



HOW TO START A TOURISM RELATED BUSINESS - CONCESSIONS

A QUICK GUIDE TO STARTING
A TOURISM RELATED
CONCESSIONS BUSINESS



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Making the decision to operate a concession involves careful consideration. A concession is a grant of rights, land or property by a government, local authority corporation, individual or other legal entity. The owner of a concession 'the concessionaire' - typically pays either a fixed sum or a percentage of revenue to the owner of an entity from which it operates.

In Bermuda, there are various concessions that are available involving tourism related business. Many of these concessions are available through government tenders or proposals and include a variety of business opportunities. Examples such as: beach rentals, hair braiding, snowball stand, and lunch wagons are just a few of the concessions that are available through the Parks Department. In the private sector, concessions are also a key component to business models such as hotels and retail developments. A few examples that come to mind include cycle liveries, watersports businesses and gift shops just to name a few.



While some of these concessions are available seasonally, many are not and require potential operators to be on the look out for opportunities when they become available.

While operating a concession in the tourism industry can be very rewarding, it is important that you educate yourself about your industry and understand all aspects of ownership and operation before you start. While there are numerous examples of successful operators in Bermuda, it is usually a lot of hard work that relies on a quality product, knowledgeable and friendly staff and a location that is best suited for your business.

Take time to talk to a diverse range of operators that you know are doing well; these businesses can be identified by their word-of-mouth reputation, aesthetic appearance and on-line reviews. Ask yourself, 'if you were on vacation, what activities or services would you like to do and why?' Below are a few simple but powerful questions to determine if running your own business is right for you.

If you're still wondering is this right for you BEDC has a course for you! **Think Like an Entrepreneur** is an 8-week challenging learning experience designed to reveal new opportunities, ignite your ambition and foster skills that will empower you to reach new heights as an entrepreneur. This course runs twice a year once in the spring and winter.



1 Is the Concession Business Right for You?

Do you enjoy working with people?

Whether your concession is located at a beach, park or hotel it is directly related to the hospitality industry and requires direct contact with visitors from diverse backgrounds from around the world.

Can you deal with long hours?

- You must be mentally and physically prepared to work long hours during a short and intense season. As a new owner you will have to put in considerable time and effort to create a successful business.
- Does your current family lifestyle enable you to commit the huge investment of time necessary to start up a concession?

Do you have good business sense?

- Operating any business requires a quality product and responsible management.
- Do you have the attention to detail, commitment to quality and customer service skills necessary to make your business flourish?

Are You A Good Financial Manager?

Financial preparation is a vital consideration when planning a concession. Many prospective owners take out loans or join with partners. Others invest their personal equity. Perhaps the most common in Bermuda is a combination of loan funds and personal cash investment; no matter how you choose to finance your start-up, you should have your personal finances under control before jumping into the business. Consider the following:

- Start-up capital – Are you ready to take on a bank loan and/or invest your personal funds?
- Your existing debt – Will you have sufficient back-up funds if needed?

- Funds needed to sustain your personal/household expenses – Assuming you will be working in the business in some capacity and also considering seasonality resulting in an unstable income in the first few years, can you afford to decrease/minimize your salary if needed?

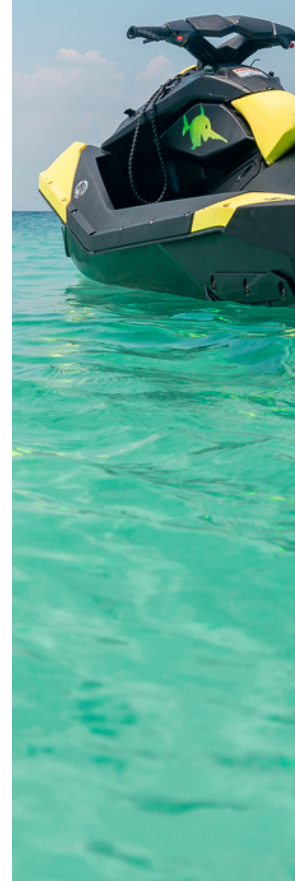
Can You Balance Business Stress with Your Personal Life?

