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BUSINESS PLAN: EXPERIENCE BOLIVIA

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Abstract

(English)

This business plan is a simulation of a business startup in Bolivia. This startup will be located in a very important touristic landmark of Bolivia: the Uyuni salt flats. This area and this country was chosen due to their underdevelopment and current growth trends. However, this startup plans to develop a different approach to tourism management, most of all focusing on South America as a niche market for ideas that have proven to be profitable in the United States, Europe and other developed countries around the world. This business plan is mainly based on the new trends and concepts learned during the Marketing course at Politecnico di Milano. The objective of this project is to support the importance of Branding, and Marketing as a whole, as key processes most companies should include, develop and maintain in order to be successful players in their respective business areas. The main hypothesis of the profitability of such an enterprise will be supported throughout the whole project and finalized with a financial plan.

Abstract

(Italiano)

Il piano di business è una simulazione di una start-up in Bolivia. Questa start-up sarà collocata in una area turistica molto importante e strategica per il Paese: la Uyuni pianura di sale. Questa area e questo paese sono state scelte a causa del loro sottosviluppo e l'attuale trend di crescita. Quindi, questa start-up punta a sviluppare un approccio differente per la gestione del turismo, per di più localizzandosi sul sud America come mercato di nicchia per le idee che si sono dimostrate profittevoli negli Stati Uniti, in Europa e in altri Paesi sviluppati attorno al mondo. Questo business plan è principalmente basato sui nuovi trend e concetti appresi durante il corso di Marketing al Politecnico di Milano. L'obiettivo di questo progetto è di supportare l'importanza del Branding, e del Marketing in generale, come processi chiave che una azienda deve includere, sviluppare e mantenere al fine di raggiungere una posizione di successo nella propria area di business. L'ipotesi più importante della profittabilità di un'azienda di questo tipo sarà supportata durante tutto il progetto e finalizzata con un piano finanziario

1. Executive Summary

1.1. Business idea

Experience Bolivia is the company developer of an exciting new hostel chain, which will change the whole experience of tourism in Bolivia and even beyond. Bolivia is selected as the ideal place for this startup due to several factors. Bolivia is a very pristine, low-densely populated country with long lasting cultural traditions and very important tourist attractions; ranging from natural to man made. Another factor is that the country lately, has enjoyed several years of economic growth and its recent political stability has allowed for international and internal tourism to grow at very high rates; thus leaving the country in a significant deficit of room capacity for tourists. This is why Explore Bolivia will address these needs and will go further by introducing the “hostel boutique” concept in the country. The “hostel boutique” concept involves the positioning of the hostel brand between the hotel and the hostel. This strategic standing allows to charge higher prices in order to significantly improve quality, reputation and to change the perception of costumer. The scope of Experience Bolivia is trying to give maximum luxury at minimum cost and change the meaning of tourism. It will do so by engaging their costumers into integrate, create new experiences, friendships and memories they would not find in a traditional hotel experience. Typical hostels or hotels provide only accommodation and information on their locations, rather than leading the visitor through a designed and controlled experience of the location and the interaction between guests. This new approach to accommodation will be strongly branded and developed into a chain, the lack of competitors and substitutes in the country constitutes a genuine advantage and a strong opportunity for profit.

All of these activities will be also supported by technological platforms such as applications for mobile devices, website portals, etc. These technological platforms will facilitate the identification of the costumer and provide them a seamless travel experience. The experience will be devoted to tackle all the problems that young multicultural travelers face on their journeys abroad and specially in South America and provide them a seamless travel experience.

1.1.1. The Product/Service

The product offered to the customers is not just a bed, not just entertainment by itself, not just a tour. It's a complete experience. An experience for all the senses, for the mind as well and it may even imply job offers. This principle is embedded in every single part of the whole business idea, starting from the infrastructure and finishing in the way the costumers will be treated.

This is a very tastefully designed hostel boutique (initially one but then part of a national chain) which, will address all its efforts not only in providing high quality services at low cost, but also will create a new dynamic in the tourism industry. This new dynamic is based on new social trends that promote the interaction between complete strangers (economies of sharing, couchsurfing, carpooling, etc.) for a purpose. In this case, interaction will be stimulated between complete strangers to create one single experience along with what the local environment has to offer. For example, the kitchen is an open space designed for guests to cook together, this feature along with carefully designed activities like “international cuisine lessons night” will encourage people to teach each other about their local gastronomies. The hostel bar is equipped with all kinds of interactive games such as a pool table, Nintendo Wii and also there will be speed dating games to stimulate interaction between guests. The dining area where all the restaurant tables will be located, can also be converted to a multi-use

common area where different events can be held such as guests teaching dance lessons to other guests, weekly fairs where foreigners can show other guests food and traditions about their countries, seminars, lessons and introduction the Uyuni salt flats area. All of these indoor activities will be complimented by outdoor activities provided by key partners in tourism industry, bike rides, walking tours, city tours, connection to other locations, will be offered amongst several connections to major cities. Another very important characteristic of this hostel is the chance to becoming a potential employee. People interested in extending their stay for prolonged period of time may be eligible to work as staff depending on their skills and abilities (cooks, electricians, accountants, etc.) so they can trade their abilities for free accommodation, experiences and food.

As it may be noticeable, this business idea has more to do with the new way, the new meaning of hostel stay. Location is important, however this idea takes advantage from new trends in the market that have proven to be profitable for indoor experience of the hostel, nevertheless Bolivia was chosen for being a free of competitors' area with a promising growth prospective.



Figure 1- Angle view of kitchen facilities and multiuse area

1.2. Business area Attractiveness

The business area where the Experience Bolivia will develop its activities is the tourism market. But traditionally tourism, and especially in South America it has been limited to by an offer only of infrastructure and not a controlled experience. It will also benefit from a new trend in the market which is called “sharing economy”. The sharing economy, refers to economic and social systems that enable shared access to goods, services, data and talent. These systems take a variety of forms but all leverage information technology to empower individuals, corporations, non-profits and government with information that enables distribution, sharing and reuse of excess capacity in goods and services. A common premise is that when information about goods is shared, the value of those goods increases, for the business, for individuals, and for the community¹.

This business idea profits from new trends in the social networks and electronic marketplaces that are pushing the segment of the young multicultural customers into new boundaries of sharing experiences, learning and teaching with complete strangers. Carpooling, Couchsurfing, AirBnB, work away, etc. are clear success cases where, besides the anonymity of the users that characterizes the internet, people have been confident enough to rent property, find jobs, buy products, and even travel with complete strangers. The integration of these ideas in the hostel market will not only give an added value but may change the perception on the customer.

Hostels all around the world are generally perceived as low income, low cleanliness, low quality and low service level businesses. But they are also highly valued for their low prices, friendly atmosphere and coziness. The idea is to create a new type of hostel that will address all these concerns and insert itself in a new niche to differentiate from all the existent competition.

Latest figures show that Bolivia's tourism trade is growing, with more than 800,000 travelers coming to see its dramatic mountains, historic cities and rainforests in 2010, according to the World Bank².

Also according to the World Trade Organization regional trends on tourism look positive with a growth on the Americas from +3% to +4% for 2014³

An internal and external analysis will be provided to support these affirmations. However, the opportunities that Experience Bolivia will take advantage are:

- A steady growth of tourism projected for South America in the following years.
- Political stability in the region.
- Low competition in the industry for the selected niche market.
- New trends in the tourism industry led by young multicultural customers.

In the other hand, there may be some threats that could pose a challenge to the business development.

- Sudden political instability that is common to developing countries.
- A failure to communicate the value to the customers.
- A bigger deepening on the economic crisis in developing countries

1.3. Business model canvas

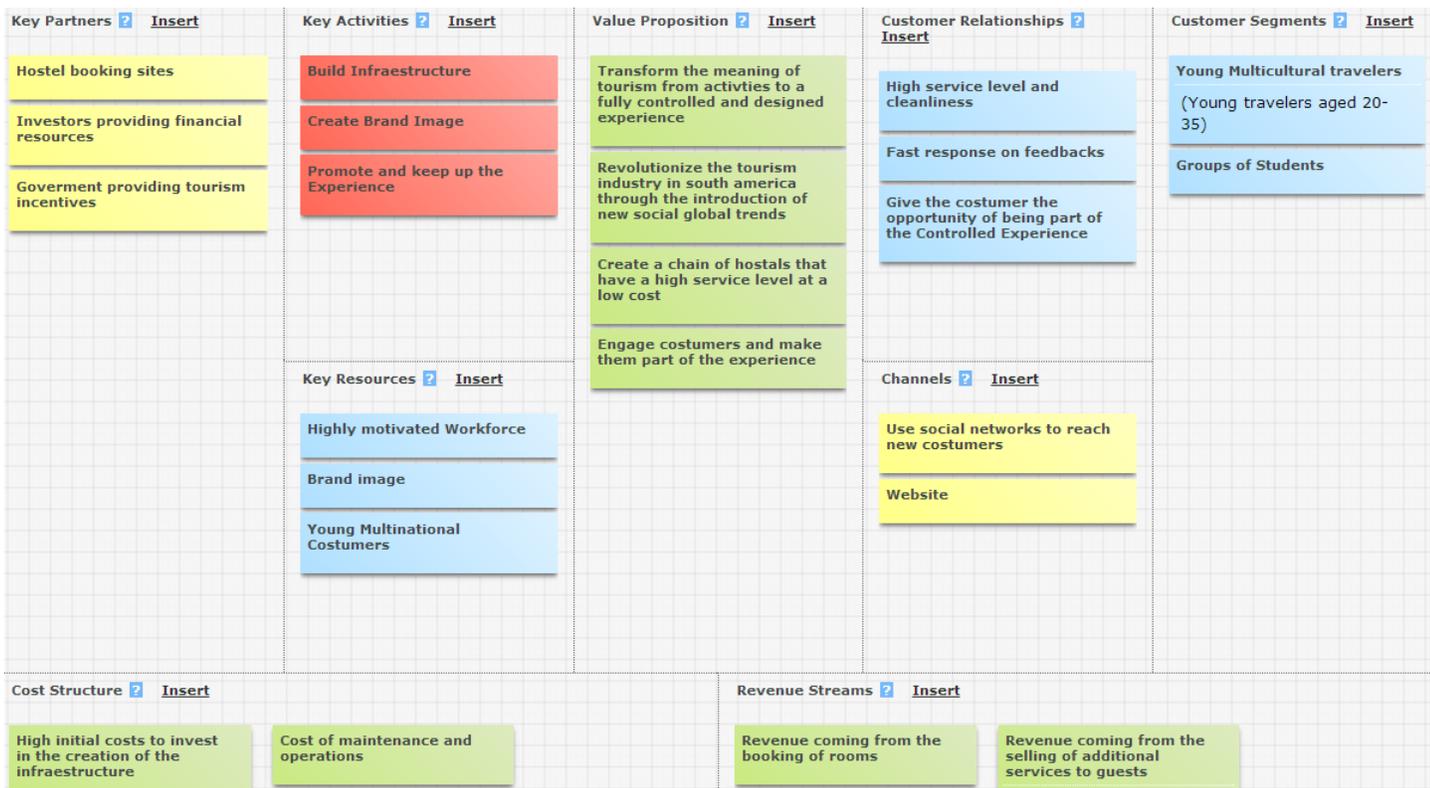


Figure 2- Business Model Canvas

1.4. Resources and Competences Organizational Structure

Following the basics of a SWOT analysis we proceed to detail Experience Bolivia competences and resources and how these are core and strategic to make the startup a successful one.

1.4.1. Experience Bolivia Competences

- Fresh perspective on the market.
- Technical skills on internet technologies and new trends.
- Internationally diverse and young team, adding diverse knowledge from foreign countries.
- Small startup with high flexibility.

1.4.2. Experience Bolivia Resources

- Young multicultural travelers.
- Set of carefully designed guidelines to provide an experience to the costumers.
- Relationship with global online hostel bookers.
- Knowledge of the foreign and specially the European market.

All of the details on organizational structure will be explained further ahead in the HR plan.

1.5. Expected results

Experience Bolivia is expected to cover its initial investment at the end of the first three years. Further down the revenue streams are explained shortly:

The first revenue stream comes from the booking of the rooms. Prices will be set up according to yield management of prices with surcharges on high season and reductions on low seasons. Prices will be competitive internationally considering that most of the guests are foreign travelers. The second stream revenue is much smaller but, will be coming from the selling of additional services sold to guests and visitors such as drinks, beverages, food, experiences, lessons, etc. Third revenue stream will come from the multinational boutique restaurant available for guests and other visitor tourists, this restaurant will have a multinational menu, because food will be cooked by the guests that will accept a discount, want to share an experience or want to work for a brief time as staff.

However, the most important financial results of Experience Bolivia want to achieve are listed as below:

- The gross profit margin will range from 0.67 to 0.54 for the first three years.
- The return on investment is between 2 and 3 first three years three years.
- The Net Cash Flow will start with a minus sign, but immediately change its sign in the following year.
- Internal rate of return around 13,64% at the end of the third year

All of these mentioned notes will be entirely covered in the financial section.

