

**Business  
development  
proposal for aqua  
park tourism essay**



**ASSIGN  
BUSTER**

The aim of this paper is to present research analysis for what appears to be an excellent investment opportunity – Aqua Park in Banja Vrujci. Banja Vrujci is situated in the north-western Serbia in the basin of the Kolubara River, in Valjevska podgorina region. It lies amidst picturesque hills near the village Gornja Toplica, near the road Mionica – Ljig, in the valley of the Toplica river (the right tributary of the Kolubara), which means “ warm water”. Its altitude of 179 to 252 meters makes it geographically the lowest spa resort in Serbia. The climate is mild, moderate and continental. Due to weather circumstances, the outdoor pools of Banja Vrujci can be sometimes used from April till the beginning of October. The distance from Belgrade is 92 km while from Ibarska magistrala (the crossroad Ljig) – 15 km only. The healing properties of Banja Vrujci The thermal water and the mud contain sulfur and is mildly radioactive. There are five main springs and several secondary ones. The temperature of the water is ranging from 26 – 28 -32 C and it contains potassium, magnesium and selenium. This healing water emerges out of the mud and loses sediment on the area, approximately 200meters long and 50 m wide. The capacity of the spring is 300 liters per sec.

### **Scenario chosen**

This is a start-up company and the scenario contains the following important aspects of the business plan:

Marketing plan – it includes a knowledge of the potential customers and competitors and a competitive pricing strategy.

Mission – it gives an indication as to the core values of the project and describes the services or products, identifies the key members, associates and principals in our business.

Financial Statements – the balance sheet, income statement and statement of cash flows, which are basically projections of what we think we will earn or spend.

Projections – Projections are based on long-range assumptions. Factors that can influence our projections include the competitors, the growth of the industry and development of new products.

### **Aims and objectives of the work**

The object I am proposing is a pool complex, organized in the form of an open Aqua Park. The open Aqua Park is to be built on construction land comprising the space of 3 hectares, or 30. 000 m<sup>2</sup>. It is meant for water games and should consist of 5 theme units (a pool with waves, a larger pool with toboggans, a smaller pool with toboggans, a swimming pool and a children's pool) as well as necessary additional objects and resting places, such as open showers, sanitary objects, catering facilities and paved and sand areas for sunbathing and relaxation. There should be also a parking lot of roughly 600 vehicles capacity, spreading over the area of 12 000 m<sup>2</sup>, defined by the regulation plan and located near the entrance of the complex. The most modern equipment for this form of fun should be installed, together with the new pool technology and water game devices. Attractive architecture solutions must applied, as well as a modern design of space,

construction elements and equipment, high level of final processing and a sophisticated management system.

The Banja Vrujci Aqua Park should have the following content in order to enable it to create a sustained concurrence advantage in a longer period of time:

The open Aqua Park should be a fun place during the entire summer season. In addition to the described pools, there should be a vast choice of pastime, pleasure and relaxation types manifested through the presence of all auxiliary facilities that such a representative object implies. Also, the auxiliary objects (restaurants, hotels, cafes) must be built so that the guests coming from nearby towns and countries can be accommodated.

The open Aqua Park should contain all the objects necessary for providing services of that type, which will have a synergetic effect on completing the unique offer from the aspect of total concurrence advantage.

The aim is to transfer the epicenter of events connected with recreation, relaxation and fun onto the location of our Aqua Park, not only from the towns of the gravitational area, but wider area as well. The open Aqua Park with all its content, will supply the customers with all sorts of services like those in world famous Open Aqua Parks, e. g. Costa Caribe, Marineland, Tropical Islands in Berlin etc.

Time required time to complete the realization of the object:

Obtaining the urban-technical conditions and approval – 1 month

Technical documentation development- 2 months

Obtaining the consents and approvals for technical documentation-1 month

Performing rough construction works – 3 months

Performing finishing works -2 months

Technical acceptance and approval for use -1 month

In total 10 months

### **Structure of the work**

After the Introduction containing the business idea rationale and the aims of the project with the scenario on how these goals will be realized, the second part of the work will analyze the business concept in detail. The third part of the paper will present the qualitative and quantitative market research, organizational and financial feasibility issues, products and services. The fourth part will address strategic analysis of the new business idea, which is identification of sources of competitive advantage and sustainability, selection of strategies for success and, finally, development of appropriate Business Model. Business plan, as the fifth part of the work, will contain step by step business schedule, setting out key events and resource requirements for successful operation of the Business Model. Also, it will analyze critical success/failure factors.

