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5-Year Business Plan: Creating Value

Barbara Sveva Magnanelli

SUPERVISOR

Saverio Bozzolan

CO-SUPERVISOR

Cardi Andrea - 763631

CANDIDATE

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Introduction

I. What is a Business Plan?

According to *The Economist* a business plan is the process of representing the forecasted financial performance of a new company. It does not concern qualitative fantasising only. It requires to have a certain degree of fantasy on the quantitative section. Starting a new business requires the entrepreneur to represent reliable financial numbers to the future cash flow statements of the venture, in the shape of a business plan—numbers, it goes without saying, that rarely it is anywhere close to reality.

What is the purpose? There are usually two reasons (*The Economist* 2009):

- Seeking funding: Every investor or venture capitalist requires a business plan to evaluate the potential risks and rewards of a project. For a new business in need of financing, presenting the plan is akin to an actor auditioning for a role. Just as there are auditions that flop, a well-prepared business plan doesn't guarantee funding, but a poorly constructed one almost certainly ensures a lack of interest from investors.
- Assisting the business's creators in addressing key operational concerns. This includes determining the potential market size and identifying primary competitors. Establishing operational objectives can be somewhat self-fulfilling; if the venture succeeds, the targets set become the achieved targets. However, these targets may not necessarily represent the organization's optimal performance, but rather a satisfactory one.

Business plans are required not only by start-ups that are launching a new business, but also by existing companies that are starting something new. Proposed mergers and acquisitions require a detailed plan of the future of the merged entity; a venture into a new market requires a business plan; similarly, the process of either closing down or revitalizing an old and weary business also follows a similar pattern.

In a significant piece published in the *Harvard Business Review*, William Sahlman, a business administration professor, proposed that business plans tend to focus excessively on numerical data while neglecting essential information crucial for savvy investors. Sahlman emphasized that what truly holds importance are four key factors vital to every fledgling enterprise (*The Economist* 2009):

- the people;
- the opportunity;
- the context;

- the risk and reward.

Sahlman proposed that an excellent business plan revolves around probing into the pertinent aspects of these four elements. Crafting such a plan is challenging, though, as he noted that "most entrepreneurs tend to be overly optimistic." Nevertheless, he pointed out, "The market's whims are as unpredictable as they are capricious. Who could have anticipated the success of plug-in room deodorizers?" (The Economist 2009).

The business plan serves as the gateway for entrepreneurs to enter the investment process. If you do not have a meticulously prepared plan in your hand, numerous investor groups may not even consider granting an interview. Moreover, the plan must stand out significantly to secure investment funds.

Meeting the demands of both marketers and investors is crucial. Marketers seek validation of customer engagement and the presence of a viable market, while investors are concerned about the potential for returns and the reliability of financial projections. Drawing from their own expertise and insights from the MIT Enterprise Forum, the authors guide entrepreneurs on crafting persuasive and successful business plans.

A meticulously crafted, well-considered business plan is fundamental for the triumph of entrepreneurs and business executives alike. Whether embarking on a new venture, pursuing extra funding for current products, or suggesting a new activity in a corporate sector, crafting a business plan is perhaps one of the most demanding writing tasks you'll encounter.

Only a meticulously crafted and effectively presented plan has the potential to secure the essential investment for your concept. It should portray the company or suggested project accurately and attractively. Despite the dynamic nature of its subject, the plan must meticulously outline the current status, immediate requirements, and anticipated future of the company or project. You need to articulate and justify the ongoing and evolving resource needs, marketing strategies, financial forecasts, production requirements, and staffing needs in a logical and persuasive manner. (Harvard Business Review 1985).

Given the challenges involved in gathering, arranging, explaining, and recording a vast amount of information, it's understandable that managers occasionally neglect the basics. Through our research, we've discovered that the most critical aspect is accurately representing the perspectives of three key groups (Harvard Business Review 1985).

1. The market, encompassing current and potential clients, customers, and users of the intended product or service.

2. The investors.

3. The producer.

Numerous business plans are predominantly crafted from the standpoint of the producer. They provide so many details and information about the underlying technology or innovation of the proposed product or service in a positive light, often overlooking the constituencies crucial for the venture's financial sustainability—the market and the investor.

Drawing from our experience in assessing business plans and facilitating presentations while observing investor answers, we are sure that business plans must consider marketing and investor considerations. This perspective identifies and assesses these critical considerations and elucidates how business plans can be crafted to meet them effectively (Harvard Business Review 1985).

- **Emphasize the Market**

Investors prioritize market-driven companies over those solely focused on technology or services. The outlook of the product's markets, sales, and profit outweigh its appeal or technical specifications. Showing user benefits, highlighting marketplace interest, and substantiating market claims can effectively establish the presence of a robust market, thereby making a compelling case for investment.

- **Show the User's Benefit**

Sometimes even experts overlook this basic notion. An entrepreneur dedicated most of the presentation to praising the merits of his company's product. He concluded by sharing financial projections spanning five years into the future.

The initial response to the business plan came from a panelist who was a partner in a venture capital firm. He expressed complete pessimism regarding the company's chances of securing investment funds. His rationale was that the company operated within a depressed industry, which he believed would hinder its ability to attract investment.

Another member of the panel inquired, "What's the timeframe for your product to offset its cost through reduced production expenses?" The presenter promptly answered, "Six months." To this, a second member remarked, "That's the most crucial insight shared this evening."

The venture capitalist promptly changed his stance from pessimistic to optimistic. He stated that he would support a company operating in nearly any industry if it could demonstrate a significant user benefit, especially if this benefit was emphasized in its sales strategy. His reasoning was that if the product could recoup the customer's investment within six months, it would essentially “print money.”

The venture capitalist understood that tools, equipment, and services with a return on investment within one year are essential acquisitions for numerous potential clients. If this payback duration extends to less than two years, it's likely to be considered; however, if it exceeds three years, they won't support the product..

Following advice from the MIT panel, the entrepreneur revamped his business plan to highlight the short payback period while toning down the self-indulgent discourse on product innovation. Taking this guidance to heart, he simplified the language of the plan. As a result, his company has thrived and successfully shifted its focus from being technology-driven to market-driven. (Harvard Business Review 1985).

- **Find out the Market's Interest**

Assessing the user's benefit is just the initial phase. An entrepreneur is required to provide proof that customers are genuinely interested in the claimed benefits and that they favour the product or service. The business plan should showcase concrete positive reactions from potential customers. Without such evidence, securing investment is typically unlikely.

How can newly established businesses, some of which might possess solely a prototype product or a concept for a service, effectively assess market response? For instance, a small company's executive had developed a prototype device enabling personal computers to manage telephone messages. However, the company finished its cash resources and was not able to build and sell the item to the market.

The executives tried to work on a way to avoid such issue. The MIT panel offered two possible responses. Initially, the founders could grant access to the prototype to a select group of customers and solicit written evaluations of the product, assessing their level of interest for when it becomes available.

Next, the founders could provide the product to few potential customers at a significant discounted price, contingent on them paying a portion of the cost upfront—perhaps one-third—allowing the company to proceed with production. This approach not only helps identify potential buyers but also enables the company to showcase the product to potential investors through real-life installations (Harvard Business Review 1985).

Similarly, an entrepreneur could introduce a proposed new service to initial customers at a discounted rate, on the condition that they act as references in promoting the service to others.

Additionally, for a new product, nothing proves as effective as receiving letters of support and gratitude from notable potential customers, accompanied by "reference installations." Utilizing such third-party endorsements—from prospective customers who have experienced the product demonstrations, early adopters, sales representatives, or distributors—demonstrates the identification of a viable market that necessitates the product or service.

Even if the product is still in prototype stage, you can procure letters from users. By conducting experimental installations with potential users, selling the product at or below cost in exchange for feedback on its benefits and a commitment to engage with sales prospects or investors, you can gather valuable testimonials. These letters, attesting to the product's value from experimental customers, can be included in an appendix to the business plan or in a separate document (Harvard Business Review 1985).

- **Document Your Claims**

Once you've identified a market interest, it's crucial to rely on meticulously analysed data to support your claims regarding the market and the anticipated growth in sales and profits. Frequently, executives assume that they can capture around 10% of the market if they're sharp, or they believe that even a 1% share of a sizable market will suffice for success. (Harvard Business Review 1985).

Investors understand that the size of the market doesn't ensure business success for a new company. Even if the company's claims are supported by evidence of customer interest, these assertions can easily crumble without meticulously collecting and analysing supporting data.

A reliable business plan must highlight the number of potential customers, the scale of their enterprises, and which size suits the best to the offered products or services. For instance, a saving of \$10,000 per year in chemical use may be important to a modest company but unimportant to a Du Pont or a Monsanto (Harvard Business Review 1985).

These marketing research are supposed to illustrate the nature of the industry. Few industries are more conservative than banking and public utilities. The potential customer base is relatively limited, and the industry's adoption of new products or services is painfully slow, regardless of their quality. Nevertheless, most of these customers are familiar entities, and although their decision-making process may be gradual, their substantial purchasing power justifies the patience required.

On the opposite end of the industrial spectrum are rapidly expanding and evolving enterprises like franchised weight-loss clinics and computer software companies. In this scenario, the challenge is quite the opposite. While some companies may achieve multi-million-dollar sales within a short span, they also face the risk of significant declines due to competition. To mitigate this risk, these companies must maintain a culture of constant innovation to deter potential competitors from entering the market. (Harvard Business Review 1985).

You need to effectively estimate both the acceptance rate of the product or service and its likely sales pace. Utilizing this market research information, you can start constructing a reliable sales strategy and forecasting your requirements for facilities and personnel.

- **Address Investors' Needs**

Marketing considerations are closely linked to investor satisfaction. Once executives effectively demonstrate their potential market penetration, they can proceed to create financial projections. These projections play a crucial role in attracting investor interest and determining the level of investment and valuation at which investors may participate.

Before addressing investors' concerns when evaluating business plans, it is worthwhile to first identify who your potential investors could be. Many of us are aware that for new and expanding private companies, investors typically consist of professional venture capitalists and affluent individuals. In the case of corporate ventures, the investors are often the corporation itself. However, when a company goes public and offers shares to the public, individuals from all financial backgrounds have the opportunity to become investors, alongside various institutions.

One segment of the investor base is frequently neglected during the planning stages—the founders of emerging and expanding businesses. By embarking on the journey of starting and running a business, they commit themselves to years of dedication and personal sacrifices. It's imperative for them to take a step back and assess their own ventures critically, weighing whether the potential rewards in the future genuinely outweigh the risks encountered in the early stages. (Harvard Business Review 1985).

The panelists determined that the entrepreneur would likely achieve a financial return comparable to holding a regular job over the next three to seven years. However, they highlighted the potential downside of facing greater challenges and potentially ending up with less financial gain. After viewing the project from this objective standpoint, the entrepreneur ultimately agreed and decided to abandon it.

Investors' primary considerations are:

- **Cashing out**

Entrepreneurs often fail to understand why investors seem to not have a great attention span. Those who view their ventures as lifelong commitments often expect the same level of dedication from others who become involved. However, investors, when assessing a business plan, not only contemplate whether to invest but also strategize about how and when to exit the investment.

Since small, rapidly expanding companies typically have limited cash for dividends, investors primarily profit by selling their shares, either when the company goes public or is acquired by another business.

Venture capital firms typically aim to divest their investments in small businesses after a minimum of three or a maximum of seven years.

This timeframe allows them to realize gains and generate funds for reinvestment in new ventures. Professional investors seek to exit with a significant capital appreciation, maximizing their returns on investment (Harvard Business Review 1985).

- **Making Sound Projections**

Five-year profitability projections establish a basis for negotiating the returns investors will receive on their investment. Investors view these financial projections as benchmarks to assess the anticipated future performance of the venture.

Entrepreneurs frequently make the mistake of either underestimating or overestimating their financial projections. Some may not invest enough effort in their financial planning, presenting figures that are either too sparse or overly optimistic. Experienced readers of business plans can readily identify such discrepancies after reviewing numerous plans.

During a presentation at the Enterprise Forum, a management team proposed to produce and distribute scientific instruments projected a net income after taxes in the fourth- and fifth-years post-investment. However, panelists pointed out that while certain industries like computer software may achieve such high profits, the scientific instruments sector is highly competitive, making such margins unrealistic. It became evident that the managers had significantly underestimated some critical costs. The panelists advised them to reassess their financial estimates thoroughly and seek guidance from financial experts before approaching investors. (Harvard Business Review 1985).

Some entrepreneurs mistakenly believe that the financials constitute the entire business plan, overwhelming it with excessive numbers. These "spreadsheet merchants," with their exhaustive computer printouts analysing every possible business scenario and product sensitivity, often alienate many investors.

Investors remain cautious even when financial projections are grounded in realistic marketing data because fledgling companies often fall short of their optimistic profit forecasts. According to officials from five leading venture capital firms surveyed, they consider it a success if new ventures achieve 50% of their financial targets. These officials acknowledged that the negotiations determining the portion of the company acquired by investment funds are influenced by this "projection discount factor."

- **The Development Stage**

Investors universally aim to mitigate their risk. When evaluating the risk associated with a new and evolving venture, they consider both the development stage of the product and the competence of the management team. Generally, the more advanced a venture is in these aspects, the lower the perceived risk.

On one end of the spectrum lies a solitary entrepreneur with an untested idea. Unless the founder possesses an exceptional track record, such a venture faces slim prospects of securing investment funds.

Conversely, at the other end of the spectrum, lies a venture with a validated product in a well-established market, led by a skilled and fully staffed management team. Such a business stands the best chance of attracting investment funds at minimal costs.

Entrepreneurs who recognize their current standing with investors and find it lacking can take steps to enhance it. Consider the example of a young MIT engineering graduate who presented at an MIT Enterprise Forum session. Armed with detailed schematics for semiconductor-equipment production enhancement, he had garnered interest from multiple manufacturers and sought funding to finalize development and initiate production.

The panelists advised him to prioritize the creation of a prototype and the formation of a management team comprising individuals with marketing and financial acumen to complement his expertise in product development. They emphasized that, as a first-time entrepreneur, he needed to demonstrate substantial visible progress in building his venture to alleviate investors' concerns about his lack of experience (Harvard Business Review 1985).

- **The Price**

Once investors have a qualitative understanding of a business, they can proceed to conduct quantitative analysis. A common approach is to estimate the company's value based on the anticipated outcomes in the fifth year after the investment. Because risk and reward are related, investors typically anticipate that companies with fully developed products and established management teams will yield returns ranging from 35% to 40% on their investment. In contrast, ventures with incomplete products and management teams are expected to deliver annual compounded returns of around 60%.

Investors estimate a company's potential value after five years to determine the ownership percentage they need to achieve their desired return.

The final ownership percentage acquired by investors is negotiable and depends on projected earnings and anticipated inflation.

- **Make It Happen**

The key to addressing your needs is by meeting the demands of both the market and investors—unless you have sufficient personal wealth to provide your own capital for financing the venture and validating the preferred product or service.

Certainly, before convincing investors of the venture's potential success, several other critical issues must be addressed. For instance, what proprietary elements distinguish the product or service? How will quality control be ensured? Is the venture focused on a specific market segment, or is it attempting to undertake too much? Addressing these concerns within the framework of the market and investors will yield more effective results than solely focusing on personal preferences.

An illustrative example highlights the potential conflicts. During a Enterprise Forum session, an entrepreneur projected that R&D spending for their specialty chemical venture would account for about half of gross sales revenues. A panelist, having analysed similar organic chemical suppliers, questioned why the company's R&D expenditure was significantly higher than the industry average of 5% of gross revenues.

Despite the entrepreneur's aspiration to continuously innovate within his field, the panel unanimously urged him to align his spending with industry standards. While acknowledging the merit of his ambition, they emphasized the importance of financial prudence. Unfortunately, the presenter disregarded this advice, resulting in his inability to secure necessary financing and ultimately leading to the demise of his business.

Once you accept the idea that you should satisfy the market and the investors, the next hurdle is organizing your data into a compelling document. This enables you to effectively pitch your venture to investors and customers, showcasing its value proposition and potential for success (Harvard Business Review 1985).

While we might prefer otherwise, crafting effective business plans entails both an artistic and scientific approach. The notion of a template where executives simply fill in the blanks, akin to how lawyers utilize sample wills or real estate agreements, may seem enticing but is ultimately unrealistic.

Businesses vary significantly in crucial marketing, production, and financial aspects. Therefore, their plans should reflect these differences, highlighting relevant areas while downplaying minor issues. It's important to remember that investors perceive a business plan as a reflection of the objectives and personality of the business and its leaders. Using a generic, fill-in-the-blanks template or, worse yet, a computer-generated package, is likely to discourage investor interest.

Write your business plans by looking outward to your key constituencies rather than by looking inward at what suits you best. Indeed, by tailoring your business plan to accurately reflect your venture's unique qualities and objectives, you can conserve valuable time and resources while enhancing your prospects of attracting both investors and customers. (Harvard Business Review 1985).

A business plan serves as more than just a document for investors or loan officers—it's also a valuable tool for yourself. By dedicating time to articulate your idea and elaborate on the specifics, you gain a deeper comprehension of your business and the steps required to bring it to fruition. Moreover, having a well-structured plan in place helps you maintain focus and motivation during challenging times, ultimately saving you time and money in the long term. Never underestimate the significance of a robust business plan—it not only contributes to your financial success but also serves as a source of inspiration and guidance as you venture into the dynamic realm of entrepreneurship. (Houston 2023).

It's widely known that launching a business demands substantial funding. However, as an entrepreneur, how can you persuade lenders to support your vision? The key is a well-crafted business plan.

Indeed, a business plan not only delineates your company's objectives and strategies but also demonstrates to lenders that you've conducted thorough research and possess a keen understanding of your market and competitors. Through presenting a comprehensive plan, you instill confidence in lenders, assuring them that their investment will generate returns.

A business plan benefits not only the entrepreneur but also the lender, serving as a roadmap to success and fostering trust and accountability.

A robust business plan is a critical aspect that lenders evaluate when determining whether to extend a loan. It demonstrates that you have a well-defined strategy for repaying the loan and expanding your business.

By investing time and effort into crafting a comprehensive business plan, you not only set your company up for success but also earn the confidence of potential lenders. (Houston 2023).

