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TORRE BLANCA HOTEL CANTABRIA

BUSINESS PLAN

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2. Executive Summary

Following project presents the Business plan for a 4 Star Torre Banca Hotel, located in the region of Cantabria in Spain. Property is focused on people of different ages and nationalities, who are looking for new destinations, possibilities to practice sports and have active holidays, both from physical and cultural points of view, and at the same time – people, who are used to high international service quality standards.

In accordance with latest statistics and key trends and tendencies of the global, European and Spanish tourist markets in particular, the industry continues to grow. With several exceptions, outbound tourism from key destinations, such as North American, Asian and European regions, demonstrates increase of the tourist flows. Spain, being one of the leading tourist destination countries of the European region, shows stable increase of visitors every year. Popular tourist destinations, such as Catalonia, Madrid and Southern Mediterranean coast are overwhelmed with tourists coming from all over the world. According to the annual research of Global Destination Cities Index (GDCI) by the end of the year 2016 Barcelona will receive 8,2 millions of international visitors, which is 6,4% more than the previous year. Such situation leads to the development of alternative forms of tourism and new destinations. One of them is adventure or “nature-based” tourism, which is gaining popularity among people who are focused on healthy and sustainable lifestyle. In this context it also worth mentioning the increasing Creative class as a separate category of travelers. This segment, initially defined by North American tourist industry specialists, includes travelers, who “want to experience the culture of a place they visit; they want to know about the content or “goodness” of a product before they buy it; they want to be active participants.” (How the Americans will travel 2015. <http://tourism-intelligence.com>). The increasing role of the Creative Class in the development and transformation of the international tourism makes it necessary for destinations and touristic accommodation properties to take into consideration needs and requirements of this new fast developing segment in order to be competitive not only for the North American market, but for the wider international target audience of millennials in general.

In terms of investment potential of the hospitality industry, Spain preserves leading global position. The Travel & Tourism Competitiveness Report 2015 published by World Economic Forum, shows that Spain in terms of tourism has highest ranks globally within The Travel and Tourism Competitiveness Index (TTCI). This indicator is calculated, basing on the evaluation of different

aspects, such as enabling environment, travel and tourism policy and enabling conditions, infrastructure, natural and cultural resources. (The Travel & Tourism Competitiveness Report 2015. World Economic Forum. p.4).

Taking into account the above mentioned information, a hotel specialising in adventure tourism in a less known and more authentic destination, such as Cantabria, can be considered to meet the requirements of the latest travel industry trends and tendencies.

Region of Cantabria is less developed and not as well-known as mature Spanish destinations. However, natural and cultural resources of the area can be considered as perspective attractors for international nature-based tourism flows. Diverse landscape from mountains to ocean shore beaches, several natural parks, cultural heritage spots, local gastronomy and comfortable transport access provide the opportunities to create a complex tourist product which will be competitive on the international level.

Business model involves focus on the segment of adventure nature-based travelers of different ages who share same values and same vision of the active lifestyle, adventure tourists and amateur sportsmen. The Torre Blanca Hotel can offer balanced combination of the accessibility of regions best natural and cultural resources, high quality of services and being a property with high technology infrastructure. Creation of such product involves acquisition of the land in a strategically optimal location, property construction or renovation and expansion; establishment of cooperation with local suppliers and service providers, international connections with specialized niche companies and organizations; creation of a professional team sharing the same values with the potential clients.

Property includes main building with hotel type accommodation (30 rooms), 10 cottages and 1 apartments building with the access to the hotel services. Infrastructure includes convertible indoor-outdoor swimming pool, spa zone, equipment rental point and in the upcoming perspective – stable and tennis court.

3. Business description

3.1. Business model concept

Chosen business model summary includes following elements:

- Valued customer

Key market segments of the hotel can be characterized more as niche than mass market. Focusing on adventure tourists coming both from Spain and other countries, target clients represent different age categories and nationalities, belong to middle class and are passionate about nature based and cultural experiences, outdoor sport activities and sustainable way of travelling. Segments include families with children, couples, single travellers and groups who focus on sport and adventure tourism.

- Value proposition

Value proposition of the following project is based on combination of rich local cultural and natural resources and high quality of services in accordance with international standards. This includes location, 4 star property, personalized services, usage of high technologies, diversified product in cooperation with local business, infrastructure for events organization, sustainability and social responsibility. As Cantabria is not a well-known destination, it is very important to maintain competitive price level. Main focus of the value proposition is put on the high quality of services and infrastructure and possibilities to the best of local natural and cultural resources. Offered products are closely related to local infrastructure and personalized.

- Value chain structure

Taking into account basics of the adventure tourism, important aspect of the project is focus on local resources and capacities. Location of the hotel and infrastructure, which includes recreational facilities such as swimming pool, SPA area and others, are the key factors for offering value for adventure and nature based tourism.

Providing experience in such spheres as gastronomy, winery and cultural activities will be based on cooperation with local suppliers and service providers, such as local travel agencies.

Regarding human resources focus on local people is also crucial for giving local experience and knowledge of the area. However, in order to achieve required quality of services it is important to have system of trainings and quality management procedures.

Communication and marketing activities in cooperation with local destination marketing are

the key instruments for reaching selected key target segments.

- Profit Engine Elements

Key revenue sources include revenue from rooms, revenue from food and beverage, revenue from events and adventure tourism packages. As seasonality is a very important factor for the analyzed region, share of the above mentioned revenue streams will depend on time of the year. For example, during high season summer months most of the revenue may come from rooms and food and beverage, while during low season events and adventure tourism packages can be more significant source of revenue.

- Main costs:

- Initial cost – property acquisition and reconstruction costs;
- Fixed and variable costs: buildings maintenance, food and beverage costs, employees and outsources personnel, sport facilities maintenance costs, marketing and advertising costs; organization of events and adventure tourism related activities.

Variable and fixed costs, as well as revenues, depend on the seasonality factor in a significant way.

- Sustainability and Protection

As it was already mentioned, popularity of adventure and nature based tourism is constantly increasing. At the same time region of Cantabria due to local government policy and destination marketing is becoming more attractive for tourists. These two factors, on condition of maintaining high quality of services and infrastructure of the hotel, are believed to be the basis for success sustainability in time. Special attitude to natural resources, sustainable development and contribution to the development of the region can also be considered as important success factors.

- Replication and Internationalization

Following Business model can be replicated in case the natural and cultural resources offer same possibilities to become touristic flows' attractors.

Adaptation of the model can be based on more profound market analysis and more detailed definition of key target markets, which includes geographical, social, psychographic segmentation. On the other hand, change of trends in the sphere of adventure and nature based tourism can also demand adaptation and bringing more innovations to the business model.

- Main driver

As for any business, aiming at profitability is essential. However, following project has other important objectives:

- increasing interest for sustainable nature based tourism, which brings benefits both to travelers and to local nature resources;
- contribution to the development of the region from the economic point of view;
- creating a product which will unite people and community with the same passion for nature and adventure/sport tourism.

3.2. History and points of interest

History of the region can make a significant contribution to the popularity of Cantabria as a tourist destination. The mixture of natural and cultural resources and tourist attractors make the destination more competitive, creating added value for different segments of travellers and widening the variety of the offered tourist products. From this point of view, it is important to understand what cultural and historic resources are available for the tourist industry of the destination. Following section is dedicated to the analysis of cultural and natural resources which will form the base for the key target segments of the Torre Blanca Hotel.

Cantabria Region has long and rich history, which makes the province a place of interest from the cultural point of view. The outstanding aspect of region's history is the fact that Cantabria has historical sites, related to Palaeolithic times, which makes cultural tourism of the region very diversified from the point of view of different historical periods. In general, there are more than 30 caves on the territory of modern Cantabria which have prehistoric cultural remains. The most famous cave of Cantabria is located in Altamira near the town Santillana del Mar. According to the estimations of the scientists, the paintings were made approximately fifteen thousand years ago.

Another important period of the history of Cantabria is related to the Roman Empire. According to the historical data, Cantabria was one of the last regions, invaded by Roman armies as people of the area demonstrated intense resistance to the Roman invaders. However, it is believed that Roman influence was relatively insignificant and was concentrated in the cities which were founded by the Roman Empire. Nevertheless, capital of Cantabria – Santander – was a key harbour and important port for the Roman Empire and can be considered as the origin of the modern city of Santander.

During the Middle Age period after Cantabria region became independent from the Roman Empire in the year 409, territory of Cantabria several times was divided and belonged to different states and provinces, which results in various geographical identifications of the Cantabria region during the mentioned historical period. Santander as the capital of the region kept being the most

important spot on the Cantabrian map and officially became a city in the year 1755 (<http://www.tourspain.org/santander/history.asp>). Since the XIX century Santander and its surroundings became a popular tourist destination of Royal Family members and aristocracy of Spain due to its seafront location, mild climate and rich natural resources.

From the perspective of natural and adventure tourism Cantabria region has many advantages and tourist attractions. Located in the north of Spain next to the popular tourist destination – Basque Country, Cantabria is part of so-called Green Spain, situated between mountains and ocean coast. From geographical point of view, Cantabria has diversified landscape - from relatively flat coast to mountains. Due to Gulf stream, climate of the region is mild with warm summers. Territory of Cantabria has a surface area of approximately 5.330 square kilometers and is the second least populated region in Spain (European Commission. Regional Innovation monitor. Cantabria).

The province of Cantabria is very rich in natural resources and has seven natural parks, which provide a lot of opportunities for nature based and adventure tourism. Several of the natural parks are declared Special Protection Areas for birds and animals. Natural resources of the region provide different possibilities for such activities as hiking, cycling and climbing. According to the Cantabrian tourism official web page region offers more than 600 kilometers of hiking and bicycle routes of different difficulty levels, located both on the coast and in the mountain area. Region gives possibilities to participate in organized guided hiking group activities on different trails during various seasons in order to experience unique natural diversity of Cantabria.

Besides hiking and cycling Cantabria has a lot of opportunities for water sports such as surfing and kite-surfing, sailing and others – the region has approximately 220 kilometers of coastline with diversified types of beaches suitable for different kind of watersports.

Besides historical sites, in terms of cultural heritage aspect of adventure tourism in Cantabria, it is worth mentioning possibilities for tourists to get local experience by visiting numerous small towns and villages with typical Cantabrian architecture to get acquainted with local traditions and culture. Moreover, as it has been already mentioned before, region is famous for numerous caves, which have both natural and historical value – several caves are famous for prehistoric wall paintings.

Important part of local experience is gastronomy – besides local restaurants, travelers can visit local farms and wineries, and as well to participate in gastronomy events, workshops and degustation of local products and dishes (Turismo de Cantabria).

Another important aspect of the Cantabrian culture which will be reflected in the product, offered

by the Torre Blanca Hotel, is the local architecture. In order to provide more possibilities for local experience for the tourists staying at the hotel, main building of the property will reflect the style of the typical Cantabrian buildings. As the hotel will be focused on the natural resources and located in the countryside, it is worth mentioning the development of rural Cantabrian architecture. During the early Medieval period typical peasant houses in Cantabria were made of wood and had just one floor with attic. Being very simple, such houses, nevertheless provided inhabitants with spacious living areas. Starting from the XV century typical Cantabrian countryside buildings became bigger and had more than one floor. In the next centuries – XVI and XVII – Cantabrian rural architecture started to evolve into the form which today can be seen in modern Cantabria and can be considered as the base of modern rural architecture of the area. Nowadays these types of buildings can be found in the middle and low-land parts of the regions and may have different variations, such as “houses with a garreted roof, houses with the balcony between firebreaks of moulded corbels, houses with balcony rests on side-pillars, and houses with a projecting balcony” (Cantabrian Popular Architecture. University of Cantabria). Starting from the XIX century rural buildings of Cantabria started to obtain more features of the city architecture of that period, for example, usage of the glass galleries instead of balconies. It is also worth mentioning, that building styles vary depending on the landscape, which is explained in significant way with the practical aspects and availability of different materials. In the upper parts of the region stone is used more often and the structure of the buildings is more adjusted to the mountain landscapes. Eastern parts of Cantabria were more influenced by the Basque Country architecture and rural houses of the area have many similarities to the Basque “caserío”.

Important aspect of the rural Cantabrian architecture is isolation of the living house from all the rural infrastructure – due to this fact typical rural household of the region include different buildings which serve different purposes – from workshops to grain storage buildings. Such layout is implemented in the following business plan project: property consists of main building with hotel rooms type accommodation, reception, bar/restaurant and other buildings which include apartments or cottages, sport center, spa area, summer restaurant.

Examples of the building in Cantabrian style, which will be taken as a basis for architecture project development are represented in Annex 1.

Summing up, the region of Cantabria can be considered as a very perspective destination for various segments of international travelers, including the increasing creative class segment and the dominating millennial generation. First of all, natural resources of Cantabria make it an attractive

destination for adventure and sport tourism – due to its various landscape and natural parks the region provides diversified recreational opportunities and amateur sport tours. Cultural resources and possibility to have local experience of the region, which stand apart from the commonly-known tourist destinations of the country, can be used as an attraction for travelers who are looking for new, authentic places to visit. On the other hand, Cantabria due to its relatively small territory and location next to several international airports, can be considered as an easily accessible destination. At the same time the area is neighboring to such a popular tourist destination as Basque country, which provides possibilities to attract travellers to Cantabria within long-term northern Spain area visits of international tourists.

In order to be able to include all the benefits of the region into the product offered by the property, it is important to choose the optimal location for the hotel – within an hour driving distance from the airport; close to the ocean coast and best beaches of the region; with easy access to the natural parks, hiking and bicycle routes; within the comfortable driving distance from the nearby towns in which tourists can feel the atmosphere of Cantabria and enjoy beautiful landscapes. As significant part of hospitality industry infrastructure, such as hotels and other accommodation types, is located near the capital city of Santander, from the point of view of authenticity and natural resources, the adventure tourism oriented hotel should be located in the western part of the province in the region of San Vicente de la Barquera.

For being able to provide guests with local experiences it is very important to establish cooperation with local companies – from food suppliers to local sport and cultural services companies (sport schools, tour agencies, wineries and restaurants). Another important aspect of the competitive advantages of the hotel and destination in general is the fact that it is possible to provide high quality of services and at the same time, by focusing on natural resources and avoiding excessive types of expensive services, to make the destination less expensive than mature tourist destinations of Spain and neighboring countries.

3.3. Strategy and competitive edge

Strategy of the Torre Blanca Hotel is based on several important factors which will be described in the following section. In general, the property is supposed to provide potential clients with the feeling that they are visiting a house of a hospitable friend in Cantabria, where they have the opportunities to enjoy all the natural and cultural resources of the region, to practice different sports in the open air, get acquainted with local gastronomy and culture, and feel appreciated and

welcomed. Such aim, first of all, can be achieved by the individual approach to every customer. Small size of the property and different accommodation options will make such approach possible to implement. Hotel infrastructure is based on the traditional household of the Cantabrian region and includes main building of the traditional local style and several other buildings which will offer more flexible apartment and cottage type of accommodation for guests who prefer to be more isolated and independent and at the same time have the access to hotel services, such as housekeeping, catering and sport facilities. Important element of the property is SPA center which will provide basic services to meet the requirements of the sport oriented guests – swimming pool, sauna and massage.

Location of the hotel is crucial in terms of natural resources. As the hotel in significant way is focused on people who prefer active time spending during vacation and amateur sportsmen, it is very important for the property to have access to hiking routes, bicycle trails, ocean coast to practice surfing, along with the equipment available at the property and cooperation with local sport organizations. Guest of the hotel will be offered constant assistance both in everyday small sport activities and organization of sport events of larger scale, such as marathon preparations or amateur competitions. This aspect is also considered to be valuable for Groups and Events sector. Chosen land near San Vicente de la Barquera has a unique location near the coast line and close to the famous mountains and natural park of Picos de Europa, which are also called the Cantabrian Mountains. This name is related to the historical fact, that the mountain peaks were the first thing to see for the ships arriving from the New World to Europe. The natural park has the most famous Spanish mountains which attract adventure tourists and climbers from all over the world. The highest mountain of the Picos de Europa on the territory of Cantabria, after which the hotel is named, is called Torre Blanca and it has the height of more than 2 600 meters. Such location of the hotel gives the guests opportunities to experience various types of landscapes from the ocean coast to highest mountains of the country, as well as authentic local culture of the region.

Outlets of the hotel are focused on healthy local food with significant role of local seasonal products. Hotel's restaurant will offer simple in a positive way gastronomy, suitable for people who are following healthy way of life, and at the same time reflecting Cantabrian gastronomy traditions. Food and beverage of the hotel also includes individual approach, by adapting menus to the needs of the customers.

