

Laurent Vanat
Consulting SARL
19, Margelle
CH-1224 Genève

Tel / fax / messagerie :
(+41) 022 349 84 40
Courriel : vanat@vanat.com
Internet : www.vanat.com

On tracks for a good business plan

*Handbook for the use of new ski
resorts developers*



November 2015

Laurent Vanat



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.

Table of content

Introduction	- 4 -
<i>Why a business plan?</i>	- 4 -
<i>How to use this guide?</i>	- 5 -
<i>Comments and suggestions related to the preparation and the presentation of the business plan</i>	- 5 -
<i>Model for operating forecasts and financial statements</i>	- 8 -
Executive summary	- 10 -
The product	- 14 -
<i>Services offered</i>	- 14 -
<i>Average price per skier visit</i>	- 14 -
<i>Other sources of income</i>	- 17 -
<i>Future projects</i>	- 17 -
The market	- 18 -
<i>Customers</i>	- 18 -
<i>Market research</i>	- 19 -
<i>Accommodations in the resort</i>	- 19 -
<i>Industry benchmarking</i>	- 19 -
<i>Attendance forecasts</i>	- 20 -
<i>Partnerships</i>	- 22 -
<i>Promotion</i>	- 22 -
<i>Revenues forecasts</i>	- 23 -
Infrastructure.....	- 26 -
<i>Equipment</i>	- 26 -
<i>Lift utilisation</i>	- 27 -
<i>Logistics</i>	- 27 -
<i>Management tools</i>	- 28 -
<i>Cost control</i>	- 28 -
<i>Environment</i>	- 29 -
<i>Cooperation & partnerships</i>	- 29 -
<i>Investment projects</i>	- 29 -
Staff and management	- 31 -
<i>Staff and functions</i>	- 31 -
<i>Skills & qualifications</i>	- 32 -
Finances	- 34 -
<i>Operating forecast and P&L account</i>	- 35 -
<i>Operating ratios</i>	- 36 -
<i>Financial statements</i>	- 37 -
<i>Financing</i>	- 38 -
<i>Retrocession</i>	- 39 -

Introduction

Why a business plan?

You are planning a new ski resort. You may already have a master plan and possibly numerous technical studies. **But do you know how you are going to turn your project into an economically viable enterprise?**

Are the visitors figures based on realistic expectations? Are the forecasted incomes relying on thoroughful examination of the business perspectives? Have all operating costs been carefully estimated? Will the future cash flow be sufficient for RECAPEX?

A ski resort involves heavy capital expenditures and operating costs. Not every piece of the investment brings in itself incremental returns and the long term profitability of the business is essential to its sustainability.

The preparation of a business plan is therefore the best tool to ensure a full, objective and positive future-oriented survey. It will allow to challenge the whole project and to identify its problems or weaknesses. It will also allow making a creative reflection towards the best way to operate every activity. When operation starts, the business plan will then supply the metrics to measure the progress.

The business plan in a nutshell:

- 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 planning. 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 resort (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 25% of the skier visits without any convincing justification, your business plan will be of low 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 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 (if any) and forecast;
- P&L for past years (if any) 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?