According to this recent Forbes article, there are some essential elements of a business plan that are supposed to be included:

1. Executive summary

The executive summary is a crucial component when crafting a business plan. This section acts as a gateway to the rest of your plan, offering a glimpse of what readers can expect.

Providing a clear and concise overview of your business, the executive summary showcases why it represents a compelling investment opportunity. For entrepreneurs seeking funding from potential investors, this section holds immense significance, as it serves as their initial introduction to your business and your chance to capture their interest right away.

Crafting an executive summary that is both informative and captivating is essential. Consider it akin to the ultimate elevator pitch— if you can't effectively convey your business's value in a few concise paragraphs, investors may not be persuaded by your vision.

2. Company description

The company description section of your business plan forms the cornerstone upon which everything else is built. Here, you'll offer a comprehensive overview of your business's background, detailing its origins and highlighting key milestones it has reached.

Furthermore, you'll showcase your company's distinctive attributes and competitive advantages, establishing the tone for the remainder of your plan. Additionally, you'll elucidate the legal aspects of your company, providing insight into its ownership and management structure to help investors grasp the organizational framework.

This section presents a prime opportunity to leave a lasting impression and establish the groundwork for a prosperous venture.

3. Market analysis

The marketing section of a business plan plays a vital role as it guides the identification of the industry, competition, and target market. This section necessitates thorough research and analysis, delving into factors such as the business's strengths, weaknesses, opportunities, and threats.

By meticulously examining these elements, businesses can develop robust marketing strategies that not only mitigate potential risks but also leverage opportunities for expansion. It's crucial to craft this section with professionalism and engagement, effectively conveying the business's goals and objectives in a manner that resonates with both potential investors and customers.

4. Products and services

At the core of every thriving business lies a comprehensive understanding of its products and services. This understanding is effectively conveyed through the products and services section of your business plan, where you can highlight what distinguishes your offerings from those of your competitors.

Within this section, you go deep into the specifics of how your products and services fulfil the needs of your market segment and elucidate the paths that produce provide value to your customers. Additionally, you'll outline your pricing strategy and underscore any intellectual property rights that contribute unique value to your business.

By vividly illustrating these fundamental components of your business, you ensure that your business plan articulates a clear understanding of what your company represents and how it stands out in the marketplace.

5. Competitive analysis

As an entrepreneur, it's crucial to acknowledge that competition exists regardless of the product or service you offer. Therefore, your business plan should emphasize what distinguishes you from competitors in the competitive analysis section.

Take a moment to ponder your unique selling proposition. Perhaps you offer a more personalized customer experience or utilize superior quality materials in your products. Whatever it may be, ensure that it's communicated clearly.

By doing so, you'll showcase to investors and potential customers alike that you possess a comprehensive understanding of what sets your business apart from others in the market.

6. Strategy and implementation plans

When embarking on a business venture, having a well-defined plan of action is crucial. This underscores the significance of the strategy and implementation plan section in your business plan. Here, you have the chance to present your vision for success and illustrate precisely how you intend to realize it.

Whether you're delineating your marketing strategies, outlining your management structure, or setting forth your growth timeline, this section provides a platform for you to impress investors, partners, and potential clients with your strategic prowess and determination.

Don't hold back. Be bold, be thorough, and above all, be confident in your plan.

7. Financial projections

The financial projection section of your business plan is crucial and should not be underestimated. Here, you dive into the intricacies of your financial forecasts, encompassing revenue, expenses, and cash flow.

However, this section transcends mere number-crunching; it's about demonstrating to potential investors that your business is not only financially feasible but also poised for success. Through a break-even analysis and a profit and loss statement, you provide investors with a comprehensive insight into the potential achievements of your business.

8. Closing statement

The closing statement serves as your ultimate opportunity to convey the enthusiasm and passion you hold for your vision while showcasing your business acumen. A successful closing statement should be succinct, professional, and leave the reader feeling inspired and eager to delve deeper into your business.

Whether you opt to leave the reader with a call to action, emphasize your competitive advantages, or simply express gratitude for their time and consideration, your closing statement holds significant weight within the business plan.

As you craft your final words, recognize their potential to leave a lasting impression on potential partners, investors, and other stakeholders. Ultimately, constructing a business plan requires dedication and diligence, but the rewards are invaluable. A meticulously crafted plan can facilitate securing funding, setting goals, and gauging progress. Remember to tailor your plan to your unique requirements and maintain realism in your projections. Armed with a robust business plan, you'll be well-equipped to make informed decisions and steer your endeavours towards success. (Houston 2023).

After providing these wonderful articles with past examples of entrepreneurs and their successes and failures, I want to underline that despite there is no master document, as we read on the article, lately some outlines have been developed by professionals such as Tim Berry, Hal Shelton and Linda Pinson.

These professionals have made a living out of the services they offer to small entrepreneurs who want to write a successful business plan and need to be guided.

According to Tim Berry a business plan is any plan that works for a business to look ahead, allocate resources, focus on key points, and prepare for problems and opportunities (Berry 2005).

In our case we are looking at a start-up plan. This kind of plan is ideal to see if there is a business worth pursuing. It has no previous history so all the forecasts will be less reliable than the ones of an existing business. Anyway, this is the best option for my business plan, and we can always rely on competitors' data and many other reliable sources for our forecasts.

We are going to use a suggested standard outline for our start-up business plan:

1. Executive summary.

2. Company description: legal formation, background, initial plans, etc.

3. Product or service: Explain your product or service, emphasizing the benefits for customers.

4. Market analysis: Understand your market, customer needs, their locations, and how to connect with them, etc.

5. Strategy and implementation: Provide specific details. Outline management responsibilities along with timelines and budgets.

6. Management team: Detail the organization and introduce the key members of the management team.

7. Financial Analysis: Ensure you include your projected Profit and Loss and Cash Flow statements.

This outline is very simple and specific. Besides helping us in structuring our business step by step, it must be very clear and direct to others if we present it to potential investors or a bank if we need a loan.

Opinions vary regarding the length of a business plan – its timeframe. A business plan is supposed to project sales by month for the first year and then annual sales for the following two. In our business plan the timeframe will be of 5 years and the first year the projection will be composed by monthly sales but by annual sales as the business is seasonal and it is supposed to operate from April to October.

According to Hal Shelton, a business plan is a formal document containing these five key elements:

1. Business goals.
2. The reason why these goals are attainable.
3. A plan for reaching these goals.
4. Data backing up the uniqueness of the products and services to be sold.
5. Information about the organisations and the team attempting to reach those goals.

A business plan comprises various components, but it's more than just a written document. It functions as a structured process for evaluating ideas, determining their feasibility and financial appeal (Shelton 2017).

A well-written business plan will guide you all the way to profitability for any new or existing business. According to Linda Pinson there are several reasons to write a business plan (Pinson 2014):

- **To serve as a guide to your business.**

A business plan serves as a guiding framework throughout the lifespan of your business. It equips you with the necessary tools to analyse your business comprehensively and enact strategic changes aimed at enhancing profitability.

- **As a documentation for financing**

A business plan is a prerequisite when seeking financing. Lenders, for example, are keen to understand your strategies for sustaining positive cash flow and ensuring timely repayment of loans. Likewise, investors are interested in how their investment will augment the company's net worth and facilitate the attainment of desired returns. Therefore, a well-crafted business plan is essential for effectively communicating these aspects to potential financiers and investors.

In our case we are looking for lenders as we will apply for a bank loan. Let's now focus on the second point mentioned above: the documentation for financing.

If you are seeking debt capital from a bank, you will have to provide proof of your ability to repay the loan with interest. How can you increase your success with lenders? By providing the following additional information (Pinson 2014):

- **Credit history.**

In short, we will need to provide a credit history that demonstrates that you are a good risk such as: car loan, mortgage and so on.

In our case this is going to be possible, and we can provide some credit history such as car loan history payments.

- **Collateral**

What assets do you have – and what are you willing to risk for the success of your business? We may be asked to use our home or any other valid asset as collateral: in our case we are going to use an apartment as collateral for the loan.

- **Can you meet the lender's financial goals?**

Your lender (bank) wants to know if you can maintain a positive cash flow that will allow you to continue to operate your business. For instance, if the loan is to increase assets, any assets that you want to finance must last at least as long as the loan period.

- **Product or service demand**

Show detailed evidence that your product or service is well-received by your target market and that the demand will be sustainable. In our case as we are talking about a brand-new business, we can show as evidence of the sustainable market demand: market tests, surveys, questionnaires, and more important we need to get these details from reliable sources.

- **Experienced management team**

Lenders and investors will take a close look at the management team and qualifications and experience for the people running the business is a must. In our case it will be the relative of the owner the manager of the structure with more of a decade of experience in the same industry.

- **Establish a proprietary position**

We are going to secure a position in our market through some unique characteristics of our infrastructure: location and design will be our strengths that will secure as a competitive advantage in the market we are going to enter.

- **Realistic projections**

Lenders and investors want to know if our projections are realistic. We are going to gather relevant info from competitors situated nearby and reliable sources like ISTAT or EUROSTAT.

We will explain our opportunities for growth and demonstrate how we plan to make use of these opportunities. We will be very careful not to overstate revenues and understating expenses.

- **Marketing Plan**

One of the areas of primary focus of a potential investor or lender is the marketing plan. Our marketing plan will be very easy to understand and to implement as well. We are going to take advantage of the shifts in demand in the travel industry and of the location that is going to give us a substantial advantage over our local competitors. We want to be realistic and not too optimistic, but the opportunity is right in front of us, and we must take advantage.

These are all points we are going to include in our business plan and what any new or existing business should include in order to achieve great results and to develop new areas of a business.

Writing a Business Plan for my start-up company is going to make my entrepreneurial life much easier in the short and long run alike.

I will be able to create a budget for all the restructuring works needed which is going to give more information about the feasibility of the business. I need to know if the initial investment may be too big and not convenient for this kind of business. We will be able to have all these information after a well throughout research about our competitors, especially the local competitors so that we can understand the challenges ahead of us. This way we can be able to assess if the business is convenient. Moreover, all these precious information are going to be useful when we want to show to a lender the feasibility of our business and how our local competitors are doing.

Besides gathering information about our local competitors, it will be very important to show some tangible advantages we may have over our competitors and, what characteristics will give us a very good chance to do as good as our competitors or even better.

After we have all the above-mentioned information, it is fundamental to have a very good marketing plan and to have a developing plan of the business for at least the next 5 years. This does not include forecasts of sales only, but all the investment required to increase our revenue by developing any kind of service or product that is going to have a demand on the market.

For example, in our case as the hotel is going to take form in the first 2 years and it is going to be known by several costumers, we are going to make a valuation on the possibility to invest an important amount of money to develop a small restaurant for events like weddings.

All these projects and ideas must be analysed. We ned to have a budget and see if the potential revenues are good enough to tale such a risk.

In conclusion, this is why we truly build a business plan: to have a very good understanding of the market we are going to enter, and to have a project that needs to be followed step by step.

II. Industry challenges

According to CDP (Cassa Depositi e Prestiti) and a reliable survey, the dream destination of the world population is Italy with 37% and then other countries like USA and Australia (CDP 2018). Italy is the most desired destination for most tourists around the world.

However, besides the desire of most of the population if we look at actual numbers of annual arrivals, Italy is the 4th most visited country in Europe.

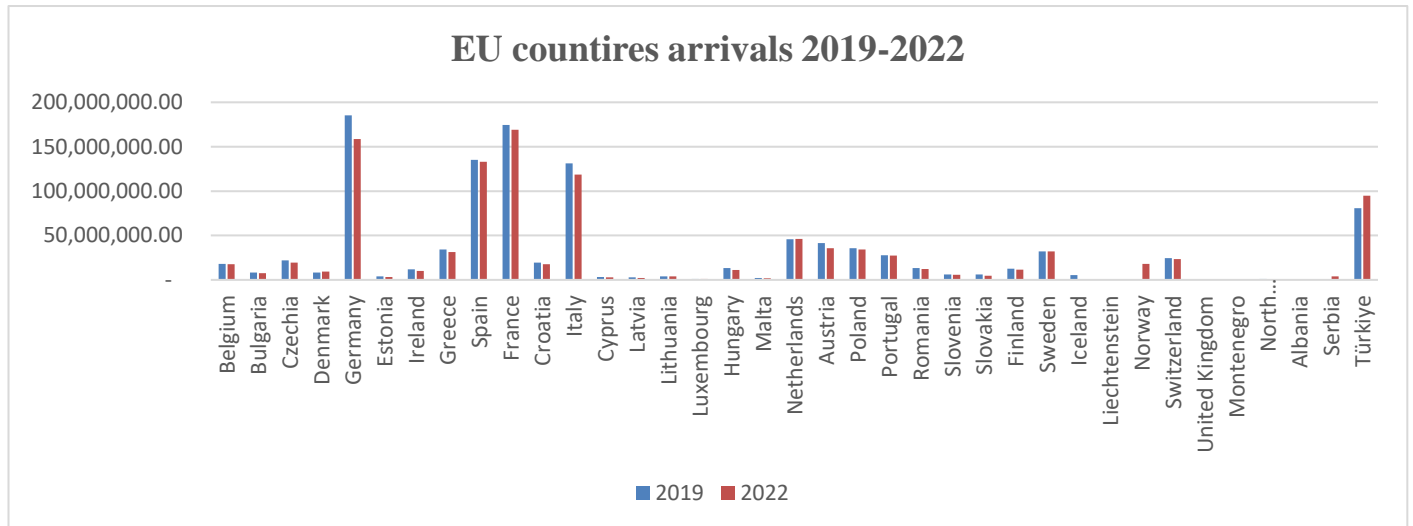
Here the following data according to Eurostat (Eurostat2024):

Table 1 – Arrivals in the EU 2023

Country	2019	2022	Percentage
Belgium	18,057,611.00	17,626,645.00	1.65%
Bulgaria	8,187,634.00	7,621,234.00	0.71%
Czechia	21,998,366.00	19,424,164.00	1.82%
Denmark	8,279,387.00	9,217,928.00	0.86%
Germany	185,121,042.00	158,539,982.00	14.83%
Estonia	3,789,955.00	3,252,898.00	0.30%
Ireland	11,918,503.00	9,924,012.00	0.93%
Greece	34,202,053.00	31,413,356.00	2.94%
Spain	135,008,823.00	133,044,709.00	12.45%
France	174,628,055.00	168,935,376.00	15.81%
Croatia	19,553,495.00	17,769,145.00	1.66%
Italy	131,381,653.00	118,514,633.00	11.09%
Cyprus	3,242,957.00	2,822,399.00	0.26%
Latvia	2,853,333.00	2,172,069.00	0.20%
Lithuania	4,037,749.00	3,825,203.00	0.36%
Luxembourg	1,165,256.00	1,167,286.00	0.11%
Hungary	13,454,090.00	11,287,199.00	1.06%
Malta	2,022,912.00	1,814,161.00	0.17%
Netherlands	45,916,002.00	46,000,256.00	4.30%
Austria	41,321,435.00	35,569,674.00	3.33%
Poland	35,668,091.00	34,249,004.00	3.20%
Portugal	27,895,078.00	27,337,455.00	2.56%
Romania	13,277,449.00	12,374,615.00	1.16%
Slovenia	6,221,841.00	5,860,114.00	0.55%
Slovakia	6,267,801.00	4,701,247.00	0.44%
Finland	12,426,677.00	11,533,023.00	1.08%
Sweden	31,897,702.00	31,873,930.00	2.98%
Iceland	5,231,835.00	:	-
Liechtenstein	99,891.00	:	-
Norway	:	18,112,766.00	1.69%
Switzerland	24,375,337.00	23,305,168.00	2.18%
United Kingdom	:	:	-
Montenegro	:	:	-
North Macedonia	1,031,529.00	798,935.00	0.07%
Albania	:	:	-
Serbia	:	3,869,235.00	0.36%
Türkiye	80,866,762.00	94,830,927.00	8.87%
Total EU arrivals	1,111,400,304.00	1,068,788,748.00	100.00%

Source: Personal excel elaboration

Figure 1 – EU arrivals 2019-2022



Source: Personal excel elaboration

Italy does well, even if arguably it could do much better if the services and infrastructure would be as efficient as the ones of Germany and France.

More than 10% of the arrivals in the EU are in Italy and as we are going to see in the data reported below, the trend is still growing.

According to the data reported above, we can see that even if Italy is the most desired destination according to CDP survey, it is not the most visited country. Why do we see this difference? This can be because many of these travels may be work related and not leisure travels, and as I mentioned above: we may argue that Italy is not as well developed, in term of services, as Germany or France.

This means that the supply does not fully match the demand. There is still a lot of work to be done in the hospitality industry in Italy. Hotels need to be renovated in order to match the new shifts in the market and the new customer tastes.

Services need to be upgraded in touristic areas. The transport services provided in cities like Rome are decades behind the services provided in cities like Paris, Berlin, Madrid and so on.

Besides the weakness just mentioned, the hospitality industry is thriving in Italy as demand keeps growing. There is still a lot to be exploited and there are many opportunities as the market is very dynamic and it is shifting continuously.

