraphs, this Executive summary should quickly present the bulk of the analysis to capture the reader's attention and arouse his interest to read the rest of the document.

Define your company in giving first of all the main features. The table below contains all information allowing to quickly getting a good vision of your company:

### Specifications – ski resort

Environment
Extreme altitudes
Altitude of the village
Number of accommodations and beds in the resort
<i>Hotels and pensions</i>
<i>Condos &amp; rental homes</i>
<i>Apartments and chalets (secondary homes)</i>
<b>Total</b>
Name of the connected ski area
Customer base

### Specifications – lifts company

Number of facilities by type
<i>Cable car</i>
<i>Funitel</i>
<i>Gondola 16 P</i>
<i>Gondola 8 P</i>
<i>Gondola 6 P</i>
<i>Gondola 4 P</i>
<i>Detachable chairlift 8 P</i>
<i>Detachable chairlift 6 P</i>
<i>Detachable chairlift 4 P</i>
<i>Detachable chairlift 2 P</i>
<i>4 P fixed grip chairlift</i>
<i>3 P fixed grip chairlift</i>
<i>2 P fixed grip chairlift</i>
<i>Ski lifts</i>
<i>Rope tow</i>
<i>Magic carpet</i>
<i>Other (specify)</i>

**Total**

Total hourly capacity  
 Total length of lifts  
 Total vertical drop of lifts  
 Average age of the lifts  
 Number of groomers  
 Total length of the trails (km) – of which with snowmaking (km)

*Green**Blue**Red**Black***Total**

Snowparks  
 Number of snow guns / fans  
 Other facilities managed by the company  
*Restaurants*  
*Hotels*  
*Car parks*

## Operating data

Number of skier visits per season	5 years history
Prices adult daily pass full price	5 years history
Proportion of turnover winter season	5 years history
Duration of the seasons (business days)	
<i>Winter season</i>	5 years history
<i>Summer season</i>	5 years history
<b>Total</b>	5 years history
Total number of persons transported (passengers)	
<i>Winter season</i>	5 years history
<i>Summer season</i>	5 years history
<b>Total</b>	5 years history
Number of staff	
<i>Full time</i>	5 years history
<i>Seasonal</i>	5 years history
<b>Total</b>	5 years history

## Financial data

Total investment (acquisition costs of fixed assets)	5 years history
Annual investment	5 years history
Bank credits and other borrowings	5 years history
Equity	5 years history
Transport turnover	5 years history
Total turnover	5 years history
Staff costs	5 years history
Total operating expenses	5 years history
EBITDA	5 years history
Cash flow after interest and taxes	5 years history

## Ratios

Skier visits / winter opening days	5 years history
Average price per skier visit	5 years history
Investment for 1 unit of turnover	5 years history
Annual investment in % of turnover	5 years history
Investment per unit of hourly capacity	5 years history
Number of skier visits by lift	5 years history
Transport revenues per lift	5 years history
Transport revenues by hourly capacity unit	5 years history
EBITDA in % of turnover	5 years history
Staff costs in % CA	5 years history
Cash flow / balance sheet total	5 years history
Return on Equity	5 years history
Equity / balance sheet total	5 years history

## Forecast data

Investments planned	forecast over 5 years
Skier visits	forecast over 5 years
Average revenue par skier visit	forecast over 5 years
Transport revenues	forecast over 5 years
EBITDA	forecast over 5 years
Cash flow after interest and taxes	forecast over 5 years
Net result	forecast over 5 years

Then present your project (the term project is used here either for a specific investment project, or to refer to the "enterprise project", i.e. the vision of the future of your company, even if it does not include short term new investments). Be very specific. Define the future evolution in clear and accurate, qualitative and quantitative terms. If the business plan covers a new investment, explain clearly what will be the concrete contribution to your company and what requires its completion also in qualitative and quantitative terms:

- What specific problem does your project address and what is the solution he proposes?
- What are the actual benefits to clients?
- How much are the complete investment and operating costs?
- What are the additional revenues which will be generated to cover the financing of the project?

Depending on the specific purpose of the business plan and the project which is presented, you should then provide compelling insight to the reader.

The project allows:

- to increase turnover;
- to ensure the continuity of the company;
- to bring a new dynamism to the resort.

Financial projections demonstrate:

- that the company generates cash flow;
- that the results will grow;
- that the necessary funding can be supported.

The reflection was sufficiently thorough for:

- measuring risks;
- building realistic financial projections;
- taking into account contingencies.

