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TOURISM ENTREPRENEURSHIP

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INTRODUCTION

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In a rapidly changing socio-economic and socio-cultural environment, entrepreneurs have gained significance in the field of economic growth. Entrepreneurship is one of the most important segments of economic growth which always looks for higher achievements and plays an important role in personal, economic and human development. An entrepreneur, if properly trained and developed, is an important participant in the process of economic development and is capable of inspiring confidence in people. The tourism industry is one of the industry's which can employ a large number of people, thus, entrepreneurship in tourism, becomes even more significant.

A person who invests his resources to perform an economic activity is an entrepreneur. Entrepreneurs share certain common characteristics that include ability to work hard, desire to succeed, innovativeness, risk-taking and a vision. It is common to associate the process of entrepreneurship with uncertainty, especially when introducing something that does not have a market yet. Therefore, an entrepreneur needs to be able to seize the right business opportunity after proper research, planning and with sufficient financial backing. In India, there are various support agencies and institutions that offer start-up entrepreneurs with financial assistance, technology and information. A 'tourism entrepreneur' may be defined as a person or a group of persons producing and managing tourism products. In this process the entrepreneur must have the commonly prescribed entrepreneurial traits along with service sector specialties. This book, *Tourism Entrepreneurship*, discusses all aspects of entrepreneurship in the tourism industry.

This book is written with the distance learning student in mind. It is presented in a user-friendly format using a clear, lucid language. Each unit contains an Introduction and a list of Objectives to prepare the student for what to expect in the text. At the end of each unit are a Summary and a list of Key Words, to aid in recollection of concepts learnt. All units contain Self-Assessment Questions and Exercises, and strategically placed Check Your Progress questions so the student can keep track of what has been discussed.

BLOCK I
BASICS OF TOURISM ENTREPRENEURSHIP

*Entrepreneur and
Entrepreneurship*

**UNIT 1 ENTREPRENEUR AND
ENTREPRENEURSHIP**

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1.0 INTRODUCTION

An entrepreneur is a person who undertakes the risk of starting a new business venture. Entrepreneurs create a firm to realise their idea, known as entrepreneurship, which aggregates capital and labour in order to produce goods or services for profit. Entrepreneurship can be understood as the concept of developing and managing a business venture in order to gain profit by taking several risks in the corporate world. This unit aims to discuss the motivations behind becoming an entrepreneur and running an entrepreneurial venture.

Entrepreneurship has the ability to improve the standard of living and create wealth, not only for the entrepreneurs but also for related businesses. Entrepreneurs also help drive change with innovation, where new and improved products enable new markets to be developed. Entrepreneurship is influenced by four distinct factors: economic development, culture, technological development and education. In this unit, we will also evaluate the environment conducive for running a successful enterprise.

1.1 OBJECTIVES

After going through this unit, you will be able to:

- Define entrepreneurship
- Discuss the various conditions for the success of an entrepreneurial venture
- Evaluate the motivations behind becoming an entrepreneur

*Self-Instructional
Material*

- Examine the environment for running a successful enterprise
- Analyze the role and importance of various socio-cultural, political, ethical and natural factors in entrepreneurship

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1.2 ENTREPRENEURSHIP: DEFINITION AND THEORIES

Entrepreneurship is defined as the competence and readiness to grow, systematise and run a business enterprise, along with numerous of its reservations to generate profit. The most significant example of entrepreneurship is to initiate a new business.

In economics, entrepreneurship is related with property, labour, natural resources and capital which can generate profit. Entrepreneurial visualisation is defined by discovery and risk-taking, and is an indispensable part of a nation's capability to attain something in an ever-changing and competitive global marketplace.

Meaning of Entrepreneur

An entrepreneur is an individual who has the ability and robust ambition to establish, administer and achieve something in a start-up venture—along with the probable threat related to it—to gain profits. The best example of entrepreneurship is founding a new business venture. Entrepreneurs are frequently recognised as a basis of fresh ideas or innovators, and bring new ideas in the market by replacing the existing one with an innovative invention.

An entrepreneurial venture can refer to a trivial/home business or a multinational corporate. In economics, the profits that entrepreneurs earn are an amalgamation of property, natural resources, labour and capital.

Briefly, anyone who has the willpower and zeal to initiate a new organization and can deal with every possible and probable risk in that particular area can become an entrepreneur.

Types of Entrepreneurship

Entrepreneurship can be classified into the following four categories:

1. Small Business Entrepreneurship

These kinds of businesses for example are hairstylist, grocery store, adviser, plumber, carpenter, electrical mechanic, etc. These entrepreneurs own and run their enterprises, and also involve their family members or local employees. For them, the generated profit should be sufficient enough to support their family. Their intention is not to make millions or acquire an industry. They raise their initial fund for their business by borrowing small amount of money from friends and family as business loans.

2. Scalable Start-up Entrepreneurship

This type of start-up entrepreneur initiates a business by recognising that their visualisation of idea can change the world. They attract investors who have confidence in them and encourage individuals who consider out of the box. The research distillates on an ascendable business and experimental models, and that is the reason, they employ the best and the brightest applicants as employees. They necessitate more project capital to promote and support their project or business. Software development organizations are an example of a scalable start-up entrepreneurship.

3. Large Company Entrepreneurship

These large organizations have a discrete life cycle. Most of these organizations mature and sustain by spawning fresh and innovative items/products that rotate around their major items/products list. The renovation in the areas of technology, customer preferences, various competition, etc., initiate force for large organizations to produce an innovative item/product and deliver it to the new set of clients/customers in the market. To deal with rushed technological modifications, the existing organizations either obtain innovation enterprises or attempt to accumulate the item/product internally.

4. Social Entrepreneurship

This type of entrepreneurship primarily concentrates on creating product and services that are connected to social requirements and concerns. Their sole motto and goal is to work for the society and not to gain any profits.

1.2.1 Characteristics of Entrepreneurship

The various characteristics of entrepreneurship are discussed below:

- **Risk-Taking Ability:** Initiating any new business includes a realistic amount of failure risk. Therefore, an entrepreneur should be courageous enough and should be able to assess and accept risks, which is certainly an essential part of being an entrepreneur.
- **Innovative State of Mind:** Entrepreneurs should be tremendously innovative to generate new ideas, create a company and generate profits out of it. Need for variation can lead to launching an innovative item/product that is different from the ones available in the market or a process that performs the identical function but in a more diverse, effectual and economical method.
- **Visionary and Leadership:** To be prosperous, the entrepreneur should certainly possess an obvious vision of his/her new venture. However, to convert the idea into reality, a huge amount of resources and employees are required. Here, leadership quality is ultimate as leaders impart and direct their employees towards the precise path, thus generating success.

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- **Open-Mindedness:** In an enterprise, each condition or situation can be an instance or prospect, which can be used for generating profit for the organization. For instance, Paytm (a Noida-based Indian e-commerce payment system and financial technology company) understood the requirement and importance of online transactions during demonetisation and exploited the situation extending enormously during this period.
- **Flexibility:** An entrepreneur should be extremely flexible and should be open to alteration with respect to any kind of adverse situation. To be on the pinnacle, an entrepreneur should be ready to grip change in an item/product and service, as and when required.
- **Product Knowledge:** An entrepreneur should be acquainted with the product offerings and also be aware of the latest drift in the market. It is essential to recognise if the available product or service addresses the requirements of the current market or whether it is time to change the product marginally. Being able to be accountable and then regulate as essential is a major part of entrepreneurship.

Significance of Entrepreneurship

- **Employment Creation:** Entrepreneurship spawns employment. It offers an entry-level employment, which is certainly essential for collecting experience and training for individuals without much experience.
- **Core of Innovation:** It is the midpoint of innovation, which starts new product ventures, market, technology and quality of items, etc., and boosts the standard of living.
- **Impact on the Society and Community Development:** A vast and diversified employment base benefits the society. It certainly brings out variations in society in decent terms and authorises facilities, such as greater expenditure on education, improved hygiene, fewer slums and a superior level of homeownership. Therefore, entrepreneurship definitely assists the society in attaining a stable and higher worth of community life.
- **Enhancement in the Standard of Living:** Entrepreneurship also improves the standard of living of an individual by growing their financial income. The standard of living can be defined as increment in the utilisation of numerous items and services by a household for a precise period of time.
- **Research in the Area of Supports and Development:** New products and services definitely necessitate researching and testing before their introduction in the market. Therefore, an entrepreneur also spends money for research and development. It is normally done via research institutions and universities. This procedure progresses research, general construction and progress in the economy.
- **Create Change:** Entrepreneurs dream large. Hence, some of their ideas possess major changes, world-wide. They might create a new item/product

that resolves a burning issue or accept the challenge to explore something that never existed earlier. Many aim to construct a better world with their products, ideas/opinions or businesses.

- **Entrepreneurs Add to National Income:** Entrepreneurship certainly generates new wealth in the economy. Innovative ideas and improved items/products or services from entrepreneurs permit and influences the growth of new markets and new wealth.

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Why People Become Entrepreneurs

Every entrepreneur has their own ‘reason’ that pushed them into being their own boss. Whether entrepreneurs require additional freedom or to initiate an impact, they all take control of their life by living life on their own terms.

Here are a few of the reasons why an individual becomes an entrepreneur:

- **Change the World:** Many entrepreneurs struggle to make a better world. Whether entrepreneurs consider in-space exploration, eliminating poverty or fabricating a practical but game-changing item/product, they eventually construct a brand in service of others. Some entrepreneurs use their business as a way to raise capital quickly to funnel into their noble reasons.
- **Pride and Creative Freedom:** Entrepreneurs often find it challenging having a boss. They might sense suffocation and hold back. Some entrepreneurs may also feel that they have a more improved and effective way of performing things. Others may not accept the lack of creative freedom. This leads them towards entrepreneurship to succeed on their own terms.
- **Flexible Working Hours:** Entrepreneurship is well-liked by those who require flexible working hours. For example, many individuals with disabilities certainly take pleasure in entrepreneurship, as it permits them to work when they are able to. Students get the flexibility to work around their mandate schedules and course loads.
- **Flexibility in Working Space:** Along with flexibility in working hours, entrepreneurship is trendy among those who do not want to be tied down to an exact location. Entrepreneurs may not opt to work from the same place every single day, as this can get boring quickly.
- **Job Security:** Many find a path into entrepreneurship when they fail to get a job of their choice. Instead of being defeated by the challenging and adverse situations, they create their own opportunities for themselves. A new graduate might start an online site to improve their resume. A parent who got laid off in the pandemic situation might initiate a business to make sure they can carry on supporting their family while maintaining a roof over their heads.

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- **Escape from Static Corporate Environment:** Entrepreneurs often say that static corporate environment limits their growth. You can easily identify an entrepreneur in a corporate environment as they are normally trying to gain more control in their role and better understand how everything fits together.
- **Curiosity:** Entrepreneurs are always trying to find out the answer to the question, ‘what will happen if...’ They are certainly experimental and love to learn. They recurrently read business books/journals to improve and advance their knowledge. Hence naturally, entrepreneurship appeals to them as performing permits them to gain the most knowledge in a small amount of time. Their curiosity consents to their continued improvement.
- **Ambition:** Those who like achieving complicated goals and milestones are made to be entrepreneurs. Since there is no boundary to what they can attain, entrepreneurs continually discover their projects growing better and bigger than they ever anticipated. When obstructions come up, they find the workaround to their goals. They are inexorable.

Entrepreneurship Ideas

As a start-up entrepreneur, there are a variety of ideas you can pursue based on the business skills you already possess and what you are willing to learn.

Here are a handful of business ideas to start an entrepreneurial venture:

- E-commerce store owner
- Freelancer (blogger, accountant, designer)
- Teaching (online courses, author)
- App creator (chatbots, social media apps)
- Service-based businesses (food delivery, cleaning, dog walking)
- Consultant-based businesses (wedding planner, life coach)
- Apartment rentals (Airbnb)
- Marketing businesses (influencer marketing, Search Engine Optimization [SEO] brands, PR firms)
- Affiliate marketing (Amazon affiliate, Clickbank, etc.)
- Blogger (product reviews, niche blog, magazine)
- Vlogger (YouTube channel, Twitch)
- Flipper (domain name, website, house)
- Translator
- Gig Economy (driver, Fiverr)
- Real estate agent (condos, houses, commercial)

- Photographer (product photography, sell photos)
- Stock broker (buying and selling stocks)
- Tutor
- Website flipper
- Business reseller

NOTES

Check Your Progress

1. Define entrepreneurship.
2. What do you understand by small business entrepreneurship?
3. List any two characteristics of entrepreneurship.

1.3 ENTREPRENEURSHIP ENVIRONMENT

According to Jarod Kintz, ‘entrepreneurs adopt the ways of the adept and adapt to a changing environment. Actually, entrepreneurs are more entrepreneurs, because they are forever entering into new territory.’

While according to Peter Drucker, ‘Entrepreneurship rests on a theory of economy and society. The theory sees change as normal and indeed as healthy. And it sees the major task in society—and especially in the economy—as doing something different rather than doing better what is already being done. That is basically what Say, 200 years ago, meant when he coined the term entrepreneur. It was intended as a manifesto and as a declaration of dissent: the entrepreneur upsets and disorganizes. As Joseph Schumpeter formulated it, his task is “creative destruction”.’

Socio–Economic Environment

Socio-economic environment has a significant effect on entrepreneurial actions and an entrepreneur’s achievement. Entrepreneurial action depends upon a multifaceted and varying amalgamation of socio-economic, psychological and supplementary aspects. In developing nations, lesser level of income, consumption, savings necessity and employment subsists. Hence entrepreneurs take into account all these elements while recognizing their economic actions. Similarly, restraints enforced by finance and physical policy of the government also impact business enterprises. Other factors such as economic conditions, economic system and structure of economy also influence the actions of entrepreneurship. Social environment comprises values, religion, customs, attitude, education and ambitions, and it certainly influences the growth of entrepreneurship. An entrepreneur must take into account the objects, values, interests and welfare of the society to build up their appearance in the society. Hence, socio-economic environment has an enormous role in entrepreneurial growth.

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1. Economic Environment

One of the significant factors influencing and affecting entrepreneurship is economic environment. It exercises nearly all direct and instantaneous influence on entrepreneurship. Economic environment is characteristically intricate, speedily changing, indeterminate and not smoothly manageable. Hence, its study becomes very significant. Economic environment mainly comprises the economic system, economic conditions, economic policies, state of a variety of resources and facilities, such as capital, raw materials and infrastructure, predominant within a specific country. Economic conditions definitely play a noteworthy role in the formation of stratifying business policies. For instance, the level of income, consumption, savings, employment and demand in a developing nation is lesser in comparison to developed nations. Preserving all these factors, an entrepreneur makes decisions based on the economic happenings. Similarly, if the interest rates are improved, the funds essential for investment may turn out to be pricier. Yet again, business tax policies can also affect some enterprises for development, diversification or modernisation programmers. Export promotion schemes announced by the government may be a lodestone for numerous fresh entrepreneurs to establish their ventures. The inspiration of these economic factors may differ from venture to venture, depending on their internal environment. The significant elements of economic environment and their influences are as follows:

- **Economic System:** Economic system of a country might be socialist, democratic, capitalist or mixed. Economic system ascertains the nature and scope of entrepreneurship. It also affects the mobilisation of resources. In a capitalist system, entrepreneurships are developed swiftly; however, a socialist economy generates obstruction in the way of entrepreneurship. Entrepreneurs can work autonomously in the capitalist economy, which is seldom possible in a socialist economy.
- **Economic Conditions:** Economic condition of a country (developed, developing or underdeveloped) also has a significant impact on the nature of entrepreneurship. In a developed economy, entrepreneurs usually undertake innovative activities for existence and development. However, in developing and underdeveloped countries, entrepreneurs do not take ample consideration in innovative activities as entrepreneurs usually face numerous hurdles and challenges due to the state of economic development.
- **Structure of Economy:** Various economic factors, such as national income, rate of capital formation, rate of investment, development of capital market, saving and foreign trade, are the major foundation of an economy. The productive growth of these factors may encourage entrepreneurship.
- **Trade Cycles:** The cycle of inflation and deflation spawns various confronts and challenges in the advancement and expansion of entrepreneurship. Modifications in major economic variables such as income, cost of living, interest rates, savings and credit availability, have an instantaneous impact on the working of an enterprise.

- **Prevailing Economic Policies and Laws:** Governments endorse a range of laws to regularise the business environment. Economic policies, such as industrial policies, licensing policies, monetary policies and import–export policies have a considerable impact on entrepreneurship activities. Company law, banking law, foreign exchange law and other laws pertaining to the industry also influence the business environment. Constructive economic policies and laws support the development of entrepreneurship.
- **Financial Resources:** Sufficient funds are required for bringing together additional factors of production. It also encourages innovations and institution of new things. Lack of obligatory capital for industrial activities may delay and also discourage entrepreneurs.
- **Formation of Human Capital:** Formation of human capital is the process of enhancing knowledge, working skills and the capabilities of all individuals associated in productive activities. The stumpy level of education, knowledge and competence of labour may inhibit adverse materialisation of entrepreneurship.
- **Production Resources:** Bringing in a variety of production resources, such as raw material, machines and equipment, and power technical labour affects the growing of an enterprise and risk-takers. Other variables such as labour expectations, existing wage rates, productivity and labour union activities also affect the growth of entrepreneurship.
- **Market, Prices and Competition:** In the modern competitive environment, every entrepreneur needs to have up-to-date knowledge in terms of market and its numerous marketing techniques, the size and composition of market and price range of products. The place of competing institutions certainly influences the existence and growth of entrepreneurship.

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2. Social Environment

Social environment has a sturdy effect on entrepreneurial behaviour, making contributions to entrepreneurial boom. Social surroundings include the values, attitudes, ideals, customs, religion and behaviour of the people. Rich and developing social environment encourage the improvement of entrepreneurship whereas traditional and orthodox social environment places encumbrance within the way of entrepreneurship improvement. The impact of social surroundings on the entrepreneurship development can be classified as follows:

- **Customs and Religious Traditions:** Customs, spiritual beliefs, religion and ideologies affect entrepreneurial growth. Certain religious traditions or beliefs might not be conducive to entrepreneurship, while some may inhibit such prospects. People are reluctant work difficult or do something new. They remain happy with the present.
- **Family Background:** Family environment affects entrepreneurship as well. Joint families can provide family resources to make investments and amplify

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their family owned commercial enterprise. If the discern is a professional, entrepreneur or businessman, the son/daughter is more likely to enter the identical line because of certain inherent mindset. Mobility of the entrepreneur is surely inspired with the aid of the occupational and social popularity of the circle of relatives. For instance, a father/mother who is a health practitioner might always like their son/daughter to grow to be a medical doctor.

- **Desire for Improvement and Protection of Status:** The desire for development and safety of repute, forces humans to behave responsibly. Humans work very tough to uphold and enhance their function and it contributes to entrepreneurial enlargement.
- **Social Mobility and Social Marginality:** Excessive degree of mobility is conducive for the materialization of entrepreneurship. Social marginality also has a significant impact on entrepreneurship.
- **Values:** Values are basic and fundamental beliefs that guide or motivate attitudes or actions. They help us to determine what is important to us. The impact of values is recognised in the approaches in which entrepreneurs shape their business organizations and execute their business plans.
- **Attitude towards Changes and Risk-Taking:** Entrepreneurs' attitude towards dealing with risks and changes affects the entrepreneurial venture as well. In the competitive business environment that exists today, those who are willing to risk position themselves as leaders, while others get left behind.
- **Work Ethics:** Work ethics refer to a set of values centered on importance of work and manifested by determination or desire to work hard. The Japanese are known for their commitment towards intense work ethics.
- **Educational and Technical Know How:** Training, entrepreneurship and improvement are interconnected. Schooling is the best manner of growing humans' resourcefulness, which includes diverse value of entrepreneurship. High level of training may additionally facilitate the entrepreneurs to work out their entrepreneurial talent more successfully and efficaciously.

Consequently, an entrepreneur will fail to be successful without thinking of the social objects, values, pursuits and welfare. This category of social awareness augments the icon of enterprise business enterprise.

Political Impact of Entrepreneurship

In the modern society, politics can be defined as the behaviour and systems that have a direct impact on how power and authority are distributed and exercised. From a business point of view, alteration in these machinations can concern the kismet of a company in various different ways, irrespective of the size or reach. Here are some of the more common ways that politics can create ripples:

1. Taxation

The most noticeable effect is in the form of modification in areas of laws and regulations that affect your business. Taxes, in particular, can have an enormous consequence on your overhead and profit margins. In most democratic countries, changes in government certainly introduce significant regulatory changes in relation to taxation, with these changes often hinging on the political ideologies of the party in power. For instance, the Republican Party in the US and the Conservative Party in the UK are a clear illustration of parties who favour tax cuts as an initiative in supporting businesses growth. Donald Trump's election in the US has resulted in some of the biggest tax cuts in living history, which, of course, is immense news for enterprises in that region.

However, this works both ways, of course. If you stay in a region where the governing party has implemented high corporate tax rates and offered little incentive for small business owners, then you might want to consider moving your company elsewhere.

2. Regulations and Compliance

Besides taxes, governments also have the authority to change laws related to other aspects of business operations, such as environmental sustainability, social responsibility and labour laws. An increase in compliance regulations can certainly influence the overall ease of performing business. Governments often commence these changes in response to disruptions that crop up in the other segments of what is known as the PESTLE framework. For example, global warming has become a primary social and political topic in recent years. Governments across the world are imposing stricter emission standards, which affect the way automakers design and produce their vehicles. This, in turn, can have a collision on supply chains and other supporting businesses as well. Even more relevant from a business viewpoint are changes relating to compliance, specifically with respect to financial reporting and auditing. An excellent example of this is the Dodd-Frank Wall Street Reform and Consumer Protection Act, passed in the US in 2010 by Barack Obama as a response to the 2008 financial crisis. Designed in recklessness to preserve financial stability, it was targeted by critics who expected that it would make US firms less competitive. Subsequently, it was revoked in 2018 by the Trump administration, demonstrating how the political will of the day can sternly impact day-to-day business operations one way or the other.

3. Political Climate

While changes in taxation and laws can have an optimistic impact, divergences in the overall political climate are typically pessimistic. Sweeping political restructuring can concern businesses in various ways, specifically in regions experiencing substantial social turbulence.

A major example of this would be present-day Venezuela. As a consequence of growing anger at the ruling regime, the country is encountering extensive civil

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unrest; the economy has tanked, and hitherto flourishing businesses are unable to stay alive under such situation. Similar stories can be viewed playing out in other areas, such as Afghanistan, Yemen, Haiti and several African nations, where series of political catastrophe, violence and general unsteadiness have made it virtually unfeasible for businesses to flourish and investment to turn up.

Why Is the Political Environment so Challenging?

Perhaps the prime issue with political factors is that they are often impulsive. Take Brexit, for example. When then-UK Prime Minister David Cameron announced an EU membership referendum as a source of appeasing fringe, Eurosceptics within his party, hardly raised an eyebrow. Since the vote to leave, however, the succeeding indecision has been noteworthy for both British and EU-based enterprises. Despite recurring cautions from business bodies that political indecisiveness is affecting the companies' capability to function successfully, business owners are being forced to make contingency plans at a large cost. When you are a business owner, these situations can be especially annoying. While you can look for to be proactive, rather than reactive, you can't sufficiently arrange for the unknown.

Domestic vs International Implications of Politics on Business

Another challenge is the global environment of modern business. We live in an interconnected world where even SMEs have global supply chains; gone are the days when business owners had to compete only with transformation in the domestic politics. Unless a war or an oil crisis was on the agenda, international disagreements had a comparatively minor impact on smaller businesses, especially when compared to the current day. Now, however, it is not just the multinationals that are impacted by changes in the status quo in international associations. Such moves take no prisoners when it comes to business—regardless of sector or size—with the mushrooming trade war between China and the US a case in point. Given the bottomless business and trade ties between these two superpowers, various sectors are being impacted, including farming, retail and technology. Multinational enterprises, such as Apple and Huawei, may be the most high-profile fatalities of this, but innumerable smaller enterprises with supply chains in China are also feeling the sprain. This exemplifies how international politics can require entrepreneur to either redesign their business model or cease trading.

Why Enterprises Are Not Entirely Powerless

It is not all disaster and darkness, though. Entrepreneurs and business people are not completely powerless, especially in contemporary democracies. Pressure groups and lobbying are the two conducts in which democracy deals with feedback between politics and business. Political parties need the support of businesses—especially influential enterprises—in the form of various kinds of contributions.

A pertinent example of this is India's emerging retail sector. With the current arrival of foremost online brands, such as Amazon, there has been a predictably unfavourable effect on small-scale retail enterprises in the country. However, by organizing and establishing their presence as a dependable supporter, these traders were able to influence the government to make key changes to its e-commerce policy, successfully curtailing the giant players. There is always protection in numbers in business; therefore, taking decisions to unite an influential representative organization can work in your favour when the winds of change blow.

Ultimately, as a business owner, the political environment is just one of the numerous change factors that you are going to have to deal with. There is no way to insure your organization completely against adversity in this context.

Social and Cultural Factors Affecting Entrepreneurship

Social and cultural aspects affecting business include belief systems and practices, customs, traditions and behaviours of all individuals in a country, fashion trends and market activities influencing actions and decisions. Socio-cultural viewpoint is one of the most significant factor influencing decision of marketing managers and tactical aims of organizations entering new foreign markets. It should be taken into consideration that legal factors influencing and affecting a business are also to be considered as one of the major socio-cultural factors that can impact organizations. Appropriate identification of this aspect during strategic analysis (PEST analysis, STEEP analysis, SWOT analysis, TOWS analysis) could lead to better strategic alignment of company to society (during international development).

Some of the social factors affecting business are discussed below:

- Social classes and their influence on the society;
- Average disposable income level;
- Wealth of people;
- Economic inequalities;
- Education;
- Access to education (free, paid);
- Level and access to health-care;
- Health consciousness in society (smoking, drinking, drug use, safe driving);
- Buying habits and consumer preferences;
- Average retirement age (for men and women);
- Personality of average consumer;
- Reputation of company in society;
- Conflicts within society;

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- Susceptibility to influence;
- Social organizations (communities, social groups, gangs, ad-hoc gatherings); and
- Uncertainty avoidance dominating in society.

Cultural Factors Affecting Entrepreneurship

Cultural factors affecting entrepreneurship include:

- Fashion trends;
- Lifestyle;
- Social media influence (blogging) vs traditional media (press, TV, radio);
- Dominant communication technology in social groups;
- Participation in cultural events;
- Willingness to pay for tickets;
- Popular actors' styles design forms, etc.;
- Creativity;
- Relative population of local (folk) artists vs global imported culture; and
- Various other determinants of culture.

Socio-cultural factors and demography

The following socio-cultural factors have a significant impact on entrepreneurship:

- Population growth rate;
- Birth control regulations and incentives;
- Age distribution;
- Life expectancy rate;
- Gender ratio;
- Average family size and family structure;
- Relative influence of minorities in society;
- Immigration rate;
- Emigration rate; and
- Social diversity (income, education, race, gender).

Beliefs and Value Systems within Society

A society's beliefs and value systems also hold a significant value in affecting an entrepreneurial venture. Some of these factors include:

- Majority and minority religions;
- Influence of religious leaders on social behaviours;

- Role of religion as a binding/dividing factor in society;
- Dominant beliefs in society;
- Eating habits connected with religion;
- Belief in superstitions (Friday the 13th, 13th floor in buildings) and myths;
- Role of science in relation to religion; and
- Traditions during holidays.

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Common Attitudes in Society

A society's attitude towards the following areas also affect an entrepreneurial venture:

- Saving money and investing in banks;
- Ecological products recycling, global warming etc.;
- Renewable energy sources (green products);
- Imported products and services, and foreign investments;
- Possibility of development in career;
- Leisure and retirement;
- Learning and self-development;
- Safety (police, military, etc.) and privacy;
- Ethical/unethical behaviours and corporate social responsibility; and
- Management practices (negotiation business activities).

Technological Factors Connected to Information Revolution

Some of the technological factors that affect entrepreneurship include:

- Rapid development of fact communication networks;
- Growing efficiency of computer systems (processor speed, database and memory capacity);
- Global reach of information about a company and its competitors;
- New web 2.0 (and newer) technology supporting dynamic communication with customers;
- New IT security challenges (encryption certificates, SSL, HTTPS);
- Internet infrastructure (fibre optics, Internet speed availability, mobile capabilities);
- Internet banking and shopping;
- Distribution of non-material goods over Internet;
- Social media influence on marketing;
- SEO activities;
- Capabilities of CRM systems;
- Information system security based on ISO 27001.

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Legislation of Technological Processes

- Privacy laws concerned with customer privacy and data security
- Patents law and intellectual property legislation
- Cybercrime protection data protection cyber security laws
- Government spending on technological research
- Government actions in areas of education and training of highly competent engineers and technology users
- Regulations concerning licensing of technologies
- Regulations concerning online money transfer offshore accounts and protection against competitive technologies from abroad

Technological Advances in Production Systems and Logistics

Production systems and logistics have gained significantly from technological advancements in these areas. These advances have opened new possibilities for businesses. Some of the developments are as follows:

- New machinery and services;
- Equipment;
- Research and development software (CAD/CAM and CIM simulation software);
- Environment-friendly technologies (less energy consumption and less waste);
- Reduced need for manual labour (automation and robotisation);
- Better productivity speed of work and accuracy;
- Smart technologies (Internet of Things);
- Cooperation with scientific institutions, allowing faster implementation of innovative product and technological ideas; and
- Lowering of health hazards for workers.

It is worth noting that although technological advances have brought in many changes in industries; however, these advancements also come with their fair share of challenges. Shorter life cycles of technology increase cost of updating of machinery, and new generations of equipment could be incompatible with old, leading to higher costs of service due to lack of spare parts.

Technological advances in Business Process Management

Technological advances have transformed business processes and operations; some of the significant advances include:

- Business Process Model and Notation (BPMN) software;
- Work-flow software (simulation and optimisation of complex business processes), allowing reduction of operational bottlenecks;

- MRP, ERP and other types of integrated IT systems;
- Technological capabilities logistics network, enabling outsourcing of production to other countries;
- Supply chain capabilities of producers and suppliers, allowing easy integration of complex processes and faster delivery speeds;
- New transport routes and means (better quality and cost efficiency of transport);
- Possibility to retain organizational knowledge in IT supported knowledge bases; and
- Technological forces used in area of organizational development.

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Challenges Associated with Technological Advancements

Technological innovation promotes growth and development and has a definitive impact on entrepreneurship. The following are a few challenges associated with technological advancements:

- Carbon footprint of used technology;
- Energy requirements for technological processes;
- Availability of technologies for emission reduction (chemical-filled smoke ash and particles);
- Possibility of waste and components recycling;
- Technology used for mining and acquiring of other natural resources;
- Competitive advantage of new clean technologies (opportunity to differentiate from competitors);
- Capital requirements for eco-friendly technologies;
- Scientific research in areas of ecosystems and clean technologies;
- Equipment for handling and moving waste products and hazardous materials; and
- Environmental risk assessment and prevention in production processes.

Ethical factor in Area of Business Communication

Some of the factors that affect the ethical behaviour at work include:

- Proper marketing techniques, telling the truth about products and services;
- Informing customers, employees and partners about the company's mission, statement and goals;
- Respecting religious and social values of employees, customers and partners;
- Negligence in informing shareholders about the company's situation, and managerial ethics; and

- Insider trading, hiding information about mergers, acquisitions and investments.

Ecological Laws and Regulations

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The ecological laws and regulations affecting an entrepreneurship include:

- Government policies and policymakers' engagement in environmental protection;
- Fee and fines for using natural environment;
- Regulations of waste disposal, recycling and storing;
- Regulations of carbon and toxic fumes emission;
- Relative 'value of nature' in political campaigns;
- Increasingly stringent environmental regulations on regional, state and international levels;
- Cost of non-compliance with ecological regulations;
- Incentives for businesses and customers for using clean products and services;
- Activities of government agencies to protect the environment, including tracking business activities, giving permits, setting minimal standards for any air emissions and procedures for handling waste and hazardous materials; and
- Requirements for implementing environmental standards such as ISO 14000.

Social Pressure towards Clean Business

Some of the ecological factors that have a significant impact on businesses are as follows:

- Environmental groups and their activities;
- Attitudes towards eco-friendly products and services (consumer preferences and demand for such products);
- Attitudes toward tourism in intact wetlands forests, lakes and seas;
- Increased scrutiny of ecological impacts by stakeholders and customers;
- Human well-being in relation to ecosystem;
- Values and morality influence of religious beliefs on managers and consumers;
- Costs of protective and proactive environmental measures;
- Transparency of corporate activity due to global IT network;
- Influence of non-government organizations (mobilisation of people through social networks);
- Increased risk of extremism and terrorist attacks using environmental factors (contamination, nuclear waste, etc.); and
- Role of biases, passion and emotions in environmental decision-making.

Natural Environment Conditions

Entrepreneurial activity can also be affected by some natural and environmental factors. Some of these are as follows:

- Water and air pollution (influencing production processes in high-tech companies and food production);
- Quality of water used for consumption or production;
- Health problems (mental and physical) causing employee attrition in polluted places;
- Quantity of renewable and non-renewable resources available;
- Biodiversity of ecosystems and its protection;
- Deposits of minerals, oil, gas and other natural resources;
- Degradation, deforestation and depletion of fisheries and other natural resources;
- Floods, storms and other natural disasters caused by human influences on ecosystems (global warming);
- Climate change, drought and food scarcity leading to social unrest and international conflicts; and
- Ecosystem services used in business processes.

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Fig 1.1: Factors Affecting Business. (Source: https://ceopedia.org/images/2/2d/Ecological_factors_affecting_business.png.)

Check Your Progress

4. What is the effect of the socio-economic environment on entrepreneurship?
5. How does a country's economic condition affect the nature of entrepreneurship growth?
6. What are some of the cultural factors affecting entrepreneurship?
7. What are some of the challenges associated with technological advances?

1.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

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1. Entrepreneurship can be understood as the concept of developing and managing a business venture in order to gain profit by taking several risks in the corporate world. It is defined as the competence and readiness to grow, systematise and run a business enterprise, along with numerous of its reservations to generate profit.
2. Small business entrepreneurship refers to small businesses, such as hairstylist, grocery store, adviser, plumber, carpenter, electrical mechanic, etc. These entrepreneurs own and run their enterprises, and also involve their family members or local employees.
3. Two characteristics of entrepreneurship are as follows:
 - (i) Innovative State of Mind: Entrepreneurs should be tremendously innovative to generate new ideas, found a company and generate profits out of it.
 - (ii) Open-Mindedness: In an enterprise, each condition or situation can be an instance or prospect used for generating profit for the organization.
4. Entrepreneurial action depends upon a multifaceted and varying amalgamation of socio-economic, psychological and supplementary aspects. Other factors such as economic conditions, economic system and structure of economy also influence the actions of entrepreneurship. Social environment comprises values, religion, customs, attitude, education and ambitions, and it certainly influences the growth of entrepreneurship.
5. Economic condition of a country (developed, developing or underdeveloped) also has a significant impact on the nature of entrepreneurship. In a developed economy, entrepreneurs usually undertake innovative activities for existence and development. However, in developing and underdeveloped countries, entrepreneurs do not take ample consideration in innovative activities as entrepreneurs usually face numerous hurdles and challenges due to the state of economic development.
6. Cultural factors affecting entrepreneurship include:
 - (i) Fashion trends;
 - (ii) Lifestyle;
 - (iii) Social media influence (blogging) vs traditional media (press, TV, radio);
 - (iv) Dominant communication technology in social groups;
 - (v) Participation in cultural events; and
 - (vii) Willingness to pay for tickets.

7. Technological advances have brought in many changes in industries; however, these advancements also come with their fair share of challenges. Shorter life cycles of technology increase cost of updating of machinery, and new generations of equipment could be incompatible with old, leading to higher costs of service due to lack of spare parts.

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1.5 SUMMARY

- Entrepreneurship is defined as the competence and readiness to grow, systematise and run a business enterprise, along with numerous of its reservations to generate profit
- Entrepreneurial visualisation is defined by discovery and risk-taking, and is an indispensable part of a nation's capability to attain something in an ever-changing and competitive global marketplace.
- An entrepreneur is an individual who has the ability and robust ambition to establish, administer and achieve something in a start-up venture—along with the probable threat related to it—to gain profits.
- An entrepreneurial venture can refer to a trivial/home business or a multinational corporate.
- There are mainly four kinds of entrepreneurship: small business entrepreneurship, scalable start-up entrepreneurship, large company entrepreneurship and social entrepreneurship.
- The various characteristics associated with entrepreneurship include risk-taking, innovation, leadership qualities, open mindedness, flexibility and industry knowledge.
- Entrepreneurship has a significant impact on the society and community development; it helps in improving quality of life, aids in creating jobs, and promotes research and development.
- Entrepreneurship certainly generates new wealth in the economy. Innovative ideas and improved items/products or services from entrepreneurs permit and influences the growth of new markets and new wealth.
- Entrepreneurial action depends upon a multifaceted and varying amalgamation of socio-economic, psychological and supplementary aspects.
- Social environment comprises values, religion, customs, attitude, education and ambitions, and it certainly influences the growth of entrepreneurship.
- Economic environment mainly comprises the economic system, economic conditions, economic policies, state of a variety of resources and facilities, such as capital, raw materials and infrastructure, predominant within a specific country. Economic conditions definitely play a noteworthy role in the formation of stratifying business policies.

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- Economic policies, such as industrial policies, licensing policies, monetary policies and import–export policies have a considerable impact on entrepreneurship activities.
- Variables such as labour expectations, existing wage rates, productivity and labour union activities also affect the growth of entrepreneurship.
- Governments have the authority to change laws related to other aspects of business operations, such as environmental sustainability, social responsibility and labour laws. An increase in compliance regulations can certainly influence the overall ease of performing business.
- While changes in taxation and laws can have an optimistic impact, divergences in the overall political climate are typically pessimistic. Sweeping political restructuring can concern businesses in various ways, specifically in regions experiencing substantial social turbulence.
- International politics can require entrepreneur to either redesign their business model or cease trading.
- Social and cultural aspects affecting business include belief systems and practices, customs, traditions and behaviours of all individuals in a country, fashion trends and market activities influencing actions and decisions.
- It should be taken into consideration that legal factors influencing and affecting a business are also to be considered as one of the major socio–cultural factors that can impact organizations.
- Other variables affecting entrepreneurship include cultural factors, social factors, a society’s beliefs and value systems, technological factors, ethical factors, and natural and environmental conditions.

1.6 KEY WORDS

- **Freelancer:** It is a term commonly used for a person who is self-employed and not necessarily committed to a particular employer long-term.
- **Niche Blogging:** It refers to the act of creating a blog with the intent of using it to market to a particular niche market; these blogs may appeal to geographic areas, a specialty industry, ethnic or age groups, or any other particular group of people.
- **STEEP Analysis:** It is a tool commonly used in marketing to evaluate different external factors that impact an organization. It is essential for every business to consider some external forces before they can take decisions.
- **PEST Analysis:** It describes a framework of macro-environmental factors used in the environmental scanning component of strategic management.
- **Uncertainty Avoidance:** The term refers to the extent to which members of a society attempt to cope with anxiety by minimising uncertainty.

- **Corporate Social Responsibility:** It is a type of international private business self-regulation that aims to contribute to societal goals of a philanthropic, activist, or charitable nature by engaging in or supporting volunteering or ethically-oriented practices.
- **Business Process Model and Notation:** BPMN is a graphical representation for specifying business processes in a business process model. Originally developed by the Business Process Management Initiative, BPMN has been maintained by the Object Management Group since the two organizations merged in 2005.
- **PESTEL Analysis:** More recently named PESTELE, it is a framework or tool used by marketers to analyze and monitor the macro-environmental (external marketing environment) factors that have an impact on an organization.

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1.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What are the factors that motivate a person to become an entrepreneur?
2. How does the structure of a country's economy affect entrepreneurship?
3. What are the social factors influencing entrepreneurship?
4. What is the role of a society's beliefs and value system in shaping an entrepreneurial venture?
5. What are the ecological factors affecting entrepreneurship?

Long-Answer Questions

1. Discuss environment as an important factor for entrepreneurship?
2. Examine the socio-economic factors influencing entrepreneurship.
3. Analyze the impact of politics on entrepreneurship.
4. Discuss how technological advancements have impacted entrepreneurial growth.

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UNIT 2 OWNERSHIP STRUCTURE AND ORGANIZATIONAL FRAMEWORK OF SMALL- SCALE ENTERPRISES IN TOURISM AND TRAVEL BUSINESS

*Ownership Structure and
Organizational Framework
of Small-Scale Enterprises
in Tourism and Travel
Business*

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Structure

- 2.0 Introduction
- 2.1 Objectives
- 2.2 Ownership Structure and Organizational Framework in Tourism and Travel Business
- 2.3 Venture Creation and Management
- 2.4 Answers to Check Your Progress Questions
- 2.5 Summary
- 2.6 Key Words
- 2.7 Self Assessment Questions and Exercises
- 2.8 Further Readings

2.0 INTRODUCTION

The ownership structure is concerned with the internal organization of a business entity and the rights and duties of the individual holding the equitable or legal interest in that business. There are broadly two categories of organizational structures: organic and mechanistic. In this unit, we will identify the various ownership structures in the tourism industry. It will also explore the topic of venture creation, and in doing so, discuss the various strategies of maintaining a successful venture.

2.1 OBJECTIVES

After going through this unit, you will be able to:

- Identify the different ownership structures in the tourism industry
- Discuss the pre-requisites of venture creation
- Understand the importance of a SWOT analysis in venture creation
- Analyze the various parameters for successfully managing a venture

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2.2 OWNERSHIP STRUCTURE AND ORGANIZATIONAL FRAMEWORK IN TOURISM AND TRAVEL BUSINESS

Generally, ownership structure is categorised as: organic and mechanistic.

The mechanistic structure is rigid and usually very hierarchical; it is easier to organize; however, it is challenging to incorporate change as opposed to an organic structure. On the other hand, an organic structure is flexible and is generally associated with horizontal interactions and communications, and decentralisation. Mostly, mechanistic structure of organization is more suitable for traditional businesses, such as manufacturing, while organic structure can be applied to a more flexible business type, such as online business platforms.

Besides these two basic models of ownership structure, the tourism sector can be categorised into four kinds of organization structures, namely:

1. **Product/Service-Based Structures:** These organizations generally cater to a variety of products or services, and each product or service has a department or a division.

For instance, a company may deal with various facets of tourism and each department looks at a specific segment. The different departments may be:

- (i) Airlines;
- (ii) Hotel chains;
- (iii) Restaurant;
- (iv) Heritage tour packages;
- (v) Heritage memento selling department; and
- (vi) Bus services.

2. **Spatial-Based Structures:** Spatial planning in terms of tourism refers to organizing tourism activities to facilitate the integration of this sector with other sectors and areas within a locality or region. The structural magnitude of a country's tourism sector and precisely the spatial structure of tourism production and consumption connect strongly to the nature and extent of the impact that tourism can have. To comprehend how this could be realised, it is essential to understand the spatial distributional effects of tourism and the fundamental reasons for it. The fundamental argument is that tourism is geographically intended, whereas tourist-related activities are focused in a few locales and sub-regions.

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3. **Conglomerate Structures:** Some organizations work by acquiring other business. In such conglomerate structures, the business or companies acquired are maintained as subsidiaries or may be as sister-concern.
4. **Matrix Structures:** In this kind of structure, the employees work under a two-fold authority. One is in terms of functional, and the other is related to a project-based approach. This means that an employee is answerable to two managers at the same time in parallel. The matrix structure is also known as a multiple command system as it is an amalgamation of product and functional organization.

Apart from these, few organizations' structures are based on purposes like marketing, production and finance. In such cases, an organization with alike functions is placed underneath a sole functional head. It is important to note that no solitary structure is seamless for any organization; however, a suitable structure should have the following characteristics:

- Provides an appropriate organizational structure where individuals can perform with ease towards success; and
- Enables operational efficiency for achieving business objectives.

Certain factors should be kept in mind while establishing an organizational structure, such as:

- Magnitude of the company;
- Major purposes of the company;
- Corresponding market and the environment of the company; and
- Various related technologies required to be adopted.

Check Your Progress

1. Name the two basic categories of ownership structure.
2. What is the matrix ownership structure?

2.3 VENTURE CREATION AND MANAGEMENT

Entrepreneurs engage themselves in the following interrelated activities:

- Identification of business opportunity;
- Establishment of an enterprise based on the opportunity; and
- Managing the enterprise as a profitable and growing organization.

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The term ‘opportunity’ also covers a product or project, and hence identification of a product/project/opportunity, all these three terms are used as synonyms. Entrepreneurship is an action and decision-oriented practice. A large part of the success of an entrepreneur depends upon the opportunity. The opportunity again could be related to product, service, technology, market or organization. In this way, entrepreneurial decisions turn out to be developmental decisions.

Some qualities of successful entrepreneurs are as follows:

- A strong desire for independence;
- Willing to stand alone;
- Driving and organizing ability;
- A desire to diversify, expand and innovate;
- Technical and managerial competence;
- Above average intelligence; and
- Capacity to accept risks.

Identification of an Opportunity

In general sense, the term ‘opportunity’ involves a good chance or a favourable situation to do something offered by circumstances. In the same way, business opportunity means a good or favourable transform available to execute a specific business in each environment at a given point of time. The term ‘opportunity’ normally covers a product or project. Hence, the recognition of an opportunity or a product or project is identical; therefore, all these three terms are used as synonyms. The Government of India’s ‘Look East Policy’ via North East is an example of ‘opportunity’ to do business in items like tea, handicrafts, herbals, turmeric, etc.

To identify an opportunity, a SWOT analysis is performed. SWOT analysis is a process that identifies a project’s strengths and weaknesses on the subjective side, and opportunities and threats in the market from an objective point of view. One generally uses SWOT analysis in business circumstances, and also before setting up a business organization or enterprise to figure out the kind of opportunities available before one begins a business.

Usually, entrepreneurs tend to select the project or the product based on some parameters, such as:

- Entrepreneur’s or their partner’s experience in that or similar business;
- Government’s promotional schemes, which facilitate that business, and also some of the facilities that are offered by other business organizations;

- Kind of profit that one expects from the enterprise or the factor of profitability;
- Easy availability of the labour and raw materials necessary for the business; and
- Diversification or expansion plans of the business that is already going on, etc.

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Why and How of a Small Enterprise?

As stated above, SWOT analysis is a significant tool in the identification of a business opportunity. In this section, let us ponder over some of the issues involved in setting up a small enterprise, in other words, the why and how of a small enterprise. It will be similar to a SWOT analysis.