Due to the above mentioned natural resources and infrastructure, sport options available at the

property include the following:

- Hiking in the natural park areas;
- Mountain climbing;
- Swimming training in the open water conditions;
- Long-distance bicycle routes;
- Seasonal surfing and kite-surfing lessons;
- Horse-riding;
- Golf fields nearby;
- Tennis courts.

Apart from location and recreational opportunities, important aspect of the strategy is quality of services and technology. As the hotel is focused on adventure and sport tourism, available services are related to this focus and the do not include typical luxury services of city hotels. Key concept of the provided services can be described as sophisticated simplicity, focused on the healthy way of life. Besides standard services, such as transfers, parking, free wi-fi, laundry, guests can take advantage of the specialized services related to sports and adventure tourism. This may include consultations with sport trainers, nutritionists, spa therapists, along with the organization of customized sport/adventure programs. Such services will be provided in cooperation with local companies and specialists and can be used on requests, depending on the demand. As it has been already mentioned, individual and customized approach is an important aspect of quality of services perception. Each guest should be addressed prior to arrival in order to determine special needs or requests, such as food allergies and special diets information, sport activities preferences. Guests who stay at apartments and cottages can make advance orders of the groceries through hotels special web page section, which will be realized by the hotel before their arrival. Torre Blanca Hotel is as well pet-friendly, with no restrictions to size of pets and no extra fee for accommodation with pets.

Summing up, the strategy of Torre Blanca Hotel development is based on several aspects: location close to main places of interests for different customer segments, high quality of services based on individual approach, implementation of high technologies and close cooperation with local business and community in order to create diversified product for the potential customers. Hotel infrastructure and services exceeds the standard local accommodation types and at the same time is below the luxurious level which helps to maintain competitive prices.

3.4. Mission and objectives

Mission and objectives of the business model of Torre Blanca Hotel are focused on long-term successful existence of the hotel, contribution to the development of the local community and business environment, and increasing the popularity of Cantabria region as a worldwide adventure tourism destination. Mission of the Hotel can be described as the following:

Torre Blanca Hotel has the aim to become one the best hospitality properties in the region of Cantabria by providing excellent quality of services and individual approach to every guest, offering all the possibilities to enjoy various local experiences and activities. Uniting people with same passion towards nature, active way of life and adventure tourism, Torre Blanca has the objective to create international community of travelers who appreciate the natural resources of Cantabria and share same values. By actively involving local people and local small business, using services of local suppliers, Torre Blanca Hotel will contribute to the economic and social development of the region. Sustainable and responsible usage of the natural resources is the essential part of the mission of the hotel, aimed at preserving and developing unique nature and culture of Cantabria.

Main objectives of the following business project include the following:

- Creating a property which will help to preserve local architectural tradition;
- Creating a diversified team of local and international people in order to be able to offer guests unique experiences and international standard quality of services;
- Make the hotel a well-known international destination through mass media, social media and specialized resources;
- Host and organize international events related to adventure tourism, develop partnerships in the related fields;
- Reach profitability of the property in 2 years after its opening.

4. Analysis of the business environment

4.1. The market

4.1.1. The market characteristics and major trends

In order to analyze the market of the adventure tourism in Cantabria and in particular the tourist accommodations market of the region, it is important to look at the development and key trends of the global adventure and nature-based tourism as a separate sector.

Adventure tourism is closely related to the concept of rural tourism, which started gaining popularity in the end of the XX century. Today, when urbanization processes keep developing and expanding, more and more pressure is being put on the urban destinations and urban resources. As a result, rural and nature based tourism continues to gain popularity among tourists and travelers all over the world. At the same time, nature-based tourism expenditure is considered to be a positive change of tourist market, as it gives significant contribution to the development of non-urban regions by bringing more investment, creating employment and stimulating economic growth (Dashper K., Rural tourism: An international perspective. 2014).

Rural tourism, which has quite wide different definitions, in general can be described as responsible tourism for travelers with special interest in non-urban or countryside areas, which involves different local activities and attractions. This may include agri-tourism, related to farm and agricultural areas visits and experiences; cultural heritage tourism focused on local unique experience and ecotourism or tourism based on natural resources of the destination (Irshad H. Rural Tourism – An overview. 2010).

Adventure tourism as part of nature based and rural tourism has been gaining popularity during last decades. For example, according to the research published in 2009 in the journal PLoS Biology in 15 of the 20 analyzed countries number of tourists visiting natural reserves has been constantly increasing since 1990s – in some countries annual average increase reached 7-8%, in Europe in general annual changes of nature based tourism flows remained positive (Cambridge University, 2009, <http://www.cam.ac.uk/research/>). According to the trends it can be concluded, that one of the most popular and fast developing types of nature based tourism is adventure tourism. According to the Adventure Travel Trade Association (ATTA) adventure tourism is “a trip that includes at least two of the following three elements: physical activity, natural environment, and cultural Immersion”. The ATTA classification of adventure tourism consist of two main categories – soft and

hard adventure activities, which includes wide range of adventure activities from archeological expeditions to volunteer tourism. According to the ATTA estimations in 2014 companies which are involved in adventure tourism business had revenues increase of 24%, average age of adventure traveler was 48 years old and in gender structure 53% of travelers were female. At the same time demographic structure of adventure tourism is also changing - as the share of millennials, multigenerational family groups and single women is increasing (Goldberg B., 2015).

Another important source of information and analysis of the adventure tourism is Global Report on Adventure tourism published in 2014 by World Tourism Organization (UNWTO). Document reveals detailed information on key tendencies and crucial aspects of the global development of adventure tourism. Among them are the following:

- Growth in demand for adventure tourism

First significant estimation of the adventure tourism market size was conducted in 2010 by the ATTA, The George Washington University and Xola Consulting company and in accordance with the study adventure tourism market reached 89 billion USD. Two years later, in 2013, similar study revealed global adventure tourism market size of 263 billion USD, which meant increase of 195%. (Adventure Travel Trade Association (2013), Adventure Tourism Market research/adventure-tourism-market-study-2013-web.pdf (24-09- 2014). This intense growth of the sector was explained by such factors as increase of global outbound travels, increase of number of adventure oriented trips and general growth of the average spending of the sector.

Important aspect of the growth of the demand for adventure tourism products is the increasing role of emerging markets both for inbound and outbound travelling. Such regions as Asia and South America show stable growth of tourist flows focusing on adventure tourism. It is also worth mentioning the trend towards disintermediation in the sphere of adventure tourism, which means that more and more travelers prefer to organize their adventure trips themselves, without such third parties as tour agencies involved. For example, according to the study of the USA adventure market The AdventurePulse: USA adventure travelers profile, 71% of the American adventure travelers prefer to make all the travel arrangements on their own.

- Growth in Supply of Adventure tourism

Along with the increasing demand for adventure tourism, supply of the following sector also keeps expanding. Important trend of such dynamics is increasing role of specialized trainings for people

who work in the adventure tourism sector. International regulations, certifications, norms and standards in the sphere of adventure tourism become more and more widespread.

With the increasing popularity of adventure tourism there is a trend among various destinations to build the marketing strategy of these destinations on the base of adventure tourism resources as key attractors. One of the pioneers of such approach were Northern Europe countries, such as Norway with destination slogan “Powered by nature”. Focus on adventure tourism is also becoming a trend for private sector – important travel industry companies of Europe and North America, such as tour operators, travel agencies and associations, develop adventure tourism as a separate segment or make it their primary brand identity.

- Increased connectivity

Same as for global tourism and travelling industry in general, becoming more connected while travelling is also an important trend for the adventure tourism sector. Technology has a significant impact on the industry, which makes it extremely important for the companies, working in the sphere of adventure tourism, to use latest online tools and high technologies.

- Understanding the variety of adventure tourism activities

As adventure travelers can be characterized as an open-minded, flexible and constantly looking for something new, it is very important for the adventure tourism market players to keep up with the pace and take into consideration new developing types of activities. Both mature and new directions of the adventure activities require constant adaptation of the services and infrastructure in accordance with constantly changing trends.

(Global report on adventure tourism. Vol. 9. UNWTO. 2014. p. 16)

Adventure tourism in Spain and Cantabria

Besides global trends of the development of adventure tourism, it is very important to analyse the market in Spain and in Cantabria region in particular.

Study “The State of art in research into rural tourism in Spain: an analysis from the perspective of marketing” by José Manuel Hernández-Mogollón, Ana María Campón-Cerro and Helena Maria Baptista-Alves published in the journal of University of Huelva “Enlightening Tourism. A pathmaking journal” in 2011, focuses on the marketing aspects of rural tourism in Spain. Authors of the study mention the importance and increasing role of rural tourism in country’s hospitality industry.

According to the study with reference to Rural Accommodation Survey conducted by National Statistics office of Spain - between years 2001 and 2010 number of accommodations in the sphere of rural tourism increased by 145,13%, number of people employed in the sector – by 165% and number of travelers who choose rural destinations – by 120%. However, authors of the article mention as well challenges of the sector which result in decrease of such important indicators as average occupancy rate and average length of stay for the sector during the analyzed decade. Taking into account the above mentioned information, following study suggests marketing as an important instrument to improve and stimulate rural tourism sector growth. This involves such aspects as efficient approaches to both operational and strategic marketing along with profound research techniques. (José Manuel Hernández-Mogollón, Ana María Campón-Cerro and Helena Maria Baptista-Alves, 2011).

According to the statistical data, provided by Cantabrian institution ICANE, in 2014 Cantabria was visited by approximately 843 000 travellers from Spain and 194 000 travellers from other countries. Most of the internal tourists were coming from Madrid, Basque country and Castilla y Leon, while significant share of international tourists was coming from France, the United Kingdom, the USA and Germany. (ICANE. 2014. *Encuesta de Ocupación Hotelera Resultados Zonas Turísticas*).

4.1.2. Size and expected growth

Taking into account the relatively small territory of the province of Cantabria and natural and cultural resources of the region, it can be concluded that adventure tourists play crucial role in the Cantabrian incoming tourism. Important tourist and hospitality district of the province is its capital Santander, which has a lot of city type accommodations. Nevertheless, the western parts of the province – Liébana, where San Vicente de la Barquera is located, and Costa Central are among the most visited parts of the province, in particular by the adventure oriented travellers.

Regarding geographical market structure, it is important to mention the high share of national market, which, according to the destination marketing company CanTour (Sociedad Regional Cántabra de Promoción Turística), in 2015 was about 81% of all the travellers.

The profile of residents of Spain who visited Cantabria in 2014, provided by the Cantabrian Institution of Statistics ICANE in the report “Perfil de turista en Cantabria. Año 2014” (Profile of the tourist in Cantabria. Year 2014), include following information :

- In 2014 visits of Spanish residents were about 2% of the internal tourism flows of the country. Average length of stay was 4,4 days.
- Approximately half of the Spanish travellers visited Cantabria for different recreational reasons – such as beach, sport tourism, nature-based vacations. Almost 11% of the national tourists came to Cantabria for cultural resources.
- Most visited by Spanish people parts of Cantabria in 2014 were the following: Santander (32,3%), Trasmiera (22,3%) and Asón-Agüera (16%). All of the mentioned regions are located in the eastern part of the province, neighbouring to the popular tourist destination – Basque Country.
- Regarding the types of accommodation – 36% stayed with their friends or family, 27,85 % stayed at their properties and only 21% chose hotel type tourist accommodation. 90% of the Spanish residence who visited Cantabria in 2014 reached the destination by car.
- In terms of age – approximately one third of the Spanish visitors were between 25 and 44 years; 17,25% - between 45 and 54 years old; 16% - between 16 and 24 years old.

According to this information it can be concluded that significant part of Spanish residents who visit Cantabria or travel within the province do not use traditional tourist infrastructure and combine vacations with friends or family visits. This market can be considered as stable, as number of national tourists coming to Cantabria has positive dynamics. However, due to the mentioned specific features, for this market it is important to focus on adventure tourism services with added value for people who are acquainted with region and at the same time are not looking for long-term hotel accommodation.

As the information of ICANE states, in 2015 only about 18% of the travellers who visited Cantabria where from abroad (203 095 travellers), with the average stay around 2 days. European tourists make the majority of the international arrivals to Cantabria, while about 13% of the international tourists were from North American region. Nevertheless, even though the share of foreign travellers visiting Cantabria in 2015 was still relatively low, the comparison of the statistics of various years demonstrates that several key geographical markets of the European region for Cantabrian tourist markets demonstrated significant increase (See Table 1). For example, one of the most important market – France, showed an increase of 22% between years 2010 – 2014. Number of German tourists has also been increasing. However, it is important to take notice of the decreasing tourist flows coming from the UK. This market can be considered as one of the most important ones for

Cantabrian tourism.

Table 1. International tourist flows to Cantabria from European countries 2010 vs. 2014

Country	2010	2014	Difference 2010-2014
Germany	13.358	16.948	26,9 %
Austria	963	1.407	46,1 %
Belgium	4.149	5.409	30,4 %
Denmark	998	873	-12,5 %
Finland	815	1.351	65,8 %
France	31.869	39.121	22,8 %
Greece	540	332	-38,5 %
Ireland	4.060	4.533	11,7 %
Italy	14.611	11.921	-18,4 %
Netherlands	5.891	5.795	-1,6 %
Poland	1.023	1.444	41,2 %
Portugal	9.443	7.271	-23,0 %
UK	46.130	40.553	-12,1 %
Norway	510	1.282	151,4 %
Russia	714	2.637	269,3 %
Switzerland	1.982	2.647	33,6 %

Source: Encuestas de Ocupación en Alojamientos Turísticos, INE 2014.

In terms of international tourism and its relation to tourist accommodation activities, it is worth mentioning the information published by the Government of Cantabria, Cantabria Infinita, Universidad de Cantabria and Sistema de Información Turística de Cantabria, regarding the

international tourism in Cantabria in summer 2016 (high season). The following document provides the result of a study of selected questionnaires (590) and gives the understanding of the international tourists' behaviour tendencies and preferences:

- Gender distribution: 51,9% - male, 48,1% - female.
- Age: 24,2% - between 26 and 35 years old; 21,5% - under 26 years old; 20,7% - between 46 and 55 years old; 16,9% - over 55 years old; 16,6% - between 36 and 45 years old.
- In terms of professional activity – 55,9% of the participants were employed and 20,5 % were students.
- Top three countries of origin are the following: France, The United Kingdom and Germany, which goes in accordance with the accumulated travel statistics provided by ICANE.
- Average daily spending of international tourists in Cantabria was estimated at the level of 135 EUR. Almost half of the spending are related to the accommodation costs.
- Regarding means of transport – 44,7% arrived to Cantabria by car; 33,9% - by plane.
- Accommodation preferences vary in relatively even proportions. 27% of the respondents stayed at hotels; 22,2% rented apartment for their visit; 16,6% chose guest houses and hostels; 14,2% spent their vacation in Cantabria at camping type accommodations; 11,9% preferred rural houses and farm-type properties and only 3,6% of international participants of the survey stayed at the houses of their friends or family-members.
- Preferences of hotel category go along with the hotel infrastructure of the region. Majority of the hotels, chosen by the international tourists were of three star category (41,3%). Two and four star hotels have same shares of 16,9% and five star hotels share was 1,2%.
- From the point of view of the channels, it is important to mention that only 11,5% used travel agencies to organize their trips to Cantabria, while 26,9% used online intermediary and 22,7% booked through property web-pages. In terms of direct bookings 18,1% used telephone or email to book the stay. 86,4% of the respondents' visit to Cantabria was not organized within a tourist package tour.
- The survey also covers such important aspects as destination loyalty, key activities during the trip and used sources of information. Therefore, around 40% have visited Cantabria before. 58,2% of the respondents were travelling with family members, 34,2% - with friends, and 7,2% - travelling alone. Main objectives of the trips to Cantabria included rest and relaxing time spending, leisure tourism, family and friends visits, nature-based activities and

cultural visits. Most of the respondents were obtaining information about through friends, social networks and specialized travel resources, such as TripAdvisor, and other online resources.

- In terms of evaluation and satisfaction level, most of the aspects of the destination, obtained high rates between 8 and 9 on the 10 scale (beaches, security, natural resources, landscapes, natural parks, cultural places of interest and gastronomy). Lowest satisfaction level is related to the climate – 7,1.

Besides the above mentioned market evaluation and statistics, it is worth mentioning that all the participants think of Cantabria as of a destination which is not well-known outside Spain, at the same time stating that the region has high quality of services, is “surprising and attractive from the touristic point of view”.