The reflection undertaken to support the preparation of the business plan can be demonstrated and summarized using a SWOT matrix analysis (Strengths, Weaknesses, Opportunities and Threats).



<b>SWOT analysis</b>	
<b>Strengths (internal to the resort)</b>	<b>Weaknesses (internal to the resort)</b>
<p><i>Lists of strengths</i></p> <ul style="list-style-type: none"> <li>-</li> <li>-</li> <li>-</li> </ul> <p><i>What to do to support them? And how?</i></p>	<p><i>Lists of weaknesses</i></p> <ul style="list-style-type: none"> <li>-</li> <li>-</li> <li>-</li> </ul> <p><i>How can we best address them?</i></p>
<b>Opportunities (external to the resort, examples: new markets, new technologies)</b>	<b>Threats (external to the resort, examples: new laws, economic developments)</b>
<p><i>Lists of opportunities</i></p> <ul style="list-style-type: none"> <li>-</li> <li>-</li> <li>-</li> </ul> <p><i>How can the company take advantage?</i></p>	<p><i>Lists of threats</i></p> <ul style="list-style-type: none"> <li>-</li> <li>-</li> <li>-</li> </ul> <p><i>What to answer? And how?</i></p>



# The product

This chapter describes the company's offer. Qualitative information should be supported by quantitative data. If the company considers that it excels in any particular field, it must justify it by providing all the comparative information in support.

In the context of a new investment, one must be well aware that the novelty is not necessarily perceived as an additional benefit by the client. A fortiori when it comes to the replacement of an aging lift getting to the end of its lifetime with a new one, state of the art.

Guests are not necessarily willing to pay more. One should be well aware of this fact in the preparation of the business plan, in order not to rely on assumptions that will not materialize. The ski area operator will have to make efforts to generate additional revenue that will secure its funding, in parallel to the new investment.

## ***Services offered***

Define how to profile the company's offer: only "ski lift"? A full ski area? A wide range of winter sports? Or a complete mountain resort? What are the services offered by the company? Present a summarised inventory by theme: lifts, catering, accommodation, shops, ski school, ski rental, other activities (details of equipment will be presented in the chapter devoted to infrastructure).

Supply with an objective qualitative assessment of the various activity sectors of the company: ski lifts, slopes, customer service, other activities under direct management (catering, accommodation, shops...).

- What developments does the company expect in snow-parks and new snow sports? What are costs, implementation schedule, and the expected impact in terms of skier visits and income?
- What are forecasted developments of the summer activities? What budget is spent? What is the profitability of these activities? What are the ongoing measures to improve summer performance?
- What has the company undertaken in recent years to increase the attractiveness of the resort? What were the costs and results? What measures are planned in the future and their implications?

## Average price per skier visit

Modelling of the average price of the skier visit can be done through the following computation table:

### Price grid

Currency		Pass type					
Tariff type		half day	day	week	2 weeks	season	
Full fare	Child						
	Adult						
	Senior						
	Free						
Reduced	Child						
	Adult						
	Senior						
	Group						

### Distribution of the ski passes by segment and type

*on the basis of the number of ski passes*

Tariff type		Pass type					Global
		half day	day	week	2 weeks	season	
Full fare	Child						
	Adult						
	Senior						
	Free						
Reduced	Child						
	Adult						
	Senior						
	Group						
<b>Global</b>							

The price grid suggested above indicates 40 different rates. Number of ski resorts have still much more, some several hundred (we already saw more than 1000). Besides the fact that the opportunity of such diversity should anyway be reconsidered under yield management perspective, it is recommended to simplify these data for the simulation of financial forecast. This avoids unnecessary complexity, without much added value. For modelling, the average price of the skier visit is in principle considered as constant (see initial note about inflation), unless a significant extension of the ski area or additional



services can justify a price increase. Normally, replacing an old lift by a new one would not justify a price increase. Another reason that would make an increase in the average price of the skier visit coherent would be an improvement in yield management (revision of the price grid, deletion of certain rebates, introduction of new forms of ski passes and packages, e.g. skiing on an hourly basis ... ). In practice, it is recommended to apply the percentage increase on the average price of the skier visit determined for the first year of the model, rather than replicating the whole price grid model for each year. Reconcile the average revenue per skier visit you get from modelling with that determined on the basis of your last profit & loss account (by dividing winter lift revenues by the actual number of skier visits). If required, explain the differences or adjust the model. Develop strategies to increase the average revenue per skier visit (yield management). Limit yourself to two strategies that you can realistically implement quickly and analyze them thoroughly, rather than outlining numerous possibilities without having a concrete follow-up given to them. Evaluate realistically the impact that these strategies will have on the average revenue per skier visit and integrate these gains in the model. Below, a few lines of thought on the subject:



