

A GUIDE TO STARTING AND OPERATING AN ACCOMMODATION BUSINESS IN NOVA SCOTIA

PLANNING



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This document contains numerous website links. All links were active at the time of publication but some may have changed since that time.

Cover photo: Quarterdeck Restaurant & Villas, Summerville, NS

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PREPARING A BUSINESS PLAN

This section explores how to develop a concept for your accommodation business, including how to select a location, investigate feasibility and the market, seek out financing and understand necessary regulations.

Many wanna-be operators are intimidated by the idea of developing a business plan, but it is an important first step in making your dream a reality. Start with a scrap of paper, a binder with tabs and notes or a folder on your computer – whatever works best for you. Gradually add to each section as you go. The outline below covers the essentials of business planning, and this guide provides more details on each subject.

Developing a good business plan takes time. As you do the necessary research and work through the various pieces, your thoughts about the business, and the plan, will evolve.

Successful entrepreneurs continually work on their business plan. Update yours regularly to reflect progress with the business and shifts in the marketplace.

HOW TO WRITE YOUR BUSINESS PLAN

A good business plan is the roadmap to your future success. It is a formally written presentation of your vision for your accommodation business. It maps out where you are headed and requires you to examine all of your strengths and weaknesses as a business owner.

Your business plan should be concise, yet contain enough information for the reader to judge the potential profitability of your business. There is no recommended length for a good business plan, but if you are hoping to engage potential funders, you should keep it as succinct as possible.

There are thousands of books, articles and websites on how to write a business plan. Check out the [Canada Business.Network](#) for some good sources. Many accommodation operators are willing to share their start-up plan or discuss it with you, so don't hesitate to reach out for help.



Terra Glamping, North California



“SOMEONE I RESPECT ONCE TOLD ME, ‘YOU NEED TO SPEND MORE TIME WORKING ON YOUR BUSINESS AND LESS TIME WORKING IN YOUR BUSINESS.’ THIS IS MUCH EASIER STATED THAN PRACTICED. A SMALL HOTEL OPERATION IS A DAILY, HANDS-ON WAY OF LIFE AND, IN MY EXPERIENCE, OPERATIONS CAN TAKE PRECEDENCE OVER SOME OF THE MUCH-NEEDED, FORMAL BUSINESS PLANNING EXERCISES.”

Robert Pretty, The Halliburton

KEY COMPONENTS OF A GOOD BUSINESS PLAN

EXECUTIVE SUMMARY:	A brief (1-2 pages) overview of all the business plan components. It highlights your concept and why it will be successful. It tells the reader how much your venture will cost and where you intend to find the money. Don't get bogged down in the details here. In fact, you should write this section last, once you have a sense of all of the pieces.
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LEGAL STRUCTURE:	Outlines the structure or organization of your business, whether it's a partnership or corporation. It should include the date the business was created and the names of the principals involved. The capitalization plan (who owns how much, etc.) is an important element. You can find more information on the various types of legal structures later in this section.
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BUSINESS CONCEPT:	<p>Paint a picture of what it will be like to experience your accommodation – why your concept will appeal to travellers and who you will target. This piece is critical. Your vision needs to be clearly understood and easy to communicate to travellers, your tourism partners and employees. Your concept drives most other aspects of establishing and running the business, so be as articulate as you can about:</p> <ul style="list-style-type: none">• Type of accommodation (i.e., inn, lodge, resort, motel)• Brand and positioning• Location and the experiences that will compel travellers to visit the area and stay with you• Number of units and their key features• On-site amenities you will offer (dining area, lounge, pool, etc.)• A brief description of the decor and furnishing• Proposed operating season
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THE LOCATION:	If you have not chosen a definitive site or address, just list the local area where you intend to open your accommodation. This section can be updated, if needed, after a site has been selected.
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DESIGN:	Identify how many units, the different types of units (one or two-bedroom cottages, suites, etc.) and their size, along with other major amenities. If you have drawings or floor plans (professional or otherwise) include them here.
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THE MANAGEMENT TEAM:	<p>Who is going to run the show? To be successful in operating a small or medium accommodation business you will need a hands-on manager. In most cases this will be the owner. If you plan to hire a manager, assess the financial implications carefully.</p> <p>Demonstrate that you have what it takes: the experience, skills, education, and/or discipline to make this work. Provide the background and experience of the owners and the key management staff, if appropriate. You can insert actual resumes here or include them as appendices at the end of the plan.</p> <p>Outline other key principals of your team: your professional advisors, such as your lawyer, accountant, designer, contractor, etc. Make sure you have all the bases covered.</p>
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KEY COMPONENTS OF A GOOD BUSINESS PLAN

BUSINESS ANALYSIS:

Some entrepreneurs have an uncanny ability to visualize a concept that will appeal to the public, and the passion and experience to turn that dream into a reality. However, it's important to balance your passion with some in-depth market and feasibility research – a reality check. You want to examine your proposed accommodation in relation to the existing marketplace. It's important to clearly identify what will make your accommodation special compared to the others.

Carefully research the viability of your business in relation to competition and demand. This is explored in detail later in this section. Your business analysis should include the following elements.

Industry Overview

Review the tourism and accommodation sector in Nova Scotia, and consumer trends and expectations. The [Introduction](#) to this guide provides an overview and good sources of information.

Target Markets

Who are your preferred target markets? Who will your concept appeal to most? Describe your ideal target customer. Why will they stay at your property? What will bring them to your community? How long will they stay with you? What will they do during their stay?

Location Analysis

Even if you don't have an exact location, you'll want to describe the market conditions that exist in the general area. Include information on what is happening locally, particularly anything that might bring people looking for overnight accommodation.

Competitive Analysis

How much of the potential market can you expect to get? While you might have a pretty good sense of the appeal of your concept, you need to have a good understanding of the competition.

Financials

Itemize your start-up costs (a capital budget) and prepare a detailed projection of your revenues and expenses (a projected income statement). You will need to demonstrate how the business will generate enough revenue to ensure you can repay your debt and financing costs. You will also need to explain how much working capital you require and where it will come from to carry the business until it starts to generate enough revenue to cover all costs.

You can find details on how to do this and simple templates for these items later in this section of the guide.