The Italian hospitality industry is working on changing some characteristics according to the shifts in demand. The current demand can be split in two different sections:

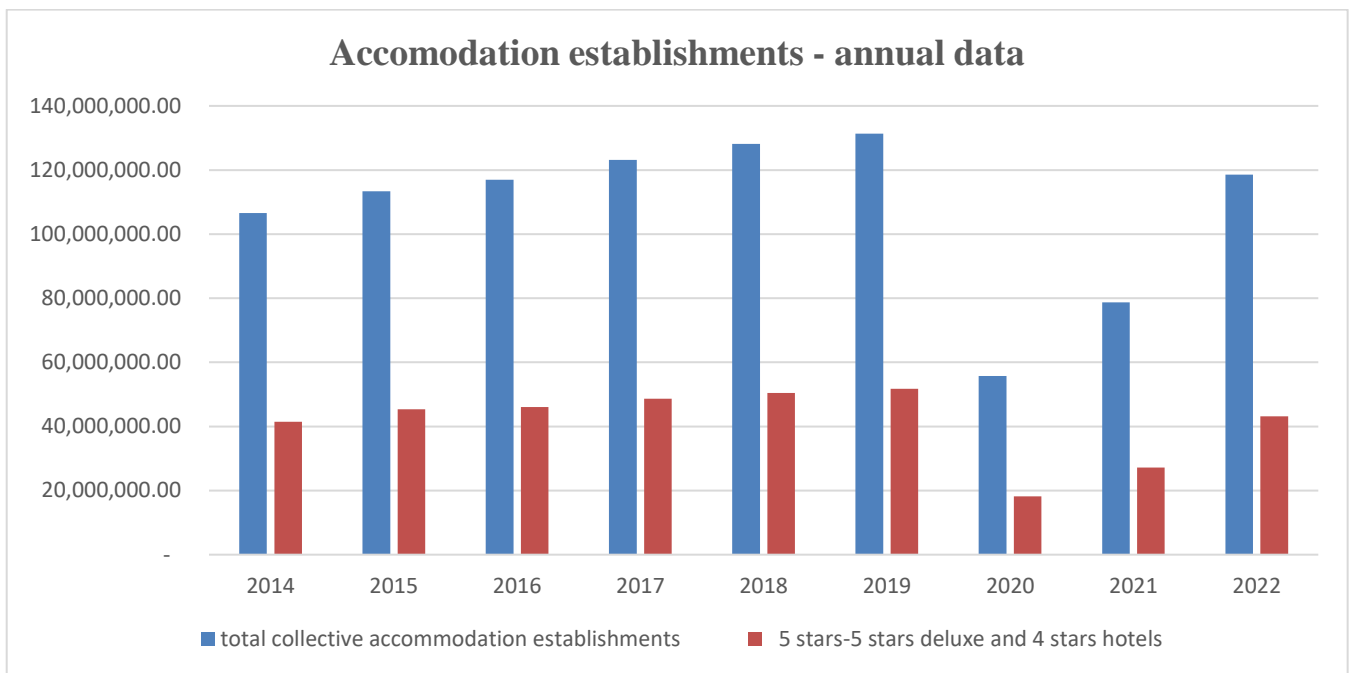
- **experiential tourism (slow travel):** tourists look for a different way of travelling, where you truly experience the local culture and the environment (nature).

- **Luxury tourism:** usually this includes hotel chains like Marriot or Hilton where the experience is different and there is a focus on services and products more than the experience itself.

This is the current outlook of the demand we are having globally speaking.

Let's now look at the numbers of arrivals we have in Italy and how it differs region by region (ISTAT 2023).

Figure 2 – Total accommodation establishments 2014-2022



Source: Personal excel elaboration

Here we have the total numbers of arrivals from 2014 to 2022 in Italy. We can see that from 2020 there is a sharp decrease due to COVID and then in 2022 while the pandemic was not as dangerous as it was in the previous years, we can see that the numbers get back to normal.

Looking at the pre-pandemic era we can see that the trend was increasing significantly, indeed from 2014 to 2019, in just 5 years, the arrivals have increase by 20.30%. we are talking about a sharp increase.

The hospitality industry is undergoing significant and positive changes due the increase in demand. New infrastructure has been built in order to meet the demand and mostly it is old and unused buildings which are been requalified as hotels in order to meet the new demand and have a very small impact on the environment.

This phenomenon is having a very positive impact on many communities. the neighbours around the hotels are undergoing a processed of requalification and service have been improved and it is beneficial to all the habitants of the area. Commercial shops, restaurants and related businesses are experiencing an increase in

revenues thanks to the flow tourists, the increase in public services quality and an increase in jobs in the area.

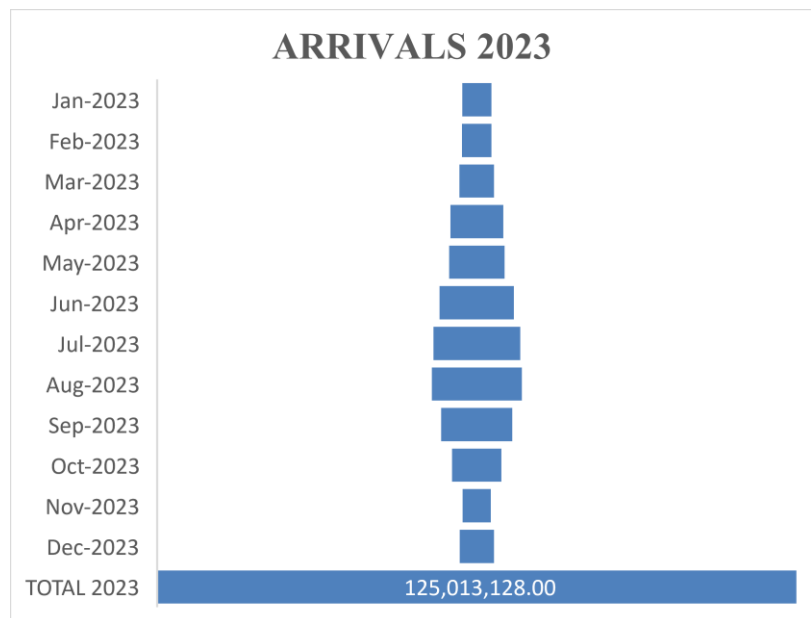
To have a better understanding of the recent arrivals in Italy, we included the monthly numbers of 2023 that have not been reported on the above illustrated graph (ISTAT 2023).

Table 2 – Arrivals in Italy 2023

Months	Arrivals
Jan-2023	5,733,962.00
Feb-2023	5,795,595.00
Mar-2023	6,848,069.00
Apr-2023	10,394,229.00
May-2023	10,913,487.00
Jun-2023	14,579,843.00
Jul-2023	17,036,797.00
Aug-2023	17,668,546.00
Sep-2023	13,999,849.00
Oct-2023	9,703,372.00
Nov-2023	5,564,590.00
Dec-2023	6,774,789.00
TOTAL 2023	125,013,128.00

Source: Personal excel elaboration

Figure 3 – Arrivals 2023 Italy



Source: Personal excel elaboration

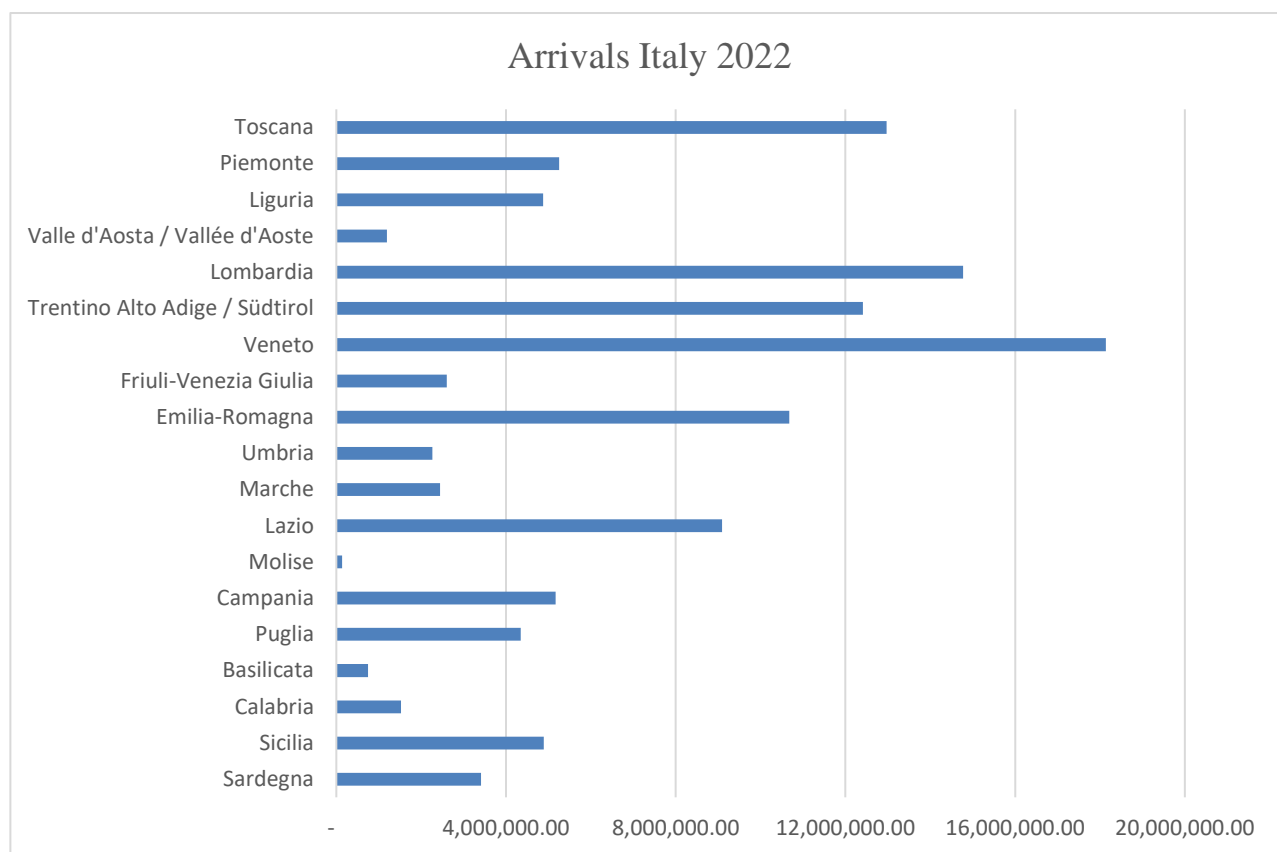
In 2023 we can see that the total of arrivals is back to all time high of 2019.

Forecasts suggest that the demand is going to increase further even though we may experience a slow down due to the economic outlook. Costumers my cut expenses like travelling due to the sharp increase in inflation.

The demand is going to be the same as 2023 so there will be neither a decrease nor an increase.

To have a better understanding of the hospitality industry here in Italy, we are going to look at the specific regions arrivals (ISTAT 2023).

Figure 4 – Arrivals in Italian regions 2022



Source: Personal excel elaboration

Table 3 – Arrivals in Italian regions 2022

total collective accommodation establishments	arrivals	nights spent	Average night spent
Sardegna	3,411,892.00	14,700,911.00	4.3
Sicilia	4,888,423.00	14,783,156.00	3.0
Calabria	1,524,410.00	7,254,907.00	4.8
Basilicata	745,349.00	2,218,797.00	3.0
Puglia	4,343,715.00	16,118,097.00	3.7
Campania	5,169,320.00	17,751,500.00	3.4
Molise	134,275.00	415,257.00	3.1
Lazio	9,093,706.00	35,947,152.00	4.0
Marche	2,447,741.00	10,600,496.00	4.3
Umbria	2,260,960.00	5,959,984.00	2.6
Emilia-Romagna	10,675,585.00	38,149,571.00	3.6
Friuli-Venezia Giulia	2,601,523.00	9,350,522.00	3.6
Veneto	18,141,393.00	65,920,522.00	3.6
Trentino Alto Adige / Südtirol	12,414,449.00	52,136,395.00	4.2
Lombardia	14,772,122.00	38,971,545.00	2.6
Valle d'Aosta / Vallée d'Aoste	1,194,429.00	3,327,231.00	2.8
Liguria	4,874,399.00	15,469,705.00	3.2
Piemonte	5,248,980.00	13,749,579.00	2.6
Toscana	12,970,868.00	42,793,402.00	3.3
Italy 2022	116,913,539.00	405,618,729.00	3.5

Source: Personal excel elaboration

Here we can have a better understanding of all the data about Italy arrivals of 2022 and which are the regions that benefit the most from all the reported arrivals.

On the last column on the right, we can see the average number of nights a tourist spends in every region. This will give us a better idea of which country is benefitting the most from tourists. We can see that even if regions like Sardegna and Calabria have a higher number of average nights spent, this is not going to close the gap to the regions at the top for number of arrivals. While for regions like Trentino and Lazio it can make a difference on such ranking as the average night is higher and the number of arrivals already put them on the top 5. On the opposite side we see the same phenomenon for Tuscany that is the 3rd most visited region but has an average night a bit lower than the 3.5 reported above. This may influence its position compared to Trentino and Lazio.

If we have a closer look, besides Trentino that is the exception, the highest average night spent is in regions where tourists mostly go for the seaside. Meaning that tourists tend to stay longer in these kinds of environments. The slow travel tourist is the one that usually spend more time compared to the luxury tourist. We may argue that a luxury tourist that goes to Milan, Rome or Florence is going to spend the weekend there, meaning 2 nights on average. While, especially during summertime where the number of arrivals is the highest, slow travel tourists that arrive in Sardegna, usually stay longer. Precisely double the time. We may support this theory by looking at the data reported above for 2023. The tables shows that the number of arrivals for June, July, August, and September are the highest of the year.

Now let's have a closer look at Tuscany. It is the 3rd region for number of arrivals and the average night spent is 3.3, very close to the national average of 3.5.

We are going to dig further and see the number of arrivals in the area of Grosseto, which includes Porto Ercole and the Argentario area that will be the main focus of this whole project.

Here we can have a look at the data of Grosseto arrivals in 2022 (ISTAT2023).

Table 4 – Total collective accommodation establishments (Grosseto Area)

Type of accommodation	arrivals	nights spent
Total collective accommodation establishments	1,209,035.00	5,757,407.00
Hotels and similar establishments	436,680.00	1,414,782.00
5 stars-5 stars deluxe and 4 stars hotels	159,984.00	464,740.00
3 stars hotels and hotel-tourism residences	241,366.00	835,215.00

Source: Personal excel elaboration

As reported above, 10% of all the arrivals in Tuscany are concentrated in the Grosseto area. Most of these arrivals are during summertime and they are almost all focused on the seaside. This means that most of the

tourists that choose to travel to this area look for a nice spot on the seaside and the most requested is in Monte Argentario.

Moreover, we can see that a great deal of tourists chooses to stay in hotels and similar establishments. Most hotels here are not the usual chain hotels such as Hilton and the likes. On the contrary, these are all small family businesses, meaning small hotels who capture the true essence of the experiential tourist.

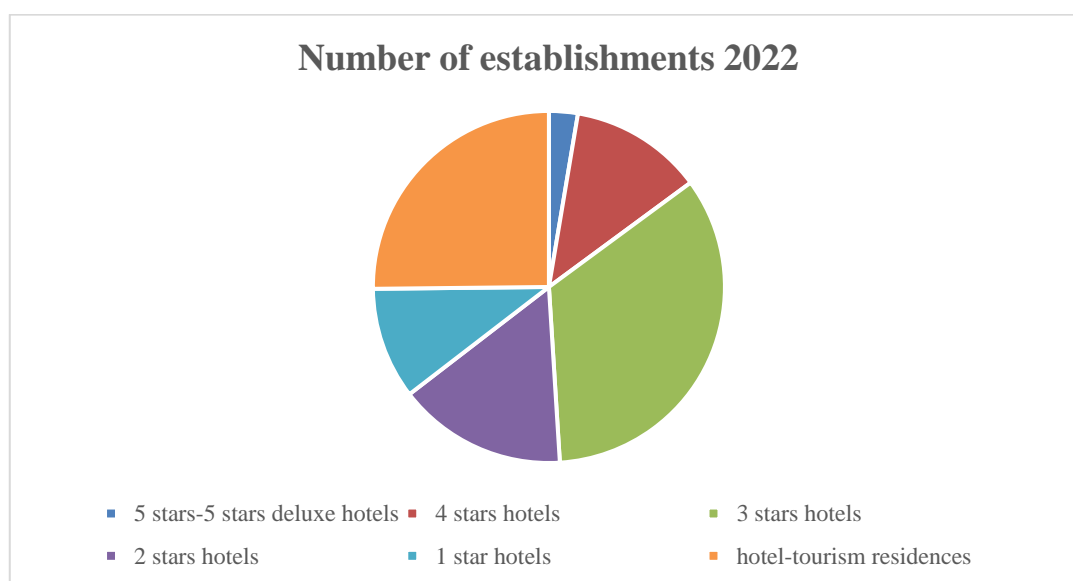
Below we can observe the total number of establishments in the Grosseto area (ISTAT 2023).

Table 5 – Types of accommodation

Type of accommodation	number of establishments	bed-places	bedrooms	bathrooms
hotels and similar establishments	302	20761	8484	9157
5 stars-5 stars deluxe hotels	8	1049	461	552
4 stars hotels	37	4367	1978	2139
3 stars hotels	103	5660	2641	2809
2 stars hotels	47	1603	749	816
1 star hotels	31	650	321	316
hotel-tourism residences	76	7432	2334	2525

Source: Personal excel elaboration

Figure 5 – Number of establishments and categories 2022



Source: Personal excel elaboration

More specifically we are going to provide the data for Monte Argentario where the Business Plan is supposed to be developed (ISTAT 2023).

Table 6 – number of establishments in Monte Argentario

Type of accommodation	number of establishments	bed-places	bedrooms	bathrooms
hotels and similar establishments	20	1326	601	679
5 stars-5 stars deluxe hotels	3	335	158	201
4 stars hotels	3	197	87	99
3 stars hotels	7	369	169	187
2 stars hotels	1	49	17	18
1 star hotels	1	25	15	15
hotel-tourism residences	5	351	155	159

Source: Personal excel elaboration

According to the table, there are only three 4 starts hotels with an average of 30 rooms per hotel. We are planning to open a hotel which will be classified as such (4-star hotel) but with a totally different capacity and style. We are going to focus on the Experimental trend of doing tourism.

Chapter 1. Company Overview

1.1 Executive Summary

A great Business Plan focuses on asking the right questions about the following four characteristics:

- the people;
- the opportunity;
- the context;
- the risk and reward.

Seabreeze s.r.l. is a start-up company with a straightforward ownership structure; one individual owns 100% of the company. The company's inaugural venture into the accommodation industry will be marked by the establishment of a small boutique hotel situated in Porto Ercole, Toscana, Italy.

The prevailing trends indicate a shift away from large, bustling hotels. Instead, people are seeking out intimate, luxury accommodations characterized by tranquillity, fewer crowds, and a closer connection to nature.

Our hotel in Porto Ercole will be truly unique, offering a service that sets us apart from nearby competitors. We're committed to providing a distinctive experience, and we're confident that we're headed in the right direction.

Situated atop a small hill, our property is conveniently located 800 meters from the sea and 500 meters from the town centre. With 10 well-appointed rooms, guests will enjoy a serene atmosphere and personalized attention.

