BUSINESS PLAN – CREATIVE COUNTRY HOUSE

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“Writing a business plan is a journey through the mind of one person”

McKeever

DEDICATION

A mim porque continuo de pé e luto incansavelmente.

Ao Mr. &, pelo passado, presente e plano de futuro ... porque É extraordinário, sabe perfeitamente ‘o que quer’, respeita ‘o que eu quero’ e está convencido que tudo é possível. Porque é o Meu empreendedor.

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À minha Família porque Existem e estão sempre presentes.

Aos amigos porque vêem o que eu não vejo, são perfeitamente imperfeitos e daí autênticos ... e estão sempre presentes.

TABLE OF CONTENTS

INDEX OF TABLES

INDEX OF FIGURES

LIST OF ABBREVIATIONS/ACRONYMS

AEP – Portuguese Chamber of Commerce & Industry

APCER - Associação Portuguesa de Certificação

ECT - European Travel Commission

ENATUR - Empresa Nacional de Turismo, S. A.

GESTUR – Centro de Estudos do Turismo

ECB - European Central Bank

IESE - Instituto de Estudos Sociais e Económicos

EU – European Union

IMF – International Monetary Found

ICN - Institute of Nature Conservation

INE – Portuguese Statistical Information

IUCN - International Union for Conservation of Nature

ITAs - Inbound Travel Agents

OECD - Organization for Economic Cooperation and Development

TAs - Travel Agencies

TOs - Tour Operators

UNEP - United Nations Environment Programme

UNWTO - United Nations World Tourism Organization

WCPA - World Commission on Protected Areas

ABSTRACT

Tourism is a fast growing industry and ecotourism is its fastest growing component at an average annual rate of 7%. The demand for ecotourism and nature based products will continue to increase in future.

The consumer is dissatisfied with traditional mainstream tourism products and aims to have meaningful experiences where he can learn and is challenged. Moreover, the consumers are demanding for more environmental friendly trips, want to travel to natural areas that are protected and being there, they wish to get in contact with the local community and learn about their culture.

The following dissertation intends to be a business plan about a start-up company, the Creative Country House. This company will be more than an ecotourism facility. The Creative Country House wants to become a retreat, visited regularly by demanding customers who want to enjoy the nature and desire for differentiated experience. Creative Country House is the best choice for people that want to escape from the ordinary, to celebrate a special occasion or nothing less than live a meaningful and self-growing experience surrounded and in harmony with Mother Nature.

Keywords

Business Plan, Ecotourism, Entrepreneurship, Creativity

Classifications of the JEL Classification System

M13 - New Firms; Start-ups

L83 - Tourism

RESUMO

O Turismo é uma industria em rápido crescimento e o ecoturismo é a sua componente que mais tem crescido, verificando uma taxa média anual de crescimento de 7%.

O consumidor está insatisfeito com o tradicional turismo de massas e deseja usufruir de várias experiências que sejam autênticas, constituam um processo de aprendizagem e um desafio. Além disso, os consumidores exigem e procuram viagens mais conscientes do ponto de vista ambiental, querem viajar para áreas protegidas e estando lá, desejam contactar a comunidade local e aprender a sua cultura.

A presente dissertação é um plano de negócio para a constituição de uma empresa denominada por Creative Country House. Esta empresa será mais que um mero estabelecimento de ecoturismo. O Creative Country House ambiciona transformar-se num retiro, visitado regularmente por clientes exigentes que desejem desfrutar da natureza e acima de tudo queiram uma experiência diferenciada. O Creative Country House assumir-se-à como a melhor escolha de alojamento quando uma pessoa pretende escapar à rotina, celebrar uma ocasião especial ou nada menos que viver uma experiência repleta de significado, que constitua uma oportunidade de evolução e crescimento pessoal, num ambiente de plena harmonia com a mãe natureza.

Palavras chave:

Plano de negócio, Ecoturismo, Empreendedorismo, Criatividade

Classificações do JEL Classification System

M20 – Business Economics General

M21 – Business Economic

EXECUTIVE SUMMARY

THE PROJECT

The Creative Country House is a start-up company in a phase of development. The long-term goal of Creative Country House is to become a retreat, visited regularly by demanding customers who want to enjoy the nature and with the desire for a differentiated experience. Creative Country House is the best choice for people that want to escape from the ordinary, to celebrate a special occasion or nothing less than live a meaningful and self-growing experience surrounded and in harmony with Mother Nature. Creative Country House will be more than a great ecotourism facility; it will provide guests a set of experiences. The Creative House is a lovely facility in a unique location, inside the scenic of the Natural Reserve of the Sado Estuary, overlooking the Atlantic Ocean and close to Lisbon (60 minutes away).

THE PRODUCT AND SERVICE

The Creative House will offer 7 individually fully equipped and furnished TreeHouses that can be rented, each with its own theme and architecture. These TreeHouses will be the core accommodation of the project (see Zone 1, Figure 12, in Appendix). Exploiting the continuous interest in residential tourism, the project will offer 30 EcoLofts. The EcoLofts can be bought by customers who desire to acquire a house inside a protected area (see Zone 2, Figure 12, in Appendix).

Creative Country House will be also engaged in the promotion of young artists. In accordance, the configuration of its space, design and architecture will result in a joint effort between young creatives and founders. Moreover, Creative House will provide a shop where artists can sell their works and will be involved in the organization of creative expositions and artistic residences. The project includes facilities such as: exposition room; library; spa; organic swimming pool; playground; outdoor gym; organic kitchen-garden with biological fruits and vegetables.

The entire project is based on ecotourism principles .All the facility will be constructed under the ecotourism building types such as the prefabricated structure, that is portable and has low impact structures that does not exceed the environment´s ability to sustain it, and with the use of ecological materials and highlight the renewable sources of energy.

THE OBJECTIVES

The qualitative objectives of the Creative Country House are:

- Assembling an experience that exceeds the customer's expectations for ecotourism and holidays accommodations.
- Retain customers to ensure repeat bookings and positive referrals.
- Increase in exposure and market penetration using internet and direct advertising.
- Increase in off-season occupancy with longer stays by focusing on retired foreign customers and by expanding into other uses for the property like workshops.

The quantitative objectives of TreeHouses include:

- Reach the Alentejo occupancy rate of 28% during the first year.
- To increase the occupancy by 45% per year until the fourth year of activity.
- After the fourth year maintain a stable occupancy.

The quantitative objectives of EcoLofts are:

- Sell 15 Lodges in the first year of activity.
- Sell the remaining 15 Lodges during the second year of operation.
- Offer rental services to the EcoLofts owners to integrate their lodges in a hotel business, with a corresponding occupancy rate of 15%.

THE COMPANY

Creative House will be a start-up company of rural tourism, equally owned by M.ª Inês Sampaio and Robert Herka, who will oversee every aspect of its operations. Besides being a small team consisting of 4 people, the project will be organized in 4 distinct departments, they are: Rooms; Engineering; Marketing, Sales &Public Relations and Finance & Accounting. According to the plan, Creative House will be opening in 2018.

THE MARKET

The tourism industry in Portugal is essentially based on a single traditional product – ‘sun, sea and sand’ since the 60s. So far, the leading destinations are Algarve, Lisbon and Madeira and tourists often prefer to stay in hotel establishments. However, Portugal has great potential to develop new tourism products and its advantages lie in its safety, climate, natural and cultural resources. One of the strategic tourism products that should be developed is nature tourism and ecotourism. Whatever is called nature tourism or ecotourism, the fact is that this type of tourism constitutes an effective market opportunity due to its incredible growth over the years, which has not been yet entirely explored in Portugal. Protected areas are a core attraction in nature tourism. One more time Portugal has the resources needed to explore this opportunity as 22% of its territory is protected area and 35% of its coast is set in protected areas. In addition, Portugal is already attractive for some of the European core nationalities demanding for Ecotourism, nevertheless it suffers from a deficient organization of its supply and thus does not offer the product that ecotourist demands for. An extremely rough estimate would be a global ecotourism demand of 112 million of international arrivals in 2020. Portugal could be visited for a potential international demand between 14.7 and 18.7 million by 2020.

The Creative Country House targets the ecotourist and the usual visitants of the Alentejo regions. The ecotourist will be the domestic resident and the international tourist from Germany, France, Spain and UK. In terms of usual visitants, the project aims to attract customers from Lisbon and Setubal and from the Spanish border regions

FINANCIAL CONSIDERATIONS

It is assumed an initial start-up capital of €900.000. The company owners will provide €500.000 capital and €400.000 will result from non-repayable grants. The project is viable and the finance analysis comfortably sustains the economic and financial viability of this project. The integration of EcoLofts concept into the business will help to finance the entire project without need to rely on bank loans.

INTRODUCTION

This dissertation is about the Portuguese tourism industry, in particular the development of a business plan of a start-up company in the hospitality sector, the Creative Country House. The dissertation is organized in nine chapters following the traditional business plan´s structure.

The literature review aims to understand the essentials of the tourism industry, how it works, what are the characteristics of tourism products and which are the main trends arising.

The second phase relates to the market analysis. The purpose is to study the Portuguese tourism portfolio, as a tool of decision-making support, to the selection of the market segment that constitutes an opportunity that should be explored by the Creative Country House. This study will allow to understand not only the supply-side but as well the demand-side whether the tourists visiting Portugal are foreign or residents. Nature tourism is identified as one of the 10 strategic tourism products defended by the National Strategic Plan for Tourism (PENT)[1]. The dissertation will analyse this specific market segment in order to evaluate if nature tourism really constitutes an opportunity to explore. Thus, the first step is the discussion around the concepts of nature tourism and ecotourism to then introduce the notion of protected area as a core attraction of nature tourism and, finally portrait the typical consumer. After the recognition that nature tourism is a market opportunity, it follows the study of the market for nature tourism in Europe and Portugal, which includes the demand´s size estimation.

The third phase is considering the market forces (internal and external) in which the business of Creative Country House is developed.

The fourth phase is presenting the project of Creative Country House and explains what has to be done to explore the opportunity arising from the nature tourism and ecotourism. In other words, it will be addressed the strategy to achieve the objectives, the finance requirements and finally it will be presented the financial evaluation.

[1] The National Strategic Plan for Tourism (PENT) is a Portuguese government initiative, developed under the aegis of the Ministry of the Economy. This initiative *"(…) serve as the basis for implementation of a series of initiatives aimed at fostering sustained growth of national tourism over the coming years, and guiding the activities of Portugal National Tourism Authority, as the key public body for the sector"* (Ministry of Economy and Innovation, 2007).

1- LITERATURE REVIEW

1.1 - TOURISM INDUSTRY - AN OVERVIEW

1.1.1 - Meaning and definition of tourism and it´s industry

The ‘Travel and Tourism’ or the ‘Tourism’ industry is now the largest sector of the world trade and in developed countries typically contributes with 5-10% of gross domestic product (Middleton, Fyall, Morgan, & Ranchhod, 2009). Before going deeper in the dissertation which objective is to present a business plan for a start-up company in the tourism industry, it is relevant to answer the following questions: ‘What do the terms ‘tourism’ and ‘tourist’ mean?’ and ‘What is the tourism industry?’.

Defining tourism is the main responsibility of the UNWTO (United Nations World Tourism Organization). According with UNWTO (2007), *“Tourism is a social, cultural and economic phenomenon which entails the movement of people to countries or places outside their usual environment for personal or business/professional purposes. These people are called visitors (which may be either tourists or excursionists; residents or non-residents) and tourism has to do with their activities, some of which imply tourism expenditure”*. Here there are three terms that must be explained; they are: ‘visitors’, ‘tourist’ and ‘excursionists’. The people doing tourism are named as ‘visitors’ and this group includes ‘tourist’ and ‘excursionists’. Meanwhile tourists are visitors who stay an overnight at a destination; excursionists are same-day visitors. If ‘visitors’ travel abroad, which implies travel to and stay in countries other their normal country of residence, they are called ‘international tourists’. In the other way around, if the ‘visitors’ travel within their boundaries and stay at a destination for at least one overnight, they belong to the group of ‘domestic tourists’. The international tourist is *“(…) usually treated by governments as the most important market sector of tourism because, compared with domestic tourists, they typically spend more, stay longer at the destination, use more expensive transport and accommodation, and bring in foreign currency which contributes to a destination country’s international balance of payments”* (Middleton, Fyall, Morgan, & Ranchhod, 2009). However, the *“UNWTO estimates that domestic tourism around the world outweighs international tourism by a factor of around 10:1”* (Middleton, Fyall, Morgan, & Ranchhod, 2009). There are also two other notions used to distinguish the origin of the visitors – ‘inbound tourism’ and ‘outbound tourism'. In agreement with *the Glossary of UNWTO*, 'inbound tourism' relates to the activities of a non-resident visitor within a country and 'outbound tourism' comprises the activities of a resident visitor outside its country of residence. For instance, an English citizen is an 'inbound tourist' for Portugal when comes to spend holidays in the beaches of Algarve. By contrast, if a Portuguese citizen goes to the UK to visit the city of London, this citizen is an 'outbound tourist' for Portugal.

In the *International recommendations for tourism statistics* from the UNWTO (2010), it is stressed that those travellers that commute regularly between their place of usual residence and place of work/study, or, even, visit other places in a routine basis (E.g. to visit friends or relatives, go shopping etc.) cannot be consider as 'tourist' or 'excursionists', excluding in this way the phenomenon of immigration. The OECD (2002) refers to tourism *"(…) as the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited".* Thus, the OECD adds two new ideas when it defines tourism: the concept of 'leisure' and 'time limit of 1 year'. Concerning 'leisure', Holloway et. al. (2006, p. 4) adds that 'leisure' is *"(…) free time, or time at one's disposal and therefore can be taken to embrace any activity apart from work and obligatory duties. Leisure can therefore entail active engagement in play or recreation, or more passive pastimes such as watching television, or even sleeping. Sports activities, games, hobbies, pastimes – and tourism – are all forms of recreation and discretionary uses of our leisure time".* The National Resources Review Commission and the US Census Bureau focused the distance as criteria to delimit tourism. In their opinion a trip should count with at least 100 miles from the boundaries of the tourist's home. By contrast, the Canadian government and the English Tourism Council recommend 25 and 20 miles, respectively. Besides the positions exposed before regarding the distance criteria, *"(…) is also increasingly recognized that defining tourists in terms of the distances they have travelled from their homes is unhelpful; locals can be viewed as 'tourists' within their own territory if they are engaged in touristic activity, and certainly their economic contribution to the tourism industry in the area is as important as that of the more traditionally defined tourist"* (Holloway & Taylor, 2006, p. 6). An interesting facet is to verify, also, the definition of tourism adopted by the INE (Portuguese Statistical Information) as the project will be developed in Portugal. As expected, INE´s definition is consistent with the previous positions.

INE (2008) also evidences that tourism relates to the activities done by visitors when they travel or stay in places different from their normal environment, for a consecutive period of less than 12 months, with the purposes of leisure, business and other motives not related with remunerated activities. Despite some minor facts there is a common worldwide agreement on what tourism means resulting from the necessity of homogenization of concepts that allows the statistical treatment and its comparison. Briefly, tourism comprises the activities done when people are travelling to and staying in places outside their usual residence or principal dwelling.

The definition of 'tourism' and 'tourist' leads to a second question that is 'What does it mean 'tourism industry'?'. If we have a look in the *Dictionary of travel, tourism and hospitality* (Medlik, 2003) we realize that 'tourism industry' is the term used to describe firms and establishments providing a range of attractions, facilities and services that meet tourist needs. The enterprises significantly dependent on tourists for their business (the case of hotels and tour operators) are sometimes called 'tourism-related industries' as they *"(…) involve provision for people undertaking activities in places other than their places of residence"* (Seaton & Bennet, 2004, p. 4). When a tourist buys a 'tourist product' he is buying a complete experience (composite product), which can combine the core products of tourism industry (transport, accommodation and attractions provided by 'tourism-related industries') or other kind of services or facilities that have a peripheral or supportive role (provided by 'tourism-non related industries'). At this point it arises another important issue – 'Is tourism a sector or an industry?'. As Seaton and Bennet (2004) mention, tourism has been called an industry as it encompass a wide variety of products which although sharing some similarities, display many differences in market characteristics and consumer profiles. In their opinion this wide range of heterogeneous business were unified for political and economic motives, especially to gain visibility and be dotted of bigger lobbying power. In the book *Marketing in travel and tourism* (2009) it is defended that the concept of 'tourism industry' is often used, however does not describe the reality because the 'industry' term denote similarity in production process and broad unity of purpose, a postulate that is not verified in the supply of travel and tourism services. As a replacement for the term 'tourism industry' it is defended the wider 'visitor economy' because travel and tourism services are supplied by multiple sectors. Consequently *"(…) what has traditionally and conveniently been called an industry comprises the products or outputs of several different industry sectors as these are conventionally defined and measured in the* *standardized industrial classifications adopted by most countries"* (Middleton, Fyall, Morgan, & Ranchhod, 2009, p. 10). In accordance, the five sector of tourism industry are: 1) hospitality; 2) attractions and events; 3) transport; 4) travel organizers and intermediaries and 5) destination organization (see Figure 8, in Appendix).

As a final comment it is crucial to mention that the two following groups of expressions are commonly used interchangeably in this dissertation and usually relate to the same thing, they are: 1) 'tourism industry' and 'travel and tourism industry' and 2) 'visitors' and 'tourist'. Despite the discussion around the term 'industry' to define 'tourism', this designation/expression will be adopted in the dissertation for a simplification purpose.

1.1.2 - The tourism product

Previously we have discussed the concepts of tourism and tourist, and although there is more that needs to be answered, in particular: 'What is a tourist product?'; 'What are tourism products characteristics?' and finally 'How does a tourism product look like?'.

As stated in the *Dictionary of Tourism* (Medlik, 2003) the 'tourism product' covers the complete experience from leaving home to return, which can be, in a narrow sense, what a tourist buys (e.g. transport, accommodation, etc.), separately or package, or, in a wider sense, an amalgam of what the tourist does and the attractions, facilities and services he uses to make it possible. By this idea we are conducted to a second question that is 'What does a tourism product include?'. Holloways (2006, p. 8) responds to the question by referring *"(…) when tourists buy a package tour abroad, they are buying more than a simple collection of services, such as an airline seat, hotel room, three meals a day and the opportunity to sit on a sunny beach"*. And ´Why this happens?'. Holloway (2006, p. 8) continues telling that when tourists purchase tourism products *"(…) they are also buying the temporary use of a strange environment, incorporating what may be, for them, novel geographical features – old-world towns, tropical landscapes – plus the culture and heritage of the region and other intangible benefits such as service, atmosphere and hospitality"*. The tourist is purchasing composite and intangibles services rather than tangible goods, he is, as referred above, buying a complete experience and this explains why *"(…) it has* *often been said that 'selling holidays is like selling dreams'"* (Buhalis & Costa, 2006, p. 9). Because tourism products are an experience, the challenge of tourism is to ensure that consumer dreams fit reality. The reality is the supply by the tourism industry, which is fixed. The dream of consumers can include existent or inexistent products available at the marketplace and that is the reason why the consumer must be brought to the product and not the other way around. By addressing tourism products like composites and intangibles, we are, indeed, listing some of its characteristics. In the Table 1 there is a list with all the characteristics of tourism products.

Table 1 – Characteristics of tourism products

Psychological - Travel motivations are diverse in their nature. The tourism choice is influenced by expectations, desires, objective and subjective motives.
Composite Product - The tourist product can be assembled by one single or several suppliers. The product is composite because it is a complete experience of visiting a particular place, i.e. the sum of highly specialized components that cannot be separated.
Intangible - Tourism products cannot be inspected and physically touched before the purchase moment, the reason why they involve risk which can be differently perceived by consumers. Nonetheless tourism products being services in their essence they contain tangible elements as such hotel bed, meal etc.
Quality control difficult to ensure – Because tourism services are manufactured and consumed at the same time, are intangible and highly perishable, the quality control is difficult to achieve. Therefore mistakes can be done in front of the customers, which can be minimized if the suppliers have employee properly trained able to motorize and ensure high levels of quality.
Unstable Demand and Seasonality - The demand is not constant and can vary due to factors as seasonality; economy (e.g. currency fluctuations); political instability; change on consumer preferences etc. Seasonal changes have a huge impact on the demand, implying that tourism plants are used for only a limited part of the year and therefore uneconomic. The main markets are accustomed to contemplate two different periods (summer and winter)[2].

[2] Northern Europe and the northern USA take mostly their principal holidays during the summer months due to school and other business-year cycles. As holiday markets fluctuate from peaks of 90 to 100% capacity utilization for 16 weeks (4 months) in a year, to troughs of 30% or less – and sometimes seasonal closure – for 20 or more weeks in the year (Middleton, Fyall, Morgan, & Ranchhod, 2009).

Fixed supply in the short run - Tourism product cannot be brought to consumers. In short run, the products are fixed and just in long run the supply can be increased[3].

Highly Perishable - The consumption happens when the tourist is present and if the product is not used, loss is generated immediately. Services are highly perishable because they are produced and consumed at the same time. Therefore the marketer should manage the demand in order to make sure that as little capacity as possible is lost.

Absence of ownership - Ownership is not transferred. The service provider owns the tourism´s product and consumers only have the right to use it during a limited period of time.

Heterogeneous - This product is people based and as a consequence can´t be homogeneous neither standardize due to the volatility of consumers' interests and preferences. Different employers can render the service in a different way and different consumers can perceive it also differently. The service quality in this industry is dependent *"(…) on many uncontrollable factors and there is no sure of knowing whether the service delivered matched what was planned or promoted, or what was expected by the customer"* (Bennet & Strydom, 2001, p. 6). For example, the customer satisfaction with whole experience hangs on their personal living experience.

Risky - There is risk because the purchase occurs before the consumption. For example, when one tourist book beach holidays in Portugal during the summer season there no guarantee of good weather.

High fixed costs - Tourism products implicate high fixed costs of operating, paid in advance, and relatively low variable costs. Hotels have to pay their fixe costs (capital costs; equipment; insurance, wages and salaries etc.) during the entire year independently of their occupancy.

Dominant role of intermediaries - Intermediaries are able to determine to a large extent which services will be sold and to whom.

Marketable - Tourism products are marketable by national and regional organisations, which create knowledge about countries/regions in order to persuade the tourist to visit certain region/country. In addition, these products are marketable by enterprises that try to sell their specific products.

Source: Based on Bennet & Strydom (2001) and Bhatia (2002).

[3] Imagine the case of a hotel. The investment involved was huge and so it is expected that this hotel make profit for many years. Now imagine that consumer preferences change and consequently the demand for a destination decrease. Hence, the hotel that is located in this destination is not attractive anymore and as a consequence the hotel rooms can´t be entirely occupied, which leads to a permanent loss of profit. A technique used to overcome this issue is to offer last-minute discounting in bedrooms – a solution that brings the tourist to the products as the products, in this industry, cannot be brought to the consumer. Such challenges justify the need of in-depth study about customer preferences and behaviour.

Tourism involves a movement of people from one place to another, whether domestic or international. This movement cannot be random and it must have a reason or a motivation behind. So we must address the question ‘Why are tourists deciding to travel to a destination ‘X’ instead of ‘Y’?’. The response to this ‘Why’ takes us to consider features like the destinations/locations preferences and as well the purpose of the trips or attractions. In terms of destinations, the tourist can choose, for example, between Coastal (e.g. Canarian Islands), Rural (e.g. *Garrotxa*), Urban (e.g. Barcelona) and Spa destinations (e.g. Cheltenham Spa) (Holloway & Taylor, 2006). If we rely on the purposes that lead tourists to visit a certain place we can point out three categories: holidays (including visits to friends and relatives); business (including meetings, conferences, workshops etc.) and other motivations. The other motivations include reasons like religious pilgrimages, sport, health, culture (ethnic), contact with nature, personal development (Holloway & Taylor, 2006). Considering the existence of a direct relation between the purposes of the trips and the characteristics of the destinations; it is possible to point several types of tourism. Examples of tourism types are: adventure tourism; ecotourism and nature tourism; golf; sightseeing; beach holiday; cruise; wine tourism; culinary tourism; cultural tourism; heritage tourism; business tourism; rural tourism; health tourism; event based tourism etc.

When a tourist travels he can decide for a package tour (mass tourism) or go for alternative tourism such as ecotourism. In addition, the tourist can decide for a day trip, weekend break and annual holidays; such trips can have national or international destinations.

Buhalis and Costa (2006) defend that similary to manufactured products, destinations have likewise a lifecycle and eventually they can reach stages where their appeal starts to descrease, which provokes reduction on arrivals and consequently on the earnings. They denote as well that the destinations lifecycle are getting shorter and the achievement of latter stages of the lifecycle happen faster than ever. An increase or fall on destinations’ popularity can be higly influenced by changes in consumer behaviour and supply-side forces affecting the global tourist industry. However, the trend of decline or even death of a destination can be inverted if agressive strategies of reorganization and transformation of products are taken. These strategies can pass by investment and technical change, centralisation and product specialisation, reinforcement of the quality delivered, adoption of environmental friendly tourism, and the enlargement of the group of consumers. The destinations located in the Mediterranean are mature and loosing market share because their traditional northern European markets are prefering emerging destinations in more ‘exotic’ and very competitive parts of the world such as India and the Pacific Ocean (Buhalis & Costa, 2006). The Balearics, in Spain, illustrate a successful case study of a destination that did huge efforts to remain competitive when the failure was guaranteed. ‘What did Balearics do to remain popular and repose itself as a destination with superior quality?’. The strategy adopted by Balearics’ authorities, in the 80´s, passed by the creation of protected areas, building’s demolish and the conversion of large undeveloped urban areas in green spaces and maritime esplanades. Furthermore, Balearic’s authorities emphasized product diversification by promoting alternatives to traditional ‘sun, sea and sand’ (e.g. rural based tourism and heritage tourism).