OPERATIONS PLAN:

Include a description of how your accommodation will operate on a day-to-day basis.

Key operations include staffing, training, human resources, customer service, reservations, suppliers, management controls, accounting, bookkeeping, and payroll.

MARKETING STRATEGY:

It's important to develop a marketing strategy for before and after you open the doors. That includes a solid brand positioning – knowing who you are, what you do, and why people should care. Getting it right will likely take some trial and error. Marketing is one of those areas where it might be worthwhile to consult with an expert. Learn more in our [Marketing](#) section.

PLANNING

BUSINESS STRUCTURE

You will need to decide on the legal structure of your company, be it a partnership, a sole proprietorship or an incorporated company.

SOLE PROPRIETORSHIP

If you are in this project on your own, a sole proprietorship is the simplest and least expensive business structure. It requires one owner, and that owner and the business are one entity. It means you own the business and its assets personally, and are responsible for the business liabilities. There is no legal form to a sole proprietorship, although you still have to register the business. The income of the business is the personal income of the owner. The expenses are also the liability of the owner.

PARTNERSHIP

If you have one or more partners who want to participate in running the business, you can form a partnership. Like the sole proprietorship, the owners of the business and the business itself are one and the same for legal purposes. The business has no legal status separate from the individuals involved. The liabilities of the business are the liabilities of the partners.

No two partnerships are the same, but you'll want to be sure you have an agreement in writing before you begin. Work with a law firm to put a partnership agreement in place. It's important to document everything: who's responsible for what, who's getting what for their investment of money or time, how you will divide profits, what happens if a partner dies, as well as exit options. We highly recommend each partner get independent legal advice before signing a partnership agreement.

A word of caution: you should be very careful when choosing a business partner. Many partnerships, like marriages, fail because the partners find they can't get along. Also like marriages, you may find it's easy to get in, but another matter altogether to get out. Settling on an agreement before you start will make everything about having a partner more straightforward and give you peace of mind.

INCORPORATION

Whether you are going to operate your business alone or you have one or more partners, you should consider incorporating your company. A corporation is a corporate entity that owns your accommodation. It can protect you personally if the business fails, but it doesn't necessarily mean you won't have responsibilities if your business is unsuccessful. As a new accommodation owner, you will likely be required to personally guarantee loans, which means that you're still responsible if the company fails.

There are also pros and cons regarding tax implications for incorporations, which you should explore further with an accountant.

You will likely need a lawyer to do the incorporation (although some people manage this successfully themselves) and can expect the legal fees to be in the range of \$1,000 to \$3,000. The Nova Scotia [Registry of Joint Stocks](#) will have more information about what exactly is required.



Keltic Quay, Whycomagh, NS

If you are embarking on this venture on your own, check out the [Canadian Legal Guide for Small Business](#) published by the Self-Counsel Press. It will outline the detailed steps required to form a corporation and the reporting requirements for maintaining your company in good standing.

BUSINESS NAME

With luck, you'll be living with your accommodation's name for years to come. So, take your time when deciding on the name. You want it to be memorable and to, somehow, evoke the concept and key attractions of your property.

Of course, if you are using a professional designer or marketer, they will have lots of ideas and

feedback on potential names. Try to keep an open mind, but make sure you are passionate about the final choice.

If you've already decided on the name, be sure to verify that you can use it legally. If someone else is already using the same name, or something similar, you may have to go back to the drawing board. Check it out with the Nova Scotia [Registry of Joint Stocks](#) as quickly as you can.

PLANNING

DEFINING THE CONCEPT

Your concept needs to respond to the needs of potential customers you are targeting – their reason to visit, the type of accommodation property, the location, positioning, prices and operating season – the Who, What, When, Why and Where. The concept is critical – it reflects your brand and who you are.

Developing the concept is a circular process, taking into account many factors – but it is rooted in a marketing orientation. Every decision you make should consider the question, “How can I best meet the needs and expectations of the market and the individual customer?” Travellers today have a wealth of choice at their fingertips, not just in Nova Scotia but around the world. And the reviews and experiences of other travellers play a critical role in their decision to stay at your accommodation. Putting the customer at the heart of your business is critical to your future success.

A marketing orientation to operating an accommodation business means much more than having a website and a listing on novascotia.com. It means:

- Identifying and understanding your target markets – what they expect and why they will visit.
- Developing, and continually modifying, your accommodation to best serve their needs.

- Making it easy for customers to find out about your property and make a booking.
- Offering excellent customer service.
- Continually upgrading your property, décor and amenities to keep pace with changing market expectations.
- Employing marketing activities that reach the target markets, and adapting them regularly based on feedback and results.

Some factors to think about as you start developing your concept:

- Who do you want appeal to?
- Where do you want to be located?
- How much money do you want to invest?
- What is the competitive situation?
- Do you want to operate seasonally or year round?
- What’s happening in the marketplace? What does this mean for your ideas?
- What will differentiate your accommodation from others – what is it about the experience

offer that sets the business apart and attracts customers?

If you need inspiration, take a business trip to another city or country; visit different types of accommodation properties and look at how they are doing things, how successful they have been, and what challenges they are facing. Who are they targeting? How are their markets changing? Chat with the owner or manager – tell them what you have in mind and ask for their suggestions.

From this initial research, come up with a preliminary concept for your accommodation property such as:

- Cottages by the sea
- Luxury country inn getaway
- Heritage inn
- Urban inn
- B&B
- Inn at a vineyard
- Wilderness lodge
- Small resort

Then work through the Who, What, When, Why and Where and refine your concept based on your findings.



SUCCESS STORY

QUARTERDECK RESTAURANT & VILLAS Summerville, NS

IMPORTANCE OF DEFINING A CONCEPT

Our vision was to inspire our guests – with a product and experience that would make them go “Wow!” We are getting that now.

BIGGEST CHALLENGE:

Getting everyone on board. There was some back and forth, but we set a path for the spectacular and we do everything we can to deliver on it.

KEY TO SUCCESS:

Staying true to the vision and not compromising. We have to stay true to ourselves and what we want. If we were mediocre, we’d get mediocre results.

BEST ADVICE:

Don’t give up! Surround yourself with good people and differentiate yourself. Do something extraordinary.