1.6. Business plan objectives

These are the principal objectives of the company:

- Since the initial investment will be covered by two main investors at having each one 50% of the company, the need for investors is not required, but **as the business grows the need for investors for further expansion nationally and continentally will be needed**; hence the need for compelling business plan.
- To reach **tourism agencies and set up strategic partnerships** for the promotion of our services
- To be **well known by international tourists especially in developed countries**. At the start, Experience Bolivia will be a small company with few costumers, but the aim is that as time passes by, the company will be well known for its modern and unique approach to tourism.
- In long run, another objective is to **create and be on the front of innovation in the tourism industry**.
- **Expand** to other South American countries.

2. Strategic Plan

2.1. Vision and mission

Experience Bolivia's main mission is to revolutionize and conquer the Bolivian market. This implies the introduction of new concepts and trends in tourism. Also implies the use of new technologies, new social trends, new tools and techniques in branding. All of these to provide a unique experience. The Vision is to be the leading hostel chain in South America by the end of the decade.

Experience Bolivia main missions to accomplish this goal will be the following:

- Help customers to find new experiences abroad.
- Engage its customers in becoming a part of the experience rather than an observer.
- Positively impact the local communities by creating employment while preserving the environment.
- Develop strict guidelines to maintain, improve and control the experience of its customers.

2.2. Strategic Objectives

Experience Bolivia will face two periods after its launch. It has been decided to fix different objectives in the time-line.

Our objectives 3 years after launch:

- Around 90% occupancy in the infrastructure
- Internal rate of return of 30% and a gross profit margin bigger than 20

Our objectives 6 years after launch:

- Become the first hostel chain in the Andean Region
- Expansion to other areas of Bolivia (Coroico and Santa Cruz)
- 600 000 guests
- Be well known in developed countries and surrounding South American countries.
- Have a minimum of 95% average positive rating from all the costumers. (hostalworld.com)

2.3. Strategic segmentation

2.3.1. Customer segmentation

For Experience Bolivia there will be two kinds of customers divided into two groups according to their origin. This segmentation is needed in order to make distinctive offers to each group.

National Tourists: Tourists that belong to the country, so they have a better understanding of the surrounding environment and travel in larger groups. They are strategic during the low season since seasonality is not a factor for nationals.

International Tourists: International individuals that usually travel by themselves and in smaller groups.

Experience Bolivia will be oriented towards medium class young tourists foreign as well as national. Further characteristics about the segmentation will be explained in the marketing plan.

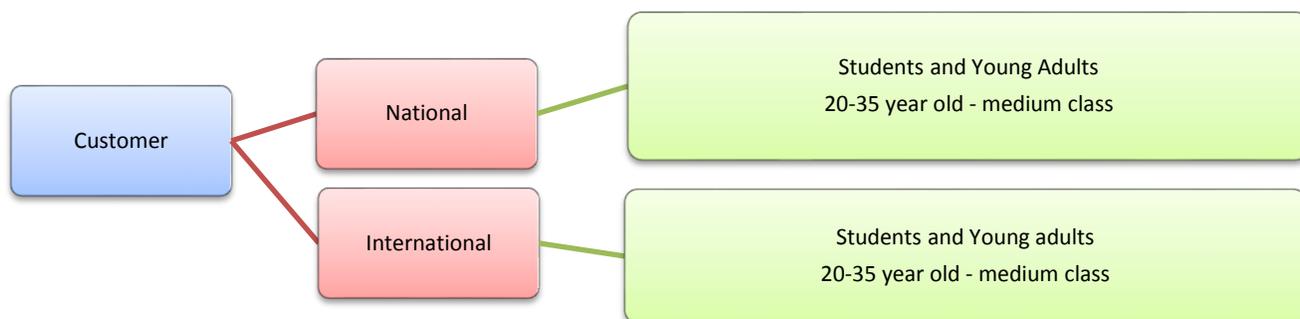


Figure 3- Segmentation

2.3.2. Customer needs

The table below lists these motivations:

Tourists	
National	International
<ul style="list-style-type: none"> • Explore their own country • Rediscover natural beauties • Assist an specific event in the surroundings 	<ul style="list-style-type: none"> • Explore a whole new different continent • Discover new cultures • Adventures in remote parts of the planet
<ul style="list-style-type: none"> • Meet new individuals and make new friendship • Discover foreign cultures. 	

Table 1- Motivations

2.4. External analysis

2.4.1. Environmental analysis

In the environmental analysis, we try to identify the key variables and measure their impact. Therefore, we are using the methodology of the PEST analysis.

Bolivian Tourism Market – PEST

Political <ul style="list-style-type: none"> • Government Stability: ranked position 83 of political stability improving 7 position in the last year which implies 	Socio-cultural <ul style="list-style-type: none"> • Population⁷: 10,631,486 (July 2014 est.) • Human Development index: 0.675/1
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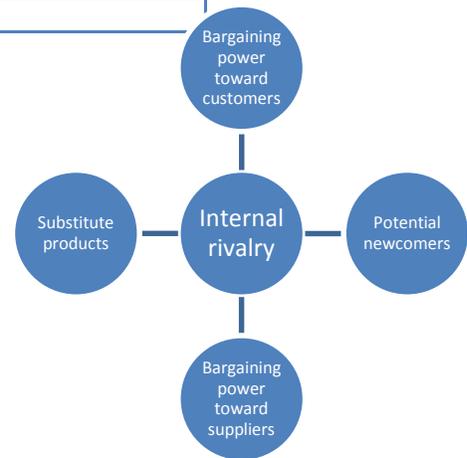
<p>improvement in stability⁴.</p> <ul style="list-style-type: none"> • Taxation Policy: Standard corporate tax in Bolivia is 25%⁵. • Tourism Law: Bolivian government is placing major attention on tourism development. The Tourism Ministry invested US\$15 million to develop community tourism projects starting in 2012. Bolivia’s natural and cultural diversity offers great potential for tourism, but the government seeks to stimulate growth in the industry and alleviate poverty through community-based projects based on partnerships between communities and private tour operators, with support from non-governmental organizations, and public finances. There are more than 80 community-based tourism projects in Bolivia, which can include a lodge near or in a protected area or an ecotourism product, and members of the community are included in these projects. The money was invested in managing capacities, infrastructure, communication centers, museums, and craft centers. US\$5 million was invested in promoting tourism in the national and international media, including CNN, by showcasing Bolivia’s natural and cultural heritage⁶ 	<p>(medium development index), ranked 108 in the world (increasing trend)⁸.</p> <ul style="list-style-type: none"> • Level of education (literacy): people aged 15 and over can read and write, total population: 91.2% • Lifestyle changes⁹: Actually tourism in Bolivia represents 31% of the GNP, generating 1 million EUR of touristic production (souvenirs) to the economy and generating 266,000 jobs. One of the characteristics recently discovered is that internal tourism generates a movement 3 times bigger than international tourism, this data is reflected that during 2010 the international tourist influx accounted for 807,000 tourists while internal tourists soared to 2, 47 million. The economical consequence is that 297 million EUR were generated by internal tourism, while 277 million EUR were generated by international tourists.
<p>Economical</p> <ul style="list-style-type: none"> • GDP trend: growth phase, positive GDP growth rate 6.5% (2013 est.)¹⁰ • Unemployment rate¹¹: Decrease from 5.5% in 2011 to an expected 5.3% in 2014. The youth unemployment rate reached a level of 9.2% in 2012. • External debt: \$7.429 billion (2013 est.) • Tourism industry¹²: The latest value for International tourism, receipts (current US\$) in Bolivia was \$499,000,000 as of 2011. Over the past 16 years, the value for this indicator has fluctuated between \$499,000,000 in 2011 and \$92,000,000 in 1995. The latest value for International tourism, expenditures (current US\$) in Bolivia was \$410,000,000 as of 2011. Over the past 16 years, the value for this indicator has fluctuated between \$421,000,000 in 2010 and \$72,000,000 in 1995. • Economic Growth¹³ : Between 2005 and 2011, Bolivia’s poverty rate declined by 26% (from 61% to 45%). The extreme poverty rate fell even more, by 45%. An estimated 1 million people joined the ranks of the “middle class.” The World Bank has officially recognized Bolivia as a lower-middle income country, a ranking that affords more favorable credit terms. Between 2006 and 2011, Bolivian workers’ purchasing power increased by 41%, as compared to 17% between 1999 and 2005. The minimum wage has risen 127% since 2005, far exceeding the rate of inflation 	<p>Technological</p> <ul style="list-style-type: none"> • Cellphone penetration: 9.494 million (2012) • Internet Users: 1.103 million (2009) • Investments on Online marketing campaigns: ‘Bolivia Awaits You’ is the name of a promotional campaign recently launched by the government of Bolivia. The campaign seeks to boost tourism and focuses on a promotional spot to be broadcast on television networks in the Americas and Europe. It also aims to promote domestic tourism through the United by Tourism program. Bolivia’s government announced that it will invest 20 million US dollars in the next five years in order to strengthen and promote community-based tourism. The website www.bolivia.travel is part of the campaign. It concentrates information as well as touristic links of interest¹⁴.

Table 2-PEST

GDP (PPP)	GDP growth rate	GDP per capita (PPP)	Unemployment rate
\$ 58.34 billion	6.5%	\$ 5,500	5.5%

2.4.2. Business area attractiveness

The 5 competitive forces of the model are shown below. These forces can also be described as direct competition, potential competition, indirect competition, downstream competition and upstream competition.



Intensity of Internal Rivalry

The table below lists the structural determinants and their affects.

Figure 4- Porter's Value chain

Concentration and balance	In Bolivia the tourism market is not concentrated is rather scares with no monopolies(+)
Diversity of competitors	The diversity of the competitors is scarce, market is mostly dominated by hotels, and hostels lack quality levels (+).
Industry growth	The industry grows as the country becomes more stable and international events such as the Rally Dakar, and the nearby world cup will influence the growth (+).
Product differentiation	Experience Bolivia will be the first service of its kind in Bolivia and South America(+)
Switching costs	Customers can easily book with other hostels(-)
Costs impact	Experience Bolivia will face high fixed costs compared to variable costs but no storage costs (=)
Exit barriers	Experience Bolivia can leave the market by selling its infrastructure, but along with liquidation of employees and depreciation its assets it would create a loss (-)

Table 3-Internal Rivalry

Threat of newcomers

The threat of new entrants represents the potential competition for the future. It depends on the barriers to entry the market. The table below lists the entry barriers and factors involved.

Economies of scale	Creating a significant controlled experience for our users requires a lot of knowledge acquired abroad and experienced travelers. It will be difficult for a new comer to enter the market directly and create the same proposal (+).
Capital requirements	Moreover the capital requirements are rather high, which include the first building and marketing campaign. This can create a low threat of new entrants (+)
Brand identity	The brand identity will be very well positioned online and supported by costumer reviews and in constant evolution while keeping its inherent identity, that will prove difficult for any newcomer to achieve (+)

Switching costs	The only determinant which will make easy for new entrants to enter the market is the inexistent switching costs (-)
-----------------	--

Table 4-Threat Of New Comers

Threat of substitutes

The threat of substitutes can be classified as indirect competition. The substitutes must be services that are able to satisfy the same user needs. The table below lists these substitutes and their characteristics.

Substitute/Factors	V/P	Loyalty	Switching Costs	Quality and functionality
Going to a hotel	More quality of services/Much more expensive	Usually not	No switching costs	Choose from a wide range from 2 stars to 5 stars
Rent an apartment	Less value/ More expensive	Usually not	No switching costs	Not a big market for renting quality very low, language barrier for foreigners
Set Up Camping	No camping sites nearby/Much cheaper	Usually not	No switching costs	Physical location might be far away, Place not suitable for camping due to low temperatures all year
Other recreational activities (Concerts, fairs, sports)	More entertainment and interaction with people/Much cheaper	Probable	No switching costs	Physical location would probably be closer to home, no need to save money for significant amount of time

Table 5-Threat of Substitutes

Bargaining Power of Buyers

As seen in the strategic segmentation, there are two different groups of Customers (Nationals and Foreigners)

Buyer concentration	In the tourism industry there is a big concentration of buyers waiting for attractive offers (+)
Buyer volume	Each costumer participates in an individual way, but there are also groups of costumers which may affect the occupancy rate, so they cannot be lost (-)
Buyer switching costs	Switching costs are low, it is easy to fulfill needs elsewhere (-)
Ability to backward integrate	Hotels might try to repeat or copy the business model trying to integrate hostel life into their offer, but without proper knowledge it's not an immediate threat

Substitute products Price sensitivity	(+) Experience Bolivia doesn't directly influence the price of the rooms on the location but the brand identity will increase over time and is an important determinant. Moreover Experience Bolivia will be a pioneer of the boutique hostel in Bolivia and even south America in the long term (+)
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Table 6-Bargaining power of buyers

Bargaining Power of Suppliers

Suppliers	Switching costs	Presence of substitute inputs	Supplier concentration	Impact of inputs
Tourism Agencies (local)	Not hard to switch as long as we don't have a fixed contract	difficult to find another investor	Highly concentrated	our start-up is dependent local agencies for internal and external tourism
Online Hostel booking Sites	Advertisements through social networks, especially Facebook are really expensive	Few important platforms, nearly no alternatives	Highly concentrated	Main channel to reach customers
Foreign tourists	No switching costs	Huge supply of available tourists	Highly concentrated	Highly related to our product
Local Adventure tours	Low switching costs	Huge supply	Concentrated	Service necessary for trustworthy transactions

Table 7- Bargaining power of suppliers

Competitors POP and POD

The following table summarizes the Points of Difference and the Points of Parity with the competition.