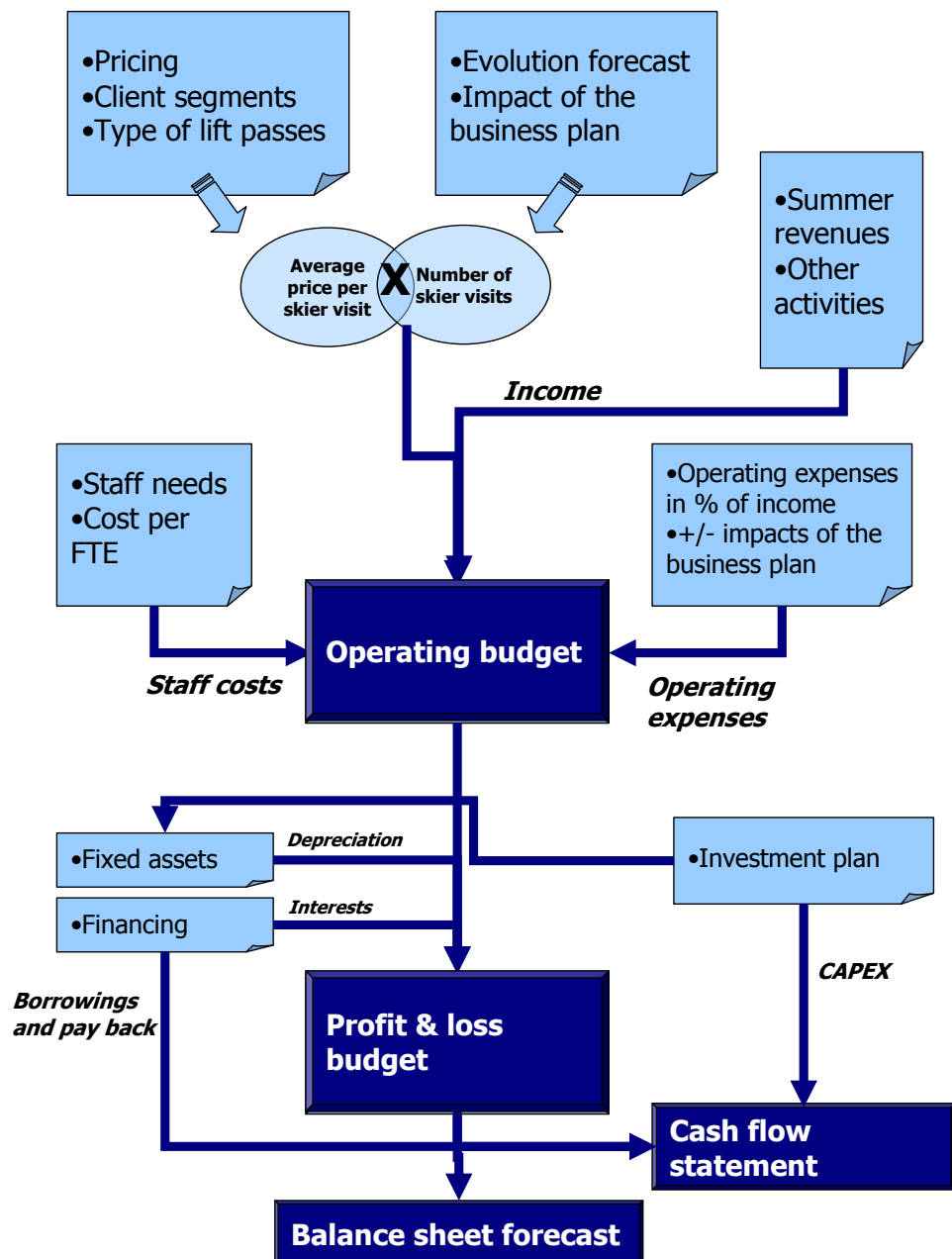


Model for operating forecasts and financial statements

In order to be practical, the business plan must include specific and documented operating forecasts, with basic assumptions and scenario description. For a ski resort that is mostly operating in winter with daily guests, 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:

If you are planning a 4-season destination resort, of course the

Business plan financial model



scope of the modelling will be much wider. You will have to forecast the total winter and summer attendance, the share of customer practicing each activity and per activities investments, revenues and expenses.

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 issue of renewal of facilities, demonstration of the sustainability of a ski resort 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 project in giving first of all the main features. The tables below contain all information allowing to quickly getting a good vision of your project:

Specifications – resort

Environment
 Extreme altitudes
 Altitude of the village
 Number of accommodations and beds in the resort / phasing
 Hotels and pensions
 Condos & rental homes
 Apartments and chalets (secondary homes)
 Total
 Name of the connected ski area (if any)
 Customer base

Specifications – ski area

Number of lifts by type / phasing
 Cable car
 Funitel
 Gondola 16 P
 Gondola 8 P
 Gondola 6 P
 Gondola 4 P
 Detachable chairlift 8 P
 Detachable chairlift 6 P
 Detachable chairlift 4 P
 Detachable chairlift 2 P
 4 P fixed grip chairlift
 3 P fixed grip chairlift
 2 P fixed grip chairlift
 Ski lifts
 Rope tow
 Magic carpet

Other (specify)

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

Financial data

Total investment (acquisition costs of fixed assets)	forecast over 5 years
Annual investment	forecast over 5 years
Bank credits and other borrowings	forecast over 5 years
Equity	forecast over 5 years
Transport turnover	forecast over 5 years
Total turnover	forecast over 5 years
Staff costs	forecast over 5 years
Total operating expenses	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

Ratios

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

If your project will develop in several phases, please indicate clearly what concerns each phase.