Our highlight will be the charming breakfast area situated by the pool, boasting a stunning panoramic view of the sea on one side and lush lemon tree-covered hills on the other.

As mentioned above, when we talk about people, we mean costumers. We know that the tourism industry is now divided into two big segments:

- experiential tourism (slow travel)
- Luxury tourism

We aim at the experiential tourism, which includes tourists that look for an alternative way of travelling, where you truly experience the culture and the local environment.

People are looking for a way out of their usual life and we are going to work as hard as we can to meet all their possible needs and provide a truly alternative experience.

We have analysed the market, more specifically our competitors and we know that we have only three true competitors. Where only two can be considered a potential substitute to our business.

On the other hand, we know that through our differentiation strategy we have unique services, and we are able to successfully defeat the competition.

Our main points of strengths are the following:

- Outdoor space
- Location
- Food
- *AlohaYogaFlow*

These four characteristics will make our hotel unique in the area where we will operate.

We want to point out that the percentage for substitutes of our services is close to zero and that even though there might be some competition among the other few hotels, according to our Break-Even analysis we only need to reach 15% of our monthly capacity to be slightly above zero at the end of the month. It is a very low percentage as the average of the capacity of the hotels around us is about 70%.

To sum it all up, we are confident that we are going to generate high revenues very easily, thanks to our differentiation strategy, the above-mentioned strengths, the high barriers to enter the market, and the huge demand that keeps growing year by year as we can see in the reported ISTAT tables reported in the business plan.

1.2 Company Description

The company I am going to talk about is a start-up, thus there is no history I can write about, but only future assumptions.

The company name is Seabreeze s.r.l., the ownership structure is very simple as there is only one person that owns the 100% of the company. Seabreeze s.r.l. is a start-up company, which is going to make his first impact on the accommodation industry with a small boutique hotel located in Porto Ercole, Toscana (Italy). The hotel will be named Seabreeze Retreat and this will be the company logo.



This small and young entrepreneur is starting this project as his family was already the owner of the establishment which is going to be turned into a wonderful small luxury hotel.

The idea came up following a few small vacations we did together in Toscana and in Portugal. We started researching about opportunities in the accommodation industry, as my friend and I are in love with the new trend of “slow travel”.

According to a Wall Street Journal article people want to use their vacations to disconnect and recharge. The pendulum is swinging away from jam-packed trips and Instagram-worthy adventures and toward vacations with little to write home about beyond a pretty sunset and a cold drink (Pohle and Wolfe 2024).

The trends are shifting, and people are not looking anymore for big and packed hotels but for small luxury hotels with more peace, less people, and more nature.

We start from pretty good foundations as next to the hotel there is a big agricultural company owned already by Seabreeze. Its main business is the production of biological lemons and some vegetables as well.

This gives us the chance to start a small hotel surrounded by lemon trees and, with a splendid view of the sea.

This will be one of a kind hotel in Porto Ercole, and we will offer a service, which will completely differentiate from our close competitors. We want to provide something different, and I think we are on the right path.

The property is located on small hill 800 meters from the sea and 500 meters from the town. The hotel will be composed of 10 rooms. It will have a wonderful breakfast area by the pool with a breathtaking view of the sea on one side and, the hill with all the lemons trees on the other side.

Completely surrounded by nature. The hotel will have different services such as a swimming pool and many different areas, each with its function.

There will be a gazebo with a small gym and a yoga area where every day at 6 and 7 pm a yoga class will be held by a local yoga teacher with many years of experience. Beside the yoga class all the other services will be free of charge as they will be included in the price of the room.

To prove our theory that the hotel will be one of a kind, we want to recall the table reported in the introduction (ISTAT 2023):

Table 7 – number of establishments in Monte Argentario

Type of accommodation	number of establishments	bed-places	bedrooms	bathrooms
hotels and similar establishments	20	1326	601	679
5 stars-5 stars deluxe hotels	3	335	158	201
4 stars hotels	3	197	87	99
3 stars hotels	7	369	169	187
2 stars hotels	1	49	17	18
1 star hotels	1	25	15	15
hotel-tourism residences	5	351	155	159

Source: Personal excel elaboration

We have only three 4-star hotels in the area, and they have an average of 30 rooms. We are going to be smaller as mentioned above, just 10 rooms. According to the WSJ article reported above, the new experiential tourist looks for less crowded hotel where the experience itself and the relaxing environment is the main reason for the travel they are doing.

The size of our hotel will be perfect as it is just 10 rooms in a very large area, and it will never be crowded. The surroundings will make a huge difference as none of the other 4-star hotels have such silent and natural environment around them. We will be happy to provide any kind of service related to the agricultural company surrounding the hotel. It will give us a competitive advantage over any other local competitors. We will bring up some concrete examples of similar hotels in Tuscany which have experienced a huge success. In the third year of our business, once the hotel has gained momentum, we are looking into expanding the business by opening a specific area of the hotel to events such as weddings.

The restaurant, specifically dedicated to events can become a huge source of revenues. Demand for such events depends on many characteristics. We have some advantages in this kind of activity as well. We will get most of the food from our agricultural company and this will give us a competitive advantage due to lower costs and higher quality of the food. Moreover, our location, the view and the surroundings will make our hotel and the experience of a wedding unique.

It is important to highlight again that the trends are changing, and these small luxury hotels are gaining momentum. People are feeling more stressed especially after COVID19 and especially citizens of big cities all over the world need to slow down. According to Emma Lavelle “slowing down the way you travel can have benefits for both your physical and mental health – giving you even more excuses to book your next

trip. Time spent outdoors in nature is proven to be incredibly beneficial to both our mental and physical health – and is now even prescribed by health professionals for several reasons. Immersing yourself in nature is intrinsic to slow travel through activities such as wild swimming, forest bathing, long walks, and dining outdoors” (Lavelle 2024).

The above-mentioned article goes on and on about the increase in this new way of travelling, and how there has been a sharp increase in demand for such services. Furthermore, Italy, especially Tuscany, Apulia and Sicily are the best options in the world with few other destinations in Spain and France.

This means our timing is pretty good and our location is perfect.

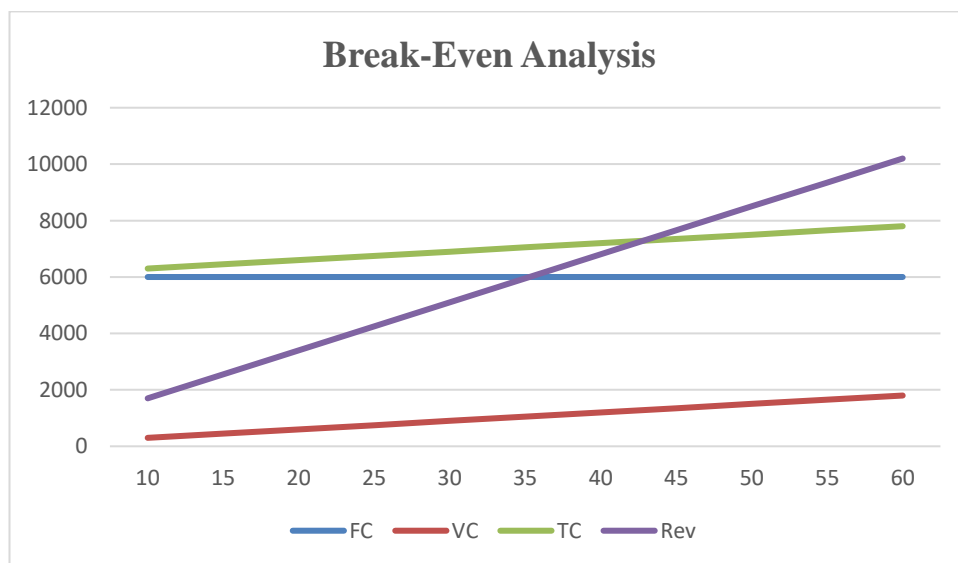
Besides the trends and all the relevant information just mentioned, it is important to give some forecasts about our start-up. We are going to include few details here as the most important statements will be reported in the later chapters. However, I want to show this simple yet important Break-even analysis.

Table 8 – Break-even Analysis

Break Even Analysis	
Monthly Units Break-even	43
Monthly Sales Break-even	€ 7,310.00
Assumptions	
Average Per-unit Revenue	€ 170.00
Average Per-unit Variable Cost	€ 30.00
Estimated Monthly Fixed Costs	€ 6,000.00

Source: Personal excel elaboration

Figure 6 – Break-even Analysis



Source: Personal excel elaboration

The table and the bar-chart illustrate as we need to sell 43 units monthly to break even. This means that within a month we need to sell out our 10 rooms for 5 days only to have a positive revenue at the end of the day.

This analysis shows the potential the hotel has in case we manage to be full for more than 5 days out of 30. Usually, in months like June, July, August and September most hotels of the area are sold out, or at least around 80% of the days, all the units have been sold.

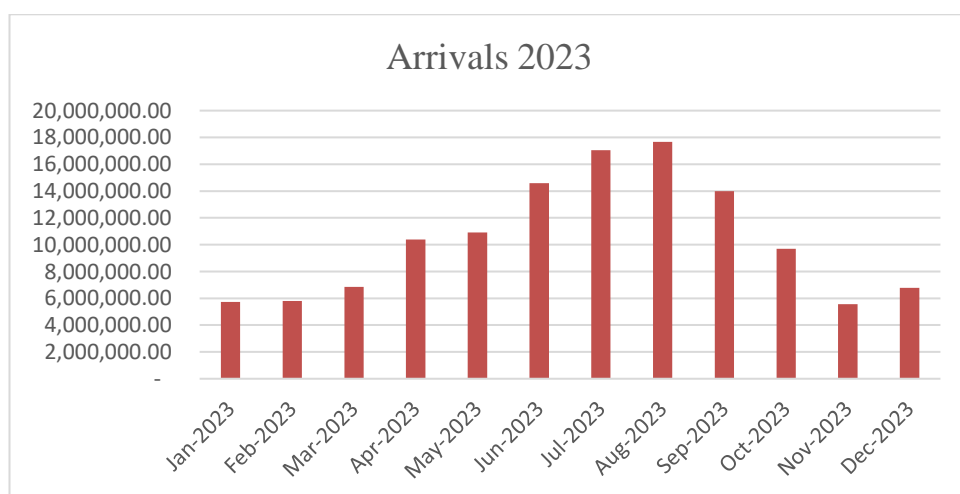
Reported below we have the ISTAT number of all the movement of guests in the collective accommodation establishments by occupancy in the collective tourist accommodation (ISTAT 2023).

Table 9 – Arrivals in Italy 2023

Months	Arrivals
Jan-2023	5,733,962.00
Feb-2023	5,795,595.00
Mar-2023	6,848,069.00
Apr-2023	10,394,229.00
May-2023	10,913,487.00
Jun-2023	14,579,843.00
Jul-2023	17,036,797.00
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TOTAL 2023	125,013,128.00

Source: Personal excel elaboration

Figure 7 – Arrivals in Italy 2023

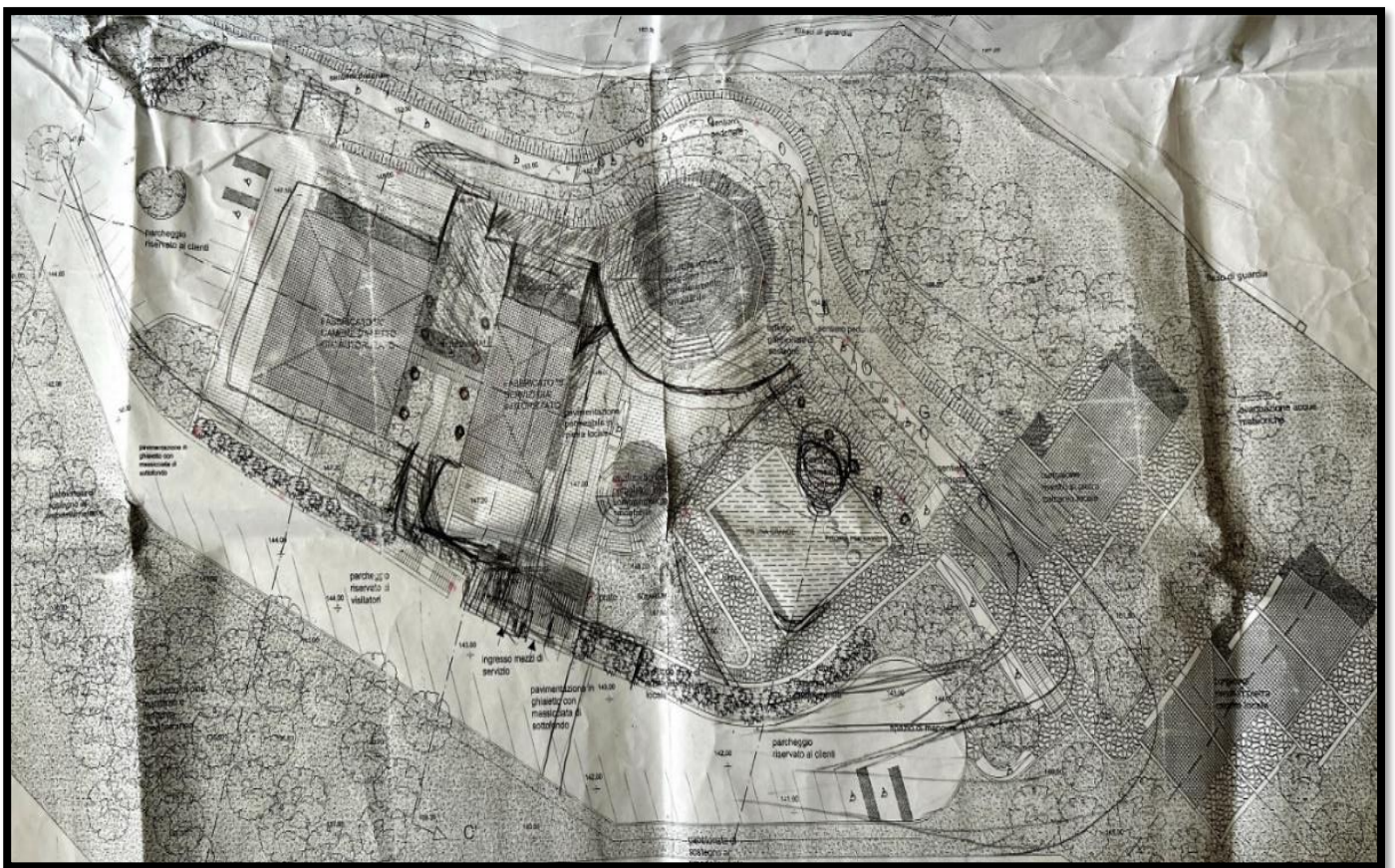


Source: Personal excel elaboration

As illustrated in the graph we can see that the from June to September is when the inflow of tourists reach its peak. This is another relevant information in support of our Break-even analysis and how the demand is more than in enough to sell out the available room for more than 4 days per month.

With the numbers provided above, and the shifts in the accommodations industry because of costumers changing tastes in the way they travel; our business model has all the characteristics to be highly successful. In addition to the above-mentioned data, I would like to go back to the structure itself and the services it is going to provide. Below the project which will go through some changes soon.

Figure 8 – architectural project of Seabreeze



Source: Personal elaboration

Here it is illustrated how the structure looks today. The main building is alry standing, most of the work has been done. The outside has not been implemented yet according to the image you see above, and several changes will be made to the swimming pool and to the gardens around the structure.

The way the hotel come into life is fundamental for our strategy. The design is supposed to be unique as the location of the structure. We are looking into many different hotels who have gained a substantial advantage over their competitors thanks to innovative designs, services, and their exclusive locations.

We are not talking about innovative technology but about the way you feel when you stay at our hotels. For example, many have small yet comfortable hot tubs in their rooms. This is a very appreciated characteristic among customers, yet we want to make it unique and more comfortable by putting a small hot tub on the balcony of every room with a breathtaking view of the sea and the lemon garden. Small details like this make you gain a competitive advantage over your competitors. We want to implement this mindset on every aspect of the hotel so to be unique in everything.

We don't want to be one of a kind in the world, but one of a kind in our area, without exceeding our financial possibilities. The budget will be discussed in the later section of the business plan to show the solidity of this project and all the expenses that we are going to make.

Our first objective is to be sold out at least 50% of the days we are open for the first year and then move to a continuous rate of a minimum of 70%.

We are going to take the Lupaia as an example of how we want to develop our small luxury hotel and the Boutique Hotel Torre Cala Piccola as our main competitor in Monte Argentario.

We will use their financial statements to see what our revenues may look like and to see if we can do better in some areas.

The hotel Lupaia will be our benchmark as we hope to open a similar business as successful as Lupaia is. There are many similarities as they also have an agricultural company surrounding the hotel and they too provide the possibility of hosting events such as weddings and special birthdays. Moreover, the size of the hotel is quite similar as ours is going to have 10 rooms and they have 12 rooms.

According to Small Luxury Hotels Lupaia is the best choice for Tuscany. In the article entitled 5 European destinations for slow travel that Tuscany is the best destination for slow travel in Italy and as Lupaia truly embodies this experiential wave of tourism thanks to their surroundings, the sustainability-focused agricultural company, and the closeness to most historical towns (Lavelle 2023).

Our main objective is to create and merge our sustainable agricultural company to our hotel and being able to reflect our natural style to the infrastructure. It will not require huge amounts of money but just taste and being in tune with the nature we have around us.

In conclusion, we are here for creating value for all our stakeholders. We will be able to illustrate it throughout our 5-Year Business Plan.

2.1 Product or service

According to Sirl Ronald Cohen, entrepreneurs if they are meant to be successful must seek out and take advantage of situations of uncertainty.

If you want to build a thriving business, you have to see beyond today's certainties to tomorrow's uncertainties. You have to look at what is going to next in your field and put yourself in a position to take advantage (Cohen 2008).

This I why we are aiming at this new branch of tourism: experimental tourism. It is fast growing and the supply for this demand is not as big as we may think. We are in a great position to take advantage of this new fast-growing trend.

Tim Berry says that: "a business plan is not the most important single requirement to start a business. It is very important to have in mind the costumers we are going to target and if the product has a true potential to create a business around it".