GAME CHANGER:

We threw out the rules. We thought, ‘Let’s inspire our guests,’ and if we can do that on track or on budget, then we’ve got something.

FUTURE THINKING:

We are constantly thinking, ‘How do we wow people?’ year-round. Our rec centre – with outdoor swim spa and theatre – is the wow factor for the kids and makes us relevant in mid-February.

PLANNING

DEFINING THE CONCEPT

WHO ARE YOUR IDEAL CUSTOMERS?

Identifying your target customers is a critical piece in building your concept, since you'll want to make sure that your concept matches the expectations of potential guests. You will likely have several different ideal customers, perhaps for different times of the year or week. Think about target customers from several different perspectives:

- [EQ segment](#) – Authentic Experiencers, Cultural Explorers or Free Spirits
- Demographics – Family groups, couples, mature or millennial
- Purpose of trip – Pleasure travellers, business travellers, sports teams
- Visitor origin – Some travellers have some different requirements, depending on where they are from
- Groups (motor coach tours, weddings), meetings/conferences, individual travellers
- Class and price point – luxury & expensive, deluxe, budget-conscious

Identify a list of the types of customers available to you based on your concept and assess them:

- For whom will your accommodation have the greatest appeal?
- Which customers will not be a good fit with your concept?
- Is the primary customer a good fit with the other audiences you are considering?
- Is the customer market substantial? Is it growing and likely to continue?
- Will these customers come year round (if you are planning on operating year-round)?
- Will these customers be prepared to pay what you are asking?
- Are there competing facilities in the same area going after the same customers?

Do some research on the customers and markets you are considering. The Internet is a great source for insights. Also check out our [TNS website](#), [Destination Canada](#) and specialty sites such as [Skift](#).

It's important to note that no property appeals to all markets, so you must prioritize which ones you want to attract. For example, it's not worth it to try and attract hotel people to B&Bs.

Establish a short list of priority target customers who have the best potential for the type of property you are going to establish. This decision affects all aspects of your business. If researching the target customers makes you rethink your concept, be open to new ways of moving forward.

WHAT IS THE COMPETITION DOING?

Visit competing accommodations, look at what they are offering (facilities, amenities and experiences) and research their reputations. [TripAdvisor](#) can be a great source of information. Learn about their strengths and weaknesses and try to get an idea of how much business they might be doing.

Describe the regional competition that exists for your accommodation. Look at the features of accommodations with similar concepts and selling similar experiences, not just in Nova Scotia but outside the province as well. Tourism is a global industry and potential guests will be comparing your property to those in destinations across the country and beyond – your research should take this into account.



Longitude 131, Australia

TIP

When researching your competition, explore:

- Overall concept
- Target markets
- Pricing
- Season of operation
- Amenities and experiences
- Level of business at different periods of the day/week/year
- Strengths and weaknesses

PLANNING

DEFINING THE CONCEPT

WHAT WILL YOU OFFER?

Once you have decided on the target customers and understand their needs and the competitive situation, you can now determine the mix of products, services and experiences to provide at your accommodation.

For each of the priority target customer segments, consider:

- What type of room will they want? Remember that today's travellers expect rooms to have ensuite bathrooms. For example:
 - Cottage with 1, 2 or 3 bedrooms
 - Suite with spa-like bathroom
 - Oversize rooms with sitting areas, balconies
 - Basic comfortable room
 - Queen or king bed, or two queen beds
- What other facilities will you need to attract them and meet expectations? For example:
 - Dining room, restaurant or breakfast room
 - Meeting space
 - Lounge or sitting area (indoor, outdoor)
 - Recreational facilities – pool, indoor games area, children's play area, beach

- Program space – for cooking lessons or wine tastings, etc.

- What level of quality should you provide? This relates directly to the positioning of your property in the marketplace and will impact your offering, the finishes used, the quality of furnishings and fixtures. For example:
 - Deluxe, luxury property at the high end of the market
 - Mid-level, family-oriented property
 - Budget-level property

WHEN WILL YOU OPEN?

Is there potential to open the property year-round or for an extended season (early spring to late fall)? Although Nova Scotia's tourism industry tends to be seasonal, it does extend into the late fall in many parts of the province and there are still many customers travelling at that time, including those from Europe and Nova Scotia.

If you want to operate year-round, look at market opportunities and partnerships that might be available in the location you are considering:

- Activities and experiences available in different seasons –

wineries, hiking/snowshoeing, storm watching, late fall colours, etc.

- Events in the area that could attract customers – hockey or curling tournaments, bird watching festivals, etc.
- Major facilities that attract people – recreation complexes, hospitals, industries, government offices, etc.
- Potential partners you could work with to create experiences – music lovers' weekends, restaurants, whale watching tours, etc.

Consider flexible options, such as opening for weekends or extended weekends only in slower periods, or only for packages.

WHY WILL VISITORS COME AND HOW LONG WILL THEY STAY?

People may select accommodations for experiences rather than convenience. Depending on the type of accommodation property, some experiences can be delivered on-site, but many will be enjoyed at local attractions. Experiences may persuade guests to stay longer and multi-day stays are desirable for many reasons.



SUCCESS STORY

THE FLYING APRON INN & COOKERY Summerville, NS

IMPORTANCE OF EVENTS:

Unique events bring people out our way, and make them more likely to stay. Our unique events differentiate us from competitors.

BIGGEST CHALLENGE:

Getting necessary funding for start-up and unexpected infrastructure breakdowns, and understanding licensing, and things like fire doors. TNS was a great help.

KEY TO SUCCESS:

Our partnerships with farmers, producers and the local food community give us opportunities to make positive impacts.

BEST ADVICE:

Be a realist when it comes to the finances – you are never going to get rich operating an inn or a B&B.

GAME CHANGER:

When we won best restaurant from Taste of Nova Scotia in our first year, we knew we were on the right path.

FUTURE THINKING:

We're renovating our guest accommodations and implementing a landscaping plan. We are focused on doing well year-round, so we are growing our cooking school too.