Hostel/Hotel	POP	POD
Piedra Blanca Backpackers Hostel	Low Budget Hostel	Not clean Low Service level
Le Ciel de Uyuni Hotel	High service level	High prices
La Magia de Uyuni Hotel	Good infrastructure	Located outside of the city
Hotel Luna Salada	Good Infrastructure	Located in a location only accessible by car
Los Flamencos Ecologic Hotel	Friendly staff	High price
Ecolodge Tambo Coquesa	Good deals and discounts with travel agencies	High price

Table 8- POD and POP

2.5. Internal Analysis

As a startup company, Experience Bolivia does not have a defined value chain. In this part, there will be a further discussion about the resources and competences the company has to exploit, that is to say, the factors that the company already have and which could make the difference in its growth. Complementarily, it's important now to detail the resources and competences the company will need to acquire in order to guarantee its future.

2.5.1. Resources and competences

- **Marketing and sales**

Marketing is one of the core competencies. Experience Bolivia marketing's mix will play a determining role in the company's growth. In order to be a successful startup the marketing program has to be developed, with a deep knowledge of the market and a constant evolution to adapt to the market and even lead in some new trending areas.

- **Knowledge of the international market**

All of our entrepreneurial members are young multicultural former students that have studied abroad and have traveled to several locations on the world. This knowledge of the international market and the understanding of the level of service given in different countries is a priceless asset when it comes to understand what international tourists are expecting at a given price.

- **Branding**

Two of the team members have Management Engineering backgrounds and one of them has already working experience in the area. As Experience Bolivia is a company that needs promotion and a strong brand to launch regionally and globally; this is a very important feature.

- **Infrastructure**

One of our entrepreneurial members has knowledge in the field architecture. This skill is important for managing for the construction of eco-friendly buildings that exploit the beauty and the characteristics of the location of the hostel.

- **Resources and competences we have to acquire:**

- **Service Level**

The service will be a key competence to differentiate from other competitors. The quality of the service given to the customers is a significant game changer. Experience Bolivia service level has to be really high and its staff must be highly educated, very friendly and proactive to deal with problems in the best way possible.

- **Human resource management**

Even if the initial founding team have some knowledge in management and are a highly motivated team, the human resource management is a specific competence that should be further improved in order to be efficient and effective. The activities related to this competence are the recruitment, training, incentive and evaluation of employees. The potential workforce should be highly motivated because it is an ambitious startup.

- **Negotiation Skills**

Experience Bolivia is focused on a market where connections and relationships amongst suppliers and clients are critical. So the team has to be able negotiate actively with suppliers such as tourism agencies, activity coordinators, transportation companies, local government, financial entities, etc.

Value competitive advantage (we aim to make our hostel unique for the customer):

- **Quality:**
Nominal and effective performances, energy and resources saving in the whole value chain
- **Time:**
Quickly delivery time of items
- **Service:**
High service level, create friendly relaxing environment, provide customers with all the elements for a pleasant experience. Create space for sharing and development of human bonds.
- **Variety/customization:**
Controlled experience for the costumer with a variety of indoor and outdoor activities to make the most of their time.
- **Reputation of firm and brand:**
Against typical tourism idea, new hostel boutique with an organized experience lead by staff and other costumers.

2.5.2. SWOT analysis

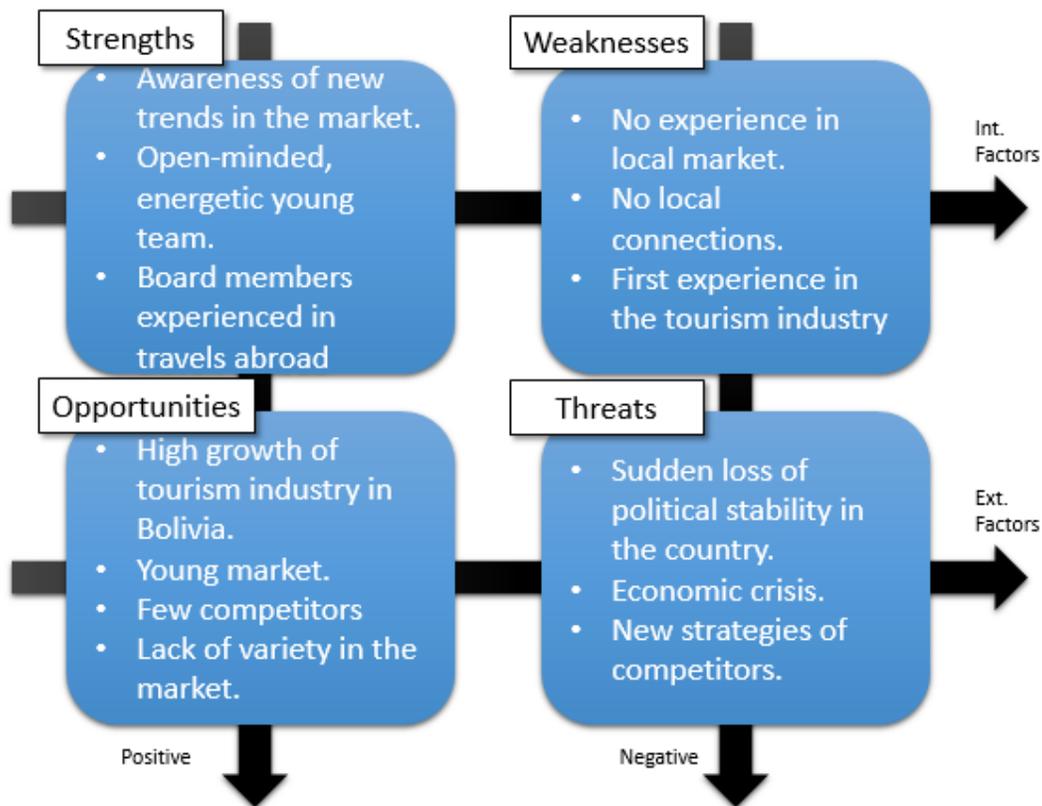


Figure 5- Experience Bolivia SWOT analysis

3. Marketing Plan

This plan is critical for the success of the startup. It introduces the concepts intended to develop in the market, describes them; states a value proposition and details the most important characteristics and expected outcomes of the plan.

3.1. Analysis and evaluation of the market

This topic aims at analyzing the potential market for this new area of the tourism industry. Since the country was already analyzed in the PEST analysis the attention of the research will be focused towards two areas: the new trends in tourism and the boutique hotels.

3.1.1. The new trends in tourism

Globally some major changes are starting to affect the tourism industry. As the world becomes globalized there are some new major consumer trends that promise to reshape the tourism industry in the coming years; as Dr. Ian Yeoman academic on Tourism from Victoria University of Wellington stated on his paper “The tourist of 2030”.

- **Anxiety about Health and Safety.**

Since 9/11 the attacks in Bali, the London bombings, terrorism has come to influence and shape tourism flows and destination choice¹⁵. This backdrop of anxiety forces the consumer to decide between two courses of action. Fear leads to risk-minimization so that perceived dangers will be avoided. However, over time, a sense of complacency develops and people think that “whatever will happen, will happen”, so a wider choice opens up again. Associated with this is the events mega driver, where specific events affect tourism in the short term but the resilience of the consumer invariably returns within a short time.

- **Fashionable destinations.**

Destinations will become increasingly fashionable in the future. Tourism products will need to offer something that the consumer can associate with (such as heritage or celebrity endorsement), and new destinations perceived as being ‘untouched’ will develop an associated reputation. Brand will be a marketing tool increasingly used to distinguish between destinations when the market is saturated with messages. Furthermore, brands and images will become more important, because the choice of destination will be shaped by the values held by the consumer. Destination brands will, in the future, have to be trustworthy, ethical, and sustainable¹⁶.

- **Technology.**

Is set to change the industry as the tourist will be better informed, have wider choice and be able to purchase holidays on demand, helped by technology such as the Internet, video on demand and online booking.

- **Environment.**

Tourists’ growing awareness of social and environmental issues leads to a conflict between conscience and the desire to travel. The provision of sustainable travel products (i.e. carbon offsetting, eco-friendly structures) aims to bridge the gap between these two states of mind, but the consumer will ultimately have to decide whether the environment or freedom to travel is of greater importance.

- **Individualism.**

A main challenge to the marketing of tourist destinations will be consumers' increasing diversification of interests, tastes, and demands. According to the Future Foundation's Changing Lives survey, today's consumers change their hairstyle every 18 months, make a new friend every year and select a new holiday destination every year. Therefore, in this world of constant change and diversification, destinations need to be increasingly innovative in product development, specifically offering tailored experiences to meet changing attitudes and beliefs.

- **Time Pressures.**

With changing work practices and traditional work-leisure boundaries blurring, the trend is increasingly towards escapism and indulgence. Several shorter breaks are replacing the established long break as consumers adopt a snacking culture towards holidays, i.e. sampling lots of experiences rather than one main holiday. Increasingly, people want to capture the experience of a place through relaxation or by overloading their senses with adrenaline-charging activities. Tourists want holidays that offer physical and mental recharging in a short time, before they must return to normal life.

- **Movement from an Experience Economy to Authenticity.**

From a tourism perspective, as the experience economy matures consumers' desire more authentic and real experiences rather than false and manufactured experiences we associate with theme parks and resorts. Driving this trend is higher education attainment, ageing populations, a knowledgeable consumer and concern for how we lead our lives.

- **Hedonism.**

Is the philosophy that pleasure is the most important pursuit of humans. The word derives from the Greek 'hedone', 'pleasure'. One of the basic tenets of tourism is having fun, whether lying on the beach, sky diving in Namibia or gambling in Macau — it's all about pleasure, entertainment and fun.

- **Perceptions of Luxury.**

Luxury is becoming less about materialism and increasingly about self-enrichment and time. The consumer is increasingly aware of the importance of luxury as a concept of fulfilment. Destinations are adapting to this demand by diversifying into niche areas where the traditional perceptions of luxury and opulence share the market with wellness and self-fulfilment. At the same time, a polarized society of 'haves' and 'have nots' increases the propensity for gated communities, the second homes' debate and the importance of materialism in societies where wealth is just beginning. As consumers in the East gain wealth, they will focus on opulence and 'bling' when on holiday, compared to Western Europeans who already have comparatively high standards of living and who can, therefore, focus on holidays which offer an experience.

3.1.1.1. Boutique Hostels

Understanding this new trend is crucial for the aim of Experience Bolivia. This section explores this concept thoroughly. Even though the words "hostel" and "luxury" do not seem to go together, but a newly launched collection of boutique hostels is aimed at travelers who seek luxury and style, but who are also budget minded; according to Forbes magazine writer Tanya Mohn.

The curated collection of 15 hostels featured in her review include things like chic décor, stylish lounges, rooftop terraces, en suite bathrooms, air conditioning, in-room flat screen TVs, free Wi-Fi and complimentary breakfast, all at rates starting at about 11€ to 12€ per night per person, according

to London based HostelBookers (expert company featured in the analysis), which specializes in budget accommodations internationally. These new type of hostels are located around the globe, and range in style giving some examples like Rome's Blue Hostel, housed in a former convent, to the Oops! Hostel in Paris, or #bunk in Istanbul, The Peking Yard Hostel, located in a Qing-dynasty courtyard in Beijing. All of them which both reflect a sleek, modern aesthetic.

This new trend looks to dismiss the myth that hostels are “cheap, nasty places that are either unsafe or undesirable to stay at,” said Dan Zbijowski, a marketing manager for HostelBookers¹⁷. The following part is an excerpt from the interview made to Hostelbookers by Forbes Lifestyle.

- **What distinguishes the properties in the collection?**

Some have features you wouldn't normally associate with hostels, a roof-top Jacuzzi, LCD TV's in each room etc. Others have a brilliant design, staggering views. Basically we determine luxury for a hostel as anything which you'd expect as normal in a 270€ a night hotel stay, but is a surprise to find in hostels that start from 12€ a night.

- **Has HostelBookers promoted luxury properties in the past?**

HostelBookers constantly looks for new ways to promote our product. We have showcased Unusual Hotels, Eco Hostels & Family Hostels amongst others. In regards to specifically luxury, this is mainly about awareness, as there is still a perception (especially in USA) that hostels are cheap, nasty places that are either unsafe or undesirable to stay at and this simply isn't the case.