The demands of operating a concession are intense and your personal life may often come second to your business. Most owners set out with a true passion for the business or industry. Do you? Also:

- Are you easily discouraged? If so, starting a concession may not be the right business for you.
- Do you want to operate a concession for the right reasons? Be sure you have the business know-how, the passion for the work and the money to make it happen, not just because you like the idea to be your own boss.

Is Seasonality an issue to your personal financial commitments?

The primary season for most concession operators is from May through October. During these six months is the time that most operators make the bulk of their revenue while the remainder of the year is considered the “slow season” from which occasional bookings, seasonal maintenance and a general shut down occurs.



2 Matching Your Desire To The Market Demand

The Right Market Research Is Key to Your Success

Detailed market research will reassure you that you are doing the right thing and there is a market for your concession business. A successful business has a carefully planned mix of elements and getting one wrong can be costly and or even fatal to your business.

- **Location, location, location:** Travel around the island and see what is working in different locations.
- **Are the general conditions suitable for the activities you intend to offer?**
- **Learn about your market.**

Write down the answers to the following questions.

- Who needs/wants your product or service?
- Who do you think are typical customers?
- Is the market for my product/service growing and expanding?
- Who are my competitors?
- What is working well in our local environment?
- Is the market familiar with my proposed product?
- What Concessions have recently become available and why?
- Where will I locate my business and why?
- What will be my premises rent assuming I need a bricks and mortar building?
- Am I capturing new trends ie. Eco Friendly?
- How many customers will I need per day to make my business work?
- How much are customers/clients willing to pay?

Market Survey: Once you have established who your target market is, it will be helpful to assess what their needs are. Consider conducting market research relevant to your prospective new business. For instance, if you designed a questionnaire survey you could ask a representative sample of people the following questions.

- Where will my customers/ clients come from? ie. (Locals, Guest Worker, Cruise Visitor, Hotel Visitor Guest House and Schools)
- How large much of a demand is there for my services?
- How much would they pay for a charter, rental or tour?
- What activities are most in demand and why?
- Are they happy with the current choices available?

Focus Group: Try and survey as many people as possible but don't rely on family and friends as they may tell you what they think you want to hear. It may be possible to meet with a group of potential customers before you open your business to test their reaction to your proposal. For example, if you are setting up a beach concession, you could talk to a group of visitors who are likely to use your service. They may suggest ideas that will enhance your business or provide information on the local market.

Market Research Outcomes: Following your market research you should have:

- Clearly defined your concept.
- Identified who your customers are likely to be.
- Information on your expected customers (numbers, preferences, lifestyle and spending habits)
- Who your competitors are and what their strong and weak points are.



BEDC Marketing Support: view our [website](#) to a listing of quality marketing service providers that can offer assistance with any of the above.

3 The Right Location Is Key to Your Success

Write down the answers to the following questions.

- Where do you intend to operate from?
- How suitable is the proposed location for your products?
- Will your equipment be secure when you are closed?
- Are all essential services available (water, electricity, toilet facilities, waste disposal)?
- Is there a pool of customers in the area?

Other Considerations:

- Do you have all the space that you require for your proposed operation?
- If leasing, negotiate terms with the landlord regarding any modifications required to upgrade the concession
- Are you prepared to work negotiate directly with the Cruise lines, will you work with a local agent or will you work independent of any commissions?
- Identify the *Strengths, Weaknesses, Opportunities and Threats* of your business. When thinking of Weaknesses and Threats, be sure to confirm mitigation solutions to offset any negatives as well.

- Concessionaires operating Restaurants must have a valid Restaurant License from the [Department of Health](#)
- As well as by protecting your establishment with insurance against injuries, accidents and damages as well most perhaps most importantly, the proper corporate structure. See BEDC's link below detailing the [primary 3 forms of business ownership](#) in Bermuda.