PLANNING

DEFINING THE CONCEPT

When selecting your location, planning your property and deciding on your target customers, think about what will bring visitors to the area and your accommodation. Consider:

- The appeals of the community and region. Are there major attractions, parks, wineries/ breweries, coastal or outdoor activities that bring people to the area? Can you work with them to create packages or promote them to your guests as a reason to stay with you? Today's travellers prefer to stay in one place and take day trips, so explore opportunities within two to three hours' drive of your location.
- The experiences already available in your community (dining, evening entertainment, unique activities) or new experiences you develop with partners. Our [TNS Experience Toolkit](#) is a great resource.
- If your property is a destination (resort, cottages), plan for activities and amenities that will entertain, help extend stays and broaden the appeal of your property.

WHERE WILL YOU LOCATE?

Depending on the type of accommodation business you

are establishing, location can be critical. The best location will vary depending on the type of accommodation and the target customers. Consider:

HOTELS AND MOTELS:

- Best located near major thoroughfares
- Easy access to travel routes and communities
- For hotels: communities with year-round visitors – business, conventions, sports, events

INNS & B&BS:

- Communities/areas with lots of things to see and do
- Close to major attractions, natural areas, beaches, golf courses, wineries, craft breweries
- Communities with appeal – historic interests, shopping, dining options, evening entertainment, theatre
- Communities with business and meetings activity and/or special events to give reasons to visit year-round

COTTAGES & RESORTS:

- High-quality natural setting, preferably on the ocean with a beach
- Site with its own appeals, and separate from nearby development
- Accessibility from major travel routes is a positive

Also look at the condition of the labour market where you are hoping to locate – will you be able to find staff and what are the expected rates of pay?

Once you have a general location, the next step is selecting a site. Here are some factors to consider:

- Is the site appropriate for the customers you want to attract and the type of property you are planning?
- Is there enough space for the main building(s), parking, and other facilities? What about for future expansion? If you are looking at cottages, make sure there is enough space to give each unit some privacy and views.
- Are the site and its topography appropriate for this use? Will you need to do a lot of landscaping or are there natural features to leverage?
- If the property is spread out, consider accessibility for guests and the impact on staffing levels.
- Will the property be visible to passing traffic? In some cases (a retreat or getaway), you may want a more out-of-the-way location.
- Can you get the necessary zoning, approvals and permits? Are there any restrictions on the use of the site? (This is also important if you are looking at repurposing an existing property).



Pictou Lodge Beachfront Resort, Pictou, NS

- What's happening around the site (and what is planned)? Are these uses compatible with the type of accommodation you are planning? Consult the local municipality to explore these issues.
- Will it be expensive to develop? Is servicing (water, electricity, sewers) nearby and/or can it be brought in without too much cost? What are the fees for water and sewer? Will the municipality pick up garbage at the location or will you need to contract this service?
- Consider environmental conditions of the site – are there any potential problems such as contamination or old gas tanks?
- Make sure you won't be

restricted by protected area or flood plain designations.

If you already have a property in mind to convert to an accommodation business, think about these location and site issues. Owning a property does not necessarily mean it is the best location or site for an accommodation. Some other factors to think about in this situation include:

- Can you get municipal approval to operate a business of this type in this location?
- What will the renovations cost? Can you get approval to do what is needed? What types of improvements will the municipality, fire marshal,

building inspector require?

- What will you need to do to meet accessibility requirements? These upgrades can be challenging in an older building.
- Will the renovations you are doing result in the type of property you need to attract the target customers you have identified?
- Will the renovations trigger a re-assessment for property tax purposes? Will this significantly increase your operating costs?
- If the property is a heritage building, there may be restrictions on what you can do, and extra costs to make changes. (De-registration may be an option but this could be time-consuming).

PLANNING

DEFINING THE CONCEPT

BUILDING NEW VS. BUYING AN EXISTING OPERATION

This is a complex question deserving careful consideration. You may have your heart set on a concept and/or location that requires a new build. However, there are often accommodation properties for sale that could be operated as is or with some renovations or expansion. The benefit of this is an existing stream of business and revenue on which to build without a long market development period.

Another option is to buy an existing building and repurpose it as an accommodation – this is most often done for B&Bs. Review the chart below to consider the advantages and disadvantages of new versus existing operations.

If you do decide to buy an existing property (or repurpose one), get some professional advice on the condition of the building, the costs and ability to do your renovations, and any restrictions or approval issues that might impact what you do in the future.

DEFINE YOUR CONCEPT

Once you've done your homework, you are ready to refine your initial thoughts and integrate them in your business plan:

- Target customers and their profiles
- Your brand and market positioning
- Types of units to be offered and their main features
- Other facilities and amenities
- Short-list of locations and sites
- Season of operation
- Why guests will visit you
- Partnership opportunities in the community

BUILD NEW	BUY EXISTING
<p>Advantages</p> <ul style="list-style-type: none"> • Size and design tailored to current market conditions and demands, and your vision • Establish your own market presence and reputation • Current building standards and codes will minimize utility costs and maintenance • Location and site that is best for you 	<ul style="list-style-type: none"> • Established business and reputation provide good base to build on • Immediate take over and operation (if major renos are not needed) means revenue starts right away • Established business systems, staffing and marketing activities
<p>Disadvantages</p> <ul style="list-style-type: none"> • Design, approvals and construction take time and money • Building customer base and brand takes many years • Capital investment may be higher • Revenues likely to be lower initially (and perhaps not cover costs), meaning more working capital required 	<ul style="list-style-type: none"> • May not be an optimal location • May need to overcome previous reputation • Potential for costly upgrades (some unknown) • Age of the building may mean some higher operating costs • Necessary approvals may take a while to obtain



Fox Harb'r Resort, Wallace, NS

PLANNING

DOING THE NUMBERS

How can you determine if your concept is financially viable? You need to do a feasibility assessment before making a major commitment to the business. If the numbers don't add up, the sooner you know, the better.

FEASIBILITY ANALYSIS

To determine the feasibility of developing and operating an accommodation business, you need to do the analysis necessary to answer the following questions:

- What are the capital costs?
What are the start-up costs and working capital required to cover operating costs until there is sufficient revenue?
- How much revenue can you generate?
 - Revenue is a combination of number of rooms sold and the average price.
 - Revenue can also come from food and beverage sales, special programs or activities, and retail sales.
- What are the operating costs?
 - This covers everything from housekeeping to property taxes.
 - If you are only planning to operate seasonally, remember that some costs will continue throughout the year, such as utilities and insurance.

