ISCTE Business School
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”BARRACA”

A SHELTER FOR CULTURAL HERITAGE IN ALGARVE:

BUSINESS PLAN

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ABSTRACT

This project addresses the need to protect the cultural heritage in places with less global influence and how to generate revenue from it, exploring the current trends on cultural and creative tourism.

To do so it is used the example of Algarve, a destination often linked with sun and beach tourism, despite havinbg plenty and various other resources capable of providing its visitors a complete and memorable experience.

BARRACA is a project that proposes a simple and laidback space where the local youth and visitors can interact and be exposed to Algarve's cultural heritage while fulfilling the standards demanded these days for an establishment directed at this target audience. For that to happen, the idea is to organize exhibitions and events using the region's landscape, traditional economic activities, gastronomy, as well as products and works from local artists, craftsmen and producers, and many other activities always using the local cultural heritage as background.

This document presents the entire business plan necessary to put this project into practice, from the theoretical base behind the whole concept to the financial analysis on it.

Keywords: Tourism; Cultural Heritage; Algarve; Portugal

JEL Codes: New Firms; Startups – M13

RESUMO

Este projeto explora a importância de proteger a herança cultural local em destinos de menor expressão a nível global e como lucrar com esta necessidade, explorando as atuais tendências no turismo criativo e cultural.

Para tal, é usado o exemplo do Algarve, destino muitas vezes associado ao turismo de sol e praia, mas que possui muitos outros e variados recursos capazes de proporcionar aos visitantes uma experiência completa e memorável.

A BARRACA propõe um espaço, simples e descontraído, onde os jovens locais e visitantes possam interagir e estar expostos à herança cultural local enquanto vêm cumpridos os padrões que hoje em dia se pedem a um estabelecimento direccionado a este público. Para que tal aconteça, serão organizadas exposições e eventos usando a paisagem, as atividades económicas tradicionais da região, gastronomia e produtos, obras e trabalhos de artistas, artesãos e produtores locais e muitas outras atividades usando diversos elementos da cultura Algarvia como pano de fundo.

Neste documento é então apresentado todo o plano de negócios necessário para que este projeto possa ser posto em prática, começando pela base teórica e conceito e terminando na análise financeira do mesmo.

Palavras-chave: Turismo; Herança Cultural; Algarve; Portugal.

JEL Códigos: Novas empresas; Startups – M13

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Tomás Oliveira

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1. EXECUTIVE SUMMARY

A nossa missão é fazer da BARRACA o refúgio que a as novas gerações Algarvias ainda não tinham dado à sua herança cultural.

Na era da globalização, em que a maioria de nós tenta pertencer a uma comunidade global na qual se dá prioridade à uniformização que permite aos seus membros comunicar e estabelecer ligações independentemente do seu paradeiro, corremos o risco de descurar o que nos fez ter interesse em descobrir novos sítios e culturas.

Na BARRACA tentaremos cumprir o nosso papel, como jovens Algarvios, de não permitir que a herança cultural deixada pelos nossos antepassados se perca no tempo, mostrando aos jovens da nossa região que é possível, e importante, valorizar e partilhar com a comunidade global o que nos torna únicos.

O Algarve é, desde há umas décadas, procurado como destino turístico pelas suas praias de areia branca e clima agradável. No entanto, qualquer Algarvio sabe, ou devia saber, que a nossa região é bem mais que isso.

A literatura recente sobre o tema defende que as tendências no turismo mostram visitantes que procuram cada vez mais saborear um pouco do que é a vida local. Cabe-nos a nós, locais, proporcionar essa experiência e agarrar a oportunidade que este tipo de turista nos dá de mostrar o verdadeiro valor do Algarve e, por fim, valorizar a região.

O seguinte plano de negócios tem como objetivo a criação de um espaço onde turistas e locais se possam juntar, partilhar estórias e experiências entre si e aprender sobre o que é, e o que foi, o Algarve. O objetivo é que, no final, estrangeiros voltem para o seu país sabendo o porquê desta região ser mais do que mar e sol, e os jovens locais sejam mais capazes de explicar esse porquê.

Para tal, iremos promover exposições e mostras, visuais e verbais, dando a conhecer o Algarve de antigamente, o talento local, a fauna, a flora, história e estórias, a nossa paisagem através de atividades exteriores em parceria com outras empresas ou, a base do negócio, a nossa gastronomia.

Se a nossa oferta cultural e ambiente propício ao convívio serão o nosso fator diferenciador, em termos de negócio a principal atividade será ligada à restauração, proporcionando um espaço confortável onde o cliente possa experimentar uma gastronomia autêntica enquanto relaxa e disfruta do nosso conceito.

2. ENTREPRENEUR’S PROFILE

Tomás Oliveira, 25.

Education

- Completed the first year in Sculpture by Lisbon’s University School of Fine Arts;
- Graduated in Drawing by Lisbon’s University School of Fine Arts, with special attention to the completion of all the 6 levels of Print Making;
- Graduated in Digital Photography by the Portuguese Photography Institute;
- Student of the Master’s in Business Administration at ISCTE.

Personal life

- Born and raised in Faro, I’m both the entrepreneur and part of the youth segment, one of our targets. This allows me an inside perspective, which helps to better assess and understand the demands and needs of our target market.
- I have visited 23 countries in 4 continents to date. As a visitor, I try to blend as much as possible with the local community to make sure I experience, as deeply as possible, their apparently ordinary, but fascinating, day to day habits.
- In 2016, me and my girlfriend travelled 12.000km in China, by train, during a month. This trip is documented on *daquiateachina.wordpress.com* and *instagram.com/daquiateachina*.
- These experiences made me realize the important role of cultural heritage in each place I visited, both as a touristic product and a way to culturally enrich the community.
- Most of my family has an arts related background, including my mother (architect, urbanist, director of the city’s museum, department of culture and heritage rehabilitation and preservation) and my father (arts teacher, photographer, designer and architect), which means I started having contact with arts and culture from a very young age.

- By living with my mother in Faro, visiting my father in Lisbon, and later living by myself there when I went to University, I got to experience from a young age the differences between a small community and the life in the big city, and how my perception of that differences changed over the years.
- This was a key aspect when perceiving the role of cultural heritage of each region, as I understood how it varies so much from one place to another, even though they are only 300km apart.
- What I mean by all this is that my interest in arts, culture and cultural heritage has deep roots and my goals for this project are far greater than having a successful business.

Work experience

- I have worked on several fields to date, including hospitality, both in administration and as a waiter, archive management and children tutoring at a social support association and illustration. These experiences forced me to learn the skills necessary to each field, giving me valuable tools, but most importantly teaching me how to adapt quickly and effectively to unknown situations.

Other skills

- I also played football for over a decade, captaining my youth teams on various levels, which taught me from a young age to lead and take responsibility for not only mine, but also my colleagues' actions.
- Arts education allowed me to develop knowledge, skills and a sense of aesthetics that can be of great value in a time where the importance of looks and appearance is growing by the day.

3. LITERATURE REVIEW

3.1 Cultural Tourism

3.1.1. Background and historical context

Although we have been separating cultural tourism from recreational tourism since the beginning of the 1980’s decade, it still has not been given a unanimous definition (Dolnicar, 2002; Hughes, 2002). Cultural tourism started as a social phenomenon after World War II as a tool to increase cultural understanding and rebuild economy in Europe and has been studied ever since. During the 1980’s, the label “cultural tourism” has been given to this niche market due to the increasing search for major sites and attractions (Richards, 2018). For example, Reisinger (1994) said that the intention to emerge in cultural experiences, either intellectual, emotional or psychological, could define what cultural tourism was, and Sildeberg (1995) argues that a cultural tourist was someone from outside the local community who was interested in learning about all types of cultural heritage made available by the destination community.

The “heritage boom” (Hewison, 1987), the fact that the travelling trend was growing and the recognition of cultural tourism as an effective way to boost the economy and help preserve the culture (Richards, 2001) translated in a continuous growth for cultural tourism during the 80’s and 90’s. In the beginning of the 90’s, cultural tourism went from being an elite oriented market to being open to the masses (Richards, 2018), and the size of this market was estimated for the first time (37% of all international tourism) by the UNWTO, but according to Bywater (1993) this information was not supported well enough. Cultural tourism kept growing until, in 2013, emerged the “over-tourism” phenomenon, which translated into the overcrowding of World Heritage Sites, making the conservation of tangible heritage harder. Eventually, the increasing search for new experiences instead of sights, helped shift the attention for the possible role of the intangible heritage in tourism and tangible heritage conservation (Du Cros, 2012). This growth in cultural tourism also brought the need to divide this market into more specific niches. Heritage, arts, gastronomic, film and creative were now sub-categories for cultural tourism (Richards, 2018). According to the UNWTO Report on Tourism and Cultural Synergies (2018), cultural tourism is expected to keep growing in the next five years, supported by multiple national tourism administration’s policies. This study also provided for the first-time enough information to support a valid estimation of the cultural tourism market size (39% of all international tourism arrivals).

Going back to the beginning, what sets apart cultural tourism from recreational tourism is the tourist’s motivation to learn and experience the vast offer of both tangible and intangible cultural offers, which can be as varied as arts, gastronomy, history and traditions or pure lifestyle, provided by their destination (Richards, 2018). This new definition of cultural tourism tells us that people these days are not only in search for the western classical tangible heritage tourism of visiting historical sites and monuments, but instead want a much wider choice, travelling the whole globe, immersing themselves between the locals, trying to get a taste of their lifestyle and learning about all the simple and unique experiences that build it (UNWTO, 2018). Also, according to Google Scholar, the number of publications about cultural tourism in 2016 was 60 times higher than those recorded in 1990, showing an obvious growth of interest in this area. Also, during those 26 years, the publications about cultural tourism always grew as a proportion of general tourism literature. If the relationship between this number of publications and real tourism is accepted it is possible to predict that, as long as general tourism keeps growing, the numbers for cultural tourism will also increase.

3.1.2. Cultural consumption and the rise of creative tourism

Cultural tourists can be divided in two groups: For the first, cultural tourism comes as a part of general tourism, attached to a larger package of experiences. The second group is composed by a specific type of tourist to whom culture is the main reason for choosing a specific travel destination (Richards, 1996; Galí-Espelt, 2012), travelling in order to visit one or several specific tourist attractions *(McKercher & du Cros, 2002)*. This also means that the nature of the culture absorbed will be heavily influenced by the type of holidays chosen by each tourist, with younger visitors tending to point their “travelling career” towards art, architecture and other creative fields, and older people choosing a more classical approach, spending most of their time visiting museums and historical monuments (Richards & van der Ark, 2013). This cultural tourism growth being witnessed, however, presented some challenges over the years, mainly due to overcrowding, with most of these problems being linked to the preservation of tangible heritage (Boniface, 2013), stressing the importance of not concentrating all tourism activity in the same places (Ivanovich & Saayman, 2015). Also, what was initially a new and exciting movement, eventually turned into a mass activity, with big cities around the globe offering a similar experience regardless of their background, losing the interest of a great number of tourists (Richards, 2009). The silver lining is that these challenges and the tourists' will to search for new experiences saw the rise of a new tourism based on intangible heritage, emerging a new type of cultural tourist that gravitate towards creativity and places that stimulate it, instead of the classical World Heritage Sites and historical marks search (Marques & Richards, 2014). This creative tourist, though being still part of the cultural tourism movement, has a slightly different profile when compared to the ordinary cultural tourist. He is usually well educated and often has a creativity related professional activity (Florida, 2002). He is also impatient, with high quality standards, and wants to engage in active experiences in order to feel fulfilled, seeking a deeper contact with the local community, and experiences that are characteristic to the destination (Carvalho, 2011; Carvalho, Ferreira & Figueira, 2011), to ultimately learn about the local culture (Richards & Raymond, 2000).

That said, creative tourism comes as a third breed, after beach tourism and cultural tourism, being essentially a continuation of the last (King, 2009). UNESCO (2006) defined it as travelling with an authentic experience in mind, learning through participation in multiple aspects of the local culture and having contact with the people that make the local community. The characteristics and the place itself have a heavy influence in the way each destination promotes this type of tourism, usually giving the front line to the historic and urban areas of cities, prioritizing the local intangible heritage. This policy, besides being a much more sustainable approach to tourism, ends up benefiting that deeper experience the visitor seeks, developing his cultural and social level through a closer contact with what the real local community is like. (Carvalho, 2011). However, this doesn't mean cultural tourism is entirely dead, as creative tourism is emerging mostly as a new approach to the first (Richards, 2009; Carvalho, 2011).

This means that heritage is nowadays about much more than just tangible heritage. Local lifestyle and culture in general are becoming just as important, for cultural tourism, as built patrimony and historic artefacts (Timothy, 2011). Cooperation between public and private entities are a key factor in stimulating this cultural development, which will eventually translate in an increase of the number of visitors (Hjalager, 2009). The OECD (2014) states that, the movement from cultural tourism towards intangible heritage and contemporary culture, provides an opportunity to create value through creative content and approaches available to the tourist, opening space for new activities that connect producer, consumer and the place itself, taking the visitor on an authentic and interesting experience through multiple activities related to music, social media, games, performances and much more. Aoyama (2009) uses Seville’s Flamenco tourism industry as an example of communication between producer and consumer, with a range of experiences that include schools, performances and courses. This can be applied to gastronomy, dancing, local products production or any type of activity relevant inside the local community. Another good example is the marriage ceremony, held in the Naxi Wedding Courtyard in Lijiang, China, to defend how this type of experience provides the visitor with the opportunity to witness, and ultimately learn, how deeply important traditional ceremonies and tradition in general are to local cultures (Zhu, 2012). The effectiveness of these experiences over the tourist, however, depend heavily on the emotional charge and authenticity of the feelings of those who perform them (Van Dijk & Kirk, 2007).

Nevertheless, it must never be forgotten that, according to Loulanski and Loulanski (2011), the merging between tourism and heritage is only sustainable while having in mind factors such as local involvement, education and authenticity, as well as a plan that promotes a sustained and realist approach to all these. Also, cultural tourism often forgets about the effect it has on the local people (Tomaselli, 2012). This role intangible heritage has nowadays made cultural tourism also about people, and it is important to protect them (Richards, 2018). Winter (2009) stresses the importance of listening to minorities. In practical terms, losing contact with them means losing part of the authenticity, which will probably be reflected in the number of visitors.

3.1.3. Motivation factors and loyalty drivers

According to a study made by Stylianou-Lambert (2011), it is necessary to divide cultural tourism in various fields to better understand what drives a tourist to engage in a certain experience. Also, it is good to remember that the same situation will most likely be experienced differently by each person, which shows just how difficult it can be to understand and predict how to get the attention of such a broad group of individuals.

People have push and pull satisfaction factors about cultural tourism, dividing into those actively chasing cultural experiences for personal fulfilment, and the other using it only as a way to escape day-to-day routine (Correia, Kozak & Ferradeira, 2013). With this in mind and according to Galí-Espelt (2012), tourists can be categorized in terms of the length of their visit and its cultural dimension, in order to understand just how deeply tourists are willing to engage, and ultimately learn, with the culture of their destination.

All this matter because cultural tourism should be educational (Falk, Ballantyne, Packer & Benckendorff, 2012). For that to happen, one must promote cultural contact (Chen & Rahman, 2018) which translates into a tendency that a group of people has to interact with a foreign culture (Cusick, 1998), existing interactions back and forth between two groups with different cultural backgrounds (Schortman & Urban, 1998). Gosden (2004) finishes this reasoning by arguing that cultural contact is something imperative to the human condition. In tourism, cultural contact is what enables a deep and meaningful experience for the tourist who actively searches for knowledge about an outside culture (Gnoth & Zins, 2013; McKercher, 2002). This culture broadly discussed, is about both the processes local people use to handle their resources and the manners and traditions that come from it (Steiner & Reisinger, 2004).