1.1.3 - Distribution chain and intermediation of tourism products and services

In this industry there are direct and indirect distribution systems (direct-marketing versus indirect-marketing channels). The supplier sells directly to the final customer in the direct distribution system. By contrast, the supplier reaches the customer through one or more travel intermediaries in the indirect system. The UNWTO (1999) states the advantages and disadvantages from both systems. On the one hand direct distribution allows: 1) time saving due to direct communication between the parties; 2) increased profits as suppliers do not pay any commission fees to the intermediaries; 3) bigger flexibility to consumer as it is easier to make changes in the itinerary; 4) better control from the consumers point of view as they can confirm the transaction, which gives sensation of comfort and security and 5) supplier has the opportunity to recommend and promote additional products. On the other hand, the direct-marketing leads to at least three disadvantages, which are: 1) additional cost arising from the need to maintain a permanent sales force; 2) discontentment of intermediaries as supplier attract consumers that could instead be served by them and finally 3) opportunity loss regarding the customers that prefer the use of intermediaries. The benefits of using intermediaries (indirect system) are: 1) professional consultation such as personalized guidance, advice and expertise; 2) greater variety of supply arising from a wider array of product options possible because intermediaries deal with different suppliers; 3) lower price to consumers resulting from the smaller prices negotiated by intermediaries; 4) single payment moment as the travel is charged in advance and pays all the elements of the trip and finally 5) supplier savings from not having to hire sales personnel.

Usually intermediaries can be either wholesalers or retailers (see Figure 9, in the Appendix). Wholesalers buy large quantities from suppliers and sell in smaller quantities. Retailers sell individual products or bundled set of products to final customer, assuming the chain´s final link (Holloway & Taylor, 2006). Buhalis and Costa (2006) identify three categories of traditional intermediaries within tourism industry, they are: tour operators (TOs), outbound travel agencies (OTAs) and inbound travel agents (known as well as incoming travel agencies) (ITAs). Tour operators, stated as wholesalers, are also aggregators and package creators. TOs combine two or more travel services/products and sell them as package tour[4]. Based on *Dictionary of Travel, Tourism and Hospitality* (Medlik, 2003, p. 170), travel agencies are the retailers, their role is to *"(…) provide access for a principal to the market and to provide a location for the customer to buy travel services"*. Buhalis (2006) denotes that inbound travel agents are handling agencies or destination management companies responsible for the fulfilment at the destination as well as providers of transfers and excursions.

Buhalis (2002) adds, moreover, the concept of 'eMediaries' (traditional electronic intermediaries), which support the intermediaries exposed before (travel agencies and tour operators) with mecanisms like computer reservation systems (CRSs), global distribution systems (GDSs) or tour operators' videotext systems (leisure travel networks). These eMediaries *"(…) particularly GDSs, progressively consolidated their position to four major systems, namely SABRE, AMADEUS, GALILEO, WORLDSPAN"* (Buhalis & Licata, 2002, p. 2). During the late 90s 'new tourism eMediaries' emerged and the distribution channel was reshaped with organizations placing tourism´s products on the market in a new way. 'What was the ingredient *sine qua non* this modification on distribution could occur?'. In fact, we can identify two main ingredients or conditions: the internet (allowing universal and interactive communication) and the change in consumer behaviour. Of course, e-commerce (electronic commerce) and the adoption,

[4] TOs purchase large quantities of products (accommodation; transport; meals; entertainment and sightseeing), organize them into bundles and finally sell these bundles as a single product in a form of package tours for a global price through travel agencies or directly to final consumers. For example, TOs can buy airline seats, hotel rooms and coach transfer facilities. The components of a package tour can be pre-established or can result from an "a la carte" procedure allowing the consumer to decide the combination of services (OECD, 2002).

by tourism industry, of B2B (business to business) and B2C (business to consumers) are also important ingredients (Buhalis & Costa, 2006). Notwithstanding, who are the 'New eMediaries'?. The article *The Future eTourism intermediaries* (Buhalis & Costa, 2006) identified four 'New eMediaries', they are: 1) suppliers (egg. airlines; hotels; car rental etc.) that opened their reservation systems to clients allowing them to buy directly; 2) web-based travel agents; 3) internet portals and vortals[5] and lastly 4) auction sites.

British Airways is simultaneous a supplier and a new eMediariy. "*In September 2004, 53 per cent of British Airways short-haul leisure flights were booked online on ba.com, with 38 per cent via the travel trade. These data are in contrast to April 2002, when the trade share was 54 per cent, with 20 per cent booked via the web*" (Buhalis & Costa, p. 173). In the Table 27, in Appendix, it is possible to visualize the traditional and new eMediaries that are more relevant in the market. New eMediaries are active on three major ePlatforms: internet; interactive digital television (IDTV) and mobile devices (mobile phones, etc.) (Buhalis & Licata, 2002). The future of traditional eMediaries is dependent on how they reengineer their business process in order to take advantage of the challenges existing and appearing on the market.

1.1.4 - Tourism trends

As reported by the OECD (2010, p. 7), "*tourism has been variably impacted by the financial and economic crisis that hit the world economy in 2008 and 2009*". Therefore, the OECD (2010, p. 7) continues referring that "*international tourism has been affected more than domestic tourism, business tourism more than leisure tourism, hotels more than other types of accommodation and air transport more than other types of transport*". It is unquestionable that during the last years, the world industry of travel and tourism has undergone several and important changes. At this phase the objective is to identify some of the megatrends that are changing the structure of the global tourism. Globally, there are some trends that can be pointed out as follows:

[5] Vortals (also known as vertical enterprise portals (VEP); vertical-market websites; vertical industry portals; or voice portals) are a gateway to Web content on a particular subject area (general purpose or specific industry) (Pizam, 2010)
. They can provide information and resources (such as research and statistics, discussions, newsletters) about a specific industry (Pizam, 2010).

Table 2 – Tourism Trends

Domestic tourism will continue to play a predominant role - Besides being overlooked and regarded with less interest, domestic tourism has a high potential, surpassing 70% of total tourism consumption within OECD area (OECD, 2010). Domestic tourism carries the advantage of being less volatile and sensitive to external factors than international tourism. In the book *Trends and Issues in Global Tourism 2011* (Conrady & Buck, 2011) it is referred that to the average German the most important is to get away from home, i.e. they still continue to travel although they prefer 'closer, shorter and cheaper holidays, that is why spending holidays in their home is becoming more popular than before.

World tourism is shifting to the South and the East - According to *Tourism 2020 Vision* (UNWTO, 2008)[6], it is anticipated that by 2020 the top three receiving regions will be Europe (717 million tourists), East Asia and Pacific (397 million) and the Americas (282 million), which will be followed by Africa, Middle East and South Asia. It is forecasted, as well, growth rates of over 5%/year to East Asia and Pacific, Middle East and Africa meanwhile the world average will be situated around 4%. Willms (2012) conjectures that China and India will be the Asia´s future tourism tigers with growth rates of 9% and 8% (respectively). China will become the world's powerhouse as a destination and outbound market.

Leisure and vacation travel dominates - Trips primarily oriented by leisure and holiday purposes will represent by far the biggest wedge of travels. Nowadays, in OECD countries, more than a half of the international trips result from leisure and vacation motives.

Increase in the number of short trips and shorter stays, more but shorter trips - Tourists are travelling more times per year although the duration of the stays is getting shorter. The PENT refers *"(…) an increased in the combination of one long trip with various short trips (…)"* per year (Ministry of Economy and Innovation, 2007, p. 36). ECT (2006) defends that this tendency is an opportunity for the development of low-season festivals and events. With huge investments from governments in high-speed lines, the prices of rail trips will eventually decrease and as a consequence, rail trips can become competitors of air travel for shorter trips.

Online reservations will continue to increase - There is a growing tendency to book online travel and accommodation, especially towards direct sales (OECD, 2010). There is a reduction in the period

[6] By the year 2020 the international arrivals will reach closely to 1.6 billion, of which 1.2 billion and 378 million arrivals will be intraregional and long haul travellers, respectively (UNWTO, 2008).

between booking and effectively making the trip (Ministry of Economy and Innovation, 2007), which indicates the prevalence of last-minute decision-making, a tendency sharped by the worldwide crisis (Conrady & Buck, 2011). Consumers will progressively find cheaper products in the internet as well enterprises will be more freely trading across international borders (ETC, 2006).

Tendency of disintermediation between demand and supply - It is expected that travel agencies' role will decline because consumer will be more knowledgeable and will act independently. To remain competitive, travel agencies must prove that their specialized services truly add value. Due to the contribution to the tourism value chain, tour operators benefit from an advantage position as they represent not only principals (supply) but also retailers and consumers (demand) (Buhalis & Costa, 2006). Nevertheless, Buhalis (2006, p. 180) points out that *"tour operators should be flexible and innovative in predicting and delivering products required by customers"*. There is room for a consolidation process of internet offers. Kapiki (2012) suggest that *"(…) guest´s virtual and physical social networks will be the best distribution channel"* in the industry.

SMEs play an important role - In the report the *Tourism Trends* from OECD (2010) it is stated that the tourism industry is and will continue to be dominated by small and medium-sized enterprises (SMEs), which are responsible for about 60% of the employment in almost all OECD countries. More boutique hotels, green and eco-lodging are forecasted to appear. By contrast, it is expected also the development of mega hotels with multi-purpose facilities like casinos, shops, theatres and thematic parks (Kapiki, 2012).

Governments are taking action on a number of fronts – The following themes are common in global government's tourism-related policies, they are:

1) increase the quality, the skills and productivity;

2) focus on destination marketing and the development of national and regional brands;

3) focus on environmental sustainability of tourism for green growth;

4) product development and innovation in order to renew and diversify the tourism products portfolio;

5) long-term strategic industry planning, motorization and evaluation;

6) reducing barriers to tourism development and lastly

7) co-operation and partnerships at various levels (transnational, interdepartmental and between sectors).

Ageing of the population - The future brings larger importance of older age groups, a population that will continue to be healthier, benefit from early retirement's schemes and well-financed pensions

(ETC, 2006). Thus, ageing population is more likely available to go often in holidays, spend more for and during holidays and stay longer periods as they do not have time constrains. By 2020, 20% of European population will have more than 65 years old (OECD, 2010). However, it is forecasted that the pensions' values will decline in the long run and the retirement ages will rise as governments struggle to fund earlier generous pensions (ETC, 2006). A consequence will be an increased demand for spa services, health tourism and medical services treatments done in more reasonable priced destinations (ETC, 2006).
Increased division between in time-rich and money-rich for tourism - ECT (2006) defends that there are two markets growing regarding with the disposable of time: actual pensioners and actual work labour. Actual pensioners have no time constrains, which can be faced as an opportunity to the development of low-seasons products. By contrast, the actual work labour has time constrains and shortage of leisure time, which can be, as well, an opportunity as they may be willing to pay more money in order to save time. All-inclusive packages (including transport, accommodation, visits to attractions and food) and 'sabbatical' or 'trips of a life time' may be a response to ´time poor´ consumers. In case of 'sabbatical' trips the consumers save time to later reunite it in a longer trip that can be featured as personal development or even creative development. In accordance with ECT (2006) self-development trips include: long-distances walking or cycling; cookery or painting classes and the visit to remote long-haul destinations. For other hand, ECT (2006) tells that the lack of time for creative development will raise the demand for holidays where people can develop creative skills.
Growing demand for independent holidays - There is a decline on the demand for traditional package holidays and a rise on the proportion of DIY ('do it yourself') trips. ECT (2006, p. 5) refers that consumers are getting *"(…) versed in organizational aspects of their trips and the reservation/booking systems that services them"*. In agreement with, Thomas Helbing reinforces the necessity of individual differentiation as every traveller has individual and distinctive preferences and wishes to fulfil as many personal interests as possible in his vacation (Conrady & Buck, 2011). Although, Conrady et al. (2011) alerts to the fact that with the worldwide crisis, customers are tending to save more money on vacations and 'all inclusive' holidays are gaining importance as the total expenses can be easily calculated in advance. For instance, Reinhardt states that 37% of German citizens are interested in doing 'all inclusive' holidays (Conrady & Buck, 2011).
Climate change will lead to the loss of many destinations whose appeal depends on their natural environment - ECT (2006, p. 3) stresses that *"(…) many low-lying coastal regions are at the risk from rising sea levels (…)"*, which is already evident in Venice, Netherlands and even in the

Portuguese coastal line. Rainfalls are increasing. Consequently, it will be common to incur in cost derived from placing sand in beaches or artificial snow in mountains resorts (ETC, 2006). Climate change can be translated as well in hotter days during the traditional winter, which may lead to the anticipation of tourist holidays flows.

Environmental and social responsibility – Growing awareness about environmental responsibility with companies reducing their footprint and selling sustainable products/services. The aviation industry has set ambitious and environmental friendly goals such as the reduction by 50% of the CO2 emissions around 2020 (Conrady & Buck, 2011). Green establishments (meaning: sustainable, eco, environmentally friendly, etc.) like the 'Stratton's Hotel'[7] is a tendency to stay and continue (Conrady & Buck, 2011). There is also a growing awareness about the need of conservation and preservation of natural products/resources and unspoilt destinations in order to avoid that they disappear or get adulterated.

The demand for eco-tourism and nature based products will continue to increase - The small niche of ecotourism is today a 'chic' business that generates multi-million dollars in the tourism industry (Honey & Krantz, 2007). The growth of green hotels and environmental certifications is a clear sign of the further development of green concepts such as ecotourism and nature based tourism. *"If we can define the future of eco-tourism as a merger of "eco" & lifestyle, no other project will gain such attraction as the North Slope Hotel*[8] *(Architect Michael Jantzen)"* (Conrady & Buck, 2011, p. 97). In accordance, Andreas Reiter refers that the actual niche of Green Lifestyle, will be a growth market in the mid-run and *"the future of the hospitality industry will be green, but sexy"* (Conrady & Buck, 2011, p. 98).

Growing importance of 'global nomads' - Globalization will emphasizes the role of *"(…) those who have set up home and live in different countries from those in which they were born"* (ETC, 2006), which is an opportunity as the trips to visit friends/relatives (VFR) will increase.

The importance of travel experiences - Travellers become really experienced, 'career travellers' as ECT (2006) calls. Customers are demanding for complete and deeper experiences that respond to the following needs: personal and creative development; learning; contacting and interacting with local communities. Tourist are seeking for higher quality trips that are deeper but also more meaningful

[7] Stratton's Hotel is a boutique hotel in Norfolk, UK, whose strap line is "luxury without sacrifice to the environment".
[8] The North Slope Ski, in the Rocky Mountains, is an eco-friendly 95-room luxurious hotel shaped as an actual ski slope that will be entirely run on renewable sources of energy (solar and wind energy) (Conrady & Buck, 2011).

experiences, diluting likewise the boundaries between being guest and host. ‘Creative tourism’ and ‘volunteer tourism’ are new forms of tourism. From this need of new experiences arises the problem of low loyalty as travellers will tend to not repeat visits, which will be, for sure, intensify the seasonality. Remain competitive will pass by the identification and exploiting of uniqueness selling propositions (USPs) of products. Although as consumers tend to became more oriented towards experiences and their symbolic value, the USPs, mentioned before, should be transformed into unique experimental selling propositions (UESPs) and unique symbolic selling propositions (USSPs) (ETC, 2006). In accordance, Kapiki (2012) stress that tourist are resistant to pay more money and instead they want to get more for less money. The solution is not reducing the prices but, instead, the product´s value must be reinforced. Thus hotels, for example, could increase the value of their products without lowering prices by adding some elements that create value during a hotel stay.

The top five elements that are able to effectively create value during the stay period in a hotel establishment are:

1) guestroom design (size, comfort, room equipment, kitchenette, entertainment, cleanliness and heating or air conditioning);

2) physical property - exterior, public space (cleanliness, landscaping, size, architecture);

3) interpersonal services such as service friendliness, attentiveness, professionalism and personal recognition;

4) functional service (e.g. efficiency and the speed of check-in and check-out) and finally the food and beverage related services (sanitation, quality, atmosphere, room service, variety and good prices) (Kapiki, 2012).

Growing demand of residential tourism - second homes tourism - In accordance with ECT (2006), the purchase of second homes residence will continue to rise as long as there is a low-cost property available. In addition, ECT mentions that this trend is being driven by two groups of consumers. First group correspond to wealthy individuals that desire to invest in property in warmer and cheaper climates and the second group matches up the people that are looking to retire or start a new lifestyle business in other places.

2 - MARKET ANALYSIS

2.1 - THE TOURISM IN PORTUGAL

In Portugal the tourism industry focused on a single traditional product – ‘sun, sea and sand’ (also known by three ‘S’) since the 60s. Although *“the competitiveness with other countries such as Spain, France, Turkey, Greece, Tunisia, among others, that offer the same kind of products, alert us to the need for diversification of supply”* (Daniel, 2010). As reported by the PENT (Ministry of Economy and Innovation, 2007, p. 7), *“Portugal has the necessary "raw materials" - climate, natural and cultural resources – to consolidate and develop 10 strategic tourism products: Sun and Beach, Cultural and Landscape Touring, City Breaks, Meetings and Congresses, Nature Tourism, Nautical Tourism, Health and Wellness, Golf, Residential Tourism and Integrated Resorts and Gastronomy and Wines”*. Meanwhile Algarve is essentially a ‘sun and beach’ destination generating a high degree of seasonality, in Lisbon the main product is the ‘city break’ being characterized by small breaks (Ministry of Economy and Innovation, 2007).

The Portuguese territory is rather small but is dotted of key distinction factors able to exploit the diversification of the tourism product portfolio beyond the traditional three “S”; they are: climate and light; History, culture and tradition; hospitality and concentrated diversity (see Figure 10, in Appendix). As stated in the PENT, conferring with tourist opinions, Portugal has furthermore other elements that bring value to Portugal, such as: modern authenticity; safety; competitive quality; low crime rate and competitive prices (Ministry of Economy and Innovation, 2007).

In 1997, Cunha mentioned that the new Portuguese tourism should replace the three old ‘S’ - Sun, Sea and Sand’ for new ‘S’ - ‘Sophistication, Specialization and Satisfaction’. Cunha (1997) reinforced, as well, the need of strengthening the culture and heritage preservation, based on each destination distinction factor. In accordance, the government initiative PENT defends the creation of six tourism development poles, namely: Azores (in an advanced stage), *Alentejo* littoral area, the West zone, *Porto Santo, Serra da Estrela*, *Alqueva* and *Douro*.

The number of international tourist arrivals is a good measure to evaluate the attractiveness of a country as a tourist destination. In 2010 Portugal was ranked in 37th position worldwide (INE,

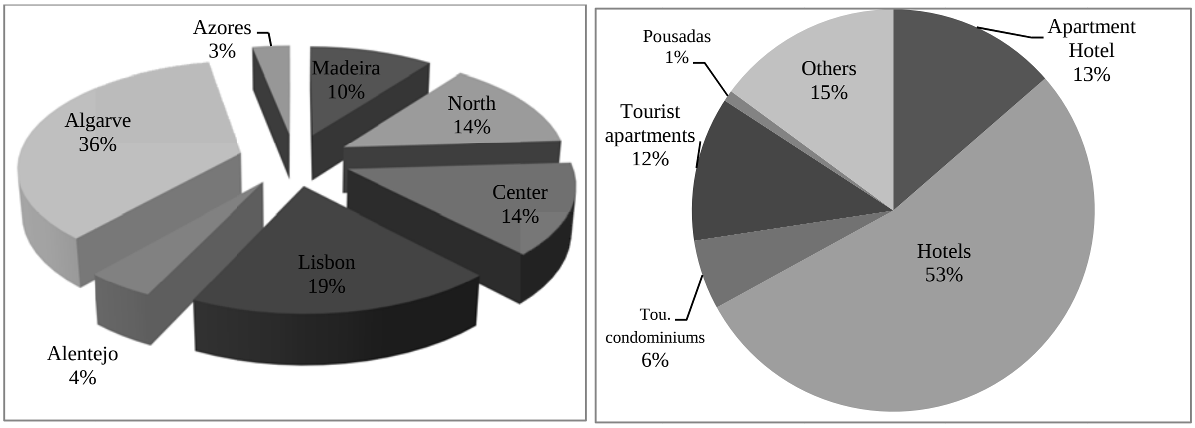
2011)[9]. In relation to Travel & Tourism Competitiveness Index (2011)[10], Portugal is ranked 18th worldwide destinations out of 139 countries and is in 13rd position in Europe.
Current revenues from tourism represent, directly and indirectly, approximately 11 % of the GDP (Ministry of Economy and Innovation, 2007). Despite its seasonal nature and precarious employment, tourism employs about 10% of working population (Ministry of Economy and Innovation, 2007). Notwithstanding, the PENT empathizes the fact that the employment in tourism is essentially temporary which leads to no incentive to persecute specialized training with direct impact on the quality of service offered.

In July 2010, the collective tourism accommodation capacity, measured by bed-places, stood at 484.252 beds, of which 57,7% correspond to hotel establishments[11], 37,6% are camping sites and holiday camps, 2,7% are rural tourism establishments and 2% are youth hostels (INE, 2011). Regarding the overnights stays, hotel establishments have far away a higher occupancy rate than the remaining players. As an illustration, in 2010, 85% of the overnights stays were recorded by hotel establishments (INE, 2011). If we focus only on the hotel establishments we see that the leading regional destinations are Algarve, Lisbon and Madeira, which together concentrated 72% of the overnights stays (INE, 2011). These three main regions are responsible for more than 85% of international tourists' overnights and during the summer time represent more than 40% of all the tourism business in Portugal. Hotels are the principal type of accommodation in terms of

[9] For instance, among the top-ranked countries are France, USA, China and Spain.
[10] This index measures the attractiveness of a country to develop business in tourism industry and thus takes in consideration issues as: regulatory framework; human, cultural, and natural resources; business environment and infrastructure. Europe does very well in this ranking with 5 European countries in the top 5 (Switzerland, Germany, France, Austria and Sweden) and having 14 countries in the top 20.
[11] The group known as hotel establishments are, according with Tourism of Portugal, I.P. composed by hotels, aparthotels and pousadas (Ministério da Economia e da Inovação, 2009). The Pousadas relates to hotel establishments housed in national monuments buildings or other buildings of public interest, that are *"(…) operated directly by the ENATUR - Empresa Nacional de Turismo, S. A., or third parties under contracts or franchise assignments (…)"* (Ministério da Economia e da Inovação, 2009 p. 6291). There are other establishments, that according with Turismo de Portugal, can assume the following categories: tourist condominiums (*Aldeamentos turísticos*); tourist apartments (*apartamentos turísticos*); resorts; tourism in manor houses (*empreendimentos de turismo de habitação*); tourism in the country - TER (or rural tourism) (*empreendimentos de turismo no espaço rural*); camping sites and caravans and tourism in the nature –TN (*empreendimentos de turismo da natureza*) (Ministério da Economia e da Inovação, 2009). The INE adds two other types of accommodation: holiday camps and youth hotels. The INE didn´t adopt entirely the redefinition categories made by Tourism of Portugal and an important difference arises from the concept of hotel establishments. The INE has a larger concept of 'hotel establishments' and includes in this group categories like hostels (*pensões*), inns (*estalagens*), motels (*motéis*); tourist condominiums (*Aldeamentos turísticos*) and tourist apartments (apartamentos turísticos) (INE, 2012). In the interests of statistical interpretation, this dissertation will adopt the larger concept of hotel establishments from INE.

overnights stays or even in accommodation capacity, representing 60% and 53% of the total of overnights and bed-places, respectively. As can be seen in Figure 1, below, the regions offering more bed-places, beyond Algarve, are indeed Lisbon, north and centre of Portugal. Alentejo and Azores are effectively the regions with weaker performance in terms of accommodation capacity. On an annual basis, Lisbon and Alentejo were the regions that registered a bigger growth in terms of the number of guests received. The performance of Lisbon can be explained by an increase on the demand side from the Brazilians, Italians and Spanish customers. The region of Alentejo verified the highest growth rate when compared with 2009 (INE, 2011), which can be explained by the rise on the capacity available.

Figure 1 - Allocation of the capacity of hotel establishments per region and type (NUT II) (2010)



Source: INE (2011).

As stated in the PENT there are three groups of strategic markets that should be targeted in function of their growth potential and Portugal's actual competitive positioning. Among the ‘strategic markets’ indicated by the PENT are, obviously, domestic market but as well UK, Spain, Germany and France. As brought up in the PENT´s report, these strategic markets *“(…) should be subject to a major promotional drive, guaranteeing a significant absolute contribution to tourism and stimulating relative growth in the low season (October to May), higher than that in the high season”* (Ministry of Economy and Innovation, 2007, p. 6). On the other hand, the PENT stressed also, that the Scandinavian countries, Italy, USA, Japan, Brazil, the Netherlands, Ireland and Belgium belong to the markets where the Portuguese government aims to achieve a significant absolute growth, therefore they constitute ‘markets to be developed’. The *“(…) objective is to increase market share, while strengthening the notoriety of destination Portugal”* in the third group of countries called as ´diversification markets (Ministry of Economy and Innovation, 2007, p. 6). This third group include countries such as Austria, Switzerland, Russia, Canada, Poland, Czech Republic, Hungary and China.