Usually, a small entrepreneur/owner enters into a particular business or enterprise for certain reasons, including:

- A passion to own an independent business, in other words, to become one's own boss and not be dependent on others;
- For managing one's own activities and profits, and to do something, which involves creative and critical thinking; and
- Instead of wage employment, which is more or less fixed, to become an entrepreneur with the ability to generate their own income, relish the satisfaction associated with it and enjoy the flexibility of doing things according to one's own wish, energy and time.

Apart from these, there are many other advantages specific to the Indian small-scale industry, and they too are taken into account when setting up a small business.

Usually, when entrepreneurs choose a product to concentrate and do business on, they select the product with which they have some experience so that the control of things and quality of the product generated or services offered are not compromised. It may also be their diversification plan of the existing business. For instance, a tourist guide providing business might start a taxi service. Sometimes, high profitability can also lead to the entrepreneur choosing a particular product. Again, it may be because of changes in the industrial policy that suddenly creates demand for a particular product.

Business-Venture Creation and Management

The entrepreneurial spirit can come from any idea of business, it does not matter whether it is a big or a small business idea. Only when the ideas are innovative and

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are pursued with the right spirit, they can lead to success. For any start-up, certain considerations should be put in place for its success and sustainability, which include:

1. **Writing a Clearly Defined Business Plan:** The first thing to be done is to make, and even write down the business plan in detail so that one knows everything in black and white. Sometimes, discussing the plan with advisors or experienced people is also helpful to find the lacunas and make it better.
2. **Understand the Basics about Taxes:** Knowing taxation norms is very important for business development as different business models have different tax requirements. Understanding taxation rules can bring about a financial plan, which is essential for any business.
3. **Invest in the Right Business Insurance:** Again it is necessary that the business is insured to ward off risks. Some of the business insurance one can think of while starting a business are worker's compensation insurance (for injuries, lawsuits etc.) and property insurance (against theft, vandalism and natural disasters, etc.) Insurance is a way of protecting one's business as we never know when calamity dawns upon us.
4. **Be Mindful of Financing and Cash Flow:** To run any business successfully, funds are a necessity and therefore cash flow needs to be determined. A start-up with an unmapped cash flow may feel choked soon, even leading to its end. This happens with many start-ups. Therefore, it is essential that one plans the cash flow and funding details minutely to be sure that it can remain alive in the initial months and years of its launching. It is often better to have a backup when one is launching a start-up to insure its success. It is better to have smaller financial expectations and also over-estimating expenditures while planning a start-up.
5. **Determine Labour, Land and Other Resources:** A business cannot be run alone. There are various requirements, such as such as land, labour and other resources. An entrepreneur needs to plan for these requirements in detail, figure out the ideal location for business and the least labour power one needs to launch a start-up. One has to be sure before employing a large number of people that there is an absolute need for such employment. In the initial years of start-up, survival is the key; therefore, less the expenditure, the better it is in the long run.

Components of Entrepreneurial Process

The model identifies three controllable components of the entrepreneurial process, which can be assessed, influenced, shaped and altered. The three components are the opportunity, the resources, and the team. The key ingredient is the founder or entrepreneur.

Stages of Entrepreneurial Process

- Idea generation: Wherein the entrepreneur realises the unavailability of a product/service, decides to improve certain available products/services, or aims to generate income to cover their expenses;
- Decision-making and business planning;
- Project creation; and
- Management and control.

Entrepreneurship is an innovation process that mobilizes people and resources.

A typical entrepreneurial process normally begins with the following steps:

- Discovery of an idea
- Concept development
- Seeking resources
- Actualisation of operations
- Harvesting

The process of new venture creation encompasses the following five components:

- o Creator;
- o Creating process;
- o New value creation;
- o Close environment; and
- o Remote environment.

The entrepreneurial journey is not just about an idea, but also to look for the ideal opportunity to begin and if opportunity does not arise, then to create one for the sake of business.

One system for identifying opportunities is thought to be the 3Ms, which are as follows:

1. Market demand;
2. Market size and structure; and
3. Margin analysis.

Analysis of the 3Ms can create an opportunity into a great enterprise by providing enough attention to details.

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Timmons Model is the basis for identifying and evaluating venture potential.

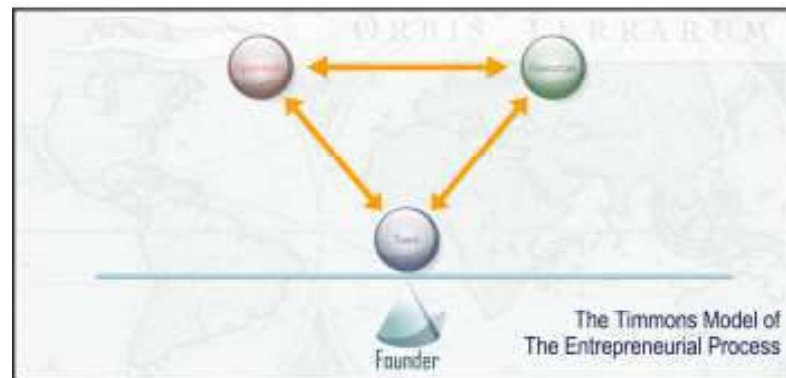


Fig 2.1: Timmons Model of the Entrepreneurial Process

Start-up companies are an emerging field, both theoretically and practically. Scholars of organization science mostly focus on pre-organization phenomena (Gartner, 1985), while entrepreneurship scholars integrate it with concepts such as opportunity, valley of death, and the likes (Zahra et al., 2006; Wright and Stigliani, 2013). This chapter has concentrated on start-up companies and tried to present a set of propositions to distinguish these entities from existing organizations, established SMEs, etc. Thus, based on the main question, i.e., ‘what are the main stages in the process of new venture creation?’, we refer what is suggested by Whetten (1989), March and Smith’s (1995) framework to present a new stage model for creating start-up companies (new venture creation). Based on the research findings, ‘creation of a start-up company is a process which starts with a venture idea or opportunity, followed by an intended individual/entrepreneur who organizes a series of activities, creates competence, and mobilizes resources, using his/her networks, in an environment, in order to create value’. Figure 2.2 illustrates the process of a start-up creation.

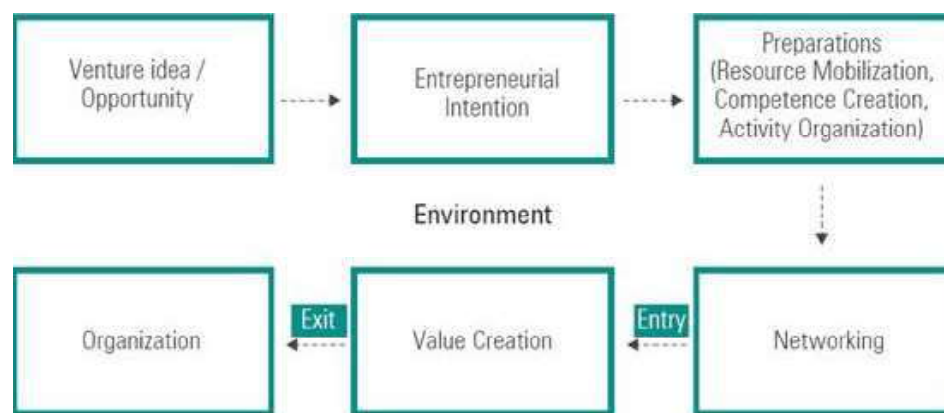


Fig 2.2: Phases of Start-up Development

As per the Samuel Zell & Robert H. Lurie for Entrepreneurial Studies at the University of Michigan, it is valuable to think about the development of a new venture and its growth as a series of phases, which can be described as:

- Phase I: Discovery or identifying opportunities and shaping them into business concepts;
- Phase II: Feasibility analysis and assessment;
- Phase III: Creating your business plan;
- Phase IV: Launching your business;
- Phase V: Growing your business;
- Phase VI: Exiting your business (from succession planning to IPOs).

While no two companies are exactly alike nor will they likely follow the exact development path, these generic phases describe most new venture's evolution. In some cases, a phase may be passed through so rapidly that one hardly distinguishes it as a discrete phase. In other cases, one could hang back in that same phase for a considerable period. Either way, the overall framework provides a view of the road ahead prior to taking the first step.

Check Your Progress

3. What does a SWOT analysis involve?
4. What are the three components of the entrepreneurial process?

2.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Ownership structure is categorised as: organic and mechanistic.
2. In the matrix structure, the employees work under a two-fold authority. One is in terms of functional, and the other is related to a project-based approach. This means that an employee is answerable to two managers at the same time in parallel. The matrix structure is also known as a multiple command system as it is an amalgamation of product and functional organization.
3. SWOT analysis is a process that identifies the strengths and weaknesses of a project on the subjective side and opportunities and threats in the market from an objective point of view. One generally uses SWOT analysis in business circumstances, and also before setting up a business organization or enterprise to figure out the kind of opportunities available before one begins a business.

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4. The three components of the entrepreneurial process are the opportunity, the resources, and the team. The key ingredient is the founder or entrepreneur.

2.5 SUMMARY

- Generally, ownership structure is categorised as: organic and mechanistic.
- The tourism sector can be categorised into four kinds of organization structures, namely: product/service-based structures, spatial-based structures, conglomerate structures and matrix structures.
- A suitable structure should provide an appropriate organizational structure where individuals can perform with ease towards success, and enable operational efficiency for achieving business objectives.
- Business opportunity means a good or favourable transform available to execute a specific business in each environment at a given point of time.
- To identify an opportunity, a SWOT analysis is performed. SWOT analysis is a process that identifies a project's strengths and weaknesses on the subjective side, and opportunities and threats in the market from an objective point of view.
- For any start-up, certain considerations should be put in place for its success and sustainability, such as writing a clearly defined business plan, understanding the basics about taxes, investing in the right business insurance, being mindful of financing and cash flow, and determining labour, land and other resources.
- The three controllable components of the entrepreneurial process are the opportunity, the resources, and the team. The key ingredient is the founder or entrepreneur.
- The entrepreneurial journey is not just about an idea, but also to look for the ideal opportunity to begin and if opportunity does not arise, then to create one for the sake of business.
- One system for identifying opportunities is thought to be the 3Ms, which are market demand, market size and structure, and margin analysis.
- Timmons Model is the basis for identifying and evaluating venture potential.

2.6 KEY WORDS

- **Ownership Structure:** It concerns the internal organization of a business entity and the rights and duties of the individual holding the equitable or legal interest in that business.

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- **SWOT Analysis:** It is a strategic planning technique used to help a person or organization identify the strengths, weaknesses, opportunities, and threats related to business competition or project planning.
- **Business Plan:** It is a formal written document containing the goals of a business, the methods for attaining those goals and the time-frame for the achievement of the goals.
- **Small and Medium-Sized Enterprises (SMEs):** These are defined as non-subsidiary, independent firms which employ fewer than a given number of employees. This number varies across countries. The most frequent upper limit designating an SME is 250 employees, as in the European Union.

2.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. List the ownership structure categories in the tourism industry.
2. What are the characteristics of a stable ownership structure?
3. What are the parameters that help entrepreneurs in selecting a project or a product?
4. Why is it important to be mindful of financing and cash flow while establishing a start-up?
5. List the stages of entrepreneurial process.

Long-Answer Questions

1. Discuss the different ownership structures prevalent in the tourism industry.
2. Discuss the various components of venture creation.
3. Analyze the importance of a SWOT analysis in venture creation.
4. Analyze the various parameters for creating a new business venture.

2.8 FURTHER READINGS

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UNIT 3 PREPARATION OF BUSINESS PLAN AND MANAGERIAL PROCESS IN SMALL-SCALE ENTERPRISE

Preparation of Business Plan and Managerial Process In Small-Scale Enterprise

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Structure

- 3.0 Introduction
- 3.1 Objectives
- 3.2 Entrepreneurial Performance Assessment
- 3.3 Managing Family Enterprises in Tourism Industry
- 3.4 Promotional Agencies for SMEs in India
- 3.5 Opportunity Identification
 - 3.5.1 Business Plan
 - 3.5.2 Feasibility Report
 - 3.5.3 Funding Options
- 3.6 Answers to Check Your Progress Questions
- 3.7 Summary
- 3.8 Key Words
- 3.9 Self Assessment Questions and Exercises
- 3.10 Further Readings

3.0 INTRODUCTION

Small-scale industries or small business are the type of industries that produces goods and services on a small scale. These industries play an important role in the economic development of a country. For any business to be successful, it must be operated and managed with a clear understanding of its customers, strengths, its competitive environment, and a vision of how it will evolve to compete in the future. This unit focuses on the need and role of a business plan and managerial process in small-scale enterprises. It also explores the concept of entrepreneurial performance assessment, while identifying the need to create an effective business plan and conduct a feasibility study.

This unit also takes an in-depth look at the role and of family-owned businesses in the tourism industry.

3.1 OBJECTIVES

After going through this unit, you will be able to:

- Understand the importance of conducting an entrepreneurial performance assessment
- Discuss the steps of an entrepreneurial performance assessment

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- Analyze the impact of family businesses on the tourism industry and the economy
- Examine the various factors affecting and shaping family businesses
- Identify the role of government agencies in promoting SMEs in India
- List the various funding options available for entrepreneurs in India

3.2 ENTREPRENEURIAL PERFORMANCE ASSESSMENT

It is easy to deal with the day-to-day running of a business, especially in the early stages; but as the business is up and running, it can pay dividends to consider long-term and additional strategic planning. Reviewing your progress will certainly be useful if you are:

- Uncertain about how well the business is performing;
- Unsure if you are getting the most out of the business or making the most of market opportunities;
- Worried that your business plan may be out of date, that is you haven't updated it since you initiated trading;
- Uncertain about the business moving in the planned direction; and
- Concerned about the business becoming unwieldy or unresponsive to market demands.

It is also useful if you have decided that your company is ready to move on to the higher level.

Entrepreneurial performance assessment involves the following major steps:

1. **Setting the Direction:** A comprehensible business strategy will certainly help to answer any concerns and show practical ways forward.
2. **Assessing your Core Activities:** A sound starting point for your review is to assess what you do, i.e., your foundation activities, the products that you make or the services that you provide. Ask yourself what makes them win, how they could be enhanced and whether you could commence new or complementary products or services.
3. **Assessing your Business Efficiency:** Many new businesses work in a short-term, reactive way. This provides flexibility; however, it can cost time and money as you go ahead from getting the business going to concentrating on growing and developing it. The finest option is to balance your capability to respond rapidly with a lucid overall approach. This will assist you to decide whether the actions you perform are suitable or not. At this phase, you should ask yourself if there are any internal factors holding the business back, and if so, what can you do about them?

4. **Reviewing your Financial Position:** Businesses often stop working because of unplanned financial management or a lack of planning. Often the business plan that was referred to assist rising of fund is put on a shelf to gather dust. When it comes to your business's success, therefore, developing and implementing solid financial and management systems is fundamental and essential. Updating your original business plan is a good place to initiate.

When reviewing your finances, the following needs to be considered:

- **Cash Flow:** It is the balance of all the money flowing in and out of the business. Forecast should be regularly reviewed and updated.
- **Working Capital:** In case of change in the requirements, explain the reasons for any movement. Judge this with the industry norms. If required, take proper steps to source additional capital.
- **Cost Base:** Costs should be under constant review. Ensure that your costs are covered in your sale price, but don't expect your customers to pay for any business inefficiencies.
- **Borrowing:** Are there any lines of credit or loans? Are there appropriate or cheaper forms of finance you could use?
- **Growth:** Is/are there any plans in place to acclimatise your financing to accommodate your business' changing requirements and growth?

5. **Conducting a Competitor Analysis:** Now that you have been running your business for a good amount of time, you will perhaps have a clearer plan of your competitors. Gathering additional information may cost time, money and effort but there are numerous benefits in knowing more about what your competitors are doing.

You will probably find it helpful to undergo a SWOT (strengths, weaknesses, opportunities, threats) analysis. This will portray your performance with respect to the market in general and specifically your closest competitors.

How to find out more?

There are three primary ways to discover more about your competitors:

- **What they speak about themselves:** This information could be gathered from sales literature, advertisements, press releases, shared suppliers, exhibitions, websites, competitor visits and company accounts.
- **What other people say about them:** For this data, you can consult your salespeople, customers, local directories, the Internet, newspapers, analysts' reports and market research companies

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- **Commissioned market research:** If you require additional detailed information, you might opt to undergo a detailed market research.

6. **Conducting a Customer and Market Analysis:** When you started your business, you probably devised a marketing plan as part of your overall business plan. This would have defined the market in which you intended to sell and targeted the nature and geographical distribution of your customers. From that approach you would have been able to fabricate a marketing plan to assist you meet your objectives. When you are reviewing your business performance, you will require assessing your customer base and market positioning as an essential part of the process. You should update your marketing plan at least as frequently as your business plan.

Revisiting your Markets

A business review offers you the occasion to stand back from the activity outlined in your plan and look again at factors such as:

- Recent changes in your market;
- New and emerging services;
- Changes in your customer's requirements;
- External factors, such as the economy, imports and latest technology; and
- Alterations in competitive activity.

Seeking customer feedback on your business performance will certainly help to recognise where improvements are required in your products or services, your staffing levels or your business procedures.

At the same time, it is very much important to keep in mind that while this review can be very effective—it can provide your business, the flexibility it requires to beat off high level of competition at a very short notice—it is also important to think through the inference of any changes. In the new phase of your business, you will always require planning your finances and resourcing very carefully.

7. **Using your Review to Redefine your Business Goals:** To remain successful, it is important and essential that you frequently set time aside to ask the following key strategic questions:

- Where is the business now?
- Where is it going?
- How is it going to get there?

Often, businesses are capable to work out where they want to go but don't draw up a roadmap of how to get there. If this occurs, a business will lose the track required to turn even carefully laid plans into reality.

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At the end of any evaluation process, therefore, it is critical that work plans are formulated to put the new ideas into place, and that a timetable is set. Frequent reviewing of how the new plan is working and allowing for any teething problems or necessary adjustments is important too. Today's business environment is remarkably dynamic, and it is likely that you will require regular reviews, updates and revisions to your business plan in order to maintain business achievements.

8. **Continuous Improvement:** In addition, a straightforward planning cycle can significantly improve your ability to make changes in your business routine if required. Excellent planning helps you anticipate problems and adapt to change more easily.
9. **Expert Input:** You may find at this stage in your business' development that you require external competence to help you with the changes you have to accomplish. In such case, you might need to:
 - Employ skilled consultants in areas where it is not possible to develop in-house skills;
 - Appoint an experienced non-executive director who can offer a regular, impartial assessment of what you are performing; and
 - Use a management consultant to help you in identifying how to strengthen or change your management structure to enhance the business.

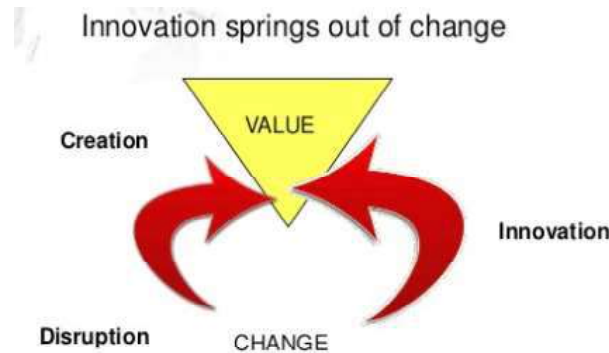


Fig 3.1: Relationship between Innovation and Change

Check Your Progress

1. What are the factors that need to be considered while reviewing your finances?
2. What is cash flow?
3. Why is it important to conduct a business review?

3.3 MANAGING FAMILY ENTERPRISES IN TOURISM INDUSTRY

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Family business operates within the tourism and hospitality industry, and is very important in regional development. According to Kokkranikal (1993), successful family businesses improve community development, generate opportunities for new jobs and offer a better quality of life for the residents. They attract new businesses and residents to these areas.

Family business, in many areas, is the base of destination competitiveness. Small, owner-operated businesses provide most of the services and attractions in numeric terms and are the outlets for much of the visitor's spending. The quality of experience realised in these businesses helps to decide perceptions of the destination. But if family businesses are marginal in terms of profits and sustainability, the destination can suffer.

At the most basic level a family business can be defined as 'an enterprise which, in practice, is controlled by members of a single family' (Barry, 1975). This definition can include businesses that involve only a single owner, normally named 'sole proprietorship' firms. Various complications crop up when non-family members are involved in management or ownership (partnership), or when a family firm 'goes public'. Other definitions stress the degree of family involvement, whether the business has been or will be kept in the family across more than one generation, or a mix of criteria (Westhead and Cowling, 1998). In general, ownership and managerial criteria are both used.

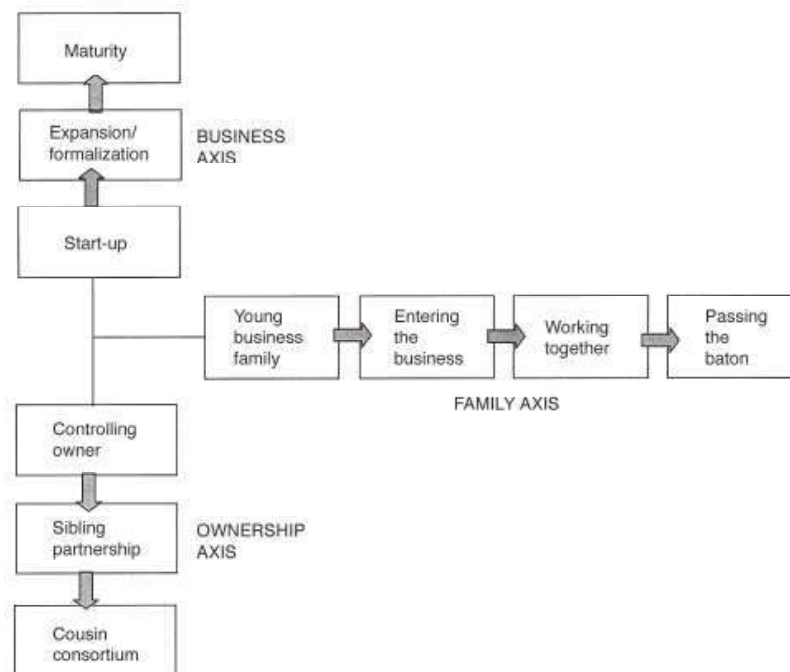


Fig 3.2: Family Business Developmental Model. (Source: Gersick et al., 1997.)

While generic family business challenges are applicable, it is also obvious that the tourism and hospitality industry embodies several unique and significant considerations relative to the family business. Table 3.1 depicts a conceptual starting point for understanding the family business in this industry.

Table 3.1 Stages of Development in Family Business (Source: Gersick et al., 1997)

Business	Ownership	Family
<p>Start-up</p> <ul style="list-style-type: none"> Survival (market entry, business planning, financing) Rational analysis versus the dream 	<p>Controlling owner</p> <ul style="list-style-type: none"> Capitalization Balancing unitary control with input from key stakeholders Choosing and ownership structure for the next generation 	<p>Young business family</p> <ul style="list-style-type: none"> Creating a workable marriage enterprise Making initial decisions about the relationship between work and family Working out relationships with the extended family Raising children
<p>Expansion/formalization</p> <ul style="list-style-type: none"> Evolving the owner-manager role and professionalizing the business Strategic planning Organizational systems and policies Cash management 	<p>Sibling partnership</p> <ul style="list-style-type: none"> Developing a process for shared control among owners Defining the role of nonemployed owners Retaining capital Controlling the fractional orientation of family branches 	<p>Entering the business</p> <ul style="list-style-type: none"> Managing the midlife transition Separation and individuation of the younger generation Facilitating a good process for initial career decisions
<p>Maturity</p> <ul style="list-style-type: none"> Strategic refocus Management and ownership commitment Reinvestment 	<p>Cousin consortium</p> <ul style="list-style-type: none"> Managing the complexity of the family and the stakeholder group Creating a family business capital market 	<p>Working together</p> <ul style="list-style-type: none"> Fostering cross-generational cooperation and communication Encouraging productive conflict management Managing the three-generation working together family <p>Passing the baton</p> <ul style="list-style-type: none"> Senior generation disengagement from the business Generational transfer of family leadership

Why people get into and stay in tourism and hospitality businesses is a crucial question, mainly when the industry offers a huge amount of challenges and often delivers a poor return on investment. For a small minority, there is slight, if any, family consideration, but most owners and operators in the industry work with one or more family members and many are preoccupied with family matters. It is essential to understand their motives, goals and family vision, particularly as they might affect business viability and wider economic and community development.

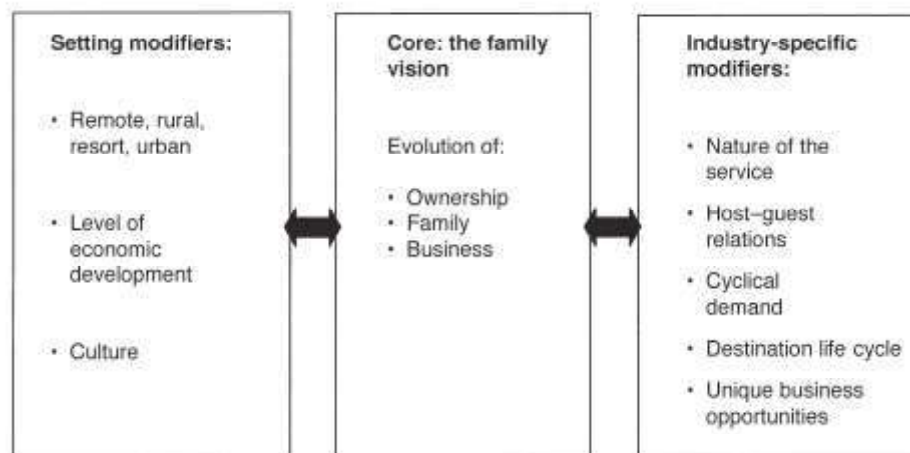
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Table 3.2 Major Themes in Family Business Studies (Source: Sharma et al., 1996)

Themes	Specific topics within themes
Definitions	<ul style="list-style-type: none"> Criteria for defining a family business Types of family businesses
Uniqueness of family business	<ul style="list-style-type: none"> Their unique strengths (e.g. family branding; loyalty) and weaknesses (e.g. nepotism; lack of growth)
Life-cycle	<ul style="list-style-type: none"> Evolution of ownership, the family, and the business
Succession and inheritance	<ul style="list-style-type: none"> Succession and estate planning Barriers to involvement of children
Governance	<ul style="list-style-type: none"> Ownership, control and organizational structure The owner/founder, CEO and Boards of Directors Family trusts
Strategic management	<ul style="list-style-type: none"> Family vision (e.g. taking the long-term perspective) Strategies and strategic planning
The founders	<ul style="list-style-type: none"> Motives and goals Entrepreneurship Leadership Reluctance to 'pass the baton'
Family influence and dynamics	<ul style="list-style-type: none"> Family culture (e.g. the legacy; innovation) Sibling rivalry Copreneurship (couples working together) Gender roles Intergenerational relationships Nepotism
Culture and ethnicity	<ul style="list-style-type: none"> Variations in family business Influences of culture or ethnicity
Professionalism	<ul style="list-style-type: none"> Working with employees Transition to a professionally managed firm; professional advisers
The family in society	<ul style="list-style-type: none"> Social and community responsibility Environmental attitudes and practices Social and family networking

Table 3.3 Framework for Family Business Theory and Research in the Tourism and Hospitality Industry



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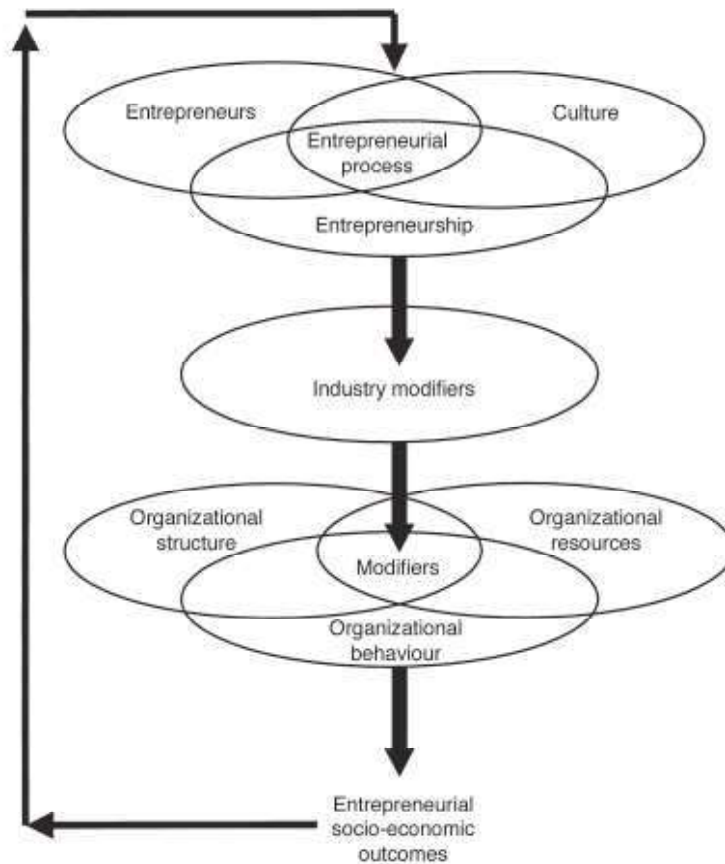


Fig 3.3: Family Business Entrepreneurship Filter Model

Table 3.4 summarises a range of examples of entrepreneurial behaviour cues. Clearly, they depict a complex and somewhat ethereal interlace of positive and negative social and economic factors, and those of a psychological nature that may be categorised either as negative or positive dependent on interpretative stance (Morrison, 2001).

Table 3.4 Positive and Negative Factors Affecting Entrepreneurial Behaviour
 (Sources: Scase and Goffee, 1989; Storey, 1994; Hurley, 1999; Morrison et al., 1999; Morrison, 2000b; Collins, 2002)

	Positive	Negative
Social	<ul style="list-style-type: none"> ● Role of the family and intergenerational role models ● Conducive culture ● Supportive networks 	<ul style="list-style-type: none"> ● Political/religious displacement ● Political unrest ● Discrimination ● Unhappy with position in society
Economic	<ul style="list-style-type: none"> ● Move towards services ● Reversal of highly vertically integrated company structures ● Phenomenon of 'dot.com' business 	<ul style="list-style-type: none"> ● Corporate downsizing and redundancy ● Dissatisfaction with/blocked employment opportunities ● Discriminatory legislation ● No other way to make money
Psychological	<ul style="list-style-type: none"> ● Entrepreneurial aspirations of independence, wealth, need to achieve, social mobility, etc. 	

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Figure 3.4 summarises the findings from a study of entrepreneurs (Morrison, 2001). Such an approach recognises that entrepreneurs do not emerge from a vacuum, but that the entrepreneurial process is influenced by the social and business systems within which they are located and conditioned (Carson et al., 1995). It is only when the social and business system-derived cues converge that entrepreneurship is activated. It is therefore comprehensible that existing and emergent entrepreneurs navigate through their respective social and business systems to present themselves in many different guises as indicated in Table 3.5.

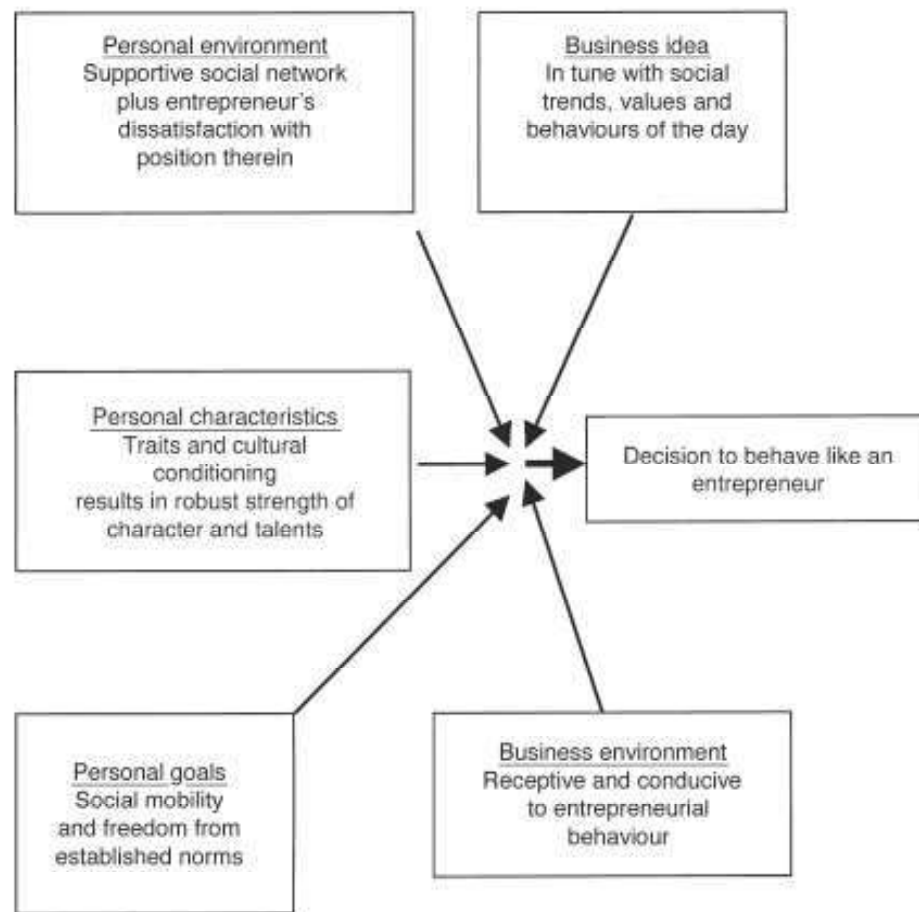


Fig. 3.4: Model of Entrepreneurial Cues. (Source: Morrison, 2001: 78.)

Table 3.5 Examples of Entrepreneurial Guises under Social and Business Systems
(Sources: Scase and Goffee, 1989; Greenbank, 2000; Carter et al., 2001; Carter, 2001.)

Guise	Description	Example
Copreneur	Marital and business partners managing work and family responsibilities more effectively	Husband and wife contribute complementary skills and resources to the management of a winery visitor attraction
Ethnic	Entrepreneurs drawn from ethnic minority groups often operating in ethnic niche markets	Chinese, Greek, Italian restaurants in Europe, Australia and North America
Family	Meshing together social and business systems	Multi-generations servicing the tourism market as a means of generating family employment to maintain the family unit
Female	Using business as a vehicle for greater flexibility in managing family responsibilities	Homestay accommodation that enables the combination of commercial, domestic and child-caring responsibilities
Intrapreneur	A family member, other than the founding-entrepreneur, adopts and applies entrepreneurial characteristics within the existing business	Second-generation family member working within a traditional hotel adopts a business re-engineering strategy transforming it into serviced accommodation
Lifestyle	Primary concern is to provide a sufficient and comfortable living to maintain a selected way of life	A ski instructor operates the business for a 4-month season to earn enough to live all year round in a mountain retreat
Micro	Employing less than ten persons deliberately constraining size	Extension of a family home to offer B&B accommodation
Portfolio	Concurrently own more than one business that may bring additional benefits for the entrepreneur and enterprise	Farm diversification into tourism-related businesses such as accommodation and sports activity
Serial	Entrepreneur will own a consecutive series of businesses with entry and exit coinciding with market opportunities	With ICT redefining travel marketing a traditional high street retailer may move into travel consultancy, then a dot.com business
Social	Entrepreneur combines commercial skills with social aims and objectives	Rurally located tour guides that are primarily concerned with environmental preservation and community values

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Check Your Progress

4. What is a family business?

3.4 PROMOTIONAL AGENCIES FOR SMES IN INDIA

Government support is a prerequisite for the expansion and growth of entrepreneurship in India. The government of India is promoting this via different schemes such as Technical Assistance, and Supply of Machinery and Equipment. The Department of Small-Scale Industries (SSI) and Agro and Rural Industries was created in 1991, in the Ministry of Industry to exclusively formulate the policy framework for promoting and developing SSIs in the country. The Ministry of SSI and Agro and Rural Industries was divided into two separate ministries namely, Ministry of SSI and Ministry of Agriculture and Rural Industries in September 2001.

Via these institutions, the government of India is providing adequate credit facility and funds for modernisation, modern management practices, advanced training facilities, marketing assistance, etc. Implementation of various policies and

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programmes for providing infrastructure and support services to small enterprises is undertaken through its associated departments such as Small Industries Development Organization (SIDO); statutory bodies and other organizations such as Khadi and Village Industries Commission (KVIC), COIR Board; and National Small Industries Corporation Ltd. (NSIC), which is a public undertaking. Other entities include training institutes such as National Institute of Small Industry Extension Training (NISIET), Hyderabad; National Institute for Entrepreneurship (NIE), Guwahati; and National Institute for Entrepreneurship and Small Business Development (NIESBD), New Delhi.

Responding to the increasing trend of people opting for entrepreneurship, many organizations have come up with the idea of special training for those (both men and women) interested in setting up their own enterprise. The government has laid special emphasis on the requirement for conducting special entrepreneurial training programs to enable them to initiate their own ventures. Various development programmes have been deployed by the government. Following are the major government agencies/organizations that assist entrepreneurs in the SME sector in India;

- **Ministry of SSI:** The ministry of SSI is the nodal agency assisting the promotion and growth of SSIs. Different policies and programs are implemented for providing infrastructure and support services to small enterprises through SIDO and NSIC (a public sector undertaking under the ministry).
- **SSI Board:** The SSI Board is the apex non-statutory advisory body constituted by the government of India, which provides a forum for its members for interaction to facilitate co-operation and inter-institutional linkages. They also play advisory role for the government on various policy matters for the development of the sector.
- **SIDO:** SIDO was established in 1954. It formulates, coordinates, implements, and monitors the policies and programmes for the promotion and development of the SSIs in the country. The activities of SIDO relate to modern SSI sector, excluding those which fall within the purview of specialised boards such as –
 - o Khadi and Village Industries Commission
 - o All India Handloom, Handicrafts, Sericulture and Coir Boards

The SIDO functions through Small Industries Service Institute (SISI), Extension Centre, Regional Testing Centre (RTC), Tool Rooms and Training Centre and Production Centre. The SIDO has five allied institutions, namely:

- o NSIC
- o Central Institute of Tool Design
- o Institute for Design of Electrical Measuring Instruments
- o Small Industry Extension Training Institute.

- **SISIs:** The SISIs provide services such as technical consultancy, training, testing marketing and economic information services (including common facility service and advisory service). It also performs job works. Necessary assistance is being given to all women entrepreneurs who are interested in starting SSIs. This institute is the principal technical and business consultant to the SSIs and it has done creditable work in the development of SSIs. The Institute is placing great emphasis for creating entrepreneurs in the weaker section and the women of our country.
- **RTCs:** RTCs have been set up in four metropolitan cities (New Delhi, Mumbai, Calcutta and Chennai) for providing technical consultancy and testing facilities. RTCs also have eight field testing stations for providing testing services to SSI units.
- **NSIC:** The NSIC was established in 1955 by the Government of India to promote, aid and foster the growth of small-scale industries in the country through a blend of promotional and commercial activities. Among other things, it underwrites and guarantees loan from banks and similar institutions to small-scale units. The corporation provides industrial finance by way of supply of machines on hire or by financing the purchases of machinery to small industrial units all over the country. Presently, in India under its Marketing Assistance Programmes, NSIC envisages not only large markets for the products of SSIs, but also ensures availability of certain scarce indigenous as well as important raw materials and inculcation of quality control consciousness. The NSIC through its network of SISI and Branch Institute and Extension Centres has been motivating women entrepreneurs to take up small industries of their own. Technical assistance and guidance are being provided to them on type of products and activities which could be taken up by them for gainful employment. Several project profiles have been prepared suiting the requirements of women entrepreneurs. In addition, the entrepreneurial development training courses are being conducted exclusively for women entrepreneurs (normally covering duration of one month).
- **National Institute of Small Industry Extension Training (NISIET):** The NISIET was set up as apex institute in 1960 by the Government of India with the charter of assisting in the promotion, development and modernization of small and medium enterprises (SMEs) in the country, mainly by creating a pro-business environment that would enable SMEs to progress towards success and prosperity. The institute provides consultancy, training, research, and education for retaining the competitive edge of SMEs in ever-changing markets. NISIET trains entrepreneurs, managers, and various functionaries of the Government through its various training programmes. The NISIET also undertakes research and consultancy activities for small-scale industries.

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- **NIESBUD:** The NIESBUD, established in 1983 by Ministry of Industry, Government of India, is an apex body for coordinating entrepreneurship and small business development activities in India. The institute is also the Secretariat for the National Entrepreneurship Development Board, the apex body which determines policy for entrepreneurship development in the country. The Institute organizes Post-Graduates Diploma in Entrepreneurship (PGDE). It Institute offers support and guidance in establishing EDP institutions at the state or even at lower level. The Institute occasionally organizes national as well as international meets for sharing experience with the purpose to improve and modify their efforts to ensure greater success in implementing the programme for entrepreneurship development. It also organizes workshops and seminars on current topics.
- **National Research Development Corporation of India (NRDCI):** The NRDCI is a Government of India enterprise, established in December 1953 as a non-profit organization under the Companies Act, 1956. It has been specially created to develop and exploit indigenous knowhow, inventions, patents and processes emanating from all types of research and development institutions in the nation. It recognises that economic independence of women would hasten their progress in the status of women. NRDCI also promotes technologies, which are applicable for women. The corporation has brought out a publication that serves as a ready reference for women entrepreneurs and voluntary agencies working for the upliftment of women in India.
- **KVIC:** The KVIC, created by an act of Parliament, is a statutory organization engaged in promoting and developing khadi and village industries and providing employment opportunities in the rural areas, thereby strengthening the rural economy.
- **National Scheduled Caste and Scheduled Tribe Finance and Development Corporation (NSFDC):** This is the national corporation established by the Government of India for the economic upliftment of the people who belong to scheduled castes and scheduled tribes. Any viable project is eligible and can get assistance of 60–65 per cent loan with an annual interest of 4 per cent.

Check Your Progress

5. What is the role of the Department of Small-Scale Industries (SSI) and Agro and Rural Industries?
6. When was the NSIC established?
7. What is the role of Small Industries Development Organization (SIDO)?

3.5 OPPORTUNITY IDENTIFICATION

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Business is all about ideas and sensing opportunities. There exist some opportunities, created by other businesses and someone can sense it to make business out of it. For example, the Wright brothers invented airplanes, and some others saw an opportunity in it for transportation of people and goods. Some others saw services around the aviation industry as opportunities and now a complete echo system is developed around airplanes. In this process, several minds have added features to enhance safety, comfort and convenience. Just imagine the number of businesses around the aviation industry! Thus, new ideas are nurtured by some, but when they result into innovation, business opportunities are sensed by others.

Some business opportunities come on the way in the form of inquiry by someone, or could be visible because of the demand–supply gap that one would study or know of. Here a businessman would enter, as it offers a relatively safe environment. An entrepreneur will sense opportunities of innovation or opportunities of creating an echo system around innovation that has happened.

A businessman who enters into a business because of existing opportunity can also be an entrepreneur if he runs his business with innovation and creativity, either in processes, development or growth.

Thus, entrepreneurial projects are the outcome of either innovations or sensing of opportunities for building an echo system around someone else’s innovation, or they are an outcome of a businessman’s entrepreneurial-like approach in nurturing the business.

Innovations result from persistent inquiry around a curiosity, and offer lots of business opportunities by building an echo system around it. Existing opportunities can also improve the well-being of people if run with creativity and small innovative ideas.

Sources of Opportunities

Opportunities are everywhere. It is like ‘eye the beholder’. Some see opportunities, some don’t. Some even see opportunity in threats or failure.

The source of grassroots innovation, like that of Wright brothers, need just curiosity, relentless efforts and of course a belief in oneself that ‘we shall overcome someday.’ This is a high risk area, as nothing is known in terms of outcome or even timeline for activities.

In case of existing innovation, creative thinking comes handy in sensing business opportunity that can build an echo system. An idea around innovation that can improve the quality of life of certain sections of people is more likely to yield positive results and contribute in building the echo system.

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For a businessman with an entrepreneurial zeal, the sources of opportunities could be grouped as under:

- **Existing Products and Services:** The demand for products and services is always changing. The study of pattern in the demand and services, especially, over the time (time series analysis of demand as well as supply) would reveal the gap, if anywhere demand exceeds supply. Such positive gap indicates business opportunity for an entrepreneur.
- **Consumers:** Consumer enquiry often leads to newer business ideas. We have seen medical stores selling provision items. That is because consumers often ask them for provision items while buying medicines.
- **Distribution Channels:** Dealing with suppliers and customers also generates more business ideas through inquiry, suggestion or sometimes sensing difficulties of distribution channel that one may observe.
- **Government:** The government is always a big customer. Their purchase of goods and services are in volumes. Governmental needs also keep changing. This offers a good opportunity for doing business with the government. The government also acts as an investor in various social projects, even after economic liberalisation. Private contractors, fabricators, suppliers and service providers get huge opportunities from government investment plans. The government often implements its programmes through private parties and non-government organizations.
- **Research and Development:** Those who are in business can create opportunities through a constant search for improvement in products, which can be best done by research and development activities. Research and development activity has to be guided towards some specific goals like product improvement, new product development, process improvements, cost effectiveness, design improvement, quality enhancement and quality assurance among others. The goals have to be carefully chosen depending upon the market analysis and internal strategy with a view to getting best from investment in research and development.

3.5.1 Business Plan

Business plan is a written description of business. It is comprehensive in nature and comprises details like promoters, existing and proposed products and/or services, know-how and techniques intended to use, potential markets and customers, proposed strategies for the marketing of products and services, details of manpower, available or planned infrastructure, sources of supply of input items, organizational structure, estimated costs and revenues, estimated investment in fixed assets as well as working capital, and finally projection of financing needs.

Period of Analysis

What should be the period of analysis? This question may sound naive; however, it is quite important. Usually, the period of forecast is a matter of the company's policy based on the consideration of factors like product lifecycle, business cycle, rate of change in technology, rate of change in taste, managerial ability to foresee in the future and database available to support forecast. Information technology projects typically can be planned for about three years due to the technological development rate, short product life cycle and uncertainty caused by low-entry barrier.

There are other reasons too for limiting the length of period for the financial analysis. Some of them are as follows:

- Project report for the loan purpose will be prepared for the period of loan because the lending agency would like to know the project cash flow for the safety of their money, which is loaned for a particular period only.
- Techniques based on time value (discounted cash flow) are sensitive to the cut-off rate and length of time, and their results become less relevant for decision-making with the increasing span of time in analysis.