In order to create a memorable tourism experience, which can be useful when trying to pass any type of knowledge, it is good to have in mind both the tourists' intentions before the trip, the conclusions taken after it (Clawson & Knetsch, 1966) and the broad range of instant impressions felt during the experiences themselves (Pine & Gilmore, 1998). These pre, during and after trip impressions are what formulate a tourism experience as a whole (Tung & Ritchie, 2011). Kim, Ritchie and McCormick (2012) established hedonism, refreshment, local culture, meaningfulness, knowledge, involvement and novelty as the seven parameters to evaluate a memorable tourism experience, which were later certified as cross-cultural by Kim and Ritchie (2014) using tourism in Taiwan as term of comparison. The success of a tourism experience can also be evaluated using affect, expectation, consequentiality and recollection as measures (Tung & Ritchie, 2011). The expectation of a good and fulfilling experience is a key motivator for a tourist (Tsaur, Lin & Lin, 2006), urging cultural destinations to offer desirable and appealing activities to their visitors (Chen & Rahman, 2018).

A new approach to the tourism and cultural offer had to be adopted though, due to the arrival of the creative tourist and all the demands he brought along. The formula used in many big cities and touristic destinations became obsolete (OECD, 2009), with tourism managers and stakeholders aiming their attention at intangible heritage, and the general local atmosphere, in order to develop the brand of the destination (Carvalho, 2011). There is also a need to encourage the interest of the locals towards tourism and what concerns the experience offered to the visitor, by investing in both social capital

(Richards & Wilson, 2007), as well as promoting creativity among the local community (Florida, 2002). Some strategies to promote the cultural and touristic image of a specific destination include the building of iconic structures, as shown by the example of the Guggenheim Museum in Bilbao; the hosting of major events as the Olympics or the Eurovision Song Contest; the developing of themes for the cities, based on its characteristics and local culture; or the rehabilitation of their tangible heritage, mixing it with new technologies to offer interactive experiences (Richards & Wilson, 2007; Felipe, 2009). It is also important to have in mind that the visitor himself will contribute to the end product with his knowledge and cultural awareness, making it difficult for the producer to offer standardized products or experiences, as each person will have a different interpretation. This said, the producer role is merely to facilitate and, if needed, suggest a meaning for the experience. (Campbell, 2011).

This means that it is the destination management organizations' responsibility to provide the tools to make memorable tourism experiences easier and more natural (Tung & Ritchie, 2011), even though every tourist has his individual processing of each experience, making it harder to predict and establish a flawless strategy (Kim, 2010).

Memorable tourism experiences are also heavily linked with cultural engagement and contact (Chen & Rahman, 2018). Attachment, emotional connection, commitment and devotion are all key factors when discussing the level of engagement (Taheri, Jafari & O'Gorman, 2014), with those four parameters together representing a higher level of committal to a specific experience (Abdul-Ghani, Hyde & Marshal, 2011). The amount of time spent and the group demographics were believed to be the highest influence on the level of engagement (Podgorny, 2004), but interactivity and collaboration have been given more relevance since then (Taheri, Jafari & O'Gorman, 2014). Usually, a higher level of engagement represents a better, richer and, naturally, more beneficial experience (Brodie, Hollebeek, Juric & Ilic, 2011) and cultural tourists are usually more active in pursuing that, spending more time on enjoying and processing a specific experience (Crang, 1996; Moscardo, 1996; Prentice, 2001). Also, those who stay longer, as well as first time visitors, tend to spend more during their stay (Ponferrada, 2015).

Another reason why memorable tourism experiences are so important is that, even though the most crucial factor when influencing a tourist to revisit, is the on-site experience (Chang, Backman and Chih Huang, 2014), being instant satisfaction arguably the best predictor of loyalty (Lee and Hsu, 2013; Prayag and Ryan, 2012), past memory is still very important when deciding to revisit (Chandralal & Valenzuela). Also, by providing a memorable tourism experience to these visitors, it is likely that they will recommend the same experience to other people (Shoemaker & Lewis, 1999). This is a major deal because it is easier and cheaper to retain existing customers than it is to attract new ones (Chen & Chen, 2010). In this matter, social networking and technology turned into tools that can be used to strengthen the visitor’s experience by extending it, keeping their attention even after they return home (Packer & Ballantyne, 2016). By staying present in the tourists’ mind longer, the chances of creating a memorable tourism experience will grow.

3.1.4. Cultural and creative tourism opportunities in Algarve, Portugal

The recent trends in cultural and creative tourism brought a change in the available offer. These include the rise of new tourism destinations, the developing of a sustainable touristic offer and the promotion of cultural heritage. There are also trends on what concerns touristic demand, which in itself is becoming more frequent, such as the interest in discovering new realities, a greater environmental concern and increase in the search for cultural experiences (Martins, Ferreira & Costa, 2010; Martins, Ferreira & Costa, 2017). Along with the theory that cultural tourism is less affected by seasonality (Cisneros-Martínez & Fernández-Morales, 2015), these trends urge for the promotion of touristic products that reflect the local culture (Martins, Ferreira & Costa, 2010; Martins, Ferreira & Costa, 2017).

Tourism has been, for some time now, a sector of great significance in Algarve. However, until recently, the offer focused mainly on beach tourism, using the sea and good weather as selling points. Two studies undertaken by Martins, Ferreira and Costa (2010; 2017) analyzed the role of the third sector in tourism, in Algarve, Portugal, to understand its strengths and limitations. Some common goals were found between the third sector and general tourism on what concern both offer and demand. First, it is necessary to state that two types of third sector organizations are going to be discussed: those related to arts and culture and those related to local development. Also, it is key to have in mind that this study was designed for a specific destination, in this case one specialized in tourism based on sun and good weather. Even though they might be similar in some ways, third sector organizations tend to have different features from country to country. This means that it might be necessary to adapt the method when applying a similar study to other destinations.

That said, the same study verified that tourism is already part of the strategy for most third sector organizations related to arts and culture, recognizing its role in local development. However, these organizations are still slightly less involved with tourism than others connected to local development. Those tend to act in regions with a lower level of touristic promotion, presenting as a key element for their evolution. In conclusion, it is possible to confirm that third sector organizations already meet the standards necessary to be qualified as part of a sustainable and conscious touristic development process, although it can easily be identified different levels of participation among them. However, it is evident that there is a good margin for progress in the level of communication, between third sector organizations related to arts and culture and the tourism sector, including the private sector, that must be to rectified to increase their efficiency, as these type of organizations can be preponderant for the promotion of new ideas for tourism destinations (Martins, Ferreira & Costa, 2010; Martins, Ferreira & Costa, 2017).

There is also a general consent about the need for new approaches to tourism, and that third sector organizations are part of the solution. These organizations already present a proactive attitude, putting efforts in searching for solutions to add value, while involving the locals in this process. The community itself is also already active in several areas, consciously using skills and knowledge to help plan and develop tourism, being cultural and artistic expression, social involvement, research about natural and cultural resources, development of products and services available and the promotion of general skill and knowledge level the standout intervention areas (Martins, Ferreira & Costa, 2010; Martins, Ferreira & Costa, 2017).

Mendes, Henriques and Guerreiro (2015), supported by a study taken by Valle, Guerreiro, Mendes and Silva (2011) which stated that 87% of the visitors in Algarve represented by a sample of 384 tourists were interested in experiences other than going to the beach, listed some cultural tourism products available in this southern Portugal region, such as landscapes, cities and local lifestyle, gastronomy and wine, events and ecotourism. Here, they are going to be used as starting point to analyze some cultural tourism opportunities available in Algarve nowadays:

3.1.4.1. Landscape, cities and local lifestyle

The territory of Algarve, although relatively small, has the singularity of combining rural, mountain and the seaside in few kilometers, making its landscape rich and diverse, with trails and paths that make walking and trekking an enjoyable activity. To simplify, the territory can be divided in three categories, here described with the help of information found on the websites of Algarve Portal (n.d.) and VisitAlgarve (n.d.), supported by Wikipedia (n.d. a; n.d. b & n.d. c) and Google Maps (2018):

- Mountain

This part of Algarve, composed by three mountain ranges, Caldeirão, Monchique, Espinhaço de Cão, and their hills, with its highest point at 902m, covers more than half of the Algarve territory and the whole northern part of this region. Its peaks and many water courses compose a quite irregular and unique landscape, painted green by the local vegetation such as the cork tree, the oak, the evergreen oak, and the “medronho” tree whose fruit is used to produce a local and very appreciated spirit. It is also possible so see wildlife here, being quite common to spot rabbits, hares, boars, some species of eagles and even the Iberian wolf. However, the weather is highly influential over the local flora, and consequently the fauna, which often face bad periods due to the dry climate. Between some small populations, stands out Monchique, the highest village in Algarve, where it is possible to find thermal springs with warm and therapeutic waters enjoyed since the Romans.

- *Barrocal*

Barrocal is the local name for the territory between the mountain range of the northern part and the seaside. This part of Algarve is known by its fertility, which naturally makes agriculture the main economic activity here. Once ruled by rainfed crops such as figs, carob, almonds or olive trees, some of these where gradually replaced by fruit farms, especially citrus (Duarte, 2016). This said, it is easy to guess that from here comes the majority of the fruit, vegetables, olives, honey and almonds produced in the south of Portugal. Also, a new movement saw winemaking reappear and grow substantially recently. This area has some peaks, although not has high as the mountain region, with many water streams and numerous trails around them, which visitors can use to walk by beautiful waterfalls, caves and numerous forms of low vegetation. The agriculture, besides being key for the local economy, provides gorgeous sights of colorful orange trees farms and the beautiful white flowers of the almond trees, which are subject of numerous local legends and stories since the moors lived here. This area is also where some towns can be found, such has Loulé, Silves and São Brás de Alportel, that maintain a quiet and more traditional atmosphere, appealing for tourists who like to immerse in the culture, explore the rich fruit markets and have a glimpse on what is like to be part of the local communities.

- <u>Seaside</u>

In this part of Algarve, where the ocean is the obvious main character, the general main economic activities were fishing and, since the beginning of the XX century, canned fish industries, especially in towns such as Lagos, Portimão, Olhão and Vila Real de Santo António, old fishing ports that eventually turned to industry (Braz, 2016). However, even if the Atlantic is present almost everywhere, the land that frames it varies from the river Guadiana, near Spain, to the São Vicente cape, the most southwestern point of Europe.

From Vila Real de Santo António, the closest city to the border with Spain, known for its geometric urbanism similar to the downtown part of Lisbon, until Manta Rota, visitors can find a coastal line with white sand beaches and warm waters due to the proximity to the Mediterranean Sea. From there until the Ancão peninsula sits the Ria Formosa natural reserve, a lagoon delimited by two peninsulas, Ancão and Cacela, and five barrier islands, Barreta, Culatra, Armona, Tavira and Cabanas, that meet the ocean in six points, being five of them natural and at the mercy of the tides and currents. This lagoon extends for approximately 170km^2 and forms an ecosystem that is home to thousands of local living species. Its fauna includes flamingos and herons among hundreds of other birds; water species among which are octopuses, sea horses, star fishes, clams and a wide variety of fishes; mammals like foxes, otters or the famous Portuguese water dog; and a broad range of spiders, insects, amphibians and reptiles, as is the example of the chameleon, used often as a symbol for this reserve (Babo, n.d.). It is also possible to find 693 different types of flora (Campos, n.d.). The majority of the barrier islands are only reachable by boat and, in the case of the Barril beach, part of the Tavira island, by train and foot. Here tourists can visit some fisherman villages such as the Culatra, Hangares and Farol, being presented with the opportunity to get away from the buzz of the most touristic places like Albufeira or Vilamoura and experience the layback and typical atmosphere of these communities, while still getting to enjoy the sea and the good weather. Faro island, which is not technically an island but the tip of the Ancão peninsula, although commonly called by that name, is the only one reachable by car. On the northern edge of the Ria Formosa, can be found cities like Tavira, a charming and quiet city crossed by the river Gilão, Olhão, a fisherman city with deep moor influence and a vibrant waterfront buzzing with its restaurants, bars and a very nice fish market, and Faro, capital of district brought back to life by the mix between a young vibe, brought by the university students and the local youth, and the culture and traditions taught by the older generation. From there until Albufeira, the sea meets golden sand beaches surrounded by cliffs. This is also the most touristic and luxurious part of Algarve. Places like Quinta do Lago, Vale do Lobo or Galé are filled with luxury resorts, hotels, housing and restaurants, while Vilamoura and Albufeira, once a small fisherman village, is from many years now a must go place for partying tourists. Moving west the coast, between Albufeira and Lagos stands a sequence of impressive cliffs forming poetic bays and hiding intimate beaches and caves, some of them only reachable by boat. Here it is important to mention the caves of Algar Seco in Carvoeiro, and Algar de Benagil in Lagoa. Also, there are some cities worth visiting here. Portimão is a port city known by its old canned fish factories, nice historical center and that in the last years has evolved to a modern hub with the growth of tourism, being also known for hosting of one of the Formula One World Drivers’ Championship races. A few kilometers west is Lagos, a unique city that mashes history, surfing and culture in one laidback atmosphere full of young people and visitors from all over the world. It is also where is the Dona Ana beach, recently elected the best in the world. From there on sits the most southwestern point of Europe, the São Vicente cape. The Costa Vicentina portion inside Algarve starts here and extends until Odeceixe, a town on the border with Alentejo. This area and places like Sagres, Vila do Bispo and Aljezur, are famous for its waves and wind, being sought after by hundreds of surfers and kite-surfers every day. This is also a renowned destination for bird watching. The long-lasting popularity of the seaside of Algarve, once coined by the good weather, sun and nice beaches to relax and forget one’s problems, is now based on not only that, but also the great variety of settings that can be found there. What at first sight seems like a regular beach destination, actually offers much more, with a wide menu of landscapes and environments, enough to keep most tourists entertained for weeks or months.

3.1.4.2. Gastronomy and wine

Here, it is important to speak about both the available offer in Algarve, and the development and growth opportunities in this field. Gastronomy tourism is, by definition, a person moving away from his residence place motivated by the interest on food and wine (Mitchell & Hall, 2003). It can be related to festivals, visits to producers or just searching for a new restaurant, as long as the main motivation to engage in such experience is related to food and wine (Hall & Mitchell, 2002). Besides the recreational motivations listed above, it can also be related to investigation or the publication on gastronomy traditions (Canadian Tourism Commission, 2002).

Portugal is an acknowledged food and wine destination, and the local government plan on tourism development recognizes these as products worth being explored in tourism (Ministério da Economia e do Emprego, 2006). According to Richards (2007) gastronomy is nowadays associated to the uniqueness and attractiveness of a destination as part of its intangible heritage, being a major element on cultural tourism (Canadian Tourism Commission, 2002) and a key experience when trying to immerse in a foreign culture and connect with the local people (Santisch, 2004). It is also a relevant factor when trying to value the local products and creating a brand for a destination (Hjalager & Richards, 2002).

A study made by Henriques and Custódio (2010) tried to understand the role of gastronomy as intangible heritage in cultural tourism. The government lists 10 products to be valued in Portugal. Algarve, which stands as a pillar for tourism in Portugal, has food and wine as one of the most promising categories in terms of growth, presenting opportunities for local development, offer diversification, appreciation of local star products, incentives for local production on various fields and local product exporting. Such can be achieved with the development of the local offer in terms of traditional experiences, the creation of food and wine routes, festivals and fairs, restaurants promoting gastronomic activities, wine tasting events and contests to name a few options (Ministério da Economia e do Emprego, 2006).