- How does the revenue per skier visit compare with other ski resorts? How will it evolve?
- Comparison with benchmarks and findings; what are the lessons to be learned that would enhance yield management?
- **How to increase the revenue realized by skier visit (yield management)? Are all reduced rates, commissions and other benefits really justified?**
- Are some customers willing to pay more for some fringe benefits? What are the thoughts which have already been carried out on this subject? What could be the impact of such a program on the average revenue per skier visit?

## Evolution of the average revenue per skier visit

Currency	n	n+1	n+2	n+3	n+4	n+5
Average price						
<b>Impact of the business plan</b>						
Measure 1: increase in the average price						
Measure 2: increase in the average price						
<b>Increase of the average price</b>						

The above table can be used to synthesise the forecasts of the evolution of the average price of the skier visit.

### ***Other sources of income***

- How to generate new revenues apart from lift passes? What, when, how, how much?
- What are the plans to fill the off-peak winter season?
- Could sponsoring partnerships with major brands increase revenues? What was already done at this level and what is expected in the future?
- Should new low-investment activities, but offering substantial income, be considered? What would be the impact?

### ***New projects***

Define new investment projects in the short, medium and long term and demonstrate the added value that they will bring; give a brief description of the new investment project in support of which this business plan is developed, where appropriate.

Introduce the additional revenues that the investment will allow to generate or, alternatively, the revenues that will be lost in the event of non-realization of the relevant investment; what will be the additional ways to increase revenues through new investments?

- Expansion of the ski area;

- Connexion with another ski area;
- Increase of the catchment's area;
- etc.



## The market

This section of the business plan describes the market and analyzes all aspects related to marketing.

It should support forecasts of the evolution of skier visits. The supplied arguments must be as compelling as possible and as far as possible supported by statistics and other information from sources both internal and external to the company.

A new investment only justifies a price increase if it brings a substantial complement to the ski area and brings no warranties to increasing the number of skier visits. In fact, clients will not necessarily be attracted by the novelty, or will be on a very temporary basis. They may even not perceive it.

The company should therefore deploy, in parallel to the new investment and taking advantage of this opportunity, substantial marketing actions if it intends to increase its attendance and generate additional revenues, which will be needed against the increase in expenses caused by the new investment.

It should be the opportunity to ask 'how to take advantage of this new investment to increase skier visits?' and develop a strategy accordingly.

## *Customers*

Present the distribution of the customers by country of origin. Expose and comment also any analysis on the segmentation of existing customers (socio-professional categories, income levels, specific profiles...)

- How do customers perceive the resort and how the lift operator is positioned in this regard? Are there measures to undertake in regard of this perception? Please quote sources and surveys that allow this interpretation, with the necessary references.
- What is the current perception of the evolution of the customers quantitative demand (in terms of skier visits) and in qualitative terms?

## *Market research*

Briefly introduce all market research made recently in regard to the lift operator, the ski resort and/or the region. What are the conclusions and how were they integrated into the future strategy?

## ***Accommodations in the resort***

Present statistics on the number of overnight stays in the resort and their correlation with the number of skier visits. What are the comments that can be made to the evolution of the number of overnight stays?

- How can the lift operator be pro-active to support / develop the number of overnight stays in the resort? What are the plans of the company in this regard and the expected impact?

## **Inter-resorts comparison**

### **Synoptic table**

	<b>Your resort</b>	<b>Competitor A</b>	<b>Competitor B</b>	<b>Competitor C</b>
--	--------------------	---------------------	---------------------	---------------------

### ***Quantitative analysis***

Number of lifts				
Total vertical drop in meters				
Total capacity in pers/h				
Total length of the trails (km)				
Proportion of snowmaking				
Number of snow groomers				
Number of skier visits				
Adult full day pass price				

### ***Qualitative analysis***

Type of resort				
Level				
Customer-type				
Ticketing system				
Types of lifts				
Hourly capacities				
State and age of the lifts				
Customer base				
Environment				
Skiing conditions				
Customer satisfaction				
Extreme altitudes				
Marketing				
Profile of past investments				
Profile of future investments				
Comments				

## ***Industry benchmarking***



Thanks to the sample table here above, identify the main competing resorts and profile, advantages and disadvantages compared to your resort.