If, for some reasons, the length of analysis is restricted to less than the approximate project life, then it is appropriate to forecast the resale value of all assets at the end of the terminal period (i.e., end of the analysis period), and incorporate the terminal value in the last year's cash flow for the project. The estimated value of working capital released in the terminal period is also recognised at this point.

Significance of a Business Plan

A well-prepared business plan serves several purposes, including:

- **Integrated Perspective:** A business plan gives multi-year integrated perspective of business. The integration of product and technology understanding, understanding of market mechanics and organizational interplay collectively gives a bigger picture through a business plan.
- **Develops Common Understanding:** Due to integration, the understanding among partners as well as among employees at all level would increase, reducing the efforts of coordination and reducing the chances of misunderstanding.
- **Identifies Resource Requirements:** Although a business plan begins with an assumption, it passes through a stage where resource requirement planning is also done. That helps the business identify the sources of resources, their availability and pricing, among others.

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- **Gives a Comprehensive Estimate of Funds Requirement:** All assumptions together would identify the short-term as well as long-term funding gaps.
- **Facilitates Fund Raising:** One can plan out working capital financing and project financing requirements ahead of time and avoid a crisis. Timely action for fund raising would reduce the cost of capital.
- **Getting Manpower:** In case of a new start-up firm, a business plan often helps in luring suitable manpower resources. Getting the right type of human resource is very important for a start-up.

3.5.2 Feasibility Report

Feasibility study is a test where prima facie viability of investment is evaluated. Evaluation is based on secondary but comprehensive data. Rough estimates based on the experience of others form the basis of the viability check in the project feasibility study.

Feasibility study is not conducted for all projects. It is not required for small projects like replacement of old assets or any project where certainty level is very high. Large projects usually need a feasibility test before a significant amount of money is committed. The strategic content in such projects is high but availability or relevance of internal data is less.

Areas of Assessment of Feasibility Study

There are basically three types of feasibilities evaluated in the project feasibility study:

1. Market feasibility
2. Technical feasibility
3. Financial feasibility

When projects are evaluated by government or government agencies, economic and social feasibilities are also considered, in addition to environment assessment. Market feasibility is carried out in detail at the early phase of project evaluation. Technical feasibility and financial feasibility are less emphasised in the initial stage, but when market feasibility shows some positive signals, technical and financial feasibilities would assume importance.

Guidelines for Doing a Feasibility Study

If feasibility study is needed, then the first step would be to check whether there is some un-served demand in the market, and if so, where is that market. Technical analysis is carried out only if the business would need some technology that is not used in the region and technological advancement is high. Also, when adoption or deployment of technology could potentially become an issue one would need a detailed technological feasibility study. Financial feasibility study is important for

determining the financial viability and desirability of the project. Financial feasibility would draw assumptions from market feasibility and technical feasibility.

3.5.3 Funding Options

The funding options for start-ups in the tourism sector are as follows:

1. Bootstrapping

The term bootstrapping commonly refers to a business being built using the personal finances of its founders. This fund could be anything from a college fund, a savings account or even a retirement fund. The distinct advantage of bootstrapping is that the entrepreneur does not have to dilute the ownership through equity issues or servicing debts taken as loans from banks.

Common Methods used for Bootstrap

Some of the common methods used for bootstrap are as follows:

- **Using Personal Savings Accounts:** Personal savings in any form will be helpful. It is a good idea to check whether the savings bonds that the relatives had gifted are ready for encashment.
- **Drawing from Retirement Funds:** Funds kept aside for the purpose of use after retirement may be drawn upon now in order to be used as bootstrap funds.
- **Selling Assets:** Selling an old car, old furniture, or even some stock of shares that are lying for some time could all help in paying for the venture.
- **Living Cheap:** Scaling down the lifestyle quotient will help in saving a few bucks. A thorough audit of the day-to-day and monthly expenses is sure to yield certain expense heads that can easily be done without. This precious sum could go in as a bootstrap fund.
- **Seeking Help:** Going straight out and seeking help from family and friends is an option that most people starting out on a new venture usually do.

Pros and Cons of Bootstrapping

Deciding whether the business should be bootstrapped is to a large extent a personal decision. Depending on the circumstances, the risks will vary. Bootstrapping is not for everyone. We shall look at some of the pros and cons of bootstrapping.

The Pros

- **Equity Retention:** In bootstrapping, there is no dilution of equity. In simple terms, selling equity means selling the ownership, so through bootstrapping this interest is protected.
- **Full Control of Company:** By opting for bootstrapping, the entrepreneur ensures that the vision, the money and the company remain in their own possession. External investors are not trying to call the shots and interfere

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with the running of the business. This is a definite advantage for the business and the entrepreneur.

- **Not Having to Pay Interest on a Loan:** Bootstrapping saves the business from incurring debts in the forms of loans from outside agencies. Loans need to be serviced by paying interests and this can be a drag on the resources affecting the bottom line of the business. Thus, by bootstrapping, the entrepreneur is free from this debt burden.

The Cons

- **Challenging:** It is a great feeling to be independent, to be able to run your own business. However, it can be immensely challenging and can make one feel stretched. At times, it might become too hot to handle and the fumes generated from the heat could destabilise the business.
- **Limited Expansion:** Limited budget means it will constrain efforts to some extent. It will lead to the hiring of lesser staff, smaller resource pools and also allows limited risks to be taken. This can be detrimental to the growth and expansion prospects of the business.
- **Increased Stress Levels:** Since the budgets are squeezed, any failure can be a drain on the limited resources, which leads to stress. Every decision becomes crucial and this can lead to poor decision-making.

2. Alternative Sources of Funding

Some other funding sources that can be explored are:

Angel Investors

An angel investor provides capital for a business start-up. This is done in exchange for convertible debt or ownership equity. Angel investors are usually risk-averse as compared to banks and other financial institutions. They are well-connected and have access to other successful individuals, who may also be looking for opportunities to invest in a similar business. Angel investors have rich experience and they have deep pockets with private equity to spare.

Still, it should be kept in mind that angel investors come with expectations of high returns. They are betting their money into your venture so they expect reasonably good returns. Having an external investor also means there is erosion in total control.

Personal Loans

Many institutions, such as banks and cooperative societies lend money for the purpose of financing a business endeavour. The amount borrowed has to be repaid in monthly instalments along with the applicable interest. This can be an expensive proposition as personal loans are high costs because of high-interest rates. Most personal loans are not secured by collaterals.

Business Loans

Business loans give entrepreneurs and business owners access to capital to fund their business. As in the case of personal loans, here also, the loan is to be repaid in monthly instalments along with interest. This falls under the category of debt financing.

3. Informal Capital from Family and Friends

Most entrepreneurs, while contemplating taking off with their new venture, seek to first look inwards, at family and friends to raise the initial funds for the venture. However, more often than not, they do not get the expected response that they expect from these people who they consider as close. They then seek to look elsewhere for their funding needs. However, even angel investors and venture capitalists will decline to invest if there are no private backers among friends and family.

Check Your Progress

8. What are some sources of opportunities for an entrepreneur?
9. Define business plan.
10. What is a feasibility study?
11. List some alternative funding sources.

3.6 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The factors that need to be considered while reviewing business' finances include cash flow, working capital, cost base, borrowing and growth.
2. Cash flow is the balance of all the money flowing in and out of the business. Forecast should be regularly reviewed and updated.
3. A business review offers you the occasion to stand back from the activity outlined in your plan and look again at factors such as:
 - (i) Recent changes in your market;
 - (ii) New and emerging services;
 - (iii) Changes in your customer's requirements;
 - (iv) External factors, such as the economy, imports and latest technology;
and
 - (v) Alterations in competitive activity.
4. A family business can be defined as 'an enterprise which, in practice, is controlled by members of a single family' (Barry, 1975). This definition can

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- include businesses that involve only a single owner, normally named ‘sole proprietorship’ firms.
5. The Department of Small-Scale Industries (SSI) and Agro and Rural Industries was created in 1991, in the Ministry of Industry to exclusively formulate the policy framework for promoting and developing SSIs in the country.
 6. The NSIC was established in 1955 by the Government of India to promote, aid and foster the growth of small-scale industries in the country through a blend of promotional and commercial activities.
 7. SIDO was established in 1954. It formulates, coordinates, implements, and monitors the policies and programmes for the promotion and development of the SSIs in the country. The activities of SIDO relate to modern SSI sector, excluding those which fall with the purview of specialised boards such as:
 - (i) Khadi and Village Industries Commission
 - (ii) All India Handloom, Handicrafts, Sericulture and Coir Boards
 8. Some sources of opportunities include existing products and services, consumer demand, distribution channels, government, and research and development.
 9. A business plan is a written description of business. It is comprehensive in nature and comprises details like promoters, existing and proposed products and/or services, know-how and techniques intended to use, potential markets and customers, proposed strategies for the marketing of products and services, details of manpower, available or planned infrastructure, sources of supply of input items, organizational structure, estimated costs and revenues, estimated investment in fixed assets as well as working capital, and finally projection of financing needs.
 10. Feasibility study is a test where prima facie viability of investment is evaluated. Evaluation is based on secondary but comprehensive data. Rough estimates based on the experience of others form the basis of the viability check in the project feasibility study.
 11. Some alternative sources of funding include angel investors, personal loans and business loans.

3.7 SUMMARY

- Entrepreneurial performance assessment is useful if you have decided that your company is ready to move on to the higher level.
- Entrepreneurial performance assessment involves the following major steps: setting the direction, assessing your core activities, assessing your business

efficiency, reviewing your financial position, conducting a competitor analysis, conducting a customer and market analysis, using your review to redefine your business goals, continuous improvement and expert input.

- The factors that need to be considered while reviewing business' finances include cash flow, working capital, cost base, borrowing and growth.
- A business review offers you the occasion to stand back from the activity outlined in your plan and look again at factors such as recent changes in your market; new and emerging services; changes in your customer's requirements; external factors, such as the economy, imports and latest technology; and alterations in competitive activity.
- Family business operates within the tourism and hospitality industry, and is very important in regional development. It is the base of destination competitiveness. Small, owner-operated businesses provide most of the services and attractions in numeric terms and are the outlets for much of the visitor's spending.
- A family business can be defined as 'an enterprise which, in practice, is controlled by members of a single family. This definition can include businesses that involve only a single owner, normally named 'sole proprietorship' firms.
- While generic family business challenges are applicable, it is also obvious that the tourism and hospitality industry embodies several unique and significant considerations relative to the family business.
- Government support is a prerequisite for the expansion and growth of entrepreneurship in India. The government of India is promoting this via different schemes such as Technical Assistance, and Supply of Machinery and Equipment.
- The Ministry of SSI and Agro and Rural Industries was divided into two separate ministries namely, Ministry of SSI and Ministry of Agriculture and Rural Industries in September 2001.
- The government of India is providing adequate credit facility and funds for modernisation, modern management practices, advanced training facilities, marketing assistance, etc.
- Implementation of various policies and programmes for providing infrastructure and support services to small enterprises is undertaken through various associated departments such as Small Industries Development Organization (SIDO); statutory bodies and other organizations such as Khadi and Village Industries Commission (KVIC), COIR Board; and National Small Industries Corporation Ltd. (NSIC), which is a public undertaking. Other entities include training institutes such as National Institute of Small Industry Extension Training (NISIET), Hyderabad; National Institute for Entrepreneurship (NIE), Guwahati; and National Institute for Entrepreneurship and Small Business Development (NIESBD), New Delhi.

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- Business is all about ideas and sensing opportunities. There exist some opportunities, created by other businesses and someone can sense it to make business out of it.
- Some business opportunities come on the way in the form of inquiry by someone, or could be visible because of the demand–supply gap that one would study or know of.
- Innovations result from persistent inquiry around a curiosity, and offer lots of business opportunities by building an echo system around it.
- Some sources of opportunities include existing products and services, consumer demand, distribution channels, government, and research and development.
- Business plan is a written description of business. A well-prepared business plan serves several purposes.
- Although a business plan begins with an assumption, it passes through a stage where resource requirement planning is also done. That helps the business identify the sources of resources, their availability and pricing, among others.
- In case of a new start-up firm, a business plan often helps in luring suitable manpower resources. Getting the right type of human resource is very important for a start-up.
- Feasibility study is a test where prima facie viability of investment is evaluated. Evaluation is based on secondary but comprehensive data. Rough estimates based on the experience of others form the basis of the viability check in the project feasibility study.
- When projects are evaluated by government or government agencies, economic and social feasibilities are also considered, in addition to environment assessment.
- Market feasibility is carried out in detail at the early phase of project evaluation. Technical feasibility and financial feasibility are less emphasised in the initial stage, but when market feasibility shows some positive signals, technical and financial feasibilities would assume importance.
- The term bootstrapping commonly refers to a business being built using the personal finances of its founders. This fund could be anything from a college fund, a savings account or even a retirement fund.
- Some alternative sources of funding include angel investors, personal loans and business loans.

3.8 KEY WORDS

- **Working Capital:** It is a financial metric that represents operating liquidity available to a business, organization, or other entity, including governmental

entities. Along with fixed assets such as plant and equipment, working capital is considered a part of operating capital.

- **Cost Basis:** It is the original value of an asset for tax purposes, usually the purchase price, adjusted for stock splits, dividends, and return of capital distributions. This value is used to determine the capital gain, which is equal to the difference between the asset's cost basis and the current market value.
- **Sole Proprietorship:** Also known as the sole trader, individual entrepreneurship or proprietorship, is a type of enterprise owned and run by one person and in which there is no legal distinction between the owner and the business entity.
- **Barriers to Entry:** It is an economics and business term describing factors that can prevent or impede newcomers into a market or industry sector, and so limit competition; these can include high start-up costs, regulatory hurdles or other obstacles that prevent new competitors from easily entering a business sector.

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3.9 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What is the need for entrepreneurial performance assessment?
2. Why is it essential to review the financial position of a business?
3. List the various methods to conduct competitor analysis.
4. Name some government departments or agencies that provide infrastructure and support services to small enterprises.
5. What is the significance of a business plan?
6. What are the different types of feasibility studies?

Long-Answer Questions

1. Discuss the steps of an entrepreneurial performance assessment.
2. Discuss the role of family-operated businesses in the tourism industry.
3. Analyze the various challenges faced by family businesses.
4. Discuss how entrepreneurs are influenced by the social and business systems within which they are located and conditioned.
5. Discuss the role of government agencies in promoting SMEs in India.
6. Analyze the pros and cons of bootstrapping as a financial source.

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UNIT 4 ENTREPRENEURIAL OPPORTUNITIES IN TOURISM-I (ACCOMMODATION)

Entrepreneurial Opportunities in Tourism-I (Accommodation)

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Structure

- 4.0 Introduction
- 4.1 Objectives
- 4.2 Entrepreneurial Opportunities in Tourism: Nature, Scope, Risk and Return
 - 4.2.1 Opportunities in Accommodation
- 4.3 Source of Finance
- 4.4 Answers to Check Your Progress Questions
- 4.5 Summary
- 4.6 Key Words
- 4.7 Self Assessment Questions and Exercises
- 4.8 Further Readings

4.0 INTRODUCTION

The tourism and hospitality industry offers a wide range of job opportunities in a variety of sectors, including lodging, food and beverage establishments, transportation, travel agencies, tour operators, and natural and cultural attraction sites. The sector also has its fair share of challenges such as employee attrition, natural calamities, disturbance due to social and political factors, healthcare and security.

In this unit, you will learn about the various opportunities in the tourism industry, and analyze the funding options for an entrepreneurial venture.

4.1 OBJECTIVES

After going through this unit, you will be able to:

- Identify the upcoming and prevalent entrepreneurial opportunities in the tourism industry
- Analyze the risks associated with the tourism industry
- Examine the opportunities in accommodation sector of the tourism industry
- Discuss the funding options for an entrepreneurial venture in the tourism industry

4.2 ENTREPRENEURIAL OPPORTUNITIES IN TOURISM: NATURE, SCOPE, RISK AND RETURN

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With technological advancements, travelling has become more accessible to people, leading to much development in the tourism industry. It has permitted individuals to exploit the available resources, creating streams of revenue where there were once none before. Here are ten profitable business opportunities in the tourism industry.

1. **Lodging:** With the free market hospitality services, the demand for non-traditional lodging has become a streamlined technique for landowners to generate additional income. For most travellers, having a safe place to sleep is the major priority when going to a new or foreign destination. Sometimes a hotel room just is not enough, particularly when travelling with families or large parties. In this circumstance, landowners have the unique opportunity to offer short-term leasing of homes, apartments, even tree houses, etc. Property rentals can create a reliable flow of income, particularly if you live in a tourist city or even if you have a unique property type to offer to the public, such as an old heritage building.
2. **Ridesharing:** Companies such as Uber, OLA and Shuttle function as an excellent option to traditional shuttle and taxi services. They offer the prospect for individuals to earn at their own pace. When touring a new or unfamiliar region, it is vital to get around quickly and comfortably. The rise of ridesharing not only benefits the people but also persons who are looking to earn further income. Even further, since ridesharing is such an interpersonal experience, you can even use your knowledge and understanding of your environment to act as a tour guide, creating an additional income.
3. **Guided Tours:** In many tourist destinations, guided tours are planned by professionals, companies, as well as local organizations for tourists willing to explore the destination with expert assistance. Travel agencies often offer multi-stop guided journeys, including transportation and accommodation. Some of the guided tours in India are:
 - o Kerala backwaters;
 - o Rejuvenating ayurveda;
 - o Himalayan attractions;
 - o Spiritual India;
 - o Wildlife sanctuaries and national parks;
 - o The charming beaches;
 - o Incredible North East;

- o Mughal India; and
- o The Golden Triangle.

Creating a business around the idea of guided tours requires very little capital. Those wanting to begin small can create a website/blog around a vital theme like food or art; and offer a guided tour around the destination. In foreign nations, students exploring geography often work as guided tour operators.

4. **Open for Business:** As travel has become easier, the obligation for local business has developed exponentially. This has commenced the window of opportunity for prospective restaurateurs, hotels and other business owners.
5. **Luggage Delivery Service:** Creating a luggage delivery service is a reasonable way to break into the tourism industry, and provides several entry points. If you do not have the money to initiate a full-fledged service, you can get in on the ground floor by launching a personal luggage delivery/recovery service. Managing a luggage delivery service usually entails picking up luggage at the baggage claim and delivering it to the traveller, saving them the time and trouble to remain around for it or even worse, to return for a bag the airport delayed.
6. **Eco and Urban Tourism:** Guided tours via both lush nature preserves as well as urban destinations have one more available form of income for those trying to earn a profit in the tourism industry. Those exploring lucrative business prospects in the tourism can set in eco and urban tourism to this list. This form of tourism needs a relatively low amount of capital to begin. Those with a passion for photography can create an additional source of income by creating content during tours.
7. **Souvenir Shops:** Shopping is a major activity for most tourists. Apart from food and accommodation, tourists usually spend a significant part of their money on clothing, crafts as well as souvenirs. Nearly 70 per cent tourists buy gifts for future events and for mementos. Tourists want crafts to use and display in their homes or as gifts for others. Those deciding to make a profit from home can even set an online hub where they sell local specialty items, allowing consumers to gain access to things that were once inaccessible.
8. **Lost in Translation:** Linguists looking to flourish in the tourism industry can leverage their capabilities for a consistent income in a variety of ways, including translation/interpretation work. A linguist can either place their services on the open market and work as private translators/interpreters for tourists visiting foreign nations or seek employment with businesses trying to interact with international markets.
9. **Event Organizers:** In India, tourists often opt to see cultural events, such as folkdance and folksongs. Organizing such kind of events and mixers geared towards amalgamating locals with travellers can prove both beneficial socially and financially.

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Social media has evolved to permit connections across the globe. It is through this very network that a potential entrepreneur can create groups, forums and content geared to connecting travellers with locals and the promotion of events geared towards familiarising tourist with the area they have travelled too.

Risks Associated with Tourism

The five main risks associated with tourism are:

1. Terrorism (Richter, 2003);
2. War and political instability (Sonmez, Apostolopoulos, & Tarlow, 1999);
3. Health (Richter, 2003);
4. Crime (Dimanche & Lepetic, 1999); and
5. Cultural and language difficulties (Basala & Klenosky, 2001).

‘These risks are of growing importance in the global tourism environment and present threats not only to tourists but also host societies and the tourist’s home nations.’ (Richter, 2003).

Some examples of risk associated with tourism are discussed below:

Crime: Possibility of being robbed, becoming a subject of rape/murder

Cultural: Experiencing complications in communicating with foreigners, cultural misinterpretation, failure to adjust to a foreign way of life and standards

Equipment: Possibility of mechanical, equipment, organizational troubles occurring during travel or at destination (transportation, accommodation, attractions)

Financial: Possibility of not obtaining value for money; losing or wasting money if travel opportunities are not met

Health: Possibility of becoming unwell while travelling or at the destination

Performance: Possibility of not getting holiday benefits due to the travel product or service not performing fine

Physical: Possibility of being physically injured, including danger and injury detrimental to health (accidents)

Political: Possibility of becoming involved in the political disorder of the country being visited

Psychological: Possibility that the travel experience fails to reflect the traveller’s personality or self-image, harms their self-image or reflects poorly on personality

Satisfaction: Possibility of not achieving personal fulfilment with the travel experience

4.2.1 Opportunities in Accommodation

Accommodation is one of the basic needs for any tourism activity. Travellers and tourists need lodging for rest, while they are on a tour. All major tourist destinations offer a range of accommodation options in the form of low-budget lodges/hotels to world-class luxury to provide the tourists a home away from home. These establishments provide a place for the tourists to stay i.e., lodging facilities which are paid for the duration of the stay by the tourist. There are various types of accommodation that are being used by tourists regularly. Travel agents and tour operators generally include one of the following types of accommodation in the itinerary. The various types of accommodation are as follows:

Hotels: Hotels range from high-end five-star hotels to low-end budget hotels. Tourists choose their type of hotel based on their budgets. An entrepreneur, unless he or she has huge financial backing, will find it very difficult to set up top-quality five-star hotels. Most self-made entrepreneurs set up smaller budget hotels or motels.

Resorts: Resorts are for those tourists who are looking to spend extra on their holidays. Unlike hotels, which are usually places of lodging, resorts allow for more privacy, entertainment and experiences during a stay. Setting up a resort would require high levels of funding.

Homestay: A new avenue that can be explored by up-and-coming entrepreneurs in the tourism accommodation sector is that of homestay. A homestay is essentially a private house, offering accommodation to tourists. The advantage for tourists is that not only is a homestay much cheaper than a hotel, it also allows tourists to taste the local cuisine in a family environment. The owner of the homestay can also give local insights about the place being visited. An entrepreneur can choose to set up a homestay with minimal funding. Internet websites and applications also exist that help connect tourists to owners of homestay for booking.

NOTES

Check Your Progress

1. List the various types of accommodation options available for tourists.
2. What are the five main risks associated with tourism?

4.3 SOURCE OF FINANCE

There are various ways to acquire business funding, whether you are just starting your venture, or you have had an established business for a good amount of time. This ranges from traditional bank loans to modern methods like peer-to-peer lending. Following are the ways to raise funds in a business:

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Pre-sales

The best way to fund your own organization is usually from revenue. With the pre-sales activities, you get all or part of a payment immediately, i.e., you can use that earned revenue to obtain the resources you require to provide your tour.

The most common example of a pre-sale is when customers purchase products online. The same goes for booking tours and activities in advance of the delivery date. Effectively, you are getting the revenue to begin with, so you have some time to make use of it. If you are starting out or expanding your business with a new experience, consider creating some buzz prior to the launch date. For instance, this 'Harry Potter-Themed Escape Room' was fully booked for months long before it was official launched. It should be taken into granted that pre-sales work best when you require relatively lesser amounts of funds. For a bigger amount, you can turn to other funding sources.

Grants

Where pre-sales can't serve the purpose, grants can certainly help you secure greater amounts of fund. Grants are normally money given to you for a very specific purpose, such as developing the tourism sector in a specific region. As such, you do not require to pay the money back. In normal cases, grants are provided by the government or local authority. As the competition for grants is normally high, you will have to present a lucrative plan and showcase how your venture has more potential than other companies applying for the same business funding. In addition, for grants, there are certain requirements in terms of how to spend the funding and what type of businesses can apply. So, the supply of grants is restricted by their purpose and you can apply only for the ones that you are eligible for.

Buying Assets on Credit

If you require business funding for procuring assets and equipment, then you can arrange for later payment with your suppliers. This will provide you some extra time to generate revenue and then pay for the new purchases. If you have an excellent relationship with your suppliers, you can try and negotiate a favourable time frame. However, if you are just starting out, it may be tough for you to buy assets on credit, mainly while dealing with established and reputable suppliers.

Friends and Family

If you are confident about your business model, you can also request fund from friends and family for initial support.

Banks

Bank loans are the first source people think about when it comes to business funding. And yes, they are still a feasible option, particularly in good economic conditions. If you are eligible for a bank loan and you cannot source enough funding using one of the methods above, then asking help from the banks may be

a good step. Bank loans are more easily available, but it certainly comes with extra costs like fees and interest.

Venture Capital

Start-up firms with a high growth potential require certain amount of investment. Wealthy investors are eager to invest their capital in such businesses with a long-term growth perspective. This capital is known as venture capital and the investors are called venture capitalists. Venture capital firms make bigger investments. They are a logical next step if you require considerable business funding and your organization is in overall good shape.

Joint Venture

Another interesting way to get financing is by forming a joint venture with another business. Joint ventures are partnerships between firms that establish a new entity, often to work on a mutually beneficial project. The idea behind joint ventures is achieving synergy and utilizing each business resources in a better manner.

Check Your Progress

3. What do you understand by joint ventures?
4. What is a venture capital?

4.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The various types of accommodation available for tourists include hotels, resorts and homestay.
2. The five main risks associated with tourism are:
 - (i) Terrorism;
 - (ii) War and political instability;
 - (iii) Health;
 - (iv) Crime; and
 - (v) Cultural and language difficulties.
3. Joint ventures are partnerships between firms that establish a new entity, often to work on a mutually beneficial project. The idea behind joint ventures is achieving synergy and utilizing each business resources in a better manner.
4. Wealthy investors are eager to invest their capital in such businesses with a long-term growth perspective. This capital is known as venture capital and the investors are called venture capitalists.

NOTES

4.5 SUMMARY

NOTES

- With technological advancements, travelling has become more accessible to people, leading to much development in the tourism industry.
- It has permitted individuals to exploit the available resources, creating streams of revenue.
- With the free market hospitality services, the demand for non-traditional lodging has become a streamlined technique for landowners to generate additional income.
- Property rentals can create a reliable flow of income, particularly if you live in a tourist city or even if you have a unique property type to offer to the public, such as an old heritage building.
- In many tourist destinations, guided tours are planned by professionals, companies, as well as local organizations for tourists willing to explore the destination with expert assistance.
- Creating a business around the idea of guided tours requires very little capital. Those wanting to begin small can create a website/blog around a vital theme like food or art; and offer a guided tour around the destination.
- Managing a luggage delivery service usually entails picking up luggage at the baggage claim and delivering it to the traveller, saving them the time and trouble to remain around for it or even worse, to return for a bag the airport delayed.
- Guided tours via both lush nature preserves as well as urban destinations have one more available form of income for those trying to earn a profit in the tourism industry.
- Linguists looking to flourish in the tourism industry can leverage their capabilities by doing translation/interpretation work.
- Social media has evolved to permit connections across the globe. Potential entrepreneur can create groups, forums and content geared to connecting travellers with locals and the promotion of events geared towards familiarising tourist with the area they have travelled too.
- The five main risks associated with tourism are Terrorism, war and political instability, health, crime, and cultural and language difficulties.
- Accommodation is one of the basic needs for any tourism activity.
- There are various types of accommodation that are being used by tourists regularly. These include hotels, resorts and homestay.
- Homestay is essentially a private house, offering accommodation to tourists. The advantage for tourists is that not only is a homestay much cheaper than a hotel, it also allows tourists to taste the local cuisine in a family environment.

- There are various ways to acquire business funding, whether you are just starting your venture, or you have had an established business for a good amount of time. This ranges from traditional bank loans to modern methods like peer-to-peer lending.
- Some finance sources include family/friends, bank loans, pre-sales, grants, buying assets on credit, venture capital and joint ventures.

NOTES

4.6 KEY WORDS

- **Free Market:** It is an economic system, where voluntary exchange and the laws of supply and demand provide the sole basis for the economic system, without government intervention. A key feature of free markets is the absence of coerced (forced) transactions or conditions on transactions.
- **Grant:** It is an award, usually financial, given by one entity (typically a company, foundation, or government) to an individual or a company to facilitate a goal or incentivize performance. Grants are essentially gifts that do not have to be paid back, under most conditions.
- **Peer-To-Peer Lending:** Also abbreviated as P2P lending, it is the practice of lending money to individuals or businesses through online services that match lenders with borrowers.
- **Homestay:** It is a popular form of hospitality and lodging whereby visitors share a residence with a local of the city to which they are traveling.

4.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. How has the demand for non-traditional lodging benefited the tourism industry?
2. What are the opportunities for linguists in the tourism industry?
3. What is the importance of social media in the tourism industry?
4. Why are homestay considered a lucrative business opportunity?

Long-Answer Questions

1. Discuss the various business opportunities in the tourism industry.
2. Analyze the major risks which can affect tourism.
3. Examine the role and associated opportunities of accommodation in the tourism industry.
4. Discuss the different funding strategies that an entrepreneur can utilise in developing their venture.

4.8 FURTHER READINGS

NOTES

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BLOCK II
PROJECT INVESTMENT STAGE

*Entrepreneurial
Opportunities in
Tourism-II
(Transportation)*

**UNIT 5 ENTREPRENEURIAL
OPPORTUNITIES IN
TOURISM-II
(TRANSPORTATION)**

NOTES

Structure

- 5.0 Introduction
- 5.1 Objectives
- 5.2 Entrepreneurial Opportunities in Transportation Sector: Determinants of Success of the Venture
- 5.3 Planning Considerations for Setting up a Tourist Transport Business
 - 5.3.1 Case Study
- 5.4 Answers to Check Your Progress Questions
- 5.5 Summary
- 5.6 Key Words
- 5.7 Self Assessment Questions and Exercises
- 5.8 Further Readings

5.0 INTRODUCTION

Transport, or transportation, is defined as the movement of humans, animals and goods from one location to another. The major modes of transport include air, land and water. Transport through its role of movement of goods and people, has a significant influence on other branches of economy, including tourism. Without transportation there will be no travel and tourism industry, and people will not have the means to reach other places that they desire to see.

The transportation sector is a category of companies that provide services to move people or goods, as well as transportation infrastructure; it comprises several industries, including air freight and logistics, airlines, marine, road and rail, and transportation infrastructure. In this unit, we will discuss the significance of transport in the tourism industry. We will also analyze the evolution of transportation over time and how the sector now offers various business opportunities. The unit will also throw light on successful business strategies to run a transportation venture through a case study.

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5.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss the importance of the transport sector in the tourism industry
- Discuss the various modes of transport, and the opportunities and challenges associated with each mode
- Identify the entrepreneurial opportunities in the transportation sector
- Discuss the factors that determine the success of a venture
- Understand the business strategies implemented in running a successful tourism venture through a case study

5.2 ENTREPRENEURIAL OPPORTUNITIES IN TRANSPORTATION SECTOR: DETERMINANTS OF SUCCESS OF THE VENTURE

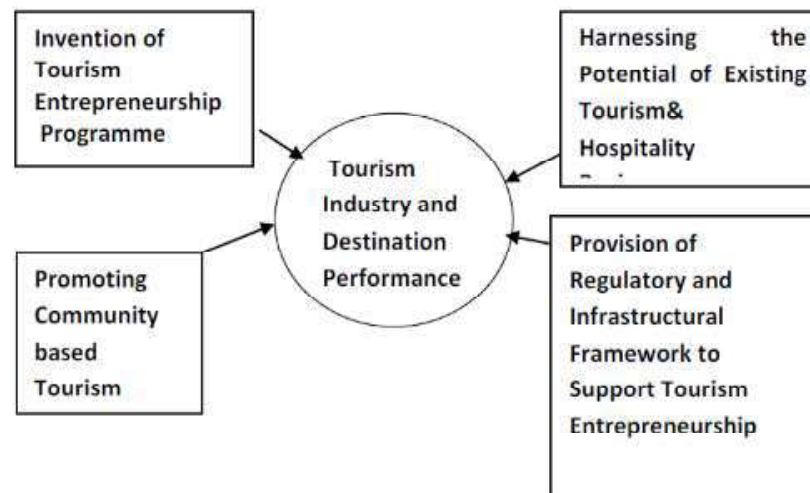


Fig 5.1: Conceptual Model for Tourism Industry and Destination Development

The transport industry has a vital place in the global network system, and is one of the major components of the tourism infrastructure. It has become easier for people to travel from one place to another because of the availability of variety of transportation modes. In the ancient times, the earliest forms of transportation were animals on land, and boats on the sea. Travel developed from the requirement to survive, to expand and develop trade with far off countries and the eagerness to conquer new lands and territories. This was followed by using steams and electricity in the 19th century, followed by internal combustion engines.

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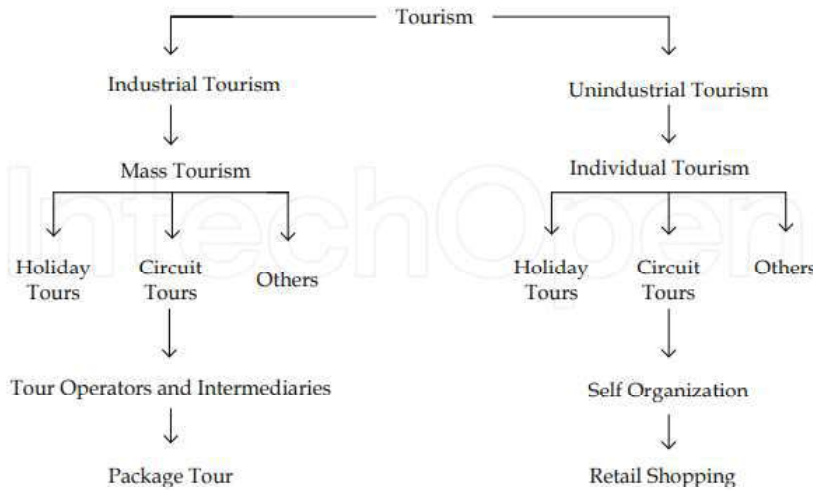


Fig 5.2: Mass Tourism in Tourism Network

Aircraft with the **jet engines were invented in 1950s**. With advent of technology, travel has become faster and safer, and more people are able to travel around the world.

Since tourism is about the physical movement of people to the tourist destinations, every tourist has to travel to reach the places of interest. Therefore, transport is definitely one of the chief components of the tourism industry. To develop a tourist destination, there must be suitable, well-organized and safe modes of transportation. In other words, transportation is a fundamental aspect to tourism. Certain studies conducted on tourism show that tourists spend almost 30–40 per cent of their total holiday expenses on transportation, while the remaining is spent on food, accommodation and other activities. Tourists travel by a variety of means. The tourism professionals and tourists should be conscious of the various modes of transport available to reach the desired destination. The modes of transport can be roughly **divided into three categories**: air, land and water transport. Land transport is further classified into roadways and railways. Let us discuss each mode of transport in detail.

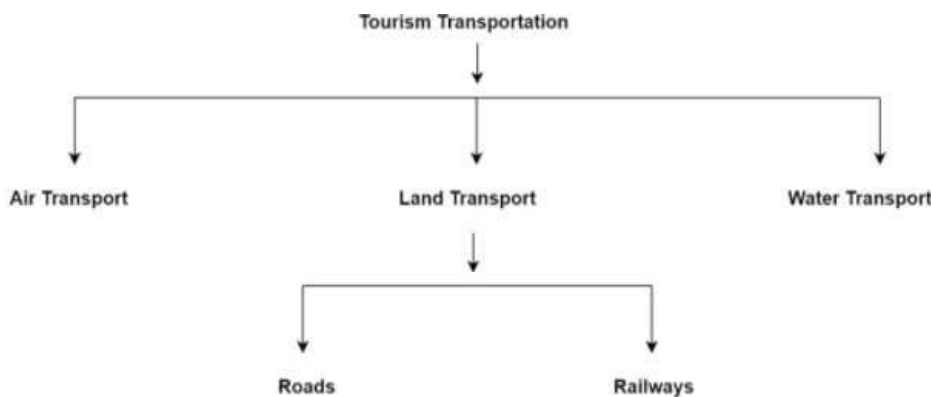


Fig 5.3: Means of Transport for Tourists

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1. Air Transport

The growth and advancement in air transport in recent years has made long-distance travel easier as well as reasonable. These days, the distance is measured in terms of hours, rather than in kilometres.

The Second World War had a vital impact on the aircraft technology. Some of these effects were:

- Availability of a large body of experienced pilots;
- Increased public acquaintance with aviation;
- Increased information of weather;
- Improved maps and knowledge of foreign terrain;
- Construction of thousands of airfields in wide parts of the world;
- A large assortment of surplus aircraft design, flying techniques, and other knowledge necessary for advancement of the industry; and
- The development of jet aircraft.

The jumbo jets, developed in the late 1960s, flew further with more passengers in shorter time and at a cheaper price. Then came today's Boeing 777 or Airbus A380 aircrafts, a tremendous invention for mass transportation. As the airline industry grew, so did the tourism industry's dependency on it.

Another significant development in the period is the use of credit cards and travel cheques. American Express announced its first credit card in 1958, followed by the Bank America Card (today's Visa Card) and Master Charge (today's Master Card) (Poon, 1993:43). These plastic cards and travel cheques assuredly made travellers feel more confident, especially during vacation.

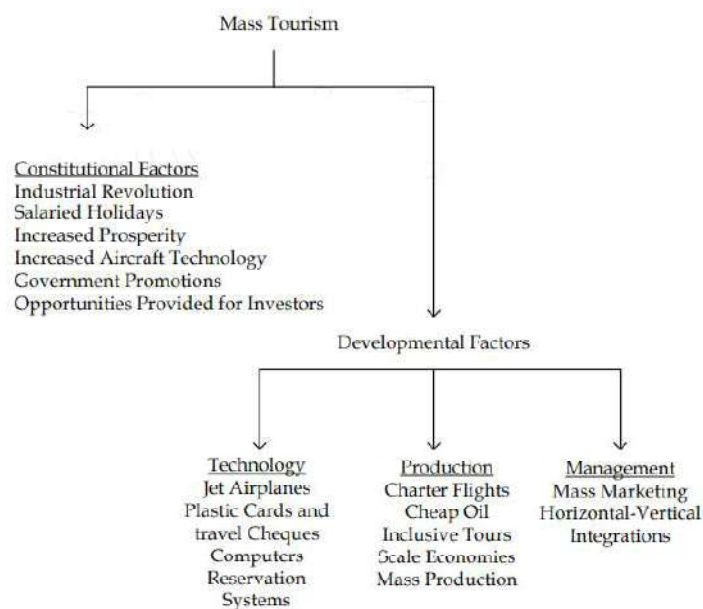


Fig. 5.4: The Constitutional and Developmental Factors for Mass Tourism in 20th Century Road Transport

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2. Road Transport

In the prehistoric times, human beings wandered place to place in search of food. Gradually, they tamed animals such as the dog, ox, horse, camel, reindeer and elephants for carrying the load and travelling. The discovery of the wheel led to the development of the cart, the chariot and the carriage. Until about the 17th century, horses were used for travelling. Later, better roads were constructed and some of these roads developed into trade routes, even linking many nations. One of them is the Silk Route, which was used for transporting silk from China to Persia, and another significant one is the Blue Gem Road from Iran to Afghanistan and India.

Today, the most popular and widely used mode of road travel is the automobile. Road transport is ruled by the automobile, offering a landscape viewing experience as well as the liberty to travel according to one's own wishes. Tourists frequently travel/drive with their family for holidays. To promote tourism, the essential vehicles are coaches and tourist cars. Tourist coaches or buses are favourites for large tourist groups travelling collectively on a tour itinerary. Many tourists prefer to travel in comfort and privacy, and therefore hire cars. Cars of various makes and models are available on a rental basis to suit the needs and demands of the tourists. Tourists also often use their own car when vacationing. Tourists can also hire cars. The car rental sector is in a very stable state in every country around the world. Tourists can book a car online or in an app or through agents, and get it at the desired destination.

3. Rail Transport

The railway is the most cost-effective, appropriate and popular mode of travel particularly for long-distance travel. The railways modernised transportation and mass movement of people. The steam engine was replaced by diesel and electric engines, increasing the speed. Indian Railways have promoted tourism by introducing tourist trains. There are five luxury tourist trains in India, which were voted as some of the best luxurious train in the world in 2010. These luxurious trains are:

- i. The Deccan Odyssey
2. Maharajas' Express
3. The Golden Chariot
4. Royal Rajasthan on Wheels
5. Palace on Wheels

Trains are the backbone of any nation's economic prosperity and the lifeline of communication. Large coaches on tracks travel long distances for hours, even days, equipped with all necessary amenities; they often evoke a sense of romance and adventure. The world's topmost luxury trains are:

1. Indian Pacific, Australia
2. Palace on Wheels, India
3. Blue Train, South Africa

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4. The Pride of Africa, South Africa
5. Rocky Mountaineer, Canada
6. Eastern & Oriental Express, South East Asia
7. Venice Simplon Orient Express, Europe
8. Royal Scotsman, Scotland

4. Water Transport

Human beings have been using water to travel since very long. The boats improved from simple rafts with some modifications and improvement, and were first used around 6000 BC. Travel by ship was the sole means for travelling overseas until the mid-20th century. After the Second World War, the large luxury liners started their venture all over the world and carried passengers and vacationers. Some of the large liners accommodate up to about a 1000 passengers, having facilities like swimming pools, cinema halls, shops and casinos.

Cruise lines have become the new crush for many tourists. The cruises need to be booked many months in advance for trips into the tropical and sub-tropical waters of the Hawaii, Caribbean, Mediterranean, etc. Water transport today plays two main roles in travel and tourism: ferrying and cruising.

India has several cruises. A horde of offers and destinations are on the cards to attract customers to go for cruises in India and most border on the exotic and unusual. Among the cruises of India are trips to and from Mumbai, Goa, Lakshadweep, backwaters of Kerala, Sunderbans, Andaman, Kochi, Maldives, the Ganges river and the Brahmaputra river. Some of the cruises on offer are the Jalesh Cruises, Angriya Cruises, Nefertiti Cruise, The Oberoi Vrinda (Luxury Kerala Cruises), the MV. Mahabaahu Cruise, government-run cruises to Andaman, Sunderbans Luxury Cruises and the Pandaw Ganges River cruise.

Transportation is the most vital part of the tourism infrastructure. It is necessary not only for reaching the tourist destination but also for visiting the famous sites and moving around the said destination. Often, variety of transportation makes total tourism experience different. Unusual forms of transportation are also an attraction in themselves, such as the cable cars in hilly terrain, the funicular railway or jet boating. Some of the famous cable car services in India are available in Darjeeling, Gulmarg, Raigad, Mussoorie, Solang Valley, Kailashgiri (Vishakapatnam), Hardwar, Auli and Rajgir.

The choice of mode of transport is immense and tourists can decide a mode to suit their budget. They can choose for scheduled or non-scheduled transport such as the hiring of vehicles, boats, coaches or trains so that they can take a trip with their group.

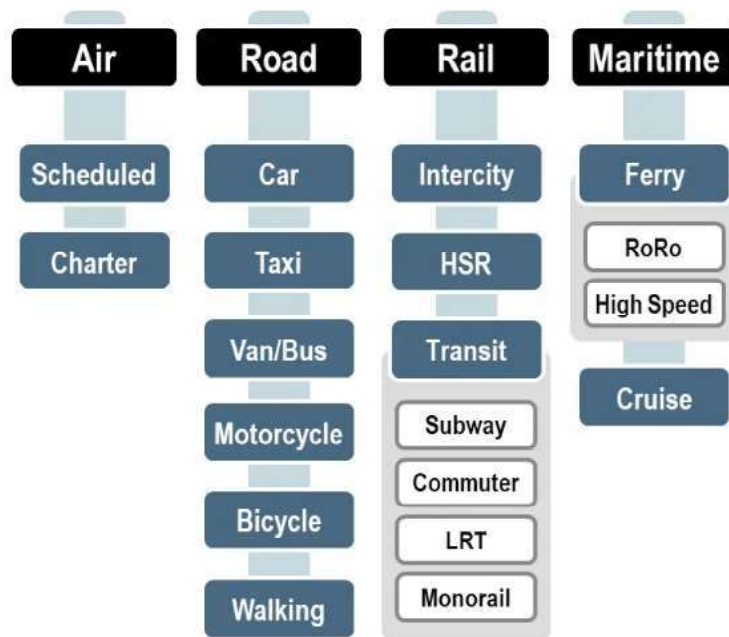


Fig 5.5: Means of Transport for Tourists

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Check Your Progress

1. What are the major categories of transport?
2. List India's five luxury tourist trains.
3. What are some unusual forms of transport that attract tourists?

5.3 PLANNING CONSIDERATIONS FOR SETTING UP A TOURIST TRANSPORT BUSINESS

The following aspects must be considered during planning to institute a successful tourist transport business:

1. Business Environment

If you choose to cater to the upmarket, then you will have to plan to hire/buy the following:

- Luxury coaches,
- Luxury cars, and
- Luxury vans or jeeps.

For the budget market, you might plan for ordinary buses, ordinary cars and jeep.

2. Financial Planning

While drafting your financial plans, you should keep in mind the following:

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- Based on the category of vehicles, a financial feasibility report should be prepared for forecasting the necessary capital, expected revenue and expenditure, and the expected profits.
- In case of any incentives available from the government, such incentives are required to be accounted for while preparing the financial report.
- Careful evaluation of resources and obligations should be made to regulate plans in such a manner that the on-hand resources are more productively utilised.

3. Cost Comparison for Purchase Decisions

Cost comparison should be performed to assess whether to import the vehicles or to buy them from the local market. While deciding this, the quality aspect should never be compromised and the feasibility of vehicles maintenance after the procurement must be considered.

4. Human Resource Planning

Implemented successfully, Human Resource (HR) planning facilitates a business to optimise its usage of manpower, mounting productivity while bringing down employee turnover and employee unrest. HR planning is very important to the enterprise in several respects. The five business management functionalities of planning, organizing, leading, directing and controlling depend on the oversight and action of HR planners for their effectual implementation. At the organizational level, high-quality HR planning facilitates the enterprise to optimise its implementation and utilisation of existing talent and to identify earlier, and in more detail, the requirement for supplementary or substitute skills.