Then present in a few words your project and objectives. Be very specific. Define the future evolution in clear and accurate, qualitative and quantitative terms.

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

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 thoroughly 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).

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

In order to be viable, a mountain resort needs to attract year-long a high number of guests and capture most of their expenses while in the resort. The design of the features of a resort should be driven by the search to comply with key success factors, to attract them such as:

1. **Basics**, as snow guarantee, optimal size and number of lifts, features in line with catchment's area.
2. **Non ski and summer activities**, in order to offer fun to skiers and non skiers.
3. **Accommodations, food & beverage outlets** in line with the type of resort.
4. **A balanced offer**: It is important to match with the needs of the various types of clients and generations that will attend the resort.
5. **Quality of resort design**: even if a resorts meets will all the required attributes, it must also be well designed, in order to showcase the offer.

Services offered

Define the whole range of the resort offer in presenting a summarised inventory by theme: lifts, catering, accommodations, 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 are the projects in snow-parks and new snow sports? What are costs, implementation schedule, and the expected impacts?
- What are forecasted developments of the summer activities? What budget is spent? What is the profitability of these activities?

Average price per skier visit

Modelling of the average price per skier visit can be done through the following computation table (pass types of the examples can be adapted according to the resort's specifications):

Price grid

Currency

Tariff type		Pass 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 expected number of ski passes sold

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

The price grid suggested above indicates 40 different rates. Number of ski resorts have even much more. 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 in further phases or additional services can justify a price increase. In practice, it is recommended to apply the percentage increase (if applicable) 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.

Develop strategies to increase the average revenue per skier visit in the future (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 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						
Impact of the business plan						
Measure 1: increase in the average price						
Measure 2: increase in the average price						
Increase of the average price						

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

In the same way that sample grids have been presented here above for ski tickets, please expose the various price grids related to ski rentals and ski schools. If you plan a 4-season destination resort, please also indicate the pricing forecast for the various types of accommodations.

- 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?
- Should new low-investment activities, but offering substantial income, be considered? What would be the impact?

Future projects

Define future investment projects in the short, medium and long term and demonstrate the added value that they will bring; give a brief description, where appropriate.

Introduce the additional revenues that these will allow to generate; 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.

The market and catchment's areas should be in line with the resort's infrastructure as described under former chapter.

1. **Local attractivity:** if a projected resort meets these criteria, it may likely be a local ski resort that will attract daily guests. But it will not guarantee overnight guests.
 - Less than 2 hours' drive from 2 million inhabitants (driving time and size of population may vary depending on the countries mobility habits and skiers proportion)
 - Easy access by public transport
 - Resort animation, restaurants, shopping and entertainment offer
 - Users friendly ski rental and ski school
 - A minimum of 10 non ski side activities
2. **Destination attractivity (for stays):** to ensure a sufficient level of attraction for overnight guests, it is not sufficient to have just a ski offer. There are numerous other requirements.
 - At least 10 lifts
 - Minimum 3* hotels offer, up to 4* (5* in high-end resorts)
 - At least 2'000 commercial beds
 - Base village animation, wide shopping, food & beverage offer
 - A minimum of 25 non ski activities, mostly 4-seasons activities, including some indoor activities

Customers

Define the catchment's area, its population, its ski practice rate, the penetration rate your ski resort is expecting to reach, the forecasted number of visits per expected customer, with distinction of daily guests / overnight guests (if applicable).

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

- How do / will customers perceive the location? 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 project and/or the region. What are the conclusions and how were they integrated into the future strategy?

Accommodations in the resort

In you plan a destination resort, present forecasts on the number of overnight stays in the resort, the average duration of a stay and the proportion of skiing guests. What are the comments that can be made to the evolution of the number of overnight stays?

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

Industry benchmarking

Thanks to the sample table here under, 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 page "publications").



Inter-resorts comparison

Synoptic table

	Your resort	Competitor A	Competitor B	Competitor C
--	-------------	--------------	--------------	--------------

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				
Catchment's area				
Customer-type				
Ticketing system				
Types of lifts				
Hourly capacities				
State and age of the lifts				
Environment				
Skiing conditions				
Customer satisfaction				
Extreme altitudes				
Marketing				
Profile of past investments				
Profile of future investments				
Comments				

- 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?

Attendance forecasts

You will be able to derive your attendance forecast from the assumptions related to your catchment's area. If you are mainly planning a winter ski area relying on daily guests, the skier visits will be the ma-

jour attendance metrics. You will be able to estimate also the volume of non skiing guests, which will only be potential customers for side-activities.