Please quote recent industry figures that allow positioning your company. Relevant data may be supplied on a yearly basis by the National Ski Area Association of your country. You can also find global industry data in the International Report on Snow & Mountain Tourism published by Laurent Vanat ([www.vanat.ch](http://www.vanat.ch) page "publications").

- What are the comments raised by the benchmarking of the evolution of skier visits and turnover? Does the resort behave better or worse than average? Is there any room to increase its market share?

## ***Analysis of skier visits***

- What has been the evolution of the number of skier visits in the ski area over the last 5 years? What are the conclusions drawn from the comparison with the attendance in other resorts in the region, in the department or at national level?
- The variation of the number of skier visits in the future may not be continued linearly on the past trend without this is duly justified by the business plan. The variation is influenced not only by the change in the market but also by the variation in the market shares of the company/ski area.
- **How to increase the number of skier visits? What are the envisaged ways and their impact? To justify / demonstrate.**

Develop strategies to increase the number of skier visits. Focus on a maximum of five strategies you will develop and on which you will focus your resources, rather than disperse on many more. If necessary, join immediately plans of action as an annex to the business plan, which will detail how these strategies will be implemented. Be aware of the resources that will be needed in the operating expenses forecast and integrate the progression of skier visits that you expect in the revenues projections. All this needs to be duly supported and assumptions be made plausible. You will find below a non-exhaustive list of drivers that can be used to increase the number of skier visits.

However, this element is so important that it would justify by himself a brainstorming process to look for ideas, involving various staff of the company, at different levels.

- How can lifts operator effectively work with the accommodations operators to increase the number of visitors?
- For example, the addition of a new hotel in the resort may have an impact on skier visits, which is determined on the basis of the number of beds x occupancy rate x number of days of the season x proportion of skiers in the resort.
- Regional collaboration could increase the number of skier visits by uniting efforts at the level of promotion and involving the accommodation sector. What are the concrete plans in this regard and the impact that can be expected?

## ***Partnerships***

- What are the opportunities for cooperation with other services providers in the resort to increase revenues? What are the plans of the company in this respect and what are the foreseeable additional revenues?
- Could new partnerships with an operator bring additional revenues (accommodation operator, tour operator, regional travel agency, partnership with other resorts or companies...)?
- How could the company work with an international partner? What are the contacts it maintains in order to attract such operator in the resort? Are there already seriously contemplated possibilities? The advent of an operator in a resort can have a very significant impact on skier visits; this is something of major significance in the development of the strategy.



If synergies are expected from a local collaboration, these need to be clearly demonstrated. Once their impact thoroughly assessed, it shall be integrated into the business plan forecast.

## **Promotion**

Comment on the promotional efforts that will be undertaken to increase the number of skier visits, their expected impact and their cost.

- Does the resort offers a comprehensive website presenting the complete offer and with the possibility of booking online? What is the level of cooperation of the various partners? When will a one-stop shopping site be available? Same question for mobile apps?
- Indicate the revenues made with tour operators and its expected evolution; what measures are envisaged to support its growth?
- How coordination with the Tourism Office can be improved to make the global marketing of the resort even more effective? How can the project developed in this business plan fit in this strategy?
- How to better use further in the future the possibilities offered by the Internet to attract or retain customers; what are the concrete plans of the company in this regard?
- What customer loyalty programs are underway or planned? How do they work and what is the expected impact on the number of skier visits?
- How is the CRM (Customer Relationship Management) managed? What databases are available for improving knowledge of customers, make follow up and targeted mailings?

Define the marketing budget and its evolution.

- Has the impact of promotional spending already been measured and what are the conclusions that can be learned for the future?
- Is the use of the budget optimized?

Briefly introduce marketing short- and medium-term plans, the media used and the means implemented.

## **Revenues forecasts**

Taking into account all the elements that have been developed above, present a summary of the revenues forecasts, based on the computation of **number of skier visits x average price of the skier visit**. Even if turnover is detailed in the annex to the business



plan, integrate into the body of the document a summary table using the following pattern:

## Annual progression of skier visits

	Actual					Forecast					
	n-5	n-4	n-3	n-2	n-1	n	n+1	n+2	n+3	n+4	n+5
Number of skier visits											
Annual change											
Average change											
Change in status quo											
Number of skier visits planned with status quo situation											
<b>Impact of the business plan</b>											
Measure 1: additional skier visits											
Measure 2: additional skier visits											
Measure 3: additional skier visits											
Measure 4: additional skier visits											
Measure 5: additional skier visits											
<b>Number of skier visits</b>											



Income from other activities or the summer season can also be synthesized in a similar table summarizing the impact of the assumptions on attendance.