The region of Algarve, although known as a beach destination, has the ability to present its visitors with quality wines, as well as a rich gastronomy (Turismo do Algarve, 2008; Turismo do Algarve, 2009) based on fresh local products, with a wide variety of techniques and ingredients, depending on which of the zones described on the previous topic. The most famous for outsiders is probably the gastronomy typical from the seaside, where food is lighter and the most used products are fish and seafood, although on the majority of the territory the local gastronomy revolves mostly around the products provided by the land. In the *barrocal* area, the food is made using a mix of local vegetables and legumes usually combined with either pork or chicken, but going up to the mountain range, food will be heavier, with pork, lamb and goat being the most used proteins, often sided by cereals, mostly dry ones, as well as vegetables and legumes (Serra, 1996). Among the main local harvests are almonds, figs, carob, olives, sweet potato, grapes, orange and tangerine, accompanied by livestock productions such as lamb, goat, sheep and also chicken (Confraria dos Gastrónomos do Algarve, n.d.). To this obviously adds multiple fish, some of them well known by tourists, such as the seabass, the tuna or the sardine, some less known like the triggerfish or the red scorpionfish, and also an endless list of seafood species (Subnauta, n.d.).

A study taken by Caiado (2015) helped identify and categorize the different recipes that are part of Algarve’s gastronomy. Literature on the subject was used to make a list of the recipes, and a questionnaire presented to a sample of 107 local restaurants, which represent 10% of the 1077 total restaurants in of this region, served as base to identify 15 recipe categories among their offer. Restaurants were used also having in mind the importance of waiters and restaurant workers advice in most tourists’ gastronomic experience. Crossing the information collected from both the literature and the restaurants, they conclude that, among the categories identified from the local restaurants offer by a local hospitality and gastronomy specialist, only 34 recipes, of a total of 123 collected from the literature, were possible to place, leaving 89 not fitting in any of the 15 categories. Also, the study made by Henriques and Custódio (2010) accounted for only 6% of traditional recipes in restaurants menus, which is fairly scarce. This shows how the local gastronomic offer and the ethnographic record of Algarve’s traditional gastronomy are not synchronized, and provides the opportunity for those in able to influence this offer to mind the full range of local gastronomy and provide the tourist with an authentic experience (Caiado, 2015). The 15 categories found were the following:

1. Grilled fish
2. Fish / seafood *cataplana*
3. Fish and seafood rice stew
4. Meat *cataplana*
5. Fresh fish pasta stew
6. Iberian pork meat
7. Game recipes

8. Lamb
9. Fried fish
10. Clams with pork meat
11. Seafood bean stew
12. Natural seafood
13. Chickpea stew
14. Fish and seafood skewer
15. Grilled meat

A second part of the same study taken by Caiado (2015) wanted to asses both the compatibility between tourists’ food habits at home and the local offer and the importance of the gastronomic experience on overall satisfaction when on vacation. To do so, visitors were inquired about their food habits both at home and on vacation in Algarve. This showed that, among the 5 most voted categories on what concerns food habits on vacation in Algarve, fish, meat, vegetables, fruit and seafood, only seafood was not present in the top 5 categories of at home food habits, showing a high level of compatibility between their habits and the local offer. Also, it is pertinent to state that the top choices were, in this order, grilled fish, grilled meat, seafood, and seafood both rice stew and “cataplana”. The second part of the study concluded that 85,5% of the respondents considered that the gastronomic experience contributed substantially to the overall experience and, consequentially, to be satisfied with their vacations in Algarve. From the 17 parameters evaluated, the region presented positive results in all but the bottom two, acoustics and live music. This obviously shows the need to improve in these categories, but also means that the overall level is extremely satisfactory.

Concluding, it is possible to say that gastronomy is a key aspect on global tourism experience and that, even though Algarve’s traditional gastronomy is varied and the local offer should cover as much as possible, grilled food, both fish and meat, are the top choices for most visitors (Caiado, 2015).

3.1.4.3. Events

Events are something that do not happen out of the blue (Watt, 1994), they’re planned occasions used to address a target audience (Kotler & Armstrong, 2003) and currently a booming phenomenon that can be used as a touristic product, both on a bigger or smaller scale (Small, 2007), and represent a good opportunity for contact with the community (Wragg, 1989). One of the strongest weapons used in the promotion of these events is the promotion of a sense of uniqueness, passing the idea that people will be missing on a major experience if they fail to attend (Cardoso, 2013). The public relations department is key in this matter as it will be responsible for communicating with the audience and promoting the occasion (Kotler and Armstrong, 2003). These days, the most used and effective media are the internet and social networks. The use of celebrities in the communication process has also proven to be a useful tool when trying to promote events (Cardoso, 2013).

When promoting a product, in this case an event, being a new idea or a reinterpretation of an old one, it is key to capture the interest of the target audience for that specific product category (Kotler, 2000). Getz (2008) established 8 categories for events, based on the purpose of their program: Cultural (e.g. Mãe Soberana, in Loulé); Scientific and educational (e.g. Funding Seminar from National Geographic Society, in Faro); Private (e.g. Weddings); Political (e.g. Partido Socialista meeting, in Faro); Business (e.g. FATACIL, in Lagoa); Arts and entertainment (e.g. Festival F, in Faro); Sports competitions (e.g. Cycling Tour of the Algarve); Recreational activities (e.g. Hunting). Events can also be classified based on their dimension, which according to Allen, Harris, McDonnell and O’Toole (1999) tends to be proportional to their impact. Mega events are known worldwide and have a strong effect on the economy (e.g. UEFA European Cup, in Loulé). Hallmark are the type of events that merge with their home place and help develop both the economy and a sense of pride and commitment on the local community (e.g. Med Festival, in Loulé) (Allen, Bowdin, Harris, McDonnell & O’Toole, 2002). Major events are able to attract the media attention as well as a significant number of visitors and economic benefits, although not as influent as a mega event (Allen, Bowdin, Harris, McDonnell & O’Toole, 2002) (e.g. Portuguese Football League Cup Final 2008/09, in Loulé). Finally, local or community events are relatively small in terms of scale and impact but are very important in order to stimulate local pride and providing a fun and entertaining experience for the community, while also having a positive impact on the economy (Getz, 2008) (e.g. Feira de Santa Iria, in Faro). In Portugal it is possible to find examples for all these categories (Cardoso, 2013). In Algarve it is also possible to identify at least one example for each category as shown by the examples given above (Algarve Uncovered, n.d.; Diário de Notícias, 2017; UAlg, n.d.; Liga Portuguesa de Futebol Profissional, n.d.; UEFA, n.d.).

Ultimately, events can have a positive impact on tourism as people often need to travel to be present. This helps to increase the number of visitors and to stimulate the local economy. Also, if satisfied, that same visitor is likely to come back and advise other people to visit, resulting in future visits. In Portugal, musical events, followed by sports and congresses, are the most popular among the locals, which may help to justify why some of the best music festivals in Europe are held there. These events are also the ones that attract a greater number of tourists, and consequently, the most lucrative (Cardoso, 2013).

3.1.4.4. Ecotourism

There is not a consensus about the absolute definition of ecotourism. For example, Boo (1990) considers that ecotourism is visiting natural places, with minimum human intervention, and enjoy and behold its wild life, landscapes and any type of cultural signs found there, as Fennell (2012) states that it is simply when natural history is the main reason for travelling. Natural history, in its turn, is the study of plants and animals via observation (Bartholomew, 1986), as well as other living organism, their evolution and their behavior among other species (Wilcove & Eisner, 2000). However, Laarman and Durst (1993) distinguished ecotourism from nature tourism, arguing that the last is simply the use of nature for tourism purposes, even though it can have different levels, from the use of natural locations on a wider level, to the organization of tours with the specific purpose of being in touch with nature. Goodwin (1996) uses this distinction to define ecotourism as a specific part of general nature-based tourism, defending that while general nature tourism simply uses natural resources in all types of tourism, including mass or adventure tourism, ecotourism has an important influence on sustainability, either by having a low impact on nature or by helping the community preserve and protect surrounding wildlife and nature.

Ecotourism can be approached in various ways. Laarman and Durst (1987) soon divided these approaches in different levels, using nature related interest and physical rigor as measures. They gave the example of scientists, who will probably have a more serious approach to ecotourism and will put more efforts in understanding what is presented to them and, on the other hand, that there are some people that are prepared to endure less favorable conditions in order to have a deeper experience. Acott, La Trobe and Howard (1998) found a parallel between these hard and soft approaches and deep and shallow ecotourism respectively. Deep ecotourism is then defined by a closer contact with the experience itself, the community and culture, and ultimately valuing an authentic and profound learning experience over material goals. On the opposite corner, shallow ecotourism uses nature as a way to achieve human benefits, putting little to none effort in what concerns sustainability, and being even considered mass ecotourism in extreme cases, where nature is merely used as an advertising tool.

According to information collected by local association ALMARGEM (n.d.) the inner part of Algarve can benefit tremendously from nature tourism and ecotourism, as it can contribute to the rehabilitation of desert and economically stagnated areas, capturing the attention of the community and private companies and institutions about the need to preserve and value cultural and natural heritage, while complementing the, already established, current local touristic offer by approaching a market that is yet to be explored properly. Also, it is possible to find in Algarve a wide choice of experiences, exploring multiple protected areas and monuments as well as cultural, ethnographic, ecological and geological heritage of great value, being easily connected with many other activities. A good example is the Via Algarviana, a 300km trail that goes from the northeastern to the southwestern corner, crossing the interior part of the region and serving as a base tor multiple other trails, such as the sea and nature or the cork routes, making it easier to access parts of the territory that otherwise would be abandoned.

3.2 Business models

3.2.1. Definition and importance

The concept of business model is yet to reach a consensus in theoretical matters (George and Bock, 2011), picking elements from various other concepts (Alibage & Ahn, 2018). However, it is generally accepted that it shares its base concepts with general business strategy, as well as Porter’s value chain and the resource-based theory, as the common main goal between these is to achieve some sort of competitive advantage (Morris, Schindehutteb and Allen, 2005). It is the path to achieve so that distinguishes one business from another. Here, the business model serves as a structure to define and correlate the day to day activities, through which value can be created, so the business can eventually achieve and sustain the much-desired competitive advantage (Alibage & Ahn, 2018). That said the business model is merely the short-term reflection of the articulation between the long-term strategy, the set of dynamic capabilities it developed and the current state and needs of the business (DaSilva & Trkman, 2014).

Although the elements of a business model, and how they can connect between them, are neglected themes in the literature (Hvilson, 2012), it is known that to establish a successful business plan one has to start by defining the key elements of the business model (Osterwalder, 2004). Casadesus-Masanell and Ricart (2010) argue that even though every company has some sort of business model, the same does not apply to the business strategy concept. DaSilva and Trkman (2014) add to this idea saying that while business strategy is about the future and potential of an organization, business model is the way that same organization adapts to its current situation and opportunities.

The development of a good business model is compared, by Magretta (2002), with the process of writing a story, claiming that the key components already exist, in this case the elements of the regular value chain, and the entrepreneur just has to reorganize them as efficiently as possible, prioritizing the harmony between them, in this case the creation and delivery processes (Hvilson, 2012). That said, the already existing frameworks are an acceptable starting point when developing a business model (Alibage & Ahn, 2018).

It is important to mind that each business model must be tailor made for a specific business, weighting all the factors that go with it, such as the industry, the scale and reach of the activities, as well as the way in which they are organized, the culture and both the internal and external environments. The use of the same business model in two different settings will produce different results and probably lead to unwanted outcomes. (Magretta, 2002; Alibage & Ahn, 2018).

Even though this is historically a neglected theme by the literature (Osterwalder, Pigneur & Tucci, 2005), research about this matter is set to keep a good pace. The current understanding of the importance and uniqueness of each business model, as well as the advice against copying previous examples, makes them a fantastic weapon when being ahead of the competition and are currently seen as a key factor in creating a sustained creative advantage due to these factors. Also, the inescapable evolution of technology urges the need to keep refreshing the specifics around this concept (Alibage & Ahn, 2018; DaSilva & Trkman, 2014).

3.2.2. Development of business models

The base to address this topic will be the framework presented by Wirtz, Pistoia, Ullrich and Göttel (2016). Understanding the lack of consensus and the different approaches gathered from the literature, they felt the need to organize this information in a way that was clear to all. Although each component is only described briefly, it is possible to understand their role and why each of them can be a key aspect when developing a successful business model. This said, those components of a business model, all found in the literature examined by the authors of this framework, were arranged in 3 sets as follows:

- <u>Strategic components</u>

  - <u>Strategy model</u>: The acknowledgement of strategy as a base layer for a successful business model as historically been well accepted, with most organizations using this strategy model as the starting point when tracing the guidelines for a company’s future (Wirtz, Pistoia, Ullrich & Göttel, 2016; Hamel, 2000; Hedman & Kalling, 2002; Afuah , 2004; Yip, 2004; Tikkanen, Lamberg, Parvinen & Kallunki, 2005).

  - <u>Resources model</u>: Both tangible and intangible resources are often regarded as key aspects in a business model. This is usually the section to specify and list which assets, of all sorts, and dynamic capabilities a company needs to own in order to maximize its goals (Afuah, 2004; Demil & Lecocq, 2010; Hedman & Kalling, 2002; Osterwalder, Pigneur & Tucci, 2005; Osterwalder & Pigneur, 2010; Currie, 2004; Petrovic, Kittl & Teksen, 2001).

  - <u>Network model</u>: A considerable part of the literature also states that partnerships and network play a big part when coming up with a successful business model, stressing the importance of assuring optimal supply and distribution when creating value (Al-Debei, El-Haddadeh & Avison, 2008; Hamel, 2000; Voelpel, Leibold & Tekie, 2004; Barney, 2004; Wu & Zhang, 2009).

- <u>Customer & market components</u>

- Customer model: This section takes on the interaction with the customer, physically or through some sort of interaction platform, and its importance, listing all products and devices a company has available for the consumer to purchase and experience (Bouwman, 2003; Hamel, 2000; Hedman & Kalling, 2002; Mahadevan, 2004; Yip, 2004; Magretta, 2002; Prahalad & Ramaswamy, 2004).

- Market offer model: Here is where the company states what benefits will come from its services or products. However, this statement highly depends on the competitive environment, so this section must also take the market structure and the competitor’s offer into consideration (Demil & Lecocq, 2010; Johnson, 2010; Lehmann-Ortega & Schoettl, 2005; Mahadevan, 2004; Afuah, 2004; Hedman & Kalling, 2002; Kallio, Tinnila & Tseng, 2006)

- Revenue model: Here it is important to understand that the revenue model chosen will need to sustain the whole business model and its components. Having in mind the broad range of revenue generation structures and streams existent these days, the goal here is to find which articulates best with the other components of the business model and is more effective when it comes to generating revenue (Osterwalder, Pigneur & Tucci, 2005; Osterwalder & Pigneur, 2010; Kaplan & Norton, 2004).

- Value creation components

  - Manufacturing model: Here the company specifies not exactly a manufacturing process, but the process through which it intends to generate value. It is mostly about how the company plans to transform its resources into the end product made available for its customer (Afuah, 2004; Johnson, 2010; Wirtz, Pistoia, Ullrich & Göttel, 2016).

  - Procurement model: This subject is seldom referred in the literature but can still be of great importance when elaborating a successful business model. The most important element to take into consideration here is the input. With market nowadays being ruled by demand rather than offer and the shorter distance between producer and buyer, it is key to identify which input factors are relevant when managing the manufacturing model, as failing to do so will be reflected heavily on all other components of the business model leading to a, possibly fatal, unbalance between them (Hedman & Kalling, 2002; Yip, 2004; Wirtz, Pistoia, Ullrich & Göttel, 2016).