HR planning facilitates businesses to meet their current and future demands for manpower, permitting HR managers to predict and build up the skill/skills which is/are most valuable to an organization, and providing the enterprise with the finest equilibrium of staff in terms of available skill-sets. Appropriate planning also offers a path for future development by establishing a talent pool capable enough of attaining leadership roles. HR planning is always aligned with business strategy.



Fig. 5.6 HR Planning

HR Planning Methodology

The HR planning methodology comprises the following steps:

- Step One: Analyze the objectives of the organization.
- Step Two: Make a register of present HR.
- Step Three: Forecast your HR requirement.
- Step Four: Conclude on the number and extent of gaps in terms of skill set.
- Step Five: Draft an action plan.
- Step Six: Incorporate and implement the plan.
- Step Seven: Monitor, measure and provide feedback.

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Fig. 5.7 The Seven Steps of HR Planning

The following categories of trained personnel are required by a tourist transport operator:

- Trained and experienced drivers
- Trained assistants to handle client bookings

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- Maintenance assistants and/or supervisors
- Documentation or liaison personnel
- Marketing and selling executives
- Accountant

5. Office Location

The location of your office should depend on the specific segment of tourist crowd you desire to cater. If you are providing service to domestic tourists and looking for walk-in clients, then your office should be located near the railway stations or near the bus terminal or near the inter-state bus terminal. On the other hand, if you choose to provide service to foreign tourists, then your source of business would be from different tour operators and travel agencies. In that case, your office location could be in any decent area irrespective of floor preference.

In an ideal situation, your office location should have a parking space within a reasonable distance so that if requirement arises, drivers can be contacted straight away either via a messenger or via a public announcement system.

6. Computerisation

It is recommended that depending upon the intensity of your operation, in terms of size, your booking and finances should be computerised for superior efficiency. You must take advantage of technology for various tasks, such as supporting online booking of train/flight tickets, email facility and internet facility.

Travel technology, includes all business functions, including:

- E-commerce and E-marketing
- E-finance and E-accounting
- E-HRM
- E-Procurement
- E-Strategy
- E-Planning
- E-Management

The applications of e-tourism are as follows:

- Flight tracking system
- Dynamic packaging
- Computer reservation system
- Global distribution system
- Customer relationship management
- Audio tours
- GPS tours

- Biometric passport, also known as e-passport
- Virtual tour
- Mobile technology
- Social networks

For marketing purpose, technology can be used for:

- Online advertising
- Editorial and newsletters
- Special website to provide information of specific region, for instance, <http://www.maharashtratourism.gov.in>
- Search engine marketing
- E-mail promotion
- Word-of-mouth via social media/networks like blogs along with customer reviews, communities such as the free Flickr photo sharing, website and YouTube video sharing, discussion groups and Facebook

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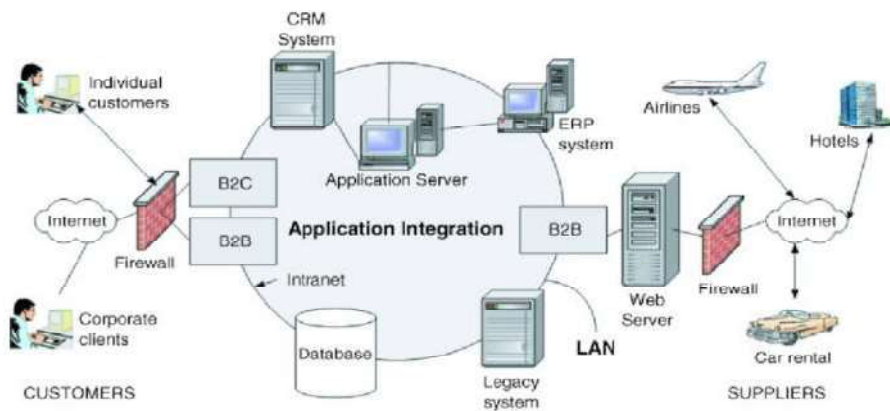


Fig. 5.8 Example of System Architecture and Information Technology in a Travel and Tourism Agency. (Source: https://www.researchgate.net/figure/Example-of-System-Architecture-and-Information-Technology-in-a-Travel-and-Tourism-Agency_fig2_305229648/download.)

5.3.1 Case Study

OYO: From a Start-up to a Global Hotel Chain

‘On Your Own’ Hotels and Rooms (OYO) is one of the most popular names in the accommodation segment of tourism, and is an aggregator of unbranded hotels and bed and breakfasts (B&B) in India. In April 2019, the company attracted an investment of around Rs 10.55–14.05 billion from Airbnb, Inc (Airbnb). As per the OYO–Airbnb deal, OYO’s 10,000 villas and homes in India, the UAE and other markets, would be listed on the Airbnb platform, expanding OYO’s international reach while strengthening Airbnb’s presence in Asia. In February 2019,

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OYO also entered Japan's accommodation sector with its new service, 'OYO LIFE'. OYO launched its Japan operations through a joint venture with Yahoo! Inc.

The Beginning

In early 2000s, Ritesh Agarwal, a teenager, started selling SIM cards for pocket money in the small town of Rayagada in the eastern Indian state of Odisha. Ritesh was an IIT aspirant and enrolled himself at Bansal Tutorials in Kota, Rajasthan, in 2009. He, then, attended entrepreneurial conclaves in Delhi and got fascinated by entrepreneurs like Rahul Bhatia, co-founder and non-executive director of IndiGo Airlines; Siddhartha Lal (son of Vikram Lal), CEO at Eicher Motors; and many others. He was inspired to launch a brand of his own.

Domestic Expansion and Remodelling

In August 2014, OYO raised Rs 40 million from Lightspeed Venture Partners (LSVP) and DSG Consumer Partners, at a pre-money valuation. By the end of 2014, it had expanded its presence to 350 plus hotels and more than 4,000 rooms in 20 cities like Delhi, Gurgaon, Noida, Bengaluru, Mumbai, Pune, Goa, Jaipur, Hyderabad and more. In March 2015, OYO raised a total of another Rs 1.76 billion from LVSP and Sequoia Capital. With its expansion into multiple cities, OYO launched its mobile application (OYO App) in April 2015 through Google Inc.'s (Google) Play Store.

Partnership and Acquisition

OYO established a partnership with travel website Yatra.com in October 2017, to widen its access to customers. In February 2018, OYO partnered with MakeMyTrip Ltd. and GoIbibo. Under the partnership, OYO's chain of hotels was listed and was available for booking on both the websites.

Global Expansion

In 2016, OYO marked its entry into the Southeast Asian market by launching in Malaysia. Commenting upon the launch, Agarwal said in 2016, 'Malaysia is our first port-of-call given the attractive characteristics of the market such as higher-than-average mobile penetration and a large internet population. Unbranded hotel room supply accounts for a majority share of hotel supply worldwide. OYO's model is suitable for markets with large share of unbranded budget supply such as South-east Asia, Africa and South America.'

Technology to Enhance Customer Experience

OYO has invested heavily in technology to improve the accuracy of its services. Earlier, there was a huge disconnect between demand and supply of quality living space, forcing travellers and city-dwellers to compromise on location, comfort and pricing. According to Agarwal, 'OYO is using technology and talent to fix this socio-economic problem.'

Business Performance

By March 2018, OYO was operating in 8,500 exclusive hotels and 75,000 rooms across its verticals in India, Malaysia and Nepal. Post the change in its business model, OYO witnessed a surge in its bookings.

The Journey Ahead

As of 2019, OYO aimed to emerge as the world's largest hotel brand, overtaking Marriott, by adding over a million rooms globally in four to five years (2023). China had approximately 35 million unbranded rooms (as of FY 2018) and Agarwal saw in that a big opportunity to scale up further. India, in comparison, had only 4.3 million unbranded rooms.

Check Your Progress

4. What are the important aspects of setting up a transport venture?
5. What is the role of HR in running a smooth venture?
6. How is technology used in transportation?
7. How is technology used for marketing purposes?

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5.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The modes of transport can be roughly divided into three categories: air, land and water transport. Land transport is further classified into roadways and railways.
2. India offers the following luxurious trains:
 - (i) The Deccan Odyssey
 - (ii) Maharajas' Express
 - (iii) The Golden Chariot
 - (iv) Royal Rajasthan on Wheels
 - (v) Palace on Wheels
3. Unusual forms of transportation are also an attraction in themselves, such as the cable cars in hilly terrain, the funicular railway or jet boating. Some of the famous cable car services in India are available in Darjeeling, Gulmarg, Raigad, Mussoorie, Solang Valley, Kailashgiri (Vishakapatnam), Hardwar, Auli and Rajgir.
4. The following aspects must be considered during planning to institute a successful tourist transport business:

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- (i) Business environment
 - (ii) Financial Planning
 - (iii) Cost Comparison
 - (iv) HR Planning
 - (v) Office Location
 - (vi) Computerisation
5. HR planning facilitates the enterprise to optimise its implementation and utilisation of existing talent and to identify earlier, and in more detail, the requirement for supplementary or substitute skills.
6. Travel technology, includes all business functions, including:
- E-commerce and E-marketing
 - E-finance and E-accounting
 - E-HRM
 - E-Procurement
 - E-Strategy
 - E-Planning
 - E-Management
7. Technology can be used for marketing through:
- Online advertising
 - Editorial and newsletters
 - Special website to provide information of specific region
 - Search engine marketing
 - Email promotion
 - Word-of-mouth via social media/networks like blogs along with customer reviews, communities such as the free Flickr photo sharing, website and YouTube video sharing, discussion groups and Facebook.

5.5 SUMMARY

- The transport industry has a vital place in the global network system, and is one of the major components of the tourism infrastructure.
- Aircraft with the jet engines were invented in 1950s. With advent of technology, travel has become faster and safer, and more people are able to travel around the world.
- Transport is definitely one of the chief components of the tourism industry. To develop a tourist destination, there must be suitable, well-organized and safe modes of transportation.

- Certain studies conducted on tourism show that tourists spend almost 30–40 per cent of their total holiday expenses on transportation, while the remaining is spent on food, accommodation and other activities.
- The modes of transport can be roughly divided into three categories: air, land and water transport. Land transport is further classified into roadways and railways.
- In the prehistoric times, human beings wandered place to place in search of food.
- The discovery of the wheel led to the development of the cart, the chariot and the carriage. Until about the 17th century, horses were used for travelling.
- Later, better roads were constructed and some of these roads developed into trade routes, even linking many nations. One of them is the Silk Route, which was used for transporting silk from China to Persia, and another significant one is the Blue Gem Road from Iran to Afghanistan and India.
- Road transport is ruled by the automobile, offering a landscape viewing experience as well as the liberty to travel according to one's own wishes.
- The railway is the most cost-effective, appropriate and popular mode of travel particularly for long-distance travel.
- There are five luxury tourist trains in India, which were voted as some of the best luxurious train in the world in 2010.
- Human beings have been using water to travel since very long. The boats improved from simple rafts with some modifications and improvement, and were first used around 6000 BC.
- Water transport today plays two main roles in travel and tourism: ferrying and cruising.
- India has several cruises. A horde of offers and destinations are on the cards to attract customers to go for cruises in India and most border on the exotic and unusual.
- Transportation is the most vital part of the tourism infrastructure. It is necessary not only for reaching the tourist destination but also for visiting the famous sites and moving around the said destination.
- Unusual forms of transportation are also an attraction in themselves, such as the cable cars in hilly terrain, the funicular railway or jet boating. Some of the famous cable car services in India are available in Darjeeling, Gulmarg, Raigad, Mussoorie, Solang Valley, Kailashgiri (Vishakapatnam), Hardwar, Auli and Rajgir.
- The following aspects must be considered during planning to institute a successful tourist transport business: business environment, financial planning, cost comparison, hr planning, office location and computerisation.

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- The five business management functionalities of planning, organizing, leading, directing and controlling depend on the oversight and action of HR planners for their effectual implementation.
- HR planning facilitates businesses to meet their current and future demands for manpower, permitting HR managers to predict and build up the skill/skills which is/are most valuable to an organization, and providing the enterprise with the finest equilibrium of staff in terms of available skill-sets.
- The location of your office should depend on the specific segment of tourist crowd you desire to cater.
- You must take advantage of technology for various tasks, such as supporting online booking of train/flight tickets, email facility, internet facility.
- On Your Own' Hotels and Rooms (OYO) is one of the most popular names in the accommodation segment of tourism, and is an aggregator of unbranded hotels and bed and breakfasts (B&B) in India.
- As per the OYO–Airbnb deal, OYO's 10,000 villas and homes in India, the UAE and other markets, would be listed on the Airbnb platform, expanding OYO's international reach while strengthening Airbnb's presence in Asia.
- In February 2019, OYO also entered Japan's accommodation sector with its new service, 'OYO LIFE'. OYO launched its Japan operations through a joint venture with Yahoo! Inc.
- In February 2018, OYO partnered with MakeMyTrip Ltd. and GoIbibo. Under the partnership, OYO's chain of hotels was listed and was available for booking on both the websites.
- Unbranded hotel room supply accounts for a majority share of hotel supply worldwide. OYO's model is suitable for markets with large share of unbranded budget supply such as South-east Asia, Africa and South America.
- OYO has investing heavily in technology to improve the accuracy of its services.

5.6 KEY WORDS

- **Cruise Ships:** These are large passenger ships used mainly for vacationing. Unlike ocean liners, which are used for transport, they typically embark on round-trip voyages to various ports-of-call, where passengers may go on tours known as 'shore excursions'.
- **Skill Set:** It can be defined as the knowledge, abilities and experience needed to perform a job. Specific skill set areas can include human relations, research and planning, accounting, leadership, management and computer skills.

- **Talent Pool:** It refers to a place or database where recruiters and HR managers keep all of their top job candidates. Talent pools make not only candidates that have applied for jobs, but also sourced, referred candidates, silver medallists and candidates that have willingly joined your pool in an inbound way.
- **Customer Relationship Management:** It is a process in which a business or other organization administers its interactions with customers, typically using data analysis to study large amounts of information.
- **Search Engine Marketing:** It is a form of internet marketing that involves the promotion of websites by increasing their visibility in search engine results pages primarily through paid advertising.

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5.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. How does transportation affect tourism?
2. What is the role of water transportation in tourism?
3. What is the importance of railways in Indian economy?
4. What factors should be kept in mind while formulating a financial plan?
5. What categories of trained personnel are required by a tourist transport operator?
6. How was OYO able to use technology to enhance customer service in the accommodation sector?

Long-Answer Questions

1. Analyze the importance of transportation in the tourism industry.
2. Discuss the evolution of transportation over time.
3. Discuss the impact of the Second World War on aviation.
4. Discuss the role of human resources in running a transportation venture.
5. Analyze the factors that determine the success of a venture.
6. Discuss how OYO was able to establish itself as a global giant in the tourism industry.

5.8 FURTHER READINGS

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UNIT 6 RISKS AND SOURCES OF FINANCE

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Structure

- 6.0 Introduction
- 6.1 Objectives
- 6.2 Risk and Return Aspects of the Opportunity
- 6.3 Sources of Finance
- 6.4 Determinants of Success of the Venture
 - 6.4.1 Case Study of Selected Tourist Cab Services
- 6.5 Answers to Check Your Progress Questions
- 6.6 Summary
- 6.7 Key Words
- 6.8 Self Assessment Questions and Exercises
- 6.9 Further Readings

6.0 INTRODUCTION

Tourism, as one of the most important economic sectors, is also one of the most vulnerable to crises and disasters. A crisis, regardless of its type, severity, or scope, has a significant impact on the tourism industry. Therefore, it becomes essential that entrepreneurs develop risk-management plans to deal with crises. In this unit, we will study the risk-management aspect of entrepreneurship, while focussing on sources of finance.

6.1 OBJECTIVES

After going through this unit, you will be able to:

- Identify the impact of crises on the tourism industry
- Analyze the risk-management techniques required to deal with crises
- Identify the various sources of finance available for entrepreneurs
- Examine the pros and cons associated with each source of finance
- Identify the factors that determine the success of a venture
- Analyze the Indian taxi market and the opportunities that lie within

6.2 RISK AND RETURN ASPECTS OF THE OPPORTUNITY

Understanding risk management in tourism is very vital for tour operators. A crisis occurs when it is least expected. Therefore, it is vital to always have a risk-

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management plan, which consists of steps to be followed during and post crisis. The formation of the plan must follow a lucid process so that all tourism stakeholders are aware of it. During the crisis period, mitigation, preparedness, response and recovery are the main activities to be performed which will be helpful in managing the crisis successfully.

Risk management is a planned method by which organizations usually manage crises. A crisis is a difficult or dangerous situation and during this time challenging decisions are to be made. With a proper plan in place, organizations can deal with a crisis in a more efficient way. The tourism industry operates in a very vibrant environment and it comprises various interconnected sectors. Due to this reason, there is a possibility of things to be vulnerable which may spawn to unexpected crises. A crisis can arrive in various forms; it may include health-related threats (the 2020 global Covid-19 pandemic), natural disasters (earthquakes and floods), political turmoil and terrorism-related activities. Such risks and disasters generate momentous threats to the tourism industry. In recent times, there have been quite a few grave catastrophes, such as the 2019 Easter Day bombings in Sri Lanka and the extensive political unrest in Ethiopia during the same year, both of which had an enormous impact on the tourism industry.

Crisis Example 1: Nepal Earthquake Response

Following the earthquake in Nepal in 2015, when 9000 people lost their lives and more than 800 monuments were damaged, the nation's image suffered from negative international reporting and tourist arrivals fell by more than one-third in the year, from 7,90,000 in 2014 to 5,39,000 in 2015. However, the Nepal Tourism Recovery action group quickly launched the IAM IN NEPAL NOW #NepalNOW #still smiling social media campaign to counter the vast numbers of negative stories circulating on the Internet. The campaign encouraged international visitors to Nepal to post images of them holding placards featuring the slogan.

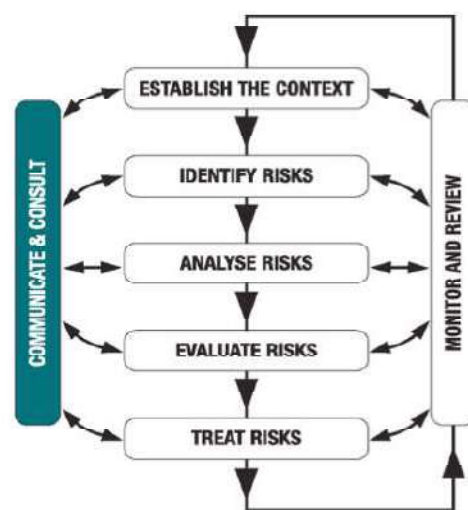


Fig. 6.1 Risk-Management Process

Steps to be Followed During Crisis

1. **Mitigation:** As the crisis strikes, immediate proceedings are necessary to protect your business.
2. **Preparedness:** The organization should be prepared in such a way so that it is able to adapt the competence to take stances against the disaster and concentrate on the required activities to protect the organization.
3. **Response:** The organization should be prepared to respond during crisis and should be able to employ all the attainable resources to attempt and deploy an operative response against the crisis.
4. **Recovery:** It is related to the various methods for recovery, which involve being prepared and working on the approaches to regain the regular situation and beyond.

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Financial Response During Crisis

Finance is the major concern at time of a crisis. If a business comes to a standstill position, it can have a foremost unfavourable consequence on the cash flow. Continual evaluation of the financial conditions of the organization is to be monitored.

At the time of crisis, the followings financial aspects are to be considered:

- Initiate examination of the cash flow situation during the crisis stage and keep adjusting them as per the situation.
- Evaluate your organizational expenditures and identify the areas where some savings can be made, such as rent, leases and monthly bills.
- Speak to all the vendors and suppliers to find out in case any price renegotiation can be arranged.
- If required, employees are to be made redundant. This is of course the last situation. Always maintain proper and transparent communication with your employees so that they are fully aware of the drastic situation and redundancies do not come to them as a surprise.



Fig. 6.2 Tourism Crisis Management Process

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Check Your Progress

1. What are the activities to be performed during a crisis period to manage the crisis successfully?
2. What are the kinds of crises that can affect the tourism industry?

6.3 SOURCES OF FINANCE

There are six methods of financing a small business. Let us discuss these methods in detail.

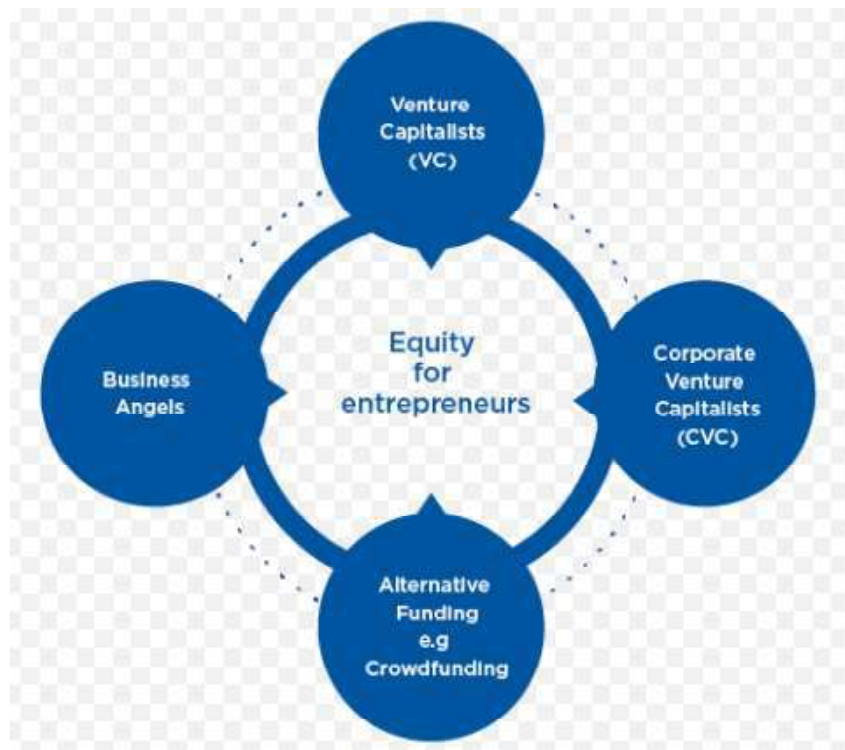


Fig. 6.3 Funding Sources for Entrepreneurs

1. Crowdfunding

In this internet age, crowdfunding is a great way to get several individuals interested in your idea, product or service and raise money from them. This method uses the power of the crowd to invest little amounts and expects on mass appeal. Initially, crowdfunding was used by non-profits to collect donations, very similar to subscriptions collected in India during festivals. Today, online crowdfunding platforms produce financial backing for numerous start-ups and projects. There are several types of crowdfunding that Micro, Small and Medium Enterprises

(MSMEs) can use: (The Government of India has enacted the MSMED Act, 2006.)

- Equity-based crowdfunding is when the investor receives a minor percentage of share of the business in exchange of the investment put in.
- Reward-based crowdfunding involves individuals investing small amounts of money in exchange for a reward such as free service or a prototype product.
- Debt-based crowdfunding is when investors invest money with the understanding that it will be paid back with interest.

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2. Angel Investors

Start-ups as well as young businessmen when they are launching themselves often do not have adequate funds, and need the help of angel investors. They are usually informal or seed investors who are usually corporate leaders or businessmen who have funds to help start-ups. Usually in networking events, the start-ups and young business professionals can float their ideas and can catch the attention of angel investors.

3. Venture Capitalists

Venture capitalists usually arrive at a later stage of business growth when the business is already showing potential growth and thus provide some strength to the organization by providing the extra fund that is often required to make the business prosper. It is not so easy to gain the attention and fund of venture capitalists as their attention needs to be caught by showcasing a solid and sustainable business model, proven sales record along with loyal customers, and a very effective and string management team. Some of the top venture capitalists in India are Accel, Blume Ventures, Chiratae Ventures, Nexus Venture Partners and Sequoia Capital India.

4. Peer-to-Peer (P2P) Lending

Peer-to-Peer (P2P) platforms are a recent phenomenon in the world of investment as peers via a fintech company digital platform usually accepted application and based on the creditworthiness of the applicant disburses the requested amount with some kind of riders. It is one of the new models that is getting popular, but one must remember that usually the interest rates of P2P platforms are on the higher side. India has eight RBI-licensed P2P providers. Some significant P2P lenders in India are Faircent.com, Cashkumar, i2iFunding and LenDenCluband.

5. Government Schemes

The government also offers financial schemes to aid new entrepreneurs by providing funds for their start-ups; some of these schemes are:

- (i) **The Credit Guarantee Scheme:** Usually for small businesses and first-generation entrepreneurs; provides collateral-free credit

(ii) **Stand Up India:** Empowers women and citizens from socially deprived classes

(iii) **The Pradhan Mantri MUDRA Yojana:** Benefits sole proprietors, small industries and artisans

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Table 6.1 Types of Funding

Characteristics of Investment	Equity Financing	Debt Financing	Grants
Nature	No component of repayment of the invested funds	Invested funds to be repaid within a stipulated time frame with interest	No component of repayment of the invested funds
Risk	Higher risk factor for the investor due to lack of guarantee against the investment	Lower risk factor for the investor due to collateral against the investment	No risk factor for the start-up as no collateral is involved
Pressure for Repayment	Less pressure for start-ups to adhere to a repayment timeline but added pressure from investors to achieve growth targets	More pressure for start-ups to adhere to repayment timeline causing more pressure to generate cash flows to meet interest repayments	No pressure for repayment as grants are a form of monetary support provided for a specific purpose
Return to Investor	Capital growth for investors	Interest payments	No return
Involvement in Decisions	Involved in decision-making process	Less involvement in decision-making	No direct involvement in decision-making
Sources	Angel investors, self-financing, family and friends, venture capitalists, crowd funding and incubators/accelerators	Banks, non-banking financial institutions, government loan schemes (CGTMSE, Mudra Loan, Stand-up India)	Central government, state governments, corporate challenges, grant programmes of private entities

6. Investor Targeting

When an entrepreneur has a business idea and the plan is well chalked out, they can then think of getting the necessary funds from investors for which they need to approach the investors in a targeted fashion. The entrepreneur needs to catch the attention of the investors and they should be able to prove the potential of their business idea. The factors which should be given significance include identifying the right investors who might take interest in a particular business idea or venture, the sectoral preferences of the investors, the geographic location of the investor and the business, the amount of funding, the amount one can generate by one's own means, the level of engagement from self and others, and the available mentorship. Usually, the investors take some time to finalise the decision as they judge the depth of the plan and other factors and then in mutually agreeable conditions provide the funds.

Check Your Progress

3. Name some venture capitalists in India.
4. List any three government schemes that aid new entrepreneurs by providing funds.
5. What is reward-based crowdfunding?
6. List any three P2P lenders in India.

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6.4 DETERMINANTS OF SUCCESS OF THE VENTURE

The emergence and development of business venture depends on economic, social, political, and psychological factors; these factors are frequently put in language as supporting situations for entrepreneurship development. These conditions may have both positive and negative impacts on the materialisation of entrepreneurship. Venture owners need to develop leadership methods that facilitate them navigating their small firms, they need to be trained on how to accomplish market research, SWOT analysis, business plan and business model. To be successful, an entrepreneur must learn how to evaluate the opportunity for new business by scrutinising the trend and professionally dealing with the business operations.

Opportunity Identification and Evaluation

A successful entrepreneur has the capability to recognise a business opportunity by monitoring the trend, solving a crisis or finding gap in the marketplace. The trend may be economical, political or technological. Observing trends may offer great opportunity to predict what the upcoming situations are, and commence creative ideas to set the anticipated circumstance. Unique initiatives that resolve problems and add values to customers can spawn outstanding business opportunities. Bridging the market gap ensures business success; it is often identified when a certain market segment is unsatisfied due to its narrow size and its members' requirements are not considered. A favourable situation evaluation is quite vital for venture success. Evaluation should be made in terms of attractiveness, timing, durability and creation, and value addition.

Opportunity evaluation should be methodical, and conducted over the following four dimensions:

1. Market analysis
2. Financial outcomes
3. Competitive advantage
4. Management teams and risks involved

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Market analysis means that one needs to be aware of the competitions, the market size, the growth rate of the business as well as the life cycle of the product along with customer's expectations and the segmentation. Financial outcomes include the profit percentage, time for profit inflow to happen, rate of interest, strategic value of the business and the requirements of capital. Competitive advantage refers to the cost, strategies of the competitions, opportune entry time, Points of Differences (PODs) from the competitor(s), etc.

Entrepreneurial Mindset and Attitude

It is also significant to have an entrepreneurial mindset and attitude as that helps a lot in determining the success of the business venture. Some of the desirable qualities of an entrepreneur are determination and commitment for the project undertaken, leadership qualities, vision, style, implementing decisions and strategies, need for recognition of opportunities and grabbing them instantaneously, the ability to take risk(s) (calculated ones and not just work on the assumption that luck will favour the bold), being ambitious and self-confident and having reliance on oneself and one's team, as well as being creative and innovative (also in recognising the creativity of others and accepting them to implement in one's decisions and practice).

New Venture Assessment

Whenever a new project is launched or is about to be launched, a thorough assessment of the same should be conducted as only by doing so one can understand how feasible the venture is. Without a feasibility assessment it is but idiotic to invest one's time, energy and resources into any project which involves high risks. This is a general notion and all entrepreneurs are aware of it, and thus, take adequate preparation for the same. But at the same time, when a business opportunity appears on the horizon, one needs to realise that opportunity and immediately do the needful to grab the same as the opportunities often makes business successful initially to pursue later the business with zeal and confidence.

Deploying Appropriate Entry Competitive Strategy

Any business activity requires a strategy which needs to be employed in terms of each project. No readymade strategies are available; one needs to understand that each business venture is unique and needs an appropriate strategy. For market penetration, specific strategies need to be developed.

There are five identifiable strategies in general:

1. Low-cost provider strategy
2. Broad differentiation strategy
3. Focused low-cost strategy
4. Focused differentiation strategy
5. Best-cost provider strategy

Create Reputation

In business reputation matters, and if one has a good reputation it can provide great creditworthiness essential for any business.

A good reputation can:

- o **Offer** additional business openings;
- o Attract better employees;
- o Bring organizational value;
- o Lessen the marketing cost;
- o Offer more funds at disposal; and
- o Provide better stock prices if one is going public, etc.

Venture Management

Venture management refers to an array of activities to assess the idea and scrutinise the phases of running the business. To do this, one should keep the following in mind:

- o A reliable market research, which accurately describes the needs of the market;
- o A business plan that talks about functions, operations and budgetary provisions;
- o Equipped and competent members in the team to give shape to the project in its implementation;
- o Reliable top management
- o Long-term objectives; and
- o Review of the business plan.

6.4.1 Case Study of Selected Tourist Cab Services

The following case study is adapted from the case study *Success Story of a Start-up—A Case Study of OLA Cabs* by Dr. Ashok Kumar Panigrahi, Shambhavi Shahi and Amar Singh Rathore published in the *Journal of Business and Management*.

Case Study of OLA Cabs

OlaCabs, more popularly known as Ola, is just like any other online marketplaces, but more specifically into providing taxi services. Ola, which started as an online cab aggregator in Mumbai, now resides in the Silicon Valley of India aka Bangalore. It is also known to be one of the fastest-growing businesses in India, out beating its competitors Uber and Meru. The founder and CEO of OlaCabs is Bhavish Aggarwal.

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Taxi Services in India

The middle-class population in India rose from 15 million in 1991 to 160 million in 2011. This segment with its increasing disposable income started demanding, and has been willing to pay for better services across various sectors, including private and public transportation. Rapid economic growth coupled with huge infrastructure development, rigorous effort from the Ministry of Tourism to project India as a travel destination and the emergence of Business Process Outsourcing (BPO) industry has given a huge push to the car rental industry in India. Till 2003, the point-to-point taxi market in India's big metropolitan cities was completely unorganised. It was served either by unorganized, inconsistent and somewhat expensive private operators or by state government controlled pre-paid taxis offering a standardised but low-quality service. But in 2003, the radio cabs business emerged as one of the fastest-growing businesses in the Indian transportation sector with Delhi-based Mega Corp setting the wheels rolling under the MegaCabs brand in cities such as Bangalore, Mumbai, Calcutta, Chandigarh, Ludhiana and Amritsar. Today, 15,000 plus professionalised air-conditioned taxis are available to customers in six big cities in a largely reliable, convenient and affordable manner (Rahman & Anand, 2014).

Indian Taxi Market

The taxi market scenario in India is hugely fragmented. The taxi market in India is divided into two major segments: organized and unorganized markets. The unorganized segment has a market value of \$8.5 billion, while the organized market holds a market value of almost \$500 million.

Due to the increase in competition and a steep rise in public demand due to the quality and comfort of service provided by these taxi services, there has been an increase in the investment activity for the same. In the interim, big cash is making this fight worth battling for. As indicated by the Association of Radio Taxi India, the taxi business in the nation is developing at 20 to 25 per cent for every penny a year. The sorted-out taxi area represents only four to five per cent for every penny of the business and sums \$800 million. It is relied upon to develop to \$7 billion by 2020. The central government, vide its budget 2015–16 clearly defined the term aggregator. 'Aggregator means a person, who owns and manages a web-based software application, and by means of the application and a communication device, enables a potential customer to connect with persons providing service of a particular kind under the brand name or trade name of the aggregator.'

As of 2018, the Indian taxi market was assessed to be around \$8 billion (Rs 48,000 crore), out of which just 5% was being overseen under sorted out area, implying that the market was completely open. It was being anticipated that in the following five years, sorted out players, such as Uber, Meru and Ola will catch 15 per cent of this market, which is developing at an astonishing rate of 45 per cent every year.

The Indian cab market has seen a lot of traction, with over INR 600 crores being raised by the leading players in the sector. While this has been a very

competitive market, the organized sector forms a small percentage of the overall market. It is estimated that the radio taxi market in India is \$6–9 billion growing at 17–20 per cent. It was also estimated that the number of taxis in the organized sector will reach 30,000 by 2017.

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Fig. 6.4 Investment in Ola

Taxi market in India has seen a sensational development in the previous six years. \$400 million (INR 2400 cr) of investment has been pumped in 2010–14. The significant player in the taxi aggregator space is Ola cabs and is now threatened by entry of Uber.

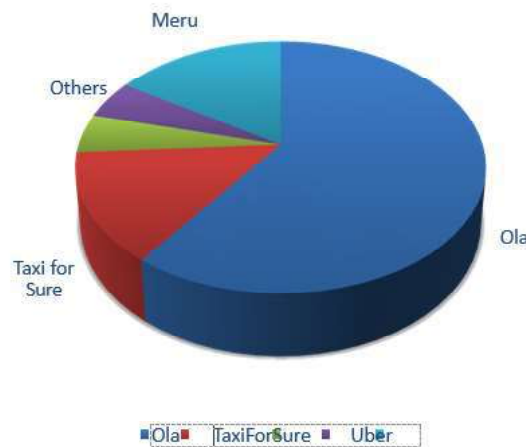


Fig. 6.5 Market Share of Indian Taxi Market

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Market Share of OLA and Competition

As previously mentioned, Ola has a market share potential of 60 per cent in India. The other contenders in the market which fall under the organized segment include Taxiforsure (14 per cent), Meru cabs (16 per cent), Uber (5 per cent) and others (5 per cent). Taxiforsure was acquired by Ola, which further increased its market share to about 74 Per cent.



Fig. 6.6 Ola and its Competitors. (Sources: <https://www.readkong.com/page/success-story-of-a-start-up-a-case-study-of-ola-cabs-5529567>, <https://doku.pub/documents/ola-project-g0rwrw32zwqk>).

Check Your Progress

- 7. What are the factors that affect venture development?
- 8. Why is it essential to maintain a good business reputation?
- 9. What is venture management?

6.5 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. During the crisis period, mitigation, preparedness, response and recovery are the main activities to be performed which will be helpful in managing the crisis successfully.
2. A crisis can arrive in various forms; it may include health-related threats (the 2020 global Covid-19 pandemic), natural disasters (earthquakes and floods), political turmoil and terrorism-related activities. Such risks and disasters generate momentous threats to the tourism industry.

3. Some of the top venture capitalists in India are Accel, Blume Ventures, Chiratae Ventures, Nexus Venture Partners and Sequoia Capital India.
4. Some government schemes that aid new entrepreneurs are the Credit Guarantee Scheme, Stand Up India and the Pradhan Mantri MUDRA Yojana.
5. Reward-based crowdfunding involves individuals investing small amounts of money in exchange for a reward such as free service or a prototype product.
6. P2P lenders in India are Faircent.com, Cashkumar, i2iFunding and LenDenCluband.
7. The emergence and development of business venture depends on economic, social, political, and psychological factors; these factors are frequently put in language as supporting situations for entrepreneurship development.
8. It is essential to have a good business reputation, as it can:
 - o Offer additional business openings;
 - o Attract better employees;
 - o Bring organizational value;
 - o Lessen the marketing cost;
 - o Offer more funds at disposal; and
 - o Provide better stock prices if one is going public, etc.
9. Venture management refers to an array of activities to assess the idea and scrutinise the phases of running the business.

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6.6 SUMMARY

- Understanding risk management in tourism is very vital for tour operators. A crisis occurs when it is least expected.
- During the crisis period, mitigation, preparedness, response and recovery are the main activities to be performed which will be helpful in managing the crisis successfully.
- Risk management is a planned method by which organizations usually manage crises.
- The tourism industry operates in a very vibrant environment and it comprises various interconnected sectors. Due to this reason, there is a possibility of things to be vulnerable which may spawn to unexpected crises.
- Finance is the major concern at time of a crisis. If a business comes to a standstill position, it can have a foremost unfavourable consequence on the cash flow.

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- There are six financial sources for new entrepreneurs: P2P lenders, crowdfunding, venture capitalists, angel investors and government schemes.
- There are several types of crowdfunding that Micro, Small and Medium Enterprises (MSMEs) can use.
- The main categories are equity-based, reward-based and debt-based crowdfunding.
- Angel investors are usually informal or seed investors who are usually corporate leaders or businessmen who have funds to help start-ups.
- Some of the top venture capitalists in India are Accel, Blume Ventures, Chiratae Ventures, Nexus Venture Partners and Sequoia Capital India.
- The government also offers financial schemes to aid new entrepreneurs by providing funds for their start-ups; some of these schemes are the Credit Guarantee Scheme, Stand Up India and the Pradhan Mantri MUDRA Yojana.
- When an entrepreneur has a business idea and the plan is well chalked out, they can then think of getting the necessary funds from investors
- The factors which should be given significance include identifying the right investors who might take interest in a particular business idea or venture, the sectoral preferences of the investors, the geographic location of the investor and the business, the amount of funding, the amount one can generate by one's own means, the level of engagement from self and others, and the available mentorship.
- The emergence and development of business venture depends on economic, social, political, and psychological factors; these factors are frequently put in language as supporting situations for entrepreneurship development
- To be successful, an entrepreneur must learn how to evaluate the opportunity for new business by scrutinising the trend and professionally dealing with the business operations.
- A successful entrepreneur has the capability to recognise a business opportunity by monitoring the trend, solving a crisis or finding gap in the marketplace. The trend may be economical, political or technological.
- Evaluation should be made in terms of attractiveness, timing, durability and creation, and value addition.
- Opportunity evaluation should be methodical, and conducted over the following four dimensions: market analysis, financial outcomes, competitive advantage, and management teams and risks involved.
- Financial outcomes include the profit percentage, time for profit inflow to happen, rate of interest, strategic value of the business and the requirements of capital. Competitive advantage refers to the cost, strategies of the competitions, opportune entry time, Points of Differences (PODs) from the competitor(s), etc.

- It is also significant to have an entrepreneurial mindset and attitude as that helps a lot in determining the success of the business venture.
- Any business activity requires a strategy which needs to be employed in terms of each project. No readymade strategies are available; one needs to understand that each business venture is unique and needs an appropriate strategy.
- In business reputation matters, and if one has a good reputation it can provide great creditworthiness essential for any business.
- Venture management refers to an array of activities to assess the idea and scrutinise the phases of running the business.
- The taxi market scenario in India is hugely fragmented. The taxi market in India is divided into two major segments: organized and unorganized markets. The unorganized segment has a market value of \$8.5 billion, while the organized market holds a market value of almost \$500 million.

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6.7 KEY WORDS

- **Risk Management Plan:** It is a document that a project manager prepares to foresee risks, estimate impacts and define responses to risks. It also contains a risk assessment matrix.
- **Crowdfunding:** It is the practice of funding a project or venture by raising small amounts of money from a large number of people, typically via the Internet. Crowdfunding is a form of crowdsourcing and alternative finance.
- **Angel Investor:** An angel investor is an individual who provides capital for a business start-up, usually in exchange for convertible debt or ownership equity. Angel investors usually give support to start-ups at the initial moments and when most investors are not prepared to back them.
- **Venture Capital:** It is a form of private equity financing that is provided by venture capital firms or funds to startups, early-stage, and emerging companies that have been deemed to have high growth potential or which have demonstrated high growth.
- **Fintech:** It is a portmanteau of the terms ‘finance’ and ‘technology’ and refers to any business that uses technology to enhance or automate financial services and processes.

6.8 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What are the effects of crises on the tourism industry?
2. How was Nepal’s tourism industry able to deal with the negative stories following the 2015 earthquake?

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3. List the financial aspects to be considered at the time of a crisis.
4. What do you understand by P2P lending?
5. List the characteristics of equity financing.
6. What does an opportunity evaluation involve?

Long-Answer Questions

1. Discuss the importance of risk management in the hospitality and tourism industry.
2. Evaluate the different kinds of financial sources in terms of associated risk, investors' involvement, return to investors and repayment options.
3. Evaluate the changes that the Indian taxi market has undergone over the past years.
4. Discuss the various determinants of a successful venture.
5. Discuss the importance of opportunity identification and evaluation.

6.9 FURTHER READINGS

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UNIT 7 ENTREPRENEURIAL OPPORTUNITIES IN TOURISM–III (SHOPPING AND RESTAURANT)

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Structure

- 7.0 Introduction
- 7.1 Objectives
- 7.2 Entrepreneurial Opportunities in Restaurant Services Sector:
Extent of Tourist Spending on These Aspects
 - 7.2.1 Entrepreneurial Opportunities in Shopping
- 7.3 Sources of Finance
 - 7.3.1 Determinants of Success of the Venture
- 7.4 Answers To Check Your Progress Questions
- 7.5 Summary
- 7.6 Key Words
- 7.7 Self Assessment Questions and Exercises
- 7.8 Further Readings

7.0 INTRODUCTION

The food and beverage industry has seen tremendous growth over the last decade, and the trend seems to continue. There are many stories of a foodie developing a taste for food business or a corporate employee quitting their job to pursue a food business. Food entrepreneurs may range from cookies and cakes bakers in their own kitchens to big names in the processed food industry to a restaurant chain owner. Some of these have been nurturing the idea of running a restaurant since young and work systematically towards making that a reality. In this unit, we will discuss the key aspects of running a food business and the leading food trends.

Shopping tourism is a recent concept that is defined as a contemporary form of tourism carried out by individuals for whom the acquisition of goods, outside their place of residence, is a determining factor in their decision to travel. This unit aims to identify the role of shopping on community and economy. We will also discuss the various financing options available for entrepreneurs.

7.1 OBJECTIVES

After going through this unit, you will be able to:

- Identify the key aspects of running a food business
- Analyze the leading food trends

- Discuss the impact of shopping tourism on the community and economy
- Identify various sources of finance available for entrepreneurs
- Identify the determinants of a venture's success

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7.2 ENTREPRENEURIAL OPPORTUNITIES IN RESTAURANT SERVICES SECTOR: EXTENT OF TOURIST SPENDING ON THESE ASPECTS

A food or culinary entrepreneur is someone who initiates their own business in the food or culinary industry. It could be someone who prepares the meal for a specialty diet (for instance, vegetarian meals), someone who procures a food truck and launches their own small food business or someone who starts their own catering firm. Food entrepreneurs can resolve a challenge they experience in the food system by amalgamating food, business and social entrepreneurship.

The term is tough to explain as anyone who is doing something innovative with food and business comes under the umbrella of food entrepreneur.

A huge amount of successful food business tales have their beginnings in the backyard or more precisely, in their home kitchens. Some of the most prominent food entrepreneurs in the country are Munaf Kapadia, a former marketing consultant at Google who went on to found The Bohri Kitchen; Asha Jhaveri, the woman behind Swati Snacks; and Kainaz Messman Harchandrai, an ex-pastry chef at The Oberoi, who gave up her dream job because of a back injury and started Theobroma.

Essential Skills for Starting a Food Enterprise

Food entrepreneurs either require profound culinary and business skills or they must have a partner who has the required skills.

For instance, if you are a chef, you can initiate your own food business but your chances of success upsurges if you either master the business basics or partner with someone who has good business skills.

To strengthen your chances of success in food entrepreneurship, the following skills are mandatory:

- Financial reporting and budgeting;
- Business planning;
- Public speaking;
- Management and leadership;
- Culinary knowledge;

- Creative problem solving; and
- Teambuilding.

The Food Industry Explained

Technological advances in the recent times have transformed the global food industry. Food business leaders are either utilising technology within their business model—as in the continued reputation of rapid service restaurants where diners can order from their devices or bucking the drift with pop-up or personalised food businesses that focus on the experience, not the technology.

In the market, choices are shifting as consumers become more contented with the direct-to-consumer shopping model. Within the culinary fields, the applications go beyond meal/grocery delivery to personalised service in nearly everything you can imagine, such as best wines, fresh smoothies or tasty foods. Wellness was a main food trend in 2018 and it continues to rule, as consumers seek out super foods that promise a mind–body benefit.

Culinary entrepreneurs can certainly use insight from consumer favourites to shape a brand from the ground level that provides contemporary diners what they want.

Within these food industry trends worldwide, there is scope to personalise the model by attracting various culinary traditions, flavours, ingredients and techniques.

Different Types of Food Businesses

With all the various kinds of food operations, it is vital to take into account what is out there before you select what kind of a business venture you wish to run.

If you come to know that someone has chosen to start up a food-related business, your instant thought is probable ‘restaurant’. However, when you really deeply think about it, a restaurant can mean many various things—there are plenty of options for food-related businesses apart from a traditional sit-down eatery.

Whether you are in the initial stages now or you just have that entrepreneurial life-force and think that may be one day you would like to take your desire for food and turn it into a business of your own, it makes sense to learn about some of the various types of food businesses.