- Will there be enough revenue to cover operating costs and financing costs, still pay yourself a salary and provide a return on investment?
- Do you have the money or can you borrow some of it? What will financing costs be?

Doing this analysis will give you the information you need to make a better, more informed decision about whether you are comfortable to proceed. It will also give you what you need to convince your banker to support the business.

STEP 1: CAPITAL INVESTMENT REQUIREMENTS

This will help determine what kind of financing you require. [Our Capital Requirements Worksheet](#) provides the main categories to consider. At this point, you don't need a final design or a detailed budget, but you do need a good handle on the costs. And, since they won't be based on a final design, allow a contingency of at least 15%, preferably more, to cover the unknowns. Consider the following:

- If you are buying an existing property, you will have a purchase price. If the property needs renovations or new furnishings, fixtures and equipment, you may need an architect or interior designer to provide some estimates. This can be particularly costly with older properties that may have hidden challenges. Having an expert with knowledge of building code requirements can save you a lot of heartache.
- For new builds:
 - If anything similar has been built in the region, you might find a per unit or per square foot cost.
 - Approach an architect, engineer or builder for some preliminary concept plans and budgets. A caution – make sure you find someone familiar with the accommodations business, since building codes and requirements will be different than for residential development.
 - Search the web – there are research reports on the cost of building accommodation properties (Note: They are often for hotels).



White Point Beach Resort, White Point, NS

TIP

When doing your financial analysis:

- Be realistic, not optimistic. Base your analysis on sound research.
- Add a contingency of 20% - 30% to your estimated capital budget.
- Don't forget to add working capital to your capital budget – this is the money to cover your operations until you are generating enough revenue. It may take longer than you think.

Capital Requirements Worksheet

A. CAPITAL ASSETS

ESTIMATED AMOUNT

Land/Building Purchase

Building construction/renovation including mechanical & electrical work

Site development (servicing, roads, parking, lighting, landscaping, signage, etc.)

Recreational facilities (e.g., pool, tennis court, outdoor games area)

Furnishings, fixtures & equipment for rooms, common areas, offices (includes alarm systems)

Furnishings, fixtures & equipment for kitchen

Other

Subtotal

B. SOFT COSTS

Design fees, permits, development fees, construction management fees, etc.

Contingency allowance for construction

Interest during construction/renovations

Subtotal

C. PRE-OPENING COSTS

Salaries

Staff training (wages, costs)

Pre-opening marketing (e.g., website)

Business set up costs (e.g., incorporation fees, professional advisor fees)

Inventory (e.g., food, room supplies)

Subtotal

D. WORKING CAPITAL

Cash reserve to cover operating costs for initial period

Subtotal

Total capital requirements

HST

Total Cost with HST



Best Western Plus Chocolate Lake Hotel, Halifax, NS

- For furnishings, fixtures and equipment, you can draw up a list of what you will need and do some research to get prices. Talk to other operators who have recently built or done major renovations. The [BBCanada website](#) has a marketplace section you can explore.
- For soft costs and working capital, you will need to do a work up of all of the costs. The architect/engineer/designer can help with costs for fees, permits, etc. [Nova Scotia Business Navigators](#) can also help determine what licences and permits are required.

STEP 2: REVENUES

ESTIMATE ROOM SALES

Begin with an estimate of how many rooms you will sell (room nights sold or occupied room nights) during the operating season. This is a combination of how many room nights you will have (available room nights = number of rooms multiplied by number of days of operation) and your projected occupancy rate. Occupancy rates, in combination with room rates, dictate revenues, so you need to be confident you can get the demand and prices you are estimating.

This is not a simple task and it is quite easy to be swayed by your emotions and overestimate the potential.

There are no established guidelines as to what occupancy rate is realistic or economically feasible for different types of properties. Consider the following:

- In Nova Scotia, seasonal (May to October) occupancy rates range from 40% to 75%, depending on the type of property and location. July/August rates are higher in many areas, from 46% to over 85%.
- Annual occupancy rates are in the 38% to 65% range (note the higher end of the range is Halifax).
- It is very difficult for accommodation properties to achieve better than 90 – 95% occupancy rates, even in peak periods. This is due to last minute cancellations and a natural tendency for business to peak on certain days of the week or periods of the month (except perhaps cottages that are rented on a weekly basis).
- With some exceptions, your business will likely be concentrated in June through September.

Here are some suggestions to help you determine potential demand for the property:

- Our [TNS Research Services](#) reports data on room nights sold and occupancy rates for each region of the province, by month. (Review this data for general trends and demand levels).
- You can request specialized occupancy runs from our Research team. These are created within certain guidelines to ensure confidentiality. Generally, there have to be six properties open and reporting data. We will provide monthly data for several years, where possible. Ask for data on:
 - Accommodations in your community or area. If there are enough properties, focus on those that are similar to what you are planning.
 - Similar types of properties in your region, and elsewhere in the province – considering type, price range, experiences offered.

This data will give you a good idea of how properties are performing in the marketplace.

- Look at what is happening with tourism in your area. Is it growing? Do people have a difficult time finding places to stay (ask the counsellors at your local Visitor Information Centre)? Do you see lots of ‘no vacancy’ signs? Are there new tourism businesses, events, and attractions being established?

PLANNING

DOING THE NUMBERS

- What’s happening with the economy in the area? Is it growing or declining? Are new businesses opening?
- Identify your competition – locally, regionally or in other parts of the province. Get occupancy data for this group. Look at their prices and what types of rooms, amenities and experiences they offer. How will your property compare?
- If you are buying an existing property, make sure you get room sales data for the past few years as a basis for your research to determine growth potential. Be a bit cautious with this data – ensure that it makes sense considering what you know about the industry.

With all of this information in hand, establish some estimates of what your occupancy might look like. You can do this by season and for the first three to five years – it will take time to build up to a normal occupancy. In fact, you may find it easier to estimate a ‘normal’ year and then reduce sales for the two or three preceding years.