- Financial model: This part of the business model is mostly responsible for managing the capital of the company, both by elaborating an effective plan to assure the company's capital runs smoothly and by managing and controling the company's expenses (Afuah, 2004; Demil & Lecocq, 2010; Osterwalder, Pigneur & Tucci, 2005; Wirtz, Pistoia, Ullrich & Göttel, 2016)

3.3 Business plan

3.3.1. Definition and importance

The opinion about the necessity of writing a business plan is not homogenous throughout the literature, with a group of authors defending it (Delmar & Shane, 2003; Liao & Gartner, 2006; Shane & Delmar, 2004), while another group contradicts the first (Bhidé, 2003; Blank, 2013; Honig, 2004; Honig & Karlsson, 2004).

According to Valentin (2015), business plan can be needed in four occasions: starting a new business, periodical adjustments to an already existing plan, writing down the plan for a working business that does not have one, or expanding an existing business. Either way, the key is in minding all the factors that go with it and get to know in dept the venture in which one is, or is not, about to dive into, as by doing so, possible future outcomes can be predicted more accurately and, with that, minimize the risk (McKeever, 2011; Valentin, 2015). This said, a business plan is what results from the planning made after collecting and analyzing as much data and details about the future project and the environment around it (Valentin, 2015).

Firstly, by elaborating a detailed business plan, one will be able to analyze the information gathered and objectively decide whether the business has a future, or if it is doomed from the start and will be more beneficial to the entrepreneur to put it aside before it goes wrong (McKeever, 2011). To do so, one must base predictions and plans on empirical facts, data collected and a great deal of common sense (Valentin, 2015). In case the decision falls on proceeding with the plan, the information summarized on the business plan will play an important role when presenting the business to possible investors (McKeever, 2011), as well as map the key aspects of the business so they can be easily identified and discussed (Valentin, 2015). This way, those possible investors will also be able to quickly assess their level on interest in being involved in that particular project (McKeever, 2011; Valentin, 2015). In the process of elaborating this report, the entrepreneur will assuredly get a deeper knowledge about the little details, that otherwise might have gone unnoticed, and with that be able to do small, but sometimes critical, adjustments necessary when adapting to both predictable and unpredictable situations that may appear (McKeever, 2011). This knowledge about the specifics of the business will also help when managing all the operations necessary for the business to run smoothly, coordinating short term actions with the long-term plan set for the project (Valentin, 2015).

All these factors will enable the entrepreneur to discuss the intricacies of the business with his peers, ask for licenses if needed, seek for external investment (McMurray, 2016), have detailed information that can be key when managing the business (Valentin, 2015), and increase considerably the business overall possibility of succeeding in a competitive market (McKeever, 2011).

3.3.2. Development of business plans

When developing a business plan, it is important to be objective and rigorous, or there is a risk of misleading both the external party, a possible investor for example, and the entrepreneur himself that will be guiding his actions through a script that is not reliable (Valentin, 2015; McMurray, 2016). The plan can be organized in multiple ways, depending on how and to whom the entrepreneur is planning to present it (McKeever, 2011; McMurray, 2016), but there is a list of matters that need to be addressed, discussed, crossed and adjusted until they are as coordinated as possible (Valentin, 2015; McMurray, 2016). On this particular case, using the references from the literature, those matters were organized as follows:

- <u>Executive summary</u>: This section is where the business should be described briefly, so the reader can navigate easily through the main information before deciding to dive deeper into more specific aspects of the plan (McMurray, 2016).

- Literature review: The literature review is an important step on your plan, as you should be aware of the previous research done on the subject you intend to work on. By doing so, you will be learning from the failures and successes of multiple and various earlier approaches to the same topic you are about to get into, and eventually adapt your approach to dodge the traps your predecessors tripped on (Hart, 2018).

- The Foundation: This is the part of the plan where the value proposition and the business model should be presented. Business opportunities appear when someone notices a hole to be filled, a product or a service, and has an idea on how to solve that gap. Here, the entrepreneur should identify the gap he intends to fill, what he intends to do to fill it and how will he do that. The value proposition will cover the problem and the solution identified by the entrepreneur, presenting to the buyer the reasons why this product, or service, is a better solution to his problems than the option presented by the competition. As for the business model, as was covered on a previous topic, will explain to the reader how the multiple sectors of the business will correlate to deliver what is being promised (Valentin, 2015).

- The Infrastructure: At this point, the entrepreneur must talk about the resources needed to start the business. This includes the funds for facilities, equipment and inventory necessary for the daily operations. Also, it should mention the quantity and quality of employees needed for the various positions, specifying the background and qualifications valued for each position, for each individual and for the whole team (Valentin, 2015; McMurray, 2016)

- The Context: The context is about both what surrounds you and how you stand there. To asses this, three models are usually used: PESTEL analysis, Porter's Five Forces framework and SWOT analysis. The PESTEL analysis is used to understand the political, economic, socio-cultural, technological, ecological and legal (PESTEL) current environments to better understand the external context and macro-environment in which the company will be integrated. Porter's Five Forces framework assesses the level of competition to be faced in a specific market by understanding the rivalry among competitors, the buyer and supplier bargaining power and the threat of both substitutes and new entrances to the market. The SWOT analysis accounts for the business' strengths, weaknesses, opportunities and threats

(SWOT), being important when understanding the relationship between the company's resources and the demands of the competitive environment (Witcher & Chau, 2010; Mind Tools, n.d.; Phadermrod, Crowder & Wills, 2019)

- Marketing mix: The marketing mix is a process to help find the target audience for a specific product, or service, and the right way to approach the market. It can be used the 4P's model (product, price, promotion and place), the 7P's model which is essentially an evolution of the former (product, place, price, promotion, people, process, physical environment), or even the 4C's model (customer value, cost, convenience and communication). In any case, the bottom line is finding and explaining what the product, or service, consists on, the right place to put it and how to get there, the optimal price that works both for profitability and demand, and the right timing to do the last two (Valentin, 2015; Mind Tools, n.d.; The Marketing Mix, n.d.)

- Financial plan: Finally, the entrepreneur must present forecasts for capital investment, initial working capital reserves, sales revenues, cost of sales, fixed expenses and general cash flow, break-even point and payback period. All these must be well researched and well explained in order to present a realistic prediction. Also, it would be good to explain the methods through each of these topics will be managed in order to assure maximal efficiency and, in case the predictions and the actual results do not match, the problem can be easily spotted and corrected (Valentin, 2015; Mc Keever, 2011).

4. FOUNDATION

4.1 Value Proposition

Algarve is known worldwide as a reference destination for beach and sun tourism, providing a stable inflow of tourism every year. However, Algarve has much more to offer than that, which may encourage our community to present attractive offers that appreciate local culture and history, providing the tourist authentic and rewarding experiences they will cherish for years.

This is reinforced by a study stating that 87% of tourists in Algarve, represented by a sample of 384 individuals, have shown interest in experiences other than going to the beach (Valle, Guerreiro, Mendes and Silva 2011). This proves that, as was said earlier in the literary review, cultural and creative tourism forced a reformulation of the touristic offer. The interest for cultural heritage as a touristic product has increased, putting previously unknown destinations in the map, helping value these and demanding a more careful and sustainable approach to tourism (Martins, Ferreira & Costa, 2010; Martins, Ferreira & Costa, 2017), as these new destinations are often not yet prepared for tourism and will need to adapt gradually.

This new approach, side by side with the visitor’s interest to immerse and experience the local community from the inside, allows the merging of the tourist with the community, instead of adapting the community to the tourist. This will break the mold once used to please our visitors and create a new one where the individuality of each place is truly enjoyed (Martins, Ferreira & Costa, 2010; Martins, Ferreira & Costa, 2017).

These trends in tourism, combined with a lack of offer to fulfil this demand, create a gap in the market, and therefore an opportunity to fill it.

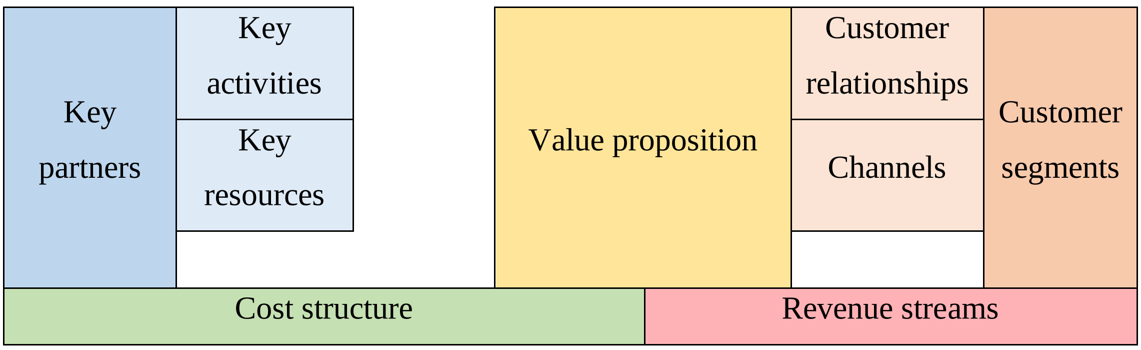
Our establishment would be taking Algarve’s cultural heritage to the younger generations, offering them a laidback and contemporary space where they could relax, experience authentic local gastronomy, while being exposed to our local history and culture through objects and images representative of our traditional social and economic activities; our landscape; products and work of local craftsmen, artists and producers; and experiences offered by local tourism agencies that allow the client to be closer to our culture, landscape and nature.

This said, the ruling factor here, regardless of the media through which it is brought to the public, is valuing and appreciating local talent, products and cultural heritage.

The goal is to provide the cultural and creative tourist with a broad range of options to satisfy his wishes, but also to fight the homogenization. Young generations around the world are being pushed to belong to a worldwide community, under the threat of being set aside for not fitting the standard of this globalized society. This may not directly encourage them to disregard their cultural heritage and origins, but certainly does not encourage them to cherish the little things that make each place unique and were the base for our previous generations’ upbringing.

To finish, in a market where few commercial establishments sell our local gastronomic heritage, fewer do it with a modern twist, almost none combine it with the rest of our cultural heritage, and there is no one doing all these with a laidback approach attractive to our youth, there is definitely an opportunity and space for this business.

4.2 Business Model



- Customer segments
    - Niche market;
    - Tourists with special attention to young tourists looking for merging with the local community;
    - Local community will also be important in maintaining a revenue inflow during the months with less tourism;
    - College students as they will be in town during the off season and, because a good percentage is from other parts of the country and the world, will be interested in knowing more about the region.

- Value proposition
  - First establishment in town to offer both a contemporary space that fits the standards of our target segments while addressing the issue of protecting cultural heritage;
  - High quality standards for our products and offer;
  - Bringing local and quality products to the people by showcasing the work from local producers.

- Channels
  - Physical space where the clients can take full advantage of our concept and where we can offer the best experience possible;
  - In a first phase, it will be necessary to raise awareness to our business as soon as possible, even before it is ready to open doors, using effective and cheap communication channels (i.e. Social media);
  - The second phase will be the time for our clients to process our value proposition and take the decision whether to give us an opportunity or not;
  - Third, we will have to assure the right conditions are provided for our clients to come in and give us a try;
  - The fourth phase will be crucial, as it will be the time for our first clients to asses and evaluate our service, setting the tone for those coming after them;
  - The last phase will be our post sale service, where we use our communication channels to keep in touch with our clients and guarantee their experience is extended and a good memory is created.

- Customer relationship
  - Personalized service where our employees will actively seek to serve our clients’ needs with the goal of making then feel comfortable and providing a memorable experience;
  - For reservations our clients can choose between using an automated service through online platforms (i.e. The fork) or seek the help of one of our employees either by phone call, email or physically;
  - These online platforms (i.e. Trip advisor, Instagram) will also be a tool of co-creation, as our clients’ feedback will also work as advertising to our value

- Revenue streams
  - From a business stand point, our main revenue generator will be the restaurant/bar/pub sales. This means that our project, at least in the start, is in reality a food and beverage business, with the cultural part being there to distinguish us from our competitors;
  - The reason for this is that, in terms of creating a steady revenue stream, I feel that it is safer to rely on a type of business that even though is putting us in a heavily saturated market, is also putting us in a market with a lot of information available and, most importantly, where I have experience;
  - This said, I believe the cultural heritage part of the project, if well planned, can eventually create its own revenue and be self-sustainable. However, for now, it will be working as an extra factor to add value to our proposition and help to stand out from the competition.
  - We will work with fixed costs, but with regular changes in our menu in order to not only be able to adjust our prices quietly if needed, but also to assure we work with fresh products and assure their quality.

- Key resources
  - The physical resources needed for the project are the facilities, so they can be adapted to fit the concept, and getting the equipment necessary for the business to work properly;
  - On what concerns intangible resources, the main concern lies in having a registered brand to not take the risk of someone else claiming it and make profit from our efforts;
  - To work properly, the project will need 7 employees: 1 manager that will also run the store and gallery, 1 chef to whom can be offered a partnership depending on his will to invest in the business, 2 cooks to handle kitchen tasks and 3 waiters that will work the tables and the bar;
  - Financially, the project needs a second investor to start, with priority given to a chef. If this is not possible, the second option will be an external investor, and the last resource will be to get a loan.

- Key activities

  - The main activity will be the restaurant/pub/bar as this will be the main revenue stream of the project;
  - To assure the efficiency of this activity, it will be necessary to work closely with our employees, motivating them and guaranteeing high quality standards in their work;
  - Cultural activities (i.e. Exhibitions, shows) will support the business by adding value to our proposition and helping us stand out from the competition;
  - Marketing and advertising will also play a key role in attracting new visitors and maintaining contact with our clients to promote their loyalty.

- Key partners
  - Good partnerships with suppliers can lead not only to better prices, but also to them helping the business by supplying equipment (i.e. Coffee machine, cups, glasses);
  - Travel agencies, hotels and other lodging facilities so they can redirect their clients to our business;
  - Cultural associations to promote the creation of interesting content for our space;
  - Local producers, artists and craftsmen, so we can showcase the talent available in our region;
  - Touristic activities agencies to be able to offer our clients the opportunity to take their tours and get to know our landscape;
  - University so we can advertise on campus in order to attract students to our space;
  - In general, seek to establish partnerships where both sides are invested and can benefit so both parties make a real effort to benefit the other, knowing they will do the same.

- Cost structure
  - Our business will use quality and its value proposition as a differentiating factor, rather than the pricing.
  - Our fixed costs will include rent, salaries, licenses and regular services necessary to comply with the regulation (i.e. Inspections, insurances)

- Our varied costs will most likely be supplies, energy, natural gas, water, any additional material and licenses needed for an extraordinary event;
- Our merchandising can also be put under varied costs as orders will be made depending on the stock;
- Our menu will need to be well planned in order to reduce waste and be efficient in the products chosen as this can lead to larger orders and consequentially better deals with our suppliers. Also, by having a short and efficient menu, our service will be quicker and smoother, which will likely translate in less production costs;
- Some departments will have to perform multiple tasks in order to maximize cost efficiency: Manager will have to run the store and manage the service during busy hours; cooks will have to both prepare the food and clean the kitchen; and the waiters will have to work the tables and the bar as well as making sure the room is suitable to host our clients.

5. INFRASTRUCTURE

5.1 Resources

- Facilities: Our business will need a space of approximately 150m^2, enough to fit a small store and gallery in the entrance, a room with 40 seats, a bar area, toilets and a small kitchen. Also, an additional space outside at the length of the building to fit a terrace for 20 seats.
- Equipment: The majority of the equipment necessary will be for the kitchen, which even being small, will need to be able to produce all the products in our menu (i.e. Stove, grill, oven). The room will also need some equipment, although it will represent a much smaller investment compared to the kitchen and part of it can even be lent from our suppliers (i.e. Coffee machine).
- Inventory: Working with fresh products will not allow to maintain our products for too long. However, it is wise to keep enough inventory for at least two days in order to prevent unpredicted events that may impede us to stock up.