The followings are very important points we need to keep in mind if we want to develop a winning business plan:

- **Costumers:** The primary requirement for launching a business, perhaps even the sole necessity, is customers. It all begins with acquiring at least one customer.
- **Costumer needs:** Your business must fulfil some type of costumer need to be successful. Sometimes costumers need can be intangible, like security or prestige. Some costumer needs seem frivolous, but they still matter. Make sure there is a market for your service or product. Your business will fail if it doesn't address a costumer need (Berry 2005).

This is why we are focusing on the last shifts in trends in the way costumers travel and how "slow travel" is gaining momentum. We want to meet the latest costumers need in the accommodation industry in the best possible way.

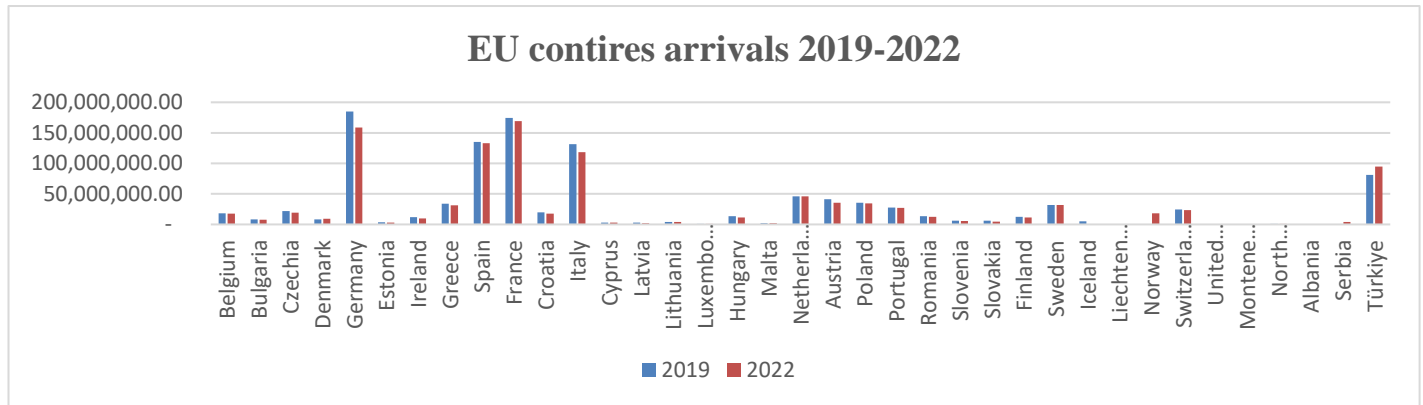
According to Tim Berry we need to start with two simple questions:

1. Does anybody want what I intend to offer?
2. Will they pay money for it?

We start with the counting of the potential customers. In order to show that that the market and our area has a lot of costumers, we are to provide some relevant data that show the size of the market.

We are in the hospitality industry in Italy. It is the 4th largest market in the hospitality industry according to the following graph (Eurostat 2024).

Figure 9 – EU arrivals 2019-2022



Source: Personal excel elaboration

Then we can focus on Tuscany, which is the region where we operate and then see if what are the true potential customers for our business. According to ISTAT numbers this is the market size of 2023 (ISTAT 2023).

Table 10 – Types of accommodation

Type of accommodation	arrivals	nights spent
Total collective accommodation establishments	1,209,035.00	5,757,407.00
Hotels and similar establishments	436,680.00	1,414,782.00
5 stars-5 stars deluxe and 4 stars hotels	159,984.00	464,740.00
3 stars hotels and hotel-tourism residences	241,366.00	835,215.00

Source: Personal excel elaboration

This is the size of the market we are going to penetrate, and we need just a small part of this market in order to be successful.

According to our Break-even analysis we only need to sell 43 units per month to break even. Meaning an average of 86 costumers per month. We say 86 as this I an area where usually people travel in couples, and it is not an area where much business travelling happens.

Therefore, we need to penetrate much less than 1% of the market to start making a profit.

Now we want to focus on the 159,984.00 arrivals and point out that not all of these arrivals are potential customers. As reported above the current demand can be split in two different sections:

- **experiential tourism (slow travel)**
- **Luxury tourism**

As we assumed in the previous chapter most of the tourists coming to this area are slow travellers which is the segment of the market we are targeting.

Market size and the supply of hospitality infrastructure are very few and we are well positioned to have a competitive advantage over competitors who have been active in the market for the past two decades. We know there are very high entry barriers to enter this market as most of the land has already been exploited. More specifically if people are looking for a central location, we only have 3 competitors, and the demand is very high while the supply is limited.

After the above description of the targeted market, it is important to describe the characteristics of our product/service and why it is going to be successful.

We are opening a small luxury hotel of only 10 rooms in an exclusive location in Porto Ercole.

We are targeting mostly couples above 25 years old and we are targeting that fast-growing segment of the market known as “slow travel”.

According to Shiv Mathur, offerings have two types of components or characteristics (Mathur 1997):

- **Outputs:** all those which consciously or subconsciously influence costumers ‘choice.
- **Inputs:** all others.

We are going to focus on the outputs of our product. Mathur makes the following example about an output of a product: “free range eggs command a higher price than battery eggs because costumers believe the hens enjoy more humane conditions”. The free-range label therefore is an output, not an input (Mathur 1997).

In our case, our hotel is very small, and it gives the possibility to be in tune with the surroundings: the sea, the nature on the hill, and even some free-range eggs from our agricultural company.

We aim at quality and not quantity. People can enjoy that true slow life we live here. The location, the view, the free-range products available for breakfast. All these are our outputs that give us a competitive advantage and that will capture the eye of many costumers.

Our hotel will be the first one eco-friendly hotel: we will be 100% autonomous. We have a natural stream of water that will be our water supply and there will be a solar system to give us 90% of the energy needed to run the hotel. Most of the food will come from our agricultural company. It practically has almost a zero impact on the environment. The building is already standing, and we will only have to make some design changes. About the outside, we are designing a great garden with many different, yet typical trees and plants we have here in Tuscany. Nothing will be removed, on the contrary several trees and plants will be added.

We have mentioned several articles above, such as the Wall Street Journal article where it says that: “Rest and relaxation” jumped ahead of having “a fun time” (Pohle and Wolfe 2024).

According to Michael E. Porter Meeting the needs of customers lies at the heart of achieving success in business endeavours. How does this correlate with the notion of industry structural analysis? Indeed, fulfilling buyer needs is essential for the sustainability of both the industry itself and the individual companies operating within it (Porter 1985).

This is why we want to meet all the latest needs of the current costumers. On the other hand, satisfying buyer needs is not sufficient to be considered a successful business. Michael E. Porter goes on saying that: “satisfying buyer needs may be a prerequisite for industry profitability, but it is not sufficient. The crucial question in determining profitability is whether firms can capture the value they create for buyers, or whether this value is competed away to others”. (Porter 1985).

Having a competitive advantage such as differentiation, focus, or cost leadership may be the only way to be a successful business and stay afloat in a competitive industry.

Focusing is distinct from other strategies as it involves selecting a narrow competitive scope within an industry. The focus strategy entails targeting specific segments or groups within the industry and tailoring strategies exclusively to serve them. Through optimization for these target segments, the focuser aims to achieve competitiveness within them, even if lacking a competitive advantage overall.

The focus strategy comprises two variations. In cost focus, a company aims for a cost advantage, whereas in differentiation focus, a company seeks to differentiate itself within its target segment (Porter 1985).

The second strategy is differentiation. With this approach, a company endeavors to stand out within its industry by emphasizing certain dimensions highly valued by customers. It identifies one or more attributes deemed significant by many industry buyers and positions itself uniquely to fulfil those requirements. Its distinctiveness earns it a premium price (Porter 1985).

A company that manages to attain and maintain differentiation will outperform its industry peers if the additional revenue gained from its premium pricing outweighs the extra costs associated with its unique offerings.

Uniqueness drivers represent the fundamental factors behind the distinctiveness of an activity. Without recognizing them, a company cannot effectively devise strategies for generating new forms of differentiation or assess the durability of its current distinctiveness.

The principal uniqueness drivers are the following, ordered approximately in terms of their prominence (Porter 1985):

Policy choices. Firms make policy choices about what activities to perform and how to perform them.

Some typical policy choices that lead to uniqueness include:

- Services provided
- Content of an activity
- Technology employed in performing an activity
- Skill and experience level of personnel employed in an activity, and training provided.

Timing. Uniqueness may result from when a firm began performing an activity. Being the first to adopt a product image, for example, may pre-empt others from doing so and make the firm unique (Porter 1985).

Location. Uniqueness may stem from location.

Interrelationships. The uniqueness of a value activity may stem from sharing it with sister business units. In our case we mentioned as the already existing agricultural company, besides providing a unique surrounding, it is going to provide free-range food to the hotel.

The differentiation is usually costly. A firm must often incur costs to be unique because uniqueness requires that it perform value activities better than competitors. This may be a downside of differentiation in case costs may be too high. In our case it is not going to be an issue. For example, as we said in the interrelationship paragraph, an important element of differentiation will be the collaboration with our agricultural company, and this is going to provide a cost advantage as I will be able to get the products at a much lower price from any other provider. Plus, I will be able to provide a much more superior quality.

A firm creates value for a buyer that justifies a premium price (or preference at an equal price) through two mechanisms (Porter 1985):

- By lowering buyer cost
- By rising buyer performance

We are going to focus on the second point as it applies what we are trying to create. Rising buyer performance will depend on understanding what is desirable performance from the buyer's viewpoint. Thus, the needs of the buyer must be understood, requiring the same analysis as the analysis of buyer value. In order to do so, we need to analyse the buyers' criteria. Buyer purchase criteria can be divided into two types (Porter 1985):

- *Use criteria.* Criteria for purchasing that arise from how a supplier impacts actual buyer value by reducing buyer costs or enhancing buyer performance: these criteria could encompass elements like product quality, product features, delivery speed, and application engineering assistance.
- *Signalling criteria.* Criteria for purchasing that arise from indications of value or methods employed by the buyer to deduce or evaluate a supplier’s actual value. Signalling criteria may involve aspects like promotional efforts, the appeal of facilities, and reputation.

We are working on both criteria as we aim to offer the highest quality, as we made an example about food and about the features we offer with the stay in our hotel. On the other hand, advertising will be important with any possible means, costumers need to be aware of what we offer. Attractiveness of the facility is another major factor we are working on; we know the eye of a costumer when on holiday wants to be pleased and we are working hard doing so. Last, reputation will be key in the long run. When you book a hotel, reviews are the first thing everyone looks at.

Michael Porter goes on providing a great way to identify buyer purchase criteria. The process of identifying buyer purchase criteria should result in a ranking and sorting of purchase criteria such as that reported on in the following Figure, which illustrates purchase criteria for a chocolate confection product (Porter 2004). You will see as it strongly reflects the criteria we are going to use for our hotel.

Figure 10 – Measurability of value

	Use Criteria	Signalling Criteria
End user	Taste Nutritional value Texture Appearance <i>Price</i> Availability Package sizes	Advertising Shelf positioning In-store display Availability
Channels	Speed of Order Processing <i>Channel Margin</i> Reliability of service Promotional support	Frequency of sales Calls

Source: Porter 1985.

As you can see this is a tool provided by Michael Porter that will help us analyse the buyer purchase criteria. If you think about it, this figure provided above for a chocolate product is quite similar for a hotel. Of course, some criteria need to be changed.

With all the emphasis on differentiation, timing, and quality, one might wonder whether costumers still care about price. According to Robert Kaplan and David Norton, one can be assured that whether a business unit is following a low-cost or a differentiation strategy, costumers will always be concerned with the price they pay for the product or service (Kaplan and Norton 1996).

Establishing the appropriate price for your product or service can be challenging. Indeed, pricing is among the most difficult decisions a market faces, largely due to its significant influence on the company's financial performance (Gallo 2015).

Most costumers in most markets (hotel industry included) are price-sensitive, with the general assumption being that lower prices attract more buyers while higher prices deter them. Price elasticity quantifies the extent to which customer demand for a product fluctuates in response to changes in its price.

This metric holds significant importance for marketing managers. Price elasticity serves as a gauge of our performance in this aspect, indicating the effectiveness of marketing efforts in attracting customers. The aim for marketers is to transition their product from a state of relatively elastic demand to one of relatively inelastic demand (Gallo 2015).

La Lupaia, this small hotel close to Montepulciano, managed to reach a relatively inelastic service. It has prices much higher than most “competitors” in the area, yet it is always sold out.

We are trying to reach this kind of results. We have the potential to reach such inelasticity in our prices and the location is as exclusive as Montepulciano.

We can list 4 characteristic that are able to affect price elasticity in the hotel industry:

- *The type of hotel and its location.* This factor plays a fundamental role in determining the elasticity of demand. Exclusive hotel situated in prime locations tend to have a lower price elasticity.
- *Seasonality.* During peak seasons, such as holidays and events, hotels can charge higher price as demand is higher than usual.
- *The availability of substitutes.* Available options are another factor that effects price elasticity.
- *Reputation.* The reputation of the hotel and the level of customer satisfaction also affect price elasticity.

I want to focus on the availability of substitutes as the only other hotel that truly match most of our characteristic is The Boutique Hotel Torre Cala Piccola.

It is important to analyse what can be a true substitute of our hotel and understand if we differentiate somehow from it.

What truly makes the difference from us and The Boutique Hotel Torre Cala Piccola is the space we have around us, the agricultural company, and the size of the room. We offer rooms with small private gardens and a hot tub. This can make the difference specially for customers who stay longer. If you have not a large private space after a while you may start feeling uncomfortable as you are used to living in a bigger space. This is also the reason why some costumers will rent a small flat or a villa if they are planning to stay for more than a week.

In our case we offer much more comfortable private rooms with gardens. This can give us a competitive advantage over The Boutique Hotel Torre Cala Piccola.

On the other hand, we need to consider that we will not have a reputation yet, and we will probably gain a good and slightly solid reputation after a few years of high-quality services for our customers.

Beside The Boutique Hotel Torre Cala Piccola, there is no true substitute for our hotel. Other hotels are much different from us and in most cases, we have a much better location by far.

Protections are essential to survive in any industry. As mentioned above differentiation is our strategy and it is going to provide several protections. The most important protection is our location and the small supply for such a high demand. Every hotel of the area generate generous revenues and we know that there is no other area close enough where new hotels can open and become a threat.

Chapter 2. Competitive Strategy: Differentiation

2.1 Market Analysis

According to Hal Shelton, for many entrepreneurs, this is the most important section, and much time is devoted to developing it. For without demand, there are no sales and there is nothing to account for.

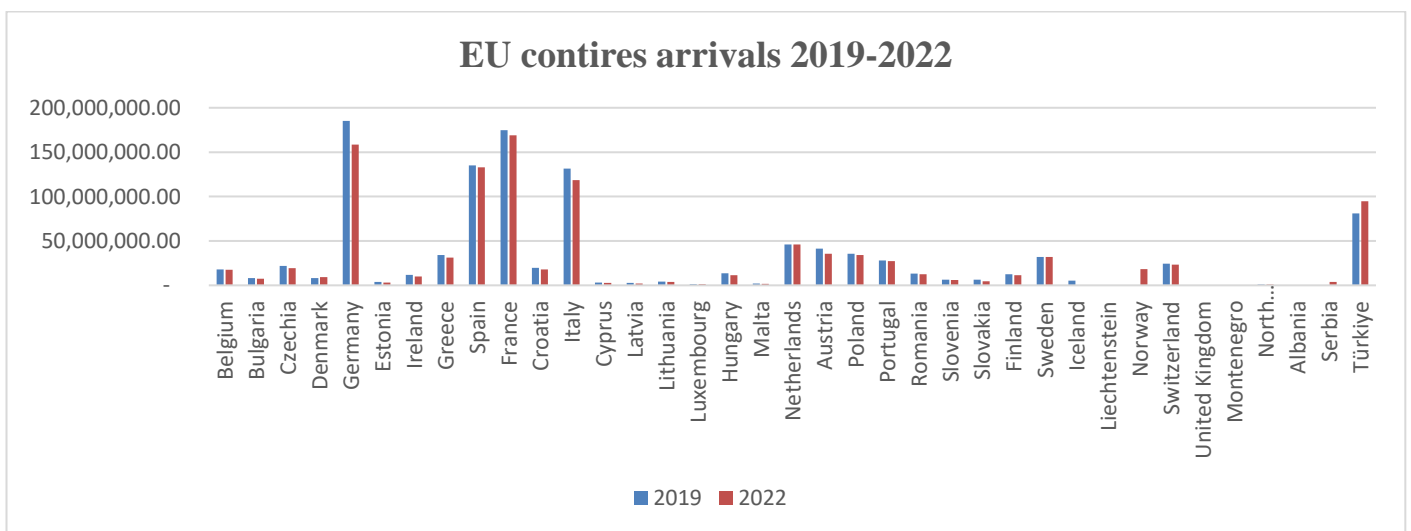
A marketing plan has three principal sections (Shelton 2017):

- 1) Market analysis
- 2) Competitive analysis
- 3) Specific marketing actions

In the introduction above, we have given a picture of the hospitality industry in Italy and more specifically of Tuscany.

In the following graph we see that Italy is the 4th most visited country in the European Union (Eurostat 2023):

Figure 11 – EU arrivals 2019-2022



Source: Personal excel elaboration

Specifically, Tuscany is the 3rd most visited region of Italy, and we are going to focus on the Monte Argentario area, where we will operate.

According to ISTAT these are the arrivals number we had in the province of Grosseto, and most are headed to the Monte Argentario area (ISTAT 2023):

Table 11 – Types of accommodation

Type of accommodation	arrivals	nights spent
Total collective accommodation establishments	1,209,035.00	5,757,407.00
Hotels and similar establishments	436,680.00	1,414,782.00
5 stars-5 stars deluxe and 4 stars hotels	159,984.00	464,740.00
3 stars hotels and hotel-tourism residences	241,366.00	835,215.00

Source: Personal excel elaboration

Of the total arrival only more than 10% choose a 5 stars-5 stars deluxe and 4 stars hotels. Of these 159,984.00 potential customers, around 60% can be classified as slow travellers.

We have narrowed down these numbers to the actual potential customers we are going to target to make our business thrive.