4 Concession Business & Risk - What You Need to Know

- Operating a concession business involves dealing with all potential hazards and liabilities depending on your products or services. Even small problems can have disastrous financial repercussions. It is important to manage risks by incorporating safety procedures into all operational tasks and processes.
- [First Aid and CPR Certification](#)
- Boats and Watersports Equipments: Before purchasing Watersports equipment, understand the Island (charter) Boat code of Practice <http://www.marineandports.bm>
- Concessionaires with Lunch Wagons or Trailers must have a valid and current [TCD Vehicle Permit](#)

5 Government Approvals

[Department of Parks](#)

- Be aware of the Department of Parks Concession guide
- Keep up with all government concessions going out to tender
- Having a Peddlers License is not approval to operate under the jurisdiction of the Parks Dept.

[Government Estates](#)

- Large concession operations such as Horseshoe Beach restaurant, Gibb's Hill Lighthouse, Shelly Bay Beach Restaurant, and St. David's Lighthouse are issued by the Estates section.

[Marine and Ports](#)

- Testing and issuance of Engine Driver's and Pilot Licenses
- Passenger Certification
- Annual boat and equipment Inspection and licensing
- Fuel Rebates

Liquor Licensing Authority

To offer alcohol for sale an application must be submitted to the liquor license authority for consideration.

Department of Planning

- Will you have to modify your proposed space? If so you will need planning approval.
- Confirm what type of zoning is in place. Consult an architect if needed.
- Ensure that you have a building permit once you get planning approval.

Department of Health

- If you are operating a concession which serves food, a license is required from the Department of Health certifying that you have met the [requirements](#) for a restaurant or food service business.

H.M. Customs

A reduced rate of duty is available for vessels imported as boats for hire.

Payroll Tax

All businesses are responsible for registering and paying Payroll Tax. Payroll Tax is governed by the [Payroll Tax Act 1995](#) is a tax payable by employers on the total salary, wages and benefits paid out to employees and self employed persons. You will need to complete a [Registration form](#) to get Payroll Tax ID # and this is what you will use to make your quarterly payments. If you have any questions about this process you can contact the Tax Commissioners Office and one of their Officers can assist you in completing your form.

Department of Social Insurance

Every employed or self-employed person who works more than four (4) hours a week is required to pay contributions into the Contributory Pension Fund (CPF).

In most cases if you have ever been employed you and/or employees will already have a Social Insurance Number. If this is the case, you will have to contact the department to advise them that you will assume making the payments. Log on to their [website](#) to get the most current Social Insurance Rates.

Department of Immigration

[Work Permit Policies Document:](#) (if you are hiring foreign staff)

Pension

As a Self-employed Person you must apply for registration of a Self-employment Pension Plan in accordance with the Act and the Regulations, if you:

- are Bermudian or the husband or wife of a Bermudian; and are between the age of 23 and 65; and have pension-able earnings from self-employment exceeding \$20,000, in a calendar year. For more information on the requirements for establishing a pension visit the [Pension Commission](#).