5.2 Employees

<table>
<tr><th></th><th>Cook 1</th><th>Cook 2</th><th>Chef</th><th>Waiter 1</th><th>Waiter 2</th><th>Waiter 3</th><th>Man/Store</th></tr>
<tr><td>11h-12h</td><td rowspan="8">8h</td><td rowspan="7"></td><td rowspan="15">No Schedule</td><td rowspan="8">8h</td><td rowspan="3"></td><td rowspan="7"></td><td rowspan="15">No schedule</td></tr>
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<tr><td>19h-20h</td><td rowspan="7"></td><td rowspan="7"></td></tr>
<tr><td>20h-21h</td></tr>
<tr><td>21h-22h</td></tr>
<tr><td>22h-23h</td><td rowspan="4"></td></tr>
<tr><td>23h-00h</td></tr>
<tr><td>00h-01h</td></tr>
<tr><td>01h-02h</td></tr>
</table>

The business will need 7 employees, including the owner that will manage the business and run the store and the chef that can eventually be a second investor and co-owner of this business.

The most complicated position to fill will be exactly the Chef. Being a potential co-owner and performing a high responsibility function for the success of the project, it will be imperative to choose someone who shares the values behind this project and has the means to invest in it.

Both the waiter and cook positions are easier to fill, as they will be guided and tutored by the Manager and Chef respectively, and will ideally be occupied by young people who fit in the target segment of the business and can represent us well.

In general, it is very important that the whole team shares the same values and has genuine interest in the concept of the project, as that is the only way to assure everyone will perform to the best of their capabilities to provide the most memorable experience possible to our clients.

6. EXTERNAL ANALYSIS

6.2 Micro context (Porter's 5 Forces analysis)

6.1.1 Threat of new entries

It is always possible to enter the hospitality market, mainly due to how easy it is to start a business in this sector, as there are no major barriers apart from the initial financial investment necessary and the basic laws one needs to obey.

On the other hand, as this is a mature and highly saturated market where competition is expected from the start and businesses born and die every other day, the threat of new entrants is a something to have in mind, yes, but also loses power as it becomes ordinary.

That said, it is each business' responsibility to set high quality standards and stand on its own regardless. To do so, it is necessary to establish strategies, either in operations, promotion, partnerships or even pricing, to stand out from the crowd, set a higher level and assure the consistency necessary to keep the customer loyal. This way, the effects of the new entrants and the competition can be minimized.

6.1.2 Supplier power

Working with a restricted number of suppliers has its ups and downs. It often means larger orders that bring some benefits on the price per unity and an easier quality control. However, one can give too much bargaining power to the supplier and lose the competitive advantage had before.

To fight this problem, it is important to be aware of the offers presented by other possible suppliers as a way to keep competition between them alive and assure they are presenting their best possible offer. Also, may come a day when the commercial relationship is no longer viable, and a quick and effective solution in our back pocket may be useful.

In hospitality, it is common for suppliers to address a wide variety of demands, making it easier to put what was described above into practice.

6.1.3 Threat of substitution

The threat of substitution, in our case, presents itself in two possible scenarios.

On what concerns hospitality, there is a chance that the client may prefer a more conventional approach to our local culinary heritage and visit a more traditional establishment.

When it comes to our approach to Algarve’s cultural heritage, other than culinary, the visitor may be inclined to visit museums and similar spaces, dedicated to the theme. Although, I do not believe this will be relevant to our level of success.

In sum, I truly believe that these two topics being approached simultaneously, combined with a high-quality service and a contemporary and relaxed approach, in line with our target segments demands, will be more than enough to sets us apart from the great majority of the competition.

6.1.4 Buyer power

On this matter, our prices and the competition’s must be aligned, having in mind the importance of the local customer, and extract the most from the tourists’ superior buying power.

By being on the same page as the competition when it comes to pricing standards, that comparative element will be removed, opening space for the customer to look further where our project can stand out by its value proposition rather than the pricing.

This strategy may require constant adaptation of the menu in order to maintain profitability while complying with the competition prices.

This balance between our offer and the other’s is very delicate. However, it is worth the thought, as it will likely be a key aspect to attract new customers and gain their loyalty, specially the local ones with a lower purchasing power when compared to foreign visitors.

6.1.5 Industry rivalry

As it was stated above, this sector is highly competitive, which can obviously impact the success of a business. But as already noted, businesses come in and out of this market every day, some thriving, some failing, old and new, which means the success of a business is probably linked with its quality and strategies, rather than the competitiveness of the market.

In Faro, there is a tendency among the new establishments to follow a homogenous and global approach, along the lines of what is being done in Lisbon and other great cities, disregarding the fact that, in a smaller town with less potential customers, it can be better to stand out rather than fit in. Also, unlike the big cities, heavily exposed to the effects of globalization where being part of a worldwide family is important, these smaller communities usually like to preserve their uniqueness and the little details that makes them feel at home.

Despite this, Algarve’s cultural heritage is being left to establishments with a more traditional approach to handle. Some may a contemporary and sophisticated twist, but generally only care about the gastronomic part of our heritage.

This said, there are 1.069 hospitality establishments in Faro (Pordata, 2017). Among these can be found some establishments that address the demands of the youth segment, while valuing either culture and arts (i.e. ARCM, SRAF “Os Artistas”) or our local gastronomy and products (i.e. Lodo, Há Petite, Tertúlia Algarvia). However, apart from museums and cultural associations which present no threat to our success (i.e. CCDR, Museu Etnológico, Grupo Folclórico de Faro), it is yet to emerge an establishment that values and puts local cultural heritage, other than gastronomic, in the spotlight.

This means there is room for an establishment that provides the local youth and the tourists with a relaxed and contemporary space, where they can learn and appreciate culture, cultural heritage, history and local traditional gastronomy, all at once.

6.2 Macro context (PESTEL analysis)

6.2.1 Political factors

Portugal, although having one of the youngest democracies in Europe, is a peaceful and stable country since 1974. Even the revolution itself is known worldwide for being one of the most peaceful in history. Since then, Portugal has enjoyed a stable democracy and there are no signs of change on that matter. It is safe to assume then that this is a politically stable country and a good place to live, especially considering what is happening around the world with wars, revolutions and the rise of far-right politics. That said, it is necessary to discuss how politics can influence the success of a tourism related business.

Government politics on tourism can have great impact on whether a business venture succeeds or not. A business based on cultural heritage will obviously be benefited by policies that protect it. Therefore, it is very important to put efforts in valuing and encourage movements aiming at the protection, conservation and rehabilitation of both tangible and intangible cultural heritage; granting monetary awards and financing to small business owners and craftsmen so they can safely carry on their business with high quality standards; assign designations of origin (i.e. DOP, DOC, IPR) to local products as a way to value and assure the quality of these; or even campaigns to assign World Cultural Heritage, tangible or intangible, classifications (i.e. *Fado*, mediterranean diet, *cante alentejano*, southwest Alentejo and Vicentine coast natural park) that bring recognition and add value to the places, products and costumes that sets us apart.

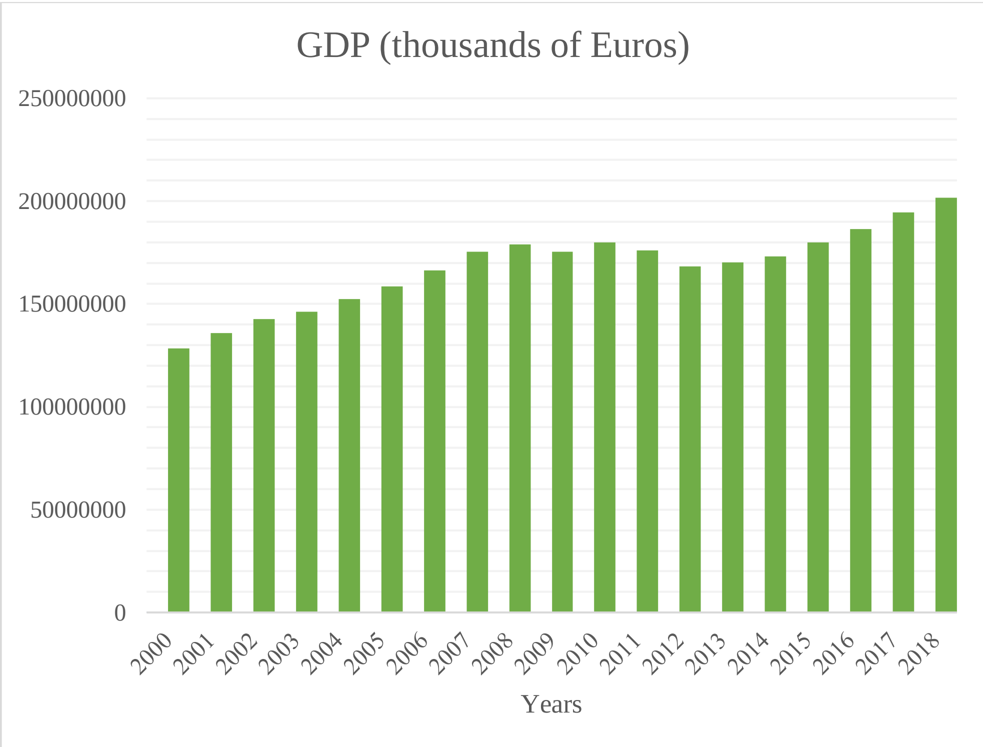
On what concerns taxation, I believe that only the tourism tax can have an impact on tourism numbers. It has been approved earlier this year and will soon be applied. Between March and October, visitors have to pay 1,5€ per night at a maximum of 7 days (Diário de Notícias, 2019), and even though this is a pretty soft amount, some tourists on a budget may have second thoughts about visiting Algarve. This fare is however well justified by the City Hall as an extra source of income directed specifically to maintain and upgrade infrastructures and provide the tourist with high quality services.

The doubt surrounding Brexit can also impact tourism in Algarve. The United Kingdom leaving Europe is almost a given fact and this will certainly bring some changes on tourism dynamics between them and Portugal. However, it is still hard to predict the true consequences of this issue as it will depend heavily on the terms agreed, making it hard to judge the impact it will have on tourism related businesses for now. Portugal and England have the oldest alliance in history and our country is an appreciated and well-established tourism destination for the British people, with a considerable number of home owners and residents in Portugal. However, since 2016 the growth of tourism coming from the United Kingdom has been slowing down considerably and in 2018 fell 7,5%, with this trend being expected to maintain for the next few years, which could be related to the Brexit (Observador, 2019). On a positive note, the general number of visitors is consistently growing, with 2018 presenting as a record year (Observador, 2019).

6.2.2 Economic factors

There are several domestic and international economic factors that can impact the success of a tourism related business, such as exchange rates, inflation, economy growth rate, transportation, product and labor prices, taxes, unemployment rate or tax benefits.

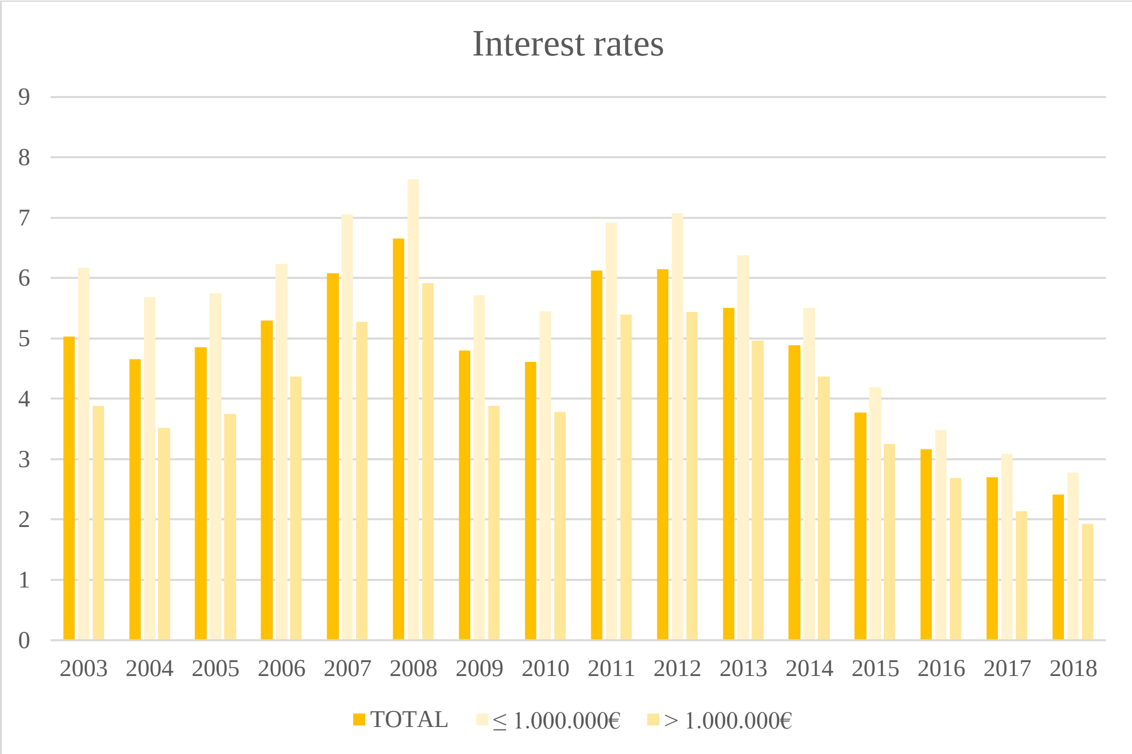
Portugal, despite having its issues and clearly not being a powerhouse, is a stable, developed and peaceful place to live when compared to a great part of the world. Recently our country has gone through some tough times but, according to the data shown in *Chart no.1* bellow, our GDP is growing steadily in the last few years.



- *Chart no.1 (Pordata, 2018)*

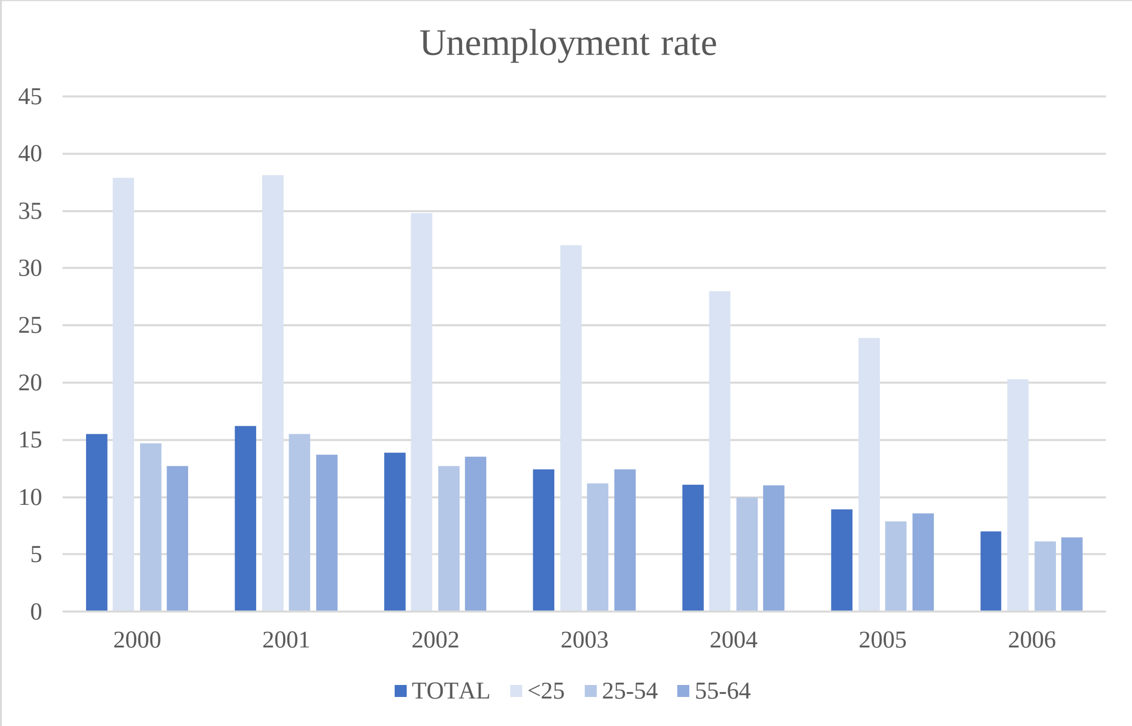
On top of this, tourism alone contributed to 13,7% of total GDP in 2017, 1,2% above the results of 2016 (Público, 2018), with tourism numbers growing each year and breaking its record in 2018 (Jornal de Negócios, 2019).