- **Are there more “glam” options than in the past?**

A lot of these hostels have been around for a while, most at least a couple of years, but definitely the hostel industry has become far more professional in the last few years. Customers now expect to have the same features as hotels and only pay hostel prices, because of the large number of beds these hostels sometimes hold they are very profitable businesses. As ever, it's a case of supply and demand, through the help of budget airlines (especially in Europe) demand has increased so there are more hostels. Greater hostel numbers mean that these properties need to differentiate from each other in order to get people to stay with them. That in turn has improved the quality.

- **Do most of these properties also have traditional bunk-style rooms?**

Almost all hostels have 'dormitory rooms,' rooms with multiple beds. These can either be 'private,' where you book the whole room, or 'shared,' where you may share with people you don't know. Traditionally they always used to be bunk beds but increasingly we're seeing hostels with dorms without bunks (Fauzi Azar Inn). Many dormitory rooms in new hostels now have a private bathroom for that room, some have plasma / LCD screens, others have different features, like individual bed lights, balconies etc., all have individual lockers, many have large comfortable beds (even the bunks). Gone are the days where you'd have a creaking wobbly bed, a dirty mattress in a smelly room... there are still a few places like this, but thanks to the customer reviews that we have on our site (only from people who have made a booking and stayed at the hostel), these are quickly identified and removed from our website.

- **Would older travelers feel comfortable at most of the properties in this collection?**

That's a very subjective question. I shared a dorm with (amongst others) a 67 year old woman from Wales. By the same measure, my younger sister would never stay in a dorm, but loves hostels. The important thing is that hostels are catering more and more to different traveler's

needs, whether it's wheelchair access, a swimming pool, or private rooms. You can probably find something to suit your needs in each destination by filtering through our reviews and looking at what other travelers similar to yourself had to say about the hostel.

A few hostels cater more to the younger ages; some brand themselves as a 'party hostel' and a very small number have an upper age limit for those reasons. In my experience however, most people who stay in hostels do so because they wish to meet other like-minded people, or prefer the family / friendly atmosphere compared to the staler hotel environment. Many hostels now run tours and have staff member who are either local or who have lived in the destination for a long time, giving you more of a first-hand glance of the culture than you would get at a hotel.

- **Are most of the guests at these properties younger or older travelers?**

The amazing thing about hostels is the same hostel and the same room can vary massively from day to day, week to week. You may get a couple on a gap year before university, an architect taking a career break, someone on a three month charity trip, a student who is learning the language and has been staying in the hostel for a month — the possibilities are endless. Generally, the majority of people staying in hostels are 18-35 but we're seeing an increasing number of families and older travelers choosing hostels as a cheaper, more fulfilling experience.

In conclusion we can summarize that both the new profile of the traveler and the Hostel Boutique trends are changing the direction of the tourism industry towards a new way to conduct the business and to a new expectation by the customer. Experience Bolivia will use this information in order to develop and lead these new concepts in Bolivia.

3.2. General outlines of reference market

Even though Experience Bolivia will be developed as a "Boutique" Hostel, it is still within the hostel category, so in order to get a general outline of the market it will be considered a hostel. The hostel industry is growing rapidly in many cities around the world, such as New York, Rome, Buenos Aires and Miami¹⁸. This is reflected in the development and expansion of dozens of hostel chains worldwide¹⁹ the recent eruption in hostels has been called "probably the single biggest news in the world of low-cost travel and very safe"²⁰.

The development of hostels is a strong business model, with some cities reporting a higher average income per room for hostels than hotels. For example, in the city of Honolulu, Hawaii, upscale hotels are reportedly making 102€ to 126€ per room, while hostel rooms in the same city can bring in as much as 145€ per night.²¹ In some places like New York it was reported during 2009 (in the aftermath of the financial crisis) when the rate occupancy fell to 66% in February, from 81% in the same month the previous year, in contrast to the traditional hotels, the hostels were reporting growth in business²². This is due to the fact that they are rising in popularity amongst world travelers (for the cozy environment, interaction with other guests, etc.) and also to the fact that the recent crisis has pushed travelers into "low cost" alternatives for travel and stay.

To summarize we detail the characteristics of the market

- Hostels are growing in popularity worldwide.
- The target market segment ranges from 18-35.
- Approximate global prices for accommodation are around 10€-20€.
- Service level of the hostel has to be comparable to the one of a traditional hotel.
- The room occupancy/usage is optimized due to the fact that rooms have several beds.
- The clients are looking for originality and personalization in the premises.

Furthermore with all this global data we can illustrate how the hostel market would perform in Bolivia. This, due to the fact that there is no official reliable data on Bolivian hostels occupancy ratio. But global trend shows positive signs on this market

3.3. Market segmentation

In order to segment the market a socio demographic study has been conducted by the world travel organization, regarding the age structure and the needs of average travelers²³.

Age range	Characteristics of the segment	Income	The needs of the segment
15-24	High focus on new trends and technology.	Low/Instable	Young people from this segment are influenced by their friends, internet & social media. They are quite a lot interested in promotions. They travel in groups and are very flexible when it comes to quality standards as long as the range price is long. They are mostly students so they are commitment free and potential candidates for working in the hostel.
25-36	High focus on brand, quality, velocity, technology and prices.	Medium/Stable	People in this segment are young adults, and usually fresh professionals. They are likely to have less flexibility when it comes to service level. Their lifestyle is characterized by fast pace so long stays are not possible. They are looking for convenience, low prices and new experiences.
37-48	High focus on velocity, brand and quality.	High/Stable	This segment needs to travel with the family and are likely to be not flexible about service level and quality in general. They travel only on long holidays and stays are short.
49-67	High focus on brand and quality.	High/Stable	People in this segment are increasing in numbers, as the population ages this segment is increasing, they travel on couples, require a very high service level, they are open to new experiences and need to be in a place where medical attention is provided nearby.

Table 9-Market Segmentation

3.4.Targeting

Needs & Wants: Our targeted costumers are young open-minded individuals and groups that are from all over the world. Most of them which belong to a medium class family and most of them have high school and/or higher degree studies. They will be seeking Experience Bolivia’s services because it will give them an added experience where they can experience the Bolivian culture and interact with other cultures around the world, in a controlled, friendly, clean environment. All of this at an affordable price in an interesting location in Bolivia.

Measurability: two age groups will be targeted, 15-24 and 25-36 on both categories, national and international tourists. Since most of our visitors will be foreign we will consider (table 10)²⁴. For national tourists we consider see (table 10)²⁵. Furthermore, positive forecast for international inbound travelers to Bolivia is provided (see figure 6).

International Tourists age Structure					
15-24 years	25-36 years	37-48 years	49-67 years	68+ years	Total
80 700	266 310	185 610	234 040	40 350	807 000
10%	33%	23%	29%	5%	100%
National Tourists Age structure					
15-24 years	25-36 years	37-48 years	49-67 years	68+ years	Total
617 500	666 900	642 200	469 300	74 100	2 470 000
25%	27%	26%	19%	3%	100%

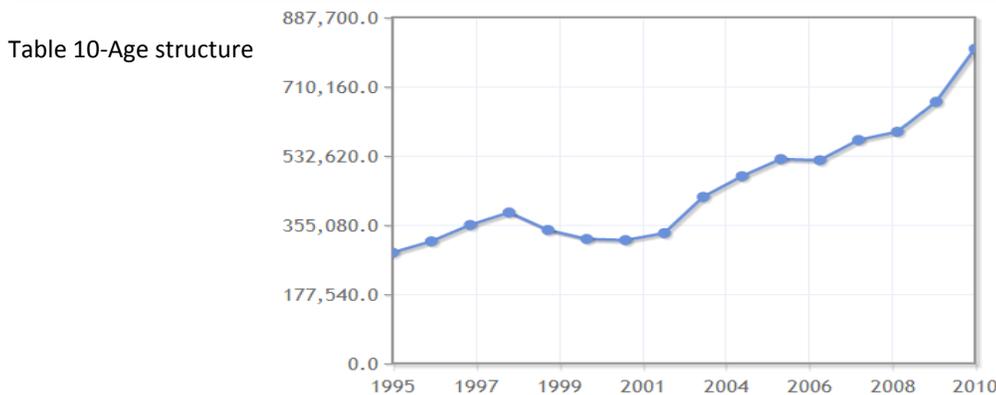


Figure 6- International arrivals to Bolivia

Accessibility: The targeted segments consist of young national and international travelers most of them populate medium to large urban centers around the world.

Homogeneity: These targeted groups have same needs, look for quality in the hosting, services, experiences, but their tolerance for service level is different. For example in the 49-67 the tolerance for low service level is much higher than in the previous segments. It’s important for the services to take into account these variables.

Importance: the potential size of this market is 731,000 tourists (see potential market size section 3.7).

3.5. Positioning

The strategy will try to position Experience Bolivia at the top of the experience centered services category while keeping its prices within the low cost market. The strategy focuses in the word

“Experience” which means a particular instance of personally encountering or undergoing something²⁶.

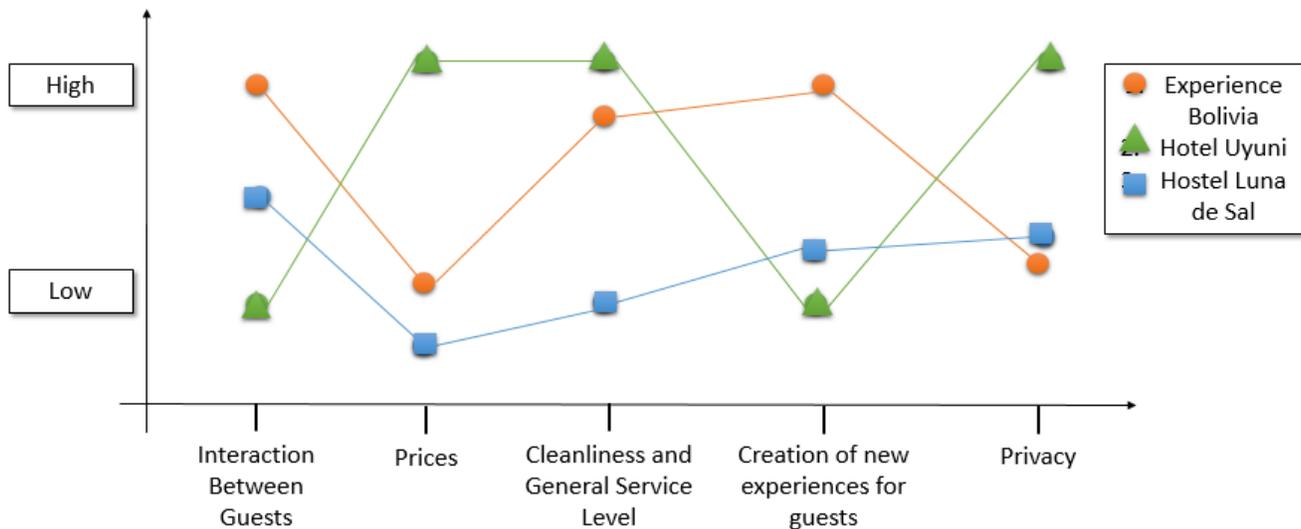


Figure 7- Experience Bolivia Value curve

As exposed previously in the area corresponding to the analysis of the market, it was determined and supported that the costumers are looking for high service level at low budget prices when it comes to choose accommodation. As it can be seen on the graphic (figure 7), Experience Bolivia is being measured in five dimensions against the leading hotel and the leading hostel. While interaction between guests is very low in hotels and average in hostels, experience Bolivia will provide maximum interaction, also in the next two dimension, Experience Bolivia will try to provide maximum service level at low prices by avoiding waste in services and optimizing room occupancy. Service level perception will also be helped by the fact that experience Bolivia activities and engagement with the costumers will be dealt differently than in the traditional hotels as previously detailed in the product description part.

3.6. Branding

Branding is one of the most important aspects of this start up. Simply put, our brand is our promise to our customer. It tells them what they can expect from our products and services, and it differentiates our offering from our competitors'. Experience Bolivia brand is derived from who we are, who we want to be and who people perceive us to be.

Experience Bolivia will be the leader of its market, with low cost high quality options. Targeting young multicultural open-minded travelers. And we will be the first choice for our costumer in the most important sites in Bolivia. The foundation of our brand is our logo. Our website, the presence in all online hostel brokers and promotional materials, we are present in all this channel communicating our brand.

Brand Strategy & Equity

Experience Bolivia brand strategy will be to communicate and deliver our brand messages using the following criteria.

- How: we will create and design visually attractive banners, with eye catching proposals.
- What: we will deliver and communicate that our brand represents a different experience and a higher quality for a low price in Bolivia.
- Where: In the internet and major communicating hubs (main airports, bus stations tour operators in Bolivia)
- When: the messages will peak in seasonality for foreign travelers and for nationals it will be constant.
- To whom: to our targeted market segment young multicultural travelers.

Being consistent with our Experience Bolivia strategic branding, will lead us to a strong brand equity, which means the added value brought to our company's products or services that allows us to charge more for our brand than what identical, unbranded products command.

The added value intrinsic to brand equity frequently comes in the form of perceived quality or emotional attachment. That's why we will emotionally attach our brand to the sense of freedom, friends, and sharing.