If you plan for a 4-season destination resort, you will have to make the distinction between winter and summer attendance, skiing and non skiing guests, daily and overnight guests. This will enable you to derive the skier visits figures, together with attendance figures to other winter and summer activities. Check that you supply appropriate supporting arguments, especially to demonstrate the attractiveness of your resort for long distance travelling guests (if appropriate).



Support your forecast with various benchmarking data and arguments:

- What has been the evolution of the number of skier visits in the country / region over the last 5 years? How does it compare with the evolution of attendance in the competing resorts?
- The variation of the number of skier visits in the future may not be continued linearly on the initial 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 be justified / please 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 the resort operator effectively work with other accommodations operators or hotel chains 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?
- Facilitation of the access to the resort, by organising shuttle services or links with the public transport network can increase the attendance.
- Packaging a ski day with some other services or offers can also generate an additional demand.

Partnerships

- What are the opportunities for cooperation with other services providers, bus or tour operators 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?

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 advertise the resort and increase the number of skier visits, their expected impact and their cost.

- Will the resort offer a comprehensive website presenting the complete offer and with the possibility of booking online? What is the level of cooperation of the various partners, if ap-

plicable? When will a one-stop shopping site be available?
Same question for mobile apps?

- Indicate the revenues expected with tour operators and their 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 the possibilities offered by the Internet and mobile devices to attract or retain customers; what are the concrete plans of the company in this regard?
- What customer loyalty programs are planned? How do they work and what is the expected impact on the number of skier visits?
- How will the CRM (Customer Relationship Management) be managed? What databases will be 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 assessed?
- 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

	Forecast					
	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

Impact of the business plan

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

Number of skier visits

The same kind a tables will be required to plan attendance for all the other income that is based on the number of customers.



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

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

Winter season revenues

Lifts						
Food & beverage						
Accommodations						
Shops						
Other activities						
Total						

Summer season revenues

Lifts						
Food & beverage						
Accommodations						
Shops						
Other activities						
Total						

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 ski resort, one should not only focus on lifts' 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 investment, and show that operating costs will be under control.

The cost of operating the resort and its financing costs must be supportable by the operation; the business plan should not suggest that the investments have been oversized!

In this chapter, it must also be demonstrated that there are adequate management tools that will allow detecting on time any deviation to the plan and taking corrective measures. It begins with the ticketing and access control system and ends with management dashboards.

Operational excellence is the key to the success of the resort. It is not sufficient that the resort has the proper catchment's area and all the required infrastructure. All the facilities of the resort should also be operated in a continuous search for excellence and guest satisfaction.

Equipment

Present the infrastructure offered by the ski area and its evolution over the years, if there is any phasing in the investment. An inventory of the equipment with the main specifications 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 next 10 years:

- How to optimize the ski area?
- Is there a risk to have important queues on some lifts? Which ones? Identify possible bottlenecks and integrate improvement measures in further 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 choice of lifts and other equipment manufacturers? How could uniformisation and interchangeability be improved?
- What are the amounts that will be spent in the trail preparation?

- What snowmaking system is planned? Will the water supply be sufficient? How long will it take to turn the resort into operation relying only on snowmaking? What are future expansion plans and budgets dedicated to snowmaking?

Lift utilisation

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

- Is there a risk that certain facilities be underused?
- Are all the planned lifts necessary? What are their utilisation rates deriving from attendance forecasts? Will they be sufficient to justify each lift?

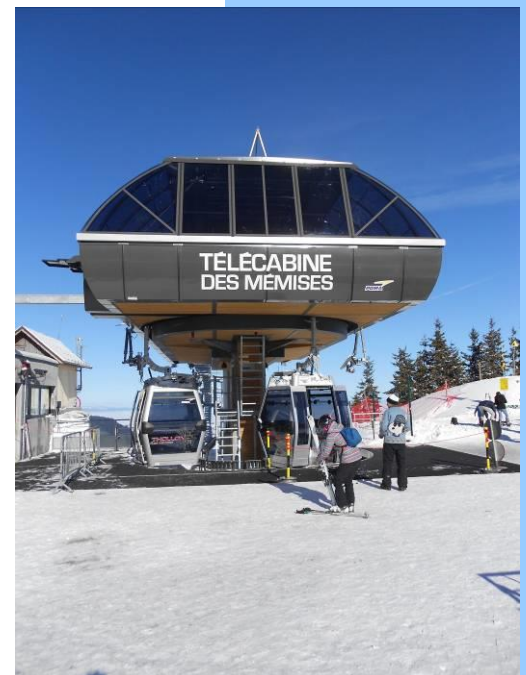
Summarily determine the profitability of each lift, on the basis of the annual people transported, the investment cost and the operating cost (labour); does the result show that certain facilities are clearly deficient?