Some types of food businesses are discussed below:

- **Bakeries and Dessert Shops:** From a customary French bakery to a fashionable cupcake shop to a place that doesn’t have a public front and instead makes wedding and birthday cakes, few towns are complete without at least one great bakery. Today, there is a requirement for numerous specialty shops that provide customers a scope when it comes

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to ingredients and types of desserts offered. A bakery can be a simple affair with just a few cases and pastries for customers to browse goods or it could also be a place for people to sit and enjoy a dessert while on an evening stroll. The selections are boundless.

- **Pubs, Bars and the Likes:** The pub and bar scene is constantly varying. While the emphasis is often on drinking and not dining, gastro-pubs are becoming an enormous draw in many urban and suburban areas.

If you wish to serve alcohol, you may have a few more rules and regulations to manage than you would with a dining establishment that does not serve. You should be aware of these rules and regulations, and be prepared for additional licensure costs to get off the ground.

- **Restaurants:** A restaurant can be anything from being a small set-up offering simple snacks/starters to a fine dining experience offering various course of meals. For a restaurant, location and service are the most important aspects. An in-depth research before you open is the most important thing.
- **Delivery Services:** Delivery is becoming very common as people get busier and busier. Whether you select to offer delivery of food or team up with other delivery service providers (such as Swiggy and Zomato) to get food from one place to another, delivery is a sector of the food industry that certainly has room to grow.
- **Food Trucks:** A food truck is a small food business that you can carry on you anywhere you go. Today, food trucks can be seen at fairs and festivals. With a food truck, creativity and hygiene is the most important aspect.
- **Catering:** If you are opting for a food-related business that lets you make your own hours and choose your own way of doing business, catering could be one of the options.

It can be done on a part-time basis or be operated as a full-scale catering firm. No storefront is required in this case, just a decent commercial kitchen and a transport vehicle.

- **Coffee Shops:** A coffee shop can be an excellent option for those looking to enter food service without a vast menu. Serve coffee, drinks and a few minor snacks to hungry commuters (for instance Café Coffee Day) or start up your cafe and offer free Wi-Fi to attract those who want a place to study or work on something away from the office.

A coffee shop is certainly a community centre. If you want to run a coffee shop, you must do a thorough study on coffee and barista techniques so that you can offer a great cup to your guests.

- **Specialty Food Shops:** A food-related business doesn't always mean that you have to cook meals or serve beverages. Specialty food shops are a fantastic way to share your love for food with your community. Just make sure you choose a type of shop that will have sufficient support in the community around you, to avoid any difficulties down the road.

Premium food products include baked goods, candies and chocolates, snacks, dairy products, coffee, tea, soft drinks and gourmet foods.

Top Trends for Food Service Businesses

There are plenty of opportunities for forward-thinking entrepreneurs who want to jump in the food industry arena.

If you are looking to initiate a food-related business, trying to select precisely what type of business in which your skills would be best exploited is the first step. There are more things to think about than just concluding what category of restaurant you would opt to open.

Food entrepreneurs should be aware of the following while crafting their business plans:

- **A Focus on Health:** Today, people are extremely conscious about their health. For many, this comprises eating healthier meals on a regular basis. Restaurants that cater healthy food for their customers will surely be able to draw more customers who are considering health as their topmost priority.
- **Dining for Those on Restricted Diets:** For health reasons, more and more people are on restricted diets nowadays. These diets may include vegetarian, gluten-free, dairy free, oil free and easy-to-digest food. While you may not opt to have a menu that is completely vegetarian or oil-free, but you can offer some of the food items which support the restrictive diet category.
- **Delivery Services:** Nowadays, many restaurants offer food delivery services. The customer calls them up, selects the menu and provides their address so that the food is delivered. Restaurants offer various payment options for this service (such as payment gateways, net banking, debit/credit cards or cash on arrival).

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Fig. 7.1: Food Trends

Source: <https://www.pinterest.com/pin/63754150946032568/>.

How to Open a Restaurant? How to Become a Restaurant Manager?

When you have decided to start a food business, you must spend some time planning. This will certainly save you time and money in the long run. The steps to follow are as follows:

- Consider starting small.
- Do your research.
- Create a business plan.
- Secure your financing.
- Start your business the right way.
- Pick a good location.
- Know the rules and regulations (in your country, specifically).
- Find a business mentor.

The reality is that no matter what type of background you have, a solid education on the subject will support you to succeed.

Successful Food Business

Here are some steps for food entrepreneurs on how to initiate a great food business from the grassroots level.

1. Research and Plan

Taking into account the competitive nature of the food industry, it is always recommended to undergo a thorough research prior to opening a new venture.

You will also require a detailed understanding of the laws that affect running your business. Whether it is laws governing wages and employees to laws related to food safety, research or consultation into regulations is mandatory.

Research can help you figure out where the target market is saturated and where there are opportunities.

Your research can certainly help you write a proof of concept and generate a business plan.

The typical elements of a business plan include:

- Executive summary;
- Mission statement;
- Product or service information;
- Location and employees needed;
- Leadership team;
- Market analysis and forecast;
- Marketing strategy;
- Funding requests; and
- Financial projections.

2. Test Your Concept

Based on your planned concept, you might attempt cooking items at your home kitchen, rent space in a commercial kitchen, rent a food truck or participate in a local market.

By testing out your idea, you can realise what customers respond to. You can measure your pricing model also. If your beta test is less profitable than you intended, it may be the time to change your menu or bring down your price, so that you can draw more customers. Alternately, your concept may be improved suited to a diverse community, where your target audience resides, works or shops. The only way to get this valuable information is with a concept test.

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3. Hire the Correct People

If you are creating a line of cookies, for example, you may require a cook and delivery driver to launch your line—and you can shape up as your cookie company grows.

If you're opening a restaurant, you will need several categories of personnel, including food servers, food runners, cook, chefs, dishwashers, cleaners, bartenders and hosts. You will also need staff for purchasing and receiving, supervising, human resources and accounting. They can be either part-time or full-time employees.

To set your food business up for accomplishment, look for people who have the correct skill set. Regardless of the role, people having prior experience are the best and suitable choices, as they will require less training in their roles.

4. Connect with Your Target Audience

One of the major points to ensure the success of your food entrepreneurship is to understand your target market and offer your value proposition to them. What does your demographic opt for and how can your food exceed their expectations? It is easy to lose sight of the people and think about your concept and your dreams for your food business, but you must retain your prospective customers in focus. If you don't alter your food business to what they opt for and need, then you might miss the mark completely. You may have made your business case plan, identified investors, appointed employees and completed everything that is necessary, but if your target audience is not interested in your food, then you will experience challenges from the inception.

Social media provides an easy method to connect with your target audience and develop awareness of your food business, but it is not the only way to reach potential customers. You can use mailers or email marketing, take out advertisements on billboards, TV or radio, participate in community fundraisers, join groups of local business owners and join networking events. To reduce overwhelm, ask yourself how attending a specific event or trying a new advertisement approach will help you reach your target audience. If the appropriateness is not there, then it is not a worthy use of your time and money.

5. Evaluate and Change Your Food Business

With the entire hard work completed, you can open your food business and initiate serving your customers. During the inception days and, quite honestly, during your tenure as a food business owner, it is significant that you monitor performance thoroughly and organize everything you can to retain the standards.

There are majorly two areas to focus on, which are quality of food and quality of service. These are the dominant factors that affect the customer experience, which is the business secret to retaining your customers and get new customers via word of mouth.

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Customer expectations are undoubtedly high when it comes to food quality. Why would people spend money on a meal when they could easily make something at home? Always procure the best-quality ingredients according to your affordability and prepare them freshly. Monitor the cooks and resolve any issues swiftly, to maintain a consistent quality.

Customer service without any doubt affects customer acquisition and retention. If your employees demonstrate rudeness, diners will never come back and they will spread bad word of mouth about their atrocious experience. You must also keep an eye on the quality aspect of the service provided and be proactive about improving any slips identified.

Food entrepreneurs either require profound knowledge both in culinary and business skills. If not, they require a partner who possesses the said skills. For instance, if you are a chef, you can launch your own food business but your probability of accomplishment increases if you are a master in the area of business as well.



Fig 7.2: Duties of a Restaurant Owner/Manager

To strengthen your odds of success with food entrepreneurship, the following skills are to be incorporated:

- Financial reporting and budgeting;
- Business planning;
- Public speaking;
- Management and leadership;
- Culinary knowledge;
- Creative problem solving; and
- Teambuilding.

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7.2.1 Entrepreneurial Opportunities in Shopping

According to Davidson-Peterson Associates, Inc., shopping and food expenditures represented 52 per cent of visitor spending in Wisconsin. A 1997 study conducted on summer visitors to the state by the Wisconsin Department of Tourism reported that shopping and eating at restaurants were the second and the third most popular activities enjoyed by visitors (behind swimming).

Retailers that sell to tourists are exclusive as their probable customer base is frequently much greater than the customary trade area of local inhabitants. Many retailers appreciate the reputation and possibility of the visitor market. Most could profit from extra consideration of the links between the tourism market and their retail businesses. These links can have important inferences for a retailer's functioning and marketing decisions.

The following questions are asked during the development of community retail:

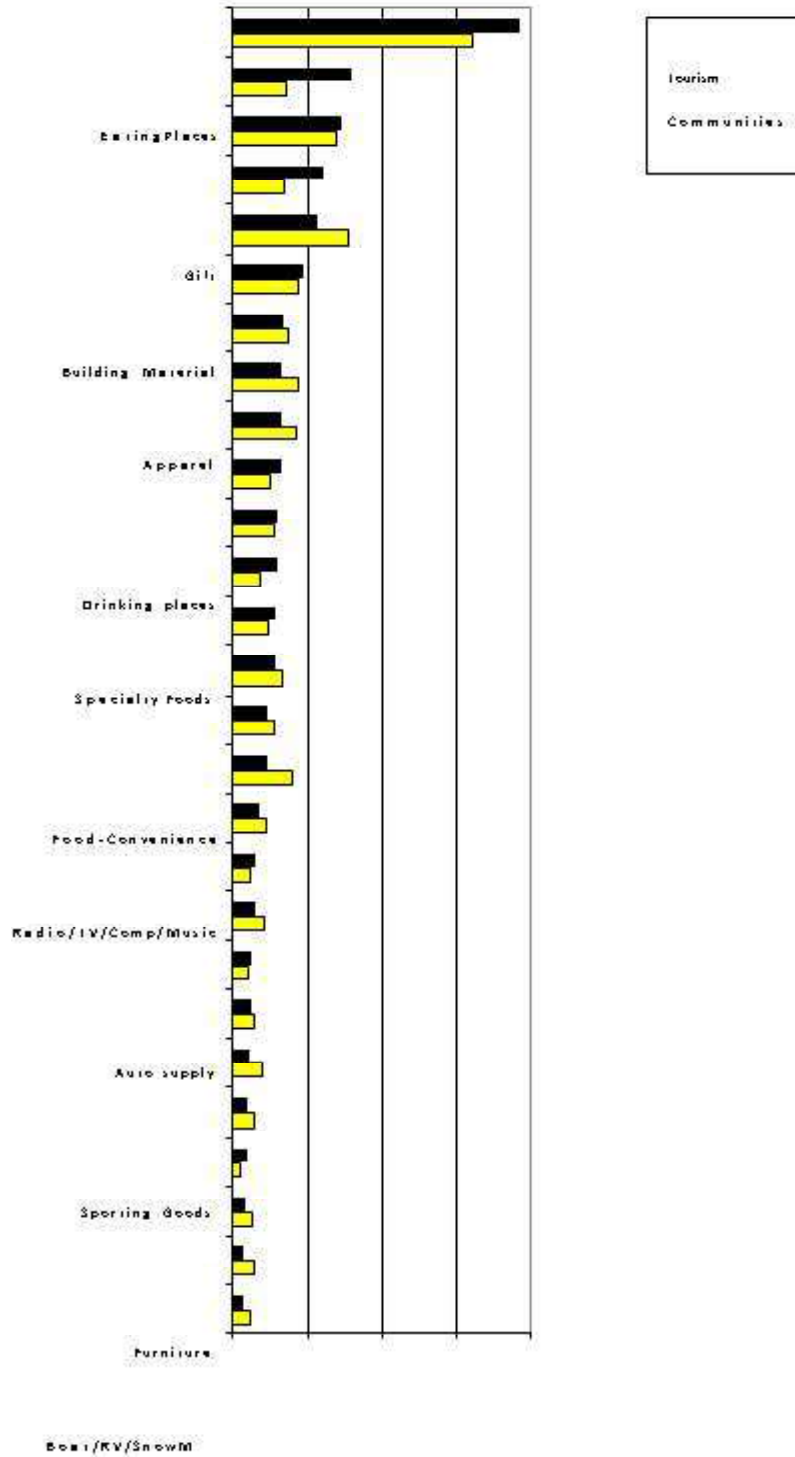
- What are the attractions which bring in most visitors to the community?
- What are the various types of visitors who are attracted to the community?
- What are the retail products and services that complement the local attractions and forces to the various types of visitors that come to the community?

How Local Retailing is Impacted by Tourism

As the graph below (Figure 7.3) depicts, tourism communities comprise a rich mix of retail. The general mix of businesses in tourism communities is very similar to all other trivial communities. There are more places to eat and buy gifts, clothing, sporting goods and mobile stores in tourism communities. At the same time, there is a somewhat lesser number of drinking establishments, radio/TV/computer/ music, auto supply, auto/truck dealers, appliance, gas station, drug and liquor stores. The remaining classes are fairly alike. This encounters the common insight of an inadequate retail mix in 'tourist towns'.

Tourism activity positively impacts a number and various types of shops in a community. Communities with noteworthy tourism visits may have more than twice the amount of retail businesses than other towns with similar neighbourhood customer spending probability. Astonishingly, these tourism communities have an extensive variability of retail establishments as specified by their retail mix. Without the arrival of visitor's money, many minor communities would possibly not be capable of supporting the quantity and various categories of retailers that do exist.

Retail Mix Comparison of Eight Wisconsin Tourism Retail Communities and All Small Wisconsin Communities



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Fig. 7.3 Retail Mix Comparison of Eight Wisconsin Tourism Retail Communities and All Small Wisconsin Communities. (Source: <https://cdn.shopify.com/s/files/1/0145/8808/4272/files/G3713.pdf>.)

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The mix of retail should echo the necessities and benefits of the principal resident and tourism market sections.

Consider present tourist spots, which are busy with retail accomplishments. They normally consist of a large variation of retail facilities apart from souvenirs and fast food. Table 7.1 lists examples of specialty retailers frequently found in economically vivacious resort communities. However, it has been observed that tourists buy almost everything while on a holiday if it is fashionable and correctly priced.

A large amount of these retailers sell products associated with health, wellness and feeling good. Such products comprise small consumable items like exclusive coffees, ice cream, cookies, chocolate and toys as well as outdoor equipment such as sunglasses, sweaters and footwear.

Table 7.1 Retailers in Major Resort Communities (Source: <https://cdn.shopify.com/s/files/1/0145/8808/4272/files/G3713.pdf>)

Examples of Retailers in Major Resort Communities	
Antiques	Art gallery
Baskets	Bakery products
Bird houses	Book stores
Candles	Cards
Cheese	Chocolates/Candy
Christmas items	Coffee shop
Crafts	Dolls
Factory outlets	Flowers
Glass items	Golf/sport/outdoor equipment
Gourmet Foods	Heritage/ethnic gifts
Home accessories	Jewelry
Leather items	Lifestyle apparel
Liquor and wines	Novelty gifts Perfumes/Soaps
Pet supplies	Photography
Pottery	Quilts/Rugs
Skin and health care	T-shirts and clothing
Teddy bears	Theme-based/Historic restaurants
Toys	Wreaths

In lesser tourism-dependent communities, customary retailers such as all-purpose merchandise, drug, grocery and hardware stores also perform a very significant part in catering the visitors. They normally sell many suitability and essentials items which are required by tourists.

Segmentation Related to Lifestyle and Activity Market

As per an American Demographics article published in February 1995, titled *Birds of a Feather*, Susan Mitchell elucidates how marketing professionals are referring to the geodemographic segmentation systems to study the behaviour of their present customers, identifying fresh probable customers and making improved marketing decisions. She narrates how marketing data related companies can offer comprehensive customer profiles that can assist you in focussing your merchandise mix, the services you are offering and your marketing strategies to focus on very precise high impending customer segments.

Segmentation systems are established on the idea that ‘birds of a feather tend to flock together.’ Ever notice that the homes and cars in any specific locality are typically analogous in size and value? If you could peep inside the houses, you would certainly discover many similar items. Neighbours also incline towards participating in similar kind of relaxation, social and cultural events.

Segmentation systems use these inclinations to redescribe neighbourhoods into smaller alike groups. The segments are based on demographic likenesses (earnings, education and household category) and the group’s general lifestyle and spending patterns (approaches, product predilection and procurement conducts).

Various private data companies offer segmentation system services. These companies use data from the U.S. Census and other sources to distinct neighbourhoods throughout the US into distinct segments. They apply state-of-the-art statistical prototypes to concatenate various primary and secondary data sources to generate their own exclusive segmentation profiles. Most systems begin with data from census block groups that consists of about 340 households. In additional rural areas, the data is further characteristically divided by zip code/pin codes.

Measuring the Procurement Inclinations of the Visitors

Normally, the geographic/demographic and lifestyles division caters general information to help identify your customer. But you may certainly opt to enrich your knowledge with facts and figures from the actual tourists that visit your community. Precisely, through various types of mementos/artisries /collectibles and convenience/household items they might procure in the community

To discover more about the tourists’ visit and procuring potential, you can make a focus group or conduct a survey research (telephone, mail or sidewalk ‘intercept’ questionnaires). Possible questions that might be asked are as follows:

Questions 1–3: These questions are related to the major attractions that appeal the tourists and other communities.

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Questions 4–5: These questions are related to the particular retail products/items that significantly attract the tourists.

You may need to consult with a consumer research professional because it is not easy to obtain beneficial information from travellers as they are very busy.

Following are the questions asked:

1. What is the primary reason of visiting our community?
 - Pleasure
 - Holiday
 - Occupational
 - Professional conference
 - Schooling/Education
 - Visit to friends or relatives
 - Marketing
 - Passing by
 - Supplementary purpose
2. Which of the following activities have you taken part in during the previous year at a particular place?
 - Outdoor enjoyment (Specify your activities)
 - Any special occasion (Specify your event)
 - Visit to museums and antique monuments (Specify in details)
 - Gaming (Casino)
 - Others (Please specify in details)
3. The three things you consider the most while visiting our community?
4. In case existing, what is the type of suitability products/items that made your visit enjoyable in this area?
5. In case existing, what various types of suitable products/items would you prefer procuring as a memento/souvenir of your visit from this place?

Antiques	Photography	Skin and healthcare	Liquor and wines
Dolls	Pottery	T-shirts and clothing	Toys
Pet supplies	Quilts	Cards	Wreaths
Art	Birdhouses	Jewellery	Products from coffee shop
Products from factory outlets	Gourmet foods	Teddy bears	Novelty gifts
Baskets	Rugs	Cheese	Crafts
Flowers	Books	Chocolates/Candy	Perfumes/soaps
Bakery products	Candles	Christmas items	Lifestyle apparel
Sport/outdoor equipment	Heritage/Ethnic gifts	Leather items	Home accessories

5. Please provide your pin code:

Questions 1–3 are adapted from a model survey conducted by *Rural Tourism: Marketing Small Communities* by Arlene Hetherington.

Entrepreneurial Opportunities in Tourism—III (Shopping and Restaurant)

Estimating Various Opportunities Related to Retail

A community can certainly obtain larger share of the visitor's probability in expenditure by inspiring the prevailing businesses to broaden their items or to inspire the development of fresh retail businesses to resolve the identified retail slits and complement other retailers in the community. Business and community leaders can more effectively measure retail development and growth opportunities that concentrate on tourism by answering the below stated questions:

- Does the growth of an item/product line or establishing a new shop supplement the attractions which pull people to that specific area?

Will a new product/item or shop create a positive impression on the visitor?

These queries should definitely be interrogated on a repetitive basis to generate new retail thoughts. The attraction's list and visitor's summary can be referred to while addressing the said questions.

But prior to appointing new retailers, community leaders should take into account how prevailing businesses can be more successful in selling to the tourism market.

In this regard, the following questions should be asked:

- Are the local retailers successful in thoroughly reaching the visitor market?
- Do the local businesses balance the attractions in the area and the general demand of the community?
- Are there tourists who are trying to find out products/items which do not exist locally?
- Are there plentiful of the businesses from the same category in that particular community?
- Are there chances for retailers to work together and cross-sell more proficiently?
- Is retailers' performance enough to guarantee return visits by the tourists?

These questions should certainly deliver support to simulate and spawn applied thoughts at the community level about prospects to capture added retail sales from tourists.

Procuring manners of Tourists*

As part of a marketing research conducted in Iowa, Minnesota and Nebraska, over 1400 people were interviewed on the roads for improving the marketing of various items to tourists. The research recognised four general classifications of tourists. Individuals in each tourism classification relished analogous travel events and shopping prospects. Tourists might fit into more than one of the following

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groups subjected to the place they are travelling and the items/products available to them for consuming.

1. **Ethnic, Arts, and People:** Tourists under this category are energetically included in their tourism. They plunge themselves in the community. For these tourists, tourism holds educational and personal development purposes. It is a scope for experiencing a community and its technique of being. They enthusiastically visit ethnic communities, partake in community jubilees, visit the art galleries and museums, go to the concerts and the theatre, and network with local inhabitants. Products which they procure include crafts, local food products (may not always comprise meals), antiques and books about the specific locale they are visiting.
2. **History and Parks:** The history and parks tourists are certainly introspective. They dedicate time in relishing sceneries, contemplating a sense of place, reflecting on the past and capturing the experience through photography. They take sufficient time to design their trips. They go to historical places and homes, museums, recreated villages that depict a past way of life, gardens, and state and national parks. Items they procure include local handicrafts, postcards, books about that particular arena and its corresponding history, native food products and items to increase their existing collections.
3. **Outdoor Activities:** Outdoor activity tourists are outdoor enthusiasts who dynamically enjoy parks and nature arenas. They hire and backpack, camp, do fishing, sailing and boating, hunting, swimming, skiing, and play tennis or golf. Items they procure include t-shirts and sweatshirts with a tag, logo, picture or design related to that particular location.
4. **Entertainments in the Urban:** Urban entertainment tourists visit metropolises where they are on the go, day and night. Community contact and communication is the most significant activity for these travellers. Many travellers prefer packaged tours. These may be young men and women with greater incomes. They travel extensively. They actively 'shop 'til they drop,' go to professional events related to sports (football in Munich or cricket in India), visit various entertaining theme parks and go to various places related to dancing and nightclubbing. They procure items with the logo, name or blueprint representing their holiday location (such as t-shirts and sweatshirts), memento items such as pens, bumper stickers, key chains and local handicrafts.

Check Your Progress

1. What are the essential skills required for running a successful food enterprise?
2. List the typical elements of a business plan.
3. What categories of employees are needed for a restaurant?
4. What must retailers do to be more customer focused?

7.3 SOURCES OF FINANCE

The most common sources of financing for a start-up are as follows:

- Personal Investment or personal savings
- Venture capital
- Business angels
- Government assistance
- Commercial bank loans and overdraft
- Financial bootstrapping
- Buyouts

Let us discuss some of these financing sources in detail.

1. **Financial Bootstrapping:** Here, the target remains to build a supportable business, including dedicated employees as well as a growing customer community without having to pursue the assistance of a bank loan.

Various examples of financial bootstrapping are sweat equity, owner financing, joint utilisation, minimisation of accounts payable, delaying payment, minimisation of inventory and subsidy finance.

You can consider the example of gym owner David Osorio of Crossfit South Brooklyn who started his Crossfit affiliate with just a handful of clients back in 2007. But over the due course, the bootstrapped operation brought 600 members and 20 employees under its wings and even got a dedicated space in Gowanus, Brooklyn.

2. **Buyouts:** This method of corporate finance can alter the form of a firm's ownership. After the firm reaches a private status by being independent from the controlling liabilities of operating as a public firm, the final target of buyout remains to build its value.

Getting rid of non-core assets, refocusing on the mission of the firm, restructuring processes, freshening items and substituting existing management might help as indispensable parts of the buyout drive.

3. **Business Angels:** These are professional investors who invest a portion of their complete wealth as well as time in the growth of innovative companies.

As per approximations, the significance of angel investment is equal to three times the venture capital. Frederick Terman, the 'Father of Silicon Valley' can be accredited with the introduction of business angels. He invested \$500 which in turn fuelled the growth of Bill Hewlett and Fred Packard.

4. **Venture Capital:** Under this practice of corporate financing, the financial investor participates in the new business in exchange for premeditated advice and cash.

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Venture capitalists concentrate on firms having extraordinary growth potential, high-performing management teams and little leverage capacity.

5. **Loans and Overdraft:** Bank loans serve as a long-term method of financing entrepreneurial business. Overdraft facility is for a short-term span. Under a bank loan, the financial institution specifies the loan tenure.

A bank overdraft can be of great help when the bank balance of the entrepreneur decreases below the minimum level. In such a case, the entrepreneur can lend money from the bank itself in exchange of a higher interest rate. Hence, overdraft is thus perfect for dealing with seasonal cash flow variations or when the business experiences a short-tenure liquidity crisis.

Factors which can shorten the inclination of an investor for financing business are as follows:

- Market and industry trends;
- Development opportunities of start-ups as the distribution of possible outcomes, increase coupled with the venture's doubt;
- Scattered soft assets over the market, forcing lenders to be less enthusiastic in providing satisfactory credit against the same;
- Information gap relating to what different players know about the investment decisions of a firm.; and
- Market instability, affecting the present value of the venture as well as its probable profitability.

Factors which an investor requires to ensure prior to financing a business are as follows:

- Cash burn rate;
- Planning a contingency plan;
- Performing an appropriate scenario analysis;
- Means of reducing dilution by outside investors; and
- Worthiness of investing money and time in the business.

Critical elements of the financial requirements experienced by venture firms are as follows:

- Calculation of one-time start-up costs;
- Ascertaining projected progress, sales as well as its profitability level;
- Working capital forecast comprising credit, inventory and payment policies, which regulate the cash requirement on the daily business; and
- Estimation of recurrent costs.

7.3.1 Determinants of Success of the Venture

The ten most critical factors which dictate the success of a start-up are as follows:

1. **Business Idea:** The forte of the founder's idea might appear to be the main factor accountable for the success of a business, but it is actually only a trivial element of how things might turn out. Consider Google, whose central idea of an interactive web search was, at its inception, already being implemented by lots of competitors. But because Google's founder's strategy, execution and timing were exceptional, their absence of originality did not paralyse their probabilities of achievement.
2. **Leadership:** Leadership is an essential factor in start-ups. Leaders formulate decisions, establish vision and motivate employees to work harder for achieving the organizational goals. Selecting an incompetent leader will jeopardise the entire show. On the other hand, a capable and knowledgeable leader can turn even a feeble idea into a successful one.
3. **Team:** Entrepreneurs are definitely important, but they seldom achieve great things unaccompanied. Successful businesses employ anywhere from a handful to hundreds of employees, and those employees will be the ones upholding the business, driving innovation and executing high-level goals. Employ the correct people for the job and you will seldom face problems. Hiring incorrect people might ruin the organization.
4. **Capital:** Working capital is important; so are your initial stages of funding. Don't panic if you fail to find an investor. Personal and familial investments are certainly possibilities. And do not rule out the option of opening a line of credit. Once credit is secured, keep in mind to keep a close eye on your cash flow: One wrong move here could put your cash into negative territory.
5. **Business Plan:** The business plan must include more than just your central idea. It comprises your goals, targets, operations and others. Everything written down in your business plan is considered as the portion of your 'plan' and the degree to which you examined and fine-tuned your plan will significantly affect your probabilities of eventual achievement. The more detailed you are, the better is the result.
6. **Execution:** A plan is only as valuable as its capability to be executed. If you have a great plan but its execution failed, your whole enterprise could be compromised. On the other hand, if you have a suitable plan and execute it flawlessly, you will have a solid foundation to stand on and a significant understanding of what did and did not work from the original concept.
7. **Timing:** Timing is very significant from a competitive point of view, and it has led numerous businesses to prominence, despite a disordered and busy market at their specific time of entry. When YouTube came in the market, there were already lots of video-streaming platforms. But as YouTube was

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launched at a critical moment, post high-speed internet became the standard, it enjoyed phenomenal success.

8. **Crisis Response:** No matter how thriving you plan or how hard you work, something will definitely go erroneous. How you address a crisis is more important than how likely you are to avoid them. One ill-treated crisis is all it takes to put a company beneath, so think prudently about your response plan.
9. **Marketing:** How you package and market your business certainly matters. A mediocre product, which is branded in an additional appealing, exciting and unique fashion will always outsell its superior product that happens to have plain, non-memorable branding. This point may seem superfluous, but it critically affects customer’s buying decisions.
10. **Growth:** Finally, the path you select towards growth plays a substantial part in how you end up. Growing too fast might stretch you thin. Grow too leisurely and you will seldom get anywhere. So, find an equilibrium and consider your growth cautiously.

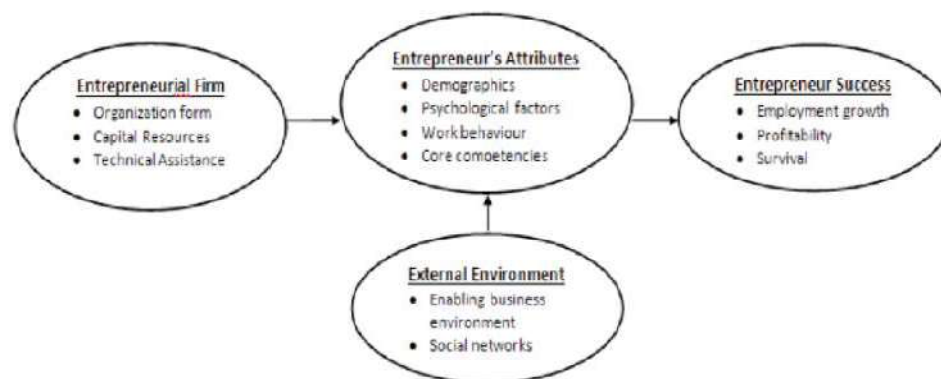


Fig. 7.4: Proposed Frame Factors in Understanding Entrepreneur Success. (Source: <https://www.semanticscholar.org/paper/The-Determinants-of-Entrepreneurial-Success%3A-A-Vidyatmoko-Hastuti/2135d6c21c61b09449d360a720273492325caaed>)

Check Your Progress

5. What are some examples of financial bootstrapping used by businesses?
6. Who are business angels?

7.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The following skills are essential for running a food enterprise:
 - Financial reporting and budgeting;
 - Business planning;

- Public speaking;
 - Management and leadership;
 - Culinary knowledge;
 - Creative problem solving; and
 - Teambuilding.
2. The typical elements of a business plan include:
 - Executive summary;
 - Mission statement;
 - Product or service information;
 - Location and employees needed;
 - Leadership team;
 - Market analysis and forecast;
 - Marketing strategy;
 - Funding requests; and
 - Financial projections.
 3. If you're opening a restaurant, you will need several categories of personnel, including food servers, food runners, cook, chefs, dishwashers, cleaners, bartenders and hosts. You will also need staff for purchasing and receiving, supervising, human resources and accounting. They can be either part-time or full-time employees.
 4. To remain more customer-focussed, enterprises can seek the help of marketing data related companies offering comprehensive customer profiles that can assist businesses in focussing their merchandise mix, the services being offered and the marketing strategies to focus on very precise high impending customer segments.
 5. Various examples of financial bootstrapping are sweat equity, owner financing, joint utilisation, minimisation of accounts payable, delaying payment, minimisation of inventory and subsidy finance.
 6. Business angels are professional investors who invest a portion of their complete wealth as well as time in the growth of innovative companies. As per approximations, the significance of angel investment is equal to three times the venture capital.

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7.5 SUMMARY

- Anyone who is doing something innovative with food and business comes under the umbrella of food entrepreneur.

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- Food entrepreneurs either require profound culinary and business skills or they must have a partner who has the required skills.
- Technological advances in the recent times have transformed the global food industry. Food business leaders are either utilising technology within their business model.
- Culinary entrepreneurs can certainly use insight from consumer favourites to shape a brand from the ground level that provides contemporary diners what they want.
- There are plenty of opportunities for forward-thinking entrepreneurs who want to jump in the food industry arena.
- Food entrepreneurs should be aware of the following food trends while crafting their business plans: focus on health, dining for those on restricted diets and delivery services.
- Taking into account the competitive nature of the food industry, it is always recommended to undergo a thorough research prior to opening a new venture.
- You will also require a detailed understanding of the laws that affect running your business
- Research can help you figure out where the target market is saturated and where there are opportunities.
- Your research can certainly help you write a proof of concept and generate a business plan.
- Based on your planned concept, you might attempt cooking items at your home kitchen, rent space in a commercial kitchen, rent a food truck or participate in a local market.
- By testing out your idea, you can realise what customers respond to.
- To set your food business up for accomplishment, look for people who have the correct skill set. Regardless of the role, people having prior experience are the best and suitable choices, as they will require less training in their roles.
- One of the major points to ensure the success of your food entrepreneurship is to understand your target market and offer your value proposition to them.
- Social media provides an easy method to connect with your target audience and develop awareness of your food business, but it is not the only way to reach potential customers. You can use mailers or email marketing, take out advertisements on billboards, TV or radio, participate in community fundraisers, join groups of local business owners and join networking events.

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- It is important that you monitor performance thoroughly and organize everything you can to retain the standards.
- There are majorly two areas to focus on to ensure a successful business venture in the food industry: quality of food and quality of service. These are the dominant factors that affect the customer experience, which is the business secret to retaining your customers and get new customers via word of mouth.
- Shopping and eating at restaurants are the second and the third most popular activities enjoyed by visitors.
- Retailers that sell to tourists are exclusive as their probable customer base is frequently much greater than the customary trade area of local inhabitants.
- Tourism communities comprise a rich mix of retail. The general mix of businesses in tourism communities is very similar to all other trivial communities.
- Tourism activity positively impacts a number and various types of shops in a community. Communities with noteworthy tourism visits may have more than twice the amount of retail businesses than other towns with similar neighbourhood customer spending probability.
- In lesser tourism-dependent communities, customary retailers such as all-purpose merchandise, drug, grocery and hardware stores also perform a very significant part in catering the visitors.
- Marketing data related companies can offer comprehensive customer profiles that can assist you in focussing your merchandise mix, the services you are offering and your marketing strategies to focus on very precise high impending customer segments.
- Various private data companies offer segmentation system services.
- A community can certainly obtain larger share of the visitor's probability in expenditure by inspiring the prevailing businesses to broaden their items or to inspire the development of fresh retail businesses to resolve the identified retail slits and complement other retailers in the community
- Prior to appointing new retailers, community leaders should take into account how prevailing businesses can be more successful in selling to the tourism market.
- The most common sources of financing for a start-up include personal investment or personal savings, venture capital, business angels, government assistance, commercial bank loans and overdraft, financial bootstrapping and buyouts.
- Various examples of financial bootstrapping are sweat equity, owner financing, joint utilisation, minimisation of accounts payable, delaying payment, minimisation of inventory and subsidy finance.

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- Getting rid of non-core assets, refocusing on the mission of the firm, restructuring processes, freshening items and substituting existing management might help as indispensable parts of the buyout drive.
- Business angels are professional investors who invest a portion of their complete wealth as well as time in the growth of innovative companies.
- Venture capitalists concentrate on firms having extraordinary growth potential, high-performing management teams and little leverage capacity.
- A bank overdraft can be of great help when the bank balance of the entrepreneur decreases below the minimum level.
- The ten most critical factors which dictate the success of a start-up are business idea, leadership, team, capital, business plan, execution, timing, crisis response, growth and marketing.

7.6 KEY WORDS

- **Direct-to-consumer (D2C):** These companies manufacture and ship their products directly to buyers without relying on traditional stores or other middlemen. This allows D2C companies to sell their products at lower costs than traditional consumer brands, and to maintain end-to-end control over the making, marketing, and distribution of products.
- **Proof of Concept:** Also known as proof of principle, it is a realisation of a certain method or idea in order to demonstrate its feasibility, or a demonstration in principle with the aim of verifying that some concept or theory has practical potential.
- **Skill Set:** It is the knowledge, abilities, and experience needed to perform a job. Specific skill set areas can include human relations, research and planning, accounting, leadership, management, and computer skills.
- **Target Market:** It is a group of customers within a business's serviceable available market at which a business aims its marketing efforts and resources. A target market is a subset of the total market for a product or service.
- **Geodemographic Segmentation:** It is a multivariate statistical classification technique for discovering whether the individuals of a population fall into different groups by making quantitative comparisons of multiple characteristics with the assumption that the differences within any group should be less than the differences between groups.
- **Cross-Selling:** It is the action or practice of selling an additional product or service to an existing customer. In practice, businesses define cross-selling in many different ways.

- **Sweat Equity:** It is a non-monetary benefit that a company's stakeholders give in labor and time, rather than a monetary contribution, that benefit the company; it is rewarded in the form of sweat equity shares given out by a company in exchange for labor and time rather than a monetary amount.
- **Non-Core Assets:** Also known as non-operating assets, these assets that are no longer considered core to a business's operation or are no longer in use; these could include property, plant and equipment, an associate, or equity method investments, among other assets.

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7.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What are some of the different types of food enterprises?
2. Why is it important to research and plan before starting a business?
3. Why is it important for a business to understand its customers?
4. How important is customer service in running a food enterprise?
5. What is the purpose of market segmentation?
6. What are the skills required to ensure success with food entrepreneurship?
7. What are the factors that decide whether a financier would invest in a business?

Long-Answer Questions

1. Discuss the trends that have shaped the food industry in the past few years.
2. Examine the impact of tourism on the local economy.
3. Discuss the key factors to be considered in pursuing a business in commercial cooking.
4. Identify the various sources of finance available for entrepreneurs
5. Analyze the factors that are important in achieving entrepreneurial success.

7.8 FURTHER READINGS

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UNIT 8 ENTREPRENEURIAL OPPORTUNITIES IN TOURISM–IV (TOURISM ATTRACTION DEVELOPMENT)

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Structure

- 8.0 Introduction
- 8.1 Objectives
- 8.2 Entrepreneurial Opportunities in Tourism
- 8.3 Entrepreneurial Opportunities in Tourism Attraction Development
- 8.4 Answers to Check Your Progress Questions
- 8.5 Summary
- 8.6 Key Words
- 8.7 Self-Assessment Questions and Exercises
- 8.8 Further Readings

8.0 INTRODUCTION

Attractions are an important part of the tourism industry. Because they tend to attract tourists, they are often referred to as ‘tourist attractions’. They can be understood as the places, people, events, and things that attract visitors to a destination. The evolution of the tourism industry is inextricably related to the history of attractions. When a tourism system is established to designate and elevate it to the status of an attraction, it becomes an attraction. Transportation, lodging, and travel retail all play a role in this system because they support visitors’ desire to visit attractions.

This unit aims to highlight the entrepreneurial opportunities in the tourism sector. It will also take an in-depth look at models of tourism development, and discuss the factors that affect the growth of tourist attractions.

8.1 OBJECTIVES

After going through this unit, you will be able to:

- Define and identify different categories of tourism
- Discuss the development of tourist attractions over decades
- Identify the factors that affect the growth of tourist attractions
- Analyze the Butler and Hawkins’ models of tourism development
- Discuss the role of government agencies in developing tourism

8.2 ENTREPRENEURIAL OPPORTUNITIES IN TOURISM

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Tourism is considered a global phenomenon, and tourist attractions have developed radically over the past years. The characteristics of tourist attractions in the contemporary world are changing. Adoption of innovation in various sectors of tourism has led to the development in the tourist attraction market, leading to the diversification of the market. Tourist attractions are dynamically altering in terms of site, form, style and scale.

According to H. V. Schullnd, an American economist, tourism is ‘the sum total of the operation, mainly of an economic nature, which directly relates to the entry, stay and movement of foreigners inside and outside a certain country or region’.

Hunziker, a Swiss professional, defines tourism as the ‘totality of relationship and phenomenon arising from travel and stay of strangers, provided the stay is not simply the establishment of a permanent residence and is not connected with a remunerated activity’.

Types of Tourism

In the year 1997, The United Nations categorised tourism in the following three major categories:

1. **Domestic Tourism:** A resident travelling within their own country is defined as domestic tourism. Ideally lesser formalities are obligatory in this category of travel.
2. **Inbound Tourism:** In simple terms, inbound tourism occurs when a foreigner or non-resident visits a particular country. For instance, an Australian coming to India.
3. **Outbound Tourism:** It refers to the movement of the resident of a particular country to visit another one. For instance, Indians going to Australia.

Some of the salient features of the tourism industry are as follows:

- Tourism is always a provisional phenomenon.
- Tourist is a sightseer at a tourist spot.
- Tourism is a movement of a tourist inside or outside any country.
- It is a movement from outside of the home environment.
- Tourism is a movement decided by the choice of the traveller.
- Tourism may be carried out for any motive but not for revenue generating.
- There is no time limit; tourism can either be for a single day or the stay can be for a month also.
- It is always for pleasure and recreational-related activities.

Some major factors influencing the growth of tourism are:

- Pleasant weather (for instance, hill stations in India);
- Attraction for scenic beauties;
- Convenience of a particular place;
- Attraction for historical and cultural interest;
- Facilities related to places to stay;
- Relaxation;
- Recreation;
- Healing in terms of health care;
- Possibility for adventure;
- Shopping amenities;
- Visiting friends and families; and
- Attending religious/social ceremonies.

A tourist destination must fulfil the 4As of tourism, which are as follows:

- Attractions;
- Access;
- Amenities; and
- Ancillary services.

Development of Tourist Attractions

It is very difficult to recreate the historical development of attractions for mainly two reasons. Firstly, it is very tough to determine how many people are exactly required for visiting specific sites in order to name them as 'attractions'. For instance, it is not certain whether the Egyptian pyramids were a great attraction among people during the Roman reign? During this time, did anyone visit these sites as tourists? Does a site get converted into an attraction when thousands of people visit the site annually? Was the site easily accessible by abundant means of transport? In the modern days, famous attractions are visited by millions of tourists and other people for various reasons (for instance, visitor attendance at the Louvre in Paris or the Taj Mahal in India can reach 8 million).

The second reason is the purpose or objective of visiting an attraction. Majority of holy constructions (for instance, cathedrals, temples and mosques) accomplish a dual role as tourist attractions as well as centres of devotion and worship. It is very tough to conclude what percentage of tourists visit these sites for religious reasons and what percentage for architecture.

A large number of ancient attractions continue to be very popular among people. As per a travel researcher of the ancient world numerous attractions that

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motivated travellers to visit them fall in the period from 3000 BCE to 600 CE. Ancient Egypt was certainly a great attraction due to religious purposes. During the New Kingdom of Egypt (1600–1200 BCE), many magnificent constructions, comprising the Sphinx and pyramids at Giza, were certainly visited by ancient travellers. The Greeks and Romans were also recurrent travellers and visited famous sites for their architectural or artistic substances.

In Ancient Greece, the prime attractions were temples, such as the Parthenon on the Acropolis, the Delphic oracle or the stadium at Olympia. The first surviving Greek record of the seven wonders was provided by Antipater of Sidon—an ancient Greek poet in the second half of the 2nd century BCE.

The Roman calendar flourished during public festivals and events which attracted the Roman citizens to the famous Colosseum for chariot races, theatre creations or gladiatorial competitions. The Roman Empire also originated the formation of seaside resorts or health resorts concentrated around the mineral or thermal waters bodies. Foodie fascinations encouraged ancient Romans to organize trips to the Lucrine Lake for tasty eels or Rhodes for its scarce species of various fish.

Only a limited attractions flourished during the middle ages. Religious pilgrims visited the renowned churches in Jerusalem, Rome, Canterbury or Santiago de Compostela. It must be taken into consideration that, apart from the Christian preserves, momentous pilgrimage sites appeared on the Arab Peninsula, and later, throughout the Muslim world. Today, the most popular sites are Mecca and Medina (now at Saudi Arabia). Sheikh Zayed Mosque, which is also famous among the visitors, is the largest mosque in the United Arab Emirates.

At the time of Renaissance, travel for non-religious reasons was being undertaken on a superior scale in comparative terms. Renaissance people were more interested in both nature and culture. During the reign of Elizabeth I of England (1558–1603), people were already travelling to various attractions. Later on, the Grand Tour phenomenon took root in the British Isles. These were voyages to the continent undertaken by young Englishmen of aristocratic descent aiming to refine their manners and familiarise themselves with the culture and famous cities of France, Italy, Greece or the Alps. During these voyages, it was considered essential to visit the attractions of the day, specifically historical sites, galleries, collections or works of architecture.

With the onset of the 20th century came the growth of attractions based on such events as the organization of the modern Olympic Games. The development of bulk motorisation set in motion by the assembly line production of Ford automobiles, and also the choice of employers to introduce paid public holidays and holiday allowances, directed to a development of attention in local tourist attractions offering relaxation, adventure and entertainment. Keeness in exotic destinations and wild life directed to the appearance of modern zoological gardens

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and safari parks, not only in Africa but in Europe or North America as well. Weekend recreation centres offered inexpensive, self-catering lodging (e.g. camping sites), mass catering, swimming pools, dance halls and sport facilities, and these were situated near urban agglomerations. If such a centre appealed several thousand visitors, it then converted into a tourist attraction. The drift for emerging attractions was induced by increases in leisure time, mobility and spending power. After the Second World War, a kind of a boom in tourist attractions could be witnessed. Many investors, tourism organizations, tourist associations and local governments, supported the formation of themed tourist attractions. The entertainment industry decided to form theme parks at Disneyland. Farms, factories and mines (often on the threshold of ruin) dedicated themselves to the formation of different attractions based on their historical heritage value. This was supplemented by the appearance of enormous shopping centres; harbours were converted into tourist attractions. The last twenty years of the 20th century brought extraordinary tourist attraction development.

Some of the reasons for this historically exceptional development of attractions include:

- Growth in society's wealth;
- Better-quality vacation time in the form of compensated holidays and weekends;
- Immense progress in the area of technology (internet, online banking, e-mail, search engine, etc.);
- Augmented mobility due to the improvement of transportation;
- Popularisation of attractions in the media/journals;
- Exhaustive marketing and popularity development of tourist spots carried out by governments, local communities and various tourism enterprises; and
- Progress of holiday packages by various tourism concerns, aggregating the luxury and easiness of the journeys, even if it related to very distant places.

The development of tourist attractions draws attention to social and technological transformations as well as visitor's varying requirements. A little survey portrays that attractions are made, discovered, created or managed to uphold the pace with traveller's requirements and tastes, while attraction development is of interest to the national tourist boards of a specific country receiving tourists, tourist regions and the tourism industry.