Defining our Brand

The following answers to these questions define the Experience Bolivia Brand:

- What is our company's mission?
Experience Bolivia's main mission is to revolutionize and conquer the Bolivian accommodation market.
- What are the benefits and features of our services?
A unique low-cost controlled Bolivian experience for our customers, where they will be integrated with other costumers for cultural sharing and a new concept of tourism.
- With what qualities our customers will associate our services?
With freedom, high service level, friends and Bolivia

The Logo.



Figure 8- Logo

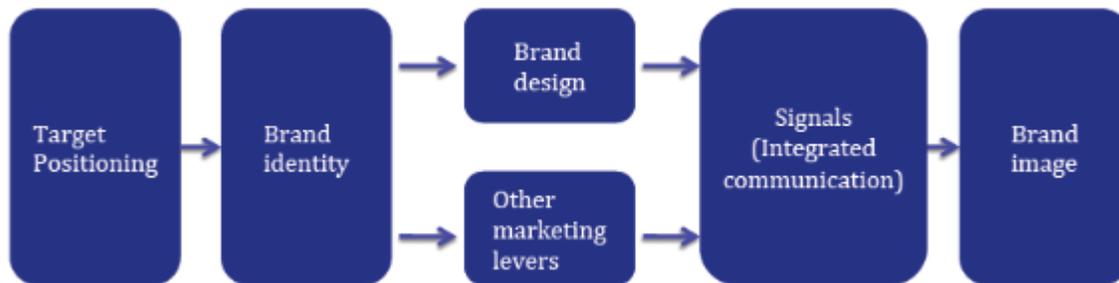
Experience Bolivia brand messaging

- What are the key messages we want to communicate about our brand?
As it can be seen on the logo (figure 8) our logo has the colors of the Bolivian flag and the "Pachamama" symbol which is the Inca (pre-hispanic bolivian-peruvian civilization)

representation of the god of the sun. Our brand with this logo wants to deliver the message of an all Bolivian experience with fresh eye-catching colors that give a modern and comfortable environment.

Integrated Communications

Branding will extend to every aspect of our business, how we answer our phones, what our staff will wear on our facilities, our e-mail signature, etc. Experience Bolivia will develop a brand following the scheme presented by Phillip Kotler²⁷



Target positioning

Experience Bolivia is positioning itself as a: low cost, high quality, new concept of hostel through controlled experiences scheme, for young open minded multicultural individuals.

Brand Identity

The image provided to the market will associate Experience Bolivia the image of freedom, friends, exploring and sharing. The messages will be consistent with these ideas.

Brand Design

The brand was created following the brand identity ideals. “Experience Bolivia” brand name tries to address this situation. The term experience as defined by the Webster’s dictionary means:

- A particular instance of personally encountering or undergoing something
- The process or fact of personally observing, encountering, or undergoing something.
- The observing, encountering, or undergoing of things generally as they occur in the course of time.
- Knowledge or practical wisdom gained from what one has observed, encountered, or undergone.
- Philosophy. The totality of the cognitions given by perception; all that is perceived, understood, and remembered.

Following all the definitions the term “experience” addresses the attributes of our value proposition to the customer.

3.7.Potential market

This part is really crucial for our business since as it can be seen in table 11 estimations conclude a deficit of capacity which justifies the introduction of Experience Bolivia in the market. Further plans include the expansion of current facilities or the construction of new facilities to cope with demand, this will be contemplated once the first hostel is up and running. The situation is that this site has become very popular in recent years due to the promotion made by the government and the hosting of the Rally Dakar which gave a lot of international attention to the Uyuni salt flats, but as explained in the PEST situation can change rapidly if these event is not hosted or if tourism slows down. That’s why current room capacity expected for this hostel was measured including seasonality peaks and lows for maximum room optimization.

	Foreign Tourists	Internal Tourists
15-24	80 700	617 500
25-36	266 310	642 200
Total	1 606 710	
Tourists visiting Uyuni salt flats (annual)	803 335	
Uyuni Hotel Capacity (annual tourists)²⁸	372 000	
Deficit of capacity	(431 335)	

Yearly Revenues forecast												
	High Season		Low Season			High Season			Low Season		High Season	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Cap	100%	100%	60%	40%	60%	90%	100%	90%	70%	80%	100%	100%
Price	€20	€20	€15	€12	€15	€18	€20	€18	€16	€17	€20	€20
Income	€43,200	€43,200	€19,440	€10,368	€19,440	€34,992	€43,200	€34,992	€24,192	€29,376	€43,200	€43,200
												€ 388,800

Table 11-Clients and Revenues Forecast

To do the revenue forecast we first determined the size of the market with the foreign arrivals data. This is the number of tourists yearly entering the country, then they are separated in age ranges to estimate our target market size; same procedure is done in with the numbers of the national tourists, finally, the number of estimated tourist to the Uyuni area is estimated and confronted to the actual capacity. In table number 3.7-B the occupancy rate is confronted to the estimated prices per bed (estimating 72 beds for the initial launch). Estimated yearly revenues are shown for the targeted market.

3.8. Market mix strategy

3.8.1. Product/Service

As already mentioned, the product/service will be a controlled experience with the focus of guest interaction to foster cultural exchange to change the meaning of ordinary hotel stay. In order to do so there are several features throughout the hotel that need to be detailed in order to fully describe the experience, all the hostels of the chain for quality purposes require this basic infrastructure, furniture, theme colors, background music, and if possible same floor configuration. As it can be seen on the subsequent figure a bird's eye view of the facilities is provided on the detailed product/service description.

Detailed Product description

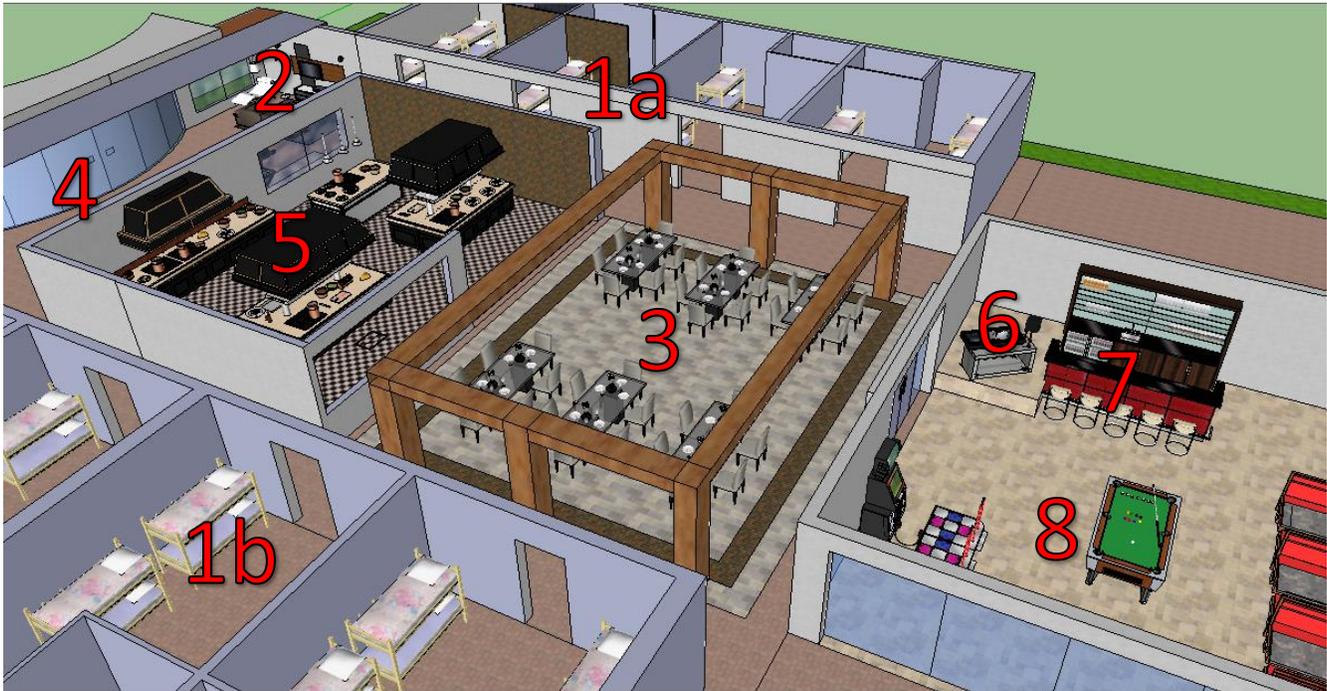


Figure 9- Internal View of the premises

1. **Rooms (a-b):** initially 8 spacious rooms will be constructed to allow a capability of 72 beds, maximum amount of beds per room is 10 in bunk beds. Each room will count with its own bathroom and lockers so guests can store safely their belongings. Rooms will be carefully designed adding big windows for sunlight and decorations on the walls for comfort.
2. **TV lounge rooms:** Being a very important socializing area, there will be two of them conveniently located in the lobby, they will have Wi-Fi connection coverage. Amongst other features, these lounge will be furnished with comfortable minimal couches and other seating solutions as well a satellite TV and a flat screen HD TV.
3. **Restaurant/ Multi-use area:** This space will have several uses, most frequently will be the seating area for the restaurant, but it could be converted into an events room for international food fairs organized by guests, dancing lessons, fast courses taught by guests, etc. This particular area may be also rented for other events.
4. **Welcome desk:** This area is right in front on the entrance has the very distinctive logo on the wall and it's full of information about the hostel and the surrounding area, is basic for any hostel/hotel. The difference is that there will be a big glass window, through which, the activities room, the open kitchen and the restaurant areas will be visible. This way the costumer will get to see through the hotel, thus promoting its image from the outside.
5. **Open Kitchen:** This is the cooking area and its open for the guests to cook their own meals, it counts with four kitchen units, every one of the counts with, stove, oven, mini fridge, sink, etc. here some cooking lessons will be taught by guests to other guests. At certain hours it will be closed for the use of the hostel cooks.

6. **Stage:** In the activities room there will be a stage where guests can perform some instruments, and when not in use it will be rented for events making some extra revenues.
7. **Bar:** this is a common bar with drinks and refreshments for guests
8. **Social games:** a pool table, karaoke machine and some electronic games such as Wii Dance will be available for the entertainment of the guests.

3.8.2. Price

Motivations of price policy

In South America in general and more specifically in Bolivia, as studies show, the accommodation market is mostly monopolized by hotels. This monopolization makes the price for hotels to be very high. The only hostel found online had very low prices but also very low rating. Experience Bolivia will give a differentiated price and raise service level. It will position its price between the one of a hotel and a hostel. For Experience Bolivia the price policy will be based on European Hostel price policies in order to replicate and recreate the market in Bolivia and then South America. As it can be seen on the following table the prices for all actual prices per night are shown in the Uyuni area, compared to Experience Bolivia expected price per night.

Hostel/Hotel	Price (Standard 3 bed private or mixed from 22/05/14- 25/05/14)29	Rating by users	Experience Bolivia Expected average Price
Piedra Blanca Backpackers Hostel	€10	62%	20€-> 90% rating
Le Ciel de Uyuni Hotel	€61	64%	
La Magia de Uyuni Hotel	€51	40%	
Hotel Luna Salada	€112	80%	
Los Flamencos Ecologic Hotel	€39	50%	
Ecolodge Tambo Coquesa	€46	No rating	

Table 12- price Policy

Definition of price strategy

There will be no booking fees charged by Experience Bolivia besides the one charged by the Online Booker. The price of each bed will be mostly around 20 EUR, but it will also be determined using two techniques:

- **Yield Pricing strategy:** is a variable pricing strategy, based on understanding, anticipating and influencing consumer behavior in order to maximize revenue or profits from a fixed, perishable resource (such as airline seats or hotel room reservations or advertising inventory). As a specific, inventory-focused branch of revenue management, yield management involves strategic control of inventory to sell it to the right customer at the right time for the right price. This process can result in price discrimination, where a firm charges customers consuming otherwise identical goods or services a different price for doing so³⁰.
- The second technique will be a more manual technique, in which hotel prices will be monitored weekly to make arrangements to prices according to the competitions capacity and price strategy.

With the use of this techniques revenues and maximum optimization of price strategy is insured. The mentioned price will always be all inclusive and will take care of the following services:

- Breakfast
- WiFi
- Linens and towels
- Lockers
- Induction lessons + maps

The price will also cover insurance and other liabilities that will be included in the general terms and conditions for Hotel Accommodation contract. In which the penalties for damage to the properties will be specified. All stays must be paid on advance, cancellation policy will allow a 2 day notice for full reimbursement of the fee, subsequent to this period there will be no refunds.

3.8.3. Place

The first hostel will be opened in an area of Bolivia that has seen a massive increase in tourism and it's expected to be one of the Bolivian touristic strongholds in the future. Due to its uniqueness and to the fact that political stabilization of Bolivia and the Dakar rally (which passed by this location on 2013) have allowed for this place to get international attention.