According to Hal Shelton, many start-up entrepreneurs often claim that their business is one-of-a-kind and has no competitors. However, every business face competition. Customers who seek your product or service today likely purchased it or a similar offering from a competitor yesterday. Your objective is to identify these competitors to gain a competitive edge (Shelton 2017).

Table 12 – number of establishments in Monte Argentario

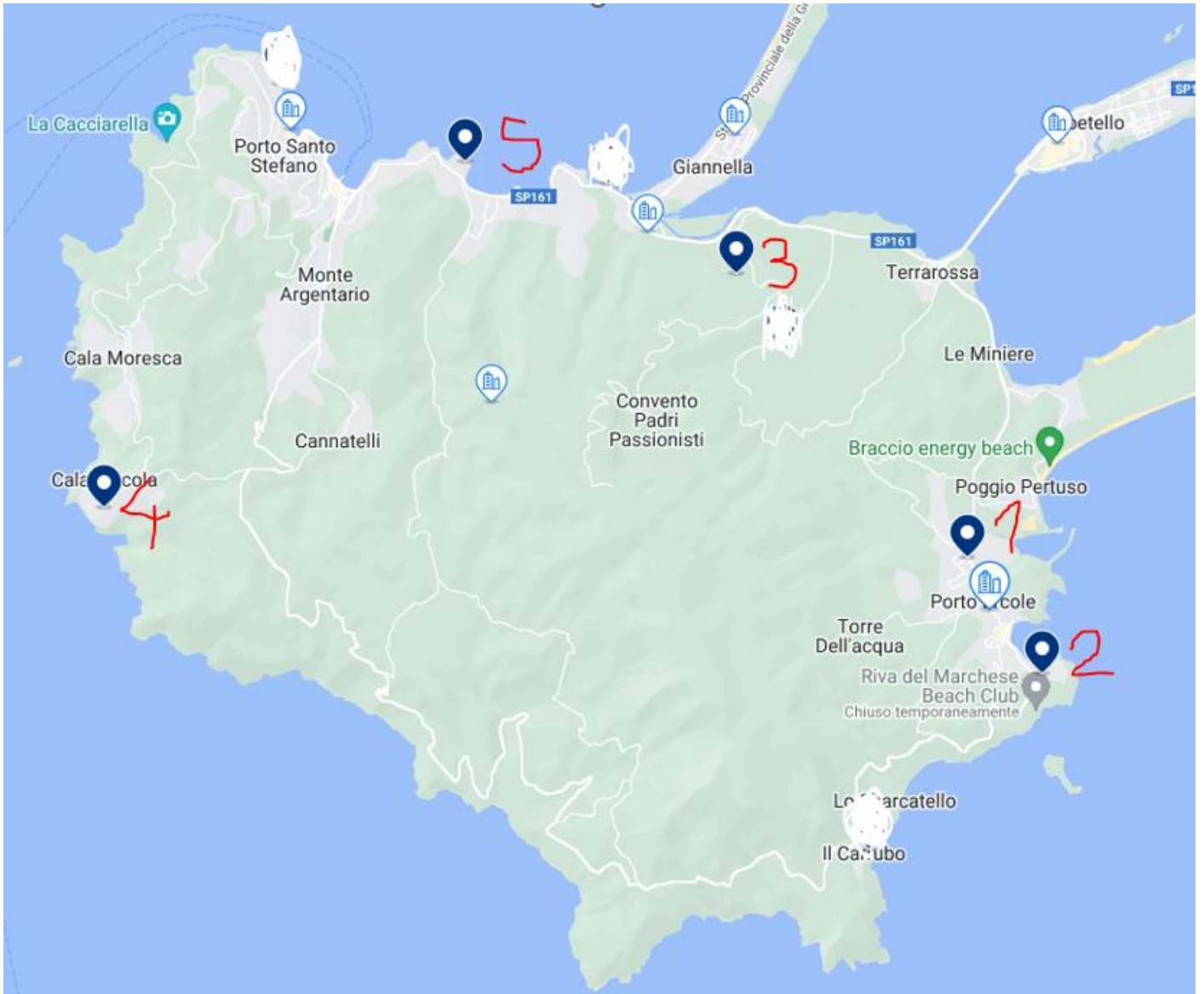
Type of accommodation	number of establishments	bed-places	bedrooms	bathrooms
hotels and similar establishments	20	1326	601	679
5 stars-5 stars deluxe hotels	3	335	158	201
4 stars hotels	3	197	87	99
3 stars hotels	7	369	169	187
2 stars hotels	1	49	17	18
1 star hotels	1	25	15	15
hotel-tourism residences	5	351	155	159

Source: Personal excel elaboration

According to this table we have from 3 to 6 competitors if we address the 5 stars hotels as well.

1. A Point Porto ercole Resort & Spa
2. La Roqqa
3. Argentario Lagoon Resort and Spa
4. Boutique Hotel Torre Di Cala Piccola
5. Mercure Argenatrio Hotel Filippo II

Figure 12 – Map of local competitors




Source: Booking.com 2024

Here We see the location of hotels and we can see that the closer competitors to our locations are Competitor 1 (A Point Porto Ercole Resort & Spa) and competitor 2 (La Roqqa).

These two competitors are very different from one another, and we are going to see their strengths and weaknesses.

Figure 13 – Competitors in Porto Ercole



Colazione inclusa

A Point Porto Ercole Resort & Spa ★★★★★

Genius

Porto Ercole · [Mostra sulla mappa](#) · 0,6 km dal centro

950 m dalla spiaggia


Camera Matrimoniale/Doppia con Letti Singoli con Balcone
Vari tipi di letto

Colazione inclusa

Buono **7,6**
689 recensioni

2 notti, 2 adulti
~~€ 718~~ **€ 585** ⓘ
Include tasse e costi

Vedi disponibilità >



Colazione inclusa

La Roqqa ★★★★★

Porto Ercole · [Mostra sulla mappa](#) · 0,9 km dal centro

350 m dalla spiaggia

Camera Matrimoniale con Balcone
1 letto matrimoniale

Colazione inclusa

✓ **Cancellazione gratuita**

Restano solo 2 camere a questo prezzo sul nostro sito

2 notti, 2 adulti
€ 1.316
Include tasse e costi

Vedi disponibilità >

Source: Booking.com 2024

First, we picked 2 days during the first week of august. It is high season, yet it is not during the weekend and within the two central weeks where the demand is at its highest.

We may start by looking at the substantial price differences between the two competitors. A Point Porto Ercole Resort & Spa has 65 rooms, and it is situated 1 km away from the nearest beach. The location is good in term of position even though there is almost no view of the sea or Porto Ercole from the hotel. This is not going to be a strong competitor as we are different in many ways.

First of all, we have only 10 rooms and we aim at providing a totally different experience from this competitor. Second, the design is not appreciated as we can see in the booking reviews, 7.6 is not a great score. The design might be questionable, and we are going to offer a totally different experience which is going to target slow travellers. This might be considered a hotel that target luxury tourism instead.

La Roqqa can be a much more difficult competitor. The position is perfect as it is practically by the sea, close to the centre of Porto Ercole and the design is more in tune with the environment. This structure can attract both slow travellers and luxury travellers. It has 24 rooms, and it has the space to give the feeling of a much less crowded hotel. The rooms are outstanding, and the view is unique. This is going to be a very hard

competitor. Yet the price is double of the first competitor we were looking at, as it has a strong position and it substantially differentiate from the others, Differentiation gives the possibility to drive prices higher and enhance growth of the business without any sophisticated marketing campaign.

In both cases, we differentiate from both hotels as we have a much bigger open space, nature all around us and still have one of the best positions. Not as centred as La Roqqa but good enough to compete. The agricultural company, the food and the nature around us are going to be our strength.

As mentioned before, competitor number 4, Boutique Hotel Torre Di Cala Piccola is the most similar hotel to ours.

Figure 14 – Boutique Hotel Torre Di Cala Piccola

Boutique Hotel Torre Di Cala Piccola ★★★★★
Favoloso 8,6 (616 recensioni)
Posizione 9,6

Colazione inclusa

Porto Santo Stefano · [Mostra sulla mappa](#) · a 9,1 km da Porto Ercole
300 m dalla spiaggia

Camera Matrimoniale Classic
1 letto matrimoniale
Colazione inclusa
Resta solo 1 camera a questo prezzo sul nostro sito

2 notti, 2 adulti
€ 880
Include tasse e costi

Vedi disponibilità >

Source: Booking.com 2024

As we can see the Hotel is much more appreciated than the competitor A Point Porto Ercole Resort & Spa. The reviews have an average of 8,6 which is substantially higher than 7,6.

They have more than 20 rooms surrounded by nature and a very close beach just 300 meters away. Their position is very good, yet it is not very close to Porto Ercole. In this case even though they might be very similar to our structure and offer similar services, we have a competitive advantage for the position. People can reach the centre by foot from our structure, and this gives us a competitive advantage.

We may conclude this analysis of our competitors by saying that just 2 can be considered direct competitors. La Roqqa and Boutique Hotel Torre Di Cala Piccola. Anyway, we have some differences that can play a big role in this business. Prices are very high and at first it should not be hard to attract new customers with slightly lower prices.

After this comparative analysis, we need to know how to drive traffic to our front door. We need a marketing plan.

Marketing today is more than branding and advertising. It is a multi-dimensional and technical discipline. Consider: the number of marketing technology solutions has been doubling every year, with more than 11,000 in 2023 alone. CEOs without a marketing background — and that describes most of them — must invest in learning, including spending time with their CMOs, to deepen their knowledge of the tools of modern marketing (Brodherson et al., 2024).

Growth is a perpetual business priority. So, it's imperative that CEOs understand how their marketing function and chief marketing officers (CMOs) can contribute to that goal. Few do — and that misalignment can be costly.

How do we know this? Because, with proprietary research and input from the Association of National Advertisers, we surveyed more than 100 marketing leaders and 21 CEOs from a range of industries and from companies of different sizes. We also looked specifically at marketing dynamics in Fortune 500 companies.

The results of this research are clear: Companies that make the decision to put marketing at the core of their growth strategy outperform the competition. Specifically, those who view branding and advertising as a top two growth strategy are twice as likely to see revenue growth of 5% or more than those that don't (67% to 33%) (Brodherson et al., 2024).

A marketing plan is fundamental if we plan to be successful and grow over time. According to Hal Shelton, as we think about which marketing actions steps to take, consider the following strategy-planning questions:

- **Where do potential costumers go for information?** From our market research and analysis, we should know where existing and potential costumers go to get information and recommendations for new products and services (Shelton 2017).
- **Should the focus be on obtaining new costumers or on gaining repeat business from existing customers?** Many businesses calculate that it is less expensive to keep existing customers than to develop new ones. Of course, a start-up has only one choice, but an established business has both options (Shelton 2017). In our case we have only option one, we must develop new costumers for our business.

There are many models of the marketing (sales cycle, sometimes called the buying or selling cycle. One that is quite useful is from Jeanne Rossomme, founder and CEO of Roadmap Marketing, a marketing consulting firm (Shelton 2017).

Figure 15 – Buy cycle



Source: (Shelton 2017).

- 1. Awareness:** In this first step, potential customers know that your company is open for business, and you might have the service/product they are looking for, or more directly, I might have the product or

service that will satisfy costumers needs. They know it from a website, advertisements, through word of mouth, and more (Shelton 2017).

2. **Discovery:** At this phase, potential customers typically learn more about the business, often through website content, social media reviews, literature, or word-of-mouth (Shelton 2017).
3. **Engagement:** In this stage, the potential customer takes action that could potentially lead to a sale, such as visiting my hotel or sending an email with a question. The crucial aspect at this stage is that the potential customer demonstrates interest by engaging in some form of interaction.
4. **Active costumer:** The costumer has purchased my product or service.
5. **Successful costumer:** the costumer makes repeat purchases.
6. **Referrals:** In this concluding phase, customers share positive experiences with your company and recommend your business to others. Essentially, they become your external sales team.

As we select our marketing action items, we need to make sure that we have a variety that focus on costumers on each of the six steps of the buy cycle reported above.

Although some tools may remain consistent, the messaging can vary. For instance, in a direct marketing effort aimed at raising awareness, the goal may be to direct potential customers to your website, whereas for active customers, you might provide a store coupon. Likewise, in a social media campaign, different methods may be utilized for customers at different stages of the buying cycle (Shelton 2017).

These are the items that we are going to use to implement our marketing strategy:

Email marketing.

Email marketing includes direct emails to your customer base, newsletters, surveys, and polls – all items to keep existing costumers engaged.

Affiliates, Distributors, and Referring Partners

Affiliates, distributors, and referring partners include other organizations that you may do business with on an ongoing or specifically contracted basis, such as trade associations, venues for selling your products, or other companies you partner with, and more (Shelton 2017).

- Exhibit at expos and trade associations events. Network and network again to capture relevant email addresses for future contacts.
- Set up a table at craft fairs, art markets, farmers markets, and other venues.

In our case the collaboration with our agricultural company will be of great help and it will open for us many opportunities to promote our small new luxury hotel. Having an already successful and existing business as partner will help us create a big network without expenses.

Website

Numerous businesses require a website, one that is optimized for mobile access, considering that over half of all visits are now through smartphones or tablets. Before enlisting the services of a website designer, it's crucial to grasp the intended actions of visitors upon reaching your website. If your website primarily serves for visibility, containing mostly static information, a cost-effective, generic approach should meet your needs (Shelton 2017).

In our case we may start with the simplest website just to have some visibility and so that people can look at a gallery with all the pictures and with a description of the hotel and all the services we provide.

Ther first few years we will use platforms like Booking.com to make most of the reservation so that it will function as a visibility platform plus we will be able to gather clients and build our customer base much faster. Only after few years and several costumers, we can think about making the reservations on our website.

- List your company in a local information source. This used to be easy as there was just one answer – the Yellow Pages. Now there are many popular and inexpensive opportunities, such as Google, Yahoo, Bing, as well as many other similar search engines.

Social Media

Leverage the various aspects of social media but remember it's a tool aimed at achieving specific outcomes. Brian Moran, from Brian Moran & Associates, suggests utilizing social media for lead generation, customer service, market research, competitor analysis, networking, and PR. Tailor your social media strategy based on your target audience to determine which platforms best suit your business. Each major social media platform—Facebook, Twitter, LinkedIn, Instagram, Pinterest—has its unique user demographics in terms of age, gender, location, and other factors (Shelton 2017).

In our case we are going to focus on Instagram mostly and Facebook as second choice. Instagram is the most used platforms nowadays and it will be our first choice to do some marketing, share stories and posts of our services and views.

Internet Advertising

Word of mouth is often thought of as the best form of marketing, but it does not come free or without effort. How does the chain get started and then maintained?

- Conduct an internet or mass mailing campaign.
- Create and maintain a blog/website. We are going to partner with well-known and successful wedding planners.
- Give discounts for new business.

These will be our strategies for the first two years. We need to create some history, reviews and make a name in the industry. We are confident that our service will be successful in the short and long term.

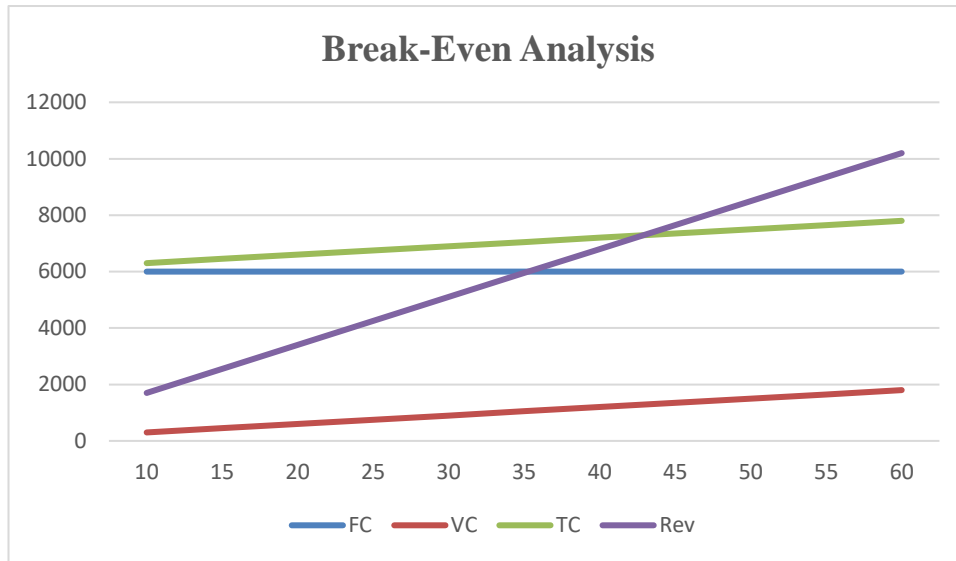
A critical aspect of the marketing strategy involves defining your approach to pricing. Pricing plays a vital role in shaping your brand identity and overall company perception. Entrepreneurs frequently assume that by offering the lowest price due to minimal direct costs and overhead, they can attract customers. However, history has shown that relying solely on low pricing as the primary factor to differentiate your product or service is often an ineffective strategy. Lowest price is frequently connected to low quality (Shelton 2017). We will start with an average price of €170 for the first two years. As reported above this is our break-even analysis.

Table 13 – Break-even Analysis

Break Even Analysis	
Monthly Units Break-even	43
Monthly Sales Break-even	€ 7,310.00
Assumptions	
Average Per-unit Revenue	€ 170.00
Average Per-unit Variable Cost	€ 30.00
Estimated Monthly Fixed Costs	€ 6,000.00

Source: Personal excel elaboration

Figure 16 – Break-even Analysis



Source: Personal excel elaboration

All we need to do is sell 43 units monthly to break even. 43 units means selling 14% of our supply. As we can see the margin is pretty low, and according to Booking.com during the months of May, June, July, August, and September we have an average of 70% of the rooms available in the whole area of Monte Argentario (Booking.com 2024).

This numbers provide us with a bright picture of what our sales numbers are supposed to look like.