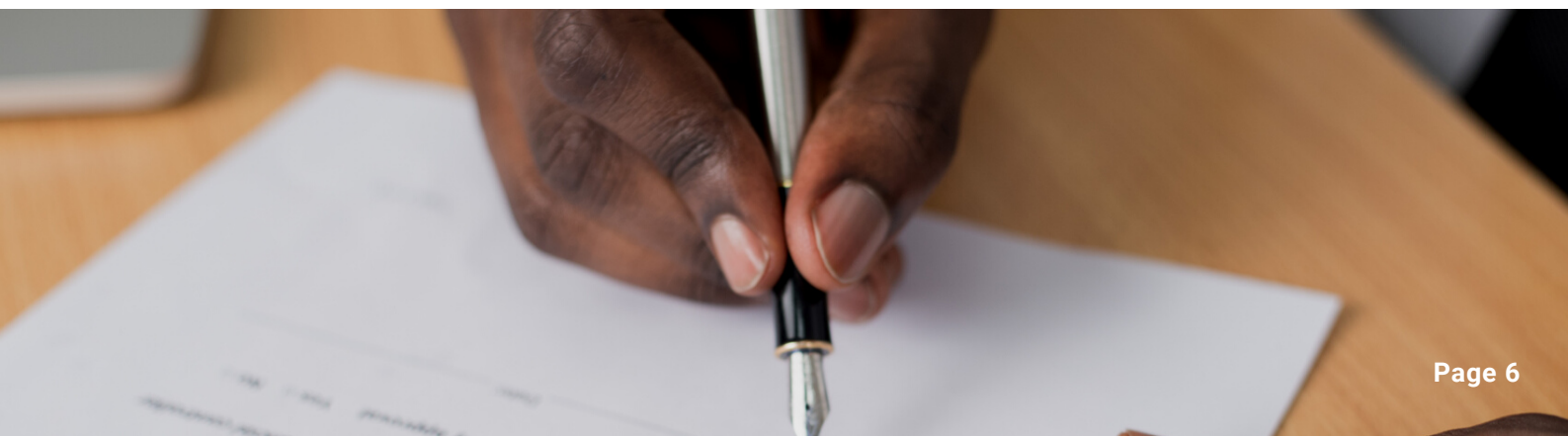
Employment Act

Will you have employees? If so, then The Employment Act is the minimum standard of regulations governing employment in Bermuda. The Act sets out guidelines and sets out the minimum conditions of employment.

Bermuda Tourism Authority

The BTA is responsible for the marketing of Bermuda's Tourism Product with the specific goal of growing the islands tourism economy by increasing the number of visitors and the creation of jobs.

- [Tourism Experience Investment Programme](#)
 - is a vehicle for tourism entrepreneurs who need assistance getting their idea off the ground or who need help fostering growth for an existing idea.
- Product and Experience Division
- Sales and Marketing Division
- Operations
- Research & Business Intelligence



6 Knowing the Numbers

What are the costs to establishing your concession business?

Consider the following:

- Equipment
- Personnel expenses
- Other fixed costs (Rent, electricity)
- Maintenance
- Variable costs
- Insurance

You can use the [BEDC Sources & Uses of Funds Statement](#) to help tally these expenses.

When identifying your expenses, take account of your own personal financial situation. You can use our [Personal Financial Statement](#) to access your individual financial position at a given point in time.

- How many clients do you need to see to breakeven?
- Identify your worst-case scenario, so that you can plan for it.
- Prepare a cash flow projection that includes the assumptions that you make regarding your income and your expenses.

If you still need assistance with knowing the numbers BEDC has a course for you! [Financial Statements Planning and Costing using QuickBooks](#) is an 8-week course focused on getting business owners to accurately price and cost their products and services, review and understand financial statement and to learn how to use basic QuickBooks functionality. This course runs twice a year once in the spring and once in the winter.

7 Legal Issues and Insurance

• Determine the structure of the company

- **Sole Proprietorship** - a sole proprietorship has only one owner.

This is the simplest form of business. You are personally liable for the business' obligations. All debts are your debts. You own all the assets, but at your own risk.

- **Partnership** - involves more than one person or partner and requires a bit more formality. It can be either a general partnership or a limited partnership. In a general partnership, partners manage the business and its obligations together. All general partners work in the business and share in its income and debts. Sample partnership agreements are available at www.bedc.bm. In a limited partnership, general partners operate the business while limited partners are silent investors who retain no control over the way the company is run.

- **Limited Company (LTD)** - A corporation is an independent legal entity that is separate from its owner(s). There is a clear separation between the owners' wealth and the assets of the business.