It's called Salar de Uyuni (or Salar de Tunupa) is the world's largest salt flat at 10,582 square kilometers (4,086 sq mi). It is located in the Potosí and Oruro departments in southwest Bolivia, near the crest of the Andes and is at an elevation of 3,656 meters (11,995 ft) above mean sea level³¹. The Salt flat was formed as a result of transformations between several prehistoric lakes. It is covered by a few meters of salt crust, which has an extraordinary flatness with the average altitude variations within one meter over the entire area of the Salt flat. The crust serves as a source of salt and covers a pool of brine, which is exceptionally rich in lithium. It contains 50 to 70% of the world's lithium reserves,³² which is in the process of being extracted. The large area, clear skies, and the exceptional flatness of the surface make the Salt flat an ideal object for calibrating the altimeters of Earth observation satellites³³.

The Salt flat serves as the major transport route across the Bolivian Altiplano and is a major breeding ground for several species of pink flamingos. Salar de Uyuni is also a climatological transitional zone since the towering tropical cumulus congestus and cumulus incus clouds that form in the eastern part of the salt flat during the summer cannot permeate beyond its drier western edges, near the Chilean border and the Atacama Desert. The hostel cannot be located in over the salt flat due to logistical and legal reasons. The premises will be located in the town called Uyuni which is located 30 kilometers away from where the salt flats begin. This town is well connected to all major cities, it has a train station a bus station and a new regional airport built in 2012 which connects the city with La Paz and Santa Cruz international airports, the next picture details the intended place for the construction (Figure 10).



Figure 10- Location of hostel in the city of Uyuni

3.7.1. Promotion

Experience Bolivia will use mostly social media, word of mouth and online advertising campaigns to communicate its value proposition to the potential customers.

First step

The first step of promotion is to create buzz marketing. With this aim, Experience Bolivia promotion will be made mainly on-line, since targeted customers spend a significant amount of time online.

On-line promotion

Experience Bolivia will have a Facebook page and will use Facebook advertising³⁴. However, another important promotion has to be done on Trip Advisor, Lonely Planet and Online Booking websites. According to the flexibility of the budget campaigns will be activated or deactivated in certain websites. On the Experience Bolivia own website there will be a promotional video which will make an extensive use of first person point of view (GoPro cameras). Thus, giving the sense of experience to the user. Google ads will be another media used to reach users thanks to their own navigation flows and interests.

Second step

The second step will aim at developing brand awareness through the press and the sponsorship. Experience Bolivia intends to pay for some articles in tourism magazines to explain the innovative product/service and its advantages. Experience Bolivia will also join the Bolivian Hotels Association in order to use the network to be able to position advertisements on other channels.

Third step

If Experience Bolivia can expand enough to earn sufficient cash flow, a second step of our promotion campaign will be to create brand awareness by broadcasting commercial advertisement at the TV. These advertisements will be purely marketing and will make extensive use of first person point of views.

4. Operating plan

In this plan, the most important internal and external practices will be detailed in order to achieve the already defined objectives.

4.1. Headquarters

Experience Bolivia's first office and headquarters will be located inside of the first Hostel in Uyuni. Since it is a tourism based company this location is key for company growth. As the startup grows it the headquarters could move to Santa Cruz de la Sierra Bolivia, due to its strategically location in the center of Bolivia, where it would be able to handle efficiently the chain of hostels.

4.2. Key processes

4.2.1. Start up

Since appropriate infrastructure is key for this new business, the fast and efficient construction of the premises is a priority. Within the city the most appropriate location found that complies with the space requirements of the infrastructure is found 4 blocks away from the city center. The most critical and costly part of the startup is the construction of the premises, it is expected to cost 80,000.00 EUR and take an approximate time of twelve months. During the construction time, deals with providers, permits, licenses, contracts for gas, water and electricity have to be signed amongst other bureaucratic procedures. After the construction is finished, the premises have to be equipped, staff has to be trained, website has to be launched and room availability has to be sent to online bookers.

4.2.2. Creation of Brand Identity

Since Experience Bolivia wants to develop a strong brand reputation to revolutionize its market, developing a brand identity is a key process. In order to do so we have to understand that The American Marketing Association defines a brand as the "name, term, design, symbol, or any other feature that identifies one seller's goods or service as distinct from those of other sellers." Experience Bolivia is associated with the image of freedom, friends, exploring and sharing. The messages will be consistent with these ideas. The name will be associated with open-minded, adventurous, young and friendly travelers. In order to create and deliver this message consistently certain guidelines will be followed such as:

- Staff training: Staff will be carefully trained to be casual, available and deeply friendly to the guests.
- The name and logo will be present in all communications, videos, YouTube channel, Facebook page.
- Guests will be followed up for feedback.
- From the food to the drinks in the bar they will all express the values and ideas for which the company stands for (e.g. explorer breakfast, the freedom cocktail, etc.)
- Art throughout the premises will deliver the message
- The infrastructure will play a key role. The colors of the walls and other visual elements will have clear relaxing colors, big wide windows on all common areas to give sense of freedom, wide open spaces for people to socialize, modern furniture and cleanliness.

All of these attributes carefully applied will create the desired image in the mind of the guest.

4.2.3. Keeping Service level & Expansion

One big challenge for the company will be to keep service level constant while the chain grows. Initially with the Uyuni Experience the situation can be controlled but as the chain grows, and the allocation of focus and attention from the management board is allocated in other projects, there is the risk of downgrading the service level and loose rating. In order to keep this situation under control it is necessary to develop strict guidelines and roles for the management board in charge or leading the business. Once the company is big enough it will be structured in Business units in order to allocate human resources accordingly.

4.3. Project timeline for key processes

4.3.1. Gantt chart

The project Gantt chart is described below, dotted lines means flexible relationships between tasks; while the continuous lines mean that, the activity is compulsory for the following process to take place. The initial date for the activities to begin has been set up for January 2015.

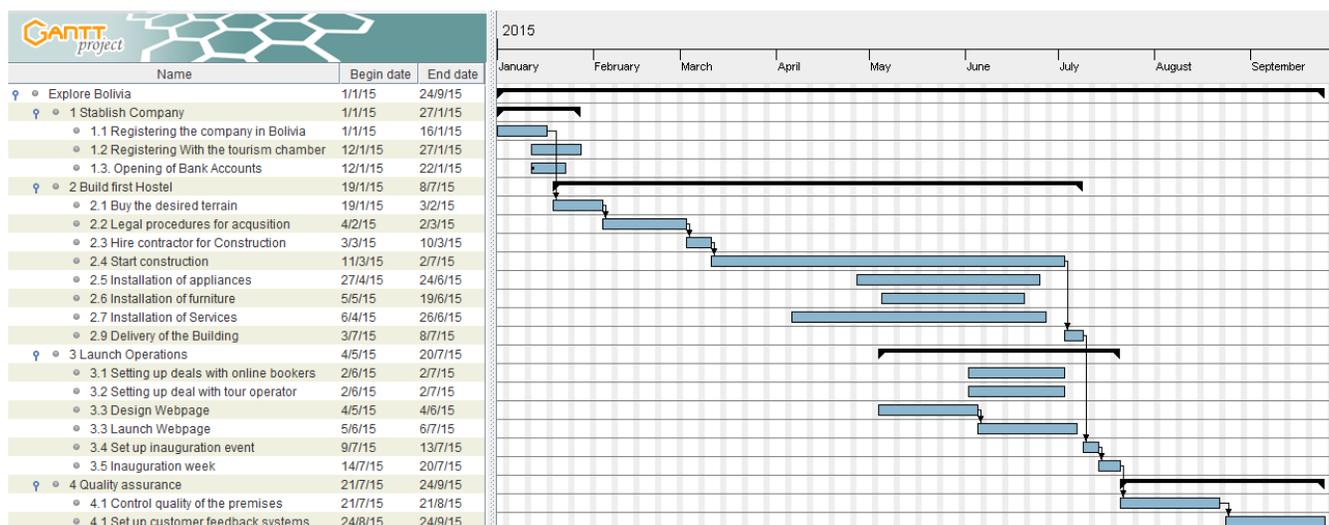


Figure 11-Timeline

Description of the activities table

Activity	Begin date	End date	Description
Explore Bolivia	01-01-15	24-09-15	
1 Stablish Company	21-01-15	27-01-15	setting up meeting with all the partners to sign contracts and found company
1.1 Registering the company in Bolivia	01-01-15	16-01-15	Submitting documents and legal requirements
1.2 Registering With the tourism chamber	12-01-15	27-01-15	Submitting legal documents and requirement
1.3. Opening of Bank Accounts & Loans	12-01-15	22-01-15	Opening a company bank account in Banco Bisa
2 Build first Hostel	19-01-15	08-07-15	

2.1 Buy the desired terrain	19-01-15	03-02-15	Go to Oruro and buy desired location
2.2 Legal procedures for acquisition	04-02-15	02-03-15	After agreement on price transfer names of property
2.3 Hire contractor for Construction	03-03-15	10-03-15	Find a suitable contractor
2.4 Start construction	11-03-15	02-07-15	
2.5 Installation of appliances	27-04-15	24-06-15	Installation of heating, kitchen, bar, air conditioning
2.6 Installation of furniture	05-05-15	19-06-15	Installation of beds and other
2.7 Installation of Services	06-04-15	26-06-15	Gas, Electricity and Cable
2.9 Delivery of the Building	03-07-15	08-07-15	
3 Launch Operations	04-05-15	20-07-15	
3.1 Setting up deals with online bookers	02-06-15	02-07-15	Setting up deals with Hostelbookers and Hostelworld
3.2 Hire and train staff	02-06-15	02-07-15	
3.3 Design Webpage	04-05-15	04-06-15	
3.3 Launch Webpage	05-06-15	06-07-15	Test page for possible bugs
3.4 Set up inauguration event	09-07-15	13-07-15	Hire fireworks company, set up press conference
3.5 Inauguration week	14-07-15	20-07-15	Special tours and promotions
4 Quality assurance	21-07-15	24-09-15	
4.1 Control quality of the premises	21-07-15	21-08-15	Set up activities for the guests, train personnel by doing
4.1 Set up customer feedback systems	24-08-15	24-09-15	Set up a system to receive customer feedback

Table 13-Summary of timeline

4.4. Main resources and inputs

4.4.1. Main resources

The main resources for the company to start-up and carry on with its development is detailed as follows:

Tangible Assets	Intangible Assets	Human resources
Building	Brand	Web Developers
Computers		Hotel Staff
Wireless Routers		HR staff
Furniture		Board of directors
Smartphones		Finance Staff
Electro domestics		

Table 14-Main resources

4.4.2. Inputs

In order for Experience Bolivia to provide a pleasant and integral experience for its customers, it will need several inputs from guests and providers. These inputs are summarized in the following graph (xx):

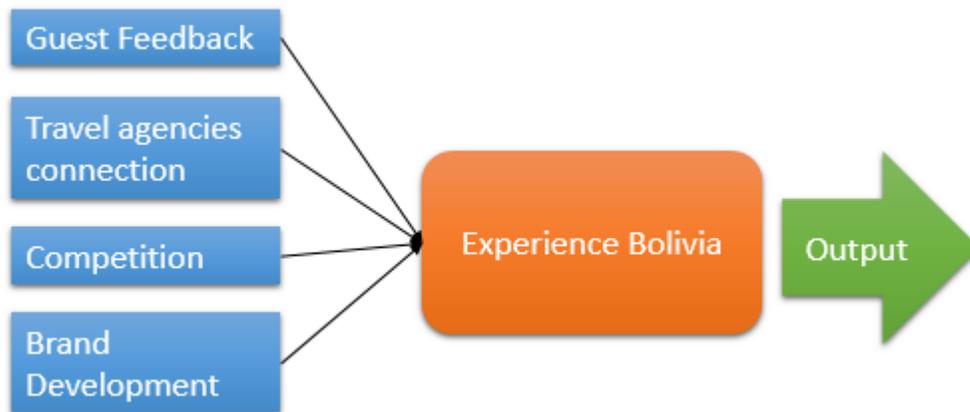


Figure 12- Illustration of Inputs and Outputs

- Guest Feedback: information coming back from the clients is very useful to improve services, guest will be encouraged to leave online suggestions.
- Connection to travel agencies: information about experience Bolivia posted on information desks and travel agencies nearby will provide potential guests.
- Competitions: information on the competition's offers and prices will regulate and set the prices and/or services added for experience Bolivia.
- Brand development: the creation of the guidelines is crucial for the experience to be created.

4.5. Key suppliers identified for Experience Bolivia

- Banks/Investors: Although it will be privately funded by both founders, Experience Bolivia will look to propose its project to all major banks in Bolivia, since a loan on appropriate terms will dissolve the economic pressure over a time period.
- Guests: young multicultural travelers foreign and national in the targeted age ranges are the intended guests for the hotel and also potential staff associates.
- Travel agencies and online bookers: are crucial, they need to promote the hostel's image and send payments.
- Tour Agencies: they need to be active members in the day to day functioning of the hostel, their hiking trips, excursions, events, etc. provide the entertainment and cultural awareness that brought most of the guests to the location.
- Basic Services Providers: services such as gas, electricity, wireless internet and water are corner stone for comfort in hostels and their right functioning is crucial for the business.