After addressing the key markets that are either strategic or should be developed, it is interesting to see 'What is the actual role of foreign outbound markets to Portuguese tourism industry?'. But before it is crucial to establish a division of the total number of overnights stays between the countries of usual residence as this will be an indicator about the significance of domestic and foreign markets. Thus, the residents in Portugal accounted for 36,9% (13,8 million) and non-residents corresponded to 63,1% (23,7 million) of the total overnights stays in 2010 (INE, 2011). The principal outbound markets, representing about 85% of non-residents overnights stays, were: UK; Germany; Spain; Netherlands; France; Italy and Brazil (INE, 2011). In line with INE, the PENT argues that international tourism in Portugal is highly dependent on four of the outbound markets mentioned before (UK, Spain, Germany and France), which together represent around 60% of international guests and more than a half of the total revenues (Ministry of Economy and Innovation, 2007). The European countries were responsible for 53,5% of the overnights stays recorded in Portuguese hotel establishments (INE, 2011). INE matches the destination´s preferences of non-residents with Portuguese regions. Therefore, English and Germans pick mainly holidays in Algarve (67% and 41%, respectively) and then, they prefer Madeira as second destination (see next Figure 2). Spanish and French have equal preferences with Lisbon appearing as the first destination, which is followed by Algarve and the north of Portugal (see next Figure 2). More than a half of the Irish and Dutch ('markets to be developed'), select Algarve destinations. By contrast, the Brazilians, which are also a 'market to be developed', demonstrate their bigger preference for Lisbon (64%); meanwhile the north of Portugal appears as second choice. In Azores there is a distinct profile of visitants and the set of the main outbound markets include countries such as Denmark, Sweden and Norway (Ministry of Economy and Innovation, 2007). Such as Madeira as Algarve are highly dependent on English and German markets. Lisbon has more diversified inbound markets. By opposition the regions less visited for international tourists and, as a consequence, more dependent on domestic tourism, are Alentejo, north and centre of Portugal, which, as stated in the PENT, *"(…) are essentially dependent on the domestic and Spanish markets"* (Ministry of Economy and Innovation, 2007, p. 22). For example, in 2010, 71% of the overnight stays in Algarve belonged to foreign citizens and, by contrast, in Alentejo, 77% of the overnight stays belonged to domestic tourists (INE, 2011). Besides the importance and the number of international visits, foreign tourists have usually an absence of deep knowledge concerning Portugal, being most of them positively impressed.

Figure 2 - Destinations preferences by nationally (overnights stays, 2010)

Nationality	Main destinations preferences (by preference order)
English	Algarve (67,4%); Madeira (21%)
German	Algarve (40,8%); Madeira (33,2%)
Spanish	Lisbon (38,5%); Algarve (23,2%); North of Portugal (17,3%)
French	Lisbon (31,2%); Algarve (21,3%); North of Portugal (14,4%)
Irish	Algarve (68%)
Dutch	Algarve (76,3%)
Brazilian	Lisbon (64,1%); North (19,9%)

Source: Based on INE (2011).

In 2010 2,8 nights were the average time that residents and non-residents were staying in hotel establishments. By descending order the nationalities that stay longer periods in hotel establishments were: Dutch (5,2 nights), English, Irish, Finnish; German; Danish, Swedish and Norwegian (INE, 2011). If we change to the regions, we figure out that the average of overnights stays is higher in Madeira (5,1 nights), which is followed by Algarve and Azores that recorded 4,6 and 3 overnights, respectively. The PENT refers that Portugal has invariably lower occupancy rates than similar regions in Spain with direct impact on the Revenue per room (RevPAR). In 2010 the net occupancy rates of bed places stood at 38,7% (INE, 2011). Madeira (48,2%), Lisbon (44,3%) and Algarve (41,1%) stayed above the average; while the remaining five regions recorded lower net occupancy rates. Alentejo is the region that had weaker performance. The summer season was responsible for near the half of total annual overnights verified, being the peak level in August (65,3%) (INE, 2011). With 1/3 of the rates recorded in August, January and December were the weaker months (Ministry of Economy and Innovation, 2007). The uppermost occupancy rate was verified in aparthotels (44,3%), guesthouses (44,1%) and hotels (41,4%) (INE, 2011). A reason pointed to justify the low occupancy rates is the small frequency of direct connections (air access) with European cities.

Taking the PENT as reference it is possible to summarize some characteristics of Portuguese tourism and travel industry which are, for sure, interconnected (see next table).

Table 3 - Characteristics of Portuguese tourism

High dependency on international tourism from the UK, Germany, Spain and France.
High concentration of customers and hotel establishments in Algarve, Lisbon and Madeira.
High degree of seasonality and low occupancy rates.
Low differentiation due to small portfolio of tourism products.
Low awareness of the brand "Portugal".
There is no internet engine available where customers could choose flights and accommodation simultaneously.
Low qualifications of workers with direct impact on the quality of service provided.
Individualism and lack of cooperation, which diminish the possibility to speak with a single voice and enhance good deals with international intermediaries and to offer integrated products as well.

The *Travel Survey of Residents* from the INE allows us to understand the profile of the tourist resident in Portugal. If we look to the tourist trips made by residents towards a destination outside their usual environment (Portugal or abroad), we conclude that 37,4% of the population (4 million residents) could be considered tourist as they have travelled at least for one overnight during 2010 (INE, 2011). In the same year (2010), a total of 15,4 million tourist trips were made, of which 89,5% corresponded to national destinations (INE, 2011). TT-Thinktur (2006) refers that in 2004 72% of the Portuguese preferred beach destinations to spend holidays. Near half of the total number of trips made (48,6%, 7,5 million trips) resulted from 'leisure, recreational and holiday' motives. The second reason pointed to travel, accounting for 39,2% (6 million trips), was 'visit of relatives and friends', which was followed by 'professional or business' reasons (7,5%) (INE, 2011). Close to 50% of the 'leisure, recreational and holiday' trips were registered between July and August (INE, 2011). According to INE (2011), the first trimester constitute the weaker period when the purpose to travel is 'leisure, recreational and holiday'. As expected August registered the biggest volume of trips, representing 17,6% of the total trips (INE, 2011). December and July also stand for important months in terms of trips done accounting for 11,9% and 11,3%, respectively (INE, 2011).

Another interesting aspect stressed by INE (2011) is that almost all residents (96,4%) do not have any prior reservation of accommodation or transportation when travelling within national boundaries. And in the minor cases where residents do have reservations, they prefer to contact directly the service provider rather than to use intermediaries. When residents travel they use mostly their private car (81,7%) (INE, 2011).

Over the years the most important tourist destinations for residents, by NUTs II, are the centre and Algarve regions. Residents travel to the centre of Portugal to 'visit family and friends' and for 'religious' purposes and Algarve is preferred for 'holidays or leisure' (39,3% of the total) (INE).

The private accommodation provided without charge by relatives/friends distinguishes itself from the classic forms of accommodation, accounting for 43,4% of the total overnights stays, meanwhile hotels establishments registered 14,1 million overnights stays (20,7%) (INE, 2011). If we consider only the domestic trips we reach similar conclusions with the exception of the role of 'second residences', which are often preferred to 'hotel and similar establishments', accounting for 24,3% and 14,3% of the total, respectively (INE, 2011). The INE (2011, p. 33) reinforces that "*the type of accommodation used is substantially different depending on the reason for travel"*. For instance, if residents travel due to 'leisure, recreational and holiday' or even 'business', they frequently stay in hotel establishments in 27,5% and 46,2% of the situations, respectively (INE, 2011).

2.2 - ECOTOURISM AND NATURE TOURISM

2.2.1 - Defining Ecotourism and Nature Tourism

Ecotourism and nature tourism appeared in the 1970-80s as forms of Alternative tourism[12] and subsequently as substitutes to the traditional mass-market tourism. We could say that ecotourism such as nature tourism were demand-driven by consumers that were wishing to travel away from the mass-market destinations, towards new, virgin yet and attractive places still mostly undiscovered by the rest of the tourists. But 'What does it means ecotourism and nature tourism?'. From a conceptual point of view, the literature establishes that 'nature tourism' (also known as 'nature-based tourism') is different from 'ecotourism'. While 'nature tourism' involves the use of natural resources (nature as attractiveness) were tourists experience flora and fauna; ecotourism is an environmental friendly theoretical concept closer to sustainable tourism (Buhalis

[12] Alternative tourism is a term used in the literature to distinguish itself from mass-tourism or mainstream, it means essentially any kind of tourism with a small or specialist market or product normally not booked thought a mainstream travel agent (Buckley, 2009).

& Costa, 2006). The concept of ecotourism relates to *"environmentally responsible travel and visits to relatively undisturbed natural (including cultural) areas that promote environmental education, management and conservation, while providing for the beneficially active socio-economic involvement of the local population"* (Buhalis & Costa, 2006, p. 114). The International Ecotourism Society states "ecotourism is responsible travel to natural areas which conserves the environment and improves the welfare of local people" (Patterson, 2007). Both definitions suggests that in ecotourism the management is done in order to achieve a fine balance where the requirements of tourism activity are satisfied, the ecology of nature is preserved and the local community is helped, reasons why this concept is associated with responsibility and sustainability (Buckley, 2009). Concepts like Fair Trade, Blue Flag, Eco-labels and environmental certification are common in ecotourism products/destinations. Consequently, nature tourism is a broader concept, weaker in terms of environment impacts than Ecotourism. Ecotourism is classified as a *"(…) specific market segment of the ample tourism associated with nature"* (TT-Thinktur, 2006, p. 2.4).

In agreement with UNWTO 'ecotourism' is a term used for tourism´s forms which have the following characteristics. From now on this definition will be used as the valid reference.

Table 4 – Characteristics of ecotourism

All nature-based forms of tourism in which the main motivation of the tourists is the observation and appreciation of nature as well as the traditional cultures prevailing in natural areas.
It contains educational and interpretation features.
It is generally, but not exclusively, organized for small groups by specialized tour operators. Service provider partners at the destinations tend to be small and locally owned businesses.
It minimizes negative impacts upon the natural and socio-cultural environment.
It supports the maintenance of natural areas which are used as ecotourism attractions by: generating economic benefits for host communities, organisations and authorities managing natural areas with conservation purposes; providing alternative employment and income opportunities for local communities; increasing awareness towards the conservation of natural and cultural assets, both among locals and tourists.

Thus the term ‘nature tourism’ is continuously and repeatedly used synonymously with ‘ecotourism’, this will be adopted in the dissertation too. ‘Adventure tourism[13]’, falling also in nature-based tourism´s category, appears also associated with ecotourism. In literature, there are other terms related with these two concepts such as ‘green tourism’, ‘responsible tourism’, ‘agro tourism’ and even ‘rural tourism’.

As the objective of the present dissertation is the elaboration of a business plan, it is crucial to verify if there are features that really distinguish ‘nature tourism´ from ‘ecotourism’ in terms of market (or commercially). In other words, it is necessary to validate ‘Does it really exist demand for ecotourism products?’. Unquestionable, natural attractions are some of the main reasons for travelling and commercial nature-based tourism products are in great demand (Buhalis & Costa, 2006). The nature tourism is already a booming industry, registering in 2000 $154 billion in receipts, which are growing 20% annually (WTTC, 2002). *“Many nature tourism operators have experienced double-digit growth in recent years (…)” and “(…) the increase in tourism in countries such as Costa Rica and Nepal, where the tourism product is based upon an exotic nature experience, has been dramatic”* (Patterson, 2007). But ‘Does ecotourism’s products sell?’. As it is asked in the book *Tourism Business Frontiers* - ‘Does environmental management or protection, as part of a tourism product, sell?’, ‘How much are customers willing to pay for it?’ and lastly ‘How much does ‘friendly to the local community’ influence the buying decisions of travellers?’. Tanja Mihalic (Buhalis & Costa, 2006) mentions that when a tourist selects a product he looks principally to environmental quality of the destination as a whole and he doesn´t look specifically to the environmental management practices (such as energy or water savings). For that reason, is more probable that tourists make holiday choices on the basis of the environmental quality of beaches, the national parks and the rural landscapes rather than for pure ecotourist motives itself.

An interesting aspect stated in literature is the argument that consumers of ecotourism are *“(…) modern versions of yesterday´s alternative travellers”* (Buhalis & Costa, 2006, p. 116), but ‘Why?’. For the reason that ecotourist *“(…) avoid overdeveloped urbanized destinations just like*

[13] Adventure tourism can have dangerous impacts on the environment because it often relates to sport activities (eg. mountain climbing; rafting; cannoning; kayaking; surf etc.) involving perceived risk (soft or extreme experiences) in natural settings.

the previous backpackers and individuals tired of civilization did, and, although unwillingly, prepare the 'new' places for a tourism development take-off" (Buhalis & Costa, 2006, p. 116). Here ecotourism appears as a cycle phase on a destination or product life that as soon as becomes popular gets transformed into mass tourism (Buhalis & Costa, 2006). On the other hand, it is recognized furthermore that ecotourism can become a benchmark influencing the development of other tourism forms in the direction of more ecologically, culturally and socially responsible forms, a trends already observed in the market with environmentally-friendly mass tourism (Buhalis & Costa, 2006). In the article *Is the future green?*, Hickman (2006) defends that ecotourism is a term that has long been open to abuse, misrepresented and remains a self-certifying system that is too widely cast when used. Last but not the least, in 2007 Patterson (2007) adds that *"(…) the main difference between nature-based, adventure, and ecotourism is the motivation or ethic behind the tourism products"* and *"(…) that is not the size of a operation nor the type of activity that defines ecotourism but the principles behind the business"*, a reason why *"(…) some people turned to other definitions to develop a more workable term"* such as *"(…) nature-based tourism (…), a phrase that is becoming more common and refers to all tourism that relies on the natural environment"*.

If we take in consideration the involvement with nature and not the level of physical effort we can identify three groups: 'soft nature', ´hard nature' and 'exotic nature' (TT-Thinktur, 2006). 'Soft nature' relates to experiences based on outdoor activities with low-intensity (soft involvement with nature) such as walking, sightseeing, wildlife observation, which allows leisure and rest. In 'hard nature' the involvement with nature is bigger and can relate either to sport activities (like rafting, kayaking, hiking, climbing, surf etc.) or activities that request high concentration or specific knowledge (e.g. bird watching). 'Exotic nature' consists of a deeper contact with nature and local communities, such examples can be the trips to Nepal, Equator, Peru, Costa Rica, among others. Even though, the terms more commonly used are either soft or hard nature.

The demand for nature-based tourism can be either primary or secondary (TT-Thinktur, 2006). The demand is primary if the main motivation behind the tourist's choice for a specific destination/product relates with the enjoyment of nature. In case the tourists have other motivations beyond the enjoyment of nature (e.g. sun, beach, culture, golf, spa etc.), then these tourists constitute secondary demand for nature tourism industry.

2.2.2 - Protected areas

More and more governments are actively promoting tourism in protected areas. Costa Rica, Australia and Thailand are important destinations of ecotourism and nature tourism. Costa Rica has many entrepreneurs and it is acclaimed as national park system, having advertising slogans like “Costa Rica: It´s only Natural”, “Costa Rica, a Natural Museum” and “Costa Rica, Natural Trilling”. However, ‘What are protected areas?’. Protected area corresponds to geographical delimited space designed to protection, enjoyment of natural and cultural heritage and maintenance of biodiversity and/or its ecological life. This protected area status can be attributed to land or water, is legally established at national or international level and finally can be public or private or community owned (OECD, 2002). One of the major products promoted is the ‘national parks experience’ (Ceballos-Lascuráin, 1996).

The International Union for Conservation of Nature (IUCN) has developed six ‘protected area management categories’ through its World Commission on Protected Areas (WCPA). These categories are internationally recognized and established international standards. In accordance with IUCN the number of protected areas arises to more than 110 thousands, covering about 11,6% of the global land surface and 1% of the sea surface.

Protected areas are very attractive towards the growing demand for outdoor activities, authentic experiences and appreciative activities in natural environments. They also respond to the needs of travellers that are seeking for life-enriching travel experiences; learning-while-travelling (e.g. guided and educational tours); wildlife viewing; attending festivals; cultural appreciation and nature study (Eagles, McCool, & Christopher , 2002).

As mentioned before tourists make holiday choices on the basis of environmental quality of the destination (environmental quality of the beaches, national parks and rural landscapes etc.), that’s why the nature-based tourism in protected areas is a win to win situation for both, tourists and destinations. Thus, ecotourism can have its biggest attraction on protected areas and in the interim contribute to the sustainable development of protected areas. Nature tourism is from the beginning the type of tourism that more contributed to the valorisation of touristic resources in protected areas and arise as a complement to other types of tourism that already existed as per tourism in rural areas, home-stay tourism, agro-tourism and spa tourism. As reported by Eagles et al. (2002), tourism in protected areas oscillates from large resorts with a reserve as an added attraction, to small eco lofts within large nature reserves.

2.2.3 - The consumer´s profile of the nature tourism

The research done by THR and TT-Thinktur will be taken as main source thereafter. The THR (*Asesores en Turismo Hotelería y Recreación, S.A.*) studies the industry of Nature Tourism at the request of Portuguese Tourism IP (*Turismo de Portugal, ip*).The ICN (Institute of Nature Conservation) asked the TT-Thinktur to understand the position of Portugal as a potential destination of nature and ecotourism with special focus on protected areas.

At this point of the dissertation, the objective is to understand ‘Who are the consumers of nature-based tourism?’. The response, and thus the profile of the typical ecotourist or the consumer of nature tourism, will be presented in the next Table 5. This will allow us to visualize the consumers’ profile, to understand their decision-making process and which activities they perform at the destination. In other words, the answer will focus on the socio-demographic profile, information and consumer habits and will be divided in two ranges of travellers: consumers of soft nature and consumers of hard nature. Based on the TT-Thinktur´s report nature tourists are slightly more women than men (according with WTO 53% and 47%, correspondingly) and the home of friends/relatives is still the principal type of accommodation when tourists desire to go to mountain areas, protected areas, lakes or countryside, assuming a bigger relevance in domestic tourism.

Table 5 - Basic profile of consumers of nature tourism

		Soft Nature	Hard Nature
Socio-demographic	**Who are they?**	Principal group between 35-50 years.	Young people between 20 and 35 years
		Families with children; Couples; Retired	Students and liberal professionals
			Practitioners/enthusiasts of sports and activities of special interest
		Educated at university college or university level[14]	
		Have higher income than other tourists	
		Opinion makers and experience tourists[15]	
Information habits	**Where they get the information?**	Interpersonal information or suggestions (family/friends/work colleagues)	Specialized magazines
		Product brochures	Clubs/associations
		Internet	
	Where do they purchase/buy?	Internet	
		Travel agencies; Call centers	Specialized associations
	What accommodation type?	Small hotels of 3-4 stars and rural houses[16]	Bed & breakfast
			Accommodation included in nature (cottages, camping, mountain refuges)
	What time of year?	Mostly in the summer (holiday season)	Spring and summer, depending on the type of activity or sport
	Who buys?	Families; Couples; Group of friends	Individual; Group of friends
	How many times a year?	1 to 2 times per year	Often (until 5 times)
	How long do they stay?	Travel for 4 or more overnights (85%). Two weeks in Europe and 3 weeks outside Europe. Inside national boundaries they take short breaks of 3-4 days.	
Consumer habits	**Which activities they perform/do?**	Rest and 'switch off' within the nature	Practice sports and activities of special interest
		Walking and discovering landscapes	Deepen the knowledge of nature
		Visit exciting attractions	Environmental education
		Photography	

Source: Based on THR (2006) and TT-Thinktur (2006).

[14] According with International Ecotourism Society (TIES) in 1999, 82% of these tourists were educated at university college or university level.

[15] They describe their experiences and give opinions that conditioned family/friends travel choices, constituting their main source of information.

[16] They prefer traditional accommodation such as hotels and motels due to their customer service, lower quality of service provided and ownership of infra-structures. Although, there is a growing interest for "rustic" accommodation like bed & breakfast, guesthouses, eco lofts, farm stays, eco-resorts and camping, which are more integrated with ecotourism principals and experience.

Let us focus on tourists´ expenditure to figure out ‘How much do nature tourists spent at a destination?’. In Costa Rica, a traditional country of nature tourism, the nature-based tourism has an average receipts of approximately USD 1000/visitant meanwhile the overall tourism generate USD 400/visitant (TT-Thinktur, 2006). It is expected that products, which are more specific and specialized, implicate a bigger spending than with simpler products. In accordance with THR, soft nature tourism implies a daily average expenditure between €80 (medium accommodation and self-guided activities) and €250 (upper accommodation, guided activities and rental of special equipment). It is common that the same length trips have a higher cost if they relate to hard nature tourism as it is possible to visualize in the example given of a trip to Andalusia in Spain (see Table 28, in Appendix).

2.2.4 - Ecotourism a market opportunity

Right now the question is ‘Where is the business opportunity?’ or, in other words, ‘Why does ecotourism is a business opportunity?’. The answer why ecotourism is a market opportunity will be presented in two steps. First, it will be explained the opportunity based on consumers’ need or are demanding for. Secondly, it will be addressed the growth of ecotourism segment as a justification for an opportunity. In addition, the foundation of the market opportunity will be made by calculating the potential global demand for ecotourism by the year 2020.

As mentioned before the consumer is dissatisfied with traditional mainstream tourism products or destinations. The consumer desires meaningful experiences where he can gain knowledge and be challenged. He is, as well, more and more aware about the need to protect the environment and consequently desire to diminish his negative impacts, which is a behaviour that he wants to keep during his journeys. Another important issue relates to the growing desire to see natural areas, in worst case before they disappear. Thus, whether called nature tourism or ecotourism, the fact is that tourism consumers are demanding for more environmental friendly trips, they want to travel to natural areas that are protected and being there, they wish to get in contact with the local community and learn about their culture. And that is the reason why ecotourism emerged, as a solution to exploit a market need that already existed but has not been entirely explored. And this is the answer, from consumers point of view, to the question 'Why does ecotourism is a market niche?'.

The next point to address is the growth of the ecotourism segment. *"Tourism is a fast growing industry and the fastest component of it is ecotourism"* (Moore, Dowling, & Newsome, 2001, p. 8)**.** Indeed, nature (eco) tourism will continue to grow at an average annual rate of 7%, while the global tourism industry is projected to grow about 4% per year. In addition, UNWTO forecast that the expenditures for ecotourism are growing annually around 20%, which is 5 times bigger than the average expenditure for the tourism industry.

The evolution of ecotourism is even more impressive when we figure out that *"(…) an extremely rough estimate of world´s international ecotourism arrivals would be seven per cent"* (Wood, 2002). Based on UNWTO's *Tourism 2020 Vision* (2008), the international arrivals are expected to reach over 1.6 billion by the year 2020. So, we can justify the opportunity with the estimation of potential demand for ecotourism. Accordingly, assuming that by the year 2020, ecotourism will represent 7% of world´s international ecotourism arrivals, an extremely rough estimate, would be a demand of 112 million of international arrivals. This demand will be certainly bigger especially if we consider that there are authors defending that the growth of ecotourism in countries like South Africa surpasses the 19% per annum, a total increase of 486% between 1990 and 1999 (Wood, 2002). In addition, there are European countries like the Netherland that show a propensity to consume nature tourism trips of about 25%, as it will be developed in the subsequent section.

2.2.5 - Defining the market in nature-based tourism

2.2.5.1 - The European market

In Europe the industry of nature tourism incorporates two markets, soft nature and hard nature. The soft nature accounts for about 80% of the total number of nature trips meanwhile the hard nature is approximately responsible for the remaining 20%. In 2004 this both markets matched 22 million international trips with at least 1 overnight stay, which represents around 9% of the total leisure trips done by European citizens.

Whether called nature tourism or ecotourism it is fact that this market segment is growing at an average annual rate of 7% and the forecasts indicate that the trend keep that level or even increase during the next years. By 2015 it is expected that this industry achieve 43.3 million trips in Europe. But ‘What reasons can be stated for this growth?’. THR argues that there are four key aspects explaining this development: 1) the increase in demand for alternative destinations free of mass tourism; 2) customers wish active holidays rather than passive; 3) customer are valuing and seeking for authentic experiences with engaged with high ethical values; 5) strong presence of trips related to nature in the internet which enlarges the potential buyers. Nonetheless ‘Where are the consumers of nature tourism in Europe?’, ‘Are these consumers coming randomly from all European countries?’ or ‘Do they have a specific nationality?’. In other words ‘From where are the European consumers of the nature tourism´s industry?’ and ‘How does the demand look like?’. The Table 6, based on THR´s report, identifies the major outbound markets in Europe. Germany and Netherlands have more mature and consolidated markets in nature segment than the other Europeans countries and their citizens are, accordingly, more experienced travellers. Together Germany and Nederland represent 45% of the whole nature trips made by Europeans. Germany is undoubtedly the main outbound market and their citizens did 5.390 trips abroad motivated by ecotourism.