Summing up, it can be concluded that tourist activity in Cantabria is slightly increasing every year, both for national and international markets. However, it is important to understand needs and preferences of each market. As the quantitative and qualitative surveys demonstrate, Cantabria has big potential for becoming international popular destination for adventure tourism, but it is necessary to develop and implement marketing strategies to increase the international recognition of the region.

4.1.3. Segments

From the geographical perspective:

- National tourists (coming from Spain);
- International tourists:
 - Segment of the European region countries;
 - Segment of the North American Region;
 - Segment of the South American region;

From the sociodemographic perspective:

- Families with grown-up children;
- Groups of friends;
- Couples;

- Individual travellers.

From the travel motivation perspective:

- Adventure tourists focused on natural resources;
- Adventure tourists focused on nature-based sport-activities;
- Adventure tourists focused on cultural resources and gastronomy;
- Leisure tourists.

Another important segments – MICE:

- Small corporate events;
- Social private events;
- Amateur sport events (tournaments, training programs).

4.2. Competitive environment and sector

4.2.1. Competition – current and new entrants

Hotel accommodation market of Cantabria can be characterized with high share of low-cost properties of categories of three stars and below. As it has been already mentioned, luxurious accommodation has insignificant share on the market. Most of the hotels are located in the area of Santander and neighbouring territories. According to the statistics represented in the report Analysis of the occupancy of the tourist accommodation of Cantabria (Análisis de la ocupación en los alojamientos turísticos de Cantabria) published by the Government of Cantabria in cooperation with School of Tourism of Altamura and University of Cantabria for the period of May – September 2016 (high season), in general there are more than 1 500 tourist accommodation establishments on the territory of Cantabria. Occupancy level vary depending on the area, and due to high influence of seasonality factor reaches maximum annual level of 55% for the most popular touristic areas. However, during the high season average occupancy levels are close to 80%.

Analysing the market size, it is important to mention number of properties represented on the online travel agencies resources, as they are believed to be one of the key booking channels, especially for international tourists. Therefore, on Booking.com, which is one of the most popular and worldwide recognized OTA, number of available accommodations in Cantabria is 875

properties. About 32% of them are hotels, 25% - apartments, 20% - guest houses and 12% - country houses. In terms of categories – 67% of the properties are indicated as accommodations with no star categories. Three star hotels form about 13% of the offer, and only 37 properties belong to 4 star category and 4 properties are indicated as 5 star hotels.

Following properties, located in the nearby areas are considered to be the key competitors of Torre Blanca Hotel:

- Hotel Palacio de la Peña – a 5 star hotel, situated near Cuberris Beach within the 40 minutes drives distance from Santander. Hotel occupies the 16th century historical building. Restaurant of the hotel offers a la carte menu and customized menus upon request. Accommodation type includes hotel rooms and studio apartments. High season ADR – 200 EUR.
- Costa Esmeralda Suites – 5 star hotel, located in Suances within 5 minutes’ walk from the beach on Spain’s Green Coast. Facilities include 24-hour gym and a seasonal outdoor hot tub. Number of rooms: 41. High season ADR – 180 EUR.
- Hotel Casa del Marqués – 5 star hotel located in Santillana del Mar. Hotel is a traditional property of a restored 15th century building, offering balance of traditional style and comfort. Number of rooms: 15. High season ADR 170 EUR.
- Gran Hotel Suanes – 4 star property located within 5 minutes’ walk from the beach, on a hill with ocean views. Facilities include seasonal outdoor pool and 24-hour room-service. Number of rooms: 99. High season ADR 170 EUR.
- Gran Hotel Sardinero – 4 star property located in Santander within 10 minutes’ walk from Sardinero beach. Location of the hotel offers easy access to main places of interest of Santander. Number of rooms: 102. High season ADR: 210 EUR.
- Hotel Torresport – 4 star modern hotel is located in Torrelavega in Cantabria. It offers a wide range of sports and leisure facilities, including a 500 m² fitness centre and 2 heated swimming pools. Ocean coast is within 30 minutes driving distance. Number of rooms: 66. High season ADR: 90-100 EUR.

Besides already existing competitors on the market, it is important to analyze the barriers for the new entrants. In general, due to specific features of the hotel industry, barriers of the industry are believed to be relatively high. Entering the hotel industry market in the majority of the cases

requires significant investments both for tangible and intangible assets. This involves first of all building, acquisition or rent of which depending on the location can be involve large volume of financial resources and administrative procedures. Administrative barriers and quality control requirements are also considered to be higher for industry which involves responsibility for health and security of the clients. Nevertheless, in the case of Cantabria conditions for the new hotel market entrants can be considered as more favorable, comparing to mature and city destinations. This is related to the fact, that hotel supply of accommodations can't be considered as excessive and territories of the chosen area provide different options for the the new property development, which can be challenging in the mature city-based destinations. Moreover, opposite to such popular destinations as Barcelona, development of tourism and hotel business is actively supported by local government of the region, as it is considered to have positive effect on the economic growth of the province. Cost of the new hotel business establishment in Cantabria can be reduced by cooperation with local suppliers and forming team of local employees. Transport accessibility of the region as well makes the region favorable for new hotel market entrants, comparing to the destinations with challenging locations.

4.2.2. Suppliers bargaining power

According to Michael Porter supplier can be a powerful force for an industry where they are more concentrated than the companies which purchase their goods and services. On the other hand, suppliers have more bargaining power in situations when shares of different buyers are not large, which makes suppliers more flexible in terms of choosing contractors.

Turning to hotel industry and the negotiating power of suppliers, it is worth mentioning that most of the hotels work with numerous suppliers to purchase different goods and services. For example, such areas as Food and Beverage and Housekeeping require purchasing of hundreds of different positions which usually have various alternatives on the market. On the other hand, some products or services can be exclusively provided by particular suppliers. In such cases, bargaining power of supplier may increase.

Nevertheless, even if bargaining power of suppliers in hotel industry vary from case to case, it is hard to say that significant part of the suppliers can put effect on the industry. However, as for many other industries with lack of qualified human resources, the supplier who can apply power on the market is labor force, which is on demand in this sector in many countries.

Regarding Cantabria and the business model in particular, in accordance with which majority of the suppliers are local and their negotiating power is based on the uniqueness of the goods or services

needed. Therefore, adventure service providers with narrow specialization, such as surfing schools of the particular area, may have more negotiation power than, for example, local food and beverage suppliers.

4.2.3. Clients bargaining power

When analyzing the power of the buyers within industry, it is necessary first of all to estimate the concentration of the buyers – in case the supply is larger than the demand, buyers have more opportunities to influence industry prices and change industry margin. (Porter, 1980). Moreover, prices can be influenced by the amounts of services purchased by particular buyers – large volumes give the opportunity for the buyers to reduce the prices. Other aspects which can be affected by the power of buyers are costs, which can be increased in case buyers demand increase of the quality or higher quality standards for the services to be competitive on the market. These above mentioned conclusions can be applied to hotel industry as well.

For analysis of the bargaining power of the clients of the hotel industry it is important to determine key types and groups of those clients.

The important aspect of the clients bargaining power of Cantabria is relatively insignificant role of the intermediaries, such as travel agencies and tour operators. As the previously mentioned qualitative and quantitative analysis of the tourist preferences and behavior has shown – most of the tourist coming to Cantabria do not use services of the travel agencies and organize their travels directly or through OTAs. From this perspective it is reasonable to analyze the bargaining power of the final clients – hotel guests. Taking into account the relatively low level of prices and lack of international recognition of the region, target segments may be characterized as price sensitive. On the other hand, international adventure tourists tend to increase their spending on tourist services when they are offered authentic and unique experiences and quality of services, which exceed the average level of the region. During high season which lasts from May to September, negotiating power of the clients may decrease due higher occupancy of the majority of the properties in the regions.

In case of the hotel industry in Spain in general, power of the clients is more significant in terms of price control for MICE segment. Tour operators and agencies, which specialize in organization of group travels and events, consider price factor to be one of the key aspects of decision making of the final client, which can be different for tour operators and agencies who work with leisure segment. From this perspective through the tendencies set by final customers, MICE segment buyers have more negotiation power and have the possibilities to affect pricing.

4.2.4. Threat of the alternative products/services

Michael Porter in his work (1980) described substitute products or services as the ones which already exist or can exist potentially and are able to offer the customers same functions. Threat of such products may come from their ability to reduce costs or provide better quality for the same price. Usually such services or products appear as a result of technical innovation or new technology. In case of Cantabria, it can be concluded that threat of the appearance of substitute services is relatively high, comparing to mature tourist destinations. New business developments, in particular in the hospitality industry, is actively supported by the local government, and the territory of the province gives various opportunities to build new properties for the tourist sectors, - in general such conditions increase the possibility of new entrants with similar products and services. Moreover, as various destination marketing campaigns for Cantabria are implemented by the local community, international recognition of the region as an adventure tourism destination may increase the demand. As a result this will lead to the appearance of the companies, offering same hospitality services. Important aspects of the following business model, which can potentially reduce the risk and damage of the alternative products development on the hotel market of Cantabria, are location and quality of services. Regarding the first one – it is important to choose the location which will make it possible to use the most out of the natural and cultural resources of the region as part of the offered tourist product. In terms of services, it is crucial to build a team of professionals, who will be motivated and will share the same values, and invest in the development of the team. In this case, the quality of the intangible resources of the business will be much more difficult to imitate.

5. Marketing Plan

5.1. Target segments and key success factors per segment

Geographical criteria segments

From the point of view of the origin countries of the potential guests' segments can be divided into three general categories: national market clients (Spanish Market), European region clients and North American region clients. Using geographical factor as one of the criteria for segmentation is important, first of all, from the point of view of promotion and sales channels and emphasis of the marketing campaigns. In terms of key success factors and development of the marketing plan, defining sociodemographic, psychographic and especially behavioral segments is more efficient and preferable. Nevertheless, geographic segmentation can help to determine, which communication channels to choose and what aspects of unique selling propositions should be communicated through these channels.

- National market

As it has been already mentioned before, Spanish residents form the majority of the tourist flow to Cantabria and significant part of this segment visit Cantabria repeatedly. Moreover, according to the statistics, Spanish tourists prefer to reach Cantabria by car and are mobile within the region. Taking into account the above mentioned information, for national market it is important to differentiate Torre Blanca Hotel from the existing market players and communicate the niche services in the spheres of the adventure tourism, offered by the property. Such approach includes weekend packages with different specialization depending on the season – hiking, surfing, sailing, bicycle tours, etc. Moreover, for the travelers who arrive by car, special short-term routes with the Torre Blanca Hotel as a base accommodation will be offered. Main communication channel for the national market segment are Spanish web resources, dedicated to adventure tourism, travel agencies working with national market, Spanish mass media sources in the sphere of travelling and lifestyle.

- European region market

Marketing strategy for the international European market segment is similar to the national market approach with more emphasis on the international organizations and channels in the sphere of adventure tourism. As Cantabria is not a well-known destination outside Spain, it is important to cooperate with destination marketing organizations of Cantabria. Adventure tourism, new nature-based activities and amateur sports are becoming more and more popular and it is crucially

important not only to position the Torre Blanca Hotel as a place to be for adventure tourism, but to communicate the advantages of the destination in general. Such channels as international adventure tourism communities' resources will be used in order to offer the product focused on the specific types of adventure tourism activities (surfing, hiking, cycling communities). Cooperation with travel agencies and tour operators, which specialize in adventure tourism and MICE focused on the nature-based and adventure types of events, is to be established.

- North American market segment

As the statistic shows, Cantabria region is not well-known among tourists from the USA, who form only 13% of the international tourist flow to the region. Nevertheless, according to the ITB World Travel Trends Report 2015/2016, USA is number 2 outbound market by trips and number 1 outbound market by spending. This tendency is believed to preserve in the upcoming year due to the stabilizing USA economy and constant increase of outbound travelling.

In terms of the North American marketing strategy, it is important to base it on the preferences and behavioral trends of the travelers coming from the region. The Report "How the Americans will travel 2015", published by The Tourism Intelligence International reveals important information on the specific features of American travelers as consumers. First of all, authors of the report mention that for leisure overseas travelers from the USA basic traditional recreational resources, such as beach and sun, become less important. Most of the American tourists are looking for status and self-improvement opportunities while travelling abroad. During the last years leisure travelers coming from the North American region chose destinations and accommodation with more "sense and sensibility" (How the Americans will travel 2015. <http://tourism-intelligence.com>). One of the most important factors, when choosing the destination to travel to, for the USA tourists is the possibility to have local and authentic experience of the place they are visiting. This tendency also includes the increasing interest of the American tourists towards cultural heritage of the chosen destinations. Touristic product, both destination and accommodation, need to have such elements as Culture and Content. According to The Tourism Intelligence International, approximately half of the North American travelers (51%) during their trips visited historical heritage places of interest, about 32% of the American tourists visit places of interest related to cultural heritage. Moreover, it is worth mentioning that more and more North American tourists prefer small authentic cultural experiences to popular and well-known tourist attractions and events. This also means that North American and USA travelers in particular seek the opportunities to participate in local activities and become part of the local experience.

New market segments, which have been forming and developing during the last several years, are also very important to be taken into consideration. Apart from quite a wide category of millennials, who are believed to be the key trend setters of the global tourism and travel markets, more precise and narrow consumer categories, such as “Creative Class” appear and are taken into consideration for hospitality marketing strategies. Dr. Auliana Poon, Managing Director of Tourism Intelligence International and author of the report “How Americans will Travel 2015” explains, that “the “Creative Class” of American travelers do not want to merely take photos and sit on the sidelines. They want to experience the culture of a place they visit; they want to know about the content or “goodness” of a product before they buy it; they want to be active participants.” (How the Americans will travel 2015. <http://tourism-intelligence.com>). Another crucial tendency of the USA travel market development is the increasing role of the Internet. According to the statistics, more and more American travelers use Internet and mobile technologies at all stages of the travelling activities – from choosing destination to sharing experience after the trip is over. This approach can bring most added value to the marketing and positioning aspects.

Summing up, for North American market segment it is important to present the value of the offered product and put emphasis on the authentic experience, self-improvement and self-development activities. Channels used for the segment must include online resources – participation in adventure tourism associations; publications in online media resources, blogs, social media; presence in key OTAs.

Sociodemographic and behavioral segments

Apart from the regional market differences, key target segments are determined basing on behavioral factors. As it has been already mentioned before, key values, that unite potential clients of the hotel, include the following: active healthy lifestyle and importance of the physical activities, search for new experiences and emotions, focus on nature-based recreational resources. Key market segments of the hotel can be characterized more as niche than mass market. Focusing on adventure tourists coming both from Spain and other countries, target clients represent different age categories and nationalities, belong to middle class and are passionate about nature based and cultural experiences, outdoor sport activities and sustainable way of travelling. Segments include families with children, couples, single travellers and groups who focus on sport and adventure tourism.

From this perspective, key segments have following general characteristics:

- Age: 25-60;
- Families with grown up kids, couples, single travelers, groups of travelers with sport or gastronomical interests;
- Adventure tourists who like exploring new destinations and experiencing maximum of local cultural and nature-based specialties;
- Characteristics: people who try to escape from stressful atmosphere of big and crowded cities, nature lovers, people with active life style and concerns about healthy way of living;
- Representatives of middle class, who are willing to pay extra for excellent services;
- Focus on long stay guest – over 4 nights + special weekend or holiday packages.

Apart from the general characteristics, mentioned above, key adventure tourism target segments can be subdivided in the following way in accordance with their key interests and travel motives:

- Leisure tourists

This segment can be described as more general in terms of preferences and behavior. Such travelers chose destination for the complex factors, such as the authenticity, new destination aspect, variety of the natural resources and cultural factors. For this segment, Cantabria as a location that may be part of the visit which includes various destinations within the country, or within the region (for example, it may include different places on the Atlantic coast of France and Spain). In terms of age and social status, such tourists may vary from young single travelers to families with children or elderly people. As this segment is relatively wide, most of the offers and services may be aimed at the representatives of the segment. In terms of sales this segment is the most flexible, as leisure tourists coming for vacation to Cantabria are open for different activities and experiences. Main informational channels for the following segment will be more generalized, with no particular sport or type of adventure activities. Such segments include destination management resources, travelling mass media and social media resources, travel agencies.

- Adventure tourist, focused on nature-based sport activities

Key sport activities in Cantabria are related to nature-based resources. Main sports, promoted by local destination marketing include cycling, surfing, sailing and other water sports, mountain-climbing and hiking. The areas of Costa Central and San Vicente de la Barquera include many opportunities to practice all of these sports. For the following segment, it is important to establish

profound cooperation with local sport services companies in order to create combined product, which will include accommodation services of Torre Blanca Hotel and professional assistance for various sport activities. As it was mentioned before, from the sociodemographic point of view all segments represent middle-class travelers, who appreciate high quality of services of the international level. This means that target segment of sport oriented adventure tourists besides the possibilities of practicing different outdoor sports prefer high quality accommodation which meets the requirements of international standards in different aspects, including the availability of the high technologies.