Here are some tips for developing these estimates.

- Start by calculating an equal share of the demand in your area/region (preferably for similar properties) based on the number of rooms.

Example: You are planning a 15-room inn, to be open 180 days a year.

- In the region, there are nine other inns, with 120 rooms in total. This means your property will increase the supply to 135 rooms, and you will have 11% of the inventory.
- The occupancy data run you received from our TNS reports show about 15,000 room nights sold during 180 days.
- If your business got a proportional share, that would be about 1,650 room nights (61% occupancy for 180 days).
- Compare your property to your competitors. Will you have a lot more to offer (a strong competitive advantage)? A preferred location? More amenities? If so, you might reasonably attract more than your share of the demand. If not, perhaps less.
- Will your property be a destination property – in other words, will customers come because of what you offer rather

than just to visit the area? This might happen if you have a resort, a spa, a great restaurant, meeting space, cater to weddings, or some unique type of accommodation. If this is the case, you will likely attract some customers who don’t already come to the area, so your occupancy rate might be more than other similar properties.

Apply your estimated occupancy rate to the room nights available for each period or year.

ESTIMATE ROOM RATES

Develop an estimate of how much revenue, on average, you will get from each room night sold. Review more pricing information in our [Operations](#) section. A few tips to consider:

- Your published rates (also called rack rates, or the maximum you can charge for a room) go on your website and are used to quote to potential guests. They will likely vary over the course of your operating season and between unit types.
- Your business will not always (in fact, likely seldom) keep the full rack rate. Here’s why:
 - You may have to discount these rates early and late



The Cooper's Inn, Shelburne, NS

in the season to attract customers and to stay competitive. You may also offer specials at cheaper rates.

- If you sell rooms through online travel agencies (like [Expedia](#), [booking.com](#)), or through traditional travel agents, they will take a commission. This will likely be in the 15% to 20% range, but can be as much as 25%.
- If you work with a tour operator or wholesaler, they require a discounted rate. For

group tours, this will be in the 20% range; for tour operators bringing individual travellers, it might be up to 30%. This may seem steep at first glance. But, don't forget that the tour operator is marketing your property to customers you couldn't attract on your own and handling the booking and the payment arrangements, and for that there is a cost to you. Find more information on working with tour operators in our [Marketing](#) section.

At this point, you need a weighted average room rate to use in the revenue calculations. An example of this calculation is illustrated below.

STEP 3: OPERATING COSTS

Operating costs for an accommodation property will include:

- Cost of sales associated with food and beverage, and retail sales, if any.
- Direct operating costs (also called variable costs since they vary depending on the amount of business):

TYPE OF BUSINESS	ESTIMATED PERCENTAGE OF BUSINESS (A)	DISCOUNT OR COMMISSION PAID (B)	WEIGHTED AVERAGE DISCOUNT (A X B)
Business at rack rate	30%	None	None
Business booked through online travel Agencies	40%	15%	6%
Early and late season business	20%	20%	4%
Business booked through tour wholesaler	10%	25%	2.5%
Total average discount			12.5%
Rack rate (average for all rooms)			\$150
Weighted average rate (\$150 less 12.5%)			\$131.25

PLANNING

DOING THE NUMBERS

- Labour and supplies to clean and supply rooms
- Labour and supplies to deliver food and beverage services
- Credit card fees
- Overhead expenses for the operation of the property (also called fixed costs since they will be incurred at generally the same level no matter how much business you have):
 - Management salaries, if applicable (include benefits such as workers' compensation, CPP, EI payments, vacation time in all labour costs)
 - Other staffing costs – reception, recreation, maintenance, grounds
 - Marketing and sales
 - Repairs and maintenance (for building and grounds)
 - Utilities
 - Phone and internet service
 - Equipment leases
 - Office supplies
 - Insurance
 - Bank charges
 - Professional services, such as accounting, book keeping
 - Travel
 - Property and business taxes
 - Other (e.g., memberships, program costs, entertainment, staff training)

These numbers can be derived from a work-up (how many staff you will need and average wage rates, etc.) or you can look up industry norms. Statistics Canada sometimes offers some general operating data and Internet research will reveal some sources. Keep in mind that operating norms vary significantly by size and type of property and also how long they have been operating, so if you are using norms, look for data on properties similar to yours. Chatting with other operators can be a huge help. [Tourism HR Canada](#) is also an excellent resource for labour market information.

STEP 4: PROJECTED INCOME STATEMENT

Combine your estimates of revenues and expenses into a summary income statement. Do the analysis for at least three years, preferably five.

The bottom line – operating profit (or loss) – is how much money will be available to:

- Pay your salary.
- Make payments on financing.
- Create a reserve for significant upgrades, or slower seasons.
- Pay any personal or corporate taxes (depending on the structure of your business) that might be incurred.

If your analysis shows a loss for the first few years, this is the working capital you will need to cover expenses until such time as the business becomes profitable.

ASSISTANCE WITH THE ANALYSIS

Depending on the scale and complexity of the accommodation business you are planning, you may decide to get some help in conducting the demand and financial analysis. Consider:

- Retaining a consultant who specializes in the tourism and hospitality sector.
- Asking your accountant to help you with the numbers.
- Approaching TIANS – they have a mentorship program that might help.



“IT GIVES YOU CONFIDENCE TO MOVE FORWARD WHEN YOU ARE ALIGNED WITH THE MARKET AND STEEPED IN THE DATA – BETTER ABLE TO MEET THE NEEDS OF EXISTING OR POTENTIAL MARKETS.”

Kelly Deveaux, Visitor Experience Manager, Parks Canada

Mohican Treehouses, Ohio, US

PLANNING

FINANCING OPTIONS

Unless you are independently wealthy, you are going to need to raise some money to open the doors. You should also be prepared to invest a significant amount of your own money.

OWNER INVESTMENT

Rule number one is that you must invest significantly in the business yourself. You have to have some skin in the game – especially if you are asking others to risk their money on your dream. Do you have savings set aside? Can you borrow against your house with a home equity loan or line of credit?

Banks will likely expect 40% or more of the required capital to be equity and a significant portion of this to be the owner's investment. (Please note that banks are very, very cautious when it comes to financing in the tourism sector.)