## Annual progression of revenues

Currency

	Actual					Forecast					
	n-5	n-4	n-3	n-2	n-1	n	n+1	n+2	n+3	n+4	n+5

### *Winter season revenues*

Lifts											
Food & beverage											
Accommodations											
Shops											
Other activities											
<b>Total</b>											

### *Summer season revenues*

Lifts											
Food & beverage											
Accommodations											
Shops											
Other activities											
<b>Total</b>											

The total revenues apparent in this table must match exactly with that presented in the financial planning.



# Infrastructure

To ensure the successful implementation of a new lift, one should not only focus on its technical characteristics, but understand all the parameters.

In this chapter, the business plan will inter alia, specify the characteristics of the facilities of the ski area, demonstrate that everything has been done to optimize the new investment, and show that the new facility will not blow up operating costs but that all elements are well controlled in this regard.

The cost of operating the new facility and its financing costs must be bearable by the operation; the business plan should not suggest that the new investment is oversized!

In this chapter, it must also be demonstrated that the lifts company has an adequate management tool that will detect on time any deviation to the plan and take corrective measures. It begins with the ticketing and access control system and ends with management dashboards.

## ***Equipment***

Present the infrastructure offered by the ski area and its evolution over the last years. An inventory of the equipment with the main specifications (e.g. year of construction, renovation, concession deadline, construction cost...) must be prepared and presented in annex (it may alternatively very well be integrated into the body of the business plan).

Comment on the evolution of the number of lifts over the past 10 years and future forecasts:

- How to optimize the ski area? Should it be restructured? Are some facilities unnecessary or unprofitable?
- Are there objectively facilities that could be closed, removed, or moved to optimize the management of the ski area? What would be the financial impact? What is the schedule in this regard?
- Are there important queues on some lifts? Which ones? Identify bottlenecks and integrate improvement measures in planning. Are there interconnecting lifts that are vital but that are not redundant? What are the measures to be taken to remedy this?
- What is the policy in the selection of lifts and other equipment manufacturers? How could uniformisation and interchangeability be improved in the future?

- What analyses have already been done towards optimisation of the lifts infrastructure? What would be the potential impact of implementing such measures?
- What are the amounts spent in recent years in the trail improvements? What are major developments achieved and what are those expected in the future? What is the amount of the investments planned in this regard?
- What is the state of the snowmaking system? What are future expansion plans and budgets dedicated?

### ***Lift utilisation***

Present the historic records of the opening days of the last seasons in the resort and the number of lifts in operation on the basis of a simplified table, along the proposed following model:

### **Winter opening of lifts**

**Number of business days**

	Proportion of open lifts				Total season
	-25%	25 to 50%	50 to 75%	+ 75%	
Season n-4					
Season n-3					
Season n-2					
Season n-1					
Season n					
Average					

Present the evolution of the number of people transported by each lift and the average usage rate (based on the hourly capacity and opening days).

- Are certain facilities underused?

Summarily determine the profitability of each lift, on the basis of the annual people transported, the investment cost and the operating cost (labour); does the result show that certain facilities are clearly deficient?

## ***Logistics***

Define the ticketing system; How does it work, what is its reliability, what are the reports made available?

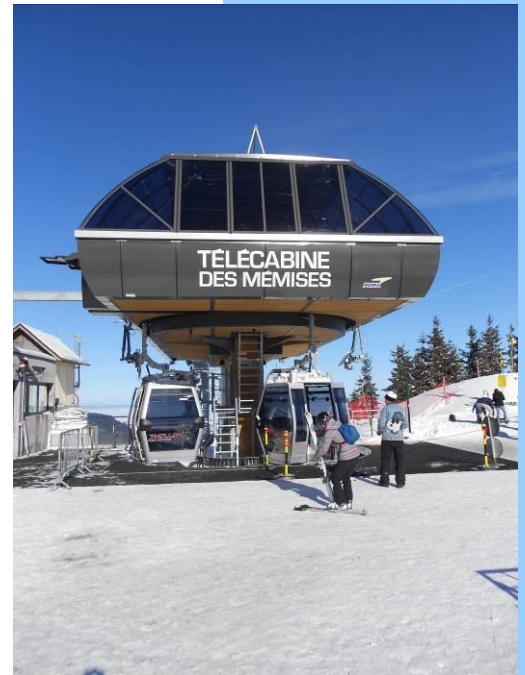
- How is the management and location of ticket offices organized?
- Level of use of automated ticketing machines and delivery of advanced-purchased packages via the Internet – what is the current system? What future projects are contemplated in this regard? Are they included in the investment plans?
- Are Internet pass sales a truly integrated option, that generate savings or is it simply an e-business facade that generates then manual work just as important, if not more, than the traditional sale?