- **Limited Liability Company (LLC)** - A Bermuda LLC is a separate legal entity, and its members have limited liability, much like a corporation. In common with a partnership, however, the affairs of a Bermuda LLC are governed by an agreement rather than by statutorily mandated constitutional documents. This affords great flexibility

- **Health Insurance** – Health Insurance is a requirement for all businesses. Contact local providers to find out the best rates for your business. The Health Insurance Regulations Act requires all employed and self-employed persons to have a contract of health insurance either with a private insurer or the Health Insurance Plan (HIP), the minimum requirement, for all employees and their non-employed spouses. The Act makes provision for all matters relating to health insurance in Bermuda.

- **Insurance** – In addition to health insurance for you and your employees, you will also need to invest in Liability insurance to protect your customers and yourself. Liability Insurance is important for those who may be held legally liable for the injuries of others, like doctors or care providers, and business owners. You can contact any of the local insurance companies to get quotes on the cost for coverage.

- **Workers Compensation** - a form of insurance that reimburses an employer for damages that must be paid to an employee for injury occurring during the course of employment.
 - Law requires that an employer (1) provide employees a safe place to work, (2) hire competent fellow employees, (3) provide safe tools, and (4) warn employees of an existing danger.
 - If an employer fails to provide the above, the employer is liable for damage suits brought by an employee and possible fines or prosecution.

The Business Plan

Take the information you have gathered and compile it into a written document that you can reference to help guide you. The plan can also be used to help you obtain financing if needed. You can use the [BEDC Business Plan Checklist](#) to help guide you; however, the components of most plans include the following 7 headings:

- **Executive Summary:** Write this last. This is a summary of your plan and quickly lets the reader know, what you need and why you need it.
- **Company Description:** Legal establishment, history and start-up plans, etc.
- **Product/Service:** Describe what you're selling. Focus on customer benefits.
- **Market Analysis:** Know your market, customer needs, where they are and how to reach them. § Strategy and Implementation: Be specific. Include management responsibilities with dates and budget.
- **Management Team:** Include backgrounds of key members of the team, personnel strategy, and details.
- **Financial Plan:** Include profit and loss, cash flow, balance sheet, break-even analysis, assumptions and business ratios, etc.

If you require additional help with formulating a Business plan BEDC has a course for you! [Entrepreneurship 101](#) is an 8-week course where you will learn how to take your idea and turn it into reality with the foundation of a solid business plan. Throughout the course there will be industry professionals who will give presentations to help you with important information to ensure small business success. This course runs twice a year once in the spring and once in the fall.

8 Financing the Business

Check out the [BEDC Government Incentive Guide](#) to see what might be available to assist you.

Loans – Do you need to get a bank loan? If so be sure you are ready by making sure that you have:

- i. A detailed Business Plan
- ii. Business Financial Statements
- iii. Personal Financial Statements for the owners and/or guarantor
- iv. Details of the collateral available to support the loan

v. The 5 C's:

- **Character:** What is your business experience? How have other loans been managed both business and personal? What is the reputation of the business?
- **Credit capacity:** The bank will assess your ability to repay.
- **Capital:** What are the assets of the business and the guarantor?
- **Collateral:** What security can be put forward to support the financing?
- **Conditions:** The Bank will identify the main risks for the industry and the market it operates in and include financing terms to mitigate these risks.

BEDC Guarantee - The BEDC can act as a guarantor for up to 75% of a bank loan for small or medium sized businesses that appear viable and where the credit worthiness of the borrower is sound. As guarantor of last resort, the maximum BEDC guarantee amount is \$200,000. Any small or medium sized business with no other means of collateral (cash, real estate, equipment, vehicle chattel, inventory, etc.) may contact the BEDC and apply for a guarantee. Check out the [10 Step Guarantee Process](#) for more details on applying for the BEDC Guarantee.

BEDC Micro Loan - BEDC has allocated \$100,000 in funds to be used to facilitate small loans in amounts from \$2,500 up to \$30,000. The BEDC will offer a 100% guarantee on the loans to qualified applicants. Visit www.bedc.bm for more information on the Micro Loan.