Key success factor for the following segment is emphasis on the sport activities. It is important to communicate the variety and flexibility of the services in the sphere of sports and outdoor activities offered by the hotel in cooperation with local service providers. Such products include sport equipment, guides and instructors' services in different areas, development of training programs which involve natural resources of the region.

- Adventure tourists focused on natural resources

This segment of adventure tourists, in comparison to the sport-oriented adventure tourists, is not focused on practicing particular activities, - main reason for them to visit Cantabria is to enjoy local landscapes and nature. This segment is more likely to participate in hiking in order to get acquainted with natural parks and special areas of the region. Such natural resources, as caves, rocky beaches and mountain landscapes are the main attractors for this category of adventure travelers. On the amateur level they also dedicate their time to light sport activities, such as short bicycle tours or hiking trials. Key added value and success factor for the following segment is the possibility to discover new destination and to take advantage of its natural resources in terms of relaxation, health improvement and new experiences. This segment is significantly represented by families with children, travelling by car and coming from the neighboring or not far away countries.

- Adventure tourists focused on cultural resources and gastronomy

This segment of adventure tourists has the major priority towards cultural and gastronomical aspects during their journeys. Key success factor for the segment is correct communication of the advantages of the region in terms of this aspects. Products aimed at the segment include guided tours to main places of interest of Cantabria and the region of the hotel in particular. Such places include typical Cantabrian architecture spots, churches and cathedrals, prehistorical caves,

traditional Cantabrian restaurants and wineries. Tours will be organized in cooperation with local tour agencies and enterprises in the sphere of culture and gastronomy and can be planned and designed in customized way in accordance with the guests' preferences. For the clients who prefer to explore such places of interest on their own, web page of the hotel as well as the guest relations representative of the property will provide detail information, tips and possible routes.

- MICE segment

MICE segment for Torre Blanca Hotel is formed by private events, such as weddings or celebrations, and corporate meetings and events which are focused on nature-based activities. Nowadays, in accordance with trends towards sustainable development and healthy way of life, more and more companies add the elements of these concept in their corporate activities. Besides meetings space, hotel can offer various types of activities within the events, based on the natural and cultural resources of the area – outdoor sport activities, cultural tours and events, gastronomy visits and workshop and many others. Programs for the events are customized and developed with potential clients in accordance with their preferences and budget. Special category of MICE clients is represented by companies, which are related to adventure lifestyle concept, such as sport goods manufacturers, automotive companies, outdoor activities equipment, lifestyle brands with focus on adventure and sport activities. These companies often need location which can provide the opportunities to highlight and demonstrate the values of the brand and at the same time have the conditions to present or celebrate launch of the new products. This may include presentations of new car models, sport equipment, clothes collection and others.

Another important MICE sub-segment is formed by amateur sportsmen, who organize tournaments or long-term trainings. Mass sport activities, such as marathons, triathlons, swimming contests and many others, are gaining more and more popularity and attract more participants. Torre Blanca hotel will offer special programs for people who are planning to participate in such events and want to prepare for them in a healthy way.

Summing up, it can be concluded that adventure tourist target segments for Torre Blanca Hotel vary depending on the preferences and motives of travelling. Nevertheless, boundaries for determination of these segments are quite blurred, which means that different segments may as well be attracted by the key success factors of the other segments or use the services of the hotel which are aimed at other segments. For example, sport oriented guests may participate in cultural

activities, offered by the hotel, as well as culture oriented travellers may try various sport activities available at the property.

5.2. Positioning strategy

Positioning strategy of the hotel is based on key principal factors which form the competitive advantages – quality of services combined with use of high technologies, innovations and availability of wide range of local natural resources. Main competitors are 4 and 5 stars of Cantabria, located in different areas. Key competitors of Torre Blanca Hotel mentioned in p. 4.2.1.

Positioning map, represented on Picture 1, is based on the following criteria: Close to nature – City Hotel, Traditional – Innovative. As one of the main attractors of Cantabria as a tourist destination is the variety of the regions' natural resources, many hotels are located far from the major cities in order to provide best accessibility of these resources. As it can be seen on the positioning map, most of the nature-based hotels represent traditional property type – situated in the restored historical buildings, with limited services and products variety available, basic usage of high technologies. Such hotels form the cluster of traditional close to nature properties. City hotels are represented by traditional and more innovative properties and form two clusters – traditional city hotels and innovative city hotels. It is worth mentioning that innovative city hotels are located near the convention center of Santander and do not provide wide nature-based leisure opportunities. Nevertheless, the level of the innovative aspects is relatively higher for those properties. Last cluster, where Torre Blanca Hotel belongs, is formed by innovative and close to nature hotels. This cluster is more concentrated and the properties have limited features which can be described as innovative. Mostly, innovative aspect of this cluster includes the special approach to sport and recreational infrastructure by creating modern Spa facilities or sport objects new for the area – such as sport and fitness centers with Olympic type indoor swimming pool or high-technology Spa facilities.

Torre Blanca Hotel positioning strategy differentiates the property from competitors by using innovative approach to services and products. Individual approach to client realized through online and IT tools – online pre-arrival questionnaires, online adventure tourism holiday constructor and route calculator, online service of groceries pre-order for apartment guests, mobile application (as part of the future expansion). Innovative and high-technology approach will be used in the property construction and maintenance – eco-materials and modern design of cottages and apartment

building, wi-fi coverage of the whole territory of the property, convertible swimming pool.

Picture 1. Positioning map of Torre Blanca Hotel



5.3. Marketing mix

5.3.1. Product and/or service strategy

Main products offered by the Torre Blanca hotel include accommodation, food and beverage services and different customized services in different spheres of adventure tourism organized in cooperation with local companies and entrepreneurs. For MICE segment hotel offers small meeting space with the maximum capacity of 50 people.

The description of the property, which can be communicated through different channels, is the following:

Hotel Torre Blanca named after the highest mountain of the province of Cantabria, is located in the western part of Cantabria within 40 minutes driving distance from the international airport of Santander. Hotel is perfectly located near the ocean coast with one of the most picturesque beaches of Costa Central. Natural parks, including famous mountains Picos de Europa, and spectacular hiking routes are located within the comfortable driving distance from the property.

Torre Blanca Hotel has 27 hotel rooms and 3 suites in the main building in Cantabrian style, 10 apartment type accommodation in the separate building and 5 cottages for 2-6 people, built in the modern ecological and high technology style, located on the territory of the property with the access to hotel services. The restaurant of the hotel offers healthy local gastronomy with the focus on seasonal local specialties and with the possibility to adapt it to guests preferences.

Infrastructure of the hotel includes outdoor-indoor convertible swimming pool, sport center with equipment for hiking, cycling and other sport activities and services of professional trainers who can assist guests in developing their own sport program or adventure routes. Sea sport lessons are available in cooperation with best instructors of the region. Hotel staff will be glad to organize all kinds of guided tours to discover Cantabria in accordance with guests' preferences.

Meeting space for groups of up to 50 participants may be organized in the main building conference hall and in the restaurant for the meals.

Free parking and wi-fi are available on all the territory of the property.

Products of Torre Blanca Hotel include following features:

- Pre-arrival orders and preferences directed to the hotel's Guest Relation services through online tool;
- Online adventure tour and route constructor, available on the web page of Torre Blanca Hotel;
- Possibility to develop own menu before arrival;
- 3 Accommodation types with the full access to property services – hotel, apartments, cottages;
- Consultation of sport specialists on the request – development of individual training programs, coaching, meal plans;

- Free bicycle rent and hiking equipment;
- Cultural and gastronomic tours;
- Theme packages for 2 or 6 nights which include accommodation and adventure tourism activities (in cooperation with local service providers);
- Possibilities to organize private transfers within the region.

5.3.2. Pricing strategy

Pricing strategy of Torre Blanca hotel is based on the benchmark analysis of the level of prices key competitors of the region and on the approximate pricing strategies of the similar hotels in the neighboring countries, such as France and Portugal. In terms of pricing strategy, it is important to mention seasonality as a key aspect of hotel industry of Cantabria. As climate of Cantabria is favorable for leisure tourist only during the months of high season (May – September), the time the property will be open for leisure and adventure tourism segments is from April to October, as some of the outdoor and water sports are not dependent on the climate conditions and will attract amateur tourists despite weather fluctuations. Besides this, in accordance with the market fluctuations Torre Blanca hotel will as well welcome leisure tourists during important holiday periods of Spain and France – such as Winter after Christmas holidays, Easter and others. For MICE segment hotel will be available upon request during the low season from October to March.

In base of the pricing strategy are BAR prices which will be established for all room types for high season (June – August) and medium season (April – May and September – October). Main competitors of Torre Blanca Hotel are 4 and 5 star properties located in the area of Santander and the coasts Costa Central and Liébana, closer to the location of Torre Blanca hotel. As the hotel offers services with high added value and the tangible resources of the property will be made in accordance with eco-friendly latest standards with use of high-technology, rates will be established above the market average. Price structure is based on the BAR for standard double room and standard apartment:

High season:

- Standard double room for 2 PAX – 180 EUR
- Standard 1-bedroom apartment for max. 3 PAX, - 150 EUR

Supplements:

Breakfast – 10 EUR per person, 7 EUR – per person for children under 12

Standard double room (3 PAX) – 40 EUR

Suite supplement (2 PAX) – 100 EUR

Suite supplement (3 PAX) – 120 EUR

2-bedroom apartment (up to 5 PAX) – 100 EUR

1-bedroom cottage with living room (up to 4 PAX) – 150 EUR

2-bedroom cottage with living-room (up to 6 PAX) – 200 EUR

Medium season:

- Standard double room for 2 PAX – 150 EUR
- Standard 1-bedroom apartment for max. 3 PAX, - 120 EUR

Supplements:

Breakfast – 10 EUR per person, 7 EUR – per person for children under 12

Standard double room (3 PAX) – 30 EUR

Suite supplement (2 PAX) – 90 EUR

Suite supplement (3 PAX) – 110 EUR

2-bedroom apartment (up to 5 PAX) – 90 EUR

1-bedroom cottage with living room (up to 4 PAX) – 140 EUR

2-bedroom cottage with living-room (up to 6 PAX) – 190 EUR

Another important part of the pricing strategies are packages which will include adventure tourism services provided by local suppliers. Accommodation rates within the packages will be BAR minus 10%.

In terms of OTAs average commission is determined at the level of 17% much is calculated basing on the BAR.

For travel agencies and tour operators with the stable volumes of sales of the property, FIT rates will be offered at the rates of BAR-20%. For MICE segment, pricing strategy will vary depending on the scale of the event and will vary from BAR-10% to BAR-20% ad decided by revenue manager, taking into consideration occupancy and market situation.

5.3.3. Channel strategy

Distribution channels of Torre Blanca hotel include the following:

- Direct bookings through the web-page of the hotel;

- Destination management resources of the region (Turisme de Cantabria);
- OTAs – Booking.com and Expedia;
- Travel agencies and tour operators of European and North American regions, specializing in adventure tourism;
- MICE Travel agencies and OTAs (such as Cvent);
- Direct contacts with companies, who work in the sphere of adventure lifestyle, such as Sport clubs, sport oriented goods manufacturers and others.

Taking into account the tendency of increasing role of the Internet at all stages of travel organization process and the trend towards decreasing usage of intermediaries such as travel agencies, it is important to focus channel strategy on direct Bookings and OTAs, which remain on the key channels for the travelers who organize journeys themselves.

Nevertheless, tour operators still play important role for the North American market. Travelers coming from USA prefer to use services of travel agencies when they don't have good and understanding and knowledge of the far away destinations. As hotel is positioned in 4 star category it is reasonable to cooperate with upper class travel agencies, united within the consortia of Virtuoso.

MICE agencies also play important role on the international meetings and events market. Agencies to cooperate with will be chosen basing on their specialization - target agencies include sport, eco-friendly, healthy lifestyle oriented companies.

5.3.4. Communication strategy

As key target segment for Torre Blanca hotel are adventure travelers, communication strategy will be aimed, first of all, at information sources related to this sphere in different geographical markets. In terms of promoting Cantabria as international adventure and nature-based tourism destination it is important to cooperate with Cantabrian destination marketing organization to increase interest towards Cantabria. Regional Society of Cantabria for Tourist Promotion in Cooperation with the Government of Cantabria issued Marketing Plan for promoting Tourism in Cantabria in 2016-2017, which has the aim of increasing awareness and popularity of Cantabria as an adventure and nature oriented destination. By sponsorship and cooperating with this organization, hotel management will contribute into the increase of popularity of Cantabria as a destination and be promoted as a landmark hotel of region. In cooperation with the Government hotel can host important social events of the region, including charity events, local sport competitions, exhibitions of local art.

Apart from contributing to the development of Cantabria as a destination, it is important to

communicate the unique selling points of the hotel through different media resources. Key of such resources are the following:

- Official web page of the hotel – www.torreblancahotelcantabria.com, which will contain information about hotel and services, information about Cantabria natural and cultural resources, blog and booking engine;
- Advertising and articles in different online media in the sphere of tourism and adventure travelling – Conde Nast Traveler, Adventure Travel magazine (UK), National Geographic Adventure;
- Advertising materials in specialized media related to particular outdoor sports
Water sports: Surfing Magazine, Surfing Waves, Red Bull Surfing.
Bicycle: Cycling weekly, Bicycling.com, BikeTours.com, Bicycle Touring Pro, Adventure Cyclist Magazine.
Hiking: Casual Hiking, Backpacker
- Presence in specialized social media – posts in Instagram accounts, Blogs and YouTube channels related to adventure and cultural tourism and travelling.
- Articles in the Magazines if Airlines – Vueling, British Airways, AirFrance.

One the MICE aims of the hotel is to establish cooperation with worldwide known brands in the sphere of events. This can also bring benefits in terms of communication as such events are usually covered in social and mass media. Possible events: amateur sport tournaments organized by famous brands, presentations of new products in the sphere of sports and travelling, test-drives of new car models.

5.4. Forecasting and Sales Outlook

Forecast of the Sales is made for 5 years, basing on the initially determined rates in accordance with the pricing strategy and forecasted occupancy rates. The hotel will be open 7 months a year, during which average occupancy rate of the region vary from 40 to 80%. During the months of the season marketing strategy will include special offers and adventure tourism packages in order to increase the occupancy. Monthly occupancy is represented in the Table 2.

In accordance with the following occupancy levels, shares of different distribution channels and rates calculated as BAR minus commission or discount for the following rates, sales outlook for the first years of the hotel's activity is represented in Table 3.

Table 2. Expected monthly occupancy and share of distribution channels

MONTH	EXPECTED OCCUPANCY	% OF ROOMS WITHIN PACKAGES	% THROUGH OTAS	% OF MIC AND TO
APRIL	60%	30%	20%	20%
MAY	70%	40%	30%	20%
JUNE	75%	30%	30%	10%
JULY	80%	20%	30%	10%
AUGUST	85%	20%	30%	10%
SEPTEMBER	75%	20%	20%	20%
OCTOBER	60%	40%	10%	20%

Table 3. Sales outlook for Torre Blanca Hotel, first year, EUR

	April	May	June	July	August	September	October	Year 1
Sales								€2.354.379,02
Rooms	138.867,84	162.784,07	171.891,68	231.529,82	246.000,44	208.888,20	144.276,29	€1.304.238,34
Food	€83.320,70	€97.670,44	€103.135,01	€138.917,89	€147.600,26	€125.332,92	€86.565,78	€782.543,01
Beverage	€27.773,57	€32.556,81	€34.378,34	€46.305,96	€49.200,09	€41.777,64	€28.855,26	€260.847,67
Meeting space	€6.750,00	€6.750,00	€5.700,00	€5.700,00	€8.550,00	€5.700,00	€6.750,00	€6.750,00

Average occupancy rate during the first year of the hotel activity is expected to be at the level of 72%. In the next year due to efficient Sales and Marketing activities and Cantabria destination marketing programs, the average occupancy level is expected to increase the second year – up to 79% and the third year – up to 84%. Sales and ADR rates are represented in Table 4.