According to *Table no.2* bellow, the interest rates on financing are the lowest since at least 2003, which means this would be a good time to ask for financing from a bank if needed as it will be easier to bay back. However, this should always be a last resort option as it means the business will be in debt before it starts to profit.



- *Chart no.2 (Pordata, 2019)*

Chart no.3 shows us that the unemployment rate has also been decreasing, reaching the lowest number since 2004. Even for people under 25 years, which represent a big slice of our target, the numbers are the best since 2009. This can seem as a good indicator, but it means that, as the amount of people searching for jobs is decreasing, the employers will probably need to offer better salaries to beat the competition when hiring their labor force. On the other hand, more people employed translates to more money circulating and more people willing to spend money, which can be not only good for business, but also for the economy in general.



- *Chart no.3 (Pordata, 2019a)*

Customers' income is also an important issue. Most of our visitors from European Union have a good purchasing power when compared to Portugal (Observador, 2018), so this is not where the problem lies. Looking at the countries where the majority of our visitors come from (Sapo, 2018): The United Kingdom has a stronger currency than the Euro, and an average salary of 28.200€ (24.887 GBP) per month, which is much higher than the 11.100€ Portugal had last year; Spain, although not being the richest country in Europe, has an average yearly income of 20.988€, almost the double compared to ours; the French and the German earnings average respectively 26.700€ and 28.320€ a year, which is also much higher than ours (Wikipedia, n.d. e). Outside of Europe, the USA and Canada are two emerging markets, averaging a 41.806€ (46.800 USD) (TheStreet, 2019) and 65.261€ (73.056 CAD) (Salaryexplorer, 2019) income per year respectively, which is also clearly higher than ours. This said, when it comes to tourists, purchasing power in Portugal is not really an issue, the challenge will be to maximize the profits from the tourists without repelling the locals.

6.2.3 Social and cultural factors

- Youth

- Average number of residents in Faro (15-34) - 11.713 (Pordata, 2017)
- Average number of UAlg students - 8.000 (Wikipedia, n.d. d)
- Average number of UAlg new students per year - 1.210 (UAlg, n.d. a)
- Average number of Erasmus UAlg students - 800 from 50 countries (Sul Informação, 2018)

Even though part of the UAlg students overlap with the local residents, one can still estimate the volume of this market. Its value on the other hand, is harder to assess due to the uncertainty of their volume and origins, which can affect their purchasing power considerably.

- <u>Tourist</u>

    - Sleepovers in tourism lodgings (Portugal) - 65.385.210 (Pordata, 2017a)
    - Sleepovers in tourism lodgings (Algarve) - 20.207.151 (Pordata, 2017a)
    - Sleepovers in tourism lodgings (Faro) - 516.150 (Pordata, 2017a)

Considering the segments identified (Youth and Tourist) and the data presented above, can be concluded that among the local youth UAlg students (Erasmus and Portuguese) and the inflow of tourists, there is still space in the hospitality market in Faro for a business that addresses these segments directly.

Being located in a part of the country known for its soft Winters, hot Summers and very few days of rain per year invites people to go out in search of spaces to hang out, meet new people and have a good time. A business providing gastronomic, social and educational experiences in the same place will be addressing three of the main leisure activities (Folha OBS, 2001), increasing the chances of bringing in new customers.

Having experience in receiving and dealing with visitors from all over the world is also a great plus, as the community and local businesses, especially in cities by the sea, will have already good infrastructures and systems in place to meet the tourism demands. This experience in dealing with visitors makes the relationship between tourists and locals very organic, which is ideal for those who like to immerse in the local community.

On a side note, it is not wise nowadays to disregard the trends on what concern sustainability and environmental concern. This said, it will be important not only to engage with this mindset but also to clearly show the customers some proactivity about this matter.

To finish, I can say for myself, the great majority of the youth in Portugal is not encouraged by their education system to know and value local history and heritage. The History of Portugal is taught in all schools and teachers make sure their students learn it well. However, this applies equally to the whole territory, disregarding the uniqueness of each region background. This said, can be concluded that it is up to the young people themselves and their parents to learn and pass their knowledge, bout all the little details that make their region unique.

6.2.4 Technological factors

Information management software is a staple these days. The fast pace of our daily life makes time more valuable than ever and a tool that helps speed up a slow process is always welcome. Collecting, processing and organizing the information necessary to manage schedules, inventory, reservations, accounting, was a time and energy consuming process and, even though some of these still require some old school human work, a big slice is done instantly and automatically, taking away a considerable number of steps from this process.

Another technology related topic just as important is the role of digital marketing and the internet. Communication is happening worldwide and in real time these days and the amount of information traded per minute is infinite. This said, being absent of social media, online platforms dedicated to hospitality and internet in general, means missing on countless possibilities and probably opportunities that can have great influence on the success of the business. Digital marketing is, at worst, a serious and very effective promotion and communication tool and even though some older established businesses can still manage without it, it should neither be underestimated nor ignored.

Another important use of internet is how it is a great tool when searching information. And this applies as much for learning a new recipe or how to fix a toaster. The point is that sometimes internet will save time, money and teach valuable skills for day to day and business life.

To conclude, one cannot talk about the influence of technology without acknowledging the ridiculously fast pace at which it develops. It is not mandatory to innovate or come up with a game changer that will revolutionize the market, though this could lead to a great competitive advantage, but it is totally necessary to keep up with the evolution of things, at the risk of becoming obsolete and losing competitiveness in case this does not happen.

6.2.5 Environmental factors

Living in a place with good weather throughout the majority of the year, it is easy to forget global warming and how harmed our planet is already. On the other hand, being so close to the ocean and having contact with nature on a daily basis is a good reminder to take care of our home.

When it comes to businesses, particularly hospitality establishments, recycling paper and cardboard, glass containers and bottles and culinary oil is the only mandatory environmentally concerned measure.

Apart from following the already existing laws, which is the absolute minimum effort, is up to the people to act and correct our behavior, having in mind that what might seem an almost insignificant action is already contributing. From reducing plastic use, specially disposable wraps and tools like cups, tableware and straws; using renewable energy sources and reducing fossil fuels as much as possible, being that in your establishment or personal and business related transportation; recycling as much as possible, but most importantly reusing and reducing; turning off you lights; turning off your faucet; planting a tree; using the stairs; the point is: anything that can help reduce the use of energy and give a break to our planet is welcome.

In sum, the most important action is to be seriously conscious and concerned about this matter. Given this, our course of action will naturally adapt, leading to a sustainable approach in our business and life in general. Internet access makes it easy to search and research about the topic and what to do, so there is virtually no excuse to not do anything about this matter these days, at least in the developed part of the world which really is the one to blame for a great part of this problem. The main thing is to be conscious that changes need to happen and it is up to us, with our everyday actions, to make sure that it does. Otherwise, humans and the rest of the living species in this planet will have to suffer the consequences of our bad habits.

6.2.6 Legal factors

There are several legal factors to take into consideration. Not complying can lead to fines and possibly shutting the business, depending on the seriousness of the situation.

The most important point here is to acknowledge that there are people specialized in each area. Having some notions is definitely a valuable tool as it will enable you to predict and respond more effectively to unexpected events. However, getting help from companies and people specialized in the subject seems the best option, helping you save time and probably trouble.

It is wise, and in some situations mandatory, to get help from a lawyer to help navigate through labor related legal matters, for example work contracts. If needed the Labor Code of Portugal, Law no. 7/2009 of February 12 and the Consumer Law of Portugal, Law no. 24/96 of July 31 can both be consulted, and perhaps some problems can be prevented. However, the help from a law professional will always be a safer option.

Accounting presents a similar situation, except that in this case it is not possible to do it by yourself. Day to day numbers are managed internally, but the monthly balance and taxes have to be checked by a professional in order to be accepted.

Hazard Analysis and Critical Control Point (HACCP) and Health and Safety at Work (ACT) rules are very complex and inspections can come unannounced. This said, hiring companies specialized in helping you comply with both, otherwise it will be almost impossible to assure all the details are in order.

It is also necessary to ask the City Hall for permission to run a business in public spaces and buildings that are not originally built for this purpose, as there are safety standards that need to be met, that in the case of personal use would not be necessary. The same applies to the Civil Protection National Authority, which demands businesses to meet the necessary standards to assure the safety of both workers and clients, for example in the case of a fire.

Apart from this, it is important to check if extraordinary events, concerts or exhibitions for example, need special licenses.

On side note, the brand should be registered at the National Institute of Industrial Property by sending in a request and paying the necessary fees (INPI, n.d.). Although not mandatory, having a registered brand will assure that other companies cannot open establishments with the same name as ours, otherwise there is a risk of someone else claiming the brand and forcing us to change ours. This obviously assumes an original brand with a name that is not yet taken.

More information on this matter can be found in the Financial Plan, where the expenses on licenses and inspections are listed.

7. SWOT analysis

STRENGTHS	**WEAKNESSES**
• Having a unique approach in the market that provides a leisure and informative time simultaneously • Having a concept that values the local community and its origins • Fitting in with the trends on cultural and creative tourism • Personal experience in working both as a waiter and assisting manager in a well-established restaurant • Inside perspective to one of our targets as a young man born and raised in Faro • Ability to understand the demands of tourists as a result of multiple travels. • Being in a location already known as a laidback and economic travel destination	• Brand yet to be registered and developed • Lack of a Chef partnership • No physical space ownership • Starting from scratch • Need for external financial investment

OPPORTUNITIES	**THREATS**
• Being in a location already established as a tourism destination • Climate prone to leisure activities Cultural and creative tourism trend • Growing interest of tourists in blending with the local community • Using this space to stimulate the interest of the youth in our local heritage • Government financial incentives on tourism and/or culture • Incentive and create environmental consciousness on our visitors • National GDP steady growth with tourism being one of the great contributors • Portugal’s political stability • High purchasing power of tourists in Portugal	• Competitiveness of the hospitality market • How easy it is to open a business • The amount of regulation on an hospitality business • Higher salaries due to decrease in unemployment rate, and therefore in job search • Environmental and CSR standards • Sudden decrease in tourism numbers • Impact of Brexit in United Kingdom’s tourism flow

8. Marketing Mix

8.1 Product

8.1.1 What sets us apart

Assuming that our value proposition will be enough to differentiate our business from the great majority of the market (i.e. snack-bars, traditional restaurants/*tascas*), it is important to find the most factors possible to set us apart from our direct competition. But first, it is necessary to attract clients.

For that to happen, before the physical space, it is necessary to create a brand that is both easily identified and represents the concept behind this project. Still, it goes without saying that the space itself and its aesthetics will also have to be carefully projected to match the brand and its core.

The brand, apart from being the face of the business, can also be used to generate profit directly through merchandising (i.e. Caps, mugs, t-shirts, totebags, pins, keychains, fridge magnets) and indirectly through advertising. In this last case, the direct profit can eventually lose some weight, as decreasing the price of the merchandising may encourage people to actually buy our products and become “free” advertising for our business. This decrease in the price obviously assumes the minimum profit to cover the production costs.

So, as explained above, and minding how important the aesthetic experience is these days with social media running 24 hours a day, our first differentiation factor will be our “face” and having an image that will invite the clients to walk in, stay and give us an opportunity to show our worth.

The second will then be our cultural offer, which has no parallel in any other establishment in town.

As said previously during the macro external context analysis, there is no commercial establishment in Faro that exposes its clients to our local cultural heritage, other than gastronomy. This said, our concept itself will help us to stand out from the start. If someone decides to have local food and has to decide between our establishment or any other, I do believe that our cultural offer will be that extra factor and help us rise above.

To finish, the quality of the service and experience provided to the client. Just as important as standing out in order to attract new clients is to provide a good service to encourage their loyalty.

My personal experience as a client tells me that a great part of new business owners worry too much on looking and being trendy, and often forget what these businesses are really about: providing a good and memorable experience. This will raise their clients’ expectations which will eventually be let down, leaving feeling of disappointed and probably never coming back.

However, my personal experience as a waiter, on a well-established restaurant with over a decade on the market, and the daily contact with clients from all over the world have shown me the importance of fulfilling customers’ expectations through the quality of the product and service offered. I believe these businesses are representing a region and have the responsibility of working to their full potential every day, and personally, it is a great joy and feel of accomplishment when a customer comes back, one day, two days or even years later, because he cherishes the experience he had, and greets you with a smile on his face.

For that, the staff has to assure that the client is excited to be doing something outside his daily routine, but also feel as welcome, relaxed and comfortable as if it was his own home. This will provide him with a memorable experience, giving him the urge to come back and repeat it.

A good approach to reward client loyalty would be to give the client a card after he pays and explain he will be rewarded when he completes a specific number of purchases or accumulates a certain amount in expenses, a common practice in several businesses.

Another strategy to promote loyalty, is to extend the customer’s experience. This can be achieved through social media, inviting the client to be part of our community where he can share his own experience and interact with other members about theirs, all of this while being exposed to content shared by the establishment itself; newsletters where they will receive information about events, changes in the menu, or anything promoted by the establishment; or the brand’s merchandising that will bring the memory of his experience every time he looks at it.

It is important to promote an open communication about the customer’s experiences, inviting them to share theirs both online (i.e. Facebook, instagram, trip advisor, the fork) and in the space itself where a physical platform (i.e. Guest book, chalkboard) will be provided to do so. This will show confidence in our service, value our visitor’s opinion and have nothing to hide, being useful both as another way to extend the client’s experience and an advertising tool.