The basis for the economical-financial analysis and the efficiency of investing is the content of the Aqua Park, the scope and structure of investments, elements for income forming and the expenses of the object. The applied

methodology of the economical-financial analysis and efficiency of investment estimation was based on common procedures of surveying the investment efficiency (a methodology recommended and accepted by banks, investment funds, state development funds etc.). In the investment analysis we started from the total investment into the basic and working capital, and when it comes to sources and financing conditions, we started from personal resources and financing based on credit. The basic indicators of business have been quantified (total income, expenses, gain, money flow, economy flow with and without financing expenses) based on which the relevant indicators of investment efficiency (current net value of the object, intern profitability rate, cost threshold, investment return limit etc.). The analysis comprised an examination of the object's sensitivity to changes of relevant starting measurements – total investments, total income and expenses.

In considering the current state of tourism and in establishing directions for quicker development of this project, a SWOT analysis is necessary and important. A threat is defined as any improper event or force in the external environment that causes harm to the organization's strategy.[1]It represents the internal power that an organization possesses to compete against its rivals.[2]It also represents organizational capabilities and internal positive attitudes that enable organizations possess strategic power to achieve organizational goals. While others view organizational strengths as skills and abilities that enable organizations set out and implement their strategies so as to outperform their rivals.[3]Opportunities are defined as a set of conditions suitable for achieving goals at the right time. Weaknesses represent organizational aspects that negatively impact product and/or

service value with regards to customers or competitive environment.

[4]Weakness also represents shortages in internal capabilities that make organizations unable to achieve their goals or lose their competitive advantage.

The following key factors were taken into consideration for the SWOT analysis:

1. General infrastructure and transport
2. Tourist Products (values, attractions and tourist infrastructure)
3. Human Resources and the Labor Market
4. Relations with other public and private sectors; and
5. Organization, management and promotion of tourist development

## **The business concept**

As for the general supply of Aqua Parks, the existing Aqua Parks are mainly complexes of swimming pools with accompanying content – food facilities, restaurants and cafes, sports fields etc. of small capacity, open type, which work only during summer time and whose visitors are mainly locals. On our gravitational area (80 km) there is no open type Aqua Park. Also, on wider gravitational area (160 km+) there is no open type Aqua Park supply with the content presented in the Banja Vrujci Aqua Park. There are no companies that can compete with their offer and content with the services that will be provided for the consumers in our complex which will consist of an open Aqua Park. Thus, the stressed distinctive competence, as well as the thermal

waters exploitation, which provides us with green and cheap energy is our biggest and unreachable competitive advantage. The construction land on which the Aqua Park is to be built is equipped with complete infrastructure, which will influence the activities of current and future competition which would have to spare significant financial resources for the purpose of purchasing land on which to build the complex of similar design, purpose and dimensions, so that we can freely say that the entrance barriers for competitions are substantial. If we take into consideration the concessions for exploiting geothermal waters which will be used for heating the pools and which have sources near our Open Aqua Park, the realization of our project is clearly economically justified.

The object we have built is a pool complex, organized in the form of an open aqua park. The open aqua park is built on construction land comprising the space of 3 hectares, or 30. 000 m<sup>2</sup>. It is meant for water games and it consists of 5 theme units (a pool with waves, a larger pool with toboggans, a smaller pool with toboggans, a swimming pool and a children's pool) as well as necessary additional objects and resting places, such as open showers, sanitary objects, catering facilities and paved and sand areas for sunbathing and relaxation. There is a parking lot of roughly 600 vehicles capacity, spreading over the area of 12 000 m<sup>2</sup>, defined by the regulation plan and located near the entrance of the complex. The most modern equipment for this form of fun has been installed, together with the new pool technology and water game devices. Attractive architecture solutions have been applied, as well as a modern design of space, construction elements and



equipment, high level of final processing and a sophisticated management system.

The starting point of the object is the entrance building (ground floor and first floor) of about 600m<sup>2</sup>. The content of this object are the park management, the ticket office, souvenir stores, sports equipment shops and the lifeguard and first aid services. The following content is placed within the aqua park:

A pool with waves

A larger pool with toboggans

A smaller pool with toboggans

A swimming pool

A children's pool

Catering services

Open showers

Sanitary objects

Dressing rooms

Paved and sandy areas for relaxation and sunbathing

All the areas are connected by paths, next to which parterre accessories have been placed, as well as catering points and trimmed green spaces. The capacity of the open aqua park is 3000 visitors.