Table 6 - Nature trips abroad by outbound market (2004)

Outbound market	Total trips (thousands)	% nature trips	Nature trips (thousands)	% of total nature trips
Europe	**245.000**	**9,0**	**22.000**	**100,0**
Germany	51.685	10,4	5.390	24,5
Netherlands	17.763	25,4	4.513	20,5
UK	39.349	4,9	1.940	8,8
Scandinavia	18.571	6,8	1.259	5,7
France	18.493	5,7	1.060	4,8
Italy	16.880	4,6	779	3,5
Spain	9.103	3,8	348	1,6
other	73.156	9,2	6.711	30,5

Source: THR (2006).

However, Netherlands has the bigger concentration of consumers of nature tourism, i.e. Netherlands showed a higher propensity to consume 25% of the total international trips done by its citizens belong to the nature group. The remaining markets, by descending order of importance, are: UK; Scandinavia; France; Italy and lastly Spain.

TT-Thinktur (2006) states a difference between potential and real demand of nature tourism. Potential demand corresponds to the number of people that when travel have motivations such as: to get in touch and discover new cultures; enjoy wildlife; experience the adventure and practice sport within the nature. Real demand is positioned inside the potential demand and relates to number of tourists that effectively consume ecotourism products (ecotourist). Based on TT-Thinktur´s report (2006) the worlwide real demand (inbound plus outbound flows) for nature tourism was located between the minimum and maximum of 5% and approximately 7% of all the tourism flows, which translated into international arrivals signified 34,5 and 45,5 million in 2000. There are disparities among European countries in such a way that each nationality prioritize differently their motivations to travel. Different motivations lead to different activities performed by each nationality. Table 7 contains the European motivations and activities performed by some European countries regarding nature-based tourism.

TT-Thinktur (2006) defends that within Europe, the potential demand varies between 26% to 33% in 2000 (see Table 29, in Appendix). German has a potential of 33% and the other European countries 26%. In acordance, we can try to quantify the potential size of the demand using the indicators ‘number of trips’ and ‘number of tourists’ given by Eurostat (2010) and multipling it by 33% or 26% depending on the European country. It was decided not to update the percentage of potential market (26% or 33%) to values of 2010, it is assumed that the values estimated have a deficit because the growth in nature market is not being considered. Applying the percentages of 26% and 33%, we come to the conclusion that Germany constitutes a potential of 92.758.729 thousands touristic trips (i.e. overnight trips) and was followed by France, Spain, UK and Italy (57, 36, 35 and 22 million trips, respectively) (see next Table 8). On the other hand, we can look to the number of tourist travelling for holidays and business purposes for 1 night or more (see next Table 9). Alone Germany represents about 55 million tourists. As we pointed out before, the average duration of a stay in ecotourism is 4 or more overnights, so we can look to these indicadors and likewise deduce how many coustumers would be potentially interested in nature tourism per country. Therefore we reach similar conclusions as previously (see next Table 10). Germany recorded 57% more potential tourists (15.302) than France (8.679), which is ranked as the second country. Using this method UK has nearly equal potential such as France.

It is expected that by 2020 the potential demand in the market of ecotourism will lie between 980,1 and 1.243,9 million international arrivals, respectively 63% and 80% of the total (TT-Thinktur, 2006).

Table 7 – Travel motivations and activities performed by European countries

	Motivations description (by preference order)	**Activities performed (no order involved)**	**Destinations preferred (no order involved)**
UK	Desire of being with and discover new landscapes and nature sceneries; discover new cultures and get in contact with local communities; observation of rare species; education and environmental learning.	*Not avaiable*	Nepal; Peru; Equator; Spain and west Africa.
Germany	Desire to enjoy nature and observe the animals; discover new cultures and enjoy the genuine traits of the local community.	Walk within the nature and safaris/expeditions.	Costa Rica; Galapagos; Nepal; Italy; Poland; Greece; Spain; Bavaria regions (in Germany).
Spain	Visit to protected areas and national parks that allow to practice of activities in permanent contact with nature; observation of flora and fauna; proximity to unexplored scenarios and contact with local community.	Observation of flora and fauna; walk within the nature; visitation to protected areas and get in touch with local community.	Spain (Asturias, Galicia, Basque Country, Cantabria); Italy; Scandinavia; Nordic counties; France; UK; Alps; Greece; Africa; Latin America (Brazil, Argentina, Mexico and Cuba); India; Nepal; Australia and Egypt.
Italy	Get involved with experiences in the nature and discover new cultures.	*Not avaiable*	Brasil; Equator; Peru; Turquia; France; Spain; Russia; Croatia; Egypt; Tanzania; Botswana; Zimbabwe; India; Tibet; Thailand; Indonesia and China.

Source: Based on TT-Thinktur (2006).

Table 8 - Number of trips made by tourists (i.e. overnight trips) in 2010 by country and estimation of potential market for Nature Tourism (thousands)

GEO/TIME	2010Q1	2010Q2	2010Q3	2010Q4	Total 2010	Potential market
Germany	61.210.164	68.324.795	82.838.513	68.713.587	**281.087.059**	**92.758.729**
Spain	29.526.789	36.320.300	43.019.250	30.163.934	**139.030.273**	**36.147.871**
France	40.926.819	59.948.505	71.715.928	46.925.397	**219.516.649**	**57.074.329**
Italy	17.232.546	18.931.142	33.962.473	13.727.669	**83.853.830**	**21.801.996**
Austria	4.251.560	5.004.767	6.981.583	3.872.790	**20.110.700**	**5.228.782**
Portugal	2.279.919	2.615.583	4.398.087	3.004.828	**12.298.417**	**3.197.588**
Finland	8.005.000	10.563.000	12.815.000	9.781.000	**41.164.000**	**10.702.640**
Sweden	10.493.000	12.874.000	15.214.000	10.035.000	**48.616.000**	**12.640.160**
UK	25.179.830	37.742.782	44.362.269	28.133.521	**135.418.402**	**35.208.785**
Norway	4.940.000	5.980.000	6.930.000	5.013.556	**22.863.556**	**5.944.525**
Netherlands	not available	not available	not available	not available	not available	-

Source: Based on Eurostat, figures updated on 09-01-2012 and extracted on 17-01-2012.

Table 9 - Number of tourists participating in holidays and business trips (1 night or more) and estimation of potential market for ecotourism (thousands)

GEO/TIME	Total 2010	Potential market
Germany	166.601.636	54.978.540
Spain	40.706.125	10.583.593
France	106.407.812	27.666.031
Italy	57.127.454	14.853.138
Austria	13.661.379	3.551.959
Portugal	6.824.560	1.774.386
Finland	12.365.000	3.214.900
Sweden	28.811.547	7.491.002
UK	81.004.000	21.061.040
Norway	11.447.684	2.976.398
Netherlands	not available	-

Source: Based on Eurostat, figures updated on 09-01-2012 and extracted on 17-01-2012.

Table 10 - Number of tourists in holiday trips (4 or more overnight stays) and estimation of potential market for ecotourism (thousands)

GEO/TIME	Total 2010	Potential market
Germany	46.369	15.302
Spain	14.875	3.868
France	33.380	8.679
Italy	*not available*	-
Austria	4.180	1.087
Portugal	2.059	535
Finland	2.583	672
Sweden	*not available*	-
UK	30.934	8.043
Norway	*not available*	-
Netherlands	not available	-

Source: Based on Eurostat, figures updated on 09-01-2012 and extracted on 17-01-2012.

As suggested before there is a group of trips to which the main motivation is not related to nature, nevertheless activities linked with nature are performed at that destination, which is called as 'secondary demand' of nature tourism, being particularly vital to destinations unable to attract specific consumers such as the ecotourist. Secondary demand has higher relevance if we take in consideration that a significant share of tourists still classify their trips as nature tourism even when they just have a small component or activity related to nature and, they are deciding, predominantly, for ‘sun and beach’ products, for example.

In Europe, nature tourism does not generate a high volume of sales however certain regions in Austria, Ireland, Switzerland, Netherland, Scandinavia and Eastern Europe are recognized as nature-based destinations (TT-Thinktur, 2006). The area of Mediterranean (especially Spain) presents a great potential to increase the tourists in the nature segment. Outside of Europe there are several regions very competitive in ecotourism, they are: in Africa - Morocco, Mauritania, Madagascar, Tunisia, Kenya and Tanzania; in South America - Mexico, Peru, Bolivia, Costa Rica and Venezuela and finally in Asia - India, Nepal, Vietnam, Cambodia and Thailand (TT-Thinktur, 2006). Portugal is still not mentioned as actual neither potential destination of nature and ecotourism, demonstrating low promotion, deficient supply in terms of resources and infra-structures and lack of tour and travel organization (TT-Thinktur, 2006).

2.2.5.2 - The market for nature tourism in Portugal

The characterization of the Portuguese market of ecotourism and nature tourism has some restrictions. There is no indicator that measures the number of trips done in Portugal for nature motivations and therefore determines the total number of enterprises operating in this market. INE provides an indicator about the establishments in natural areas, although this just measures the minor number of establishments that are located in protected areas. That´s why the discussion about the Portuguese ecotourism market will be grounded in certain proposition/assumptions that hereafter will be taken as reference, they are:

Nature tourism destinations are often located in rural areas.
Nature tourism destinations are often located in areas under some kind of environmental protection.
The customers of establishments in rural areas are potential customers of nature tourism.
The customers of establishments in protected areas are also potential customers of nature tourism.
The visitants of protected areas are potential customers of nature-based tourism establishments.
The visitants of establishments of tourism in rural areas and nature areas are potential consumers of nature tourism.

In order to caracterize the nature tourism in Portugal, it was analysed the statistical data provided by INE and as well the research done by Institute for Economical and Social Studies (IESE), both simultaneously studying the supply and the demand concerning tourism in rural areas (TER) and nature tourism (TN). TT-Thinktur´s report about the visitation of protected areas will be taken, also, in consideration of the characterization of the Portuguese market of nature-based tourism.

2.2.5.2.1 - The resources available

"The first component that must be considered to assess the competitiveness of the industry of nature tourism in Portugal is the quantity and quality of their resource base" (THR, 2006, p. 23). Hence, Portugal counts with a great quantity of areas ideal for the practice of nature tourism such as: protected areas; mountains zones (*Serra da Freita (Arouca)*, *Serra da Lousã* and *Meseta* region where a Geopark is located); the islands of Madeira and Azores and finally the rivers were sport activities are practiced (*Minho*, *Tâmega*, *Paiva*, *Mondego*, *Zêzere* and *Teixeira)* (see next Table 11). In Portugal 22% of its territory are protected areas that are classified in 5 categories as can be seen in the next table. The *European Natura 2000*, with the objective to protect the most seriously threatened habitats and species across Europe, classifies 20% of Portuguese territory. Another important figure is the fact that 35% of the Portuguese coast is set in protected areas (TT-Thinktur, 2006). By contrast, and as an example, in Spain just 7,8% of the territory is protected area. In total, Portugal holds 268 nature areas under protection; 71 areas protected by Portuguese law; 157 areas protected under E.U. legislation and 40 areas are internationally regulated (Landovsky & Mendes, 2011). As stated in Landovsky et al. (2011), Portugal benefits from a unique geographical localization and geophysical condition, which contributed to a rich biodiversity, in particular impressive when compared with other European Union member states. But, Portuguese natural parks have strong problems to solve such as: deficiency infra-structure/service /maintenance; insufficient information dissemination (brochures, maps and information centres) and absence of touristic management. On the other hand *"the notion of the protected area in Portugal is a little different from other regions of Europe. Here, it has acquired the sense of safeguarding the harmony of humans in their interaction with the landscape rather than being a region forbidden to human presence"* (Turismo do Alentejo, 2012).

Table 11 - Protected areas in Portugal

National park: Peneda-Gerês
Natural park: Montesinho; International Douro; Northern Littoral; Alvão; *Serra da Estrela*; International Tagus; Serra d´Aire e Candeeiros; Sera de São Mamede; Sintra-Cascais; Arrábida; Southwest Alentejo and Vicentine Coast; Guadiana Valley and Ria Formosa
Natural reserves: São Jacinto Dunes; Serra da Malcata; Paul de Arzila; Berlengas; Paul do Boquilobo; Sado estuary; Santo André and Sancha Lagoons; Sapal de Castro Marim and Vila Real de S. António
Natural monument: Dinosaur footprints Ourém-Torres Novas; Carenque; Pedreira do Avelino; Pedra da Mua and Lagosteiros
Protected landscapes: Serra do Açor, Costa da Caparica Fossil Cliff, Corno do bico, Bertiandos and São Pedro de Arcos Lagoons and Azibo Reservoir.

2.2.5.2.2 - The supply structure

Turismo de Portugal I.P.[17], reports that the Portuguese nature tourism industry suffers from a highly deficient organization and identifies five explanation factors. First, the enterprises have rather small dimensions and 41% employ up to 3 employees. The maximum annual turnover recorded is around €25.000 in 44% of the companies and reaches €250.000 in only 5% of the business enterprises (THR, 2006). Increasing the quality of service, access to information or to latest technology, bargaining with suppliers and intermediaries are actions or adjustments very difficult to do or even impossible when we consider that the majority of the enterprises acting in this industry have little dimension. Another deficit observed in the Portuguese reality arises from the fact that 73% of the companies operating in nature tourism have less than 10 years of existence, which partly results from the fact that this segment is recently explored in Portugal. Though, companies are too young to have the experience, know-how and technology necessary to be competitive especially if we consider the competitive international market. As THR (2006) highlights, the Portuguese nature tourism industry suffers from lack of regulation. For instance, the license of nature tourism´s company is just given within the geographic limits of a protected area, outside these boundaries there is a huge proliferation of enterprises that are not regulated, which not only leads to an unfair competition but as well as can disrespect the rights of the

[17] Turismo de Portugal I.P is the central public authority responsible for promotion, enhancement and sustainability of tourism activities.

consumers. The last two insufficiencies pointed in the report of Turismo de Portugal are structural problems of the Portuguese society that are, therefore, evident in this industry, they are: lack of cooperation between different players diminishing the possibility to offer integrated products and low qualification/specialization of human resources and the instability of their labour contracts. It is estimated that 500 people hold a permanent contract and 3.000 are in unstable contractual situation, which is a low incentive to keep on investing in training and deeper qualifications (THR, 2006).

Such as the statistical data from INE or the universe of the establishments considered by IESE´s research, relate to the establishments operating in the segments of tourism in the country (or rural areas) (TER) and the tourism in the nature (or nature tourism) (TN). The sum of both segments is named as 'TER-TN' from now on. one hand the tourism in rural areas (TER), that accounts for 98% of the TER-TN´s supply, includes establishments like tourism in manor houses, rural accommodation, agro-tourism, village accommodation, rural hotel, countryside house and rural camping site (see next Table 12 and Table 30, in Appendix). On the other hand, the establishments of tourism in the nature, called as 'nature houses', are integrated in protected areas and represent 2% of the supply. The accommodation categories of nature tourism are recognised by the Institute for the Conservation of Nature and Biodiversity and include the following accommodation typologies: shelter house, community centre and houses of retreats (see Table 12 and Table 30 in Appendix). According to IESE, by 2007, the number of TER-TN establishments stood at 1.231, representing a capacity of 11.327 bed-places (INE 2009). The bigger number of TER-TN establishments were concentrated within the two regions of north and centre of Portugal, which together have around 65% of these establishments (see next Table 13) (IESE, 2008). Besides the fact that Alentejo had fewer establishments than north or centre regions, it is this region that verified the biggest performance in terms of overnights stays with 190.411 nights, which represented nearly 29% of the total number during the year 2007 (see next Table 13).

IESE´s defends that the principal service offered by TER-TN establishments is the provision of meals on request (45,8%) (see Table 31, in Appendix). In terms of activities the majority of the establishments referred to offer hiking trails (67,4%) with higher expression on Alentejo and Algarve (see Table 31, in Appendix).

Among the remaining activities offered by TER-TN institutions are: routes for bicycle, jeep, motorcycle (54,9); observation of animals (42,3%); organizing of parties and meetings (37,8 %); sale of local products (35,4%); equestrian activities (32,5%) and animation for children (16,8%). By contrast, as it is possible to visualize in Table 31 (in Appendix), closely to 70% of the establishments have outdoor swimming pool, half of them offer a space dedicated to play games. Complex infrastructures like gym, indoor swimming pool or "spa" or similar treatments are more frequent in Algarve and Madeira. Half of the establishments offer internet and satellite or cable TV (50% and 63%, respectively).

Table 12 – TER-TN establishments per region (NUT II) and type (2007)

	Establishment type	N.º	%	North	Centre	Lisbon	Alentejo	Algarve	Azores	Madeira
TER	Rural accommodation	429	34,8	187	117	12	70	20	16	7
	Countryside house	349	28,4	90	95	0	60	7	65	32
	Tourism in manor houses	227	18,4	108	62	12	21	5	9	10
	Agro-tourism	147	11,9	47	37	1	52	5	3	2
	Rural hotel	41	3,3	15	10	2	11	2	0	1
	Village accommodation	9	0,7	3	3	0	2	0	1	0
	Rural camping site	9	0,7	3	5	1	0	0	0	0
	Sub-total	**1211**	**98,4**	**453**	**329**	**28**	**216**	**39**	**94**	**52**
TN	Shelter House	16	1,3	6	2	0	1	7	0	0
	Community centres	3	0,2	1	1	0	1	0	0	0
	Houses of Retreats	1	0,1	1	0	0	0	0	0	0
	Sub-total	**20**	**1,6**	**8**	**3**	**0**	**2**	**7**	**0**	**0**
	Total	**1231**	**100**	**461**	**332**	**28**	**218**	**46**	**94**	**52**

Source: IESE (2008).

Table 13 - TER-TN establishments and distribution of overnights stays per region (NUT II) (2007)

Region	N.º establishments	%	N.º overnights stays	%
North	461	37,4	170.829	25,7
Center	332	27,0	122.547	18,4
Lisbon	28	2,3	38.932	5,9
Alentejo	218	17,7	190.411	28,7
Algarve	46	3,7	44.600	6,7
Azores	94	7,6	45.301	6,8
Madeira	52	4,2	51.848	7,8

Source: IESE (2008) and INE (2009)

More than 80% of TER-TN establishments used internet as the principal instrument for promotion and sales (IESE, 2008). By contrast, brochures and tourist guides are used for about 50% of the establishments independent of the regions (IESE, 2008). IESE (2008) adds, also, the evidence of certification´s practices in TER-TN establishments. In accordance, 28,6% of the establishments have certification, of which

40% belong to the 'rural tourism' group. Based on the activities offered to customers it is possible to conclude that soft tourism, in the more basic forms of rest and relax, is the segment more explored in Portugal. This fact goes in accordance with the strategy defined by the PENT programme that states that Portugal should prioritize the soft tourism segment. Although, there are activities of hard tourism that are effectively doing very well in Portugal, in particular the observation of cetaceans and birds, that generate around 15 million of revenues (Silva, 2010). Miguel Cymbron, regional director of tourism in the Azores, refers that there is an increasing importance and potential arising from the niche of whale watching (Silva, 2010). For instance, there are 25 companies and 54 vessels engaged in cetaceous observation and in 2008 were made 50.000 departures. Furthermore, the American magazine 'National Geographic Traveller' considered the islands of Azores as the second best in the planet for sustainable tourism and 'The Telegraph', the influential British newspaper, attributed to Azores the third place in the ranking - the best destination worldwide for cetacean observation. Moreover, there is an enormous potential arising from the bird watching business as this is a motivation that moves 48 million of north-Americans and 2.4 millions of English people (Silva, 2010). The hotel Vila Galé Albacora and two agencies of tourism entertainment (the Lands and the Formosamar) are doing a partnership in order to attract more tourists interested in birdwatching (Silva, 2010).

2.2.5.2.3 - The composition of demand

The THR (2006) refers that the actual consumers of nature tourism in Portugal come mainly from the domestic market and the little foreign consumers that do nature tourism activities are travelling to Portugal for other motives. The importance of domestic tourism is common in other Europeans countries such as Spain and constitutes a tendency that is difficult to modify in the short-run. THR (2006) states that enterprises should target foreign markets according with their propensity to consume nature tourism products, its relevance and actual visits to Portugal. First the enterprises should focus on Germany, Netherlands and Scandinavian countries; secondly they should target UK and France (THR, 2006) and finally the least priority countries should be Italy, Spain and USA.

Based on Ana Silva´s article in 'Público' (2010): 2.7 million is the potential demand (in visitants number) of ecotourism in Portugal; 822 thousand of people seek the concept ecotourism in Portuguese protected areas; 42.860 was the number of participants by 2009 in guide-tours to Portuguese protected areas and 4% of the tourists that visit Portugal are motivated by its natural heritage.

First of all, the actual demand will be quantified and then will be adressed its potential growth. Thereby, IESE (2008) states that between 2003 and 2007 the average number of overnights stays per TER-TN establishments rose 29% from 293 to 378 overnights stays, which was more marked in the foreign demand-side (39%) (IESE, 2008) (see Figure 11, in Appendix). The demand for TER-TN establishments occurs in mainly two periods, during the summer season (June-August) and in festivity periods like Carnival, New Year and Easter. During the high season the behaviour is similar at domestic and international customers. The month of December records the biggest demand from domestic-side (IESE, 2008). Out of these periods, the demand is very weak through all NUT II, being great part of establishments without receiving almost any guests (IESE, 2008). The demand slightly increases between February and April with Alentejo and Madeira standing out. Following the trend of short breaks, more than 54% (1.577) of the customers stood up to three nights in TER-TN establishments and just 17% and 19% remained for longer periods of 4-6 days and 7-14 days, respectively. Unsurprisingly and as expected, Madeira and Algarve are the regions that record longer stays, a fact arising from the preponderance of foreign tourists and their habits to spend more time in Portugal.

When inquired about the reasons to choose TER-TN establishments, the customers pointed the following determinant factors: localization (57,6%); contact with the nature (46,5%); architecture (41%); price (18,7%); accessibility (9,4%), infra-structures/equipments (9,1%); gastronomy (5,1%); services/activities available (4,5%) and accessibility to handicapped (4,5%) (IESE, 2008).

The research done by IESE (2008) defends that the majority of the customers choose the establishment through the information available on their websites. The preview/description about the localization and type of the buildings are the information more valuable (IESE, 2008). The quality of website´s photography, the description about the services, the operational contact and booking process are, as well, core aspects to attract customers (IESE, 2008). In line with that, more than 80% of the customers are independent customers - choose the destination via internet;

contact directly the establishments via email or telephone and travel in their private car (IESE, 2008). Usually TER-TN consumers tend to do not book travel packages from travel agencies, instead they book on online platforms such as ‘booking.com’, or either use other options as ‘smartbox’. Just in Madeira, Azores and Algarve consumers can adopt contrary behaviour (IESE, 2008).

TER-TN customers are loyal not only in relation to the region visited, but as well concerning the type of establishments chosen. The reasons justifying customer loyalty result from the following facts that: 1) 2 in 3 guest inquired have already visited the regions before for one or more times when decided to return; 2) 57% have already stayed up to 5 times in TER establishments and 3) 58% had referred likewise that they were at least one time in the specific establishment where they answered the survey (IESE, 2008). Customer loyalty is bigger in the regions of north and centre and within the customers of village tourism and community centres (IESE, 2008).

Concerning the potential demand for the market of ecotourism, TT-Thinktur (2006, p. 13) states that “*Portugal holds a market share of aproximately 1,5% of international arrivals (…)*” and in this context *“(…) Portugal could aim an identical market share to the sub-segment of ecotourism and nature tourism”*. TT-Thinktur (2006, p. 13) continues mentioning that *“(…) assuming this scenario, if the nature tourism industry had, comparatively speaking, the same ability to attract "tourist product" like others, Portugal could aspire to have been the visiting destination (...) for a potential international demand estimated in a range between 7 and 8.9 millions in 2010 (...) and between 14.7 and 18.7 million by 2020”.* TT-Thinktur concludes that when ecotourism is well explored, it can atract new tourists that would not visit Portugal for other reasons.

As we referred before, we assume that the visitants to proctected areas are potential customers of nature tourism and thus potentially interested to stay in TER-TN establishments. Hence, we can do the analogy with the conclusions of the study *Parques Visão XXI* (2004), developed by ISCTE, that calculates the number of visitants of protected areas. Based on the results of the survey to the Portuguese population developed under the study mentioned previously, 53% of the respondents (584 individuals) are considered as actual visitants of protected areas, whereas the remaining 47% individuals pointed that, for economic reasons and absence of transportation, they rarely visit or not visit at all protected areas, besides demonstrating high interest in visiting. If we recall, two of the assumptions stated before referred to that: *“The visitants of protected areas are potential customers of nature-based tourism establishments”* and *“The visitants of establishments* *of tourism in rural areas and nature areas are potential consumers of nature tourism"*. So, considering that the number of Portuguese with ages between 25 and 65 years old travelling for 'leisure, recreation and holiday' in 2009 were 1.569,6 thousands, then the maximum number of potential customers interested in spending holidays in establishments in protected areas would be 831,90 thousands of individuals (53%*1.569,6 thousands individuals).

Because the domestic market has a huge potential, it is interesting to evaluate if Portuguese customers of nature tourism share the same characteristic as global consumers of ecotourism. Portuguese customers are still inexperienced consumers at an earlier stage of discovering the nature tourism. Nature tourism is commonly associated with hiking, observation of flora and fauna, camping or even with circuits in historic villages and rarely connected with activities generally framed as ecotourist such as adventure sports, panoramic expeditions and photography.