Define the access control system to the lifts: to what extent is the ski area equipped? What is the reliability of the system? What kind of reports does the system allow to produce and how are they used?

- What are the projects in terms of ticketing and access control for future years?

Describe the administrative and technical facilities of the company; demonstrate that everything has already been implemented to optimize both labour and costs, alternatively describe the measures envisaged to streamline their management, their planning and their impact.

- Is the operating concept clearly defined? Are there rules and guidelines? Are procedures formalised in textbooks? What are the projects in this regard?
- Is the company certified ISO? When does she consider doing so?
- How can in the future equipment purchases be optimized and the best prices ensured?



## ***Management tools***

If the company regularly produces dashboards, they should be attached as an annex to the business plan and briefly described in this chapter, both as far as the content and the periodicity and utilization.

Indicate what kind of management cockpit is available to the Board of Directors to monitor the evolution of the company.

Demonstrate that the company has fully updated and maintained accounts. What is the level of integration of point of sales cash terminals?

- How does the company control the update of management information? What are the means to be implemented to ensure accuracy and punctuality?

## ***Cost control***

What is the annual cost of production of snowmaking? What are the measures taken to keep these costs under control?

How are grooming costs controlled? Is there a daily record of the grooming operations?

## ***Environment***

Describe the situation and the policy of the company in as far as ecological and environmental matters are concerned in relation to ski-lift implantation, development of ski trails, snowmaking ...; present a brief weighted analysis of future risks.

- Is access to the resort adequate? What measures should be taken in conjunction with the public authorities to improve access, traffic flow, parking possibilities?
- What are the ecological risks to consider?

Due to climate changes in recent years, it is essential to demonstrate in the business plan that reflection was conducted by the company in this regard. Therefore clearly outline how the presented strategy takes into account climate change.

## ***Cooperation & partnerships***

- What are the local cooperation and partnerships that could be established at the level of the equipments' maintenance and possible synergies in terms of procurement?
- How are potential cooperation and partnerships taken into account in the choice of new investments?
- What could be the financial impact?

## ***Investment projects***

Present a history of the investments over the last 5 years with explanatory details, as well as a schedule of the major overhaul work / ropes changes, etc planned over the next 20 years with estimated annual budget.

Detail the investments in support of which this business plan is prepared, if necessary. Detail the annual investment and operating costs.

- Are the contemplated investments optimized? Compare the investments with recent projects made in other resorts in the country and abroad. Demonstrate that the civil engineering works are correctly sized.
- Could the use of the financial envelope be improved by reducing the major investment and by adding a few others smaller infrastructures that may generate or improve income?

It is important to show that both investments for the renewal of existing facilities and new projects have been taken into account in the preparation of the business plan.

Thus, there will be, on the one hand, an analysis of the RECAPEX needs of existing infrastructure over the long term, itemised by lifts and other major facilities and on the other hand, a listing of the new investments required and their time-frame. This will not only cover lifts, but all major capital assets.

With regard to new projects, modelling can allow to check if the company has the financial means to support them according to the planned schedule or wheth-



er some should be deferred. In addition, a comprehensive model allows measuring beforehand the impact of investments on the future results as well as the funding situation. The exercise will therefore enable to verify if new projects are properly sized compared to the financial possibilities of the company and if they are sustainable.





# Staff and management

The level of professionalism of the management is often a weakness of lift operators.

Therefore, in this chapter it is essential to demonstrate that the company has staff and supervision commensurate with the tasks.

Especially if the business plan is developed in support of a new investment, it must be demonstrated that the team in place will be able to implement the actions necessary to increase the number of skier visits, improve profitability and optimize the use of resources. In case of setbacks, the strength of the management team will also be some guarantee that things will be taken care of in time.

At the staff level, it should expose the measures taken to avoid increasing the staff costs with the new facility and present possible reallocation considered.

## ***Staff and functions***

Introduce a simple organisation chart of the company, with the functions and the names of the main executives, indicating the number of subordinates (distinguishing full-time and seasonal workers).

Also express data relating to fixed and temporary staff in FTE (full-time equivalent).