## **Feasibility**

### **Primary and secondary market research**

For the most adequate explanation of aqua parks, we present two definitions: Medlik[5] defines it as ' a recreation area providing water sports, other water-based activities and such visual attractions as waterfalls, usually for the general public and on payment of an admission charge.' According to Beaver[6] the use of this term ' may be a large water-sport complex, or a tourist attraction, such as a water-based theme park, or a combination of the two'. Even though such parks are considered a type of a theme park, there can be determined some different features between theme parks and water parks. In order to compare them we will use the features pointed out by Davidson.[7] Both parks have diverse visitors. Water parks directly gather the tourists already visiting the regions, on holiday. Day-trippers, as opposed to tourists, undoubtedly comprise the vast majority of most European theme parks' clientele. Most of the parks are developing a theme around which all the attractions are designed and situated in ' themed areas'. These provide variety by giving visitors the impression that they pass through different lands, or worlds, or time periods. The main difference between both parks, in this case, is the theme that is chosen. In the water parks always the main theme is the water, i. e. most of the attractions are water-based. In the water parks the range of the attractions varies depending on the market segment they cater for and not on different themes. Water parks which are situated

mostly near sun and sea destinations offer not only the man-built attractions but also the enjoying of the nice weather and sunbathing. That is the reason why in the admission fee they include the usage of a sun-chair and sun-shade. Hence, in some cases water parks offer more value for money than theme parks. Parking is usually free ' as research has shown that visitors do not like to pay out twice before entering the park'.[8]Analyzing the differences between theme and water parks, the first are much bigger in most terms. Theme parks elsewhere in Europe generally occupy 150-200 hectares (the size of a small town), water parks are smaller – mostly not more than 60 hectares which means that they also require less people for serving smaller territory. As far as the investments are concerned, the amount cannot be generalized.

Serbia has 60 convective hydro geothermal systems – 25 in the Dinarides, 20 in the Carpatho-Balkanides, 5 in the Serbian-Macedonian Massif, and 5 in the Pannonia Basin. Conductive hydro geothermal systems are developed in basins filled with Paleogene and Neogene sedimentary rocks, and are primarily located in the Pannonian Basin in Vojvodina in northern Serbia.[9]A spa area is defined in respective regulations as an area of one or more natural healing factors that has standard establishment and facilities for their utilization. Natural healing factors are considered to be: thermal and mineral water, air, gas, and mineral mud of confirmed medicinal effect. [10]Serbia has no specific geothermal legislation. Some financing is available for geothermal projects as conditional loans, grants, and project financing. All water resources are regulated by the Law on Waters.[11]

Speaking about the broader context of this project, below are the results of the SWOT analysis of the external factors which can affect the development of the presented project:

SWOT Analysis of the general infrastructure and transport

## **Strengths**

### **Weaknesses**

Located in an area which is linked to other tourist regions;

An existing and mostly modernized transport network;

Continued energy provided (electricity, water);

System of protecting the environment;

Developed base and mobile telecommunication networks and internet.

Lack of European road corridors;

Marginalized existing railroad transport;

Technologically outdated electrical distribution network;

Lack of tourist signage;

Lack of parking space; and,

Non-implementation of laws and penal measures (protection of the environment).

## **Opportunities**

### **Threats**

Projects for regional corridors;

Interest in investing in the infrastructure;

Fall in prices of telecommunication and informatics infrastructure;

Developed standards for infrastructure and transport;

Fall in prices of infrastructural equipment for balneal-therapeutic, wellness and spa treatments.

Lack of local sources of financing infrastructure and transport, especially in spas;

Lack of foreign guests because of weak foreign marketing as well as poor previous experiences;

Loss of market because of lack of quality accommodation capacities.

SWOT analysis of tourist products

### **Strengths**

### **Weaknesses**

Citizens of the area (hospitable, open, simple);

growing number of additional activities;

wealth of mineral springs and traditions of spas;

exceptional cultural and historical heritage of the

greater area;

gastronomy;

a centuries long tradition of services and restoration.

Lack of protection and maintenance of resources;

Lack of spatial and urban plans;

Lack of initial infrastructure for building new edifices for accommodation

Unresolved urbanistic and illegal construction problems;

Lack of new tourist attractions.