Table 4. Sales outlook

	YEAR 1	YEAR 2	YEAR 3
TOTAL SALES	€2.354.379,02	€2.683.992,08	€2.952.391,29
ROOMS	€1.304.238,34	€1.486.831,71	€1.635.514,88
FOOD	€782.543,01	€892.099,03	€981.308,93
BEVERAGE	€260.847,67	€297.366,34	€327.102,98
MEETING SPACE	€6.750,00	€7.695,00	€8.464,50
ADR	€118,57	€135,17	€148,68

6. Operations Plan

6.1. Process identification and map

In general Operations plan is based on the strategic analysis of the market tendencies and international hotel services quality standards, as well as the determined valued customer and value proposition concepts. Process identification can be divided into two key phases - construction/preparation for launch of the property and operations process after the opening of the hotel.

- **Construction and preparation for the launch**

This phase of the project development will include several important business processes which will follow one another or go in parallel. As the property layout creation involves construction, the process will start with the selection and acquisition of the land in region between Costa Central and San Vicente de la Barquera (See Annex 2. Location of the property). Piece of land with the surface of about 10 000 square meter is located near the ocean coasts and has views to the mountains Picos de Europa. As the land already have access to electricity and water supply, construction works will start after the acquisition transaction is closed. According to estimation property construction will take approximately one year.

In parallel with the construction works, process of obtaining tourist license with the Government of Cantabria and registration of the enterprise (Sociedad Limitada). Once the first stages of the construction are finished, management team of the hotel will be formed.

During the final stage of the construction and purchasing of the equipment, which also include approval of the interior design approval and start of furniture purchases, Sales and Revenue Managers starts to establish contacts with travel agencies, OTAs and online resources in accordance with channel and communication strategy.

- **Hotel operations after the launch of the hotel**

As Torre Blanca hotel has the individual and customized approach to each client, important element of operational process is guest relations function, which in many cases plays the role of intermediary between the client and the key operational departments – Front Desk, Housekeeping and Food and Beverage

After the opening of the property, process identification covers the following spheres:

Guest relations

Pre-arrival

- Once the reservation is made, guest relations employee sends the customer a pre-welcome letter with the link to voluntary online survey in order to determine future guest's food and beverage preferences and allergies, special wishes about accommodation type, favorite outdoor activities. (For the bookings made at least 3 days in advance).
- Guest Relations manager redirects information about food and beverage preferences and requirements to the F&B and other departments if needed.
- Collecting information about special events or reasons for coming of the guest (birthday, anniversary, etc.)
- Apartments and cottages guests are offered an option of grocery purchase before their arrival for extra charge.

During the stay

- Guest Relations representative is present in the lobby of the hotel and is available for guests for any assistance.
- Communication with guests during their stay in order to estimate their satisfaction level.
- Management of the reviews coming from the OTAs from the guests while they stay at the hotel (Expedia).
- At check-out – communication about the stay in order to find out in oral or written form to find get evaluation of the stay from the guest

After stay

- Guest relation departments sends a gratitude after stay letters and if the guest agreed to subscribe to special offers newsletters – regular updates regarding special offers and event, held at the property.

Front desk

Check-in procedure

- Warm welcome of the guests at their arrival. In case of the line and necessity to waits, guests are offered a welcome drink in the lobby bar;
- Check in is effectuated in accordance with Property Management System procedure (Tesipro).
- For apartment and cottages guests, escort to the accommodation is offered by the front desk staff;
- At the check-in procedure following data is to be collected – full name, passport data and credit card information in order to secure payment;

- Reception employee provides guests with the information about Outlets schedule, contact information of the guest relation employee and brief information about the adventure activities services;

Check-out procedure

- During the check-out procedure Front desk employee verifies the information regarding payment status and asks the guests about the experience at Torre Blanca hotel;
- In case of the the payment requirement – Front desk employee effectuates payment procedures.

Housekeeping

- In the hotel accommodation type building rooms are cleaned every day, if Do not disturb request is not applied;
- For apartments and cottages accommodation type housekeeping twice a week is included in the price, extra cleaning may be done for extra charge of 20 euros per day.

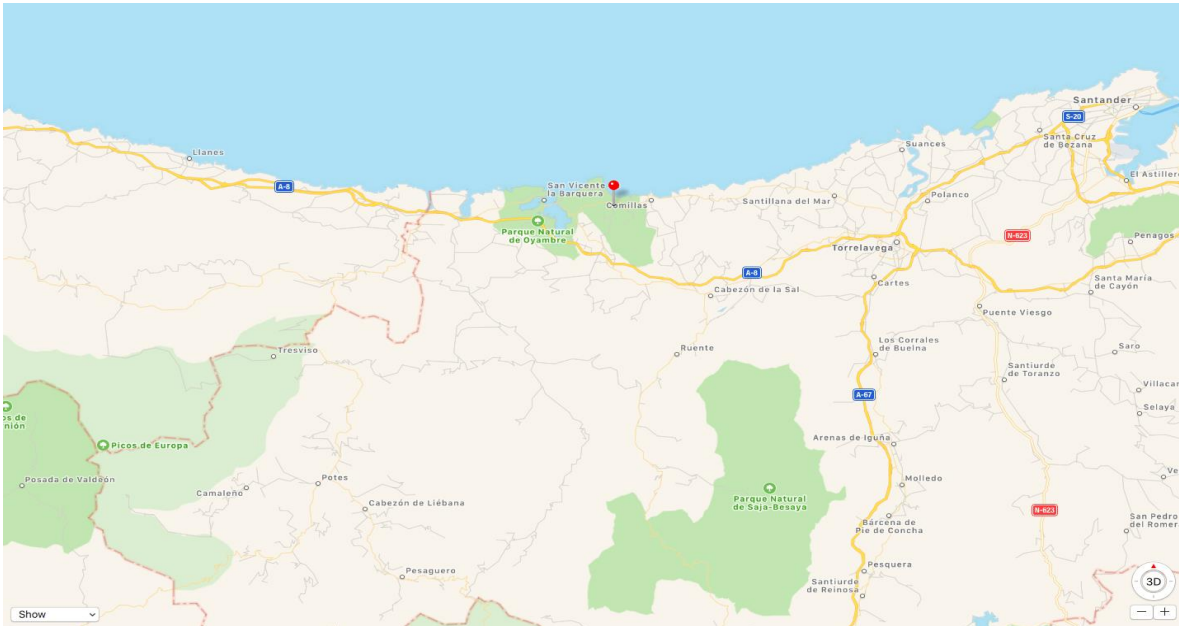
Food and Beverage

- Outlets of the property include restaurant in the main building with the access to the terrace, lobby bar and outdoor bar terrace near the pool;
- Breakfast buffet is served from 7.00 to 11.00 daily at the main restaurants;
- After breakfast restaurant is open up to 23.00 for a la carte orders with special lunch menus (Menu del día) and Half board dinners options.
- Lobby bar is open from 7.00 a.m. to 00.00 or until the last guest. Snacks and tapas can be served at the Lobby bar starting from 11.00 a.m.
- Pool bar offers drinks, snacks and light lunch menus from 11.00 a.m. to 20.00 p.m.

6.2. Location, physical infrastructure and layout

Torre Blanca hotel is located in the western part of the Cantabria province in the area of the coastline. Closest towns are Comillas and San Vivente de la Barquera, which are known as popular touristic spots of the region. Oyambre beach and Golf Club of Oyambre are located within 1,5 kilometers from Torre Blanca hotel. Due to its location, property has views to the ocean coast and at the same famous Picos de Europa with the highest mountain of Torre Blanca (approximately 40 km from the hotel) can be seen from the spot. Picture n demonstrates the exact location of the property:

Picture 2. Torre Blanca hotel location in Cantabria



Layout of the property is based on the land with the surface of 10 000 square meters and includes following buildings and facilities:

- Main building: four level (including the basement) building with Reception area, Lobby bar, and Restaurant on the ground floor, 30 rooms and suites distributed on the other two floors which also include common areas with sofas and fireplace. 27 standard rooms of 20-30 square meters have private bathrooms and balconies. 3 suite rooms of 40-45 square meters with terrace and private bathroom. Main building of the property also will have a meeting room with the capacity up to 50 persons.
- 5 two-bedroom cottages with terraces of approximately 60-70 square meters each.
- 1 apartment building of two floors which has 5 two-bedroom apartments on the ground floor with private entrance and access to the garden; 5 one-bedroom apartments with or without living rooms, with balconies and possibility to connect them.
- Convertible indoor/outdoor swimming pool with the small bar building with terrace, which has views of the ocean coast. Indoor part part of the swimming pool also has saunas and massage SPA area.
- Sport center with the equipment warehouse and adventure tourism office (approx. 100 square meters).

Future development facilities:

- Two open air tennis courts;

- Stable and horse-riding center for 15 horses.

According to the planned layout property expands from the entrance from the road towards the ocean coast. Main building is located close to the entrance and has parking space for up to 30 vehicles. Swimming pool and the SPA center are located behind the main the building and can be accessed through the back entrance of the the main building. Apartment building and sport center are located on the second line after the swimming pool and are closer to the coastline.

Cottages are situated on the closest position to the ocean coast, further territory is left for the future expanding of the infrastructure – tennis courts and stable.

6.3. Resources: machinery and facilities

Machinery and facilities analysis can be divided in accordance with the layout and depending on the sphere of application.

As it has been already mentioned, piece of land, selected for the project, already has water and electricity communications. Nevertheless, in terms of maintenance, it is reasonable to implement electricity generator for the emergency malfunction cases. Other important and most significant machinery items are related to the following blocks of facilities:

In the main building:

- Kitchen and restaurant equipment;
- Laundry and dry cleaning equipment, located in the basements;
- Emergency generator, located in the basement;
- Internet and wi-fi router system with coverage on the territory of the property.

On the territory of the hotel:

- Convertible outdoor/indoor swimming pool with water filtration system;
- 2 Saunas equipment in the the Spa center;
- Wi-Fi routers and equipment for the apartments and cottages blocks;
- Two hotel cars for the transfer needs.

6.4. Stocks management and purchases

Within the administration department purchasing function belongs to the Purchasing manager, who is responsible for all the goods and technical services acquisitions. In order to make the purchase centralized and transparent Purchasing Manager will be involved in close cooperation with all the operational departments regarding their stocks necessity. This cooperation will include meetings and agreements regarding the requirements for the goods. Nevertheless, all the purchasing

procedures from supplier selection to delivery revisions and bill acceptance will be made by the Purchasing Manager.

In general, purchasing activity may be divided into the following spheres:

a. Food and Beverage goods

This type of goods is related to the activity of Restaurant, Lobby Bar and Pool Bar. Main space for the storage will be located in the basement of the main building from where F&B items are distributed within the outlets. Warehouse area is divided into the refrigerator zone and room temperature zone.

In order to form stocks, Purchase manager weekly received from the Food and Beverage manger purchase orders. During the meeting with F&B department Purchasing Manager discuss and determine the required characteristics and featured of the necessary food and beverage items. In order to standardize the general requirements towards the suppliers, Purchasing Manager develops the document “Torre Blanca Hotel Supplier Code of Conduct” which must be signed by all the suppliers as part of the contract.

Once the requirements are determined and confirmed, Purchase Manager starts supplier search and analysis processes in order to form F&B supplier pool. In terms of cost reduction, preference should be provided to the suppliers who can cover more categories.

Delivery organization process management is believed to be flexible, as in accordance with the F&B strategy involves mostly local suppliers and seasonal goods. Delivery schedule and purchase orders are to be adjusted in accordance with the forecasts made by F&B department.

Auxiliary materials such as cutlery and uniforms are purchased under the frame contract for several years, which allows to make purchase orders upon the requests of F&B department.

Security stock of this type of goods is to be available at the warehouse.

b. Housekeeping goods

This category includes cleaning materials, cleaning equipment, room textile and uniforms. The purchasing approach is similar to the one applied for F&B auxiliary materials – under the frame contract, this category of goods is purchased once in every two years. Security stock on the hotel’s warehouse is to be present constantly. In case of necessity within the frame contract sporadic purchase can be made upon the request of the Housekeeping Manager.

c. Sport Center goods and equipment

This category involves all the goods, required by the Sport and Spa center and includes massage cosmetics and materials, towels for the pool area, bicycles for rent in the sport center. Stocks are decided by the Sport and Spa Center Manager and approved by the Financial manager in terms of budget fulfilments. As the inventories and their turnover is relatively low, stocks purchases will be effectuated as single transactions, initiated by Sport and Spa department and realized by the Purchasing Manager.

d. Services

Services related to the goods and equipment maintenance will be purchased in accordance with the same algorithm and principle as goods purchases. Services, offered to the guests as part of the hotel adventure products will be purchased by the Sales and Marketing department.

6.5. Subcontracting

Taking into account the specific features of the product, offered by Torre Blanca hotel, subcontracting plays a very important role for the property. Variety of services will be effectuated in cooperation with specialized organizations and freelancers. Key of the partner-companies include the following:

- Surfing school – Oyambre Surf

This surfing school is known to be one of the best surfing camps on the coast of Cantabria. Located within 5 driving distance from Torre Blanca hotel, the school offers surfing lessons for different levels and rent of equipment. As a result of cooperation, guests who choose surfing package get 10% discount on the accommodation and 10% on the surfing lessons and equipment rent.

- Mountain activities Picos Xtreme

Adventure tourism company which specialize in the mountain activities in the mountains Picos de Europa, including rail running, snow shoeing, nordic walking, hiking and ski touring. Guided tours and activity organization is available in English. Mountain package for the hotel guests will have the conditions of 10% discount on the accommodation and 10% discount on the mountain guided activities.

- Caving and canoeing - Red de Cuevas Alto Asón

As caves are one of the most famous and popular tourist attractions, it is important to include activities related to this sphere to the product range of the hotel. Nevertheless, as

this type of activities are more one-time service, than a base for a specialized package or several day tour, conditions will be 10% discount for Torre Blanca hotel for the guests coming from the property.

- Mountain climbing - Lobo Alta

Company specializing in mountain climbing with guides and instructors. Conditions for climbing packages - 10% discount on the accommodation and 10% discount on the mountain climbing services.

- Hiking – Andara Guides

Andara Guides is one of the leading companies in the sphere of hiking in the area of Liébana where San Vicente de la Barquera is located. As hiking is a popular activity with various options, hiking packages for Torre Blanca guests will be offered with conditions of 10% discount on the accommodation and 10% discount on the hiking guiding services.

- Freelancers

Personal triathlon coach to give consultations in the Sport and Spa center of the hotel upon request;

Personal nutritionist specializing in sport diets to give consultations in the Sport and Spa center of the hotel upon request.

6.6. Production capacity of the future company

Capacities of the hotel facilities and outlets are represented in Table 5. Indicators are shown as maximum number of persons able to use the facility at the same time.

Table 5. Production capacity of Torre Blanca Hotel facilities

Sector	Capacity up to (PAX)
Standard double rooms	52
Suite rooms	12
One-bedroom apartment	40
Two-bedroom apartment	30
Two-bedroom cottage	30
Restaurant	100
Pool bar	50

Lobby bar	50
Spa Center	Up to 3 PAX
Sport Center	10 PAX (equipment)
Meeting room	50

6.7. Operations Plan parameters

Operational plan parameters are defined for different areas of the operation process. For the guest related areas key parameter are related to the revenues, costs and guest satisfaction level. Such parameters include:

- Daily occupancy of the accommodation;
- Daily occupancy of the outlets;
- RevPAR, ADR and Net Revenue from Rooms sales;
- Net Revenue from the outlets per room;
- Net revenue from the sport center activity per room;
- Housekeeping material costs per room (monthly);
- F&B costs of purchases per room (monthly);
- Swimming pool capacity;
- Guest satisfaction level assessed by GR department;
- Guest satisfaction level through OTA and Metasearch resources;
- Guest satisfaction level through TA feedback.

Parameters related to the maintenance and technical aspects of the hotels activity include the following:

- Water supply volumes and costs;
- Electricity supply volumes and costs;
- Garbage and waste processed per room;
- Stocks minimum security level;
- Purchasing costs: Real Vs. Budget;
- Compliance with environmental standards and certificates.