Bootstrapping – is defined by Investopedia as “a situation in which an entrepreneur starts a company with little capital. An individual is said to be bootstrapping when he or she attempts to fund and build a company from personal finances or from the operating revenues of the new company.” Can you start your business in phases, using your own personal funds and sweat equity?

NOTE: Any financial product that you may apply for, a credit check will be performed, so please ensure you are up to date with payments or payment arrangements for any debt referred to the credit association.

9 Additional Information

EEZ Zones (St, Georges, North East Hamilton & Somerset)

What is an EEZ?

An EEZ is an area of land that the Minister of Finance has designated to benefit from economic empowerment under section 2A of the Act. Economic Empowerment is achieved by allowing duty concessions on certain goods to be used in the development of properties situated within an EEZ.

- **EEZ Payroll Tax Concessions-** Any business located in an EEZ zone can apply for BEDC for a Payroll Tax Relief Letter. The letter will only give the tax concessions (which is the lowest rate) for up to 9 tax periods from the commencement of the business.
- **NEHEEZ businesses-** can receive preferential rates and terms from Butterfield Bank on Small Business, Commercial and Residential Loans.
- **Duty Deferment-** A deferment, or deferral of customs duty means that the payment of duty is made some point in the future and not at the time of importation. This is not an exemption of customs duty; the full duty is still charged and payable against the imported goods; but the full payment is simply delayed.

Letter of Credit Programme

BEDC has partnered with the HM Customs and allocated \$200,000 in fund annually to be used to facilitate lines of credit in amounts up to a maximum of \$10,000 to assist businesses in importing goods for retail sale in Bermuda.

Educational Courses

- **Think Like an Entrepreneur-** an 8-week challenging learning experience designed to reveal new opportunities, ignite your ambition and foster skills that will empower you to reach new heights as an entrepreneur.
- **Entrepreneurship 101-** an 8-week course where you will learn how to take your idea and turn it into reality with the foundation of a solid business plan. Throughout the course there will be industry professionals who will give presentations to help you with important information to ensure small business success.
- **Financial Planning and Costing using QuickBooks-** an 8-week course focused on getting business owners to accurately price and cost their products and services, review and understand financial statements and to learn how to use basic QuickBooks functionality.

- **Planning for Profit using Quickbooks** - an 8 week course, participants will learn how to utilise the Quickbooks software to manage inventory, employees and run reports. Participants should have their business already set up in Quickbooks or have taken the Financial Statements, Planning & Costing Using Quickbooks course.
- **Adhoc Training and Seminars-** BEDC offers monthly seminars based on feedback of topics from our users.

Global Entrepreneurship Week - GEW is the world's largest celebration of the innovators and job creators who launch start-ups that bring ideas to life, drive economic growth and expand human welfare. One week in November GEW inspires people everywhere through local, national and global activities designed to help them explore their potential as self-starters.

Signature Events of GEW

- **Rocket Pitch-** An island wide business plan competition for emerging entrepreneurs to submit a plan and present to judges and win cash and prizes to assist with their business start-up.
- **Women's Entrepreneurship Day-** Bermuda celebrates with over 144 nations in observing WED to celebrate the work of women entrepreneurs
- **BEDC Business Awards-** these awards are a celebration of Small Business owners and local entrepreneurs. There are a range of categories and awards are distributed to the category winners during a night of elegance.

Enterprise Bermuda- The [Enterprise Bermuda Incubator](#) programme focuses on walking participants through an in-depth twelve-month development process, which ensures the entrepreneurs get beyond the idea stage and start to bring their businesses to fruition. the resources and support that is needed through, mentorship, inhouse courses, workshops and seminars, as well as advice and mentorship from professionals in the private sector to help develop the business over a 9-month period.

Vending License- BEDC offers vending licenses to persons who sell, offer, or expose goods for sale in a public place. A vending license can be issued on an annual basis or a temporary basis up to 3 months.



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VISIT WWW.BEDC.BM FOR MORE INFORMATION