As referred previously, protected areas are the country´s prime areas of natural and cultural interest. As a result, the conclusions achieved by '*Parque Visão XXI'* (ISCTE, 2004) will allow us to better understand the consumer´s decision process in the nature-based tourism, like as: 'Why consumers decide to go protected areas?'; 'What factors influence their decision?'; 'Which attractions do they valorise?' and 'What are the changing factors in our society?'. When Portuguese visit protected areas they are driven by motives like the contact with the nature, the socialization with friends and family and psychological and physical harmony. More than a half of the visitants places 'resting' (65%), 'socializing' (57%) and 'quality of landscapes' (52%) as more valued factors in their decision (see Table 25, in Appendix). In accordance, the outlined attractions in protected areas are: the beauty of natural resources; the quietness of the landscape; the wildlife and the water springs. Notwithstanding it is emphasized, moreover, the importance of word of mouth and internet as information sources. Domestic consumers prefer short breaks with 1-2 days rather longer periods and usually the majority opt to stay in their own house or home of friends/family (46%). Just when the two prior options are not viable, costumers go, alternatively, to hotels (42%), camping parks (32%) or manor houses (17%). The parks of *Serra da Estela* (82%) and *Peneda-Gerês* (76%) are the destinations that register more flow of domestic tourism, being followed by the parks in the surrounding areas of Lisbon (*Arrábida* (60%) and *Sintra-Cascais* (52%)). More than 60% of the visitants declared that they have performed activities within protected areas. The activities highlighted were walking and hiking (65%), mountain biking and cycling (34%), and canoeing (33%), being performed mostly by citizens 25-34 years old. Protected areas are special places of relaxation and socialization with family and with friends.

The behavioural pattern of actual consumers of nature tourism products can change and this change can happen due to the following aspects presented in the next table.

Table 14 – Aspects affecting the behavioural pattern of actual consumers of nature tourism

The education level is rising. Higher education is intensely correlated with increases on the demand for outdoor recreation activities allowed by nature-based tourism.
Women are getting better positions in market labour with direct reflex on their disposable income. As women are more interested in contemplative activities and learning-while-travelling than men, it is expected that female demand for nature tourism increases with special focus on protected areas. Women with young children often choose protected areas for child-centred leisure as this places allow children to get a deeper contact with nature.
People are living longer and as a consequence the senior tourist is travelling more than ever and is continuously showing bigger interest for outdoor activities like walking, fly-fishing, nature study or wildlife observation. Nevertheless, they also demand for comfortable accommodation and suitable facilities (e.g. more accessible toilets).
Intensification on environment concerns, the tourist is aware of environmental and social responsibility.
The tourist is travelling more often and for shorter periods each time, the preference leans towards vacations closer to home.

3 - INTERNAL ANALYSIS

"When Toyota wanted to learn what Americans preferred in a small, imported car, it did not ask the people who owned Chevrolets and Pontiacs (as General Motors did); it asked the owners of Volkswagens what they liked or disliked about the Beetle" (Shoemaker, Lewis, & Yesawich, 2007). Hence, Toyota defined its real competition from customers´ point of view and consequently exploited the market opportunity that was indeed a "*(…) niche crying out to be found*" as it is baptized in the book *Marketing leadership in hospitality and tourism* (Shoemaker, Lewis, & Yesawich, 2007). The niches can be either not yet explored or relate to a competitive environment where the competition is weak. As exposed before, from the customers´ point of view, there is a rising interest and an increasing demand for accommodations that fulfil the following characteristics:

1) are based on ecotourism principles (environmental and social responsible)
2) offer individual differentiation and lastly
3) offer deeper and more meaningful experiences.

Hence, the Creative Country House will try to exploit the opportunity created around the ecotourism and nature tourism. In addition this project will try, as well, to satisfy the needs of differentiated and meaningful experiences that the actual consumers request. The straightforward idea is to offer guests a unique facility in a creative surrounding that is environmental friendly and answer their needs of comfort. The venture team believes that this project will constitute a real distinctive advantage in relation to its actual competitors and newcomers.

Despite the foregoing, the objective is to do an internal analysis to the project of the Creative Country House and consequently, identify the business attributes that constitute its strengths and weaknesses. The purpose of the strategic planning developed by the SWOT analysis and the strategic alternatives that erase from this method *"(…) is to build on a company´s strengths by exploiting the opportunities, countering the treats, and overcoming the weaknesses, thus developing distinctive competencies and a competitive advantage"* (Shoemaker, Lewis, & Yesawich, 2007, p. 154). The SWOT will be used to evaluate the strengths; weaknesses (or limitations); opportunities and the threats involved in the project. The present chapter will determine and address the strengths and limitations meanwhile the next section will focus on the remaining aspects, opportunities and threats. The business attributes that are indeed strengths[18] will be helpful to achieve the enterprise objectives meanwhile the weakness will constrain the achievement of the objectives planned. Taking this in consideration, the strengths and weaknesses of the project of Creative Country House can be enumerated (see next Table 15).

Table 15 - SWOT analysis of Creative Country House - Strengths and Weaknesses.

Strengths	
Prime geographical location	Creative Country House is located inside a protected area; 60 minutes away from Lisbon and its international airport and will have panoramic sea view to Atlantic ocean or, if is not possible, will be in walking distance to the beach.
Valuable natural potential	The facility is located in the Natural Reserve of the Sado Estuary that has more than 200 species of birds and a family of 30 dolphins. It is expected that this protected area will be promoted as a destination of excellency in nature tourism.
Innovative product	Offer comfort ecotourism traditional accommodation with a creative surrounding and a modern interpretation of the Alentejo heritage.
Eco-friendly facility	The architecture and design will attempt to minimize its impact upon the land and respect the nature in every single possible way.
Innovative architecture and design	Respecting the constructions developed and used in ecotourism, the project will be carried out with prefabricated, portable and relocatable structures. Regardless of the appearing of similar construction techniques and its application in recent tourism projects in Portugal, the difference of the venture project is based on the fact that Creative County´s facility intent to offer comfortable ecotourism accommodation with a creative surrounding and based on a modern interpretation of Alentejo´s heritage. This kind of concerns will culminate not only in different construction design but as well in diverse experiences. In addition, the Creative Country House facility will involve new artists that usually can not reach the market and divulge their work. Regarding the Treehouses, each house will be individually decorated with sophisticated but comfortable elements.
Wide variety of experiences	It is expected that customers will be accommodated in individual houses, perform different activities and so, live complete distinct understandings that may conduce to a wide variety of experiences lived by each one. The venture project will try to potentiate

[18] Based on Bruce Himenstein, senior vice president of sales and marketing from The Ritz-Carlton, the strengths represent *"unique differences perceived by the customers and that built defences against competitive forces or find niche positions on the market"* (Shoemaker, Lewis, & Yesawich, 2007, p. 157).

	different experiences. 'How does the Creative Country House intent to potentiate new experiences?'. The answer is given by listing the offer of this project. The project plans the construction of 8 different houses (one equal project of EcoLoft plus 7 different projects of Treehouses). The delivery of information about the surrounding region (fauna and flora; activities and interesting places to visit) invites customer to enjoy the nature and get knowledge about the region. The organization of workshops and the provision of bicycles and picnic baskets can also potentiate different experiences to the guest.
Social responsibility	The Creative Country House is involved in the promotion of young artists. The mechanism to support young artists include: organizations of expositions; selling the work of artist and provide space for the organization of creative residences.
Customer service	Customer service is the company top priority and each guest will be treated as part of family.
Weaknesses	
Absence of brand awareness	When tourists search for accommodation they consider the brands they are aware of. Thus, "(…) the intention to buy cannot occur unless brand awareness has occurred" (Macdonald & Sharp, 2003, p. 2). There is a huge risk that the supply of the Creative Country House is not considered and therefore is not chosen.
Limited experience in tourism industry	There is the intention to recruit staff experienced in the field of hospitality. Nevertheless the venture´s founders, which will be occupied with the management, don´t have prior experience in hospitality, a limitation that will be minimized through the frequency of specialized trainings in Germany and Austria, two European countries that are very strong in nature tourism and that can also demand generators for the project.
Difficulty to attract qualified workers	In tourism there is a real shortage of labor and skills, being a challenge attracting and retaining qualified workers. In hospitality the workers are poorly satisfied due factors like: low salaries; long working hours and precarious and unstable contracts. Notwithstanding, it is a good indicator that Turismo de Portugal I.P. re-structured and revised the curricula of its network of 17 hospitality and tourism schools which provide training and certification for students and professionals in the tourism sector (OECD, 2010). It is expected that the Creative Country House will have increased difficulties to attract qualified workers due to its localization and low business awareness.
Insufficient advertising and branding of Alentejo	Alentejo coast is still largely unknown by international markets and even by the residents in Portugal. Nowadays Alentejo is widely associated with short breaks during the low season.

4 - COMPETITIVE ANALYSIS

We will start this new section by having a look to the teachings of an executive that works in the field of hospitality, namely Hirohide Abe, the director of strategic marketing at Global Hyatt Corporation. According to Hirohide Abe, the competition of a hospitality firm goes beyond "*(…) hotels with similar price range, product type, and location*" and therefore *"(…) we should define our competitive environment from our customers´ point of view"* and understand 'How do customers see a specific company?'. This is especially important if we consider that customers act independently, are well informed, change their behavior with high velocity and, not less important, identify enterprise competition in different modes. For instance, *"customers compare hotel dining with local independent restaurants"*, *"(…) look at our spa against their local spas"*, *"(…) they may choose videoconferencing rather than staying at a hotel for a meeting"* and so on (Shoemaker, Lewis, & Yesawich, 2007). In hospitality, companies must *"(…) compete to sell their brand rather than be shown as a commodity"* and *"(…) should think globally and act locally"* (Shoemaker, Lewis, & Yesawich, 2007, pp. 253 - 255). Customers are not aware about the project of the Creative Country House because it has not been launched yet, therefore competitive analysis will involve the understanding of the macro and micro environment in which the business will run, and in addition, the SWOT analysis, will show explicitly the opportunities to exploit and the threats to counter.

4.1 - ANALYSIS OF MACRO ENVIRONMENT

Based on the PEST framework, it will be identified the multiple factors arising from the context that can affect the future business of Creative Country House (see Table 16, next page).

Table 16 – PEST analyses of Creative Country House's macro environment

Political	**Economic**
The National Strategic Reference Framework (NSRF, Known as *QREN* in Portugal) for the application of the Community's policy for economic and social cohesion in Portugal.	Instability of the Euro and possibility of leaving the Euro especially faithful to the countries receiving a rescue package from EU, ECB and IMF.
Good relation with Portuguese speaking countries and certain Asian countries like China.	Complete recovery of economic and social recession estimated to last for the next 10 to 15 years.
Portugal has high bureaucracy.	Rising interest rates and difficulties to access to credit.
Stable Parliamentary democracy.	High unemployment rate.
Unique currency (Euro) in 17 out of 27 countries.	Constant downgrades from rating agencies.
Financial bailout package of €78 billion obliging to structural reforms.	Internet intensified the competition and consumers demand for better products at cheap prices (low cost).
Possibility of increasing taxes.	Relatively inexpensive work force.
Legislation reinforcement for environmental protection.	Growing price orientation expected to get more intense.
Social	**Technological**
More tourists travelling and taking shorter breaks during several moments during the year instead of long vacations.	New eTourism eMediaries and new ePlatforms (internet and interactive digital television).
Emerging of green tourists demanding for products that are more sustainable and social responsible.	New technologies to generate energy from alternative and sustainable sources.
Ageing of population, increase in the retirement´s age and reduction of future pension´s values.	Great importance of social networking service as Facebook; Twitter; weblogs etc.
The tourist is more interested in rural and residential tourism.	
Growth demand for diversified&personalized products.	
Increase in the educational level.	
Growth importance of protected areas and its conservation and preservation.	

4.2 - ANALYSIS OF MICRO ENVIRONMENT

With the support of Porter's Five Forces tool, we can comprehend where the power lies in a certain business microenvironment. Firstly, we will focus on horizontal competition power that includes the forces arising from the threat of three different sources: substitute products, established competitors and new entrants. Secondly, we will address vertical competition, explicitly the forces emerging from the bargaining power of customers and suppliers.

4.2.1 - Threat of substitute products

The threat of substitutes increases when, within the market, there are several indistinguishable products and switching costs are very low. Thus, alternative products with lower prices and with the offering better performance parameters are massively considered by customers.

In the global tourism the substitutes are: the private residences rented for holidays; the camping sites and the informal accommodation provided by family or friends. Alentejo provides 166 local accommodations and 31 camping sites (December 2011) (Turismo de Portugal, 2011). The innovative two years project called Zmar can be assumed as preferable substitute to traditional accommodation. The Zmar is promoted as an eco-camping resort near Zambujeira and its core business is the provision of accommodation in prefabricated wooden houses constructed in a modular system. Recently Zmar started a new business of residential tourism where consumers are invited to buy wooden houses and rent to them the land /pitch on a yearly basis. It is important to mention that Zmar belongs to a member of the *Espirito Santo*´s family, which “owns” the *Herdade da Comporta*.

4.2.2 - Established competitors or competitive rivalry

As mentioned before, Alentejo has weaker accommodation capacity and holds a low occupancy rate. But Alentejo has been increasing the number of guests received as a consequence of the rise in the capacity offered. For instance, between 2009 and 2010 the bed places increased 12,5% of which 77% correspond to units in the costal line of Alentejo (Turismo de Portugal, 2011).

It matters thereby, to evaluate if there is a high competitive pressure able to affect the prices and margins practiced and, consequently the business´s return and profitability. The competitors of the project of Creative Country House surpass their similar establishments of rural tourism, it includes undifferentiated hotels; luxurious hotels of 5 stars; rural hotels and the historical guesthouses called Pousadas by Turismo de Portugal. According with the barometer of tourism of Alentejo (*Barómetro Turismo Alentejo*), in December 2011, it existed 40 hotels with 3-4 stars (6%); 2 hotels of 5 stars; 16 rural hotels (3%); 6 apartment hotels (1%); 11 guesthouses (2%) and finally 278 establishments of rural tourism and manor houses (44%). In addition, the hostels accounted for 45 units (7%). Despite the venture's representativeness in relation to the total number of accommodation available in Alentejo, hotels and aparthotels establishments are the major competition to Creative Country House, if we consider that together they represented more than 60% of the overnight stays in 2010 (Turismo de Portugal, 2011). However, the historical guesthouses have recorded the highest average of bed occupancy rates and RevPar, especially during holidays periods and weekends (61,9% and €38,3, respectively) (Turismo de Portugal, 2011). Indeed, it is noteworthy that the hotel with 5 stars *"(…) marked the largest increase of 32,7%, which resulted in over 11.000 over nights sleeps, compared to 2009"* (Turismo de Portugal, 2011, p. 82). The rise verified in 5 stars hotels segment shows that high premium brands have great potential to attract customers to Alentejo and there is a market for new products offering distinctive solutions of high quality.

As a result, it is possible to conclude that Alentejo does not have a very sophisticated supply. In fact, it exists a small number of competitors having mostly small size and belonging to rural tourism (TER). In general and with few exceptions, the establishments are not dotted of distinctive factors neither have strong brand image associated. The offer is undifferentiated as there is no distinctive competence over the rivals, which conduces, as well, to low price premiums. In general customers don´t perceived the differences and switch easily between similar establishments, which is particularly evident in the case of TER establishments.

In accordance with IESE (2008), the motivation behind the accommodation business is centered on the valuation of family assets. And thus predominantly non-economic, which demonstrates low specialization and an inadequacy face to market requirements and customers demanding for more differentiation and personalization with high quality. Some of the establishments try to reduce their Ecological Footprint, but there is an absence of establishments following ecotourism principles.

With smaller dimension, there is a similar project operating, called Cocoon Eco Design Lodges, it is also based on ecotourism principles. This project is composed by 30 wooden prefabricated houses and is located in the area of *Grândola*. Being essentially residential tourism, Cocoon sold, likewise Zmar, wooden houses and is charging for renting the ground. The owners of the houses implanted in Cocoon property have the possibility to rent their houses when are not there. One of the founders of Cocoon launched also the project *Vida é Bela*, which is a gift package with several experiences including accommodation.

4.2.3 - Threat of new entrants

A significant number of projects, following the principals of ecotourism and performing in premium segments, are appearing nearby the natural reserve of Sado´s estuary. The projects planned to this area aggregate the total investment of about *"(…)3.5 billion Euros, some of which are already advancing on the ground, promise to change the face of the region"* (Maneta, 2010). Moreover, according to the director of the Pole of Tourist Development of the Alentejo Coast, Carlos Beato, 32.000 beds and 15.000 direct jobs will be created in a period of 10 years (Maneta, 2010). Thus, the Alentejo coast will become a new tourist attraction in Portugal and serve as an anchor that will boost the entire region. The planned projects are: Tróia Resort; *Herdade do Pinheirinho*; *Costa Terra* and Pestana´s Eco-Resort & Residences.

The *Herdade do Pinheirinho,* involving an investment of 500 million Euros, is responsibility of Pelicano´s group and will be managed by the Hyatt hotel chain.

Herdade da Comporta holds 12.500 hectares in the area of *Alcácer do Sal* and *Grândola*. The *Herdade* is developing a sustainable tourism project of high quality on 6% of its territory "(…) *that is based on a concept of low-density tourism fully integrated with the local community and the traditional agricultural activities typical of the region, which has rice and wine in their ex-libris products"* (Câmara Municipal de Grândola, 2010, p. 15). The implementation (construction) has started in 2010, the project will constitute an investment of 1.2 billion Euros and will create around 6.000 direct jobs (Câmara Municipal de Grândola, 2010). Around Alcácer will be constructed two hotels; two aparthotels and a golf course. Together this project will occupy an area of 365 hectares and offer 5.000 bed places, of which 3.467 will be for touristic purposes. Another part of the tourism project will be located in the municipality of Grândola (*Carvalhal-Lagoas*); occupies 377 hectares and offer a total of 6.000 beds, of which 3.922 are touristic. In accordance with Carlos Beirão da Veiga it is there where the first Hotel ÀMAN of Iberian Peninsula will be established (Câmara Municipal de Grândola, 2010). Another apartment-hotel and a golf course with 18 holes are planned as well.

The Pestana Tróia Eco-Resort & Residences is another touristic project that is being developed by the Pestana Group. This tourism project is going to be implemented in the surrounding region of Troia and inserted inside the natural reserve between the old campsite of Troia and Soltroia. This project will implement the following components: 1) one apartment hotel with 150 apartments (T2 and T2+1); 2) facilities like SPA and Golf Course; 3) 82 plots of land designated to exclusive villas with 220 up to 300 m^2 and lastly 43 linked villas or townhouses (approximately $120m^2$ and land with areas between $400m$-$1.200m^2$) constructed in a modular system very similar to the EcoLofts that will be adopted by Creative Country House´s project (Pestana Group, 2012). The apartment hotel, named as Pestana Beach Hotel Troy, will be a five stars hotel and should be in full operation in 2014. This Pestana´s project is being promoted as nature tourism, exploits and conserves all natural resources as it is presupposed in ecotourism.

If we recall, ecotourism is very attractive due to its high growth rates. Unlike other countries that explore for years the ecotourism segment, Portugal only recently discovered the opportunities arising from nature tourism, the reason that justifies the concentration of so many projects. All the projects mentioned will be luxurious and are associated with known brands able to attract and retain customers. Furthermore, they will benefit from economies of scale. On one hand, the project of Creative Country House will benefit from these developments as they relate to considerable big corporations able to promote and create awareness for the region either in international or national markets. On the other hand, Creative Country House is a small player unable to compete with the economies of scale of hotels chains, and thus, its profitability could be negatively influenced.

4.2.4 - Bargaining power of customers

The bargaining power of customers is low as consumers are abundant, are not concentrated and have small size. The impact of losing one single guest is low to companies offering accommodation. With the exception of premium segments, consumers are price sensitive and are massively demanding for lower prices, a tendency that can impact profoundly the profitability. As mentioned earlier, the provision of high quality services, additional facilities (E.g. Spas, gym etc.) and the offer of valuable experiences are approaches to reverse and answer to this globalized tendency. Customers are getting less loyal and easily consider the several substitutes that exist in the market such as friends/family's residents or even camping sites.

4.2.5 - Bargaining power of suppliers

When we consider the suppliers in the hospitality sector we think principally about property owners; real estate companies; architects; prefabricated constructions; furnishings companies and interior design; consultants experts in the sector; recruitment firms and training service providers and, finally information & communications technology (ICT) manufacturers. Taking these suppliers in consideration, we can conclude for a slight difference in the number of suppliers depending on the product/service they provide. For instance, as referred before, there is a lack of qualified labour and so it is anticipated that just a reduced number of recruitment firms are able to provide skilled workers and offer good training programmes. In terms of real estate; architects and furniture manufactures, there are a significant number of small companies operating in Portugal, which indicates a high availability of substitutes that can be switched without incurring extra costs or paying relatively different prices. Nevertheless, the small dimension of Creative Country House can induce a weak bargaining position and make the supplier insensitive to the firm's needs, especially when considering more specialized/customized products/services. The providers with which Creative Country House expect to have moderate bargaining power and are able to impact venture's costs are essentially the suppliers of the prefabricated houses and ICT equipments.

4.3 – OPPORTUNITIES AND THREATS

Regarding the situational analysis of SWOT, we will focus on the remaining aspects not addressed in the Chapter of Internal Analyses: the opportunities to be exploited and the treats that can be faced by the project of Creative Country House (see Table 17).

Table 17 - SWOT analysis – Opportunities and Treats.

Opportunities	
Consumer changes	Consumers are changing in terms of attitude; motivation; leisure activities; family organization etc. Nowadays consumers are deeply heterogeneous; expect more differentiated and fragmentized products offering quality and different and valuable experiences at a competitive price. Consumers are demonstrating a high interest in companies that are environmentally performing.
Limit permissions	The permissions for construction in protected areas like national parks is controlled and limited, which reduces the competition.
Experience orientation	As stressed before, consumers are getting experience-orientated. They desire that the tourism products include experiences and emotions. *"Success shall be based on safeguarding the core values (the distinctive qualities and related experiences)"* (Lohmann, 2004, p. 9).
Domestic tourism	With the international crisis, tourists tend to travel more inside their national boundaries. In the recent years there has been a constant revival related to the national pride of Portuguese products and Portuguese destinations. Portuguese are more aware and curious as well about different types of accommodations that are environmental friendly.
Portugal safety	With the insecurity episodes (USA, Europe, Middle East), tourists are more aware than ever about safety and thus look for nonviolent destinations, meanwhile Portugal is known for its security.
Ageing of Population	The current senior citizens, having high pensions, are higher spenders; relatively active; stay longer periods at the destinations; consider alternative destinations choices and prefer holiday homes or apartments to hotels. This group of consumers can be an answer to diminish the issue of seasonality, as they have no time constraints and therefore tend to travel during the low season, contributing to the potential growth of international and national flows of tourists.
Changing role of women in society	The emancipation of women; their steadily increasing qualifications and their growing financial independency is an opportunity to the tourism industry as for instance they look for educational trips. Women are especially conscious about the importance to protect the environment and reduce the footprint while traveling.
Opening of air market	It is expected the entrance of more airlines in Portugal with especially increment of low cost airlines and additional direct routes to European countries. The opening of the airport of *Beja* provides an opportunity to projects developed in Alentejo as it is expected that charter fights and operations of low cost airlines will increase.

Technological innovation	The challenge induced by the social networking tools and directs sales through internet, comes to profoundly change the way tourism industry operates. Technological innovations enables the direct interaction between suppliers and customers and their impact is visible in the communication; sales; distribution channels, etc.
State incentives	Being Alentejo part of the strategic poles for tourism development in Portugal defined by the PENT, it is expected that this fact will help to benefit of further incentives to the investment.
Threats	
Economic and Political instability of EU and Euro.	The episodes of instability decreased the consumer spending and affect their ability to travel and also influence the motivations behind. In consonance, the economic and "political instability" lived in the European Union can reduce the amount of consumers with conditions to travel or make the consumer to alter their destinations. In case if the Euro collapse scenario comes true, new extra difficulties will be faced.
Low prices	The strategy of the tourism industry of selling high quality trips for an incredible low price can conduce to higher market shares and perhaps to a higher turnover, but will lead to lower profit, which can implicate the quality offered and so on. As referred in the trends section, one strategy to overcome this reality is to offer products with unique experimental and unique symbolic selling propositions, UESPs and USSPs respectively.
Lack of predictability - consumer behaviour	Consumers are more flexible, decide between alternatives at a very fast rhythm and in directions difficult to predict. For instance, imagine if a certain group of consumers don´t like airline 'X', they decide to travel via airline 'B'; if they dislike to travel by airplane they use their private car; or if they don´t like London they opt for Lisbon etc.
Difficulty to access to bank credit	Portuguese society is facing several and serious challenges arising from the difficulties in accessing to credit. However, it is expected that the assessment to bank credit, related to business activities, will be easier than compared with particular individuals.
Bureaucracy and legal impediments	Independent of construction techniques, the implementation of a project in a protected area obliges to more permissions than usual.
Climate changes	The climate is getting drier and more extreme during all the year. It is predictable that Alentejo will be affected by extreme drought, water scarcity and coastal erosion in the immediate future. These changes can destroy the nature resources as fauna and flora that are so important in areas where nature is the leading attraction.
More competitors	Until now Alentejo has low supply of tourism establishments particularly obvious in the area of the costal line. However, as it was mentioned, it is planned the construction of new and luxurious establishments in the surrounding area of *Tróia*. The venture founders anticipate that more establishments will be developed in the next years especially in the segment of nature and ecotourism due to its great attractiveness.