## **Opportunities**

### **Threats**

Application of innovations in tourist management;

Positive opinion about Serbia as a whole on the foreign market;

Availability of spa tourism products for a wide range of clients;

Expected positive reaction to a new, unknown foreign destination;

Conditions for the development of health tourism.

Quick development of competition from spa destinations;

Lack of professionally formed products for foreign tourists.

SWOT Analysis based on the organization, management and stimulation of development of tourism

## **Strengths**

### **Weaknesses**

Existence of the basic institutionalized base (Law on Tourism),

Existence of tourist services;

Existing awareness of problems in spa tourism;

Growing rating of the tourism of Serbia in the rehabilitation of tourism.

Lack of understanding of the importance of support for potential investments;

Unregulated property and legal relations;

Lack of coordination between sectors in securing support for loans in the private sector,

Long process in obtaining permits;

General regulations in the tourist sector.

## **Opportunities**

### **Threats**

Interest and support from the Republic for the development of tourism in the interior;

Easily accessible models and experiences in the organization and management of tourist resources;

Regionalization and accession to the European Union.

Difficulties in agreeing on priorities and the development of tourism;

Poor beginning and experiences with privatization in tourism.

SWOT Analysis of Human Resources and Labor Market

## **Strengths**

### **Weaknesses**

Positive attitude of citizens towards tourism;

Traditionally positive mentality and tendency towards quality of tourist services;

Existence of several middle, college and higher level educational facilities (private and state) in Serbia.

Lack of possibilities for the economically positive sides of tourism;

Lack of managers in tourism;

Lack of cadres for new occupations (animators, guides).

## **Opportunities**

### **Threats**

Application of European regulations of work and employment policy;



Availability of internet.

Level of service inadequate, and partial dissatisfaction of users;

Lack of growth in productivity;

Loss of once established positions in tourism.

Conclusions about the sales options, i. e. profitability of the process of service providing and sale of the additional products in the open aqua park, were derived from a previously conducted detailed market analysis, i. e. analysis of the basic determinants of demand, analysis of competition prices, as well analysis of sales and success of the competition in the previous period and today which is described in detail in the previous chapters. After analyzing the supply and competition and subsequently projecting the demand development in the following period, we created the plan and sales options. The described competition advantages we possess helped us define the plan and possibilities of sale. Considering all the analyzed and above mentioned parameters, we came to an assessment of the placement opportunities and the degree of capacity utilization per exploitation year.

## **Feasibility**

In the following period, it can be expected that the demand for fun, recreation, relaxation and pastime services will rise. The customers are experiencing an escalation of the life standard, as well as a change in the consumer habits and preferences. Ever growing part of income is put aside for various services – fun, recreation, relaxation, etc. Also, the tendency of the service sector to grow is reflected in the growth of the demand for these

services. With the growth of various forms of vacation, fun and recreation, there will be an increase of demand for additional services – tourist services, accommodation services, food services etc., which will have positive implications on an increased employment rate in nearby towns, as well as an increased employment rate in Serbia in general. (Our estimation was that around 1100 employees would be indirectly employed.) Furthermore, considering that the services of the aqua park are meant for the citizens of Serbia as well as nearby countries, we expect that the tourist inflow will have positive implications on the inflow of foreign currency as well.

In the investment analysis we started from the total investment into the basic and working capital, and when it comes to sources and financing conditions, we started from personal resources and financing based on credit. The basic indicators of business have been quantified (total income, expenses, gain, money flow, economy flow with and without financing expenses) based on which the relevant indicators of investment efficiency (current net value of the object, intern profitability rate, cost threshold, investment return limit etc.). The analysis comprised an examination of the object's sensitivity to changes of relevant starting measurements – total investments, total income and expenses.

For the realization of the project of building an open aqua park in Banja Vrujci, constant investment was planned adding up to 5 300 000€, in the following amounts:

The scope and structure of investment in fixed assets

#### Description

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Total investment

Land 2.4 million €

Buildings 400 000 €

Infrastructure 950 000€

Equipment 1 400 000€

Other 150 000 €

FIXED ASSETS 5 300 000 €

Projection of business expenses

Direct material expenses are projected based on empirical parameters, with the participation of 15% of total income.

-Production services include maintenance costs and publicity cost and are projected based on empirical data – maintenance 10% and 5% of total revenue.