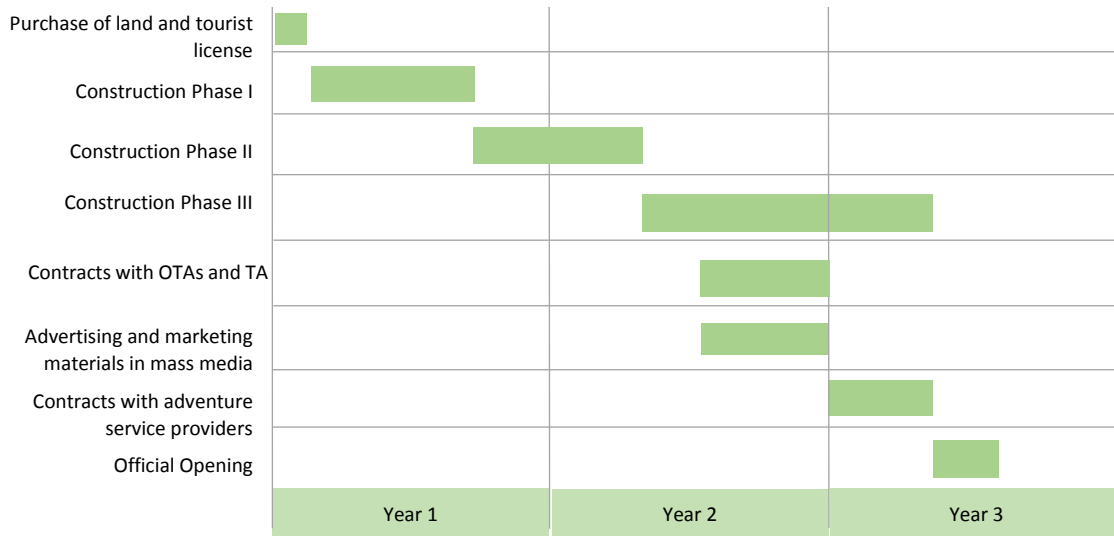
Parameters related to Human Resources Operations Aspects:

- Volumes of bonuses paid;
- Number of trainings maintained.

6.8. Launching: Provisional planning

Process of the hotel launch is represented on the scheme below:

Picture 3. Provision Roadmap of the Torre Blanca hotel launch



After the acquisition transaction is closed, the process of tourist license receiving will be initiated. Construction can be provisionally divided into three phases. The first one will include basic construction and communications establishment works which will finish with the ready buildings without internal finishing (6-8 months). Second phase of the construction includes inside finishing works and installation of the necessary equipment (6-8 months). Third and final phase will be dedicated to the last decorations, including furniture delivery and landscape gardening design works. This construction phase is the longest and will be maintained up until the opening (12-14 months). However, at the last stages this phase may involve insignificant chances and finishing small details.

Contract management procedures with OTAs and tour operators, as well as publications of marketing and marketing materials will start during the second phase of the construction, approximately in the middle of the second year.

Contacts with adventure service providers will be established during the third year (during the construction phase three) and must be accomplished by the finish of the construction and

decoration works before the official opening.

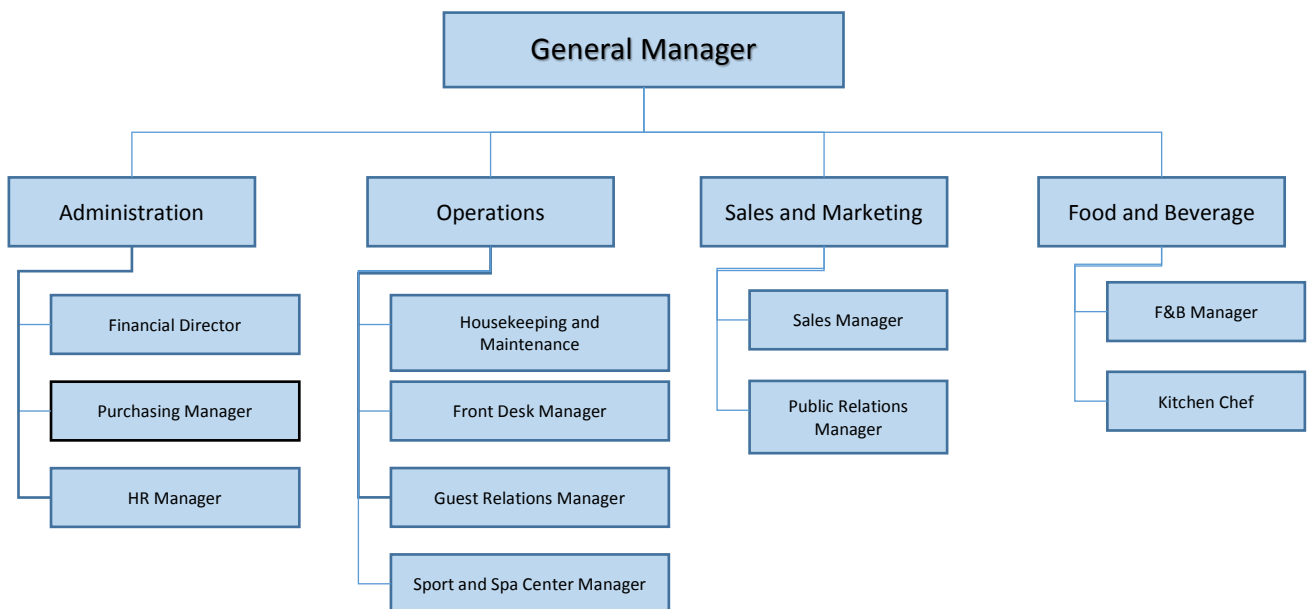
Official opening procedure will include collection marketing materials of the ready property, team building procedures and trainings for the employees and official opening ceremonies and site inspections for the tour operator representatives.

7. Organizational Plan and Human Resources

7.1. Organizational structure

Organizational structure of Torre Blanca hotel is reflected on the Picture 5. This scheme demonstrates the initial HR structure of the company, which includes employees without outsources staff. This structure will change in accordance with the property expansion. The scheme also doesn't contain internships, which will be actively supported within all the departments of the company, and employees reporting to managers, which will be mentioned in the organizational structure description .

Picture 5. Organizational structure of Torre Blanca Hotel



Several functions represented on the scheme above will include more employees who work with managers:

- Housekeeping and Maintenance Manager will supervise the work of 3 housekeeping employees. During the periods of high occupancy, housekeeping staff may be expanded with outsources personnel. Moreover, two maintenance employees will be supervised by the Manager;
- Front Desk Manager has 2 employees working at the reception and reservations – receptionist and reservation agent;

- Food and Beverage Manager will have as part of his department 3 waiters and 1 bartender. Similar as with Housekeeping, in case of necessity Food and Beverage Manager
- Kitchen Chef has 3 kitchen employees under his guidance.

7.2. Job descriptions

In accordance with the Organizational structure, manager positions are responsible for the following functions:

- **General Manager**
 - Representing the Torre Blanca hotel and its values on the international level in cooperation with Public Relations Manager;
 - Supervising, mentoring and controlling managers of the hotel by regular meetings and development of KPIs;
 - Approving budget and creating Revenue Management strategy with the Financial Director;
 - Participating in the development of the sales and marketing strategy development, effectuated by the Sales and Marketing Manager;
 - Communication with direct customers and tour operators as the Ambassador of the brand through personal meetings and online tools;
 - Visits to international events related to hotel industry and adventure tourism in cooperation with Sales and Marketing Manager;
 - Risk Management analysis and action plan
 - Reporting to the owners.
- **Financial Director**
 - Financial strategy development: budget development and approval, analysis of the financial performance, financial forecasting;
 - Cost-control procedures and development of financial KPIs for the company;
 - Tax management;
 - Reports to General Manager.
- **Purchasing Manager**
 - Cooperation with Operations departments in order to determine the necessary purchasing blocks and approve the requirements towards the goods/services items;
 - Supplier selection and creation pool of the suppliers for all the categories of purchased goods and services;

- Contract management;
- Budget compliance control procedures;
- Reports to Financial Director and General Manager.
- HR Manager
 - Development and approval of the Human Resources strategy and policy of Torre Blanca hotel;
 - Search and selection of the employees;
 - Cooperation with universities and hospitality schools in terms of internships;
 - HR administrative procedures- compensation, taxes, documentation, etc.;
 - Regular Communication with employees regarding their feedbacks and personal development;
 - Reports to General Management.
- Housekeeping and Maintenance Manager
 - Supervising the work of the Housekeeping employees;
 - Coordinating schedules of Housekeeping Staff;
 - Preparing reports on the Housekeeping and Maintenance costs and budget compliance;
 - Coordinating work of the Maintenance Employees;
 - Preparing requests and forecasts for the Purchasing Manager;
 - Coordinating guests' complaints regarding Housekeeping and Maintenance;
 - Reports to General Manager.
- Front Desk Manager
 - Coordination of the work of the receptionists and reservation agent;
 - Control and effectuation of the reservation process; and rooming procedures
 - Cooperation with Sales and Marketing Manager and Guest Relations Manager;
 - Reports to General Manager.
- Guest Relations Manager
 - Collection and analysis of the information about guests to arrive, pre-arrival communications with guests;
 - Handling the requests and questions of the guests during their stay (concierge assistance);
 - Handling and replying to the guests' complaints;
 - Feedback requests from the guests during their stay;
 - After-stay communication with guests;

- Reports to the General Manager.
- **Sport and Spa Center Manager**
 - Coordination of the Spa and Sport Center work – guests’ consultations, equipment management, informing guests about the adventure offers.
 - Coordinating cooperation with outsourced freelances in the sphere of sport and nutrition consulting;
 - Coordinating adventure activities of the guests;
 - Coordination and control of the massage services and saunas;
 - Preparation of the purchasing requests and cooperation with the Purchasing Manager;
 - Reports to General Manage.
- **Food and Beverage Manager**
 - Coordination of the work of the outlets;
 - Development of the special offers and menus in the outlets of the property;
 - Schedule of the employees’ development and approval;
 - Managing the feedback from the guests in the sphere of Food and Beverage;
 - Cooperation with Sales and Marketing and Public relations manager in the sphere of F&B special offers, group menus and others;
 - Budget planning, purchase analysis and request, cooperation with Purchasing Manager;
 - Reports to General Manager.

7.3. Human Resources Policy: selection, management, compensation

Human Resources Policy of the Torre Blanca hotel is based on the principles of putting the employees on the first place. As important part of the product offered by the hotel is related to local experience and the hospitality of Cantabria, key role in the hotel guests’ satisfaction and impression belongs to the employees of the hotel. HR policy of the hotel is focused on horizontal hierarchy more than on the vertical, which means that employees work as one team where everyone can share suggestions, knowledge, experience and feedback.

As the hotel initially has the strategy of the seasonal property, open from April to October, it is very important to form loyal team of employees in order minimize turnover of the human resources. Employees will have indefinite working contracts or renewable working agreements, which will state non-working months in accordance with the seasonality.

Selection

Within the selection procedures preference will be granted to the local people, who live in Cantabria and know the region. Human Resources Manager is responsible for the selection process, which will be effectuated through online specialized HR resources (Hosco, Infjob, etc.), in cooperation with the Government of Cantabria and local authorities. Before the selection process HR Manager prepares and approves with the General Manager detailed job descriptions and requirements for the future candidates, which will form the fundamentals for the employee selection process. Nevertheless, HR policy of the company can be described as flexible and open-minded, which means that in each particular case candidates will be evaluated from the point of view of their motivation and attitude towards the position they are applying for. Positive thinking, passion for new knowledge and experience, compassion and diplomatic skills have same value as work experience. During the selection process one of the objectives of the HR Manager is to clearly communicate to the candidate scope of future work, atmosphere of the hotel, working conditions and specific feature of the Torre Blanca hotel strategy. This approach is necessary for the future employees to have clear vision and understanding of the property's main concepts and principles of work in order to avoid disappointment and not meeting the expectations of the future employees.

Selection process includes following steps:

- Position publication;
- Gathering of the applications;
- Preliminary CV selection;
- Interviews with HR and department managers (for department managers – with the General Manager);
- In case of necessity – interview with General Manager;
- Signing of the contract.

Trainings

Human Resources Management of Torre Blanca hotel will be based on the constant communication and cooperation between the employees, departments and HR Manager. With each employee HR manager will develop individual professional development plan and maintain follow-ups of the plans. In accordance with the needs and preferences of the employees HR manger will organize group and individual training sessions.

Regular trainings of the employees are essential part of HR management for every hospitality industry company, which has the direct effect on the quality of services and as a result client's satisfaction level. Training organized within Torre Blanca hotel will include following types:

- Operational training organized by the outsourced companies – in order to guarantee the fulfilment of international quality standards of the service quality;
- Mentoring of the new employees and onsite trainings, which will help new company entrants learn from the real life situations and smoothly integrate into the working process;
- Cross departmental trainings, organized by HR – will help to make cooperation between the departments more profound and increase level of trust and support between different departments;
- Trainings offered and maintained by the employees as their own initiative if they want to share specific knowledge and experience they have.

Compensation

Compensation procedures and process will be organized in accordance with the requirements of the national and local legislation and controlled by the Human Resources Manager (social security, insurance, maternity and paternity leaves, etc). Moreover, basing on the KPI fulfilment results, employees will have annual bonus payments which will reach up to 10% of annual salary. Bonuses will be discussed each year in October during the round table meetings with HR Manager, HR Manager and other departments' managers and directors. As the result, bonuses will be paid before the closing of the season in October or before Christmas in case of prolonged season.

Approximate annual salaries based on the 7-month property opening period and average salaries of Spain and Cantabria region, are represented in the Table 6.

Position	Annual salary	Bonus
General Manager	€21.000,00	€2.100,00
Financial Director	€17.500,00	€1.750,00
Purchasing Manager	€10.500,00	€1.050,00
HR Manager	€10.500,00	€1.050,00
Housekeeping and Maintenance Manager	€10.500,00	€1.050,00
Front desk Manager	€10.500,00	€1.050,00

Guest Relations Managers	€14.000,00	€1.400,00
Sport Centre and Spa Manager	€10.500,00	€1.050,00
Sales and Marketing Manager	€14.000,00	€1.400,00
PR Manager	€14.000,00	€1.400,00
F&B Manager	€14.000,00	€1.400,00
Kitchen Chef	€14.000,00	€1.400,00
Receptionist	€7.000,00	€700,00
Reservation Agent	€7.000,00	€700,00
Housekeeper - 3 employees	€14.700,00	€1.470,00
Sous Chef	€8.400,00	€840,00
Waiter - 3 employees	€16.800,00	€1.680,00
Bartender	€7.000,00	€700,00
Cook - 2 employees	€12.600,00	€1.260,00

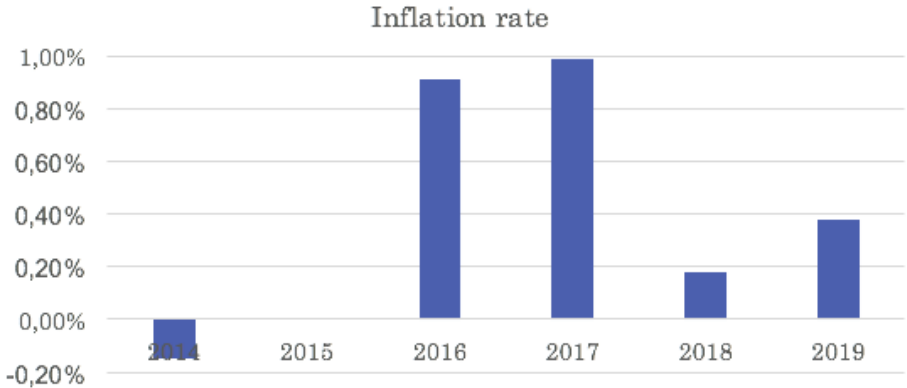
In the long term perspective, salaries will be adjusted in accordance with inflation rates and hotel performance and expansion.

8. Financial Plan

8.1. Financial hypothesis / assumptions

General economic conditions assumptions

Inflation level assumptions are taken in accordance with the forecasted levels of the inflation levels in Spain, published on the resource Statista.com:



Source: www.statista.com – inflation rate in Spain

Investment source

Following project of the construction and launch of Torre Blanca Hotel will be invested by private investment fund, registered in Russia and specializing in hospitality projects all over the world. Portfolio of the fund includes several properties in different cities of European region and Middle East. On the initial stage of the project the investment fund will have 100% ownership of the registered company and tangible resources. On the stage of expansion of the property and possible expansion of the brand, external investments may be attracted.