5 - PLAN OBJECTIVES

The objectives of the Creative Country House for the first years of activity include the following:

5.1 – GENERAL QUALITATIVE OBJECTIVES

- Assembling an experience that exceeds the customer's expectations for ecotourism and holidays accommodations.
- Retain customers to ensure repeat bookings and positive referrals.
- Increase in exposure and market penetration using internet and direct advertising.
- Increase in off-season occupancy with longer stays by focusing on retired foreign customers and by expanding into other uses for the property like workshops.

5.2 – QUANTITATIVE OBJECTIVES

5.2.1 – TreeHouses

- Reach the Alentejo occupancy rate of 28% during the first year.
- To increase the occupancy by 45% per year until the fourth year of activity.
- After the fourth year maintain a stable occupancy.

5.2.2 – EcoLofts

- Sell 15 Lodges in the first year of activity.
- Sell the remaining 15 Lodges during the second year of operation.
- Offer rental services to the EcoLofts owners to integrate their Lodges in a hotel business, with a corresponding occupancy rate of 15%.

6 - DEVELOPMENT STRATEGY

6.1 – VISION

The Creative Country House aims to be a familiar environment and unique retreat visited regularly by people that wants to escape from the ordinary, to celebrate a special occasion or nothing less than live a meaningful and self-growing experience surrounded and in harmony with mother nature.

6.2 – MISSION

The Creative Country House intends to offer a serene retreat for our guests to enjoy the many splendors of the beautiful natural reserve of Sado Estuary. At the arrival our guest leaves the problems behind and is invited to enjoy the nature and the tranquility of the ocean, inspired by creativity and high-end comfort. At the departure our guest leaves with the promise of return, being sure that did a difference in the life of new promising artists and that their experiences were carried by ecological and sustainable principles.

The success of Creative Country House will be based on four factors:

- Give each guest a sense that he is our top priority and is treated as family.
- Retain our guest; ensure their loyalty for repeating bookings and future recommendations.
- Offer high-quality service.
- Provide experiences in a facility that is unique and different.

6.3 – VALUES

The Creative Country House behaviour is guided by values such us: quality; authenticity; creativity; responsibility and sustainability - respect for nature, environment and carrier of the cultural and traditional heritage.

If we evaluate the project´s characteristics we can easily conclude that it follows the values of ecotourism mentioned by Patterson (2007) for the reasons exposed below:

Recognizes that nature is the central element to tourism experience.
Uses low impact techniques and ensures the wildlife is not harassed.
Support the work of conservation groups preserving the natural area on which the experience is based.
Orients the customers on the region to be visited.
Hires local people and buys at local suppliers, whenever it is possible.
Uses guides trained in interpretation of scientific or natural history.

6.4 – MANAGERIAL PRINCIPLES

The venture´s conduct will be guided by the following management principles:

Principle	Description
Planning	Effective planning enhances success. Thereby after identifying the organization's goals, it will be determined the best way to achieve them, choosing the tasks that must be accomplished, how and when they have to be performed. Managers will plan ahead for future requirements, taking in consideration several alternatives to finally select the best option. This will be helpful to solve the problem, avoid potential mistakes but most vital it will embrace change.
Controlling	Measuring and monitor finance and performance and furthermore the task completion in order to be sure that the organization is performing as planned, which will allow corrective or preventive actions in time.
Team building	The founders are recognizing that they are just a part of the entire team of the Creative Country House and the image of the project is deeply dependent on all personnel. Therefore, the venture will incentive team-work; provide frequent training; seek for feedback and value the initiative of all personnel. The managers are aware about the importance of fair and satisfactory remunerations; rewarding efforts and balance between work and personal life. As two founders are responsible for the management, it is crucial that sub-ordinates receive instructions and be accountable to only one boss at a time.
Ecotourism principle - Respect for the environment	The venture will adopt sustainable strategies that minimize the impact of setting up and running the venture upon the natural and socio-cultural environment. The company will be engaged in environmental education. The venture team recognizes the importance of conservation and preservation of protected areas, to keep the attractiveness the areas have to be maintained undisturbed.

Quality Control	To establish a quality system, apply for accreditation/certification and establish codes of conduct for guest encouraging them to cooperate in sustainable practices.

6.5 – TARGET MARKET SEGMENT

The strategy for the Creative Country House´s target market is based on the idea of becoming a destination choice for ecotourist. However, there is another group of customers that the project shouldn´t ignore, they relate to the people that normally visit the region of Alentejo, a group of visitants that have a specific profile. Accordingly, the target market of the Creative Country House is separated in the two following segments: the Ecotourist and the Alentejo visitants.

The profile of the target customers consist of the following:

	Ecotourist	**Alentejo visitants**
Who are they?	▪ Soft Nature. ▪ Hard Nature, mainly birdwatchers. ▪ Small families with children; couples; retired. ▪ They come alone, with friends or family. ▪ 35 – 65 years old. ▪ Opinion makers and experienced tourists. ▪ Mid to high range income. ▪ Educated to degree or postgraduate level. ▪ Residents in Portugal or European countries like Germany, France, Spain and UK. ▪ They live in the city. ▪ Depending on the type of activity related with nature (Egg. migration of birds), they may come until 5 times/year.	▪ Married or common-law marriage. ▪ They come with friends or family. ▪ 35 – 54 years old. ▪ Mid to high ranges income (€28.000 – €112.000) ▪ Educated to degree or postgraduate level. ▪ Residents in Portugal - Lisboa and Setúbal. ▪ The foreigners are mainly residents in Spain[19.] ▪ Residual foreign countries: France, Germany, UK. ▪ Come with their private car. ▪ Repeat frequently the destination Alentejo and recommend it to friends.

[19] According with the Profile of the visitant of Alentejo (Gestur, 2012), the residents in Spain that most visit Alentejo come from the border regions (Badajoz, Cáceres, Huelva and Salamanca (summer)) and the remaining regions like Madrid (winter), Sevilha (summer), Malaga (summer) and Toledo (winter) (see Figure 15, in Appendix).

	Ecotourist	Alentejo visitants
Information habits	▪ Word of mouth (family, friends, work colleagues); internet; specialized magazines and specialized associations and websites. ▪ They have pre-trip information.	▪ Word of mouth (friend and family) and internet (websites Visitalentejo and LifeCooler Alentejo). ▪ Reserve with less than 1 month before.
What do they desire on a trip?	▪ Expect quality accommodation. ▪ Rest and relax; interaction with the environment (visiting protected areas; wildlife viewing, admiring nature; discovering new landscapes). ▪ Education/learning about environment & community. ▪ Walking and cycling. ▪ Photography. ▪ Physically and challenging programmes.	▪ Rest and relax. ▪ Sightseeing (monuments and museums). ▪ Gastronomy experiences. ▪ Visit natural heritage. ▪ Walking. ▪ Sun and beach.

6.6 – BUSINESS STRATEGIES

The business of the Creative Country House relies on a differentiation strategy that targets the narrow segment of the ecotourism consumers and the Alentejo visitants. This project commits to the creation of a unique spot in a natural setting. This refuge will offer a distinctive and creative service and accommodation, all embracing environmentally sustainability. The competitive edge and core competencies of the Creative Country House are based on the following:

Strategic location – facility located inside a protected area (riches in fauna and flora), has panoramic view of the Atlantic Ocean and finally is nearby interesting cities very authentic and preserved.

Remarkable architecture and design – facility with unique innovative architecture which uses techniques that minimize the environmental impact. In addition, each TreeHouse is unique.

Social responsibility – apart from being environmentally friendly, the Creative Country House will be involved in the promotion of the work of young artists.

Superior customer service – customer service is a priority and guests are treated like family with friendliness, attentiveness but also with professionalism.

Information about local attractions – The ventures team provides a guide with several suggestions in order to help customers to enjoy the natural settings and the area around.

Creativity – the entire project is based on ecotourism principles but the way these principles are translated into practice is creativity, it results from the expression of artists and permanent progress, the origin of an unlimited resource of ideas.

Another noteworthy advantage arises from the fact that this project is located relatively close to Lisbon (60 minutes drive away), which increases the potential of being the preferred choice for shorter breaks for escaping from the ordinary routine.

The company will introduce a dynamic marketing strategy, frequently reviewed and restructured. This will identify new and better ways to respond to customers' needs and to provide value and therefore, helps the company to maintain its competitive advantage.

As referred previously, the customer is a priority and customer service is faced as a key to success. The project is designed to answer the customer's needs and to establish a trust relationship with them, a relationship able to gain the customers loyalty. The customers are going to be invited to express their personal experience in form of a feedback and encouraged to present suggestions for improvement. The staff will have a deep understanding and knowledge about the region, trained to be always available to help, clarify doubts or recommend places to visit. The venture team believes that the project of the Creative Country House is able to offer unique experimental selling propositions (UESPs) and unique symbolic selling propositions (USSPs). As a small business, it is crucial to retain customers and stimulate their positive referrals. For instance, repeat customers will receive discounts and have the privilege of priority reservations during the high season. Consumer's referrals that get translated into future bookings will be rewarded with discounts or extra services.

The Creative Country House is going to privilege the direct selling via its website; nevertheless it is going to be present, as well, in the website of certain electronic intermediaries, particularly in the well-known infomediaries[20] like TripAdvisor, Booking and HolidayCheck. Infomediaries have the advantage to make the business visible worldwide and are relatively cheap as they charge only when they sell accommodation. The services provided by travel agencies will not be used regularly. However the Creative Country House recognizes that travel agencies may be important partners in certain cases, particularly to attract foreign tourists during the low season.

[20] Infomediaries correspond to electronic intermediaries providing and/or controlling information flows in cyberspace. They often aggregate information and sell it to others.

7 - DEFINITION OF IMPLEMENTATION POLICIES

7.1 - MARKETING MIX

7.1.1 - Product and Service

7.1.1.1 - TreeHouse

Figure 3 – Tree house's project designed by Baumraum

Source: www.baumraum.de.

The Creative Country House will provide 7 individual fully furnished and equipped tree houses (called as ´TreeHouse'), each with its own theme, architecture and design (see Figure 12, in Appendix). The venture recognizes the customers demand for green establishments, which are unique, and look for value experiences where they can learn about the local environment. The theme of each TreeHouse will match Alentejo regional heritage, its nature characteristics and its tradition. The TreeHouses will result in a modern expression of the richness of the region, which will translated by the architect, designer and founder's beliefs. The enterprise decided to build tree houses due to the legal requirements to construct in protected areas but mainly because tree houses are associated with nature and belong to everybody childhood memories. One more time, founders want to provide experiences. The projects of the German Baumraum are an approximation of the architecture type desired in the Creative Country House (see Figure 3). The objective is that each TreeHouse will be recognized as a creative portrait of Alentejo and provides a retreat, a hideaway in the nature, inviting guests to relax and discover the region. Each TreeHouse will have capacity for 4 people and in terms of typology will be composed by one bedroom, a living room connected with kitchen and one bathroom (see Table 32, in Appendix). One of the TreeHouses will be constructed to be accessible for people with reduced mobility.

7.1.1.2 – EcoLoft

The project plan is to have 30 equal lofts (EcoLofts) fully furnished and equipped (see Figure 12, in Appendix). These EcoLofts will be sold as holidays houses, taking advantage of the growing demand for residential tourism and the importance of this type of accommodation in the Portuguese market.

In the concept of EcoLofts, the venture will offer customers the opportunity to own a house in a privileged location (inside a natural reserve and near the sea) at a competitive price, much lower than the prices practiced in the region. The venture will offer predefined houses in modular systems that are also movable. Potential customers will buy only the house and not the land where the house will be situated, which will be property of the Creative Country House. In relation to the ground where the EcoLofts will be implanted, the venture will establish renting contracts for 5, 10 and 15 years with the customers. At the end of the renting periods the proprietor of each lodge can either go for a new renting contract with the Creative Country House or move their house for a different location. Each of these modules will have the dimensions to be transported by truck in case customers wish to move. The construction and implantation of the EcoLofts will follow, as well, sustainable and ecological principles, minimizing the impact in the nature.

The Creative Country House will provide maintenance, cleaning every two weeks, cable television and wireless internet. The lodge owners will have a fast return on the investment if they decide to rent the lodge when they are not using it. In this case, the Creative Country House will offer rentals to customers on loan from existing owners at a certain fee.

The venture team had visited some potential suppliers of EcoLofts and concluded that the prefabricated wooden houses of the Portuguese producer called Jular expresses very well the type of houses it is intended to have (see Figure 13, in Appendix).

All the houses will have capacity for up to 6 people and are going to be equal in dimension and design. Each of the EcoLofts is going to be composed by two bedrooms, one living room with kitchenette, one bathroom and a terrace. One of the bedrooms will have two sliding walls that will enlarge the living room during the day (see Table 34, in Appendix).

7.1.1.3 – Services

The Creative Country House wants to provide more than comfortable and creative accommodations where guests can relax. The Creative Country House holds a larger objective, it desires to be recognized as a complete experience provider, inviting guests to discover the natural surrounding area but also all the region, its culture and finally get in contact with the local community. In accordance, Creative Country House will offer at the guest arrival, a welcome drink and at its accommodation the guest will find a welcome basket, called '*bem vindo* basket', which will contain several elements listed in the Table 18.

Table 18 – Elements of '*Bem Vindo* basket'

Letter written in Portuguese or English, presenting briefly the project, the staff and describe the facilities and services available.
Visitor guidelines written in Portuguese or English with the purpose to inform, in a friendly and educated way, the guest about the suitable behaviour that reduces his impacts and contribute to the protection of sensitive ecological and cultural settings.
Guides of the region providing information about the history of the region; the biological and ecological species; and suggestions of local attractions (natural settings, historical places, beaches and restaurants with local food). These maps will include pedestrian, bicycles and car routes.
List with Portuguese expressions (Eg. '*um café por favor'* (one coffee please), *'bom dia'* (good morning), etc.) inviting guests to interact with the local community – in case the guest is a foreigner.
Season fruit and products of the region with the indication of the name of the local supplier.

Concerning breakfast, the venture will deliver the breakfast inside a traditional basket (*'Cesto de pequeno almoço'*) at the front door of each accommodation until noon. The breakfast will privilege biological agriculture and local farmers. All the products made locally will indicate the suppliers name and its address.

Moreover, the Creative Country House will provide other services as described below:

Picnic baskets - Inviting the customers to enjoy at the natural reserve, the Creative Country House will have three menus of picnic baskets that customers can purchase with a day of advance notice (see Table 33, in Appendix).

Recycle bicycles - Guests will have 10 bicycles available that they can lend for free. The intention is that the Creative Country House buys old classic, retro and vintage bicycles dated from the 60s until 90s and recycle them. The company invites customers to discover the region with the help of the bicycles routes provided.

Creative expositions and artistic residences - Creative Country House will be engaged in the promotion of young artists without restrictions regarding the art they do (handcrafts; painting; design; sculpture; photography, etc.). Artistic work that has a recycle component and use green raw materials will be preferred. In order to concretize this objective the venture will provide an exposition area (see Figure 12, in Appendix). The company will ensure, as well, the selling process of the artistic material exposed in case guests demonstrate interest in buying. In addition, the Creative Country House website will be used as a platform to show the work of a selected range of artists. In addition, the company will provide space where artist can reunite in a form of an artist residence.

Organization of workshops – the Creative Country House intends to organize workshops with themes like 'birth watching'; 'haircrafts'; ´photography´; 'painting' and so on. Here can be found synergies to invite some of the artists, whose work is being exposed, to share their knowledge with guests. It is planned to establish partnerships with companies proving guided tours or with the ecological research centres and associations located in the surrounding area, which can offer specialized information to more demanding customers.

Creative shop - In the creative shop the guests will have the availability to purchase, souvenirs like regional traditional products, pieces from young artists that the project support or other innovative products based on traditional goods as cork.

7.1.2 – Price

The prices to rent a TreeHouse or an EcoLoft will range from €90 - €250 per night as visualized in the following table.

Table 19 – Prices to rent a TreeHouse or an EcoLoft per night

	TreeHouse	**EcoLoft**
High/peak season - *June-August*	€ 250	€ 180
Low season – *January - May and September-December*	€ 150	€ 90

Regarding the option to buy an EcoLoft, the total price includes the house and in addition the cost of renting the ground for the period of 5, 10 and 15 years. The monthly running costs include electricity, maintenance, water, internet and cleaning will be covered by a lump sum of € 90. In case the owner decides for the rental services provided by the Creative Country House, then the payment is 30% of the renting total income. The breakfast is not included when a guest rents an EcoLoft, but he can order it for €10/person.

All the customers can book picnic baskets and the price range will vary between €45 and €100 (see

Table 33, in Appendix).

The price of each EcoLoft will be €70.000 and the renting contracts for 5, 10 and 15 years will vary between €15.000 and €45.000 (see Table 20).

Table 20 – Prices associated with buying an EcoLoft

House	€ 70.000
Rental of the land 5 years	€ 15.000
Rental of the land 10 years	€ 30.000
Rental of the land 15 years	€ 45.000
Monthly running costs*	€ 90
% charged for rental service	30%

As a small business it is crucial to retain customers and stimulate its positive referrals. Therefore, there will be an accommodation discounting or offering of extra services when customers return or suggest the facility. In the case customers stay for one entire week or longer periods in low season, the Creative Country House will offer incentives as extra night for free.

7.1.3 – Place or Location

The project will be implemented inside the Natural Reserve of the Sado Estuary (*Reserva Natural do Estuário do Sado*), in the region of Alentejo, which is a strategic pole according to the PENT programme (see Figure 14, in Appendix). The founders expect to buy a property in the council area of Grândola that ideally satisfy both of the following criteria: 1) direct view to Atlantic Ocean and 2) beach in walking distance. The localization of *Grândola* has a blend of advantages such as: high environmental quality of nature resources like beaches, landscapes, fauna and flora; beauty of the landscapes and authenticity of the region and proximity to Lisbon (see Table 35, in Appendix).

7.1.4 – Promotion

The venture team is planning to promote the project using inexpensive promotion methods disseminated through the internet. The founders will create a web blog to make the project known and post articles on topics related to their business expertise that is correlated with the project. Since the beginning this blog will have the full enterprise message, which includes name, logo, slogan and contacts. Other technique passes by the contemplation of the company's message in all the documents that the company sends out no matter the subject.

The company website is an important instrument to describe its unique selling proposition and to reach potential customers. Therefore, the website will contain good photography of the facility and the regional attractions, all done by professionals with recognized talent. Each photo will carry a descriptive text in order to guarantee its recognition by searching engines that only read text and ignore images. The website will be user-friendly and be developed by an experienced web designer that guarantees it is aesthetically attractive and different. Customers will be able to book directly through the website and will be able, as well, to interact.

The Creative Country House will be visible in popular online travel websites like Visitalentejo; LifeCooler Alentejo; Booking.com; TripAdvisor; HolidayCheck and Google Places. Some of the sites mentioned permit customers to do real-time reservations; these involve only a transaction fee of 5-10% for every booking made directly through them. Additionally, the project will be in social networking platforms such as Facebook and Twitter, where contests will be organized and local events advertised. As specialized magazines are opinion makers it is important to invite their professionals to get to know the project.

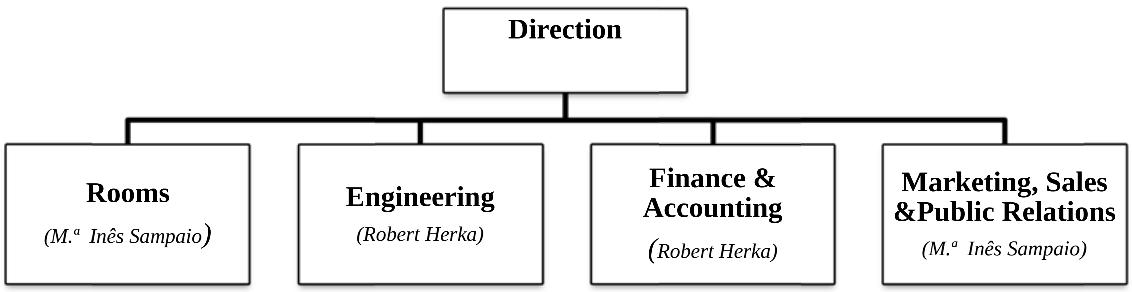
The enterprise recognizes that the customer that stays accommodated in the Creative Country House is the best publicity engines to create brand awareness. Thus, the company will encourage customers to do honest review on websites like TripAdvisor and Booking. Customers will be emailed regularly with offerings information and be encouraged to pass on the information to people they know that may be interested in the project. As referred before, previous customers that keep on coming back will be gifted with extra nights and special discounts. The customers will receive useful souvenirs with an enterprise message that can be used as a routine basis.

7.2 - THE COMPANY ORGANIZATIONAL STRUCTURE

The Creative Country House will be recognized simultaneous as an establishment of rural tourism and as well an establishment of nature tourism as it is located inside a protected area. The company will be registered in Portugal as a limited liability company (*Sociedade por quotas*). This venture will be equally owned and operated uniquely by Maria Inês Sampaio and Robert Herka, the founders. The Creative Country House will be a start-up enterprise to both founders whose have been visiting the area of Alentejo, conducting research and analysing the market since 2009.

The Creative Country House will have a small staff of four people, the two managers (owners), one cleaning person and one maintenance person, all full time staff. During the high season it is considered the hypothesis to contract up to two students of hospitality programs. Table 38, in Appendix, includes the annual personnel estimated cost. Besides the size of the team, there will be four distinct departments, they are: 'Rooms'; 'Engineering'; 'Marketing, Sales & Public Relations' and 'Finance & Accounting' (see Figure 4). The founders will control every aspect of the Creative Country House operations and decide together how to administrate the enterprise.

Figure 4 - Organizational charter



The 'Rooms' department will be responsible for guest reception; reservations; room assignment and status (occupied/available); housekeeping, recruiting and staffing. 'Engineering's responsibilities consist of: maintenance; repairing; replacing; improve and do the modifications necessary. 'Marketing, Sales & Public Relations' department has to attract customers; guarantee sales increase and is responsible also for the communication with grants programs, young artists and remains stakeholders. Finally, 'Finance & Accounting' will be in charge of: cost accounting&control; financial transactions&statements; payroll preparation; cash-flow management and performance evaluation.

7.3 - PROJECT IMPLEMENTATION

It is estimated that the implementation of the Creative Country House will take 3 years. The milestones presented in the next table outline key activities that will be critical to the success of the project. These 3 years are in line with the implementation period needed in other similar projects in protected areas.

Table 21 – Project implementation

Milestone	Start Date	End Date	Manager	Department
Request for background information in City Hall	01/01/2015	01/03/2015	MIS	Marketing, Sales & Public Relations
Purchase of the land	01/01/2015	30/04/2015	RH	Finance & Accounting
Creation of logo, slogan etc.	01/05/2015	30/09/2015	MIS	Marketing, Sales &Public Relations
Asking for permits (ICN, Ministry of Agriculture, CCDR)	01/10/2015	01/02/2016	MIS	Marketing, Sales & Public Relations
Architecting, Engineering project	01/05/2015	30/11/2015	RH	Engineering
Project presentation to City Hall	01/12/2015	31-06-2016	MIS	Marketing, Sales & Public Relations
Creation of the Blog	01/01/2016	31/12/2017	MIS	Marketing, Sales & Public Relations
Application for subsidies	01/07/2016	01/12/2016	MIS/RH	Marketing, Sales & Public Relations /Finance & Accounting
Construction	01/07/2016	31/08/2017	RH	Engineering
Website development	30/06/2017	01/09/2017	MIS	Marketing, Sales & Public Relations
Hire personnel and train staff	01/09/2017	31/12/2017	MIS	Marketing, Sales & Public Relations
Starting of the operation	01/01/2018	01/01/2018	MIS/RH	

8 - FINANCE AND IMPLEMENTATION REQUIREMENTS

The company will need the total amount of €900.000 before the starting date of business, €11.000 to cover the start-up expenses and another €889.000 to fund start-up assets (see Table 22). In the fixed assets there are two costs that stand out, they are: the cost to purchase the land (€400.000) and the cost associated with facility´s building and constructing (€339.500, which includes the seven TreeHouses at €35.000 each). The remaining €63.000 relates to transport, office and renewable energy equipment. The Start-up assets include €76.500 in current assets (indoor and outdoor furniture) and €10.000 in initial cash to handle the first months.