Amortization is projected in fixed amount of 167 750€ in the following way:

Amortization calculations

Description

Amount in euro's

Value of buildings with accompanying documentation

550 000

amortization rate %

2.5%

Amortization of buildings

13 750

Equipment value

1 400 000

amortization rate %

11%

Amortization equipment

154 000

Total amortization

167 750

Gross profit for 75 employees is projected for the first year of operation in the annual amount of 507 287€ in the following way:

Gross profit

Number of workers

Net monthly income

Net annual income

Net annual income, taxes and contributions

Total annual gross in euro's

I shift

II shift

Total

Aqua park working force

21

21

42

297

149 688

79 445

229 133

Specialized personnel

5

5

10

380

45 600

24 168

69 768

Administrative personnel

10

10

20

430

103 200

54 696

157 896

Managers

2

2

750

18 000

9540

27 540

Top manager

1

1

1250

15000

7950

22950

Total

39

36

75

331 560

175 727

507 287

In the following years, concluding with the 8th year, an increase of the gross revenue increased by 2%.

The remaining expenses of business that comprise several different categories of nonmaterial expenses and other expenses are projected based on empirical parameters with participation of 15% in total revenue.

Investment in working capital

The calculation of all required working capital for the first year of operation and business liabilities are made based on their effect and the coefficient of trade. The effect is quantified based on the position of the projected success balance, and the coefficient of trade is determined based on empirical data with respect to specific business activities. Calculations of the required working capital, business liabilities and net working capital as a difference between them for the first year of operation are presented below.

Calculation of working capital

Description

Annual traffic in euro's

Coefficient of trade

Required working capital in euro's

Basic and auxiliary material (1)



513 000

12

42 750

Customers (2)

3 420 000

51

66 500

Cash (3)

3 420 000

180

19 000

Total (1+2+3)

128 250

Liabilities for nonmaterial and other expenses (4)

513 000

24

21 375

Revenue(5)

507 287

12

42 274

Suppliers (6)

1 026 000

24

42 750

Deductions (4+5+6)

106 399

Required working capital (1+2+3)-(4+5+6)

21 851

Required changes of the working capital that come from the changes of business activity are accounted from the current business.

Total investments for financing this project are 5 321 851 €, specifically:

Total investments

Description

Total investments in euro's

Structure

fixed assets

5 300 000

99. 6%

working capital

21 851

0. 4%

total investment

5 321 851

100%

Building and equipping the open aqua park worth 2 500 000€ is financed from loans, whereas the personal stake of the investor in total amount of 2 821 851€ goes for financing fixed assets and working capital.

Financing resources

Description

Total investment

Structure

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Loans

2 500 000

47%

Personal assets

2 821 851

53%

Total

5 321 851

100%

The loans have the following conditions:

interest rate of 8%

repayment term of 12 years from the start of construction

compound interest paid in the first and second year of operation

The calculation of compound interest, loan liabilities and repay plan of the credit are presented below:

Calculations of compound interest:

Loan amount in euro's

2 500 000

Number of years

2

Interest rate

8%

Total compound interest rate in euro's

416 000

Compound interest in accordance with the loan amount and the interest rate is calculated to be the total of 416 000€. Compound interest is played in the first and second year of operation.

Calculations for loan liabilities

Total loan amount in euro's

2 500 000

Interest rate per year

8%

Number of repayment years

12

Grace period

2 years from the start of construction

Annual annuity in euro's

361 891

Loan repayment plan

Period (year. quarter )

Debt remaining

Interest rate

Repayment

Trimester annuity

1. 1

2 500 000

48 566. 5

41 906. 5

90 473

1. 2

2 455 095

42 256

42 221

90 473

1. 3

2 410 350

41 256

44 152

90 473

1. 4

2 325 426

40 100

45 251

90 473

2. 1

2 280 155

39 425

46 335

90 473

2. 2

2 268 155

38 566

47 665

90 473

2. 3

2 175 550

38 100

48 125

90 473

2. 4

2 141 054

37 250

48 999

90 473

3. 1

2 097 115



36 895

49 485

90 473

3. 2

1 991 540

35 147

50 124

90 473

3. 3

1 910 245

35 001

52 478

90 473

3. 4

1 880 458

34 112

53 682

90 473

4. 1

1 810 105

33 048

54 792

90 473

4. 2

1 721 260

32 895

55 842

90 473

4. 3

1 700 058

31 458

57 162

90 473

4. 4

1 690 548

30 565

58 485

90 473