Another option for investment is a loan obtained within in the Spanish bank. According to the average market data, conditions for a loan are the following:

Revenue and costs assumptions

Financial plan is based on the assumptions regarding the expected occupancy rates and the shares

of different distribution channels and the commissions involved. According to the distribution plan, Torre Blanca hotel sales will be effectuated through the following channels and have following price discounts:

Channel	Commission/discount
Direct bookings	0%
Booking.com and Expedia.com	17%
Tour Operation and MICE	20%
Package rates	10%

To evaluate expected sales and revenues, it is worth dividing the analysis by months and take into account expected occupancy and seasonal rates. As Torre Blanca Hotel, in accordance with the initial plan, will be working as the seasonal property, expected occupancy rates and shares of channel will be the following:

Table 7. Expected occupancy rates and channel shares by month

Month	Expected occupancy	% of rooms within packages	% through OTAs	% of MICE and TO
April	60%	30%	20%	20%
May	70%	40%	30%	20%
June	75%	30%	30%	10%
July	80%	20%	30%	10%
August	85%	20%	30%	10%
September	75%	20%	20%	20%
October	60%	40%	10%	20%

Room type and price structure are represented in the Table 8:

Table 8. Price structure of Torre Blanca Hotel (EUR per night)

	BAR	OTA rate	Package rate	MICE / TO
Standard Double Room				
Medium Season	150	124,5	135	120
High season	180	149,4	162	144

Suit Room					
	Medium Season	240	208,8	216	192
	High season	280	243,6	252	224
1-Bedroom Apartment					
	Medium Season	120	104,4	108	96
	High season	150	130,5	135	120
2-Bedroom Apartment					
	Medium Season	210	182,7	189	168
	High season	250	217,5	225	200
Cottage					
	Medium Season	310	269,7	279	248
	High season	350	304,5	315	280

Food and Beverage Revenue, taking into account the specialization and size of the hotel will be calculated as percentage of the revenue, coming from rooms, at the level of 70%.

Another source of revenue is the meeting space with capacity for 50 persons. Rent rates vary depending on the season and length of rent – full-day or half-day:

- Medium season: half-day rent - 500 EUR, full-day – 1000 EUR
- High season: half-day rent – 700 EUR, full-day rent – 1300 EUR

Catering and extra-services are not included into the rent price.

Costs

One of the most important aspects of the hotel's cost are labor costs, which for Torre Blanca Hotel will include salaries paid to the employees, based on the 7-month renewable contracts, and annual bonuses, which can reach up to 10% of the annual contract period salary. Annual labor costs for Torre Blanca Hotel are calculated, basing on the average salaries in the hospitality industry of Spain and Cantabria region. (Table 9)

Table 9. Annual labor costs of Torre Blanca Hotel, by position (EUR)

Position	Annual salary	Bonus
General Manager	€21.000,00	€2.100,00
Financial Director	€17.500,00	€1.750,00
Purchasing Manager	€10.500,00	€1.050,00
HR Manager	€10.500,00	€1.050,00

Housekeeping and Maintenance Manager	€10.500,00	€1.050,00	
Front desk Manager	€10.500,00	€1.050,00	
Guest Relations Managers	€14.000,00	€1.400,00	
Sport Centre and Spa Manager	€10.500,00	€1.050,00	
Sales and Marketing Manager	€14.000,00	€1.400,00	
PR Manager	€14.000,00	€1.400,00	
F&B Manager	€14.000,00	€1.400,00	
Kitchen Chef	€14.000,00	€1.400,00	
Receptionist	€7.000,00	€700,00	
Reservation Agent	€7.000,00	€700,00	
Housekeeper - 3 employees	€14.700,00	€1.470,00	
Sous Chef	€8.400,00	€840,00	
Waiter - 3 employees	€16.800,00	€1.680,00	
Bartender	€7.000,00	€700,00	
Cook - 2 employees	€12.600,00	€1.260,00	
Annual labour costs	€234.500,00	€23.450,00	€257.950,00

Food and Beverage revenues are calculated as a percentage of the Room Sales results, basing on the industry benchmarking. F&B costs goods, basing on the industry bench-marking, gastronomic specialization and regional factors are considered to be 50% of the expected sales results.

8.2. Proforma income statements

Basing on the above mentioned assumptions Income statement for the three years is the following:

	YEAR 1	YEAR 2	YEAR 3
OPERATING REVENUE	€2.354.379,02	€2.683.992,08	€2.952.391,29
ROOMS	€1.304.238,34	€1.486.831,71	€1.635.514,88
FOOD	€782.543,01	€892.099,03	€981.308,93
BEVERAGE	€260.847,67	€297.366,34	€327.102,98
MEETING SPACE	€6.750,00	€7.695,00	€8.464,50
COST OF SALES	€606.470,83	€691.376,75	€760.514,42
FOOD	€391.271,50	€446.049,51	€490.654,47
BEVERAGE	€130.423,83	€148.683,17	€163.551,49
ROOMS	€65.211,92	€74.341,59	€81.775,74
SPORT AND SPA CENTRE	€19.563,58	€22.302,48	€24.532,72
LABOUR COSTS AND RELATED EXPENSES	€267.950,00	€271.165,40	€274.419,38

ROOMS	€177.870,00	€180.004,44	€182.164,49
FOOD & BEVERAGE	€80.080,00	€81.040,96	€82.013,45
TRAININGS	€10.000,00	€10.120,00	€10.241,44
OTHER UNDISTRIBUTED OPERATING EXPENSES	€332.580,78	€373.403,44	€396.279,78
ADMINISTRATIVE AND GENERAL	€6.521,19	€7.434,16	€8.177,57
INFORMATION AND TELECOMMUNICATIONS	€130.423,83	€131.728,07	€133.045,35
SALES AND MARKETING	€117.381,45	€148.683,17	€163.551,49
PROPERTY OPERATIONS AND MAINTENANCE	€52.169,53	€59.473,27	€65.420,60
UTILITIES	€26.084,77	€26.084,77	€26.084,77
GROSS OPERATING PROFIT	€1.147.377,41	€1.348.046,50	€1.521.177,71
NON-OPERATING INCOME AND EXPENSES	€1.332.000,00	€32.000,00	€32.000,00
INSURANCE	€10.000,00	€10.000,00	€10.000,00
SPONSORSHIPS AND ASSOCIATIONS	€7.000,00	€7.000,00	€7.000,00
PROPERTY TAX	€15.000,00	€15.000,00	€15.000,00
CONSULTANCY SERVICES	€10.000,00	€10.000,00	€10.000,00
LAND ACQUISITION AND CONSTRUCTION	€1.300.000,00		
EBITDA	-€184.622,59	€1.316.046,50	€1.489.177,71
TAX, DEPRECIATION, AMORTIZATION	€25.000,00	€354.011,62	€397.294,43
CORPORATE TAX		€329.011,62	€372.294,43
DEPRECIATION	€25.000,00	€25.000,00	€25.000,00
NET INCOME	-€209.622,59	€962.034,88	€1.091.883,28

8.3. Proforma cash flow

Cash flow proforma, besides operating results, includes financial and investment cash flows. As before the third year of the hotels activity no investment actions are planned, for the first, investment cash flow is equal to 0. Financial cash flow includes includes the possible costs for the financial operations.

	YEAR 1	YEAR 2	YEAR 3
GROSS OPERATING PROFIT	€1.147.377,41	€1.348.046,50	€1.521.177,71
NON-OPERATING INCOME AND EXPENSES	-€1.332.000,00	-€32.000,00	-€32.000,00
INSURANCE	-€10.000,00	-€10.000,00	-€10.000,00
SPONSORSHIPS AND ASSOCIATIONS	-€7.000,00	-€7.000,00	-€7.000,00
PROPERTY TAX	-€15.000,00	-€15.000,00	-€15.000,00
CONSULTANCY SERVICES	-€10.000,00	-€10.000,00	-€10.000,00
LAND ACQUISITION AND CONSTRUCTION	-€1.300.000,00		
EBITDA	-€184.622,59	€1.316.046,50	€1.489.177,71
TAX, DEPRECIATION, AMORTIZATION	€25.000,00	-€354.011,62	-€397.294,43
CORPORATE TAX		€329.011,62	--€372.294,43
DEPRECIATION	-€25.000,00	-€25.000,00	-€25.000,00
OPERATING CASH FLOW	-€209.622,59	€962.034,88	€1.091.883,28
INCREASE (DECREASE) IN LT LIABILITY	0	0	-€100.000,00
FINANCIAL EXPENSES	-€15.000,00	-€15.000,00	-€15.000,00
FINANCIAL CASH FLOW	-€15.000,00	-€15.000,00	-€115.000,00
EXPANSION OF THE PROPERTY	0	0	-€200.000,00
INVESTMENT CASH FLOW	0	0	-€200.000,00
FINAL CASH FLOW	-€224.622,59	€947.034,88	€776.883,28

Basing on the Cash flow preform, calculated Net Present Value and IRR by the end of the third year are the following: NPV = €1.169.295,57 IRR = 27%

8.4. Proforma Balance sheet

	YEAR 1	YEAR 2	YEAR 3
ASSETS			
NON CURRENT ASSETS	€1.795.000,00	€1.771.850,00	€1.848.821,50
LAND, PROPERTY AND EQUIPMENT	€1.780.000,00	€1.755.500,00	€1.731.000,00
PROPERTY IN CONSTRUCTION			€100.000,00
INTANGIBLE ASSETS	€15.000,00	€16.350,00	€17.821,50
CURRENT ASSETS	€1.348.232,67	€1.559.941,49	€1.743.362,20
INVENTORIES	€172.000,00	€179.000,00	€186.000,00
ACCOUNTS RECEIVABLE	€28.855,26	€32.895,00	€36.184,49
OTHER DEBTS			
SHORT TERM INVESTMENTS	€25.000,00	€22.000,00	€22.000,00
CASH AND CASH EQUIVALENTS	€1.122.377,41	€1.326.046,50	€1.499.177,71
TOTAL ASSETS	€3.143.232,67	€3.331.791,49	€3.592.183,70
EQUITY AND LIABILITIES			
EQUITY	€2.912.046,09	€3.069.194,98	€3.303.646,21
CAPITAL	€2.000.000,00	€2.000.000,00	€2.000.000,00
RESERVES	1.101,76	133,41	138,01
PROFIT/LOSS FOR THE YEAR	-€189.716,94	€935.784,87	€1.065.633,28
NON-CURRENT LIABILITIES	-	-	€200.000,00
LONG TERM LIABILITIES	-	-	€200.000,00
CURRENT LIABILITIES	€231.186,58	€262.596,51	€288.537,49
SUPPLIERS	€151.617,71	€172.844,19	€190.128,61
EMPLOYEE BENEFITS PAYABLE	€23.450,00	€23.450,00	€23.450,00
CUSTOMER ADVANCES	€56.118,87	€66.302,32	€74.958,89
TOTAL EQUITY AND LIABILITIES	€3.143.232,67	€3.331.791,49	€3.692.183,70

8.5. Project financing: needs and sources

At the initial stage of the project development, main investment needs will include the land acquisition. In accordance with offers, available at the moment of the following Business Plan development, average price for the piece of land of approximately 10 000 square meters, located in Western part of Cantabria region close to the ocean coast, is 180 000 – 200 000 Euros. More significant investments are needed for the construction process, which includes various stages from the building construction to furniture and decorations works. Property construction also involves convertible swimming pool, with the massage and SPA area, which can be used both as outdoor and indoor area depending on the weather. According to the preliminary estimations, initial investment required for the construction and launch of the hotel is 2 million Euros. As it can be seen on the income statement, after the second year of the hotel functioning, it will be possible to reach positive cash flow.

Taking into account the specific features of the hotel industry and the following business project in particular, legal and administrative aspects, financing may be obtained through the following sources:

- Bank loan within with the Spanish bank;
- Private investors and investment funds.

For the following project the chosen source of financing, as it has been already mentioned before, is the private association of investors, registered in Russian Federation and specializing in the development and construction of hospitality properties. Principles of work of the chosen private investors is similar to the so called angels investors, who provide capital for start-ups and new business projects in exchange of the ownership equity. Among the advantages of the mentioned sourced are the expertise in the hospitality industry, diversified project portfolio and possibilities for the future expansion of the business into a hotel chain.

Another need for financial resources is believed to appear during the third year of the hotel's activity in order to initiate the expansion of the infrastructure of Torre Blanca Hotel – construction of the tennis court and horse-riding center. As by that phase of the business development income statement is forecasted to be stabilized, bank loan can be used as a source of financing.

8.6. Analysis and financial feasibility

Key ratios, calculated basing on the financial statement expected results are the following:

	YEAR 1	YEAR 2	YEAR 3
WORKING CAPITAL	€1.117.046,09	€1.297.344,98	€1.454.824,71
OPERATING WORKING CAPITAL	€1.115.496,09	€1.298.794,98	€1.456.274,71
CURRENT RATIO	5,83	5,94	6,04
QUICK RATIO	5,09	5,26	5,40
CASH RATIO	4,85	5,05	5,20
RECEIVABLES TURNOVER	38,55	39,92	41,07
PAYABLES TURNOVER	4,00	4,26	4,19
FIXED ASSETS TURNOVER	0,62	0,74	0,80
TOTAL ASSETS TURNOVER	0,35	0,39	0,41
PROFIT MARGIN	-17,06%	71,27%	71,70%
ROE	-6,51%	30,49%	32,26%
ROA	-6,99%	38,45%	40,48%

As it can be seen, due to the specific features of the supplier cooperation conditions and high share of direct payments from clients - receivable and payable turnovers are favorable for the hotel industry enterprise. Cash indicators and non-current assets structure specifics result in relatively high liquidity ratios.

Profitability ratios result also demonstrate positive dynamics and achievement of the financial goals with the exception of the first year of the property's activities.

8.7. Sensitivity Analysis

Sensitivity analysis for the property is based on the optimistic scenario with the average occupancy of 10 % higher than expected, cost of purchases – 20% lower than expected and labour costs – 10% lower than expected. Income statement for the following scenario will be the following:

	Year 1	Year 2	Year 3
Operating Revenue	€2.589.816,92	€2.952.391,29	€3.247.630,42
Rooms	€1.434.662,17	€1.635.514,88	€1.799.066,37
Food	€860.797,31	€981.308,93	€1.079.439,82
Beverage	€286.932,44	€327.102,97	€359.813,28
Meeting space	€7.425,00	€8.464,50	€9.310,95
Cost of Sales	€485.176,66	€553.101,40	€608.411,54
Food	€313.017,20	€356.839,61	€392.523,58
Beverage	€104.339,06	€118.946,54	€130.841,19
Rooms	€52.169,54	€59.473,27	€65.420,59
Sport and Spa Centre	€15.650,86	€17.841,98	€19.626,18
Labour Costs and Related Expenses	€241.155,00	€244.048,86	€246.977,44
Rooms	€160.083,00	€162.004,00	€163.948,04
Food & Beverage	€72.072,00	€72.936,86	€73.812,11
Trainings	€9.000,00	€9.108,00	€9.217,30
Other Undistributed Operating Expenses	€332.580,78	€373.403,44	€396.279,78
Administrative and General	€6.521,19	€7.434,16	€8.177,57
Information and Telecommunications	€130.423,83	€131.728,07	€133.045,35
Sales and Marketing	€117.381,45	€148.683,17	€163.551,49
Property Operations and Maintenance	€52.169,53	€59.473,27	€65.420,60
Utilities	€26.084,77	€26.084,77	€26.084,77
Gross Operating Profit	€1.530.904,48	€1.781.837,59	€1.995.961,66
Non-operating income and expenses	€1.332.000,00	€32.000,00	€32.000,00
Insurance	€10.000,00	€10.000,00	€10.000,00
Sponsorships and associations	€7.000,00	€7.000,00	€7.000,00
Property tax	€15.000,00	€15.000,00	€15.000,00
Consultancy services	€10.000,00	€10.000,00	€10.000,00
Land acquisition and construction	€1.300.000,00		
EBITDA	€198.904,48	€1.749.837,59	€1.963.961,66
Tax, Depreciation, Amortization	€25.000,00	€462.459,40	€515.990,42
Corporate tax		€437.459,40	€490.990,42
Depreciation	€25.000,00	€25.000,00	€25.000,00
Net Income	€173.904,48	€1.287.378,19	€1.447.971,25

Pessimistic scenario involves the occupancy of 20% less than the expected levels, and higher costs of goods and labour – 20 and 10% relatively. Income statement will be the following:

	Year 1	Year 2	Year 3
Operating Revenue	€1.883.503,22	€2.147.193,66	€2.361.913,03
Rooms	€1.043.390,67	€1.189.465,37	€1.308.411,90
Food	€626.034,41	€713.679,22	€785.047,14
Beverage	€208.678,14	€237.893,07	€261.682,38
Meeting space	€5.400,00	€6.156,00	€6.771,60
Cost of Sales	€727.765,00	€829.652,10	€912.617,30
Food	€469.525,80	€535.259,41	€588.785,36
Beverage	€156.508,60	€178.419,80	€196.261,79
Rooms	€78.254,30	€89.209,91	€98.130,89
Sport and Spa Centre	€23.476,30	€26.762,98	€29.439,26
Labour Costs and Related Expenses	€294.745,00	€298.281,94	€301.861,32
Rooms	€195.657,00	€198.004,88	€200.380,94
Food & Beverage	€88.088,00	€89.145,06	€90.214,80
Trainings	€11.000,00	€11.132,00	€11.265,58
Other Undistributed Operating Expenses	€332.580,78	€373.403,44	€396.279,78
Administrative and General	€6.521,19	€7.434,16	€8.177,57
Information and Telecommunications	€130.423,83	€131.728,07	€133.045,35
Sales and Marketing	€117.381,45	€148.683,17	€163.551,49
Property Operations and Maintenance	€52.169,53	€59.473,27	€65.420,60
Utilities	€26.084,77	€26.084,77	€26.084,77
Gross Operating Profit	€528.412,44	€645.856,18	€751.154,63
Non-operating income and expenses	€1.332.000,00	€32.000,00	€32.000,00
Insurance	€10.000,00	€10.000,00	€10.000,00
Sponsorships and associations	€7.000,00	€7.000,00	€7.000,00
Property tax	€15.000,00	€15.000,00	€15.000,00
Consultancy services	€10.000,00	€10.000,00	€10.000,00
Land acquisition and construction	€1.300.000,00		
EBITDA	-€803.587,56	€613.856,18	€719.154,63
Tax, Depreciation, Amortization	€25.000,00	€178.464,05	€204.788,66
Corporate tax		€153.464,05	€179.788,66
Depreciation	€25.000,00	€25.000,00	€25.000,00
Net Income	-€828.587,56	€435.392,14	€514.365,97

In case of the optimistic scenario, revenues of the hotel will provide the opportunities for prolongation of the opening season of the hotel for months with low occupancy in order to make operations processes more stable. Additional costs related to this change of strategy will be covered by the increased revenues during the high season

The pessimistic scenario, depending on the results of the analysis of the profound reasons for the decline, will involve following actions to reduce the negative affect: pricing strategy adjustments and cost reduction actions.