Primary Factors that Influence the Development of Tourism

Figure 8.1 portrays the various factors that influence the growth of tourism.

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Fig 8.1: Factors Influencing the Growth of Tourism

Significant factors which influence the expansion and growth of tourism are as follows:

1. Environmental Factors:

- i. **Decent Climate:** In India, destinations such as Lonavala and Mahabaleshwar near Mumbai; Kullu and Manali; Shillong; Kashmir; and Darjeeling are some of the well-known places known for their cold and pleasant climate. Other countries with cooler climate that attract tropical tourists are Switzerland and Sweden.
- ii. **Beautiful Scenery:** Sunrise and sunset points, extended sea beaches, fresh water lakes, waterfalls, etc., often attract a huge numbers of tourists.

2. Socio-Economic Factors:

 These factors include:

- i. Accessibility;
- ii. Accommodation;
- iii. Amenities; and
- iv. Ancillary services.

3. Historical and Cultural Factors: Some destinations famous for their historical and cultural importance are forts in Rajasthan and Delhi; Nazca Lines and Machu Picchu in Peru; Pyramid of Giza in Egypt; the Great Wall of China; and Stonehenge in England.

4. Religious Factors: Some destinations famous for their religious significance are Jerusalem in Israel; Mecca and Medina in Saudi Arabia; and Tirupati, Puri, Varanasi and Amritsar in India.

5. Other Factors: Sites such as the UFO crash site in Roswell, New Mexico (USA) attract a huge number of tourists from around the globe.

- 6. Aboriginal Culture:** Toraja funeral ceremonies in Sulawesi, hill tribes, northern Thailand famously attract tourists due to their cultural significance.
- 7. Natural Ecology:** Places such as Sunderbans, India (famous for tigers); Raja Ampat and Andaman Islands for coral reefs; Brazil for its rainforests; and Borneo/Sumatra for orangutans are famous for ecological tourism.
- 8. Man-Made Monuments:** Some examples include Eiffel Tower, Paris; Taj Mahal, India; Colosseum, Rome; and Great Wall of China, China.

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Tourism Development Models

A tourism development model comprises several guidelines that aid in the process of building a sustainable tourism destination. It helps in tourism product development, event organization, marketing, visitor monitoring and other tasks.

Butler Model of Tourism Area Lifecycle (1980)

The Butler Model examines the stages of tourism development for a destination. According to Butler, there are five stages of development, which are:

- 1. Discovery:** The area is first visited by a small number of people exploring the primary tourist attractions. These people share their experiences with others. People in the area experience the benefits of tourism and begin to develop secondary tourist services such as accommodation for visitors.
- 2. Growth/Development:** In the second stage of development, tourist numbers increase and a tourist season may develop. Visitors may have heard of the place via word of mouth, media or guide books. Tourist attractions will begin to be marketed to a larger audience and more secondary services will develop, including improved transport (such as roads and airports).
- 3. Success:** At this stage, mass tourism replaces the original economy; tourist facilities, including transport, guiding, accommodation and restaurants are fully developed and used. Local culture may be affected and negative impacts may be seen. There might be some resentment among local people not benefitting from tourism.
- 4. Problem/Stagnation:** At this stage, visitor numbers reach their peak with carrying capacity reached or exceeded. Tourism might cause social, economic, environmental or political problems. While the area is still popular, it is no longer fashionable and many tourists are now more interested in new destinations.
- 5. Rejuvenation or Decline:** At this last stage, the area either declines as tourists go to other more fashionable, unspoiled destinations, or it rebrands with new, more sustainable approaches to tourist development.

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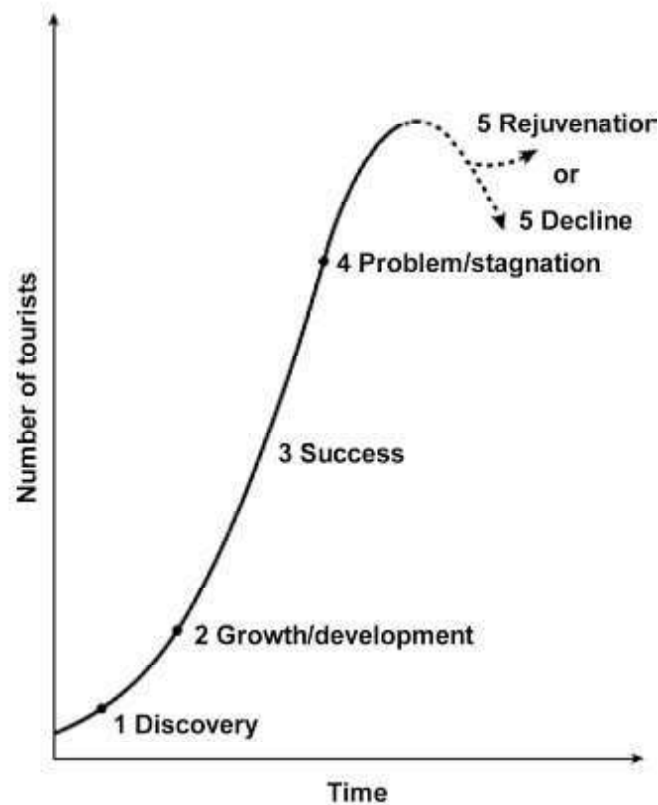


Fig 8.2: Butler Model of Tourism Development

The Hawkins Model

This model reflects the varying attitudes to tourism. It also portrays how these attitudes can get converted towards further negative over the time as tourism growth and carrying capacity is touched.

In this model (Figure 8.3), the green inner ring signifies the least/threshold amount of tourists and the edge of the outer, yellow ring signifies the extreme carrying capacity. The magnitude of the yellow ring will be affected by certain factors such as security and safety, human opinion and several cultural influences as presented in the diagram. When all these factors are managed in a fair manner, the carrying capacity will certainly increase; however, if they are not managed in a fair manner, it will reduce—the number of tourists which an area can withstand, tolerate or accept will diverge on the basis of how these said factors are accomplished.

Various other factors that affect the transport volume of a tourist terminus include:

- 1. Infrastructure:** This includes the capacity of transportation, the sewage mechanism and the water supply systems along with accommodation.

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- 2. Social:** This includes the influence of tourism on local ethos, charges and welfares to services.
- 3. Economic:** This includes the revenue generated from the tourism, cost of living, costs of services offered to the tourists, investment in tourism-related services and facilities for tourists and residents.
- 4. Environmental:** This includes the effects on the flora and fauna, level of pollution and the visual landscape.
- 5. Political:** This includes the regulations related to tourism/visitors, restrictions of visa and government spending of taxes collected from the tourism.

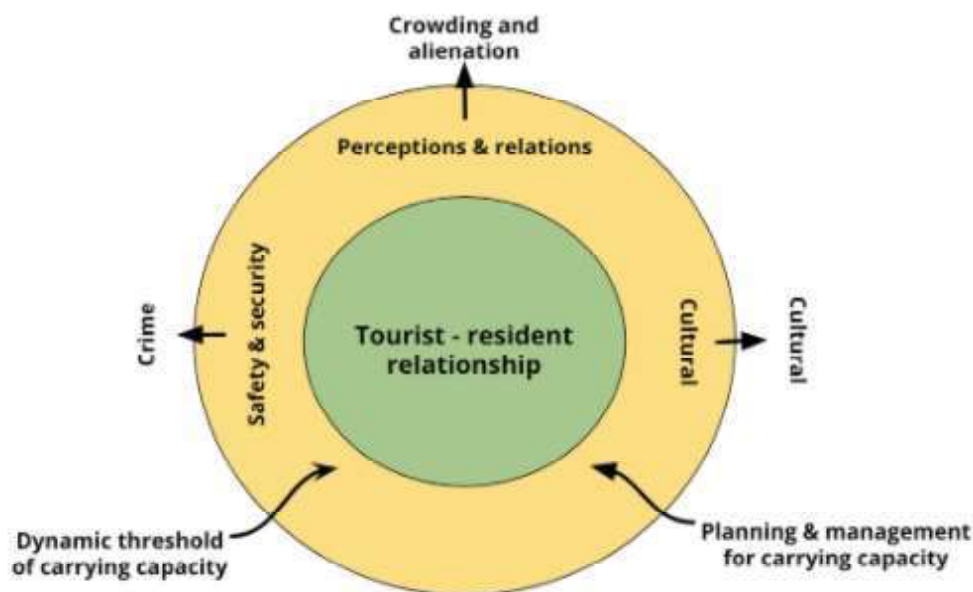


Fig 8.3: Hawkins Model

Various Determinants of the Tourism Development

A distinction can be established between a group of factors crafting the external conditions for tourism and associated factors, which are linked to the tourism phenomena. The first group, undoubtedly, includes a group made up of political, economic, socio-cultural and technological factors.

Additionally, deviations occurring in the tourism itself (internal conditions), new tendencies, fashions and forms of behaviour carry varying significance for the tourist attraction market. One of the significant factors influencing the tourist attraction market is the advancement of technology and media (both internet and media).

The following factors are considered to be the major determinants of tourist attraction.

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Fig 8.4: Model of Tourist Attraction Market Determinants. (Source: Kruczek Z., 2008)

- **Political Factors:** Examples of political factors include various ups and downs in Europe, integration within the continents, violence and risks related to security of the travellers. These factors have a negative impact on harmless tourism regions. Complications of a political implication have a substantial negative impact on tourist traffic for a particular country. With respect to the views from tourists, various places which are affected with political turmoil or conflict or natural disasters, lose their affirmative image as a secured and attractive tourist spots. This causes a fall in the amount of tourist arrivals along with the corresponding income. Tourism development strategies are suspended or deferred to a later date (e.g. at Israel, Pakistan and Sudan).
- **Economic Factors:** Dubai can be considered a fascinating example for this determinant. The residents of this emirate expected some opportunity for the country's economic development, in the area of tourism. To draw tourists, the country capitalised billions of petrodollars in crafting new tourist attractions to astonish and mesmerise the whole world (including the tallest constructions, the most luxurious hotels, the Ski Dubai skiing station, non-natural islands shaped like palms or maps of the world and a reproduction of the terracotta army). Tourist attractions generate profits from the tickets the tourist procures and the provision of catering, accommodation, transport, cultural and recreational services. Taxes paid by tourism companies refill local budgets. Attractions create an enormous employment market in tourism services.
- **Socio-Cultural Factors:** These factors include altering the family models, ageing communities, the challenge with the disabled and nature preservation.

These factors have a great impact on the formation and alteration of attractions to address ecological necessities and make them accessible to the disabled and elderly.

- **Technological Factors:** These factors include advancement in the area of electronic communication and telecommunication, virtual reality, home theatres and computers. The most elite attraction at present is the space flight, although the number of clients is limited in this case due to the sky-high cost. Once, in the future, as the flying costs are discounted, we will surely be able to express of space tourism as well.

The recent upsurge in tourism can be credited to more leisure time, increased human movement and improved quality of life. After the Second World War, a variety of outburst in tourist attractions has been observed. Not only the investors, but also tourism associations, related companies and local government have assisted the formation of themed tourist attractions. The leisure industry determined creating theme parks modelled on Disneyland. Farms, factories and mines have also been involved in the construction of various innovative attractions on the basis of the historical value of their existing heritage. Enormous shopping malls and marinas have been converted into attractions for tourists.

The last twenty years of the 20th century have seen extraordinary development of various tourist attractions. Tourist attractions have doubled over in number over this period of time in several countries. It is safe to speak of development of tourist attractions as a phenomenon; the market for attractions is also developing to satisfy the requirements of travellers/tourists and tourism organizers. Attractions are continually being developed, discovered and managed in line with tourists' desires and perceptions, while attraction development is of interest to the central government administrations of countries getting tourists, tourism regions and the entire tourism industry.

Check Your Progress

1. What are the three categories of tourism?
2. What are the factors that influence the growth of tourism?
3. What are the 4As of tourism?
4. What is a tourism development model?

8.3 ENTREPRENEURIAL OPPORTUNITIES IN TOURISM ATTRACTION DEVELOPMENT

As we have observed in current years, when it comes to creating an appealing and flourishing holiday destination, tourists are progressively very much sophisticated and are opting for more than just an enormous stand-alone hotel. In keeping ahead of the race, long-term plans should substantiate the economic requirement as well

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as the market requirement with an unambiguously crafted mission and vision which can be provided in rational phases.

Consider the present scenario, a tourist spot or destination should never solely be a place tourists only opt to visit, but also a place in which tourists aspire to exist in order to generate an appealing vibrant ambience. Developing an amenity condition that looks beyond the built product is how a destination can thrive. These amenities ideally consist of the following:

- **Built Attractions:** Sanatoriums, golf and race courses, country clubs, theme parks and other associated entertaining factors;
- **Natural Assets:** Wonderful views, woodland, water bodies, iconic structures and landmarks; and
- **Soft programming:** Series of events, functions and courses.

Development of Tourism in India

Tourism was accepted as a probable instrument for post-independence development in India during the 1950s. Tourism expansion was taken up by the government with a succession of five-year plans, and in 1966, the India Tourism Development Corporation was established to promote India as a tourist destination. Tourism development achieved momentum during the 1980s, with the establishment of a National Policy on Tourism and the formation of the Tourism Finance Corporation to finance tourism projects. In 1988, the government formed a comprehensive plan for achieving sustainable development in tourism, which was followed by a National Action Plan for Tourism in 1992.

Tourism Development Agencies

The India Tourism Development Corporation not only plays a marketing and consultancy role, but also provides training for tourism and hospitality employees, and manages most of the companies associated with tours/travels, hotels, transportation systems, duty-free shops and restaurants. The Ministry of Tourism also works with bureaus such as the Indian Institute of Tourism & Travel Management, the National Institute of Water Sports, and the Indian Institute of Skiing and Mountaineering.

Tourist Destinations: Northern India

Delhi, the capital of India, situated beside the river Yamuna, has plentiful cultural attractions, elegant shopping and international cuisine. The 'Golden Triangle' is also located in this sphere and comprises the city of Jaipur and historic Agra, famous for the Taj Mahal. To add to the attractiveness, these destinations offer a vast range of accommodations, tours and other facilities targeted to the natives as well as foreign visitors, which formulates vacation planning in this region comparatively uncomplicated. Cities in Rajasthan comprise Jodhpur and Udaipur, while Amritsar and Chandigarh are situated in Punjab. Northern India is guarded by the Himalayan Mountains range, which provides a focus for adventure tourism, such as trekking, mountaineering, rafting and paddling. These are seasonal activities, with July and August being the peak months.

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Tourist Destinations: Southern India

Chennai is one of the largest and most historic cities in Southern India, offering huge number of palaces, temples and forts. Bangalore is well-known for its mild climate and attractive royal palaces, while Hyderabad is a city of domes and minarets, interspersed with flamboyant markets. The state of Kerala, along the south-western seaboard, offers tranquil, unspoiled beaches, picturesque ports and resort towns such as Kovalam. The coastal backwaters are an outstanding area for cruising and wildlife watching and the coral islands of Lakshadweep, near Kochi, are a topmost location for diving and snorkelling.

Tourist Destinations: Western India

Mumbai's cultural attractions consist of monuments and museums, colonial forts and hill stations, but downtown Mumbai also offers excellent shopping and dining. The Arabian Sea coastline is characterised by pictorial fishing villages surrounded by coconut groves, with a few developed beach resorts such as Goa, Manori and Madh Island. Western India is also famous for its cave paintings/sculptures. The most outstanding cave paintings/sculptures are seen in the Ajanta and Ellora Caves, which comprises ancient carvings and rock paintings.

Tourist Destinations: Eastern India

Eastern India is situated along the Bay of Bengal and Kolkata is its major city. West Bengal's attractions include majestic palaces, forts, temples, markets and museums. Darjeeling, a hill station in West Bengal, boasts of the historic miniature train (Darjeeling Himalayan Railway); this area is also the country's foremost golf destination. The district of Assam, best known for its tea plantations, has numerous wildlife preserves, housing endangered species such as the Asian elephant, Bengal Tiger and Indian rhino. Kaziranga and Manas National Parks are UNESCO World Heritage Sites. Beach destinations include the Andaman Islands.

Check Your Progress

5. What role has the Indian government played in tourism development?
6. What is the function of the India Tourism Development Corporation?

8.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. In the year 1997, the United Nations categorised tourism in the following three major categories: domestic, inbound and outbound tourism.
2. Some major factors influencing the growth of tourism are:
 - Pleasant weather (for instance, hill stations in India);
 - Attraction for scenic beauties;
 - Convenience of a particular place;
 - Attraction for historical and cultural interest;

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- Facilities related to places to stay;
 - Relaxation;
 - Recreation;
 - Healing in terms of health care; and
 - Possibility for adventure.
3. A tourist destination must fulfil the 4As of tourism, which are as follows: attractions, access, amenities, and ancillary services.
 4. A tourism development model comprises several guidelines that aid in the process of building a sustainable tourism destination. It helps in tourism product development, event organization, marketing, visitor monitoring and other tasks.
 5. Tourism was accepted as a probable instrument for post-independence development in India during the 1950s. Tourism expansion was taken up by the government with a succession of five-year plans, and in 1966, the India Tourism Development Corporation was established to promote India as a tourist destination. Tourism development achieved momentum during the 1980s, with the establishment of a National Policy on Tourism and the formation of the Tourism Finance Corporation to finance tourism projects. In 1988, the government formed a comprehensive plan for achieving sustainable development in tourism, which was followed by a National Action Plan for Tourism in 1992.
 6. The India Tourism Development Corporation not only plays a marketing and consultancy role, but also provides training for tourism and hospitality employees, and manages most of the companies associated with tours/travels, hotels, transportation systems, duty-free shops and restaurants.

8.5 SUMMARY

- Tourism is considered a global phenomenon, and tourist attractions have developed radically over the past years.
- Adoption of innovation in various sectors of tourism has led to the development in the tourist attraction market, leading to the diversification of the market. Tourist attractions are dynamically altering in terms of site, form, style and scale.
- In the year 1997, the United Nations categorised tourism in the following three major categories: domestic, inbound and outbound tourism.
- A tourist destination must fulfil the 4As of tourism, which are as follows: attractions, access, amenities, and ancillary services.
- A large number of ancient attractions continue to be very popular among people. As per a travel researcher of the ancient world numerous attractions

that motivated travellers to visit them fall in the period from 3000 BCE to 600 CE.

- Only a limited attractions flourished during the middle ages. Religious pilgrims visited the renowned churches in Jerusalem, Rome, Canterbury or Santiago de Compostela.
- At the time of Renaissance, travel for non-religious reasons was being undertaken on a superior scale in comparative terms.
- With the onset of the 20th century came the growth of attractions based on such events as the organization of the modern Olympic Games.
- After the Second World War, a kind of a boom in tourist attractions could be witnessed. Many investors, tourism organizations, tourist associations and local governments, supported the formation of themed tourist attractions.
- The last twenty years of the 20th century have seen extraordinary development of various tourist attractions. Tourist attractions have doubled over in number over this period of time in several countries.
- When it comes to creating an appealing and flourishing holiday destination, tourists are progressively very much sophisticated and are opting for more than just an enormous stand-alone hotel.
- Tourism was accepted as a probable instrument for post-independence development in India during the 1950s. Tourism expansion was taken up by the government with a succession of five-year plans, and in 1966, the India Tourism Development Corporation was established to promote India as a tourist destination.
- Tourism development achieved momentum during the 1980s, with the establishment of a National Policy on Tourism and the formation of the Tourism Finance Corporation to finance tourism projects.
- In 1988, the government formed a comprehensive plan for achieving sustainable development in tourism, which was followed by a National Action Plan for Tourism in 1992.
- The Ministry of Tourism also works with bureaus such as the Indian Institute of Tourism & Travel Management, the National Institute of Water Sports, and the Indian Institute of Skiing and Mountaineering.

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8.6 KEY WORDS

- **Ancillary Services:** These are the services necessary to support the transmission of electric power from generators to consumers given the obligations of control areas and transmitting utilities within those control areas to maintain reliable operations of the interconnected transmission system.
- **Ecotourism:** It typically involves travel to destinations where flora, fauna, and cultural heritage are the primary attractions. Ecotourism is intended to

offer tourists an insight into the impact of human beings on the environment and to foster a greater appreciation of our natural habitats.

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8.7 SELF-ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What is the main reason for tourism during the Middle Age period?
2. What are the five stages of Butler Model of Tourism Area Lifecycle?
3. What are the factors that affect the transport volume of a tourist terminus according to Hawkins' model?

Long-Answer Questions

1. Discuss how tourism developed with the onset of the 20th century.
2. Analyze Butler's Model Tourism Area Lifecycle.
3. Examine the entrepreneurial opportunities in the tourism sector.
4. Discuss the various factors that determine the development of a tourist attraction.
5. Discuss the role of the government in the development of tourist attractions.

8.8 FURTHER READINGS

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BLOCK III
RESOURCE PLANNING AND SCHEDULING

*Entrepreneurial
Opportunities in
Tourism–III (Shopping
and Restaurant)*

**UNIT 9 SOURCES OF FINANCE:
DETERMINANTS OF
SUCCESS OF THE
VENTURE**

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Structure

- 9.0 Introduction
- 9.1 Objectives
- 9.2 Sources of Finance
- 9.3 Case Studies of Selected Theme Parks, Resorts, Hotels and Tour Operators
- 9.4 Answers to Check Your Progress Questions
- 9.5 Summary
- 9.6 Key Words
- 9.7 Self-Assessment Questions and Exercises
- 9.8 Further Readings

9.0 INTRODUCTION

Finance can be defined as the management of money and includes activities such as investing, borrowing, lending, budgeting, saving, and forecasting. It is at the heart of every business organization today, whether you want to start one, expand an existing one, add more equipment, or create new products. In today's competitive markets, organizations spend a significant amount of money in order to keep their operations running smoothly. Finance is, without a doubt, one of the most important aspects of a company. With large sums of money, a constant flow of cash, and ongoing transactions, managing and monitoring all of the above is essential. In fact, financial management has a significant impact on decision-making. Financial management aids in determining what to spend, where to spend, and when to spend. It provides a clearer picture of the organization's financial situation, as well as a breakdown of how the money is handled. In this unit, you will explore the various sources of finance, while analyzing the pros and cons associated with each source.

9.1 OBJECTIVES

After going through this unit, you will be able to:

- Analyze the importance of finance sources in business
- Identify the various external and internal sources of finance

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- Examine the advantages and disadvantages associated with each source of finance
- Analyze the case study of a tourism-based project and the associated processes

9.2 SOURCES OF FINANCE

In general, projects accumulate their non-distributed profits as reserves. These reserves are the projects' internal sources to meet their financial needs in times of expansion or diversification. Retained profit can be used by a company after a few years of operation—when the company starts making profits (whereas, companies usually break-even in the first year and make profit later). If a business has had a successful trading year with enough profits to pay all its expenses, a part of that profit could be used by it for financing its future dealings. Using the accumulated reserves for long-term finance is the best policy for any project because the cost of capital is almost zero, and no mortgages on assets are required. Reduction of cost and sale of assets are also internal sources to help the firm meet its financial requirements.

However, reserves are not always enough to satisfy financial needs. Sometimes, reserves may be exhausted. So projects should tap the external sources of finance, although it may have an impact on the cost of capital. Nowadays, there are many sources of finance for meeting the financial requirements of projects. Sources of finance are broadly categorised as internal sources and external sources.

1. Internal Sources of Finance or Purchase from Internal Budget

Using internal sources of finance is called purchase from internal financial statement. However, the easiest type of funding is using internal funds such as cumulative reservoirs. It is usual to compare the investment against the following:

- Allocation of reserve funds for paying off the company's debt; and
- Opposing calls on funds, counting calls (such as the calls on growing plant capacity as well).

It is essential to always spend a portion of the internal sources on the project, if only at the time of the initial appraisal, for convincing the external bodies as well as the senior management of the proposed investment's worth. The internal sources include:

Controlling Working Capital

The money invested in current assets like raw material, finished goods and debtors is working capital. In other words, the money required for day-to-day operations of business/project/enterprise is called the working capital. The entrepreneur can keep a control on the working capital by prudently judging the requirements for day-to-day operations. This he/she learns with experience and hence the entrepreneur would be able to use this method after some time when the business gets established. Reducing costs, delaying outflows and speeding up inflows are

some of the techniques applied from time to time to control working capital.

Sale of Assets

A business can finance new activities or pay off the debts by selling assets such as vehicles, machinery, furniture and fittings and property. This frequently works as a source of short-term finance (for example, a vehicle being sold for paying off debts); however, if the assets that are being sold have a high value (for example, building or land), even long-term finance could be provided by it. In case the assets of a business are to be used, the option of 'sale and lease back' may be considered, under which the assets are sold and then rented and hired from the new owner of the assets. This could involve the payment of more money in the long term but locked up cash can be liberated by this form of finance in the short run for tiding over crises.

Owner's Savings

Owner's personal savings applies more to sole traders and partnership firms than to any other form of business. Owners might sometimes wish to invest a part of their own money as capital in the business. Owners' personal saving investment may be to meet the short- or long-term needs of the organization. The amount of the owner's savings availability depends on the amount that is invested as well as the decisions made by the individual making use of his savings.

Reducing Stock

One of the assets that a business can use for raising finance is stock, which consists of unsold finished goods, semi-finished goods and the raw material that the business holds. Some stock that can be put to use in the event of an unanticipated hike in market demand is usually held by a business. Stock levels have a tendency of rising at the time of recessions or economic slowdowns, because goods pile-up as a result of not being sold. This does not generally offer vast amounts of finance—huge stockpiles in a business are indicative of lack of demand for the product so that it becomes difficult to reduce the stock. It is seen by some as a source of short-term finance.

Trade Credit

In a business, things are usually not paid for prior to taking possession of them. Rather, orders are placed for inputs/supplies and payment is made after the receipt of the items. It is advisable to make the payment in good time (within a month or so) as this helps the business in developing good relations with the supplier. In the balance sheet, this source of finance makes its appearance as trade credit. Such a technique of deferral of payment to some future period is a type of very short-term borrowing and aids in resolving cash-cycle problems.

2. External Sources of Finance

The following are the external sources of finance:

Promoters Contribution

This is the first external source of finance for a project. The promoter brings his share of capital into the organization as seed capital to meet the start-up expenses

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of the project. Financial institutions, investors and lenders want to know the promoters' contribution in the project, before they take a decision on investment or lending loan. Promoter contribution is required in some cases of assistance such as grants and subsidies from government for a project.

Equity Finance

In joint stock companies, equity finance is one of the main types of finance in the capital structure. Equity finance means raising the capital by shares issue. It is the main element of capital structure by way of representing the investment on the project promoters' behalf, and generally comes from individual investors, firms engaged in project promotion through sponsoring the project, manufacture of equipment and machinery, and from institutional investors such as energy investment funds that are expected to have some form of capital stake in the project or insurance companies.

Equity differs from debt. The profits earned on the project are received by equity. Based on the performance of the project, the share of profit to equity is influenced. For example, in case a project does well, there may be a considerable equity pay out, but in the case of underperformance or bankruptcy, banks and other claims are paid first and only then are the equity investors paid. Therefore, a higher degree of risk is associated with equity, but at the same time, higher returns can be earned by it as compensation.

Debt providers normally expect the project to be at least partly financed through equity fund. In the case of a project that is well understood and carries a relatively lower degree of risk, the equity stake may be as low as 30 per cent, whereas in a project that is not understood all that well and consequently carries a higher degree of risk, the equity stake that is needed could go up to more than 50 per cent of the total cost of the project. Borrowers of equity consider equity investment on the project as third-party capital inputs (for example, in the form of capital subsidies and cash grants) or direct capital investment. Lenders of equity fund demand that borrowers of equity take an equity stake in their own right (for building their commitment to their stakeholding). In general practice, lenders of equity usually try to ensure that at least 20 per cent of the cost of the project is made available in the form of borrower equity.

Debentures

Debentures are certificates of loan agreements that are given under the company's stamp and that undertake to pay the principal amount as well as a fixed return (that is based on the rate of interest) to the debenture holder at the time of maturation of the debenture. In other words, debentures are a form of long-term loan that public limited companies may take for a large sum and repay over a period of many years. The usual practice is to borrow them from a specialist financial institution. They are defined as 'debt secured only by the debtor's earning power, not by a lien on any specific asset.'

Debentures are long-term instruments of debt that are utilised by big companies and governments for obtaining funds. Except for the differing

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securitisation conditions, they are quite similar to bonds. Debentures are generally unsecured as there is an absence of pledges or liens on certain assets. However, they are secured by all the properties that are not pledged otherwise. In the event of the company going bankrupt, debenture holders are treated at par with general creditors. In the case of debentures, the issuer enjoys the benefit of having certain assets left free of any burden so that they can be used as a source of finance later. A debenture holder can usually freely transfer the debentures held by him. Voting rights are not given to debenture holders and the interest they receive is charged against profits.

Debt Finance

It is one of the chief types of finance, essentially required to build an optimum capital structure. Debt finance means borrowing loans from commercial banks, financial institutions and money lenders for a period of time on fixed rates of interest. Debt finance normally refers to a conservative commercial bank loan. In certain situations, a project may get debt from institutional investors i.e., insurance companies. An interest (or cost of the debt) is paid by borrowers of debt finance and the principal amount is repaid by them at the end of the loan period. A pre-decided interest rate is charged by lenders of debt finance that is set through the addition of an 'interest margin' to the standard inter-bank lending rate of the bank. It is normal practice to express the interest margin in 'basis points' that are representative of the bank's income or return on investment. Most countries are now considering interest payments on debt as a tax deductible source of expenditure, which is why debt is considered 'less expensive' than equity.

In debt finance, no share is possessed by the lender in the project and hence no 'upside' potential is available for him. This means that he is not considered for project sharing. By 'upside' it is meant that if a project performs soundly, profit as well as cash for the equity investors would increase. In debt finance, the lender gets a constant interest amount on his loan and regardless of how good the performance of the project is, they never receive anything beyond the principal repayment and the interest. However, if the project does not perform well, the lender stands the risk of encountering a 100 per cent loss on the loan extended to the project. Lenders have little or no opportunities for increasing their returns along with facing the probability of standing to lose their whole investment. Therefore, they concentrate on all the aspects of risk in order to minimise the risk that has to be borne by everyone who is party to it.

Bonds

Bonds are a type of debt. They are generally issued to meet long-term financial needs of a project; this means that bonds are liable to be long-term obligations that have fixed repayment schedules and rates of interest. Governments, companies or firms issue bonds as interest-bearing instruments and sell them to investors in order to raise capital fund. They are typically issued and sold in the public bond markets, though an increasing number of them are now being directly sold to institutional investors through a process called 'private placement'.

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Credit rating agencies are responsible for awarding ratings to certain private issues and public bonds. They use diverse nomenclatures, with AAA or AA+ generally being the top investment grade in bond rating and BBB– being the worst. So long as an investment grade credit rating can be achieved, there are certain advantages that bond issues enjoy over bank debt. One of these is that they may serve as sources of long-term finance, and at times, might even enjoy superior commercial terms but they have lesser flexibility than bank financing. Additionally, in the case of projects that are undertaken in developing or what are considered riskier countries, the host country's investment rating affects the credit rating.

Grants

A grant is a non-returnable source of funding that is offered to exporters or for covering capital costs. Governments as well as local bodies that are interested in developing the projects, persuade developers to contemplate considering projects that carry a higher degree of risk along with indeterminate returns by means of grants, because of the location factor and to fulfil the responsibility of balanced regional development. It is possible to utilise grants for reducing the risk of investors as well as commercial lenders, or for covering the incremental capital costs. It is necessary to operate grant programmes with caution, in such a manner that the market forces are not deformed and the market does not collapse on their being withdrawn. Usually, lenders accept between 30 and 50 per cent of a project's total equity requirement through grants.

Government grants are usually offered for particular projects that are instrumental in benefiting or sustaining the environment in some way or aid the disadvantaged minority segments or make a contribution towards regenerating underprivileged sections. If a person is disadvantaged in any way, either physically or due to their background, then charitable associations and other such establishments may be sought for the grant of money for that particular project.

The advantages of grants are as follows:

- There is adequate grant money available for ventures undertaken by disadvantaged minorities or for projects that make an active contribution to the environment or the community.
- Nothing is repaid by the entrepreneur.

The disadvantages of grants are:

- The usual practice is to offer grants for particular ventures, with the result that entrepreneurs may not be able to raise all the money required for a start-up project.
- Some strings are always attached. Entrepreneurs receive the money on the grounds that they spend it on certain items only.
- Not many businesses qualify for grant money.

Factoring Services

Factoring services are short-term sources of finance to provide working capital needs of a project. Factoring services relieve the project promoter from the tension

of delay from debtors and from meeting the creditor's demand of payment. A factoring company provides services by charging a nominal amount from project promoters for handling the process of debt collection. Most of the value of the debt is first paid by it to the business, following which money is collected from the debtor.

Banks

Banks are one of the most important sources of finance to meet short-term financial requirements, such as the working capital for tiny, ancillary, small-scale sectors. To get a short-term loan, the entrepreneur should first visit the bank branch with which they have an ongoing relationship because the banker can easily assess their requirements and get an idea about the business operation. Hence, they can get the loan at the right time. As far as mainstream investments that are a part of the normal operations are concerned, the bank would already be aware of them and might even deal in the types of investment required by the entrepreneur. For instance, in the case of unusual proposals that either carry a high degree of risk, or involve huge sums of money or novel technologies, the bank may still be in a position to assist the entrepreneur, either functioning through its own branch organization or collaborating with the entrepreneur as other financial institutions are approached. In a number of instances, only simple technical and financial appraisals are needed. The interest rate that would be levied on the entrepreneur for the loan would be dependent on the type and size of the loan, the borrower's financial strength, the level of risk associated with the loan and the prime central bank rates.

Insurance and Guarantees

Insurance and loan guarantees are fundamental constituents of financing. It is a general practice to put in place full insurance packages prior to finalising the financing on a project. In the case of project work involving foreign assignment and technical intervention, insurance should be in a position to satisfy technology insurance that deals with the risks that are specific to the performance of the technology as well as export insurance that deals with the risks specific to engaging in business in other countries.

Export insurers usually provide a variety of appropriate insurance covers—such as Export Credit Agencies (ECAs), along with their counterparts in the private sector—for meeting foreign business requirements. Loan guarantees carry extreme significance, especially for project financing. ECAs furnish the insurance cover for loans, and guarantee to pay the exporter from the loan, and also guarantee the loan value to the bank in case of default due to commercial or political risks. Loan guarantees are frequently considered to be essential prerequisites by banks if they are to extend a loan for a project.

Technology insurance is vital for the new generation of technologies (renewable technology). Lenders need to exercise caution while dealing with technological risks, particularly in the case of novel technologies or newer application of older technologies. For technological risk to be covered, bonds or performance guarantees are frequently provided by manufacturers. In the event of the

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manufacturer not being a huge creditworthy organization, further support may be needed from bank guarantees or commercial insurance policies.

Check Your Progress

1. What do you understand by project reserves?
2. Define equity finance.
3. What are debentures?
4. Define grant.
5. What does factoring mean in business?

9.3 CASE STUDIES OF SELECTED THEME PARKS, RESORTS, HOTELS AND TOUR OPERATORS

The following is a case study on ‘The Journey’, a tour operator in South Africa.

The Journey

The Journey is a tourism company based out of South Africa. This company is mainly into Tourism Consulting and Marketing.

This company is specialised in the area of tourism destination management, planning and marketing. It assists tourism destinations in creating most of their prospect with the help of their expertise, experience, knowledge and creativity. Since 2005, The Journey has organized around 100 assignments in more than thirty various destinations. These events have either been organized solely or in involvement with other business partners. The clients consist of international agencies (such as The United Nations World Tourism Organization, The United Nations Development Programme, The United States Agency for International Development, the European Union, The Department for International Development and World Bank), organizations related to regional tourism, ministries of national tourism, local municipalities and private operators.

The Journey worked with Deloitte India and Architects Hafeez in designing the expansion plans for four esteemed tourism sites in India as a part of the Ministry of Tourism’s Swadesh Darshan Scheme (Central Sector Scheme) for integrated development of theme-based tourist circuits in India. The sites were Ajanta Caves, Maharashtra; Ellora Caves, Maharashtra; Colva Beach, Goa; and Amber Fort, Rajasthan. Their association accomplished a thorough study to evaluate the contemporary state of affairs, conducted a gap analysis of every destination stated above, put into words a comprehensive project report (development plan) and recommended a project financing container for development of these iconic tourist spots.

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In the initial phase, the company conducted a detailed study of foreign and nationwide tourism circumstances; brought together a catalogue of resources and infrastructure at every location and services; conducted a gap assessment; reviewed the existing and proposed project proposals by government and private partakers; analyzed the projected participation with respect to their realism, effortlessness of accomplishment, accountable parties, period to comprehend and impact on the spots; and assessed potential for the demand of tourism as well as the chances to develop/increase or upgrade amenities and services to draw and manage extra traffic. During this stage, the company conducted various meetings with the stakeholders and also benchmarked every spot with comparable national and international sites.

At the second stage, the company pointed out existing as well as novel tourism projects, which included projects for development/growth and identified corresponding projects along with the associated components, traversing a variety of aspects (for e.g., evaluation of the location, planning of the product, identifying the parameters related to individual project and estimation of levels of investment). Thereafter, the development plan (draft) was discussed with the pertinent stakeholders to bear out the analysis and slot in their opinions and propositions.

At the end, the company concluded the development plans on the basis of the stakeholder opinions, presented analytical costs and phasing related to the proposals, put together the short-term, medium-term and long-term plans—which included the feasibility study for a victorious project completion (existing as well as new projects)—and recommend suitable institutional arrangements for administering the sites.

Check Your Progress

6. What were the four tourist sites that The Journey worked on under the Swadesh Darshan scheme?
7. What was The Journey's role in the Swadesh Darshan scheme?

9.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Project reserves are the projects' internal sources to meet their financial needs in times of expansion or diversification. Retained profit can be used by a company after a few years of operation—when the company starts making profits (whereas, companies usually break-even in the first year and make profit later).
2. Equity finance means raising the capital by shares issue. It is the main element of capital structure by way of representing the investment on the project promoters' behalf, and generally comes from individual investors, firms

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engaged in project promotion through sponsoring the project, manufacture of equipment and machinery, and from institutional investors such as energy investment funds that are expected to have some form of capital stake in the project or insurance companies.

3. Debentures are certificates of loan agreements that are given under the company's stamp and that undertake to pay the principal amount as well as a fixed return (that is based on the rate of interest) to the debenture holder at the time of maturation of the debenture.
4. A grant is a non-returnable source of funding that is offered to exporters or for covering capital costs.
5. Factoring services are short-term sources of finance to provide working capital needs of a project. Factoring services relieve the project promoter from the tension of delay from debtors and from meeting the creditor's demand of payment.
6. The sites were Ajanta Caves, Maharashtra; Ellora Caves, Maharashtra; Colva Beach, Goa; and Amber Fort, Rajasthan.
7. The Journey's association with the Swadesh Darshan scheme accomplished a thorough study to evaluate the contemporary state of affairs, conducted a gap analysis of every destination stated above, put into words a comprehensive project report (development plan) and recommended a project financing container for development of these iconic tourist spots.

9.5 SUMMARY

- Projects accumulate their non-distributed profits as reserves. These reserves are the projects' internal sources to meet their financial needs in times of expansion or diversification.
- Using the accumulated reserves for long-term finance is the best policy for any project because the cost of capital is almost zero, and no mortgages on assets are required.
- Sources of finance are categorised as internal sources and external sources.
- Using internal sources of finance is called purchase from internal financial statement. However, the easiest type of funding is using internal funds such as cumulative reservoirs.
- The internal sources include controlling working capital, sale of assets, owner's savings, reducing stocks and trade credit.
- The external sources of finance include promoters contribution, equity finance, debentures, debt finance, bonds, grants, factoring services, banks, and insurance and guarantees.

- The money invested in current assets like raw material, finished goods and debtors is working capital.
- The entrepreneur can keep a control on the working capital by prudently judging the requirements for day-to-day operations.
- In case the assets of a business are to be used, the option of ‘sale and lease back’ may be considered, under which the assets are sold and then rented and hired from the new owner of the assets.
- Owner’s personal savings applies more to sole traders and partnership firms than to any other form of business.
- One of the assets that a business can use for raising finance is stock, which consists of unsold finished goods, semi-finished goods and the raw material that the business holds. Some stock that can be put to use in the event of an unanticipated hike in market demand is usually held by a business.
- In a business, things are usually not paid for prior to taking possession of them.
- Such a technique of deferral of payment to some future period is a type of very short-term borrowing and aids in resolving cash-cycle problems.
- Equity finance means raising the capital by shares issue. It is the main element of capital structure by way of representing the investment on the project promoters’ behalf, and generally comes from individual investors, firms engaged in project promotion through sponsoring the project, manufacture of equipment and machinery, and from institutional investors such as energy investment funds that are expected to have some form of capital stake in the project or insurance companies.
- Debentures are a form of long-term loan that public limited companies may take for a large sum and repay over a period of many years. The usual practice is to borrow them from a specialist financial institution.
- Debt finance means borrowing loans from commercial banks, financial institutions and money lenders for a period of time on fixed rates of interest. Debt finance normally refers to a conservative commercial bank loan.
- In debt finance, no share is possessed by the lender in the project and hence no ‘upside’ potential is available for him.
- Bonds are a type of debt. They are generally issued to meet long-term financial needs of a project; this means that bonds are liable to be long-term obligations that have fixed repayment schedules and rates of interest.
- A grant is a non-returnable source of funding that is offered to exporters or for covering capital costs.
- Government grants are usually offered for particular projects that are instrumental in benefiting or sustaining the environment in some way or aid

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the disadvantaged minority segments or make a contribution towards regenerating underprivileged sections.

- The usual practice is to offer grants for particular ventures, with the result that entrepreneurs may not be able to raise all the money required for a start-up project.
- Factoring services are short-term sources of finance to provide working capital needs of a project. Factoring services relieve the project promoter from the tension of delay from debtors and from meeting the creditor's demand of payment.
- Banks are one of the most important sources of finance to meet short-term financial requirements, such as the working capital for tiny, ancillary, small-scale sectors.
- The interest rate that would be levied on the entrepreneur for the loan would be dependent on the type and size of the loan, the borrower's financial strength, the level of risk associated with the loan and the prime central bank rates.
- Insurance and loan guarantees are fundamental constituents of financing.
- The Journey is a tourism company based out of South Africa. This company is mainly into Tourism Consulting and Marketing.
- This company is specialised in the area of tourism destination management, planning and marketing. It assists tourism destinations in creating most of their prospect with the help of their expertise, experience, knowledge and creativity.
- The Journey worked with Deloitte India and Architects Hafeez in designing the expansion plans for four esteemed tourism sites in India as a part of the Ministry of Tourism's Swadesh Darshan Scheme (Central Sector Scheme) for integrated development of theme-based tourist circuits in India. The sites were Ajanta Caves, Maharashtra; Ellora Caves, Maharashtra; Colva Beach, Goa; and Amber Fort, Rajasthan.

9.6 KEY WORDS

- **Breakeven Point:** The break-even point in economics, business—and specifically cost accounting—is the point at which total cost and total revenue are equal, i.e. 'even'. It is determined by dividing the total fixed costs associated with production by the revenue per individual unit minus the variable costs per unit.
- **Leaseback:** It is an arrangement in which the company that sells an asset can lease back that same asset from the purchaser. The details of the arrangement, such as the lease payments and lease duration, are made immediately after the sale of the asset.

- **Seed Money:** Also known as seed funding or seed capital, it is a form of securities offering in which an investor invests capital in a start-up company in exchange for an equity stake or convertible note stake in the company.
- **Joint-Stock Company:** It is a business entity in which shares of the company's stock can be bought and sold by the shareholders. Each shareholder owns company stock in proportion, evidenced by their shares.
- **Equity:** It is ownership of assets that may have debts or other liabilities attached to them; it represents the value that would be returned to a company's shareholders if all of the assets were liquidated and all of the company's debts were paid off.
- **Return on Investment (ROI):** It is a performance measure used to evaluate the efficiency or profitability of an investment or compare the efficiency of a number of different investments. ROI tries to directly measure the amount of return on a particular investment, relative to the investment's cost.

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9.7 SELF-ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. How do firms manage working capital?
2. What is the advantage of sale and leaseback?
3. How does equity differ from debt?
4. What are the main features of debenture?
5. What do you understand by the term 'debt finance'?
6. What is a private placement?

Long-Answer Questions

1. Analyze the advantages and disadvantages of external sources of finance?
2. Discuss the advantages and disadvantages of debt finance.
3. Compare the advantages and disadvantages of bond financing.
4. Evaluate the different stages of the work The Journey did under the Ministry of Tourism's Swadesh Darshan Scheme.

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UNIT 10 ENTREPRENEURIAL DEVELOPMENT IN TOURISM

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Structure

- 10.0 Introduction
- 10.1 Objectives
- 10.2 Programmes for Developing Entrepreneurship
- 10.3 Entrepreneurial Culture
- 10.4 Answers to Check Your Progress Questions
- 10.5 Summary
- 10.6 Key Words
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- 10.8 Further Readings

10.0 INTRODUCTION

An Entrepreneurship Development Programme (EDP) helps in developing a person's entrepreneurial abilities. The programme aims to develop the essential skills required to run a business successfully. In this unit, we will discuss EDPs in detail. The unit will go on to discuss entrepreneurial culture. Entrepreneurial culture can be defined as a combination of tangible man-made objects and intangible concepts. It specifies the vision, norms and traits that are helpful in the development of the economy. Entrepreneurial culture is beneficial for the organization as it helps in judicious utilisation of limited resources through innovation. This culture promotes the thriving of entrepreneurs who are considered to be change agents. To ensure the acceptance of entrepreneurship culture, help is required from administrative structures like the government and its initiatives.

10.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss the need and role of EDPs
- Analyze the objectives, target groups and pre-training work of an EDP
- Define entrepreneurial culture
- Analyze the various aspects of entrepreneurial culture
- Discuss the importance of business ethics and organizational culture

10.2 PROGRAMMES FOR DEVELOPING ENTREPRENEURSHIP

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High level of industrial activity in any nation can be achieved by entrepreneurial development, which in turn leads to overall economic development. Studies have shown that entrepreneurs are made not born. Entrepreneurial development is a continuous process; it helps the potential entrepreneurs to motivate themselves to achieve the goal of setting up business and provides understanding to tackle uncertain and risky situations, especially in business undertakings. The process of entrepreneurial development focuses on training, education, reorientation and certain conducive and healthy environment for the growth of enterprises. The mixed economic system of India encourages both state and private enterprises. Entrepreneurial competence of any nation makes all the difference to the rate of economic growth. The government of India announced its industrial policy in 1956; it was the basic industrial policy to all the subsequent industrial policies of India. As per that policy, the small-scale industrial sector and business were given to private entrepreneurs. Small-scale enterprise is the initiation into entrepreneurship. It is true that the rapid growth of small-scale sector is possible mainly due to entrepreneurship development.