8.1.2 “BARRACA” - The Brand

bar˙ra˙ca ***(bɐ.ʁˈa.kɐ)***

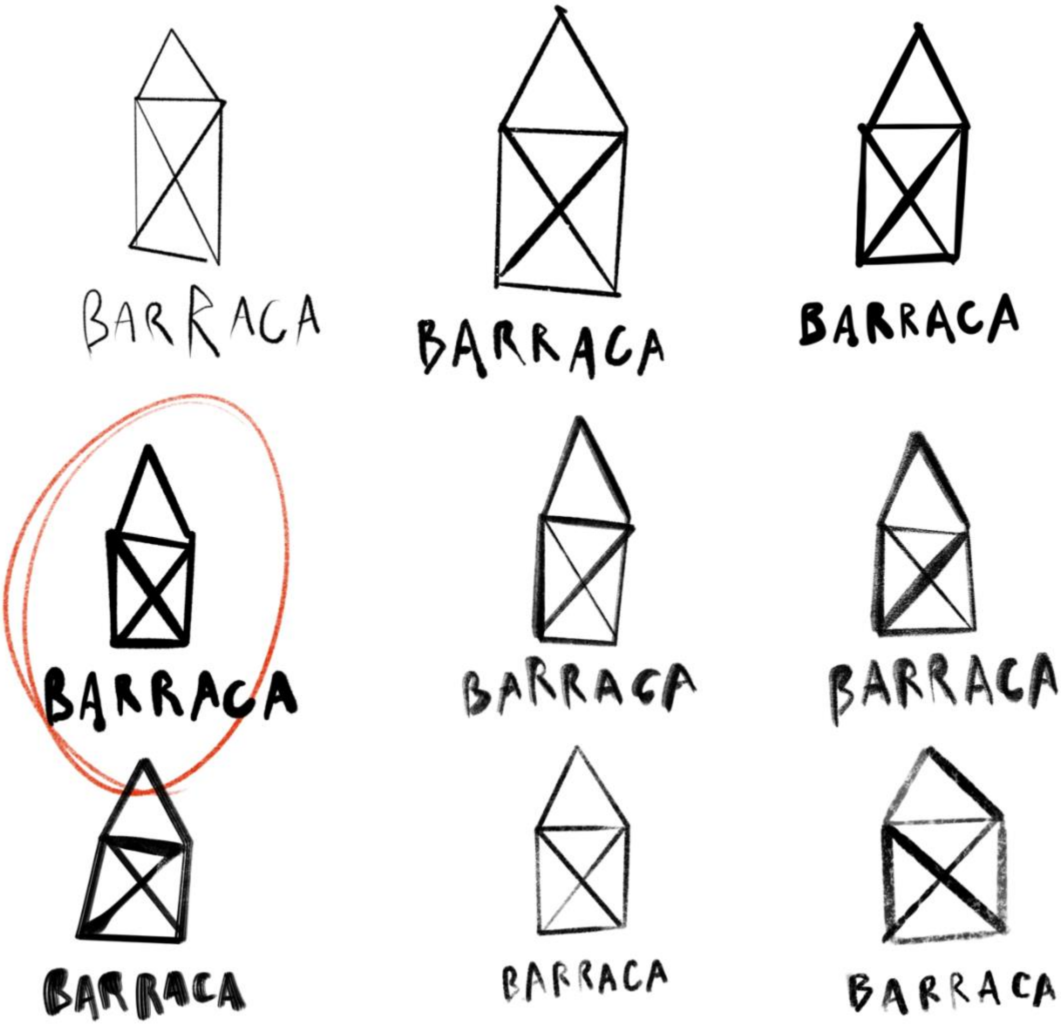
feminine noun

1. Temporary shelter usually made of wood or canvas;
2. Rustic and simple building;
3. Structure covered in canvas where bathers seek for shelter or change clothes;
4. Big blue umbrella;
5. Tent;
6. Embarrassing situation;
7. Misunderstanding;
8. Casual street shop that sells mostly beverages and some food.

In three words: simple, casual, open. This said, the goal of this brand is to provide shelter for local talent, promote our gastronomy, protect our cultural heritage, but most importantly, to be laidback about it, welcoming the fortuity and unpredictability of life.

Bottom line, this space is open to anyone, from anywhere, to walk in and have their own personal experience of what is being offered. Our mission is merely to expose them to whatever makes sense and is worthy of sharing.

8.1.3 Logo



Our logo invokes a well-known child’s play. The goal is drawing a house with a cross in the center without taking the pencil off the paper. Although apparently simple, it requires some planning in order to work, and we feel this metaphor illustrates our nature accurately enough.

Also, the drawing itself resembles a hut or, in Portuguese, *BARRACA.* It can be a fisherman shed, a barn, our home or just a bunch of clumsy lines. The thing about a simple illustration is that it leaves room for the brain to complete it, inviting each person to fill that void with their own memories and references and to “own” part of that image.

Among the options, the final one was chosen not by thinking it through, but by simple intuition. Even though there are some areas of the business that need to be thought thoroughly, here I just want to illustrate the concept, and any of the options would have worked.

The clumsy aesthetic of the logo is also deliberate, as this will help convey our relaxed and unpretentious nature at first sight, and possibly ease the client’s first approach.

8.1.4 Merchandising

The idea for our merchandising is using motives related to the Algarve. Old photos and illustrations of our traditional economic activities; our fauna and landscapes; the graphics from our *platibandas*, the strip above the door on our typical houses which usually have colorful patterns; our traditional chimneys, boats and any object that is representative of our region; and obviously, our logo.

T-shirts, caps or any other apparel to be worn by our customers, friends and employees, working as advertising for our business. Pins, key chains and fridge magnets which are classic souvenirs among tourists and will serve as a reminder of their experience with us.

- BARRACA Logo T-shirt (black/white)

- “Platibanda Algarvia” Logo T-shirt (white)

- *"Somos o que fazemos" T-shirt (white)*

- *"Antigamente" T-shirt (white)*

- *BARRACA Logo Snapback (black)*

- *BARRACA Logo Bag (left) / "Platibanda Algarvia" Bag (right)*

- Fridge Magnets (left) / BARRACA Logo Pin (upper right) / BARRACA Logo Keychains (bottom right)

8.1.5 Local and cultural offer

As said when explaining what sets us apart, the main differentiating factor the project has to be the concern with what is local and our cultural heritage. Bearing this in mind, the plan is hosting events along that idea, such as:

- Exhibitions of varied arts and crafts made by local talent;
- Exhibitions of photography and information about our traditional economic activities and how our region was in the past;
- Little markets where local producers and craftsmen can showcase and sell their products;
- Music shows, book launches of our local talent;
- Story telling events where our older generations can talk, share their stories and answer the questions of our youth;
- Tours to show our tourists our region, in partnership with local agencies specialized in these activities;
- And many others that will eventually occur.

8.2 Placement

The type of business I intend to run usually heavily depends on a physical space. The point of going out to eat, have a drink or hangout is actually going to a specific place. In our case particularly, the way the space will be decorated and the relationship with the clients is a big part of our value proposition, which means that a selling platform that allows to explore that will be prioritized. This does not mean that food delivery services (i.e. UberEats, Comidas.pt) will be completely ignored, but the first option will always be to use our facilities.

I want to make our clients feel as if they were entering a home of someone that was expecting to stay the weekend but lingered and the years went by without them noticing. Worn out walls with loose pictures hanging; soulful and uncoordinated furniture as if it was accumulated through time without planning; work tools splattered around; a simple, perhaps even ugly, but comfortable and warm shelter. And the most important part, which is also the hardest, making all this feel true and made with love, as an empty vessel filled with memories gathered over the years.

The space will be open from 12am to 02am and be divided in three areas: store, gallery and restaurant/bar/pub:

- The first will be the entrance to our space, easy to access and giving some privacy to the customers eating at the pub area. This way, anyone that is solely interested in our merchandising will have easy access to the store and will not interfere with the clients and the service of the restaurant. Everyone will be welcome to look inside, but it makes no sense to have people walking by our customers if not necessary. Also, mixing clothes with food is probably not the best idea.

- The second will then be the gallery. This space will probably be merged with the store, but as they aim at different purposes, I decided to talk about them separately. It will not need to be too big, probably a corner, and if needed it can be extended along the store and the entrance of the restaurant. Here will be held every kind of exhibition, from photography to craftwork, and it will also be of easy access to transients and the customers of the store, once again without disturbing the clients from the restaurant. Along with the shop, this area will be the first thing any person will see when entering, but it is important that the restaurant is clearly visible from here, so our visitors instantly know their full range of options.

- This leads to the last part, the restaurant/bar/pub. Here it will be a mix between a lounge and a dining room, guaranteeing a comfortable meal but also inviting people to stay and hang out for a while. The idea is having around 40 seats inside, plus 20 on the terrace, and as described before, provide a place where our customers can feel relaxed, comfortable and happy, welcoming them to stay as long as they please.

8.3 Promotion

8.3.1 Digital marketing

Nowadays the best options in terms of effectiveness and cost relationship is digital marketing. It is cheap, fast, varied, practical, mobile and almost infinite in its reach. This said, the plan is being active in at least two social media platforms, and also be present on several online platforms dedicated to hospitality. It is important though, to consider the fast pace at which these platforms appear and disappear, but for now the plan is to use the following:

- Facebook
- Instagram
- The Fork
- Trip Advisor
- Zomato

8.3.2 Hotels, hostels and Bed&Breakfasts

Establishing a relationship with these establishments can have great impact on attracting customers. These facilities are responsible of receiving and accommodating our visitors, which means they will be probably be the first to have the chance of advising and proposing plans to them.

This means that having a good relationship/partnership with the best establishments in town, and the whole Algarve, will put this space in the pole position to get new customers.

8.3.3 UAlg

College students can represent a considerable slice of our target. They are young, looking to have fun, and a great part of them are from elsewhere, which means they will be eager to experience what the town has to offer. Even more so when talking about foreign exchange students (i.e. Erasmus), that come as a hybrid between college students and tourists, usually with a superior purchase power and very few responsibilities, which translates into more time to relax and go out.

This said, hosting welcoming events for foreign students with activities for them to know the city, and obviously our space, or simply advertising on campus, can be a good way to get their attention and hopefully their loyalty.

8.3.4 Press and online publications

Being present in some publications related to tourism can help get the attention of tourists, specially from outside of Faro. These types of publications are usually known for recommending to their readers some quality places to visit and experience throughout the whole region, which means they are also distributed throughout the whole region (i.e. Volta ao Mundo, TimeOut). Being present in these could then be a good advertising strategy as the Algarve is not too big and people can easily come from any point.

Another common thing people do when travelling, to find out where to go and what to do, is to search for the expertise of other people in this matter. This means that receiving well known bloggers/influencers/food critics in our facilities (i.e. Ricardo Felner, Condé Nast) assuring them a pleasant experience, can also be used as an advertising tool as the share of experiences will probably influence new customers. This could possibly be under digital marketing, but that would disregard critics from analog media, and although this is the digital era, I believe this type of press is not dead yet and would be foolish to ignore it.

8.4 Price

As stated in the external micro context analysis, it is important to align our price range to our direct competition. Doing so will let us remain competitive and removing that comparison standard will allow to stand out through the quality of our offer rather than just the prices. After some research of our direct competition, the average expense prevision is to be around 15€ for person.

This is a delicate balance, as one need to mind the superior buying power of the tourists, while understanding the importance of local customers on keeping a steady customer inflow during the off season. However, extracting the most out of the tourists superior buying power during the high season can be very important to survive the weaker months of the year, so it is key to use that.

With that in mind, the prices will aim at the foreign tourists superior buying power, while having one or two cheaper options in each category so the locals can still comply with our offer.

Applying this strategy may require constant changes in the menu, in order to adjust the prices naturally, without looking like a desperate move.

9. FINANCIAL PLAN

9.1 Sales and COGS (cost of goods sold)

Expense per client (average, without VAT)

Sales	Year 1	Year 2	Year 3	Year 4	Year 5
Food and beverage	15,00	15,00	15,00	15,00	15,00
Merchandising (textile)	17,52	17,52	17,52	17,52	17,52
Merchandising (others)	3,21	3,21	3,21	3,21	3,21
Total	**35,73**	**35,73**	**35,73**	**35,73**	**35,73**

Clients per month (average)

Sales	Year 1	Year 2	Year 3	Year 4	Year 5
Food and beverage	1 800,000	2 100,000	2 400,000	2 400,000	2 400,000
Merchandising (textile)	15,000	20,000	25,000	25,000	25,000
Merchandising (others)	30,000	35,000	40,000	40,000	40,000
Total	**1 845,00**	**2 155,00**	**2 465,00**	**2 465,00**	**2 465,00**

Total sales per year (12 months)

Sales	Year 1	Year 2	Year 3	Year 4	Year 5	VAT
Food and beverage	324 000,00	378 000,00	432 000,00	432 000,00	432 000,00	23%
Merchandising (textile)	3 153,60	4 204,80	5 256,00	5 256,00	5 256,00	23%
Merchandising (others)	1 155,60	1 348,20	1 540,80	1 540,80	1 540,80	23%
Total	**328 309,20**	**383 553,00**	**438 796,80**	**438 796,80**	**438 796,80**	
VAT Liquidated	75511,116	88217,19	100923,264	100923,264	100923,264	

Value per product

COGS + consumed material	Year 1	Year 2	Year 3	Year 4	Year 5	VAT
Food and beverage	5,00	5,00	5,00	5,00	5,00	
Merchandising (textile)	5,84	5,84	5,84	5,84	5,84	
Merchandising (others)	1,07	1,07	1,07	1,07	1,07	
Total	**109 436,40**	**127 851,00**	**146 265,60**	**146 265,60**	**146 265,60**	23%
VAT Deductible	25170,372	29405,73	33641,088	33641,088	33641,088	

The prediction for the average expense per client on food and beverage was based on the information collected on local establishments with areas and service similar to what we pretend to offer (I.e. Aperitivo, Grains864).

Customer number, and therefore total sales, are expecting to increase through the first 3 years as a result of the growing awareness about our business on multiple platforms. The initial number was based on the number of seats available (40+20), considering that we will be open from 12am to 02am, serving at lunch time, during the afternoon, dinner time and in the evening. With this in mind, starting on 150% and working up to 200% of our capacity in the first 3 years, as a result of the increasing awareness about our project and the loyalty of our clients, seems like a realistic scenario to work with.

Merchandising would be sold approximately at three times the cost of production (appendix 12.1), as a way to generate some profit while investing in advertising. This means each sale would cover the cost off two additional units, which will help to cover the costs of production quicker. This means that our merchandising will be an investment on advertising that will pay itself relatively fast, while affecting positively our success and popularity along the way.

The cost of goods sold was calculated having in mind that usually a product’s pricing reflects a profit of twice its cost. Because we predicted the average expense per client to be 15€, we predicted to spend on average 5€ per client. As said above, the same rule was used for establishing the average price of the merchandising.

9.2 Personnel (appendix 12.2)

- The wages use *Restaurante Faz Gostos Faro* as reference;
- Chef may be offered partnership in order to not only avoid a loan but also to assure his commitment to the project, and will be offered a salary equal to the management to feel as a key player;
- Partnership with chef would protect us from the possibility of the chef leaving us helpless. Instead, the owner would have a partner that would manage the kitchen and have a serious commitment to the project. The difficulty here is finding the right person to do so;
- For the food allowance it considered the standard amount of 4,77€, for 22 days per month, minus 22 days of vacations per year;
- Management/Store will also manage the waiters during the restaurant’s busy hours.
- Waiters will work both the tables and the bar, with tasks designated for each day beforehand;
- Cooks will also be responsible for cleaning the kitchen;
- In what concerns employment, priority will be given to local young people, as they will be our face, and it is important to have one that fits our concept.

9.3 Suppliers and service providers (appendix 12.3)

- Expenses use *Restaurante Faz Gostos Faro* as reference;
- "Other expenses" refers to unpredicted events that may appear, such as broken equipment, legal representation or a specific service for an extraordinary occasion (i.e. concerts, shows);
- It is important to mind that our referenceis a restaurant with more than the triple of the capacity and average earnings projected for our space, which means that in the case of expenses such as electricity, natural gas, water, accounting and similar, these estimations are adjusted and represent approximately a third of its real expenses;

- As for the rent, although aiming at a smaller space compared to our reference, the aim is also at being more central, which is why the same number was assumed;
- For the work insurance, it was assumed half the value given by our reference, as our labor force will represent approximately half of theirs;
- For the health and examination price was assumed a 200€ base fee plus 20€ per person for 7 employees;
- The rest was assumed as standard values which means the same expenses were used, equal to our reference.