4.6. Possible partnerships identified for Experience Bolivia

The key partnership will be set up with Online Booking websites. Since they redirect most of the guests to the hotel, their partnership is key for keeping high occupancy rates. Most online booking sites already charge a fee that covers their services at the time of online booking. Thanks to this dynamic no further actions are needed.

5. HR Plan

The part of Human Resource Management in Experience Bolivia are mainly activities related to the recruitment, training, incentive and evaluation of employees.

Experience Bolivia has a small number of staff and employees due to its small size and that it has been decided that the company will mainly focus on stabilizing itself in the market in the first three years. It is needed to manage the optimum number of human resources to have the best results in terms of both performance and costs. All the hostel workers will be under the operations area. The organizational chart of Experience Bolivia in the first three years will be similar to the one bellow:

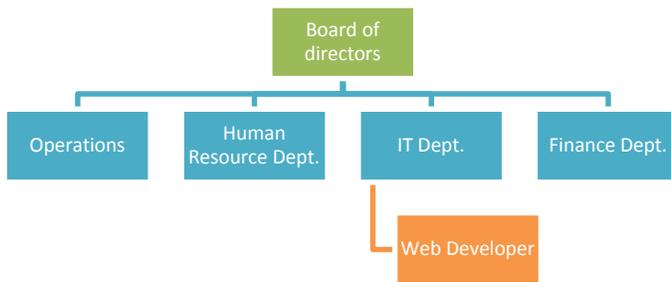


Figure 13- Initial Organizational configuration

Table 15
Number of Employees in each department

	2014	2015	2016	2017
IT department	1	1	2	2
Web Developers	1			
HR staff	1	1	3	3
Operations	3	3	6	9
Finance department	1	1	2	3

The Organizational chart will transform into the the following in the second time segment (second three years):

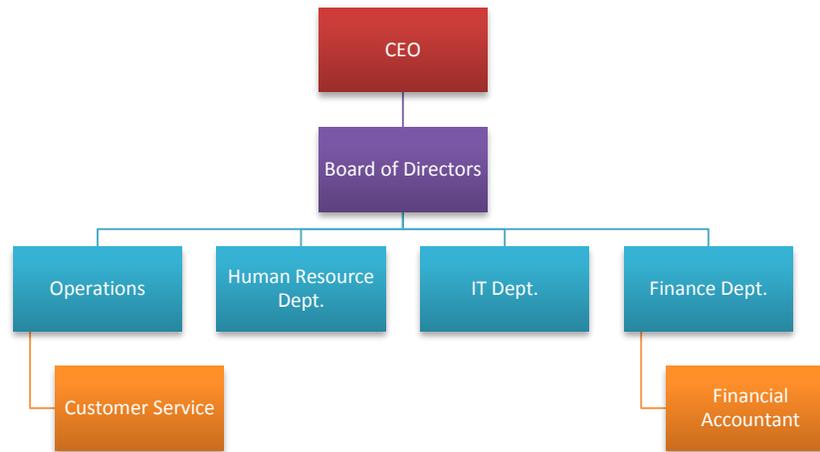


Figure 14-Organization after expansion

The main changes will be that the sales operations departmet will develop a costumer service unit to adress the concerns about service level during the expansion. Also a financial accountant will be added in order to improve and keep the expenses on track. Experience Bolvia will focus more on the second organizational chart, since the first one is much simple and mainly contains the entrepreneurs.

The company-organized body between the departments are explained as below:

- Board of directors: It will be composed by the main entrepreneurs form the board of directors which has a direct supervision and centralized decision making with respect to all the other members. The CEO will be chosen from this group.
- IT Department: first it will be composed of two IT engineers one of which will develop the webpage and in the future the application for mobile technologies. The other worker will be in charge of setting up the informatics systems for reservations and handling of inventories (food, assets, financial indicators, etc.)
- Finance Department: The Financial Audit has the responsibilities such as managing the financial statements, managing possible loans and bank transfers and communicating when it is necessary with the board of directors. The role of the financial Audit becomes more vital in the following years after the startup.
- Human Resource Department: There will be no main sectors working under this department. The HR worker will have the responsibilities which will be listed later. Due to the fact that the company is trying to save money in the first years, each department should do their office work.
- Operations department: All of the hostel staff will be under the responsibility of this department, hostess, cleaners, and maintenance staff. As new hostels will be built in the upcoming years workers will be added having 3 workers per hostel. 1 hostess, 2 cleaners. Maintenance will be outsourced at the beginning but included in a certain point after further expansion.

5.1. Human resource and management system

5.1.1. Employee recruitment plan

The main aim of Human Resources in Experience Bolivia is hiring people with useful and functional abilities. They should also be able to fit in exactly in the position decided for them and be able to work well and aligned with the other parts. The main focus is to select the right people.

The process of recruiting and absorbing new member is quite a critical factor for the company, related to the fact that Experience Bolivia is a startup won't start with many workers. Therefore, each member plays a crucial part in the whole system. This procedure will be decided and concluded with all the Board of Directors members, plus the CEO which will be supervising and participating in the process. For every particular role, a checklist will be modeled and used for the hiring. The checklist will contain the main factors that the new employee should have to fulfill the best for it. The checklist is made by the head of that department and confirmed by the board of directors. Once the last decision regarding the new employee has been made, the CEO can consent with it or reject it. If not, he or she will have to give its reasons to the other members. One feature unique to this startup is the Guest-Employee program which will allow guests with certain abilities (cooking, entertaining, courses, etc.) to be part of the staff temporarily or permanent and will get free accommodation and food in exchange.

5.1.2. Job description plan

In the startup of Experience Bolivia, the process of creating and writing different job descriptions is made by the board of directors which is supervised by the CEO. The job description of Experience

Bolivia is not limited only to requirements, yet it may also set out goals for what might be achieved in future.

5.1.3. Training

Experience Bolivia has a high focus on service level and it's fully committed to standardize it's operations, therefore training of employees is a critical success factor for this business.

- Training programs will be developed and updated by the board of managers along with HR in order to have a successful knowledge transfer.
- Once the second hostel is inaugurated, a training program for every specific role will be developed by HR as well as informational videos and manuals.

5.2. Internal or outsourcing

Experience Bolivia will require some human resource to be outsourced, and these would be part of the operations department and the IT department, later on part of this group will be absorbed in the company and continue to work as an employee for the company.

- Maintenance workers will be initially outsourced but as the company grows they will be integrated.
- A legal department will be outsourced at the beginning and after the three year milestone will be integrated.

6. Economic and financial plan

In order to be able to make adequate decisions for the future in this chapter an extensive analysis of the financial situation of our start-up company will be performed. In the beginning, the basic assumptions for all of the calculations will be explained and then financial plan will go into detail with economical and financial projections.

6.1. Basic assumptions

Here all assumptions used in the balance sheet, income statement and cash flow statement can be found:

- According to the time schedule, this financial plan will analyze the financial situation between the first 4 years. There will be 1 year of construction until operations are initiated at the facilities, afterwards there will be 3 years of gaining more customers and expanding our market in area.
- The start-up uses the European currency of the Euro.
- Market Size Growth: the start-up expects to have a market share of 2% of the potential market in the first year after the launch. Then the market share is considered to grow 1% every year. This value is reasonable as in the market analysis we show that the hostel market as well as the market for accommodation is constantly growing and given the maximum capacity of guests per year.
- Depreciation method: linear over 5 years
- Duration of year: for reasons of simplification the basis of one year having 360 days and every month having 30 days is used.
- Cash in the beginning is 0 EURO
- Taxation: Bolivian Chamber of commerce duties, fixed tax on legal and fiscal registries and Corporate income tax of 16,2%
- Juridical Form: in the first phases of its development the start-up will be a limited association (SRL).
- Average cost of capital: 4,80% for a loan to a non-financial corporation up to 1 year in Bolivia (Bolivian Central Bank, April 2013) 35
- The interest rate on deposits for the lender of money in Bolivia is 1,14% (April 2013)36
- In the first year, the company's share will be divided between an external investor (43% of all shares) and the entrepreneurial team (57%, ca. 14% for each founding member).
- Dividends and Payment: It will be considered that the four members of the entrepreneurial team and the investor have enough income from other sources that for the first years there will be neither salary nor any profit share. All revenues created during this phase will be completely reinvested in the company.
- Brand value: to quantify the value of the experience Bolivia brand, it is considered that 20% of the investment in marketing will be aggregated into the brand's value.

6.2. Financial needs and sources

The financial needs deal with the question “How much money is needed to cover expenses?”

Therefore, a Net Cash Flow scheme on a yearly basis will be calculated. The lowest value is in year 2015 when Experience Bolivia starts the business. In the beginning, the start-up has to face costs of **24,306 EUR**. In order to finance those costs Explore Bolivia has to find sources of money. The cash flow of the start-up will be analyzed in a later chapter in this financial plan.

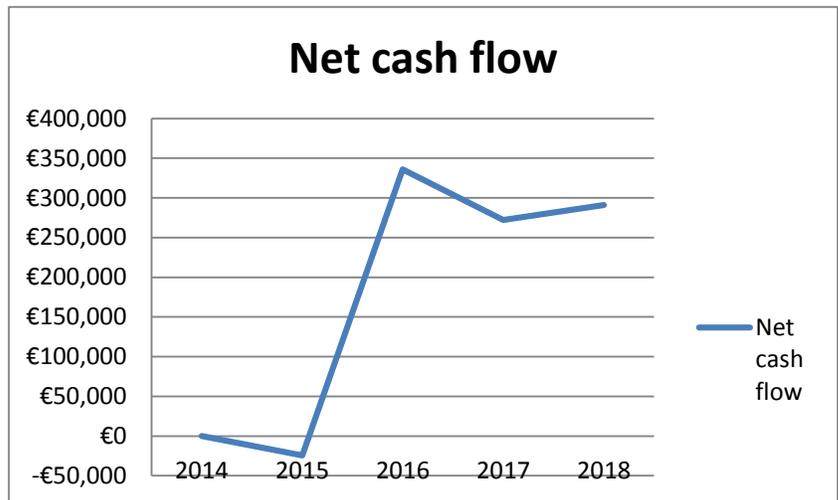


Figure 15- Net Cash Flow

The financial sources describe how the company plans to generate profit with the service offered. As describes in the Price strategy in the Marketing Plan the profit of Experience Bolivia mainly comes from giving accommodation.

6.3. Financial Statements

Three financial statements will be considered:

- Balance Sheet,
- Income Statement
- Cash Flow Statement

6.3.1. Balance Sheet

The balance sheet, or statement of financial position, lists the firm’s assets and liabilities, providing a snapshot of the firm’s financial position at a given point in time. The balance sheet is divided into two parts: with the assets on the left side and the liabilities on the right side.

1. The assets list the firm’s cash, inventory, property and equipment, and any other investments the company has made.
2. The liabilities show the firm’s obligations to its creditors. This side summarizes the sources of capital, or in other words, how the firm raises the money it needs.

Because of the way stockholders’ equity is calculated, the left and right sides must balance. The Stockholders’ Equity subsequently shows the result of the company at the end of the year.

$$\text{Assets} = \text{Liabilities} + \text{Stockholders' Equity}^{37}$$

The balance sheet in the table below shows the figures according to our timeline in the Gantt chart.

Experience Bolivia - Balance Sheet 2013 - 2016				
Assets	2015	2016	2017	2018
Current Assets				
Cash and cash equivalents	€ 13,239	€ 90,574	€ 102,322	€ 92,470
Account receivable	€ -	€ -	€ -	€ -
Inventory	€ -	€ -	€ -	€ -
Total current assets	€ 13,239	€ 90,574	€ 102,322	€ 92,470
Long-Term assets				
buildings	€ 172,000	€ 172,000	€ 172,000	€ 172,000
technology equipment	€ 2,000	€ 2,600	€ 3,000	€ 3,600
furniture	€ 5,000	€ 4,000	€ 3,000	€ 2,000
brand value	€ 1,000	€ 2,200	€ 3,600	€ 5,200
total non-current assets	€ 180,000	€ 180,800	€ 181,600	€ 182,800
TOTAL assets	€ 193,239	€ 271,374	€ 283,922	€ 275,270
Liabilities and shareholder's equity				
current liabilities				
account payable	€ -	€ -	€ -	€ -
short term debt	€ 27,000	€ -	€ -	€ -
Total current liabilities	€ 27,000	€ -	€ -	€ -
Long -term liabilities	€ -	€ -	€ -	€ -
Total Liabilities	€ 27,000	€ -	€ -	€ -
Shareholder's Equity				
Invested capital	€ 180,000	€ 60,000	€ 60,000	€ 60,000
Retained earnings	€ (19,891)	€ 281,856	€ 229,876	€ 247,021
Total shareholder's equity	€ 160,109	€ 341,856	€ 289,876	€ 307,021
Total liabilities and shareholder's equity	€ 187,109	€ 341,856	€ 289,876	€ 307,021

Table 16-Experience Bolivia Financial Statement

6.4. Income Statement

Whereas the balance sheet shows the firm's assets and liabilities at a given point in time, the income statement shows the flow of revenues and expenses generated by those assets and liabilities between two dates. The bottom line of the income statement shows the firm's net income, which is a measure of its profitability during the period.