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 planned system?
- 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?



- Did the resort plan all necessary measures to avoid fraudulent use of the lifts and slopes?

Describe the administrative and technical facilities of the company; demonstrate that everything will be implemented to optimize both labour and operating 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?
- How can in the future equipment and supplies' purchases be optimized and the best prices ensured?

Management tools

Samples of the dashboard the company plans to produce regularly 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 will be available to the Board of Directors to monitor the evolution of the company.

Demonstrate that the company will have the necessary resources to maintain fully updated accounts. What is the level of integration of point of sales cash terminals?

- How will the company control the update of management information? What are the means to be implemented to ensure accuracy and timely reporting?

Cost control

Is any cost accounting system designed per lift?

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

How will grooming costs be controlled? Is there a daily record of the grooming operations scheduled?

Environment

Describe the situation and the policy of the company 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

Detail the investments in support of which this business plan is prepared, if necessary. Detail the phasing of 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 investments for the renewal of the contemplated facilities and further 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 the infrastructure over the long term, itemised by lifts and other major facilities and on the other hand, a listing of the future investments required and their time-frame. This will not only cover lifts, but all major capital assets.

With regard to further projects, modelling can allow to check if the company has the financial means to support them according to the planned schedule or whether 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 ski resorts operators.

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

Especially when the business plan is developed in support of a new project, it is essential to demonstrate that the team that will be put in place will be able to implement the actions necessary to grow 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.

Staff and functions

Introduce a simple planned 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).

Detail staffing and its assignment; present details of the staff needed for each facility (to be supported on the basis of available benchmarking).

- How will staffing evolve according to the implementation of the various development phases?
- What are the consequences of the further investments in terms of staff?
- Is it possible to take advantage of this opportunity to redistribute tasks and achieve an optimisation of labour 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 the staffing in a segregated way between winter and summer operations:

Evolution of the workforce

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

Skills & qualifications

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

Management profile

Summary CV of key executives

Position						
Holder						
Replacement / substitute						
Formation of the holder						
Experience of holder						
Previous position						

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

- 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 monetary 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 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 investments despite drawbacks.

As an essential point, it must be demonstrated that the cash flow of operations will be growing once the project is completed.

The business plan must demonstrate on the long term, both in the figures and in the proposed action plan, that the operator tends to improve its performance. It must produce substantial cash flows to be in a position to cope with the needs of future RECAPEX and the financial commitments that the company will enter into to finance the project.

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 cash flows 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 as 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 thus 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 attendance, the average revenue per 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

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

Revenues

Winter season						
Summer season						
Total revenues						

Expenses

Purchases of goods						
Personnel costs						
Maintenance costs						
Energy						
Advertising						
Overheads						
Total operational expenses						
Operating profit (EBITDA)						

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

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 ski area operating companies). Where appropriate, the information will be consolidated into a synthetic ac-

count of P&L (the details can be put in the annex of the business plan):

Projected P&L statement

Currency

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

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;
- labour 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

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

Assets

Cash at hand						
Current assets						
Lifts, groomers, snowmaking						
Other fixed assets						
Various assets						
Total assets						

Liabilities

Current liabilities						
Long term debts						
Total liabilities						
Capital						
P&L & reserves						
Total Equity						
Total						

From the 5th year of forecast, sketch forecasts of cash flow over the next 20 years, taking into account repayments of loans and needs for new investments and RECAPEX (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						
Cash free flow						
Investments						
Divestments						
Cash flow after investments						
Capital increase						
Dividends paid						
Borrowings						
Repayment of borrowings						
Annual cash						
Initial cash						
Final cash						

Due to the strong seasonality of lifts operation, it is recommended to sketch a monthly cash 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 funding and debt maturity.

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

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

Retrocession

Is there a system of revenue allocation or of profit sharing 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?





Laurent Vanat Consulting SARL
19, Margelle
CH - 1224 Geneva
Switzerland
Tel / voicemail : +4122 349 8440
E-mail : vanat@vanat.com
Website : www.vanat.com