Table 36 – Start-up Funding, in Appendix, displays how the start-up costs will be funded. The company owners will provide €500.000 capital meanwhile the remaining €400.000 will result from no-repayable grants obtained from programmes like National Strategic Reference Framework (QREN), PIT (*Programa de Intervenção do Turismo*) or PRODER (*Programa de Desenvolvimento Rural*). The grant is stated as deferred income under the current liabilities in the balance sheet. In addition, it is assumed that

Table 22 - **S**tart up financial

Start-up	
Requirements	
Start-up Expenses	
Legal	€1.000
Architecting and Engineering project	€5.000
Web Development and Design	€3.000
Consultants	€2.000
Total Start-up Expenses	**€11.000**
Start-up Assets	
Cash Required	€10.000
Other Current Assets	€76.500
Fixed Assets	€802.500
Total Assets	**€889.000**
Total Requirements	€900.000

Figure 5 - Sales by Year

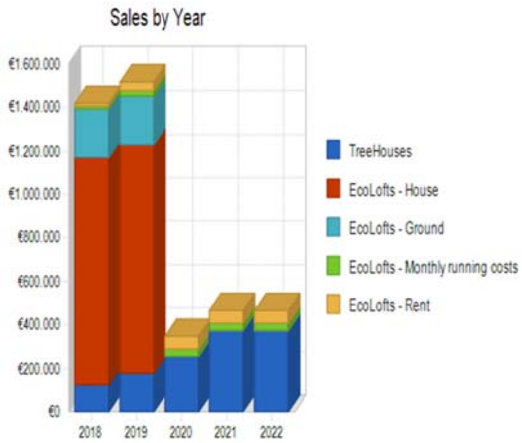
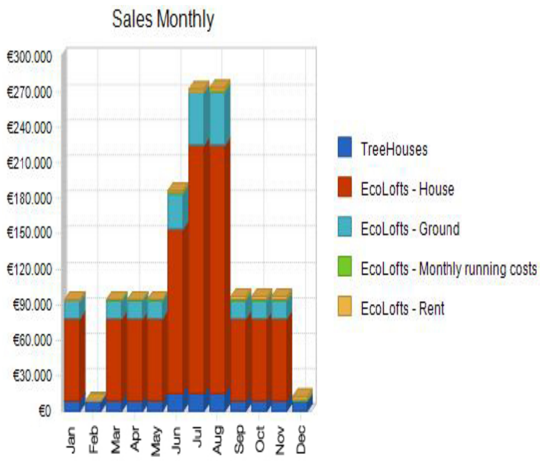


Figure 6 - Sales Monthly (2018)



the grant will be received totally in the first year of activity.

Table 23 - Break-even Analysis

Break-even Analysis	
Monthly Revenue Break-even	€52.918
Assumptions:	
Average Per-Unit Revenue	€1.130,25
Average Per-Unit Variable Cost	€776,09
Estimated Monthly Fixed Cost	€16.582

For better understanding, the revenue of the EcoLoft is divided in 4 components: the sale of the house (identified in the charts and finance tables as 'EcoLofts – House') occurring between 2018 and 2019; the renting contract for the ground ('EcoLofts – Ground'); the monthly running cost of €90 ('EcoLofts - monthly running cost') and finally the sale of accommodation identified as 'EcoLofts – Rent'. Figures 5 and 6, in the previous page, exhibit the sales volume, which follow the plan objectives mentioned before. The forecast sales summary is included in the appendix (see Table 37 – Forecasting of Sales, in Appendix). The next Table 24 summarises the key financial assumptions. Both tables, Table 39 and Table 40, in the Appendix, relate to the Income Statement. The break-even analysis, in Table 23, above, shows that Creative Country House must reach the monthly revenue of $52.918 to break-even, i.e., to cover its costs of doing business.

Table 24 - General Assumptions

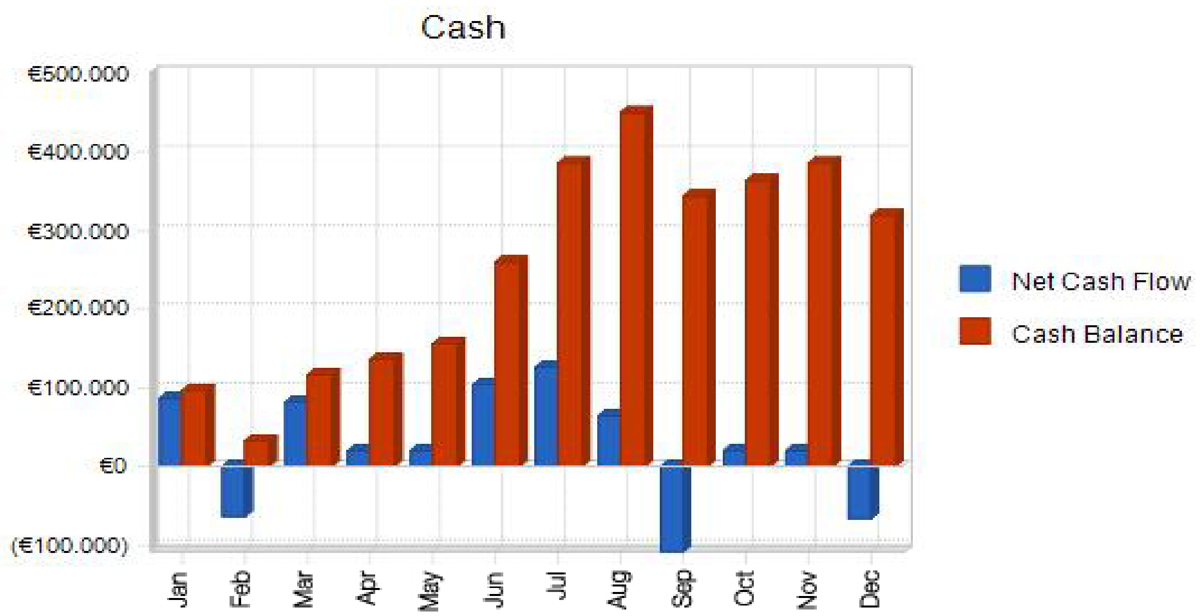
Assumed a corporate income tax of 12.5%[21].
Assumption that when customers buy the EcoLofts they do ground´s renting contract for 5 years. Thus the sales value recognized is €70.000+€15.000.
The direct unit costs of Treehouses are equal to 20% of sales.
The estimated depreciation stands for 10% of assets value per year.
It is assumed the receiving of adequate grants. The €400.000 will be non-refundable grants and received totally before the activity starts.
The employees needed and wages have been projected for full time.
The business performance obeys to the quantitative objectives defined.

As can be seen from the cash flow chart the net cash flow is negative in February, September and December (see Figure 7, next page). However, cash flow negative for some months is not critical

[21] In Portugal the taxable profit up to €12.500.00 is taxed at a rate of 12,5% and the excess is taxed at 25%.

as the cash balance stays above nought during all the year, indicating a positive balance in the current accounts. The annual cash flow figures are shown in the Table 42, presented in Appendix. This last Table outlines a healthy cash flow and shows no need of further investment of any additional capital into the business. The balance sheet is also solid and shows healthy growth (see Tables 43 and 44, in Appendix).

Figure 7 – Projected Cash Flow



9 - FINANCIAL EVALUATION

The ratio analysis relating to the project of Creative Country House is shown in Table 45, page 104.

As expected and concerning the amount of leverage, Creative Country House demonstrate low risk in meeting debt obligations as the debt to net worth ratio is approximately zero in the whole period of five years (see Table 45, in Appendix). This outcome gives the company a favourable position in attracting potential funders in case it shows necessary.

The profitability ratios are used to assess a business's ability to generate earnings as compared to its expenses and other relevant costs. In accordance, the gross margin stands for 31% and 34% in the first two years of operation, reaching 79% in the other three years. It reflects the higher sales value the first two years because of the sale of the EcoLoft (see Table 45, in Appendix). In 2020 the sale of the EcoLoft finishes and the total sales value goes down significantly. This has the direct impact on the gross margin as percentage of sales will go up accordingly.

Between 2020-2022 the company is expected to contribute to the margin around €0,79 on every Euro generated in sales. With other words, for every Euro it receives in sales, incurs the cost of €0,21 by the company, which are used to pay for instance the operating expenses (see Table 45, Figures 16 and 17, in Appendix).

In 2018 it is expected that the enterprise will earn a net profit on sales of 15%. In 2022, 31% on every Euro contribute either to net income or to be distributed to the owners or both (see Table 45, in Appendix).

Also according to the ratio Return on Equity (ROE), shows how well this enterprise uses its invested funds to generate earnings growth. The first two years 2018 and 2019 will create an extraordinary good ROE 31% and 29%, due to the selling of the EcoLofts and respecting contracts (see Table 45, in Appendix). The sale of the EcoLofts in the first 2 years will provide a strong financial standing for the future of the enterprise. But even after the sale of the EcoLofts ends, the business will create a healthy return on the owner´s investment of 6, 12 and 11% in the following years.

CONCLUSION

Agreeing to the research done during this dissertation, ecotourism and nature tourism constitute a market opportunity with high potential and thus very attractive worldwide. Portugal has the potential to explore the market niche of ecotourism nevertheless this segment is still not effectively explored yet. It is expected that the surrounding area of the peninsula of *Tróia* and *Grândola* will become a destination of nature tourism and in accordance there are several projects of luxurious hotel establishments planned to operate in this segment, which proves the attractiveness of the business and its predictable profitability.

The venture team recognizes that the project of Creative Country House is ambitious and that the segment of ecotourism and nature tourism is very demanding. Notwithstanding the project is viable and the finance analysis comfortably sustain the economic and financial viability of this project. The integration of EcoLoft concept into the business will help to finance the entire project without need to rely on bank loans.

The project addresses the needs of the ecotourist and especially fits to the specific group of Alentejo visitants.

The project competitive edge and core competencies are based on its strategic location; remarkable architecture and design; involvement in the promotion of young artists; superior customer service; environmental responsibility and on a wide range of experiences offered to customer. Another important aspect of differentiation lies in the combination of ecotourism and a modern creative atmosphere.

As the mission states, the project aims to become a retreat visited regularly by customers who want to escape from the ordinary, to celebrate a special occasion or nothing less than live a meaningful and self-growing experience in the nature. In accordance, the future of the Creative Country House will be expanded into other uses at the property like organization of special events such as weddings and specialized workshops of personal development and creative development. More than a tourist facility the venture team desires that the Creative Country House will express a different lifestyle.

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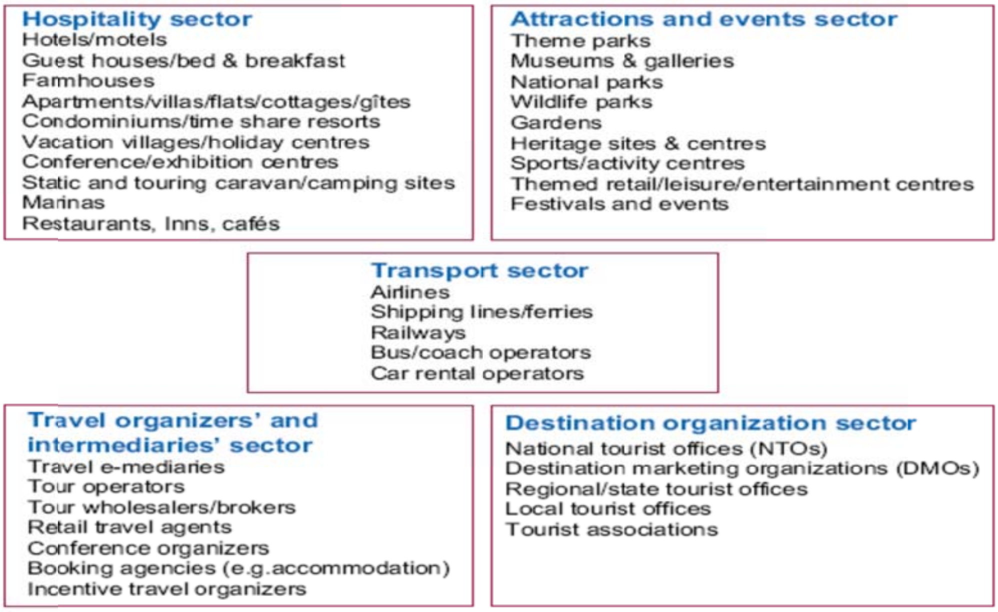
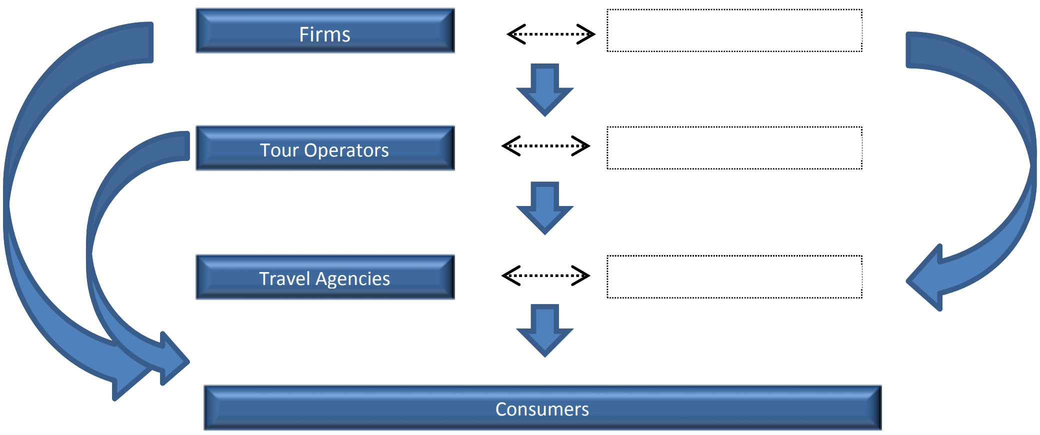
APPENDIX I - FIGURES

Figure 8 - The five main sectors in travel and tourism



Source: Middleton, Fyall, Morgan, & Ranchhod (2009)

Figure 9 - Marketing channels / chain of distribution in Tourism´s Industry



Source: Based on Holloway & Taylor (2006).

Figure 10 - Differentiating elements of Portugal mentioned by tour operators and other market agents

Source: Ministry of Economy and Innovation (2007).

Figure 11- Annual evolution of the number of overnight stays in establishments TER-TN (2003-2007)

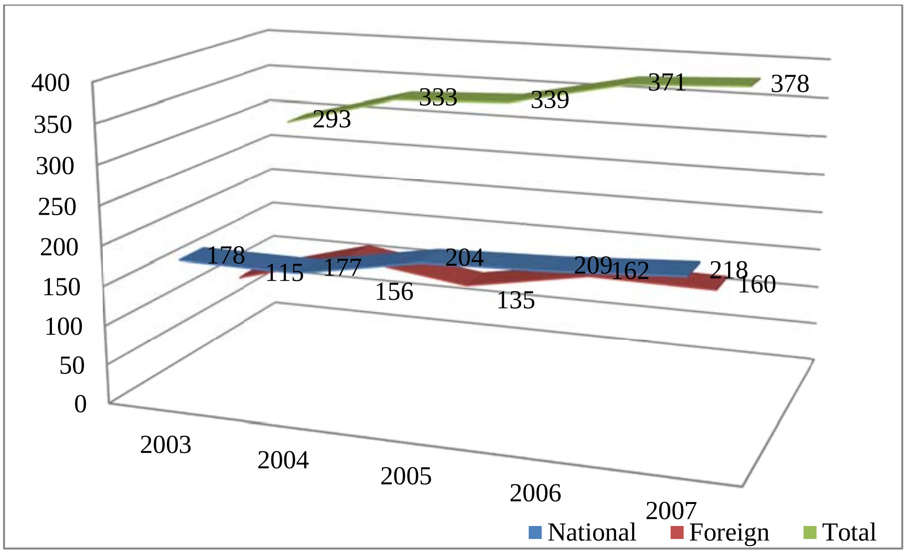


Figure 12 – Provisional Project Map of Creative Country House

Figure 13 - Prefabricated houses constructed by Jular

Source: www.jular.pt.

Figure 14 - Map of Alentejo

Figure 15 – Regions of Spain that visit Alentejo (Excursionist)

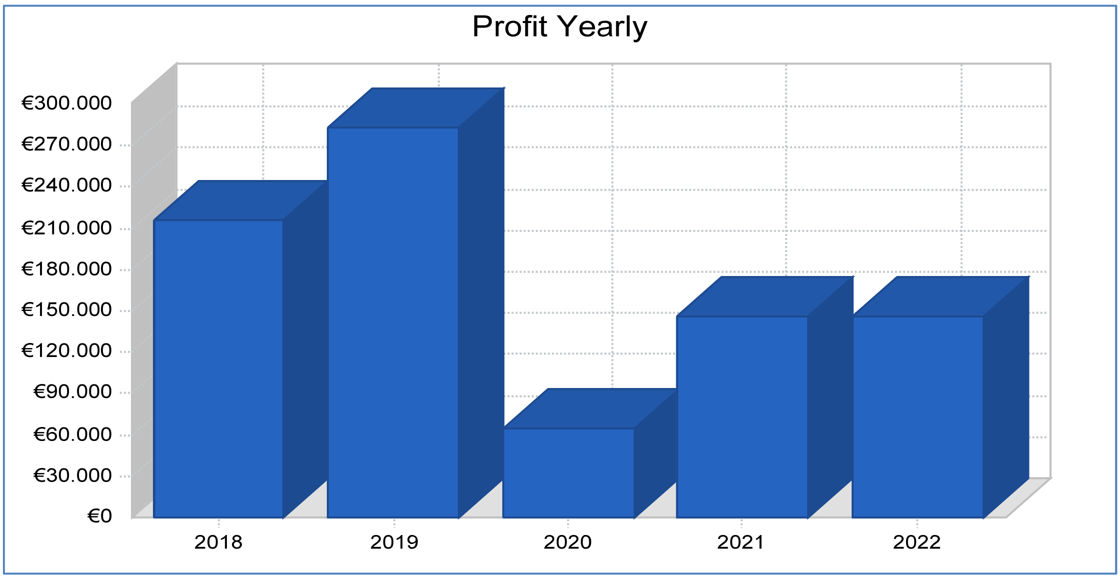
Winter

Summer

Source: Gestur (2012).

Figure 16 - Monthly Profit (2018)

Figure 17 - Yearly Profit



APPENDIX II - TABLES

Table 25 - How consumer decide?

What are the motivations?	Contact with the nature
	Socializing with friends and family
	psychological and physical harmony
What are the local attractions more valorised?	Natural beauty
	Quietness of the landscape
	Plant and animal life
	Natural water spring
What are the factors taking in consideration to choose or decide for holidays in protected areas?	Resting (65%)
	Socializing (57%)
	Quality of landscapes (52%)
	Healthy environment (47%)
	Adventure (24%)
	Contact with the local community (11%)
	Cultural activities and outdoor sport activities (20%)

Source: Bases on ISCTE (2004)

Table 26 - Locations were Portuguese spend holidays (2004) (%)

Location	%
Beach	71,7
Countryside	14,4
Mountain	3,1
City	7,7
Spa	1,8
Lakes	0,6
Other locations	0,7

Source: TT-Thinktur (2006).

Table 27 - Traditional eTourism Intermediaries vs. New eTourism Intermediaries

Traditional eTourism eMediaries
GDSs (Sabre, Amadeus and Galileo) **Worldspan** **Viewdata** **Teletext**
New eTourism eMediaries
Principals **Airlines** (www.flybmi.com; www.ba.com; www.airfrance.com; www.opodo.com and www.orbitz.com) **Hotels** (www.marriott.com and www.oscar.gr) **Destinations** (www.tiscover.at and www.holland.com) **Switch companies** (www.utell.com) **Travel Agencies** (www.lunnpoly.com; www.expedia.com and www.travelocity.com) **Lastminute Bookings** (www.lastminute.com) **Portals** (www.yahoo.com and www.lycos.com) **Vortals** (www.tennis.com and www.Igolf.com)
Newspapers (Travel.telegraph.co.uk) **News Media** (www.cnn.com) **Auction sites** (www.qxl.com and www.ebay.com)

Source: Buhalis & Licata (2002).

Table 28 – Comparison between the price of a soft and hard trip to Andalusia, Spain

Country/Cluster	Activity	Length	Content	Price
Spain/Andalusia	Walking & rambling	8 dias	Accommodation in hotel or guesthouses Guide tour to Ronda 4 day light hiking with guide in Serra de Ronda Meals in local restaurants Tour to Seville (optional)	€760 (Average Price) €95 (person/day)
Spain/Andalusia	Migiration to Africa: Birdwatching	7 dias	Transfer to and from airport Accommodation in suites All meals included Guide with experience	€1180 (Average Price) €169 (person/day)

Source: THR (2006).

Table 29 – Potential market for nature tourism and ecotourism (%)

Country	Potential market for Nature Tourism and Ecotourism (%)
United Kingdom	26%
Germany	33%
Italy	26%
Spain	26%
France	26%
China	28%
USA	20%

Source: Based on TT-Thinktur (2006).

Table 30 – Types of rural tourism and nature tourism (TER-TN) establishments.

Accomm. type	Description
Tourism in manor houses *(turismo de habitação)*	Establishment of rural tourism that offers accommodation services in a family environment in palace-like and private houses or private residences of recognised architectural, historic or artistic value. Eg: seigniorial mansions
Rural accommodation	Establishment of rural tourism that offers accommodation services in a family environment in private cottages that were constructed and designed according with the typical regional architecture.
Agro-tourism unit	Establishment of rural tourism that offers accommodation services in a family environment in private cottages which are integrated in farms, allowing customer the accompaniment and understanding about the farming activities.
Rural hotel *(hotel rural)*	Establishment located in rural area with 10 or more bedrooms. This establishment offers accommodation services and other services such as provision of meals. Eg. Hotel 'Rural Quinta Nova' that offers harvest programmes.
Village accommodation *(turismo de aldeia)*	Establishment located in rural area composed by at least 5 private cottages that follow the typical regional architecture. This establishment offers as well accommodation services.
Countryside house *(casa de campo)*	Establishment located in rural area that offers accommodation services in a private home that can be or not used as main residence. This house follows the typical regional architecture.
Shelter House *(casa-retiro)*	Rebuild houses that offer accommodation services, are located in protected areas that initially were property of the State and in the meantime disabled. Nowadays this houses can be or not the main residence of their private owners.
Community centers *(centros de acolhimento)*	Houses located in protected areas were groups can be accommodated with purposes of environmental education, study visits and scientific research. These houses can be either built for that purposes or adapted.
Houses of Retreats *(casas retiro)*	Located in protected. These houses were recovered from traditional and rural constructions but still maintain the original architecture. These houses can be the main residence of its private owner or not.

Source: Based on Decree-Law n. º 47/99 and n. º 56/02 (from 16th February 1999 and 11st March 2002, respectively) and INE (2012).

Table 31 - Services, activities and facilities offered by TER-TN establishments according to the providers (2007)

Services	**%**
Provision of meals on request	45,8
Custody of pets	25,9
Provision of meals in open service	19,8
Baby-sitting	12,7
Activities	
Hiking trails	68,4
Routes for bicycle, jeep, motorcycle etc.	54,9
Observation of animals	42,3
Organizing of parties and meetings	37,8
Sale of local products	35,4
Equestrian activities	32,5
Animation for children	16,8
Infrastructure and equipment	
Outdoor swimming pool	69,6
Games Room	52,3
Tennis Court	31,6
Golf / mini golf	15,6
Indoor swimming pool	11,8
Gymnasium	6,1
Spa	11,6
Internet	50,2
Satellite/ cable TV	62,6
Kitchenette	28,5
Collective kitchen	43,5

Source: Based on TT-Thinktur (2006).

Table 32 – TreeHouse features

Typology	**T1**
Total n.º of units	7
Area	30 m^2
Division structure	Twin room; Living room with kitchenette; 1 bathroom
Equipment	Stove; Microwave oven; Coffee and tea machine; Fridge; Sofa with double bed; Bread Toaster; Air conditioning; Radio; Ipod deck; Tv; Dvd; Telephone. Double hammock.
Services	Cable television and Wireless internet for free The breakfast will be included in the price and served until noon
Capacity	4 people

Table 33 – The picnic baskets offered by Creative Country House

Romance Picnic (€45)	**BirthPicnic for day (**€100)	**Alentejo Flavours** €100
Homemade chocolate cake; natural juice; 1 bottle of regional wine and strawberries.	Homemade birthday cake; natural juice; homemade orange cookies; tea/coffee; 1 bottle of sparkling.	Regional wine; regional olive paste; handmade jam; regional cheese; sausage from black pork; regional cake and fruits.