Table 14 – average monthly sales

Units	FC	VC	TC	Rev	Net profit	Percentatge of sales
10	€ 6,000.00	€ 300.00	€ 6,300.00	€ 1,700.00	-€ 4,600.00	3.33%
30	€ 6,000.00	€ 900.00	€ 6,900.00	€ 5,100.00	-€ 1,800.00	10.00%
35	€ 6,000.00	€ 1,050.00	€ 7,050.00	€ 5,950.00	-€ 1,100.00	11.67%
40	€ 6,000.00	€ 1,200.00	€ 7,200.00	€ 6,800.00	-€ 400.00	13.33%
45	€ 6,000.00	€ 1,350.00	€ 7,350.00	€ 7,650.00	€ 300.00	15.00%
50	€ 6,000.00	€ 1,500.00	€ 7,500.00	€ 8,500.00	€ 1,000.00	16.67%
55	€ 6,000.00	€ 1,650.00	€ 7,650.00	€ 9,350.00	€ 1,700.00	18.33%
60	€ 6,000.00	€ 1,800.00	€ 7,800.00	€ 10,200.00	€ 2,400.00	20.00%
90	€ 6,000.00	€ 2,700.00	€ 8,700.00	€ 15,300.00	€ 6,600.00	30.00%
120	€ 6,000.00	€ 3,600.00	€ 9,600.00	€ 20,400.00	€ 10,800.00	40.00%
150	€ 6,000.00	€ 4,500.00	€ 10,500.00	€ 25,500.00	€ 15,000.00	50.00%
180	€ 6,000.00	€ 5,400.00	€ 11,400.00	€ 30,600.00	€ 19,200.00	60.00%
210	€ 6,000.00	€ 6,300.00	€ 12,300.00	€ 35,700.00	€ 23,400.00	70.00%
230	€ 6,000.00	€ 6,900.00	€ 12,900.00	€ 39,100.00	€ 26,200.00	76.67%

Source: Personal excel elaboration

2.2 Strategy and Implementation

The tourism industry in Italy is growing substantially every year. Unused buildings are being reclassified as hotels, residences and so on in order to increase the supply and try to meet the growing demand. On the other hand, in some highly touristic areas there is no possibility to increase supply and therefore prices are rising, and the quality of tourism is rising as well.

In our case we are looking at the second scenario, we are situated in Porto Ercole, which is one of the highest touristic areas in Italy. Here the possibility to increase the supply is near to zero, indeed prices have been rising substantially due to the steady increase in demand.

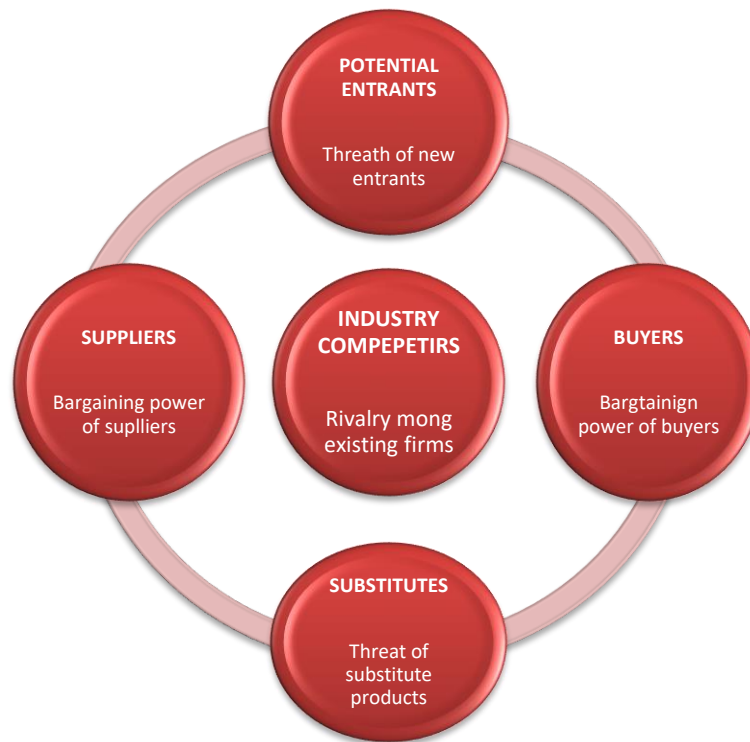
Our location is going to be our main strength. We will be able to enter a virtually closed market thanks to an existing building we owned for the past 20 years.

Beside our location and a market with very high barriers, we need to implement a successful strategy to be profitable.

According to Michael Porter, the core of developing a competitive strategy lies in understanding how a company interacts with its surroundings. While this environment is extensive, spanning social and economic factors, the primary focus is on the industry or industries where the company operates. The structure of the industry significantly shapes the competitive dynamics and the range of strategies open to the firm. External forces beyond the industry matter relatively, as they typically impact all industry players. The key lies in how individual firms navigate and respond to these external influences (Porter 1980).

The level of rivalry within an industry isn't random or a stroke of misfortune. Instead, it stems from the industry's fundamental economic setup and extends far beyond the actions of existing competitors. The competitive landscape within an industry is shaped by five fundamental forces, as depicted in the illustration below.

Figure 17 – Forces Driving Industry Competition



Source: Porter 1980

The combined influence of these forces dictates the overall profit potential within the industry, with profit potential gauged by the long-term return on invested capital (Porter 1980).

The strength of these forces varies, ranging from intense in industries such as tires, paper, and steel—where firms generally don't achieve remarkable returns—to relatively mild in industries like oil-field equipment and services, cosmetics, and toiletries—where high returns are quite typical.

In our case we are looking at an industry where returns are quite high thanks to a limited number of hotels and a great demand for it. We have almost no substitutes and no potential entrants. There are no possibilities to build brand new hotels in Monte Argentario, therefore, supply will remain limited indefinitely.

What prevent new hotels to be build, and threat the existing ones, is the limited space protected areas by the sea and around the parks, it is practically impossible to add new infrastructure of any kind in such area.

I want to point out that this is a phenomenon of some specific areas, it does not apply to the whole hotel industry, but there are highly touristic location where all the possible spot for opening an hotel have been exploited and, in our case this is going to give us a substantial competitive advantage towards many other hotels and location over Italy, plus it is much easier to generate profit in a low competitive environment.

This is what is going to create value for us, the advantage of being exclusive thanks to the location, the limited supply, and the high demand. This scenario gives us the possibility to drive prices higher compared to other locations and thus achieve high profitability.

We described above, as competitive strategy is about taking offensive or defensive actions to create a defensible position in an industry (in our case the hospitality industry), to cope successfully with the five competitive forces and thereby yield superior return on investment for the firm.

Businesses have developed various approaches to accomplish this objective, and the best strategy for a particular company is ultimately a unique framework customized to its specific circumstances. However, at a broad level, three internally consistent generic strategies can be identified (which can be used separately or in combination) to establish a durable position in the long term and outperform competitors in an industry (Porter 1980).

When dealing with the five competitive forces, there are three potentially effective generic strategic approaches to surpassing other companies in an industry:

1. Overall cost leadership
2. Differentiation
3. Focus

Occasionally, a company can effectively pursue multiple strategies as its primary focus, although this scenario is seldom achievable, as we will explore in more detail.

The generic strategies represent methods for surpassing competitors within the industry. In certain industries, the structure might allow all firms to achieve substantial profits, while in others, adopting one of these generic strategies might be essential just to attain satisfactory returns overall (Porter 1980).

We are going to talk about the following generic strategies:

- Differentiation
- Focus

Differentiation

This particular strategy involves distinguishing the firm's product or service offering, developing something that is universally recognized within the industry as distinctive.

If successfully attained, differentiation represents a feasible approach for attaining higher-than-average returns within an industry by establishing a protected position against the five competitive forces.

Differentiation offers protection against competitive rivalry due to customer brand loyalty and reduced-price sensitivity. Additionally, it enhances margins, eliminating the necessity for a low-cost stance.

More frequently, achieving differentiation entails a trade-off with cost position if the activities necessary for its creation are intrinsically expensive, such as extensive research, product design, and the use of high-quality materials and so on.

In our case, we are not going to experience the negative side of differentiation. As mentioned above in the previous chapters, also where we made the comparison with our main competitors, our differentiation strategy will be achieved thanks to our unique location, the collaboration with the agricultural company that not only will provide a beautiful and unique environment around us, but range-free food at lower costs, so we will have much higher quality foods for our breakfast, lunch, dinner and possible events like weddings, but it will be at a lower cost as well.

Moreover, the huge space we have around us will give the chance to create a unique environment, free from disturbing noise and crowded spaces, although we will be very close to the central part of Porto Ercole. Thanks to the space around us we will be able to provide additional services that will help us reach new costumers at the same time. We are talking about Yoga retreats, as we already have a partnership with *AlohaYogaFlow* with over 12,000 followers will be organising yoga retreats at the beginning as well as at the end of the season. This will provide for us new costumers, free marketing, and a new access to a growing market.

Focus

This strategic approach involves concentrating on a specific buyer group, product line segment, or geographic market. Similar to differentiation, focus can manifest in various forms. The entire focus strategy revolves around catering to a particular target exceptionally well, with each operational policy crafted accordingly. The strategy hinges on the belief that by doing so, the firm can serve its narrow strategic target more effectively or efficiently than competitors with broader scopes. Consequently, the firm achieves either differentiation by better addressing the needs of the specific target, cost reduction in serving this target, or both (Porter 1980).

Companies that effectively execute a focus strategy may also attain superior returns within their industry. By directing their efforts toward a specific market segment, the company can either attain a low-cost position, achieve significant differentiation, or both. As elaborated earlier in the context of differentiation, these positions provide defences against competitive forces. Furthermore, focus can be utilized to target segments that are less vulnerable to substitutes or where competitors pose less of a threat (Porter 1980).

We are going to focus on the slow-travel market share, which is growing exponentially, and it represent more than half of the tourism industry. In our case we are trying to achieve both differentiation and focus on some cases, as we reported it above, we are going to focus on Yoga retreats as well during the off season and it is going to provide us with more cashflow and free marketing.

Looking back at the monthly sales forecast, we can see that the monthly average in the Monte Argentario area is 70%. However, the average is calculated on the competitors mentioned above which have a much higher number of rooms. It is much easier for me to sell out 10 room than for A Point Porto Ercole Resort & Spa to sell all 65 rooms during May.

This might be an optimist, yet much more realistic sale forecast for our small luxury hotel.

Table 15 – revisited average monthly sales

Units	FC	VC	TC	Rev	Net profit	Percentage of sales
10	€ 6,000.00	€ 300.00	€ 6,300.00	€ 1,700.00	-€ 4,600.00	3.33%
30	€ 6,000.00	€ 900.00	€ 6,900.00	€ 5,100.00	-€ 1,800.00	10.00%
35	€ 6,000.00	€ 1,050.00	€ 7,050.00	€ 5,950.00	-€ 1,100.00	11.67%
40	€ 6,000.00	€ 1,200.00	€ 7,200.00	€ 6,800.00	-€ 400.00	13.33%
45	€ 6,000.00	€ 1,350.00	€ 7,350.00	€ 7,650.00	€ 300.00	15.00%
50	€ 6,000.00	€ 1,500.00	€ 7,500.00	€ 8,500.00	€ 1,000.00	16.67%
55	€ 6,000.00	€ 1,650.00	€ 7,650.00	€ 9,350.00	€ 1,700.00	18.33%
60	€ 6,000.00	€ 1,800.00	€ 7,800.00	€ 10,200.00	€ 2,400.00	20.00%
90	€ 6,000.00	€ 2,700.00	€ 8,700.00	€ 15,300.00	€ 6,600.00	30.00%
120	€ 6,000.00	€ 3,600.00	€ 9,600.00	€ 20,400.00	€ 10,800.00	40.00%
150	€ 6,000.00	€ 4,500.00	€ 10,500.00	€ 25,500.00	€ 15,000.00	50.00%
180	€ 6,000.00	€ 5,400.00	€ 11,400.00	€ 30,600.00	€ 19,200.00	60.00%
210	€ 6,000.00	€ 6,300.00	€ 12,300.00	€ 35,700.00	€ 23,400.00	70.00%
230	€ 6,000.00	€ 6,900.00	€ 12,900.00	€ 39,100.00	€ 26,200.00	76.67%
240	€ 6,000.00	€ 7,200.00	€ 13,200.00	€ 40,800.00	€ 27,600.00	80.00%
250	€ 6,000.00	€ 7,500.00	€ 13,500.00	€ 42,500.00	€ 29,000.00	83.33%
260	€ 6,000.00	€ 7,800.00	€ 13,800.00	€ 44,200.00	€ 30,400.00	86.67%
270	€ 6,000.00	€ 8,100.00	€ 14,100.00	€ 45,900.00	€ 31,800.00	90.00%
280	€ 6,000.00	€ 8,400.00	€ 14,400.00	€ 47,600.00	€ 33,200.00	93.33%
290	€ 6,000.00	€ 8,700.00	€ 14,700.00	€ 49,300.00	€ 34,600.00	96.67%
300	€ 6,000.00	€ 9,000.00	€ 15,000.00	€ 51,000.00	€ 36,000.00	100.00%

Source: Personal excel elaboration

These forecast sales can be applied to our company due to the smaller supply compared to most of the competitors of the area.

Achieve around 100% capacity in July or August is what our competitors do with a much larger number of rooms. On the other hand, we will be the only ones to provide Yoga retreats in the area, and the only one with enough space to do so properly. Therefore, I strongly believe that our monthly average sales can be around 90%.

The strategies combined to the above-mentioned marketing plan should be able to achieve at least the number of sales mentioned in the reported average monthly sales. We set the price to a competitive number, €170 and we are still deciding if it is too low. We may drive up the average price to €220 – 230 but this is a decision we will take at the end of the restructuring, when our hotel is about open, and we can see if the prices have been risen again or not.

Our marketing plan is going to play a huge role in our success, we are counting on the following tools to reach as many costumers of our market share as we can:

- 1. Email marketing.**
- 2. Affiliates, Distributors, and Referring Partners**
- 3. Website**
- 4. Social Media**
- 5. Internet Advertising**

Moreover, we are going to heavily rely on the Yoga retreats as a very good form of marketing. The *AlohaYogaFlow* has a very big platform with over 12,000 costumers/followers, we will be directly collaborating with the founder of the company, and it is going to be a successful collaboration for us in order to acquire new costumers as fast as we can.

Overall, the outlook is looking good, we have very low costs and the potential to achieve high returns and become a unique, costumer-loyal company in the first few years.

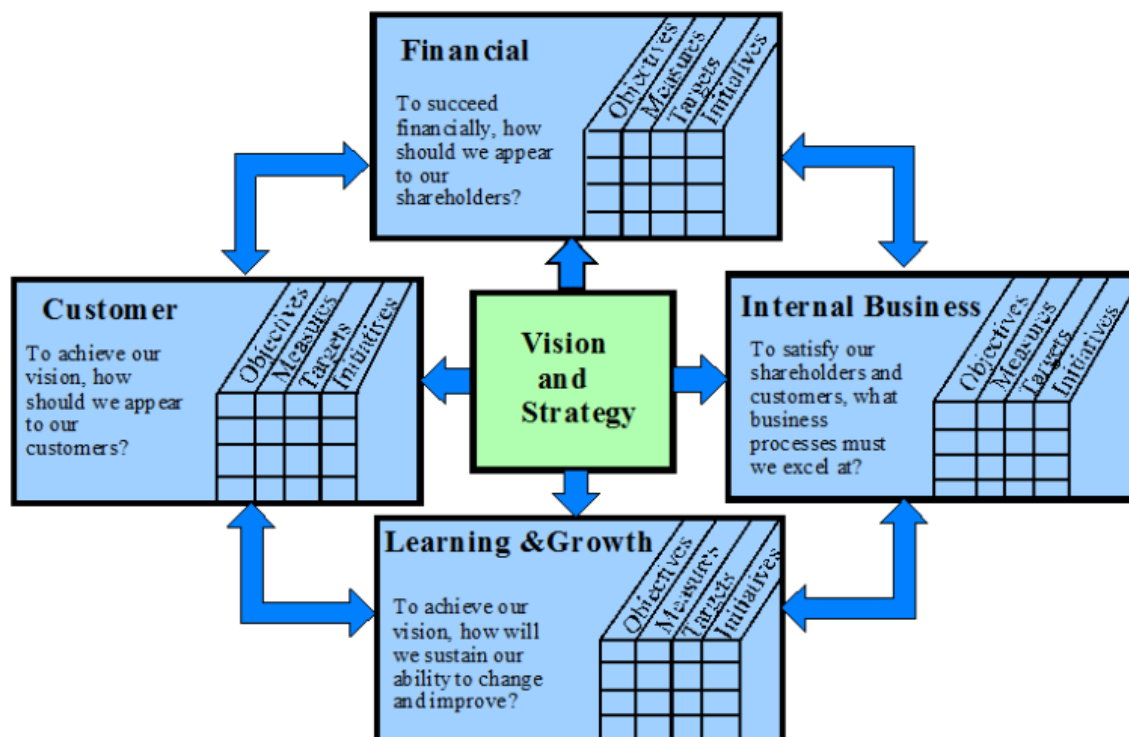
2.3 Management Team

The Balanced Scorecard enhances traditional financial metrics by incorporating indicators of future performance drivers. Rooted in an organization's vision and strategy, its objectives and metrics span four key perspectives: financial, customer, internal business process, and learning and growth (Kaplan and Norton 1996).

The Balanced Scorecard broadens the spectrum of business unit objectives beyond mere financial metrics. This allows corporate executives to gauge how their business units contribute to the value delivered to both present and prospective customers. Additionally, it sheds light on the internal improvements required to bolster future performance, encompassing investments in personnel, systems, and processes. Ultimately, the Balanced Scorecard captures the critical value-creation activities steered by capable, driven organizational stakeholders (Kaplan and Norton 1996).

We will use this process for the evaluation of our marketing plans and the collaboration with *AlohaYogaFlow*. It is important to understand what tools, among the above mentioned in our marketing plan will give us the access to most new potential customers. I strongly believe that the collaboration with *AlohaYogaFlow* will play a big role in our marketing plan.