PRIVATE INVESTMENT

If you can't generate enough money on your own, you can look to outside investors. While it can take some work to manage the role and expectations of investors, there are benefits. Sometimes this type of financing means you won't have an immediate debt servicing cost.

Private investors are usually vested in your success. They are hoping for a return on their investment and will likely become ambassadors for your business – referring friends and colleagues. Try to attract investors, rather than shareholders. As shareholders, they may well expect a say in the running of the business or see your accommodation as their personal place.

EQUITY TAX CREDIT PROGRAM

The Government of Nova Scotia offers an investment program, known as the [Equity Tax Credit](#). It offers investors (those who invest in eligible Nova Scotia businesses) a one-time tax credit of 35% of their investment, to a maximum of \$50,000 per year. This means that if you or another resident of the province invests \$10,000 in your business, you (or they) would receive \$3,500 back in tax credits against your Nova Scotia tax payable. Please note: there are

some costs associated with this process.

If you need to raise more than \$25,000, the Equity Tax Credit can be a very smart way to go. You might be surprised how many friends, colleagues, and family might want to invest in you.

CENTRE FOR ENTREPRENEURSHIP AND EDUCATION DEVELOPMENT (CEED)

The Centre for Entrepreneurship and Education Development (CEED) in Halifax, administers educational and financing programs to assist entrepreneurs to develop and execute business ideas.

Whether it's organizing your business plan, getting access to forecasting templates or connecting you with a mentor, CEED has a team of experts, and the tools and resources to help.



Queen Anne Inn, Annapolis Royal, NS

TIP

Do your financial projections several times using varying assumptions and ‘what if’ scenarios. With Excel, it’s simple to build a model and then change key factors, such as occupancy rates, average room rates and labour costs. Estimate whether you will be able to pay the bills in the worst case scenario. Do a break-even analysis to determine the number of room nights you need to sell to break even.

PLANNING

FINANCING OPTIONS

In addition to offering training programs and one-on-one assistance with business planning, CEED staff help facilitate start-up funding through a loans program. Check it out. You may be eligible for a start-up loan and a number of assistance programs.

CEED's Self-Employment Benefits Program (SEB) is a 40-week intensive program that helps entrepreneurs become self-employed. If you are eligible for Employment Insurance (EI), SEB can provide you with income and entrepreneurial support, with access to ongoing support from SEB advisers.

The Seed Capital Program offers up to \$20,000 in low interest rate financing for business start-ups that belong to entrepreneurs aged 18 and up. Young entrepreneurs (aged 18-34) may also use funds as a business growth loan. The program also allows each client to access up to \$2,000 for business training and consulting. The Seed Capital Program is available for businesses located in Halifax, Dartmouth and Bedford. Contact [CEED](#) for more information.

COMMUNITY BUSINESS DEVELOPMENT CORPORATIONS (CBDCS)

Outside of the metro Halifax area, you can look to the Atlantic Association of Community Business Development Corporations (CBDCs) for support. CBDCs are a network of autonomous, not-for-profit organizations that work with all levels of government and the private sector to help small businesses succeed.

CBDCs can assist by providing financial and technical services. They offer:

- Financial assistance to a maximum of \$150,000 in the form of loans, loan guarantees and equity financing to existing and aspiring entrepreneurs.
- Counselling and advice for small businesses.
- Entrepreneurship development and training for individuals and small business owners/managers.
- Technical assistance, usually in the form of guidance and coaching, and sometimes advocating on behalf of clients to

other lending establishments or regulatory agencies.

Visit CBDC.ca for more information.

BUSINESS DEVELOPMENT BANK OF CANADA (BDC)

With over 100 business centres in Canada, the Business Development Bank of Canada (BDC) is a bank exclusively for entrepreneurs, providing assistance to small and medium-sized businesses.

They offer:

- Financing: long-term loans for projects and working capital.
- Consulting services: tailored consulting services at a price businesses can afford.
- Subordinate financing: hybrid debt and equity financing.
- Venture capital: direct and indirect investments in high technology companies.

Visit bdc.ca for more information.



The Auberge des Pêcheurs Inn, Chéticamp, NS

ATLANTIC CANADA OPPORTUNITIES AGENCY (ACOA)

ACOA offers a range of programs for a variety of businesses, including some in the tourism sector. Check out the guidelines for the [ACOA business plan](#). This plan is generic to all types of businesses, and can be applied to an accommodation business.

If you plan to approach ACOA for support, your business plan will need to address the impact of your proposed accommodation

or expansion on other accommodations in the area.

ACOA also administers the [Canada Business Network](#), which provides extensive resources and information to help establish and grow businesses.

It's important to note that the programs and industries supported by ACOA are subject to change. Visit [ACOA](#) for more information.

BANKS AND CREDIT UNIONS

Banks and other financial institutions are extremely cautious with financing in the tourism sector. When you are starting out, do not be surprised if getting a bank loan is not an option.

Regardless of whether or not your bank gives you financing, you will want to ensure that you have a good relationship with your banker. You never know when you might need them!

PLANNING

UPGRADING AND EXPANDING

As mentioned in the introduction, tourism is growing in Nova Scotia (as of 2017) and the markets are evolving, in line with the industry’s goal of increasing revenues to \$4 billion by 2024. A key part of our strategy is attracting more first-time and higher-yield (bigger spending) visitors to Nova Scotia. These types of visitors are most likely to be global travellers, with high expectations for the quality of their experience and their accommodations.

Evolving markets and changing expectations provide an opportunity for the accommodation sector to increase its revenue by increasing rates and extend its operating season by expanding in response to the growing demand.

To take advantage of these opportunities and meet visitor expectations, accommodation properties may need to be upgraded and refurbished. It will also allow you to justify rate increases.

If your business has not been refurbished for a number of years:

- Assess its condition in light of the market trends explored in the [Introduction](#) and the design trends outlined below.

- Check out what newer properties around the province have done, and what types of rates they are asking.
- Do some online research and look at similar properties in other destinations.
- Listen to your guests (and read their reviews on TripAdvisor) – find out what they think, what is working and what needs to be improved. Keep an open mind when you hear from your guests – many travel often and they likely have valuable suggestions.
- Connect with experienced operators through the TIANS mentorship program.
- Bring in a designer, architect and/or landscape designer and get some suggestions.