Table 34 - EcoLoft features

Typology	**T2**
Total n.º of units	30
Area	40 m2
Division structure	2 bedroom; Living room with kitchenette; 1 bathroom; Terrace
Equipment	Stove; Microwave oven; Dish washer; Coffee and tea machine; Fridge; Bread Toaster; Air conditioning; Radio; Ipod deck; Tv; Dvd; Telephone. Double hammock and 2 lounge chairs.
Services	Cable television and Wireless internet Creative Country House can provide breakfast, which would be served until noon, at a certain extra price per person.
Capacity	6 people

Table 35 - The advantages of the localization Alentejo and Grândola to set up the Creative Country House

	Advantages arising from the localization
Alentejo	• Alentejo has five demarked protected areas where it´s possible to find migratory species and as well some ecosystems of flora and fauna that are threatened with extinction. • Place of contact with nature, tranquillity, beauty landscapes, which invite to excursions either on foot (hiking) or on mountain bikes, especially thought the diverse routes that already exist. • Existence of adventure activities as for example: surf; parachuting; hot air balloon rides etc. • Exceptional gastronomy and wines that constitute authentic and delightful palate experiences and sensations. • Abundance and high quality of the cultural heritage with concentrating on three fundamental periods of time (Neolithic, the Roman occupation and the Arab occupation), one World Heritage Site (Évora) and one GeoPark (Naturtejo), both classification attributed by UNESCO. • Existence of cultural festivals like *Festival do Sudoeste in Zambujeira do Mar*; the World Music Festival in *Sines*; the Flower festival in *Campo Maior*; the *Al Mossassa* Festival with an Arab market in *Marvão* etc.
Council area of Grândola	• Integrates the protected area of Natural Reserve of the Sado Estuary keeping almost its entire natural biophysical characteristics, which is crucial to consumers motivated by nature tourism. The Sado Estuary counts with a wide variety of natural systems which make possible the presence of more than 200 species of birds and a family of 30 dolphins. • The coast of *Grândola* is the largest stretch of beach in Portugal and a continuous patch of sand. • The beaches in *Grândola*´s council hold Environmental Certification and Environmental Management System (E.g. Blue Flag (*Bandeira Azul*) and Certification from APCER according with the requirements of NP EN ISO 14001). The beaches are as well accessible allowing its use by people with reduced mobility. • *Grândola*´s council counts with a mountain area called Serra de Grândola with an altitude of 325 meters. • Good network of roads and highways: 60 minutes away from Lisbon and its airport; 30 minutes from *Setúbal*; 60 minutes away from the new airport of *Beja*; 15 minutes away from the peninsula of *Tróia* where is situated some entertainment facilities (E.g. Casino).

Table 36 – Start-up Funding

Start-up Funding	
Start-up Expenses to Fund	€11.000
Start-up Assets to Fund	€889.000
Total Funding Required	€900.000
Assets	
Non-cash Assets from Start-up	€879.000
Cash Requirements from Start-up	€10.000
Additional Cash Raised	€0
Cash Balance on Starting Date	€10.000
Total Assets	**€889.000**
Liabilities and Capital	
Liabilities	
Current Borrowing	€,0
Fixed Liabilities	€,0
Accounts Payable (Outstanding Bills)	€,0
Other Current Liabilities (interest-free)	€400.000
Total Liabilities	**€400.000**
Capital	
Planned Investment	
Owner	€500.000
Additional Investment Requirement	€0
Total Planned Investment	**€500.000**
Loss at Start-up (Start-up Expenses)	(€11.000)
Total Capital	**€489.000**
Total Capital and Liabilities	**€889.000**
Total Funding	**€900.000**

Table 37 – Forecasting of Sales

Sales Forecast	2018	2019	2020	2021	2022
Unit Sales					
TreeHouses*	706	1024	1484	2152	2152
EcoLofts - House	15	15	0	0	0
EcoLofts - Ground	15	15	0	0	0
EcoLofts - Monthly running costs**	95	275	360	360	360
EcoLofts – Rent*	428	1238	1620	1620	1620
Unit Prices	2018	2019	2020	2021	2022
TreeHouses	€175	€175	€175	€175	€175
EcoLofts - House	€70.000	€70.000	€70.000	€70.000	€70.000
EcoLofts - Ground	€15.000	€15.000	€15.000	€15.000	€15.000
EcoLofts - Monthly running costs	€90	€90	€90	€90	€90
EcoLofts - Rent	€35	€35	€35	€35	€35
Sales					
TreeHouses	€123.480	€179.200	€259.700	€376.600	€376.600
EcoLofts - House	€1.050.000	€1.050.000	€0	€0	€0
EcoLofts - Ground	€225.000	€225.000	€0	€0	€0
EcoLofts - Monthly running costs	€8.550	€24.750	€32.400	€32.400	€32.400
EcoLofts - Rent	€14.823	€42.926	€56.171	€56.171	€56.171
Total Sales	€1.421.853	€1.521.876	€348.271	€465.171	€465.171
Direct Unit Costs	2018	2019	2020	2021	2022
TreeHouses ***	€35,00	€35	€35	€35	€35
EcoLofts – House ****	€63.000,00	€63.000	€0	€0	€0
EcoLofts - Ground	€50,00	€50	€50	€50	€50
EcoLofts - Monthly running costs	€54,00	€54	€54	€54	€54
EcoLofts - Rent	€1,73	€2	€2	€2	€2
Direct Cost of Sales					
TreeHouses	€24.696	€35.840	€51.940	€75.320	€75.320
EcoLofts - House	€945.000	€945.000	€0	€0	€0
EcoLofts - Ground	€750	€750	€0	€0	€0
EcoLofts - Monthly running costs	€5.130	€14.850	€19.440	€19.440	€19.440
EcoLofts - Rent	€741	€2.146	€2.809	€2.809	€2.809
Subtotal Direct Cost of Sales	€976.317	€998.586	€74.189	€97.569	€97.569

*Relates to the total number of overnights. ** Relates to the total number of months. ***Consider 20% direct cost. ****Consider the purchase price of 63.000/each EcoLoft paid by the Creative Country House to its supplier.´

Table 38 - Personnel Plan

Personnel Plan	**2018**	**2019**	**2020**	**2021**	**2022**
Owner - Robert Herka	€28.000	€28.000	€28.000	€28.000	€28.000
Owner - M.ª Inês Sampaio	€28.000	€28.000	€28.000	€28.000	€28.000
Maintenance Staff	€11.200	€11.200	€11.200	€11.200	€11.200
Cleaning Staff	€11.200	€11.200	€11.200	€11.200	€11.200
Total People	4	4	4	4	4
Total Payroll	**€78.400**	**€78.400**	**€78.400**	**€78.400**	**€78.400**

Table 39 – Projected Profit and Loss

Forecasting Profit and Loss	**2018**	**2019**	**2020**	**2021**	**2022**
Sales	**€1.421.853**	**€1.521.876**	**€348.271**	**€465.171**	**€465.171**
Direct Cost of Sales	€976.317	€998.586	€74.189	€97.569	€97.569
Other Costs of Sales	€0	€,0	€,0	€,0	€,0
Total Cost of Sales	€976.317	€998.586	€74.189	€97.569	€97.569
Gross Margin	€445.536	€523.290	€274.083	€367.603	€367.603
Gross Margin %	31,33%	34,38%	78,70%	79,03%	79,03%
Expenses					
Payroll	€78.400	€78.400	€78.400	€78.400	€78.400
Payroll Taxes	€18.620	€18.620	€18.620	€18.620	€18.620
Marketing/Promotion and Other Expenses	€3.000	€3.250	€3.500	€3.750	€4.000
Depreciation	€88.900	€88.900	€88.900	€88.900	€88.900
Insurance	€2.760	€2.800	€2.800	€2.800	€2.800
Security	€600	€600	€600	€600	€600
Groceries	€2.400	€2.600	€2.800	€3.000	€3.200
Other	€4.300	€4.500	€4.600	€4.700	€4.800
Total Operating Expenses	**€198.980**	**€199.670**	**€200.220**	**€200.770**	**€201.320**
Profit Before Interest and Taxes	€246.556	€323.620	€73.863	€166.833	€166.283
EBITDA	€335.456	€412.520	€162.763	€255.733	€255.183
Interest Expense	€0	€0	€0	€0	€0
Taxes Incurred	€30.819	€40.452	€9.233	€20.854	€20.785
Net Profit	**€215.736**	**€283.167**	**€64.630**	**€145.979**	**€145.497**
Net Profit/Sales	**15,17%**	**18,61%**	**18,56%**	**31,38%**	**31,28%**

Table 40 – Forecasting Profit and Loss detailed monthly

forecasting Profit and Loss													
		Jan	Feb	May	Apr	Mai	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	VAT Rate	€94.032	€9.032	€94.243	€94.455	€94.666	€186.698	€272.697	€273.696	€96.570	€96.781	€96.993	€11.993
Direct Cost of Sales		€64.874	€1.824	€64.934	€64.994	€65.054	€129.437	€192.685	€192.884	€65.595	€65.655	€65.715	€2.665
Other Costs of Sales	0,00%	€,0	€,0	€,0	€,0	€,0	€,0	€,0	€,0	€,0	€,0	€,0	€,0
Total Cost of Sales		€64.874	€1.824	€64.934	€64.994	€65.054	€129.437	€192.685	€192.884	€65.595	€65.655	€65.715	€2.665
Gross Margin		€29.157	€7.207	€29.309	€29.460	€29.612	€57.261	€80.012	€80.812	€30.975	€31.126	€31.277	€9.327
Gross Margin %		31,01%	79,80%	31,10%	31,19%	31,28%	30,67%	29,34%	29,53%	32,07%	32,16%	32,25%	77,78%
Expenses	VAT Rate												
Payroll		€5.600	€5.600	€5.600	€5.600	€5.600	€11.200	€5.600	€5.600	€5.600	€5.600	€5.600	€11.200
Payroll Taxes	23,75%	€1.330	€1.330	€1.330	€1.330	€1.330	€2.660	€1.330	€1.330	€1.330	€1.330	€1.330	€2.660
Marketing/Promotion and Other Expenses	0,00%	€250	€250	€250	€250	€250	€250	€250	€250	€250	€250	€250	€250
Depreciation		€7.408	€7.408	€7.408	€7.408	€7.408	€7.408	€7.408	€7.408	€7.408	€7.408	€7.408	€7.412
Insurance	0,00%	€230	€230	€230	€230	€230	€230	€230	€230	€230	€230	€230	€230
Security	0,00%	€50	€50	€50	€50	€50	€50	€50	€50	€50	€50	€50	€50
Groceries	0,00%	€200	€200	€200	€200	€200	€200	€200	€200	€200	€200	€200	€200
Other	0,00%	€300	€300	€300	€1.000	€300	€300	€300	€300	€300	€300	€300	€300
Total Operating Expenses	VAT Rate	€15.368	€15.368	€15.368	€16.068	€15.368	€22.298	€15.368	€15.368	€15.368	€15.368	€15.368	€22.302
Profit Before Interest and Taxes		€13.789	(€8.161)	€13.941	€13.392	€14.244	€34.963	€64.644	€65.444	€15.607	€15.758	€15.909	(€12.975)
EBITDA		€21.197	(€753)	€21.349	€20.800	€21.652	€42.371	€72.052	€72.852	€23.015	€23.166	€23.317	(€5.563)
Interest Expense		€0	€0	€0	€0	€0	€0	€0	€0	€0	€0	€0	€0
Taxes Incurred		€1.724	(€1.020)	€1.743	€1.674	€1.780	€4.370	€8.080	€8.181	€1.951	€1.970	€1.989	(€1.622)
Net Profit		€12.066	(€7.141)	€12.198	€11.718	€12.463	€30.593	€56.563	€57.264	€13.656	€13.788	€13.921	(€11.353)
Net Profit/Sales		12,83%	-79,06%	12,94%	12,41%	13,17%	16,39%	20,74%	20,92%	14,14%	14,25%	14,35%	-94,67%

Table 41 –Sales Forecast detailed monthly

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Unit Sales												
TreeHouses	59	59	59	59	59	59	59	59	59	59	59	59
EcoLofts - House	1	0	1	1	1	2	3	3	1	1	1	0
EcoLofts - Ground	1	0	1	1	1	2	3	3	1	1	1	0
EcoLofts - Monthly running costs	1	1	2	3	4	6	9	12	13	14	15	15
EcoLofts - Rent	5	5	9	14	18	27	41	54	59	63	68	68
Unit Prices	Jan	Feb	Mar	Apr	Mai	Jun	Jul	Aug	Set	Oct	Nov	Dec
TreeHouses	€150	€150	€150	€150	€150	€250	€250	€250	€150	€150	€150	€150
EcoLofts - House	€70.000	€70.000	€70.000	€70.000	€70.000	€70.000	€70.000	€70.000	€70.000	€70.000	€70.000	€70.000
EcoLofts - Ground	€15.000	€15.000	€15.000	€15.000	€15.000	€15.000	€15.000	€15.000	€15.000	€15.000	€15.000	€15.000
EcoLofts - Monthly running costs	€90	€90	€90	€90	€90	€90	€90	€90	€90	€90	€90	€90
EcoLofts - Rent	€27	€27	€27	€27	€27	€54	€54	€54	€27	€27	€27	€27
Sales												
TreeHouses	€8.820	€8.820	€8.820	€8.820	€8.820	€14.700	€14.700	€14.700	€8.820	€8.820	€8.820	€8.820
EcoLofts - House	€70.000	€0	€70.000	€70.000	€70.000	€140.000	€210.000	€210.000	€70.000	€70.000	€70.000	€0
EcoLofts - Ground	€15.000	€0	€15.000	€15.000	€15.000	€30.000	€45.000	€45.000	€15.000	€15.000	€15.000	€0
EcoLofts - Monthly running costs	€90	€90	€180	€270	€360	€540	€810	€1.080	€1.170	€1.260	€1.350	€1.350
EcoLofts - Rent	€122	€122	€243	€365	€486	€1.458	€2.187	€2.916	€1.580	€1.701	€1.823	€1.823
Total Sales	**€94.032**	**€9.032**	**€94.243**	**€94.455**	**€94.666**	**€186.698**	**€272.697**	**€273.696**	**€96.570**	**€96.781**	**€96.993**	**€11.993**
Direct Unit Costs	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Set	Oct	Nov	Dec
TreeHouses	€30	€30	€30	€30	€30	€50	€50	€50	€30	€30	€30	€30
EcoLofts - House	€63.000	€63.000	€63.000	€63.000	€63.000	€63.000	€63.000	€63.000	€63.000	€63.000	€63.000	€63.000
EcoLofts - Ground	€50	€50	€50	€50	€50	€50	€50	€50	€50	€50	€50	€50
EcoLofts - Monthly running costs	€54	€54	€54	€54	€54	€54	€54	€54	€54	€54	€54	€54
EcoLofts - Rent	€1	€1	€1	€1	€1	€3	€3	€3	€1	€1	€1	€1
Direct Cost of Sales												
TreeHouses	€1.764	€1.764	€1.764	€1.764	€1.764	€2.940	€2.940	€2.940	€1.764	€1.764	€1.764	€1.764
EcoLofts - House	€63.000	€0	€63.000	€63.000	€63.000	€126.000	€189.000	€189.000	€63.000	€63.000	€63.000	€0
EcoLofts - Ground	€50	€0	€50	€50	€50	€100	€150	€150	€50	€50	€50	€0
EcoLofts - Monthly running costs	€54	€54	€108	€162	€216	€324	€486	€648	€702	€756	€810	€810
EcoLofts - Rent	€6	€6	€12	€18	€24	€73	€109	€146	€79	€85	€91	€91
Subtotal Direct Cost of Sales	**€64.874**	**€1.824**	**€64.934**	**€64.994**	**€65.054**	**€129.437**	**€192.685**	**€192.884**	**€65.595**	**€65.655**	**€65.715**	**€2.665**

Table 42 – Forecasting Cash Flow

Forecasting Cash Flow					
	2018	2019	2020	2021	2022
Cash Received					
Cash from Operations					
Cash Sales	€1.421.853	€1.521.876	€348.271	€465.171	€465.171
Subtotal Cash from Operations	**€1.421.853**	**€1.521.876**	**€348.271**	**€465.171**	**€465.171**
Additional Cash Received					
VAT Received (Output Tax)	€0	€0	€0	€0	€0
VAT Repayments	€0	€0	€0	€0	€0
New Current Borrowing	€0	€,0	€,0	€,0	€,0
New Other Liabilities (interest-free)	€0	€,0	€,0	€,0	€,0
New Fixed Liabilities	€0	€0	€0	€0	€0
Sales of Other Current Assets	€0	€0	€0	€0	€0
Sales of Fixed Assets	€0	€0	€0	€0	€0
New Investment Received	€0	€0	€0	€0	€0
Subtotal Cash Received	**€1.421.853**	**€1.521.876**	**€348.271**	**€465.171**	**€465.171**
Expenditures	**2018**	**2019**	**2020**	**2021**	**2022**
Expenditures from Operations					
Cash Spending	€78.400	€78.400	€78.400	€78.400	€78.400
Bill Payments	€1.034.241	€987.923	€194.840	€148.971	€152.334
Subtotal Spent on Operations	€1.112.641	€1.066.323	€273.240	€227.371	€230.734
Additional Cash Spent					
VAT Paid Out (Input Tax)	€0	€0	€0	€0	€0
VAT Payments	€0	€0	€0	€0	€0
Principal Repayment of Current Borrowing	€0	€,0	€,0	€,0	€,0
Other Liabilities Principal Repayment	€0	€,0	€,0	€,0	€,0
Fixed Liabilities Principal Repayment	€0	€,0	€,0	€,0	€,0
Purchase Other Current Assets	€0	€,0	€,0	€,0	€,0
Purchase Fixed Assets	€0	€,0	€,0	€,0	€,0
Dividends	€0	€0	€0	€0	€0
Subtotal Cash Spent	**€1.112.641**	**€1.066.323**	**€273.240**	**€227.371**	**€230.734**
Net Cash Flow	**€309.212**	**€455.553**	**€75.031**	**€237.801**	**€234.437**
Cash Balance	**€319.212**	**€774.765**	**€849.796**	**€1.087.597**	**€1.322.034**

Table 43 - Projected Balance Sheet

Forecasting Balance Sheet					
	2018	2019	2020	2021	2022
Assets					
Current Assets					
Cash	€319.212	€774.765	€849.796	€1.087.597	€1.322.034
Other Current Assets	€76.500	€76.500	€76.500	€76.500	€76.500
Total Current Assets	**€395.712**	**€851.265**	**€926.296**	**€1.164.097**	**€1.398.534**
Fixed Assets					
Fixed Assets	€802.500	€802.500	€802.500	€802.500	€802.500
Accumulated Depreciation	€88.900	€177.800	€266.700	€355.600	€444.500
Total Fixed Assets	€713.600	€624.700	€535.800	€446.900	€358.000
Total Assets	**€1.109.312**	**€1.475.965**	**€1.462.096**	**€1.610.997**	**€1.756.534**
Liabilities and Capital	2018	2019	2020	2021	2022
Current Liabilities					
Accounts Payable	€4.576	€88.061	€9.562	€12.484	€12.524
Current Borrowing	€0	€0	€0	€0	€0
Other Current Liabilities	€400.000	€400.000	€400.000	€400.000	€400.000
Subtotal Current Liabilities	**€404.576**	**€488.061**	**€409.562**	**€412.484**	**€412.524**
Fixed Liabilities	€0	€0	€0	€0	€0
Total Liabilities	**€404.576**	**€488.061**	**€409.562**	**€412.484**	**€412.524**
Paid-in Capital	€500.000	€500.000	€500.000	€500.000	€500.000
Retained Earnings	(€11.000)	€204.736	€487.904	€552.534	€698.512
Earnings	€215.736	€283.167	€64.630	€145.979	€145.497
Total Capital	**€704.736**	**€987.904**	**€1.052.534**	**€1.198.512**	**€1.344.010**
Total Liabilities and Capital	**€1.109.312**	**€1.475.965**	**€1.462.096**	**€1.610.997**	**€1.756.534**
Net Worth	**€704.736**	**€987.904**	**€1.052.534**	**€1.198.512**	**€1.344.010**

Table 44 – Forecasting Monthly Balance Sheet

Forecasting Balance Sheet													
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Assets	Starting Balances												
Current Assets													
Cash	€10.000	€96.133	€32.800	€116.083	€135.878	€155.233	€259.260	€386.672	€451.632	€343.628	€364.900	€386.306	€319.212
Other Current Assets	€76.500	€76.500	€76.500	€76.500	€76.500	€76.500	€76.500	€76.500	€76.500	€76.500	€76.500	€76.500	€76.500
Total Current Assets	€86.500	€172.633	€109.300	€192.583	€212.378	€231.733	€335.760	€463.172	€528.132	€420.128	€441.400	€462.806	€395.712
Fixed Assets													
Fixed Assets	€802.500	€802.500	€802.500	€802.500	€802.500	€802.500	€802.500	€802.500	€802.500	€802.500	€802.500	€802.500	€802.500
Accumulated Depreciation	€0	€7.408	€14.816	€22.224	€29.632	€37.040	€44.448	€51.856	€59.264	€66.672	€74.080	€81.488	€88.900
Total Fixed Assets	€802.500	€795.092	€787.684	€780.276	€772.868	€765.460	€758.052	€750.644	€743.236	€735.828	€728.420	€721.012	€713.600
Total Assets	€889.000	€967.725	€896.984	€972.859	€985.246	€997.193	€1.093.812	€1.213.816	€1.271.368	€1.155.956	€1.169.820	€1.183.818	€1.109.312
Liabilities and Capital		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Current Liabilities													
Accounts Payable	€0	€66.659	€3.059	€66.736	€67.404	€66.888	€132.914	€196.355	€196.644	€67.576	€67.652	€67.728	€4.576
Current Borrowing	€0	€0	€0	€0	€0	€0	€0	€0	€0	€0	€0	€0	€0
Other Current Liabilities	€400.000	€400.000	€400.000	€400.000	€400.000	€400.000	€400.000	€400.000	€400.000	€400.000	€400.000	€400.000	€400.000
Subtotal Current Liabilities	€400.000	€466.659	€403.059	€466.736	€467.404	€466.888	€532.914	€596.355	€596.644	€467.576	€467.652	€467.728	€404.576
Fixed Liabilities	€0	€0	€0	€0	€0	€0	€0	€0	€0	€0	€0	€0	€0
Total Liabilities	€400.000	€466.659	€403.059	€466.736	€467.404	€466.888	€532.914	€596.355	€596.644	€467.576	€467.652	€467.728	€404.576
Paid-in Capital	€500.000	€500.000	€500.000	€500.000	€500.000	€500.000	€500.000	€500.000	€500.000	€500.000	€500.000	€500.000	€500.000
Retained Earnings	(€11.000)	(€11.000)	(€11.000)	(€11.000)	(€11.000)	(€11.000)	(€11.000)	(€11.000)	(€11.000)	(€11.000)	(€11.000)	(€11.000)	(€11.000)
Earnings	€0	€12.066	€4.925	€17.123	€28.842	€41.305	€71.898	€128.461	€185.725	€199.380	€213.168	€227.089	€215.736
Total Capital	€489.000	€501.066	€493.925	€506.123	€517.842	€530.305	€560.898	€617.461	€674.725	€688.380	€702.168	€716.089	€704.736
Total Liabilities and Capital	€889.000	€967.725	€896.984	€972.859	€985.246	€997.193	€1.093.812	€1.213.816	€1.271.368	€1.155.956	€1.169.820	€1.183.818	€1.109.312
Net Worth	€489.000	€501.066	€493.925	€506.123	€517.842	€530.305	€560.898	€617.461	€674.725	€688.380	€702.168	€716.089	€704.736

Table 45 - Business Ratios

Ratio Analysis					
	2018	**2019**	**2020**	**2021**	**2022**
Sales Growth	n.a.	7,03%	-77,12%	33,57%	0,00%
Percent of Total Assets					
Other Current Assets	6,90%	5,18%	5,23%	4,75%	4,36%
Total Current Assets	35,67%	57,68%	63,35%	72,26%	79,62%
Fixed Assets	64,33%	42,32%	36,65%	27,74%	20,38%
Total Assets	100,00%	100,00%	100,00%	100,00%	100,00%
Current Liabilities	36,47%	33,07%	28,01%	25,60%	23,49%
Fixed Liabilities	0,00%	0,00%	0,00%	0,00%	0,00%
Total Liabilities	36,47%	33,07%	28,01%	25,60%	23,49%
Net Worth	63,53%	66,93%	71,99%	74,40%	76,51%
Percent of Sales					
Sales	100,00%	100,00%	100,00%	100,00%	100,00%
Gross Margin	31,33%	34,38%	78,70%	79,03%	79,03%
Selling, General & Administrative Expenses	16,16%	15,78%	60,14%	47,64%	47,75%
Advertising Expenses	0,21%	0,21%	0,81%	0,81%	0,86%
Profit Before Interest and Taxes	17,34%	21,26%	21,21%	35,86%	35,75%
Main Ratios					
Current	0,98	1,74	2,26	2,82	3,39
Quick	0,98	1,74	2,26	2,82	3,39
Total Debt to Total Assets	36,47%	33,07%	28,01%	25,60%	23,49%
Pre-tax Return on Net Worth	34,99%	32,76%	7,02%	13,92%	12,37%
Pre-tax Return on Assets	22,23%	21,93%	5,05%	10,36%	9,47%
Additional Ratios	**2018**	**2019**	**2020**	**2021**	**2022**
Net Profit Margin	15,17%	18,61%	18,56%	31,38%	31,28%
Return on Equity	30,61%	28,66%	6,14%	12,18%	10,83%
Activity Ratios					
Accounts Payable Turnover	12,17	12,17	12,17	12,17	12,17
Payment Days	27	16	26	26	30
Total Asset Turnover	1,28	1,03	0,24	0,29	0,26
Debt Ratios					
Debt to Net Worth	0,57	0,49	0,39	0,34	0,31
Current Liab. to Liab.	1,00	1,00	1,00	1,00	1,00
Liquidity Ratios					
Net Working Capital	(€8.864)	€363.204	€516.734	€751.612	€986.010
Interest Coverage	0,00	0,00	0,00	0,00	0,00
Additional Ratios					
Assets to Sales	0,78	0,97	4,20	3,46	3,78
Current Debt/Total Assets	36%	33%	28%	26%	23%
Acid Test	0,98	1,74	2,26	2,82	3,39
Sales/Net Worth	2,02	1,54	0,33	0,39	0,35
Dividend Payout	0,00	0,00	0,00	0,00	0,00