Entrepreneurship Development Programmes (EDPs) are designed to help a person in strengthening and fulfilling their entrepreneurial motive and in acquiring the necessary skills and capabilities for playing their entrepreneurial role effectively. Running of an organization effectively throughout the year is an art; however, it cannot come by grace or favour of others to an entrepreneur. The organizational demands and needs change from time to time. An entrepreneur should anticipate these in advance and should be able to efficiently face the challenges while utilising the existing resources of the organization. An entrepreneur has to get the knowledge of organizational changing demands in the areas of manpower, machinery, administration, fixed and working capital management, material management etc., by studying the organization or by specialised personal guidance or training. It is necessary to promote understanding of motives, motivation pattern, their impact on behaviour and entrepreneurial value. The success of an EDP depends upon the design and organization of the programme, and a qualified and dedicated trainer.

In general, the design of an EDP broadly envisages the following three-tiered approach:

1. Guidance on industrial opportunities, project planning and development;
2. Rules and regulations, incentives and facilities offering by government, and development of managerial and operation capabilities; and
3. Sharpening of entrepreneurial traits and behaviours, and developing achievement motivation.

The designing objectives of EDP can be achieved by applying various techniques and approaches. Structuring of the programmes and training methodology necessitates the consideration of the specific target groups and target areas. Methodology for selection of the prospective entrepreneurs as well as support services after the training have a significant impact on the success of the EDPs.

Another important element of the EDP is the human factor. It refers to the attitude, desire and motivation of the individual, their capability to perceive the environmental changes and opportunities as well as their ability to solve the problem which they as an entrepreneur are likely to face. EDP is a training given to potential entrepreneurs or entrepreneurs to enhance their skills and knowledge.

Objectives of EDP

In an initiative to promote and develop small and medium industries in rural areas, the Industrial Service Institute (ISI), under the Department of Industrial Promotion (DIP), has initiated the EDP to give substance to the government's policies of stimulation of economic growth, dispersing industries to rural areas and promoting the processing of local raw materials. The EDP was considered a part of the industrial development policy, which was articulated in the Five-Year National Economic and Social Development Plan. The programme had sought to develop entrepreneurial activities in the rural areas of Thailand as a vehicle for economic growth with the achievement of the following objectives:

- To promote the development of small and medium enterprises that would encourage self-employment among potential entrepreneurs
- To provide, in the rural areas, special programmes designed to stimulate new ventures and encourage expansion of existing activities of small and medium industries
- To generate employment and self-employment opportunities in the processing of indigenous raw materials for local consumption and for export
- To develop entrepreneurial opportunities for potential entrepreneurs and upgrade managerial skills for existing entrepreneurs

In India, the export group constituted by the NIESBUD accepted that a sound training programme for entrepreneurship development must be able to help the selected entrepreneurs to:

- Develop and strengthen their entrepreneurial quality/motivation;
- Analyze the environment related to small industry and small business;
- Select project/product;
- Formulate project;
- Understand the process and procedure of setting up a small enterprise;
- Know and influence the source of help/support needed for launching the enterprise;

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- Acquire basic management skills;
- Know the pros and cons of being an entrepreneur; and
- Acquaint and appreciate the needed social responsibility.

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Target Group

The proper identification and selection of participants for EDP is seen as an instrument to enhance the success of the EDP. Usually the EDP selection scheme is so designed that admission to the EDP is limited to the top 25–30 applicants who are presumed to possess the traits or qualities of potential entrepreneurs. The selection process is based on the entrepreneurial characteristics considered to be generally accepted. The general and principal requirements to be met by an applicant for EDP are as follows:

- Observation of the biographical factors of the entrepreneur, such as demographic and socio-cultural data of the applicant (age, educational background, work and business experience, type of business operation, financial resources, equity participation and labour intensiveness) to assess their readiness for the entrepreneurial role;
- Assessment of motivational factors of the applicant for attending the EDP, such as exposure to business, sibling position, reason to go into business, source of encouragement and support to the entrepreneur, concreteness of plans, credibility and endurance; and
- Analysis and estimation of psychological strength of entrepreneur in the field of entrepreneurial traits such as risk-taking, need for achievement and other relevant traits.

Another important factor to be considered in selection of the target group is relation between the course of EDP and needs of the participant. For instance, the EDP course is designed on optimum utilisation of machinery from one process to another process. For this EDP, the target group is aspirants who want to start printing units.

Selection of Centre

An EDP should be organized in a convenient location and have the best transport facility. The centre selection process is one of the most important elements that influence the success of the EDP. The following factors play a key role in selection of centre:

- Environment factors such as geographical factors, weather conditions, law and order system, travelling time and transportation facilities (such as road and railway connectivity);
- Plinth area of the building, parking facility, electricity, water, Internet and other required technology and amenities which are essential for organizing an EDP;
- Boarding and accommodation availability near by the centre;

- Telephone and fax facility at the centre; and
- Photocopy facility at the centre or near by the centre.

Pre-training Work

As an integrated approach in the promotion and development of entrepreneurs, the pre-training work starts from selection of the area from existing socio-economic reports and government policy guidelines. A techno-economic survey in the area is conducted to identify the opportunities for new and expanded industries in terms of existing enterprise, natural resources, raw material, manpower, and market potentiality.

- The co-ordinator has to understand the objectives of training. Some of the general objectives of any training are as follows:
- To instruct basic knowledge about the industry, product and production methods
- To build the necessary skills of new entrepreneurs and workers
- To assist the entrepreneurs to function more effectively in their present position by exposing them to the concept, techniques and information
- To expose the entrepreneurs to the latest developments which directly or indirectly affect them
- To convey customer education
- To impart knowledge of the marketing of goods

The next important step in the pre-training program is to choose the suitable methods of training. Some of the training methods are as follows:

- **Individual Instruction:** A single individual is selected for training, where a complicated skill is to be taught to an individual
- **Group Instruction:** Where general instructions are applicable for a group of individuals with a similar type of work
- **Lecture Method:** The instructor communicates in theory the practice to be followed by the learners
- **Demonstration Method:** Instructor shows practically the performance of work for a better understanding
- **Conference:** Experts in the field share their ideas and bring to the notice of learners

After selecting and developing the training methods, the focus is shifted to required amenities. The entire infrastructure of an EDP centre should be reviewed. EDP programme schedule and course structure along with course material should be readied. The participants and trainers must be informed about the EDP schedule in advance and their their confirmation must be taken. Accommodation and transportation arrangements should be made for the participants and trainers. EDP programme certificates and other printing material should be readied. Entrepreneurs

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require a variety of assistance and support in arranging finance, plant and machinery land, readymade sheds, power, raw materials and finally information relating to the industry. For this, the co-ordinator of the entrepreneurial training programme should arrange meetings of various developmental agencies to elicit their co-operation.

Check Your Progress

1. What was the Industrial Policy of 1956?
2. Why are EDPs designed?

10.3 ENTREPRENEURIAL CULTURE

Culture helps differentiate human societies from animal groups. A group's culture can be described as the customs, ideas and attitudes shared by individuals of the group. These customs, ideas and attitudes are transmitted from one generation to another by means of a learning process and not through biological inheritance. Culture comprises the following two elements:

1. **Material Culture:** It includes materialistic things such as automobile, television and telephone.
2. **Non-Material Culture:** It comprises factors such as language, beliefs, music and values.

According to McClelland, 'Culture in its broadest definition, refers to that part of the total repertoire of human action, which is socially, as opposed to genetically, transmitted.'

Edward Burnett Taylor defined culture of a civilization as a 'complex whole, which includes knowledge, belief, art, morals, law, custom and other capabilities and habits acquired by man as a member of society'.

According to Francis Merrill, 'Culture:

- is the characteristically human product of social interaction;
- provides socially acceptable patterns for meeting biological and social needs;
- is cumulative, for it is handed down from generation to generation in a given society;
- is meaningful to human beings because of its symbolic quality;
- is learned by each person in the course of his/her development in a particular society;
- is a basic determinant of personality; and
- depends for its existence upon the continued functioning society but is independent of any individual or group.'

Entrepreneurial culture can be defined as a combination of tangible man-made objects and intangible concepts. Examples of tangible man-made objects include automobiles, clothing, furniture, buildings and tools. On the other hand, laws, morals and knowledge are the examples of intangible concepts.

Entrepreneurial culture specifies vision, norms and traits that are helpful in the development of the economy. On the basis of graphics and human characteristics, entrepreneurial culture can be divided into different types of sub-cultures, which are:

- Business ethics
- Organization's culture
- Total Quality Culture (TQC)
- Culture of business

Let's discuss each of these types, in detail.

1. Business Ethics

The term 'business ethics' has different meaning for different people, but generally its purpose is to decide what is right or wrong in business. According to Wallace and Pekel, 'attention to business ethics is necessary during times of fundamental change as the moral values that were not taken seriously are strongly questioned at that time'. Business ethics is the method of dealing with those business problems that are unclear in nature. Following are the advantages of business ethics:

- Business ethics programmes guide leaders in decision-making so that they always take the right decisions.
- Business ethics help to avoid criminal acts 'of omission', and they also help in lowering the fines. Ethics help in finding the violation of ethical issues and help in rectifying the violation that is committed by the organization.
- Business ethics help to identify and manage the values associated with quality management, strategic management and diversity management. For managing these values, ethical programmes record the values, develop policies and procedures, and then provide training to the employees about these policies and procedures.
- Business ethics help in building a strong and positive public image of an organization.
- Business ethics strengthen the organization's culture. Ethical values improve relationships between organizations and customers. It strengthens the organization by ensuring consistency in the standard and quality of its product.
- Business ethics helps in improving the society by establishing government agencies, unions and laws and regulations in the society.

2. Organizational Culture

Every organization has its own culture, which is intangible and provides meaning, directions and the basis of action. According to Schein, 'the deeper level of basic

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assumptions and beliefs that are: learned responses to the group's problems of survival in its external environment and its problems of internal integration; are shared by members of an organization; that operate unconsciously; and that define in a basic 'taken-for-granted' fashion in an organization's view of itself and its environment. Productive cultural change occurs in an organization if strategists appropriately identify the existing culture and evaluate it against the cultural attributes required to attain the strategic objectives.'

An organizational culture can be used as a filter to interpret and to react to the environment. A complexity theory approach focuses on the constantly changing organizational culture. The changing organizational culture affects the behaviour of the individuals within the organization and thus, destabilises the organizational structure. An organization culture is said to be good if it supports high performance, quality, involvement, openness, freedom of communication and a mutual trust of the organization.

Organizational culture is an outcome of the interactions between the agents of the organization and the environment. Interactions can be explicit or tacit. Changing the organizational culture means to change various interactions. A classical approach to management emphasizes on changing organizational structure instead of focusing on core beliefs ingrained in the culture. Classical approach helps in identifying the existing culture of the organization and modifies the organizational culture as per the needs of the organization.

The culture of an organization is an amalgamation of the values and beliefs of the members of the organization. Every organization has a unique culture that helps in the growth of the organization. Organization culture is affected by many internal and external factors such as market, shareholders, leadership style, technology and suppliers.

There are different types of organization cultures, which are as follows:

- **Power Culture:** It is based on the dominance of one or small number of individuals who take important decisions for the organization. This culture is generally found in a small business or part of a larger business.
- **Role Culture:** It is found in large hierarchical organizations in which the roles or jobs of an individual are clearly defined.
- **Task Culture:** This culture exists when teams or groups are formed in order to complete the task.
- **Person Culture:** It is the most individualistic form of culture that exists when individuals are free to express their views. A person culture exists only in a loose form of organization.

3. Total Quality Culture (TQC)

TQC can be defined as a sum of norms, beliefs and values that control the behaviour of individuals and groups within the organization. TQC provides a method for integrating the number of efforts that occur between the organization and employees,

task and employees, and employees and employees. The main objective behind integrating all these efforts is to ensure total quality for the product. TQC is very useful in improving quality of work life, employee satisfaction and customer satisfaction.

4. Culture of Business

Culture of a business unit can be described as a combination of beliefs, norms and values that control the behaviour of the individuals and groups within a given organization. To ensure a healthy working culture within a business unit, the organization needs to maintain high values and standards in all of its departments.

Check Your Progress

3. What is entrepreneurial culture?
4. What are the sub-cultures of entrepreneurial culture?
5. Define TQC.

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10.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The government of India announced its industrial policy in 1956; it was the basic industrial policy to all the subsequent industrial policies of India. From that policy, the small scale industrial sector and business were given to private entrepreneurs.
2. EDPs are designed to help a person in strengthening and fulfilling their entrepreneurial motive and in acquiring the necessary skills and capabilities for playing their entrepreneurial role effectively.
3. Entrepreneurial culture can be defined as a combination of tangible man-made objects and intangible concepts. Examples of tangible man-made objects include automobiles, clothing, furniture, buildings and tools. On the other hand, laws, morals and knowledge are the examples of intangible concepts.
4. On the basis of graphics and human characteristics, entrepreneurial culture can be divided into different types of sub-cultures, which are as follows:
 - Business ethics;
 - Organization's culture;
 - TQC; and
 - Culture of business.
5. TQC can be defined as a sum of norms, beliefs and values that control the behaviour of individuals and groups within the organization. TQC provides a method for integrating the number of efforts that occur between the

organization and employees, task and employees, and employees and employees.

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10.5 SUMMARY

- Entrepreneurial development is a continuous process; it helps the potential entrepreneurs to motivate themselves to achieve the goal of setting up business and provides understanding to tackle uncertain and risky situations, especially in business undertakings.
- The process of entrepreneurial development focuses on training, education, reorientation and certain conducive and healthy environment for the growth of enterprises.
- The government of India announced its industrial policy in 1956; it was the basic industrial policy to all the subsequent industrial policies of India. As per that policy, the small-scale industrial sector and business were given to private entrepreneurs.
- EDPs are designed to help a person in strengthening and fulfilling their entrepreneurial motive and in acquiring the necessary skills and capabilities for playing their entrepreneurial role effectively.
- The success of an EDP depends upon the design and organization of the programme, and a qualified and dedicated trainer.
- The designing objectives of EDP can be achieved by applying various techniques and approaches. Structuring of the programmes and training methodology necessitates the consideration of the specific target groups and target areas.
- Methodology for selection of the prospective entrepreneurs as well as support services after the training have a significant impact on the success of the EDPs.
- The proper identification and selection of participants for EDP is seen as an instrument to enhance the success of the EDP. Usually the EDP selection scheme is so designed that admission to the EDP is limited to the top 25–30 applicants who are presumed to possess the traits or qualities of potential entrepreneurs.
- Another important factor to be considered in selection of the target group is relation between the course of EDP and needs of the participant.
- An EDP should be organized in a convenient location and have the best transport facility. The centre selection process is one of the most important elements that influence the success of an EDP.
- As an integrated approach in the promotion and development of entrepreneurs, the pre-training work starts from selection of the area from existing socio-economic reports and government policy guidelines.

- Entrepreneurial culture can be defined as a combination of tangible man-made objects and intangible concepts. It specifies vision, norms and traits that are helpful in the development of the economy.
- On the basis of graphics and human characteristics, entrepreneurial culture can be divided into different types of sub-cultures: business ethics, organization's culture, TQC and culture of business.
- The term 'business ethics' has different meaning for different people, but generally its purpose is to decide what is right or wrong in business. Business ethics programmes guide leaders in decision-making so that they always take the right decisions.
- It helps in building a strong and positive public image of an organization.
- Ethics strengthen the organization's culture. Ethical values improve relationships between organizations and customers. It strengthens the organization by ensuring consistency in the standard and quality of its product.
- Organizational culture is an outcome of the interactions between the agents of the organization and the environment. Interactions can be explicit or tacit.
- The culture of an organization is an amalgamation of the values and beliefs of the members of the organization. Every organization has a unique culture that helps in the growth of the organization. Organization culture is affected by many internal and external factors such as market, shareholders, leadership style, technology and suppliers.
- There are different types of organization cultures: power culture, role culture, task culture and person culture.
- TQC can be defined as a sum of norms, beliefs and values that control the behaviour of individuals and groups within the organization.
- Culture of a business unit can be described as a combination of beliefs, norms and values that control the behaviour of the individuals and groups within a given organization.

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10.6 KEY WORDS

- **Small-Scale Enterprise:** Also known as a small business, is one marked by a limited number of employees and a limited flow of finances and materials.
- **Working Capital Management:** It is a business strategy designed to ensure that a company operates efficiently by monitoring and using its current assets and liabilities to the best effect.
- **Business Ethics:** refers to contemporary organizational standards, principles, sets of values and norms that govern the actions and behavior of an individual in the business organization.
- **Culture:** It is an umbrella term which encompasses the social behavior and norms found in human societies, as well as the knowledge, beliefs, arts, laws, customs, capabilities, and habits of the individuals in these groups.

10.7 SELF-ASSESSMENT QUESTIONS AND EXERCISES

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Short-Answer Questions

1. What is the three-tiered approach of an EDP?
2. List the general and principal requirements to be met by an applicant for an EDP?
3. What do you understand by culture?
4. How do business ethics help in managing quality control?
5. Why is it important to inculcate TQC in a business?

Long-Answer Questions

1. Discuss the need for EDPs.
2. Discuss the importance of business ethics and organizational culture.
3. Analyze the various aspects of entrepreneurial culture
4. Discuss the importance of ethics in a business.
5. Discuss the significance of organizational culture in an organization.

10.8 FURTHER READINGS

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UNIT 11 TOURISM INDUSTRY AND BUSINESS IDEAS

*Tourism Industry and
Business Ideas*

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Structure

- 11.0 Introduction
- 11.1 Objectives
- 11.2 Business Ideas in Tourism Industry
- 11.3 Business Strategies
 - 11.3.1 Understanding Customers and Analyzing Competition
- 11.4 Answers to Check Your Progress Questions
- 11.5 Summary
- 11.6 Key Words
- 11.7 Self Assessment Questions and Exercises
- 11.8 Further Readings

11.0 INTRODUCTION

The tourism industry is growing at a rapid rate, and more and more people are getting associated with it. The government is also trying to help boost the tourism sector as it not only garners revenue for the government, but also helps in putting a positive image of India in the globalised environment leading to more and more people choosing India as their tourist destination. Furthermore, it generates employment, thereby helping in national building and progress of the nation. In these efforts of developing the tourism sector, the entrepreneurs have a great role to play as entrepreneurship skill and state of mind can lead to further progress in the domain. In this unit, we will be looking at the business ideas related to the tourism industry. We will further understand the business strategy along with the competition in the domain and the most significant aspect of this domain—customer satisfaction.

11.1 OBJECTIVES

After going through this unit, you will be able to:

- Identify the numerous business opportunities offered by the tourism industry
- Analyze the different business strategies essential for running a successful venture in the tourism industry
- Discuss the concept of destination competitiveness and its impact on the tourism industry

11.2 BUSINESS IDEAS IN TOURISM INDUSTRY

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Tourism is one of the main economic engines for various nations. As per the World Travel and Tourism Council, tourism generated Rs 16.91 lakh crore (US\$240 billion) or 9.2 per cent of India's GDP in 2018 and supported 42.673 million jobs, 8.1 per cent of its total employment. The sector is predicted to grow at an annual rate of 6.9 per cent to Rs 32.05 lakh crore (US\$450 billion) by 2028 (9.9 per cent of GDP). Tourism can only flourish if the industry can employ qualified staff or sustainable workforce essential for excellent and prompt service delivery system.

The tourism industry creates diversified employment opportunities in different sectors like accommodation, food and beverage establishments, transportation services, travel agencies, tour operation companies, natural and cultural attractions sites. The industry offers various opportunities for small-scale businesses as well. Let us discuss these opportunities in detail.

Ideas for Small Businesses in Tourist Destinations

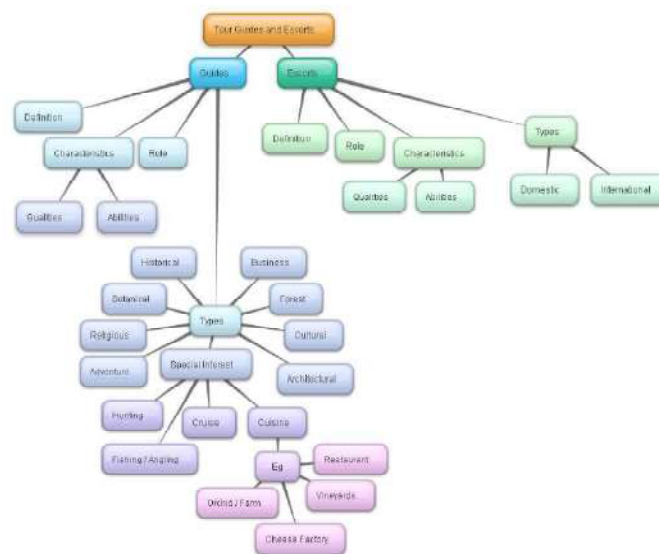


Fig 11.1: Categories of Tour Guides and Escorts

A tourist destination is a unique place where the tourists usually gather at a particular season of the year or throughout the year. For instance, Agra is a tourist destination throughout the year because of the Taj Mahal, whereas Jaipur and Goa have tourist seasons because of seasonal changes (although off-season tourists are also there). In a tourist destination usually, most people are engaged in jobs or businesses or activities related to tourism; therefore, in these destinations there are usually many kinds of small business ideas which can take immediate shape and can garner success. Some of the popular business ideas in tourist destinations are as follows:

- **Lodging or Hotel Businesses**
 - Open a beach hotel.
 - Build an airport hotel.
 - Build and rent other hotels.
 - Build and rent hostels.
 - Rent out your own living quarters.
 - Other lodging businesses for a tourist town.
- **Transportation**
 - Offer shuttle services.
 - Start a rental car agency.
 - Open a bike rental agency.
- **Retail Shops**
 - Operate a gift shop.
 - Start a surf shop.
 - Rent through a rental shop.
 - Open a clothing store.
 - Start a craft business.
- **Food & Drinks**
 - Open a sea food restaurant.
 - Operate an ethnic restaurant.
 - Open a fresh fruits mart.
 - Cool off with an ice cream business.
 - Other food and drink businesses for a tourist town.
- **Service Businesses**
 - Run a boat cleaning business.
 - Provide an outdoor cleaning business.
 - Become a tour guide.
 - Start a travel agency.
 - Start a parent help agency.
 - Start an interpretation/translation service.
 - Start a private escort business.
 - Start a destination wedding service.
 - Open a photo booth business.

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Fig. 11.2 Types of Tourist Guides

• **Activities & Entertainment**

- o Float along on a cruise service.
- o Open a fitness centre.
- o Start a bird/animal guide tour.
- o Open a water park.
- o Build a mini golf course.
- o Start a waterslide centre.
- o Open a yoga centre.
- o Open a steam bathing centre.
- o Organize fishing tours.

Understanding Tourists

Each one of us has different preferences in life and when we choose a tourist destination. Some may like beaches, some may prefer mountains; some may prefer seclusion, some enjoy the buzz of a hub; some enjoy the serenity of nature, while some like adventure sports, some may like ethnic food, some may prefer their own cuisine; some may prefer heritage destinations, while some may prefer cities; some may prefer to know different cultures—their food, clothing, festivals, etc., while others may be very spiritually oriented travellers. Thus, different tourists have different reasons of selecting a tourist destination.

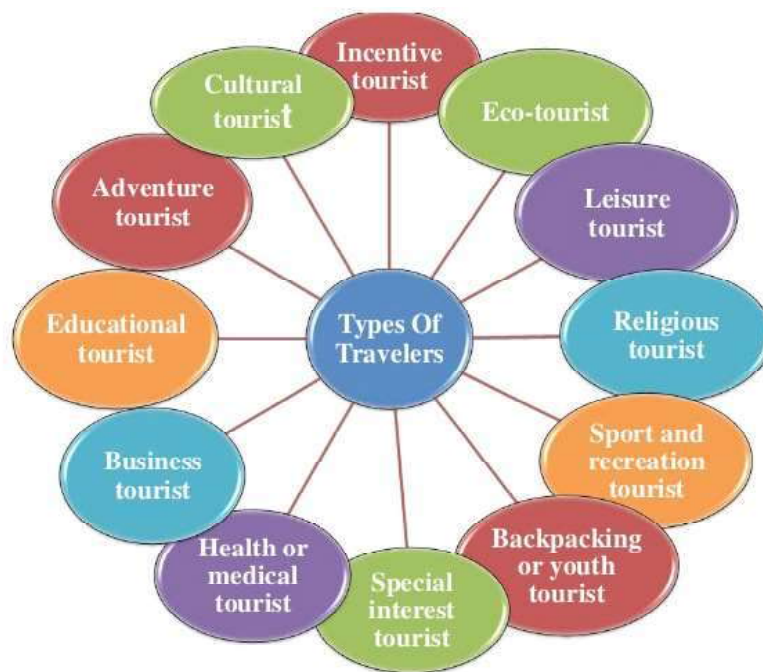


Fig. 11.3 Types of Travellers

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Check Your Progress

1. What entrepreneurship opportunities are there in tourism?
2. What are the common criteria for selecting tourist destination?

11.3 BUSINESS STRATEGIES

Numerous marketing strategies can be implemented for a particular tourism venture, which help in increasing the general awareness of that particular destination and increase the number of individuals who essentially visit the site. Let us discuss these business strategies in detail.

1. Defining the Unique Selling Points

Debatably, the single most important step for any organization engaging in destination marketing is to take the time to distinctly describe what makes the destination exceptional. There are a number of ways a destination can stand out, such as unique activities to cater to visitors or unique natural features (such as mountains, beaches, nature or volcanoes). For instance, Jaipur, Jodhpur and Agra are championed as destinations for their historical and heritage value; Manali and Auli as sports destinations; Goa and Kerala as beach destinations; Puri or Bodhgaya as religious destinations; Shimla and Mussourie or Darjeeling as natural beauty destinations. The culture, the heritage, the natural scenery, the sports activities, etc. are unique selling points (USPs) that need to be emphasised in destination marketing to attract tourists to that destination.

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2. Define Target Audience and Market

A destination can be marketed to anyone; each destination has its potential tourists who need to be targeted to make the marketing successful. Each set of people along with their age, religious preference, cultural set up, gender, class background, etc. are significant in identifying the potential customers and that decides where the marketing is to be done and how. For instance, a destination may attract the youngsters, while another may seem attractive to the elders or to nature-lovers. Some may like outdoor sporting activities and some want to just relax on the beach. Also there are several groups, such as general tourists, business travellers and students, family tourists, etc.

3. Utilise Data for Analytics

Destination marketing organizations can possibly obtain and utilise vast amounts of data, for several purposes. For instance, the organization's website can permit you to use tools like Google Analytics to discover about your visitors, who they are, where they came from and what their purpose of visit was.

Offline, you can gather information about existing visitors, such as the average age, whether your destination attracts more to men or women, and what mode of transport they use. Once you have collected adequate data, you can then analyze it to recognise the finest people to reach out to, the best ways to reach them and the best messages to push.

4. Brand Your Destination

Branding is a method used by businesses to make them easily identifiable. The perception of branding can include logos, colour schemes and other design principles, as well as slogans or recurrent usage of definite terminology. Ultimately, branding is about being recognisable and standing out from others.

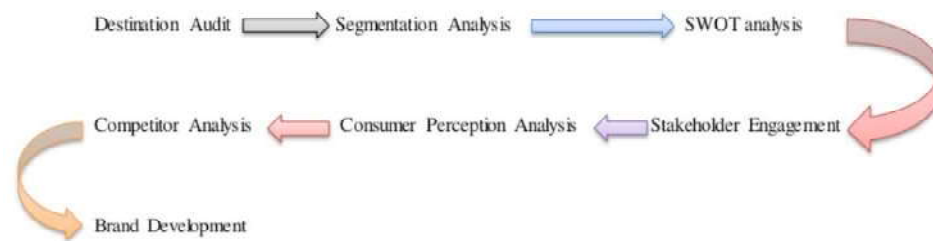


Fig. 11.4 Destination Branding Process

This principle can be honestly and easily applied to a destination. Try to come up with an articulated colour scheme, use a tagline that speaks something about the destination itself, generate hash tags for people to use on social media and attempt to be as reliable as possible with your promotional messaging, so that people become acquainted with it.

Some recommended hashtags are as follows:

- #fun
- #love

- #picoftheday
- #amusementpark
- #attraction
- #life
- #photo
- #holiday
- #instagood
- #themeparks
- #rollercoaster
- #disney
- #family fun
- #rollercoasters
- #entertainment
- #family
- #vintage

The top ten attractions hashtags popular on Instagram, Twitter, Facebook and Tumblr are as follows:

- #attractions (45 per cent)
- #travel (10 per cent)
- #rides (6 per cent)
- #nature (6 per cent)
- #photography (5 per cent)
- #themepark (5 per cent)
- #tourism (5 per cent)
- #adventure (4 per cent)
- #tourist (4 per cent)
- #vacation (4 per cent)

5. Involve All Stakeholders

It is normal for businesses to have various stakeholders; the sustainability and long-term profitability of the business depends on how well the stakeholders' concerns are taken care of. When that is done, the stakeholders find the business proposition to be of their interest which goes in building trust. It is also significant that tasks are assigned to each stakeholder and thus responsibilities are fixed. In case of the tourism industry, the various stakeholders of a particular destination can include the government and other officials, hotels, restaurants, shopping complexes and venues, travel agents, tour operators and local communities. The concerns of all these stakeholders are very important in developing a tourism business. To promote the brand as well as a tourist destination, it is necessary that the concerns of each stakeholder are given preference while taking a business decision.

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6. Create an Amazing Destination Website

These days most of us do not just visit a place because we heard about it, but before going anywhere we usually visit the websites and read blogs about that place and see if it is worth going to that particular destination. Thus, there is a need for developing a website which tells the selling points of that destination and the business along with images, videos, content and virtual reality tours. It helps the prospective buyer gets a notion of the destination before they decide to visit the destination. Moreover, the website should be designed in a manner that it should be appealing when opened in hand-held devices, especially mobile phones.

7. Search Engine Optimisation

Search engine optimisation is also a criterion that is used by most business these days for any business to be successful. In case of a destination and any particular tourist business too, it is necessary that search engine optimisation is used in an effective and efficient manner so that one can get maximum attention. A comprehensive search engine optimisation strategy involves researching keywords, creating content according to those keywords and placing them intelligently to gain traction.

8. Experience Marketing

When a tourist visits a place they usually get an experience, which the business should try to get from the customers as a feedback; this feedback can be showcased on the business' webpage or the applications that are created to promote and selling the business. General people have a tendency to trust these customer reviews in a much more interesting way than they do what the companies say. It is a kind of word-of-mouth promotion and can be used in an intelligent manner to market the destination and the business.

9. Video and Virtual Reality Marketing

Both video marketing and virtual reality marketing should be an extended process to boost a destination. Videos are smoothly shared across various platforms, such as like Facebook, Twitter, Instagram and YouTube, making it a very useful medium of marketing, especially in case of destinations to market the place. They also endorse the local values and make people interested in the particular places.

10. Social Media Strategies

Social media is a very potent means of marketing any thing, and it should be used in a prudent manner to market destinations. Social media has a global reach, which makes it easier to market a particular destination through the right content.

11. Work with Influencers

Influencers are people with an established following on platforms like Instagram, Twitter, YouTube, Facebook or their own blog and thus can be used in an effective and efficient manner to boost a destination and its salient features as well as to market a destination.

12. Promote Your Destination on Travel Websites

Different travel websites, such as MakeMyTrip, Goibibo, Cleartrip, TripAdvisor and many others, can also be used in a potent way to market a destination.

13. Offline Promotional Strategies

Once you are aware of your target audience, what they are looking for and where they are coming from, you should also be able to recognise when they are likely to travel. For instance, some destinations attract visitors in the summer months (hill stations like Shimla, Manali, Darjeeling), while others attract people during winter (Rajasthan and South India). Some might hold greater appeal at Christmas, or on holidays. This makes it easier to formulate a comprehensive offline promotional strategy. Some of the offline methods you can use include television advertising, radio advertising and promotion within newspapers and magazines.

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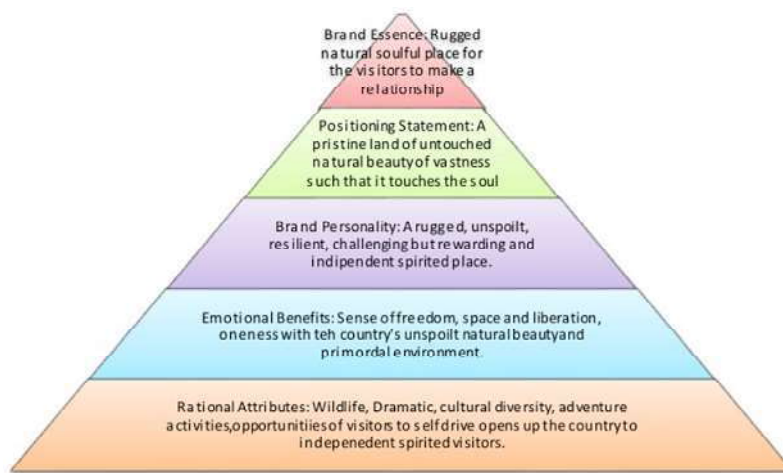


Fig. 11.5 Brand Development Pyramid

11.3.1 Understanding Customers and Analyzing Competition

Today, there is almost no field in which there is monopoly of a particular company or group. There is immense competition as each moment some new player is trying to enter the market and trying to etch a place for itself within the market. When a new player enters, it eats into the share of the existing players and therefore all the times, all players are usually very conscious of the competitive market; existing players are engrossed in brand development and maintenance as it is very important for the business.

Competitiveness has been a subject of study in the manufacturing and related sectors since the early 1990s. However, lately some researchers have started to assess the tourism and hospitality competitiveness, both conceptually and empirically.

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Destination Competitiveness

The issue of competitiveness of tourism destinations has become increasingly important, particularly for countries and regions that rely heavily on tourism (Gooroochurn & Sugiyarto, 2005). A destination may be considered competitive if it can attract and satisfy potential tourists. Destination choice determines inter enterprise competition between airlines, tour operators, hotels and other tourism services (Ritchie & Crouch, 2000).

The Concept of Destination Competitiveness

Various researchers have defined destination competitiveness as follows:

- ‘...the ability of a destination to provide a high standard of living for residents of the destination’ (Crouch & Ritchie, 1999, p. 137);
- ‘...the destination’s ability to create and integrate value added products that sustain its resources while maintaining market position relative to competitors’ (Hassan, 2000, p. 239);
- ‘...the ability of a destination to maintain its market position and share and/or to improve upon them through time’ (d’Hautesserre, 2000, p. 23);
- ‘...include objectively measured variables such as visitor numbers, market share, tourist expenditure, employment, value added by the tourism industry, as well as subjectively measured variables such as ‘richness of culture and heritage,’ ‘quality of the tourism experience,’ etc.’ (Heath, 2003, p. 9);
- ‘...the most competitive destination in the long term is that the one which creates well being for its residents’ (Bahar&Kozak, 2007, p. 62);

Competitiveness in the Hotel Industry

Usually, major destinations have big players of the hotel industry, and competitions are often very stiff. For instance, Jaipur, the historical city, having a great heritage value, has more than 1500 hotels of different shapes and sizes catering to different kinds of customers. There is immense competition amongst the hotels to attract potential consumers by various means and one of them is competitive pricing in online sites which immediately attracts people. But other facets such as services, geographical location and customer ratings are also very significant ways in which the competitiveness of the hotel industry is reflected.

Hotel Productivity

Productivity is always a top priority for hotel operators as it encompasses efficiency, effectiveness, quality, predictability and other performance dimensions of the hotel industry. Lovelock and Young (1979) opine that service firms can work on their productivity in the following four ways:

1. Improving the labour force through better recruiting or more extensive training;

2. Investing in more efficient capital equipment;
3. Replacing works with automated systems, that is, technology and technological devices; and
4. Recruiting consumers to assist in the service process.

Check Your Progress

3. What are the USPs of a tourist destination?
4. What do you understand by branding?
5. What are some websites that can help market a destination?

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11.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Tourism and hospitality creates diversified employment opportunities in different sectors like accommodation, food and beverage establishments, transportation services, travel agencies, tour operation companies, natural and cultural attractions sites.
2. Tourists usually choose their destinations based on their various factors, including availability of funds, activities they will undertake and many other things to be done, environment of the destination, religious importance of the site and cultural significance of the site.
3. The culture, the heritage, the natural scenery, the sports activities, etc. are unique selling points that need to be emphasised in destination marketing to attract tourists to that destination.
4. Branding is a method used by businesses to make them easily identifiable. The perception of branding can include logos, colour schemes and other design principles, as well as slogans or recurrent usage of definite terminology.
5. Different travel websites, such as MakeMyTrip, Goibibo, Cleartrip, TripAdvisor and many others, can also be used in a potent way to market a destination.

11.5 SUMMARY

- Tourism is one of the main economic engines for various nations. As per the World Travel and Tourism Council, tourism generated Rs 16.91 lakh crore (US\$240 billion) or 9.2 per cent of India's GDP in 2018 and supported 42.673 million jobs, 8.1 per cent of its total employment.
- It creates diversified employment opportunities in different sectors like accommodation, food and beverage establishments, transportation services,

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travel agencies, tour operation companies, natural and cultural attractions sites.

- Numerous marketing strategies can be implemented for a particular tourism venture, which help in increasing the general awareness of that particular destination and increase the number of individuals who essentially visit the site.
- the single most important step for any organization engaging in destination marketing is to take the time to distinctly describe what makes the destination exceptional.
- The culture, the heritage, the natural scenery, the sports activities, etc. are unique selling points (USPs) that need to be emphasised in destination marketing to attract tourists to that destination.
- Destination marketing organizations can possibly obtain and utilise vast amounts of data, for several purposes.
- Try to come up with an articulated colour scheme, use a tagline that speaks something about the destination itself, generate hash tags for people to use on social media and attempt to be as reliable as possible with your promotional messaging, so that people become acquainted with it.
- It is normal for businesses to have various stakeholders; the sustainability and long-term profitability of the business depends on how well the stakeholders' concerns are taken care of.
- There is a need for developing a website which tells the selling points of that destination and the business along with images, videos, content and virtual reality tours.
- A comprehensive search engine optimisation strategy involves researching keywords, creating content according to those keywords and placing them intelligently to gain traction.
- Both video marketing and virtual reality marketing should be an extended process to boost a destination. Videos are smoothly shared across various platforms, such as like Facebook, Twitter, Instagram and YouTube, making it a very useful medium of marketing, especially in case of destinations to market the place.
- Social media is a very potent means of marketing any thing, and it should be used in a prudent manner to market destinations
- Different travel websites, such as MakeMyTrip, Goibibo, Cleartrip, TripAdvisor and many others, can also be used in a potent way to market a destination.
- Today, there is almost no field in which there is monopoly of a particular company or group. There is immense competition as each moment some new player is trying to enter the market and trying to etch a place for itself within the market.

- Competitiveness has been a subject of study in the manufacturing and related sectors since the early 1990s. However, lately some researchers have started to assess the tourism and hospitality competitiveness, both conceptually and empirically.
- The issue of competitiveness of tourism destinations has become increasingly important, particularly for countries and regions that rely heavily on tourism
- A destination may be considered competitive if it can attract and satisfy potential tourists.
- Usually, major destinations have big players of the hotel industry, and competitions are often very stiff.
- Productivity is always a top priority for hotel operators as it encompasses efficiency, effectiveness, quality, predictability and other performance dimensions of the hotel industry.

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11.6 KEY WORDS

- **Tourist Towns:** These are certain locations where the tourists or travellers head to mostly for recreation, leisure or business activities; these towns are ideal locations for the travellers to escape momentarily from the hustle of daily life and enjoy the calmness of the countryside.
- **Unique Selling Point (USP):** In marketing, the unique selling proposition, also called the unique selling point, or the unique value proposition in the business model canvas, is the marketing strategy of informing customers about how one's own brand or product is superior to its competitors.
- **Target Audience:** A target audience is the intended audience or readership of a publication, advertisement, or other message catered specifically to the said intended audience.
- **Branding:** It is the process of creating a strong, positive perception of a company, its products or services in the customer's mind by combining such elements as logo, design, mission statement, and a consistent theme throughout all marketing communications.
- **Hashtag:** It is a metadata tag that is prefaced by the hash symbol, '#'. Hashtags are widely used on microblogging and photo-sharing services such as Twitter and Instagram as a form of user-generated tagging that enables cross-referencing of content sharing a subject or theme.
- **Search Engine Optimisation (SEO):** It is the process of improving the quality and quantity of website traffic to a website or a web page from search engines. SEO targets unpaid traffic rather than direct traffic or paid traffic.

11.7 SELF-ASSESSMENT QUESTIONS AND EXERCISES

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Short-Answer Questions

1. How much does tourism contribute to India's economy?
2. Why is it important to define the target audience and market of a destination?
3. What do you understand by branding a tourist destination?
4. What is the importance of video and virtual reality marketing in tourism?
5. What are some offline promotional strategies for a tourist destination?
6. What is destination competitiveness?

Long-Answer Questions

1. Identify the various business opportunities offered by the tourism industry.
2. Discuss the importance of having stakeholders in a business.
3. Examine various business strategies employed in successful business ventures.
4. Analyze the growing importance of search engine optimization in tourism.
5. Analyze the importance of competitiveness in the tourism and hospitality industry.

11.8 FURTHER READINGS

- Mohanty, Sangram Keshari. 2005. *Fundamentals of Entrepreneurship*. New Delhi: Prentice Hall of India.
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BLOCK - IV
PROJECT REVIEW AND INDUSTRIAL SICKNESS

*Feasibility and Business
Plan*

**UNIT 12 FEASIBILITY AND
BUSINESS PLAN**

NOTES

Structure

- 12.0 Introduction
- 12.1 Objectives
- 12.2 Feasibility
- 12.3 Writing a Business Plan
 - 12.3.1 Financial Requirements and Sources of Finance
- 12.4 Answers to Check Your Progress Questions
- 12.5 Summary
- 12.6 Key Words
- 12.7 Self Assessment Questions and Exercises
- 12.8 Further Readings

12.0 INTRODUCTION

The rapid growth and recognition of project management during the last few years has raised the need for feasibility studies. In the simplest of terms, a feasibility study can be understood as an analysis into the viability of an idea. It helps businesses decide whether a particular business idea is as promising as it sounds. The study may be conducted along with a SWOT analysis, which studies the strengths, weaknesses, opportunities and threats that may be present externally (the environment) or internally (resources). In this unit, we will discuss the various factors that affect a feasibility study, and the various components of a feasibility study. We will also discuss in detail the process and components of a business plan. A business plan is a written description of your business's future, a document that tells what you plan to do and how you plan to do it.

12.1 OBJECTIVES

After going through this unit, you will be able to:

- Identify the factors that affect a feasibility study
- Discuss the objectives of a feasibility study
- Analyze the process of writing a business plan
- Discuss the various components of a business plan
- Identify the various sources of finance for entrepreneurs

*Self-Instructional
Material*

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12.2 FEASIBILITY

We have already discussed the feasibility of a business idea earlier on in the book.

Here, we will discuss the financial feasibility of the business idea.

The requirements for the accomplishment of a financial feasibility differ on the basis of the following factors:

- Projected capital costs of a particular project;
- Structure of capital and the kind of financing requirement;
- Project intricacy; and
- Risk of the project associated to the investors and the lenders.

To decide on the need for a feasibility study, the project developers should definitely refer to the probable creditors (banks, financial institutions, etc.) and equity financing investors. These sources will certainly provide flawless guidelines for their due diligence.

The major objectives of a feasibility study are discussed below:

- Estimating the total development costs, which includes the soft costs (related to designing, architecture, engineering, finance and study of the environmental impacts) and the hard costs (costs related to the construction, fixture of furniture and other equipment, etc.);
- Defining the project's financial requirements in terms of the capital structure, debt-to-equity ratio, debt service coverage ratio and working capital requirements;
- Analyzing the project's cash flow, profitability (mainly the gross operating margins) and the debt service;
- Performing a sensitivity analysis, estimation of the cash flow and profitability against various scenario; and
- Estimation of the residual value, internal rate of return and the net present value.

Check Your Progress

1. What does estimating the total development costs of a project involve?
2. What are the components of a feasibility study?

12.3 WRITING A BUSINESS PLAN

A business plan is usually divided into various broad components, including:

- Table of contents;
- Executive summary;

- About management and activities, and past performance of business (if already in business);
- A brief introduction of the business plan;
- Feasibility report (technical, market and financial);
- Detailed calculations and analysis of ratios;
- Conclusion.

Thus, you can see executive summary gives an overview of the business plan, which would include the purpose of the plan document, scope of work and major findings. Next section is usually about the management or promoters for the existing business and the new start-up, respectively. The most important section pertains to details of feasibility study. The three important areas of feasibility study are technical feasibility, market feasibility and financial feasibility. If a business or a project is subject to environmental clearances, the environmental feasibility is also relevant.

The feasibility study generates financial numbers and non-financial information. They are analysed through various ratios of interest before the final observations and conclusions are drawn. The analysis and conclusion must show financial viability of the business proposal with a view for business plan to become acceptable for consideration by any stakeholder.

Contents of a Business Plan

A brief description of contents of business plan is given as under:

- **Description of Venture:** For an existing business, details such as date of establishment, journey over time with significant milestones, employee data, sales and profit data over time (if history is too long then selected period of say, five years' data would be enough), organization structure, operating philosophy, vision and mission statements, and details of enabling factors are important.
- **Production Plan:** In case of manufacturing activity, the details of technology and its constraints, success factors, realistic assumptions regarding utilisation of plant capacity supported with evidences from other businesses, processes, manpower requirement (skilled, semi-skilled and unskilled) as well as their availability, sources of material and several other details that can have an impact on production would become an essential part of the production plan. Finally, year-wise production plan in units as well as rupee terms must be presented.

In case of services, similar information but with different components would become relevant in production plan. Equipment needed, trained manpower availability, office space, necessary hardware and software, marketing assumptions in terms of demand for services and such other information is

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used for preparing production plan for a service organization. This plan perhaps can be renamed as 'service plan'.