- What is the evolution of the turnover rate of staff over the last years?
- Are there important positions that will need to be renewed on short or medium term?
- How will they be managed?

Detail staffing and its assignment; present details of the staff needed for each facility (to be supported on the basis of inter-company comparisons).

- What are the consequences of the new investments in terms of staff?
- Is it possible to take advantage of this opportunity to redistribute tasks and achieve a reduction of personnel costs?
- Could some additional options reduce the need for staff?
- At what price?

Staff costs represent a significant part of the expenses of a ski area. It is therefore of utmost importance to properly plan the evolution of the workforce over the next years and present this analysis in the business plan. Further table suggest a possible presentation; it may

be necessary to detail de staffing in a segregated way between winter and summer operations:

## Evolution of the workforce

	Actual		Forecast					
	n-2	n-1	n	n+1	n+2	n+3	n+4	n+5
<b>Lifts</b>								
Operation								
Maintenance								
Ticket offices								
Grooming								
Control / security								
<b>Total lifts</b>								
<b>Other activities</b>								
Food & beverage								
Accommodations								
Shops								
Other activities								
Management & administration								
Marketing								
<b>Total other activities</b>								
<b>Total</b>								
Workforce full-time annual								
Seasonal workforce / part-time								
Average occupancy level of seasonal staff / part-time (in annual %)								
<b>Number of employees in full-time equivalent</b>								
Personnel costs per full-time equivalent								
<b>Total staff costs</b>								

## Skills & qualifications

Introduce the skills of managers in terms of business using a summary table:

# Management profile

## Summary CV of key executives

<b>Position</b>						
<b>Holder</b>						
<b>Replacement</b>						
<b>Formation of the holder</b>						
<b>Experience of holder</b>						
<b>Years in the position</b>						
<b>Previous position</b>						

Demonstrate that the company is managed professionally at various levels: Board of Directors, management, commercial, finance, technical and operation.

- Has the company looked to strengthen the Board of directors or restructuring to ensure a maximum of professionalism in management?
- Are all necessary skills balanced in the Board of Directors?



## Finances

The main parameters and assumptions must have been presented during the 4 preceding chapters. The financial aspect is finally only the translation into financial terms of earlier developed strategies. It shows their impact on the results and the company's balance sheet. It is therefore necessary that the 4 previous chapters have been developed carefully before you can properly address the financial summary of the business plan.

After preparing the forecast financial statements resulting from the plans submitted, it must be demonstrated that, as expected, the company's financing is sufficient and sustainable. It should enable it to deal with some unexpected and especially to finish the implementation of the new investment despite drawbacks.

As an essential point, it must be demonstrated that the cash flow of operations will not deteriorate following the new investment, but to the contrary strengthen.

The business plan must demonstrate on the long term, both in the figures and in the proposed actions plan, that the operator tends to improve its performance. It must produce substantial cash flows to be always in a position to cope with the needs of RECAPEX and the financial commitments that it has entered into in the past. If the business plan is designed to obtain additional funding (e.g. for a new lift), it is necessary that the projections show a cash flow strengthened to cope with the new financial commitments that will be contracted.

Even if at operational level, detailed long-term projections exceed a realistic approach, modelling must however be continued over a longer period at the level of financial flows and liquidity resulting from the long-term investment plan (in which all required facilities renewals will be carefully reported). In this case, you will just use the cash flow of the last year of the detailed projection as the basis for longer term operating forecast. It is then recommended to remain very reasonable in its progression; it can no longer be supported by detailed assumptions.

The value of the company may be used to determine its debt capacity or value a stake in its stockholding. The modern approach values such through the discounted free cash flows method (DCF). The financing plan is therefore the basic element. It is therefore important to provide the necessary care for its preparation.

## Operating forecast and P&L account

Introduce synthetic operating forecasts resulting from the expected evolution of the skier visits, the average price of the skier visit, other revenues and expenses arising from the business plan, over a time horizon of at least 5 years, along the proposed simplified framework hereafter:

### Operating forecast (EBITDA)

Currency

	Actual					Forecast					
	n-5	n-4	n-3	n-2	n-1	n	n+1	n+2	n+3	n+4	n+5
<b>Revenues</b>											
Winter sales											
Turnover was											
<b>Total revenues</b>											
<b>Expenses</b>											
Purchases of goods											
Personnel costs											
Maintenance costs											
Energy											
Advertising											
Overheads											
<b>Total operational expenses</b>											
<b>Operating profit (EBITDA)</b>											

All of the assumptions of variation of expenses must be duly documented.