In this section, the components of the income statement will be examined in detail.

Experience Bolivia - Income Statement									
Year	2015		2016		2017		2018		Total
Revenue	€	321,334	€	506,101	€	530,201	€	554,301	€ 1,911,937
Development costs	€	(180,000)	€	-	€	-	€	-	€ (180,000)
Marketing expenses	€	(5,000)	€	(6,000)	€	(7,000)	€	(8,000)	€ (26,000)
IT costs	€	(3,000)	€	(4,000)	€	(5,000)	€	(6,000)	€ (18,000)
Staff costs	€	(58,800)	€	(64,680)	€	(147,200)	€	(147,200)	€ (417,880)
Utilities Cost	€	(12,000)	€	(12,000)	€	(12,000)	€	(12,000)	€ (48,000)
Other external expenses	€	(78,840)	€	(80,417)	€	(82,025)	€	(83,666)	€ (324,948)
EBITDA	€	(16,306)	€	339,004	€	276,976	€	297,436	€ 897,110
Depreciation	€	(1,400)	€	(1,600)	€	(1,600)	€	(1,600)	€ (6,200)
Operating result (EBIT)	€	(17,706)	€	337,404	€	275,376	€	295,836	€ 890,910
Net financing costs	€	(1,296)	€	-	€	-	€	-	€ (1,296)
Net Profit before Tax	€	(19,002)	€	337,404	€	275,376	€	295,836	€ 889,614
Tax expense	€	(889)	€	(55,548)	€	(45,500)	€	(48,814)	€ (150,752)
Net Profit after taxes	€	(19,891)	€	281,856	€	229,876	€	247,021	€ 738,862
Dividend paid	€	-	€	-	€	-	€	-	€ -
Retained Earnings	€	(19,891)	€	281,856	€	229,876	€	247,021	€ 738,862

Table 17- Income statement

When analyzing the data it seems that in 2016 compared to 2015 EBIT and Net Profit are increasing. This development can be explained with the fact that all debt will be paid to the bank (27,000€ for 12 months). Therefore, especially higher staff costs have to be considered.

6.4.1. Cash Flow Statement

The statement of cash flows shows how a firm has used the cash it earned during a set period. The statement of cash flows utilizes the information from the income statement and balance sheet to determine how much cash the firm has generated, and how that cash has been allocated. Cash is important because it is needed to pay bills and maintain operations and is the source of any return of investment for investors.³⁸

General formula: $Net\ cash\ flow(t) = NI(t) + A(t) + D(OWC) + D(IC)$

The statement of cash flows is divided into three sections:

- Operating activities
- Investment activities
- Financing activities

Experience Bolivia - Cash Flow Statement				
	2015	2016	2017	2018
Cash Flow from Operations				
Operating Profit	€ (17,706)	€ 337,404	€ 275,376	€ 295,836
Depreciation	€ 1,400	€ 1,600	€ 1,600	€ 1,600
Interest paid	€ (1,296)	€ -	€ -	€ -
Income taxes	€ -	€ (54,659)	€ (44,611)	€ (47,925)
Change in Accounts Receivable/ Liabilities/ Inventory	€ -	€ -	€ -	€ -
Net Cash From Operations	€ (17,602)	€ 284,345	€ 232,365	€ 249,510
Cash Flow from Investing				
Brands Investment	€ (1,000)	€ (2,200)	€ (3,600)	€ (5,200)
Investments	€ (7,000)	€ (1,000)	€ (1,000)	€ (1,000)
Net Cash from Investments	€ (8,000)	€ (3,200)	€ (4,600)	€ (6,200)
Cash Flow from Financing				
dividends paid	€ -	€ -	€ -	€ -
change in short-term debt	€ 27,000	€ -	€ -	€ -
Change in long-term debt	€ -	€ -	€ -	€ -
Change in Invested Capital	€ 180,000	€ -	€ -	€ -
Net Cash Flow from Financing	€ 207,000	€ -	€ -	€ -

Total Cash Flow	€ 181,398	€ 281,145	€ 227,765	€ 243,310
At Beginning	€ -	€ 181,398	€ 462,543	€ 690,308
At End	€ 181,398	€ 462,543	€ 690,308	€ 933,618

Table 18- Cash flow statement

6.4.2. Profitability ratios

The profitability ratios help to evaluate our financial performance. They show the company's ability to generate profit with the available resources the company owns.

In the following part, the ratios will be described and the formulas to calculate them can be found.

- **Gross Profit Margin:** The ratio of gross profit to revenues (Sales), it reflects the ability of the company to sell a product for more than the sum of the direct costs of making it. The closer this margin reaches 1, the better.

$$\text{Gross Profit Margin} = \frac{\text{Gross Profit}}{\text{Sales}}$$

- **Return on Assets:** The ratio of net income to the book value of the firm's assets. It is an indicator how well the company is able to employ the assets into income and profit. The higher the ratio, the better it is.

$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Total Assets}}$$

- **Return on Investment:** It describes the return per each € invested in the company. This ratio is especially interesting for investors in the company.

$$\text{Return on Investment} = \frac{\text{Net income}}{\text{Investment}}$$

- **Return on equity:** The ratio of a firm's net income to the book value of its equity. Measure of the return the firm has earned on its past investments. A high ROE may indicate the firm is able to find investment opportunities that are very profitable.

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Book Value of Equity}}$$

- **Return on Capital Employed:** The ROC is a financial measure that quantifies how well a company generates cash flow relative to the capital it has invested in the company. This ratio complements ROE since it also adds debt which gives the total available capital of the company.

$$\text{Return on Capital Employed} = \frac{\text{Net income}}{\text{Debt Liabilities} + \text{Shareholder's Equity}}$$

The Table shows our results when calculating the profitability ratios.

Profitability Ratios	2015	2016	2017	2018
Gross Profit Margin	0	0.67	0.52	0.54
ROA	-0.10	1.04	0.81	0.90
ROI	-2.49	88.08	49.97	39.84
ROE	-0.11	4.70	3.83	4.12
ROC	-0.11	0.82	0.79	0.80

Liquidity Ratios	2015	2016	2017	2018
Current Ratio	0.49	0	0	0
Quick Ratio	0.49	0	0	0
Cash Ratio	0.49	0.00	0.00	0.00
Cash Flow/Debts	6.72	0.00	0.00	0.00

Financial Leverage Ratios	2015	2016	2017	2018
Debt Ratio	0.14	0.00	0.00	0.00
Debt-to-equity Ratio	0.17	0.00	0.00	0.00
Interest Coverage	13.66	0.00	0.00	0.00

Table 19- Financial ratios

Also in this analysis, we have to consider the end of debt in the year 2016. That is the reason why most of the numbers increase until 2015 and then decrease in 2016 again. ROA is also increasing but not very significant as in our business we don't have a high number of assets other than the building. The ROE is under average but also steadily increasing.

6.4.3. Liquidity ratios

Liquidity ratios usually give information about the company's ability to meet its short-term financial obligations. As in Experience Bolivia does not have inventory, accounts payable and receivable, calculating liquidity ratios are not very helpful.

6.4.4. Financial leverage ratios

Financial leverage ratios give indication about the long-term debt. The less leverage a company is using and the stronger its equity position. In addition, this kind of ratios will not be significant in the case of Experience Bolivia.

6.4.5. Capital budgeting indicators

Two main capital budgeting indicators will be analyzed

- Net present value of the start up

$$NPV = \sum_{t=1}^T \frac{NCF(t)}{(1+k)^t} + \frac{V(t)}{(1+k)^T} - I_0$$

- Internal rate of return

$$\sum_{t=1}^T \frac{NCF(t)}{(1+IRR)^t} + \frac{V(T)}{(1+IRR)^T} - I_0 = 0$$

The variables used in these formulas are shown below:

- NCF(T)= Net cash flow in year t
- k = Cost-opportunity of capital (equals 4,80%, see Basic assumption)
- I_0 = Initial investment
- V(T) = Terminal value

	2015	2016	2017	2018
Net Present Value	€ (24,306)	€ (28,029)	€ 31,968	€ 81,279
Internal Rate of Return	-	1282%	1358%	1364%

Table 20- NPV

When calculating the IRR and The NPV in the first two years we get a negative value. That can be considered normal for a start-up enterprise. In 2016, the calculation shows numbers which are highly acceptable.

6.5. Sensitivity analyses

6.5.1. Preliminary sensitivity analysis

This analysis uses the assumption that when changing revenues the costs remain the same. The starting point is 95% of the revenues of each year, and increases with 1% each step. This is equal to an increase of 3123 EURO in revenues. For the IRR and the Gross Profit Margin a sensitivity analysis will be conducted.

Percentage of Revenues	Total Revenues	IRR	Gross Profit Margin
95%	311694	23.80%	-0.083
96%	314907	28.97%	-0.072
97%	318121	33.93%	-0.061
98%	321334	38.73%	-0.051
99%	324547	43.39%	-0.040
100%	327761	47.92%	-0.030
101%	330974	52.35%	-0.020
102%	334187	56.67%	-0.010
103%	337401	60.91%	-0.001
104%	340614	65.07%	0.009
105%	343827	69.15%	0.018

Table 21- Sensitivity Analysis

The increase in IRR is around 5.17% per increase of 1% (=3123 EUR) in revenues. For each increase in revenues, the Gross Profit Margin increases with 0,008. This can be considered as a marginal change.

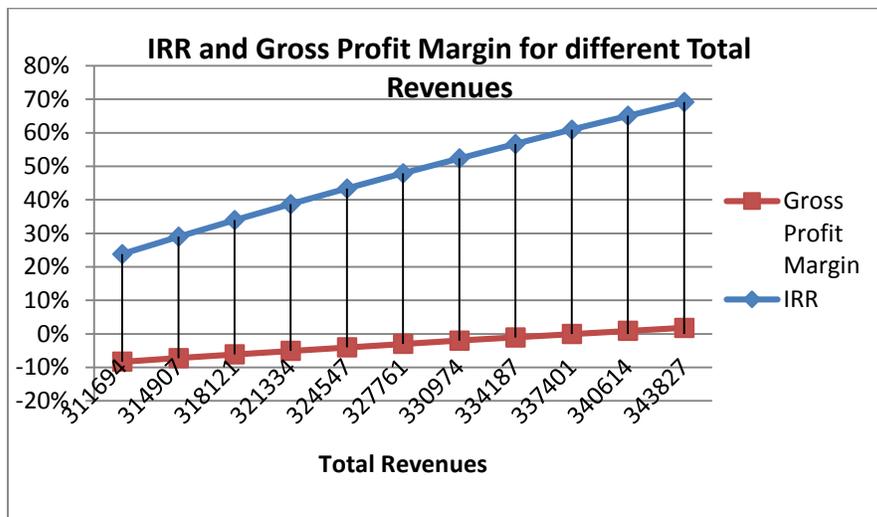


Figure 16- Revenues

6.5.2. What-if analysis and scenarios

The IRR, analyzed in the sections before, will be affected by external and internal factors. The main external influence will be the market growth rate. The main internal factor is the revenue stream. It reflects the company's ability to make its service attractive for potential customers. In this section, an analysis will be performed showing an optimistic, average and pessimistic scenario.

The scenarios are defined as follows:

- (1) Most optimistic scenario: market growth rate high (50%), start-up can take advantage of growth, revenues increase
- (2) Average scenario: market growth rate average (40%), start-up will grow steadily according to the market growth
- (3) Most pessimistic scenario: market growth rate low (20%), start-up's revenues will decline

The results for the different scenarios are given in the three tables below.

In the most optimistic scenario, the company is a great investment for potential investors. This can be seen in the high rate of the IRR and the NPV.

Most optimistic scenario							
t	2015	2016	2017	2018	Total Revenues	IRR	NPV
NCF(t)	-73176	48983	79620	107093	981189	76%	162520
Revenues	0	209910	309112	462167			
Gross Profit	0	0.30	0.33	0.30			

Table 22- Optimistic Scenario

For the average situation, still a reasonable IRR will be achieved. The results of the ratios as already analyzed in the earlier parts of this financial plan imply that the results are positive. The positive aspect is that the company is constantly growing over time and ready for expansion to other markets.

Average scenario							
t	2015	2016	2017	2018	Total Revenues	IRR	NPV
NCF(t)	-24306	335804	272376	291236	1911937	1364%	81279
Revenues	321334	506101	530201	554301			
Gross Profit	0	0.67	0.52	0.54			

Table 23-Average Scenario

In the most pessimistic scenario, the company is not able to survive. The revenues are too low to cover the expenses of the company. This can also be concluded from the IRR. It does not exist since the NPV is negative. In other words, investors should not put their money in the start-up.

Most pessimistic scenario							
t	2015	2016	2017	2018	Total Revenues	IRR	NPV
NCF(t)	-73176	43147	15797	-60727	743711	1	-74959
Revenues	0	204074	245289	294347			
Gross Profit	0	0.28	0.16	-0.10			

Table 24- Most Pessimistic Scenario

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