9.3 Investments

Investment per year		**Year 0**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	
Fixed Tangible Assets								
Kitchen equipment		95 000,00	0,00	0,00	0,00	0,00	0,00	95 000
Space remodeling and decoration		85 000,00	0,00	0,00	0,00	0,00	0,00	85 000
Air conditioning		5 000,00	0,00	0,00	0,00	0,00	5 000,00	10 000
Administrative equipments		2 000,00	0,00	0,00	0,00	0,00	0,00	2 000
Sound and image systems		3 000,00	0,00	0,00	0,00	0,00	3 000,00	6 000
Facilities licensing		1 300,00	0,00	0,00	0,00	0,00	0,00	1 300
Total Fixed Tangible Assets		**191 300**	**0**	**0**	**0**	**0**	**8 000**	199 300
Intangible assets								
Remodeling and decoration projects		5 000,00	0,00	0,00	0,00	0,00	0,00	5 000
Brand and company licensing		680,00	0,00	0,00	0,00	0,00	0,00	680
Other Intangible Assets		0,00	0,00	0,00	0,00	0,00	0,00	0
Total Intangible Assets		**5 680**	**0**	**0**	**0**	**0**	**0**	5 680
Biological Assets		0,00	0,00	0,00	0,00	0,00	0,00	0
Total Investment		**196 980**	**0**	**0**	**0**	**0**	**8 000**	**204 980**

Depreciatin + Amortization rates		**Year 0**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	NET Book Value
Fixed Tangible Assets								
Kitchen equipment	6,67%	6 333	6 333	6 333	6 333	6 333	6 333	57 000
Space remodeling and decoration	2%	1 700	1 700	1 700	1 700	1 700	1 700	74 800
Air conditioning	20%	1 000	1 000	1 000	1 000	1 000	2 000	3 000
Administrative equipments	10%	200	200	200	200	200	200	800
Sound and image systems	20%	600	600	600	600	600	1 200	1 800
Intangible assets								
Remodeling and decoration projects	0%	0	0	0				5 000
Brand and company licensing	0%	0	0	0				680
Other Intangible Assets	33%	0	0	0				0
Total Amortizations		**9 833**	**9 833**	**9 833**	**9 833**	**9 833**	**11 433**	**143 080**
Accumulated		9 833	19 667	29 500	39 333	49 167	60 600	

VAT Deductible	23%	22305,4	0	0	0	0	1840

This preview for the initial investment is based on data used before, provided by "Restaurante Faz Gostos Faro", completed with information found online about the costs of opening a food and beverage business in Portugal (MFC, n.d.).

More than half of the investment will be directed for kitchen equipment. However, these equipments have a relatively high life expectancy, meaning they are expected to last long enough to gather funds to replace them if necessary.

The other major slice of the investment will be made on the remodeling and decoration of the space, which has a depreciation percentage very low and, although unexpected events may happen, is not expected to need a reinvestment for a long time.

A reinvestment on air conditioning and sound and image systems is to be expected in the 5th year, as these are the assets with higher depreciation percentages. The first because it is expected to be used continuously due to our long opening hours, and the second because these type of equipments become obsolete rather quickly and need to be replaced from time to time.

Administrative equipments such as computers and printers will perform simple tasks, which means that even though new and better versions might appear, it will not be necessary to replace them for a good period of time.

Facilities and brand licensing are once in a lifetime expenses, and remodeling and decoration projects are not expected to be needed for a great period of time.

9.4 Income Statement

Proforma results	Year 1	Year 2	Year 3	Year 4	Year 5
Sales	**328 309**	**383 553**	**438 797**	**438 797**	**438 797**
Costs					
Cost of Goods sold	**109 436**	**127 851**	**146 266**	**146 266**	**146 266**
Suppliers and service providers	**48 253**	**51 593**	**51 793**	**51 593**	**51 793**
Personnel costs	**121 104**	**139 941**	**139 941**	**139 941**	**139 941**
Sub Total	**278 793**	**319 385**	**338 000**	**337 800**	**338 000**
EBITDA	**49 516**	**64 168**	**100 797**	**100 997**	**100 797**
Amortization	9 833	9 833	9 833	9 833	9 833
Total Costs	**288 627**	**329 218**	**347 833**	**347 633**	**347 833**
Earnings before Interest and Tax	**39 683**	**54 335**	**90 964**	**91 164**	**90 964**
Cost of Financing	2 641	1 584	1 056	528	0
Earnings before Taxes 37 042 52 750	**89 908**	**90 636**	**90 964**	**87 470**	**87 797**
Taxes 19%	7 038	10 023	17 082	17 221	17 283
Net Earnings	**30 004**	**30 004**	**42 728**	**72 825**	**73 415**

Project cash flow	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	-
Cash flow from operations		**41 976**	**53 844**	**83 514**	**83 676**	**83 514**	*835 140*
Investment in Fixed assets	196 980	0	0	0	0	8 000	*-41 167*
Investment in Working Capital	-1 997	-6 669	-744	5	-5	-5	*9 416*
Total Investments	**194 983**	**-6 669**	**-744**	**5**	**-5**	**7 995**	**-50 582**
Total Cash Flow	**-194 983**	**48 645**	**54 589**	**83 509**	**83 681**	**75 519**	**784 557**

Accumulated Cash-Flow	*-194 983*	*-146 337*	***-91 749***	*-8 240*	*75 441*	*150 960*	*935 517*

Cash requirements	**Year 0**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Origin of funds	**194 983**	**43 973**	**60 514**	**84 258**	**83 676**	**83 519**
Operational cash flow	0	41 976	53 844	83 514	83 676	83 514
Shareholder equity	100 000					
Financing obtained	94 983					
Disinvestment in Working Capital			1 997	6 669	744	0
Application of Funds	**194 983**	**28 675**	**30 603**	**37 135**	**36 751**	**44 280**
Investment in fixed capital	196 980	0	0	0	0	8 000
Investment in Working capital	-2 185	-1 997	0	0	0	5
Tax on Earnings		7 038	10 023	17 082	17 221	17 283
Loan payback		18 997	18 997	18 997	18 997	18 997
Financial costs		2 641	1 584	1 056	528	0
Annual cash balance	**0**	**15 298**	**29 910**	**47 123**	**46 925**	**39 239**
Accumulated cash balance	**0**	**15 298**	**45 208**	**92 331**	**139 257**	**178 496**

Net Present Value	504 005
Internal rate of Return	46,3%
Discount rate	10%

These numbers presented above assume a personal investment of 100.000€ and a loan of 94.795€, to be paid in 5 years with an interest rate of 3% (Pordata, 2019).

The prediction is to be breaking even in the beginning of the 4th year, with the business presenting a very positive cash flow every year, presenting 178.496€ available for reinvestment or dividend distribution in the end of the 5th year.

The numbers for the Net Present Value and the Internal Rate of Return show this would be a good investment, and it is important to keep in mind that, in case of a partnership, the loan payments will no longer have effect, helping increase the profitability of this project.

10. ABREVIATION AND ACRONYM INDEX

- ALMARGEM – Association for the Defense of Cultural and Environmental Patrimony of Algarve
- ARCM – Recreational and Cultural Music Association
- CCDR – Regional Coordination and Development Comission
- CSR – Corporate Social Responsibility
- FATACIL – Crafts, Tourism, Agriculture, Trade and Industry Fair of Lagoa
- GDP - Gross Domestic Product
- ISCTE – Superior Institute of Business and Labour Sciences
- OECD - Organisation for Economic Co-operation and Development
- PESTEL – Political, Economic, Socio-cultural, Technological, Environmental and Legal
- SRAF "Os Artistas" – Faro's Artistic and Recreational Society "The Artists"
- SWOT – Strengths, Weaknesses, Opportunities and Threats
- UAlg - University of Algarve
- UEFA – Union of European Football Associations
- UNESCO - United Nations Educational, Scientific and Cultural Organization
- UNWTO – United Nations World Tourism Organization

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12. APPENDIX

12.1 Merchandising costs (360imprimir, n.d.)

MERCHANDISING				
	Quantity	**Price**	**Unit price**	**Sizes**
Textile				
BARRACA Logo Snapback	15	46,73	3,115333333	-
BARRACA Logo Bag	10	31,97	3,197	-
“Platibanda Algarvia" Bag	10	65,18	6,518	-
"Somos o que fazemos" T-shirt	10	73,79	7,379	1S/4M/4L/1XL
“Platibanda Algarvia" T-shirt	10	107	10,7	2S/4M/3L/1XL
“Antigamente" T-shirt	10	75,02	7,502	1S/4M/4L/1XL
BARRACA Logo T-shirt (white)	20	100,85	5,0425	5S/6M/6L/3XL
BARRACA Logo T-shirt (black)	20	113,15	5,6575	5S/6M/6L/3XL
TOTAL and AVERAGE Unit price	**105**	**613,69**	**5,844666667**	
	Quantity	**Price**	**Unit price**	**Sizes**
Others				
BARRACA Logo Keychain (round)	150	140,21	0,934733333	-
BARRACA Logo Keychain (square)	150	253,37	1,689133333	-
BARRACA Logo Pin	250	277,97	1,11188	-
"We are what we do" Fridge Magnet	50	13,52	0,2704	130x90 cm
"Chaminé" Fridge Magnet	50	13,52	0,2704	85x55 cm
TOTAL and AVERAGE Unit price	**650**	**698,59**	**1,074753846**	

12.2 Personnel

		blocked cells			*Input cells*	
Personnel costs	12	Number of months of activity in 1st year				
Number of months		12	14	14	14	14
Annual increase (salary + lunch allowance)		0%	0,00%	0,00%	0,00%	0,00%
Staff		**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Management/Store		1	1	1	1	1
Chef (partner)		1	1	1	1	1
Cook		2	2	2	2	2
Waiter		3	3	3	3	3
TOTAL		**7**	**7**	**7**	**7**	**7**
Monthly salary (gross)		**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Management/Store		2 000,00	2 000,00	2 000,00	2 000,00	2 000,00
Chef (partner)		2 000,00	2 000,00	2 000,00	2 000,00	2 000,00
Cook		800,00	800,00	800,00	800,00	800,00
Waiter		650,00	650,00	650,00	650,00	650,00
Annual Salary - TOTAL		**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Management/Store		24 000	28 000	28 000	28 000	28 000
Chef (partner)		24 000	28 000	28 000	28 000	28 000
Cook		19 200	22 400	22 400	22 400	22 400
Waiter		23 400	27 300	27 300	27 300	27 300
		0	0	0	0	0
TOTAL		**90 600**	**105 700**	**105 700**	**105 700**	**105 700**
Other costs		**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Social Security	34,75%					
Company bodies	23,75%	5 700	6 650	6 650	6 650	6 650
Staff	23,75%	15 818	18 454	18 454	18 454	18 454
Insurance	1%	906	1 057	1 057	1 057	1 057
Lunch allowance Euros / day	4,77	8 080	8 080	8 080	8 080	8 080
TOTAL Other costs		**30 504**	**34 241**	**34 241**	**34 241**	**34 241**
TOTAL Personnel costs		**121 104**	**139 941**	**139 941**	**139 941**	**139 941**

12.3 Suppliers and service providers

				Input		blocked cell	
	12	Number of months of activity in 1st year					
Suppliers + service providers (monthly value)	Year 1	Year 2	Year 3	Year 4	Year 5		
HACCP maintenance (semestrale)	30,00	30,00	30,00	30,00	30,00		
Accounting (monthly)	250,00	650,00	650,00	650,00	650,00		
Chimney cleaning (annual) + Cullinary oils collection and kitchen supp	103,33	103,33	103,33	103,33	103,33		
Security ans theft alarms (monthly)	45,00	45,00	45,00	45,00	45,00		
SPA and Pass Musica (annual) + Spotify (monthly)	91,17	91,17	91,17	91,17	91,17		
Information management software (annual)	54,17	54,17	54,17	54,17	54,17		
Rent (monthly)	1 500,00	1 500,00	1 500,00	1 500,00	1 500,00		
Electricity and natural gas (monthly)	575,00	575,00	575,00	575,00	575,00		
Water (monthly)	212,00	312,00	312,00	312,00	312,00		
Rat inspection (annual)	10,25	10,25	10,25	10,25	10,25		
Medical examination for 8 employees (annual)	28,33	31,67	31,67	31,67	31,67		
Communications and Internet (monthly)	120,00	120,00	120,00	120,00	120,00		
City Hall - Terrace and awning licensing (annual)	67,25	67,25	67,25	67,25	67,25		
Fire security maintenance (annual)	35,42	35,42	35,42	35,42	35,42		
IES company taxation (annual)	4,58	4,58	4,58	4,58	4,58		
Gas inspection (biennale)	16,67	0,00	16,67	0,00	16,67		
Insurance (annual)	169,58	169,58	169,58	169,58	169,58		
Brand maintenance (every 10 years)	2 500,00	0,00	0,00	0,00	0,00		
Other expenses	500,00	500,00	500,00	500,00	500,00		
Total	6 312,75	4 299,42	4 316,08				

Suppliers + Service providers (total annual)	Year 1	Year 2	Year 3	Year 4	Year 5	VAT	% variable
HACCP maintenance (semestrale)	360,00	360,00	360,00	360,00	360,00	23%	0%
Accounting (monthly)	3 000,00	7 800,00	7 800,00	7 800,00	7 800,00	23%	0%
Chimney cleaning (annual) + Cullinary oils collection and kitchen supp	1 240,00	1 240,00	1 240,00	1 240,00	1 240,00	23%	0%
Security ans theft alarms (monthly)	540,00	540,00	540,00	540,00	540,00	23%	0%
SPA and Pass Musica (annual) + Spotify (monthly)	1 094,00	1 094,00	1 094,00	1 094,00	1 094,00	23%	0%
Information management software (annual)	650,00	650,00	650,00	650,00	650,00	23%	0%
Rent (monthly)	18 000,00	18 000,00	18 000,00	18 000,00	18 000,00	23%	0%
Electricity and natural gas (monthly)	6 900,00	6 900,00	6 900,00	6 900,00	6 900,00	23%	10%
Water (monthly)	2 544,00	3 744,00	3 744,00	3 744,00	3 744,00	6%	10%
Rat inspection (annual)	123,00	123,00	123,00	123,00	123,00	23%	0%
Medical examination for 8 employees (annual)	340,00	380,00	380,00	380,00	380,00	23%	0%
Communications and Internet (monthly)	1 440,00	1 440,00	1 440,00	1 440,00	1 440,00	23%	0%
						23%	0%
City Hall - Terrace and awning licensing (annual)	807,00	807,00	807,00	807,00	807,00	23%	0%
Fire security maintenance (annual)	425,00	425,00	425,00	425,00	425,00	23%	0%
IES company taxation (annual)	55,00	55,00	55,00	55,00	55,00	23%	0%
Gas inspection (biennale)	200,00	0,00	200,00	0,00	200,00	23%	0%
Insurance (annual)	2 035,00	2 035,00	2 035,00	2 035,00	2 035,00	23%	0%
						23%	0%
Brand maintenance (every 10 years)	2 500,00	0,00	0,00	0,00	0,00	23%	0%
Other expenses	6 000,00	6 000,00	6 000,00	6 000,00	6 000,00	23%	0%
Total	48 253,00	51 593,00	51 793,00	51 593,00	51 793,00		
VAT Deductible	10665,71	11229,91	11275,91	11229,91	11275,91		

12.4 Working Capital

			Days	Year 0	Year 1	Year 2	Year 3	Year 4
Expected sales		*Clients*	365	328 309	383 553	438 797	438 797	438 797
Cost of goods sold and materials consumed		*Suppliers*	365	109 436	127 851	146 266	146 266	146 266
Suppliers and service providers		*Suppliers*	365	48 253	51 593	51 793	51 593	51 793

	Working Capital Needs	Definition	Calculation	Days	Year 0	Year 1	Year 2	Year 3	Year 4
	Cash & Banks	% sales		5%	16 415	19 178	21 940	21 940	21 940
+	Credit to clients	Days given to clients for payment		0	0	0	0	0	0
+	Average duration of materials in stock	Quantity of inventory in value that is necessary to sell according to plan		2	600	701	801	801	801
-	Credit to Suppliers	Days that suppliers extend credit		30	12 961	14 749	16 279	16 262	16 279
	Public Sector	Days for paying VAT, Social security and Taxes			6 051	13 796	15 873	15 884	15 873
	Working Capital Needs				-1 997	-8 666	-9 411	-9 405	-9 411
	Working Capital Investment Needs				-1 997	-6 669	-744	5	-5
	Operational financial cycle			Days	16	10	10	10	10