9. Legal Aspects

Legal aspects are important factor which should be analysed when developing a new business project. As administrative procedures and barriers can significantly affect the efficiency of the new company establishment, launch and activity, it is crucially important to choose the optimal legal format of the enterprise in accordance the country's legal system and take into consideration specific features of the national and local legislation of the particular industry.

9.1. Legal format and structure

In Spain, according to the national law, newly created companies may have different legal format, depending on the size and specific features of the business. Most common legal forms of the enterprises and companies in Spain are Stock corporations (Sociedad Anónima) and Limited Liability companies (Sociedad de Responsabilidad Limitada). First type of legal form is mostly often used for investments in major projects with the future listing on the Spanish Stock Exchange. Sociedad Anónima form has more complicated registration and regulation processes with complex requirements, including the requirement to have Board of Directors and Shareholder's General meeting on the regular basis.

Taking into account size, ownership, specialization and commercial aims of the Torre Blanca Hotel company, more suitable legal form for the entity is Sociedad de Responsabilidad Limitada (S.L.). This type of corporation is the most used form for small and medium business companies and can be created by just one founder. Key aspects of the S.L. legal form registration and activity include the following:

- Deed of the company must be signed with notary and registered at Registro Mercantil – Corporate Registry of the region of the country;
- Minimum capital requirements are 3 005.06 EUR;
- Liability of the shareholders is limited in accordance with the investments they contributed;
- There is no possibility for the S.L. shares to be listed on the national Stock exchange.

Activity of Limited Liabilities companies is regulated by the National Spanish Law 2/1995 "Sociedades de Responsabilidad Limatada", which made the structure of such type of entities more simplified. Owners of the S.L. companies are empowered to establish the organizational structure of the company with its by-laws. Stock corporations, on contrary, are subject to strict regulation from the side of the Government in terms of legal structure and activity.

As the result, Torre Blanca Hotel Company will be registered under the name *Torre Blanca Hotel Cantabria S.L.* and its' legal identity data will include official address, contact information, commercial registry and tax identification registries.

In terms of legal regulations, hotel business in Spain must follow various norms and obtain necessary permits:

- Obtaining Hotel accommodation licence from the Tourism authorities of Cantabria;
- Obtaining Food handling licence for the F&B activities;
- Approval of the property construction and authorization for project with the Cantabria local authorities;
- Health and safety, environmental, accessibility norms and regulations compliance;
- Data protection law compliance;
- Employment law compliance.

Regarding regional regulations, the most important document to take into consideration is Decreto 81/2010, published in the Boletín de Cantabria. This regional norm regulates different aspects of the hotel business activity in the region of Cantabria, among them:

- Hotel categories classifications;
- Special requirements for the accessibility of the property for people with limited mobility;
- Requirements for the initiation of the new hotel establishment process;
- Requirements for the information regarding hotel category and services available in public access;
- Technical requirements: security systems and fire protection, soundproof systems, ventilation and heating, hot water, elevators, room facilities and others.

This document can be considered as the principal base for the legal compliance for the property as it reflects national regulation norms and contains special legal features for the region.

9.2. Intellectual and industrial property

In Spain intellectual property is regulated by the national law, which is harmonized with the Intellectual Property laws and regulations of the European Union. Regulated intellectual property is divided into following groups:

- Industrial property – involves industrial designs, inventories, trademarks, patents, etc.
- Artistic works – involves different kinds of art and culture related creations.

- Commercial strategies – involves know-how and intellectual property covered by the confidentiality agreements.

Taking into account the specific features of the hotel industry and the following business project in question, business model doesn't involve patent obtaining. However, in terms of intellectual property, it is important to register the international trademark and protect with copyright visual materials and webpage contents, including the blog. The right to protect the above mentioned aspects of the intellectual property in Spain is guaranteed by the followings laws (www.oepm.es):

- Distinctive Signs. Law 17/2001 of 7th of December on trademarks;
- Industrial Designs. Law 20/2003 of 7th of July on the legal protection of industrial design.

Intellectual properties may be protected in Spain within the procedure initiated at Spanish Patent and Trademark Office.

International trademark can be registered in Spain in accordance with the so-called Madrid system (World International Property Organization – WIPO), uniting 80 countries which are part of the Agreement of the Protocol of the Madrid Union. It is possible to apply for international trademark within the WIPO for the trademarks, registered and protected in accordance with Spanish national laws. After the application is revised and approved by the WIPO commission, new trademark registration is communicated within the organization offices of all the countries – members of WIPO.

International trademark protection within the Madrid system is valid for 10 ten years, after which the registration may be renewed for another 10-years period. This type of international trademark registration is subject to a fee, which may vary, depending on the specific features of the trademark and country of origin. Estimated cost of international trademark of Torre Blanca Hotel is 1 000 Euros.

Summing up, it is worth mentioning the importance of the profound analysis and deep understanding of the legislation system of the country where new business is being created. From this point of view, as the organizational structure of the company doesn't include legal department, the budget of the project involves hiring third-party services of the local legal consultancy company for legal assistance at all the stages of project development, launch and activity.

10. Company growth and development strategy

Following Business plan project mostly covers first three years of the activity of Torre Blanca Hotel and Spa and pre-launch period. According to the financial analysis and mid-term forecast, with the expected level of occupancy, by the fourth year financial statements will demonstrate stable positive dynamics. Such situation is considered to be favourable for the future expansion of the property.

In three years, marketing and sales strategy, is believed to increase the brand recognition of Torre Blanca Hotel on the international target markets. At the the same time, as it has been mentioned before, local Cantabrian destination management organizations are implementing mid-term marketing plans and programs which are aimed at increasing the popularity of Cantabria as an international adventure tourism destination. One of the marketing focuses of Torre Blanca Hotel is amateur sport tours and events and with the proper sales and marketing activities, necessary connections and partnerships will be established by the third year of the hotel's activity. All the above mentioned is considered to create favorable conditions for the property expansion and the development of more diversified product in the sphere of adventure and sport tourism.

The growth and development strategy of the property includes the following action to be taken after the third year of the property's activity:

- Construction of 3 tennis courts on the territory of the property and creation of the infrastructure for amateur tennis events.
- Construction of the stable and horse-riding center on the territory of the property. Horse-riding center will have the capacity of up to 15 horses. Products related to this sphere of adventure tourism will include horse-riding school and routes in the surrounding areas. The explanation will also involve hiring new employees to support the mentioned activities.
- Expansion of the accommodation by building additional cottages for rent and expanding the building with the hotel type accommodation.

In the long-term perspective on condition of stable and positive development of the property, Torre Blanca Hotel may have different options in terms of future strategic brand development. First one involves obtaining the franchise of the international hotel chain in order to reach more international markets. Another strategic direction may involve opening new properties in Spain with the same focus on adventure tourism and local natural resource.

11. Timeline

On the following time line key phases of the project development and activity are represented on the following scheme:

	Pre-launch process										Year 1		Year 2		Year 3	
	Q1Y1	Q2Y1	Q3Y1	Q4Y1	Q1Y2	Q2Y2	Q3Y2	Q4Y2	Q1Y3	Q2Y3	Q2Y1	Q3Y1	Q2Y2	Q3Y2	Q2Y3	Q3Y3
Property Acquisition	■															
Property project development and approval	■	■														
Legal consultancy services contracting		■														
Touristic licence obtaining		■	■													
Food handling licence obtaining		■	■													
Interviews and employment procedures				■												
Construction phase I		■	■													
Construction phase II				■	■	■										
Construction phase III							■	■	■	■						
Security and technical inspections										■						
Contracts with OTA and TA										■	■	■	■	■	■	■
Cooperation with destination marketing org.										■	■	■	■	■	■	■
Marketing activities initiation										■						
Official opening of the hotel											■					
Amateur sports events												■		■		■
International sales visits													■		■	
Property expansion initiation															■	■

12. Critical risk and contingency plan

In the conditions of vulnerable and fast changing economic, social and political situation, risk management is crucially important for the companies to be able to achieve successful business activities sustainable in time. In the organizational structure of Torre Blanca Hotel risk management functions belong to the General Manager, who is responsible for analysis of the possible risks and ways to reduce the negative effect if the risk scenarios take place.

Key spheres of risks which may possibly affect the business of Torre Blanca Hotel can be relatively divided into following groups:

- Economic risks

This type of risks is related, first of all, to the worsening economic situation on the key geographical markets, where target segments come from. For Torre Blanca Hotel these markets include national Spanish market, European countries and North American Markets. By the moment, economic situation in the mentioned regions is believed to be moving in the direction of stabilization and growth. Nevertheless, internal and external factors may change the situation and lead to the slowdown of the economies of the mentioned countries and regions, and as a result spending volumes of the consumers and outbound tourism flows will decrease. Reasons for such changes may potentially be changing political situation in the countries, instability of financial markets, weakening of the national currencies.

In order to reduce the possible negative effects of such changes, contingency plan includes actions aimed at attracting new geographical market segments in order to compensate reducing tourist flows from countries which go through economic slowdown. This may include refocusing sales activities on other markets, creating new products aimed at different geographical segments and adjusting pricing strategy for the changing economic conditions.

- Social and cultural risks

Following types of risks are related to the instable situation, caused by the migration crisis in the European region and terrorist attacks, which took place during last years in several European countries. Important aspect of the risks is perception of the situation on the more distant markets, such as North American region.

According to the statistics of the tourist flows, coming to Spain, mentioned before in the following project, country's popularity as an international tourist destination was not affected by the problem, as it happened to the destinations which suffered directly the instability and attacks, such as France and Belgium. Nevertheless, possible future instability and continuous military conflicts in Middle East may increase the risks of decreasing tourist flows coming to European Countries and may affect the perception of the clients, who will doubt the safety aspects of visiting Spain.

Contingency plan for the following type of risks consists of two key elements – improving security systems and communicating the safety aspects to the potential guests. First aspect involves employing more personnel specialising on the security issues and maintaining specialised trainings for the employees. Such trainings are developed in accordance with the international standards and cover different aspects – from the incidents prevention to post incident action plans and behaviour standards. Regarding communication of the safety aspects, such channels as official web page of Torre Blanca Hotel and materials provided to the third parties should be used. In general, it is worth mentioning, that Cantabria is the smallest and least inhabited province of Spain, located in a distance from the most popular mature tourist destinations of the country, which makes the risk of terrorist attacks or immigration crisis effects less possible.

- Political risk

Risks which are related to the change of the political system in the country and changing conditions for the hospitality companies financed by foreign capital, are considered to be low for the countries with stable and developed political systems, such as Spain. Moreover, the fact that Spain is a member of the European Union provides more stability in terms of political risks. Nevertheless, the example of Great Britain going out of the Union leaves the possibility of the mentioned political risk. Internal political situation related to the intentions of the government of Catalonia province to separate from Spain may also bring the negative effects to the hospitality market situation in the country and in Cantabria region in particular.

In terms of contingency plans, actions to be taken depend on the effect caused by the political situation change. In case of economic effects same actions as for the above mentioned economic risks can be taken in order to stabilize demand. In case of increasing

administrative barriers, business model may be reconsidered and changed towards other types of business – such as private or commercial real estate refocus.

13. Conclusions

During the last decades adventure and nature based tourism has been gaining more and more popularity all over the world. In different countries and destinations build their marketing campaigns basing on nature based and adventure tourism products. Generation of millennials and Creative class travellers are becoming the trend-setters of the global tourism tendencies – for this global segments added value, personal experience and authenticity become key priorities when choosing a destination. At the same time quality of services and safety standards still play important role.

In the conditions of constantly increasing international tourist flows, mature destinations become overwhelmed, which leads to the development of new destination which provide travellers with different and diversified experiences. Cantabria region of Spain can be considered as one of such destinations with various opportunities to enjoy local cultural and natural resources. Even though Cantabria is considered to be a destination not well-known outside Spain, international tourist flows to the region are slightly increasing every year. Nowadays, hotel industry of the region provides the possibilities to find new market niche and the level of competition is lower comparing to the mature tourist destinations.

Torre Blanca Hotel, being a 4 star hotel and accommodation property, offers the possibility to have diversified local experience, both cultural and nature based. Selling proposition of the property is based on the great location, high quality of services and infrastructure and complex leisure options which are available through cooperation and partnerships with local tourist service providers.

According to the financial plan with the efficient cost control and expected occupancy rates, the property is believed to reach the principal goals of the project. Sales and Marketing activities along with the developing destination marketing programs maintained by the government of Cantabria are expected to contribute to the increasing popularity of the destination.

Another important aspect of the following business project is special attention to the social and environmental responsibility. Property and its' cooperation with local business will contribute to the employment and economic development of the region. On the other hand, responsible nature based tourism, promoted by Torre Blanca Hotel, will increase the awareness of the sustainable tourism and attract people who share the values of ecological responsibility.

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Annex 1. Examples of Cantabrian traditional architecture (Main Building)



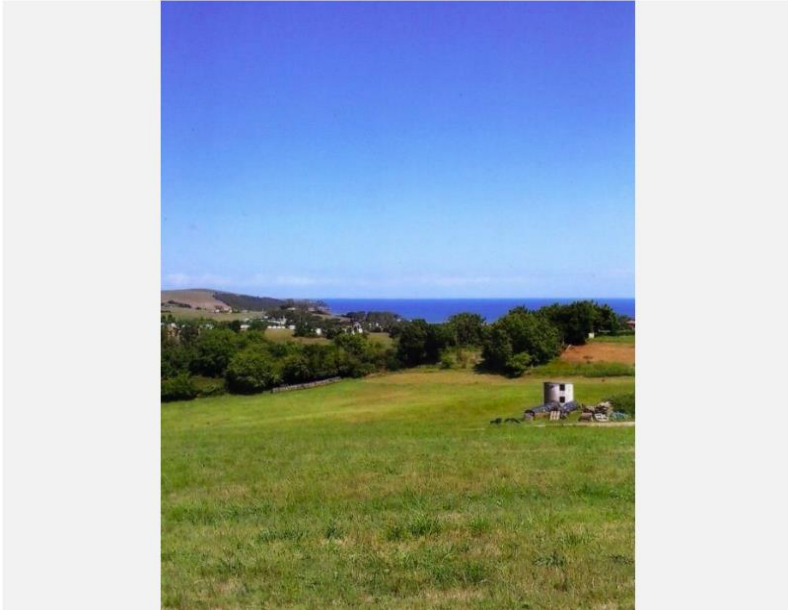
Source: <http://www.visitacantabria.com>

Annex 2. Land location of the land

Terreno en venta en barrio santa ana s/n, Valdaliga

180.000 € 9.600 m² Urbanizable
Hipoteca 461 eur/mes - [Calcular hipoteca](#) [Solicitar hipoteca](#)

[Guardar favorito](#) [Descartar](#)



Source: <https://www.idealista.com/inmueble/30959920/>