Be creative – just because you have an older property, it doesn’t mean there aren’t opportunities to upgrade. Work can be done in phases – do a few rooms at a time or tackle the common areas first. Renovations may not only increase your revenue but they could result in cost savings through things like reduced energy consumption and easier cleaning.



“WHEN WE COME UP AGAINST A CHALLENGE, I ALWAYS THINK, THERE’S GOT TO BE AN ANSWER! WE HAVE TO STAY TRUE TO OURSELVES AND WHAT WE WANT.”

Greg Whynot, Quarterdeck Restaurant & Villas

PLANNING

SOME DESIGN CONSIDERATIONS

The optimal design for your accommodation comes from understanding your customers. They will inform your design choices – from the type, layout and décor of your units, to the amenities and food service you offer. The research you’ve gathered through your feasibility assessment will be a great resource through this phase.

It’s also important to optimize the design for your employees and the operation of the business. Think about whether you have included adequate public spaces and suitable and comfortable rooms/units for guests. Design is so much more than layout and décor. Consider:

- Taking advantage of views, particularly water views.
- Environmental factors, such as control of odours, noise, and waste management, allergies and environmental sensitivities.
- Ease in keeping things clean.
- Energy efficiency and controls.
- Convenience of parking and access.
- Barrier free access. Talk to your local municipality about building code requirements.
- Long-term durability. Cheap materials may have to be

replaced often and can be hard to clean.

There are a range of regulatory issues that impact the design and layout of an accommodation property, including Building Code and Fire Marshal requirements. [Nova Scotia Approved](#) and [Canada Select](#) have some standards to review. You can find more information in the sub-section on [Regulations](#).

Depending on the scale of your property, it may be worthwhile to bring in the experts – an architect (who can bring in engineers, etc., as needed) and possibly an interior designer. Discuss your preliminary ideas with them and ask whether it is in line with your planned capital investment. If not, it may be necessary to work with them to modify your concept and

reduce costs. Pay careful attention to changes as the project proceeds to avoid unexpected costs that may increase the investment.

Look at programs such as those offered by [Efficiency Nova Scotia](#) to access funding to increase the energy efficiency of your property.

When designing a new accommodation property, it’s also important to consider trends in the marketplace. Find more on current design trends in our [Introduction section](#).

“WE AREN’T WORRIED ABOUT WHAT OTHERS ARE DOING – WE’RE FOCUSED ON OUR QUALITY AND WHAT WE ARE DOING TO DRAW VISITORS. WE ARE ALWAYS LOOKING TO BUCK THE TRENDS – TO IMPROVE AND LEAD.”

Melissa Velden, Flying Apron Inn & Cookery



The Flying Apron Inn & Cookery, Summerville, NS

PLANNING

REGULATIONS

Nova Scotia regulations governing the development of accommodation businesses are continually evolving. It's important to be aware of regulations at the municipal, provincial and federal levels. Here are some helpful tips.

- Start early. Be sure to do your research on the regulations that will impact the establishment and operation of your business, and be clear on their implications before making any commitments. Some regulations may significantly increase your costs.
- Many permits take longer than you think; make sure you are clear on the information you need, and how long it will take. In some cases, permits or licences may be dependent on having another permit already in hand.
- Develop a good relationship with the people involved in administering rules and regulations.
- Work with your local municipal development office and TNS – we can guide you in the right direction and provide good advice.

- Give yourself lots of time – you don't want guests arriving before you are able to open.
- [Nova Scotia Business Navigators](#) is also an excellent resource to help you determine which permits and licences you require.

For up-to-date information on regulations impacting an accommodation business, check out the following:

- [Tourism Nova Scotia](#)
- [Nova Scotia's Online Business Planning Tool](#) (This tool provides information on starting an accommodation business in each municipality)

At the time of this guide's publication, accommodation properties are required to be licensed by the province and to participate in either [Nova Scotia Approved](#) or [Canada Select](#) if you want to participate in our TNS programs and list your property on [novascotia.com](#). Learn more about [novascotia.com](#) listings in our [Marketing](#) section.

This graphic on the next page summarizes the phases that you will go through in establishing an accommodation business, from the initial concept through to opening. Don't be surprised if it takes two years or more from the time you have the initial idea until you are open for business. And remember that most customers will not just walk through the door, so you will need to start marketing your business at least six months before you open (once you are absolutely sure about an opening date!). Learn more in our [Marketing](#) section.

For more information, please check out our [Operations](#) and [Marketing](#) sections.

Phases to developing an accommodation business in Nova Scotia

BUSINESS PLANNING

Time required 2-3 months

1

Vision and concept
Business plan and feasibility analysis
Financing
Business name registration and incorporation
Location selection (check zoning and regulations)

PRELIMINARY PLANNING

Time required 4-8 months

2

Hire design team
Consult with:

- Tourism Nova Scotia
- Municipality – Building Inspector
- Office of Fire Marshal
- Department of Environment – public drinking water, on-site sewage (if necessary)
- Recognized quality programs
- Department of Health and Wellness regarding swimming pool

SUBMIT PLANS, GET APPROVALS AND BUILD

Time required 12-24 months

3

Submit plans to all identified agencies
Make modifications to plans as required
Get approvals in writing before proceeding with construction
Plan and schedule construction
Schedule timelines, critical path and payment schedule
Invite contractor bids
Launch construction
Monitor and inspect progress

INSPECTIONS AND PERMITS/LICENCES

Time required 2-6 months

4

Get progress inspection as necessary
Once construction is complete, get final inspections and permits:

- Fire Safety Inspection letter of approval
- Occupancy Permit
- Tourism Nova Scotia Accommodation Licence
- Liquor Licence, Food Establishment Permit if necessary
- Department of Environment approval
- Quality Program
- Others as required (e.g., Nova Scotia Power, Elevator, Fuel Safety)

Note: Timelines are approximate and may vary; some municipalities may require other permits or licences. Depending on the type of accommodation, additional approvals may be required.

For more information, check out our [Operations](#) and [Marketing](#) sections.