Figure 18 – The Balance Scorecard Provides a Framework to Translate a Strategy into Operational Terms



Source: Kaplan and Norton 1996

We are going to focus only on the following perspectives:

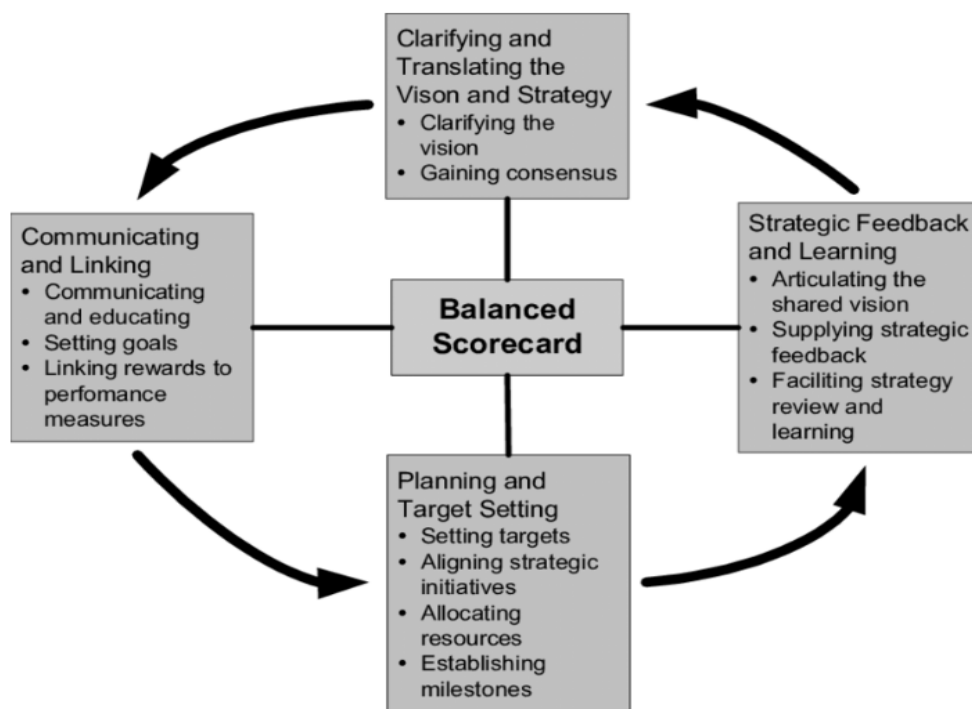
- Customer
- Learning & Growth
- Internal Business

We will talk about the financial perspective in next chapter, now we are going to focus only on the managerial perspective.

The Balanced Scorecard transcends being merely a tactical or operational measurement system. Forward-thinking companies are leveraging it as a strategic management system to oversee their strategy in the long term (see Figure 18). They are using the measurement focus of the scorecard to accomplish critical management processes (Kaplan and Norton 1996):

1. Clarify and translate vision and strategy.
2. Communicate and link strategic objectives and measures.
3. Plan, set targets, and align strategic initiatives.
4. Enhance strategic feedback and learning.

Figure 19 – The Balance Scorecard as a Strategic Framework for Action



Source: Kaplan and Norton 1996

The scorecard process commences with the senior executive management team collaborating to articulate their business unit's strategy into concrete strategic objectives. While establishing financial targets, the team deliberates on whether to prioritize revenue and market expansion, profitability, or cash flow generation. Particularly concerning the customer perspective, the management team must be precise regarding the customer and market segments in which they have opted to compete (Kaplan and Norton 1996).

Once financial and customer objectives are set, an organization proceeds to delineate the objectives and metrics for its internal business processes.

The identification of such processes stands as a significant innovation and advantage of the balanced scorecard methodology. Conventional performance measurement systems, even those incorporating numerous non-financial metrics, concentrate on enhancing the cost, quality, and cycle times of existing operations. In contrast, the balanced scorecard underscores the pivotal processes essential for delivering exceptional value to customers and shareholders. Frequently, this identification unveils entirely novel internal processes that the organization must excel at to realize the objectives of its strategy (Kaplan and Norton 1996).

After seeing the importance of measurement and management in the information age, I want to focus on our management structure.

Our management philosophy is based on responsibility and mutual respect. People who work at Seabreeze want to work in our company because of the environment and the culture we have, to encourage creativity, achievement, and the wellbeing of all our staff.

The team includes 7 employees. Our main divisions are Sales & Administration and Marketing.

Francesco, Founder and Director: 32 years old, founded Seabreeze and our agricultural company named Golden fruits. He started the agricultural company several years ago and it is already generating great revenues and it will give a unique competitive advantage to Seabreeze.

Daniela, Administrator: 45 years old, she worked as a manager for many different boutique hotels around Italy, all with great revenues and high returns for the shareholders. She has a lot of experience in start-ups like ours, as this is not her first experience and a brand-new hotel. She will give us that experience and push toward success that we need.

Giuseppe, Administrator: 62 years old, he is a lawyer with a background in accounting, he will make sure that we will comply with all the possible request of the municipality and take advantage of all the possible new laws to expand our structure. He will take care of the internal accounting, sale forecast and expenses.

Riccardo, Maintainer: 48 years old, he has many years of experience as a plumber and mason, he will take care of all the small things we have to fix during the year. It will be very important for us, as during the season he will also take care of the transportation of the costumers to the train station, and the gardening part as well.

Alessandra, waitress/breakfast cook: 39 years old, she will take care of the breakfast and all the preparation as well. It is a small hotel with a maximum of 20 costumers, and one experienced person like her should be enough. Part of the breakfast will be prepared in advanced, and her job will be mostly to take care of the costumers during breakfast time.

Romina, clean lady: 42 years old, she will take care of the cleaning service in the rooms.

Marie, 37 years old, she will take care of the marketing, as she is the founder of **AlohaYogaFlow**. She will be working mostly from abroad. She has more than 5 years of experience in marketing in the movie industry and she has 10 years of experience as a Yoga teacher. She is doing very well with her company and has a platform with over 12,000 people. It will be a huge platform for us to present our product and the services we will be able to provide during the Yoga retreats.

Table 16 – Personnel Plan

Personnel Plan	2025	2026	2027
Sales & Admionistration			
Founder and Director	€ -	€ -	€ -
Administrator	€ -	€ -	€ -
Administrator	€ -	€ -	€ -
Marketing			
Marketing manager	€ 500.00	€ 500.00	€ 500.00
Founder and Director	€ -	€ -	€ -
Personnel			
Waitress	€ 1,200.00	€ 1,200.00	€ 1,200.00
Clean Lady	€ 1,200.00	€ 1,200.00	€ 1,200.00
Mantainer	€ 1,600.00	€ 1,600.00	€ 1,600.00
Total	€ 4,500.00	€ 4,500.00	€ 4,500.00

Source: Personal excel elaboration

In the reported table, we have all the amounts paid monthly. The sale and administration department does not receive any salary at the moment, as they are the shareholders and founder of Seabreeze. We will have to carefully decide if it is more convenient to receive a salary or not. It will be Giuseppe to make the final decision after a throughout analysis.

After this short summary of the management team, it is important for us to focus on our plan and set targets. We are going to focus on the sales target we have here on the following table:

Table 17 – revisited average monthly sales

Units	FC	VC	TC	Rev	Net profit	Percentage of sales
10	€ 6,000.00	€ 300.00	€ 6,300.00	€ 1,700.00	-€ 4,600.00	3.33%
30	€ 6,000.00	€ 900.00	€ 6,900.00	€ 5,100.00	-€ 1,800.00	10.00%
35	€ 6,000.00	€ 1,050.00	€ 7,050.00	€ 5,950.00	-€ 1,100.00	11.67%
40	€ 6,000.00	€ 1,200.00	€ 7,200.00	€ 6,800.00	-€ 400.00	13.33%
45	€ 6,000.00	€ 1,350.00	€ 7,350.00	€ 7,650.00	€ 300.00	15.00%
50	€ 6,000.00	€ 1,500.00	€ 7,500.00	€ 8,500.00	€ 1,000.00	16.67%
55	€ 6,000.00	€ 1,650.00	€ 7,650.00	€ 9,350.00	€ 1,700.00	18.33%
60	€ 6,000.00	€ 1,800.00	€ 7,800.00	€ 10,200.00	€ 2,400.00	20.00%
90	€ 6,000.00	€ 2,700.00	€ 8,700.00	€ 15,300.00	€ 6,600.00	30.00%
120	€ 6,000.00	€ 3,600.00	€ 9,600.00	€ 20,400.00	€ 10,800.00	40.00%
150	€ 6,000.00	€ 4,500.00	€ 10,500.00	€ 25,500.00	€ 15,000.00	50.00%
180	€ 6,000.00	€ 5,400.00	€ 11,400.00	€ 30,600.00	€ 19,200.00	60.00%
210	€ 6,000.00	€ 6,300.00	€ 12,300.00	€ 35,700.00	€ 23,400.00	70.00%
230	€ 6,000.00	€ 6,900.00	€ 12,900.00	€ 39,100.00	€ 26,200.00	76.67%
240	€ 6,000.00	€ 7,200.00	€ 13,200.00	€ 40,800.00	€ 27,600.00	80.00%
250	€ 6,000.00	€ 7,500.00	€ 13,500.00	€ 42,500.00	€ 29,000.00	83.33%
260	€ 6,000.00	€ 7,800.00	€ 13,800.00	€ 44,200.00	€ 30,400.00	86.67%
270	€ 6,000.00	€ 8,100.00	€ 14,100.00	€ 45,900.00	€ 31,800.00	90.00%
280	€ 6,000.00	€ 8,400.00	€ 14,400.00	€ 47,600.00	€ 33,200.00	93.33%
290	€ 6,000.00	€ 8,700.00	€ 14,700.00	€ 49,300.00	€ 34,600.00	96.67%
300	€ 6,000.00	€ 9,000.00	€ 15,000.00	€ 51,000.00	€ 36,000.00	100.00%

Source: Personal excel elaboration

Thanks to our partnership with Marie and her experience in the marketing sector, we plan to reach 70% sales of our supply in our first and second year to then reach a number much closer to 90% from the third year. This will consolidate our position in the first 3 years and give us already a competitive position and a large number of costumers to be able to boost our profit by rising the prices as our competitors are already doing.

Chapter 3. Financial Outlook

3.1 Financial Analysis

In this section we want to clearly represent the financial outlook of our start-up during the first 5 business years.

We want to explain how we estimated the costs, what are the major costs, and the revenues we think we will be generating during these years. The first year will be the most important as we have to include the capital expenditure to start our business, and it is going to generate a negative income statement and a negative cash flow statement.

Financial objective can differ considerably at each stage of a business's life cycle. Business strategy theory suggests several different strategies that business units can follow, ranging from aggressive market share growth down to consolidation, exit, and liquidation. For simplification purposes, we identify just three stages (Kaplan and Norton 1996):

- Growth
- Sustain
- Harvest

We will be focusing on growth as it is what interests us the most. *Growth* businesses are in the early stages of their life cycle, boasting products or services with substantial growth prospects. To capitalize on this potential, they often need to allocate substantial resources towards developing and improving new products and services, expanding production facilities, enhancing operational capabilities, investing in systems, infrastructure, and distribution networks to facilitate global relationships, and fostering and nurturing customer relationships. Businesses in the growth stage might operate with negative cash flows and low current returns on invested capital as they prioritize investment for future growth over immediate profitability.

Investments directed towards the future may outstrip the cash currently generated by the limited range of existing products, services, and customers. For growth-stage businesses, the overarching financial objective will be achieving percentage growth rates in revenues and sales growth rates in targeted markets, customer groups, and regions (Kaplan and Norton 1996).

In the second phase, businesses enter the sustain stage, where they continue to attract investment and reinvestment but are mandated to generate exceptional returns on invested capital. These businesses are anticipated to sustain their current market share and potentially augment it incrementally each year.

Investment endeavours will prioritize tasks such as alleviating bottlenecks, expanding capacity, and fostering continuous improvement, as opposed to the longer payback and growth-oriented investments characteristic of the growth period (Kaplan and Norton 1996).

In the sustain stage, the majority of businesses typically prioritize financial objectives linked to profitability. This objective can be articulated through measures associated with accounting income, such as operating income and gross margin.

We have seen the two stage we are going to go through in the next 5 years. We will focus mostly on the growth stage as for at least the first 3 years we are going to be in the growth stage. Let's focus on the forecasted income statement for the next 5 years.

Table 18 – Income Statements Assumptions

INCOME STATEMENT	2025	2026	2027	2028	2029
Sales	€ 178,500.00	€ 178,500.00	€ 178,500.00	€ 229,500.00	€ 229,500.00
COGS	-€ 61,500.00	-€ 61,500.00	-€ 61,500.00	-€ 70,500.00	-€ 70,500.00
Gross Profit	€ 117,000.00	€ 117,000.00	€ 117,000.00	€ 159,000.00	€ 159,000.00
Capex	-€ 250,000.00	€ -	€ -	€ -	€ -
Expenses	-€ 2,000.00	-€ 500.00	-€ 500.00	-€ 500.00	-€ 500.00
EBT	-€ 135,000.00	€ 116,500.00	€ 116,500.00	€ 158,500.00	€ 158,500.00
Taxes	€ 37,800.00	-€ 32,620.00	-€ 32,620.00	-€ 44,380.00	-€ 44,380.00
Net Profit	-€ 97,200.00	€ 83,880.00	€ 83,880.00	€ 114,120.00	€ 114,120.00

Source: Personal excel elaboration

As illustrated above, this is what we think our income statement will look like in the next 5 years. The first year it is going to be negative as we have a capital expenditure of €250,000.00. We are counting on an average of 70% of sales monthly to generate such profits in the second and third year. In the fourth year we are counting on reaching the target of 90% of the rooms sold monthly. This will give us the chance to generate more profit. Of course, we are starting from a competitive price, and we are sure we can increase revenues with a new Pricing strategy.

According to Kaplan, revenue growth, in more mature businesses, may be realised by rising prices on products and services (Kaplan and Norton 1996).

In the third year as mentioned above we were planning on opening a small restaurant unit able to host highly remunerative events, such as weddings. This has not been included in the income statement and will not be included in the cash flow statement, because we will be able to make a precise analysis on the second year at least. This will be our expansion plan, to bust revenues once we have reached our above-mentioned goals in the Income statement.

Let's now take a look at what our cash flow statement will look like in first 5 years of our business.

Table 19 – Cash Flow Statement Assumptions

Projected Cash Flow	2026	2027	2028	2029	2030
Net Profit	-€ 97,200.00	€ 83,880.00	€ 83,880.00	€ 114,120.00	€ 114,120.00
Operating Cash Flow	-€ 97,200.00	€ 83,880.00	€ 83,880.00	€ 114,120.00	€ 114,120.00
Investments	-€ 4,500.00	-€ 6,000.00	-€ 7,000.00	-€ 4,000.00	-€ 7,000.00
Cash available	-€ 101,700.00	€ 77,880.00	€ 76,880.00	€ 110,120.00	€ 107,120.00

Source: Personal excel elaboration

This is what our cash flow statements would look like if we were not to make the investment in the restaurant unit as we discussed above. In case we are going to make this investment in 2028 this is how our cash flow would change.

Table 20 – Cash Flow Statement Assumptions variation

Projected Cash Flow	2026	2027	2028	2029	2030
Net Profit	-€ 101,700.00	€ 77,880.00	€ 76,880.00	€ 110,120.00	€ 107,120.00
Operating Cash Flow	-€ 101,700.00	€ 77,880.00	€ 76,880.00	€ 110,120.00	€ 107,120.00
Investments	-€ 4,500.00	-€ 6,000.00	-€ 157,000.00	-€ 4,000.00	-€ 7,000.00
Cash available	-€ 106,200.00	€ 71,880.00	-€ 80,120.00	€ 106,120.00	€ 100,120.00

Source: Personal excel elaboration

This is how it would affect our cash flow statement in 2028. It is not going to increase our revenues right away. We expect that this is going to impact on our income statement in 2029 or 20230 at least. Putting our hotel as the perfect wedding venue is not going to sell as easy as with our rooms. It takes more time, and it is

a completely different business. Sometimes hotels and wedding venues are strictly related as there are many hotels which generate much more revenues from events than from the “core” business: rooms.

We do not want to give any figure regarding the wedding events business as we still need to make several analyses and there might be the need for a totally different Business Plan.

We believe that this might be a winning move once we have a much stronger position on the market as we are not going to need to make huge investments, yet the revenues might be outstanding. This investment is worth the risk.

As we have generated different outlooks, I would like to focus on the first one, the much simpler one. We see that we are going to generate a certain amount that for a family run business it is quite outstanding as we strongly think that we will be generating revenues from the second year already.

Closing Statement

I want to start the closing statement of this business plan by quoting what Cassa Depositi e Prestiti (CDP) reported on their survey. They showed that Italy is the most desired destination in the world, and that it is the 4th most visited country in Europe, with a number of arrivals very close to the other top 3. This gives us a good overview of the industry we will be part of.

Moreover, beside entering a very good industry, with a consistently growing market, we are going to be in one of the most exclusive locations in Italy.

Demand is constantly growing, while the supply in most exclusive location stays the same. For instance, In Monter Argentario like in many other small yet exclusive locations, there is no more possibility to expand the number of hotels or any other kind of hospitality infrastructures.

Therefore, the barriers are too high for any new entrants, we are in a very good position and the competition is not enough to drive us out of market.

We have seen the figures of our Break-Even Analysis, where we can observe that we only need to sell 43 units, meaning slightly less than 15% of our monthly supply. This is positive analysis for our business, as our competitor usually sell at least 70% of their supply monthly.

We are going to focus on differentiation, this will be our winning strategy as we have a unique product able to provide unique services of the highest quality.

As pointed above, our location is much better than most of our competitors, we are very central, yet we have a vast outside space that our competitors do not have. We will be collaborating with our agricultural able to provide the best high-quality food, free-range, at the lowest price.

We will be focusing on experiential tourism, which is growing at a very high pace and with our services and location we will be able to meet all their possible needs.

We will be collaborating with *AlohaYogaFlow*, which will give us a competitive advantage over our competitors as we are the only one able to host Yoga retreats, thanks to our unique location, the outside space, and this amazing relationship with this other beautiful company.

AlohaYogaFlow will play huge role in our marketing strategy. It has 12,000 followers/customers who will be able to associate these beautiful experiences to our small luxury hotel in Italy. This will make our brand grow and it will give the possibility to many potential new customers to see our small luxury hotel.

We believe that our business and our strategy will be highly profitable with a possibility to expand our activities even further once we will be known to the market.

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