Demonstrate additional profitability provided by the new investment and all measures that will be taken at the same time to improve revenues (prepare a table comparing operating results in the long term with and without new investment). It is common in existing resorts that further measures are required in order to increase enough the revenues, combined with cost reduction, to be able to financially support new investments. A summary of the financial consequences of these measures should be presented and commented.

- What are the measures that will be taken to reduce expenditure (personnel, maintenance and other operating expenses, financial expenses...)?

The risks associated with weather and unfavourable snow conditions being more and more important in recent years, it is necessary that the business plan demonstrates how the company can deal with a very bad year. The plan should therefore include a "disaster scenario" and demonstrate, on the one hand, its impact on the company's performance and on the other hand, what are the measures that are available to deal with such a situation.

It may be necessary to prepare operating forecasts specific to each activity of the company in a more detailed way than the proposed framework in the present document (deliberately simplified to be within the reach of all kind of lift operating companies). Where appropriate, the information will be consolidated into a synthetic account of P&L (the details can be put in the annex of the business plan):

## Projected P&L statement

Currency

	Actual					Forecast					
	n-5	n-4	n-3	n-2	n-1	n	n+1	n+2	n+3	n+4	n+5
<b>Operating profit (EBITDA)</b>											
Depreciation											
Provisions											
<b>EBIT</b>											
Financial revenues											
Financial expenses											
Non-operating revenues											
Non-operating expenses											
<b>EBT</b>											
Taxes											
<b>Net result</b>											

## Operating ratios

Summary table of operating key ratios:

- Skier visits / opening days (winter);
- average price of the skier visit;
- investment for 1 currency unit of revenue;
- investment in % of annual revenues;

- investment per hourly capacity unit;
- number of skier visits by lift;
- transport revenues per lift;
- transport revenues per hourly capacity unit or per VTMH;
- EBITDA in % of turnover;
- Personnel cost in % of total revenues;
- cash flow / balance sheet total;
- return on Equity;
- Equity / balance sheet total.

Compare the ratios of the company with the industry standards and comment; provide a table of comparative data.

- What are the conclusions to be drawn and what steps are to be taken?

## ***Financial statements***

Prepare a synthetic balance sheet over the next 5 years, highlighting the evolution of liabilities, Equity and capital expenditures.

### **Balance sheet**

Currency

	Actual					Forecast					
	n-5	n-4	n-3	n-2	n-1	n	n+1	n+2	n+3	n+4	n+5
<b>Assets</b>											
Available											
Current assets											
Lifts groomers, snowmaking											
Other fixed assets											
Various assets											
<b>Total assets</b>											
<b>Liabilities</b>											
Current liabilities											
Long term debts											
<b>Total liabilities</b>											
Capital											
P&L & reserves											
<b>Total Equity</b>											
<b>Total</b>											

From the 5th year of forecast, sketch forecasts of cash over the next 20 years, taking into account repayments of loans and needs for new investments (the following proposed model has been truncated after the fifth year of forecast for presentation reasons).

## Long term financing plan

Currency

	n	n+1	n+2	n+3	n+4	n+5
EBITDA						
Financial expenses & revenues						
Extraordinary expenses & revenues						
Taxes						
Variation in working capital						
<b>Cash free flow</b>						
Investments						
Divestments						
<b>Cash flow after investments</b>						
Capital increase						
Dividends paid						
Borrowings						
Repayment of borrowings						
<b>Annual cash</b>						
Initial cash						
<b>Final cash</b>						

Due to the strong seasonality of lifts operation, it is recommended to sketch a monthly liquidity plan over 2 years, in a very simple presentation (even if exercise can seem difficult and random).

### **Financing**

Introduce investment needs over the next 20 years, as well as the needs for financing; submit details of current funding and the debt maturity.

- If a new credit is sought in the financing of investment in the business plan, how does it fit in the current debt service?



- Briefly introduce the shareholding of the company and its evolution in time (past and future). What will be the future contribution to the financing of the company shareholders?

In the search for financing for new investments, it can be very useful to segment immediately in the forecasts the various possible sources, presenting how the proposed investment may, where appropriate, be financed by self-financing, capitalization, financing by regional or governmental bodies and/or bank financing.

### ***Retrocession***

Is there a system of revenue allocation with one or several fellow lift companies or other partners? How does it work? Is it efficient and equitable or should it be changed? If so, how and to what end? What are the financial consequences for the company?









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