- **Operations Plan:** Several operations have to be carried out with a view to succeed in providing products and services. The business activity must be clearly broken down into discreet operations, and details must be provided as to how those operations will be performed given the resources. If the operations plan fails, then production plan would also automatically fail.
- **Marketing Plan:** A business needs to define a market in terms of geographical area or demographic details of potential customers or consumers. Market feasibility report would help in identifying the scope of business opportunity, and from that canvass, a businessman has to determine the right segment of market wherein he would like to do business. Promotion plan, distribution network and other marketing policies are useful in evaluating the potential market for the goods and services offered by the business.
- **Organizational Plan:** In the absence of a strong organizational backing, the most lucrative businesses can also fail measurably. Business operates in a very dynamic environment, whether internal or external. A business organization must develop capability of capturing information regarding the changing external variable that may affect the current business or future opportunities of the business. Internal competency of deciphering the signal picked from the market and responding to it in time is critical for converting plans into a profitable action.
- **Assessment of Risks:** Production and marketing plans are usually prepared on the most realistic scenario. If actual scenario turns out to be better than anticipated (sales price is higher, sales quality is higher, expenses are lower, among others), then there is a positive surplus profit. However, if things do not turn out as good as estimated, the cost of project go up, cost of capital is higher, enough capital is not available, sales price remain low, sales quantity is less, expenses are higher and skilled people might not be available. The assessment of down-side impact of risk must be assessed, if not upside reward of risk.
- **Financial Plan:** The contents of the business plan are now converted into financial numbers to present the financial plan. The financial plan gives income statements and balance sheets for the projected period, depreciation schedule, interest payment schedule, working capital schedule, taxability schedule, cash flow statements, working capital financing schedule and schedule of funds to be raised and serviced. The financial plan also includes calculation of several ratios that are useful in the evaluation of funding options. It calculates the cost of capital, net present value, internal rate of return, and in some cases other needed aspects like pay-back-period and accounting rate of returns are also presented in the financial plan.

12.3.1 Financial Requirements and Sources of Finance

We have already discussed the various sources of finance for an entrepreneurial venture earlier. To very briefly recapitulate, the sources of finance for a business idea are:

- Personal investment or personal savings;
- Venture capital;
- Business angels;
- Government assistance;
- Commercial bank loans and overdraft;
- Financial bootstrapping; and
- Buyouts.

Check Your Progress

3. What are the various components of a business plan?
4. Name the three important areas of feasibility study?

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12.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The estimation of total development costs of a project includes the soft costs (related to designing, architecture, engineering, finance and study of the environmental impacts) and the hard costs (costs related to the construction, fixture of furniture and other equipment, etc.).
2. The four components of a feasibility study are as follows:
 - (i) Defining the project's financial requirements
 - (ii) Analyzing the project's cash flow
 - (iii) Performing a sensitivity analysis
 - (iv) Estimation of the residual value
3. The various components of a business plan are:
 - (i) Table of contents;
 - (ii) Executive summary;
 - (iii) About management and activities, and past performance of business (if already in business);
 - (iv) Brief introduction of the business plan;
 - (v) Feasibility report (technical, market and financial);
 - (vi) Detailed calculations and analysis of ratios;
 - (vii) Conclusion.

4. The three important areas of feasibility study are technical feasibility, market feasibility and financial feasibility.

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12.5 SUMMARY

- The major objectives of a feasibility study are estimating the total development costs, defining the project's financial requirements in terms of the capital structure, analyzing the project's cash flow, performing a sensitivity analysis and estimation of the residual value.
- A business plan is usually divided into various broad components, including: table of contents; executive summary; management and activities, and past performance of business (if already in business); brief introduction of the business plan; feasibility report (technical, market and financial); detailed calculations and analysis of ratios; and conclusion.
- Executive summary gives an overview of the business plan, which would include the purpose of the plan document, scope of work and major findings.
- The most important section of a business plan pertains to details of feasibility study. The three important areas of feasibility study are technical feasibility, market feasibility and financial feasibility. If a business or a project is subject to environmental clearances, the environmental feasibility is also relevant.
- The feasibility study generates financial numbers and non-financial information. They are analysed through various ratios of interest before the final observations and conclusions are drawn.
- The analysis and conclusion must show financial viability of the business proposal with a view for business plan to become acceptable for consideration by any stakeholder.
- The sources of finance for a business idea include personal investment or personal savings; venture capital; business angels; government assistance; commercial bank loans and overdraft; financial bootstrapping; and buyouts.

12.6 KEY WORDS

- **Debt-to-Equity Ratio:** It is a financial ratio indicating the relative proportion of shareholders' equity and debt used to finance a company's assets. Closely related to leveraging, the ratio is also known as risk, gearing or leverage.
- **Equity Investor:** They are investors who invest money into a company in exchange for a share of ownership in the company.
- **Debt Service Coverage Ratio:** Also known as 'debt coverage ratio', is the ratio of operating income available to debt servicing for interest, principal and lease payments; it is a popular benchmark used in the measurement of an entity's ability to produce enough cash to cover its debt payments.

- **Cash Flow:** The amount of cash or cash-equivalent which the company receives or gives out by the way of payment(s) to creditors is known as cash flow.
- **Sensitivity Analysis:** It is the study of how the uncertainty in the output of a mathematical model or system can be divided and allocated to different sources of uncertainty in its inputs.
- **Residual Value:** It is the amount that a company expects to receive for an asset at the end of its service life less any anticipated disposal costs. In accounting, the residual value is an estimated amount that a company can acquire when they dispose of an asset at the end of its useful life.

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12.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What factors do you need to consider in terms of feasibility?
2. Why is the importance of a business plan?
3. What do you understand by the production plan of a business?
4. What is a market feasibility report?
5. What are some sources of finance available to entrepreneurs?

Long-Answer Questions

1. Discuss the objectives of a feasibility study.
2. Discuss the various components of a business plan.
3. Analyze the importance of writing a business plan.
4. Discuss the various components of a business plan.

12.8 FURTHER READINGS

- Mohanty, Sangram Keshari. 2005. *Fundamentals of Entrepreneurship*. New Delhi: Prentice Hall of India.
- Dollinger, Marc J. 2003. *Entrepreneurship Strategies and Resources*. New Jersey: Prentice Hall
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Douglas Robert Brown, *The Restaurant Managers Handbook: How to Setup,
Operate and Manage a Financially Successful Food Service Operation*.

UNIT 13 FORMING THE BUSINESS

Structure

- 13.0 Introduction
- 13.1 Objectives
- 13.2 Forms of Organization
 - 13.2.1 Legal Considerations for a Start-Up Business
- 13.3 Networking and Collaboration for Start-Ups
 - 13.3.1 Good Business Practices
- 13.4 Answers to Check Your Progress Questions
- 13.5 Summary
- 13.6 Key Words
- 13.7 Self Assessment Questions and Exercises
- 13.8 Further Readings

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13.0 INTRODUCTION

The term business organization defines how businesses are structured and how their structure helps them meet their goals. Business organization is one of the most important choice an entrepreneur makes regarding his/her company. The type of business organization affects a multitude of factors, many of which decide how the entity is taxed, the associated legal liabilities, operational costs, etc. This unit will discuss the type of business organizations and the associated liabilities. It will also discuss the necessary good business practices to help run a successful venture.

13.1 OBJECTIVES

After going through this unit, you will be able to:

- Identify the various forms of business organizations
- Discuss the advantages and disadvantages associated with each form of business organization
- Examine the legal considerations for starting an entrepreneurship in India
- Understand the importance of networking and collaborations for a business
- Discuss various good business practices

13.2 FORMS OF ORGANIZATION

Business organizations can be broadly classified as under:

- Sole-proprietorship
- Partnership
- Corporate

Partnerships can be regular and limited; and companies can be private or public. Companies can also be either for-profit or non-profit organizations.

Let us have a look at each of the forms of business organization in brief.

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Sole Proprietorship

Formation of a sole-proprietorship and running it has no legal costs. The owner has full control over the business and its management. Since the owner and business are not separate, business income is considered as personal income and taxed as individual income, avoiding double taxation. The owner has unlimited liability in business; they are responsible for business liabilities creating risk on personal assets, if the business fails. Life of a sole-proprietorship business is limited. As sole proprietorship business is a personal affair of the owner and there are no legal restrictions, it also has a limited access to funds.

Partnership

In terms of advantages and disadvantages, partnerships are no different from sole-proprietorships, except that in a partnership more than one owner pools resources and shares liability. Formation is easy too, except that a written agreement, though not required, is advisable; and it is desirable (though not compulsory) to register the partnership. Life of partnership becomes further limited because the partnership breaks with retirement or death of any one partner.

Limited Partnership

Through an agreement, one or few partners can be offered limited liability to the extent of contribution in capital (or to any amount agreed upon). The condition is, at least one partner has to have unlimited liability. Usually, limited partners are also ‘sleeping’ or ‘dormant’ partners, which means they do not take active part in managing the partnership’s business.

Corporate

Instead of a partnership, one can form a company by registering the firm under the Companies Act, 2013. A company is a legal entity separate from its owners and therefore, the owners are not liable for the company’s liabilities. Owners enjoy limited liability; limited to the extent of share capital provided by the member and not more. There is a legal process to follow and documents to file along with the registration fees for the registration of a firm as a company. Also, once a company is registered, it has to comply with several legal requirements from time to time. The owners of the company are called ‘members’ or ‘shareholders’.

Private Company

A company can be registered as a private limited company, subject to the regulatory limit on the number of members (minimum two and maximum fifty) and a minimum

paid-up capital of ₹ 1 lakh. Legalities in the formation and during operations are less if the company is registered as a private limited company.

Public Company

A public limited company is one which is not a private company but has a minimum paid-up capital of ₹ 5 lakh. A public company can be formed with minimum seven members and has no upper limit on the number of membership. A public company can give invitation to the public for subscription in the share capital or bonds of the company. Public companies are subject to more stringent legal requirements for the formation of the public company and the reporting requirements during existence.

The basic features of the three main forms of business organizations are compared in Table 13.1.

Table 13.1 Comparison of Basic Features of Three Major Forms of Business Organizations

	Sole-proprietorship	Partnership	Corporations
Legalities at formation stage	Very little	Agreement is needed	Elaborate
Legalities later	None	None	Regular filing of reports
Personal liabilities of owners	Yes	Yes, except that of limited partner	Only to the extent of par value of capital
Access to capital	Personal and private sources only <ul style="list-style-type: none"> • Limited capital, small size • High cost of capital 	Personal and private sources only <ul style="list-style-type: none"> • Limited capital, small size • High cost of capital 	Can invite public to participate in capital <ul style="list-style-type: none"> • More capital • Size can be large
Control over business	Absolute	Subject to share in partnership and agreement	Subject to, <ul style="list-style-type: none"> • shareholding of Management • Concentration of shareholding
Tax implications	<ul style="list-style-type: none"> • Business income is taxed as personal income • Rate could be high 	<ul style="list-style-type: none"> • Business income is taxed as personal income • Rate could be high 	<ul style="list-style-type: none"> • Business income is taxed • Dividend is also taxed
Life	Limited Owner's demise would invite estate duty	Limited: One partner's separation or demise would invite re-agreement and estate duty	Unlimited Easy succession without any estate duty

Franchising

‘Franchising is a continuing relationship in which a franchisor provides a licensed privilege to the franchisee to do business and offers assistance in organizing, training, merchandising, marketing and managing in return for a monetary consideration. Franchising is a form of business by which the owner (franchisor) of a product, service or method obtains distribution through affiliated dealers (franchisees).’

Buying a franchise may have several advantages for a franchisee. Usually a franchisor would grant a franchise only if a market potential is observed, technical

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support could be provided and only after verifying the financial viability. Franchise is just an arrangement between a franchisor and a franchisee, and has no bearing on a form of business organization under which a franchisee would run the business.

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13.2.1 Legal Considerations for a Start-Up Business

Affluent start-ups are driven by enthusiastic entrepreneurs who are focused on constructing unique solutions that deliver customer satisfaction. One should be aware of the latest laws governing their business and market. Some of the important legal basics that start-ups and entrepreneurs in India should be aware of are as follows:

1. Formalising a business structure and founders' agreement

To understand the nature and type of the business, founders will require incorporating the business as an explicit business type (sole proprietorship, private limited, public limited, partnership or a limited liability partnership). It is very important to have this clearness at the very beginning as this will be essential to the business's overall vision and goals, both short-term and long-term. Every business type comes with its own set of legal requirements and regulations, and entrepreneurs should pay exceptional attention to them before incorporating their business.

2. Applying for Business Licenses

Licenses are mandatory for running any business. Depending on the nature and size of the business, several licenses are applicable in India.

3. Understanding Taxation and Accounting Laws

Taxes are part and parcel of every business. There are an extensive variety of taxes, such as, central tax, state tax and even local taxes that may be applicable on certain businesses. Various business and operating sectors attract different taxes and knowing this beforehand can prove to be useful.

Recently, the government of India launched the 'Startup India' initiative to promote start-ups and introduced various exemptions and tax holidays for start-ups and new businesses.

4. Labour Laws

With regards to labour laws, start-ups registered under the Start-up India initiative can accomplish a self-declaration (for nine labour laws) within one year from the date of incorporation in order and get an exemption from labour inspection. The nine labour laws applicable under this scheme are as follows:

- The Industrial Disputes Act, 1947
- The Trade Union Act, 1926
- Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996

- The Industrial Employment (Standing Orders) Act, 1946
- The Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979
- The Payment of Gratuity Act, 1972
- The Contract Labour (Regulation and Abolition) Act, 1970
- The Employees' Provident Funds and Miscellaneous Provisions Act, 1952
- The Employees' State Insurance Act, 1948.

5. Ensuring Protection of Intellectual Property

Intellectual property is the top-secret sauce for most businesses today, especially for technology centric businesses. Codes, algorithms and research findings among others are some of the most common intellectual property owned by organizations. Start-ups can leverage the 'Scheme for Startups Intellectual Property Protection' (SIPP) under the Start-up India initiative.

6. Ensuring Effective Contract Management

Contracts lie at the core of running any business. A contract is obligatory to ensure the uneven functioning of work and is a successful mechanism to ensure recourse in case of non-fulfilment of work. As per the Indian Contract Act, 1872, all agreements are contracts if they are made by the free consent of parties competent to contract, for a lawful consideration with a lawful object, and are not expressly declared to be void. Another important contract that start-ups might find beneficial to have is NDAs. Start-ups often prosper in a crowded market with unbendable competition and they often discuss ideas with a host of people from potential investors to employees to customers. While this is much required for the growth of the business, it exposes new start-ups to risks like the theft of ideas and other proprietary business information. Ideas that might have been shared in goodwill might be used inappropriately to the disadvantage of the business.

7. Details about Winding Down the Business

Closing a company is a difficult call to make for any entrepreneur. When a start-up chooses to shut down, all the stakeholders from vendors to employees to customers and investors must be informed in advance. The entire process should be appropriately planned and executed in order to make the exit stress free on everyone.

From a legal point of view, there are basically three ways to close a start-up:

- (i) Fast Track Exit Mode
- (ii) Court or Tribunal Route
- (iii) Voluntary Closure

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Check Your Progress

1. What are the three categories of business organizations?
2. Define company.
3. What are the different types of intellectual property owned by organizations?
4. What are the salient features of Contract Act 1872?
5. What are the three ways to close a start-up?

13.3 NETWORKING AND COLLABORATION FOR START-UPS

All successful start-ups concentrate and opt for meaningful relationships, which certainly enables a quick and sustainable path to success. For some individuals networking is handing out business cards and going to lunch with business friends. This may be part of it; however, it is not entirely the complete story. At its core, networking is all about building relationships. It is about getting individuals to know, trust and want to do business with you. This can happen through both online and offline channels. In fact, the two channels are more connected than you may think. Figure 13.1 is a chart illustrating how online and offline marketing activities are aligned.



Fig 13.1 Alignment of Online and Offline Marketing Activities

13.3.1 Good Business Practices

The following ten crucial decent business practices should be the foundations of any business:

1. **Self-Assessment:** Commence a personal audit or self-assessment to recognise your strengths and weaknesses. Work to your strengths and address your weaknesses.

2. **Strong Team:** When you become self-employed, you become accountable for designing, producing, selling, customer care, financing, collecting bad debts, book-keeping, etc. Therefore, it becomes essential to surround yourself with a good knowledge of the industry.
3. **Product Assessment:** Are you assured that your product is of an extraordinary quality in design and production? Are you assured that there is a market for it? Are you confident that your potential customers will pay the price you calculate necessary to meet your costs?
4. **Knowledge about Market and Competitors:** It is important that an entrepreneur is aware of their market, as without this knowledge they cannot map the route to the said market. Market knowledge is also essential for selecting the means of promotion you will use to inform your customers of your presence. It is also vital that you have a wide-ranging knowledge of your competitors as this knowledge will enhance you to distinguish what the market will stand plus identify the gaps in the market.
5. **Ability to Recognise Opportunities:** An entrepreneur will always be studying the market and trends, etc. and may go out on a limb (equipped with solid information) to grab an opportunity.
6. **Costing and Pricing:** These are two of the most complex part of running a business that one needs to address very carefully. It is necessary that one understands the break-even point.
7. **Good Terms of Trade and Paperwork:** Everything leaving your 'studio' should be of a quality to promote you in a very optimistic manner. The product should be excellently packaged, branded and should have promotional materials. Your invoices should be clear and accurate, and show concisely your terms of trade—how and when you believe to be paid; carriage—who pays it; breakages—who is responsible; and reservation of title.
8. **Clear Recordkeeping:** There is no mystery to book-keeping. It is nothing more than a filing system of the day-to-day transactions of the business.
9. **Tax Compliance:** It is a legal obligation to register for tax with the revenue commissioners. Registering for tax does not essentially mean paying tax in the initial stages of your business. It may result in a repayment—should various circumstances be in play—for example, you may be paying PAYE on your employment while making a loss due to the investment in your craft business.
10. **Planning:** The secret to an effective business is planning from the beginning. Planning is all about making the right selections based on good information.

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Fig 13.2 Good Business Practices

Check Your Progress

6. Why is it important for an entrepreneur to have knowledge about their competitors and the market?
7. List any three good business practices.

13.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Business organizations can be broadly classified as under:
 - (i) Sole-proprietorship;
 - (ii) Partnership; and
 - (iii) Corporate.
2. A company is a legal entity separate from its owners and therefore, the owners are not liable for the company's liabilities. Instead of a partnership, one can form a company by registering the firm under the Companies Act, 2013.
3. Codes, algorithms and research findings among others are some of the most common intellectual property owned by organizations. Start-ups can leverage the 'Scheme for Startups Intellectual Property Protection' (SIPP) under the Start-up India initiative.
4. As per the Indian Contract Act, 1872, all agreements are contracts if they are made by the free consent of parties competent to contract, for a lawful consideration with a lawful object, and are not expressly declared to be void.

5. From a legal point of view, there are basically three ways to close a start-up:
 - (i) Fast Track Exit Mode
 - (ii) Court or Tribunal Route
 - (iii) Voluntary Closure
6. It is important that an entrepreneur is aware of their market, as without this knowledge they cannot map the route to the said market. Market knowledge is also essential for selecting the means of promotion you will use to inform your customers of your presence.
7. Some good business practices include:
 - (i) Product Assessment
 - (ii) Ability to recognise opportunities
 - (iii) Tax compliance

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13.5 SUMMARY

- Business organizations can be broadly classified as: sole-proprietorship, partnership and corporate.
- Partnerships can be regular and limited; and companies can be private or public. Companies can also be either for-profit or non-profit organizations.
- Formation of a sole-proprietorship and running it has no legal costs. The owner has full control over the business and its management.
- In terms of advantages and disadvantages, partnerships are no different from sole-proprietorships, except that in a partnership more than one owner pools resources and shares liability.
- Instead of a partnership, one can form a company by registering the firm under the Companies Act, 2013. A company is a legal entity separate from its owners and therefore, the owners are not liable for the company's liabilities.
- A company can be registered as a private limited company, subject to the regulatory limit on the number of members (minimum two and maximum fifty) and a minimum paid-up capital of ₹ 1 lakh.
- A public limited company is one which is not a private company but has a minimum paid-up capital of ₹ 5 lakh. A public company can be formed with minimum seven members and has no upper limit on the number of membership.
- Franchising is a continuing relationship in which a franchisor provides a licensed privilege to the franchisee to do business and offers assistance in

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organizing, training, merchandising, marketing and managing in return for a monetary consideration.

- Some of the important legal basics that start-ups and entrepreneurs in India should be aware of are: formalising a business structure and founders' agreement; applying for business licenses; understanding taxation and accounting laws; labour laws; ensuring protection of intellectual property; ensuring effective contract management; and details about winding down the business.
- All successful start-ups concentrate and opt for meaningful relationships, which certainly enables a quick and sustainable path to success
- At its core, networking is all about building relationships. It is about getting individuals to know, trust and want to do business with you.
- The following ten crucial decent business practices should be the foundation of any business: self-assessment, strong team, product assessment, knowledge about market and competitors, ability to recognise opportunities, costing and pricing, good terms of trade and paperwork, clear recordkeeping, tax compliance and planning.

13.6 KEY WORDS

- **Sole Proprietorship:** Also known as the sole trader, individual entrepreneurship or proprietorship, is a type of enterprise owned and run by one person and in which there is no legal distinction between the owner and the business entity.
- **Partnership:** It is an arrangement between two or more people to oversee business operations and share its profits and liabilities. In a general partnership company, all members share both profits and liabilities.
- **Corporation:** It is an organization—usually a group of people or a company—authorised by the state to act as a single entity and recognized as such in law for certain purposes.
- **Non-Profit Organization (NPO):** Also known as a non-business entity, not-for-profit organization, or nonprofit institution, it is a legal entity organized and operated for a collective, public or social benefit, in contrast with an entity that operates as a business aiming to generate a profit for its owners.
- **Private Limited Company:** It is any type of business entity in 'private' ownership used in many jurisdictions, in contrast to a publicly listed company, with some differences from country to country.

- **Public Limited Company:** It is a voluntary association of members that are incorporated and, therefore has a separate legal existence and the liability of whose members is limited; these companies are listed on the stock exchange where their share/stocks are traded publicly.
- **Bookkeeping:** It is the recording, on a day-to-day basis, of the financial transactions and information pertaining to a business.

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13.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What are the key differences between private and public companies?
2. List the advantages of owing a franchise.
3. Why is it important to formalise a business structure and founders' agreement?
4. What are the nine labour laws applicable under the Start-up India initiative?
5. Why is it important to ensure effective contract management in a business?
6. What are the benefits of networking and collaboration for businesses?

Long-Answer Questions

1. Identify the different kinds of business organizations.
2. Analyze the different kinds of business organizations in terms of legalities of formation stage, legalities with later stages, tax implications, access to capital, control over business and owner(s)' personal liabilities.
3. Discuss the legal procedures and compliances for starting a business in India.
4. Discuss various good business practices.

13.8 FURTHER READINGS

- Mohanty, Sangram Keshari. 2005. *Fundamentals of Entrepreneurship*. New Delhi: Prentice Hall of India.
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UNIT 14 SETTING UP A TOURISM ENTERPRISE

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Structure

- 14.0 Introduction
- 14.1 Objectives
- 14.2 Steps, Procedures, Licenses and Registration to Start Tourism Enterprise
- 14.3 Special Programmes of Assistance
- 14.4 Intrapreneurship
- 14.5 Answers to Check Your Progress Questions
- 14.6 Summary
- 14.7 Key Words
- 14.8 Self Assessment Questions and Exercises
- 14.9 Further Readings

14.0 INTRODUCTION

A tourism business, in the simplest of terms, can be defined as any business that centers on catering to tourists' needs. There are several options to choose from when it comes to establishing a business in tourism. These include transportation service, travel agencies, tour operator, destination management company, and guided tours and tourist guides. This unit discusses the necessary steps to begin a tourism venture. It shall also discuss the various government schemes that offer aid to entrepreneurs in starting their businesses.

This unit will also analyze the concept of intrapreneurship and its implications in running a business.

14.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss the necessary steps to start a tourism venture
- Understand the legal aspects of starting a business venture in the tourism industry
- Compare the various government schemes launched to help entrepreneurs in their business ventures
- Understand the concept of intrapreneurs and intrapreneurship

14.2 STEPS, PROCEDURES, LICENSES AND REGISTRATION TO START TOURISM ENTERPRISE

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To begin a tourism enterprise, one needs to follow certain steps. Let us begin by discussing the steps.

Steps to Begin a Tourism Enterprise

1. Before You Start/the Groundwork

- (i) Make a commitment to yourself.
- (ii) Check the requirements.

2. Designing Your Tour

- (i) Choose your target market.
- (ii) Develop your value proposition.
- (iii) Identify your Unique Selling Point (USP).
- (iv) Devise a go-to-market strategy.
- (v) Set your price.
- (vi) Identify the resources you'll need.
- (vii) Visualise a day running the tour.
- (viii) Make a list of people who can help you.
- (ix) Estimate your costs.

3. Testing the Waters

- (i) Choose a name for your tour.
- (ii) Create a company logo.
- (iii) Take some photos and videos.
- (iv) Decide on your opening hours and launch date.
- (v) Set up your contact details.
- (vi) Create a Facebook page.
- (vii) Create a basic website.

4. Networking

- (i) Talk to people in the industry.
- (ii) Follow the influencers.
- (iii) Get involved in events and meet-ups.

5. Legal Aspects

- (i) Register your business.
- (ii) Open a business bank account.

- (iii) Get a tour operator license.
- (iv) Set up liability insurance.

6. Open for Business

- (i) Start taking online bookings.
- (ii) Register with Online Travel Agencies (OTAs).
- (iii) Get on review platforms.
- (iv) Sign up for the relevant social media platforms.
- (v) Tell your story.
- (vi) Do email marketing.
- (vii) Advertise (if you can afford it).
- (viii) Set up analytics.
- (ix) Do a test run.

7. Human Resources and Funding

- (i) Find suppliers (and possibly funding).
- (ii) Hire staff.

8. Launching and Beyond

- (i) Make it special.
- (ii) Provide world-class customer service.
- (iii) Start managing for growth.

9. Conclusion

The crucial things to remember are:

- (i) Do your research.
- (ii) Test the waters so you don't spend cash up front.
- (iii) Start marketing early.
- (iv) Analyze the best channels for you.
- (v) Start small and don't buy expensive resources.
- (vi) Hire after you've done the job yourself.
- (vii) Expand carefully, staying true to yourself and your values.

The Prime Minister of India emphasised the importance of making India a global hub for tourism, urging each citizen to visit fifteen tourist destinations in India by 2022. In this pursuit, the following steps are to be undertaken:

1. **Focussing Inward:** A campaign focussing on domestic tourism that showcases what the nation offers to Indians could be the post-pandemic plan for the sector.
2. **Improving Transportation Infrastructure:** The **UDAN scheme** has been a huge success, and now the government can focus on the earlier plans of launching 100 tourism-oriented trains.

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Also, the ease of access can be improved by the faster implementation of Bharatmala and Sagarmala projects.

Furthermore, the Holistic Island Development plan, which focuses on the Andaman & Nicobar (A&N) and Lakshadweep Islands, will automatically create jobs for the islanders and enhance connectivity through key infrastructure projects.

3. Preserving Heritage: Conservation and development of all heritage sites should be undertaken and completed through either government funding or through NGOs/Corporate Social Responsibility (CSR) activities.

The Ministry of Tourism’s Swadesh Darshan and National Mission on Pilgrimage Rejuvenation and Spiritual Heritage Augmentation Drive (PRASAD) schemes are already undertaking the development and maintenance of heritage sites.

The number of projects sanctioned under this scheme should be increased and their implementation accelerated.

4. Skill Development: There is a need to connect local communities to tourism by encouraging them to set up small enterprises to supply the tourism industry (accommodation, food and material).

Employment opportunities can be expanded by ensuring that investors and operators in the organized sector are encouraged to hire staff locally. This will give a boost to eco-tourism.

5. Leveraging Technology: Moving forward, technology can play a significant role in creating minimum physical touch-points in hotels, which is very much required for safe and hygienic tourism.

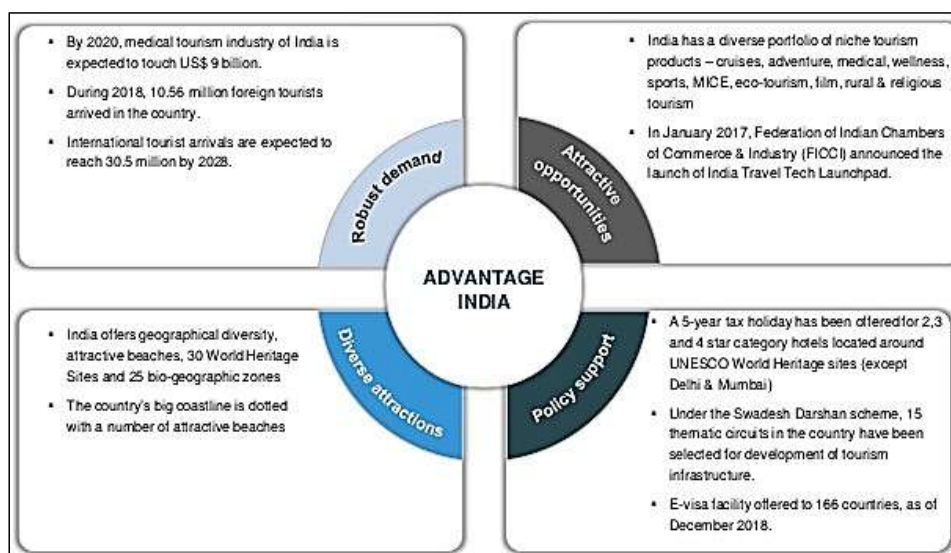


Fig 14.1 Tourism in India

Mandatory Conditions for being Recognised by the Ministry of Tourism

The following conditions must be fulfilled by a travel agency for grant of recognition by the Ministry of Tourism:

1. The application for grant of recognition/renewal shall be in the prescribed form and submitted in duplicate along with the required documents.
2. The travel agency should have a minimum paid up capital or (capital employed) of ₹ 3 lakh, duly supported by the audited balance sheet/chartered accountant's certificate.
3. The travel agency should be approved by the International Air Transport Association (IATA) or should be the General Sales Agent (GSA)/Passenger Sales Agent (PSA) of an IATA member airlines.
4. The travel agency should have been in operation for a minimum period of one year before the date of application.
5. The minimum office space should be at least 150 sq. ft. for rest of India and 100 sq. ft. for hilly areas, which are above 1000 meters from sea level. Besides, the office may be located in a neat and clean surrounding and equipped with telephone, fax and computer reservation system etc. There should be sufficient space for reception and easy access to toilet facilities.
6. The travel agency should be under the charge of the owner or a full-time member who is adequately trained, and experienced in matters regarding ticketing, itineraries, transport, accommodation facilities, currency, customs regulations and tourism and travel-related services. Besides this, greater emphasis may be given to effective communication skills and knowledge of foreign languages, other than English.

There should be a minimum of four qualified staff out of which at least one should have a diploma/degree in tourism and travel management from a recognised university, IITTM or an institution approved by the AICTE. The owner of the firm would be included as one of the qualified employees.

The academic qualifications may be relaxed in case of the other two staff members who are exceptionally experienced personnel in airlines, shipping, transport and PR agencies, hotel and other corporate bodies and those who have worked for three years with the IATA/UFTA agencies, and also those who have two years of experience with Ministry of Tourism approved travel agencies. For the agencies located in the North–Eastern region, remote and rural areas, there should be a minimum of two staff out of which one should be a qualified employee with a diploma/degree in tourism and travel management from a recognised university, IITTM or an institution approved

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by the AICTE. The owner of the firm would be included as one of the qualified employees.

7. The travel agency should be an income-tax assessee and should have filed income tax return for the current assessment year.
8. Disclaimer: The travel agency should employ only regional-level guides trained and licensed by the Ministry of Tourism, Government of India and state-level guides approved by the state governments. The implementation of this clause would be subject to the decision of the Hon'ble High Court of Rajasthan in Writ Petition No. 5607/2004 and other Hon'ble Courts.
9. For outsourcing any of the services relating to tourists, the travel agencies shall use approved specialised agencies in the specific field of activity.

Registering the Company

The steps involved in registering a tourism company are:

1. Choose possible names for your company.
2. Apply online on with the Ministry of Corporate Affairs for the Director Identification Number (DIN).
3. Register online for a Digital Signature Certificate (DSC).
4. Gather your application materials.
5. Complete e-Form 1A.
6. File Form 1A online to apply for company name.
7. Draft the Memorandum of Association (MoA) and Articles of Association (AoA).
8. Print the MoA and AoA.
9. Have the MoA and AoA notarised.
10. Pay the registration and filing fees online.
11. Find the corresponding RoC office to file your application.
12. Gather your completed application documents.
13. File your application one with the RoC.
14. Collect the Certificate of Incorporation.
15. Ready to do business.

Check Your Progress

1. What are the legal aspects of starting a tourism venture?
2. What role can technology play in making India a tourism hub?

14.3 SPECIAL PROGRAMMES OF ASSISTANCE

The government offers various schemes to aid entrepreneurs in running their ventures. Let us discuss the top ten government schemes every entrepreneur should be aware of:

1. Multiplier Grants Scheme (MGS) for IT Research and Development

Launched by the Department of Electronics and Information Technology (DeitY), the **Multiplier Grants Scheme (MGS) for IT Research and Development** encouraged ‘collaborative R&D between industry and academics/R&D institutions for development of products and packages’.

This startup scheme was valid till March 31, 2020, and had a corpus of ₹ 36 crore for start-ups, incubator/academia/accelerators engaged in electronics and information technology domain.

Applicable Industries: Artificial intelligence, technology, hardware, internet of things, IT services, enterprise software and analytics

2. Modified Special Incentive Package Scheme (M-SIPS)

Launched by the DeitY and supported by the Centre for Development of Advanced Computing (CDAC), M-SIPS aims to ‘promote large-scale manufacturing in the Electronic System Design and Manufacturing (ESDM) sector’.

Besides infusing the start-ups with funds for expansion, M-SIPS will also provide subsidy up to 25 per cent in establishing offices, research centres in SEZs, all over the nation.

Applicable Industries: IT hardware, medical-tech, solar power, automobiles, healthcare, semiconductors, processors/electronics, LEDs, LCDs, avionics, industrial electronics, nano-electronics, biotech, strategic electronics and telecom

3. The Venture Capital Assistance Scheme

Launched in 2012 by the Small Farmers’ Agri-Business Consortium (SFAC), this special scheme aims to assist agriculture-based entrepreneurs to kick start their agri-business.

The SFAC has tied up with forty-two banks, which help them to disperse interest-free loans to farmers (individuals/groups), partnership firms, self-help groups, agriculture pass out/graduates, agri-preneurs, producer groups and companies.

Applicable Industry: Agriculture

4. Credit Guarantee

This unique government scheme has been launched by the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE). It aims to assist retailers, educational institutes, self-help groups, farmers and SMEs.

The scheme has been launched to smoothen the credit delivery system, as a guarantee cover up to 85 per cent is provided to the SMEs for loans up to ₹ 5 lakh.

Applicable Industry: SMEs

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5. Raw Material Assistance

Launched by the National Small Industries Corporation (NSIC), the Raw Material Assistance scheme aims to assist manufacturers and MSMEs with procuring raw materials, both indigenous and imported.

It aims to help the manufacturers' focus on the quality of their products, as they can avail low-interest loans and financial help to get raw materials.

Applicable Industries: Manufacturing and MSMEs

6. Infrastructure Development Scheme

The NSIC has launched this unique scheme to help start-ups establish their own offices and infrastructure.

However, only those companies which fall under the official definition of start-ups, as highlighted by the Ministry of Micro, Small and Medium Enterprises can avail this grant.

Start-ups which are not registered with the Software Technology Parks Of India Scheme can now get office space ranging from 467 sq.ft. to 8657 sq.ft.

There is no lock-in period, and it is applicable to all industries.

7. MSME Market Development Assistance

Office of the Development Commissioner (MSME) has launched this scheme to help SMEs and small retailers get more attention at international trade fairs and exhibitions.

Companies registered with the Directorate of Industries/District Industries Centre can get up to 100 per cent reimbursement on air-fares and cost of placing their stalls in such fairs/exhibitions, all over the world.

This scheme is not specific to any industry and applicable to SMEs, retailers and start-ups.

8. Credit Linked Capital Subsidy for Technology Upgradation

Office of the Development Commissioner (MSME) has launched this government scheme to help manufacturers, SMEs and agricultural start-ups to upgrade their existing machines and technologies.

In case any SMEs registered with the State Directorate of Industries have upgraded their machines, plants with state of the art technology, then they can apply for this grant, and receive funds to compensate their expenses.

Applicable Industries: Khadi, village or Coir industry, manufacturing, small-scale industry, SMEs

9. Atal Incubation Centres (AIC)

Headed by the Atal Innovation Mission, the **Atal Incubation Centres (AICs)** aim to promote innovation and entrepreneurship in India. Approved start-ups can get funding up to ₹ 10 crore for a maximum period of five years, to cover capital and operational expenses.

Applicable Industries: AI, AR/VR, automobiles, telecom, healthcare, aeronautics, aviation, chemicals, nano-tech, pets, animals, IT, computers, design, non-renewable energy, social impact, food and more.

10. Bridge Loan against MNRE Capital Subsidy

Launched by the Indian Renewable Energy Development Agency (IREDA), Bridge Loan Against MNRE Capital Subsidy aims to promote start-ups engaged in renewable energy ideas such as biomass power and small hydropower projects. Up to 80 per cent of the project cost will be funded by the IREDA, and the minimum funding allocated shall be ₹ 20 lakh.

Check Your Progress

3. What is the Venture Capital Assistance Scheme?
4. Which companies can avail the grants available under the Infrastructure Development Scheme?

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14.4 INTRAPRENEURSHIP

Intrapreneurs are people who start their own business after having some experience in corporations. These people start their own company either because they want to be independent in working or they feel that their potential is not accepted by their superiors. Intrapreneurs are very similar to entrepreneurs, except that they are also skilful, semi-independent and innovative.

According to Gifford Pinchot III, 'Intrapreneurs are those who create something new whether products, ideas or services for the expansion of the company.'

Need

It will be incredibly problematic for any corporation if it decides to curb any kind of innovation in the company. There are two consequences of this policy: the company will limit its growth and it will fall behind its competitors in the market. The markets in today's world have become very competitive, and it has become imperative for organizations to make sure that their products and services are unique to differentiate themselves from the sea of competition. This point of difference may be in the form of launching new products or starting a new sub-division of the product or service. And this change will have consequences in the long-term growth of the company. Intrapreneurs not only facilitate growth but also boost innovation, which helps the customers as well as companies. Intrapreneurs also ensure that the company is profited through the perennial pool of talent within its organisation.

There are three components of intrapreneurship: the intrapreneurs, the project (in the form of an innovative idea) and the mentor (the larger corporation, which acts as the aid to the project by providing resources). This multigenerational team

either develops the main activity of the organization or creates a new entity which might benefit the organization.

Types of Intrapreneurs

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There are various ways of classifying the type of intrapreneurs. One classification is in the form of creators, doers and implementers. This can be understood as three phases of innovation: the discovery, incubation and execution, respectively. The creators ideate new ideas that fuel innovation. The doers are focussed on accomplishing stated tasks, and the implementers on ensuring that the task gets executed in the right manner and with efficiency.

Another way of categorising intrapreneurs is by looking at the types of intrapreneurship. The first kind is that of added value. This type of intrapreneurship initiative is focussed on growth and helps add value to the already established operations of the company. The second type is that of spin-off. Herein, the intrapreneurship projects lead to the creation of a new entity and even though the activities are not related, the parent company may lend help in the form of resources or knowledge.

Scope and Features of an Intrapreneurship

- Intrapreneurship is helpful in promoting creativity in the form of innovation. This is useful in terms of taking risks as well as grooming the intrapreneurs to take on more responsibilities. This will later help the organization create a future pool of talented leaders.
- Intrapreneurship has led to a cultivation of entrepreneurial skill as well as acceptance of entrepreneurial culture.
- Intrapreneurship projects are beneficial to the companies as they may result in wealth creation. These projects offer good return on the investment.
- The chances of failure of intrapreneurial projects are fairly less in comparison to start-ups since the financial backing by the large organization acts like a cushion.
- There is enhancement of the skills of the intrapreneur, who works within the organization in the form of increased knowledge about the business as well as entrepreneurial skills.
- The intrapreneurs increase their skills without having to raise capital from the market, which is very difficult. The capital contribution in these projects comes from the organizations. The intrapreneurs have agreement with the manager.

Check Your Progress

5. Who are intrapreneurs?
6. List the various types of intrapreneurs.

14.5 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The legal aspects of starting a business venture include the following:
 - (i) Register your business.
 - (ii) Open a business bank account.
 - (iii) Get a tour operator license.
 - (iv) Set up liability insurance.
2. Technology can play a significant role in creating minimum physical touch-points in hotels, which is very much required for safe and hygienic tourism.
3. Launched in 2012 by the Small Farmers' Agri-Business Consortium (SFAC), the Venture Capital Assistance Scheme aims to assist agriculture-based entrepreneurs to kick start their agri-business.
4. Only those companies which fall under the official definition of start-ups, as highlighted by the Ministry of Micro, Small and Medium Enterprises can avail this grant.
5. Intrapreneurs are people who start their own business after having some experience in corporations. These people start their own company either because they want to be independent in working or they feel that their potential is not accepted by their superiors.
6. There are various ways of classifying the type of intrapreneurs. One classification is in the form of creators, doers and implementers. This can be understood as three phases of innovation: the discovery, incubation and execution, respectively. Another way of categorising intrapreneurs is by looking at the types of intrapreneurship. The first kind is that of added value. This type of intrapreneurship initiative is focussed on growth and helps add value to the already established operations of the company.

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14.6 SUMMARY

- To begin a tourism enterprise, one needs to follow certain steps. These include laying the groundwork; designing your tour; testing the waters; networking; legal aspects; opening for business; human resources and funding; and launching and beyond.
- The Prime Minister of India emphasised the importance of making India a global hub for tourism, urging each citizen to visit fifteen tourist destinations in India by 2022.
- The UDAN scheme has been a huge success, and now the government can focus on the earlier plans of launching 100 tourism-oriented trains.

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- The Ministry of Tourism's Swadesh Darshan and National Mission on Pilgrimage Rejuvenation and Spiritual Heritage Augmentation Drive (PRASAD) schemes are already undertaking the development and maintenance of heritage sites.
- Employment opportunities can be expanded by ensuring that investors and operators in the organized sector are encouraged to hire staff locally. This will give a boost to eco-tourism.
- Moving forward, technology can play a significant role in creating minimum physical touch-points in hotels, which is very much required for safe and hygienic tourism.
- The Ministry of Tourism requires that a travel agency meet certain conditions to be granted recognition. These conditions include minimum paid up capital of ₹ 3 lakh; an operational period of minimum one year before the date of application; a minimum office space of 150 sq. ft. for rest of India and 100 sq. ft. for hilly areas, which are above 1000 meters from sea level; and qualified staff.
- The government offers various schemes to aid entrepreneurs in running their ventures. Some of these schemes are Multiplier Grants Scheme (MGS) for IT Research and Development, Modified Special Incentive Package Scheme, Credit Guarantee, Infrastructure Development Scheme and MSME Market Development Assistance.
- Intrapreneurs are people who start their own business after having some experience in corporations. These people start their own company either because they want to be independent in working or they feel that their potential is not accepted by their superiors
- Intrapreneurs not only facilitate growth but also boost innovation, which helps the customers as well as companies. Intrapreneurs also ensure that the company is profited through the perennial pool of talent within its organisation.
- There are three components of intrapreneurship: the intrapreneurs, the project (in the form of an innovative idea) and the mentor (the larger corporation, which acts as the aid to the project by providing resources).
- There are various ways of classifying the type of intrapreneurs. One classification is in the form of creators, doers and implementers.
- The creators ideate new ideas that fuel innovation. The doers are focussed on accomplishing stated tasks, and the implementers on ensuring that the task gets executed in the right manner and with efficiency.
- Another way of categorising intrapreneurs is by looking at the types of intrapreneurship. The first kind is that of added value. This type of intrapreneurship initiative is focussed on growth and helps add value to the already established operations of the company

- The second type is that of spin-off. Herein, the intrapreneurship projects lead to the creation of a new entity and even though the activities are not related, the parent company may lend help in the form of resources or knowledge.
- Intrapreneurship is helpful in promoting creativity in the form of innovation. This is useful in terms of taking risks as well as grooming the intrapreneurs to take on more responsibilities.
- Intrapreneurship projects are beneficial to the companies as they may result in wealth creation.
- Intrapreneurs increase their skills without having to raise capital from the market, which is very difficult. The capital contribution in these projects comes from the organizations.

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14.7 KEY WORDS

- **Target Market:** A target market is a group of customers within a business's serviceable available market at which a business aims its marketing efforts and resources. A target market is a subset of the total market for a product or service.
- **Unique Selling Point (USP):** In marketing, the unique selling proposition, also called the unique selling point, or the unique value proposition in the business model canvas, is the marketing strategy of informing customers about how one's own brand or product is superior to its competitors.
- **Liability Insurance:** These policies cover the insured against any claims due to causing bodily injuries and damages to the property of unknown people. Besides covering the legal costs involved, liability insurance provides coverage for payouts which the insured is legally liable to pay.
- **Corporate Social Responsibility:** It is a type of international private business self-regulation that aims to contribute to societal goals of a philanthropic, activist, or charitable nature by engaging in or supporting volunteering or ethically-oriented practices.
- **Ecotourism:** It refers to tourism which is conducted responsibly to conserve the environment and sustain the well-being of local people. Its benefits include: Building environmental awareness, providing direct financial benefits for conservation, providing financial benefits and empowerment for local people.
- **Paid-Up Capital:** It is the amount of money a company has received from shareholders in exchange for shares of stock. Paid-up capital is created when a company sells its shares on the primary market directly to investors, usually through an initial public offering (IPO).

14.8 SELF ASSESSMENT QUESTIONS AND EXERCISES

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Short-Answer Questions

1. What are the steps being taken to improve India's transportation infrastructure?
2. What are the mandatory conditions for a travel agency to be recognised by the Ministry of Tourism?
3. List the steps to register a tourism company.
4. What are some government schemes launched to aid SMEs?
5. List the characteristics of intrapreneurship.

Long-Answer Questions

1. Discuss the necessary steps to start a tourism venture.
2. Discuss the essential steps to make India a global hub of tourism.
3. Identify the different programmes started by the government of India for entrepreneurship development?
4. Highlight the differences between entrepreneurship and intrapreneurship.

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